



Gedeon Richter  
Sustainability Report  
2018-2019

<b>CEO's welcome</b>	<b>4</b>		
<b>Key results</b>	<b>6</b>		
<b>Who we are – Introducing the Richter Group</b>	<b>9</b>		
Richter's history	9		
The Group	11		
Ownership structure	12		
Corporate governance	12		
Business ethics	26		
Stakeholder engagement	32		
Stable background	36		
Supply chain	39		
<b>Product responsibility</b>	<b>41</b>		
Strategic pillars	41		
Product line	42		
Research and development	44		
Responsible marketing	48		
The health and safety of our customers	50		
Pharmacovigilance	52		
<b>For our employees</b>	<b>56</b>		
Our employment culture	56		
Our values	57		
Recruitment and labour market trends	58		
Headcount	59		
Diversity and equal opportunities	61		
Advocacy	61		
Reporting workplace issues	62		
Employee commitment	62		
Work-life balance	63		
Benefits	63		
Training and development	65		
Health and safety at work	69		
<b>For our environment</b>	<b>75</b>		
Environmental protection management	75		
Key environmental targets	75		
		Legal compliance	75
		Climate protection	76
		Water consumption and effluent discharge	77
		Pharmaceuticals in the environment	77
		Raw materials use	77
		Air pollution	78
		Waste	78
		Condition of our production sites (surface and groundwater protection)	78
		Costs and expenditures	79
		The activities of our foreign manufacturing subsidiaries	82
		<b>For our communities</b>	<b>85</b>
		Health for thousands, millions for the hospital	85
		Richter for Women	86
		Support for healthcare via foundations	88
		Support for education	88
		<b>About the Report</b>	<b>92</b>
		<b>Appendices</b>	<b>94</b>
		<b>GRI Index</b>	<b>106</b>

# CEO's welcome

## Dear Partner, Dear Employee, Dear Reader,

Long-term thinking and continuous innovation are stable building blocks of Gedeon Richter's nearly 120 years of history. We believe that we should meet the needs of the present in such a way that future generations can turn to us with confidence. Every element of Richter's vertically integrated business is permeated by this thinking, whether it is pharmaceutical manufacturing, research & development, sales or marketing.

As a pharmaceutical company, we are in a special position in that our mission is closely linked to one of the UN Sustainable Development Goals, ensuring good health and well-being, which includes access to safe, affordable, high-quality and effective medicines. Research into new therapeutic options that address previously unmet medical needs is also key to making effective drug treatments available to the public. This is why we are proud of our proprietary antipsychotic, which we were able to introduce in many new markets during the reporting period, and which can be used to effectively treat both the positive and the predominant negative symptoms of schizophrenia.

Through a number of promising licensing agreements and acquisitions in Women's healthcare, which is of strategic importance to us, we can expand our portfolio with new products that offer solutions to the most common gynaecological problems. Progress has also been made in the field of biosimilar products that reduce social security costs and thus facilitate patients' access to therapy: in 2019, we launched our first in-house developed biosimilar product for the treatment of osteoporosis in many markets around the world.

Ethical behaviour is a cornerstone of our day-to-day operations, which is reflected, among other things, in responsible marketing activities or the transparency that



comes from our presence on the stock exchange. In recent years, we have continued to expand our Global Compliance Programme across the Richter Group, ensuring that our foreign subsidiaries conduct their business under the strict guidance of the parent company and in compliance with international standards.

The well-being and professional development of our employees continue to be a key issue for us, as the high level of expertise and motivation of our employees are essential for the development, production and sale of high-quality, innovative products, supported by continuous improvement of working conditions and programmes for our colleagues.

We also place great emphasis on environmental and social sustainability, as we know that we can only be successful in the long run if we do everything we can to protect our environment and take responsibility for our society. Our social programmes have a strong tradition of supporting health, science and education initiatives through our foundations, whilst our two flagship CSR programmes, the Richter Health City initiative for promoting health awareness and the Richter for Women programme for women's social recognition boast a history of more than a decade.

In recent years, it has become increasingly important for various stakeholders, including investors in particular, to report on sustainability efforts in addition to incorporating sustainability considerations into company operations. As a responsible company committed to sustainability, we welcome these trends and seek to make the relevant information as widely available as possible and include it in our sustainability report. To this end, we have expanded the scope of the published data in this report, and we intend to add new areas in the future.

### **Gábor Orbán**

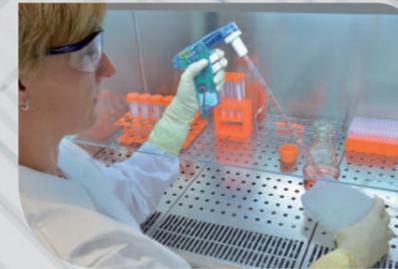
Chief Executive Officer

## Key results

# 2018-2019

### SALES REVENUE

The Richter Group's sales **increased by 14.3%**, amounting to HUF 507.8 billion (EUR 1 561 million) in 2019.



### INNOVATION

With **more than 1 200 people in research and development**, Gedeon Richter is the most important pharmaceutical R&D centre in the Central and Eastern European region.



### EMPLOYER

In PwC's 2019 online career choice survey, the winner of the **Most Attractive Employer 2019 Award** in the pharmaceutical industry category was Gedeon Richter Plc.

### RECRUITMENT

We received **400 secondary school and university students** as part of a traineeship programme, and **1 600 people** were introduced to pharmaceutical manufacturing during factory visits.



### HEADCOUNT

Compared to 2017, the headcount at the Richter Group **increased by 5%**, and the total headcount was 13 025 at the end of 2019.



### SOCIAL RESPONSIBILITY

By the end of 2019, 187 000 participants had collected **HUF 379 MILLION** in donation in 75 cities under the **Richter Health City** programme.



### THERAPY

Richter's **first in-house developed biosimilar product**, for the treatment of osteoporosis, was launched on the market.

### COMPLIANCE

We **extended our Global Compliance Programme** to affiliates in Latin America and the CIS countries.





## Who we are – Introducing the Richter Group

With its headquarters in Budapest, Gedeon Richter Plc. is a global, specialised pharmaceutical company that builds on innovation. The Company's core activities, production and sale of pharmaceutical products as well as research and development – are supported by several subsidiaries, joint ventures and affiliated companies. The parent company and all these other companies make up the Richter Group. The combined performance of the Richter Group is more than the aggregate results of the individual companies. Its vertically integrated operation is reflected in R&D, pharmaceutical manufacturing, wholesale and retail trading, as well as in marketing.

### Richter's history

**1901 – Obtaining a trade license and buying the Sas Pharmacy.** The young Hungarian pharmacist, Gedeon Richter visits several European countries to become acquainted with pharmaceutical production abroad. His attention is focused on the latest research field of the pharmaceutical industry at the time, which studies how to cure the deficiency diseases of the human body with preparations extracted from animal organs. He buys the Sas Pharmacy in Budapest, where he begins to produce and distribute his own products.

**1902 – Launching the first organotherapeutic product.** Only a year after adrenaline is first isolated by a Japanese researcher, Gedeon Richter is marketing an adrenaline-based hormonal preparation with vasopressor and haemostatic effects.

**1906 – Gedeon Richter buys a plot at 63 Cserkesz Street in Kőbánya, Budapest.** As his products are becoming more and more successful against medicines imported from abroad, Richter opts for large-scale production.

**1907 – Start of production.** Simultaneously with organotherapeutic products, the development of synthetically produced products begins, as does the processing of herbs.

**1908 – The first foreign representative office is established in Italy.** Using his foreign contacts, Gedeon Richter gradually strengthens and expands his export network.

**1912 – Kalmopyrin is put on the market.** This effective antipyretic and analgesic is a successful and popular product manufactured to this day.

**1926 – The Company is the first in Hungary to distribute insulin.** The Company produces high-quality insulin in accordance with international requirements, using its proprietary procedure.

**1929 – The Hormogland product line is awarded the Grand Prize at the Barcelona World Fair.** This period sees the creation of a commercial and representative network that spans the entire globe and markets Richter products in nearly one hundred countries.

**1931 – The Company is at the forefront of global oestrone manufacturers.**

**1939 – Richter is declared a defence plant.** This period is characterised by reduced self-determination and a decrease in import and export activities.

**1944 – Gedeon Richter is killed.**

**1948 – The Company is nationalised, centrally planned economy begins.** Richter's finances are centralised, its export activities are transferred to the competence of Medimpex, a new trading company, and research activities are terminated. Its production profile and product portfolio are reduced.

**1959 – In the second half of the 1950s, research and development is gradually resumed.** The factory's product portfolio is growing with a number of new products. Muscle relaxant Mydeton stands out, which achieves international success and is registered in a number of countries.

**1966 – The Company's first oral contraceptive is marketed.**

**1977 – Richter's most successful 20th-century original product, Cavinton, which stimulates cerebral circulation, is put on the market.**

**1979 – Rapid factory development.** The expansion and modernization of regional and production infrastructure. Significant facilities are being established: the new Pharmacological Research Centre and Animal House is built, and a new, closed-line hormone tablet production line is installed.

**1990 – Richter is restructured under Hungarian professional management.** The new management sets new strategies: Richter must become an R&D-based and marketing-oriented organisation. The new strategy requires the management to increase innovation and make the Company's operations more economical and efficient.

**1992 – Restructuring of export activity, expansion of markets and establishment of an own trade network.** Richter gradually takes over Medimpex's entire export business and acquires its Western representative offices. It establishes its own representative network in the CIS countries.

**1994 – Richter is the first pharmaceutical company in the region to list its shares on the stock market.** By the end of the successful privatisation implemented in three steps, the Company's share capital is increased threefold.

**1996 – The original product, Curiosin, which helps heal wounds, enters the market.**

**1998 – Regional expansion begins,** with manufacturing subsidiaries being established in Romania, Poland and Russia.

**2004 – A new company, Richter-Themis Medicare is founded in India for the purpose of manufacturing active substances and intermediates.**

**2007 – The Richter-Helm biotechnology joint venture is established in Germany.**

**2010 – The Company continues to strengthen its gynaecology business** by acquiring the Swiss company PregLem and the contraceptive portfolio of Grünenthal in Germany.

**2012 – Richter opens its Biotechnology Plant in Debrecen.**

**2014 – Expansion begins in Latin America.**

**2016 – Historic success for the Hungarian pharmaceutical sector: Richter's original product, an antipsychotic containing the active substance cariprazine, is marketed in the United States.**

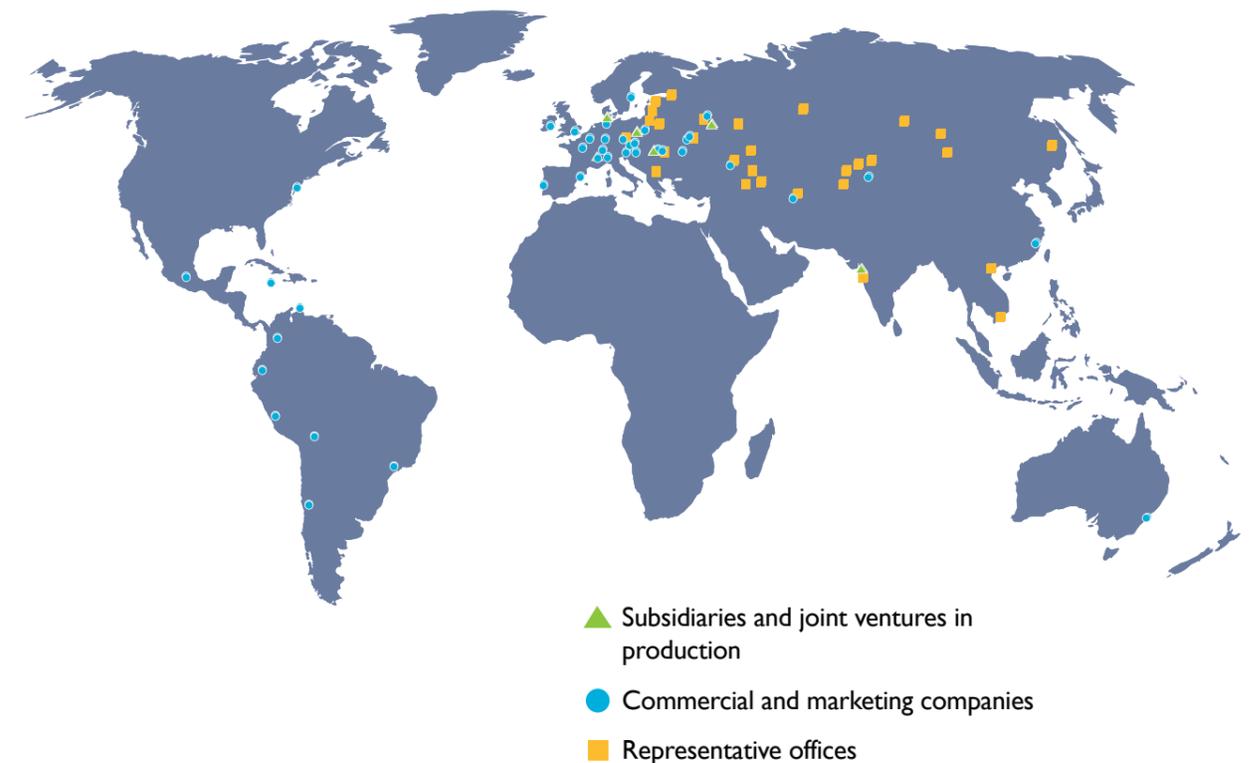
The drug later receives the Innovation Grand Prize in Hungary.

**2019 – Richter's first proprietary biosimilar product for the treatment of osteoporosis is put on the market.**

## The Group

Our manufacturing subsidiaries operating in our traditional markets and the continuous expansion of our own specialised marketing network has provided the basis for the Richter Group's multinational character. Richter conducts sales activities on five continents and is directly present in more than fifty countries. The Richter Group consists of 71 member companies in total. 51 of these companies have a profile in the pharmaceutical manufacturing and sales business, which can be considered their core business segment accounting for nearly 80% of the Group's sales revenue. Another 11 companies are engaged in the pharmaceutical wholesale and retail business, and in addition, another 9 companies offer other services. The Richter Group employs more than 13 000 people.

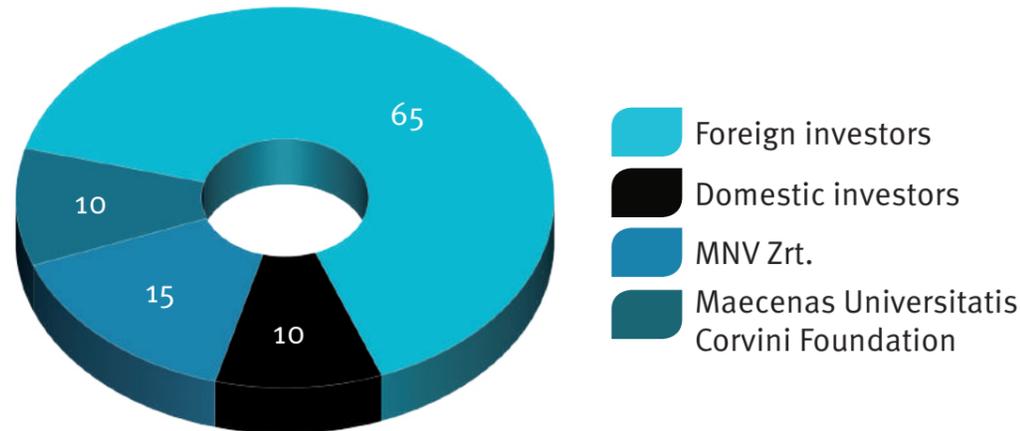
Several companies (Gedeon Richter Plc., GR Romania and GR Polska) also carry out R&D activities. In addition, the organisational structure includes manufacturing companies (GR Romania, GR Polska, GR RUS, Richter-Themis Medicare, Richter-Helm BioLogics) and marketing network companies. It should be noted that marketing network companies include companies that operate as foreign trade representative offices and those that already have greater legal autonomy as subsidiaries.



## Ownership structure

The shares owned by the Magyar Nemzeti Vagyonkezelő Zrt. (MNV Zrt.) [Hungarian Asset Management Plc.] decreased to 15 percent after the State transferred a 10 percent stake to the Maecenas Universitatis Corvini Foundation. The proportion of domestic investors rose to around 10 per cent and the proportion of foreign investors fell to around 65 per cent by the end of 2019 after a slight decline. The proportion of own shares was 0.36 percent.

Ownership structure on 31 December 2019 (%)



## Corporate governance

The corporate governance of each company and subsidiary within the Richter Group (management, internal governance, division of powers and responsibilities, etc.) is developed in accordance with the characteristics and expectations of company law under the national legal system governing the given company or subsidiary. You can read more about this at the end of this chapter, in the "Corporate Governance of the Richter Group" section.

Subject to the company law regulations and requirements under Hungarian law, Gedeon Richter Plc. is primarily and obligatorily entitled to establish a responsible corporate governance system exclusively for Gedeon Richter Plc. that is, the parent company (hereinafter: the Company).

Both Gedeon Richter Plc. and the Richter Group follow and adhere to the general principles of responsible corporate governance, such as full compliance with the relevant legal environment, regulatory requirements and the requirements of ethical business conduct. Beyond these general principles, Gedeon Richter Plc. follows the Corporate Governance Recommendations of the Budapest Stock Exchange.

## Corporate governance at Gedeon Richter Plc.

The Company's operations are defined by its Statutes and Organisational and Operational Regulations. In addition to these key documents, the Company's day-to-day operations are further regulated by Board of Directors' and General Meeting resolutions and regulations (in respect of individual processes), CEO and deputy CEO directives, and memorandums.

### General Meeting

The Company's highest decision-making body is the General Meeting, which comprises all shareholders. The Annual General Meeting decides on issues such as the approval of the annual financial statements, the use of after-tax profit, the election and recall of the members of the Board of Directors, the Supervisory Board and the Audit Committee, appointment of the auditor, amendment of the Statutes, and all matters that have a material impact on the Company's share capital, as well as all other issues delegated to the power of the General Meeting by the Statutes.

The Company holds its Annual General Meeting by the last day of the fifth month of each business year. Unless otherwise provided for by Hungary's Civil Code, the Annual General Meeting is convened by the Board of Directors. The notice of (invitation to) the General Meeting contains the place, time and agenda of the General Meeting, the manner of holding the General Meeting, the conditions for exercising voting rights set out in the Statutes and the place and time of the repeated General Meeting if there is no quorum at the First General Meeting. The notice also stipulates that the General Meeting may be attended by a shareholder or a shareholder's proxy who is registered in the share register not later than on the second working day before the General Meeting is held. In addition, the notice contains the conditions for exercising the right to supplement the agenda of the General Meeting as well as information on the date, place and method of accessing the original and full text of the proposals and resolutions on the agenda of the General Meeting.

The Company publishes, on the Company's website, the data of the consolidated financial statements for the previous business year prepared in accordance with International Financial Reporting Standards, and the draft of its separate annual report and the key data of reports prepared by the Board of Directors and the Supervisory Board, along with the aggregates of the number (proportion) of shares and voting rights held at the time of convening the General Meeting, including separate summaries for each share class and proposals for items on the agenda, relevant Supervisory Board reports and resolutions, as well as the forms to be used for voting by proxy at least twenty-one days prior to the general meeting. The names of the members of the Board of Directors and the Supervisory Board and all cash and non-cash benefits granted to the members in this capacity, broken down by member and the title of the benefit, are also disclosed at the same time as the General Meeting is convened.

Matters not included in the announced agenda items may be discussed by the General Meeting and a decision may be made in such matters only if all shareholders are present and agree unanimously.

Except in cases where a valid resolution requires a higher number based on the proportional number of votes specified in the Statutes, the General Meeting has a quorum if the shareholders representing more than half of the shares with voting rights have appeared in person or through a representative and are duly certified as shareholders or representatives. The General Meeting may be suspended once. If the General Meeting is suspended, it must be resumed within thirty days. The quorum must be examined for all resolutions. A quorum shall be deemed to be present if all persons present cast a 'yes', 'no' or 'abstention' vote in person or through a representative.

If there is no quorum, the General Meeting must be repeated. At least ten days must elapse between a non-quorum and a repeated General Meeting, but this period may not exceed twenty-one days. The repeated General Meeting has a quorum in matters on the agenda of the original General Meeting, except in cases where a valid resolution requires a higher number based on the proportional number of votes specified in the Statutes, if more than 20% of the shareholders representing the shares with voting rights have appeared in person or through a representative and are duly certified as shareholders or representatives.

In 2018, the Company held its regular Annual General Meeting on 25 April, and on 24 April in 2019. Both years the Company's General Meeting was, subject to prior registration, open to representatives of the media.

### Shareholder rights and how to exercise them

For the exercising of shareholder rights, entitlement is established through ownership matching. All shareholders have the right to participate in the General Meeting, request information, make comments and submit motions as set out by the Hungarian Civil Code. Shareholders may also exercise their rights at the General Meeting through an authorised representative (proxy). The proxy may not also be a shareholder. The name of the shareholder or shareholder's proxy intending to participate in the General Meeting must be entered in the share register by the second working day prior to the starting date of the General Meeting.

As for the issues on the agenda of the General Meeting, the Board of Directors must provide every shareholder with the information necessary for the discussion of the items on the agenda by ensuring that at the written request of a shareholder, submitted at least eight days prior to the date of the General Meeting, they receive the necessary information at least three days before the General Meeting.

#### Restrictions on voting rights:

Each share with a nominal value of HUF 100 entitles its holder to one vote with the proviso that a shareholder is not entitled to exercise voting rights in excess of 25% of the voting rights represented by the shareholders present or represented at the General Meeting for his or her own benefit or as a representative of another shareholder alone or together with other affiliated person(s).

## Board of Directors

The Board of Directors is the ultimate decision-making body of the Company, with the exception of matters that fall within the direct competence of the shareholders. The Board of Directors conducts its activities in accordance with the Company's Statutes, the resolutions of the General Meeting and the most recent applicable laws and regulations.

The Board of Directors reviews and approves the Company's vision, strategic guidelines and programmes, as well as any transactions beyond its usual business. It monitors and regularly evaluates the performance of the Company and the activities of the Executive Board. The Board is responsible for selecting and concluding a contract with the chief executive officer (CEO), as well as for assessing the CEO's performance and determining his/her remuneration. It ensures compliance with and enforcement of the norms contained in regulations and the Code of Ethics.

In line with the provisions of the Hungarian Civil Code and the Company's Statutes, members of the Board of Directors are elected by the General Meeting for a fixed term, for a maximum of five years at a time. The Board of Directors consists of a minimum of 3 and a maximum of 11 members.

**Chairman of the Board of Directors:** Erik Bogsch (not independent)  
**Members of the Board of Directors:** Dr György Bagdy (independent) /from 24 April 2019/  
János Csák (independent) /until 31 August 2019/  
Dr Gábor Gulácsi (not independent)  
Dr Ilona Hardy (independent)  
Csaba Lantos (independent)  
Gábor Orbán (not independent)  
Dr Gábor Perjés (independent) /until 25 April 2018/  
Dr Anett Pandurics (independent) /from 25 April 2018/  
Bálint Szécsényi (independent) /from 25 April 2018/  
Dr Norbert Szivek (independent) /until 24 April 2019/  
Prof. Dr Szilveszter E. Vizi (independent)  
Dr Kriszta Zolnay (independent)

More information on the members of the Board of Directors can be found on the Company's website ([www.richter.hu](http://www.richter.hu)).

The majority of the Board members are not employed by the Company. The independent members of the Board of Directors may not have any financial relationship with the Company and their duty is to express an independent opinion at the Board meetings and to assess its decisions impartially.

The Company applies the same criteria to the members of the Board of Directors as to senior executives regarding the independence requirements prescribed for members of the Supervisory Board in the Civil Code.<sup>1</sup> Taking into account these criteria, the number of Board members independent of the Company was seven at the end of 2019.

<sup>1</sup> The Civil Code does not set independence requirements for board members of public limited companies where there is no unified management system (board of directors) but a dual system is in place, i.e. there is an independent supervisory board in addition to the board of directors.



The Chairperson of the Board of Directors and, if deemed necessary, the Deputy Chairperson is elected from among the members of the Board. The Chairperson of the Board of Directors is elected by the Board for a term defined by the Board. The Board of Directors may revoke this mandate at any time. If the membership of the Chairperson or Deputy Chairperson of the Board of Directors is terminated for any reason, their mandate as the Chairperson or Deputy Chairperson of the Board of Directors will also terminate.

The CEO of the Company is currently also a member of the Board of Directors. A key element of the Company's management policy is the separation of the positions of Chairperson of the Board of Directors and Chief Executive Officer. The duties of the Chief Executive Officer and the Chairperson of the Board of Directors are performed by two separate individuals.

The Board of Directors meets regularly and reviews the Company's business activity on the basis of an agreed work schedule. To enhance efficiency, the Board discusses the issues on the agenda after reading the preparatory briefings sent to them in advance and listening to the invited managers responsible for each area. The Board of Directors acts and passes resolutions as a body. The decisions are made by a simple majority. At the request of any member of the Board, the Chairperson must order a secret ballot. Minutes are taken of the meetings of the Board of Directors and its resolutions are documented. The Board of Directors met on ten occasions in the 2018 business year, with an average attendance rate of 94.45%, and on ten occasions in the 2019 business year, with an average attendance rate of 91.36%. The remuneration of the members of the Board of Directors is determined by the General Meeting. In 2018 and 2019, the members of the Board of Directors received only cash benefits in this capacity.

