

# CONSOLIDATED NON FINANCIAL INFORMATION 2017

**DISCLOSURE OF CONSOLIDATED NON FINANCIAL INFORMATION 2017**

Prepared pursuant to article 4 of Italian legislative decree 254/2016

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## NOTE ON METHODOLOGY

The Recordati Group (hereinafter also “Recordati” or the “Group”) has decided to take a structured and organic approach to sustainability, considering the economic, social and environmental aspects of sustainability in a manner which is in line with its organisational structure. In order to provide a clear understanding of the business’ activities, its development, its results and its impacts on sustainability, in 2017 the Group’s commitment to sustainability was formalised for the first time by the preparation of the Consolidated Non-Financial Statement (also the “Non-Financial Statement” or “Statement”) in compliance with the obligations provided by Articles 3 and 4 of Legislative Decree no. 254/16. As such, presented in this Statement are the principle policies adopted by the Group, its management models and the principle activities carried out by the Group in 2017 with respect to the matters expressly specified by Italian Legislative Decree no. 254/16 (environmental, social, staff, human rights and anti-corruption), as well as the principle identified risks related to these themes.

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

- risks connected to environmental management and safety in the workplace (e.g. damage caused by meteorological events and incidents, risks covered by the Health and Safety Executive (HSE), industrial incidents);
- risks connected to the rights of employees and collaborators along the supply chain (e.g. change in dimension of the organisational structure, loss of key resources, inappropriate selection of suppliers and commercial partners, interruption of supply by critical partners);
- risks relating to corruption (e.g. compliance with international quality standards, compliance with legislation pertaining to the scientific information of the pharmaceutical).

For a more detailed description of the management system of company risks, including the aforementioned non-financial risks, as well as the relative management methods, please refer to the “Principle Risks and Uncertainties” section of the Annual Report.

In line with the one of the two options provided by Article 5 of Italian Legislative Decree no. 254/16, this Statement is a separate report. However, it should be noted that more details concerning certain non-financial information can be found in the Annual Report and the Corporate Governance and Share Ownership Report. The principle references to other company documents are given in the table below.

Italian Legislative Decree no. 254/16, art. 3	Principle information contained in the Non-Financial Statement with reference to the provisions of Legislative Decree no. 254/16	Financial Statement 2017 and other corporate documents
<b>Management models and adopted practices</b>	Principle policies adopted by the Group, management models and the main activities carried out as regards environmental, social, staff, human rights and anti-corruption aspects	Group Code of Ethics. Consolidated Non-Financial Statement, “ <i>Focus on the Environment</i> ”, “ <i>Product quality and safety</i> ”, “ <i>The Recordati Group’s Employees</i> ” sections. Annual Report 2017, “ <i>Health, Safety and the Environment</i> ” section. Corporate Governance and Share Ownership Report, “ <i>Internal Control and Risk Management System</i> ” section.
<b>Identified risks</b>	Principle risks identified by the Group relating to environmental, social, staff, human rights and anti-corruption aspects	Annual Report 2017, “ <i>Principle Risks and Uncertainties</i> ” section. Corporate Governance and Share Ownership Report, “ <i>Internal Control and Risk Management System</i> ” section.
<b>Environmental themes</b>	<ul style="list-style-type: none"> <li>• energy usage and energy efficiency initiatives</li> <li>• greenhouse gases and other air pollutants</li> <li>• use of water resources</li> <li>• waste management</li> </ul>	Consolidated Non-Financial Statement, “ <i>Focus on the Environment</i> ” section; Annual Report, “ <i>Health, Safety and the Environment</i> ” section.
<b>Social themes</b>	<ul style="list-style-type: none"> <li>• donations and contributions</li> <li>• social initiatives and activities</li> <li>• consumer health and safety</li> <li>• supply chain management</li> </ul>	Consolidated Non-Financial Statement, “ <i>Direct and indirect economic benefits</i> ” paragraph and “ <i>Product quality and safety</i> ” section;
<b>Staff-related themes</b>	<ul style="list-style-type: none"> <li>• diversity and equal opportunities</li> <li>• employee welfare</li> <li>• training and development of human resources</li> <li>• corporate relations</li> <li>• health and safety in the workplace</li> </ul>	Consolidated Non-Financial Statement, “ <i>Recordati Group’s Employees</i> ” section; Annual Report 2017, “ <i>Health, Safety and the Environment</i> ” section.
<b>Themes relating to human rights</b>	<ul style="list-style-type: none"> <li>• suppliers’ acceptance of the Group Code of Ethics</li> <li>• compliance with the provisions of the Group Code of Ethics in relation to the human rights of all employees</li> </ul>	Consolidated Non-Financial Statement, “ <i>Supply chain</i> ” and “ <i>Diversity and equal opportunities</i> ” sections.
<b>Themes relating to the fight against active and passive corruption</b>	<ul style="list-style-type: none"> <li>• principles, values and the Code of Ethics</li> <li>• Model pursuant to Italian Legislative Decree no. 231/01 and the adoption of other control models and ethics codes</li> <li>• compliance with legislation and regulations</li> <li>• fight against active and passive corruption and the Anti-Bribery Model</li> </ul>	Corporate Governance and Share Ownership Report, “ <i>Internal Control and Risk Management System</i> ” section and “ <i>Organisational Model pursuant to Italian Legislative Decree no. 231/01</i> ”.

This document represents the first Consolidated Non-Financial Document, produced in compliance with Italian Legislative Decree no. 254 of 30 December 2016 in implementation of Directive 2014/95/EU, of the Companies belonging to Recordati S.p.A. and its subsidiaries, describing the initiatives and principle results in terms of the Group's performance on the subject of sustainability in 2017 (reporting period: 1 January to 31 December 2017).

The Non-Financial Statement 2017 has been prepared in compliance with the "Core" option of the *Sustainability Reporting Guidelines* (version G4) published in May 2013 by the Global Reporting Initiative (GRI). The table of GRI reporting indicators is attached for reference in the annex of this document. The report was prepared based on the results of the materiality analysis conducted in 2017; this report, which identified the key materiality aspects for the Group and its stakeholders and considered the topics referred to in Italian Legislative Decree no. 254/2016, is included in the Non-Financial Statement.

The importance of human rights, one of the significant themes highlighted by the materiality analysis, is expressed by the Group through its management of relations with employees, collaborators and supply chain operators in a manner that respects the principles and values of the Group's Code of Ethics. In fact, the Group is committed to respecting basic human rights in accordance with the Conventions of the International Labour Organisation in all of the countries in which it operates. For more detail on the policies adopted relative to this topic, please refer to the relevant sections (e.g. "Supply chain", "Diversity and equal opportunities", "Health and safety in the workplace") of the Non-Financial Statement.

The scope of the financial data referred to in this document corresponds to the data considered in the Consolidated Financial Statement 2017 of the Recordati Group. The scope of the social and environmental data and information extends to Companies belonging to the Recordati Group as of 31 December 2017, consolidated with the comprehensive approach in the Group's Consolidated Financial Statement. However, while ensuring the correct understanding of the company's activity, it should be noted that:

- The information and data regarding environmental aspects (energy use, emissions, water use and waste) refer exclusively to the Group's production plants as such aspects are not deemed significant at other sites (with the exception of the Milan plant, where the offices at the same site are also considered). However, an environmental reporting system is currently being developed for the rest of the Group's sites;
- The information regarding health and safety and the principle accident indicators refers exclusively to employees of the Group's production plants (with the exception of the Milan plant, where the information extends to employees of the offices also present on site) where the most significant risks have been identified and assessed. However, a health and safety reporting system is currently being developed for the rest of the workforce.

In compliance with the reporting standards used, these exceptions and any other minor limitations are expressly indicated in the text. Furthermore, in order to provide a correct representation of performance and guarantee the reliability of the data provided, estimates have been kept to a minimum and, where unavoidable, are based on the best available methods, duly indicated.

For more information regarding significant changes to the scope and share ownership of the Group during the reporting period, reference should be made to the Consolidated Financial Statement of the Recordati Group as of 31 December 2017 (pages 51 and 66).

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

This Statement was presented for evaluation and approval to the Risk Control and Sustainability Committee on 12 March 2018 and was approved by the Board of Directors of Recordati S.p.A. on 15 March 2018.



This Statement was subject to a compliance review by an independent auditing company, which issued a separate report confirming the compliance of the information contained herein pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254/16. The audit was carried out according to the procedures indicated in the “Report of the Independent Auditing Company”.

Finally, in the context of ensuring continuous improvement, it is also noted that the Group’s approach to sustainability envisages the progressive formalisation of sustainable commitments and operating practices in line with the principles of the Code of Ethics and Italian Legislative Decree no. 254/16. In particular, in the coming years the Group’s Code of Ethics will be progressively developed, with reference to the principles, commitments and management models to be implemented by the Group with regard to sustainability and with particular focus on the matters expressly specified by Italian Legislative Decree no. 254/16.

### **Contacts**

For all information regarding the Non-Financial Statement of the Recordati Group, please refer to the following contacts:

Recordati S.p.A.

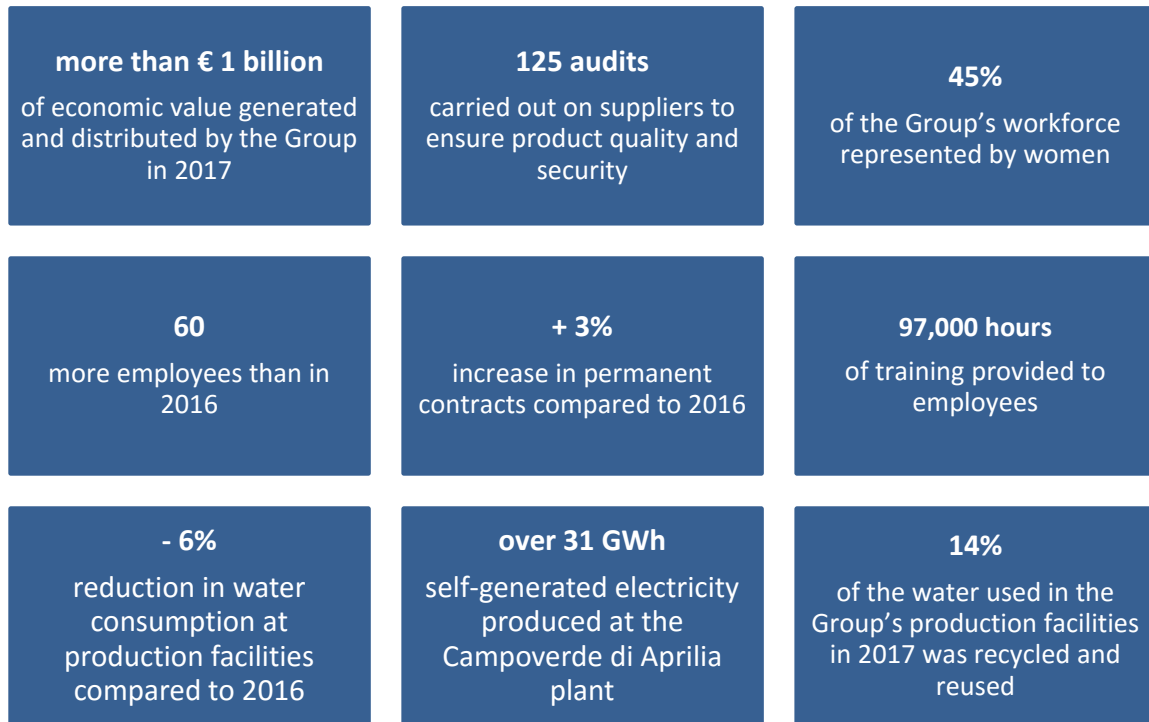
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## 1. THE RECORDATI GROUP'S APPROACH TO SUSTAINABILITY

### 1.1. Sustainability in figures



### 1.2. The Group Business Model

Recordati is an international pharmaceutical group listed on the Italian Stock Exchange since 1984. The Group now has numerous branches in and outside Europe which operate in the pharmaceutical sector (through various corporate products and license agreements with leading pharmaceutical companies) and in the chemical pharmaceutical sector (producing numerous active substances and chemical intermediates for the pharmaceutical industry). As well as countries in western Europe, Recordati also has a direct presence in the Czech Republic, Slovakia, Romania, Poland, Russia and other countries in the Commonwealth of Independent States (CIS), Ukraine, Turkey, Tunisia, the United States of America, Canada, Mexico and other countries in South America. Recordati sells its products on 135 markets, including through license agreements. In conjunction with its geographical expansion, the Group has enhanced its therapeutic range, developing its own pipeline of products and entering into the rare diseases sector. In fact, Recordati develops, produces and commercialises pharmaceuticals for the treatment of rare diseases through Orphan Europe and Recordati Rare Diseases, two companies dedicated predominantly to rare genetic metabolic diseases.

As part of its constant commitment to the discovery, development and sale of innovative products with high added-value (with particular focus on the treatment of rare diseases) and with the objective of improving health and quality of life, the mission of the Recordati Group is characterised by research, innovation, quality and the creation of value for its stakeholders, all of which are distinctive elements of the Group's corporate social responsibility. For more information on the main business activities of the Group, its products and its markets, please refer to the "Recordati, an International Group" and "Business Activities" sections of the Annual Report.

The Group's business model for the management of the main sustainability themes is described in the Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001, adopted by all Italian Companies of the Recordati Group. For Companies in other countries, if required by local legislation, policies have been or are in the process of being implemented which serve similar functions to those of the Organisational Model pursuant to Legislative Decree no. 231/2001.

The Models adopted by Group Companies comply with the guidelines issued by Confindustria and are dynamic and effective tools thanks to a constant control and review process carried out by the Supervisory Bodies. The Organisational Models pursuant to Italian Legislative Decree no. 231/2001 envisage dedicated channels for the reporting of anomalies or breaches by employees and regular staff training on the contents of Decree no. 231/2001 and the Organisational Model pursuant to Legislative Decree no. 231/2001 itself. The Supervisory Bodies appointed in the Group's Italian companies are represented by boards comprising the Internal Audit Department Manager and external professionals. Each Supervisory Body is internally regulated and operates according to a specific programme. The Supervisory Bodies periodically refer to the Board of Directors and the Board of Statutory Auditors, where present. The Organisational Models are constantly monitored and updated, with particular attention on crime prevention and the risk assessment following the introduction of new legislation. Further information regarding the Organisational Model pursuant to Legislative Decree no. 231/2001, the relative procedures and the training provided on the same is available in the "Internal Control and Risk Management System" of the Corporate Governance and Share Ownership Report.

The systematic approach of the Organisational Model pursuant to Legislative Decree 231/2001 is reinforced through additional models dedicated to specific company departments, such as in the context of health and safety in the workplace, environmental management and privacy.

The Code of Ethics is an integral part of the Organisational Model pursuant to Legislative Decree no. 231/2001 and has been or is in the process of being adopted by all Group Companies. The Code of Ethics provides a concrete and clear representation of the Groups values, including: protection of employees, fairness and equality, ethical and legal behaviour, loyalty, privacy of information, respect of the interests of all parties, professionalism, health and environmental protection.

The Code of Ethics also provides the rules of conduct for all recipients of the Code on the subject of the prevention of active and passive corruption (e.g. the prohibition of engaging in corrupt practices). On this issue, the Group has also adopted an Anti-Bribery Model that applies to all Group Companies and envisages the periodic assessment of the status of internal controls in compliance with the main international and national anti-bribery regulations in the countries in which the Group has an active presence. These tools represent the firm commitment of the Group to conduct its business in line with the principles of transparency, honesty and ethics in all of the countries in which it operates and refuse all forms of corruption, demonstrating its awareness of the potential risks relating to the various relations with the Public Administration typical in the business areas in which the Group operates. These tools and additional information regarding the fight against corruption are described in more detail in the "Internal Control and Risk Management System" section of the Corporate Governance and Share Ownership Report.

### 1.3. The Recordati group's commitment to sustainability

Recordati is a multinational pharmaceutical Group operating in the fields of research, development and sale of innovative and value-added products with the aim of improving health and quality of life. The mission of the Recordati Group is to develop our commitment to research, innovation and quality while creating value for our stakeholders, all of which are hallmarks of the company's commitment to corporate responsibility.



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

In order to transform the values and principles of sustainability into operational decisions and managerial activities, we have launched an internal engagement initiative which aims to:

- identify key stakeholders with whom to establish a positive dialogue and collaboration;
- identify and assess significant issues of economic, environmental and social sustainability relating to the Group’s activities and its stakeholders;
- share the values, mission and processes involved in order to develop sustainability reporting procedures.

#### 1.4. The Recordati group’s stakeholders

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

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

#### *The Recordati Group’s Stakeholders*

Investors and the financial community
Employees
Government agencies, regulators, PA
Suppliers and strategic partners
Pharmacies and distributors
Local communities
Patients and Associations
Healthcare operators
Scientific organisations and Universities
Clients and Consumers

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

- the creation of a department focused on managing of Investor Relations. This department, within the company's organisation, manages relations with financial analysts and institutional investors and organises periodic meetings focused on providing economic and financial information;
- the organisation of awareness-raising initiatives and scientific research projects through conferences and training courses on specific themes relating to the treatment of rare diseases. Aimed at health professionals, doctors and researchers, these initiatives are designed to intensify the sharing of knowledge about the treatment of rare diseases;
- promotion of support initiatives aimed at the families of patients affected by rare diseases, with the aim of improving quality of life for both patients and their families.

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

In 2017, the Recordati Group collaborated with 58 industry organisations located throughout its global business network, ensuring a constant and continuous flow of information.

