ANNUAL REPORT 2023

RECORDATI

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RECORDATI

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RECORDATI, AT THE FOREFRONT OF LIFE-ENHANCING AND LIFE-CHANGING MEDICINES FOR ALMOST 100 YEARS

REVENUE 2,082.3 MILLION EUROS

NET INCOME 389.2 MILLION EUROS

EMPLOYEES EXCEED 4,450

With its beginnings in a family-run pharmacy in Correggio, Italy in the 1920s, Recordati is now a global pharmaceutical group, listed on the Italian Stock Exchange since 1984, with over 4,450 employees. In 2023, the Group generated revenue of € 2,082.3 million and net income of € 389.2 million.

Recordati has always believed that health, and the opportunity to live life to the fullest, is a right, not a privilege. Whether that is for common diseases or the rarest – Recordati wants to give everyone the opportunity to be the best version of themselves. This drive will never stop.

The people who work across Recordati are passionate individuals who go to extraordinary lengths for partners, customers, investors, and the people across the globe that they serve. Every day, they strive to deliver on the Group's purpose of *Unlocking the full potential of life*.

Recordati:
- Has fully integrated operations across research and development, chemical and finished product manufacturing through to commercialisation and licensing.
- Has a global footprint with direct presence in more than 65 countries and partnerships in remaining markets.
- Has a diversified portfolio across Specialty & Primary Care and Rare Diseases, available in around 150 countries worldwide.
- Is a partner of choice for many companies in the industry due to its unique structure and successful track record in integrating new products and licenses.
- Maintains the highest quality and safety standards of products throughout their life cycle.
- Manufactures pharmaceutical ingredients to support its supply-chain, while also providing them to customers worldwide.

STRATEGY

In a constantly changing marketplace, Recordati is committed to seeking new opportunities, with a focus on developing new treatments and investing in medical innovations that can address the unmet needs of patients.
Since its beginnings, Recordati has generated strong consistent growth thanks to the continued success of its products and its strategy based on internationalisation and diversification. The Group has focused on driving profitable organic growth of its product portfolio and on business development, through licensing and acquisitions, since the 1990s.
Partnerships are a core component of Recordati's successful history. The Group has developed a long-standing track record, a commitment to partnering and has the focus to treat each product as if it were Recordati's own.

BUSINESS AND PORTFOLIO

Specialty & Primary Care

The Specialty & Primary Care (SPC) business unit has a strong and proven heritage of supporting people living with a wide range of common illnesses that affect large populations day to day. It creates value for patients, payers, and physicians with both prescription and self-medication treatments. The business has a direct presence in Europe, North Africa and Türkiye, and makes its products available in other international markets through distribution partners. The product portfolio includes medicines developed historically internally and several which have been in-licensed from other pharmaceutical companies for commercialization in specific territories.

SPC's best-known products are focused in the following areas:
- **Cardiovascular**, with lercanidipine, a latest-generation calcium channel blocker indicated for the treatment of hypertension, discovered and developed entirely at Recordati's research laboratories, and its combination with enalapril, a widely prescribed ACE inhibitor. The Group also offers well-established metoprolol-based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris, cardiac rhythm disorders, maintenance treatment after a myocardial infarction, and functional heart disorders with palpitations. Pitavastatin, a latest-generation statin for controlling hypercholesterolemia, is also marketed in several countries.
- **Urology** and **Uro-Oncology**, with well-recognized drugs for the treatment of benign prostatic hyperplasia such as silodosin, and of urinary incontinence, such as flavoxate. Its portfolio also includes a leuprorelin acetate depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent Prostate Cancer (PCa). A new pre-connected syringe, developed by Tolmar, was introduced in first markets in the later part of 2023, further enhancing the differentiated position of the drug. In 2023, a long-term, commercialization agreement was finalised with GSK for the sales and distribution of two drugs, Avodart® (dutasteride) and Combodart ®/ Duodart® (dutasteride/tamsulosin)[1]. These drugs have helped support millions of men worldwide who experience moderate to severe symptoms relating to Benign Prostatic Hyperplasia (BPH) and are at risk of suffering complications.
- **Gastroenterological**, with several established brands for evacuating the intestine based on sodium picosulfate and magnesium citrate (including Citrafleet®, Casenlax®), widely used before diagnostic tests, products used for constipation for adults and children, and a line of probiotics based on lactobacillus reuteri protectis, particularly popular in Western Europe. Procto-Glyvenol® (tribenoside) is one of our leading CHC brands across several Central and Eastern European markets.
- "**Cough and cold**" ranging from an antiseptic based on biclotymol for sore throats, to combination products for the treatment of ear, nose and throat infections, successfully sold mainly in Italy, France, Russia and the C.I.S. countries.

1 *Trademarks are owned by or licensed to the GSK group of companies. Transition to Recordati of commercialization of Avodart® and Combodart® / Duodart® has been enacted in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.*

- In addition to the above, we have products available across a variety of other areas, including central nervous system, with an antipsychotic drug for the treatment of schizophrenia, Reagila® (cariprazine), a third-generation antipsychotic for this seriously debilitating mental disorder which is marketed in several European countries.

Rare Diseases

The Rare Diseases (RD) business unit develops, produces and markets drugs for the treatment of rare diseases, operating globally and dedicated entirely to serving patients suffering from these diseases. The drugs are marketed directly in Europe, the Middle East, Türkiye, United States, Canada, Russia, Australia, Japan, China and in Latin America, and through selected partners in several other countries.

Historically focused on rare genetic metabolic illnesses, acquired through the acquisitions of Orphan Europe in 2007 and Lundbeck product portfolio in US in 2012, the Rare Diseases portfolio was expanded with the acquisition of additional important specialties in rare endocrine diseases through the acquisition of Signifor®, Signifor LAR® (pasireotide) and Isturisa® (osilodrostat) from Novartis in 2019, and further expanded with the acquisition of EUSA Pharma that was completed in March 2022, adding four drugs for the treatment of rare and niche oncological diseases.

RD provides medicines across three main therapeutic areas:

- **Metabolic** - The activity on rare genetic metabolic illnesses, with an initial presence in 2007 mostly in Europe and the MENA region, has expanded its scope into the US in 2012. Cystadrops® (cysteamine hydrochloride), Carbaglu® (carglumic acid) and Panhematin® (human hemin) form the core of the business's legacy metabolic products, to which Ledaga® (chlormethinean hydrochloride) was added in 2018. Recordati continues to expand access to these treatments, with Carbaglu® launched in 2023 in China for the treatment of hyperammonia associated with NAGS deficiency and organic acidemias, a set of rare metabolic conditions characterized by raised levels of ammonia in the blood which can be extremely toxic to the brain in infants, children and adults.
- **Endrocrinology** - Recordati expanded into important endocrine speciality treatment areas in 2019, which included conditions such as Cushing Disease / Syndrome and Acromegaly, both rare conditions which can have a significant impact on quality of life. The expansion was part of the acquisition of Signifor®, Signifor LAR® and Isturisa® from Novartis. Access to these treatments continues to expand globally with the launch of Istruisa® in Columbia in 2023 and the filing of the New Drug Application (NDA) for the same treatment in China and Brazil.
- **Oncology** - The business expanded into rare oncological conditions through the acquisition of EUSA Pharma in March 2022 adding important treatments that cover rare and niche oncological diseases, the main ones being Qarziba® (dinutuximab beta) for high-risk neuroblastoma, Sylvant® (siltuximab) for idiopathic Multicentric Castleman Disease and Fotivda® (tivozanib), indicated in advanced Renal Cell Carcinoma. Access to these treatments continues to expand internationally; for example, in 2023 discussions were held with the FDA in the US regarding the potential regulatory path for the Biologics Licence Application for Qarziba®, a product already present on the market in Europe and other countries.

Rare Diseases continually develops new specialties and new indications within its portfolio originating either internally or acquired through development agreements with other pharmaceutical companies and research institutes across its three focus areas.

PRODUCTION SITES

Recordati has **seven pharmaceutical production facilities**, located in the Czech Republic, France, Italy, Spain, Switzerland, Türkiye and Tunisia, all of which operate in full compliance with environmental protection regulations and current Good Manufacturing Practice (cGMP).

Recordati also has **one packaging and distribution center** dedicated to rare disease products in Nanterre (near Paris), France. The site delivers, at short notice, more than 27,000 orders annually to more than 60 countries worldwide.

The Group also produces several active ingredients and intermediates for the pharmaceutical industry at **two pharmaceutical chemical plants**: one in Campoverde di Aprilia, Italy, which marked its 60th anniversary in 2023, and the other in Cork, Ireland.

The key focus of Recordati's pharmaceutical chemicals business is providing quality Active Pharmaceutical Ingredients (API) for some of the Group's key drugs across both business units, with residual capacity made available to manufacture and commercialise APIs to third party customers worldwide.

The pharmaceutical chemicals business focuses on:

- striving for maximum product quality, safety of production processes, protection of the environment, health and safety in the workplace
- meeting the requirements of the Recordati pharmaceuticals business
- strengthening the Group's presence in highly regulated markets, like the United States, European and Japan.

RESEARCH & DEVELOPMENT

Recordati continuously brings new medicines to patients, originating either internally or acquired through agreements with other pharmaceutical companies and research institutes. Commitment, scientific rigor, capability, and highly specialised personnel allow the Group to develop new treatments and build an innovative product pipeline.

In 2023, Recordati invested € 255.7 million in research and development (including amortisation arising from the purchase or license of new products), + 16.2% compared to 2022.

Our purpose:

Unlocking the full potential of life.

DIGITAL INNOVATION

Recordati has embarked on a transformative journey to elevate the Group's digital landscape. One of the cornerstones of this digital transformation is the comprehensive implementation of a group-wide ERP system, revolutionizing the way processes across the organization are streamlined. In addition, the Group has successfully implemented a cutting-edge data warehouse system, allowing it to harness the full potential of all data, fostering informed decision-making and strategic planning.

As well as these milestones, Recordati has implemented other transformative initiatives to strengthen its digital footprint. These efforts collectively show the Group's commitment to not only stay abreast of industry trends but also set new benchmarks for operational excellence and technological prowess.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

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. It does this while respecting the laws and regulations that apply in the countries in which it operates, protecting people and the environment and supplying safe, high-quality products.

The Group's Sustainability Plan describes its future commitments and is built around qualitative and quantitative goals in five priority areas: patient care, people care, environmental protection, responsible sourcing, ethics and integrity.

To pursue a long-term sustainable growth model, Recordati integrates social and environmental aspects into its corporate strategy. An example of this is that, in 2023, Recordati finalised its first sustainability-linked loan, linking the credit raised to two ESG KPIs: environmental protection (Renewable Energy Installed Power Capacity) and responsible sourcing (Suppliers' Sustainability Audit).

Recordati's focus and efforts in driving the Group's ESG strategy were recognized by main ESG indices and ratings in 2023. The inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis. MSCI ESG Research confirmed Recordati's A rating and the Group was rated C+ with Prime status by ISS ESG, awarded to companies with a leading sustainability performance in their industry. In addition, Recordati received a "Robust" ESG Assessment from Moody's Analytics and is included in the MIB ESG Index, promoted by Euronext and Borsa Italiana.

PEOPLE AND CULTURE

Recordati prides itself on having built – and continuing to further develop – a culture in which people are able to thrive and grow.

In 2023, Recordati continued to promote initiatives to foster a more diverse and inclusive working environment for all, with the aim of increasing the percentage of women in Top and Senior Manager positions. The Group ran its first global ***People engagement survey*** for the whole employee base of more than 4,300 people. It also repeated 2022's Diversity and Inclusion survey that specifically targets the Senior Leadership Team of around 300 people. Both surveys achieved a high response rate as well as encouraging results.

To truly illustrate what Recordati and its people stand for, in 2023, the Group refreshed its purpose to *Unlocking the full potential of life*, a step that has received positive feedback from employees and key external stakeholders, including patient organisations. To reflect the purpose, Recordati also refreshed its brand identity, with a new look and feel that can be seen on the company's website www.recordati.com, which has also been updated to offer more detailed information for all the Group's stakeholders.

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

In 2023, we continued to deliver value and sustainable growth to all our stakeholders in a very dynamic environment. Against the backdrop of increasing geopolitical instability and higher inflationary pressures, we achieved an outstanding financial performance, marked by strong momentum across both the Specialty & Primary Care (SPC) and Rare Diseases (RD) businesses.

Throughout the year, we continued to demonstrate our ability to successfully execute our business strategy, focused on driving organic growth of our current portfolio, complemented with accretive M&A and targeted business development, as well as capturing growth opportunities within our own pipeline. We firmly believe these strategic pillars will further strengthen our position for future profitable growth.

Our consolidated revenues for 2023 exceeded € 2 billion for the first time, with broad-based strength across both our Specialty & Primary Care and Rare Diseases businesses. Specifically, our SPC business grew ahead of relevant markets, achieving € 1,313.6 million of revenue growing 13.6% on a like-for-like basis compared to FY2022, while the RD business, with revenue totalling € 714.7 million, grew by 14.9% on a like-for-like basis year-on-year, driven by the endocrinology and oncology franchises. This growth, combined with continued cost discipline, allowed us to sustain sector-leading margins despite a challenging financial environment. Given the strong momentum across the business, we remain on track to deliver on our mid- and longer-term growth ambitions.

There were also a number of important milestones achieved in 2023 to expand access to our existing treatments, whilst also strengthening our portfolio. We are particularly proud of the agreement signed with GSK in July to commercialize Avodart® (dutasteride) and Combodart®/ Duodart® (dutasteride/tamsulosin) across 21 countries. The deal adds two leading and well-established brands to our core urology portfolio in Specialty & Primary Care, significantly reinforcing the competitiveness of the Group's offering as well as extending Recordati's proven excellence in the urology space.

Throughout the year, the expansion of the Group's footprint in China has continued to progress. We obtained approval of Marketing Authorization for Carbaglu® in June, with first commercial sales taking place in November.

We've also continued important development and life-cycle management activities. A new program was initiated in 2023, with a Phase II study on pasireotide s.c. for the treatment of patients with Post-Bariatric Hypoglycemia (PBH).

ANDREA RECORDATI
Chairman

ROB KOREMANS
Chief Executive Officer

The Group has also completed enrollment of the global phase II study of REC 0559 for the treatment of neurotrophic keratitis and expects the topline data readout in mid-2024. Discussions are ongoing with the FDA on the potential regulatory path to bring dinutuximab beta (Qarziba®) to patients in the US; we are addressing the FDA's comments from our Type C meeting in 2023 and expect to have further interactions with the authority in the first half of 2024.

To support innovation in the clinical community, in May we launched the call for applications to the 11th edition of the Arrigo Recordati International Prize for Scientific Research, held once every two years. The 2024 Award is dedicated to the promotion and recognition of excellence in research on paediatric oncology, specifically neuroblastoma, which reflects our strong commitment to support innovation and research within rare diseases.

In 2023, we refreshed our purpose to *Unlocking the full potential of life*, which reflects what the company and our people stand for today. This new purpose reaffirms Recordati's long-standing belief that health and the opportunity to live life to the fullest are a right not a privilege. Culture Ambassador volunteers across Recordati supported the creation and rollout of the purpose, with over 70 people worldwide working tirelessly to engage colleagues locally and further build a shared sense of pride in the Group.

We also reflect with pride on this year's achievements on the sustainability front. Our focus and efforts in driving the Group's ESG strategy were further recognized by main ESG indices and ratings this year. In June 2023, the inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis in July. MSCI ESG Research confirmed Recordati's A rating in August and the Group was rated C+ with Prime status by ISS ESG in September, awarded to companies with a leading sustainability performance in their industry. We also received a "Robust" ESG Assessment from Moody's Analytics in October, and we are included in the MIB ESG Index, promoted by Euronext and Borsa Italiana since October 2021.

As we look to build a more connected and inclusive work environment that supports the wellbeing of our people, in 2023 we ran our first global engagement survey for the whole employee base of more than 4,300 people. We also repeated 2022's Diversity and Inclusion survey that specifically targets the Senior Leadership Team of around 300 people. A high response rate, as well as encouraging results in both surveys, clearly show that we are heading in the right direction.

It was an honour and privilege to lead Recordati in such a great year, and we are thankful for the dedication, hard work, and unwavering belief showed by all our people worldwide. Your commitment inspires us every day.

Finally, to our shareholders, we extend our sincere gratitude for your constant trust, support, and investment in our company. Thank you for playing a pivotal role in the continued success of Recordati.

DIVIDENDS

Based on the results obtained and consistent with the Company dividend policy, the Board of Directors has proposed a dividend to shareholders of € 0.63 per share, in full balance of the interim 2023 dividend of € 0.57, for all shares outstanding at the ex-dividend date of 20 May 2024, excluding treasury shares in the portfolio at that date, with payment on 22 May 2024 and record date 21 May 2024. The proposed full 2023 dividend is therefore € 1.20 per share (€ 1.15 per share in 2022).

Sincerely,

ANDREA RECORDATI
Chairman

ROB KOREMANS
Chief Executive Officer

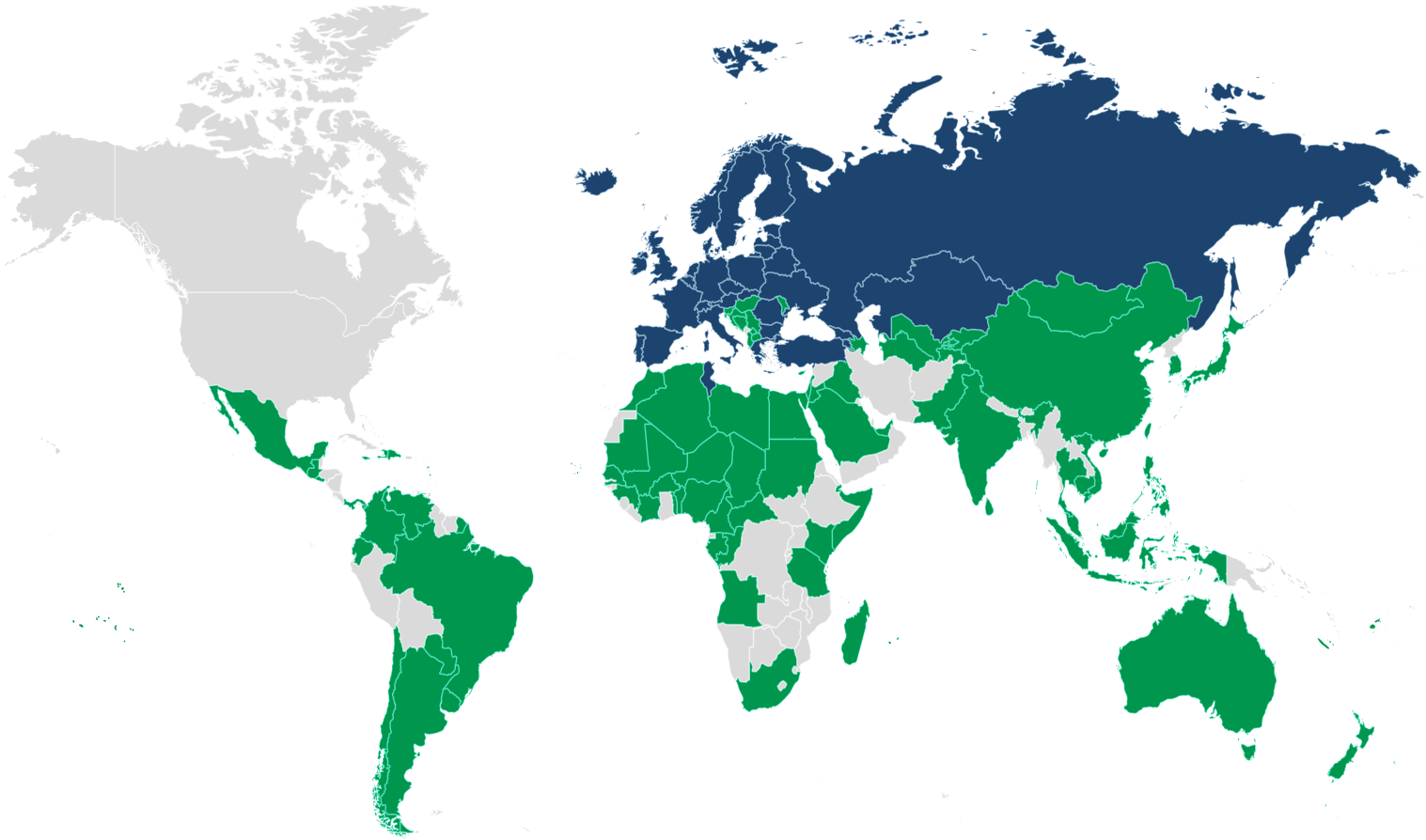
RECORDATI IN THE WORLD

Present in around **150 countries** with our SPC products and our treatments for Rare Diseases

SPECIALTY & PRIMARY CARE

Subsidiaries and direct selling organizations

Countries where Recordati products are sold (under license or export)



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- Australia
- Austria
- Azerbaijan
- Belarus
- Belgium
- Benin
- Bosnia-Herzegovina
- Brazil
- Bulgaria
- Burkina-Faso
- Cambodia
- Cameroon
- Cape Verde
- Central African Republic
- Chad
- Chile
- China
- Colombia
- Congo
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Djibouti
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Estonia
- Finland
- France
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- French Polynesia
- Gabon
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- Germany
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- Guadeloupe
- Guatemala
- Guinea
- Haiti
- Holy See
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iraq
- Ireland
- Israel
- Italy
- Ivory Coast
- Jamaica
- Japan
- Jordan
- Kazakhstan
- Kenya
- Kosovo
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- Latvia
- Lebanon
- Libya
- Lithuania
- Luxembourg
- Macedonia
- Madagascar
- Malaysia
- Mali
- Malta
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- Mauritania
- Mauritius
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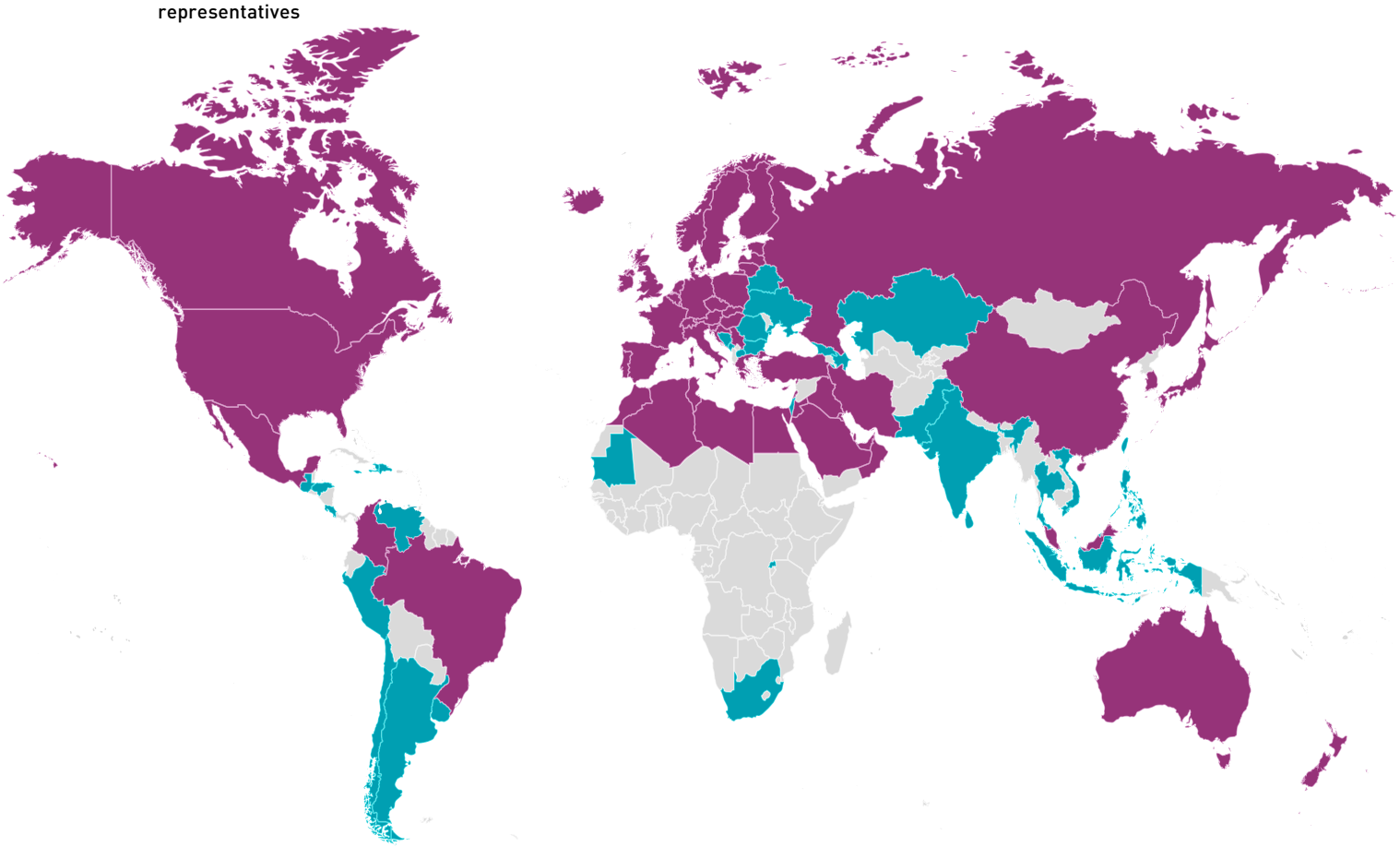
- Mexico
- Moldova
- Mongolia
- Morocco
- Netherlands
- New Caledonia
- New Zealand
- Niger
- Norway
- Pakistan
- Panama
- Paraguay
- Philippines
- Poland
- Portugal
- Reunion
- Romania
- Russian Federation
- San Marino
- Senegal
- Serbia
- Singapore
- Slovak Republic
- Slovenia
- Somalia
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sudan
- Sweden
- Switzerland
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- Togo
- Tunisia
- Türkiye
- Turkmenistan
- UAE (United Arab Emirates)
- Ukraine
- United Kingdom
- Uruguay
- USA (United States of America)
- Uzbekistan
- Venezuela
- Vietnam
- Wallis and Futuna

RARE DISEASES

Subsidiaries and direct presence of orphan drug representatives

Commercial agreements and direct delivery



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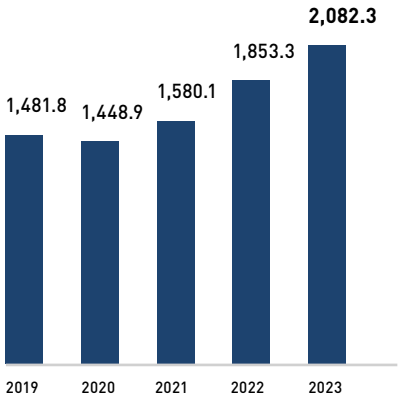
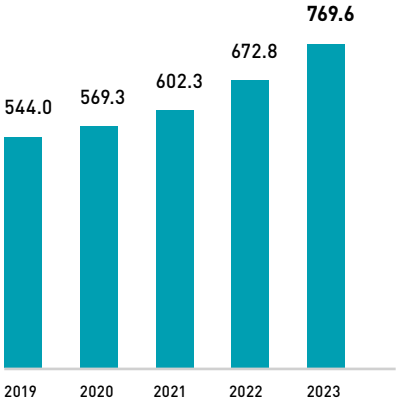
- Serbia
- Singapore
- Slovak Republic
- Slovenia
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Taiwan
- Thailand
- Tunisia
- Türkiye
- UAE (United Arab Emirates)
- Ukraine
- United Kingdom
- Uruguay
- USA (United States of America)
- Venezuela
- Vietnam

THE GROUP IN FIGURES

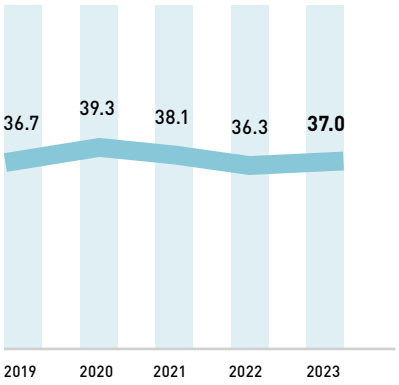
REVENUE
Million Euros



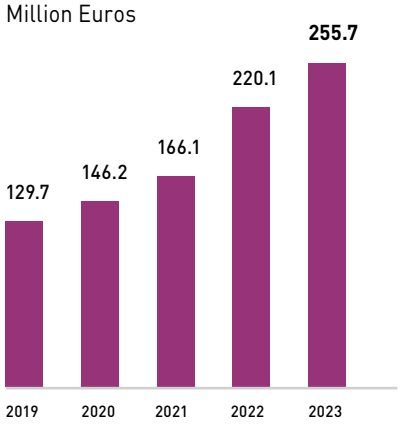
EBITDA*
Million Euros



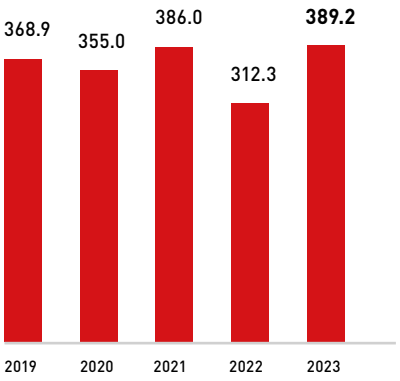
EBITDA* AS % OF REVENUE



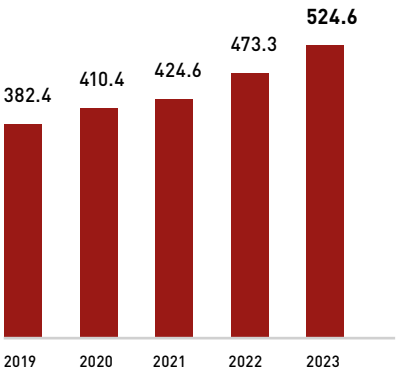
RESEARCH & DEVELOPMENT
Million Euros



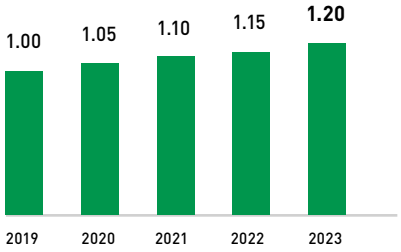
NET INCOME
Million Euros



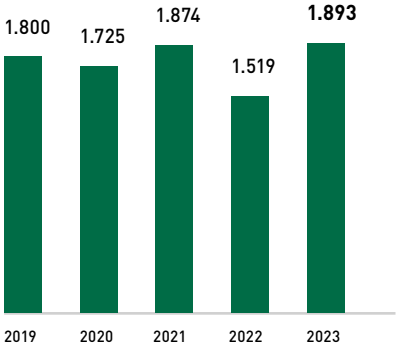
ADJUSTED NET INCOME**
Million Euros



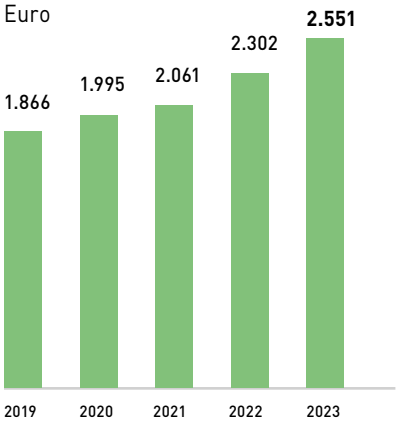
DIVIDEND PER SHARE
Euro



NET INCOME PER SHARE
Euro



ADJUSTED NET INCOME PER SHARE
Euro



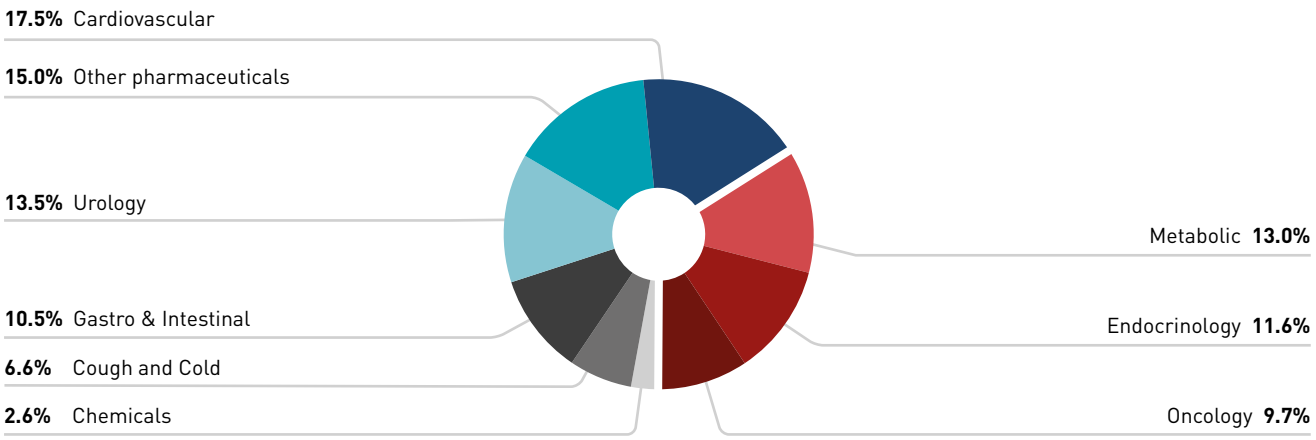
* *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

** *Net income excluding the amortization and write-down of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.*

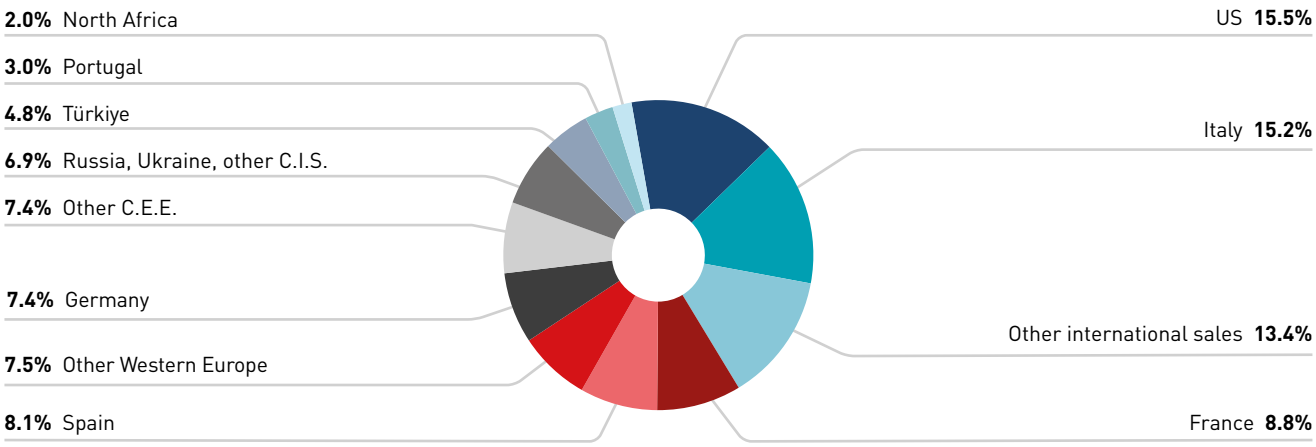
PHARMACEUTICAL REVENUE BY THERAPEUTIC AREA

SPECIALTY & PRIMARY CARE 65.7%

RARE DISEASES 34.3%

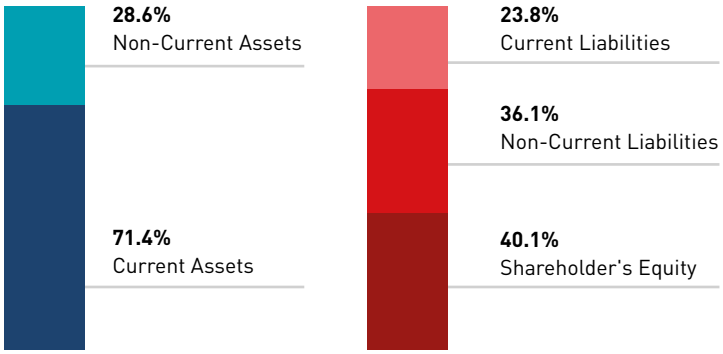


PHARMACEUTICAL REVENUE BY GEOGRAPHY



BALANCE SHEET

at 31 December 2023



SHAREHOLDER'S EQUITY

1,686.4

Million Euros

NET FINANCIAL POSITION

(1,579.4)

Million Euros

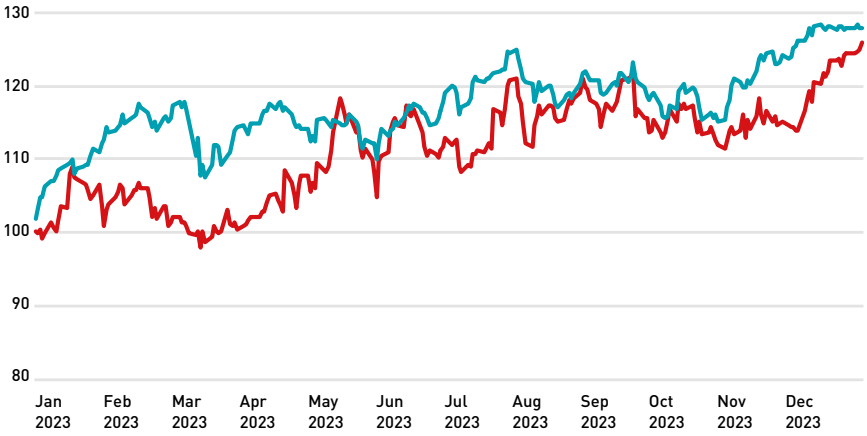
THE RECORDATI SHARE

THE RECORDATI SHARE
at 31 december 2023

Listing:	Borsa Italiana, Blue Chip segment, healthcare
ISIN Code:	It 0003828271
Ticker:	Bloomberg REC IM, Reuters RECI.MI
Index:	FTSE MIB, FTSE Italia All-Share Health Care Index, FTSE Italia All-Share Pharmaceuticals & Biotechnology Index, FTSE4Good Index Series, STOXX Europe 600, Euro STOXX Health Care, MSCI Indexes
Share Capital:	n. 209,125,156 common shares
Nominal value:	€ 0.125 per share
EPS (diluted):	€ 1.861
Dividend per share:	€ 1.20

COMPARED TO FTSE ITALIA ALL-SHARE

Source: FactSet

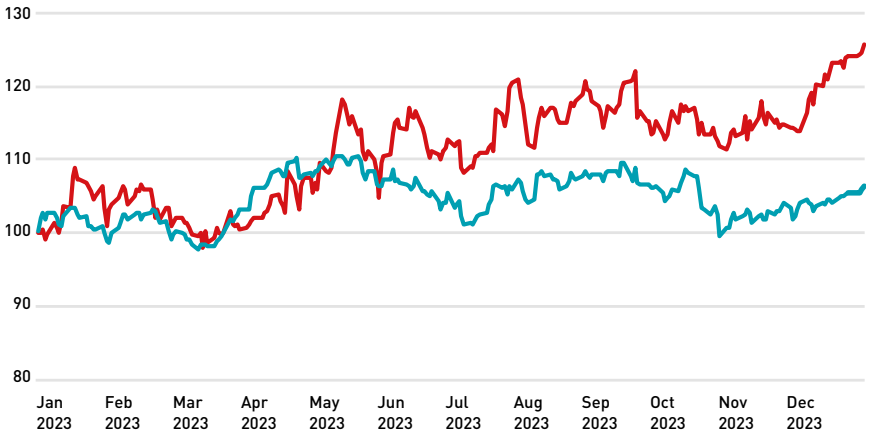


Recordati Industria Chimica e Farmaceutica S.p.A.

FTSE MIB

COMPARED TO STOXX 600/HEALTHCARE

Source: FactSet

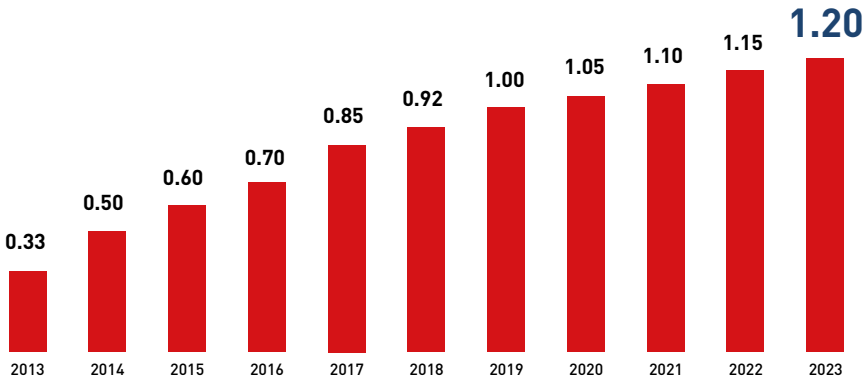


Recordati Industria Chimica e Farmaceutica S.p.A.

STOXX Europe 600 Health Care

DIVIDEND

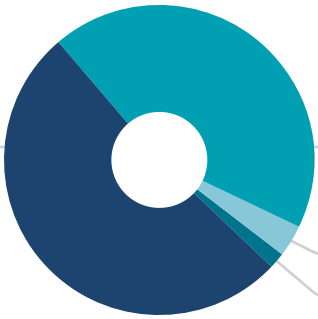
(Euro per Share)



PRINCIPAL SHAREHOLDERS

at 31 December 2023

51.8% Consortium of investment funds controlled by CVC Capital Partners



Free float **43.3%**

FMR **3.4%**

Treasury Stock **1.5%**

HEALTH, A GLOBAL OBJECTIVE

The World Health Organisation (WHO) defines health as a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.

To improve health, it is therefore necessary to intervene on a number of determining factors, such as the social, physical and economic conditions in which people are born, live and work, including the health care system. In this context, besides institutions and governments, pharmaceutical companies are also called upon to develop strategies to improve the health care system, in terms of the availability, accessibility and quality of health care structures and the goods and services provided.

Health care expenditure is a significant indicator of the growing attention to the subject of health. The largest driver of medicine spending growth through the next five years is expected to be the availability and use in developed markets of innovative therapeutics, offset by losses of exclusivity and the lower costs of generics and biosimilars. The global medicine market is expected to grow at 5-8% CAGR through 2028, reaching about US $ 2.3 trillion in 2028. Spending globally is expected to grow by more than $ 600Bn, driven by existing branded medicines in the leading ten developed markets. (Source: Global Use of Medicines 2024, outlook to 2028, IQVIA).

The Consumer Health Care retail market (self-medication) grew by 6.1% in the 12 months to end September 2023, reaching $ 166 billion globally, and consolidating its recovery following the pandemic (source: Nicholas Hall's CHC Dashboard).
This global trend was driven by a combination of different therapeutic areas and regional dynamics, with cough & cold still holding a primary position as the key growth driver, followed by Gastrointestinals, boosted by travel-associated subcategories, and analgesics. This trend was even more pronounced in Asia, aided by the relaxation of long-held lockdown restrictions in China and Japan, and in Europe, with EU5 – the top 5 European markets - outperforming the global growth.

The trend in the pharmaceutical sector to invest more in the treatment of rare diseases has continued. Although the target population is smaller, it has significant unmet needs with often devastating effects for affected people. The FDA approved 55 novel therapeutics in 2023, the second highest count in the past 30 years, with more than half (53%) of the new drug approvals being for orphan drugs. 2023 was also a year of many firsts in the gene therapy space for rare diseases, with 5 new gene therapies approved, including the first CRISPR gene editing technology-based therapy. Orphan drug sales are projected to grow almost 12% between 2023 and 2028, and to reach an estimated $ 300 billion total value in 2028 when orphan sales will account for almost a fifth of all non-generic prescription drug sales. That share has been climbing steadily over the last decade: in 2018 it was 13% while in 2023 it was close to 15%, with US $ 173 billion in sales for rare diseases. (source: FDA, Evaluate Pharma Orphan Drug Report 2023-2028, Evaluate Pharma World Preview 2023).

In this dynamic and competitive environment, pharmaceutical companies must remain constantly committed on a number of fronts:

- degree of internationalization, in order to guarantee broader outlet markets for medicines
- relationships with opinion leaders, fundamental in terms of research and development and the education and training of company medical representatives
- support continuous improvement of diagnosis and treatment of diseases
- education, training and refresher courses for doctors regarding new pharmaceutical products
- developing relationships with national governments, patient associations and public administrations to improve access to treatment
- developing new pharmaceutical products and technology to deal with emerging health emergencies (influenza pandemic and resistance to antibiotics).

RESEARCH & DEVELOPMENT

In 2023, Research and Development activities concentrated primarily on the Rare Diseases segment, whereas new acquisitions and licences were focused on Specialty & Primary Care.

Recordati is expanding its commitment to researching and developing treatments for rare diseases and has a number of projects in the pipeline in various phases, from discovering new formulations to late stage and post-approval studies.

Furthermore, various collaborations with the best universities worldwide are in place, with the objective of finding new therapeutic uses for the current treatments as well as to promote research and development in the more relevant areas (metabolic diseases, endocrinology, oncology).

Progress was made on the clinical development and life cycle management (LCM) programs of key assets, notably pasireotide (Signifor®), osilodrostat (Isturisa®), dinutuximab beta (Qarziba®) and REC 0559 (for neurotrophic keratitis).

At the same time, multiple registration and regulatory activities were carried out to maintain and obtain marketing approvals for Recordati products in new territories.

The addition of new products via external acquisitions, which complements the Group's internal efforts on clinical development and LCM activities, was again a significant pillar of our growth. Indeed in July 2023 Recordati announced an agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in across 21 countries, mainly in Europe.

Details on key development programs related to both Business Unites are reported in the following sections.

PRODUCT DEVELOPMENT PIPELINE

Name	Indication	Development status
REC 0559*	Neurotrophic keratitis	Phase II enrolment completed. Topline results expected in mid 2024
REC 0545	Acute decompensation episodes in Maple Syrup Urine Disease (MSUD) or leucinosis	Filing in EU in 2023
ISTURISA®	Endogenous Cushing's Syndrome / Cushing's Disease	Approved in the US, Europe, Switzerland, Australia, Israel and Japan. Filed in other countries. Work on-going to support potential label extension to Cushing's Syndrome in US
pasireotide	Post-Bariatric Hypoglycaemia	Phase II enrolment initiated in 2024
CYSTADROPS®	Corneal cystine crystal deposits in patients with cystinosis	Approved in the US and Europe. Development of new formulations in the US and EU
CARBAGLU®	Hyperammonemia due to NAGS deficiency and to the main organic acidemias	Approved in China
QARZIBA®	Treatment of high-risk neuroblastoma patients who achieved at least a partial response at the chemotherapeutical induction, followed by myeloablative therapy and stem cell transplantation, and of patients with relapsed or refractory neuroblastoma	Approved in the EU, UK, Australia, Brazil, China Hong Kong, Israel, Russia and Taiwan. The Group is working on addressing the FDA's comments from the Type C meeting in November 2023 and is planning further interactions in H1 2024 with the FDA. The dossier is under review in Switzerland
SYLVANT®	Treatment of idiopathic Multicentric Castleman Disease (iMCD)	Approved in over 40 countries including EU, US and China. Potential indication expansion evaluation ongoing

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RECORDATI RARE DISEASES
Focused on the Few

TREATMENTS FOR RARE DISEASES

Signifor®/Signifor®LAR (pasireotide) and Isturisa® (osilodrostat)

During 2019, universal rights were acquired from Novartis for Signifor® and Signifor® LAR for the treatment of Cushing's Disease and Acromegaly in adult patients when surgery is not indicated or when surgery has failed, as well as Isturisa® (osilodrostat), an innovative oral administration treatment. Isturisa® received European approval in January 2020 for Cushing's Syndrome, U.S. approval in March 2020 for Cushing's Disease, with further approvals for Cushing's Syndrome in Switzerland in October 2020, Japan in March 2021, Australia in May 2022 and Israeli in December 2022. During 2022, the transfer of sponsorship from Novartis to Recordati AG was completed on a number of global trials involving the above-mentioned products, including:

- a global interventional study with Signifor® and Signifor® LAR (SOM230B2412)
- an observational study (PASS) with Signifor® (SOM230B2410)
- a global interventional study with Isturisa® (CLCI699C2X01B)
- a pediatric study with Isturisa® (CLCI699C2203).

Recordati made a significant effort to register Isturisa® in other countries and is working on the possible extension of the current indications, including the potential future extension to Cushing's Syndrome in the U.S. Within this context, a retrospective observational study (LINC-7) commenced in France in 2022 to assess the safety and effectiveness of Isturisa® for the treatment of patients with non-Cushing's Disease Cushing's Syndrome.
Furthermore, a non-interventional study (LINC6) is being conducted in patients with endogenous Cushing's syndrome who are already being treated with osilodrostat, alone or in combination with other therapies.

pasireotide

In alignment with our internal strategic objectives related to clinical development and the life cycle management (LCM) activities, a new LCM program was initiated in 2023, with the planning of a Phase II study on pasireotide s.c. for the treatment of patients with Post-Bariatric Hypoglycemia (PBH). The IND (Investigational New Drug) submission to the FDA, and first site activation was achieved in 2023, and have initiated screening in 2024.

Carbaglu® (carglumic acid)

This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood. If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. Carbaglu® is also indicated in the European Union, US and Canada to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia.
During 2023, recruitment into the PRospective Observational study of long-TErm carglumic acid for the Treatment of PA and MMA study (PROTECT), continued.

Cystadrops® (cysteamine hydrochloride)

Nephropathic cystinosis is a congenital disorder which affects all the body's organs. Currently, the oral administration of cysteamine (Cystagon®) is the only specific treatment that reduces the accumulation of cystine in various organs and tissues. Special focus is given to cystinosis when it affects the eyes. If quick, continuous and proper treatment is not received, cystine crystals accumulate in the cornea causing visual complications such as photophobia (sensitivity to light), retinal damage, ulcerations and degenerative infections that can lead to corneal erosion and consequent blindness. Whereas Cystagon® has a limited effect on the ocular manifestation of the condition due to the absence of corneal vascularization, Cystadrops® are gel-based eye drops containing cysteamine chlorhydrate, developed by Recordati for the specific treatment of this condition. This treatment acts directly on the accumulations of cystine crystals in the eyes and therefore reduces and eventually eliminates the crystals, improving the symptoms. Cystadrops® is marketed in European Union countries and in the U.S.A., where approval has been granted by the FDA.
Currently, new innovative formulations of Cystadrops® are being developed to better meet patient needs.
During 2023 the interventional study assessing the safety of Cystadrops® in pediatric cystinosis patients from 6 months to less than 2 years old, was completed. Treatment with Cystadrops® was shown to be safe and well-tolerated as no SAEs and no SADRs related to Cystadrops® were reported in this study. No new safety signals were detected during the study.
In addition, the Post-Authorization Safety Study to assess the safety of Cystadrops® in paediatric and adult cystinosis patients in long term use completed enrolment in February. With 5 years of follow-up, the Group expects results in 2028.

Qarziba® (dinutuximab beta)

The product, acquired in 2022 through the acquisition of EUSA Pharma, is anti-ganglioside-D_2 (GD_2) mAb licensed and commercialized for the treatment of high-risk neuroblastoma patients aged 12 months and above, who achieved at least a partial response at the chemotherapeutical induction, followed by myeloablative therapy and stem cell transplantatiom as well as patients with relapsed or refractory neuroblastoma. Qarziba® is supplied globally and approved in the EU, UK, Israel, Australia, Brazil, China, Hong Kong, Russia and Taiwan. Neuroblastoma is a rare cancer that originates in the nervous system. It is the most common extracranial solid tumour diagnosed in children under 15 years of age, comprising around 7% of all childhood cancers. Around 50% of patients are diagnosed with high-risk neuroblastoma and this has the worst prognosis. When used as maintenance therapy, Qarziba has demonstrated a significant improvement in five-year overall survival. Discussions are ongoing with the FDA around potential regulatory path to bring dinutuximab beta to patients in US, following FDA's comments from the Type C meeting in November 2023.

Sylvant® (siltuximab)

The product is an anti-interleukin-6 (IL-6) mAb licensed and commercialized for the treatment of idiopathic Multicentric Castleman Disease (iMCD). Sylvant® is supplied globally and approved in over 40 countries including EU, US and China.

Castleman Disease is a rare disease that affects the lymphatic system and Multicentric Castleman Disease (MCD) is a sub-type of Castleman Disease. Being 'idiopathic' means that the cause of your MCD is not known. Only between 3 and 4 people among every million in the general population are diagnosed with iMCD each year. It can affect anyone – males, females, adults and children, although most people with iMCD are above the age of 45. Sylvant® is the only IL-6 targeted therapy approved and recommended for iMCD, with the aim to support a durable tumour and symptomatic response.
In 2023, research activities have been conducted to explore new options to develop siltuximab in other IL-6 driven diseases.

REC 0559

In June 2017, Recordati and Recordati Rare Diseases (formerly Orphan Europe) signed an exclusive license agreement with MimeTech, an Italian development company founded by scientists from the University of Florence, to develop and subsequently market a human nerve growth factor (NGF) peptidomimetic for the treatment of neurotrophic keratitis, on a global level. Neurotrophic keratitis is a rare degenerative corneal disease caused by an impairment of the trigeminal nerve. In its more severe forms, it affects less than one person out of 10,000. The progression of the disease can result in corneal ulcers and perforation with a dramatic impact on the patient's vision. The global phase 2 trial targeting 108 patients has completed enrolment in February 2024, and topline results expected mid 2024.

REC 0545

Leucinosis or Maple Syrup Urine Disease (MSUD) is a rare metabolic disorder affecting branched-chain amino acids (leucine, isoleucine and valine) caused by a build-up of these amino acids and the corresponding metabolites.
Based on results from a retrospective clinical study on patients suffering from Maple Syrup Urine Disease (MSUD), and formulation work a file was submitted in the EU in 2023.

SPECIALTY & PRIMARY CARE SEGMENT

The main research and development activities in the Specialty & Primary Care segment during 2023 are summarized in the paragraphs below.

Eligard® (leuprorelin acetate)

Following the approval granted by the Reference Member State (Germany) in late 2022, the variation to introduce the improved administration device (now consisting of preconnected syringes to ease the administration procedure) was approved in 2003 in most of the countries where the product is registered and marketed. The same variation has been rolled-out in the remaining countries in 2023. Additional variations to ensure supply continuity were submitted in 2023 and approved early 2024.
A large prospective real-life observational clinical study has started in France to evaluate the efficacy and tolerability of leuprorelin acetate 22.5 mg (3-month) and 45 mg (6-month) in daily medical practice. The study included over 700 patients. Results are being analyzed, publication planned.
In addition, the "REC study" (Retrospective analysis on the use of Eligard® and other ADT medications in Clinical practice), an RWE study in over 200 patients, performed in Italy and Spain, was initiated and completed. Results confirm the data reported in the literature for the treatment of patients with prostate cancer: in particular, they suggest that frequent monitoring of testosterone levels during androgen-deprivation therapy (ADT) can be advisable for better management of these patients. Data were presented to the investigators and will be used for scientific communication purposes. Publication expected in 2024.

Zanidip®/Zanipress® (lercanidipine/ lercanidipine+enalapril)

In June 2023, the Marketing Authorisations of Zanidip® 10mg and 20mg film coated tablets in Austria have been transferred to Recordati Ireland Ltd and the local distributor of Zanidip® 10mg and 20mg film coated tablets and Zanipril® 10mg/10mg, 20mg/10mg and 20mg/20mg film coated tablets changed from KWIZDA Pharma GmbH to Recordati Austria GmbH.

Seloken® / Seloken® ZOK (metoprolol) and Logimax® (metoprolol+felodipine)

In June 2023, the distributor of Beloc® for injection, Beloc® tablets 50 and 100 mg and Seloken® retard 47.5 and 95 mg prolonged-release tablets in Austria has been changed from KWIZDA Pharma GmbH to Recordati Austria GmbH. In addition, during 2023 CMC variations affecting the manufacturing process of API metoprolol tartrate has been approved for Beloken® 100 mg tablets and Beloken® 1 mg/ml solution for injection in Spain,variations to extend the shelf-life to 5 years has been approved in Netherlands and submitted in Ireland and United Kingdom, for Seloken ampoules and several administrative changes concerning the manufacturing sites of AstraZeneca AB in Sweden at Gartunavagen (finished product manufacturer) and Forskargatan (drug substance manufacturer) has been approved for all the Marketing Authorizations of Seloken, Seloken® Zoc and Logimax® in Europe, Albania, Switzerland and the United Kingdom.

Reagila® (cariprazine)

Trials continue aimed at demonstrating the efficacy and safety of cariprazine in adolescents (13-17), with a significant slowdown recorded in patient recruitment due to the effects of the COVID-19 pandemic and the Russian-Ukrainian war.
Reagila® has been launched in the Tunisian market from Opalia in November 2023.
The marketing authorizations of Reagila® 1.5 mg, 3 mg, 4.5 mg, 6 mg hard capsules have been suspended in Türkiye in August 2023 and the rights in Algeria are being returned to Gedeon Richter who will continue the registration application.

The variation for the inclusion of the indication for mania and bipolar depression has been withdrawn in Switzerland in September 2023, while the variation to update the Summary of Product Characteristics and Package Leaflet and the risk management plan with the results of Carola study (RGH-188-302) concerning the interaction between cariprazine and oral contraceptive ethinyl estradiol and levonorgestrel has been approved in December 2023.
A variation to update the Summary of Product Characteristics and Package Leaflet of Reagila® in Europe with the results of Cypress study (RGH-188-301) concerning the interaction between cariprazine and erythomycin has been submitted to EMA by Gedeon Richter in August 2023.

Zoryon® (methadone)

Work continued in 2023 on the commitments undertaken with the French Authority at the time that the Zoryon® approval was issued for the treatment of moderate and severe oncological pain in patients who do not respond adequately to other opioids. According to French Health Authorities, the patient inclusions were completed by the end of December 2023, with a total of 136 patients included for the real-life observational study to describe cancer pain management with methadone (Zoryon®) in patients not adequately relieved by other opioids.

Lomexin® (fenticonazole)

Fenticonazole is a topical antimycotic drug with a broad spectrum of action originated by Recordati. A number of different projects were conducted in support of the development of the product, given its increase in sales and the potential associated with its change of status from prescription to over-the-counter in various European countries as well as the scientific evidence supporting the fenticonazole molecule as a treatment for vaginal infections with different etiology.
The change from prescription only to over-the-counter for 600 mg vaginal capsules has been approved in Belarus, Bosnia and Bulgaria while for 2% vaginal cream is under assessment in Belgium and Kazakhstan.
A variation to extend the indication to the treatment of mixed infections with gram positive bacteria has been approved for Lomexin® 600 mg vaginal capsules and Lomexin® 2% vaginal cream in Czech Republic and for Lomexin® 200 mg and 600 mg vaginal capsule, soft in Latvia.
The variation has been submitted for the national registrations of 2% vaginal cream, 200 mg and 600 mg vaginal capsule, soft in Lithuania and for DCP procedure in Belgium, Croatia, Cyprus, Denmark, Estonia, Luxembourg, Netherlands and Slovenia.
The antifungal activity of Lomexin® against susceptible and resistant strains of biofilm forming Candida has been evaluated in collaboration with the Sacred Heart Catholic University of Rome. The study has demonstrated that Lomexin® reduces significantly cell viability of susceptible and resistant Candida species in biofilms at therapeutically viable concentrations.
In addition, the activity of Lomexin® against topical and visceral form of leishmania have been determined in collaboration with the University of Milan. Leishmaniasis is a parasitic condition classified as a neglected tropical disease (tropical infections that are particularly common in low-income populations in developing regions of Africa, Asia and the Americas).

Livazo® (pitavastatin)

Pitavastatin is indicated for the reduction of elevated Total Cholesterol (TC) and LDL Cholesterol (LDL-C) in adults, adolescents and children aged 6 years or older with primary hypercholesterolemia, including heterozygous familial hypercholesterolemia, and combined (mixed) dyslipidemia, when the response to diet and other non-pharmacological measures is inadequate.
The Summary of Product Characteristics and Package Leaflet of all the European registrations belonging to the DCP Procedures PT/H/2350/001-003/DC (Livazo) PT/H/2351/001-003/DC (Alipza) and PT/H/2441/001-003/DC (Pitavastatin Jaba) and national registrations in Belarus, Russia, Türkiye and Switzerland have been updated to implement the PRAC recommendation on Myasthenia.
The renewal of the marketing authorization of Livazo® 1, 2, 4 mg film-coated tablets have been submitted in Armenia and Kazakhstan.

Procto-Glyvenol® (tribenoside + lidocaine)

The marketing authorisations of Procto-Glyvenol® 5% +2 % rectal cream and 400 mg + 40 mg suppository have been approved according to the new Eurasian Economic Union regulation in Russia in July 2023 and December 2023, respectively.

PRODUCTION SITES

7 PHARMACEUTICAL MANUFACTURING PLANTS

1 PACKAGING AND DISTRIBUTION CENTER DEDICATED TO PRODUCTS FOR RARE DISEASES

2 PHARMACEUTICAL CHEMICAL PLANTS

Recordati's production sites are equipped with state-of-the-art installations and their research laboratories are fitted with the latest equipment. All plants operate in full compliance with environmental protection regulations and in compliance with the cGMP (current Good Manufacturing Practices).

PHARMACEUTICAL MANUFACTURING PLANTS

Italy

The Milan site occupies a surface area of around 5,000 sq. m., built vertically over a number of floors for a total of 21,000 sq. m. and produces around 67 million units per year. It is specialized in the manufacturing and packaging of solid oral forms, liquids, and semisolids for topical use. Recordati has undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which has been added to the 5 already in place. The new line has been operational since the beginning of 2023 increasing significantly the production capacity.
Certain corporate products are manufactured at the Milan site (lercanidipine, enalapril + lercanidipine, silodosin, tribenoside, pitavastatin and metoprolole. In the case of these two latter, only packaging is done) for all the markets where they are sold.

France

The plant at Saint Victor covers a surface of 6,750 sq. m. and produces up to around 30 million units per year. It is specialized in the production and packaging of liquid, solid oral and spray formulations. Certain corporate products are manufactured at the French site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

Spain

The Spanish plant is situated near Zaragoza covering a surface area of 7,100 sq. m. and produces around 24 million units a year. It is specialized in the production and packaging of solid and liquid oral and topical formulations. In particular, the plant manufactures a line of gastroenterological products; furthermore a packaging -line was installed and approved few years ago for the packaging of tablets in bottles.
In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 185 kWh of electricity for self-consumption has been successfully completed; in 2023, a new project for increasing the capacity up to 470 kWh within the next two years has been started.

Türkiye

The Turkish site is in Çerkezköy, Türkiye, built on 45,000 sq. m. of land, and covering approximately 11,300 sq. m.. It currently produces around 70 million units per year of solid oral and liquid formulations and products for topical use, of which 25% are for other pharmaceutical companies. The project for the installation of a new liquid line has started in 2023 and will allow to significantly increase the production capacity from 2025. The Çerkezköy plant, in addition to the Turkish market, is authorized to produce medicines for the European Union, Azerbaijan, Libya, Kenya, the Russian Federation, Kyrgyzstan and Kazakhstan.
In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 476 kWh of electricity for self-consumption has already started in 2023 and will be completed in 2024.

Tunisia

The plant is situated in Ariana, near Tunis. It covers an area of around 9,100 sq. m. and produces around 18 million units a year of liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority.
During 2023 a project to expand the existing warehouse has been started.
In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 1200 kWh of electricity for self-consumption has already started in 2023 and will be completed in 2025.

Switzerland

The facility, acquired in 2022 in the context of agreements with Novartis for the acquisition of the rights to Signifor, are located in the north-western part of Switzerland, Basel (within the Novartis Campus). The plant is covering an area of approx. 1500 sq.m. Since the successful qualification in 2012 and GMP certification by Swissmedic, it is used for commercial production of Signifor® LAR Bulk – a specialized drug product used for the treatment of Acromegaly and Cushing's Disease.

Czech Republic

The plant, situated in Pardubice, produces creams, gels and ointments for a total of around 2 million units per year.

PACKAGING AND DISTRIBUTION CENTER DEDICATED TO PRODUCTS FOR RARE DISEASES

A packaging and distribution site in Nanterre, near Paris, exclusively destined to products for the treatment of rare diseases is in operation. It occupies a surface area of 1,600 sq. m. and is entirely dedicated to the secondary packaging, storage and shipping of rare disease products. The site delivers, upon short notice, more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern GDP (Good Distribution Practices) certified logistics platform.

PHARMACEUTICAL CHEMICAL PLANTS

Italy

The Campoverde di Aprilia plant in Italy mainly supplies the active ingredients used in the preparation of the various pharmaceutical specialties produced by the Company but is also an established independent producer of a number of active and intermediate ingredients for the international pharmaceutical industry. It is one of the most important producers in the world of verapamil HCl, phenytoin, papaverine HCl, dimenhydrinate, tribenoside and manidipine 2HCl. Other pharmaceutical chemicals are produced on behalf of important pharmaceutical companies. The plant was one of the first European facilities to undergo inspections by the American Food and Drug Administration (FDA). The United States has become and continues to be the primary outlet market for its production. The Campoverde site extends over approximately 375,000 sq. m., with an operational area of 35,000 sq. m., and produces approximately 600 MT/year of finished goods with approximately 4,000 MT/year of semi-finished goods handled internally.

High-tech systems are employed for the management of particularly delicate processes such as reactions using cyanides, high pressure hydrogenations, dehydrogenations, methylations, chlorine methylations, halogenations or those which involve substances which require very stringent safety measures.

Investments have been made to enhance the technological and production capacity of the plant, which over the last ten years have installed more than 25 new reactors, a latest-generation three-stage distillation unit for high-temperature unstable liquids, 2 thin film evaporators and 4 filters for the isolation of solid products, 3 centrifuges and an anti-acid drier. From the perspective of continual improvement, important upgrades were also carried out in the intermediates and active ingredients' discharge and packaging areas.

A vast range of technologies, skills and expertise in the field of organic synthesis is employed, making it possible to quickly and effectively develop new processes for the production of active ingredients, from their synthesis to purification and finishing, through the various research stages, scale up and final industrialization. The Research & Development laboratories are fitted with the latest equipment such as a high containment HP-API pharmaceutical isolator (glove box) and a micro reactor for the development of new continuous production processes. An extremely versatile pilot plant is also available, equipped for the small-scale production of active ingredients, in accordance with cGMP (current Good Manufacturing Practice). During 2021, significant investments were made to expand the Pilot System in terms of technology, with the establishment of a plant to manage reactions at extremely low temperatures (-80°C) and to isolate high-containment products. The plant operates in compliance with current Good Manufacturing Practice (cGMP) and is regularly inspected by national and international authorities such as AIFA (Agenzia Italiana del Farmaco), the FDA (Food and Drug Administration), ANVISA (the Brazilian agency), PMDA (the Japanese Ministry of Health), and the KFDA (Korean Food and Drug Administration). The plant's environmental management system has been certified according to the UNI EN ISO 14001:2015 standards by Det Norske Veritas Italia (DNV), an internationally accredited body, and is inspected on an annual basis.

In 2022 the technology transfer of osilodrostat, Isturisa's API, manufacturing process has been completed. Three validation batches have been flawlessly manufactured and regulatory file has been submitted to the Authorities. Process and plant have been audited by Italian Minister of Health in the same year and the manufacturing license was granted in 2023, with the GMP certificate update.

At the Campoverde di Aprilia site, in order to promote an approach aimed at the circular economy that reduces waste and the use of natural resources, various initiatives to recover and re-use chemical raw materials used in production processes were analysed. Specifically, with the new contribution of the recovery of palladium from the flavoxate process, since 2022, the Group has been able to recover at least 55% of the palladium used in all processes. At the Campoverde plant, Recordati has also started a three-year project aimed to the installation of a 10 MW photovoltaic power generation facility and to the downsizing of the methane-based cogeneration unit currently operated. These measures will provide a significant reduction of the Recordati Group carbon footprint.

Ireland

To guarantee adequate and continuous supplies of the active ingredient lercanidipine, in 2005, a new and dedicated plant was constructed in Cork, Ireland. This facility boasts automated process control systems which ensure constant high-quality production. The plant is certified according to cGMP (current Good Manufacturing Practice) standards and covers a surface area of around 43,000 sq. m, with an installed area of 8,300 sq. m. The continuous commitment to reduce and improve the use of energy was recognized in 2012 with the National Energy Efficiency Award, which is promoted by the Sustainable Energy Authority of Ireland (SEAI), and in 2013 by the European Energy Efficiency Award, promoted by the Chemical European Federation Industry Council (CEFIC). In 2016, the site was extended, enlarging the two buildings housing the administration and quality control laboratories. Photovoltaic panels for the generation of electricity were installed in 2022 for a total area of 1,100 sq. m providing 10% of the site electricity demand.

REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2023

FINANCIAL HIGHLIGHTS

NET REVENUE

€ (thousands)	2023	%	2022	%	Changes 2023/2022	%
TOTAL	**2,082,331**	**100.0**	**1,853,307**	**100.0**	**229,024**	**12.4**
Italy	317,144	15.2	277,322	15.0	39,822	14.4
International	1,765,187	84.8	1,575,985	85.0	189,202	12.0

KEY CONSOLIDATED P&L DATA

€ (thousands)	2023	% of revenue	2022	% of revenue	Changes 2023/2022	%
Net revenue	2,082,331	100.0	1,853,307	100.0	229,024	12.4
EBITDA[1]	769,631	37.0	672,750	36.3	96,881	14.4
Operating income	558,008	26.8	437,326	23.6	120,682	27.6
Adjusted operating income[2]	626,593	30.1	536,060	28.9	90,533	16.9
Net income	389,214	18.7	312,336	16.9	76,878	24.6
Adjusted net income[3]	524,591	25.2	473,306	25.5	51,285	10.8

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.
(2) Net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.
(3) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	31 December 2023	31 December 2022	Changes 2023/2022	%
Net financial position[4]	(1,579,424)	(1,419,909)	(159,515)	11.2
Shareholders' equity	1,686,392	1,546,248	140,144	9.1

(4) Cash and cash equivalents, less bank debts and loans, which include the measurement at fair value of hedging derivatives. Disponibilità liquide e mezzi equivalenti, meno i debiti verso banche e i finanziamenti, inclusa la valutazione al fair value degli strumenti derivati di copertura.

PER SHARE DATA

€	2023	2022	Changes 2023/2022	%
Net income[5]	1.893	1.519	(0.374)	24.6
Shareholders' equity	8.186	7.526	0.660	8.8
Dividends[6]	1.20	1.15	0.05	4.3
SHARES OUTSTANDING:				
Year average	205,634,136	205,582,127		
At 31 December	206,006,112	205,441,123		

(5) Net income per share is based on average shares outstanding during the year net of average treasury shares. Shareholders' equity per share is based on total shares outstanding at year end. Shares outstanding are net of treasury shares, amounting to 3,119,044 shares at 31 December 2023 and 3,684,033 shares at 31 December 2022. Average treasury shares amounted to 3,491,022 shares in 2023 and 3,543,029 shares in 2022.

Consolidated net revenue for FY 2023 was € 2,082.3 million, up 12.4% versus FY 2022 or +14.0% on a like-for-like[1] basis at CER (+9.6% excluding Türkiye), at the high end of the guidance range upgraded in May 2023. This was driven by strong business momentum across both Specialty & Primary Care and Rare Diseases, which continued to grow at double-digit levels (at constant exchange rate). The adverse impact of FX, which increased in H2 2023, was € 99.9 million (-5.4%) for the full year, mainly affecting Specialty & Primary Care; of this € 60.1 million was driven by the devaluation of the Turkish lira, which was compensated by higher price inflation.

Specialty & Primary Care revenue totaled € 1,313.6 million in FY 2023, growing 8.7% or 13.6% on a like-for-like[2] basis at CER as compared to FY 2022 (6.6% excluding Türkiye); Avodart® and Combodart®/Duodart®, following completion of the commercialization agreement with GSK in July 2023 and the transfer of the activities to the main markets, contributed revenue of € 25.6 million in relevant markets[3]ahead of expectations thanks to the fast and successful transition in most territories. Eligard® and other key promoted products continued to grow ahead of the market, with robust sales of cough and cold medicines, following an exceptionally strong performance in the first half of the year and normalizing in the second half (with decline in Q4 also reflecting FX headwind).
Rare Diseases revenue totaled € 714.7 million in FY 2023, up 20.0% or 14.9% on a like-for-like[4] basis at CER compared to FY 2022, driven by key growth franchises Oncology and Endocrinology. 2023 reflected the first full year contribution from the Oncology franchise, with net revenue of € 200.9 million, growing by 15.2% on a pro-forma basis[4] significantly ahead of the EUSA Pharma acquisition business case thanks to strong performance of both Sylvant® and Qarziba®. Performance of the sector for the year also reflects continued growth of Signifor® and Isturisa® (sales totaling € 242.3 million, up 41.0% versus FY 2022), as well as continued resilient sales of the Metabolic franchise, with good growth of Panhematin® and Ledaga® offsetting the impact of generic competition on Carbaglu® in the US and Europe.

EBITDA was € 769.6 million for FY 2023, up 14.4% as compared to FY 2022, and 37.0% of net revenue (versus 36.3% of full year 2022), reflecting strong operating leverage and continued cost discipline.

Adjusted operating income was € 626.6 million for FY 2023, up 16.9% over the previous year, and 30.1% of net revenue, reflecting strong revenue growth and continued efficiency initiatives that have offset inflation. Operating income was € 558.0 million in FY 2023, up 27.6% over the previous year, absorbing gross margin-related non-cash charges, arising from the unwind of the fair value step up of the acquired rare oncology inventory, of € 58.9 million (versus € 49.8 million in 2022). Non-recurring costs were € 9.6 million, significantly reduced versus € 48.9 million in 2022, and reflect mainly the continued rightsizing of sales activities of Specialty & Primary Care and residual integration costs of EUSA Pharma.

Adjusted net income was € 524.6 million for FY 2023, above the guidance range, up 10.8% over the previous year, and 25.2% of net revenue, benefitting from both the positive operating performance and a lower tax rate, with Financial expenses at € 67.0 million, up by € 31.1 million compared to the previous year, driven by higher interest expenses partially offset by FX gains (gains of € 2.2 million in 2023 versus € 5.8 million losses in 2022).
Net income was € 389.2 million for FY 2023, up 24.6% over the previous year, at 18.7% of net revenue, driven by the strong operating performance and lower non-recurring expenses versus 2022.

The net financial position as of 31st December 2023 was € 1,579.4 million, or leverage of approximately 1.96x EBITDA[5], compared to net debt of € 1,419.9 million on 31st December 2022. During FY 2023, an upfront payment of € 245.0 million was paid to GSK for the sales and distribution agreement to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) and € 70.0 million to Tolmar International Ltd. after approval of the variation for the new device to administer Eligard®. In addition, there were $ 20 million of residual Isturisa®

1 *Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma and excluding FY 2023 revenue of Avodart® and Combodart®/Duodart®.*

2 *Pro-forma growth calculated excluding FY 2023 revenue of Avodart® and Combodart®/Duodart®.*

3 *Trademarks are owned by or licensed to the GSK group of companies. Transition of Avodart® and Combodart® / Duodart® commercialization to Recordati has been completed in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.*

4 *Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.*

5 *Pro-forma, assuming contribution of Avodart® and Combodart®/Duodart® for twelve months.*

milestones paid to Novartis. Total dividends of € 245.9 million were paid in the year.

Free cash flow, operating cash flow excluding financing items, milestones, dividends, and purchases of treasury shares net of proceeds from the exercise of stock options, was € € 456.0 million for FY 2023, an increase of € 17.0 million versus the previous year, absorbing working capital growth driven by higher volume of business and higher interest payments.

Shareholders' equity as of 31st December 2023 was € 1,686.4 million.

Beyond the strong financial performance for the year, in 2023 the Group made significant progress on a number of initiatives, in line with its strategy, which provide a strong foundation for continued growth in the future.

On 20th July 2023, Recordati announced an agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/ Duodart® (dutasteride/tamsulosin) across 21 countries, mainly in Europe, excluding only those where GSK already has a sales and distribution agreement in place. Recordati made an upfront payment of € 245 million.

Avodart® and Combodart®/Duodart® are marketed products, presented as oral form (capsules), indicated for the treatment of moderate to severe symptoms of Benign Prostatic Hyperplasia (BPH) and for the reduction in the risk of acute urinary retention (AUR) and surgery in patients with moderate to severe symptoms of BPH. Avodart® and Combodart®/Duodart® are leading and well-established brands, post loss of exclusivity, that enlarge and complete Recordati's proven presence in the urology space, significantly reinforcing the competitiveness of the Group's portfolio. Both brands, which remain the property of GSK, are synergistic with Recordati's urology portfolio, complementing Urorec® and Eligard®. The two products have been commercialized by GSK in the territories licensed to Recordati, with annual sales in 2022 in the region of approximately € 115 million.

In December, Recordati completed the transition of commercialization in all key markets[6], which contributed € 25.6 million in FY 2023 to the Group's net revenue. Total FY 2023 sales of the products in relevant territories, including those made by GSK prior to transitions, was approximately € 120 million. As previously announced, the deal is expected to be accretive in 2024.

Expansion of the Group's rare disease footprint in China continues to progress. On 28th September 2023, the Isturisa® New Drug Application (NDA) was submitted to the Chinese agency. This follows approval, on 27th June 2023, of the Marketing Authorization for Carbaglu®, with first commercial sales achieved at the end of 2023.

As part of the development and regulatory path for the registration of Qarziba® in the United States, the Company is working on addressing the FDA's comments from the Type C meeting in November 2023 and is planning further interactions in H1 2024 with the FDA.

As for ongoing clinical trials, Recordati has initiated patient screening for the phase II study for pasireotide for the treatment of post-bariatric hypoglycemia. The Group has also completed enrollment of the global phase II study of REC 0559 for the treatment of neurotrophic keratitis and expects the top-line data readout in mid-2024.

Recordati's focus and efforts in driving the group's ESG strategy were recognized in 2023 by the main ESG indices and ratings. The inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis. MSCI ESG Research confirmed Recordati's A rating and the Group was rated C+ with Prime status by ISS ESG, awarded to companies with a leading sustainability performance in their industry. In addition, Recordati received a "Robust" ESG Assessment from Moody's Analytics and is included in the MIB ESG Index, promoted by Euronext and Borsa Italiana.

Recordati has agreed key sustainability milestones as part of its € 400 million credit facility finalized in May 2023 with a pool of international relationship banks. The credit facility is thus linked to two ESG KPIs: Environmental protection (Renewable Energy Installed Power Capacity) and Responsible sourcing (Suppliers' Sustainability Audit). This represents another step forward in the Group's commitment to pursue a sustainable growth model by integrating social and environmental aspects into its corporate strategy.

6 *Transition of Avodart® and Combodart® / Duodart® commercialisation to Recordati has been completed in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.*

REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2023

REVIEW OF OPERATIONS

The Group's primary business involves the development, production and commercialization of specialty medicines, including the production of active ingredients and intermediates, mainly for internal use.

The Group's pharmaceutical business includes two segments: Specialty & Primary Care and Rare Diseases. Business is conducted through subsidiaries in Europe, Russia, Türkiye, North Africa, the United States of America, Canada, Mexico, certain South American countries, Japan, Australia, New Zealand, China and South Korea and, in the rest of the world, through licensing agreements with leading pharmaceutical companies. Sales of specialty medicines represent 97.4% of the Group's total revenues.

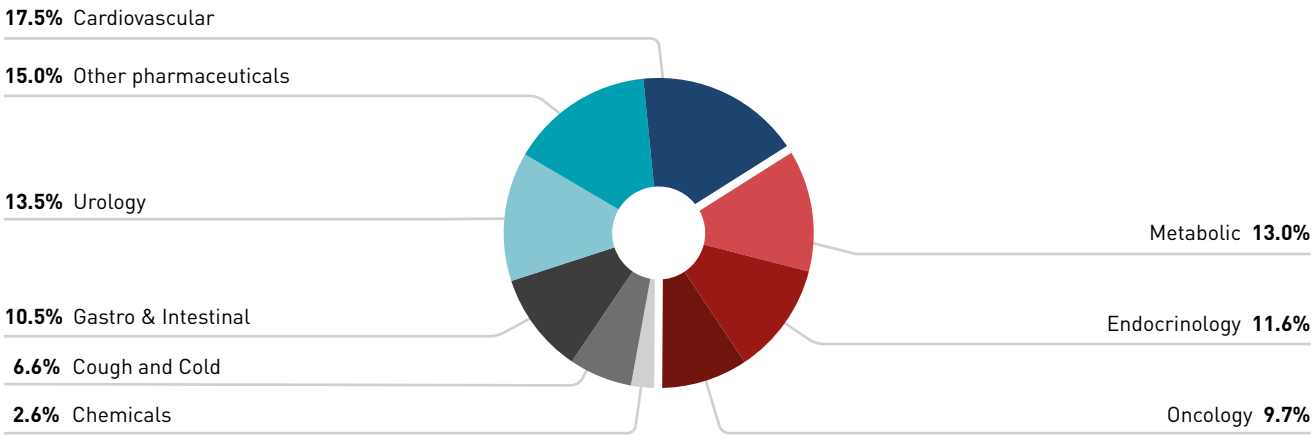
Recordati also produces several active ingredients and intermediates in its two pharmaceutical chemical production plants. These are mainly used in the production of some of the key products in the portfolio, but in part are also sold externally to other pharmaceutical companies. The chemical plants focus on maintaining maximum product quality, strengthening our presence in highly regulated markets (the United States, Europe and Japan) and on constantly guaranteeing maximum safety standards, protecting the environment and securing health and safety in the workplace. Sales of the Pharmaceutical Chemicals business represent 2.6% of the Group's total revenues and are classified in the Specialty & Primary Care segment.

As already mentioned, total Consolidated Group revenue in 2023 was € 2,082.3 million, up by 12.4% compared to the previous year or +14.0% on a like-for-like basis[1] and at constant exchange rates, and includes € 25.6 million in the second half of 2023 for revenues of Avodart® and Combodart®/Duodart® following completion of the new sales distribution agreement with GSK in July. Growth was driven by strong business momentum across both Specialty & Primary Care and Rare Diseases, both of which grew at double-digit levels at CER, with stronger than expected FX headwinds in the later part of the year. The adverse impact of FX on revenue was € 99.9 million (-5.4%), mainly affecting Specialty & Primary Care, of which € 60.1 million driven by the devaluation of the Turkish lira which was compensated by higher price inflation.

BREAKDOWN OF REVENUE

SPECIALTY & PRIMARY CARE 65.7%

RARE DISEASES 34.3%



1 *Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma and excluding Q3 and Q4 2023 revenue of Avodart® and Combodart®/Duodart®.*

REVIEW OF OPERATIONS

SPECIALTY & PRIMARY CARE

RECORDATI
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REVENUE BY THERAPEUTIC AREA

The table below shows Specialty & Primary Care revenue in 2023, broken down by therapeutic area, compared to the previous year. The positive performance in Specialty & Primary Care reflects solid volume growth in all segments, in particular Cough and Cold and Urology products, with Eligard® and other key promoted products continuing to grow ahead of reference markets, and the effect of the significant price increases in Türkiye (which were, however, offset by the significant impact of the devaluation in the Turkish lira, reflected retrospectively from 1st January 2023 as required by IAS 21 for hyperinflationary economies in conjunction with the application of IAS 29).

€ (thousands)	2023	2022	Changes 2023/2022	%
Cardiovascular	365,213	351,854	13,359	3.8
Urology	280,375	227,444	52,930	23.3
Gastro-Intestinal	219,267	203,218	16,049	7.9
Cough & Cold	137,121	125,505	11,616	9.3
Other treatment areas	311,604	300,626	10,978	3.7
Total (excluding Pharmaceutical Chemicals)	**1,313,580**	**1,208,647**	**104,933**	**8.7**
Pharmaceutical Chemicals	54,031	48,875	5,156	10.5
Total	**1,367,611**	**1,257,522**	**110,089**	**8.8**

CARDIOVASCULAR

For over 20 years Recordati has been at the forefront of supporting patients with cardiovascular disease with a wide portfolio of products and services in primary and secondary care including Zanidip® (lercanidipine) and Zanipress® (lercanidipine and enalapril) a portfolio of anti-hypertensive calcium channel blockers discovered and developed entirely in the Recordati research laboratories and currently available in more than 60 countries worldwide. Livazo® (pitavastatin) a latest-generation statin indicated for the treatment of dyslipidemia and metoprolol based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris and cardiac rhythm disorders.

In 2023, sales reached € 365.2 million, showing growth of 3.8% compared to the previous year mainly driven by lercanidipine sales, in both direct markets and to international distributors, also with continued strong uptake of Reselip® in France.

UROLOGY and URO-ONCOLOGY

Recordati is also a recognised partner in Urology, providing therapeutic solutions for both men's and women's health including prostate cancer, Benign Prostatic Hyperplasia (BPH), over-active bladder (OAB) and infection related diseases. The portfolio of products includes Eligard® (leuprorelin acetate), a depot formulation for subcutaneous injection, indicated for palliative treatment of advanced hormone-dependent Prostate Cancer (PCa), Urorec® (silodosin), a drug indicated for the treatment of the symptoms of Benign Prostatic Hyperplasia (BPH, enlargement of the prostate), Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin), leading and well-established brands, post loss of exclusivity, that reinforce and complete Recordati's proven presence in the urology space.

In 2023, sales reached € 280.4 million, 23.3% higher than the previous year thanks to the ongoing strong performance of Eligard®, return to growth of silodosin post loss of exclusivity, and the first sales of Avodart® and Combodart®/Duodart®, following the new sales distribution agreement with GSK in July, with sixteen markets already transitioned at the end of December[1].

GASTROENTEROLOGY

In Gastroenterology, Recordati has several leading brands including products for bowel cleansing based on sodium picosulfate and magnesium citrate (Citrafleet®, Casenlax®) which are widely used before diagnostic tests, products used for constipation for adults and children and a line of probiotics based on *lactobacillus reuteri protectis*, particularly popular in Western Europe.
In 2023, sales reached € 219.3 million, showing a growth of 7.9% compared to the previous year, mainly thanks to the good performance of Procto-Glyvenol® (tribenoside) and the product lines under license from BioGaia (which include *lactobacillus*

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reuteri protectis supplements with the Reuflor® brand in Italy and the Casenbiotic®, Bioralsuero®, Reuteri® and Gastrus® brands in Spain and Portugal).

COUGH AND COLD

Recordati has a large portfolio of prescription and self-medication treatments to promote respiratory health including asthma and symptoms associated with cough and cold.
In 2023, the Cough and Cold therapeutic area benefitted from a strong season and enhanced competitiveness, with sales reaching € 137.1 million, a growth of 9.3% compared to previous year, finishing higher than pre-pandemic levels. This was driven by both strong growth in most markets of the prescription and OTC portfolio, particularly in France, Italy and Türkiye, and the benefits of restocking the channel in Russia which contributed to exceptional growth in the first quarter of 2023, with sales normalizing in the second half of the year, also reflecting adverse FX (RUB).

OTHER TREATMENT AREAS

Recordati commercializes products within a broad range of other therapeutic areas, across both prescription and OTC markets, arising from Recordati's original research and the acquisition of product rights and license agreements. Notable products include Reagila® (cariprazine) for schizophrenia, Lomexin® (fenticonazole) for the treatment of gynecological and dermatological infections and Magnesio Supremo®, a dietary supplement.
In 2023, Other Treatment Areas reached € 311.6 million growing by 3.7% compared to previous year.

PHARMACEUTICAL CHEMICALS

Sales of Pharmaceutical Chemicals, which comprise active substances, other than the ones marketed by the Other International Sales organization to its licensees, produced in the Campoverde di Aprilia plant (Italy), were € 54.0 million, up by 10.5%, mainly driven by higher prices to offset impact of inflation, and represented 2.6% of total Group revenue.

CORPORATE PRODUCTS

The performance of products sold directly in more than one market (corporate products) during 2023 is shown in the table below.

€ (thousands)	2023	2022	Changes 2023/2022	%
Zanidip® (lercanidipine)	144,959	130,521	14,438	11.1
Zanipress® (lercanidipine+enalapril)	36,412	37,486	(1,074)	(2.9)
Urorec® (silodosin)	70,038	60,702	9,336	15.4
Livazo® (pitavastatin)	44,616	44,073	543	1.2
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	97,983	97,806	178	0.2
Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin)	25,594	-	25,594	n.s.
Eligard® (leuprorelin acetate)	110,682	104,081	6,601	6.3
Other corporate products*	346,066	313,493	32,573	10.4

** Includes corporate OTC products for a total of € 139.5 million in 2023 and 124.7 million in 2022 (+11.9%).*

Zanidip® (lercanidipine)

is an anti-hypertensive calcium channel blocker discovered and developed entirely in the Recordati research laboratories and is currently available in more than 60 countries. Lercanidipine is effective in gradually lowering blood pressure values to optimal levels, preventing episodes of reflex tachycardia and reducing the risk of cardiovascular events and their related mortality. Its lipophilicity and high selectivity are properties that make lercanidipine effective with a superior tolerability profile. It protects the kidneys and the endothelium of blood vessels. Thanks to this organ protection characteristic and its metabolic neutrality, lercanidipine is well tolerated by patients suffering from other diseases such as diabetes and nephropathy.
The lercanidipine based products are sold directly by marketing organizations in Western, Central and Eastern Europe, Türkiye and North Africa and through licenses and co-marketing agreements in other countries.

€ (thousands)	2023	2022	Changes 2023/2022	%
Direct sales	80,826	74,175	6,651	9.0
Sales to licensees	64,133	56,345	7,788	13.8
Total lercanidipine sales	**144,959**	**130,520**	**14,439**	**11.1**

2023 sales reached roughly € 145.0 million, 11.1% higher than the previous year.
Direct sales of lercanidipine products increased by 9.0% compared to 2022, mainly thanks to growth in Ireland, Germany, Italy, Poland and Türkiye where the impact of the exchange rate was offset by the increase in prices.
Sales to licensees, representing 44.2% of the total, increased by 13.8% thanks to growth in Central and Eastern Europe and recovery of sales to China.

Zanipress® (lercanidipine+enalapril)

is a drug developed by Recordati to treat hypertension. It associates lercanidipine, a latest-generation calcium channel blocker, with enalapril, a widely prescribed ACE inhibitor, allowing the simultaneous administration of two active ingredients and increasing treatment compliance by the patient. Combination therapy is considered a first-line treatment for hypertensive patients at high risk for cardiovascular events. The benefits of the combination of these two active ingredients have been confirmed by the results of a number of clinical trials which have shown its significant antihypertensive efficacy, excellent tolerability in addition to renal and vascular protection from the damage caused by hypertension. This product is successfully marketed directly by Recordati or by its licensees in more than 54 countries.

€ (thousands)	2023	2022	Changes 2023/2022	%
Direct sales	33,053	33,686	(633)	(1.9)
Sales to licensees	3,359	3,800	(441)	(11.6)
Total lercanidipine +enalapril sales	**36,412**	**37,486**	**(1,074)**	**(2.9)**

In 2023, direct sales of Zanipress® fell by 1.9%, mainly due to lower sales volume in Germany, Türkiye and Tunisia. Sales to licensees represented 9.2% of the total and fell by 11.6% due to lower sales volumes mainly in Austria, Romania and Italy.

Urorec® (silodosin)

is a drug indicated for the treatment of the symptoms of Benign Prostatic Hyperplasia (BPH, enlargement of the prostate). BPH manifests with problems linked to urination. It frequently occurs in men over the age of fifty, and its symptoms significantly reduce quality of life. This disorder is becoming more prevalent with the aging of the population. A recent study (Fusco et al, 2020), found that silodosin improves symptoms and quality of life in patients with severe lower urinary tract symptoms related to benign prostatic obstruction.
Symptom improvement is maintained during long-term treatment. The safety and tolerability of silodosin has been widely assessed with positive results. The low incidence of orthostatic and vasodilatory side effects makes it a well-tolerated treatment, even in patients taking antihypertensive medication. Silodosin was originally developed by Kissei Pharmaceutical Co. (Japan) and was obtained under license by Recordati for development and marketing in Europe and a further 5 countries in the Middle East and Africa. Currently, the product is successfully marketed in 47 countries, including France, Germany, Italy, Spain, Portugal, C.I.S. countries, Tunisia, Türkiye and Switzerland. Silodosin-based products are sold directly by our subsidiaries under the Urorec® brand and by our licensees under the Silodyx™ brand.
Sales in 2023 were € 70.0 million, increasing by 15.4 % compared to the previous year, thanks to the good performance in Italy, Türkiye and Russia despite strong FX headwinds in both these international markets.

Livazo® (pitavastatin)

is a latest-generation statin indicated for the treatment of dyslipidemia, a condition characterized by altered levels of blood cholesterol and other lipids and associated with an increased risk for heart disease and strokes. Controlled clinical trials have shown that pitavastatin induces a reduction in LDL-cholesterol (the "bad" cholesterol that contributes to formation of atherosclerotic plaques) and an increase in HDL-cholesterol (the "good" cholesterol that is removed from

the arterial walls). This dual effect is highly significant because it has shown that the risk for cardiovascular complications can be reduced further in this way. Furthermore, pitavastatin presents an excellent safety profile due to the lower risk of drug-drug interactions compared to most other statins. Based on these findings, pitavastatin is regarded as an effective and safe treatment for dyslipidemia. Pitavastatin was licensed by Recordati from the Japanese pharmaceutical company Kowa for the European market, Russia and the other C.I.S. countries and Türkiye. The drug is sold by the Group's marketing organizations in Spain, Portugal, Switzerland, Greece, Russia, Ukraine, other C.I.S. countries and Türkiye.
Sales in 2023 were € 44.6 million, up by 1.2% compared to the previous year.

Seloken®, Seloken® ZOK (metoprolol) and Logimax® (metoprolol+felodipine)

are metoprolol-based medicines belonging to the beta blocker class of drugs that are widely used in the treatment of angina pectoris, myocardial infarction and cardiac rhythm disorders, as well as hypertension and functional heart disorders. Logimax® is a fixed association of metoprolol with felodipine which, over the years, has shown high antihypertensive efficacy. The use of metoprolol together with felodipine reduces possible episodes of reflex tachycardia induced by the calcium channel blocker, while felodipine associated with metoprolol facilitates vasodilation by reducing peripheral vascular resistance. These drugs have been widely studied in large and important clinical trials and are frequently used in primary care and by cardiologists to treat cardiac disorders and hypertension. Long-term mortality studies (Seloken®/Seloken® ZOK Core Data Sheet) have shown that the use of metoprolol reduces the rates of general mortality, cardiovascular mortality, sudden death and the progression of heart failure.
The European marketing rights for Seloken®/ Seloken® ZOK (metoprolol) and Logimax® (metoprolol + felodipine) were acquired from AstraZeneca in 2017. The products are sold directly in 36 countries and through distribution agreements in other European countries.
Sales in 2023 were € 98.0 million, largely in line with 2022.

Eligard® (leuprorelin acetate)

is a depot formulation for subcutaneous injection, indicated for palliative treatment of advanced hormone-dependent Prostate Cancer (PCa) and localized hormone-dependent prostate cancer, and locally advanced high risk, combined with radiotherapy. It combines the active ingredient leuprorelin acetate with a biodegradable polymer matrix release system (Atrigel®) and is available in a 1-month (7.5 mg), 3-month (22.5 mg) and 6-month (45 mg) formulations. Eligard® provides a standard and consistent administration of leuprorelin over time, with significant and long-lasting testosterone suppression (≤ 20 ng/Dl), thus improving patient outcomes, such as response time and survival rate free of any progression, with a favorable tolerability profile. The extended interval between injections, the low volume of the injection and the short needle are additional advantages to the leuprorelin depot formulation.
Developed by the American pharmaceutical company Tolmar and previously licensed to Astellas, Eligard® now represents a consolidated product, distributed by Recordati since January 2021 in 30 countries in Europe, North Africa and the C.I.S. countries.
A new device, consisting of two pre-connected syringes, developed by Tolmar International Ltd, was approved at the European level in 2022 and launched in the first countries in the second half of 2023, further improving the positioning of Eligard®, with roll out to main countries expected in the first part of 2024.
Revenue for Eligard® in 2023 was € 110.7 million, up by 6.3% compared to the same period of the previous year, continuing the turnaround of the brand since the start of promotional activities by Recordati.

