# Sustainability Report 2023

Delivering Growth – in Asia and Beyond.

DKSH

# Welcome from the Chairman and the CEO



"Sustainability is fundamental to achieve long-term business success."

"We adopt sustainable practices today to stay relevant and competitive tomorrow."

**Dear stakeholders,**

At DKSH, we believe that sustainability is an essential aspect of being a responsible business partner and contributing positively to sustainable development in the markets and communities where we operate. We aim for financial success in a socially and environmentally responsible manner.

Since 2017, we have voluntarily disclosed information on our sustainable business practices. This 2023 edition is our first mandatory report under Swiss non-financial disclosure obligations and the second time that we are integrating a TCFD report. Moreover, we opted to also include disclosures on due diligence obligations pertaining to conflict minerals and child labor instead of issuing a separate report.

Central to our sustainability reporting is the role of DKSH's Board of Directors, which has approved this Sustainability Report. Furthermore, the Board provides continuous oversight and guidance to ensure that our approach to sustainability satisfies legal requirements, is strategic and aligned with our values, and also helps to fulfill our purpose of enriching people's lives.

In 2023, we were able to both grow our business financially and make progress on our four strategic sustainability objectives: **enable our people to flourish, make our value chains more sustainable, become climate-neutral by 2030,** and **make a positive local impact**.

We are pleased to report on the progress made, including:
▶ **An increase of women in senior leadership positions to 34 %, which is a good achievement in our region and industry**
▶ **The publication and implementation of our Human Rights Policy**
▶ **A reduction of $CO_2$ emissions (Scope 1+2) by 50% against the 2020 baseline and by 14% compared to 2022**
▶ **The launch of our Social Impact Strategy and 94 local community projects**

While celebrating these achievements, we are aware that the path to sustainability is a continuous journey. Going forward, we will continue to strengthen diversity across the organization, focus on further reducing our own $CO_2$ emissions (Scope 1+2), and creating more transparency regarding emissions outside our own operations (Scope 3) while continuing to strengthen our environmental and human rights management systems.

We are immensely grateful to our dedicated employees, partners, and stakeholders, who contribute to our sustainability endeavors. This support and collaboration enables us to create significant positive impact. We look forward to an ongoing collaboration to ensure that DKSH continues to advance towards a more sustainable future.

Sincerely,

Marco Gadola and Stefan P. Butz
Chairman and CEO

▶ **GRI 2-22**

# Contents

# About This Report

This Sustainability Report describes how we strategically embed sustainability in our business. It also sets out the sustainability-related risks, opportunities, and impacts relevant to our value creation.

This report covers the five topics and formal requirements stated in Art. 964 – Transparency on non-financial matters in the Swiss Code of Obligations. Furthermore, this report includes a section addressing the relevant requirements under the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour. It also includes a TCFD report. The Sustainability Report spans the fiscal year from January 1 to December 31, 2023. The majority of the figures we publish reflect the status as of December 31, 2023, except for greenhouse gas emissions as well as health and safety data, which was not yet available in full at the time of publication. Therefore, this report includes greenhouse gas emissions and health and safety data for the period from the fourth quarter of 2022 to the third quarter of 2023. Past data shows that our greenhouse gas emissions do not fluctuate strongly from one year to the next. And our operations did not change significantly in the fourth quarter of 2023. All data externally audited with limited assurance are marked in this report with the symbol ✔. For further information on external assurance, please turn to the Assurance Statement.

We took due care when preparing this report by applying the Global Reporting Initiative's sustainability reporting standards (GRI 2021). This report is based on GRI's reporting principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability to ensure that we provide our stakeholders with the most valuable information possible.

The cover picture shows Gardens by the Bay in Singapore. For us this picture stands for combining economic success with sustainable practices and technology to enrich people's lives.

# About Us

**CHF 11.1 billion**
net sales (2023)

**53**
innovation centers

**229**
distribution centers

Operations in
**35**
markets

**29,040**
employees

# DKSH Identity

**As an international company with about 29,000 employees, our Identity brings us together as one strong DKSH team working towards a shared goal.**

**Our Purpose**

Enriching people's lives.

**Our Vision**

Being the trusted partner.

**Our Strategy**

Growing our four Business Units, strengthening our service offering, and increasing operational efficiency.
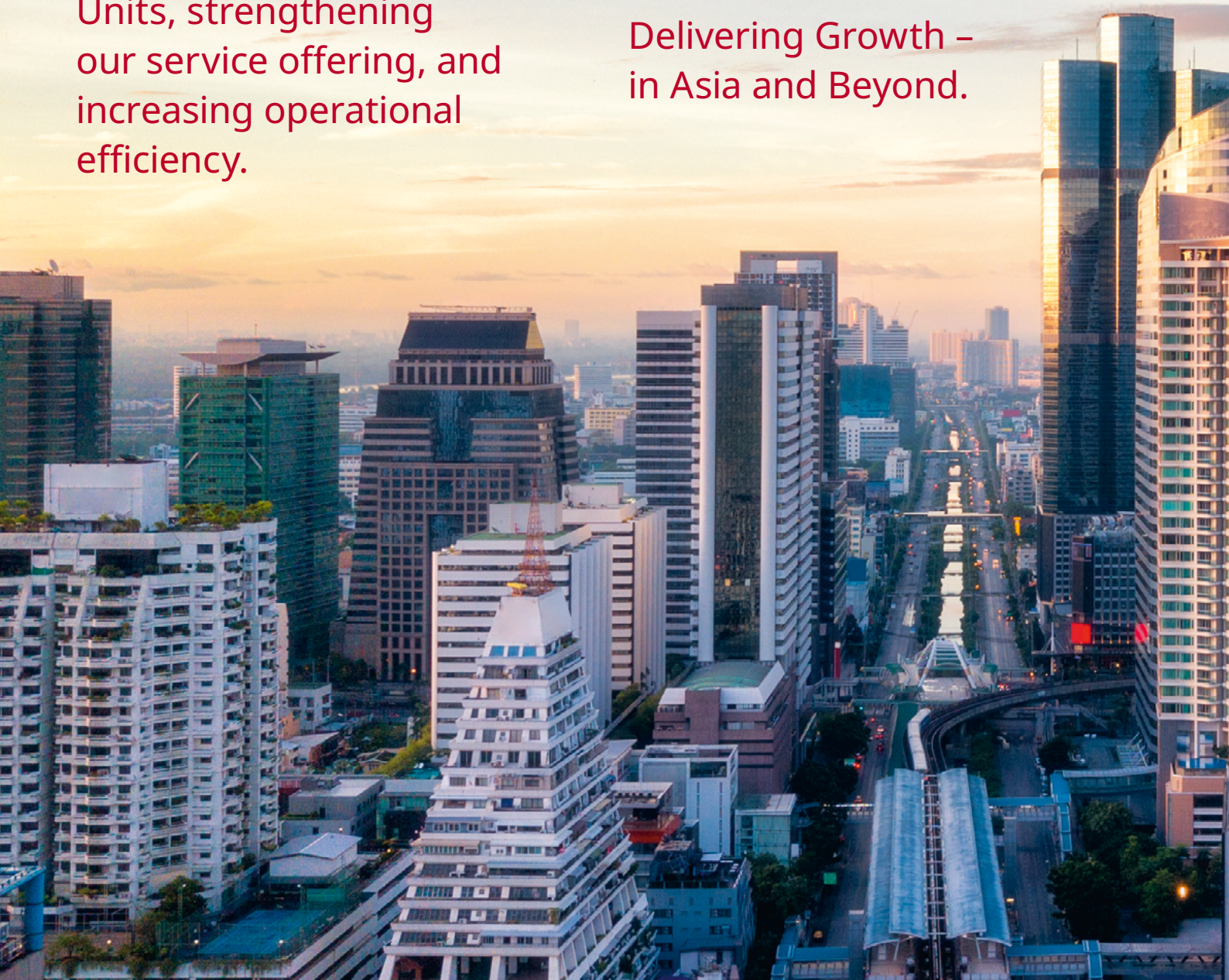
**Our Values**

Integrity
Empowerment
Collaboration
Entrepreneurship
Sustainability

**Our Promise**

Delivering Growth – in Asia and Beyond.

# Our Purpose and Business Model

## Our Purpose

DKSH Holding Ltd. ("DKSH"/"the Group") provides reliable access to high-quality and responsible products and services, creating sustainable value for our partners and contributing to raising the quality of life in the communities we operate in by providing jobs, perspectives, and opportunities for people's development and growth.

Delivering life-saving drugs to hospitals, bringing high-quality products to remote villages, installing technology that raises living standards, and providing new formulations for pharma or food products that make life easier: These are just a few examples of how DKSH touches and enriches people's lives around the clock.

We do so by providing companies with access and expertise to grow in Asia Pacific, Europe, and North America. We call this Market Expansion Services.

⬏ See more:
Learn more about our purpose in this video:

## Our Business Model

We offer a complete range of specialized services along the value chain – from sourcing, market insights, sales and marketing to distribution and logistics, as well as after-sales services across four Business Units: Healthcare, Consumer Goods, Performance Materials, and Technology. Learn more about our Business Units in the DKSH at a Glance chapter in the Annual Report 2023. Learn more about the services we offer on our website.

At DKSH, our business partners are clients or customers, depending on their position in the value chain and the services we provide. Our business model is centered on DKSH's role as the key link between clients and customers. We help our clients grow by distributing, promoting, and servicing their products and our customers by providing access to high-quality products, services, and insights.

▶ **GRI 2-6**

**Clients** — Sourcing → Market insights → Marketing and sales → Distribution and logistics → After-sales services → **Customers**

**Omni-channel service portfolio** →

← **Backflow of information from customers to clients**
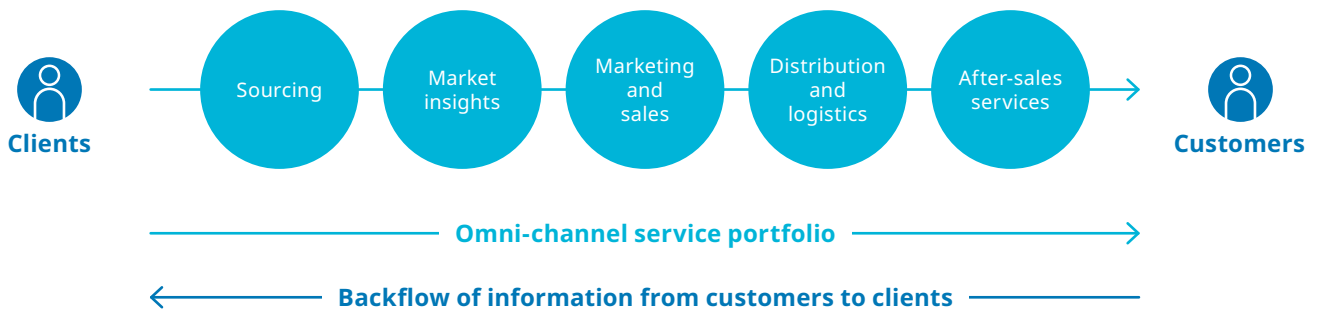
# Sustainability Highlights in 2023



### Our Rating: EcoVadis Gold

DKSH was awarded an EcoVadis Gold Medal for the second year running, placing us among the top 4% of companies assessed by EcoVadis.



### A Great Place to Work

DKSH is a *Great Place To Work*®, receiving this accreditation in eight markets and at the DKSH Corporate Shared Services Center in Malaysia as well as the DKSH Management Pte Ltd. in Singapore in 2023.



### Automated Healthcare Distribution Center Launched

With a capacity of 35,000 m$^2$, this highly automated new distribution center significantly enhances operational efficiency.



### New Distribution Center Powered by the Sun

Our Business Units Healthcare and Technology opened a 2,240 m$^2$ distribution center in Laos featuring solar panels and LED lighting.



### Treating Water for an Improved Environmental Impact

DKSH's pharmaceutical manufacturing facility in Thailand for Healthcare Own Brands has upgraded its water treatment facility to improve effluent quality.

### Shredding Carton Boxes for Re-Use

In Vietnam, we have deployed five carton-shredding machines.
Old carton boxes now get a second life as filling material, so we no longer
have to use new plastic pouches.



### Replacing Shrink Wrapping

By reusing cardboard angle brackets from inbound shipments,
we have eliminated the need for shrink wrapping on palletized delivery boxes
in Vietnam – cutting costs and streamlining operations.



### Committed to Local Communities

DKSH organized 94 local community projects. All our significant markets
engaged in charitable activities, such as book and food donations.



### Sustainability-Linked Loans Launched

DKSH converted one existing loan and one existing revolving credit
facility to be sustainability-linked, confirming our commitment to sustainability
as a centerpiece of our corporate strategy.

**Progress Highlight**

# Empowering and Supporting Women



Celebrating International Women's Day provided a platform to showcase the contribution of women at DKSH.

## In a Nutshell

▶ **DKSH marked International Women's Day with an online panel discussion showcasing the important role that women play at our company.**

▶ **More than 290 people tuned in to learn more about how the panelists balance their personal and professional lives.**

**In 2023, women made up**

# 34 %

**of our senior leadership.**

⌐ See more:

To learn about how we are supporting and empowering women, please turn to the Labor Practices and Human Rights chapter and the Sustainability Strategy chapter.

At DKSH, our people are at the heart of our business because what sets us apart is our deep local knowledge coupled with our global perspective. We can only achieve that by embracing the diverse perspectives and ideas that our people bring. That's why more than half of our employees are women and why we have set strategic goals to increase the proportion of women in senior leadership. In 2023, women made up 34 % ☑ of our senior leadership.

"**DKSH's culture of advocacy and support for women in leadership really encouraged me to take on a key management role.**"
Carole Lin,
General Manager, Business Unit Performance Materials, Greater China & Head, Country Management, DKSH China

One way that our company demonstrates its commitment to women is by providing a platform for female leaders to share their insights and experiences. On International Women's Day on March 8, 2023, we honored the diverse contributions that women from all corners of the world have made to DKSH's success by holding an online panel discussion. More than 290 participants from around the globe logged on to this event, which was open to employees in all markets, to learn more about how the speakers achieve a work-life balance. Via platforms like these, we aim to empower and support women in the workplace, with equal pay as our fundamental value. By ensuring equal pay for women, our purpose is to create a fair and inclusive work environment for all, embrace diversity, and further enable our talent to grow.

**Progress Highlight**

# Reducing Electricity Consumption in Malaysia



From left:
Araven Kumaran Ramasamy, Narayana Rao, and Sivakumar Battumalai from the Facility Management team all helped with the project to maximize efficiency at our healthcare distribution center in Malaysia.

## In a Nutshell

▶ **An automated control system has helped improve energy efficiency at a healthcare distribution center in Malaysia.**

▶ **Installed in September 2022, the air-handling unit with an inverter reduced total electricity consumption by about 7% in the first year after installation.**

**This step will decrease the distribution center's electricity consumption, resulting in annual savings equivalent to**

# 350 metric tons of $CO_2$ emissions.

Our cold chain facilities play a key role in ensuring the safety of pharmaceutical products, especially in warmer markets. But it takes electricity to keep them cold. Our 230,000-square-foot Shah Alam Distribution Center in Malaysia, for instance, had an air-conditioning system that was running 24/7 at fixed speeds, regardless of the weather. To optimize operations and lower costs, we recently installed an automated control system using an air-handling unit with an inverter to minimize voltage fluctuation and allow it to run at variable speeds.

**"Our team displays passion, commitment, and innovation as it integrates sustainability into our activities."**
Narayana Rao,
Senior Manager Facility Management, Health, Safety and Environment, DKSH Malaysia

The new system reduced the distribution center's total electricity consumption by about 7% in the first year after installation, equivalent to saving 350 metric tons of $CO_2$ emissions per year. The project also has the potential to be scaled across other healthcare cold chain facilities, creating cost savings and lowering emissions across our global operations.

⤴ See more:
Please read the <u>Climate Change Mitigation</u> and <u>Sustainability Strategy</u> chapters to learn more about how we are working to protect our climate and environment.

# Strategy and Governance

We want to continuously make our business more sustainable in order to help connect companies and communities and enrich people's lives for years to come. In addition to engaging with stakeholders and conducting a materiality assessment, we have also developed a Sustainability Strategy and created robust governance and risk management processes.

# Stakeholder Engagement and Materiality Assessment

We engage in constant dialogue with our stakeholders to stay abreast of material developments and impacts and to chart a strategic course in the right direction. DKSH's senior management team has identified the stakeholder groups we regularly engage with:

- ▶ Clients
- ▶ Suppliers/vendors
- ▶ Employees
- ▶ Customers
- ▶ Shareholders/investors
- ▶ Local communities
- ▶ Authorities
- ▶ Consumers

As part of our stakeholder engagement DKSH companies are members of several associations in the markets in which we operate. Some examples include the Pharmaceutical Association of Malaysia and the Malaysian Animal Health and Nutrition Industries in Malaysia; the Federation of the Swiss Watch Industry FH, the Association Patronale de l'Horlogerie et de Microtechnique and the Association of Pharmaceutical Companies in Switzerland; the Taipei Machinery Traders' Association in Taiwan; the Australian Food & Grocery Council in Australia; the French Cosmetics Association for SMEs in France; the Chemical Business Association in the UK; and the Food and Grocery Council in New Zealand.

Membership is generally considered from a strategic perspective. In some instances, DKSH managers hold positions in governance bodies and participate in projects or committees. In Australia, DKSH is a member of the Australian Sales & Marketing Companies Association, and a member of our senior management serves on its Board. In Singapore, DKSH has Board representation in the Singapore Association of Pharmaceutical Industries and the Machine Tool Club. In Thailand, DKSH is represented on a committee of the Pharmaceutical Research & Manufacturers Association as well as the Thai Medical Device Technology Industry Association.

DKSH companies also hold memberships in chambers of commerce in many markets, including Australia, Cambodia, Hong Kong, Indonesia, Japan, Korea, Laos, Malaysia, Singapore, Taiwan, Thailand, and Vietnam.

Guided by our Code of Conduct, DKSH does not engage in political processes and does not provide funding to associations beyond routine membership dues, apart from our membership of the Swiss Chamber of Commerce and Industry in Japan, for historical reasons (this is where DKSH was originally founded in the 19th century, and we are the Swiss company with the longest uninterrupted presence in Japan).

▶ **GRI 2-28**

We take a variety of approaches to engaging in meaningful dialogue with our stakeholders. Our most intense dialogue is maintained with our clients, including but not limited to due diligence processes, business negotiations, and audits. We also regularly conduct client satisfaction surveys. Business negotiations with suppliers are another source of valuable regular feedback on important issues and concerns. As a reputable world-class service provider, our employees are at the heart of our business. Structured periodic employee engagement surveys and an open feedback culture allow for insights into employee concerns, which in turn help us improve our employment proposition. We also consider previously identified material impacts when determining which topics to discuss with our various stakeholders.

▶ **GRI 2-29**

A materiality analysis helps us regularly examine which topics are particularly important to our internal and external stakeholders by considering both the impacts that DKSH has on the world around us and the impacts that our surroundings have on our operations. The outcome of this assessment process shapes our Sustainability Strategy and drives our reporting practices in line with evolving stakeholder expectations, disclosure frameworks, and regulatory requirements.

Our process to determine impacts and identify material topics included:
▶ Step 1: Analyzing megatrends and sector-specific topics relevant to DKSH
▶ Step 2: Performing desk research to determine which topics have a substantial impact on key stakeholders and in which areas we are impacted by our stakeholders and the environment. Drawing on publicly available sources, this analysis has a global scope but a specific focus on markets in Southeast Asia, as most of DKSH's business activities are conducted in this region.
▶ Step 3: Validating the findings in interviews with senior DKSH managers representing a cross-section of key DKSH Business Units, Functions, and regions and who regularly interact with stakeholders. These interviews provided additional insights into different stakeholder expectations.
▶ Step 4: Review and endorsement of the result of the assessment process by the Executive Committee and the Board of Directors. Going forward, we plan to enhance this process by conducting interviews with a cross-section of stakeholders across multiple regions.

▶ **GRI 3-1**

Our last materiality assessment process resulted in the identification of 47 impacts, which we regrouped into the following material topics:

▶ Health, Safety, and Well-Being

▶ Employee Attraction, Satisfaction, and Retention

▶ Labor Practices and Human Rights

▶ Climate Change Mitigation

▶ Pollution Prevention

▶ Resource Efficiency

▶ Climate Change Adaptation (TCFD Report)

▶ Responsible Supply Chain

▶ Ethical Business

▶ Local Community Development

▶ Access to Food, Medicines, and Healthcare

▶ Product Quality and Safety

Accountability to our stakeholders is important to us, which is why we address each of the above topics in a dedicated section of this report, organized into three main chapters. The **Our People** chapter features topics relating to our employees which are the foundation for our value creation. The **Our Business** chapter sets out how we create value through our business model in the context of making our supply chain more sustainable. The **Our Outcome** chapter focuses on accountability towards fulfilling our company's purpose of enriching people's lives. Please follow the above links to get to the corresponding chapters.

Our materiality analysis, which was conducted in 2022, yielded fresh insights into the most important topics for DKSH while taking account of changing stakeholder interests and the regulatory and political framework. For instance, two new material topics on climate change adaptation and mitigation were added to reflect the growing importance of climate change. The topics of fair labor practices, human rights, and responsible supply chain underscore the increasing importance of human rights in our business and supply chain. The updated material topics also highlight the positive impact that we have on local communities by reflecting how we improve access to food, medicines, and healthcare. In 2023, we did not identify any changes in our material topics compared to the 2022 analysis. In 2024, we will conduct a comprehensive materiality analysis, taking into account the requirements of the respective European Union regulations.

▶ **GRI 3-2**

We took due care when preparing this report by applying the Global Reporting Initiative's sustainability reporting standards (GRI Standards). To ensure that we provide our stakeholders with the most valuable information possible, this report is based on GRI's reporting principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability.

# Sustainability Strategy

**Sustainability Is an Integral Part of Our Business**

Sustainability is one of **DKSH's five values**. We take responsibility for the environmental, social, and economic impact of our business activities as determined by our materiality assessment. Our commitment to creating a sustainable future means that we want to achieve long-term, profitable growth in a responsible manner. We believe that sustainable value creation goes hand-in-hand with responsible governance and managing the impacts that our activities have on society and the environment. Providing access to markets and products is our core activity. Creating employment opportunities is also vital. After all, our activities are guided by our **purpose to enrich people's lives** through our contribution to sustainable development in the markets and communities in which we operate.

**Sustainability Strategy**

Our Corporate Strategy, which is confirmed by our highest governance body, the Board of Directors, has three strands: a strategy for the Group and the Business Units, a strategy for the Functions, and thematic focus areas. The Business Units have set a specific goal related to sustainability. Additionally, sustainability itself is one of the thematic focus areas within the Corporate Strategy.

The Sustainability Strategy thus helps to flesh out the sustainability component of our Corporate Strategy. As stated in our Sustainability Strategy, our ambition is for each Business Unit to take a proactive and competitive approach to sustainability. We want to become a more sustainable company by emphasizing a decentralized approach at the Business Units and Functions level. By doing so, we can increase accountability and make strategy execution more effective and communication more efficient. This approach is especially beneficial, because it allows us to take local needs into account and pinpoint the best solutions for Business Units and Functions, which in turn enables us to deploy tailor-made solutions for the Business Units' specific products and business models.

The Sustainability Strategy was developed in 2022. Please read our Sustainability Report 2022, page 14, to learn more about the development process.
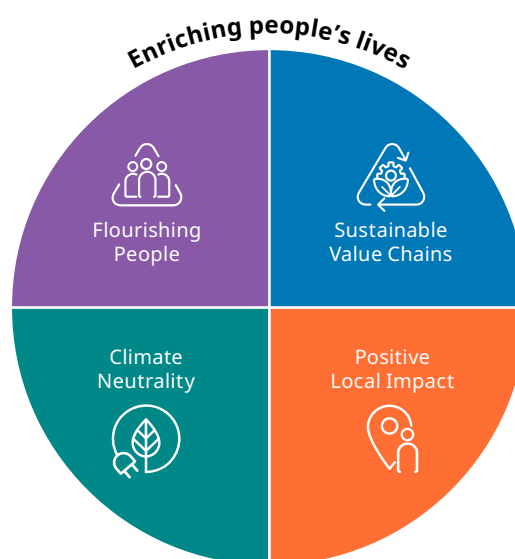
The DKSH Sustainability Strategy comprises the following four objectives:

**Enable Our People to Flourish**

We aim to support our employees so that they can maximize their talents and engagement. To this end, we create various opportunities for our employees' personal and professional advancement, such as training and an open feedback culture. We also respect human rights and promote diversity and inclusion to create an enabling working environment for all our employees.

**Make Our Value Chains More Sustainable**

We cooperate with our partners in the value chain to drive sustainability. This means procuring products and services responsibly, i.e. in a way that respects human rights and minimizes our impact on the environment. We are committed to reducing waste.

**Become Climate-Neutral by 2030**

We are focusing on making our operations (Scope 1+2) climate-neutral by 2030, creating transparency regarding our emissions, and investing in solar panels. We continue to improve the efficiency of our operations – thereby decreasing the energy and $CO_2$ intensity of our business, for instance, by optimizing transport routes and truck loads. In addition, we focus on energy-saving equipment, such as LED lighting, in our distribution centers.

**Make a Positive Local Impact**

We aim to further promote our projects that benefit local communities. At the core of what we do – providing access to markets, people, and products – we are guided by our common purpose of enriching people's lives. Our local community projects are focused on positively impacting the communities where we operate, from alleviating hunger to improving life skills. In 2023, we concentrated on developing our Social Impact Strategy, which will guide us in translating the Sustainability Strategy's objective to make a positive local impact into concrete action. This strategy defines activities that are considered to have a social impact and addresses initiatives at the Group, Business Unit and market levels.

**Our ambition is for each Business Unit to take a proactive and competitive approach to sustainability.**

**Enable Our People to Flourish**

| Human rights | Developing our talent | Embracing diversity | Employee engagement |

**Make Our Value Chains More Sustainable**

| Human rights | Responsible procurement | Waste management | Solar panels |

**Become Climate-Neutral by 2030**
(Scope 1+2)

| Climate-neutral operations | Emission transparency |

**Make a Positive Local Impact**

| Local community | Social impact strategy |

**Progress in Achieving the Sustainability Strategy's Objectives**

We have introduced a Sustainability Scorecard for each of the four objectives to measure our progress on achieving the goals of our Sustainability Strategy. This Scorecard includes the most important KPIs at a Group level and supports us in continuously tracking the effectiveness of our measures. In addition, we have set specific targets for 2024 and 2027 for some of the figures. The Scorecards are used, for example by the Board of Directors, to track our progress and derive measures where necessary.