*The Recordati Group's Industrial Associations, 2017*

<p><b>Italia</b></p> <ul style="list-style-type: none"> <li>• Farindustria</li> <li>• EPFIA</li> <li>• ASSONIME</li> </ul> <p><b>Francia</b></p> <ul style="list-style-type: none"> <li>• LEEM – Les Entreprises du Médicament</li> <li>• AFIPA - Association Française de l'Industrie Pharmaceutique pour l'Automédication)</li> </ul> <p><b>Belgio</b></p> <ul style="list-style-type: none"> <li>• Pharma.be</li> </ul> <p><b>Germania</b></p> <ul style="list-style-type: none"> <li>• BAH – Bundesverband der Arzneimittel-Hersteller e.V.</li> <li>• AGV Chemie – Arbeitgeberverband der Chemischen Industrie</li> <li>• IHK Ulm – Industrie und Handelskammer Ulm</li> <li>• AKG e.V. – Arzneimittel und Kooperation im Gesundheitswesen e.V.</li> <li>• Camera di Commercio Italo-Tedesca</li> <li>• Pharma-Lizenz Club</li> <li>• BPI – Bundesverband der Pharmazeutischen Industrie e.V.</li> </ul> <p><b>Austria</b></p> <ul style="list-style-type: none"> <li>• PHARMIG – Verband der pharmazeutischen Industrie Österreichs</li> </ul> <p><b>Spagna</b></p> <ul style="list-style-type: none"> <li>• Farindustria</li> <li>• Anefp</li> </ul> <p><b>Irlanda</b></p> <ul style="list-style-type: none"> <li>• Pharmacemical Ireland</li> <li>• IPHA – Irish Pharmaceutical and Healthcare Association</li> <li>• National Irish Safety Association</li> <li>• IBEC (Irish Business Employers' Confederation)</li> <li>• Cork Chamber of Commerce</li> <li>• Institute of Environmental Management and Assessment (IEMA) Production</li> <li>• Irish Exporters Membership - Logistics</li> <li>• PMI – Pharmaceutical Managers of Ireland</li> <li>• MMRI – Medical Reps Institute of Ireland</li> </ul> <p><b>Portogallo</b></p> <ul style="list-style-type: none"> <li>• APIFARMA – Portuguese Pharmaceutical Association</li> <li>• GROQUIFAR</li> </ul> <p><b>Polonia</b></p> <ul style="list-style-type: none"> <li>• Izba Gospodarcza Chamber of Commerce "FARMACJA POLSKA"</li> </ul> <p><b>Repubblica Ceca</b></p> <ul style="list-style-type: none"> <li>• SARAP – Slovenská asociácia spoločností v oblasti liekovej regulácie</li> <li>• CASP – Česká Asociace pro Speciální Potraviny</li> </ul>	<p><b>Russia</b></p> <ul style="list-style-type: none"> <li>• GIM - Unimpresa</li> </ul> <p><b>Ucraina</b></p> <ul style="list-style-type: none"> <li>• EBA – European Business Association</li> </ul> <p><b>Turchia</b></p> <ul style="list-style-type: none"> <li>• Pharmaceutical Manufacturers Association of Turkey</li> <li>• ICI – The Istanbul Chamber of Industry</li> <li>• ICC – The Istanbul Chamber of Commerce</li> <li>• Camera di Commercio Italo-Turca</li> <li>• Çerkezköy Organized Industrial Zone</li> <li>• Çerkezköy Chamber of Commerce and Industry</li> <li>• Istanbul Chemicals and Chemical Products Exporters' Association</li> <li>• The Union of Chambers and Commodity Exchanges of Turkey</li> </ul> <p><b>Grecia</b></p> <ul style="list-style-type: none"> <li>• Camera di Commercio Italo-Ellenica</li> </ul> <p><b>Tunisia</b></p> <ul style="list-style-type: none"> <li>• CNIP – The National Chamber of Pharmaceutical Industry</li> <li>• The Council of the Pharmacists Association</li> </ul> <p><b>USA</b></p> <ul style="list-style-type: none"> <li>• American Association of Pharmaceutical Scientists</li> <li>• American Chemical Society</li> <li>• BIO – Biotechnology Innovation Organization</li> <li>• DIA – The Drug Information Association</li> <li>• Global Genes</li> <li>• Healthcare Distribution Management Association</li> <li>• International Society of Pharmaceutical Engineers</li> <li>• Parenteral Drug Association</li> <li>• Regulatory Affairs Professional Society</li> </ul> <p><b>Svizzera</b></p> <ul style="list-style-type: none"> <li>• Swiss Association of the Pharmaceutical Industry</li> <li>• Business Association Chemistry, Pharma, Biotech</li> <li>• Swiss Healthcare Licensing Group</li> <li>• Swiss Health Quality Association</li> </ul> <p><b>Spagna</b></p> <ul style="list-style-type: none"> <li>• Farindustria</li> <li>• Anefp</li> </ul>
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### 1.5. Materiality analysis

In order to identify the main sustainability issues that relate to its business, in 2017 the Recordati Group launched an internal stakeholder engagement initiative in collaboration with senior management. The initiative promoted the discussion and debate of a range of economic, social, environmental, governance and product issues deemed significant for the industry and specifically required by Italian Legislative Decree, no. 254/2016.

The results of the analysis are evidenced by the materiality index, which represents the 22 issues selected according to their economic, social and environmental relevance both for the Recordati Group and for the relevant stakeholders.

The overview provided by the materiality analysis represents an important tool for the Group in order to identify its priorities on the subject of sustainability and define areas of development in this regard.

The Recordati Group's materiality index



Rilevanza per gli Stakeholder	Relevance for stakeholders
Rilevanza per il Gruppo Recordati	Relevance for the Recordati Group
Bassa	Low
Alta	High
Compliance e business etico	Compliance and business ethics
Anti-corruzione	Anti-corruption
Gestione dei rischi	Risk management
Corporate Governance	Corporate Governance
Performance economica	Financial performance
Presenza sul mercato	Market presence
Impegno nella comunità locale	Commitment to local communities
Attività di ricerca e sviluppo	Research and development
Salute e sicurezza del paziente	Patient health and safety
Accesso ai farmaci e all'assistenza sanitaria	Access to medical products and health insurance
Marketing responsabile	Responsible marketing
Qualità e sicurezza del prodotto	Product quality and safety

Lotta alla contraffazione	Anti-counterfeiting
Pratiche di approvvigionamento	Procurement practices
Gestione delle persone	HR management
Diversità e pari opportunità	Diversity and equal opportunities
Salute e sicurezza dei lavoratori	Employee health and safety
Formazione e sviluppo	Training and development
Diritti umani	Human rights
Utilizzo efficiente delle risorse naturali	Efficient use of natural resources
Tutela dell'ambiente	Environmental conservation
Smaltimento dei prodotti chimico-farmaceutici	Disposal of chemical products and pharmaceuticals
Legenda	Key
Governance	Governance
Responsabilità Economica	Economic Responsibility
Responsabilità Sociale-La Collettività	Corporate Responsibility - Community
Responsabilità verso il paziente	Responsibility to patients
Responsabilità di prodotto	Product Responsibility
Responsabilità nella catena di fornitura	Supply Chain Responsibility
Responsabilità Sociale-Le Persone	Corporate Responsibility - Employees
Responsabilità ambientale	Environmental Responsibility

## 1.6. Direct and indirect economic benefits

During 2017, the activities of the Recordati Group in the field of research and sale of medicines represented an important profitability factor for the Group and generated various economic advantages, including direct benefits for stakeholders through the distributed economic value as well as indirect benefits for the various associations or third-party organisations which receive donations and contributions from the Group.

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

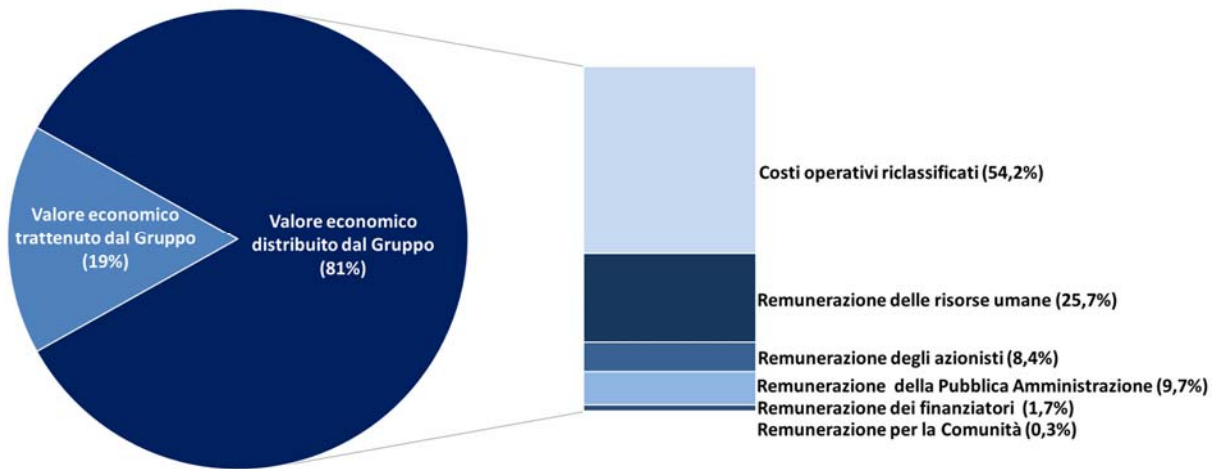
The Economic Value represents the wealth generated by the Recordati Group which is then distributed in various forms to *stakeholders*. Data regarding the creation and distribution of the economic value provides a basic indication of how the Group has generated wealth for its *stakeholders*, highlighting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

In 2017, of the € 1,289 million of Economic Value generated by the Recordati Group, approximately 81% (equal to € 1,039 million) was distributed as follows:

- reclassified operating costs of € 563 million, represented predominantly by the costs of raw materials, consumables and services;
- remuneration of human resources for a total of € 268 million, represented predominantly by the salaries and wages of Group personnel;
- remuneration of shareholders for a total of € 87 million, attributable to the distribution of dividends to shareholders<sup>1</sup>;
- remuneration of the Public Administration, in the form of taxes, for € 100 million;
- remuneration of financial institutions for € 18 million, primarily formed of borrowing costs;
- Community donations, sponsorships and contributions, for approximately € 3 million, of which € 2 million is allocated for distribution in 2018.

<sup>1</sup> The value of dividends distributed to shareholders refers exclusively to the account approved in November 2017 and does not include the figure to be approved in April 2018.

*Distribution of the Economic Value generated and distributed by the Group in 2017<sup>2</sup>*



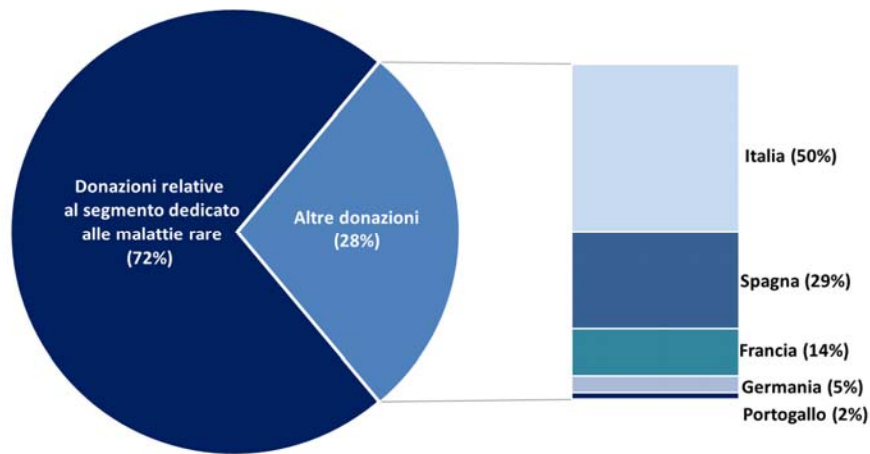
Valore economico trattenuto dal Gruppo (19%)	Economic Value withheld by the Group (19%)
Valore economico distribuito dal Gruppo (81%)	Economic Value distributed by the Group (81%)
Costi operativi riclassificati (54,4%)	Reclassified operating costs (54.4%)
Remunerazione delle risorse umane (25,7%)	Remuneration of human resources (25.7%)
Remunerazione degli azionisti (8,4%)	Remuneration of shareholders (8.4%)
Remunerazione della Pubblica Amministrazione (9,7%)	Remuneration of the Public Administration (9.7%)
Remunerazione dei finanziatori (1,7%)	Remuneration of financial institutions (1.7%)
Remunerazione per la Comunità (0,1%)	Remuneration of the community (0.1%)

### *Donations and contributions*

Our commitment to providing support to patients is an intrinsic value of the Recordati Group and is evidenced in the development of social projects and initiatives to support organisations operating in the field of health and medication. These include activities implemented by the Group each year to support the numerous associations that focus on the treatment of diseases and improving the quality of life of patients and their families, and research projects and initiatives by supporting social and cultural institutions which carry out their work diligently and passionately every day. In 2017, the Recordati Group issued donations and contributions to foundations, associations, non-profit organisations and medical institutes for a total of € 1 million, 72% of which was focused the treatment of rare diseases. The remaining 28% refers to contributions and donations awarded to social and cultural organisations and institutions in various countries: Italy (50%), Spain (29%), France (14%), Germany (5%) and Portugal (2%).

<sup>2</sup>The distribution of the Economic Value generated and distributed to various categories of stakeholders represents a quantifiable indicator for the calculation of the economic value, processed according to the guidelines issued by the “GRI - Global Reporting Initiative” and the “GBS - Study Group for establishing the Social Reporting Standards”.

Subdivision of donations and contributions allocated by the Recordati Group in 2017<sup>3</sup>



Donazioni relative al segmento dedicato alle malattie rare (72%)	Donations issued to the rare diseases sector (72%)
Altre donazioni (28%)	Other donations (28%)
Italia (50%)	Italy (50%)
Spagna (29%)	Spain (29%)
Francia (14%)	France (14%)
Germania (5%)	Germany (5%)
Portogallo (2%)	Portugal (2%)

In addition to the donations issued during the year, following a series of meetings with the University of Milan and ASST Fatebenefratelli Sacco, in 2017 the Recordati Group expressed the desire to make a donation to the “V.Buzzi” Children’s Hospital in Milan in order to redevelop the paediatric ward and the neurological outpatient area. The Group promptly allocated a donation of € 2 million to facilitate the future redevelopment of the new Paediatric Ward and the transfer of the Neurology department to a new area, representing the first important step in implementing the project at Milan’s children’s healthcare centre. This contribution shows the Recordati Group’s desire to continue its key investment role in a project that will enable the community of Milan to achieve important targets and provide an increasingly high level of care in the paediatric sector.

### Social initiatives and activities

As well as monetary donations, the Recordati Group provides a constant and significant contribution in the countries where its Companies are located by developing and implementing social and community initiatives, events and projects aimed at vulnerable groups, foreigners, people with disabilities and, more generally, people experiencing any kind of disadvantaged or difficult situation. This contribution, offered in various forms, is intertwined with the people it is aimed at and the specific characteristics of the supported organisation. In particular, the following initiatives are worthy of note:

- Donations of material assets (e.g. IT facilities) to the “Terre Rouge” associations in France which provide educational and healthcare facilities to people in Africa, and primary school institutions in Tunisia;
  - assignment of corporate services for organisations for the disabled, such as the fleet management service provided to *Donau-Ilker-Werkstätten* and the laundry service offered to *Grüner Zweig*, both in Germany;
- direct support for Recordati employees in the organisation and management of social initiatives, such as the *Diakonie Neu-Ulm* project in Germany which organises events for homeless or disadvantaged people or the commitment to environmental conservation and clean-up operations in Ireland.

<sup>3</sup> This subdivision takes into account donations and contributions issued in 2017, for a total of approximately € 1 million.

### La Course Des Héros

“La Course des Héros”, one of the most important charitable events in France, is an annual appointment organised by the Group Company Orphan Europe. Over the last four years the Orphan Europe team has collaborated with the L’Envol Association to raise funds for “Recreational Therapies” organised for seriously ill children accommodated in the association’s dedicated facilities. At the event in Paris on 18 June, a total of 19 Orphan Europe team members raised € 3,310 to be donated to L’Envol. The race, which raised a total of € 2 million, is an opportunity to demonstrate our engagement in providing care for patients and their families. Thanks to its team of experienced professionals and volunteers, in the last twenty years L’Envol has accommodated 7,500 children aged between 7 and 17 in its dedicated facilities.



## 2. PRODUCT QUALITY AND SAFETY

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

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

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

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

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

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

### *Compliance with legislation and regulations*

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

Important company figures in this regard include the managers of the Pharmacovigilance Department, the Scientific Department, the Clinical and Manufacturing Quality Assurance Departments and the Regulatory Affairs Department, as well as the Qualified Person and Compliance Officer. Activities aimed at ensuring compliance with legislation and regulations are undertaken in compliance with international best practices and are constantly examined through inspections conducted by commercial partners, authorities or certification bodies. In this regard, Recordati complies with the regulations issued by industry certification bodies and has been awarded the GMP (Good Manufacturing Practice) certification for product quality and safety at its plant in Cork, which is valid until 11/01/2020.

