

RECONCILING ECONOMIC GROWTH AND ENVIRONMENTAL REQUIREMENTS – A TARGET SET BY THE FRENCH-DANISH HEALTH ALLIANCE ROOTED IN THE REGIONS

Assessment of the contribution of the French-Danish Health Alliance to the French Economy in 2022 & the maturity of its environmental transition policy

RANDEA | OCTOBER 2023

Created in 2019 under the aegis of the Danish Embassy in France, the French-Danish Health Alliance unites five Danish healthcare companies of international stature, namely ALK, Coloplast, LEO Pharma, Lundbeck and Novo Nordisk¹. Every year, their French-based production sites support more than 12 million patients with chronic diseases across the globe.

An increasingly strong regional presence

The longest serving members of the French-Danish Alliance have operated for over 60 years, generating a **turnover of 1.9 billion euros between the five of them in 2022. They have a 3,825-strong workforce with 16 sites across France** including 2 logistics sites and 6 industrial sites located at Vandeuil (Marne) and Varennes-en-Argonne (Meuse) for ALK, Sarlat (Dordogne) for Coloplast Manufacturing France, Vernouillet (Eure-et-Loire) for LEO Pharma, Chartres (Eure-et-Loire) for Novo Nordisk and Sophia-Antipolis (Alpes-Maritimes) for Lundbeck/Elaiapharm.

These sites are major subsidiaries for their parent companies who have repeatedly opted for France. Coloplast, LEO Pharma, Lundbeck and Novo Nordisk¹ export 70% to 97% of products manufactured on French soil. ALK, for its part, is an example of local manufacturing with 100% of France's immunotherapy treatment requirements being produced in the Grand-Est region.

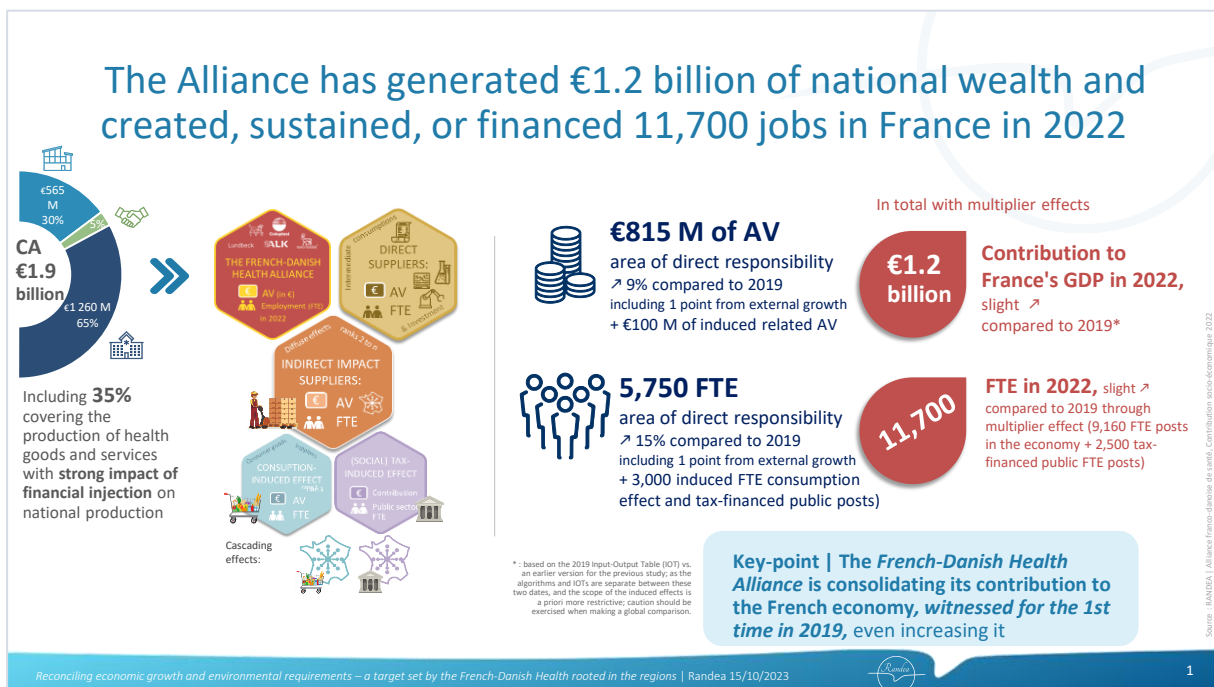
Regular investments are made to modernise and expand industrial site production capacity in particular, to meet increasing health requirements. Following an investment of 535 million Euros over a period of 20 years, **a further 225 million euros were allocated for this purpose by the parent companies between 2020 and 2022, making the French-Danish Alliance a key stakeholder in local industrialisation.** In line with this expansion, **employment in the regions where the Alliance companies are based increased by 16% between 2013 and 2022.**