#### All cash benefits provided for the members of Richter's Board of Directors in this capacity in 2018-2019 per board member (HUF)

Name	Position in the Board	Duration of the mandate	2018	2019
Erik Bogsch	member and Chairman	From 26 April 2017 until the 2020 Annual General Meeting	7 800 000	8 220 000
Dr György Bagdy	member	From 24 April 2019 until the 2022 Annual General Meeting	--	4 560 000
János Csák	member	From 26 April 2017 until he resigned on 31 August 2019	6 489 600	4 560 000
Dr Gábor Gulácsi	member	From 26 April 2016 until the 2019 Annual General Meeting*	6 489 600	6 840 000
Dr Ilona Hardy	member	From 26 April 2017 until the 2020 Annual General Meeting	6 489 600	6 840 000
Csaba Lantos	member	From 26 April 2016 until the 2019 Annual General Meeting*	6 489 600	6 840 000
Gábor Orbán	member	From 26 April 2017 until the 2020 Annual General Meeting	6 489 600	6 840 000
Anett Pandurics	member	From 25 April 2018 until the 2021 Annual General Meeting	4 326 400	6 840 000
Dr Gábor Perjés	member	From 26 April 2017 until 25 April 2018	2 163 200	--
Bálint Szécsényi	member	From 25 April 2018 until the 2021 Annual General Meeting	4 326 400	6 840 000
Dr Norbert Szivek	member	From 26 April 2016 until the 2019 Annual General Meeting	6 489 600	2 280 000
Prof. Dr Szilveszter E. Vizi	member	From 26 April 2017 until the 2020 Annual General Meeting	6 489 600	6 840 000
Dr Kriszta Zolnay	member	From 26 April 2017 until the 2020 Annual General Meeting	6 489 600	6 840 000

\*mandate extended at the 2019 Annual General Meeting for an additional 3 years

The members of the Board of Directors are liable for any damage caused to the Company in breach of their obligations in accordance with the rules of liability for damage caused by breach of contract as set out in the Hungarian Civil Code.

#### Subcommittees of the Board of Directors

In 2004, the Board of Directors established two subcommittees to ensure the efficiency of decision-making processes. The subcommittees consist of at least three members. The members of the subcommit-

tees are elected by the Board of Directors for a term equal to the term of office of the respective Board member. The tasks of the subcommittees are determined by the Board of Directors.

The Company has the following subcommittees in place:

#### **Corporate Governance and Nomination Subcommittee**

The Corporate Governance and Nomination Subcommittee has three independent members who are not employees of the Company. The term of office of the members of the Subcommittee is the same as that of their membership in the Board of Directors.

**Chairman of the Subcommittee:** Prof. Dr Szilveszter E Vizi (independent)  
**Members:** Dr Gábor Perjés (independent) /until 25 April 2018/  
Dr Ilona Hardy (independent) /from 25 April 2018/  
János Csák (independent) /until 31 August 2019/  
Dr György Bagdy (independent) /from 4 November 2019/

More information on the members of the Subcommittee is available on the Company's website.

The Subcommittee, taking the prevailing needs into consideration, makes a recommendation to the Board of Directors regarding the appropriate number and the duties of its members. The Subcommittee also determines the requirements for becoming a member of the Board of Directors, assesses the suitability of possible candidates, reviews the qualifications and professional credentials of the candidates, as well as monitors the corporate governance principles and makes recommendations for any necessary amendments. The Corporate Governance and Nomination Subcommittee consists solely of independent Board members.

The Corporate Governance and Nomination Subcommittee acts and passes resolutions as a body. Minutes are taken of the meetings of the Subcommittee and its resolutions are documented.

The Corporate Governance and Nomination Subcommittee met on four occasions in the 2018 business year, with an average attendance rate of 100%, and once in the 2019 business year, with an attendance rate of 100%.

The members of the Corporate Governance and Nomination Subcommittee do not receive any special fee in excess of their remuneration as a member of the Board of Directors for their activities performed in the Subcommittee.

#### **Compensation Subcommittee**

The Compensation Subcommittee has three members. The majority of the members of the Subcommittee are independent and are not employed by the Company. The term of office of the members of the Subcommittee is the same as that of their mandate in the Board of Directors.

**Chairman of the Subcommittee:** Csaba Lantos (independent)  
**Members:** Dr Gábor Gulácsi (not independent)  
Dr Gábor Perjés (independent) /until 25 April 2018/  
Dr Anett Pandurics (independent) /from 25 April 2018/

More information on the members of the Subcommittee is available on the Company's website.

The Compensation Subcommittee makes recommendations for the annual and long-term targets of the elected officers. Other tasks of the Subcommittee include giving an opinion to the Board of Directors on corporate incentive schemes in the form of cash remuneration and awarding shares, and drawing up a proposal for the compensation of the CEO. The Company believes it is essential for the effective operation of the Compensation Subcommittee that a member of the Board with direct experience in the operative business of the Company be involved in its work.

The Compensation Subcommittee met on two occasions in the 2018 business year, with an average attendance rate of 100%, and on three occasions in the 2019 business year, with an average attendance rate of 100%.

The members of the Compensation Subcommittee do not receive any special fee in excess of their remuneration as a member of the Board of Directors for their activities performed in the Subcommittee.

### **Supervisory Board**

The Company's operations are supervised by the Supervisory Board. Pursuant to the Company's Statutes, the Supervisory Board consists of a minimum of five and a maximum of nine members. The members of the Supervisory Board are elected by the General Meeting for a maximum of three years at a time. Pursuant to the provisions of the Statutes, as long as the total number of full-time employees of the Company exceeds two hundred on an annual average, the Company's employees participate in the supervision of the Company's operation. In this case, one third of the members of the Supervisory Board consist of employee representatives. If one-third is a fraction, calculation should be more favourable for employees. The other members are independent of the Company.

The Supervisory Board currently consists of 5 members. The Company applies the independence requirements set out in Hungary's Civil Code to the members of the Supervisory Board. Taking these requirements into account, the principle of the majority of independent members in the Supervisory Board fully applies. Two members of the Supervisory Board are employee delegates representing the employees, while three members are external persons independent of the Company.

**Chairman of the Supervisory Board:** Dr Attila Chikán (independent)  
**Members:** Prof. Dr Jonathán Róbert Bedros (independent)  
Mrs Tamás Mészáros (independent) /until 25 April 2018/  
Dr Zsolt Harmath (independent) /from 25 April 2018/  
Dr Éva Kozsda Kovács (employee delegate) (not independent)  
Mrs Klára Csikós Kovács (employee delegate) (not independent)

More information on the members of the Supervisory Board is available on the Company's website.

In accordance with applicable law, the Supervisory Board meets regularly and makes decisions in accordance with its rules of procedure to discuss topics specified in its work plan; it also acts whenever required by the Company's operational activities. The Board submits a proposal to the Board of Directors, discusses the Company's strategy, financial results, capital expenditure policy and internal audit and control systems. During its meetings, the Supervisory Board receives regular and sufficiently

detailed information on the management of the Company, and its Chairman is entitled to participate in the meetings of the Board of Directors in an advisory capacity. Minutes are taken of the meetings of the Supervisory Board and its resolutions are documented.

The Supervisory Board met on ten occasions in the 2018 business year, with an average attendance rate of 96%, and on eight occasions in the 2019 business year, with an average attendance rate of 97.5%. The remuneration of the members of the Supervisory Board is determined by the General Meeting. In 2018 and 2019, the members of the Supervisory Board received only cash benefits in this capacity.

#### All cash benefits provided for the members of Richter's Supervisory Board in this capacity in 2018-2019 per board member (HUF)

Name	Position in the Board	Duration of the current mandate	2018	2019
Dr Attila Chikán	Chairman	From 25 April 2018 until the 2021 Annual General Meeting	5 740 800	6 840 000
Prof. Dr Jonathán Róbert Bedros	member	From 25 April 2018 until the 2021 Annual General Meeting	4 680 000	4 920 000
Mrs Tamás Méhész	member	From 28 April 2015 until the 2018 Annual General Meeting	1 560 000	--
Dr Zsolt Harmath	member	From 25 April 2018 until the 2021 Annual General Meeting	3 120 000	4 920 000
Mrs Klára Csikós Kovács	member	From 25 April 2018 until the 2021 Annual General Meeting	4 680 000	4 920 000
Mrs Éva Kozsda Kovács	member	From 25 April 2018 until the 2021 Annual General Meeting	4 680 000	4 920 000

#### Audit Committee

The Company has a three-member Audit Committee, the members of which are elected by the General Meeting from among the independent members of the Supervisory Board. The chairperson of the Audit Committee is appointed by the Supervisory Board. The members of the Audit Committee must jointly have the expertise related to the Company's sector. At least one member of the Audit Committee must have accounting or auditing qualifications.

**Chairman of the Committee:** Dr Attila Chikán

**Members:** Prof. Dr Jonathán Róbert Bedros  
Mrs Tamás Méhész /until 25 April 2018/  
Dr Zsolt Harmath /from 25 April 2018/

The Audit Committee is responsible for auditing the Company's internal accounting policies. In addition, the tasks and responsibilities of the Audit Committee include, but are not limited to, monitoring the compliance of the auditor with professional requirements, independence and conflict of interest requirements, and the auditing of the consolidated and individual financial statements carried out by the permanent auditor, as well as monitoring any other services provided for the Company or companies controlled by the Company.

The Audit Committee acts and passes resolutions as a body. Minutes are taken of the meetings of the Audit Committee and its resolutions are documented.

The Audit Committee met on five occasions in the 2018 business year, with an average attendance rate of 100%, and on four occasions in the 2019 business year, with an average attendance rate of 100%. The Audit Committee met and made resolutions on five occasions in the 2018 business year and on six occasions in the 2019 business year without a meeting.

The members of the Audit Committee do not receive any special fee in excess of their remuneration as a member of the Supervisory Board for their activities performed in the Audit Committee.

#### The Executive Board

The **Executive Board** is responsible for managing the Company's operational activities. The Chief Executive Officer of the Company acts as Chairman of the Board. In order to help the Board focus on achieving its strategic objectives, only members of the Executive Board are involved in its work.

The Executive Board is a forum for preparing decisions, where all members have the right and obligation to express their opinions. Based on the opinions expressed by the members of the Executive Board, the final decision is made, depending on competence, by the Chief Executive Officer or the Board of Directors.

On 1 November 2017, the Company appointed an Executive Chairman for direct supervision of trade, international, public and government relations within the framework of organisational division of labour. The Executive Chairman's primary task is to continue to assist the Company's specialty pharma transformation by developing networks established in the Western European and overseas markets and by ensuring the continuous expansion of the high value-added, largely innovative product portfolio.

Although the Chief Executive Officer is the top executive primarily responsible for taking the principles of sustainable development into account, it is also the duty of all senior and mid-level managers in the areas under the CEO's supervision.

#### Members of the Executive Board:

Gábor Orbán Chief Executive Officer  
Erik Bogsch Executive Chairman responsible for Trade, International, Public and Government Relations  
Dr Gábor Gulácsi Deputy CEO for Finance  
Tibor Horváth Commercial Director  
Lajos Kovács Chief Technical Officer /until 5 February 2019/  
András Radó Deputy CEO for Production and Logistics /until 2 January 2019/  
Dr István Greiner Research Director  
Dr György Thaler Development Director

More information on the members of the Executive Board is presented on the Company's website.

## Remuneration system and transparency

The Company has not developed any remuneration guidelines for the members of the Board of Directors and the members of the Supervisory Board, nor for the Chief Executive Officer and the members of the management. The members of the Board of Directors and the Supervisory Board perform their duties for a fixed fee, the amount of which is approved by the Company's General Meeting from year to year as part of a separate agenda item.

The financial statements attached to the Annual Report submitted to the General Meeting contain the aggregate remuneration of the members of the Board of Directors and the Supervisory Board, as well as the executives holding key positions. The resolutions of the General Meeting on the remuneration of the members of the Board of Directors and the Supervisory Board were published on the Company's website, and in compliance with Article 11.6 of the Statutes, the Company published a summary of the cash and non-cash benefits paid by the Company to the members of the Board of Directors and the Supervisory Board in the previous business year, broken down by member and entitlement, which was summarised in the invitation to the General Meeting.

The decision on the remuneration of the CEO falls within the competence of the Board of Directors. The Board of Directors decides on the remuneration of the Chief Executive Officer based on the proposal of the Compensation Subcommittee. The remuneration of the other members of the Executive Board falls within the competence of the Chief Executive Officer. The CEO decides on the evaluation of and remuneration for the work of the Executive Board within the framework of the annual plan and the bonus system. Regarding the tools used for remuneration, the Board of Directors decided in 2017 that the performance incentives of the CEO, the Executive Board and key employees would be implemented in the future basically through the establishment and operation of an Employee Stock Ownership Plan (ESOP) preferred by the legislator. As it was not possible to make a payment through ESOP to recognise performance in 2019 due to changes in legislation, the Board of Directors approved that the Company could apply a temporary performance incentive scheme that takes over the terms of the ESOP remuneration policy as much as possible.

## Conflict of interest and independence

With respect to the relationships of members of the Board of Directors and the Executive Board with third parties – to avoid conflicts of interests – the employment contracts of management members preclude them from entering into an employment relationship, or any other legal relationship that is treated as such, with a business venture that has a similar business profile; while with regard to members of the Board of Directors and the Supervisory Board, the declaration made by them upon their election ensures that there is no conflict of interest between their elected position at the Company and their other commitments.

The Hungarian Civil Code does not set independence requirements for board members of public limited companies where there is no unified management system (board of directors) but a dual system is in place, i.e. there is an independent supervisory board in addition to the board of directors. Nonetheless, the Company applies the independence criteria set out in the Civil Code for members of the Board of Directors and the Supervisory Board.

## The Corporate Governance and control system of the Richter Group

In order to understand the management model of the Richter Group, first, it is worth examining the functions of Gedeon Richter Plc. On the one hand, as the largest and most complex R&D, manufacturing and marketing member company of the Group and, on the other hand, as a parent company (HQ), Gedeon Richter Plc. performs group management functions, including the professional-strategic and financial asset management of legally independent subsidiaries. This is also reflected in its management responsibilities, as Gedeon Richter Plc. is a group-level profit centre with full management autonomy and group-wide regulatory responsibilities, in addition to some other member companies operating as local cost centres (e.g. GR RUS, Richter-Themis Medicare). In each case, the annual budgets are approved by the HQ, investments are authorised and treasury functions are performed exclusively by the HQ. Subsidiaries develop their own management systems and programmes on sustainability issues, taking into account relevant international and local legislation and the parent company's guidelines.

The corporate governance system of the affiliated companies at the Richter Group has three levels namely general meeting/members' meeting, board of directors and managing director, where:

- ▶ The exclusive (non-revocable) competence of the **general meeting/members' meeting** is always determined by local company law. The adoption and amendment of the Statutes, the decision on the acceptance of the business results and the payment of dividends fall within the competence of the general meeting in each country. Proposals on profit distribution are prepared by HQ's finance department, taking into account whether there are any outstanding loans to the parent company.
- ▶ The **Board of Directors** consists of colleagues working in the financial, legal and commercial areas delegated by the HQ at each subsidiary. The term of office is also country-specific, with 2-year cycles generally subject to re-election. The main tasks of the Board of Directors include overseeing and supporting the activities of the Managing Director, making decisions on strategic issues, drafting and the annual report and submitting it for approval, and making decisions on remuneration issues at the managerial level.
- ▶ The **Managing Director** is appointed and removed by the Board of Directors or by the General Meeting/Members' Meeting in accordance with local company law regulations. There is an example for both models. The remuneration of the Managing Director is approved by either the Board of Directors or the General Meeting/Members' Meeting. The division of responsibilities between the Board of Directors and the Managing Director is relatively free but always depends on local company law regulations.

The heads of the member companies and representative offices are replaced by an executive from Hungary or another member company, by appointment from the employees of the company or representative office concerned, or by local recruitment. When proposing a manager, the HQ, supported by the HR and legal functions, evaluates the complexity of the management task, the impact of the tasks performed in the unit on the Group's performance, as well as linguistic and cultural factors. Based on the evaluation,

the requirements for the managerial position are determined, and a suitable candidate is sought with the help of HR.

The primary reporting obligation of the head of a foreign trade representative office is to the HQ's Commerce Directorate, which is responsible for professional/functional/financial supervision. The most important factors in selecting a person to head a representative office include commercial, marketing, economic and managerial knowledge gained in the local market, any experience accumulated at Richter or at one of Richter's commercial partners, as well as understanding local official procedures. The appointment, authorisation and approval of the employment contract signed with the head of the representative office fall within the competence of the relevant senior executives of the Commerce Directorate.

#### **Parent company support for the business activities of subsidiaries**

The parent company supports its subsidiaries in the following areas to ensure unified operation and high quality services worldwide.

- ▶ **Meeting the quality requirements for pharmaceutical production:** compliance of the parent company and its subsidiaries, which perform diverse pharmaceutical manufacturing activities, with high quality requirements and official regulations is ensured by the HQ's Quality Management Directorate (QMD). The subsidiary systems have been set up and continuously improved under the direction of the QMD, and local systems are supported through continuous professional training and regular inspections.
- ▶ **Marketing subsidiaries:** The professional management of the marketing affiliates is provided by the HQ's commercial function along with financial and accounting control as well as corporate law/compliance support. The following tools are used in marketing management:
  - › HQ-managed annual sales and detailed marketing costs and headcount planning for each market;
  - › Monthly reporting and monitoring compliance with budgets;
  - › Quarterly Business Reports to assess actual and expected sales performance and marketing costs;
  - › Creating HQ-led marketing plans to introduce new products;
  - › Appointment, performance appraisal and replacement of managers of subsidiaries and heads of representative offices.
- ▶ **Regulatory activity:** The majority of both manufacturing and marketing subsidiaries pursue regulatory activities (registration and pharmacovigilance) in the pharmaceutical manufacturing and sales segment, which are managed by the parent Regulatory Science Directorate. Regional operational management was established in mid-2019 in this Directorate with the task of discussing and regularly reviewing the annual regulatory budgets of subsidiaries in the functional areas of registration and pharmacovigilance, regularly reviewing the necessary resources and continuously seeking efficiency-enhancing solutions.

- ▶ **Compliance with company law:** The parent company ensures compliance of the operations of foreign subsidiaries with company law in the following ways. On the one hand, the fact that a senior lawyer is delegated to each board of directors provides strong control over how member meetings are regularly convened, conducted and recorded in the minutes. On the other hand, each subsidiary has a responsible person in HQ's Legal and Global Operations Management Division, who supports the subsidiary's compliance with company law on a daily basis. Managing directors and managers have a direct working relationship with these lawyers. Legal compliance is presented in more detail in the chapter on Business ethics.
- ▶ **Audit:** The main components of the internal control system at the Richter Group include the following:
  - › in-process financial audit (audit of cost accounting);
  - › on-site internal audits of subsidiaries or agencies by HQ units;
  - › operation of a group-wide compliance system.

In order to support these audits and the day-to-day operations of the member companies, we have introduced a local internal audit function at several complex subsidiaries (GR Romania, GR Polska, Mediplus Group), while we already have a compliance officer in place at the large Western European subsidiaries.

Based on a list of tasks agreed in advance, the audit examines the existing internal regulations, the application of group-level regulations issued by the parent company and the reporting and planning methodology, supplemented with other, company-specific topics if necessary.

Foreign representative offices are also regularly reviewed, usually every 2-4 years. The audit process depends on the purpose of the audit:

- › General financial and economic audit;
- › Audit prior to the replacement of the head of the representative office and handover;
- › Audit prior to the replacement of the chief financial of the representative office and handover;
- › Audit prior to the closure of a representative office.

## Business ethics

The Global Compliance Programme developed by Richter in 2016 was introduced first in Hungary and in the countries of the European Economic Area, followed by Latin America and the CIS countries in 2018, where strict anti-corruption legislation and other local regulations also require this kind of guidance by the parent company. During the extension of the Programme, the relevant parts of the Compliance Handbook were translated into national languages and adapted to local conditions so that they can become part of local regulations and practices. Following the localisation of compliance training materials, local colleagues were also able to receive the necessary training. The Compliance Handbooks are reviewed every two years, the manuals were first updated in 2018.

The Compliance Handbook of the Richter Group comprises the following regulations:

- ▶ **Code of Ethics:** This Code contains the revision of and additions to the former Code of Ethics by specifying basic standards of conduct, corporate principles and objectives that are mandatory for our Company.
- ▶ **Business Conduct and Transparency Policy:** This Handbook is one of the most important elements of our compliance system, which brings together and systematically specifies anti-corruption, pharmaceutical law and transparency regulations, including the rules applying to contact with healthcare specialists.
- ▶ **Competition Law and Compliance Manual:** Brief overview of the EU's competition regulations; for the sake of clarity, the most critical situations in terms of competition law are illustrated through case studies; a detailed action plan is presented on the procedure to be followed for on-site inspections carried out without prior notice.
- ▶ **Corporate Communications Manual:** This document regulates the content of and the procedure for statements made to the media, and provides guidance on who may disclose which data to whom.
- ▶ **Pharmacovigilance Policy:** This document provides detailed insight into the collection of the side effects of drugs by listing the most important pharmacovigilance laws and regulations, explaining how this area is organised at Richter, and providing details on employee responsibilities and duties.
- ▶ **Capital Market and Corporate Regulations Manual:** This document introduces the mandatory Hungarian capital market regulations that our Company is subject to and also addresses rules on insider trading, stock market operations and mandatory reporting obligations.
- ▶ **Website Content Manual:** This Handbook provides an overview of general corporate guidelines for the content and operation of websites and social media platforms (such as corporate and product websites, DTC campaign websites, Facebook presence), and the principles and legal frameworks for handling the data collected on these sites.
- ▶ **Privacy Policy:** This Policy contains EU and national rules and guidelines for the processing and protection of the personal data of employees, including areas (human resources, marketing, pharmacovigilance, medical research) in which we may have to process personal data during our day-to-day business.

The Company expects all employees, consultants, representatives, suppliers and other business partners to comply with the values and standards detailed in the Compliance Handbook. In accordance with the Global Compliance Programme, a Compliance Hotline has been established by the Legal and Global Operations Management Division, which is a Group-wide system for handling notifications related to issues specified in the Compliance Handbook. Employees can report abuses and ethical violations detected by them by email and telephone – if necessary, anonymously. In recent years, the use of the Compliance Hotline has become common, with staff asking more and more questions about the Compliance Handbook and the Global Compliance Programme.



## Code of Conduct

The Code of Ethics specifically provides for the conduct expected by the Company of its employees, specifying higher standards for senior employees and guidelines to be followed when communicating within the Company and liaising with business partners.

Under Richter's Code of Ethics, employees are required to respect human rights as defined in relevant international conventions, local laws and regulations. The Company strongly condemns all forms of human trafficking, the exploitation of children and forced labour, and seeks to prevent all such activities in its business and across its supply chain. Richter also strictly prohibits rough and cruel treatment of employees. In its activities, the Company constantly strives to comply with the strictest provisions of integrity and applicable laws and regulations in all respects. The principles for combating corruption and bribery are set out in the Code of Business Conduct and Transparency in the Compliance Manual. For more on this, please see the section on Anti-corruption.

## Diversity and anti-discrimination

Taking into account the relevant legal provisions and meeting the expectations of the industry, the Company considers the criteria relevant to the nomination and selection of the members of executive bodies. In addition to the appropriately high level of professional qualifications and competence, the Company takes into account practical and business experience, achievements and personal leadership competencies when appointing the members of the Board of Directors, the Supervisory Board and the Audit Committee, as well as when selecting the members of the Executive Board. At the same time, we consider professional and personal reputation to be a key value and, in order to ensure diversity, also bear in mind the expectation for a gradual increase in the participation rate of women.

The Company is prepared to take all necessary and feasible measures to increase the proportion of women in executive bodies in the event that specific expectations regarding women's quota are laid down in law. At the same time, we consider it important to note that, due to the legal nature of a public limited company, the Company does not have the power to influence the election of members of executive bodies beyond the nomination of candidates for membership in the Board of Directors, the Supervisory Board and the Audit Committee, since their election falls within the exclusive competence of the General Meeting.

The Company does not discriminate against candidates when they are nominated and selected for a position in executive bodies. It gives the same chance and opportunity to both Hungarian and foreign citizens, and also tries to ensure that the age distribution of the members of executive bodies is as balanced as possible.

When nominating and selecting individuals for executive positions, the Company is always guided by the objective of making sure that the members of each executive body have the knowledge that is necessary for the performance of their duties in all areas relevant to Richter and for achieving Richter's strategic goals and retaining the results already achieved.

## Ratio of women in executive bodies and the workforce in Hungary (%)

	2017	2018	2019
Board of Directors	18	25	27
Supervisory Board	60	40	40
Executive Board	0	0	0
Senior management	26	30	24
Mid-level management	45	44	45
Employees	49	50	50

We are committed to protecting fundamental constitutional rights, namely to banning discrimination based on race, colour, gender, language, religion, political or other views, ethnic or social origin, wealth, birth or any other circumstance.

Richter supports and helps create a work environment free from verbal and physical harassment. Managers are responsible for ensuring that harassment and discrimination do not arise in their organisational units. Richter also aims to create an environment free from retaliation. Retaliation against an employee who asks for advice in good faith, raises concerns, reports abuse, or provides information in an investigation is strictly prohibited.

## Conflicts of interest

With respect to the relationships of members of the Board of Directors and the Executive Board with third parties, the employment contracts of management members preclude them from entering into an employment relationship, or any other legal relationship that is treated as such, with a business venture that has a similar business profile; while with regard to members of the Board of Directors and the Supervisory Board, the declaration made by them upon their election ensures that there is no conflict of interest between their elected position at the Company and their other commitments.

