

# Consolidated Non-Financial Statement 2020

**Thank you  
to everyone.**



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## LETTER TO STAKEHOLDERS

The year that has just come to a close proved to be a particularly difficult one for the entire world, which found itself facing an unprecedented health emergency. The COVID-19 epidemic has been a huge challenge for both public and private organisational and economic systems. In the context of this global emergency, we immediately took special measures to implement all possible actions aimed at guaranteeing the supply of drugs to patients, to ensure the health and safety of our employees and to support communities.

During these months, which saw widespread slowdowns, closures and restructuring, we were even more driven to reflect on sustainability, resilience and future generations. New questions have arisen in terms of social equity, collective well-being, and environmental protection: elements that are ever more clearly interconnected.

In 2020, we implemented important initiatives. The Environmental, Social and Governance department was established, dedicated to supporting integration of social and environmental aspects into business processes. We also defined the first Sustainability Plan, describing our future commitments, structured with qualitative and quantitative goals for four priority areas: patient care, people care, environmental protection and responsible sourcing. These strategic areas for sustainability are supported by a fifth fundamental pillar: ethics and integrity, the principles that direct every aspect of the Group's actions on a day-to-day basis.

We also established dialogue with stakeholders in order to listen to their opinions on which sustainability topics we should prioritise in terms of reporting, projects and actions.

We have upheld our commitment to reducing environmental impacts, through projects to increase energy efficiency and the purchase of renewable energy. We have updated the Code of Ethics, which comprises all of the Group's fundamental values, making it even clearer and easier to use, and we have continued to support local communities, with particular attention to initiatives linked to the health emergency.

We are well aware that sustainability is not an end goal but a process of continuous improvement that requires commitment, time and innovation, yet we are confident that we have the solid fundamental values required for its pursuit.

I am grateful to our more than 4,300-strong team doing their utmost every day in our offices, production facilities and throughout our entire network, to make Recordati an example of excellence, distinguished by its values: a responsible company is a company built on people that believe in and act in accordance with responsible principles. It is to all of them in particular that I would like to express my most sincere thanks.

Andrea Recordati  
Chief Executive Officer

## SUSTAINABILITY HIGHLIGHTS

1<sup>st</sup>

Recordati group Sustainability Plan

50%

renewable electricity purchased with Guarantee of Origin (32% in 2019)

Approximately 30% reduction

of CO<sub>2</sub> emitted (Scope 2 - market based) by the Group's production plants compared to 2019. For Scope 1 emissions a decrease of 4% was recorded.

€ 7.7 million

donations to support communities, 5.4 million of which for initiatives linked to COVID-19

94%

of employees hired on permanent contracts

46%

percentage of female employees in the Group

Approximately 167,000

hours of training provided to employees of the Group (with an average of around 40 hours per employee)

94 audits

carried out on suppliers to ensure product quality and security

UPDATED CODE OF ETHICS

to make it clearer and easier to use



## 1. THE RECORDATI GROUP

*Recordati is a well-established and constantly growing international pharmaceutical group. For over 90 years, the Group has faced the challenges of a constantly evolving market with great determination, exploiting each of the opportunities best suited to its growth model.*

*The Recordati group operates in a wide and differentiated field which comprises primary and speciality care, self-medication, and rare diseases.*

*In addition to operating in the field of cardiovascular disease, and specifically hypertension, Recordati is also active in urology with treatments for benign prostatic hyperplasia and male sexual function disorders, as well as in the field of psychiatry.*

*The Group has developed a growing presence in the segment dedicated to rare diseases, where it researches, develops, and markets a number of orphan drugs.*

### 1.1 The Recordati group: over 90 years of success

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 principal reference market is the European Market, the second largest pharmaceutical market in the world, Recordati operates in around 150 markets, including through various licensing agreements, and markets pharmaceutical products under licence from primary pharmaceutical companies.

Recordati has six pharmaceutical production 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. 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 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.

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.

Employees: over 4,300

Revenue: € 1,448.9 million

R&D spending: € 146.2 million (this amount includes depreciation relating to the purchase of new products)

Geographical presence: around 150 countries (Speciality & Primary Care and Rare Diseases)

2 pharmaceutical chemicals plants (Italy and Ireland)

6 pharmaceutical production plants (Italy, France, Turkey, Spain, Tunisia and the Czech Republic)

1 packaging and distribution plant handling drugs for rare diseases (France)

## 1.2 The Recordati group's values

The new edition of the Code of Ethics, approved in 2020, reaffirms and renews Recordati's fundamental values, which guide and support the Group in the creation of shared value. These values have been formalised in the Code of Ethics and are shared and observed by all Group stakeholders, both internal and external.

**Integrity:** Integrity is a fundamental value at Recordati. Wherever we operate, we observe all applicable regulations. We demonstrate our leadership by setting a good example. We are honest and transparent with our shareholders and all other stakeholders.

**Product quality and safety:** At Recordati, we believe in innovation and devote ourselves fully to researching and developing new products. We offer patients high-quality products which comply with the requirements of the competent Authorities. We aim to constantly increase the availability of our products to anyone who needs them, while at the same time guaranteeing absolute compliance with applicable regulations in the markets where we operate.

**Protecting people:** At Recordati, we believe in equal opportunities and we guarantee that everyone can achieve their potential. We see diversity as a value and will not tolerate any discrimination based on ethnicity, nationality, gender, sexual orientation, disability, age, political or religious belief, or any other personal characteristics. At Recordati, we work hard to create a safe and inclusive work environment, where we all have our rights to physical and psychological integrity respected on a daily basis, as well as our right to freedom of opinion and association. We recognise that we each have a role to play in the success of our business and we implement staff development policies through which everyone's contribution and achievements can be appropriately rewarded.

**Care for the environment and sustainability:** At Recordati, we recognise the paramount value of environmental protection and aim to make a positive contribution to sustainable development in the areas where we operate. For this purpose, we seek to implement policies which increase the environmental sustainability of the Company's activities and meet all relevant legal and regulatory requirements. We place particular importance on managing water and energy resources, reducing emissions, proper waste management, combating climate change and protecting our natural world and biodiversity.

**Performance:** At Recordati, we seek to improve management performance and create value for our shareholders. We believe that every day is an opportunity to improve on the day before and we take all the necessary steps to ensure that the Company can enjoy sustainable, long-term economic growth.





### 1.3 The Recordati group's governance

The primary objective of Recordati's corporate governance system is the responsible and sustainable generation of value for shareholders, without losing sight of the social importance of the activity performed and of all the stakeholders involved.

The corporate governance structure of the Company is based on a conventional organisational model and therefore consists of the following corporate bodies: the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to an independent auditor registered in the special roll maintained by Consob. A '231' (administrative liability) Supervisory Body (ODV) has also been appointed which oversees the proper functioning of the "231 Model" and is responsible for updating it.

The Board of Directors has formed two committees from among its members with consultative and proposal-making functions: the Remuneration and Appointments Committee and the Risk, Control and CSR Committee, both consisting exclusively of non-executive and independent directors.

The Board of Directors of the Recordati group is composed of 12 members (4 of which are independent directors and 7 non-executive). Specifically, 67% of the BoD is composed of men and 33% of women. Furthermore, 25% of the members of the BoD between 40–50 years of age, while 75% are over 50. The personal and professional characteristics of each Director still in office as at 31 December 2020 range from economic, financial and managerial matters, which for some of them also include significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters.

For further information, please consult the "Corporate Governance Report and Ownership Structure".

### 1.4 Generating value for stakeholders

During 2020, the activities of the Recordati group in the field of the research and sale of medicines represented an important profitability factor for the Group, allowing generation of various economic benefits for stakeholders.

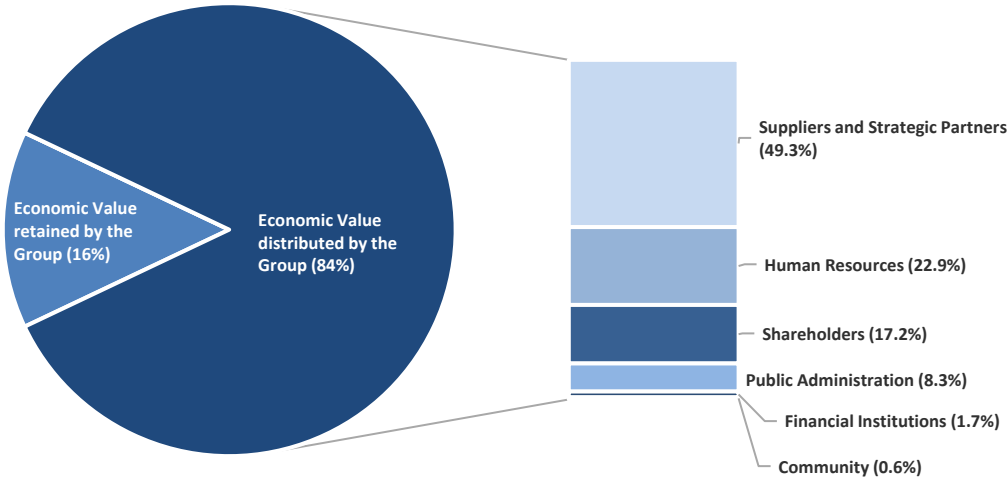
#### *Economic value generated and distributed by the Group*

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 generated by the Group's business management which are directly shared with the main categories of stakeholders with whom the Group interacts and maintains medium to long-term relations: suppliers and strategic partners (operating costs), human resources (remuneration of human resources: personnel costs); shareholders (remuneration of shareholders: profit distribution), financial institutions (remuneration of financial institutions: financial charges), the Public Administration (remuneration of Public Administration: taxes and duties) and local communities and associations (donations).

In 2020, of the € 1,456.2 million of economic value generated by the Recordati group, approximately 84% (equal to € 1,217.3 million) was distributed as follows:

- operating costs for suppliers and strategic partners of € 599.4 million, represented predominantly by the costs of raw materials, consumables and services;
- remuneration of human resources for a total of € 279.1 million, represented predominantly by the salaries and wages of Group personnel;
- remuneration of shareholders for a total of € 209.8 million, attributable to the distribution of dividends to shareholders<sup>1</sup>;
- remuneration of the Public Administration, in the form of taxes, for € 100.6 million;
- remuneration of financial institutions for € 20.7 million, primarily formed of borrowing costs;
- donations disbursed during the year and various community contributions, for € 7.7 million.

*Economic value generated and distributed by the Recordati group<sup>2</sup>*



<sup>1</sup> The value of the dividends distributed to shareholders refers to the balance for the 2019 financial year resolved in April 2020 for € 106.7 million, and the initial payment for the 2020 financial year defined in November 2020 for € 103.1 million.

<sup>2</sup> The allocation 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".

## 1.5 Work of the Recordati group in the context of the COVID-19 emergency

2020 proved to be a particularly difficult year for the entire world, which found itself facing an unprecedented health emergency with the COVID-19 epidemic.

Since the beginning of the emergency, the pharmaceutical world has been under immense pressure due to its role as an “essential service for the community”. The Group reacted immediately and decisively, adopting all measures necessary to manage the emergency, with the goal of reducing the spread of the virus and therefore protecting the health and safety of all employees whilst ensuring business continuity.

These measures ranged from smart working implemented for office personnel to the launch of new organisational models for our sales network through the remote provision of scientific information, also supported by specific training programmes. A series of measures were adopted in production and distribution facilities, in full compliance with provisions issued by the Authority, which allowed the Group to continue production and guarantee the health and safety of production personnel.

While observing all measures necessary to ensure the health and safety of its employees, Recordati never suspended its production and distribution activity, guaranteeing continuous availability of its products in the market, many of which are used in the treatment of serious and chronic illnesses.

Therefore, as a sign of appreciation for the outstanding professionalism and dedication shown, an extraordinary ad hoc bonus was also given to all the personnel at the Group's plants.

In fact, Recordati has also maintained ongoing dialogue with the supply chain, both recommending the adoption of strict prevention policies (access procedures, availability of personal protection equipment, segregation of shifts and flows, etc.) to protect the health and safety of individuals involved in the process and efficiently organising stock management, also differentiating the physical location of stock where possible.

Furthermore, right from the start, the Recordati group has stood alongside the communities where it operates, offering support to the health facilities involved in combating the epidemic. It has supported numerous initiatives in various different countries, largely through donations of a financial nature and of products. The Group's support for these initiatives totals more than € 5.4 million.

All of these efforts and initiatives have represented further confirmation of the robustness, resilience and responsibility of the Group.

As previously noted, on the whole, the COVID-19 pandemic did not significantly alter the economic performance of the Group, which was able to guarantee business continuity. Likewise, it should be noted that the pandemic has not significantly altered the social and environmental metrics of the Group either, for details of which see the specific chapters.

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

*“Recordati has a long history of entrepreneurial passion, a strong reputation and a desire to continue growing and creating value in an ethical, enduring, and sustainable way, all while respecting the laws and regulations that apply in the countries where we operate, protecting people and the environment, and supplying safe, high-quality products for our patients. In order to do this, we must work together and respect the fundamental rules and shared values that apply to all of us and all our interactions with others.”*

Andrea Recordati

### 2.1 The Recordati group's commitment to sustainability

The Recordati group is convinced of the fundamental importance of generating value through an approach that is ethical, lasting, sustainable and shared with stakeholders. Over the years, it has launched various initiatives focused on sustainability, aligned with strategic, organisational and operational characteristics.

In fact, 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 identify the interests of all stakeholders, monitoring and managing the economic, social and environmental impacts of its work.

Through annual publication of the Consolidated Non-Financial Statement the Group undertakes to ensure disclosure and transparency regarding its economic, environmental and social performance with the goal of strengthening dialogue with internal and external stakeholders.

#### ***The Group's sustainability governance***

In order to guarantee structured management of all aspects of sustainability a system of responsibilities has been defined both at the level of governance bodies and of the organisational structure.

In line with the new Corporate Governance Code for Listed Companies which Recordati has committed to adopt, the Board of Directors has the role of pursuing sustainable business success, defined as the goal of generating value in the long term to the benefit of shareholders, taking into account the interests of stakeholders which are relevant for its business.

The Board of Directors has formed a Risk, Control and CSR Committee, consisting exclusively of non-executive and independent directors. The Committee has the proposal-making and consulting duties in regard to the BoD. It provides appropriate investigation activity for evaluations of the competence of the Board of Directors, also in terms of sustainability, i.e., the processes, initiatives and activities aimed at safeguarding the Company's commitment to sustainable development throughout the value chain. Furthermore, in its work to support the Board of Directors, the Risk, Control and CSR Committee:

- analyses relevant topics for the generation of value in the long term prior to approval by the Board of the business plan for the Group companies;
- performs analysis regarding definition of the nature and level of risk compatible with the Company's strategic goals, covering all elements that may be of significance in the context of sustainable success of the Company;
- monitors sustainability topics connected to business activity and the dynamics of interaction of the latter with all stakeholders in accordance with the principle of sustainable success;
- examines Sustainability Plan guidelines and how to implement sustainability policies;
- examines the general composition of the Consolidated Non-Financial Statement and the structure of its content, as well as the completeness and transparency of information provided in this document;
- expresses, on request of the Board, an opinion on sustainability issues.

During 2020, the Recordati group strengthened its commitment towards increasingly integrated management of sustainability, through creation of the Environmental, Social & Governance department, which reports directly to the Group General Manager, for management and coordination of sustainability topics. This department encourages and supports the various departments of the Group in the adoption and integration of sustainability principles in decision-making and business processes. In collaboration with the relevant departments, it identifies risks linked to sustainability topics, and areas and projects for improvement. It proposes strategies and goals of the Sustainability Plan and prepares the Consolidated Non-Financial Statement. In addition, it promotes dialogue with stakeholders and disseminates the culture of sustainability within the Group.

Since 2017, with definition of the Group Policy for the preparation of the Consolidated Non-Financial Statement, data owners have been identified with responsibility, each for their respective area, for data and information published in the document.



Confirming the Group's commitment to sustainability, during 2020 Recordati participated for the second time in the CDP Climate Change programme, significantly improving its score compared to 2019 and passing from level C "awareness" to level B "management", which recognises that the Company has taken concrete actions to tackle the various aspects of climate change.



Following the review in December 2020, the Recordati group was included in the FTSE4GOOD Index series that measure the performance of companies in terms of ESG (Environmental, Social and Governance) criteria and are used by many financial operators all around the world to develop and evaluate products focused on sustainable investment.

## 2.2 The Recordati group's Stakeholders

Integrating corporate responsibility into a business approach means focusing on creating value for all relevant stakeholders 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 social role relates to company activities, with the aim of identifying their expectations and defining actions in response to the legitimate interests expressed.

*The Recordati group's stakeholders<sup>3</sup>*



The group believes that it is fundamental to build and maintain solid and lasting relationships with stakeholders. A relationship based on constant dialogue and active involvement is essential for the generation of value in the long term. In order to engage all of our stakeholders in their activities, optimising their roles and monitoring the possible direct and indirect impacts of the Group's activities on the relevant parties, the Recordati group implements stakeholder-engagement initiatives.

During 2020, there was important dialogue with stakeholders on sustainability topics. For the purposes of updating the Materiality Matrix, around 150 stakeholders were involved, belonging to all of the different categories, through an online questionnaire. The stakeholders expressed their point of view on the importance of sustainability topics. This dialogue enabled identification of the topics considered most important by the stakeholders, guiding definition of the material topics for reporting in this Statement and the topics on which to focus actions of the Sustainability Plan. For further details, please see the paragraph "Materiality Analysis".

In the knowledge that dialogue represents an important chance for reciprocal growth and sharing, below are further examples of engagement activities between the individual departments and stakeholders with whom the Group constantly interacts:

<sup>3</sup> Please note that the map of stakeholders presents the macro-categories of stakeholders. Within each of these there may be further sub-categories. For example: the "Employees" category also includes Trade Unions and Workers' Representatives, and the category "Healthcare structures and operators" also includes doctors, hospitals and pharmacies. The category "Government agencies, regulators, PA" also includes industry associations, non-governmental organisations and the national health service. "Customers" includes wholesalers, distributors and all other types of customers. In addition to suppliers, the category "Suppliers and strategic partners" also includes CROs, licensees and licensors, for example.



- 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;
- dialogue with healthcare operators, the scientific community and universities;
- relations and meetings with financial analysts and institutional investors focused on providing economic and financial information;
- internal communication initiatives and meetings with trade-union representatives;
- sharing of standards, day-to-day and institutional relations with suppliers and strategic partners;
- meetings with representatives of Local Communities and Regulators.

#### **Involvement of the local community - external emergency plan**

In February 2020, a public meeting was held at Campoverde di 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 upon publication on the website of the Prefecture of Latina of the new Recordati EEP pursuant to Italian Legislative Decree 105/15.

The meeting was an opportunity for constructive dialogue with the public and to present them with a summary of the prevention and protection activities carried out inside the Recordati plant so as to reduce the risks from major accidents. The meeting was also attended by the Aprilia Municipal Councillor for Production Activities and the Plant Manager. During the meeting, the draft Emergency Plan was illustrated with the possible accident events assessed in the latest Plant Safety Report and the actions to be followed by the local population in case of emergency. All the information was distributed in an information leaflet, prepared by Recordati, which was sent to the entire population of Campoverde by the Municipality of Aprilia via the Civil Protection Department.

Furthermore, given the strictly regulated nature of the pharmaceutical sector, industry 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 2020, the Recordati group participated in various industry associations located throughout its global business network, ensuring a constant and continuous flow of information.

*The Recordati group's main industry associations*

<p><b>ITALY</b>            Farindustria            Confindustria Dispositivi Medici            EFPIA            ASSONIME            UPA (Unione Pubblicità Associati)</p> <p><b>FRANCE</b>            LEEM (Les Entreprises du Médicament)            AFIPA (Association Française de l'Industrie Pharmaceutique pour l'Automédication)            GIE GERS            CIP (Club Inter Pharmaceutique)            Club Léonard de Vinci            CRIP (Cercle de réflexion de l'industrie pharmaceutique)</p> <p><b>BELGIUM</b>            Pharma.be (General national association of the pharmaceutical industry).</p> <p><b>GERMANY</b>            AGV Chemie- Arbeitgeberverband der Chemischen Industrie            IHK Ulm - Industrie- und Handelskammer Ulm            AKG e.V. - Arzneimittel und Kooperation im Gesundheitswesen e.V.            Camera di Commercio Italo-Tedesca (Deutsch-Italienische Handelskammer)            Pharma-Lizenz Club            Wirtschaftsrat der CDU            Senat der Wirtschaft            BPI – Bundesverband der Pharmazeutischen Industrie e.V. (The German Pharmaceutical Industry Association)            DCCV e.V.– Deutsche Morbus Crohn/Colitis Ulcerosa Vereinigung            UND e.V. – Urologen Netz Region Düsseldorf e.V.</p> <p><b>SWITZERLAND</b>            Swiss Association of the Pharmaceutical Industry            Business Association Chemistry, Pharma, Biotech            Swiss Healthcare Licensing Group            Swiss Health Quality Association</p> <p><b>AUSTRIA</b>            PHARMIG - Verband der pharmazeutischen Industrie Österreichs</p> <p><b>SPAIN</b>            Farindustria            Anefp (National Association of OTC products)            AINFA            AELMHU</p> <p><b>IRELAND</b>            Bio Pharmachemical Ireland (BPPCI)            IPHA (Irish Pharmaceutical and Healthcare Association)            National Irish Safety Organization            IBEC (Irish Business Employers' Confederation)            Cork Chamber of Commerce            Institute of Environmental Management and Assessment (IEMA) – Production            Irish Exporters Membership - Logistics            PMI (Pharmaceutical Managers of Ireland)            MMRI (Medical Reps Institute of Ireland)            TOPRA (The Organization for Professionals in Regulatory Affairs)            IMVO (Irish Medicines Verification Organisation)</p> <p><b>PORTUGAL</b>            APIFARMA - Portuguese Pharmaceutical Association            GROQUIFAR</p> <p><b>POLAND</b>            Commercial Chamber "Farmacja Polska"</p>	<p><b>RUSSIA</b>            GIM-Unimpresa</p> <p><b>UKRAINE</b>            EBA - European Business Association</p> <p><b>TURKEY</b>            Pharmaceutical Manufacturers Association of Turkey            ICC - The Istanbul Chamber of Commerce            Camera di Commercio Italo-Turca            Çerkezköy Organized Industrial Zone            Çerkezköy Chamber of Commerce and Industry            Istanbul Chemicals and Chemical Products Exporters' Association            The Union of Chambers and Commodity Exchanges of Turkey</p> <p><b>GREECE</b>            SFEE - Member of Hellenic association of Pharmaceutical Companies</p> <p><b>TUNISIA</b>            CNIP - The National Chamber of Pharmaceutical Industry            The Council of the Pharmacists Association.</p> <p><b>UNITED KINGDOM</b>            EMIG Ethical Medicines Industry Group</p> <p><b>UNITED STATES</b>            American Association of Pharmaceutical Scientists            American Chemical Society            ASPN - American Society of Pediatric Nephrology            BIO - Biotechnology Innovation Organization            BioNJ            DIA - The Drug Information Association            Global Genes            Healthcare Distribution Association            International Society of Pharmaceutical Engineers            NORD Corporate Council            Parenteral Drug Association            RAPS - Regulatory Affairs Professional Society</p> <p><b>CANADA</b>            LSO - Life Sciences Ontario            RAREi - The Canadian Forum for Rare Disease Innovators            CORD - Canadian Organization for Rare Disorders</p> <p><b>DENMARK</b>            ENLI - Ethical Committee for the Pharmaceutical Industry</p> <p><b>KAZAKHSTAN</b>            AIPM (Association of International Pharmaceutical Manufacturers in Kazakhstan)</p> <p><b>BRAZIL</b>            SINDUSFARMA (Union of Pharmaceutical Products Industries)</p> <p><b>COLOMBIA</b>            ANDI (Asociación Nacional de Industriales)</p> <p><b>JAPAN</b>            Pharma Delegates</p> <p><b>MEXICO</b>            AMIIF - Asociación Mexicana de Industrias de Investigación Farmacéutica</p>
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## 2.3 Materiality Analysis

For identification of strategic sustainability priorities, as well as for definition of the contents of the Consolidated Non-Financial Statement, during 2020 the Recordati group updated the materiality analysis. This is aimed at identifying, in application of the reporting standards issued by the Global Sustainability Standard Board of the Global Reporting Initiative (GRI), the material aspects of sustainability that can significantly influence the decisions and opinions of stakeholders, as well as the Company's performance.

In fact, the Materiality Matrix is an important tool to identify the most relevant sustainability topics from the perspective of the Company and of stakeholders. It forms the basis for preparation of the Consolidated Non-Financial Statement and helps to identify the ESG factors, i.e. those of an environmental, social and governance nature, on which to focus strategies and actions.

The Materiality Matrix is not a static tool but requires periodic updating on the basis of scenario evolutions, megatrends, emerging topics, and maturity level of sustainability within the company. This is why the group felt it was important, three years after the initial analysis, to launch an update procedure, in compliance with the requirements of the GRI reporting standard.