## Enable our People to Flourish

| | Results | | | | Targets | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | **2023** | 2024 | 2027 |
| **Human rights** | | | | | | |
| Incidents relating to discrimination | – | – | 0 | **0** | 0 | 0 |
| **Developing our talent** | | | | | | |
| Training hours/employee (h)[1] | – | – | 11.6 | **13.4** | 16.0 | 20.0 |
| Managerial bench strength (%)[2] | 18 | 18 | 35 | **31** | 25 | 25 |
| Internal hire rate (%)[3] | – | – | 54 | **58** | 55 | 55 |
| **Embracing diversity** | | | | | | |
| Women in senior leadership positions (%)[4] | 27 | 29 | 31 ☑ | **34** ☑ | 36 | 39 |
| **Employee engagement** | | | | | | |
| Employee engagement score (0–100)[5] | – | 74 | 75 | **77** | 78 | 81 |
| Voluntary attrition rate (%) | 15.0 | 17.0 | 22.0 | **17.9** | 20.0 | 20.0 |
| New hire retention rate (%) | – | 59.4 | 60.7 | **65.4** | 66 | 72 |

**Key achievements in 2023:**
▶ Continued our Belonging@DKSH initiative
▶ Provided training through our Fantree Academy
▶ Launched two talent development programs
▶ Launched Recruitment Excellence for hiring managers
▶ Launched Mental Health Awareness Week

**Outlook:**
▶ Designing an Emerging Leader Program
▶ Increasing employee wellness initiatives
▶ Strengthening diversity training across the organization
▶ Conducting further human rights audits

For more information on our activities, please turn to the Labor Practices and Human Rights and Employee Attraction, Satisfaction, and Retention chapters.

1 Only training that focuses on employee development. This excludes Health and Safety and Governance, Risk and Compliance training.
2 Refers to the percentage of employees identified as Talent in DKSH who are anticipated to be able to take on future leadership roles with increasing levels of complexity. We categorize these employees as 'Talent'.
3 Refers to management vacancies.
4 Senior refers to managers in corporate, regional, or local management roles. In 2023, we shifted to a new architecture for job level hierarchy to more accurately reflect a job's relative contribution and value within DKSH. All employees used to be categorized into five job levels. Now, the architecture consists of 15 job grades. We will individually review all job roles and assign the new job grade based on the scale, relative contribution, and value of the respective role. This process was already started in 2023 and will be finalized in 2024. Please note that changes in the job level hierarchy and the new assignment of job roles limit the comparability of figures related to women in senior leadership between 2022 and the years before and 2023.
5 The engagement score is calculated by aggregating the average score of the two questions "How happy are you working for DKSH?" and "I would recommend DKSH as a great place to work" from the YourVoice@DKSH engagement survey.

## Make Our Value Chains More Sustainable

| | Results | | | | Targets | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | **2023** | 2024 | 2027 |
| **Human rights** | | | | | | |
| Fatalities from work-related injuries[6] | 1 | 0 | 0 ✔ | **0 ✔** | 0 | 0 |
| **Solar panels** | | | | | | |
| Number of DKSH locations with solar panels | 2 | 4 | 7 | **10** | 13 | |

**Key achievements in 2023:**
▶ Established a Human Rights Working Group
▶ Implemented learnings from Human Rights Risk Assessment
▶ Published policies – Human Rights, Responsible Procurement, Supplier Business Conduct, Suppliers Sustainable Procurement Annex (NTP)
▶ Rolled out supplier assessments
▶ Implemented more sustainable transport packaging solutions

**Outlook:**
▶ Conduct Human Rights Impact Assessments
▶ Complete the roll out of supplier assessments
▶ Expand the installation of solar panels

Please read our Responsible Procurement and Human Rights in the Supply Chain and Pollution Prevention chapters to learn more about our activities.

## Become Climate-Neutral by 2030 (Scope 1+2)

| | Results | | | | Targets | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | **2023** | 2024 | 2027 |
| **Emissions transparency** | | | | | | |
| Emissions reduced (market-based; % vs 2020) | – | −40 | −42 | **−50** | −55 | −70 |
| **Climate-neutral operations** | | | | | | |
| Scope 1+2 emissions ($CO_2e$ in kt)[7] | 58 ✔ | 35 ✔ | 34 ✔ | **29 ✔** | 26 | 12 |
| Scope 1+2 emission intensity ($CO_2e$ in metric tons/net sales in CHF m)[8] | 5.4 | 3.1 | 3.0 | **2.6** | | |
| Energy consumption intensity (MWh/net sales in CHF m)[8] | 9.8 | 10.0 | 10.7 | **11.8** | | |

**Key achievements in 2023:**
▶ Purchased green electricity
▶ Procured electric vehicles

**Outlook:**
▶ Expand purchasing of green electricity
▶ Take further reduction measures (e.g. fuel and LED lighting)
▶ Improve Scope 3 calculations

For more information on our activities, please refer to the Climate Change Mitigation chapter.

6 Refers to fatalities recorded in our own business operations.
7 Reduction primarily from I-RECs (International Renewable Energy Certificates).
8 The strong appreciation of the Swiss franc impacts the intensity figures. For 2023 alone, there has been a negative currency effect of 7.5 % on 2023 net sales compared to 2022.

## Make a Positive Local Impact

| | Results | | | | Targets | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | **2023** | 2024 | 2027 |
| **Community engagement and social impact** | | | | | | |
| Number of markets with local community projects | 13 | 11 | 21 | **24** | | |
| Significant operations engaging in local community activities (%)[9] | 80 | 90 | 100 | **100** | 100 | 100 |

**Key achievements in 2023:**
▶ Developed Social Impact Strategy
▶ Held our first global Patient Purpose Day

**Outlook:**
▶ Implement our Social Impact Strategy

Please visit the Local Community Development chapter for more details of the Social Impact Strategy and our activities.

When revising our Sustainability Strategy, we evaluate the targets shown on the Sustainability Scorecards along with a large number of initiatives at the Group and Business Unit level. In 2023, we set a specific target for each of the initiatives undertaken to reach our Sustainability Strategy's four objectives and identified a KPI to measure progress. This helps us evaluate whether we are still on track to reaching these targets and, hence, the Sustainability Strategy's overall objectives.

The targets of the initiatives are validated by the Sustainability Committee together with delegates from the Business Units and Functions. The results of this validation are approved by the heads of the Business Units, the CEO, and the Executive Committee.

The close links between the Sustainability Strategy and Corporate Strategy mean that the results of the Sustainability Strategy's validation are included in the annual process of revising the Corporate Strategy, which is approved by the Board of Directors.

**GRI 2-24**

### United Nations Global Compact and Sustainable Development Goals (SDGs)

In 2022, DKSH signed the United Nations (UN) Global Compact to further underline our commitment to sustainability. Our company is thus committed to engaging in responsible business conduct in accordance with the Ten Principles of the UN Global Compact. These principles cover human rights, labor standards, environmental protection, and anti-corruption and are based on core United Nations conventions. The DKSH Sustainability Report outlines how we conduct business activities in line with the Global Compact's principles. DKSH also submits an annual Communication on Progress to the UN Global Compact.

We also aim to make a positive contribution to the achievement of the Sustainable Development Goals (SDGs). Many of the 17 SDGs are reflected in our material topics. In particular, we focus on promoting SDGs 2, 3, 4, 5, 8, 9, and 13.

9 DKSH defines significant operations as all markets with more than 500 employees. This includes the 11 markets of Australia, Cambodia, Hong Kong, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

# Sustainability Governance

The Board of Directors of DKSH governs sustainability by charting the strategic direction for the Group and overseeing strategy implementation. In doing so, it is guided by the Group's values and our Sustainability Strategy. In 2021, the Chairman of the Board appointed a Board member to have oversight over sustainability matters. This role includes overseeing DKSH's processes to manage risks and our impacts on the economy, environment, and people by reviewing plans for areas including climate change action. This Board member also keeps the entire Board informed of sustainability and climate-related issues. In addition, the Board of Directors exercises administration, supervision, and control over the business of the company and the Group, including sustainability. The Board of Directors is responsible for preparing the Sustainability Report in accordance with legal requirements. The Sustainability Report is ultimately presented to shareholders at the Annual General Meeting (AGM) for approval.

The Executive Committee, DKSH's highest executive management body, is tasked with implementing the Sustainability Strategy supported by a Sustainability Committee, chaired by Group Sustainability and made up of representatives from the Business Units and Functions. The Sustainability Committee plans, coordinates, monitors, and reports on sustainability initiatives and actions. DKSH's climate, environmental, social, and governance performance is one component of our Executive Committee's annual variable bonus to create an incentive to achieve our sustainability targets.

The Group Sustainability team facilitates, coordinates, and drives sustainability-related planning, actions, and initiatives. It is also responsible for the Group's sustainability reporting activities. The team prepares for and conducts the annual schedule of dedicated quarterly meetings with Executive Committee members and the Sustainability Committee, and two meetings with the aforementioned Board member, with the Chief Executive Officer (CEO) in attendance. These scheduled meetings ensure that the Board is up to date on sustainability-related matters and critical concerns and, in turn, can provide guidance.

The Board was informed of key sustainability-related developments at DKSH at the aforementioned meetings in 2023. It received an update on the Sustainability Scorecard as well as the 2022 and 2023 TCFD results. In addition, the Board was updated on the approach taken for external assurance of the Sustainability Report. The Board authorized the decision to continuously broaden the scope of externally assured information in the Sustainability Report. The CEO also approved the service provider chosen for the external assurance. Lastly, the new sustainability data collection tool was demonstrated to members of the Audit Committee in a live presentation. This meeting also addressed the auditability of the tool and sought feedback from the Audit Committee. Please turn to the Climate Change Mitigation chapter in this report to learn more about the IT tool.
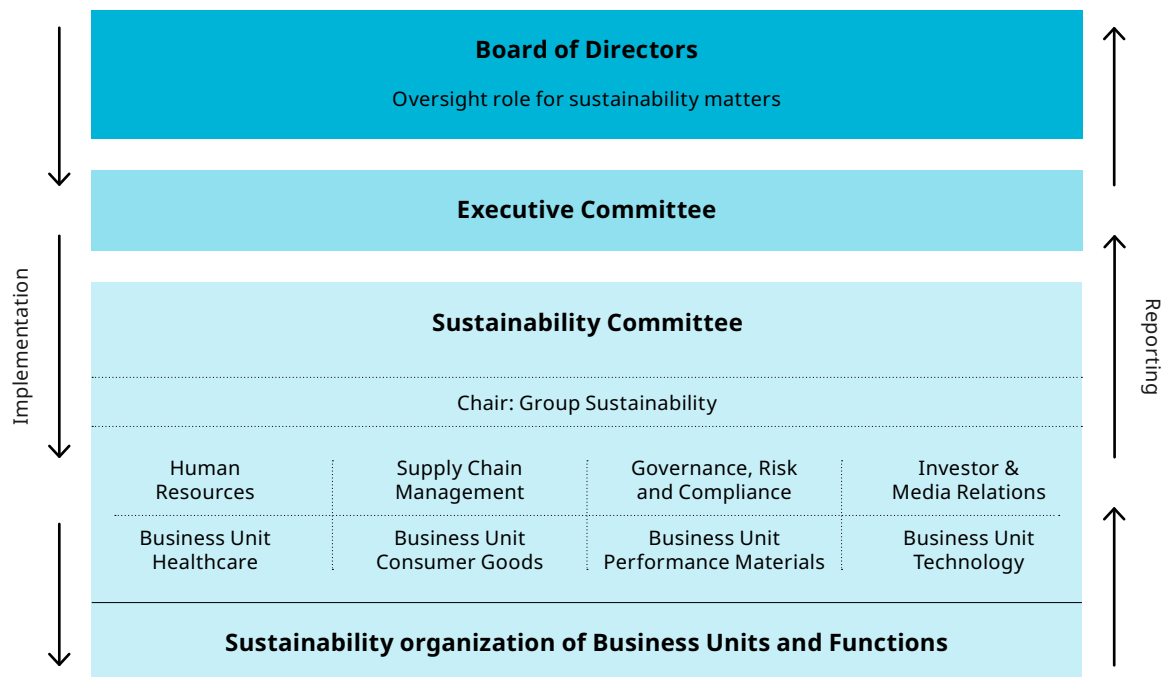
▶ **GRI 2-5, GRI 2-14**

We further incorporate sustainability at the highest level of our company by engaging in regular communication with stakeholders, such as analysts and investors, and consider the recommendations of proxy advisors and external sustainability ratings on Board remuneration. In addition, we use external benchmarking services to determine the remuneration of the Executive Committee and management. The results of shareholder votes on remuneration policies and proposals can be found in the minutes of the Annual General Meeting on the DKSH website.

▶ **GRI 2-19, GRI 2-20**

As in previous years, the quarterly Sustainability Committee meetings in 2023 provided an opportunity for delivering updates, engaging in discussions, and reaching alignment on regulatory developments, objectives, key initiatives, projects, and actions. We monitor progress and share knowledge and success stories at these meetings. After each Sustainability Committee meeting, the Committee Chair and Group Sustainability team meet with the CEO and other members of the Executive Committee to report on the Committee's work and obtain guidance.

Working on behalf of their organizational units, the Sustainability Committee members take responsibility for achieving their sustainability-related targets and managing their impacts on the economy, environment, and people. For example, the Chief Human Resources Officer oversees meeting sustainability targets related to our employees.

Our Business Units and Functions continued to formalize sustainability management at their respective levels, for instance by assigning dedicated resources to create transparency, drive actions and initiatives, and facilitate reporting. Sustainability managers and Sustainability Champions support the implementation of sustainability measures at the local level and provide meaningful feedback to the Sustainability Committee via their Business Unit or Function representatives.

**Board of Directors**

Oversight role for sustainability matters

**Executive Committee**

**Sustainability Committee**

Chair: Group Sustainability

| Human Resources | Supply Chain Management | Governance, Risk and Compliance | Investor & Media Relations |
| Business Unit Healthcare | Business Unit Consumer Goods | Business Unit Performance Materials | Business Unit Technology |

**Sustainability organization of Business Units and Functions**

*Implementation*

*Reporting*

For more information on DKSH's governance structures, please see the Corporate Governance chapter in the Annual Report 2023.

▶ **GRI 2-9, GRI 2-12, GRI 2-13, GRI 2-16, GRI 2-24**

**Championing Sustainability in our Supply Chain Management Function**

In 2023, we launched a Sustainability Champion program. All nominated Sustainability Champions from the Supply Chain Management (SCM) Function had their knowledge of sustainability and understanding of the market assessed to identify training needs. In March 2023, we launched our first SCM Sustainability Champions Onboarding process. As part of this process, Sustainability Champions learned about our three sustainability priorities related to supply chain management: conducting local roadmap initiatives, promoting sustainable procurement, and reducing our carbon footprint. The Sustainability Champions then met every two months to share progress.

We also supported our Sustainability Champions by creating and launching the Group SCM Sustainability 101 Training program to further their understanding of 'Sustainability's Impact on Business and Lives', the 'Leading by Example' ethos. To date, we have successfully completed the program in six markets, including our top five markets, with more than 150 participants at the supervisor level and higher completing training.

As we work to support larger workforces in markets such as Thailand, we have expanded training to include a train-the-trainer approach. Both Vietnam and Hong Kong have received recognition with two and three external local awards, respectively. In Hong Kong, we were honored with three UN

SDG Hong Kong Achievement Awards 2023: the Sustainable Organization Gold Award, the Recognized Project Award for DKSH's Paperless Revolution in Warehouse Operation, and the DKSH Fantree Academy recognition, making us an Employer of Choice.

Furthermore, we have established a bi-monthly reporting mechanism that updates the management team for the Supply Chain Management Function on the dedicated efforts made by our champions, who have taken on extra roles and responsibilities in driving these initiatives.

**"Our Sustainability Champions play a vital role in embedding sustainability within the Supply Chain Management Function. We ensure their success by equipping them with the necessary information and training to truly make a difference. The tangible outcomes are evident as our teams garner recognition for their sustainability initiatives across diverse markets."**
Roszy James,
Director, Group Supply Chain Management Sustainability

# Risk Management

At DKSH, we are dedicated to doing business in a responsible manner. This commitment is outlined in our Code of Conduct and further specified in our Responsible Procurement Policy, our Supplier Business Conduct Policy, and our Human Rights Policy as follows:

- Optimizing the effectiveness of our distribution system by continuously improving our supply chain processes while reducing energy consumption, emissions, waste, and other environmental impacts
- Procuring products and services in a responsible manner
- Ensuring the health, safety, and development of our people
- Ensuring the safety and integrity of the products we distribute through proper product stewardship
- Observing the highest standards of ethics and integrity in our business conduct, including respect for human rights

Risk management is an integral part of our management processes as we strive to ensure that we live up to our commitments and meet our objectives. As a multinational company operating in many markets and industries, we face a variety of risks that may adversely affect our business. Our approach to managing risks combines a traditional Enterprise Risk Management (ERM) system having a strong focus on shareholder value with consideration of risks in a sustainability context, i.e. the identification of and response to potential adverse impacts from a stakeholder perspective in non-financial matters.

**Risk Governance**

Risk management is an unalienable duty assigned by Swiss law to our Board of Directors, as further specified in the organizational rules of DKSH Holding Ltd. The Board adopted a Risk Management Policy which installs risk management processes and procedures and related roles and responsibilities, specifying an annual cycle operated by a Group Risk Management function under supervision by the Executive Committee.

As a general principle, endogenous risks are assessed and managed in a decentralized manner, by risk owners at the source where risks originate, directly in the business or in the various functional streams, such as Finance, Supply Chain, IT, Human Resources (HR), or Legal and Compliance. Group Risk is collecting corresponding risk information for consolidation and evaluation of materiality at enterprise level, including the identification of cluster, distributed, or interface risks. All reported risk information is logged in risk registers. Risks are identified and assessed at gross risk (before mitigation) and net risk level (after mitigation).

Furthermore, the risk management process includes periodic risk dialogues between senior executive management and Group Risk, for discussion of risk developments (new or emerging risks and risk mitigation measures) as well as the monitoring of the global landscape for the identification of relevant exogenous risks.

In the fourth quarter of the financial year, Group Risk collates all risk information obtained as part of the ERM cycle for attention of the Executive Committee, including recommendations for changes to the Group's previously determined risk map as well as risks to be prioritized for treatment. Ensuing deliberations and decisions are thereafter documented in an annual risk report, which depicts the Group's material strategic, financial, non-financial, operational, and event-driven risks, for consideration by the Board of Directors. The Board of Directors ultimately reviews and endorses the annual risk report if in agreement or else provides guidance for consideration of further risks or risk mitigation measures.

In a sustainability context, risk identification and risk management address non-financial elements pertaining to potential adverse impacts of our business on stakeholders and the environment, determined through a materiality assessment.

Managing climate change-related risks is an essential part of our enterprise risk management process, representing a specific set of risks with higher complexity given its longer-term perspectives in combination with the need to identify and assess climate change-related risks on the principle of double materiality. In other words, we examine both how our business activities may have adverse effects on climate change and how climate change may affect our business (risks and opportunities).

Material topics and their actual or potential adverse impacts have shaped our Sustainability Policy and commitments. They also influence our sustainability objectives and strategies assigned for execution or risk mitigation according to ownership at the business, functional, and/or market level. A Sustainability Committee chaired by Group Sustainability coordinates all plans and actions with guidance from the Executive Committee and the Board of Directors. As a member of the Sustainability Committee, Group Risk also ensures that ERM and sustainability risks are aligned. The Sustainability Governance chapter contains more information about our sustainability governance structure.

Further information about our risk management governance can be found in DKSH's Annual Report 2023 (pp. 23, 108, 117).

▶ **GRI 2-12**

**Risks Pertaining to Non-Financial Matters**

As disclosed in the risk governance section above, we identify non-financial or sustainability-related risks as part of the process of identifying and validating material topics. We review material topics annually and verify associated objectives and action plans for ongoing adequacy. The Stakeholder Engagement and Materiality Assessment chapter includes more information about this process.

Pertaining to Art. 964b of the Swiss Code of Obligations, we have identified the following risks in the context of our business operations, our products, services, and business relationships:

| Climate change | ▶ Physical risks to infrastructure, people and assets due to severe weather events<br>▶ Risks pertaining to transition to lower-carbon industries |
| --- | --- |
| Environmental risks | ▶ Improper disposal of operational waste and industrial effluents<br>▶ Leakage of refrigerants containing ozone-depleting substances (ODS)<br>▶ Handling/transportation of dangerous goods and hazardous chemicals<br>▶ Supply chain risks: procurement of goods and materials from suppliers that do not apply environmentally sound manufacturing practices |
| Social risks | ▶ Supply chain disruptions (non-availability of essential food supplies or health-care products, incl. life-saving drugs)<br>▶ Compromised product quality and safety<br>▶ Anti-competitive practices (detrimental to consumer interests)<br>▶ Road safety concerns (relating to our sales and delivery operations)<br>▶ Compromised data privacy, data theft or leaks<br>▶ Improper, unethical advertising or promotional practices |
| Employee-related risks | ▶ Insufficient or outdated skills and capabilities |
| Human rights risks | ▶ Procurement of goods or services that do not meet ethical or social standards, including poor labor conditions and human rights abuses (incl. child labor, forced labor) |
| Corruption risks | ▶ Bribery in business transactions<br>▶ Supply chain-related: bribery committed by intermediaries acting on behalf of DKSH<br>▶ Fraud, embezzlement, conflicts of interest (incl. collusion with external parties) |

Risks pertaining to climate change are discussed in greater detail in the TCFD Report.

**Risk Mitigation and Control**

Our general approach to managing the above risks entails a risk governance process that includes releasing policies, procedures, and/or guidelines, defining roles and responsibilities for their implementation and monitoring, and assigning risk ownership for implementation and day-to-day management. Policymaking may be driven by the need to comply with regulations, standards of business behavior expressed by our Code of Conduct, client requirements, or result from the Group's Enterprise Risk Management process, identifying significant risk topics that require management attention. Individual policies may stipulate a management system and provide guidance on risk identification, mitigation, and monitoring, including due diligence procedures, where significant.

These items are integrated in specific sustainability-related and senior executive management-approved policies to address specific risk and compliance topics highlighted in the table above. This includes:

▸ Our Responsible Procurement policy with respect to "procuring products and services in a responsible manner", which outlines due diligence procedures addressing risks in our supply chain (in reference to OECD standards, UNGC, and ILO conventions)
▸ Our framework of Anti-Bribery and Anti-Corruption policies and associated compliance program covering our own operations, our business partners, and our intermediaries
▸ Our Health, Safety, and Environment policy and associated procedures and guidelines stipulating that we identify, assess and mitigate occupational health and safety risks, including contractor safety, road safety, and environmental risks relating to waste and the handling of dangerous goods and hazardous chemicals
▸ Our Customs and Trade Compliance policy addressing risks relating to trading partners (trade restrictions, sanctions)
▸ Our Data Protection and Information Security policies addressing risks relating to improper use or loss of personal and other data
▸ Our Business Continuity and Crisis Management policy addressing risks relating to business disruptions and providing guidance on business recovery to help minimize downtimes and ensure the supply of essential products for consumers and patients

Several chapters in this report provide a more detailed account of the above-mentioned standards and their associated processes and procedures towards mitigating identified risks, including due diligence, as well as the effectiveness of measures.

Published in 2023, DKSH's Human Rights policy sets out our commitment to respecting human rights but does not specify due diligence procedures. These are contained in internal policies, procedures, and guidelines released by our Human Resources organization. The Responsible Procurement policy sets out due diligence procedures pertaining to our supply chain.

▸ **GRI 2-23**

# Our People



At DKSH, our employees are at the heart of our business. Their health, safety, and well-being are essential to our success. Along with offering our people a safe, fair, and inclusive place to work, we want to help them reach their full potential by providing training and growth opportunities.

# Health, Safety, and Well-Being

**Our Impacts**

Our positive impacts are closely linked to our company's purpose of enriching people's lives. In our health-care business, for example, we have a positive impact by making safe products that are essential to peo-ple's health and well-being available and accessible, with a specific focus on women health in our Own Brands business. Our positive impacts on our employees include providing health-care services and regular training for all employees.

Our business exposes our employees and, in some cases, other stakehold-ers to actual and potential impacts in the form of mental health (e.g. stress and fatigue) or physical health challenges (e.g. work- or non-work-related accidents) when engaging in administrative, logistical, manufac-turing, and travel-related activities. Risks are more prevalent when handling goods (including dangerous goods or hazardous chemicals) and operating machinery, equipment, or vehicles. Potential impacts on stake-holders other than our employees include traffic accidents involving the public, and risks of physical harm to people or the environment from accidents involving dangerous goods or hazardous chemicals, fires, or accidental spills.

**Managing and Monitoring Health and Safety**

Our corporate Health, Safety & Environment (HSE) policy outlines how we identify, assess, and manage health and safety risks. It covers all DKSH employees and all our opera-tions and facilities around the globe. Local market managers are responsible for operating an HSE management system (HSE-MS), including due diligence processes, that ensures compliance with applicable regulations and adequately con-siders the nature and risk profile of local operations. Qualified local HSE Managers support these local market managers. In 2021, we launched an enhanced corporate HSE management system referencing the latest ISO 45001, OHSAS 18001, and ISO 14001 standards. Our local HSE Managers must ensure that local HSE-MSs are aligned with the corporate HSE-MS.

All our distribution centers have HSE committees with repre-sentatives from various Functions and work areas. These com-mittees convene quarterly or monthly in our mature markets and at least annually in most other markets. HSE committees are responsible for reviewing health and safety procedures, investigating incidents, and examining new technologies and changes in personal protective equipment (PPE).

HSE committees also perform regular safety walks to in-spect premises and detect any hygiene or safety issues. On these and other occasions, we encourage our employees to become involved and speak up if they notice unsafe con-duct or conditions. Including non-management employees in this process helps us reduce managerial hierarchies.

Our HSE-MS also addresses the health and safety of con-tractors we appoint to support our service delivery. In 2021, we reinforced our commitment to safe practices for contrac-tors by releasing a Contractor Safety Management Guide-line. Contractors involved in higher-risk activities, such as operating forklifts, are evaluated based on their health and safety performances and processes, including their injury/illness numbers, special skills and training, effective work procedures, instructions, as well as whether they have an equivalent HSE-MS and comply with applicable licensing, rules, and regulations. Safeguards for contractors operat-ing at our sites include our Working Instructions on Visitor Safety, Contractor Safety, and Permit to Work (which also covers safe driving), and Contractor Guidelines.

Internal and external parties, including our key clients, regularly audit our HSE-MS. Local HSE managers also conduct market-level internal self-assessments, audits, and reviews to support continuous improvement. Our Business Unit Technology joined the Highwire platform in 2022. Using this platform, we can flag the most critical and relevant risks to occupational health and safety (OHS) at our contractors early and help them take prompt action to develop and implement risk mitigation plans.

▶ **GRI 403-1, GRI 403-7, GRI 403-8**

**Hazard Management**

Identifying hazards promptly and properly and proactively managing health and safety risks are essential to a safe working environment. DKSH performs hazard identification and risk assessments on a routine (e.g. scheduled assessments, audits, and checks) and non-routine basis (e.g. new legal requirements, changes to systems, equipment or materials) and in abnormal and/or emergency situations (e.g. incidents and accidents, breakdown, maintenance, fire emergency, and chemical spills). These assessments follow the Standard Operating Procedure and Guidelines set out in our HSE Management System. This process is overseen by appropriately qualified market HSE personnel in close collaboration with risk owners and cross-functional stakeholders.

Our overall objective is to make sure that hazards and risks are addressed in a timely manner and that we have control and mitigation measures in place to minimize health and safety risks to levels that are as low as reasonably practicable (ALARP). In keeping with our HSE policy and HSE-MS, all employees and workers must quickly report any hazards or risks to their line management. All accidents, incidents, and near misses must also be promptly reported to line managers to ensure timely investigation and corrective action. Employees and workers must stay alert to potential health and safety incidents in the workplace and are empowered to work with line managers to help establish and apply the hierarchy of controls based upon E-SEAP (eliminating hazards, substituting the hazardous with less hazardous, engineering controls, administrative controls, and PPE) principles.

