



Shaping the Future

Our ESG Ambition

Introduction



This document sets out Vectura Group's commitment to creating long-term growth by embedding sustainability in all our business practices. This strategy will drive ongoing improvements and bring together all the initiatives already underway by establishing shared priorities and clear objectives. It also provides a framework for us to measure our environmental, social and governance (ESG) performance, demonstrate our progress against ESG targets, and hold ourselves to account over the coming years.

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Our new ESG strategy for 2021

Last year, we were pleased to announce a revised set of values for the Vectura Group, building on the firm's long-standing commitment to making a positive impact through our work. As a Board, we are committed to helping embed these values at all levels of the company. So, we are delighted to be launching a new strategy to formalise our approach to environmental, social and governance (ESG) matters.

Creating sustainable, long-term value for our stakeholders is a priority for all members of the Board, so we welcomed the broad consultation process that Vectura followed in developing this comprehensive ESG Strategy. With input from a wide range of both internal and external stakeholders, we have developed a robust set of priorities that align with the growing importance of ESG factors to our people, partners, customers, investors and patients. These priorities will help focus our ESG efforts where they will make the most impact and drive the business forward.

But this is just a starting point, as The ESG Strategy will help set a baseline to measure the impact of our sustainability efforts and provide a framework for us to report our achievements. We will also seek independent third-party verification of our ESG performance, so we can benchmark it against peers, demonstrate our progress with clear results, and qualify for inclusion in ESG indices. The Board is pleased to oversee Vectura's ESG initiatives and lend its wholehearted support to the important work that has already started to increase our positive contribution to the world over the coming years.

Bruno Angelici
Chairman

Living our values

By operating responsibly, we want to continue to build a business that is not only commercially successful but delivers long-term value for all our stakeholders: patients; our people; our partners, customers, suppliers and our shareholders.

Our values are the principles that guide how we do things.

1

Deliver for patients with pride

We are agile, efficient and deliver on our commitments. We take pride in successfully developing medicines that transform lives.

2

Create a great customer experience

Our customer focus guides everything we do. We use our insight and capability to create a great experience for our customers.

3

Work together as one team

We collaborate to achieve shared goals, using our combined knowledge and expertise to enable success.

4

Do the right thing

Quality is at the heart of everything we do. We work with integrity, consistently delivering to high standards.

5

Innovate and improve

We thrive on learning and apply our expertise to continually innovate and be the best at what we do.





Aligning operations to our ESG strategy

Having joined Vectura in 2019, I was pleased to be part of the work to update and refresh the values that embody the passion we have for improving the lives of patients across the world. One of these values, 'Do the right thing', reflects the quality and integrity at the heart of everything we do. We are now building on this long-standing commitment by formalising our approach to ESG and setting out our ambition.

Creating an ESG mindset

In developing our ESG strategy, we knew it would be most effective if it were 'baked in' to our day-to-day work. To that end, we have reached out broadly across the business and asked for input and feedback from all our people. As those closest to the operations of the company, we knew their perspective and insight would be invaluable in determining how to weave ESG principles into everything we do.

Following a rigorous process

We sought expert and specialist advice from an independent consultancy to align our ESG ambition with best practice and we engaged all of our people in defining the priorities. In particular, we wanted to focus our efforts where we could make the most impact. Our ambition is high, but we also want to make sure we set goals that can be achieved.

Following a rigorous process, we are ready to share our ESG strategy and announce our ambition for 2021 and beyond.

We will use this first year of our ESG strategy to benchmark our ESG performance and create a framework to measure the impact of our efforts going forward. In that regard, we view our ESG strategy as a starting point, not an end destination. We expect to adapt and evolve our approach as we learn more about where we can make the most impact, and new challenges and opportunities arise.

Making our mark

What will remain unchanged is our total commitment to being a responsible business and delivering long-term sustainable growth for our investors. Just as our patients and customers trust us to deliver quality medicines that transform lives, they also expect us to work to the highest standards. We have always been committed to making a positive impact on our environment and society, and our ESG strategy is a logical next step to further embed our values into everything we do.

These values were demonstrated throughout 2020 as our team pulled together to navigate the COVID-19 pandemic. Our people adapted admirably to new ways of working, worked tirelessly to maintain critical operations, and took care to support each other's mental and physical wellbeing. I couldn't be prouder of the team at Vectura. And I am confident that as we head into 2021 with our ESG ambition clearly mapped out, we'll be able to achieve an enormous amount.