Updating of the Materiality Matrix, performed by the Environmental, Social and Governance department, with the support of a recognised specialised consulting company, necessitated the development and implementation of various project phases, and specifically:

- preliminary analysis
- stakeholder engagement
- involvement of top management
- definition and approval of the 2020 Materiality Matrix

### *Preliminary analysis*

In this initial phase, the Group performed preliminary analysis with the goal of monitoring and identifying the main material topics at an international level and for the relevant sector.

The phase of identifying sustainability topics that are potentially relevant for the sector and for Recordati was based on analysis of various sources of information, some of the most important being: corporate documents (Code of Ethics, risk map, etc.), external documents analysing the context and research on sustainable development policies (e.g. reports prepared by the World Economic Forum), benchmarking analyses of the primary competitors and Internet research activity. Consideration was also given to multi-stakeholder initiatives and international standards for management and reporting of corporate sustainable-development policy, including the GRI and SASB standards. General analysis also took into consideration the main criteria of rating agencies and ESG analysts and the Sustainable Development Goals.

The results of this preliminary analysis, also through comparison with the material topics present in the previous Matrix, enabled the Group to define a list of potential material topics to submit for the evaluation of the stakeholders and top management.

### *Stakeholder engagement*

Between September and November 2020, the Recordati group implemented stakeholder-engagement activity, involving and listening to the points of view of stakeholders, with the goal of making the Materiality Matrix update process even more robust, in line with best practices and the main sustainability frameworks, and specifically in compliance with the requirements of the GRI standard.

For this purpose, using the results of the preliminary analysis, an online questionnaire was prepared and sent to a panel of around 150 recipients belonging to all of the various stakeholder categories, previously identified in close collaboration with the different company departments. The stakeholders evaluated the individual topics, assigning a score to each on a scale from one to five, and therefore contributed to defining the prioritisation of the topics on the basis of the assigned relevance. The questionnaire also requested indication of any additions to the topics identified.

The stakeholder-engagement activities carried out promoted inclusion of the points of view of stakeholders in the Materiality Matrix and more precise identification of the material topics for which stakeholders of the Group expect constant commitment and tangible actions from Recordati, in compliance with the guiding principle of stakeholder inclusiveness of the Global Reporting Initiative.

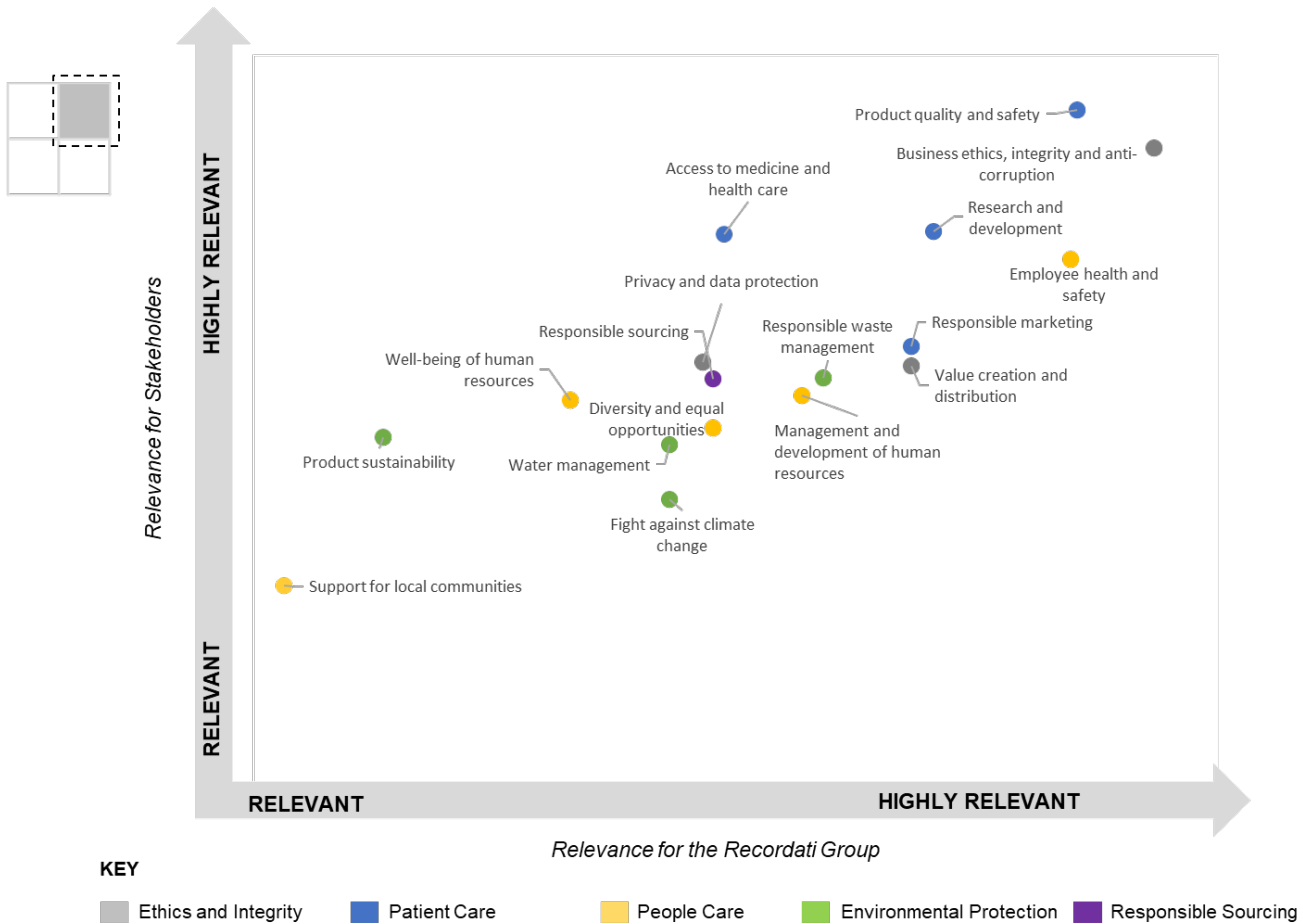
### *Management interviews*

In addition to stakeholder engagement, the Recordati group has taken actions for engagement of Top Management, in order to identify priority material topics from the Group's perspective. Top Management engagement was implemented through one-to-one meetings and an online questionnaire. Top management was also asked to evaluate the individual topics on a scale of one to five and to indicate any proposed additions to the topics identified.

### *Creation of the 2020 Materiality Matrix*

During the final phase of the Materiality Matrix updating process, the Group processed data and summarised results of the evaluation of material topics by stakeholders and top management. This enabled a specific ranking of material topics and prioritisation of them within the new Recordati group 2020 Materiality Matrix.

The results of analysis were discussed with executive management and subsequently the new Materiality Matrix was shared with the Risk, Control and CSR Committee and the Board of Directors.



The Materiality Matrix represents the 17 topics<sup>4</sup> selected according to their economic, social and environmental relevance both for the Recordati group and for the stakeholders involved. In particular, the Matrix identifies the level of importance assigned to the topics from the perspective of management on the horizontal axis “Relevance for the Recordati group” and from the perspective of stakeholders on the vertical axis “Relevance for Stakeholders”. Material topics are grouped into five specific areas according to the impacts generated for various categories of stakeholders: ethics and integrity, patient care, people care, environmental protection and responsible sourcing. The topics of relevance identified in the Materiality Matrix are discussed and explored in subsequent chapters of this Statement in compliance with the reporting standard and the provisions of Italian Legislative Decree 254/2016. It is noted that aspects linked to “Governance”, “Regulatory Compliance” and “Risk management” are not included in the final proposal amongst the material topics for the Group as these aspects are considered as essential prerequisites for Recordati to continue to generate value and thus are in any case subject to reporting within this Consolidated Non-Financial Statement.

<sup>4</sup> The main new elements of the revised Recordati group Matrix compared to the previous version, in addition to Stakeholder Engagement and prioritisation of topics, include several instances of rewording (to make certain topics more specific), greater rationalisation of the topics performed also by grouping them together (e.g. the topic of “Human Rights” has not been considered as a separated topic but is handled within other topics such as “Responsible sourcing”, “Business ethics, integrity and anti-corruption”, “Diversity and equal opportunities” and “Research and development”) and more specific handling and definition of topics (e.g. in the environmental cluster, the specific topics “Fight against climate change” and “Water management” have emerged, which were previously included within “Environmental protection” and “Efficient use of resources”). Other new topics such as “Product sustainability” and “Privacy and data protection” have emerged from the analysis.

## 2.4 Sustainability Plan

During 2020, Recordati formalised the first Group Sustainability Plan, an essential tool that shares the future pathway with stakeholders. The Plan presents the ambitions of the Group and its commitments regarding sustainable and responsible development.

The Group is driven by the belief that every day is an opportunity to improve on the day before and takes all the necessary steps to ensure sustainable, long-term economic growth. Growth and achievement of challenging business and sustainability goals are not incompatible: on the contrary, Recordati is convinced that responsible actions and generation of shared value contribute to the long-term success of the Company.

### Our Aspiration

**Improving people's health and quality of life is the basis of our mission**, it is part of our DNA. Recordati's people have always given their utmost every day to pursue this goal.

As emphasised by the World Health Organization (WHO), health is not merely the absence of disease or infirmity, but a state of complete physical, mental and social well-being. To improve health, it is therefore necessary to intervene on a number of determining factors, such as the social, physical and economic conditions under which people are born, live and work, including healthcare systems. In this context, in addition to institutions and governments, pharmaceutical companies must also develop strategies for the improvement of the healthcare system, in terms of **availability, accessibility and quality of healthcare structures and the goods and services provided**.

We are living in a rapidly changing world that often raises concerns about sustainability for future generations. The current scenario in which we live has led us to reflect deeply on the relationship between humanity and nature and on the importance of an overall balance: **well-being and health of people and the health of the planet are closely connected**. We cannot be healthy in an unhealthy environment and with no health there is no wealth and no social equity.

With this systemic approach and in accordance with the **2030 Agenda for Sustainable Development** priorities, we wish to contribute to supporting global development, promoting human well-being and protecting the environment.

**We want to continue to do our part.**



The Sustainability Plan focuses on 4 priority areas:

- Patient care
- People care
- Environmental protection
- Responsible sourcing

These four strategic areas for sustainability are supported by a fifth fundamental pillar: ethics and integrity. These principles direct every aspect of the Group’s activities on a day-to-day basis.

The Sustainability Plan, defined in accordance with the materiality analysis, also highlights the contribution to achievement of 10 of the 17 Sustainable Development Goals (SDGs) of the Agenda 2030, the common goals signed by UN member states that outline a path of collaboration and responsibility to face the complex current challenges.



**Process for definition of the Sustainability Plan**

The sustainability goals were identified by the Environmental, Social & Governance department in close collaboration with the heads of other company departments. The Plan was shared with executive management, the Risk, Control and CSR Committee and the Board of Directors.

Responsibility for achievement of the goals included in the Sustainability Plan is assigned to the representatives of the various departments involved, who have the resources, tools and expertise required for their implementation. To those involved in the implementation of the Plan, in the context of the Management by Objective (MBO) system, objectives of a social and environmental nature are assigned linked to the implementation of the Plan itself.

Furthermore, the objectives of the MBO system for the Group General Manager include the definition, implementation, management and development of the strategic plan for sustainability integrated with Group business.

For definition of the goals of the first Recordati group Sustainability Plan a gradual approach was preferred to support progressive implementation of projects aimed at continuous improvement. The Plan sets out periodic monitoring and updating. In fact, it will be updated on an annual basis in order to take account of the implementation status of existing projects and to set new goals.

<b>Ethics and Integrity - 2021 Goals [SDG 16]</b>
<b>Business ethics, integrity, anti-corruption</b>
<ul style="list-style-type: none"> <li>• Distribute the Code of Ethics and train 100% of employees</li> </ul>
<ul style="list-style-type: none"> <li>• Distribute anti-corruption policies and train 100% of employees. Specifically, distribution of and training on the new Group anti-bribery manual and country-specific anti-corruption laws (e.g. training on the 231 Model)</li> </ul>
<ul style="list-style-type: none"> <li>• Begin third-party/partner due diligence based on anti-corruption policies through an ad hoc questionnaire</li> </ul>
<b>Privacy and data protection</b>
<ul style="list-style-type: none"> <li>• Deliver a training programme on the GDPR (privacy) aimed at approximately 1,200 employees in foreign branches</li> </ul>
<b>Communication and transparency</b>
<ul style="list-style-type: none"> <li>• Develop a new section on the Group's website dedicated to Sustainability</li> </ul>

Patient care <sup>5</sup> - 2021 Goals [SDGs 3–9]
Access to medicine and healthcare
<ul style="list-style-type: none"> <li>• Further enhance (by Recordati Rare Diseases inc.) the Patient Assistance Program (PAP) and Co-Pay Assistance Program (CAP) aimed at providing assistance to patients who are eligible to receive financial support for products</li> </ul>
<ul style="list-style-type: none"> <li>• Continue to promote initiatives and training activities (including through the Recordati Rare Diseases Foundation) aimed at improving the diagnosis and treatment of rare diseases</li> </ul>
Anti-counterfeiting
<ul style="list-style-type: none"> <li>• Launch new projects to fight drug counterfeiting, focusing in particular on Brazil and other countries in relation to changing legislation</li> </ul>

People care - 2021 Goals [SDGs 3, 4, 5 and 8]
New work style, employee well-being and work-life balance
<ul style="list-style-type: none"> <li>• Define the project aimed at the full implementation of smart working for employees</li> </ul>
<ul style="list-style-type: none"> <li>• Promote programmes aimed at encouraging healthy lifestyles through initiatives to promote sport, training on health, well-being and work-life balance (e.g. healthy eating, psychological well-being, parenthood and family), consultations with nutritionists, sports coaches, psychologists and smoking cessation therapists</li> </ul>
Management and development of human resources
<ul style="list-style-type: none"> <li>• Promote training activities focused on management and leadership skills and the “new” skills required to manage new work style, especially those related to smart working (e.g. digital transformation, remote team management, work/life balance in the new online dimension)</li> </ul>
Diversity and equal opportunities
<ul style="list-style-type: none"> <li>• Sign the Charter for Equal Opportunities and Equality at Work, which represents a declaration of commitment to adopt inclusive human resources policies, supported by the Italian Ministry of Labour and Social Policies</li> </ul>

<sup>5</sup> Note: the table, relating to the Group's commitments to its patients, shows only some of the targets. Commitments regarding quality, product safety, research and development, etc. are intrinsically related to the business and are thus ongoing. More details on the Group's development plans are included in the Financial Statements.

Health and Safety
<ul style="list-style-type: none"> <li>Reinforce a corporate culture aimed at preventing, monitoring and reducing occupational injuries through measures and initiatives to safeguard employee health and well-being (including installation of devices to facilitate and reduce the manual handling of loads, training and raising awareness)</li> </ul>
Support for local communities
<ul style="list-style-type: none"> <li>Support medical and healthcare organisations dedicated to assisting those suffering from medical conditions and improving the quality of life of patients and their families through research and support projects and initiatives</li> </ul>
<ul style="list-style-type: none"> <li>Product donations to organisations that collect and distribute pharmaceuticals to healthcare facilities that regularly assist disadvantaged people who are unable to purchase medicines</li> </ul>
<ul style="list-style-type: none"> <li>Community support through solidarity, social and cultural initiatives aimed at promoting the growth and well-being of local communities</li> </ul>

<b>Environmental protection - 2021 Goals [SDGs 6, 7, 12 and 13]</b>
Fight against climate change
<ul style="list-style-type: none"> <li>100% renewable electricity purchased for our European production and packaging sites and annexed offices.</li> </ul> <p><i>Note: The Recordati group has 8 production plants (2 chemical-pharmaceutical plants and 6 pharmaceutical production plants) in addition to one production plant dedicated to packaging. Please note that 7 of the 9 production sites are in Europe and will be powered by renewable energy.</i></p>
<ul style="list-style-type: none"> <li>Install 2 inverter blowers at the Campoverde production plant to control the oxygenation levels of the wastewater treatment plant, enabling the regulation — and thereby improving the efficiency — of the machine's power based on the actual needs of the treatment plant (resulting in an estimated 50% reduction in electricity consumption compared to the current operating conditions of the unit scheduled for replacement)</li> </ul>
<ul style="list-style-type: none"> <li>Gradually replace traditional lighting systems with LED lights: <ul style="list-style-type: none"> <li>complete replacement of the existing lighting systems with LED lights in the Utebo production plant and the intermediates warehouse of the Campoverde plant (Aprilia)</li> <li>launch the project to replace the current lights with LED lights in the production department of the Milan plant (the replacement will be completed by 2023)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Install solar panels to generate electricity on the roof of the Utebo production plant and launch a feasibility study to assess the possibility of installing photovoltaic panels at the Cork production plant</li> </ul>

<ul style="list-style-type: none"> <li>• Install specific energy consumption monitoring systems (steam and electricity use) at the production plant in Çerkezköy, Turkey and the Campoverde plant in order to obtain more accurate energy consumption data and to identify possible optimisation measures</li> </ul>
<ul style="list-style-type: none"> <li>• Install a thermal solar system to produce hot water for the changing rooms at the Campoverde production site</li> </ul>
<ul style="list-style-type: none"> <li>• Participate in the ForestaMI project, which aims to plant trees in the Milan Metropolitan Area in order to increase the amount of urban green spaces, improve citizen well-being and reduce atmospheric pollution</li> </ul>
<ul style="list-style-type: none"> <li>• Progressive incentivisation and introduction of eco-friendly vehicles in the company's fleet</li> </ul>
<b>Responsible waste management and circular economy initiatives</b>
<ul style="list-style-type: none"> <li>• Extend initiatives to recover and reuse chemical raw materials used in production processes, taking a circular economy approach, with a consequent positive impact on waste reduction and the use of natural resources</li> </ul> <p><i>Note: The recovered raw materials may be reintroduced into internal production processes or through partnership agreements with third-party companies.</i></p>
<ul style="list-style-type: none"> <li>• Feasibility study for a project to reduce certain types of hazardous waste through the installation of a system to capture certain heavy metals</li> </ul>
<b>Product sustainability (sustainable packaging initiatives)</b>
<ul style="list-style-type: none"> <li>• Analyse possible packaging solutions with lower environmental impact</li> </ul>

<b>Responsible sourcing - 2021 Goals [SDGs 8 and 9]</b>
<b>Promote a responsible supply chain</b>
<ul style="list-style-type: none"> <li>• Distribute the new Code of Ethics to suppliers, starting with strategic suppliers</li> </ul>
<ul style="list-style-type: none"> <li>• Roll out the Attitude Project group-wide, aimed at standardising the supplier selection and qualification process — including from an ethical and environmental standpoint — and creating a universal shared database to ensure supplier quality control</li> </ul>
<ul style="list-style-type: none"> <li>• Define a strategic supplier management and monitoring plan that also considers ethical, social and environmental aspects</li> </ul>

### 3. BUSINESS ETHICS & INTEGRITY

*The Recordati group is committed to conducting its business ethically, transparently and honestly in all the countries where it operates, respecting the applicable laws, professional codes of conduct, the Code of Ethics, the Anti-Corruption Manual and the Organisational, Management and Control Models, as well as internal procedures.*

#### 3.1 The Organisational, Management and Control Model

The main sustainability topics are regulated within the Organisational, Management and Control Models 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.

During 2020, the parent company Recordati S.p.A. updated its Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, including recent legislative developments regarding racism and xenophobia, incitement to corruption between private individuals, employment of illegally resident third-country nationals, market abuse, trafficking in illicit influences and tax offences.

Regarding 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 *Ley Orgánica 2015/1* of 30 March 2015, is continuing the activities provided for in the Model through the action of its Supervisory Body. During 2020, the Supervisory Body met three times and performed activities in accordance with its Regulations aimed at guaranteeing the adequacy, effectiveness and updating of the Model adopted by the Company.

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 of the Organizational Models (Italian and foreign) provide for dedicated channels for reporting irregularities or breaches by employees and regular personnel training on the contents of the Models and reference standards.

The Supervisory Bodies appointed within the Group Companies are collegial and are 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 action plan. The Supervisory Bodies have their own spending budget and periodically report to the Board of Directors and the Board of Statutory Auditors (where present). These 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 Italy S.r.l. annually submit their protocols for medical and scientific information and management of relationships with the medical community, 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 2020, the aforementioned Companies were audited by Certiquality, which renewed and confirmed the Farmindustria Certification attesting 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 section “*Internal Control and Risk Management System*” of the Corporate Governance Report and Ownership Structure.

The systematic approach of the Organisational, Management and Control Models pursuant to Italian 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 management, the Recordati group has adopted the 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 a Key Privacy Person in each European subsidiary 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. The Recordati group has also equipped itself with IT applications to optimise personal data management and ensure GDPR compliance. During 2020, training sessions were held for the Key Privacy Persons in all European branches of the Group and, during 2021, there are plans to extend training in this context to around 1,200 employees of foreign branches.

Evidence of the company's commitment can be seen in the lack of demonstrated cases of data-protection breaches or loss of data in 2020.

### ***The Recordati group Code of Ethics***

During 2020, the Group approved a new version of its Code of Ethics. This update was motivated by the Recordati group's wish to further increase the accessibility and usability of this document, and was achieved through careful critical rewording and review by an inter-departmental internal team supported by external specialists and by the Recordati S.p.A. Supervisory Body. This inter-departmental method allowed the creation of a broad-reaching, shared document, capable of further strengthening guidance on ethics and compliance within the Recordati group.

As previously stated, the Code of Ethics, in its new version approved in July 2020 by the Recordati S.p.A. BoD, defines Recordati's fundamental values, which guide and support the Group in its day-to-day operations and in relations with both internal and external stakeholders.

Furthermore, the Code of Ethics sets out the responsibilities of all recipients, both internal and external, and defines “shared commitments”, i.e. conduct through which Recordati's values find concrete, practical application. This section includes indications on:

- How we manage our business, including indications regarding:
  - Ethical and legally compliant behaviour
  - Product quality and safeguarding health
  - Our commitment to environmental protection and sustainable development

- Conflicts of interest and protecting the Company's assets
- Accounting transparency, confidentiality of information, personal data and social media
- People and the workplace, including indications regarding:
  - Protecting people
  - Fairness, equality, and the protection of human rights
  - Health and safety in the workplace
- Relationships with our stakeholders.

The Code is adopted by all Group Companies and applies to all employees, associates, directors, members of company bodies, commercial partners and other third parties with which the Group collaborates, including consultants, intermediaries, agents and contractors, clearly defining the expectations of the Company in terms of standards of ethics and conduct.

This document therefore serves as a reference for all Recordati stakeholders and represents the Group's commitment to conducting its business and managing both internal and external relationships in an ethical and sustainable manner.

This Code has been inspired by the main standards and guidelines for corporate governance, human rights and the environment, such as the United Nations' Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the decent work standards set out in ILO (International Labour Organization) conventions, the OECD (Organisation for Economic Cooperation and Development) Guidelines for multinational enterprises, and national and supra-national Anti-Bribery legislation (e.g.: the OECD Anti-Bribery Convention, Italian Legislative Decree 231/2001, the Foreign Corrupt Practices Act, the Bribery Act, *Loi Sapin 2*, *Ley Orgánica*, etc.), as well as ISO 14001 standards on the environment.

Additionally, the principles and guidelines contained in the Code are further detailed in numerous other company documents. These documents help all recipients of the Code to put its principles into practice in their daily work. These additional documents include, for example, the Group's Anti-Corruption Manual; national organisational, management and control models and local compliance procedures; privacy management models; the product quality and clinical research management system; the Group's policies on the main corporate processes and its policies on the environment and safety in the workplace, as well as the relevant local procedures; local and Group accounting manuals; and the administrative and technical procedures which govern Company activities in detail.

The new version of the Code of Ethics defines the methods for reporting breaches (whistleblowing) and provides information on management of such reports. Recordati is committed to taking responsibility for all the reports it receives and to respond to them, guaranteeing maximum confidentiality in their management and the anonymity of the whistleblower, without prejudice to legal obligations and protection of the rights of persons accused maliciously or in bad faith. Additionally, Recordati expressly prohibits any type of retaliation against anyone lodging a report in good faith. Recordati is committed to creating a collaborative work environment, where the dignity of every person is respected and everyone can feel at ease in reporting any violations of the law, the Code or Company policies.

Following approval of the Code of Ethics, the process for its translation and distribution has been launched. The Code of Ethics is currently available in Italian, English, French, Turkish, Russian, Spanish, Portuguese, Polish, Czech and further translations will follow in 2021. The Code of Ethics is published on the Recordati group website in

order to guarantee widespread availability and access, and its distribution within the Group has been carried out with involvement of the General Managers of all Group Companies.

To facilitate dissemination and comprehension of the principles contained in the Code of Ethics, a training programme has also been launched targeting all Group employees. This programme has a two-year duration, 2020–2021 and involves provision of an online training course for all Group employees with access to digital devices and distribution in hard-copy format for employees without access to such devices.

