

CSR REPORT

2019

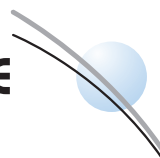


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1. FOREWORD BY THE MANAGEMENT BOARD

*Dear Ladies and Gentlemen,
Dear shareholders,*

Acting responsibly in dealing with our employees and the environment not only supports Dermapharm's business objectives, it also forms the basis for a good relationship with our stakeholders and thus for our long-term economic success. In order to make the best possible use of our own resources and promote the sustainable development of the company, we focus on the continuous improvement of organisational structures and control instruments.

Accordingly, this year we have analysed the social effects of our actions within a broader context and identified further potential for improvement. By doing so, we want to create added value for Dermapharm, society and our environment and strengthen awareness of responsible cooperation on all sides.

In order to further improve our transparency with regard to sustainability, effective immediately, you will find detailed formation on our resource and energy management for all our German sites. 90 % of our branded pharmaceuticals and other healthcare products are manufactured here. With the help of new plants, modern standards and regular optimisation of our sites, we are able to achieve resource-saving production processes across the Group.

Besides the responsible use of resources, trust and integrity are among the most important values of our company culture. For this reason, we revised our Compliance Manual in the reporting year. You will also find this online on our IR website at www.ir.dermapharm.de in the section entitled "Compliance."

We are currently developing a Group-wide e-learning management system to make it as easy as possible for our employees to access these and other important sources of information. This will supplement our range of training and continuing education measures, which will be available to our employees in the form of face-to-face events, starting in mid-2020. We will then be able to ensure up-to-date and efficient access to relevant and job-related know-how.

In addition, we attach great importance to retaining our employees in the long term at fair and competitive conditions. These include not only performance and industry-related pay, but also, above all, the promotion of training. We also achieve a culture of mutual trust and respect by offering equal opportunities, diversity and modern working hours, in which we take the needs of our employees into account.

In the following report, we would like to inform you of the sustainability aspects of our entire value chain. These include efficient resource and energy management, environmental protection, equal opportunities for our employees, but also training and development opportunities and compliance topics.

We are pleased to share our latest updates on the topics of social responsibility and sustainability with you in this report and hope you enjoy reading it.

Grünwald, April 2020

The Management Board

Dr. Hans-Georg Feldmeier
Chief Executive Officer

Stefan Hümer
Chief Financial Officer

Dr. Jürgen Ott
Chief Marketing Officer

Karin Samusch
Chief Business Development Officer

2. INTRODUCTION

The Sustainability Report published by Dermapharm Group is aimed at customers, business partners, shareholders, employees and all other stakeholders who are interested in the values and principles of our company. It comprises Dermapharm Holding SE and the companies controlled by it. Any deviations are commented on accordingly.

The 2019 Sustainability Report also features the non-financial Group Management Report for Dermapharm Group for fiscal year 2019 within the meaning of §§ 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB).

Dermapharm does not apply a framework of sustainability reporting that is commonly used at the national or international level for its separate non-financial Group Management Report. This report is based on the criteria and standards of the German Sustainability Code, however.

This report concentrates mainly on the sites in Germany, as we cover almost the entire value-added chain of pharmaceutical manufacturing at the local production facilities. Supplementary information on the subsidiaries abroad is also included, if necessary.

To make this report easier to read, we do not make use of male and female language forms, but rather always refer to both male and female persons.

3. BUSINESS MODEL, SUSTAINABILITY STRATEGY AND GOVERNANCE

3.1 Business model of Dermapharm Holding SE

Dermapharm Holding SE (together with its consolidated subsidiaries referred to as “Dermapharm” or the “Group”) is a leading manufacturer of patent-free branded pharmaceuticals for selected therapeutic areas in Germany with a growing international presence. In addition to prescription pharmaceuticals (Rx), Dermapharm’s branded product range includes in particular the growing area of over-the-counter (OTC) drugs, non-prescription natural remedies, medical products and herbal extracts. In addition, we sell parallel imported original preparations in Germany. The company currently focuses on the three segments “Branded Pharmaceuticals and Other Healthcare Products,” “Herbal Extracts” and “Parallel Import Business.”

Branded Pharmaceuticals and Other Healthcare Products

By pursuing a targeted acquisition strategy and product development, Dermapharm has developed a broad portfolio of patent-free branded pharmaceuticals in lucrative niche markets. In addition, the company offers a growing range of other healthcare products such as cosmetics, dietary supplements, supplementary balanced dietary and medical products. The extensive range of pharmaceuticals and healthcare products comprises more than 250 active pharmaceutical ingredients and more than 900 national and international marketing authorisations. These are manufactured in-house for the most part and marketed by our own sales organisation.

As a medium-sized group of companies, Dermapharm feels particularly committed to its partners such as doctors and pharmacists and its patients in particular, of course. The Group’s product portfolio covers a broad spectrum of active ingredient groups in a wide variety of dosage forms and strengths. This enables us to offer a wide range of solutions that meet different medical needs. According to INSIGHT Health, Dermapharm is the market leader in Germany for prescription dermatologics and systemic corticoids in terms of the number of prescriptions issued by physicians in private practice. According to INSIGHT Health, Dermapharm is also the market leader for prescription vitamins with its vitamin D preparation Dekristol® 20,000 I.E.

Herbal Extracts

Through the acquisition of the Spanish Euromed Group, Dermapharm has gained access to plant-based raw materials and natural active ingredients and expanded its own value chain. Euromed is a leading manufacturer of standardised herbal extracts and natural active ingredients for the pharmaceutical, food supplement and cosmetic industries. Euromed manufactures its broad range of over 80 different products itself in modern development and production facilities according to patented processes and markets these products in over 30 countries via a “B2B distribution model.” Dermapharm continues to sell Euromed products to its international customer base. It is also our goal to leverage synergies for the Dermapharm Group in this attractive segment and to exclusively secure new herbal active ingredients.

Parallel Import Business

Dermapharm operates its Parallel Import Business under the well-known “axicorp” brand. This is supported by the legal stipulation that at least 5 % of all prescription-only originator drugs prescribed in Germany within the scope of the statutory health insurance system must be imported from the internal market of the European Union.

As a result of the change in the law in August, 2019, every pharmacist must now achieve a savings target of 2 % by selling low-priced imported drugs from the internal market of the European Union. It is calculated from the difference between the expenditure for low-priced imported drugs sold and the expenditure for the respective reference drugs, taking into account the statutory discounts (§129 Para. 2 SGB V). This helps to reduce general healthcare costs.

According to INSIGHT Health, axicorp is one of the top five parallel importers in Germany of products in Germany in 2019 in terms of gross sales and covers the majority of prescription-only original medicinal products available on the German parallel import market.

Strategy



In-house product development

We develop and successfully bring to market additional pharmaceuticals and other healthcare products at our very own centre of excellence. Once our specialists identify a potentially attractive off-patent pharmaceutical that fits with our portfolio, we can successfully complete all key development and authorisation processes for generics in house – including designing and funding clinical trials. We rely on the know-how of our own experienced experts for this. We then begin manufacturing these newly developed products in-house. In total, we manufacture about 90 % of our pharmaceutical product portfolio ourselves.



