


# ANNUAL REPORT 2021

RECORDATI

# ANNUAL REPORT 2021

RECORDATI

# TABLE OF CONTENTS

# RECORDATI, AN INTERNATIONAL GROUP

REVENUE

1,580.1

Million Euros

NET INCOME

386.0

Million Euros

EMPLOYEES

Exceed

4,300

Recordati is a well-established international pharmaceutical group listed on the Italian Stock Exchange since 1984. The Recordati group is based in Milan and is one of Italy's oldest pharmaceutical companies.

Since it was founded in 1926, Recordati has grown consistently thanks to the success of its products and its growth and development strategy based on internationalisation and diversification, also implemented through an ongoing acquisition strategy initiated in the 1990s. The Group is committed to seeking new opportunities and faces the challenges of a constantly changing marketplace with determination. In 2021, revenue of € 1,580.1 million was generated with a staff of 4,303 employees.

A number of branches are currently operational in Europe and globally. In addition to its subsidiaries in Western and Central and Eastern European countries, the Group has a direct presence in Turkey, North Africa, the U.S.A., Canada, Mexico, in some South American countries, the Middle East, Japan and Australia. Recordati also sells its products in about 150 markets through license agreements. Alongside its geographic expansion, the Group has developed a significant and increasing global presence in the pharmaceutical segment for the treatment of rare diseases. In addition, the Group constantly enhances its treatment offering by developing new products and forming alliances with research institutes and other pharmaceutical companies.

The Group's most important Specialty and Primary Care products include those in the cardiovascular area, with lercanidipine, a latest-generation calcium channel blocker indicated for the treatment of hypertension, discovered and developed entirely at the Recordati research laboratories, and its combination with enalapril, a widely prescribed ACE inhibitor. The Group's presence in this treatment area also includes the well-established metoprolol-based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris, cardiac rhythm disorders, maintenance treatment after a myocardial infarction, and functional heart disorders with palpitations.

In addition to the cardiovascular segment, the Group's product portfolio covers a range of different treatment areas. More specifically, over the years, Recordati has acquired specific and wide-ranging know-how in the urogenital area, with well-recognized drugs for the treatment of benign prostatic hyperplasia such as silodosin, and of urinary incontinence, such as flavoxate. The offer has been recently expanded to include a leuprorelin acetate depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa). In the metabolic area, pitavastatin, a latest-generation statin for controlling hypercholesterolemia, is also marketed in a number of countries and in the central nervous system area, an innovative anti-psychotic drug for the treatment of schizophrenia, cariprazine, a new and effective treatment for this seriously debilitating mental disorder.

Recordati develops, produces and markets drugs for the treatment of rare diseases through Recordati Rare Diseases, a group of companies operating globally and dedicated entirely to serve patients suffering from these diseases. Historically focused on rare genetic metabolic illnesses. This business segment was recently consolidated with the addition of new products to its portfolio and with the acquisition of additional important products in the area of rare endocrinology diseases.

Recordati has six pharmaceutical production facilities and a packaging and distribution facility dedicated to rare disease products, all of which operate in full compliance with environmental protection regulations and current Good Manufacturing Practice (cGMP). Recordati also produces a number of active ingredients and intermediates for the pharmaceutical industry at two pharmaceutical chemical plants: one in Campoverde di Aprilia, Italy, and the other in Cork, Ireland.

The broad geographical coverage achieved by the Group, its efficient network of medical sales representatives, in addition to its well-established experience in regulatory formalities and its expertise in managing highly specialized products, make the Recordati group an ideal partner to develop and market new products in all the territories where it has a presence with its own sales organizations.

Recordati's ability to generate profitable alliances with prominent players in the pharmaceutical sector has underpinned the Group's growth, providing a basis for identifying new partners and implementing new license agreements to develop innovative pharmaceutical products.

Recordati will extend its presence in the international pharmaceutical market and rare diseases segment, working in conjunction with the communities where it operates. Contributing to the well-being of the areas where it operates and dedicating a portion of its resources to solidarity initiatives is not simply a duty for Recordati, but rather the way it conducts its business.

The Group pursues a sustainable growth model, integrating social and environmental aspects into its corporate strategy and process, mindful that there can be no long-term economic development without responsible action. For this purpose Recordati has defined a Sustainability Plan, describing its future commitments, structured with qualitative and quantitative goals for five priority areas: patient care, people care, environmental protection, responsible sourcing, ethics and integrity.

# LETTER TO OUR SHAREHOLDERS

**ANDREA RECORDATI**
*Chairman*

**ROB KOREMANS**
*Chief Executive Officer*

2021 was once again a year of strong performance for Recordati, a year in which, despite the ongoing difficulties related to the pandemic, we returned to growth and renewed our commitment to pursue a sustainable future, further strengthening our organization and delivering value for all our stakeholders. For over 90 years Recordati has been facing the challenges and opportunities of a constantly evolving market with determination and perseverance, and over the last two years the Group has continued to demonstrate its great ability to continuously react and quickly adapt to a challenging environment. This was possible because of the ongoing professionalism and dedication of our employees, focused on the execution of Recordati's successful strategy in Specialty & Primary Care and Rare Diseases areas combining organic growth of the current portfolio with value enhancing Business Development and M&A. As set out in the Group's 2021-2023 strategic plan presented in May, Recordati is committed to continuing to reinforce the Group's presence in both businesses with a continued commitment towards patients and their caregivers.

In a context of gradual and only partial recovery to normal market conditions, the Group's revenue growth and cost discipline in 2021 have offset planned investment behind new franchises, leading Recordati to achieve another year of strong financial performance which reflect the Group's solidity, its diversified portfolio and footprint and its successful strategy. Revenues reached € 1,580.1 million, up 9.1% compared to 2020, mainly driven by high double-digit growth of Rare Disease segment, with robust results from both the legacy metabolic portfolio and endocrine franchise, and by a resilient performance of broader Specialty & Primary Care business, despite tough market conditions, thanks also to the contribution of new products. In line with targets set at the start of the year, EBITDA rose to € 602.3 million, with a margin of 38.1% and was up 5.8% over 2020. Adjusted Net Income reached € 424.6 million, growing 3.5% over last year. Net Income totaled € 386.0 million, up 8.7% compared to 2020. Finally, Recordati achieved continued strong cash performance, with Free Cash Flow at € 469.9 million, up € 87.6 million compared to 2020.

In line with our strategy, in 2021 several initiatives were undertaken to support future growth.

In January, a License and Supply Agreement was finalized with Tolmar International Ltd to market Eligard® (leuprorelin acetate) in Europe, Turkey, Russia and other countries. Eligard® is a medicinal product for the treatment of advanced hormone-dependent prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer, in combination with radiotherapy. Already over the first year, net revenue of € 85.3 million was recorded based on this agreement. Following intense regulatory activity, in 2021, the transfer of the Marketing Authorization or sales license to Recordati was completed in around 30 countries, and the Group successfully started to launch the product distribution and promotional activities to healthcare professionals.

