



CONSOLIDATED NON-FINANCIAL  
STATEMENT 2019

## CONSOLIDATED NON-FINANCIAL STATEMENT 2019

Prepared pursuant to Article 4 of Italian Legislative Decree no. 254/2016

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## NOTE ON METHODOLOGY

In recent years, the Recordati Group (hereinafter also “Recordati” or the “Group”) has decided to take a structured and organic approach to sustainability, considering the economic, social and environmental aspects of sustainability in a manner that is in line with its organisational structure. In order to provide a clear understanding of the business’ activities, its development, its results and its impacts on sustainability, in 2019 the Group’s commitment to sustainability was reiterated with the preparation of the third Consolidated Non-Financial Statement (also the “Non-Financial Statement” or “Statement”) for the purposes of compliance with the obligations provided by Articles 3 and 4 of Legislative Decree no. 254/16. As such, presented in this Statement are the principle policies adopted by the Group, its management models and the principle activities carried out by the Group in 2019 with respect to the matters expressly specified by Italian Legislative Decree no. 254/16 (environmental, social, staff, human rights and anti-corruption), as well as the principle identified risks related to these themes.

In line with the one of the two options provided by Article 5 of Italian Legislative Decree no. 254/16, this Statement is a separate report. However, it is noted that, as stated in specific notes contained in this document, further details relative to certain non-financial information, as well as the relative management models and main identified risks, are also included in the Management Review in the 2019 Annual Report and the Corporate Governance and Share Ownership Report.

This document represents the Consolidated Non-Financial Statement produced in compliance with Italian Legislative Decree no. 254 of 30 December 2016 in implementation of Directive 2014/95/EU, of the Companies belonging to Recordati S.p.A. and its subsidiaries, describing the initiatives and principle results in terms of the Group’s performance on the subject of sustainability in 2019 (reporting period: 1 January to 31 December 2019).

The Non-Financial Statement 2019 has been prepared in accordance with the GRI *Sustainability Reporting Standards* published in 2016 by the *Global Reporting Initiative* (GRI), in line with the “*in accordance– core*” option. The table of GRI reporting indicators is attached for reference in the annex of this document. The report was prepared based on the results of the materiality analysis conducted in 2017, also deemed valid and consistent with the characteristics of the Group’s business for the Non-Financial Statement 2019 and validated by the Risk and Sustainability Control Committee on 10 December 2019. This analysis enabled identification of the material aspects for Recordati and its stakeholders considering the topics referred to in Italian Legislative Decree no. 254/2016.

The scope of the financial data referred to in this document corresponds to the data considered in the Consolidated Financial Statement 2019 of the Recordati Group. The scope of the social and environmental data and information extends to Companies belonging to the Recordati Group as of 31 December 2019, consolidated with the comprehensive approach in the Group’s Consolidated Financial Statement<sup>1</sup>. However, while ensuring the correct understanding of the company’s business, it should be noted that:

- in line with the 2017 and 2018 accounts, the scope of information and data regarding environmental aspects (e.g. energy consumption, emissions, water consumption and waste) refer exclusively to the Group’s production plants since such aspects are not deemed significant at other sites (with the exception of the Milan plant, for which energy consumption and related emissions from the offices at the site were also considered);
- in line with the 2018 report, the scope of information relative to health and safety and the principle accident indicators includes employees of the following production plants: Italy - Campoverde di Aprilia (Recordati S.p.A.), Ireland (Recordati Ireland Ltd), Czech Republic (Herbacos Recordati S.R.O.), Turkey (Recordati İLAÇ ve Hammaddeleri Sanayi ve Ticaret A.S.) and France - Nanterre (Recordati Rare Diseases S.A.R.L.); while for the following sites in Italy - Milan (Recordati S.p.A. and Innova Pharma S.p.A.), Spain

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<sup>1</sup> The scope of the 2019 data also comprises the French company Tonipharm S.A.S, acquired at the end of 2018 and consolidated as of the start of the 2019 reporting period and the new company Recordati Bulgaria LTD set up in 2019. It should also be noted that Orphan Europe Switzerland GmbH was liquidated in 2019.

(Casen Recordati S.L.), Tunisia (Opalia Pharma) and France - Bouchara (Laboratoires Bouchara Recordati S.a.s.) both office, plant and commercial staff are included. In this regard, the Group's willingness to gradually extend the reporting system of such data over the next few years to the workforce at all of the Group's offices and commercial sites is confirmed.

In line with the reporting standards and the provisions of Italian Legislative Decree no. 254/ 16, these exceptions and any other minor limitations are expressly indicated in the text. Furthermore, in order to provide a correct representation of performance and guarantee the reliability of the data provided, estimates have been kept to a minimum and, where unavoidable, are based on the best available methods, duly indicated.

For more information regarding significant changes to the scope and share ownership of the Group during the reporting period, reference should be made to the *“Issuer Profile and General Information”* and *“Share ownership information”* sections of the *Corporate Governance and Share Ownership Report of the Recordati Group as of 31 December 2019*.

The Non-Financial Statement is published on an annual basis. The Non-Financial Statement is also available online at Group’s website [www.recordati.it](http://www.recordati.it).

This Statement was presented for evaluation and approval to the Risk Control and Sustainability Committee on 16 March 2020 and was approved by the Board of Directors of Recordati S.p.A. on 18 March 2020. This Statement was subject to a compliance review by an independent auditing company, which issued a separate report confirming the compliance of the information contained herein pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254/16. The audit was carried out according to the procedures indicated in the *“Report of the Independent Auditing Company”*.

Finally, it should be noted that in the context of continuous improvement, the Group has confirmed its commitment to a sustainability approach implemented through a progressive formalisation of its commitments and operating practices in line with the principles of the Code of Ethics adopted by the Group and Italian Legislative Decree no. 254/16.

In this regard, following the change in share ownership of the Group in 2018, Recordati S.p.A., embarked on a process in 2019 to update and progressively strengthen the Group’s Code of Ethics with specific reference to the principles, commitments and management methods implemented by it as regards the main material sustainability topics for Recordati, and also with reference to the topics expressly referred to by Italian Legislative Decree no. 254/16. The Company expects to complete this update in the first half of 2020 with the finalization of the new Group Code of Ethics and the related communication and disclosure to all recipients of the document.

Finally, in 2019 the Recordati group started some preliminary activities for the development and formalization of a Sustainability Plan so as to define and promote a long-term sustainability strategy, based on macro-objectives and possible targets to be achieved with respect to the main material aspects for Recordati.

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## 1. PROFILE OF THE RECORDATI GROUP

### 1.1. The Recordati Group

Established in 1926, the Recordati Group is based in Milan and is one of Italy's oldest pharmaceutical companies. Since its foundation, the Group has grown consistently to become a leading international pharmaceutical group and has been listed on Borsa Italiana (now part of the London Stock Exchange) since 1984. The Group has numerous branches both in and outside Europe in the pharmaceutical and chemical-pharmaceutical sectors.

The growth of the Recordati Group is the result of the quality of its products and services, as well as the implementation of the policy aimed at internationalisation and diversification, based on a focused strategy of acquisitions and targeted licensing agreements. As well as its presence in Western Europe (France, Germany, Greece, Ireland, Italy, Portugal, Spain and Switzerland) Recordati also operates directly in countries of central Europe, Russia and in other countries of the Commonwealth of Independent States (CIS), Ukraine, Turkey, Tunisia, the United States, Canada, Mexico, certain South American countries, Japan and Australia. Although the Group's principle reference market remains the European Market, which has been shown to be the second largest pharmaceutical market in the world, Recordati sells its products on over 150 markets, including through various licensing agreements, and markets pharmaceutical products under licence from primary pharmaceutical companies.

Recordati has six pharmaceutical manufacturing plants and one packaging and distribution plant dedicated to pharmaceuticals for rare diseases, and two chemical-pharmaceutical sites where it produces numerous active substances and intermediates. Recordati produces and promotes a wide range of innovative pharmaceuticals and its product portfolio includes general medicines as well as specialist pharmaceuticals for the treatment of rare diseases. The Group's pharmaceutical activities extend across all phases of the process and include research and development, production, packaging, storage and commercialisation. Furthermore, thanks to licensing agreements with leading pharmaceutical companies Recordati products are distributed in more than 100 countries. The chemical-pharmaceutical activities of the Recordati Group focus on the chemical production of intermediates and active substances both for Recordati's pharmaceutical products and for the international pharmaceutical industry.

The Group's most important products include Lercanidipine-based pharmaceuticals, a latest-generation antihypertensive calcium channel blocker, and products containing a combination of Lercanidipine and Enalapril, an ACE inhibitors. Both substances are used to treat cardiovascular conditions; the Group has strengthened its presence in this sector with the acquisition in 2017 of pharmaceuticals based on the beta-blocker Metoprolol. For over forty years the Group has operated in the genito-urinary area, acquiring specific expertise and becoming the European *partner* of established international pharmaceutical companies.

With a view to innovation and growth, the Group has enhanced its therapeutic range, developing its own pipeline of products and entering into the rare diseases sector. In fact, Recordati develops, produces and markets pharmaceuticals for the treatment of rare diseases through the Recordati Rare Diseases group. Recordati Rare Diseases is a leading pharmaceutical company entirely devoted to the research, development and commercialisation of drugs for the treatment of rare diseases, with a portfolio of products dedicated mainly to genetic metabolic origin disorders. It is one of the leading companies at an international level in terms of number of products launched on the market developed specifically to treat a rare disease. In recent years, the Group's activities to develop pharmaceuticals to treat rare diseases have extended to various countries in North and South America, as well as the Middle East, Japan and Australia.

With a commitment to the discovery, development and sale of innovative products with high added-value and the objective of improving health and quality of life, the Recordati Group has defined its mission as a

commitment to research, innovation, quality and the creation of value for its stakeholders, all of which are distinctive elements of the Group's corporate social responsibility.

As of 1 January 2019 the Recordati group consolidated the profit and loss of the French company Tonipharm S.A.S., acquired at the end of 2018, present mainly in the over-the-counter self-medication market and acquired the worldwide rights to Signifor® and Signifor® LAR®, drugs for the treatment of Cushing's disease and acromegaly in adult patients for whom surgery is not indicated or has not been successful.

For more information on the main business activities of the Group, its products and its markets, please refer to the *"Recordati, an International Group"* and *"Business Activities"* sections of the Annual Report.

## 1.2. The Organisational, Management and Control Models

The main sustainability topics are regulated within the Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 (the "Models"), adopted by all the Italian companies of the Recordati group and in similar Models or sets of procedures adopted by the other subsidiaries of the Recordati group

In 2019, the company Natural Point S.r.l., acquired by Recordati in June 2018, adopted its own Organisational, Management and Control Model Italian Legislative Decree no. 231/2001. In addition, on 12 November, 2019, Natural Point S.r.l. appointed a Supervisory Board of collegiate composition. Following the adoption of the Model, all Natural Point employees underwent a specific training session.

In the second half of 2019, the parent company Recordati S.p.A. launched an update of its Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 in order to bring it up to date with recent legislation on incitement to corruption between private individuals, trafficking in illicit influences, illegal intermediation and labour exploitation, employment of illegally resident third-country nationals, as well as the management of whistleblowing reports.

With regard to the foreign companies of the Group, the Spanish subsidiary Casen Recordati S.L., following the adoption on 14 March 2018 of its own Organisational, Management and Control Model in compliance with Organic Law 2015/1 of 30 March 2015, is continuing the activities provided for in the Model through the action of its Supervisory Board. In 2019, activity focused on training the workforce on anti-bribery.

The organisational models adopted by the Group companies are dynamic and effective tools thanks to the constant control and updating activities in part promoted by the Supervisory Bodies. All the Organizational Models (Italian and foreign) provide for dedicated channels for reporting irregularities or breaches by employees and regular staff training on the contents of the Models and the reference standards.

The Supervisory Bodies, appointed in the Group Companies, are collegiate and composed of an internal member (the Director of Audit&Compliance or the Compliance Officer) and external professionals (criminal lawyers or university professors in business administration). Each Supervisory Body is internally regulated and operates according to a specific activities plan. The Supervisory Bodies have their own expenditure budget and periodically refer to the Board of Directors and the Board of Statutory Auditors, where present. The Models are constantly monitored and updated, with particular attention to crime prevention and risk assessment following the introduction of new legislation.

The Group's Italian companies, Recordati S.p.A., Innova Pharma S.p.A., Italmichimi S.p.A. and Recordati Rare Diseases Italia S.r.l. submit their medical and scientific information and relationship management protocols, which are part of their respective models pursuant to Italian Legislative Decree 231/2001, to certification by Farmindustria, through an independent inspection body (Certiquality). In 2019, the aforementioned Companies were audited by Certiquality, which renewed and confirmed the Farmindustria Certification

attesting the compliance of the activities related to medical-scientific information with the Association's code of ethics.

Similarly, where required by law, the subsidiaries of the Recordati group also submit their medical and scientific information procedures for independent review by the associations of national pharmaceutical companies.

Further information regarding the Models, the relative procedures and the training provided on the same is available in the "Internal Control and Risk Management System" of the Corporate Governance and Share Ownership Report.

The systematic approach of the Organisational, Management and Control Models pursuant to Legislative Decree no. 231/2001 is reinforced through additional models dedicated to specific company departments, such as in the context of health and safety in the workplace, environmental management and privacy.

In terms of personal data processing, the Recordati Group has adopted the new General Data Protection Regulation (GDPR no. 2016/679). The Personal Data Management Model (the "Privacy Model") includes the measures and requirements provided for by European regulations, both at Group and local level, in Recordati's European subsidiaries. The Recordati group has a Group Data Protection Officer (DPO) and has appointed, in each European subsidiary, a Key Privacy Person to assist the DPO at a local level. In terms of processes and operating rules, a set of Group policies has been adopted upon which the local procedures, adopted by the Group's European subsidiaries, are based. In 2019, the Recordati group obtained its own IT tool for the management of personal data and GDPR compliance. Training on GDPR and the Personal Data Management Model was provided in the branches in Spain (March 2019) and Ireland (May 2019) and in all Italian branches (December 2019). Overall, about 580 employees were trained in GDPR. Specific training on GDPR was also provided to the Key Privacy Persons in all the Group's European subsidiaries in November 2019. In 2019, the Turkish subsidiary Recordati Ilac implemented and put into operation its Personal Data Management Model pursuant to current legislation (KVKK Law No. 6698).

In 2019, the Parent Company continued to provide the training programme on Cyber-risks launched in 2018. During the year training sessions were provided in the subsidiaries in Spain, Russia, Portugal, Germany, Switzerland, CIS countries and in the subsidiaries of Recordati Rare Diseases, involving a total of around 1,000 employees.

### *The Recordati Group Code of Ethics*

The Code of Ethics, adopted by all Group companies, is the practical and clear representation of the company's values, among which: integrity, product quality and safety, protection of employees, focus on the environment and sustainability.

The Code of Ethics also provides the rules of conduct for all recipients of the Code, particularly with regard to the subject of the prevention of active and passive corruption. On this issue, the Group has also adopted an Anti-Bribery Model that applies to all Group Companies and envisages the periodic assessment of the status of internal controls in compliance with the main international and national anti-bribery regulations in the countries in which the Group has an active presence. Such tools represent the firm commitment of the Group to conduct its business in line with the principles of transparency, honesty and ethics in all of the countries in which it operates, and to refuse all forms of corruption, demonstrating its awareness of the potential risks relating to the various relations with the Public Administration typical in the business areas in which the Group operates.

Distribution and diffusion of the Code of Ethics is carried out directly by the Parent Company to all the Group companies.

In 2019, following the extensive distribution of the Code of Ethics in 2018, distribution to the Group's remaining foreign branches was also completed. In addition, Recordati provided training to its employees: in 2019 training was provided to the Group's Italian companies on the Code of Ethics and on the Organizational Model pursuant to Italian Legislative Decree no. 231/2001 to 376 employees.

As well as Group employees, all providers and commercial *partners* of Recordati Group are required to comply with the Code of Ethics to the extent it applies to them, through:

- the supplier approval process, which requires all new suppliers to accept the Code of Ethics during the selection phase. This process is an integral part of the ATTITUDE project concerning the implementation of a new procurement management policy, currently in force in Italy and expected to be extended to all Group Companies by 2021;
- the presence in contracts with the Group's commercial partners of a specific clause regarding compliance with the Code of Ethics. The process of integrating this clause into existing contracts which started in 2015 in the larger Group companies, has been extended to all Group companies and is still ongoing.

At the date of publication of this document a revision of Recordati Group's Code of Ethics is in progress with the support of a leading consulting firm. Without prejudice to the principles set forth in the Recordati Group's current Code of Ethics, the document will be revised with a view to improving its legibility and usability and will be updated with additional conduct guidelines, also in compliance with the main material sustainability guidelines of Recordati.

#### *The Anti-Bribery Model of the Recordati Group*

The Recordati Group is deeply committed to conducting its business in line with the principles of transparency, honesty and ethics in all of the countries in which it operates, and to refuse all forms of corruption. To this end, since 2009 the Group has conducted an assessment on its internal controls in line with international and national Anti-Bribery legislation in the countries where the Group has branches and has developed a Group Anti-Bribery programme and Handbook that involves both the personnel of the Parent Company and branch personnel.

The Anti-Bribery programme, contained in the respective Group Anti-Bribery Manual, consists of four main phases:

1. assessment of local and national legislation;
2. assessment of local systems, procedures and models to safeguard against corruption phenomena;
3. analysis of existing risks and controls to identify any residual risks;
4. Updating of the Group's Anti-Bribery Manual.

In 2019, the Group Anti-Bribery Manual was revised and enriched with new areas of attention, new examples of potential corruption risks and related behavioural guidelines.

The new Manual contains 16 business areas potentially exposed to the risk of corruption, for which specific principles of conduct have been formulated to avoid corruptive phenomena.

The 16 areas potentially exposed to corruption risk are: Research and Development, Production, Relations with the medical community and healthcare facilities, regulatory activities, transactions with public authorities, consultancy, medical samples, courses and conferences, promotional material, contributions and donations, financial transactions, human resources and relations with politicians or political parties and procurement management, interaction with the public administration and management of entertainment expenses.

In 2019, the Manual was again distributed to Recordati's subsidiaries in Spain, France, Russia, CIS (Commonwealth of Independent States), Ireland and Germany, at the same time providing Anti-Bribery training sessions.

In 2020, distribution of the updated Anti-Bribery Manual will continue in the remaining subsidiaries of the Group, together with the provision of Anti-Bribery training sessions.



In addition, so as to improve communication, coordination and control activities between the Parent Company and the various branches, in 2019 the existing information flows on anti-corruption and anti-terrorism were improved and made fully operational, allowing, through dedicated channels, the interception and management of potential risk situations.

With regard to the detection of corruptive phenomena and internal fraud, a continuous monitoring tool based on mass analysis of transactions in the company's accounting systems was designed and implemented in 2019. This tool, based on business intelligence systems, will make it possible to continuously monitor anomalous accounting transactions in mass and to plan audits with greater precision and accuracy. The continuous monitoring tool was released in December 2019 and is currently in use.

In terms of communication and training on the matter of anti-corruption and the contents of the Group's Anti-Bribery Manual, in 2019 all members of the Board of Directors of Recordati S.p.A. were informed of the policies and procedures adopted via the periodic report from the Group's Internal Audit and Compliance Manager. Furthermore, in 2019 dedicated anti-corruption training was given to 1303 employees, 376 of whom in Italian branches with the remaining 927 located in the Group's foreign subsidiaries.

As regards the channels for reporting breaches and anomalies of laws and internal procedures, the Company has for some time now established dedicated whistleblowing channels as part of its organisational models pursuant to Italian Legislative Decree no. 231/2001 for Italian Companies and the Group Anti-Bribery system<sup>2</sup>.

In 2019, the existing whistleblowing channels were strengthened with the implementation of dedicated web portals and hotlines. In August 2019, in France, and in December 2019, for all of the Group's Italian companies, web portals and hotlines for whistleblowing were implemented and are now operational in addition to the one already operational at the Group's US subsidiary. Whistleblowing management has been formalised by means of internal procedures that ensure the confidentiality of the whistleblower, safeguards (non-retaliation policy) and anonymity, if desired by the whistleblower in accordance with the relevant legislation.

These tools and further information regarding the fight against corruption are described in more detail in the "Internal Control and Risk Management System" section of the Corporate Governance and Ownership Structure Report.

In 2019 no cases of corruption were recorded.

With regard to internal compliance and anti-corruption resources, in 2019 the Parent Company strengthened its Corporate Internal Audit & Compliance department by hiring, in September 2019, a Compliance Officer to coordinate compliance activities in foreign branches. In addition to Corporate resources, a Compliance Officer for the Rare Diseases business was hired at the Paris office in April 2019 to cover the compliance activities of Recordati Rare Diseases' branches in the EMEA region (Belgium, France, Germany, Austria, Switzerland, Greece, Italy, Middle East and North Africa, Spain and England).

In 2020, the Audit & Compliance department will be further strengthened by hiring a Compliance Officer in the Turkish branch and a Compliance Officer for the Russia and CIS countries, as well as a new internal auditor for verification and inspection activities on the functioning of the Internal Audit System.

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<sup>2</sup> Corporate Governance Code, comment to Article 7: "The Committee deems that, at least for companies belonging to the FTSE MiB index, an adequate internal control and risk management system must include an internal whistleblowing system for employees to report any irregularities or breaches to applicable legislation and internal procedures (so-called whistleblowing system) in line with national and international best practices, which guarantees a specific and confidential informational channel as well as the anonymity of the whistleblower".

### 1.3. The Internal Audit and Risk Management System

The Internal Audit and Risk Management System is a structured and organic set of procedures and organisational structures aimed at preventing or limiting the consequences of unforeseen results and enabling the achievement of company objectives, compliance to legislation and regulations, and the correct and transparent disclosure of information both internally and to the market. Furthermore, this System enables the identification, measurement, management and monitoring of the main risks in order to promote the efficiency and efficacy of company processes, protect the value of the Group's activities, ensure the reliability and integrity of accounting and management information and ensure that transactions comply with all existing legislative measures.

The Internal Audit and Risk Management System is based on an Enterprise Risk Management (ERM) approach and consists of a structured risk management process, in line with the provisions of international *best practices* on the subject and in compliance with current legislation. The aim of this System is to facilitate activities consistent with the company goals, promoting informed decisions and ensuring the efficiency and efficacy of internal processes, as well as the reliability of financial information.

By updating a Catalogue of company risks, the System enables the identification, measurement and control of the level of exposure of all Group Companies to various risk factors, as well as the management of overall exposure, and envisages the implementation of control measures and procedures able to flag any anomalies. As described in more detail in the "*Principle Risks and Uncertainties*" section of the Annual Report and the "*Internal Audit and Risk Management System*" section of the Corporate Governance and Share Ownership Report, the main risk factors to which the Group is exposed relate to the external context, strategic and operational risks (including risks related to Research and Development, risks related to the environment, health and safety, and pharmacovigilance risks), financial risks, legal risks and compliance risks.

The Group subjects its Risk Catalogue to a periodic interim review with the support of a consulting company, implementing a bottom-up approach to critical risk assessment to coincide with significant company activities, such as the definition of the budgets during the acquisition projects, the review of the organisational structure and other events that could have a potential impact on the risks to which the Company is exposed.

In particular, in 2019, the Risk Catalogue was updated and submitted to the Board of Directors on four occasions: at the new Board of Directors' meeting, in February 2019, at the time of the approval of the three-year Business Plan, in May 2019, at the same time as an acquisition transaction, in July 2019, and for the annual update of the Catalogue, in December 2019.

During the updating of the 2019 risk catalogue, a benchmarking activity was carried out with the risks disclosed by the main pharmaceutical companies operating on the Italian and foreign markets. This comparison showed the substantial alignment of the types of risk mapped by the Recordati group with those published by the other leading companies examined.

The Board of Directors, including on the basis of this review, that the level and nature of the risks identified by the Group Risk Catalogue, presented to the Board at the meeting of 19 December 2019, are compatible with the Group's strategic objectives.

#### *The principle non-financial risks*

The identification, assessment and management of corporate risks is based on an Enterprise Risk Management (ERM) approach and also includes non-financial risks related to the topics expressly specified by Italian Legislative Decree no. 254/2016.

