Prioritising people, planet and product

Our approach

We are committed to operating our business in a responsible way, which minimises negative impacts on people and planet, makes a positive contribution to society and promotes the sustainability of our business for the longer term.

Our sustainability framework

Our sustainability framework identifies the key areas we are focusing on, to deliver our purpose and to assure the future of our business for the longer term.

Visit our Sustainability hub

Learn more about how our framework has evolved, and our approach to materiality and governance on our website alliancepharmaceuticals.com/sustainability

Read about how we have delivered against our **sustainability commitments** on **page 30** and in our **Online Sustainability Report** on our website

Strategic Report

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Overview

We have made good progress against our sustainability agenda in 2022 – below is a summary of our key achievements in the year and our main areas of focus for 2023.

Further detail, including relevant metrics for all the areas of focus forming part of our sustainability framework, can be found in our Online Sustainability Report.

Identified focus areas for 2022	Progress in the year	Focus for 2023
PEOPLE Continued investment in capability development, to ensure our resourcing supports our growth ambitions. Continued focus on cultural development and employee engagement. Ensuring that our employees continue to have a good understanding of, and comply with, all relevant ethical business practices.	› 80 new heads brought into the business in 2022 – 18 of which were in newly created roles › New UK graduate and industry placement schemes rolled out › High levels of employee engagement maintained with increased GPTW survey participation and trust index ratings; additional certifications achieved in US and France › First all-employee conference held › More targeted approach to online compliance training, driving an increase in course completion rates › Compliance training provision further enhanced through partnering with new external providers	› Increasing our organisational agility – developing the requisite capabilities through a combination of talent acquisition, training, and cultural change › Maintaining and enhancing our high levels of employee engagement › Launching our employee code of conduct, setting the benchmark for the ethical behaviours we expect from colleagues
PLANET Environmental strategy development – developing our carbon action plan and our response to climate change. Packaging lifecycle management – strategy development and target setting.	› Offset Scope 1 & 2 UK emissions for 2021 › Set Scope 1 & 2 net zero targets › Commenced initial engagement ('fact find') with all our contract manufacturers ('CMOs') and our top ten logistics partners to establish where they are on their climate change journeys › Undertook scenario analysis and risk assessment to support publication of first full TCFD report and disclosures › Gained greater understanding of the constituents of our packaging estate (primary and secondary) and the steps we need to take to promote circularity and reduce our use of single-use plastics; pilot projects initiated to further understanding	Continuing to work towards developing our Scope 3 emissions reduction targets, through: › embedding ownership of product-related emissions within the appropriate functional areas of the business; and › continued methodology improvements to increase the accuracy of emissions measurement across all categories Continuing to develop our packaging strategy, confirming and publishing sustainability improvement targets for both primary and secondary packaging
PRODUCT Increasing the oversight we have of our supply chain; obtaining confirmation from our contract manufacturers and other suppliers that they comply with our ethical standards.	› Partner code of conduct published, setting out the ethical expectations we have of our partners – be they CMOs, logistics service providers or distributors	› Obtaining formal confirmation from our CMOs that they comply with our ethical standards › Tightening our processes around modern slavery in our supply chain

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SPOTLIGHT ON…

Managing our packaging estate

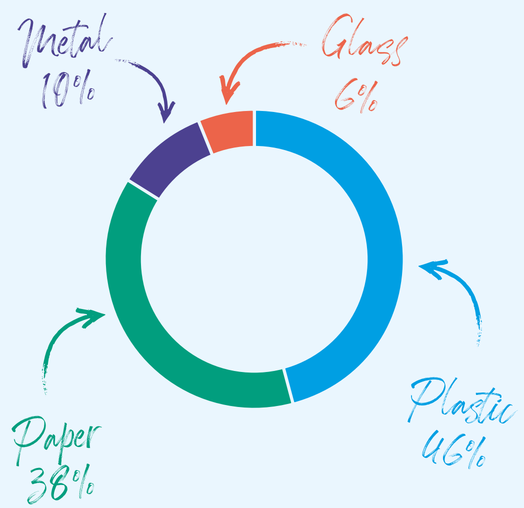
Developing and implementing a sustainable packaging strategy, supported by appropriate targets and delivery plans, was one of the key focus areas we identified for 2022 to reduce the environmental impact of our product packaging.