Internationalisation

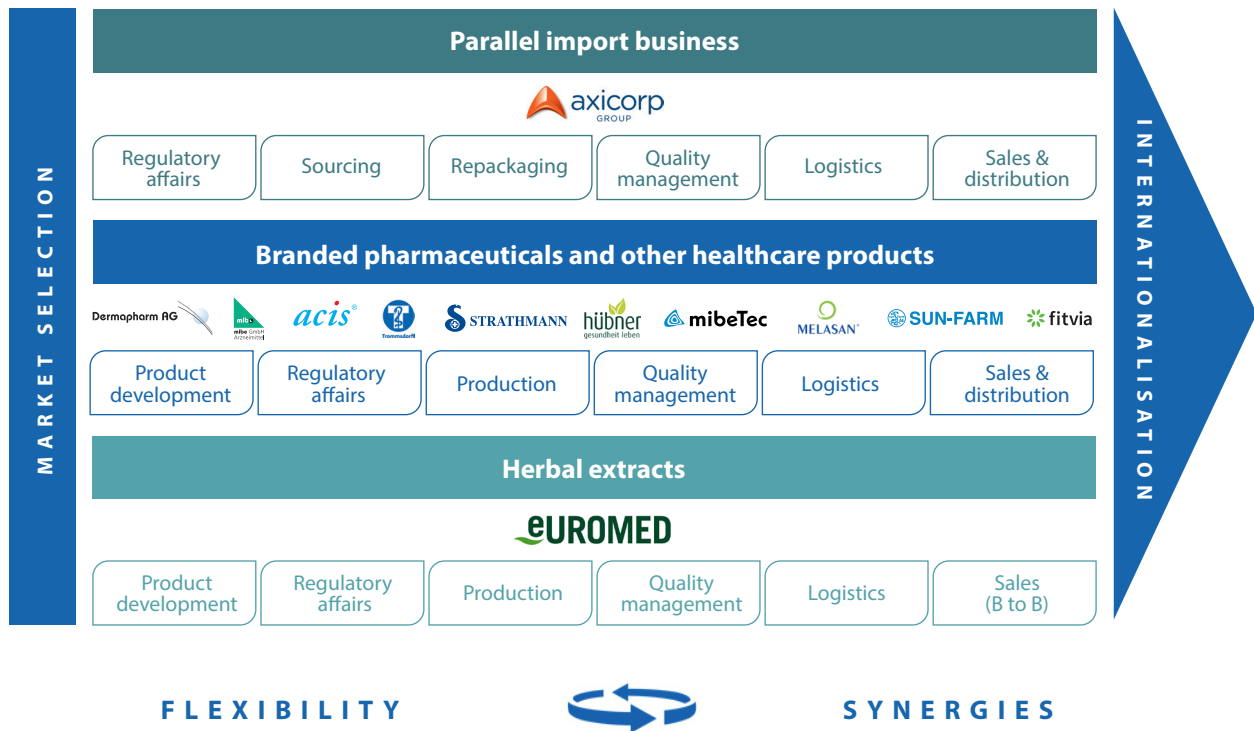
In order to further expand our business with branded pharmaceuticals and other healthcare products, we have formed subsidiaries in the United Kingdom, Italy, Spain and the United States and have hired sales and distribution managers who are intimately familiar with their respective territories. Furthermore, myriad compounds developed in-house are currently undergoing the approvals process in these countries, ensuring that we will gradually enlarge our portfolio and the respective sales and distribution structures as we expand into new markets. For instance, we are expanding into other countries in Europe, Asia and the Americas with our CE-certified and internationally patented hyperthermic medical devices bite away® and Herpotherm®.



M&A activities

Obtaining new authorisations and acquiring products and companies has always been part of Dermapharm's business strategy. Since the Company's formation in 1991, we have steadily expanded our product offering through successful acquisitions. This includes, for example, the acquisition of pharmaceuticals manufacturers such as Trommsdorff and Strathmann, which complement Dermapharm's portfolio ideally, the acquisition of attractive patented medical devices and the acquisition of Euromed, with which we are expanding the entire value chain to include herbal extracts. We continually review specific growth opportunities and continue to pursue strategic options that fit our corporate strategy.

Integrated business model of Dermapharm Holding SE



3.2 Sustainability strategy and objectives

As a manufacturer of patent-free branded pharmaceuticals and other healthcare products with the mission of improving the health and living conditions of the users of our products, sustainable and environmentally friendly production is one of our main goals. As an expert on dermatological drugs, we are aware that the skin, as the largest human organ, is in constant contact with the environment. A clean environment is therefore the basic prerequisite for people's health and well-being and is therefore also an important part of our company strategy.

With the constant expansion of our product portfolio and the growth of the Group, we have developed a sustainability strategy that is effective in even the most diverse areas of the Group. This strategy concentrates on the following aspects that are of major importance for the company's development:


- Economic performance
- Efficient resource and energy management
- Protection of the environment
- Protection, equal opportunities as well as training and development opportunities for employees
- further Compliance issues

The following objectives have been defined for these aspects:

Economic performance

The economic goals for 2020 of the Group are presented in the Group Management Report of Dermapharm Holding SE in the chapter entitled "Forecast Report."

Efficient resource and energy management

As part of the production and administration processes within the Group, we pay attention to the optimal use of available resources in order to consume as little energy as possible and produce as little waste and wastewater as possible. The production processes are optimised in line with the legal requirements with regard to conserving resources when using energy and materials. We use paper qualities from sustainable forestry () or recycled materials for our office supplies and packaging materials, for example. In order to optimise energy consumption and economic efficiency, we are switching the lighting in our plants and warehouses over to LED. When we conduct energy audits, we look for ways to reduce our energy consumption by using modern technology. In the course of this audit, for example, we have installed a third-generation chiller at our main production site in Brehna that has brought significant improvements in terms of efficiency and therefore energy savings.

Protection of the environment

Besides efficient resource and energy management and using recycled materials, we make sure that we also protect the environment in performing our everyday work, by attaching great importance to the observance of professional waste and wastewater disposal, for example. In addition, we encourage our employees to use public transport for their daily commute to and from work by providing them with appropriate travel allowances, and we also ensure that they use environmentally friendly means of transport for business trips. In addition, we ensure that our leased fleet of company cars always complies with the latest energy efficiency classes and the latest emission standards. In order to be able to guarantee this, we make sure that the leasing period does not exceed three years. Furthermore, when creating new green areas for the protection of insects, we pay attention to planting ecological meadows.

Protection, equal opportunities and training and development opportunities for employees

In order to optimise occupational safety for our employees, we provide modern work equipment, appropriate workplaces and a spacious interior design. In addition, appropriately trained safety officers monitor the working conditions in the respective areas. Discrimination on the basis of age, origin, gender, handicap, world view, sexual orientation or other individual characteristics is not tolerated. A Group-wide e-learning training management system will be gradually rolled out and implemented in 2020.

Compliance topics

Trust and integrity are among the most important values of our company culture and prerequisites for Dermapharm's success. The goal of the compliance regulations is to promote responsible and ethically correct action by managers and employees. We want to counteract possible infringements in advance and systematically prevent them. To ensure these standards, Dermapharm has a Compliance Management System (CMS) that defines clear rules, processes and responsibilities. These are contained in our Compliance Manual. The contents will soon be communicated to employees via the planned e-learning system, as well. Compliance Officers are responsible for Group-wide adherence to the compliance regulations. In addition, all employees have access to an anonymous reporting system on potential compliance violations.