In particular, the principle non-financial risks identified by Recordati relate to:

- environmental management and safety in the workplace (e.g. damage caused by meteorological events and incidents, risks in the HSE– Health, Safety and Environment area, industrial incidents);

- Management of personnel and workers' rights (e.g. compliance with human rights, change in dimension of the organisational structure, loss of key resources, etc.);
- Supply chain (e.g. inappropriate selection of suppliers and commercial partners, interruption of supply by critical suppliers, rights of the personnel involved etc.);
- *Compliance* (e.g. fight against corruption, compliance with international quality standards, with legislation pertaining to the drug scientific information).
- Product responsibility (e.g. product recalls, impacts on patients' health).

The aforementioned risks were identified by the Group and classified as medium-low risk, in terms of residual risk, assessed in terms of the likelihood of an at-risk event and the impact of such an occurrence. In fact, in relation to such risks, the Group has adopted specific policies, management models and activities aimed at the mitigation of the same.

A brief description of the principle non-financial risks identified by the Group and related to the material topics of the Recordati Group, as well as the procedures in place for their management and mitigation, is given below:

- Environmental topics: the risks in this context predominantly relate to the production process. In particular, such risks concern those deriving from industrial incidents that may have serious consequences for people and the environment, with resulting impacts in terms of economics and corporate image. The management of these risk is above all required by the quality standards provided for by the sector in which the Group operates, compliance with which is represented by the environmental certificates obtained by the Group's main production sites. Specific measures are represented by a preventative risk analysis carried out by specific and qualified personnel, an audit plan and plant maintenance activities to which significant financial resources are allocated on an annual basis. These measures enable the Group to drastically reduce its exposure to risks of this nature.
- Topics linked to HR management: these risks concern the rights, health and safety of workers as well as their professional development. In relation to health and safety in the workplace, compliance with legislation is guaranteed by the respect for technical-structural standards relative to equipment, plants, work places and chemical, physical and biological substances, as well as organisational activities such as emergency management, first aid, tendering processes and periodic safety meetings, and consultations with workers' safety representatives. Finally, health checks, information sessions and training activities for workers as well as an internal audit plan enable the Group to monitor and reduce risks in this context. In relation to workers' rights, the principle risk identified concerns the size of the organisational structure in terms of the adequacy of resources and skills, as well as the risk of losing key resources. To confront these risks, the Human Resources Department constantly monitors the size of the workforce within the various departments and units of the Group. Furthermore, the Company employs a specific skills mapping process (the Group Performance Appraisal System), mapping both managerial and technical skills and enabling the identification at Group level of key resources, with an initial focus on Managers and then considering lower levels within the company.
- Topics linked to the supply chain: although the Group operates in a highly regulated sector, certain risks relating to the procurement chain have been identified, including the risk of being unable to source adequate commercial *partners* and the lack of control of performance of outsourcing contracts. The Group confronts these risks through contractual clauses that define the mutual responsibilities of the parties, the use of consolidated and qualified suppliers in line with applicable technical standards, document audit activities and on-site inspections carried out by qualified personnel. In order to protect the rights of workers in the supply chain, termination clauses are included in company contracts for failure to comply with the company Code of Ethics. Furthermore, the use of an IT platform for supplier approval, which allows the organic collection of relevant

documentation such as certificates and declarations, further reduces the risk of partnerships with suppliers with unsuitable technical profiles, ethics and conduct.

- Compliance: within the scope of the compliance area, these include, as well as risks of committing offences against the Public Administration, risks related to non-compliance with international quality standards and legislation regulating the scientific information of the drug. To prevent non-compliance with the quality standards (Good Manufacturing Standards - GMP) that regulate chemical and pharmaceutical production activities, the Group has adopted a consolidated Management model that provides for the implementation of Standard Operating Procedures and a dedicated quality control department. The model is periodically subject to inspection by national and international authorities, as well as commercial *partners*. As regards the medical scientific information, compliance is ensured by appropriate company procedures, by control activities conducted by independent bodies and internally by dedicated organisational departments, as well as by the continuous training of personnel on compliance with ethical standards and industry legislation. In order to promote increasingly transparent relations with the medical community and healthcare facilities, the Group's branches publicly disclose Value Transfers in relation to business meetings, consultancy and donations. Finally, the Anti-Bribery Manual also aims to promote correct conduct in the various activities relating to scientific information and more generally to relations with the medical community and the Public Administration, areas particularly exposed to corruption risk.
- Topics relating to product responsibility: these refer to Product Liability risks with the potential need for product recalls, impacts on patient health and consequent economic or reputational impacts for the company (as indeed the risk of demands for compensation as a result of side effects caused by its products). For this reason, for a number of years now the Group has introduced specific quality control personnel that carry out specific product analyses in order to identify the "robustness" and reliability of the production processes. These professional figures, required by industry legislation, such as the "Qualified Person", the "Quality Assurance Officer" and the "Quality Manager" are responsible for ensuring compliance with Good Manufacturing Practices envisaged by specific internal procedures and existing legislation. Further control measures related to the topics outlined above include inspections of the Group's production units by third party bodies, as well as the constant increase in authorisations held by the Group's pharmaceutical laboratories.

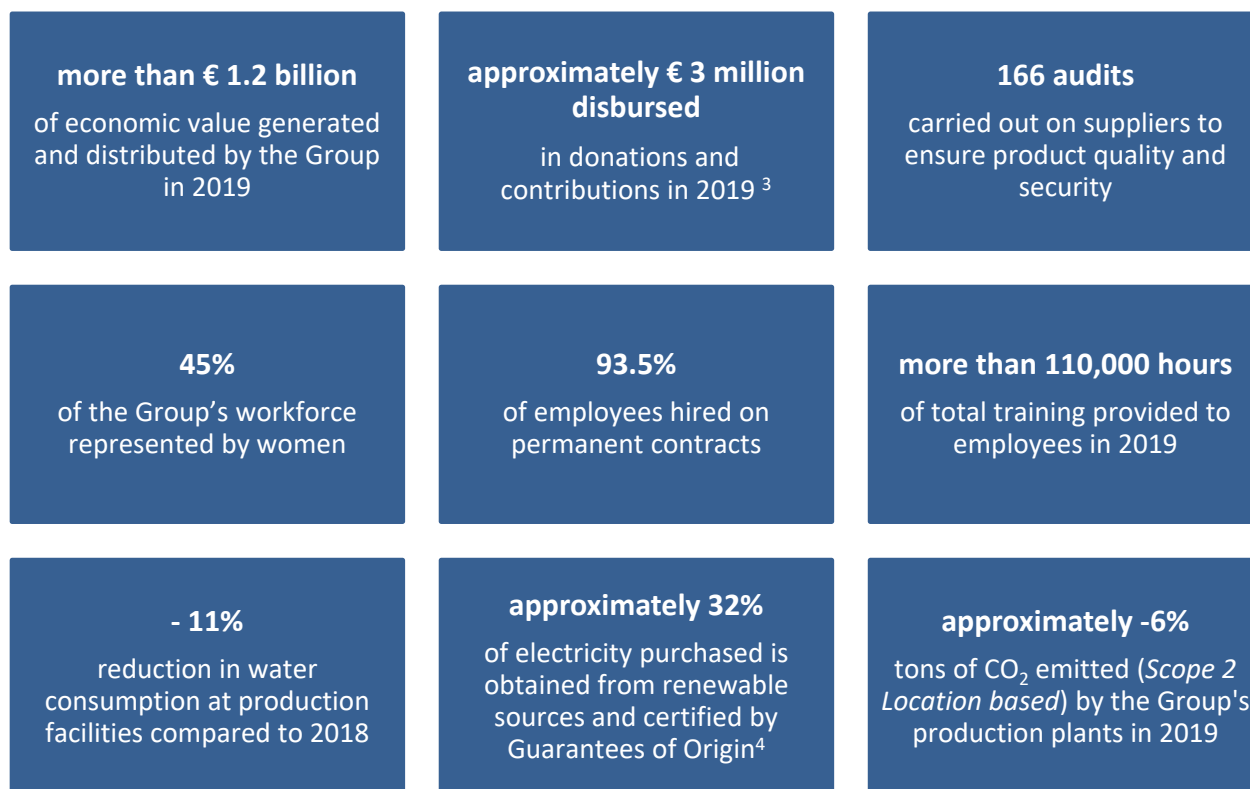
During 2019 the Group directed its attention not only towards concrete actions to reduce environmental impact but also towards the more general theme of climate change. The Group is aware of the fact that climate change can determine various types of risks, e.g. financial risks (due to the increase in the cost of energy), operational risks (due to the increase in extreme phenomena such as drought or flooding in the territories in which the Group operates), health risks (due to the worsening of atmospheric pollution) and finally reputational risks (due to the growing sensitivity of stakeholders and the communities in the territories in which the Group operates). In this risk context the Group's intention is to put in place policies aimed at optimizing environmental impact and the appreciation of the territories in which it operates without losing the efficiency of its resources.

In 2019, the Group has therefore participated in the CDP (Carbon Disclosure Project) program demonstrating its awareness regarding climate change and setting the stage for further proposals for improvement. In 2020 climate change themes will be the object of further reflection and actions by the Group, including the definition of a risk category dedicated to climate change within its catalogue of business risks and, therefore, subject to specific assessment.

This information is described in more detail in the "*Focus on the Environment*", "*The Recordati Group's Employees*" and "*The Supply Chain*" sections of the Non-Financial Statement and the "*Health, Safety and the Environment*" section of the Annual Report 2019. For a more detailed description of the management system of company risks, including the aforementioned non-financial risks, as well as the relative management methods, please refer to the "*Principle Risks and Uncertainties*" section of the Annual Report.

## 2. THE RECORDATI GROUP'S APPROACH TO SUSTAINABILITY

### 2.1. Sustainability in figures



### 2.2. The Recordati Group's commitment to Sustainability

As noted by the Chief Executive Officer in the Letter to Shareholders of the Annual Report, in 2019 the Recordati Group launched various initiatives regarding sustainability, in line with its strategic, organisational and operational characteristics. When defining the Group's management strategies and policies, in addition to ensuring the Group's development at an international level and focusing on the treatment of rare diseases, one of the Group's priorities is to consider the interests of all stakeholders, taking into account the economic, social and environmental impacts of our work. Recordati's success as a pharmaceutical firm has brought, and must continue to bring, advantages both to patients and all those who collaborate with the Group: employees, clients, consumers, patients, associations, investors and the financial community, suppliers and strategic partners.

In order to transform the values and principles of sustainability into operational decisions and managerial activities, the internal engagement initiative launched in 2017 has been continued, aiming to:

- identify key stakeholders with whom to establish a positive dialogue and collaboration;
- identify and assess significant issues of economic, environmental and social sustainability relating to the Group's activities and its stakeholders;

<sup>3</sup> In 2019, as well as € 1.64 million disbursed in donations and contributions to foundations, associations, non-profit organisations and medical institutions, the Group also paid out approximately € 1.3 million of the amount allocated in 2017 to the "V. Buzzi" Children's Hospital in Milan.

<sup>4</sup> Electricity produced from renewable sources, purchased for the Milan plants and for the Campoverde plant in Aprilia, certified by Guarantees of Origin.

- share the values, mission and processes involved in order to develop sustainability reporting procedures.

### 2.3. The Recordati Group's Stakeholders

Integrating corporate responsibility into a business approach means focusing on creating value for all relevant parties and uniting economic, social and environmental aspects.

In this context, the Recordati Group has identified its own key stakeholders by focusing on its understanding of how the Group's corporate role relates to company activities, with the aim of identifying their expectations and setting significant targets to be achieved.

*The Recordati Group's Stakeholders*



In order to increase the engagement of all of our stakeholders in their activities, optimising their roles and potential and in order to monitor the possible direct and indirect impacts of the Group's activities on the relevant parties, the Recordati Group has launched a number of stakeholder engagement initiatives, including:

- the organisation of awareness-raising initiatives and scientific research projects through conferences and training courses on specific themes relating to the treatment of rare diseases. Aimed at health professionals, doctors and researchers, these initiatives are designed to intensify the sharing of knowledge about the treatment of rare diseases;
- promotion of support initiatives aimed at the families of patients affected by rare diseases, with the aim of improving quality of life for both patients and their families.

Furthermore, a function dedicated to the management of the relationship with the company's shareholders at the head of the Investor Relations area was identified. This function, within the company organization, manages relations with financial analysts and institutional investors and organises periodic meetings focused on providing economic and financial information.

#### **INVOLVEMENT OF THE LOCAL COMMUNITY - EXTERNAL EMERGENCY PLAN**

On Saturday 1 February 2020, a public meeting was held at Campoverde in Aprilia on the External Emergency Plan (EEP) of the Recordati plant located there.

The meeting was called by the Chairman and Vice-Chairman of the Committee for the Protection of the Environment and Public Health on the occasion of the publication on the website of the Prefecture of Latina of the new Recordati EEP pursuant to Italian Legislative Decree 105/15.

The meeting was a moment of constructive dialogue with the public and an opportunity to present to the public a summary of the prevention and protection activities carried out inside the Recordati plant so as to reduce the risks from major accidents. During the meeting, also attended by the Aprilia Municipal Councillor for Production Activities and the Plant Manager, the draft Emergency Plan was illustrated with the possible accident events

studied in the latest Plant Safety Report and the actions to be followed by the population in case of emergency. All the information will be distributed in an information leaflet, prepared by Recordati, which will be sent to the entire population of Campoverde by the Municipality of Aprilia via the Civil Protection Department. The meeting ended positively with the promise of a further meeting on the occasion of the formalisation of the final EEP.

Furthermore, given the strictly regulated nature of the pharmaceutical sector, industrial associations operating in this area represent one of the most important stakeholders with whom the Recordati Group interacts. These organisations coordinate, protect and promote the interests of the pharmaceutical sector and its associated companies.

In 2019, the Recordati Group collaborated with 70 industry associations located throughout its global business network, ensuring a constant and continuous flow of information.

### *The Recordati Group's Industrial Associations, 2019*

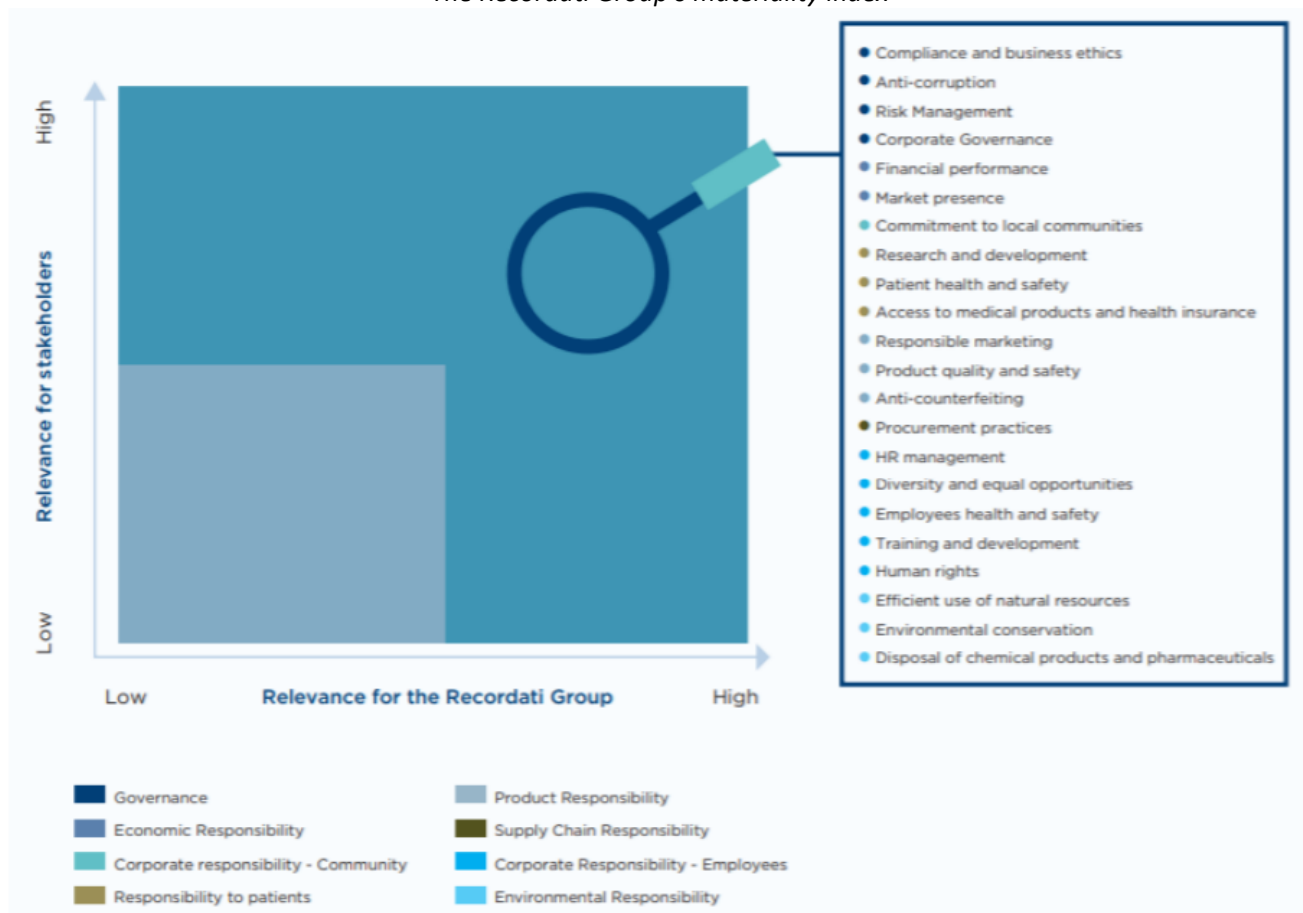
<p><b>ITALY</b></p> <ul style="list-style-type: none"> <li>• Pharmaceutical Industry</li> <li>• Confindustria Medical Devices</li> <li>• EFPIA</li> <li>• ASSONIME</li> </ul> <p><b>FRANCE</b></p> <ul style="list-style-type: none"> <li>• LEEM (Les Entreprises du Médicament)</li> <li>• AFIPA (Association Française de l'Industrie Pharmaceutique pour l'Automédication)</li> <li>• CIP (Club Inter Pharmaceutique)</li> <li>• Club Léonard de Vinci</li> <li>• CRIP (Cercle de réflexion de l'industrie pharmaceutique)</li> </ul> <p><b>BELGIO</b></p> <ul style="list-style-type: none"> <li>• Pharma.be (General national association of the pharmaceutical industry).</li> </ul> <p><b>GERMANY</b></p> <ul style="list-style-type: none"> <li>• BAH - Bundesverband der Arzneimittel-Hersteller e.V.</li> <li>• AGV Chemie- Arbeitgeberverband der Chemischen Industrie</li> <li>• IHK Ulm - Industrie- und Handelskammer Ulm</li> <li>• AKG e.V. - Arzneimittel und Kooperation im Gesundheitswesen e.V.</li> <li>• Camera di Commercio Italo-Tedesca (Deutsch-Italienische Handelskammer)</li> <li>• Pharma-Lizenz Club</li> <li>• Wirtschaftsrat der CDU</li> <li>• Senat der Wirtschaft</li> <li>• BPI – Bundesverband der Pharmazeutischen Industrie e.V. (The German Pharmaceutical Industry Association)</li> </ul> <p><b>SWITZERLAND</b></p> <ul style="list-style-type: none"> <li>• Swiss Association of the Pharmaceutical Industry</li> <li>• Business Association Chemistry, Pharma, Biotech</li> <li>• Swiss Healthcare Licensing Group</li> <li>• Swiss Health Quality Association</li> </ul> <p><b>AUSTRIA</b></p> <ul style="list-style-type: none"> <li>• PHARMIG - Verband der pharmazeutischen Industrie Österreichs</li> </ul> <p><b>SPAGNA</b></p> <ul style="list-style-type: none"> <li>• Farmaindustria</li> <li>• Anepf (National Association of OTC products)</li> <li>• AINFA</li> </ul> <p><b>IRELAND</b></p> <ul style="list-style-type: none"> <li>• Bio Pharmaceutical Ireland (BPPCI)</li> <li>• IPHA (Irish Pharmaceutical and Healthcare Association)</li> <li>• National Irish Safety Organization</li> <li>• IBEC (Irish Business Employers' Confederation)</li> <li>• Cork Chamber of Commerce</li> <li>• Institute of Environmental Management and Assessment (IEMA) – Production</li> <li>• Irish Exporters Membership - Logistics</li> <li>• PMI (Pharmaceutical Managers of Ireland)</li> <li>• MMRI (Medical Reps Institute of Ireland)</li> <li>• TOPRA (The Organization for Professionals in Regulatory Affairs)</li> </ul>	<p><b>PORTUGAL</b></p> <ul style="list-style-type: none"> <li>• APIFARMA - Portuguese Pharmaceutical Association</li> <li>• GROQUIFAR</li> </ul> <p><b>POLAND</b></p> <ul style="list-style-type: none"> <li>• Commercial Chamber "Farmacja Polska"</li> </ul> <p><b>CZECH REPUBLIC</b></p> <ul style="list-style-type: none"> <li>• SARAP – Slovenská asociácia spoločností v oblasti liekovej regulácie</li> <li>• CASP – česká asociace pro speciální potraviny</li> </ul> <p><b>RUSSIA</b></p> <ul style="list-style-type: none"> <li>• GIM-Unimpresa</li> </ul> <p><b>UKRAINE</b></p> <ul style="list-style-type: none"> <li>• EBA - European Business Association</li> </ul> <p><b>TURKEY</b></p> <ul style="list-style-type: none"> <li>• Pharmaceutical Manufacturers Association of Turkey</li> <li>• ICC - The İstanbul Chamber of Commerce</li> <li>• Camera di Commercio Italo-Turca</li> <li>• Çerkezköy Organized Industrial Zone</li> <li>• Çerkezköy Chamber of Commerce and Industry</li> <li>• Istanbul Chemicals and Chemical Products Exporters' Association</li> <li>• The Union of Chambers and Commodity Exchanges of Turkey</li> </ul> <p><b>GRECIA</b></p> <ul style="list-style-type: none"> <li>• SFEE - Member of Hellenic association of Pharmaceutical Companies</li> </ul> <p><b>TUNISIA</b></p> <ul style="list-style-type: none"> <li>• CNIP - The National Chamber of Pharmaceutical Industry</li> <li>• The Council of the Pharmacists Association.</li> </ul> <p><b>UNITED KINGDOM</b></p> <ul style="list-style-type: none"> <li>• ABPI - Association of the British Pharmaceutical Industry</li> </ul> <p><b>UNITED STATES</b></p> <ul style="list-style-type: none"> <li>• American Association of Pharmaceutical Scientists</li> <li>• American Chemical Society</li> <li>• BIO - Biotechnology Innovation Organization</li> <li>• BioNJ</li> <li>• DIA - The Drug Information Association</li> <li>• Global Genes</li> <li>• Healthcare Distribution Association</li> <li>• International Society of Pharmaceutical Engineers</li> <li>• NORD corporate council</li> <li>• Parenteral Drug Association</li> <li>• RAPS - Regulatory Affairs Professional Society</li> </ul> <p><b>CANADA</b></p> <ul style="list-style-type: none"> <li>• LSO - Life Sciences Ontario</li> <li>• RAREi - The Canadian Forum for Rare Disease Innovators</li> </ul> <p><b>DENMARK</b></p> <ul style="list-style-type: none"> <li>• ENLI - Ethical Committee for the pharmaceutical industry</li> </ul> <p><b>KAZAKHSTAN</b></p> <ul style="list-style-type: none"> <li>• AIPM - Association of International Pharmaceutical Manufacturers in Kazakhstan</li> </ul>
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## 2.4. Materiality analysis

In order to identify the main sustainability issues that relate to its business, in 2017 the Recordati Group launched an internal stakeholder engagement initiative in collaboration with senior management. The initiative promoted the discussion and debate of a range of economic, social, environmental, governance and product issues deemed significant for the industry and specifically required by Italian Legislative Decree, no. 254/2016. Given the continuity of the Group's business, the materiality analysis and the relative results obtained were deemed valid for 2019 and consistent with the indications of the reporting standards and macro trends observed in the sector.

The materiality index represents the 22 issues selected according to their economic, social and environmental relevance both for the Recordati Group and for the relevant stakeholders.

*The Recordati Group's materiality index*



The 22 topics highlighted by the materiality analysis are covered in this Statement in line with the reporting standards and the provisions of Italian Legislative Decree no. 254/2016.