Will Downie
Chief Executive Officer

Supporting the global ESG agenda

All companies have an important role to play in ensuring their operations are sustainable and making a positive contribution to the communities and places in which they operate. Environmental, Social and Governance (ESG) criteria have provided a common set of standards to help companies understand, measure and report on key risks and trends that influence their operations. They help companies identify risk factors and capitalise on opportunities to create long-term value for a range of stakeholders.



Environmental

What it covers?

- Energy use
- Disposal of hazardous waste and pollution
- Management of greenhouse gas emissions
- Water usage
- Eco-friendly product design
- Compliance with environmental regulations

[+ Read more on page 10](#)



Social

What it covers?

- Labour/ethical standards in the supply chain
- Exposure to illegal child labour
- Adherence to workplace health and safety
- Integration with local community
- Charitable giving
- Diversity and inclusion

[+ Read more on page 12](#)



Governance

What it covers?

- Employee and stakeholder engagement
- Business ethics
- Bribery and corruption
- Executive compensation and share ownership

[+ Read more on page 14](#)

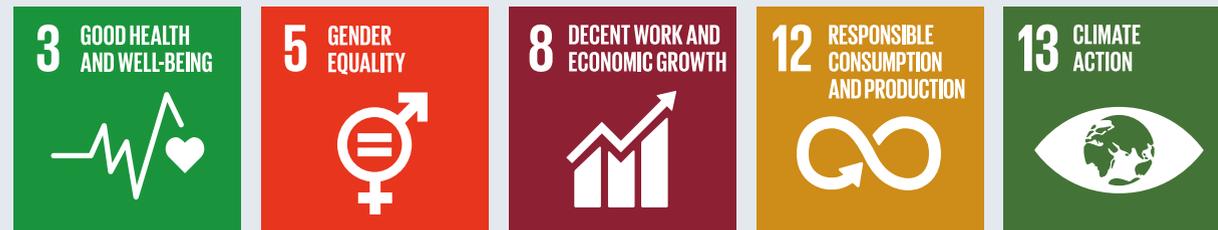
The importance of an effective ESG strategy

Part of a global movement

The Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDGs have been adopted by all United Nations member states, as well as key economic forums and leading companies around the world.

At Vectura, we fully support the efforts to make the world a better place for all, and we have used the SDGs to help identify where we could make the most impact through our ESG initiatives.

Our work most closely aligns to five SDGs:



Some of the benefits to businesses include:

- Customers prefer to partner with companies with a good ESG track record
- Investors favour companies with strong ESG credentials and view poor ESG performance as a risk to long-term business outcomes
- ESG best practice improves relationships with suppliers
- Companies can generate cost savings by achieving efficiencies, reducing waste and avoiding penalties
- Employees prefer to work for companies whose values and ethics align with theirs

Defining our material issues

We developed our ESG strategy with input from independent experts, company leadership, a cross-section of employees, as well as external stakeholders. To ensure best practice, we engaged a specialist ESG consultancy to support us through a rigorous process.

Leading our ESG efforts

To lead the development of a cohesive ESG strategy, we established a cross-functional working group to help us identify and understand the different ESG activities already underway across the group. The working group is sponsored by two ELT members.

1

Assess our current ESG position

- Benchmarking exercise
- Identify gaps and opportunities
- In-depth stakeholder interviews

2

Define vision and strategic options

- Impact analysis
- Short-list of initiatives

3

Develop a strategy and establish long-term roadmap

- Baseline data to be established in 2021
- KPIs and targets to be agreed in 2021



We have identified seven key ESG priority areas

To set these priorities we assessed a range of criteria including: investor interest, customer demand, employee interest, alignment with Vectura strategy, resource requirement and return on investment.



Environmental

Manage and reduce the impact of our environmental footprint

- 1 Operational environmental impact**
Monitor and reduce energy use and our carbon footprint
- 2 Products and packaging**
Review of product and device design, manufacturing processes used, packaging and raw material requirements including recyclability
- 3 Supplier performance**
Adjust procurement processes and supplier audits



Social

Be a good corporate citizen, supporting our employees and our community

- 4 Employee engagement**
Promote diversity and inclusion, support employee wellbeing
- 5 Community support**
Encourage corporate giving and employee volunteering



Governance

Drive ESG performance through improved transparency and accountability

- 6 Corporate governance and ethics**
Clear codes of conduct and policy documentation
- 7 Communications & stakeholder engagement**
Transparent and timely communications

Priority 1

Environment

Our efforts to improve our environmental footprint are based on the definition of sustainability as meeting the needs of the present without compromising the ability to meet the needs of future generations. We are committed to playing an active role in environmental stewardship and contributing wherever we can.