Also in January, the US Food and Drug Administration (FDA) approved a new indication for Carbaglu® (carglumic acid) 200 mg tablets as an adjunctive therapy to the primary treatment of acute hyperammonemia caused by propionic acidemia (PA) or by methylmalonic acidemia (MMA) in pediatric and adult patients. Carbaglu® is the first and only drug approved by the FDA for the treatment of acute hyperammonemia due to PA and MMA.

An agreement with Almirall S.A. was finalized in February, to acquire the marketing rights on the Spanish market for Flatoril®, a medicine containing a combination of clebopride and simethicone, indicated for the treatment of functional gastrointestinal disorders.

In March, in Japan, the Ministry of Health, Labour and Welfare (MHLW) approved Isturisa® (osilodrostat) for the treatment of patients with endogenous Cushing's syndrome for whom pituitary surgery is not an option or has not been curative. Marketing began at the end of June after having obtained the reimbursement price.

Finally, in December, Recordati announced the signing

of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarter in the United Kingdom, focused on rare and niche oncology diseases, for an enterprise value of €750 million. The transaction, following the regulatory authorities' approval, has been completed on 16 March 2022 and will be consolidated in the Recordati group financial statements as of 31 March 2022.
The acquisition of EUSA Pharma represents another step forward in delivering on the Group's strategy to increase its presence in the rare disease segment and fulfill its mission: improving the lives of patients whilst delivering innovative treatments that address serious unmet medical needs. The deal will complement Recordati's global footprint with new capabilities and a highly efficient commercial infrastructure, adding a growing portfolio of 4 rare and niche oncology disease products, providing a platform for potential future expansion.

In 2021 Recordati also reinforced its commitment to a sustainable future, with ESG being effectively integrated into the business processes based on the five priority areas: responsibility to patients, people care, environmental protection, responsible sourcing, and ethics and integrity. In October, Recordati was included in the MIB ESG Index, the first index promoted by Euronext and Borsa Italiana, dedicated to blue-chip companies demonstrating best ESG practices. The Group's inclusion in the index is further evidence of Recordati's strong commitment to environmental, social and governance issues. Recordati is included in the FTSE4Good Index series, too. As evidence of the Company's focus on sustainability, Recordati experienced a general improvement in the overall ESG rating, with MSCI and EcoVadis assigning an A and Gold rating respectively.

Looking ahead, we are confident and optimistic about continuing on a path of sustainable growth. In July, the Board of Directors approved the appointments of Rob Koremans as Chief Executive Officer and of Andrea Recordati as Chairman of the Group, both effective 1 December 2021. The enhancement of top management will allow Recordati continue its growth, focusing on the development and implementation of the Group's strategy.

However, the global outlook for 2022 remains uncertain, particularly on the geopolitical front. We are following the developments in Ukraine with the highest attention, and now our overriding concern is for the health and safety for our people in the region. We are also committed to supporting our patients and communities there as much as we can.

To conclude, we are very grateful to each of our over 4,300 colleagues, the Board and the management for the passion, commitment and resilience they have shown in this challenging scenario. Finally, we wanted to express our gratitude to our shareholders for their continued support and for the trust they place in our leadership.

## DIVIDENDS

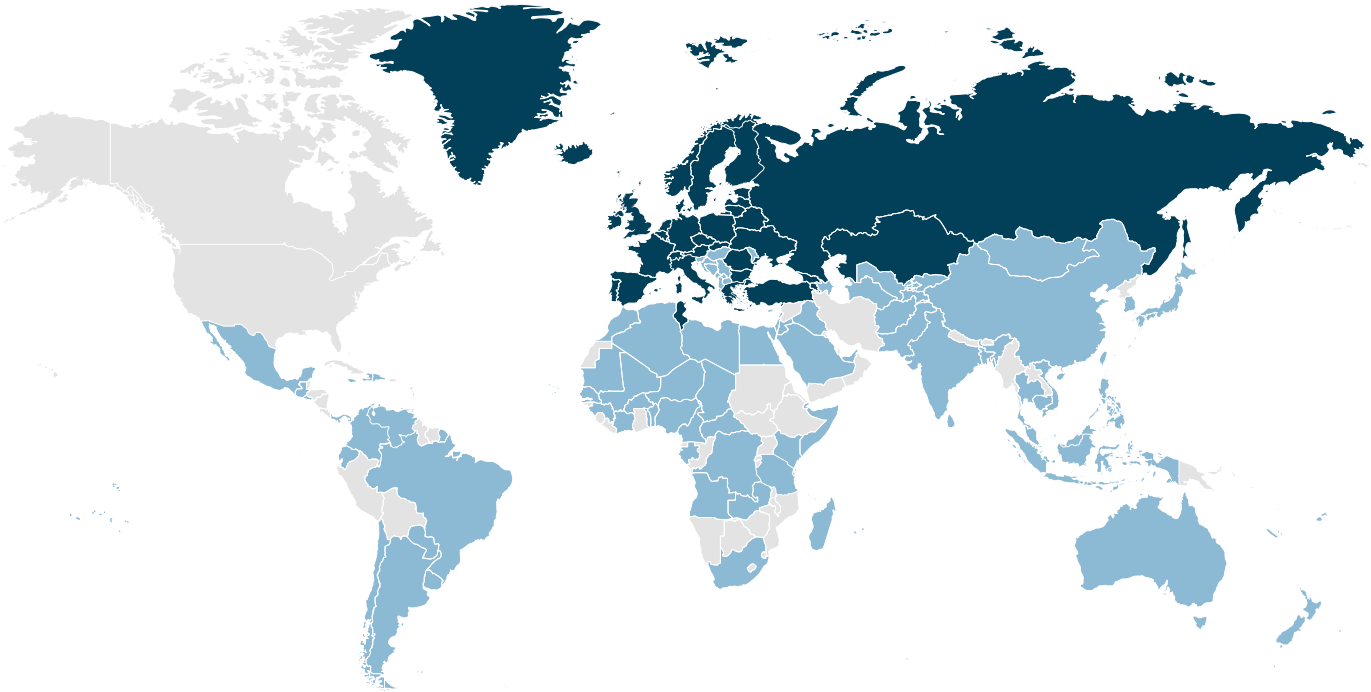
Based on the results obtained, we propose a dividend to shareholders of € 0.57 per share, in full balance of the interim 2021 dividend of € 0.53, for all shares outstanding at the ex-dividend date (no. 29), excluding treasury shares in the portfolio at that date (payment on 25 May 2022 and record date 24 May 2022), with ex-dividend on 23 May 2022. The full 2021 dividend is therefore € 1.10 per share (€ 1.05 per share in 2020).

