Policy Statement

for Dr. Falk Pharma GmbH and its Affiliated Companies

Preface

As a family-run and family-owned company, we believe in continuity and togetherness. The original idea of founder Dr. Herbert Falk of achieving “progress through exchange” is a lived part of our culture and values – an approach we follow not only when it comes to improving patient health, but also in relation to compliance with due diligence requirements and duty of care.

As a specialist in digestive and metabolic medicine, Dr. Falk Pharma GmbH and its affiliated companies take responsibility for compliance with due diligence requirements in relation to human rights and the environment both within internal business operations and along global supply chains. This objective forms the basis of all our corporate activities and of our sustainability management, which we established in 2023 and will continue to develop on an on-going basis.

We believe that respect for human beings and our environment are key elements in mutually respectful business relations and vital for a future that is worth living.

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1 Commitment of Dr. Falk Pharma GmbH and its affiliated companies to respecting human rights

In order to underline and systematically implement the fundamental anchoring of human rights and environmental rights both within our own business operations and along our global supply chains, Dr. Falk Pharma GmbH and its affiliated companies (referred to in the following as the “Falk Group”) will base their activities on the following recognised international standards and guidelines:

- United Nations Universal Declaration of Human Rights
- United Nations International Bill of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- Recognised international standards of the eight fundamental labour conventions of the International Labour Organization (ILO)
- Minamata Convention on Mercury dated 10 October 2013 (“Minamata Convention”)
- Stockholm Convention on Persistent Organic Pollutants (POPs)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (“Basel Convention”) dated 22 March 1989

2 Scope of validity and expectations of employees and suppliers

This Policy Statement describes the basic principles for compliance with due diligence requirements and care of duty in relation to human rights and the environment that have been anchored by Dr. Falk Pharma GmbH and its subsidiaries in their business processes. All employees, suppliers and business partners are expected to comply with the principles set out in this Policy Statement and with the international standards relating to human rights and the environment on which it is based.

The implementation of the principles set out in these documents and the protection of the resulting legal positions are anchored in the day-to-day workings and activities of our employees. This Policy Statement serves as a guide and is intended to enable compliance with due diligence requirements in relation to human rights and the environment.

We expect our suppliers and service providers to act in accordance with the same principles and to accept and support our principles. The specific expectations we place on our suppliers are integrated in our “Supplier Code of Conduct” and form a fixed part of the selection process for our suppliers and business partners. At the same time, we also encourage them to pass on these expectations to their own suppliers and business partners.

3 Approach to achieving compliance with due diligence requirements in relation to human rights and the environment

3.1 Risk management and responsibilities

As an internationally active specialist in digestive and metabolic medicine with subsidiaries in various European countries and in Australia, we are exposed both as a group of companies but also along our global supply chains to a wide range of risks in relation to the environment and to human rights. We employ a standardised risk management system to identify and address risks. In the process, we continuously monitor the implementation of due diligence requirements with regard to changing framework conditions and take into account the findings from risk analyses and from the processing of internal and external information. On this basis we continuously develop and improve the processes that enable us to meet our due diligence obligations in relation to human rights and the environment both within our group of companies and in the relationships we have with our suppliers and other business partners.

To ensure that due diligence obligations in relation to human rights and the environment are met both within our group of companies and across our global supply chains, we have defined and anchored corresponding processes and responsibilities. This includes the appointment of a central Human Rights Officer, who is also responsible for monitoring risk management in relation to the German Act on Corporate Due Diligence Obligations in Supply Chains (*Lieferkettensorgfaltspflichtengesetz*, LkSG). Based on their specific role, the relevant local contact persons in the subsidiaries have a duty to coordinate the implementation of due diligence obligations in supply chains in accordance with LkSG. As a result, risk management is anchored in all areas of the business throughout our group of companies, and therefore also in all relevant processes.

3.2 Risk analysis

A comprehensive risk analysis is an important basis for ensuring compliance with our corporate due diligence obligations. The goal of a risk analysis is to identify potentially negative impacts in terms of human rights or environmental issues both within our own business activities and in our supply chains and to put in place suitable corrective or preventive measures where required. Starting from the 2024 financial year, as part of complying with our legal requirements in accordance with LkSG we have been performing this type of risk analysis on an annual basis or as needed when knowledge of breaches is substantiated.

Analysis of risks in our own business areas

In order to analyse the risks associated with our own business activities in relation to human rights and the environment, we have developed a questionnaire and an underlying evaluation concept. The purpose of this concept is to identify, evaluate and prioritise the site-specific net human rights and environmental risks. At each site, the role-specific contact person evaluates the risk categories defined in LkSG based on likelihood of occurrence and expected severity (impact, scope, irreversibility). It is the responsibility of the relevant local contact person to identify further role-specific persons in their relevant sphere of action and

to entrust them with the performance of the risk analysis. Here, various evaluation categories are taken into account, e.g. the presence of a certified management system, clear roles and responsibilities, process instructions, established processes and procedures as well as performance indicators and reporting structures.

The results of this risk analysis flow continuously into the corporate decision-making processes and serve as a basis from which suitable targets can be identified along with preventive and corrective measures.

Analysis of supply chain risks

In addition, we also perform risk analyses on our global supply chains on a regular basis or when needed. We use a software-based analysis tool to identify and analyse general and country-specific human rights and environmental risks that are associated with the products and services purchased by us. In the abstract risk analysis both a total risk score for the business partner and an individual risk score for each of the protected legal positions stated in section 2 of LkSG are presented with the aid of the software. This enables us to determine individual risk profiles for our direct suppliers based on country and industry indices and to prioritise them based on certain appropriateness criteria. These criteria include, for example, the nature and scope of the business activity, the potential for exerting influence and the causal contribution.