Employees and workers are also entitled to avoid and remove themselves from potentially harmful situations, as necessary, and to inform their line managers. Moreover, our Code of Conduct states that any employee or contractor who, acting in good faith, reports an issue or removes themselves from a situation on HSE grounds must not be punished. In line with our commitment to continuously improve health and safety management, any incidents must be reported and investigated, and remedial action must be taken to prevent reoccurrence. We investigate all accidents, incidents, and near misses. DKSH also performs root-cause analyses in the event of injuries, significant process safety events, and incidents with high potential impact.

In keeping with the Incident and Crisis Communication (ICC) Policy, serious incidents are reported and escalated to the management level, including to the Executive Committee in the event of fatal incidents. Our Board of Directors has a general oversight role and is notified of significant risks and incidents, including health and safety features, via the annual risk report. In addition, the Board is briefed about the actual risk identification and data collection process. Moreover, we communicate lessons learned across the relevant parts of our organization. DKSH encourages open communication between employees, workers, and line management to support effective investigation.

Our HSE policy and HSE-MS require that we document findings and use them to develop health and safety targets, plans, and appropriate risk control measures. HSE Managers in each market are accountable for developing and documenting health and safety targets before seeking review and approval from national HSE Steering Committees. We periodically review these targets based on hazard identification and risk assessments and communicate the outcomes to employees, workers, and/or other stakeholders, as applicable.

▶ **GRI 403-2, GRI 403-3**

**Employee Consultation and Training**

Our HSE measures include holding local workshops and engagement sessions to ensure we involve, consult, and communicate with our employees and workers. At these and other events, we encourage employees and workers to provide input and feedback on constructive improvements to support health and safety standards in the workplace. We may convene extra sessions to raise awareness shortly after an incident or accident. Our employees and workers can also approach their line managers and local HSE teams at any time to report dangers and risks.

DKSH is committed to providing the health and safety information, instructions, and training needed by everyone working in our operations. Local HSE Managers are responsible for identifying HSE training needs and implementing the company-wide HSE training program, along with content mandated by local regulations for the respective markets. A local HSE team may also develop its customized training materials in specific cases, such as following an incident or when a new piece of equipment is introduced.

In 2022, our local training focused on road safety, with various campaigns across markets. In Thailand and Malaysia, for instance, we offered defensive driving training for employees and contractors alike (see Local Community Development chapter for more information). In 2023, Malaysia focused on PPE awareness and chemical handling. These training sessions are based on potential hazards identified in connection with our activities, such as carrying out chemical and biological analyses of raw and finished products.

Building on the DKSH Learning Management System (LMS), health and safety training includes traditional face-to-face classes and online courses and materials. New employees receive comprehensive health and safety induction training besides any job-specific training. All new recruits must complete induction training before commencing duties. We hand out safety awards in some markets to recognize and encourage safe working practices and behavior by our employees.

▶ **GRI 403-4, GRI 403-5**

**Addressing Impacts in the Supply Chain**

Our commitment to health, safety, and general well-being also includes contractors in operations outside of our control, such as transport or warehouse logistics providers. We often outsource hazardous chemical management to specialized providers with the standards and systems in place to qualify for outsourcing. This equally applies to original equipment manufacturers (OEMs). We expect all our service providers to make clear commitments to proper business conduct, including health and safety for their workers, as embodied in our Supplier Business Conduct Policy.

▶ **GRI 403-7**

**2023 Performance**

In 2023, our key clients, customers, standards boards, regulatory bodies, internal Supply Chain Management, and HSE teams performed workplace safety audits in all distribution centers. The main hazards identified by these audits included improper operation of forklifts and powered equipment, stacking loads and material storage, manual lifting and/or handling, unsafe road driving, and the risk of exposure to potentially dangerous goods and hazardous substances. We continue to take action to manage these risks, for instance through engineering and administrative controls, additional training, and the provision of PPE.

We continue to emphasize training on safe working practices as a preemptive measure, run campaigns to address key hazard areas such as manual handling, working at height and defensive driving to drive awareness, and update Standard Operating Procedures to provide more guidance to manage specific risks at market level. We are pleased to report zero work-related fatalities in 2023 ✅. We will continue to step up efforts to engage our workforce on the importance of health and safety incident prevention and mitigation.

| Work-Related Injuries | Number | | Rate | |
|---|---|---|---|---|
| **DKSH Employees[9]** | 2022 | **2023** ✅ | 2022 | **2023** ✅ |
| Fatalities from work-related injuries | 0 ✅ | **0** | 0 | **0** |
| High-consequence work-related injuries[10] | 0 ✅ | **2** | 0 | **0.03** |
| Recordable work-related injuries | 49 | **48** | 0.74 | **0.69** |
| Number of hours worked (in million) | 66.2 | **69.8** | | |
| **Workers[11]** | 2022 | **2023** ✅ | 2022 | **2023** ✅ |
| Fatalities from work-related injuries | 0 | **0** | 0 | **0** |
| High-consequence work-related injuries | 0 | **0** | 0 | **0** |
| Recordable work-related injuries | 9 | **13** | 0.73 | **1.17** |
| Number of hours worked (in million) | 12.3 | **11.1** | | |

| Main Types of Work-Related Injuries | Employees | | Workers | |
|---|---|---|---|---|
| **Types of injuries** | 2022 | **2023** ✅ | 2022 | **2023** ✅ |
| No. of first-aid injuries | 24 | **117** | 40 | **16** |
| No. of medical treatments beyond first aid | 5 | **5** | 1 | **2** |
| No. of job restrictions or transfers | 4 | **6** | 0 | **0** |
| No. of lost time injuries | 40 | **37** | 8 | **11** |
| No. of fatalities | 0 | **0** | 0 | **0** |

We compiled this data using an internal reporting system guided by Occupational Safety and Health Administration (OSHA) reporting requirements. HSE Managers in our markets are responsible for entering incidents in corresponding registers and notifying these events for consolidation at the Group level. We report data for the period from the fourth quarter of 2022 to the third quarter of 2023.

▶ **GRI 403-9**

---

10 All individuals in an employment relationship with DKSH according to national law or its application.
11 Injury that results in a fatality or an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.
12 All individuals performing work for DKSH, such as DKSH employees, agency workers, contractors, self-employed persons, subcontractors, and volunteers.

**Promoting Employee Well-Being Inside and Outside the Workplace**

At DKSH, we prioritize employee well-being by providing services and programs to address and mitigate health risks unrelated to work. These offerings may differ from one market to another, depending on local circumstances. In some markets, our company clinics give employees access to medical and healthcare services for non-occupational purposes. In Thailand, we provide well-equipped medical rooms staffed by a qualified physician where all employees can access DKSH's free medical facilities. Elsewhere, for example in Malaysia and Thailand, employees can make use of our nap or nursing rooms. Our employee assistance programs, available in many markets, also feature access to a 24-hour hotline and free therapy sessions with mental health professionals for employees and their immediate dependents.

▶ **GRI 403-6**

# Employee Attraction, Satisfaction, and Retention

## Our Impacts

DKSH is a service business. As such, our people make the difference. As a global company, our Code of Conduct sets us apart in many ways: Our commitment to respect human rights sets the bar high in developing markets. Our commitment to diversity, equity, and inclusion means that employees can find opportunities they might not otherwise have at local competitors' companies. And our commitment to developing our employees not only leads to outstanding performance for our clients and customers, it makes us an attractive choice for prospective employees. We empower our employees by enabling them to learn, grow, and advance in the organization. In the communities where we do business, working at DKSH is an attractive career move as it gives employees the opportunity to work in an international business environment.

### Belonging@DKSH

At DKSH, our emphasis on the importance of diversity and inclusion in our workforce is sponsored by our Executive Committee. We know that a well-rounded workplace is one with a mix of varied perspectives and characteristics. Belonging@DKSH is an initiative to drive diversity, equity, and inclusion at DKSH. It reflects our belief that we can achieve more when our employees feel they can be fully themselves at work. It is a natural extension of our culture, purpose, and values. This commitment is underlined by our Belonging Policy, which has been in place since 2022. The Policy determines how we define diversity, equity, and inclusion at DKSH. Covering the four areas of talent acquisition, career development, employee support, and external parties, the Policy sets out how our understanding of diversity, equity, and inclusion is implemented in these areas.

### Key Initiatives for Belonging@DKSH

- Conduct regular engagement surveys to measure and increase progress to build our employees' sense of belonging
- Monitor and evaluate recruitment and talent development practices designed to help increase gender representation, especially in senior management
- Continue offering e-learning events and workshops to increase awareness about diversity, equity, and inclusion habits and behaviors

In 2023, DKSH was recognized for creating outstanding employee experiences, including receiving the exclusive Great Place to Work certification in eight markets (Australia, China, Malaysia, Myanmar, the Philippines, Singapore, Switzerland, and Vietnam) and at our Corporate Shared Services Center. We plan to achieve certification in additional markets in 2024. DKSH also earned other recognitions, including a placing on The Straits Times Singapore's Best Employers list. DKSH Vietnam received HR Asia's award as the Best Company to Work for in Asia.

### Enabling Personal Growth and Recognition

To grow our business, we need to create the right conditions for our people to thrive. Our operations and the industries we serve are diverse, offering significant opportunities for our employees to learn and grow. We provide hands-on experience, empowerment, and stretch assignments to develop employees. These opportunities, combined with feedback and learning from others and formal training through our Fantree Academy, provide a balanced approach. In this 70/20/10 model, 70 % is on-the-job learning, 20 % is learning through others and continuous feedback, and 10 % is learning in formal courses.

At DKSH, we encourage our people to own their professional development. We promote internal talent whenever possible instead of hiring externally. Open positions are advertised in an internal job market, and we foster internal mobility, including international assignments. In 2023, about 24% of management-level employees were promoted or rotated into new assignments, and 58% of our management-level vacancies were filled internally (up from 54% in 2022). In the future, we aim for an internal hire rate of 55%.

DKSH uses a People Scorecard so our team leaders can better monitor and manage relevant KPIs such as attrition, diversity, internal fill, and managerial bench strength. This allows us to make data-informed people decisions. This has been especially important as we seek to increase our representation of women in senior leadership. Tracking the percentage of women in mid-level management roles who have career conversations and personal development plans is the first step to increasing the pipeline of internal promotions.

**Training hours**

| (online and in-classroom training) | % receiving training | Average training hours |
|---|:---:|:---:|
| DKSH employees[13] | 92.3 | 13.4 |
| Managers[14] | 98.7 | 21.6 |
| Staff[15] | 91.0 | 11.7 |

**Fantree Academy:**
**Staying Relevant to Meet Future Needs**

Fantree Academy, our in-house learning and development center, supports employee growth with more than 2,200 learning and development programs offered in every market. The Academy's curriculum is based on three pillars: Leadership, Functional Skills, and Essential Skills. Its courses also cover integrity and compliance, employee onboarding, and health and safety.

Employees can access learning sessions that are a good fit for their roles, responsibilities, interests, and career ambitions. In 2023, about 92% of employees received training. They completed 254,862 learning events, resulting in 13.4 hours of learning per employee (compared to 11.6 hours in 2022). Our goal is to reach a target of 20 hours of learning per employee by 2027. In 2023, our staff employees received an average of 11.7 hours of learning per person (compared to about 9.8 hours in 2022).

Post-COVID, we have seen a resurgence of in-person learning activities, complemented by the broad e-learning library that we developed during the pandemic. While 90% of training was conducted online in 2021, in-person activities accounted for up to 45% of training in some months of 2023.

In addition to the online and in-classroom training covered by these figures, our employees receive on-the-job and external training, depending on their responsibilities. This can include education for our employees provided by our clients, e.g. on how to operate and repair machinery or on the properties of various specialty chemicals.

▶ **GRI 404-1**

DKSH also conducts managerial and leadership development training programs. Our global annual Talent Review and Succession Planning campaign identifies key talent within the company for accelerated development opportunities so that they are able to take on larger leadership positions in DKSH as part of their career development. These staff members are nominated for and sent to leadership training programs appropriate to their professional developmental needs. Such training and development programs for leaders exist at multiple levels.

In 2023, we also launched the People Manager Center – a micro-learning hub where managers can understand the expectations for people managers and strengthen core leadership skills through e-learning and in-person learning events. The hub focuses on recruiting and onboarding, engaging and facilitating high performance, employee development, giving and receiving feedback, and reinforcing the DKSH culture. The People Manager Center serves as a portal that sets the high standard for line managers that everyone at DKSH deserves.

▶ **GRI 404-2**

---

13  All individuals in an employment relationship with DKSH according to national law or its application.
14  Members of the Executive Committee, corporate or local heads of Business Units or key Functions, and DKSH employees with P&L and/or budget responsibility, direct reports, and function specialists/heads/managers.
15  All DKSH employees who are not managers.

Recognition is a vital part of our approach to retaining talent. In addition to providing training, on-the-job opportunities for growth, and internal mobility, DKSH celebrates employees who embody our company purpose, values, and People DNA through the DKSH Fantree Awards. We encourage employees and teams to nominate colleagues at the market level. At town hall meetings, we recognize and celebrate awards, which are presented by members of senior management.

Along with these local awards, in 2023 we handed out six corporate-level awards to honor extraordinary contributions. The winners presented their success stories during a ceremony at a Board of Directors meeting. Our team in Myanmar received a special recognition award. Despite the immense challenges that our DKSH Myanmar team has faced over the past two years, it has spared no effort to continue keeping products on the shelves, getting medicines to people, supporting local communities, and enriching people's lives every day. In 2023, we were able to honor the Global Fantree Award winners in person again at our October Board of Directors' meeting in Kuala Lumpur, Malaysia.

**Performance and Feedback Culture**

Employee performance is measured against mutually agreed quantitative and qualitative objectives and is linked to remuneration. All employees use SAP SuccessFactors as a common tool for objective-setting and performance management. This allows alignment between our values, priorities, individual targets, and development plans.

Regular conversations between managers and employees on their development objectives, including constructive feedback, are also a part of their growth journey at DKSH. We emphasize the importance of creating and following up on meaningful personal development plans, especially for managerial employees. In 2023, 73% of managers created a development plan (72% for female managers and 73% for male managers).

DKSH also recognizes the importance of assessing our managerial bench strength. To this end, we hold an annual evaluation campaign to identify high-performing and high-potential employees who are anticipated to be able to take on future leadership roles with increasing levels of complexity. We categorize these employees as 'Talent'. In 2023, the percentage of employees in this category was 31% (compared to 35% in 2022). We have set ourselves the target of keeping this rate steady at 25%, which we identified as being the optimal rate for DKSH. All decisions related to appraisals, development opportunities, and promotions uphold our commitment to equal opportunities, and we track gender completion of career conversations and personal development plans to ensure focus on building our pipeline of women for senior leadership roles.

▶ **GRI 404-3**

We are both developing our in-house talent and bringing in new talent. This dual approach allows our HR employees to better support our business leaders in building high-performing teams and setting meaningful performance objectives.

DKSH conducts surveys to gather employee feedback on engagement, onboarding, and exit experiences. Our employee engagement survey, YourVoice@DKSH, is conducted annually. The survey includes 34 questions on topics from general satisfaction to feeling cared about as a person, and believing that DKSH is an equitable employer. In 2023, 92% of more than 22,000 targeted online and offline employees participated in the YourVoice@DKSH survey. Their feedback provides valuable insights to measure our progress in building a high engagement and performance culture.

We evaluate the results of this survey against industry benchmarks. Our engagement score[16] has continued to increase since we started the survey in 2021 and rose to 77 points out of 100 in 2023 (2022: 75 out of 100). We aim to reach a score of 78 points by 2024 and 81 points by 2027. More importantly, scores for all people- and manager-related metrics increased over the last two years. To ensure further progress, our managers work with their teams to understand the results and prioritize and implement activities that will address any opportunities for increased engagement. The survey found that our top organizational strengths are learning from our mistakes, taking accountability, and having a sense of purpose.

In some markets, we also conduct onboarding and exit surveys. The onboarding surveys help us fine-tune the experience for new employees, especially identifying where we could better set expectations about job requirements before people join DKSH. The exit surveys focus on voluntary leavers and provide us with useful, candid insights into their experience at DKSH.

**Welcoming New Hires to DKSH**

HR business partners forecast our hiring needs in partnership with Business Unit Managers locally by Business Unit and Function. Where hiring needs are identified, they will be reviewed by the Global Heads of the Business Units, who ultimately approve the creation of new roles.

At DKSH, we have an open, transparent, and merit-based recruitment process that is guided by our Global Recruitment Policy and conducted via SuccessFactors. This Policy sets out guidelines for the entire recruitment process. It applies across all markets and all levels of employees, and ensures the quality of the recruitment process.

---

16  The engagement score is calculated by aggregating the average score of the two questions "How happy are you working for DKSH?" and "I would recommend DKSH as a great place to work" from the YourVoice@DKSH engagement survey.

When hiring externally, we perform a market mapping to secure a diverse talent pool that meets our business needs and strategy. We actively develop new talent pools through formal yearly talent reviews and succession planning practices.

DKSH also offers graduate traineeship and apprenticeship programs. In addition, we offer a Junior Executive Training (JET) program in Malaysia as well as similar programs in other markets, which allows young graduates to work as leaders in various Business Units and Functions.

As part of DKSH's global learning and development program, we support employees' educational achievement through work-related external education. Local markets can choose to implement educational assistance programs (paying in whole or in part for an employee's education) and education/study leave programs (allowing employees time off to complete educational goals), according to the market norms.

It is important to us that our newly hired employees stay with the company so we continuously measure our new hire retention rate. This rate stood at 65.4% in 2023 (up from 60.7% in 2022). We have set ourselves the target of increasing the new hire retention rate to 66 % by 2024 and 72 % by 2027.

**Creating a Supportive Work Environment**

At DKSH, we believe in having an entrepreneurial culture that strongly emphasizes performance-based pay. Our Pay-for-Performance Framework aligns DKSH's financial and business goals with individual performance. The Annual Variable Bonus Plan is integral to the total remuneration framework for eligible plan participants. It is designed to apply throughout our global corporate framework and to retain and motivate high-caliber employees who strive for excellence. The aim is to encourage participants to set and achieve objectives and further build a high-performance culture by adopting the right behaviors and cultivating an entrepreneurial mindset. The Annual Variable Bonus Plan allows participants to earn more than their fixed remuneration via additional performance-based pay based on DKSH's annual business performance. We also recognize the importance of maintaining equitable pay practices to employee retention. At DKSH, we achieve this by using comprehensive benchmarking data alongside with other local insights, to ensure that our compensation is competitive, fair, and aligned to industry standards. By doing so, we further demonstrate our investment in our people and in retaining our workforce.

Providing a work environment that is conducive to people performing at their best includes offering benefits to the workforce. We offer our employees a variety of benefits based on applicable policies in the markets where we operate and continually review and enhance our benefit practices. Standard benefits, with some variation by market, include life insurance, healthcare, disability and invalidity coverage, statutory retirement provision, and leave entitlement.

DKSH has implemented a global Flexible Work Arrangement policy, giving employees more ownership of how and where they work. This allows managers and employees to jointly evaluate the feasibility of such work arrangements and design an approach that balances business needs with the employees' work/life balance needs.

In four out of 11 significant locations[17], part-time and temporary employees receive the same benefits as permanent full-time employees; in six other markets, some benefits are only provided to full-time employees. In one market, part-time and temporary employees do not receive voluntary benefits. Benefits related to stock ownership are limited to eligible key managers of the company.

▶ **GRI 401-2**

**Sharing a Moment in Life**

We seek to offer a work environment that makes staying with our company an attractive prospect. However, we understand that some employees may seek new opportunities outside DKSH.

In 2023, the overall attrition rate for the Group was almost 25 %; voluntary attrition stood at almost 18 %. This is a decrease compared with 2022, when the rates were 29 % and 22 %, respectively. Our goal is that the voluntary attrition rate will not exceed 20 % in 2024 and beyond. The total attrition rate at management levels was almost 18 %, with voluntary attrition at 12 %. Although our attrition rate may seem high, there are two factors to consider:
Firstly, Southeast Asia is an economic region experiencing fast-paced change with generally higher attrition rates than, for example, European markets. Secondly, the logistics sector, which makes up a large proportion of our workforce, is particularly dynamic compared to other local industries, resulting in high attrition rates in this segment. We will continue our efforts to further reduce voluntary attrition.

▶ **GRI 401-1**

Please note that the decrease in the total number of employees in 2023 is connected to our separation from a joint venture entity during the reporting period.

---

17 DKSH defines significant operations as all markets with more than 500 employees. This includes the 11 markets of Australia, Cambodia, Hong Kong, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

**Further Details about Our Employees[18]**

**Total Number of Employees by Employment Contract (Permanent and Temporary) by Gender**

| Gender | Permanent | % of total | Temporary | % of total | Total |
|---|---|---|---|---|---|
| Female | 14,327 | 49.47 % | 1,626 | 5.61 % | **15,953** |
| Male | 12,374 | 42.73 % | 625 | 2.16 % | **12,999** |
| Other | 1 | 0.00 % | 9 | 0.03 % | **10** |
| **Total** | **26,702** | **92.20 %** | **2,260** | **7.80 %** | **28,962** |

**Total Number of Employees by Employment Contract (Permanent and Temporary) by Region**

| Region | Permanent | % of total | Temporary | % of total | Total |
|---|---|---|---|---|---|
| Thailand | 7,682 | 26.52 % | 108 | 0.37 % | **7,790** |
| Greater China[19] | 2,492 | 8.60 % | 84 | 0.29 % | **2,576** |
| Malaysia and Singapore | 5,019 | 17.33 % | 7 | 0.02 % | **5,026** |
| Rest of Asia Pacific | 10,908 | 37.66 % | 2,057 | 7.10 % | **12,965** |
| Rest of the world | 601 | 2.08 % | 4 | 0.01 % | **605** |
| **Total** | **26,702** | **92.20 %** | **2,260** | **7.80 %** | **28,962** |

**Total Number of Employees by Employment Type (Permanent and Temporary) by Gender**

| Gender | Full-Time | % of total | Part-Time | % of total | Total |
|---|---|---|---|---|---|
| Female | 14,106 | 48.71 % | 1,847 | 6.38 % | **15,953** |
| Male | 12,252 | 42.30 % | 747 | 2.58 % | **12,999** |
| Other | 1 | 0.00 % | 9 | 0.03 % | **10** |
| **Total** | **26,359** | **91.01 %** | **2,603** | **8.99 %** | **28,962** |

All disclosures in this statement relating to employee numbers are based on headcount, rather than full-time equivalents, as we believe it is more appropriate for sustainability reporting purposes. All data was extracted from DKSH's SAP Human Resources Information System (HRIS) system.

▶ **GRI 2-7, GRI 405-1**

18  All individuals in an employment relationship with DKSH according to national law or its application. The difference to the total of 29,040 employees results from SAP integration of acquisitions.
19  Includes mainland China, Hong Kong, Macau, and Taiwan.

# Labor Practices and Human Rights

## Our Impacts

With about 29,000 employees and a very diverse workforce, DKSH is making continuous progress towards greater equity and inclusion. We strive to create a supportive working environment and a diverse workplace, knowing that decent working conditions are essential in all facilities and in the field. At DKSH, we are aware that we may potentially negatively impact local people and their rights by operating in markets with enhanced risk of human rights violations. We also understand that fair, safe, and decent work is a key element of responsible business practices and the human rights principles set out by the United Nations and the International Labour Organization. As an employer, we therefore set high standards for human rights compliance within our organization. We also have a positive impact on local employees and communities by promoting our culture of business conduct.

### Safeguarding Human Rights in Our Business Operations

At DKSH, we are committed to providing a work environment where people are treated with dignity and respect, are free from discrimination or harassment, and work together in a positive manner. We believe that this kind of culture is vital to helping people thrive and reach their full potential. Upholding human rights is a key element in our employment offering, as laid out in our Code of Conduct and in our Human Rights Policy. DKSH does not discriminate based on age, religion, gender, or any other relevant category. We respect our workers' rights to freedom of association and collective bargaining. Moreover, we do not penalize anyone who engages in good faith in workers' groups. At the end of 2023, 19 % of DKSH's employees were covered by collective bargaining agreements (2022: 18 %).

▶ **GRI 2-30**

Our commitment to respecting human rights and non-discrimination is made clear to employees through our Code of Conduct, the Human Rights Policy, and related induction training that underscores the importance of treating all people with respect. The training materials specifically state that we do not tolerate any form of discrimination, harassment, or bullying. The courses also direct employees to report any cases of misconduct to the site manager or the Human Resources (HR) team and emphasize that reports will be kept confidential. Our 2023 License to Operate training, which reached over 98 % of our employees, included a Code of Conduct refresher with a particular focus on key human rights issues.

From an organizational standpoint, our business partnering approach allows employees to easily access support from representatives of the HR team stationed within operations. The Integrity Line, our online reporting tool operated by a third party, which we introduced in late 2020, further enhances the avenues available to employees for confidential reporting of human rights or other labor condition concerns. In 2023, we recorded 140 incidents reported via the Integrity Line, one of which related to discrimination. However, the allegations could not be substantiated, and the case was closed without further action.

▶ **GRI 406-1**

Another way that we ensure that labor rights are upheld is by assigning responsibility for all hiring to HR. Our Supply Chain Management teams are responsible for contracting external transport providers in each of our key operating markets. These teams must also ensure that employees and contractors have the correct documentation. In accordance with local laws and labor regulations, we operate management programs to prevent child or forced labor and illegal work and to ensure decent and safe workplaces, fair and timely pay, and adequate rest periods.

▶ **GRI 2-23**

**Enhancing our Human Rights Management Approach**

In 2023, we established a working group to develop a systematic human rights management approach and implement the lessons from the UN Global Compact Business and Human Rights Accelerator program. Our working group comprises department representatives at DKSH, namely Group Sustainability, Group Human Resources, Group Supply Chain Management, and Business Unit Healthcare. We started our work in 2023 by undertaking a self-assessment and mapping our practices against the expectations of the United Nations Guiding Principles on Business and Human Rights. At the end of 2023, we also finalized our Human Rights Policy. This Policy sets out DKSH's commitment to human rights, explains our understanding of our responsibility to protect human rights, and provides guidance for people expected to adhere to the Policy, such as our own workforce and suppliers. In 2024, we will continue our work by embedding the expectations of the Human Rights Policy in our operational policies and procedures, for example, by engaging with internal stakeholders and providing training. In addition, we will review the Integrity Line, our grievance mechanism, to ensure it meets all requirements and effectiveness criteria.

In 2023, we also advanced efforts to integrate human rights due diligence processes in our own business area (please refer to the Responsible Procurement and Human Rights in the Supply Chain chapter for information about due diligence processes in the supply chain). We conducted our first human rights risk assessment in Malaysia in 2021. The risk assessment generally identified the main risks in Malaysia as forced or compulsory labor involving foreign workers, although no such practices were identified at our operations. The assessment also examined child labor without identifying any relevant findings in this regard. However, we identified certain findings in our vendor management process. The action items derived from the risk assessment and implemented in 2023 included corrective measures to ensure better-regulated working conditions, such as establishing a grievance channel, and administrative measures for managing foreign workers' employment contracts (e.g. updating employment contracts and translating contracts and consent forms into workers' first languages). In addition, we have addressed the assessment's findings by enacting an internal audit cycle, which undertakes quarterly checks of vendor management for foreign workers.