General information on the compliance system and a detailed description of the activities and responsibilities of the Compliance Officers can be found in the Risk Report of the Annual Report and online at www.ir.dermapharm.de >> Compliance >> Compliance Manual (Code of Conduct).

Performance indicators

We have defined the following indicators as key performance indicators for measuring the sustainability of our operations:

- Economic performance in relation to energy consumption, waste water and waste production
- Employee development
- Product quality or complaint rate
- Equal opportunities or a women's quota
- Employee protection and occupational safety

3.3 Responsibility in corporate management

As the Management Board of Dermapharm Holding SE, we are aware of our responsibility in managing the company and take this very seriously every day. We live our principles of conduct in all business activities and thus carry them to the entire workforce.

We ensure that our compliance principles are observed as part of our Compliance Management System. The Compliance Manual, which is part of this system, contains our Code of Business Ethics and Compliance, which is binding throughout the Group. The Code of Conduct contains rules and guidelines on the topics of employee well-being, human rights, customer orientation, data protection and integrity. The manual was revised in 2019 to meet current regulatory requirements. The Chief Compliance Officer is responsible for Group-wide management and monitoring of the necessary activities. He reports directly to the Management Board and is supported by other Compliance Officers in the subsidiaries. The Compliance Manual, which summarises the main rules of conduct, will also communicate the contents via the e-learning management system in the course of fiscal year 2020, thus ensuring regular access to relevant and activity-related training content.

The rules of conduct we have adopted internally go hand in hand with current legislation as well as with external rules that we have committed ourselves to follow. With regard to the standards for good corporate management, we are guided by the German Corporate Governance Code (GCGC). We publish a [Declaration of Compliance](#) with the GCGC at least once a year and make it permanently available to the public on our website. As a member of the Federal Association of the Pharmaceutical Industry (Bundesverband der Pharmazeutischen Industrie e.V., BPI), Dermapharm is also a member of the association "Arzneimittel und Kooperation im Gesundheitswesen AKG e.V." (Pharmaceuticals and Cooperation in Healthcare, AKG). The AKG has established a code of conduct for the pharmaceutical industry that is binding for all AKG members. In order to ensure that the pharmaceutical industry acts in accordance with the law, this code is adapted to new circumstances regularly and is available for viewing on the AKG website. By becoming a member of the AKG, we commit ourselves to adhering to the guidelines of appropriate representation of the pharmaceutical industry, the provision of high-quality medicines, dialogue with the public, strengthening the pharmaceutical industry and constructive dialogue with partners. In addition, the pharmaceutical industry is subject to the legal regulations for the prevention of corruption, which clearly sanctions misconduct by the industry or healthcare professionals.

In light of our M&A activities and the internationalisation that they involve, we as the Management Board are particularly responsible for transferring the existing guidelines for sustainability, environmental protection and social competence to these Group divisions. A cooperative partnership within the Group as well as within the global supply chain and in dealing with our international customers is not only important to us, but also one of the prerequisites for our success. With the planned e-learning system, we will create the prerequisites for regular training of our employees throughout the Group on sustainability, environmental protection and social skills in the course of fiscal year 2020.

One of the fundamental responsibilities of good Corporate Governance is to uphold internationally recognised human rights and strictly reject all forms of child and forced labor. We take these into account in our business activities. We also place great emphasis on fair and performance-related remuneration. We therefore present the remuneration system, the level of remuneration and the target agreements of the Management Board and Supervisory Board in detail in the Remuneration Report of the Annual Report. Management and employees participate in the success of the company on the basis of the evaluation of the company's development and the achievement of individually agreed targets.

Elements of responsible company management



Compliance Officer



Group-wide
Code of Conduct



Employee
manuals



Guidelines of the
Federal Association
of the Pharmaceutical
Industry (Bundesverband
der Pharmazeutischen
Industrie e.V., BPI)



German Corporate
Governance Code (DCGK)



Anti-corruption law
for healthcare

3.4 Stakeholder involvement

Dermapharm is in constant contact and dialogue with all relevant stakeholder groups. These include employees, customers and suppliers, but also investors, analysts and banks.

We regard diversity and open communication as strengths. We proactively address different ideas and opinions in all areas and at all levels of the Group. This enables us to identify different interests at an early stage, to work out solutions in dialogue and thus de-escalate possible collective disputes from the outset. We treat employee representatives and collective bargaining agreements at individual locations with great respect. In an open dialogue, we continue to develop established structures and company cultures at our new sites. In order to optimise workplaces and working methods, employees also have the opportunity to participate in a company suggestion scheme. Company events also provide an opportunity for informal exchanges and strengthen identification with the company.

We are in regular contact with our customers through a professional and customer-oriented salesforce, key account managers and a call center. More than 860,000 contacts were established in 2019 through our pharmaceutical and commercial field salesforce. We are also in regular contact with our end users. Besides useful information and advice brochures on our homepage, we therefore also offer ways to contact us directly by phone, e-mail or online form.

Dermapharm's suppliers are trained and certified in accordance with the EU regulations for the manufacture of medicinal products. This process includes a permanent quality assessment as well as an audit of the manufacturing sites by our own employees or by commissioned, appropriately qualified persons according to defined plans. The supplier qualification is carried out for all suppliers, regardless of their location, according to the applicable EU standards, the so-called GMP rules (Good Manufacturing Practice).

Asian countries are the most important sources of supply in the global procurement market for active ingredients. Suppliers to the Dermapharm Group are therefore obviously also based there. So that we can maintain close and direct contact with our suppliers in these countries in particular, our own employees support us on site.

Active dialogue with investors, analysts and banks is also a top priority for us. In this context, we regularly provide information about the company's development via the usual channels of capital market communication. Our listing on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange enables us to meet the highest possible transparency requirements. This also includes the holding of an Annual General Meeting. Beyond the legal obligations, we endeavor to promote constructive dialogue by participating in various international analysts' and investors' conferences, road shows and one-on-one meetings. In addition, we offer regular telephone conferences and webcasts on special occasions. All relevant information on the development of the company is made available on www.ir.dermapharm.de in German and English.

Capital market communication



4

Financial reports



4

Webcasts /
Phone conferences



13

Conferences
and Roadshows



1

Annual
General Meeting



16

Corporate news
and ad hoc announcements



∞

Regular exchanges
with investors, analysts
and the media

3.5 Risk management in the context of sustainability

Dermapharm has a comprehensive risk management system which takes into account all components of the value chain. Since the consideration of sustainability aspects is essential for the assessment of opportunities and risks, they are also taken into account at this point. A detailed description of the risk management system can be found in the Opportunities and Risk Report of the Management Report published by Dermapharm Holding SE.

3.6 Rules, processes and controls

We have a control system and corresponding financial performance indicators for the economic planning and management of the individual business segments. These are described in detail in the Annual Report.