ANDREA RECORDATI
*Chairman*

ROB KOREMANS
*Chief Executive Officer*

# GEOGRAPHICAL PRESENCE

## SPECIALTY AND PRIMARY CARE

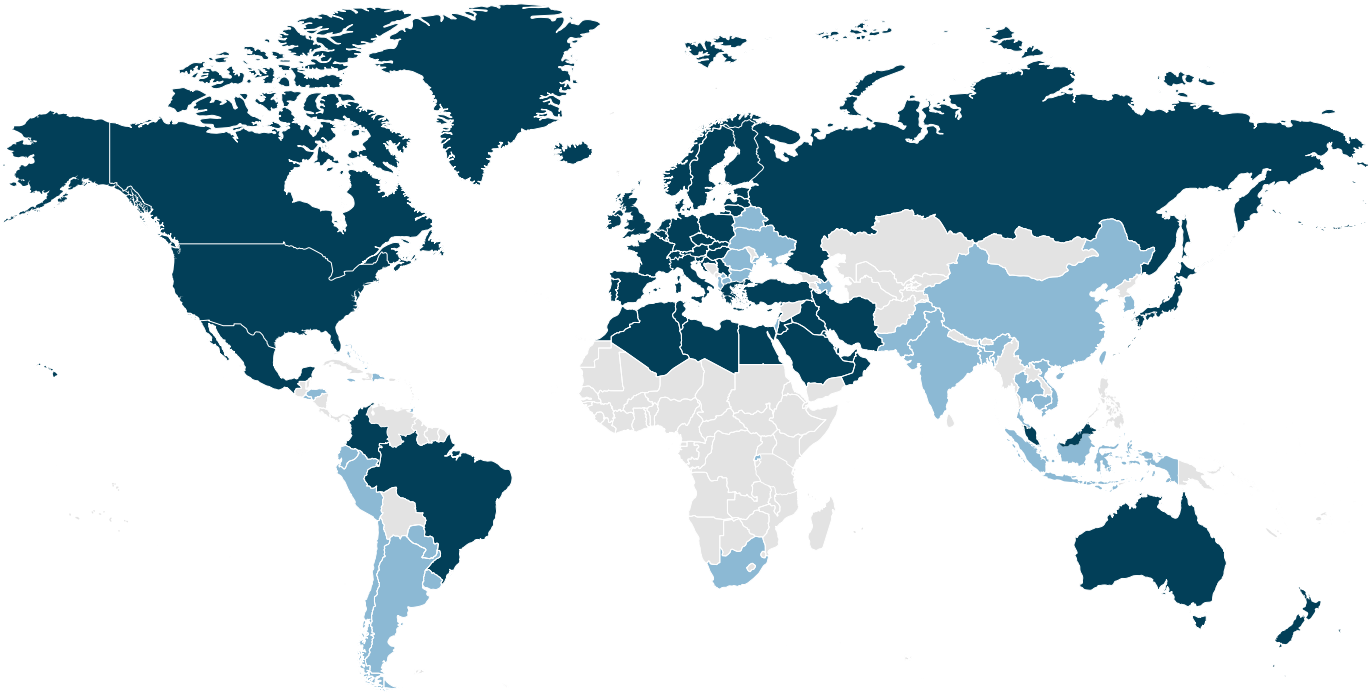


Subsidiaries and direct selling organizations

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

About 150
**COUNTRIES**

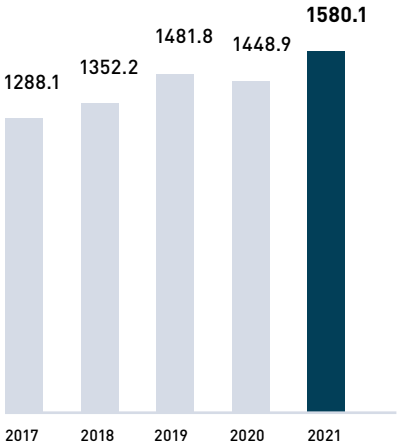
# TREATMENTS FOR RARE DISEASES



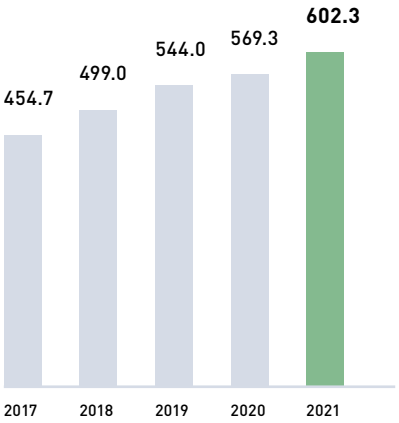
Subsidiaries and direct presence of orphan drug representatives
Commercial agreements and direct delivery