## Advocacy

Although the Company encourages its employees to participate in politics by exercising their right to vote in countries where they have the opportunity to do so, they may engage in such activities strictly as individuals and in no way on behalf of Richter. Employees are prohibited from engaging in personal political activities during working hours or from using the Company's property or assets for such purposes.

Due to the increased risk of corruption, Richter does not support political parties, does not lobby, and does not influence the financial decisions of national governments. The Company has strict rules for contact and cooperation with public sector employees and government officials.

## Anti-corruption

Richter expects its employees to adhere to the highest ethical standards and is committed to complying with all local and international anti-bribery and anti-corruption laws and regulations applicable to its business.

The Company expects integrity and transparency and pursues a policy of zero tolerance for fraud and all other corrupt activities, regardless of whether the perpetrator is an employee or a third party acting on behalf of the Company. Irrespective of local practice, business culture, or the nature of a request for bribery or other unfair advantage, employees and third parties are strictly prohibited from actively engaging in or passively tolerating corruption in connection with Richter's business.

The Company strictly prohibits its employees and any person acting on behalf of or representing the Company from offering, giving, soliciting, accepting or receiving bribes. Employees and other persons acting on behalf of or representing Richter may never offer or give any sum of money or other benefit (and may not authorise it) for the purpose of exercising undue influence over a government official or providing an undue business advantage (or create an appearance thereof).

No employee may be retaliated against or otherwise disadvantaged and demoted for refusing to accept or pay bribes or accepting or granting an unfair advantage and complying with the Anti-Corruption Handbook, even if the Company loses a business opportunity as a result.

All Richter employees undergo mandatory training on ethics, corruption and bribery at regular intervals.

## Transparency

A transparent system of relationships and network of contacts between the Company and Patient Organizations, Healthcare Professionals and Healthcare Providers facilitate informed decision-making for external stakeholders and contribute to the prevention of unethical and illegal conduct.

Under applicable rules, regulations and other requirements, pharmaceutical companies are required to disclose payments, other benefits and agreements to Patient Organizations, Healthcare Professionals and Healthcare Providers, either publicly or directly to relevant stakeholders. As a member firm of Medicines for Europe, the Company must directly apply to its business the rules and requirements of the Medicines for Europe Code of Conduct or rules and requirements that are compatible with and at least as comprehensive as those set out in the Medicines for Europe Code of Conduct. Affiliates must also adhere to the Medicines for Europe Code of Conduct or a code adopted by the national organisation that is a member of Medicines for Europe, unless they are self-regulatory organizations or are subject to other transparency schemes or to local transparency reporting rules of laws and regulations that are at least as stringent as the Medicines for Europe Code of Conduct.

The Company should disclose assignments and benefits in its Annual Transparency Report that could potentially lead to a conflict of interest, and also encourage recipients of benefits to disclose the above where disclosure of the benefits is in the best interests of patients or the public. Disclosure must also be made on the websites of the Company and its affiliates, unless national rules require publication on another platform. The Transparency Report was first published for 2017 in June 2018. In 2018 and 2019, the collection of benefits to patient organizations, healthcare professionals and healthcare providers continued and were disclosed on Richter's website.

## Ethical trainings and whistle-blowing

The Company's compliance team conducts personal and online training for employees at regular intervals. The trainings can be mandatory online sessions for all employees (Code of Ethics, Anti-Corruption and Bribery Training, Data Protection, etc.) or personalised (marketing, competition law, transparency, etc.).

In accordance with the Global Compliance Programme, a Compliance Hotline has been established by the Legal and Global Operations Management Division of the parent company, which is a Group-wide system for handling notifications related to issues specified in the Compliance Handbook. Employees can report abuses and ethical violations detected by them by email and telephone – if necessary, anonymously – which are investigated in coordination with the Legal and Global Operations Management Division.

## Recognition

In 2019, the Company's Legal and Global Operations Management Division was honoured when Gedeon Richter Plc. had been selected as the Compliance Innovator of Lexology 2019 for the design, implementation and operation of its Global Compliance Programme. This prestigious recognition gives new impetus and incentive to the continuous development of our Compliance Programme.

## Our objectives aimed at developing business ethics

As several notifications were received in 2019 via the Compliance Hotline in connection with conflicts and clashes of interest, it was decided that the Company would establish a new Conflict of Interest Policy to resolve the conflicts of interest currently included in the Code of Ethics.

In the second half of 2019, a thorough revision and update of the Compliance Handbook was launched, which we plan to complete by the end of 2020. Richter's aim is to further strengthen the compliance function, through which a higher level of parent company control can be implemented in the Company's business with the help of the international compliance network.

### Objectives 2020

Development and implementation of a Conflict of Interest Policy at the Company

Thorough revision and update of the Compliance Handbook

Regular training for employees

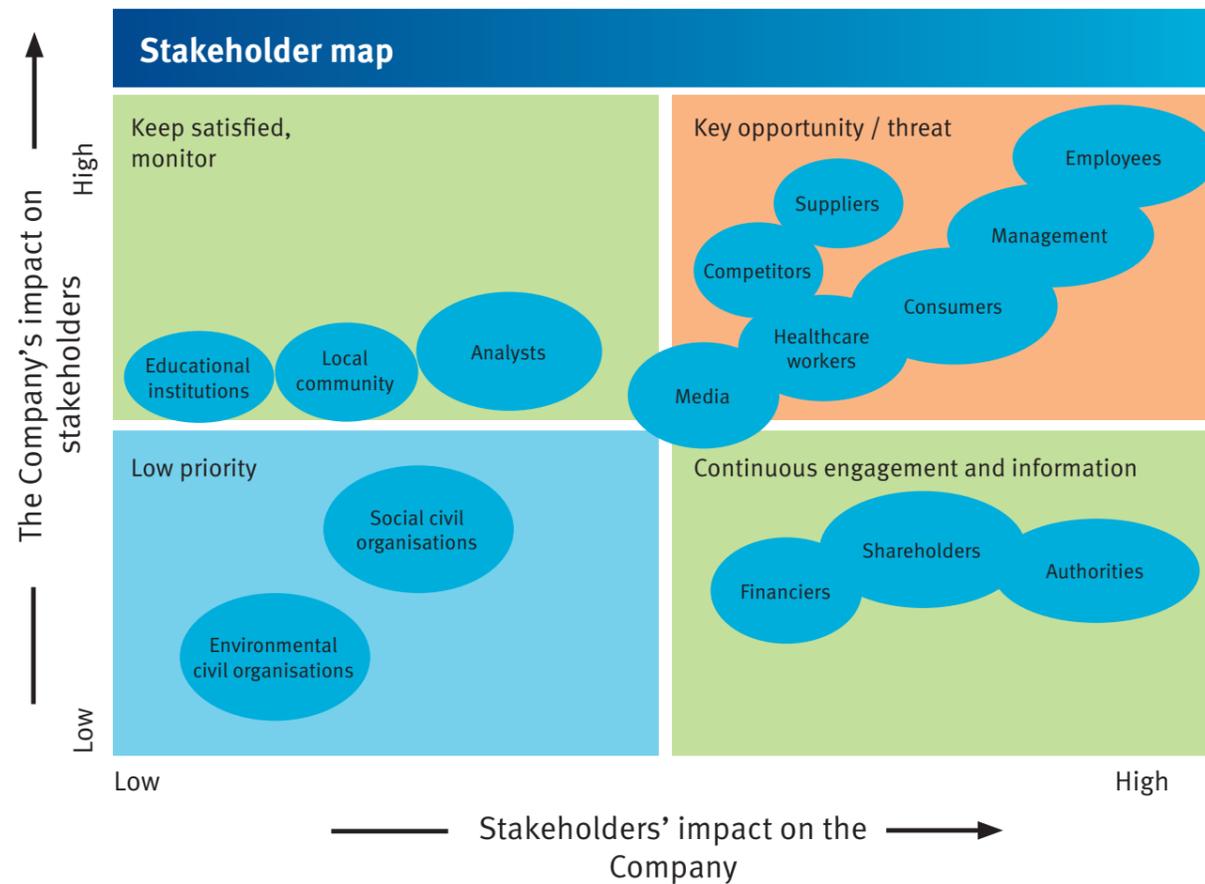
Regular contact between HQ compliance colleagues and subsidiary compliance colleagues

## Stakeholder engagement

We considered the following criteria for determining the range of stakeholders:

- ▶ Who are influenced by the Company's business?
- ▶ Who influences the Company's business?
- ▶ Who are the stakeholders that directly depend on the Company's business and profitability?

Based on the survey, we created the Group's current stakeholder map, where the size of the circles indicates the level of interest of the person concerned in the responsible and sustainable business of Gedeon Richter Plc.



High level of interest	Medium level of interest	Low level of interest / no interest
Authorities Employees Consumers Management Shareholders	Financiers Media Healthcare workers Analysts	Educational institutions Environmental civil organisations Social civil organisations Local communities Competitors Suppliers

## Stakeholder communication in practice

Medicines are trust-based commodities, which serve to cure patients. The main objective of our communication practice is to maintain this trust, for which the most important tool is transparency. We measure the economic, environmental and social impact of our activity by monitoring the results and impacts of the individual campaigns and objectives, as well as by conducting research studies. We communicate the results of these through all available communication channels primarily to consumer, financial and investor target groups.

Members of the Richter Group use a wide range of communication channels and tools to inform and engage their stakeholders. The regularity and systematic nature of communications may differ from country to country and subject-matter to subject-matter. It is true for both one-way and two-way communication methods that Gedeon Richter and its subsidiaries as well as its representative offices seek to cover and integrate, as efficiently as possible, the key sustainability topics. Although this cannot be said to be complete yet, it does provide the Group with the ability to understand the most important expectations of its stakeholders and incorporate them into their operations to improve their sustainability performance. The table on the next page shows that there is a form of communication and engagement for all stakeholders, mainly in a country-specific structure. It is the headquarters of the Group that is primarily responsible for maintaining contact with the owners, financiers and industry analysts.



Communication channels and tools	Stakeholders													
	Management	Employees	Authorities and legislators	Environmental civil organisations	Social civil organisations	Media and society in a broad sense	Consumers	Educational institutions	Industry and financial analysts	Owners and financiers	Local communities	Competitors	Suppliers	Employees of healthcare institutions
Brochures, reports, publications	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Questionnaires (e.g. satisfaction surveys), forums, panels	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Engagement of stakeholders via committees, providing expert opinion or certification	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Voluntary, personal engagement at stakeholders	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Training and development for stakeholders	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Training and development by stakeholders	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Joint programmes and projects	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Brainstorming and opinion boxes or hotlines	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Sustainability Report (Group-wide)	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Industry initiatives, industry associations	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Company meetings (for the management, for a region or for all employees)	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Negotiations with representatives	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Formal meetings, negotiations, presentations	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Informal meetings	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Lobbying and corporate relations activity	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Open days, company visits	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Support, sponsorship	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
PR and marketing	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Blogging	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Media monitoring and media analysis	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used
Complaint hotline and complaint management processes	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used	regularly used

■ regularly used   
■ occasionally used   
■ rarely used

### Liaising with shareholders

In compliance with the General Terms and Conditions of the Listing and Trading Policy of the Budapest Stock Exchange and applicable laws, Richter publishes its announcements and its regular and extraordinary releases on the website of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)), on the website of the National Bank of Hungary maintained for capital market disclosures ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)), and on the Company's own website as well as in the Companies Gazette. Invitations to its general meeting, in addition to the above, are also published in the Financial Times. The Company publishes a financial report every quarter and an annual report following the closure of each business year, and issues an announcement if it learns of information relating to changes that have occurred or are expected to occur in its business, which could directly or indirectly influence the value or yield of the securities issued by it, or which is material to market participants when making their investment decisions. In addition,

shareholders are informed about business operations, results and strategy at the Annual General Meeting. The Company also organises investor roadshows in the United States, the United Kingdom and the EU to inform the investment community. Investors can also contact the Company during the year with inquiries, ask questions and make recommendations to the Company at the General Meeting. Richter's Investor Relations Department is responsible for coordinating these activities. The Shareholder Relations Office primarily liaises with the small shareholders of the Company. In order to facilitate timely information, Richter's website features a separate section for investors and analysts.

### Authorities

Since the laws place tight constraints on the operation of the pharmaceutical industry, our relationship with the authorities that enforce compliance with regulations is a crucial factor of our success.

Our pricing regime is overseen by the National Health Insurance Fund in Hungary, while product marketing is supervised by the National Institute of Pharmacy and Nutrition.

The authority to monitor the compliance of our business lies with the Ministry of Human Resources, while the owner's rights of the State of Hungary are exercised by the Hungarian National Asset Management Inc. We are also in contact with the Committee on European Integration Affairs.

The sector-specific authorities that our Company liaises with on a regular basis include the Hungarian National Tax and Customs Administration, the Government Offices, the National Directorate for Emergency Management at the Ministry of the Interior, the Department of Environmental Protection and Nature Conservation at the Pest County Government Office, and the Water Management Authority of the Győr-Sopron County Emergency Management Directorate.

In addition, the authorities often ask us for expert opinion regarding draft legislation that affects the industry.

### Membership in organisations and industry representatives

One of the key ways of representing our interests is to participate in various Hungarian and international organisations. Our role in the National Association of Hungarian Pharmaceutical Manufacturers (MAGYOSZ) and the Sectoral Dialogue Committee is of paramount importance. This sectoral representation body, established in 1990, brings together companies operating in the pharmaceutical sector, represents and coordinates our common interests, serves as an intermediary between its members, and monitors domestic and international R&D trends and the economy. This makes it easier for us, too, to exert our influence in matters relating to regulation, and make our decisions when developing our market strategy.

We are members of the following organisations:

- AIPPI (International Association for the Protection of Intellectual Property) Hungarian National Group
- Budapest Chamber of Commerce and Industry
- Association for the Future of Engineers
- EOQ (European Organisation for Quality) Hungarian National Committee
- Medicines for Europe
- Hajdú-Bihar County Chamber of Commerce and Industry
- Hungarnet Association
- KÖVET Association for Sustainable Economies

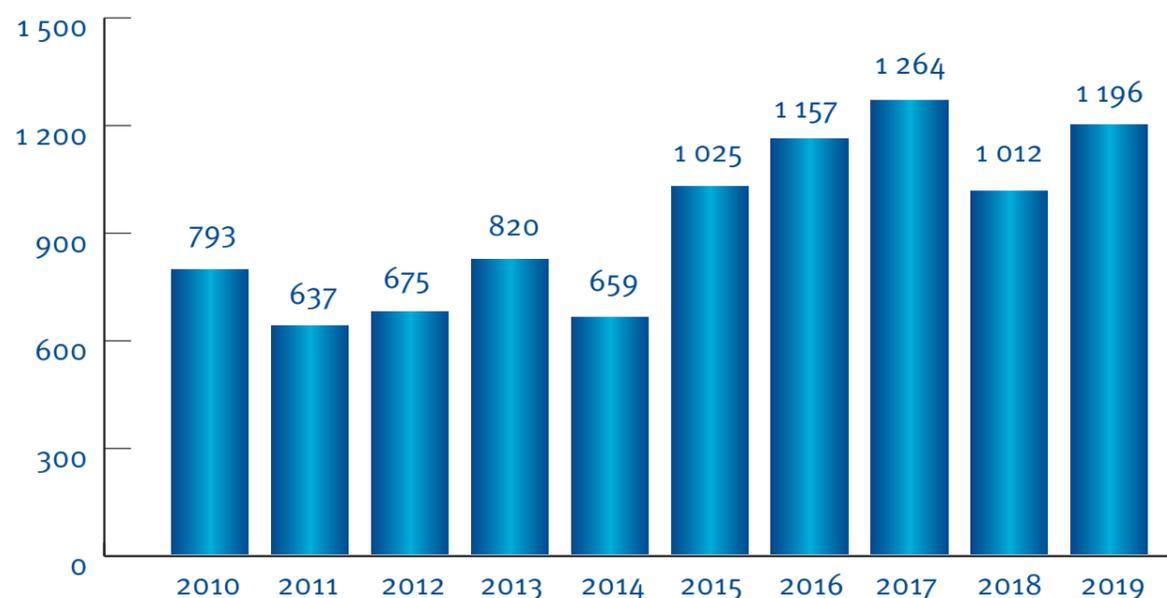
- Association of Environmental Protection Service Providers and Manufacturers
- Hungarian Biotechnology Association
- Hungarian Hydrological Association
- Hungarian Association for Innovation
- Hungarian Association for the Protection of Industrial Property and Copyright
- Hungarian Association of Chemists
- Hungarian Economics Association
- Business Council for Sustainable Development in Hungary
- Hungarian Advertisement Association
- Hungarian Chemical Industry Association
- Hungarian Competition Law Association
- Hungarian Trademark Association
- National Association of Hungarian Pharmaceutical Manufacturers
- Hungarian Association of International Companies
- National Human Resource Policy Association
- Pharmapolis Klaszter Kft
- National Association of Entrepreneurs and Employers

## Stable background

### Stock market presence

Our Company was transformed into a joint-stock company as the first step in Richter's privatisation process in 1990. Richter's shares were first listed on the Budapest Stock Exchange on 9 November 1994.

### The Company's market capitalisation (HUF bln)\*

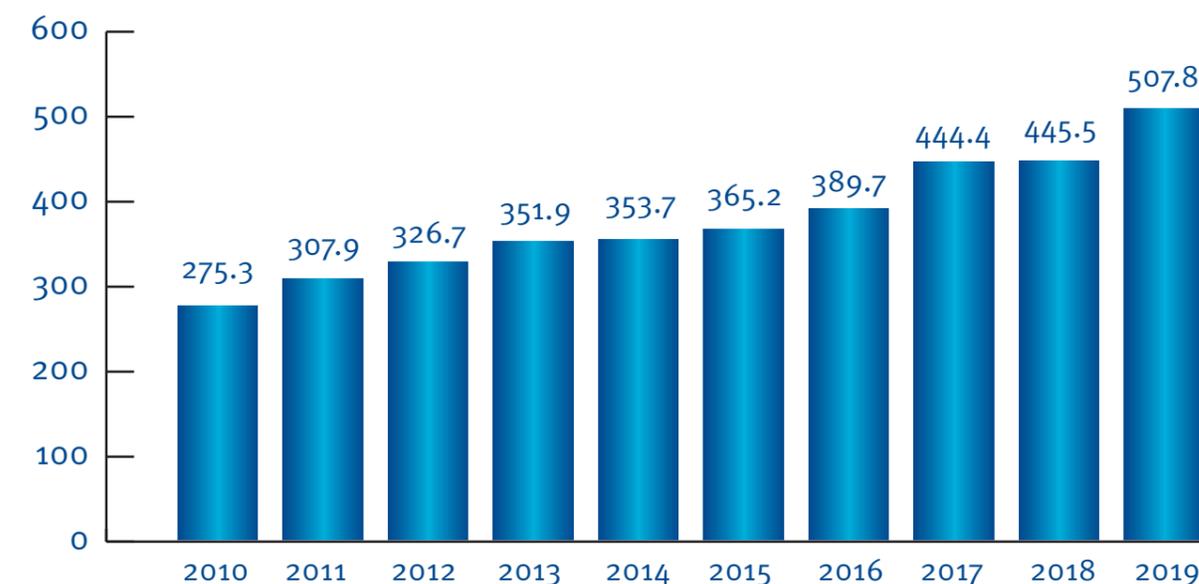


\*All figures were calculated based on the total number of shares and year-end share prices.

### Our business results

Gedeon Richter is a medium-sized, vertically integrated multinational pharmaceutical company. Its business is based on a business policy that focuses on geographical and therapeutic niches. Richter, which now has a history of 119 years, operates production subsidiaries in several countries, and distributes its products in almost a hundred countries around the world through its own marketing network. Over 90% of its sales revenue come from export. The Richter Group's revenue in 2019 amounted to HUF 507.8 billion (EUR 1 561 million), which represents a 14% increase (12% in EUR) year on year.

### Sales revenue (HUF bln)



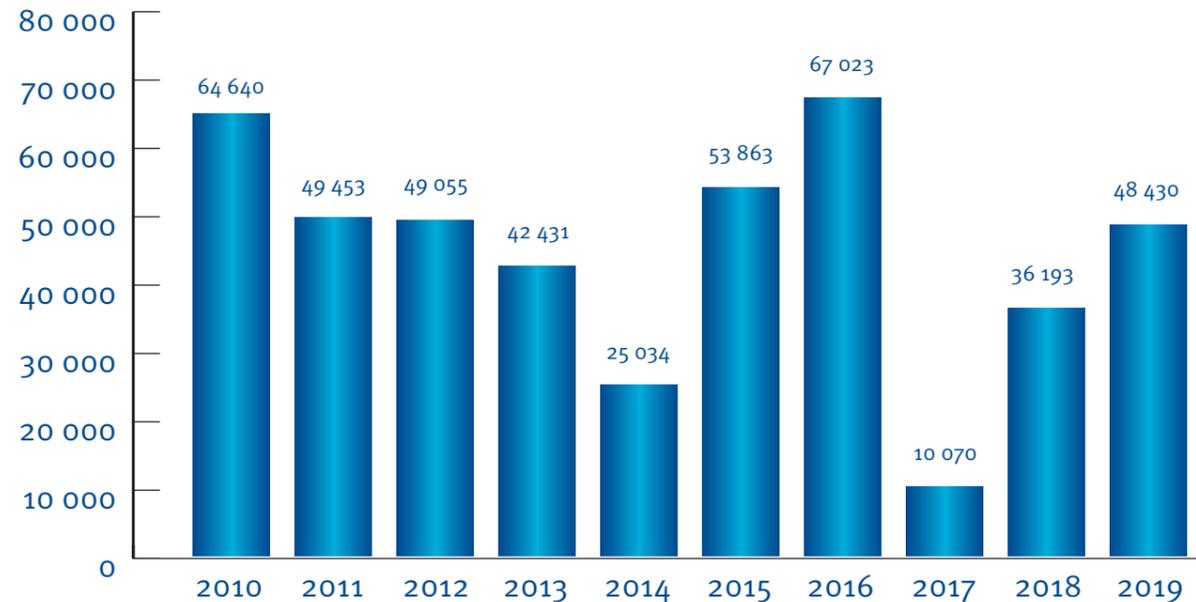
### Sales revenue in each region (HUF m)

	2015	2016	2017	2018	2019
Hungary	34 976	35 776	36 040	39 472	40 502
EU	149 596	166 167	190 720	181 766	208 847
EU12	96 823	107 159	121 745	123 615	143 257
Poland	21 577	22 220	23 060	24 204	23 428
Romania	51 096	61 114	75 040	75 343	93 972
EU15	52 773	59 008	68 975	58 151	65 590
CIS	122 058	121 736	139 689	133 356	137 399
Russia	79 786	80 243	95 734	92 404	86 911
Ukraine	8 293	9 269	10 824	8 380	11 540
Other CIS countries	33 979	32 224	33 131	32 572	38 948
USA	18 103	18 813	27 472	35 985	71 101
China	16 849	21 616	24 004	26 384	18 975
Latin America	9 057	9 187	9 418	9 207	10 665
Other countries	14 581	16 395	17 013	19 314	20 305
<b>Total</b>	<b>365 220</b>	<b>389 690</b>	<b>444 356</b>	<b>445 484</b>	<b>507 794</b>

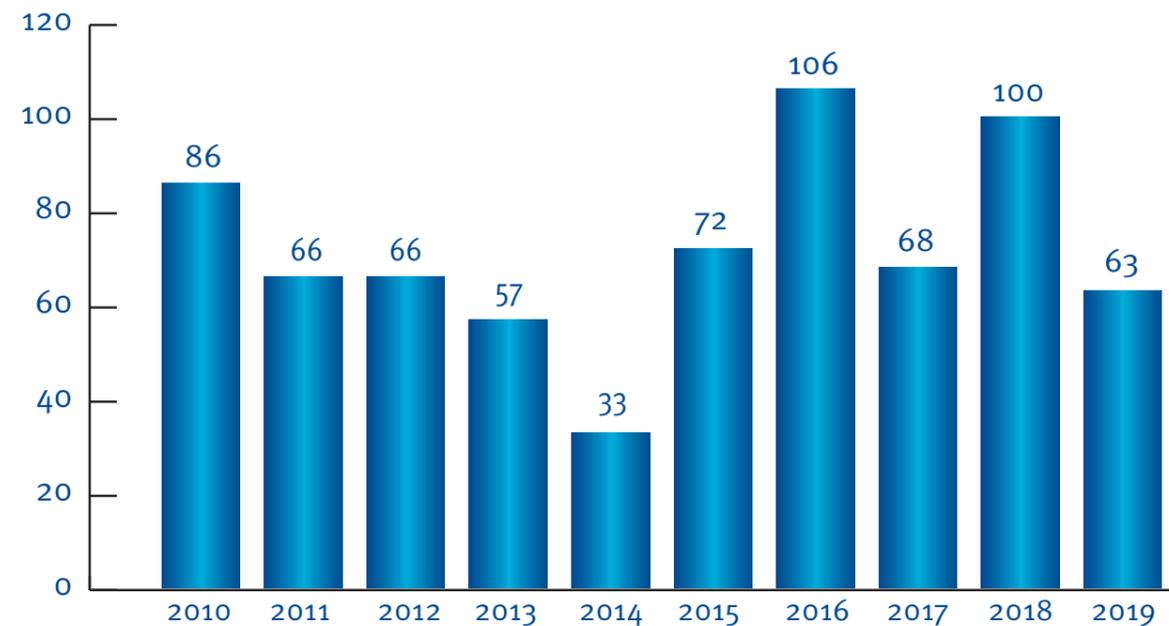
## Key financial data

	2015	2016	2017	2018	2019
Total sales revenue (HUF m)	365 220	389 690	444 356	445 484	507 794
Operating profit/loss (HUF m)	66 682	54 616	20 711	45 040	39 896
Profit after tax (HUF m)	53 863	67 023	10 070	36 193	48 430
EPS (HUF)	291	356	48	190	253

## Profit after tax (HUF m)



## Dividend per ordinary shares (HUF)



## Contribution to the national economy

Richter pursues research and development activities primarily in Hungary and has the highest R&D expenditure among domestic manufacturers. We are a major payer of tax and social insurance contributions, and our high volume of investments also contributes to the growth of Hungary's national economy. Our Company's contribution to the national economy is significant: in 2019, it exceeded HUF 114 billion.