As regards cases of non-compliance, in 2017 the Group recorded a limited number of episodes: in fact, only a small number of Group branches recorded breaches and/or disputes reported by local authorities or consumers, and any monetary sanctions applied were all below the Group's materiality threshold:

- the subsidiary Italchimici S.p.A. recorded the voluntary recall of a batch of medical devices, distributed by Italchimici S.p.A. but produced by a third-party manufacturer, following a quality defect report issued by the manufacturer. The identified defect, regarding product inconsistency, did not represent any health risks but rather resulted in the inefficacy of the medicine. Therefore, Italchimici S.p.A. chose to recall the



product from the market, while the manufacturer sent the relative safety notification to the Ministry of Health;

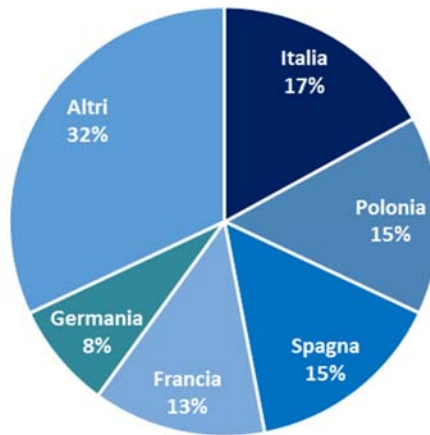
- following an inspection carried out at the Portuguese branch Jaba-Recordati S.A., the local authorities requested that a single management system be implemented for information regarding pharmacovigilance activities as opposed to a shared management system between the Portuguese branch and the Parent Group. Although no sanction was imposed, the Parent Group nonetheless implemented an action plan aimed at implementing the requirements requested by the Portuguese authorities;
- the Turkish branch Recordati Ilac Recordati Rare Diseases Inc recalled a batch of products distributed by the Turkish branch following a financial sanction imposed upon the manufacturer. In the same year, the same branch recalled another batch of medicines due to a colouration anomaly in the product itself and the loss of the cap of the packaging;
- following a report submitted by a patient, the Parent Group reported an error in the text included on the back of the packaging of a drug sold on the Italian market. The Group issued a voluntary recall of two batches of the product and issued a notification containing the corrected text;
- the Ukraine branch paid a negligible financial sanction regarding the alleged non-compliance with Ukrainian law of a television advertisement for a drug;
- Recordati Ireland Ltd issued recalls for two batches of medicines from the Polish and Czech/Slovakian markets respectively, regarding a reduction in the active ingredient content; this did not pose any health risks to patients but may have reduced the efficacy of the product.

### 2.1. Supply chain

The supply chain of the Recordati Group takes place within a highly regulated market and is characterised by the search for efficiency both in terms of financial viability and the maintenance of the supply chain. The Recordati Group is served by approximately 14,000 suppliers, predominantly located in the countries in which the Group operates manufacturing plants or has a commercial presence. The supply chain is characterised by the purchase of direct ingredients (active ingredients, packaging material, excipients and chemical intermediates), finished products and indirect services required for regular operation (consultancy services, marketing, supplies, licensing, etc.). In this regard, the main purchase categories are represented by APIs (Active Pharmaceutical Ingredients), packaging, industrial products and services and finished products.

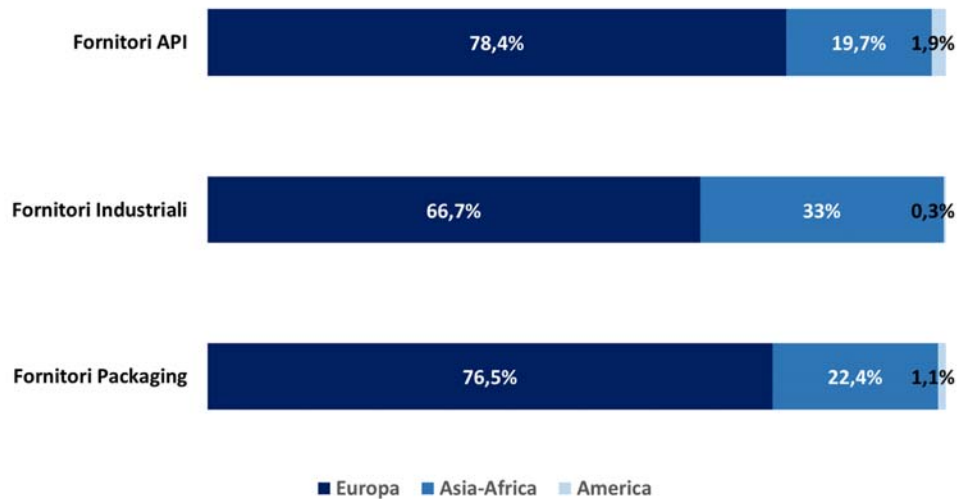
In 2017 the Recordati Group interacted with around 400 certified API suppliers principally located in Europe and India. However, approved suppliers for the packaging of medicinal products produced directly in the Group's plants numbered approximately 190, located principally in the countries in which the Group has a manufacturing site (of these, approximately 10% are approved suppliers for two or more Group factories). As such, the Group benefits from a pronounced autonomy in the selection of its suppliers, with a clear preference for local suppliers of packaging, secondary materials and tertiary services. However, suppliers of industrial materials and services for use in the Group's plants number approximately 1,300, with a pronounced local presence due to the type of goods and services. Finally, it should be noted that there are approximately 130 suppliers of finished products at Group level, with a pronounced predominance of European rather than American manufacturers.

Percentage subdivision of suppliers of the Recordati Group by location, 2017



Altri	Others
Italia	Italy
Polonia	Poland
Spagna	Spain
Francia	France
Germania	Germany

Percentage subdivision of the three supplier categories of the Recordati Group by location, 2017



Fornitori API	API Suppliers
Fornitori Industriali	Industrial Suppliers
Fornitori Packaging	Packaging Suppliers
Europa	Europe
Asia-Africa	Asia-Africa
America	America

In order to operate within the Recordati Group, our suppliers are selected and approved according to two different methods for direct and indirect products. For the purchase of indirect materials and services, information regarding the suppliers' economic and financial position is collected through documental evidence and

research. For the purchase of direct materials, potential suppliers are subjected to financial checks and are required to follow a regulated documentation collection procedure in line with GMPs and GDPs (Good Manufacturing Practices and Good Distribution Practices) before undergoing a strict monitoring and auditing process.

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

- focus on environmental sustainability and relative legislation in order to prevent the prioritisation of financial savings or advantages which may negatively impact the environment or are otherwise counter to the Group's values (as stated in the Group's Code of Ethics). This parameter is assessed through the explicit requirement of possession of specific environmental certifications on behalf of the supplier;
- compliance with the Group's Code of Ethics which includes respect of the basic Human Rights of all employees, the prevention of child exploitation and the prohibition of forced or enslaved labour, in accordance with the International Labour Organisation. These selection criteria are binding, and all suppliers must declare their commitment to the Code of Ethics and the practices contained therein;
- compliance with European Regulation ICH Q3D (into force from June 2016) regarding the content limits of heavy metals in APIs, excipients, intermediate chemicals and raw materials.

This management procedure was successfully implemented in Italy in 2016 and Recordati set itself the target of extending the initiative to all Group Companies by the end of 2019, in order to create a unique and shared supplier database.

## 2.2. Audits and inspections

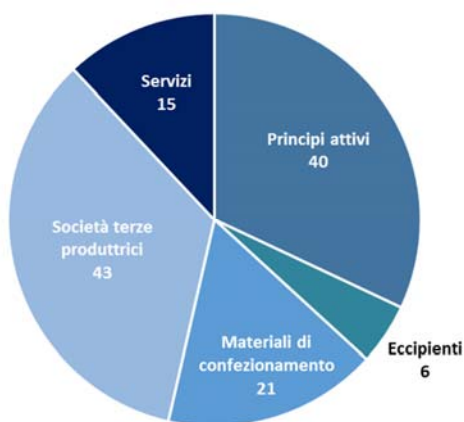
In order to ensure the safety of its products and verify the compliance of its suppliers with quality, environmental, health and safety legislation and regulations, the policies implemented by the Recordati Group include periodic audits of the supply chain, as well as continuous inspections and self-inspections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

### *Supplier audits*

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

In accordance with the current procedures for supplier approval, all suppliers, particularly those supplying active substances, excipients and services, are subjected to periodic audits as defined by a risk assessment rating. In fact, in 2017 the Pharmaceutical Division of the Recordati Group conducted 125 supplier audits, of which 34% related to third-party manufacturers, 32% to suppliers of active substances, 17% to suppliers of packaging, 12% to service suppliers and 5% to suppliers of excipients.

*Subdivision of supplier audits conducted by the Pharmaceutical Division by product category, 2017*



Servizi 15	Services 15
Principi attivi 39	Active substances 39
Eccipienti 6	Excipients 6
Materiali di confezionamento 21	Packaging 21
Società terze produttrici 43	Third-party manufacturers 43

Regarding supplier inspections carried out by the Chemical and Pharmaceutical Division, it should be noted that in the course of 2017 the Campoverde di Aprilia plant conducted four audits of suppliers of raw materials and two audits of service providers.

#### *Production plant inspections*

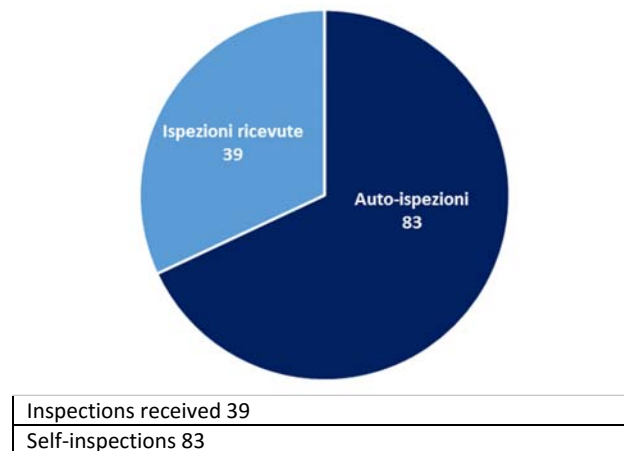
The production plants of the Recordati Group are regularly subjected to internal or external inspections (the latter by competent authorities, third-party companies and clients) in order to verify compliance with product quality regulations.

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

Within its own pharmaceutical plants, the Group is committed to maintaining a quality control system that fulfils all national and international requirements, guidelines and standards for the production of finished pharmaceutical products. In particular, the manufacturing plants operate in line with GMPs (Good Manufacturing Practices) and are regularly verified by inspections conducted by national and international competent authorities. The Quality Control departments are responsible for the control of procured raw materials and the finished products in accordance with the relative procedures, approved methods and the pharmacopoeial monographs.

In 2017, a total of 122 inspections and audits were carried out at the Group's pharmaceutical plants in order to assess product quality and safety. Of these, 83 (68%) were self-inspections carried out by the Group at its own plants while the remaining 39 were carried out by competent authorities (Health Ministries, Agencies, Certification Bodies, FDA and AIFA) and third-party companies. In particular, during 2017 the Laboratoires Bouchara Recordati S.a.s, Recordati Ilac Recordati Rare Diseases Inc and Herbacos Recordati s.r.o. pharmaceutical plants were subject to periodic inspections by the respective regulatory agencies. The first two sites received GMP inspections while the third received a GDP inspection.

*Subdivision of quality and safety inspections/audits carried out at Group pharmaceutical plants in 2017*



With regard to the inspections carried out at the two chemical pharmaceutical plants, it should be noted that no external inspections of the Quality Management System were carried out at the Campoverde di Aprilia plant in 2017. However, the internal Quality Assurance department conducted 14 internal audits at the plant in the production, quality control and maintenance departments. With regard to the plant in Cork, the following inspections were carried out:

- an inspection was carried out by the Health Products Regulatory Authority (HPRA) of the Irish Health Ministry in January 2017, as part of the three-year renewal of the plant's Certificate of Compliance with Good Manufacturing Practices for the production of active substances. The inspection, which approved the renewal of the GMP certificate for a further three years, identified a number of recommendations. In response to these, the branch implemented a series of control measures approved by the Authority which will enable the Group to reinforce its Quality Control Systems and Validation Plan at the site in Cork. GMP compliance at the Cork plant was also inspected and approved by a client who buys active substances;
- in March 2017 an internal audit was carried out to assess compliance with all GMPs, with a positive outcome;
- in November 2017 a second internal audit was carried out to assess maintenance activities; this audit was passed, and a number of possible improvements were identified.

### 2.3. Product serialization

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

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

In this regard, in 2015 the Recordati Group launched a project to ensure that all medicinal products produced at its own production plants or those of third-party companies comply with this regulation. The project is proceeding in line with the prescribed deadlines for the implementation of the regulation, and various equipment and devices



have been installed in the four pharmaceutical sites involved in the project in 2017; the project will be extended to the remaining plants in 2018. All information generated in regard to the serialisation of individual packs shall be collated in a database designed to enable the in-out management of all third-parties of the Group as part of a European data collection system.

Similar initiatives aimed at combating the counterfeiting of medicinal products have been launched or are currently being implemented in various countries in which the Group operates. In particular, in Turkey, China, the USA and Korea, the medicinal products commercialised by the Recordati Group already comply with these safety requirements, while the Group's sites in Russia will conform to the same by December 2018, in line with the entry into force of similar local regulations.

### 3. THE RECORDATI GROUP'S EMPLOYEES

#### 3.1. The importance of our employees

The Recordati Group operates in highly specialised sectors including traditional pharmaceuticals, the treatment of rare diseases and chemical pharmaceuticals. In order to operate effectively in these fields, it is essential to collaborate with increasingly highly qualified employees able to bring professionalism and added value to the Group and enable us to confront and overcome market challenges.

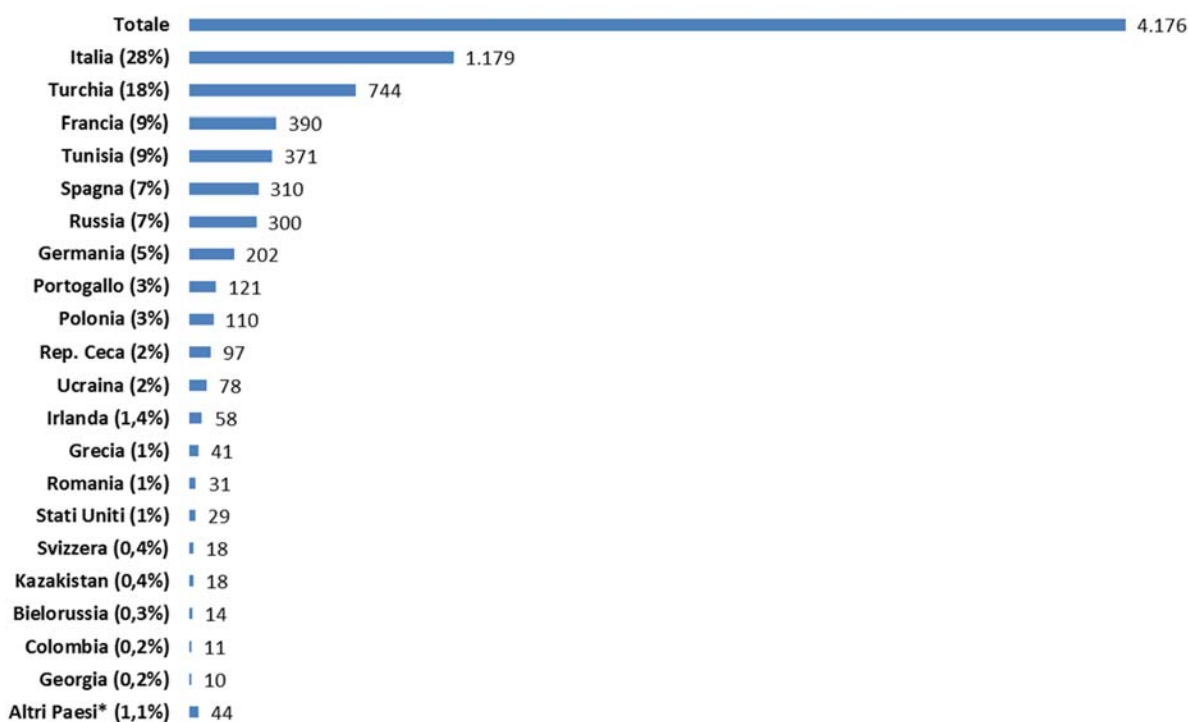
For this reason, the Group policy for the development and optimisation of human resources aims to incentivise professional growth and career development. This policy has been developed through our belief that the Group's results are closely linked to the ability of our employees to engage their own commitment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

As of 31 December 2017, the Group's workforce was formed of 4,176 employees, with a gender division of 55% and 45% of men and women respectively. This is substantially in line with the workforce at the end of 2016 (4,116), with the increase of 60 employees due predominantly to the extension of certain commercial departments in Poland, the Czech Republic and Greece as well as the development of the corporate divisions and branches of the Orphan Drugs Business Unit. At present, the Group's workforce is also supplemented by a further 200 people who collaborate with the Group at various levels; approximately half of these collaborators are represented by women.

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

Number of employees	2017			2016		
	Men	Women	Total	Men	Women	Total
<b>Employees</b>	2,297	1,879	<b>4,176</b>	2,283	1,833	<b>4,116</b>
<b>Collaborators</b>	103	97	<b>200</b>	52	96	<b>148</b>
<b>Total</b>	<b>2,400</b>	<b>1,976</b>	<b>4,376</b>	<b>2,335</b>	<b>1,929</b>	<b>4,264</b>

*Subdivision of employees by country, as of 31 December 2017 (number of people)*



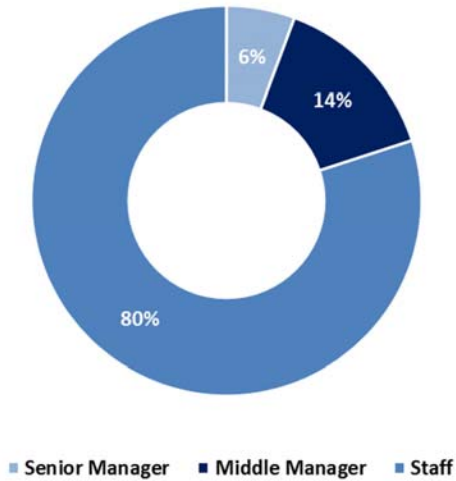
Totale	Total
Italia (28%)	Italy (28%)
Turchia (18%)	Turkey (18%)
Francia (9%)	France (9%)
Tunisia (9%)	Tunisia (9%)
Spagna (7%)	Spain (7%)
Russia (7%)	Russia (7%)
Germania (5%)	Germany (5%)
Portogallo (3%)	Portugal (3%)
Polonia (3%)	Poland (3%)
Rep. Ceca (2%)	Czech Republic (2%)
Ucraina (2%)	Ukraine (2%)
Irlanda (1,4%)	Ireland (1.4%)
Grecia (1%)	Greece (1%)
Romania (1%)	Romania (1%)
Stati Uniti (1%)	United States (1%)
Svizzera (0,4%)	Switzerland (0.4%)
Kazakistan (0,4%)	Kazakhstan (0.4%)
Bielorussia (0,3%)	Belarus (0.3%)
Colombia (0,2%)	Colombia (0.2%)
Georgia (0,2%)	Georgia (0.2%)
Altri Paesi (1,1%)	Other Countries (1.1%)

(\*) The item "Other Countries" includes employees who work in Armenia, Belgium, Brazil, Colombia, United Arab Emirates, Georgia, Mexico, United Kingdom, Sweden, Hungary, Canada and Malaysia.