Avodart® (dutasteride) e Combodart®/ Duodart® (dutasteride/tamsulosina)

are marketed products, presented as oral form (capsules), indicated for the treatment of moderate to severe symptoms of Benign Prostatic Hyperplasia (BPH) and for the reduction in the risk of acute urinary retention (AUR) and surgery in patients with moderate to severe symptoms of BPH.
In July 2023, Recordati announced an agreement with GSK for the commercialization of Combodart® as well as Avodart® across 21 countries, mainly in Europe, excluding only those where GSK already has a distribution agreement in place.
Avodart® and Combodart®/Duodart® are leading and well-established brands, post loss of exclusivity, that enhance Recordati's proven presence in the urology space, significantly reinforcing the competitiveness of its offer. Both brands are synergistic with Recordati's urology product portfolio, complementing Urorec® and Eligard®. Dutasteride is an oral, selective, irreversible inhibitor of type 1 and type 2 5α-reductase (5AR), the intracellular enzyme that converts testosterone to dihydrotestosterone (DHT) in the prostate gland. As a result, dutasteride reduces intraprostatic and serum levels of DHT, decreasing prostate volume. Tamsulosin is a selective α1-adrenoceptor antagonist (α1-blocker). The effects of tamsulosin are targeted for the smooth muscle receptors of the prostate, bladder and urethra. Blocking this receptor relaxes the smooth muscle of the bladder and urethra to improve urine flow and symptoms.
GSK will continue to supply the products and they will retain Marketing Authorization holder responsibilities in all 21 countries.
In 2023, Recordati completed relevant transition activities and started to recognize revenues in most markets included in the Agreement, reaching overall sales of € 25.6 million. Total FY 2023 sales of the products in relevant territories, including those made by GSK prior to transitions, was approximately € 120 million.

OTHER CORPORATE PRODUCTS

include specialties from Recordati's original research, the acquisition of product rights for various markets and through license agreements for multiple territories. The paragraphs below describe their characteristics and the sales generated.

- Reagila® (cariprazine) is a new drug for the treatment of schizophrenia, a third-generation antipsychotic, which, thanks to its specific pharmacological nature, can be considered unique in the panorama of this therapeutic class. It not only acts on the "positive" symptoms of the disease, such as delirium, hallucinations, thought dissociation, etc., but also on the "negative" component such as apathy, anhedonia and antisocial behaviour. Cariprazine has the added advantage of reducing neurological and metabolic side effects and has a low cardiovascular impact. Extending the

treatment spectrum for schizophrenia has a positive effect on the functional recovery of patients. It comes in a once daily administration form, with a long half-life. Its clinical efficacy has been demonstrated in numerous clinical studies involving more than 2,000 patients, and testing is currently underway in the adolescent population. Reagila® was originated by Gedeon Richter and is under license to Recordati in Western Europe. The product was launched in Germany, Switzerland, Italy, Benelux, the United Kingdom, Sweden, Denmark, Finland, Spain, Portugal and Ireland. Sales in 2023 totaled € 27.3 million, with 34.6% growth compared to 2022, mainly thanks to higher sales volumes in Spain, Germany and Portugal.

- Procto-Glyvenol® (tribenoside), leader in its class, is a tribenoside-based over-the-counter drug, indicated for the treatment of internal and external hemorrhoids. Recordati markets it in the following countries: Russia, Poland, Turkey, Romania, Ukraine, Czech Republic, Slovakia, Portugal, Baltic countries and Cyprus. Sales for this product in 2023 were € 37.9 million, increasing by 11.0%, mainly due to higher sales volumes in Poland and Türkiye.
- Polydexa®, Isofra® and Otofa® are combination products for the treatment of ear, nose and throat infections, sold in North Africa, sub-Saharan Africa, Russia and the C.I.S. countries. In 2023, sales of Polydexa® were € 34.7 million, sales of Isofra® were € 18.1 million and sales of Otofa® were € 2.1 million. Overall, sales decreased by 2.6% compared to 2022, mainly due to the adverse Ruble FX impact.
- Tergynan® is a fixed combination of different active ingredients with antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity for the treatment and prevention of gynecological infections. Tergynan® is a leading brand in the class of anti-infective and antiseptic gynecological medicines in the countries where it is marketed, in particular in Russia, in other countries in the Commonwealth of Independent States, in Ukraine, Mongolia, Romania and Vietnam. Total sales for 2023 were € 20.4 million, an increase of 2.9% compared to the previous year, with most of the sales in Russia and Ukraine and reflecting the unfavorable impact of the exchange rate compared to 2022 and shortage of supply for part of the year.
- CitraFleet® and Phosphosoda® are bowel cleansers indicated for use prior to any diagnostic procedure which requires cleaning out the intestines, such as a colonoscopy or X-rays. Phosphosoda® is an effective osmotic bowel cleanser with over 20 years of clinical experience, available in 39 countries. CitraFleet®, on the market since 2004, offers a double mechanism (osmotic + stimulant) and is one of the best tolerated products in its class, improving patient compliance thanks to its lower volume and good taste. It is available in 34 countries and occupies primary market positions in various countries, including Spain. In 2023, sales of CitraFleet® and Phosphosoda® totaled € 39.6 million, up by 10.4% compared to 2022.
- Lomexin® (fenticonazole), an original Recordati product, is an internationally and widely used broad-spectrum antimycotic indicated for the treatment of gynecological and dermatological infections caused by fungi, mould, yeast and gram-positive bacteria. The brand recently obtained OTC status and was successfully relaunched in various EU countries, providing patients with a new easily accessible self-medication option. Sales of Lomexin® in 2023 were at € 23.4 million, increasing by 21.2% compared to the previous year, mainly due to the positive performance in Poland and Türkiye.
- The Hexa line of products comprises biclotymol-based antibacterial treatments for the oral cavity, which are in high demand, especially in France and North Africa, Russia, the Community of Independent States (CIS), Ukraine and Mongolia. The line's main brand is Hexaspray®, a throat spray and leader in its class in France. Overall, this product line saw sales of € 21.4 million in 2023, up by 17.9%, mainly thanks to higher sales in France after a strong recovery in seasonal flu illnesses and low inventories for competitor businesses.
- Magnesio Supremo®, a dietary supplement that contains a special mix of ingredients that guarantee maximum bioavailability of magnesium, is marketed in Italy and achieved sales of € 26.5 million in 2023, up by 21.9% thanks to strong sales of the lead preparations as well as active life-cycle management.
- The most significant self-medication and supplements include the product lines under license from BioGaia (which include *lactobacillus reuteri protectis* supplements and the Reuflor® brand in Italy and the Casenbiotic®, Bioralsuero®, Reuteri® and Gastrus® brands in Spain and Portugal), which grew by 9.8% compared to the previous year, with sales at € 30.8 million.
- Other corporate products achieved total sales of € 39.9 million, up by 10.0% compared to 2022. These include flavoxate (sold under the names Genurin® and Urispas®), Lopresor® (metoprolol), Lacdigest® (tilactase), rupatadine (sold in Italy and Germany under the Rupafin® brand and in France as Wystamm®), Abufene® and Muvagyn®, Vitaros®/ Virirec® (alprostadil) and Fortacin® (lidocaine+prilocaine).

REVIEW OF OPERATIONS

RARE DISEASES

RECORDATI RARE DISEASES
Focused on the Few

Rare diseases bring great suffering to millions of affected people worldwide. These diseases are chronic, fatal or severely debilitating, strongly impacting patients, their families and society as a whole. In most cases, they affect newborns, children and young adults.

An orphan drug is a medicinal product specifically developed to treat a rare disease. According to the European definition, a rare disease is defined as one that affects fewer than five in 10,000 people or, based on the American definition, fewer than 200,000 people in the United States of America. Over 30 million people are affected in Europe alone. There are currently over 7,000 known rare diseases, but approved treatment only exists today for less than 10% of them.

Due to the extensive range of existing diseases and scarce available information, a specialist or general practitioner may never come across a patient affected by a rare disease in their entire career. This always poses the risk that when a baby is born with a rare disease, it may not be correctly diagnosed and provided with timely and appropriate treatment. The limited number of patients and sparse relevant knowledge and expertise are specific characteristics of rare diseases. Governments have introduced legal and financial incentives to provide treatment to people affected by rare diseases and encourage pharmaceutical and biotechnology companies to invest in these treatments. The Orphan Drug Act was approved in the USA in 1983. In 1999, European legislation explicitly recognized the need to identify targeted treatments for these conditions and introduced specific regulatory processes and incentives to develop orphan drugs.

The designation as "orphan drug" in Europe provides exclusivity on the marketing of the designated indication for 10 years from the time the drug is approved. Since April 2000, when the EU orphan drug regulation came into effect, many hundreds of drugs have been designated as orphan drugs by the European Medicines Agency (EMA). Of these designated drugs, over 150 have received marketing authorization (MA). Of those, 40% have been authorized for the treatment of oncological and hematological conditions and about 30% for the treatment of rare genetic metabolic disorders. More recently, there has been an increase in international research investments by different funding bodies to boost the number of authorized treatments.

The Recordati Group operates in the rare disease segment worldwide through Recordvati Rare Diseases, its group of subsidiaries entirely dedicated to the research, development and marketing of medicines for the treatment of rare diseases which share the conviction that every person with a rare disease has the right to the best possible treatment. The Group's business is mainly in three treatment areas: metabolic (after the acquisition of Orphan Europe and the portfolio of Lundbeck products in the United States), endocrinology (following the 2019 acquisition of the products Signifor® and Isturisa® from Novartis) and oncology (following the 2022 acquisition of EUSA Pharma).

The Group's organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases has developed a global presence through its network of subsidiaries and highly qualified distributors. It operates directly in Europe, the US – which in 2023 became the largest overall business for the Recordati Group - Russia, the Middle East and North Africa, Canada, Mexico, Colombia, Brazil, Japan, Australia, New Zealand, China and South Korea, as well as through selected partners in a number of other countries, covering 88 countries worldwide. Recordati also has a facility in Nanterre (Paris, France) dedicated to packaging and storing these drugs and shipping them to various countries. This direct distribution and packaging system effectively guarantees the rapid availability of these specialties around the world, in ad hoc quantities and packaging.

A significant commitment is continually being made to enhance and extend the product portfolio for rare diseases, both with molecule development programs in the pipeline, and by acquiring late-stage-development or already-marketed compounds. Work is also ongoing in the life cycle management of the compounds currently sold and, specifically, on formulation improvement projects.

REVENUE BY THERAPEUTIC AREA

In 2023, sales of products for the treatment of Rare Diseases were € 714.7 million, up 20.0% (or 14.9% on a like-for-like[1] basis at CER) compared to the previous year, driven by key growth franchises Oncology and Endocrinology. 2023 reflected the first full year contribution from the Oncology franchise after the EUSA Pharma acquisition, with net revenue of € 200.9 million, growing by 15.2% on a pro-forma basis[1], significantly ahead of the acquisition business case.

€ (thousands)	2023	2022	Changes 2023/2022	%
Metabolic and other areas	271,551	287,913	(16,362)	(5.7)
Endocrinology *	242,318	171,901	70,417	41.0
Oncology	200,851	135,971	64,880	47.7
Total Rare Diseases	**714,720**	**595,785**	**118,935**	**20.0**

** Isturisa® € 139.5 million and Signifor® € 102.9 million in 2023, compared to € 81.3 million and € 90.6 million, respectively, in 2022.*

The main corporate products (i.e. products sold directly in more than one market) in the rare diseases sector, in the **metabolic and other treatment areas** (excluding endocrinology and oncology), are shown in the following table and contributed a total of € 271.6 million to revenue in 2023, compared to € 287.9 million in 2022, with growth of Panhematin®, Ledaga® offset by generics erosion of sales of Carbaglu® in the USA and Europe:

Name	Active Ingredient	Indication
CARBAGLU®	carglumic acid	Treatment of hyperammonemia due to N-Acetylglutamate Synthase deficiency (NAGS deficiency) and some organic acidaemias (isovaleric acidaemia, methylmalonic acidaemia and propionic acidaemia)
NORMOSANG® PANHEMATIN®	human hemin	Treatment of acute attacks of hepatic porphyria
CYSTADANE®	betaine anhydrous	Treatment of homocystinuria
CYSTADROPS®	cysteamine hydrochloride	Treatment of the ocular manifestations of cystinosis
JUXTAPID®	lomitapide	Treatment of Homozygous Familial Hypercholesterolemia (HoFH)
CYSTAGON®	cysteamine bitartrate	Treatment of nephropathic cystinosis
LEDAGA®	chlormethine hydrochloride	Treatment of Mycosis Fungoides (MF), T-Cell Cutaneous Lymphoma (CTCL)
PEDEA® NEOPROFEN®	IV ibuprofene	Treatment of Patent Ductus Arteriosus (PDA)

Carbaglu® (carglumic acid) is an orphan drug approved in the European Union by the European Commission and in the US by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood.
If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States gave its approval for propionic and methylmalonic acidemia. In June 2023, Regulatory approval for Carbaglu® was obtained in China.

Juxtapid® (lomitapide) is a microsomial protein inhibitor for transferring N-triglycerides. It was approved by the Japanese Ministry of Health in September 2016 on an exclusive marketing basis because it is an orphan product, to treat patients affects by homozygous familial hypercholesterolemia. Homozygous

1 *Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.*

familial hypercholesterolemia is a serious genetic disease that inhibits the functioning of the receptor responsible for removing LDL ("bad") cholesterol from the body. This failed functioning of the LDL receptor causes a sharp rise in blood cholesterol levels. Patients affected by this condition tend to develop premature and progressive atherosclerosis (narrowing and blockage of the arteries).

Cystadrops® are the first cysteamine-based eye drops, administered four times a day. These were approved in the European Union in 2017 and in the US in 2020 for the treatment of the ocular manifestations of cystinosis in adults and children from 2 years of age. Cystadrops® was designated an orphan drug by the European Commission with effect from November 2008. Cystinosis is a rare and very serious congenital condition that could be fatal. Cystinosis is characterized by a cystine crystal build-up, causing damage to all the organs in the body, especially the kidneys and eyes. Cystine crystal deposits begin in the cornea, progressively causing hypersensitivity to the light (photophobia), a deterioration to the surface of the cornea (keratopathy) and blindness. Systematic treatment with orally administered cysteamine benefits patients suffering from cystinosis. Nonetheless, orally administered cysteamine does not adequately resolve ocular manifestations of cystinosis due to the absence of corneal vascularization. If adequate and ongoing topical ocular treatment is not received, the cystine crystals build up in the cornea with serious ophthalmic consequences, which could lead to blindness over time.

Panhematin®/Normosang® (human hemin) is a drug for the treatment of acute attacks of hepatic porphyria. Porphyria are rare genetic diseases, which present with acute and often painful crises, requiring immediate medical attention. Panhematin®/ Normosang® is therefore an emergency treatment drug and is recognized as the treatment of choice to reduce the crisis and prevent possible neuropathic complications. The product was approved under the Normosang® brand in Europe, and Panhematin® brand in the United States of America.

The main products for rare **endocrine conditions** are listed in the table below and contributed € 242.3 million to revenue in 2023, up by 41.0% compared to the previous year, with continued strong uptake of Isturisa® across all regions, delivering revenue of € 139.5 million in 2023, and Signifor® also continuing to grow double digit, with revenue of € 102.9 million:

Name	Active Ingredient	Indication
SIGNIFOR® and SIGNIFOR® LAR	pasireotide	Treatment of Cushing's Disease and Acromegaly
ISTURISA®	osilodrostat	Treatment of Cushing's Disease (United States of America) and Cushing's Syndrome (European Union, Japan Switzerland).

Within Cushing's Syndrome (CS), Cushing's Disease (CD) is a severe endocrine disease caused by a pituitary adenoma, an enlargement in the pituitary gland which results in over-production of cortisol by the adrenal glands. Other causes of endogenous Cushing's Syndrome include rarer conditions such as adrenal adenoma, ectopic corticotropin syndrome and ACTH independent macronodular adrenal hyperplasia. This condition is associated with increased morbidity and mortality. Acromegaly is caused by an overexposure to growth hormone, which leads to the production of insulin-like growth factor-1. The most common cause of Acromegaly is pituitary adenoma.

Signifor® contains the active substance pasireotide, a somatostatin analogue. The human body naturally produces somatostatin, which blocks the production and release of certain hormones, including ACTH. Pasireotide works in a very similar way to somatostatin. Signifor® is thus able to block the production of ACTH, helping to control the overproduction of cortisol and improve the symptoms of Cushing's Disease.

Isturisa® is an innovative drug for the oral treatment of endogenous Cushing's Syndrome. The relevant marketing authorization was granted by the European Commission in January 2020 and approval was obtained in the US in March 2020.

The active substance in Isturisa® is osilodrostat, a cortisol synthesis inhibitor. Osilodrostat works by inhibiting 11-beta-hydroxylase, an enzyme responsible for the final step of cortisol biosynthesis in the adrenal gland. The benefits of Isturisa® are its ability to control or normalize cortisol levels in adult CS patients with a manageable safety profile, making this product a valuable treatment option for patients with Cushing's Syndrome.

Isturisa® was launched in the United States, France and Germany in 2020. Geographic expansion continued into other European markets in 2021. In March 2021, the Japanese Ministry of Health, Labor and Welfare approved Isturisa® for the treatment of patients with endogenous Cushing's Syndrome, when pituitary surgery is not an option or has not been curative. The product was also successfully launched in Japan where it is reimbursed for Cushing's Disease patients.

In order to manage this new and promising endocrinology product range, the Recordati Group established the Recordati AG Rare Diseases Branch in Basel (Switzerland), which also deal with the marketing of the product Ledaga®.

The main products in the **rare oncological segment**, acquired with the acquisition of EUSA Pharma (completed in March 2022), are shown in the table below and contributed € 200.9 million to revenue in 2023:

Name	Active Ingredient	Indication
QARZIBA®	dinutuximab beta, anti-GD2 monoclonal antibody	Treatment for high-risk neuroblastoma in patients aged 12 months or older, with at least partial response to chemotherapy induction, followed by myeloablative therapy and stem cell transplant
SYLVANT®	siltuximab, anti-IL-6 monoclonal antibody	Treatment for idiopathic Multicentric Castleman's Disease (iMCD) in the adult population
FOTIVDA®	tivozanib, highly selective oral Inhibitor of Tyrosine Kinase (TKI) for Vascular Endothelial Growth Factor (VEGF) receptors 1, 2 and 3	First-line treatment for advanced Renal Cell Carcinoma (RCC).
CAPHOSOL®	mouthwash with supersaturated electrolytic solution of phosphate and calcium ions	Prescription medical device for treatment of oral mucositis due to chemo and radiation therapy

Qarziba® (dinutuximab beta) is an anti-Ganglioside-D2 (GD2) monoclonal antibody approved and sold for the treatment of high-risk neuroblastoma in patients aged 12 months or older who have undergone chemotherapy induction, with at least partial response, followed by myeloablative therapy and stem cell transplant and in patients with a clinical history of recurrent or refractory neuroblastoma. Qarziba is approved in the European Union, United Kingdom, Australia, Brazil, China, Hong Kong, Israel, Russia and Taiwan and distributed in other areas globally through managed access programs. Neuroblastoma is a rare type of cancer originating in the nervous system. It is the most common form of solid extra-cranial tumors diagnosed in patients under 15, representing around 7% of pediatric tumors. Approximately 50% of these patients receive a diagnosis of high-risk neuroblastoma, the type with the worst prognosis. Used as maintenance therapy, Qarziba has shown a significant increase in total survival at 5 years.

Sylvant® (siltuximab) is a mAb anti-InterLeukin-6 (IL-6) granted through a license and marketed by EUSA Pharma (UK) Ltd. to treat idiopathic Multicentric Castleman's Disease (iMCD). Supplied globally, it is approved in over 40 countries, including the European Union, USA and China.
Castleman's Disease is a rare disease that affects the lymphatic system. Idiopathic Multicentric Castleman's Disease (iMCD) is a type of Multicentric Castleman's Disease for which the cause is unknown. Only 3 or 4 people out of every 1 million in the general population are diagnosed with iMCD each year. It can affect anyone, male, female, adult or child, but most people with iMCD are 45 or older. Sylvant® is the only IL-6 targeted therapy approved and recommended for iMCD, with the aim to support a durable tumor and symptomatic response.

Fotivda® (tivozanib) is a VEFG 1, 2 and 3 (small TKI molecule) blocker licensed and marketed by EUSA Pharma (UK) Ltd. for first-line treatment of advanced Renal Cell Carcinoma (aRCC). Fotivda is supplied in Europe, Asia and Oceania, Africa and Latin America.
Renal cell cancer (also known as kidney cancer and renal cell adenocarcinoma) is a disease in which malignant cells (cancer) are found in the lining of tubules (very small tubes) in the kidney. Renal cancer represents, 5% and 3% of all newly diagnosed tumors in men and women, respectively. Over 90% of renal tumors are Renal Cell Carcinoma (RRC). RCC is one of the 10 most common tumors globally. Fotivda is intended to support survival in patients free of progression.

Caphosol® (electrolytic calcium phosphate solution) is available in ampules or in dispersible form. It is licensed and marketed by EUSA Pharma (UK) Ltd. for the treatment and prevention of oral mucositis, a complication due to cancer treatments (including radiation and chemotherapy). It is supplied globally and approved in China, European Union, United Kingdom and the USA.
Oral mucositis is diagnosed when the mouth is painful and inflamed. It is a common side effect of chemotherapy and radiation for cancer.

REVIEW OF OPERATIONS

SALES BY GEOGRAPHIC AREA

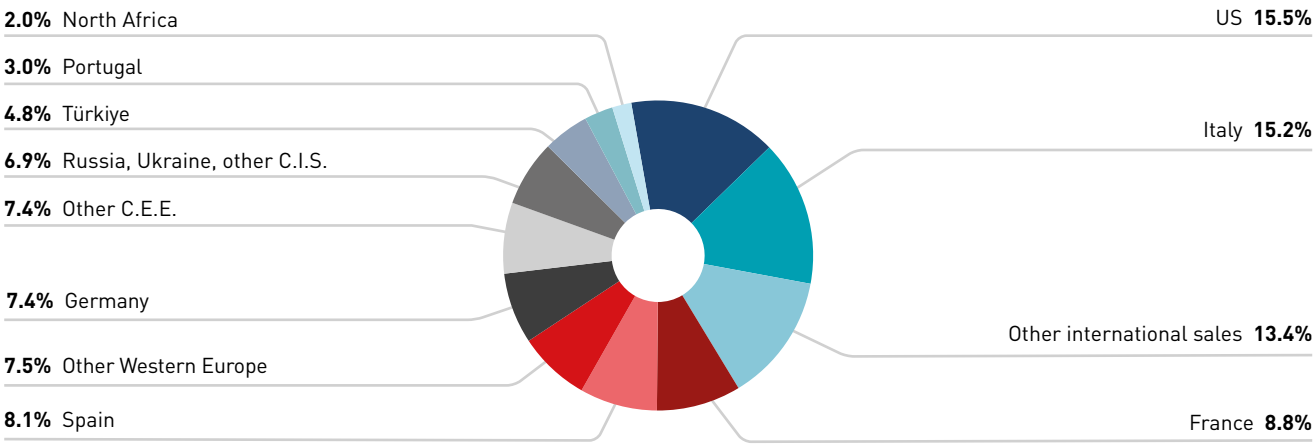
PHARMACEUTICAL SALES BY GEOGRAPHIC AREA

Pharmaceutical sales by geographic area for the different Recordati subsidiaries (including those dedicated to rare disease treatments) are listed in the table and graph below:

€ (thousands)	2023	2022	Changes 2023/2022	%
US	316,072	260,455	55,617	21.4
Italy	309,760	272,719	37,041	13.6
France	179,677	169,098	10,578	6.3
Spain	165,104	142,630	22,474	15.8
Germany	150,902	167,615	(16,713)	(10.0)
Russia, other C.I.S. countries and Ukraine	140,566	131,677	8,890	6.8
Türkiye	97,517	74,343	23,174	31.2
Portugal	60,196	53,465	6,730	12.6
Other C.E.E. countries	150,355	128,825	21,530	16.7
Other Western European countries	152,406	136,695	15,711	11.5
North Africa	40,216	37,664	2,552	6.8
Other international sales	265,529	229,246	36,282	15.8
Total pharmaceutical revenue	**2,028,300**	**1,804,432**	**223,868**	**12.4**

Net revenue includes the sales of products and various revenue excluding Pharmaceutical Chemicals.

BREAKDOWN OF PHARMACEUTICAL PRODUCTS BY GEOGRAPHIC AREA



Sales in countries affected by currency exchange fluctuations are shown below in their relative local currencies.

local currency (thousands)	2023	2022	Changes 2023/2022	%
Russia (RUB)	8,984,596	7,330,094	1,654,502	22.6
Türkiye (TRY)	3,083,990	1,295,492	1,788,497	138.1
United States of America (USD)	341,759	274,271	67,488	24.6

Net revenue in Russia excludes sales of rare disease products which are sold via international and local distributors.

UNITED STATES OF AMERICA

The Group's pharmaceutical business in the US is dedicated to marketing products for the treatment of rare diseases through its subsidiary Recordati Rare Diseases Inc. The portfolio is focused on three rare disease areas: metabolic disorders, endocrinology and oncology.

The metabolic portfolio includes products for the treatment of various rare metabolic disorders, including Panhematin® (hemin for injection) used for recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonemia associated with NAGS deficiency, propionic acidemia or methylmalonic acidemia, Cystadane® (betaine anhydrous oral solution), used in the treatment of homocystinuria to reduce the high level of homocysteine in the blood and Cystadrops® (cysteamine ophthalmic solution) for the treatment of corneal cystine crystal deposits.

The endocrinology portfolio focused on pituitary disorders include Signifor® and Signifor® LAR (pasireotide), a pituitary therapy for the treatment of Cushing's Disease and Acromegaly, and Isturisa® (osilodrostat), a potent cortisol synthesis inhibitor approved for the treatment of Cushing's Disease.

The Group enhanced its product portfolio to include oncology following the acquisition of EUSA Pharma in 2022. The main product added to the US portfolio was Sylvant® (siltuximab), a therapy for treatment of idiopathic Multicentric Castleman's Disease (iMCD).

Sales in the US reached € 316.1 million in 2023, up by 21.4% and by 24.6% in local currency compared to 2022. This growth reflects the integration of the oncology products acquired with EUSA Pharma for a total of € 40.4 million, as well as the continued strong growth of Isturisa® (osilodrostat) and Signifor®, which together contributed revenue in the US of € 157.3 million, up 56% vs 2022, combined with growth also of Panhematin®. These were in part offset by the decline of Carbaglu® and Cystadane®, mainly due to generic entrants.

ITALY

The Recordati Group offers a wide range of treatment options in Italy through Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italchimici S.p.A. and Natural Point S.r.l.. It has an established presence in the cardiovascular field, with two anti-hypertensive products that were fully developed in its research laboratories, Zanedip®/Lercadip® (lercanidipine) and Zanipril®/Lercaprel® (lercanidipine + enalapril), with two drugs that belong to the beta blocker category, Cardicor® (bisoprolol), and Seloken® (metoprolol) and with Rextat®/Lovinacor® (lovastatin). In 2023, Recordati has reinforced its presence in urology, with the introduction in the urology portfolio of three strong brands: Avodart® (dutasteride), Combodart® (dutasteride/tamsulosina) and Telefil® (Tadalafil), which complement other products in the portfolio such as Urorec® (silodosin), Recoprox®, Fortacin® and Eligard®. The company also has a strong presence in gastroenterology area, with Peptazol® (pantoprazole), Reuflor® (lactobacillus reuteri protectis-based supplement), Peridon® (domperidone), AroéTM (gastro-esophagus anti-reflux), PeridoNatural®, Casenlax® (macrogol) and Lacdigest®, Lactofree® and Citrafleet® (sodium picosulfate).

In the ENT area (ear, nose throat), Recordati offers Aircort® (budesonide) a corticosteroid-based line for the treatment of asthma in adults and children, and Rupafin® (rupatadine) an anti-allergy antihistamine. The pain and inflammation segment offers a non-steroidal anti-inflammatory drug Tora-Dol® (ketorolac tromethamine) and Naprosyn® (naproxen), belonging to the non-steroidal anti-inflammatory/anti-rheumatic class (NSAIDs) with an effective treatment action in controlling chronic pain. Reagila® (cariprazine), a new drug for the treatment of schizophrenia is marketed in the psychiatric area.

Recordati has a broad offering of self-medications, with a focus on food supplements as well as products for oral hygiene, eye, nose and the gastrointestinal tract. The historic brands include Alovex®, Proctolyn®, Eumill®, Dentosan®, Imidazyl®, TransAct® LAT, Clismafleet® and Reuflor®. With the acquisition of Natural Point S.r.l. in 2018, Recordati entered the natural food supplements market, with the main product Magnesio Supremo®. Recently, its presence in the magnesium supplements market expanded with several new products and by reinforcing the Magnesio Supremo® brand through digital communication.

The Italian pharmaceutical production site is located in Milan, covering a surface area of around 5,000 sq. m., built vertically over several floors for a total of 21,000 sq. m. and produces over 67 million units per year. The plant is specialized in the manufacturing and packaging of solid oral forms, liquids and

products for topical use. Recordati has undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which has been added to the 5 that are already operational. The new line has been operational since the beginning of 2023, significantly increasing production capacity.

Certain corporate products are manufactured at the Milan site (lercanidipine, enalapril + lercanidipine, silodosin and pitavastatin; in the case of the latter, only packaging is done) for all the markets where this is sold.

Italian sales of pharmaceutical specialties totaled € 309.8 million, growing by 13.6% compared to 2022.

Sales in the Specialty & Primary Care products grew by 12.8% and the performance of the main products is as follows:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Cardicor®	heart failure	34,536	32,692	1,844	5.6
Zanedip®/ Lercadip®	hypertension	19,046	16,921	2,125	12.6
Urorec®	benign prostatic hyperplasia	19,855	17,093	2,762	16.2
Peptazol®	gastric ulcers	13,945	14,646	(701)	(4.8)
Tora-Dol®	analgesic	13,066	12,356	710	5.7
Aircort®	bronchial asthma	21,616	19,242	2,374	12.3
Avodart® e Combodart®	benign prostatic hyperplasia	9,084	0	9,084	n.a.
Zanipril®/ Lercaprel®	hypertension	9,702	8,646	1,056	12.2

The growth was primarily driven by the recovery in prescription seasonal flu medicines, the good performance on lercadinipine products, as well as the contribution of the new products distributed under the agreement with GSK (Avodart® and Combodart®/Duodart®). Self-medication pharmaceuticals generated sales of € 104.5 million, up by 10.0% versus the previous year, thanks to the recovery in products for gastrointestinal conditions, like Reuflor® and Lactdigest, and Magnesio Supremo®, a magnesium-based supplement with sales of € 26.3 million, and Proctolyn® (hemorrhoid treatment), with sales of € 10.8 million (+11.6%).

Sales for products for the treatment of rare diseases amounted to € 28.2 million, up 21.5% compared to the prior year, with a robust performance in both oncology and metabolic business areas. Of note is the approved reimbursement of Isturisa® as of January 2023, which has also supported accelerated growth in the endocrinology sector.

FRANCE

Laboratoires Bouchara Recordati S.a.s. is solidly established in the French pharmaceutical market thanks to a number of prescription drugs and a historical presence in the market for self-medication products, a market in which Tonipharm S.a.s. (acquired at the end of 2018) operates. It markets products covering a wide range of treatment areas, such as the cardiovascular area with Reselip® (atorvastatin + ezetimibe), Zanextra® (lercanidipine + enalapril), Logimax® (metoprolol succinate+felodipine), Seloken® (metoprolol tartrate) and Selozok® (metoprolol succinate), the urology area with Eligard® (leuprorelin acetate), Urorec® (silodosin) and Leptoprol® (leuprorelin acetate) and the gastroenterology area with Citrafleet® and Colopeg®, Transipeg® and TransipegLib®.

Methadone, which for almost 25 years has been part of a successful private/public project with the Public Hospitals of Paris (APHP), is a synthetic opioid analgesic, used as a heroin substitute for withdrawal symptoms, for opioid detox therapy and in maintenance programs. Highly specialized staff and dedicated resources underpin the success of the detoxification programs. The benefits of treatment with methadone are universally recognized. The most important are the decrease in deaths resulting from the use of narcotics, the reduction in the spread of viral infections (HIV, HCV), reduced health, legal and social costs related to the use of drugs and improvements in the health and rehabilitation of addicts.

Laboratoires Bouchara Recordati has a historical presence in the French OTC market including the Hexa line (Hexaspray®, Hexalyse®, Hexamer® and Haxatoux®), Exomuc® (mucolytic containing N-acetylcysteine) and an expansion of the line with the 600 mg formulation, the Ginkor® line for hemorrhoids and heavy legs, and the Alodont® line, an oral cavity product.

Recordati Rare Diseases S.à. r.l. is dedicated exclusively to treatments for rare diseases and is headquartered in Paris.

The plant at Saint Victor covers a surface of 6,750 sq. m. and produces up to around 30 million units per year. It is specialized in the production and packaging of liquid, solid oral and spray formulations. Certain corporate products are manufactured at the French site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

Furthermore, the Group operates a manufacturing site in Nanterre, near Paris, covering 1,600 sq. m., entirely dedicated to the secondary packaging, storage and shipping of rare disease products. The site delivers, upon short notice, more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern Good Distribution Practice (GDP) certified logistics platform.

Sales in France totaled € 179.7 million, up by 6.3% thanks to good performance across both Specialty & Primary Care and Rare Diseases.

The table below shows sales of the main Specialty & Primary Care products in France:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Methadone	drug addiction	35,016	34,290	726	2.1
Ginkor®	ginkgo biloba-based food supplement	13,801	15,095	(1,294)	(8.6)
Hexa line	oral antibacterial	13,702	11,183	2,520	22.5
Reselip®	hypercholesterolemia, dyslipidemia	13,283	6,616	6,667	100.8
Eligard®	prostate cancer	10,820	10,165	655	6.4
Seloken®/ Seloken® ZOK/ Logimax	hypertension, cardiac disorders	10,364	10,580	(216)	(2.0)
Transipeg®	laxative	7,435	7,604	(169)	(2.2)
Lercan®/ Zanidip®/ lercanidipine	hypertension	4,390	4,511	(121)	(2.7)
Zanextra®/ Lercapress®	hypertension	3,577	3,848	(272)	(7.1)

Sales benefited from the strong growth in both the seasonal flu products, in particular the Hexa line, a leader in the treatment of seasonal winter illnesses and Exomuc®, and the cardiovascular medications, with a strong uptake of Reselip® and a steady growth of Eligard®.

Sales of drugs for the treatment of rare diseases amounted to € 36.4 million, up by 5% thanks to the contribution from both the endocrinology and the oncology products, partly offset by the erosion of Carbaglu® sales.

SPAIN

Casen Recordati S.L., with headquarters in Madrid and production and R&D facilities in Utebo (Zaragoza, Spain) markets an extensive and substantial portfolio of Specialty & Primary Care products in Gastroenterology, Pediatrics, Gynecology, Cardiology, Urology and Psychiatry.

Additionally, Recordati Rare Diseases Spain S.L., after the merger of EUSA Pharma Iberia S.L., markets the entire portfolio of products for the treatment of rare diseases.

The Spanish plant is located near Zaragoza, covering a surface area of 7,100 sq. m., and produces around 24 million units a year. It is specialized in the production and packaging of solid and liquid oral and topical formulations. The plant manufactures a line of gastroenterological products, and a packaging line was installed and approved a few years ago for the packaging of tablets in bottles.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 185 kWh of electricity for self-consumption has been successfully completed. In 2023, a new project for increasing the capacity up to 470 kWh within the next two years was started.

In 2023, sales in Spain totaled € 165.1 million (+15.8%), increasing across both Specialty & Primary Care and Rare Diseases. The increase in the Specialty & Primary Care products leveraged on the organic growth in the sales of the promoted products like Eligard® (+14.9%), Casenlax® (+ 18.7%), Reagila® (+ 28.9%) and Virirec® (+ 13.5%), together with the increase in sales of products associated with digestive and metabolic problems, including BI-Oralsuero and Oral Rehydration Solutions (up by 12.1% and 17.4% respectively), mantaining its position in the oral rehydration market as undisputed leader. In 2023 The company has also successfully launched Rizmoic®, for the treatment of opioid-induced constipation in adult patients, and Muvagyn Vaginal Probiotic®, the first probiotic vaginal approved as a drug in Spanish market. Furthermore, the company has started the distribution of Avodart® and Combodart®/Duodart® following the agreement reached with GSK, which contributed sales of € 8.1 million in the latter part of 2023.

Casen Recordati has received "Great Place To Work Certificate", an important recognition awarded to companies that, following assessments conducted according to global standards, meet the criteria of an excellent work environment with a positive employee experience and a high-trust corporate culture.

The table below shows sales of the main Specialty & Primary Care products in Spain:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Eligard®	prostate cancer	33,941	29,541	4,401	14.9
CitraFleet®	bowel cleansing	19,945	19,792	153	0.8
BI-Oralsuero	oral rehydration for diarrhoea	8,472	7.559	913	12.1
Avodart® and Duodart®	benign prostatic hyperplasia	8,149	0	8,149	n.a.
Enema Casen	bowel cleansing	7,936	7,602	334	4.4
Reagila®	schizophrenia	7,773	6,029	1,744	28.9
Livazo®	hypercholesterolemia	6,403	6,529	(126)	(1.9)
Urorec®	benign prostatic hyperplasia	6,240	6,473	(233)	(3.6)
Zanipress®	hypertension	4,463	4,046	417	10.3
Virirec®	erectile dysfunction	4,699	4,139	560	13.5

In 2023, sales of rare disease products were € 29.3 million, up by 22.1% due to both the inclusion of products for rare cancers acquired with EUSA Pharma, reaching € 14.7 million in 2023, and to the growth in the Endocrinology products.

GERMANY

Recordati Pharma GmbH offers a wide range of therapeutic solutions to healthcare professionals and their patients.

The urology segment was always a focus area with established brands like Urorec® and Fortacin®. In March 2021, the German branch strengthened its presence, with the active marketing of Eligard® for prostate cancer. Since October, the distribution of Avodart® and Duodart®, for benign prostatic hyperplasia, was added to the range of urology treatments covered by Recordati.

Recordati Pharma GmbH is also one of the most esteemed German pharmaceutical companies in the field of orthopedics, where it has developed a strong presence and supplies therapeutic solutions like Ortoton® and Ortoton Forte® (methocarbamol), a muscle relaxant used for back pain. Recosyn® (hyaluronic acid), for arthritis treatment regimens, Lipotalon® (dexamethasone palmitate), used to alleviate pain in the presence of inflammation of the joints, and Binosto® (alendronic acid) effervescent tablets used to treat osteoporosis that presents with the onset of menopause, are also very popular.

With the launch of Reagila® (cariprazine) in 2018, Recordati entered an additional therapeutic area, psychiatry. With Reagila®, Recordati provides an innovative treatment option for patients suffering from schizophrenia, helping them to deal with negative and positive symptoms whilst maintaining participation in their social lives.

Besides the above-mentioned focus areas, Recordati Pharma GmbH offers a wide range of other treatments. In the field of cardiovascular diseases, the Group offers calcium channel blocker antihypertensives Corifeo® and Zanipress® and beta blocker Beloc®ZOK, Beloc® and Mobloc® (metoprolol).

In the pediatric segment, Recordati Pharma is also well-positioned with two brands, Laxbene® and Mirfulan®. The first is used for the treatment of constipation and the second takes care especially of the smallest patients suffering from skin lesions like diaper rash.

In the gastroenterology field, for the treatment of chronic inflammatory intestinal conditions, Recordati offers Claversal® (mesalazine) and in 2021, introduced the 1-gram Citrafleet® suppositories and Fleet Phosphosoda.

Operations in the segment dedicated to rare diseases in this country are carried out by Recordati Rare Diseases Germany GmbH.

Overall sales in Germany were € 150.9 million, down by 10% compared to the previous year, mainly due to reference pricing on Ortoton® and Claversal® and decision to exit some tenders. Worthy of note is the good performance from Eligard® and lercanidipine.

The performance in the main Specialty & Primary Care products is as follows:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Ortoton®	muscle relaxant	24,565	33,694	(9,129)	(27.1)
Seloken®/ Seloken® ZOK/ Logimax®	hyperten-sion cardiac disorders	14,032	15,035	(1,003)	(6.7)
Corifeo®/ Lercanidipina	hypertension	16,329	15,517	812	5.2
Eligard®	prostate cancer	15,241	13,919	1,322	9.5
Claversal®	ulcerative colitis	8,169	9,507	(1,138)	(14.1)
Mirfulan®	healing ointment	9,343	8,386	957	11.4
CitraFleet®	bowel cleansing	6,469	5,459	1,011	18.5
Recosyn®	muscu-loskeletal	7,688	7,092	596	8.4

Sales in self-medication products improved in Germany, reaching € 39.4 million, mainly thanks to the good performance of both Laxbene® (+30.2%) and Citrafleet® (+18.5%).

Additional growth came from the area of treatment of rare diseases, which reached € 44.8 million (+13.6%), including new products for rare and niche cancers and reflecting a positive performance of the Endocrinology products.

RUSSIA, OTHER C.I.S. COUNTRIES AND UKRAINE

Rusfic LLC, FIC Médical S.à r.l. and Recordati Ukraine LLC, are the Recordati Group companies that operate in Russia and in other markets of the Commonwealth of Independent States (CIS), in Ukraine and in Central Asia. Success in these regions is based largely on the progressive affirmation of the main corporate portfolio products, including Procto-Glyvenol®, Urorec®, Zanidip®, Lomexin® Livazo® that were launched in these regions, as well as the anti-infective products like Tergynan®, a well-established treatment for gynecological infections, and Polydexa® and Isofra®, products indicated for the treatment of ENT disorders. The portfolio also includes popular self-medication products, including well-known food supplements like the vitamins Alfavit® and Qudesan®, OTC products like the oral cavity antibacterials in the Hexa line, Hexalyse® and Hexaspray® and the intestinal absorbent product (enterosorbent) White Carbo®.

Following the outbreak of conflict between Russia and Ukraine, in 2022, the logistics chain and delivery of medicines in Ukraine was made secure to guarantee Ukrainian patients' permanent access to medicine. In Russia, the Group adopted an operating plan that ensures the continuity of its Russian branch in full compliance with all relevant laws and regulations, with special focus on international sanctions.

Revenue in Russia, Ukraine and in the countries within the Commonwealth of Independent States (CIS) through the different subsidiaries was € 140.6 million, up by 6.8%, and includes an estimated adverse exchange rate effect of € 27.2 million.

Revenue realized in Russia was RUB 9,820.1 million in local currency, up by 21.9% over the previous year. The table below shows overall sales of the main Specialty & Primary Care products in Russia in local currency.

RUB (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Polydexa®	ear infections	2,535,991	2,182,608	353,383	16.2
Tergynan®	gynecological infections	1,238,603	943,035	295,568	31.3
Procto-Glyvenol®	hemorrhoids	946,451	753,935	192,516	25.5
Isofra®	nasal infections	1,472,973	1,175,592	297,380	25.3

The main product in the Russian portfolio is Polydexa®, with sales increasing over the previous year by 16.2%, together with Isofra® and Hexaspray®, corporate products associated with seasonal flu illnesses. Sales of Tergynan® grew by 31.3%, driven by higher volumes as well as the promoted corporate products Urorec®, Procto-Glyvenol® and Livazo® that also recorded a strong volume growth.

Revenue in Ukraine and other countries in the CIS, mainly Belarus, Kazakhstan and Armenia, came to € 23.7 million, up by 24.0%, essentially due to higher sales in Ukraine, which came to UAH 545.6 million, with an increase of 52.9% in local currency.

In 2023, sales of rare disease products in Russia, Ukraine and in the countries within the Commonwealth of Independent States (CIS) came to € 19.6 million, up by 50.3% due to both the inclusion of products for rare cancers acquired with EUSA Pharma and to the growth of Metabolics products (mainly Carbaglu®, driven by both volume and price growth).

TÜRKIYE

Recordati Ilaç, the Group's Turkish subsidiary, is one of the top 30 pharmaceutical companies in value in Türkiye. It continues to strengthen its position in the Turkish pharmaceutical market and has a strong, consolidated presence in the fields of urology, uro-oncology, cardiology, surgery, gynecology and in rehabilitation. The subsidiary markets the corporate products Lercadip®, Zanipress®, Alipza®, Urorec®, Eligard®, Gyno-Lomexin®, Procto-Glyvenol®, Phospho-soda®, Citrafleet® and Casenlax®, together with the local brands Mictonorm® and Mictonorm SR® (propiverine hydrochloride), used for the treatment of hyperactive bladder and urinary incontinence, Cabral® (phenyramidol hydrochloride), a muscle relaxant, Kreval® (butamirate citrate), a cough suppressant, Aknetrent® (isotretinoin), used for the treatment of severe acne, Pankreoflat® (pancreatin), a treatment for dyspepsia, Prepagel® (escin, diethylamine salicylate), for use in cases of bruises, sprains, hematoma, Colchicum-Dispert® (colchicine) indicated in the treatment of gut, secondary prevention of cardiovascular diseases, pericarditis and the antibiotic Ciprasid® (ciprofloxacin).

Recordati Ilaç has a significant production facility in Cerkezkoy, Türkiye, built on 45,000 sq. m. of land and covering approximately 11,300 sq. m. It currently produces around 70 million units per year of solid oral and liquid formulations and products for topical use, of which 25% are for other pharmaceutical companies. The project for the installation of a new liquid line has started in 2023 and will allow to significantly increase the production capacity from 2025. The Çerkezköy plant, in addition to the Turkish market, is authorized to produce medicines for the European Union, Azerbaijan, Libya, Kenya, the Russian Federation, Kyrgyzstan and Kazakhstan.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 476 kWh of electricity for self-consumption has already started in 2023 and will be completed in 2024.

Recordati Ilaç has received "Great Place To Work Certificate", which is awarded to companies that meet the criteria of a great workplace with a positive employee experience and a culture of high trust, as a result of assessments and analyses carried out according to global standards.

The Turkish team created the Recordati Memorial Forest with 10,000 saplings, on behalf of all the employees, in order to protect the environment. Sapling planting is planned to be completed between fall 2023 and spring 2024.

Sales in Türkiye were € 97.5 million, up by 31.2% and included a negative currency exchange effect estimated at € 60.1 million compared to the prior year. The effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" to

activities in Türkiye caused a positive effect on net revenue of € 20.5 million, while the specific provisions of IAS 21 resulted in a negative effect of € 20.8 million (difference between translation at average FX vs end of period FX), with a negligible negative impact on revenues (approximately € 0.3 million). The Turkish subsidiary's sales in local currency were up by 138.1% thanks to subsequent price increases granted by the government through the year (the first effective in January, the second at the end of July) to offset the devaluation of the Turkish lira, as well as a robust volume growth in both key corporate products, in particular Livazo® (sold in Türkiye under the Alipza® brand), Urorec®, Eligard® and Procto-Glyvenol®, and local products Cabral®, Kreval®, Mictonorm® and Metpamid® (metoclopramide).

The table below shows the trend for the main Specialty & Primary Care products in local currency (excluding the effect of IAS 29 application).

TRY (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Mictonorm®	urinary incontinence	410,301	207,079	203,222	98.1
Cabral®	muscle relaxant	304,824	132,141	172,683	130.7
Livazo®	hypercholesterolemia	315,276	160,743	154,533	96.1
Urorec®	benign prostatic hyperplasia	298,316	132,776	165,540	124.7
Lercadip®	hypertension	146,677	75,677	71,001	93.8
Procto-Glyvenol®	hemorrhoids	168,822	80,791	88,031	109.0
Kreval®	cough	273,421	105,371	168,051	n.s.
Ciprasid®	anti-infective	66,681	38,217	28,464	74.5
Zanipress®	hypertension	60,864	45,277	15,588	34.4

Sales of products for the treatment of rare diseases amounted to € 3.5 million, down by 64.6% compared to the previous year due to restrictions on importing Cystadrops®.

PORTUGAL

Jaba Recordati S.A. maintains a solid position in the Portuguese pharmaceutical market, especially in the cardiovascular (Livazo® and Zanipress®), urological (Urorec®), gastrointestinal (Citrafleet®, Eligard® Urojaba®), pain control areas (TransAct® LAT and Seractil®), the central nervous system (Reagila® and Saffrox®) as well as the self-medication products market (Guronsan® Aloclair® Biogaia®). Among the main products is Egostar®, a Vitamin D supplement.

Jaba Recordati S.A. has recently been appointed as the "Best CME company for social responsibility 2023" (Human Resources 2023) and as a part of the top ranking of "Company with purpose" award 2023 (Consortium of Purpose lab, relative impact and HR).

Overall sales in Portugal were € 60.2 million, growing by 12.6% compared to 2022.

Despite generic competition on the main products, Specialty & Primary Care sales in Portugal rose 9.9%, primary driven by the contribution of Eligard® and Reagila® (medicine to treat schizophrenia), and a steady growth from Zanicor® (hypertension medicine), Carzap AM® (medicine to treat hypertension) and the new product Enerzair®, which was launched in 2022.

The table below shows the main Specialty & Primary Care products:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
TransAct® LAT	anti-inflammatory	5,314	5,011	304	6.1
Eligard®	prostate cancer	6,850	6,137	713	11.6
Livazo®	hypercholesterolemia	2,690	3,186	(496)	(15.6)
Microlax®	laxative	4,418	3,721	697	18.7
Reagila®	schizophrenia	3,411	2,397	1,014	42.3
Egostar®	vitamin D3	3,397	3,162	235	7.4
Zanipress®	hypertension	1,573	1,694	(120)	(7.1)
Urorec®	benign prostatic hyperplasia	1,357	1,474	(117)	(8.0)

Sales of rare disease treatments amounted to € 5.2 million, up by 52.0% compared to 2022, mainly driven by oncology products.

OTHER WESTERN EUROPEAN COUNTRIES

The Recordati Group is also present with its own subsidiaries in the United Kingdom with Recordati Pharmaceuticals Ltd, EUSA Pharma (UK) Limited and Recordati Rare Diseases United Kingdom Ltd, in Ireland through its subsidiary Recordati Ireland Ltd, in Greece with Recordati Hellas Pharmaceuticals S.A., in Switzerland through Recordati AG (also present in Austria through Recordati GmbH), in the Nordic countries with Recordati AB and in BeNelux with Recordati BV. Sales in this area totalled € 152.4 million, up by 11.5% compared to 2022, of which € 62.2 million related to products for the treatment of rare diseases marketed by Recordati Rare Diseases, up 18.7% thanks also to the integration of EUSA Pharma products.

SWITZERLAND AND AUSTRIA

The Recordati Group is present in Switzerland through Recordati AG, which is headquartered in Zug and also operates in Austria through Recordati GmbH. The portfolio mainly comprises consolidated metoprolol-based cardiovascular products in addition to Zanidip®, Zanipress®, Beloc Zok®, the anti-cholesterol Livazo®, Eligard® in the urology field for the treatment of advanced stage prostate cancer, and Urorec®, for the treatment of benign prostatic hyperplasia. Other important brands are Lacdigest® (tilactase), used in lactose intolerance, Tretinac® (isotretinoin), a treatment for severe acne, and Urocit® (potassium citrate) for the prevention of kidney stones. Recordati AG has a presence in the psychiatric therapeutic area with Reagila®, an innovative product for the treatment of schizophrenia in adults which addresses unmet psychiatric medical needs.

In addition, following the agreement with GSK sales and distribution activities of Avodart® (dutasteride) and Combodart®/ Duodart® (dutasteride/tamsulosin) for the Swiss market were transitioned to Recordati AG.

In 2019, following the acquisition from Novartis of Signifor®, Signifor LAR® and Isturisa®, Recordati AG opened a branch office in Basel responsible for the Rare Diseases business at a global level. The activities of the branch include manufacturing, clinical development, regulatory affairs, medical affairs, marketing, sales and distribution.

Isturisa®, Signifor® and Signifor LAR®, which are indicated for Cushing syndrome, Cushing's Disease, and Acromegaly, respsectively, are also commercialized in Switzerland. As of 2022, following the acquisition of EUSA Pharma, the Group also works in Switzerland in the oncology rare diseases segment through the company Recordati Rare Diseases GmbH.

The Group also has a manufacturing site in Basel (within the Novartis Campus). The plant, acquired in 2022 in the context of agreements with Novartis for the acquisition of the rights to Signifor, covers around 1500 sqm. Since the successful qualification in 2012 and GMP certification by Swissmedic, it is used for commercial production of Signifor® LAR.

Overall sales in Switzerland and Austria reached € 42.2 million, up 14.6% compared to previous year, with a steady growth in both Specialty & Primary Care products (+10.6%), thanks to the good performance by Livazo® and Reagila®, and in the Rare Diseases products (+29.8%) growing in all the treatment areas.

GREECE

Recordati Hellas Pharmaceuticals S.A. is the Recordati subsidiary operating in Greece offering products in different therapeutic areas such as cardiovascular, urology, gynecology, psychiatry, dermatology and gastrointestinal. In the cardiovascular area, popular products are Livazo® and Lopresor®, a selective beta blocker indicated for the treatment of hypertension, Zanidip®/ Lercadip® (lercanidipine) and its fixed combination with enalapril Lercaprel®/Zaneril®, and Logimax®, for the treatment of hypertension. In the psychiatric area, Reagila® (cariprazine) was launched in 2021. In the urology segment, the main products are Urorec® and Vitaros®. Completing the product portfolio are the antimycotic Lomexin® and Citrafleet®.

From October 2023, Recordati Hellas is distributing and promoting Avodart® and Duodart® (both GSK products) for the treatment of BPH.

Recordati Hellas is also distributing some Recordati Rare Disease products.

Overall, 2023 sales in Greece totaled € 22.6 million, with € 18.4 million of sales in Specialty & Primary Care products, including Avodart® and Duodart® for € 1.5 million, and € 4.2 million of sales in Rare Diseases products.

UNITED KINGDOM

Recordati Pharmaceuticals Limited is the Group company marketing a wide array of new and classic Recordati brands in the United Kingdom for Specialty & Primary Care products, including Reagila®, Cleen Enema®, Combodart® and lercanidipine products.

EUSA Pharma (UK) Limited and Recordati Rare Diseases UK Limited are the Group companies that market the Rare Diseases products in the oncology and endocrinology/metabolic areas, respectively.

Overall, sales in the United Kingdom were € 28.5 million, up 16.0% and reflect primarily products for the treatment of rare diseases, which represent 62.3% of the business.

IRELAND

Recordati Ireland, the Group's Irish subsidiary, markets products in Urology & Uro-Oncology (including Eligard®, Urorec® and Combodart®) as well as established products for cardiovascular disease (including Zanidip®, Lercaril® and Betaloc®) and Gastroenterology products (such as Cleen Enema®, Citrafleet® and Phosphosoda®).

Sales in Ireland reached € 5.5 million in 2023, out of which Specialty & Primary Care amounted to € 3.4 million, up 66.7% on 2022, due predominantly to high demand for Zanidip® preparations.

NORDIC AND BENELUX COUNTRIES

Starting in 2018, the organizational structure of subsidiaries Recordati AB in Sweden and Recordati BV in Belgium was reinforced to promote and market general medicine and specialty products, in addition to products for the treatment of rare diseases in the Nordic countries and in BeNeLux.

The Nordic countries are managed by the Swedish branch, with headquarters in Kista (Stockholm), which also operates directly in Denmark, Norway, Finland and Iceland.

Overall sales in 2023 totaled € 27.0 million, of which € 16.5 million was for Specialty & Primary Care products, such as Eligard and Reagila and products in the cardiovascular segment, such as Seloken®, Seloken ZOC®, Logimax®, Zanidip® and Zanipress®, and to a lesser extent, the gastrointestinal area, with products such as Citrafleet®, Cleen Enema and Phospho-soda®. Rare Diseases sales in 2023 amounted to € 10.5 million, covering with its products all the treatments areas in which the Group is active.

Recordati BV, with headquarters in Brussels and a branch in Oss, Netherlands, manages direct distribution in Belgium, the Netherlands and Luxembourg. The promotion is primarily focused on Urology and more specifically, Eligard® and Silodyx as the main brands, in combination with the distribution of the Cardio (lercanidipine and metoprolol) and Gastro portfolio (Cleen Enema® and Citrafleet®).

Overall, sales in 2023 reached € 31.2 million, of which € 13.7 million is related to Specialty & Primary Care products while the Rare Diseases products in 2023 amounted to € 17.5 million.

OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES

The Recordati Group has subsidiaries in Poland, the Czech Republic and Slovakia, Romania and Bulgaria and sells directly in the Baltic States. Sales in this area totalled € 150.4 million, up by 16.7% compared to 2022, of which € 29 million related to products for the treatment of rare diseases marketed by Recordati Rare Diseases, growing by 33.8% thanks to both oncology and endocrinology products' growth.

POLAND

The Group's subsidiary in Poland, Recordati Polska Sp. z o.o., markets a diversified product portfolio that is well-positioned in the cardiovascular, gastroenterology, gynecology and uro-oncology areas, as well as the self-medication segment. The main products include Betaloc® ZOK (metoprolol succinate), a product widely used for the treatment of angina pectoris and other cardiac disorders, Eligard®, a recently reintroduced drug for the treatment of hormone-dependent Prostate Cancer (PCa), Procto-Glyvenol® for the treatment of hemorrhoids, Gynoxin® a vaginal infection treatment, Uprox® (tamsulosin), for lower urinary tract disturbances associated with enlargement of the prostate, the hypertension medications Lercan® (lercanidipine) and Lercaprel® (lercanidipine+enalapril). In 2021, Recordati Polska launched Salaza® (mesalazine) to strengthen its position in the gastroenterology segment, where it successfully markets Citrafleet®, an established corporate product.

Overall sales in Poland for 2023 were € 59.0 million, thanks to positive momentum in every therapeutical area both in the Specialty & Primary Care sector, which recorded sales of € 47.3 million, and in the Rare Diseases sector, with sales of € 11.7 million.

CZECH REPUBLIC AND SLOVAKIA

Herbacos Recordati s.r.o., the Group's subsidiary in the Czech Republic and in Slovakia, successfully markets pharmaceutical Specialty & Primary Care products belonging to several therapeutic areas, including cardiology, oncology, urology, gynecology and self-medication products, such as analgesics, anti-inflammatories and dermatology medicines. The subsidiary's growth was supported by Eligard® (leuprorelin acetate) for treatment of hormone-dependent prostate cancer, Betaloc® (metoprolol) for treatment of hypotension and other cardiac issues, Pivinorm® (pivmecillinam), a uro-gynaecological treatment for simple lower urinary tract infections, and Lomexin®, which became OTC in June 2022. Well-established in the self-medication market are the brands Procto-Glyvenol®, the analgesic Valetol® (paracetamol), the flu treatment Acylpyrin® (acetylsalicylic acid) and Infadolan®, a topical treatment for dry and cracked skin recommended after using hand disinfectant products.

The subsidiary operates a small pharmaceutical production plant, situated in Pardubice, which produces creams, gels and ointments for a total of around 2 million units per year.

Sales in the Specialty & Primary Care business totaled € 36.9 million, up by 14.0%, in particular thanks to the growth of Betaloc® (metoprolol) and the continued growth of Eligard® holding and strengthening the position of market leader on both highly competitive Betaloc ® and Eligard ® local markets.

Sales of rare disease treatments amounted to € 3.6 million, mainly driven by oncology products.

ROMANIA AND BULGARIA

Recordati Romania S.R.L. promotes prescription and self-mediation products successfully.

Sales in Romania for Specialty & Primary Care products were € 24.4 million, up by 14.5%, thanks mainly to good performance from the prescription treatment portfolio (Betaloc Zok®) and the continued growth of Eligard®. Bulgaria's sales for Specialty & Primary Care products totalled € 6.2 million, increasing by 5.4% mainly for higher sales of Betaloc Zok®.

Sales of rare disease treatments in Bulgaria and Romania amounted to € 4.0 million, with a growth of +24.5% compared to previous year mainly driven by oncology products.

BALTIC STATES

The Group established a direct presence in the Baltics in 2019, with the opening of the Recordati Polska Sp. Z o.o. representative office in Lithuania, directly supporting the Recordati Specialty & Primary Care product portfolio not just in Lithuania but also in Latvia and Estonia. The main products marketed in this area are Betaloc®, Procto-Glyvenol®, the market leader in the haemorrhoids segment in Lithuania and Latvia, as well as Lomexin®, Urorec®, Urispas® and Ginkor®. Recordati started to market Eligard® in Lithuania and Latvia in 2021.

Direct sales to the Baltic States of Specialty & Primary Care products reached € 6.6 million in 2023, down by 3.8% compared to previous year due to Eligard® and metoprolol-based cardiovascular products not being reimbursed in Lithuania in 2023.

Sales of Recordati Rare Diseases products in the Baltics were € 2.7 million, slightly below the previous year mainly due to the slowdown of metabolic products.

NORTH AFRICA

Recordati is present in North Africa with Opalia Recordati S.à r.l. and Opalia Pharma S.A. in Tunisia and through its export business from Laboratoires Bouchara in France, mainly towards Algeria.

Opalia Pharma is one of the most important Tunisian pharmaceutical companies. It ranks fourth in the local pharmaceutical market in value and is the second fastest growing company. It markets branded generic drugs with leading products in cardiology, dermatology, gastrointestinal and respiratory treatment areas.

It manufactures most of its products at its own facility, which is located in Ariana, near to Tunis, covering an area of around 9,100 sq. m. The plant produces around 18 million units a year of liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority. During 2023, a project to expand the existing warehouse was started.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 1200 kWh of electricity for self-consumption was started in 2023 and will be completed in 2025.

Total sales in North Africa were € 40.2 million, up by 6.8%. In 2023, sales in Tunisia through subsidiaries amounted to € 35.0 million, increasing by 9.0% (or +12.5% in local currency).

This performance comes mainly from a consolidated growth of established brands (Vitamin D3 B.O.N®, Zanidip®, Zanextra®, Urorec®, NotosCombi®), new launches in cardiology with Elixtra® (apixaban), respiratory with Xtiova® (tiotropium) and OTC portfolio products (such as Ialuproct®, Ialuflex®, Calcidos®).

OTHER INTERNATIONAL SALES

Other international sales were at € 265.5 million, up by 15.8%, and comprise the sales and other revenue from licensees for corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales and Recordati Rare Diseases' sales in all other countries not described above.

Revenue from foreign licensees were € 105.6 million, up by 7.3% mainly thanks to higher sales of Lercadinipine and other products with a strong performance in Central Eastern Europe, China, Thailand and Algeria.

Foreign sales by the French subsidiary Laboratoires Bouchara Recordati, excluding those in North Africa, came to € 14.4 million, decreasing by 8.8%, while those of the Spanish subsidiary Casen Recordati came to € 2.9 million, with an increase of 80.6% over the previous year.

Revenue generated by products treating rare diseases in other countries, mainly in Canada and Australia, some countries in Latin America, the Middle East and Asia amounted to € 139.0 million, with a 25.5% increase with respect to the previous year, thanks also to the additional contribution of the rare oncology portfolio.

PHARMACEUTICAL CHEMICALS SALES BY GEOGRAPHIC AREA

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant for other international pharmaceutical companies, were at € 54.0 million, increasing by 10.5% compared to the previous year. In particular, the growth of manidipine dihydrochloride continues in Asia, with also recovery in the market for dimenhydrinate in South America and an important commercial development for methenamine ippurate in Europe.

The sales of active ingredients by geographical area are shown below.

€ (thousands)	2023	%	2022	%	Changes 2023/2022	%
Italy	3,691	6.8	2,652	5.4	1,039	39.2
Europe (Italy excluded)	15,209	28.1	14,353	29.4	856	6
US	6,735	12.5	7,572	15.5	(837)	(11.1)
America (US excluded)	5,541	10.3	4,725	9.7	816	17.3
Australasia	21,528	39.8	16,990	34.7	4,538	26.7
Africa	1,327	2.5	2,583	5.3	(1,256)	(48.6)
Total	**54,031**	**100.0**	**48,875**	**100.0**	**5,156**	**10.5**

REVIEW OF OPERATIONS

HEALTH, SAFETY AND ENVIRONMENT

Workplace health and safety, environmental protection, and prevention are important priorities of the Recordati Group. A clear and well-defined organization of roles aimed at protecting the health and safety of workers, combined with a systemic approach in the management of these issues and in the safeguard of the environment and natural resources, allows Recordati to implement a sustainable company policy and to continuously improve the management of activities with the objective of constantly reducing work-related and environmental risks.

2023 was a productive year for the Recordati Group, also in the area of health, safety and environmental performances.

The Company further strengthened the Group Environment, Health, and Safety (EHS) guidelines within production plants and created a new position at Group level dedicated to monitoring EHS performance. The Company has robust procedures in place to govern this area ("Procedures for Prevention Management, Accident Management and Medical Services" and "Procedures for environmental management"). The application of these standards is periodically verified through internal audits.

The following common characteristics and measures for risk prevention are required to be implemented within the management system for health, safety and the environment that the Recordati Group applies in both its pharmaceutical chemicals and its pharmaceutical plants: the identification of clearly defined and disclosed roles and responsibilities within each organization, compliance with all applicable standards and regulatory requirements, risk assessment, training, information, and medical-fitness monitoring for all workers, proper maintenance standards, application of environmental protection systems designed to minimize environmental impacts and appropriate emergency measures. The Group systematically monitors and analyses injuries, accidents and near-misses trend which occur among the production sites as well as any work-related illness. For every event, a root-cause analysis is performed, and an action plan aimed at preventing similar episodes is prepared and implemented. The results of these analyses of industrial accidents are periodically submitted to Risk, Control and CSR Committee. Recordati adopts a systematic approach to the management of health, safety, and the environment, and sets itself a specific objective not only to comply with the different regulations in force in the country the production sites belong, but also to continuously improve the management of these subjects.

Risk assessment is the fundamental tool of the safety management system, thanks to which the risk control element and the related prevention and protection measures to be adopted or monitored are defined, with the aim of reducing work risks for the health and safety of workers. The updating of the risk assessment document is a continuous activity and it registers the sequence of the actions undertaken to improve the working environment and the activities in progress, and it also includes assessments of new activities or changes made to the operations.

Training, information, and awareness of the workers are fundamental means of prevention in all matters related to health, safety, and the environment. Health and safety training programs are implemented to ensure adequate skills of everyone within the whole organization. The Recordati Group is committed to increase the attention placed by personnel on risks and the prevention measures put in place to reduce accident rates caused by human error. Training and the information sharing on the organization of safety in the Company is provided for all employees and, thanks also to the use of remote training, the operational forces in the field are also systematically involved.

Maintenance is one of the key activities for prevention. Equipment, systems, and machinery are subject to regular maintenance programs performed by both internal and external qualified resources.

Outsourcing to third party contractors is managed by special internal procedures which include the verification that the contractor is technically suitable and the sharing of the potential interference risk, to reduce, and if possible, eliminate, potential conflicts between the work activities of external firms and the normal operations of the Company.

Particular attention is placed on preventing any form of pollution and protecting the environment. This is controlled and managed in the pharmaceutical chemicals plants by an environmental management system that includes the organizational structure, planning activities, roles and responsibilities, operating practices, procedures, and resources to formulate, implement, review, and maintain the Company's environmental policies.

After the Company reported the potential contamination of the site in the past, a procedure is underway at the Campoverde plant, in which a two-phase Soil and Groundwaters Characterization Plan was approved.

The Conference of Authorities, called by the local Authorities for the approval of the data obtained in the Soil Characterization Plan and the resulting Risk Analysis, preparatory to the definition of the necessary Operational Security measures, was opened in October 2023. The activities continue in full collaboration with the Competent Authorities.

Moreover, the environmental management system goes beyond carefully ensuring that laws and regulations for preventing potential incidents from occurring are complied with. It involves a program of corporate attitude continuous improvement in relation to the surrounding environment.

In 2023, as in previous years, the Recordati plants underwent regular periodic inspections with no critical issues identified.

REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2023

FINANCIAL REVIEW

INCOME STATEMENT

Income statement items are shown below, with the relative percentage of net revenue and changes compared to 2022:

€ (thousands)	2023	% of revenue	2022	% of revenue	Changes 2023/2022	%
Net revenue	**2,082,331**	**100.0**	**1,853,307**	**100.0**	**229,024**	**12.4**
Cost of sales	(659,707)	(31.7)	(566,737)	(30.6)	(92,970)	16.4
Gross profit	**1,422,624**	**68.3**	**1,286,570**	**69.4**	**136,054**	**10.6**
Selling expenses	(472,857)	(22.7)	(462,665)	(25.0)	(10,192)	2.2
Research and development expenses	(255,747)	(12.3)	(220,102)	(11.9)	(35,645)	16.2
General and administrative expenses	(128,253)	(6.2)	(109,493)	(5.9)	(18,760)	17.1
Other income/(expenses), net	(7,759)	(0.4)	(56,984)	(3.1)	49,225	(86.4)
Operating income	**558,008**	**26.8**	**437,326**	**23.6**	**120,682**	**27.6**
Financial income/(expenses), net	(66,972)	(3.2)	(35,891)	(1.9)	(31,081)	86.6
Pre-tax income	**491,036**	**23.6**	**401,435**	**21.7**	**89,601**	**22.3**
Income taxes	(101,822)	(4.9)	(89,099)	(4.8)	(12,723)	14.3
Net income	**389,214**	**18.7**	**312,336**	**16.9**	**76,878**	**24.6**
Adjusted gross profit[1]	**1,481,571**	**71.1**	**1,336,381**	**72.1**	**145,190**	**10.9**
Adjusted operating income[2]	**626,593**	**30.1**	**536,060**	**28.9**	**90,533**	**16.9**
Adjusted net income[3]	**524,591**	**25.2**	**473,306**	**25.5**	**51,285**	**10.8**
EBITDA[4]	**769,631**	**37.0**	**672,750**	**36.3**	**96,881**	**14.4**
Net income attributable to:						
Equity holders of the Parent	389,214	18.7	312,336	16.9	76,878	24.6
Non-controlling interests	0	0.0	0	0.0	0	0.0

(1) Gross profit adjusted by the impact of non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.
(2) Net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.
(3) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.
(4) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

Net revenue amounted to € 2,082.3 million, increasing by € 229.0 million compared to 2022. For a detailed analysis, please refer to the previous chapter "Review of Operations".

Given the materiality of the non-monetary adjustments originating from the application of IFRS 3 for the allocation of the price paid for the acquisition of EUSA Pharma, two new indicators were added starting from the second quarter of 2022: Adjusted gross profit and Adjusted operating income. Both are adjusted for the impacts of applying the standard IFRS 3 in relation to the acquired stock of EUSA Pharma as well as, in the case of Adjusted operating income, for non-recurring items.

Gross profit was € 1,422.6 million, up 10.6% compared to the previous year and with a ratio to sales of 68.3%. Net of the impact of the € 58.9 million from the application of IFRS 3 on inventories acquired with EUSA Pharma, adjusted gross profit was € 1,481.6 million, up by 10.9% and with a margin on sales lower than previous year due initial sales of Avodart® and Combodart®/Duodart® (economic result furthers shared with GSK through the supply price) and impact of inflation on prices of materials and the cost of labour, in part mitigated by the increase in volumes.

Selling expenses increased by 2.2%, reflecting the consolidation of EUSA Pharma for the full year compared to nine months in 2022, but came down as percent of revenue compared to the previous year thanks to the positive revenue performance and the further benefits from the efficiency measures already implemented as of 2022, namely the right sizing of Specialty & Primary Care.

Research and development expenses were € 255.7 million, an increase of 16.2% compared to the previous year, driven by the integration of EUSA Pharma for the full year and a step up in investments in life cycle management projects.

General and administrative expenses increased by 17.1%, driven by the integration of EUSA Pharma for the full year and the strengthening of the general coordination structure to support an increasingly broad portfolio of products, also in addition to the increased investment in systems.

Labor costs in 2023 totaled € 422.9 million, up by 13.4% on 2022, with the per-capita cost rising by 12.1%.

The table below shows the main data referring to Group personnel for 2023 and 2022:

	2023	2022
Employees at year-end	**4,455**	**4,369**
Average age (years)	44	45
Average service (years)	7.7	8.3
Labor productivity:		
Labor cost on net sales	20.3%	20.1%
Net sales per employee (€ thousands) [a]	484.1	435.8
Value added per employee (€ thousands) [a]	261.3	222.7

(a) Il costo Labor costs include wages, related expenses and additional costs. Data per employee is calculated on the average number of effective personnel: 4,301 in 2023 and 4,253 in 2022.

Based on the Group's international expansion process, central structures continued to be strengthened to ensure the integration, monitoring and coordination of foreign subsidiaries. A focused commitment was also made to strengthening the specialized structures managing the endocrinology area. In general, personnel training and development was a substantial portion of the Group's efforts to ensure that the different work groups belonging to different business areas were effective, while at the same time, continuing to focus on the development of managerial skills distinctive to Recordati.

Other expenses amounted to € 7.8 million, compared to € 57.0 million in 2022, which includes restructuring costs for € 5.2 million associated with right sizing the Specialty & Primary Care sales area, mainly in Germany, France and Italy, residual integration costs related to EUSA Pharma, and € 0.6 million in donations (Türkiye and Ukraine).

Adjusted operating income (net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3) was € 626.6 million for FY 2023, up 16.9% over the previous year, and 30.1% of net revenue, reflecting strong revenue growth and continued efficiency initiatives that have offset inflation. Operating income was € 558.0 million in FY 2023, up 27.6% over the previous year, absorbing gross margin-related non-cash charges, arising from the unwind of the fair value step up of the acquired rare oncology inventory, of € 58.9 million (versus € 49.8 million in 2022). Non-recurring costs were € 9.6 million, significantly reduced versus € 48.9 million in 2022, and reflect mainly the continued streamlining of sales activities of Specialty & Primary Care and residual integration costs of EUSA Pharma.

Amortizations amounted to € 142.7 million, of which € 113.8 million related to intangible assets, up by € 15.3 million over the previous year, attributable mostly to the consolidation of EUSA Pharma for the full year compared to nine months in 2022 and to the acquisition of the license for GSK products, and € 28.9 million relating to property, plant, and equipment, up by € 1.6 million over the previous year.

Thanks to the strong operating performance, EBITDA[1] was € 769.6 million, up 14.4% compared to 2022, and with a margin on revenue of 37.0% (vs 36.3% in the previous year).

The reconciliation of net income and EBITDA[1] is reported below.

€ (thousands)	2023	2022
Net income	389,214	312,336
Income taxes	101,822	89,099
Financial income/(expenses), net	66,972	35,891
Non-recurring operating expenses	9,638	48,923
Non-cash charges from PPA inventory uplift	58,947	49,811
Adjusted operating income	**626,593**	**536,060**
Amortization and write-downs	143,038	136,690
EBITDA[1]	**769,631**	**672,750**

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

The breakdown of EBITDA[1] by business segment is reported below.

€ (thousands)	2023	2022	Changes 2023/2022	%
Specialty & Primary Care segment	467,272	417,733	49,539	11.9
Rare diseases segment	302.359	255,017	47,342	18.6
Total EBITDA[1]	**769,631**	**672,750**	**96,881**	**14.4**

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

The ratio of EBITDA[1] to revenue for the Specialty & Primary Care segment was 34.2% of EBITDA, and 42.3% for the Rare Diseases segment.

Net financial expenses amounted to € 67.0 million, up by € 31.1 million compared to the previous year. The subscription of new loans in 2022 and 2023, together with the global increase of interest rates, led to higher interest expenses for € 41.2 million, while net exchange gains of € 2.2 million were recorded in the year compared to net exchange losses of € 5.8 million in 2022. The monetary effects deriving from the application of accounting standards associated with hyperinflation in Türkiye in 2023 and 2022 were positive for € 1.5 million and € 4.5 million, respectively.

Income taxes amounted to € 101.8 million, up by € 14.3 million compared to the previous year.

Net income was € 389.2 million, up 24.6% over 2022, at 18.7% of revenue, with increase reflecting strong operating performance and the lower non-recurring expenses.

Adjusted net income was € 524.6 million, up by 10.8% at 25.2% of revenue, and excludes amortization and the write-down of intangible assets (except software) and goodwill for € 112.2 million, charges from non-recurring items of € 9.6 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory of € 58.9 million, and net monetary gains from hyperinflation of € 1.5 million (IAS 29), net of tax effects. In 2023 a non-recurring tax income was recognized in relation to the treatment of hyperinflation in Türkiye, following the release of deferred tax liabilities, for an amount of € 2.7 million, excluded for the determination of the adjusted net income.

The reconciliation of net income with adjusted net income is reported below.

€ (thousands)	2023	2022
Net income	389,214	312,336
Amortisation and write-downs of intangible assets (excluding software) and goodwill	112,227	107,415
Tax effect	(24,341)	(20,209)
Non-recurring operating expenses	9,638	48,923
Tax effect	(2,433)	(12,984)
Non-cash charges from PPA inventory uplift	58,947	49,811
Tax effect	(14,749)	(9,781)
Monetary net (gains)/ losses from hyperinflation	(1,546)	(4,506)
Tax effect	371	2,301
Non-recurring tax income	(2,737)	0
Adjusted net income[1]	**524,591**	**473,306**

(1) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and net gains/losses from hyperinflation (IAS 29), net of tax effects.

NET FINANCIAL POSITION

The net financial position at 31 December 2023 recorded net debt of € 1,579.4 million, or 1.96x EBITDA pro-forma[1], compared to net debt of € 1,419.9 million at 31 December 2022, as detailed in the following table:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022	%
Cash and cash equivalents	221,812	284,734	(62,922)	(22.1)
Short-term debts to banks and other lenders	(99,932)	(83,425)	(16,507)	19.8
Loans - due within one year[(1)]	(343,448)	(279,810)	(63,638)	22.7
Leasing liabilities - due within one year	(10,249)	(9,237)	(1,012)	11.0
Short-term financial position	(231,817)	(87,738)	(144,079)	n.s.
Loans - due after one year[(1)]	(1,319,970)	(1,310,600)	(9,370)	0.7
Leasing liabilities – due after one year	(27,637)	(21,571)	(6,066)	28.1
Net financial position	**(1,579,424)**	**(1,419,909)**	**(159,515)**	**11.2**

(1) Includes the fair value measurement of the relative currency risk hedging instruments (cash flow hedge).

Trademarks Avodart® and Combodart® / Duodart® are owned by or licensed to the GSK group of companies. Transition to Recordati of commercialization of Avodart® and Combodart® / Duodart® has been enacted in the following markets: Austria, Belgium, Czech R, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, The Netherlands and UK.

In the third quarter, an upfront payment of € 245.0 million was made for the new licence and distribution agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/ Duodart® (dutasteride/tamsulosin) and € 70.0 million was paid to Tolmar International Ltd after approval of the variation for the new device to administer Eligard®; in addition to this, USD 20 million of residual Isturisa® milestones to Novartis and dividends for € 245.9 million to shareholders were paid in the year.
Free cash flow, operating cash flow excluding financing items, milestones, dividends, and purchases of treasury shares net of proceeds from the exercise of stock options was € 456.0 million, above the same period of last year (up by € 17.0 million), absorbing increase in working capital, driven by higher revenue, and higher cash interest expense.

In April, the parent company finalized a loan with Cassa Depositi e Prestiti for € 50.0 million. The terms of the loan provide for a variable interest rate at the six-month Euribor (with a zero floor) plus a fixed spread and a ten-year term with semi-annual repayment of the principal starting October 2025, with the final instalment in April 2033.

Additionally, in May, the parent company finalized two loans for a total amount of € 400.0 million with a pool of domestic and international lenders. The terms of both loans provide for a variable interest rate at the six-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a five-year term with semi-annual repayment of the principal with final instalment in May 2028. The loan for € 300.0 million has already been drawn down, while that for € 100.0 million consists in a Capex line to support specific investments and is available for use for a 18-month period. The loan provides for ESG-linked parameters starting from 2024 which, if respected, will allow a reduction in the interest rate applied, or an increase if they are not reached.

1 *Pro-forma, assuming contribution of Avodart® and Combodart®/Duodart® for twelve months.*

Net working capital for operations at 31 December 2023 was € 443.0 million and is broken down as follows:

€ (thousands)	31.12.2023	% of revenue	31.12.2022	% of revenue	Changes 2023/2022	%
Trade receivables	445,193	21.4	361,898	19.5	83,295	23.0
Inventories	404,831	19.4	424,080	22.9	(19,249)	(4.5)
Other current assets	119,325	5.7	79,302	4.3	40,023	50,5
Current assets	**969,349**	**46.6**	**865,280**	**46.7**	**104,069**	**12.0**
Trade payables	262,979	12.6	224,703	12.1	38,276	17.0
Tax liabilities	67,110	3.2	33,615	1.8	33,495	99.6
Other current liabilities	196,310	9.4	273,085	14.7	(76,775)	(28.1)
Current liabilities	**526,399**	**25.3**	**531,403**	**28.7**	**(5,004)**	**(0.9)**
Net working capital for operations	**442,950**	**21.3**	**333,877**	**18.0**	**109,073**	**32.7**
Trade receivables:						
Days of exposure	66		63			
Inventories as % of cost of sales	61.4%*		74.8%			

Details and comments relative to the different components are available in the Notes to the consolidated financial statements.

* Inventories include € 33.6 million, compared to the original revaluation amount of € 141.9 million associated with the treatment established under IFRS 3 for EUSA Pharma acquired inventory. Net of this amount and the € 58.9 million recognised in the 2023 income statement, the impact of inventories on the cost of sales is 61.8% (or around 222 days).

RECONCILIATION BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET INCOME AND GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME

The reconciliation between the Parent Company's shareholders' equity and net income and the group consolidated shareholders' equity and net income is as follows:

€ (thousands)	Shareholders' equity		Net income	
	31.12.2023	31.12.2022	2023	2022
Recordati S.p.A.	352,782	362,988	224,017	219,233
Consolidation adjustments:				
- Elimination margins in inventories	(78,677)	(84,561)	5,884	(11,893)
- Related tax effect	22,614	24,120	(1,506)	3,675
- Other adjustments	(32,082)	(24,974)	(6,004)	(5,494)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	1,321,387	1,201,902	-	-
Net income for consolidated companies, net of amounts already recognized by Recordati S.p.A.	365,068	271,791	365,068	271,791
Dividends received from consolidated subsidiaries	-	-	(198,245)	(164,976)
Write-down of holdings in subsidiaries	-	-	0	0
Translation adjustments	(264,700)	(205,018)	-	-
Consolidated financial statements	**1,686,392**	**1,546,248**	**389,214**	**312,336**

RELATED-PARTY TRANSACTIONS

The Group's parent company is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

At 31 December 2023, the parent company held 3,119,044 in treasury shares equivalent to 1.49% of its share capital, with a nominal value of € 0.125 each.

To the Group's knowledge, any transactions and contracts that have been entered into with related parties have been done on an arm's length basis and at market conditions as well as in the ordinary course of business, and are not deemed to in any way materially affect the Company's financial position or results.

In compliance with the requirements of Art. 4, paragraph 7 of the Italian Regulations on operations with related parties adopted with CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments, as well as Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Parent Company states that it has adopted the "Procedure governing transactions with related parties", available on the Company's website www.recordati.com (in the "Corporate Governance" section). For further information regarding corporate governance, please refer to the Corporate Governance and Proprietary Assets Report, prepared in compliance with Art. 123 *bis* of the Consolidated Law on Finance, approved by the Board of Directors together with the Annual Report. Information regarding paragraphs 1 and 2 of Art. 123 *bis* of Italian Legislative Decree 58/1998 can be found in the "Corporate Governance and Proprietary Assets Report" available, in its entirety on the Parent Company's website www.recordati.com (in the "Corporate Governance" section).

SUBSIDIARIES OUTSIDE THE EUROPEAN UNION

Pursuant to Articles 15 (ex 36) and 18 (ex 39) of the Financial Markets Regulation (as amended by CONSOB with Resolution no. 20249 of 28 December 2018) concerning the conditions for listing companies established and regulated under the laws of countries outside the European Union with significant relevance and for the purposes of the consolidated financial statements, we note that, at 31 December 2023, the provisions of Art. 15 (ex 36) of the Financial Markets Regulation apply to the subsidiaries Recordati Ilaç, Recordati Rare Diseases Inc., Rusfic LLC. Recordati AG and EUSA Pharma (UK) Ltd., and that the conditions indicated in the above-mentioned Art. 15 (ex 36) regarding the administrative body's certification have been met.

SIGNIFICANT TRANSACTIONS, DISCLOSURE REQUIREMENTS DEROGATION

With effect from 20 December 2012, the Parent Company has decided to avail itself of the right to derogate from the requirements of disclosing the information documents prescribed in the event of significant transactions involving mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals, pursuant to Article 70, paragraph 8 and Article 71, paragraph 1-bis of the Issuers Regulation issued by CONSOB with Resolution 11971/1999 and subsequent amendments.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2023, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

MAIN RISK AND UNCERTAINTIES

The identification, valuation and management of company risk is based on an Enterprise Risk Management (ERM) approach, a structured risk management process, in line with international best practice prescriptions on the subject and in accordance with the main requisites of current rules and regulations. The criteria applied by the Group is that of evaluating its risks in terms of their occurrence probability and impact. When evaluating the impact of the risks on the Group, a number of dimensions, not only of economic or market related nature, but also of a reputational nature, are taken into consideration. The level of risk is determined taking into account the mitigation actions that the Group has implemented to protect against each risk. These mainly structural actions are consolidated in the company's organisation and management (organisations, management models, control systems, procedures, etc.) or by new projects implemented to strengthen existing safeguards. Therefore, the Group's risk rating is determined not on the basis of inherent risk, but residual risk, i.e. including mitigating actions.

With the creation of a catalogue of company risks, which is subject to constant review, even on more than one occasion during the year (during important times for the Group, such as M&A projects or the approval of the Business Plan), the objective of the Group is to classify the potential risks to which it is exposed, which could be both of an exogenous (e.g. evolution of the rules and regulations framework, competitive pressure, etc.) or of an endogenous kind connected with the management of the various company processes (pharmacovigilance, production process, patent expiry, launch of new products, etc.). Among the risks considered, are non-financial risks referred to in Italian Legislative Decree 254/2016. These relate to risks connected with environmental and health and safety management (damage caused by weather events and accidents, HSE - Health and Safety Executive related risks, industrial accidents), with workers' rights and supply chain subjects (size of the organizational structure, loss of key resources, inadequate selection of suppliers and commercial partners, interruption of critical supplies) as well as with compliance (compliance with international quality standards, compliance with anti-corruption rules and specifically rules regulating medical information and the relationship with the medical community, anti-money laundering or export control regulations and international economic sanctions). In particular, the latter risks of a non-financial nature were analyzed by the Group and classified as involving low to medium risk, always in terms of residual risk, evaluated taking into account the probability of occurrence of a risky event and the impact of the event if it should occur.

Risults

The principal risk factors to which the Group is exposed are associated with the following macro-categories:

- Risks associated with the external context
- Risks associated with strategy and operations
- Financial risks
- Legal and compliance risks

For each risk, the strategies and management policies are described for effective and concrete protection and the consequent mitigation of the risk.

RISKS ASSOCIATED WITH THE EXTERNAL CONTEXT

Risks associated with changes in legislation and regulations governing the pharmaceutical sector

The Group operates around the world in complex legal and regulatory environment. Any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings and lead to fines, damages, and other sanctions and remedies that may materially affect the business and operations as well as the Group's reputation.

Group sales consist predominantly of products subject to medical prescription which are reimbursed by national health care services or other medical insurance schemes which are, however, primarily of a public nature. While on the one hand this situation protects the Group from general economic trends, on the other it exposes it to changes in local legislation governing public spending on health care. For many years the Group has pursued a policy of diversifying and expanding its sales in several geographical markets and in products not reimbursed by public health care schemes in order to mitigate dependency on decisions by single national governments to control spending on pharmaceuticals.

The pharmaceuticals sector is also characterised by the presence of national and international technical standards which regulate pharmaceutical research and development, production and promotion. The Group implements a policy to constantly monitor changes in regulations on all the markets where it operates, with dedicated organisational units in the Parent Company and in subsidiaries to implement efficient coordination mechanisms and information flows designed to identify and rapidly adopt the most appropriate response strategies.

Country risk, risks associated with business expansion into emerging markets

The Group is also exposed to country risk, a series of risks that are associated with the country where it operates and which may impact the affordability of the operations. Country risk can be defined as the set of risks arising when an investment is made in a foreign country, mainly attributable to the political, economic and social differences, instability, major hostilities or acts of terrorism. In other words, country risk has a multi-dimensional nature and concerns all sources of potential difficulty that would not arise while operating in the domestic market.

The policies pursued by the Group include the expansion of operations in countries with the highest potential for development and the strongest growth rates (for example Central and Eastern Europe, the Middle East and North Africa). Operations in those countries could present risks associated with political, economic, currency, regulatory and fiscal instabilities or discontinuities. Recordati carefully assesses all growth opportunities in all geographies in order to mitigate exposure to these uncertainties and where possible it prefers to acquire local companies with a smaller outlay of capital, rather than other companies that are more exposed to country risk. Furthermore, the export of medicinal products by the Group to

countries subject to economic and trade sanction programs by various international authorities are marginal and are, in any case, allowed and in line with such programs. In this regard, in order to mitigate the risk of commercial and economic sanctions, the Group continues to refine the Export Management and Control model adopted several years ago.

The Company's risks also include geopolitical risk, the risk arising from foreign political actions that a country implements to influence, disrupt or threaten the dynamics of internal politics, the economy and the social policy of another country or another region.

Also, in relation to geopolitical risk, the Company follows the developments of the conflict in the Gaza Strip (although not having a direct presence and relevant exports in the affected territories) considering the possible impacts in the business activity in particular with delays in the supply chain.

For the aforesaid risk profiles, the evaluations and monitoring are entrusted to top management, with support from all Corporate Departments. From an operational and organizational point of view, company-level monitoring is carried out by the two Business Units, Specialty & Primary Care and Rare Diseases, and local monitoring is performed by the Regional Directors responsible for the overall supervision of the subsidiaries and the coordination of the relative strategic activities in accordance with the Group's corporate structures.

Conflict in Ukraine

In relation to this conflict and related risks and related risks front, during 2023 the Group continued to monitor the implications of the conflict between Russia and Ukraine, countries in which the Company operates directly through subsidiaries.

As regards the Ukrainian subsidiary, from the early stages of the conflict, the Group set up a Crisis Committee to coordinate the actions necessary to manage the emergency and the safety of its Ukrainian employees, also by activating local resources, internal and external, present and available in neighboring countries where other Group subsidiaries are present (Poland, Romania). Assistance and protection were provided to Ukrainian colleagues both during the most critical phases of the conflict and afterwards, providing them with shelter, economic aid and compensation for damages suffered as a result of the conflict and guaranteeing, as far as possible, the availability of pharmaceutical products to the Ukrainian population.

With regard to the business continuity of the Russian subsidiary, which operates as a sales and distribution company with no manufacturing facilities, the Company continues to give priority to the needs of patients in the country and is focused on providing continuity of their care, implementing all necessary measures to ensure the availability of medicines in full compliance with applicable laws and regulations.

From the point of view of international sanctions, so far export and import restrictions exclude products mainly intended for consumption and products from the health, pharmaceutical, food and agricultural sectors.

At the moment we have experienced no meaningful disruption to operations in either Russia or Ukraine and will continue to monitor the evolving situation to ensure business continuity managing the multiple implications of the conflict. Particular attention is given to monitoring the applicable sanctions regimes and implementing all necessary measures to ensure that business activities take place in full compliance with these regimes and local legislation.

Risks associated with market competition

The Group, like any company operating in the pharmaceuticals sector, is subject to competition from products which may have an impact on the market share of the Group's Products. This competitive pressure derives from new pharmaceuticals launched by competitors in the same therapeutic classes in which the Group is present and also from generic versions of pharmaceuticals being marketed once patents expire.

While the Group monitors the market continuously to detect the introduction of competing pharmaceuticals, it also manages this risk by pursuing a policy to progressively diversify and broaden the range of its product portfolio, in order to reduce dependency on a small number of strategic pharmaceuticals and increase the presence in the product portfolio of the Group's products and treatments.

Environmental risks

Climate change, and evolving laws, regulations and policies regarding climate change, is one of the external environmental risks that may have a potentially increasing impact on business activities.

The Group has included Climate Change risk in its Risk Catalogue.

Natural disasters and extreme weather events resulting from climate change, such as for example floods, heatwaves, blizzards, hurricanes, wildfires, could impact the business activities and the ability to deliver the Group's products to customers. Another risk related to climate change concerns regulatory framework changes in view of the transition to a decarbonised economic system, with potential effects on existing plant technology, compliance costs, etc.

The Group, in coordination with the ESG Manager, has implemented measures to contain these risks.
Specifically:

- by monitoring ongoing changes in the relevant laws, regulations and standards;
- by defining environmental objectives within the Group's sustainability strategy (e.g. renewable energy purchasing, installation of renewable energy power capacity, implementing projects to increase energy efficiency, etc.).

The Group has also adjusted its All Risk Property insurance policies to cover the risks of direct damage (damage to buildings, machinery and goods) and indirect damage (loss of earnings from accidents) in order to hedge any losses arising from potential shut-downs or damage to the production cycle.

Risks caused by catastrophic events (biological events, epidemics and pandemics, etc.)

The Group continues to monitor potential risks arising from biological events, potential new pandemics or diseases (such as COVID), with impacts on business activities (from research and

development, with delays to patient enrolment during clinical trials, to production activities with the restructuring of shifts and production processes, to medical and scientific data, where relations with the medical community have been profoundly remodeled, and to office work with the extensive use of remote working).

In this context, the Recordati Group has defined and maintains dedicated operating plans aimed at delivering business continuity while ensuring the safety of the people involved (employees, clients, suppliers and other stakeholders)."

RISKS ASSOCIATED WITH STRATEGY AND OPERATIONS

Risks associated with the internationalization of the Group

The Group currently operates in a growing number of countries and is therefore subject to risks arising from the complexity of conducting operations in delocalized areas.

In order to address this situation, the Group has put a management system in place with central units which integrate, monitor and coordinate the operations of local units, with operational and marketing powers conferred to be exercised in compliance with guidelines and within limits indicated by the Group. Group policies and procedures have been formalized which provide corporate guidelines for the management of the main company processes which must be complied with by all subsidiaries.

Risks associated with the expiry of patents

Pharmaceutical companies make large investments in research and development and in return, enjoy a high degree of protection on their intellectual property, in particular, on their granted patents. Third parties may challenge these patent rights held by a company or may develop non-infringing products. These third parties may elect to sell a product even though patent litigation is still pending, either before any court decision is rendered or while an appeal of a lower court decision is pending.

The outcome of such patent litigation could, in certain cases, materially adversely affect the business. Therefore, the invalidity or expiry of patents covering important pharmaceuticals in product portfolios and the consequent introduction onto the market of generic versions exposes companies to reductions in revenues which can be significant. In order to counter the reduction in revenues as a result of competition from generic pharmaceuticals, the Group is pursuing a diversification strategy based on the reinforcement of its pipeline, the launch of new products in the therapeutic areas of major interest and the expansion of its operations onto new markets with high growth rates.

Risks associated with investments in research and development

The competitive positioning of the Group depends on the continuous development of its product portfolio through the research and development of new molecules and pharmaceutical products in which it invests a substantial part of its resources.

Given the complexity, length of time involved and the intrinsic nature of these initiatives, it is not possible to be certain that investments in research and development will always produce the expected results, because the research conducted may fail or the necessary authorizations to market products may not be obtained or the pricing and reimbursement conditions may not be satisfactory.

In order to mitigate exposure to these risks, the Group constantly monitors the intermediate results generated at the various stages of the research and development process, in order to select and move forward only on the most reliable initiatives that have the highest probability of an economic return and success.

To effectively address the global trend geared toward reducing prices, reimbursement conditions, and the resulting risk of inadequate profitability of products approved and launched on the market, the Company introduced Health Technology Assessments during the clinical development phase also to effectively support the negotiations with the relevant authorities regarding reimbursement conditions for the products.

Finally, the costs for investments in research and development are fully expensed on a prudential basis in the accounting period when they are incurred.

Risks associated with the launch of new products

A risk exists in the pharmaceuticals sector that delays in the development process, or in the issue of the necessary authorizations by regulatory authorities, may result in product launches occurring behind schedule with a consequent possible impact on the expected profitability of the product and/or delay in the achievement of growth targets.

In order to mitigate that risk Recordati pursues two policy lines. One is to broaden and balance its pipeline of products, implemented by acquiring pharmaceuticals that are already registered or are about to be registered, or of new products at different stages of development. The other is to pursue a plan of geographical diversification designed to limit dependence on the regulatory authorities of a single country and clustering/strengthening of therapeutic areas and on the basis of foreseeable developments in the guidelines of health authorities, including with regard to market access aspects.

Risks associated with pharmacovigilance

The Group, as a holder of drug marketing authorizations, must comply with regulations on pharmacovigilance. These regulations require that holders of marketing authorizations submit to the regulatory bodies information regarding drug safety, within the time limits and in the manner established by these, with particular regard to adverse reactions. The ascertainment of serious adverse drug reactions can expose the Group to the risk of restrictions being placed on the prescription of a drug, and in the most significant cases, authorization to market the product can be revoked.