E Environment

100% renewable electricity

Bright sparks

In 2019, Vectura renegotiated its electrical utility contracts for its main two sites in the UK, Chippenham and Cambridge, moving to providers with power from 100% renewable generation sources.

We continue to renew our lighting with low-energy LED, and the Chippenham site has a solar array which provides power directly to the grid and offsets site utility costs.



Our objective: Manage and reduce the impact of our environmental footprint

Reducing our carbon footprint and tackling climate change

We have established a sustainability taskforce, led by members of the Executive Leadership Team, to build on our current activity and accelerate our ambition to meet the Paris Accord commitments. We report our greenhouse gas emissions in line with the Companies Act 2006, and strive to reduce activities, such as global travel, that contribute to emissions.

We are currently developing an energy efficiency/ carbon reduction programme as part of the design of our new Inhalation Centre of Excellence. We are also working on a submission to the voluntary Carbon Disclosure Project (CDP) in 2021 to establish a benchmark for our future carbon reduction initiatives.

[+ Read more on the Inhalation Centre of Excellence on page 17](#)

Monitoring our waste and packaging

All waste is segregated across our locations and recycled where possible, and we ask employees to act responsibly to minimise waste and preserve water and other natural resources.

An Environmental Improvement team is working with the Environment, Health and Safety department to the ISO 14001: 2015 standard focused on continuous improvement in environmental management.

We are developing a stationery and paper usage policy to minimise paper waste. We have also started engaging with our customers to explore ways to reduce the environmental impact of packaging.

Improving supplier performance

We launched an improvement initiative with CMOs to reduce the environmental impact of our suppliers' activities. During 2021, we will build on this work by publishing a formal supplier code of conduct to detail our standards and expectations of our partners.



Priority 2

Social

We believe we have a duty and responsibility to operate ethically and have a long-term positive impact on society. We prioritise the wellbeing of our people and support them to be engaged and inspired by their work, and we want to give back to the communities we are part of.





S Social

Our objective: Be a good corporate citizen, supporting our employees and our community

Health and safety

Keeping our colleagues, visitors and contractors safe is a priority for us. A strong focus on environment, health and safety (EHS) is central to this effort, particularly during the COVID-19 pandemic. Once we have established a baseline of EHS data, all functional leaders in Operations will have personal EHS goals to drive improvements. In 2021, we will continue to work towards ISO45001 Health & Safety certification.

Diversity and inclusion

We want to further embed our culture of inclusivity so that everyone has a sense of belonging. To that end, we are currently looking to better understand diversity matters by establishing baseline D&I data. With this enhanced understanding of our workforce, we will establish a D&I Committee who will help us to set our inclusivity agenda and appropriate KPIs.

Community support

Colleagues are encouraged to participate in local volunteering and fundraising through our Charitable Support Policy. We also have a very active Social Committee that organises a range of fundraising events and activities for our team members. In 2021 we will re-launch our Charitable Support Policy with a specific focus on volunteer days.

Access to medicines

Expanding patient populations and growing unmet medical need are contributing to higher demand for healthcare services and leading to increased cost pressures.

Our Partner's Hikma VR315 programme in the US demonstrates how we're helping to reduce treatment costs for patients by working with partners to develop low-cost generic alternatives to inhaled branded drugs.

>10m

patients using products utilising Vectura's intellectual property in 2020¹

20+

year's experience in inhaled product development

¹ Source: Evaluate Pharma, internal estimates.

Mental Health First Aiders

A friend in need

During Mental Health Awareness Week in 2020, we ran an internal campaign with our 'Mental Health First Aiders' to support the wellbeing of our people during the COVID-19 pandemic.

Mental Health First Aiders complete specialist training to support colleagues through non-judgemental listening and guidance. Colleagues with concerns about their mental health are encouraged to reach out, and first aid can be provided until appropriate help from professionals is arranged.

During Mental Health Awareness Week our campaign focused on reducing the stigma around mental health and encouraged people to take extra care during the pandemic. We created a wellbeing hub on the intranet with mental health resources, tips and colleagues' stories, and team members were encouraged to share their experiences. Our CEO actively participated in this by sharing his own personal challenges and coping mechanisms.

Priority 3

Governance

We are proud of our culture of making the right decisions and doing the right thing, and it plays an important role in ensuring we can continue to create long-term value for all our stakeholders. Our governance structures support and enable our workforce to achieve high standards which, in turn, drives strong business performance.