The production, quality control and distribution of healthcare products, but of pharmaceuticals, in particular, is subject to strict regulatory control in addition to self-monitoring by our company-wide quality management system. This is certified to comply with the applicable quality standards within the EU. These so-called GMP (Good Manufacturing Practice) rules represent the industry-specific quality standard. Compliance with these in production and testing ensures the consistent quality of the products Dermapharm sells. Besides having an internal quality management system and the validation of processes, the EU GMP guidelines also prescribe the regular training of personnel and the certification of rooms and equipment. All process steps must be documented, transparent and traceable at all times. In addition, the quality of the finished goods is verified and documented by checking the end products. By adhering to these rules, we ensure that our processes and products deliver consistently high quality and reproducibility. The validated manufacturing processes and test procedures are submitted, checked and approved as part of the official approval process. Depending on the status of our products, compliance with the quality standards is checked in regular inspections by drug authorities (for pharmaceuticals), notified bodies such as TÜV Süd for medical devices or veterinary authorities for food supplements. The quality, efficacy and safety of our products are the focus of our activities in the interest of our patients and customers and therefore have the highest priority.

In order to continuously monitor the risk-benefit ratio of our medicinal products, we also follow the rules of the EU standards for good pharmacovigilance practice. Accordingly, the Group has a validated pharmacovigilance system under which all approved drugs are checked regularly. For this purpose, our expert employees collect and evaluate all known reports on drug risks and forward them to Dermapharm's central pharmacovigilance department, which shares these findings with the respective authorities. New findings are taken into account as quickly as possible within the framework of the applicable regulations. The most frequent measure here is the updating of the product information texts. In a final inspection by our information officer, every package leaflet which leaves the company is checked for its unrestricted truthfulness.

Additional rules, processes and controls relating to individual aspects of sustainability are described in more detail in the next chapter.

4. SUSTAINABILITY ASPECTS

4.1 Environmental issues

As part of its approach of an integrated business model, Dermapharm covers almost the entire value chain of pharmaceutical production at its own sites. These include the German plants of mibe (Brehna near Leipzig), Anton Hübner (Ehrenkirchen), Trommsdorff (Alsdorf), Strathmann / Biokirch (Seevetal) and axicorp (Friedrichsdorf), but also sites outside Germany, such as Melasan (Eugendorf, Austria), Euromed (Barcelona and Murcia, Spain) and Sun-Farm (Lomianki, Poland). From product development to raw material procurement, extract production, production of dosage forms, packaging, warehousing and dispatch, we cover all steps of the value chain in-house. Approx. 90 % of all products sold are manufactured in-house, thus creating short distances from production to dispatch and thus also to the customer. Our integrated business model guarantees energy-efficient production and short transport routes, thus not only conserving resources and the environment, but also contributing to the profitability of our business.

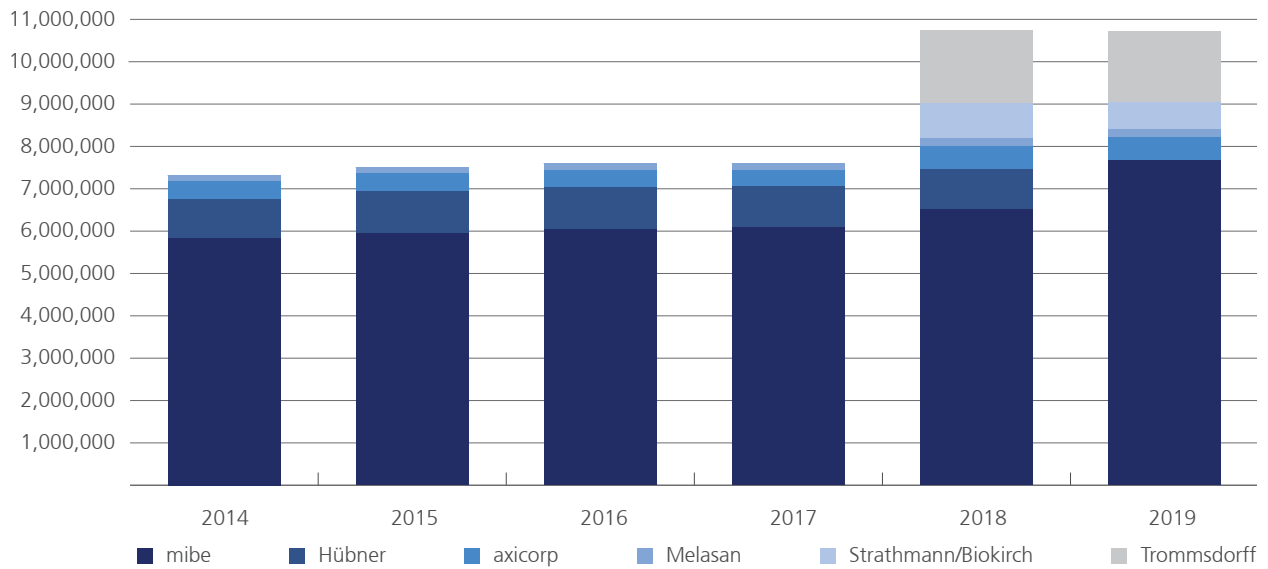
We create the prerequisites for resource-saving production processes through state-of-the-art standards and continuous maintenance and optimisation of our sites. This includes efficient production facilities that are state of the art and consistent energy-saving measures. Through effective thermal insulation of the buildings, greenery on the warehouses and active ventilation at night, we are able to dispense with costly and energy-intensive air-conditioning in our warehouses in the summer months. Office buildings are temperature-controlled to the greatest extent possible without additional air conditioning by shading and heat insulation in accordance with the workplace. In addition, a highly efficient new refrigeration system was installed at the Brehna plant and an old system with much lower efficiency and performance was replaced. We also replaced another refrigeration system and achieved higher efficiency through this measure so that a considerable increase in cooling capacity is achieved with less energy consumption. Our plants were certified in 2015 by an accredited engineering company that conducted an energy audit according to DIN EN1642. A repetition of the energy audit is planned for 2020.

In addition, we are equipping all of our production plants with energy-efficient LED lighting. This conversion has been carried out or is planned at our main site in Brehna, both in the warehouses and in the office buildings, as well as at many of our Group companies' sites. We have thus already implemented a large part of the conversion to energy-efficient LED lighting. We are also successively pushing ahead with the ongoing process at our other sites.