It is noted that the issue of human rights, one of the significant themes highlighted by the materiality analysis, is expressed by the Group through its management of relations with employees, collaborators and supply chain operators in a manner that respects the principles and values of the Group's Code of Ethics. In fact, the Group is committed to respecting basic human rights in accordance with the Conventions of the International Labour Organisation in all of the countries in which it operates. For more detail on the policies adopted relative to this



topic, please refer to the relevant sections (e.g. “Supply chain”, “Diversity and equal opportunities”, “Health and safety in the workplace”) of the Non-Financial Statement.

## 2.5. Direct and indirect economic benefits

During 2019, the activities of the Recordati Group in the field of the research and sale of medicines represented an important profitability factor for the Group and generated various economic advantages, including direct benefits for stakeholders through the distributed economic value as well as indirect benefits for the various associations or third-party organisations which receive donations and contributions from the Group.

### *Economic value generated and distributed by the Group*

The Economic Value represents the wealth generated by the Recordati Group which is then distributed in various forms to stakeholders. Data regarding the creation and distribution of the economic value provides a basic indication of how the Group has generated wealth for its stakeholders, highlighting the economic benefits produced by the Group’s entrepreneurial management which are directly shared with the main categories of stakeholders with whom the Group interacts and maintains medium to long-term relations: suppliers (reclassified operating costs), human resources (remuneration of human resources; staff costs); shareholders (remuneration of shareholders: profit distribution), financial institutions (remuneration of financial institutions: financial charges) and the Public Administration (remuneration of Public Administration: taxes and duties) and local communities, patients and associations (donations).

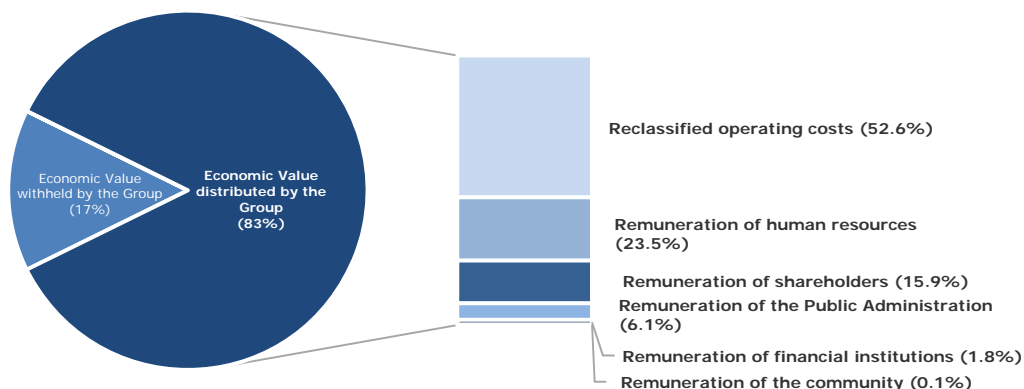
In 2019, of the € 1,483 million of Economic Value generated by the Recordati Group, approximately 83% (equal to € 1,230.3 million) was distributed as follows:

- reclassified operating costs of € 647.2 million, represented predominantly by the costs of raw materials, consumables and services;
- remuneration of human resources for a total of € 289.1 million, represented predominantly by the salaries and wages of Group personnel;
- remuneration of shareholders for a total of € 194.8 million, attributable to the distribution of dividends to shareholders<sup>5</sup>;
- remuneration of the Public Administration, in the form of taxes, for € 75.3 million;
- remuneration of financial institutions for € 22.3 million, primarily formed of borrowing costs;
- Community donations allocated and disbursed during the year, sponsorships and community contributions, for € 1.6 million.

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<sup>5</sup> The value of the dividends distributed to shareholders refers to the balance for the 2018 financial year resolved in April 2019 for € 96.1 million, and the account for the 2019 financial year resolved in November 2019 for € 98.7 million

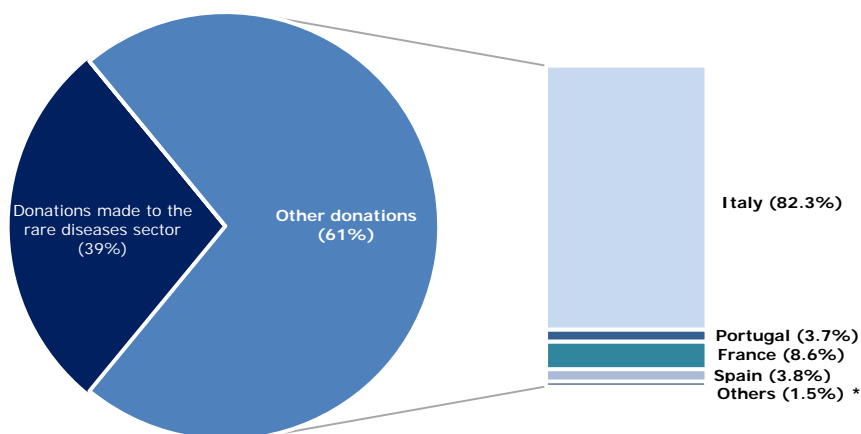
*Distribution of the Economic Value generated and distributed by the Recordati Group in 2019<sup>6</sup>*



*Donations and contributions*

Our commitment to providing support to patients is an intrinsic value of the Recordati Group and is evidenced in the development of social projects and initiatives to support organisations operating in the field of health and medication. These include activities implemented by the Group each year to support the numerous associations that focus on the treatment of diseases and improving the quality of life of patients and their families, and research projects and initiatives by supporting social and cultural institutions which carry out their work diligently and passionately every day. In 2019, the Recordati Group disbursed, in addition to € 1.64 million in donations and contributions to foundations, associations, non-profit organisations and medical institutions, approximately 1.3 million of the amount previously allocated to the “V. Buzzi” Children’s Hospital in Milan, thus paying out a total of approximately € 3 million. The funds disbursed in 2019 to the “V. Buzzi” Children’s Hospital in Milan are part of the amount allocated in 2017, equating to a total donation of approximately € 1.9 million in two years. 39% of the total donations was allocated to activities aimed at the treatment of rare diseases while the remaining 61% refers to contributions and donations awarded to social and cultural organisations and institutions in various countries: Italy (82.3%), Portugal (3.9%), France (8.6%), Spain (3.8%) and other<sup>7</sup> countries (1.5%).

*Subdivision of donations and contributions allocated by the Recordati Group in 2019*



<sup>6</sup> The distribution of the Economic Value generated and distributed to various categories of stakeholder has been quantified through a reclassification of the income statement, elaborated according to the provisions of the “GRI - Sustainability Reporting Standards”.

<sup>7</sup> The other countries category includes the donations in Tunisia (0.7%), Turchia (0.4%), Germany (0.4%) and Poland (0.03%)

### **“V. BUZZI” CHILDREN'S HOSPITAL IN MILAN**

Thanks to works entirely financed and directed by Recordati, in November 2019 the Vittore Buzzi Children's Hospital in Milan opened a new Paediatric Ward and renovated the Paediatric Neurology Outpatient Clinic area with rooms specially designed to be child-friendly, also in terms of colours and furnishings.

The operation, strongly supported by Recordati, involved a disbursement of approximately € 1.9 million and was dedicated to the memory of Giovanni Recordati who, before dying prematurely in 2016, guided the Group's expansion and led the way in the development of the sector dedicated to treatments for rare diseases.

Thanks to the new arrangement, the Paediatric and Paediatric Neurology departments have expanded and differentiated the treatment options for children with acute and chronic developmental neurological diseases. Specifically, the Paediatrics Multiple Operating Unit (UOC) , with the opening of the new Single Operating Unit (UOS) Paediatric Ward has 18 new beds, bringing the total number of beds for ordinary hospitalisation up to 38. It will be better able to respond to the growing demand for emergency hospitalization and to implement care and treatment pathways, in scheduled hospitalization regime, for children suffering from chronic/complex disorders who need specialized or ultra-specialized and multidisciplinary assistance.

The introduction of two Paediatric Neurology inpatient beds at the new Single Operating Unit (UOS) of the Paediatric Ward and a dedicated area set up in this area with state-of-the-art equipment, will make it possible to treat the main acute and chronic neurological, paediatric disease: infantile and adolescent epilepsies - with particular focus on those which are drug-resistant, rare and genetic, epileptic encephalopathies - in an integrated manner and in a familiar and humanized atmosphere.

Thanks to Recordati's support, Buzzi Paediatric Neurology will be able to offer its young patients full-circle treatment options with traditional drugs and treatments, alternative drugs, and new drugs thanks to the various clinical trials in progress, confirming its position as Lombardy's reference point for rare neurological diseases.

#### *Social initiatives and activities*

As well as monetary donations, the Recordati Group provides a constant and significant contribution in the countries where its Companies are located by developing and implementing social and community initiatives, events and projects aimed at vulnerable groups, foreigners, people with disabilities and, more generally, people experiencing any kind of disadvantaged or difficult situation. The type of contribution offered depends on the people to whom it is directed and the characteristics of the association in question. In particular, the following initiatives are worthy of note:

- the contribution, in the form of material goods or hours of work, as in Ireland, the donation of food and clothing to the homeless;
- direct support of Recordati's personnel in the organization and management of social activities: this is the case in Ireland of participation in cleaning initiatives of the urban green area. In fact, in the Irish plant in Cork the company has participated in the Ringaskiddy community project for the protection of pollinators in the area and participates annually within the community in the "Earth Day Clean up" initiatives;
- the assignment of corporate services to institutions for the disabled: this is the case in Germany of Donau-Iller-Werkstätten (which is entrusted with a fleet management support service).

## THE RECORDATI GROUP'S COMMITMENT TO IMPROVING ACCESS TO MEDICAL PRODUCTS AND HEALTH INSURANCE

Rare diseases are predominantly genetic disorders that can affect patients of any age, gender and ethnicity, and involve every category of medical specialisation. These are chronic, often fatal or severely debilitating diseases which have a great impact on patients, their families and on society. A disease is defined as rare when its prevalence, understood as the number of cases in a given population, does not exceed a predefined threshold; in Europe this is 0.05% of the population, or 5 cases per 10,000 people. In order to treat these diseases, specialist medical products known as “orphan drugs” are developed.

Recordati Rare Diseases, the Group company operating in the rare diseases sector, shares the principle that every person affected by a rare disease has the right to the best treatment possible. For this reason, among the activities carried out by Recordati Rare Diseases is the support for patient associations for people affected by rare diseases, which help patients and their families by facilitating access to orphan drugs and treatment centres. Furthermore, Recordati's orphan drug specialists (ODS) actively collaborate with the medical community to facilitate dialogue between hospitals with limited expertise of rare diseases and specialist medical centres able to diagnose and treat rare conditions in an appropriate manner.

The US Company Recordati Rare Diseases Inc. has developed two separate programmes to provide assistance to patients eligible for financial support for their products: the Patient Assistance Program (PAP), valid for all products, and the Co-Pay Assistance Program (CAP):

- *Patient Assistance Program (PAP)*: this programme, in place for all products, enables Recordati Rare Diseases Inc. to supply products to medical professionals or hospitals which require free products to treat their. who (i) do not have adequate medical insurance to cover the cost of the drug; (ii) are able to show financial hardship that meets the criteria of Recordati Rare Diseases Inc.; and (iii) meet the eligibility requirements. To determine whether patients are eligible for the programme, including from a financial point of view, a case-by-case assessment is carried out by a third party appointed by Recordati Rare Diseases Inc. Once the eligibility requirements have been met, the patient is registered to the PAP for a period of up to six months, at the end of which a new assessment is carried out to confirm eligibility for continued participation in the programme.
- *Co-Pay Assistance (CPA)*: this support programme, available for three products (Carbaglu, Cystadane and Panhematin) offered by Recordati Rare Diseases Inc through a third party provides financial support to insured patients, for all or part of their financial responsibilities, for certain Recordati Rare Diseases Inc products up to a predefined maximum limit. In order to benefit from this assistance, patients must fulfil certain requirements such as being in possession of a valid medical prescription for the product and being insured by an insurance plan that does not cover the full cost of the prescription, etc.

### 3. PRODUCT QUALITY AND SAFETY

In order to guarantee the highest possible levels of health and safety for patients, the Group is committed to guaranteeing product quality and safety throughout the Recordati supply chain, from the research and development phase for new products to the procurement of raw materials and the production and commercialisation of registered medicines.

During the research phase, specific clinical studies are carried out in order to ensure the efficacy and safety of the products and confirm the absence of any possible dangerous side effects. Furthermore, the results of these studies are assessed by national and European regulatory bodies before authorisation is given to commercialise the medicines on the market.

Throughout the supply chain, our suppliers are selected and regularly assessed according to audit schedules in order to verify compliance with certain criteria, from environmental factors to the quality of the ingredients.

During manufacture, all medicinal products are produced in accordance with Good Manufacturing Practices in plants authorised by the relative local regulatory bodies. Our plants are constantly subject to inspections and checks to ascertain compliance with current legislation and internal regulations.

In the product commercialisation phase, the Recordati Group has implemented a system to guarantee compliance with European Directives regarding anti-counterfeiting, respecting the requirements of the European Union with regard to product serialisation and the use of quality seals on product packaging. Furthermore, when handling all complaints made regarding its products, the Group investigates any possibility of counterfeiting.

Finally, the Recordati Group operates a post-sale pharmacovigilance policy, enabling doctors and patients to promptly notify the Group of any significant events or adverse reactions experienced during the use of Recordati medicines.

#### *Compliance with legislation and regulations*

The Recordati Group operates in full compliance with legislation and regulations in different fields thanks to dedicated and qualified employees. The Group's Code of Ethics states: *"ensuring the compliance of all conduct with applicable legislation and ethical regulations is a mandatory prerequisite for Recordati and our collaborators in every country in which we operate"*.

Important company figures in this regard include the managers of the Pharmacovigilance Department, the Scientific Department, the Clinical and Manufacturing Quality Assurance Departments and the Regulatory Affairs Department, as well as the Qualified Person, the Health, Safety and Environment Manager and the Compliance Officer. Activities aimed at ensuring compliance with legislation and regulations are undertaken in compliance with international best practices and are constantly examined through inspections conducted by commercial partners, authorities or certification bodies. In this regard, the Recordati Group complies with the regulations issued by industry certification bodies and has been awarded the GMP (Good Manufacturing Practice) certification for product quality and safety at all its plants issued by the relevant national and foreign authorities. The Campoverde di Aprilia site is also regularly inspected by the Italian Medicines Agency, the US Food and Drug Administration, the Brazilian *Agência Nacional de Vigilância Sanitária* and the Korean Food and Drug Administration and is certified by the Japanese Ministry of Health.

As regards cases of non-compliance, in 2019 the Group recorded a limited number of episodes as breaches and/or disputes reported by local authorities:

- in 2019 the Turkish subsidiary Recordati İlaç Sanayi ve Ticaret Anonim Şirketi received two warnings, without sanctions, from the competent local authority concerning two cases of non-conformity of the Company with the provisions of the so-called “*Promotion Regulation*”<sup>8</sup>. The first warning relates to the fact that the summary on the Company's website of the characteristics of one of its products did not correspond to the certified summary present on the Authority's system. The second warning, however, related to the failure to notify the Authority of the names of all the doctors sponsored to attend a conference financed by the same company;
- With regard to the administrative penalty of € 29,000 reported in the non-financial statement 2018 and imposed on the Turkish subsidiary Recordati İlaç Sanayi ve Ticaret Anonim Şirketi by the local Social Security Institution (Turkey's Social Security Institution) following the alleged damage suffered as a result of the former's failure to give timely notification of price changes in some of the products marketed by it in the countries concerned, it should be noted that after the objection raised by the Company with the competent government authorities about the lack of clarity in the countries of reference was not accepted, the Company filed legal proceedings, still ongoing against the local Social Security Institution.

Finally, in 2019 Recordati Romania S.r.l. recalled 5 batches of Betaloc Zok 50 mg on a voluntary basis and without the Authority having imposed any sanctions on the Company or issuing a warning against it. The recall was carried out due to a printing error in the package leaflet, which was evaluated as having little impact by the Company due to the long-standing presence of the drug on the market and the supervision of the doctor. In addition to voluntarily withdrawing the packages, the Company nevertheless informed the pharmacies that received the incorrect package leaflet, providing them with the correct version in electronic format.

Similarly, without any sanction or warning from the authorities, Recordati S.p.A. recalled the FA5N77 lot of Lomexin cream, for an active substance titre below the defined specification limit (17.0 mg/g compared to the expected minimum of 18.5), found during the 24-month control time of the stability study.

### 3.1. Research & Development and Intellectual Property

The Group is constantly committed to Research & Development activities, implemented through the development and launch of pipeline pharmaceuticals and the acquisition of new specialities. In particular, in recent years Recordati has focused its efforts on the research and development of drugs mainly in the rare diseases sector. Over the last few years, the development of new pharmaceuticals, both through internal research programmes and through R&D opportunities in partnership with external companies and research institutions, has been a fundamental element in enriching the pipeline and ensuring the Group's future growth.

The Group's intellectual property is protected by its patents, which enable Recordati to transform its R&D investments into a profitable activity. Following a positive outcome of the patent criteria assessment (principally relating to new products and innovative development phases) according to local laws and legislation, the award of European and international patents provides for patent protection in a great number of companies.

This protection, which varies from country to country, depends on the type of patent application and the intended objective. The patent application may be formulated to protect new compounds, manufacturing processes, medical indications, devices and the composition of materials. In countries where the Group files an application to gain patent protection, the duration of the same is generally twenty years, beginning from the date of filing. This period may be extended for a maximum of five years in certain countries, particularly in Europe and the United States, following the approval of the pharmaceutical product by the local Health Authorities.

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<sup>8</sup> The ‘*Promotion of Pharmaceutical Products for Human Use Regulation*’ published in the Turkish official journal No. 29405, on 3 July 2015

The patent portfolio is regularly monitored in collaboration with the operational units involved, in order to identify potential breaches and take any necessary legal action. The Group also benefits from the protection of international intellectual property rights through licensing agreements for products and compounds that have been patented by other companies.

As at 31 December 2019 the Group held 1,276 patents, of which 39 were granted in 2019. In addition, patent applications were filed in 2019 for two innovations which are expected to be granted in the coming years.

Trademarks also protect the Group's intellectual property. This protection, which varies from country to country, refers principally to their use and registration. Trademark rights are obtained based on national, international and EU registrations, and are generally granted for renewable periods of 10 years. The Group holds around 8,000 registrations for 910 trademarks filed in the name of various companies. Approximately 50% of the trademarks are currently in use.

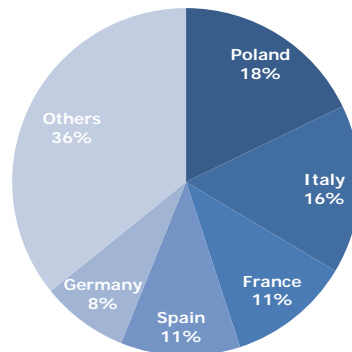
For more information on the Group's research and development activities please refer to the "*Research and Development*" section of the Annual Report.

### 3.2. Supply chain

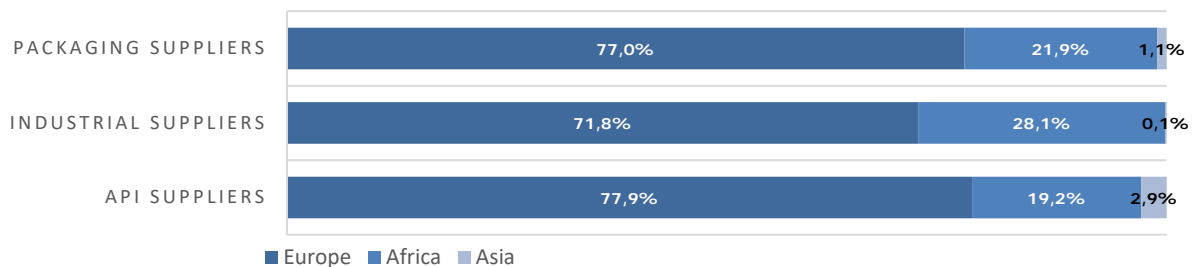
The supply chain of the Recordati Group operates within a highly regulated market and is characterised by the search for efficiency both in terms of financial viability and the maintenance of the supply chain. The Recordati Group is served by approximately 15,400 suppliers, predominantly located in the countries in which the Group operates manufacturing plants or has a commercial presence. The supply chain is characterised by the purchase of direct ingredients (active substance, packaging material, excipients and chemical intermediates), finished products and indirect services required for regular operation (consultancy services, marketing, supplies, licensing, etc.). In this regard, the main purchase categories are represented by APIs (Active Pharmaceutical Ingredients), packaging, industrial products and services and finished products.

In 2019 the Recordati Group interacted with around 480 certified API suppliers principally located in Europe and India. Approved suppliers for the packaging of medicinal products produced directly in the Group's plants numbered approximately 190, located principally in the countries in which the Group has a manufacturing site (of these, approximately 10% are approved suppliers for two or more factories). Suppliers of industrial materials and services for use in the Group's plants numbered approximately 1,460, with a pronounced local presence due to the type of goods and services. Finally, it should be noted that there are approximately 130 suppliers of finished products at Group level, with a pronounced predominance of European producers.

*Percentage subdivision of suppliers of the Recordati Group by location, 2019*



*Percentage subdivision of the three supplier categories of the Recordati Group by location, 2019*



In order to operate as a supplier of the Recordati Group, our suppliers are selected and approved according to two different methods for direct and indirect products. For the purchase of indirect materials and services, information regarding the suppliers' economic and financial position is collected through documental evidence and research. For the purchase of direct materials, potential suppliers are subjected to financial checks and are required to follow a regulated documentation collection procedure in line with GMPs and GDPs (Good Manufacturing Practices and Good Distribution Practices) before undergoing a strict monitoring and auditing process.

In order to standardise the selection process, in 2015 the ATTITUDE project was launched, aimed at implementing a new purchase management policy at Group level using an eProcurement platform. The project aims to promote transparency in the procurement process in terms of supplier assessment and effective negotiation in line with the distribution of procedures and tools at a centralised and local level. Our supplier selection criteria include:

- focus on the environment and the laws that regulate it;
- compliance with the Group's Code of Ethics which includes respect of the basic Human Rights of all employees, the prevention of child exploitation and the prohibition of forced or enslaved labour, in accordance with the International Labour Organisation. These selection criteria are binding and all suppliers must declare their commitment to the Code of Ethics and the practices contained therein.

This management process was successfully implemented in Italy in 2016. Recordati has set itself the target of extending the initiative to all Group Companies by the end of 2021, in order to create a unique and shared supplier data base to ensure supplier quality control and compliance with Recordati values.



### 3.3. Audits and inspections

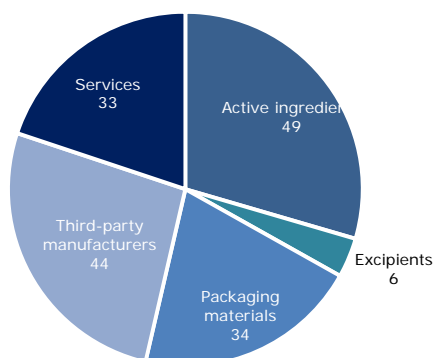
In order to ensure the quality and safety of its products and verify the compliance of its suppliers with quality, environmental, health and safety legislation and regulations, the policies implemented by the Recordati Group include periodic audits of the supply chain, as well as continuous inspections and self-inspections within its own manufacturing plants.

#### Supplier audits

One of the main control measures implemented in the supply chain are the audits carried out by the Group at third-party pharmaceutical companies which produce medicines, as well as suppliers of APIs, excipients and packaging. As well as assessments at the supplier approval stage, the supplies provided by suppliers are constantly monitored for quality assurance purposes.

In line with the current procedures for supplier approval, all suppliers, particularly those supplying active substances, excipients and services, are subjected to periodic audits as defined by a risk assessment rating. In fact, in 2019 the Pharmaceutical Division of the Recordati Group conducted 166 supplier audits, of which 26% related to third-party manufacturers, 30% to suppliers of active substances, 20% to suppliers of packaging, 20% to service suppliers and 4% to suppliers of excipients.