In addition to Malaysia, we identified Cambodia, Myanmar, Thailand, and Vietnam as markets for further human rights assessments. We consider the risks of human rights violations, such as child labor, forced or compulsory labor, or restrictions on the freedom of association, to be generally higher in these markets. We will conduct evaluations there.

In 2023, our Business Unit Healthcare operations in Cambodia and Laos were evaluated in external audits to assess alignment with the standards of the Pharmaceutical Supply Chain Initiative (PSCI). The audits looked at ethics and labor standards as well as health, safety and environmental (HSE) standards. Auditors identified nine significant findings concerning ethics and labor standards in Cambodia, alongside five major findings associated with Health, Safety, and Environment (HSE). Meanwhile, in Laos, auditors found two instances related to ethics and labor standards and one concerning HSE. We are now taking corrective action.

▶ **GRI 2-24, GRI 407-1, GRI 408-1, GRI 409-1**

**Supporting Diversity in the Workplace**

As a services company, our employees bring our values to life. Their talent, commitment to our customers, and pride in DKSH are key to our business success. We strengthened our approach to promoting diversity in our workforce by implementing a Group-wide Belonging Policy in 2022, covering diversity, equity, and inclusion. This step underscores our belief that we must create a space where our employees feel they belong and can do their best work to succeed as a company. The Belonging Policy expands upon the diversity section in our Code of Conduct and sets out our understanding of diversity, equity, and inclusion.

Additionally, 83% of our managers completed a comprehensive e-learning program on Belonging. We also held workshops to increase awareness of the importance of diversity and to provide targeted insights into unconscious bias, which may be an issue in talent acquisition and management, to address areas of particular opportunity. In 2023, the representation of locals in market leadership teams increased to 80% (2022: 78%). Also, 55% of our employees and 52% of our managers[20] were female. Our senior[21] leadership increased to 34% ❂ women, up from 31% in 2022. We have set ourselves the goal of increasing the percentage of women in senior leadership to 36% by 2024 and 39% by 2027. The representation of females in our market leadership teams[22] has increased by three points from 2022, to 39%. There are currently no women on the Executive Committee, although women held 22% of the positions on the Board of Directors, DKSH's highest governance body, in 2023. This is partially due to the current and historic underrepresentation of women in the science, technology, and logistics industries from which we hire. We are committed to diversity at all levels of the organization, including increasing the representation of women in our senior leadership.

**Percentage of employees, by gender**

45% | 55%

**Percentage of managers, by gender**

48% | 52%

**Percentage of senior leaders, by gender** ❂

66% | 34%

**Percentage of market leadership teams, by gender**

61% | 39%

■ Female    ■ Male
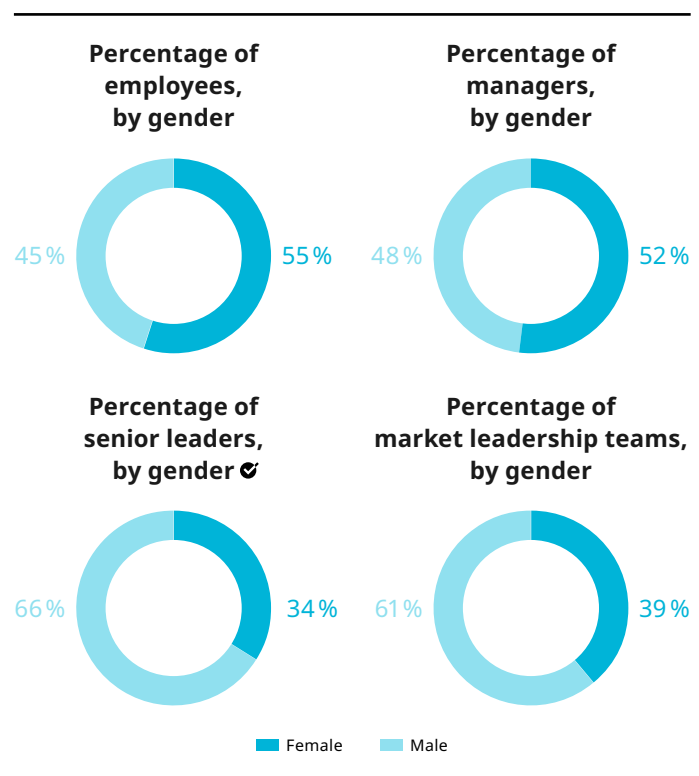
▶ **GRI 405-1**

[20] Members of the Executive Committee, corporate or local heads of Business Units or key Functions, and DKSH employees as well as client staff with P&L and/or budget responsibility, direct reports, and function specialists/heads/managers.

[21] Senior refers to managers in corporate, regional, or local management roles. In 2023, we shifted to a new architecture for job hierarchy to more accurately reflect a job's relative contribution and value within DKSH. This process was already started in 2023 and will be finalized in 2024. Please note that changes in the job hierarchy limit the comparability of figures related to women in senior leadership between 2022 and the years before and 2023.

[22] Market leadership teams refers to heads of each Business Unit and Function within a market.

# Our Business



Our operations create value for people all over the globe. As a responsible company that complies with standards, we are working to reduce our environmental footprint by mitigating climate change, preventing pollution, and using resources more efficiently. We are also constantly taking steps to make sure our supply chain complies with environmental and social standards.

# Environmental Responsibility

## Our Impacts

▶ **Climate Change Mitigation**
We believe that some of our business activities contribute to adverse impacts on climate change. Most of our greenhouse gas emissions result from logistics, comprising warehousing and transport. We want to reduce or eliminate emissions at the source.

▶ **Pollution Prevention**
Our activities have potential impacts on the environment, people, and their human rights, e.g. by consuming water, disposing of effluents from our manufacturing operations, and producing air emissions when making deliveries and engaging in business travel. As a responsible company, we have implemented comprehensive measures to address these impacts.

▶ **Resource Efficiency**
The importance of conserving natural resources makes waste management and prevention efforts a top priority for DKSH. We are making great efforts to reduce our impact on natural resources, for instance, when it comes to damaged products and packaging waste.

## Climate Change Mitigation

It is widely acknowledged that the adverse impacts of climate change represent a significant risk for our societies. Therefore, this issue is now on the political agenda in many countries across the globe, with calls for strong mitigation actions. At DKSH, we are aware that emissions from our operations may have an adverse effect on the climate and are committed to playing our part to avert global warming by decreasing or eliminating carbon emissions at their source. Most of our greenhouse gas emissions are generated at our significant locations in Southeast Asia and Greater China, primarily from warehousing, transport, and business travel activities. As we transition to renewable energy sources, for instance by installing solar panels at our facilities and distribution centers (DCs), we increasingly feed green energy into local grids.

**Governance and Management Approach**

Our Group Sustainability team is responsible for steering and implementing our approach to how DKSH helps to mitigate adverse impacts on climate change, e.g. through a dedicated budget for implementing our GHG emissions management practices. On an annual basis, the Group Sustainability team receives approval for human and financial resources invested, for instance, in green electricity, databases to manage GHG emissions data, or external assurance processes. The Sustainability Governance chapter contains more information about our governance structure.

Our stakeholder engagement activities determine our actions to mitigate climate change. As a business partner in global and local supply chains, we recognize that climate change mitigation is a relevant topic for our stakeholders and that we must act responsibly and adequately. In this regard, we interact with our clients by sharing our CDP data or report on Scope 3 emissions and make efforts to improve in these areas.

Our Health, Safety and Environment (HSE) Policy defines our approach to climate change mitigation. This policy underlines our commitment to conducting business in an environmentally responsible manner. In keeping with the precautionary principle, our HSE Policy stipulates that we take early action to identify, prevent, and mitigate potential negative impacts if there is sufficient reason to expect severe or irreversible environmental damage. Local HSE Managers are tasked with maintaining a register of applicable national environmental laws and regulations and ensuring compliance across all our operations. At the same time, we are taking a proactive approach to environmental responsibility by significantly reducing our reliance on fossil fuels and investing in renewable electricity and green buildings.

▶ **GRI 2-23**

Our enhanced HSE Management System is drawn up with reference to the ISO 14001 standard. The local country HSE Steering Committees are responsible for ensuring its effective deployment across all markets. In turn, local HSE Managers support the practical implementation of management systems and processes.

**Targets and Progress**

We have been reporting greenhouse gas emissions related to our operations since 2018 and have launched several initiatives to reduce our carbon footprint. In addition to cutting fuel consumption, DKSH initiated a program in 2019 to use more energy from renewable sources. Our goal: to become climate-neutral in our own operations by 2030.

We achieved our greenhouse gas emissions target – to reduce greenhouse gas emissions from our own operations by 35 % by 2025 compared with a 2020 baseline – four years early. That is why we are constantly setting ourselves new interim targets. We want to reduce our total emissions by 55 % by 2024 and by 70 % by 2027 compared to a base year of 2020. We calculate the change in greenhouse gas emissions using the market-based approach for Scope 2. In 2023, we cut greenhouse gas emissions (Scope 1 and 2) from our own operations by 50 % compared with our base year 2020 and
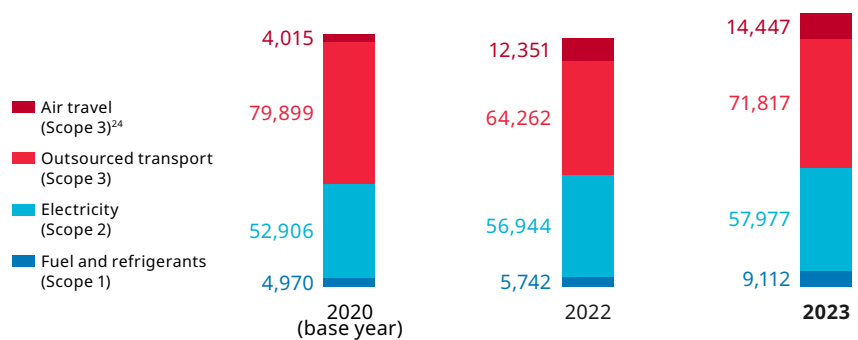
by 14 % compared with 2022, proving the effectiveness of our emissions reduction measures. In addition to $CO_2$ emissions, we include $CH_4$ and $N_2O$ emissions in the calculation of our greenhouse gas emissions. In addition to $CO_2$ emissions, we include $CH_4$, $N_2O$, and CFC emissions in the calculation of our greenhouse gas emissions. In 2023, our Scope 1 and 2 (location-based) emissions amounted to 64,023 metric tons ☑ of $CO_2$, 95 metric tons ☑ of $CO_2e$ of $CH_4$, 277 metric tons ☑ of $CO_2e$ of $N_2O$, and 2,693 metric tons ☑ $CO_2e$ of CFC, resulting in $CO_2e$ of 67,089 metric tons ☑. Please turn to the Sustainability Strategy chapter for further information on our progress and goals in reducing emissions.

The following initiatives contribute to the reduction of greenhouse gas emissions:

▶ Purchasing International Renewable Energy Certificates (I-RECs) as a credible claim for renewable energy use, in compliance with the GHG Protocol Scope 2 Guidance
▶ Purchasing renewable electricity directly from energy providers
▶ Generating renewable electricity by installing solar panels at our distribution centers and other premises
▶ Reducing emissions at the source by optimizing transport routes and ensuring more efficient use of electricity at our sites
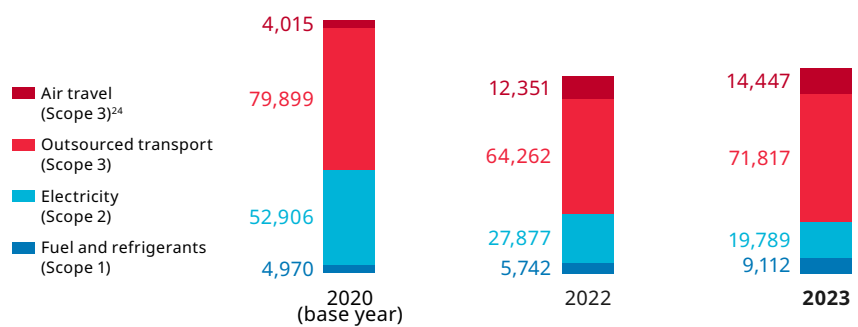
**Greenhouse Gas Emissions (Location-Based Accounting) in Metric Tons $CO_2$ Equivalent ☑**

The graph at right shows our gross emissions. Scope 2 figures are calculated using location-based factors for each market relating to the carbon intensity of the national grid.



Legend:
- Air travel (Scope 3)[24]
- Outsourced transport (Scope 3)
- Electricity (Scope 2)
- Fuel and refrigerants (Scope 1)

| | 2020 (base year) | 2022 | 2023 |
|---|---|---|---|
| Air travel (Scope 3) | 4,015 | 12,351 | 14,447 |
| Outsourced transport (Scope 3) | 79,899 | 64,262 | 71,817 |
| Electricity (Scope 2) | 52,906 | 56,944 | 57,977 |
| Fuel and refrigerants (Scope 1) | 4,970 | 5,742 | 9,112 |

**Greenhouse Gas Emissions (Market-Based Accounting) in Metric Tons $CO_2$ Equivalent ☑**

The graph at right shows our net emissions. Our Scope 2 figures[23] are calculated using market-based factors relating to the carbon intensity of the electricity we buy from our energy providers, plus our additional purchases of I-RECs. To learn more about I-RECs, please turn to the section on Reporting Approach.



Legend:
- Air travel (Scope 3)[24]
- Outsourced transport (Scope 3)
- Electricity (Scope 2)
- Fuel and refrigerants (Scope 1)

| | 2020 (base year) | 2022 | 2023 |
|---|---|---|---|
| Air travel (Scope 3) | 4,015 | 12,351 | 14,447 |
| Outsourced transport (Scope 3) | 79,899 | 64,262 | 71,817 |
| Electricity (Scope 2) | 52,906 | 27,877 | 19,789 |
| Fuel and refrigerants (Scope 1) | 4,970 | 5,742 | 9,112 |

▶ **GRI 305-1, GRI 305-2, GRI 305-3**

23 Before 2021, market-based = location-based. With the purchasing of Renewable Energy Certificates (I-RECs) starting in 2021, we began to apply market-based methodology to Scope 2.
24 New calculation approach for Scope 3 business flights emissions since 2023.

**Energy Usage in Our Operations, by Activity, in MWh**

Legend:
- Fuel usage by our fleet
- Fuel usage in our facilities[25]
- Electricity in our facilities[26]

2020 (base year):
- Fuel usage by our fleet: 8,733
- Fuel usage in our facilities: 5,066
- Electricity in our facilities: 91,137

2022:
- Fuel usage by our fleet: 12,798
- Fuel usage in our facilities: 5,738
- Electricity in our facilities: 102,039

2023:
- Fuel usage by our fleet: 17,102
- Fuel usage in our facilities: 8,453
- Electricity in our facilities: 104,758

▶ **GRI 302-1**

**Emission Intensity and Energy Consumption Intensity**

|  | 2021 | 2022 | **2023** |
|---|---|---|---|
| Scope 1 and 2 emission intensity (market-based) per million CHF sales | 3.14 | 2.97 | **2.61** |
| Scope 1 and 2 emission intensity (location-based) per million CHF sales | 5.36 | 5.51 | **6.06** |
| Energy consumption intensity per million CHF sales | 10.07 | 10.65 | **11.78** |

▶ Emissions intensity (market-based): Scope 1 and 2 $CO_2$e emissions market-based in tons per CHF million net sales
▶ Emissions intensity (location-based): Scope 1 and 2 $CO_2$e emissions location-based in tons per CHF million net sales
▶ Energy consumption intensity: Energy consumption[27] in MWh per CHF million net sales

▶ **GRI 302-3, GRI 305-4**

**Energy Consumption and Fossil Fuel Use in Logistics Operations**

DKSH operates more than 200 DCs to distribute the products made by our clients and our company. Our DCs and warehouses are typically leased, with a few of them built to suit. They account for a significant part of our carbon footprint. We consume energy for lighting, cooling, heating, and operating forklifts and other handling equipment. Most of our handling equipment is battery powered. We may need to store and transport temperature-sensitive products in air-conditioned vehicles or special transportation boxes. Therefore, the use of refrigerants and the resulting fugitive emissions form part of our carbon footprint.

Our capillary distribution network serves thousands of customers daily. We have a comparatively small fleet of our own vehicles. Transport tenders are a particular focus for our company in line with the commitments made in our Sustainability Strategy and as part of our Non-Trade Sustainable Procurement Strategy. We welcome working with service providers who can offer electric vehicles, particularly those who can provide such services in emerging markets. For developed markets, we require that transport service providers supply electric vehicles for at least 5% of the tendered fleet. In general, our goal is to replace as many diesel vehicles as possible with electric vehicles for all routes. In our largest market, Thailand, the fleet operated by DKSH and its subcontractors comprises 12 electric vehicles. We are planning to order a further eight vehicles for this market in 2024.

Most of our outbound deliveries are handled by transport service providers that we select based on quality, reliability, and, increasingly, fuel efficiency criteria. One of our most significant impacts relates to vehicle fuel consumption. More than 97% of our outsourced fleet is diesel-powered, although some vehicles run on compressed natural gas or gasoline. Optimizing routes is vital here to improving our operating efficiency. Our outsourced fleet comprises transport services that we pay for on a per-trip/case basis, while our chartered fleet is made up of vehicles that we rent monthly. We continuously strive to optimize the mix of trucks in our fleet to improve fuel efficiency and decrease fuel consumption.

25 Fuel used in equipment such as back-up electricity generators, boilers, and material handling equipment (e.g. forklift trucks).
26 More than 62% of electricity used is either purchased under a green tariff from our supplier or is covered by centralized purchases of unbundled renewable energy certificates (I-RECs).
27 Energy consumption for our own operations only. For energy types, see the bar chart 'Energy usage in our operations, by activity, in MWh'.

**Emissions from Business Travel**

Travel is a key part of our people-driven business. We have put in place internal approval systems to prevent any unnecessary travel. Most journeys are carried out by business flights, by sales and service teams in their own cars, and by taking public transportation.

We experienced a significant drop in business travel in 2020 and 2021 because of the COVID-19 pandemic. While deliveries of goods were able to proceed, meetings with customers were restricted. Our digital and hybrid engagements with clients, which were widely adopted during the pandemic, are the new norm. We will continue to use online communication, whenever feasible, to minimize our emissions. That being said, some travel to connect with colleagues and business partners in person is inevitable. Applying the new calculation approach for the years 2022 and 2023 results in a 31% increase in emissions from business flights in 2023 compared to 2022.

**Renewable Energy**

In 2023, we increased our renewable electricity purchases. Our food-blending plant in the Philippines switched to 100% renewable electricity in early 2021. We also purchase renewable electricity from our energy providers for our operations in Myanmar (partially), Japan (partially), Laos, New Zealand (partially), Italy, Germany (partially), Portugal (partially), Spain (partially), and Switzerland (partially). For other markets, we purchase International Renewable Energy Certificates (I-RECs) to reach our target of being climate-neutral from our own operations by 2030.

A total of 63,903 MWh of electricity use across the following markets was backed by I-RECs for the period 1 October 2022 to 30 September 2023 in compliance with the GHG Protocol's Scope 2 Guidelines: Cambodia, China, Hong Kong, India, Macau, Malaysia, Myanmar, Singapore, Thailand, and Vietnam.

In addition, we constantly explore potential ways to increase the number of solar panels at our DCs. To this end, in 2022, we conducted an analysis across all DCs to identify those suitable for solar panels. In 2023, we continued our efforts by equipping more DCs with solar panels. As of 2023, we can report a total of ten solar panel systems across multiple DCs within our Southeast Asia markets. These installations span key regions, including Thailand, the Philippines, Singapore, Laos, and Taiwan. The installed solar panel capacity varies from 11 kWh to 1,000,000 kWh. Both DKSH and, to a significant degree, the landlords of the building premises contributed the investments needed for these projects. The potential for solar panels now forms part of the regular evaluation process when deciding on new DCs.

As announced in the 2022 Sustainability Report's Progress highlights, we have installed solar panels at Business Unit Performance Material's brand-new DCs in Bang Plee, Thailand.

**Reporting Approach**

We calculate our emissions in accordance with the GHG Protocol standards, using 2020 as a base year. All relevant greenhouse gases are included in these calculations, i.e. $CO_2$, $CH_4$, and $N_2O$, along with the impacts of radiative forcing for business flights. We use operational control as our consolidation approach of choice for emissions.

All figures showing the consumption of energy and refrigerants in our buildings relate to DCs and offices. We also have a small retail footprint in some markets, such as Thailand. These shops are mainly leased units within larger complexes, where we have limited or no access to energy data. All retail data is excluded as it is not considered material for the Group's footprint.

Since 2023, we have used an external IT solution to collect the raw data needed to calculate our company's carbon footprint. This IT solution collects data on our own fleet, our external fleet (natural gas, diesel, and gasoline consumption), generators, boilers, MHE (LPG, diesel, and gasoline consumption), and refrigerants, as well as energy consumption data. Emissions factors are built into this IT solution, allowing us to perform direct calculations in the tool. We collect data by site. Users who perform data entry work are required to upload supporting evidence (e.g. invoices or purchase orders) to ensure data accuracy. Data is first entered by a contributor and then verified by a validator who compares the data entered with the supporting evidence.

The new IT solution has a range of advantages. Its centralized data management approach allows multiple users from all our markets to access and analyze data at various levels, from location and market to business unit. Other features, such as plausibility checks and automated carbon footprint calculation, help to assure data accuracy. This easy-to-use tool also features automated reporting against major standards and is highly auditable.

We calculate our Scope 1 emissions by mapping data on refrigerants, our own fleet (natural gas, diesel, and gasoline consumption), and generators, boilers, and material handling equipment (liquefied petroleum gas (LPG), diesel, and gasoline consumption). This process is followed for markets with the highest use of refrigerated storage and the largest distribution networks, including Cambodia, Hong Kong, Malaysia, Myanmar, New Zealand, Singapore, Taiwan, Thailand, and Vietnam. Fuel usage includes compressed natural gas (CNG), LPG, diesel, and gasoline for our internal fleet of delivery vehicles and backup electricity generators. When gathering information on outsourced logistics services, major suppliers have specified their diesel consumption data in liters based on billing data. For consistency purposes, all fuel properties and emission factors were sourced from the Greenhouse Gas Protocol (2017). The Global Warming Potentials are from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.

When calculating our Scope 2 emissions, we collect electricity consumption data from utility invoices for almost all of our markets. We do not report data for our small UK and Netherlands offices, since electricity consumption is charged there through a building services fee.

For location-based emission factors, we have applied the most recent figures available from the International Energy Agency (IEA) since 2021. The data shows the carbon intensity of the national electricity mix in all necessary markets.

We apply the following hierarchy for market-based emission factors:
▶ 1) Emission factors from the specific energy provider
▶ 2) If 1) is not available: emission factors published on government websites
▶ 3) If 1) and 2) are not available: same as location-based factors

When purchasing I-RECs, we match their sourcing to the market of consumption and the production year to the consumption year, wherever possible. Our provider recommends the most appropriate substitute in cases where this is not possible. Furthermore, we focus on I-RECs associated with solar, wind, geothermal, or biomass sources, thereby excluding hydropower from tropical regions.

We further strengthen quality and credibility by using our provider's quality seal to demonstrate third-party verification of our compliance with the Greenhouse Gas Protocol Scope 2 Guidance on purchasing, handling, and canceling RECs (e.g. 100% renewable origin, annual matching of production and consumption, adherence to established market boundaries, no double claiming of RECs). The use of the quality seal is reviewed and certified on an annual basis by the German independent certification body TÜV Rheinland.

Biogenic emissions only relate to the biofuel content of transport fuels and are considered negligible.

We consider emissions from air travel and our external fleet when calculating our Scope 3 emissions. Our air travel emissions are based on expenses for flights. Since 2023, the spend-based emissions factor 'Scheduled Passenger Air Transportation' from the EPA (2021) (including consideration of the Radiative Forcing Index) has been applied to convert expenses into $CO_2e$. Our external fleet uses fuels including compressed natural gas (CNG), diesel, and gasoline for delivery vehicles from our transport suppliers. When gathering information on outsourced logistics services, our major suppliers have specified their diesel and gasoline consumption data in liters based on billing data. For consistency purposes, all fuel properties and emission factors were sourced from the Greenhouse Gas Protocol (2017).

▶ **GRI 302-1, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4**

We also prepare a carbon disclosure in line with the CDP climate change disclosure system. CDP is an international non-profit organization that aims to establish business standards for environmental reporting and risk management. DKSH has published CDP disclosures since 2016, bearing in mind the organization's importance to both business partners and investors. For information on our latest carbon disclosure, please visit the CDP website.

# Pollution Prevention

**Management Approach**

Our Health, Safety and Environment (HSE) Policy encompasses all environmental and climate issues and underlines our commitment to conducting business in an environmentally responsible manner. In keeping with this policy, local HSE Managers are responsible for maintaining a register of national environmental laws and regulations and for ensuring compliance across all our operations.

Our enhanced HSE Management System operates as an extension of DKSH's HSE Policy, representing an umbrella framework under which other HSE-related guidelines and standard operating procedures interact and help govern individual HSE risks, such as dangerous goods and hazardous substances, contractor safety management, and waste management. It applies to all DKSH entities, and references ISO 14001. Local HSE Steering Committees are responsible for ensuring its effective deployment within their respective markets, while local HSE Managers support the practical implementation of management systems and processes.

In DKSH, we continuously strive to strengthen our environment management system. In 2022, we received the ISO 14001 certification for Business Unit Performance Materials' distribution center in Indonesia.

In 2022, we also worked with an external consulting firm to perform an environmental risk and impact assessment (ERIA) as part of our due diligence procedure. Its primary objective was to identify and assess risks arising from the operation of our facilities and, when necessary, to implement suitable mitigation measures to reduce risks to acceptable levels.

The ERIA focused on selected sites in six of our markets, namely Australia, China, Indonesia, Malaysia, the Philippines, and Thailand. The sample size was relatively small, especially compared to the number of distribution centers in operation. However, we considered the sites selected to be representative and adequate to gain a comprehensive risk profile of our operating sites across our four Business Units engaged in various business activities in manufacturing, distribution, or other. The overwhelming majority of our sites, however, are distribution centers and warehouses.

The assessment included a review of site sensitivity to soil or groundwater contamination, waste management, risks relating to air emissions, water quality, ozone-depleting substances, and the storage of liquids on site in tanks or other containers. The main risks identified by the ERIA included potential improper handling of hazardous waste, minor oil spills from machinery operations or spills of fuels stored on site, and the usage of refrigerants in air-conditioning systems scheduled to be phased out under the Montreal Protocol. Direct air emissions are insignificant, and our effluents are generally limited to sanitary waste. In summary, the ERIA found that our environmental/climate-related risks and impacts are low or minimal and that measures implemented at our sites were already sufficient to mitigate identified risks. However, it did recommend several small measures to further strengthen our management approach. In line with our striving for continuous improvement set by our HSE policy, several of the recommendations have since been implemented or are targeted for implementation in the foreseeable future.