In order to efficiently handle this risk and to comply with national regulations in the countries where the Group operates, Recordati has assigned specific pharmacovigilance responsibilities within its organizations and has put integrated systems in place to collect, assess, manage and submit the information required to the competent authorities.

Following the introduction of even more stringent regulatory requirements internal organizations, instruments, training, procedures are constantly reinforced. Coordination with subsidiaries and partners has improved and includes centralized evaluation of all information relating to pharmacovigilance.

Risks associated with the production process

The Group has production plants which produce intermediate products, active ingredients and finished pharmaceutical products. The risks connected with these activities are of a diverse nature and could result in the interruption of production, damage to the plant, delays in the production cycle or risks linked to the refusal of regulatory authorizations. As a protection against these risks, first of all, production activities are carried out in strict compliance with internationally established Good Manufacturing Practices (GMPs) implemented through Standard Operating Procedures applicable to the pharmaceutical sector and are submitted to monitoring and inspection by the relevant national and international authorities.

The Group's production sites are provided with adequate structures and qualified personnel, in accordance with the requirements of the sector's standards, to ensure that the production of medicinal specialties and active ingredients is carried out in compliance with good manufacturing practice (GMP) and with specific internal procedures and rules in force.

In particular, the Group's main production site in Campoverde di Aprilia (Italy) regularly passes successfully inspections carried out by the Food and Drug Administration (FDA) and other national and international authorities.

Risks associated with the interruption of the production process

Production is by its nature exposed to potential risks of interruption which, if they were to have significant or long-lasting effects – caused for example by natural disasters, fires, the revocation of production permits and licenses, malfunctioning of plant and equipment, interruptions in the supply of important raw materials or energy – could have adverse consequences on the continuity and regularity of sales.

The Group has defined a new industrial plan to maximize efficiency, with a clear strategy of insourcing and second source programs. To support the implementation of the business plan, a new organization has been defined to ensure greater focus and dedicated resources, in the continuous search for value, synergies, efficiency, risk reduction and simplification.

In order to mitigate the effects of long-lasting interruptions in production processes, the Group has an effective asset protection policy in place (through precise plant maintenance plans and adequate systems to automatically detect and put out fires) and has production plants with adequate capacity and flexibility to handle changed planning requirements.

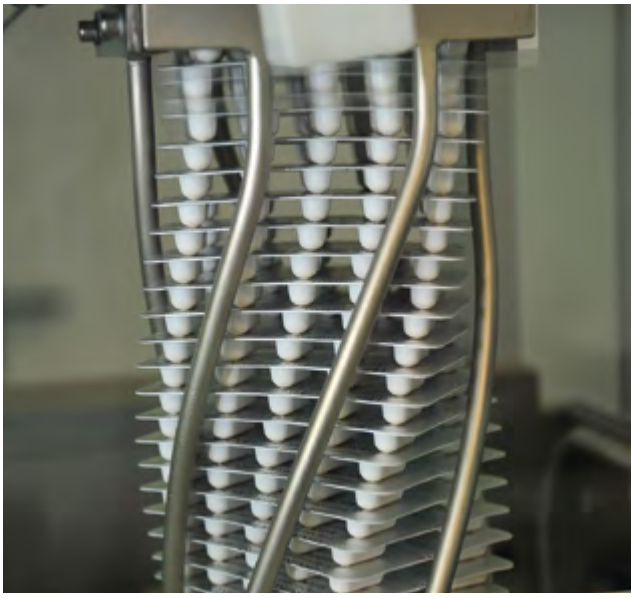
Furthermore, the Group uses only reliable suppliers, approved as complying with the relevant technical standards. It also constantly monitors the availability of raw materials and strategic excipients, in order to promptly identify potential local or worldwide "out-of-stock" situations and to take the necessary action (supply and/or production backups) to guarantee production autonomy. In addition, the company has reinforced its organization within the Procurement, Supply Chain and Contract manufacturing areas with the presence of dedicated professional staff.

Furthermore, in order to reduce losses resulting from potential interruptions or damage to production cycles, the Group has taken out "All risk property" insurance policies which cover direct damages (such as damages to buildings, machines and goods) as well as indirect damages (such as a loss in profit as a consequence of accidents).

In order to effectively and efficiently prevent, mitigate and manage the risks associated with the COVID-19 emergency, a series of measures has been implemented to ensure business continuity and employee safety, in accordance with legislative requirements, guidelines and Best Practices.

Risks associated with health, safety and the environment

The Group is subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where it manufactures and sells products or otherwise operate its business. These requirements include regulation of the handling, manufacture, transportation, storage, use and disposal of materials, including the discharge of pollutants and pharmaceutical residues into the environment. If the Groups fails to comply with these laws and regulations, it may be subject to enforcement proceedings including fines and penalties. To ensure the correct application of these rules



and regulations, the Group has in place organizational units specifically dedicated to prevention, verification and continuous monitoring as regards compliance with the structural technical standards (related to equipment, plant, the workplace, chemical, physical and biological agents) in addition to activities regarding health surveillance, security vigilance, workers training and information and the procurement of the documents and certificates required by law. In particular, the environmental management system of the Group's main production plant, located at Campoverde di Aprilia, obtained, and have maintained since 2003, a certification of compliance with the ISO 14001 standard issued by the accredited international body DNV (Det Norske Veritas, Italy). Opalia Pharma's production plant in Tunisia also obtained ISO 14001 (environment) and ISO 45001 (management of Health and Safety in the workplace) certification. Finally, it should be noted that in December 2023, the Turkish Çerkezköy plant obtained ISO 50001 certification for its energy management system.

The Company's control and governing bodies are periodically informed by the responsible functions of any accidents that occurred and the activities undertaken to mitigate such accidents.

Risks associated with the management of information technology resources and data security

The Group relies extensively on information technology systems in order to conduct business, including some systems that are managed by third-party service providers. These systems include programs and processes relating to internal and external communications, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, and complying with regulatory, legal or tax requirements. These information technology systems could be damaged or cease to function properly due to the poor performance or failure of third-party service providers, catastrophic events, power outages, network outages, failed upgrades or other similar events. If the Group's business continuity plans do not effectively resolve such issues on a timely basis, it may suffer significant interruptions in conducting its business, which may adversely impact its business, financial condition and results of operations.
In the global scenario, cyber attacks continue to increase, and ransomware attacks in particular are becoming more sophisticated and targeted.

In order to guarantee effective operational continuity, the Group has implemented a disaster recovery and business continuity system which ensures the immediate replication of the principal legacy systems' workstations.
Furthermore, the active safety of the company's data and software is guaranteed by multiple protection levels of a physical and logical nature, at both server and client level.
The risk catalogue includes and monitors the risk of cyber attacks and cyber fraud. To combat this risk the Group has already introduced technological and organisational control measures.
The Company subjects its infrastructure to continuous VAPT (Vulnerability Assessment and Penetration Test) analysis and to additional IT security audits undertaken by independent technicians. The outcome of this analysis has always shown the Company's information systems to be adequately protected.
Instead, as regards fraud through the use of information technology resources by external individuals, the Company continues to provide training and information for employees in order to create awareness on the correct use of the resources and applications assigned to their use.
Security events are managed according to a dedicated Cyber Security Incident Management policy.
The Company also commissioned a leading IT consultancy firm to conduct an assessment of the security of remote connections; the report found the protection to be adequate according to international standards.

FINANCIAL RISKS

Credit Risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations. This risk is higher during long lasting periods of economic and financial hardship and as a result of exposure to geographical areas with specific dynamics and peculiarities (for example Russia and Tunisia). The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

Interest Rate Risk

The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns on debt and investment instruments therefore affecting the Group's net financial expenses.

The significant expansion of the Group into countries with different economic dynamics from the Euro (for example Turkey, Russia and Tunisia) leads to an increase in risk.

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing medium/long-term fixed interest loans or variable interest loans. Variable interest loans are covered with derivative financial instruments (for example interest rate swaps) for the sole purpose of minimizing such fluctuations and are not for speculation.

This hedging policy limits the Group's exposure to the risk of fluctuations in interest rates.

Foreign Currency Risk

The Group operates in an international context and is affected by assets and transactions denominated in foreign currency other than euro. It is therefore exposed to risks of foreign currency fluctuations which can affect its operating results and the value of its equity. The diversification strategy enacted by the Group results in a progressive higher exposure to trade transactions in foreign currency with respect to the Group's business volume. Many of the Recordati Group companies are exposed to a limited level of exchange risk linked to operations because in each country most of cash flows generated both by sales and by expenses are denominated in the currency of the relative country. For the sole purpose of hedging and not for speculation, the Group engages in forward contracts for the purchase and sale of currencies to cover amounts at risk.

Liquidity Risk

The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its

industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions.

The Group has at its disposal readily available liquidity for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions.

The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 21 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

LEGAL AND COMPLIANCE RISKS

Risks associated with product liability

Despite rigorous compliance with standards and regulations, like any company operating in the pharmaceuticals sector, the Group could be exposed to risks of claims for injuries allegedly resulting from the use of the Group's products. As the Group's portfolio of available products expands, particularly with new innovative medicines, the Group may experience increases in product liability claims asserted against the Group. In order to meet those potential liabilities, the Group has taken out insurance policies to cover all the products marketed and under development. The maximum liability limits are considered adequate and are constantly monitored with the help of analyses and market research conducted by leading insurance brokers.

Risks associated with compliance

Every activity performed by the Group throughout the product's entire lifecycle, from research and development to production and to the provision of scientific information, carries an inherent non-compliance risk. To mitigate these non-compliance risks, the Group has implemented an internal control system that encompasses a series of procedures and structured, organic organizations. This system aims to minimize the risk of non-compliance with laws and regulations, ensure accurate and transparent market information, and prevent or limit the consequences of unforeseen outcomes while focusing on achieving the Company's objectives.

The structural aspects of internal control and risk management comprise: the Code of Ethics, that defines the Group's core values and principles, as well as the behavioral rules in respect of said principles; the Group's procedures and the corresponding system for the delegation of powers, based on general and special powers of attorney and internal delegations; the Information systems supporting administration and production activities as well as the accounting and financial processes.

Regarding the risk of corruption, the Group has implemented dedicated Anti-Corruption program, which includes an Anti-bribery Manual, a dedicated training program and specific procedures aimed at mitigating this kind of risk.

All operating and marketing activities performed by the Group, both in Italy and abroad, are performed in compliance with the legislation and regulations that apply in the geographical areas in which it operates, including national and international technical standards that apply to the pharmaceuticals sector which regulate pharmaceutical research and development, production, distribution, and promotion.

Regarding the regulation of drug promotion activities, the Group has formulated a set of ethical rules of conduct. All Group personnel are continuously informed of those rules and monitoring, both internally and by independent certifiers, is performed constantly to ensure that they are properly observed.

In compliance with Legislative Decree 231/2001 on the administrative liability of legal entities, the Italian companies in the Group have an "Organisation, Management and Control Model" that is continuously updated to comply with the latest amendments to the relevant legislation. Analogous models have been adopted by other foreign subsidiaries in compliance with local regulations, such as the Ley Organica in Spain.

Regarding anti-terrorism, the Group has implemented a Policy to monitor and handle transactions with counterparts residing in countries subject to sanctions or embargo.

The Group adheres to all applicable sanction programs. To achieve this, the Group undertakes continuous monitoring of the applicable sanction programs and implements specific controls described in a dedicated policy.

With regard to data privacy, the Group complies with the applicable legislations in the countries where it operates.

The Group has implemented a comprehensive training program for all its employees to ensure they have a thorough understanding of and can effectively implement the principles outlined in the Code of Ethics, the Anti-corruption program, and the Organization, Management, and Control Models.

Risks associated with legal action

The Group may become subject to administrative and civil proceedings and litigations which may be costly and develop over lengthy periods of time. These proceedings may lead to fines, damages and other sanctions and remedies that may materially affect the business and its operations. In these cases, the Group may be called upon to pay extraordinary costs with consequences for operating and financial results.

A detailed description of ongoing litigation is given in Notes 29 and 37 to the financial statements.

BUSINESS OUTLOOK

The strong momentum across the business is expected to continue and is reflected in the following financial targets for FY 2024:

- Net revenue between € 2,260 million and € 2,320 million
- EBITDA[1] between € 830 million and € 860 million; margin of +/- 37%
- Adjusted net income[2] between € 550 million and € 570 million; margin of +/- 24.5%

These objectives foresee net revenue and EBITDA[1] growth of approximately 10% with Adjusted net income[2] growth that absorbs the expected increase of tax rates across multiple OECD markets.

As previously announced the Group remains on track to deliver with the current portfolio revenue in excess of € 2.4 billion in FY 2025, sustaining an EBITDA[1] margin of +/-37%. Key elements of the Group strategy remain unchanged, combining organic growth with targeted M&A and Business Development, while investing to sustain growth and maintaining a solid financial position.

Milan, 19 March 2024

for the Board of Directors
Chief Executive Officer
Robert Koremans

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(2) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

CONSOLIDATED FINANCIAL STATEMENTS 2023

ANNUAL REPORT

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

INCOME STATEMENT

€ (thousands)[1]	Note	2023	2022
Net revenue	3	**2,082,331**	**1,853,307**
Cost of sales	4	(659,707)	(566,737)
Gross profit		**1,422,624**	**1,286,570**
Selling expenses	4	(472,857)	(462,665)
Research and development expenses	4	(255,747)	(220,102)
General and administrative expenses	4	(128,253)	(109,493)
Other income/(expenses), net	4	(7,759)	(56,984)
Operating income		**558,008**	**437,326**
Financial income/(expenses), net	5	(66,972)	(35,891)
Pre-tax income		**491,036**	**401,435**
Income taxes	6	(101,822)	(89,099)
Net income		**389,214**	**312,336**
Attributable to:			
Equity holders of the Parent		389,214	312,336
Non-controlling interests		0	0
Earnings per share (euro)			
Basic		1.893	1.519
Diluted		1.861	1.494

(1) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective years, 205,634,136 for 2023 and 205,582,127 for 2022.
These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,491,020 for 2023 and 3,543,029 for 2022.
Diluted earnings per share are calculated taking into account rights granted to employees.

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

ASSETS

€ (thousands)	Note	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment	7	178,657	159,184
Intangible assets	8	1,938,197	1,758,173
Goodwill	9	778,350	780,057
Other equity investments and securities	10	21,555	28,871
Other non-current assets	11	12,458	9,556
Deferred tax assets	12	76,674	76,895
Total non-current assets		**3,005,891**	**2,812,736**
Current assets			
Inventories	13	404,831	424,080
Trade receivables	14	445,193	361,898
Other receivables	15	99,401	63,915
Other current assets	16	19,924	15,387
Derivative instruments measured at fair value	17	11,079	23,603
Cash and cash equivalents	18	221,812	284,734
Total current assets		**1,202,240**	**1,173,617**
Non-current assets held for sale	19	0	12,470
Total assets		**4,208,131**	**3,998,823**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	31 December 2023	31 December 2022
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(127,970)	(149,559)
Reserve for derivative instruments		(286)	5,249
Translation reserve		(264,700)	(205,018)
Other reserves		61,219	62,260
Profits carried forward		1,636,451	1,524,099
Net income		389,214	312,336
Interim dividend		(117,396)	(112,979)
Shareholders' equity attributable to equity holders of the Parent	20	**1,686,392**	**1,546,248**
Shareholders' equity attributable to non-controlling interests	21	0	0
Total shareholders' equity		**1,686,392**	**1,546,248**
Non-current liabilities			
Loans - due after one year	22	1,353,216	1,341,549
Provisions for employee benefits	23	21,239	19,418
Deferred tax liabilities	24	144,208	167,865
Total non-current liabilities		**1,518,663**	**1,528,832**
Current liabilities			
Trade payables	25	263,979	224,703
Other payables	26	174,407	251,136
Tax liabilities	27	67,110	33,615
Other current liabilities	28	5,307	5,740
Provisions for risks and charges	29	16,596	16,209
Derivative instruments measured at fair value	30	19,993	17,369
Loans - due within one year	22	355,752	291,546
Short-term debts to banks and other lenders	31	99,932	83,425
Total current liabilities		**1,003,076**	**923,743**
Total shareholders' equity and liabilities		**4,208,131**	**3,998,823**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME RECOGNISED IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

€ (thousands)[1]	2023	2022
Net income	**389,214**	**312,336**
Gains/(losses) on cash flow hedges, net of tax effects	(5,535)	6,223
Gains/(losses) on translation of foreign financial statements	(59,682)	8,068
Gains/(losses) on equity-accounted investees, net of tax effects	(7,238)	(5,004)
Other changes, net of tax effects	(1,398)	1,263
Income and expenses recognized in shareholders' equity	**(73,853)**	**10,550**
Comprehensive income	**315,361**	**322,886**
Attributable to:		
Equity holders of the Parent	**315,361**	**322,886**
Non-controlling interests	**0**	**0**
Per-share data (euro)		
Basic	1.534	1.571
Diluted	1.508	1.544

(1) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective years, 205,634,136 for 2023 and 205,582,127 for 2022.
These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,491,020 for 2023 and 3,543,029 for 2022.
Diluted earnings per share are calculated taking into account rights granted to employees.

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
€ (thousands)	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	Total
Balance at 31.12.2021	**26,141**	**83,719**	**(126,981)**	**(974)**	**(213,086)**	**60,207**	**1,275,962**	**385,966**	**(109,329)**	**0**	**1,381,625**
Allocation of 2021 net income							385,966	(385,966)			0
Dividend distribution							(226,538)		109,329		(117,209)
Change in share-based payments						5,794	2,457				8,251
Purchase of treasury shares			(52,267)								(52,267)
Sale of treasury shares			29,689				(16,041)				13,648
Interim dividend									(112,979)		(112,979)
Other changes							102,293				102,293
Comprehensive income				6,223	8,068	(3,741)		312,336			322,886
Balance at 31.12.2022	**26,141**	**83,719**	**(149,559)**	**5,249**	**(205,018)**	**62,260**	**1,524,099**	**312,336**	**(112,979)**	**0**	**1,546,248**
Allocation of 2022 net income							312,336	(312,336)			0
Dividend distribution							(236,218)		112,979		(123,239)
Change in share-based payments						7,595	3,275				10,870
Purchase of treasury shares			(22,710)								(22,710)
Sale of treasury shares			44,299				(14,202)				30,097
Interim dividend									(117,396)		(117,396)
Other changes							47,161				47,161
Comprehensive income				(5,535)	(59,682)	(8,636)		389,214			315,361
Balance at 31.12.2023	**26,141**	**83,719**	**(127,970)**	**(286)**	**(264,700)**	**61,219**	**1,636,451**	**389,214**	**(117,396)**	**0**	**1,686,392**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

€ (thousands)	2023	2022
OPERATING ACTIVITIES		
Net income	389,214	312,336
Income taxes	101,822	89,101
Net interest	67,879	30,679
Depreciation of property, plant and equipment	28,875	27,289
Amortization of intangible assets	113,795	98,467
Write-downs	368	10,934
Equity-settled share-based payment transactions	10,870	8,251
Other non-monetary components	61,970	70,751
Change in other assets and other liabilities	(8,211)	(16,811)
Cash flow generated/(used) by operating activities before change in working capital	**766,582**	**630,997**
Change in:		
- inventories	(50,337)	(65,801)
- trade receivables	(100,565)	(21,175)
- trade payables	40,269	25,589
Change in working capital	**(110,633)**	**(61,387)**
Interest received	5,103	1,938
Interest paid	(70,339)	(20,093)
Income taxes paid	(105,394)	(89,764)
Cash flow generated/(used) by operating activities	**485,319**	**461,691**
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(29,687)	(23,887)
Disposals of property, plant and equipment	329	1,156
Investments in intangible assets	(353,577)	(72,452)
Disposals of intangible assets	317	1,318
Acquisition of holdings in subsidiaries	0	(673,259)
Sale of non-current assets held for sale	3,000	0
Cash flow generated/(used) by investment activities	**(379,618)**	**(767,124)**
FINANCING ACTIVITIES		
Opening of loans	347,611	1,356,970
Repayment of loans	(280,234)	(803,543)
Payment of lease liabilities	(10,172)	(10,225)
Change in short-term debts to banks and other lenders	12,452	67,296
Dividends paid	(245,958)	(230,602)
Purchase of treasury shares	(22,710)	(52,267)
Sale of treasury shares	30,097	13,648
Cash flow generated/(used) by financing activities	**(168,914)**	**341,277**
Change in cash and cash equivalents	**(63,213)**	**35,844**
Opening cash and cash equivalents	284,734	244,578
Currency translation effect	291	4,312
Closing cash and cash equivalents	**221,812**	**284,734**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The consolidated financial statements of the Recordati group for the year ended 31 December 2023 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters at Via Matteo Civitali no. 1, 20148 Milan, Italy, and was approved by the Board of Directors' on 19 March 2024, which authorized distribution to the public. The document is available at the registered office.

The consolidated financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the Italian regulations implementing article 9 of Italian Legislative Decree no. 38/2005. In order to better represent the Group's operations, the profit and loss accounts are classified by function, while they are classified by nature in the financial statements of the Parent. The distinction between current and non-current was adopted for the presentation of assets and liabilities in the balance sheet. In preparing the cash flow statement, the indirect method was used.

Details regarding the accounting standards adopted by the Group are specified in Note 2.

The consolidated financial statements at 31 December 2023 comprise those of the Parent Company and all its subsidiaries. The companies included in the consolidation scope, the consolidation method applied, their percentage of ownership and a description of their activity are set out in Note 40.

In 2023, the scope of consolidation changed following the reorganisation of the group presence in the US, Italy, France, Spain, Germany and Australia. The companies acquired in each country in 2022, as subsidiaries of EUSA Pharma (UK) Limited, were incorporated into Recordati Rare Diseases Inc., Recordati Rare Diseases Italy S.r.l., Recordati Rare Diseases S.à r.l., Recordati Rare Diseases Spain S.L. (Spain) and Recordati Rare Diseases GmbH (Germany), whereas EUSA Pharma (Australia) Pty Ltd was liquidated. In France, the reorganization also involved Recordati Orphan Drugs S.a.s., which merged into Recordati Rare Diseases S.à r.l.
Lastly, EUSA Pharma (Netherlands) B.V. has been renamed Recordati Netherlands B.V.

These financial statements are presented in euro (€), rounded to thousands of euro, except where indicated otherwise.

2. SUMMARY OF ACCOUNTING STANDARDS

The financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union and with the Italian regulations implementing Article 9 of Italian Legislative Decree no. 38/2005, in continuity with what was done for the consolidated financial statements at 31 December 2022, with the exception of the adoption of the new standards and amendments in force from 1 January 2023 described in the following paragraph "Application of new standards". The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

The financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues on the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next twelve months. Specifically, in making the estimates and assumptions related to the preparation of the consolidated financial statements, the impacts, including potential ones, deriving from the war in progress between Russia and Ukraine. The Group operates on the Russian market, in compliance with current regulations, with revenue in 2023 totalling 5.5% of the Group's total revenue, as well as on the Ukrainian market, with revenue in 2023 accounting for 0.7% of the total. The Group continues to monitor the conflict, as well as any geopolitical developments and related consequences on corporate strategies, to adopt mechanisms to protect its competitive position, investments, corporate performance, and resources. In light of the analysis done, also in consideration of the achievement of the expected results and the relevant sector, in preparing these financial statements, no effects were currently identified that could have a significant impact on the financial statement figures.

The financial statements for the consolidated companies, prepared by the Board of Directors or the Sole Director for submission to the respective Shareholders' Meetings, have been reclassified and adjusted as required in accordance with International Financial Reporting Standards. The criteria applied is consistent with that of the consolidated financial statements at 31 December 2022.

The financial statements have been prepared on the historical cost basis, except for the financial assets available for sale included under the line "Other equity investments and securities", derivative financial instruments (and the relative underlying hedged financial liability) for which their fair value has been applied as prescribed by IFRS 9 and defined benefit plans for which the actuarial valuation was carried out as prescribed by IAS 19.

Economies experiencing hyperinflation

The Group controls companies based in Türkiye, a country in which, following a long period of inflation rates under observation, has now reached a situation in which the presence of hyperinflation is the consensus, in line with the international accounting standards, starting in the first half of 2022. Türkiye has experienced significant devaluation of its currency and accelerated inflation, with high cumulative levels of consumer price indices. Based on the parameters mentioned above, as of 1 January 2022 the relevant standard IAS 29 has been applied, "Financial Reporting in Hyperinflationary Economies", the effects of which are seen in the Group's consolidated results at 31 December 2023.

In particular, in accordance with the standard, the restatement of balance sheet values as a whole requires application of specific procedures and an evaluation process.
For the income statement, all items were restated applying the change in the general level of prices in effect at the date on which the revenue and costs were initially recorded in the financial statements at the reporting date. For the purpose of converting the income statement thus restated into euro, the exact exchange rate at 31 December 2023 was applied consistently, in accordance with IAS 21 in the presence of hyperinflationary economies, instead of the average exchange rate for the period.
With regard to the balance sheet, the cash elements have not been restated, as they were already expressed in the unit of measurement as at the closing date of the period. Non-cash assets and liabilities were instead revalued from the date on which the assets and liabilities were initially recognised until the end of the period.

Application of new accounting principles

Below is a brief description of the new principles, interpretations and amendments with mandatory application as of 1 January 2023. Based on our assessments they have not had any significant effects on the consolidated Financial Statements to 31 December 2023:

- *Definition of Accounting Estimates – Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in estimates, changes in accounting standards and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide indications, for example, to help entities apply more useful materiality judgements to accounting policy reporting by replacing the obligation for entities to disclose their "material" accounting policies with the obligation to disclose their "significant" accounting policies and adding a guideline on how entities should apply the concept of materiality when making decisions about accounting policy reporting.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

The amendments to IAS 12 – Income Taxes restrict the scope of application of the initial recognition exemption so that it no longer applies to transactions for which deductible as well as taxable temporary differences arise, such as leases and decommissioning liabilities.

- *International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12*

The changes to IAS 12 were introduced in response to the OECD Pillar Two rules, and include:
  - a temporary mandatory exception to the recognition and financial reporting of deferred taxes, resulting from the jurisdictional enacting of the Pillar Two model rules; and
  - reporting obligations for the entities affected, to give readers a better understanding of the exposure to Pillar Two income taxes as a result of this regulation, particularly before its entry into force.

The Pillar Two legislation has been substantially adopted in some of the jurisdictions in which the Group operates. The rules will come into force for the financial year starting on 1 January 2024. As the Group is within the scope of application for Pillar Two, an evaluation is underway to assess the potential future impact resulting from the new rules, bearing in mind the changes introduced by IAS 12 "Income taxes", in this area.
This evaluation is based on the last available information, including the tax returns, the country reports and latest financial information for 2023 and the rules currently in place in the various countries in which the Group has a presence.
The early evaluations and best interpretation of the OECD guideline documents show that almost all the Group countries exceed the "transitional safe harbours" apart from Italy, Ireland, Switzerland and the United Arab Emirates, where a minimum tax would not in any case be "material" for each country.

The Group is continuing with the evaluation and expects to complete it by the end of the first half of 2024.

Use of estimates

The preparation of the financial statements by management requires estimates and assumptions to be made, based on management's best judgement, that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. If in the future these estimates and assumptions differ from the actual circumstances, they will be amended as appropriate when circumstances change.

The balance sheet accounts which require, more than others, a higher degree of subjectivity on the part of management when making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on financial data are hereunder briefly described.

- ***Goodwill:*** according to the accounting standards applied by the Group, goodwill is subject to annual impairment testing in order to ascertain whether a reduction in value has occurred. These tests require, on the part of management, subjective evaluations based on available information within the Group and from the market, as well as historical experience. They also depend on factors that could change over time, influencing the valuations and estimates made by management. Furthermore, when it has been determined that a potential reduction in value may have occurred, the Group proceeds to determine it by using the evaluation methods deemed to be most adequate.
- ***Provisions for risks:*** the identification of the existence or not of a current obligation (legal or implicit) is not easy to determine in some cases. Management evaluates these events on a case-by-case basis together with an estimate of the amount of financial resources required to comply with the obligation. When management considers that the generation of a liability is only possible, the risks are disclosed in the appropriate information section on risks and liabilities, and no accruals are made.
- ***Deferred tax assets:*** recording is supported by a recovery plan based on hypotheses and assumptions which management considers to be reasonable.
- ***Inventories:*** inventories which appear to be obsolete or slow-moving are periodically tested and written down if their recoverable value in less than their book value. Write-downs are based on assumptions and estimates which derive from experience and the historical results obtained.
- ***Financial instruments:*** trade receivables are reduced by their relative provision for bad debts in order to take into account their effective recoverable value. The determination of the amounts to be written down requires that management make subjective evaluations which take into account past events, current conditions and expectations of future economic conditions.
  In general, the methods for the calculation of the fair value of financial instruments, for accounting or disclosure purposes, are summarized below with regard to the main categories of financial instruments:
  - Derivative financial instruments: pricing models are adopted based on the market values of the interest rates;
  - Receivables and payables and unlisted financial assets: for financial instruments with maturity at more than 1 year, the discounted cash flow method was applied (discounting to the present the expected cash flows in consideration of the current interest rate conditions and creditworthiness) to determine the fair value on "first recognition". Further measurements are made based on the amortized cost method;
  - Listed financial instruments: the market value at the reporting date is used.

In relation to financial instruments measured at fair value, IFRS 13 requires the classification of these instruments according to the standard's hierarchy levels, which reflect the significance of the inputs used in establishing the fair value. The following levels are used:

- Level 1: unadjusted assets or liabilities subject to valuation on an active market;
- Level 2: inputs other than prices listed under the previous point, which are observable directly (prices) or indirectly (derivatives from the prices) on the market;
- Level 3: input which is not based on observable market data.

Basis of consolidation

The consolidated financial statements include those of the Parent Company and the enterprises controlled by it, directly or indirectly, prepared at 31 December each year. Control is attained when the Group is exposed or has the right to variable returns originating from its relationship with the investee and at the same time has the capacity to affect these returns by exerting its power over that entity. Specifically, the Group controls an investee if and only if the Group has:

- investment power over the entity (i.e. holds valid rights that give it the ability to actually manage business relevant to the investee entity);
- exposure or rights to variable returns originating from the relationship with the investee entity;
- the ability to exert power over the investee entity to affect the total returns.

Generally, it is presumed that having the majority of voting rights leads to control. In support of this assumption and when the Group does not hold the majority of voting (or similar) rights, the Group considers all the relevant facts and circumstances to establish whether it controls the investee entity, including:

- Contractual agreements with other voting rights holders;
- Rights originating from contractual agreements;
- The Group's voting rights and potential voting rights.

The Group reconsiders whether it has control of an investee or not if the facts and circumstances indicate that there have been changes in one or more of the three relevant factors which define control. Consolidation of a subsidiary begins when the Group gains control of it and ceases when the Group loses control. The assets, liabilities, revenue and costs of the subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group obtains control until the date the Group can no longer exert control over the company.

The financial statements of the subsidiaries are prepared according to the same accounting standards adopted by the Parent Company. Where necessary, consolidation adjustments are made to bring the accounting policies used in line with those used by the Company.

All intercompany transactions and balances between group enterprises, including unrealized gains, are eliminated on consolidation. Unrealized losses are also eliminated, unless they cannot be recovered later.

The consolidation is made with the full line-by-line method. The criteria adopted for the application of this method include, among others:

a. elimination of the book value of investments in consolidated companies against the related shareholders' equity and the assumption at the same time of all their assets and liabilities;

b. elimination of intercompany payables and receivables and transactions, as well as intercompany profits and losses not yet realized;

c. any excess of the cost of acquisition over the value of equity at the date of acquisition is recognized as goodwill;

d. non-controlling interests in the equity of consolidated subsidiaries are shown separately under equity, while non-controlling interests in the net income of these companies are shown separately in the consolidated income statement.

The financial statements of foreign subsidiaries expressed in currencies other than Euro are translated into Euro as follows:

- assets and liabilities, with the exception of shareholders' equity, at year-end exchange rates;
- shareholders' equity at historical exchange rates, for year of formation;
- income and expense items at the average exchange rates for the year;
- the goodwill resulting from the acquisition of a foreign company is recognized in the currency of the country in question and translated at year-end exchange rates.

Translation differences arising from this process are shown in the consolidated statement of comprehensive income.

Balance Sheet

Property, plant and equipment – Property, plant and equipment is sated at purchase cost less accumulated depreciation and any recognized impairment loss. Reviews are performed when events or situations occur which indicate that the carrying amount of the assets can no longer be recovered (see paragraph on impairment).

Depreciation is computed on a straight-line basis using rates which are held to be representative of the estimated useful life of the assets:

- Industrial buildings 2.5% - 5.5%
- Plant and machinery 10% - 17.5%
- Other equipment 12% - 40%

Gains or losses arising from the disposal or retirement of an asset are determined as the difference between the sales proceeds and the net carrying amount of the asset and are recognized in income.

Leasing – The Group applied IFRS 16, using the modified retrospective approach.

Accounting model for lessee – At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of its related stand-alone price. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In this case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis of those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted to reflect any changes deriving from remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interests rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

The payments due for the lease included in the measurements of the lease liability comprise:

- fixed payments (including substantially fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has been reduced to zero, the lessee recognises the change in the profit/loss for the year.

The Group presents right-of-use assets that do not meet the definition of investments property in "Property, plant and equipment" and lease liabilities in "Loans" in the balance sheet.

Short-term leases and leases of low value assets – The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets – An intangible asset is recognized in the accounts only if identifiable, likely to generate future economic benefits and its cost can be reliably determined. Intangible assets are recognized at purchase cost, net of amortization calculated on a straight line basis and on the basis of their estimated useful life which, however, cannot exceed 20 years. Patents, licenses and know-how are amortized as from the year of the first sale of relevant products. Amortization of distribution and license rights is calculated over the duration of the contract, using the following rates which are held to be representative of the estimated useful life of the assets.

- Industrial patent rights and marketing authorizations 5% - 33%
- Distribution licenses, trademarks and similar rights 5% - 25%.

Goodwill – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Transaction costs associated with a business combination are not considered acquisition costs, but are recognized as expenses in the year they are incurred. Goodwill is recognized as an asset and subjected annually to an impairment test in order to determine any loss of value. This test is performed with reference to a cash-generating unit, or CGU, to which goodwill is attributed and at the level at which it is monitored.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of remaining goodwill is included in the determination of the gain or loss on disposal.

Impairment – At each reporting date, or more frequently if necessary, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If these indications exist, the recoverable amount of these assets is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the context of determining estimated future cash flow, the Group takes into consideration risks associated with issues linked to climate change, including applicable regulations, assessing whether these may have a significant impact on estimates of the recoverable value and, when necessary, including the effects on cash flow forecasts for estimates of value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash- generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately. Losses resulting from the impairment of goodwill cannot be reversed.

Equity investments in associates – An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

Financial instruments
Recognition and measurement
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement
Financial assets
On initial recognition, a financial asset is classified on the basis of its measurement: amortized cost; fair value through other comprehensive income ("FVOCI") - debt security; (FVOCI) - equity security; or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified after their initial recognition, unless the Group changes its business model for management of financial assets. In this case, all the financial assets involved are reclassified on the first day of the year following the change in the business model.

A financial asset must be measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortized cost or at FVOCI, as indicated above, are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: subsequent measurement and gains and losses

- **Financial assets measured at FVTPL**
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the year.
- **Financial assets measured at amortized cost**
  These assets are subsequently measured at amortized cost in conformity with the effective interest criterion. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as are any gains or losses on derecognition.
- **Debt investments measured at FVOCI**
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- **Equity securities measured at FVOCI**
  These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL when it is held for trading, represents a derivative or is designated as such at the moment of initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost in using the effective interest criterion. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition
Financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the assets transferred are not derecognized.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group derecognizes a financial liability also in the case of a change in the related contractual terms and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized at fair value on the basis of the modified contractual terms.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivative instruments are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the cost of the non-financial item on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges
When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognized in other comprehensive income and presented in the translation reserve within equity. Any ineffective portion is recognized immediately in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Inventories – Inventories are stated at the lower of cost and net realizable value, where the market value of raw materials and subsidiaries is their substitution cost while that related to finished goods and work-in-process is their net realizable value. Inventories of raw materials, supplies and promotional material are valued at their average acquisition cost including costs incurred in bringing the inventories to their location and condition at year end. Inventories of work-in-process and finished goods are valued at their average manufacturing cost which includes the cost of raw materials, consumables, direct labour and indirect costs of production.

Inventories are written-down if market value is lower than cost as described above or in the case of obsolescence resulting from slow moving stocks.

Cash and cash equivalents – Cash in banks on demand and short-term highly liquid investments measured at market value.

Non-current assets classified as held for sale and discontinued operations – These consist of components of an entity, whose operations and cash flows can be distinguished operationally and for financial reporting purposes, which have either been disposed of or satisfy the criteria to be classified as held for sale. A non-current asset (or disposal group) classified as held for sale is measured at the lower of fair value less costs to sell it and its carrying amount. Non-current assets or disposal groups that are classified as held for sale are not depreciated.

Shareholders' equity – Equity instruments issued by the Company are recognized at the proceeds received. Dividends distributed by the Parent Company are recognized as payables at the moment of the resolution to distribute them. The purchase cost and selling price of treasury shares are recognized directly in equity and are therefore not recognized in the income statement.

Provisions for employee benefits – Employee benefits are recognized on the basis of the results of the measurements made according to what is established by the accounting standard IAS 19. The liability recognized in the balance sheet for post-employment benefit plans is the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. In particular the Projected Unit Credit Method is applied.

Provisions for risks and charges – Provisions for risks and charges made when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Transactions in foreign currencies – Transactions in currencies other than the euro are initially recognized at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on exchange are included in net profit or loss for the period. Non-monetary assets and liabilities recognized at the exchange rates prevailing on the dates of the transactions are not retranslated on the reporting date.

In the consolidated financial statements, the assets and liabilities of the Group's foreign currency operations are translated at the exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in the consolidated statement of comprehensive income and included in the item "reserve from translation of financial statements in foreign currencies". This reserve is recognized as income or as expenses in the period in which the subsidiary is disposed of.

Income statement

Revenue – Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenues are stated net of discounts, rebates and returns.

Information about the nature and the timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies are as follows.

Revenues mainly comprise product sales and revenue from licensing-out agreements. Product sales represent net invoice value less estimated rebates, returns and chargebacks and are recognized when control of the goods has been transferred to a third party. This is usually when ownership passes to the customer, either on shipment or on receipt of goods by the customer, depending on the specific trading terms.

Revenue from licensing-out agreements includes income from collaborative arrangements on the Group's products where the Group has licensed certain rights associated with those products, but retains a significant ongoing economic interest, through for example the ongoing supply of finished goods. Income may take the form of up-front payments, profit sharing and royalties. Where control of a right to use of intangible assets passes at the outset of an arrangement, revenue is recognized at one point in time. Where the substance of an arrangement is that of a right to access intangible assets, revenue is recognized over time, normally on a straight-line basis over the life of the contract. Where the Group provides ongoing services (i.e. supply of products), revenue in respect of this element is recognized over the duration of these services. Sales performance milestones are accounted for when the licensee achieves the sales target, so these are recognized at one point in time. Royalties received from the licensee are accounted for when the licensor is entitled to the payment, so these are to be recognized at one point in time.

Cost of sales – This represents the cost of the goods sold. It includes the cost of raw materials, supplies and consumables, finished goods, and direct and indirect production expenses.

Selling expenses - These include all expenses incurred in connection with the products sold during the year, such as payroll and other costs for sales and marketing personnel, promotional expenses and all distribution costs.

Research and development expenses – Research and development costs are expensed in the income statement in the year in which they are incurred in accordance with IAS 38, except the cases for which the same IAS 38 prescribes the capitalization. IAS 38 prescribes that development costs must be capitalized when, in relation to the products of the activity, technical and commercial feasibility is achieved with high probability of success and future economic benefits are probable. These costs include amounts due under collaboration agreements with third parties.

Transactions involving share-based payments – As prescribed by IFRS 2, stock option and performance share plans for the benefit of Group employees are considered part of their remuneration, the cost of which is the fair value of the rights at the date they are granted. This cost is recognized in profit and loss linearly distributed over the vesting period with a counter-item booked directly to equity.

Financial income and expenses – These include interest income and expenses, foreign exchange gains and losses, both realized and unrealized, and differences arising from the valuation of securities. Interest income and expenses are recognized in profit and loss using the effective interest method.

Taxes – Income taxes are the sum of current and deferred taxes. Current taxes are based on taxable profit for the year and the tax rates in force at the reporting date are applied.

Deferred taxes are taxes expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are generally recognized all taxable temporary differences, while deferred tax assets are recognized to the extent to which it is considered probable that there will be taxable fiscal results in the future that will enable the use of the deductible temporary differences. Assets and liabilities are not recognized if the temporary differences derive from goodwill.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognized in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Earnings per share – Earnings per share is the net income for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the number of shares outstanding for the effects of all dilutive potential ordinary shares.

3. NET REVENUE

The Group's revenue is derived from contracts with customers and is not subject to significant seasonal fluctuations, except for those in the cough and cold therapeutic area.

Total net revenue in 2023 was € 2,082.3 million, up by 12.4% compared to 2022. They include € 25.6 million for the sales of Avodart® and Combodart®/Duodart®, for which the sales and distribution rights have been acquired from GSK in the third quarter of the year, as well as full-year revenues of € 200.9 million from the product portfolio acquired with EUSA Pharma UK Ltd ("EUSA Pharma") which in 2022 were only consolidated from April, as to € 136.0 million. The increase is partly due to strong organic growth in turnover in both business sectors, despite the negative exchange effect totalling € 99.9 million, especially in the Specialty & Primary Care segment, of which € 60.1 million was due to the devaluation of the Turkish lira.

Revenue can be detailed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Net sales	2,068,054	1,838,646	229,408
Royalties	9,947	8,309	1,638
Upfront payments	1,371	2,118	(747)
Various revenue	2,959	4,234	(1,275)
Total net revenue	**2,082,331**	**1,853,307**	**229,024**

The effect of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Türkiye, taking account of the provisions of IAS 21 "Effects of Changes in Foreign Exchange Rates", was essentially revenue-neutral.

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized when it accrues along the time horizon of collaboration with customers. Upfront payment revenue of € 1.4 million recognised in 2023 related mainly to the marketing agreements for pitavastatin, lercanidipine and the combination lercanidipine and enalapril. The remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods, is recognized under deferred revenue (see Note 28, Current liabilities) and amounted to € 2.9 million (€ 3.9 million at 31 December 2022).

The following tables show net revenue broken down by therapeutic area and geographic area by country, with an indication of the related business segments identified by the Group.

THERAPEUTIC AREA

€ (thousands)	Specialty and Primary Care 2023	Specialty and Primary Care 2022	Rare Diseases 2023	Rare Diseases 2022	Total 2023	Total 2022
Cardiovascular	365,213	351,854	-	-	365,213	351,854
Urology	280,375	227,444	-	-	280,375	227,444
Gastrointestinal	219,267	203,218	-	-	219,267	203,218
Cough and Cold	137,121	125,505	-	-	137,121	125,505
Other treatment areas	311,604	300,626	-	-	311,604	300,626
Pharmaceutical chemicals	54,031	48,875	-	-	54,031	48,875
Metabolic and other areas	-	-	271,551	287,913	271,551	287,913
Endocrinology	-	-	242,318	171,901	242,318	171,901
Oncology	-	-	200,851	135,971	200,851	135,971
Total net revenue	**1,367,611**	**1,257,522**	**714,720**	**595,785**	**2,082,331**	**1,853,307**

GEOGRAPHIC AREA BY COUNTRY

€ (thousands)	Specialty and Primary Care 2023	Specialty and Primary Care 2022	Rare Diseases 2023	Rare Diseases 2022	Total 2023	Total 2022
Pharmaceutical revenue						
Italy	281,562	249,503	28,198	23,216	309,760	272,719
U.S.A.	-	-	316,072	260,455	316,072	260,455
France	143,288	134,443	36,389	34,655	179,677	169,098
Spain	135,774	118,612	29,330	24,018	165,104	142,630
Germany	106,146	128,223	44,756	39,392	150,902	167,615
Russia, Ukraine, other CIS	120,917	118,607	19,649	13,070	140,566	131,677
Türkiye	94,056	64,557	3,461	9,786	97,517	74,343
Portugal	55,041	50,073	5,155	3,392	60,196	53,465
Other Western European countries	90,228	84,321	62,178	52,374	152,406	136,695
Other Eastern European countries	121,377	107,164	28,978	21,661	150,355	128,825
North Africa	38,701	34,709	1,515	2,955	40,216	37,664
Other international sales	126,490	118,435	139,039	110,811	265,529	229,246
Total pharmaceutical revenue	**1,313,580**	**1,208,647**	**714,720**	**595,785**	**2,028,300**	**1,804,432**
Pharmaceutical chemicals revenue						
Italy	3,691	2,652	-	-	3,691	2,652
Other European countries	15,209	14,353	-	-	15,209	14,353
Australasia	21,528	16,990	-	-	21,528	16,990
U.S.A.	6,735	7,572	-	-	6,735	7,572
America (U.S.A. excluded)	5,541	4,725	-	-	5,541	4,725
Africa	1,327	2,583	-	-	1,327	2,583
Total chemical pharmaceuticals revenue	**54,031**	**48,875**	**0**	**0**	**54,031**	**48,875**
Total net revenue	**1,367,611**	**1,257,522**	**714,720**	**595,785**	**2,082,331**	**1,853,307**

4. OPERATING EXPENSES

Total operating expenses for 2023 amounted to € 1,524.3 million, up compared to the € 1,416.0 million of 2022, and are classified by function as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Cost of sales	659,707	566,737	92,970
Selling expenses	472,857	462,665	10,192
Research and development expenses	255,747	220,102	35,645
General and administrative expenses	128,253	109,493	18,760
Other (income)/ expenses, net	7,759	56,984	(49,225)
Total operating expenses	**1,524,323**	**1,415,981**	**108,342**

The cost of sales totals € 659.7 million, up compared to the previous year and representing 31.7% of revenue, higher than the 30.6% in 2022. This is due to the higher cost of sales of GSK products and also to the effects of the revaluation of the inventory acquired from EUSA Pharma according to IFRS 3. Its negative impact on the income statement, calculated on the basis of the units sold for the year, amounted to € 58.9 million (compared to € 49.8 million in 2022, which included three calendar quarters). The effect of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" and several provisions of IAS 21 "Effects of Changes in Foreign Exchange Rates" to activities in Türkiye was € 11.2 million, compared to € 9.1 million in 2022.

The selling expenses have increased by 2.2%, a limited increase also thanks to the benefits derived from the efficiency measures already launched in the previous year and continued in 2023, particularly in the Specialty & Primary Care sector, and the reduction of some costs related to hospital sales. Expenses as a percentage of revenue came down compared to the same period the previous year also thanks to the very positive revenue performance.

Research and development expenses were € 255.7 million, an increase of 16.2% compared to 2022, partly owing to the integration of the EUSA Pharma expenses for the full year (including € 24.6 million for the amortization of intangible assets, compared to the € 18.5 million for the nine months of 2022) and to the progress made on various life cycle management projects.

General and administrative expenses increased by 17.1% owing to the integration of EUSA Pharma for the full year and the strengthening of the overall coordination structure to support an increasingly complex products portfolio.

The following table summarizes the more significant components of "Other net (income)/expenses".

€ (thousands)	2023	2022	Changes 2023/2022
Non-recurring costs:			
- restructuring	5,210	23,340	(18,130)
- EUSA Pharma acquisition	3,791	20,317	(16,526)
- earthquake emergency in Türkiye and Syria	520	-	520
- Ukraine emergency	117	2,229	(2,112)
- COVID-19 pandemic	0	661	(661)
Impairment of intangible assets and goodwill	369	10,934	(10,565)
Other	(2,248)	(497)	(1,751)
Other (income)/ expenses, net	**7,759**	**56,984**	**(49,225)**

Under the terms of the CONSOB Communication of 28 July 2006, on events, transactions and matters which are non-recurring or do not occur frequently in the normal course of business we can note:

- the costs linked to the targeted restructuring of the Specialty & Primary Care field force, in particular in Germany, France and Italy;
- the residual costs from the acquisition of EUSA Pharma, mainly relating to tech transfer fees;
- the cost of donations made after the earthquakes in Türkiye and Syria and the Ukraine conflict.

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2023, there were no atypical or unusual transactions, as defined by the Communication.

Total operating expenses are broken down by nature as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Material consumption	459,276	402,278	56,998
Payroll costs	363,796	324,320	39,476
Other employee costs	59,090	48,691	10,399
Variable sales expenses	103,533	125,144	(21,611)
Depreciation, amortization and write-downs	143,038	136,690	6,348
Utilities and consumables	55,433	41,825	13,608
Other expenses	340,157	337,033	3,124
Total operating expenses	**1,524,323**	**1,415,981**	**108,342**

The proportion of raw material consumption to net revenue was 22.1%, slightly up compared to the 21.7% of 2022.

The item "Payroll costs" shows growth of € 39.5 million, partly due to the integration of EUSA Pharma (consolidated for the full year in 2023 and for nine months in 2022), and to the increases in salaries. It includes € 7.9 million in the costs of stock option plans, essentially in line with the cost of € 8.3 million for the same period of the previous year. In 2023, the Parent Company adopted a new long-term incentive scheme, called the "2023-2025 Performance Shares Plan" which benefits certain Group employees (see Note 20). The cost for the year, determined according to IFRS 2, amounted to € 3.0 million. The average number of employees in 2023 was 4,301, an increase compared to the 4,253 of 2022. There were 4,455 employees as at 31 December 2023, an increase over the 4,369 at the end of 2022.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2023 income statement of € 1.5 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

Amortization and depreciation amounted to € 142.7 million, of which € 113.8 million relates to intangible assets, an increase of € 15.3 million compared to the previous year. This is due in large part to the effects of the EUSA Pharma acquisition, (€ 6.1 million), the recent acquisition of the rights to distribute Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) from GSK (€ 3.6 million) and € 28.9 million for property, plant and equipment, which has risen by € 1.6 million compared to the costs for 2022.

"Other expenses" includes the non-cash costs of € 58.9 million for the full year from the release of the purchase price allocation of EUSA Pharma to the gross margin of inventories acquired in accordance with IFRS 3, which amounted to € 49.8 million for the nine months of 2022.

5. NET FINANCIAL INCOME AND EXPENSES

In 2023 and 2022 the net balance of financial components was negative respectively of € 67.0 million and € 35.9 million.

The main items are summarized as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Interest expense on loans	72,516	31,306	41,210
Net exchange rate (gains)/losses	(2,158)	5,804	(7,962)
Net (income)/expense on short-term positions	(4,181)	2,290	(6,471)
Expenses on leases	1,939	852	1,087
Expenses for defined benefit plans	402	145	257
Turkish hyperinflation effects (IAS 29)	(1,546)	(4,506)	2,960
Total net financial (income)/expenses	**66,972**	**35,891**	**31,081**

The € 41.2 million increase in interest expense on loans was mainly due to the taking on new debt, both in the first half of 2022, of € 800 million in connection with the acquisition of EUSA Pharma, and of CHF 40 million Swiss francs, as well as in the second quarter of 2023, for a total of € 450 million, of which € 350 million is already disbursed, mainly in relation to the agreement with GSK. The global rise in interest rates was another factor. In view of this, the 2023 financial year was impacted by a deterioration in the rates applied, with average borrowings higher than those in the 2022 financial year.

Net exchange gains, mostly unrealised, amounted to € 2.2 million, whereas in the previous year there were net exchange losses of € 5.8 million. These changes are mainly attributable to the trend in the Russian rouble.

Hyperinflation had a positive impact of € 1.5 million in 2023, against € 4.5 million in 2022.

Note number 22 contains the details of the loan contracts.

6. INCOME TAXES

Income taxes amounted to € 101.8 million and include the income taxes levied on all consolidated companies as well as the Italian regional tax on production (IRAP) applicable to all Italian companies. This item increased by € 12.7 million compared to 2022. In 2023 there was a non-recurring element of of € 2.7 million in tax income linked to the treatment of hyperinflation in Turkey, following the release of deferred tax liabilities, due to the Turkish authorities' decision to treat the hyperinflation effect as relevant for local tax purposes.

In 2019, the Parent Company signed an advance agreement with the Italian Revenue Agency, to define the calculation methods and criteria for the "patent box", a discount on taxable income connected with the direct use of intangible assets for the 2015 to 2019 tax years. As in the previous year, again in tax year 2023, Recordati S.p.A. took part in the reverse charge regime for the same assets as in 2015-2019 (apart from the expired patents and brands excluded in the meantime from the objective scope of the subsidy). The Company, operating in line with the previous years, determined the tax benefit pertaining to 2023, recognised to reduce the tax amounts, as € 8.6 million.

The current standard corporate income tax rate in Italy can be reconciled with the tax rate effectively incurred on consolidated pre-tax income, as follows:

	2023 %	2022 %
Standard income tax rate on pre-tax income of the Parent Company	24.0	24.0
Dividends from foreign subsidiaries	0.5	0.5
Foreign tax rate differential	(2.6)	(1.8)
ACE from reverse merger	(0.3)	(0.4)
Tax benefit provided by the so-called "Patent box" in Italy	(1.8)	(1.6)
Other differences, net	0.2	0.1
Effective tax rate on income	**20.0**	**20.8**
IRAP	0.7	1.4
Effective tax rate on pre-tax income	**20.7**	**22.2**

IRAP is levied only on Italian companies and is computed applying an average rate of 4.63% to a broader taxable base calculated before the deduction of interest.

7. PROPERTY, PLANT AND EQUIPMENT

The composition and change to property, plant and equipment, including the valuation of the right to use the assets conveyed under leases, are shown in the table below.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Investments in progress	Total
Cost					
Balance at 1.1.2022	92,394	243,540	99,736	27,155	462,825
Additions	12,058	2,483	7,170	17,330	39,041
Disposals	(3,074)	(1,236)	(5,874)	(326)	(10,510)
Change to scope of consolidation	2,716	0	2,093	0	4,809
Write-downs	(313)	0	0	0	(313)
Hyperinflation Türkiye	12,277	13,220	3,639	0	29,136
Other changes	(799)	100	150	(3,269)	(3,818)
Balance at 31.12.2022	**115,259**	**258,107**	**106,914**	**40,890**	**521,170**
Additions	9,567	3,214	14,068	19,914	46,763
Disposals	(1,516)	(1,087)	(10,488)	(263)	(13,354)
Change to scope of consolidation	0	0	0	0	0
Write-downs	0	0	(118)	0	(118)
Hyperinflation Türkiye	5,368	7,239	1,542	130	14,279
Other changes	(5,031)	1,728	(97)	(12,522)	(15,922)
Balance at 31.1.2023	**123,647**	**269,201**	**111,821**	**48,149**	**552,818**
Accumulated amortization					
Balance at 1.1.2022	55,702	203,515	72,488	0	331,705
Amortization for the year	7,021	8,966	11,302	0	27,289
Disposals	(2,582)	(856)	(5,735)	0	(9,173)
Change to scope of consolidation	98	0	900	0	998
Hyperinflation Türkiye	1,111	9,545	2,644	0	13,300
Other changes	(499)	(790)	(844)	0	(2,133)
Balance at 31.12.2022	**60,851**	**220,380**	**80,755**	**0**	**361,986**
Amortization for the year	7,937	9,367	11,570	0	28,874
Disposals	(1,516)	(1,087)	(10,488)	0	(13,091)
Change to scope of consolidation	0	0	0	0	0
Hyperinflation Türkiye	606	4,598	(147)	0	5,057
Other changes	(1,186)	(5,349)	(2,130)	0	(8,665)
Balance at 31.12.2023	**66,692**	**227,909**	**79,560**	**0**	**374,161**
Net amount					
1.1.2022	36,692	40,025	27,248	27,155	131,120
31.12.2022	**54,408**	**37,727**	**26,159**	**40,890**	**159,184**
31.12.2023	**56,955**	**41,292**	**32,261**	**48,149**	**178,657**

The increases in property, plant and equipment of € 46.8 million are mainly linked to the Parent Company (€ 26.2 million, in particular for the signing of a new property lease agreement) and to the subsidiaries Recordati Ilaç (€ 3.8 million), Casen Recordati (€ 2.9 million) and Opalia Pharma (€ 2.1 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognised in other currencies, which led to a net decrease of € 7.4 million compared to 31 December 2022, primarily due to the devaluation of the Turkish lira.

The following table shows the measurement of the right to use the assets conveyed under leases, determined as prescribed by the accounting standard IFRS 16.

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 1 January 2022	**20,688**	**1,433**	**19,085**	**41,206**
Additions	11,481	0	3,759	15,240
Disposals	(3,027)	0	(4,242)	(7,269)
Change to scope of consolidation	2,539	0	848	3,387
Write-downs	**(313)**	**0**	**0**	**(313)**
Hyperinflation Türkiye	1,242	4	1,325	2,571
Other changes	(259)	(1)	(883)	(1,143)
Balance at 31 December 2022	**32,351**	**1,436**	**19,892**	**53,679**
Additions	9,119	0	8,659	17,778
Disposals	(1,386)	(1)	(6,874)	(8,261)
Change to scope of consolidation	0	0	0	0
Write-downs	0	0	0	0
Hyperinflation Türkiye	612	(2)	702	1,312
Other changes	(157)	(110)	(1,261)	(1,528)
Balance at 31 December 2023	**40,539**	**1,323**	**21,118**	**62,980**
Accumulated amortization				
Balance at 1 January 2022	**8,816**	**417**	**9,189**	**18,422**
Amortization for the year	4,402	288	6,334	11,024
Disposals	(2,556)	0	(4,170)	(6,726)
Change to scope of consolidation	0	0	0	0
Hyperinflation Türkiye	476	0	687	1,163
Other changes	(307)	0	(768)	(1,075)
Balance at 31 December 2022	**10,831**	**705**	**11,272**	**22,808**
Amortization for the year	5,466	268	6,380	12,114
Disposals	(1,386)	(1)	(6,874)	(8,261)
Change to scope of consolidation	0	0	0	0
Hyperinflation Türkiye	314	(3)	(648)	(337)
Other changes	(383)	(110)	(1,077)	(1,570)
Balance at 31 December 2023	**14,842**	**859**	**9,053**	**24,754**
Net amount				
1 January 2022	**11,872**	**1,016**	**9,896**	**22,784**
31 December 2022	**21,520**	**731**	**8,620**	**30,871**
31 December 2023	**25,697**	**464**	**12,065**	**38,226**

Rights of use of leased assets refer mainly to the office premises of several Group companies and to the cars used by medical representatives operating in their territories.

8. INTANGIBLE ASSETS

The composition and change in intangible assets are shown in the following table

€ (thousands)	Patent rights and marketing authorizations	Distribution, licences, trademarks and similar rights	Other	Advance payments	Total
Cost					
Balance at 1 January 2022	1,067,019	561,269	20,478	54,749	1,703.515
Additions	272	84,687	360	83,767	169,086
Disposals	(77)	(1,075)	(364)	(1,072)	(2,588)
Change to scope of consolidation	0	532,270	565	0	532,835
Write-downs	0	(2,428)	0	(2,834)	(5,262)
Hyperinflation Türkiye	7,825	1,164	1,408	5	10,402
Other changes	41,803	17,538	(19)	(32,705)	26,617
Balance at 31 December 2022	**1,116,842**	**1,193,425**	**22,428**	**101,910**	**2,434,605**
Additions	1,066	245,602	825	17,784	265,277
Disposals	(1,064)	(1,755)	(107)	(251)	(3,177)
Change to scope of consolidation	0	0	0	0	0
Write-downs	0	(251)	0	0	(251)
Hyperinflation Türkiye	3,770	1,110	754	0	5,634
Other changes	20,505	82,175	(797)	(75,856)	26,027
Balance at 31 December 2023	**1,141,119**	**1,520,306**	**23,103**	**43,587**	**2,728,115**
Accumulated amortization					
Balance at 1 January 2022	305,705	240,789	18,235	0	564,729
Amortization for the year	50,685	47,127	655	0	98,467
Disposals	(77)	(1,015)	(364)	0	(1,456)
Change to scope of consolidation	0	2,088	433	0	2,521
Hyperinflation Türkiye	3,912	625	1,077	0	5,614
Other changes	6,210	434	(87)	0	6,557
Balance at 31 December 2022	**366,435**	**290,048**	**19,949**	**0**	**676,432**
Amortization for the year	51,315	61,760	720	0	113,795
Disposals	(1,045)	(1,755)	(60)	0	(2,860)
Change to scope of consolidation	0	0	0	0	0
Hyperinflation Türkiye	2,073	712	552	0	3,337
Other changes	(949)	747	(584)	0	(786)
Balance at 31 December 2023	**417,829**	**351,512**	**20,577**	**0**	**789,918**
Net amount					
1 January 2022	761,314	320,480	2,243	54,749	1,138,786
31 December 2022	**750,407**	**903,377**	**2,479**	**101,910**	**1,758,173**
31 December 2023	**723,290**	**1,168,794**	**2,526**	**43,587**	**1,938,197**

Increases for the year mainly include:

- € 245.0 million paid to GSK to obtain the distribution rights for Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries;
- € 6.9 million for investments in software;
- € 4.9 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

"Other changes" includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which determined a net increase of € 27.0 million compared to 31st December 2022, mainly attributable to the revaluation of the Swiss franc for € 34.1 million and the depreciation of the Russian rouble for € 2.7 and the Turkish lira for € 2.1 million.

9. GOODWILL

Goodwill at 31 December 2023 and 2022 amounted to € 778.3 million and € 780.1 million respectively. The changes, described below, come from the adequate recognition of changes in the exchange rates required under IAS 21 "Effects of changes in foreign exchange rates" and from the application of the requirements of IAS 29 "Financial reporting in hyperinflationary economies".

€ (thousands)	
Balance at 31 December 2022	780,057
Adjustments for hyperinflation	28,014
Exchange rate adjustments	(29,721)
Balance at 31 December 2023	**778,350**

The impairment methodology to 31 December 2023, approved by the Board of Directors on 22 February 2024, was adjusted following the changes to the CGU (cash generating units). From the 2023 financial year, the CGU have been linked to the Group's two sectors of activity, namely:

- Specialty and Primary Care or SPC, which groups the various CGU that until the previous financial year had been identified by the reference geographical area;
- *Rare Diseases*.

These changes thus only affected the SPC business, whose CGU - previously identified by geographical market - have been aggregated into a single CGU coinciding with its reference sector. Conversely, no changes were made to the Rare Diseases CGU, which is already the same as the reference sector.

This change originated from the set of developments occurring in the SPC sector and the evolution of the new business model and organisational structure, resulting from new management strategies. The aim of these strategies is to optimise the established brands and to maximise innovation at affordable prices in the areas of principal presence and experience: cardiovascular, urology and gastrointestinal, regardless of the geographical area of reference in each case.

In particular, the strategy for the SPC segment includes:

- growing the weight in the SPC segment as a fully integrated regional pharma company with the capacity to act as partner of choice, considering its scale and expertise, for the launch and development of promotionally sensitive brands at transnational level, and for the development of innovative products in the core therapeutic areas already controlled by the Company;
- the governance and organisational structure of the Company has also changed, and is now defined by greater centralisation and integration in the decision-making process and the monitoring of performance, at sector level rather than geographic level;
- there is a continuing objective of consolidating and developing the existing synergies in the sales and retail network, between the prescription drugs area and the OTC segment, which will maintain their own specific characteristics with the objective of offering products which can achieve a presence in multiple geographic markets.

The changes and strategies now being introduced have created inconsistencies between the configuration of the previous CGU and the new business model, as they lead to an increasing interdependence of the flows of the various geographical markets with the following aspects continuing to grow in importance:

- an increase in the relevance of Corporate products, even at the expense of withdrawing local products, with the success or failure of new product launches being determined on an overall level;
- growing attention to minimal pricing differences in the various countries;
- an organisational structure with one manager per business unit, to whom the managers by geographic area and certain central functions report;
- extraordinary financial transactions that are increasingly based on a transnational perspective.

For these reasons, in line with IAS 36 which defines a CGU as the smallest set of activities able to generate cashflow independently of income from other activities, the new division of the Group's operations into two CGU was adopted from the financial statements for the year ending 31 December 2023. Total net goodwill at 31 December 2023, of € 778.3 million, was divided between the two CGU as follows:

- € 513.9 million to Specialty and Primary Care (SPC);
- € 264.4 million to *Rare Diseases*.

As reported in Note 2 "Summary of significant accounting policies", goodwill is not amortized systematically but is subject to impairment tests at least once a year to determine its recoverable value. Goodwill is allocated to the individual cash-generating units identified on the basis of the business segments and the markets on which the new acquisitions operate. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and when there is any indication that it may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity must recognize an impairment loss.

The recoverable amount was determined by calculating the value in use of the individual cash-generating units based on discounted cash flow (DCF analysis) originating from operating cash flow forecasts for the period used explicitly for the calculation (2024-2028) and from the cash flow beyond that period, according to the net operating income model expected in perpetuity.

The main assumptions used for calculating the value in use concern the expected operating cash flows during the period assumed for the calculation, the discount rate and the growth rate.

Operating cash flow forecasts for the period explicitly used for the calculation (2024-2028) come from the 2024 budget approved by the Board of Directors of the Parent Company on 22 February 2024 and, for 2025 to 2028, from specific forecasts prepared for the cash-generating units subject to impairment testing approved by the Board of Directors on 19 March 2024. The cashflow forecast took due account of the effects of the Russia/Ukraine conflict. In light of this analysis and taking into account the expected results and the resilience of the pharmaceutical industry, no significant impacts have as yet been identified with regard to the measurement of the Specialty & Primary Care CGU. Nonetheless, given the complexity of the situation and uncertainties about developments in the crisis and their possible impacts, the Company continues to monitor the situation. With regard to risks associated with climate change, as highlighted in the section of the Annual Report on corporate risks, the Company has determined that this risk does not have a significant impact on the pharmaceutical sector or the estimate of the recoverable value of assets. It was, therefore, not deemed necessary to carry out a sensitivity analysis of potential impacts deriving from climate risks. The impairment tests were approved by the Board of Directors on 19 March 2024.

The discount rate used for estimates is the after-tax average weighted cost of capital which reflects current market valuations of the cost of money and the specific risk associated with the cash-generating units. The growth rates used for the period subsequent to the explicit forecast period were prudently estimated and take into account the specific features of each country involved.

The following table shows the discount rates used for the impairment test for each of the two cash-generating units:

Cash-generating unit	Discount rate
Specialty and Primary Care segment	9.77%
Drugs for the treatment of rare diseases	8.36%

The value in use, determined according to the procedures described for each cash-generating unit, was examined and approved by the Board of Directors on 19 March 2024. For both CGUs it was higher, even significantly so, than the book value of the net capital invested recognized in the financial statements at 31 December 2023 and therefore no impairment of goodwill was recognized. In addition, as required by the impairment methodology approved by the Board of Directors on 22 February 2024, a sensitivity analysis was conducted to show the possible impact on the headroom value of changes in the following parameters: long-term growth rate (+/- 0.5%), operating profit growth rate (+/- 10%) and discount rate (+/- 0.5%). The result of the analysis confirmed that there were no impairment losses.

Finally, only for the impairment test of 31 December 2023 with the goal of ensuring that the results are not influenced by the restructuring of the Specialty & Primary Care CGUs, a quantitative "dual approach" impairment test was conducted, based on the previous CGU structure. This exercise confirmed the absence of a need for writedowns.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 31 December 2023 the details of other equity investments and securities were as follows:

€ (thousands)	Book value		Percentage stake	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
PureTech Health p.l.c. - United Kingdom	21,350	28,708	3.5%	3.3%
Phaxiam Therapeutics S.A., France	198	158	0.7%	1.4%
Standard BioTools Inc. - United States of America	3	1	n/a	n/a
Other	4	4	n/a	n/a
Total equity investments and securities	**21,555**	**28,871**		

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the Company's were admitted for trading on the London Stock Exchange. At 31 December 2023, the total fair value of the 9,554,140 shares held was € 21.4 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 7.3 million, compared to 31 December 2022, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.2 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. In June 2023, the company announced the merger with Pherecydes Pharma S.A., changing its name to Phaxiam Therapeutics S.A. The new shares were admitted for trading on the French regulated market starting on 29 June 2023. The value of the investment, currently represented by 43,103 shares, was adjusted to the stock exchange value and increased, compared to that at 31 December 2022, by € 0.05 million, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in equity.

The US company Fluidigm Corp. has changed its name to Standard BioTools Inc.

11. OTHER NON-CURRENT ASSETS

At 31 December 2023, this item amounted to € 12.5 million, increasing by € 2.9 million compared to 31 December 2022, referring mainly to the discounted receivable for € 3.6 million in respect of ARS Pharmaceuticals Inc. following the signing of the agreement in February 2023 for the return of the rights on ARS-1, a nasal spray containing epinephrine, at an advanced development stage, for the emergency treatment of serious allergic reactions (See Note 19).

12. DEFERRED TAX ASSETS

At 31 December 2023 deferred tax assets amounted to € 76.7 million (€ 76.9 million at 31 December 2022).

The main deferred tax assets and their changes are presented in the two tables below:

€ (thousands)	2023	2022
Balance at 1 January	76,895	75,922
Additions	21,237	14,023
Utilizations	(16,084)	(21,248)
Reclassifications	(5,374)	-
Change to scope of consolidation	-	8,198
Balance at 31 December	**76,674**	**76,895**

€ (thousands)	Revenues/ costs with deferred tax effect	Realignment	Tax credits	Other	Total
Balance at 1 January	18,714	4,440	1,952	51,789	76,895
Additions	7,438	-	-	13,799	21,237
Utilizations	(3,096)	(4,440)	(1,504)	(7,044)	(16,084)
Reclassifications	(5,925)			551	(5,374)
Balance at 31 December	**17,131**	**0**	**448**	**59,095**	**76,674**

In the 2017 financial year, the Parent Company took advantage of the option, allowed by tax law, to release the differences between the higher book values of Goodwill resulting from the 2016 acquisitions of Italchimici S.p.A. and of Pro Farma AG, and the corresponding recognised fiscal values. Tax law required the payment of IRES and IRAP substitute tax at 16%, with future deductibility of the exempted amounts set at the rate of one-fifth for each year from the second financial year after the one in which the substitute tax was paid. The benefit from the future tax deductibility of the exempted amounts determined the recognition of deferred tax assets of € 22.2 million. The last portion of exempted amounts was deducted in the 2023 fiscal year and the deferred tax assets were therefore reduced to zero.

The tax credits relate to the tax incentives associated with the construction of the production plant in Türkiye.

The item "Other" mainly refers to temporary differences deriving from the elimination of unrealised profits on intercompany sales.

The reclassifications refer to the figures for 31 December 2022, deriving from the deferred tax liabilities, following the change of net balance for some of the companies at the 2023 year-end.

The tax effect of comprehensive income statement components is € 1.3 million, unchanged compared to 31 December 2022.

13. INVENTORIES

Inventories at 31 December 2023 amounted to € 404.8 million (€ 424.1 million at 31 December 2022), net of provisions for the impairment of pharmaceutical products nearing expiry and slow moving of € 20.1 million (€ 17.5 million at 31 December 2022). The residual value of the revaluation of inventories made in the previous year, in application of IFRS 3 after the EUSA Pharma acquisition, amounts to € 33.6 million. The breakdown by category is as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Raw materials and supplies	86,956	92,080	(5,124)
Semi-finished goods and work in process	85,345	78,830	6,515
Finished goods	232,530	253,170	(20,640)
Total	**404,831**	**424,080**	**(19,249)**

14. TRADE RECEIVABLES

Trade receivables at 31 December 2023 and 2022 amounted to € 445.2 million and € 361.9 million respectively. The amounts are expressed net of provisions for impairment, which at 31 December 2023 amounted to € 15.7 million (€ 17.7 million at 31 December 2022). This item is considered consistent with positions which, for the particular nature of the customers or the destination markets, may be difficult to collect. The average number of days of exposure was 66, up compared to the 63 days in 2022. Provisions for impairments fell by € 2.0 million (increase of € 3.6 million in 2022), and this difference is classified in selling expenses.

The Group uses a matrix to measure the expected credit losses on trade receivables from individual customers, which comprise a very large number of small balances. Losses are estimated using a method based on the probability of a receivable progressing through successive stages of insolvencies calculated separately for exposures in different segments based on common credit risk characteristics, such as geographical region and duration of the customer relationship. The following table provides information about the exposure to credit risk for trade receivables:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Current (not past due)	381,744	313,885	67,859
1-30 days past due	28,935	15,074	13,861
31-60 days past due	6,367	10,940	(4,573)
61-90 days past due	8,918	5,131	3,787
More than 90 days past due	34,883	34,590	293
Total gross trade receivables	**460,847**	**379,620**	**81,227**

Additional information about how the Group assesses its exposure to credit risk and provisions for doubtful accounts is provided in Note 33.

15. OTHER RECEIVABLES

Other receivables amounted to € 99.4 million, up by € 35.5 million compared to 31 December 2022. The relevant details are presented in the table below:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Tax receivables	72,508	49,353	23,155
Advances to employees and agents	2,796	1,751	1,045
Other	24,097	12,810	11,287
Total other receivables	**99,401**	**63,914**	**35,487**

Tax receivables also include value added tax (VAT) receivable (€ 29.5 million) and advance payments of income tax paid in excess. Advances to employees and agents comprise advances on expense accounts and other receivables. The "Other" receivables item includes the advances paid to suppliers and other parties, as well as settlements due from licensors and € 6.9 million relating to the short-term discounted receivable from ARS Pharmaceuticals Inc., following the signing of an agreement in February 2023 for the restitution of rights to ARS-1 (See Note 19).

16. OTHER CURRENT ASSETS

Other current assets amounted to € 19.9 million (€ 15.4 million at 31 December 2022) and relate mainly to prepaid expenses.

17. DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE (included in current assets)

At 31 December 2023 the value of derivative instruments included under this item amounted to € 11.1 million.

The measurement at market (fair) value of the cross currency swaps, entered into by the Parent Company to hedge the US$75 million loan issued on 31 September 2014 resulted in a total asset of € 7.7 million. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 4.7 million, and that hedging the US$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.0 million positive change.

The measurement at market (fair) value of the interest rate swaps hedging a number of loans gave rise to total assets of € 3.4 million, representing the opportunity of paying in the future, for the term of the loans, the agreed interest rates rather than the variable rates currently expected. The measurement relates to the interest rate swaps taken out by the Parent Company to hedge the interest rates on the syndicated loan finalised in the first half of 2022.

At 31 December 2023, other hedging transactions on foreign currency positions were essentially measured at nil, compared to € 4.2 million at 31 December 2022, with the difference recognised in the income statement, offsetting the exchange gains determined by the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the accounting standard IFRS 13 (see note 2). The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

18. CASH AND CASH EQUIVALENTS

A breakdown is shown in the following table:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Demand current account deposits	194,959	162,602	32,357
Short-term time deposits	26,808	122,098	(95,290)
Cash on hand	45	34	11
Total cash and cash equivalents	**221,812**	**284,734**	**(62,922)**

Short-term time deposits consist of tied deposits with maturities of three months or less.

At 31 December 2023, cash and cash equivalents were mainly in euro (53.7 million), U.S. dollars (118.4 million, especially for the subsidiary Recordati Rare Diseases Inc.), Russian roubles (1,442.9 million, mainly from the subsidiary Rusfic LLC), Tunisian dinars (37.8 million for the subsidiaries in Tunisia), British pounds (5.4 million, mainly for the UK subsidiaries), and Swiss francs (5.6 million, mainly for the subsidiary Recordati AG).

19. NON-CURRENT ASSETS HELD FOR SALE

As of 31 December 2022, the sum of € 12.5 million was posted as the estimated discounted recoverable value of the € 15.0 million milestone paid to ARS Pharmaceuticals Inc. for the ARS-1 licence, following the start of negotiations to return the product rights. In February 2023, the parties reached an agreement, leading to a receipt of € 3.0 million and the reclassification under Receivables of the discounted recoverable value and the zeroing of the balance under the item Non-current assets held for sale.

20. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Share capital - the share capital at 31 December 2023, of € 26,140,644.50, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. During 2023, there were no changes.

Share premium reserve - At 31 December 2023, this amounted to € 83.7 million, unchanged compared to the previous year.

Treasury shares - At 31 December 2023, 3,119,044 treasury shares are held in the portfolio, a decrease of 564,989 shares compared to 31 December 2022. The change was due to the disposal of 1,090,250 shares for an amount of € 30.1 million to enable the exercise of the options attributed to employees as part of the stock option plans and to the purchase of 525,261 shares for an amount of € 22.7 million. The total cost to purchase the treasury shares in the portfolio was € 128.0 million, with an average unit price of € 41.03.

Reserve for derivative instruments measured at fair value - In accordance with the provisions of the international accounting standard IFRS 9, this shareholders' equity reserve contains the entry for the value of the assets and liabilities resulting from the measurement at market value of the cross-currency swaps qualifying as cash flow hedges, the entry for the recognition in the income statement offsetting the valuation at year-end exchange rates of the foreign currency loans hedged, and the assets and liabilities resulting from the measurement at market value of the interest rate swaps also qualifying as cash flow hedges. At 31 December 2023 this value, net of the tax effect, was negative € 0.3 million.

Other reserves - At 31 December 2023, these amounted to € 61.2 million, down by € 1.0 million compared to 31 December 2022. Other reserves include the statutory reserve of the Parent Company (€ 5.2 million), reserves for grants received (€ 15.5 million) and reserves for amounts booked directly to equity in application of the international accounting standards. The application of IFRS 2 had a positive effect of € 30.9 million, while the application of IAS 19 had a negative effect of € 1.0 million. The recognition of the gains associated with the investment in Puretech Health p.l.c. determined a positive after-tax effect of € 13.7 million, while the recognition of the reduced value of the investment in Phaxiam Therapeutics S.A. determined an after-tax negative effect of € 3.5 million. The completion of the reverse merger in 2021 led to the recognition of a reserve for € 0.4 million.

Profits carried forward and net income - At 31 December 2023, profits carried forward amounted to € 1,636.5 million, up by € 112.4 million compared to 31 December 2022 and the Group's net income was € 389.2 million, up by 24.6% compared to € 312.3 million in 2022. Some of the shareholders' equity reserves recognised in the Group's Italian companies are in tax suspension and, according to the fiscal rules, their distribution is subject to taxation. These reserves, net of the substitute taxes already paid of € 18.4 million, amounted to € 152.2 million. In accordance with the international accounting standard IAS 12, deferred taxes are not recognized on these suspended reserves until their distribution is resolved.

Interim dividend - During the year, the Board of Directors of the Parent Company resolved to distribute an interim dividend for 2023 of € 0.57 per share, for a total amount of € 117.4 million.

Incentive plans - At 31 December 2023, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grant on 13 April 2016, the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grants of 6 May 2021, 1 December 2021 and 24 February 2022. The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years, over four tranches starting from the second year, in the case of the less recent grants and three years for the 2021 and 2022 grants, payable in a single tranche. They expire if they are not exercised within the eighth year after the grant date. Options cannot be exercised if the employee leaves the Company before they are vested. Over the course of the first six months of 2023, the 2021-2023 plan was revoked, limited to the allocation of options envisaged for 2023 pursuant to said plan, without prejudice, therefore, to the validity and effectiveness of the plan for the allocation of options carried out in 2021 and 2022.

Stock options outstanding at 31 December 2023 are detailed in the following table:

	Strike price (€)	Quantity 1.1.2023	Granted 2023	Exercised in 2023	Cancelled and expired 2023	Quantity 31.12.2023
Grant date						
13 April 2016	21.93	899,500	-	(387,250)	-	512,250
03 August 2018	30.73	2,620,500	-	(703,000)	(24,500)	1,893,000
06 May 2021	45.97	2,614,500	-	-	(223,000)	2,391,500
1 December 2021	56.01	130,000	-	-	-	130,000
24 February 2022	47.52	3,520,000	-	-	(427,000)	3,093,000
Total		**9,784,500**	**-**	**(1,090,250)**	**(674,500)**	**8,019,750**

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to IFRS 2 led to an expense in the 2023 income statement of € 1.5 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

In the first half of 2023, the Parent Company adopted a new long-term incentive plan called "2023-2025 Performance Shares Plan", benefiting certain Group employees. The plan provides for three grants of rights to receive Company shares free of charge, one for each year covered by the plan. On 27 June, the grant envisaged for 2023 was carried out for a total of 440,485 rights, which, following a vesting period of three years, will allow recipients to receive shares of the Parent Company up to an amount of 175% of the amount originally granted, based on the trend of certain performance indicators. However, these rights will expire if the employee leaves the Company before they are vested. The cost for the year, determined according to IFRS 2, amounted to € 3.0 million.

21. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

All consolidated companies are 100% owned, except for the Tunisian company Opalia Pharma, which is 90% owned. The company has, however, been 100% consolidated by applying the anticipated acquisition method allowed by IAS 32. Consequently, the amount estimated for the acquisition of the remaining 10%, of € 3.7 million, was recognized as a liability since the transfer of this remaining quota is covered by contractual agreements which provide for reciprocal put and call options between the parties which have a high probability of being exercised. Subsequent changes of the estimate will be recognized in a shareholders' equity reserve. This accounting method is not detrimental to the rights of the non-controlling shareholders during the period until all capital shares are transferred.

22. LOANS

At 31 December 2023, loans amounted to € 1,709.0 million, up by a net € 75.9 million compared to 31 December 2022.

This item includes the liabilities deriving from the application of the accounting standard IFRS 16, representing the obligation to make the payments provided for in the existing leases for a total amount of € 37.9 million, a net decrease of € 7.1 million compared to 31 December 2022.

During 2023, the Loans item increased by € 365.4 million: € 347.6 million from opening new bank loans and € 17.8 million relating to new lease contracts. Repayments over the period totalled € 290.4 million, of which € 280.2 million were for bank loan repayments and € 10.2 million for leasing liabilities.

During the year, the loan of € 150.0 million taken out with Mediobanca in 2018 matured and was paid off.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 0.9 million compared to 31 December 2022.

A breakdown of medium- and long-term loans at 31 December 2023 and 2022 is shown in the following table:

€ (thousands)	31.12.2023	31.12.2022
GRANTED TO RECORDATI S.p.A.:		
Loan from a pool of eight national and international lenders led by Mediobanca, consisting of two independent variable-rate loans repayable between 2024 and 2028 in six-monthly instalments. The payable was partially converted to a fixed interest rate through interest rate swap transactions	*298,052	-
Loan from 'Cassa Depositi e Prestiti', at a variable interest rate, repayable in semi-annual instalments from 2025 until 2033	*49,974	-
Guaranteed senior notes privately placed with international institutional investors in 2022 at a fixed interest rate, repayable in annual installments starting 2030 through 2034	*74,758	*74,736
Loan from a pool of national and international banks, specifically Mediobanca, JP Morgan, UniCredit and Banca Nazionale del Lavoro, subsequently syndicated with the involvement of other international credit institutions, at a variable interest rate, repayable starting in 2023 and through 2027. The payable was partially converted to a fixed interest rate through interest rate swap transactions	*689,981	*796,518
Loan from a consortium of Italian and international lenders led by Mediobanca, at a variable interest rate, repayable in a single installment in 2026	*179,608	*179,446
Loan from Allied Irish Bank, at a variable interest rate, repayable in semi-annual installments starting 2022 through 2026	*33,934	*37,905

€ (thousands)	31.12.2023	31.12.2022
Loan from Mediobanca, Natixis and Unicredit, syndicated involving a pool of Italian and international banks, at a variable interest rate, repayable in semi-annual installments starting 2020 through 2024	*127,636	*213,207
Guaranteed senior notes privately placed with international institutional investors in 2017 at a fixed interest rate, repayable in annual installments starting 2025 through 2032	*124,930	*124,921
Guaranteed senior notes privately placed in 2014 with international institutional investors, structured in two tranches: US$50 million at fixed interest rate repayable in semi-annual installments starting 2022 through 2026, converted with cross currency swap into a debt of € 37.3 million at fixed interest rate, US$25 million at fixed interest rate repayable in semi-annual installments starting 2023 through 2029, converted with cross currency swap into a debt of € 18.7 million at fixed interest rate	*46,444	*60,815
Loan from Mediobanca, at a variable interest rate partially hedged by an interest rate swap, repaid in 2023	-	*42,733
Liabilities for leases granted to Recordati S.p.A.	7,742	2,371
GRANTED TO OTHER GROUP COMPANIES:		
Loan from UBS Switzerland AG to Recordati AG for CHF 40.0 million, at fixed interest rate, repayable in semi-annual instalments starting 2022 through 2025	21,328	33,767
Loan from UBS Switzerland AG to Recordati AG for CHF 75.0 million, at variable interest rate, repayable in semi-annual instalments starting 2020 through 2025	24,298	38,083
Various interest-free loans granted to Casen Recordati S.L. repayable within 2029	139	156
Liabilities for leases granted to the other Group companies	30,144	28,437
Total amortized cost of loans	**1,708,968**	**1,633,095**
Loans due within one year, classified among current liabilities	355,752	291,546
Loans due after one year, classified among non-current liabilities	1,353,216	1,341,549

* *Net of expenses incurred for placing the loans, amortized on the basis of the effective interest rate. At 31 December 2023, the remaining expenses totalled € 5.6 million, mainly related to the loans granted to Recordati S.p.A. in 2022 by a loan consortium (€ 1.9 million) and in 2022 (€ 2.4 million), the syndicated loan granted to Recordati S.p.A. in 2019 by a group of banks (€ 0.4 million), the 2021 loan granted by a loan consortium led by Mediobanca (€ 0.4 million), the bonds issued by Recordati S.p.A. in 2014, 2017 and 2022 (totalling € 0.4 million) and the loans from Cassa Depositi e Prestiti and Allied Irish Bank (€ 0.1 million in total).*

The repayment schedule for loans due after 31 December 2024, based on their amortization plans, is as follows:

€ (thousands)	
2025	250,279
2026	465,690
2027	338,006
2028	116,265
2029 and subsequent years	182,976
Total	**1,353,216**

The weighted average interest rate at 31 December 2023, calculated applying the rates resulting from the hedging instruments, is 4.74%.

The main loans outstanding are:

a) Loan for a total of € 400.0 million taken out on 16 May 2023 by Recordati S.p.A. with a consortium of eight national and international lenders including Mediobanca as the coordinating institution, for an individual portion of € 50.0 million. The loan is formed of two independent loans for € 300.0 million and € 100.0 million respectively, both at a variable interest rate equal to the six month Euribor (with a zero floor) plus a variable spread based on a step-up/step-down mechanism on changes in the Leverage Ratio, with an interest payment every 6 months and a five year term. The loan for a higher amount, disbursed on 14 June 2023, will be repaid in semi-annual instalments of increasing value starting from April 2024 and with settlement in May 2028. It was partially hedged with interest rate swaps, qualifying as cash flow hedges, effectively converting the hedged portion to a fixed interest rate. At 31 December 2023, the fair value of the derivatives was measured at negative € 2.5 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30). The loan for € 100.0 million consists of a Capex Line that can be used to fund specific investments, guaranteed for 18 months and yet to be used, with semi-annual repayments on a straight-line basis starting from October 2025 for the principal half and May 2028 for the remaining half.
The loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.
From 2024 the loan includes ESG-linked covenants. If respected, they will allow a reduction in the interest rate applied, or an increase if they are not reached.

b) Loan for € 50.0 million negotiated by the Parent Company in April 2023 with Cassa Depositi e Prestiti. The terms of the loan provide for a variable interest rate equal to the six month Euribor (with a zero floor) plus a variable spread, an interest payment every 6 months and a ten year term with semi-annual repayments on a straight-line basis starting from October 2025 for 70% of the principal and repayment in April 2033 for the remaining 30%. The disbursement took place on 18 May 2023.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

c) Bond issued by the parent company on 12 September 2022 for € 75.0 million, placed privately and fully with companies in the Prudential group. The main terms provide for a fixed rate with interest payments every six months and a term of twelve years, with repayment of the principal in five annual instalments starting in September 2030 and expiring on 12 September 2034. The transaction, aimed at continuing to raise medium- to long-term funds to further support the Group's growth, has facilitated access to favourable market conditions. It has standard market characteristics typical of the US private placement market and is substantially in line with the bond issued by the Parent Company in 2017.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

d) Loan for a total of € 800 million negotiated by Recordati S.p.A. in two different stages during 2022, paid by a consortium of national and international lenders.
The terms of the loan provide for a variable interest rate at the six month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a five year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027. The outstanding debt at 31 December 2023 amounted to € 690.0 million. From July 2022, the loan was partially and progressively hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the hedged portion to a fixed interest rate. The fair-value measurement of derivative instruments as at 31 December 2023 was in some cases positive, for a total of € 3.4 million, which was posted as a direct increase of net equity and an increase to the asset item "Derivative instruments at fair value" (see Note 14), but in other cases was negative for a total of € 0.7 million, which was directly posted as a decrease in net equity and an increase to the liability item "Derivative instruments at fair value" (see Note 30).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

e) Loan for 40.0 million Swiss francs taken out on 16 March 2022 by the subsidiary Recordati AG with UBS Switzerland AG, at a fixed interest rate, with quarterly interest payments and semi-annual repayment of principal starting September 2022 through March 2025. The value in euro of the outstanding loan at 31 December 2023 was € 21.3 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

f) € 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the six month Euribor (with a zero floor) plus a fixed spread and a five year term and single instalment repayment on maturity. Disbursement, net of structuring and up-front fees, took place on 21 May 2021.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

g) Loan for € 40.0 million entered into by the Parent Company on 30 March 2021 with Allied Irish Bank at a variable interest rate of the six month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The debt outstanding recognized at 31 December 2023 amounted to a total of € 33.9 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

h) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the three month Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 31 December 2023 was € 24.3 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

i) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the six month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of five years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 31 December 2023 amounted to a total of € 127.6 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

j) Privately placed guaranteed senior notes by the Parent Company in May 2017 for an overall amount of € 125.0 million at a fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032.
The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

k) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US$ 75 million, divided into two tranches: US$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. During the period, US$ 10.0 million of the first tranche and US$ 3.6 million of the second tranche were repaid, and the outstanding debt at 31 December 2023 amounted to a total of US$ 51.4 million, with a counter-value of € 46.5 million.
The loan was hedged at the same time with two cross-currency swaps which provide for the conversion of the original debt into a total of € 56.0 million (€ 38.4 million at 31 December 2023), of which € 37.3 million (€ 22.4 at the date of this report) at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million (€ 16.0 million at the date of this report) again at a lower fixed rate than the one maturing at 15 years. At 31 December 2023, hedging instruments measured at fair value were positive for a total of € 7.7 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).
The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

23. PROVISIONS FOR EMPLOYEE BENEFITS

The balance at 31 December 2023 amounted to € 21.2 million (€ 19.4 million at 31 December 2022) and reflects the Group's liability towards its employees determined in accordance with IAS 19.

The changes in these provision were follows:

€ (thousands)	2023	2022
Balance at 1 January	19,418	21,010
Additions	2,363	2,758
Utilizations	(2,143)	(2,660)
Adjustment for actuarial (gains)/losses	1,601	(1,690)
Balance at 31 December	**21,239**	**19,418**

This liability is mainly due to the severance indemnities (TFR, Trattamento Fine Rapporto) in the Italian companies. The value of these provisions, measured in accordance with IAS 19, amounted to € 5.0 million. The other liabilities are mainly due to contribution plans in being in the French company Laboratoires Bouchara Recordati (€ 4.6 million), in the U.S. company Recordati Rare Diseases (€ 3.2 million), in the German company Recordati Pharma (€ 1.5 million), in the Swiss company Recordati AG (€ 3.5 million) and in the other Recordati Rare Diseases companies (€ 2.4 million). The fair value calculation made using actuarial assumptions updated to 31 December 2023 determined an increase of € 1.6 million compared to the value of the provisions at 31 December 2022 which is recognized in the statement of comprehensive income, net of the tax effect, as prescribed by the relevant accounting standard.

24. DEFERRED TAX LIABILITIES

At 31 December 2023, deferred tax liabilities amounted to € 144.2 million, down by € 23.7 million compared to 31 December 2022.

Their changes are shown in the table below:

€ (thousands)	2023	2022
Balance at 1 January	167,865	26,675
Additions	4,074	11,649
Utilizations	(22,357)	(13,920)
Reclassifications	(5,374)	-
Change to scope of consolidation	-	143,461
Balance at 31 December	**144,208**	**167,865**

The decrease is mainly determined by the recognition of the profit effects for the year from the reduction in deferred tax liabilities originally calculated on the higher measurements of intangible assets and inventories from EUSA Pharma, which were recognised as part of the allocation of the price paid for the acquisition.

The reclassifications refer to the figures for 31 December 2022 which were moved to Deferred tax assets, following the change of net balance for some of the companies at the 2023 year-end.

At 31 December 2023 no deferred tax liabilities were calculated on subsidiaries' undistributed profits as, considering the current dividend policy applied by the Group and thanks to the substantial exemption from double income taxation, no significant additional tax would have to be paid by the Group.

The tax effect of comprehensive income statement components is € 0.5 million (€ 2.4 million at 31 December 2022).

25. TRADE PAYABLES

invoices to be received, at 31 December 2023 and 2022 amounted to € 264.0 million and € 224.7 million respectively.

26. OTHER PAYABLES

At 31 December 2023, the Other liabilities amounted to € 174.4 million (€ 251.1 million at 31 December 2022). The decrease is mainly due to the payment of € 70 million to Tolmar International Ltd, made to fulfil contractual obligations following the approval of the change to the new Eligard® syringe system and the payments of the remaining 20 million US dollars following the reaching of contractual milestones in relation to the acquisition of rights to Isturisa®.

A breakdown is provided in the table below:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Personnel	65,355	64,921	434
Social security	21,966	18,039	3,927
Agents	235	433	(198)
Other	86,849	167,743	(80,894)
Total other payables	**174,405**	**251,136**	**(76,731)**

The item "Other" mainly includes:

- the payable of € 61.8 million owed by the Group companies to national health insurers, of which:
  - € 27.7 million are owed by Recordati Rare Diseases Inc.;
  - € 13.98 million are owed by Recordati Pharma GmbH to the "Krankenkassen" (German health insurers);
  - a total of € 20.3 million are due from the Italian companies and subsidiaries in Greece, France, Switzerland, Canada and Ireland;
- The payable of € 3.7 million related to the acquisition of a further 10% of the capital of Opalia Pharma reclassified among current liabilities on the basis of the put and call options provided for contractually. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments.

27. TAX LIABILITIES

Tax liabilities at 31 December 2023 amounted to € 67.1 million (€ 33.6 million at 31 December 2022) and include mainly tax payables, net of advances already paid, computed by the companies on the basis of estimated taxable income, and withholding taxes payable.

28. OTHER CURRENT LIABILITIES

At 31 December 2023, other current liabilities amounted to € 5.3 million, down by € 0.4 million compared to 31 December 2022. An amount of € 2.9 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable instalments based on the fulfilment of the conditions for revenue recognition.

29. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges set aside at 31 December 2023 amounted to € 16.6 million and include tax provisions and other provisions for future contingencies to cover liabilities of uncertain timing and value. The following tables show their composition and changes.

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
For taxes	525	531	(6)
Future contingencies	16,071	15,678	393
Total other provisions	**16,596**	**16,209**	**387**

€ (thousands)	2023	2022
Balance at 1 January	16,209	21,396
Additions	2,635	2,866
Change to scope of consolidation	-	284
Utilizations	(2,248)	(8,337)
Balance at 31 December	**16,596**	**16,209**

The year-end balance is mainly related to the Parent Company and to the other Italian companies (€ 6.8 million), to the companies in France (€ 2.5 million) and in Germany (€ 2.4 million), the Spanish company Casen Recordati (€ 2.2 million) and Jaba Recordati in Portugal (€ 0.8 million).

The various risks include provisions for restructuring costs, returned products, legal disputes and others. Despite the uncertainty surrounding the ongoing disputes and litigation, the provisions set aside are considered the best estimate of these liabilities, based on the information available on the reporting date.

30. DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE (included in current liabilities)

At 31 December 2023 the value of derivative instruments included under this item amounted to € 20.0 million.

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 31 December 2023 on the outstanding loan of 73.3 million Swiss francs was a negative for € 12.9 million compared to the € 14.4 million at 31 December 2022, with the difference recognized in the income statement, offsetting the exchange losses determined by the valuation of the underlying loan at current exchange rates.

The measurement at market (fair) value at 31 December 2023 of the interest rate swaps hedging a number of loans gave rise to a total liability of € 3.2 million, which represents the unrealized need to pay in future the variable interest rates currently expected, instead of the agreed rates for the duration of the loans. The amount is related to the interest rate swaps taken out by the Parent Company to hedge the interest rates on the loans agreed with the lending consortium in 2023 (€ 2.5 million) and in 2022 (€ 0.7 million).