# THE GROUP IN FIGURES

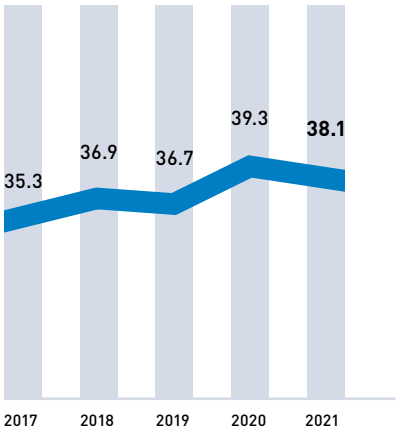
## REVENUE
Millions of Euro



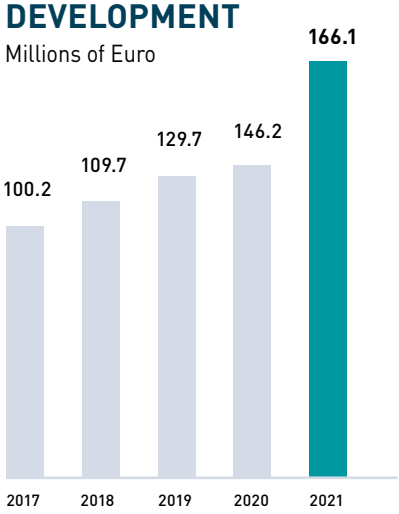

## EBITDA*
Millions of Euro



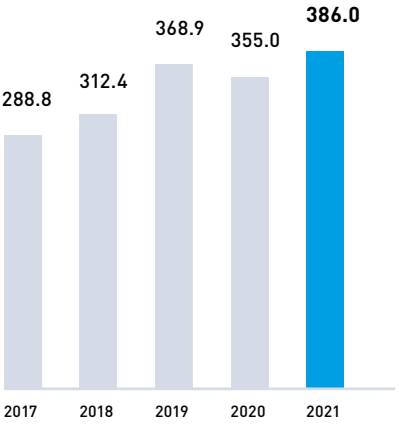

## EBITDA AS % OF REVENUE*



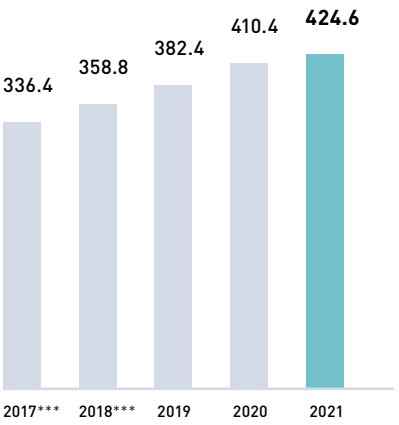

## RESEARCH AND DEVELOPMENT
Millions of Euro



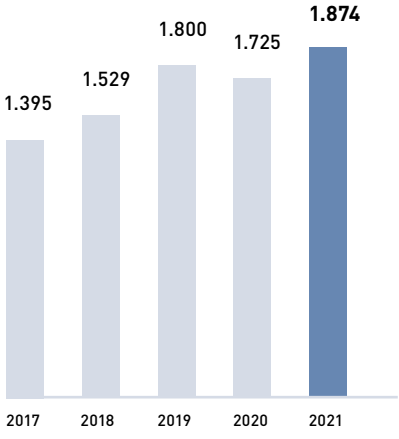

## NET INCOME
Millions of Euro



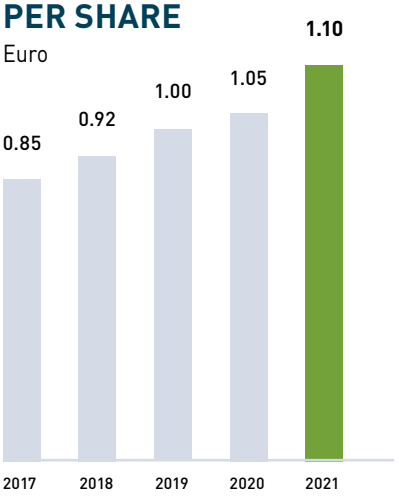

## ADJUSTED NET INCOME**
Millions of Euro




## NET INCOME PER SHARE
Euro




## DIVIDEND PER SHARE
Euro

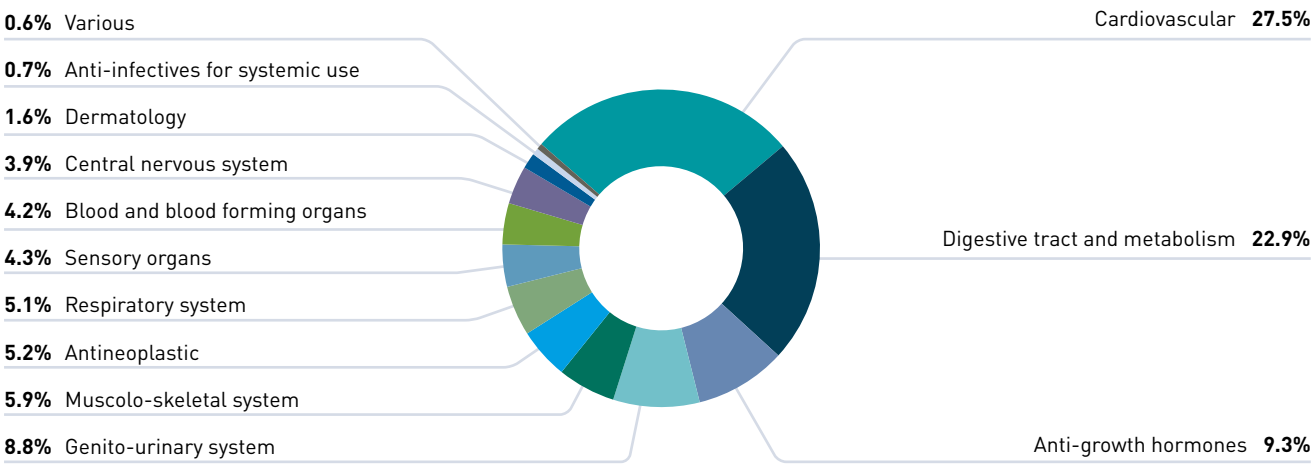



* *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

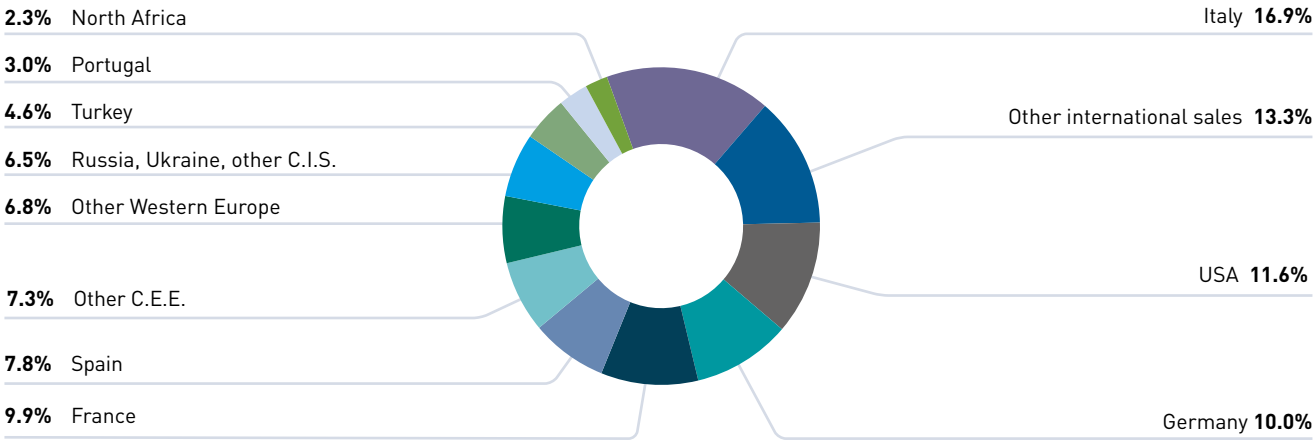
** *Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.*

*** *Pro-forma, not reported in relevant year financial accounts.*

## PHARMACEUTICAL SALES BY THERAPEUTIC AREA

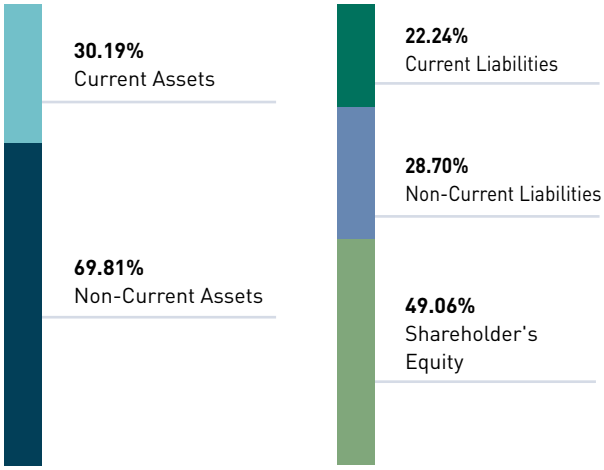



## GEOGRAPHICAL COMPOSITION OF PHARMACEUTICAL SALES




## BALANCE SHEET

at 31 December 2021




### SHAREHOLDER'S EQUITY

**1,381.6**

Millions of Euro

### NET FINANCIAL POSITION

**(736.5)**

Millions of Euro

# THE RECORDATI SHARE

## THE RECORDATI SHARE

at 31 December 2021

| | |
|---|---|
| Listing: | Borsa Italiana, Blue Chip segment, healthcare |
| ISIN Code: | It 0003828271 |
| Ticker: | Bloomberg REC IM, Reuters RECI.MI |
| Index: | FTSE MIB, FTSE Italia All-Share Health Care Index, FTSE Italia All-Share Pharmaceuticals & Biotechnology Index, FTSE4Good Index Series, STOXX Europe 600, Euro STOXX Health Care, MSCI Indexes |
| Share Capital: | n. 209,125,156 common shares |
| Nominal value: | € 0.125 per share |
| EPS (diluted): | € 1.846 |
| Dividend per share: | € 1.10 |

## COMPARED TO FTSE ITALIA ALL-SHARE

*Source: FactSet*


Recordati Industria Chimica e Farmaceutica S.p.A.

