



DUE DILIGENCE POLICY OF THE KRKA GROUP





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The Management Board of Krka, tovarna zdravil, d. d., Novo mesto, at its 12th regular meeting of 30 September 2024, adopted the following

DUE DILIGENCE POLICY OF KRKA, TOVARNA ZDRAVIL, D. D., NOVO MESTO

The Due Diligence Policy (hereinafter referred to as the Policy) applies to the parent company Krka, tovarna zdravil, d. d., Novo mesto and its subsidiaries, which together form the Krka Group (hereinafter referred to as Krka). The Policy is Krka's commitment to implementing sustainability principles and promoting their integration in business processes across the entire value chain, from suppliers (upstream) to direct customers and end users (downstream). All subsidiaries of the Krka Group must adhere to this Policy while also ensuring compliance with national legislation as well as the socio-cultural norms and customs of the country where they operate prevail.



1 | INTRODUCTION

Integrated, strategic, and efficient ESG governance of Krka is essential for managing environmental aspects, sustainability-related risks, identification of impacts, and detection of trends and opportunities for responsible management of natural and social environments. To ensure the success of our business operations in the long-term, we integrate sustainability principles into management processes and business decisions. By adopting a sustainable approach as a driver of Krka's progress, we create long-term value for all stakeholders and achieve sustainable growth and strategic business goals. We have outlined our sustainability commitments in the ESG Policy of the Krka Group (ESG Policy), which serves as our pledge to promote and implement sustainable principles in our operations. The ESG Policy represents Krka's current and future commitments and serves as the foundation for enhancing sustainable management in environmental, social, and governance areas, which Krka has been committed to for decades..

2 | PURPOSE AND IMPLEMENTATION AREA OF DUE DILIGENCE POLICY

The Policy represents Krka's commitment to appropriate identification, prevention, mitigation, and remediation of adverse impacts on the social and natural environment, as well as their appropriate handling. Its purpose is to ensure effective and systematic review of business operations, processes, and activities in compliance with the applicable legislation, internal rules and other documents on corporate governance, other regulations, as well as quality and safety standards, with a focus on respecting human rights and protecting the natural environment throughout the entire value chain. The purposes of this Policy include preventing fraud, detecting irregularities, improving risk management—particularly in the areas of human rights and environmental protection—and ensuring Krka's integrity. Due diligence helps companies better define and manage business and operational risks, identify opportunities to reduce costs, improve understanding of markets and strategic supply sources, and reduce the likelihood of incidents related to the areas covered by the OECD Guidelines for Multinational Enterprises, as well as exposure to systemic risks.

3 STRATEGIC COMMITMENT AND RESPONSIBLE BUSINESS CONDUCT

Krka is a sustainability-oriented and responsible company, which is why we incorporate the principles of sustainable management into our governance processes and business decisions. Sustainability is part of our day-to-day business processes and decisions. By properly integrating and implementing sustainability principles, we ensure Krka's long-term economic success and responsible management of our natural and social environment.

At Krka, we are committed to respecting human rights and protecting the natural environment. These commitments are the foundation of our sustainability responsibility and are integral to our strategic sustainability commitments and the following Krka policies: Human Rights Policy of the Krka Group; Diversity, Equity and Inclusion Policy of the Krka Group; Environmental Policy of the Krka Group; Corporate Governance Policy; Krka's Code of Conduct; Code of Conduct for Business Partners of the Krka Group; Rules on Fraud Prevention, Detection and Investigation; ESG Policy; and other documents on corporate governance as well as internal rules.

As a signatory to the Commitment to Respect Human Rights in Business within the framework of the National Action Plan of the Republic of Slovenia on Business and Human Rights, Krka commits to upholding the Universal Declaration of Human Rights; International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights; UN Guiding Principles on Business and Human Rights; OECD Guidelines for Multinational Enterprises; ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; International Labour Organization's Declaration on Fundamental Principles and Rights at Work; ILO conventions; National Action Plan of the Republic of Slovenia on Business and Human Rights; as well as other applicable guidelines and principles. We promote the respect for human rights and environmental protection throughout the entire value chain. We expect our business partners to adhere to internationally recognized standards as well as our commitments and principles.