## Richter's contribution to the Hungarian economy (HUF bln)

	2015	2016	2017	2018	2019
Capital expenditure	28.3	32.2	24.9	30.4	31.5
R&D	34.6	34.5	39.2	39.3	48
Taxes, contributions	25.3	25.9	26.9	27.2	30.1
Dividend (MNV Zrt.)	1.6	3.4	5.0	3.2	4.7*
<b>Total</b>	<b>89.8</b>	<b>96.0</b>	<b>96.0</b>	<b>100.1</b>	<b>114.4</b>

\*MNV Zrt. and Maecenas Universitatis Corvini Foundation

## Supply chain

Our Company places great emphasis on its sourcing processes, in which it has the same high expectations of its suppliers as it has for itself. Our organisational units responsible for procurement have to be extremely efficient in operating in this exceptionally broad and rapidly changing area and need to adapt to the increasingly more stringent quality and legal regulations typical of this business environment. To this end, we have three specialised sourcing centres that provide all the tangible and intangible assets for our Company's core business and operation. The General Procurement Department deals with the indirect procurement activities of our Company, functioning as a central management unit. The Packaging Procurement Department is the organisation dealing with the procurement of primary and secondary packaging needs and closely related accessories, while the Strategic Procurement and Active Substance Division is responsible for the procurement of product groups necessary for production as well as research and development needs.

In 2016, we published our Procurement Policy, which can be found in the Appendix. Richter expects and requires all employees and partners to observe the provisions defined in the Policy, and their implementation in practice is provided for in the Procurement Policy. In the case of non-compliance, an alert can be sent to an internal email address, which is handled by the Legal and Global Operations Management Division.

## Our objectives regarding our supply chain

### Objectives 2020

Updating the Procurement Policy

Strengthening the environmental aspects of the Supplier Rating System



## Product responsibility

### Strategic pillars

An in-depth review of Richter's operations has led the Management Team to refocus the Company's strategy and realign corporate resources to changing environmental challenges.

Aiming to maximise shareholder value, the Management Team has identified the following strategic targets:

- building a high added value portfolio
- achieving sustainable growth while maintaining margin levels
- successfully carrying out high entry barrier activities
- keeping and whenever possible improving the importance of brands
- establish a healthy balance between long term value creation and short life-cycle generic drugs

Consequently the following strategic initiatives have been defined:

#### 1. Cariprazine

Cariprazine was discovered by Richter scientists in the early 2000s and co-developed with Forest Laboratories until its launch in 2016 in the USA with two indications: schizophrenia and bipolar mania. Cariprazine was also approved by the EMA in 2017 for the schizophrenia indication. In 2019 bipolar depression was added by the FDA to the product label in the USA. This strategic pillar aims towards maximizing cariprazine's market potential by extending the range of existing formulations, by widening the therapeutic scope and by extending its geographical availability.

#### 2. Original research – Focus on CNS

Research of new chemical entities has always been of paramount importance to our corporate strategy. In 2014 as a consequence of increasing pressure to improve cost efficiency, a thorough review of our CNS portfolio resulted in a number of projects being either terminated or suspended. Notwithstanding, building on the scientific and commercial success of cariprazine, our research team continues to focus on central nervous system related disorders. An adjustment in the research concept occurred in 2019 when symptomatic research criteria replaced the previous indication based approach. Symptoms are grouped into three clusters, such as cognitive, negative and positive, which can be traced back to a number of indications. This strategic initiative aims towards submitting for registration within a strategic time horizon a new target molecule by managing in a cost effective way a healthy project pipeline with the involvement of new development partners.

#### 3. Women's Healthcare

One of Richter's most important niche areas is its Women's Healthcare business with unique and long-term experience in this therapeutic field. The Company has consistently utilised its pharmaceutical manufacturing facilities to undertake the required complex and lengthy development processes which result in high quality gynaecological products. The strategic aim of this initiative is to reach a leading position in geographical Europe by entering into novel WHC areas with unmet need, by offering a trend-

setting portfolio and by pursuing partnering opportunities. These targets can be achieved by acquiring innovative products or late stage projects in any of the following subsegments: female fertility, uterine fibroids / endometriosis, female contraception, infectious diseases in female healthcare and HRT.

#### 4. Biosimilar Business

Biopharmaceuticals (often referred to as 'biologics') have taken a significant share of the global pharmaceutical market in the last two decades. Based on our almost 50 years of experience in the area of classical fermentation, combined with molecular biology knowledge, a strategic decision was made by management in 2006 to commence recombinant biotechnological activities at the Company. An acquisition of a German development and manufacturing company in 2007 was complemented by the construction of a greenfield pilot plant, an attached laboratory and a manufacturing unit in Hungary. This strategic initiative aims towards a steady contribution to the Group's sales revenues. New business and in-licensing opportunities together with contract manufacturing / contract developing and manufacturing projects, partnering for ongoing developments and the geographic expansion of the teriparatide coverage all support us in this endeavour. The therapeutic focus targeted for developments is rheumatology and oncology.

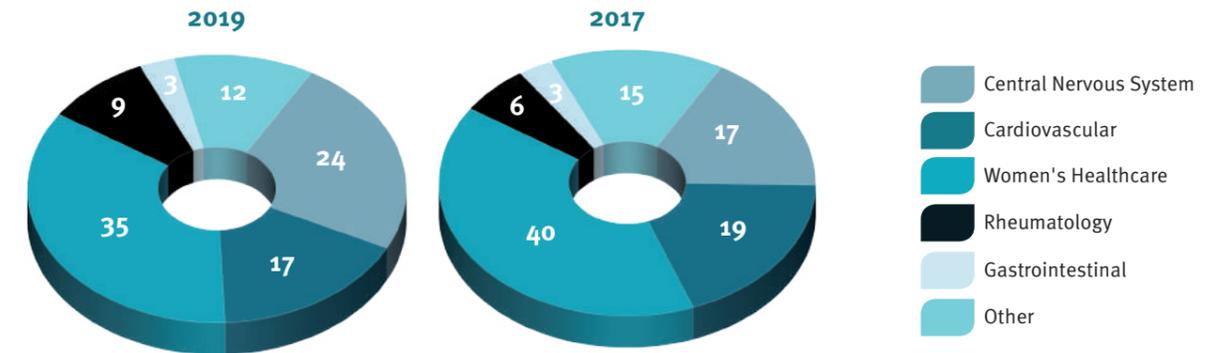
#### 5. Branded Generic and Traditional Products

Contributing to around one half of Richter's pharma revenues, our traditional and branded generic portfolio remains an important cornerstone of our business. We capitalise on our vertically integrated business model, which comprises in-house development and manufacturing of finished form products as well as most of the APIs. This is complemented by the sales and marketing of the entire portfolio. Nonetheless, a highly competitive market environment combined with tightening regulatory standards, price regulations and increasing patient awareness going hand in hand with cost pressures on energy and wages keeps our performance under pressure in this part of the business. We aim towards maintaining our existing market positions in our traditional geographies building on strong corporate and product brands.

#### Product line

The Company manufactures more than 200 drugs presented in 400 different forms, offering effective, modern and affordable treatment in almost every therapeutic area. Close to fifty percent of our revenue in 2019 came from sales of high value-added specialty products (cariprazine, Women's healthcare and biosimilar products), and the other half from branded generic and traditional products.

Products by therapeutic groups (%)



Top products

Product	Active substance	Therapeutic area	2019 (HUF m)	2018 (HUF m)	Change (HUF m)	Change (%)
Oral contraceptives	hormones	Women's Healthcare, contraceptive	95 097	90 047	5 050	5.6
VRAYLAR / REAGILA	cariprazine	Central nervous system, antipsychotic	57 686	25 127	32 559	129.6
CAVINTON	vinpocetine	Central nervous system, nootropic	24 529	31 791	(7 262)	(22.8)
MYDETON	tolperisone	Muscle relaxant	19 811	18 913	898	4.7
BEMFOLA	follitropin alfa	Women's Healthcare, fertility	16 127	13 348	2 779	20.8
PANANGIN	asparaginate	Cardiovascular, cardiology	15 115	15 106	9	0.1
VEROSPIRON	spironolactone	Cardiovascular, diuretic	13 542	12 189	1 353	11.1
AFLAMIN*	aceclofenac	Non-steroidal anti-inflammatory	10 759	9 931	828	8.3
ESMYA	ulipristal acetate	Women's Healthcare, uterine fibroids	9 432	8 241	1 191	14.5
LISOPRESS	lisinopril	Cardiovascular, antihypertensive	8 385	9 087	(702)	(7.7)
<b>Total</b>			<b>270 483</b>	<b>233 780</b>	<b>36 703</b>	<b>15.7</b>
Other			136 859	130 951	5 908	4.5
<b>Total sales revenue</b>			<b>407 342</b>	<b>364 731</b>	<b>42 611</b>	<b>11.7</b>
<b>Share of the 10 top products</b>			<b>66.4%</b>	<b>64.1%</b>		

\*Licensed-in products

## New product launches in Hungary in 2018-2019

Brand name	Active substance	Therapeutic area	Date of launch
COLTOWAN	ezetimibe	Cardiovascular, cholesterol-lowering	Q2 2018
COSIN	lacosamid	Central nervous system, antiepileptic	Q3 2018
REAGILA	cariprazine	Central nervous system, antipsychotic	Q4 2018
ASSIMIL*	agomelatin	Central nervous system, antidepressant	Q1 2019
BEWIM	prasugrel	Cardiovascular, platelet aggregation inhibitor	Q1 2019
PAPILOCARE*	natural ingredients	Women's Healthcare, HPV	Q1 2019
BELSANOR*	solifenacin	Urology	Q2 2019
CO-XETER	ezetimibe+rosuvastatin	Cardiovascular, lipid-lowering	Q3 2019
CYCLOGEST*	progesterone	Women's Healthcare, fertility treatment	Q3 2019
TERROSA	teriparatide	Osteoporosis	Q3 2019

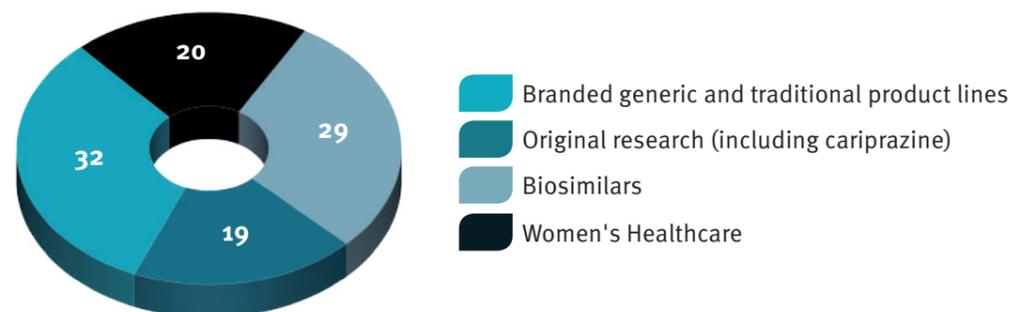
\*Licensed-in products

## Research and development

Richter's goal is to provide the population with innovative treatments and to contribute to the improvement of the quality of human life through its activities.

Original drug molecule research and innovation have been key to the Company's strategy ever since it was founded in 1901. With more than 1 200 people in research and development, Gedeon Richter Plc. has become the most important pharmaceutical R&D centre in Central and Eastern Europe. Drug research and development encompasses four strategic directions: recombinant biotechnology activities, research and development of original small molecule drug candidates, late-stage gynaecological projects, and the development of generic drugs.

### Distribution of R&D costs in 2019 (%)



## Cariprazine and our pipeline

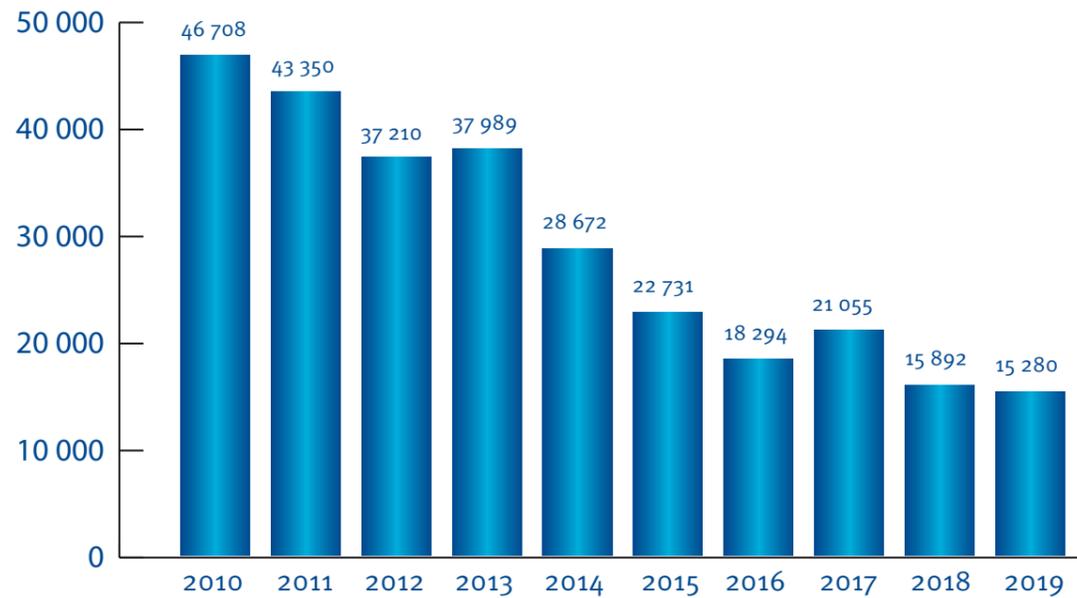
The acceptance of our application for marketing authorisation of the cariprazine molecule in 2015 by the United States Food and Drug Administration (FDA) for the treatment of schizophrenia and bipolar disorder was a major milestone for both our small molecule original research and the Hungarian pharmaceutical industry as a whole. The product's success story continued in 2017 when the European Commission granted marketing authorisation for schizophrenia in the territory of the EU. In order to expand the medical uses of cariprazine, we also conducted clinical trials using the molecule with patients displaying depressive disorders, of which the clinical trials studying bipolar depression were particularly successful in 2017, and the extension of the product's indication was approved by the authorities in 2019. Besides cariprazine, we have 10 projects with new compounds underway, two of which have successfully completed the human Phase I stage, while the others are still in the preclinical stage of research. In 2019, the Company considerably refined its focus with regard to the targeted therapeutic indications. In the recent period, we have further focused our resources on research into the symptomatic treatment of diseases belonging to the negative and positive (psychotic) symptom domains of psychiatry, as well as into the treatment of cognitive disorders. Our aim is to meet the significant medical and social needs in these therapeutic areas by developing new small molecule drugs. Significant progress has been made in the preclinical phase and several studies of our basic research have been published in prestigious international journals. We have included potential drug targets in our research topics that represent a great challenge, as well as significant innovation value. In order to share the high risks inherent in pharmaceutical research projects and to increase professional knowledge we carry out research collaborations with Hungarian and foreign partners.

## Animal experiments at Richter

Due to regulatory requirements for the authorisation of medicinal products, the safety and efficacy of active substances must be demonstrated by animal experiments in appropriate tests. At Richter, animal tests can only be carried out within the framework of projects, and only in cases where the use of animals cannot be replaced by other means. Project applications submitted by the Company to NÉBIH (National Food Chain Safety Office) are evaluated by ÁTET (Scientific Ethics Council for Animal Tests). The storage and use of animals in accordance with official requirements is ensured by the Gedeon Richter Animal Experimentation Code, which ensures compliance with national animal protection legislation. Pursuant to Decree 40/2013. (II.14.) on animal experiments, the Company employs an animal welfare officer. The Company also has an In-house Animal Welfare Committee, which is responsible for drafting its internal animal testing regulations, monitors their implementation, organises regular annual trainings on animal testing for the staff involved, and has the right, at the same time as notifying the veterinary authority, to suspend any animal experiment if the welfare of the animals so justifies. We consider it important to mention that animals, as well as equipment and nutrients suitable for their care are procured only from an ISO certified supplier. With these measures, we can effectively ensure that the strictest animal welfare regulations are enforced, and we apply these expectations to our contractual partners as well.

An application for animal testing submitted to the Authority must include demonstration and authorisation of the application of the ‘3R’ (Replacement, Reduction and Refinement) principle in accordance with scientific purposes. As a result of decades of application of this principle, the annual use of animals at Richter decreased to 32% of the 2010 number by 2019. In 2010, 46 708 animals were used for experiments for scientific purposes, which decreased to 15 280 in 2019. The authority checks the number of animals used for experiments as shown in the project permits on an annual basis, which is reported by the In-house Animal Welfare Committee at the beginning of each year. The decline is driven by a shift in research that encourages the use of professionally justifiable but minimal animal use. This approach is represented, for instance, by the ‘Intellicage’ technique, where animals are placed predominantly in non-invasive studies in their own cages, or by the ‘induced pluripotent stem cell’ technology, which can create cell models relevant to psychiatric research in a Petri dish. We are committed to establishing a scientific and theoretical background that is necessary for translating the results of animal experiments into effectiveness in human medicine, relying partly on our own funds and partly on grants.

Animal use per year



#### Clinical trials at Richter

Richter places strong emphasis on quality in clinical studies. Clinical monitoring at the study site is ensured for all clinical trials, so the Company can continuously secure that the trials are conducted in accordance with the protocol and international quality standards. In addition, Richter conducts regular audits of study sites and other contractors involved in the conduct of clinical trials in accordance with an annual risk-based plan. All investigators are required to participate in the study by complying with the ethical guidelines of the Declaration of Helsinki, Good Clinical Practice and local legislation. Acceptance of this requirement is confirmed by the head of each study site by signing the protocol. In accordance with local legislation, Richter continuously discloses clinical trial data on the appropriate regulatory platforms and regularly publishes clinical results in international journals.



## Responsible marketing

The image of an organisation, its business and its products depend on how it communicates about itself, its activities and its products. The Richter Group's marketing staff, in collaboration with other functions (especially colleagues in medical services and PR), is responsible for developing, identifying and disclosing relevant professional content (key messages, literature reviews, summaries of clinical trial results and practical experience, drug information materials, OTC advertisements, patient information, educational materials needed to raise health awareness) for effective marketing communication channels and tools (drug information through medical representative visits, participation in conferences, exhibitions, symposia, commercials, advertisements, brand reminders, direct marketing, promotions, donations, own websites, social media activities, organisation of health days, lectures for laymen, etc.). Their duties also include the coordination of processes by which the Company addresses its target audiences (physicians, pharmacists, Professional Societies, other health professionals, wholesalers, patient organisations, patients).

Our communication activities are regulated by the following Hungarian legislation: Act XCVIII of 2006 on the General Provisions Relating to the Reliable and Economically Feasible Supply of Medicinal Products and Medical Aids and on the Distribution of Medicinal Products; Ministry of Health Decree 3/2009 (II.25.) on the detailed rules for the presentation of a medicinal product or medical device for human use, the register of persons performing the activity of presentation and the commercial practice related to the medicinal product or medical device for consumers; Act XLVIII of 2008 on Essential Conditions of and Certain Limitations to Business Advertising Activity, and the Code of Ethics for Pharmaceutical Communications, as amended in 2017. In our business, we also take into account official resolutions and guidelines (e.g. by the National Institute of Pharmacy and Nutrition (OGYÉI), the Hungarian Competition Authority (GVH)). In addition, our internal system of rules and guidelines also provides guidance and promotes our commitment to transparent communication observing the relevant rules.

Richter's Compliance Manual includes the Business Conduct and Transparency Policy, which collects and organises rules for liaising with healthcare professionals and patient organisations, as well as for drug law and transparency. The Handbook of Pharmaceutical Legislation, which is part of the Policy, describes in detail, inter alia, the general rules on the content of promotional materials, the mandatory content of information materials if they are intended for professionals, and the requirements for advertising over-the-counter medicines that are communicated to consumers.

Richter has identified six principles that should apply to all promotional communications to Healthcare Professionals or Consumers:

- » Advertising is not permitted for the marketing of medicinal products for which no marketing authorisation has been granted for the territory in question.
- » All information in the promotional material should be in accordance with the information provided in the summary of product characteristics. Advertising outside the permitted indication is prohibited.
- » The information or statements contained in advertising material must not be false or misleading in any way, in particular through distortion of reality, inappropriate emphasis or omission.
- » Promotional materials should be clear, scientifically up-to-date, balanced, and comprehensive

enough to allow the reader to form their own opinion. Promotional materials should promote the rational use of the drug by presenting the properties of the drug objectively and without exaggeration.

- » All claims made for advertising purposes must be substantiated by substantial evidence; i.e. by reference to an approved summary of product characteristics or other clinically relevant scientific evidence. Claims for advertising purposes should include clear references that also indicate the source of the reference.
- » Prior to publication or distribution, all promotional materials must be approved in advance by the Medical Service function or other responsible departments. A precondition for the fulfilment of this principle is that all Affiliates are required to have a medical service function in place that deals with information on the medicines they distribute.

In addition, our procedural instructions regarding the promotion of medicinal products marketed by Gedeon Richter Plc. in Hungary, updated with effect from 25 November 2015, regulate the following:

- the duties and responsibilities of those involved in promotional activities;
- the handling of drug safety information;
- the procedure for the preparation of promotional materials;
- the treatment of free drug samples and drug donations;
- activities carried out in the context of a public interest commitment;
- the system of tenders, grants and material donations;
- service contracts;
- organising events and supporting participation in events;
- developing and publishing advertisements, commercials, reports, interviews;
- the system of organising pharmacy visits, commercial promotions.

Hungarian medical and pharmacy representatives and regional managers engaged in our marketing activities regularly participate in complex medical and skill development trainings offered by our trainers in accordance with the procedural instructions governing these courses. The parent company also regularly organises professional trainings for product managers working in the domestic and international arena, for example in marketing, medico-marketing, and various management topics.

We have developed a number of guidelines to support and coordinate Richter's group-wide marketing tasks, including:

- a guide for developing a marketing plan;
- a guide for digital marketing solutions;
- marketing and medical aspects of the production of promotional materials;
- organising and conducting scientific events.

Trainings and tests can take place in several ways: in person, online, through written or oral test, and in e-learning courses.

Training manuals, professional information materials and promotional materials used in the training activity are also prepared, reviewed and approved in accordance with external and internal regulations.

We incurred no penalties during the reporting period in connection with our marketing communication activity.

## The health and safety of our customers

In all phases of our pharmaceutical manufacturing and development activities and throughout the entire life cycle of our products, our primary goal is to protect the health and safety of our consumers. This commitment was also published in our Quality Assurance Policy Statement by our senior executives.

Our Company attaches key importance to operation in accordance with domestic and international pharmaceutical regulatory requirements. We agree to be bound by the resolutions and guidelines issued by public institutions and authorities, such as the European Commission, the European Medicines Agency (EMA) or the US Food and Drug Administration (FDA).

In our drug development projects, we place strong emphasis on ensuring that our equipment, methods and the expertise of our colleagues meet the highest standards. We are constantly updating our equipment and we consider it important to keep up with advances in technology. Our colleagues regularly attend professional presentations and conferences, by which we aim to raise our innovations to the highest standard using the innovative knowledge they have acquired, keeping pace with the world's leading pharmaceutical companies.

In manufacturing, we devote particular attention to compliance with the applicable technological and quality assurance regulations, as well as with domestic, European and other international laws and requirements. Our manufacturing operations and quality assurance system are regularly inspected by competent Hungarian and foreign authorities at both the parent company and our manufacturing subsidiaries.

In addition to the local authorities, in 2018 and 2019, the parent company was inspected by the Belarusian, Yemeni, Russian, Chinese, Turkmen, South Korean and Saudi authorities, while our subsidiaries were inspected by the Russian, Peruvian and Belarusian authorities for compliance of the production and quality management system. We are very proud that for many years, these inspections have been concluded without any critical observations being made.

We operate a comprehensive quality management system based on the requirements of the current GMP (Good Manufacturing Practice) guidelines, which includes risk management for the design, development and regulation of all products, devices and processes that may be a source of danger either for patients or for the Company. As we give priority to developing and harmonising the efficiency of the quality assurance system across the entire Group, we monitor the operation of our subsidiaries continuously and seek to develop the most consistent approach and procedures possible.

We monitor the quality of our products on a daily basis and evaluate it every year. Daily monitoring gives us the opportunity for immediate intervention even in the event of a very small discrepancy.

In 2018, we developed a digital concept of quality management with the following vision, keeping in mind the Company's expectations and the long-term vision of quality management: "Effective quality

management along automated, paperless processes with colleagues who perform value-creating activities." Foundations of the strategy:

- Aligning IT development and procurement with long-term priorities;
- Harmonising quality management under a common digital strategy with the involvement of subsidiaries;
- Reducing lead times to get products to market as quickly as possible;
- Making more efficient use of labour force by automating non-value-creating activities.

In order to achieve our strategic goals, we involve all our employees in quality activities, planning, and the application and control of GMP guidelines, thus helping to maintain an advanced quality approach with all employees of the Company. We facilitate this by providing our employees with regular training, keeping them well informed and providing working conditions that satisfy the relevant requirements.