As regards the breakdown of the Recordati Group's workforce by professional category, 237 employees are Senior Managers (6% of the total), 598 are Middle Managers (14%) while the remaining 3,341 people are ordinary employees (80%).



Percentage breakdown of Group employees by professional level, as of 31 December 2017

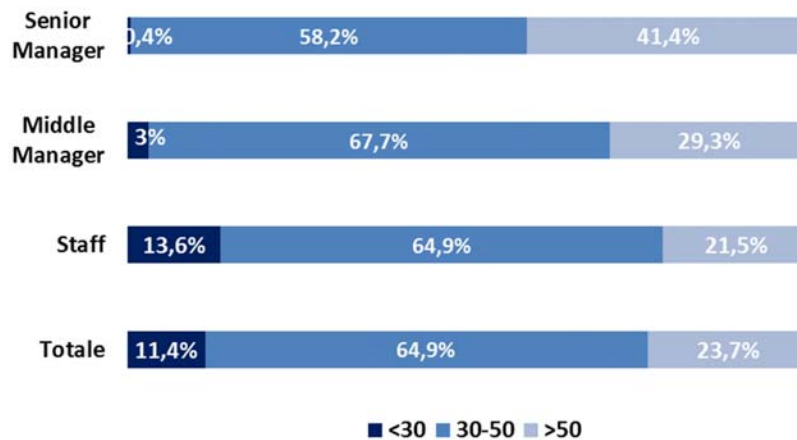


Approximately 65% of the workforce is comprised of employees aged between 30 and 50; 24% are over 50 and 11% are under 30.

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

Number of employees	2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Senior Managers	1	138	98	237	0	118	81	199
Middle Managers	18	405	175	598	33	434	143	610
Staff	455	2,167	719	3,341	614	2,107	586	3,307
<b>Total</b>	<b>474</b>	<b>2,710</b>	<b>992</b>	<b>4,176</b>	<b>647</b>	<b>2,659</b>	<b>810</b>	<b>4,116</b>

Percentage breakdown of Group employees by professional level and age, as of 31 December 2017



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

In order to optimise the development of human resources, in the case of suitable vacancies and candidates the Group prioritises the recruitment of internal employees. For junior positions, the recruitment process begins at university level, focusing on undergraduates in their final year or new graduates who have been selected according to their university or Master's specialisation. This policy offers young people the opportunity to embark on a professional development programme within the Group through placements and apprenticeships, in particular in the areas of Finance, Research and Development, Marketing and Industry. To select the best candidates, the Group uses an internal Assessment Centre that aims to assess the transferable skills and communication abilities of the young candidates.

One of the various recruitment initiatives developed in 2017 included the implementation of a "Recruiting Grid" in the HR departments of the various Group Companies, aimed at supporting line managers involved in the selection of a new employee during the candidate interviewing process. In a nutshell, this initiative provides a series of prompts aimed at exploring if, and to what extent, the candidate possesses the managerial skills which characterise employees of the Recordati Group. During the interview, the manager draws on a series of suggestions on how to engage with the interviewee, such as how to pose questions and which aspects to develop further. Furthermore, the "Recruiting Grid" offers various positive and negative indicators to indicate whether a candidate possesses a certain skill.

In 2017, 631 new employees joined the Recordati Group, with an inbound turnover rate (the ratio between the number of new employees and the total Group workforce as at 31 December 2017) of 15.1%, while the number of employees who left the company was 571 (with an outbound turnover rate - the ratio of number of people leaving the Group to total Group workforce as of 31 December 2017 - of 13.7%).

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

Number of employees	2017					2016				
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
<b>New employees entering the Group</b>										
<b>Men</b>	92	183	26	301	<b>13%</b>	111	248	32	391	<b>17%</b>
<b>Women</b>	97	212	21	330	<b>18%</b>	114	184	21	319	<b>17%</b>
<b>Total</b>	189	395	47	631	<b>15%</b>	225	432	53	710	<b>17%</b>
<b>Turnover %</b>	<b>40%</b>	<b>15%</b>	<b>5%</b>	<b>15%</b>		<b>35%</b>	<b>16%</b>	<b>7%</b>	<b>17%</b>	
<b>Employees leaving the Group</b>										
<b>Men</b>	55	207	25	287	<b>12%</b>	42	170	28	240	<b>11%</b>
<b>Women</b>	76	173	35	284	<b>15%</b>	78	175	30	283	<b>15%</b>
<b>Total</b>	131	380	60	571	<b>14%</b>	120	345	58	523	<b>13%</b>
<b>Turnover %</b>	<b>28%</b>	<b>14%</b>	<b>6%</b>	<b>14%</b>		<b>19%</b>	<b>13%</b>	<b>7%</b>	<b>13%</b>	

*Subdivision of employees entering and leaving the company by gender, age and location, as of 31 December 2017*

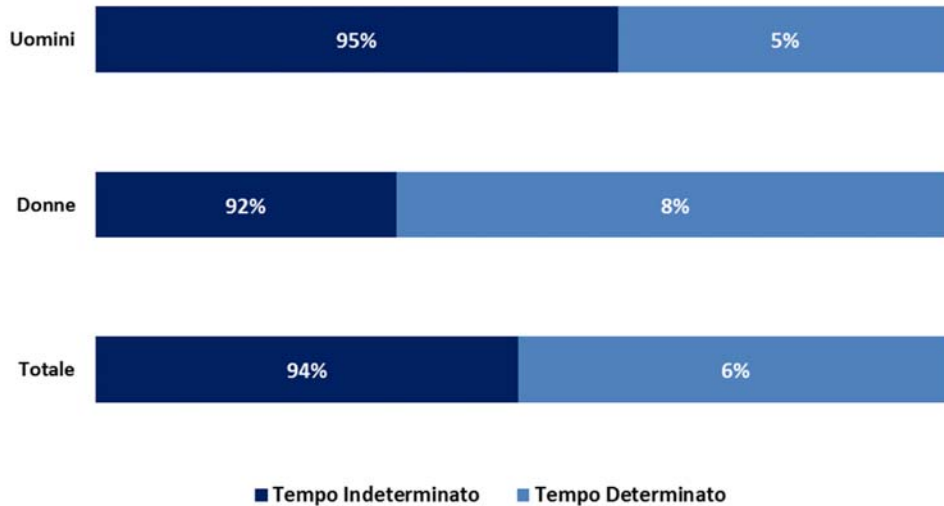
Number of employees	2017									
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
	New employees - Italy					New employees - Abroad				
<b>Men</b>	24	27	6	<b>57</b>	6.7%	68	156	20	<b>244</b>	16.9%
<b>Women</b>	4	16	4	<b>24</b>	7.3%	93	196	17	<b>306</b>	19.7%
<b>Total</b>	<b>28</b>	<b>43</b>	<b>10</b>	<b>81</b>	<b>6.9%</b>	<b>161</b>	<b>352</b>	<b>37</b>	<b>550</b>	<b>18.4%</b>
	Employees leaving the Group - Italy					Employees leaving the Group - Abroad				
<b>Men</b>	7	30	8	<b>45</b>	5.3%	48	177	17	<b>242</b>	16.7%
<b>Women</b>	3	17	4	<b>24</b>	7.3%	73	156	31	<b>260</b>	16.8%
<b>Total</b>	<b>10</b>	<b>47</b>	<b>12</b>	<b>69</b>	<b>5.9%</b>	<b>121</b>	<b>333</b>	<b>48</b>	<b>502</b>	<b>16.8%</b>

The Recordati Group believes that offering a stable and long-lasting working relationship is an important factor to promoting employee motivation and represents an essential element of the Group's growth and economic development. For this reason, 94% of all staff (3,922 employees) are recruited on a permanent basis while 6% (254 employees) are employed on temporary contracts. It should also be noted that compared to 2016, the number of employees with permanent contracts rose by 3% in 2017.

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

Number of employees	2017			2016		
	Men	Women	Total	Men	Women	Total
<b>Permanent Contracts</b>	2,189	1,733	<b>3,922</b>	2,180	1,641	<b>3,821</b>
<b>Temporary Contracts</b>	108	146	<b>254</b>	103	192	<b>295</b>
<b>Total</b>	<b>2,297</b>	<b>1,879</b>	<b>4,176</b>	<b>2,283</b>	<b>1,833</b>	<b>4,116</b>

Percentage breakdown of employees by contract type (permanent or temporary) and gender, as of 31 December 2017



Uomini	Men
Donne	Women
Totale	Total
Tempo Indeterminato	Permanent Contracts
Tempo Determinato	Temporary Contracts

In order to promote continuous improvement aimed at optimising the sharing of information regarding human resources, in 2017 a feasibility study was launched to assess the possibility of creating a centralised database, with the aim of collating the information (name, contract, wage) of all Group employees and implementing initiatives aimed at promoting maximum intra-group cooperation.

### 3.2. Diversity and equal opportunities

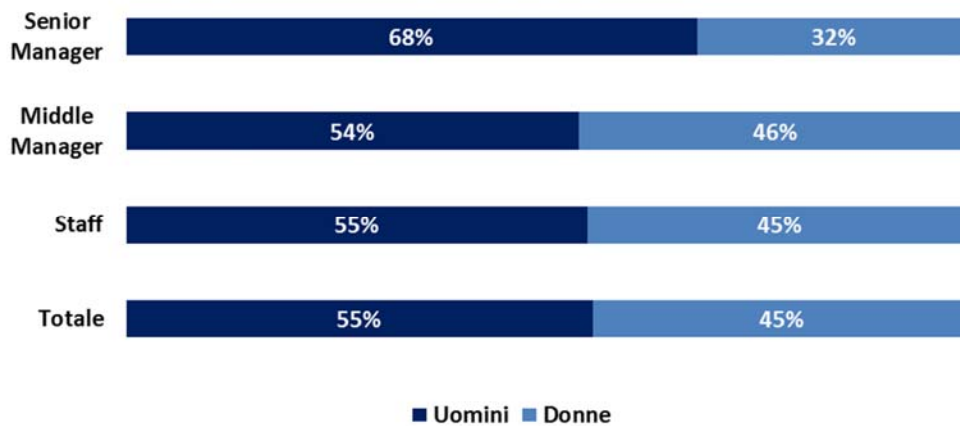
As stated by the Code of Ethics, the Recordati Group is committed to offering equal working opportunities without any discrimination based on ethnic background, age, sexual orientation, physical or mental disability, nationality, religious beliefs or membership of political parties or unions, and guarantees all employees equal and meritocratic treatment. Furthermore, the Code of Ethics states the Group's commitment to *"the respect for basic human rights, the prevention of child exploitation and the prohibition of forced or enslaved labour"* in compliance with the Conventions of the International Labour Organisation. As such, all Group departments are committed to: adopting criteria based on merit, skills and professionalism; selecting, recruiting, training, rewarding and managing employees without discrimination; promoting the integration of employees from other countries.

The Group has a good gender balance, with 55% of employees represented by men and 45% represented by women. The workforce is evenly divided by professional category and the gender balance remains broadly in line with the previous year. In particular, compared to 2016 the number of male senior managers has increased by 17% while the number of female senior managers has increased by 24%.

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

Number of employees	2017			2016		
	Men	Women	Total	Men	Women	Total
Senior Managers	160	77	237	137	62	199
Middle Managers	320	278	598	354	256	610
Staff	1,817	1,524	3,341	1,792	1,515	3,307
<b>Total</b>	<b>2,297</b>	<b>1,879</b>	<b>4,176</b>	<b>2,283</b>	<b>1,833</b>	<b>4,116</b>

*Percentage breakdown of Group employees by professional level and gender, as of 31 December 2017*



Totale	Total
Uomini	Men
Donne	Women

The Recordati Group always aims to ensure the maximum respect for the human rights of its employees. In this context, the Group's Code of Ethics states that a constant commitment to promoting and consolidating the culture of a safe working environment is one of the fundamental principles of the human resources management policy, aimed at implementing practices and preventative measures to protect the physical and psychological health and safety all Group employees.

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

Managers across all company departments constantly monitor compliance with the provisions of the Code of Ethics and are committed to intervening promptly in the event of any situation that could potentially result in

breaches to the conduct required and promoted by the Group. With reference to the management models adopted by the Group to protect the human rights of its employees, the Group has integrated a management policy which promotes the concept of inclusion, respects diversity and gives all employees a voice in order that every contribution be heard and considered.

As regards industrial relations, the Recordati Group protects the right of employees to join and form unions, supports alternative methods of union representation and collective labour agreements and ensures that union representatives are not discriminated against at their place of work and are free to communicate with their members. The industrial relations model implemented by the Companies of the Recordati Group is based on continuous dialogue and debate, characterised by proper and transparent relations and is aimed at increasing the firm's competitiveness and promoting responsible employment. Approximately 60% of the Group workforce, predominantly located in western Europe, is covered by a collective labour agreement.

### 3.3. Employee welfare

The Recordati Group believes that the welfare of its employees is a key element to achieving company targets. In general terms, welfare initiatives vary between countries due to the specific characteristics of different states (regulatory framework, availability of public services etc.) and the existence of previous agreements developed by the various corporate entities before they became part of the Group. The promotion of corporate welfare is part of a wider strategy aimed at managerial innovation and corporate social responsibility and represents a tool to improve relations with employees and internal stakeholders while also developing human, social and relational capital.

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

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

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

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

In 2018, the Parent Group is launching a flexible benefits system: this system represents an alternative remuneration method for employed work consisting of a range of goods, services and non-financial benefits offered by the Group to its employees in addition to their “standard” wage package, in order to increase employees’ buying power and improve their quality of life. More specifically, this system replaces a percentage of the overall remuneration package with goods and/or services which are usually purchased externally by the employee to meet their personal or family requirements. The term “flexible benefits” refers to a fixed allowance allocated to employees that can be “spent” freely on the goods and services which best correspond to their individual requirements.

At a contractual level, of the 3,922 employees on permanent contracts, 69 people, 64 of which are women, are employed on a part-time basis. Compared to 2016, it is noted that the number of women on part-time contracts has increased by 28%.

*Subdivision of employees with permanent contracts by professional type (full or part time) and gender, as of 31 December*

Number of employees	2017			2016		
	Men	Women	Total	Men	Women	Total
<b>Part Time</b>	5	64	<b>69</b>	5	50	<b>55</b>
<b>Full Time</b>	2,184	1,669	<b>3,853</b>	2,175	1,591	<b>3,766</b>
<b>Total</b>	<b>2,189</b>	<b>1,733</b>	<b>3,922</b>	<b>2,180</b>	<b>1,641</b>	<b>3,821</b>

### *Remuneration system*

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

The Group’s remuneration policy aims to guarantee equal conditions for men and women across all professional levels, rewarding merit and the ability to fulfil the assigned role and meet defined objectives. In terms of remuneration, the ratio between the average basic salary of female employees and male employees is 70% at Senior Management level, 94% at Middle Management level and 98% for all other employee categories. The ratio in terms of total remuneration is 71% for Senior Managers, 87% for Middle Managers and 90% for all other employee categories.

*Ratio between basic salary and total remuneration<sup>4</sup> for men and women by professional level, for Italian and foreign companies of the Recordati Group, as at 31 December*

Ratio between women and men	2017		2016	
	Basic Salary	Total Remuneration	Basic Salary	Total Remuneration
Senior managers	70%	71%	78%	N/A
Middle managers	94%	87%	103%	N/A
Staff	98%	90%	95%	N/A

### *Principal internal engagement initiatives*

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

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

Through the combination of MBOs and *appraisals*, managers are assessed in terms of their achievements (individual targets assigned by the Group) and the way in which these achievements are reached (conduct which displays the use of managerial skills).

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

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

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

<sup>4</sup>The variable component of the total remuneration differs between Italian and foreign companies. In Italy, this variable component is predominantly composed of MBO programmes (available for all senior managers and around half of all middle managers) and the participation bonus offered to all middle managers and employees except senior managers. Foreign Companies manage the variable component independently through packages similar to MBO programmes which are offered to all employees in line with local regulations.



### 3.4. Training and development of human capital

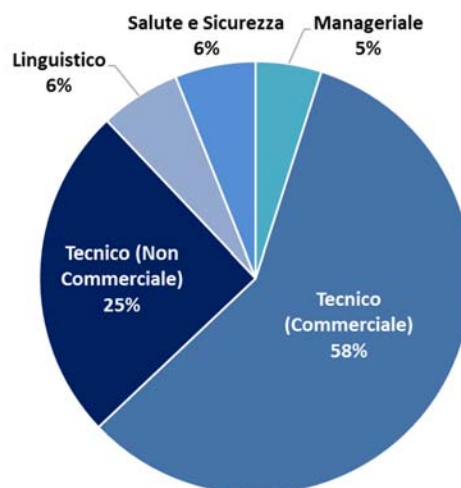
The Group considers the development of human capital as an important professional and personal process that enables employees to understand the key skills required by their role and develop their personal growth through individual training, on-the-job training, coaching, mentoring and one-to-one counselling.