*Subdivision of supplier audits conducted by the Pharmaceutical Division by product category, 2019*



Regarding supplier inspections carried out by the Chemical and - Pharmaceutical Division, it should be noted that in the course of 2019 the Campoverde di Aprilia plant conducted six audits of suppliers of raw materials.

#### Production plant inspections

The production plants of the Recordati Group are regularly subjected to internal or external inspections (the latter by competent authorities, third-party companies and clients) in order to verify compliance with product quality regulations.

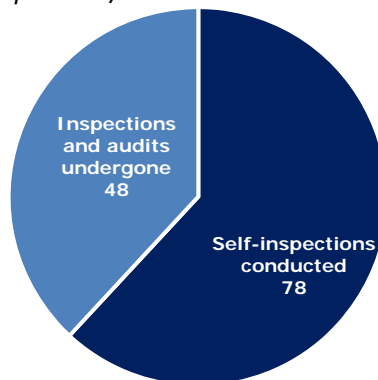
During the production phase, every single batch of Recordati medicines is produced in accordance with the dossiers approved by the relative health authorities and is subject to controls designed to ensure their quality.

Within its own pharmaceutical plants, the Group is committed to maintaining a quality control system that fulfils all national and international requirements, guidelines and standards for the production of finished pharmaceutical products. In particular, the manufacturing plants operate in line with GMPs (Good Manufacturing Practices) and are regularly verified by inspections conducted by national and international competent

authorities. The Quality Control departments are responsible for the control of procured raw materials and the finished products in accordance with the relative procedures, approved methods and the pharmacopoeial monographs.

In 2019, a total of 126 inspections and audits were carried out at the Group's pharmaceutical plants in order to assess product quality and safety. Of these, 78 (62%) were self-inspections carried out by the Group at its own plants while the remaining 48 (38%) were carried out by competent authorities (Health Ministries, Agencies, Certification Bodies, FDA and AIFA) and third-party companies.

*Subdivision of quality and safety inspections/audits carried out at Group pharmaceutical plants in 2019*



Among the inspections received in 2019, the pharmaceutical plants received inspection from regulatory bodies in order to review/grant manufacturing authorisations. In this regard, those conducted by the national authorities in Milan (Italy), Nanterre (France) for the secondary packaging of Recordati Rare Diseases products and Pardubice (Czech Republic) for the periodic renewal of the manufacturing authorisation are particularly interesting. In addition, inspections were also carried out in Utebo (Spain) for the periodic renewal of the production authorisation, but with the addition of the authorisations of the new packaging departments (separation of primary and secondary areas) and the authorisation of the primary and secondary packaging of tablets (needed for the new metoprolol bottle packaging line), all concluded with the renewal of the pre-existing authorisations and, where required, with the addition of supplementary authorisations.

In addition, inspections were also carried out by foreign authorities and in particular by Russia at the plants in Nanterre (France) and Cerkezkoy (Turkey). While the one carried out in Nanterre was aimed at renewing authorisations already in force, the one carried out in Cerkezkoy was aimed at authorising the site to produce certain pharmaceutical specialities for the Russian market, thus ensuring the presence of a back-up site for these products/markets. In the case of Nanterre the renewal of the existing authorizations has already been obtained, in the case of Cerkezkoy the procedures following the inspection itself (e.g. the presentation of a plan of possible corrective actions) are still in progress in order to successfully conclude the process.

The plant based in Kalaat El Andalous (Tunisia) received the inspection by the Iraqi authorities, which was successfully completed, thus allowing the potential expansion of the markets served by the plant.

In addition, as part of the marketing and sales activities for the Group's specialty products, national inspections were carried out in 2019 at Recordati Pharmaceuticals Ltd and Recordati Rare Diseases UK (both in the United Kingdom) for the renewal of the relative authorization; in these cases too pre-existing authorizations were renewed.

With a view to constantly improving production, it should be noted that in 2019 the plant based in Kalaat El Andalous (Tunisia) obtained ISO 27001 "Information Security Management" certification.

In addition to the inspections received from external bodies starting in 2019, the pharmaceutical manufacturing plants are subject to internal audits carried out by the Group's internal Quality Assurance department on an annual basis.

With respect instead to the inspections received by the two chemical and pharmaceutical plants, it should be noted that in 2019 a Quality Management System audit was carried out at the Campoverde di Aprilia plant by the Italian Medicines Agency (AIFA), the national pharmaceutical control body. The inspection covered compliance with GMP standards in relation to the production, control and storage processes of all active ingredients produced in the plant. Furthermore, the internal Quality Assurance department conducted 12 internal audits at the plant in Campoverde di Aprilia in the production, quality control and maintenance departments, and was subjected to 14 customer audits.

### 3.4. Product serialisation

Since 2006, the European Federation of Pharmaceutical Industries and Associations (EFPIA) has been developing a standardised medicinal products traceability system as part of the fight against counterfeiting. Working in collaboration with three other European organisations, EFPIA has been involved in the creation of an ambitious coding and serialisation system: *the European Stakeholder Model (ESM)*. In conjunction with this project, ESM members worked to implement the European Medicines Verification System (EMVS) which aims to regulate the dispensation of medicines to ensure product authenticity.

In this context, in February 2016 the European Parliament issued a regulation dictating the technical requirements for all prescription medicines in order to combat medicines being counterfeited. This regulation came into force in February 2019. However, certain member states, Italy included, are exempt from implementing this regulation for a further six years due to the adoption of internal anti-counterfeiting systems at national level. From such date, medicinal products that do not comply with the safety requirements established by this regulation may no longer be marketed.

In this regard, in 2015 the Recordati Group launched a project to ensure that all medicinal products produced at its own production plants or those of third-party companies comply with this regulation. The project was completed in line with the implementation deadlines provided for by legislation and the packs produced for the Group will comply with legislative requirements by January 2019. All information generated in regard to the serialisation of individual packs shall be collated in a database designed to enable the in-out management of all third-parties of the Group as part of a European data collection system.

Similar initiatives aimed at combating the counterfeiting of medicinal products have been launched or are currently being implemented in various countries in which the Group operates. Specifically, in Turkey, China, USA and Korea the drugs marketed by the Recordati Group already fully comply with these safety requirements, while in Russia, where implementation of the legislation has been postponed to 1 July 2020, all the branches involved are proceeding with the activities needed to supply the market with packages complying with the legislative requirements.

## 4. THE RECORDATI GROUP'S EMPLOYEES

### 4.1. The importance of our employees

The Recordati Group operates in highly specialised sectors such as the specialist and general medicine pharmaceutical sector, the treatment of rare diseases and chemical pharmaceuticals. In order to operate effectively in these fields, it is essential to collaborate with increasingly highly qualified employees able to bring professionalism and added value to the Group and enable us to confront and overcome market challenges. For this reason Recordati has always been committed to guaranteeing a proper management policy of human resources as a lever to pursue improved competitive performance and promote the value of quality performance.

In addition, the Group policy for the development and optimisation of human resources aims to incentivise professional growth and career development. This policy has been developed through our belief that the Group's results are closely linked to the ability of our employees to engage their own commitment and talent to reach targets. The optimisation of human resources is a key priority when fulfilling company roles. The recruitment process is aimed at selecting the candidates that best respond to the profiles required by company departments in accordance with the given time frames, market cost criteria and internal fairness.

To achieve such objectives Recordati adopts a policy towards its Employees which:

- attracts and encourages the development of talents, including by collaborating with Schools and Universities and a structured employee selection procedure;
- encourage collaborators and employees to develop their skills by providing ad hoc training courses;
- hang on to and motivate the best qualified employees and those with potential for development, not just by offering competitive long term remuneration to reward merit but also through a series of initiatives able to foster a sense of belonging to the Group;
- ensure employees' well-being health and safety;
- ensure social equity, equal opportunities and the respect of people, key factors for Recordati which constantly combats all forms of discrimination.

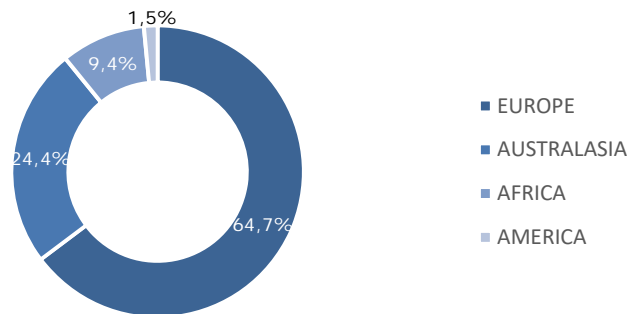
As of 31 December 2019, the Group's workforce was formed of 4,323 employees, with a gender division of 55% and 45% of men and women respectively. The workforce in 2019 was substantially in line with that recorded at the end of 2018 (4,142 employees).

The larger increases in absolute terms relate to the corporate structures of Recordati S.p.A. and the Turkish and Tunisian branches, but the founding of the Bulgarian and Baltic branches and more generally, the growth of the concerns operating in the Rare Diseases sector should also be considered. At present, the Group's workforce is also supplemented by a further 150 people who collaborate with the Group at various levels; approximately half of these collaborators are women.

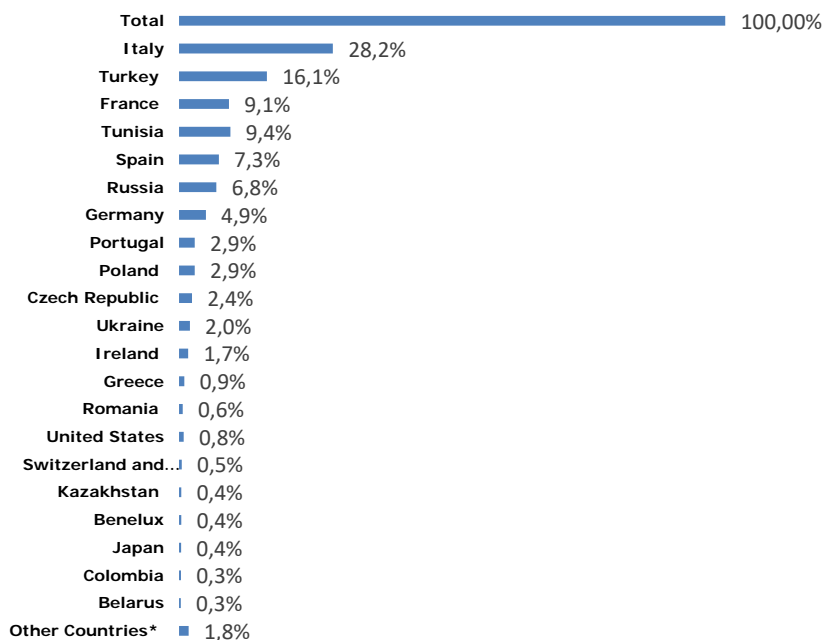
#### *Subdivision of employees and collaborators by gender, as of 31 December 2019*

Number of employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Employees	2,376	1,947	<b>4,323</b>	2,276	1,866	<b>4,142</b>
Collaborators	80	68	<b>148</b>	74	34	<b>108</b>
Total	<b>2,456</b>	<b>2,015</b>	<b>4,471</b>	<b>2,350</b>	<b>1,900</b>	<b>4,250</b>

Percentage breakdown of employees by location, as of 31 December 2019<sup>9</sup>



Breakdown of employees by country, as at 31 December 2019 (%)



(\*) The item “Other Countries” includes the employees who work in Armenia, Australia, Baltic countries, Brazil, Bulgaria, Canada, United Arab Emirates, Georgia, Malaysia, Mexico, United Kingdom and Sweden

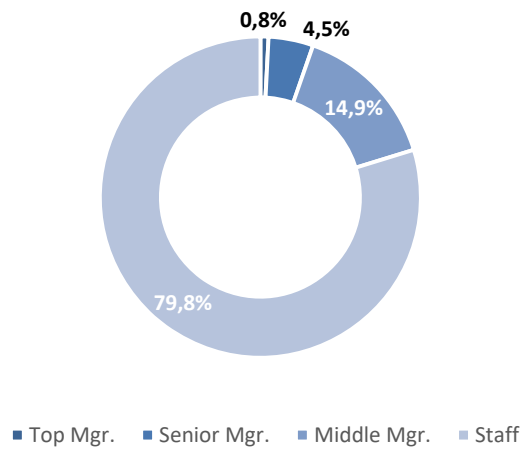
As regards the breakdown of Recordati Group’s workforce by professional category, to facilitate a constant comparison between the various corporate positions and give a clearer picture of the organization, since 2019 the Group’s employees have been divided into four categories: *Top Manager* (*Vice President, Corporate Managers and General Branch Managers, Senior Managers* (equivalent to Directors in Italy), *Middle Manager* (equivalent to Junior Directors in Italy) and *Employees* (the others). Up to 2018 *Top Managers* were included among the *Senior Managers*.

At the end of the year, as well as the 35 *Top Managers*, there were 195 *Senior Managers*, 645 *Middle Managers* and 3,448 *employees*: *Top Managers* and *Senior Managers* together account for 5% of the workforce. All *Top Managers* and *Senior Managers*, men and women, are hired locally<sup>10</sup>, in line with the figure for the previous years.

<sup>9</sup> Australasia includes the Turkish branch (Recordati İLAÇ ve Hammaddeleri Sanayi ve Ticaret A.S.) and the Russian branch (RUSFIC LLC).

<sup>10</sup> The *Top Manager* and *Senior Managers* hired locally include those born or who have permanent residence (such as naturalised citizens or holders of permanent visas) in the country they were hired.

Percentage breakdown of Group employees by professional level, as of 31 December 2019

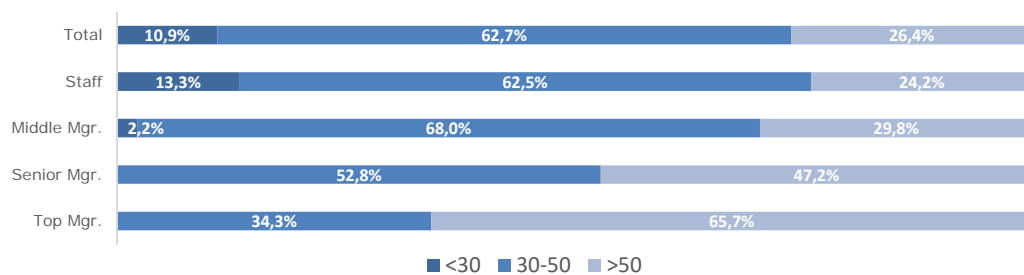


Approximately 63% of the workforce is comprised of employees aged between 30 and 50, around 26% are over 50 and approximately 11% are under 30.

Subdivision of Group employees by professional level and age, as of 31 December 2019

Number of employees	2019				2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Top Manager	0	12	23	<b>35</b>	1	130	108	<b>239</b>
Senior managers	0	103	92	<b>195</b>				
Middle managers	14	439	192	<b>645</b>	20	462	259	<b>741</b>
Staff	458	2157	833	<b>3,448</b>	418	2,053	691	<b>3,162</b>
<b>Total</b>	<b>472</b>	<b>2,711</b>	<b>1,140</b>	<b>4,323</b>	<b>439</b>	<b>2,645</b>	<b>1,058</b>	<b>4,142</b>

Percentage breakdown of Group employees by professional level and age, as of 31 December 2019



The selection process outlined by the recruitment policy can take place internally, through the development of horizontal and vertical career paths designed to develop the technical and professional skills of employees already operating within the Group through the self-application system, or externally through recruitment campaigns conducted directly or through the use of approved recruitment agencies.

In order to optimise the development of human resources, in the case of suitable vacancies and candidates the Group prioritises the recruitment of internal employees. For junior positions, the recruitment process begins at

university level, focusing on undergraduates in their final year or new graduates who have been selected according to their university or Master's specialisation. This policy offers young people the opportunity to embark on a professional path within the Group, in particular in the areas of Finance, Research and Development, Marketing and Industry. To select the best candidates, the Group uses an internal Assessment Centre that aims to assess the transferable skills and communication abilities of the young candidates.

With a view to standardising the selection of candidates, a "Recruiting Grid" has been implemented in the HR departments of the various Group companies, aimed at supporting line managers involved in the selection of a new employee during the candidate interviewing process. In a nutshell, this initiative provides a series of prompts aimed at exploring if, and to what extent, the candidate possesses the managerial skills that characterise employees of the Recordati Group. During the interview, the manager draws on a series of suggestions on how to engage with the interviewee, such as how to pose questions and which aspects to develop further. Furthermore, the "Recruiting Grid" offers a number of positive and negative indicators to indicate whether a candidate possesses a certain skill.

In 2019, 780 new employees joined the Recordati Group, with an inbound turnover rate (the ratio between the number of new employees and the total Group workforce as at 31 December 2019) of approximately 18%, while the number of employees who left the company was 599 (with an outbound turnover rate - the ratio of number of people leaving the Group to total Group workforce as of 31 December 2019 - of around 14%).

*Subdivision of total employees entering and leaving the company by gender and age, as of 31 December*

Number of employees	2019					2018				
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
<b>New employees entering the Group</b>										
Men	113	229	39	381	16%	84	209	32	325	14%
Women	150	209	40	399	20%	101	208	19	328	18%
Total	263	438	79	780	18%	185	417	51	653	16%
Turnover %	56%	16%	7%	18%		42%	16%	5%	16%	
<b>Employees leaving the Group</b>										
Men	55	164	62	281	12%	50	245	51	346	15%
Women	85	194	39	318	16%	70	238	33	341	18%
Total	140	358	101	599	14%	120	483	84	687	17%
Turnover %	30%	13%	9%	14%		27%	18%	8%	17%	

*Subdivision of employees entering and leaving the company by gender, age and location, as of 31 December 2019*

Number of employees	2019									
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
<b>Employees joining the Group - Europe</b>					<b>Employees leaving the Group - Europe</b>					
Men	52	118	34	204	13%	27	76	54	157	10%
Women	59	115	33	207	17%	28	93	34	155	12%
Total	111	233	67	411	15%	55	169	88	312	11%
Turnover %	60%	15%	6%	15%		30%	11%	8%	11%	
<b>Employees joining the Group - Australasia</b>					<b>Employees leaving the Group - Australasia</b>					
Men	40	77	1	118	19%	18	66	3	87	14%

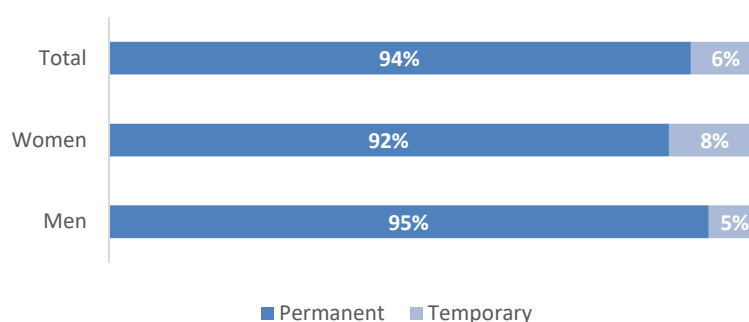
Women	27	71	4	102	<b>23%</b>	17	73	4	94	<b>21%</b>
Total	67	148	5	220	<b>21%</b>	35	139	7	181	<b>17%</b>
<b>Turnover %</b>	<b>44%</b>	<b>17%</b>	<b>10%</b>	<b>21%</b>		<b>23%</b>	<b>16%</b>	<b>15%</b>	<b>17%</b>	
Employees joining the Group - Africa					Employees leaving the Group - Africa					
Men	21	24	1	46	<b>26%</b>	10	21	1	32	<b>18%</b>
Women	63	18	0	81	<b>36%</b>	38	23	0	61	<b>27%</b>
Total	84	42	1	127	<b>31%</b>	48	44	1	93	<b>23%</b>
<b>Turnover %</b>	<b>64%</b>	<b>16%</b>	<b>6%</b>	<b>31%</b>		<b>37%</b>	<b>17%</b>	<b>6%</b>	<b>23%</b>	
Employees joining the Group - America					Employees leaving the Group - America					
Men	0	10	3	13	<b>36%</b>	0	1	4	5	<b>14%</b>
Women	1	5	3	9	<b>31%</b>	2	5	1	8	<b>28%</b>
Total	1	15	6	22	<b>34%</b>	2	6	5	13	<b>20%</b>
<b>Turnover %</b>	<b>50%</b>	<b>45%</b>	<b>20%</b>	<b>34%</b>		<b>100%</b>	<b>18%</b>	<b>17%</b>	<b>20%</b>	

The Recordati Group believes that offering a stable and long-lasting working relationship is an important factor to promoting employee motivation and represents an essential element of the Group's growth and economic development. For this reason, 94% of all resources are recruited on permanent contracts while 6% are on temporary contracts, in line with previous years.

*Subdivision of employees by contract type (permanent or temporary) and gender, as of 31 December*

Number of employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent Contracts	2,262	1,782	<b>4,044</b>	2,165	1,718	<b>3,883</b>
Temporary Contracts	114	165	<b>279</b>	111	148	<b>259</b>
Total	<b>2,376</b>	<b>1,947</b>	<b>4,323</b>	<b>2,276</b>	<b>1,866</b>	<b>4,142</b>

*Percentage subdivision of employees by contract type (permanent or temporary) and gender, as of 31 December 2019*



In order to promote continuous improvement aimed at optimising the sharing of information regarding human resources, in 2017 a feasibility study was launched to assess the possibility of creating a centralised database, with the aim of collating the information (name, contract and wage) of all Group employees and implementing initiatives aimed at promoting maximum intra-group cooperation. In the two-year period 2018 -2019 assessment activities were continued with the selected partner, a leading multinational HR service provider, prioritising the



installation of the HR Administration platform for the Parent Company, with the aim of using it as a basis for the construction of a Group database.

#### 4.2. Diversity and equal opportunities

As stated in the Code of Ethics, the Recordati Group is committed to offering equal working opportunities without any discrimination based on ethnic background, age, sexual orientation, physical or mental disability, nationality, religious beliefs or membership of political parties or unions, and guarantees all employees equal and meritocratic treatment. Furthermore, the Code of Ethics states the Group's commitment to *"the respect for basic human rights, the prevention of child exploitation and the prohibition of forced or enslaved labour"* in compliance with the Conventions of the International Labour Organisation.

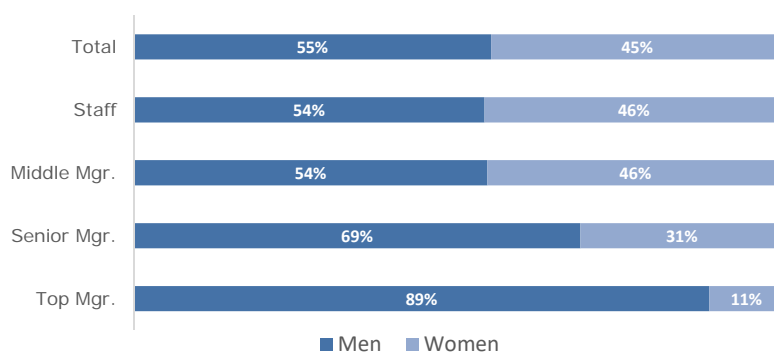
As such, all Group departments are committed to: adopting criteria based on merit, skills and professionalism; selecting, recruiting, training, rewarding and managing employees without discrimination; promoting the integration of employees from other countries.

The Group has a good gender balance, with 55% of employees represented by men and 45% represented by women. The workforce is evenly divided by professional category and the gender balance remains broadly in line with previous years.

*Subdivision of Group employees by professional level and gender, as of 31 December*

Number of employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Top Manager	31	4	35	167	72	239
Senior managers	134	61	195			
Middle managers	351	294	645	382	359	741
Staff	1,860	1,588	3,448	1,727	1,435	3,162
<b>Total</b>	<b>2,376</b>	<b>1,947</b>	<b>4,323</b>	<b>2,276</b>	<b>1,866</b>	<b>4,142</b>

*Percentage breakdown of Group employees by professional level and gender, as of 31 December 2019*



The Recordati Group always aims to ensure the maximum respect for the human rights of its employees. In this context, the Group's Code of Ethics states that a constant commitment to promoting and consolidating the culture of a safe working environment is one of the fundamental principles of the human resources management policy,

aimed at implementing practices and preventative measures to protect the physical and psychological health and safety all Group employees.