Evaluation of the materials purchased from manufacturers and used in production is an important part of our quality assurance system. When selecting partners, the production of high-quality products and the use of a well-functioning quality assurance system are both crucial factors. We verify this by conducting on-site audits of our suppliers/manufacturers at the holding level.

In accordance with GMP regulations, we identify the manufacturers of purchased materials by consulting the distributors and, where possible, we purchase directly from the manufacturers.

To ensure compliance with licensing requirements, we operate a strict change monitoring system. The purpose of this is to ensure that changes can only be introduced to our procedures if they have been considered from every possible angle by our experts prior to introduction and have been found to have no influence or a positive effect on the quality of our products. These changes may affect manufacturing technology, suppliers, packaging materials, regulations, etc.

We only distribute our products through sales partners who have a valid manufacturing and/or wholesale trading licence. We cooperate with domestic manufacturers, wholesalers and other organisations in an effort to prevent counterfeit products, which could even endanger patients' lives, from being introduced to the market. For this purpose, we use a special packaging technique, a seal and a unique identifier on our products. We regulate the disposal of products and packaging materials to be scrapped by observing safety regulations. We pay close attention to and investigate quality reports where counterfeiting may occur and handle related alerts from the supply chain in accordance with internal and external regulations.

## Consumer health and safety objectives

Objectives 2018-2019	Status	Evaluation
Selecting IT systems that support key processes	accomplished	😊
Identifying opportunities to reduce annual paper use	accomplished	😊
Objectives 2020		
Launching the introduction of a new system to support quality assurance		
Starting the implementation of a laboratory information management system		

## Pharmacovigilance

Medicines are indispensable tools of our modern world. They enable us to live longer, fall ill less frequently and recover more quickly. With their help, we can stave off infectious diseases and successfully take up the fight against diseases of civilisation typical of modern society. Medicinal treatment can be used to maintain the balance of the mechanisms regulating our digestive system, cardiovascular system and central nervous system for many decades, and medicines also have a decisive role in other important areas of life, such as family planning.

Due to their biological nature, people may react differently to specific medicinal products, which can have undesirable side effects. Science sees the path to eliminating these effects in the increased use of personalised therapies, but today, this is not yet a daily reality. Drugs are subjected to very rigorous testing and analysis during their development in order to ensure that products are distributed only if their benefits are considerable both for individuals and society as a whole, while the risk of their use is acceptable.

The essence of pharmacovigilance (pharmakon: medicine, vigilare: guard) is the continuous monitoring and evaluation of the benefit-risk ratio of medicines and, on this basis, ensuring the correct and safe use of medicines. This allows the right patient to receive the right medicine at the right time, in the right way/under the right conditions, based on the latest and most complete (efficacy and safety) information available from the manufacturer/distributor of the medicine. Pharmacovigilance ensures that when using a particular product, it is possible to avoid situations where the increased risk is no longer acceptable compared to its usefulness. This is possible by monitoring our products in the market environment all around the world. We ensure that the medicines are used in accordance with the most recent instructions for use and register any unexpected outcomes and undesirable side effects that might occur in the course of their use. Pharmacovigilance pervades the operation of all units of the Group, from research and development/product development activities through clinical-medical tasks, registration, marketing up to and including quality management activities. There is no aspect of the Company's operations that is not directly or indirectly related to pharmacovigilance at any level.

The entire Group is involved in this monitoring activity and we expect the same degree of care from our trading partners.

We are committed to treating pharmacovigilance as a high-priority area, looking at it as a service that aims to provide patients and physicians with the conditions for safe drug use and to comply with relevant regulations and directives. We operate a pharmacovigilance system with quality assurance for all members of the Group, which monitors any change in the benefit-risk ratio of medicines throughout their life cycle and informs both the authorities and healthcare professionals and patients of such a change.

Richter has been using an IT system complying with international standards for 10 years now to support the collection, transmission and analysis of information. It enables pharmacovigilance professionals to continuously analyse incoming data. This activity is performed in line with the pharmaceutical authorities of the European Union, and the information is mutually shared in compliance with our statutory obligations.



At the Group level, over 9 500 reports were recorded and managed in our system in 2018, and nearly 12 000 in 2019.

The purpose of data collection and analysis is to identify the safety profile of medicines as accurately as possible so as to ensure that the use of the products is targeted as precisely as possible in terms of both indication and target population, primarily through improving the summaries of product characteristics and patient information leaflets. The system is also designed to alert and intervene if it detects a change in the product's safety or can anticipate any circumstance that may expose society to an unforeseen risk.

Because no medicine is free of side effects, we believe that our activities, aimed at gaining the most precise understanding of the risk-benefit ratio of our medicines, protect both our patients and our products. We have expressed our commitment in our Pharmacovigilance Policy as well. We perform our activity subject to quality assurance standards, in accordance with internationally accepted principles of Good Pharmacovigilance Practice. In accordance with legal requirements, the Company employs a Qualified Person for Pharmacovigilance who oversees the operation of the pharmacovigilance system and has personal responsibility for the adequacy of the system.

Our ultimate goal is to operate a continuously developing quality assurance system for pharmacovigilance that supports the Company's business goals, while complying with the requirements of the European Union and other, domestic authorities as well as the provisions of international guidelines.

By the end of 2013, our Company had created the basis for a well-functioning pharmacovigilance quality assurance system that complies with European Union regulations for medicinal products. An important element of this quality system is that all employees of the Company regularly (yearly) receive pharmacovigilance training that provides basic knowledge.

## Our objectives in pharmacovigilance

Objectives 2018-2019	Status	Evaluation
Ensuring consistent, efficient and fast communication both within the Company and with authorities and medicine users throughout the Group in the interest of safe medicine use.	We have created the necessary framework and laid stable foundations.	😊
Full adoption of principles of the EU's Good Pharmacovigilance Practice. We operate in accordance with these guidelines and continuously improve our Pharmacovigilance system, always adapting to the latest expectations.	The deficiencies previously identified by official inspections had been corrected by the end of 2019, and it can be said that recent inspections have not revealed any critical errors.	😊
Extending risk management activity to the entire product portfolio.	This is a multi-year project, the first phase of which was successfully completed by the end of 2019.	😊
Identifying the same processes based on the same principles and methods for all subsidiaries and representative offices, which ensures that the quality assurance system is ready for inspection at any moment.	We have created the necessary framework and laid stable foundations.	😊
Elaboration and routine use of efficiency and compliance metrics.	We have created a new framework.	😊

### Objectives 2020-2021

Improving global operational efficiency of the Pharmacovigilance business and creating continuous operational excellence.

Identifying coordinated and robust processes based on the same principles and methods for all subsidiaries and representative offices, which ensures that the quality assurance system is ready for inspection and immediate response at any moment.

Ensuring consistent, efficient and fast communication both within the Company and with authorities and medicine users across the entire Group to guarantee safe use of pharmaceutical products.

Extending robust risk management activity to the entire product portfolio on a global scale.



# For our employees

## Our employment culture

Richter is a Hungarian-based and managed multinational organization with a regionally unique research base and capabilities, operating in the interest of employees, shareholders and the national economy. By operating as an innovative and knowledge-intensive Group with various CSR programmes that promote healthcare and education, Richter supports the development of its human resources, i.e. its employees as well as the larger society.

At Richter, we all believe in world-class teamwork to improve people's quality of life, build on the Company's strong traditional values, whilst our activities are permeated by our global ambitions. Our goal is to become an ever-better workplace that attracts talent and engages key people through high level of performance and the achievement of goals set by us.

We seek employees who always look for the next opportunity, who value knowledge and development. At Richter, innovative minds can accomplish themselves. With our research and development base of 1 200 people, we have one of the most significant innovation centres not only in Hungary, but in the entire Central and Eastern European region. In addition to applied scientific work, we also support individual research topics, publishing studies and active participation in scientific life. Our employment culture is characterized by predictability through job security, a balance of tradition and innovation, and strong collaboration. Continuous development gives us stability and is based on a career model, a secure financial background and Hungarian-based management. We believe in the science of collaboration, everyone is actively involved in working together, in their own team and beyond. We know how to cooperate effectively with the representatives of other professions, disciplines and organizational units. We pay special attention to the evaluation and remuneration of employees who show outstanding performance, offering stress management programmes and personal counselling to promote the mental health of our employees. In our employment culture, we pay as much attention to the employment of young people just starting their careers as to the implementation of a humane generational change.

Our human resources form the basis on which our continuous business success, the potential for growth inherent in our scientific, commercial and financial values can be built. We have a wide range of tools at our disposal for finding and recruiting employees whose professional experience, skills and vision of the future will best facilitate Richter's success. In addition to creating an attractive workplace, we help create loyalty with a variety of professional and competency development training opportunities, a career system, a performance appraisal system, and a wide range of fringe benefits.

At the annual meetings held with the HR managers of our manufacturing subsidiaries, we discuss the latest best practices. In addition to the high level of performance and quality requirements, however, we need to take into account the fact that, due to the different geographic and cultural environment, decisions work differently. In the training of our employees, we rely on the trainings of the given country. However, respect for Richter's traditions and values and the commitment of our staff apply regardless of country.

## Our values

The dreams of our founder, Gedeon Richter, to run a successful, international pharmaceutical company are still alive. We are proud that the Richter name covers not only innovative products, but also a stable workplace where it is good to work and worth working. In line with our global ambitions, we are constantly developing the areas that make Richter an outstanding workplace, where dedicated and qualified professionals are happy to work.

Although the name Gedeon Richter is a well-known and well-sounding corporate brand, corporate communication alone in its usual form was no longer enough to satisfy every need. Recognising that we need to adapt to the requirements of the changed labour market environment in many ways, in 2019 we launched a comprehensive employer branding process aimed at increasing employer brand awareness, supporting recruitment and increasing the commitment of existing employees. The process resulted in the creation of a unique employer brand image, renewed job postings and flyers, the renewal of the Career page and the launch of a Career Facebook page with 7 000 followers. The following employer brand values show why Richter is an outstanding workplace.

**Hungarian formula – global effect:** Our employees assist people's lives in many countries: our Hungarian-based group offers solutions around the world with cutting-edge innovation, continuous investment and high-quality products. Therefore, the work of our colleagues is not only important and responsible, but diverse and challenging. They can work on the latest technological challenges, use modern tools, meet interesting people – and create real value in their work!

**Innovation – our mission:** For us, innovation is not a distant dream, but an integral part of our work. Our colleagues use world-class equipment, state-of-the-art processes and technologies in research and development, quality management, biotechnology and various areas of pharmaceutical manufacturing. The science of continuous innovation is one of our most characteristic and important values, which is the key to development and a successful future.

**Continuous development gives us stability for 120 years now:** At Richter, our colleagues can work with the confidence that our Hungarian headquarters is under domestic control and operates independently. Our financial position is stable and our market presence is strong. Our reliable and recognised brands and carefully developed strategy also provide room for continuous growth. As a responsible and diligent employer, we measure growth not only in the results of our Company and the quality of our products: we also pay special attention to the professional and personal development of our employees.

**In the service of leading a full life:** Our company is characterised by a humane culture and a helpful, friendly atmosphere, in which the promotion of a full life plays an important role. As a member of the Richter family, our employees can enjoy all the benefits of our wide range of welfare and health services and community programs. We support sports and an active lifestyle, and we also help physical and mental recharge with holiday opportunities. We are convinced that growth is part of a full life, so we also assist the development of our colleagues with a wide range of training opportunities.

**The science of collaboration:** We believe in the power of teamwork and collaboration, as evidenced by our outstanding results. Whether it is international cooperation or collaboration among functions or staff, helpfulness and a friendly atmosphere are there to ensure success. We make sure that all our colleagues can experience why it is good to think together in a community. We are proud that the different

divisions work together successfully for common goals and there are many supportive micro-communities within the Company.

Randstad Employer Brand Research is the world's largest independent survey of employer brands. In 2018, the Randstad Employer Awards were presented in Hungary for the fifth time, recognising the domestic employers that were found the most attractive by employees in a survey. In the pharmaceutical and chemical industry category, our company finished in second place, and in 2019 we took first place. In 2019, the PwC Hungary online questionnaire revealed the job choice preferences of nearly 37 000 students and young career starters aged 16-28 studying in secondary schools or higher education. According to the nominations in this online career choice survey, the winner of the Most Attractive Employer Award 2019 in the pharmaceutical industry category was Gedeon Richter Plc.

## Recruitment and labour market trends

Attracting, motivating and retaining value-driven, talented and high-performing individuals are a business priority at Richter. We support the development of our colleagues with a safe work environment, a competitive income and benefit system, an inclusive and diverse corporate culture, and the provision of a wide range of training opportunities.

Our goal is the long-term employment of our employees and winning support for personnel changes that are essential for sustainable development. During the recruitment/selection process, we place special emphasis on selecting candidates who, based on their expertise and professional experience, are likely to contribute most to Richter's results and whose career plans and behaviours are likely to be closest to the Company's corporate culture. To this end, we have introduced a competency-based interview technique, with the help of which, in addition to exploring professional skills and experience, we can also obtain information about applicants' personality traits.

Retaining an increasingly mobile workforce is a challenge, and we are also seeing a growing demand for flexible employment options. In addition to opportunities for personal growth besides work, ensuring a proper work-life balance is also extremely important. Labour market developments have led to changes over the last few years, to which market participants need to respond with a high degree of flexibility and speed. Richter's HR organisation has also responded to the challenges by introducing various processes and rethinking its operations. We have developed the HR business partner activity to serve the regional needs more efficiently, and we have created a dedicated recruitment and selection function. Wage competition among employers for workers in sectors with skills shortages and for those with secondary education has been increasing in the last few years. Due to the changes in the labour market, we have supported the selection process of blue-collar staff with active HR/recruiter presence. As a result of accelerated competition in the labour market, finding and retaining the most suitable candidates has become a key factor resulting in the simplifying and shortening of the recruitment process and using all available online advertising platforms. In order that the applicants spread our reputation and choose us in the competition among employers, we place great emphasis on the importance of candidates' experience, and in this context, we have started to develop a programme for the training of management staff.

Recognising the increasing trend of employment on a global scale, we have deliberately opened our Company to foreign workers to import international knowledge. In addition, within the framework of the Erasmus+ programme, we also provide ethnic Hungarians living abroad with the opportunity to participate in internships.

We place great emphasis on the recruitment of young professionals, as this factor provides a clear competitive advantage. It is obvious that the gap between the knowledge provided by school systems and the expectations of employers is increasing. By creating summer internships in as many fields as possible, we are constantly striving to ensure the supply of young professionals. We facilitate development within the organisational framework by offering dissertation consultation and professional mentoring. With an active, nationwide presence at job fairs, professional events and workshops, we ensure that a well-known and attractive employer image of Richter is created for the next generation. In providing career guidance, we liaise with a number of educational institutions and receive students at Richter sites, where in addition to discussing operation-related questions, we also provide HR assistance (CV consulting, job search portals, selection process, trial interview, etc.), and we give presentations to promote our profession. We support talented students and reward outstanding chemistry teachers through our foundations. Student employment is on the rise and there is a growing demand for traineeships.

## Headcount

The total headcount for the Group was 13 025 at the end of 2019, a 2.8 percent (350 persons) increase compared to 2018. The growth is mainly the result of our expansion in production and IT.

The number of people with higher education working for the Group increased from 7 200 in 2018 to 7 450 in 2019. The proportion of graduates relative to white-collar employees was 87 per cent, while this proportion was 57 per cent within the total headcount.

### Richter's headcount by region

Headcount	2017	2018	2019
Hungary	5 722	6 037	6 192
EU (excluding Hungary)	3 054	3 165	3 237
CIS	2 613	2 434	2 572
China	245	219	195
Latin America	252	248	254
Other countries	483	572	575

## Hungarian staff statistics

	2015	2016	2017	2018	2019
Average age of employees (years)	44.5	44.1	44.1	43.7	43.7
Average time spent at Richter (years)	14.1	13.7	13.3	12.9	12.6
Average number of employees (persons)	4 948	5 011	5 187	5 509	5 716
full-time	4 878	4 941	5 111	5 396	5 523
retirees, full-time	11	6	4	19	90
part-time	53	58	69	85	98
retirees, part-time	6	6	3	2	5
Number of staff with an open-term employment contract (persons)	4 604	4 633	4 917	5 231	5 605
Number of staff with a fixed-term employment contract (persons)	336	450	425	392	192

Taking into account the changed employment conditions in the labour market, we use contractual employment, if necessary, e.g. by concluding agency contracts. The popularity of temporary agency workers at Richter has declined in recent years. In the competition for labour market participants, permanent employment resulted in stronger commitment and motivation, formerly temporary employees were happy to join Richter, and blue-collar recruitment to permanent status also became competitive compared to temporary employment. For this reason, most of our temporary employees indicated that they would join our Company in full time. The number of nearly 130 temporary workers employed in 2017 was reduced to zero by 2018. Another atypical form of employment introduced was employment through a retiree cooperative.

## Details of staff turnover in Hungary

### Number of new entrants (persons)

Headcount	2015	2016	2017	2018	2019
Under 30 years	141	246	249	275	260
Between 30-50 years	143	236	353	397	361
Over 50 years	16	32	59	79	73
<b>Total</b>	<b>300</b>	<b>514</b>	<b>661</b>	<b>751</b>	<b>694</b>

### Staff turnover by category (%)

Headcount	2015	2016	2017	2018	2019
Under 30 years	9.1	11.3	14.2	17.1	14.2
Between 30-50 years	5.9	5.2	6.6	6.8	9.3
Over 50 years	7.2	10.8	6.7	7.4	10.0
<b>Total</b>	<b>6.6</b>	<b>7.8</b>	<b>7.5</b>	<b>8.2</b>	<b>10.1</b>

The number of Richter employees increased in 2019 compared to 2017, although the number of new entrants was the highest in 2018. The proportion of new entrants over 50 years of age increased to over 10%. Although staff turnover was higher than in 2017, in view of the current labour market situation and the size of the Company, it is still good and below the Hungarian average.

Richter's strength as an employer lies in its stability: our employees have an average of 13 years of employment. Flexible employment of the workforce is important to us, which we ensure through internal training and rotation. In the event of an organisational change, we provide our employees with a position in accordance with their competence.

## Diversity and equal opportunities

Regardless of gender and age, we provide opportunities for advancement, professional development and leadership positions. Equally accessible training/development conditions are available to all levels of management.

It is an advantage for every organisation if colleagues approach a particular task or project from different perspectives. Different views can give the Company a new perspective and opportunity, which can increase its productivity and efficiency. In some areas, Richter deliberately integrates foreign labour force in order to import international knowledge, in line with the professional needs of the given position. We also plan to fill certain global positions from within the Richter Group. We support the reintegration of women after GYES (Child Care Benefit), many of whom are employed on a part-time basis. At the same time, we place emphasis on the employment of students and retirees (in the form of cooperatives offering full-time opportunities, but also in part-time).

## Advocacy

The interests of employees at the parent company is represented by the VDSZ Pharmaceuticals Trade Union, which is an independent civil society advocacy organisation operating as a legal entity since April 1992. The trade union organisation is representative, acting on behalf of all employees of Richter's Hungarian organisational units. It has a total of 1 430 active members and a larger number of retired members. The advocacy organisation exercises all trade union rights, one of the most important manifestations of which is the collective agreement, which dates back to decades. The scope of the Collective Agreement extends to employees employed by Gedeon Richter Plc., provided that they usually perform their work in Hungary. The scope of the Collective Agreement does not apply to the Chief Executive Officer, nor to senior executives.

Since 2019, another advocacy organisation, the Trade Union of Multinational Companies (MCDSZ) has a branch operating at our Company to protect employee interests.

A line of communication is maintained constantly with the HSE Committee to ensure satisfactory working conditions. The traditional right of employees to make joint decisions is exercised by a Works Council, which operates in compliance with applicable law. Its most important tasks include approval of the allocation of the welfare budget. It functions as an information bridge between the employer and the employees.

## Reporting workplace issues

Employees can report abuses and ethical violations detected by them by email and telephone via the Compliance Hotline, previously described within the framework of the Global Compliance Programme. In recent years, the use of the Compliance Hotline has become common, with staff asking questions about the Compliance Handbook and the Global Compliance Programme.

## Employee commitment

Our performance appraisal system (TÉR), developed year by year, is designed to formulate specific tasks for each employee of the parent company for the given year, in addition to evaluating their performance. TÉR also provides an opportunity to communicate the goals and tasks facing the Company. More and more managers are using the performance appraisal system as a management tool in practice. In TÉR conversations, it is also possible to discuss specific future ideas and career plans of our employees.

At the end of 2018, we launched a new electronic employee and management HR self-service system, SuccessFactors, which we will gradually introduce on a module-by-module basis to reduce paper-based administration and make our HR processes faster and more transparent. The first modules we introduced were the Platform and Performance Management modules. With the help of the Platform, employees can access data related to their employment. With the introduction of the Performance Management module, the setting of targets for 2019 and the evaluation of achievements took place in this electronic system.

We conduct employee satisfaction surveys in consultation with the heads of the organisational units, or in cases where we consider this to be justified based on the results obtained during the continuous monitoring of staff turnover.

We introduced the Professional Development System in 2014 for graduates in all the Company's directorates, along with benefits. The aim of the Professional Development System is to increase the long-term commitment of employees to the Company. Based on our experience, in 2016 we also expanded the system to employees working in blue-collar jobs and in white-collar jobs requiring secondary education.

Launched in 2006, the Leadership Development Programme referred to as 'Career Programme' aims to retain, motivate, and prepare participants for a potential leadership career path. New entrants were given the opportunity to participate in a 360-degree assessment and a feedback discussion. During the programme, participants take part in various trainings that contribute to the development of their competencies. The success of the programme is shown by the fact that some of the participants have already taken leadership positions during the programme, and a significant proportion of the newly appointed leaders have participated in the career programme.

## Work-life balance

The parent company supports the recreation and health of its employees with a number of valuable services and self-maintained facilities. Richter's Hungarian employees and their families have access to our holiday resorts, sports fields, swimming pools, kindergartens, doctor's offices, and we provide them with complex health screening every two years. We pay particular attention to sports and preserving employees' health thus we support our more than 10 sports clubs by providing a venue for them with our swimming pool, gym and Sports Ground. We regularly participate in the Fut a cég ('Company is running') competition, where Richter's staff has ranked among the first three for several years, thanks to the large number of participants. We hold the popular Richter sports/leisure Family Day event at regular intervals, which all our colleagues can attend with their family members.

Home Office, introduced in 2019, provides flexibility for our colleagues, as it offers the opportunity to work from home under certain conditions. Our experience so far is positive. We will review and modify the system, if necessary, based on feedback and additional experience.

We provide our employees with a study contract with extra days off during the exam periods.

The Company helps blue-collar workers get to their workplace on time for their shifts by operating a bus service.

More than 52% of our employees worked in flexible work schedules as of 31 December 2019, and more than 11% in freely chosen working hours. We also provide opportunities for part-time employment and telework contracts, but so far there has been a small number of requests for the latter. Entitlement to unpaid leave is regulated by our Collective Agreement and, in addition to basic cases defined in the agreement, employees may also request it for other reasons (e.g. family matters, long stay abroad).

## Benefits

Commitment to performance and performance orientation are also the cornerstones of the Company's remuneration principles and practices. Both basic wages and wage incentives, as well as stock bonuses and other forms of benefits and rewards, including education, training and retraining plans, help to achieve high levels of performance and business goals through retention of key people. We continued to operate our cafeteria plan in 2018-2019, which also covers part-time employees.

Our fringe benefits are very diverse beyond the cafeteria system:

- ▶ Our Company attaches particular importance to financial self-care, therefore, we provide a voluntary pension fund membership fee supplement to our colleagues.
- ▶ We take out extensive life and accident insurance for our employees at Signal Insurance Company.
- ▶ Despite changes in tax legislation, we continue to provide support for starting school to our employees' children eligible for family benefits.
- ▶ Banking agreements: we have contracts with the largest banks in Hungary so that our employees can open employee accounts and receive discounts on bank fees.
- ▶ Our employees have the opportunity to take out interest-free housing construction, home purchase and renovation loans.
- ▶ GYES (Child Care), GYED (Maternity Leave) benefits: Employees can apply for these through the

Richter Welfare Foundation within 3 months of starting active work.

- ▶ Our Employee Stock Ownership Plan is a long-term incentive: in recognition of their activities and commitment, our employees, especially our long-term colleagues, can receive Richter stock bonuses under the Plan.
- ▶ Our Company recognizes the loyalty of employees who have been employed for more than 10 years with a Gedeon Richter Memorial Certificate and a cash prize.
- ▶ In order to retain talented young people, we have developed a long-term insurance scheme, and we strive to provide the best ones with professional career opportunities and mobility options within the organisation.

In order to preserve the health and comfort of our employees, we pay special attention to creating a culture of healthy lifestyle and raising awareness of health risks:

- ▶ We continued the Company-funded 'health programme' available to all our employees. As part of this, our employees can take part in an extensive, outsourced medical screening in order to preserve their health and prevent and detect diseases early.
- ▶ We also provide health insurance to our employees, under which they can take advantage of an unlimited number of specialist examinations and a preventive examination once a year, among other services.
- ▶ We also operate general and specialist medical services, as well as pharmacy services at our site.

#### **Our welfare and recreation benefits**

Richter helps its Hungarian employees get the most out of their vacation time by maintaining six domestic holiday facilities of its own. Outside the holiday season, we use these facilities as a venue for training courses to support our employees' professional development, and for conferences to support the Company's business interests, which also help us achieve significant cost savings. We operate our own swimming pool, gym and sports ground in Budapest for our employees and their family members. In 2015, we established our own gym in Dorog, which provides sporting opportunities to our employees and their family members. In Debrecen, we provide access to swimming pool services through our contract partners, and our employees working in Debrecen receive a gym pass. We have nursery schools for the children of our employees in Budapest and Dorog. The nursery schools operated by our Company enable us to ensure that during the day children are looked after in peaceful surroundings by well-trained staff. The nursery schools each have a salt room and a gym; as well as well-equipped activity rooms. Opening hours are synchronised with the Company's working hours, which means that the children are also looked after during the summer.