We have made good progress in 2022 to build a better understanding of our primary and secondary packaging estate, and the associated challenges and opportunities it presents, although we are not yet in a position to publish targets relating to packaging sustainability.

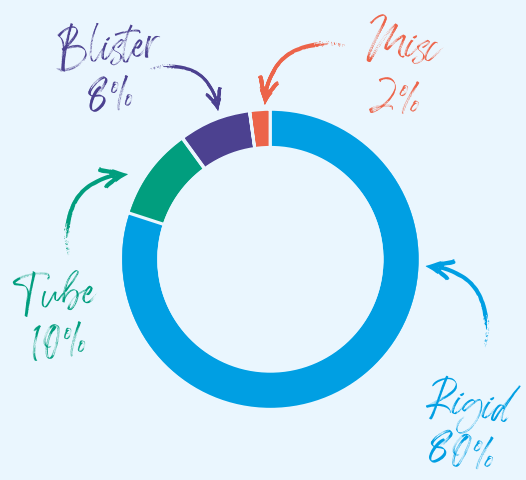
Just over half of our packaging by weight is made up of paper, metal, and glass – materials for which there are already established circularity channels. Our focus will therefore be on leveraging these channels, through better labelling of recycling instructions on packs and the use of recycled and/or FSC-certified paper for our secondary packaging and instructions for use sheets.

The remainder of our estate comprises plastics – primarily rigid plastics, such as bottles and jars. The recyclability of these varies both by product, and by country.

WHAT DOES OUR PRODUCT PACKAGING CONSIST OF?



THE DIFFERENT FORMATS THAT OUR PLASTIC PACKAGING TAKES



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SPOTLIGHT ON...

Managing our packaging estate continued

We have identified a number of avenues we will be exploring in 2023 to improve the environmental credentials of the plastics used in our packaging. These include:

- reducing overall consumption through 'right sizing' of components;
- increasing component recyclability – through better labelling and the switch to materials that are more widely recycled;
- replacing PVC/PVDC plastics with alternative materials, or formats; and
- maximising the use of PCR content.

Blister packs present a particular challenge for us, and the pharmaceutical industry as a whole, as they comprise two different elements welded together, making them widely unrecyclable. These packs also contain harmful PVC.

Elimination of polyvinylchloride ('PVC') and polyvinylidene chloride ('PVDC')

PVC and PVDC are widely used in the forming material for blister packs, as they're low cost, have good barrier properties, and are easy to use. However, they are non-recyclable and their presence pollutes plastics recycling streams. When incinerated, they release chlorine into the atmosphere – or into the water table if sent to landfill.

Maximising the use of post-consumer recycled ('PCR') plastics

Whilst we will be looking to incorporate more PCR plastic in our packaging, the availability of PCR plastic suitable for use in consumer healthcare products is currently low, and what is available is of inconsistent quality and commands a higher price than the equivalent virgin material. Over time, the expectation is that progressive legislation will tax virgin materials to promote use of PCR, whilst high levels of investment in recycling technologies (mechanical and chemical) will improve the availability and competitiveness of high-quality PCR material.

We are excited by the potential to bring about positive change, through working in partnership with our suppliers to source new and better alternatives to some of our current packaging, in furtherance of our ambition to reduce our reliance on single-use plastics.

Pilot studies have been initiated to look at more sustainable packaging options for plastic tubes, rigid packaging, and blister packs. We expect these to be completed during the first half of 2023 and the outputs from these projects will then inform the future development of our strategy.

We remain mindful of the need to balance environmental benefits with broader sustainability considerations within our supply chain, including cost, security of supply, and the maturity of associated technologies.