G Governance

Our objective: Drive ESG performance through improved transparency and accountability

Employee engagement

At Vectura, we wholeheartedly believe in the power of engagement and its impact on business performance and employee retention. We ensure that corporate strategy is clearly communicated and well understood through a variety of channels, including regular business updates hosted by members of the Executive Leadership Team and Business Leadership Team.

We also want to encourage, track and improve employee share ownership through participation in our ShareSave and SIP schemes.

Gender pay gap

For our 2020 report, we are required to publish our results on the government portal but prior to this have elected to publish our results voluntarily because we believe it is the right thing to do.

Code of Conduct

As a responsible employer operating in a highly regulated industry, we have a comprehensive Code of Conduct and supporting policies, which set standards for ensuring our business activities are conducted responsibly for the benefit of our shareholders, clients, employees and suppliers.

In line with best practice in corporate governance, we have implemented new procedures to support our Whistleblowing Policy and make it easier for colleagues to speak up if they feel they need to.

As part of our efforts to improve transparency, in 2021 we will be defining a list of these policies to be updated and published on our website.



MyVectura survey results

Building a community of colleagues

In 2019, we launched a new social intranet, myVectura, which harnesses the latest digital technology to enable open and transparent communication between colleagues.

It provides access to company news, policies and information, along with online spaces for collaboration and real-time feedback from all staff. Within three months of launch, every colleague had used the platform and the site was averaging 600 daily visits.

myVectura has been a great tool during the COVID-19 outbreak, helping to keep people engaged and informed as most of the company worked remotely. During the recent Employee Pulse survey, enabled by myVectura, there was a 93% positive response to our COVID communications. One team member shared, "Despite working in isolation, I've never felt more connected to my colleagues and company." Vectura's efforts in keeping employees informed and involved were shortlisted for a corporate communications award.



Ambition 2022–2025

2021 will be an important year in setting a baseline for our ESG strategy and establishing a framework and setting targets against which to measure our progress and review our priorities. Heading into 2022 and beyond, we want our ESG efforts to differentiate us. Our ambition is clear, but we know our priorities may need to evolve to accommodate new challenges and opportunities as they arise. However, we will apply the same strict rigour and oversight to our ESG initiatives as we do to creating quality medicines for our customers' patients.



Environmental

Manage and reduce the impact of our environmental footprint

Recognised as outstanding in environmental issues by CDP**

.....

Achieve and maintain ISO 14001 certification

.....

Majority of our devices produced from recycled plastics

.....

Expand environmental reporting to include Scope 3 emissions*



Social

Be a good corporate citizen, supporting our employees and our community

Achieve and maintain ISO 45001 certification

.....

Double employee participation in volunteer days and charitable giving policy

.....

Recognised as a leader in D&I in the workplace



Governance

Drive ESG performance through improved transparency and accountability

Continuous-improvement culture with an effective risk mitigation framework

.....

Continue to fulfil, or exceed where appropriate, our disclosure requirements as a FTSE 250 company

* Subject to cost-benefit analysis. Scope 3 includes all other indirect emissions that occur in a company's value chain
 ** CDP is a not-for-profit global disclosure system for companies and investors to manage their environmental impacts

New site to be designed to highest of environmental standards

Inhalation Centre of Excellence

ESG in practice – our new Inhalation Centre of Excellence

In 2020, we secured an option on a site in the Bristol & Bath Science Park for our new Inhalation Centre of Excellence. We are currently working with a leading architectural firm to create a state-of-the-art facility.

Our ambition is to build the centre to the highest of environmental standards, employing leading technology and construction techniques to strive for net-zero carbon. South Gloucestershire Council has declared a climate emergency and mandates the strictest of sustainability standards, so the building will be Part L2A compliant and have a 'Very Good' BREEAM rating.

We're currently assessing the technologies available to achieve our vision, including:

- A 'fabric first' approach to maximise the performance of building materials and components
- Solar photovoltaic technology
- Heat pumps, energy storage and energy efficient systems
- Electric utility from renewable generation sources

Our people are our most important resource, so we also want the new building to prioritise the health and wellbeing of our workforce through intelligent design. Factors that will be considered in the design include:

- Ergonomics
- Indoor air quality
- Layout and density
- The range of amenities
- Levels of light and natural light
- Workplaces that enable flexible working

The construction of the Inhalation Centre of Excellence is a significant, long-term goal for Vectura, and it will be an important step towards achieving our ESG ambition. We expect to seek planning permission in the first half of 2021, with the cost-effective construction process expected to take three to five years after planning permission is granted.