FTSE Italia All-Share

## COMPARED TO STOXX 600/HEALTHCARE

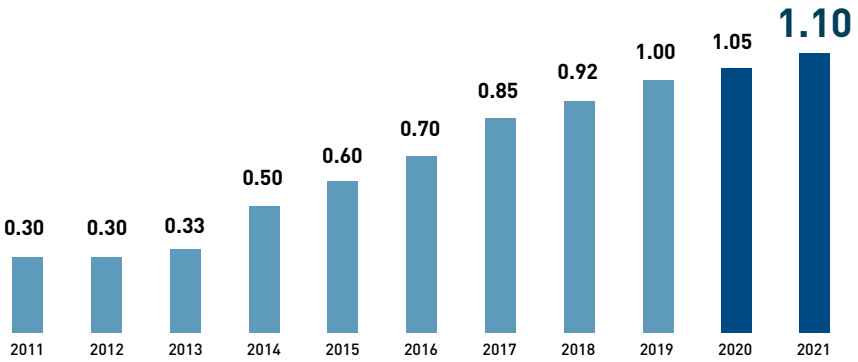
*Source: FactSet*


Recordati Industria Chimica e Farmaceutica S.p.A.

STOXX Europe 600 Optimised / Health Care - SS

## DIVIDEND

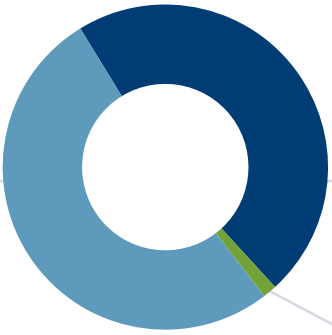
(Euro per Share)




## PRINCIPAL SHAREHOLDERS

at 31 December 2021

**51.8%** Consortium of investment funds controlled by CVC Capital Partners



**46.7%** Free float

**1.5%** Treasury Stock

# HEALTH, A GLOBAL OBJECTIVE

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

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

Health care expenditure is a significant indicator of the growing attention to the subject of health. The pandemic aside, global spending on medicines continues to be driven by innovation and offset by losses of exclusivity and the lower costs of generics and biosimilars.

The global medicine market is expected to grow at 3–6% CAGR through 2026, reaching about US$1.8 trillion in 2026, including spending on COVID-19 vaccines (source: The Global Use of Medicines 2022 - Outlook to 2026 – IQVIA).

The Consumer Health Care retail market (self-medication) reached US$154 billion globally in the year, as of September 2021, up by 2.6% versus a year ago (source: Nicholas Hall's CHC Dashboard).

This global trend showed a progressive recovery towards pre-pandemic rates, made up of a combination of different therapeutic area and regional dynamics.

In fact, the heavy decline for the respiratory category (especially in North America and Western Europe), linked to lockdown restrictions and hygiene measures, was offset by an accelerating growth in Vitamins, Minerals and Supplements (like immunity supplements) and dermatologicals (as antiseptics and disinfectants), both widely used to prevent and contain the COVID-19 pandemic.

The trend in the pharmaceutical sector to invest more in the treatment of rare diseases has consolidated itself. Although the target population is smaller, it has significant treatment requirements. In 2020, more than half (58%) of the new FDA approvals were allocated to orphan drugs. In 2021, US$155 billion (+12% compared to 2020) was destined to treating rare diseases, with the market growing on average 11% and expected to reach US$221 billion by 2024 and US$268 billion in 2026, to the extent of representing 20% of the global prescription drug market, excluding generics (source: HUMAN MEDICINES HIGHLIGHTS 2020, Evaluate Pharma World Preview 2021).

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

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

# RESEARCH AND DEVELOPMENT

In 2021, Research and Development activities concentrated primarily on the rare diseases segment. New acquisitions and licences enriched the product pipeline in Rare Diseases and Specialty and Primary Care.

Progress was made on the pharmaceutical and clinical development of the REC 0559 (treatment of neurotrophic keratitis) and REC 0545 (treatment of leucinosis or maple syrup urine disease [MSUD]) projects. New formulation development continued for the life cycle management of cysteamine. Pipeline products in the orphan segment saw the completion of the clinical trials in various countries and marketing authorisation approvals for Isturisa® and Signifor® from Novartis to Recordati AG, Rare Diseases branch.

In January 2021, a License and Supply Agreement was closed with Tolmar International Ltd, to market Eligard®, a specialty care medicinal product for the treatment of hormone-dependent advanced prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer in combination with radiotherapy.

In December 2021, Recordati announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical focused on rare and niche oncology diseases, and the portfolio was enriched with Qarziba® (an anti-GD2 monoclonal antibody indicated for high-risk neuroblastoma), Sylvant® (an anti-IL-6 monoclonal antibody for the treatment of Idiopathic Multicentric Castleman's disease), Fotivda® (an oral, highly selective, small molecule tyrosine kinase inhibitor of vascular endothelial growth factor receptors 1, 2, and 3 for the treatment of advanced renal cell carcinoma), and Caphosol® (a medical device for oral mucositis due to chemo and radio therapy). The closing is subject to regulatory approval and is expected to happen in the second quarter of 2022.

The addition of new products —through internal research programs and research and development opportunities in conjunction with external research companies and institutions— was again a significant aspect in 2021 in enriching our pipeline and ensuring the Group's future growth.

At the same time, important and intense registration and regulatory formalities were carried out to obtain marketing approvals for Recordati products in new territories.

## PRODUCT DEVELOPMENT PIPELINE

| Name | Originator | Indication | Development status |
|---|---|---|---|
| REC 0559 | Recordati/MimeTech | Neurotrophic keratitis | Phase II in progress |
| REC 0545 | Recordati/AP-HP | Acute decompensation episodes in maple syrup urine disease (MSUD) or leucinosis | Filing expected in 2022 |
| ARS-1 | ARS Pharmaceuticals | Emergency treatment of allergic reactions, including anaphylaxis | Filed in EU and pediatric development plan in progress |
| ISTURISA® | Novartis | Endogenous Cushing's syndrome/ Cushing's disease | Approved in the USA, Europe, Switzerland and Japan. Filed in other countries |
| CYSTADROPS® | Recordati | Corneal cystine crystal deposits in patients with cystinosis | Approved in the USA and Europe. Development of new formulations in the USA and EU |
| Methadone | | Treatment of cancer-related pain in cases of resistance or intolerance to other opioids | Approved in France |
| CARBAGLU® | (Recordati Rare Diseases) | Hyperammonemia due to NAGS deficiency and to the main organic acidemias | Approved in Canada and the USA for the treatment of organic acidemias |
| REAGILA® | Gedeon Richter | Schizophrenia | Pediatric post-approval development plan |
| ELIGARD® | Tolmar | Hormone-dependent prostate cancer | Post-approval activity to develop a new device |

## SPECIALTY & PRIMARY CARE SEGMENT

In the Specialty and Primary Care segment, the product pipeline was enhanced with Eligard®, and new formulation development has started for Ortoton (methocarbamol). Maintenance continued in support of marketed products as well as pre-clinical studies involving new drugs.