At 31 December 2023, other hedging transactions were in place on foreign currency positions, the measurement of which was negative for € 3.9 million compared to the € 3.0 million at 31 December 2022, with the difference recognized to the income statement and offsetting the exchange gains arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the accounting standard IFRS 13 (see note 2). The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

31. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 31 December 2023 were € 99.9 million and mainly comprise temporary use of short-term credit lines by the parent company, as well overdrafts of a number of foreign associates and interest due on existing loans.

On 1 March 2023, the Parent Company renewed the revolving credit line with UniCredit, with a maximum term of 12 months and for a maximum amount of € 40 million. This credit line, which had been entirely used at 31 December 2023, is a short-term financing instrument providing financial flexibility, combining irrevocability with variability of use based on specific financial requirements. The agreement signed requires compliance with financial and income conditions similar to those for other existing loans. These conditions were met.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, the book values and fair values at 31 December 2023 of financial assets and liabilities are resented below:

€ (thousands)	Book value	Fair value
Financial assets		
Financial assets measured at fair value		
Other equity investments and securities	21,555	21,555
Derivative instruments measured at fair value	11,079	11,079
Financial assets not measured at fair value		
Cash and cash equivalents	221,812	221,812
Trade receivables	445,193	445,193
Other receivables	99,401	99,401
Financial liabilities		
Financial liabilities measured at fair value		
Derivative instruments measured at fair value	19,993	19,993
Other payables	3,680	3,680
Financial liabilities not measured at fair value		
Loans		
- at variable interest rates	840,047	840,047
- at variable interest rates hedged with interest rate swaps	563,436	563,436
- at fixed interest rates	221,155	210,823
- at fixed interest rates hedged with cross currency swaps	46,444	45,745
- lease liabilities	37,886	37,886
Trade payables	263,979	263,979
Other payables	237,837	237,837
Short-term debts to banks and other lenders	99,932	99,932

33. DISCLOSURE OF FINANCIAL RISKS

The Group constantly monitors the financial risks to which it is exposed in order to take immediate mitigating actions when necessary.

The Group aims at achieving a balanced and prudent financial structure as a basic condition for funding internal and external growth, minimizing financing costs and maximizing yields. Speculative investments in equities, funds or financial assets which could impair the value of the company are forbidden.
The only financial investments permitted are investments in risk-free assets and/or funds issued by major financial institutions.
The Group monitors the financial risks to which it is exposed in order to take immediate mitigating actions, whenever necessary, in compliance with the applicable legislations and regulations.
All companies belonging to the Group work only with investment grade banks.
On the basis of the above and considering that the related effects would be insignificant, no sensitivity analysis has been performed.

As prescribed by IFRS 7, the main financial risks to which the Group is exposed are disclosed below.

Credit risk - The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31 December 2023, the credit exposure was not critical due to the large number of customers, their geographic distribution and the average amount of each account receivable. In particular, at 31 December 2023, total trade receivables of € 460.8 million included € 34.9 million in receivables past due by more than 90 days. Of these, € 11.3 million are receivables from public hospitals which, despite their long collection times, do not represent a significant risk situation. The provisions for doubtful accounts of € 15.7 million are considered sufficient to cover potential losses due to insolvency. The measurement of credit risk also took into account the potential impact of the Ukraine conflict.

Interest rate risk - The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, therefore affecting the Group's net financial expenses.

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans hedged by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Note 22. As a result of this policy and considering the current amount of net debt, it is believed that changes in current interest rates would not have a significant impact on net financial expenses.

Foreign currency risk - The Group is exposed to foreign currency exchange rate fluctuations, which can affect its operating results and the value of its equity. All companies are subject to exchange rate fluctuations affecting trade and financial balances denominated in currencies different from their own. In order to limit this risk, in some cases, non-speculative hedging instruments are negotiated.

In relation to the euro companies, at 31 December 2023 the main net exposures in other currencies not hedged by derivative instruments, were as follows:

- net receivables of 34.3 million Brazilian reals;
- net receivables of 18.2 million Polish zloty;
- net receivables of 2.6 million British pounds;
- net receivables of 13.0 million Rumanian RON;
- net debts of 1,833.6 million Russian roubles;
- net debts of 4.4 million Swiss francs;
- net debts of 4.8 million US dollars.

Among the non-euro companies, at 31 December 2023, the main net exposures in currencies other than the company's national currency and not hedged by derivative instruments are in euro, US dollars and Japanese yen. The net exposures in euro are mainly related to the companies based in Switzerland (net payables of 9.7 million), the United States (net payables of 7.3 million), Japan (net payables of 2.4 million), Türkiye (net payables of 2.2 million), Australia (net payables of 1.8 million), Canada (net payables of 1.5 million), Brazil (net payables of 1.1 million), the Czech Republic (net receivables of 4.1 million) and Poland (net receivables of 2.5 million). Net exposures in U.S. dollars refer mainly to the companies in Japan (net payables of 5.5 million), Brazil (net payables of 5.2 million) and Colombia (net payables of 2.2 million). Exposure in Japanese yen refers to the companies in Switzerland (net receivables of 904.2 million).

For consolidation purposes, the income statements and balance sheets of the non-euro companies have been converted from their local currencies into euro. At 31 December 2023, the net asset values of these companies, excluding goodwill, are denominated mainly in U.S. dollars (422.9 million), pounds sterling (15.1 million), Swiss francs (379.3 million), Turkish lira (2,051.1 million), Czech crowns (470.9 million), Romanian ron (56.2 million), Russian roubles (7,601.8 million), Polish zloty (80.3 million) and Tunisian dinars (100.3 million). The effect of exchange rate variations on the conversion of these amounts is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, at 31 December 2023, was a negative € 264.7 million.

Liquidity risk - The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions. At 31 December 2023, the Group has at its disposal liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 22 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, medium/long-term loans and payables to banks. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

34. OPERATING SEGMENTS

The financial information reported by line of business and geographic area, in compliance with IFRS 8 – *Operating Segments*, is prepared using the same accounting principles used for the preparation and disclosure of the Group's consolidated financial statements.

Based on the characteristics of their business, operational and strategic models two main business segments can be identified, the Specialty and Primary Care segment and the segment dedicated to treatments for rare diseases.

The identification took into account the different management and marketing strategies applied to the products belonging to the two segments. Consequently, clearly identified and separate models and organizational structures have been developed. All economic and financial data derive from precise accounting and not from generic allocation criteria.

The geographic footprint of the Group's Specialty & Primary Care business is focused mainly on Europe. The Group operates in the main European markets, including Central and Eastern Europe, Russia and the other C.I.S. countries, Ukraine, Turkey and Tunisia, where it has established its own subsidiaries. In the rest of the world sales of Specialty and Primary Care products are carried out mainly through licensing agreements with pharmaceutical companies of high standing. The Group has gradually extended its international presence through the acquisition of existing marketing organizations with the aim of adding our proprietary products and those obtained under multi-territorial licenses to the local portfolios.

The Group's segment dedicated to treatments for rare diseases is a worldwide business. The Group operates through Recordati Rare Diseases, its dedicated group of subsidiaries, sharing the conviction that each person with a rare disease has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, the Middle East, North Africa, the U.S.A., Canada, Mexico, Brazil, Colombia, Japan, Australia, New Zealand, China and South Korea, through its subsidiaries and highly qualified distributors in the rest of the world.

The Group's CEO, together with the segment managers, reviews the internal management reports for each segment at least quarterly.

The two following tables show financial information for these two business segments as at 31 December 2023 and include comparative data.

€ (thousands)	Specialty and Primary Care*	Rare diseases segment	Values not allocated	Consolidated financial statements
2023				
Revenue	1,367,611	714,720	-	2,082,331
Expenses	(979,374)	(544,949)	-	(1,524,323)
Operating income	**388,237**	**169,771**	**-**	**558,008**
2022				
Revenue	1,257,522	595,785	-	1,853,307
Expenses	(945,720)	(470,261)	-	(1,415,981)
Operating income	**311,802**	**125,524**	**-**	**437,326**

** Includes pharmaceutical chemical operations.*

€ (thousands)	Specialty & Primary Care segment*	Rare diseases segment	Values not allocated**	Consolidated financial statements
31 December 2023				
Non-current assets	1,537,393	1,446,943	21,555	3,005,891
Inventories	260,945	143,886	-	404,831
Trade receivables	285,246	159,947	-	445,193
Other receivables and other current assets	74,802	44,523	11,079	130,404
Cash and cash equivalents	-	-	221,812	221,812
Total assets	**2,158,386**	**1,795,299**	**254,446**	**4,208,131**
Non-current liabilities	38,454	126,994	1,353,215	1,518,663
Current liabilities	308,550	218,849	475,677	1,003,076
Total liabilities	**347,004**	**345,843**	**1,828,892**	**2,521,739**
Net capital employed	**1,811,382**	**1,449,456**		
31 December 2022				
Non-current assets	1,326,238	1,470,097	28,871	2,825,206
Inventories	229,031	195,049	-	424,080
Trade receivables	226,656	135,242	-	361,898
Other receivables and other current assets	47,435	31,867	23,603	102,905
Cash and cash equivalents	-	-	284,734	284,734
Total assets	**1,829,360**	**1,832,255**	**337,208**	**3,998,823**
Non-current liabilities	45,941	141,342	1,341,549	1,528,832
Current liabilities	352,475	178,928	392,340	923,743
Total liabilities	**398,416**	**320,270**	**1,733,889**	**2,452,575**
Net capital employed	**1,430,944**	**1,511,985**		

** Includes pharmaceutical chemical operations.*
*** Amounts not allocated refer to the items other equity investments and securities, cash and cash equivalents, loans, derivative instruments and short-term debts to banks and other lenders.*

The pharmaceutical chemical business is considered part of the Specialty & Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view.
No single customer contributed more than 10% to revenue in 2023 or in 2022.

The following table shows net revenue by geographic area:

€ (thousands)	2023	2022	Changes 2023/2022
Europe	1,492,071	1,361,456	130,615
of which Italy	*317,144*	*277,322*	*39,822*
Australasia	139,881	114,944	24,937
America	394,861	323,503	71,358
Africa	55,518	53,404	2,114
Total	**2,082,331**	**1,853,307**	**229,024**

The Group's production facilities are located almost exclusively in Europe, and therefore non-current assets and investments are, for the most part, in this geographic area.

35. NET FINANCIAL POSITION

The following table summarizes the Group's net financial position: This situation is in line with the CONSOB call for attention 5/21 of 29 April 2021, in compliance with "Guidelines on disclosure requirements pursuant to the Prospectus Regulations", published by ESMA on 4 March 2021 in the document "ESMA32-382-1138".

€ (thousands)	31.12.2023	31.12.2022	Variazioni 2023/2022
Deposits in bank current accounts and cash on hand	195,004	162,636	32,368
Short-term time deposits	26,808	122,098	(95,290)
Cash and cash equivalents	**221,812**	**284,734**	**(62,922)**
Short-term debts to banks and other lenders	(99,932)	(83,425)	(16,507)
Loans - due within one year	(333,222)	(269,586)	(63,636)
Notes issued [1]	(10,226)	(10,224)	(2)
Leasing liabilities – due within one year	(10,249)	(9,237)	(1,012)
Short-term borrowings	**(453,629)**	**(372,472)**	**(81,157)**
Short-term financial position	**(231,817)**	**(87,738)**	**(144,079)**
Loans - due after one year	(1,091,727)	(1,072,229)	(19,498)
Notes issued [1]	(228,243)	(238,371)	10,128
Leasing liabilities – due after one year	(27,637)	(21,571)	(6,066)
Non-current financial debt	**(1,347,607)**	**(1,332,171)**	**(15,436)**
Net financial position	**(1,579,424)**	**(1,419,909)**	**(159,515)**

(1) Includes the fair value measurement of the relative currency risk hedging instruments (cash flow hedge).

36. RECONCILIATION BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET INCOME AND GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME

The reconciliation between the Parent Company's shareholders' equity and net income and the group consolidated shareholders' equity and net income is as follows:

€ (thousands)	Shareholders' equity		Net income	
	31.12.2023	31.12.2022	2023	2022
Recordati S.p.A.	352,782	362,988	224,017	219,233
Consolidation adjustments:				
- Elimination margins in inventories	(78,677)	(84,561)	5,884	(11,893)
- Related tax effect	22,614	24,120	(1,506)	3,675
- Other adjustments	(32,082)	(24,974)	(6,004)	(5,494)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	1,321,387	1,201,902	-	-
Net income for consolidated subsidiaries, net of amounts already recognized by Recordati S.p.A.	365,068	271,791	365,068	271,791
Dividends received from consolidated subsidiaries			(198,245)	(164,976)
Write-down of holdings in subsidiaries			0	0
Translation adjustments	(264,700)	(205,018)	-	-
Consolidated financial statements	**1,686,392**	**1,546,248**	**389,214**	**312,336**

37. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 40 million, are merely potential at the moment.

38. RELATED-PARTY TRANSACTIONS

The Group's direct parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

In compliance with the disclosure obligations required by Article 38 of Italian Legislative Decree 127/91, it is hereby specified that the overall compensation of the Directors and Statutory Auditors of the Parent Company for the performance of their specific functions, including those in other Group companies, during 2023 amounted to € 2.5 million and € 0.2 million respectively.

Key management personnel compensation comprised the following:

€ (thousands)	2023	2022
Fixed remuneration	4,161	4,517
Non-monetary benefits	263	156
Bonuses and other incentives	2,942	2,456
Share-based payments	1,749	1,183
Total	**9,115**	**8,312**

Compensation of the Group's key management personnel includes salaries and non-cash benefits. The executive officers also participate in the Group's stock option and performance share plans.

Except for what is stated above, to our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant in terms of value or conditions, or which could in any way materially affect the accounts.

39. SUBSEQUENT EVENTS

At the date of preparation of the financial statements, no significant events had occurred subsequent to the closing of the fiscal year that would require changes to the values of assets, liabilities or the profit and loss.

Except for the above, no significant events occurred subsequent to the reporting date.

40. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2023

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI S.p.A. Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.p.A. Marketing of pharmaceuticals	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. Development, production, and sales of pharmaceuticals	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. Development, production, and sales of pharmaceuticals	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA Marketing of pharmaceuticals	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. Development, production, and sales of pharmaceuticals	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD Development, production, and sales of pharmaceuticals	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. Development, production, and sales of pharmaceuticals	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH Marketing of pharmaceuticals	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD Marketing of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. Marketing of pharmaceuticals	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. Marketing of pharmaceuticals	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. Promotion of pharmaceuticals	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. Promotion of pharmaceuticals	Portugal	50,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC Marketing of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI AB Marketing of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. Development, production, and sales of pharmaceuticals	France	419,804.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited Marketing of pharmaceuticals	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH Marketing of pharmaceuticals	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. Marketing of pharmaceuticals	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. Marketing of pharmaceuticals	Italy	40,000.00	EUR	Line-by-line
RECORDATI BV Marketing of pharmaceuticals	Belgium	18,600.00	EUR	Line-by-line
FIC MEDICAL S.à r.l. Promotion of pharmaceuticals	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. Marketing of pharmaceuticals	Slovak Republic	33,193.92	EUR	Line-by-line
RUSFIC LLC Development, promotion, and sales of pharmaceutical products	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. Promotion of pharmaceuticals	Türkiye	8,000,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. Development, production, and sales of pharmaceuticals	Türkiye	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. Marketing of pharmaceuticals	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda Marketing of pharmaceuticals	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. Development, production, and sales of pharmaceuticals	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à r.l. Promotion of pharmaceuticals	Tunisia	20,000.00	TND	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI RARE DISEASES S.A. DE C.V. Marketing of pharmaceuticals	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. Marketing of pharmaceuticals	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. Marketing of pharmaceuticals	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG Marketing of pharmaceuticals	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH Marketing of pharmaceuticals	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. Marketing of pharmaceuticals	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. Marketing of pharmaceuticals	Japan	90,000,000.00	JPY	Line-by-line
NATURAL POINT S.r.l. Marketing of pharmaceuticals	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd Marketing of pharmaceuticals	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. Marketing of pharmaceuticals	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd Marketing of pharmaceuticals	Bulgaria	50,000.00	BGN	Line-by-line
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd Promotion of pharmaceuticals	People's Republic of China	1,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES FZCO[1] Marketing of pharmaceuticals	United Arab Emirates	1,000.00	AED	Line-by-line
EUSA Pharma (UK) Limited[2] Research and marketing of pharmaceuticals	United Kingdom	10.00	EUR	Line-by-line
EUSA Pharma (Netherlands) B.V.[2] Marketing of pharmaceuticals	Netherlands	1.00	EUR	Line-by-line
EUSA Pharma (Denmark) ApS[2] Marketing of pharmaceuticals	Denmark	50,000.00	EUR	Line-by-line
EUSA Pharma (CH) GmbH[2] Marketing of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
RECORDATI KOREA, Co. Ltd[2] Marketing of pharmaceuticals	South Korea	100,000,000.00	KRW	Line-by-line

(1) Set up in 2022
(2) Acquired in 2022

PERCENTAGE OF OWNERSHIP

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Total
INNOVA PHARMA S.p.A.	100.00										100.00
CASEN RECORDATI S.L.	100.00										100.00
BOUCHARA RECORDATI S.A.S.	100.00										100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	100.00										100.00
RECORDATI RARE DISEASES INC.	100.00										100.00
RECORDATI IRELAND LTD	100.00										100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00								100.00
RECORDATI PHARMA GmbH	55.00			45.00							100.00
RECORDATI PHARMACEUTICALS LTD	100.00										100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00										100.00
JABA RECORDATI S.A.				100.00							100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC					100.00						100.00
RECORDATI AB					100.00						100.00
RECORDATI RARE DISEASES S.à r.l.	84.00	16.00									100.00
RECORDATI RARE DISEASES UK Limited					100.00						100.00
RECORDATI RARE DISEASES GERMANY GmbH					100.00						100.00
RECORDATI RARE DISEASES SPAIN S.L.					100.00						100.00
RECORDATI RARE DISEASES ITALY S.R.L.					100.00						100.00
RECORDATI BV					100.00						100.00
FIC MEDICAL S.à r.l.			100.00								100.00
HERBACOS RECORDATI s.r.o.	100.00										100.00
RECORDATI SK s.r.o.						100.00					100.00
RUSFIC LLC			100.00								100.00
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.							100.00				100.00
RECORDATI ROMÂNIA S.R.L.	100.00										100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.				100.00							100.00

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Total
RECORDATI POLSKA Sp. z o.o	100.00										100.00
ACCENT LLC	100.00										100.00
RECORDATI UKRAINE LLC	0.01		99.99								100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda				100.00							100.00
OPALIA PHARMA S.A.	90.00										90.00
OPALIA RECORDATI S.à R.L.			1.00					99.00			100.00
RECORDATI RARE DISEASES S.A. DE C.V.	99.998				0.002						100.00
RECORDATI RARE DISEASES COLOMBIA S.A.S.				100.00							100.00
ITALCHIMICI S.p.A.	100.00										100.00
RECORDATI AG	100.00										100.00
RECORDATI AUSTRIA GmbH									100.00		100.00
RECORDATI RARE DISEASES CANADA Inc.	100.00										100.00
RECORDATI RARE DISEASES JAPAN K.K.					100.00						100.00
NATURAL POINT S.r.l.	100.00										100.00
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd					100.00						100.00
TONIPHARM S.a.s.	100.00										100.00
RECORDATI BULGARIA Ltd	100.00										100.00
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd [1]	100.00										100.00
RECORDATI RARE DISEASES FZCO [1]					100.00						100.00
EUSA Pharma (UK) Limited [2]	100.00										100.00
RECORDATI Netherlands B.V. [2]										100.00	100.00
EUSA Pharma (Denmark) ApS [2]										100.00	100.00
EUSA Pharma (CH) GmbH [2]										100.00	100.00
RECORDATI KOREA, Co. Ltd [2]										100.00	100.00

(1) Set up in 2022
(2) Acquired in 2022

RECORDATI S.p.A. AND SUBSIDIARIES

ANNEX 1

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Type of service	Entity providing the service	Recipient	Fees Amounts in €
Accounting Auditing	Auditor of the Parent Company	Parent Company	241,748
Accounting Auditing	Auditor of the Parent Company	Subsidiaries	236,630
Accounting Auditing	Network of the auditor of the Parent Company	Subsidiaries	733,466
Tax compliance	Network of the auditor of the Parent Company	Subsidiaries	47,363
Signing declarations and certificates	Auditor of the Parent Company	Parent Company	39,970
Signing declarations and certificates	Auditor of the Parent Company	Subsidiaries	3,703
Signing declarations and certificates	Network of the auditor of the Parent Company	Subsidiaries	180,554
Other services	Network of the auditor of the Parent Company	Subsidiaries	30,790

RECORDATI S.p.A. AND SUBSIDIARIES

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ART. 154-BIS OF ITALIAN LGS. DECREE 58/98

1.

I, the undersigned, Robert Koremans, as the Chief Executive Officer, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions or Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy with respect to the Company structure and
- the effective application

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements during financial year 2023.

2.

The undersigned certify further that:

2.1

the consolidated financial statements at 31 December 2023:

- have been prepared in accordance with the applicable International Accounting Standards, as endorsed by the European Union under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2.2

The annual report includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Milan, 19 March 2024

Chief Executive Officer

ROBERT KOREMANS

The Financial Reporting Manager

LUIGI LA CORTE

REPORT OF THE INDEPENDENT AUDITORS

Recordati Industria Chimica e Farmaceutica S.p.A.

Consolidated financial statements as at 31 December 2023

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Recordati Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Recordati Industria Chimica e Farmaceutica S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Recoverability of goodwill	
The goodwill recognized in the consolidated financial statements of Recordati Group as of 31 December 2023 amounts to Euro 778 million. The goodwill originates from acquisitions made by the Group and it has been allocated to the individual Cash Generating Unit (CGU) identified on the basis of the business segments and the markets where acquired companies operate. At each financial statements date, or more frequently if needed, the directors verify the recoverability of goodwill by comparing the carrying amount with the related value in use of each CGU, determined discounting the expected cash flows. The processes as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of value in use, are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts. Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of goodwill, we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the note "2. Summary of accounting standards" and in particular in the note "9. Goodwill", which describes the composition of the balance as of 31 December 2023, as well as the allocation process to the various CGUs and the methodology applied to assess the recoverable amount of assets, with specific reference to the valuation methodology and the assumptions used.	Our audit procedures related to the key audit matter included, among the others: i. the analysis of the procedure adopted by the Company and of the methodology applied in connection with the valuation of goodwill, taking into account the impairment test procedure approved by the Board of Directors of the parent company on February 22, 2024; ii. the evaluation of the methodology used for the identification of the CGUs and the allocation of assets and liabilities to the individual CGUs; iii. the analysis of the impairment test approved by the Board of Directors of the parent company, including the analysis of the reasonableness of the expected cash flows; iv. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts; v. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount. Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts. Finally, we analyzed the disclosures provided in the consolidated financial statements of Recordati Group as of 31 December 2023.

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Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the the Parent Company Recordati Industria Chimica e Farmaceutica S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our

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conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Recordati Industria Chimica e Farmaceutica S.p.A., in the general meeting held on 29 April 2020, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

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We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Recordati as at 31 December 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Recordati Group as at 31 December 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Recordati Group as at 31 December 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

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Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, 28 March 2024

EY S.p.A.
Signed by: Renato Macchi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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CONSOLIDATED NON-FINANCIAL STATEMENT 2023

LETTER TO STAKEHOLDERS

Dear Stakeholders,

In 2023, we continued to generate value for all our stakeholders, successfully pursuing our ambition to foster sustainable and responsible growth. Building on the strategic pillars of our Sustainability Plan and remaining true to the values that have guided Recordati for nearly 100 years, we have achieved important milestones in sustainability, firmly integrating environmental, social, and governance (ESG) activities into our business strategy.

At Recordati, we have always believed that health and the opportunity to live life to the fullest is a right, not a privilege. Based on this belief, in 2023 we renewed our corporate purpose to "Unlocking the full potential of life," which reflects what we do at Recordati every day. Our Culture Ambassadors, an international team of more than 70 colleagues who volunteered for the role, deployed the updated purpose locally, reinforcing a sense of shared pride.

The best interests of our patients are at the core of everything we do. We strive to give people the opportunity to be the best version of themselves, whether they live with common or rare diseases. We do this by offering affordable products through our Specialty & Primary Care business unit, and providing innovative treatments that address serious unmet medical needs through our Rare Diseases business unit. In 2023, we supported around 1,100 patients living with rare diseases through dedicated care and access to care programs. We also continued to work closely with the rare disease community to raise awareness, leading to improved diagnosis, and expand the availability of treatment for people with rare diseases. To promote scientific research, in May, we launched the call for proposals for the 11th Arrigo Recordati International Prize, which is held once every two years. The 2024 Prize is dedicated to promoting and recognizing excellence in research on paediatric oncology, specifically neuroblastoma, reflecting our commitment to supporting innovation and research in the field of rare diseases.

At the same time, we continued to promote initiatives to foster an increasingly connected and inclusive work environment. In 2023, we launched the first global engagement survey, which involved all employees, achieving a high participation rate of 80%. We also conducted, for the second year in a row, the Diversity & Inclusion survey, targeting some 300 senior leaders.

The circular economy and combating climate change remain central to our strategy. 100% of our purchased electricity comes from renewable sources for our plants and annexed offices in countries where it is available and can be purchased. We have also established a roadmap for installing renewable energy production systems. Following the installation of solar panels in our plants in Spain and Ireland in 2022, we aim to extend the number of panels in Spain and to install new ones in the plants in Italy (Campoverde), Tunisia, and Türkiye by 2026 with the objective of increasing the renewable energy installed power capacity. At a local level, we will continue with forestation activities, planting about 24,000 trees by the end of 2024, the equivalent of around five trees per employee.

We are keen to ensure that all our business partners share our high standards. In 2022 and 2023, we ran an ESG assessment with 115 suppliers from our main and most strategic product categories. We will continue this work, strengthening our monitoring activities to promote compliance with ethical, environmental, and social aspects throughout the value chain.

In December, we linked the credit facility finalised in May with a pool of banks to two KPIs from our Sustainability Plan: environmental protection (Renewable Energy Installed Power Capacity) and responsible sourcing (Suppliers' Sustainability Audit). This is an example of how Recordati integrates social and environmental aspects into its corporate strategy to pursue a long-term sustainable growth model.

Recordati's focus and efforts in driving the group's ESG strategy continued to be recognized by main ESG indices and ratings also in 2023. The inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis. MSCI ESG Research confirmed Recordati's A rating and the Group was rated C+ with "Prime" status by ISS ESG, awarded to companies with a leading sustainability performance in their industry. In addition, Recordati received a "Robust" ESG Assessment from Moody's Analytics and is included in the MIB ESG Index, promoted by Euronext and Borsa Italiana.

Throughout 2023, we have continued to support our colleagues and communities affected by emergency situations, including people affected by the earthquake in Türkiye and Syria, the flooding in Emilia-Romagna and the conflict in Ukraine. In addition, numerous community initiatives were supported through the active involvement of our employees.

All of these achievements were made possible by the dedication, professionalism, and commitment that characterizes all of our people, to whom we extend our heartfelt thanks.

As we look to the future, we are committed to continuing this path of sustainable and responsible growth. We will do so through continued care for people and the planet, with the knowledge that there can be no economic development in the long run without responsible action.

ANDREA RECORDATI
Chairman

ROB KOREMANS
Chief Executive Officer

2023 SUSTAINABILITY HIGHLIGHTS

100%
of electricity purchased for Group plants and annexed offices comes from renewable sources, in countries where this is possible[1]

1st sustainability-linked loan signed
the credit facility is linked to two ESG KPIs: environmental protection (renewable energy installed power capacity) and responsible sourcing (ESG audits of suppliers)

More than 14,000 trees planted
in the three years 2021-2023, with a commitment to reach 24,000 by 2024, corresponding to approximately 5 trees per employee

115
suppliers audited in the two years 2022-2023 on ESG topics via desk audits conducted by an independent third party

Over 190
supplier audits conducted by the pharmaceutical and chemical-pharmaceutical division, mainly on product quality and safety

Approximately 1,100
patients affected by rare diseases supported through the Patient Assistance Program, the Co-Pay Assistance Program and similar programmes

Approximately € 4.8[2] million
in donations to the community

#THISCUSHING awareness campaign wins award
Recordati Rare Diseases received the 2023 PMEA Patient-Centricity Award

Call launched for the 11th Arrigo Recordati Prize
international award promoting scientific research into rare diseases

1st People Engagement survey completed
with an excellent 80% participation rate

2nd D&I survey completed
involving approximately 300 Group managers

56%
of women hired in 2023 out of total new hires, with the commitment to increase the percentage of women in Top and Senior management positions

94%
of employees hired on permanent contracts

1 *This figure excludes Tunisia, where renewable energy is not available. Please refer to the chapter "The Group's focus on the environment" for further details.*
2 *Including monetary and product donations measured at market value.*

1. THE RECORDATI GROUP

At the forefront of life-enhancing and life-changing medicines for almost 100 years. With its beginnings in a family-run pharmacy in Correggio, Italy in the 1920s, Recordati is now a global pharmaceutical group, listed on the Italian Stock Exchange since 1984, with over 4,450 employees. In 2023, the Group generated revenue of € 2,082.3 million and net income of € 389.2 million. The people who work across Recordati are passionate individuals who go to extraordinary lengths for partners, customers, investors, and the people across the globe that they serve. Every day, they strive to deliver on the Group's purpose of *Unlocking the full potential of life*.

1.1 RECORDATI: A LONG HISTORY OF SUCCESS

Recordati has always believed that health, and the opportunity to live life to the fullest, is a right, not a privilege. Whether that is for common diseases or the rarest - Recordati wants to give everyone the opportunity to be the best version of themselves. This drive will never stop.

Recordati:

- Has fully integrated operations across research and development, chemical and finished product manufacturing through to commercialisation and licensing;
- Has a global footprint with direct presence in more than 65 countries and partnerships in remaining markets;
- Has a diversified portfolio across Specialty & Primary Care and Rare Diseases, available in around 150 countries worldwide;
- Is a partner of choice for many companies in the industry due to its unique structure and successful track record in integrating new products and licenses;
- Maintains the highest quality and safety standards of products throughout their life cycle;
- Manufactures pharmaceutical ingredients to support its supply-chain, while also providing them to customers worldwide;
- Achieved consolidated net revenue for FY 2023 of € 2,082.3 million, up 12.4% versus FY 2022 (for details see Financial Statements).

Strategy

In a constantly changing marketplace, Recordati is committed to seeking new opportunities, with a focus on developing new treatments and investing in medical innovations that can address the unmet needs of patients.

Since its beginnings, Recordati has generated strong consistent growth thanks to the continued success of its products and its strategy based on internationalisation and diversification. The Group has focused on driving profitable organic growth of its product portfolio and on business development, through licensing and acquisitions, since the 1990s.

Partnerships are a core component of Recordati's successful history. The group has developed a long-standing track record, a commitment to partnering and has the focus to treat each product as if it were Recordati's own.

Business and portfolio

Specialty & Primary Care

The Specialty & Primary Care (SPC) business unit has a strong and proven heritage of supporting people living with a wide range of common illnesses that affect large populations day to day. It creates value for patients, payers, and physicians with both prescription and self-medication treatments. The business has a direct presence in Europe, North Africa and Türkiye, and makes its products available in other international markets through distribution partners. The product portfolio includes medicines developed historically internally and several which have been in-licensed from other pharmaceutical companies for commercialization in specific territories.

SPC's best-known products are focused in the following areas:

- **Cardiovascular**, with lercanidipine, a latest-generation calcium channel blocker indicated for the treatment of hypertension, discovered and developed entirely at Recordati's research laboratories, and its combination with enalapril, a widely prescribed ACE inhibitor. The group also offers well-established metoprolol-based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris, cardiac rhythm disorders, maintenance treatment after a myocardial infarction, and functional heart disorders with palpitations. Pitavastatin, a latest-generation statin for controlling hypercholesterolemia, is also marketed in several countries.
- **Urology** and **Uro-Oncology**, with well-recognized drugs for the treatment of benign prostatic hyperplasia such as silodosin, and of urinary incontinence, such as flavoxate. Its portfolio also includes a leuprorelin acetate depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa). A new pre-connected syringe, developed by Tolmar, was introduced in first markets in the later part of 2023, further enhancing the differentiated position of the drug. In 2023, a long-term, commercialization agreement was finalised with GSK for the sales and distribution of two drugs, Avodart® (dutasteride) and Combodart®/ Duodart® (dutasteride/tamsulosin)[3]. These drugs have helped support millions of men worldwide who experience moderate to severe symptoms relating to benign prostatic hyperplasia (BPH) and are at risk of suffering complications.
- **Gastroenterological**, with several established brands for evacuating the intestine based on sodium picosulfate and magnesium citrate (including Citrafleet®, Casenlax®), widely used before diagnostic tests, products used for constipation for adults and children, and a line of probiotics based on

3 *Trademarks are owned by or licensed to the GSK group of companies. Transition to Recordati of commercialization of Avodart® and Combodart® / Duodart® has been effected in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.*

lactobacillus reuteri protectis, particularly popular in Western Europe. Procto-Glyvenol® (tribenoside) is one of our leading CHC brands across several Central and Eastern European markets.

- **"Cough and cold"** ranging from an antiseptic based on biclotymol for sore throats, to combination products for the treatment of ear, nose and throat infections, successfully sold mainly in Italy, France, Russia and the CIS countries.
- In addition to the above, we have products available across a variety of other areas, including central nervous system, with an antipsychotic drug for the treatment of schizophrenia, Reagila® (cariprazine), a third-generation antipsychotic for this seriously debilitating mental disorder which is marketed in several European countries.

Rare Diseases

The Rare Diseases (RD) business unit develops, produces and markets drugs for the treatment of rare diseases, operating globally and dedicated entirely to serving patients suffering from these diseases. The drugs are marketed directly in Europe, the Middle East, Türkiye, United States, Canada, Russia, Australia, Japan, China and in Latin America, and through selected partners in several other countries.

Historically focused on rare genetic metabolic illnesses, acquired through the acquisitions of Orphan Europe in 2007 and Lundbeck product portfolio in US in 2012, the Rare Diseases portfolio was expanded with the acquisition of additional important specialties in rare endocrine diseases through the acquisition of Signifor®, Signifor LAR® (pasireotide) and Isturisa® (osilodrostat) from Novartis in 2019, and further expanded with the acquisition of EUSA Pharma that was completed in March 2022, adding four drugs for the treatment of rare and niche oncological diseases.

RD provides medicines across three main therapeutic areas:

- **Metabolic** - The activity on rare genetic metabolic illnesses, with an initial presence in 2007 mostly in Europe and the MENA region, has expanded its scope into the US in 2012. Cystadrops® (cysteamine hydrochloride), Carbaglu® (carglumic acid) and Panhematin® (human hemin) form the core of the business's legacy metabolic products, to which Ledaga® (chlormethinean hydrochloride was added in 2018. Recordati continues to expand access to these treatments, with Carbaglu® launched in 2023 in China for the treatment of hyperammonia associated with NAGS deficiency and organic acidemias, a set of rare metabolic conditions characterized by raised levels of ammonia in the blood which can be extremely toxic to the brain in infants, children and adults.
- **Endrocrinology** - Recordati expanded into important endocrine speciality treatment areas in 2019, which included conditions such as Cushing disease/ syndrome and Acromegaly, both rare conditions which can have a significant impact on quality of life. The expansion was part of the acquisition of Signifor®, Signifor LAR® and Isturisa® from Novartis. Access to these treatments continues to expand globally with the launch of Istruisa® in Columbia in 2023 and the filing of the New Drug Application (NDA) for the same treatment in China and Brazil.
- **Oncology** - The business expanded into rare oncological conditions through the acquisition of EUSA Pharma in March 2022 adding important treatments that cover rare and niche oncological diseases, the main ones being Qarziba® (dinutuximab beta) for high-risk neuroblastoma, Sylvant® (siltuximab) for idiopathic multi-centric Castleman disease and Fotivda® (tivozanib), indicated in advanced renal cell carcinoma. Access to these treatments continues to expand internationally; for example, in 2023 discussions were held with the FDA in the US regarding the potential regulatory path for the Biologics Licence Application for Qarziba®, a product already present on the market in Europe and other countries.

Rare Diseases continually develops new specialties and new indications within its portfolio originating either internally or acquired through development agreements with other pharmaceutical companies and research institutes across its three focus areas.

Production sites

Recordati has **seven pharmaceutical production facilities**, located in the Czech Republic, France, Italy, Spain, Switzerland, Türkiye and Tunisia, all of which operate in full compliance with environmental protection regulations and current Good Manufacturing Practice (cGMP).

Recordati also has **one packaging and distribution center** dedicated to rare disease products in Nanterre (near Paris), France. The site delivers, at short notice, more than 27,000 orders annually to more than 60 countries worldwide.

The group also produces several active ingredients and intermediates for the pharmaceutical industry at **two pharmaceutical chemical plants**: one in Campoverde di Aprilia, Italy, which marked its 60th anniversary in 2023, and the other in Cork, Ireland.

The key focus of Recordati's pharmaceutical chemicals business is providing quality Active Pharmaceutical Ingredients (API) for some of the group's key drugs across both business units, with residual capacity made available to manufacture and commercialise APIs to third party customers worldwide.

The pharmaceutical chemicals business focuses on:

- striving for maximum product quality, safety of production processes, protection of the environment, health and safety in the workplace
- meeting the requirements of the Recordati pharmaceuticals business
- strengthening the Group's presence in highly regulated markets, like the United States, European and Japan.

Research & Development

Recordati continuously brings new medicines to patients, originating either internally or acquired through agreements with other pharmaceutical companies and research institutes. Commitment, scientific rigor, capability, and highly specialised personnel allow the group to develop new treatments and build an innovative product pipeline.

In 2023, Recordati invested € 255.7 million in research and development (including amortisation arising from the purchase or license of new products), + 16.2% compared to 2022.

EMPLOYEES

over 4,450

REVENUE

€2,082.3 million

R&D SPENDING

€255.7 million

(this amount includes amortisation related to the purchase of new products)

GEOGRAPHICAL PRESENCE

Around 150 Countries

(Specialty & Primary Care and Rare Diseases)

2
PHARMACEUTICAL CHEMICALS PLANTS

(Italy, Ireland)

7
PHARMACEUTICAL PRODUCTION PLANTS

(Italy, France, Türkiye, Spain, Tunisia, Czech Republic, Switzerland)

1
PACKAGING AND DISTRIBUTION PLANT HANDLING DRUGS FOR RARE DISEASES

(France)

1.2 THE RECORDATI GROUP'S VALUES

The values that inspire and guide the daily actions of the Group are described in the Code of Ethics:

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.

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: **the 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.

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 (including 7 non-executive members, of which 4 are independent directors). Specifically, 58% of the B.o.D. is composed of men and 42% of women, with representation of four different nationalities. Furthermore, 8% of B.o.D. members are between 40 and 50 years of age, 58% are between 51 and 60 years of age, while the remaining 34% are over 60.

The personal and professional characteristics of each Director in office as at 31 December 2023 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" and "Remuneration Report".

1.4 GENERATING VALUE FOR STAKEHOLDERS

During 2023, the activities of the Recordati group in the field of the research and sale of medicines represented an important value creating factor for the Group, allowing generation of various economic benefits for stakeholders.

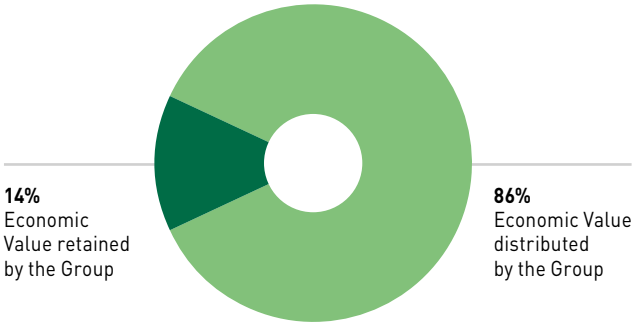
Economic value generated and distributed by the Group

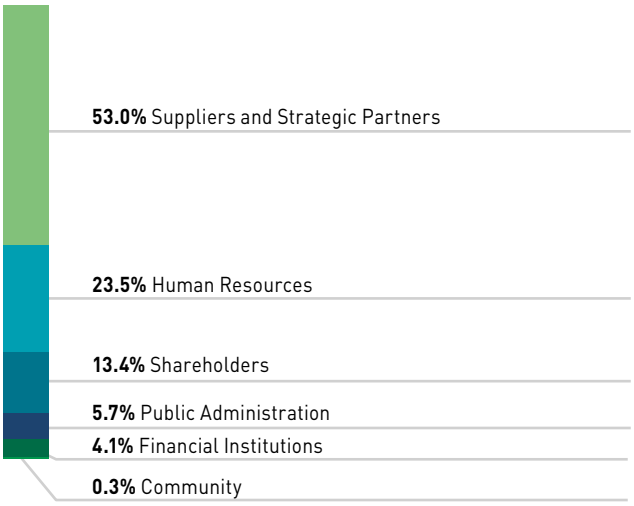
The Economic Value represents the wealth generated by the Recordati group which is then distributed in various forms to stakeholders. Data regarding the creation and distribution of the economic value provides a basic indication of how the Group has generated wealth for its stakeholders, highlighting 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 2023, of the € 2,089.2 million of economic value generated by the Recordati group, approximately 86% (equal to € 1,797.6 million) was distributed as follows:

- operating costs for suppliers and strategic partners of € 953.6 million, represented predominantly by the costs of raw materials, consumables and services;
- remuneration of human resources for a total of € 422.9 million, represented predominantly by the salaries and wages of Group personnel;
- remuneration of shareholders for a total of € 240.6 million, attributable to the distribution of dividends to shareholders[4];
- remuneration of the Public Administration, in the form of taxes, for € 101.8 million;
- remuneration of financial institutions for approximately € 73.8 million, primarily formed of borrowing costs;
- donations disbursed during the year and various community contributions, for approximately € 4.8 million.

Economic value generated and distributed by the Recordati group[5]





4 *The value of the dividends distributed to shareholders refers to the balance for the 2022 financial year resolved in April 2023 for € 123.2 million, and the initial payment for the 2023 financial year defined in November 2023 for € 117.4 million.*

5 *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".*

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 patients. In order to do this, we must work together and respect the fundamental rules and shared values that apply to everyone at Recordati and all of those the Group engages with.

2.1 THE RECORDATI GROUP'S COMMITMENT TO SUSTAINABILITY

Over the years, the Group has launched various initiatives focused on sustainability, aligned with its strategic, organisational and operational characteristics.

In fact, when defining the Group's management strategies and policies, among Recordati's priorities, in addition to improving patient health and quality of life, 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 Corporate Governance Code for Listed Companies which Recordati has resolved 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 B.o.D.. 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 the 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;
- examines and evaluates, at least once a year, the results of the Risk Assessment carried out by the Company and reported in the Company Risk Catalogue and, based on this analysis, defines the nature and level of risk compatible with the Company's strategic goals, including in its assessments 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;
- reviews the Sustainability Plan guidelines and how sustainability policies are implemented, and supervises the adoption of measures to ensure equal treatment and opportunities for all genders within the entire company organisation and at Group level, monitoring their implementation;
- 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.

The Environmental, Social & Governance department reports directly to the Chief Financial Officer (executive member of the Board of Directors) and is responsible for managing and coordinating topics related to sustainability at Group level. 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. In this context, as of 2022, the Board of Directors has adopted a specific "Policy for managing dialogue with all investors" in line with the recommendations of the current Corporate Governance Code.

The Board of Directors is informed of sustainability topics and activities by the Chair of the Risk, Control and CSR Committee, who reports to the Board at the first useful meeting following the Committee meeting on the relevant activities carried out by the Committee on the basis of the areas within its remit. Furthermore, insofar as is relevant in this area, the Board receives information, at a frequency appropriate to the initiatives undertaken and generally at least three times per year, from the executive directors, if necessary with the support of the ESG Manager.

As part of its remit, at the start of 2023, the Risk, Control and CSR Committee examined Recordati's 2023-2025 Three-Year Plan, also in relation to the Company's sustainability process. Furthermore, at the start of 2023 and 2024, and prior to presentation and approval by the Board of Directors, the Committee reviewed the Sustainability Plan and the relative ESG targets of the respective years. Subsequently, during each year and as an overview at the end of each year, the Committee receives a report from the competent company functions on the progressive achievement of the respective targets adopted.

Main ESG indices and ratings

MSCI ESG Research confirmed the Recordati group's A rating[6] in August 2023.

In 2023, RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.P.A received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.

RECORDATI WAS INCLUDED IN THE MIB ESG INDEX, THE FIRST INDEX PROMOTED BY EURONEXT AND BORSA ITALIANA

Recordati has been included in the MIB ESG Index, the first index promoted by Euronext and Borsa Italiana for Italian blue-chip companies demonstrating best ESG practices, since October 2021.

The inclusion of the Group in the index is further evidence of Recordati's real commitment to ESG. In fact, the index selects the top 40 Italian listed companies, out of the 60 most liquid, that have demonstrated perfect integration between economic performance and ESG criteria, in line with the United Nations Global Compact principles.

In October 2023, Recordati received a "Robust" ESG Assessment from Moody's Analytics.

The score was given based on the analysis and evaluation of multiple indicators and policies related to various sustainability areas, including business behaviour (e.g. anti-corruption practices, responsible sourcing, ethics and integrity, transparency) respect for human rights, environmental policies and practices, community involvement (e.g. access to medicines and the societal impact of products), corporate governance, and human resource management.

EcoVadis confirmed the Recordati group's "Platinum" rating in July 2023. With this result, the Group sits within the top 1% of companies for its EcoVadis score.

This recognition represents a further sign of the importance of sustainability in the company's corporate strategy. The score assigned to Recordati is based on the policies, actions and results achieved by the company in 4 key areas for sustainability assessed by EcoVadis: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement.

After the review in June 2023, the Recordati group was confirmed in the FTSE4Good Index Series.

Created by the global index and data provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Russell evaluations are based on performance in areas such as Corporate Governance, Health & Safety, Anti-Corruption and Climate Change. Businesses included in the FTSE4Good Index Series meet a variety of environmental, social and governance criteria.

Recordati scored B (Management level) in the 2023 CDP Climate Change questionnaire.

The CDP (formerly the Carbon Disclosure Project) is the non-profit organisation which runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts, and is most recognised worldwide for assessing company transparency in their disclosure of information.

In 2023 Recordati group was rated C+ with "Prime" status, awarded to companies with a leading sustainability performance in their sector, by ISS ESG.

Companies are awarded Prime Status if the overall ESG Corporate Rating letter grade meets or exceeds the industry-specific Prime threshold defined by ISS ESG's Industry Classification Matrix. Prime status means that the Company fulfils ISS ESG's demanding requirements regarding sustainability performance in its sector.

6 *The use by the Recordati group of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Recordati group by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.*

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[7]

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.

In particular, the Recordati group engages with its stakeholders on ESG topics during the periodic update of the materiality analysis. To this end, in 2022 around 180 stakeholders from different categories were involved through an online questionnaire. The stakeholders expressed their point of view on the individual topics and their impacts, thus helping to prioritise the material topics based on the significance assigned to each impact on the economy, the environment and people. This dialogue enabled the identification of the topics considered most important by the stakeholders, guiding definition of the material topics for reporting in the Non-Financial 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:

- 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;
- meetings with trade union representatives and internal communications initiatives, including more corporate engagement activities such as the People Engagement Survey aimed at all company personnel, as well as less formal occasions thanks to the events and projects developed by the culture ambassadors;
- sharing of standards, day-to-day and institutional relations with suppliers and strategic partners;
- meetings with representatives of Local Communities and Regulators.

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 2023 the Recordati group was a member of various industry associations located in its countries of operation. In the context of Corporate Social Responsibility, Recordati is a member of the Sodalitas Foundation, which aims to work with its affiliated members to build a partnership of community growth, generating shared social value and contributing to a future founded on inclusivity and development. It is also a member of the Italian association Sustainability Makers which brings together businesses and professionals committed to defining and implementing sustainability practices and projects in companies and other organisations.

7 *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 RECORDATI GROUP'S MAIN INDUSTRY ASSOCIATIONS

ITALY
- Farmindustria
- Confindustria Dispositivi Medici
- ASSONIME
- IBC (Associazione Industrie Beni di Consumo)
- ASSOLOMBARDA
- FARMADATI
- UPA
- Unindustria
- Unione food Italiana

FRANCE
- LEEM (Les Entreprises du Médicament)
- GIE GERS
- CIP (Club Inter Pharmaceutique)

BELGIUM
- Pharma.be (General national association of the pharmaceutical industry)
- EUCOPE (European Confederation of Pharmaceutical Entrepreneurs)

NETHERLANDS
- Comité Weesgeneesmiddelen (committee of orphan drugs)

GERMANY
- AGV Chemie - Arbeitgeberverband der Chemischen Industrie
- IHK Ulm - Industrie - und Handelskammer Ulm
- AKG e.V. - Arzneimittel und Kooperation im Gesundheitswesen e.V.
- BPI - Bundesverband der Pharmazeutischen Industrie e.V. (The German Pharmaceutical Industry Association)
- VCI - Verband der Chemischen Industrie
- ACS Pharma Protect GmbH - Securpharm
- DGE Deutsche Gesellschaft für Ernährung
- UND e.V. - Urologen Netz Region Düsseldorf e.V.
- AMSP - Institut für Arzneimittelsicherheit in der Psychiatrie

SWITZERLAND
- vips Swiss Association of the Pharmaceutical Industry
- scienceindustries Business Association Chemistry, Pharma, Biotech
- Swiss Biotech Association
- HLG Swiss Healthcare Licensing Group
- Swiss Health Quality Association
- Technology Forum Zug

AUSTRIA
- PHARMIG - Verband der pharmazeutischen Industrie Österreichs
- AMVS - Austrian Medicines Verification System GmbH
- BASG - Bundesamt für Sicherheit im Gesundheitswesen
- FCIO ARGE Pharma - Fachverband der chemischen Industrie Österreichs Wirtschaftskammer Österreich
- AGES - Österreichische Agentur für Gesundheit und Ernährungssicherheit GmbH
- ÖGES (Austrian Society of Endocrinology and metabolism)

SPAIN
- Farmaindustria
- Anefp (National Association of OTC products)
- AINFA
- AELMHU

IRELAND
- Bio Pharmachemical Ireland (BPCI)
- IBEC (Irish Business Employers' Confederation)
- Cork Chamber of Commerce
- Irish Exporters Membership - Logistics
- PMI (Pharmaceutical Managers of Ireland)
- MMRI (Medical Reps Institute of Ireland)
- IMVO (Irish Medicines Verification Organisation)

PORTUGAL
- APIFARMA - Portuguese Pharmaceutical Association
- GROQUIFAR
- AICIB (Government agency for R&D)
- Health Cluster Portugal

CANADA
- LSO - Life Sciences Ontario
- RAREi - The Canadian Forum for Rare Disease Innovators
- CORD - Canadian Organization for Rare Disorders

CHINA
- China-Italy Chamber of Commerce
- Beijing Health Insurance Research Association
- Tianjin Health Insurance Research Association
- China Alliance for Rare Diseases

POLAND
- Commercial Chamber "Farmacja Polska"
- Business Centre Club

RUSSIA
- GIM-Unimpresa

UKRAINE
- EBA - European Business Association

TÜRKIYE
- Pharmaceutical Manufacturers Association of Türkiye
- 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 Türkiye

GREECE
- SFEE - Hellenic association of Pharmaceutical Companies

TUNISIA
- CNIP - The National Chamber of Pharmaceutical Industry
- The Council of the Pharmacists Association

UNITED KINGDOM
- EMIG Ethical Medicines Industry Group
- ABPI - The Association of the British Pharmaceutical Industry

UNITED STATES
- ASPN - American Society of Pediatric Nephrology
- BIO - Biotechnology Innovation Organization
- NORD corporate council
- RAPS - Regulatory Affairs Professional Society
- PNA - Pituitary Network Association
- CSRF - Cushing's Support & Research Foundation
- ASH - American Society of Hematology
- CDCN - Castlemen Disease Cooperative Network
- Acromegaly Community
- AACE - American Association of Clinical Endocrinology
- Pituitary World News

DENMARK
- ENLI - Ethical Committee for the pharmaceutical industry

KAZAKHSTAN
- AIPM (Association of International Pharmaceutical Manufacturers in Kazakhstan)

BRAZIL
- SINDUSFARMA (Union of Pharmaceutical Products Industries)
- INTERFARMA (Pharmaceutical Industry Research Association)
- ITALCAM (Italian Chamber of Commerce)

COLOMBIA
- ANDI (Asociación Nacional de Industriales)

JAPAN
- Pharma Delegates
- The Pharmaceutical Manufacture's Association of Tokyo
- Kansai Pharmaceutical Industries Association
- Kusuri no Shiori

CZECH REPUBLIC AND SLOVAKIA
- SARAP (Slovak Association of Regulatory Affairs Professionals)
- CASP (Czech association for food supplement)

AUSTRALIA
- Rare Voices Industry Working Group

SOUTH KOREA
- KRPIA (Korean Research-based Pharmaceutical Industry Association)
- WIN (Woman in Innovation)

AWARDS RECEIVED BY RECORDATI GROUP SUBSIDIARIES FOR SUSTAINABILITY INITIATIVES

PORTUGAL

Jaba Recordati wins "Social Responsibility Pharma Company of the Year" award:

Jaba Recordati was voted by the readers of Human Resources as the most socially responsible SME, with the most sustainable initiatives and practices, engaging employees and integrating social and environmental concerns into its operations and objectives. The award is assigned through voting by readers of the magazine, recognising organisations making the most valuable contributions to society. During the year, Jaba Recordati was also recognised as "Organization with Purpose 2023" by a consortium of several consulting companies and universities. This important achievement highlights the commitment of employees to our company mission, values and purpose.

TUNISIA

Success for Opalia Recordati at 10th edition of HR Awards:

in 2023, the Tunisian branch of Recordati received the "Global Strategy & Leadership Award" from ARFORGHE, the association of company training and HR managers, in collaboration with KAS, the Konrad Adenauer Foundation, at the 10th edition of the HR AWARDS. This award recognises best practices in management and development of human capital within companies and organisations in Tunisia.

POLAND

For the third year in a row, Recordati Polska wins the national Business Centre Club - Well Seen Company contest:

again this year, during the 14th edition of the "Well Seen Company" contest held in Poland by Business Centre Club, Recordati Polska was awarded for its commitment to conducting its operations in a socially responsible manner. The contest had the objective of awarding companies that manage their businesses in a socially responsible way and are committed to raising awareness around corporate social responsibility. The panel, composed of Corporate Social Responsibility experts, awarded Recordati for its performance in the following areas: the observance of ESG principles, the development of a CSR strategy, the effectiveness of internal and external CSR communication, the corporate policy toward its employees in compliance with the principles of equal rights and the values of corporate social responsibility.

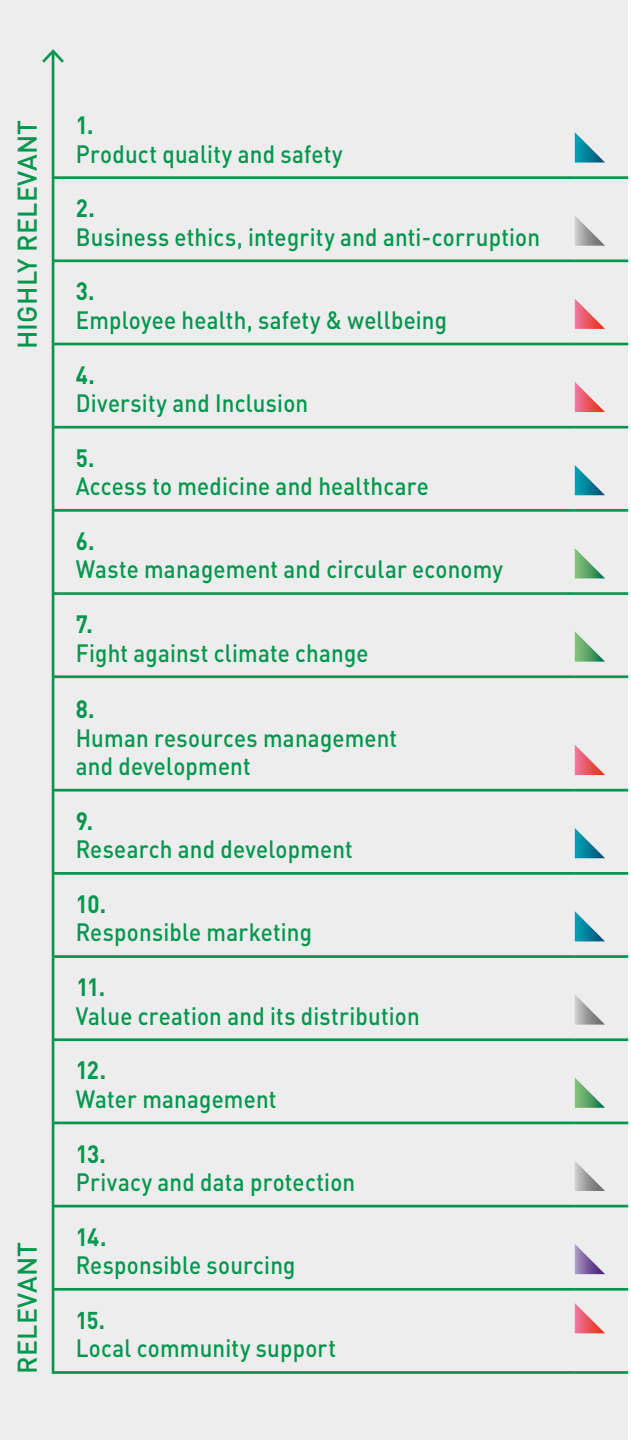
2.3 MATERIALITY ANALYSIS

The materiality analysis is an important tool used to identify the topics that represent the organisation's impacts on the economy, the environment and on people, including those relating to human rights. 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. In fact, the materiality analysis is used by the Group to identify strategic priorities in terms of sustainability, as well as to define the content of the Consolidated Non-Financial Statement, adopting the reporting standards issued by the Global Sustainability Standard Board of the Global Reporting Initiative (GRI).

The Recordati group periodically updates its materiality analysis with the aim of incorporating practice updates and identifying the need for any changes to the list of material topics in response to developments in the context in which it operates, megatrends and emerging topics. In particular, in 2022 it updated the materiality analysis based on the new methodology proposed by the GRI with the "GRI 3: Material Topics 2021 standard". The topics that emerged are represented as a list in order of significance of the related impacts identified during the project phases described below:

- **Context analysis**: the phase of identifying sustainability topics that are potentially significant 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 leading competitors, multi-stakeholder initiatives and international standards such as 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.
- **Identification of impacts**: in relation to each of the potentially material topics identified from the context analysis and based on an analysis of the effects generated by the Group's business, the positive and negative, actual and potential impacts were identified using an inside-out approach, namely the positive and negative impacts on the economy, the environment and people the company generates along its value chain, including impacts on human rights.
- **Stakeholder engagement for assessing the impacts**: in November 2022, the Recordati group implemented stakeholder engagement activities, involving and listening to the points of view of stakeholders, with the goal of making the process to define material topics even more robust, in line with best practices and the main sustainability frameworks, and specifically in compliance with the requirements of the GRI standards. To this end, using the results of the preliminary analysis and the analysis of the identified impacts, an online questionnaire was prepared and sent to a panel of around 180 recipients belonging to all of the various stakeholder categories, previously identified in close collaboration with the different company departments. The stakeholders assessed the individual topics and their impacts, awarding a score on a scale from 1 to 5, thus helping to prioritise the material topics based on the significance assigned to each impact. The questionnaire also asked respondents to indicate any additions to the topics identified. One-to-one meetings were also held with some categories of stakeholders. The stakeholder engagement activities carried out promoted inclusion of the points of view of stakeholders in the process to prioritise the material topics 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.
- **Involvement of Top Management for assessing the impacts**: in addition to stakeholder engagement, the Recordati group has taken actions to engage Top Management through one-to-one meetings in order to integrate within the materiality analysis the most significant impacts and the priority material topics from the Group's perspective. Top Management was also asked to assess the individual topics and their related impacts by awarding a score on a scale of 1 to 5. This made it possible to engage Top Management and educate them on sustainability topics and the potential impacts that the Group may generate on the economy, the environment and people.
- **Definition, prioritisation and approval of the list of material topics**: during the final phase of the materiality matrix updating process, the Group processed data and summarised the results of the evaluation of the impacts referring to material topics by stakeholders and Top Management. This enabled the material topics to be ranked and prioritised within a list. The results of the analysis were first discussed with the CEO and then shared with the Risk, Control and CSR Committee and the Board of Directors.

List of material topics of the Recordati group



In 2023, an analysis was conducted to evaluate the correspondence between the list of material topics and the evolving reference scenario, focusing in particular on the topics identified by the main peers, regulatory changes and the requirements of leading sustainability indices and ratings. The results of the analysis show that the list of material topics is in line with the reference sustainability context and current macro trends. The material topics remain unchanged from the previous year. The list was also shared with the Risk, Control and CSR Committee and with the Board of Directors.

The list of topics represents the 15 topics that were deemed most material for the Group and its stakeholders in terms of ESG, taking into account the significance of the impacts associated with them and that the company generates, or could generate, on the economy, the environment and people, including impacts on human rights. Material topics are grouped into five specific areas: ethics and integrity, patient care, people care, environmental protection and responsible sourcing.

The material topics identified in the above list are discussed and explored in subsequent chapters of this Statement in compliance with the reporting standards and the provisions of Italian Legislative Decree 254/2016. Please note that aspects linked to "Governance", "Regulatory Compliance" and "Risk Management" are not included in the final proposal of 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.

Furthermore, the topic of human rights is not considered a topic in of itself but is discussed in other topics such as "Responsible Sourcing", "Business ethics, integrity and anti-corruption", "Diversity and Inclusion" and "Research and development".

- Patient care
- People care
- Environmental protection
- Responsible sourcing
- Ethics and integrity

2.4 SUSTAINABILITY PLAN

The Sustainability Plan is the tool used to share the Group's future trajectory with its stakeholders: it represents an expression of the ambitions of the Recordati group and the commitments it wishes to prioritise in order to promote sustainable and responsible growth.

Growth and achievement of challenging business and sustainability goals are not incompatible: on the contrary, Recordati is convinced that responsible actions and the generation of shared value contribute to the long-term success of the Company.

The Sustainability Plan focuses on 5 priority areas:

- Patient care
- People care
- Environmental protection
- Responsible sourcing
- Ethics and integrity

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

PATIENT CARE

Our ambition

We are open to partnering and dedicated to discovering and developing innovative, value-added products that improve quality of life and help people to enjoy longer, healthier and more productive lives.
We wish to offer our patients fast, widespread and sustainable access to our products.

PEOPLE CARE

Our ambition

We are committed to creating a safe and inclusive working environment where everyone can express their talents.
Our Employees are our most important asset and, therefore, we recognise and value the role that each person plays in the success of our business.

We aim to create shared value and positively contribute to sustainable development where we operate, aware of the importance of dialogue, collaboration and respect for the community.

ENVIRONMENTAL PROTECTION

Our ambition

Improving human health is the cornerstone of our mission, but we are aware that the health and well-being of present and future generations and the health of our planet are closely interlinked.
With this in mind, we want to take conscious action by working to preserve natural resources and biodiversity and contribute to the fight against climate change by minimising our environmental impact.

RESPONSIBLE SOURCING

Our ambition

We want to build relationships based on transparency and trust, sharing our values with suppliers and strategic partners.
We are committed to constantly promoting respect for ethical, environmental and social aspects along the entire value chain.

ETHICS AND INTEGRITY

Our ambition

Integrity is our founding value, and we lead by example.
The principles of honesty and transparency towards our Shareholders and Stakeholders guide our daily actions.

Process for the 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 and the goals were shared with the CEO, the Executive Leadership Team, the Risk, Control and CSR Committee, and the Board of Directors.

The objectives of the CEO's Group Short-Term Incentive (STI) Plan include the key social and environmental targets defined in the Sustainability Plan. Furthermore, responsibility for the 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 know-how required for their implementation. The Group Short-Term Incentive Plan integrates social and environmental objectives associated with the implementation of the Plan itself which are assigned to certain key management figures.

As part of a process of continuous improvement, the Plan defines a periodic monitoring and updating process:

- In order to monitor the commitments undertaken by the Group, the Environmental, Social and Governance department requests status reports on the objectives and informs the Risks, Control and CSR Committee;
- The plan is updated on an annual basis in order to take account of the implementation status of existing projects and to set new targets.

The tables below indicate the progress status of each target and the objectives that the Group intends to reach in the future.

For more details on actions implemented in relation to targets that have been achieved, please see the specific chapter.

RECORDATI FINALISES FIRST GROUP SUSTAINABILITY-LINKED LOAN

At the end of this year, Recordati has agreed key sustainability milestones as part of its 400 million euros credit facility finalised in May 2023 with a pool of international relationship banks. As of December 2023, the credit facility is linked to two ESG KPIs from the Sustainability Plan: environmental protection (Renewable Energy Installed Power Capacity) and responsible sourcing (Suppliers' Sustainability Audit). This represents another step forward for the Group's commitment to pursue a sustainable growth model by integrating social and environmental aspects into its corporate strategy.

ETHICS AND INTEGRITY

TARGETS DEFINED AND TIME FRAMES	RESULTS IN 2023	FUTURE TARGETS
Business ethics, integrity, anti-corruption		
100% of Group employees involved in a two-year training programme on ethics, anti-corruption, anti-bribery topics (2022-2023)	✔ ACHIEVED In 2023, the Recordati group continued to pursue its commitment to train 100% of the company workforce on ethics, anti-bribery and anti-corruption through a structured training and awareness programme. In 2023, in addition to training on the Code of Ethics or internal anti-corruption and anti-bribery protocols for all new Recordati group employees, a number of specific refresher courses were also provided. This training was provided through the provision of online courses for all Group employees with access to digital devices and the distribution of hard-copy training materials for employees without access to such devices. Initiatives included: • Ethics & Compliance Dilemmas training, launched in 2022 and available in 11 languages, involving all employees in 2022-2023. This focused on ethics, preventing corruption, managing conflicts of interest, people and the workplace, and handling inside information. • All new employees received training on the Code of Ethics, the Group Anti-bribery Manual and other country-specific anti-corruption models. Courses on the Code of Ethics and Anti-Bribery Manual are also available in 11 languages. • Besides the training provided for new employees, in 2023, additional training was provided on corruption prevention and healthcare compliance. These courses were completed by around 500 employees from various European Group companies and included refresher training on the 231 Model, the Anti-Bribery Manual and local codes of conduct adopted by industry associations.	Continue to maintain 100% of Group employees involved in a training programme on ethics, anti-corruption, and anti-bribery topics by extending the training to all new employees (2024)
	A new training course on sexual harassment was launched at the end of 2023, which was completed by approx. 3,100 employees	Continue to maintain 100% of Group employees involved in a training programme on sexual harassment by extending the training to all new employees (2024)

PATIENT CARE[8]

TARGETS DEFINED AND TIME FRAMES	RESULTS IN 2023	FUTURE TARGETS
Access to medicine and healthcare		
In the field of rare diseases, the Group is committed to:	✔ ACHIEVED To promote access to medicine, in the context of rare diseases, the Group carried out various initiatives	Recordati believes that every single patient should have access to the best possible treatment. In the field of rare diseases, the Group is committed to:

8 *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.*

• continuing with Patient Assistance Program (PAP), Co-Pay Assistance Program (CAP) or similar programs aimed at providing assistance to patients who are eligible to receive financial support for products (2023)	• The Group continued to provide the Patient Assistance Program (PAP) and the Co-Pay Assistance Program (CAP). These two programs are active in the USA and Canada and are focused on Endocrinology, Oncology, and Metabolic therapeutic areas. Similar programs are in place in other geographic areas, for instance, Australia, Brazil, Russia, South Korea and Taiwan. During 2023, Recordati supported around 1,100 rare-disease patients with the Patient Assistance Program (PAP), Co-Pay Assistance Program (CAP) and similar programmes.	• continuing with Patient Assistance Program (PAP), Co-Pay Assistance Program (CAP) or similar programs aimed at providing assistance to patients who are eligible to receive financial support for products (2024)
• Continuing to work closely with rare disease communities (including doctors, healthcare professionals, patients groups and families) to increase awareness, improve diagnosis and expand availability of treatments for people with rare diseases (2023)	• Awareness: The Group continued to work closely with rare-disease communities to increase awareness, leading to improved diagnosis, and expand availability of treatments for those affected. The Group pursued this goal, for example, through meetings with healthcare professionals (e.g. Cushing's syndrome and acromegaly, acute intermittent porphyria and ocular manifestation of cystinosis), providing information to raise awareness (e.g. printed and digital brochures, websites and videos, but also through the Patient Advocacy Liaison programme) and actively participating in scientific conferences. The Group established the global campaign, THISCUSHING, aimed at raising awareness of Cushing's syndrome. The campaign won the Patient Centricity Award at the 2023 Pharmaceutical Market Excellence Awards. The Group was also involved in various collaborations with groups and associations (such as the American Porphyria Foundation, HCU Network America and Castleman Disease Collaborative Network) to promote accurate information for patients and sponsor awareness-raising days. It promoted patient engagement using Smart Device Apps to facilitate information and awareness activities, as well as events dedicated to patients providing information and explanations about specific diseases.	• continuing to work closely with rare-disease communities (including doctors, healthcare professionals, patients groups and families) to increase awareness, facilitate improved diagnosis and expand availability of treatments for people with rare diseases (2024) • expanding into China to allow Chinese patients to have access and benefit (2024)
• continuing to expand rare disease and orphan drugs innovation pipeline and R&D of new therapies (2023)	Various research activities were carried out, for instance, the Group: • continued the REC 0559 phase II clinical trial for the treatment of neurotrophic keratitis • continued development of a new Cystadrops® formulation that is easier for patients to use for ocular cystinosis • performed additional studies on Isturisa® to expand its benefits to the United States for patients affected by endogenous Cushing's syndrome • began the PASIPHY phase II clinical study on the development of pasireotide in post-bariatric hypoglycaemia For more details about research and development, refer to the 2023 Annual Report.	• continuing to expand rare disease and orphan drugs innovation pipeline and R&D of new therapies (2024). Main activities: - Pasireotide Ph2 in Post Bariatric Hypoglycemia - REC 0559 in Neurotrophic Keratitis - Dinutuximab beta in Neuroblastoma in US - FDA feedback on Isturisa US label extension in Cushing's Syndrome
In the context of the Specialty & Primary Care Division, the Group is committed to: • Continuing to invest in our plant in Tunisia to be able to continue providing high-quality and affordable products servicing a broad range of therapeutic areas including low-and middle-income Countries (Tunisia and Sub-Saharan Africa) (2023)	✔ **ACHIEVED** New investments were defined for the Tunisian plant (e.g. a new warehouse and new blister-packing and box-packing machinery) which will enable continued provision of high-quality and affordable products servicing a broad range of therapeutic areas, including low- and middle-income countries	In the context of the Specialty & Primary Care Division, the Group is committed to: • Continuing to invest in our plant in Tunisia to be able to continue providing high-quality and affordable products servicing a broad range of therapeutic areas including low-and middle-income Countries (Tunisia and Sub-Saharan Africa) (2024)
• Continue initiatives of product donations to organisations that collect and distribute pharmaceuticals to disadvantaged people (2023)	✔ **ACHIEVED** Product donations continued, with a value of approximately € 2.3 million[9]. Key initiatives include support for the humanitarian emergency in Ukraine and those affected by the earthquake in Türkiye.	• Continue initiatives of product donations to support disadvantaged people (2024)

9 *Product donations measured at market value.*

PEOPLE CARE

TARGETS DEFINED AND TIME FRAMES	RESULTS IN 2023	FUTURE TARGETS
Diversity and equal opportunities		
Grant equal opportunities to all genders at all levels and progressively increase the percentage of women in Top and Senior management positions by promoting initiatives, including: • recruit and promote employees who have both top skills and qualifications and reflect our focus on inclusion and diversity: from 2022 onwards, at least 40% of candidates short-listed for Top and Senior Management positions must be women and the internal personnel responsible for selecting new recruits and promoting employees must include at least one woman • launch a mentorship initiative on D&I (2023)	✔ ACHIEVED The Group's commitment to D&I was formalised by a series of activities and results. • At least 40% of candidates short-listed for top and senior management positions are women. Furthermore, internal personnel responsible for selecting these short-listed candidates has always included at least one woman. • Training and mentorship initiatives were carried out on D&I topics in collaboration with Valore D, an industry association specialised in promoting inclusive practices. In this context, some Recordati employees had the opportunity to participate in webinars and share experiences and best practices with employees of a third-party company. In addition, an in-house mentorship project was launched for employees at head office. Selected female managers offered tutoring to colleagues who were new mothers, in order to promote professional development and growth of women in managerial positions. • 2nd D&I survey completed. This survey involved Group management (around 300 managers), identifying improvements in all areas compared to the previous survey in 2022. • Training continued on unconscious bias for Group employees in their local language (training programme launched in 2022). • A new D&I department was created at Group level to optimise management of measures to foster a more inclusive working environment.	• Increase the percentage of women in Top and Senior Manager positions to 38% by 2028 (31% in 2023) • Definition of the Group's D&I policy (2024) • Signing of the EU Diversity Charters in the main countries where the Group operates (2024) • Kicking-off a global D&I network for Group employees to help drive the D&I agenda (2024)
Engagement		
Seek employee feedback and measure evolution of engagement through the launch of an "People Engagement Survey" to all employees (2023)	✔ ACHIEVED The first People Engagement Survey was performed, involving all Group employees and achieving an excellent 80% participation rate. The strengths reflect investments made by the Group in recent years to improve the working environment, including those in the area of Health & Safety, Diversity & Inclusion, and Engagement. The survey identified several opportunities for improvement in the areas of Personal Growth, Empowerment and Trust and Collaboration, which will contribute to making Recordati a better place to work and constantly increasing overall engagement.	Continue to seek employee feedback: launch the second People Engagement Survey to all employees (2025)
Talent attraction and development		
• On the base of Key Value Driving Roles Matrix define Development and/or Retention Plan for the Successors, Key Resources, Talents and Critical Resources identified on the Matrix that at least once per year have to be discussed and agreed among the ELT (Executive Leadership Team) (2023)	✔ ACHIEVED 2023 saw the mapping of key roles within the company, starting with members of the Executive Leadership Team, all the way up to top managers and senior managers, identifying their potential successors. In addition, development and/or retention plans for successors, key resources, talents and critical resources were identified.	

Strengthening university engagement initiatives to promote the attraction of talent (2023)	✔ ACHIEVED - ONGOING In 2023, initiatives for engagement with national and international universities were strengthened, through lessons and the launch of placements.	
		Strengthen training activities by continuing to offer to all employees[10] an international e-learning platform with over 18,000 courses available (2024)
Health, safety and well-being		
Run an on-line driver safety training programme for all employees with a company car in order to encourage safe driving behaviors (2022-2023)	✔ ACHIEVED In 2022, a two-year online training programme was launched on driver safety. In 2023, the programme was rolled out to all countries and involved all employees with a company car.	
Support for local communities		
Continue to support the communities through solidarity, social and cultural initiatives aimed at promoting the growth and wellbeing of local communities (2023)	✔ ACHIEVED In 2023, the Recordati group gave approximately € 4.8 million[11] in cash and product donations. The Group's support mainly concerns humanitarian emergencies-such as support for the people of Ukraine, and those affected by the earthquake in Türkiye and flooding in Emilia-Romagna (Italy)-patient support, scientific research and education, and environmental and community initiatives. In the area of support for patients, scientific research and education, work on the treatment of rare diseases is of particular importance.	Continue to support communities through donations and other initiatives (including for example employee volunteer activities) (2024)
Launch of employee volunteering initiatives (2023)	✔ ACHIEVED During the year, multiple company volunteering projects continued involving employees from different Group sites. Please consult the chapter "Support for Local Communities" for further information.	

ENVIRONMENTAL PROTECTION

TARGETS DEFINED AND TIME FRAMES	RESULTS IN 2023	FUTURE TARGETS
Climate action - renewable energy initiatives		
100% renewable electricity purchased for our Group production and packaging sites and annexed offices (2025)[12]	✔ ACHIEVED 100% of the electricity purchased for the Group's production and packaging sites and annexed offices[13] comes from renewable sources, in countries where such energy is available.	

10 All employees provided with a company email address.
11 Product donations are measured at market value.
12 Purchase of renewable electricity for plants located in countries where it is available.
13 It is noted that 100% of the renewable electricity purchased is for Group manufacturing sites located in countries where it is available, and therefore with the exception of the Tunisian site. Considering Tunisian consumption in FY23, electricity from renewables purchased is approximately 90%. For full disclosure, it is noted that as regards the annexed offices of the plant, this excludes the purchase made for the offices in the Czech Republic, as the electricity contract for this specific area is included in the lease and thus is not regulated or managed directly by the Group. In any case, the impact on total electricity is negligible.

Finalization of feasibility studies for installing additional renewable energy production systems at the following plants: Italy (Campoverde), Ireland, Tunisia, Türkiye (2023)	✔ **ACHIEVED** A roadmap has been defined for the installation of solar panels for production sites located in Italy (Campoverde), Spain (extension), Tunisia and Türkiye.	Increase of renewable energy installed power capacity to 11,000 kWp by 2026 (386 kWp in 2022). *In addition to the solar panels installed at the Spanish and Irish plants in 2022 (installed power capacity of 386 kWp), the Group aims to install new renewable energy production systems at the Italian (Campoverde), Spanish (extension), Tunisian and Turkish plants reaching 11,000 kWp by 2026[14] (800 kWp in 2024; 5,600 kWp in 2025; 11,000 kWp in 2026)*
		Scope 3 emissions calculation (2024)
Climate action - energy efficiency initiatives		
Gradually replace traditional lighting systems with LED lights: complete replacement in the production department of the Milan plant by 2023	✔ **ACHIEVED** Replacement of conventional lighting systems with LED technology in the production area of the Milan plant has been completed	
Climate action - other initiatives		
Planting of about 11,250 trees in the Milan Metropolitan area (and maintenance for 5 years) through the support of the Forestami project for the three-year period 2021- 2023	✔ **ACHIEVED - ONGOING** More than 14,000 plants have been planted by the Recordati group in the three years 2021-2023 (more than 11,000 in Italy in the metropolitan area of Milan) through the Forestami project, and 3,000 in Tunisia in a forest destroyed by a wildfire in 2022)	Continue the Group's forestation efforts, reaching 24,000 trees planted by the end of the period 2021-2024 (corresponding to approximately 5 trees per employee). *In addition to the 14,000 already planted in Italy and Tunisia in the three-year period 2021-2023, planting of a further 10,000 is planned in Türkiye by 2024.*
Responsible waste management and circular economy initiatives		
Continue with the analysis of possible new initiatives for the recovery and reuse of chemical raw materials used in production processes, and investigate further the possibility of recovering certain raw materials on a routine basis for which feasibility on an industrial scale has already been demonstrated (2022 - 2023)	✔ **ACHIEVED - ONGOING** Various initiatives to recover and re-use chemical raw materials used in production processes were analysed, in a circular-economy logic. Key initiatives include: • Palladium - in collaboration with a partner company, approximately 7 kg of palladium was recovered from the production process to be reused in production. • Benzaldehyde - a series of studies and tests were conducted on residues from the distillation of toluene, which confirmed the feasibility of benzaldehyde recovery. Further in-house quantitative analysis is under way and by 2024 it should be possible to recover and reuse benzaldehyde in production processes (it is estimated that at full capacity it will be possible to recover approximately 50% of the benzaldehyde used annually). It is noted that the Group also launched other projects linked to the creation of a circular economy (e.g. recovery/re-use of chromium) that require further specific technical analysis.	Continue with the analysis of possible new initiatives for the recovery and reuse of chemical raw materials used in production processes (2024-2025)[15]

14 Corresponding to a theoretical generation capacity of approximately 15.1 GWh (around 26% of total Group electricity consumption in FY23, including self-generated electricity from the Campoverde co-generator used internally).
15 The recovered raw materials may be reintroduced into internal production processes or through partnership agreements with third-party companies.

Continue with the analysis of possible packaging solutions with lower environmental impact (2022-2023)	✔ ACHIEVED - ONGOING The Group continued various initiatives intended to promote more sustainable packaging. For example, the use of FSC certified paper was expanded to other products in the Eumill® range and new products such as Reconatural® and Recolum®. In addition, new packaging was designed for a product from the Lactò® range, with smaller dimensions and eliminating the plastic tray, enabling a reduction in plastic and paper use. This is scheduled for launch by 2024. It is noted that the Group also launched other projects linked to the use of more sustainable packaging that require further specific technical analysis.	Continue with the analysis of possible packaging solutions with lower environmental impact (2024-2025)

RESPONSIBLE SOURCING

TARGETS DEFINED AND TIME FRAMES	RESULTS IN 2023	FUTURE TARGETS
Promote a responsible supply chain		
Monitoring of suppliers on ESG aspects through assessment (desk audit) by an independent third party: performance of 160 assessments (desk audits) by 2024[16]	✔ ACHIEVED - ONGOING Recordati works with EcoVadis to assess the sustainability performance of its suppliers. Main results: • 115 suppliers audited in the two-year period 2022-2023 (via desk audits) (50 in 2022 and 65 in 2023) on ESG topics, belonging to the main and most strategic product categories: suppliers of finished products (Contract Manufacturing Organisations - CMOs), raw materials, packaging, industrial services, logistics, and other services. • 43% of suppliers considered in the current 2023 audit achieved an overall rating of "advanced", while 51% were rated as "good". Only 6% of suppliers received a "partial" performance rating and, as in 2022, no suppliers were found to be insufficient or critical in 2023. • In the two-year period 2022-2023, around 30 buyers participated in training to facilitate the supplier engagement process (around 20 in 2022 and 10 in 2023).	Continue to expand the monitoring of suppliers on ESG aspects through audits (desk audits) by an independent third party. In addition to 115 audits performed during 2022-2023, the Group aims to perform 150 Supplier Sustainability Audits by 2026, conducting 50 ESG audits per year (2024-2026)[17]
Engagement initiatives for suppliers that received lower scores in the assessment to promote and increase awareness of ESG aspects (2023)	✔ ACHIEVED In 2023, specific meetings were held with all suppliers that received lower scores in the 2022 audit in order to raise awareness around sustainability topics and promote improvement in their ESG performance.	Continue with engagement initiatives for suppliers that received lower scores in the previous year's assessment to promote and increase awareness of the ESG aspects (2024)

16 *Three-year audit plan for suppliers (2022-2024).*
17 *Including max 30% follow-up audits vs each previous year. The audits include suppliers from the main and most strategic product categories, including suppliers of finished products (Contract Manufacturing Organisations - CMOs), raw materials, packaging, industrial services, logistics, and other services.*

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-Bribery Manual and the Organisational, Management and Control Models, as well as internal procedures.

3.1 THE COMPLIANCE PROGRAMME OF THE RECORDATI GROUP

The Recordati group believes that ethics, integrity and legal compliance are the core values of the company. The Group rejects any violation of the law and is committed to adopting a zero-tolerance policy towards corruption. Wherever it does business, the Group aims to ensure the highest ethical and compliance standards and contribute to the well-being of all stakeholders: patients, employees, business partners, shareholders and all the communities in which the Group operates. These shared commitments form the foundations of the Group's responsible approach to business.

The Compliance programme of the Recordati group includes internal codes of conduct, documents, policies and procedures - such as the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, the Code of Ethics and the Anti-Bribery Model - which together establish the responsibilities, principles and conduct to be adopted in all business activities. This programme applies to all Group companies and employees and, to the extent of their responsibilities, other stakeholders, such as collaborators and suppliers.

The Group monitors and constantly updates these documents, also taking into account changes to regulations and the leading national and international guidelines and best practices. Moreover, the Group is committed to improving knowledge and understanding of the programme among all its stakeholders - especially employees and collaborators - through training courses and other educational initiatives. Participation in these courses were also extended to certain external parties (for example, agents and contractors) 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 Organisational, Management and Control Model

The main sustainability topics are regulated within the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (the "Models"), adopted by all the Italian companies of the Recordati group and in similar Models or sets of procedures adopted by the other subsidiaries of the Recordati group.

In the second half of 2023 the parent company, Recordati S.p.A., launched a new project to update the Organisational, Management and Control Model pursuant to Italian Legislative Decree Italian Legislative Decree 231/2001 to take into account the latest offences introduced into the legislation. The updating project, which mainly concerns the General Part of the Model, will conclude in the first six months of 2024 and, where applicable, will be extended to the Models of all of the Group's Italian subsidiaries.

In 2023, the parent company, Recordati S.p.A., also updated the Special Part of its own Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, making changes on the basis of revision of numerous operational management protocols.

Actual application of the Model was guaranteed by monitoring and training activities implemented in part by the Supervisory Body that continued to perform its activity in compliance with its By-Laws. In 2023, the Recordati S.p.A. Supervisory Body met four times.

Furthermore, in 2023, the Italian company Eusa Pharma, acquired by the Recordati group in 2022, was incorporated into the company Recordati Rare Diseases Italy. The Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 of Recordati Rare Diseases Italy, therefore, took over the processes of Eusa Pharma. The Supervisory Body of Eusa Pharma was dissolved, and all related activities were taken over by the Supervisory Body of Recordati Rare Diseases Italy.

Like the parent company, Recordati S.p.A., and the other Italian Group Companies, as regards the foreign companies of the Group, following the adoption of its own Organisational, Management and Control Model in compliance with *Ley Orgánica* 2015/1 of 30 March 2015, the Spanish subsidiary Casen Recordati S.L. correctly performed the activities provided for in the Model through the action of its Supervisory Body. In 2023, the Supervisory Body of Casen Recordati met four times and performed activities in accordance with its Regulations aimed at guaranteeing the adequacy, implementation and updating of the Model adopted by the Company. In compliance with the provisions of the Company Model, the Supervisory Body sends an annual report on the activities carried out to the Board of Directors of the Spanish subsidiary.

The organisational models adopted by the Group companies are dynamic and effective tools thanks to the constant control and updating activities also performed 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 Models are constantly monitored and updated, with particular attention to crime prevention and risk assessment following the introduction of new legislation.

The Supervisory Bodies appointed within the Group Companies are collegiate and composed of an internal member (the Internal Audit Manager or the Corporate 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 expenditure budget and periodically report to the Board of Directors and the Board of Statutory Auditors, where present.

The Group's Italian companies, Recordati S.p.A., Innova Pharma S.p.A., Italchimici S.p.A. and Recordati Rare Diseases Italia S.r.l. submit their medical and scientific information and relationship

management protocols, which are part of their respective models pursuant to Italian Legislative Decree 231/2001, to certification by Farmindustria, through an independent inspection body (Certiquality). In February 2024, the protocols of 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 or by professional codes of conduct, other subsidiaries of the Recordati group also submit their medical and scientific information procedures for independent review by the associations of national pharmaceutical companies.

In terms of transparency towards the medical community, the Group, in the countries in which it operates, complies with applicable legislation and provisions of Professional Codes of Conduct of national industry associations (including Farmindustria in Italy) that are part of the EFPIA European federation. To enable optimal professional ethics in relationships between industry and the scientific and healthcare worlds, the Group Companies publicly disclose "value transfers" carried out by the Company in relation to healthcare professionals and organisations. These value transfers are publicly disclosed on the company websites of the Group Companies or in accordance with other methods required by applicable regulations.

The systematic approach of the Organisational, Management and Control Models pursuant to Italian Legislative Decree 231/2001 is reinforced though additional models dedicated to other company departments, such as in the context of health and safety in the workplace, environmental management, privacy and export control.

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 Recordati group Code of Ethics

The Code of Ethics establishes the fundamental values of Recordati that guide and support the Group in its operations and relationships with stakeholders, both internal and external. It sets out the responsibilities of all recipients and defines "shared commitments", i.e. conduct through which Recordati's values find concrete, practical application. The Code of Ethics includes guidance on:

- How we manage our business, including guidance on:
  - 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-Bribery 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 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.

The Code of Ethics, adopted by all Group Companies, is published on the Recordati group website and Intranet 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. It has been translated and made available in Italian, English, French, Turkish, Russian, Spanish, Portuguese, Polish, Czech, German, Japanese and, as of 2023, Chinese. For information about training on the Code of Ethics, please refer to the section "Training on ethics, anti-corruption and anti-bribery".

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 the opportunity to live life to the fullest as a right, not a privilege. Believing that every single patient should have access to the best possible care, the Group is committed to fighting all diseases, from the most common to the rarest.

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 rejects all forms of corruption. To this end, since 2009, the Group has conducted an assessment of its internal control systems in line with international and supra-national anti-bribery (or anti-corruption) 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;
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[18].

Currently, the 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 corruption. The 16 areas 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.

The Group Anti-Bribery Manual, translated and distributed in English, French, Turkish, Russian, Spanish, Portuguese, Polish, Czech and German and, as of 2023, Chinese, was published on the Recordati group Intranet and website, to guarantee widespread availability and access, and its distribution within the Group was carried out with the involvement of the General Managers of all foreign Group Companies.

18 During the most recent revision of the Manual, in 2020, which involved significant additions and improvements to the contents and areas covered, with new examples of potential corruption risks and related guidelines for conduct, the key principles for preventing corruption within the Group had already been strengthened (e.g. absolute prohibition on facilitation payments and prohibition on payment of contributions, whether direct or indirect, in any form to parties, movements, committees and organisations of a political or trade-union nature, including to their representatives and candidates, outside those permitted by specific provisions of law) and the structure of the Group Anti-Bribery Manual was reviewed for easier consultation and comprehension. Updating of the Anti-Bribery Manual and aspects regarding its implementation were 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 Governance, Compliance Programmes section and on the corporate Intranet.

ANTI - CORRUPTION GOVERNANCE

Anti-corruption is a collective responsibility. To facilitate compliance with anti-corruption laws, rules and regulations, Recordati is committed to:

- IDENTIFYING ORGANIZATIONAL STRUCTURE
- APPOINTING ROLES AND RESPONSIBILITIES
- PROMOTING THE AWARENESS OF THE ANTI-CORRUPTION COMPLIANCE PROGRAM

The subsidiaries' General Managers are responsible for the anti-corruption governance at a country level. Corporate Directors are responsible for anti-corruption governance at corporate division level. The Group Internal Audit and Compliance & Ethics Departments work together to supervise the anti-corruption governance. Anti-Corruption Governance at Recordati is composed of the following areas:

1
REGULATORY AND COMPLIANCE REQUIREMENTS MONITORING

2
RISK IDENTIFICATION AND ASSESSMENT

3
DUE DILIGENCE

4
POLICIES AND PROCEDURES DESIGN AND UPDATE

5
WHISTLEBLOWING CHANNELS

6
COMPLIANCE AUDIT

7
TOP MANAGEMENT REPORTING

8
TRAINING, EDUCATION AND AWARENESS

9
DISCIPLINARY MEASURES

For more details about each point, please see the Anti-Bribery Manual available on the Corporate website in the Corporate Governance, Compliance Programmes section.

During 2023, the communication, coordination and control activities between the parent company and the various subsidiaries continued through the use of information flows on anti-corruption and anti-terrorism, allowing interception and management of potential risk situations through dedicated channels.

With regard to the detection of corruption and internal fraud, a continuous monitoring tool based on mass analysis of transactions in the company's accounting systems continued to be implemented in 2023. This tool, based on business intelligence systems, enables continuous monitoring of anomalous accounting transactions en masse and planning of audits with greater precision and accuracy.

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

The Group Internal Audit Department periodically carries out audits to check whether the corruption risk prevention measures are adequate and function effectively or to verify any reports of non-compliance received.
The end goal is to ensure that the applicable laws on corruption and the provisions contained in the Group Anti-Bribery Manual are respected and effectively implemented within the Group.

As regards the channels for reporting breaches and anomalies of laws and internal procedures, for some time now the Company has established dedicated whistleblowing channels as part of its organisational models pursuant to Italian Legislative Decree 231/2001 for Italian Companies and the Group Anti-Bribery system[19].

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.
The Group Internal Audit Department is tasked with presenting the results of the activities relating to the Anti-Corruption Compliance Program (e.g. whistleblowing, auditing and, together with the Group Compliance & Ethics Department, periodic reviews and document updates) to Top Management. The Group Internal Audit Department collects all the reports and provides accurate information, including the corrective actions proposed, to Top Management, including the Risk, Control and CSR Committee.

No cases of corruption were recorded in 2023.

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. See also the Anti-Bribery Manual available on the Corporate website in the Governance, Compliance Programmes section.

Training on ethics, anti-corruption and anti-bribery

In line with the provisions of the Sustainability Plan, in 2023 the Recordati group continued to pursue its commitment to train 100% of the company workforce on ethics, anti-bribery and anti-corruption through a structured training and educational programme.

In this regard, in 2023, in addition to training on the Group Code of Ethics or internal anti-corruption and anti-bribery protocols for all new Recordati group employees, a number of specific refresher courses were also provided. This training was provided through the provision of online courses for all Group employees with access to digital devices and the distribution of hard-copy training materials for employees without access to such devices. Furthermore, the training was provided to Group employees regardless of contract type (part-time or full-time, permanent or temporary contract). As regards training on the Code of Ethics, the Anti-Bribery Manual and the 231 Model, courses were also offered to external parties who, while not directly employed by the Recordati group, conduct activities in the name and on half of the Recordati group on an ongoing basis (e.g. agents, contractors).

The key training courses provided in 2023 were:

- **Code of Ethics**: to facilitate the dissemination and comprehension of the principles enshrined in the Code of Ethics, the Group has continued to promote training activities by providing a course on the contents of the Code of Ethics. This online course, which includes a final learning assessment, is available in Italian, English, Turkish, Polish, German, Spanish, Portuguese, French, Czech, Russian and, as of 2023, Chinese. In 2023, approximately 640 new employees completed the course on the Code of Ethics. The activities carried out during the year made it possible to continue to keep all Group employees trained on the Code of Ethics;
- **Anti-Bribery Manual**: as regards the dissemination and comprehension of the principles contained in the Anti-Bribery Manual, the Recordati group implemented a training programme aimed at all employees of foreign[20] Group Companies. The online course, which includes a final learning assessment, was made available in English, Turkish, Polish, German, Spanish, Portuguese, French, Czech, Russian and, as of 2023, Chinese. In 2023, approximately 530 new employees completed the course on the Anti-Bribery Manual. The activities carried out during the year made it possible to continue to keep all foreign Group employees trained on the Anti-Bribery Manual;
- **Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001**: to promote dissemination and comprehension of the principles set out in the Organisational, Management and Control Models pursuant to Italian Legislative Decree 231/2001 adopted by the Recordati group, an online training programme was launched, including a final learning

19 *Corporate Governance Code, comment to Article 7: "The Committee deems that, at least for companies belonging to the FTSE MiB index, an adequate internal audit 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 channel for information as well as the anonymity of the whistleblower".*

20 *Regarding personnel of the Italian Group Companies, training on anti-corruption and anti-bribery was provided as part of training on the Organisational, Management and Control Models pursuant to Italian Legislative Decree 231/2001.*

assessment, aimed at Italian employees with access to digital devices. In 2023, approximately 110 new employees completed the course on the Organisational, Management and Control Models pursuant to Italian Legislative Decree 231/2001. The activities carried out during the year made it possible to continue to keep all of the Group's Italian employees trained on the 231 Model;

- **"Ethics and Compliance Dilemmas"**: to ensure that the training courses on ethics and compliance remain constantly up-to-date, the interactive "Ethics and Compliance Dilemmas" course, launched in 2022, was extended to all Recordati group companies in 2023. This online course, available in Italian, English, Turkish, Polish, German, Spanish, Portuguese, French, Czech, Russian and Chinese, focused on ethics, corruption prevention, managing conflicts of interest, people and workplaces, and handling inside information and had been completed by approximately 3,020 Group employees at the end of 2023.

Besides the training provided for new employees, in 2023, additional training was provided on corruption prevention and healthcare compliance. These courses were completed by around 500 employees from various European Recordati group companies and included refresher training on the 231 Model, the Anti-Bribery Manual and local codes of conduct adopted by industry associations. In addition to this, ethics and corruption prevention training programmes were held by several Recordati group companies.

The training programme on the Code of Ethics, the Anti-Bribery Manual, the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 and Ethics and Compliance Dilemmas mentioned above will continue to be provided to new Group employees. The Group intends to continue to engage all employees in a training programme on ethics, anti-corruption and anti-bribery by extending the training to all new hires.