4 RECOGNISING HUMAN RIGHTS VIOLATIONS AND ADVERSE IMPACTS ON THE ENVIRONMENT

At Krka, we implement a systematic and integrated due diligence process that is grounded in a risk-based approach. Through this process, we identify and assess direct current and future business partners. The factors for initial prioritisation of key risk areas include information on geographical risk factors. As the field further develops, we will also incorporate sector-specific, production, and other business risk factors. Different aspects are reviewed with a focus on respecting human rights and protecting the natural environment.



5 | PREVENTION, MITIGATION, AND REMEDIATION OF VIOLATIONS AND ADVERSE IMPACTS

We will strive to further develop and implement activities aimed at preventing or mitigating actual or potential violations and adverse impacts directly related to our operations, products, or services within the value chain. Risks related to violations and adverse impacts will be assessed based on their severity and probability. We will manage all identified violations, adverse impacts and associated risks in accordance with legal requirements and best practices. To manage adverse impacts and risks, we will utilize Krka's Risk Register, which includes a comprehensive list of risks at the Group level, the results of the materiality analysis of sustainability impacts, risks, and opportunities, along with the double materiality matrix, the Integrity Plan, ISO 14001 standard requirements, and other corporate policies and rules mentioned in Chapter 3 of this Policy. Once the impacts and risks are identified, we will work within the business relationship and improvement plan to mitigate risks and reduce their consequences. If necessary, we will conduct periodic reviews and monitor the development and progress in implementing the improvement plan.

6 | MONITORING THE EFFECTIVENESS OF KRKA'S POLICIES AND MEASURES, AND REPORTING ON IMPACT MANAGEMENT

We continuously strive to improve our system for measuring effectiveness of our due diligence approach, with a particular focus on human rights and environmental protection. To this end, we will identify additional key performance indicators to gauge the effectiveness of our policies. We will regularly analyse and check the collected data to ensure that the results align with our expectations and objectives. In the event of any deviations, we will take appropriate corrective actions to remediate and further prevent or mitigate any adverse impacts. Monitoring the effectiveness of policies and processes is a dynamic process that requires constant adaptation and improvement.

We will publicly report on the due diligence processes, findings, and plans in our annual report or other forms of public communication. In our communications, we will take into account business confidentiality as well as any other competitive or security concerns.

7 | GRIEVANCE MECHANISM AND COLLABORATION

We have established a reporting system through which business partners, employees, and other stakeholders can report suspected violations of our policies and commitments regarding human rights and environmental protection. Suspected irregularities can be reported to compliance.officer@krka.biz. The compliance officer investigates the reports and generally appoints a working team for each case separately by engaging experts qualified in the respective area. We guarantee anonymity to reporters and provide for their protection against any potential retaliatory measures. Upon concluding the investigation, we will implement corrective actions as necessary. The actions taken will depend on factors such as the severity of the violation and relevant laws.

8 | 8 RESPONSIBILITY FOR POLICY IMPLEMENTATION

All Krka employees must adhere to the Policy. The responsibility of overseeing the implementation of the due diligence processes lies with the member of the Management Board responsible for compliance, and the Chief Compliance Officer.

9 | FINAL PROVISIONS

The Policy enters into force on the day when adopted by Krka's Management Board. The Policy is a public document and is published on Krka's website in both Slovene and English.

The adequacy and effectiveness of the Policy are typically reviewed once a year. Due to the complexity, continuous changes in the regulatory and business environment, and the importance of this area for Krka, we systematically and regularly monitor the relevance of this Policy. Any changes to the Policy are approved by the Management Board.