In a second step, suppliers with a demonstrated risk factor are requested to answer questionnaires and submit any certificates they may have. This tests the plausibility of the initial assessment from the abstract risk analysis. Taking into account preventive measures already put in place and the submitted certificates as well as the completed questionnaires, we then perform a concrete risk assessment. Here, based on the overall risk and/or the individual risk category assessments for the supplier we will then initiate further measures as required. In addition, we also integrate the findings from the group-wide complaints procedure in our risk analysis. This integration enables us to respond to direct feedback and relevant information from stakeholders in order to ensure complete identification and evaluation of all potential risks in supply chains.

3.3 Determined high-priority risks

In our own business areas

In principle, we register low risk exposure within our own business activities. This is the result of low overall risk probability combined with low severity for the relevant risks.

The effectiveness of our established preventive measures such as the processes, structures and guidelines for evaluation of the net risks within our own business activities is regularly checked. If necessary, adjustments are made in the sense of continuous improvement.

Supply chain

The Falk Group procures goods from different countries all around the world. After performance of the abstract risk analysis and implementation of the appropriateness criteria for prioritisation, any human rights and environmental risks at our direct suppliers are determined.

Corresponding preventive measures are initiated at the suppliers where risks are determined.

3.4 Preventive, corrective and control measures

Within our own business operations and at our suppliers we apply coordinated preventive and corrective measures in order to meet our due diligence obligations in relation to human rights and the environment. Here, our priority goal is to protect those who are potentially affected (i.e. the stakeholders) and to identify, prevent and mitigate as best possible any negative impacts in the area of human rights and the environment. Alongside our systematic and process-based anchoring of relevant preventive measures in our business processes, we also derive further measures from the results of the risk analyses.

Preventive measures

We employ a large number of preventive, cross-site measures, processes, process instructions and responsibilities to systematically implement our responsibilities in our business processes not only within our own business activities, but also along our global supply chains.

This is done, among other things, by formalising the responsibilities at corporate level for all risk categories in the area of human rights. On top of this we also use the “Supplier Code of Conduct”. In addition, compliance with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel Convention) dated 22 March 1989 is also assured for our headquarters location.

A further approach for risk prevention is our complaints procedure (see section 3.5 Complaints procedure), which is publicly accessible at all times for all employees and for all other stakeholder groups. It serves for the early detection of risks and negative impacts. The Falk Group treats all reports confidentially and follows up on all reported violations. Demonstrated breaches will lead to a review, at which measures will be derived for avoidance, minimisation or elimination of the impacts.

Along our global supply chains, we will put in place preventive measures in cases where the risks determined for our suppliers after the abstract and concrete risk analyses are conspicuous. One of the preventive measures we take in our supply chains is also to draw our suppliers’ attention to our “Supplier Code of Conduct”. In addition, based on the risk(s) determined with the aid of our risk analysis tool we can also identify training needs and require affected suppliers to complete any training assigned to them in this way. We also reserve the general right to perform human rights and environmental audits at our suppliers. We decide in individual cases based on the determined risk which concrete measures will be put in place.

Corrective measures

Within the Falk Group, the utmost attention is paid to breaches of duty of care. In cases of reasonable suspicion, concrete information or actually determined breaches of duty of care and/or failure to meet due diligence obligations relating to human rights or environmental rights, we will immediately put in place suitable counter measures to put an end to or

minimise these breaches of duty of care. If such incidents take place within our own areas of business activity, the Falk Group will ensure under its own initiative and responsibility that suitable corrective measures are put in place by the responsible persons at the relevant sites.

In the event that a business partner or supplier violates a human rights or environmental legal position, the Falk Group will work together with the business partner to develop a concrete action plan in order to reduce the extent and scope of the breach of duty of care. This could, for example, include training, audits and agreed supplier development plans. Implementation of the action plan will be reviewed on a regular basis. Depending on the severity of the violation and the willingness of the business partner to cooperate, appropriate responses are defined on the part of the Falk Group ranging from the issuing of a demand to immediately redress the breach to the taking of legal steps that can extend to the suspension or termination of business relations.

Control measures

The effectiveness of our measures and processes, including our complaints procedure, shall be checked on a regular basis or when required. Here we aim to pay special attention to the assessment of high-priority risks and their potential impacts as well as to the efficiency and efficacy of the initiated corrective and preventive measures. As a result of this process it will be possible to detect and selectively remedy potential weaknesses within our risk management system at an early stage in order to ensure compliance with our due diligence obligations in relation to human rights and the environment and in order to continuously optimise our own process.

3.5 Complaints procedure

The Falk Group has set up an electronic complaints reporting system in order to identify potential human rights and environmental risks at an early stage. The system can be used globally, is available in various languages and ensures confidentiality of submitted reports.

The system is publicly linked to all websites of the Falk Group.

3.6 Reporting

Once a year a publicly accessible report is submitted to the German Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*). A link to this report is made available on the website of Dr. Falk Pharma GmbH together with further information.

4 Outlook

The Falk Group regards compliance with due diligence obligations in relation to human rights and the environment as a continuous process. Since the challenges associated with protecting human rights and environmental rights will change, we will regularly review our strategic approaches and measures to ensure they remain up to date and effective and to ensure that we can continuously improve them.

This Policy Statement will be reviewed once a year or as needed and updated as required if we determine that the risks have changed or their scope has widened.

If you have any questions or comments about this Policy Statement or about other topics relating to human rights and the environment, please contact:

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