In the second half of 2023, the new online training course on Sexual Harassment, which covers the Group Sexual Harassment Policy, was rolled out in all Recordati group companies. The course is available in Italian, English, Turkish, Polish, German, Spanish, Portuguese, French, Czech, Russian and Chinese and aims to strengthen the Recordati group's commitment to creating a safe and inclusive working environment able to guarantee the physical and mental health of everyone who works there. This course, launched at the end of 2023, involved all employees with access to digital devices and has been completed by around 3,100 employees. The Group intends to continue to engage all employees in the sexual harassment training programme by extending the course to all new hires.

For information about training on Privacy, please see the following paragraph.

3.2 MANAGEMENT OF PERSONAL DATA

Regarding the management of personal data, the Recordati group ensures the management of privacy obligations through the Personal Data Management Model (Privacy Model) - adopted in 2018 to comply with the European General Data Protection Regulation 679/2016 (hereinafter "GDPR") - and coordination between the Group Data Protection Officer and the Key Privacy Persons identified within the individual subsidiaries.
In particular, in 2023, daily assistance and support was also offered to Italian and foreign Group Companies regarding privacy matters (also in reference to local privacy legislation in countries where the GDPR is not applicable) linked to contracts, new projects/initiatives and relationships with employees, suppliers, commercial partners and the medical community.

These activities, alongside the aforementioned training activities, have contributed to the further reinforcement of the privacy culture within the Group.

To promote the dissemination and comprehension of the principles contained in the Personal Data Management Model adopted by the Recordati group, in 2019 an online training programme was implemented, aimed at Group employees with access to digital devices working in Italy and other EU countries where the GDPR is applicable. The course, which includes a final learning assessment, is available in Italian, English, Polish, Spanish, Portuguese, French, Czech and German. In 2023, 350 Recordati group employees participated in Privacy training. The activities carried out during the year made it possible to continue to keep all of the Group's European employees trained on the Group Privacy Model. This training programme will continue to be provided to the Group's new employees in Europe.

Lastly, in 2023, there were no recorded security incidents/data breaches such as to represent a risk to the rights and freedoms of those involved, no inspections or checks were performed by the Data Protection Authority and/or other competent authorities on privacy, and no complaints were received by the Data Protection Authority regarding Recordati pursuant to Art. 77 of the GDPR.

3.3 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 "Main Risks and Uncertainties" section of the 2023 Annual Report, the main risk factors to which the Group is exposed relate to the external context, strategic and operational risks (including risks related to Research and Development, 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, in 2023, the Risk Catalogue was updated in line with company policy and submitted to the Risk, Control and CSR Committee and the Board of Directors on December 2023.

This update did not lead to the identification of new risks but instead determined a slight reduction in the Group's overall risk profile in 2023, mainly due to the combined effect of the stabilisation of certain external risks and the strengthening of the organisation to better manage the mapped risks.
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 12 December 2023, are compatible with the Group's budget and strategic goals.

The principal 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 254/2016.

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

- Management of personnel and workers' rights (e.g. compliance with human rights, change in dimension of the organisational structure, loss of key resources, etc.);
- Supply chain (e.g. inappropriate selection of suppliers and commercial partners, interruption of supply by critical suppliers, rights of the personnel involved etc.);

- Compliance (e.g. fight against corruption, compliance with international quality standards, with legislation pertaining to the drug scientific information);
- Product responsibility (e.g. product recalls and impacts on patients' health);
- Climate change (e.g. changes to legislation in the context of the transition to a decarbonised economic system, physical damage to assets by weather events, etc.);
- Environmental management and safety in the workplace (e.g. risks in the HSE - Health, Safety and Environment area and industrial incidents).

The aforementioned risks were identified by the Group and classified as medium-low risk. 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 principal 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:

- **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, workplaces 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 principal 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 tackle these risks, the Human Resources Department - also through the new Corporate Organisational Development and Compensation & Benefits functions - constantly monitors staffing levels at Group level and structures the remuneration system around a merit-based approach (with a view to retention and limiting the loss of key resources);
- **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 manages 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. Regarding ESG aspects, the supplier monitoring plan continued in 2023 using an assessment carried out by a third-party company (EcoVadis). The assessment evaluates the policies, actions and results achieved in four key areas for sustainability: environment, labour and human rights, ethics, and sustainable procurement. 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, further reduces the risk of partnerships with suppliers that have unsuitable technical, ethical, conduct and sustainability profiles;
- **Topics linked to compliance**: within the scope of the compliance area, these include, as well as risks of committing offences against the Public Administration, risks related to non-compliance with international quality standards and legislation regulating scientific information on pharmaceutical products. To prevent non-compliance with the quality standards (Good Manufacturing Standards - GMP) that regulate chemical and pharmaceutical production activities, the Group has adopted a consolidated Management model that provides for the implementation of Standard Operating Procedures and a dedicated quality control department. The model is periodically subject to inspection by national and international authorities, as well as commercial partners. As regards 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 linked to product responsibility**: these refer to Product Liability risks with the potential need for product recalls, impacts on patient health and consequent economic or reputational impacts for the company (as indeed the risk of demands for compensation as a result of side effects caused by its products). For this reason, for a number of years now the Group has introduced specific quality control personnel that carry out specific product analyses in order to identify the "robustness" and reliability of the production processes. These professional figures, required by industry legislation, such as the "Qualified Person", the "Quality Assurance Officer" and the "Quality Manager" are responsible for ensuring compliance with Good Manufacturing Practices (GMP) 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;
- **Topics linked to climate change**: of the main global risks, climate change poses a complex challenge. The increase in more and more extreme and unpredictable weather events impacts the planet and society with potential medium/long-term repercussions on various sectors and companies.

  In this sense, Recordati recognises, above all, the need for awareness of a potential evolving trend in climate change at the global level, which will require the Group to be increasingly more proactive role, defining targets, implementing activities to improve and protect the environment where the Company operates and constantly monitoring changes in regulations and standards of reference.
  Within its risk catalogue, considering the sector in question and the geographic areas in which the Group operates, Recordati currently classifies climate change as a risk with no concrete or relevant short-term impact on business operations, and it has been assessed by the Company as a medium-low risk.

In particular, the potential risk relating to climate change:
- is connected to potential and future regulatory changes linked to the ongoing transition to a decarbonised economy (e.g. carbon tax policies, increased legal and financial risks for failure to observe performance standards, changes in incentive programmes, etc.), with a potential impact, for example, on systems technologies, compliance/energy costs, etc.;
- may also be physical (extreme weather conditions, e.g. heavy rain, flooding, drought, access to natural resources) with potential impacts on asset protection and business continuity;
- it could also generate reputational risks, considering the growing sensitivity and awareness around climate change amongst stakeholders, if these aspects are not appropriately managed.

In relation to this potential risk, the Group, also in coordination with the ESG Manager, has adopted specific policies, activities and targets intended to help protect the environment and mitigate climate change in general:
Specifically, these include:
- continuous monitoring of ongoing changes in the relevant laws, regulations, and standards;
- defining environmental objectives within the Group's sustainability strategy (e.g. renewable energy purchases, installing renewable energy production systems, implementing projects to increase energy efficiency, etc.).

In addition, the Group has All Risk Property insurance policies in place to cover the risks of direct damage (damage to buildings, machinery, and goods) and indirect damage (loss of earnings from accidents) in order to hedge any losses arising from potential shutdowns or damage to the production cycle.

For more details, please refer to Chapter 6 "The Group's focus on the environment" and Chapter 2, paragraph "Sustainability Plan".

- **Topics linked to environment**: 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.

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 2023 Annual Report.

3.4 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. by preparing Transfer Pricing Documentation and the Country-by-Country Report (CbCR) in compliance with OECD Guidelines.

The Group's global fiscal approach is aligned with the business strategy of the Group, aimed at expanding and diversifying the portfolio of activities without applying 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 the 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 for 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 or jurisdictions with low taxation that do not allow the exchange of information to obtain undue fiscal advantages.

Tax governance, control and risk management

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 Audit 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 checks 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 interpretation consistent with responsible tax risk management.

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

Income taxes: country-by-country reporting[21]

Geographical Area	Tax Jurisdiction	Unrelated-party[22] revenue [€ thousand]	Related Party[22] Revenue [€ thousand]	Average Nominal Tax Rate[23]	Income Taxes Paid[24] [€ thousand]	Income Taxes Accrued [€ thousand]	Number of employees[25]	Tangible Assets other than Cash and Equivalents [€ thousand]
Africa	Tunisia	24,747	1,502	15.0%	522	720	366	3,704
Asia and Oceania	Australia, China, Japan, United Arab Emirates, South Korea	49,045	3,674	18.9%	235	1,231	48	960
Europe	Austria, Belgium, Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Türkiye, Ukraine, United Kingdom	1,601,954	922,768	20.9%	75,348	72,824	3,854	128,084
North America	Canada, Mexico, USA	301,500	28,257	26.9%	14,243	13,054	134	2,644
South America	Brazil, Colombia	14,195	1,429	34.5%	66	566	34	200

The data provided refers to the 2022 financial year, as this is the most recent period for which the information is available. For the names and businesses of the entities residing in each tax jurisdiction, please refer to the List of Group companies reported in the Consolidated Financial Statements. The data reported are aggregated by geographical area and include the average nominal tax rate for each area.

21 The data in the table are taken from the Country-by-Country Report ("CbCR").
22 The values indicated in the columns for revenue (unrelated-party and related-party revenue) include product sales (net of returns, discounts and national health services) contributions, services, royalties, financial revenue (excluding dividends) and other revenue to third parties and other Group companies.
23 The average nominal tax rate is calculated by grouping by geographical area the average nominal tax rates for each jurisdiction.
24 The item "Income Taxes Paid" differs from "Income Taxes Accrued" mainly due to the differences in the timeframes for determining the tax base and taking advantage of the tax benefits associated with research and development activities.
25 Average number of employees and collaborators (e.g. temporary workers).

4. PATIENTS' 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 pharmaceutical pipelines and the acquisition of new areas of speciality. In particular, in recent years Recordati has focused its efforts mainly on pharmaceuticals in the rare diseases sector.

Over the last few years, the development of new pharmaceuticals, enabled partly through internal research programmes but 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 consistent growth.

The Group carries out research and development in accordance with good clinical and laboratory practices, 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 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 the protection of their human rights, including the rights to dignity, self-determination, privacy, and the confidentiality of personal data. Subjects enrolled in the studies 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 the highest legal and regulatory requirements, as well as the applicable codes of conduct for the industry.

Ethics and transparency in clinical trials

Clinical trials are essential for determining whether new medicinal products are safe and effective treatments for patients. In particular:

- interventional clinical trials are conducted by various Recordati group companies to demonstrate the efficacy and safety of new drugs in the development phase in various rare diseases and in populations with unmet medical needs;
- observational post-marketing clinical studies, known as "real world" studies, are conducted to monitor the benefit risk balance of new drugs once they are on the market and to collect additional data to improve the knowledge of the product.

To ensure full compliance with the requirements defined by the regulatory authorities and to guarantee the utmost rigour in the performance of clinical trials, the Group has defined a set of standard operating procedures (Corporate Standard Operating Procedures - SOPs), and the entire process is closely monitored through continuous auditing activity.

Standard Operating Procedures - Corporate R&D Quality Management System: the same Standard Operating Procedures are applied at all of the Group's research centres to ensure that interventional clinical trials are conducted in compliance with the highest international standards, and in line with the principles established in the Declaration of Helsinki and the Good Clinical Practice (GCP) guidelines defined by the International Council of Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH), as well as applicable local laws and regulations.
At the same time, observational Post-Authorisation Safety Studies (PASS) are conducted in line with the Guidelines for Good Pharmacoepidemiology Practice (GPP) and Good Pharmacovigilance Practice (GVP).
The confidentiality of the collected data is protected in accordance with current privacy legislation such as the General Data Protection Regulation (EU) 2016/679 ("GDPR").
Study results are reported in accordance with the requirements of the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA).

Staff qualifications and training: all Recordati employees involved in the planning, performance and reporting of clinical trials are suitably qualified in terms of professional experience and training. The Group delivers periodic training programmes on applicable company procedures and study-specific aspects (therapeutic areas, study protocols). Training is delivered and documented in collaboration with the Quality Assurance Department. Particular attention was paid to training all Group personnel on the requirements of the new European Clinical Trials Regulation (EU-CTR) and the Medical Devices Regulation (MDR).

Selection and supervision of Contract Research Organisations (CROs): the Recordati group's clinical trials are performed with the support of adequately qualified international Contract Research Organisations (CROs), experienced in conducting clinical studies in various countries in collaboration with research centres. The CROs are only selected after an in-depth evaluation of their experience and procedures, as assessed also during qualification audits. Subsequently, the respective roles and responsibilities of Recordati and the CRO are defined clearly and in detail in specific written agreements.
The personnel of the Recordati group, in the capacity of sponsor of the study, perform continuous oversight on the activities carried out by the CRO in accordance with a specifically defined plan, in order to ensure that:

- appropriate documentation on the medicinal product (as included in the Investigator's Brochure and in the Investigational Medicinal Product Dossier) and on the study itself (as described in the protocol, in the informed consent form and in the Case

Report Form) is prepared and submitted to the Competent Authorities, the Ethics Committees and the Investigators prior to the start of the trial and, if necessary, updated during the study;
- the medicinal product is produced in accordance with the Good Manufacturing Practice guidelines and is adequately packaged and labelled in accordance with the Good Clinical Practice guidelines;
- the clinical trials only begin upon receipt of the necessary approvals issued by the Health Authorities, the Ethics Committees and the Institutions, and having established an appropriate insurance for the patient;
- patients are included in the clinical trials only having voluntarily confirmed their wish to participate (having received adequate information from the investigators regarding the objective, methods, benefits and potential risks of the study), and in compliance with applicable privacy law (such as the EU GDPR);
- the study is conducted and reported in accordance with the requirements of the Good Clinical Practice (GCP) guidelines and in line with the applicable laws and regulations.

Risk assessment: Recordati, as sponsor of the clinical trial, conducts an in-depth analysis of the possible risks and benefits for the patients associated with their participation in a clinical trial (due to the administration of an experimental drug, the design of the study and/or its procedures) both before and during the study. The description of possible risks is included in the documents submitted to the Competent Authorities, the Ethics Committees and the Investigators. The risks are also described to the patients included in the trial in a clear, concise and comprehensible language in the informed consent form. The possible risks are minimised through the definition of appropriate patient inclusion and exclusion criteria (age, gender, concomitant diseases and treatments), the use of placebos only when ethically acceptable and/or required by the Health Authorities, the highest standards of care, the availability of medical treatment (if necessary) in the event of adverse reactions and the avoidance of invasive and unnecessary procedures.
The safety profile of the investigational products and the risks associated with participation in the clinical trial are continuously monitored by qualified medical personnel at Recordati (and, when required by the protocol, by an independent and external "Drug Safety Monitoring Committee"). Health authorities, investigators and patients are duly informed during performance of the study in the event of any changes in the expected benefits and risks.

Data integrity: the integrity of the data is ensured by the verification of the original documents filed at the research centres by the study monitors, by the validation of the IT systems used for data collection, analysis and reporting, and by co-monitoring visits performed by Recordati personnel in collaboration with the CRO monitor. Collected data is processed in accordance with the operating procedures and quality standards established by Recordati.

Audits: the entire process is monitored through constant auditing activity over the CRO, from the qualification step through to the subsequent performance of the trial. Recordati also conducts audits at research trial sites following a risk-based approach.
In order to ensure the compliance with the applicable legislation, internal audits are also performed inside the Recordati group.
Furthermore, both Recordati - as sponsor - and the CROs may be inspected by the Regulatory Authorities to verify compliance with the Good Clinical Practice guidelines and pharmacovigilance obligations.

Data transparency: data transparency is ensured through the entry of clinical trials in a public register (EU Clinical Trial Registry and/or ClinicalTrials.gov) before the enrolment of the first patient, and through publication of the results of the trial in accordance with the requirements of the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA).

Archiving: the study essential documents are maintained in electronic or paper format for the period of time required by applicable legislation and accordance with Recordati's procedures.

Investigator Initiated Studies (IIS) supported by Recordati: in line with the Group's standard operating procedures, Recordati may decide to support clinical trials proposed by academia after a careful evaluation of the scientific value of the proposed study, the expected benefits, and the possible risks associated with the use of the Group's existing pharmaceutical medicinal products in new indications.
In such cases, a written agreement between Recordati and the Investigator/Sponsor of the study is signed in order to ensure the exchange of safety information and enable an appropriate description of the potential benefits and risks to the patient.

Policy on the compassionate use of medicinal products

Recordati believes that conducting clinical trials is the best way to ensure a broad patient access to medicinal products, because clinical trials ensure the collection of the efficacy and safety data required by the Health Authorities to grant a marketing approval and a price reimbursement.

However, Recordati recognises that certain patients with serious or life-threatening conditions may not be suitable to take part in a clinical trial and may not be able to access satisfactory alternative treatments. In these cases, in line with company policy and in accordance with the Group's Standard Operating Procedures, Recordati may provide access to medicinal products that are not yet available on the market on compassionate grounds, in cases where this approach is approved by medical and pharmacovigilance personnel with specific knowledge of the product, and in accordance with all applicable laws and regulations.

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 of the invention in accordance with local laws and legislation, the award of European and international patents generally provides for patent protection in several countries.

Depending on the invention, patent applications may be submitted to protect new compounds, manufacturing processes, medical indications, devices and the composition of materials. This protection may vary from country to country and depends on the type of patent application and the intended objective. The duration of the protection is generally 20 years, beginning from the date of submission of the application. This period may be extended for a maximum of five years in certain countries, particularly in Europe and the United States, following the granting of authorisation for the market entry of the pharmaceutical product that uses the patented invention.

The patent portfolio is regularly monitored in collaboration with the relative Group offices, in order to identify potential breaches and take any necessary legal action. The Group also benefits from intellectual property rights for products and compounds patented by other companies through the relative licensing agreements.

As at 31 December 2023 the Group held 1,060 patents, of which 28 were granted in 2023.
Trademarks are also subject to intellectual property rights. This protection granted by such rights varies from country to country and is based principally on the use and registration of the trademarks. Trademark registrations are obtained based on the positive outcome of national, international and EU practices, and are generally granted for renewable periods of 10 years. The Group holds around 8,100 registrations for around 840 trademarks filed in the name of its various offices. More than half 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 2023 Annual Report.

THE ARRIGO RECORDATI INTERNATIONAL PRIZE FOR SCIENTIFIC RESEARCH

Established in 2000 in memory of Arrigo Recordati, this international award aims to promote scientific research in the field of rare diseases.

Every two years, the prize awards € 100,000 to a scientist who has particularly stood out for formulating an innovative research project.

The 2024 edition, open to young researchers of any nationality, is dedicated to the promotion and recognition of research excellence in the field of paediatric oncology, and specifically neuroblastoma. This reflects the Recordati group's strong commitment to rare diseases through its Recordati Rare Diseases division.

"I am proud to be able to dedicate the eleventh edition of Arrigo Recordati International Prize for Scientific Research to such an important field: paediatric oncology, and specifically neuroblastoma. This rare disease is devastating for the children who suffer from it and their families. This once again confirms our strong commitment to nurturing innovation and research in the field of rare diseases", stated Andrea Recordati, Chairman of Recordati.

An independent panel of recognised international experts will assess the research projects and select a winner, to be announced in Milan during the SIOP Europe Annual Meeting, from 13 to 17 May 2024.

4.2 THE RECORDATI GROUP'S COMMITMENT TO IMPROVING ACCESS TO MEDICINE AND HEALTHCARE

Recordati has always believed that health, and the opportunity to live life to the fullest, is a right, not a privilege. Whether that is for common diseases or the rarest, it wants to give all people the opportunity to be the best version of themselves by having access to affordable, innovative and sustainable healthcare.

Access and Pricing Principles

Access to medicine remains a cornerstone of Recordati's ESG strategy and the Company is committed to improving both accessibility and affordability of its products in all geographical areas in which it operates. Access to pharmaceutical products requires a collective effort: with the industry, policymakers and payers working together to remove barriers so that people can unlock their potential to live a full life.

Recordati has a value-based approach to affordability that ensures the prices of medicines reflect the benefits they deliver to patients, their families, the healthcare system, and society as a whole.

This approach balances responsible pricing and sustainable business while also supporting the cost of continuing to invest in drug development.
There are numerous factors that impact pricing decisions, with the process varying significantly from country to country. At the centre of Recordati's approach are the needs of patients and their accessibility to critical treatments.

The Company understands and recognises that, in countries with limited resources, there are different healthcare needs and affordability challenges than in higher-income countries. It also knows that there are health inequities in these higher-income countries, where many people still do not have access to enough public health coverage or private insurance.

Recordati understands that health economies throughout the world are being further squeezed due to budgetary pressures and aligns its product innovation accordingly. The Company ensures that any new product candidates bring tangible benefits to patients, healthcare providers and payers alike. Recordati adopts a partnership approach to new medicine approvals to ensure we partner with the right providers and experts to create improved outcomes, cost-effectively.

Recordati supports activities and organises its own to deliver treatment to underserved populations, including disease education, and assisting uninsured and underinsured patients in navigating healthcare services. It also supports access programmes designed to give financial and disease management support, especially in the rare disease segment.

SOME OF THE WAYS IN WHICH RECORDATI PROMOTES ACCESS ARE:

Developing new specialties in both existing and new markets: With a focus on rare diseases, Recordati develops new specialties that are either developed internally or acquired through agreements with other pharmaceutical companies and research institutes. Commitment, scientific rigour, capability and highly specialized personnel allow Recordati to develop new treatments and build an innovative product pipeline, including through life-cycle management, new products and post marketing.

Continuing to provide high-quality and affordable products for a broad range of therapeutic areas including low - and middle - income countries through the Specialty & Primary Care Division: Recordati has a strong and proven heritage of supporting people living with a wide range of common illnesses that affect large populations every day - creating value for patients, payers and physicians across primary and specialty care with both prescription and self-medication treatments.

Focusing on the few and caring for the most vulnerable through Rare Disease Division: Of the 7,000 known rare diseases, less than 10% have an available treatment option. Since 2007, through the dedicated business unit Rare Diseases, Recordati is focused on helping the few who suffer from little known conditions. The business unit's mission is to reduce the impact of rare and devastating diseases by providing urgently needed medicines in key therapeutic areas.

Supporting patient associations, caregivers, doctors and institutions to increase awareness, leading to improved diagnosis, and expand the availability of treatments, especially for people with rare diseases. This is done, for example, by promoting meetings with healthcare professionals, providing information to raise awareness, and actively participating in scientific conferences. Recordati also engages in collaboration with groups and associations to promote correct information for patients and sponsors awareness-raising days. In addition, the Recordati Rare Diseases Foundation was established to provide independent and unconditional support for training programmes aimed at the scientific community in the field of rare diseases. These high-level training courses are organised under the supervision of an external scientific committee.

Through Patient Access Programmes: Recordati supports programmes to assist patients eligible to receive support for the costs related to our products: the Patient Assistance Program (PAP) and the Co-Pay Assistance Program (CAP). These two programs are active in the USA and Canada and are focused on Endocrinology, Oncology, and Metabolic therapeutic areas. Similar programmes are in place in other geographic areas, including Australia, Brazil, Russia, South Korea and Taiwan.

Through medicine donation: Recordati supports product donations to disadvantaged people who are unable to purchase medicines, or during times of humanitarian emergencies.

Rare diseases and orphan drugs: a healthcare priority and a priority for Recordati

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

Rare diseases 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 the United States 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, 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 timely 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 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, a series of dedicated companies that make its specialist pharmaceuticals for rare diseases available directly in Europe, the Middle East, Türkiye, United States, Canada, Russia, Australia, Japan, China and in Latin America, and through selected partners in several other countries.

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 to rare genetic metabolic disorders and rare endocrine diseases.

In March 2022, Recordati finalised the acquisition of EUSA Pharma (UK) Ltd., a global pharmaceutical company specialised in rare and niche oncology diseases, integrating it into Recordati Rare Diseases. The acquisition expanded Recordati's skills and portfolio, providing a platform to drive growth in these important areas still characterised by extensive unmet needs.

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 by 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.

Also in the context of facilitating access to treatments, in 2023 Recordati Rare Diseases continued to support two programmes to provide assistance to patients eligible 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 products 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 Program (CAP)**: 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.

These two programs are active in the USA and Canada and are focused on Endocrinology, Oncology, and Metabolic therapeutic areas. Similar programs are in place in other geographic areas, for instance, Australia, Brazil, Russia, South Korea and Taiwan.

During 2023, Recordati supported around 1,100 rare disease patients with Patient Assistance Program (PAP), Co-Pay Assistance Program (CAP) and similar programmes.

For more information on rare diseases and orphan drugs, please refer to the relevant section of the 2023 Annual Report.

RAISING AWARENESS OF RARE DISEASES AND ASSOCIATED AWARDS

RECORDATI RARE DISEASES FONDATION D'ENTREPRISE

Working in the field of rare diseases represents an important responsibility towards patients and healthcare operators, and this is a core commitment for Recordati. The Recordati Rare Diseases Foundation was established to provide independent and unconditional support for training programmes aimed at the scientific community in the field of rare diseases. These high-level training courses are organised under the supervision of an external 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.

The Foundation's 2023 activities were organized in-person allowing for healthcare professionals to meet, network, share clinical cases and discuss diagnostic procedures, research topics and new developments in the scientific community.

Four live CME (Continuing Medical Education) courses were organised in the field of Inborn Errors of Metabolism and in endocrinology, more specifically on: Muscle glycogenosis (GSDs), an important group of potentially treatable inherited muscle disorders affecting children and adults; Genetic therapies, a very innovative course relating scientific and therapeutic advancements with access, pricing and the patient perspectives, expectations and concerns; a course in endocrinology focusing on the understanding and treatment of non-adenomatous pituitary dieses and the year ended with a course organised in Asia Pacific focusing on the early diagnosis and early treatment of inherited metabolic diseases.

All these events highlight the commitment in raising rare disease awareness and focusing on the increased patients' diagnosis, treatment options and well-being.

The Foundation remains as a key player in medical education in the rare diseases field and will pursue its mission with events in 2024 involving adult and paediatric metabolic specialists, neurologists, endocrinologists, geneticists, biochemists, nutritionists and other healthcare professionals from around the world.

#THISCUSHING - CAMPAIGN TO RAISE AWARENESS OF CUSHING'S SYNDROME

#ThisCushing is a global initiative developed in 2023 by Recordati Rare Diseases in collaboration with award-winning photographer and internationally recognized experts in the field of pituitary endocrinological diseases. #ThisCushing aims to inspire and empower the Cushing's community and drive change in the way this disease is perceived. By elevating patients' voices to raise awareness of the burden of disease we can help to reduce these burdens and ultimately improve quality of life. Recordati Rare Diseases won the 2023 PMEA Patient-Centricity Award for the #THISCUSHING global awareness campaign.

PATIENT CARE PATHWAY

During 2023 Recordati Rare Diseases and the Royal Cornwall Hospitals Trust worked together to develop an "annual multidisciplinary clinic day" for patients with mycosis fungoides cutaneous T-cell lymphoma (MF-CTCL), a rare condition which previously was seen in the general dermatology clinics. This clinic brought together the dermatology and haematology departments in the trust as well as expertise from the regional hub in Bristol. The project enabled the local dermatology team to increase their knowledge and expertise in a rare condition to enhance patient care and also enabled education of the patients in their condition. This collaborative working project was the winner of the Patient Care Pathway, Secondary and Community category in the 2023 Quality in Care Dermatology awards programme.

The commitment to combat antibiotic resistance and neglected tropical diseases

Regarding the problem of antibiotic resistance, Recordati is exploring the antifungal and antibacterial properties of fenticonazole with fungal and bacterial strains resistant to common treatments.

The same molecule is also being studied to assess its potential effectiveness in the treatment of leishmaniasis, a parasitic condition classified as a neglected tropical disease (tropical infections that are particularly common in low-income populations in developing regions of Africa, Asia and the Americas).

4.3 PRODUCT QUALITY AND SAFETY

In order to guarantee the highest possible levels of patient health and safety, the Group guarantees product quality and safety throughout the Recordati supply chain, from research and development of new products to the procurement of raw materials and packaging and the production, control and commercialisation of registered medicines.

During research and development phases, specific clinical studies are carried out in order to ensure the efficacy and safety of the products and monitor for the emergence of any possible harmful side effects. The results of these studies are assessed by national and supranational bodies before marketing authorisation of the medicines is issued in the respective countries.

Within the supply chain, the Group's suppliers are selected according to stringent assessment criteria and are periodically audited to confirm compliance with the applicable quality standards.

During manufacture at all Recordati facilities, all medicinal products are produced in accordance with the provisions of Good Manufacturing Practices (GMPs) in plants authorised by the relative local and non-European regulatory bodies. The Group's plants periodically undergo inspections and audits to ascertain compliance with current legislation and applicable procedures. Furthermore, all third party production facilities used by Recordati are subject to periodic audits, verifying the existence of the necessary regulatory authorisations required and ascertaining that all manufacturing and control activities are conducted in compliance with GMPs.

Manufacturing processes at the Group's sites involves rigorous and complete preliminary controls of the batches of raw materials and packaging materials received. This occurs before their use in the established manufacturing and packaging processes. In almost all cases, these controls are conducted at the Quality Control laboratories located within the Group's plants. In the event that external laboratories are used, these are selected and monitored according to the same rigorous procedure adopted for the Group for third party manufacturing facilities. In both cases, the Quality Control laboratories must be expressly authorised and certified to perform these control activities, with inspections performed by national and international regulatory agencies.

In order to guarantee the quality and safety of the products, each batch of medicines is subject to a preliminary quality control procedure prior to its release on the market, with the approval for distribution granted only in the event that the batches comply completely with the specifications authorised by the relevant Regulatory Authorities.

Furthermore, all production processes are subject to preliminary validation procedures to confirm the capacity to supply medicines in a way that is reproducible over time, in line with the quality, safety and efficacy standards that form the basis for registration of the drug with the competent Authorities. Production and control procedures, as well as the validation of these processes, are guaranteed through the use of certified equipment subject to periodic recalibration. Specially and periodically trained personnel are responsible for manufacturing and control in accordance with applicable GMPs. These personnel operate in line with rigorous internal Standard Operating Procedures, with the goal of making every operation consistently reproducible and aligned with the defined standards.

All personnel engaged in GMP activity receive training at least once a year on general or specific aspects of GMPs, in addition to periodic updates on the various procedures, with particular reference to procedures regarding the use of equipment, codes of conduct and safety protocol.

For the product commercialisation phase, the Recordati group has implemented a system aimed at guaranteeing compliance with European, Russian, Turkish and US Directives on anticounterfeiting measures, as well as those of other countries with equivalent regulations in force, 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 any complaints made regarding its products, the Group investigates any possibility of counterfeiting in order to report any such instances to the Authorities.

As well as medicines, the Recordati group also markets Medical Devices and Dietary Supplements. The quality systems that support the Group's activities related to production, where applicable, or marketing, comply with all applicable legislation. As regards Medical Devices, activities are conducted under the supervision of Notified Bodies, which require specific certification according to the provisions of a European Regulation that recently came into force.

Finally, after the products have been sold, the Recordati group operates a post-sale pharmacovigilance policy, enabling doctors, healthcare workers and patients to promptly notify the Group of any significant events or adverse reactions experienced during the use of Recordati products.

Audits and inspections

In order to ensure the quality and safety of its products and verify the compliance of its suppliers with applicable quality, environmental, health and safety regulations, the policies implemented by the Recordati group include regular audits, as well as continuous inspections performed by the competent regulatory authorities and self-inspections within its own production plants.

Inspections and quality audits

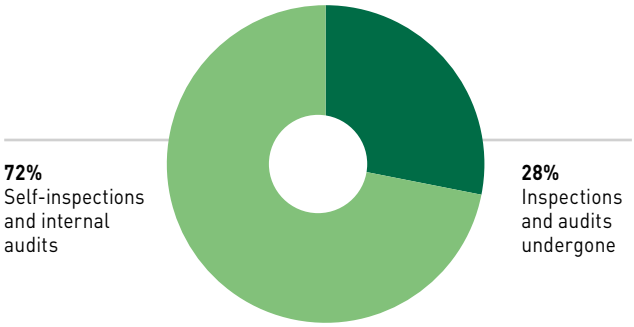
The production plants of the Recordati group are necessarily authorised to produce medicinal products by the respective local Authorities and as such are subject to periodic regulatory inspection. In addition to regulatory inspections, production plants are audited by the Group's clients or by accreditation bodies qualified to certify compliance with ISO international standards.

Within its own pharmaceutical plants, the Group is committed to maintaining a quality control system that fulfils all applicable national and international requirements, guidelines and standards for the production of finished pharmaceutical products. In particular, all of the manufacturing plants operate in line with GMPs (Good Manufacturing Practices) and are regularly audited 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 addition to the production facility monitoring system, the Authorities also conduct periodic inspections at the branches that operate as medicinal product distribution companies in their respective regions.

In 2023, a total of 121 inspections/audits were carried out at the Group's pharmaceutical production plants and branches in order to assess product quality, safety, and compliance with certification standards. Of these, 87 (72%) were internal audits and self-inspections carried out by the Group, while the remaining 34 (28%) were carried out by the competent authorities (Health Ministries, Regulators, Certification Bodies) and third-party companies that receive Recordati products.

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



In 2023, the pharmaceutical plants underwent inspections by regulatory bodies in order to renew and grant the relevant authorisations to manufacture and/or distribute medicinal products. Of particular interest in this regard are those that were performed:

- by the Italian authority, AIFA, at the Milan production site, in order to renew the relevant periodic GMP authorisation;
- by Italian and Russian authorities at the Turkish production site, for renewal of the respective GMP authorisations for the two nations;
- by the Libyan national authority at the Tunisian production site;
- by the local authorities for periodic Good Distribution Practices (GDP) inspections at the commercial departments in Ireland, Poland and Switzerland.

At the Tunisian production site, inspections were carried out for ISO Quality, Safety and Environment certifications.

The Group also received supervisory inspections for activities regarding the manufacture and/or distribution of medical devices. In particular, inspections were conducted by Eurofins and ICIM at the Milan site.

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 a regular basis.

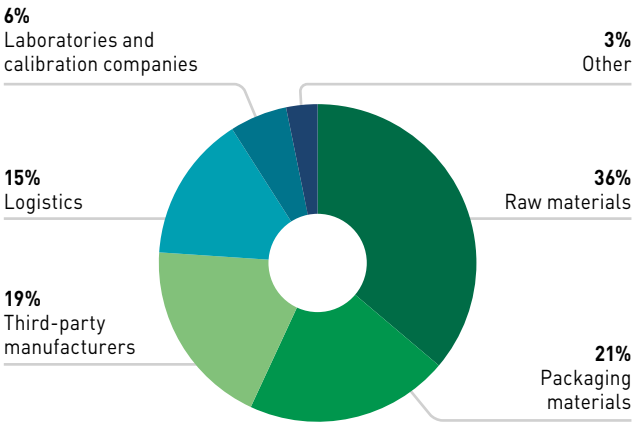
As regards the inspections at the Group's two chemical-pharmaceutical plants, in 2023 a total of 52 audits/inspections were carried out, of which 26 were internal (mainly involving the Safety and Environment Management System, Quality and the application of specific procedures) and 26 were performed by clients (mainly regarding quality control/GMP compliance of the manufacturing processes of APIs), certification bodies on the environmental management system, and regulatory and control authorities regarding quality, environment, health and safety.

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 Group's procedures, all suppliers, particularly those supplying raw materials (e.g. active substances, excipients), packaging materials and services, are subject to periodic audits as defined by a risk assessment. In fact, in 2023 the Pharmaceutical Division of the Recordati group conducted 188 supplier audits, of which 36% on suppliers of raw materials (active substances and excipients), 21% on suppliers of packaging materials, 19% on third-party manufacturers, 15% on logistics service providers, 6% on laboratories and calibration companies, and the remaining 3% on other suppliers.

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



As regards supplier audits conducted by the chemical-pharmaceutical division, in 2023 a total of 6 audits were conducted, mainly on suppliers of synthetic intermediates and other types of raw materials, service providers and waste-treatment providers.

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 the GMP (Good Manufacturing Practice) certification for product quality and safety, issued by the relevant national and foreign authorities for all plants. The Campoverde di Aprilia site is also regularly inspected by the Italian Medicines Agency, the US Food and Drug Administration, the Brazilian *Agência Nacional de Vigilância Sanitária* and the Korean Food and Drug Administration and is certified by the Japanese Ministry of Health.

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 2023, the Group did not receive significant sanctions[26].

In 2023, the extremely low number of product recalls were promptly handled by the Company. Specifically, it is noted that during the year, following reports of adverse events in Türkiye, the Company decided to take voluntary recall action on a precautionary basis for certain packs from a batch of the product Cystagon. The recall involved Italy and Türkiye because the same batch was on sale in both countries.

Pharmacovigilance

Monitoring the safety of medicines is essential to ensure the effective used of the drugs and to provide high-quality medical care. In compliance with national and international laws and regulations on pharmacovigilance, Recordati has adopted an appropriate pharmacovigilance system aimed at ensuring the correct and timely evaluation of its products, both original and under licence, with particular attention given to the risk-benefit ratio.

Patient safety is a fundamental value for Recordati and is guaranteed by the pharmacovigilance system which, through the Group's quality system, operates in accordance with applicable legislation and the Good Vigilance Practice (GVP) guidelines.

In all countries in which Recordati operates directly through its affiliates, it ensures implementation of adequate measures to guarantee product safety through the creation and sharing of corporate procedural documentation, applicable to the entire Group. For all countries in which Recordati does not have direct operations (including developing countries or those with less stringent local laws), the safety of Recordati products is in any case ensured through the definition of specific pharmacovigilance agreements with selected local partners. These agreements detail all activities to be conducted and the corresponding time frames and methods, all of which in compliance with Recordati procedures and regulatory requirements.

The pharmacovigilance system and its quality system establish specific responsibilities and procedures for the performance of activities, which apply at Group level in accordance with local and EU legislation. Recordati's pharmacovigilance system is subject to continuous monitoring through internal audits, audits by commercial partners and inspections by the regulatory authorities.

In addition, partners' observance of agreements, and local and EU legislation is subject to monitoring through audits of commercial partners.

Close safety profile monitoring applies to the entire product life cycle (from clinical trials to commercialisation) of all of the Recordati group's drugs at a global level. The Group collects and evaluates all information relating to adverse events involving its drugs, monitors their benefit/risk profiles and assesses/discusses them during specific Safety Committee meetings. The relevant information is promptly communicated to the competent authorities in accordance with current legislation. The collection of reports of possible adverse reactions made by patients and physicians is an essential element of the safety analysis.

All company personnel must be aware of the concept of pharmacovigilance and of the steps to take should they become aware of an adverse reaction following the use of a Group pharmaceutical product. On this basis, when joining the company, all new employees receive dedicated training and all employees are required to take an annual refresher course. Furthermore, pharmacovigilance personnel are updated on pharmacovigilance obligations through participation in internal and external training courses.

Anti-counterfeiting

Recordati operates in compliance with anti-counterfeiting legislation and takes 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, prescription drugs that do not comply with the safety requirements established by this regulation may no longer be marketed.

26 The extremely low number of cases of non-compliance with such regulations and codes were promptly handled by the Company and did not result in significant penalties.

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. In particular, a packaging management procedure was introduced, under which each individual packet is stamped with a two-dimensional code containing a unique identification number, and a quality seal is applied. Moreover, 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.

All warehouses (both internal and external to the Group) used to store serialised pharmaceuticals are made aware of the regulations and the European warehouses are connected to the relative national systems for product authenticity spot checks. Compliance with the applicable regulations is verified through audits conducted by Recordati at the relative warehouses.

As regards the requirements of individual national Authorities, Recordati cooperates with the relative national systems for the resolution of alerts arising from product audits in the logistics chain or at point of delivery to the public.

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 Türkiye, China, the US, Korea and Russia, drugs marketed by the Recordati group are already fully aligned with these safety requirements.

Finally, in the Middle East several initiatives are currently being implemented to combat product counterfeiting. On the whole, projects to combat drug counterfeiting continued, in full compliance with the developing legislation. In 2022, phase 2 of the serialization project in Bahrain was completed, while in 2023 the project was completed for products marketed in the United Arab Emirates (UAE). In 2023, serialisation was also introduced in Kuwait.

Many other markets have decided to implement legislation to combat the counterfeiting of medicines. In 2023, Recordati implemented Uzbek legislation, enabling the Group to carry out serialisation and aggregation also for this market. Finally, Recordati has begun work on new Kazakh legislation and will continue this project throughout 2024.

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 and with assigned personnel (Scientific and Regulatory Affairs Departments) who are responsible for ensuring compliance with supra-national and national legislation and are aligned with the national codes of conduct of the relative industry associations.

In particular, these company procedures regulate medical and scientific information activities and relations with the medical community and healthcare facilities. The procedures adopted by all Group Companies are particularly important, with the major ones regarding the sponsorship and organisation of conventions and training events, the contribution of professional medical consultancy services, the distribution of information and promotional materials and free samples, and the disbursement of donations and other grants to scientific companies and healthcare facilities.

The Group's medical and scientific information procedures explicitly specify the applicable legislative provisions and the obligations contained in the professional codes of conduct applicable in the various counties in which the Group operates. Furthermore, the procedures are aligned with the content of the Group's Anti-bribery Manual and contain the necessary internal organisational and authorisation provisions. Finally, all procedures comply with the principles of control and transparency, correct separation of functions and traceability in decision-making processes.

The correct application of the procedures and the compliance of the marketing activities conducted by Group Companies are periodically subject to specific internal audits in the context of the audit plan approved by the Parent Group. Moreover, the Group Companies, which are members of industry associations, submit their marketing and scientific-information procedures and activities for independent assessment and annual certification. In 2023, audits were conducted on promotional activities, the distribution of free samples, scientific consultancy by healthcare operators and other processes pertaining to marketing and medical/scientific information activities.

The Group's External Operating Personnel (medical representatives) 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's training plans.

Recordati has commercial relationships with both private customers and with customers in Public Administration. Private customers include, for example, distributors, wholesalers, pharmacies, and the large-scale retail trade. 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 aspires to be a top-tier value creator for its patients, investors and people. Therefore, it recognises the central importance of its Human Resources, who represent the primary factor for the successful implementation of the company's strategy and the generation of value in the long term. To this end, the Group is committed to guaranteeing individual commitment and engagement, staying true to the company's purpose and values, and improving the quality of life of present and future generations to protect their well-being, health and safety, always in full compliance with current provisions and laws. It incentivises training and professional development. It promotes a serene, merit-based and inclusive environment where each individual is able to optimise their capabilities, ideas, potential 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. In order to operate effectively in these fields, it is essential to collaborate with increasingly highly qualified employees who bring professionalism and added value to the Group and enable us to tackle the challenges inherent to the sector. For this reason, Recordati is increasingly committed to ensuring the implementation of a human resources management policy that prioritises people's well-being and professional development.

The Group is constantly seeking policies and practices that improve conditions for its people so that it might always be an example of excellence where people aspire to work and a Company that offers its employees a unique experience while further strengthening their connection with the Group. Recordati's Employee Value Proposition aims to keep key resources, their successors, and internal talent and to be competitive when attracting talented individuals from outside the company.

Everyone is important at Recordati and part of a community where each person contributes to the Group's success. The Company encourages and supports its staff to unlock their potential, staying true to the company's purpose: *Unlocking the full potential of life*.

We strongly believe that to reach their full potential, people must be able to feel comfortable in themselves, each with their own opinions and ideas, and empowered to pursue their own goals in the way that they deem fit, always respecting the Group's Code of Ethics. Consequently, all of the Group's managers are called upon to share the Group's objectives with their team, enabling everyone who works within the Group to define and propose targets and growth pathways and align them with company strategy. Recordati believes in the value of diversity and innovation in all corporate contexts and encourages the Group's staff to freely experience and express diverse ideas, solutions and opinions.

Therefore, in the belief that the Group's results are closely tied to people's ability to be actively engaged in achieving those goals, Recordati continuously strives to improve its HR recruitment, development and optimisation policies.

The recruitment process is aimed at selecting the most qualified candidates that best match to the qualifications required by company departments, in accordance with equal opportunities and considering the market benchmarks and parameters of internal fairness. Training and development aim to encourage personal and professional growth, as well as career progression, with respect for personal aptitudes and preferences, by creating an environment that allows everyone to express their talents.

To achieve these targets Recordati adopts a policy and processes that aim to:

- attract and retain talented people and encourage their development, including through collaboration with schools and universities, with a structured employee selection, onboarding and development procedure;
- continuously create an inclusive, flexible, stimulating and engaging work environment;
- support professional development by providing training courses, coaching, mentoring, awareness-raising initiatives, and on-the-job training;
- retain and motivate people, with a particular focus on highly qualified individuals and those with the greatest potential for development, not only by offering competitive pay to reward merit, but also through national and international career opportunities and initiatives that foster a sense of belonging to the Group;
- ensure people's well-being, health and safety;
- guarantee inclusion, equity, equal opportunities and mutual respect, and combat all forms of discrimination.

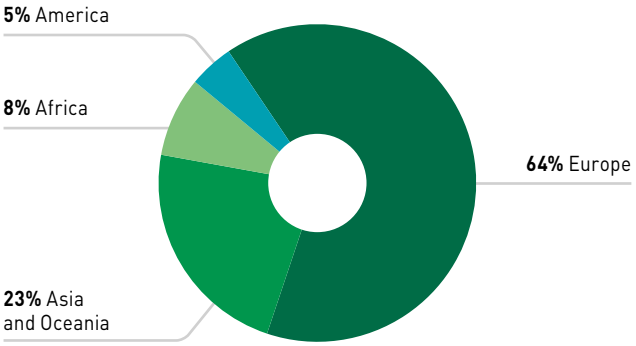
At 31 December 2023, the total number of the Group's employees was 4,455, an increase compared to 2022, of which 51% were men and 49% were women.

The Group's workforce is also supplemented by 191 people who collaborate with Recordati in various ways; approximately half of these collaborators are women. These collaborators mainly belong to the plant production or commercial areas in the region.

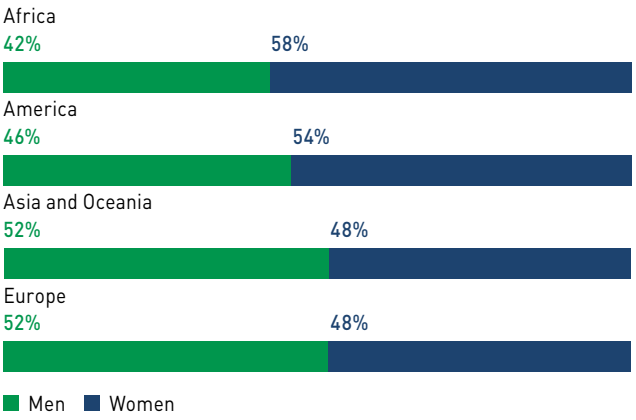
Employees and collaborators by gender[27]

	2023			2022		
No. of employees	Men	Women	Total	Men	Women	Total
Employees	2,264	2,191	4,455	2,256	2,113	**4,369**
Collaborators	107	84	191	96	91	**187**
Total	2,371	2,275	4,646	2,352	2,204	4,556

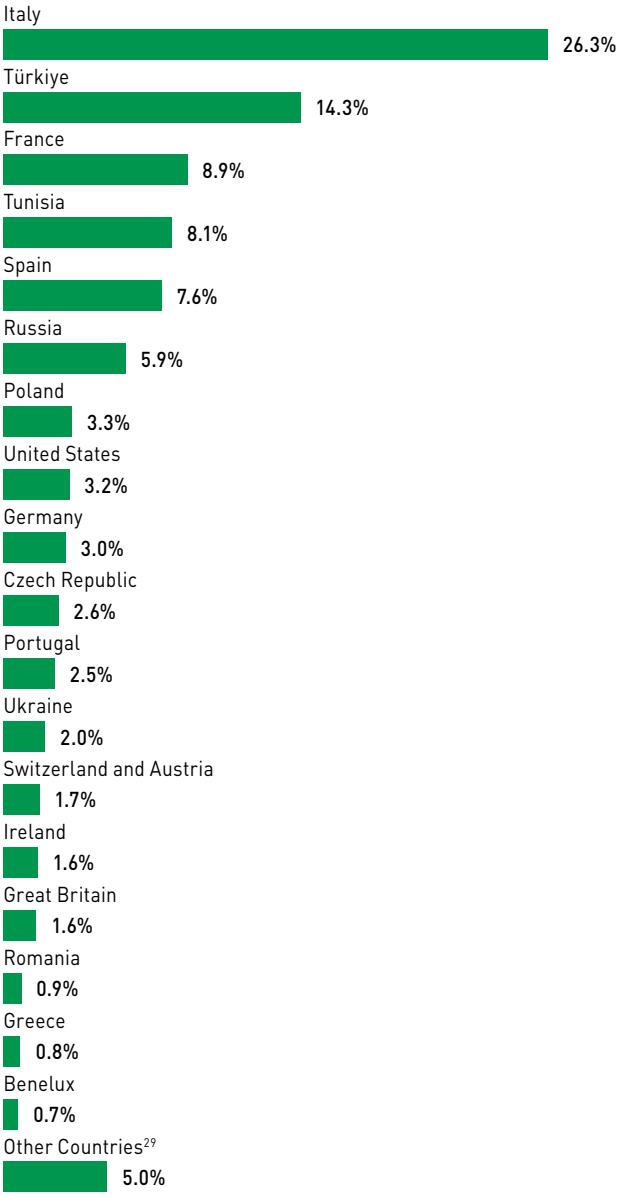
Percentage of employees by location[28]



Employees by location and gender



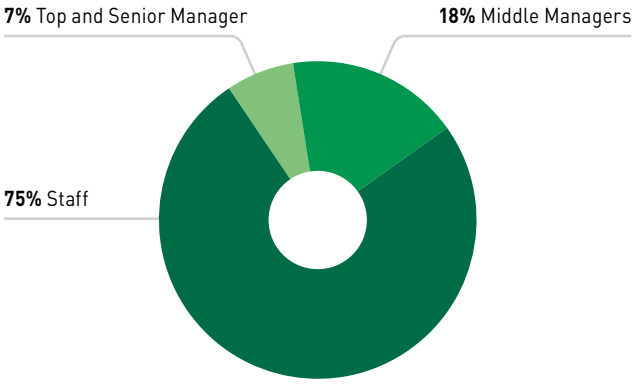
Percentage of employees by country



With regards to the breakdown of the Recordati group's workforce by professional category, to facilitate ongoing comparison between the various corporate positions and give a clearer picture of the organisation, the Group's employees are divided into three categories: Top and senior managers[30], middle managers and staff. There are 308 top and senior managers, 810 middle managers and 3,337 staff. Top and senior managers, who overall represent approximately 7% of the workforce, are hired locally, in line with the figure for the previous years.

27 Employee data refers to the headcount as at 31 December 2023 and records collaborators as Full Time Equivalent (FTE).
28 The item "Asia and Oceania" includes the Turkish branch (Recordati Ilaç ve Hammaddeleri Sanayi ve Ticaret A.S.) and the Russian branch (RUSFIC LLC).
29 The item "Other Countries" includes the employees who work in Armenia, Australia, Baltic countries, Belarus, Brazil, Bulgaria, Canada, China, Colombia, South Korea, Georgia, Japan, Kazakhstan, Middle East, Mexico, Nordic and Hungary.
30 As of this year, data for the Top and Senior Manager categories are provided in aggregate form. To enable a more accurate comparison with the previous year, the data for 2022 have been restated in aggregate form.

Percentage of employees by professional level

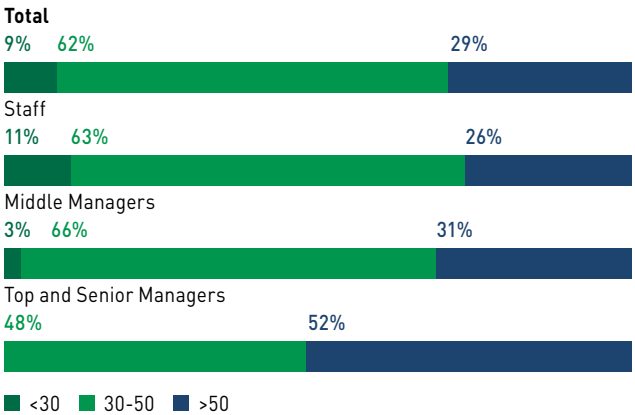


Approximately 62% of the workforce is composed of employees aged between 30 and 50; 29% are over 50 and approximately 9% are under 30.

Employees by professional level and age

	2023				2022			
No. of employees	**<30**	**30-50**	**>50**	**Total**	**<30**	**30-50**	**>50**	**Total**
Top and Senior Managers	0	148	160	308	0	138	164	302
Middle Managers	22	535	253	810	26	496	245	767
Staff	355	2,097	885	3,337	329	2,070	901	3,300
Total	**377**	**2,780**	**1,298**	**4,455**	**355**	**2,704**	**1,310**	**4,369**

Percentage of employees by professional level and age



The recruitment process outlined in the talent acquisition policy adopted by the Group can take place internally or externally. Internal recruitment involves the sharing of all vacant positions with employees, who can then apply for the roles, while external recruitment involves campaigns conducted directly by the Talent Acquisition team or by approved recruitment agencies. Furthermore, specific horizontal and vertical development programmes are designed at international and interdepartmental levels to grow and develop the technical and professional skills of all of the Group's existing employees.

In order to fully support the development of its human capital, the Group promotes the recruitment of internal employees to fill vacant positions, when suitable candidates are available. In 2023, as well as the new Internal Job Posting policy, a referral policy was adopted that supports applications submitted by employees, to attract valuable resources aligned with the Group's strategies, and to motivate employees to recruit talented candidates.

For junior roles, the recruitment process focuses on recent graduates from undergraduate, master's or PhD programmes and offers new hires the opportunity to embark on a professional career within the Group.

In order to standardise the selection process, the Human Resources teams of the various Group companies support managers by providing shared recruitment processes and methods, aimed at ensuring that all new opportunities within the Group are published, promoting the company's D&I policies, optimising Group-wide skills and aligning values at Group level, as well as assessing that candidates possess the necessary experience and expertise.

In 2023, 782 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 2023) of approximately 18%, while the number of employees who left the company was 696, with an outbound turnover rate (the ratio of number of people leaving the Group to total Group workforce as of 31 December 2023) of around 16%. Around 56% of new employees hired during the year were women.

Total employees entering and leaving the company by gender and age

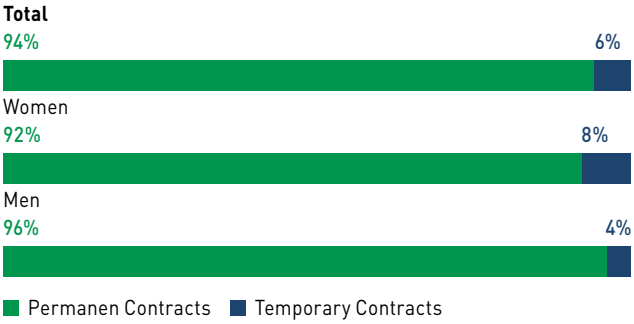
	2023					2022				
No. of employees	**<30**	**30-50**	**>50**	**Total**	**Turnover %**	**<30**	**30-50**	**>50**	**Total**	**Turnover %**
New employees entering the Group										
Men	75	219	53	347	15%	77	267	72	416	**18%**
Women	112	278	45	435	20%	97	310	85	492	**23%**
Total	**187**	**497**	**98**	**782**	**18%**	**174**	**577**	**157**	**908**	**21%**
Turnover %	**50%**	**18%**	**8%**	**18%**		**49%**	**21%**	**12%**	**21%**	
Employees leaving the Group										
Men	53	188	98	339	15%	39	229	187	455	**20%**
Women	40	221	96	357	16%	54	238	95	387	**18%**
Total	**93**	**409**	**194**	**696**	**16%**	**93**	**467**	**282**	**842**	**19%**
Turnover %	**25%**	**15%**	**15%**	**16%**		**26%**	**17%**	**22%**	**19%**	

The Recordati group believes that a stable and lasting working relationship is an important contributing factor of employee motivation and is essential for the Group's growth and development. Consequently, 94% of all resources are hired on permanent contracts. The Group does not hire seasonal workers and limits the use of temporary contracts to exceptional cases[31] such as occasional peaks in production, temporary maternity cover or cover for long-term absence.

Employees by contract type (permanent or temporary) and gender

	2023			2022		
No. of employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Permanent Contracts	2,179	2,022	**4,201**	2,168	2,010	**4,178**
Temporary Contracts	85	169	**254**	88	103	**191**
Total	**2,264**	**2,191**	**4,455**	**2,256**	**2,113**	**4,369**

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



Furthermore, at contractual level, 103 people are employed on part-time contracts[32] provided by the Group to help employees meet personal commitments that preclude full-time employment.

Employees by contract type (full or part time) and gender

	2023			2022		
No. of employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Part-time	19	84	**103**	29	102	**131**
Full-time	2,245	2,107	**4,352**	2,227	2,011	**4,238**
Total	**2,264**	**2,191**	**4,455**	**2,256**	**2,113**	**4,369**

31 Temporary contracts account for 0.5% of working relationships in the America region, 3.5% in Asia and Oceania, 6.5 % in Europe and around 8% in Africa. Please also note that the Company does not employ people on non-guaranteed hours contracts.

32 More than 3% of employees in the Europe region are on part-time contracts, followed by the America region at nearly 0.5%, and the Asia and Oceania region at around 0.3%. There are no employees on part-time contracts in Africa.

With a view to ensuring continuous improvement and to guarantee the maximum sharing of information relating to the workforce, after the initial phase of the HR Digital Transformation project was completed in 2022 with the launch of the platform, the Group Digital HR Transformation & People Analytics department was created in 2023 to facilitate and guide the implementation of a plan impacting the main HR processes and involving all of the Group's HR departments. In 2023 another important step towards digital and cultural transformation was completed with the design and implementation of MyImpact, a Group-wide system available to all employees with a company email address.

The platform manages and facilitates the setting of personal targets, supports goals and skills assessments, promotes a culture of continuous feedback, and enables the development of individual development plans tailored to each employee.

Finally, in 2023 two important HR Digitalisation projects were launched which will be released in 2024: the recruiting system, which will facilitate a more structured management of recruitment processes, and the Talent Management & Succession Planning project, aimed at improving resource management and optimisation within the Recordati group.

In order to build on the positive results achieved in previous years, in 2023, Recordati strengthened its organisational model in line with its strategy and business priorities. In particular, the organisational changes adopted strengthen the Leadership Team, on one hand, and the skills and expertise within the company, on the other.

This is demonstrated by:

- the Group is working to further strengthen the Industrial Operations Business Unit following unification of the Supply Chain and Manufacturing functions under a single area of responsibility;
- the appointment of the new Group Chief Legal Officer into which the Compliance and Risk Management function was merged, while maintaining the Group Internal Audit function reporting directly to the Chairman in order to ensure its independence;
- establishment of separate Research & Development and Medical Affairs functions - previously incorporated into a single division - which enables greater focus, specialisation and acquisition of new expertise with appointment of a new head of R&D;
- strengthening of the Human Resources function with creation of the Employee Engagement & Change Management division, including the following areas of expertise serving the Group: Diversity & Inclusion, Organizational Development, Talent Acquisition, Learning & Development, and Digital HR Transformation & People Analytics;
- broadening the remit Group Communication, incorporating internal and external activities.
- within the Rare Diseases and Specialty & Primary Care Business Units, skills able to support the business were optimised through the creation of new functions.

5.2 DIVERSITY AND EQUAL OPPORTUNITIES

At Recordati we believe that inclusion and promotion of diversity (including but not limited to age, gender, sexual orientation, ethnicity, language, nationality, opinions on political or trade union matters, religious beliefs, or any other personal characteristics), and cooperation of all parties, enrich the capacity for innovation, a fundamental key to the business's success. In fact, by celebrating diversity and promoting inclusive practices the Group is able to effectively react to societal and market changes. For Recordati, inclusion means developing a working environment where everyone feels welcome, respected, supported and appreciated for their individuality and talent: this means having the freedom to express their thoughts and opinions in a culture characterised by active listening, where everyone has the opportunity to make mistakes and to learn from them. To promote this culture and as part of the "One Company" approach, the Group asks each manager not only to guarantee that there is no discrimination in the workplace, but also to underline the importance of Diversity & Inclusion issues by demonstrating how diversity, fairness and inclusion can help the Group to achieve its short, medium and long-term goals and objectives. Recordati strives to make everyone aware of their value and encourage them to be ambassadors for the Group.

In 2021 Recordati signed the Charter for Equal Opportunities and Equality at Work, supported by the Italian Ministry of Labour and Social Policies, which represents a declaration of commitment to adopt inclusive human resource policies. Having adopted this Charter, and as enshrined in the Code of Ethics, Recordati is committed to combating all forms of discrimination in the workplace and to enhancing diversity within its organisation. In 2024 the Group will extend the signing of Diversity Charters to the other main European countries in which it operates.

As stated in the Code of Ethics, the Group is committed to guaranteeing that there shall be no form of discrimination in the workplace whatsoever 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 people from other countries. In order to guarantee this principle, the Group has incorporated the concept of inclusion, respect for diversity and the importance of giving all employees a voice into its "core competencies" system to ensure that every contribution is heard and valued.

In line with previous years, the Group's workforce is characterised by an even gender balance. In fact, the workforce is represented by 51% men and 49% women. Moreover, around 56% of new employees hired during the year were women, and women hold 31% of all top and senior management positions.

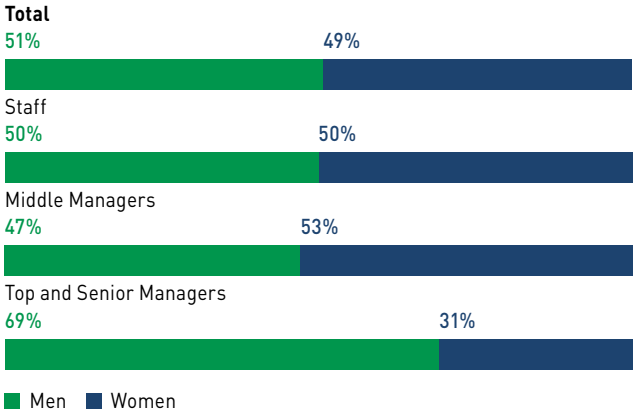
In 2023 the Group's commitment to D&I was formalised in a series of activities. In particular:

- A new global Diversity & Inclusion function was created which, along with the Executive Leadership Team and involving the entire company workforce, will guide the Group's D&I strategy.
- In line with the target defined in the Sustainability Plan, at least 40% of candidates short-listed for top and senior management positions are women. Furthermore, internal personnel responsible for selecting these short-listed candidates has always included at least one woman. In order to gradually increase the percentage of women in top and senior management positions, recruiting and promoting employees with top-level skills and qualifications and who reflect the focus on inclusion and diversity, the Group has set itself the target of ensuring that at least 38% of all top and senior management positions are held by women by 2028 (31% in 2023).
- Recordati is a partner of Valore D, an Italian business association committed to promoting gender balance and an inclusive culture. In this regard, a number of employees took part in D&I awareness-raising and training initiatives, as well as intercompany mentoring programmes. Moreover, starting at the Group's Headquarters, a company mentoring programme was launched to support some women who returning from maternity leave to continue their professional careers.
- Meanwhile, the unconscious bias training course launched in 2022 was continued and offered to all Group employees in the local language. In 2023 this training course was also offered to all new hires and employees at the Group's sites. Furthermore, the Group aims to continue promoting equal opportunities and a culture of inclusion through the launch of additional D&I mentorship initiatives.
- For the second year running, an internal D&I survey was carried out involving Group management (around 300 managers), with the aim of understanding Recordati management's level of awareness of D&I within the company, engaging with management using an inclusive leadership style, and defining a D&I action plan. The results showed improvements in all areas compared to the previous survey conducted in 2022.
- The Group also launched its first People Engagement Survey for all employees at global level to better understand people's needs and to respond with appropriate policies and actions. D&I was one of the areas included in the survey. The results were used to inform local and global action plans, parts of which are still being defined. The Group intends to conduct the survey again in 2025.
- In November, a global HR meeting was held involving all of the Group's HR Business Partners and HR Managers. A full day was devoted to Diversity & Inclusion through specific workshops, a presentation by an external speaker, and a preview of the One Recordati D&I Strategy for the Group's D&I Managers. In 2024 the Group intends to establish a "D&I Network" of employees to help drive the D&I agenda.

Employees by professional category and gender

	2023			2022		
No. of employees	Men	Women	Total	Men	Women	Total
Top and Senior Managers	213	95	**308**	206	96	**302**
Middle Managers	381	429	**810**	366	401	**767**
Staff	1,670	1,667	**3,337**	1,684	1,616	**3,300**
Total	**2,264**	**2,191**	**4,455**	**2,256**	**2,113**	**4,369**

Percentage of employees by professional category and gender



49%
of all employees in the Group are women

56%
of total new hires in the year were women

42%
percentage of women on the B.o.D.

31%
of Top and Senior Management roles are held by women

71%
of employees in the R&D department are women

Regarding the Group's remuneration policy, with reference to the ratio between salaries of women and men, please consult the paragraph entitled "Remuneration and benefits system".

Regarding human rights, in accordance with International Labour Organization (ILO) conventions, the Group commits to preventing and refusing exploitation of labour, including and above all, that involving children, and commits to ensuring that its suppliers also do so. Within the Group, Recordati 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. As well as complying with the provisions of the applicable laws and/or collective labour agreements, 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. Furthermore, the Company has established a whistleblowing system to enable its employees to report any alleged breaches.

Subsequent to the adoption of the sexual harassment policy issued by the Group in 2022, in order to further prevent, identify and manage any improper conduct and to promote a safe and protected working environment that safeguards against any form of retaliatory action towards people lodging complaints, in 2023 a global training course was provided on sexual harassment in the workplace and how to report it.

5.3 REMUNERATION AND BENEFITS 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 remuneration, a variable short-term component (variable annual bonus), additional benefits (pension contributions, reimbursement of medical expenses, etc.), and a variable medium-long term component.

The Group offers its employees a variable short-term monetary incentives scheme based on the achievement of specific short-term targets that can be measured within a certain period of time. The variable component of total remuneration varies between the Group's Italian and foreign companies. In Italy, the variable component is mainly composed of the Group Short Term Incentive Plan (Group STI) and the Participation Bonus (available to all middle managers and staff, and not extended to top or senior managers). On the other hand, the Group's foreign companies manage the variable component independently through packages similar to the Group STI that are offered to employees (including a part of the staff) in line with local regulations.

In 2023 a new variable long-term incentives plan was introduced based on the Performance Share approach, replacing the previous Stock Option plan. The goal of the new plan, which links bonuses directly to the Group's performance, is to better align the interests of top and senior managers with those of the Group's shareholders. Moreover, Performance Share plans are recognised as best market practice and offer greater attraction and retention performance.

The adequacy of pay for all positions has also been carefully verified by sector salary surveys. In order to meet adequate retention and salary criteria, the value of compensation is set competitively against the reference market and the pharmaceutical sector in particular.

All remuneration plans offered by Recordati are guided by the "Equal Pay for Equal Value" principle with a view to eliminating the gender pay gap.

In terms of pay, the ratio between the average basic salary of women and men is 99% for middle managers and 98% for staff. Considering total remuneration, this ratio is 98% for middle managers and 96% for staff. Considering both top and senior managers, the ratio is 93% in terms of basic salary and 90% in terms of total remuneration. The decrease in the ratio of total remuneration of women and men at top and senior manager level compared to the previous year is due to organisational changes. Specifically, unlike their male colleagues, all of the women in top manager positions either joined or left the company during the year and consequently either did not receive or only partially received the variable remuneration component in 2023. Furthermore, the data for top and senior managers is given as a weighted average of the two categories.

Ratio of basic salary and remuneration of women to men by professional level

	2023		2022	
Ratio between women and men	**Basic Salary**	**Total Remuneration**	**Basic Salary**	**Total Remuneration**
Top and Senior Managers	93%	90%	94%	95%
Middle Managers	99%	98%	96%	94%
Staff	98%	96%	99%	96%

Employee benefits and welfare

The Recordati group believes that the welfare of its employees is a key element to achieving company targets. Generally speaking, welfare initiatives differ across the Group's countries of operation in order to better reflect the local context (regulatory frameworks, available public services, etc.) and employees' relative needs. The benefits offered to employees are linked to their professional category, regardless of the type of contract, and are also offered to those on fixed- term and part-time contracts.

More generally, the principles that inspire the Group's welfare initiatives are:

- the promotion of a professional climate that allows employees to benefit from a healthy work-life balance;
- increased employee engagement, sense of belonging and motivation;
- 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.

The package offered by the Recordati group is in line with market practices and provides for a series of additional benefits, from preventive care initiatives (such as flu vaccinations and specialist medical appointments on company premises) to memberships of professional associations, supplier discount schemes (such as with public transport providers), access to the company canteen, company vehicles and health insurance. Based on these findings, the 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 also offers a "flexible benefits" system that allows employees to replace all or part of their variable remuneration package with goods and/or services that would normally be purchased privately by the employee according to their personal or family circumstances. 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. Employee welfare is managed by a self-service online platform.

With regard to well-being, in 2023 several initiatives were made available to employees, such as tips on healthy lifestyles and routines:

- 10 webinars on the physical and mental health of employees and their family members, in addition to a support service, where questions and doubts could be sent to various subject matter experts.
- A fitness training programme: employees at the Parent Company were given access to a streaming platform hosting a wide range of live and on-demand fitness classes. Furthermore, employees could share access to the platform with up to three family members. In the first instance, the initiatives involved the Group's Italian employees, with the aim of evaluating the future roll-out to other Group companies.

Wellness and well-being initiatives have also been launched in other countries including Portugal, Ireland, France, Poland, Germany, Tunisia and Brazil.

Moreover, with a view to providing maximum flexibility, employees also have the option of working remotely. The general guidelines allow employees to work remotely for up to three days a week, which can be taken as whole days or half days, provided that local regulations are met and that remote working is compatible with the role in question.

Finally, it should be noted that the Spanish and Turkish branches have been certified by Great Place to Work, a prestigious award given to the world's best employers.

5.4 TRAINING AND DEVELOPMENT OF HUMAN CAPITAL

The Group considers the development of people as a fundamental process for their enrichment and for the success of the business. Development not only targets the key skills of their current role but especially those for possible future roles and the evolution of the business in terms of innovation. The development tools deployed by Recordati include on-the-job training, online and in-person training, individual and group training, coaching and mentoring.

The main initiatives implemented by the Group during the year were courses to develop the technical, managerial and linguistic skills of full-time, temporary and part-time employees, and specialist and professional skills development programmes.

In 2023 the Recordati group provided more than 145,000 hours of training, translating to around 33 hours of training per person (up compared to the previous year). In particular, approximately 71% of all training hours was provided to Staff, 22% to Middle Managers and 7% to Top and Senior Managers. Various types of training courses were offered, including management skills, technical skills (for medical and scientific information), specialist technical skills (other), languages and health and safety.

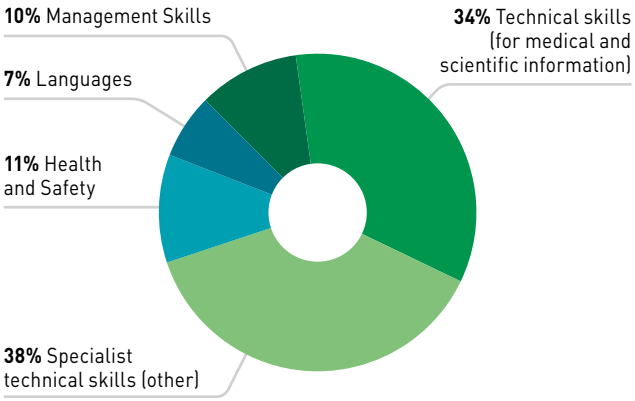
At the start of 2023 the People Engagement Survey was launched, the first internal survey to be aimed at all Group employees. The results of the survey informed the development of a training plan designed to effectively respond to the needs identified. Specifically, the survey highlighted the need for a pool of training resources that the entire workforce can access in a flexible and straightforward way. In response, the entire catalogue of an international e-learning platform with over 18,000 courses has been made available. Additionally, ad hoc technical and professional programmes have been developed. Furthermore, all employees receive a monthly email which presents specific courses that correspond to the needs identified by the survey.

In general, in-person training sessions can also be attended remotely, offering a hybrid approach, and events are recorded to provide a resource for future use. The greater flexibility in how courses were delivered was particularly useful when meeting the various requirements of participants.

Hours of employee training per capita by professional level and gender

	2023			2022		
Average number of hours	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Top and Senior Managers	36.4	33.8	**35.6**	24.5	34.1	**27.5**
Middle Managers	43.4	34.7	**38.8**	35.5	27.9	**31.5**
Staff	33.6	28.3	**31.0**	28.3	25.6	**27.0**
Total	**35.5**	**29.8**	**32.7**	**29.1**	**26.5**	**27.8**

Percentage of hours of employee training by training type



2023 saw a progressive roll-out the Group's e-learning platform, which - in addition to the new global platform mentioned above - enables monitoring of the status of each course and management of mandatory training. The platform hosts several courses that are mandatory for all Group employees, regardless of location. These include courses on pharmacovigilance, compliance, the Code of Ethics, and health and safety, as well as safe driving, unconscious bias and sexual harassment. The courses require employees to complete a final exam to show that the content has been understood and assimilated.

Furthermore, similarly to the safety courses that involve practical exercises, certain in-person training activities on specific topics have been continued and developed, such as the D&I training days aimed at an international team of 50 people from the HR Departments and 40 from the Legal and Compliance Department, as well as the Leadership sessions, Coaching and Mentorship programmes, and several local training initiatives.

Main training activities

One of the main training activities launched was the "Recordati Leadership Academy", which aims to offer existing and aspiring leaders the opportunity to develop their skills and potential.

The Recordati Leadership Academy was developed to offer all employees who are faced with managing people for the first time the opportunity to develop the necessary skills to become effective people managers. The course included training days, coaching sessions, self-assessments and the development of an action plan to help participants to acquire or develop their own leadership skills, such as the ability to reflect on their own personality, character and way of thinking and acting within the company in order to be able to relate to, communicate with, manage and inspire others. The course took place over an entire week of in-person learning, focusing on managerial skills, assertive communication, delegation and feedback as the key tools of effective team management, combining theory and practice and creating a valuable pathway for current and future leaders. The programme was supplemented by two individual coaching sessions, led by Senior Professors from Bocconi University in Milan, during which participants were able to review their own strengths and areas for improvement, which led to the design of an action plan, later shared with their manager and HR. The programme also benefited from contributions from two Business Unit heads and several top managers.

As well as the activities aimed at newly appointed managers, the Recordati Leadership Academy also offers management training for all of the Group's people managers. Key initiatives in this regard included the course aimed at 60 managers from the R&D department focused on the co-design of a future vision to inspire and guide employee motivation; the training aimed at the Leadership Teams of the Specialty & Primary Care and Rare Disease Business Units and the Industrial Division which, supported by coaches, explored and developed group relationship and interpersonal dynamics to increase effectiveness and leadership; and individual and group coaching sessions focused on specific aspects of communication and to develop inclusive leadership skills.

Other training initiatives included a series of webinars aimed at all of the Group's managers who are responsible for managing people. The online format meant that a very broad audience (around 700 people) located around the world could access the training, which was divided into 90-minute webinars, one theoretical and one practical, with the aim of establishing standards of practices and allowing participants to share their experiences. The topics covered were: "how to provide effective feedback" and "how to set smart goals". To enable everyone to take part, specific Train the Trainer sessions were prepared that focused on the topics covered in the webinars. These sessions were offered to all of the Group's HR staff to enable them to subsequently deliver the training themselves in the local language. The same techniques were used for training on the new skills assessment system, both from a technical standpoint (use of the platform) and in terms of the process itself, engaging the HR community and training them to be able to deliver the content themselves in the local language.
Meanwhile, a pool of training courses focused on management and strategy aspects (in English and Italian) was also made available to the Group's professional employees on a voluntary basis.

Other training initiatives aimed at employees at the Group's sites involved both technical and methodological aspects. One example of this is the Docet project, launched at the Campoverde site in 2023. The programme - comprising training modules and project work and involving over 40 people from different departments - aimed to develop a culture of innovative thought, conveying advanced methodologies, techniques and tools to standardise how innovation projects are approached and effectively managed through measurable targets and a strong focus on tangible results. The project led to the identification of several improvement and innovation projects, some of which are already being implemented.
Language courses and HSE training were also provided; For more information, see the section on "Occupational Health and Safety".

Performance-evaluation systems

The Recordati group's intense growth and internationalisation process, along with emergence of new challenges, have led to the need for a shared, global system to guide, assess and optimise the Group's personnel. In response, the MyImpact system was designed, a single global platform available to all employees with a company email address. The system has been developed with an employee-centric approach and offers a collaborative way to set targets, measure performance and conduct, promote continuous feedback and support the development of individual development plans for all participants. MyImpact was designed and implemented in 2023 and officially launched in January 2024. As of 2024, the platform will enable the individual assessment and development process - which in 2023 involved around 500 employees - to be extended to all employees with a company email address.

Additionally, to further consolidate the development and growth of skills within the Group, the company has adopted a new global process and shared system of tools (psychometric tests, 360° feedback, assessment centres, etc.) to standardise assessment processes across its sites and offer greater development opportunities at an international level.

In 2023 the key skills that the Group requires to continue to be a successful player in a continuously evolving world - including respect for the principles of inclusion - were identified. With this in mind, the Recordati group announced the new Group Key Competencies and the relative principles of conduct for the various professional levels at a global level. These new Group-wide Key Competencies highlight the Group's focus not only on "what" is expected of people in terms of goals, but also on "how" these goals are to be met, recognising conduct on a par with the achievement of objectives.

The organisation also focused heavily on identifying the Key Roles and assessing the suitability of the resources in those positions. Particular emphasis was placed on successors, as well as on people with critical know-how. This activity allowed the identification of resources with the greatest potential, leading to the development of customised development and retention plans for all personnel in key roles, successors, and those with critical know-how and high potential.

Principle internal engagement initiatives

Recordati is committed to constantly maintaining open channels of communication with its employees to inform, engage and inspire them around the strategy and the results achieved. This is done through a variety of different communications channels, on and offline. Engaging with employees in this way is necessary for the long-term success of the company.

In 2023, the internal and external communications teams were brought together under the leadership of the Group Communications Director, ensuring maximum alignment between communications taking place inside and outside of the company.

Below are some of the year's main accomplishments.

RECORDATI PURPOSE & CULTURE AMBASSADORS

During 2023, Recordati refreshed its Company purpose to 'Unlocking the full potential of life'; a step that has resulted in positive feedback from employees and key external stakeholders, including patient associations. This purpose now truly reflects what the Company and its people stand for.

To create the purpose, an initiative was launched to find Culture Ambassador volunteers from all countries across Recordati. A sub-set of these Ambassadors worked together to create the new Company purpose, under the sponsorship of the Executive Leadership Team. The whole Culture Ambassador network - a team of over 70 employees from all over the world - then worked together to roll out the purpose to their local organisations under the guidance of the corporate team to ensure a consistent and aligned cross-company launch.

The rollout of the purpose was also accompanied by a refresh of the Recordati brand, which involved all digital assets, from the group intranet through to the new Recordati website. This initiative was supported by Culture Ambassadors who ensured the refreshed brand was implemented in their locality.

The ongoing role of the Culture Ambassadors is to engage colleagues locally in cultural initiatives, thereby strengthening their sense of pride in Recordati and ensuring that feedback and opinions from company offices, plants and employees on global projects are taken on board.

During 2023, in addition to rolling out the new company purpose, the Culture Ambassadors also supported local volunteer efforts and met online each quarter to exchange ideas and inspiration to strengthen the Recordati culture.

FIRST PEOPLE ENGAGEMENT SURVEY AND SECOND D&I SURVEY

In February 2023, Recordati ran its first ever People Engagement Survey to gather feedback from all staff, empowering them to express their opinions in an honest and transparent way. The aim of the survey was to use everyone's feedback to build an even more connected and inclusive environment, in which everyone feels safe to speak up and supported to contribute to the company's growth and success.

The survey achieved an excellent participation rate of 80% and highlighted some key drivers, strengths and opportunities.

80%
participation rate

+4,300
invited participants

47
questions
(+ 3 open-ended questions)

11
themes

The strengths reflected investments made by the Group in recent years in the work environment, including Health and Safety, Diversity & Inclusion and Engagement. Employees are proud to be associated with Recordati and would recommend it as a place to work.

The survey also helped to identify some improvement opportunities in the areas of Personal Growth, Empowerment, and Trust & Collaboration that will help make Recordati an even better place to work and steadily increase overall engagement.

The results of the survey have been extremely helpful in focusing efforts and providing an opportunity to further improve the engagement and wellbeing of employees. This underlines the fact that the Company is heading in the right direction, with more focus on people, sharing important company updates through internal communications channels, simplifying, digitalizing, and flexible working.

Recordati has worked on a company-wide action plan, by sharing and discussing results locally and by function, deciding together the areas to focus on at each level and creating targets and actions plans.

In the meantime, the company has taken important actions at a global level, touching all the population, namely:

- A new global Key Competencies model has been built. It captures and drives behaviours to foster collaboration, empowerment and accountability, focus and innovation, and serves as a compass for all employees in their day-to-day work.
- Several new training initiatives have been made available globally to enhance the learning culture, including a new e-learning platform with thousands of courses available in multiple languages.
- An internal job postings channel for all open roles has been introduced to provide greater transparency and create more opportunities for professional development.
- A new Referral policy invites all Recordati employees to help build the company and its culture by referring their future colleagues.
- A new Diversity and Inclusion function has been created at a global level to better drive actions to create a more inclusive environment, where people trust each other and feel free to bring their whole selves to work, to speak up and share ideas.

In addition, in 2023, the Company organised its second survey on Diversity and Inclusion to monitor the progress achieved and to see where further improvements could be made. As with the previous year, this second survey was targeted at the company's Senior Leadership group of around 300 managers.

With a high response rate of 88% (5% up on 2022), the results of the second survey showed improvements in all areas, highlighting an increasingly inclusive and open approach to work and an increasing understanding among all general managers of the role D&I plays in achieving positive business results.

The local and specific initiatives of individual affiliates or business units included:

- town hall meetings, i.e. department or function meetings with the purpose of presenting, discussing and sharing the most relevant projects undertaken, the results achieved and the future priorities;
- recurring workshops dedicated to specific topics involving marketing functions as well as commercial departments (medical sales representatives and area managers), highly important moments for sharing best practices and discussing business and products.

The onboarding activities for new employees are particularly important, as they are an essential tool to share values, goals and mission of the Company.

The induction process is now consolidated at a Group level, which, for the headquarters, sees new hires take part in a full-day induction program within their first six months of employment. This allows them to gain direct knowledge of the Company structure before HR provides a complete overview of the entire Recordati organisation. The program is usually introduced with an explanation of the Company's policies and organisational structure, history and characteristics. Managers from various departments present to illustrate the activities and processes of the various business areas. The program is rounded off by a visit to the Milan plant. The program provides an ideal opportunity for new hires to ask questions. Headquarter employees now also have access to an internal onboarding site.

For new hires in other locations, meetings are organised between the Chief Executive Officer and new office joiners in their first three months within the Company.

5.5 OCCUPATIONAL HEALTH AND SAFETY

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. At its manufacturing sites, regardless of the nature and purpose of the activities carried out, the Group implements prevention measures in accordance with local legislation, aimed at ensuring the constant improvement of occupational health and safety conditions and providing appropriate technical, economic and professional resources.

In particular, all production sites are subject to technical and organisational measures, including:

- the adoption of Group guidelines for a systematic approach to the management of health and safety risks;
- the precise and dynamic assessment of the risks and critical issues and the resources to be protected;
- the prompt and accurate reporting of injuries, accidents and near misses, with investigation of all causes, in order to adopt appropriate corrective measures;
- the continuous maintenance and adoption of advanced technologies to prevent the emergence of risks relating to workers' health and safety;
- the review and technological 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 context, the Group works closely to maximise individual responsibility of management figures through the definition and formalisation of occupational health and safety roles. Activities at each production site are controlled and monitored through inspections and audits, performed both internally and by external companies. In 2023 internal health and safety audits were carried out at the Group's facilities in the following countries: Türkiye, Italy (Campoverde and Milan), Ireland, Tunisia, the Czech Republic and Switzerland. Furthermore, for several years the Tunisian pharmaceutical production plant has maintained certification in accordance with standard ISO 45001[33] for its occupational health and safety management system. In 2023, the corresponding follow-up audit was conducted and the certification was renewed.

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. A specific procedure was adopted at the Group's plants to declare and report dangerous situations or irregularities at the plants.
As established by individual local legislation, periodic meetings are also held by the Group's internal Health and Safety Committees or special dedicated work groups involving Workers' Representatives, management representatives and the Health, Safety and Environment (HSE) 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. 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.
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 injury or illness but did not: therefore an event that has the potential to cause injury or significant damage to the environment, equipment or company assets.

33 Around 10% of the Recordati production plants hold ISO 45001 certification.

The procedure involves filling in specific forms, investigating what happened and identifying the corrective measures to be implemented to avoid repetition of the event and reduce the related risk.

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 aimed at gathering information necessary to analyse the causes of the event and identify corrective measures to be implemented. All manufacturing plants have personnel with specific first-aid training and the Italian, Irish, Spanish, Swiss, Tunisian and Turkish plants also have an on-site nurse equipped for the management of first aid with the physical presence of qualified healthcare operators.

All Group plants provide their employees with workplace health services. Specifically, every plant appoints its own company doctor or engages external qualified medical personnel with the role of performing inspections aimed at checking the physical condition and ergonomics of workstations, flagging any inadequacies. Additionally, this figure takes prompt action in the case of any accidents. The health service 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.

With regard to the handling and transportation of chemicals and hazardous substances, specific procedures have been defined and adopted at Group's sites requiring this which, in many cases and with a view to promoting health and safety, are shared with and applied to external collaborators and contractors, as is the case for the Group's chemical-pharmaceutical plants, for example.

At the Group's plants, periodic health and safety risk assessment activities are performed, intended to analyse and manage risks and consequently prevent accidents and/or injuries. Below are some examples of risk assessments and improvement actions adopted.

Regarding Group chemical-pharmaceutical plants, particular attention is focused on managing chemical substances. At the Italian Campoverde di Aprilia plant, improvement actions put in place in recent years following the results of risk assessments have included changes to the loading/unloading systems for critical substances, intended to ensure even greater protection for workers, and periodic checks on the key lines, to prevent leaks and consequent injuries caused by contact with hazardous chemicals. The Risk Assessment Document is constantly updated and Chemical Risk Assessment updating was completed for specific departments in 2023. At the Irish plant in Cork, assessments also are focused on the most dangerous elements of the plant and processes, in particular the use of thionyl chloride and its delivery, storage and reloading. In 2023, assessment of risks associated with management and disposal of process waste solvents led to an important change in how they are managed and disposed of.

In terms of the pharmaceutical plants, the Italian production site in Milan updated its Risk Assessment Document that contains assessment of specific risks, including updates to chemical risk assessment, assessment of the risk associated with operations in confined spaces, assessment of the risk associated with handling biological agents and assessment of noise risk. In 2023, at the French Saint Victor site, the department of occupational medicine conducted two new studies on workstation ergonomics. At the Turkish Çerkezköy production site, in 2023 "flash meetings" were introduced at shift start/changeover, involving more than 650 participants, with the goal of raising awareness and increasing their participation in occupational health and safety processes. In addition, the Mandown project was launched to locate and help personnel operating alone in the case of an emergency. Finally, at the Basilea plant, in 2023 a monthly health and safety walk-around was established to actively involve personnel and review health and safety measures adopted at the plant, offering an opportunity for them to suggest improvements.

33 work-related injuries were recorded in 2023. As in previous years, there were no fatalities.

Number of accidents and Group Employee Health and Safety indicators by gender[34]

	2023			2022[36]		
Injuries and Injury Rates[35]	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Work-related injuries[37] (No.)	18	15	**33**	26	10	**36**
of which high-consequence work-related injuries[38] (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.)	6	3	**9**	4	1	**5**
Hours worked (No.)	2,165,357	1,427,956	**3,593,313**	2,104,709	1,235,303	**3,340,012**
Cases of work-related diseases (No.)	0	0	**0**	0	1	**1**
Severity Index	39.5	43.1	**41.0**	29.3	24.4	**27.5**
Work-related injury rate/Frequency rate	1.7	2.1	**1.8**	2.5	1.6	**2.2**
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	0.2	**0.06**

Training and information activity

The Recordati group believes that training and educating its employees is essential to ensuring the mitigation of health and safety risks. As well as providing mandatory training in compliance with the time frames and methods defined by applicable local laws, the Group also delivers additional voluntary courses.

During 2023, over 16,000 hours of health and safety training were provided (mostly for workers in the production plants) and involved over 1,900 Recordati employees.

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.

The main training plans include, for example, training on the use and storage of hazardous chemicals and flammable materials during manufacturing processes, the correct use of personal protective equipment, the correct handling of loads and the posture to adopt in working environments, noise risk, fire prevention, and first aid. In the plants, for the relevant roles, specific training is delivered on procedures for handling/transporting hazardous chemical substances. In some cases, this was also extended to external workers/contractors.

Various educational, training and awareness activities on health and safety are also required for external workers/contractors.

Finally, it is noted that the two-year online driver-safety training programme launched in 2022 was completed. In 2023, the programme was rolled out to all countries in which the Group operates and involved all employees with a company car.

34 The scope of injury indicators includes employees at all Group production plants and their offices, including the Parent Company's offices (Milan). Data is also included for personnel from the sales network (Field Forces - medical sales representatives) within Italy. In 2023, the Basilea production plant, acquired in October 2022 and totalling 15 employees at 31/12/2023, was included within the scope of consolidation.

35 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. In 2023, a total of 736 days of absence due to work-related injuries were recorded during the reporting period (428 by men and 308 by women). In 2022, total days of absence due to work-related injuries was 459 (308 men, 151 women). 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.

36 It is noted that, on the basis of more accurate data becoming available, the number of injuries and the Health and Safety indicators in 2022 have been updated from those presented in the 2022 Non-Financial Statement.

37 The number of injuries does not include injuries that did not generate any daily absence due to injury.

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

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 full 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 2023 around 60% of the Group workforce, predominantly located in western Europe, was 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.

The Group is aware that certain strategic decisions can have repercussions on its employees and, therefore, in line with the principle of constructive and timely dialogue with the parties involved, in the event of major organisational changes (such as restructuring or other significant operations) the Group undertakes to inform workers and their representatives in advance, with the period of notice varying between countries but always in compliance with local regulations, collective bargaining contracts and trade-union agreements. Furthermore, also in line with local regulations, collective bargaining contracts and trade-union agreements, the Company uses tools to minimise the social impact of its operations.

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[39]

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 environment and to continuous improvement, it is noted that the Italian Campoverde di Aprilia chemical-pharmaceutical plant and the Tunisian pharmaceutical plant have an ISO 14001 certified environmental management system. In December 2023, the Turkish Çerkezköy plant gained ISO 50001 certification for its energy management system. These certifications[40] attest 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. In addition, for 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.

Risk assessments are conducted periodically at the Group's sites with an environmental management system to assess risks and identify preventive measures. The Group also conducts internal inspections and receives audits by external certification bodies or regulators. As regards internal audits, for example, in 2023 various activities were conducted at the chemical-pharmaceutical plants in Campoverde (mainly in relation to the efficacy and efficiency of the Environmental Management System in compliance with standard UNI EN ISO 14001 and the previsions of applicable laws), and Cork, and in pharmaceutical plants in Tunisia, Türkiye and Switzerland.

In 2023, Recordati plants underwent regular periodic inspections without identifying any critical issues. Regarding internal audits, it is noted that activity was conducted by the certification bodies (for the purposes of ISO 14001 certification, in particular at the Campoverde production site and in Tunisia) and by regulatory authorities and customers.
Environmental topics are also covered in periodic training sessions provided to Group employees, especially those responsible for such aspects at the plants. As well as the mandatory training required by local laws, the Group also offers voluntary training programmes. The training sessions held covered various topics, including the environmental management system and related internal policies, specific operating procedures, the use, handling and transport of hazardous substances, reducing emissions and waste disposal, etc.

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 proceeding was initiated which is still pending. In regard to this proceeding, governed by Art. 242 of Italian Legislative Decree. 152/06, in February 2021, the Company received feedback from the local authorities, which entailed rewriting part of the documentation produced by the Company in the proceedings, in order to take into account the observations made by ARPA in Lazio in January of the same year, in a context characterised by constant technical developments. The Company promptly acted on the feedback and, in particular, following the approval by the authorities of the updated characterisation plan developed for progress (Phase I

39 The scope of data regarding environmental aspects (e.g. energy use, emissions, water use and waste) includes Group production plants and the annexed offices (including the offices of the Parent Company based in Milan) as the other sites are not deemed significant. 2022 Data did not include the Basilea site (which has 11 employees at 31/12/2022) which was acquired in October 2022. It is also noted that because consumption of the Basilea plant are not managed directly by the Group but included in the lease as a flat rate, data (energy and water) for 2023 is estimated.

40 20% of the Recordati production plants hold ISO 14001 certification and 10% hold ISO 50001 certification.

and Phase II), steps are being taken to update the data based on new legal provisions and using updated scientific methods and technologies. Phase I characterisation was completed in January 2022 and, at the same time, the Phase I results and the plan for additional Phase II investigations were sent to the competent authorities, which approved them in 2022. In 2023, the Company submitted the conceptual site model and the Health and Environmental Risk Analysis to the competent bodies, as essential documents to proceed with the administrative procedure in question. Following this, the competent bodies called a Planning Conference that met initially in October 2023, requesting certain information on the documentation submitted by the Company, to be followed up on by February 2024. In any case, from the initial survey of the situation subject to this procedure, the Company has continued to implement all necessary and appropriate containment measures and monitoring actions while continually updating the authorities.

It is also noted that, in 2023, the Group did not receive significant fines or non-administrative sanctions for non-compliance with environmental regulations or legislation.

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 consumption, with the aim of improving energy efficiency in all of its activities.

The main energy resources used at the Group's production plants are electricity, natural gas and, in certain limited and infrequent cases, diesel. In 2023, the Group plants consumed approximately 612 TJ, slightly below 2022 consumption.

As regards electricity, as part of Recordati's constant focus on the environment and its commitment to reducing atmospheric emissions, over the years, the Group has continuously increased its procurement of electricity from renewable sources. In 2023, the target originally set for 2025 was achieved ahead of time. This target involved supplying all production sites with renewable energy, in countries where green energy is available. During the year, 100% of electricity purchased for Group plants and annexed offices came from renewable sources, in countries where this is possible[41].

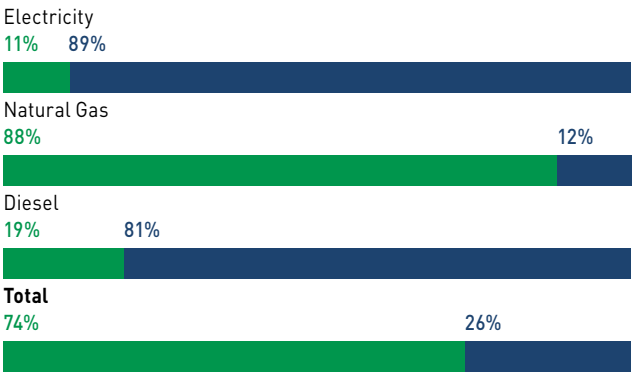
41 *It is noted that 100% of the renewable electricity purchased is for Group manufacturing sites located in countries where it is available, and therefore with the exception of the Tunisian site. Considering Tunisian consumption in FY23, electricity from renewables purchased is approximately 90%. For full disclosure, it is noted that as regards the renewable energy purchased for the annexed offices of the plant, this excludes the purchase made for the offices in Czech Republic, as the electricity contract for this specific area is included in the lease and thus is not regulated or managed directly by the Group. In any case, the impact on total electricity is negligible.*

Diesel consumption in 2023 decreased by approximately 10%, primarily due to a return to normal electricity consumption at the Turkish plant. In 2022, non-standard use of the back-up generator became necessary due to restrictions on the use of electricity caused by a technical fault in the supply from the local distribution grid and in general due to production requirements. There was also an increase of over 112% in self-generated electricity from renewable sources. This is attributable primarily to the completion of activity to install photovoltaic panels at the Cork plant in December 2022.