Shaping a stronger and more agile company

As the COVID-19 outbreak emerged in early 2020, we were quick to develop a plan with a dual focus on keeping our people safe while minimising disruption to the supply of medicines and products to customers and patients.

Our team responded commendably, embracing new ways of working and rigorously adhering to new health and safety protocols across sites. All our operational sites remained open through national lockdowns and 98% of our team were available to work. Through our crisis management planning, we were able to avoid impacts on our supply chain and product supply and development.

Despite a difficult and challenging year, we have maintained progress towards the business strategy and continued the important work of transforming our operations. We are confident the business will emerge from the COVID-19 crisis stronger, more agile and more resilient.

Protecting our team, supporting each other

Pulse survey of colleagues showed:

93%

positive response to COVID communications

**Awarded Runner Up
in the Employee Wellbeing category of
the COVID Comms Awards by
Corporate Comms Magazine**

88%

**positive response to COVID support
offered by Vectura**

From the outset of the crisis, our first priority was keeping our people and customers safe and healthy. But our focus was not just on the physical wellbeing of colleagues; we were also careful to prioritise mental health and emotional resilience. We protected and supported our workforce in a number of ways:

- Increased hygiene and vigilance at all sites
- Enhanced EHS and wellbeing protocols
- Virtual business update in April, September and December with 90% of colleagues attending
- Comprehensive communications to support our people working remotely and onsite
- Hygiene packs provided to all employees, either onsite or sent to their homes
- Internal campaigns to celebrate frontline workers and support mental health
- Additional support for managers to help them to lead effectively and supportively during the pandemic

- Committed to sustainable agile working
- Online surveys to understand how people were feeling across the organisation
- Encouraged colleagues to connect with each other in different ways to avoid social isolation





Maintaining product supply

Our business continuity planning anticipated a number of scenarios that could disrupt supply chains or operations. With detailed mitigation plans in place, we minimised disruption and maintained supplies of products to customers and patients who rely on us. We implemented a number of measures to ensure continuity of supply:

- All operational sites remained open throughout
- Stock levels monitored closely
- Detailed risk assessments and mitigation plans completed for all sites

98%

of our team available to work

Ensuring quality standards

Despite adopting new ways of working and adapting to uncertain and difficult times, we are proud to say our team never lost focus on the quality and integrity that underpins their work. We were pleased to achieve the following:

- New ways of working enabled remote oversight of key functions
- Operational transformation continued
- Monthly quality KPIs were met and maintained throughout 2020



Despite adopting new ways of working and adapting to uncertain and difficult times, we are proud to say our team never lost focus on the quality and integrity that underpins their work.

Delivering for customers, community and stakeholders

We are proud of developing medicines that can change lives, and we are also acutely aware of the responsibility that comes with that. Throughout the crisis, we kept in close contact with our suppliers and customers to keep them abreast of any developments. The following activities helped us stay connected with our customers, partners, investors and other community stakeholders:

- Employee education session on how Vectura's technologies and capabilities might be of benefit in treating COVID-19
- Supported Wiltshire Air Ambulance by donating two powered PPE hoods for critical care paramedics
- Continued to meet customers at virtual congresses including RDD
- We attended tradeshow and conferences virtually and enhanced inbound digital marketing and social media campaigns
- Despite the pandemic, we managed to win 18 new deals throughout 2020



Throughout the crisis, we kept in close contact with our suppliers and customers to keep them abreast of any developments.



Meet our ESG team



Our ESG strategy is the result of the hard work and dedication of colleagues from across departments and locations. Their commitment to enact change and embed ESG principles into the day-to-day work of Vectura has driven this process forward and helped to maintain our focus on this important work. It is precisely this commitment that will help us deliver on our ESG ambition going forward.

We have also been supported by external agencies, Anthesis and Design Portfolio, in developing our thinking and communicating our vision.

Thank you to everyone involved in setting us on the path to making our ESG ambition a reality.

- Christina Olsen – EVP Corporate Strategy and Comms
- Tony Fitzpatrick – EVP Operations
- Matt Barker – Director – Corporate Strategy
- Liza Hemmings – HR Operations Director
- David Duff – VP Procurement
- Simon Carter – Senior Finance Analyst
- Chrysanthi Pitsari – Group Financial Reporting Manager
- Kirstan Boynton – Assistant Company Secretary
- John Cusack – Director Supply
- Andrew Whiston – Director – EHS and Facilities
- David Ginivan – VP Corporate Comms



MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.

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