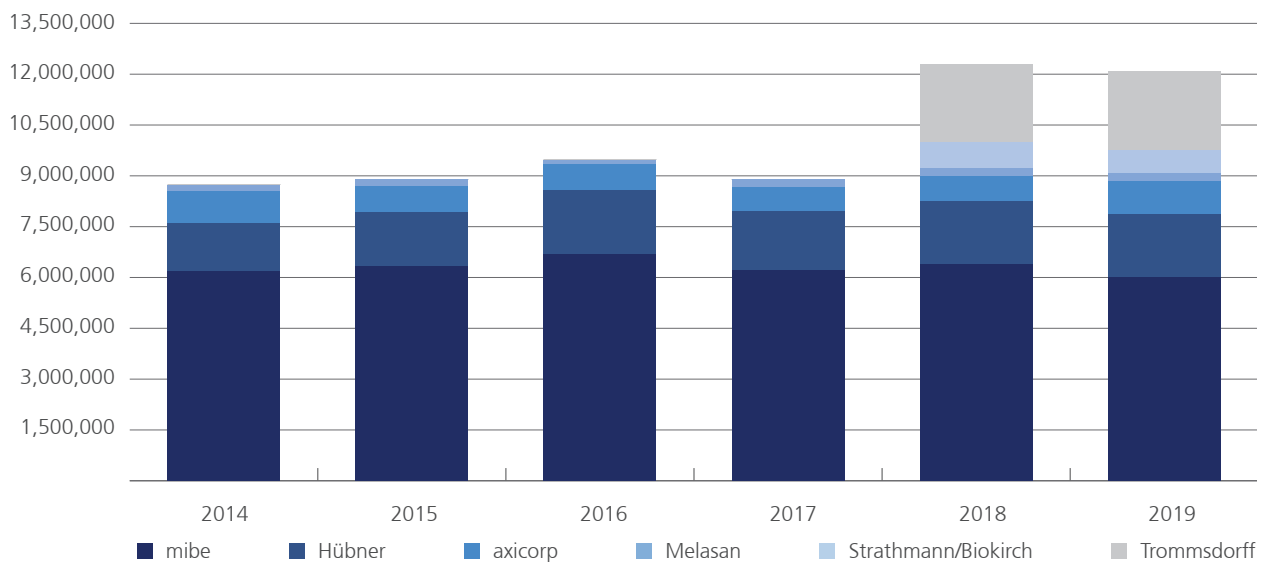
Energy consumption in kilowatt hours (kWh) and compared to the operating performance indicators revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) is shown in the following charts. It is clear that the increase in operating performance is significantly higher than the increase in consumption. We have thus achieved our main goal of optimising energy consumption in recent fiscal years and increased the efficiency of our production facilities.

Energy consumption of Dermapharm Group*

Electricity consumption from 2014 to 2019 in kWh

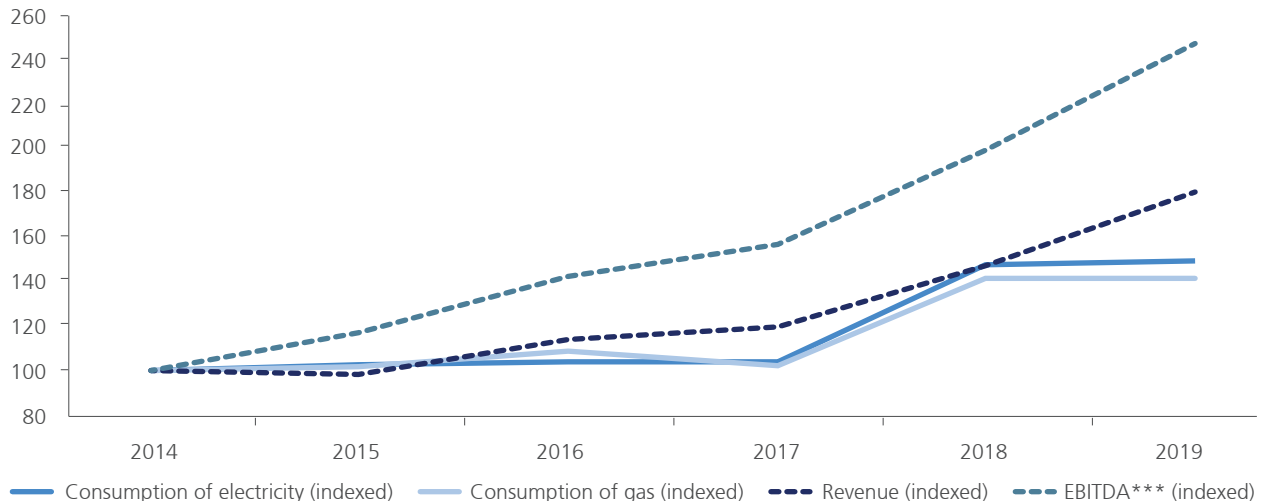


Gas consumption from 2014 to 2019 in kWh



*German sites

Energy consumption for the years 2014 to 2019 compared to revenue and earnings development**



Revenue and EBITDA of the Dermapharm Group in a multi-year comparison (in EUR million)

Jahr	Revenue	EBITDA***
2014	391.3	72.5
2015	384.8	84.6
2016	444.5	102.7
2017	467.1	112.9
2018	572.4	143.4
2019	700.9	177.6

* German sites

** Values indexed according to the basic value 100 index points. Revenue and EBITDA also include the sites outside Germany.

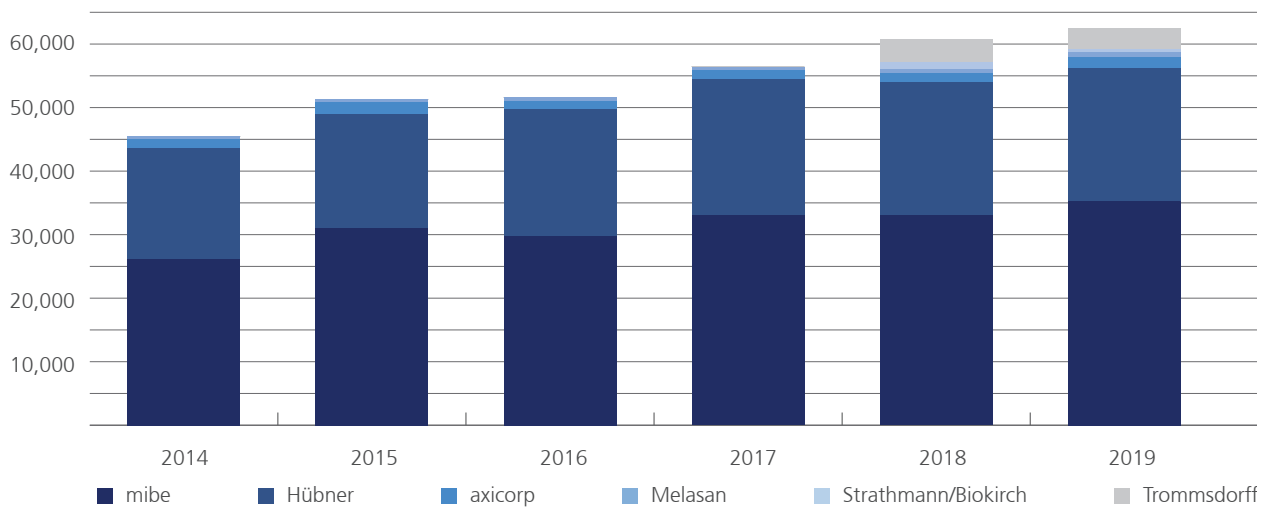
***EBITDA 2017 and 2018 adjusted for one-time costs in connection with the preparation of the stock exchange listing and the stock exchange listing and the acquisitions of Strathmann and Trommsdorff in the amount of EUR 2.7 million and EUR 3.8 million, respectively. 2019 EBITDA adjusted for one-time costs and restructuring costs in the amount of EUR 9.1 million

Efficient management of resources also plays an important role for us in the context of water consumption and waste water reduction. Careful cleaning of equipment is essential for manufacturing processes and product quality in the pharmaceutical industry. Water is the decisive solvent for the cleaning processes. We therefore attach great importance to keeping water consumption as low as possible. Accordingly, we prefer dry cleaning methods to wet cleaning wherever possible. In addition, our modern production facilities promote the efficient use of resources, resulting in only very low residual deposits. This, together with our so-called cip systems ("cleaning in place"), enables efficient cleaning and reduces waste water usage. At the same time, we take technical precautions, such as catchment and retention basins, in order to effectively rule out groundwater contamination. We are so successful in this that our production sites are directly connected to the sewerage systems of the respective communities even without special water treatment plants. We maintain an active dialogue with these communities and, together with local politicians, develop sustainable concepts for our sites. For example, a joint concept for rainwater infiltration will be developed in Brehna.