Energy use at the production plants of the Recordati group by source[42]

Type of fuel	Unit of measurement	2023	2022	% Variation
Purchased electricity	kWh	31,169,940	30,169,747	3%
	GJ	112,211	108,611	
originating from renewable sources[43]	*kWh*	*27,939,121*	*25,311,015*	*10%*
	GJ	*100,581*	*91,120*	
Self-generated electricity from renewable sources[44]	kWh	381,603	180,308	112%
	GJ	1,374	649	
consumed internally	*kWh*	*381,603*	*180,308*	*112%*
	GJ	*1,374*	*649*	
Natural Gas	m^3	13,997,057	14,424,492	-3%
	GJ	496,294	509,718	
Diesel	Litres	50,640	56,127	-10%
	GJ	1,824	2,022	
Total	**GJ**	**611,703**	**621,000**	**-1.5%**

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



Energy use at pharmaceutical production plants by fuel source

Type of fuel	Unit of measurement	2023	2022	% Variation
Purchased electricity	kWh	27,965,077	26,609,824	5%
	GJ	100,674	95,795	
originating from renewable sources	*kWh*	*24,734,258*	*21,751,093*	*14%*
	GJ	*89,044*	*78,304*	
Self-generated electricity from renewable sources[45]	kWh	202,253	175,958	15%
	GJ	728	633	
consumed internally	*kWh*	*202,253*	*175,958*	*15%*
	GJ	*728*	*633*	
Natural Gas	m^3	1,657,302	1,689,634	-2%
	GJ	58,763	59,707	
Diesel	Litres	40,840	46,127	-11%
	GJ	1,471	1,661	
Total	**GJ**	**161,636**	**157,796**	**2%**

Energy use at chemical pharmaceutical production plants by fuel source

Type of fuel	Unit of measurement	2023	2022	% Variation
Purchased electricity	kWh	3,204,863	3,559,923	-10%
	GJ	11,537	12,816	
originating from renewable sources	*kWh*	*3,204,863*	*3,559,923*	*-10%*
	GJ	*11,537*	*12,816*	
Self-generated electricity from renewable sources[46]	kWh	179,350	4,350	n.s.
	GJ	646	16	
consumed internally	*kWh*	*179,350*	*4,350*	*n.s.*
	GJ	*646*	*16*	
Natural Gas	m^3	12,339,755	12,734,858	-3%
	GJ	437,531	450,012	
Diesel	Litres	9,800	10,000	-2%
	GJ	353	360	
Total	**GJ**	**450,067**	**463,204**	**-3%**

42 Lower Calorific Value of natural gas is 0.035 GJ/m^3, average density of diesel is 0.84 kg/litre, Lower Calorific Value of diesel is 42.87 GJ/litre, (Source: Ministero Dell'Ambiente e della Sicurezza Energetica, Tabella Parametri Standard Nazionali, 2023).
43 The share of electricity purchased from renewable sources by the European plants is certified by Guarantees of Origin and by the Çerkezköy plant (Türkiye) by I-REC certificates.
44 The self-generated electricity from renewable sources refers to the photovoltaic systems installed at the production plants in Cork (Ireland) and Utebo (Spain). The Utebo system has been operational since March 2022, and the Cork system only from December 2022.
45 The self-generated electricity from renewable sources refers to the photovoltaic system installed at the production plant in Utebo (Spain). The system has been operational since March 2022.
46 The self-generated electricity from renewable source refers to the photovoltaic system installed at the production plant in Cork (Ireland). The system has only been operational since December 2022.

Energy use in pharmaceutical production plants was recorded at approximately 162 TJ (26% of the total), slightly up on the values for 2022. Compared to chemical pharmaceutical plants, pharmaceutical plants used higher quantities of diesel (81% of the diesel consumed by the Group) to produce electricity and more electricity was purchased from the national grid.

However, in 2023 energy use by the Group's chemical pharmaceutical production plants was 450 TJ (74% of the total). 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 almost 30 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.

The approximately 44% increase in electricity sold is attributable to lower demand from the plant with the same quantity of self-generated electricity.

Electricity and thermal energy generated and sold by the Campoverde di Aprilia co-generation plant

Type of fuel	Unit of measurement	2023	2022	% Variation
Self-generated electricity	kWh	32,037,832	32,029,681	0.03%
consumed internally	*kWh*	*26,293,051*	*28,031,793*	*-6.2%*
sold externally	*kWh*	*5,744,781*	*3,997,888*	*43.7%*
Self-generated and consumed thermal energy	Kg of steam	65,589,000	70,958,000	-7.6%

THE CO-GENERATION SYSTEM AT THE CAMPOVERDE DI APRILIA PLANT

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, in operation since 1996, 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 4.1 million cubic metres of additional gas would have been required in 2023 alone, corresponding to approximately 34% of the plant's annual gas consumption in 2023. This avoided more than 8,000 tonnes of CO_2 emissions[47].

In recent years, the gas turbine and reduction gearbox of the co-generation plant were updated in order to improve the efficiency of the co-generation system. Furthermore, the turbine's alternator was reconditioned. In 2023, the co-generator's exhaust by-pass stack was replaced along with the replacement of the diverter flue system.

47 Source of emission coefficient data for natural gas: Ministero Dell'Ambiente e della Sicurezza Energetica,Tabella Parametri Standard Nazionali, 2023.

Principal initiatives to combat climate change implemented by the Recordati group

As part of its approach to climate action, the Recordati group is implementing several initiatives at its plants and offices in order to reduce energy consumption and atmospheric emissions. These projects are mainly focused on energy efficiency measures and the procurement of renewable electricity. Moreover, energy consumption is constantly monitored and other initiatives have been launched such as the progressive incentivisation of eco-friendly vehicles in the company fleet. The main initiatives implemented by the Group are listed below:

Initiatives to purchase and produce renewable energy: as regards electricity, as part of Recordati's constant focus on the environment and its commitment to reducing atmospheric emissions, the Group increased its procurement of electricity from renewable sources. In 2023, the target originally set for 2025 was achieved ahead of time. This target involved supplying all production sites with renewable energy, in countries where green energy is available. During the year, 100% of electricity purchased for Group plants and annexed offices came from renewable sources, in countries where this is possible (certified by Guarantees of Origin for European countries and I-REC for Türkiye)[48].
Furthermore, the Group is pursuing a series of initiatives aimed at installing renewable energy plants. In addition to the solar panels installed at the Spanish and Irish plants in 2022 (installed power capacity of 386 kWp generating approximately 10% of the electricity needed annually for the operations of each plant), the Group aims to install new renewable generation systems at the Italian (Campoverde), Spanish (expansion of systems), Tunisian and Turkish plants, reaching 11,000 kWp by 2026. It is estimated that this installed power corresponds to a theoretical generation capacity of approximately 15.1 GWh (around 26% of total Group electricity consumption in FY23, including self-generated electricity from the Campoverde co-generator used internally).

Main energy efficiency and energy use monitoring initiatives: in terms of lighting systems, in recent years, the Group has implemented various efficiency initiatives, including the gradual, programmed replacement of traditional lighting systems with LED lights or, in certain cases, the installation of motion sensors to reduce electricity consumption. Today, many areas of Group manufacturing sites and offices are already equipped with LED lighting systems. These progressive replacement and efficiency actions were continued in 2023 and will be pursued in the coming years. In line with the established goals, in 2023, the Milan plant completed the third phase for replacement of LEDs in the production area (in the technical pharmaceutical area) and work continued on replacement activity in the intermediates warehouse of the Italian Campoverde di Aprilia production site, which was completed at the start of 2023. These initiatives are also ongoing at other plants, such as those in France, Türkiye and Tunisia.

In addition, in 2023, to enable a reduction in energy consumption, solutions were adopted to improve energy performance. For example, at the Campoverde di Aprilia production site the installation of the ammonia-based chiller unit with inverter power regulator was completed, enabling the regulation - and thereby improving the efficiency - of the machine's power based on the actual cooling needs. On top of this, again with a view to reducing energy use, in 2023 a project was launched at the tunisian plant to increase the energy efficiency of the heating, ventilation and air-conditioning system involving one mode for regulating systems during production and another mode specifically for use outside working hours. This project enabled a reduction in energy consumption of around 25%.

With the goal of continuous improvement, Recordati is committed to measuring, evaluating and monitoring its energy consumption also through performance of energy audits or analysis by specialised third parties. As part of its commitment to lower environmental impacts, in 2023, the Italian plants in Milan and Campoverde, as well as the Tunisian and Turkish plants, launched environmental diagnosis in order to define an action plan aimed at reducing environmental impacts. Moreover, actions have been implemented at the plants to raise employee awareness about energy saving, including through training programmes.

Incentivisation of eco-friendly vehicles: again, in 2023, the Group carried out a monitoring and control activity to assess the emissions of its global fleet of company vehicles. In 2023, approximately 2,000 company cars were in use by employees of the Recordati group. In order to lower the environmental impact of the company fleet, in 2022, a *new Group Car* Policy was issued which introduced a maximum limit on CO_2 emissions for new cars in the company fleet. The number of charging stations for electric and hybrid vehicles was also increased at several sites, including the Italian site in Milan.

48 It is noted that 100% of the renewable electricity purchased is for Group manufacturing sites located in countries where it is available, and therefore with the exception of the Tunisian site. Considering Tunisian consumption in FY23, electricity from renewables purchased is approximately 90%. For full disclosure, it is noted that as regards the annexed offices of the plant, this excludes the purchase made for the offices in the Czech Republic, as the electricity contract for this specific area is included in the lease and thus is not regulated or managed directly by the Group. In any case, the impact on total electricity is negligible.

Greenhouse gases 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, as described in the previous paragraph.

In 2023, Scope 1 direct emissions were primarily related to energy consumption for industrial production (natural gas and diesel), to which a smaller share (about 22% of total Scope 1 direct emissions) is also added related to consumption by the Group's vehicle fleet. It is noted that the reduction in Scope 1 emissions is attributable primarily to reduced energy consumption and a decrease in the use of refrigerant gases, which, by their nature, are used out of necessity. Recordati is committed to minimising refrigerant gases and gradually replacing old equipment containing refrigerants with new machinery that does not contain ozone-depleting gases. Scope 2 indirect emissions, on the other hand, associated with the purchase of electricity from the grid, decreased by around 2% according to the location-based approach and by 31% under the market-based approach. The latter reduction is mainly due to the increase in the purchase of renewable electricity for the Group's production and packaging sites and annexed offices.

Greenhouse-gas emissions (tons of CO_2) of the Recordati group's production plants and car fleet[49]

	2023	2022	% Variation
Direct emissions (Scope 1)	36,607	37,768	-3.1%
Relating to energy consumption	*28,184*	*28,869*	*-2.4%*
Relating to the company vehicle fleet[50]	*8,223*	*7,906*	*4.0%*
Relating to refrigerant gases	*200*	*993*	*-79.8%*
Indirect emissions (Scope 2) - Location-based approach[51]	9,811	10,002	-1.9%
Indirect emissions (Scope 2) - Market-based approach[52]	1,566	2,270	-31.0%
Total (Scope 1 and Scope 2 - Location-based approach)	**46,418**	**47,770**	**-2.8%**
Total (Scope 1 and Scope 2 - Market-based approach)	**38,173**	**40,038**	**-4.7%**

Other emissions

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, emission points at production sites are authorised according to specific local laws in the various countries.

Specific initiatives to monitor, control and reduce emissions include continued upgrading in 2023 of systems to reduce atmospheric emissions at the Campoverde plant, again with the objective of continuous improvement in terms of efficiency and environmental protection. 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. At the Cork plant, monthly monitoring of the scrubber (system for cleaning fumes) was maintained by an independent laboratory, as was the annual monitoring of the emission points of pharmaceutical powders. The site was fully compliant in 2023. Likewise, at the Basilea plant, in 2023 a process was implemented for optimisation of the scrubber with the aim of achieving zero solvent emissions for hazardous atmospheric pollutants and a reduction in volatile organic compounds.

Other atmospheric emissions are mainly due to the activities of the chemical pharmaceutical sites in Campoverde di Aprilia and Cork in reference to which around 70% of total annual emissions are recorded.

Other emissions (kg/year) from Recordati group production plants[53]

	2023	2022
Nitric oxide (NO_x)	6,952	6,555
Sulphur oxide (SO_x)	35	0
Persistent Organic Pollutants (POP)	0	0
Volatile Organic Pollutants (VOC)	6,431	17,224
Hazardous Air Pollutants (HAP)	2,216	6,266
Particulate Matter (PM)	652	441
Methane (CH_4)	0	0
Others	211	137

49 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, 2023. Scope 1 and 2 emissions have been calculated using a methodology in line with the GHG Protocol (Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard - Revised Edition).

50 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.

51 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, 2019).

52 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. Consequently, consumption at the European plants certified by Guarantees of Origin and the share of consumption at the Turkish plant certified by I-REC have been excluded from the calculation of Scope 2 emissions (according to the market-based approach). 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 - 2022).

53 As and when provided for by the environmental authorities, significant atmospheric emissions (including NO_x, SO_x, VOC, HAP, PM, CH_4) are monitored at the Group's plants. Measurements are taken at varying frequencies depending on the type of emission. For example, at the chemical-pharmaceutical plant in Campoverde di Aprilia (which is responsible for most of the atmospheric emissions), measurements are carried out once a year based on the plant's operations, according to AIA (Autorizzazione Integrata Ambientale) requirements. Any changes from one year to another are due to the operations of the plant at the time of the measurement (i.e. based on the activities ongoing at the time the measurement is taken for the reference cycle). It should be noted that all measurements taken in the current year are within the applicable regulatory limits. In 2023, emissions from the Opalia Recordati Tunisian pharmaceutical plant were included in reporting. Data for the Opalia Recordati Tunisian pharmaceutical plant was not included in 2022, due to the different calculation and measurement methods used. In any case, annual analysis was performed and values were within the limits permitted by law.

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 (e.g. monitoring of pH values, suspended solids, BOD, COD, metals, aromatic solvents, chlorinated aromatic solvents, aliphatic solvents and surfactants). 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 wastewater 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, the 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. In addition, in 2022 another initiative was launched to implement an automatic cleaning system at the oral-solid-dosage production plant, with a view to further reducing water consumption. The project is expected to be completed at the start of 2024. With regard to the Italian Campoverde di Aprilia site, in recent years, the plant initiated and completed a project to replace the use of water from wells with river water for external cleaning of departments and for certain cooling systems, in order to minimise the impact of manufacturing activities on water resources.

It is also noted that the Tunisian production site is participating in the EU-funded iMERMAID project, which aims to tackle risks connected to contaminants of emerging concerns.

iMERMAID - INNOVATIVE SOLUTIONS FOR THE REMOVAL OF PHARMACEUTICAL CONTAMINANTS

The Tunisian subsidiary Opalia Recordati took part in the iMERMAID Project: an EU-funded project focused on protecting the Mediterranean Sea and its surroundings, which play a crucial role in various socioeconomic activities. It aims to address the growing threats of CoECs "Contaminant of Emerging Concerns", not studied yet, potential threats to ecosystems and humans. In fact, iMERMAID Project aims at integrating innovative strategies for prevention, monitoring, and remediation.

Constituted by a consortium of 26 partners (SMEs, academic & research organisations, industrial partners, public organisation, and NGO) from Europe and beyond, the iMERMAID project encourages collaborations to develop advanced sensor and remediation technologies, strengthen regulations to reduce contamination, enhance economic opportunities, and thereby improve the quality of life for EU residents. The primary ambition is to create innovative and replicable approaches to prevent, monitor and remediate chemical pollution to support EU mission to restore, protect and preserve the health of our oceans, seas, and waters.

Opalia Recordati, as an active partner of this project, is committed to the study and development of a new technological solution consisting in a micro-fluidic photo-catalytic reactor at its waste water treatment plant (WWTP), aiming at comparing micro-contaminants removal performances with the existing bacterial reactor to test its effectiveness in absorbing micro-pollutants.

The total water intake in 2023 was approximately 2,600 Ml, of which 38% was surface water, approximately 55% was groundwater and the remainder was drawn from the mains supply.

In 2023, the overall water intake at the Group's production plants increased by 3% compared to 2022. This increase, mainly related to withdrawal from surface water, is primarily attributable to the extension of the scope of consolidation for consumption data of the Basilea site.

Around 66% of Group water intake is attributable to the chemical pharmaceutical plant in Campoverde di Aprilia, located in an area subject to water stress[54]. 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.

It should also be noted that in 2023, 26% of total water intake at the Group's production plants was recycled.

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 (megalitres)

	Unit of measurement	2023	2022	% Variation
Surface water	Ml	988	804	23%
Groundwater	Ml	1,436	1,518	-5%
Mains water	Ml	201	228	-12%
Total	**Ml**	**2,625**	**2,550**	**3%**

Percentage of recycled water at Recordati group production plants

		2023		2022	
	Unit of measurement	Total	% of total water intake	Total	% of total water intake
Quantity of water recycled	Ml	676	26%	624	24%

6.4 WASTE MANAGEMENT AND CIRCULAR ECONOMY

The Recordati group's commitment to environmental protection is also evidenced by its activities to reduce the waste produced by its activities, the adoption of a circular approach, wherever possible, aimed at recovery and re-use, and the correct disposal of chemical and pharmaceutical products, particularly at its production sites.

All waste is processed in accordance with the applicable national laws, and chemical and pharmaceutical waste is managed according to specific internal procedures. In particular, the various types of waste produced at the plants are classified as hazardous or non-hazardous. In accordance with internal operating procedures, all waste is assigned an identification code which defines the relative management procedure for that type of waste. The classification of waste according to its origin and type (material and composition analysis) 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). Waste disposal is contracted to specialist firms that hold the relative authorisations to act as carriers, intermediaries and recipients.

Depending on the planned storage and disposal process, it is of the utmost importance that all employees have received training in waste classification. Training courses for new hires and refresher courses are therefore offered throughout the year. Furthermore, in accordance with the provisions of Italian law (Legislative Decree no. 231/01), the Group's organisational model includes the appointment of various waste management officers within the company.

All of the Group's plants subject to the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation comply with the necessary requirements. The regulation aims to ensure the protection of human health and the environment by requiring companies that produce, import or market chemical substances to assess the risks associated with their use. In compliance with the REACH regulation, Recordati registers the relative substances and applies the requirements provided for by the regulation.

Amongst the main initiatives under way at the Group plants for the management of waste and circular economics, it is noted that the Campoverde di Aprilia plant conducted analysis of various initiatives to recover and re-use chemical raw materials employed in production processes, such as benzaldehyde. More specifically, studies and tests were performed on residues from the distillation of toluene, classified as hazardous liquid waste.

54 To determine the areas suffering from water stress, the Aqueduct tool developed by the World Resources Institute was used. Sites are classified as subject to water stress if they have a rating of "Extremely high", "High" or "Medium high".

Further in-house quantitative analysis is under way and by 2024 it should be possible to recover and reuse benzaldehyde in production processes (it is estimated that at full capacity it will be possible to recover approximately 50% of the benzaldehyde used annually). In addition, since 2022 the Group has been able to recover at least 55% of the palladium used in all production processes. In 2023, through partnerships with third parties, the Group recovered approximately 7 kg of palladium, which can be re-used in the production process, minimising the use of new raw materials. The Group will continue to explore new initiatives for the recovery and reuse of chemical raw materials used in production processes. The recovered raw materials may be reintroduced into internal production processes or through partnership agreements with third-party companies. Furthermore, at the Campoverde plant, in order to identify new ideas and encourage innovation, from 2022, a GEN work group was established, focused on three specific streams: Green – Efficient - New. In particular, for the Green stream, participants were involved in identifying innovative solutions with reference to the re-engineering of processes with a more sustainable approach. These activities continued in 2023 projects.

With regard to the Irish plant in Cork, in 2023, improvements were made to the process for preliminary reconditioning of barrels of thionyl chloride, with the support of an external company. In 2024, the site plans further improvements to this process through use of a mobile tank for temporary storage of the empty barrels of thionyl chloride prior to their neutralisation.

A total of 6,433.1 tonnes of waste was produced in 2023, of which 58% was hazardous waste (substances defined as hazardous in the country of origin) and 42% was non-hazardous waste (all other forms of liquid and solid waste).

Compared to 2023, the waste produced by the Group increased by around 7%, mainly due to higher production volume / production mix.

Total waste produced by Recordati group plants, subdivided by type and disposal method

		2023			2022[55]		
Disposal method	**Unit of measurement**	**Hazardous waste**	**Non-hazardous waste**	**Total**	**Hazardous waste**	**Non-hazardous waste**	**Total**
Reuse	tonnes	0.0	0.0	0.0	10.6	2.1	12.7
Recycling	tonnes	38.2	740.9	779.1	35.3	987.2	1,022.5
Compost	tonnes	0.0	0.0	0.0	0.0	0.0	0.0
Recovery (excluding energy recovery)	tonnes	1,192.9	624.2	1,817.1	1,039.4	422.5	1,461.9
Incineration (with energy recovery)	tonnes	141.3	430.7	572.0	174.8	257.7	432.5
Incineration (mass burn)	tonnes	623.9	30.6	654.5	499.3	77.8	577.1
Deep well injection	tonnes	0.0	0.0	0.0	0.0	0.0	0.0
Landfill	tonnes	1.9	98.6	100.5	1.8	127.3	129.1
Storage on site	tonnes	3.9	0.0	3.9	4.3	0.0	4.3
Other[56]	tonnes	1,710.6	795.4	2,506.0	1,495.2	875.8	2,371.0
Total	**tonnes**	**3,712.7**	**2,720.4**	**6,433.1**	**3,260.7**	**2,750.4**	**6,011.1**

55 It is noted that on the basis of more accurate data becoming available, figures for the amount of waste generated in 2022 have been updated from those presented in the 2022 Non-Financial Statement.
56 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.

Correct spillage management is regulated by specific standard operating procedures at the Group's various plants, which state 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 kits are handled and destroyed in the most appropriate way, considering the hazardous nature of the product. For example, at the Campoverde di Aprilia plant small leaks of chemical substances are resolved using liquid chemical absorption kits, 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.

In order to reduce its environmental impact, in 2023, the Group continued various initiatives intended to promote more sustainable packaging. For example, in 2023, the use of FSC certified paper was expanded to new products in the Eumill® range in addition to other products such as Reconatural® and Recolum®. Changes were also made to the packaging of the Italian product Lactò®, eliminating a plastic component from the packet and reducing the dimensions of the box. This enables use of less plastic and paper. 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.
Again with a view to reducing its environmental impact, the Group used stands with a more sustainable design at trade fairs in Italy and abroad.

6.5 ENVIRONMENTAL IMPACT OF PRODUCTS

As well as endeavouring to minimise the environmental impact of the production processes conducted at its industrial plants (both pharmaceutical and chemical-pharmaceutical), the Group also recognises stakeholders' concerns regarding pharmaceutical residues in the environment that mainly derive from the use of medicines by patients. To this end, the Group assesses the environmental risks of its products from the R&D stage, in compliance with applicable law.

Environmental risk assessment of pharmaceutical products

Man-made pharmaceutical residues have become a pressing topic of environmental concern. Following the detection of pharmaceutical residues in drinking and surface water reserves, regulatory authorities across the world, including the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA), have developed detailed guidelines on how the negative environmental impact of pharmaceutical products should be assessed.

To this end, regulatory bodies now require an Environmental Risk Assessment (ERA) as an integral element of the authorisation process for the commercialisation of pharmaceutical products. The assessment is mandatory for pharmaceuticals to treat human conditions and those for veterinary use.

Recordati is committed to guaranteeing the effective environmental management of its products according to current guidelines. All new pharmaceuticals developed by the Group are subject to an environmental risk assessment prior to approval. Data on environmental toxicity are reported according to the applicable international standards. During the environmental risk assessment, the safe concentration, i.e. the concentration at which the pharmaceutical does not harm the soil or aquatic organisms, is identified. The Group notifies the outcome of the assessment to the regulatory authorities in specific environmental impact reports.
Throughout the product lifecycle, for any extension of the authorisation to market the product (new indications or new dosages) Recordati revises and updates the existing environmental assessment dossier or generates a new one to reflect the latest information on the potential environmental impact of the product.

Below is an example for fenticonazole, approved in Italy in 1985 and now approved in more than 70 countries worldwide with various formulations in several European and non-European countries. Recently, an application was made for a new authorisation to market the product in new European countries. This procedure led to the performance of an environmental risk analysis and more than 12 eco-toxicological studies in the last three years to assess the product's impact on the aquatic and terrestrial environment. The Danish authority coordinated assessment of the procedure, which was completed on 27 July 2023 with a positive outcome, and this was recognised in seven other EU states.

Personnel at the R&D department attend periodic internal training sessions focused specifically on environmental legislation, with a view to raising awareness on the topic and ensuring that staff are up to date with any changes to legislation. Furthermore, continuous efforts are made in the Group's R&D laboratories to reduce the environmental impact of the laboratories through the adoption of instruments that use a lower amount of solvents, guarantee reduced energy and water consumption and produce less waste. In 2023, the majority of water condensation systems were replaced with air systems. The particular structure of these high-performance condensers enables replacement, in most cases, of traditional cooling systems using a continuous flow of water, eliminating water consumption yet maintaining adequate cooling capacity, reducing disposal costs and eliminating risks of flooding and therefore increasing safety.

6.6 EMPLOYEE AWARENESS-RAISING INITIATIVES AND OTHER PROJECTS

Recordati's vision and its commitment to reducing its environmental impacts is also reflected through internal engagement and awareness-raising policies aimed at its employees and initiatives launched in its offices, which aim to promote a greater understanding of the importance of correct waste management, energy saving, environmental protection and biodiversity.

Regarding the commitment to the optimal management of buildings, the new site of the Recordati Italy branch opened in 2023 holds LEED Gold certification for its environmental sustainability.

In addition, 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. 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 2023 in Tunisia, a group of employees helped to clean up a beach and areas of seabed near to the plant, in Germany abandoned waste was collected from around the offices, and in Italy a group of employees helped with maintenance work in a park in Milan. Furthermore, 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 2023 the Irish site continued the activities to maintain the areas.

Demonstrating Recordati's commitment to nature and to protecting the areas in which we operate, the Group also proceeded with various reforestation initiatives. In Italy, it was a main partner of the Forestami project for 2021-2023, supporting the planting of approximately 11,000 plants in the Milan metropolitan area. In Tunisia, it has planted around 3,000 trees in a forest destroyed by a wildfire in 2022. In Türkiye, there are plans to plant 10,000 trees by the end of 2024 in the Kilis Yeniyurt reforestation zone, an area affected by the earthquake in 2023.

Finally, in September 2023, the Recordati group sponsored the sixth edition of the EuChemS Conference on Green and Sustainable Chemistry, held in Italy (Salerno). This event gave researchers and other sector experts the opportunity to discuss and share ideas on the latest developments in green and sustainable chemistry.

7. SUPPLIERS AND STRATEGIC PARTNERS

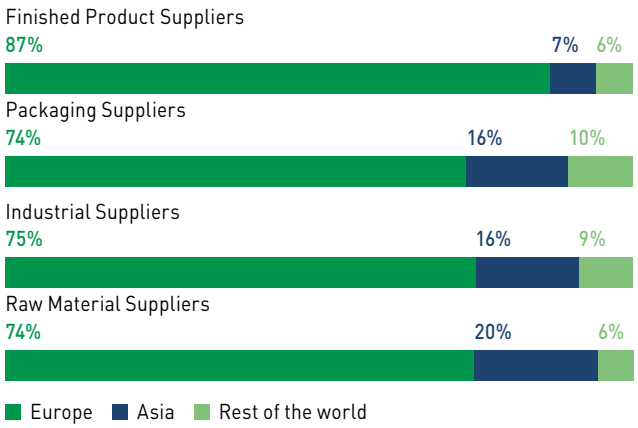
Recordati recognises the fundamental value of the supply chain in creating safe and high-quality products and is committed to working with suppliers and strategic partners that share its values and ethical principles. Commercial relationships with other parties (suppliers, consultants and partners) are 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 9,000 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 2023 the Recordati group interacted with around 360 suppliers of raw materials[57], principally located in Europe and Asia. Approved suppliers for the packaging of medicinal products produced directly in the Group's plants numbered approximately 200, 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 1,400, with a significant local presence due to the type of goods and services. Suppliers of finished products (CMOs - Contract Manufacturing Organisations) number approximately 160 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



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 supplier selection and qualification process, the "Attitude project" continued, 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. In 2023, the expansion of the project continued, which made it possible to integrate approximately 80% of the Group's strategic suppliers into a single, shared database, i.e. suppliers in the most relevant product categories, such as raw materials, packaging, industrial products and services, finished products/CMOs. Recordati's goal is to continue to progressively expand the project to all Group suppliers.

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.

57 The figure for raw materials refers to: API - Active Pharmaceutical Ingredients, excipients, starting materials, chemical intermediates.

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 ISO 45001).

As part of the Group's responsible sourcing strategy, implementation of the plan to audit suppliers continued this year, in order to strengthen monitoring of sustainability issues along the supply chain. This activity was conducted by a third party (EcoVadis) using desk audits. The suppliers involved were assessed across four key areas for sustainability: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement.
In addition, with a view to continuous improvement and increasing awareness around ESG matters throughout its supply chain, in 2023, the Recordati group organised engagement initiatives for the suppliers that received the lowest scores in the previous year's assessment process. During this activity, comments and feedback were provided to suppliers to improve sustainability performance and increase awareness around these themes.

The main results for the audits carried out are shown below:

- in the two years 2022-2023, 115 suppliers were audited on ESG aspects (via desk audits). These belonged to the main and most strategic product categories: suppliers of finished products (Contract Manufacturing Organisations - CMOs), raw materials, packaging, industrial services, logistics, and other services[58]. In details, 50 audits were carried out in 2022 and 65 in 2023.
- 43% of suppliers considered in the current 2023 audit achieved an overall rating of "advanced", while 51% were rated as "good". Only 6% of suppliers received a "partial" performance rating and, as in 2022, no suppliers were found to be insufficient or critical in 2023.
- In the two-year period 2022-2023, around 30 buyers participated in training to facilitate the supplier engagement process (around 20 in 2022 and 10 in 2023).

ESG assessments of suppliers

	2023-2022	2023	2022
No. audits conducted	115	65	50

Demonstrating its commitment, the Group extended the target for monitoring of suppliers ESG performance to 2026. In addition to 115 audits performed 2022-2023, the Group aims to perform a further 150[59] Supplier Sustainability Audits in the years 2024-2026, conducting 50 audits per year. As in the years 2022-2023, assessment activity (desk audits) will be performed by an independent third-party.
Furthermore, again with a view to continuous improvement and greater awareness around these themes, in addition to audit follow-up activities, engagement activities will continue for suppliers that received the lowest scores in the previous year's assessment process.

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

58 The audits were carried out on suppliers located in different geographic areas, mostly in Italy. The geographic area refers to the legal entity subject to the EcoVadis audit, in certain cases with reference to the Parent Company.
59 Including max 30% follow-up audits vs each previous year. The audits include suppliers from the main and most strategic product categories, including suppliers of finished products (Contract Manufacturing Organisations - CMOs), raw materials, packaging, industrial services, logistics, and other services.

8. SUPPORT FOR LOCAL COMMUNITIES

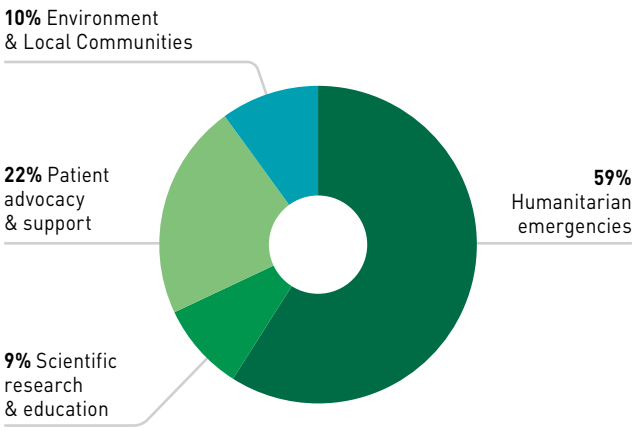
We believe that contributing to the well-being of the community and dedicating part of our resources to acts of solidarity is not merely the fulfilment of company obligations or professional duty, but rather a moral imperative, an essential part of a healthy business capable of growth but at the same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

8.1 RECORDATI GROUP DONATIONS

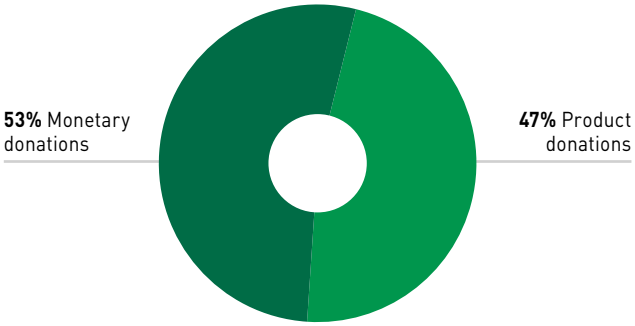
In full compliance with ethical standards, the Recordati group promotes initiatives which support medical-scientific organisations and patients through the relevant associations and social projects to aid the weaker sections of the population.

Specifically, in 2023 the Recordati group gave donations with a value of approximately € 4.8 million[60] in the form of both cash and product donations. The Group's support mainly concerns humanitarian emergencies - such as support for local communities and employees affected by the earthquake in Türkiye and Syria, flooding in Emilia-Romagna (Italy), and the conflict in Ukraine - patient support, scientific research and education, and environmental and community initiatives. In the area of support for patients, scientific research and education, work on the treatment of rare diseases is of particular importance. This includes information and awareness initiatives, support for patient associations and scientific events.

Recordati group donations by category



Recordati group donations by type[61]



Support from the Group in the context of humanitarian emergencies

The Recordati group took prompt action to support those affected by various tragic events that occurred during the year.

With regards to the earthquake that hit Türkiye and Syria at the beginning of 2023, the Recordati group swiftly provided emergency accommodation and immediate financial support for employees and activated an internal fundraising initiative, to support colleagues who have been most impacted by the crisis. To provide further essential assistance, Recordati has also donated medicines and medical supplies to areas of need according to the requirements list and rules determined by the Ministry of Health (MoH) and the Turkish Medicines and Medical Devices Agency (TITCK), while also making a donation to the Disaster and Emergency Management Authority in Türkiye (AFAD), which provided essential aid to earthquake victims.

To support the communities affected by the flooding in Emilia-Romagna (Italy) in spring 2023, the Recordati group decided to join the "Support fund for the people of Emilia-Romagna" established by Confindustria, Cgil, Cisl and Uil. Group employees had the opportunity to make a voluntary donation equivalent to one hour's work, with the Company adding its own contribution.

In addition, Recordati continued to support the people of Ukraine and offer care to patients, primarily through the donation of medicines.

60 This figure includes monetary donations and product donations measured at market value.
61 Product donations are measured at market value.

Other initiatives supporting the community

Again, in 2023, there were numerous initiatives to support local communities in all countries where the Group operates, either through monetary and product donations or the direct efforts of employees and social initiatives.

The key initiatives in Italy include being a main partner for the 2021-2023 period in the Forestami project, which aims to increase the natural capital of the Metropolitan City of Milan by 2030.

Another reforestation project was carried out in Tunisia, with the Opalia Recordati branch planting approximately 3,000 trees in a forest destroyed by wildfires in 2022. This reforestation work not only contributes to environmental conservation, but offered an opportunity for direct employee engagement. The planting was performed by around 20 employees working alongside the volunteers from Tounes Clean-up, an association specialising in reforestation. Tounes Clean-up will monitor, maintain and irrigate the area, and manage the project inventory, for the next two years.

Finally, by the end of 2024 a further 10,000 trees will be planted in Türkiye in the Kilis Yeniyurt reforestation zone, an area affected by the earthquake in 2023.

Over 14,000

trees were planted by the Recordati group in the years 2021-2023 (more than 11,000 in Italy and 3,000 in Tunisia) and planting of a further 10,000 is planned in Türkiye by 2024.

In total, in the years 2021-2024, approximately 24,000 trees will have been planted, corresponding to

5 trees per employee

RECORDATI SUPPORTS THE FORESTAMI PROJECT

Recordati has renewed its commitment to protecting the environment and supporting sustainable development in the areas in which it operates through its role as a main partner for the 2021-2023 period in the Forestami project, which aims to plant 3 million trees and increase the natural capital of the Metropolitan City of Milan by 2030.

The Group has identified this urban forestation project as an opportunity to make a tangible contribution to the Milanese community, where it has strong roots and has operated for many years, increasing well-being and improving quality of life from both an environmental and social perspective. Support over the three-year period from 2021 to 2023, enabled planting of approximately 11,000 forest plants (and involves their maintenance for five years), helping to increase urban green spaces, support the well-being of citizens and reduce atmospheric pollution, improving landscapes, community spaces and biodiversity and slowing global warming.

In the context of this project for the planting of forest species in the metropolitan area of Milan, the Group has assigned a portion of the resources to Parco delle Cave, a green area close to the company site. Work at Parco delle Cave included naturalisation initiatives, such as removal of debris and creation of a wet zone to promote population and reproduction of amphibians and other aquatic animals, strengthening biodiversity. Work also included supporting the clean-up and development of new habitats within the woodland area, construction of observation structures giving people the chance to see aquatic wildlife in the Park and, finally, the creation of marsh vegetation around the lake and floating islands for the nesting and roosting of water birds including little egrets, herons, ducks and moorhens.

Various company volunteering projects and community social and environmental initiatives were run in some of the Group's branches, involving Group employees. These activities not only represent a key tool of social responsibility, but also help to create a culture focused on solidarity. They are also an opportunity to bring colleagues together.

The main initiatives in the environmental sphere included: in Milan, more than 50 Group employees spent a day doing maintenance work in certain areas of Parco Nord Milano, one of the main city parks and a partner of the Forestami project. Also in Italy, a group of employees from the Campoverde di Aprilia site took part in an initiatives organised by Aprilia Ecologica to gather waste abandoned in the area, while in Germany a group of employees of the German branch participated in a clean-up in the area around the company site. Similar initiatives were also organised by Irish and Tunisian employees. In Tunisia a group of employees form the Opalia site helped to clean the seabed and beaches at the port of Kalaat el Andalous.

In terms of social initiatives, more than 40 Group employees spent a day making wheelchairs, which were then donated to the local hospital Istituto Geriatrico Golgi Redaelli.

Some employees in Portugal spent a day supporting the activities of a local association, Semear. These employees participated in the planting and harvesting of foodstuffs that will go to help families in need. Various employees from the Polish branch also took part in initiatives to support local communities, including a project to collect and distribute foodstuffs to elderly people in need.

On top of this, in the context of the "For children can laugh" project, a group of employees from the Turkish branch spent time handing out toys to children affected by the earthquake.

For World Heart Day, Natural Point (part of the Recordati group) again sponsored the Cardio Race in Rome to promote awareness of cardiovascular disease, with teams of Group employees taking part. Colleagues of the French Rare Diseases site participated in the *"Enfants sans Cancer"* run, organised by the French association "Imagine for Margo - Children without Cancer" to raise funds for research and development in the field of rare tumours.

Other employees from the Spanish branch participated in a run in Madrid to raise funds for associations working in the area of women's cancers. Various colleagues from the German branch took part in a run to raise funds to support a child affected by neuroblastoma, and colleagues at the Polish branch participated in a charity run for children in support of the Everest Foundation.

In 2023, the Recordati group sponsored an initiative against cyberbullying in collaboration with the Italian National Anti-Bullying Centre - "Bulli Stop". With the support of the National Anti-Bullying Centre - "Bulli Stop", several initiatives were launched aimed at raising awareness and supporting young people. Specifically, an anti-cyberbullying day was organised at a secondary school in Rome to offer an opportunity for dialogue and discussion with youngsters. This event involved around 80 students. Items symbolising protection against cyberbullying were created and handed out to students at the school, to share details of the association's support line with victims of bullying. These included "anti-bullying covers" for mobile phones. Finally, a social-network awareness campaign was organised. This involved young people from across Italy, both through partnerships with certain influencers who are popular with teenagers and through creation of a challenge on social networks aimed at sharing the experiences of those who have successfully overcome cyberbullying.

9. APPENDIX

9.1 EUROPEAN TAXONOMY

The Recordati group has acknowledged the EU Taxonomy as set out in Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and, updating the activity conducted for previous reports, in 2023 it has continued analyses in line with the requirements of the regulation.

The Taxonomy Regulation defines the economic activities that are considered environmentally sustainable. To qualify as environmentally sustainable, an economic activity must, inter alia, contribute substantially to one or more of the six objectives outlined in Article 9 of the Regulation. On 4 June 2021 a delegated act was adopted that defines the technical selection criteria that the specific activities must meet in order to align with the first two environmental objectives: climate change mitigation and climate change adaptation. These criteria were then added to on 27 June 2023 with a delegated act for the remaining four environmental objectives: sustainable use and protection of waters and marine resources, transition to a circular economy, pollution prevention and control, and restoration of biodiversity and ecosystems.

The Group has applied its judgement, interpretations and hypotheses based on the information currently available. Documents and delegated acts published in the future may lead to more accurate definitions and thus to other decision-making processes to meet the reporting obligations that may be in force, which could have an impact on future reporting on the EU Taxonomy.

In compliance with Regulation (EU) 2020/852, in fiscal year 2023, the Group has disclosed the information indicated below:

- In consideration of the goals of mitigation and adaptation to climate change: the proportion of the economic activities that are eligible and not eligible, aligned and not aligned in terms of the Taxonomy for total turnover, CAPEX and OPEX.
- In consideration of the remaining four goals: the proportion of the economic activities that are eligible and not eligible in terms of the Taxonomy for total turnover, CAPEX and OPEX.

The process for definition of economic activities that are eligible and/or aligned in terms of the European Taxonomy involves both an analysis of activities at Group level with reference to the core activity attributable to it (manufacturing of medicinal products and active ingredients), i.e. the activity contributing to the generation of turnover, CAPEX and OPEX values, and analysis of the eligibility and alignment of CAPEX and OPEX for specific actions and projects that contribute to reducing greenhouse gas emissions. These activities have been carried out in order to ascertain, as required by the regulation, whether the activities performed by the Group have an impact on the various objectives.

Economic activities that are eligible and aligned. With reference to the objectives of mitigation and adaptation to climate change and considering the Group's area of business, the sector in which the Group operates and the activities conducted are not reported in Annex I or II of the delegated act relating to climate change (EU Regulation 2020/852). Therefore, in line with what is reported in the act, there are no portions of turnover eligible according to the climate change mitigation and adaptation objectives. Nonetheless, Recordati carried out an analysis of the eligibility and alignment of CAPEX and OPEX in specific actions and projects that contribute to reducing GHG emissions, as defined in the EU Taxonomy Regulation. In fact, over the years, the Recordati group has consolidated its commitment to an increasingly integrated management of sustainability topics and its Sustainability Plan defines the ESG objectives, which include specific targets for climate action. To this end, and in relation to the provisions of the regulation, the analysis was extended to the activities included in the Sustainability Plan which contribute to the formation of CAPEX and OPEX which are eligible and aligned under the climate change mitigation and adaptation objectives.

The calculation of the portion of the Group's eligible CAPEX under the taxonomy was conducted on economic activities associated with programmes carried out in 2023 and included in the Sustainability Plan. Specifically, the following economic activities were considered, as reported in the delegated acts of Regulation EU 2020/852:

- Activity 4.1 - "Electricity generation using solar photovoltaic technology";
- Activity 7.3 - "Installation, maintenance and repair of energy efficiency equipment";
- Activity 7.4 - "Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)".

Economic activities that are eligible. With reference, on the other hand, to the other four objectives (sustainable use and protection of waters and marine resources, transition to a circular economy, pollution prevention and control, and restoration of biodiversity and ecosystems), the Recordati group, in line with the requirements of the regulation in question, identified the eligible economic activities and relative amounts of turnover, CAPEX and OPEX. This analysis highlighted the following activities included within the scope of prevention and reduction and pollution:

- Activity 1.1 - "Manufacturing of active pharmaceutical ingredients (APIs) or pharmaceutical substances";
- Activity 1.2 - "Manufacturing of medicinal products".

Final KPIs and calculation methods

To identify how and to what extent its activities are associated with environmentally sustainable economic activities pursuant to the EU Taxonomy, the Recordati group has conducted analyses in line with the requirements of the regulation for identification and calculation of the final KPIs for activities for which assessment of eligibility is required. In addition, where required, for the current year, it has analysed the technical screening criteria for the activities identified as eligible as well as the indications in the Q&A published by the European Commission in December 2022.

Below are the KPIs as required by the regulation:

Table: 2023 turnover KPIs

Financial year N		Year		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activites (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
Text		Euro/000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%		
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Taxonomy-aligned activities																			
-		-	-	-															
Turnover of Taxonomy-aligned activities (A.1)																			
A.2 Taxonomy-Eligible but not Taxonomy-aligned activities																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	106,577	5.12%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								NA		
Manufacture of medicinal products	PPC 1.2	451,833	21.70%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								NA		
Turnover of Taxonomy -eligible but not Taxonomy -aligned activities (A.2)		**558,410**	**26.82%**	**-**	**-**	**-**	**26.82%**	**-**	**-**								**NA**		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**558,410**	**26.82%**	**-**	**-**	**-**	**26.82%**	**-**	**-**								**NA**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy -non-eligible activities		**1,523,921**	**73.18%**																
TOTAL		**2,082,331**	**100%**																

Legend
CCM - Climate Change Mitigation
PPC - Pollution Prevention and Control
Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
n.s. - Not Significant
NA - Not Applicable

Table: 2023 CAPEX KPIs

Financial year N		Year		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)								
Economic activites (1)	Code (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
Text		Euro/000	%	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%		
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
-		-	-	-															
CapEx of Taxonomy-aligned activities (A.1)																			
A.2 Taxonomy-Eligible but not Taxonomy-aligned activities																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation using solar photovoltaic technology	CCM 4.1	788	0.25%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.33%		
Production of heat/cool from solar thermal heating	CCM 4.21	-	-	-	-	-	-	-	-								0.03%		
Renewal of waste water collection and treatment reflue	CCM 5.4	-	-	-	-	-	-	-	-								1.05%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	74	0.02%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.44%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	58	0.019%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.07%		
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	7,481	2.40%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								NA		
Manufacture of medicinal products	PPC 1.2	6,126	1.96%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								NA		
CapEx of Taxonomy-eligible but not Taxonomy-aligned activities (A.2)		**14,527**	**4.66%**	**0.29%**	**-**	**-**	**4.36%**	**-**	**-**								**1.92%**		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**14,527**	**4.66%**	**0.29%**	**-**	**-**	**4.36%**	**-**	**-**								**1.92%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy -non-eligible activities		**297,513**	**95.34%**																
TOTAL		**312,040**	**100%**																

Legend
CCM - Climate Change Mitigation
PPC - Pollution Prevention and Control
Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
n.s. - Not Significant
NA - Not Applicable

Table: 2023 OPEX KPIs

Financial year N		Year		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activites (1)	Code (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Cirular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
Text		Euro/000	%	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y; N; N EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%		
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
-		-	-	-															
OpEx of Taxonomy-aligned activities (A.1)																			
A.2 Taxonomy-Eligible but not Taxonomy-aligned activities																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation using solar photovoltaic technology	CCM 4.1	n.s.	n.s.	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
Production of heat/cool from solar thermal heating	CCM 4.21	-	-	-	-	-	-	-	-								NA		
Renewal of waste water collection and treatment reflue	CCM 5.4	-	-	-	-	-	-	-	-								NA		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	n.s.	n.s.	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	n.s.	n.s.	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	3,748	5.42%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								NA		
Manufacture of medicinal products	PPC 1.2	20,923	30.28%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								NA		
OpEx of Taxonomy -eligible but not Taxonomy -aligned activities (A.2)		**24,671**	**35.70%**	**0%**	**-**	**-**	**35.70%**	**-**	**-**								**NA**		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**24,671**	**35.70%**	**0%**	**-**	**-**	**35.70%**	**-**	**-**								**NA**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy -non-eligible activities		**44,428**	**64.30%**																
TOTAL		**69,099**	**100%**																

Legend
CCM - Climate Change Mitigation
PPC - Pollution Prevention and Control
Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
n.s. - Not Significant
NA - Not Applicable

In the context of the objectives of adaptation to and mitigation of climate change, in 2023, it is specified that the Recordati group carried out an analysis to determine the alignment, as a percentage, of CAPEX and OPEX, for each economic activity initially identified as eligible. The analysis made it possible to define how the portion of eligible CAPEX, against the criteria envisaged, is negligible and quantifiable at below 1% of total Group CAPEX (see the breakdown in the "2023 CAPEX KPIs" table). Considering the low significance of the portion of eligible CAPEX and given the limitations on the current ability to analyse all the envisaged criteria to define the alignment, we are currently unable to define the related portion of CAPEX aligned to Regulation 852/2020. Additionally, given the small percentage of CAPEX, it is believed that the relative share of OPEX will also be negligible.

9.2 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 2023 the Group's commitment to sustainability was reiterated with the preparation of the seventh 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 2023 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 2023 Annual Report, Corporate governance report and ownership structure, and Remuneration Report.

This document represents the Consolidated Non-Financial Statement pursuant to 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 2023 (reporting period: 1 January to 31 December 2023). The 2023 Non-Financial Statement has been prepared in accordance with the latest version of the GRI Sustainability Reporting Standards, updated in 2021 by GRI (Global Reporting Initiative).

The report was prepared based on the results of the materiality analysis prepared on the basis of the methodology proposed by the GRI 3: Material Topics 2021 standard. This analysis, described in paragraph 2.3, enabled identification of impacts and the related material aspects 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 2023 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 2023, 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:

- the scope of information and data regarding environmental aspects (e.g. energy use, emissions, water use and waste) includes Group production plants and annexed offices (including the offices of the parent company based in Milan) as the information relating to other sites is not deemed significant.
- the scope of the injury indicators includes employees at Group production plants and their annexed offices, including the parent company's offices (Milan). Data is also included for personnel from the sales network (Field Forces - medical sales representatives) within Italy.
- 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 report. 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. Any changes to data already released in previous years have been indicated in the text, including the reasons for any restatements. 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 2023.

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.
This Statement was presented for evaluation and approval to the Risk, Control and CSR Committee on 8 March 2024 and was approved by the Board of Directors of Recordati S.p.A. on 19 March 2024.

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".

Quantitative indicators that do not refer to certain General or Topic-specific disclaimers of the GRI Standards, which are reported on the pages indicated in the Content Index, are not subject to limited review by the auditing company.

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9.3 ADDITIONAL INFORMATION

Human Resources - Turnover

Employees entering and leaving the company by gender, age and location

	2023									
No. of employees	**<30**	**30-50**	**>50**	**Total**	**Turnover %**	**<30**	**30-50**	**>50**	**Total**	**Turnover %**
	Employees joining the Group - Europe					**Employees leaving the Group - Europe**				
Men	31	118	29	**178**	**12%**	16	85	80	**181**	**12%**
Women	42	158	29	**229**	**17%**	12	129	82	**223**	**16%**
Total	**73**	**276**	**58**	**407**	**14%**	**28**	**214**	**162**	**404**	**14%**
Turnover %	**42%**	**17%**	**5%**	**14%**		**16%**	**13%**	**15%**	**14%**	
	Employees joining the Group - Asia and Oceania					**Employees leaving the Group - Asia and Oceania**				
Men	34	64	7	**105**	**20%**	29	68	8	**105**	**20%**
Women	41	74	8	**123**	**25%**	17	56	3	**76**	**16%**
Total	**75**	**138**	**15**	**228**	**23%**	**46**	**124**	**11**	**181**	**18%**
Turnover %	**59%**	**17%**	**17%**	**23%**		**36%**	**16%**	**13%**	**18%**	
	Employees joining the Group - Africa					**Employees leaving the Group - Africa**				
Men	8	17	1	**26**	**17%**	6	28	0	**34**	**22%**
Women	22	24	0	**46**	**22%**	9	22	0	**31**	**15%**
Total	**30**	**41**	**1**	**72**	**20%**	**15**	**50**	**0**	**65**	**18%**
Turnover %	**48%**	**15%**	**4%**	**20%**		**24%**	**18%**	**0%**	**18%**	
	Employees joining the Group - America					**Employees leaving the Group - America**				
Men	2	20	16	**38**	**41%**	2	7	10	**19**	**20%**
Women	7	22	8	**37**	**34%**	2	14	11	**27**	**25%**
Total	**9**	**42**	**24**	**75**	**37%**	**4**	**21**	**21**	**46**	**23%**
Turnover %	**60%**	**43%**	**26%**	**37%**		**27%**	**22%**	**23%**	**23%**	

Water management

Water withdrawal at Recordati group production plants located in water-stressed areas[62], by source

	Unit of measurement	2023	2022	% Variation
Surface water	Ml	805	804	0.1%
Groundwater	Ml	894	894	0%
Mains water	Ml	80	75	6.7%
of which, groundwater	*Ml*	*80*	*75*	*6.7%*
Total	**Ml**	**1,779**	**1,773**	**0.3%**

Annual total compensation ratio[63]

Fixed remuneration

In 2023, the ratio between the fixed remuneration of the highest-paid individual (CEO) and the median of Recordati S.p.A. employees was 23.8 (25.8 in 2022).

The ratio between the fixed remuneration of the highest-paid individual (CEO) and the median of Recordati group employees was 27.6 in 2023 (29.4 in 2022).

Total Remuneration

In 2023, the ratio between the total remuneration of the highest-paid individual (CEO) and the median of Recordati S.p.A. employees was 41.0.

While considering, the ratio between the total remuneration of highest-paid individual (CEO) and the median of Recordati group employees was 46.6 in 2023.

Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

No legal action for anti-competitive behaviour, anti-trust cases or monopoly practices was reported during 2023.

Incidents of discrimination and corrective actions taken

There were no proven cases of discrimination recorded in 2023.

The two cases already discussed in the 2022 Non-Financial Statement are still pending, with no significant developments to report. These were brought by two former employees of the company EUSA US relating to claims filed prior to the acquisition. EUSA had already asked an independent law firm to conduct in-depth investigations, which concluded that the allegations of discrimination were absolutely unfounded and, therefore, the company will continue to prepare its defence pending trial.

62 *The Group's plants located in water-stressed areas are the Italian plant in Campoverde di Aprilia, the Tunisian plant in Kelaat El Andaluu and the Turkish plant in Çerkezköy. The Aqueduct tool developed by the World Resources Institute was used to determine water-stressed areas. Sites are classified as subject to water stress if they have a rating of "Extremely high", "High" or "Medium high".*

63 *Total remuneration has been calculated considering the fixed amount and variable short-term bonus received in 2023. It is also noted that there is no comparison with the previous year as the CEO, who joined the Group on 1 December 2021, did not receive any variable remuneration in 2022.*

List of material topics and main associated impacts

List of material topics	Main associated impacts
1. Product quality and safety	Implementation of activities, quality control personnel, and procedures throughout the system (from research and development, to procurement of raw materials, to production and sales) intended to guarantee respect for product quality and safety and ensure patient health and safety. Despite rigorous compliance with standards and regulations, like any company operating in the pharmaceuticals sector, the Group could be potentially exposed to product liability risk for damages caused by its pharmaceuticals (with the potential need for product recalls, impacts on patient health and consequent economic or reputational impacts for the company)
2. Business ethics, integrity, anti-corruption	Management of activities in full compliance with regulations, current laws and ethical principles, in particular with regards to the highest standards to prevent active and passive corruption and avoid potential negative impacts on stakeholders caused by breaches of laws and regulations on business conduct
3. Employee health, safety & wellbeing	Depending on their role, employees are exposed to potential health and safety risks. The promotion of management systems to continuously improve health and safety, worker well-being and the promotion of training programs are fundamental to effectively mitigate injuries and occupational diseases
4. Diversity and Inclusion	Optimising diversity and promoting inclusive practices make it possible to motivate people, enrich innovation ability and better respond to transformations in both society and markets. In contrast, a non-inclusive working environment that does not respect diversity may have impacts for the rights and equal opportunities of people, and could reduce the company's ability to attract new talent
5. Access to medicine and healthcare	The high-quality and accessible products offered through the SPC division, the strengthening of the presence in the rare diseases segment to offer innovative treatments that meet serious unmet medical needs as well as awareness-raising initiatives support access to the best possible treatments and improve the quality of life of patients and their families
6. Waste management and circular economy	If not managed correctly through stringent standards and procedures, waste generated - which predominantly relates to the production process - can have impacts on the environment and in the well-being of local communities. Reducing the use of natural resources through circular economy initiatives can have a positive impact on the environment and stakeholders and can generate innovation and new technologies
7. Fight against climate change	The generation of GHG emissions through business activities or along the supply chain has impacts on the environment and stakeholders. On the other hand, the use of renewable energy and energy efficiency initiatives can help mitigate the impact of climate change
8. Human resources management and development	The promotion of opportunities for growth, training and development has a positive impact on staff motivation, growth of expertise and talent attraction and retention
9. Research and development	The expansion of research and development activities makes it possible to offer new therapies and respond to currently unmet medical needs. In this area, the promotion of the utmost rigour in the conduction of clinical trials is also a priority, as is respecting the health and safety of all involved parties
10. Responsible marketing	Accurate, complete and transparent sharing of information, also with doctors and healthcare workers, when promoting medicinal products, in compliance with current regulations and ethical standards, makes it possible to offer patients the best therapeutic assistance and avoid possible negative impacts linked to misleading communications
11. Value creation and its distribution	The creation of economic value deriving from the business and its distribution among the various categories of stakeholders contributes to the development of the countries in which the Group operates, generating a positive impact on society and on stakeholders
12. Water management	Excessive water intake especially in water-stressed areas, and lack of or inadequate wastewater treatment, can lead to environmental impacts as well as health problems for the communities
13. Privacy and data protection	The promotion of personal data management models supports the protection of privacy and the data itself, avoiding consequent harm and negative impacts on stakeholders
14. Responsible sourcing	Responsible management of the selection, qualification, assessment and monitoring processes for suppliers/ strategic partners, which also considers ESG aspects, helps to prevent potential risks and negative impacts on the environment, society and people (including human rights), throughout the supply chain
15. Support for local communities	Support for local communities encourages local development and strengthens relationships with relevant stakeholders

Patient care · People care · Environmental protection · Responsible sourcing · Ethics and integrity

9.4 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
Business ethics, integrity, anti-corruption	**GRI 205**: Anti-corruption	Fight against active and passive corruption	Recordati group	Caused by the Group
	GRI 206: Anti-competitive behaviour	Fight against active and passive corruption	Recordati group	Caused by the Group
	GRI 207: Tax	n/a	Recordati group	Caused by the Group
Value creation and its distribution	**GRI 201**: Economic performance	Social	Recordati group; Investors and the financial community	Caused by the Group
	GRI 203: Indirect economic impacts	n/a	Recordati group	Caused by the Group
Privacy and data protection	**GRI 418**: Customer Privacy	Social	Recordati group	Caused by the Group
Product quality and safety	**GRI 416**: Customer health and safety	Social	Recordati group; Clients and consumers; Patients and associations	Caused by the Group
Access to medicine and healthcare	n/a	Social	Recordati group; Clients and consumers; Patients and associations	Caused by the Group
Research and development	n/a	n/a	Recordati group; Scientific organisations and Universities	Caused by the Group
Responsible marketing	**GRI 417**: Marketing and labelling	n/a	Recordati group	Caused by the Group
Employee health, safety & wellbeing	**GRI 401**: Employment	Relating to personnel	Recordati group; Employees	Caused by the Group
	GRI 403: Occupational Health and Safety	Relating to personnel	Recordati group; Employees	Caused by the Group and directly connected to its activities
Diversity and inclusion	**GRI 405**: Diversity and equal opportunities	Relating to personnel	Recordati group; Employees	Caused by the Group
	GRI 406: Non-Discrimination	Relating to personnel Human rights	Recordati group; Employees	Caused by the Group
Human resources management and development	**GRI 401**: Employment	Relating to personnel	Recordati group; Employees	Caused by the Group
	GRI 404: Training and education	Relating to personnel	Recordati group; Employees	Caused by the Group
Support for local communities	**GRI 202**: Market presence	Social	Recordati group, Community	Caused by the Group
Fight against climate change	**GRI 302**: Energy	Environmental	Recordati group	Caused by the Group
	GRI 305: Emissions	Environmental	Recordati group	Caused by the Group
Water management	**GRI 303**: Water and Effluents	Environmental	Recordati group	Caused by the Group
Waste management and circular economy	**GRI 306**: Effluents and waste	Environmental	Recordati group	Caused by the Group
Responsible Sourcing	**GRI 414**: Supplier Social Assessment	Social Human rights	Recordati group; Suppliers and strategic partners	Caused by the Group and directly connected to its activities
	GRI 308: Supplier Environmental Assessment	Environmental	Recordati group; Suppliers and strategic partners	Caused by the Group and directly connected to its activities

GRI 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.

Statement of use Recordati group has submitted a report in accordance with the GRI Standards for 1 January 2023 to 31 December 2023.

Use of GRI 1 GRI 1 - Foundation - 2021 version

GRI Standard	Disclosure	References and other information	Omissions *Requirements omitted, reason and explanation*
GENERAL DISCLOSURES			
	The organization and its reporting practices		
	2-1 Organizational details	Page 129-131	
	2-2 Entities included in the organization's sustainability reporting	Page 216	
	2-3 Reporting period, frequency and contact point	Page 216	
	2-4 Restatements of information	Page 216	
	2-5 External assurance	Page 225-227	
	Activities and workers		
	2-6 Activities, value chain and other business relationships	Page 129-131, 133. Annual Report 2023, "Review of Operations" section	
	2-7 Employees	Page 176-178, 181	
	2-8 Workers who are not employees	Page 176	
	Governance		
	2-9 Governance structure and composition	Page 133, 136, Corporate governance report and ownership structure, "Profile of the issuer and general information", "Board of Directors" sections	
	2-10 Nomination and selection of the highest governance body	Corporate governance report and ownership structure, "Profile of the issuer and general information", "Board of Directors" sections	
GRI 2: general disclosures (2021)	2-11 Chair of the highest governance body	Corporate governance report and ownership structure, "Profile of the issuer and general information", "Board of Directors" sections	
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 136, 141	
	2-13 Delegation of responsibility for managing impacts	Page 136	
	2-14 Role of the highest governance body in sustainability reporting	Page 216	
	2-15 Conflicts of interest	Recordati web site > Governance > Compliance Programmes (i.e. Recordati Group Code of Ethics); Corporate governance report and ownership structure, "Ownership structure", "Directors' interests and related-party transactions" sections and Attachment 1 "professional overview of the Directors and Statutory Auditors"	
	2-16 Communication of critical concerns	Page 136, 156-157, 161, 181, 187-188	
	2-17 Collective knowledge of the highest governance body	Page 136, Corporate governance report and ownership structure, Attachment 1 "professional overview of the Directors and Statutory Auditors"	
	2-18 Evaluation of the performance of the highest governance body	Corporate governance report and ownership structure "Self-assessment and succession of Directors" section	
	2-19 Remuneration policies	Report on the Remuneration Policy and the remuneration paid	
	2-20 Process to determine remuneration	Report on the Remuneration Policy and the remuneration paid	
	2-21 Annual total compensation ratio	Pag. 217	

GRI Standard	Disclosure	References and other information	Omissions *Requirements omitted, reason and explanation*
	Strategy, policies and practices		
	2-22 Statement on sustainable development strategy	Page 126	
	2-23 Policy commitments	Page 132, 153-154, 204, Recordati web site > Governance > Compliance Programmes (i.e. Recordati Group Code of Ethics);	
	2-24 Embedding policy commitments	Page 145-150, 154, 156-157, 204	
	2-25 Processes to remediate negative impacts	Page 172	
	2-26 Mechanisms for seeking advice and raising concerns	Page 153-154,156-157	
	2-27 Compliance with laws and regulations	Page 172, 193	
	2-28 Membership associations	Page 139	
	Stakeholder engagement		
	2-29 Approach to stakeholder engagement	Page 138, 141	
	2-30 Collective bargaining agreements	Page 190	
MATERIAL TOPICS			
GRI 3: Material topics (2021)	3-1 Process to determine material topics	Page 138, 142	
	3-2 List of material topics	Page 142, 218	

Topic-specific standards

GRI 200: ECONOMIC SERIES (2016)			
Economic performance			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 134	
GRI 201: Economic performance (2016)	201-1 Direct economic value generated and distributed	Page 134	
Market presence			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 175	
GRI 202: Market presence (2016)	202-2 Proportion of senior management hired from the local community	Page 176	
Indirect economic impacts			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 134, 207	
GRI 203: Indirect economic impacts (2016)	203-1 Infrastructure investments and services supported	Page 134, 207	
Anti-corruption			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 152-156	
GRI 205: Anti-corruption (2016)	205-1 Operations assessed for risks related to corruption	Page 152-156	
	205-3 Confirmed incidents of corruption and actions taken	Page 156	

GRI Standard	Disclosure	References and other information	Omissions *Requirements omitted, reason and explanation*
Anti-competitive behaviour			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 152-156	
GRI 206: Anti-competitive behaviour (2016)	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Page 217	
Tax			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 160-161	
GRI 207: Tax (2019)	207-1 Approach to tax	Page 160-161	
	207-2 Tax governance, control and risk management	Page 160-161	
	207-3 Stakeholder engagement and management of concerns related to tax	Page 160-161	
	207-4 Country-by-country reporting	Page 161	
GRI 300: ENVIRONMENTAL SERIES (2016)			
Energy			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 192-196	
GRI 302: Energy (2016)	302-1 Energy consumption within the organization	Page 193-195	
Water and effluents			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 192, 198-199	
GRI 303: Water and effluents (2018)	303-1 Interactions with water as a shared resource	Page 198-199	
	303-2 Management of water discharge-related impacts	Page 198-199	
	303-3 Water withdrawal	Page 199, 217	
Emissions			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 192, 196	
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	Page 197	
	305-2 Energy indirect (Scope 2) GHG emissions	Page 197	
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other air emissions	Page 197	
Waste			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 192, 199-200	
GRI 306: Waste (2020)	306-1 Waste generation and significant waste-related impacts	Page 199-200	
	306-2 Management of significant waste-related impacts	Page 199-200	
	306-3 Waste generated	Page 200	
	306-4 Waste diverted from disposal	Page 200	
	306-5 Waste directed to disposal	Page 200	

GRI Standard	Disclosure	References and other information	Omissions *Requirements omitted, reason and explanation*
Supplier Environmental Assessment			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 143-144, 150, 204-205	
GRI 308: Supplier Environmental Assessment (2016)	308-1 New suppliers that were screened using environmental criteria	Page 171, 204-205	
GRI 400: SOCIAL SERIES (2016)			
Employment			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 175-177, 182	
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	Page 178, 217	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 182	
Occupational Health and Safety			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 175, 187-189	
GRI 403: Occupational Health and Safety (2018)	403-1 Occupational health and safety management system	Page 187-189	
	403-2 Hazard identification, risk assessment and incident investigation	Page 187-189	
	403-3 Occupational health services	Page 187-189	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Page 187-189	
	403-5 Worker training on occupational health and safety	Page 189	
	403-6 Promotion of worker health	Page 187-189	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 187-189	
	403-9 Work-related injuries	Page 189	
	403-10 Work-related ill health	Page 189	
Training and education			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 175, 183	
GRI 404: Training and education (2016)	404-1 Average hours of training per year per employee	Page 183	
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 183	
Diversity and equal opportunities			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 175, 180	
GRI 405: Diversity and equal opportunity (2016)	405-1 Diversity of governance bodies and employees	Page 133, 176, 181. Corporate governance report and ownership structure "Board of Directors" section	
	405-2 Ratio of basic salary and remuneration of women to men	Page 182	

GRI Standard	Disclosure	References and other information	Omissions *Requirements omitted, reason and explanation*
Non-Discrimination			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 175, 180	
GRI 406: Non-Discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken	Page 217	
Supplier Social Assessment			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 143, 150, 204-205	
GRI-414: Supplier Social Assessment (2016)	414-1 New suppliers that were screened using social criteria	Page 171, 204-205	
Customer health and safety			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 170-171, 172-173	
GRI 416: Customer health and safety (2016)	416-1 Assessment of the health and safety impacts of product and service categories	Page 170-171, 172-173	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 172-173	
Marketing and labelling			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 172-173	
GRI 417: Marketing and labelling (2016)	417-2 Incidents of non-compliance concerning product and service information and labeling	Page 172	
	417-3 Incidents of non-compliance concerning marketing communications	Page 172	
Customer Privacy			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 157, 163	
GRI 418: Customer Privacy (2016)	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 157	
Access to medicine and healthcare			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 166-167	
Research and development			
GRI 3: Material topics (2021)	3-3 Management of material topics	Page 163, 168	

9.5 AUDITOR'S REPORT

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Building a better working world

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 18th, 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, paragraph 1 item g), 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 31st, 2023 in accordance with article 4 of the Decree and approved by the Board of Directors on March 19th, 2024 (hereinafter "DNF").
Our limited assurance engagement does not cover the information included in the paragraph "European Taxonomy" of the DNF, that are required by art.8 of the European Regulation 2020/852.

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.

Building a better working world

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) 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 applied the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintained 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:
   - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
   - 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.

Building a better working world

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 Milano (MI) 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 site visit 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 31st, 2023 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.
Our conclusions on the DNF of the Group do not refer to the information included in the paragraph "European Taxonomy" of the DNF itself, that are required by art.8 of the European Regulation 2020/852.

Milan, March 28th, 2024

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.

CORPORATE GOVERNANCE REPORT AND OWNERSHIP STRUCTURE 2023

pursuant to article 123 *bis* of Italian Legislative Decree no. 58 of 24th February 1998

Approved on 19th March 2024
by the Board of Directors

www.recordati.it
'Traditional' management and control model

GLOSSARY

CG CODE: the Corporate Governance Code for Listed Companies approved on 31st January 2020 by the Corporate Governance Committee to be applied by listed companies as from 2021, to which the Board of Directors of Recordati S.p.A. resolved to adhere to at the end of 2020.

CIVIL CODE/C.C.: the Italian Civil Code.

COMMITTEE/CG COMMITTEE/CORPORATE GOVERNANCE COMMITTEE: the Italian Committee for the Corporate Governance of listed companies, promoted, in addition to Borsa Italiana S.p.A., by ABI, Ania, Assogestioni, Assonime and Confindustria.

BOARD: the Board of Directors of Recordati S.p.A.

ISSUER: Recordati S.p.A.

FINANCIAL YEAR: the financial year to which this Report relates (2023).

RECORDATI: Recordati S.p.A.

CONSOB ISSUERS' REGULATIONS: regulations governing issuers as established by Consob regulation no. 11971 of 1999 (as subsequently amended).

CONSOB MARKETS REGULATIONS: regulations governing markets as established by Consob regulation no. 16191 of 2007 (as subsequently amended).

CONSOB RELATED-PARTY REGULATIONS: the regulations issued by Consob with Resolution no. 17221 of 12th March 2010 (as subsequently amended) concerning transactions with related parties.

REPORT: the corporate governance report and the ownership structure that issuers are required to prepare pursuant to article 123 *bis* of the TUF.

REMUNERATION REPORT: the report on remuneration policy and remuneration paid that companies are required to prepare and publish pursuant to article 123-*ter* of the TUF and article 84-*quater* of the Consob Issuers' Regulations.

COMPANY: Recordati S.p.A.

TUF: Italian Legislative Decree no. 58 dated 24th February 1998 (*Testo Unico della Finanza*).

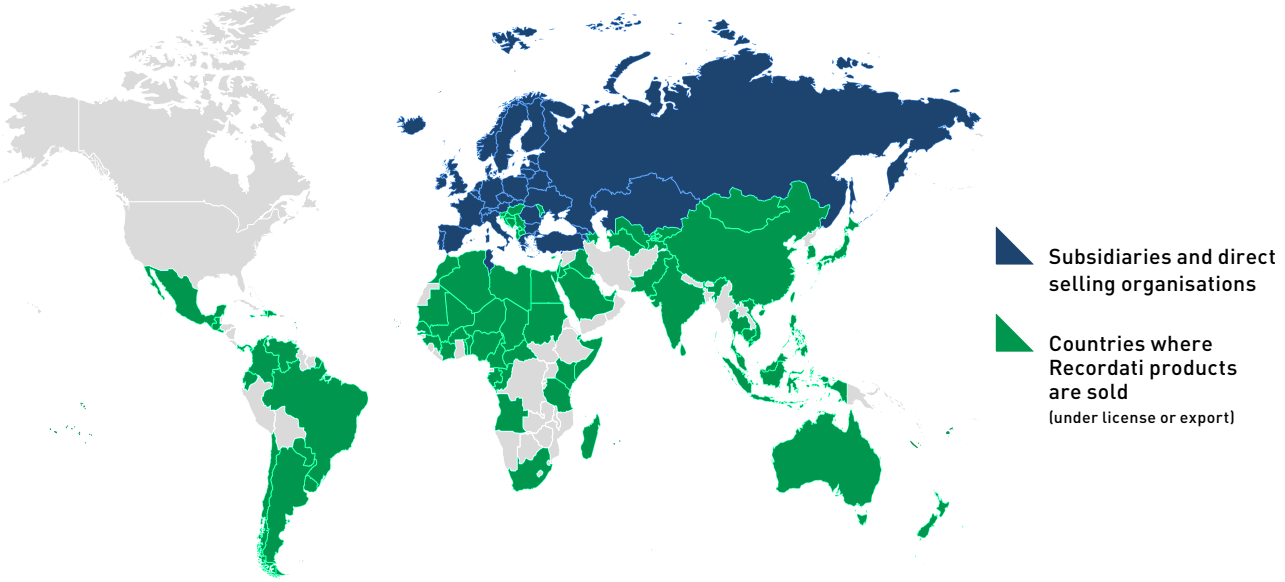
1. PROFILE OF THE ISSUER AND GENERAL INFORMATION

Recordati S.p.A. (Reuters RECI.MI, Bloomberg REC IM) was founded in 1926 and is a joint stock company listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Italian Borsa S.p.A. (ISIN IT 0003828271).

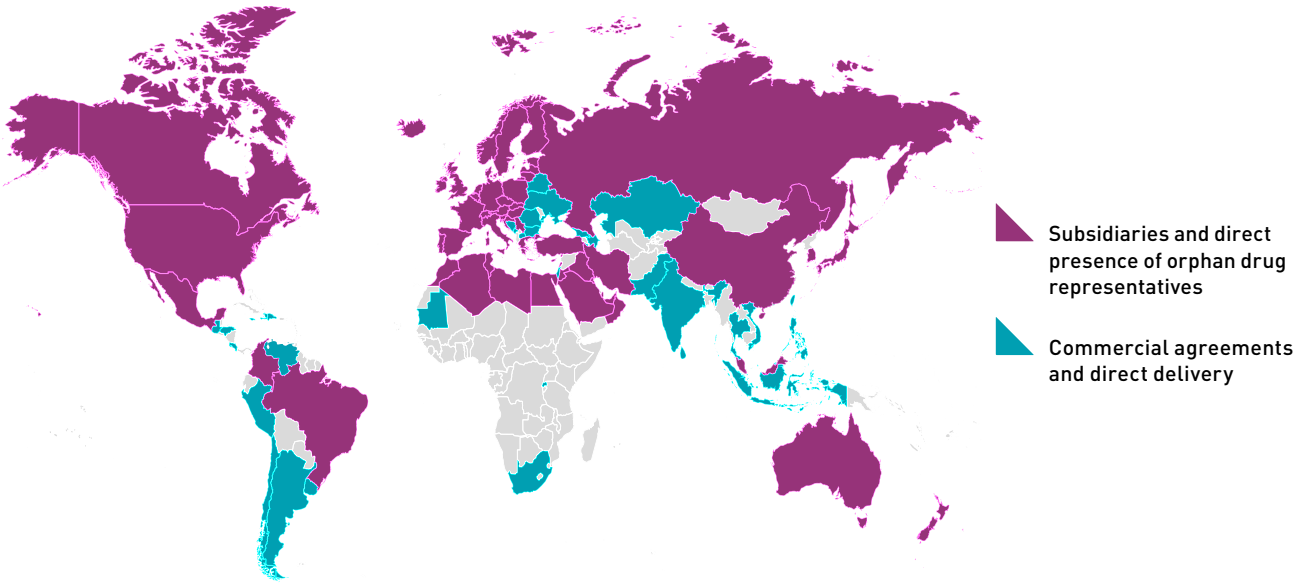
The Company and the Group that it leads has over 4,300 employees. They perform research and development, production, marketing and sales of pharmaceuticals – both original and licensed, belonging to different therapeutic areas including a specialised activity in rare diseases – supplements and medical devices, as well as pharmaceutical chemical products. Recordati is engaged in the research and development of innovative pharmaceuticals, particularly, therapies for rare diseases. They perform their activities in the principal European countries, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some countries in South America, Japan, Australia, China and South Korea.

As at 31st December 2023, the Group was composed of 52 subsidiaries (of which 4 are Italian), in addition to the Parent Company, Recordati S.p.A.

GENERAL AND SPECIALIST MEDICINE



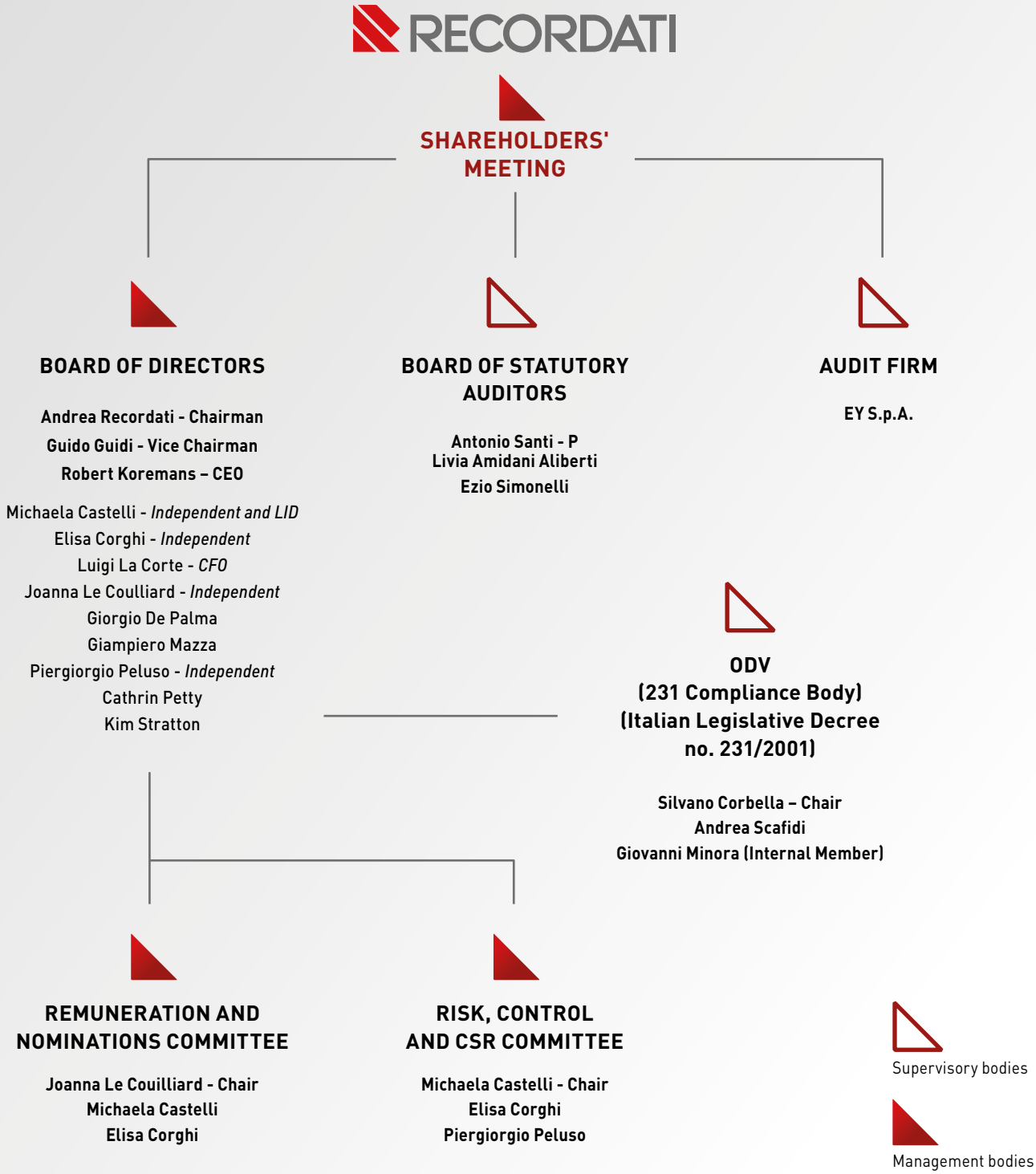
ARE DISEASES



The corporate governance structure of the Company is based on a traditional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob. A '231' (administrative liability) Compliance 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 Nominations Committee and the Risk, Control and CSR Committee, both consisting exclusively of independent directors.

Below is a graph representing the **corporate governance structure** of the Company as at 19th March 2024:



The **primary objective** of Recordati's corporate governance system is to create value for its Shareholders by means of a responsible and sustainable approach, without ever losing sight of the social relevance of its business and all the interests involved.

In fact, Recordati is convinced of the fundamental importance of generating value through an approach that is ethical, lasting, sustainable and shared with its stakeholders. Over the years, it has launched various initiatives focused on **sustainability**, aligned with its strategic, organisational and operational characteristics. When defining its management strategies and policies, in addition to improving people's health and quality of life, one of Recordati's priorities is to identify the interests of all stakeholders, monitoring and managing the economic, social and environmental impacts of its work.

The Group's Sustainability Plan, defined in accordance with the materiality analysis performed, focuses on five priority areas: patient care, people care, environmental protection, responsible sourcing, ethics and integrity. It is a fundamental tool for sharing the future path with stakeholders and embodies the Group's ambitions and what it wants to commit to in order to contribute to sustainable and responsible development. With a view to continued improvement, the Plan provides for periodic monitoring and updating. For this purpose, also in 2023 Recordati worked on updating the targets included in the Plan.

In particular, the sustainability goals were identified by the Environmental, Social & Governance department in close collaboration with the heads of other company departments. The goals were shared with the Chief Executive Officer, the Executive Leadership Team, the Risk, Control and CSR Committee and approved by the Board of Directors.

It should be noted that the targets of the Short-Term Incentive (STI) plan of the Chief Executive Officer include the main social and environmental goals of the Sustainability Plan. Moreover, responsibility for achievement of the goals included in the Sustainability Plan is assigned to the representatives of the various functions involved, who have the resources, tools and know-how required for their implementation. Under the Group's STI plan social and environmental targets, linked to the implementation of the Plan itself, were assigned to certain key management personnel.

For further information, please refer to:
(i) the Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016, which the Company publishes annually and which is available on the Section of the Company's website on sustainability https://recordati.com/sustainability-our-commitment;
(ii) the Sustainability Plan, the main aspects of which are also detailed in the Sustainability section of the Recordati's website;
(iii) the Remuneration Report, also published on the Company's website in the Corporate Governance, Remuneration section.

Recordati's commitments and focus in driving the Group's ESG strategy were recognised by the main ESG indices and ratings in 2023. Its inclusion in the FTSE4GOOD Index series was reconfirmed along with EcoVadis' 'Platinum' rating. MSCI ESG Research confirmed Recordati's A rating and the Group was rated C+ with 'Prime' status by ISS ESG, awarded to companies with the best sustainability performance in their sector. In addition, Recordati received 'Robust' in Moody's Analytics ESG Assessment and is included in the MIB ESG index, promoted by Euronext and Borsa Italiana.

More generally, Recordati promotes dialogue with its shareholders and institutional investors as an essential aspect for positively influencing the Company's conduct and increasing the level of transparency, also with a view to fostering sustainable success and value creation in the medium to long term. In accordance with the purposes and methods set forth in the 'Policy for Managing Dialogue with Investors' approved by the Board of Directors, the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing its policy on the remuneration of Directors and Key Management Personnel.

This activity is carried out through the development of an engagement plan performed on a half-yearly or at least annual basis, which involves the participation of the corporate functions of Human Resources, Investor Relations and Corporate Affairs Secretary Office, supported by the Chair of the Remuneration and Nominations Committee in order to highlight the committee's commitment on matters within their competence.

In this respect, in 2022, the Board of Directors adopted a specific 'Policy for Managing Dialogue with all Investors' in accordance with the recommendations of the CG Code.

More information on this is provided later in this Report (in particular, in the Shareholders' Relations Section).

Recordati's values are identified in the **Code of Ethics**, last updated by the Board of Directors on 30th July 2020 (available on Recordati's website[1]).

On 29th October 2020, Recordati's Board of Directors resolved to adhere to the CG Code, the recommendations of which were applicable as from 1st January 2021, with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report. In particular, **the Company falls within the CG Code's definitions of 'large company' and 'concentrated ownership company'**. The application of the relevant recommendations and application methods approved by the Board of Directors and, in particular, the possible use of the relevant flexibility options for the application of the CG Code will be specified from time to time, where necessary for 'large companies' 'with concentrated ownership'.

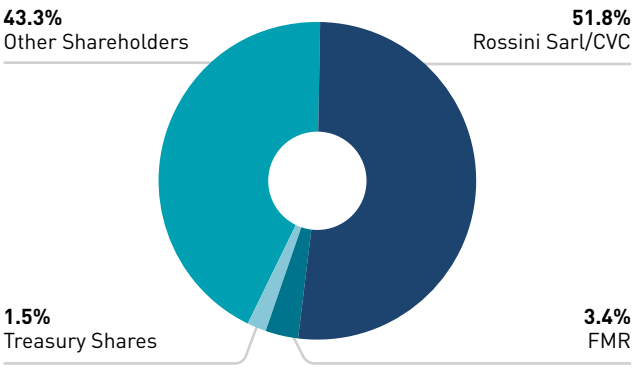
The information contained in this document, unless otherwise indicated, refers to the financial year ended on 31st December 2023 and, in relation to specific issues, updated at the date of its approval by the Board of Directors (19th March 2024).

In some cases, the Report, which is published on the 'Governance/Corporate Governance Report' section on the Company's website https://recordati.com makes reference to documents and information which may be consulted on the Company's website.

1 Recordati Group Code of Ethics

2. OWNERSHIP STRUCTURE (pursuant to article 123-*bis*, paragraph 1, of the TUF)

Below is a graph representing the ownership structure as at 31st December 2023.



a) Structure of the share capital and rights attaching to shares (pursuant to article 123-*bis*, paragraph 1, letter a) of the TUF)

The subscribed and paid-up share capital amounts to € 26,140,644.5 and is represented by 209,125,156 ordinary shares each with a par value of € 0.125 as reported in the table at the end of this section. The shares are listed on the Euronext Milan (formerly *Mercato Telematico Azionario* - electronic stock exchange) operated by Borsa Italiana and issued under a dematerialisation regime.

The rights attaching to the shares are set out in the By-Laws. More specifically, each share entitles the holder to a proportional part of the profits allocated for distribution; article 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares. The Board of Directors may resolve to distribute interim dividends, within the limits and according to the procedures established by law. Dividends not collected within five years following the day on which they became payable shall revert to the Company and are recognised in the extraordinary reserve.

As reported in the table below, there are no other categories of shares, nor other financial instruments that assign the right to subscribe to new share issues, with the exception of the conditions indicated below in the context of stock option plans.

As concerns outstanding long-term incentive plans and any share capital increases there may be at the service of those plans, reference is made to the information documents prepared in accordance with article 84-*bis* of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the address: https://recordati.com/governance-remuneration, as well as to the Remuneration Report prepared pursuant to article 84-*quater* of the Consob Issuers' Regulations and which may also be consulted on the Company's website at the same address).

Structure of the share capital

	No. Shares	No. of voting rights	Listed/ unlisted
Ordinary shares	**209,125,156**	**209,125,156**	Listed on the Listed on the Euronext Milan regulated market managed by Borsa Italiana
Preference shares	**0**	**0**	
Shares with multiple voting rights	**0**	**0**	
Other classes of shares with voting rights	**0**	**0**	
Savings shares	**0**	**0**	
Convertible savings shares	**0**	**0**	
Other classes of shares without voting rights	**0**	**0**	

No other financial instruments exist which give the right to subscribe newly issued shares.

b) Restrictions on transfer of securities (pursuant to article 123-*bis*, paragraph 1, letter b) of the TUF)

The By-Laws of the Company establish that the shares of the Company are freely transferable.

c) Significant investments in the share capital (pursuant to article 123-*bis*, paragraph 1, letter c) of the TUF)

On the basis of notifications received, in accordance with article 120 of Italian Legislative Decree no. 58/1998 and other information received, as at 19th March 2024, the following parties held shares, either directly or indirectly, amounting to more than 3% of the share capital ('significant shareholdings').

Significant shareholdings

Reporting entity	Direct Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital*
CVC CAPITAL PARTNERS	**ROSSINI SARL**	51.82%	51.82%
FMR LLC	**Fidelity Management & Research Company LLC, FIAM LLC, Fidelity Institutional Asset Management Trust Company, Fidelity Management Trust Company**	3.402%	3.402%

** As is known treasury stock consists of shares on which voting rights are only temporarily suspended in accordance with the law.*

As at 19th March 2024, Recordati S.p.A. also held no. 2,769,064 treasury shares equal to 1.324% of the capital on which voting rights are suspended in accordance with the law.

Significant shareholdings may be consulted on the Consob website (www.consob.it).

d) Securities with special rights (pursuant to article 123-*bis*, paragraph 1, letter d) of the TUF)

No securities with special rights of control have been issued.

e) Shareholding by employees: exercise of voting rights (pursuant to article 123-*bis*, paragraph 1, letter e) of the TUF)

No shareholding system exists for employees which involves the exercise of voting rights which is different from that provided for shareholders in general.

f) Restrictions on voting rights (pursuant to article 123-*bis*, paragraph 1, letter f) of the TUF)

Each ordinary share gives the right to vote without any restrictions.

g) Shareholders' Agreements (pursuant to article 123-*bis*, paragraph 1, letter g) of the TUF)

On 29th June 2018, the members of the Recordati family, then shareholders of Fimei S.p.A. – at that time the majority shareholder of the Company (as from 22nd April 2021 merged by incorporation into Recordati S.p.A.) – announced that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII of the entire capital of Fimei S.p.A. which, on that date, held 51.79% of the Company's capital (the '**Contract**').

On 4th July 2018, this Contract was published pursuant to article 122 of the TUF, as it contains *inter alia* certain agreements (the '**Agreements**') functional to the execution of the transaction governed by the Contract itself, which can be considered as agreements of a shareholder nature and have therefore been prudently subject to the related publication formalities.
On 6th December 2018, in the performance of the aforementioned Contract, the shareholders of Fimei S.p.A. transferred their entire shareholding in Fimei S.p.A. to Rossini Investimenti S.p.A. (a company designated for this purpose under the aforementioned agreement).
Following the completion of this transfer, all the Agreements of the Contract ceased to apply.

On 29th June 2018, Rossini Holdings S.àr.l., ('**Rossini Holdings**'), executed two investment agreements with Andrea Recordati and an investment agreement with Fritz Squindo (collectively, the '**Investment Agreements**'). The aforementioned agreements govern the investment conditions of Andrea Recordati and Fritz Squindo respectively in Rossini Luxembourg S.àr.l., a subsidiary of Rossini Holdings, subject to the acquisition by Rossini Luxembourg of the entire share capital of FIMEI S.p.A., a company that holds ordinary shares representing 51.791% of the subscribed share capital of Recordati. The Investment Agreements contain, inter alia, certain agreements (the '**Agreements**'), functional to the execution of the transaction governed by the Investment Agreements themselves, which are likely to take on a significant shareholder nature for the purpose of fulfilling the related publication formalities.
On 4th July 2018, these Agreements were disclosed pursuant to article 122 of the TUF.
On 6th December 2018, two agreements were executed amending the aforementioned Investment Agreements, both of which were notified pursuant to article 122 of the TUF on 11th December 2018.

On 6th December 2018, Rossini Holdings S.à r.l. established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 ('**CVC Luxco**'), Rossini Luxembourg S.àr.l. established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 ('**Lux Equityco**') and Rossini Co-Invest GP Limited ('**General Partner**'), in its capacity as general partner of Rossini Co-Invest L.P. (the '**Partnership**') both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, and Channel Islands JE1 1SG, executed with PSP Investments Holding Europe Limited with its registered office in London, 10 Bressenden Place SW1E 5DH, United Kingdom, ('**PSP**') some significant shareholders' agreements pursuant to article 122 of the TUF (the '**PSP Shareholders' Agreement**').
This PSP Shareholders' Agreement was published pursuant to article 122 of the TUF on 11th December 2018.

On 6th December 2018, Rossini Holdings S.à r.l. established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 ('**CVC Luxco**'), Rossini Luxembourg S.à r.l. established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 ('**Lux Equityco**') and Rossini Co-Invest GP Limited ('**General Partner**') in its capacity as general partner of Rossini Co-Invest L.P. (the '**Partnership**') both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, Channel Islands JE1 1SG, executed with Finance Street SSMA C.V., AlpInvest LIVE Co C.V., ACIF VII C.V., ACIF (Euro) VII C.V., AG Co-Investment C.V., AJ Co C.V., AlpInvest GA Co 2018 C.V. and APSS Co-Investment C.V. (collectively, '**AlpInvest**') some significant shareholders' agreements pursuant to article 122 of the TUF (the '**AlpInvest Shareholders' Agreement**').
This AlpInvest Shareholders' Agreement was published pursuant to article 122 of the TUF on 11th December 2018.

On 19th February 2019, with reference to the investment agreements executed between Andrea Recordati, on one hand, and Rossini Luxembourg S.àr.l. and Rossini Holdings, on the other hand, on 29th June 2018 (as amended on 6th December 2018) (hereinafter referred to as the '**AR Agreements**'), which include some significant shareholders' agreements pursuant to article 122 of the TUF, paragraphs 1 and 5 and were already disclosed to public on 1st July and 11th December 2018, the following amendment was disclosed: on 14th February 2019, (i) Mr Andrea Recordati subscribed for no. 6,350,000 ordinary shares and no. 1,150,000 preference shares (the ordinary and preference shares, the '**Shares**') of Rossini Luxembourg; (ii) Mr Andrea Recordati transferred these Shares to his controlled company Indio s.s., with registered office in Milan, via Paolo Andreani 4, fiscal code 97832790154 ('**Indio**'); (iii) through the signing of certain adhesion agreements with Andrea Recordati, Rossini Luxembourg and Rossini Holdings S.àr.l. (the '**Indio Adhesion Agreements**'), Indio has adhered to the AR Agreements, taking upon itself the rights and obligations arising from the AR Investment Agreements held by Andrea Recordati, who in any case remained a party to those agreements; and (iv) the Shares are held by Cordusio Società Fiduciaria per Azioni, a company subject to the management and coordination of Unicredit S.p.A., with registered office in Milan, via Borromei, 5, registered under no. 863916 with the Companies' Register of Milan ('**Cordusio**'), in its capacity as fiduciary company (*società fiduciaria*) appointed by Indio, which has given Cordusio irrevocable instructions, as they are also conferred in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the AR Agreements and the By-laws of Rossini Luxembourg.

Through the Indio Adhesion Agreements, Indio has undertaken the rights and obligations which Andrea Recordati was entitled to on the basis of the AR Agreements, Mr Andrea Recordati remaining although part to such agreements.
Furthermore, pursuant to the Indio Adhesion Agreements, Indio has undertaken towards Rossini Holdings and Rossini Luxembourg to transfer the ordinary and privileged shares of

Rossini Luxembourg held by the latter to Mr Andrea Recordati or to a related party to him, in case Indio ceases to be qualified as related party to Mr Andrea Recordati.

No amendments occurred in relation to the same agreements executed on 29th June 2018 between Fritz Squindo, on one hand, and Rossini Luxembourg S.àr.l. and Rossini Holdings S.àr.l., on the other hand, as subsequently amended on 6th December 2018 likewise the AR Agreements the '**FS Agreements**'), which were disclosed to the market on 4th July and 11th December 2018. On 14th February 2019, the Rossini Luxembourg shares subject to the FS Agreement were subscribed by Cordusio on behalf of Mr Fritz Squindo, who granted Cordusio irrevocable instructions, as they were also granted in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the FS Agreement and the By-laws of Rossini Luxembourg.

For the sake of completeness, it should be noted that the extract of the aforementioned shareholders' agreements published pursuant to the law and the essential information on the relevant agreements mentioned above, as also possibly amended, in line with the applicable legislation, are available on the Company's website under section Investors/Shareholders Information/ Shareholders Agreements at the following address: https:// recordati.com/shareholder-information.

h) Change of control clauses (pursuant to article 123-*bis*, paragraph 1, letter h) of the TUF) and By-Laws provisions concerning public tender offers to purchase (pursuant to articles 104, paragraph 1-*ter* and 104-*bis*, paragraph 1)

The Company and some of its subsidiaries are, in relation to their business operations, parties to some licensing agreements that include a clause, which is a normal provision in international agreements, authorising the Licensor to dissolve the contracts in the event of change of direct or indirect control of the Licensee.