In this respect, the initiatives promoted by the Group throughout the year have aimed to define and develop the technical, managerial and linguistic skills of managers, as well as offer training programmes to develop specialised and professional skills. In 2017 the Recordati Group provided over 97,000 hours of training to its employees, equating to 23.2 hours of training pro capita. In particular, 80% of all training hours was provided to staff, 15% to Middle Managers and 5% to Senior Managers. Various types of training courses were offered including management skills, technical commercial skills, technical non-commercial skills, languages and health and safety. In particular, in 2017 pro capita staff training times rose by approximately 20%.

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

Average number of hours	2017			2016		
	Average number of hours Men	Average number of hours Women	Average number of hours Total	Average number of hours Men	Average number of hours Women	Average number of hours Total
Senior managers	16.7	26.6	19.9	24.0	30.6	26.1
Middle managers	23.9	25.7	24.8	22.6	29.5	25.5
Staff	23.0	23.5	23.2	22.0	16.3	19.4
<b>Total</b>	<b>22.7</b>	<b>23.9</b>	<b>23.2</b>	<b>22.3</b>	<b>18.6</b>	<b>20.6</b>

*Percentage breakdown of training hours provided to employees by training type, 2017*



Linguistico 6%	Languages 6%
Salute e Sicurezza 6%	Health and Safety 6%
Manageriale 5%	Management Skills 5%
Tecnico (Commerciale) 58%	Technical (Commercial) 58%

Tecnico (Non commerciale) 25%	Technical (Non-Commercial) 25%
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The expansion and internationalisation project of the Recordati Group has led to the need to develop a system to better understand, evaluate and optimise the Group’s human capital. In this regard, in the last few years the Recordati Group has launched a skills evaluation project which is currently being consolidated in Italy and throughout the Group’s international branches. The initiative aims to identify, evaluate, optimise and promote the key skills that have characterised the Group’s evolution over the years and which will continue to contribute to the Group’s success as it confronts new challenges. This is not a simple assessment of performance, which could result in attitudes not in line with the spirit of the project but is an assessment of skills aimed at promoting the continuous development of the Group and the professional growth of each employee. To manage the individual evaluation process, the Recordati Group has implemented a cloud-based platform in order to ensure standardised procedures, ease of use and the possibility of carrying out *assessments* involving numerous assessors (but nonetheless respecting the corporate hierarchy) and personalising forms, fields and messages at a global Group level. The project’s aim is to promote the professional growth of each employee and ensure the continued development of the Group. Managers assess their collaborators based on skills observed during their working activities. The initial assessment is then reviewed by the manager’s superior or the department manager at corporate level. At the end of the assessment period, an internal committee analyses the results and mitigates any elements of subjectivity (calibration phase). The appraisal process is concluded by a meeting between the assessor and the assessed employee in order to share and discuss the results. The Recordati Group has also constructed a *Competency Model* that links the observed behaviour with a soft skill. Based on these evaluations, the system automatically generates a development programme (accessible on the cloud platform) for each employee to develop any skills that fall below a certain threshold. Finally, the system automatically forwards these proposals to the assessor who is then free to make amendments, additions or alternatives to the plan. This is the truly innovative aspect of the system and has been deemed highly effective by the HR Innovation Practice Observatory of Milan Polytechnic University.

For “top performers”, career plans are defined while “poor performers” are offered programmes to improve their managerial skills. In the future, the same assessment approach will be extended to technical skills as defined by the analysis of the roles in each country. The appraisal system enables all employees to gain a better understanding of their role and helps to construct a development plan. Employees with the required skills and experience may be offered opportunities to develop their role and enhance their performance. Specific tools to assess soft and transversal skills are used to evaluate whether a change of role is appropriate and identify any training that may be required to best promote professional development.

In 2017, various training initiatives were implemented within the Group. The Parent Group decided to continue the development of a technical initiative for the Group’s recently restructured and reinforced IT department. Working in collaboration with Deloitte Consulting, a training project was developed based on the ITIL (Information Technology Infrastructure Library) and Prince (Projects in Controlled Environments) approaches. As part of the course, all participants sat two English exams, taken externally, with a pass rate of 80%. A second employee-focused initiative implemented by the Parent Group concerned the development of Project Management skills and the use of personalised planning, management and project sharing tools within the Internal Audit department. The first step was to develop the conceptual framework and adapt it to meet the requirements. Next, theoretical and practical training was offered in order to put the tools into practice and develop a working instrument. The third initiative focused on contractors with agency agreements who represent the sales team for self-medication products (or over-the-counter medicines), who are coordinated by four area managers employed by the Group. An ad hoc project was implemented with the aim of sharing and standardising the best practices developed over the years. In addition to this, the trainers provided a number of suggestions and operational tools. These indications were not intended as “top-down” directives but rather were explained and developed by the area managers at the end of the training course in order to provide an overview of the future market scenario and the opportunities it may represent.

Various initiatives were directed towards the largest sectors of the company workforce. In particular, the “lean” approach, a training project based on the techniques of “lean organisation” and a culture of efficiency and reduced waste, was of particular note and is set to continue in 2018. Online training courses have become increasingly numerous in recent years; in particular, the IT security training programme provided to all employees at the Milan offices was particularly significant, aiming to help employees to understand and recognise the computer security risks that may affect the Group. The course met with a high approval rating and is due to be rolled out to all Group branches. Outside Italy, as well as branch-led training courses adapted to the individual needs of each area such as the leadership and communications training offered to the Management Team in Germany or the Sales Academy project in Russia, various other coaching initiatives were implemented in the Group’s international branches. One of these was the specific training course for General Managers, an ad hoc training programme which aimed to strengthen leadership, motivational and people management skills.

#### **“Recordati Group Managerial Competencies Appraisal” project**

On 18 May 2016, the Recordati Group received recognition from the HR Innovation Practices Observatory of Milan Polytechnic University for its “Recordati Group Managerial Competencies Appraisal” project. The HR Innovation Award for the “*Identification and development of skills*” category is awarded to the companies which develop the best digital innovation projects in the field of HR. The recognition was awarded in the “*Identification and development of skills*” category for the “*implementation of a project to develop and evaluate managerial skills which, through the development of a new skills assessment model supported by an online platform, improved objectivity and proposed improvements or corrective actions to the growth and development plans*”.

### 3.5. Health and safety in the workplace<sup>5</sup>

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

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

The Group adopts the preventive measures prescribed by local legislation at its production plants in order to reduce work-related risks for its employees. The health and safety management system features standard risk prevention measures including risk assessments, training and information programmes, appropriate maintenance, suitable emergency procedures and health inspection protocols.

The Group aims to promote responsibility among the management team through the definition of health and safety roles and responsibilities, and each production plant has a level of autonomy over its health and safety budget. In particular, the person in charge of health and safety oversees working activities and ensures compliance with any received directives, verifying their correct implementation by workers and using personal initiative to carry out their role. In this regard, the Recordati Group complies with the regulations issued by industry

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<sup>5</sup> Il perimetro delle informazioni relative alla salute e sicurezza e dei principali indicatori infortunistici include solo il personale degli stabilimenti produttivi del Gruppo (con l’eccezione dello stabilimento di Milano per il quale è stato considerato anche il personale dipendente degli uffici dello stesso stabilimento), dove sono stati identificati e valutati maggiori rischi. Tuttavia, è in corso lo sviluppo di un sistema di reporting di tali dati anche per la restante parte dell’organico.

certification bodies: in fact, the management system of the Tunisian pharmaceutical production plant has been awarded the OHSAS 18001 certification.

Activities at each production site are controlled and monitored through inspections and audits. In 2017, the Irish plant in Cork was inspected by the Irish Health and Safety Authority (HSA) in order to assess the plant's compliance with local regulations. The inspection did not highlight any particular criticisms. In fact, the Irish branch was praised for its ever-increasing commitment to the management of workplace health and safety issues. The inspection represented an opportunity to update various procedures, including authorisation procedures for "hot work" and work in confined spaces, Lock-out/Tag-out maintenance procedures and production line safety procedures.

In particular, in order to prevent the occurrence of accidents, at the Campoverde di Aprilia plant a series of preventive measures relating to equipment, operating processes, management systems and procedures has been implemented, including a computerised control system for various devices, the installation of locking devices on certain equipment, safety valves for exhaust devices, air pollution control devices and systems to detect the presence of dangerous substances in the atmosphere. Moreover, dedicated fire prevention systems were installed such as fire-fighting vehicles and portable fire extinguishers. Standardised procedures regulate the unloading of tank vehicles, the preparation of warehouse stock, the transportation of components, pre-loading controls and all cleaning, sampling, analysis and shipping operations. In addition, an internal Emergency Plan which described the procedures and measures to be adopted in the case of an incident was approved for the same production plant. An internal Emergency Team of 75 members ensures a constant presence during each shift to offer the highest possible levels of safety for internal and external personnel.

In the two chemical pharmaceutical plants, various health and safety risk assessment activities were carried out in 2017:

- at the Campoverde di Aprilia plant, a seismic risk assessment is currently being carried out for the entire site, based on a geological, geomorphological and hydro-geological study and a seismic model. In 2017 a dynamic analysis was carried out to determine any structural deformations or strains in the tanks containing the most hazardous or critical substances. Furthermore, the same study is set to be rolled out across all departments at the plant in 2018;
- at the production plant in Cork, a study of the entire thionyl chloride handling cycle was conducted in order to identify possible improvements to site procedures and infrastructures to further increase the protection against chemical risks for employees and the public. This study was launched in November 2017 and changes or amendments may be made during the first six months of 2018.

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

- at the Saint Victor site in France, a management system to regulate the management of workplace health and safety documentation was implemented, including training, safety procedures, risk assessments, operational instructions and the management of safety data sheets. Furthermore, in 2017 specialist software was acquired for chemical risk assessments (SEIRICH); this software enables the insertion of all substance safety data sheets in order to assess their chemical risk. The assessment highlighted a lower risk level at the chemical laboratory than the Occupational Exposure Limit Value ("OELV");
- at the Italian sites in Milan and Campoverde di Aprilia, specialist software (SIMPLEDO) was installed to manage workplace health and safety aspects in accordance with the provisions of Italian Legislative Decree no. 81/08 and Italian Legislative Decree no. 106/2009. The software enables the management of all company data, the supply and expiry date of PPE (Personal Protective Equipment), staff training courses and their expiry dates, risk assessments, health inspections, management of cases of non-compliance and the implementation of corrective actions, the management of audits and control

checklists, contract management and the Consolidated Inference Risk Assessment Document. In particular, a project aimed at reducing the handling of manual loads is currently being implemented at the Galenico manufacturing department at the Milan plant. In this regard, in 2017 a “zero gravity” handler was installed to handle heavy bags/crates/boxes without any effort by the operator, while in 2018 systems are due to be installed in the preparation areas of the plant which will enable the processors to be loaded without any effort by the operator. Furthermore, the Milan plant has obtained a renewal of the Fire Prevention Certificate issued by the Italian Fire Brigade which extends its validity until 12/04/2022. To this end, various initiatives were carried out such as the installation of three fire suffocation extinguishing systems in the solvent warehouse, the oil warehouse and the alcohol distillation department. Other work has been carried out at the Milan plant to ensure an increasingly high level of workplace safety, including the installation of five oxygen sensors in five production areas which use nitrogen (wash room and preparation areas for vials, ointments and drops), a gas which is otherwise difficult to detect.

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

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

The internal training and education programme was continued at the two chemical pharmaceutical plants in 2017. At the Campoverde di Aprilia factory, a total of 1,350 hours of health and safety training was provided to all employees at all levels, in addition to 860 hours of specialist training dedicated to the internal emergency team. At the Cork plant, no changes were made to the internal training programme: the Production and Maintenance teams attended external training sessions on the subjects of fire prevention, first aid and chemical hazards. In particular, in the Campoverde di Aprilia plant in 2017, 352 people attended internal training courses, an increase on the 336 employees who attended in 2016. In line with 2016, the number of people taking part in external training courses remained stable at approximately 250.

Furthermore, in 2017 various pharmaceutical plants implemented numerous health and safety training programmes:

- at the Nanterre site in France, specific training courses were provided for all employees on the subject of “Handling hazardous materials and the disposal of hazardous waste”, while distribution operators attended a course on “Regulations for the transportation of hazardous materials”;
- at the Utebo site in Spain, specific training was provided on the risks of improper handling of loads, as well as specific training for electric fork lift operators;
- at the Tunisian Opalia Pharma site, training sessions were held on a range of subjects including chemical hazards and procedures to be adopted in the case of chemical spillages, the fire warning and prevention system, the use of safety showers in laboratories and the management of chemical incidents, the use of PPE (Personal Protective Equipment) and correct manual handling practices, proper waste management and first aid;

- at the Pardubice site in the Czech Republic, training was provided on correct handling procedures of hazardous substances and chemicals, water quality maintenance activities, workplace health and safety, fire prevention and the risks of inflammable liquids;
- at the Milan plant in Italy, training was provided to the fire prevention team, evacuation plan coordinators, production department safety officers, newly recruited employees and members of the Corporate Prevention and Protection Service, while refresher courses were provided to Health and Safety Representatives.

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

*Number of accidents and indicators of Employee Health and Safety in Group plants by gender*

Italy (Campoverde di Aprilia) – Chemical pharmaceutical production plant						
Injuries and Injury Index <sup>6</sup>	2017			2016		
	Men	Women	Total	Men	Women	Total
<b>Injuries (No.)</b>	8	0	<b>8</b>	6	0	<b>6</b>
<i>work-related (No.)</i>	6	0	6	5	0	5
<i>non-work-related (No.)</i>	2	0	2	1	0	1
<b>Cases of work-related diseases (No.)</b>	0	0	<b>0</b>	0	0	<b>0</b>
<b>Severity Index (Lost Day Rate LDR)</b>	82.4	0	<b>75.5</b>	53.6	0	<b>48.8</b>
<b>Frequency Index/Injury Rate (IR)</b>	3.2	0	<b>2.9</b>	2.4	0	<b>2.2</b>
<b>Occupational Disease Rate (ODR)</b>	0	0	<b>0</b>	0	0	<b>0</b>
<b>Absentee Rate (AR) (%)</b>	4.6%	1.9%	<b>4.4%</b>	4.3%	1.5%	<b>4%</b>
Ireland (Cork) - chemical pharmaceutical plant						
Injuries and Injury Index	2017			2016		
	Men	Women	Total	Men	Women	Total
<b>Injuries (No.)</b>	0	0	<b>0</b>	0	0	<b>0</b>
<i>work-related (No.)</i>	0	0	0	0	0	0
<i>non-work-related (No.)</i>	0	0	0	0	0	0
<b>Cases of work-related diseases (No.)</b>	0	0	<b>0</b>	0	0	<b>0</b>
<b>Severity Index (Lost Day Rate LDR)</b>	0	0	<b>0</b>	0	0	<b>0</b>

<sup>6</sup>The severity index represents the ratio between the number of days lost due to professional injury/disease and the total number of working hours in the same period, multiplied by 200,000 (Source: *Sustainability Reporting Guidelines - Version G4, Global Reporting Initiative*).

The frequency index represents the ratio between the total number of injuries and the total number of hours worked in the same period, multiplied by 200,000 (Source: *Sustainability Reporting Guidelines - Version G4, Global Reporting Initiative*).

The occupational disease rate represents the ratio between the number of cases of work-related diseases and the number of hours worked in the same period, multiplied by 200,000 (Source: *Sustainability Reporting Guidelines - Version G4, Global Reporting Initiative*).

The absenteeism rate is the percentage of daily absences against the total number of working days in the same period (Source: *Sustainability Reporting Guidelines - Version G4, Global Reporting Initiative*).

Frequency Index/Injury Rate (IR)	0	0	0	0	0	0
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	0.8%	3%	1.8%	0.7%	1.6%	1.1%
<b>Italy (Milan) Pharmaceutical production plant<sup>7</sup></b>						
Injuries and Injury Index	2017			2016		
	Men	Women	Total	Men	Women	Total
Injuries (No.)	3	5	8	N/A	N/A	N/A
<i>work-related (No.)</i>	2	5	7	N/A	N/A	N/A
<i>non-work-related (No.)</i>	1	0	1	N/A	N/A	N/A
Cases of work-related diseases (No.)	0	0	0	N/A	N/A	N/A
Severity Index (Lost Day Rate LDR)	16.5	76.1	37	N/A	N/A	N/A
Frequency Index/Injury Rate (IR)	1.1	3.6	2	N/A	N/A	N/A
Occupational Disease Rate (ODR)	0	0	0	N/A	N/A	N/A
Absentee Rate (AR) (%)	2.6%	2.6%	2.6%	N/A	N/A	N/A
<b>Czech Republic - Pharmaceutical production plant</b>						
Injuries and Injury Index	2017			2016		
	Men	Women	Total	Men	Women	Total
Injuries (No.)	0	0	0	0	1	1
<i>work-related (No.)</i>	0	0	0	0	1	1
<i>non-work-related (No.)</i>	0	0	0	0	0	0
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	0	0	0	0	40.9	30.1
Frequency Index/Injury Rate (IR)	0	0	0	0	2.2	1.6
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Absentee Rate (AR) (%)	0%	0%	0%	0%	0%	0%
<b>Spain - Pharmaceutical production plant</b>						
Injuries and Injury Index	2017			2016		
	Men	Women	Total	Men	Women	Total
Injuries (No.)	3	1	4	0	2	2
<i>work-related (No.)</i>	3	0	3	0	1	1
<i>non-work-related (No.)</i>	0	1	1	0	1	1
Cases of work-related diseases (No.)	0	0	0	0	0	0
Severity Index (Lost Day Rate LDR)	9.5	193.4	119.8	0	43.2	26.2

<sup>7</sup>The key injury indicators in 2016 for the Milan plant are not comparable with those of 2017 due to a change in the IT platform used to process the data. Furthermore, unlike other plants the data recorded for the Milan plant also includes the office staff present on the same site.