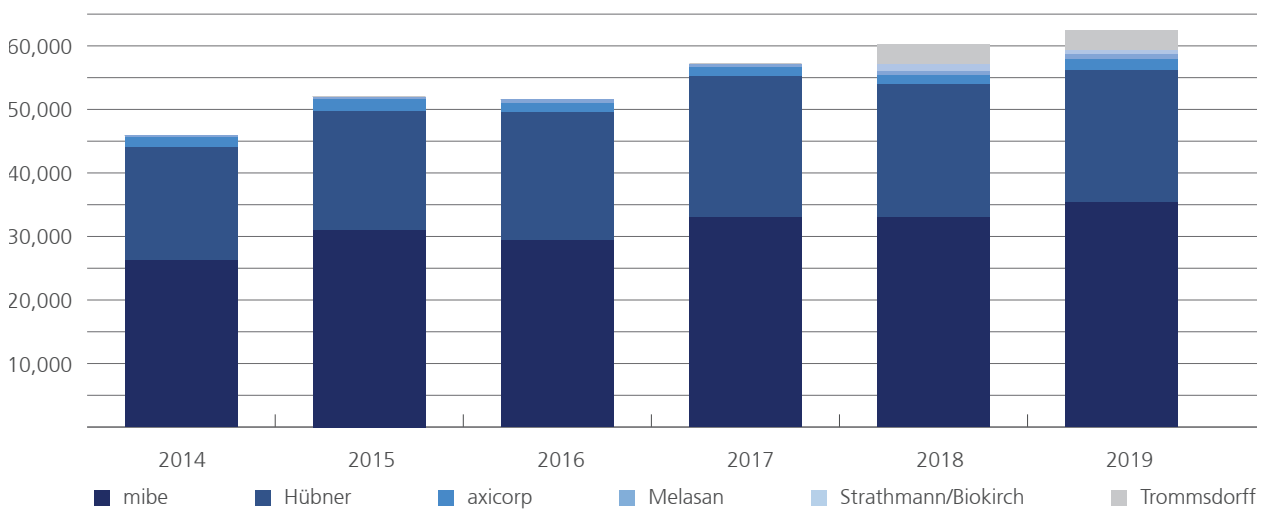
Water consumption and the resulting waste water in cubic meters (m³) is shown in the following diagram as an example for the mibe GmbH Arzneimittel plant in Brehna that uses more than half of the water used. An indexed comparison of the water and waste water consumption of the Brehna plant with the development of the Group's revenue and EBITDA shows that the operating performance has improved disproportionately with a moderate increase in the use of resources.

Water consumption of Dermapharm Group*

Water consumption from 2014 to 2019** in m³



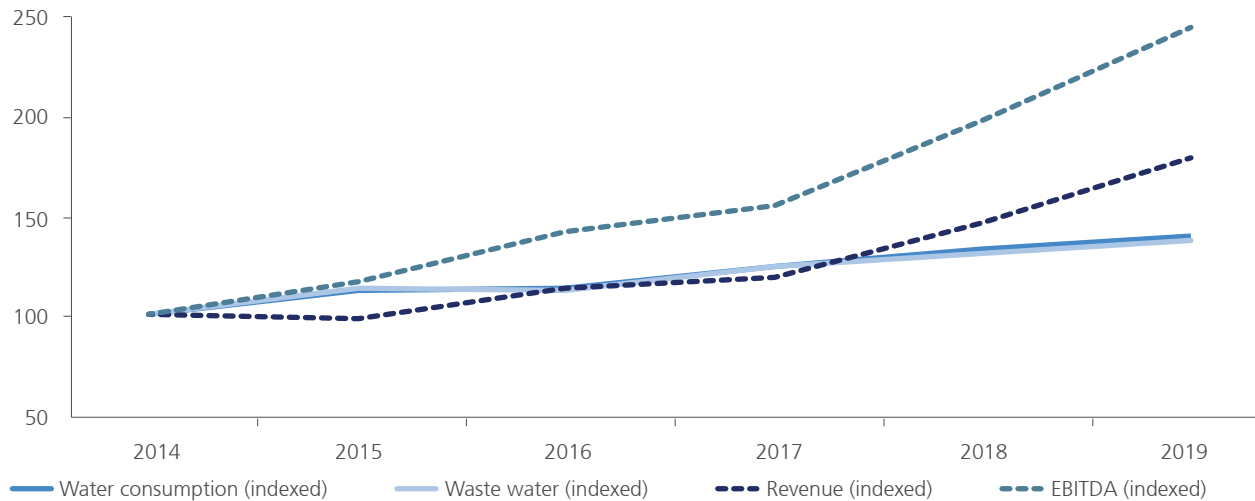
Waste water consumption of Dermapharm Group from 2014 to 2019** in m³



* German sites

**Volume from April of the previous year to April of the year shown.

Water consumption and waste water of mibe GmbH Arzneimittel from 2014 to 2019* compared to the revenue and earnings development of the Dermapharm Group**



* Water consumption and waste water from April of the previous year to April of the year shown. Revenue and EBITDA corresponding to the respective reporting date of December 31.

**Values indexed according to the base value of 100 index points. EBITDA 2017 and 2018 adjusted for one-time costs in connection with the preparation of the stock exchange listing and the stock exchange listing and the acquisitions of Strathmann and Trommsdorff in the amount of EUR 2.7 million and EUR 3.8 million, respectively. 2019 EBITDA adjusted for one-time and restructuring costs in the amount of EUR 9.1 million

Waste management and the proper disposal of recyclable materials and pharmaceutical packaging are carried out in accordance with statutory regulations. The waste disposal of pre-packaged products is essentially organised via the Dual System of the service provider Zentek Service GmbH & Co. KG in Cologne, the joint venture of leading independent medium-sized waste management companies in Germany. In this way, we ensure compliance with the recycling quotas required by law. The principle of the best possible separation of recyclable materials applies to disposal. Our pharmaceutical packaging is collected in accordance with the statutory provisions of the Packaging Ordinance and then disposed of professionally and in a CO₂-neutral manner.

The following quantities of pharmaceutical packaging were fed into the Dual System for recycling in fiscal years 2018 and 2019:

Recycled waste materials

In tons	2019	2018*	+ / -
Glass	575	586	-1.9 %
Cardboard	645	566	+14.0 %
Ferrous metals	2	2	+0.0 %
Aluminum	47	40	+18.0 %
Plastics	165	153	+7.8 %
Other composite packaging	218	174	+25.3 %
Other materials	4	23	-82.6 %

*New in 2018: Trommsdorff GmbH & Co. KG, Strathmann GmbH & Co. KG, mibeTec GmbH

Acting economically helps to reduce waste. With a maximum yield from the raw materials used and the highest quality standards, we can significantly reduce the amount of waste. In 2019, more than 61 million pharmaceutical packs were manufactured in the Dermapharm Group's plants (previous year: 48 million). The complaint rate - only due to packaging defects, not due to defects in the products - was below 0.0038 % (previous year: <0.005 %). This reflects the high level of care in our pharmaceutical production.