This training plan is currently available in Italian, English, French and Russian and has involved around 1,500 Group employees solely for the online version. In coming months, in order to make this course available to all Group employees, versions are planned in Turkish, Polish, Czech, Spanish, German and Portuguese.

Finally, participation in this course is also required for external parties who, although not employed directly by the Recordati group, perform activities in the name of and on behalf of the Recordati group on an ongoing basis.

#### **The Recordati group's focus on human rights throughout the value chain**

As described in the Code of Ethics, with regard to human rights the Group adheres to the highest international standards, such as the UN Universal Declaration of Human Rights, the EU Charter of Fundamental Rights, and the decent work standards set out in ILO (International Labour Organization) conventions.

Recordati acts to guarantee respect of all human rights for all employees and recognises the importance of safeguarding and promoting them throughout the value chain, taking actions to ensure that their suppliers also do so.

As a pharmaceutical company, it also prioritises the need to guarantee the human rights of all subjects involved in clinical and post-marketing studies, as well as their health and safety, rights to dignity, self-determination, privacy and the confidentiality of personal data. It also recognises health and access to care as another fundamental aspect of human rights: in this context, on the basis that every patient should have access to the best possible treatment, the Group operates in the area of rare diseases around the world and is committed to improving diagnosis and management of such diseases.

### *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 refusing all forms of corruption. To this end, since 2009 the Group has conducted an assessment of its internal control in line with international and supra-national Anti-Bribery legislation in the countries where the Group has branches and has developed a Group Anti-Bribery programme and Manual 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.

The Group Anti-Bribery Manual is subject to periodic review. The most recent review, which involved significant additions and improvements to the contents and areas covered, with new examples of potential corruption risks and related guidelines for conduct, was performed at the end of 2019. In the context of this review, the structure of the Group Anti-Bribery Manual has also been revised for easier usage and comprehension. Currently, the new Group Anti-Bribery 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<sup>6</sup>.

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.

To facilitate dissemination and comprehension of the principles contained in the Group Anti-Bribery Manual, a training programme has also been launched targeting all Group employees. This programme has a two-year duration, 2020–2021 and involves provision of an online training course for all Group employees with access to digital devices and distribution in hard-copy format for employees without access to such devices.

This training is currently available in English, Turkish, Spanish, Polish and Czech and has already involved around 1,400 employees of the Group and third parties who, whilst not employed directly by the Recordati group, perform activities in the name of and on behalf of the Recordati group on an ongoing basis. In coming years, in order to make this course available to all Group employees, versions are planned in French, Russian, German and Portuguese.

During 2020, there has been a consolidation and strengthening of communication, coordination and control activities between the Parent Company and the various branches, through introduction of additional information to existing information flows on anti-corruption and anti-terrorism, allowing interception and management of potential risk situations through dedicated channels.

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<sup>6</sup> *Updating of the new Anti-Bribery Manual and aspects regarding its implementation are based on Business Against Corruption: A Framework for Action - U.N. Global Compact, Transparency International. The Anti-Bribery Manual is available on the Corporate website in the Corporate Governance section.*

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 went live in 2020. This tool, based on business intelligence systems, will make it possible to continuously monitor anomalous accounting transactions en masse and to plan audits with greater precision and accuracy.

The Compliance Questionnaire tool was also consolidated. This is submitted to General Managers of the Group's foreign branches and the Recordati S.p.A. Supervisory Body on a quarterly basis in order to strengthen information flows regarding ethics, compliance and the existence of potentially negative situations or events in these areas.

In terms of communication and training on anti-corruption and the contents of the Group's Anti-Bribery Manual, in 2020 all members of the Board of Directors of Recordati S.p.A. were informed of the policies and procedures adopted via periodic reporting from the Group's Internal Audit and Compliance Director.

Overall in 2020, dedicated anti-corruption training was given to 3,774 employees, 1,116 of whom in work in Italian Group Companies and approximately 2,658 located in foreign branches.

As regards to the channels for reporting breaches and anomalies regarding laws and internal procedures, for some time the Company has 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>7</sup>.

During 2020, the existing whistleblowing channels were further reinforced. On the basis of a 2019 pilot project that saw implementation of dedicated web portals and hotlines in the Recordati Rare Diseases France branch and in the Italian Group Companies, during 2020, these whistleblowing platforms were extended to the entire Group, going live in January 2021. 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 additional information regarding the fight against corruption are described in more detail in the *"Internal Control and Risk Management System"* section of the Corporate Governance Report and Ownership Structure.

No cases of corruption were reported during 2020.

In terms of internal resources assigned to compliance and anti-corruption, during 2020 the Parent Company continued to strengthen its corporate Internal Audit & Compliance structure with the hiring of a Compliance Officer for the Turkish Recordati İlaç branch that will implement the corporate supervision of the Compliance Officer for Foreign Branches. Again in 2020, in the context of the Internal Audit & Compliance Division, a GDPR Advisor was hired to support the Group DPO in management of the Organisation Model pursuant to the European General Data Protection Regulation (No. 2016/679). Finally, the corporate Internal Audit department was also strengthened with addition of a Senior Internal Auditor that will join the team from January 2021.

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<sup>7</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"*.

### 3.2 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 Company Risk Catalogue, the System enables 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 Report and Ownership Structure 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, 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.

Specifically, during 2020 the Risk Catalogue was updated and submitted to the Board of Directors on three occasions: for two potential acquisitions and for annual updating of the Catalogue in December 2020.

Updating of the Company Risk Catalogue in 2020 was performed with particular focus on certain key areas. These included the impact of the COVID-19 pandemic and assessment of ESG topics in the Company Risk Catalogue.

The Board of Directors, also on the basis of this review, concluded that the level and nature of the risks identified by the Group Risk Catalogue, presented to the Board in the meeting of 17 December 2020, are compatible with the Group's budget and strategic goals.

### *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, HSE risks -Health, Safety and Environment- and 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 and with legislation pertaining to drug detailing).
- Product responsibility (e.g. product recalls and 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 a programme of internal audits and audits by third parties 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 deal with these risks, the Human Resources Department constantly monitors the size of the workforce within the various divisions 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 that of establishing relationships with suppliers that do not guarantee responsible procurement processes regarding human rights, environmental protection and safety in the workplace, and the risk of being unable to source adequate commercial partners and the lack of control over 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, allowing relevant documentation such as certificates and declarations to be gathered organically, which further reduces the risk of partnerships with suppliers that have unsuitable technical, ethical, conduct and sustainability profiles.
- Compliance: within the scope of the compliance area, in addition to risks of committing offences against the Public Administration, these include risks related to failure to comply with international quality standards and legislation pertaining to drug detailing. 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. Regarding 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 (including the risk of demands for compensation as a result of side effects caused by 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 2020, the Group renewed its focus not only on concrete actions to reduce environmental impacts but also on the topic of climate change more generally. The Group is aware of the fact that climate change can determine various types of risks, e.g. financial risks (due to the increased cost of energy), operational risks (due to an increase in extreme phenomena such as drought or flooding in the territories in which the Group operates), health risks (due to worsening atmospheric pollution) and finally reputational risks (due to the growing awareness of stakeholders and the communities in the territories in which the Group operates). The COVID-19 pandemic has not changed the level of attention that the Group places on this issue; on the contrary, Recordati is increasingly aware of the key role that the fight against climate change will play in guaranteeing an increasingly resilient future for its business.

In this risk context, the Group's intention is to put in place policies aimed at optimizing environmental impacts and enhancement of the territories in which it operates without losing the efficiency of its resources.

As already reported in chapter 2, the Group participated in the CDP programme also in 2020, demonstrating its awareness regarding climate change and laying a foundation for further improvement actions. The CDP (formerly the Carbon Disclosure Project) is the non-profit organisation (supported by more than 500 institutional investors) most recognised worldwide for assessing company transparency in disclosures of information relating to climate change. In 2020, more than 9,500 companies reported their greenhouse gas emissions and analysed the risks and opportunities related to Climate Change through this programme.

More information on the activities carried out by the Group in relation to ESG risks is contained in the chapters "The Group's Focus on the Environment", "The Recordati group's Employees", and "Suppliers and Strategic Partners" of the Non-Financial Statement and in the "Health, Safety and Environment" section of the 2020 Annual Report.

### 3.3 The Group's fiscal policy

Due to its strong international presence, the Recordati group contributes to the development of the countries in which it operates, providing products, services and employment and generating ethical, lasting and sustainable value in line with applicable laws and regulations in these countries, also through payment of the relevant state taxation.

The Group is aware of the primary value of such income for the collective well-being and therefore contributed actively to observing laws and regulations established by the individual fiscal jurisdictions, collaborating for payment of taxes and duties, and adopting transparent, honest and proper conduct.

Indeed, in order to develop and maintain professional and transparent relations with the Public Administration and national and international Tax Authorities, the Group guarantees access to relevant information demonstrating the comprehensive nature of fiscal processes, declarations and statements. Furthermore, the Group regularly fulfils local and foreign fiscal compliance requirements, e.g. through preparation of Transfer Pricing Documentation and the Country-by-Country Report (CbCR) in compliance with OECD Guidelines.

The global fiscal strategy implemented is aligned with the business strategy of the Group, aimed at expansion and diversification of the portfolio of activities without application of aggressive tax planning and, where applicable, using the institutes established by the various systems to collaborate with local Tax Authorities.

In the context of its fiscal approach, stakeholder engagement and management of problems of a fiscal nature, the Group pursues the following principles:

- Observation of laws and regulations and fulfilment of all requirements applicable in the countries in which it operates;
- Maintenance of a solid governance structure to properly comply with fiscal obligations and management of fiscal risk. All decisions are taken on the basis of the system of powers in force with supporting documentation justifying the decision-making process.
- Development and promotion of collaboration with Tax Authorities, based on reciprocal respect, transparency and trust. To this end, the Group has submitted various applications for rulings and prior agreements on transfer pricing;
- Guarantee of adequate legislative compliance, by observing documentary requirements under national or international law, including preparation of transfer pricing documentation of the Group companies in order to guarantee, demonstrate and support compliance with the principle of free competition relative to prices applied to intragroup transactions;
- Dialogue with governments on proposals for changes to fiscal legislation, where appropriate, directly or through representative bodies;
- As mentioned above, absence of the use of aggressive tax planning schemes involving artificial structures created solely for fiscal benefit or transactions without economic substance in order to obtain undue fiscal advantages. Use of incentives and tax benefits, where available, is transparent and occurs in full collaboration with the Tax Authorities involved, e.g. the Patent Box incentive pursuant to Italian Law of 23/12/2014, as amended, or tax credits for research and development activity;
- Acting with integrity and not using tax havens that do not allow the exchange of information or jurisdictions with low taxation to obtain undue fiscal advantages.

### *Fiscal governance, control and risk management*

Pursuing its fiscal strategy, the Group employs solid systems of governance, control and risk management in the fiscal context. Also through adoption of the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, the activities of the Supervisory Body regarding the procedures and protocols it contains and the suggestions and analyses performed by the Internal Control Committee, the Group ensures that there is an adequate and effective structure for prevention of offences, including those of a fiscal nature.

The Group's approach to fiscal risk is integrated into our broader corporate risk-management framework. The management of fiscal risk is performed in line with the requirements of applicable legislation and in the long-term best interests of shareholders, taking into account operational, economic and reputational factors.

In order to minimise fiscal risk, the Group implements specific controls to ensure correct and prompt payment and transfer of taxes in the context of transparent and exacting compliance, also aimed at preventing possible disputes. Further guarantees are provided by periodic audits performed by the Board of Statutory Auditors and the independent auditors, also through fiscal-risk-management processes.

The Group's tax department, operating under the Group Chief Financial Officer, is composed of experts in national and international taxation that regularly receive adequate training for appropriate management of fiscal strategy and the actions necessary for its implementation. Additionally, the Group also avails itself of external tax professionals for tax consulting and assistance required for correct and comprehensive interpretation of local and foreign legislation and close assessment of potential emerging risks. Fiscal risk can, in fact, also derive from unclear laws and regulations, as well as differences in interpretation.

Finally, the Group employs its whistleblowing procedure that allows all stakeholders to report critical issues regarding unethical or illicit conduct and the integrity of the Group, also in relation to fiscal considerations.

### *Income taxes*

The provision for income taxes amounts to € 100.6 million and includes income taxes levied on all consolidated companies as well as the Italian regional tax on production activities (IRAP) which is levied on all Italian companies. IRAP is levied only on the Italian companies and is computed applying an average rate of 5.42% to a broader taxable base calculated before the deduction of interest.

Reconciliation of the current standard corporate income tax rate in Italy with the tax rate effectively incurred on consolidated pre-tax income is as follows:

	2020	2019
	%	%
Standard income tax rate on pre-tax income of the Parent Company	24.0	24.0
Dividends from foreign subsidiaries	0.4	0.4
Foreign tax rate differential	(1.9)	(1.1)
Provisions for risks deriving from ongoing tax audits	-	(0.2)
Other differences, net	(0.1)	0.1
Tax benefit provided by the so-called "Patent box" in Italy	(2.2)	(8.0)
<b>Effective tax rate on income</b>	<b>20.2</b>	<b>15.2</b>
IRAP	1.9	1.8
<b>Effective tax rate on pre-tax profit</b>	<b>22.1</b>	<b>17.0</b>

## 4. PEOPLE'S HEALTH: RECORDATI'S PRIORITY SINCE THE BEGINNING

*The Recordati group has always been focused on developing and offering innovative products, with the aim of improving human health and quality of life. To this end, the Group invests continuously in research and development and is committed to maintaining the highest product quality and safety standards throughout the product life cycle. In the Recordati group's strategy, the central importance of patients, including the most vulnerable, is also manifested in a constant attention to improving access to healthcare. Convinced that every single patient should have access to the best possible treatment, the Group also operates in the area of rare diseases.*

### 4.1 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, partly through internal research programmes and primarily 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 carries out research and development in accordance with good clinical and laboratory practices and legislation, guaranteeing compliance with the highest international standards. Recordati uses animals in scientific experiments only when this is strictly necessary, that is when there is no alternative and when it is expressly required by the health authorities. In such cases, Recordati makes use of specialised centres which guarantee adherence to relevant national and supra-national legislation and which effectively implement the principles of the 3Rs: Replacement (using alternative methods), Reduction (minimising the number of animals used) and Refinement (protecting animal welfare).

Recordati ensures the utmost rigour in performance of clinical studies through appropriate data management and the transparent management of results, thus avoiding any potential conflicts of interest. The health and safety of the subjects involved in clinical and post-marketing studies are our top priority, along with their human rights, including the rights to dignity, self-determination, privacy, and the confidentiality of personal data.

The subjects involved are provided with clear and comprehensive information, expressed using comprehensible, non-technical language. The Group uses trial centres and suppliers of proven reliability and professionalism and which are capable of meeting legal and regulatory requirements, as well as the applicable codes of conduct for the industry.

## *Protection of intellectual property*

The Group's intellectual property is protected by its patents, which enable Recordati to protect its R&D investments. 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 countries.

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.

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 2020 the Group held 1,235 patents, of which 52 were granted in 2020.

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 7,200 registrations for 900 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.

## 4.2 The Recordati group's commitment to improving access to medicine and healthcare

*Rare diseases and orphan drugs: a healthcare priority, a Recordati priority.*

*The Group is dedicated to caring for the most vulnerable. The claim "Focused on the Few" expresses Recordati's conviction that every single patient should have access to the best possible treatment.*

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 that have a huge impact on patients, their families and society. To treat these diseases, specialist medical products known as "orphan drugs" are developed.

A disease is defined as rare when its prevalence, understood as the number of cases in a specific population, does not exceed a set threshold. In Europe, this threshold is 0.05% of the population, corresponding to 5 cases in every 10,000 people, while in America the threshold is less than 200,000 people in the country's entire population. Over 30 million people are affected in Europe alone. There are more than 7,000 known rare diseases, but today approved treatments exist for just 10% of these. The number of patients is so small that a rare disease is often not "adopted" by the pharmaceutical industry and hence the expression "orphan drug".

Due to the broad spectrum of existing diseases and the scarcity of available information, physicians may never examine a patient with a rare disease in their entire career. For this reason, there is always the risk that when a child is born with a rare disease, a correct diagnosis may not be made and a timely appropriate treatment may not be provided. The limited number of patients and scarcity of relevant knowledge and expertise characterise rare diseases. In order to guarantee that the scarce knowledge and available resources are made available, these are often shared through international cooperation channels. In order to provide assistance to persons affected by a rare disease and encourage pharmaceutical and biotechnology companies to invest in treatments for rare diseases, governments have introduced various legal and financial incentives.

The Recordati group operates in the rare diseases segment worldwide through Recordati Rare Diseases, its dedicated group of subsidiaries which make our specialty pharmaceuticals for rare diseases available directly in Europe, the Middle East, the United States, Canada, Russia, Australia, Japan and certain countries in Latin America (Brazil, Mexico and Colombia) and through highly qualified distributors in other areas, covering over 100 countries around the world.

The Group has developed a direct distribution and packaging system capable of efficiently providing very small quantities of specialised products to people all around the world very quickly. Recordati manages a GMP-certified site in Nanterre (Paris) that is entirely dedicated to packaging, storage and shipment of products for rare diseases to all countries.

The activities carried out by Recordati Rare Diseases include support for patient associations for people affected by rare diseases, which help patients and their families, facilitating access to orphan drugs and treatment centres. Recordati's orphan drug specialists actively collaborate with the medical community to facilitate dialogue between hospitals with limited expertise in rare diseases and specialist medical centres able to diagnose and treat rare conditions in an appropriate manner. Through Recordati Rare Diseases Foundation, the Group is committed to improving diagnosis and treatment of rare diseases, also through targeted training courses.

### Recordati Rare Diseases Fondation D'Entreprise

Working in the field of rare diseases means we have an important responsibility towards patients and healthcare professionals and lies at the heart of Recordati's commitment.

The Recordati Rare Diseases Foundation was established to provide unconditional support to training for the scientific community in the field of rare diseases. These high-level courses are organised under the supervision of an independent scientific committee. The overall aim is to share experience in the diagnosis, management and outcome of rare disorders where individual knowledge is by its nature limited.

The Foundation gives specialists the opportunity to broaden their expertise, develop new ideas and establish scientific relationships.

A number of live events are held each year bringing together clinicians and scientists from all over the world to discuss innovations and new diagnostic and management strategies.

During the COVID-19 pandemic and consequent lockdowns, courses have been postponed and virtual meetings organised to keep up to date with developments in the scientific community.

The Foundation also offers online e-learning courses aimed at providing physicians worldwide with clinically useful information and updating them on current knowledge and treatment recommendations.

Also in the context of facilitating access to treatments, the US company Recordati Rare Diseases inc. has developed two separate programmes to provide assistance to patients that qualify to receive support for the costs related to its products: the Patient Assistance Program (PAP) and the Co-Pay Assistance Program (CAP):

- **Patient Assistance Program (PAP):** this programme enables Recordati Rare Diseases to supply products to medical professionals or hospitals which require free product in order to treat patients who do not have adequate medical insurance to cover the cost of the drug and are able to demonstrate financial need. A case-by-case assessment is carried out by a third party on behalf of Recordati Rare Diseases in order to substantiate eligibility and register patients in the programme.
- **Co-Pay Assistance (CPA):** this support programme, available for certain products, is administered through a third party on behalf of Recordati Rare Diseases and provides financial support to insured patients for all or part of their financial responsibilities not covered by their insurance plan. In order to benefit from this assistance, patients must fulfil certain eligibility requirements, and have a valid medical prescription for the product.

The continual growth of Recordati Rare Diseases confirms Recordati's commitment to becoming a global player in the rare diseases sector. For more information on rare diseases and orphan drugs, please refer to the relevant section of the Annual Report.



### 4.3 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 regulatory bodies in Italy, Europe and all of the other countries around the world, before authorisation is given to introduce 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 multiple 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 and non-European regulatory bodies. Our plants are constantly subject to inspections and checks to ascertain compliance with current legislation and internal regulations.

The production phase involves strict and rigorous control of all raw materials and packaging materials used in the manufacturing and packaging processes performed by the Quality-Control laboratories of production plants or by third-party laboratories. In both cases, the Quality-Control laboratories must be expressly authorised and certified, with inspections performed by national and international regulatory agencies, in order to perform these control activities. Specifically, every batch of materials received from suppliers undergoes a quality-control procedure which impedes its use until the batch has been demonstrated to be fully compliant with the defined specifications that guarantee the quality and safety of the resulting pharmaceutical process.

Furthermore, all production processes employed are validated, demonstrating their capacity to provide reproducible finished products that are compliant with the quality, safety and efficacy requirements defined in product registration processes. Validation of production processes is guaranteed through the use of certified equipment subject to periodic recalibration, specially and periodically trained personnel, and rigorous standard operating procedures, with the goal of making every production operation and control reproducible and aligned with the defined standards.

For the product-commercialisation phase, the Recordati group has implemented a system aimed at guaranteeing compliance with European, Russian, Turkish and US Directives, and those of other countries with equivalent regulations in force, regarding anti-counterfeiting, observing the measures expected by the respective authorities with regard to product serialisation and aggregation, and for the use of quality seals on packaging, always in line with applicable local legislation. 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.

### **Efficiency also for production processes: the lean-manufacturing approach**

Over recent years, Recordati has introduced a lean-manufacturing approach aimed at improving production platforms through analysis of procedures and “non-production” activity/actions, that may therefore be removed from the process or improved, benefiting the entire operations cycle.

Following the initial phase aimed at increasing personnel knowledge and expertise on lean practices, a project was approved to support standardisation of processes to gather production data. The Digibelt system was installed for this purpose. This collects data, allowing precise analysis of weaknesses in the process and definition of consequent improvement actions. This project was successfully completed in the second half of 2020.

There are plans to extend application of lean manufacturing to the other Group pharmaceutical plants over the coming years.

### ***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, as well as continuous inspections performed by the competent regulatory authorities and self-inspections within its own production plants.

#### ***Production plant inspections and audits***

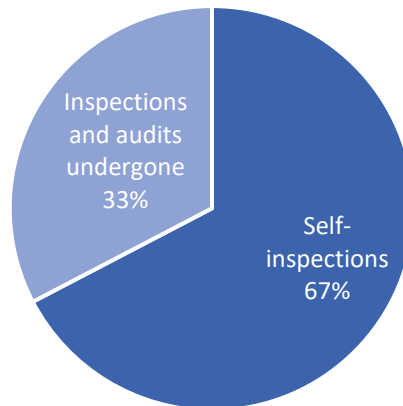
The production plants of the Recordati group are regularly audited, both internally and externally by companies which are customers of the Group, or subject to inspections performed by the competent authorities, in order to verify compliance with product quality regulations.

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, medical devices and dietary supplements. In particular, the manufacturing plants operate in line with GMPs (Good Manufacturing Practices) and are regularly verified through inspections conducted by the competent national and international 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 2020, a total of 98 inspections/audits were carried out at the Group’s pharmaceutical production plants in order to assess product quality and safety. Of these, 66 (67%) were self-inspections carried out by the Group at its own plants, while the remaining 32 (33%) were carried out by the competent authorities (Health Ministries, Agencies, Certification Bodies, FDA and AIFA) and third-party companies.

*Subdivision of quality and safety inspections/audits at pharmaceutical plants*



In 2020, the pharmaceutical plants underwent inspections by regulatory bodies in order to review/grant manufacturing authorisations. Of particular interest in this regard are those that were performed:

- by Russian national authorities and by the respective certification bodies for medical devices (Eurofins, Istituto Superiore Sanità [Italian Institute of Health] and TUV) in Milan (Italy);
- by Russian national authorities in Çerkezköy (Turkey) for manufacturing authorisation of certain pharmaceutical forms (tablets, capsules, oral liquids and semi-solids);
- by Swiss national authorities in Basel (Switzerland) for the new site of Recordati Rare Diseases dedicated to management of special medicines in the field of endocrinology;
- by French national authorities (ANSM) at the Nanterre plant (France) for the secondary packaging of Recordati Rare Diseases products for periodic renewal of manufacturing authorisation;
- by the Czech national authorities (SUKL) in Pardubice (Czech Republic) for periodic renewal of the manufacturing authorisation.

In addition, in Utebo (Spain), inspections were performed by the competent certification bodies for periodic renewal of the manufacturing authorisation for medical devices (IMQ and UCMCP) and in Ariana (Tunisia) inspections were performed for renewal of the integrated Quality, Safety and Environment certification (SMI).

All of the inspections resulted in renewal of the existing authorisations.

In addition to the inspections received from external bodies starting in 2019, the pharmaceutical production plants are subject to internal audits carried out by the Group's internal Quality Assurance unit on an annual basis. In 2020, these activities were unfortunately negatively impacted by the spread of the COVID-19 pandemic during the year. In this regard, analysis and evaluation of alternative procedures is underway to allow execution of these activities remotely, taking advantage of new technology available.