¹ ALK is the world leader in allergenic immunotherapy (asthma and allergic rhinitis). Coloplast is the world leader in stoma care and incontinence products. The group is involved in interventional urology, wound care, laryngectomy and tracheotomy. LEO Pharma is an expert in medical dermatology and thrombosis (anticoagulant). Lundbeck is a brain disease specialist (neurology and psychiatry). Novo Nordisk is the world leader in combating diabetes and cardio-metabolic disorders (obesity, haemophilia and growth disorders).

Economic contribution confirmed with €1.2 billion of wealth created

The **industrial activity** accounts for 30% of the turnover generated by the French-Danish Health Alliance. It relies on **1,550 production jobs, i.e. 40% of the workforce, and mobilises an entire network of local suppliers, reinforcing the economic multiplier effect** (to less of an extent for operating solely on a commercial basis). Taking into consideration the supplier to supplier cascade effect on the one hand and the impact of salaries on household consumption on the other hand, the **activity carried out by members of the French-Danish Health Alliance has generated 1.2 billion Euros of national wealth [VA (value added) or GDP (Gross Domestic Product)] and created, sustained or financed 11,700 jobs in France in 2022 (including public-sector jobs via related taxation).**

Thus, **for every 1 job within the Alliance, 1.4 jobs are generated within the French economy: 0.9 supplier jobs and 0.5 jobs in the Consumer sector.** This is further supplemented by 0.6 public sector jobs financed by taxes and social contributions linked to the activity of the Alliance, its chain of suppliers and the impact of wages. The tax and social contribution amounted to **560 million euros² in 2022 including 15 million euros paid directly locally** in terms of the CVAE [Cotisation sur la Valeur Ajoutée des Entreprises (Company Value-Added Contribution)] and the CFE [Cotisation Foncière des Entreprises (Corporate Property Tax)].



The French-Danish Health Alliance is therefore consolidating its contribution to the French economy, witnessed for the first time in 2019, even increasing it³. With its strong Danish DNA, its members epitomise a business model combining economic growth, employer responsibility, local roots and environmental requirements.

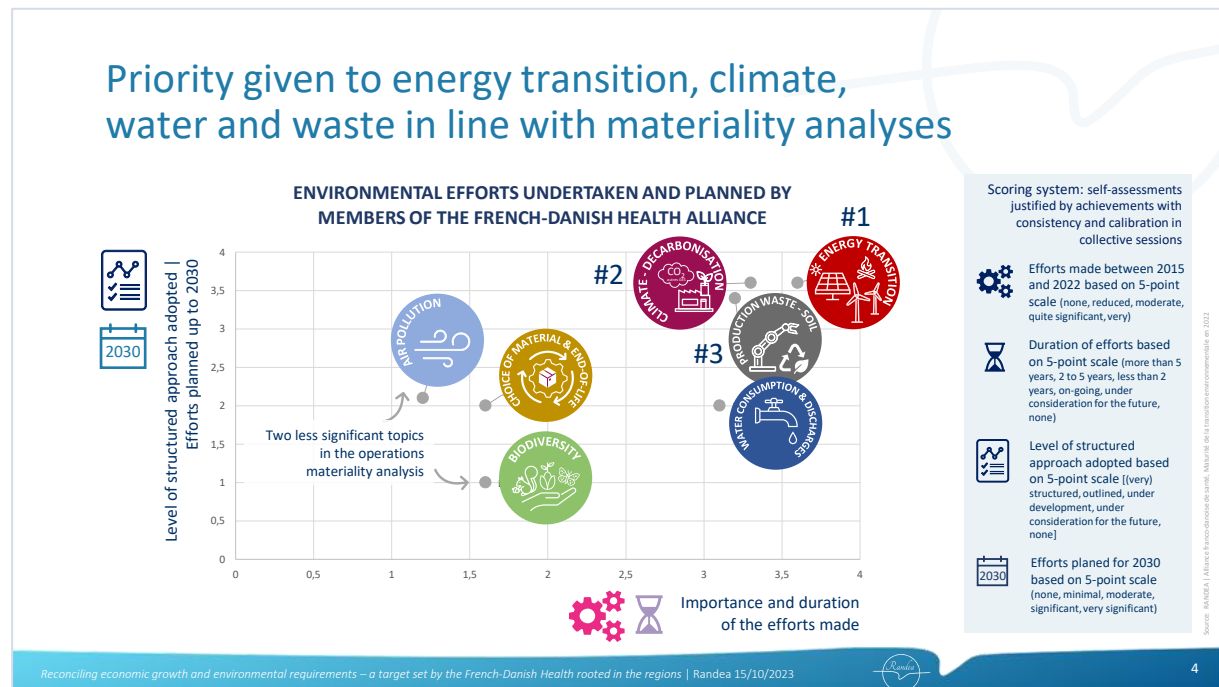
² 300 million euros in taxes and social security contributions are paid by the five Alliance members in the strictest sense, including more than 7.5 million euros in direct local taxation.