▶ **GRI 413-1, GRI 413-2**

**Water Conservation and Effluent Management**

We minimize our impact on the environment by using water in a responsible manner and treating our wastewater properly. Our approach to water and wastewater management is decentralized, allowing our facilities to tailor measures to their specific locations and products.

For example, our United Drug (1996) facility in Thailand, which manufactures pharmaceutical and medical products, takes stringent measures to protect people and the environment from wastewater-related risks while meeting regulatory requirements. The existing wastewater treatment plant was upgraded and made more efficient. This new plant entered regular operation in the second quarter of 2023. The new technology has greatly improved effluent quality, chemical and biochemical oxygen demand, and total suspended solids.

**Reducing Pollution in Our Supply Chain**

The DKSH Supply Chain Management Sustainability team spearheaded a variety of initiatives in 2023. In Vietnam, we rolled out three projects that we plan to extend to other markets in the future. Firstly, we deployed five carton-shredding machines, which yielded a remarkable year-to-date return on investment of 73.2 %. These machines shred used carton boxes, which replace plastic fillers in our packaging and help us conserve resources.

Secondly, we transitioned to reusing cardboard angle brackets received from inbound shipments, eliminating the need for shrink-wrapping palletized delivery boxes. This shift leads to significant cost savings in terms of shrink-wrap expenses per pallet and streamlines operational processes

associated with pallet wrapping but also champions recycling. On average, utilizing traditional shrink wrap for a pallet measuring 50" x 45" x 45" high and weighing 508 kilograms would result in approximately 240 kilograms of $CO_2e$ emissions.

# Resource Efficiency

**Waste Management**

With a comparatively small manufacturing footprint from our Own Brands, we generate limited plastic packaging waste from our products. While we have no influence on the packaging used for our clients' products, we aim to keep packaging waste in logistics to a minimum.

Preparing goods for delivery mostly requires cardboard boxes and plastic film for pallet wrapping. We also generate packaging waste from incoming shipments. Healthcare cold-chain goods need extensive packaging to protect temperature-sensitive items. We already use the recyclable Brillant Box ("B-Box") in Thailand and the Orca Box in Malaysia. Unlike Styrofoam boxes, these temperature-controlled cold-chain boxes can be reused several times and are made of recyclable materials – making them an environmentally friendly solution for transporting temperature-sensitive products.

In 2023, we advanced our efforts to explore sustainable packaging materials. Our Business Unit Healthcare has collected data to better understand the impacts of shifting towards reusable cold-chain boxes. The introduction of more than 6,800 B-Boxes in Thailand since 2019 cut our use of single-use Styrofoam by 21 % in 2022 (compared to 2021 levels). In Malaysia, we have introduced more than 900 Orca boxes since 2021, thereby reducing our use of single-use Styrofoam by 11 % in 2022 (compared to 2021). Bolstered by these promising figures, our Taiwan and Vietnam markets are currently examining whether they can expand their usage of the B-Box in 2024. In December 2023, the Vietnam market piloted and launched four reusable Olivo Boxes, also made of expanded polypropylene.

In addition, our Business Unit Healthcare is exploring ways of transitioning towards FSC-certified packaging for our Own Brands to increase the number of products packed with FSC-certified packaging. This Business Unit is currently evaluating three products in the Thailand, Vietnam, and Myanmar markets to see whether they can be packed in FSC-certified packaging in a pilot project slated for 2024.

Please read our Pollution Prevention chapter to learn more about our activities to reduce pollution in our supply chain. We also generate waste from unsold goods, administrative activities (office waste), and IT. After launching the DKSH Guidelines on Waste Management in 2020, our major dis-

tribution centers in the markets of Cambodia, Hong Kong, Indonesia, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Taiwan, Thailand, and Vietnam reported waste data in 2023. In total, these markets generated 10,917 metric tons of waste in 2023, including 296 metric tons of hazardous waste. The data is the foundation for setting targets to improve our waste management practices. Going forward, we will further enhance waste reporting and our waste management approach by providing more granular data regarding different waste categories and recovery statuses. In turn, this will serve our goal of generating less waste, diverting more waste away from disposal and towards recovery.

Our waste reporting approach is based on a pilot project conducted in Thailand in 2021. During this pilot, Thai distribution centers completed monthly reports quantifying waste generation, disposal, and recovery. The data was categorized by material type and whether the waste was hazardous. During 2022, we successfully fine-tuned and stabilized data collection, leading to the initiative being rolled out in the markets mentioned above.

In recent years, we have also made strides in our digitalization journey by automating certain customer transactions. Using digital technologies, we have created paperless systems to enhance efficiency and accuracy while reducing our environmental footprint by eliminating paper usage and printing. One example is mPay, a digital payment system used in Vietnam.

mPay was the subject of a successful customer pilot in select locations from mid-2021. The system was then extensively rolled out to cover all cash-on-delivery (COD) payments for our Consumer Goods and Healthcare businesses in all Vietnam locations from 2022 onwards. Continuous enhancements have always been part of the roadmap. One key new feature provided flexible split payments to overcome transaction limits and increase tool adoption. mPay has seen steady growth in cash-to-digital payment conversion in recent months and years. Besides offering environmental benefits, this system provides added convenience and security while reducing the possibility of fraud with reduced cash handling. As tracking is made easier, this increases transparency and improves the efficiency of the collection reconciliation process.

Building on this success, we are now extending the digital functionality to our current mobile credit collection tool, mCollector, which focuses on credit collection. We have enhanced mCollector to include a digital payment option using a QR-pay method. mCollector has been piloted in Thailand and Singapore, and we are considering rolling it out to other markets.

▶ **GRI 306-1, GRI 306-2, GRI 306-3**

### Safe Storage, Handling, and Transportation of Dangerous Goods and Hazardous Chemicals

We ensure that the dangerous goods and hazardous chemicals we distribute are stored, handled, and transported safely. We have standardized our approach across our global business by releasing our Dangerous Goods and Hazardous Chemicals Guidelines in early 2021 as part of our environmental management system. This system is established in line with the precautionary principle. It sets clear standards and due diligence procedures and guides staff with assigned roles and responsibilities. Where appropriate, we rely on the services of carefully selected specialized outsourcing service providers while retaining oversight of our suppliers' performance.

▶ **GRI 2-23**

### Reducing Product Waste in Business Unit Consumer Goods

Sustainability is an essential issue for our Business Unit Consumer Goods. In 2021, the team created a sustainability organization comprising Sustainability Champions from each market to identify sustainability priorities and mobilize action through coordinated activities. Reducing product waste was identified as the core topic to be addressed. We developed and deployed a Product Waste Reduction Toolkit in early 2022. Since 2023, the toolkit has been successfully implemented in all our Business Unit Consumer Goods markets. It provides guidelines for reducing product write-offs and maximizing donations, decreasing product waste, and increasing food donations. In 2023, Business Unit Consumer Goods raised its food and non-food donations to 166 metric tons (from 132 metric tons in 2022).

In March 2022, DKSH signed an agreement with the Global FoodBanking Network (GFN), a non-profit organization that develops and supports food banks in more than 40 markets. This partnership aims to scale up efforts to recover and distribute surplus food and non-food products throughout the Asia Pacific region. To kick off this partnership, we made donations to SOS Thailand and Feeding Hong Kong, the GFN's partners in Thailand and Hong Kong. These endeavors will be continued and will be rolled out to other GFN local food banks in more markets.

# TCFD Report

## Our Impacts

Climate change is a critical topic for DKSH. We are aware that action to fight climate change and the transition to a low-carbon economy will present considerable opportunities and risks. Understanding and assessing these implications is crucial, especially considering their growing importance to investors and businesses. Our approach is aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) . This chapter of our Sustainability Report is drawn up in accordance with the recommended TCFD disclosures. It details how we are responding to climate change through our risk management system and strategy.

### Climate Governance

We have assigned climate-related responsibilities to various positions and committees throughout our organization – mainly our Board of Directors, the Executive Committee, including the Chief Executive Officer (CEO), and the Sustainability Committee.

Our sustainability governance structure specifies how we manage our climate-related responsibilities. To learn more about our sustainability governance structure, please turn to the Sustainability Governance chapter. More information about our climate governance approach is contained in our CDP Questionnaire 2023 (section C1), which can be found on the CDP website.

### Strategy and Assessment of Climate-Related Risks and Opportunities

DKSH recognizes that climate-related risks and opportunities have the potential to affect our business and supply chain reliability. We fulfil our due diligence obligations to identify and assess climate-related risks. This process is aligned with our broader risk management system set out in the Risk Management Policy, which defines general principles and procedures for identifying, assessing, and prioritizing any type of risk for risk treatment. As part of this process, climate-related risks are reported to the Board of Directors within the parameters of the annual risk report. The Board of Directors has also approved this year's climate-related disclosures prepared in accordance with TCFD, implementing the requirements set out in the Swiss regulation one year early.

Further information on our risk management can be found in the Risk Management chapter and in our CDP Questionnaire 2023 (sections C2, C3.3, and C3.4), which is available on the CDP website.

In 2023, we again assessed transition and physical risks in line with TCFD requirements, which go beyond the broader DKSH risk management system described above, including taking a longer-term perspective. By drawing on different climate scenarios, we were able to identify climate-related issues, assess possible risks and opportunities, and adapt to developments at an early stage.

The transition risk assessment drew on the Net-Zero Emissions Scenario (NZE) set out by the International Energy Agency (IEA). The NZE defines a pathway to achieving net-zero $CO_2$ emissions by 2050 in keeping with the Paris Agreement's goal to limit the rise in global temperatures to 1.5°C relative to pre-industrial levels. The scenario assumes key parameters facilitating the transition to a low-carbon economy regarding energy, technological, political, and market developments. It allows us to make scenario-based assumptions about the impacts and risks associated with the transition to net-zero $CO_2$ emissions by 2050.

Our physical risk assessment was grounded in scenarios contained in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). We examined scenarios looking at two-degree global warming (SSP1-2.6) and four-degree global warming (SSP5-8.5) across three different horizons. As recommended by TCFD, our analysis focused on the four-degree scenario to map physical risks to our business associated with a changing climate.

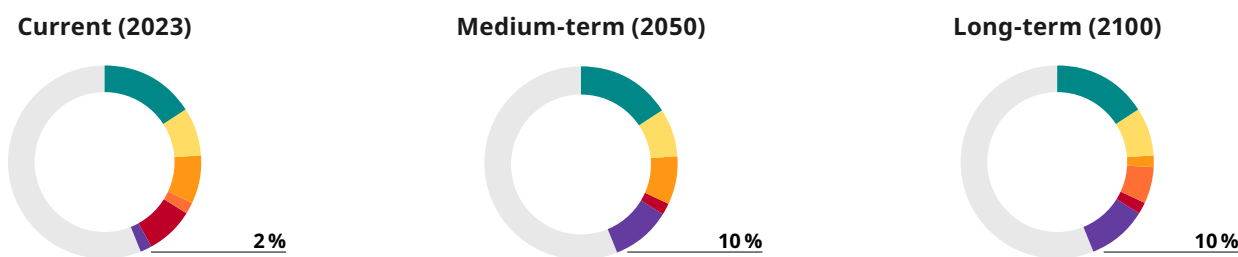As a first step, we performed an in-depth physical hazard assessment for DKSH's entire value chain in 2022 (our own sites and our upstream and downstream value chains). We used the IPCC World Atlas Regional Information Tool, which found that physical hazards, such as mean temperature increase, heavy precipitation, and drought, pose a high risk in some regions where we source products and in some regions where we sell products. We also expect rising sea levels to become a hazard in the long term, because DKSH is active in areas that will most likely be seeing increasing sea levels and operates sites that are close to the coast. The assessment has some limitations; for example, it does not allow for site-specific ratings.

In 2023, we conducted an in-depth analysis of physical hazards for 50 selected own sites using the Climate Change Edition of the Location Risk Intelligence platform from the reinsurer Munich Re. The analysis is based on Shared Socioeconomic Pathway (SSP) scenarios from the latest IPCC Assessment Report (IPCC AR6, 2023). The tool analyzes location-specific hazard exposure for different acute and chronic hazards. We identified heat stress and precipitation stress as potentially significant challenges for our own sites across all time horizons.

We analyzed our own sites for the hazards of tropical cyclones, river flooding, sea level rise, wildfires, drought, heat, and precipitation.[28]

---

**Tropical Cyclones**
**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Tropical cyclones are among the most destructive weather phenomena. Coastal regions and islands are particularly vulnerable, as they are affected not only by the direct impact of storms but also by secondary hazards, such as storm surges and pounding waves. The MunichRe hazard score is based on probable maximum wind intensities with a return period of 100 years.

**Hazard assessment**

| | |
|---|---|
| ● | very low |
| ● | low |
| ● | medium |
| ● | large |
| ● | very large |
| ● | extreme |
| ● | no hazard |

**Current (2023)**      **Medium-term (2050)**      **Long-term (2100)**



2 %        10 %        10 %

Currently, only 2 % of the assessed own sites face an extreme hazard of tropical cyclones. This jumps to 10 % of the sites for the medium- and long-term scenarios.

---

28   The figures for our own sites reference the share of DKSH-owned sites, in keeping with the variables contained in the Munich Re Climate Change Edition.

**River Flood (undefended)**
**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Regions close to rivers and at low elevations are particularly vulnerable to this hazard. This analysis shows areas at risk of extreme floods with a return period of 50, 100, and 500 years. Flood protection systems, such as dams or dikes, are not taken into consideration.
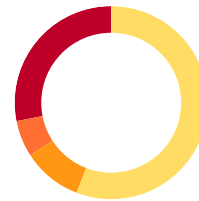
**Hazard assessment**

- very low
- low
- medium
- large
- very large
- extreme
- no hazard

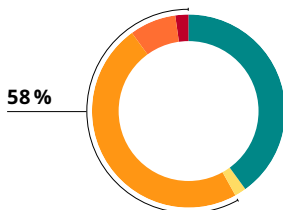| Current (2023) | Medium-term (2050) | Long-term (2100) |
| --- | --- | --- |
|  |  |  |

The proportion of the assessed own sites
with a low river flood risk stays constant both in the medium term
until 2050 and in the long term.

**Fire Weather Stress Index**
**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Wildfires are a destructive hazard that can occur naturally or be caused by humans. They burn down vegetation and destroy infrastructure and economic resources. Fires often have secondary impacts, including erosion, landslides, impaired water quality, and smoke damage. The Fire Weather Stress Index describes meteorological fire conditions and is based on the climate variables of temperature, wind, precipitation, and relative humidity.

| Current (2023) | Medium-term (2050) | Long-term (2100) |
| --- | --- | --- |
| 58 %  | 58 %  | 58 %  |
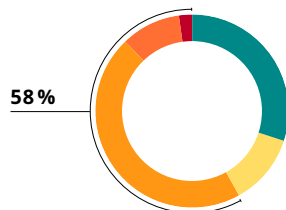
Across all time horizons,
58 % of the assessed own sites face a medium, large and
very large wildfire hazard level.

**Sea-Level Rise**
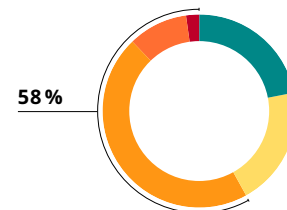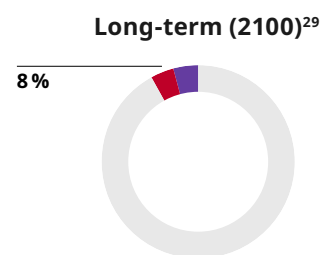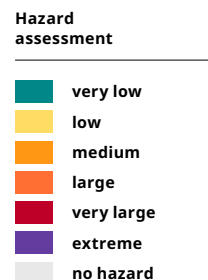**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Sea-level rise is primarily caused by processes linked to global warming, such as melting glaciers and ice sheets, and the thermal expansion of water. Furthermore, the rising sea level has multiple negative effects, such as coastal erosion, inundations, storm floods, tidal waters encroaching into estuaries and river systems, and the contamination of freshwater reserves. Hazard areas are derived from sea-level rise and elevation data for the respective projection year and scenario.

**Hazard assessment**

- very low
- low
- medium
- large
- very large
- extreme
- no hazard

### Long-term (2100)[29]

8 %

In the long term, 8 % of the assessed own sites have a very large to extreme hazard of sea-level rise.

**Drought Stress Index**
**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Rising temperatures and changes in precipitation patterns can cause drier weather conditions and thus more intense and frequent drought events. In turn, these factors can have severe economic, environmental, and social impacts. The Drought Stress Index is based on the SPEI (Standardized Precipitation – Evapotranspiration Index), a multi-scalar drought index used to determine the onset, duration, and magnitude of drought conditions.

### Current (2023)    Medium-term (2050)    Long-term (2100)

44 %
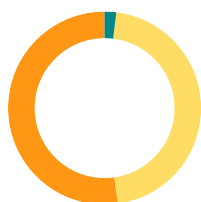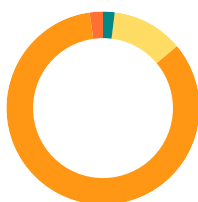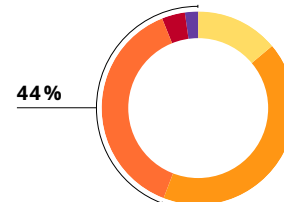
In a long-term scenario, 44 % of the assessed own sites have a large to an extreme hazard level for drought stress.

29  The Climate Change Edition of the Munich Re Location Risk Intelligence platform does not provide data for 2023 and 2050.

**Hazard assessment**

- very low
- low
- medium
- large
- very large
- extreme
- no hazard

## Heat Stress Index
**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Global warming is increasing the hazard of heat stress, which affects humans, infrastructure, and ecosystems. Temperatures are rising, and the intensity and frequency of heat waves are increasing.

### Current (2023)

### Medium-term (2050)

### Long-term (2100)

52 %
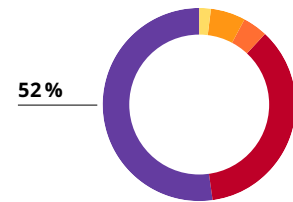
In a long-term scenario,
52 % of the assessed own sites are at risk of an extreme
hazard level associated with heat stress.

## Precipitation Stress Index
**(four-degree global warming scenario, IPCC SSP5 – 8.5)**

Climate change can affect precipitation intensity and frequency. The Precipitation Stress Index is rooted in parameters related to heavy precipitation, such as occurrence frequency, duration, and intensity.

### Current (2023)

### Medium-term (2050)

### Long-term (2100)

58 %

94 %
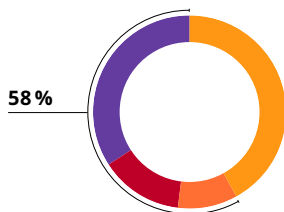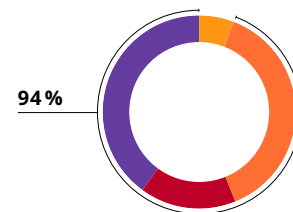
Currently, 58 % of the assessed own sites
have a large, very large or extreme hazard of heavy precipitation.
In the long term, this level increases to 94 %.

After finalizing the initial hazard assessment, we held a workshop in 2022 to discuss the results of the scenario analyses and prioritize climate-related risks, impacts, and opportunities. At this event, we analyzed and weighted scenarios and considered the physical impacts and consequences for our business activities and upstream and downstream operations. Altogether, we identified five opportunities, five physical risks, and six transition risks and related impacts which may impact our business operations and financial planning (please see table below for details).

In 2023, we assessed and prioritized the opportunities, physical risks, and transition risks identified in 2022 based on their financial materiality for DKSH.

## Opportunities

The following mitigation and adaptation measures create opportunities for DKSH:

| Measure | Opportunity | Financial impact |
| --- | --- | --- |
| More efficient distribution processes and vehicles | Cost reduction by making distribution processes more efficient | Moderate |
| Improvements to the Business Continuity Planning (BCP) | Timely and appropriate response to climate-related challenges through improved BCP | Major |
| More efficient building infrastructure | Cost reduction by decreasing energy and water consumption in buildings | Moderate |
| Sales of low-emission goods and services | Attracting and retaining clients who prefer low-emission products and gaining a competitive advantage by developing tiered services to cater to demand for highly sustainable versus lower-environmental products and services | Moderate |

## Opportunities

(emerging in a two-degree global warming scenario)

Financial Impact



High financial impact
Low scenario probability

High financial impact
High scenario probability

Improvements to the Business Continuity Planning (BCP)

Sales of low-emission goods and services

More efficient distribution processes and vehicles

More efficient building infrastructure

Low financial impact
Low scenario probability

Low financial impact
High scenario probability

Probability

**Physical Risks**

We identified the following acute and chronic physical impacts of climate change:

| Risk | Impact | Financial impact |
|---|---|---|
| Damage to transportation infrastructure caused by rising sea levels and heavy precipitation | Delivery disruption and higher costs as emergency alternative solutions have to be found, difficulties for employees to travel to work leading to high absenteeism and operational disruption | Moderate |
| Damage to energy infrastructure caused by extreme weather events | Operational and supply chain disruptions, systems breakdown | Moderate |
| Reduced raw material availability to DKSH clients due to drought stress | Disruption of raw material availability to DKSH clients, impacting the availability of consumer goods | Severe |
| Lack of insurance due to extreme weather events | Natural hazards might not be insurable in the future, leading to a high cost of risk transfer | Low |
| Health impact on the workforce | Negative impacts on the health and safety of the workforce, leading to absenteeism and a lack of talent | Severe |

**Transition Risks**

The following risks are associated with the transition to a low-carbon economy:

| Risk | Impact | Financial impact |
|---|---|---|
| Greenwashing accusations | Reputational damage which impacts demand; greater effort involved with performing due diligence | Undetermined |
| Dependency on electricity supply | Increased dependency on electricity supply requires consistent energy infrastructure | Moderate |
| High uncertainty regarding energy supply and prices | Increased costs associated with fluctuating energy prices and unexpected shifts in energy prices | Moderate |
| Reduced capital availability | Capital is increasingly tied to a company's climate performance as sustainability policies become more common | Low |
| Increased pricing of greenhouse gas emissions | Rising energy prices, energy or carbon taxes and regulation-driven costs, regional inequality leading to geographic redistribution | Low |

To learn more about climate-related risks and opportunities, please read our CDP Questionnaire 2023 (sections C2, C3.3, and C3.4), which is available on the CDP website.

**Physical and Transitory Risks**



Legend:
- Transitory risk (emerging in a two-degree global warming scenario)
- Physical risk (emerging in a four-degree global warming scenario)

Financial Impact

**High financial impact
Low scenario probability**

**High financial impact
High scenario probability**

**Low financial impact
Low scenario probability**

**Low financial impact
High scenario probability**

Risk items:
- Reduced raw material availability to DKSH clients due to drought stress
- Health impact on the workforce
- High uncertainty about energy supply and prices
- Damage to transportation infrastructure caused by rising sea levels and heavy precipitation
- Dependency on electricity supply
- Damage to energy infrastructure caused by extreme weather events
- Increased pricing of greenhouse gas emissions
- Reduced capital availability
- Lack of insurance due to extreme weather events

Probability

**Climate-Related Metrics and Targets**

DKSH is adapting its business model to reflect risks arising from climate change and is making an active contribution to mitigating climate change. In keeping with these efforts, DKSH has defined a path towards its climate neutrality objective for 2030. This works towards the Swiss Government's climate targets of reducing emissions by 50 % by 2030 with a 1990 baseline within the framework of the Paris Agreement.

We achieved our greenhouse gas emissions target – to reduce emissions from our own operations by 35 % by 2025 compared with a 2020 baseline – four years early. That is why we are constantly setting ourselves new interim targets. We want to reduce our emissions by 55 % by 2024 and by 70 % by 2027 compared to a base year of 2020. In 2023, we reduced our greenhouse gas emissions from our own operations (Scope 1 and 2) by 50 % compared with our base year 2020 and by 14 % compared with 2022 through various initiatives. In addition to $CO_2$ emissions, we include $CH_4$ and $N_2O$ emissions in the calculation of our greenhouse gas emissions. In addition to $CO_2$ emissions, we include $CH_4$, $N_2O$, and CFC emissions in the calculation of our greenhouse gas emissions. In 2023, our Scope 1 and 2 (location-based) emissions amounted to 64,023 metric tons ⚇ of $CO_2$, 95 metric tons ⚇ of $CO_2e$ of $CH_4$, 277 metric tons ⚇ of $CO_2e$ of $N_2O$, and 2,693 metric tons ⚇ $CO_2e$ of CFC, resulting in $CO_2e$ of 67,089 metric tons ⚇. Please turn to the Sustainability Strat-

egy chapter for further information on our progress and goals in reducing emissions.

To this end, we are reporting key core performance indicators, such as our own greenhouse gas emissions, in accordance with Scopes 1, 2, and 3 of the Greenhouse Gas Protocol. We also collect data and regularly review our performance in the area of waste. Our emissions-related reporting and data can be found in the Climate Change Mitigation chapter, while information on waste is located in the Resource Efficiency chapter.

In addition, all our Business Units and relevant Functions must define measures contributing to DKSH's overall target of becoming climate-neutral. More information on climate-related metrics and targets can be found in our CDP Questionnaire 2023 (section C4), which is available on the CDP website.

# Responsible Procurement and Human Rights in the Supply Chain

## Our Impacts

At DKSH, we take specific actions to minimize the environmental and/or social impacts that may be caused by activities within our supply chain, which are covered in greater detail below. We acknowledge that challenges in upholding human rights and ethical business conduct exist in some of our markets. DKSH also faces risks associated with working conditions and human rights when using employment agencies to hire foreign, temporary, and casual workers and when subcontracting activities to the local logistics industry. We are committed to addressing these risks in our supply chains and to positively impacting the communities where we operate. In particular Business Unit Performance Materials, which operates closer to the origins of raw materials and ingredients in DKSH's value chain, undertakes efforts to positively impact its suppliers in terms of their sustainability ambitions and to be a sustainable partner in the supply chain.

DKSH helps small and medium-sized suppliers grow. As a market expansion services provider, we work with a large and diverse supplier base, enabling small and medium-sized suppliers to access international markets and compete with blue-chip suppliers. We also help ensure transparency and ethical sourcing within the supply chain, thereby protecting human rights and labor conditions.

DKSH maintains operations in some markets that rate relatively low on Transparency International's Corruption Perception Index. We believe that we are positively impacting the local business community by promoting our culture of ethical business conduct and by operating a corresponding compliance program.

## Our Supply Chain
### Trading and Manufacturing

Our main business is to provide contractually agreed marketing and distribution services for a global client base, spanning diverse product categories, such as consumer goods, healthcare products, food ingredients, specialty chemicals, machinery, and other technological equipment. Goods for resale are supplied to us locally in the markets we operate or internationally, as determined by our clients.

Other businesses include:
▶ Global sourcing and procurement services for specialty chemicals and food ingredients for resale to our customers
▶ Marketing our Own Brands under trademark ownership or license, either procured locally or internationally as finished goods from licensors or contract manufacturers, or manufactured by DKSH
▶ Supply of food ingredients and premixes to finished consumer goods using our own recipes or made to customer specifications, including contract manufacturing for local customers.

All procurement associated with the trading and manufacturing activities outlined above accounts for more than 90 % of our total procurement. A split between international and local sourcing or procurement is currently not available. Whilst we strive to maximize local sources of supply, they are ultimately dependent on our clients' manufacturing sites and the availability of suitable materials and components in our sourcing and manufacturing businesses.