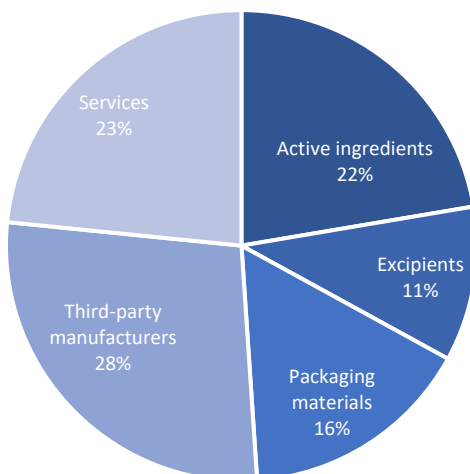
Regarding inspections in chemical and pharmaceutical plants, it is noted that the Italian plant in Campoverde di Aprilia underwent 12 internal audits of production, quality and maintenance units performed by the Quality Assurance unit and 8 audits by customers.

### Supplier audits

One of the main control measures implemented in the supply chain are the audits carried out by the Group at third-party companies which produce medicines, medical devices and dietary supplements, as well as suppliers of APIs, excipients, packaging and services. In addition to assessments at the supplier approval stage, use of suppliers is also dependent on the ongoing quality monitoring of all supplies in order to constantly verify the level of quality and compliance with agreed specifications.

In line with the current procedures for approval, all suppliers, particularly those supplying active substances, excipients, packaging materials and services, are subject to periodic audits as defined by a risk assessment. In fact, in 2020 the Pharmaceutical Division of the Recordati group conducted 94 supplier audits, of which 28% on third-party manufacturers, 22% on suppliers of active substances, 16% on suppliers of packaging, 23% on service suppliers and 11% on suppliers of excipients.

*Subdivision of supplier audits conducted by the pharmaceutical division by product category*



Regarding supplier inspections carried out by the chemical and pharmaceutical division, it should be noted that during 2020 the Italian Campoverde di Aprilia plant conducted six audits of suppliers of raw materials and services.

### *Compliance with legislation and regulations*

The Recordati group operates in full compliance with legislation and regulations in various fields thanks to dedicated and qualified personnel. As indicated in the Code of Ethics, compliance of all conduct with applicable legislation and ethical regulations is a mandatory prerequisite for Recordati and its collaborators in every country in which it operates.

Key figures in the Group active 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 achieved GMP (Good Manufacturing Practice) certification for product quality and safety at all its plants issued by the competent national and foreign authorities. The Campoverde di Aprilia plant 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.

During 2020, no instances of non-compliance with socio-economic legislation and regulations were recorded, but we note an outstanding legal proceeding for the cancellation of an administrative penalty, already noted in the 2019 Non-Financial Statement. With regard to the administrative penalty of € 29,000 imposed on the Turkish subsidiary Recordati İlaç Sanayi ve Ticaret Anonim Şirketi by Turkey's Social Security Institution following the alleged damage suffered as a result of the former's failure to provide prompt notification of price changes for certain products marketed by this branch in the countries concerned, it should be noted that after the objection raised by the Company with the competent government authorities regarding the lack of clarity in the countries of reference was not accepted, the Company filed legal proceedings against the local Social Security Institution for cancellation of the administrative sanction. These legal proceedings are still ongoing.

During 2020, no cases of non-compliance with legislations and/or self-regulation codes were recorded regarding impacts on the health and safety of products marketed by the Group that have led to sanctions applied to the Company.

In relation to possible recorded cases of non-compliance with legislation and/or self-regulation codes regarding information and packaging, it is noted that during 2020, Recordati did not receive significant sanctions for sold products. It is noted that during the year an error was identified in the expiry date of around 200 batches of certain products containing metoprolol and a combination of metoprolol and felodipine, caused by an incorrect manufacturing date being communicated by the manufacturer. Following communication from the manufacturer, Recordati, in its capacity as marketing authorisation holder of the relevant finished products in 26 EU countries, swiftly notified all of the Authorities of the 26 EU countries involved of this error, which in the majority of cases took no action regarding the product already on the market, as it was considered that there was no impact on safety or efficacy. Only in two cases, in Germany and the Netherlands, did the Authorities recall the batches from the market, while the Authorities in France, Latvia and Estonia are yet to respond. This issue was swiftly resolved.

## *Anti-counterfeiting*

Recordati operates in compliance with anti-counterfeiting legislation and takes all the necessary steps to allow the unique identification of medicinal products, as required by the law regarding serialisation in pharmaceutical manufacturing.

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 known as 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 have been compliant with legislative requirements since January 2019. All information generated in regard to the serialisation of individual packs are 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, the US, Korea and Russia, drugs marketed by the Recordati group are already fully aligned with these safety requirements. In Brazil, where a drug anti-counterfeiting directive has recently been issued, implementation of similar regulation is planned within the coming years. For this reason, Recordati has launched a new project to allow provision of drugs compliant with these requirements by the deadlines defined for all products marketed by the Group in this country.

#### 4.4 Responsible marketing

As set out by the Group Code of Ethics, Recordati seeks to enable doctors and healthcare operators to offer their patients the best possible therapeutic care, providing them with complete, accurate and truthful information in accordance with the applicable legislation on the promotion of medicinal products. At Recordati regulations on advertising products to the public are rigorously applied, adopting a simple, clear, and complete approach to communication and refraining from any improper and/or misleading practices.

Relationships with the medical community, healthcare operators (pharmacists, nursing staff, or other healthcare workers in public and private healthcare structures), scientific societies, and medical associations must be handled in a transparent and traceable manner, in full observance of the applicable laws and rules of conduct set out by the professional codes of national industry associations.

All information and promotion activities regarding drugs promoted by the Group Companies are regulated by internal procedures in compliance with supra-national and national legislation. These procedures are also aligned with the national codes of industry associations.

The marketing activities of Group Companies are periodically subject to specific internal audits in the context of the audit plan approved by the Parent Group. The Group Companies, members of industry associations, submit their marketing and scientific-information procedures and activities to independent assessment and annual certification.

The Group's field forces receive constant training on regulations regarding drug advertising and the provision of information in compliance with local legislation and specific training on ethics and anti-bribery topics in the context of the company training plans specified in the previous paragraphs.

Recordati has commercial relationships with both private customers and with customers in Public Administration. Our private customers include, for example, distributors, wholesalers, pharmacies, and the large-scale retail trade. Our customers in Public Administration include, for example, hospitals, care homes, and public pharmacies. All commercial relationships with our customers are based on fairness, honesty and mutual respect and always comply with the current regulations in the markets where the Company operates. Within these relationships, the Company guarantees full and correct fulfilment of contracts and provides high-value products and services in terms of quality, safety, and environmental impact. In terms of our commercial relationships with customers in Public Administration, in addition to respecting the aforementioned principles, the Company also guarantees correct fulfilment of all obligations related to participation in tenders organised by Public Bodies.

## 5. THE RECORDATI GROUP'S EMPLOYEES

*The Recordati group recognises the central importance of Human Resources, which represent the primary factor for successful implementation of company strategy and the generation of value in the long term.*

*The Group is committed to constantly safeguarding the health, security and well-being of its people, in full compliance with applicable regulations and laws. It incentivises training and professional development. It promotes a serene, merit-based and inclusive environment where each individual is able to fulfil potential and optimise their capabilities and talent.*

### 5.1 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 sector. 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 to promote the value of quality performance.

The Group's policy for the development and optimisation of human resources aims to incentivise professional growth and career development. This policy is founded on the belief that the Group's results are closely tied to the capacity of our employees to engage their own commitment and talent to achieve goals. 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;
- encourages employees and collaborators to develop their skills by providing tailored training courses;
- hangs on to and motivates the most 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;
- ensures employees' well-being health and safety;
- ensures social equity, equal opportunities and respect for the individual, core values for Recordati which constantly combats all forms of discrimination.

At 31 December 2020, the total number of the Group's employees was 4,362, an increase compared to 2019, of which 54% were men and 46% women.



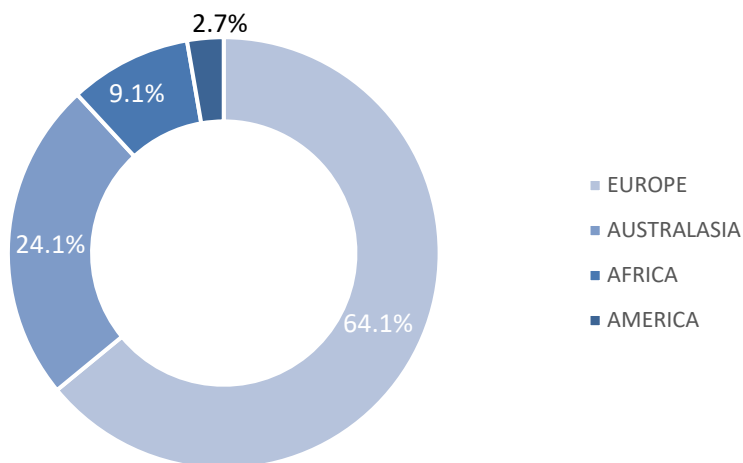
The branch with the greatest increase in terms of personnel was that in the United States, which more than doubled its personnel due to expansion of the rare-diseases business in the field of endocrinology.

The Group's workforce is also supplemented by approximately 120 people who collaborate with Recordati in various ways; approximately half of these collaborators are women.

*Subdivision of employees and collaborators by gender, as of 31 December 2020*

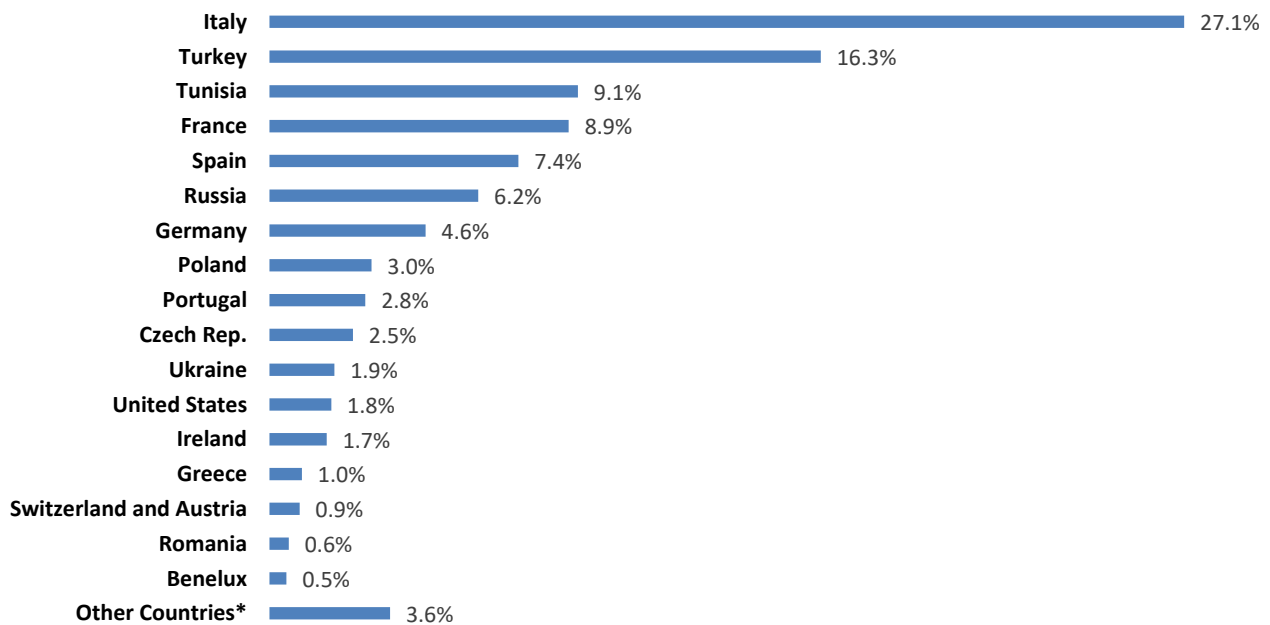
Number of employees	2020			2019		
	Men	Women	Total	Men	Women	Total
Employees	2,352	2,010	<b>4,362</b>	2,376	1,947	<b>4,323</b>
Collaborators	67	57	<b>124</b>	80	68	<b>148</b>
Total	<b>2,419</b>	<b>2,067</b>	<b>4,486</b>	<b>2,456</b>	<b>2,015</b>	<b>4,471</b>

*Percentage breakdown of employees by location<sup>8</sup>*



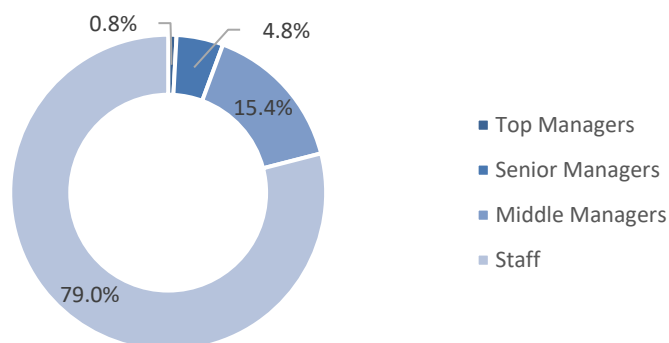
<sup>8</sup> Australasia includes the Turkish branch (Recordati İLAÇ ve Hammaddeleri Sanayi ve Ticaret A.S.) and the Russian branch (RUSFIC LLC).

### Breakdown of employees by country<sup>9</sup>



With regards to the breakdown of Recordati group’s workforce by professional category, to facilitate ongoing comparison between the various corporate positions and give a clearer picture of the organization, the Group’s employees are divided into four categories: Top Managers (Vice President, Corporate Managers and General Branch Managers), Senior Managers (equivalent to Directors in Italy), Middle Managers (equivalent to Junior Directors in Italy) and Staff (the other employees). At the end of the year, in addition to the 37 Top Managers, there were 207 Senior Managers, 670 Middle Managers and 3,448 Staff. All Top Managers and Senior Managers, which overall represent approximately 6% of the workforce, are hired locally, in line with the figure for the previous years.

### Percentage breakdown of employees by professional level



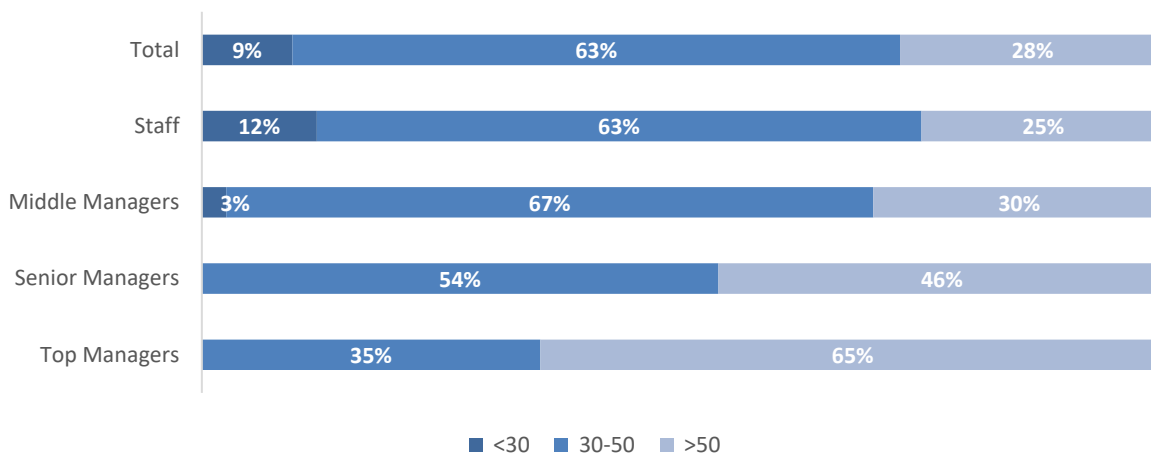
<sup>9</sup> The item “Other Countries” includes the employees who work in Armenia, Australia, Baltic countries, Belarus, Brazil, Bulgaria, Canada, Colombia, Georgia, Hungary, Japan, Kazakhstan, Malaysia, Mexico, Sweden, the United Arab Emirates and the United Kingdom.

Approximately 63% of the workforce is composed of employees aged between 30 and 50; 28% are over 50 and approximately 9% are under 30.

*Subdivision of Group employees by professional level and age, as of 31 December 2020*

Number of employees	2020				2019			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Top Managers	0	13	24	<b>37</b>	0	12	23	<b>35</b>
Senior Managers	0	111	96	<b>207</b>	0	103	92	<b>195</b>
Middle Managers	17	450	203	<b>670</b>	14	439	192	<b>645</b>
Staff	393	2,177	878	<b>3,448</b>	458	2,157	833	<b>3,448</b>
<b>Total</b>	<b>410</b>	<b>2,751</b>	<b>1,201</b>	<b>4,362</b>	<b>472</b>	<b>2,711</b>	<b>1,140</b>	<b>4,323</b>

*Percentage breakdown of employees by professional level and age*



The selection process outlined in the recruitment policy can take place internally, through horizontal and vertical career paths designed to develop the technical and professional skills of employees already within the Group or externally through recruitment campaigns conducted directly or using 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 through group trials and role plays.

With a view to standardising the selection of candidates, a “Recruiting Grid” has been implemented in the HR departments of the various Group companies for several years, aimed at supporting line managers involved in the selection of a new employee during the candidate’s interview 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 2020, 603 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 2020) of approximately 14%, while the number of employees who left the company was 564 with an outbound turnover rate (the ratio of number of people leaving the Group to total Group workforce as of 31 December 2020) of around 13%.

*Subdivision of total employees entering and leaving the company by gender and age*

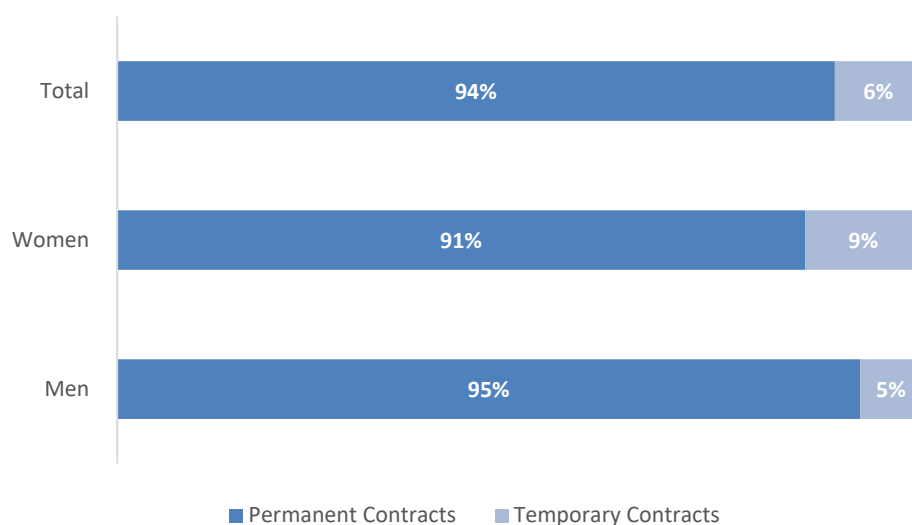
No. of employees	2020					2019				
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
<b>New employees entering the Group</b>										
Men	83	142	45	270	11%	113	229	39	381	16%
Women	113	173	47	333	17%	150	209	40	399	20%
<b>Total</b>	<b>196</b>	<b>315</b>	<b>92</b>	<b>603</b>	<b>14%</b>	<b>263</b>	<b>438</b>	<b>79</b>	<b>780</b>	<b>18%</b>
Turnover %	<b>48%</b>	<b>11%</b>	<b>8%</b>	<b>14%</b>		<b>56%</b>	<b>16%</b>	<b>7%</b>	<b>18%</b>	
<b>Employees leaving the Group</b>										
Men	82	134	78	294	13%	55	164	62	281	12%
Women	87	139	44	270	13%	85	194	39	318	16%
<b>Total</b>	<b>169</b>	<b>273</b>	<b>122</b>	<b>564</b>	<b>13%</b>	<b>140</b>	<b>358</b>	<b>101</b>	<b>599</b>	<b>14%</b>
Turnover %	<b>41%</b>	<b>10%</b>	<b>10%</b>	<b>13%</b>		<b>30%</b>	<b>13%</b>	<b>9%</b>	<b>14%</b>	

The Recordati group believes that offering a stable and lasting working relationship is an important factor in employee motivation and is essential for 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*

Number of employees	2020			2019		
	Men	Women	Total	Men	Women	Total
Permanent Contracts	2,244	1,835	<b>4,079</b>	2,262	1,782	<b>4,044</b>
Temporary Contracts	108	175	<b>283</b>	114	165	<b>279</b>
Total	<b>2,352</b>	<b>2,010</b>	<b>4,362</b>	<b>2,376</b>	<b>1,947</b>	<b>4,323</b>

*Percentage subdivision of employees by contract type (permanent or temporary) and gender*



In addition, at a contractual level, 81 people opted for part-time contracts, with a reduction of 9% compared to 2019. 84% of employees on part-time contracts are women.

*Subdivision of employees by contract type (full or part time) and gender*

Number of employees	2020			2019		
	Men	Women	Total	Men	Women	Total
Part Time	13	68	<b>81</b>	14	75	<b>89</b>
Full Time	2,339	1,942	<b>4,281</b>	2,362	1,872	<b>4,234</b>
Total	<b>2,352</b>	<b>2,010</b>	<b>4,362</b>	<b>2,376</b>	<b>1,947</b>	<b>4,323</b>

In order to promote continuous improvement aimed at optimising sharing of information on human resources, it should be noted that during 2020 a preliminary analysis was conducted to outline an HR Digital Transformation project for launch in 2021, with adoption of a Human Resources Information System (HRIS) at Group level. Furthermore, in the context of harmonising HR processes at the global level, solutions were evaluated to develop a Job Architecture (understood as the definition of a system of roles at the Group level) that allows greater uniformity and creation of a Global Model for the Group.

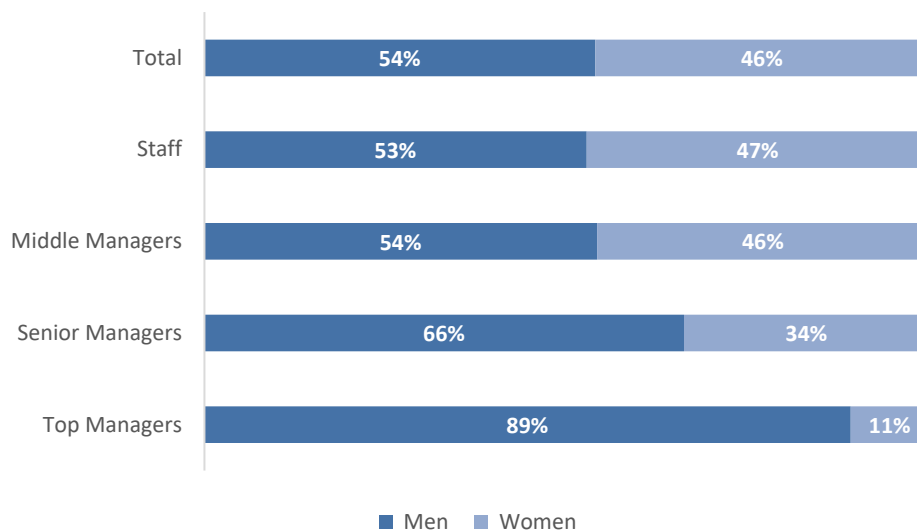
## 5.2 Diversity and equal opportunities

As stated in the Code of Ethics, the Recordati group is committed to guaranteeing that there shall be no form of discrimination whatsoever in the workplace based on age, gender, sexual orientation, ethnicity, language, nationality, opinions on political or trade-union matters, religious beliefs, or any other personal characteristics. Therefore, all Group structures 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 54% of employees represented by men and 46% represented by women. The breakdown in terms of gender has basically remained the same as previous years.

*Subdivision of employees by professional level and gender*

Number of employees	2020			2019		
	Men	Women	Total	Men	Women	Total
Top Managers	33	4	<b>37</b>	31	4	<b>35</b>
Senior Managers	137	70	<b>207</b>	134	61	<b>195</b>
Middle Managers	363	307	<b>670</b>	351	294	<b>645</b>
Staff	1,819	1,629	<b>3,448</b>	1,860	1,588	<b>3,448</b>
<b>Total</b>	<b>2,352</b>	<b>2,010</b>	<b>4,362</b>	<b>2,376</b>	<b>1,947</b>	<b>4,323</b>

*Percentage breakdown of employees by professional level and gender*



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. In order to guarantee this principle, the Group has integrated a management policy which promotes the concept of inclusion, respects diversity and gives all employees a voice so that every contribution is heard and valued.

Regarding the Group’s remuneration policy (ratio between salaries of women and men), please consult the paragraph entitled “Remuneration and benefit system”.