Whilst improving the environmental credentials of our packaging will help to reduce our end-to-end Scope 3 emissions – both those associated with the end-of-life treatment of our packaging, and the more significant emissions associated with its manufacture – collectively they only account for only c.10% of our total emissions and so will be a contributor to, rather than a key driver of, our wider Scope 3 product-related emissions reduction.

SPOTLIGHT ON…

Developing our response to climate change

In our 2021 Annual Report, we highlighted our ambition to progress towards full disclosure, in line with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, in 2022.

During the year we have worked with external consultants to support us with the evaluation of our business from a TCFD perspective and to undertake the scenario analysis and risk assessment required in order to determine our exposure to climate-related risks, considering both our own operations and the locations of our key supply partners.

As part of our journey to full TCFD compliance, we are proud to publish our extended voluntary disclosures for 2022 as part of this Report, with additional detail to be provided in our first stand-alone TCFD report, to follow shortly on our website. The disclosures are being made on a voluntary basis because, as a UK-registered company, with securities admitted to AIM, with less than 500 employees, we are currently outside the scope of the mandatory disclosure requirements.

As a result of this process, and the associated climate scenario analysis and risk review, we have concluded that we should be recognising the impact of tackling climate change as a principal risk and it has therefore been added to our Principal Risks and Uncertainties coverage on pages 47-56.

The scenario analysis and risk evaluation process has been a valuable learning experience for us, as we included not just our own operational sites, but also those of our larger CMOs, enabling us to make use of insights gained in relation to the resilience of our supply chain through COVID-19, and disruptions to global supply chains as a result of the war in Ukraine in our assessment of both physical and transition risks.

In 2023, we will look to deepen our relationships with our partners, in order to support the mutual dissemination of knowledge around climate risks and opportunities, and to better understand their emissions management strategies, as a precursor to developing our Scope 3 emissions targets.

We will also be looking to extend our climate risk analysis to include other key partners in our value chain.

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Strategic Report

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SPOTLIGHT ON…

Developing our response to climate change continued

Setting (and delivering against) our Scope 1 & 2 emissions targets

Midway through 2022, we set and published our Scope 1 & 2 emissions targets:

- To achieve a 65% reduction in our emissions (versus 2018 baseline) by 2025, and to achieve net zero (90% absolute reduction) by 2030.
- We used 2018 as our base year so we could demonstrate the significant reduction in emissions we've achieved already through environmental improvements to our Chippenham office HQ and to avoid using a base year in which use of the building was artificially low, due to COVID-19 restrictions.

The graphic below shows the trajectory of our emissions from 2018 through 2021 (the latest data available at the time the targets were set), and the further reductions needed to reach our targets.

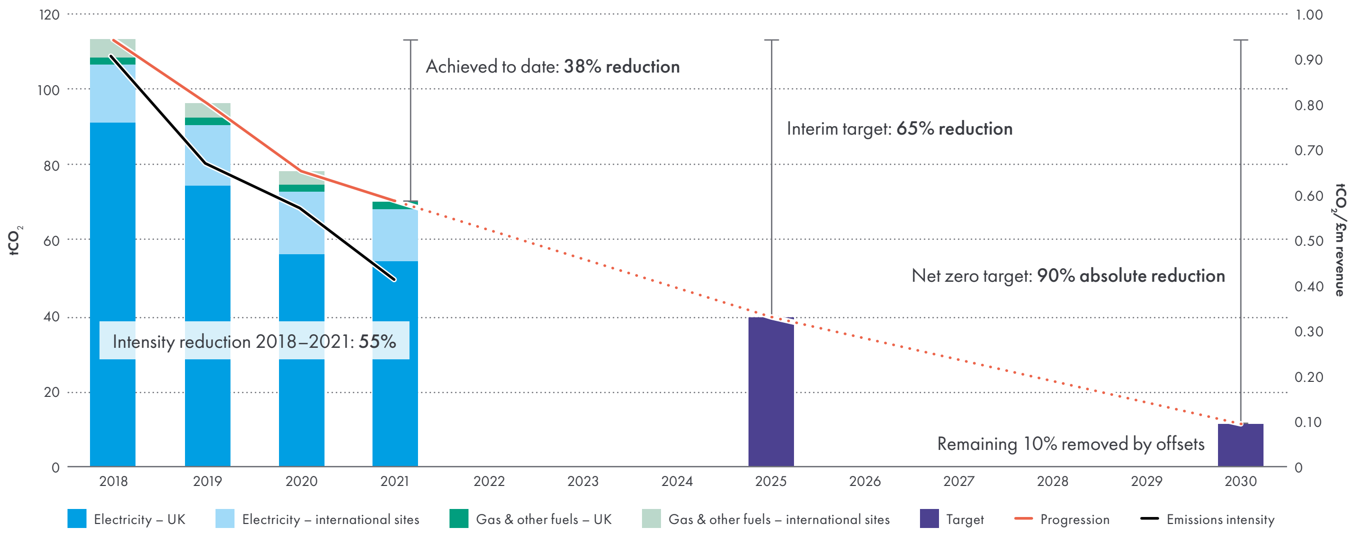
Our Scope 1 & 2 emissions for 2022 were 52 tCO_2, a reduction of 26% versus those for 2021, due primarily to reduced consumption at our Chippenham HQ and the non-renewal of the lease for our leased office in Chester mid-way through the year.