The main research and development activities during 2021 are summarized in the paragraphs below.

### Eligard® (leuprorelin acetate)

After closing the License and Supply agreement in January 2021, intense regulatory activities were carried out by Recordati to obtain marketing approval transfers for Eligard®, a medicinal product for the treatment of hormone-dependent advanced prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer in combination with radiotherapy.

The active ingredient in Eligard® is leuprorelin acetate, a powder which is solubilized with a solvent for subcutaneous injection. The product is currently available in three different doses (for 1-month, 3-month and 6-month treatment, respectively) as a single kit containing two syringes. In 2021, intense development has been carried out to finalize a new device (2 pre-connected syringes) to make it easier for the healthcare professional to administer the product, as requested by the EMA.

A large prospective real-life observational clinical study has also started in France to evaluate the efficacy and tolerability of leuprorelin acetate 22.5 mg (3-month) and 45 mg (6-month) in daily medical practice.

### ARS-1

The European Medicines Agency (EMA) accepted the Marketing Authorisation Application (MAA) submission from ARS Pharmaceuticals for ARS-1, an epinephrine nasal spray for the emergency treatment of allergic reactions, including anaphylaxis. Clinical trials included in the registration application show that the intranasal administration of epinephrine with ARS-1 results in epinephrine plasma levels that are similar to those obtained with the intramuscular administration of epinephrine. This innovative formulation makes the administration of epinephrine much easier, quicker and more reliable, potentially obtaining much quicker relief from symptoms and preventing an allergic reaction from becoming more serious or life-threatening.

### Urorec®/Silodyx®/Silodosin Recordati (silodosin)

The BeNeLux branch has started directly marketing Silodyx® in Belgium, Luxembourg and the Netherlands in April and June, respectively. A new secondary packaging manufacturer has been approved for the centralized registration of Urorec® and Silodyx®.

The change for the addition of the alternative source of pregelatinized maize starch has been submitted for various national registrations worldwide.

### Fortacin™ (lidocaine/prilocaine)

The conversion from a centralized procedure to a national registration procedure has been completed in Great Britain following Brexit.

The manufacturing sites responsible for batch control and batch release located in the United Kingdom have been removed from centralized registration, and Recordati Pharmaceuticals Ltd has been replaced by Recordati Ireland as the local representative for the United Kingdom (Northern Ireland).

### Zanidip®/Zanipress® (lercanidipine/ lercanidipine-enalapril)

Affiliates in Nordic countries and Portugal have started directly marketing the medicine as monotherapy and in combination with enalapril in Denmark, Norway, Sweden and Portugal.

A new secondary packaging manufacturer has been approved for certain European registrations of Zanidip® and Zanipress®.

A new HPLC analytical method to control the assay and related substances has been approved for all the European registrations of Zanipress®.

### Seloken® / Seloken® ZOK (metoprolol) e Logimax® (metoprolol + felodipine)

During 2021, a new manufacturer responsible for secondary packaging and batch releases was added for ampoules.

In addition, the Product Information update to comply with European Guidelines for excipients has been submitted in most countries for medicines containing metoprolol and metoprolol + felodipine.

### Reagila® (cariprazine)

Trials continue aimed at demonstrating the efficacy and safety of cariprazine in adolescents (13-17), with a slowdown recorded in

patient recruitment due to the effects of the COVID-19 pandemic. Time lines for the completion of the Paediatric Investigation Plan (PIP) will be discussed with the European Paediatric Committee. The medication is also in the process of registration in Tunisia and Turkey.

### Methadone

Work continued in 2021 on the commitments undertaken with the French Authority at the time that the Zoryon® approval was issued for the treatment of moderate and severe oncological pain in patients who do not respond adequately to other opioids. The protocol of a phase IV real-life study has been submitted for evaluation to the French Authority. Environmental risk assessment studies have begun, and the development and validation of an updated analytical procedure to detect the degradation of products is underway. In France, a real-life observational study has been planned for cancer pain management with methadone (Zoryon®) in patients not adequately relieved by other opioids, with data collection scheduled to start in 2022.

### Lomexin® (fenticonazole)

Fenticonazole is a topical antimycotic drug originated by Recordati. A number of different projects were conducted in support of the development of the product, given its increase in sales and the potential associated with its change of status from prescription to over-the-counter in various European countries as well as the scientific evidence supporting the fenticonazole molecule as a treatment for vaginal infections with different etiology.

The change from prescription only to over-the-counter has been approved for the vaginal capsules in Slovakia, Estonia, Serbia, Portugal and the Czech Republic.

In addition, there is a pending work sharing variation to add Recordati Ilaç as an alternative manufacturing site for the finished product for the national European registrations of the cream and vaginal cream.

The studies required by the Danish regulatory authority on the environmental risk assessment of fenticonazole were completed in 2021. The final report will be available during the first quarter of 2022.

Finally, the Danish Regulatory Authority has renewed DCP procedure DK/H/2567/001-003/R/001, with an unlimited validity.

### Livazo® (pitavastatin)

Pitavastatin is indicated for the reduction of elevated total cholesterol (TC) and LDL cholesterol (LDL-C) in adults, adolescents and children aged 6 years or older with primary hypercholesterolemia, including heterozygous familial hypercholesterolemia, and combined (mixed) dyslipidemia, when the response to diet and other non-pharmacological measures is inadequate. Life cycle management activities are currently underway in certain countries.

### Procto-Glyvenol® (tribenoside + lidocaine)

The Recordati Ilaç plant located in Çerkezköy (Turkey) has been added as a cream manufacturing and packaging facility for Europe and Russia. The manufacturing of the cream pharmaceutical form has been reactivated at the Milan plant. A variation has been submitted through a worksharing procedure to introduce minor changes to the manufacturing process, following the installation of a new turboemulsifier in all European registrations.

Furthermore, a variation to add the alternative manufacturing site Temmler Italia Srl for the entire finished product manufacturing process has been submitted through a worksharing procedure for all European registrations of the suppository pharmaceutical form.

### Ortoton® (methocarbamol)

This is a highly effective muscle relaxant that is widely used for a variety of pain disorders with muscular involvement, such as postoperative pain caused by the submuscular placement of breast implants, painful muscle spasms, stiff-person syndrome and back pain. A life cycle management process is currently underway to further consolidate the product profile.

## TREATMENTS OF RARE DISEASES

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

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

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

During 2019, universal rights were acquired from Novartis for Signifor® and Signifor® LAR for the treatment of Cushing's disease and acromegaly in adult patients when surgery is not indicated or when surgery has failed, as well as Isturisa® (osilodrostat), an innovative oral administration treatment that received European approval in January for Cushing's syndrome and U.S. approval in March 2020 for Cushing's disease. During 2021, the transfer of sponsorship from Novartis to Recordati AG was almost completed on a number of global trials involving the above-mentioned products, including:

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

The working group comprising professionals from different companies in the Recordati Group and employees from an international CRO have liaised with Novartis to finalize the activities needed to transfer these studies, manage the independent studies sponsored by researchers and the requests for compassionate use.