³ The 2023 estimate is based on INSEE's 2019 Input-Output Table (IOT) (reworked for imports not taken into account) versus an earlier version of the IOT for the previous study. As the algorithms and IOT are separate between these two dates and the scope of the triggered effects is a priori more restrictive, caution should be exercised when making the overall comparison.

Early consideration of environmental issues

Very early on, after the first oil crisis, Denmark reflected on moving away from fossil fuels and towards renewable energies. These objectives were set out in 2007 based on a gradual planning strategy involving scientific experts alongside technical, economic and public stakeholders.

Members of the French-Danish Health Alliance then launched environmental initiatives on French soil **over a decade ago, with pioneering work being done as much as 15 years ago, and repeated efforts in four priority areas: energy transition, decarbonisation, and sustainable management of water and production waste.**



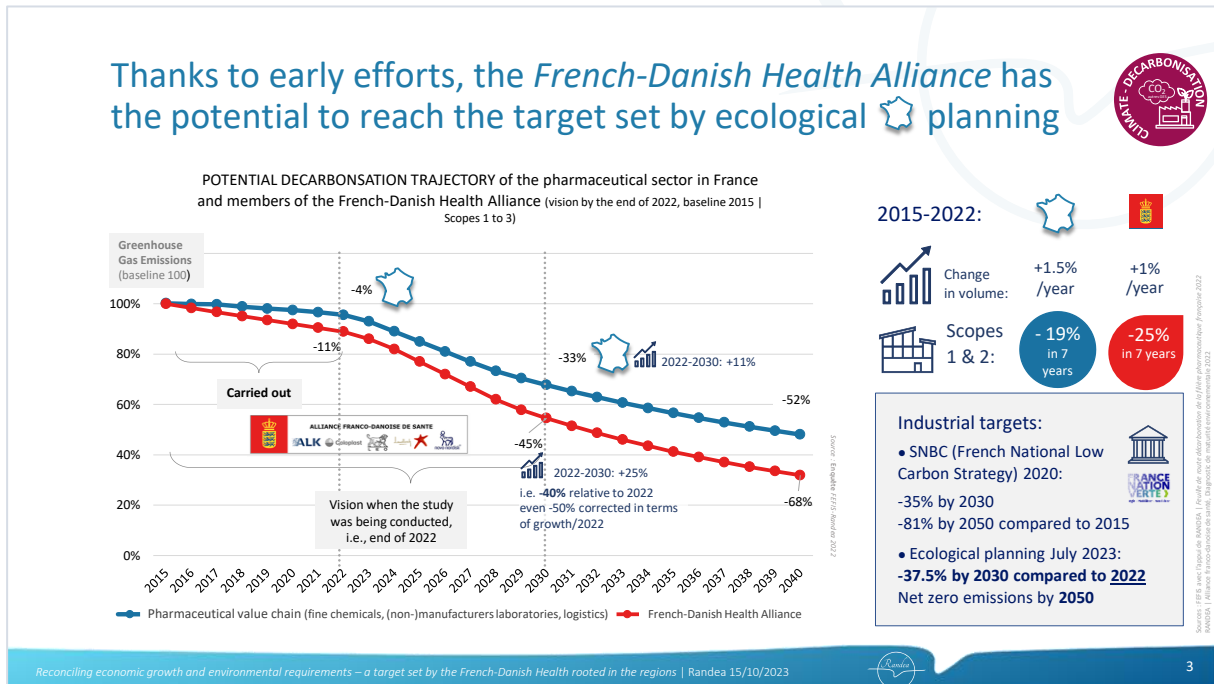
Significant results were obtained with a reduction of 100,000 m³ in terms of water consumption between 2017 and 2022 whilst increasing production. The proportion of renewable energy used on industrial sites has increased, reaching 50% or even 100% for four Alliance members. Between 32% and 75% of production waste is recycled with the residue generally being recovered as energy. Greenhouse gas (GHG) emissions were cut by 11% between 2015 and 2022 for all scopes 1, 2 and 3. Thanks to the initiatives taken, **Alliance members have the potential to cut greenhouse gas emissions by – 45% by 2030 compared to 2015** (versus -33% for the pharmaceutical sector in France, fine chemicals to healthcare logistics, taking into account industrial laboratories and operators⁴).