▶ **GRI 2-6**

**Non-Trade Procurement**

An important part of our business model of providing market access through highly specialized marketing and distribution services is local service delivery, for which we typically rely on the services of a variety of business partners. Inbound and outbound transport logistics, including some outsourced warehouse logistics, represent a significant portion of our local spending, along with marketing expenses incurred through media agencies and promotional service providers. Other supply chain-related procurement includes working with importers, exporters, and customs agents in cross-border business, with labor and other service providers to assist with logistics operations and adapting products to regulatory or marketing requirements, and with packaging and other materials and equipment suppliers to support logistics operations. We selectively engage the services of intermediaries, such as distributors or sub-distributors, wholesalers, sales and tender agents, or consultants, to assist with revenue-generating activities.

We estimate that procurement from local suppliers[30] in significant locations of operation[31] supporting our local service delivery accounted for 100 % of our spending.

▶ **GRI 2-6, GRI 204-1**

**Ensuring a Responsible Supply Chain**

We are committed to the integrity of our supply chain by operating our business in keeping up with the highest ethical standards, as reflected in our Code of Conduct. Our Responsible Procurement Policy and the associated Supplier Business Conduct Policy further detail our principles, our commitments, and our expectations from our suppliers. These Policies – approved by the Executive Committee and endorsed by the Board of Directors – reflect our commitment to the principles of the United Nations Global Compact, national and international legislation and standards for responsible business conduct, such as the Organization for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

In 2022, we adopted the Responsible Procurement Policy and the Supplier Business Conduct Policy, in conformity with new Swiss regulations setting disclosure requirements on non-financial matters and due diligence obligations, effective January 2022. Implementation preparation and activation started in the same year and continued throughout 2023. These policies operate alongside our Third-Party Intermediary and the Non-Trade Procurement Policies. The diverse nature of our business and products requires that we take variations in our management approach rather than a one-size-fits-all model without, however, compromising on our standards.

In line with the principles expressed by our policy framework, we do not want to maintain business relationships with suppliers that do not share our commitment to integrity and responsible business conduct. All suppliers that are deemed relevant and important in the overall context of our supply chain (proportionality and criticality) representing a potential risk exposure will be assessed against our standards and expectations, as further described in the pertinent sections in this chapter.

Risks associated with ethical business conduct and the integrity of our supply chain are high on the agenda of DKSH's Board of Directors. Its Audit Committee bears overall responsibility for overseeing the Group's risk management processes and procedures. It receives regular updates on risks in our supply chain via the frameworks and processes described in the Sustainability Governance and Risk Management chapters. Moreover, the Audit Committee is kept informed of responsible procurement, due diligence procedures, and performance measurements via a Sustainability Scorecard issued by Group Sustainability, supporting the Board's assessment of the effectiveness of our risk management procedures.

▶ **GRI 2-23, GRI 2-24**

---

30 A supplier that is based in the same geographic market as the reporting operation.
31 DKSH defines significant operations as all markets with more than 500 employees. This includes the 11 markets of Australia, Cambodia, Hong Kong, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

**Managing Risks in Our Supply Chain**

As part of our overall risk management processes, we regularly identify, assess, mitigate, and monitor risks in our supply chain, as specifically mandated by our Responsible Procurement Policy. These risk management processes have been developed with the direct involvement of the Group's Risk Management Function and are thus closely aligned with DKSH's broader risk management framework and procedures.

In 2023, we identified the following risks considered relevant in the context of our current business relationships:

Social and human rights risks:
- Procuring of goods from manufacturers that do not respect social standards (for trading goods or materials for manufacturing)
- Collaboration with business partners from the logistics industry and intermediaries in the distributive trade with poor working conditions and the risk of human rights violations
- Health and safety risks in outsourced logistics
- Violation of human rights standards with hiring and housing foreign/migrant workers (through external parties)
- Extensive use of intermediaries with an inherent corruption risk

Environmental risks:
- Procuring of goods from manufacturers that do not respect environmental standards (for trading goods or materials for manufacturing)
- Emissions generation/air quality deterioration and environmental risks from hazardous chemicals spilling in outsourced transport logistics

Our Responsible Procurement Policy is complemented by operating procedures that guide the organization on policy execution based on assigned roles, responsibilities, and accountabilities. It mandates the identification of relevant supplier categories with exposures to pertinent supply chain risks based on the nature of the business conducted with DKSH. It sets out risk management processes, including risk-based due diligence procedures, to ensure that suppliers adhere to our standards by assessing new suppliers and monitoring active suppliers for risks or concerns pertaining to ethical business conduct, environmental practices, labor conditions, and human rights. Human rights risks include not only child, forced, and compulsory labor (as explained in further detail below), but also the risk of violations of the right to freedom of association and collective bargaining. While we assign risk levels to our suppliers in keeping with general country- and industry-specific indexes and indicators (including UNICEF's Children's Rights in the Workplace Index), risk screening brings to light past or current concerns and issues, including exposure to child labor or forced labor, for further due diligence actions. We prioritize high-risk suppliers for extended due diligence procedures.

In addition, we counteract some of the specific risks mentioned above by performing audits, inspecting migrant worker housing, examining employment procedures, and undertaking quality and safety audits for contracted manufacturing.

▶ **GRI 409-1**

**Child Labor**

Under Swiss law, DKSH is required to assess whether there are reasonable grounds to suspect child labor in its supply chain. If there are reasonable grounds to suspect child labor, it must comply with certain supply chain due diligence obligations and report on its compliance. There is no reporting obligation for products or services for which its suppliers have already published a report.

While the prohibition of child labor has been DKSH's policy for many years, we strengthened our commitment in 2022 by adoption of a Responsible Procurement Policy and an associated Supplier Business Conduct Policy, including, inter alia, requirements under ILO Conventions 138 and 182. These two policies constitute our supply chain policy on child labor. They contain our commitment to comply with applicable laws. Our supply chain policy on child labor stipulates that we immediately escalate indications of child labor reported by business partners or resulting from regular risk screenings to Group Compliance (GRC) for further evaluation and action and that we diligently assess all indications of child labor and explore the potential need to devise appropriate action plans to resolve or mitigate the issues upon detecting any actual or potential issues. It further describes our complaint mechanism, our Integrity Line. Finally, our supply chain policy on child labor specifies the instruments we use to identify, assess, eliminate, or mitigate the risks of child labor.

For our own operations, our Human Resources function acts as gatekeeper to ensure that all our employment relationships operate within the legal boundaries set by applicable labor laws and our universal standards of respect for human rights, including the prohibition of child labor. This assurance also extends to service providers and contractors operating on our sites.

In our role as a market expansion services provider, we recognize that we may be linked to child labor issues through the distribution of our clients' products. To minimize this risk, we regularly assess the risks associated with clients and suppliers in our trading and manufacturing activities as part of our specific supplier risk management system, based on the origin of the products (country risk) and the type of products or services sourced (industry risk). We consult publicly available resources, including UNICEF's Chil-

dren's Rights in the Workplace Index or the United States Department of Labor's (USDOL) list of products using child labor. The International Labor Organization (ILO) in 2020 estimated that child labor was most prevalent in the agricultural sector (70 %), whereas USDOL in 2022 published a global list of goods produced by child labor, which is broadly consistent with the ILO's findings. The management of identified risks follows methods as described in this and other chapters of this report, by determining risk levels based on likelihood and severity, including consideration of whether DKSH caused, contributed to, or was linked to adverse impacts, and applying adequate mitigation strategies.

DKSH maintains an extensive client and supplier base from diverse industry sectors, with products or their ingredients having agricultural origins. Narrowing down the industry sectors in our supply chain by matching them against USDOL's critical product categories and their origins, we identified a specific nominal risk exposure to cocoa and cotton. DKSH's Business Unit Consumer Goods represents various clients from the confectionary industry as well as operates a retail chain selling in-store baked chocolate chip cookies, whereas Business Unit Performance Materials markets cocoa-based food ingredients and manufactures products containing cocoa. Our exposure to cotton relates to our garment manufacturing activity in Thailand.

To prevent child labor issues in our supply chain, we screen our suppliers with a specialized risk management software to classify existing and potential suppliers as suppliers with low, medium, or high risk (considering country and industry risks, adverse media reports, and past compliance incidents) and assess the corresponding risks in our risk management plan according to the likelihood of occurrence and severity of adverse impacts. If a supplier is identified as a high-risk supplier, we undertake further due diligence measures, including asking the supplier to complete a questionnaire, and to provide supporting documentation, such as policies or certificates. These checks are carried out as part of the supplier onboarding process, but also as part of our ongoing monitoring. For suppliers in the cocoa or cotton supply chain, we additionally consider publicly available information through web searches or sustainability reports pertaining to their supply chain policies, including industry actions or certifications. Additional transparency may also be established though direct interaction with the supplier. If the risks identified are deemed too high, we may decide not to do business with a particular supplier, require a supplier commitment not to supply products made using child labor, agree with a supplier on remediation action, place a supplier on temporary hold, or terminate a supplier.

Once these reviews have been completed and a supplier has been onboarded, we ask the supplier to comply with our supply chain policy on child labor, which is set out in our Responsible Procurement Policy and our Supplier Business Conduct Policy, by integrating these two policies into the agreements with the suppliers. We regularly update our suppliers with changes made to our supply chain policy.

Moreover, we encourage our business partners, suppliers, employees, and other stakeholders to report incidents of child labor, but also forced or compulsory labor or other forms of modern slavery, via our Integrity Line or directly to their business contacts at DKSH. This reporting channel is communicated to our suppliers as part of supply chain policy on child labor.

Our non-trade procurement activities, based on the type of products and services procured, are considered low or no risk. Nonetheless, also our non-trade suppliers are assessed on a broader scale including child labor exposure by applying general risk assessment procedures applicable to all supplier categories. This includes activities, such as screening via specialized risk management software, as well as direct interactions with business partners through questionnaires or otherwise.

▶ **GRI 407-1, GRI 408-1**

**Supplier Admission, Onboarding, and Monitoring**

We only admit suppliers that successfully and satisfactorily complete due diligence procedures as new suppliers to DKSH. Our Supplier Business Conduct Policy complements and incorporates the standards and expectations set out in the Responsible Procurement Policy. We require that new suppliers acknowledge their commitment to, understanding, and application of our standards and principles in accordance with the Supplier Business Conduct Policy. High-risk suppliers receive additional training on the related expectations. In addition, our website informs workers, business partners, and other relevant partners about the Responsible Procurement Policy and Supplier Business Conduct Policy. Where local language barriers exist, the documents are made available in local languages as determined by the local management.

Following admission, suppliers continue to be monitored by specialized screening tools for specific risk alerts. DKSH Compliance officers are responsible for reviewing such alerts and for taking appropriate actions. We repeat due diligence proceedings for some suppliers periodically and based on supplier risk ratings. Contract renewals serve as another trigger for repeating proceedings.

**Conflict Minerals**

In accordance with Swiss law (CO 964j et seq. and the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflicted-Affected Areas and Child Labor [DDTrO]), DKSH has adopted a Responsible Procurement Policy in 2022, which includes a specific section on minerals and metals from conflict areas, even though none of our Swiss Group companies import into or process the minerals and metals listed in Annex 1 of the DDTrO in Switzerland.

Our policy requires us to carry out, at least once a year, a conformity check of our annual imports against the customs tariff numbers listed in the DDTrO and of the processing of these minerals and metals in Switzerland. The result of these checks is monitored by the Group's Risk and Compliance department. The most recent check confirmed that DKSH did not import or process any of these minerals or metals in Switzerland in 2023.

However, even if the checks carried out did not reveal any import or processing of the minerals and metals listed in the DDTrO, and DKSH therefore falls out of scope of the DDTrO, it cannot be ruled out that certain products handled by us in our distribution businesses, or components in our manufacturing businesses, could contain elements of minerals or metals originating from conflict areas. DKSH uses the following instruments to identify such potential risks:
- Submitting our supplier base to risk screening using specialized risk management software, which has been implemented in the second half of 2023.
- Suppliers are required to comply with our Supplier Business Conduct Policy, which is integrated into our supplier agreements. Our Supplier Business Conduct Policy includes an obligation for suppliers to disclose to us any exposure to conflict minerals.
- Promoting our Integrity Line, our confidential reporting tool, through which internal and external stakeholders can share with us concerns about to conflict mineral exposures with us.

Indications of exposure to conflict minerals will trigger further due diligence checks and mitigation actions, as appropriate. The above risk screening process will be fully implemented in 2024. In the course of 2023, DKSH has not become aware of any conflict minerals exposure triggering the due diligence and reporting obligations under the CO and the DDTrO.

**Business Unit-Specific Procedures**

Our Business Unit Performance Materials operates higher upstream in the supply chain and closer to the origins of raw materials and ingredients. As such, it has taken steps to perform a more elaborate screening and assessment process for suppliers of specialty chemicals and food ingredients. It does so by using the collaborative EcoVadis platform in line with its strategic priority of being a sustainable partner in the value chain. This step assures that we work with responsible suppliers with the same sustainability ambitions. Working in partnership with EcoVadis, the Business Unit has activated its Responsible Suppliers Program around the globe. As part of these endeavors, we assess suppliers for market-specific and industry-specific corruption, human rights, and environmental risks with an EcoVadis solution. High-risk and high-criticality suppliers are invited to a more elaborate assessment by applying the EcoVadis Ratings methodology, scoring system, and corrective action plans (CAP) procedures. At the same time, we share our knowledge and coach them on advancing their sustainability-related efforts.

In 2023, 4,383 suppliers have been screened, 1,217 of which have already been rated through the EcoVadis assessment. Overall, 102 unique suppliers have been identified as top priority with high-risk and high criticality. So far, we have invited 39 of these suppliers to continue with our coaching program and to initiate their EcoVadis assessment.

▶ **GRI 414-2**

**Creating a More Sustainable Product Portfolio**

We are working diligently to identify and address human rights and environmental risks in our supply chain. In response to customer demands, our Business Units Performance Materials and Technology have set the strategic target of continuously offering a more sustainable product portfolio. 'Sustainable products' means products that are, for example, produced in energy-efficient conditions, upcycled, biodegradable, or contain sustainable palm oil. We obtain feedback from our market teams, e.g. from the product management team and the business development and sales teams, or proof documentation from our suppliers to identify these products and support the 'sustainable product' claims.

We actively track which of our products can be identified as sustainable with the aim of steadily increasing the share of sustainable products in our product portfolio. Customers of Business Unit Performance Materials also have the opportunity to filter for the sustainable products in our portfolio on our customer portal, DKSH Discover.

**Reducing the Impact of Palm Oil Cultivation**

Beyond these general rules, we pay particular attention to the issue of palm oil, a product which is used in our trading business and our manufacturing activities to a minor extent. Although palm oil plays only a marginal role in our business activities, we actively strive to manage the environmental and social risks associated with this product. DKSH is a member of the Roundtable on Sustainable Palm Oil (RSPO). We hold one RSPO certification (Indonesia) and 16 RSPO distributor licenses (European and Asian markets). In 2023, we added eight new distributor licenses for our Business Unit Performance Materials in the Philippines, Germany, China, Malaysia, Taiwan, Benelux, Italy and Great Britain. We are currently developing additional DKSH markets as RSPO candidates, proving that we are committed to and comply with the organization's sustainability requirements. Additionally, we will review and integrate the RSPO membership of our 2023 acquisition, Georg Breuer GmbH (GBFI), a German distributor of plant-based ingredients for the food industry under the DKSH Holding RSPO umbrella.

Moreover, we submit the required Annual Communication on Progress (ACOP) at the Group level for all DKSH entities involved under the RSPO.

# Ethics and Integrity

## Our Impacts

▶ **Combatting Corruption**
We mainly do business in Asia, a region where several markets and industries are generally viewed as having higher exposure to compliance risks. DKSH is committed to examining our actions, engaging with stakeholders, and adjusting strategies to mitigate any negative impacts on society or the economy.

▶ **Responsible Marketing Practices**
We engage in marketing and advertising and relabeling activities under our own brand, making accurate and complete product information a highly relevant topic for us.

▶ **Responsible Tax Practices**
We generate economic value that stimulates economic growth.
In turn, this has positive impacts, for instance through tax payments to local governments, which we manage in a responsible manner.

▶ **Data Privacy and Protection**
We generate and access large amounts of data related to our products and services. We also collect personal data. Therefore, we take numerous measures to prevent data breaches and ensure confidentiality.

## Combatting Corruption

**Enhancing Compliance at DKSH**

Our company does business in several industries and markets where the risk of non-compliance is high and where negative impacts on society are possible. We know that instances of non-compliance can result in fines, affect our ability to cultivate and nurture business ties, and harm our relationships with investors. While we prioritize ethical sourcing and fair practices, the vast scale of our supply chain may lead to oversights, resulting in unintentional involvement with entities that do not uphold our compliance standards. To this end, we are working to minimize any associated risks, undertaking regular audits, and highlighting our belief in operating in an ethical and transparent manner. For instance, our active grievance mechanisms, such as the Integrity Line, ensure that stakeholders' concerns are heard and addressed.

Operating at the highest ethical standards is the foundation for our business, as reflected in our Code of Conduct. In 2022, we underlined our dedication to ethical conduct by strengthening our compliance organization through additional resources, including headcounts.

Our company performed training and education activities to ensure that expectations are understood at all levels of the organization and to encourage people to speak up if they have concerns about improper behavior. At DKSH, we are committed to acting with integrity and conducting business in an ethical manner. This includes not tolerating any form of non-compliance as specified in our DKSH Code of Conduct and our Anti-Bribery and Anti-Corruption (ABAC) policy.

Most of our business is conducted in Asia, where several markets and industries we work in are generally viewed as having higher exposure to non-compliance risks. Bearing this in mind, it is imperative that our employees and business partners understand our values and our expected standards of business conduct and uphold these principles in all their activities.

The Board of Directors of DKSH is responsible for adopting the Group's compliance standards and policies and supervising their application. Working in tandem with local governance bodies, our senior leadership plays a pivotal role in communicating our values in word and deed. This includes DKSH's Executive Committee at the Group level, the Boards of our publicly listed entities in Malaysia and Indonesia, and all our local Country Management Teams.

## Compliance Program

As an organization operating in markets and industries where inducements in the form of gifts, hospitality, or other formats are not uncommon, actively managing bribery risks features high on our corporate agenda. At DKSH, bribery is understood to be a form of corruption that includes offering, giving, receiving, or soliciting an item of value to influence the actions or decisions of an individual or organization in a position of power or authority. The Group Risk department manages bribery as part of the Governance, Risk, and Compliance (GRC) Function. Our management approach to mitigating these risks is addressed in several Group policies, including our:

- ▶ Compliance Policy
- ▶ Donations Policy
- ▶ Anti-Bribery Monitoring Policy
- ▶ Anti-Corruption and Anti-Bribery (ABAC) Policy
- ▶ Gifts, Hospitality & Entertainment (GHE) Policy
- ▶ Third-Party Intermediary (TPI) Policy
- ▶ Conflict of Interest (COI) Policy
- ▶ Manuals for Interaction with Healthcare Professionals (IHCP) for our Pharmaceutical, Medical Devices, and Diagnostics product categories
- ▶ Non-Trade Procurement (NTP) Policy

A comprehensive compliance management system and program address compliance with our anti-bribery standards. These efforts are guided by our ABAC and related policies, which reflect recognized international regulations, such as the U.K. Bribery Act 2010 and the U.S. Foreign Corrupt Practices Act.

Our Compliance Policy is the backbone of our compliance program. It defines the fundamental principles of compliance, sets out responsibilities, and specifies how this Function is organized within DKSH. The Policy designates integrity and reputation as key assets at DKSH. Under its provisions, management is in charge of compliance at DKSH, but all employees share responsibility for its implementation. The Policy outlines these core principles to increase ownership of compliance risks.

DKSH manages fraud under the Group's Internal Audit Function (GIA) and within the framework of DKSH's Anti-Fraud Policy. Fraud is considered to be an activity that relies on deception to achieve a gain. It becomes a crime when it is a "knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment"[32].

## Risk Assessment

In 2018, we launched an enhanced bribery risk assessment process[33] to be rolled out across all our markets, with prioritization based on national scores in Transparency International's Corruption Perception Index (CPI). By the end of 2023, 15 of our markets had adopted our bribery risk assessment process, representing 100 % of our significant operations. We identify risks using a detailed mapping process. The level of risk is determined using the Group's Risk Management policy and procedures, and appropriate controls are assigned. For example, working with intermediaries in business transactions potentially increases the risk of bribery; controls include due diligence requirements for standard or enhanced procedures depending on the assigned risk levels.

Interaction with healthcare professionals, which is highly regulated at national and global levels, is another area where we have identified and addressed a risk of non-compliance with the law. We also carefully monitor and manage the handling of gifts and hospitality. Furthermore, we are aware of and mitigate bribery-related risks during procurement, when obtaining product and/or marketing approvals, and in the bidding process for public tenders. All risks and their mitigating controls are documented in detailed Bribery Risks & Controls (BRC) templates. Controls include documenting control processes and procedures, how controls are communicated within the organization, and how relevant personnel are instructed and trained to perform controls. BRC templates are reviewed and revised annually to ensure that they are up to date. These templates also serve as the basis for review and enforcement activities by the corporate compliance team.

DKSH's bribery risk assessment approach is closely aligned with the company's broader risk management policies. It closely follows the ABAC risk assessment process, which is conducted regularly at the Business Unit level.

The Board of Directors is involved in our risk management processes. It receives quarterly updates on the results of the bribery risk assessment by the GRC Function and on the results of ABAC risk assessments. Furthermore, the Board of Directors provides regular feedback on risk management processes, also beyond formal processes, and in particular when critical risks occur.

We handle fraud-related risks using a separate process. Under DKSH's Anti-Fraud Policy, the Group's Internal Audit Function investigates fraud-related cases and regularly reviews monitoring procedures to mitigate fraud risks in audits. Using a formal reporting process, significant cases are reported to the Board's Audit Committee five times per year.

▶ **GRI 2-12, GRI 2-24, GRI 205-1**

## Conflicts of Interest

In addition to performing risk assessments, our compliance program includes training, education, reviews, and audits, as well as investigations and corrective actions if incidents occur. Managing conflicts of interest (COI) is critical in any compliance program.

---

32 Source: Association of Certified Fraud Examiners.
33 Based on "Diagnosing Bribery Risk", Guidance for the Conduct of Effective Bribery Risk Assessment, Transparency International UK.

We continued to train our employees on conflicts of interest in 2023. Altogether, 100 % of in-scope employees were assigned this topic in our License to Operate refresher training, which was launched across 29 markets in June, July, August, and September 2023.

**Compliance Training**

Training and education are cornerstones of our compliance program and are instrumental in driving and maintaining a culture of ethics and compliance. Within three months of joining our organization, all new employees undergo mandatory compliance training, including on the Code of Conduct and avoiding corruption, as part of our thorough onboarding procedures.

In 2022, we completely revamped our compliance training to improve efficiency. Rolling out an interactive format helped us enhance user engagement and learning outcomes. In addition, a leading law firm validated our compliance training content to ensure that it meets regulatory requirements. We also introduced dashboards and data analytics tools to provide insights and real-time data so that managers can oversee completion of compliance training within their teams.

In 2023, our training focused on deploying organization-wide compliance refresher training on all our compliance policies (on topics such as Cyber Security Awareness, License to Operate, and Privacy and Data Protection Basics) by different Functions in the same rollout month for each market. Our License to Operate training covers our Anti-Bribery and Anti-Corruption (ABAC), Code of Conduct, Conflicts of Interest and Gifts, Hospitality & Entertainment policies.

Our Fraud Awareness training was again provided only to new staff members in the same markets in 2023.

▶ **GRI 2-24**

**License to Operate Training Completion by Employee Category**

| Employee category | In scope | Completed | Ratio |
|---|---|---|---|
| Employees[34] | 14,961 | 14,609 | 97.65 % |
| Management[35] | 3,658 | 3,613 | 98.77 % |
| Others[36] | 465 | 449 | 96.56 % |
| Workers[37] | 2,300 | 2,286 | 99.39 % |
| **Total** | **21,384** | **20,957** | **98.00 %** |

**License to Operate Training Completion by Region** ⌀

| Employee category | In scope | Completed | Ratio |
|---|---|---|---|
| Greater China[38] | 2,010 | 2,010 | 100.00 % |
| Malaysia and Singapore | 3,601 | 3,590 | 99.69 % |
| Rest of Asia Pacific | 8,872 | 8,793 | 99.11 % |
| Rest of the world | 404 | 396 | 98.02 % |
| Thailand | 6,497 | 6,168 | 94.94 % |
| **Total** | **21,384** | **20,957** | **98.00 %** |

▶ **GRI 205-2**

34 DKSH employees as well as client staff performing office work or semi-professional office, administrative, and sales coordination tasks and individuals with supervising tasks.
35 Members of the Executive Committee, corporate or local heads of Business Units or key Functions, and DKSH employees with P&L and/or budget responsibility, direct reports, and function specialists/heads/managers.
36 Individuals expected to remain in an employment situation with DKSH or DKSH's clients only for a certain period of time such as temporary employees with a fixed-term contract, trainees, apprentices, or interns as well as contractors.
37 DKSH employees as well as client staff performing manual labor and being considered as skilled or unskilled workers.
38 Includes mainland China, Hong Kong, Macau, and Taiwan.

**Ethics in the Medical Sector**

As a distributor of pharmaceutical and medical devices, DKSH's Healthcare Business Unit regularly interacts with healthcare professionals (HCPs). We support ethical business conduct by endorsing relevant industry codes of ethics (International Federation of Pharmaceutical Manufacturers and Associations [IEPMA], Asia Pacific Medical Technology Association [APACMed]) and through active membership in the respective industry associations.

Comprehensive Manuals for Interactions with HCPs in our Pharmaceutical, Medical Devices, and Diagnostics product categories convert these codes of ethics into internal processes and procedures. By doing so, we ensure compliance with the relevant local codes when interacting with HCPs and enhancing DKSH's compliance program. In 2022, we launched a new IT platform. This intuitive HCP engagement solution is designed to simplify expense monitoring processes related to interactions with HCPs and includes business, compliance, and finance monitoring. Since the launch of our new IT platform in 2022, we have observed a marked improvement in the efficiency and accuracy of our expense monitoring processes related to HCP interactions. Feedback from our business, compliance, and finance teams underscores the platform's effectiveness in streamlining workflows and enhancing oversight.

**Integrity Along Our Supply Chain**

As an outsourcing partner for our clients, we are committed to upholding integrity in the supply chain within our sphere of influence. This includes our business partners, such as customs brokers, event organizers, and forwarding companies, whom we rely on for parts of our service delivery. DKSH does not maintain relationships with business partners that do not share our values and meet our standards for doing business. Business partners are engaged based on written service contracts that include anti-corruption and anti-fraud compliance clauses, with both our Supplier Business Conduct Policy and the ABAC policy serving as contractual requirements. All service providers must undergo risk-based due diligence procedures before admission. Screening processes are periodically refreshed upon contract renewal, within one year of admission, or on an ad hoc basis when specific warning signs have been raised through our monitoring processes. Our Supplier Business Conduct Policy, which includes DKSH's anti-fraud and anti-corruption policies, is communicated to all business partners acting for and on behalf of DKSH. In 2023, we did not record any incidents of contracts with business partners being terminated or not renewed due to corruption-related violations.