We anticipate that further reductions in our UK emissions will be driven largely by own electricity generation at our Chippenham HQ, through the installation of PV roof panels, subject to receipt of all necessary consents.

Reductions in emissions at our international sites where we control the supply will be driven principally by switching to renewable tariffs.

We also expect to benefit from small reductions in consumption driven by energy-saving measures through increased colleague awareness and engagement across all our offices and from grid-driven reductions in electricity tariffs.

Scope 1 & 2 emissions – progression and targets



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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We recognise that we have a role to play in reducing our environmental impact and our contribution to climate change.

Whilst there is no current requirement for us to comply with the mandatory requirements of TCFD, we welcome the recommendations, and having published partial disclosures in our 2021 Annual Report, we are pleased to report voluntarily on our progress in 2022 in integrating climate considerations into our existing business strategy and risk management processes.

In addition to the disclosures below, we plan to publish our first stand-alone TCFD report on the sustainability section of our website at the end of March 2023, to provide supplementary information around the risks and opportunities we face as a business as a result of climate change and how we plan to address these.

Governance – *taking responsibility for climate-related risks and opportunities*

Climate governance has been integrated into our existing corporate governance structures, with the Board having overall responsibility for Alliance's response to climate change and providing oversight on climate-related risks and opportunities, whilst ensuring suitable management processes are integrated into future financial planning, business strategy and operations. The CEO is the Board Director responsible for sustainability and for ensuring communication between stakeholders, the Board, management, and employees around our climate action is ongoing.

The ESG Committee, which in 2022 comprised all Board members, is responsible for setting the Group's overarching sustainability strategy, and for identifying relevant ESG priorities that most significantly impact the Group, including those relating to climate change. The Committee is also responsible for ensuring that climate change priorities are anchored as an integral part of the Company's business strategy.

The ESG Committee has delegated management responsibility for climate-related risks and opportunities to the Senior Leadership Team ('SLT'), supported by the Corporate Sustainability Lead. Collectively, they ensure the development and implementation of the Company's sustainability strategy, including climate action and TCFD reporting.

Throughout the year, members of the ESG Board Committee, SLT and wider management worked with third-party ESG specialists to identify and assess the impact of climate change on our business operations. A series of workshops were held to build internal capability across all levels within the organisation, as a precursor to the creation of a climate risk register, which will be reviewed and updated annually, to ensure climate risks and opportunities continue to be properly assessed, monitored, and reported.

Strategy – *developing a resilient business strategy*

We have a clear strategy to deliver sustainable business growth, through maximising the value of our core Consumer Healthcare business. Through implementing the recommendations of the TCFD, we have been able to identify the climate risks which may prevent us from successfully delivering our business strategy, together with opportunities to strengthen our position and deliver increased value for stakeholders. This forward-looking analysis has helped us consider climate change in our long-term planning, to ensure that our business strategy remains resilient to the impacts of climate change.