#### **Training and development**

The competencies and intellectual contribution of our staff are a prerequisite for a sound business strategy. To this end, the Company places great emphasis on the scientific and professional training and continuing education of its employees. In addition, all employees are required to participate in safety, quality assurance, environmental protection and pharmacovigilance training courses.

Since the autumn of 2018, new employees have been welcomed in a new onboarding programme, with each new entrant being supported by a so-called Buddy in the first few weeks. In the first month after entry, each new colleague attends an onboarding course or lecture to help them engage in Richter's business and corporate culture thus facilitating integration.

We offer a variety of training opportunities to our managers. Managers can choose the most appropriate form of training tailored to their individual development needs.

In 2019, the Richter Leadership Model and a complex leadership development system were developed for both new and experienced leaders, according to the different stages of their leadership career. Our goal was to meet the management challenges related to the fulfillment of strategic objectives, to effectively mobilise the resources inherent in the organisation and to introduce a new, unified practice. In developing our leadership training programmes, the most important criterion is that the key learnings gained in the training courses are integrated into everyday management practice as much as possible. In 2019, our main goal was to improve setting targets and providing feedback, so that managers can set 2020 goals for employees based on uniform principles, in a SMART-HR way. Therefore, in the autumn of 2019, we implemented a series of trainings for all managers on this topic.

In addition to professional and management training, there is a growing need to examine and develop processes within organisational units or across organisations, to solve operational failures, and to support change management in organisational transformation. We try to solve these with the involvement of experts through organisation development projects.

The Company places particular emphasis on the scientific and professional training and continuing education of its employees. We provide many of our colleagues with the opportunity for development by supporting them to participate in domestic and foreign professional conferences and scientific congresses.

We attach particular importance to in-house training for the development of basic IT skills. In addition, the number of our employees who participate in in-depth trainings providing specialised IT knowledge (e.g. programming, system operation, software development and testing) is increasing year by year.

The organisation of mandatory trainings required by official regulations, which affect not only the blue-collar staff working in production or those working in quality management, but practically all employees of the Company, continues to be extremely important to us.

Since the common language at the Richter Group is English, we strongly support the acquisition and development of proficiency in this language. In addition, we provide Russian and Spanish language courses to our managers and key employees involved in Richter's diversified international relations, whose work requires the highest possible proficiency in the most commonly used foreign languages at our Company.

#### Number of employees participating in training by training type (persons)

Type of training	2015	2016	2017	2018	2019
Formal academic training programmes	119	114	112	124	124
Higher education training programmes	105	99	96	107	106
Basic degree programmes (BA, BSc)	44	36	32	33	41
Master degree programmes (MA, MSc)	17	24	25	23	16
Specialised continuing training programmes	33	31	30	44	43
Doctoral degree (PhD) programmes	8	4	6	4	4
Higher education vocational training programmes	3	4	3	3	2
Secondary school training programmes (with a certificate)	14	15	16	17	18
Programmes outside formal academic training	4 190	4 444	4 536	4 623	5 500
Training programmes listed in the National Qualification Register ("OKJ")	91	76	139	123	170
Other vocational training programmes	16	25	34	26	17
Training programmes related to compliance with the law	1 048	785	1 359	736	894
Courses (technical, IT, other)	923	1 062	790	1 076	1 232
Trainings aimed at developing competence	129	134	136	136	132
Domestic conferences	673	691	652	710	659
Language courses	814	847	803	910	1 022
Leadership training	363	578	343	387	641
HR programmes	133	246	280	519	733
<b>Total</b>	<b>4 309</b>	<b>4 558</b>	<b>4 648</b>	<b>4 747</b>	<b>5 624</b>

We seek to have a significant part of our trainings at our own premises, by involving recognised experts

in the given field. This allows us to make sure that the content of the courses matches Richter's development needs as much as possible.

#### Major professional courses on Richter premises (excluding compulsory training courses)

	2015	2016	2017	2018	2019
Special course in drug technology	19	22	27	24	23
Special IT continuing training programmes (ITIL, SAP, BI, SP)	-	-	-	95	86
Software operator training course for operating analytical instruments held by Hungarian or foreign experts	35	30	88	36	24
Product development trainings held by an invited foreign specialist	-	20	22	-	36
Statistics, biostatistics, data analysis	-	33	-	28	58
LEAN and quality assurance trainings	44	18	2	114	66
Economic and administrative continuing training programmes	3	9	0	0	39

It is important for us to learn about the opinion and the degree of satisfaction of our employees about the trainings we provide. To this end, after completing the trainings, we most often funnel the feedback that is essential for the further development of our activities through an electronic questionnaire survey or personal interviews.

We also pay special attention to ensuring the Company's supply of a new generation of trained specialists. The aim is to provide compulsory internships during the academic year and in summer to young people studying in secondary vocational education and higher education. As a result of our close cooperation with several partner institutions, we provided 4-6-week summer internship courses to an average of 150-170 people each year, as well as supporting more than 20 completed dissertations and degree theses. In this, we were able to rely on the expertise and dedicated work of our nearly 150 student leaders within the framework of our student leadership system, which was launched in March 2019. Starting with the 2019/2020 school year, we launched a career guidance programme entitled "Élet-pályateRvezGető" (Career Planner) for the children of Richter employees studying in upper primary and secondary schools who have not yet selected a career for themselves, in order to arouse their interest in career opportunities offered by the pharmaceutical industry.

Among our diverse career orientation activities, the organisation of factory visits and lectures for high school and higher education students plays a major role. The number of our visitors in 2019 exceeded 900 people.

Our Company has been running an internship programme for novice pharmacists and technical university graduates in production, technology and quality management for several years. The programmes last for 2 years, after which trainees are hired as employees at one of our Directorates.

## Our goals for our employees

Objectives 2018-2019	Status	Evaluation
Introduce an online employee self-service system	100%	😊
Creating a remote work opportunity	100%	😊
Job analysis, job evaluation	100%	😊
Simplify administration, replace paper-based documentation	40%	Phase 1 accomplished successfully
Leadership model, elaborate a management development system	100%	😊
Develop dual training opportunities	100%	😊
Renew the system of competences	100%	😊
Introduce an electronic performance appraisal system	100%	😊
Develop a remuneration framework	100%	😊
Provide an opportunity to present professional results, career paths, successful collaborations through various programmes	100%	😊

### Objectives 2020

Attitude change project
Identification of organisational levels
Communication of the new system of RG levels
HR digitisation
Review of work schedules, job descriptions
Launch dual training



## Health and safety at work

The Occupational Health and Safety Management System (MEBIR) is a tool for the development and sustainability of occupational health and safety. The system provides a framework for ensuring responsible behaviour at all levels of corporate hierarchy, professional knowledge and cooperation among organisational units for safe work. The key to the operation is managerial commitment, which is summarised at the highest level in the MEBIR Policy. The MEB Handbook contains the detailed role of organisations and their leaders in the operation of MEBIR.

### The Occupational Health and Safety Management System (MEBIR)

MEBIR was introduced and certified by the Company in 2006 according to OHSAS 18001:1999 (the Hungarian equivalent is MSZ 28001). Richter was the first pharmaceutical company in Hungary to obtain the certificate. In 2012 (and then in 2015 and 2018), re-certification was based on OHSAS 18001:2007. In addition to certification audits, supervisory audits are carried out in the intervening years. The independent certification process supports continuous improvement.

The Company's management and all its employees consider the safety of each job as an individual task. Managers are aware of the typical risks associated with a particular workplace and organise and supervise work processes accordingly. Employees have the right to require safe working conditions and must comply with occupational health and safety regulations. These rules are summarised in the MEBIR documentation.

All our manufacturing subsidiaries operate in accordance with systematic occupational safety management and regulations. Certification is in progress at Gedeon Richter Romania, and our Indian company, Themis Medicare, was certified and audited according to local regulations.

No serious or fatal accident or serious workplace incident, nor any serious workplace exposure occurred at any of the sites of the Richter Group during the reporting period.

In the field of occupational health and safety, our employees are represented by occupational safety delegates in the HSE Committee. In addition, there is an HSE body operating at the Company, in which the employees and the employer are equally represented.

### MEBIR in practice

The creation of safe workplaces and the avoidance of accidents and exposures are supported by administrative processes defined on the basis of the guidance provided by the Management System. The most important processes are summarised below.

**Risk assessment:** in order to reduce risks to an acceptable level, risks are assessed after identification. The procedures for risk assessment apply to the following:

- ▶ employees: an individual risk profile is established for each employee; occupational health medical examinations, based on individual risk profiles, always play a health monitoring role;

- ▶ work equipment: categorised as dangerous (machine safety) and non-hazardous, supplemented by the detection of workplace risks;
- ▶ hazardous chemicals: chemical safety and technological risk assessments, including risk assessments for combined explosion protection (ATEX) and major industrial accident prevention (emergency management). The Company is committed to the implementation of the REACH Regulation. To this end, around 107 hazardous chemicals have been registered so far, of which 71 are key registrants. Toxicological risk assessment of the active substances scheduled for introduction and identification of the technological and technical requirements of production based on the ranges of occupational exposure hazard are now part of the business development process.

In order to quantify the risks, the Safety Laboratory measures occupational hazards (hazardous chemicals, noise, lighting, climatic factors), and an external service provider checks vibration exposure and electromagnetic radiation. The fire and explosion protection properties of hazardous chemicals are measured by a laboratory operating under the management of the Dorog Safety Department.

**Risk management:** our safety experts take appropriate measures for the identified risks to reduce them to an acceptable level. The basic principle of the Company is prevention, which applies to all special areas, such as fire protection, machine safety, and occupational safety. Closed technologies play a prominent role in the execution of chemical operations in accordance with strictly controlled conditions under REACH.

Monitoring the results of the risk assessment measures – in addition to internal audits – generate feedback from the management system.

Cyclic, planned preventive maintenance also reduces the risk stemming from work equipment.

Internal audits: these also cover the activities of external employees working on the premises of our Company; they provide an important feedback loop in the management system.

#### **Our Health and Safety goals with action plans:**

- ▶ Increasing the degree to which multi-stage active substance production technologies are closed
- ▶ Risk identification, risk assessment
- ▶ Mitigating the risk of exposure to hazardous chemical substances
- ▶ Mitigating the dangers of carcinogenic and mutagenic chemical substances
- ▶ Risk assessment of work equipment
- ▶ Ensuring compliance with ATEX regulations
- ▶ Occupational safety review of technologies
- ▶ Improving work safety
- ▶ Workplace exposure measurements
- ▶ Reducing noise and vibration exposure at work
- ▶ Improving the conditions of the work environment
- ▶ Ensuring compliance with chemical safety regulations
- ▶ Ensuring compliance with ADR regulations
- ▶ Improving emergency readiness
- ▶ Improving fire protection
- ▶ Improving training

- ▶ Improving information provided on the Intranet
- ▶ IT development
- ▶ HSE process development
- ▶ Improving traffic conditions
- ▶ Improving rescue operations
- ▶ Health protection

**Regulation:** Richter's occupational safety specialists record the administrative processes related to occupational health and safety in MEBIR, and in local regulations at our manufacturing subsidiaries. The regulation is based on a business process model; its development is supported by a software tool. All other risk assessments, records and documentation are supported by a proprietary software tool, to which the Company's occupational safety specialists also make their own contribution.

The Company's occupational safety experts are also involved in the administrative processes in which occupational safety plays an important role, e.g. capital expenditure, sourcing, etc.

Employees acquire the knowledge required for workplace safety in the training courses provided under MEBIR. The trainings also help observe the requirements of changing legislation and eliminate non-compliance identified in internal audits.

**Communication:** All employees are provided with the knowledge they need to carry out their tasks safely. This applies to all employees coming to the Company's premises for the purpose of working, including external employees. The mandatory annex to the business contracts of external employers includes the safety requirements set by our Company. We fulfil our information obligations to the supervisory authorities in full. We strive for effective communication and good relations based on common goals with all authorities and organisations representing employee interest.

**Preparing for and responding to an emergency:** fire and other rescue plans have been prepared for possible emergencies, which also include rescue plans for external employees; drills are regularly held. In order to prevent major industrial accidents, risk assessment and protection plans have been developed and documented in the format required by law.

The Debrecen site is not subject to regulation, the site in Vecsés is below threshold, while the Budapest site is considered a low risk and the Dorog site a high-risk hazardous plant.

The fire alarm network, equipped with thousands of sensors and alarm initiators, was also partly built into the concept of incident prevention.

### Occupational accident indicators

	Budapest, Vecsés			Dorog			Debrecen			RTML		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Incapacity exceeding 3 days	32	40	53	7	5	13	0	0	1	1	0	0
Occupational accidents by 1000 persons (frequency indicator)	7.9	8.5	11.5	6.9	4.9	12.4	0	0	3.1	6.7	0	0
Sick leave days per 1,000 persons	139	127.8	235.3	72.1	186.6	178.3	0	0	53.3	23.3	0	0
Sick leave days per 1 accident (severity indicator)	17.6	15.1	20.4	10.4	38.4	14.4	n/a	n/a	17	3.5	0	0

	GR Romania			GR RUS			GR Polska		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Incapacity exceeding 3 days	1*	0	0	0	0	0	2	3	3
Occupational accidents per 1,000 persons (frequency indicator)	0	0	0	0	0	0	9	5.8	5.8
Sick leave days per 1,000 persons	162	0	0	0	0	0	140	309.3	530.1
Sick leave days per 1 accident (severity indicator)	90**	0	0	0	0	0	35	31.8	91

\*carried over from 2016

\*\* number of days after an occupational accident in 2016

### Occupational accidents by type

	Budapest			Dorog			Debrecen			RTML		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Falling, slipping	7	9	14	1	2	2	0	0	1	1	0	3
Cuts, punctures	4	2	3	1	0	3	0	4	3	0	3	21
Skin corrosion, poisoning	0	0	1	0	0	0	0	1	0	0	0	0
Burns, scalding	0	2	3	3	1	1	0	2	0	0	0	3
Eye injuries	0	0	0	0	0	0	0	0	0	0	0	1
Blunt trauma, crushing or trapping	14	15	22	1	2	2	0	2	2	0	1	2
Other (strained joints, sprains)	7	12	10	1	0	5	0	0	0	2	3	4
Mechanical, technological	0	0	0	0	0	0	0	0	0	0	0	0

### Occupational accidents by type

	GR Romania			GR RUS			GR Polska		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Falling, slipping	0	0	0	0	0	0	0	0	2
Cuts, punctures	0	0	0	0	0	0	2	2	0
Skin corrosion, poisoning	0	0	0	0	0	0	0	0	0
Burns, scalding	0	0	0	0	0	0	0	0	0
Eye injuries	0	0	0	0	0	0	0	0	0
Blunt trauma, crushing or trapping	0	0	0	0	0	0	0	0	0
Other (strained joints, sprains)	0	0	0	0	0	0	1	2	1
Mechanical, technological	0	0	0	0	0	0	1	1	0

### Sick leave days due to accidents

	2017	2018	2019
Budapest	562	605	1081
Dorog	73	192	187
Debrecen	0	0	17
RTML	7	0	0
GR Romania	90	0	0
GR RUS	0	0	0
GR Polska	140	154	273





## For our environment

Our Company is committed to reducing its environmental impact. To this end, environmental criteria are built into research and development, operational processes and capital expenditure decisions. In order to reduce environmental risks, we operate an environmental management system in Hungary and regularly review our energy supply concept to ensure sustainable, secure energy supply. The fulfillment of environmental requirements is supported by our environmental policy, internal regulations, international standardised and certified management systems, quality assurance systems, and internal audits. We plan to extend the system to our foreign subsidiaries that produce finished dosage products only. The process has already started in Romania.

### Environmental management

The site in Budapest is responsible for the entire vertical chain of pharmaceutical production (R&D, production and storage of active substances and finished dosage products), while in Dorog only active substances are produced, and in Debrecen active substances and packaged drugs based on a biotechnological process are manufactured. Due to the special nature of biotechnology, the environmental risk of production in Debrecen is insignificant.

We have had a certified ISO 14001 Environmental Management System in place at our production sites in Budapest and Dorog since 2001. The compliance of the system is confirmed by the success of three-year re-certification audits and annual supervisory audits. In 2016, we obtained the certification for our biotechnology plant in Debrecen, so the EMS certificate is now valid for all our domestic production sites.

### Key environmental targets

To attain the goals set out in our Environmental Policy, we have identified targets, broken down into five-year periods, and drew up programmes to achieve them. Our current goals cover the period 2017–2022. The main goals of the period are to preserve the results achieved so far and maintain the low level of environmental emissions. We will continue to develop the technical infrastructure of production technologies and modernise technological equipment, the sewage network, wastewater treatment and material storage facilities. One of the most important goals of our Environmental Policy and statutory regulations is that our applied techniques and technical conditions should, as in previous years, represent the highest production standards (Best Available Techniques, BAT).

### Legal compliance

The competent authorities check the implementation of the provisions of the Integrated Pollution Prevention and Control (IPPC) annually, combined with on-site inspection. The audits raised only minor objections, and we provided the required answers in due time. There was only one fine imposed in a case that occurred at GR RUS. Details can be found in the Appendix.

## Climate protection

We are aware of the environmental impact of energy and water use. Therefore, as set out in our Energy Policy, we strive to minimise them, thus contributing to the accomplishment of the climate policy goals set in international conventions. Richter shares the growing global concerns about the consequences of climate change and is committed to sustainable development which strikes the right balance between environmental protection and economic growth. During the operation, maintenance and development of our energy supply systems at our Company's sites and at those of subsidiaries, we pay particular attention to the aspects of energy efficiency, operational safety and environmental protection, and to compliance with the legislation relevant for the energy sector. Richter has decided to introduce the MSZ EN ISO 50001 Energy Management System, which will be phased in by the parent company until 2024 and gradually by the subsidiaries thereafter.

In order to reduce our environmental footprint, we strive to increase energy efficiency and the use of renewable energy sources, and to reduce our carbon dioxide emissions. To this end, the following comprehensive modernisation programmes are being implemented:

- ▶ We use high-efficiency and low-emission burners in our combustion equipment and strive for maximum heat recovery.
- ▶ We reduce the electricity demand of our fluid technology machines by using modern power control and electric motors with low energy consumption.
- ▶ As for the transformation and development of cooling systems, our task is to meet the increasingly stringent requirements for coolants that create a greenhouse effect and are highly damaging to the ozone layer.
- ▶ In order to reduce losses, the size of distribution systems and power lines for the transmission of energy is optimised and the insulation is renewed.
- ▶ In order to monitor energy processes, we are constantly improving our energy measurement systems.
- ▶ We improve our building energy performance by using thermal insulation, shading and energy-saving lighting.
- ▶ Hybrid and electric vehicles account for an increasing proportion of our vehicle fleet.
- ▶ In order to increase the use of renewable energy sources, we plan to install small and medium-sized solar parks, and we want to use heat pump technology based on the use of geothermal and other heat sources more widely to heat buildings.
- ▶ We will mitigate our carbon dioxide emissions by reducing our heat needs and heat losses and upgrading our combustion technology equipment. We measure and calculate carbon dioxide emissions at our subsidiaries and our sites in accordance with the industry and legal regulations. Where required, results are verified by an independent organisation.

## Water consumption and effluent discharge

To reduce our water consumption, we are taking the following steps:

- ▶ The amount of fresh water used for cooling is reduced by increasing the proportion of recirculation water.
- ▶ We increase the utilisation rate of condensate by reducing the amount of or purifying contaminated condensate.

In Budapest, wastewater of technological origin – after local treatment, if necessary – is discharged into wastewater pre-treatment units. The pre-treated wastewater is mixed with other waters before reaching the urban sewage network, and then, after significant dilution, they are discharged into the South-Pest multi-stage biological wastewater treatment plant, the final recipient of which is the River Danube.

In Dorog, rainwater, communal wastewater and technological wastewater are collected and drained via separate networks. All the technological wastewater generated on site is discharged to a multi-stage biological treatment plant, the final recipient of which, along with the purified water released by the urban water treatment plant, is the River Danube.

The site in Debrecen has a segregated drainage network. Communal and pre-treated technological wastewater is discharged into the industrial park's drainage network and ultimately, into the city's wastewater treatment plant. Our water discharge has no substantial impact on the natural waters into which it is discharged.

## Pharmaceuticals in the environment

Out of the 3 active substances appearing in surface waters and monitored by the European Union, Richter works with steroid APIs. Based on extensive studies, it has been established that the sources of active substances in the environment are as follows:

- ▶ 70% from human excretion,
- ▶ 20% from the active substances released into the landfill from unused medicines going to municipal waste from the population,
- ▶ 10% from wastewater from manufacturers' premises.

While the above facts do not reduce manufacturer responsibility, the emphasis in resource allocation is on increasing the efficiency of urban wastewater treatment plants. Our Company fully supports these efforts and we take advantage of the opportunities for cooperation. In order to expand our knowledge, we examined our discharged wastewater for the above active substances, and a pilot project was launched to break down pollutants.

## Raw materials use

The quality and quantity of chemicals and solvents used by our Company are primarily determined by the laws of physics and chemistry that apply to the procedure. A significant part of the materials used is solvent, known as Volatile Organic Compound (VOC), almost half of which is recycled, i.e., funnelled

back into reactive processes without treatment or after purification. Highly dangerous substances are only used as reaction partners in accordance with legal requirements and only when they cannot be substituted technologically or economically by any other materials, or if their alternatives would be even less acceptable in terms of environmental or health protection. In these cases, we create a safe manufacturing environment for the process.

## Air pollution

In the past few years, we have introduced a number of technical solutions for reducing emissions of air pollutants, primarily of volatile organic compounds (VOC). The technical standard of production equipment meets BAT (Best Available Technology) requirements. For reducing emissions of other, non-solvent materials, we apply absorbers, filters with appropriate efficiency, catalytic burners and other equipment. We comply with the legal requirement for emissions, and we achieve a significantly lower loss rate than required.

## Waste

A significant proportion of the waste produced in the pharmaceutical industry is classified as hazardous waste. This waste is transferred to licensed waste disposal plants. Waste disposal is, for the most part, implemented by incineration. Any hazardous waste that cannot be disposed of in any other way is taken to a permanent disposal facility. We do not export or import hazardous waste.

In compliance with the requirements of modern waste management, we strive to increase the share of recyclable waste.

In order to improve our waste management, we have built a new facility for waste collection in Debrecen, while in Budapest we are developing the existing facility.

## Condition of our production sites (surface and groundwater protection)

Our production sites have been active in the chemical industry for decades, in Budapest for over 100 years. We monitor the condition of soil or groundwater contamination caused many years ago through a network of monitoring wells that has been expanded several times since the 1990s. We have isolated the detected soil contaminations and are treating them in accordance with official regulations. Such remediation activities are already underway at the Budapest and Dorog sites, while preparations for remediation are in progress at the storage facility in Vecsés. We operate the equipment continuously, monitor its efficiency and report to the environmental authority on the progress as often as necessary. No significant spills have occurred in recent years.

As our production site in Debrecen was a greenfield investment, the quality of groundwater does not require treatment.

## Costs and expenditures

The data published below show that we spend a considerable amount of money on direct and integrated environmental investments every year. In recent years, the most significant investments have been made in connection with groundwater treatment, wastewater treatment, emergency storage, noise prevention and warehousing.