Pharmaceutical packages sold and complaints



61,1 Mio.
pharmaceutical packages sold



< 0,0038%
complaint rate

By manufacturing approx. 90 % of the entire product range at its own plants and applying the regional principle in the procurement of raw materials, Dermapharm optimises transport routes within the value chain. If the supply of raw materials from overseas is necessary for production, air freight is avoided wherever possible. For dispatch logistics, Dermapharm relies on the use of a central logistics center in Brehna. This is the transfer point for as many products as possible to qualified forwarding agents, who distribute the goods to the customers in accordance with the applicable transport quality criteria. Through this centralisation, Dermapharm bundles its own flows of goods and optimises customer transports.

Mobility and communication

Dermapharm maintains a fleet of modern and environmentally friendly vehicles that are replaced regularly for employee transportation purposes, including the use of company cars – for field force employees, for example. Where possible, communication between the individual branches is handled via electronic channels. In the case of business trips between locations, travel by train is supported, e.g. by issuing train discount cards to frequent travelers, and is thus preferred over other means of transport.



Travel
by train



Modern
company car fleet



Electronic
communication

4.2 Employee matters

In the area of employee matters, Dermapharm complies with all applicable employee laws in Germany and the countries in which the subsidiary is domiciled. In addition, the management considers it to be a very important task to maintain and further develop a medium-sized company culture together with the employees.

One of the most important basic principles of the Group is to bind employees to the company on fair terms and for as long as possible. With regard to increases in pay, we are guided by the relevant industry collective agreements. We dispense with the use of temporary workers for the most part. In accordance with these basic principles, even fixed-term contracts are only concluded in cases where there is a temporarily heavy workload.

In accordance with our principles, the identification of permanent employees with the company is specifically promoted. These principles apply in the same way to blue-collar workers, white-collar workers and field force. As an employer, we offer performance- and industry-related remuneration. In addition to the basic salary, we provide additional benefits and, if business is good enough, special bonuses.

Education and advanced training

In order to ensure the availability of qualified staff, we consistently focus on in-house employee training. At its German operating sites Dermapharm Group provides training in all industrial sectors. In 2019, 46 young people (previous year: 39) were trained there in the professions of pharmacist, laboratory technician, industrial clerk, media designer, cook and IT specialist as well as specialist for warehouse logistics. The hiring rate after the end of training was 86 % in fiscal year 2019 (previous year: 73 %). The goal is always to keep the newly acquired workforce in long-term employment. For targeted personnel recruitment, we therefore particularly promote dual courses of study, bachelor's theses and doctorates as well as master craftsman courses.

A permanent education and training program is available for production staff. The internal and external further training opportunities include topics such as general hygiene and occupational safety, but also training on the equipment and new machines. Regular specialist training courses are held for employees who work in product development.

We use the company's own training database to record the training successes of the salesforce. In addition, all employees receive a certificate of completion of the respective training area after attending classroom training. We also plan to implement a Group-wide e-learning management system in 2020. Compared with the training opportunities offered as face-to-face events, the offer of an online platform minimises the effort of the individual employee and helps to organise the training system. We thus want to ensure that all employees have access to the latest information.

**46**

Trainees

**86%**

acceptance rate

**100%**

access to training and further education

Company health management

To protect our employees and to promote their health in the long term, we place great emphasis at our main production site in Brehna on a company health management system (CHM) that creates the necessary conditions, framework and procedures within the Group. Besides promoting health, company integration management (CIM) and absenteeism management, our company health management also covers the topics of occupational safety and health protection. We are guided by business management objectives and coordinate the respective measures in accordance with company policy, personnel and organisational development.

Together with the company medical centers, we plan, carry out and evaluate health-related measures at the respective locations that are specifically tailored to the company. The company medical centers assume the fulfillment of the company medical tasks required by § 3 ASiG and DGUV regulation 2. They support us in all matters of health protection, in particular by providing advice, occupational medical examinations, regular checks on operating conditions, advice and instruction of employees.

In addition to all legally required examinations and examinations in accordance with the principles of the employers' liability insurance association, individual information and advice are at the forefront of occupational medical care and prevention. This is always carried out in accordance with the Occupational Safety Act (Arbeitssicherheitsgesetz, ASiG) and all valid GMP requirements. In the context of occupational safety committees or employee training courses, medical issues are addressed regularly and possible solutions identified. In addition to a company doctor's consultation hour on site, we also offer flexible examination times. We can always find an appointment even for last-minute examinations.

The link with the risk assessment of mental stress is another important component of our CHM. The company physician is not only the first point of contact on a high basis of trust in cases of classical health hazards such as exposure to hazardous substances or noise, but also in those cases in which employees suspect a connection between a mental disorder and their work. The assessment prepared by the company physician and the respective safety specialist helps us to draw up individual action plans and thus initiate a development process towards working conditions that are designed to promote health.

Company medical advice and care in accordance with ASiG and all valid GMP requirements include the following points:

- Advice on all matters of health protection and prevention of chronic occupational diseases
- Workplace inspections and advice on health problems at work
- Participation in the preparation of risk assessments and in the planning and design of workplaces
- Advice on company-specific prevention measures
- Advice on rehabilitation and occupational reintegration or change of job
- Counselling and assessment of professional resilience and work ability
- Youth Employment Protection Act
- Maternity Protection Act

In addition to the basic care required by law, there is also company-specific care that can be arranged variably as is necessary. The following occupational health protocols are also included in the company-specific care:

- Vaccinations, vaccination advice
- Support of CIM (company integration management) measures after long periods of illness of employees
- Support in the evaluation of absences and sick days, as well as accidents at work
- Addiction issues
- Job analyses
- Investigations and consultations according to the principles of the employers' liability insurance association (G-investigations)

In addition, we encourage employees to take action for the benefit of their own health. These include offers of health-conscious nutrition for employees through a healthy and balanced range of meals in e.g. mibe GmbH Arzneimittel's company restaurant as well as offers for preventing addiction within the company. At many of the Group's locations, we also offer our employees special health or sports programs, which we provide in cooperation with the statutory health insurance companies. These include back training to promote exercise and yoga courses to help employees cope with stress and get into better shape, for example.

Other measures aimed at promoting health include the provision of modern, well-illuminated and ventilated workplaces. The workplaces are subject to individual safety precautions and regulations according to a previously conducted risk assessment. Each department has safety officers. At the same time, regular training and safety analyses are carried out by external experts. This enables us to minimise the number of occupational accidents and keep the accident rate low.

Safety and employee suggestion scheme

Dermapharm has an in-house suggestion system to optimise workplaces and working methods. In this way, employees can contribute their ideas to the improvement of processes. All suggestions are analysed, evaluated and awarded prizes.