Regarding human rights, in accordance with International Labour Organization conventions, the Group undertakes to prevent and refuse exploitation of labour, including and above all, that involving children, undertaking to ensure that its suppliers also do so. The Group takes steps to guarantee that the human rights of all workers are respected, combating all types of harassment, violence, threats, abuse of authority, and the exploitation of crisis situations.

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 of the conduct required and promoted by the Group.

### 5.3 Remuneration and benefit 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 to 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 of the existing MBO system was carried out at Group level, by a leading consulting company in the compensation field; a number of important changes were introduced (in relation to the calculation mechanism, target and payout) through benchmarking with the reference market and the subsequent design, which were initially applied for Top Managers starting from 2020 and will be proportionally extended to other Managers from 2021 (in order to align bonus logic within the Group), aimed at increasingly valuing and rewarding the best performance, aligning the interests of managers with those of the shareholders, and rewarding special 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 90% at Senior Management level, 95% at Middle Management level and 98% for all other employee categories. In terms of total remuneration<sup>10</sup>, this ratio is 90% for Senior Managers, 92% for Middle Managers and 95% for Staff. At the Top Manager level, instead, the ratio is 110% in terms of basic salary and 109% in terms of total remuneration. Specifically, for Senior Managers and Staff an improvement was recorded in values compared to 2019, with Top Managers and Middle Managers still aligned with the previous values.

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<sup>10</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 (including a portion of the Staff) in line with local regulations.



*Ratio between basic salary and total remuneration for men and women by professional level, for Italian and foreign companies of the Recordati group, as at 31 December*

Ratio between women and men	2020		2019	
	Basic Salary	Total Remuneration	Basic Salary	Total Remuneration
Top Managers	110%	109%	107%	110%
Senior Managers	90%	90%	87%	84%
Middle Managers	95%	92%	95%	92%
Staff	98%	95%	96%	93%

### **Employee benefits and 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. The benefits offered to employees are linked to their professional category, regardless of the type of contract. 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 stakeholders within the Group.

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 healthcare plans or additional welfare provisions), and "perks", which consist of goods or services made available to employees (e.g. company car, canteen or restaurant vouchers or coupons).

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 the format, every welfare initiative implemented by the Recordati group aims at achieving both tangible and intangible results relating to the management of employee relations. In particular, these initiatives aim at promoting:

- 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 practical 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 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.

The Parent company has 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 also offers the opportunity to partially or fully replace a percentage of the employee's variable 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 with 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.

In the context of its welfare offer, the Company has established a contract with an external company that manages an IT platform allowing Recordati's employees to use the amounts allocated for welfare in the following ways:

- choice of a service from the Group's suppliers that have an agreement with the Company operating such 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 advance payment;
- use of a supplier not available on the platform, then "uploading on the platform" the relevant paid invoice; in this case there will be a refund of the paid receipt.

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.

Following the health emergency that defined 2020 and the actions taken by the Group to ensure continuity of business and the well-being of its employees, in the future the Group intends to define appropriate flexible-working tools for employees with the goal of supporting a better home/work-life balance, firstly by introducing a “structural” smart working format that is not linked to the emergency. For further information on the activities and initiatives implemented in 2020 to face the health emergency, please consult the paragraph entitled “Protecting the health and safety of employees during the COVID-19 epidemic”.

#### **5.4 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.

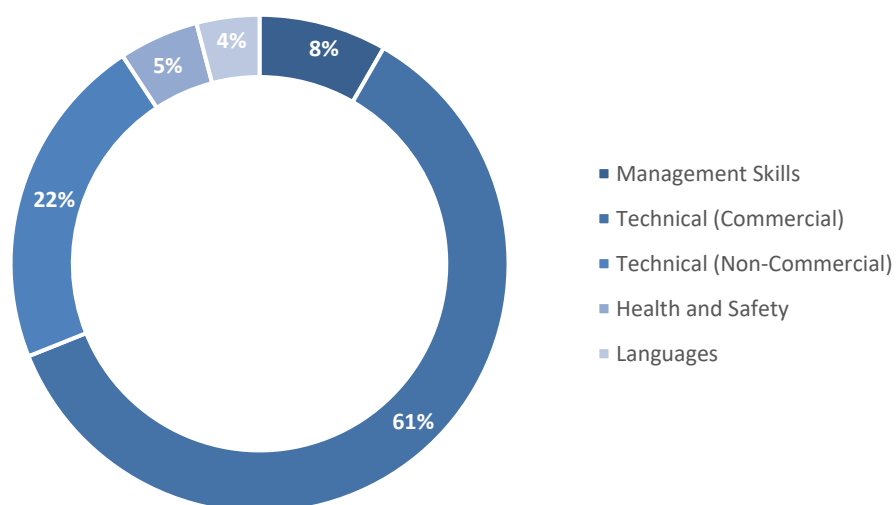
In this respect, the main initiatives promoted by the Group throughout the year have aimed to define and develop the technical, managerial and linguistic skills of managers, as well as offer training programmes to develop specialised and professional skills.

In 2020, the Recordati group provided approximately 167,000 hours of training to its employees, a significant increase compared to the previous year (+46% on 2019) and equating to approximately 40 hours of training per capita. Specifically, 86% of all training hours was provided to Staff, 11% to Middle Managers and 2% 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; particularly noteworthy are the over 100,000 hours of training, dedicated mainly to the Field Forces, one of the driving forces of Group performance.

*Subdivision of per capita training times provided to employees by professional level and gender*

Average number of hours	2020			2019		
	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 Managers	6.1	5.8	<b>6.1</b>	9.5	10.8	<b>9.6</b>
Senior Managers	16.8	19.4	<b>17.7</b>	28.6	34.9	<b>30.5</b>
Middle Managers	36.8	18.7	<b>28.5</b>	40.0	32.4	<b>36.5</b>
Staff	43.1	40.2	<b>41.7</b>	27.0	21.5	<b>24.5</b>
Total	<b>40.1</b>	<b>36.1</b>	<b>38.2</b>	<b>28.8</b>	<b>23.6</b>	<b>26.4</b>

*Percentage breakdown of training hours provided to employees by training type*



For 2020, both in Italy and in the international branches, all training initiatives have been converted from classroom training courses to online courses, mostly using the Microsoft Teams platform, or continuing the

development of digital projects which began in the previous year, such as the choice and purchase of a platform dedicated to training for the entire population of the Recordati group.

The choice to implement an e-learning platform allowed for the possibility to convert the training provided during 2020, both in Italy and abroad, despite the fact that most of the work activities were carried out remotely, because of the regulations implemented to tackle the COVID-19 pandemic.

At the parent company level, 14 online courses were produced and provided for Group employees, some of which are mandatory (such as the Pharmacovigilance course or the Code of Ethics course), with the obligation to complete a final test, to certify comprehension and learning. All classroom activities were re-designed for e-learning. This often meant a reduction in the number of consecutive hours required for a course, making it easier for more people to take part, allowing them to connect remotely and from different Group sites.

Much of the investment for training went to scientific information networks. International branches all provided many hours of training for the sales force, helping medical sales representatives to change their way of working, due to the new conditions dictated by COVID-19, to make work effective even at a distance, sharing best practices to ensure everyone's safety during the pandemic. A separate chapter should be dedicated to the online training or remote coaching sessions for Regional and Area Managers. In some international branches, ad hoc online courses have also been developed on medical and marketing topics, issued both traditionally and digitally.

Even in Italy a lot of work was done to change the way medical sales representatives work, called upon to make changes, as they were no longer able to attend appointments in person in medical practices or hospitals. For this group two tailored ad hoc and online training paths have been developed with multiple modules aimed at training the network of medical sales representatives on new methods for conducting meetings with the primary contacts remotely. Furthermore, Area Managers were involved in interactive workshops focused on remote management of the sales force. These workshops allowed identification of any critical issues that the Area Managers encountered, helping them to identify alternative methods for remote management of personnel.

With the same purpose, numerous webinars dedicated to updating marketing strategies and courses on the use of Microsoft Teams were provided, with which large portions of the population were unfamiliar, especially those dedicated to drug detailing in the area.

Many branches have seen the number of training hours increase, in favour of technical training on products or skills: many have taken advantage of the lockdown to strengthen technical skills (especially product training provided not by external suppliers but by internal trainers) for the network of medical sales representatives and for new hires.

The use of digital platforms to perform training activities was particularly welcomed also in the Corporate Marketing area, where the training issued to all colleagues of the foreign branches resulted in a high level of satisfaction not only regarding the content but also for activities that lead to the preparation of case studies that each country presented to the other participants, with a prize for the top three.

The training path within the Annual Meeting of the R&D department also took place virtually, with provision of lectured and interactive lessons and with completion of a test (Belbin test) to identify their interaction styles in order to understand and share their communication skills and to make the most of the individual contribution of each employee. Performance of the Belbin test and subsequent pooling of results, supported by remote methods, received positive feedback from all participants.

A Group initiative that began in 2020 was the preparation of a tailor-made training course for "Newly Appointed Team Managers". Together with the HR structures of the branches, a training course was designed with the aim of giving the employees involved the most suitable managerial tools and necessary professional creativity to best interpret the transition from a role of "professional" to one of "manager and developer of employee potential". The course, which will become a regular appointment for Recordati's new team managers, will be a real Leadership Academy in which resources from the entire Group will participate, chosen on the basis of their role, career path and seniority within the organisation.

Before the course, each participant will have to carry out a self-assessment of their strengths and areas for improvement, starting with the set of Managerial Skills adopted by the Group and on the basis of which all managers are assessed annually. This self-assessment will then be the starting point on which to build, after the training course has ended, an action plan to be shared with the HR function and the resource's manager. In fact, the goal of the Academy is to develop managerial skills, in line with the set of leadership behaviours that the Group has chosen: for this reason, both the self-assessment and the action plan that derives from this will be shared with Academy teachers through individual interviews; in addition, they will be shared with the direct manager and with the HR function three months after the end of the course to concretely measure the concept acquisition and the ability to implement those concepts daily.

The course will include 6 days of online classes, 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. With this in mind, there will also be a series of presentations by some Top Managers of the organisation that will help participants to contextualise the theoretical tools in concrete and effective operational practices.

In addition to technical training activities, in order to uphold training and updating levels, specific requirements were identified linked to the COVID-19 emergency itself. Of course, there were numerous branches that provided ad hoc training on measures to prevent the spread of COVID-19, with learning verification tests. In addition to these activities, training was added "on the psychological impact of COVID-19," and on the impacts that the lockdown had on the well-being and emotional stability of employees and their families.

In this context, there are also crossover training initiatives, for all roles, aimed at improving soft skills. Specifically, online webinars were provided on: resilience, accountability, emotional intelligence, remote work, well-being, etc., while the German branch provided 2 management training modules, involving the first reports of the General Manager: the first on Leadership, entitled "Operational Effectiveness and Performance Management" and the second oriented to commercial skills "Multi Channel Marketing".

### *Performance-evaluation systems*

The intense process of growth and internationalisation of the Recordati group made it necessary to develop a system to know, assess and develop the human capital present within the managerial population, starting with the identification of those distinctive skills that have marked the evolution of the Group over the years. For this reason 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 management skills that have characterised the Group's history and which will 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 a detailed assessment of distinctive and essential 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 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 50 working activities. The initial assessment is then reviewed by the manager's superior or the department manager at corporate level. These behaviours (both positive and negative) relate to 5 distinctive skills identified at the basis of the company culture:

- *Leadership & Execution*
- *Proactive Improvement Attitude*
- *Business Acumen & Business Results Orientation*
- *Team Working*
- *Leading, Managing and Developing People*

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 by managers, the system automatically generates a development programme for each employee to develop any skills that fall below a certain threshold. Afterwards, 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 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 improve their understanding of their role and helps to construct an individual development plan aimed at developing and increasing their skill levels. Those who have the required skills and experience may be offered opportunities to develop their role and enhance their performance or their area of responsibility. 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. Over time, the assessment of managerial skills of employees has become increasingly structured and finalised, making the managers themselves more and more accustomed to taking care of the development of their people and to resorting to targeted actions, starting from the areas of improvement of individuals or of the whole team. In particular, the company invests in resources with great potential, offering growth paths based on the 70/20/10 approach, in other words:

- 70% "on the job" (for example being assigned or working on projects or directly covering tasks related to a role of a higher level);
- 20% "near the job" through effective feedback (including 360 ° feedback on leadership skills) and mentoring and coaching activities;

- 10% through the structuring of tailor-made training activities (classroom programmes, workshops and/or e-learning courses).

In addition to constant updating of managerial personnel subject to evaluation on the basis of developments in the Group's organisational structure, 2020 saw further broadening of the scope, with the inclusion of "second-level" management<sup>11</sup> in Germany and branches in the Central & Eastern Europe region and the Rare Diseases Specialty & Primary Care business unit and the EMEA and LAC branches of the Rare Diseases business unit, which brought the base of assessed resources from 230 in the first edition (2015) to around 400 resources in 2020.

The company MBO system is assigned a key role aimed at guiding Group results and the efforts of Top Managers and Managers towards a common goal, through definition of clear, challenging and shared objectives. Those involved in implementation of the Sustainability Plan, in the context of MBO system, are assigned objectives of a social and environmental nature linked to implementation of the Plan itself. Through the combination of MBOs and evaluation of expertise, managers are assessed in terms of their achievements (individual targets assigned by the Group) and the way in which these achievements are attained (conduct which demonstrates the use of managerial skills).

In addition to this, in order to strengthen the development and growth of expertise within the Group, the company has another tool referred to as "360 Degrees Feedback", which allows each manager interested in their managerial development to receive feedback from their direct line manager, colleagues at their level and those reporting to them, in aggregate and anonymous form. The outcome of this feedback often forms a basis for coaching and targeted personal development.

### *Principle internal engagement initiatives*

The Group is committed to constantly maintaining open channels of communication with its employees, which is considered necessary for the success of the business and in order to share its strategy and results achieved.

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 important events and initiatives the Group has been involved in during the period in question.

The Group Management Meeting represents an important opportunity for dialogue. This event is organised every year in Milan and allows sharing of goals and results achieved. 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 medical sales representatives from each branch.

Furthermore, the sector meetings held by each company department with representatives of foreign branches are 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

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<sup>11</sup> *Second-Level Management is understood as managers of departments that report directly to members of the Country Management Team (direct reports to the Country General Manager) of each branch.*



to promote a shared approach and develop the sense of Group belonging in an increasingly complex and multicultural context. Often, training sessions are held for soft skills considered useful and interesting for the entire team involved, as well as team building, aimed at strengthening relations between members of international groups.

At a local level, conventions are organised for local management teams and staff operating in commercial facilities “in the field” (medical sales representatives and area managers), representing important opportunities for sharing best practices and discussing commercial themes and products.

In 2020, the limitations imposed by the health emergency made these initiatives impossible. The Management Meeting was nevertheless held but it was replaced by a virtual ceremony, so that Group Managers could still be thanked by the Company for their efforts.

The activities performed for employees newly hired by the Recordati group are particularly significant, being an essential tool to transmit the values, goals and mission of the Group. In fact, there is now an almost fully adopted Group induction process that, for employees of the Parent Company, involves a full day of training for new hires within the first 6 months of their employment. This enables employees to gain an initial basis of first-hand knowledge of the company structure before being guided by the HR function through a complete overview of the entire Recordati group organisation. 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 this initiative too, the limitations imposed by the pandemic meant that it had to be postponed.

For new employees 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 meets 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.

## 5.5 Health and safety in the workplace

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 disseminating and consolidating a culture of safety, raising awareness of risks, also through training activity aimed at promoting responsible behaviour and working to protect the health and safety of those operating for the Group, 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.

The Group, in particular at its manufacturing sites, independently of the nature and purpose of the activities carried out, implements prevention measures provided for by local legislation, 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 and formalisation of health and safety roles and responsibilities, and each production plant has a level of independent control over its health and safety budget. Activities at each production site are controlled and monitored through inspections and audits, performed both internally and by external companies. To this end, it is noted for example that the Tunisian pharmaceutical production plant successfully transitioned from OHSAS 18001 certification to ISO 45001 certification of its health and safety in the workplace system in 2020.

The Recordati group believes that participation of employees in the identification and reporting of any issues regarding health and safety in the workplace or possible dangerous situations to which employees may be exposed is of fundamental importance and encourages such involvement.

As established by individual local legislation, periodic meetings are also held with involvement of Workers' Representatives, management representatives and the Prevention and Protection Service, in order to create and consolidate a collaborative working environment, above all regarding certain sensitive topics such as health and safety in the workplace.

### *Prevention, monitoring and management of risks for health and safety*

The Group is constantly committed to ensuring the ongoing improvement of health and safety in the workplace, to which we constantly devote financial resources as well as carrying out continuous assessments of the risks, critical issues and resources to be protected.

The Group records injuries and occupational disease, constantly monitors the main injury rates and analyses the causes and circumstances of every incident, taking prompt improvement actions where necessary. On all manufacturing 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: 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.

All injuries and occupational diseases are constantly recorded and monitored. Moreover, events affecting the health and safety of employees at manufacturing sites are subject to periodic review by the Group’s executive management and presented to the Risk, Control and CSR Committee.

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. All manufacturing sites have personnel with specific first-aid training and the Italian, Spanish and Turkish plants also have an on-site nurse equipped for the management of first aid with the physical presence of qualified healthcare operators.

Constant training and awareness-raising activities, aimed at prevention, careful management of spaces and proper monitoring of the application of improvement measures have helped to limit the number of work-related injuries.

In 2020, 26 occupational injuries were recorded, significantly lower compared to the previous year. There were no fatalities.

*Number of accidents and Group Employee Health and Safety indicators by gender<sup>12</sup>*

Injuries and Injury rates <sup>13</sup>	2020			2019 <sup>14</sup>		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	18	8	<b>26</b>	38	26	<b>64</b>
<i>of which high-consequence work-related injuries<sup>15</sup> (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
<i>of which work-related fatalities (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Commuting to/from work injuries (No.)	4	2	<b>6</b>	4	2	<b>6</b>
Hours worked (No.)	2,050,126	1,269,585	<b>3,319,711</b>	1,990,197	1,223,066	<b>3,213,263</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	1	<b>1</b>
Severity Index	30.6	34.0	<b>31.9</b>	90.4	65.1	80.8
Work-related injury rate/Frequency Rate	1.8	1.3	<b>1.6</b>	4.2	4.6	<b>4.4</b>
High-consequence work-related injury rate	0	0	<b>0</b>	0	0	<b>0</b>

<sup>12</sup> The scope of accidents and Health and Safety indicators, in line with 2019 reporting, includes all personnel employed at Group production plants and their offices. Data is also included for personnel from the sales network (Field Forces) within Italy and the Parent Company's offices (Milan).

<sup>13</sup> The Severity Index represents the ratio between the number of days lost due to work-related injuries and the total number of hours worked in the same period, multiplied by 200,000. For the 2019 Severity Index, the total number of workable hours was used as reported in the 2019 Non-Financial Statement. In 2020 a total of 530 days lost due to work-related injuries were recorded (314 for male employees and 216 for female employees), down on the total 2019 figure of 1,462 (1,013 for male employees and 449 for female employees).

The work-related injury rate/Frequency rate represents the ratio between the total number of work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.

The high-consequence work-related injury rate represents the ratio between the total number of high-consequence work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.

The work-related fatality rate represents the ratio between the total number of fatalities and the total number of hours worked in the same period, multiplied by 200,000.

The Occupational disease rate represents the ratio between the number of cases of work-related diseases and the total number of hours worked in the same period, multiplied by 200,000.

<sup>14</sup> The data for 2019 have been reported as published in the 2019 Non-Financial Statement. For 2019, calculation of injury rates also included commuting to/from work injuries.

<sup>15</sup> High-consequence work-related injuries are considered injuries sustained by the worker from which he/she cannot or should not be able to recover their state of health prior to the injury within 6 months.

Work-related fatality rate	0	0	<b>0</b>	0	0	<b>0</b>
Occupational disease rate	0	0	<b>0</b>	0	0.2	<b>0.1</b>

All Group plants provide their employees with workplace health services. Specifically, every plant appoints its own company doctor with the role of performing inspections to identify any possible cases where someone may be unfit for work. Additionally, the company doctor takes prompt action in the case of any accidents. The company doctor is responsible for the medical examinations required by applicable local laws aimed at periodic monitoring of the state of health of each employee, the frequency and type of which is defined on the basis of the age and type of work performed by each employee.

Periodic risk-assessment is conducted at all Group plants regarding health and safety and actions aimed at continuous improvement are implemented. Here are some examples:

- The Italian plant in Milan has conducted various risk-assessment activities aimed at evaluating and constantly monitoring possible risks which employees may be exposed to in the workplace. The final goal of this activity is the alignment and continuous updating, where necessary, of procedures in force and consequent planning of training courses for employees in relevant procedures. Specifically, during 2020, the Risk Assessment Document (DVR) has been updated, adding assessment of risks regarding changes implemented in the manufacturing process and in the organisation of activities, including: assessment of risks for personnel travelling abroad, risks linked to manual handling and repetitive movements, risks of asphyxiation due to exposure to technical gases, risks deriving from noise and risks from Artificial Optical Radiation (AOR), and risks linked to carcinogenic substances used in laboratories. In addition, in order to reduce the risk of "man-machine" contact and therefore to ensure greater safety of packaging lines, additional guards have been installed.
- Similar to the actions already applied at the French St. Victor plant since 2019, the Italian plants in Milan and Campoverde di Aprilia have adopted a specific procedure for reporting and recording of dangerous situations and issues present within plants. Specifically, the procedure establishes the information flow for dangerous or potentially dangerous situations from the employee to the plant Prevention and Protection Service;
- 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. Dedicated fire-prevention systems are available on site such as firefighting trailers and portable fire extinguishers. Following certain improvements made in 2019 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, periodic verification activity was conducted for the critical lines. These inspections allowed a reduction in losses from lines and injuries caused by contact with dangerous chemical substances;
- At the Irish plant in Cork, following a study of the entire thionyl chloride transportation line, leading to the identification of certain areas for improvement specific actions were implemented in recent years

regarding equipment and procedures for the transportation phase of the chemical substance from its arrival on site until its deposit in its dedicated storage tank, in order to further strengthen the protection against chemical risk for employees and stakeholders. Also at the Irish plant in Cork, in recent years there was a review of management activities/measures in the area of potentially explosive atmospheres (ATEX) and plant ageing to provide a risk-based approach for future asset maintenance projects.

- In 2020, in the site in Saint Victor, France, 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”);

### *Training and information activity*

The Recordati group believes that training and informing its employees is essential to ensuring the prevention of health and safety risks. The Group issues mandatory training in the field of health and safety in compliance with the time frames and methods defined by applicable local laws. Each production plant implements training plans aimed at workers exposed to specific risks.

During 2020, more than 8,600 hours of health and safety training was provided.

All personnel working within production plants, in line with local laws, receive training and continuous updating for the purposes of environmental protection and health and safety in the workplace. New employees undergo a training period supported by experienced operators and theoretical lessons delivered by qualified personnel. Following the risk assessments relative to topics of health, safety and environment risks, all personnel receive adequate training and instruction in order to mitigate the risks identified according to their role.

Amongst the main training plans, it is noted for example that training is provided to all personnel regarding use and storage of hazardous chemicals and flammable materials during manufacturing processes, the correct use of personal protection equipment and correct handling of loads and posture to adopt in working environments. For roles that involve exposure to chemical/biological risk, specific training courses are also provided.

## *Protecting the health and safety of employees during the COVID-19 epidemic*

From the beginning of the COVID-19 pandemic crisis, the Recordati group reacted with swift and decisive action, well-organised and determined to adopt all measures necessary for the containment and management of the epidemic, in order to combat and contain the spread of the virus, protect the health and safety of its employees and, at the same time, ensure the continuity of its business, which as a Pharmaceutical Company represents an essential public service.

Specifically, since the initial phases of the COVID-19 emergency, the Group has implemented a smartworking system for office personnel, which, throughout 2020, guaranteed that the business was fully operational. Meanwhile, in production plants, the Group committed itself to guaranteeing workplace health and safety through adoption of strict anti-contagion measures. In addition, new organisational models were implemented for Drug-Detailing networks, working on the front line in contact with doctors and hospitals. Personnel in this area were protected through specific distance-training programmes.

During the year, in accordance with the numerous local legislative actions and specific guidelines, every plant has developed and implemented specific protocols, which are constantly updated, containing specific instructions for preventing the risk of contagion in the workplace. Furthermore, employees have been constantly updated and trained on any new developments regarding protocols adopted and safety regulations applied internally.

Specifically for the Italian plants in Milan and Campoverde di Aprilia, Health and Safety Committees have been established with workers' representatives, management representatives and the Prevention and Protection Service within plants in order to create and consolidate a collaborative working environment to tackle the health emergency.

Keenly aware of the uncertainty surrounding the health emergency, Recordati is committed to reassuring and maintaining constant dialogue with its employees regarding the Group's operational changes, methods for performance of activities and possible future developments.