Our climate risk management process identified the climate-related risks and opportunities, which could potentially impact our business. To strengthen this process, we utilised climate scenario analysis, investigating the resilience of our business strategy across differing future projections of climate events. Climate scenario analysis was conducted for all our operational sites with the exception of Dublin (due to its size), allowing us to assess the impact of climate change on our future operations.

The outsourced nature of our business means that we rely heavily on third-party partners, such as our distributors, contract manufacturers ('CMOs') and logistic service providers ('LSPs'). Any climate-related impacts on their operations could potentially present a significant risk to our business. We therefore widened our assessment of physical risks, through carrying out climate scenario analysis on 24 of our key supplier sites, to begin to understand how climate change may impact our value chain. We plan to extend this analysis further in 2023.

Climate scenarios

We considered three climate change scenarios, when evaluating the impact of each identified risk on our business operations and financial planning:

› Below 2°C
› 2–3°C
› Above 3°C

With the warming pathways modelled over three time-horizons:

› Short-term (2022–2025)
› Medium-term (2025–2035)
› Long-term (2035–2050)

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

We considered both the short to medium-term risks and opportunities arising from the transition to a lower-carbon economy, together with our level of exposure to the longer-term physical risks associated with global warming. Through this process, we identified eight transition risks and two climate-related opportunities, which are outlined in the table below, together with their potential impacts, to the extent that we are able to quantify these. We also identified six physical risks which we will need to manage our exposure to in the longer term, which are also summarised below.

Transition risks

Area	Risk	Scenario(s)	Timeframe	Impact description	Impact
Policy & Legal	Increased regulation due to climate change	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Expenditures – Increased operating costs (e.g. higher compliance costs)	Negligible/< £0.5m
	Increase in carbon pricing	2–3°C	Medium Term (2025–2035)	Expenditures – Increased direct costs	Negligible/< £0.5m
	Mandates on and regulation of existing products and services	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Expenditures – Increased direct costs	Negligible/< £0.5m
Market	Increased cost of energy and materials	Below 2°C, 2–3°C and >3°C	Short to Medium Term (2022–2035)	Expenditures – Increased indirect (operating) costs	Small/£0.5m–£1.5m
	Changing consumer preferences and increased sensitivity to ESG	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Revenue – Decreased revenue due to reduced demand for products	Small/£0.5m–£1.5m
Reputation	Increased stakeholder concern damaging our reputation	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capital and Financing – Decreased access to capital	Small/£0.5m–£1.5m
Technology	Substitution of existing products with lower emissions alternatives	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capex – Increased capital expenditure / investment	Small/£0.5m–£1.5m
	Costs to transition to lower emissions technology	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capex – Increased capital expenditure / investment	Negligible/< £0.5m

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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Climate-related opportunities

Area	Opportunity	Timeline	Impact
Products and Services	Development of new products or services through R&D and innovation	Medium (2025–2035)	Increased revenue from an increase in demand for sustainable products We are not yet in a position to quantify this opportunity
Energy resources	Use of lower-emission sources of energy	Short – Medium Term (2022–2035)	Reduction in operating expenses because of increased efficiency (for example, energy costs) Small/£0.5m – £1.5m

Physical risks

Nature	Climate-related Risk	Scenario	Timeline	Exposure
Acute	Increased frequency and severity of flooding	Above 3°C	Long Term (2035–2050)	Seven of our offices and 21 supplier sites are situated in potential high flood risk zones
	Increased frequency of heatwaves/extreme heat	Above 3°C	Long Term (2035–2050)	Seven of our offices and 20 supplier sites are situated in areas at high risk of experiencing rising temperatures
	Increased frequency of wildfires	Above 3°C	Long Term (2035–2050)	One of our offices and eight supplier sites are located in areas at high risk of wildfire impact
Chronic	Rising mean temperatures	Above 3°C	Long Term (2035–2050)	Seven of our offices and 20 supplier sites will experience a significant increase in mean temperatures
	Sea level rise	Above 3°C	Long Term (2035–2050)	Two of our offices and 11 supplier sites are potentially at risk from rising sea levels
	Water stress	Above 3°C	Long Term (2035–2050)	Four of our offices and 12 supplier sites are located in areas likely to be subject to extremely high, or high, water stress by 2030

Additional details of our climate-related risks, scenario analysis and assessment processes underpinning these can be found in our 2022 TCFD report, which will be published shortly on our website.