0,02

occupational accidents per employee*



31

recommendations for improvements
via the employee suggestion scheme

*Occupational accidents with a subsequent absence from work of more than three days

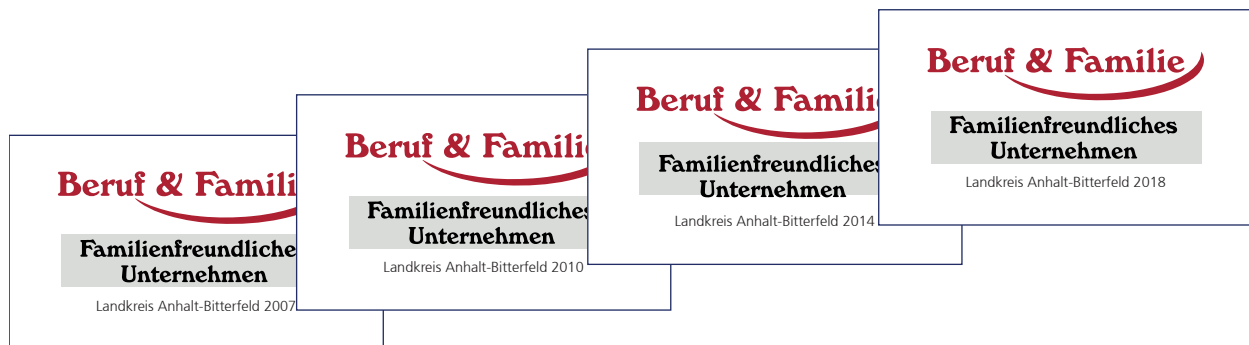
4.3 Social topics

As an important employer in the Leipzig-Halle-Bitterfeld (Brehna) region, but also at the other locations Dermapharm is active at, the company takes its responsibility to the community seriously and is committed to its employees and the region.

This includes providing employees with a modern and social working environment. At the largest sites, there are modern social rooms and, in some places, own company restaurants. The company also provides generous support for its employees. Hot drinks and water are generally free of charge and available to every employee at every workplace. During company parties at the various sites, there is also the opportunity for informal exchanges between the Management Board and all company employees. This helps to strengthen identification with the company.

Dermapharm places great importance on a modern organisation of working hours that takes the needs of its employees into account. As part of an employee-related assessment, we always strive to take the family and social situation of our employees in particular into account. This applies to both the flexitime model for employees and to the working time models for industrial employees. This may include the agreement of day shift models for young mothers with small children who originally signed a regular shift work contract, as well as the entitlement to return to full-time employment or the preferred holiday planning of employees with children. The establishment of annual and monthly working time accounts enables employees to reconcile personal interests with operational requirements in an optimised manner. mibe GmbH Arzneimittel has successfully participated in the competition "Compatibility of Work & Family" since 2007 and has already been awarded the title "Family-friendly company in the district of Anhalt-Bitterfeld" four times. The Group's Management Board considers the Brehna production site to be a role model for all of the other plants.

Recognised 4x as a "Family-Friendly Company"



4.4 Ethical and legal conduct

All business activities of the Dermapharm Group are based on clearly defined principles of ethics and conduct. These are precisely defined in the Code of Conduct and comprise all rules and ethical values to which we are committed and whose implementation we actively promote. At the same time, each individual employee of the Group is responsible for implementing these principles in his or her personal working environment. In order to strengthen conduct in compliance with the law and legal requirements, we have implemented various measures and controls to identify potential violations in advance and to systematically prevent them. In this way, we create a fair working climate and loyal cooperation, in the context of which dishonest, discriminatory or illegal conduct has no place.

We attach great importance to a culture of mutual trust and respect in which equal opportunities and diversity of our employees are actively promoted. Discrimination on the basis of age, origin, gender, handicap, world view, sexual orientation or other individual characteristics is not tolerated. Equality between men and women is a central component of our company policy. In 2019, women accounted for 58 % of all Dermapharm Group employees (previous year: 61 %). Among employees in management positions, the share of women at the first management level was 29 % in 2019 (previous year: 46 %), and 49 % at the second management level (previous year: 50 %).

We respect internationally recognised human rights and the Charter of Fundamental Rights of the European Union and support their observance. We also constantly strive to comply with country-specific requirements such as the [UK Modern Slavery Act](#). We reject all forms of forced and child labor. When selecting suppliers from third countries, we will try to further develop and continuously improve the auditing with external support in 2020 according to appropriate audit plans. As part of this audit process, we will also place greater emphasis on compliance with human rights and environmental standards in the future.

As employees of the Dermapharm Group, we defend the interests of the company and always behave with integrity. This includes avoiding conflicts of interest as well as preventing bribery and corruption. Donations are only granted and carefully checked under certain conditions. We strive to comply with the relevant sanction and embargo regulations and the applicable laws against money laundering and report dubious financial transactions immediately to the Chief Compliance Officer. From our reporting system, we are not aware of any incidents such as agreements with competitors or restrictions on the freedom of our dealers and customers. If the above-mentioned incidents become known, they are recorded by our reporting system and, if necessary, followed up on.

We report once a year on the work of the Management Board in accordance with the GCGC-DelARATION of Compliance. The Management Board is monitored and advised by the Supervisory Board, whose work we also document in accordance with the applicable laws and regulations. Further information on the activities of the Supervisory Board in 2019 can be found in the Annual Report in the Report of the Supervisory Board. Detailed explanations of our compliance measures can be found in section "3.3 Managing the company responsibly" and in the Compliance Manual.

We were not aware of any cases of corruption or fines for non-compliance with laws and regulations in fiscal year 2019, nor were any such cases reported to the management through the aforementioned reporting system.

Data Protection

We respect the privacy and confidentiality of information about individuals and comply with the laws that have been enacted to protect them. The Group's Data Protection Officer monitors compliance with these laws.

We process personal data exclusively for clearly specified and legally permissible purposes and also respect the rights of the persons concerned, whether they are employees, customers, suppliers or other persons with whom we come into contact in the course of our business activities.

Bioethical issues

The Group's R&D activities are focused on the development of products with known active ingredients that are either chemically defined or derived from plant sources. Within the scope of approval procedures, we also conduct clinical studies for this purpose, which, depending on the field of application of the future product, may also include underage patients. The results of these studies are also made known to the public in accordance with the legal requirements. Genetic research on study participants and the harvesting of human embryonic stem cells are not necessary for this purpose. With the exception of blood samples, which are collected during the clinical studies, also for reasons of safety of the study participants, we do not take any human biological samples. The blood samples obtained are stored only for as long as necessary for the required analysis. Afterwards, they are destroyed in accordance with applicable guidelines. The study patients are informed about all measures planned, including those related to the blood samples taken, in accordance with the legal requirements, and can withdraw their consent to further processing of these samples at any time. In this case, the samples are destroyed immediately without further analysis.

Since the Group does not develop products with bioethical issues, there is no need for a corporate body to deal with these specific issues. All clinical studies within the scope of approval procedures are submitted to external ethics committees and may not be carried out without a positive vote. All clinical trials carried out by Dermapharm comply with the guidelines of Good Clinical Practice (GCP) as formulated in the EU Directive 2001/20/EC. This includes appropriate staff training, further training measures, self-inspections and audits for all those involved in conducting clinical trials. In addition, the majority of the studies are conducted either in Germany or in neighboring EU countries. Compliance with the GCP guidelines is strictly monitored in these countries. We also ensure that studies conducted outside the EU comply with the EU directive, as all studies are conducted in connection with the corresponding approval procedures in the EU.

As part of product development, we concentrate on known active ingredients. As a rule, no animal testing is required for these products, which means that our company does not have an appropriate committee to deal with this complex of issues.

5. IMPRINT

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