In addition, bonds issued by the Company (in 2014, 2017 and in 2022) – for residual totals of US$51.4 million and € 200 million - both privately placed with international institutional investors and most of the major loan agreements executed by the Company, also as guarantor for the benefit of its subsidiaries – for a total of € 1,470 million – set out, as is normal in financial operations of this type, a clause, which authorises the creditors to obtain immediate repayment if the control of the Company changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to article 104, paragraph 1-*ter*, of the TUF nor do they allow the application of neutralisation rules pursuant to article 104-*bis*, paragraph 1, of the TUF.

i) Authorisation for increase of share capital and acquisition of treasury shares (pursuant to article 123-*bis*, paragraph 1, letter m) of the TUF)

Following the expiry of the authorisations to increase the share capital, pursuant to article 2443 of the Italian Civil Code, and to issue bonds that can be converted into ordinary shares pursuant to article 2420-*ter* of the Italian Civil Code, approved by the Shareholders' Meeting of 11th April 2017 (which the Board had not implemented, even partially), to date the Board has not proposed either a renewal or new authorisations.

The By-Laws do not authorise the Board to issue participating financial instruments.

In ordinary session, by means of a resolution of 21st April 2023 a Shareholders' Meeting renewed the authorisation to purchase treasury shares, pursuant to articles 2357 *et seq.* of the Italian Civil Code, until approval of the financial statements as at 31st December 2023, scheduled for 22nd April 2024. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 4,000,000, which corresponds to a total potential payment of not more than € 200,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must be made on regulated markets, in compliance with the applicable laws and regulations, according to the procedures set forth by EU Regulation no. 596/2014 and the relevant implementing provisions, and according to standard practices recommended by Consob in accordance with article 13 of EU Regulation no. 596/2014, where applicable.

On the basis of this shareholders' resolution, on 2nd October 2023 (as disclosed to the market on 29th September 2023), a share buy-back program was launched to service stock option plans / performance shares plans for the management of the Recordati Group that was already adopted by the Company or share-based incentive plans that should be approved in the future. This share buy-back program is still underway as at the date of approval of the Report. On the basis of this program, as at 19th March 2024, no. 560,512 shares were purchased for a consideration of € 26,647,226.15 (thus leaving no. 114,488 shares until the maximum number of purchasable shares).

It should be noted that, at the end of the Financial Year, the Company held 3,119,044 treasury shares in its portfolio, corresponding to 1.491% of the share capital.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the financial statements for the year ended on 31st December 2023, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2023 financial statements to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors' Report on the relevant item on the agenda, which will be also made available on the Company's website within the time period set forth by law, may be consulted for further information.

j) Management and co-ordination (pursuant to article 2497 *et seq.* of the Italian Civil Code)

The Company is subject to the management and coordination on the part of Rossini Luxembourg S.àr.l, pursuant to article 2497 *et seq.* of the Italian Civil Code.

In 2019 the Board of Directors approved the adoption of specific regulations on the management and coordination activities carried out by Rossini Luxembourg S.àr.l. over Recordati S.p.A. (last updated in December 2023) and on the information flows of Recordati S.p.A. towards, in particular, Rossini Luxembourg S.àr.l. at the end of an in-depth investigation which involved, from the onset of the drafting phrase, the independent directors and the Board of Statutory Auditors.

The exercise of this activity by Rossini Luxembourg S.àr.l. can be carried out, *inter alia*, through the formulation of general guidelines, the purpose of which is to coordinate, to the extent deemed necessary, insofar as possible and in any case in accordance with the respective objectives, the management strategies of Rossini Luxembourg and the Recordati Group; the establishment of directives and the formulation of instructions for the transmission of management and accounting information which Rossini Luxembourg may need in order to comply with applicable laws and regulations; the formulation by Rossini Luxembourg of non-binding opinions in particular on some significant transactions and decisions.

The Company performs management and coordination activities, pursuant to articles 2497 *et seq*. of the Italian Civil Code, vis-à-vis the Italian companies belonging to the Recordati Group and its direct and indirect subsidiaries, outlining their medium/long-term strategies in terms of economic and financial results, industrial and investment objectives and commercial policies. The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.

k) Other information

The information required by article 123-bis, first paragraph, letter i) of the TUF ('*agreements between the Company and directors, members of the board of directors or the supervisory board, which provide for the payment of indemnities in the event of resignation, dismissal without just cause or if the contract of employment is interrupted following a public tender offer*') is given in the Remuneration Report published in accordance with article 123-*ter* of the TUF.

The information required by article 123 *bis*, first paragraph, letter l) of the TUF ('*regulations for the appointment and replacement of directors and for amendments to the By-Laws, if different from those applicable by law in the absence of alternative provision*') is given in the section of the report on the Board of Directors (Section 4.1).

3. COMPLIANCE (pursuant to article 123-*bis*, paragraph 2, letter a, first part) of the TUF)

As illustrated in Section 1, in accordance with the procedures contained in this report, the Company adheres to the CG Code, which may be consulted on the website of the Corporate Governance Committee at the address: https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020eng.en.pdf.

In particular, in the event that the Company has decided not to adhere – also partially - to certain principles or operating criteria of the CG Code, reasons were given either in the corresponding section of this Report or in the corresponding section of the Remuneration Report.

The main characteristics of the risk and internal control management systems in relation to financial reporting, including consolidated reporting, requested by article 123-*bis*, paragraph 2, letter b) of the TUF are illustrated in the section of the Report on internal control and risk management (Section 9).

The procedures for the functioning of shareholders' meetings, its principal powers, the shareholder rights and the procedures for exercising them, required by article 123-*bis*, paragraph 2, letter c) of the TUF, are illustrated in the section of the Report on Shareholders' Meeting (Section 13).

The information concerning the criteria and policies concerning diversity applied in relation to the composition and functioning of management and supervision bodies and their committees, required by article 123-*bis* paragraph 2, letter d) of the TUF, are illustrated in the section of the Report on the Board of Directors (Section 4) and, in more detail for the Committees, in the section of the Report on internal Board Committees (Section 6).

Information on the criteria and policies on diversity applied in relation to the composition of the administrative, management and control bodies with regard to aspects such as age, gender composition and training and professional background required by article 123-*bis*, paragraph d-*bis*, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.3.b.).

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

On 28th October 2021, the Board of Directors approved a regulation (the '**Regulation**') governing the **role**, activities, organisation and procedures for the functioning of the Company's governing body, in order to ensure compliance with applicable laws and Recordati's By-Laws (the 'By-Laws'), as well as with the principles and recommendations of the CG Code as applicable from time to time and as approved by the Company and, in particular, also with a view to ensuring an effective management of board reporting.

With regard to the role and competences of the Board of Directors, pursuant to article 22 of the By-Laws, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration and management of the Company, without any exceptions whatsoever, and is authorised to perform all the acts it deems appropriate for the implementation and achievement of the corporate purposes, with the exception only of those acts that the law strictly reserves to the Shareholders' Meeting. The Board of Directors is also empowered to resolve on matters that cannot be delegated pursuant to article 2381 of the Italian Civil Code.

In addition, the Board of Directors: (i) is empowered to resolve on the matters set out in article 22 of the By-Laws; (ii) pursuant to article 18 of the By-Laws, appoints one or more Chief Executive Officers from among its members; (iii) may delegate its powers, in whole or in part, in addition to the Chairman, also to the Vice-Chairman, to the Executive Committee and/or to one or more Chief Executive Officers and may grant specific mandates to individual Directors or to managers of the Company, all as better specified in article 9 below; (iv) pursuant to article 25 of the By-Laws and the 'Regulation of the Manager responsible for preparing the company's financial reports' approved by the Board of Directors most recently on 18th March 2020 (the 'Financial Reporting Officer Regulation', subject to the mandatory opinion of the Board of Statutory Auditors and the Risk, Control and CSR Committee, appoints and revokes the Manager responsible for preparing the company's financial reports (the 'Financial reporting Officer'; (v) decides on related-parties transactions in the cases provided for by the related-party transaction procedure adopted by the Company.

The Board of Directors is responsible for defining the strategic guidelines of the Company and of the group it heads, monitoring their implementation, resolves on transactions of strategic importance and is responsible for governing their management.

In relation to the **specific powers provided for by the CG Code**, the Board monitors the adequacy of the organisational, administrative and accounting structure of Recordati and its subsidiaries of strategic importance, with particular reference to the internal control and risk management system.

The Board of Directors:

(i) leads the Company by pursuing its sustainable success;

(ii) defines the corporate governance system that is most functional for carrying out the Company's business and pursuing its strategies, taking account of the flexibility offered by the legal framework, and, if needed, assesses and promotes the appropriate amendments and submits them to the Shareholders' Meeting when such changes are necessarily subject to the Shareholders' approval, with reference to:
(a) choice and characteristics of the corporate form;

(b) size, composition and appointment of the management body and term of office of its members;
(c) definition of administrative rights (including the possible introduction of increased voting rights) and equity rights of shares;
(d) percentages set for the exercise of the prerogatives to preserve minorities;

(iii) promotes dialogue with Shareholders and other stakeholders which are relevant for the company, in the most appropriate way.

In particular, the Board of Directors:

a) examines and approves the business plan of the Company and of the group it heads, also on the basis of the analysis of the issues relevant to the generation of long-term value carried out with the support of the Risk, Control and CSR Committee or of the different committee that may be identified by the Board of Directors;
b) periodically supervises the implementation of the business plan and assesses the general operating performance, taking into account, in particular, the information received from the delegated bodies and periodically comparing the achieved results with the planned ones;
c) defines the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all the elements that may be relevant to the medium-long term sustainability of the Company's activities;
d) defines the corporate governance system of the Company and the structure of the group it heads, setting out guidelines for the governance of its subsidiaries;
e) assesses the adequacy of the organisational, administrative and accounting structure of the Company and of its subsidiaries with strategic importance as drafted by the delegated bodies, with particular reference to the internal control and risks management system;
f) resolves on the transactions of the Company and of its subsidiaries that have significant strategic, economic, equity or financial importance for the Company itself and, to this end, it sets out the general criteria for the identification of significant transactions through the adoption of an appropriate procedure;
g) adopts internal regulations, including those concerning market abuses (Regulation (EU) no. 596/2014, the so-called Market Abuse Regulation).

In addition, in relation **to the internal control and risks management system**, the Board of Directors, in line with the provision of the CG Code, with the support of the Risk, Control and CSR Committee:

a) defines the guidelines of the internal control and risk management system in accordance with the Company's strategy and in such a way that the main risks relating to the issuer and its subsidiaries, including the various risks that may be relevant to sustainable success, are correctly identified, as well as adequately measured, managed and monitored, also determining the level of compatibility of such risks with a management of the company in line with the Company's strategies;
b) identifies one or more Directors responsible for the introduction and maintenance of an effective internal control and risk management system (Director(s) in charge of the internal control and risks management system), if it considers to derogate from the recommendation of the CG Code which identifies the latter as the Chief Executive Officer;
c) appoints and revokes the Group Audit Director, defining his/her remuneration in line with the Company's policies and ensuring that he/she is provided with appropriate resources to carry out his/her duties. If the Board of Directors decides to entrust the Group Internal Auditing Function, as a whole or by segments of activity, to an external party, it shall ensure that the latter has appropriate competence, independence and organisation requirements, and that appropriate reasons for this choice are provided in the Corporate Governance Report;
d) approves, at least once a year, the work plan prepared by the Group Audit Director after having also consulted the Board of Statutory Auditors, the Director responsible for the internal control and risks management system and the Chief Executive Officer (if a person other than the Director responsible for the internal control and risks management system);
e) assesses the appropriateness of measures adopted to ensure the effectiveness and impartiality of judgement of the corporate functions involved in the controls (such as risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they are provided with appropriate competence and resources;
f) assesses, at least once a year, the adequacy of the internal control and management risks system with respect to the Company's characteristics and its risk profile, as well as its effectiveness;
g) assigns the supervisory functions pursuant to article 6, par. 1, lett. b) of Italian Legislative Decree no. 231/2001 to the Board of Statutory Auditors or to a body established specifically for this purpose (the so-called '*Organismo di Vigilanza*' – ODV (231 Compliance Body)); in the latter case, (i) appoints the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, ensuring to appoint within the body at least one non-executive Director and/or a member of the Board of Statutory Auditors and/or the head of a legal or supervisory function of the Company, in order to ensure coordination among the various parties involved in the Internal Control and Risks Management System and (ii) grants the ODV (231 Compliance Body) an annual budget;
h) describes, in the corporate governance report, the main characteristics of the internal control and risks management system and the methods of coordination among the persons concerned. The report provides information about the national and international reference models and best practices adopted and the Board's overall assessment of the adequacy of the system itself. Moreover, it provides an adequate explanation of the composition of the ODV (231 Compliance Body).
i) assesses, after consultation with the Board of Statutory Auditors, the results presented by the External Auditors in any letter of suggestions and in the additional report on the key issues raised during the statutory audit addressed to the Board of Statutory Auditors, if any;
j) adopts, modifies and/or integrates the Management, Control and Organisational Model drafted pursuant to Italian Legislative Decree no. 231/2001 and approves its adjustments in line with the regulatory provisions in force from time to time;
k) appoints and revokes the Person(s) in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998;
l) implements the recommendations of the CG Code in relation to the internal control and risks management system.

In addition, the Board of Directors, with the support of the Remuneration and Nominations Committee, is vested with the powers and functions set out in the CG Code and applicable law **in relation to remuneration**. Again with the support of the Remuneration and Nominations Committee, the Board of Directors:

a) ascertains that appropriate procedures are in place for the succession of top management in accordance with the CG Code;
b) identifies the candidates for the office of Director in the event of co-option, if there are no remaining candidates available in the slate to which the outgoing Director belonged, in accordance with the criteria relating to the composition of the Board.

The Board of Directors is also responsible for the adoption of the regulations, procedures and internal policies deemed necessary or appropriate for the organisation of the company, or for compliance with the law or the compliance with the CG Code, including, by way of example, the following:

a) a regulation which defines the functioning rules of the Board of Directors and of its Committees (please see article 11.4 of the Regulation);
b) a procedure which regulates the related-party transactions carried out by the Company, directly or through its subsidiaries;
c) a procedure for the internal management and the external communication of inside information in accordance with the law (please see point I), lett. g) above).

The Board of Directors has decided to take advantage, with effect from 20th December 2012, of the option not to comply with obligations to publish the reports required when significant transactions are performed consisting of mergers, demergers, share capital increases through contributions in kind, acquisitions and disposals, in accordance with article 70, paragraph 8, of the Consob Issuers' Regulations.

It should be noted that, in implementation of the above, **during 2023**, the Board in particular:

- generally assessed the operating performance and monitored the comparison, amongst other things, of actual results with budgeted results taken from the approved 2023 budget, carried out as per generally established practice when quarterly interim accounting reports are approved;
- approved the 2023-2025 Plan, the 2023 Group Budget and set the 2023-2025 targets, which were then disclosed to the market;
- following the proposal of the Remuneration and Nominations Committee, approved the new long-term incentive plan based on financial instruments called '2023-2025 Performance Shares Plan' to be submitted to the Shareholders' Meeting; following the Shareholders' Meetings' approval of the aforementioned plan, it approved the granting of rights to grant shares for 2023;
- assessed the independence requirements of the directors qualifying as independent also in the light of the criteria set out in the GC Code, requesting them to disclose to the Company any information pursuant to the 'Policy on quantitative and qualitative criteria for assessing independence requirements' approved by the Board of Directors on 28th October 2021;
- set the performance targets linked to the variable component of the remuneration of the Chief Executive Officer for 2023 and acknowledged the targets assigned to other key manager personnel;
- approved the final accounts of the MBO targets of the Chief Executive Officer and acknowledged the final accounts of the targets assigned to the other key manager personnel for 2022;
- at the beginning of 2023 confirmed as subsidiaries of strategic importance the companies already identified as such in 2022;
- assessed positively the adequacy of the general organisational, administrative and accounting structure of the Company and its subsidiaries of strategic importance, with particular reference to the internal control and risk management system, prepared by the Chief Executive Officer who is identified as the Director responsible for the internal control and risk management system;
- appointed the ODV (231 Compliance Body) provided for in the Model adopted pursuant to Italian Legislative Decree no. 231/2001;
- after consulting with the Board of Statutory Auditors, the Chief Executive Officer in his capacity as the Director responsible for the internal control and risk management system, approved the work plan prepared by the Chief of the Group Internal Audit Function for 2023;
- approved the updating of the Guidelines on the internal control and risk management system for 2023;
- has progressively examined the changes to the organisational structure that occurred during 2023;
- examined the guidelines of the succession procedure for key manager personnel, following preliminary activities conducted by the Remuneration and Nominations Committee;
- examined and approved the materiality matrix and updated the sustainability plan and targets for the 2023 financial year, also following a specific benchmarking analysis on material and objective issues, with the preliminary support of the Risk, Control and CSR Committee;
- received reporting on the implementation of the Engagement Plan and thus on the outcomes of meetings with some of the major investors and proxy advisors as well as on feedback from investors and analysts;
- examined and approved the transactions of the Company and of its subsidiaries, when such transactions were of significant strategic, economic, equity or financial importance for the Company or its subsidiaries (in particular: acquisition of rights to medical products and loan agreements;
- examined the updates of the Company's 'Risk Map', also prior to the completion of important business development transactions;
- carried out specific in-depth analyses, also from a strategic point of view, on some business areas including those related to industrial operations and R&D activities;
- examined the impairment analyses concerning the 2022 financial statements, the financial assessment assumptions and the forecasting assumptions used for these purposes and examined the preliminary results of a specific analysis carried out with the support of an independent expert engaged by the Company in relation to the possible update of the impairment test methodology as from the financial statements as at 31st December 2023;
- approved the Directors' Report on the election of the Board of Statutory Auditors, formulating a recommendation to the Shareholders' Meeting regarding the adjustment of the relevant remuneration;
- following the appointment of the new Board of Statutory Auditors by the Shareholders' Meeting, assessed the fulfilment of the independence requirements by the aforementioned Statutory Auditors, following the assessment also carried out by the Board itself, disclosing the results to the market;
- set the cumulative target (2022-2024) of the stock option grant resolved upon by the Board of Directors on 24th February 2022, following the approval of the 2023-2025 Three-Year Plan;
- launched a share buy-back program to service stock option plans and/or share-based incentive plans for the

management of Recordati Group companies already adopted by the Company and those plans to be adopted in the future;
- at the end of 2023, examined the 2024 Group budget and reviewed the annual update of the 'Risk Map' and carried out the consequent assessment of the compatibility of the level and nature of the risks as identified in the Group Risk Map submitted to the Board, with the Group's strategic objectives set out in the 2024 Budget, also with a view to the medium/long-term sustainability of the Company;
- revised and updated the powers granted to the Chief Executive Officer, increasing certain expenditure commitment thresholds in light of the Group's operational growth;
- launched the Board Review process in view of the renewal of the term of office of the current Board of Directors expiring with the Shareholders' Meeting called to approve the financial statements as at 31st December 2024;
- updated the perimeter of key manager personnel;
- at the beginning of 2024 and up to the date of approval of the Report, examined and approved the final version of the 2024 Group Budget and the 2024 targets; an update of the Impairment Test Procedure and methodology to be adopted as from the 2023 financial statements; the Sustainability Plan and sustainability targets for the 2024 financial year; the update of the peer groups for the purposes of benchmarking activities in terms of remuneration; the audit plan and compliance plan for the 2024 financial year; the adequacy of the general organisational, administrative and accounting structure of the Company and its strategically relevant subsidiaries.

In addition to what is indicated in this Section, reference should also be made to the other relevant Sections of the Report for details of the further duties assigned to the Board concerning: its composition, functioning, appointment and self-assessment as well as the internal control and risk management system.

Please refer to the Remuneration Report for details of the additional duties assigned to the Board concerning remuneration policy.

4.2 APPOINTMENT AND REPLACEMENT (pursuant to article 123-*bis*, paragraph 1, letter l) of the TUF

The appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, for the sake of completeness, is reproduced in full below:

Article 15) The Board of Directors shall be appointed from slates of candidates presented by shareholders, in compliance with the existing legislation in force on gender balance, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.
The slates, signed by the shareholders who present them, must be deposited at the registered office of the Company at least twenty-five days prior to the date of the first convention of the Shareholders' Meeting, available to anyone who requests to see them, and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time.
Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and companies subject to joint control pursuant to article 93 of the TUF, may not present or contribute to the presentation of more than one slate, not even by means of another person or trustee, nor may they vote for different slates, and each candidate may be listed in only one slate or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any slate.
Only shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights at ordinary meetings, or representing a lesser percentage as established by binding legislative or regulatory provisions which shall be specified in the notice of meeting, shall have the right to submit slates.
The following items must be filed for each slate within the respective deadlines set out above and as provided by applicable regulations: (i) statements by each candidate to the effect that each accepts candidacy and declares, assuming full responsibility, that there are no reasons preventing the candidate from being elected or rendering him unsuitable for the office, and that the candidate meets any specific requirements for the relevant office; (ii) a curriculum vitae detailing each candidate's personal and professional characteristics and indicating that the candidate may be considered independent.
The specific certification demonstrating title to the necessary number of shares for the presentation of the slate, issued by a legally authorised intermediary must also be deposited within the time limits set by the relative regulations at the time when the slates are deposited at the Company.
Slates containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the less represented gender.
Slates that are presented but are not in accordance with the provisions as above will be considered as not presented.
The Board of Directors will be elected as follows:
a) all of the Directors to be appointed, except one, will be selected from the slate that obtained the greatest number of votes, following the progressive order in which they are listed on the slate;
b) the remaining director shall be the candidate placed at the number one position on the minority slate, which shall not be connected in any way, even indirectly, with those who submitted or voted for the slate indicated in letter a) above, which obtains the second highest number of votes. For this purpose, slates that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates as at the fourth paragraph of this article will not be considered.
For the purposes of the appointment of directors as indicated at point b) above, in the event of a tie between slates, the slate presented by shareholders possessing the larger shareholding, or subordinately the larger number of shareholders, shall prevail.
If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for statutory auditors at article 148, third paragraph, of the TUF, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the slate that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other slates, according to the number of votes obtained by each. This procedure of substitution will be followed until the board of directors is composed of a number of members who have the qualifications as at article 148, third paragraph of the TUF, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.
Furthermore, if with the candidates elected according to the above procedures the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is not ensured, the candidate of the gender most represented

elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.
If only one slate is presented, all of the Directors will be selected from the same slate. If no slate is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above. All of the foregoing is subject to compliance with the legislation in force at the time concerning gender balance.
Any different or additional compulsory provisions of the law or regulations will form an exception to these provisions.
Article 16) - The fees to be paid to the Board of Directors shall be established by the Shareholders' Meeting for the entire period of their term, or for each financial year, and may take the form of profit-sharing.
Article 18) - Unless already provided for by the Shareholders' Meeting, the Board shall appoint a Chair and may appoint a Vice-Chair from among its members. The Board shall also appoint one or more Managing Directors from among its members. The Chair shall have all the powers vested in him by law; in the case of his absence or inability to attend for any reason, the said powers shall be exercised by the Vice-Chair, or in his absence, by the most senior Director.
Finally, the Board shall appoint a Secretary, who need not be a member of the Board.

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Shareholders' Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Consob Issuers' Regulations, as well as Consob resolution no. 92 of 31st January 2024, the percentage of the share capital required to present slates of candidates to the Board of Directors of the Company is currently 1%. The current By-Laws do not provide for the possibility of the outgoing Board of Directors to submit a slate.
On the basis of article 147-*ter*, first paragraph, of the TUF, the By-Laws also state that for the purposes of the distribution of votes among directors to be elected, no account is taken of slates that have not obtained a percentage of votes equal to at least half of that required for the presentation of slates.

In order to ensure the election of at least one minority director, the By-Laws state that all the directors to be elected except for one shall be drawn from the slate which obtained the greatest number of votes in the order in which they are slated on that slate. The remaining director is the candidate placed in the number one position on the minority slate, which shall not be connected in any way, even indirectly, with the shareholders who submitted or voted for the majority slate and which obtained the majority of votes from the shareholders. In the case of a tied vote between slates, the minority director shall be drawn from the slate presented by the shareholders in possession of the greater number of shares or, secondarily, with the greatest number of shareholders.

As concerns the mechanism adopted to ensure that a minimum number of independent directors are elected in compliance with article, 147-*ter*, fourth paragraph, of the TUF, the By-Laws state that if the number of independent directors is not reached, the non-independent candidate elected in last place on the majority slate shall be replaced by the first independent candidate in progressive order not elected on that slate, or, if there is none, by the first independent candidate in progressive order not elected on the other slates, according to the number of votes obtained by each.
Finally, if this procedure does not lead to the aforementioned result, the directors shall be replaced by a resolution passed by relative majority of the Shareholders' Meeting upon presentation of candidates satisfying the above requirements of independence.

If only one slate is presented, the By-Laws also state that all of the Directors to be elected shall be selected from that slate. If no slate is presented the Shareholders' Meeting shall decide by legal majority, without following the procedures just described.
The By-Laws to not lay down any additional **requirements for the independence of Directors** with respect to those contained in article 148, paragraph 3, of Italian Legislative Decree no. 58/1998, because the Company adheres to the CG Code and the Board of Directors verifies possession of the requirements of independence in accordance with the CG Code and consequently when a Shareholders' Meeting appoints Directors, the Board of Directors invites candidates to the position of Director contained on slates to declare also these requirements, as adopted by the Company.

In compliance with the CG Code, during 2021, the Board adopted a '***Policy on qualitative and quantitative criteria for assessing independence requirements***' which fully applied from the assessment of the independence of the Directors of the Company who were appointed by the Shareholders' Meeting of Recordati on 29th April 2022. Such policy is available on the Company's website in the Corporate Governance section with reference to the Board of Directors. For further details on such policy, please refer to the section of the Report on Independent Directors.

In particular, the table at the end of this Section may be consulted for details of those Directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the CG Code.
With regard to the **regulations on gender balance in corporate bodies** Italian Law no. 160 of 27th December 2019 (Budget Law 2020) has amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to the previous 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.
According to the Italian Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law' (1st January 2020).
Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of this application, to corporate bodies composed of three members, of the new rules on gender quotas, introduced by the aforementioned provisions of the TUF and which has already been applied for the renewal of the Board of Statutory Auditors scheduled for the 2020 financial year: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*, 1, paragraph 3, of the Consob Issuers' Regulations.
It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in

compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates submitted by shareholders).
Furthermore, the By-Laws set out the procedures to follow to ensure that the composition of the Board of Directors complies with the existing legislation in force concerning gender balance: the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the least represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the least represented gender.
Again, with respect to gender balance in the bodies of listed companies, the Company acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies first introduced in the 2018 CG Code in July 2018 and subsequently confirmed by the current CG Code, which indicates that at least one-third of the members of the board of directors shall be composed of the least represented gender.

For the sake of completeness, it should be noted that, in compliance with the CG Code, during 2021, the Board defined, upon the proposal of the Remuneration and Nominations Committee, specific '***Guidelines regarding the maximum number of offices that the Directors of Recordati S.p.A, may hold***'. These guidelines are available on the Company's website in the Corporate Governance section with reference to the Board of Directors. For further details of these guidelines, please refer to the section of the Report on this specific issue.

The Issuer reports that it is not governed by any further laws and regulations concerning the composition of the Board of Directors.

4.3 COMPOSITION (pursuant to article 123-*bis*, paragraph 2, letter d) of the TUF)

The By-Laws currently in force state that the Company is managed by a Board of Directors consisting of a number of members varying between six and sixteen.

The Shareholders' Meeting of 29th April 2022 appointed a Board of Directors of twelve members who shall remain in office until the date of the Shareholders' Meeting called for the approval of the Financial Statements as at 31st December 2024. No events occurred during the Financial Year that affected the composition of the Board of Directors with respect to that decided by the aforementioned Shareholders' Meeting.

The curriculum vitae of the directors are available on the Company's website https://recordati.com in the section on the Board of Directors.

In addition, the personal and professional characteristics of each Director – which range from economic, financial and management matters, including, for some of them, significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters - are set out in attachment 1 to this Report, which also indicates the positions held by the Directors in other listed companies and large companies pursuant to the Guidelines regarding the maximum number of management and control offices that the Directors of Recordati S.p.A. may hold in other listed companies or large companies. In some cases, for the sake of the utmost transparency, the Directors have decided to indicate additional positions held in companies other than listed companies or large companies.

The composition of the Board of Directors at the date of this Report and the titles of each Director at that date are summarised below:

Andrea Recordati	Chairman	Non-Executive	-	* Shareholders' meeting 29.04.1998
Guido Guidi	Vice-Chairman	Non-Executive	-	* BoD 29.04.2020
Robert Koremans	CEO	Executive	-	* BoD 01.12.2021
Michaela Castelli	Director and LID	Non-Executive	Independent	* Shareholders' meeting 17.04.2014
Elisa Corghi	Director	Non-Executive	Independent	* Shareholders' meeting 29.04.2022
Giorgio De Palma	Director	Executive	-	* Shareholders' meeting 29.04.2020
Luigi La Corte	Director and CFO	Executive	-	* Shareholders' meeting 29.04.2020
Joanna Le Couilliard	Director	Non-Executive	Independent	* Shareholders' meeting 05.02.2019
Giampiero Mazza	Director	Executive	-	* BoD 06.12.2018
Piergiorgio Peluso	Director	Non-Executive	Independent	* Shareholders' meeting 29.04.2020
Cathrin Petty	Director	Executive	-	* BoD 06.12.2018
Kim Stratton	Director	Non-Executive	-	* BoD 16.12.2021

** Date of first appointment to the Board of Directors.*
It should be noted that Ms Elisa Corghi was already a member of the Board of Directors during the period April 2017 – February 2019.

Table of composition and structure of the board of directors

BOARD OF DIRECTORS IN OFFICE AS AT 31 DECEMBER 2023 AND CURRENTLY IN OFFICE

Office	Members (name and surname)	Year of birth	In office since	In office until	Slate (submitted)	Slate (M/m)	Executive	Non-Executive	Indep. Under Code	Indep. under TUF	No. of other positions	Attendance
					*	**					***	****
Chairman	RECORDATI Andrea	1971	29.04.2022	Approval of 2024 financial statements	A	M		X			0	12/12
Vice Chairman	GUIDI Guido	1953	29.04.2022	Approval of 2024 financial statements	A	M		X			2	11/12
Chief Executive Officer •	KOREMANS Robert	1962	29.04.2022	Approval of 2024 financial statements	A	M	X				0	11/12
Director ○	CASTELLI Michaela	1970	29.04.2022	Approval of 2024 financial statements	A	M		X	X	X	4	12/12
Director	CORGHI Elisa	1972	29.04.2022	Approval of 2024 financial statements	A	M		X	X	X	2	12/12
Director	DE PALMA Giorgio	1974	29.04.2022	Approval of 2024 financial statements	A	M	X‡				0	11/12
Director	LA CORTE Luigi	1969	29.04.2022	Approval of 2024 financial statements	A	M	X				0	12/12
Director	LE COUILLIARD Joanna	1963	29.04.2022	Approval of 2024 financial statements	A	M		X	X	X	3	11/12
Director	MAZZA Giampiero	1969	29.04.2022	Approval of 2024 financial statements	A	M	X‡				0	10/12
Director	PELUSO Piergiorgio	1968	29.04.2022	Approval of 2024 financial statements	A	M		X	X	X	0	10/12
Director	PETTY Cathrin	1973	29.04.2022	Approval of 2024 financial statements	A	M	X‡				2	11/12
Director	STRATTON Kim	1962	29.04.2022	Approval of 2024 financial statements	A	M		X			2	12/12

• *This symbol indicates the director responsible for the internal control and risk management system.*
○ *This symbol indicates the Lead Independent Director (LID).*
‡ *This symbol indicates the executive director identified as such in accordance with the GC Code as he/she holds management positions in group companies of the majority shareholders that regard also the Company, but has no operational powers in the latter.*
* *This column indicates A/C depending on whether the list from which each director was drawn was submitted by shareholders (azionisti) (A) or by the Board of Directors (Consiglio di Amministrazione) (C)*
** *M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).*
*** *This column shows the number of positions as director or auditor held by the person concerned in other listed or large companies as at 31st December 2023, pursuant to the "Guidelines regarding the maximum number of offices that the directors of Recordati S.p.A. may hold". For a complete list of the offices held at the date of this Report, please refer to the list in Attachment 1 to this document.*
**** *This column shows the attendance of Directors at meetings of the Board of Directors and Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).*

Please note that the information relating to the date of the first appointment of Directors to the Board of Directors of the Company is indicated on page 242.

No. of board of Directors' meetings performed during 2023: 12

Quorum required for submission of lists by minorities for the last appointment: 1%

a) Diversity criteria and policies of the Board and in the corporate organisation

With specific regard to the principles and recommendations of the CG Code, as highlighted in the paragraph dedicated to the composition of the Board of Directors, the configuration of Recordati's Board of Directors as at 31st December 2023 and at the date of this Report, complies with the diversity criteria recommended by the GC Code: in particular, the current composition, with 5 female directors out of 12, equal to more than 2/5 of the total number of members.

With regard to the provisions introduced on this matter by Italian Law no. 160 of 27th December 2019 (the '2020 Budget Law'), these were taken into account both with reference to the appointment of the Board of Directors that took place at the Shareholders' Meeting of 29th April 2022 and with reference to the appointment of the Board of Statutory Auditors at the Shareholders' Meeting of 21st April 2023, and therefore the composition of both corporate bodies complies not only with the diversity criteria recommended by the CG Code, but also with the provisions of the law.
It should be noted that the self-assessment process conducted during 2021 – as a preliminary step to the renewal of the Board in 2022 – confirmed that, in terms of diversity (not only gender), the composition of the Board was balanced, with some areas for potential strengthening that are indicated in the Directors' Report to the Shareholders' Meeting, at the time of the guidelines to the shareholders aimed at appointing the Board of Directors at the Shareholders' Meeting of 29th April 2022. Further indications are also provided in the paragraph in this Section on the self-assessment process of the Board and of its committees.

With regard to the diversity policies applied in relation to the composition of the management and control bodies (also referred to in Italian Legislative Decree no. 254/2016 on non-financial information, implementing Directive 2014/95/EU), the matter is therefore adequately monitored since the composition of the Board of Directors and of the Board of Statutory Auditors is adequately diversified in terms of age, gender, educational and professional background, and nationality, as can be seen from the curricula. In light of this, as previously stated, the Board of Directors has so far deemed it unnecessary to formalise the approval of such policies, deeming that it can effectively monitor and identify its optimal qualitative and quantitative composition over time by carrying out the self-assessment process and preferring – in order to implement the relevant self-regulatory recommendations – to provide guidelines in its report to the shareholders' meeting called to resolve on the appointment of directors, as was performed for the purpose of the Shareholders' Meeting of 29th April 2022. This also because it is a 'large company' with a 'concentrated ownership' pursuant to the CG Code. In order to further emphasise this aspect, in December 2023, the Board of Directors approved an amendment to the regulation of the Remuneration and Nominations Committee, specifying, with reference to the board review process, that in formulating opinions to the Board of Directors on the optimal composition (in terms of quality and quantity) of the Committee and its committees and on the managerial and professional roles whose presence on the Board is deemed appropriate, the Committee must specifically take diversity criteria into account.

Moreover, with reference to measures to promote equal gender treatment and gender opportunities within the entire corporate organisation, Recordati and in general the Recordati Group is committed, as referred to in its applicable Code of Ethics, to offer equal job opportunities without discrimination on the basis of ethnicity, gender, age, sexual orientation, physical or psychological disability, nationality, religious belief, political and trade union membership and to ensure fair and merit-based treatment to its employees. For further information on the policies applied to this issue, please refer to the respective section ('Diversity and equal opportunities') of the Non-Financial Statement. As confirmation of the importance that the Company attaches to these issues, it should be noted that in 2023:

- a Diversity & Inclusion and Onboarding Manager has joined the company organisation, with the task of increasingly promoting best practices on the subject of D&I and Onboarding in the Group and in order to ensure a working environment that is as attentive, supportive and, in general, inclusive as possible: in this context and given the growing size and complexity of the group, the Company intends to consider adopting a specific Diversity Policy;
- the Board of Directors approved an amendment to the Regulation of the Risk, Control and CSR Committee, specifying that the Committee supervises the adoption of measures aimed at equal treatment and gender opportunities within the entire corporate organisation and the group, as well as the monitoring of their specific implementation.

(b) Maximum number of offices held in other companies

In compliance with Recommendation no. 15 of the CG Code and upon the proposal of the Remuneration and Nominations Committee, supported by a specific analysis, including a benchmarking one, on 6th May 2021, the Board of Directors approved guidelines on the maximum number of positions on the boards of directors or control bodies in other listed companies or significantly-sized companies that can be considered compatible with the effective performance of the office of director of the company, taking into account the commitment deriving from the role held. These guidelines are available on the Company's website in the Corporate Governance Section with reference to the Board of Directors.

The approved guidelines on the general criteria concerning the maximum number of management and control offices in other companies that can be considered compatible with the effective performance of the role of Director of the Company are summarised below:

- Executive Directors who are granted individual management powers (excluding, therefore, directors defined as executive directors in compliance with the CG Code because they hold management positions in companies in which the chain of control also involves the Company) are not permitted to hold the position of executive director in other companies listed on regulated markets (including foreign markets) or large companies, as defined below, other than Recordati S.p.A. and its direct or indirect subsidiaries;
- Executive Directors who are granted individual management powers (excluding, therefore, Directors defined as executive Directors in compliance with the CG Code because they hold management positions in companies whose chain of control also involves the Company) are permitted to hold the position of non-executive Director in no more than 1 company listed on regulated markets (including foreign markets) or a large company, other than companies directly or indirectly controlled by Recordati S.p.A.;
- Non-Executive Directors (whether or not independent) are permitted to hold positions as director and/or statutory auditor in no more than 5 companies listed on regulated markets (including foreign markets) and/or large companies, including Recordati S.p.A.; among the directorships in such companies, only one position as an executive director is permitted;
- for the purposes of the aforementioned limits on the number of offices held:
  - a 'large company' is any Italian or foreign company with a shareholders' equity - possibly consolidated - of more than € 1 billion;

  - if a Director holds offices in more than one company belonging to the same Group, only one office held within that group shall be taken into account for the purposes of calculating the number of offices;
  - any office held as Chair of the Board of Directors is considered to have double weight;
- however, the Board of Directors is entitled to grant exceptions with reasons, for exceptional and/or transitory cases, departing from the criteria set out;
- in any case, the Board of Directors shall ensure, also by monitoring the attendance record of Directors at Board and Committee meetings, that Directors have sufficient time and can commit themselves sufficiently to perform their duties.

It should be noted that in light of this policy, at the date of the appointment of the current Board of Directors – and at the date of this Report – no director holds more than the maximum number of offices illustrated above.

4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (pursuant to article 123-*bis*, paragraph 2, letter d), of the TUF)

The Board of Directors, in its meeting of 28th October 2021, approved the regulation for the functioning and organisation of the Board of Directors which governs, inter alia, the organisation and procedures for the functioning of the Company's managing body, in order to ensure compliance with the applicable provisions of the law and Recordati's By-Laws, as well as with the principles and recommendations of the CG Code and, in particular, also in order to ensure effective management of the Board's disclosures.

In particular, the Board's meetings are convened by the Chairman – or in the event of his/her absence or impediment for any reason, the Vice Chairman, or failing that, the most senior Director in terms of age – who sends the notice of call to the Directors and Statutory Auditors at least five clear days before the date set for the meeting. In urgent or necessary cases, the notice of call is sent at least one day beforehand.

The Chairman sets the agenda of the meetings – upon consulting with the Chief Executive Officer – and schedules and coordinates the work and activities in order to ensure that adequate information on the items on the agenda is provided to all Directors.

Any documentation relating to the items on the agenda is uploaded onto a specific IT portal that guarantees restricted access to Directors and Statutory Auditors and to the resources of the Board Secretary, as well as to any permanent guests, as a rule three days prior to the convened Board meeting, except for:

(i) certain matters deemed to be of particular importance, in respect of which documentation shall be uploaded five days beforehand;
(ii) certain cases, in which the documentation is transmitted with a shorter notice period according to the subject matter of the resolution to be adopted; and
(iii) in cases of special and proven urgency or for special confidentiality requirements. In the latter case, however, the comprehensiveness, usability and timeliness of the reporting shall be ensured; in particular, the Chairman shall ensure that adequate reporting is provided during Board meetings.

During the Financial Year, the time frames set out in the Regulation for sending the notice of call and the documents relating to the items on the agenda were generally complied with, with a few exceptions.

The Chair shall ensure that the time necessary to allow a constructive dialogue is devoted to the discussion of each item on the agenda. To this end, the Chairman, after having consulted the Chief Executive Officer – where necessary or appropriate, – may request that executives and managers of specific corporate functions of the Company or its group, as well as consultants, to attend the Board meeting in order to properly discuss the items on the agenda.

As a general rule, managers from the Company and its subsidiaries attended Board meetings to provide information on the items on the agenda.

Pursuant to the Regulation concerning the Financial Reporting Officer, and if he/she is not already a member of the Board of Directors, the Financial Reporting Officer is invited to attend all Board meetings concerning the approval of any additional periodic financial information with regard to the annual and half-yearly financial reports, the half-yearly report, the annual financial statements and the consolidated financial statements, or other data relevant to the certifications that he/she is called upon to issue, as well as whenever deemed appropriate by the Chairman of the Board of Directors/Chief Executive Officer in view of the presence on the agenda of issues that may have an impact on the accounting information of the Company or of the Group it heads.

The By-Laws allow Board meetings to be held by video or teleconference, and these methods are specifically regulated in the Regulation.

Without prejudice to the regulations on related-party transactions and without prejudice to the application of the specific '**Policy on conflicts of interest and disclosure in relation to M&A/licensing-in transactions**' approved by the Board of Directors, Directors who have an interest, whether even potential or indirect, in relation to the subject matter of the resolution, shall promptly and fully inform the Board of Directors.

During 2023, the Board of Directors met 12 times with an average duration of approximately 2 hours and with an average attendance of 93.75% of the Directors.

The resolutions are recorded in minutes signed by the Chairman of the meeting and the Secretary of the meeting. Following the meeting, minutes are drafted in Italian - and a courtesy translation in English, if at least one member of the Board is a non-Italian speaker – which is a deed that gives a concise description and documentation of what was discussed during the meeting. In particular, the minutes provide a brief description of the topics discussed, acknowledging any relevant documentation made available to the Directors and Statutory Auditors, a summary of any relevant speeches and voting declarations, as well as further information on the course of the discussion regarding the items on the agenda.

The text of the minutes prepared by the Secretary and the Chairman (or the person who chaired the meeting) shall normally be submitted to the Board for formal approval at its first meeting. Following approval, the minutes signed by the Chairman (or the person who chaired the meeting) and by the Secretary shall be kept in the Company's records by the Secretary, together with supporting documentation made available to the Board; the latter shall be kept at least until the end of the term of office of the Board members; a copy of the signed minutes shall be made available to the Directors and Statutory Auditors.

A portion of the minutes relating to the resolutions adopted that are to be implemented immediately may be certified and extracted by the Chairman and the Secretary of the Board

of Directors, even prior to the completion of the verification process of the entire minutes, which shall also include any interventions, all of which shall be shared with the Directors and the Statutory Auditors.

In accordance with the obligations imposed on listed issuers by the Market Regulations of Borsa Italiana S.p.A., upon the Chairman's proposal, in agreement with the Chief Executive Officer, the Board shall annually approve the dates of the meetings relating to the corporate events provided for in the aforementioned Regulations, to be disclosed to the market without delay and in any case no later than 30th January of each year.

4.5 ROLE OF THE CHAIRMAN

In accordance with article 23 of the By-Laws, representation of the Company shall be vested in the Chairman of the Board of Directors or, in the event of his/her absence or inability to attend for any reason, in the Vice-Chairman, with sole signing authority for implementation of all resolutions of the Board unless resolved otherwise. Moreover, the Chairman or, in the event of his/her absence or impediment for any reason, the Vice-Chairman, shall represent the Company before the court, with the authority to take legal action and bring judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 24 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chairman, but also to the Vice-Chairman and one or more Executive Directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law.

During the 2023 Financial Year, the role of Chairman was held by Mr Andrea Recordati.

According to the Regulation of the Board of Directors approved in 2021, the Chairman of the Board of Directors serves as a link between the Executive Directors and the Non-Executive Directors and ensures the effective functioning of the Board's work.

The Chairman, or the person acting in his/her place, convenes the Board of Directors' meetings, sets their agenda – after having consulted the Chief Executive Officer – schedules and coordinates its work and activities and ensures that adequate information on the items on the agenda is provided to all the Directors, as also established in the Regulation of the Board. In addition to signatory powers and the legal representation of the Company, the Chairman is also vested with the powers that may be granted to him/her by the Board of Directors.

In this last regard, Mr Andrea Recordati (who until December 2021 was the Chief Executive Officer), as Chairman, has continued to be involved in formulating the Group's strategy, in support of the new Chief Executive Officer and the senior management team. The Board of Directors has granted him with the following powers remained unchanged following the renewal of the management body at the Shareholders' Meeting of 29th April 2022 and are still in force:

a) participating, in support of the Chief Executive Officer, in the formulation of the strategic development guidelines of the Company and of the Group, including in the field of R&D, and in the conduct of transactions of strategic importance submitted to the approval of the Board of Directors, concerning the acquisition (and, where appropriate, disposal) of equity investments, assets, business units, mergers, joint ventures, licensing and distribution agreements;
b) handling institutional relations in Italy and abroad, in coordination with the Chief Executive Officer;
c) supervising the activities of the internal audit function and liaising with the Board of Directors (without prejudice to the function's hierarchical relationship with the Board of Directors) and ordinary management of the employment relationship of the chief of the internal audit function;
d) supervising and promoting the implementation of corporate governance rules, in accordance with the Corporate Governance Code. In particular, in addition to the powers granted by law and the By-Laws, mainly: i) formulating, in agreement with the Chief Executive Officer, a proposed policy for the management of dialogue with all shareholders; with the assistance of the Secretary of the Board, dealing with ii) the adequacy and timeliness of pre-meeting information; iii) that the activities of the Committees are coordinated with the activities of the Board of Directors; iv) in agreement with the Chief Executive Officer, that the Group managers in charge of the relevant corporate departments attend Board meetings, also at the request of individual directors, in order to provide the appropriate details on the items on the agenda; v) in coordination with the Chief Executive Officer, induction initiatives for members of the Board of Directors and of the Board of Statutory Auditors, after their appointment and during their term of office; vi) the adequacy and transparency of the self-assessment process of the Board and of its Committees, with the support of the Remuneration and Nominations Committee.

Furthermore, the Regulation of the Board of Directors provides that in accordance with the provisions of the CG Code, the Chairman of the Board of Directors, with the assistance of the Secretary, shall ensure:

a) that the pre-meeting information and additional information provided in the meeting are appropriate to ensure Directors to act in a properly informed manner in carrying out their office;
b) that the activities of the Board committees with preliminary, proposal and advisory functions are coordinated with the activity of the management body;
c) in agreement with the Chief Executive Officer (if other than the Chairman), that the Company's managers and those of the companies of the group it heads, responsible for the corporate offices according to the subjects, attend the Board's meetings, also upon request of individual Directors, to provide appropriate details of the items on the agenda;
d) that all members of the management and control bodies shall take part in activities, after the appointment and during the term of the office, aimed at providing them with an appropriate knowledge of business sectors in which the Company operates, of the corporate dynamics in the view of sustainable success of the Company itself, as well as of the principle of correct risks management and of the relevant law and self-regulation framework, with the support of the lead independent director, if appointed;
e) the adequateness and the transparency of the board self-assessment, with the support of the Remuneration and the Nominations Committee.

According to the Policy for Managing Dialogue with Investors approved by the Board of Directors and currently in force, on the proposal of the Chairman of the Board of Directors formulated in agreement with the Chief Executive Officer: the Chairman

ensures that the Board is informed by the first appropriate meeting, if deemed appropriate, and in any event, at least on a half-yearly basis, on the development and significant contents of the dialogue that took place during the reporting period; the Chairman, in coordination with the other functions, may participate in the dialogue with Investors on the basis of the subject matter of the dialogue or upon the specific request of such parties.

It should be noted that, in implementation of the above, during **2023**:

- the following managers, *inter alia*, attended the Board meetings, in order to provide the appropriate in-depth analysis of the items on the agenda, it should be noted that the CFO is also a Board member and therefore attends all the board meetings: the Manager of Corporate Development, Licensing and Innovation, the Chief Legal Officer (succeeding the General Counsel as from 11th April 2023), the Corporate Law Counsel (who from 22nd April 2023 is also the Secretary of the Board of Directors), the Audit & Compliance Manager (who was also the Data Protection Officer until 31st March 2023 and an internal member of the ODV (231 Compliance Body), the Heads of the two Business Units (rare diseases and general and specialist medicine – SP&C), the Industrial Operations Director, the ESG Manager and the Head of Group R&D;
- as already mentioned, during the financial year, the time frames set out in the Regulation for sending the notice of call and the documentation relating to the items on the agenda were normally complied with, with a few exceptions;
- further to the specific induction sessions organised in the previous years for the benefit of the Directors and also extended to the Statutory Auditors concerned, in 2023, the Chairman and the Chief Executive Officer organised specific two induction sessions – one held in February 2023 and the other in July 2023 – aimed at providing directors and statutory auditors, also with the assistance of external consultants, an adequate understanding, respectively, of the corporate governance issues of listed companies and particularly of Recordati and of an outline of the innovation area, which constitutes one of the pillars on which the current strategic plan is based. At the beginning of 2024, an induction session was also held on the framework of the Recordati Group's organisational compliance structures, with a view to providing adequate knowledge of the intra-group information flows and controls set up for this purpose within a scenario of the group's constant growth, both in terms of size and geography. Lastly, again for the purposes of providing the directors and statutory auditors with an adequate knowledge of the corporate dynamics and their evolution, including the organisational structures, in general, during the meetings of the Board of Directors, the Chief Executive Officer illustrated the relevant aspects for the purpose of presenting the performance of the Company and the Group, providing, inter alia, constant information on the most relevant updates of the regulatory framework of the sector and their impact on the Company. Also with reference to the principles of proper risk management, during Board meetings the Chief Executive Officer, in agreement with the Chairman, ensures that appropriate in-depth analyses are performed, when considered appropriate and in particular with reference to significant acquisition/licensing-in transactions, in addition to the annual analysis of Recordati's Risk Map, following preliminary analysis by the Risk, Control and CSR Committee. Furthermore, during a Board of Directors meeting, in agreement with the Chairman, a specific in-depth session was organised on the performance of each business unit as well as the progress on their most significant projects also from a strategic viewpoint, which was attended also by each of the heads of the business units and the heads of Industrial Operations and R&D areas;
- at the end of 2023, the Chairman shared with the Remuneration and Nominations Committee the proposal to the Board to launch the self-assessment process of the Board and its Committees, to be performed during 2024, in implementation of the provision of the Regulation of the Board which states that 'the way in which the self-assessment process is carried out and the way in which its results are communicated are determined upon the proposal of the Remuneration and nominations Committee in agreement with the Chairman of the Board of Directors'.
- the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementation of the Remuneration Policy for Directors and Key Manager Personnel. This activity is carried out through the development of an engagement plan carried out on a half-yearly or at least annual basis that generally provides for the participation of the Human Resources, Investor Relations and Secretary of the board of directors corporate functions supported by the Chair of the Remuneration and Nominations Committee in order to highlight the commitment of the committee itself on matters within its competence. With regard to remuneration, the results, indications and feedback which emerge during the engagement activity, once they have been reported, are examined and assessed by the Remuneration and Nominations Committee, within its competence. Finally, the Committee reports to the Board of Directors on the relevant developments and significant contents emerging from such engagement activities, through the Chair or another member designated by the latter. In addition, the CEO and the CFO provides the Board with information on major interactions with investors and analysts insofar as it is deemed relevant, in compliance with the Policy for Managing Dialogue with Investors approved by the Board of Directors on 22nd December 2022.

4.5.1 SECRETARY OF THE BOARD OF DIRECTORS

With reference to the Secretary of the Board of Directors, the Regulation of the Board of Directors approved during 2021 provides as follows:

- the Board appoints a Secretary, who may not be a member of the Board. The Secretary's appointment and revocation is made upon the proposal of the Chairman. Normally the designation will favour the appointment of the Company's VP and Director of Corporate Legal Affairs.
- the Secretary shall be a person with proven experience in the corporate sector, with particular reference to the corporate governance of listed companies, as well as the company secretariat activities. The Secretary also meets the requirements of independence of judgement and is not involved in a situations of conflict of interest.
- the Secretary supports the activity of the Chairman and assists him/her, in particular, performing the functions indicated in the paragraph above and in relation to the reporting prior to Board meetings.
- in case of his/her incapacity o absence, the powers, tasks or duties granted to him/her pursuant to the Regulation shall be performed or complied in his/her behalf by her/his deputy or another person designated from time to time by the Chairman of each meeting.

- the Secretary, in carrying out his/her duties, has an organisational structure and staff suitable for the performance of his/her office. Furthermore, the Secretary has access to the information and corporate functions needed in order to perform his/her tasks, he/she is provided with financial resources and, where deemed appropriate, can be supported by external consultants.

In this regard, with reference to the 2023 financial year, the role of Secretary of the Board of Directors was performed – until 31st March – by Ms Daria Ghidoni, lawyer, Group General Counsel and, subsequently, the Board of Directors, upon the Chairman's proposal, appointed Ms Silvia Signoretti, lawyer, former Corporate Law Counsel of the Company and deputy Secretary for several years, as the new Secretary of the Board of Directors, deeming that the requirements set forth in the Regulation had been met.

With regard to the implementation of the Chairman's functions and duties in the course of 2023, with the support of the Secretary, please refer to the previous paragraph.

4.6. EXECUTIVE DIRECTORS

Chief Executive Officer

In the 2023 financial year, the role of Chief Executive Officer was held by Mr Robert Koremans.

Mr Robert Koremans, as Chief Executive Officer, was delegated (as last updated in December 2023), to the extent permitted by law, all the widest powers for the administration and ordinary and extraordinary management of the Company and the performance of the management and coordination activities carried out by the Company in comparison with Group companies, determining the adequacy of the organisational, administrative and accounting structure of the Company for the execution of strategic, industrial and financial plans approved by the Board of Directors, with the sole exclusion of the transactions listed below (exhaustive and mandatory in nature), which, because they are to be carried out directly by the Company and/or indirectly through subsidiaries, are reserved for the competence of the Board of Directors (unless they are intra-group transactions, i.e. carried out with or between other Group companies):

a) the assumption of financial debt for an amount higher than € 25 million for each transaction and the grant of secured or personal guarantees for amounts higher than € 25 million for each transaction;
b) the sale and purchase of real estate properties for amounts higher than € 25 million, in which the Company's or its subsidiaries' business activity is carried on at the time of sale;
c) the acquisition or disposal of ownership, or the acquisition or licensing-in, of intellectual property rights, in particular, but not limited to, intellectual property rights regarding specialty medicines, dietary supplements and medical devices for amounts not greater than € 10 million each;
d) the acquisition, sale or any other provision in relation to holdings in other companies and similarly the acquisition and disposal of companies or company branches, for an amount higher than € 10 million each;
e) the entering to agreements, including settlement agreements, concerning matters not included in those above for an amount higher than € 25 million for each agreement.

Chairman of the Board of Directors

Please refer to Section 4.5 of this Report.

Executive Committee

No Executive Committee has been formed as an internal committee of the Board of Directors.

Reporting to the Board

The Chief Executive Office reported to the Board in individual Board meetings on the activities performed in exercising the powers conferred on him by the Board itself: in each meeting, and independently of the time elapsed since the previous meeting, the Chief Executive Officer provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require prior approval by the Board of Directors.

Other Executive Directors

Following the renewal of the Board of Directors on 29th April 2022, the Board of Directors confirmed Mr Robert Koremans, Chief Executive Officer and identified also Mr Luigi La Corte, Director and Group Chief Financial Officer, as executive directors in view of the functions performed. Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, since they hold management positions in the indirect parent company or in other CVC companies, which also concern the Company, also remain qualified as executive directors; however, they have not been granted individual operating powers.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTORS

Independent Directors

Four directors (Michaela Castelli, Elisa Corghi, Joanna Le Couilliard and Piergiorgio Peluso) are qualified as independent on the basis of the declarations provided by the individuals concerned and the information in any case available to the Company, as confirmed during the annual Board of Directors' assessment required by the CG Code which took place on 21st February 2023.

On 22nd February 2024, the Board of Directors positively renewed such assessment, with the only clarification that the Board has deemed that the director Michaela Castelli still meets the independence requirement also pursuant to the CG Code, despite the fact that she has been in office for a term of more than nine years (having been appointed director for the first time on 17th April 2014). This assessment – which is in line with the previous one, carried out in 2023 and appropriately described in the Report relating to the 2022 financial year – confirms that Ms. Castelli has retained her independence and freedom of judgement in assessing the work of the management due to (i) her specific skills and professionalism and her constant monitoring and stimulation of the Board (also in performing the role of Lead Independent Director that she has held since 2020 and her role as Chair of the Risk, Control and CSR Committee), thus favouring, in her assessment of independence, a profile of substance (over form), as also prescribed by the CG Code and recognised and ascertained by Recordati's Board of Directors itself, and (ii) for the fact that the aforementioned professional mandates were, moreover, structured under two different ownership structures, thereby further reducing any risk of

proximity to the shareholder who, from time to time, proposed her appointment. All this as also stated in the declaration made by Ms Castelli.

More specifically, in implementation of the provisions of the CG Code, the Board of Directors – on 22nd February 2024 – confirmed, on the basis of the declarations provided by the individuals concerned and the information in any case available to the Company, in relation to the four directors mentioned above, the existence of the independence requirements pursuant to Article 148, paragraph 3, of the TUF and the independence requirements provided for by the CG Code.

The Board of Statutory Auditors successfully verified the correct application of the criteria and procedures adopted by the Board to assess the independence of its members on the aforementioned occasion.

The independent Directors, on the occasion and before the beginning of the meetings of the Board of Directors, have from time to time verified the absence of specific problems that would be relevant in the context of their role as independent Directors.

The Independent Directors met twice in 2023, respectively in January and July 2023, meeting on these occasions also with the Chief Executive Officer. The matters discussed mainly concerned the framework of the control structures also in light of the internal organisational reorganisation and, in general, an in-depth examination of organisational structures and related evolutionary scenarios.

a) Information regarding the independence assessment process

The procedure followed by the Board for the purposes of verifying independence provides for the existence of the requirement to be declared by the director at the time of submitting the candidacies and at the time of accepting the appointment. The Board verifies this requirement at the first meeting following the appointment and discloses the results to the market.

Without prejudice to the independent director's commitment to promptly notify the Board of the occurrence of any situation that could lead to the loss of the requirement, the Board annually renews the request to the directors concerned to confirm that they meet the requirements, as provided for by law and the CG Code. The Board of Directors and the Board of Statutory Auditors then proceed respectively to verify the content and correct application of the requirements and the procedure to verify them.

In implementation of the provisions of the CG Code, on 28th October 2021 the Board of Directors defined quantitative and qualitative criteria for assessing the significance of relationships, including economic ones, capable of compromising the independence of its members ('Policy on qualitative and quantitative criteria for the purposes of assessing independence requirements': available on the Company's website, in the Corporate Governance/Board of Directors section).

In defining the Significance Criteria, the Board of Directors has, inter alia, took into account the recommendations set out in the CG Code and the clarifications provided in the collection 'Q&A for the application of the Corporate Governance Code – 2020 edition' available on the website of the Corporate Governance Committee (the 'Q&A').

Such criteria was fully applied starting with the assessment of the independence of the Directors of the Company that were appointed by Recordati's Shareholders' Meeting convened to approve the financial statements for the year ending on 31st December 2021.

Policy on qualitative and quantitative criteria for assessing independence requirements

1. QUANTITATIVE CRITERIA

1.1. Significance of commercial, financial or professional relationships

With specific reference to the quantitative criteria, relations of a commercial, financial or professional nature which the Director - whose independence is being assessed - carries on or carried on during the financial year in which the declaration of independence is made or in the three financial years preceding the date on which such declaration is made[2] (the '**Reference Period**') with the following persons, are relevant (jointly, the '**Relevant Persons**'):

(i) the Company, its subsidiaries, the person who controls the Company[3] and the companies subject to a joint control;
(ii) the relevant executive Directors[4] or the top management[5].

The aforementioned relations with the Relevant Persons are generally considered to be significant – and therefore such as to compromise the Director's independence – if they entailed, whether individually or cumulatively considered, an annual economic consideration higher than € 50,000.00 (fifty thousand)[6].

It should be noted that, for the purpose of the above, the relations between the Relevant Persons and Director's close family members, who are identified as (i) parents, (ii) children, (iii) the non-legally separated spouse and (iv) the cohabitants (individually referred to as the '**Close Family Member**') are also relevant.

2 *By way of example, it should be considered the case in which the Director makes his/her declaration of independence on 15th March 2022 and takes office as a Director of Recordati in April 2022; in such case:*
(i) for the purposes of assessing the independence of the Director in question, in addition to any existing relationship, any relationship the Director may have had with Relevant Persons during the 2021, 2020 and 2019 financial years and during the period between 1st January 2022 and 15 March 2022 shall be taken into account;
(ii) it is understood that the Director shall be required to promptly inform the Board of Directors of the Company of any relationship he/she may have with Relevant Persons after the date on which he/she has made his/her declaration of independence (in the example in question, 15th March 2022), providing all the necessary elements for a full assessment by the Board.

3 *As specified in the Code, control exercised 'together with others through a shareholders' agreement' is also relevant (please see Recommendation 7, first period, lett. c) of the CG Code).*

4 *'Executive directors' means (see definition in the Code):*
(i) the chair of the Company or a subsidiary of strategic importance, when delegated to manage or develop corporate strategies;
(ii) directors who are recipients of managerial powers and/or hold managerial positions in the company or in a subsidiary of strategic importance, or in the parent company when the position also concerns the Company;
(iii) the directors who are members of the executive committee of the Company (if any).

5 *'Top management' means 'senior managers who are not members of the management body and have the power and responsibility for planning, directing and controlling the activities of the company and the group it heads' (see definition in the Code). With reference to Recordati S.p.A. top management means those who are identified as key management personnel pursuant to the applicable regulations on Related Parties and Remuneration Policy.*

6 *Such amount is lower than the current annual remuneration paid by the Company for the role as non-executive Director.*

It should also be noted that, if the relations with the Relevant Persons are entertained indirectly by the Director – *i.e.*, through subsidiaries or company of which he/she is an executive Director, or as a partner of a professional firm or consultancy firm – the relations existing or carried on during the Reference Period which entailed, whether individually or cumulatively considered, an annual economic consideration higher than € 100,000.00 (one hundred thousand) are generally deemed to be significant.

It is understood that – notwithstanding the above – in the event that the relations with the Relevant Persons are entertained by the Director indirectly through a legal entity which has been established or used *ad hoc* for the purpose of establishing such relations, the above quantitative limits applicable in the event of relations entertained directly by the Director shall apply (i.e. the limit of € 50,000.00 per year).

1.2. Significance of additional remuneration

With specific reference to the remuneration received by the Director, included the one received in the Reference Period[7], the sum of any additional remuneration paid to the latter by:
(i) the Company;
(ii) one of its subsidiaries, and/or
(iii) the parent company, even indirectly,
for professional appointments or consultancy – with respect to the fixed remuneration for the position held[8] and the remuneration for the membership in committees[9] (or bodies) recommended by the Code or provided for by the applicable law.
The remuneration received by the Director in the form of participation in incentive plans linked to company performance is also relevant for this purpose.
Additional remuneration should normally be considered significant - and thus capable of compromising the independence of the Director concerned – if, whether individually or cumulatively considered, it is, during the Reference Period, higher than € 50,000.00 (fifty thousand) per year[10].
It should be noted that being a Close Family Member of a person in one of the situations referred to in this paragraph 1.2 also constitutes a circumstance likely to compromise the Director's independence.

2. QUALITATIVE CRITERIA

2.1. Professional relations

If the Director is also a partner of a professional firm or of a consulting company, the professional relations of the firm and/or of the consulting company with the Relevant Persons shall also be qualified as significant, regardless of the quantitative parameters set out in paragraph 1.1 above. In this regard, the relations that are relevant:

a) may have an effect on his/her position and role within the professional firm or the consultancy firm; or
b) in any case relate to important transactions of the Company and of the group it heads[11].

The significance of the aforementioned relations is assessed taking into account the overall professional activity normally exercised by the Director, the tasks normally entrusted to him/her, as well as the relevance that such relations may have for the Director in terms of reputation within his/her organisation.

2.2. Other relations

For the purpose of the assessment of the significance of the relations between the Director and the Relevant Persons, the Board of Directors may take into account, in relation to the specific situations of each Director – such as position, individual characteristics and overall professional activity – any further elements deemed useful and/or appropriate, by adopting additional and/or partially different criteria from those set out above that give preference to substance over form.
In particular, the Board of Directors, by giving appropriate reasons for the decision, may:
(i) take into account also the relations that, even if without financial content and character or not economically significant, are particularly relevant to the prestige of the Director involved or such as to affect in actual terms his/her independence and autonomous judgment;
(ii) assess, on the basis of the actual circumstances, the existence and/or maintenance of the independence requirements of a Director even when one of these Significance Criteria is met.

Lead Independent Director

During the 2023 financial year the role of Lead Independent Director was held by Ms Michaela Castelli, lawyer, with the duties set out in the CG Code.

The CG Code, to which the Company resolved to adhere, confirmed that the lead independent director (a) represents a point of reference and coordination of the requests and contributions of the non-executive directors and, in particular, of the independent directors, specifying that (b) he/she coordinates the meetings of the independent directors only.

The Regulation of the Board of Directors of Recordati, approved since 2021, states more specifically that, 'if appointed, the lead independent director: (i) represents a point of reference and coordination of the requests and contributions of the non-executive Directors and, in particular, of the independent Directors; (ii) coordinates the meetings of the independent Directors only; (iii) has the power to convene meetings to discuss

7 *By way of example, it should be considered the case in which the Director makes his/her declaration of independence on 15th March 2022 and takes office as a Director of Recordati in April 2022; in such case:*
(i) for the purposes of assessing the independence of the Director in question, in addition to any remuneration paid to the Director himself/herself, any remuneration the Director may have received during the 2021, 2020 and 2019 financial years and during the period between 1st January 2022 and 15 March 2022 shall be taken into account;
(ii) it is understood that the Director shall be required to promptly inform the Board of Directors of the Company of any remuneration that he/she may receive after the date on which he/she has made his/her declaration of independence (in the example in question, 15th March 2022), providing all the necessary elements for a full assessment by the Board.

8 *'Fixed remuneration for the position held' means (please see Q&A Recommendation 7, lett. d)): (i) the remuneration determined by the Shareholders' Meeting for all Directors or determined by the Board of Directors for all non-executive Directors within the total amount decided by the Shareholders' Meeting for the whole Board of Directors; (ii) any remuneration granted by reason of the particular position held by the individual non-executive Director within the Board of Directors, determined according to the best practices provided for by Recommendation 25 of the CG Code.*
On the contrary, the remuneration received by the Director of the Company for his/her positions in the parent company or in the subsidiary is considered as 'additional remuneration' and is therefore assessed in terms of its 'significance'.

9 *'Remuneration for the membership in the committees' means (please see Q&A Recommendation 7, lett. d)) the remuneration that the individual Director receives by reason of his/her participation in the internal committees recommended by the CG Code or in committees/bodies provided for by the regulations in force, with the exclusion of the remuneration deriving from membership of the executive committee, if any.*

10 *Such amount is lower than the current annual remuneration paid for the position of non-executive Director.*

11 *Recommendation 7, second period of the CG Code.*

issues deemed to be of interest with respect to the functioning of the Board of Directors or company management; (iv) collaborates with the Chair in order to ensure that the Directors receive complete and timely information flows, including through the organisation of specific induction activities'.

During the 2023 financial year, Ms Castelli, as lead independent director, has, in particular, coordinated the requests of the independent directors aimed at contributing to the continuous improvement of the activity and functioning of the Board itself and, more in general, of the governance of the Company, acting as their spokesperson with the Chair, the Chief Executive Officer and at the Board's and Committees' meetings. In addition, by coordinating certain common needs of the independent directors who are members of the Board's internal committees, she promoted meetings of the independent directors also with the Chief Executive Officer on issues of common interest relating especially to organisational structures and evolutionary scenarios, invited the independent director who is not a member of such committee to attend meetings of the Risk, Control and CSR Committee on issues of specific interest such as risk analysis of potential extraordinary business development transactions.

5. MANAGEMENT OF CORPORATE INFORMATION

The Company has adopted a procedure that regulates the internal management and external communication of information relating to the Company, with particular reference to Relevant and Inside Information, in order to prevent its improper circulation and disclosure both inside and outside the Company, in compliance with current EU and national regulations regarding market abuse: '*Procedure for the internal management of Relevant Information and Inside Information and disclosure to the public of Inside Information*' (in brief, the '**Procedure for Relevant Information and Inside Information**').

The Procedure for Relevant Information and Inside Information is a fundamental component of the Internal Control and Risk Management System of the Company and the Group, as well as an integral part of the overall system of prevention of offenses pursuant to Italian Legislative Decree no. 231/2001.

The current version of the Procedure for Relevant Information and Inside Information was last revised during 2023 (to reflect certain organisational changes that have taken place in the meantime), as an update of the company procedures in the field of market abuse, which had been previously and significantly amended in 2016 following the entry into force of Regulation (EU) no. 596/2014 containing the regulation of market abuse, for the purpose of adapting them to the rules and regulations subsequently issued both at the national and at the EU level and, in particular, to the Guidelines issued by Consob on that subject in October 2017.

The rules of conduct established by the Procedure for Relevant Information and Inside Information are aimed at implementing the necessary organisational controls for the proper management of information flows, guaranteeing the maximum confidentiality information that is Inside Information or otherwise likely to become so (Relevant Information), balancing the interest in the confidentiality of information in the course of its progressive formation and the obligation of the related disclosure in a non-selective form, protecting investors and the integrity of the market, since they are aimed at preventing the performance of transactions detrimental to their interests through the exploitation of information asymmetries, or the alteration of market variables, through the dissemination of untrue or misleading information; to reduce the risk of crimes or administrative offences relating to market abuse; protecting the Company against any liability that may arise for the unlawful acts committed by parties that can be referable to the same; defining the processes for identifying and managing the Relevant Information; defining the processes for identifying and managing the Inside Information; defining the processes of communication to the public and to Consob of Inside Information.

The members of the administrative, management and control bodies of the Company and the employees and collaborators of the Company and of its Subsidiaries who have access for any reason to Relevant Information or Inside Information are required to comply with this procedure.

The Procedure for Relevant Information and Inside Information identifies the Chief Executive Officer as the person responsible for the public disclosure process of inside information concerning the Company also in relation to the decision to begin the procedure of any delay in the market disclosure. The Chief Executive Officer has therefore been identified as holding the Inside Information Management Function (so-called '*IIMF*') pursuant to the 2017 Consob guidelines or as a function responsible for the management of inside information. For the carrying out of his/her activities, the Chief Executive Officer, as holder of the IIMF, avails himself of the technical consultancy support of an 'info room' (always in line with the 2017 Consob guidelines) which includes, on a permanent basis, in light of the evolution of the Company's organisational charts (lastly, at the end of April 2023), the Group CFO, the Chief Legal Officer, the Corporate Law Counsel and Secretary of the Board of Directors and the Director of Investor Relations, as well as, on a case-by-case basis, other members of management concerned from time to time by the specific information, in the light of the evolution of the corporate organisation charts.

The '**Procedure for keeping and managing the list of persons who have access to relevant information and the list of persons having access to inside information**' is also currently in force, which is aimed at regulating the methods of maintaining and regularly updating the List of persons who have access to inside information (hereinafter referred to as '**Insider List**'), the maintenance of which is mandatory for the Company pursuant to the applicable regulations, and the List of persons having access to relevant information (hereinafter '**Relevant Information List**' or, in brief, '**RIL**'), in implementation of the Procedure for Relevant Information and Inside Information, in compliance with the applicable EU and national legislation and regulations on the prevention and repression of market abuses, also taking into account the guidelines issued by ESMA and by Consob. In particular, for the purposes of applying the Procedure for Relevant Information and Inside Information, the Company takes into account the interpretative and applicative indications contained in the Consob Guidelines.

In particular, the Company has, on a voluntary basis, proceeded to establish a list of persons who have access, in the performance of their duties, to Relevant Information, in compliance with the provisions of the Consob Guidelines. This list is aimed at ensuring the traceability of persons who have access to Relevant Information with a view to a more effective

monitoring of corporate information also for the purpose of fulfilling the market disclosure obligations of Inside Information and the prevention and repression of market abuses.

The Insider List, on the other hand, contains registered persons who have access, in the performance of their duties, to Inside Information and, in compliance with EU legislation, the Procedure provides that the Insider List also has a section of registrants in which to register subjects who are permanently aware of all the inside information and a section where registration is required for each event.

It should be noted that Recordati also has in place an '**Internal Dealing Procedure**' which provides for, starting from 2016, the so-called **black-out periods**, namely, specific periods of the year – thirty calendar days prior to the announcement of an interim or year-end financial report that the Company is required to make public according to the rules of the registered office of trading in which the shares are admitted to trade or national law - in which there is an obligation to abstain from performing transactions on financial instruments issued by the Company and listed on regulated markets.
This Procedure is available on the Company's website in the Investors/Internal Dealing Section.
During 2023 the following blackout periods were identified: prior to the publication of the preliminary data for the 2022 financial year and prior to the 2023 half-yearly report.

It should be noted that currently there are no persons other than Directors (and Statutory Auditors) who are identified as Relevant Persons.

Lastly, it should be noted that the Company also has a **Blackout Period Policy** effective from 27th June 2023, which extends, on a voluntary basis, to the members of the Executive Leadership Team reporting directly to the Chief Executive Officer, as well as to certain other managers also reporting to the Chief Executive Officer or Group CFO, the prohibition to trade in Recordati securities during the mandatory

6. INTERNAL COMMITTEES OF THE BOARD

The Board of Directors has formed a Remuneration and Nominations Committee and a Risk, Control and CSR Committee among its members, both with consultative and proposal-making functions composed exclusively of independent directors.

The Company has not set up an independent committee for related-party transactions. According to the RPT Procedure adopted by the Company (as defined below), this committee is identified as the Risk, Control and CSR Committee, except for related-party transactions concerning remuneration, for which the Remuneration and Nominations Committee is identified.

Please refer to Section 10 of this Report for further information.

Table of structure of board committees as at 31st December 2023 and currently in office

Board of Directors		Risk, Control and CSR Committee		Remuneration and Nominations Committee	
Office	**Members**	*	**	*	**
Non-executive director - independent pursuant to the TUF and the CG Code	CASTELLI Michaela	10/10	P	13/13	M
Non-executive director - independent pursuant to the TUF and the CG Code	CORGHI Elisa	10/10	M	12/13	M
Non-executive director - independent pursuant to the TUF and the CG Code	LE COUILLIARD Joanna			13/13	P
Non-executive director - independent pursuant to the TUF and the CG Code	PELUSO Piergiorgio	10/10	M		
NO. MEETINGS HELD DURING THE FINANCIAL YEAR:		**10**		**13**	

* *This column shows the attendance of Directors at meetings of the Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned in the reference financial year).*
** *This column indicates the status of the director within the Committee: 'P' (Presidente) chair and 'M' (membro) member.*

It should be noted that in 2023 the Risk, Control and CSR Committee met, as reported above, 10 times, 3 of which was also as acting as the related-party transactions committee. The Remuneration and Nominations Committee met 13 times, as reported above, 1 of which was also as specifically acting as the related-party transactions committee, it being understood that, in general, when the Remuneration and Nominations Committee examines issues related to the remuneration of the CEO and, to the extent necessary, of the CFO (also Director), it also acts as a safeguard pursuant to the Procedure on related party transactions.

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS – NOMINATIONS COMMITTEE

7.1 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS

During 2021, the Board of Directors performed an in-depth board review process with the support of an external consultant, that concerned the functioning of the Board itself and of its committees as well as their size and composition and also involved a benchmarking analysis with Recordati's peers and, in general, with the best practices in the field performed by the consultant. The process also included a specific focus on supporting the Board in relation to its renewal, also for the purpose of possibly formulating some guidelines for the benefit of the Shareholders, even though the Company is a large company with concentrated ownership.

For further details, please refer to the Company's CG Reports of previous years.

In general, in relation to the self-assessment process of the Board of Directors and of its committees, the Board, in adhering to the CG Code, confirmed the assignment to the Remuneration and Nominations Committee the competence to support it in this regard.

Finally, as regards the timing of the next/future self-assessment process(es), already following the renewal of the Board of Directors in April 2022, on the shared recommendation of the Chairman of the Board and the Remuneration and Nominations Committee, the Board agreed to proceed with this process as a preliminary step for the next renewal of the Board of Directors scheduled for the Shareholders' Meeting that will resolve on the financial statements as at 31st December 2024, in view of the fact that Recordati is a large company with concentrated ownership.

In this respect, it is confirmed that the self-assessment process was already launched at the end of 2023, thus initiating the preliminary steps – including the selection of the external consultant through a beauty contest – to actually carrying out the process during 2024.

Succession Planning for the Executive Directors and Key Manager Personnel

With respect to succession plans for Executive Directors who are granted individual management powers, following the renewal of the Board of Directors on 29th April 2022 and in view of the appointment of Mr Robert Koremans – confirmed as the Chief Executive Officer – who is also the Director Responsible for the Internal Control and Risk Management System, on 10th May 2022, after receiving the favourable opinion of the Remuneration and Nominations Committee, the Board of Directors therefore approved the new Succession Plan - understood as the 'Contingency Plan' aimed at management continuity in the short/medium term – for the Chief Executive Officer (also Director Responsible for the Internal Control and Risk Management System), confirming the choice made in the previous update, i.e., providing that in the event that Mr Koremans ceases to hold office - temporarily or permanently - he will be temporary replaced by Mr Andrea Recordati (who has been the Company's CEO until December 2021).

During 2023, the Remuneration and Nominations Committee continued its analysis of the adequacy of the **procedures for the succession of key management personnel**.
These analyses, carried out primarily in relation to key manager personnel, have continued and are currently underway, also with reference to a broader extent of the organisation's management, and they are gradually being fine-tuned also in order to take due account of the evolution of the Company and the entire Group.
In general, the process is aimed at verifying the existence of adequate organisational controls by the Company in order to ensure effective managerial continuity.
The Committee therefore favourably acknowledged that the Company is continuing to consolidate its procedures for the succession of top management and key value driving roles and informed the Board, which in its turn acknowledged this.

7.2 REMUNERATION AND NOMINATIONS COMMITTEE

Composition

During 2023, the Remuneration and Nominations Committee was composed of three members as follows: Joanna Le Couilliard (acting as Chair), Elisa Corghi and Michaela Castelli, all directors meeting the independence requirements. The Board of Directors acknowledged that all members have adequate knowledge and experience in financial matters or remuneration policies.

Duties

As regards specific information on the Remuneration and Nominations Committee's duties and activities in the field of remuneration, please refer to the relevant parts of the Remuneration Report published pursuant to article 123-*ter* of the TUF.

With regard to the tasks as a **nominations committee**, according to its organisational regulations, the Remuneration and Nominations Committee is assigned the consultative and proposal-making duties described below:

- assisting the Board of Directors in the self-assessment process of the Board itself and its committees;
- also taking into account the results of the aforesaid self-assessment, as well as appropriate diversity criteria including gender, formulating opinions to the Board of Directors on the optimal composition (qualitatively and quantitatively) of the Board itself and its committees and on the managerial and professional profile whose presence on the Board is deemed appropriate, also in light of the Company's sectoral characteristics, for the purposes of the possible formulation by the outgoing Board of Directors to the shareholders of guidelines in relation to the appointment of the new Board of Directors;
- assisting the Board of Directors in assessing candidates for the office of director in cases of co-optation;
- making recommendations to the Board of Directors on any critical issues related to the application of the non-competition clause provided for Directors by article 2390 of the Italian Civil Code in the event that the Shareholders' Meeting has authorised general and preventive exceptions to this prohibition;
- supporting the Board of Directors by carrying out the necessary investigation activities for the preparation of a possible succession plan for the Chief Executive Officer and

the other executive directors granted with management powers, which at least identifies the procedures to be followed to ensure the regular management of the Company in the event of early termination of the office of the Chief Executive Officer and/or of the Director in charge of the Internal Control and Risk Management System – if different from the Chief Executive Officer – with respect to the ordinary expiration of the office;
- assisting the Board of Directors through the necessary investigation activity in order to ascertain the existence of adequate procedures for the succession of top management, i.e., key manager personnel ('Top Management'), as well as the roles that the Company identifies from time to time as 'key value driving roles';
- formulating opinions to the Board of Directors in relation to the guidelines on the maximum number of offices held in the management or control bodies in other listed companies or large companies that may be considered compatible with an effective performance of the office of director of the Company, taking into account the commitment deriving from the role held also with reference to the participation of directors in the committees established within the Board.

Activities carried out in 2023

With reference to the above-mentioned duties, during 2023, the Nominations Committee mainly:
- continued the analysis on the procedures for the succession of key management personnel and, in particular, analysed the activities carried out by the Company during 2023, aimed at strengthening its procedures for the succession of top management by conducting an in-depth analysis on the identification of key value driving roles for the organisation and their possible internal successors, as well as the identification and development of talent;
- assisted the Board of Directors with reference to performing the self-assessment process of the Board of Directors and of its committees;
- assisted the Board of Directors by carrying out the preliminary investigation aimed at updating of the perimeter of key manager personnel.

The percentage of attendance of Committee members at meetings is shown in the table at the end of Section 6 of this Report.

Minutes were duly taken of the meetings of the Remuneration and Nominations Committee, in line with the provisions of the Committee Regulation, which includes specific regulations in this regard, as well as with regard to the procedures for the management of information to committee members in line with what is also provided for in the Regulation of the Board of Directors.

In particular:
- the Committee meets, subject to written notice being given by its Chair (or in his/her absence or impediment, by the Committee member who has served longest on the Board of Directors, or in the event of the same length of service, with the greatest seniority in terms of age) indicating the place, date, time and agenda of the meeting to be held, in general, at least three days prior to the date set for the meeting; in cases of urgency, the time limit may be shorter, provided that a minimum of 24 hours' notice is given, at the registered office or elsewhere in Italy, as indicated in the notice of call; the notice of call is sent to the members of the Committee by the Secretary, on the instructions, of the Chair of such Committee; the notice is also sent by the Secretary to the statutory auditors of the Board of Statutory Auditors and to any other persons invited by the Chair of the Committee to attend the meeting;
- the Chair, with the assistance of the Secretary, shall ensure that the pre-committee reporting and additional information provided during meetings are suitable so as to enable Committee members to act in an informed manner in carrying out their role; in particular, with regard to the identification of time frames for sending documentation, the Committee indicates the following time frames:
  - three calendar days in most cases;
  - one calendar day for the minutes of the meeting.

  The members of the Committee and the Statutory Auditors are informed in advance if the Chair considers it appropriate that, for particular reasons of confidentiality and/or urgency in relation to the content of the item on the agenda and the related resolution, the supporting documentation be provided directly at the meeting. These timeframes have mainly been complied with, with a few exceptions;
- the Secretary of the Board of Directors acts as Secretary of the Committee and is responsible for taking the minutes of the meetings.

The Committee had access to the information and company departments necessary to carry out its duties; with respect to the nomination committee's duties, it did not consider it necessary to use external consultants.

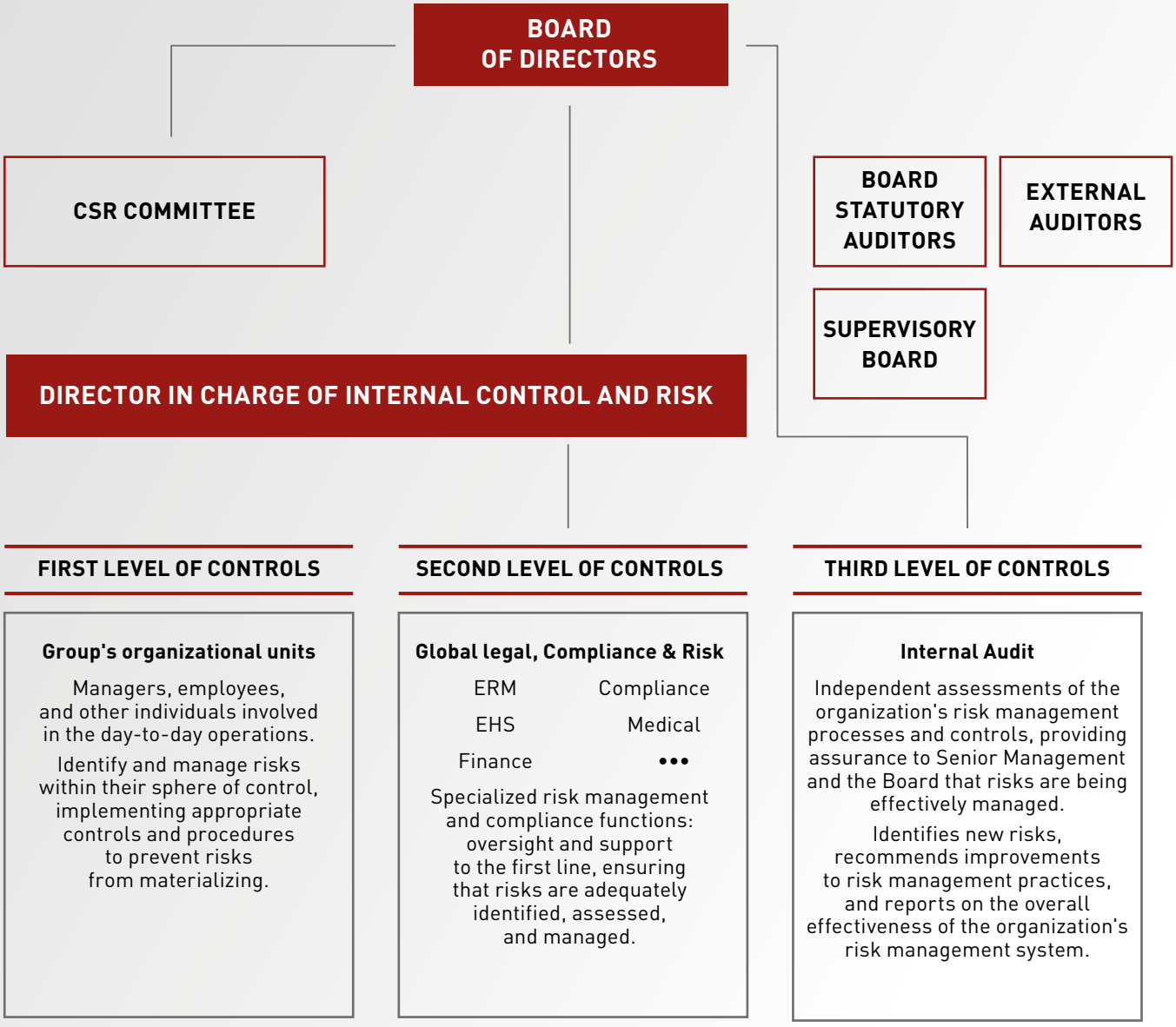
After each meeting of the Committee, the Chair shall inform the Board of Directors, at the next available meeting, of the issues discussed and the observations, recommendations and opinions expressed therein, in the manner deemed most appropriate.

8. DIRECTORS' REMUNERATION – REMUNERATION COMMITTEE

For the information on this Section, please refer to the Remuneration Report published by the Company on its website.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – RISK, CONTROL AND CSR (CORPORATE SOCIAL RESPONSIBILITY) COMMITTEE

The Internal Control and Risk Management System, which is based on the Enterprise Risk Management (ERM) approach, consists of a structured process of risk management in line with international best practice and in accordance with the requirements of laws and regulations in force, as long as applicable. The goal of the Internal Control and Risk Management System is to guide activities in line with company objectives while promoting informed decisions and ensuring the efficiency and efficacy of internal processes and the reliability of financial information and compliance with applicable laws and regulations.



The internal control and risk management system involves the whole Recordati Group, involving a variety of staff with specific roles and responsibilities. More in detail, at group level:

- the Audit function, at the Parent Company level, carries out its activities for all the companies in the Recordati group. To this end, the centralisation of Internal Audit activities makes it possible to strengthen the parent company's coordinating role within the internal control system and to make more efficient the operation of the entire system of third level controls, also by sharing specialist skills as well as verification methodologies and reporting standards with corporate bodies and top management;
- the compliance function, at the Parent Company level, in addition to exercising a support and guidance role for Group companies, oversees Group compliance risks by making use of the subsidiaries' compliance officers and regional compliance officers, who functionally report to the Group Compliance & Ethics Officer.

From the point of view of the **organisational structure** of the control functions forming part of Recordati's internal control and risk management system, the 2023 financial year was the year of their evolution and strengthening, in line with best practices and in response to the need to have an internal control system that takes into account the Group's expansion, both in terms of size and operational complexity, and in geographical terms. In this respect, as of 1st April 2023, the Group Audit & Compliance Department was reorganised, renaming it the Group Audit Department and separating the Compliance Function and Risk Management activities. Following this separation, a new Legal, Compliance and Risk Management Department was created, headed by the Chief Legal Officer, who reports directly to the Chief Executive Officer. Two new departments were therefore created within the aforementioned function: the Compliance & Ethics Department and the Risk Management Department. With specific reference to this last function, in 2023, the activities relating to the risk management area continued in line with

the past; the entry in March 2024 of a Global Risk Director, in charge of the risk management function, is preparatory to evolving the activities and methodologies of risk analysis, as also recommended by the Risk Control and Sustainability Committee.

The Group Audit Department continues to report to the Board of Directors of the Company.

With regard to the **Guidelines of the Internal Control and Risk Management System**, most recently approved by the Board at its meeting of 16th March 2023, with the favourable opinion of the Risk, Control and CSR Committee, it should be noted that the Company, also in light of what above reported, has started to update them reflecting thereto the changed organisational structures of the Audit, Legal, Compliance & Risk Management Departments, as described above and incorporate ongoing progress in the Group's overall control model. In this regard, the Board of Directors, upon the proposal of the Risk, Control and CSR Committee that is shared by the management, and having consulted with the Board of Statutory Auditors, resolved to postpone its approval later on during the year.

The Board of Directors positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system, as a whole, also on the basis of information provided in meetings by the Director responsible for the internal control and risk management system, of the information contained in the reports presented by the Internal Risk, Control and CSR Committee and by the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01. and therefore having also shared the evolution path described above, which implies progressive adjustment and integration activities for 2024, as recommended by the CCRS, in the changed group context.

The main components of Recordati's Control and Risk Management System for the 2023 financial year are set out below.

Risk management process: the basic principles characterising the risk management process within the Company refer to the CG Code to which the Company has stated that it adheres.

The Group has developed its own long-standing identification and evaluation process corporate risks (Risk Assessment) also with a view to safeguarding and promoting results and, in general, in order to ensuring the supervision of risk management processes[12].

The identification and evaluation process of the corporate risks Risk allows it to measure and control the level of exposure of all Group Companies to the various risk factors, as well as to manage overall exposure and implement controls and procedures that are able to intercept risks and enable possible mitigation actions to be put in place.
The methodology adopted for the performance of Risk Assessment is based on a self-assessment process. This approach allows the dissemination of the control culture at all company levels; the establishment of an internal control and risk management system based on the accountability and self-assessment of the key persons involved in the control system (Risk Owner and Control Owner) and, finally, the focus of the control bodies on issues that have a significant impact on the company's business.

Risk Assessment results are set out by drafting a 'Risk Map of the Company', which contains the list of risks and their description, the risks' rating, the mitigation measures, the corporate persons in charge of managing and monitoring thos risks.

The Group periodically reassesses the Risk Map throughout the year, usually during the meeting called to approve the budget for the following financial year and in conjunction with significant company events, such as the revision of organisation charts, and other events that could have an impact on the Company's risks, for example, in conjunction with the approval of extraordinary transactions, such as acquisitions of new assets or company shareholdings that are considered significant.

As already mentioned in this Report, during 2023, Recordati updated its Risk Map prior to the approval of the 2023-2025 Three-Year Plan, which was resolved on 21st February 2023 and subsequently at the Board of Directors' meeting of 15th December 2023, prior to examining the budget for the 2024 financial year.

The **structural components of the internal control and risk management system** consist of the Code of Ethics, which defines the principles and underlying values of the Company's ethical code and the rules of conduct that are based on those principles; the system of powers and delegations with general and specific authorisations and the internal delegation of powers, according to the responsibilities assigned; corporate operating procedures; IT systems to support both management and production activities and also accounting and financial processes. With regard to compliance, since April 2003 the Issuer has had an organisational model in place pursuant to Italian Legislative Decree no. 231/2001 on administrative liability of companies, which is continuously updated in relation to the new criminal offences that are gradually being introduced by the legislator, and also a control model pursuant to Italian Law no. 262/2005 for financial reporting (further information is given below on the 'Risk management and internal control systems in relation to financial reporting').

The control mechanisms described above are monitored by management, by the functions and bodies of management and control (*i.e.*, the Board of Directors; the Risk, Control and CSR Committee; the Board of Statutory Auditors; the executive director responsible for the internal control and risk management system; and the ODV (231 Compliance Body)) and involve all personnel of the Recordati Group. The Group's Audit Department also conducts the independent audits called for under the annual audit plan. The results of these audits are reported to the Chair, the Chief Executive Officer, also in his capacity as the executive director responsible for the internal control and risk management system, the company management and, periodically, the Board of Statutory Auditors, the ODV (231 Compliance Body), the Risk, Control and CSR Committee, and the Board of Directors.

With respect to **reporting on breaches of applicable regulations, of the Code of Ethics and of internal procedures**, the Company has for some time established special whistleblowing channels in place in all Group branches.

12 For more information, see the section 'Main Risks and Uncertainties' of the 2023 Consolidated Financial Statements of the Recordati Group.

9.a) Main characteristics of the risk and internal control management system in relation to the financial reporting process.

The Internal Control and Risk Management System, as just defined, covers financial reporting which forms an integral part of it, the preparation of which is governed by organisational procedures and instructions which ensure compliance with the general principles of control laid down by the Issuer (e.g., a proper separation of functions, a proper system of authorisations and powers, checks and balances, accountability, etc.). It is based on the main established reference models (e.g., CoSO Report) being subject at the same time to verification and periodic update by means of a review of the risks to which the Company is exposed.

A description is given below, in accordance with the regulations in force, of the characteristics of the system adopted, with particular reference to (a) the stages of the risk and internal control management system in relation to the financial reporting process and (b) the roles and functions involved and the procedures for co-ordination between the parties involved.

(a) The stages of the risk and internal control management system in relation to the financial reporting process

The Issuer has implemented a model for the administrative and accounting control of the system (hereinafter also the '262 Control Model') for some time now in order to ensure the effectiveness of that system. It has also assigned responsibility for verifying proper application of that model and for monitoring the functioning and adequacy of the Internal Control System in relation to the model to the Financial Reporting Officer.

The 262 Control Model consists of a set of corporate rules and procedures designed to enable objectives of reliability, accuracy, completeness and promptness in financial reporting to be achieved by identification and management of the main risks attached to the preparation and disclosure of financial information.

The 262 Control Model consists of
- administrative and accounting risk assessment;
- administrative and accounting manuals and procedures,

which are closely related to one another and are subject to continuous update and periodic assessment.

More specifically, administrative and accounting risk assessment is a continuous process of identifying and assessing risks attached to accounting and financial information and it is performed by the Financial Reporting Officer with the support of the Group Audit Department. This process is performed annually by means of:
- the identification, by means of quantitative (size) and qualitative (importance) criteria, of items in the financial statements and in financial information which may be highly sensitive and significant or involve risks of error or omission, with reference to the financial statements of the Parent Company or to the consolidated financial statements of the Group;
- the identification of the relative processes and accounting information input for each significant item of the financial statements and of financial information and of the relative controls to manage the risks identified.

If control activities are not found to be adequately documented or regulated in relation to risk areas identified following periodic risk assessment, the function responsible for the process shall provide adequate support documentation, with the support of the Financial Reporting Officer and, if necessary, the Group Audit Department, to enable the existing controls in the area subjected to analysis to be assessed.