All company departments of the Group are committed to creating a working environment where the personal characteristics of individual employees do not form the basis for discrimination of any kind. As such, in compliance with the Conventions of the International Labour Organisation, the Group is committed to respecting basic human rights such as the prevention of child exploitation and the prohibition of forced or enslaved labour. Furthermore, the Group is committed to ensuring a healthy, clean and pollution-free environment in all of its sites and plants. In its internal and external working relations, the Group prohibits all cases of subjugation by violence, threat, deceit, abuse of authority, harassment of any kind, or exploration of a physical or psychological vulnerability or vulnerable situation.

Managers across all company departments constantly monitor compliance with the provisions of the Code of Ethics and are committed to intervening promptly in the event of any situation that could potentially result in breaches to the conduct required and promoted by the Group. With reference to the management models adopted by the Group to protect the human rights of its employees, the Group has integrated a management policy which promotes the concept of inclusion, respects diversity and gives all employees a voice in order that every contribution be heard and considered.

As regards industrial relations, the Recordati Group guarantees the right to join unions and collective bargaining rights in all the Countries where it is operative in compliance with current legislation. The Group adopts positive and constructive conduct and policies towards workers' representative organisations and trade unions.

Recordati therefore guarantees the right of workers to join and form trade unions, supports alternative means of union association and collective bargaining and ensures that trade union representatives are not discriminated against in the workplace and can communicate freely with their members in full compliance with local legislation. Recordati group companies have an industrial relations system based on involving employees and their representatives in the pursuit of the company's goals, ensuring constant monitoring of the objectives to be achieved. It is based on dialogue and continued discussion, characterized by correct and transparent relations and aimed at increasing the company's competitiveness and maximum employment.

Approximately 60% of the Group workforce, predominantly located in western Europe, is covered by a collective labour agreement. The solutions and behaviour adopted in the various countries in which the Group operates are in line with the social and institutional context and local legislation, and are always consistent with the fundamental principles of the Code of Ethics and with the Group's needs.

### 4.3. Employee welfare

The Recordati Group believes that the welfare of its employees is a key element to achieving company targets. In general terms, welfare initiatives vary between countries due to the specific characteristics of different states (regulatory framework, availability of public services etc.) and the existence of previous agreements developed by the various corporate entities before they became part of the Group. At Recordati corporate welfare is "the system of non-monetary benefits designed to increase the individual and family well-being of employees from an economic and social point of view" and is part of a wider strategy aimed at managerial innovation and corporate social responsibility and represents a tool to improve relations with employees and internal stakeholders while also developing human, social and relational capital.

The definition of company welfare includes both benefits, which represent resources allocated by the employer to meet the social security and welfare needs of employees (e.g. contribution to a health care plan), and "perks", which consist of goods or services made available to employees (e.g. company car, canteen or ticket restaurant).

Driven by a growing demand for services from workers and in light of the significant tax benefits recognised by current legislation, the Parent Company has implemented the company welfare system provided to its employees, with a view to a total reward policy, in which monetary instruments (salary and variable remuneration) are combined with non-monetary instruments (benefits and perks) to pursue objectives of tax and contribution optimisation, loyalty, motivation and attraction of human resources and the construction of a solid and lasting "company identity".

Regardless of format, every welfare initiative implemented by the Recordati Group aims to achieve both tangible and intangible results relating to the management of employee relations. In particular, these initiatives aim to promote:

- the maintenance of a healthy and positive working environment and life for all employees;
- the increase in engagement of human resources in the context of corporate activities and, more generally, an improvement in the quality of internal relations;
- a positive level of motivation resulting in a consistent professional contribution to individual and Group productivity;
- stable relations and a strong sense of belonging among employees;
- the reduction in turnover and, in terms of Employer Branding, an increasingly attractive and visible corporate profile on the employment market, particularly within the highly selective and competitive contexts within which the Recordati Group operates.

In its approach to employee welfare initiatives, the Recordati Group has always retained a strong belief in the importance of closely supporting employees and their families, offering concrete and proactive assistance particularly in the case of serious health concerns.

To this end, the increased focus on employee welfare at a corporate level in recent months led the Group to commission an external consultancy firm to produce a report on the various welfare systems in Italy's pharmaceutical sector. This report highlighted that the welfare package offered by the Recordati Group is in line with the other companies in the sample for its wide range of additional benefits; these include technical and specialist training programmes, language courses, preventive medicine initiatives (such as flu vaccines and in-house specialist appointments), membership of professional institutions, agreements with suppliers (such as public transport operators), company canteens, company vehicles and various health insurance packages. Based on these findings, the short-term goal is to develop a benefits scheme that further broadens the current welfare system, ensuring constant alignment with the needs of the Group's workforce while also achieving the expected results.

In 2018, the Parent Group launched a flexible benefits system: this system represents an alternative remuneration method for employed work consisting of a range of goods, services and non-financial benefits offered by the Group to its employees in addition to their "standard" wage package, in order to increase employees' buying power and improve their quality of life. More specifically, this system replaces a percentage of the overall remuneration package with goods and/or services which are usually purchased externally by the employee to meet their personal or family requirements, ranging from grocery or fuel vouchers and the reimbursement of medical or school fees for the employee or their family members, to membership to recreational initiatives and support for the care of elderly relatives. The term "flexible benefits" refers to a fixed allowance allocated to employees that can be "spent" freely on the goods and services which best correspond to their individual requirements.

This package has been designed to offer the broadest possible variety of options, meeting the different needs of a population characterised by diverse ages and requirements

The company's welfare offer includes an IT platform which allows Recordati's employees to use the amounts allocated for welfare in the following manner:

- choose a service from among the suppliers that have an agreement with the Company operating the services - and if there are suppliers that do not have an agreement, there is the possibility of requesting

new agreements - and paying for it with the amount available in their individual account without any cash advance;

- use a supplier not on the platform and then "upload on the platform" the relevant paid invoice; in this case there will be a refund of the paid receipt.

In 2019, on the one hand, the existing system was consolidated- managed through a dedicated platform - and, on the other, evaluations aimed at further expanding the range of services offered were started, so as to constantly meet workers' needs. The objective, after consolidation at corporate level, is to evaluate its possible expansion to other Group concerns, again in line with the specific local regulations, so as to make it a means of further harmonization. For this reason, the launch of a project to map the benefits (and related legislation) for each country where the Group is present is being studied at Group level.

With the aim of promoting work-life balance, a study will also be carried out in 2020 to assess the feasibility - technical and organizational -- of implementing flexible working tools for employees.

At a contractual level, 89 people opted for *part-time* contracts, with a reduction of 9% compared to 2018. 84% of employees on part-time contracts are women.

*Breakdown of employees by professional type (full or part time) and gender, as of 31 December*

Number of employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Part Time	14	75	<b>89</b>	18	80	<b>98</b>
Full Time	2,362	1,872	<b>4,234</b>	2,258	1,786	<b>4,044</b>
Total	<b>2,376</b>	<b>1,947</b>	<b>4,323</b>	<b>2,276</b>	<b>1,866</b>	<b>4,142</b>

### *Remuneration system*

The remuneration system of the Recordati Group is based on the meritocratic "Pay for performance" principle and has been designed to encourage and reward high levels of performance, aligning managers' interests with those of our shareholders. The remuneration strategy aims to ensure that pay corresponds to the responsibilities of each role and individual performance, optimising and retaining key resources while remaining in line with national employment legislation. The remuneration system is composed of basic pay, variable short-term compensation (variable annual bonus), additional benefits (pension contributions, reimbursement of medical expenses, etc.) and variable mid-to-long term compensation (principally represented by stock option plans). The variable short and mid-to-long term payments are subject to the achievement of financial results which are measurable, quantifiable and made known to beneficiaries.

In 2019 an assessment was carried out at Group level - by a leading consulting firm in the compensation field - of the existing MBO system; a number of important changes were introduced (in relation to the calculation mechanism, target and payout) -through the benchmark with the reference market and the subsequent design, which will initially be applied to the population of Top Managers starting from 2020 - aimed at increasingly valorising and rewarding the best performance, aligning the interests of managers with those of shareholders, and rewarding ad hoc acquisitions and integrations.

The Group's remuneration policy aims to guarantee equal conditions for men and women across all professional levels, rewarding merit and the ability to fulfil the assigned role and meet defined objectives.

In terms of remuneration, the ratio between the average basic salary of female employees and male employees is 87% at Senior Management level, 95% at Middle Management level and 96% for all other employee categories. Instead, in terms of total<sup>11</sup> remuneration, the ratio is 84% for Senior Managers, 92% for Middle Managers and

93% for all other employee categories. At the Top Manager level, instead, the ratio is 107% in terms of basic salary and 110% in terms of total remuneration.

*Ratio between basic salary and total remuneration<sup>11</sup> for men and women by professional level, for Italian and foreign companies of the Recordati Group, as at 31 December 2019*

Ratio between women and men	2019		2018	
	Basic Salary	Total Remuneration	Basic Salary	Total Remuneration
Top managers	107%	110%	70%	71%
Senior managers	87%	84%		
Middle managers	95%	92%	94%	87%
Staff	96%	93%	98%	90%

#### *Principle internal engagement initiatives*

The MBO system plays a key role in the definition of internal engagement and sharing initiatives, aimed at directing the Group's results and the energies and efforts of senior managers and middle managers towards a common goal through the definition of clear, challenging and shared objectives.

In terms of "soft" initiatives, significant importance is placed on the Recordati style of management. Developed through the identification of the distinctive managerial skills that have characterised the Group's evolution over the years and which will continue to overcome future challenges, this managerial approach is implemented through the skills appraisal process which promotes the sharing and discussion of assessments between the "assessor" and the "assessee" (manager and collaborator) in order to optimise and promote Recordati's distinctive managerial style.

Through the combination of MBOs and appraisals, managers are assessed in terms "what" they have achieved (individual targets assigned by the Group) and "how" these achievements are reached (conduct which displays the use of managerial skills).

More generally, the principle internal engagement initiative is the Management Meeting of the Recordati Group, held each year in Milan. This meeting represents an opportunity for debate and discussion between Managers from all Group companies and features a series of presentations given by Senior Managers or important figures in the pharmaceutical industry about the Group's results, the advancement of activities, the development of the business and its products and, more generally, any new initiatives which have been launched or are in development.

Achieved targets are discussed and future strategies and developments are defined and reinforced. At the end of the day, a much anticipated and appreciated Awards Ceremony is held to reward the best scientific contributors from each branch. Furthermore, the sector meetings held by each company department with representatives of foreign branches are a smaller-scale but equally important method of the sharing of methods and tools. Developed as part of the launch of new projects, these events now represent an essential opportunity for debate and orientation, aiming to promote a shared approach and develop the sense of Group belonging in an increasingly complex and multicultural context. At a local level, conventions are organised for local management

<sup>11</sup> The variable component of total remuneration differs between Italian and foreign companies. In Italy, this variable component is predominantly composed of MBO programmes (available for all senior managers and around half of all middle managers) and the participation bonus offered to all Middle Managers and employees except Senior Managers. Foreign Companies manage the variable component independently through packages similar to MBO programmes which are offered to all employees in line with local regulations.

teams and staff operating in commercial facilities “in the field” (scientific consultants and area managers), representing important opportunities for sharing best practices and discussing commercial themes and products.

One of the most important initiatives of an informative nature is the “Inside Recordati” magazine. Presenting the Group’s activities and distributed to all employees, the publication features news articles and describes the events and initiatives that have characterised the Group during the given period.

As regards the most recent hires in the Recordati Group, an induction process is now carried out at corporate level. For employees of the Parent Company, this programme consists of a day-long course for new hires which takes place within six months of recruitment, enabling resources to have developed direct knowledge of the company structure before being guided by HR to receive a comprehensive overview of the organisation of the Recordati group.

The day course is usually introduced by the Human Resources Manager who explains the Group policies, after which presentations are given to provide background information on the organisational structure, history and characteristics of the company. The morning is brought to a close by a session centred around the Communications and Investor Relations department. The rest of the day consists of talks given by managers of various departments to illustrate the activities and processes of the various *business* areas. This provides an ideal opportunity for new hires to ask questions or seek clarifications on the business model and the company's adopted policies.

In the second half of the day, a visit is made to the Milan plant, offering a constructive method of learning about the organisation and its processes.

For new resources recruited to sites outside Italy, an individual induction process is carried out at corporate level each time a new employee is appointed to the local Management Team; shortly after hiring, the new member is invited to the head offices to meet the managers of the main departments with whom they will interact as a result of their role, giving both parties an opportunity to get to know one another and also providing an overview of the department's key activities and priorities.

#### 4.4. Training and development of human capital

The Group considers the development of human capital as an important professional and personal process that enables employees to understand the key skills required by their role and develop their personal growth through individual training, on-the-job training, coaching, mentoring and one-to-one counselling.

In this respect, the main initiatives promoted by the Group throughout the year have aimed to define and develop the technical, managerial and linguistic skills of managers, as well as offer training programmes to develop specialised and professional skills.

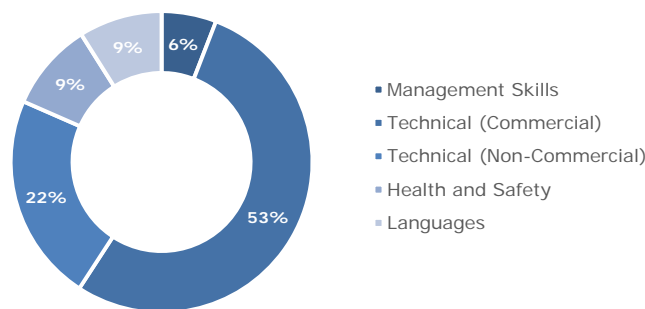
During 2019 the Recordati Group provided over 114,000 hours of training to its employees, an increase on the previous year, equating to 26.4 hours of training pro capita. In particular, 74% of all training hours was provided to staff, 21% to Middle Managers and 5% to Senior Managers. Various types of training courses were offered including management skills, technical commercial skills, technical non-commercial skills, languages and health and safety. For all types, training increased compared to the previous year; in particular, the over 60,000 hours of “commercial” training, dedicated mainly to External Sales Force, one of the Group’s driving forces of performance, are worth note.

*Breakdown of pro capita training time provided to employees according to professional level and gender*

2019	2018
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Average number of hours	Average number of hours Men	Average number of hours Women	Average number of hours Total	Average number of hours Men	Average number of hours Women	Average number of hours Total
Top Manager	9.5	10.8	<b>9.6</b>	16.8	25.9	<b>19.6</b>
Senior managers	28.6	34.9	<b>30.5</b>			
Middle managers	40.0	32.4	<b>36.5</b>			
Staff	27.0	21.5	<b>24.5</b>	23.4	17.6	<b>20.8</b>
Total	<b>28.8</b>	<b>23.6</b>	<b>26.4</b>	<b>22.7</b>	<b>18.2</b>	<b>20.6</b>

Percentage breakdown of training hours provided to employees by training type, 2019



The intense expansion and internationalisation project of the Recordati Group has led to the need to develop a system to better understand, evaluate and optimise the Group’s human capital. In this regard, in the last few years the Recordati Group has launched a skills evaluation project which is currently being consolidated in Italy and throughout the Group’s international branches. The initiative aims to identify, evaluate, optimise and promote the key skills that have characterised the Group’s evolution over the years and which will continue to contribute to the Group’s success as it confronts new challenges. This is not a simple assessment of performance, which could result in attitudes not in line with the spirit of the project but is an assessment of skills aimed at promoting the continuous development of the Group and the professional growth of each employee. To manage the individual evaluation process, the Recordati Group has implemented a cloud-based platform (which in 2018 was replaced with a new, more user-friendly platform with more comprehensive and effective reporting capabilities) in order to ensure standardised procedures, ease of use and the possibility of carrying out assessments involving numerous assessors (but nonetheless respecting the corporate hierarchy) and personalising forms, fields and messages at a global Group level. The project’s aim is to promote the professional growth of each employee and ensure the continued development of the Group. Managers assess their collaborators based on skills observed during their working activities. The initial assessment is then reviewed by the manager’s superior or the department manager at corporate level. At the end of the assessment period, an internal committee analyses the results and mitigates any elements of subjectivity (calibration phase). The appraisal process is concluded by a meeting between the assessor and the assessed employee in order to share and discuss the results. The Recordati Group has also constructed a *Competency Model* that links the observed behaviour with a soft skill. Based on these evaluations, the system automatically generates a development programme (accessible on the cloud platform) for each employee to develop any skills that fall below a certain threshold. Finally, the system automatically forwards these proposals to the assessor who is then free to make amendments, additions or alternatives to the plan. This is the truly innovative aspect of the system and has been deemed highly effective by the HR Innovation Practice Observatory of Milan Polytechnic University.

For “top performers”, career and retention plans are defined while “poor performers” are offered programmes to improve their managerial skills. In the future, the same assessment approach will be extended to technical skills

as defined by the analysis of the roles in each country. The appraisal system enables all employees to gain a better understanding of their role and helps to construct a development plan. Employees with the required skills and experience may be offered opportunities to develop their role and enhance their performance. Specific tools to assess soft and transversal skills are used to evaluate whether a change of role is appropriate and identify any training that may be required to best encourage professional development.

2019 was characterised by an initial phase of expansion of the population subject to assessment: in particular, in addition to the constant updating of the managerial population resulting from the Group's organisational changes, the new assessment period - for the branches in Ireland, Spain and Portugal - included the "second level" managerial population, i.e. the department managers reporting directly to the members of the Country Management Teams (direct reports to the Country General Manager) of each branch.

In the two-year period 2018-2019, training continued in the same vein as in 2017, with individual training courses (ad hoc courses designed around an individual's needs) and departmental initiatives (ITIL - Information Technology Infrastructure Library - and Prince - Projects in Controlled Environments - for the entire IT team, Project Management for the Auditing team, promotion of best practices and insights on opportunities of the future market scenario for the sales force in terms of Products for Consumers), as well as initiatives aimed at broader areas of the company workforce ("lean organisation" techniques, waste-free culture, IT security training delivered to all employees at the Milan branch in 2018 and then rolled out to the entire External Sales Force).

Following the assessments made in the two-year period 2018-2019 various training and professional development initiatives were implemented. Many of these involved individual initiatives, such as the management coaching tool aimed at professionals operating in Italy and abroad. In most cases these initiatives were aimed at valued resources whose commitment to the Group has been recognised, offering the opportunity to further improve their performance by developing certain management skills such as assertiveness, leadership abilities or organisational and management skills. All of the projects are implemented with the involvement - from the planning stage onwards - of the manager concerned, the line manager and the HR department at corporate or branch level.

Managerial coaching is sometimes combined with technical coaching, either individually or in mini-groups,

The other projects covering 2018 and 2019 concerned:

- corporate Pharmaceutical Research and Development and the corresponding structures of the operating branches within Rare Diseases: an organisation of activities and projects was defined to effectively support the integration between branches and parent company and - through an ad hoc training course - the foundations were laid for a working method, inspired by a "matrix" model;
- the design and implementation by the HR Department, of a 360° feedback system aimed at providing the employees involved with feedback from their line Manager, colleagues in their own department and in other business units, and collaborators for comparison with their own self-appraisal, technically managed via a cloud-based platform.

In 2019, a number of ad hoc transversal training projects were also realised at Corporate level, based on the specific needs of the individual corporate Departments, particularly in the Procurement and Supply Chain area.

For the business units operating in the Procurement sector, the need to increase the effectiveness and efficiency of processes was identified: for this reason, a training plan was designed to allow participants to study in-depth topics such as the design and management of the supplier register, the identification of a Reporting and KPI system, and the construction of Key Risk Indicators. This was followed - for each topic - by a complex system of operational workshops, aimed at developing ad hoc indicators and tools, based on specific and concrete needs. The project, which involved all the employees present in the structure, also made it possible to build a shared culture in terms of skills, processes and vocabulary, thus facilitating work within the teams.



Within the Supply Chain business unit, a different plan was then built, with the aim of further developing professionalism and standardizing the skills of the team involved in process management, particularly in the transport sector.

The project illustrated the topics starting from an introduction to the regulations governing national and international transport, to then examine how to set up an analysis in the transport area, to then assess the operators (who they are and what they do) and see how a tariff is constructed in its essential components. The expected output was the measurement of activity performance: this objective was achieved in the classroom, also by discussing a practical case, aimed at implementing this measurement by identifying the appropriate KPIs.

To complete the two initiatives mentioned above, targeted specialization courses (masters) were identified, with technical content, for some employees with professional growth potential.

With regard to operations involving broader sections of the corporate population, in 2019 the first of the courses related to GDPR (General Data Protection Regulation) was launched: the course was provided by a school specialized in e-learning. The first wave involved all the employees of the Milan and Campoverde offices, while the External Sales Forces will be involved in 2020, with a dedicated action.

In addition, again with reference to transversal issues, involving several corporate structures, an in-house training session was organized on updates on clinical trial regulations.

In line with the Group's constant expansion abroad, for many years now the Group has continued to provide language training for employees who need to improve their knowledge of languages, particularly English. This training takes place both through one-to-one individual courses and online courses on dedicated platforms for individual and group lessons. In addition, for some people who needed to improve their knowledge of English significantly and rapidly, targeted residential projects in the UK were launched.

Completing the corporate training activities in 2019, two other transversal courses were provided on the use of Microsoft application software (in particular Excel and MS Project).

As a Group initiative, a training project (to be held in-house at the Parent Company) for "Newly Appointed Team Managers" is being prepared - involving the HR departments of the branches - with the aim of giving the employees involved the managerial tools and professional creativity to best interpret the transition from a role of "professional" to one of "manager and developer of employee potential".

The course will include a series of highly interactive days in the classroom, during which theoretical concepts will be shared together with practical tools for understanding and implementing all the main levers characterising personnel management.

Starting from the individual interpretation of the role of team manager, the work will focus on a managerial style in line with the needs and characteristics of the Recordati organization ("Being a Manager & Being a Manager in Recordati"). In this perspective, a series of interventions by some Top Managers of the organization will also be planned.

Ad hoc training projects have also been launched in foreign branches, depending on specific local needs. Some branches focused on commercial training and training - aimed at area managers - related to team management, motivation and development:

- in Russia, a training course has been created to share the best sales skills with the Area Managers who manage the Sales Force in the country;
- in France, a training programme has been developed for the network managing OTC products, also aimed at further improving commercial advertising;
- in Czech Republic and Poland the technical sales skills of the Area Managers have been integrated with people management skills, with a focus on motivation and communication.

A different type of programme was implemented in the German and Turkish subsidiaries respectively, where two projects were launched aimed at further developing the leadership skills of the Country Management Team:

- in Germany the Country Management Team has tried to identify a shared leadership style, with the aim of enhancing the shared vision and direction of the management team, especially since the arrival of the new General Manager;
- in Turkey, instead, the concepts of emotional leadership were developed to work on relational skills which, at this time of expansion of the organization, are particularly important to ensure the management and growth of employees in the face of new challenges.

#### 4.5. Health and safety in the workplace<sup>12</sup>

The Recordati Group recognises that the protection of the health and safety of its workers is a key priority and responsibility. The Group is committed to implementing a policy to promote initiatives aimed at preventing work-related accidents and diseases, minimising the risks that may impact the health and safety of employees and other workers and providing appropriate technical, financial, human and professional resources.

As stated in the Code of Ethics, the Group is committed to *“promoting and consolidating a culture of safety, raising awareness of risks, promoting responsible behaviour among all Recipients and working to protect the health and safety of those operating for the Company, including by preventive measures. All company activities are carried out in compliance with current legislation regarding risk prevention and protection, with a constant focus on the improvement of workplace health and safety conditions”*.

At the Group’s production sites, independently of the nature and purpose of the activities carried out, the prevention measures provided for by local legislation apply, aimed at ensuring the constant improvement of workplace health and safety conditions. To this end, technical and organisational measures are implemented, such as:

- the introduction of an integrated risk management and security system;
- continuous assessment of the risks and critical issues and the resources to be protected;
- the continuous maintenance and adoption of advanced technologies to prevent the emergence of risks relating to workers’ health and safety;
- the review and updating of working practices;
- the provision of training and communications initiatives;
- the adoption of appropriate emergency procedures and health check protocols.

All Recordati employees, particularly department Managers, are constantly reminded to employ the maximum care in performing their activities, strictly observing any safety and prevention measures established and avoiding any possible risks to themselves or their collaborators and colleagues.