▶ **GRI 205-2, GRI 205-3**

**Compliance Incidents Reporting and Investigations**

Our Compliance Incidents Reporting and Investigations (CIRI) policy provides guidance on the procedures to be followed when reporting and investigating incidents, including the roles, responsibilities, and authorities of the parties involved. The policy applies to DKSH Holding Ltd. and all its subsidiaries and affiliates worldwide, including all DKSH employees. Fraud cases are covered separately by our Anti-Fraud Policy and related findings are handled by the Group's Internal Audit Function.

We support and encourage people to report concerns using the Integrity Line. This secure online reporting platform gives employees and external parties a 24/7 channel to notify concerns in confidence and, at the reporter's discretion, anonymously.

Employees and business partners can use the Integrity Line to report any misconduct, especially violations of applicable law and/or DKSH internal standards, rules, regulations, or procedures. Such concerns might relate to unethical business practices, bribery or fraud, harassment, conflicts of interest, inappropriate workplace behavior, or any other activity suspected of violating the Code of Conduct, our company policies, or the law.

All reports are properly reviewed and kept confidential. Our strict non-retaliation policy protects reporters who raise concerns in good faith.

We publicize the existence of our Integrity Line internally and externally, with the aim of empowering employees and external parties to speak up and promptly report any incidents of corruption or other misconduct.

Under the guidance of the Group's Compliance or Internal Audit Functions, cases are investigated, and errant parties are adequately sanctioned. Our CIRI Policy sets out the procedure to be followed for all reports received via the Integrity Line. This procedure includes a preliminary assessment and triage by a case coordinator and further actions based on the nature and substance of the report. A case owner will be assigned to investigate sufficiently substantiated reports. Such investigations can result in disciplinary actions or sanctions where evidence has been obtained to substantiate an allegation.

Cases reported using other channels, such as email or verbal means, are reported immediately to the case owner and are subject to the same procedure.

DKSH has zero tolerance for retaliation against anyone who reports incidents in good faith. Such assurances are provided to employees via clear commitments contained in the ABAC and other policies and to those reporting using the Integrity Line.

All incidents reported under the CIRI Policy are recorded using the Integrity Line tool. In 2023, we recorded 140 reports, mostly relating to complaints in employee matters.

**Incidents Reported via the DKSH Integrity Line by Type of Incident** ✔

| Type of incident | Number of incidents reported |
|---|---|
| Anti-competition issues | 1 |
| Corruption | 15 |
| Data protection, IT security | 3 |
| Employee matters | 63 |
| Environment | 0 |
| Fair play, conflicts of interest | 15 |
| Fraud, embezzlement, misappropriation, theft | 25 |
| Health and Safety | 4 |
| Interactions with Healthcare Professionals[39] | 14 |
| **Total** | **140** |

We thoroughly examine all reports recorded and, if warranted, initiate an investigation. In 2023, we recorded 140 reports via the Integrity Line or other channels. Overall, 48 reports (34 %) were sufficiently substantiated to be investigated, of which 5 reports related to corruption. Of these 5 corruption cases, 4 resulted in termination or voluntary resignation, and the remaining case continues to be under investigation. For the 4 cases, the internal DKSH anti-corruption policy had been violated, though no corruption-related legislation had been breached. Updates on compliance concerns and our compliance program are reported to the Audit Committee quarterly and to the Board of Directors annually.

▶ **GRI 2-16, GRI 2-25, GRI 2-26, GRI 205-3**

**Effectiveness of the Compliance Program**

Ensuring the proper application of compliance standards falls under the remit of management at all levels. The Group's Compliance Function supports management by providing advice, methodologies, and tools. Moreover, it performs reviews to assess the level of awareness, understanding, and application of standards and compliance controls through a structured review and tailored enforcement program.

We regularly review how effectively our compliance program is rolled out across our markets and take immediate action to resolve any shortcomings flagged by these reviews. The results of such assignments are independently reported to the Board of Directors. Externally, DKSH's compliance program is assessed by prospective or active clients and/or external audit firms appointed by them. We give our full assistance to these assessments, which include thorough due diligence procedures and pre- or post-contract compliance audits and reviews. Our Group also makes use of any results of such assessments to strengthen our compliance program. No instances of non-compliance with laws and regulations occurred in 2023. Moreover, we did not record any public legal cases regarding corruption or fraud brought against DKSH or its employees in 2023.

▶ **GRI 2-27, GRI 205-3**

39 Interaction with Healthcare Professionals relates to the company's engagement and collaboration with medical experts and healthcare providers. These incidents specifically relate to instances where breaches occurred, primarily related to lapses in following our own internal procedures.

# Responsible Marketing Practices

**Committed to Responsible Advertising**

Our main business involves marketing and distributing products sourced from manufacturers. Many of these products are imported and require local customization before they are fit for sale. We also engage in significant marketing, advertising, and sizable relabeling activities under our brand. As public awareness grows and new policy initiatives addressing transparency increase the demand for accurate and complete product information, this topic is highly relevant to DKSH's business model and brand reputation.

The marketing of our products can pose inherent risks without proper management or relevant and necessary product information. There is always a risk that marketing promises, incomplete product information, and labeling may prevent consumers from making informed decisions. At DKSH, we want to avoid this potential negative impact on consumers, so we have made responsible marketing a key practice. Adapting and customizing products to meet regulatory requirements, including product labeling, is an important DKSH service offering. Our regulatory affairs teams in the various Business Units are responsible for establishing standard operating procedures and for monitoring compliance with assistance from our quality assurance teams. Our Business Unit Healthcare, which faces especially stringent regulations, performs customization work in accordance with Good Manufacturing Practice (GMP). Our Business Unit Performance Materials implements and audits against the strict requirements for classification, labeling, and packaging of the Globally Harmonized System (GHS).

When marketing our Own Brand products, our Regulatory Affairs teams ensure we adhere to applicable laws. We observe guidelines on responsible marketing published by the relevant industry bodies for all products distributed by our Business Units Consumer Goods and Healthcare. Policies, procedures, and controls are in place and are supported by training activities to ensure that the marketing of our products meets our standards and expectations. All our regulatory affairs specialists have the professional training and qualifications needed to perform their work in accordance with applicable regulations and internal standards. DKSH carefully monitors and validates relevant product data from clients on an ongoing basis and takes corrective actions where appropriate. The relevant Business Unit addresses any complaints about marketing and labeling.

In 2023, DKSH recorded two incidents of non-compliance with regulations on product and service information and labeling. One incident resulted in a warning, the other in a penalty. DKSH recorded no incidents of non-compliance with regulations concerning marketing communications.

▶ **GRI 417-2, GRI 417-3**

**Industry-Specific Marketing in the Healthcare Business**

In many jurisdictions, advertising and promoting healthcare products are highly regulated, often limited, or even prohibited. Many products are prescribed or dispensed by healthcare professionals or require professional expertise for their application. Various segments within the healthcare industry (specifically for prescription drugs and medical devices) and in the food sector (e.g. infant nutrition) have adopted codes of ethics advocating responsible marketing of their products. DKSH adheres to these standards through membership of the respective industry associations (e.g. local associations of the International Federation of Pharmaceutical Manufacturers and Associations [IEPMA], or the Asia Pacific Medical Technology Association [APACMed]) and by operating management programs to ensure compliance by employees and service providers.

**Preventing Anti-Competitive Behavior**

Our Code of Conduct stipulates that DKSH does business using fair market practices and in full compliance with applicable competition/antitrust laws. All DKSH employees have to attend annual training on the Code of Conduct.

In addition to the Code of Conduct, we have a Policy on Fair Competition whose guidelines are based on European Competition law and explain the basic provisions of antitrust and competition laws. This Policy must be strictly complied with whenever we interact with competitors. It is designed to improve managers' and employees' awareness of the basic rules of competition law and their implications for business decisions.

Moreover, DKSH's Contract Manual sets out guidelines that need to be followed to avoid anti-competitive risks. For instance, the Contract Manual states that if a contract with suppliers and manufacturers where DKSH is purchasing and reselling the suppliers' or manufacturers' products is exclusive, it must be ensured that either party does not have an actual market share of more than 30 % in the relevant market to avoid a breach of applicable competition laws. The Contract Manual also strictly prohibits resale price maintenance and contains directions to avoid non-compete clauses.

Contracts with business partners are thoroughly and diligently vetted by the legal department, including a review of potential issues related to antitrust and competition law.

The legal department is in regular contact with business teams and, as needed, conducts training on antitrust and competition law-related aspects relevant to day-to-day business to ensure compliance with antitrust and competition laws. Between 2019 and 2021, for example, we conducted a total of four global online training courses and one regional training course for three Business Units. The target group for these sessions comprised managers of the three Business Units, who are regularly involved in contract negotiations. Further internal training sessions have been conducted in Hong Kong, Australia, and Malaysia. The legal team also recently received training from an external legal counsel.

DKSH performs regular audits to verify compliance of its contracts with the standards set forth in the Contract Manual (including those which relate to competition/antitrust law).

In 2023, no legal actions were filed against DKSH for breach of anti-competition law or violations of antitrust and monopoly legislation.

▶ **GRI 2-27, GRI 206-1**

# Responsible Tax Practices

**Taking a Responsible Approach to Taxes**

As a multinational company, we drive sustainable economic growth in markets around the world through the economic value we create. In turn, this has a positive impact on our stakeholders, such as providing returns and dividends for our shareholders, salaries for our employees, and tax payments to local governments.

Our company is committed to complying with tax laws in all markets where we operate and to paying taxes in the markets where revenue is generated. Intra-Group transactions are carried out under market conditions and are supported by transfer pricing documentation. All inter-Group transactions are subject to the 'arm's length' principle described in the Organization for Economic Co-operation and Development's (OECD) Transfer Pricing Guidelines. We are cooperative and transparent in our interactions with local tax authorities and strive to achieve a swift resolution to tax matters.

DKSH has a Group Tax Policy in place, which is reviewed annually by the Chief Financial Officer (CFO) and Head of Tax. The policy is approved by the Board of Directors. Any proposed amendments are subject to the Board's approval. The Group Tax Policy is aligned with the Group's Code of Conduct and applies to all tax and finance professionals who deal with tax matters within the Group.

The policy is aligned with our business strategy and commercial activities. It ensures that we pay the right amount of taxes that are legally due in the jurisdictions where we do business. For example, when we consolidate acquired entities or reorganize the legal structure, our primary goal is to minimize compliance costs and optimize taxes where possible in accordance with local tax laws. Such restructuring plans are properly articulated in internal memos and submitted to relevant internal stakeholders for approval in accordance with the Limit of Authority policy. We rely on internal expertise of our regulatory, tax, finance, secretarial, and legal teams while also seeking external advice, where needed, to ensure we fully comply with local regulations.

In particular, the Group Tax Policy sets out five core guidelines. It ensures compliance by stipulating our tax compliance process flow and the obligations of each entity within the Group. Our tax policy is available internally on our finance portal to ensure all employees have access.

**Tax Risks**

We take tax risks very seriously, so we have established processes to manage and monitor these risks. The Group Tax Policy is aligned with the Group's broader risk and control framework.

Apart from communicating regularly with Country Finance Managers, the Group Tax team prepares a monthly tax report for the CFO and senior management. This report updates the recording and tracking of reported tax risks and all forms of tax fluxes and losses, payments, etc. This monthly report is a management tool to oversee and control the Group's tax affairs. We have also created a tax dashboard, which highlights the most known material tax risks for DKSH and tracks the corporate tax return submission compliance rate and tax audit status. The dashboard also shares transfer pricing benchmarking data within the Group and is accessible 24/7.

The Board of Directors oversees DKSH's tax risk management processes. The Board and the Audit Committee receive annual updates on tax opportunities and major tax risks. Our Group Tax Policy also sets out an appropriate escalation process. Tax matters requiring significant judgements or decisions are escalated to the Country Management Teams and/or the Senior Executive Team. Any major tax risk that materializes or reaches a significant level is communicated to the Audit Committee and the Executive Committee.

Employees and external parties can report concerns about unethical or unlawful tax-related behavior using the Integrity Line, our online reporting platform. More information on this channel can be found in the Combatting Corruption chapter.

▶ **GRI 207-1, GRI 207-2, GRI 207-3**

# Data Privacy and Protection

## Our Management and Governance Structure

Data theft, leakage, and security have become genuine concerns for all companies in today's digital and interconnected world. Our business operations inevitably handle large amounts of data related to products, services, customers, and business partners. Moreover, DKSH may need to collect personal data about employees, contractors, and others. Since we serve clients who are also competitors, ensuring confidentiality is critical.

Bearing all of this in mind, we have taken action to prevent data loss in order to reduce the potential negative impact that this might have on companies and individuals and their human rights. For instance, data privacy and protection form part of our corporate strategy.

As our Code of Conduct states, we are fully committed to processing and protecting personal data with due care. In addition, our Data Protection Policy manages privacy and data security issues and covers all personal data that DKSH collects, transfers, or uses. The Policy applies to all DKSH entities and employees.

We pledge to comply with applicable data protection laws and to adhere to our principle of protecting confidentiality. Our Information Security Program and Cyber Security Strategy are endorsed and supported by the Executive Committee and the Board of Directors. The Group's Chief Information Officer is responsible for implementing the Security Program and the Cyber Security Strategy. This Officer reports directly to the CEO. Our cybersecurity team manages data security issues and reports to the Chief Information Officer. Our Legal Function is subordinated to the General Counsel, who is a member of the Executive Committee and is responsible for data privacy initiatives. In addition, DKSH has a Data Governance Committee. Staffed by representatives from each Business Unit, Function, Legal and IT, this Committee is responsible for all data governance topics, such as data quality, accessibility, and integrity.

Our strategy focuses on countermeasures to prevent cyber threats, developing an organization-wide information security maturity model, and running Group-wide cybersecurity awareness programs. Under this strategy, we continue to mature our cybersecurity capabilities.

## How We Handle Personal Data

Our data privacy department trains our employees and conducts awareness campaigns globally to provide the best possible security for the personal data we handle. We constantly review our internal procedures and update these procedures in accordance with new data protection laws around the world. Our access control procedure also protects personal and sensitive personal data. At DKSH, access is automatically provided when employees join the company and is removed when they leave. Such access is typically limited based on the 'least-privileged principle', meaning that employees are only granted access to the areas required for their role.

We inform all data subjects before we collect their personal data and only process personal data in keeping with the law. As stipulated by our Data Protection Policy and in keeping with the 'data minimization' principle, we process personal data only for the purpose for which it is collected. We retain personal data for as long as local law requires. We delete personal data from systems and servers once this timeframe is reached.

DKSH does not sell or provide personal data to third parties for purposes other than completing transactions/services. We explicitly seek consent in cases where we do need to use third-party data for other purposes.

It is essential to us that our suppliers and business partners, in turn, protect personal data in accordance with our standards. Since 2022, as part of our due diligence processes, we have required our vendors to comply with our cybersecurity and data protection standards and include such requirements in their own contracts. Before entering into a business relationship, we screen new vendors on their cybersecurity and data protection procedures.

As in previous years, DKSH received no complaints related to data breaches from data subjects (customers, clients, or vendors) or data protection authorities in 2023. Similarly, DKSH is not aware of any identified leaks, thefts, or losses of customer data.

**Our IT Incident Management Procedure**

A dedicated global Information Security team is available via a 24/7 hotline to respond to urgent security matters or IT incidents, such as breaches of confidential information. We also work with a third-party vendor to perform around-the-clock security monitoring. This vendor will first review security alerts raised as a result of this monitoring process. Confirmed incidents are forwarded to DKSH's Security Operation Center (SOC) team for further action. The SOC team has a set of defined incident response playbooks to deal with various types of security incidents. Severe incidents will be dealt with by our major incident response team until they are sufficiently resolved.

**Training and Awareness-Raising**

We train our staff on various topics relating to information security. In 2023, about 17,400 ✔ employees out of about 18,000 for whom the training is intended completed the security awareness online program. This means 96 % ✔ of the target group completed the training (2022: 96 %). DKSH's main digital and IT hub is located in Malaysia. Each market has its own local IT team responsible for in-country technology needs and support. We provide regular Group-wide cybersecurity awareness training to all employees with access to computer devices via the DKSH learning platform. In addition, digital and IT newsletters and ad hoc digital and IT newsflashes help maintain awareness of sensitive topics across all markets.

**Certifications**

Our Corporate Shared Services Center's SAP information system infrastructure has been ISO 27001:2013-certified since 2018. Since gaining this certification, we have conducted several surveillance audits to ensure process adherence. We passed our latest ISO 27001:2013 surveillance audit in September 2023. Our quality assurance team ensures that the required standards are met on an ongoing basis.

Our digital and IT systems undergo regular independent audits by external stakeholders and the Group's Internal Audit team. Additionally, the Group IT Security team reviews IT infrastructure on a regular basis. Our business continuity and contingency plans and incident response procedures are tested twice yearly.

▶ **GRI 2-27, GRI 418-1**

# Our Outcome

We deliver a wide variety of products and services that enrich people's lives. Our company empowers people by supplying them with goods that are safe and are delivered with integrity. Moreover, we strive to support local communities in the markets we operate by providing employment opportunities and engaging in charitable projects.
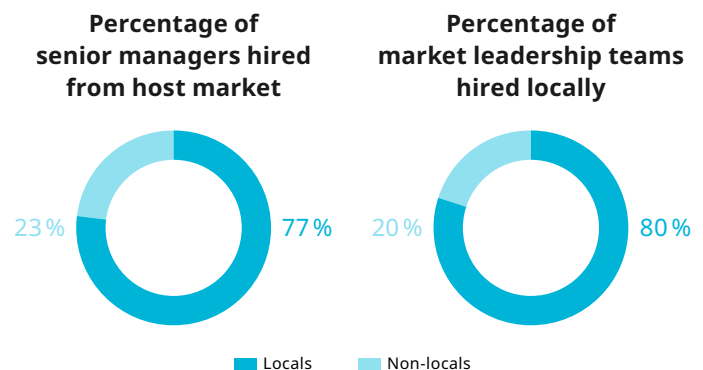
# Local Community Development

## Our Impacts

Our company has a positive impact on local communities. We provide employment and development opportunities and support the underprivileged through local charitable projects. At DKSH, we also know that our business activities may have a negative impact on local people, for instance, in the form of impacts on human health and the environment in local communities.

### Local Hiring and Skills Development

One way that we help local communities is by employing and empowering people. We believe that sharing business practices across cultures contributes to local skills and economic development. Our diverse teams represent various cultures and backgrounds and help DKSH serve as a bridge between international clients and local customers. To this end, we hire a considerable number of local sales representatives, merchandisers, and warehouse workers across the markets where we operate.

In 2023, DKSH had around 29,000 employees, covering 97 nationalities, meaning that we speak the language and understand the culture of our business partners in the 35 markets where we operate. In 2023, 80 % of employees serving on our market leadership teams[40] were hired locally[41]. Our goal is to keep this figure stable in the years ahead. Within our markets with significant operations[42], 77 % of all senior[43] managers were hired from the host market (2022: 74 %).

**Percentage of senior managers hired from host market**

23 %        77 %

**Percentage of market leadership teams hired locally**

20 %        80 %

■ Locals   ■ Non-locals

▶ **GRI 202-2**

40  Market leadership teams refers to heads of each Business Unit and Function within a market.
41  Local refers to employees either born in or who have the legal right to reside indefinitely (such as naturalized citizens or permanent visa holders) in the same geographic market as the operation.
42  DKSH defines significant operations as all markets with more than 500 employees. This includes the 11 markets of Australia, Cambodia, Hong Kong, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.
43  Senior refers to managers in corporate, regional, or local management roles.

**Our Social Impact Strategy**

In 2023 we developed our Social Impact Strategy, which is closely aligned with our purpose of enriching people's lives and specifies how we are working to reach the Sustainability Strategy's objective of making a positive local impact. The Strategy provides guidance about how to make a positive local impact. For example, it states that social impact activities fall into three categories: (1) monetary or in-kind donations to non-political/non-religious groups whose primary purpose is to support groups such as children, the elderly, less privileged members of society or communities affected by adverse events, (2) organizing local community activities, and (3) engaging in partnerships to support local impact activities. The Strategy does not cover the sponsorship of activities with a commercial background, employee activities, or programs. In addition, as stated in our Code of Conduct, DKSH does not engage in political processes or donate to political causes.

The Social Impact Strategy was developed based on the commitment set out in our existing policies, such as our Code of Conduct. We also benchmarked our approach against selected competitors and peers, and collected input from our Business Units and market teams.

The Strategy brings together initiatives at three different levels. Firstly, our globally driven social impact initiatives aim to contribute to the development of our local communities. They are proposed and coordinated by Group Sustainability.

Secondly, each Business Unit will drive social impact initiatives aligned with its business activities. The initiatives will be selected, funded, and implemented by the Business Unit. Our Business Units will focus on the following impacts:

▶ Consumer Goods: Working to provide access to food and non-food products for people facing hunger and in need in our local communities, reducing waste in the process
▶ Healthcare: Forging access to healthcare for all members of our local communities
▶ Performance Materials: Giving children access to healthy nutrition and education without barriers
▶ Technology: Supporting education in the community by providing access to science and technology

Thirdly, we will implement initiatives driven by our markets. The market teams will define, fund, execute, and track these initiatives. Potential initiatives here include blood donations and volunteering in patient outreach and soup kitchens.

In 2023 and the preceding years, we conducted a number of initiatives and projects that now fall within the scope of the Social Impact Strategy. We give back and create healthier and happier communities, for example by engaging in charitable projects and selected sponsorship programs. During 2023, we supported 94 charitable projects in 24 markets as part of our commitment to the local communities where we operate. Charitable activities took place in 100 % of our significant markets. The following paragraphs provide an overview of our activities in the Business Units and markets.

**Business Unit Healthcare:**
**Promoting Access to Food, Medicines, and Healthcare**

In keeping with our objective to Make a Positive Local Impact, our Business Unit Healthcare undertakes a range of activities to generate positive local impact. Our teams engage in projects to improve access to medicines and healthcare within their local areas of reach. For example, we choose to donate rather than destroy products and supply life-saving products to the best of our ability.

In 2023, DKSH's Business Unit Healthcare launched its inaugural Patient Purpose Day across 11 global markets. This annual initiative took place in the month of September in conjunction with World Patient Safety Day, with more than 5,000 employees participating from the Business Unit and eight client partners supporting the initiative. It reinforces the company's commitment to enhancing patient outcomes and fostering a more meaningful impact on the healthcare landscape.

As part of the initiative, DKSH has partnered with the local Red Cross and Red Crescent Societies in key Southeast Asian markets, including Singapore, Thailand, Vietnam, and Malaysia. This work seeks to support ongoing humanitarian causes that strongly align with DKSH's commitment to improving the quality of life in the communities it serves. These causes include health screenings for disadvantaged people in rural areas, the ElderAid program for senior citizens, and investments in disaster preparedness and response. We collected corporate donations of more than CHF 25,000 as part of this initiative.

Moreover, our Business Unit Healthcare is carrying out onsite activities involving key client partners in Taiwan, the Philippines, Cambodia, Myanmar, Switzerland, Australia, and Korea. In the Philippines, for instance, we partnered with the Philippine Heart Center and Philippines General Hospital. We also joined forces with Pink Ribbon in Switzerland and donated CHF 2,800 to the Taiwan Foundation for Rare Disorders in Taiwan.

Along with providing access to food, medicines, and healthcare, Business Unit Healthcare also offers patient support programs with online and offline capabilities. Today, we are solving issues surrounding access, adherence, and convenience while ensuring that the patient is at the center of care. Our solutions have helped boost access to high-quality medicines, educate and guide patients through their care journey, and increase reach in both urban and rural regions.

In 2023, our impact spanned more than 44,000 patients in eight markets, collaborating with 7,400 healthcare providers. Our "Buy X Get Y Free" aids affordability for treatment in Asia Pacific.

Aligned with our mission of "Healthcare for All", we educate over 1,000 patients through a dedicated team of more than 100 nurse educators. We maintain a balance between in-person and video visits, with half the visits currently conducted through video calls, contributing to emission reduction.

From an environmental perspective, our digitization efforts saved over 20,000 sheets of paper in 2022.

▶ **GRI 203-1, GRI 203-2**

**Business Unit Technology:**
**Focus on Education and Equal Opportunities**

Our Business Unit Technology is carrying out several initiatives to increase local employee engagement. In 2023, we introduced a new locally driven initiative that gives our employees the chance to engage in charitable and social impact activities in all Business Unit Technology markets. In addition, in Vietnam and Thailand, the Business Unit Technology financially supports social impact activities undertaken by our joint venture partner Cummins. These activities focus on education and equal opportunities and on enhancing economic empowerment for indigenous women. Additional activities were carried out by our Joint Venture Cummins DKSH Myanmar.

In Thailand, the Business Unit works closely with the local disability community as part of its activities. Thai law stipulates that companies must either support a fund financially or employ people with disabilities to help such people obtain decent and productive work. Our Business Unit Technology has opted to give disabled people a real opportunity to earn their own living in Thailand by choosing the second option. As part of a project in 2023, we assisted four visually impaired people in learning computer skills and working as content bloggers as outsourced staff for DKSH. In this project, the four people were trained by the founder of an IT company, who is visually impaired himself.

In Vietnam, the Business Unit Technology created a space to nurture children's scientific potential in the "Tomorrow Space" project in 2023. In line with the project objective, we leveraged our technical expertise to stage interesting scientific workshops for children and display advanced devices in this space for them to experience.

▶ **GRI 203-1, GRI 203-2**

**Business Unit Consumer Goods and Markets**

Our Business Unit Consumer Goods offers employment opportunities for people living with disabilities who struggle to enter the workplace. For example, the Business Unit employs 11 hearing-impaired people from the local community at Famous Amos cookie outlets in Malaysia.

In March 2022, our Business Unit Consumer Goods signed an agreement with the Global FoodBanking Network (GFN), a non-profit organization that develops and supports food banks in more than 40 markets. This partnership aims to scale up efforts to recover and distribute surplus food and non-food products throughout the Asia Pacific region. To kick off this partnership, we made donations to SOS Thailand and Feeding Hong Kong, the GFN's partners in Thailand and Hong Kong. These endeavors will continue and will be rolled out to other GFN local food banks in more markets.

Overall, in 2023, Business Unit Consumer Goods raised its food and non-food donations to 166 metric tons (from 132 metric tons in 2022).

In 2023, as an overarching collaboration across all Business Units, we engaged in our final year of collaboration with Right To Play in the Thai market. This non-profit organization exited Thailand this year. Over the last 17 years, we have embarked on many projects to educate and empower children facing adversity with Right To Play, reaching more than 35,000 children and youths in Thailand. This partnership included a three-year collaboration with the Liverpool FC Foundation from 2020 to 2022, improving the life skills of children and youths through sports- and play-based social engagements.

▶ **GRI 203-1, GRI 203-2**

**Mitigating Negative Community Impacts**

Along with improving health and well-being, we want to reduce any negative social and environmental impacts that we have on local communities. Environmental impacts can include pollution or emissions. As part of our due diligence, in 2022, we conducted an environmental risk and impact assessment (ERIA) in six markets and at 11 sites to investigate their impacts on their immediate surroundings. For more information on the environmental risk assessment, please see the Pollution Prevention chapter. Equally, we strive to manage social impacts on communities. One important area here is safe driving, since we and our contractors travel a lot in local traffic in the course of business, for instance when visiting customers or delivering orders. We continue our efforts to promote road safety by rolling out campaigns across markets such as Thailand and Malaysia. In 2023, we raised awareness of road safety issues in Malaysia with the Health, Safety, and Environment Day.