Frequency Index/Injury Rate (IR)	14.9	3.4	<b>8.1</b>	0	6.4	<b>3.9</b>
Occupational Disease Rate (ODR)	0	0	<b>0</b>	0	0	<b>0</b>
Absentee Rate (AR) (%)	4.3%	5.5%	<b>5%</b>	2.4%	4%	<b>3.4%</b>
<b>Tunisia - Pharmaceutical production plant</b>						
Injuries and Injury Index	<b>2017</b>			<b>2016</b>		
	Men	Women	<b>Total</b>	Men	Women	<b>Total</b>
Injuries (No.)	4	3	<b>7</b>	13	9	<b>22</b>
<i>work-related (No.)</i>	4	3	<b>7</b>	13	9	<b>22</b>
<i>non-work-related (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Severity Index (Lost Day Rate LDR)	23.6	6.1	<b>18.8</b>	56.8	34.6	<b>44.5</b>
Frequency Index/Injury Rate (IR)	2.4	1.7	<b>2</b>	10.3	6.3	<b>8.2</b>
Occupational Disease Rate (ODR)	0	0	<b>0</b>	0	0	<b>0</b>
Absentee Rate (AR) (%)	2.4%	3.9%	<b>3.2%</b>	0.8%	2.6%	<b>1.8%</b>
<b>Turkey - Pharmaceutical production plant</b>						
Injuries and Injury Index	<b>2017</b>			<b>2016</b>		
	Men	Women	<b>Total</b>	Men	Women	<b>Total</b>
Injuries (No.)	4	0	<b>4</b>	16	2	<b>18</b>
<i>work-related (No.)</i>	4	0	<b>4</b>	16	2	<b>18</b>
<i>non-work-related (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Severity Index (Lost Day Rate LDR)	12.2	0	<b>8.7</b>	119.2	117.1	<b>118.6</b>
Frequency Index/Injury Rate (IR)	2.4	0	<b>1.7</b>	10.4	3.3	<b>8.4</b>
Occupational Disease Rate (ODR)	0	0	<b>0</b>	0	0	<b>0</b>
Absentee Rate (AR) (%)	0.4%	0.4%	<b>0.4%</b>	2.5%	2.3%	<b>2.4%</b>
<b>France - Pharmaceutical production plant</b>						
Injuries and Injury Index	<b>2017</b>			<b>2016</b>		
	Men	Women	<b>Total</b>	Men	Women	<b>Total</b>
Injuries (No.)	4	1	<b>5</b>	3	0	<b>3</b>
<i>work-related (No.)</i>	4	1	<b>5</b>	3	0	<b>3</b>
<i>non-work-related (No.)</i>	0	0	<b>0</b>	0	0	<b>0</b>
Cases of work-related diseases (No.)	0	0	<b>0</b>	0	0	<b>0</b>
Severity Index (Lost Day Rate LDR)	573.9	8.3	<b>309.1</b>	354.4	305.4	<b>330.9</b>
Frequency Index/Injury Rate (IR)	9.9	2.8	<b>6.5</b>	7.9	0	<b>4.1</b>
Occupational Disease Rate (ODR)	0	0	<b>0</b>	0	0	<b>0</b>



<b>Absentee Rate (AR) (%)</b>	6.4%	3.2%	<b>4.9%</b>	5.1%	3.8%	<b>4.5%</b>
<b>France - Distribution Centre (Orphan Europe)<sup>8</sup></b>						
<b>Injuries and Injury Index</b>	<b>2017</b>			<b>2016</b>		
	Men	Women	<b>Total</b>	Men	Women	<b>Total</b>
<b>Injuries (No.)</b>	0	1	<b>1</b>	N/A	N/A	<b>N/A</b>
<i>work-related (No.)</i>	0	0	<b>0</b>	N/A	N/A	<b>N/A</b>
<i>non-work-related (No.)</i>	0	1	<b>1</b>	N/A	N/A	<b>N/A</b>
<b>Cases of work-related diseases (No.)</b>	0	0	<b>0</b>	N/A	N/A	<b>N/A</b>
<b>Severity Index (Lost Day Rate LDR)</b>	0	0	<b>0</b>	N/A	N/A	<b>N/A</b>
<b>Frequency Index/Injury Rate (IR)</b>	0	20.5	<b>11.1</b>	N/A	N/A	<b>N/A</b>
<b>Occupational Disease Rate (ODR)</b>	0	0	<b>0</b>	N/A	N/A	<b>N/A</b>
<b>Absentee Rate (AR) (%)</b>	4%	4.4%	<b>4.2%</b>	N/A	N/A	<b>N/A</b>

<sup>8</sup>The key injury indicators in 2016 for the Orphan Europe distribution centre are not comparable with those of 2017 due to a change in the IT platform used to process the data.

## 4. FOCUS ON THE ENVIRONMENT<sup>9</sup>

### 4.1. Commitment to environmental protection

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

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

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

All of the Group's production sites hold the necessary environmental authorisations and ensuring compliance with said authorisations is an important part of the responsibilities of the management team at each site. The Recordati Group responds to any cases of increased environmental risk by implementing a series of internal inspections.

In this regard, in 2017 the Campoverde di Aprilia plant received an environmental audit by a consultancy firm and carried out four audits of intermediaries and waste disposal plants. Furthermore, the inspection of the Environmental Management System at the Campoverde di Aprilia plant in April 2017 by the accredited company DNV is of particular note. As envisaged by the audit plan for the maintenance of the ISO 14001 certification, the compliance with all legal and documental requirements of the standard UNI EN ISO 14001/04 was assessed. The result was considered highly satisfactory and confirmed the implementation by all Recordati personnel of the management system, which conforms to the required standards and is able to provide a high level of environmental protection and safety. In the inspection's final report, no cases of non-compliance were noted and only four formal observations were made. At an environmental level, the Cork factory did not receive any inspections by the Environmental Protection Agency (EPA) in 2017, which nonetheless carried out two unannounced sampling and analysis campaigns to test outgoing site effluent and the gaseous emissions released into the atmosphere: all chemical samples analysed were found to be within current emission limits.

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

- in the course of recent years, the chemical pharmaceutical plant in Cork has joined the Responsible Care initiative which aims to promote the continuous improvement in the chemical and pharmaceutical industry of all aspects that have a direct or indirect aspect on the environment, employees or the community. In this regard, in 2013 the site received the "Responsible Care Award" for SMEs from the European Chemical Industry Council (CEFIC) in recognition of the continuous improvements achieved by the site in the last five years. The

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<sup>9</sup> Il perimetro delle informazioni e dei dati relativi agli aspetti ambientali (es. consumi energetici, emissioni, prelievi idrici e rifiuti) include solo gli stabilimenti produttivi del Gruppo, in quanto le altre sedi sono state ritenute poco significative (con l'eccezione dello stabilimento di Milano per il quale sono stati considerati anche i consumi degli uffici dello stesso stabilimento). Tuttavia, è in corso lo sviluppo di un sistema di reporting di tali dati anche per tutte le altre sedi del Gruppo.

plant's environmental system was developed to ensure full compliance with environmental legislation, regulated in Ireland by the Environmental Protection Agency (EPA), and is subject to regular inspections by EPA officers;

- in January 2016, the pharmaceutical plant in Milan obtained the AUA (Autorizzazione Unica Ambientale) environmental authorisation from the Metropolitan City of Milan for atmospheric emissions, discharges into the water grid of water from the geothermal heat pump system and discharges into the sewers of industrial waste water and rainwater used to clean areas of the site. Waste water sampling and analysis activities are carried out regularly to confirm compliance with the limits provided by Italian Legislative Decree no. 152/06. Furthermore, in summer 2017, daytime and night-time phonometric surveys were carried out at the production plant in Milan to assess the impact on the local population of extending production to include a third shift. Following this assessment and in the context of continuous improvement, in 2018 sound barriers will be installed around the exterior of the thermal plant;
- in 2017, specialist training courses were provided at the Çerkezköy plant in Turkey to promote a better understanding of environmental issues among employees, with an approximate total of 330 training hours provided for a total of 384 employees;
- as well as the Campoverde di Aprilia plant, it is noted that the production plant in Tunisia is also certified according to standard ISO 14 001.

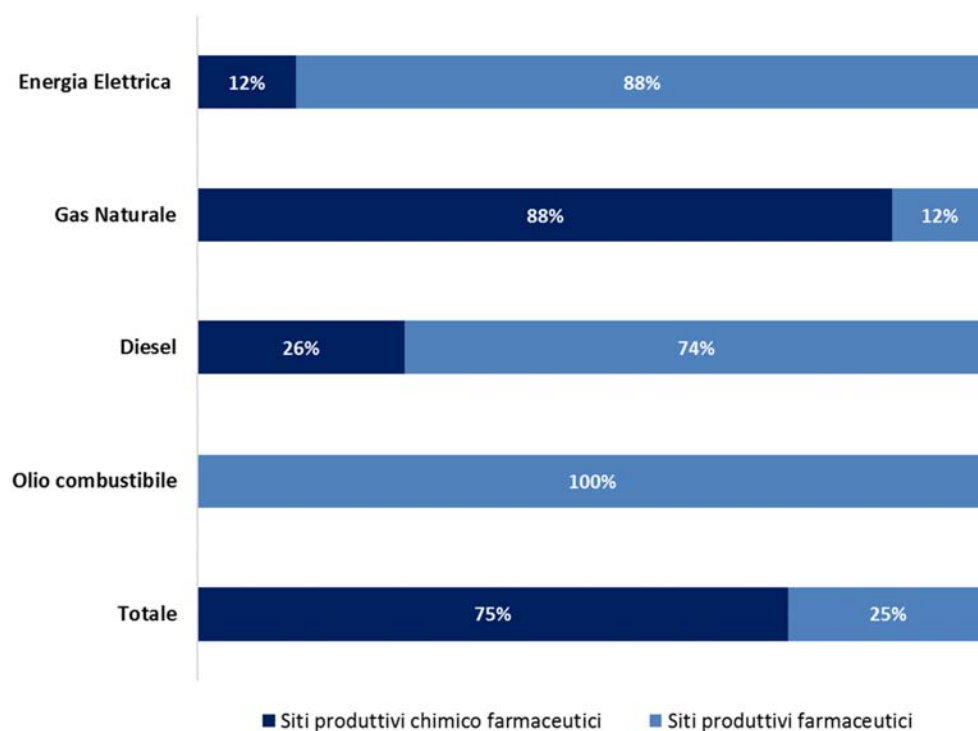
#### 4.2. Energy use and emissions

##### *Energy use*

The Recordati Group manages the general use of energy resources through a range of initiatives to reduce energy use, with the aim of improving energy efficiency in all of the Group's industrial and commercial operations. The main energy resources used at the Group's production plants are electricity, natural gas, diesel and fuel oil. In 2017, the Group's plants consumed approximately 606 TJ, a slight increase of 1% compared to the previous year due to the overall increase in production volume. In fact, thanks to continuous efforts to improve energy efficiency, the increase in energy use is negligible and is not proportional to the increase in the Group's industrial production. Furthermore, it is noted that the significant percentage increase in electricity obtained from renewable energy sources is predominantly due to a change in electricity supplier at the Milan and Cork plants, while the use of fuel oil is attributable to the distribution plant of Orphan Europe in France.

Energy use at the production plants of the Recordati Group by source <sup>10</sup>				
Type of fuel	Unit of measurement	2017	2016	% Variation
Purchased electricity	kWh	29,124,233	28,396,752	3%
	GJ	104,847	102,228	
<i>originating from renewable sources<sup>11</sup></i>	<i>kWh</i>	<i>1,545,565</i>	<i>426,392</i>	
	<i>GJ</i>	<i>5,564</i>	<i>1,535</i>	
Natural Gas	m <sup>3</sup>	14,227,325	14,081,421	1%
	GJ	499,863	494,737	
Diesel	Litres	48,942	40,728	20%
	GJ	1,752	1,458	
Fuel oil	Litres	389	-	N/A
	GJ	16	-	
<b>Total</b>	<b>GJ</b>	<b>606,478</b>	<b>598,423</b>	<b>1%</b>

Percentage subdivision of electricity use by production plants, subdivided by usage and type of plant, 2017



Energia Elettrica	Electricity
Gas Naturale	Natural Gas
Diesel	Diesel
Olio combustibile	Fuel oil
Totale	Total
Siti produttivi chimico farmaceutici	Chemical pharmaceutical production plants
Siti produttivi farmaceutici	Pharmaceutical production plants

<sup>10</sup>Lower Calorific Value (LCV) of natural gas: 0.035 GJ/m<sup>3</sup>; average density of diesel: 0.835 kg/ltr; LCV of diesel: 42.87 GJ/ltr; average density of fuel oil: 0.98 kg/ltr; LCV of fuel oil: 41.02 GJ/ltr (Source: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2017).

<sup>11</sup>The proportion of electricity obtained from renewable sources originates from a combination of national energy providers and the Guarantee of Origin is not certified. As such, this quota is included in the calculation of Scope 2 Emissions.

Energy use in pharmaceutical production plants was recorded at approximately 154 TJ (25% of the total), marking a 4% increase on the previous year. In particular, compared to chemical pharmaceutical plants, pharmaceutical plants used higher quantities of diesel to produce electricity and more electricity was bought from the national grid. However, in 2017 energy use by the Group's chemical pharmaceutical production plants was 452 TJ (75% of the total), in line with the previous year.

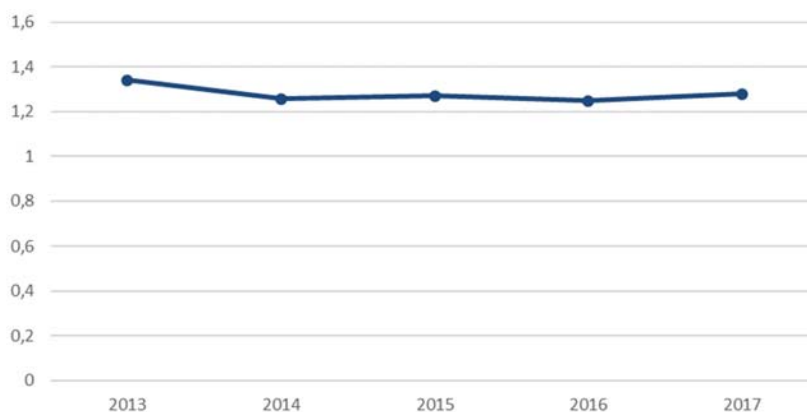
Energy use at pharmaceutical production plants by fuel source				
Type of fuel	Unit of measurement	2017	2016	% Variation
Purchased electricity	kWh	25,500,470	24,787,850	3%
	GJ	91,802	89,236	
<i>originating from renewable sources</i>	<i>kWh</i>	<i>1,111,565</i>	<i>16,392</i>	
	<i>GJ</i>	<i>4,002</i>	<i>59</i>	
Natural Gas	m <sup>3</sup>	1,730,744	1,625,838	6%
	GJ	60,808	57,122	
Diesel	Litres	36,142	27,528	31%
	GJ	1,294	985	
Fuel oil	Litres	389	-	N/A
	GJ	16	-	
<b>Total</b>	<b>GJ</b>	<b>153,919</b>	<b>147,343</b>	<b>4%</b>

Energy use at chemical pharmaceutical production plants by fuel source				
Type of fuel	Unit of measurement	2017	2016	% Variation
Purchased electricity	kWh	3,623,763	3,608,902	0.4%
	GJ	13,045	12,992	
<i>originating from renewable sources</i>	<i>kWh</i>	<i>434,000</i>	<i>410,000</i>	
	<i>GJ</i>	<i>1,562</i>	<i>1,476</i>	
Natural Gas	m <sup>3</sup>	12,496,581	12,455,583	0.3%
	GJ	439,055	437,615	
Diesel	Litres	12,800	13,200	-3%
	GJ	458	473	
<b>Total</b>	<b>GJ</b>	<b>452,558</b>	<b>451,080</b>	<b>0.3%</b>

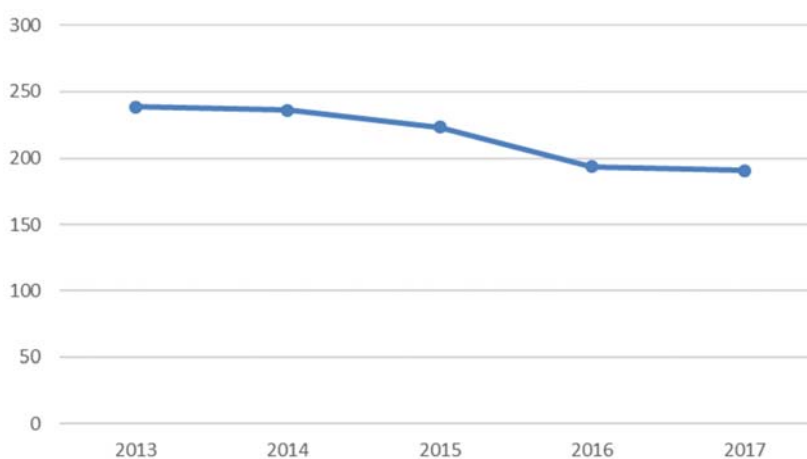
The chemical pharmaceutical plants consume higher quantities of natural gas than the pharmaceutical plants: a high proportion of this gas usage derives from the electricity generation system at the Campoverde di Aprilia plant, where a self-generation policy for electricity and thermal energy has been in place for over 20 years thanks to the installation of a co-generation system (for more details, see the "Co-Generation System of the Campoverde di Aprilia" information box). Through the use of a single fuel source (natural gas), the co-generation system enables the plant to generate enough electricity to meet its needs, sell any excess to the national grid and produce all of the steam used in the plant without the use of any additional gas or resources. In 2017, the proportion of self-generated electricity used internally increased by 4% compared to 2016, while the amount of electricity sold back to the grid decreased by approximately 18%. The increased usage was caused by an increase in the hours of use of existing machinery, the implementation of new machines and the increase in energy usage by industrial production services. It should also be noted that while the usage of methane per kilogram of material (chemical intermediates, solvents and finished products) at the plant remained consistent, the use of methane per turnover unit (in thousands of Euro) fell in 2017, demonstrating a consistent trend of the co-generation system's energy efficiency.