In this respect, the Group aims to promote responsibility among the management team through the definition of health and safety roles and responsibilities, and each production plant has a level of autonomy over its health and safety budget. In particular, the person in charge of health and safety oversees working activities and ensures

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<sup>12</sup> The scope of data relative to health and safety and the principle accident indicators, in line with the 2018 accounts include:

- employees at the Group's production plants in Italy - Campoverde di Aprilia (Recordati S.p.A.), Ireland (Recordati Ireland Ltd), Czech Republic (Herbacos Recordati S.R.O.), Turkey (Recordati İLAÇ ve Hammaddeleri Sanayi ve Ticaret A.S.) and France - Nanterre (Recordati Rare Diseases S.à R.L)

- employees at production plants and commercial offices in the following sites: Italia - Milan (Recordati S.p.A. and Innova Pharma S.p.A.), Spain (Casen Recordati S.L.), Tunisia (Opalia Pharma) and France – Bouchara (Laboratoires Bouchara Recordati S.a.s.).

However, a reporting system is currently being developed to process data regarding the workforce at all of the Group's offices and commercial sites.

compliance with any received directives, verifying their correct implementation by workers and using personal initiative to carry out their role. In this regard, the Recordati Group complies with the regulations issued by industry certification bodies as in the case of the Tunisian pharmaceutical production plant that employs an OHSAS 18001-certified Management System.

Activities at each production site are controlled and monitored through inspections and audits.

In particular, in 2018 the production plant in Cork, Ireland received an inspection from the company Ramboll regarding the health and safety procedures in place at the site. The inspection did not reveal any irregularities and the report certifying the plant's compliance with health and safety regulations has been defined.

At the Campoverde di Aprilia plant, in order to prevent the occurrence of accidents a series of preventive measures relating to equipment, operating processes, management systems and procedures has been implemented, including a computerised control system for various devices, the installation of locking devices on certain equipment, safety valves for exhaust devices, air pollution control devices and systems to detect the presence of dangerous substances in the atmosphere. Moreover, dedicated fire prevention systems are available on site such as fire-fighting vehicles and portable fire extinguishers.

Finally, in order to reduce the risk of "man-machine" contact and therefore to ensure greater safety of packaging lines, additional guards have been installed.

In all production sites there is a procedure in place for the management of accidents defined as "near misses", i.e. any work-related event that could have caused an injury or damage (illness) but did not produce it: therefore an event that has the potential to produce an injury. The procedure involves filling in specific forms, investigating what happened and identifying the corrective measures to be implemented to avoid the occurrence of the event and reduce the related risk.

In the Group's chemical-pharmaceutical and pharmaceutical plants, various health and safety risk assessment activities were carried out in 2019:

- at the Milan plant, the assessment of various risk categories, with particular reference to chemical risk, was updated using two different methodologies: MOVARISK for the production departments and ANARCHIM for the laboratories.

Risk assessments were also carried out for the following issues: vibrations, repetitive movements, personnel travelling abroad, use of technical gases (risk of asphyxiation), biological legionella, noise, manual traction and pushing.

All updates will be integrated into the risk assessment document which is currently under review.

Following updating of the analyses, in the event of intervention by external companies lasting more than 5 man-days, a specific interference risk assessment document is required, which is shared with the company responsible for the activity. To allow entry, companies must provide the documentation required by the standard for both the company and the personnel involved in advance. The list of personnel authorized to enter is shared with the reception and all guests receive general information about the risks present in the company and the behaviour to adopt;

- at the Campoverde di Aprilia plant, a seismic risk assessment is currently being carried out for the entire site, based on a geological, geomorphological and hydro-geological study and a seismic model. Launched in 2017, the study involves a dynamic analysis aimed at determining any structural deformations or strains in the tanks containing the most hazardous or critical substances. In 2018 instead, the same study was conducted for all the other departments at the plant. The study was completed in 2019 with the seismic vulnerability check on the management office building and the gatekeeper's lodge, considered strategic in case of emergency.

A chronoprogramme has been sent to the CTR that foresees the seismic adaptation of the 6 most critical reservoirs for the accidental scenarios related thereto over the next three years.

- at the Campoverde di Aprilia pharmaceutical chemical plant some improvements have also been made to the loading systems for critical substances and also to some product unloading systems in order to further improve the protection of operators and the product itself.
- at the Cork plant, a study of the entire thionyl chloride handling cycle was completed in 2018, which led to the identification of a number of improvements made in 2019 in terms of equipment and procedures at the site for the handling phase of this chemical agent from its arrival at the site to its loading into the storage tank in order to further strengthen the protection of the chemical risk for employees and the public. Also included among the measures taken is the purchase of kits for the treatment of diphtherin spills
- In addition, a review of management activities/measures in the area of potentially explosive atmospheres (ATEX) and plant ageing was initiated at the Cork plant in 2019 to provide a risk-based approach for future asset maintenance projects.

During the year, the Group also implemented initiatives involving various production plants:

- at the Saint Victor site in France, a management system to regulate the management of workplace health and safety documentation was implemented, including training, safety procedures, risk assessments, operational instructions and the management of safety data sheets. Furthermore, in 2019, continuing from the previous year, the plant-based chemical products inventory, the corresponding safety data sheets and the specific chemical risk assessment software (SEIRICH) were updated. The software consolidates all of the data provided on the substance safety data sheets in order to assess the relative chemical risk. The assessment highlighted a lower risk level at the chemical laboratory than the Occupational Exposure Limit Value (“OELV”);
- The Milan plant obtained a renewal of the Fire Prevention Certificate issued by the Italian Fire Department which extends its validity until 12/04/2022. In the light of the regulatory update, a general assessment of the state of the building from the point of view of "fire prevention" is underway. Over the next few years, work is expected to be carried out on the construction of a new saturation extinguishing system for the storage of flammable liquids, expansion of the hydrant network, construction of a calm space and various interventions on the compartmenting of the buildings;
- in order to reduce the risk of asphyxiation related to the incorrect use of technical gases, fixed and/or portable oxygen percentage detection systems have been installed in rooms where nitrogen, a gas otherwise difficult to perceive, is used.

The Group’s focus on terms of health and safety is also consolidated through the regular use and review of its assets at its production sites. At the Milan plant, assessments were carried out in 2018 aimed at obtaining the Static Stability Certificate (Certificato di Idoneità Statica - CIS). The Buildings Regulation of the Municipality of Milan, in force from 26 November 2014, introduced new provisions concerning the “Maintenance and periodic review of buildings” and consisting of the granting of the CIS, a document certifying the structural resistance of the building’s supporting structure to the loads to which it is currently subjected, accompanied by an assessment of the condition of certain elements such as parapets, façades, walls, etc. On the basis of the results achieved, it is possible to determine the “supporting capacity” of the construction against the measures provided for by legislative measures at the time of construction, identifying any critical issues. In response to the above, at the Milan site the first phase of the evaluation was launched in 2018, consisting of a qualitative analysis of the production plant (first level assessment): document retrieval, geometric and typological surveys, load resistance assessments, crack surveys, temporal evolution analysis, maintenance assessment, assessment of interaction with external elements.

In 2018 the first assessment phase was completed and in 2019 the second phase continued, consisting of an analysis based on experimental and/or analytical surveys (second level assessment) according to the legislation in force at the time of construction. In 2020, in continuity with previous years, the data obtained will be entered into the dedicated management software.

The Recordati Group believes that the training and education of its employees is an essential instrument to ensure the prevention of health and safety risks. For this reason, each production plant implements training plans aimed at workers exposed to specific risks.

All personnel who work within the two chemical pharmaceutical plants (the Campoverde di Aprilia plant and the Cork plant) receive ongoing training in the application of GMPs, environmental protection procedures and workplace health and safety. New employees undergo a training period supported by experienced operators and theoretical lessons delivered by qualified personnel. The training activities at the plants are carried out according to the integrated Quality, Environmental and Safety Training Plan. The main health and safety training and educational activities focus on safety issues relating to the operational activities of managers, safety officers, the RLSSA (Work, Health and Safety and the Environment Representatives), vehicle operators, the emergency team, chemical operators and new employees.

The internal training and education programme was continued at the two chemical pharmaceutical plants in 2019. At the Campoverde di Aprilia factory, more than 1,800 hours of health and safety training was provided to all employees at all levels, in addition to 860 hours of specialist training dedicated to the internal emergency team. In particular, in the Campoverde di Aprilia plant in 2019, 370 people attended internal education and training courses, an increase on the 350 employees who attended in 2018. Instead, about 75 people took part in external training courses.

Specifically, at the Italian chemical-pharmaceutical plant the following training initiatives were carried out:

- refresher courses and practical exercises for the internal emergency team;
- training and education course for the use of industrial self-propelled trucks with on-board driver;
- training course on Major Accident Hazard with particular attention to the use of fire extinguishers in case of fire;
- training course on Significant Accident Hazard with special attention to ATEX Risks;
- specific training course for employees hired in the last two years on Chemical Risk, Machine Risk, ATEX Risk, Major Accident Risk and Chemical Plants;
- training and preparation for obtaining the toxic gas licence;
- periodic refresher course for Warned Persons (PAV), Experts (PES) and Suitable Persons (PEI);
- annual training course on critical incident risks (Legislative Decree no. 105/15) with particular attention to accidents and Chemical Risk.

Furthermore, in 2019 various pharmaceutical plants implemented numerous health and safety training programmes:

- in the Spanish site of Utebo in 2019 specific training sessions on the prevention of osteo-muscular pathologies for production, warehouse and maintenance employees were provided;
- at the French site in St. Victor, several training sessions were conducted on the following topics: awareness of musculoskeletal disorders, training on the prevention of disorders caused by noise in the workplace, training on the use of the defibrillator, safe driving certificate (CACES) for self-propelled industrial trucks;
- at the Milan site, a total of about 500 hours of health and safety training were provided with the involvement of all personnel on the following topics: training for new recruits, training and practical tests for emergency and first aid teams, correct use of PPE in the packaging department, correct use of PPE in laboratories, updating of Safety Officers and Managers, correct use of gases used in technical processes. In addition, the doctor in charge periodically promotes campaigns for prevention and promotion of health and safety in the workplace.

All work-related accidents and illnesses regarding the Group's production plants are recorded and managed through the quarterly report prepared by the Risk and Sustainability Control Committee. This system monitors key accident indicators and analyses the causes and circumstances of any incidents. Moreover, health and safety incidents are brought to the attention of the Group's senior management team at least once a year.

In all plants, in case of accidents at work, the HSE department is promptly informed to activate the specific management procedure. An inspection is carried out at the scene of the accident to discover the causes and identify the corrective measures to be implemented. Specifically at the Milan plant, there is an infirmary equipped for the management of first aid with the daily physical presence of qualified healthcare operators. The current Health Surveillance Protocol will be updated in 2020 based on the results of the risk assessment document.

*Number of accidents and Health and Safety indicators of Group employees by gender, country or production site in 2019*

Italy (Campoverde di Aprilia) – Chemical pharmaceutical production plant						
Injuries and Injury Index <sup>13</sup>	2019 <sup>14</sup>			2018		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	11	1	12	9	0	9
<i>Accidents during travel (No.)</i>	2	0	2	3	0	3
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	149.5	46.7	140.3	81.0	0	74.0
Frequency Index/Injury Rate (IR)	4.9	3.8	4.8	4.7	0	4.3
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	4.8%	1.8%	4.6%	5.0%	1.8%	4.7%
Ireland (Cork) - chemical pharmaceutical plant						
Injuries and Injury Index	2019			2018		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	0	0	0	0	1	1
<i>Accidents during travel (No.)</i>	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	0	0	0	0	390.5	175.7
Frequency Index/Injury Rate (IR)	0	0	0	0	4.3	1.9
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	2.6%	1.2%	2.1%	5.7%	5.4%	5.6%
Italy (Milan) - Pharmaceutical production plant and offices						
Injuries and Injury Index	2019			2018		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	3	1	4	6	2	8

<sup>13</sup>The severity index represents the ratio between the number of days lost due to professional injury/disease and the total number of working hours in the same period, multiplied by 200,000 (Source: *Sustainability Reporting Guidelines - Version GRI Standards, Global Reporting Initiative*).

The frequency index represents the ratio between the total number of injuries and the total number of hours worked in the same period, multiplied by 200,000 (Source: *Sustainability Reporting Guidelines - Version GRI Standards, Global Reporting Initiative*).

The occupational disease rate represents the ratio between the number of cases of work-related diseases and the number of hours worked in the same period, multiplied by 200,000 (Source: *Sustainability Reporting Guidelines - Version GRI Standards, Global Reporting Initiative*).

The absenteeism rate is the percentage of daily absences against the total number of working days in the same period (Source: *Sustainability Reporting Guidelines - Version GRI Standards, Global Reporting Initiative*).

<sup>14</sup> The days of absence related to the employees of the pharmaceutical chemical plant in Campoverde di Aprilia include 125 days lost in 2019 due to an accident occurred in 2018,

<i>Accidents during travel (No.)</i>	1	1	2	2	4	6
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	24.6	100.6	50.9	33.6	86.7	51.9
Frequency Index/Injury Rate (IR)	1.6	1.5	1.5	3.1	4.4	3.6
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	3.2%	3.3%	3.3%	2.7%	2.7%	2.7%
<b>Czech Republic - Pharmaceutical production plant</b>						
Injuries and Injury Index	<b>2019</b>			<b>2018</b>		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	0	2	2	0	0	0
<i>Accidents during travel (No.)</i>	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	0	0	0	0	0	0
Frequency Index/Injury Rate (IR)	0	19.3	15.4	0	0	0
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	0.0%	1.8%	1.5%	2.7%	6.5%	5.4%
<b>Spain <sup>15</sup></b>						
Injuries and Injury Index	<b>2019</b>			<b>2018</b>		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	3	7	10	2	4	6
<i>Accidents during travel (No.)</i>	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	30.2	46.4	38.0	14.3	9.1	11.7
Frequency Index/Injury Rate (IR)	2.2	5.4	3.8	1.5	3.2	2.4
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	2.7%	2.3%	2.5%	2.2%	5.6%	3.9%
<b>Tunisia <sup>16</sup></b>						
Injuries and Injury Index	<b>2019</b>			<b>2018</b>		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	8	5	13	4	3	7
<i>Accidents during travel (No.)</i>	0	1	1	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	43.1	9.1	24.2	23.6	6.1	18.8
Frequency Index/Injury Rate (IR)	4.1	2.6	3.3	2.4	1.7	2
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	3.1%	8.4%	6.0%	2.4%	3.9%	3.2%
<b>Turkey - Pharmaceutical production plant</b>						
Injuries and Injury Index	<b>2019</b>			<b>2018</b>		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	5	2	7	7	2	9
<i>Accidents during travel (No.)</i>	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	7.4	4.1	6.4	24.7	6.8	19.3
Frequency Index/Injury Rate (IR)	3.5	3.3	3.4	4.8	3.2	4.3
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	0.3%	0.4%	0.3%	0.3%	0.2%	0.3%

<sup>15</sup> The figures include the Spanish employees of the production plant and offices.

<sup>16</sup> The figures include the Tunisian employees of the production plant and offices.

France (Bouchara) <sup>17</sup>						
Injuries and Injury Index	2019			2018		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	8	8	16	1	4	5
<i>Accidents during travel (No.)</i>	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	1	1	0	1	1
Severity Index (Lost Day Rate LDR)	386.4	418.5	405.9	63.3	250.2	175.5
Frequency Index/Injury Rate (IR)	8.0	5.2	6.3	3.8	3.8	3.8
Occupational Disease Rate (ODR)	0	0.6	0.4	0	0	0
Absentee Rate (AR) (%)	7.0%	3.1%	4.6%	7.9%	6.0%	6.7%
France (Nanterre) - Distribution Centre (Recordati Rare Diseases)						
Injuries and Injury Index	2019			2018		
	Men	Women	Total	Men	Women	Total
<i>Accidents in the workplace (No.)</i>	0	0	0	0	0	0
<i>Accidents during travel (No.)</i>	1	0	1	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	36.7	0	17.1	0	0	0
Frequency Index/Injury Rate (IR)	12.4	0	5.9	0	0	0
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	3.1%	0.5%	1.6%	0.9%	0.5%	0.7%

<sup>17</sup> The figures include the French employees of the branch Laboratoires Bouchara Recordati S.a.s. the production plant and offices.



## 5. FOCUS ON THE ENVIRONMENT<sup>18</sup>

### 5.1. Commitment to environmental protection

As stated in the Code of Ethics, the Recordati Group considers environmental protection to be a vital component of its general approach to company activities aimed at supporting the sustainable development of the regions in which it operates. To this end, in the course of its operational management and activities the Group has adopted a policy aimed at reducing the negative impact that company activities may have on the environment and complying with all related legislative and regulatory requirements, including:

- the promotion of environmentally sustainable processes and procedures through the use of advanced environmental technology, energy efficiency and the sustainable use of resources;
- evaluation of the environmental impact of all company activities and processes;
- collaboration with stakeholders both internally (employees) and externally (institutions) to optimise the management of environmental issues;
- active employee participation through regular environmental training plans and the adoption of behavioural principles that have a positive impact on the environment in the course of operational activities;
- compliance with environmental protection standards through the implementation of appropriate management and monitoring systems.

The Group is committed to ensuring environmental sustainability at its production plants and all branches are required to comply with local legislation, minimising energy use and effectively managing water resources. Environmental sustainability compliance officers, whose roles include formal responsibilities with precise operational powers, are particularly important in this regard.

All of the Group's production sites hold the necessary environmental authorisations and ensuring compliance with said authorisations is an important part of the responsibilities of the management team at each site. The Recordati Group responds to any cases of increased environmental risk by implementing a series of internal inspections. The active pharmaceutical ingredients manufacturing plants of Campoverde di Aprilia and Cork are included in the European Pollutant Release and Transfer Register (E-PRTR), established on the basis of EC Regulation 166/2006. In addition, the Campoverde di Aprilia site is included in the national inventory of plants likely to cause major accidents, based on Italian Legislative Decree. 334/99, replaced by Italian Legislative Decree no. 105/2015, which transposed Directive 2012/18/EU. All the formalities arising from such inclusion are carried out regularly. In addition, the Campoverde di Aprilia plant, following voluntary notification to the competent authorities in 2001, in accordance with article 9 of Italian Ministerial Decree. 471/99, on the potential contamination of the soil and water of the site resulting from past industrial production, was included in 2001 in the provisional list, established in the same year, of contaminated sites in the Lazio Region; the administrative procedure started by the Company in 2004 following this communication is still pending, the Company is awaiting feedback from the local authorities. In the meantime, all the necessary containment measures and monitoring actions have continued to be implemented in connection with this historical contamination, in accordance with applicable regulations.

With reference to the aforementioned internal inspection plan, it should be noted that in 2019 the Campoverde di Aprilia plant received an environmental audit from a consulting firm and, in turn, carried out five environmental audits of intermediaries and waste disposal plants. Furthermore, the inspection aimed at renewing the environmental certificate ISO 14001 and monitoring the transition to the new ISO 14001:2015 regulation carried out in May 2019 by the accredited company DNV GL was particularly significant. The audit considered all areas of the system: current policy, planning, legal compliance, implementation and operation, monitoring, corrective

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<sup>18</sup>The information and data regarding environmental aspects (energy use, emissions, water use and waste) refer exclusively to the Group's production plants as such aspects are not deemed significant at other sites (with the exception of the Milan plant, where the energy consumption and relative emissions of the offices of the said plant were also considered).

action and review. The result confirmed the implementation by all Recordati personnel of the management system, which complies with the standards and the provisions of current legislation, therefore able to provide a high level of environmental protection and safety.

During the two days of the audit, the inspectors carried out an in-depth documentary check and an inspection of the plant, which highlighted, among the positive aspects, the continuous commitment to reducing environmental impact with particular attention to atmospheric emissions.

In fact, the new abatement system in operation for the Latina Wing, the project underway for the Rome Wing and the increase in emission monitoring systems were highlighted.

In the closing report of the inspection, no non-conformities were found, but only 2 observations of a formal nature and an opportunity for improvement.

The Campoverde di Aprilia plant also supplemented its training and information programme with specific training for the changes to the Environmental Management System associated with the application of the new standard ISO 14001:2015, informing employees at all levels of the plant's environmental policies, projects and objectives as well as the environmental risks associated with the plant's activities. The analysis conducted previously enabled the definition of the Risk Management procedure associated with the Site's Environmental Management, and thus the measures to be implemented in order to identify and assess the risks associated with the context and the interested parties, defining, if necessary, the mitigation actions to reduce the risk factors to an acceptable level.

These measures enable the organisation to gain:

- a better impression of the medical community and the market, and thus a potential increase in market competitiveness;
- a reduction in the costs related to production shut-offs following accidents and/or emergencies and associated with any remediation activities or the management of fires or other emergencies;
- a reduction in direct and indirect costs linked to disputes and/or complaints by Clients or the external Community, Environmental Associations, Supervisory Bodies, etc., relating to non-compliant atmospheric emissions, non-compliance waste, odour and noise emissions over the permitted limits, environmental remediation;
- a positive image to Customers and the medical community as a result of the reduction in environmental risks associated with its activities and compliance with legislation.

In addition to the environmental inspections, it is noted that:

- in the course of recent years, the chemical pharmaceutical plant in Cork has joined the Responsible Care initiative which aims to promote the continuous improvement in the chemical and pharmaceutical industry of all aspects that have a direct or indirect aspect on the environment, employees or the community. In this regard, in 2013 the site received the "Responsible Care Award" for SMEs from the European Chemical Industry Council (CEFIC) in recognition of the continuous improvements achieved by the site in the last five years. The plant's environmental system was developed to ensure full compliance with environmental legislation, regulated in Ireland by the Environmental Protection Agency (EPA), and is subject to regular inspections by EPA officers;
- as well as the Campoverde di Aprilia plant, it is noted that the production plant in Tunisia is also certified according to standard ISO 14001:2015;
- with the renovation of the offices on the 3rd and 4th floors at the Milan plant, the air conditioning systems serving them were replaced. This made it possible to replace the old machines with new, more energy-efficient machines fitted with inverters. The same intervention was made to the systems serving part of the offices on the 2nd floor.

## 5.2. Energy use and emissions

### Energy use

The Recordati Group manages the general use of energy resources through a range of initiatives to reduce energy use, with the aim of improving energy efficiency in all of the Group's industrial and commercial operations. The main energy resources used at the Group's production plants are electricity, natural gas, diesel and fuel oil. In 2019, the Group's plants consumed approximately 627 TJ, a slight increase of 2% compared to the previous year due to the overall increase in production volume.

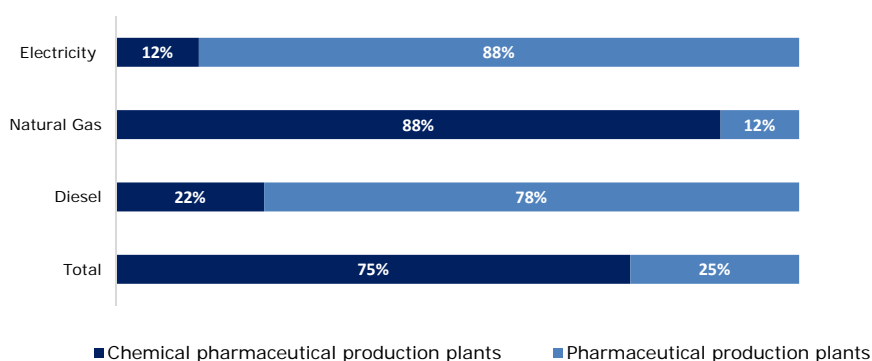
In consideration of this, thanks to continuous efforts to improve energy efficiency the increase in energy use is negligible and is not proportional to the increase in the Group's industrial production. In addition, it should be noted that the share of electricity purchased from renewable sources relates to the supply of electricity for the Milan and Cork plants and for the first year also the St. Victor (France) and Campoverde di Aprilia plants. Specifically for the plants in Italy (Campoverde di Aprilia and Milan), following a study on electricity consumption, the share of energy purchased from renewable sources was increased through an update to the supply contract which provides for the supply of electricity from renewable sources guaranteed by certificates of Guarantee of Origin for the entire year 2019. These changes in supply have led to a significant increase in the share of electricity purchased from renewable sources. The use of fuel oil, attributable to the distribution plant of the French subsidiary Recordati Rare Diseases based in Nanterre, is due for 2018 to the operation of the emergency generator due to a power failure. In contrast, no exceptional need of this kind occurred in 2019, which is why consumption of this fuel has not been recorded.