Following the best practices defined during the course of the health emergency and as requested by applicable legislation in the various countries where the Group operates, in all plants and all offices:

- special signage has been developed and installed within working environments providing indications set out by the protocols adopted in order to guide employees in observing health and safety rules;
- smart working has been activated for all office personnel;
- the Group has provided employees with the necessary Personal Protection Equipment (PPE), specifically hand gel, surgical face masks and gloves;
- specific rules have been defined to avoid gatherings of people. Meetings in person have been significantly reduced, replacing them with remote meetings using digital platforms provided by the Group;
- work-related travel has been suspended unless required for specific reasons and unable to be postponed;
- systems have been introduced to check body temperature for access to sites using thermal scanners or manual measurement by specially appointed personnel;
- working environments have been subject to regular sanitising in line with defined protocols and special materials have been identified and provided in order to reduce the risk of contagion, specifically with installation of plexiglas and dispensers for disinfectants, and safe distances between workstations have been guaranteed;

- where the service is present, additional shuttle buses for personnel have been provided to avoid gatherings of people.

The actions taken continue to evolve in order to guarantee a constantly adequate response to developments in the pandemic, always in full compliance with the decisions and recommendations of competent Authorities.

Confirming its constant focus on ensuring the health and safety of its employees, the Recordati group has provided specific services to support its employees during the pandemic. Specifically, the French plant in Saint Victor has offered a telephone mental-health support service, giving all employees access to psychological support aimed at improving their ability to adapt to the changing situation and their quality of life and promoting personnel well-being during this challenging period.

Finally, Recordati has decided to establish and promote a “COVID-19 Insurance Policy”, aimed at all employees of all Italian Group companies and their families, completely paid for by the Group with the goal of offering employees tangible support in the management of potential health problems linked to the COVID-19 pandemic.

## 5.6 Industrial relations

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.

As in the previous year, in 2020 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.



## 6. THE GROUP'S FOCUS ON THE ENVIRONMENT

*A clean environment is essential for people's well-being: the health of the planet and the health of people is tightly interconnected. Environmental elements, such as air, water, land and climate, all have an impact on the well-being of humans. Placing a focus on people's health and being sustainable therefore also means prioritising environmental protection and a responsibility towards future generations. This is why the Group ensures that it conducts business in a socially responsible manner and in accordance with sustainable practices, national and international laws, and the expectations of stakeholders.*

### 6.1 Commitment to environmental protection <sup>16</sup>

As defined in the Group Code of Ethics, Recordati is committed to implementing policies aimed at increasing the environmental sustainability of the Company's business and meeting all related legal and regulatory requirements. Everybody is required to respect the corporate procedures and standards in force and to report any deficiencies or failure to respect these in a timely fashion. In performance of its activities, the Group:

- uses advanced technologies for the purposes of environmental protection, energy efficiency, the sustainable use of resources, combating climate change and protecting our natural world and biodiversity;
- promotes initiatives in production plants aimed at minimising energy and water consumption and reducing the emission of greenhouse gases and other pollutants into the atmosphere;
- is dedicated to reducing the production of waste linked to manufacturing activities, with a particular focus on correctly disposing of chemical and pharmaceutical products. Uses materials which can be recycled or disposed of in accordance with applicable regulations;
- promotes environmental protection by providing information and holding regular training courses, appointing officers responsible for compliance with environmental management issues, and by carrying out inspections and verifications of the conformity of manufacturing sites;
- provides regular information to stakeholders regarding its environmental commitment.

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. Demonstrating the commitment to the environmental and to continuous improvement, it is noted that the Campoverde di Aprilia chemical pharmaceutical plant and the Tunisian pharmaceutical plant have an ISO 14001 certified environmental management system. This certification attests that the manufacturing sites have a management system that is suitable for managing and mitigating the environmental impacts of their activities, and that their efforts for continuous, coherent, efficient and sustainable improvement.

Regarding the Irish chemical pharmaceutical plant in Cork, it is noted that the environmental management 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. In addition, for

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<sup>16</sup> The scope of data regarding environmental aspects (energy use, emissions, water use and waste) include Group production plants as such aspects are not deemed significant at other sites (with the exception of the Milan plant, where the water and energy consumption and relative emissions of the annexed offices of the Parent Company were also considered).

several 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.

The Recordati group responds to any cases of increased environmental risk by implementing a series of internal inspections. The active pharmaceutical ingredients production 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. The Campoverde di Aprilia site is included in the national inventory of plants with the potential for 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. Please note that, following voluntary reporting by the Company to the competent authorities in 2001 about the potential contamination of some portions of the land and water of the Campoverde di Aprilia plant resulting from past industrial production, an administrative procedure was initiated which is still pending. With regard to this procedure - now governed by Art. 242 of Italian Legislative Decree. 152/06 - in February 2021 the Company received feedback from the local authorities, which entail rewriting of part of the documentation produced so far by the Company in the proceedings, in order to take into account the technical observations made by ARPA in Lazio in January of the same year. The Company promptly took action as required, in order to move forward with the administrative procedure in question. In any case, from the initial survey of the situation subject to this procedure, the Company has continued to implement, in relation to the aforementioned past contamination, all necessary and appropriate containment measures and monitoring actions.

## 6.2 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 and diesel. In 2020, the Group plants consumed approximately 630 TJ, in line with 2019 consumption.

Regarding electricity, demonstrating the constant commitment to the environment and to reducing atmospheric emissions, it is noted that the Group has increased the purchase of renewable electricity, reaching a quota of approximately 50% of total electricity purchased by the Group in 2020 (approximately 85% considering only the electricity purchased by European plants). The quota of renewable electricity purchased and certified by Guarantees of Origin regards total electricity purchased for the Italian plants in Milan and Campoverde di Aprilia, for the Irish plant in Cork and, for the first year, also for the Spanish plant of Utebo. Also for the French sites of St. Victor and Nanterre, in 2020 supply contracts were established for 100% renewable energy certified by Guarantees of Origin from October. These changes in supply have led to a further significant increase in the share of renewable electricity purchased, in line with the trend for 2019. It is the Group's objective to reach 100%

renewable electricity purchased for our European manufacturing and packaging sites and annexed offices by the end of 2021.<sup>17</sup>

Consumption of diesel in 2020 fell by approximately 17% as use of this fuel within plants is tied to operation of the diesel generators when needed.

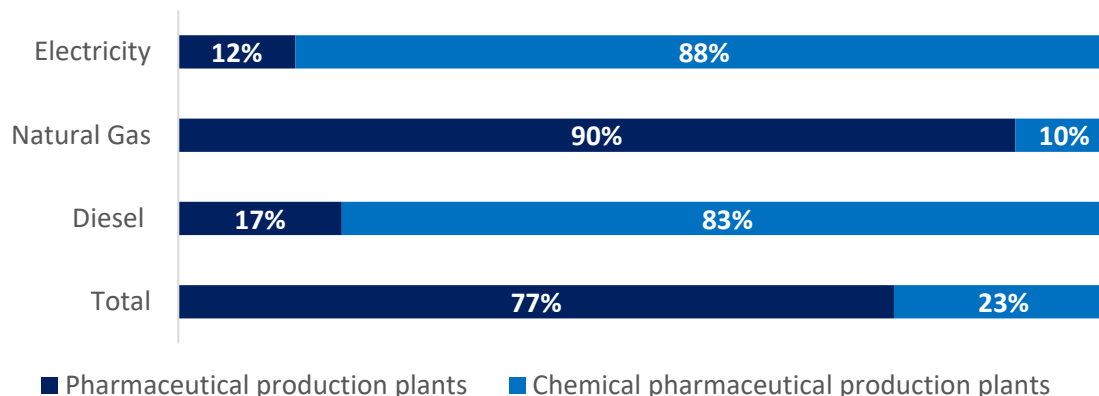
Energy use at the production plants of the Recordati group by source <sup>18</sup>				
Type of fuel	Unit of measurement	2020	2019	% Variation
Purchased electricity	kWh	28,940,776	29,471,706	-1.8%
	GJ	104,187	106,098	
<i>originating from renewable sources<sup>19</sup></i>	<i>kWh</i>	<i>14,227,129</i>	<i>10,022,377</i>	43.4%
	<i>GJ</i>	<i>51,398</i>	<i>36,081</i>	
Natural Gas	m <sup>3</sup>	14,835,915	14,684,544	1.0%
	GJ	523,426	518,409	
Diesel	Litres	57,205	69,342	-17.3%
	GJ	2,060	2,492	
<b>Total</b>	<b>GJ</b>	<b>629,673</b>	<b>626,999</b>	<b>0.5%</b>

<sup>17</sup> The Recordati group has 8 production plants (2 chemical-pharmaceutical plants and 6 pharmaceutical production plants) in addition to one plant dedicated to packaging. Please note that 7 of the 9 manufacturing sites are in Europe and will be powered by renewable energy by 2021.

<sup>18</sup> Lower Calorific Value of natural gas is 0.035 GJ/m<sup>3</sup>, average density of diesel is 0.84 kg/litre, Lower Calorific Value of diesel is 42.87 GJ/litre, (Source: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2020).

<sup>19</sup> The proportion of renewable electricity purchased by the plants of Milan and Campoverde di Aprilia (Italy), Cork (Ireland) and Utebo (Spain) is certified by Guarantees of Origin from January to December 2020. In addition, calculation of the proportion of renewable electricity purchased also includes the electricity purchased by the plants of St. Victor and Nanterre which have established contracts for the supply of energy certified Guarantees of Origin from October 2020.

Percentage subdivision of electricity use by production plants, according to usage and type of production plant



Electricity consumption of pharmaceutical production plants was approximately 148 TJ (23% of total, slightly down compared to the 2019 value due primarily to reduced use of natural gas for heating in offices of the Parent company at the Milan plant, with reduced presence of personnel following smart working initiatives to face the health emergency. Compared to chemical pharmaceutical plants, pharmaceutical plants used higher quantities of diesel (83% of the diesel consumed by the Group) to produce electricity and more electricity was purchased from the national grid. However, in 2020 energy use by the Group's chemical pharmaceutical production plants was 482 TJ (77% of the total).

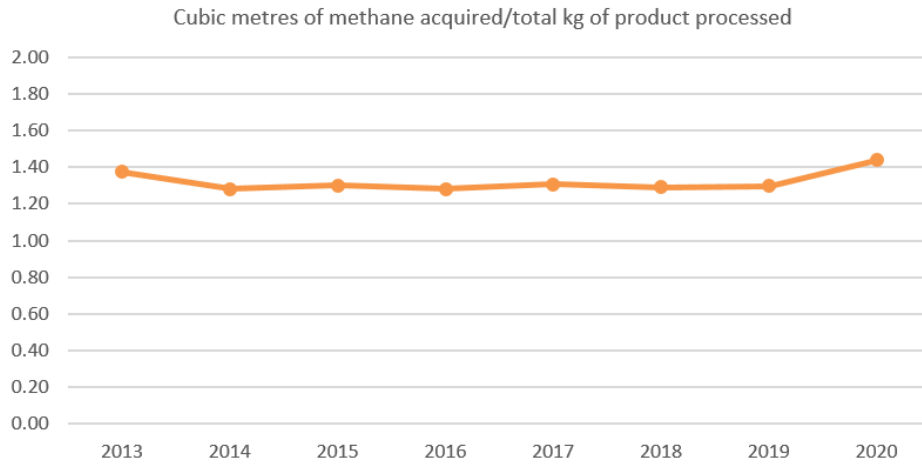
Energy use at pharmaceutical production plants by fuel source				
Type of fuel	Unit of measurement	2020	2019	% Variation
Purchased electricity	kWh	25,323,202	25,915,525	-2.3%
	GJ	91,164	93,296	
<i>originating from renewable sources</i>	<i>kWh</i>	<i>10,659,555</i>	<i>8,131,023</i>	32.3%
	<i>GJ</i>	<i>38,374</i>	<i>29,272</i>	
Natural Gas	m <sup>3</sup>	1,555,626	1,690,807	-8.1%
	GJ	54,884	59,691	
Diesel	Litres	47,202	54,342	-12.9%
	GJ	1,700	1,953	
<b>Total</b>	<b>GJ</b>	<b>147,748</b>	<b>154,940</b>	<b>-4.6%</b>

Energy use at chemical pharmaceutical production plants by fuel source				
Type of fuel	Unit of measurement	2020	2019	% Variation
Purchased electricity	kWh	3,617,574	3,556,181	1.7%
	GJ	13,023	12,802	
<i>originating from renewable sources</i>	<i>kWh</i>	3,617,574	<i>1,891,354</i>	91.3%
	<i>GJ</i>	13,023	<i>6,809</i>	
Natural Gas	m <sup>3</sup>	13,280,289	12,993,737	2.1%
	GJ	468,542	458,718	
Diesel	Litres	10,000	15,000	-33.2%
	GJ	360	539	
<b>Total</b>	<b>GJ</b>	<b>481,925</b>	<b>472,059</b>	<b>2.1%</b>

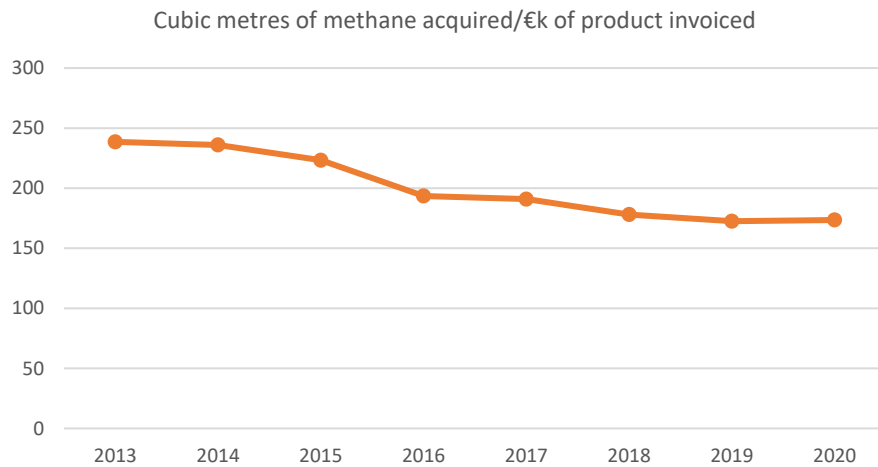
The chemical pharmaceutical plants consume higher quantities of natural gas than the pharmaceutical plants: a high proportion of this gas usage derives from the electricity generation system at the Campoverde di Aprilia plant, where a self-generation policy for electricity and thermal energy has been 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.

Electricity and thermal energy generated and sold by the Campoverde di Aprilia co-generation plant				
Type of fuel	Unit of measurement	2020	2019	% Variation
Self-generated electricity	kWh	32,292,572	31,634,104	2%
<i>Consumed internally</i>	<i>kWh</i>	<i>27,973,604</i>	<i>27,762,183</i>	<i>1%</i>
<i>Sold externally</i>	<i>kWh</i>	<i>4,318,968</i>	<i>3,871,921</i>	<i>12%</i>
Self-generated and consumed thermal energy	Kg of steam	77,132,000	72,099,000	7%

*Cubic metres of methane acquired against kilograms of product processed by the Campoverde di Aprilia plant*



*Cubic metres of methane acquired against turnover (in thousands of Euro) generated by the Campoverde di Aprilia plant*



### The co-generation system at the Campoverde di Aprilia plant

In 1994, following the increased demand for electricity and thermal energy determined by the manufacturing 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) 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.

Without this production of steam using the gas turbine fumes in the steam recovery boiler, an estimated 5.125 million cubic metres of gas would have been required in 2020 alone.

### *Principal initiatives to combat climate change implemented by the Recordati group*

In order to reduced energy consumption and atmospheric emissions, the Recordati group is implementing various actions in Group plants and branches.

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. In 2020, the Recordati group achieved a score of B, improving its score (C in 2019) and demonstrating its awareness and commitment in this regard.

Below is a description of the principal initiatives launched by the Group aimed at increasing energy efficiency and reducing emissions. These initiatives include, for example: purchase of renewable electricity, energy-efficiency initiatives for plants and lighting systems, continuous monitoring of consumption and feasibility studies to identify further areas for action, and progressive incentivisation of vehicles with low environmental impacts in the company fleet.

Regarding electricity consumption, evidence of the commitment to combating climate change can be seen in the Group's increased purchase of renewable energy, which reached around 50% of total energy purchased by the Group in 2020 (approximately 85% if considering only electricity purchased by European plants) and set itself the goal of 100% renewable electricity for European manufacturing and packaging sites and annexed offices by 2021. In 2020, completing activity started in 2019, the Group continued with implementation of the online portal (e.point) for management of energy-consumption data, pooling supply contracts and invoices for the Italian sites in Milan and Campoverde di Aprilia, the Spanish site in Utebo, the French sites in Saint Victor and Nanterre and the Irish site in Cork. In addition to precise monitoring and efficient management of energy consumption, the information system has allowed assessment and establishment of new supply contracts, with Guarantees of Origin certifying that 100% of the energy purchased comes from renewable sources. For the French plants, the Guarantees of Origin purchased in 2020 certify the renewable origin of energy purchased from October 2020. For the manufacturing sites and connected offices in Italy, Spain and Ireland, the purchase of 100% renewable energy and the absence of greenhouse-gas emissions linked to the purchase of electricity for 2020 was confirmed by the "Zero Emission Electricity" certificate.

In addition, with reference to renewable energy, it is noted that for 2021, there are plans for the installation of solar panels to generate electricity on the roof of the Spanish production plant in Utebo and to launch a feasibility study to assess the possibility of installing photovoltaic panels at the Irish production plant in Cork. Regarding the Italian plant in Campoverde di Aprilia, for 2021 there are plans for installation of a thermal solar system to produce hot water for the changing rooms of the manufacturing site.

In terms of lighting systems, in recent years, the Group has implemented various energy-efficiency initiatives, including the gradual, programmed replacement of lights with LED lighting systems or, in certain cases, installation of movement sensors to reduce electricity consumption. Today, many areas of Group manufacturing sites and offices are already equipped with LED lighting systems. This progressive process of replacement and efficiency actions will continue in coming years. The Group's goals include complete replacement of current lighting systems with LED lights at the Spanish manufacturing site in Utebo and the chemical intermediates warehouse of the



Italian plant in Campoverde di Aprilia by 2021 and initiation of the plan for replacement of current lights with LED systems in the manufacturing area of the Milan plant, to be completed by 2023.

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 implemented actions to increase employee awareness regarding energy saving according to a training plan and projects approved at local level.

The Italian chemical pharmaceutical in Campoverde di Aprilia has also implemented various initiatives over the years to increase energy efficiency, including: installation of an air conditioning system in the office building that consumes less electricity, installation of a new low-power-consumption air-treatment unit for supply of primary air in the building, also thanks to its heat-recovery system and upgrading of the compressed-air distribution system. It is estimated that the latter project saved 131,000 KWh in 2020, therefore avoiding emission of approximately 45 tonnes of CO<sub>2</sub>.

In order to reduce energy use, during 2021, there are plans for installation of 2 inverter blowers at the Italian Campoverde di Aprilia production plant to control the oxygenation levels of the wastewater treatment plant, enabling the regulation — and thereby improving the efficiency — of the machine's power based on the actual needs of the treatment plant resulting in a reduction in energy use (estimated 50% reduction in electricity consumption compared to the current operating conditions of the unit scheduled for replacement). The dual installation will provide continuity to this optimisation of energy use in the case of shutdown due to a fault.

With the goal of continuous improvement, Recordati is committed to measuring, evaluating and monitoring its energy consumption also through performance of energy audits by specialised third parties. In 2020, at the Spanish plant in Utebo and the French plant in Saint Victor, energy audits were performed to identify and evaluate possible future investments aimed at reducing energy consumption.

Furthermore, at the Turkish plant in Çerkezköy, in 2020 an energy study was performed by a specialised consulting company aimed at reducing energy consumption and increasing energy efficiency. This involved measuring and current analysing energy consumption of equipment and systems used by the plant (e.g. consumption of steam boilers, pumps, cooling systems, etc.) in order to identify and implement energy-efficiency projects.

In 2020 the Group also carried out a monitoring and control activity to assess the emissions of its global fleet of company vehicles. 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 2020, a total of approximately 2,000 company cars were in use by employees of the Recordati group, while the average CO<sub>2</sub> emissions emitted by the vehicles was approximately 118 g/km, according to the new Worldwide Harmonized Light-Duty Vehicles Test Procedures (WLTP). In this regard, the Group proposes to launch analysis of the fleet to assess the progressive introduction of technologically advanced hybrid solutions in future which have a reduced environmental impact. It is noted that in 2020 the Milan plant installed three electric-vehicle charging stations.

## *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 addition to all of the initiatives already described in the previous chapter, 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 ozone damaging. Specific initiatives for reduction of emissions include:

- 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, sensors have been installed in the most critical area of the system. In 2020, a gas detection system was installed, with alarms connected to the site-manager's office, for the refrigeration units, in order to immediately identify any leaks of gases which are ozone damaging.
- In 2020, in order to constantly monitor greenhouse-gas emissions and other damaging emissions and determine the type and quantity of atmospheric pollutants generated by the plant in Turkey, measurements were performed by all emissions sources of the site by an accredited laboratory. The results demonstrated that the pollution and the effect of greenhouse gases generated in the atmosphere are sufficiently low as to not require the adoption of specific corrective measures. The plant has already defined plans to renew these measures in 2022.
- In 2020, at the Campoverde plant, in the context of continuous improvement of air quality, efficiency assessments were conducted on scrubber systems and in coming years there are plans to build a new scrubber system and develop further systems. 2020 also saw the installation of a new NO<sub>x</sub> SO<sub>x</sub> and PM emissions monitoring system for chimneys of the co-generation plant in order to track and report the levels of emissions generated and consequently implement possible actions for mitigation and reduction. The emissions are managed according to a specific procedure and specifically, the existing scrubber systems are included in the improvement plan, which outlines constant verification of the efficiency of the moderation system.

In 2020, Scope 1 direct emissions primarily relating to the use of energy for industrial production (natural gas and diesel) remained largely in line with those of the previous year. In addition to this, there was a lower proportion (approximately 17% of the total Scope 1 direct emissions) for consumption of the Group's vehicle fleet. In 2020 there was a significant reduction in emissions attributable to the company fleet (-23% compared to 2019) due to reduced travel following legislation in countries where the Group operates to tackle the COVID-19 pandemic.

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 29% under the Market based approach. This large reduction is due to the purchase of renewable energy certified by Guarantees of Origin at the majority of European plants, reaching approximately 85% of the total electricity purchased in Europe in 2020.

Greenhouse-gas emissions (tons of CO <sub>2</sub> ) of the Recordati group's production plants and car fleet <sup>20</sup>			
	2020	2019	% Variation
Direct emissions (Scope 1)	35,524	36,904	-4%
<i>Relating to energy consumption</i>	29,586	29,185	1%
<i>Relating to the company vehicle fleet<sup>21</sup></i>	5,938	7,719	-23%
Indirect emissions (Scope 2) - Location-based approach <sup>22</sup>	10,106	10,705	-6%
Indirect emissions (Scope 2) - Market-based approach <sup>23</sup>	5,798	8,201	-29%

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 2016. Other atmospheric emissions 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 80% of total annual emissions are recorded.

<sup>20</sup> Source of emission coefficient data for natural gas and diesel: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2020.

<sup>21</sup> Scope 1 emissions relating to the use of fuel by company vehicles have been estimated based on the average mileage of each car defined in the leasing contract and the average emission factor of fleet vehicles (118 g/km). On the basis of applicable legislation and actions taken to deal with the health emergency that have led to a reduction in mobility, for 2020 a reduction of 30% was reasonably assumed compared to expected annual use.

<sup>22</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, 2018).

<sup>23</sup> The market-based approach uses an emission factor defined on a contractual basis with the electricity supplier and defines that the purchase of renewable electricity with Guarantee of Origin does not imply emissions of greenhouse gases calculated according to this approach. For this reason, the plants in Milan (Italy), Campoverde di Aprilia (Italy), Utebo (Spain), Saint Victor (France), Nanterre (France) and Cork (Ireland) there has been exclusion from calculation of Scope 2 emissions (according to the market-based approach) of consumption of electricity with Guarantees of Origin. For calculation of emissions using the market-based approach, the national "residual-mix" emission factors were applied (source of residual-mixes: AIB European Residual Mixes - Version 1.1 updated on 08/09/2020).

Other emissions (kg/year) from Recordati group production plants <sup>24</sup>		
	2020	2019
Nitric oxide (NO <sub>x</sub> )	19,066	13,802
Sulphur oxide (SO <sub>x</sub> )	20	75
Persistent Organic Pollutants (POP)	0	0
Volatile Organic Pollutants (VOC)	23,168	2,586
Hazardous Air Pollutants (HAP)	6,261	1,916
Particulate Matter (PM)	435	3,848
Methane (CH <sub>4</sub> )	0	0
Others	5,961	5,469

### 6.3 Water management

The Recordati group recognises the value of natural resources and in particular the value of water resources. For this reason, the Group invests its efforts in the development of manufacturing processes aimed at reducing water consumption and managing the quality of wastewater.