When risks were identified as a result of the risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities. The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:
- the Group Accounting and Reporting Manual, designed to ensure the application of uniform criteria in the Group with regard to the recognition, classification and measurement in the accounts of operating and financial events;
- a system of internal certification by the management and administrative chiefs (CEO and Financial Controller) of the subsidiaries of the Recordati Group with regard to the accuracy, reliability and completeness of accounting information and its compliance with Group accounting policies and local regulations. This system, set out in the Group Accounting and Reporting Manual, is designed, amongst other things, to support the signing of certifications and attestations required by law of the Financial Reporting Officer and of the Chief Executive Officer;
- administrative and accounting procedures and protocols for closing accounts at the end of accounting periods (or 'Financial Closing Protocols') and preparing annual financial statements and reporting packages which define control responsibilities, activities and rules to follow for the administration and accounts of the Parent Company and its subsidiaries;
- procedures for preparation of the consolidated financial statements which regulate the operations and controls to be performed for the preparation of the consolidated financial statements, describing, amongst other things, the activities to be performed in the consolidation IT system adopted by the Group and used in its subsidiaries and which define the responsibilities of the various functions for the proper functioning of that system;
- calendar of end of period activities: a document which is updated and distributed monthly, which gives deadlines for the process of closing accounts and preparing financial statements, reporting packages and the consolidated financial statements;
- operational procedures which define the activities, responsibilities and management operations in terms of authorisation, implementation, control, official approval and recognition in the accounts for those accounting and reporting areas considered significant, in co-ordination with annual accounting and administrative risk assessment. Those responsible for the functions and for the subsidiaries involved in the process of preparing and managing accounting and financial information are responsible for the proper functioning and update of the administrative and accounting internal control system in relation to all the processes and accounting reporting under their control and they must constantly monitor those administrative and accounting procedures in order to ensure that they are properly applied and appropriate to the existing processes;
- a Financial Control Self-Assessment, aimed at identifying any areas of attention and improvement in administrative and accounting processes, is performed periodically;
- tables of administrative and accounting controls, which describe the control activities implemented in each administrative and accounting process in relation to the risk identified and the related control objectives and which summarise the results of control testing activities performed by the Group Audit Department. The controls described by those tables represent the application of control principles described in administrative and accounting control procedures. These tables are therefore used as a tool for the identification of the key controls in place, specific to each

significant process, and for the identification of tests to be performed to assess the adequacy of the administrative and accounting internal audit system. These tables are constantly updated by the Group Audit Department.

The Financial Reporting Officer appointed to prepare corporate accounting documents assesses and certifies the adequacy of the 262 Control Model, which is the administrative and accounting internal control system just described and to the proper functioning of the procedures in place at least twice annually, when the interim half year and annual financial statements (consolidated financial statements of the Group and separate financial statements of the Parent Company) are approved. He is supported by the testing activity performed by the Group Audit Department, designed to assess the adequacy of the design and proper implementation and operational effectiveness of the controls in place.

Independent testing is performed continuously throughout the year on the basis of the Annual Audit Plan drawn up by the Group Audit Department. The results of testing activities, assessments of possible areas for improvement and the relative corrective action are officially published in an annual report addressed by the Group Audit Director to the Financial Reporting Officer and the CEO.

The Financial Reporting Officer is also responsible for monitoring the administrative and accounting internal control system on the basis of information received from the chiefs of corporate functions and reports on the activities performed by the Group Audit Department, in order to ensure that the body of procedures is updated and that the controls identified by means of the administrative and accounting procedures are actually implemented.

(b) Roles and functions involved in the system for the management of risks and internal control in relation to the financial reporting process

The roles involved with specific reference to financial reporting processes are: the Board of Directors, the Chief Executive Officer, acting also as Director responsible for the internal control and risk management system, the Group Audit Director, the Chief Legal Officer (Head of the Legal, Compliance and Risk Management Department) the Group Ethics and Compliance Director, the Global Risk Director, the Risk, Control and CSR Committee and the Financial Reporting Officer.

The Financial Reporting Officer in conjunction with the CEO is responsible for putting adequate administrative and accounting procedures in place for the preparation of the separate Parent Company and consolidated financial statements.

The Board of Statutory Auditors is also called upon to perform the functions assigned by the current regulations to the **Committee for internal control and accounting audit** ('CICAA'), established by Italian Legislative Decree no. 39/2010 (so-called ''consolidated law on statutory audits''), implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and therefore oversees the financial information process, on the effectiveness of the internal control, internal audit and risk management systems, the revision of the annual accounts and consolidated accounts, and the independence of the auditing company. Further information is given in Section 11 on the Board of Statutory Auditors.

9.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Following the appointment of the new Board of Directors on 29th April 2022, the Board of Directors resolved that the Chief Executive Officer, Mr Robert Koremans, be identified as the Executive Director responsible for the internal control and risk management system of the Company and the Group, pursuant to the CG Code, thereby confirming the assignment of the duties identified for this role in the Guidelines of the Internal Control and Risk Management System of the Recordati Group.

Duties

The Director responsible for the Internal Control and Risk Management System, with the assistance of the Group Audit Director :

a) is responsible, as part of the Risk Assessment process adopted by the Company, for identifying the main corporate risks, taking account of the characteristics of the activities performed by Recordati S.p.A. and its subsidiaries, with particular attention to companies of strategic importance, and periodically submits them to the Board of Directors for examination;
b) implements the guidelines defined by the Board of Directors, monitoring the structuring, implementation and management of the Internal Control and Risk Management System and constantly checking its adequacy and effectiveness;
c) takes care of the adaptation of the Internal Control and Risk Management System to the dynamics of the operating conditions and the legislative and regulatory framework;
d) may entrust the Group Audit Director with the task of carrying out checks on specific operational areas and on compliance with internal rules and procedures in the performance of corporate transactions, simultaneously notifying the Chair of the Board of Directors, the Chief Executive Officer (if not identified as the latter person), the Chair of the Risk, Control and CSR Committee and the Chair of the Board of Statutory Auditors;
e) promptly reports to the Risk, Control and CSR Committee (or to the Board of Directors) on problems and critical issues that have arisen in the performance of its activities or of which it has become aware, so that the Committee (or the Board of Directors) can take the appropriate measures.

Activities carried out in 2023

The Director Responsible for supervising the functionality of the internal control and risk management system, during 2023, with the help of the Chief of Group Audit & Compliance until 31st March 2023 and subsequently with the assistance of the Chief Legal Officer (head of the Legal, Compliance and Risk Management Department) and other relevant corporate functions:

- has identified, as part of the Risk Assessment process adopted by the Company, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries. In detail, he has completed the update of the Recordati Risk Map relating to the 2023 financial year (again with the assistance of the outside company Deloitte S.p.A.), of which he informed the Risk, Control and CSR Committee and the Board on several occasions during 2023;

- has implemented the guidelines defined by the Board and has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system into line with changes in operating conditions and in the legislative and regulatory framework.

9.2 RISK, CONTROL AND CSR (Corporate Social Responsibility) COMMITTEE

Composition

The Risk, Control and CSR Committee is composed of the following three non-executive and independent Directors: Ms Michaela Castelli, lawyer, (Chair), Ms Elisa Corghi and Mr Piergiorgio Peluso. The Board determined that all members have adequate experience in accounting and finance or risk management matters.

The Committee met 10 times during 2023 and 2 times during the current year. The percentage attendance of Committee members at meetings is shown in the table contained at the end of Section 6 of this Report.

The entire Board of Statutory Auditors and the Group Corporate Law Counsel and Secretary of the Board of Directors, also as Secretary of the Committee, have been constantly invited to participate in the Committee's work.

Upon invitation by the Chair of the Committee and depending on the items on the agenda, according to the attendance records in the minutes of the meetings, various non-members have attended as well: the Chairman of the Board of Directors; the Chief Executive Officer and Director Responsible for the Internal Control and Risk Management System, the Group Chief Legal Officer, the Group Audit Director and internal member of the ODV (231 Compliance Body), the members of the ODV (231 Compliance Body), the Group CFO, the VP Group Finance, the ESG Manager, Ms Jo Le Couilliard, Independent Director; the Senior VP Group HR; the Corporate Development, Licensing & Innovation Director; the Head of Rare Diseases B.U.; the Group R&D and Medical Affairs Director; the Executive VP Corporate Development; the Group Compliance & Ethics Officer; the CISO (Corporate Information Security Officer), the Employers and the Heads of the Prevention and Protection Service for production sites in Italy with regard to safety in the workplace, the Group Engineering Manager as well as consultants who provided support to the Company on specific projects examined by the Committee.

Duties assigned to the Risk, Control and CSR Committee

The Risk, Control and CSR Committee has been set up with the task of supporting the Board's assessments and decisions relating to the internal control and risk management system and sustainability issues; in particular, it is in charge of analysing the issues and instructing relevant practices to control business activity, by carrying out investigative, advisory and proposal-making functions towards the Board with respect to assessments and decisions relating to the internal control and risk management system – understood as the set of rules, procedures and organisational structures for the actual and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the Company's sustainable success (meaning the objective that guides the Board's actions and that consists of the creation of long-term value to the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Company) – as well as in those relating to the approval of periodic financial and non-financial reports for the purposes of the internal control and risk management system.

More specifically, the Committee plays an investigative and advisory role vis-à-vis the Board in the performance of certain tasks pertaining to the Board itself, such as:

- to carry out the analysis of issues relevant to the creation of long-term value as a preliminary step for the Board's approval of the business plan of the Company and of the Group;
- to define the nature and level of risk compatible with the Company's strategic objectives, by including in its assessments all elements that may be relevant to the Company's sustainable success;
- to identify the director responsible for establishing and maintaining an effective internal control and risk management system (Director responsible for the internal control and risk management system) in the event that the Board decides to depart from the recommendation of the CG Code, which identifies the latter as the Chief Executive Officer;
- to define the guidelines of the internal control and risk management system in accordance with the Company's strategies;
- to assess, at least once a year, the adequacy of the internal control and risk management system in relation to the characteristics of the company, its risk profile, as well as its effectiveness;
- to appoint and revoke the Group Audit Director, by defining his/her remuneration in line with company policies and ensuring that he/she is provided with adequate resources to perform his/her duties. If the Board decides to entrust the internal audit function, as a whole or by operational segments, to a person external to the Company, the Committee shall first assess that the person adequately meets the requirements of professionalism, independence and organisation and that adequate reasons for such choice are provided in the Corporate Governance Report;
- to approve, at least once a year, the work plan prepared by the Group Audit Director, after having consulted with the Board of Statutory Auditors, the Director responsible for the internal control and risk management system and the Chief Executive Officer;
- to assess the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the corporate functions involved in controls (such as the Compliance & Ethics and the Risk Management functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they have adequate professionalism and resources;
- to assign to the Board of Statutory Auditors or to a specially established body – the ODV (231 Compliance Body) – the supervisory functions pursuant to article 6, paragraph (1)(b) of Italian Legislative Decree no. 231/2001; in the second case, (i) to appoint the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, taking care to assess the advisability of appointing to the Body at least one non-executive director and/or one member of the Board of Statutory Auditors and/or the holder of the company's legal or control functions, in order to ensure coordination between the various persons involved in the internal control and risk management system and (ii) to allocate an annual budget to the ODV (231 Compliance Body). In particular, the Committee formulates proposals to the Board regarding the appointment of members of the ODV (231 Compliance Body) pursuant to

Italian Legislative Decree no. 231/01 and the allocation of an annual budget to that body;
- to assess, in consultation with the Board of Statutory Auditors, the findings set out by the auditor in the letter of suggestions, if any, and in the additional report on key issues arising from the statutory audit addressed to the Board of Statutory Auditors;
- to describe, in the Corporate Governance Report, the main features of the internal control and risk management system and the methods of coordination between the persons involved in it, indicating the models and national and international best practices of reference, expressing its overall assessment of the adequacy of the system itself and giving an account of the choices made regarding the composition of the ODV (23 Compliance Body);
- to generally implement the recommendations contained in the CG Code in relation to the internal control and risk management system.

Moreover, the Risk, Control and CSR Committee, in compliance with the CG Code, in assisting the Board:
- assesses, together with the Financial Reporting Officer and after having consulted with the auditor and the Board of Statutory Auditors, the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, prior to the Board's approval of the consolidated financial statements;
- assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- examines the content of periodic non-financial information relevant to the internal control and risk management system;
- expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the Board's assessments and decisions relating to the management of risks deriving from prejudicial facts of which it has become aware;
- examines the periodic reports on the assessment of the internal control and risk management system and those of particular relevance prepared by the Group Audit Department;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Group Audit Department;
- may entrust the Group Audit Department with the task of carrying out checks on specific operational areas, simultaneously reporting to the Chair of the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, unless the subject of the request for control specifically concerns the latter's activity;
- reports to the Board, at least every six months, upon the approval of the annual and half-yearly financial reports, on the activities carried out as well as on the adequacy of the internal control and risk management system.

The Risk, Control and CSR Committee also assists the Board **in relation to sustainability issues**:
- monitors sustainability issues related to the Company's operations and the dynamics of its interaction with all stakeholders in accordance with the principle of sustainable success;
- examines the guidelines of the Sustainability Plan and the means for implementing the sustainability policy, also by supervising the adoption of measures aimed at gender equality and equal opportunities within the entire company and group organisation, as well as monitoring their specific implementation;
- examines the general approach of the consolidated non-financial statement and the structuring of its contents, as well as the completeness and transparency of the reporting provided through this document;
- at the request of the Board, expresses opinions on sustainability issues.

Lastly, the Risk, Control and CSR Committee also plays an investigative and advisory role *vis-à-vis* the Board of Directors in the performance of the following duties pertaining to the Board itself:
- amending and/or supplementing the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 adopted by the Company; in particular, the Committee makes proposals to the Board of Directors regarding amendments to be made to the Organisational Model pursuant to Italian Legislative Decree no. 231/01 adopted by the Company;
- appointing and dismissing the Internal Audit Officer(s) pursuant to article 150 of Italian Legislative Decree no. 58/1998;
- appointing, subject to the mandatory opinion of the Board of Statutory Auditors, the Financial Reporting Officer pursuant to Article 154-*bis* of Italian Legislative Decree no. 58/1998 and article 25 of the By-Laws; in compliance with the 'Regulations of the Financial Reporting Officer' approved by the Board on 18th March 2020, the Committee carries out the preliminary activities regarding the requirements of professionalism and integrity in support of the Board's resolution;
- carries out any further duties assigned to it by the Board of Directors.

In addition to the above, the Committee is also assigned the following duties with reference to the Procedure governing Related-Parties transactions:
- shall express an opinion on the Procedure governing Related-Party Transactions that the Company must adopt in compliance with Consob Regulation no. 17221 of 12th March 2010, as well as on any subsequent amendments to the Procedure itself;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of major importance and on Related-Party Transactions of minor importance in compliance with the aforementioned Procedure for Related-Party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration.

Activities performed in 2023

During 2023, the Committee was kept informed by the Company of significant events for which it is competent, and performed, with investigative, advisory and propositional functions within the remits delegated to it by the Board of Directors and/or the CG Code. In particular, among the most relevant activities carried out in 2023, the following are highlighted whereby the Committee:
- in the context of the Business Plan update, verified, with the support of the corporate functions, that the nature and level of risk inherent in the strategic development were compatible with the risk exposure profile deemed appropriate by the Company, and examined the sustainability aspects of the proposed plan;
- examined Recordati's organisational structures following specific information from the CEO and with his support, with particular focus on the control structures, in view of the changes made to the organisation during 2023;
- conducted specific IT security focuses, meeting with the IT & Telecommunications Director and the Cyber Security Manager of the Company;

- examined the results of the assessment on the impairment methodology entrusted to an independent expert appointed by the Company and expressed a favourable opinion on the approval of the procedure containing the changes made to the relevant methodological process;
- still on the subject of sustainability during 2023: it examined the Sustainability Plan for the year 2023 and its specific targets, and monitored its implementation and achievement during the year; it also examined the Non-Financial Statement for 2022. Prospectively, it also started the corresponding analyses for 2024;
- examined the reports of the control functions, taking note of the outcomes and the overall assessment made on the adequacy of the controls, and the activity plans of the functions, verifying their state of implementation over time. It took note of the reports and activity plans of the ODV (231 Compliance Body);
- on the basis of the information received, it provided the Board of Directors with its assessment of the adequacy of the Internal Control and Risk Management System.

The Committee constantly maintained the appropriate functional links with the Director in charge of the Internal Control and Risk Management System, the Board of Statutory Auditors and the ODV (231 Compliance Body) (in relation to which, in 2023, it formulated the proposal to the Board regarding the appointment pursuant to Legislative Decree No. 231/2001 for the duration of 1 year), as well as with the external auditing firm, for the performance of common activities and the periodic exchange of information, in the usual respect of specific competences.

Minutes were duly taken of the meetings of the Committee, in line with the provisions of the Committee Regulation.

In particular:
- the Committee meets, subject to prior written notice being given by its Chair (or in his/her absence or impediment, by the Committee member who has served longest on the Board of Directors, or in the event of the same length of service, with the greatest seniority in terms of age) indicating the place, date, time and agenda of the meeting to be held, in general, at least three days prior to the date set for the meeting; in cases of urgency, the time limit may be shorter, provided that a minimum of 24 hours' notice is given, at the registered office or elsewhere in Italy, as indicated in the notice of call; the notice of call is sent to the members of the Committee by the Secretary, on the instructions of the Chair of such Committee; the notice is also sent by the Secretary to the statutory auditors of the Board of Statutory Auditors and to any other persons invited by the Chair of the Committee to attend the meeting;
- the Chair, with the assistance of the Secretary, shall ensure that the pre-committee reporting and additional information provided during meetings are suitable so as to enable Committee members to act in an informed manner in carrying out their role; in particular, with regard to the identification of time frames for sending documentation, the Committee indicates the following time frames:
  - three calendar days in most cases;
  - one calendar day for the minutes of the meeting.

  The members of the Committee and the Statutory Auditors are informed in advance if the Chair considers it appropriate that, for particular reasons of confidentiality and/or urgency in relation to the content of the item on the agenda and the related resolution, the supporting documentation be provided directly at the meeting. These timeframes have mainly been complied with, with a few exceptions;
- the Secretary of the Board of Directors acts as Secretary of the Committee and is responsible for taking the minutes of the meetings.

The Board of Directors approved a specific budget for the Risk, Control and CSR Committee for 2023 in order to provide it with adequate financial resources to carry out its duties.

The Committee had access to the information and company departments necessary to carry out its duties; it did not consider it necessary to use external consultants.

9.3 GROUP AUDIT DIRECTOR

It is the responsibility of the Board of Directors, upon the proposal of the Risk, Control and CSR Committee, to appoint and remove the chief of that function, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

The Group Audit Department, headed by Mr Giovanni Minora, is not responsible for any operational area whatsoever and from 2012 reports hierarchically to the Board of Directors; the ordinary management of employment relationships has been assigned to the Chair, also following the renewal of the Board of Directors that occurred in 2022. The Chair was confirmed as being in charge of supervising the activities of the internal audit function and liaising with the Board of Directors.

The Group Audit Director is also in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998.

When he was appointed, the Board, having consulted with the Risk and Control Committee (as named at the time), assessed the appropriateness of the remuneration paid to the Group Audit Director as an employee of the Company with respect to the Company's policies.

Duties

The duties of the Group Audit Director are as follows:
- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and set priorities in relation to the main risks;
- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- also, upon request by the Board of Statutory Auditors, to promptly prepare reports on events of particular importance;
- to submit periodic reports to the Board of Statutory Auditors, the Risk Control and CSR Committee, the Board of Directors, the Director responsible for the internal control and risk management system and the CEO, except where the subject matter of such reports specifically concerns the activities of such bodies;
- as part of the audit plan, to oversee the reliability of IT systems, including those responsible for bookkeeping.

For the purposes of the above the Audit Director has direct access to all information useful for performing his/her duties.

Furthermore, the Group Internal Audit Director:
- explains the proposed annual work programme to the Risk, Control and CSR Committee in order to implement any recommendations that the Committee may intend to make;
- assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, implementation and management of the Internal Control and Risk Management System;
- schedules and carries out, consistent with the annual work plan, direct and specific audit activities at Recordati S.p.A. and at all the subsidiaries, with particular regard to companies of strategic importance, in order to detect any failings there may be in the internal control and risk management system, in the various risk areas.
- checks that the rules and procedures for auditing and risk management processes are observed and that all individuals involved act in accordance with the predetermined objectives;
- carries out checks on his own initiative or at the request of the Board of Directors, the Risk, Control and CSR Committee, the Executive Director responsible for monitoring the functionality of the internal control and risk management system or the Board of Statutory Auditors.

Activities in 2023

In detail, during the course of the Financial Year and in meetings of the Board of Directors already held in 2023, the Group Audit Director:
- explained the annual work programme and the organizational structure of his function to the Risk, Control and CSR Committee;
- had direct access to all the necessary information to carry out his role;
- carried out direct and specific auditing tasks, in a manner consistent with the annual work plan;
- reported to the Executive Director responsible for monitoring the functionality of the internal control system on the results of the auditing activities undertaken during the Financial Year;
- reported on his actions and on the results of the activities undertaken to the Risk, Control and CSR Committee and to the Board of Statutory Auditors of the Company.

The Group Audit Director had an operating budget which was used to carry out the audits and checks performed during the Financial Year.

As of 1st April 2023, the Group Audit & Compliance Department was reorganized, renaming it the Group Audit Department and separating the Compliance Function and risk management activities. For further details, please refer to the above paragraphs.

The Board of Directors was informed by the Director in charge of the Internal Control and Risk Management System of the organisational structure of the Group Audit Department, also as a result of the above-mentioned organisational changes, and it agreed with the assessment of its adequacy in carrying out the responsibilities assigned to it and drawing up the audit plan approved for 2023.

9.4 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/ 2001

All the Italian companies of the Recordati Group (Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italchimici S.p.A., Natural Point S.r.l.) adopted their own Organisation, Management and Control Model as envisaged under Italian Legislative Decree 231/2001 concerning the administrative liability of organisations. More specifically, Recordati, the Group Parent, adopted its Model in 2003, with constant updating both as regards the General part containing the core items of the Model and the special part of operational management protocols.

During 2023, the company Eusa Pharma (Italy) S.r.l., which was acquired in March 2022, was merged by incorporation into Recordati Rare Disease Italy S.r.l. and, as a result, the pre-existing ODV (231 Compliance Body) of Eusa Pharma expired and the relevant activities pursuant to Italian Legislative Decree 231/2001 were incorporated into the 231 Model of Recordati Rare Disease Italy.

In accordance with Confindustria guidelines, the organisational models of the Italian companies of the Recordati Group are dynamic, effective mechanisms as a result of constant monitoring and updating by the ODVs (231 Compliance Bodies). The organisational models call for specific, confidential channels for the reporting of violations or other anomalies by employees and periodic personnel training on the content of Italian Legislative Decree no. 231/2001 and of the Organisational Model. The ODV (231 Compliance Bodies), which have been appointed within the Group's Italian companies, are boards composed of the Internal Audit Director and outside experts. Each ODV (231 Compliance Body) has its own internal regulations and operate in accordance with a specific programme. The ODV (231 Compliance Bodies) also periodically report to the Board of Directors and the Board of Statutory Auditors.

In particular, the ODV (231 Compliance Body) of Recordati S.p.A. lastly appointed by the Board of Directors on 21st April 2023, is composed of the external members, Prof. Silvano Corbella, Chair and Mr Andrea Scafidi, lawyer, and the internal member Mr Giovanni Minora, Group Audit Director. The term of office of the current ODV (231 Compliance Body) will expire with the approval of the 2023 financial statements.

Similarly, on 14th March 2018 Spanish subsidiary Casen Recordati adopted a Management and Control Organisational Model in compliance with Ley Organica 2015/1 of 30th March 2015 which introduced in the Spanish criminal code some relevant changes concerning the criminal liability of legal persons. This law, in relation to the conditions for the exemption from administrative liability for legal persons, borrowed the legislative structure envisaged in Italy by Italian Legislative Decree no. 231/01. The model adopted by the Spanish subsidiary therefore has a similar approach to the 231 Models adopted by the Italian companies of the Group. Also, in the Spanish subsidiary, a collective ODV (231 Compliance Body) has been appointed and is operative, as required by best practices. The ODV (231 Compliance Body) of the Spanish subsidiary met periodically during 2023.

The Organisation, Management and Control Models adopted by the Group's Italian companies, pursuant to Italian Legislative Decree no. 231/2001, are constantly monitored by the ODVs (231 Compliance Bodies) in charge. The Models are subject to constant updating both for the introduction or updating of the regulations of interest and for organisational changes or internal

processes. The updates concern the General part of the Model, with adjustments to risk mapping, the disciplinary system and other general elements and the Special part of the Model, made up of control and behavioural protocols.

In the second half of 2023, the parent company Recordati S.p.A. launched a new project to update the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 in relation to the latest offences introduced at legislative level. The updating project, which mainly concerns the General Part of the Model, will be completed in the first half of 2024 and, to the extent applicable, will be extended to the Models of all Italian subsidiaries.

The Models consist of a general part and a specific part, arranged into different sections. The general part includes, inter alia, the Code of Ethics, the Disciplinary System and the By-Laws of the ODV (231 Compliance Body). The specific part includes, inter alia, a 'map' of the areas where the risk of offences is more marked and a significant number of 'protocols'' through which measures are put in place to prevent offences being committed in the areas identified in the map.

A presentation of the Model adopted by the Company is available on the Company's website at https://recordati.com/compliance-programmes.

The Code of Ethics

The Code of Ethics, approved by Recordati S.p.A. for the first time in 2002 and constantly updated and supplemented, is a clear embodiment of the Company's corporate values.

During 2020, the Group approved a new version of its Code of Ethics. This update was guided by the Recordati Group's desire to further increase the accessibility and usability of that document and was achieved by means of meticulous drafting and critical revision by an internal inter-functional team, supported by external specialists as well as by the ODV (231 Compliance Body) of Recordati S.p.A.

The Code of Ethics defines Recordati's fundamental values which guide and support the Group in its daily operations and in its relations with both its internal and external stakeholders.

The Code of Ethics also describes the responsibilities of all those to whom it is addressed, both internal and external to the Group, and defines 'shared commitments', i.e., those forms of conduct through which Recordati's values are put into practice. This section includes information on:

- **How we manage our business**, *i.e.*, guidelines concerning:
  - Ethical and legally compliant behaviour
  - Product quality and safeguarding health
  - Commitment to environmental protection and sustainable development
  - Conflicts of interest and asset protection
  - Accounting transparency, confidentiality of information, personal data and social media
- **People and workplaces**, *i.e.*, indications concerning:
  - Protection of employees
  - Fairness, equality and protection of human rights
  - Health and safety in the workplace
- **Relations with our stakeholders.**

The Code is adopted by all Group companies and applies to all employees, shareholders, directors, members of corporate bodies, commercial partners and other third parties with whom the Group cooperates, such as consultants, intermediaries, agents and contractors, clearly defining the Company's expectations regarding ethical standards and behaviour.

The Code is based on the main existing regulations and guidelines on corporate governance, human rights and the environment, such as, for example, the United Nations Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the decent work standards laid down by the ILO (International Labour Organisation) conventions, the OECD (Organisation for Economic Co-operation and Development) Guidelines for multinational companies, national and supranational Anti-Bribery regulations (e.g.: OECD Anti-Bribery Convention, Italian Legislative Decree no. 231/2001, Foreign Corrupt Practices Act, Bribery Act, Loi Sapin 2, Ley Organica, etc.) and ISO 14001 environmental standards.

The Code of Ethics defines the procedures for reporting and the management of infringements (whistleblowing).

The Code of Ethics has been published on the Recordati Group's website, in order to ensure that it is widely distributed and accessible, and can be consulted at the following link:

https://recordati.com/compliance-programmes.

Periodically, Recordati organises training programmes for the employees of the Group, new recruits, and external persons who, although not employees of the Recordati Group, perform activities on an ongoing basis in the name and on behalf of the Recordati Group.

The Recordati Group's Anti-Bribery Model

Because of its international reach, the Recordati Group is present in a diverse range of social, cultural, economic and political contexts and is responsible for acting in accordance with applicable laws based on an awareness that any act of corruption would compromise the integrity of the business would jeopardise the organisation and would expose the company to legal and financial risks and risks to the company image.
The Group is firmly committed to conducting business transparently, honestly and ethically in every nation in which it operates, and it rejects all forms of corruption, aware of the potential risks deriving from numerous relations with government that are typical of the industry in which the Group operates.

To that end, since 2009, the Group has been conducting an assessment of the status of internal mechanisms in accordance with the main international and supranational anti-bribery laws and regulations in the countries in which it has branches.
The Group's anti-bribery programme involves the employees of both the Parent Company and of the various branches and is made up of four stages:

1. assessment of local and supranational legislation;
2. assessment of the local systems, procedures and models to protect against corruption;
3. analysis of inherent risks and of existing mechanisms for identifying residual risks;
4. definition and release of the Group's Anti-Bribery Model.

Based on the documentation and information gathered, areas of the organisation potentially exposed to a risk of corruption were identified, and the principles of conduct to avoid corruption have been defined for these areas. Based on this analysis, an Anti-Bribery Manual for the Group has been implemented.

The Manual, in its updated version, contains 16 business areas potentially exposed to the risk of corruption and, for each of them, specific principles of conduct have been formulated to avoid cases of corruption.

The 16 areas most exposed to corruption risk are the following: Research and Development; Production; Relations with doctors and healthcare organisations; regulatory activities; transactions with government; consulting; medicine samples; courses and conferences; marketing material; contributions and donations; financial transactions; Human Resources, relations with politicians and political organisations, purchasing management, relations with public administrations and management of agency costs.

Training for Recordati group employees and new recruits continued during 2023 on anti-bribery matters.

All members of the Board of Directors of Recordati S.p.A. received communication on the policies and procedures adopted through periodic reporting by the Group Audit Director.

Other models of control and adoption of national codes of ethics

The systemic approach of the Organisation, Management and Control Model defined under Italian Legislative Decree no. 231/2001 may also be found in other models in other areas of the company, such as within the scope of health and safety in the workplace, environmental management, and data protection.

Regarding data management and privacy, as from the entry into force of the new General Data Protection Regulation (No. 2016/679, hereinafter 'GDPR'), the Recordati Group has adopted its own personal data management model. The Group companies have adopted the measures envisaged by European regulation with the introduction of a Group privacy management model. On the organisational front, the Company has appointed a Data Protection Officer, a Privacy Manager and a Key Privacy Person in each subsidiary concerned. With regard to the processes and operating rules, Group policies are in place for the management of personal data, from which local procedures adopted by the various European branches derive.

The Recordati Group also adheres to the codes of self-regulation issued by industry associations that oversee activities related to detailing activities. A large portion of the Group's branches has adopted the codes of ethics defined by their local pharmaceutical associations. These codes of conduct are based on the European Federation of Pharmaceutical Industries and Associations (EFPIA) code, which establishes the ethical standards for European pharmaceutical firms for the management of detailing activities and relations with the medical community.

Within the scope of involvement with the industry associations and adoption of their codes of ethics, the branches are taking specific action aimed at maximising transparency in their management of relations with the medical and scientific community. This includes the disclosure activities (and publication of the 'Transfers of Value' for healthcare organisations and operators) and the certification of detailing procedures. This disclosure is provided by many of the Group's companies, in compliance with legal rules (such as those that apply in France, Portugal and the USA) and with ethical standards (in addition to Italy, Spain, Germany and others).

9.5 AUDIT FIRM

EY S.p.A. is the firm of external auditors appointed to audit the Company for 2023. The appointment was formally made by a Shareholders' Meeting on 29th April 2020 for the financial years 2020-2028, as proposed by the Board of Statutory Auditors.

For further information on the engagement conferred by the Shareholders' Meeting to EY S.p.A., please refer to the Shareholders' Meeting documentation available on Recordati's website in relation to the Shareholders' Meeting of 29th April 2020.

9.6 THE FINANCIAL REPORTING OFFICER

During the 2023 financial year the Financial Reporting Officer was Mr Luigi La Corte, the Group CFO.

At the time of the appointment (18th March 2020), it was confirmed that he satisfied the requirements of integrity and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in article 25, that the Financial Reporting Officer must not only satisfy the requirements of integrity laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

The Financial Reporting Officer is given duties and powers to perform that assignment also with reference to the provisions of the operational guidelines for the Financial Reporting Officer, lastly approved, on 18th March 2020, by the Board of Directors updating those previously adopted since 2007.

In particular, the Financial Reporting Officer is responsible for:

a) the definition of the administrative and accounting procedures necessary for the preparation of corporate accounting documents and any other communication of a financial nature as well as their adequacy and effective application;
b) the correspondence of the corporate accounting documents with the results in the accounting books and records and their suitability to provide a true and fair view of the asset, economic and financial position of Recordati and of the Group;
c) the completeness of the contents and, in general, compliance with the rules applicable to financial statement documentation.

The Board of Directors or, in any event, the Chief Executive Officer, provides the Financial Reporting Officer with human and material resources that enable him/her to organise a team for preparing, updating and implementing the administrative and accounting procedures for the preparation of the financial statements, as required by law. The Financial Reporting Officer is granted extensive autonomy in organising his/her team, with the use of internally available resources.

The Financing Reporting Officer has free access to any information, which is relevant or necessary, both with reference to the Company and with reference to the Group companies, he/her can liaise and exchange information with all the management and control bodies of the Company and of the group companies,

including the Risk, Control and CSR Committee, the Board of Statutory Auditors and the Audit Firm.

Lastly, the Financial Reporting Officer is also member of the Company's Board of Directors and therefore attends all meetings of the Board of Directors.

9.7 CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail in this document and also the procedures for co-ordination between the parties involved.

In this respect, the Company encourages meetings between the different roles involved in order to exchange information and to co-ordinate. As already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Risk, Control and CSR Committee and also the Director in charge of the internal control and risk management system, the Group Audit Director, the Chief Legal Officer (to whom the Legal, Corporate Affairs, Compliance and Risk Management report) the Group Corporate Law Counsel and Secretary of the Board of Directors, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO and the Financial Reporting Officer as well as senior representatives of the external audit firm have participated in meetings on invitation of the Chair of the Committee and depending on the items on the agenda.

The Board of Statutory Auditors of the Company and the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

Finally, the Board of Statutory Auditors meets periodically with the Financial Reporting Officer, the external auditors and the various corporate functions involved in the processes and procedures that must be subject to specific audit by the Board of Statutory Auditors, including those relating to the internal control and risk management system.

9.8 REGULATIONS FOR CONTROLLED FOREIGN COMPANIES LOCATED IN NON-EU COUNTRIES

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, as at 31st December 2023 the regulatory provisions of article 15 of the Markets Regulations have applied to the Turkish subsidiary Recordati Ilaç Sanayi Ve Ticaret Anonim irketi, to the American subsidiary Recordati Rare Diseases Inc, to the Russian subsidiary Rusfic Llc, the Swiss subsidiary Recordati AG and the UK subsidiary Eusa Pharma (UK) limited.

With reference to those companies, the Company:

- publicly discloses its financial statements used for preparing consolidated financial statements;
- ensures that they regularly deliver information to the external auditor of the Parent Company needed to audit the annual and interim accounts of the Parent Company itself.

Finally, the Company possesses continuous knowledge of the composition of the corporate bodies of the controlled companies with information on the company officers and on the corporate by-laws of the companies.

10. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

As reiterated also in the Regulation of the Board of Directors, Directors who have an interest, even potential or indirect, with reference to the subject matter of a resolution of the Board of Directors shall promptly and fully inform the Board of Directors.

Without prejudice to the general rules on conflicts of interest and more specifically on related-party transactions, the Board - subject to the prior favourable opinion of the Risk, Control and CSR Committee – already in 2021 approved **an ad hoc procedure aimed at regulating possible conflicts of interest of Directors in relation to M&A/Licensing-in transactions** (the 'Policy on Conflicts of Interest and Disclosure in relation to M&A/Licensing-in Transactions'). Such transactions have been deemed worthy of specific regulation, taking into account that M&A activity has historically been an integral part of the Group's business and that the experience in the Pharma sector, which is preferred in order to enrich the Board's expertise, could give rise to conflict of interest issues.

Under this policy, directors receive certain preliminary information, prior to the details of a possible transaction being shared with them, so that they can promptly disclose to the Chief Executive Officer any interest that may constitute a conflict of interest or a potential conflict of interest. This duty remains in place even if such conflicts of interest arise after more detailed information on the M&A/licensing-in transaction has been received. The Chief Executive Officer shall determine, in consultation with the Group Development, Licensing & Innovation Director, whether such a conflict exists and at the same time the Chief Legal Officer and the Secretary of the Board of Directors will be informed. The director who has a conflict of interest will not receive any further information on the transaction and will not participate in the meetings of the Risk, Control and CSR Committee (called to analyse risks), if it is a member, or of the Board, in relation to the part of the meeting's discussion examining the transaction. The Company has also reserved the right to exercise its discretion in reviewing any situation that is not specifically defined as a conflict of interest under this policy, but which falls within its spirit, in accordance with the procedures set out in this policy. The Risk, Control and CSR Committee is responsible for overseeing this Policy. The Chief Executive Officer periodically reports – or promptly when circumstances render it appropriate – to the Risk, Control and CSR Committee and to the Board of Directors on the matters dealt with in the Policy.

With respect to related-party transactions, subject to the prior favourable opinion of the Risk and Control Committee (now the Risk, Control and CSR Committee) identified as the Committee

Responsible pursuant to article 4 paragraph 3, of Consob Regulation no. 17221 of 12th March 2010, in a meeting held on 24th November 2010, the Board adopted *'Regulations for related-party transactions'* in accordance with article 2391-bis of the Italian Civil Code and with the aforementioned Regulations.

The Procedure for Related-Party Transactions ('**RPT Procedure**') defines the guidelines and the criteria for the identification of related-party transactions and gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.

The RPT Procedure, which has been in force since 1st January 2011, has been periodically reviewed and updated by the Board and, most recently, in June 2021 in order to adapt its contents to the amendments to the Consob Related-Party Regulation approved by the latter in December 2020 in implementation of the (EU) 2017/828 Shareholder Rights Directive 2 (SHRD II).

The main changes made to the previous version concerned (*i*) the introduction of a mobile reference to the definitions contained in the international accounting standards in force at the time (in particular, IAS 24 on 'Related Party Disclosures') for the definition of 'related parties' and 'transactions with related parties' and, consequently, the definitions of these terms *(i.e.* 'control', 'joint control', 'key management personnel', 'significant influence', 'joint venture' and 'close family members'); (*ii*) the introduction of a new definition of 'directors involved in the transaction' (identified as those who have an interest in the transaction, on their own behalf or on behalf of third parties, that conflicts with that of the Company) and their abstention from voting on the transaction, without prejudice to the provisions of article 2391 of the Italian Civil Code; (*iii*) the introduction of an obligation to verify in advance the independence of the experts involved by the competent committee; (*iv*) the introduction of new cases of exemption from the application of the Procedure; and (v) the introduction of the obligation to inform the competent committee on the application of the cases of exemption by sending a specific report, as well as on the performance of transactions with related parties subject to exemption, on an annual basis and at least with reference to transactions of major importance.

Furthermore, it should be noted that, on the basis of these Regulations, as most recently amended:

- the Risk, Control and CSR Committee was identified as the committee responsible for issuing a reasoned opinion on both transactions of major importance and transactions of minor importance, except for related-party transactions concerning remuneration, for which the committee responsible would be the Remuneration and Nominations Committee ('Competent Committee' or 'RPT Committee');
- the reference is to the definition of related parties in force at the time of the start of negotiations on the transaction (as specified by Consob);
- at the date of this Report, Key Manager Personnel are those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non-executive) of the Company itself identified as two managers of the Company by the Board of Directors, and proposed by the Chief Executive of the Company, in addition to the two executive directors who sit on the Board of Directors (i.e. the CEO and the Group CFO);
- transactions of Major Importance are defined as those related-party transactions for which at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Related-Party Regulations and which are applicable according to the characteristics of each related-party transaction (i.e. value of the transaction in relation to shareholders' equity or, if greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;
- Transactions of Minor Importance are defined as those related-party transactions which are not transactions of Major Importance and not transactions of negligible amounts i.e., transactions for an individual amount of less than € 150,000 if the related party is an individual, or not exceeding € 300,000 if the related party is a person other than an individual.

The procedure does not apply to:

- Transactions of Negligible Amounts unless the overall value of more than one Transaction of Negligible Amounts, to be performed as part of a single plan, exceeds the amounts indicated above, depending on the nature of the related party;
- Intercompany Transactions provided that no Significant Interests of other related parties of the Company exist in the subsidiaries of Recordati or in associate companies of Recordati which counterparties to the transaction are. It is considered that the existence of 'Significant Interests' of other related parties could be determined by:
  - the existence of a significant amount receivable by the Chief Executive Officer of the Parent from a subsidiary;
  - one or more directors or other key manager personnel shared between companies who benefit from share-based incentive schemes (or in any case variable remuneration) dependent on the results of subsidiaries or associate companies with which the transaction is performed;
  - an interest held in a subsidiary or associate company (even indirectly) by the party that controls the parent.
- shareholders' resolutions pursuant to article 2389, first paragraph, of the Italian Civil Code, concerning the remuneration due to members of the Board of Directors and resolutions concerning the remuneration of Directors appointed to special positions which forms part of the total amount determined in advance by shareholders in accordance with article 2389, third paragraph, of the Italian Civil Code;
- shareholders' resolutions pursuant to article 2402 of the Italian Civil Code, concerning the remuneration due to members of the Board of Statutory Auditors;
- remuneration schemes based on financial instruments approved by shareholders in accordance with article 114-bis of the TUF and the relative transactions to implement them;
- decisions (other than those referred to under the preceding point concerning the remuneration of Directors, Directors appointed to special positions and other key manager personnel, when (i) the Company has adopted a remuneration policy approved by the shareholders' meeting (the formulation of which involved a committee formed exclusively of non-executive directors, the majority of which are independent) and (ii) remuneration actually assigned

is compliant with that policy and quantified on the basis of criteria that do not involve discretionary assessments. It is understood that, where resolutions on remuneration are subject to the procedure because they do not fall within the exemptions set out in this point, as well as in the three previous points, the first case described above may still apply for transactions for small amounts;

- transactions which fall within the ordinary performance of Operating Activities and the related financial activities concluded under conditions equivalent to market conditions or standards (i.e. conditions similar to those normally practiced with non-related parties for transactions of an analogous nature, magnitude and risk or based on regulated tariffs or on compulsory prices or those practiced for parties with which the Company is obliged by law to negotiate at a determined consideration). The 'ordinary performance' is identified by considering the contents, recurrence, function or purpose and timing of the transaction and also the nature of the counterparty, even if it is a related-party. Operating Activities are defined as the main revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to article 114, paragraph 1, of the TUF, to comply with the provisions of article 13, paragraph 3, letter c), points i) and ii) of the Consob Related-Party Regulation. More specifically, if the transactions mentioned in this item g) are of greater importance pursuant to the subsequent sub-section 03.03, the Company shall notify Consob and the Competent Committee, within seven days from the approval of the transaction, of the counterparty, the subject and the consideration for the transaction and the reasons why the transaction is considered ordinary and concluded under conditions equivalent to market or standard conditions, providing objective evidence of the same. The Competent Committee verifies without delay, and in any case within seven business days from the communication, the correct application of the aforementioned exemption;
- transactions approved by the Company and addressed to all shareholders on equal terms, including: full or partial demerger transactions in the strict sense with proportional share allocation criteria (ii) share capital increases with option rights reserved to shareholders and to any holders of financial instruments (therefore issuances which are performed without excluding their option rights) including to service convertible bonds, and capital increases on a gratuitous basis provided for by article 2442 of the Italian Civil Code; (iii) share capital reductions through reimbursement to shareholders provided for by article 2445 of the Italian Civil Code and (iv) purchases of treasury shares pursuant to article 132 of the TUF;
- transactions to be performed on the basis of instructions for the purpose of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The full text of the RPT Procedure is available on the company's website https://recordati.com/other-corporate-documents.

As already mentioned in this Report, the RPT Committee is identified as the Risk, Control and CSR Committee, except for related party transactions concerning remuneration, for which this committee is identified as the Remuneration and Nominations Committee. It should be noted that both Committees are composed of Independent Directors only. Please refer to the table on the structure of Board committees in Section 6 of this Report for further information on their composition and note that there were no changes during the current financial year.

The meetings of the Risk, Control and CSR Committee and the Remuneration and Nominations Committee, acting as RPT Committee, are coordinated by the Chair of the relevant committee and minutes are regularly taken. In view of the fact that the RPT Committee does not constitute an autonomous committee, but that its functions and work are included into those of the two above-mentioned Board Committees, it is not possible to provide independent data on the average duration of meetings as an RPT Committee during the Financial Year.

Reporting on the activities of the two committees, including those acting as RPT Committees, is provided to the first Board of Directors by the chair of the competent committee.

With regard to transactions with related parties carried out in the 2023 financial year, the Remuneration and Nominations Committee was also called on to express its opinion as the RPT Committee, in some cases for transactions of minor importance. For more information, please refer to the Remuneration Report published by the Company.

11. BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT

The appointment of Statutory Auditors is governed by article 26 of the By-Laws, which is given below:

'Article 26) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law. Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products. The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.

Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of slates submitted by Shareholders in which candidates are listed by means of a progressive number and in compliance with the existing legislation in force concerning gender balance.

The slate must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor.

Only Shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock

or representing a lesser percentage as established or provided by binding legal or regulatory provisions which shall be specified in the notice of meeting, shall have the right to present slates.
Each shareholder, including shareholders who have signed a shareholders' agreement identified in article 122 of Italian Legislative Decree no. 58/1998, controlling entities, subsidiaries, and jointly controlled entities, is prohibited from individually or jointly submitting more than one slate or voting for different slates, even through a third party or trust company. Each candidate may only run on one slate on penalty of disqualification. Endorsements of slates and votes cast in violation of this prohibition shall not be attributed to any slate.
The slates submitted shall be deposited at the Company's head offices at least twenty-five days before the date scheduled for the first convocation of the Shareholders' Meeting without prejudice to further disclosure required by regulatory or other provisions in force at the time. Without prejudice to any further procedural duty required by the legislation and also by the regulations currently in force, the following must be deposited together with each slate, within the time limit already mentioned:

a) information on the identity of the shareholders who have submitted the slates, indicating the total percentage of capital stock held;
b) a declaration by shareholders other than those who hold, singly or jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided for by the regulations in force;
c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.

Slates containing a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage of candidates to the position of Statutory Auditor and candidates to the position of Alternate Auditor are equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Statutory Auditors belongs to the less represented gender in a given slate.
Slates not satisfying the requirements specified above shall be considered as not having been submitted.
Statutory Auditors shall be elected as follows:

1. *from the slate which obtained the highest number of votes at the Shareholders' Meeting, two Statutory Auditors and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;*
2. *from the second slate which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the slate which obtained the highest number of votes, one Statutory Auditor, who shall chair the Board of Statutory Auditors, and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the slate.*

In the event of a tie between slates for the appointment of the Auditors indicated in point 2 of the foregoing paragraph, the slate submitted by shareholders owning the largest shareholding or, alternatively, the slate submitted by the largest number of shareholders shall prevail.
If by following the above procedures, the composition of the full members of the Board of Statutory Auditors in compliance with the legislation in force at the time concerning gender balance is not ensured, the necessary replacements shall be made from the candidates to the position of full Statutory Auditor on the slate that obtained the majority of votes on the basis of the order of the names on the slate.
Should a single slate or no slate be submitted, all candidates for that position named on the aforesaid slate or those voted by a Shareholders' Meeting (as long as they receive a relative majority of the votes cast in the Shareholders' Meeting) shall be elected as Statutory and Alternate Auditors and provided the existing legislation in force on gender balance is complied with.
Should they no longer satisfy the requirements laid down by law and in the by-laws, the auditor shall leave office.
Should it become necessary to replace a Statutory Auditor, the Alternate Auditor belonging to the same slate as the outgoing auditor shall take the latter's place or, failing this, should the minority auditor leave office, he shall be replaced by the next candidate on the slate from which the outgoing auditor was elected, or, alternatively, by the first candidate on the minority slate that obtained the second highest number of votes.
It is understood that the Board of Statutory Auditors shall continue to be chaired by the minority auditor and the composition of the Board of Statutory Auditors must comply with the existing legislation in force on gender balance.
The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint Statutory and/or Alternate Auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes.
Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the shareholders' meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of slates. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree no. 58/1998, shall not be considered in establishing the outcome of said vote.
The replacement procedures set forth in the above paragraphs must in any event ensure compliance with the legislation in force at the time concerning gender balance.
Members of the Board of Statutory Auditors may participate in meetings remotely by means of audio-visual connection, video conferencing or telephone link-up systems.
In the above case:

- *the following must always be established:*
  a) the identity of all members attending, at each point of connection, shall be confirmed;
  b) each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;
- *meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chair and Secretary are located.*

The statutory audit of the Company's accounts shall be performed by the Audit Firm on the basis of applicable regulations'.

It is underlined, in particular, that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the ordinary Shareholders' Meeting, or representing any lower percentage established by mandatory laws or regulations. It should be noted that In accordance with articles 144-*quater* and 144-*septies* of Consob Issuers' Regulations, according to the Consob resolution no. 92 of 31st January 2024, the minimum percentage of the share capital required to present slates of candidates to the Board of Statutory Auditors of the Company is currently 1%.
The minority slates shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various slates submitted, we note that, again according to the above transcribed article 26 of the By-Laws, two Statutory auditors and one Alternate auditor are elected from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order by which they are listed in the sections of the slate; from the second slate which obtained the highest number of votes after the first slate and which has no connection, not even indirectly, with the shareholders who submitted or voted for the slate which obtained the highest number of votes, one Statutory Auditor, who will chair the Board of Statutory Auditors, and one Alternate Auditor are elected, based on the progressive order by which they are listed in the slate.

With regard to the **rules on gender balance in corporate bodies**, Italian Law no. 160 of 27th December 2019 (Budget Law 2020) amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to previous one 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.
According to the Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law', which occurred on 1st January 2020.

Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of the application, to corporate bodies composed of three members, of the rules on gender quotas, introduced by the aforementioned provisions of the TUF and which have already been applied since the renewal of the Board of Statutory Auditors at the 2020 shareholders' meetings: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*.1, paragraph 3, of the Consob Issuers' Regulations.
It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders).

Again with respect to gender balance in the bodies of listed companies, the Company also acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies introduced first in the Corporate Governance Code for Listed Companies approved in July 2018 by the Corporate Governance Committee and then confirmed by the CG Code, which indicates that at least one third of the board of directors and control body is made up of members of the least represented gender.

Finally, we report that article 19, paragraph 3 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, requires that members of the committee for internal control and the accounting audit – which for 'public interest entities' is the Board of Statutory Auditors – are competent as a whole and also in the sector in which the company operates. The business activities closely related to the Company's activities consist of research, production and trade in chemical and pharmaceutical products.

11.2 COMPOSITION AND FUNCTIONING (pursuant to article 123-*bis*, paragraph 2, letter d) and d-*bis*) of the TUF)

The composition of the Board of Statutory Auditors in office on the closing date of the Financial Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 21st April 2023 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended on 31st December 2025.

At the Ordinary Shareholders' Meeting of 21st April 2023, two slates for the position of statutory auditor were presented: one by the shareholder Rossini S.à.r.l., holder of 108,368,721 ordinary shares equal to 51.82% of the Recordati S.p.A. share capital, and another, following the shareholding required in order to present a minority slate being cut in half, presented by other shareholders – SGR and institutional investors, - which collectively hold 1,080,879 shares equal to 0.51686% of share capital.
In detail:

The first slate, presented by Rossini S.à.r.l., named the following individuals to be members of the Board of Statutory Auditors:

Statutory Auditors
Ms Livia Amidani Aliberti
Mr Ezio Simonelli
Mr Emiliano Nitti

Alternate Auditors
Ms Silvia Mina
Mr Luca Giuseppe Piovano

The second slate presented by the other shareholders – management companies and institutional investors – named the following individuals to be members of the Board of Statutory Auditors:

Statutory Auditors
Mr Antonio Santi

Alternate Auditors
Mr Andrea Balelli

The following individuals were elected:

Mr Antonio Santi	Statutory Auditor and Chair
Ms Livia Amidani Aliberti	Statutory Auditor
Mr Ezio Simonelli	Statutory Auditor
Ms Silvia Mina	Alternate Auditor
Mr Andrea Balelli	Alternate Auditor

The voting capital represented 85.153% of the Issuer's share capital with voting rights. In favour of list no. 1, 118,517,527 shares (56.673% of the share capital with voting rights). In favour of list no. 2, 59,064,313 shares (28.244% of the share capital with voting rights).

Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slates presented by Rossini S.à.r.l. and by management companies and institutional investors, accompanied by a list of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website https://recordati.com (in the section Investor Relations, Shareholder Information, Shareholders' Meeting of 21st April 2023).

Moreover, it should be underlined that the personal and professional features of each auditor range from economic and financial, to legal and corporate governance subjects and are detailed in Appendix 1 of this Report.

Table of the composition and structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS CURRENTLY IN OFFICE AS ST 31ST DECEMBER 2023

Office	Members (surname and name)	Year of birth	Date of first appointment	In office since	In office until	Slate (M/m)	Indep. under the Code	Indep. under the TUF	Attendance at the Statutory Auditors' meetings	Number of other offices
						*			**	***
Chair	SANTI Antonio	1977	11.4.2017	21.4.2023	Approval of the 2022 financial statements	m	X	X	15/15	15
Statutory Auditor	AMIDANI ALIBERTI Livia	1961	17.4.2014	21.4.2023	Approval of the 2022 financial statements	M	X	X	15/15	3
Statutory Auditor	SIMONELLI Ezio	1958	29.4.2020	21.4.2023	Approval of the 2022 financial statements	M	X	X	15/15	25
Alternate Auditor	MINA Silvia	1988	21.4.2023	21.4.2023	Approval of the 2022 financial statements	M	X	X	N/A	6
Alternate Auditor	BALELLI Andrea	1975	11.4.2017	21.4.2023	Approval of the 2022 financial statements	m	X	X	N/A	16

OUTGOING AUDITORS DURING THE FINANCIAL YEAR (2023)

Office	Members (surname and name)	Year of birth	Date of first appointment	In office since	In office until	Slate (M/m)	Indep. under the Code	Indep. under the TUF	Attendance at the Statutory Auditors' meetings	Number of other offices
						*			**	
Alternate Auditor	PALEOLOGO ORIUNDI Patrizia	1957	17.4.2014	29.4.2020	Approval of the 2022 financial statements	M	X	X	N/A	

* *M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).*
** *This column shows the attendance of Statutory Auditors at meetings of the Board of Statutory Auditors (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).*
*** *This column shows the number of positions as director or auditor held by the person concerned pursuant to article 148-bis of the TUF and the relevant implementing provisions contained in the Consob Issuers' Regulations.*
The full list of the offices is published by Consob on its website pursuant to article 144-quinquiesdecies of the Consob Issuers' Regulations. In addition, please refer to Attachment 1 of this document for the curricula of the Statutory Auditors.

INDICATE THE QUORUM REQUIRED FOR THE SUBMISSION OF SLATES BY MINORITY SHAREHOLDERS IN ACCORDANCE WITH THE LAST APPOINTMENT: 0.5% (following the reduction of the 1% threshold in accordance with article 144-*sexies*, paragraph 5, of the Issuers' Regulations)

NO. OF MEETINGS HELD DURING 2023: 15

During the Financial Year the Board of Statutory Auditors met 15 times, with meetings lasting approximately 1.5 hours on average.

As regards the current financial year, 11 meetings are scheduled and the Board of Statutory Auditors has already met 5 times in 2024. The percentage attendance of Auditors in these meetings during the 2023 Financial Year is shown in the table above.

Criteria and diversity policies

Information on the diversity criteria and policies applied in relation to the composition of the control bodies with regard to aspects such as age, gender composition and educational and professional background required by article 123-bis, paragraph 2, letter d-*bis*, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.3).

The composition of the Board of Statutory Auditors complies with the criteria indicated in the applicable provisions on gender balance and therefore at least one third of the statutory and alternate auditors is made up of auditors of the least represented gender.

Independence

In application of article 144-novies of the Issuers' Regulations and the CG Code, the satisfaction of the independence requirements pursuant to Article 148 of the TUF and the provisions of the CG Code by members of the Board of Statutory Auditors is assessed by the latter, which submits the results to the board of directors which discloses them, after the appointment, by means of a press release, and subsequently on an annual basis, in the corporate governance report.

The Board of Statutory Auditors conducted an internal verification process concerning its independence on 21st February 2023. The result of such verification confirmed that all members of the Statutory Auditors in office possessed the aforementioned requirements for independence.

The fulfilment of these requirements was also assessed and confirmed by the Board of Statutory Auditors in office, immediately after the appointment by the Shareholders' Meeting held on 21st April 2023, also with reference to Ms Livia Amidani Aliberti, who, as a result of her confirmation as statutory auditor of the Company, has exceeded the period of nine financial years in office, taking into account what she expressly declared in this regard in the annex to the declaration made at the time of submission of the slates for the appointment by the Shareholders' Meeting. The declaration is available, together with the other declarations, on the website www.recordati.it (in the section Investors, Shareholder Information, Shareholders' Meeting of 21st April 2023).

During 2024, the aforementioned assessment was renewed, with a positive outcome, on 22nd February 2024.

Remuneration

The remuneration of statutory auditors is determined by the Shareholders' Meeting at the time of their appointment.

The remuneration of the Board of Statutory Auditors in charge was set by the Shareholders' Meeting of 21st April 2023 – upon recommendation of the Board of Directors included in the Directors' Report on the renewal of the Board of Statutory Auditors - providing for an annual fee of € 70,000 for the Chair of the Board of Statutory Auditors and of € 50,000 for each Statutory Auditor, gross of withholding tax.
Details of the fees earned in 2023 are nevertheless given in detail in the Remuneration Report.

Management of interests

During 2023, only one event occurred that was relevant pursuant to Recommendation 37 of the CG Code. In particular, a Statutory Auditor, after informing the Board of Statutory Auditors and the Chairman of the Board of Directors, did not participate in the discussion (being all the other members of the Board of Statutory Auditors present) of a specific item on the agenda of a meeting of the Board of Directors concerning a loan transaction with a company in which said Statutory Auditor was a non-executive director.

Further information on the activities of the Board of Statutory Auditors

The Board of Statutory Auditors monitored the independence of the auditing firm EY S.p.A., verifying both compliance with the relevant regulatory provisions and the nature and extent of non-audit services provided to certain subsidiaries by the same auditing firm and entities belonging to its network. As concerns services other than auditing provided by the audit firm to the Company and its subsidiaries, reference should be made to the specific exhibit concerning 'disclosure of audit and non-audit fees' contained in the consolidated financial statements for the year ended on 31st December 2023 and in the draft separate financial statements of Recordati S.p.A. for the year ended on 31st December 2023.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Group Audit Director and with the Risk, Control and CSR Committee through the constant presence in Committee meetings, in which the Group Audit Director usually participates. It also worked with the ODV (231 Compliance Body) appointed in accordance with Italian Legislative Decree no. 231/2001. The Board reported to the Director in charge of the internal control and risk management system as well as with the Financial Reporting Officer. Finally, it participated in the works of the Remuneration and Nominations Committee and of the Risk, Control and CSR Committee.

It should also be noted that the Board of Statutory Auditors, by participating in the meetings of the Board of Directors, receives periodic updates on operations and on developments within the regulatory and legislative framework, and was involved, during 2023 in the induction activities already reported on in section 4.5.

As part of its oversight of procedures for the concrete implementation of corporate governance rules, the Board of Statutory Auditors:
- participated in the in-depth analyses, also together with the Independent Directors on governance and risk control issues;
- verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The Board of Statutory Auditors is also called upon to carry out the duties assigned by the legislation in force to the **Committee for internal control and accounting audit** (CICAA), set up by Italian Legislative Decree no. 39/2010 (the 'Consolidated Statutory Audit Act'), which implements Directive no. 2006/43/EC concerning the statutory audit of annual accounts which entered into force on 7th April 2010, as subsequently amended.

More specifically, the CICAA is required to monitor the efficacy of systems for the internal control of a company's quality and risk management and, if applicable, internal audit, as far as the financial reporting of the entity subject to audit is concerned, without violating its independence.

Furthermore, from the specific viewpoint of the statutory audit, on the basis of the current article 19 of Italian Legislative Decree no. 39/2010, the duties of the CICAA are as follows:
- to monitor the statutory audit of the annual separate company and consolidated financial reports;
- to report to the management body and the results of the statutory audit and to submit to it the additional report required by article 11 of Regulation no. 537/2014, accompanied by any remarks that there may be;
- to verify and monitor the independence of the statutory auditors or the firm of statutory auditors, especially with regard to the adequacy of non-auditing services provided;
- these activities also include responsibility for the procedure for the selection of the auditing firm as well as the indication of the firm to be appointed in the recommendation (in accordance with the provisions of article 16 of Regulation no. 537/2014).

The Board of Statutory Auditors meets systematically with the Directors of the main corporate functions, who provide the information requested by the Board.

12. RELATIONS WITH SHAREHOLDERS

The Company has created a specific section on its website called 'Investors', which is easily identifiable and accessible, and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner. The Company has also created a special section of its website dedicated to 'Governance' containing full documentation, including this Report and an archive of past reports as well as a specific section on 'Sustainability'.

With regard to the publishing and storage of regulatory information pursuant to article 113-*ter* of the TUF we report that the company:

- for the transmission of regulatory information, the Company makes use of the dissemination system '1Info SDIR' at www.1info.it, which is managed by Computershare S.p.A. based in Milan (Via L. Mascheroni 19) and has been authorised by Consob with Resolution no. 18994 of 30th July 2014;
- uses the centralised storage system for regulatory information named '1Info' to store regulatory information. This can be consulted at the website www.1info.it and it is operated by Computershare S.p.A. with registered offices in Milan and is authorised by the Consob with Resolution no. 18852 of 9th April 2014.

As part of the Company's organisational structure, Ms Eugenia Litz, the VP Investor Relations was identified as the person in charge of the management of the relations with the shareholders, in which she succeeded Ms Federica De Medici as of the current financial year.

In addition, the tasks of the Group Corporate Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations department of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. This function organises periodic conference calls regarding periodic financial information, and the documentation presented for these calls is also made available to the public on the Company's website and by way of the centralised storage system for regulatory information named '1Info' (see www.1info.it). On some important occasions, such as at the beginning of 2023 for the submission of the new 2023-2025 Three-Year Plan, the Company also organises face-to-face meetings with the financial community, to which it is however possible to connect remotely.

Recordati promotes dialogue with its shareholders and institutional investors as an essential element for positively influencing the conduct of the Company and increasing the level of transparency. In this context, the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing its policy on the remuneration of directors and key manager personnel.

This activity is carried out through the development of an engagement plan performed on a half-yearly or at least annual basis, which involves the participation of the corporate functions of Human Resources, Investor Relations and Secretary of the Board of Directors, supported by the Chair of the Remuneration and Nominations Committee in order to highlight the committee's commitment on matters within their competence.

The results, indications and feedback emerged during the engagement activities on remuneration, once reported, are examined and assessed by the Remuneration and Nominations Committee. Finally, the Committee reports to the Board of Directors on the relevant developments and significant contents emerging from such engagement activities, through the Chair or another member designated by the latter. In addition, the CFO provides the Board with reporting on major interactions with investors and analysts as far as it is deemed relevant.

Finally, in compliance with the CG Code, during 2022 the Board, upon the proposal of the Chairman, formulated in agreement with the Chief Executive Officer, adopted a policy for managing dialogue with all of the investors, also taking into account the engagement policies adopted by institutional investors and asset managers. With reference to this proposed policy, although not provided for by the CG Code, Recordati deemed it appropriate to also carry out a preliminary (informative) passage to the Remuneration and Nominations Committee, taking into account what has been indicated above in terms of engagement in remuneration matters.

In summary, the adopted Policy substantially formalises the process already followed in the past and currently by the Company in engaging with investors and potential investors, both in terms of the key players (CEO and CFO), as well as in terms of the dialogue issues. In addition, as required by the CG Code, the Chairman is expected to ensure that the Board is informed, at the first available meeting, on the development and significant contents of the dialogue held with all shareholders. In this regard, in 2023, the Chairman ensured that this disclosure was made to the Board on a timely and regular basis.

13. SHAREHOLDERS' MEETINGS

In accordance with article 9 of the By-Laws in force, Shareholders' Meetings are convened in the manner and within the legal time limits on the Company's website and, where necessary due to mandatory provisions or decided by the directors, in the Official Gazette and in at least one of the following national newspapers: 'Il Corriere della Sera', 'La Repubblica', 'La Stampa', 'Il Giornale', 'Milano Finanza', as well as according to other procedures provided for by the legislation and regulations currently in force.

The law in force establishes that Shareholders' Meetings are convened by a notice published on the Company's website by the thirtieth day prior to the date of the Shareholders' Meeting and also using other procedures and within the time limit set by the Consob with regulations issued in accordance with article 113-*ter*, paragraph 3 of the TUF, inclusive of the publication of extracts in daily newspapers.

The By-Laws, article 9, states that 'notice to convene may also contain the date of meetings convened subsequent to the first. The Board of Directors may decide, if it considers it appropriate, to convene Ordinary and Extraordinary Shareholders' Meetings to be held following one single Notice of Meeting. In the case of a single call the legal majorities for that purpose apply.' Furthermore, that same article 9 of the By-Laws also states that: 'Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within one hundred eighty days from the end of the financial year. Directors

shall indicate the reasons for the delay in the report required by article 2428 of the Italian Civil Code. Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the share capital.'

In accordance with article 12 of the By-Laws in force, resolutions of ordinary and extraordinary meetings, on the first and successive calls, as well as for single calls, are valid if made in the presence of the required number of persons and the majorities required by law. Therefore, an ordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital with voting rights at the meeting itself and resolutions are passed by an absolute majority of those participating, including abstentions.

An ordinary shareholders' meeting is validly constituted in second call no matter what proportion of the share capital is represented and resolutions are passed by an absolute majority of those participating, including abstentions.

An extraordinary shareholders' meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital and resolutions are passed with the vote in favour of shareholders representing at least two-thirds of the share capital represented in the Shareholders' Meeting.

An extraordinary shareholders' meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions are passed with the vote in favour of shareholders accounting for at least two-thirds of the share capital represented in the Shareholders' Meeting.

In the case of a single call: an Ordinary Shareholders' Meeting passes resolutions with an absolute majority, whatever the percentage of the capital stock represented and an Extraordinary Shareholders' Meeting is validly constituted when at least one-fifth of the capital stock is represented and it passes resolutions with the vote in favour of at least two-thirds of the share capital represented in the Shareholders' Meeting.

In relation to the right to participate in Shareholders' Meetings and voting rights, on the basis of article 83-sexies of the TUF, legitimate authorisation to participate in Shareholders' Meetings and to exercise voting rights is certified by a communication to the issuer, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to vote on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first call or a single call. Nevertheless, the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of each single session of the shareholders' meetings.

In accordance with article 10 of the By-Laws, those holding the right to vote may be represented by a written proxy, where no incompatibilities and limitations exist pursuant to the legislation and regulations in force. The Company may be notified of the proxy for participation in the Shareholders' Meeting by sending the document to the email address indicated in the Notice of Meeting.

Furthermore, article 135-*undecies* of the TUF, inserted by Italian Legislative Decree no. 27/2010 introduced the role of the *'Appointed representative of a listed company' 'unless the By-Laws stipulate otherwise, listed companies designate a representative for each Shareholders' Meeting to which shareholders may grant, by the end of the second day of market trading prior to the date set for the Shareholders' Meeting, even in a call after the first one, an authorisation with voting instructions on all or some of the motions on the agenda. The proxy is valid solely for proposals in relation to which voting instructions have been given.'* At present Recordati's Company By-Laws contain no provisions in this respect, and this new provision is therefore considered applicable to future Shareholders' Meetings of the Company, until different provisions are introduced to the Company By-Laws.

The Board believes that there are no conditions that require the adoption of particular initiatives regarding attendance of Meetings and the exercise of voting rights by shareholders such as, for example, postal voting.

In accordance with article 127-*ter* of the TUF, shareholders may submit questions on the items on the agenda even before the Shareholders' Meeting. Answers are given to questions received prior to the Shareholders' Meeting, subject to verification of the relevance and the legitimacy of the asker, at the latest during the meeting itself and the Company has the right to give a single answer to questions having the same content.

In this respect article 127-*ter* of the TUF, expressly allows the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if they are to be considered. The time limit is at the discretion of the Company, but cannot be earlier than five trading days prior to the date of the Shareholders' Meeting (in first or single call) or the date indicated in article 83-*sexies*, paragraph 2, of the TUF if the notice of call provides for the Company to provide, before the Shareholders' Meeting, an answer to the queries received. In such latter case, answers shall be provided at least two days before the Shareholders Meeting, also by publication in a special section of the company's website, and the ownership of voting rights may be certified even after the queries have been sent, provided that this is done by the third day following the date indicated in article 83-*sexies*, paragraph 2, of the TUF. Cases where a reply is not obligatory are then specified: when the information required is already available in the format 'answer and reply' in the relevant section of the website and also when the reply has already been published on the website.

The Company adopts a Shareholders' Regulation, the text of which is available on the Company's website at https://recordati.com/, in the Investors – Shareholder Information section; this is to ensure that Shareholders' Meetings can be held in an orderly and functional manner and to ensure that each Shareholder can speak on the items on the agenda.

During the 2023 financial year, the **Shareholders met once**, in ordinary call, on 21st April 2023.

Firstly, it should be noted that, at the meeting mentioned above, as indicated in the respective notice of call, the Company decided to avail itself of the option provided for by article 106 of Italian Law Decree no. 18 of 17th March 2020 - converted with amendments into Italian Law no. 27 of 24th April 2020 as subsequently amended and supplemented - providing that the intervention at the Shareholders' Meeting of those entitled to vote was allowed exclusively through the Delegated Representative of the Company pursuant to article 135-*undecies* of the TUF to whom a proxy had to be conferred; the Delegated Representative could also be conferred proxies or sub-proxies pursuant to article 135-*novies* of the TUF, as an exception to article 135-*undecies*, paragraph 4, of the TUF.

At the Shareholders' Meeting held on **21st April 2023**, in a single call, in ordinary session, **with the attendance of 85.153% of the share capital**, it was resolved (i) to approve the financial statements for the year ended on 31st December 2022 and the allocation of the 2022 profit for the financial year, (ii) the appointment of the Board of Statutory Auditors, (iii) the binding vote on the first section of the Report on remuneration policy and remuneration paid, and (iv) the approval of the '2023-2025 Performance Shares Plan' upon revocation of the '2021-2023 Stock Options Plan' for the granting of stock options provided for 2023, and (v) the authorisation to purchase and dispose of treasury shares. The Shareholders' Meeting also cast its non-binding vote on the second section of the Report on remuneration policy and remuneration paid for 2022.
In addition to the Chairman, Mr Andrea Recordati, the following Directors were also attending the meeting: Mr Guido Guidi (Vice-Chair – via audio/video conference), Mr Robert Koremans (Chief Executive Officer), Ms Elisa Corghi Mr Giorgio De Palma (via audio/video conference), Mr Luigi La Corte (via audio/video conference), Ms Joanna Le Couilliard (via audio/video conference), Mr Giampiero Mazza (via audio/video conference), Ms Kim Stratton (via audio/video conference). Also present via audio-video conference for the outgoing Board of Statutory Auditors were Mr Antonio Santi, Chair, Ms Livia Amidani Aliberti and Mr Ezio Simonelli, Statutory Auditors.
In consideration of the fact that, due to the way in which the shareholders' meeting was conducted, it was not possible to hold a debate at the meeting, the Company provided for the answers to any questions raised, pursuant to article 127-*ter* of the TUF, by certain shareholders to be published one day in advance, compared to the deadline of two days prior to the date of the shareholders' meeting indicated in the regulations, in order to allow a more informed choice in the voting instructions to the Appointed Representative.

The documentation relating to the items on the agenda, together with the voting results, has been filed in accordance with the law and applicable regulations and can be consulted on the website https://recordati.com (section – Investors Shareholders Information - meetings/2023).

The Remuneration and Nominations Committee and the Risk, Control and CSR Committee decided that they did not need to report to the Shareholders' Meeting on how they exercised their functions, taking into account that this information is contained, with respect to the former, in the Report on Remuneration Policy and Remuneration Paid and, for both, where applicable, also in this Report, which were made available to shareholders prior to the Shareholders' Meeting.

Lastly, it should be noted that during 2023, no changes or events occurred that would have led the Board to deem it necessary to draw up reasoned proposals to be submitted to the Shareholders' Meeting concerning (*i*) the choice and characteristics of the corporate model (*ii*) the structure of the administrative and equity rights of the shares; and (*iii*) the percentages established for the exercise of the prerogatives established to protect minorities. With regard to the size, composition and appointment of the Board and the term of office of its members, the Board expressed its opinion in its report to the Shareholders' Meeting convened for 29th April 2022, taking into account that the Board's term of office was due to expire at the said Shareholders' Meeting and the new appointment was therefore on the agenda.

The corporate governance system is functional to the needs of the Company.

14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-*bis*, paragraph 2, letter a) of the TUF)

The Issuer does not apply any additional corporate governance practices, other than those described in the preceding sections of this Report.

15. CHANGES OCCURRING SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

There were no further changes in the Company's corporate governance structure.

16. OBSERVATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE OF 14TH DECEMBER 2023

The recommendations to promote good corporate governance formulated, as per practice, in the letter of the chair of the Corporate Governance Committee dated 14th December 2023 were brought to the attention, first, of the Chair of the Board of Directors, the Chief Executive Officer, the Director in charge of the Internal Control and Risk Management System, the Board of Statutory Auditors and as well as the members of the Risk, Control and CSR Committee on 19th February 2024.

The aforementioned letter was therefore made available to all of the directors prior to the Board of Directors' meeting of 22nd February 2024, together with the considerations carried out by the Company after the preliminary investigations within the Risk, Control and CSR Committee. The Board acknowledged the recommendations contained therein and the considerations made, from which a picture emerged of the Company's substantial compliance with the recommendations of the Chairman of the Corporate Governance Committee.

Milan, 19th March 2024

For the Board of Directors
Chief Executive Officer
Mr Robert Koremans

ATTACHMENT 1
PROFESSIONAL OVERVIEW OF THE DIRECTORS AND STATUTORY AUDITORS

At the date of approval of this Report (19th March 2024)

Members of the Board of Directors

Andrea Recordati

Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he participated in the SmithKline Beecham Management Access Program, in the United Kingdom, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative. He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company. In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH. In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division. In July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group and sitting on several boards of directors within the Group. From 16th August 2016 to 5th February 2019, he was appointed as Vice Chairman and from 16th August 2016 to 1st December 2021 he was appointed as CEO of Recordati S.p.A.

Currently he holds the office of Chairman of the Board of Directors.

Robert Koremans

Robert Koremans qualified as a medical doctor from RSM Erasmus University in the Netherlands and has over 30 years' experience in managerial and executive roles, gained mainly in the pharmaceutical industry at various international companies, including Serono, Grünenthal, Sanofi-Aventis and Teva.

He has worked globally and lived in the Czech Republic, Germany, Switzerland and the Netherlands. In 2018, he was appointed as Chief Executive Officer in Nutreco, a global leader in animal nutrition. Previously, he had been President and CEO of Global Specialty Medicines and a member of the Executive Committee at Teva Pharmaceutical Industries Ltd. From 1st December 2021, he is Chief Executive Officer of Recordati S.p.A..

Michaela Castelli

Born in Rome on 7 September 1970; after the degree in Law and a specialization course in financial law, her working experience started in London in Capital Market area and then she worked with major legal firms in Italy, dealing with corporate and financial markets law. She worked for Borsa Italiana S.p.A. for 9 years, where she dealt with primary market and assisting, listed issuers on matters concerning extraordinary operations, price sensitive information, compliance and corporate governance. Registered in Milan Bar Association, she gained a significant experience as a member of the Boards of Directors and Supervisory Bodies of major listed and unlisted companies. Author of sector publications and lecturer on various continuous education courses on corporate and financial marketslaw; she participated in numerous conferences as a speaker.

Current relevant positions:

- Chairman of Nexi S.p.A. (listed on the Borsa Italiana Stock Exchange);
- Member of the Board of Directors of Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange);
- Member of the Board of Director of Fiera Milano S.p.A. (listed on the Borsa Italiana Stock Exchange);
- Member of the Board of Director of Fiber JVCO S.p.A. (significantly-sized company).

Elisa Corghi

Born in Mantova on 11 August 1972, Elisa Corghi graduated in Business Administration cum laude at the Luigi Bocconi University in Milan in 1996.

From 1996 to 2000, she has been brand manager with increasingly relevant roles in the marketing departments of Barilla Alimentare and Kraft Foods.

From 2000 to 2013, she has been senior sell-side financial analyst and partner in Intermonte SIM, responsible for the coverage of listed companies in the consumer and luxury sector. She has been non-executive and independent board member in private and listed companies involved in significant M&A processes. She's actually member of BoD, inter alia, of Recordati S.p.A., a company listed on the Borsa Italiana Stock Exchange (member of Risk, Control and CSR Committee, member of the Remuneration and Nominations Committee), Nexi S.p.A., a company listed on the Borsa Italiana Stock Exchange (Chairman of the Remuneration and Appointment Committee, member of Related Parties Committee, Chairman, up until May 2022, of Internal Control, Risk and Sustainability Committee and Related Parties Committee) and Tinexta S.p.A., a company listed on the Borsa Italiana Stock Exchange (Chairman of the Remuneration Committee and member, up until May 2021, of the Internal Control Committee).

Giorgio De Palma

Graduated summa cum laude in Nuclear Engineering from Politecnico di Milano. He holds an engineering degree from the École Centrale de Paris.

His career began at Morgan Stanley, where he worked for more than four years in the M&A team.

He joined the Italian team at CVC Capital Partners in 2005, where he became Partner afterwards.

Giorgio De Palma currently holds the following positions: (i) Director of the Board of Directors of CVC Advisers (Italia) S.r.l., Recordati S.p.A. (listed on the Milan Stock Exchange), RGI S.p.A., MaticMind S.p.A., ii) Chairman of the Board of Directors of Mozart HoldCo S.p.A. and (ii) Sole Director of Donizetti Holdings S.r.l..

Guido Guidi

Born on 27 March 1953, he graduated in medicine, cum laude, in 1979 at the University of Milan, with a specialization, at the same university, first in immunology and allergology, achieved in 1984, and then in rheumatology, achieved in 1989.

Medical doctor since 1980, he was Medical Advisor first in Smith Kline & French Italia from 1981 to 1982 and then, from 1983 to 1985 in Roussel UCLAF Italia, then Medical Director from 1986 to 1989 in Sharper Italia (Roussel UCLAF Group).

In Sandoz Italy since 1990, until 1991 as head of the immunology and transplantation area and from 1992 to 2000 as head of the Specialty Products unit.

Since 2000 he has been in charge of the Southern Europe oncology unit at Novartis and from 2002 to 2012 he was head of the Head of Oncology, Europe at the Milan office where he led the marketing of several oncology products and played a key role in several partnership operations as a Novartis Deal Committee member. From December 2012 to February 2017, at the Swiss headquarters in Basel, he was appointed Head of Pharma, Europe, where he leads the marketing of several key products, coordinates operations and supervises a staff of over 7,000 employees working in more than 50 countries, including Russia and Israel.

Meanwhile he attended business courses in Lausanne in 2000 and from 2003 to 2015 in Boston (USA) at Harvard University.

Throughout his career, he has also been Chairman of the Board of Directors of Novartis Italy, Novartis Spain, Novartis Nordics and Novartis UK, he was a member of the Novartis Pharma Executive Committee (PEC), and Chairman of the Novartis European Executive Committee (EEC), as well as a member of the Novartis Portfolio Management Board, R&D Oncology and Pharma and the EFPIA Executive Committee. He was awarded the Novartis CEO Excellence Award in 2006 and the Novartis CEO Talent Development Award in 2008.

Currently senior advisor at Boston Consulting Group and he holds the positions of:

- founder and chairman of the board of directors of AuroraTT S.r.l.;
- member of the board of directors of Aurora Science S.r.l.;
- member of the board of directors of Philogen S.p.A. (listed on the Borsa Italiana Stock Exchange);
- member of the board of directors of Genenta Science S.r.l. (Nasdaq listed company);
- member of the board of directors and SAB member of Zambon S.p.A.;
- SAB member and consultant of Italfarmaco S.p.A.;
- vice President of the board of directors of Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange);
- Executive Chairman of Cellestia Biotech AG.

Luigi La Corte

Luigi La Corte has a degree cum laude in Economia and Business (with major in Economics) from LUISS University in Rome and a professional qualification as Fellow of the Chartered Institute of Management Accountants; he has a wide experience in international finance roles, a large part of which spent in the pharmaceutical industry.

In 1993 he started his professional career at Procter & Gamble, where he covered different financial positions with growing responsibilities: Financial Analyst for Benelux, Regional Capital Markets Manager and finally Group Manager Financial Planning and Analyst for the Nordics. In 1998 he moved to PepsiCo as International Corporate Finance Manager, to support European and Middle East business. After some years as Consultant at Bain & Company Italy, in 2004 he moved to Alliance Unichem's pharmaceutical wholesaler and distribution business in Italy as Finance & Administration Director.

In 2005 he joined AstraZeneca as Chief Financial Officer of the Italian subsidiary, becoming then Regional Finance Director for the Asia-Pacific region and finally being appointed VP Finance for Global Commercial Organization, subsequently taking on financial responsibilities for the Global Product & Portfolio Strategy Unit.

In 2014 he joined GlaxoSmithKline as SVP Finance for the global Pharma R&D organization, taking later on also the responsibility of Head of Global Business Development. Finally, in 2017, he joined pladis Group, a leading snack and confectionary company, as Chief Financial Officer.

In November 2019 he joined Recordati as Group Chief Financial Officer, with responsibility for Finance, Investor Relations and Information Systems. In April 2022 he was appointed Director of Recordati S.p.A..

Joanna Le Couilliard

Joanna Le Couilliard has 25 years' healthcare management experience gained in Europe, the United States and Asia.

Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the U.S. vaccines business and Asia Pacific Pharmaceuticals business and led a program to modernise the commercial model.

She was previously Chief Operating Officer at the BMI group of private hospitals in the U.K. She was Non-Executive Director at Frimley Park NHS Foundation Trust in the UK and at the Duke NUS Medical School in Singapore and Cello Health PLC and Alliance Pharma plc (the latter until early 2024), listed on the London Stock Exchange.

She is a graduate of Cambridge University and a Chartered Accountant.

She is currently a Non-Executive Director at Indivior PLC and Niox Group PLC, both listed on the London Stock Exchange.

Giampiero Mazza

Giampiero Mazza graduated summa cum laude from Rice University (Houston, Texas, USA) with a degree in Economics in 1991 and he completed a Master in Business Administration at the Harvard Business School (Boston, Massachusetts, USA) in 1996.

He started his career as business strategy Advisor in Bain & Company (Dallas, Texas, USA). He joined James D. Wolfensohn Inc (New York, NY, USA), a firm specialized in M&A transactions. From 2005 to 2010 he was Partner in BC Partners (London, UK), a private equity firm.

In 2010 he joined CVC Capital Partners, a private equity fund, where he is currently Managing Partner and member of the Investment Committee of CVC of the Milan office CVC Advisers (Italia) S.r.l., responsible for the Italian business.

Giampiero Mazza also holds the following positions: (i) member of the board of directors of CVC Advisers (Italia) S.r.l., Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange), Multiversity S.p.A., Pegaso Management S.r.l., Università Telematica Pegaso S.p.A., Università Telematica Pegaso S.r.l., Bip S.p.A., Bach HoldCo S.p.A., Bach MidCo S.p.A., and (ii) Sole Director of Akoa Place S.r.l..

Piergiorgio Peluso

Diploma in humanities, degree in 'Economics and Social Sciences (D.E.S.)' from Università Commerciale L. Bocconi, with a specialization in Finance, obtained in 1992, and an experience in Arthur Andersen, he joined Mediobanca S.p.A. in the Participations and Special Affairs Service, dealing with mergers, acquisitions and financial restructuring.

In 1998 he worked at Credit Suisse First Boston in London on mergers, acquisitions and capital market transactions in the financial institutions (banking and insurance) and utilities area.

In 2002 he joined Medio Credito Centrale S.p.A. (Capitalia Group), as Central Director of the Advisory Area, and subsequently assumed direct responsibility for the Corporate Division of the Capitalia Group with the title of Central Director and member of the Executive Committee of the banking group. During the years of his management, he was actively involved in the Capitalia Group's recovery plan. In 2007, following the merger between Capitalia S.p.A. and UniCredit Group S.p.A., he was confirmed as Head of Investment Banking in Italy and, subsequently, Managing Director of the corporate bank of the UniCredit Group (UniCredit Corporate Banking S.p.A.) and Head for Italy of the Corporate & Investment Banking Division of the banking group.

From 2011 to September 2012, he was General Manager of Fondiaria-SAI S.p.A., working on the relaunch plan of the insurance group and the subsequent integration with the Unipol group. From September 2012 to June 2019, he was Telecom Italia's CFO, with responsibilities of various kinds in the areas of: planning and control, transformation office, purchasing, real estate and logistics, finance and investments, accounting and financial, tax, mergers and acquisitions and risk management; participation in road shows and meetings with investors; regular attendance in Telecom Italia's Board of Directors and the Internal Control Committee.

During his career, he has also held the position of Director in several companies, including Banco di Sicilia S.p.A., Edison S.p.A., Gemina S.p.A., Aeroporti di Roma S.p.A., Milano Assicurazioni S.p.A., Fondazione Telecom Italia, Telecom Italia Media S.p.A. and Telecom Argentina S.A. (Argentina).

Since January 2020 he holds the position of member of the Board of Directors of KnowCE Srl, a start- up that deals with the monitoring of infrastructures and diagnostics for risk assessment. He is a member of the Board of Directors of Herambiente S.p.A. and of Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange). Since 1st March 2023 he is Chief Financial Officer of Autostrade per l'Italia S.p.A..

Cathrin Petty

Cathrin Petty holds a Master of Arts in Natural Sciences from New Hall, Cambridge University and a post-graduate Diploma in Management Studies from the Judge Institute, Cambridge.

She started her career at Schroders and Schroder Ventures. She has been partner at APAX Partners, and prior to moving to CVC Capital Partners, she was Head of Healthcare EMEA with JP Morgan Chase & Co.

Currently, she serves as Managing Partner and Global Head of Healthcare at CVC Capital Partners, where she joined in July 2016.

Cathrin is currently member of the board of directors in the following companies: Rayner, Sebia (significantly-sized company), FutureLife a.s. and Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange).

Kim Stratton

Kim Stratton has 30+ years experience in Biopharmaceuticals as CEO, C-Suite and Non-Executive Director and has held a variety of senior commercial leadership roles at both Global and country level, combined with experience in Global External & Public Affairs, HSE and Compliance & Diversity across developed and emerging markets.

Kim Stratton is recognized for her strong track record leading turnaround & business transformations and integrations in the rare diseases, specialty and primary care businesses.

Kim is currently (i) Chief Executive Officer of Centogene N.V. (Nasdaq listed company), (ii) Non-Executive Director and member of Nomination and Remuneration Committee and Integration Committee for Novesis A/S (listed company), a leading Biotech in industrial enzymes, proteins and microorganisms and iii) member of the Board of Directors of Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange).

Members of the Board of Statutory Auditors

Effective Auditors

Antonio Santi
Graduated in Business Administration - University of Rome 'La Sapienza', with a PhD in Business Administration at University of Rome 'Roma 3'.
Registered with the Register of Italian Corporate and Tax Affairs Experts (Albo dei Dottori Commercialisti) and with the Register of Certified Auditors (Registro dei Revisori Contabili).
He carries out advisory activities with regards to the appraisal of companies and branches - of both the public and private sector -, economic and financial feasibility studies and restructuring plans. During his professional experience he has developed consistent expertise in accounting control and supervision activities carried out by company control subjects.
He is member of the Board of Directors and the Board of Statutory Auditors of companies and listed companies on the Milan Stock Exchange operating in different sectors.

Livia Amidani Aliberti
Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds a Post Graduate Diploma from FT-Pearson (UK). She has completed the INSEAD International Corporate Directors programme. She holds status of authorised Person by BCE, (FCA- Financial Conduct Authority – until 2021)- she is a Dottore Commercialista (Chartered Accountant) and a member of the Reflection Group of NedCommunity on Internal Controls and Risk Management. With almost twenty years of consulting and research in corporate governance, she is also engaged in gender diversity research, area where she authored several publications on gender diversity and directors. Livia Amidani Aliberti occupies the following positions as corporate director:

- Unicredit Bank Austria A.G., part of the Unicredit Group: independent director, chair of the strategy and nomination committee and the remuneration committee;
- Cassa Depositi e Prestiti: independent director, RPT member;
- Messaggerie Italiane S.p.A., independent director, RPT member;
- Edizione S.p.A., Member of Statutory Auditors.

Ezio Simonelli
Ezio Simonelli graduated in Economics at University of Perugia (Italy) on 1980 (Grade: 110/110 cum laude). On 1982 he has been registered Italian qualified Chartered Accountant and Tax Adviser (District of Milan) and on 1995 Italian qualified Chartered Statutory Auditor. On 1997: Journalist and Publicist.
On 2013 he has been Appointed Honorary Consul of Canada in Milan by the Government of Canada, admitted by a decision issued on 06.03.2013 by the Ministry of Foreign Affairs until May 2023.
Ezio Simonelli is currently a Managing Partner of Studio Legale Tributario Simonelli Associati, with offices in Milan and more than 20 professionals.
Previous Work Experience: Member of the Board of Directors of Banca Nazionale dell'agricoltura and Interbanca; Member of the Supervisory Board of Banca Popolare di Milano SCARL; Chairman of Statutory Auditors of UBS Italia, ING Group Italia, Dexia Crediop, Alba Leasing, Mediolanum, Cremonini, Meridiana, Arexpo and Lega Nazionale Professionisti Serie A e Serie B; Member of the Statutory Auditors of Cerved, Banca Akros, Abaxbank, Montetitoli, E-Mid. As Author or Co-author of the following books:

- 'L'impresa e il nuovo testo unico delle imposte dirette' (IPSOA Editore 1988);
- 'L'attuazione della IV direttiva CEE' (Giuffré Editore 1992);
- 'Oneri deducibili' (Giuffré Editore 1993);
- 'Il revisore contabile' (Editore Il Sole 24 Ore 1996);
- 'Tassazione dell'utile e politiche fiscali sui dividendi' (Maggioli Editore 1997);
- 'Finanza straordinaria d'impresa' (Editore Il Sole 24 Ore 1999);
- 'Economia e gestione della banca' (Editore Mc Grow-Hill 2010).

Holding positions as Chairman or member of Supervisory Boards pursuant to Legislative Decree 231/01 in the following companies:

- Aprilia Racing S.r.l. (Member of the Supervisory Board);
- Diasorin S.p.A. (Chairman of the Supervisory Board);
- Fondazione Milano Cortina 2026 (Member of the Supervisory Board).

List of Administration and Control offices held by Mr Simonelli in other companies:

Chairman of Statutory Auditors:

- Chairman of Statutory Auditors of Aprilia Racing S.r.l.;
- Chairman of Statutory Auditors of ATEX S.p.A.;
- Chairman of Statutory Auditors of Branchini Associati S.p.A.;
- Chairman of Statutory Auditors of Intraco S.p.A.;
- Chairman of Statutory Auditors of Mediaset S.p.A.;
- Chairman of Statutory Auditors of MFE Advertising S.p.A.;
- Chairman of Statutory Auditors of Sisal Gaming S.r.l.;
- Chairman of Statutory Auditors of Sisal S.p.A.;
- Chairman of Statutory Auditors of Sisal Italia S.p.A.;
- Chairman of Statutory Auditors of Vortice S.p.A.;
- Chairman of Statutory Auditors of Tao Due S.r.l. (merged as of January 1, 2024 into RTI S.p.A.).

Member of the Board of Statutory Auditors:

- Member of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. (listed on the Borsa Italiana Stock Exchange);
- Member of Statutory Auditors of Different S.p.A.;
- Member of Statutory Auditors of F2I SGR S.p.A.;
- Member of Statutory Auditors of Mondadori Scienza S.p.A.;
- Member of Statutory Auditors of Recordati S.p.A. (listed on the Borsa Italiana Stock Exchange);
- Member of Statutory Auditors of Klepierre Management Italia S.r.l.;
- Member of Statutory Auditors of ISCI S.r.l..

Member of the Board of Directors:

- Member of Board of Directors of Amco SpA;
- Member of Board of Directors of Fondazione BPM;
- Member of Board of Directors of Plusadvance S.r.l.

Sole Director:

- Sole Director of Argento Vivo Srl;
- Sole Director of Gosen S.r.l.;
- Sole Director of Gosen Immobiliare S.r.l.;
- Sole Director of Immobiliare San Sebastiano S.p.A.;
- Sole Director of UBK S.r.l.;
- Sole Director of Wings of Hermes S.r.l.

Liquidator of National Professional Football League.

Member of Auditors' committee of Fondazione Altagamma and Federlegno Arredo.

Alternate Auditors

Silvia Mina
graduated in Business Administration at the University of Turin with specialization in Chartered Accountant. Registered as Chartered Accountants and Statutory Auditors in Milan.
Her practice focuses on Corporate and Tax Law, specialising in domestic (opinion reports, financial statements and tax returns) and international tax matters.
She mainly deals with ordinary and extraordinary tax and corporate consultancy for national companies and international groups. She has gained significant experience in direct and indirect taxation, also with reference to extraordinary operations, and with particular reference to international tax matters.
She advices Italian and foreign multi-national and medium-size companies, also dealing with the startup phase and the management of local subsidiaries and/or branches of foreign groups, and having developed a wide experience on clients in the Consumer Products Industry, Medical, Energy market and innovative Start Up.
She is member of several Italian companies' Statutory Board of Auditors and Supervisory Board of financial intermediaries and of various companies, listed below:

- Member of the Statutory Board and Supervisory Board of Arepo Fiduciaria S.r.l.;
- Member of the Statutory Board and Supervisory Board of Mazars Italia S.p.A.;
- Member of the Statutory Board of Cloud Care Bidco S.r.l.;
- Member of the Statutory Board of Next Value SGR S.p.A.;
- Auditor of Coolshop S.r.l.;
- Auditor of Arch Chemicals S.r.l.

Andrea Balelli
Graduated cum laude in Economics at La Sapienza University of Rome in 2000. Business Advisor, Certified Public Accountant and Auditor.
He started his professional experience at PricewaterHouseCoopers. He subsequently worked at the Government Printing Office and Mint and Capitalia Service Jv in Rome.
He then moved to Milan working for Archon Group (Goldman Sachs Group) as Vice President of the Corporate Accounting Team. He is now top management advisor for both public and private companies on strategic, organizational and financial aspects such as M&A advisory (including mergers, acquisitions, spinoffs, liquidations, fairness opinions); corporate valuations; strategic plans; business and debt restructuring; performance measurement and control systems; organizational models pursuant to legislative decree 231 of 2001.
He is member of the Board of Directors and the Board of Statutory Auditors for companies operating in various sectors.
He holds management and supervisory positions in the following companies:

- Sole Director of Fedaia Spv S.r.l.;
- Sole Director of Gardenia Spv S.r.l.;
- Sole Director of Italian Credit Recycle S.r.l.;
- Sole Director of Restart Spv S.r.l.;
- Sole Director of Rienza Spv S.r.l.;
- Sole Director of Re Vesta S.r.l.;
- Sole Director of Loira Reoco S.r.l.;
- Director of Malfante 2009 S.r.l.;
- Chairman of the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (Company listed on the Borsa Italiana Stock Exchange);
- Chairman of the Board of Statutory Auditors of Banca Ifis S.p.A. (Company listed on the Borsa Italiana Stock Exchange);
- Chairman of Supervisory Body ex D. Lgs 231/2001 of Salvatore Ferragamo S.p.A. (Company listed on the Borsa Italiana Stock Exchange);
- Chairman of the Board of Statutory Auditors of Wellcomm Engineering S.p.A.;
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- Statutory Auditor of Pillarstone Italy S.p.A.;
- Statutory Auditor of Pillarstone Management HoldCo S.r.l.;
- Statutory Auditor of PS Reti S.p.A.;
- Statutory Auditor of Sirti S.p.A.

This publication contains the Consolidated Financial Statements together with Management Report, the Consolidated Non-Financial Statement as well as the Corporate Governance Report, which are also available - for the Consolidated Financial Statements in ESEF format too - on the Company's website www.recordati.com and can also be viewed on the authorized storage system 1Info (www.1Info.it).

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This document contains forward-looking statements relating to future events and future operating, economic and financial results of the Recordati group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may therefore differ materially from those forecasts as a result of a variety of reasons, most of which are beyond the Recordati group's control.

The information on the group's pharmaceutical specialties and other products contained in this document is intended solely as information on Recordati's activities and therefore, as such, it is not intended as medical scientific indication or recommendation, nor as advertising.

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