Electricity and thermal energy generated and sold by the Campoverde di Aprilia co-generation plant				
Type of fuel	Unit of measurement	2017	2016	% Variation
Self-generated electricity	kWh	31,242,481	31,447,561	-1%
<i>Consumed internally</i>	<i>kWh</i>	<i>26,207,618</i>	<i>25,292,809</i>	<i>4%</i>
<i>Sold externally</i>	<i>kWh</i>	<i>5,034,863</i>	<i>6,154,752</i>	<i>-18%</i>
Self-generated and consumed thermal energy	Kg of steam	66,794,000	72,139,020	-7%

Ratio of cubic metres of methane acquired against kilograms of products processed by the Campoverde di Aprilia plant, 2017



Ratio of cubic metres of methane acquired against turnover (in thousands of Euro) generated by the Campoverde di Aprilia plant, 2017



### The Co-Generation System at the Campoverde di Aprilia Plant

In September 1996, in response to the increase in demand for electricity and thermal energy caused by a constantly growing production capacity, a co-generational system was installed at the chemical pharmaceutical plant at Campoverde di Aprilia, which is still operational today. Co-generation refers to the combined generation of electricity and heat from a single fuel source, based upon a cascade process where electricity is produced using a high temperature thermo-dynamic cycle which, in turn, releases heat and produces thermal energy.

The co-generation system at the plant is equipped with a 15-bar methane gas turbine. In its current configuration and with an air temperature of 9°C, the system is able to generate a maximum output of approximately 4.3 MW of electricity. Gas turbines operate by burning the fuel source in a combustion chamber and expanding it with compressed air inside the turbine itself. During expansion, the mixture of air and fuel interacts with the blades of the turbines and activates the rotational motion of the rotor to generate mechanical energy, which is then converted into electricity by an alternator. The fumes produced by the expanded gases in the turbine are emitted at very high temperatures (450-500°C) and consequently specialist heat exchangers are used (the Campoverde di Aprilia plant uses a steam recovery boiler, Figure 1) to produce hot water or steam. The steam recovery boiler, which recovers the gases expanded in the turbine and enables the production of 15-bar saturated steam up to a capacity of 16 tonnes/hour, avoids the need to use methane gas to produce any of the steam required by the plant for use in chemical processes or as a heating fluid. Without this system to produce steam using the gas turbine fumes in the steam recovery boiler, an estimated four million cubic metres of gas would have been required in 2017 alone.

*Figure 1 - Channelling of emitted fumes into the steam recovery boiler of the co-generation system*



When fully operational, the gas turbine operates 24 hours a day year-round, with the exception of scheduled closures throughout the year. The turbine is subject to regular standard maintenance procedures, including two annual manufacturer's services. This enables the Campoverde di Aprilia plant to ensure a consistent and safe supply of electricity for its production plants. In addition, the manufacturer recommends a full service every 32,000 hours of operation, which in the case of the plant is equivalent to every four years. This service requires the gas turbine to be completely dismantled, replacing the machine with an equivalent newly serviced system with an operating time reset to zero. Since 1996 the survey has been carried out five times (2000, 2004, 2008, 2012 and 2016) and has proven effective in ensuring that the system is never out of service due to mechanical failure. Furthermore, in 2016 investments were made to replace the gas turbine and modernise the system's control system in order to optimise system management and monitor emissions more accurately.

Figure 2 - Installation of the gas turbine into the system, August 2016



#### *Principal initiatives to reduce energy consumption implemented by the Recordati group*

In recent years, the Italian Parent Group has launched a reduced energy consumption policy through the implementation of initiatives aimed at company vehicles, the technological modernisation of IT equipment such as printers and photocopiers, and the use of LED lighting. This plan is enabling the Group to reduce energy usage and mitigate the environmental impact resulting from the use of company equipment, promoting a more efficient use of energy resources and reducing CO<sub>2</sub> equivalent gases. Continued focus on the environment has been confirmed as one of the primary themes for 2018. This year, the Group aims to optimise investments and acquisitions at a general level in order to ensure maximum respect for the environment and optimise the regions in which it operates without damaging the efficacy of its operational tools.

In 2017 the Group also carried out a monitoring and control activity to assess the emissions of its global fleet of company vehicles. This led the Parent Group to request a detailed six-monthly report from all branches in order to highlight the energy consumption and CO<sub>2</sub> emissions of vehicles used by the Group. This enabled the Group to optimise investments and evaluate corrective actions, where necessary. In 2017, a total of 1,772 company cars were in use by employees of the Recordati Group, while the average CO<sub>2</sub> emissions emitted by the vehicles was 91 g/km, representing a decrease of 8 g/km compared to the average values recorded in 2016. The current objective is to progressively and consistently reduce this statistic over the coming years<sup>12</sup>. In particular, the Group has a rigorous vehicle selection policy, encouraging the selection of technologically advanced hybrid solutions which have a reduced environmental impact.

In the last few years the Group has promoted various energy efficiency initiatives implemented at individual branches, including the gradual and systematic replacement of bulbs with new LED or energy-efficient bulbs at the sites in Milan (Italy), Utebo (Spain), Saint Victor (France) and Tunisi (Tunisia).

In particular, the following initiatives have been implemented at the Milan plant:

- in 2016 a heating and air-conditioning system was installed with a geothermal heat pump that uses groundwater as a thermal carrier and reduces the plant's natural gas usage by 13%;

<sup>12</sup> Average emissions of the vehicle fleet were calculated on the basis of estimated annual CO<sub>2</sub> emissions and annual mileage of company vehicles.



- following the energy analysis conducted in 2015, the consumption of the most energy-intensive equipment (refrigerators, pressurised air compressors, air treatment units) was measured as part of a project to install energy-efficient smart devices. To measure the predicted improvements, in 2018 a continuous monitoring system will be installed to facilitate prompt intervention in the case of any anomalies or faults;
- in 2017, a report was prepared on the redevelopment and optimisation of the production and distribution network of domestic hot water to production departments and laboratories. This report envisages the installation of a new system in 2018;
- following the installation of a new surveillance system for the air treatment units in the production departments, plant downtime has been pre-scheduled during the weekends while still ensuring that specific temperature requirements of each department are met;
- in the case of faults or new installations, neon lights are being replaced with LED bulbs and motion sensors have been installed to automatically activate the lighting in certain areas of the Galenico when people are present;
- in 2017, a new electricity supplier was selected, which guarantees that 14% of all electricity is produced from renewable sources.

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

- the installation of a new air compressor, facilitating a substantial reduction in the amount of electricity used to produce compressed air;
- further improvements to the production programme, increasing the efficiency of the existing system and reducing the combined used of electricity and natural gas by approximately 26% in relation to the volume of Lercanidipine produced. Similarly, the amount of solvents disposed of externally has been reduced by approximately 10%;
- an electricity supplier that generates 20% of its electricity using renewable energy sources (predominantly wind power) was selected.

Other energy efficiency initiatives were carried out:

- at the Saint Victor plant in France: the replacement of external lighting with LED bulbs, the installation of motion-activated lighting in warehouses, the review of the temperature thresholds in working environments and the replacement of the old heating boiler with a new and more efficient system;
- at the Opalia Pharma Tunisian plant, where an energy saving project was launched in 2017 which included the modernisation of the lighting with LED bulbs, the installation of an electricity smart meter in order to monitor the energy usage of certain devices in real time and facilitate prompt intervention in the case of anomalies, the installation of an automatic capacitor battery to reduce losses and the replacement of refrigeration units with more energy-efficient models;
- at the Cerkezkooy plant in Turkey, where various modernisation operations were carried out on the plant's air conditioning units and heating systems in order to reduce energy usage;
- at the Utebo plant in Spain, which continued to replace all bulbs with new LED equivalents in the case of faults.

### Greenhouse gases and other emissions

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

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

- at the Campoverde di Aprilia plant, where a study was conducted into the optimisation of air pollutant treatment and disposal systems, which identified as a key solution the replacement of the current air scrubbers which use a continuous flow of water with larger wet scrubbers;
- at the Saint Victor plant in France, where emission points have been equipped with air filters to prevent the release of hazardous particles. Each filtering system is regularly maintained by the internal maintenance department;
- at the Cork plant in Ireland, with the completion in 2017 of the project to replace obsolete refrigerators which used R-22 as the refrigerating gas with new units using R404a, a gaseous mix with a much lower impact on the ozone layer. Furthermore, all emission points at the plant in Ireland are monitored according to the requirements of the National Environment Agency. A study is currently being carried out to assess the possibility of installing an automatic air sampling and analysis system.
- at the Pardubice plant in the Czech Republic, where a new air conditioning unit was installed in cleanrooms which does not contain gases such as Freon which are harmful to the ozone layer. The new system also offers greater efficiency and reduces energy consumption;
- at the Cerkezkoj plant in Turkey, where emission points are constantly monitored, and certain emission chimneys were modified in 2017;
- at the plant in Milan, where in 2017 a gas detection device was installed in the refrigerator unit in order to immediately intercept any emissions of gases that are harmful to the ozone layer. Furthermore, the Milan plant monitors all emission points as required by the Autorizzazione Unica Ambientale (AUA) certification awarded in 2016;
- at the Campoverde di Aprilia plant, with the completion in 2017 of the first two phases of the project launched in cooperation with the company Amec Foster Wheeler; this project will continue in 2018 with the installation of four new scrubber units to treat the gas emissions released by the Processing and Manufacturing department. The first two units have been ordered and will be installed in the first half of 2018.

In 2017 total greenhouse gas emissions in the Group's production plants were largely unchanged compared to previous year. In particular, Scope 1 direct emissions relating to the use of energy for industrial production (natural gas, diesel and fuel oil) increased by 1%; furthermore, in 2017 the proportion of Scope 1 direct emissions caused by the Group's fleet of vehicles fell by approximately 18%.

However, Scope 2 indirect emissions linked to the purchase of electricity from the National Grid increased by 2%.

Greenhouse gas emissions (tonnes of CO <sub>2</sub> ) at Recordati Group production plants <sup>13</sup>			
	2017	2016	% Variation
<b>Direct emissions (Scope 1)</b>	34,458	27,785	N/A
<i>Relating to energy consumption</i>	28,073	27,785	1%

<sup>13</sup> Source of emission coefficient data for various countries: TERNA, *Confronti Internazionali*, 2015. Source of emission coefficient data for natural gas, diesel and fuel oil: Italian Ministry of the Environment and the Protection of Land and Sea, *Table of National Standard Limits*, 2017.

<i>Relating to the company vehicle fleet<sup>14</sup></i>	6,385	N/A	N/A
<b>Indirect emissions (Scope 2)</b>	10,567	10,302	3%

With reference to other air pollutants, depending on the type of pollutant various thresholds have been defined; these are respected by the Group thanks to continuous monitoring and control activities of the emission points. In particular, the list of authorised emission points at the Milan plant is included by the Autorizzazione Unica Ambientale certification awarded in 2017.

The significant percentage increase in other atmospheric emissions from 2016 to 2017 (in particular NO<sub>x</sub>) predominantly relates to the production plant in Campoverde di Aprilia. While the limits established by the Autorizzazione Integrata Ambientale continue to be respected at the plant, this increase is attributable to the activation of the after-burner of the co-generation system during the final inspection phase in 2017 to meet an increase in demand of steam for production purposes. It should be noted that the annual value of NO<sub>x</sub> emissions has been calculated by multiplying the result of a single emissions analysis (taken over one hour) by the annual operating hours.

<b>Other emissions (kg/year) of Recordati Group production plants</b>		
	<b>2017</b>	<b>2016</b>
<b>Nitric oxide (NO<sub>x</sub>)</b>	20,038	2,376
<b>Sulphur oxide (SO<sub>x</sub>)</b>	82	82
<b>Persistent Organic Pollutants (POP)</b>	0	0
<b>Volatile Organic Pollutants (VOC)</b>	13,304	4,957
<b>Hazardous Air Pollutants (HAP)</b>	2,948	972
<b>Particulate Matter (PM)</b>	3,546	2,373
<b>Methane (CH<sub>4</sub>)</b>	1	0
<b>Others</b>	1,923	463

#### 4.3. Management of water resources

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

- at the head office in Milan, since 2016 the new heating and air conditioning unit equipped with geothermal heat pumps has used groundwater as the principle thermal carrier. The groundwater is drawn from a shaft and channelled into the system for use in the heating or air conditioning systems before being returned in its original condition to the groundwater reserves via two return channels. The quantity of water used and recycled by the heat pump is 110,330 m<sup>3</sup>/year and corresponds to approximately 4% of the Group's annual water intake. Each year, the chemical and physical characteristics (pH, suspended solids, BOD5, COD, metals, aromatic solvents, chlorinated aromatic solvents, aliphatic solvents and

<sup>14</sup>Scope 1 emissions relating to the use of fuel oil by company vehicles have been estimated based on the average mileage of each car and the average emission rating of fleet vehicles (91 g/km).

surfactants) of the waste water, non-potable groundwater and potable water from the aqueduct are monitored at the Milan plant on a monthly basis;

- at the Campoverde di Aprilia plant, a project to extend the water treatment plant for the disposal of waste water was implemented in 2016 through the maintenance and use of disused tanks. This project enabled the development of a pre-treatment system for water used in various processes considered critical to the plant's operation, ensuring higher levels of compliance with the limits established by the Autorizzazione Integrata Ambientale (AIA). At the same plant, in 2017 an important project was carried out to revamp and reline the sewage pipes (surface water drains and sewage pipes) and outflow pipes for clarified water treated at the plant. In fact, approximately 125 metres of sewage pipes, 120 metres of surface water drains and 210 metres of clarified water channels were consolidated;
- at the Cork plant in Ireland, particular focus was given to water use, particularly water used to ensure the correct operation of the scrubbers. In any case, water usage is constantly monitored to identify any anomalies and facilitate prompt intervention when required. At the same plant, in 2017 a study was carried out to assess the current performance of the biological process used to treat waste water, identifying any measures that could improve the treatment process in terms of stability and the effective removal of polluting substances. This study, which aims to verify the plant's compliance with the more stringent regulations due to enter into force in the coming years, will be completed in the first quarter of 2018. It is also noted that new apparatus was installed at this plant in 2017 to enable the automatic analysis of the total organic carbon (TOC) and total nitrogen (TN) content of water discharged into the sewage system. This device provides detailed analysis in real time and facilitates the control and management of the waste water treatment plant, promptly revealing any anomalies and enabling preventive measures to be implemented before the water is discharged;
- at the Utebo factory in Spain, groundwater used to ensure the correct operation of the heat pumps in the heating and air conditioning system is returned to the groundwater system;
- at the Saint Victor plant in France, all industrial waste water is treated in a 20 m<sup>3</sup> tank before being disposed of as pharmaceutical waste. In order to reduce the amount of water disposed of as pharmaceutical waste, water used in the first cleaning process which contains high concentrations of pollutants is recovered and stored in vats for processing as pharmaceutical waste. Furthermore, a study is currently being conducted into the recovery of grey water for cooling and irrigation purposes.

In 2017, the overall water intake at the Group's production plants fell by 6% compared to 2016. In particular, total water intake in 2017 was three million cubic metres, of which 49% was surface water, 44% was groundwater and the remaining 7% was taken from aqueducts. It should also be noted that in 2017, 14% of total water intake at the Group's production plants was recycled and reused internally.

Water intake at Recordati Group production plants by source				
	Unit of measurement	2017	2016	% Variation
Surface water	m <sup>3</sup>	1,415,480	1,327,900	7%
Groundwater	m <sup>3</sup>	1,280,560	1,553,027	-18%
Aqueduct	m <sup>3</sup>	220,095	215,902	2%
<b>Total</b>	<b>m<sup>3</sup></b>	<b>2,916,135</b>	<b>3,056,869</b>	<b>-6%</b>

Percentage of recycled water at Recordati Group production plants				
Unit of measurement	2017		2016	
	Total	% of total water intake	Total	% of total water intake

<b>Quantity of water recycled and reused</b>	m <sup>3</sup>	419,997	14%	411,265	13%
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#### 4.4. Waste management

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

In particular, at the Milan plant waste management is regulated by a specific internal procedure which assigns each waste product a specific code: HW (Hazardous Waste) such as solvents, excess pharmaceuticals, filters, pharmaceutical waste and contaminated celite, and SNHW (Special Non-Hazardous Waste) such as clean glass, special waste similar to sold urban waste (SUW), paper, cardboard, wood and iron. In particular, the various types of waste produced at the plant are classified as hazardous or non-hazardous. In accordance with internal operating procedures, all waste is assigned a EWC code which defines the relative management procedure for that type of waste. In accordance with Italian law (Legislative Decree no. 231/01), the Group's organisational model includes the appointment of various waste management officers within the company. Furthermore, waste disposal is contracted to specialist firms that hold the relative authorisations to act as carriers, intermediaries and recipients. As well as the paper forms used to identify transported waste, the SISTRI Waste Tracking System is also applied, enabling the prompt and accurate tracking of special waste throughout the supply chain.