Energy use at the production plants of the Recordati Group by source <sup>19</sup>				
Type of fuel	Unit of measurement	2019	2018	% Variation
Purchased electricity	kWh	29,471,706	31,671,271	-6.9%
	GJ	106,098	114,017	
<i>originating from renewable sources<sup>20</sup></i>	kWh	10,022,377	1,498,981	569%
	GJ	36,081	5,396	
Natural Gas	m <sup>3</sup>	14,684,544	14,135,292	4.0%
	GJ	518,409	498,269	
Diesel	Litres	69,342.00	67,912.62	2.5%
	GJ	2,492	2,431	
Fuel oil	Litres	0	658	-100%
	GJ	0	27	
<b>Total</b>	<b>GJ</b>	<b>626,999</b>	<b>614,744</b>	<b>2%</b>

<sup>19</sup> Lower Calorific Value (LCV) of natural gas: 0.035 GJ/m<sup>3</sup>; average density of diesel: 0.838 kg/ltr; LCV of diesel: 42.87 GJ/ltr; average density of fuel oil: 0.98 kg/ltr; LCV of fuel oil: 41.007 GJ/ltr (Source: *Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2018*).

<sup>20</sup>The share of electricity purchased from renewable sources derives from the national energy mix and concerns the plants in Milan (Italy), Campoverde di Aprilia (Italy), Cork (Ireland) and St. Victor (France). However, only the supply of electricity from renewable sources from the Milan and Campoverde di Aprilia plants is guaranteed by certificates of Guarantee of Origin, and is therefore not included in the calculation of Scope 2 emissions (according to the "Market based" approach).

Percentage subdivision of electricity use by production plants, subdivided by usage and type of plant, 2019



Energy use in pharmaceutical production plants was recorded at approximately 155 TJ (25% of the total), in line with the values for 2018. Compared to chemical pharmaceutical plants, pharmaceutical plants used higher quantities of diesel (78% of the diesel consumed by the Group) to produce electricity and more electricity was bought from the national grid. However, in 2019 energy use by the Group's chemical pharmaceutical production plants was 472 TJ (75% of the total), a slight increase on the previous year.

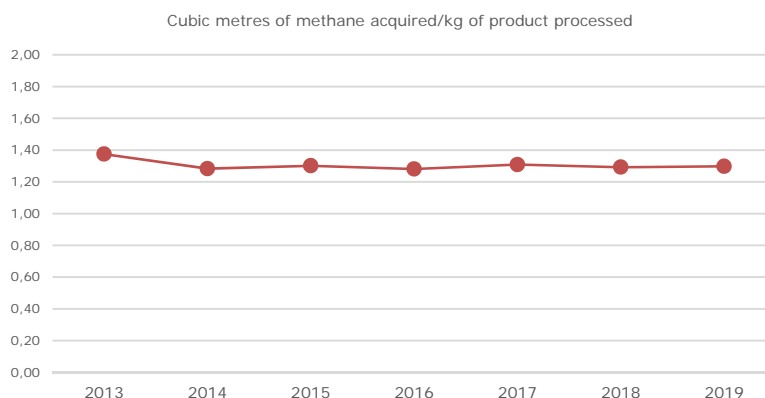
Energy use at pharmaceutical production plants by fuel source				
Type of fuel	Unit of measurement	2019	2018	% Variation
Purchased electricity	kWh	25,915,525	26,565,569	-2.4%
	GJ	93,296	95,636	
<i>originating from renewable sources</i>	<i>kWh</i>	<i>8,131,023</i>	<i>1,136,854</i>	615%
	<i>GJ</i>	<i>29,272</i>	<i>4,093</i>	
Natural Gas	m <sup>3</sup>	1,690,807	1,647,294	-2.8%
	GJ	59,691	58,067	
Diesel	Litres	54,342	52,521	3.9%
	GJ	1,953	1,880	
Fuel oil	Litres	0	658	-100%
	GJ	0	27	
<b>Total</b>	<b>GJ</b>	<b>154,940</b>	<b>155,610</b>	<b>-0.4%</b>

Energy use at chemical pharmaceutical production plants by fuel source				
Type of fuel	Unit of measurement	2019	2018	% Variation
Purchased electricity	kWh	3,556,181	5,105,702	-30.4%
	GJ	12,802	18,381	
<i>originating from renewable sources</i>	<i>kWh</i>	<i>1,891,354</i>	<i>362,127</i>	422%
	<i>GJ</i>	<i>6,809</i>	<i>1,303</i>	
Natural Gas	m <sup>3</sup>	12,993,737	12,487,998	4.2%
	GJ	458,718	440,202	
Diesel	Litres	15,000	15,388	-2.1%
	GJ	539	551	
<b>Total</b>	<b>GJ</b>	<b>472,059</b>	<b>459,134</b>	<b>2.8%</b>

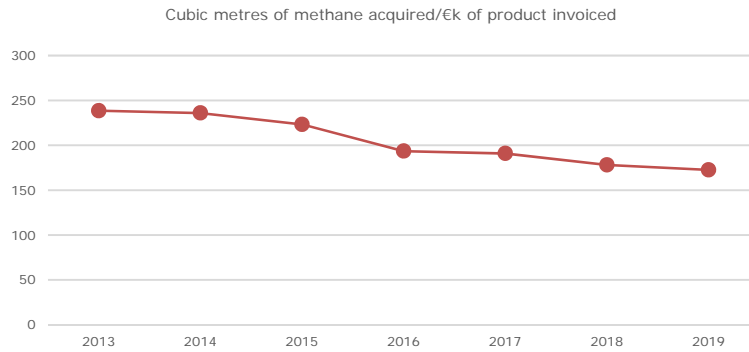
The chemical pharmaceutical plants consume higher quantities of natural gas than the pharmaceutical plants: a high proportion of this gas usage derives from the electricity generation system at the Campoverde di Aprilia plant, where a self-generation policy for electricity and thermal energy has been in place for over 20 years thanks to the installation of a co-generation system (for more details, see the “Co-Generation System of the Campoverde di Aprilia” information box). Through the use of a single fuel source (natural gas), the co-generation system enables the plant to generate enough electricity to meet its needs, sell any excess to the national grid and produce all of the steam used in the plant without the use of any additional gas or resources. In 2019, the proportion of self-generated electricity used internally increased by 7% compared to 2018, with a slight increase also of the electricity sold and a reduction of that purchased. The increase in energy production at the Campoverde di Aprilia plant compared to 2018 relates predominantly to the malfunction of the co-generation plant in March and December 2018 which had led to the need to buy in a higher percentage of electricity. It should also be noted that while the usage of methane per kilogram of material (chemical intermediates, solvents and improvements products) at the plant remained consistent, the use of methane per turnover unit (in thousands of Euro) fell in 2019 by approximately 3%, demonstrating an improvement trend of the co-generation system’s energy efficiency.

Electricity and thermal energy generated and sold by the Campoverde di Aprilia co-generation plant				
Type of fuel	Unit of measurement	2019	2018	% Variation
Self-generated electricity	kWh	31,634,104	29,685,824	7%
<i>Consumed internally</i>	<i>kWh</i>	<i>27,762,183</i>	<i>25,829,795</i>	<i>7%</i>
<i>Sold externally</i>	<i>kWh</i>	<i>3,871,921</i>	<i>3,856,029</i>	<i>0.4%</i>
Self-generated and consumed thermal energy	Kg of steam	72,099,000	65,795,000	9%

*Ratio of cubic metres of methane acquired against kilograms of product processed by the Campoverde di Aprilia plant, 2019*



*Ratio of cubic metres of methane acquired against turnover (in thousands of Euro) generated by the Campoverde di Aprilia plant, 2019*



### THE CO-GENERATION SYSTEM AT THE CAMPOVERDE DI APRILIA PLANT

In 1994, following the increased demand for electricity and thermal energy determined by the production facilities at the time, a feasibility study was launched and concluded to assess the installation of a steam and electricity co-generation production system at the Recordati chemical plant in Campoverde di Aprilia. Following the completion of the feasibility study, a co-generation system was installed at the site, entering into service in September 1996 and in operation ever since.

Co-generation is defined as the combined generation of electricity and heat based upon a cascade process where electricity is produced using a high temperature thermo-dynamic cycle which, in turn, releases heat and produces thermal energy. In the industrial sector, co-generation is also produced using gas-powered turbines.

The co-generation system at the Campoverde di Aprilia plant is equipped with a 15-bar methane gas turbine. In its current configuration and with an air temperature of 9°C, the system is able to generate a maximum output of approximately 4.3 MW of electricity.

Gas turbines operate by burning the fuel source in a special combustion chamber and expanding it with compressed air inside the turbine itself. During expansion, the mixture of air and fuel interacts with the blades of the turbines and activates the rotational motion of the rotor to generate mechanical energy.

This mechanical energy is then converted into electricity by an alternator.

The fumes produced by the gases expanded in the turbine are emitted at very high temperatures (450-500°C) and consequently specialist heat exchangers or boilers may be used (the Recordati plant at Campoverde di Aprilia uses a steam recovery boiler - Figure 1) to produce hot water or steam.

The use of the steam recovery boilers prevents exclusive use of methane gas to meet the plant's demand for steam for use in chemical processes and as a heating fluid.

The steam recovery boiler installed in the co-generation system, which recovers the gases expanded in the turbine, enables the production of 15-bar saturated steam up to a capacity of 16 tons per hour.

*Figure 1 - Exhaust gases vent and recovery boiler - Co-Generation System - Campoverde di Aprilia Plant*



If this steam had not been produced by the recovery of gases in the turbine, it is estimated that in 2019 an annual amount of around 4.5 million m<sup>3</sup> of gas would have been used.

As described above, the co-generation system at the Campoverde di Aprilia plant features a gas turbine (Figure 2) fuelled by methane gas at a pressure of 15 bar and above constructed by the company SOLAR (model TBM-T50), coupled by a reduction gearbox to a GEC Alstohm alternator. In its current configuration and with an air temperature of 9°C, the system is able to generate a maximum output of approximately 4.3 MW of electricity.

The gas turbine is composed of three main pieces of machinery: the compressor, the combustion unit and the power turbine. The compressor draws in air from the environment through filters, compressing it in the combustion chamber (combuster). The sparks generated by the spark plugs in the ignition chamber light the flame in the combustion chamber. The expansion of the discharged gases causes the power turbine to rotate, enabling the transmission of mechanical energy to the rotator shaft to which it is keyed. The final conical cog of the compressor shaft is connected to the gearbox.

The reduction gearbox, which is a coupling mechanism with a rotating body able to vary the torque and the angular speed, enables the reduction in rotation speed of the power turbine from 15,000 g/min to 1,500 g/min, the correct rotation speed for the generation of electricity at a voltage of 6300 V and a frequency of 50 Hz.

*Figure 2 - The gas turbine during its replacement (left); the dismantled reduction gearbox during installation (right) (August 2016)*



The gas turbine and reduction gearbox continue to operate 24 hours a day year-round, except for the scheduled site closures in August (at least three weeks), in the last eight days of December and at Easter (except in the last three years).

The manufacturer of the two machines, Turbomach, recommends a full service at its offices at least every 32,000 hours of operation, which in the Campoverde di Aprilia plant is the equivalent of four years. This service requires the gas turbine and the reduction gearbox to be completely dismantled, replacing the machines with equivalent newly serviced systems with operating times reset to zero.

In 2016 the control system of the entire machine was replaced with a new, more reliable system.

Both the gas turbine and the reduction gearbox are covered by Maintenance Service Agreements and are continuously monitored by the manufacturer. Furthermore, both the turbine and the reduction unit are subject to ordinary maintenance activities twice a year by Turbomach technicians.

This enables the Recordati site at Campoverde di Aprilia to guarantee the constant supply of electricity to its systems for safety reasons.



In 2019 the combustion air filtration system of the cogeneration plant was replaced. The new filtration system consists of new modules suitable to withstand air humidity, a new air cooling system using a dedicated exchanger and a new air ducting system.

The air intake is equipped with a prefiltration system with 24 filters and a main filtration system with as many filters with a higher degree of filtration.

The new system installed has a number of advantages including a reduction in the number of compressor washes, increased efficiency of the combustion air compressor and increased dust containment capacity - a cause of lower turboalternator performance and wear and tear.

#### *Principle initiatives to reduce energy consumption implemented by the Recordati Group*

In recent years, the Italian Parent Group has launched a reduced energy consumption policy through the implementation of initiatives aimed at company vehicles, the technological modernisation of IT equipment such as printers and photocopiers, and the use of LED lighting. This plan is enabling the Group to reduce energy usage and mitigate the environmental impact resulting from the use of company equipment, promoting a more efficient use of energy resources and reducing CO<sub>2</sub> equivalent gases. Attention to the environment is therefore one of the primary themes for 2019, confirming the Group's commitment to optimising environmental impact and enhancing the value of the areas in which it operates without ever detracting from the efficiency of its tools.

As confirmation of this commitment, in 2019 the Group began participating in the CDP climate change programme. The CDP climate change programme aims to reduce companies' greenhouse gas emissions and mitigate the risk of climate change. CDP requests information on climate risks and the opportunities and performance of the world's largest companies, acknowledging the companies' commitment through an annual scoring process (from A to F) based on a self-assessment of the company. The Recordati group obtained a C score during its first year of participation, demonstrating its awareness of the topic.

In 2019 the Group also carried out a monitoring and control activity to assess the emissions of its global fleet of company vehicles. This led the Parent Group to request a detailed six-monthly report from all branches in order to highlight the energy consumption and CO<sub>2</sub> emissions of vehicles used by the Group. This enabled the Group to optimise investments and evaluate corrective actions, where necessary. In addition, the introduction of a software platform is in its final phase that allows a constant updating of the branches' car fleet through a connection of the renters that allows us to verify the acquisition of new rental contracts and the emissions of new cars. In 2019, a total of 2,063 company cars were in use by employees of the Recordati Group, while the average CO<sub>2</sub> emissions emitted by the vehicles was 107 g/km, according to the new Worldwide Harmonized Light-Duty Vehicles Test Procedures (WLTP). For internal combustion vehicles, the application of the WLTP translates to higher official values for fuel consumption and emissions compared to the measurements made with the procedure used in 2017. Nonetheless, the Group is continuing its objective to progressively and consistently reduce this statistic over the coming years<sup>21</sup>. In this regard, the Group has a rigorous vehicle selection policy, encouraging the selection of technologically advanced hybrid solutions which have a reduced environmental impact.

In the last few years the Group has promoted various energy efficiency initiatives implemented at individual branches, including the gradual and systematic replacement of bulbs with new LED or energy-efficient bulbs

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<sup>21</sup> Average emissions of the vehicle fleet were calculated on the basis of estimated annual CO<sub>2</sub> emissions and annual mileage of company vehicles.

In addition, at the French plant in Saint Victor, a study was carried out for the installation of photovoltaic panels in order to limit energy consumption, while at the Milan plant a feasibility study was carried out for the installation of a cogeneration plant.

One important action by the Group in 2019 was the implementation of an online portal (e.point) to manage energy consumption data with collection of supply contracts and invoices for the Milan, Campoverde, Utebo, Saint Victor, Nanterre and Cork sites. The implementation of this portal made it possible, following the collection of data for the Italian sites of Milan and Campoverde di Aprilia, to calculate the total CO<sub>2</sub> emission from the energy purchased and to cancel it through the purchase of electricity from 100% renewable sources (Certificates of Guarantee of Origin).

For purchases made on Italian territory, a "Zero Emission" certificate was also obtained for 2019, thereby eliminating the greenhouse gas emissions associated with the purchase of electricity for the year 2019.

In 2020 a feasibility study will be carried out in order to verify the possibility of obtaining such certification also for the sites of Utebo, Saint Victor, Nanterre and Cork.

In recent years the Irish plant in Cork has been committed to optimising and streamlining its production chain through the use of a programming procedure and preventive maintenance. The Energy Manager at the plant has promoted initiatives to increase employee awareness regarding energy saving according to a training plan agreed with Parent Group and smaller projects approved at local level. In a tangible demonstration of this commitment, in 2012 the plant's efforts to reduce energy consumption were recognised by the SEAI (Sustainable Energy Authority of Ireland) with the *Energy Efficiency Award* for SMEs.

The energy efficiency initiatives at the Campoverde pharmaceutical chemical plant concerned:

- the replacement of the lamps in the office building's lighting system with LED lamps with a consequent reduction in consumption and reduction of fire risks due to incandescent lamps;
- the installation of an air conditioning system in the VRF type office building with lower power consumption;
- the installation of a new ACU for the supply of primary air into the building with lower energy consumption thanks to its heat recovery system;
- drafting of an energy analysis presented to ENEA in December 2019.

In addition, the investment for the replacement of 4 of the 5 power factor correction switchboards of the plant is currently being approved, allowing the total power factor correction capacity of these switchboards to be restored and reducing the reactive electricity consumed by the plant.

In 2019, a design study was also conducted at the Campoverde di Aprilia plant, together with an external company, for the installation of an energy monitoring system, namely the installation of a series of energy meters and a network for monitoring and recording measurements in order to be able to implement an energy consumption reduction study in the future.

### *Greenhouse gases and other emissions*

The Recordati Group's commitment to protecting the environment is also expressed through policies and initiatives aimed at reducing the emission of greenhouse gases and other air pollutants.

In all of the Group's production plants, old equipment containing fluorinated greenhouse gases is being progressively replaced with new machinery that does not use substances which are harmful to the ozone. Other initiatives to reduce emissions have taken place:

- at the Saint Victor plant in France, where emission points have been equipped with air filters to prevent the release of hazardous particles. Each filtering system is regularly maintained by the internal maintenance department;
- at the Milan plant, all emission points with a high environmental impact are monitored annually as required by the supervisory authority. In addition, to monitor for greenhouse gas leaks from the compressed air production system, detection sensors have been installed in the most critical area of the system;
- at the Cork plant in Ireland, with the completion in 2017 of the project to replace obsolete refrigerators which used R-22 as the refrigerating gas with new units using R404a, a gaseous mix with a much lower impact on the ozone layer. Furthermore, all emission points at the plant in Ireland are monitored according to the requirements of the National Environment Agency;
- at the Pardubice plant in the Czech Republic, where a new air conditioning unit was installed in cleanrooms which does not contain gases such as freon which are harmful to the ozone layer. The new system also offers greater efficiency and reduces energy consumption;
- at the Cerkezkoy plant in Turkey, where all emission points were constantly monitored in 2018, with the installation of new ventilation systems in production and laboratory areas and the insertion of six new emission sources (a total of 31 points of emission have been declared). Emissions were measured by an accredited laboratory; emission values related to the production process are well below locally permitted limits. In order to constantly monitor GHG and other harmful emissions, the renewal of measurements from all sources on the site is planned for 2020.

At the Campoverde di Aprilia plant in 2019, measures implemented to reduce emissions of harmful substances into the atmosphere specifically regarded the following actions:

- after a study was conducted in 2017 to assess the optimisation of atmospheric emission treatment and mitigation systems, a new control system to moderate emissions related to the works at the Latina Wing building was installed, replacing the two existing water scrubbers (joint project with the company Amec Foster Wheeler). In 2019 the design study to strengthen the abatement system of the Rome Wing, which will be completed in 2020, was close to completion. In addition, in 2020 the project study will be carried out to strengthen the plant emission abatement system 45/46 to be able to proceed with its installation;
- in 2018 the works to recondition the discharge areas of the centrifuges used to isolate wet active substances were completed. The project aimed to isolate the discharge zone from the surrounding area and to install UTA air treatment units able to monitor particulate contamination according to the parameters set forth by the ISO 14644 guidelines for class 8 environments, or class D environments according to EU GMP;
- to minimise both pollutant emissions and fuel consumption, the EMS monitoring system for the TG1/1 and TG1 turboalternator emission chimneys was installed in 2019;
- In 2019, two additional cooling systems containing R-22 as a refrigerant gas were uninstalled and replaced with the VRF system, the chiller of the office building, and the chiller of the company canteen. Following the replacements made, in the Campoverde plant, only one refrigerating unit containing R-22 refrigerant gas remained;

- In 2019 action was taken to purchase a new drum emptying machine for emptying drums containing Thiophenol at plant 15 in order to exclude the possibility of vapours escaping during this operation. For the same purpose, in 2019, a four-yearly monitoring programme of approximately 12 km of pipelines containing hazardous substances was implemented. The monitoring, based on pipe thickness analysis, started and ended in 2019 with the first 3 km of pipeline checked. This will keep the pipelines under control and minimize the probability of leakage and therefore the emission of hazardous substances into the atmosphere.

In 2019, Scope 1 direct emissions relating to the use of energy for industrial production (natural gas, diesel and fuel oil) remained mainly in line with those of the previous year; furthermore, in 2018 the proportion of Scope 1 direct emissions caused by the Group's fleet of vehicles fell by approximately 20%.

Instead, Scope 2 indirect emissions due to the purchase of electricity from the grid decreased by 6% according to the Location based approach and by 39% under the Market based approach. The latter high reduction is due to the purchase of energy from renewable sources certified by Guarantee of Origin for the Milan and Campoverde di Aprilia plants.

Greenhouse gas emissions (tons of CO <sub>2</sub> ) from Recordati's production facilities and car fleet <sup>22</sup>			
	2019	2018	% Variation
Direct emissions (Scope 1)	36,904	35,232	5%
<i>Relating to energy consumption</i>	29,185	28,056	4%
<i>Relating to the company vehicle fleet<sup>23</sup></i>	7,719	7,176	7%
Indirect emissions (Scope 2) - Location-based approach <sup>24</sup>	10,705	11,407	-6%
Indirect emissions (Scope 2) - Market-based approach <sup>25</sup>	8,201	13,427	-39%

With reference to other air pollutants, depending on the type of pollutant various thresholds have been defined; these are respected by the Group thanks to continuous monitoring and control activities of the emission points. In particular, the list of authorised emission points at the Milan plant is included by the Autorizzazione Unica Ambientale certification awarded in 2019.

Other emissions into the atmosphere are mainly due to the activities of the chemical-pharmaceutical sites of Cork and Campoverde di Aprilia for which, for almost all the substances listed below, more than 90% of total annual emissions are recorded.

<sup>22</sup> Source of emission coefficient data for natural gas, diesel and fuel oil: *Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2019.*

<sup>23</sup> Scope 1 emissions relating to the use of fuel oil by company vehicles have been estimated based on the average mileage of each car and the average emission rating of fleet vehicles (107 g/km).

<sup>24</sup> The reporting standards applied (*GRI Sustainability Reporting Standards 2016*) provide for two different approaches for the calculation of Scope 2 emissions: "location-based" and "market-based". The location-based approach uses national average emission factors relating to the specific configuration of national electricity production (source of emission factors: *TERNA, Confronti Internazionali, 2017*).

<sup>25</sup> The market-based approach uses an emission factor defined on a contractual basis with the electricity supplier.

Given the supply of electricity from renewable sources from the Milan and Campoverde di Aprilia plants guaranteed by certificates of Guarantee of Origin, these plants have not been included in the calculation of Scope 2 emissions (according to the "Market based" approach). For all other plants, given the absence of specific contractual agreements with electricity suppliers, the emission factors relating to the national "residual mix" (source of the residual mix) were used: AIB European Residual Mixes 2018 (Version 1.2, 2019-07-11) and AIB European Residual Mixes 2017 (Version 1.13, 2018-07-11).