In addition to supporting the studies above, the working group provides support to the process underway to register Isturisa® in other countries and assess whether to extend current indications, including an extension to Cushing's syndrome in the U.S.

Finally, a non-interventional study (Linc-6) in patients with endogenous Cushing's syndrome that are already being treated with osilodrostat, alone or in combination with other therapies, was organised during 2021 and will enrol its first patients in 2022, to further document the safety and efficacy of osilodrostat administered in routine clinical practice.

### Carbaglu® (carglumic acid)

This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood. If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States approved this new indication. During 2021, preparations were made to start an OA patient registry which will collect additional data on clinical outcomes and serious adverse events associated with the short and longer-term administration of Carbaglu® in pediatric and adult OA patients, in accordance with FDA requirements.

### Cystadrops® (cysteamine hydrochloride)

Nephropathic cystinosis is a congenital disorder which affects all the body's organs. Currently, the oral administration of cysteamine (Cystagon®) is the only specific treatment that fights the accumulation of cystine in various organs and tissues. Special focus is given to cystinosis when it affects the eyes. If quick, continuous and proper treatment is not received, cystine crystals accumulate in the cornea causing visual complications such as photophobia (sensitivity to light), retinal damage, ulcerations and degenerative infections that can lead to corneal erosion and consequent blindness. Whereas Cystagon® has a limited effect on the ocular manifestation of the condition due to the absence of corneal vascularization, Cystadrops® are gel-

based eye drops containing cysteamine chlorhydrate, developed by Recordati for the specific treatment of this condition. This treatment acts directly on the accumulations of cystine crystals in the eyes and therefore reduces and eventually eliminates the crystals, improving the symptoms. Cystadrops® is marketed in European Union countries and in the U.S.A., where approval has been granted by the FDA.

Currently, new innovative formulations of Cystadrops® are being developed to better meet patients' requirements.

### REC 0559

In June 2017, Recordati and Recordati Rare Diseases (formerly Orphan Europe) signed an exclusive license agreement with MimeTech, an Italian development company founded by scientists from the University of Florence, to develop and subsequently market a human nerve growth factor (NGF) peptidomimetic for the treatment of neurotrophic keratitis, on a global level. Neurotrophic keratitis is a rare degenerative corneal disease caused by an impairment of the trigeminal nerve. In its more severe forms, it affects less than one person out of 10,000. The progression of the disease can result in corneal ulcers and perforation with a dramatic impact on the patient's vision. Clinical trials on humans started in 2020. The global phase 2 trial involving 108 patients is currently underway, although recruitment has been slow due to the COVID-19 pandemic. The first part of the trial was completed at the beginning of 2022.

### REC 0545

Leucinosis or maple syrup urine disease (MSUD) is a rare metabolic disorder affecting branched-chain amino acids (leucine, isoleucine and valine) caused by a build-up of these amino acids and the corresponding metabolites. This buildup manifests with severe symptoms, affecting all the organs from the start of a newborn's life which, if not adequately diagnosed and treated, could result in the child's death. Even when chronically treated, patients may be subject to acute metabolic decompensation episodes that manifest with severe neurological symptoms which, if not addressed, can be life-threatening.

Various therapeutic approaches exist, but to date, none is specifically approved to manage the acute phases. Preliminary data show that REC 0545 acts quickly on the built-up amino acids and their metabolites, thus considerably reducing symptoms and the patient mortality rate.

In 2019, positive results were obtained in a retrospective clinical study on patients suffering from Maple syrup urine disease (MSUD). Formulation development is in progress, as is the process for filing in Europe.

# REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2021

# FINANCIAL HIGHLIGHTS

## NET REVENUE

| € (thousands) | 2021 | % | 2020 | % | Changes 2021/2020 | % |
|---|---|---|---|---|---|---|
| **TOTAL revenue** | **1,580,074** | **100.0** | **1,448,867** | **100.0** | **131,207** | **9.1** |
| Italy | 265,361 | 16.8 | 274,588 | 19.0 | (9,227) | (3.4) |
| International | 1,314,713 | 83.2 | 1,174,279 | 81.0 | 140,434 | 12.0 |

## KEY CONSOLIDATED P&L DATA

| € (thousands) | 2021 | % of revenue | 2020 | % of revenue | Changes 2021/2020 | % |
|---|---|---|---|---|---|---|
| Net revenue | 1,580,074 | 100.0 | 1,448,867 | 100.0 | 131,207 | 9.1 |
| EBITDA[1] | 602,253 | 38.1 | 569,320 | 39.3 | 32,933 | 5.8 |
| Operating income | 490,190 | 31.0 | 469,016 | 32.4 | 21,174 | 4.5 |
| Net income | 385,966 | 24.4 | 355,027 | 24.5 | 30,939 | 8.7 |
| Adjusted net income[2] | 424,647 | 26.9 | 410,402 | 28.3 | 14,245 | 3.5 |

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*
(2) *Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of the tax effects.*

## KEY CONSOLIDATED BALANCE SHEET DATA

| € (thousands) | 31 December 2021 | 31 December 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Net financial position[3] | (736,539) | (865,824) | 129,285 | (14.9) |
| Shareholders' equity | 1,381,625 | 1,276,260 | 105,365 | 8.3 |

(3) *Cash and cash equivalents, less bank debts and loans, which include the measurement at fair value of hedging derivatives.*

## PER SHARE DATA

| € | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Net income[4] | 1.874 | 1.725 | 0.149 | 8.6 |
| Shareholders' equity[4] | 6.710 | 6.187 | 0.523 | 8.5 |
| Dividends | 1.10 | 1.05 | 0.05 | 4.8 |
| **SHARES OUTSTANDING:** | | | | |
| Year average | 206,011,089 | 205,758,125 | | |
| At 31 December | 205,910,856 | 206,295,854 | | |

(4) *Net income per share is based on average shares outstanding during the year net of average treasury shares. Shareholders' equity per share is based on total shares outstanding at year end. Shares outstanding are net of treasury shares, amounting to 3,214,300 shares at 31 December 2021 and 2,829,302 shares at 31 December 2020. Average treasury shares amounted to 3,114,067 shares in 2021 and 3,367,031 shares in 2020.*