### Environmental expenditures

	2017						
	Budapest (HUF m)	Dorog (HUF m)	Debrecen (HUF m)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
<b>Total environmental investment (direct and indirect)</b>	<b>2 054.3</b>	<b>4 991.6</b>	<b>49</b>	<b>1 995 837</b>	<b>11 698 232</b>	<b>0</b>	<b>4 081 535</b>
Environmental part (direct + environmental part of indirect)	199.1	494.3	6.8	146 732	3 126 236	0	2 588 381.5
Sum of direct env. Investments	98	268.6	5	0	2 128 369	0	0
Air emission	0	0	0	0	0	0	0
Water discharge	25.6	138.9	5	0	2 128 369	0	0
Soil, groundwater contamination	28.2	70.1	0	0	0	0	0
Hazardous waste	43.2	0	0	0	0	0	0
Other	1	59.6	0	0	0	0	0
Sum of indirect env. investments	1 956.3	4 723	44	1 995 837	9 569 864	0	4 081 535
Environmental part of the indirect env. Investment	101.1	225.7	1.8	146 732	997 868	0	2 588 382

	2018						
	Budapest (HUF m)	Dorog (HUF m)	Debrecen (HUF m)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
<b>Total environmental investment (direct and indirect)</b>	<b>2 241.1</b>	<b>2 854.7</b>	<b>423</b>	<b>1 980 895</b>	<b>22 063 498</b>	<b>0</b>	<b>10 032 156</b>
Environmental part (direct + environmental part of indirect)	220.7	796.2	21.2	19 742	2 056 540	0	2 182 498
Sum of direct env. Investments	127.8	378.1	16.9	0	1 702 332	0	0
Air emission	0	54.3	0	0	0	0	0
Water discharge	3.2	166.1	16.9	0	1 702 332	0	0
Soil, groundwater contamination	69.5	152.5	0.0	0	0	0	0
Hazardous waste	40.8	0.0	0	0	0	0	0
Other	14.3	5.2	0	0	0	0	0
Sum of indirect env. investments	2113.3	2 476.6	406.1	1 980 895	20 361 166	0	10 032 156
Environmental part of the indirect env. Investment	92.9	418.1	4.3	19 742	354 207	0	2 182 498

	2019						
	Budapest (HUF m)	Dorog (HUF m)	Debrecen (HUF m)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
<b>Total environmental investment (direct and indirect)</b>	<b>2 324.6</b>	<b>3 161.8</b>	<b>402.2</b>	<b>105 408</b>	<b>40 581 127</b>	<b>80 308</b>	<b>12 698 910</b>
Environmental part (direct + environmental part of indirect)	482.4	477.9	229	104 803	22 008 924	7 051	2 492 603
Sum of direct env. Investments	283.2	446.6	227.4	104 579	18 028 692	0	0
Air emission	0	41.4	0	0	0	0	0
Water discharge	114.4	323.7	177.6	0	17 411 026	0	0
Soil, groundwater contamination	134.4	58.4	13.4	0	0	0	0
Hazardous waste	1.2	21.8	0	0	617 666	0	0
Other	33.3	1.4	36.5	104 579	0	0	0
Sum of indirect env. investments	2 041.4	2 715.1	174.8	829	22 552 435	80 308	12 698 910
Environmental part of the indirect env. Investment	199.1	31.3	1.6	224	3 980 232	7 051	2 492 603

### Operating costs of environmental protection

	2017						
	Budapest (HUF '000)	Dorog (HUF '000)	Debrecen (HUF '000)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
<b>Environmental services under contract</b>							
outsourced laboratory services	0	0	0	0	0	0	2 684 252
incineration/deponation of solid, non-hazard industrial waste	57 824	1 537	492	143 345	340 000	120 469	0
incineration/deponation of hazardous waste	304 433	542 661	4 338	124 570	4 060 828	6 389	4 161 564
municipal waste-water treatment	456 931	7 619	29 497	84 829	0	400 024	4 320 765
<b>Environmental costs in-house</b>							
air emission	13 400	8 865	47	1 583 954	0	18 276	0
wastewater treatment	68 264	385 118	7 809	16 830	991 726	0	8 313 268
managing of solid non-hazardous waste	16 918	0	712	0	114 800	0	0
managing of hazardous waste	82 323	0	12 687	0	0	0	0
soil and groundwater decontamination	70 844	3 381	345	34 288	0	800	0
noise/vibration control	0	0	0	0	0	0	0
environmental R&D	0	0	0	0	0	0	0
costs of the env. laboratories	6 663	11 919	0	0	0	1 900	250 970
cost of environmental management system	6 835	0	0	0	0	0	0
other	3 022	1 310	265	335 571	0	0	0
<b>Total</b>	<b>1 087 457</b>	<b>962 410</b>	<b>56 192</b>	<b>2 323 387</b>	<b>5 507 354</b>	<b>547 858</b>	<b>19 730 819</b>

	2018						
	Budapest (HUF '000)	Dorog (HUF '000)	Debrecen (HUF '000)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
<b>Environmental services under contract</b>							
outsourced laboratory services	0	0	0	0	0	0	3 025 539
incineration/deponation of solid, non-hazard industrial waste	61 682	2 251	503	154 383	619 967	108 566	0
incineration/deponation of hazardous waste	292 513	610 108	4 055	146 549	4 456 430	7 642	3 005 067
municipal waste-water treatment	392 732	5 549	21 501	104 770	341 159	313 459	4 290 963
<b>Environmental costs in-house</b>							
air emission	11 501	9 430	0	1 186 728	0	18 267	0
wastewater treatment	70 351	414 720	32 286	48 938	0	0	5 495 170
managing of solid non-hazardous waste	17 669	0	1 312	0	0	0	0
managing of hazardous waste	91 107	1 295	14 710	0	0	0	0
soil and groundwater decontamination	41 040	3 381	188	156 377	542 373	800	0
noise/vibration control	1 005	618	0	3 300	0	0	0
environmental R&D	0	0	0	0	0	0	0
costs of the env. laboratories	7 941	9 019	0	0	0	4 841	0
cost of environmental management system	6 586	0	0	0	0	0	0
other	1 712	2 854	5 070	559 796	0	0	0
<b>Total</b>	<b>995 839</b>	<b>1 059 225</b>	<b>79 625</b>	<b>2 360 841</b>	<b>5 959 929</b>	<b>453 576</b>	<b>15 816 739</b>

	2019						
	Budapest (HUF '000)	Dorog (HUF '000)	Debrecen (HUF '000)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
<b>Environmental services under contract</b>							
outsourced laboratory services	0	0	0	5 732	3 423 883	0	2 633 242
incineration/deponation of solid, non-hazard industrial waste	60 708	4 436	432	109 227	326 683	294 203	0
incineration/deponation of hazardous waste	328 330	536 086	8 125	15 037	9 453 682	21 888	5 141 437
municipal waste-water treatment	426 397	4 657	17 850	146 570	0	260 951	3 375 084
<b>Environmental costs in-house</b>							
air emission	12 340	7 200	360	3 038 322	0	20 374	0
wastewater treatment	61 396	447 908	12 793	16 385	270 833	0	3 587 507
managing of solid non-hazardous waste	19 580	0	1 312	0	660 000	0	0
managing of hazardous waste	96 721	420	15 787	0	0	0	0
soil and groundwater decontamination	40 430	3 460	1 289	0	0	800	0
noise/vibration control	0	0	0	24 603	0	0	0
environmental R&D	0	0	0	0	0	0	0
costs of the env. laboratories	8 038	7 903	0	0	0	2 400	0
cost of environmental management system	7 977	0	0	79 975	0	0	0
other	9 003	295	973	165 572	0	6 300	0
<b>Total</b>	<b>1 070 920</b>	<b>1 012 365</b>	<b>58 921</b>	<b>3 601 423</b>	<b>14 135 081</b>	<b>606 916</b>	<b>14 737 270</b>

Additional environmental data can be found in the Appendix.

## The activities of our foreign manufacturing subsidiaries

Of the subsidiaries of our Company, GR RUS (Russia), GR Polska (Poland) and GR Romania (Romania) are engaged in the production of finished dosage products only. This type of activity is very strictly regulated in terms of quality assurance standards that involve a number of regulations, which at the same time ensure that these companies can be regarded as moderate-risk businesses from the point of view of both environmental protection and occupational health. This is further reinforced by the fact that most of the materials used are typically incorporated into the product, with only a very small proportion of them ending up as waste that needs to be disposed of.

In our Indian facility (RTML) active pharmaceutical substances are produced, which is a chemical activity and as such, its risks can be considered significant. In terms of production processes, the factory can be compared to our pharmaceutical manufacturing plant in Dorog, supplemented with all the service functions needed to operate an independent facility (storage, logistics, energy supply, wastewater treatment, etc.). Our specialists in Hungary also participated in developing the design of the production plant, specifying the technical parameters of the equipment (BAT), and implementing the transferred production technologies locally. During the implementation of the project, adaptation to the typically different weather conditions, standards and (work) culture was a major challenge.

Maintaining/improving water quality is a key priority for India, and for this reason, the quality requirements for effluent wastewater are constantly being tightened. In order to comply with regulations, high solvent and organic matter content from the effluent flows deriving from production is isolated and treated separately, so that they are not directly introduced into the biological wastewater treatment process. In 2016, we commissioned a continuously operating Agitated Thin Film Dryer (ATFD) to improve the quality and reduce the quantity of wastewater sludge for disposal.

Our Indian subsidiary also has an environmental management system (environmental policy, goals, programmes, procedures) in place, but this system is not yet certified.

All our subsidiaries are committed to protecting the environment and reducing the environmental impact of their operations. To this end, GR Romania has started to develop an environmental management system based on the ISO 14001 standard, and the other subsidiaries also have environmental organisations, regulations and development programmes.

Their environmental emissions are monitored in accordance with local regulations and the data are transmitted to the authority and to the parent company's environmental department. In order that employees are aware of the external and internal expectations related to environmental protection, as well as their own place/tasks in the operation of the system, each subsidiary includes this knowledge in its trainings.

Our Spanish marketing subsidiary, Gedeon Richter Ibérica, has recently implemented two projects to reduce its negative impact on the environment and, at the same time, to improve the well-being of colleagues, patients and partners.



- ▶ Since the programme was launched, Gedeon Richter Ibérica has ensured that all waste generated by its pharmaceutical products sold in Spain is properly treated. This is done in cooperation with SIGRE, a non-governmental organization specialising in the recycling of pharmaceutical products, in order to provide consumers with environmentally friendly packaging and medicines that reduce the saturation of landfills. As part of this cooperation, the Spanish subsidiary coordinates all the organisations involved in the distribution of products (wholesalers, pharmacies) to guarantee a circular supply chain.
- ▶ The Green Richter internal project was launched in 2019 with the aim of reducing the impact of the overall ecological footprint on the immediate environment. The project covers a wide range of initiatives, from car-sharing to office recycling practices.





## For our communities

We feel it is our duty to support community initiatives through social programmes in two main areas related to our business, healthcare and science education. At the same time, grants in cash and tangible assets are provided primarily through foundations, either our own or through foundations of which we are co-founders. In addition, we provide support to non-governmental organisations and external foundations with objectives that are in line with the Company's corporate social responsibility principles.

### Health for thousands, millions for the hospital

Launched in Hungary in 2009 as an initiative to promote health awareness and prevention, the Richter Health City is the flagship of our Company's social responsibility programme.

Within the framework of the **Richter Health City** programme, educating individuals on health awareness and taking responsibility for the local hospital have become a common goal. Those who participate in free screenings, counselling or presentations offered are not only doing it for themselves, but they contribute to the acquisition of hospital equipment. For each activity, the participants receive a donation point worth HUF 300, which at the end of the day is added to the two million Hungarian forints donated by Richter. By the end of 2019, 186 900 participants had collected HUF 378 939 800 in donation in 75 cities.

The supported institutions used the donation for the purchase of X-ray equipment, ventilators, stress test ECG systems, intensive care monitors, emergency equipment, colonoscopes, flexible endoscopes, ultrasound equipment, incubators, lung screening equipment and many more.

*"I think that with the Richter Health City screening programme, our Company supports a service for which demand is extremely high but resources are rather scarce. The experience of the past few years shows that if we create the opportunity for people, they will take advantage of it. We at Richter believe that we also have an important task that provides people and patients with real added value. In addition to selling modern and affordable products, a pharmaceutical company must also do its best for prevention."* (Zsuzsa Beke, Head of PR & Government Relations)

On 29 September 2019, on World Heart Day, Richter's office in Russia hosted the Healthy Heart Festival at the Pharmaceutical Garden of Moscow State University. The event drew attention to the risks of cardiovascular diseases and the importance of prevention. In this context, participants were able to enjoy cardio exercises, receive nutrition tips, and witness the opening of the Healthy Path Walking Trail, the mission of which is to highlight the fact that 5 000 steps a day is enough to keep our hearts healthy. 

Richter's office in Russia has launched a social campaign to help relatives of patients with schizophrenia. The office conducted a survey with the help of the Russian Public Opinion Research Centre to explore the attitude of Russian society towards patients with schizophrenia. A separate target group was also part of the survey: relatives and caretakers of patients with schizophrenia. The aim was to find out from a comparison of the responses of the two groups of respondents what the needs and questions of the patients' relatives were about the disease. As part of the campaign, the Moscow office put together an information booklet with the help of a psychiatrist and a caretaker to help relatives of patients care for those with this mental illness. The booklet tries to answer a number of questions, such as what to do if someone is diagnosed with schizophrenia or what to do if the patient attempts suicide. Richter's colleagues in Russia published the data from the survey in a press conference and launched a media campaign to dispel misconceptions about patients with schizophrenia, to fight social stigma, and to provide credible information to all Russian citizens about the daily problems of patients and their relatives.



## Richter for Women

Our Company has several decades of unique experience in gynaecological therapy. Of all the companies marketing Women's healthcare products in the world, Richter offers one of the largest product ranges. Our state-of-the-art products support women's health from adolescence all the way through to menopause. However, we believe it is important to increase women's social recognition and do whatever we can for their social and spiritual well-being too, as part of our social responsibility. This is why we launched the Richter for Women programme with the following key pillars:

The **Great to Be a Woman** campaign focuses on the fact that women can be happy at every age and stage of life whether it is due to the special attention shown to them by a small, kind gesture or to each of the prominent moments that they experience in their lives connected to womanhood.

Launched in 2018, the **Richter Phoenix Community** aims to present examples for starting life anew from which many people can draw strength. Gabriella Jakupcsek, a well-known TV show host and Pál Szekeres, Olympic bronze medallist and Paralympic champion fencer, take part in the implementation of the initiative. In addition to presenting empowering, inspiring stories, the programme also aims to build a strong community because we believe that by working together and supporting each other, it is easier to overcome problems.

The **Stick to it** education campaign focuses on two main areas: on the one hand, the benefits of long-term relationships and their impact on mental and physical health and, on the other, the importance of conscious family planning. We want to provide guidance so that everyone can find the contraceptive method that best suits their lifestyle, as well as help couples to get all available knowledge about baby planning and to identify gynaecological disorders that can cause difficulties in pregnancy.

In 2018, we also launched the **Anna Richter Award**, which makes a significant financial contribution to the implementation of the creative ideas of healthcare professionals, researchers, teachers and pharmacists. The aim of the Award is to draw attention to the importance of health awareness and social well-being, to inspire professionals working in healthcare, education or research and to help implement their innovative ideas as well as show them to the general public. The competition is open to teams of up to five people, led by dedicated women working in healthcare and education, who want to improve the conditions and everyday life of their institution, organisation, community or the patients and students connected to them.

We also recognize the efforts of our employees: in 2019, for the sixth time, the management of the Company presented the **"Richter for Women Award"** to women working at Richter nominated by their colleagues, who were successful in fields other than their job, performing exemplary activities for the benefit of the community. The award recognises ordinary, positive human deeds and actions such as charity, volunteer or community work or setting an example for a healthy lifestyle.

The impact of our programmes is monitored and analysed which helps us further develop our Richter for Women programme.

In 2019, Richter's representative office in Poland organised a social education programme called For Women for the first time, which aims to draw attention to the importance of women's health and regular gynaecological examinations.

The campaign was inspired by the findings of the study entitled "Availability of state-funded gynaecological and obstetric services in rural areas 2016-2017". This study shows that women living in rural areas do not have access to outpatient gynaecological care to the same extent as women living in big cities. To address this problem, Richter launched a programme which provided free gynaecological consultations and preventive examinations for women living in 8 selected cities in Mazowieckie Voivodeship.



In 2019, the project Baby Box – Place for a New Life celebrated its 10th anniversary in Latvia. With the incubator donated to the University Children's Clinic in Riga in 2009, the main goal of Richter's Latvian representative office was to save the lives of as many unwanted newborn babies as possible and to draw attention to the importance of conscious family planning. The initiative was well received by the public, and since then the Company's representative office, together with various companies, foundations and local governments, has set up child rescue incubators in 8 cities. In the last 10 years, the Baby Box programme has saved the lives of 48 newborn babies in Latvia.



## Support for healthcare via foundations

The Gedeon Richter Foundation for Hungarian Healthcare is particularly important among our foundations supporting healthcare. The aim of the foundation is to support the preservation of health, disease prevention, medical health rehabilitation activities, scientific activities, research, as well as education and training, skills development and dissemination of knowledge. When awarding grants, it is a priority that the support provided:

- should be spent on a specific, clearly defined target;
- should improve the situation and lifestyle of specific communities;
- should promote the development of hospital infrastructure development goals;
- if the aid is requested by foundations associated with specific therapeutic areas, the Company will favour the cardiovascular, central nervous system and locomotor areas, and will take into account the needs of patient organisations operating in the therapeutic areas of its interest.

## Support for education

Sponsorship for education is comprehensive: we support talented secondary school and university students, PhD students, as well as educational institutions and training programmes. We have established separate foundations to recognise the work of outstanding teachers in chemistry and science education.

In our strategy, it is crucial to maintain continuous research and development activities, and we consider the training of future professionals and the support provided for the education of the next generations to be essential. In networking with young people, we are constantly offering new opportunities, looking for methods and tools that are attractive, interactive and motivating for them. However, Richter not only provides support for chemists and pharmacists, but is also present among supporters of universities of technology, medicine and economics. We also assist the work of researchers and physicians, their continuing education, as well as their activities in the preservation of health and disease prevention. Since our innovation knowledge is based on careful planning of talent pools, we support educational institutions through practical opportunities and other benefits. Our Company supports the training of young researchers, chemical engineers and pharmacy students primarily through grant applications and foundations, as well as high-school students with extraordinary talent in chemistry and teachers playing an outstanding role in education.

Richter regularly takes part in the **Capital of Science Festival**, the aim of which is to arouse the interest of the younger generation (especially those who are about to choose a career) in mathematics and science by involving Hungarian and foreign exhibitors and world-famous scientists, researchers and technology companies and institutions. We participated in the event as an exhibitor, introducing all those interested to the mysteries of pharmaceutical research with the help of researchers from the Structural Research Department, while in the lecture room, Prof. Dr Csaba Szántay gave an interactive lecture on the challenges and joys of pharmaceutical research. Nearly 10,000 visitors attended the festival in 2019.

Richter has been organising the **“Richter Scholars Club”** series since 2004, which has generated strong interest at Hungarian medical universities. The aim of the free lectures is to familiarise the participants with the current topics of medical and pharmaceutical science. The series of events is recommended to university students, participants in residency training, as well as young general practitioners, family doctors and pharmacists. Richter gives three professional lectures in connection with the scientific concept of the given year in the four Hungarian cities housing major universities (Budapest, Szeged, Pécs, Debrecen). In addition to the presentations, we provide all those interested with the opportunity to apply for our special factory visit program, in which participants can gain insight not only into the pharmaceutical manufacturing process, but also into Richter’s everyday life.

Under the auspices of the Foundation for Hungarian Chemistry Education, the Gedeon Richter Foundation gives several, so-called **“unconventional chemistry classes”** every year as part of the Hungarian Chemistry Education Award to present a scholarly career. The award-winning teachers and their talented students dedicated to chemistry can learn about the processes of pharmaceutical research, development and innovation, and the lives of pharmaceutical researchers in an interactive lecture. They then take part in a laboratory visit to talk to young researchers. The event fills a gap and significantly shapes the attitudes, knowledge and vision of teachers and students. The programme has already inspired many students to choose a research career. In both 2018 and 2019, we received more than 100 students.

Form of support	Description	Participation
Traineeships	We offer traineeships to secondary school students and university undergraduates at our teaching facilities, manufacturing plants, research laboratories, and other functions.	306 persons in 2017 204 persons in 2018 190 persons in 2019
Support for degree theses, undergraduate theses, doctoral dissertations	On an individual basis, we occasionally provide on-site research opportunities or external consultants.	44 persons in 2017 18 persons in 2018 22 persons in 2019
Factory visits	Organised for vocational schools, universities, Hungarian universities from across the border and EU countries, on demand.	704 persons in 2017 706 persons in 2018 914 persons in 2019

## Other support provided via foundations

Foundation	Form of support
Foundation for Student Researchers	Provides research opportunities to secondary school students.
University foundations	Awards for prize winners at Students’ Scientific Associations conferences and for excellent degree work. Grants for young researchers and PhD students.
Richter foundations:	
Gedeon Richter Foundation for Hungarian Chemistry Education	Awards for the teaching work of primary and secondary school chemistry teachers.
Richter Foundation for the Development of Fine Chemistry Operations	Support for the research work of students studying at the Engineering Faculty of the University of Veszprém and their teachers
Gedeon Richter Plc. Centenary Foundation	Support for the PhD studies and short and long-term research of young research scientists and university students.
Richter Gedeon Talentum Foundation	Support for the graduate and postgraduate studies of talented youngsters who, after completing their studies, could become the Hungarian pharmaceutical industry’s next generation of successful specialists and researchers. In addition, support for the activities of universities and other educational institutions that train young, successful applicants.

Aesculap Foundation	Support for scientific activity, research, training, education, skills development and the dissemination of knowledge at the Faculty of Pharmacy of Semmelweis University, Budapest.
Hungarian Foundation for Education in Natural Sciences	Award for teachers who achieve outstanding results in teaching mathematics, physics, biology and chemistry (Teacher Rátz Life Achievement Award).
Bugát-Richter Natural Sciences Foundation	Deepening the scientific knowledge of secondary school students, helping talented students with outstanding knowledge, supporting high-level competitions and quizzes.
Varga József Foundation	At the Faculty of Chemical Engineering and Biomedical Engineering at Budapest University of Technology and Economics: supporting scientific activities, research, education, skills development, conferences.
ProScola Nostra Foundation	Supporting the talented students of the Vilmos Zsigmondy Secondary Grammar and Vocational School in Dorog promoting health and sports activities as well as summer camps, skills development, supporting foreign language training, incentives for taking language tests.

### Our goals for social responsibility programmes

Objectives 2018-2019	Status	Evaluation
Add new components to the Richter for Women programme	100%	😊

Objectives 2020
Play an active role in the implementation of dual training, supporting the practice-oriented training of students in secondary vocational training and higher education.



# About the Report

Our Company draws up a Sustainability Report every two years on its economic, environmental and social performance. Our sixth report on sustainability applies to the 2018-2019 calendar years. Prior to that, we issued a report in 2018, reporting on the events and developments of the years 2016 and 2017. In our most recent report, we switched to compliance with GRI Standards. Our goal is to move gradually to an annual reporting cycle and to present some additional disclosures beyond the core compliance level, as in this year's report, in order to better serve the needs of analysts.

## Material topics

Earlier research conducted by KPMG Hungary was validated in the previous year by an external expert, Alternate Consulting, with the involvement of subsidiaries. During the preparation of this year's report, we supplemented the update and review process with the support of the external expert, Alternate Consulting:

- > examining possible changes in the business environment
- > examining possible changes in the environment of stakeholders
- > industry benchmark by analysing the publicly available sustainability performance reports of 26 pharmaceutical companies that are relevant to the Richter Group and that define the industry; the process for identifying material topics and setting up a topic matrix was examined in 18 organisations
- > comparing Richter with two Hungarian companies listed on the stock exchange, which have international subsidiaries, based on their good practice used for non-financial reporting.

Based on the above, we made the following changes in connection with the material issues included in previous reporting:

- > We included the material issue of economic efficiency as a new topic
- > Product liability and product safety were moved up on the priority list
- > A few previous topics were merged into larger groups of topics
- > In addition to the topic of hazardous substances, we also treat our additional environmental impacts as a material topic based on the expectations of stakeholders and international trends (e.g. climate protection).
- > We provide further details on responsible corporate governance and ethical behaviour
- > We set development goals for supply chain and group-wide management activities in connection with sustainability issues.

Key material topics	Direct impact on external stakeholders
I.1. Product liability and consumer safety	consumers, shareholders
I.2. Business ethics	shareholders, consumers, partners, authorities
I.3. Responsible employment	
I.4. Responsible supply chain	partners
I.5. Product development and the availability of pharmaceutical products	consumers, shareholders, partners,
Material topics	
II.1. Health and safety of our employees	consumers, shareholders
II.2. Environmental protection	local communities, natural environment (only relevant for factories)
II.3. Employees	consumers, shareholders
Additional key topics	
III.1. Social programmes	consumers, broader society, shareholders
III.2. Economic success	consumers, society, shareholders, partners

The scope of the report is Gedeon Richter Plc. Our Company is committed to group-level reporting, so we are gradually incorporating the performance data and results of the manufacturing companies and additional international information.

Our report primarily presents Gedeon Richter Plc., which manages the Company at the Group level and has the largest R&D and economic weight. Our production companies provide environmental and occupational safety data for the global report. During the data collection and reporting process, the following factors were taken into account when determining the scope of our report: our Polish, Russian and Romanian manufacturing subsidiaries produce finished products. Our Indian company manufactures intermediates and active substances. We consider the production of intermediates and active substances to have a significant impact on our environment, while the environmental impact of finished products is relatively low. Our representative offices, trading and wholesale companies and several other businesses in which we have an interest, and which support the Richter Group by providing services, are only touched upon in our report when they are relevant for a particular material topic. The published information is based on documented measurements, calculations, official announcements and records.

Our report has not been audited. The Sustainability Report corresponds to the 'Core' compliance level of the GRI Standard, which is verified by an independent third party, Alternate Consulting.

As in previous years, you can find the pdf version of our sustainability report on the website of Gedeon Richter Plc.: [www.richter.hu](http://www.richter.hu)

If you have any questions or comments on our report, you can send them to [posta@richter.hu](mailto:posta@richter.hu).