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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Risk Management – *Embedding climate into our risk management framework*

At Alliance, we have an established and comprehensive risk management framework, which informs how business risks are identified, rated, and monitored. Through our TCFD programme, and with the support of third-party consultants, we have created a stand-alone climate risk management framework, to identify and assess our climate-related risks and opportunities, and then integrated this into our wider business risk management processes.

The creation of our climate risk management framework followed four key steps, to identify our risks, consider their potential impacts and identify current and future mitigation actions, to reduce their impact.

1. Identify

› internal stakeholder engagement programme created, to identify climate-related risks which may impact our business

2. Assess

› climate scenario analysis carried out to develop our understanding of climate change and how the identified risks and opportunities could potentially impact our business over time

3. Appraise

› risk management options appraised, through a series of climate risk management workshops, to evaluate the effectiveness of the current mitigation actions

4. Address

› identification and implementation of further mitigation actions to reduce climate change risk, as required

Going forwards, we will be reviewing our climate-related risks and opportunities annually, to monitor the performance of our mitigation plans and reassess the impact as appropriate. Responsibility for maintaining the climate risk register and for ensuring that climate risks and opportunities are accurately reviewed, reported, and monitored, sits with the SLT.

Following completion of the scenario analysis necessary to enable us to determine our potential level of exposure to climate-related risks – and the impact that these may have on our business, both in the short to medium term and in the longer term – we have taken the decision to recognise the impact of tackling climate change as a principal risk this year, rather than an emerging risk, as reported in our 2021 Annual Report.

Metrics and Targets – *Measuring and managing our climate impact*

The primary metrics and targets we use to assess and manage relevant climate-related risks and opportunities are as follows:

Carbon emissions metrics

	2022 Calculated Emissions (tonnes of CO_2e)		2021 Calculated Emissions (tonnes of CO_2e)		2020 Calculated Emissions (tonnes of CO_2e)	
Emission Type	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based
Scope 1 (direct)	2	2	2	2	64	–
Scope 2 (indirect)	50	52	68	16	89	–
Scope 3 (indirect)	47,973	47,973	37,648	37,648	32,243	–
Total	48,025	48,026	37,627	37,575	32,396	–
Emissions intensity*	279	279	128	128	128	

* Defined as tCO_2e per £m of revenue.

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

The increase in Scope 3 emissions from 2020 to 2021 was primarily due to increased activity levels following the easing of pandemic restrictions and the acquisition of Amberen™, coupled with an increased use of air freight versus sea freight to mitigate ongoing pandemic-related disruptions to supply chains and available logistics capacity.

The increase in Scope 3 emissions from 2021 to 2022 was driven by increases in emissions associated with contract manufacturer activity, logistics (upstream and downstream) and business travel.

Targets and progress

In September 2022, we set our Scope 1 & 2 emissions targets, to achieve net zero in 2030, with an interim target of 65% reduction by 2025, using 2018 as our baseline. More detail on our Scope 1 & 2 emissions targets and the progress we've made in delivering these can be found on page 34.

We continued to evolve our data collection processes to improve the accuracy of our Scope 3 emissions in 2022, as a precursor to setting targets for specific categories of Scope 3 emissions in 2023, as we look to further evolve our carbon action plan and climate change commitments.

Related reading:

See **ESG Committee Report** on **page 86**

See **Spotlight on developing our response to climate change** on **page 33**

See **Principal Risks & Uncertainties – impact of tackling climate change climate change** on **page 48**

See **Streamlined Energy and Carbon Reporting (SECR)** on **page 90**