Poor infrastructure makes road safety especially challenging in Thailand. With this in mind, DKSH has taken a variety of measures to improve driver safety in Thailand. We already map the number of accidents occurring in the Thai market and identify why incidents occurred in the first place. In 2023, we recorded 103 traffic accidents (up from 77 in 2022) involving DKSH employees (46) and contractors (57) in Thailand. We counted the number of traffic accidents occurring outside our premises (50) and on site (53). Our goal is to have a 100 % accident and incident reporting rate. We encourage all DKSH employees and contractors to report all incidents and accidents, regardless of their severity level, to make sure this goal is reached, for instance, at meetings with supervisors and monthly contractor meetings.

We attribute the increase in the number of traffic accidents to our successful efforts to encourage subcontractors to report all accidents and incidents they encounter while working for DKSH. Increased reporting signifies that we are successfully building trust with our subcontractors and fostering a culture of reporting.

Nevertheless, we strive to reduce the number of accidents. All reported cases are thoroughly investigated with relevant parties to identify root causes and necessary corrective and preventive actions. We have implemented suitable measures aligning with the hierarchy of control, starting from hazard elimination to the use of personal protective equipment (PPE). Additionally, we prioritize employee and contractor education and awareness through over 4,000 hours of defensive driving and road safety training. More than 1,000 employees driving company vehicles and 700 contractors participated in defensive driving training in 2023. The courses were also offered to contractors, as they are responsible for more than half of all accidents.

In 2023, we reached our goal of offering training to all drivers both within the DKSH fleet and working for contractors. In the coming years, we will continue to provide training for new drivers and refresher training for existing drivers.

▶ **GRI 413-1, GRI 413-2**

# Product Quality and Safety

## Our Impacts

Our business is built on trust and integrity: Our clients entrust us with marketing and distributing their products and expect us to preserve the quality and safety of their goods while under our care and custody. Business Unit Healthcare improves people's quality of life through providing access to healthcare, while Business Unit Consumer Goods promotes access to high-quality consumer goods. Business Unit Performance Materials positively influences the safety and quality of end products by providing specialty chemicals and ingredients. Business Unit Technology's focus is on safe and high-quality technology equipment.

We know that product integrity and supply issues have different positive and negative impacts on people, including their human rights, and on society as a whole. We have positive impacts by combatting the spread of counterfeit products; this protects people and society against harmful effects. However, potential negative impacts may exist if we trade in products with health risks to consumers, such as medicines with dangerous side effects.

## Attaining the Highest Standards

We have quality management systems in place across all product categories to ensure we meet the high standards necessary to safeguard the health and safety of customers, consumers, and patients. Furthermore, we ensure that all our products originate from authentic manufacturing processes, thereby avoiding potential safety issues associated with counterfeit products.

Our management approach is tailored to the different Business Units and product categories we handle and the regulations governing them. Products in the healthcare sector must prioritize patient safety, meet stringent quality standards specified by clients and regulators, and comply with international guidelines (e.g. from the World Health Organization, the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, and the Pharmaceutical Inspection Co-operation Scheme).

We observe the Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP) standards when distributing and manufacturing our products. All our healthcare distribution facilities are approved by respective local health authorities with the appropriate internationally recognized quality management system certification (e.g. ISO 9001 and ISO 13485). Our regulatory affairs specialists handle any issues related to product safety in keeping with stringent pharmacovigilance procedures.

Food safety is another significant concern we address through quality management procedures, whether for finished goods distributed by our Consumer Goods business or food ingredients marketed by our Performance Materials business. Our quality assurance and regulatory affairs teams make sure that our products and operations comply with regulations set by the respective food and drug administrations in our markets. Handling chemicals poses a different set of challenges, which we manage through stringent safety and due diligence procedures based on applicable standards, including ISO 9000, the Classification, Labeling and Packaging (CLP) Regulation, and our own Standard Operating Procedures (SOPs), as well as DKSH's Health, Safety and Environment (HSE) policy. These procedures are enhanced by a new HSE Management System and new guidelines for managing hazardous chemicals and dangerous goods, developed in 2020 and enacted in 2021. In 2022, we received ISO 9001 certification for Business Unit Performance Materials' distribution center in Indonesia.

Our Business Unit Technology focuses on safety procedures for the operation of machinery and equipment by our customers. Where applicable, our products are tested before delivery. Our service offering also includes installation, commissioning, and training to ensure proper and safe operation. Moreover, original equipment manufacturers train all our service engineers. Our clients or their appointed auditors frequently audit our operations to ensure that products are stored and handled in accordance with their expected standards. Furthermore, our Business Technology offers calibration services in selected markets and possesses ISO 17025 certification in Thailand.

Audits are especially crucial in the healthcare business due to the sensitivity of these products. In 2023, our Business Unit Healthcare's clients carried out 123 audits through the Business Unit's 13 affiliates (compared to 61 audits in 2022). We recorded 290, mostly minor, incidents of non-compliance and zero critical incidents of non-compliance concerning the health and safety impacts of products and services. Most of the documented incidents (161 cases) pertained to documentation. In 2023, authorities (17), certifying bodies (18), clients (2), and customers (39) audited Business Unit Performance Materials (total 76 audits). In turn, this Business Unit audited selected suppliers (44 audits) and performed routine internal audits and external quality audits with third-party service providers (22 audits). Out of the 142 audits reported, two critical findings were identified in one customer audit in the Philippines (related to workplace accountability). A total of 78 major and 265 minor findings were reported in 2023. Tailored improvement plans were agreed with the auditors, implemented, and monitored to mitigate all reported deviations in due time.

We promptly report and address any deviations from applicable standards flagged by reviews, audits, or complaints. Our robust Corrective and Preventive Action (CAPA) process mitigates any findings in accordance with applicable standards. This process addresses any audit findings and helps us engage with our stakeholders in a meaningful way to resolve any issues. In addition, we have product recall procedures in place and constructively cooperate with all stakeholders should recalls occur.

Alongside meeting our clients' and customers' requirements, we also strive to comply with legal requirements relating to the health and safety of our products. In 2023, DKSH recorded one incident of non-compliance with regulations concerning the health and safety impacts of products and services resulting in a penalty.

▶ **GRI 2-27, GRI 416-2**

# Appendix

# GRI Content Index

DKSH has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards. The information in this report has been compiled using GRI 1: Foundation 2021. If you have any feedback or need further information on our sustainability approach, please contact sustainability@dksh.com

All documents are available at:
www.dksh.com/global-en/home/about-us/sustainability

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| **General Disclosures** | | | |
| GRI 2: General Disclosures 2021 | 2-1 | Organizational details | Annual Report 2023, pp. 8, 119 |
| | 2-2 | Entities included in the organization's sustainability reporting | This Sustainability Report covers the entities (major shareholdings) included in DKSH's financial reporting (Annual Report 2023, pp. 119–121). For entities acquired in 2023, the integration of management approaches and collection of non-financial data points may not have progressed to completion on all accounts, whereas gaps in the overall context of reporting are considered insignificant. |
| | 2-3 | Reporting period, frequency and contact point | The Sustainability Report and the Annual Report refer to the reporting period 1 January 2023 – 31 December 2023. Our sustainability reporting is updated on a yearly basis. Publication date of this Sustainability Report: Feb 16, 2024 Point of contact: sustainability@dksh.com |
| | 2-4 | Restatements of information | No restatement |
| | 2-5 | External assurance | Sustainability Governance, pp. 20f. Assurance Statement, pp. 86f. |
| | 2-6 | Activities, value chain, and other business relationships | Corporate Brochure 2023, pp. 11–30, 38 Our Purpose and Business Model, p. 7 Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| | 2-7 | Employees | Employee Attraction, Satisfaction, and Retention, p. 35 |
| | 2-9 | Governance structure and composition | Annual Report 2023, pp. 11–30 Sustainability Governance, pp. 20f. |
| | 2-10 | Nomination and selection of the highest governance body | Annual Report 2023, p. 17 |
| | 2-11 | Chair of the highest governance body | Annual Report 2023, p. 17 |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | Annual Report 2023, p. 22 Ethics and Integrity: Combatting Corruption, pp. 61ff. Risk Management, pp. 22ff. Sustainability Governance, pp. 20f. |

| GRI standard | Disclosure | | Location |
| --- | --- | --- | --- |
| **General Disclosures** | | | |
| GRI 2: General Disclosures 2021 (continued) | 2-13 | Delegation of responsibility for managing impacts | Sustainability Governance, pp. 20f. |
| | 2-14 | Role of the highest governance body in sustainability reporting | Sustainability Governance, pp. 20f. |
| | 2-15 | Conflicts of interest | Annual Report 2023, p. 17 |
| | 2-16 | Communication of critical concerns | Ethics and Integrity: Combatting Corruption, pp. 61ff. Sustainability Governance, pp. 20f. |
| | 2-19 | Remuneration policies | Annual Report 2023, pp. 34 ff. Sustainability Governance, pp. 20f. |
| | 2-20 | Process to determine remuneration | Annual Report 2023, p. 18 Sustainability Governance, pp. 20f. |
| | 2-22 | Statement on sustainable development strategy | Welcome from the Chairman and the CEO, p. 2 |
| | 2-23 | Policy commitments | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. Environmental Responsibility: Resource Efficiency, pp. 45f. Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. Risk Management, pp. 22ff. |
| | 2-24 | Embedding policy commitments | Ethics and Integrity: Combatting Corruption, pp. 61ff. Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. Sustainability Governance, pp. 20f. Sustainability Strategy, pp. 15ff. |
| | 2-25 | Processes to remediate negative impacts | Ethics and Integrity: Combatting Corruption, pp. 61ff. We describe our impacts and the processes to remediate our impacts for all our material topics. Topic-specific information can be found in the chapters Our People, Our Business, and Our Outcome. |
| | 2-26 | Mechanisms for seeking advice and raising concerns | Ethics and Integrity: Combatting Corruption, pp. 61ff. |
| | 2-27 | Compliance with laws and regulations | Ethics and Integrity: Combatting Corruption, pp. 61ff. Ethics and Integrity: Data Privacy and Protection, pp. 68f. Ethics and Integrity: Responsible Marketing Practices, pp. 67f. Product Quality and Safety, pp. 75f. |
| | 2-28 | Membership associations | Stakeholder Engagement and Materiality Assessment, pp. 13f. |
| | 2-29 | Approach to stakeholder engagement | Stakeholder Engagement and Materiality Assessment, pp. 13f. |
| | 2-30 | Collective bargaining agreements | Labor Practices and Human Rights, pp. 36ff. |

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| **Material Topics** | | | |
| GRI 3: Material Topics | 3-1 | Process to determine material topics | Stakeholder Engagement and Materiality Assessment, pp. 13f. |
| | 3-2 | List of material topics | Stakeholder Engagement and Materiality Assessment, pp. 13f. |
| **Market Presence** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Local Community Development, pp. 71ff. |
| GRI 202: Market Presence (2016) | 202-2 | Proportion of senior management hired from the local community | Local Community Development, pp. 71ff. |
| **Indirect Economic Impacts** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Local Community Development, pp. 71ff. |
| GRI 203: Indirect Economic Impacts (2016) | 203-1 | Infrastructure investments and services supported | Local Community Development, pp. 71ff. |
| | 203-2 | Significant indirect economic impacts | Local Community Development, pp. 71ff. |
| **Procurement Practices** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. Sustainability Strategy, pp. 15ff. |
| GRI 204: Procurement Practices (2016) | 204-1 | Proportion of spending on local suppliers | Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| **Anti-Corruption** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Ethics and Integrity: Combatting Corruption, pp. 61ff. |
| GRI 205: Anti-Corruption (2016) | 205-1 | Operations assessed for risks related to corruption | Ethics and Integrity: Combatting Corruption, pp. 61ff. |
| | 205-2 | Communication and training about anti-corruption policies and procedures | Ethics and Integrity: Combatting Corruption, pp. 61ff. |
| | 205-3 | Confirmed incidents of corruption and actions taken | Ethics and Integrity: Combatting Corruption, pp. 61ff. |

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| **Anti-Competitive Behaviour** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Ethics and Integrity: Responsible Marketing Practices, pp. 66f. |
| GRI 206: Anti-Competitive Behaviour (2016) | 206-1 | Legal actions for anti-com-petitive behavior, anti-trust, and monopoly practices | Ethics and Integrity: Responsible Marketing Practices, pp. 66f. |
| **Tax** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Ethics and Integrity: Responsible Tax Practices, p. 67 |
| GRI 207: Tax (2019) | 207-1 | Approach to tax | Ethics and Integrity: Responsible Tax Practices, p. 67 |
| | 207-2 | Tax governance, control, and risk management | Ethics and Integrity: Responsible Tax Practices, p. 67 |
| | 207-3 | Stakeholder engagement and management of concerns related to tax | Ethics and Integrity: Responsible Tax Practices, p. 67 |
| **Energy** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |
| GRI 302: Energy (2016) | 302-1 | Energy consumption within the organization | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |
| | 302-3 | Energy intensity | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |
| **Emissions** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. Sustainability Strategy, pp. 15ff. |
| GRI 305: Emissions (2016) | 305-1 | Direct (Scope 1) GHG emissions | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |
| | 305-3 | Other indirect (Scope 3) GHG emissions | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |
| | 305-4 | GHG emissions intensity | Environmental Responsibility: Climate Change Mitigation, pp. 40ff. |

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| **Waste** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Environmental Responsibility: Resource Efficiency, pp. 45f. Sustainability Strategy, pp. 15ff. |
| GRI 306: Waste (2020) | 306-1 | Waste generation and significant waste-related impacts | Environmental Responsibility: Resource Efficiency, p. 45f. |
| | 306-2 | Management of significant waste-related impacts | Environmental Responsibility: Resource Efficiency, p. 45f. |
| | 306-3 | Waste generated | Environmental Responsibility: Resource Efficiency, p. 45f. |
| **Employment** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Employee Attraction, Satisfaction, and Retention, pp. 31ff. Sustainability Strategy, pp. 15ff. |
| GRI 401: Employment (2016) | 401-1 | New employee hires and employee turnover | Employee Attraction, Satisfaction, and Retention, pp. 31ff. |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Employee Attraction, Satisfaction, and Retention, pp. 31ff. |
| **Occupational Health and Safety** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Health, Safety, and Well-Being, pp. 26ff. Sustainability Strategy, pp. 15ff. |
| GRI 403: Occupational Health and Safety (2018) | 403-1 | Occupational health and safety management system | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-3 | Occupational health services | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-5 | Worker training on occupational health and safety | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-6 | Promotion of worker health | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Health, Safety, and Well-Being, pp. 26ff. |

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| GRI 403: Occupational Health and Safety (2018) (continued) | 403-8 | Workers covered by an occupational health and safety management system | Health, Safety, and Well-Being, pp. 26ff. |
| | 403-9 | Work-related injuries | Health, Safety, and Well-Being, pp. 26ff. |

**Training and Education**

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Employee Attraction, Satisfaction, and Retention, pp. 31ff. Sustainability Strategy, pp. 15ff. |
| GRI 404: Training and Education (2016) | 404-1 | Average hours of training per year per employee | Employee Attraction, Satisfaction, and Retention, pp. 31ff. |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | Employee Attraction, Satisfaction, and Retention, pp. 31ff. |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | Employee Attraction, Satisfaction, and Retention, pp. 31ff. |

**Diversity and Equal Opportunity**

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Labor Practices and Human Rights, pp. 36ff. Sustainability Strategy, pp. 15ff. |
| GRI 405: Diversity and Equal Opportu- nity (2016) | 405-1 | Diversity of governance bodies and employees | Annual Report 2023, pp. 12–19, 24–29 Employee Attraction, Satisfaction, and Retention, pp. 31ff. Labor Practices and Human Rights, pp. 36ff. |

**Non-Discrimination**

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Labor Practices and Human Rights, pp. 36ff. Sustainability Strategy, pp. 15ff. |
| GRI 406: Non- Discrimination (2016) | 406-1 | Incidents of discrimination and corrective actions taken | Labor Practices and Human Rights, pp. 36ff. |

| GRI standard | Disclosure | | Location |
|---|---|---|---|
| **Freedom of Association and Collective Bargaining** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| GRI 407: Freedom of Association and Collective Bargaining (2016) | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| **Child Labour** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| GRI 408: Child Labour (2016) | 408-1 | Operations and suppliers at significant risk for incidents of child labor | Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| **Forced or Compulsory Labour** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| GRI 409: Forced or Compulsory Labour (2016) | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | Labor Practices and Human Rights, pp. 36ff. Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| **Local Communities** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Local Community Development, pp. 71ff. Sustainability Strategy, pp. 15ff. |
| GRI 413: Local Communities (2016) | 413-1 | Operations with local community engagement, impact assessments, and development programs | Environmental Responsibility: Pollution Prevention, pp.45f. Local Community Development, pp. 71ff. |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | Environmental Responsibility: Pollution Prevention, pp.45f. Local Community Development, pp. 71ff. |

| GRI standard | Disclosure | | Location |
| --- | --- | --- | --- |
| **Supplier Social Assessment** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. Sustainability Strategy, pp. 15ff. |
| GRI 414: Supplier Social Assessment 2016 | 414-2 | Negative social impacts in the supply chain and actions taken | Responsible Procurement and Human Rights in the Supply Chain, pp. 55ff. |
| **Customer Health and Safety** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Product Quality and Safety, pp. 75f. |
| GRI 416: Customer Health and Safety (2016) | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Product Quality and Safety, pp. 75f. |
| **Marketing and Labeling** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Ethics and Integrity: Responsible Marketing Practices, pp. 66f. |
| GRI 417: Marketing and Labeling (2016) | 417-2 | Incidents of non-compliance concerning product and service information and labeling | Ethics and Integrity: Responsible Marketing Practices, pp. 66f. |
| | 417-3 | Incidents of non-compliance concerning marketing communications | Ethics and Integrity: Responsible Marketing Practices, pp. 66f. |
| **Customer Privacy** | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Ethics and Integrity: Data Privacy and Protection, pp. 68f. |
| GRI 418: Customer Privacy (2016) | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Ethics and Integrity: Data Privacy and Protection, pp. 68f. |

# SGS

# ASSURANCE STATEMENT

**Verification Opinion**

The inventory of Greenhouse Gas emissions in the period 01/10/2022 – 30/09/2023 for

## DKSH Holding Ltd.

Wiesenstrasse 8, CH-8008 Zurich

has been verified in accordance with ISAE3000 as meeting the requirements of

## WRI/WBCSD GHG Protocol – A Corporate Accounting and Reporting Standard

To represent a total amount of:

**9,112 t $CO_2e$** (Scope 1 emissions)
**57,977 t $CO_2e$** (Scope 2; location-based emissions for electricity)
**19,789 t $CO_2e$** (Scope 2; market-based emissions for electricity)
**67,089 t $CO_2e$** (Scope 1+2; Scope 2 location-based emissions for electricity)
**28,901 t $CO_2e$** (Scope 1+2; Scope 2 market-based emissions for electricity)
**86,664 t $CO_2e$** (Scope 3 emissions)

Furthermore, the data in appendix 1 has been verified.

**FOR THE FOLLOWING ACTiViTIES**

Logistic and office services of DKSH worldwide (Scope 1+2) and for some regions (Scope 3).

**SCOPE**

SGS has been contracted by DKSH Holding Ltd (hereinafter referred to as "DKSH") for the verification of direct and indirect carbon dioxide ($CO_2$) equivalent emissions as provided by DKSH as displayed in their GHG Assertion in the form of Sustainability Report 2023. (https://www.dksh.com/global-en/home/about-us/sustainability).

**CONTENT**

The management of DKSH is responsible for the organization's GHG information system, the development and maintenance of records and reporting procedures in accordance with that system, including the calculation and determination of GHG emissions information and the reported GHG emissions.

It is SGS' responsibility to express an independent GHG verification opinion on the emissions as provided in the DKSH GHG assertion for the period 01/10/2022 – 30/09/2023.

SGS conducted a third-party verification following the requirements of ISAE 3000 of the provided $CO_2$ equivalent assertion in October 2023 to January 2024. The assessment included a desk review at the headquarter and remote interviews with key locations. The verification was based on the verification scope, objectives and criteria as agreed between DKSH and SGS on 31/08/2021.

**LEVEL OF ASSURANCE**

The level of assurance agreed is that of limited assurance for Scope 1, 2 and 3 emissions and other indicators.

**SCOPE**

DKSH has commissioned an independent verification by SGS of reported $CO_2$ equivalent emissions arising from their activities, to establish conformance with the requirements of the "GHG Protocol Company Accounting and Reporting Standard" within the scope of the verification as outlined below. Data and information supporting the $CO_2$ equivalent assertion were historical in nature and proven by evidence.

**STATEMENT OF INDEPENDENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. Société Générale de Surveillance SA affirm our independence from DKSH being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

GP5008 Issue 1

This engagement covers verification of emissions from anthropogenic sources of greenhouse gases included within the organization's boundary and meets the requirements of ISAE3000.

The assertion of DKSH emissions of greenhouse gases follows the methodological approach of the greenhouse gas protocol. This approach includes the following:

- Organizational boundary was established following the operational control approach.
- Activities: Infrastructure for logistic services
- Location/boundary of the activities: worldwide
- Physical infrastructure, activities, technologies and processes of the organization: warehouse, office and administration, transportation
- GHG sources, sinks and/or reservoirs included:
  - Scope 1 – stationary combustion from emergency generators, mobile combustion of own fleet, fugitive emissions of cooling agents;
  - Scope 2 – purchased electricity;
  - Scope 3 – emissions related to fuel consumption in connection with logistics activities by outsourced external transportation service providers, for nine major markets, accounting for more than 85% of DKSH's total net sales; Emissions from air travel for business purposes by all employees worldwide
- Types of GHGs included: $CO_2$, $N_2O$, $CH_4$ and HFCs.
- GHG information for the following period was verified: 01/10/2022 – 30/09/2023
- Intended user of the verification statement: Stakeholders such as national and international NGO's, customers, general public, regulators and rating agencies.

**OBJECTIVE**

The purposes of this verification exercise are, by review of objective evidence, to independently review:

- Whether the $CO_2$ equivalent emissions are as declared by the organization's $CO_2$ equivalent assertion
- That the data reported are accurate, complete, consistent, transparent and free of material error or omission.

**CRITERIA**

Criteria against which the verification assessment is undertaken are the requirements of WRI/WBCSD GHG Protocol – A Corporate Accounting and Reporting Standard.

**MATERIALITY**

The materiality required of the verification was considered by SGS to be below 10% for Scope 1 and Scope 2 emissions, based on the needs of the intended user of the GHG Assertion.

**CONCLUSION**

The GHG information of DKSH for the period 01/10/2022 – 30/09/2023 disclosing Scope 1 and 2 emissions of 67,089 metric tonnes $CO_2$ equivalent (including gross location-based emissions for electricity) were verified by SGS to a limited level of assurance, consistent with the agreed verification scope, objectives and criteria. A further 86'664 tonnes of $CO_2$ equivalent from Scope 3 sources were verified by SGS to a limited level of assurance, consistent with the agreed verification scope, objectives and criteria.
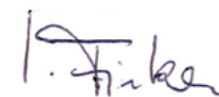
Included in the DKSH GHG assertion for the period 01/10/2022 – 30/09/2023, and in addition to scope 2 emissions of 57'977 metric tonnes CO2 equivalent, is a disclosure of emissions of 19'789 metric tonnes CO2 equivalent for scope 2 market-based emissions. This figure includes purchase of renewable electricity certificates by DKSH. These emissions have been verified by SGS based on WRI GHG Protocol Scope 2 Guidance.

SGS concludes with limited assurance that there is no evidence to suggest that the presented $CO_2$ equivalent assertion is not materially correct and is not a fair representation of the $CO_2$ equivalent data and information.

In addition to the GHG data provided by DKSH, additional sustainability key indicators, presented in Appendix, have been verified by SGS. SGS concludes with limited assurance that there is no evidence to suggest that the presented data is not materially correct and is not a fair representation of the data and information.

**Signed for and on behalf of Société Générale de Surveillance SA, Technoparkstrasse 1, 8005 Zurich, Switzerland**

Daniel Aegerter                          Ingrid Finken
Lead Auditor                             Product Manager Climate Change Services

Zurich, January 31st, 2024              WWW.SGS.COM

**Appendix - additional KPIs with limited external assurance (marked ✓ in the Sustainability Report 2023)**

**Women in senior leadership positions 31/12/2023: 34%**

**Greenhouse gas emissions and energy in the period 01/10/2022 – 30/09/2023**

**Greenhouse gas emissions breakdown – Scope 1 and 2 (location-based)**

|  | Emissions in $CO_2e$ (metric tons) |
|---|---|
| $CO_2$ | 64,023 |
| $CH_4$ | 95 |
| $N_2O$ | 277 |
| HFC's | 2,693 |

**Energy usage in our operations, by activity, in MWh**

|  | in MWh |
|---|---|
| Fuel usage by our fleet | 17'102 |
| Fuel usage in our facilities | 8'453 |
| Electricity in our facilities | 104'758 |

**Health, Safety, and Well-being in the period 01/10/2022 – 30/09/2023**

**Work-Related Injuries**

|  | Number | Rate |
|---|---|---|
| **DKSH employees** |  |  |
| Fatalities from work-related injuries | 0 | 0 |
| High-consequence work-related injuries | 2 | 0.03 |
| Recordable work-related injuries | 48 | 0.69 |
| Number of hours worked (in million) | 69.82 | - |
| **Workers** |  |  |
| Fatalities from work-related injuries | 0 | 0 |
| High-consequence work-related injuries | 0 | 0 |
| Recordable work-related injuries | 13 | 1.17 |
| Number of hours worked (in million) | 11.11 | - |

**Main Types of Work-Related Injuries**

|  | **DKSH Employees** | **DKSH workers** |
|---|---|---|
| **Types of Injuries** |  |  |
| No. of first aid injuries | 117 | 16 |
| No. of medical treatment beyond first aid | 5 | 2 |
| No. of job restrictions or transfers | 6 | 0 |
| No. of lost time injuries | 37 | 11 |
| No. of fatalities | 0 | 0 |

**Ethics and Integrity**

**License to Operate Training Completion by Region in the period 01/01/2023 – 31/12/2023**

| Region | In scope | Completed | Ratio |
|---|---|---|---|
| Total | 21,384 | 20,957 | 98.00% |

**Incidents Reported via the DKSH Integrity Line by Type of Incident in the period 01/01/2023 – 31/12/2023**

| Type of incident | # of incidents reported |
|---|---|
| Anti-competition | 1 |
| Corruption | 15 |
| Data protection, IT security | 3 |
| Employee matters | 63 |
| Health & Safety | 4 |
| Environment | 0 |
| Fraud, embezzlement, misappropriation, theft | 25 |
| Fairplay, conflicts of interest | 15 |
| Interaction with Healthcare Professionals (IHCP) | 14 |
| Total | 140 |

**Data Privacy and Protection in the period 01/01/2023 – 31/12/2023**

| Number of employees completing the security awareness online program | 17'358 |
|---|---|
| Completion rate | 96.2% |

DKSH