# Appendices

## Materials used

		2017							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Purchased chemicals	t*	6 093	7 173	148	660	192	479	1 706	<b>16 451</b>
Of which: purchased solvents	t	2 516	4 815	1	29	15	19	1 461	<b>8 855</b>
Recycled solvents	t/year	3 386	6 731	-	-	7	4	847	<b>10 975</b>
Ratio of recycled solvents	%	57	58	-	-	32	18	37	

\* 't' in this and subsequent tables refers to metric ton

		2018							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Purchased chemicals	t	5 192	6 830	125	534	284	277	1 970	<b>15 211</b>
Of which: purchased solvents	t	2 653	4 594	1	30	21	18	1 731	<b>9 048</b>
Recycled solvents	t/year	3 075	4 419	-	-	-	5	1 321	<b>8 820</b>
Ratio of recycled solvents	%	54	49	-	-	-	22	43	

		2019							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Purchased chemicals	t	5 362	6 409	107	555	368	246	327	<b>13 374</b>
Of which: purchased solvents	t	2 510	4 309	15	27	28	19	2 097	<b>9 005</b>
Recycled solvents	t/year	3 083	6 695	-	0	0	7	943	<b>10 728</b>
Ratio of recycled solvents	%	55	61	0	0	0	27	31	

## Energy use

		2017								
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total	
Direct	Natural gas	GJ	423 194	11 435	115 747	49 449	51 322	26 495	0	<b>677 642</b>
	Furnace oil	GJ	0	0	783	0	9 754	0	722	<b>11 259</b>
	Coal	GJ	0	0	0	0	0	0	34 248	<b>34 248</b>
	Diesel oil	GJ	0	0	0	0	0	0	393	<b>393</b>
Indirect	Steam	GJ	316 962	310 245	0	0	0	0	0	<b>627 207</b>
	Other	GJ	23 282	267	0	0	0	0	0	<b>23 549</b>
	Electrical energy	MWh	79 769	31 073	9 712	7 358	8 180	5 659	9 260	<b>151 011</b>

		2018								
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total	
Direct	Natural gas	GJ	381 498	11 386	108 049	53 946	62 705	29 145	0	<b>646 729</b>
	Furnace oil	GJ	0	0	1 037	0	2 218	0	1 410	<b>4 665</b>
	Coal	GJ	0	0	0	0	0	0	98 546	<b>98 546</b>
Indirect	Steam	GJ	329 651	287 116	0	0	0	0	0	<b>616 767</b>
	Other	GJ	23 385	246	0	0	0	0	0	<b>23 631</b>
	Electrical energy	MWh	81 841	31 008	9 480	7 653	8 905	6 200	8 493	<b>153 581</b>

		2019								
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total	
Direct	Natural gas	GJ	408 740	11 691	120 323	54 558	60 163	28 120	0	<b>683 595</b>
	Furnace oil	GJ	0	0	1 163	0	860	0	3 931	<b>5 954</b>
	Coal	GJ	0	0	0	0	0	0	107 494	<b>107 494</b>
Indirect	Steam	GJ	305 072	257 151	0	0	0	0	0	<b>562 223</b>
	Other	GJ	24 058	158	0	0	0	0	0	<b>24 216</b>
	Electrical energy	MWh	81 381	26 924	11 876	7 678	8 918	6 460	8 472	<b>151 709</b>

### Total water withdrawals by source

		2017						
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
Surface water	thousand m <sup>3</sup>	1 583	486	125	65	0	0	76
Groundwater	thousand m <sup>3</sup>	0	95	2	0	26	40	0
<b>Total</b>	<b>thousand m<sup>3</sup></b>	<b>1 583</b>	<b>581</b>	<b>127</b>	<b>0</b>	<b>26</b>	<b>40</b>	<b>76</b>

		2018						
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
Surface water	thousand m <sup>3</sup>	1 367	427	102	53	0	0	79
Groundwater	thousand m <sup>3</sup>	1	165	1	0	31	41	0
<b>Total</b>	<b>thousand m<sup>3</sup></b>	<b>1 368</b>	<b>592</b>	<b>103</b>	<b>53</b>	<b>31</b>	<b>41</b>	<b>79</b>

		2019						
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
Surface water	thousand m <sup>3</sup>	1 527	368	132	77	0	0	76
Groundwater	thousand m <sup>3</sup>	3	123	0	0	31	34	0
<b>Total</b>	<b>thousand m<sup>3</sup></b>	<b>1 529</b>	<b>491</b>	<b>132</b>	<b>77</b>	<b>31</b>	<b>34</b>	<b>76</b>

### Greenhouse gas emissions

		2017							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Direct CO <sub>2</sub>	t	23 741	642	6 551	2 594	3 635	1 326	8 494	<b>46 983</b>
Indirect CO <sub>2</sub>	t	23 685	17 200	0	n/a	n/a	n/a	n/a	<b>40 885</b>

		2018							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Direct CO <sub>2</sub>	t	21 402	639	6 138	2 846	3 696	1 447	9 496	<b>45 664</b>
Indirect CO <sub>2</sub>	t	24 543	15 934	0	n/a	n/a	n/a	n/a	<b>40 477</b>

		2019							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Direct CO <sub>2</sub>	t	22 930	656	6 836	2 943	2 096	1 396	8 814	<b>45 672</b>
Indirect CO <sub>2</sub>	t	22 879	14 274	0	n/a	n/a	n/a	n/a	<b>37 154</b>

### Emissions of ozone-depleting substances

		2017						
Purpose of use	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
production	kg	0	0	0	0	0	0	0
coolant	kg	416	10	0	128	3	0	0

		2018						
Purpose of use	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
production	kg	0	0	0	0	0	0	0
coolant	kg	297	29	6	12	0	0	0

		2019						
Purpose of use	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
production	kg	0	0	0	0	0	0	0
coolant	kg	786	0	0	87	0	0	0

### Emission of NO<sub>x</sub>, SO<sub>x</sub> and other significant air pollutants by type and weight

		2017						
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
VOC loss in air	%	2.91	2.1	-	56	52	71	2.3
VOC loss in air	t	184.2	375	-	16	8	13	53.1
NO <sub>x</sub>	kg	788	13	249	1 602	1 530	1 256	5 589
CO	kg	219	3	71	320	241	182	not monitored
PM	kg	0	0	0	not monitored	not monitored	11	20 728

		2018						
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
VOC loss in air	%	2.3	2	-	78.7	71.6	36.1	1
VOC loss in air	t	138.4	351	-	24	15	8	30
NO <sub>x</sub>	kg	670	13	219	1 758	4 590	1 371	3 338
CO	kg	285	5	96	351	1 970	205	not monitored
PM	kg	0	0	0	not monitored	not monitored	13	33 389

		2019						
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
VOC loss in air	%	2.5	1.5	-	56.7	80.3	38.5	0.7
VOC loss in air	t	138.9	182.4	-	15	22	10	23
NO <sub>x</sub>	kg	757	14	263	1 818	2 716	1 323	1 513
CO	kg	360	5	130	363	235	192	not monitored
PM	kg	0	0	0	not monitored	not monitored	12	36 426

### Wastewater discharge by recipient

		2017							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	
Technological wastewater	surface water	m <sup>3</sup>	0	694 422	0	0	18 620	0	0
	municipal sewage	m <sup>3</sup>	203 400	0	75 129	60 052	0	62 153	31 121
Other wastewater	surface water	m <sup>3</sup>	0	55 410	0	not broken down into technological and other wastewater			
	municipal sewage	m <sup>3</sup>	1 166 300	29 365	8 348	not broken down into technological and other wastewater			

		2018							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	
Technological wastewater	surface water	m <sup>3</sup>	0	681 140	0	0	27 620	0	0
	municipal sewage	m <sup>3</sup>	176 588	0	70 783	35 276	0	48 726	16 000
Other wastewater	surface water	m <sup>3</sup>	0	31 730	0	not broken down into technological and other wastewater			
	municipal sewage	m <sup>3</sup>	1 000 665	20 381	7 865	not broken down into technological and other wastewater			

		2019							
	units	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	
Technological wastewater	surface water	m <sup>3</sup>	0	566 867	0	0	48 771	0	0
	municipal sewage	m <sup>3</sup>	191 725	0	58 864	49 350	0	38 417	79 570
Other wastewater	surface water	m <sup>3</sup>	0	0	0	not broken down into technological and other wastewater			
	municipal sewage	m <sup>3</sup>	1 086 442	17 539	6 540	not broken down into technological and other wastewater			

## Total water discharge by quality

	units	2017						
		Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
KOI	mg/l	642	98	197.5	318.5	5.8	-	396
KOI	t	879.3	50.2	16.5	3.37	0.11	-	12.3
AOX	ug/l	409	378	-	-	-	-	-
Ammonium	mg/l	9.8	6.2	12.2	-	-	-	7.4
Total phosphorus	mg/l	1.9	9.7	2.2	-	-	-	-
Total nitrogen	mg/l	-	0.7	18.6	-	-	-	-
VOC	t	53	15	-	-	-	-	-
VOC	%	0.84	0.1	-	-	-	-	-

	units	2018						
		Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
KOI	mg/l	708	82	293	315	4.4	-	376
KOI	t	883.5	48.6	23	2.65	0.12	-	0.01
AOX	ug/l	384	338	-	-	-	-	-
Ammonium	mg/l	15.2	10	20.3	-	-	-	8.23
Total phosphorus	mg/l	2.6	0.3	5.4	-	-	-	-
Total nitrogen	mg/l	27	13.6	24	-	-	-	-
VOC	t	45.5	12.3	-	-	-	-	-
VOC	%	0.75	0.1	-	-	-	-	-

	units	2019						
		Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML
KOI	mg/l	610	83	230	629	3.4	-	297.8
KOI	t	780	48.8	15	4.81	0.17	-	0
AOX	ug/l	147	347	-	-	-	-	-
Ammonium	mg/l	12.6	6.2	18.4	-	-	-	11.07
Total phosphorus	mg/l	1.9	0.3	2.95	-	-	-	-
Total nitrogen	mg/l	23.9	15.1	27.1	-	-	-	-
VOC	t	53.2	9.9	-	-	-	-	-
VOC	%	0.97	0.05	-	-	-	-	-

## Generated waste

		units	2017							Total
			Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	
Hazardous waste	incineration	t	3 614	1 542	47	10	80	0	306	<b>5 600</b>
	other	t	3 576	11 569	10	1	1	8	783	<b>15 947</b>
Non-hazardous industrial waste		t	945	206	0	46	32	173	0	<b>1 401</b>
Municipal waste		m <sup>3</sup>	2 869	525	192	366	536	458	0	<b>4 946</b>

		units	2018							Total
			Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	
Hazardous waste	incineration	t	3 750	1 833	54	1	6	8	636	<b>6 288</b>
	other	t	2 584	12 742	-	10	94	0	294	<b>15 724</b>
Non-hazardous industrial waste		t	794	255	-	49	48	197	0	<b>1 343</b>
Municipal waste		m <sup>3</sup>	2 820	462	194	415	592	491	0	<b>4 974</b>

		units	2019							Total
			Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	
Hazardous waste	incineration	t	2 827	1 791	78	1	2	0	490	<b>5 189</b>
	other	t	3 575	9 598	-	7	89	10.7	408.7	<b>13 689</b>
Non-hazardous industrial waste		t	1 071	276	-	74	154.6	246	n/a	<b>1 822</b>
Municipal waste		m <sup>3</sup>	2 950	456	160	362	450	611	n/a	<b>4 989</b>

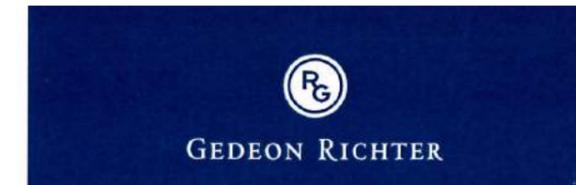
## Legal compliance

	2017						
	Budapest (HUF)	Dorog (HUF)	Debrecen (HUF)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
Wastewater	0	0	0	2 307*	0	0	0
Air pollution	0	0	0	0	0	0	0
Waste	200 000	0	0	0	0	0	0
Noise	0	0	0	0	0	0	0

	2018						
	Budapest (HUF)	Dorog (HUF)	Debrecen (HUF)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
Wastewater	0	0	0	9 545*	0	0	0
Air pollution	0	0	0	0	0	0	0
Waste	0	0	0	0	0	0	0
Noise	0	0	0	0	0	0	0

	2019						
	Budapest (HUF)	Dorog (HUF)	Debrecen (HUF)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
Wastewater	0	0	0	16 292*	110 000	0	0
Air pollution	0	0	0	0	0	0	0
Waste	0	0	0	0	0	0	0
Noise	0	0	0	0	0	0	0

\*Not a fine but an environmental fee



## SUSTAINABILITY POLICY

Founded in 1901, Gedeon Richter Plc is a Hungarian-based, European multinational pharmaceutical company that operates under Hungarian management without any foreign strategic investors. The Company's daily activities are informed by more than 110 years of company culture, whose foundations were laid down by the company's founder, Gedeon Richter.

Gedeon Richter Plc devotes particular attention to complying with the fundamental requisites of social responsibility. The Company operates internal processes through which it promotes social, environmental, ethical and human rights values in its business activity and in close cooperation with stakeholders.

The management of Gedeon Richter Plc is responsible for sustainability performance while the lower management, supported by the former, are expected to contribute to the Company's sustainable operation.

### Gedeon Richter Plc is committed

- to offering consumers the best and most recent products – at a price that allows for the Company's sustainable operation – as a result of its high-level research activity;
- to treating drug safety as a high priority area whose purpose is to ensure the conditions for the safe use of drugs for both physicians and patients. In order to do this, the Company operates a quality assured pharmacovigilance system;
- to reducing the impact of its operation on the environment. In order to achieve this, environmental considerations are built into the research and development activities, operating processes and capital expenditure decisions. In order to reduce environmental risks, it operates an environmental management system; and it periodically updates its energy supply policy in order to ensure sustainable and secure energy supply;
- to operating in a way that, on the one hand, supports its employees' development by providing them with every opportunity to acquire professional and competence-based knowledge and, on the other, promotes, through the sponsoring of health and education projects, the development of human resources in the broadest sense, which represents potential value for the entire society;
- to providing its employees with proper working conditions;
- to organising and operating instructional, training and screening programmes to educate a wide range of social groups about health and make them more health conscious;
- to demonstrating ethical conduct that eschews corruption and complies with the Company's values in order to ensure that the Company operates in a way which creates sustainable value that provides long-term benefits for the entire society;
- to creating and operating extended, sustainable group-level mechanisms and tools for the operation of the Company's international subsidiaries;
- to publishing a report adopting responsible corporate governance recommendations on issues affecting the Company's operation;
- to remembering to strike a balance between responsibility and competitiveness in the course of its operation.

Budapest, 2016

  
William de Gelsey  
Chairman

  
Erik Bogsch  
Managing Director

Our Procurement policy was only issued in Hungarian, below we provide an English translation.

## Procurement Policy

Gedeon Richter Plc. ("Company"):

**knows and understands** the effects of its procurement processes on its own performances,  
**is committed to** continuously improving its procurement processes and performances and maintaining compliance with the changing external and internal requirements,  
**undertakes** to combine the Company's more than 100 years of traditions, extensive pharmaceutical and other knowledge with the technical requirements of modern procurement.

Procurement considerations are an integral part of the Company's economic decisions. The main focus is on keeping the Company's basic procurement principles in mind, while ensuring the availability of the necessary materials, tools and services in a cost-efficient manner, at the right place and time, in the right quantity and quality, in order to help the Company achieve its strategic goals.

We observe the following principles in procurement:

### Cost-effectiveness

Particular attention should be paid to ensure reasonable and economical management of the costs incurred. Purchases should be made using cost-effective methods, at the lowest cost over the entire life cycle.

### Quality-oriented approach

Business partners should be selected with the utmost care, ensuring their trustworthiness, reputation and, last but not least, the quality of their products/services.

### Environmental protection

During the purchasing process, solutions resulting in the lowest possible environmental impact should be favoured.

### Compliance with legal requirements

During procurement it must be ensured that the activities fully satisfy the relevant domestic and foreign legal requirements, and that they comply with the rules and standards as well as Hungarian and international practices.

### Fair competition

In order to achieve the Company's goals, increased efforts should be made to maximize the competitive advantages available through open tenders.

### Equal opportunities, equal treatment

A level playing field must be created for all business partners; they must be treated in an objective and equal way, without bias and prejudice.

### Cooperation

The Company's business partnerships are based on fair and ethical business cooperation.

### Integrity

The employees concerned must separate their personal and business interests. Individual interests and personal gain cannot play a part in procurement.

### Confidentiality

Confidentiality of business information is a top priority for the Company throughout the procurement process.

The Company expects and requires all employees and partners to observe the provisions defined in the Policy, and their implementation in practice is provided for in the Procurement Policy.

28 June 2016



## ENERGY POLICY

Recognising the importance of an energy-conscious approach to business, **Richter Gedeon Plc** (hereinafter: the **Company**) is committed to the continuous improvement of its energy efficiency and to achieving compliance with the legal and other requirements in this regard. As part of this, the Company endeavours to combine its more than 100-year-old traditions, drug-manufacturing knowhow and broad life-sciences expertise with energy systems founded on state-of-the-art technological solutions.

A careful consideration of energy-efficiency criteria constitutes an essential element of all our business decisions. The Company places a major emphasis on the secure, economical and environmentally friendly operation of its energy-supply systems, thereby contributing to its own sustainable development.

The purpose of this Policy is to define the key principles that are to be observed in the course of implementing the above objectives.

The key principles underlying the operation of the energy supply systems are as follows:

- the Company's operation **must be consistent with the strategic energy objectives of the EU and Hungary**, while being fully compliant with the relevant statutory and other regulations pertaining to energy,
- when designing or changing the various facilities, equipment and processes, **opportunities for improving energy efficiency must be explored, including the options for using renewable energy sources**,
- with a view to ensuring operational security, the **technical standard and efficiency** of the energy-supply systems **must be raised**, by remaining cognisant of the latest technological developments in the field,
- in the interest of reducing losses, the Company's energy processes **must be continuously monitored**,
- effort must be made **to reduce the environmental burdens** of our operation.

Observing and respecting the above principles is the obligation of all the Company's employees and partners. These principles should serve as a guide: they are to be taken into account when developing detailed rules governing or related to energy use, and when applying these rules in practice.

Budapest, 20 May 2019

A handwritten signature in blue ink, appearing to read 'Gábor Orbán', written over a horizontal line.

Gábor Orbán  
CEO

## Environmental Policy

**Gedeon Richter Plc** (hereinafter: the **Company**) recognises the importance of protecting the environment and is committed to constantly improving its environmental performance and compliance with the relevant requirements. The Company's goal is to combine its more than one hundred years of traditions, its expertise in pharmaceutical production and its extensive scientific knowledge with today's modern expectations.

In order to recognise the importance of environmental protection, the Company considers the following basic principles for its business.

### 1. Prevention

Environmental protection is an inseparable part of economic decisions. When making decisions, the focus is on prevention. Strategic research and development as well as production and facility development play a key role in prevention.

### 2. Focusing on particular areas of environmental protection

The Company finds it important to focus on environmental protection as a whole and on its particular areas, especially in accordance with the following:

- identifying, assessing and reducing the environmental impact and potential risks associated with its business;
- improving the quality of air and protecting water resources;
- reducing environmental noise load;
- disposal and recovery of waste generated in accordance with the applicable requirements.

### 3. Special attention to the production of active substances

The most significant environmental impacts and risks of drug production are related to the production of active substances. This process is characterised by use of a large amount of volatile organic compounds (VOCs) as solvents. It is crucial to keep the environmental loss of these substances below the level already achieved, i.e. below 5% of the amount used.

In order to achieve this goal, the Company:

- constantly upgrades its production technologies and seeks to use the best available technology to reduce the environmental load of its activities;
- continuously develops the technical standards of production and service equipment;
- modernises the infrastructure for storage and supply of chemicals in order to reduce the risk of soil and groundwater contamination.

### 4. Cooperation with the authorities and other stakeholders

The Company works closely together with the authorities, the public and other stakeholders and considers it important to provide information and listen to the opinion of other people. All

business areas of the Company work in close cooperation with the municipalities, taking their part in solving the environmental problems of communities.

### 5. Collective and individual responsibility

The Company expects and requires all its employees, subcontractors and customers to comply with the environmental protection requirements and act in an environmentally conscious manner. It seeks to achieve this by giving regular training, providing appropriate information, introducing incentive-based solutions and providing safe and healthy working conditions.

The accomplishment of the above goals is supported by the Environment-Oriented Management System, which plays a key role in environmental protection and successful business activity.

Budapest, 12 March 2018



Gábor Orbán  
Chief Executive Officer

## GRI Index

Disclosure	Brief description	Page
Presentation of the organisation		
102-1	Name of the organisation	9.
102-2	Activities, brands, products, and services	9., 41-44.
102-3	Location of headquarters	9.
102-4	Location of operations	11.
102-5	Ownership and legal form	12.
102-6	Markets served	12., 37.
102-7	Scale of the organization	6-7.
102-8	Information on employees and other workers	60.
102-9	Supply chain	39.
102-10	Significant changes to the organization and its supply chain	4-5.
102-11	Precautionary Principle or approach	4-5.
102-12	External initiatives	26.
102-13	Memberships in associations	35-36.
102-14	Statement from senior decision-maker	4-5.
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	26.
102-17	Mechanisms for advice and concerns about ethics	31.
Corporate governance		
102-18	Governance structure	12-22.
102-19	Delegating authority	21.
102-22	Composition of the highest governance body and its committees	15-19.
102-23	Chair of the highest governance body	15.
102-24	Nominating and selecting the highest governance body	18.
102-25	Conflicts of interest	22.
102-26	Role of highest governance body in setting purpose, values, and strategy	15.
102-27	Collective knowledge of highest governance body	15-17.
102-28	Evaluating the highest governance body's performance	18-19.
102-29	Identifying and managing economic, environmental, and social impacts	21.
102-30	Effectiveness of risk management processes	Annual Report 2019 – 26-30.
102-35	Remuneration policies	21-22.
102-36	Process for determining remuneration	21-22.
Stakeholder engagement		
102-40	List of stakeholder groups	32.
102-41	Collective bargaining agreements	61.
102-42	Identifying and selecting stakeholders	32.
102-43	Approach to stakeholder engagement	33-34.
102-44	Key topics and issues raised	33-34.
102-45	Entities included in the consolidated financial statements	11.
102-46	Defining report content and topic Boundaries	92.
102-47	List of material topics	93.
102-48	Restatements of information	none
102-49	Changes in reporting	92-93.

Report parameters		
102-50	Reporting period	92.
102-51	Date of the most recent report	92.
102-52	Reporting cycle	92.
102-53	Contact point for questions regarding the report	93.
102-54	Claims of reporting in accordance with the GRI Standards	93.
102-55	GRI Content Index	106-110.
102-56	External assurance	93.

## Material topics and related disclosures

### Key material topics

#### Product liability and consumer safety

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 52-54.
103-2	The management approach and its components	52-54.
103-3	Evaluation of the management approach	52-54.
Economic performance indicators		
416-1	Assessment of the health and safety impacts of product and service categories	52-54.
417-1	Requirements for product and service information and labeling	48-50.
417-3	Incidents of non-compliance concerning marketing communications	48-50.

#### Business ethics

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 26-28.
103-2	The management approach and its components	26-28.
103-3	Evaluation of the management approach	26-28.
Economic performance indicators		
102-18 through 102-39	Corporate governance indicators – see above	12-22.
102-16; 102-17	Ethics and integrity indicators – see above	28., 31.
205-1	Operations assessed for risks related to corruption	30.
205-2	Communication and training about anti-corruption policies and procedures	30.
307-1	Non-compliance with environmental laws and regulations	75.

## Responsible employment

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 28.
103-2	The management approach and its components	28.
103-3	Evaluation of the management approach	28.
Economic performance indicators		
405-1	Diversity of governance bodies and employees	28.

## Responsible supplychain

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 39.
103-2	The management approach and its components	39., 102.
103-3	Evaluation of the management approach	39.
Economic performance indicators		
102-9	Supply chain	39., 102.

## Product development and the availability of pharmaceutical products

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 41-46.
103-2	The management approach and its components	41-46.
103-3	Evaluation of the management approach	41-46.
Economic performance indicators		
102-2	Activities, brands, products, and services	9., 41-46.
203-1	Infrastructure investments and services supported	88.
203-2	Significant indirect economic impacts	39.

## Material topics

### Health and safety of our employees

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 69-71.
103-2	The management approach and its components	69-71.
103-3	Evaluation of the management approach	69-71.
Economic performance indicators		
403-1	Occupational health and safety management system	69-71.
403-2	Hazard identification, risk assessment, and incident investigation	69-71.
403-3	Occupational health services	69-71.
403-4	Worker participation, consultation, and communication on occupational health and safety	69-71.
403-5	Worker training on occupational health and safety	71.

403-6	Promotion of worker health	71.
403-9	Work-related injuries	72-73.
403-10	Work-related ill health	69-71.

## Environmental protection

Indicator	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 75.
103-2	The management approach and its components	75.
103-3	Evaluation of the management approach	75.
Economic performance indicators		
301-1	Materials used by weight or volume	76-78., 94.
301-2	Recycled input materials used	76-78., 94.
302-1	Energy consumption within the organisation	76., 95.
302-2	Energy consumption outside the organisation	76., 95.
302-4	Reduction of energy consumption	76., 95.
303-2	Management of water discharge-related impacts	77., 96-98.
303-3	Water withdrawal	77., 96-98.
303-4	Water discharge	77., 97-98.
303-5	Water consumption	77., 96-98.
305-1	Direct (Scope 1) GHG emissions	76., 78., 96.
305-2	Energy indirect (Scope 2) GHG emissions	76., 78., 96.
305-6	Emissions of ozone depleting substances	76., 78., 96.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	76., 78., 97.

## Employees

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93., 56-58.
103-2	The management approach and its components	56-58.
103-3	Evaluation of the management approach	56-58., 68.
Economic performance indicators		
401-1	New employee hires and employee turnover	58-61.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	63-64.
404-2	Programs for upgrading employee skills and transition assistance programs	65-67.
404-3	Percentage of employees receiving regular performance and career development reviews	62.

## Additional key topics

### Social programmes

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93. 85-90.
103-2	The management approach and its components	85-90.
103-3	Evaluation of the management approach	85-90.
Economic performance indicators		
413-1	Operations with local community engagement, impact assessments, and development programs	85-90.

### Economic efficiency

Disclosure	Brief description	Page number
Management guidelines		
103-1	Explanation of the material topic and its Boundary	92-93. 36-39.
103-2	The management approach and its components	36-39.
103-3	Evaluation of the management approach	36-39.
Economic performance indicators		
201-1	Direct economic value generated and distributed	36-39., Annual Report 2019