Other emissions (kg/year) from Recordati group's production facilities <sup>26</sup>		
	2019	2018
Nitric oxide (NO <sub>x</sub> )	13,802	11,389
Sulphur oxide (SO <sub>x</sub> )	75	25
Persistent Organic Pollutants (POP)	0	0
Volatile Organic Pollutants (VOC)	2,586	4,178
Hazardous Air Pollutants (HAP)	1,916	1,923
Particulate Matter (PM)	3,848	4,103
Methane (CH <sub>4</sub> )	0	0
Others	5,469	415

### 5.3. Management of water resources

In recognition of the value of natural resources, the Recordati Group is developing production processes aimed at reducing water usage. In particular:

- at the head office in Milan, since 2016 the new heating and air conditioning unit equipped with geothermal heat pumps has used groundwater as the principle thermal carrier. The groundwater is drawn from a shaft and channelled into the system for use in the heating or air conditioning systems before being returned in its original condition to the groundwater reserves via two return channels. The quantity of water used and recycled by the heat pump is 110,330 m<sup>3</sup>/year and corresponds to approximately 4% of the Group's annual water intake. Each year, the chemical and physical characteristics (pH, suspended solids, BOD5, COD, metals, aromatic solvents, chlorinated aromatic solvents, aliphatic solvents and surfactants) of the waste water, non-potable groundwater and potable water from the aqueduct are monitored at the Milan plant on a monthly basis;
- for the building in Milan, in response to the problems encountered with regard to the correct flow rate from the intake well, in order to ensure the proper functioning of the heating and cooling system with geothermal heat pump technology, a new well was excavated in 2019 to replace the one currently in use, which will subsequently be used as a back-up;
- at the Cork plant in Ireland, particular focus was given to water use, particularly water used to ensure the correct operation of the scrubbers. In any case, water usage is constantly monitored to identify any anomalies and facilitate prompt intervention when required. At the same plant, in 2017 a study was carried out to assess the current performance of the biological process used to treat waste water, identifying any measures that could improve the treatment process in terms of stability and the effective removal of polluting substances. This study, which aimed to verify the plant's compliance with the more stringent regulations due to enter into force in the coming years, was completed in 2018. The new legislation will be in force from 2020 and for such purpose a specific budget was approved in 2019 to adapt to the new regulations and comply with the legislative requirements;
- at the Utebo factory in Spain, groundwater used to ensure the correct operation of the heat pumps in the heating and air conditioning system is returned to the groundwater system;
- at the Saint Victor plant in France, all industrial waste water is treated in a 20 m<sup>3</sup> tank before being disposed of as pharmaceutical waste. In order to reduce the amount of water disposed of as pharmaceutical waste, water used in the first cleaning process which contains high concentrations of pollutants is recovered and stored in vats for processing as pharmaceutical waste. Furthermore, a study is currently being conducted into the recovery of grey water for cooling and irrigation purposes.

<sup>26</sup> Any significant changes in other emissions into the atmosphere are due to the way the data are calculated, since the annual value of these emissions is calculated by multiplying the result of a single emission analysis (lasting 1 hour) and the annual operating hours.

In 2019, the overall water intake at the Group's production plants fell by 11% compared to 2018. In particular, total water intake in 2019 was 2.5 million cubic metres, of which 34% was surface water, 55% was groundwater and the remaining 7% was taken from aqueducts. It should also be noted that in 2019, 20% of total water intake at the Group's production plants was recycled and reused internally.

Water intake at Recordati Group production plants by source				
	Unit of measurement	2019	2018	% Variation
Surface water	m <sup>3</sup>	854,060	1,204,150	-29%
Groundwater	m <sup>3</sup>	1,374,022	1,364,326	1%
Aqueduct	m <sup>3</sup>	289,472	248,506	17%
<b>Total</b>	<b>m<sup>3</sup></b>	<b>2,517,554</b>	<b>2,816,982</b>	<b>-11%</b>

Percentage of recycled water at Recordati Group production plants					
	Unit of measurement	2019		2018	
		Total	Total	Total	% of total water intake
Quantity of water recycled and reused	m <sup>3</sup>	493,436	20%	471,287	17%

#### 5.4. Waste management

The Recordati Group's commitment to environmental protection is also evidenced by its activities to reduce the waste produced by its activities and ensure the correct disposal of chemical and pharmaceutical products, particularly at its production sites.

The basis of waste management applied to all production sites is reduction, reuse, recycling, recovery and disposal. The classification of waste according to its origin and type (material and disposal method) is maintained within the sites, leaving the waste collected and stored separately at defined delivery points, and after temporary storage the waste is sent for recycling or disposal (according to its characteristics). All waste is treated in accordance with the relevant national regulations and for this reason each site has organised specific procedures for waste management and disposal.

Depending on the planned storage and disposal process, it is of the utmost importance that all employees working have received training in waste classification. Training courses for newcomers and refresher courses are therefore offered throughout the year.

At the Milan plant, the management of chemical-pharmaceutical waste is governed by a specific internal procedure that associates each waste with an internal code: HW (Hazardous Waste) such as solvents, excess pharmaceuticals, filters, pharmaceutical waste and contaminated celite, and SNHW (Special Non-Hazardous Waste) such as clean glass, special waste similar to sold urban waste (SUW), paper, cardboard, wood and iron. In particular, the various types of waste produced at the plant are classified as hazardous or non-hazardous. In accordance with internal operating procedures, all waste is assigned an EWC code which defines the relative management procedure for that type of waste. From 2020, non-hazardous waste from the production process will be sent to a waste-to-energy plant (a plant in which, using the heat developed during the combustion of waste, steam is produced and used for the direct production of electricity).

In accordance with the provisions of Italian legislation (Legislative Decree no. 231/01), the Group's organisational model includes the appointment of various waste management officers within the company. Furthermore, waste disposal is contracted to specialist firms that hold the relative authorisations to act as carriers, intermediaries and recipients. As well as the paper forms used to identify transported waste, the SISTRI Waste Tracking System is also applied, enabling the prompt and accurate tracking of special waste throughout the supply chain.

Correct spillage management is regulated by a specific standard operating procedure, which states that the spilled product must be collected using absorbent sheets and pads suitable for use with all types of hazardous and non-hazardous materials. Once used, the absorbent sheets are managed and destroyed in the most appropriate way, considering the hazardous nature of the product.

Other important waste disposal initiatives implemented at plants by the Group include:

- the research programme at the Campoverde di Aprilia plant to investigate the possibility of internally managing certain types of waste that have previously been disposed of externally. For certain types of waste, this project has resulted in a significant reduction in costs, due not only to the internal management but also the reduction in number of transport journeys and containers used. The reduction in the number of journeys is in line with the policy of reducing external environmental impacts;
- at the Cork plant in Ireland, solid hazardous waste is segregated on site by production operators as soon as it is produced and is then sent off site for incineration by specialised contractors. Liquid hazardous waste is managed internally using closed systems: part of this waste is sent via a specialised contractor for disposal, while the majority is treated at the waste treatment plant of the Recordati Ireland branch. Biological sludge extracted by the waste treatment plant is sent for incineration by the specialist contractor. In addition, following a specialized study, a new procedure is currently being developed at the Cork plant to provide a detailed emergency plan to manage the release of thionyl chloride, the most reactive and hazardous chemical used in the plant processes;
- a new cardboard box compactor with an automatic lifting system for emptying boxes was installed at the St. Victor plant in 2019 to eliminate the need to lift and throw waste into the compactor. A project has also been developed for the possible recycling of wastewater discharges for water reuse through an effluent evaporation system. Through this process only the sludge to be disposed of as waste would remain and annual water consumption would be reduced. In addition, a project is being implemented at the French site of St. Victor for the disposal and recycling of used batteries in collaboration with the Telethon organization;
- at the Cerkezkoy plant in Turkey, all waste is classified according to three main categories: domestic waste (such as food waste), recyclable and non-hazardous waste (such as paper, cardboard, plastic, glass and aluminium packaging) and hazardous waste. A specific policy has been adopted at the plant to regulate waste collection, storage, recycling and transfer procedures. This policy includes a waste tracking system which monitors the transfer of special waste throughout the supply chain in real time. In 2018 a new area equipped with a controlled access system was designated for the temporary storage of waste awaiting final disposal;  
in addition, in the waste water treatment plant, a number of improvements have been made which have led to a reduction in the pollution values of waste water. Furthermore, these optimisation measures reduced the consumption of chemical substances used in treatment plants, with a consequent reduction in operating costs;
- at the Milan plant, in order to limit the number of collections made by the carrier, two waste compressor units have been installed, one for paper and cardboard and one for special waste similar to SUW.

A total of 6,063 tonnes of waste was produced in 2019, of which 56% was hazardous waste (substances defined as hazardous in the country of origin) and 44% was non-hazardous waste (all other forms of liquid and solid waste).

Total waste produced by Recordati Group plants, subdivided by type and disposal method							
Disposal method	Unit of measurement	2019			2018		
		Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Reuse	tonnes	3	1	4	-	1	1
Recycling	tonnes	44	600	644	36	551	587
Compost	tonnes	-	24	24	-	24	24
Recovery	tonnes	1,420	803	2,223	1,606	957	2,563
Incineration	tonnes	530	25	555	403	18	421
Landfill	tonnes	55	35	90	34	72	106
Storage on site	tonnes	3	-	3	2	-	2
Other <sup>27</sup>	tonnes	1,322	1,198	2,520	1,121	1,067	2,188
<b>Total</b>	<b>tonnes</b>	<b>3,377</b>	<b>2,686</b>	<b>6,063</b>	<b>3,202</b>	<b>2,690</b>	<b>5,892</b>

As regards the various disposal methods, particular emphasis was given to the recycling of packaging materials and the use of reliable suppliers of waste transportation and disposal services. In order to reduce the volume of waste produced, the Recordati Group is committed to reducing the amount of packaging entering the waste system and increasing consumer recycling activities through re-engineering its products. The Group ensures that the materials used in its packaging can be recycled or incinerated without causing any negative environmental impacts or producing hazardous waste. For example, the paper and cardboard used for the boxes and the paper used for the package leaflets are completely recyclable and use ecologically sustainable materials such as wood pulp from responsibly managed forests. Moreover, where possible the Recordati Group is committed to reducing the weight of packaging material and the proportion of non-recyclable waste. When coordinating these initiatives, the Group works with national recycling organisations such as CONAI (Consorzio Nazionale Imballaggi).

<sup>27</sup> This category includes the disposal methods classified as D8, D9, D13, D14 and D15 used at the Campoverde di Aprilia plant and listed in Annex B of Italian Legislative Decree no. 152/06.



## GRI Index

The following table shows the material topics identified by Recordati relating to the GRI Reporting Standards and the topics covered by Legislative Decree no. 254/2016. For these topics, the column “Scope of material topics” lists all parties who may generate an impact for each topic, both internally and externally to the Group. The column “Type of impact” indicates Recordati's role in relation to the general impact for each material topic.

Material topics of the Recordati Group	Correlation with GRI Standards	Correlation with the topics covered by Legislative Decree no. 254/2016	Scope of material topics	Type of impact
<b>Compliance and business ethics</b>	<b>GRI 419:</b> Socio-economic compliance <b>GRI 206:</b> Anti-competitive practices	Fight against active and passive corruption	Recordati Group	Caused by the Group
<b>Anti-corruption</b>	<b>GRI 205:</b> Anti-corruption	Fight against active and passive corruption	Recordati Group	Caused by the Group
<b>Risk management</b>	N/A	N/A	Recordati Group	Caused by the Group
<b>Corporate Governance</b>	N/A	N/A	Recordati Group	Caused by the Group
<b>Financial performance</b>	<b>GRI 201:</b> Financial performance	Social	Recordati Group; Investors and the financial community	Caused by the Group
<b>Market presence</b>	<b>GRI 202:</b> Market presence	Relating to staff	Recordati Group;	Caused by the Group
<b>Commitment to local communities</b>	<b>GRI 203:</b> Indirect financial impacts	Social	Recordati Group; Local community;	Caused by the Group
<b>Access to medical products and health insurance</b>	N/A	Social	Recordati Group; Clients and consumers; Patients and associations	Caused by the Group
<b>Research and development</b>	N/A	N/A	Recordati Group; Scientific organisations and Universities	Caused by the Group
<b>Patient health and safety</b>	<b>GRI 416:</b> Customer health and safety	Social	Recordati Group; Clients and consumers; Patients and associations	Caused by the Group
<b>Anti-counterfeiting</b>	<b>GRI-417:</b> Marketing and labelling	N/A	Recordati Group	Caused by the Group
<b>Responsible marketing</b>	<b>GRI-417:</b> Marketing and labelling	N/A	Recordati Group;	Caused by the Group
<b>Product quality and safety</b>	<b>GRI 416:</b> Customer health and safety	Social	Recordati Group	Caused by the Group
<b>Procurement practices</b>	<b>GRI 414:</b> Supplier Social Assessment	Social	Recordati Group; Suppliers and strategic partners	Caused by the Group and directly connected to its activities
	<b>GRI 308:</b> Supplier Environmental Assessment	Environmental		
<b>HR management</b>	<b>GRI 401:</b> Employment	Relating to staff	Recordati Group; Employees	Caused by the Group
<b>Diversity and equal opportunities</b>	<b>GRI 405:</b> Diversity and equal opportunities	Relating to staff	Recordati Group; Employees	Caused by the Group

<b>Employee health and safety</b>	<b>GRI 403:</b> Health and safety in the workplace	Relating to staff	Production plants; Suppliers and strategic partners	Caused by the Group and directly connected to its activities
<b>Training and development</b>	<b>GRI 404:</b> Training and education	Relating to staff	Recordati Group; Employees	Caused by the Group
<b>Human rights</b>	<b>GRI 414:</b> Supplier Social Assessment	Human rights	Recordati Group; Suppliers and strategic partners	Caused by the Group and directly connected to its activities
<b>Efficient use of natural resources</b>	<b>GRI 302:</b> Energy	Environmental	Production plants	Caused by the Group
	<b>GRI 303:</b> Water	Environmental		
<b>Environmental conservation</b>	<b>GRI 305:</b> Emissions	Environmental	Production plants	Caused by the Group
	<b>GRI 307:</b> Environmental compliance	Environmental		
<b>Disposal of chemical products and pharmaceuticals</b>	<b>GRI 306:</b> Effluents and waste	Environmental	Production plants	Caused by the Group

In accordance with the “Core” option of the “GRI Sustainability Reporting Guidelines”, performance indicators are presented in the table below. Each indicator includes a reference to the section of the Non-Financial Statement where the indicator can be found or other relevant reference sources in the public domain.

Indicator		References and other information	Omissions
<b>GRI 102: GENERAL DISCLOSURES (2016)</b>			
<b>Organisation Profile</b>			
102-1	Name of Organisation	Page 2	
102-2	Activities, brands, products, and services	Pages 4-5; Annual Report, “Business activities” section	
102-3	Location of headquarters	Page 2	
102-4	Location of operations	Pages 4-5	
102-5	Ownership and legal form	Corporate Governance and Share Ownership Report, “Issuer profile and general information” section	
102-6	Markets served	Pages 4-5	
102-7	Scale of the organisation	Pages 27-29; Annual Report, “Summary of results” section; Corporate Governance and Share Ownership Report, “Issuer profile and general information” section	
102-8	Information on employees and other workers	Pages 27-29	
102-9	Supply chain	Pages 22-23	
102-10	Significant changes to the organisation and its supply chain	Pages 2-3; Corporate Governance and Share Ownership Report, “Introduction” and “Share ownership information” sections	
102-11	Precautionary Principle or approach	Pages 9-11	
102-12	External initiatives	Pages 13-14	
102-13	Membership of associations	Page 14; pages 18	

	Indicator	References and other information	Omissions
<b>Strategy</b>			
102-14	Statement from senior decision-maker	Annual Report, "Letter to Shareholders" section	
102-15	Principle impacts, risks and opportunities	Pages 9-11	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	Pages 5-8	
<b>Governance</b>			
102-18	Governance structure	Corporate Governance and Share Ownership Report, "Issuer profile and general information" section	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	Page 13	
102-41	Collective bargaining agreements	Page 33	
102-42	Identifying and selecting stakeholders	Page 13	
102-43	Approach to stakeholder engagement	Page 13	
102-44	Key aspects revealed by <i>stakeholder</i> engagement initiatives	Pages 15-16	
<b>Reporting practices</b>			
102-45	Entities included in the Consolidated Financial Statements	Pages 2-3	
102-46	Defining report content and topic boundaries	Pages 2-3; pages 64-65	
102-47	List of material topics	Page 15; pages 64-65	
102-48	Restatements of information	Pages 2-3	
102-49	Changes in reporting	Pages 2-3; page 15; pages 64-65	
102-50	Reporting period	Page 2	
102-51	Date of most recent report	<i>The previous Consolidated Non-Financial Statement was published by the Recordati Group on 15 March 2019.</i>	
102-52	Reporting cycle	Page 3	
102-53	Contact point for questions regarding the report	Page 3	
102-54	Chosen "in accordance" option	Page 3	
102-55	GRI content index	Pages 65-72	
102-56	External assurance	Page 74	
<b>TOPIC-SPECIFIC STANDARDS</b>			
<b>GRI 200: ECONOMIC SERIES (2016)</b>			
<b>Material aspect: Financial performance</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Page 16	
103-3	Evaluation of the management approach	Page 16	
<b>GRI-201: Financial performance (2016)</b>			

	Indicator	References and other information	Omissions
201-1	Direct economic value generated and distributed	Pages 16-17	
<b>Material aspect: Market presence</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 27-28	
103-3	Evaluation of the management approach	Pages 27-28	
<b>GRI-201: Financial performance (2016)</b>			
202-2	Proportion of senior management hired from the local community	Page 28-29	
<b>Material aspect: Indirect financial impacts</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 17-18	
103-3	Evaluation of the management approach	Pages 17-18	
<b>GRI-203: Indirect financial impacts (2016)</b>			
203-1	Infrastructure investments and services supported	Pages 17-18	
<b>Material aspect: Anti-corruption</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 5-9	
103-3	Evaluation of the management approach	Pages 5-9	
<b>GRI-205: Anti-corruption (2016)</b>			
205-1	Operations assessed for risks related to corruption	Pages 5-9	
205-3	Confirmed incidents of corruption and actions taken	Page 8	
<b>Material aspect: Anti-competitive behaviour</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 5-9	
103-3	Evaluation of the management approach	Pages 5-9	
<b>Material aspect: Anti-competitive behaviour (2016)</b>			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<i>No legal action for anti-competitive behaviour, anti-trust cases or monopoly practices was reported during the year.</i>	

Indicator		References and other information	Omissions
<b>GRI 300: ENVIRONMENTAL SERIES (2016)</b>			
<b>Material aspect: Energy</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 65	
103-2	The management approach and its components	Pages 48-57	
103-3	Evaluation of the management approach	Pages 48-57	
<b>GRI-302: Energy (2016)</b>			
302-1	Energy consumption within the organisation	Pages 50-52 <i>This indicator considers production plants only, except for the site in Milan, Italy, where site offices were also considered.</i>	
<b>Material aspect: Water</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 65	
103-2	The management approach and its components	Pages 48-49; pages 60-61	
103-3	Evaluation of the management approach	Pages 60-61	
<b>GRI-303: Water (2016)</b>			
303-1	Water intake by source	Pages 61 <i>This indicator considers production plants only, except for the site in Milan, Italy, where site offices were also considered.</i>	
<b>Material aspect: Emissions</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 65	
103-2	The management approach and its components	Pages 48-49; pages 58-60	
103-3	Evaluation of the management approach	Pages 56-58	
<b>GRI-305: Emissions (2016)</b>			
305-1	Indirect (Scope 1) GHG emissions	Pages 59 <i>This indicator considers only the Group's car fleet and production plants only, except for the site in Milan, Italy, where site offices were also considered.</i>	
305-2	Indirect (Scope 2) GHG emissions	Pages 59 <i>This indicator considers production plants only, except for the site in Milan, Italy, where site offices were also considered.</i>	
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Page 60 <i>This indicator considers production plants only, except for the site in Milan, Italy, where site offices were also considered.</i>	

Indicator		References and other information	Omissions
<b>Material aspect: Effluents and waste</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 65	
103-2	The management approach and its components	Pages 61-63	
103-3	Evaluation of the management approach	Pages 61-63	
<b>GRI-306: Effluents and waste (2016)</b>			
306-2	Waste by type and disposal method	Pages 62-63 <i>This indicator considers production plants only, except for the site in Milan, Italy, where site offices were also considered.</i>	
<b>Material aspect: Environmental compliance</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 65	
103-2	The management approach and its components	Pages 48-49	
103-3	Evaluation of the management approach	Pages 48-49	
<b>GRI-307: Environmental compliance (2016)</b>			
307-1	Non-compliance with environmental laws and regulations	<i>In 2019 the Group did not record any cases of breaches of environmental laws and regulations.</i>	
<b>Material aspect: Supplier Environmental Assessment</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Page 6; page 20; pages 22-23	
103-3	Evaluation of the management approach	Pages 22-23	
<b>GRI-308: Supplier Environmental Assessment (2016)</b>			
308-1	New suppliers that were screened using environmental criteria	Page 6; pages 23	<i>As per the new procurement process, all suppliers for Italian Companies are selected based on compliance to environmental regulations. This process will be extended to all Group Companies by the end of 2021.</i>
<b>GRI 400: SOCIAL SERIES (2016)</b>			
<b>Material aspect: Employment</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	

	Indicator	References and other information	Omissions
103-2	The management approach and its components	Pages 27-31; pages 33-35	
103-3	Evaluation of the management approach	Pages 27-31; pages 33-35	
<b>GRI-401: Employment (2016)</b>			
401-1	New employee hires and employee turnover	Pages 30-31	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 33-35 <i>The benefits described do not vary based on contract type or professional level.</i>	
<b>Material aspect: Health and safety in the workplace</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 41-47	
103-3	Evaluation of the management approach	Pages 41-47	
<b>GRI-403: Occupational health and safety (2016)</b>			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 45-47 <i>This indicator considers production plants only, with the exception of sites in Italy (Milan), Spain, Tunisia and France (Bouchara), for which office and commercial staff are also considered.</i>	
<b>Material aspect: Training and education</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 65	
103-2	The management approach and its components	Pages 37-41	
103-3	Evaluation of the management approach	Pages 37-41	
<b>GRI-404: Training and education (2016)</b>			
404-1	Average hours of training per year per employee	Pages 37-38	
404-2	Programs for upgrading employee skills and transition assistance programs	Pages 38-41	
<b>Material aspect: Diversity and equal opportunities</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 32-33	
103-3	Evaluation of the management approach	Pages 32-33	
<b>GRI-405: Diversity and equal opportunities (2016)</b>			

Indicator		References and other information	Omissions
405-1	Diversity of governance bodies and employees	Pages 32-32; Corporate Governance and Share Ownership Report, "Board of Administrators" section	
405-2	Ratio of basic salary and remuneration of women to men	Pages 36	
<b>Material aspect: Supplier Social Assessment</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64-65	
103-2	The management approach and its components	Page 6; page 20; pages 22-23	
103-3	Evaluation of the management approach	Pages 22-23	
<b>GRI-414: Supplier Social Assessment (2016)</b>			
414-1	New suppliers that were screened using social criteria	Page 6; pages 23	<i>As per the new procurement process, all suppliers for Italian Companies are selected based on compliance to environmental regulations. This process will be extended to all Group Companies by the end of 2021.</i>
<b>Material aspect: Customer health and safety</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 20-21	
103-3	Evaluation of the management approach	Pages 20-21	
<b>GRI-416: Customer health and safety (2016)</b>			
416-1	Assessment of the health and safety impacts of product and service categories	Pages 20-21	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Pages 20-21	
<b>Material aspect: Marketing and labelling</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2	The management approach and its components	Pages 20-21; page 26	
103-3	Evaluation of the management approach	Pages 20-21; page 26	
<b>GRI-417: Marketing and labelling 2016</b>			



Indicator	References and other information	Omissions
417-2 Incidents of non-compliance concerning product and service information and labelling	Pages 20-21	
417-3 Incidents of non-compliance concerning marketing communications	Pages 20-21	
<b>Material aspect: Socio-economic compliance</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1 Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2 The management approach and its components	Pages 20-21	
103-3 Evaluation of the management approach	Pages 20-21	
<b>GRI-419: Socio-economic compliance (2016)</b>		
419-1 Non-compliance with laws and regulations in the social and economic area	Pages 20-21	
<b>Material aspect: Risk management</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1 Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2 The management approach and its components	Pages 9-11	
103-3 Evaluation of the management approach	Pages 9-11	
<b>Material aspect: Corporate Governance</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1 Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2 The management approach and its components	Pages 5-7	
103-3 Evaluation of the management approach	Pages 5-7	
<b>Material aspect: Access to medical products and health insurance</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1 Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2 The management approach and its components	Pages 19	
103-3 Evaluation of the management approach	Pages 19	
<b>Material aspect: Research and development</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1 Explanation of the material topic and its boundary	Page 2; page 15; page 64	
103-2 The management approach and its components	Pages 20; 21-22	
103-3 Evaluation of the management approach	Pages 20; 21-22	



Milan, 28 February 2019

p. Board of Directors  
Chief Executive Officer  
dott. Andrea Recordati

## Auditing Company's report on the Non-Financial Statement