This potential trajectory is both sound and convincing thanks to the pivotal investments made in recent years and the important selection work and discussion with suppliers to involve the ecosystem both upstream and downstream. Several members are aiming to achieve collective carbon neutrality between 2040 and 2050.

Compared to 2022, potential cuts of -40% (-50% by neutralising the anticipated growth of +25% between 2022 and 2030) could be made in terms of greenhouse gas emissions by 2030. **The**

⁴ Source: FEFIS-Randaea 2022 study carried out as part of the pharmaceutical industry's decarbonisation roadmap for the French National Industry Council.

members of the French-Danish Health Alliance are therefore in line with the national ecological planning objectives presented by Prime Minister Elisabeth Borne in July 2023.⁵



In all these areas and decarbonisation in particular, the target set by members of the French-Danish Health Alliance is to take up the challenge of increasing production capacity in France to meet the growth in healthcare needs worldwide, while reducing their environmental footprint by 2030 and in the long term. It should also be noted that by making carbon-free healthcare products produced by their parent companies or sister subsidiaries in Europe available to the French market, the French-Danish Healthcare Alliance is helping to reduce the environmental footprint of the healthcare sector in France.

A methodical, progressive approach rooted in the regions

The approach implemented is pragmatic and progressive, and involves:

- *Monitoring* in order to understand and track consumption (installation of water meters, consumption meters on energy-consuming equipment, energy audits, etc.);
- *Reducing consumption through continuous improvement* (combating losses, sobriety/effectiveness) but also by agreeing to *reinvent* operations with a view to reducing impact based on ideas put forward by management-backed teams;
- For each site, *Group guidelines* are geared towards *specific, local site features*, their physicality and issues specific to their location [e.g. water stress in PACA (Provence-Alpes-Côte d'Azur) region, local options for supplying wood residues, etc.];
- Last but not least, the subsidiaries benefit from the *support* of their parent company, particularly financial support, provided by a committed Foundation shareholder base that accepts long-term yield on investment, prompting efforts to invest in structuring equipment (heat pumps, biomass boilers, new-generation refrigeration units with lower-emission refrigerants, purified water stations and innovative PPI) or demanding novel approaches (installation of an end-of-life collection system, recycling, etc.).

⁵ The ecological plan for the summer of 2023 sets industry the target of cutting GHG emissions by 37.5% compared to 2022.

The report takes stock of the actions implemented in 7 areas of environmental concern and sets out **around ten significant landmarks** for members of the French-Danish Health Alliance. These are all inspiring examples of voluntary transition demonstrating that economic growth and environmental requirements can be reconciled.

This track record of dedicated stakeholders, recognised by their peers, *ultimately* explains why the Alliance is one of the leaders when it comes to green health in France. Etienne Tichit, Corporate VP and DG of Novo Nordisk France, was therefore approached by FEFIS to plot a road map for the decarbonisation of health industries and technologies and HAS (French Public Health Authorities) sources the recommendations of the Coloplast-led SHIELD© initiative.

Efforts to continue up to 2030 calling for collective change

Between now and 2030, efforts will continue primarily in the fields of energy transition, decarbonisation, circular economy and limiting air pollution. In line with the actions already undertaken (research into innovative sustainable materials, plastic packaging replaced by cardboard, action to improve patient care by limiting travel and avoidable hospital readmissions, experimental introduction of a collection and recycling system for injection pens, etc.), it would appear relevant, in the **specific context of chronic diseases supported by members of the French-Danish Health Alliance, to endeavour to involve and mobilise to greater extent patients who** could have a leverage effect because of their numbers.

In terms of the circular economy and recycling of production waste, **members of the French-Danish Health Alliance are encountering structural problems**, just like their health sector peers, such as administrative obstacles to recycling, lack of interest in repeatedly small volumes from recycling stakeholders and difficulty in identifying local stakeholders interested in recycling materials.

As in the value chain for their overall trajectory, **collective efforts will be required** in relation to this point. **A paradigm shift is needed to prompt the major acceleration anticipated and mobilise all parties. Stepping up environmental efforts on the market is a key incentive to be implemented in line with a balanced approach and without over-complicating matters.**