Correct spillage management is regulated by a specific standard operating procedure, which states that the spilled product must be collected using absorbent sheets and pads suitable for use with all types of hazardous and non-hazardous materials. Once used, the absorbent sheets are managed and destroyed in the most appropriate way, considering the hazardous nature of the product. Other important waste disposal initiatives implemented by the Group in 2017 include:

- the research programme at the Campoverde di Aprilia plant to investigate the possibility of internally managing certain types of waste that have previously been disposed of externally. For certain types of waste, this project has resulted in a significant reduction in costs, due not only to the internal management but also the reduction in number of transport journeys and containers used. The reduction in the number of journeys is in line with the policy of reducing external environmental impacts;
- at the Cork plant in Ireland, solid hazardous waste is segregated on site by production operators as soon as it is produced and is then sent off site for incineration by specialised contractors. Liquid hazardous waste is managed internally using closed systems: part of this waste is sent via a specialised contractor for disposal, while the majority is treated at the waste treatment plant of the Recordati Ireland branch. Biological sludge extracted by the waste treatment plant is sent for incineration by the specialist contractor. Furthermore, a specialist study is current being conducted at the plant in Cork to evaluate and provide a detailed emergency plan to manage leaks of thionyl chloride, the most reactive and hazardous chemical substance used in plant processes. The study should be completed in the first quarter of 2018;
- at the Cerkezkoy plant in Turkey, all waste is classified according to three main categories: domestic waste (such as food waste), recyclable and non-hazardous waste (such as paper, cardboard, plastic, glass and aluminium packaging) and hazardous waste. A specific policy has been adopted at the plant to regulate waste collection, storage, recycling and transfer procedures. This policy includes a waste tracking system which monitors the transfer of special waste throughout the supply chain in real time;
- at the Pardubice factory in the Czech Republic, various partnerships were launched in 2017 with companies specialising in the recycling and reuse of packaging materials;
- at the Milan plant, in order to limit the number of collections made by the carrier, two waste compressor units have been installed, one for paper and cardboard and one for special waste similar to SUW.

A total of 5,966 tonnes of waste was produced in 2017, of which 57% was hazardous waste (substances defined as hazardous in the country of origin) and 43% was non-hazardous waste (all other forms of liquid and solid waste).

In line with 2016, the majority of the hazardous waste produced by the production plants in 2017 (equal to 2,862 tonnes) was exported for disposal, while the remaining 519 tonnes was processed internally.

Total waste produced by Recordati Group plants, subdivided by type and disposal method							
Disposal method	Unit of measurement	2017			2016		
		Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Reuse	tonnes	-	1	1	-	1	1
Recycling	tonnes	42	504	546	21	310	331
Compost	tonnes	-	14	14	-	14	14
Recovery	tonnes	1,627	897	2,524	1,158	814	1,972
Incineration	tonnes	276	29	305	193	2	195
Landfill	tonnes	50	162	212	53	166	219
Storage on site	tonnes	3	-	3	15	-	15
Other <sup>15</sup>	tonnes	1,384	977	2,361	1,837	846	2,683
<b>Total</b>	<b>tonnes</b>	<b>3,382</b>	<b>2,584</b>	<b>5,966</b>	<b>3,277</b>	<b>2,153</b>	<b>5,430</b>

Total hazardous waste produced by Recordati Group plants, subdivided by destination					
Hazardous waste	Unit of measurement	2017		2016	
		Total	% of Total	Total	% of Total
Exported	tonnes	2,862	85%	2,861	87%
Processed	tonnes	520	15%	416	13%
<b>Total</b>	<b>tonnes</b>	<b>3,382</b>	<b>100%</b>	<b>3,277</b>	<b>100%</b>

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

<sup>15</sup> This category includes the disposal methods classified as D8, D9, D13, D14 and D15 used at the Campoverde di Aprilia plant and listed in Annex B of Italian Legislative Decree no. 152/06.

## GRI Index

The following tables present the aspects defined by the GRI-G4 Guidelines relating to the material aspects identified for the Recordati Group by the Materiality Analysis and its relative scope, with reference to the potential impacts of each aspect both internally and externally.

MATERIAL ASPECTS GRI-G4	Scope of the material aspects	
	Internal	External
<b>Categories</b>		
<b>Category: Financial</b>		
Financial performance	Recordati Group	-
Indirect financial impacts	Recordati Group	Local communities
<b>Category: Environmental</b>		
Energy	Production plants	-
Water	Production plants	-
Emissions	Production plants	-
Waste and discharges	Production plants	-
<i>Compliance</i>	Recordati Group	-
<b>Category: Social</b>		
<b>Subcategories: appropriate working practices and working conditions</b>		
Occupation	Recordati Group	-
Health and safety in the workplace	Production plants	-
Training and education	Recordati Group	-
Diversity and equal opportunities	Recordati Group	-
Equal pay for men and women	Recordati Group	-
<b>Subcategory: Human Rights</b>		
Assessment of suppliers' respect for human rights	Recordati Group	Suppliers and strategic partners
<b>Subcategory: Corporate</b>		
Anti-corruption	Recordati Group	-
Anti-competitive behaviour	Recordati Group	-
<i>Compliance</i>	Recordati Group	-
<b>Subcategory: Product Responsibility</b>		
Health and safety of the consumer	Recordati Group	Clients and consumers; Patients and associations
Labelling of products and services	Recordati Group	Clients and consumers; Patients and associations
Marketing	Recordati Group	Clients and consumers; Patients and associations

In accordance with the “Core” option of the “G4 Sustainability Reporting Guidelines”, performance indicators are presented in the table below. Each indicator includes a reference to the section of the Financial Statement or Consolidated Non-Financial Statement where the indicator can be found or other relevant reference sources in the public domain.

Indicator		References and other information
<b>General standard disclosure</b>		
<b>Strategy and analysis</b>		
<b>G4 - 1</b>	Statement of the Chairman and Chief Executive Officer	Letter to Shareholders
<b>G4 - 2</b>	Principle impacts, risks and opportunities	Note on Methodology; Annual Report, “ <i>Principle Risks and Uncertainties</i> ” section; Corporate Governance and Share Ownership Report, “ <i>Internal Control and Risk Management System</i> ” section
<b>Organisation Profile</b>		
<b>G4 - 3</b>	Name of Organisation	The Group Business Model; Annual Report, “ <i>Recordati, an International Group</i> ” section
<b>G4 - 4</b>	Main trademarks, products and services	Annual Report, “ <i>Recordati, an International Group</i> ” and “ <i>Business activities</i> ” sections
<b>G4 - 5</b>	Registered offices	Annual Report, “ <i>Recordati, an International Group</i> ” section
<b>G4 - 6</b>	Countries of operation	The Group Business Model; Annual Report, “ <i>Recordati, an International Group</i> ” and “ <i>Business activities</i> ” section
<b>G4 - 7</b>	Share ownership and legal composition	Corporate Governance and Share Ownership Report, “ <i>Issuer profile and general information</i> ” and “ <i>Share ownership information</i> ” sections
<b>G4 - 8</b>	Markets served	Annual Report, “ <i>Business activities</i> ” section
<b>G4 - 9</b>	Size of the organisation	Annual Report, “ <i>Results Summary</i> ” section; Consolidated Financial Statement as of 31 December 2017 (pages 49-52); Corporate Governance and Share Ownership Report, “ <i>Issuer profile and general information</i> ” section; Sustainability in figures
<b>G4 - 10</b>	Employees by contract type, gender, location, professional level	The importance of our employees
<b>G4 - 11</b>	Percentage of employees protected by collective labour agreements	Diversity and equal opportunities
<b>G4 - 12</b>	Description of the organisation’s supply chain	Supply chain
<b>G4 - 13</b>	Significant changes to the size, structure, share ownership or supply chain of the organisation	Consolidated Financial Statement of the Recordati Group as of 31 December 2017 (page 53).
<b>G4 - 14</b>	Application of the prudential approach to risk management	Corporate Governance and Share Ownership Report, “ <i>Internal</i> ”



Indicator		References and other information
<b>General standard disclosure</b>		
		<i>Control and Risk Management System</i> " section
<b>G4 - 15</b>	Adoption of external codes and principles regarding financial, social and environmental issues	The Group Business Model; Corporate Governance and Share Ownership Report, " <i>Organisational Model pursuant to Italian Legislative Decree no. 231/01</i> "
<b>G4 - 16</b>	Membership of industry associations or organisations	The Recordati Group's Stakeholders
<b>Materiality and scope of the report</b>		
<b>G4 - 17</b>	List of entities included in the Consolidated Financial Statement and those not included in the Consolidated Non-Financial Statement	Note on methodology
<b>G4 - 18</b>	Description of the process for the preparation of the Consolidated Non-Financial Statement	Materiality analysis
<b>G4 - 19</b>	Identified material aspects	Materiality analysis
<b>G4 - 20</b>	Materiality aspects internal to the organisation	Materiality analysis
<b>G4 - 21</b>	Materiality aspects external to the organisation	Materiality analysis
<b>G4 - 22</b>	Amendments to information with respect to the previous Consolidated Non-Financial Statement	<i>This document is the first Non-Financial Statement of the Recordati Group.</i>
<b>G4 - 23</b>	Significant changes in terms of objectives or scope compared to the previous Consolidated Non-Financial Statement	<i>This document is the first Non-Financial Statement of the Recordati Group.</i>
<b>Stakeholder engagement</b>		
<b>G4 - 24</b>	Categories and groups of <i>stakeholders</i> involved in the organisation	The Recordati Group's Stakeholders
<b>G4 - 25</b>	<i>Stakeholder</i> identification process	The Recordati Group's Stakeholders
<b>G4 - 26</b>	Approach to <i>stakeholder</i> engagement, including frequency and type of activity	The Recordati Group's Stakeholders
<b>G4 - 27</b>	Key aspects revealed by <i>stakeholder</i> engagement initiatives	Materiality analysis
<b>Report profile</b>		
<b>G4 - 28</b>	Reporting period of the Consolidated Non-Financial Statement	Note on methodology
<b>G4 - 29</b>	Publication date of the previous Consolidated Non-Financial Statement	<i>This document is the first Non-Financial Statement of the Recordati Group.</i>
<b>G4 - 30</b>	Reporting cycle	Note on methodology
<b>G4 - 31</b>	Contacts for more information regarding the Consolidated Non-Financial Statement	Note on methodology
<b>G4 - 32</b>	GRI Index and "in accordance" option	GRI Index
<b>G4 - 33</b>	External quality assurance policies and practices	Report of the Independent Auditing Company
<b>Governance</b>		
<b>G4 - 34</b>	Governance structure	Corporate Governance and Share Ownership Report, " <i>Issuer profile and general information</i> " and " <i>Board of Directors</i> " sections
<b>Ethics</b>		
<b>G4 - 56</b>	Values, principles, standards and code of conduct of the organisation	The Group Business Model; Corporate Governance and Share Ownership Report, " <i>Organisational Model pursuant</i> "

Indicator	References and other information
General standard disclosure	
	<i>to Italian Legislative Decree no. 231/01"</i>

Indicator	Section	Omission
Specific Standard Disclosure		
Financial Category		
<b>Material aspect: Financial performance</b>		
<b>G4 - DMA</b>	General information on the management model	Direct and indirect economic benefits
<b>G4 - EC1</b>	Directly generated and distributed economic value	Direct and indirect economic benefits
<b>Material aspect: Indirect financial impacts</b>		
<b>G4 - DMA</b>	General information on the management model	Direct and indirect economic benefits
<b>G4 - EC7</b>	Development and impact of investments in infrastructure and services	Direct and indirect economic benefits
<b>Environmental Category</b>		
<b>Material aspect: Energy</b>		
<b>G4 - DMA</b>	General information on the management model	The commitment to environmental protection; energy use and emissions
<b>G4 - EN3</b>	Direct energy usage	Energy use and emissions <i>This indicator considers production plants only</i>
<b>G4 - EN6</b>	Reduction in energy usage	Energy use and emissions <i>This indicator considers production plants only</i>
<b>Material aspect: Water</b>		
<b>G4 - DMA</b>	General information on the management model	Management of water resources
<b>G4 - EN8</b>	Water intake by source	Management of water resources <i>This indicator considers production plants only</i>
<b>G4 - EN9</b>	Fonti di prelievo significativamente influenzate dai prelievi di acqua	Management of water resources <i>This indicator considers production plants only</i>
<b>G4 - EN10</b>	Percentage and total volume of recycled and reused water	Management of water resources <i>This indicator considers production plants only</i>
<b>Material aspect: Emissions</b>		
<b>G4 - DMA</b>	General information on the management model	The commitment to environmental protection; energy use and emissions

<b>G4 - EN15</b>	Total direct greenhouse gas emissions (scope 1)	Energy use and emissions <i>This indicator considers production plants only</i>	
<b>G4 - EN16</b>	Total indirect greenhouse gas emissions (scope 2)	Energy use and emissions <i>This indicator considers production plants only</i>	
<b>G4 - EN21</b>	Emissions of other air pollutants (NOx, SOx, etc.)	Energy use and emissions <i>This indicator considers production plants only</i>	
<b>Material aspect: Waste and discharges</b>			
<b>G4-DMA</b>	General information on the management model	Waste management	
<b>G4 - EN23</b>	Waste produced by type and disposal method	Waste management <i>This indicator considers production plants only</i>	
<b>G4 - EN25</b>	Production of hazardous waste	Waste management <i>This indicator considers production plants only</i>	
<b>Material aspect: Compliance</b>			
<b>G4 - DMA</b>	General information on the management model	Commitment to environmental protection	
<b>G4 - EN29</b>	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with environmental regulations and legislation	<i>No significant fines for non-compliance with environmental regulations and legislation were reported during the year</i>	
<b>Social Category</b>			
<b>Subcategory: Appropriate working practices and working conditions</b>			
<b>Material aspect: Occupation</b>			
<b>G4 - DMA</b>	General information on the management model	The importance of our employees	
<b>G4 - LA1</b>	Total number of new recruits and staff turnover by age, gender and location	The importance of our employees	
<b>G4 - LA2</b>	Benefits offered to full-time workers but not to part-time or temporary workers	Employee welfare <i>The described benefits do not vary based on contract type or professional level</i>	
<b>Material aspect: Health and safety in the workplace</b>			
<b>G4 - DMA</b>	General information on the management model	Health and safety in the workplace	
<b>G4 - LA6</b>	Occupational injury, disease, lost work day and absenteeism rates and total number of deaths, subdivided by location and gender	Health and safety in the workplace <i>This indicator refers exclusively to employees of production plants</i>	
<b>Material aspect: Training and education</b>			
<b>G4 - DMA</b>	General information on the management model	Training and development of human capital	

<b>G4 - LA9</b>	Average hours of annual training per employee, subdivided by gender and professional level	Training and development of human capital	
<b>G4 - LA10</b>	Skills development and career advancement programmes and support in managing final career phases	Training and development of human capital	
<b>Material aspect: Diversity and equal opportunities</b>			
<b>G4 - DMA</b>	General information on the management model	Diversity and equal opportunities	
<b>G4 - LA12</b>	Composition of the Group's governance bodies and division of employees by gender, age and other diversity indicators	The importance of our employees; Diversity and equal opportunities; Corporate Governance and Share Ownership Report, " <i>Issuer profile and general information</i> " and " <i>Board of Directors</i> " sections	
<b>Material aspect: Equal pay for men and women</b>			
<b>G4 - DMA</b>	General information on the management model	Employee welfare	
<b>G4 - LA13</b>	Ratio between basic salary and total remuneration for men and women by category, subdivided by significant operational sites	Employee welfare	
<b>Subcategory: Human Rights</b>			
<b>Material aspect: Assessment of suppliers' respect for human rights</b>			
<b>G4 - DMA</b>	General information on the management model	Supply chain	
<b>G4 - HR10</b>	Percentage of suppliers assessed for respect of human rights	Supply chain <i>As per the new procurement process, suppliers for Italian Companies are selected based on the acceptance by the supplier of the Code of Ethics. This process will be extended to all Group Companies by the end of 2019.</i>	
<b>Subcategory: Corporate</b>			
<b>Material aspect: Anti-corruption</b>			
<b>G4 - DMA</b>	General information on the management model	Corporate Governance and Share Ownership Reports, " <i>Organisational Model pursuant to Italian Legislative Decree no. 231/01</i> "	
<b>G4 - SO3</b>	Operations assessed on the basis of corruption risks	Corporate Governance and Share Ownership Reports, " <i>Organisational Model pursuant to Italian Legislative Decree no. 231/01</i> "	

<b>G4 - SO5</b>	Cases of corruption and the measures adopted	<i>No cases of corruption were reported during the year</i>	
<b>Material aspect: Anti-competitive behaviour</b>			
<b>G4 - DMA</b>	General information on the management model	The Group Business Model; Corporate Governance and Share Ownership Report, <i>“Organisational Model pursuant to Italian Legislative Decree no. 231/01”</i>	
<b>G4 - SO7</b>	Legal action relating to anti-competitive behaviour, anti-trust cases and monopoly practices and their respective outcomes	<i>No legal action for anti-competitive behaviour, anti-trust cases or monopoly practices were reported during the year</i>	
<b>Material aspect: Compliance</b>			
<b>G4 - DMA</b>	General information on the management model	Product quality and safety; Corporate Governance and Share Ownership Report, <i>“Internal Control and Risk Management System”</i> section	
<b>G4 - SO8</b>	Monetary value of significant sanctions and total number of non-monetary sanctions for non-compliance with laws or regulations	<i>No significant sanctions for non-compliance with laws or regulations were reported during the year</i>	
<b>Subcategory: Product Responsibility</b>			
<b>Material aspect: Health and safety of the consumer</b>			
<b>G4 - DMA</b>	General information on the management model	Product quality and safety; Audits and inspections	
<b>G4 - PR2</b>	Total number (subdivided by type) of cases of non-compliance with voluntary regulations and codes regarding the health and safety impact of products and services during their life cycle	Product quality and safety; Audits and inspections	
<b>Material aspect: Labelling of products and services</b>			
<b>G4 - DMA</b>	General information on the management model	Product quality and safety; Product serialisation	
<b>G4 - PR4</b>	Cases of non-compliance with information and labelling regulations for product and services	Product quality and safety; Product serialisation	
<b>Material aspect: Marketing</b>			
<b>G4 - DMA</b>	General information on the management model	Product quality and safety; Product serialisation	
<b>G4 - PR7</b>	Cases of non-compliance to product communication, marketing and advertising regulations	Product quality and safety; Product serialisation	