To this end, Group production plants are equipped with systems and procedures to monitor consumption and wastewater. The use of water resources primarily impacts the manufacturing cycle and process cooling, in addition to sanitary uses.

Regarding wastewater, if necessary or required by local laws, plants have installed or implemented waste-water treatment systems before discharging water into public drains or into the natural environment. In compliance with local and national environmental laws, plants analyse and constantly monitor the quality of wastewater in order to observe the minimum standards set by local and national environmental authorities. Specifically, all plants must observe applicable environmental laws and must hold the necessary water-discharge permits required by local authorities.

Below is a description of some initiatives implemented by the Group in order to guarantee responsible water management, both in terms of consumption and wastewater:

- 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 in 2020 was 247,894 m<sup>3</sup> and corresponds to approximately 10% of the Group's annual water intake. The chemical and physical characteristics (pH, suspended solids,

<sup>24</sup> Any significant changes in other atmospheric emissions 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.

BOD, COD, metals, aromatic solvents, chlorinated aromatic solvents, aliphatic solvents and surfactants) of the wastewater, non-potable groundwater and potable water from the mains supply are monitored at the Milan plant on a monthly basis.

Furthermore, 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, a new well was excavated in 2019 and 2020 to replace the one previously in use. A project is also currently underway to reduce overloading municipal drains which reach critical levels during large storms. In fact, water from the company drain will be collected in detention tanks and progressively released into the municipal drains.

Finally, in 2020, in order to reduce water consumption for cleaning the creams production plant, an automatic pressurised system was installed that allows a 50% reduction in water consumption compared to the previous method;

- at the Italian plant in Campoverde di Aprilia, daily monitoring is performed of water parameters. In 2020, the plant initiated and completed a project for replacement of well-water usage with river water for external cleaning of departments and for certain cooling systems, in order to minimise the impact of manufacturing activity on water resources;
- at the Cork plant in Ireland, particular focus was given to water use, particularly water used to ensure the correct operation of the scrubbers (system for filtering out pollutants from fumes). In any case, water usage is constantly monitored to identify any anomalies and facilitate prompt intervention when required. Following transposition by the Irish authorities in 2020 of EU law 2016/902, works were initiated for upgrading of the purifier currently used at the plant. Specifically, the aeration basin, which is the part where organic waste is biodegraded, was upgraded in 2020 to meet the new requirements. Meanwhile activities are underway for replacement of the sedimentation tank, which is the part of the plant where solid contaminants are separated from wastewater, and this is planned for completion in July 2021.
- at the Tunisian plant, planning is underway for various initiatives aimed at increasing awareness on consumption of water resources and their importance. In particular, assessment is in progress of the current water system, with the goal of launching constant and precise monitoring of consumption.
- at the Çerkezköy plant, industrial wastewaters are treated by the chemical pre-treatment plant on site, connected downstream to the drainage line for waste water from the Çerkezköy industrial area, to be sent to the central treatment plant. The chemical pre-treatment of wastewater used for plant processes has the tangible goal of reducing the impact of pollutants generated by the company within the municipal water system;
- at the French plant in Saint Victor, 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 (sludge). For disposal of the remaining wastewater from this process, the French plant has signed an agreement with the management of the purification system that allows storage of wastewater and its input into the purification system only during night-time hours, in order to avoid overloading the purification system and sewerage network.

In 2020, the overall water intake at the Group’s production plants fell by 3% compared to 2019. In particular, total water intake in 2020 was 2,500 MI, of which 31% was surface water, approximately 60% was groundwater and the remainder was drawn from the mains supply.

Around 68% of Group water intake is attributable to the chemical pharmaceutical plant in Campoverde di Aprilia, located in an area subject to water stress<sup>25</sup>. In addition to the Italian plant, the Turkish plant and the Tunisian plant are also located in areas considered to be subject to water stress, although they do have lower water intake.

The reduction of water intake from the mains supply of 21% compared to 2019 is primarily attributable to the reduction in the consumption of water for sanitary use at the offices of the Parent Company at the pharmaceutical plant in Milan, due to legislation introduced in 2020 to tackle the COVID-19 pandemic that led to a significant reduction in the number of personnel present on site on a daily basis.

It should also be noted that in 2020, 23% of total water intake at the Group's production plants was recycled and reused internally.

All water intake of the Recordati group is composed of fresh water, defined as water with a concentration of total dissolved solids equal to or less than 1,000 mg/l.

*Water intake at Recordati group production plants by source*

	<b>Unit of measurement</b>	<b>2020</b>	<b>2019<sup>26</sup></b>	<b>% Variation</b>
Surface water	MI	763	854	-11%
Groundwater	MI	1,459	1,374	6%
Mains water	MI	231	291	-21%
<b>Total</b>	<b>MI</b>	<b>2,453</b>	<b>2,519</b>	<b>-3%</b>

<sup>25</sup> To determine the water stressed areas, the Aqueduct tool developed by the World Resources Institute was used.

<sup>26</sup> In the context of fine-tuning of data collection and calculation processes, 2019 data for Group water intake and water recycling at the plants has been represented compared to the data previously published in the 2019 Non-Financial Statement of the Recordati group. For previously published data, please consult the 2019 Non-Financial Statement available on the Group website.

*Percentage of recycled water at Recordati group production plants*

	Unit of measurement	2020		2019	
		Total	% of total water intake	Total	% of total water intake
Quantity of water recycled and reused	MI	571	23%	497	20%

## 6.4 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 element with an internal code. 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.

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.

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 some types of waste, the implementation of this strategy has led to a significant reduction in costs and a positive environmental impact due, in addition to internal management, to the reduction in the number of transports and less handling and management of packaging (polythene and steel drums).

In a circular-economy context, various initiatives have been launched to recover and reuse chemical raw materials used in production processes, with a consequent positive impact on waste reduction and less use of natural resources. The Group's goal is to continue to extend these circular-economy initiatives: the reintroduction of recovered raw materials may occur directly into internal production processes or through partnership agreements with third-party companies. A feasibility study will also be initiated in 2021 for a project to reduce certain types of hazardous waste through the installation of a system to capture certain heavy metals.
- 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, a new procedure is currently being implemented at the Cork plant to provide an emergency plan to manage the release of thionyl chloride.
- 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. In addition, at the French site in Saint Victor, a project is underway in collaboration with Batribox aimed at the disposal and recycling of used batteries, supporting the AFM-Telethon charity for medical research into muscular dystrophy.
- at the Çerkezköy plant in Turkey, all wastes are classified according to five main categories, with a different colour assigned to each, allowing easy identification of its placement as the colours of equipment and bags for waste collection are the same as those used for the different types of waste. With this method, the plant aims to minimise potential errors in the separation of waste. These five main categories are: domestic waste (e.g. waste from the canteen), recyclable waste, chemical waste, medical waste and hazardous waste. A specific policy has been adopted at the plant to regulate waste collection, storage, recycling and transfer procedures. This procedure includes a waste tracking system which closely monitors the transfer of special waste throughout the production chain. From 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 wastewater treatment plant, a number of improvements have been made which have led to a reduction in the pollution values of wastewater. Furthermore, these optimisation measures also 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 compactors have been installed in recent years, one for paper and cardboard and one for special waste equivalent to SUW.



A total of 6,707 tonnes of waste was produced in 2020, of which 61% was hazardous waste (substances defined as hazardous in the country of origin) and 39% 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	2020			2019 <sup>27</sup>		
		Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Reuse	tonnes	3.0	0.3	3.3	3.0	1	4
Recycling	tonnes	43.0	557.8	600.8	38.5	599.2	637.7
Compost	tonnes	0.0	0.0	0.0	0.0	24.0	24.0
Recovery	tonnes	1,658.2	801.4	2,459.6	1,623.2	796.1	2,419.3
Incineration	tonnes	399.7	31.3	431.0	199.0	25.2	224.2
Landfill	tonnes	124.1	105.2	229.3	138.0	31.8	169.8
Storage on site	tonnes	1.8	0.0	1.8	3.3	0.0	3.3
Other <sup>28</sup>	tonnes	1,862.4	1,118.8	2,981.2	1,355.9	1,198.0	2,553.9
<b>Total</b>	<b>tonnes</b>	<b>4,092.2</b>	<b>2,614.8</b>	<b>6,707.0</b>	<b>3,360.9</b>	<b>2,675.3</b>	<b>6,036.2</b>

Taking into consideration the possible environmental risks, where necessary the Group has developed operating procedures aimed at minimising and safely managing for employees any spillages of hazardous chemical substances. At the Campoverde di Aprilia plant, in order to resolve small leaks of chemical substances, liquid chemical absorption kits are used, while for more significant leaks external drainage systems are employed. For the containment of spillages of chemical substances from containers or tanks, bunds and retention areas are used at the plant.

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, where possible, to reducing the amount of packaging entering the waste system and increasing consumer recycling activities. When coordinating these initiatives, the Group works with national recycling organisations such as CONAI (Consorzio Nazionale Imballaggi) in Italy.

With a view to reducing impacts, optimal use of resources and circular-economy principles, it is noted that during 2020 the Group, working in partnership with its suppliers, designed and adopted new display units, specifically for

<sup>27</sup> In the context of fine-tuning of data collection and calculation processes, 2019 data has been represented compared to the data previously published in the 2019 Non-Financial Statement of the Recordati group. For previously published data, please consult the 2019 Non-Financial Statement available on the Group website.

<sup>28</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.

the specialty pharmaceuticals Transact and Proctolyn, created without the use of additional plastification, instead using water-based gloss and matt acrylic paint, allowing them to be disposed of by pharmacies as recyclable paper material. The Group aims to continue with further analysis of other possible packaging solutions with lower environmental impacts, while complying with the strict legislation in place in the pharmaceutical industry.

### *Promoting awareness through engagement of employees*

Recordati's vision and its commitment to reducing environmental impacts is also reflected through internal engagement and raising awareness amongst its employees and through initiatives launched in its offices. In fact, the Group works actively to reduce consumption of paper, toner and energy and properly separate and recycle waste.

Group sites have special containers for separation of waste, to ensure disposal or recovery/recycling of these materials in a correct and efficient manner.

Regarding paper used in offices, in the context of raising awareness amongst employees on the environmental impacts of daily actions, all printers in Italy are equipped with individual codes to be used when printing documents. The purpose is to increase individual responsibility and reduce the number of documents printed, thus reducing consumption of paper and toner. In addition, it is noted that the paper used for printers in Italy and certain other Group branches originated from sustainable sources (recycled or FSC certified).

Raising awareness amongst personnel regarding good environmental practices has also led to the participation and creation of local initiatives in the areas in which Recordati operates. For example, in Ireland, through participation of certain volunteers at the Cork plant, the Company has participated in several projects during the year aimed at cleaning up urban green spaces. In 2019, various employees participated in annual initiatives within local communities organised to mark "Earth Day Clean-up". In 2020, due to the COVID-19 pandemic, it was not possible to participate in this initiative.

Additionally, for several years the Cork plant has been involved in the Ringaskiddy community project, managed by the National Biodiversity Data Centre of Ireland and aimed at protecting pollinators. In this context, approximately 200 lavender plants and 180 conifers have been planted in the area (over three years), replacing the fences that were present around the manufacturing site.

## 7. SUPPLIERS AND STRATEGIC PARTNERS

Recordati recognises the fundamental value of the supply chain in creating safe and high-quality products and is committed to working with suppliers and strategic partners that share its values and ethical principles.

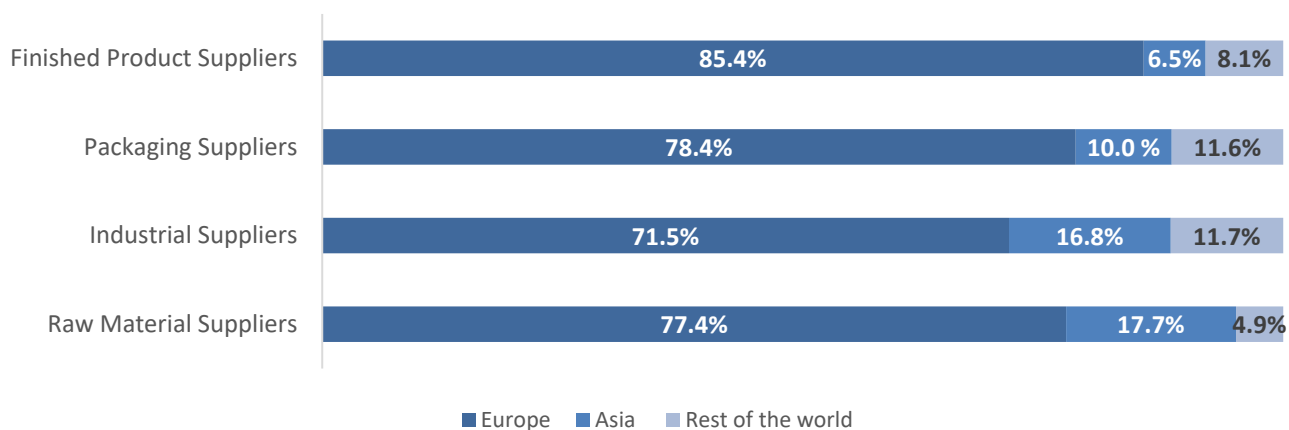
Commercial relationships with other parties (suppliers, consultants and partners) are founded on respect for the principles of fairness, professionalism, efficiency, loyalty, transparency and equal opportunities. The Group establishes written agreements specifying the responsibilities of each party and requiring that the principles of the Code of Ethics be respected.

### 7.1 Supply-chain profile

The Recordati group is served by approximately 13,270 suppliers, predominantly located in the countries in which the Group operates production 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 raw materials (and in particular APIs -Active Pharmaceutical Ingredients), packaging, industrial products and services and finished products.

In 2020 the Recordati group interacted with around 450 suppliers of raw materials<sup>29</sup>, principally located in Europe and India. Approved suppliers for the packaging of medicinal products produced directly in the Group's plants numbered approximately 240, located principally in the countries in which the Group has manufacturing sites. Suppliers of industrial materials and services for use in the Group's plants numbered approximately 1,600, with a significant local presence due to the type of goods and services. Suppliers of finished products (CMOs -Contract Manufacturing Organisations) number approximately 125 at Group level, with a significant presence of European producers.

Percentage breakdown of the number of Recordati group suppliers for the main categories by geographical area



<sup>29</sup> The figure for raw materials refers to: API - Active Pharmaceutical Ingredients, excipients, starting materials, chemical intermediates.

## 7.2 Responsible sourcing

Discussing sustainability implies sharing the values and ethical, social and environmental principals in which the Group believes with suppliers and strategic partners. In this context, the Group requires suppliers to accept the Code of Ethics from the approval phase and reserves the right to terminate the contractual relationship in the event of conduct incompatible with the values and principles expressed therein.

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 documentary 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. 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 database to ensure supplier quality control and compliance with Recordati values.

Parameters used in the selection of suppliers include observance of the Group Code of Ethics, which, in accordance with International Labour Organization conventions, requires the observance of fundamental Human Rights for all workers. These selection criteria are binding and all suppliers must declare their commitment to the Code and the practices contained therein. This obligation is formalised through special contractual clauses. As a result, any violation of the Code represents a breach of contract, and the Group reserves the right to assess the severity of the situation and take immediate corrective action. In the most serious cases, the group reserves the right to terminate the contractual relationship.

Furthermore, in the supplier-approval questionnaire consideration is also given to environmental and social aspects. In fact, information is requested regarding existence of health, safety and environment management systems (e.g. ISO 14001 and OHSAS 18001).

In 2020, supplier-approval questionnaires were reviewed and the Group's goods categories were refined. In addition, the new Code of Ethics was distributed through the eProcurement platform. All previously registered suppliers were therefore invited to re-apply for approval.

During 2020, certain environmental assessment parameters were also included in various tenders, including those for transport and printers, for example.

For 2021 evaluation is underway for definition of a strategic supplier management and monitoring plan that also considers ethical, social and environmental factors.

Regarding audits and inspections on the quality and safety of products and raw materials, please consult the paragraph entitled "Product quality and safety".

In order to promote the ESG culture and increasing awareness of sustainability throughout the value chain, during 2020 all personnel of the purchasing and supply chain department of the parent company participated in a training course on the principles of responsible sourcing.

### *Supply-chain management and initiatives adopted during the COVID-19 pandemic*

In the context of the global emergency connected to the COVID-19 epidemic, right from the start Recordati understood that the greatest challenge would, on the one hand, be implementation of all possible initiatives to guarantee the supply of drugs to patients and, on the other, safeguarding of the health and safety of persons involved in the process, providing recommendations and sharing with suppliers the adoption of strict prevention policies (e.g. access procedures, provision of personnel protection equipment, and segregation of shifts and flows).

The risk-assessment policies that have led the Group over the years to definition of alternative sources and back-up stocks have played an essential role in guaranteeing supply and business continuity during the health emergency. In this context, throughout the Group stock-management policies have in any case been reinforced, also differentiating in terms of the physical allocation of stock where possible.

In terms of finished products, throughout the Group, actions have been taken to accelerate product release processes and local warehouse stocks have been redistributed and rebalanced to mitigate the negative impacts deriving from lockdowns in specific areas. For raw materials strategic stocks have been built up and there has been allocation to new warehouse outside the province of Milan, for the storage of raw materials and packaging materials identified as components of products considered as strategic in the manufacturing context. This warehouse was also selected for the high level of automation offering greater continuity of restocking at the Milan plant, also in the event of the pandemic striking warehouse employees themselves. In terms of packaging, attention has been focused primarily on increasing stock of raw materials and in the context of the chemicals division, on the basis of the long lead times for procurement, back-up stocks were reinforced, extending them to 12 months for products with greater strategic value and those which are difficult to source.

## 8. SUPPORT FOR LOCAL COMMUNITIES

*“We believe that contributing to the well-being of the community and dedicating part of our resources to acts of solidarity is not merely the fulfilment of company obligations or professional duty, but rather a moral imperative, a need that we believe is an essential part of a healthy business that is capable of growing but at the same time able to support and develop the community in which it operates and making its employees proud.”*

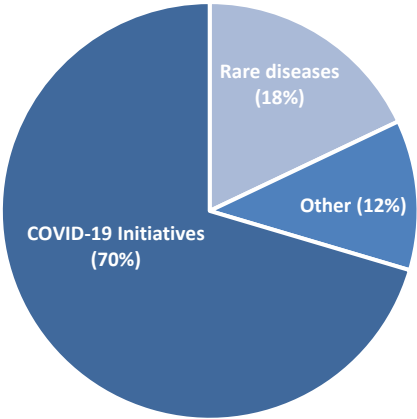
Andrea Recordati

### 8.1 Recordati group Donations

Recordati believes that support for patient associations and local communities is fundamental. In full compliance with ethical standards, the Group develops social projects and initiatives to support organisations operating in the medical and healthcare fields, it supports associations that are dedicated to assisting patients and improving the quality of life for them and their families, initiatives and social projects which benefit the most vulnerable members of society and those who experience disability, hardship, and difficulties. This support is mainly in the form of monetary donations, product donations, support to organisations and associations to facilitate access to healthcare through training and collaboration initiatives.

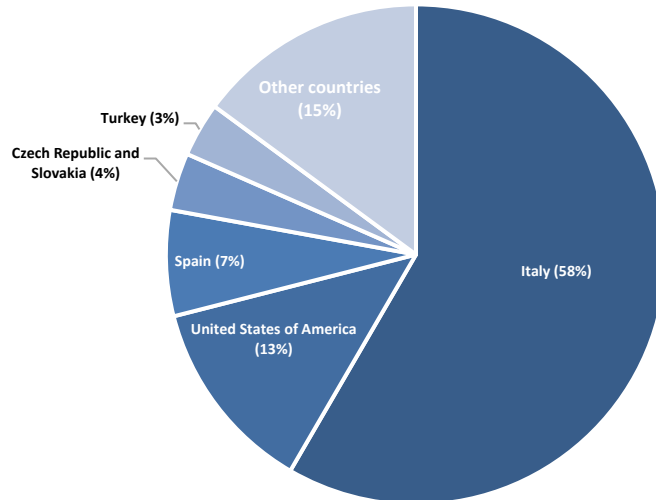
During 2020, the Recordati group disbursed over € 7.7 million<sup>30</sup> in support of the community. Of particular importance are the initiatives launched by the entire Group for the epidemiological emergency caused by the COVID-19 virus. The Group's support for these initiatives, through monetary and product donations, was over € 5.4 million (equal to approximately 70% of the total donations made in 2020). Of total donations, 18% was allocated to activities aimed at treating rare diseases, while the remaining 12% refers to contributions and donations awarded to social and cultural organisations and institutions in various countries.

*Recordati group donations by type*



<sup>30</sup> The figure includes both monetary donations and product donations.

### *Recordati group donations by geographic area*



### ***Contributions to the community during the epidemiological emergency caused by the COVID-19 virus***

From the very beginning, the Recordati group has been there for the community in which it operates, making contributions to support healthcare facilities involved in the fight against the epidemiological emergency. It has supported numerous initiatives in different countries, largely through donations of a financial nature and of products.

With regard to Italy, in addition to € 1.1 million in monetary donations to hospitals involved in this emergency, the Group promptly responded to the appeal made by the Lombardy Region to tackle the shortage of antiviral medicines and medicine for obstructive respiratory tract diseases by donating approximately 71,000 packages of its own medicines through Banco Farmaceutico.

Through the Casen Recordati branch, the Group has donated various amounts of its products to local hospitals in Spain and made a donation of € 500,000 in response to the request for help made by the Autonomous Region of Madrid, the epicentre of the pandemic in March. Furthermore, the Spanish branch expanded on these acts of solidarity by donating 1,200 pieces of Personal Protective Equipment (face shields) to the main endoscopy centres in the area. Following the commitment shown during this time, the Region of Madrid awarded Casen Recordati the prestigious recognition award—the Madrid Guarantee—for having identified and implemented ordinary and extraordinary security measures aimed at combating the pandemic and carrying out acts of solidarity such as creating training courses and making donations.

Equally significant were the monetary and product donations made by the other Group branches, such as those in Tunisia, Turkey, the Czech and Slovak Republics, Poland, Romania, Russia and Ukraine.

The COVID-19 epidemic has not only created a global health crisis, but a profound social crisis as well due to the dramatic consequences for the socio-economic system. In fact, COVID-19 has further increased existing inequalities, exacerbating situations of poverty and social exclusion. With this in mind, the Group wanted to

contribute to supporting the most disadvantaged segments of the population through donations to organisations and associations that are committed to meeting the basic needs of people in serious difficulty.

Still focussing on the social aspects, the pandemic has also had heavy repercussions on schooling. The possibility of having a device in order to participate in distance learning was a problem that affected many students and their families. To this end, the Group has joined the *Bring the Laptop* project, promoted by the Municipality of Milan in collaboration with the Milan Women's Centres, aimed at collecting second-hand computers from citizens and companies and donating them to boys and girls so that they can do their lessons online. The Group supported the project by donating over 250 refurbished and fully functional computers to children who were in need of them.



## 9. APPENDIX

### 9.1 Note on methodology

In recent years, the Recordati group (in this document also “Recordati”, the “Group” or the “Company”) has taken 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 2020 the Group’s commitment to sustainability was reiterated with the preparation of the fourth 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 Italian 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 2020 with respect to the matters expressly specified by Italian Legislative Decree no. 254/16 (environmental, social, personnel, 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 2020 Annual Report and the Corporate Governance Report and Ownership Structure.

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 2020 (reporting period: 1 January to 31 December 2020).

The Non-Financial Statement 2020 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 reporting of data and information for 2020 relating to health and safety in the workplace and the impact on water resources has been updated in accordance with the new GRI 403 and GRI 303 Standards, published by the Global Reporting Initiative (GRI) in 2018 and replacing the versions published in 2016. In order to make it easier to find information, the table of the reported GRI indicators is annexed to this document. The Statement was prepared based on the results of the materiality analysis that was updated in 2020 through stakeholder engagement and the involvement of management. This analysis, described in paragraph 2.3, 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 2020 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 2020, consolidated with the comprehensive approach in the Group’s Consolidated Financial Statement. However, while ensuring the correct understanding of the company’s business, it should be noted that:

- in line with previous reports, the scope of information and data regarding environmental aspects includes the Group's production plants and the offices that are part of the facility in Milan, as the other sites were deemed insignificant;
- in line with the previous reports, the scope of injury indicators includes all employees at all Group production plants and their offices. Data is also included for personnel from the sales network (Field Forces) within Italy and the Parent Company's offices (Milan).

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 document. 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, please refer to the *"Issuer profile and general information"* and *"Share ownership information (pursuant to Art. 123-bis, paragraph 1 of the TUF)"* sections of the Corporate Governance Report and Ownership Structure of the Recordati group as of 31 December 2020.

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 11 March 2021 and was approved by the Board of Directors of Recordati S.p.A. on 18 March 2021. 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 "Independent Auditor's Report".

## **Contacts**

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## 9.2 Additional Information

### Human Resources - Turnover

*Breakdown of employees entering and leaving the company by gender, age and location*

Number of employees	2020									
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
	Employees joining the Group - Europe					Employees leaving the Group - Europe				
Men	47	77	31	155	10%	55	68	61	184	12%
Women	32	101	25	158	12%	19	76	39	134	11%
Total	79	178	56	313	11%	74	144	100	318	11%
Turnover %	51%	11%	5%	11%		47%	9%	9%	11%	
	Employees joining the Group - Australasia					Employees leaving the Group - Australasia				
Men	28	41	0	69	12%	21	51	6	78	13%
Women	28	35	1	64	14%	21	37	1	59	13%
Total	56	76	1	133	13%	42	88	7	137	13%
Turnover %	40%	9%	2%	13%		30%	10%	14%	13%	
	Employees joining the Group - Africa					Employees leaving the Group - Africa				
Men	7	10	0	17	10%	6	11	3	20	11%
Women	47	18	0	65	29%	46	22	0	68	30%
Total	54	28	0	82	21%	52	33	3	88	22%
Turnover %	51%	10%	0%	21%		49%	12%	18%	22%	
	Employees joining the Group - America					Employees leaving the Group - America				
Men	1	14	14	29	55%	0	4	8	12	23%
Women	6	19	21	46	70%	1	4	4	9	14%
Total	7	33	35	75	63%	1	8	12	21	18%
Turnover %	88%	62%	60%	63%		13%	15%	21%	18%	

## Health and safety in the workplace

Number of injuries and Health and Safety indicators for Group employees  
by gender, country or production plant<sup>31</sup>

Italy (Campoverde di Aprilia) – Chemical pharmaceutical production plant and offices						
Injuries and Injury Rates <sup>32</sup>	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	5	0	5	11	1	12
of which high-consequence work-related injuries <sup>33</sup> (No.)	0	0	0	0	0	0
of which work-related fatalities (No.)	0	0	0	0	0	0
Commuting to/from work injuries (No.)	1	0	1	2	0	2
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index	42.8	0	39.5	149.5	46.7	140.3
Work-related injury rate/Frequency rate	1.9	0	1.8	4.9	3.8	4.8
High-consequence work-related injury rate	0	0	0	0	0	0
Work-related fatality rate	0	0	0	0	0	0
Occupational disease rate	0	0	0	0	0	0

<sup>31</sup> The data for 2019 have been indicated as published in the 2019 Non-Financial Statement. For 2019, the calculation of the injury rates also included accidents that occurred while travelling.

<sup>32</sup> The Severity Index represents the ratio between the number of days lost due to work-related injuries and the total number of hours worked in the same period, multiplied by 200,000. For the 2019 Severity Index, the total number of workable hours was used as reported in the 2019 Non-Financial Statement.

The work-related injury rate/Frequency rate represents the ratio between the total number of work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.

The high-consequence work-related injury rate represents the ratio between the total number of high-consequence work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.

The work-related fatality rate represents the ratio between the total number of fatalities and the total number of hours worked in the same period, multiplied by 200,000.

The Occupational disease rate represents the ratio between the number of cases of work-related diseases and the total number of hours worked in the same period, multiplied by 200,000.

<sup>33</sup> High-consequence work-related injuries are considered injuries sustained by the worker from which he/she cannot or should not be able to recover their state of health prior to the injury within 6 months.

**Ireland - Chemical pharmaceutical production plant and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	1	1	2	0	0	0
<i>of which high-consequence work-related injuries (No.)</i>	0	0	0	0	0	0
<i>of which work-related fatalities (No.)</i>	0	0	0	0	0	0
Commuting to/from work injuries (No.)	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index	9.8	21.1	14.5	0	0	0
Work-related injury rate/Frequency rate	2.5	3.5	2.9	0	0	0
High-consequence work-related injury rate	0	0	0	0	0	0
Work-related fatality rate	0	0	0	0	0	0
Occupational disease rate	0	0	0	0	0	0

**Italy (Milan) – Pharmaceutical production plant, offices and sales network personnel (medical sales representatives)**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	2	3	5	3	1	4
<i>of which high-consequence work-related injuries (No.)</i>	0	0	0	0	0	0
<i>of which work-related fatalities (No.)</i>	0	0	0	0	0	0
Commuting to/from work injuries (No.)	1	1	2	1	1	2
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index	8.2	22.0	13.1	24.6	100.6	50.9
Work-related injury rate/Frequency rate	0.7	2.0	1.2	1.6	1.5	1.5
High-consequence work-related injury rate	0	0	0	0	0	0
Work-related fatality rate	0	0	0	0	0	0
Occupational disease rate	0	0	0	0	0	0

**Czech Republic - Pharmaceutical production plant and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	0	1	1	0	2	2
<i>of which high-consequence work-related injuries (No.)</i>	0	0	0	0	0	0
<i>of which work-related fatalities (No.)</i>	0	0	0	0	0	0
Commuting to/from work injuries (No.)	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index	0	169.1	112.5	0	0	0
Work-related injury rate/Frequency rate	0	1.7	1.2	0	19.3	15.4
High-consequence work-related injury rate	0	0	0	0	0	0
Work-related fatality rate	0	0	0	0	0	0
Occupational disease rate	0	0	0	0	0	0

**Spain - Pharmaceutical production plant and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	1	0	1	3	7	10
<i>of which high-consequence work-related injuries (No.)</i>	0	0	0	0	0	0
<i>of which work-related fatalities (No.)</i>	0	0	0	0	0	0
Commuting to/from work injuries (No.)	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index	48.0	0	20.4	30.2	46.4	38.0
Work-related injury rate/Frequency rate	4.4	0	1.8	2.2	5.4	3.8
High-consequence work-related injury rate	0	0	0	0	0	0
Work-related fatality rate	0	0	0	0	0	0
Occupational disease rate	0	0	0	0	0	0



**Tunisia - Pharmaceutical production plant and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	1	3	<b>4</b>	8	5	<b>13</b>
<i>of which high-consequence work-related injuries (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
<i>of which work-related fatalities (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Commuting to/from work injuries (No.)	2	1	<b>3</b>	0	1	<b>1</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Severity Index	6.2	33.8	<b>21.3</b>	43.1	9.1	<b>24.2</b>
Work-related injury rate/Frequency rate	0.5	1.3	<b>0.9</b>	4.1	2.6	<b>3.3</b>
High-consequence work-related injury rate	0	0	<b>0</b>	0	0	<b>0</b>
Work-related fatality rate	0	0	<b>0</b>	0	0	<b>0</b>
Occupational disease rate	0	0	<b>0</b>	0	0	<b>0</b>

**Turkey - Pharmaceutical production plant and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	5	0	<b>5</b>	5	2	<b>7</b>
<i>of which high-consequence work-related injuries (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
<i>of which work-related fatalities (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Commuting to/from work injuries (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Severity Index	15.5	0	<b>10.8</b>	7.4	4.1	<b>6.4</b>
Work-related injury rate/Frequency rate	3.2	0	<b>2.2</b>	3.5	3.3	<b>3.4</b>
High-consequence work-related injury rate	0	0	<b>0</b>	0	0	<b>0</b>
Work-related fatality rate	0	0	<b>0</b>	0	0	<b>0</b>
Occupational disease rate	0	0	<b>0</b>	0	0	<b>0</b>

**France (Bouchara) - Pharmaceutical production plant and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	3	0	<b>3</b>	8	8	<b>16</b>
<i>of which high-consequence work-related injuries (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
<i>of which work-related fatalities (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Commuting to/from work injuries (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	1	<b>1</b>
Severity Index	342.1	0	<b>173.6</b>	386.4	418.5	405.9
Work-related injury rate/Frequency rate	7.9	0	<b>4.0</b>	8.0	5.2	6.3
High-consequence work-related injury rate	0	0	<b>0</b>	0	0	<b>0</b>
Work-related fatality rate	0	0	<b>0</b>	0	0	<b>0</b>
Occupational disease rate	0	0	<b>0</b>	0	0.6	<b>0.4</b>

**France (Nanterre) - Distribution centre and offices**

Injuries and Injury Rates	2020			2019		
	Men	Women	Total	Men	Women	Total
Work-related injuries (No.)	0	0	0	0	0	0
<i>of which high-consequence work-related injuries (No.)</i>	0	0	0	0	0	0
<i>of which work-related fatalities (No.)</i>	0	0	0	0	0	0
Commuting to/from work injuries (No.)	0	0	0	1	0	1
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index	0	0	0	36.7	0	17.1
Work-related injury rate/Frequency rate	0	0	0	12.4	0	5.9
High-consequence work-related injury rate	0	0	0	0	0	0
Work-related fatality rate	0	0	0	0	0	0
Occupational disease rate	0	0	0	0	0	0

## Water management

*Water withdrawal at Recordati group production plants located in water-stressed areas<sup>34</sup> by source*

	<b>Unit of measurement</b>	<b>2020</b>	<b>2019</b>	<b>% Variation</b>
Surface water	MI	763	854	-11%
Groundwater	MI	887	875	1%
Mains water	MI	78	81	-4%
Total	MI	1,728	1,810	-5%

<sup>34</sup> The Group's plants located in water-stressed areas are the Italian plant in Campoverde di Aprilia, the Tunisian plant in Kelaat El Andalu and the Turkish plant in Çerkezköy. The Aqueduct tool developed by the World Resources Institute was used to determine water-stressed areas.

### 9.3 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>Business ethics, integrity, anti-corruption</b>	<b>GRI 205:</b> Anti-corruption	Fight against active and passive corruption	Recordati group	Caused by the Group
	<b>GRI 206:</b> Anti-competitive behaviour	Fight against active and passive corruption	Recordati group	Caused by the Group
	<b>GRI 207:</b> Tax	N/A	Recordati group	Caused by the Group
	<b>GRI 307:</b> Environmental compliance	Environmental	Recordati group	Caused by the Group
	<b>GRI 419:</b> Socioeconomic compliance	Fight against active and passive corruption	Recordati group	Caused by the Group
<b>Value creation and distribution</b>	<b>GRI 201:</b> Economic performance	Social	Recordati group; Investors and the financial community	Caused by the Group
	<b>GRI 203:</b> Indirect economic impacts	N/A	Recordati group	Caused by the Group
<b>Privacy and data protection</b>	<b>GRI 418:</b> Customer Privacy	Social	Recordati group	Caused by the Group
<b>Product quality 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>Access to medical products and healthcare</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>Responsible marketing</b>	<b>GRI-417:</b> Marketing and labelling	N/A	Recordati group	Caused by the Group
<b>Employee health and safety</b>	<b>GRI 403:</b> Occupational Health and safety	Relating to personnel	Recordati group; Employees	Caused by the Group and directly connected to its activities
<b>Diversity and equal opportunities</b>	<b>GRI 405:</b> Diversity and equal opportunity	Relating to personnel	Recordati group; Employees	Caused by the Group
	<b>GRI 406:</b> Non-Discrimination	Relating to personnel Human rights	Recordati group; Employees	Caused by the Group
<b>Management and development of human resources</b>	<b>GRI 401:</b> Employment	Relating to personnel	Recordati group; Employees	Caused by the Group
	<b>GRI 404:</b> Training and education	Relating to personnel	Recordati group; Employees	Caused by the Group
<b>Well-being of human resources</b>	<b>GRI 401:</b> Employment	Relating to personnel	Recordati group; Employees	Caused by the Group

<b>Support for local communities</b>	<b>GRI 202:</b> Market presence	Social	Recordati group, Community	Caused by the Group
<b>Fight against climate change</b>	<b>GRI 302:</b> Energy	Environmental	Recordati group	Caused by the Group
	<b>GRI 305:</b> Emissions	Environmental		
<b>Water management</b>	<b>GRI 303:</b> Water and Effluents	Environmental	Recordati group	Caused by the Group
<b>Product sustainability</b>	N/A	Environmental	Recordati group; Suppliers	Caused by the Group
<b>Responsible waste management</b>	<b>GRI 306:</b> Effluents and waste	Environmental	Recordati group	Caused by the Group
<b>Responsible Sourcing</b>	<b>GRI 414:</b> Supplier Social Assessment	Social Human rights	Recordati group; Suppliers and strategic partners	Caused by the Group and directly connected to its activities
	<b>GRI 308:</b> Supplier Environmental Assessment	Environmental	Recordati group; Suppliers and strategic partners	Caused by the Group and directly connected to its activities

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 the Organisation	Page 6
102-2	Activities, brands, products, and services	Pages 6-7; Annual Report, “Business activities” section
102-3	Location of headquarters	Page 100
102-4	Location of operations	Page 6
102-5	Ownership and legal form	Pages 6 -7; page 99 ; Corporate Governance Report and Ownership Structure, “Issuer profile and general information” section
102-6	Markets served	Pages 6-7
102-7	Scale of the organisation	Pages 6-7; pages 9-10; page 50; Annual Report, “Summary of results” section; Corporate Governance Report and Ownership Structure, “Issuer Profile and General Information” section
102-8	Information on employees and other workers	Pages 50-51; page 55-56
102-9	Supply chain	Pages 93-95
102-10	Significant changes to the organisation and its supply chain	Pages 99-100; Corporate Governance Report and Ownership Structure, “Issuer Profile and General Information” section
102-11	Precautionary Principle or approach	Pages 32-35
102-12	External initiatives	Page 13, pages 15-16
102-13	Membership of associations	Pages 15-16
<b>Strategy</b>		



Indicator	References and other information	Omissions
102-14	Statement from senior decision-maker	Page 4
102-15	Key impacts, risks and opportunities	Pages 21-25; pages 32-35
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Page 8
<b>Governance</b>		
102-18	Governance structure	Page 9; pages 12-13; Corporate Governance Report and Ownership Structure, “Issuer profile and general information” section
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Page 14
102-41	Collective bargaining agreements	Page 74
102-42	Identifying and selecting stakeholders	Pages 14-15
102-43	Approach to stakeholder engagement	Pages 14-15; page 18
102-44	Key topics and concerns raised by stakeholder engagement initiatives	Pages 18-19
<b>Reporting practice</b>		
102-45	Entities included in the Consolidated Financial Statements	Pages 99-100
102-46	Defining report content and topic boundaries	Pages 99-100; pages 112-113
102-47	List of material topics	Page 19; pages 112-113
102-48	Restatements of information	Pages 99-100
102-49	Changes in reporting	Pages 18-19; pages 99-100
102-50	Reporting period	Pages 99-100

Indicator		References and other information	Omissions
102-51	Date of most recent report	<i>The previous Consolidated Non-Financial Statement was approved by the Board of Directors of Recordati group on 18 March 2020.</i>	
102-52	Reporting cycle	Page 100	
102-53	Contact point for questions regarding the report	Page 100	
102-54	Chosen “in accordance” option	Page 99	
102-55	GRI content index	Pages 114-127	
102-56	External assurance	Page 128	
<b>TOPIC-SPECIFIC STANDARDS</b>			
<b>GRI 200: ECONOMIC SERIES (2016)</b>			
<b>Aspect: Economic performance</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Page 9	
103-3	Evaluation of the management approach	Page 9	
<b>GRI-201: Economic performance (2016)</b>			
201-1	Direct economic value generated and distributed	Page 10	
<b>Aspect: Market presence</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Page 50; pages 52-54	
103-3	Evaluation of the management approach	Page 50; pages 52-54	

Indicator	References and other information	Omissions
<b>GRI-201: Economic performance (2016)</b>		
202-2	Proportion of senior management hired from the local community	Page 52
<b>Aspect: Indirect economic impacts</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Page 9; page 97
103-3	Evaluation of the management approach	Page 9; page 97
<b>GRI-203: Indirect economic impacts (2016)</b>		
203-1	Infrastructure investments and services supported	Pages 9-10; pages 96-97
<b>Aspect: Anti-corruption</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Pages 26-32
103-3	Evaluation of the management approach	Pages 26-32
<b>GRI-205: Anti-corruption (2016)</b>		
205-1	Operations assessed for risks related to corruption	Pages 26-32
205-3	Confirmed incidents of corruption and actions taken	<i>In 2020 no cases of corruption were recorded.</i>
<b>Aspect: Anti-competitive behaviour</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113

Indicator	References and other information	Omissions
103-2	The management approach and its components Pages 26-32	
103-3	Evaluation of the management approach Pages 26-32	
<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>
<b>Aspect: Tax</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components Pages 36-37	
103-3	Evaluation of the management approach Pages 36-37	
<b>GRI-207: Tax (2019)</b>		
207-1	Approach to tax Pages 36-37	
207-2	Tax governance, control and risk management Pages 36-37	
207-3	Stakeholder engagement and management concerns related to tax Pages 36-37	
207-4	Country-by-country reporting Pages 37-38	For 2020 (the first year that Standard 207 was applied), the Company partially reported the information as required by GRI 207-4, for reasons related to the difficulty

Indicator	References and other information	Omissions
		encountered in finding some data with the level of detail required for each tax jurisdiction. Therefore, the Company commits to finding the data and the necessary information to cover the information for future reporting in the coming years.

**GRI 300: ENVIRONMENTAL SERIES (2016)**

**Aspect: Energy**

**GRI-103: Management approach (2016)**

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Pages 75-84
103-3	Evaluation of the management approach	Pages 75-84

**GRI-302: Energy (2016)**

302-1	Energy consumption within the organisation	Pages 77-79
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**Aspect: Water and effluents**

**GRI-103: Management approach (2016)**

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
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	Indicator	References and other information	Omissions
103-2	The management approach and its components	Pages 75-76; pages 86-89	
103-3	Evaluation of the management approach	Pages 75-76; pages 86-89	
<b>GRI-303: Water and effluents (2018)</b>			
303-1	Interactions with water as a shared resource	Pages 86-89	
303-2	Management of water discharge-related impacts	Pages 86-89	
303-3	Water withdrawal	Pages 88-89; page 111	
<b>Aspect: Emissions</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Pages 75-77; pages 82-86	
103-3	Evaluation of the management approach	Pages 75-77; pages 82-86	
<b>GRI-305: Emissions (2016)</b>			
305-1	Direct (Scope 1) GHG emissions	Page 85	
305-2	Energy indirect (Scope 2) GHG emissions	Page 85	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Page 86	
<b>Aspect: Effluents and waste</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Pages 75-76; pages 89-92	

Indicator	References and other information	Omissions
103-3	Evaluation of the management approach	Pages 75-76; pages 89-92
<b>GRI-306: Effluents and waste (2016)</b>		
306-2	Waste by type and disposal method	Page 91
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Pages 75-76
103-3	Evaluation of the management approach	Pages 75-76
<b>GRI-307: Environmental compliance (2016)</b>		
307-1	Non-compliance with environmental laws and regulations	<p><i>In 2020 the Group did not record any cases of breaches of environmental laws and regulations.</i></p> <p>Page 76</p>
<b>Aspect: Supplier Environmental Assessment</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Page 21; page 25; pages 93-94
103-3	Evaluation of the management approach	Pages 93-94
<b>GRI-308: Supplier Environmental Assessment (2016)</b>		
308-1	New suppliers that were screened using environmental criteria	Page 46; page 94
<b>GRI 400: SOCIAL SERIES (2016)</b>		
<b>Aspect: Employment</b>		

Indicator	References and other information	Omissions
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Page 50; pages 53-54; pages 58-61
103-3	Evaluation of the management approach	Page 50; pages 53-54; pages 58-61
<b>GRI-401: Employment (2016)</b>		
401-1	New employee hires and employee turnover	Page 54; page 101
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 59-61
<b>Aspect: Occupational Health and safety</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Page 50; pages 68-74
103-3	Evaluation of the management approach	Page 50; pages 68-74
<b>GRI-403: Occupational health and safety (2018)</b>		
403-1	Occupational health and safety management system	Pages 68-74
403-2	Hazard identification, risk assessment and incident investigation	Pages 68-74
403-3	Occupational health services	Pages 68-74
403-4	Worker participation, consultation and communication on occupational health and safety	Pages 68-74



	Indicator	References and other information	Omissions
403-5	Worker training on occupation health and safety	Page 72	
403-6	Promotion of worker health	Pages 68-74	
403-7	Prevention and mitigation of occupation health and safety impacts directly linked by business relationships	Pages 68-74	
403-9	Work-related injuries	Pages 70-71; pages 102-110	
403-10	Work-related ill health	Pages 70-71 ; pages 102-110	

### Aspect: Training and education

#### GRI-103: Management approach (2016)

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Page 50; pages 61-66	
103-3	Evaluation of the management approach	Page 50; pages 61-66	

#### GRI-404: Training and education (2016)

404-1	Average hours of training per year per employee	Page 62	
404-2	Programs for upgrading employee skills and transition assistance programs	Pages 61-66	

### Aspect: Diversity and equal opportunity

#### GRI-103: Management approach (2016)

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Page 50; pages 56-58	
103-3	Evaluation of the management approach	Page 50; pages 56-58	

Indicator	References and other information	Omissions
<b>GRI-405: Diversity and equal opportunity (2016)</b>		
405-1	Diversity of governance bodies and employees	Page 9; page 53; page 57; Corporate Governance Report and Ownership Structure, “Board of Administrators” section
405-2	Ratio of basic salary and remuneration of women to men	Page 59
<b>Aspect: Non-Discrimination</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Page 50; pages 56-58
103-3	Evaluation of the management approach	Page 50; pages 56-58
<b>GRI 406: Non-Discrimination</b>		
406-1	Incidents of discrimination and corrective actions taken	<i>The Group did not record any incidents of discrimination in 2020.</i>
<b>Aspect: Supplier Social Assessment</b>		
<b>GRI-103: Management approach (2016)</b>		
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Page 21; page 25; pages 93-94
103-3	Evaluation of the management approach	Pages 93-94
<b>GRI-414: Supplier Social Assessment (2016)</b>		
414-1	New suppliers that were screened using social criteria	Page 46; page 94
<b>Aspect: Customer health and safety</b>		
<b>GRI-103: Management approach (2016)</b>		

	Indicator	References and other information	Omissions
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Pages 43-48	
103-3	Evaluation of the management approach	Pages 43-48	

#### **GRI-416: Customer health and safety (2016)**

416-1	Assessment of the health and safety impacts of product and service categories	Pages 43-46	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 47	

#### **Aspect: Marketing and labelling**

#### **GRI-103: Management approach (2016)**

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Pages 47-49	
103-3	Evaluation of the management approach	Pages 47-49	

#### **GRI-417: Marketing and labelling 2016**

417-2	Incidents of non-compliance concerning product and service information and labelling	Page 47	
417-3	Incidents of non-compliance concerning marketing communications	Pages 47-48	

#### **Aspect: Customer Privacy**

#### **GRI-103: Management approach (2016)**

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
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	Indicator	References and other information	Omissions
103-2	The management approach and its components	Page 27; page 39	
103-3	Evaluation of the management approach	Page 27; page 39	
<b>GRI-418: Customer Privacy (2016)</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 27	
<b>Aspect: Socioeconomic compliance</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Pages 47-48	
103-3	Evaluation of the management approach	Pages 47-48	
<b>GRI-419: Socioeconomic compliance (2016)</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	Page 47	
<b>Aspect: Product sustainability</b>			
<b>GRI-103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113	
103-2	The management approach and its components	Page 12; page 21; page 25; page 39	
103-3	Evaluation of the management approach	Page 12; page 39	
<b>Aspect: Access to medical products and healthcare</b>			
<b>GRI-103: Management approach (2016)</b>			

Indicator	References and other information	Omissions
103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Pages 41-42
103-3	Evaluation of the management approach	Pages 41-42

**Aspect: Research and development**

**GRI-103: Management approach (2016)**

103-1	Explanation of the material topic and its boundary	Page 19; pages 99-100; pages 112-113
103-2	The management approach and its components	Pages 39-40
103-3	Evaluation of the management approach	Pages 39-40

## 9.4 Auditor's Report



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18<sup>th</sup>, 2018 (*Translation from the original Italian text*)

To the Board of Directors of  
Recordati Industria Chimica e Farmaceutica S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Recordati Industria Chimica e Farmaceutica S.p.A. and its subsidiaries (hereinafter the "Group" or "Recordati Group") for the year ended on December 31<sup>st</sup>, 2020 in accordance with article 4 of the Decree and approved by the Board of Directors on March 18<sup>th</sup>, 2021 (hereinafter "DNF").

### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

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## Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

## Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Recordati Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below;

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we have conducted interviews and discussions with the management of Recordati Industria



Chimica e Farmaceutica S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF. Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the Milan site of Recordati Industria Chimica e Farmaceutica S.p.A., that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Recordati Group for the year ended on December 31<sup>st</sup>, 2020 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

## Other Information

The DNF for the years ended on December 31<sup>st</sup>, 2018 and December 31<sup>st</sup>, 2019, whose data are presented for comparative purposes, have been subject to limited assurance procedures by another auditor, who expressed unqualified conclusions on March 20<sup>th</sup>, 2019 and April 7<sup>th</sup>, 2020.

Milan, March 29<sup>th</sup>, 2021

EY S.p.A.  
Signed by: Renato Macchi  
(Auditor)

*This report has been translated into the English language solely for the convenience of international readers.*