REVIEW OF OPERATIONS
AND FINANCIAL ACTIVITIES 2021

# REVIEW OF OPERATIONS

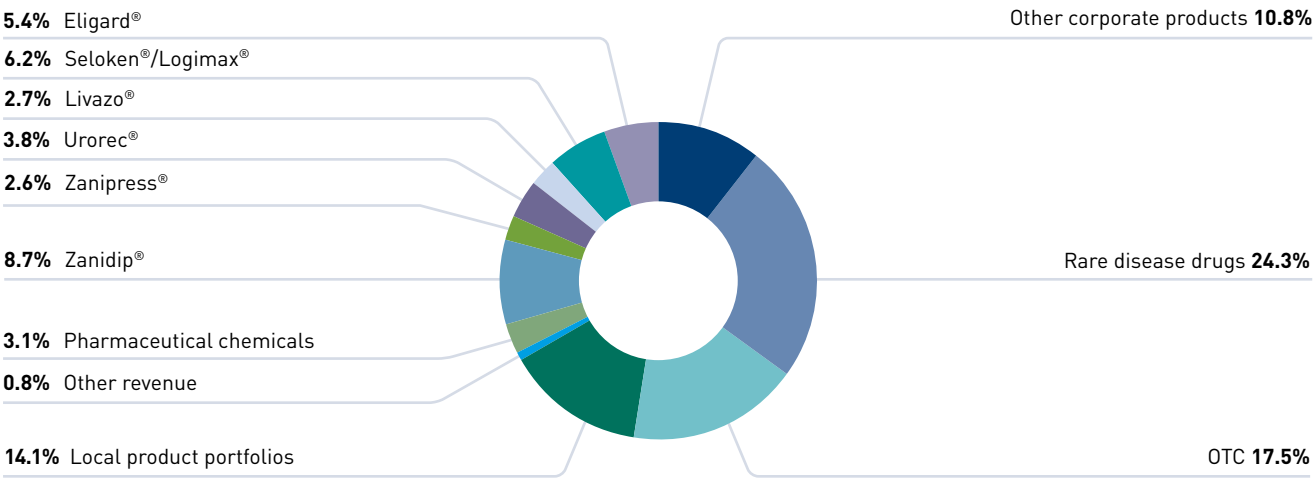
The Group's primary business involves the production and marketing of specialty medicines, which are divided into two categories: Specialty and Primary Care medicines and treatments for rare diseases. Business also includes Pharmaceutical Chemicals, where Recordati produces a number of active ingredients and intermediates for internal use and for other pharmaceutical industries.

The Group's pharmaceutical business, at 96.9% of total revenue, is carried out through our subsidiaries in the main European markets, including Central and Eastern Europe, Russia and other C.I.S. countries, Ukraine, Turkey, Tunisia and, as far as our rare disease business is concerned, also in the United States of America, Canada, Mexico, in certain South American countries, the Middle East, Japan and Australia. Business in the rest of the world is primarily based on license agreements with leading pharmaceutical companies. Our direct presence in markets where our Specialty and Primary Care portfolio is sold extended progressively over the years with the acquisition of existing marketing organizations, with the aim of adding proprietary products or those obtained under multi-territorial licenses, to local portfolios. Regarding the business segment dedicated to treatments for rare diseases, new Recordati Rare Diseases subsidiaries have been established worldwide, with the business also growing thanks to the acquisition of new significant products and licenses.

In 2021, consolidated revenue was € 1,580.1 million, up by 9.1% (+11.4% at constant exchange rate) compared to 2020, reflecting an adverse currency exchange rate effect of around € 34.5 million (with a significant impact especially for transactions in Turkish liras, Russian rubles and US dollars), and a contribution of € 85.3 million from the new product Eligard® (acquired under license from Tolmar International Ltd. in January 2021). Net of these effects, growth was at 5.6%, absorbing the loss of exclusivity in 2020 of silodosin and pitavastatin and the impact of the pandemic, especially on Cough and Cold market during the first part of 2021. The rare diseases treatment segment grew by double-digit (+20.2%) thanks to robust performance of Signifor® and Isturisa®, which contributed € 126.6 million of revenue, together with growth in the metabolic portfolio. The Specialty & Primary Care business also performed well, showing strong resilience despite the significant impact of the pandemic on various reference markets, as well as the significant devaluation in the Turkish lira, with return to growth in the second half of 2021. Of note is the significant contribution from OTC products and the Gastro line (Citrafleet®, Fosfosoda®, FleetEnema® Procto-Glyvenol®), which experienced double-digit growth compared to 2020 and the recovery already referred to in the Cough and Cold market, which returned to pre-pandemic levels in the last quarter of 2021.

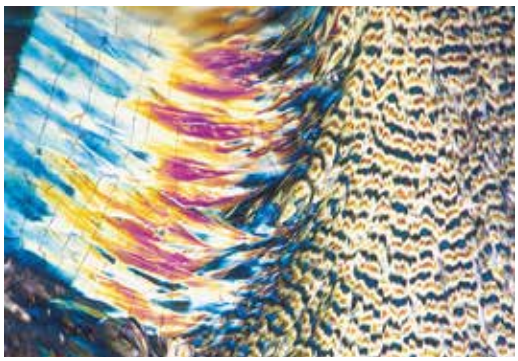
International sales, at € 1,314.7 million, were up by 12.0%, representing 83.2% of the total.

## BREAKDOWN OF REVENUE

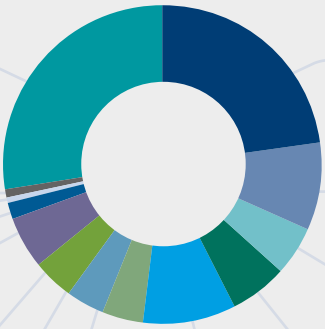


REVIEW OF OPERATIONS

# PHARMACEUTICALS



## BREAKDOWN OF PHARMACEUTICAL SALES BY TREATMENT AREA IN 2021




# CORPORATE PRODUCTS

The performance of products sold directly in more than one market (corporate products) during 2021 is shown in the table below.

| € (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Zanidip® (lercanidipine) | 136,736 | 134,612 | 2,124 | 1.6 |
| Zanipress® (lercanidipine+enalapril) | 41,188 | 48,423 | (7,235) | (14.9) |
| Urorec® (silodosin) | 60,685 | 74,103 | (13,418) | (18.1) |
| Livazo® (pitavastatin) | 42,761 | 52,863 | (10,102) | (19.1) |
| Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine) | 98,057 | 105,699 | (7,642) | (7.2) |
| Eligard® (leuprorelin acetate) | 85,268 | - | 85,268 | n.s. |
| Other corporate products* | 286,078 | 269,469 | 16,609 | 6.2 |
| Drugs for rare diseases | 383,852 | 319,441 | 64,411 | 20.2 |

** Include corporate OTC products for a total of € 115.5 million in 2021 and € 103.6 million in 2020 (+11.5%).*

## Zanidip® (lercanidipine)

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

Our lercanidipine-based products are sold directly to the market by our marketing organizations in Western, Central and Eastern Europe, Turkey and North Africa. They are sold by our licensees in some countries and on the basis of co-marketing agreements in some of the aforementioned countries.

| € (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Direct sales | 71,790 | 77,228 | (5,438) | (7.0) |
| Sales to licensees | 64,946 | 57,384 | 7,562 | 13.2 |
| **Total lercanidipine sales** | **136,736** | **134,612** | **2,124** | **1.6** |

Direct sales of lercanidipine-based products were down by 7.0%, due to lower volumes in Italy and the effect of the new generic product entering the Turkish market, in addition to the adverse currency exchange rate effect due the devaluation of the Turkish lira. These effects more than offset the growth in volumes recorded in various Group markets. Sales to licensees, representing 47.5% of the total, were up by 13.2%, mainly due to the build up of the stock of the new licensee in China.

## Zanipress® (lercanidipine+enalapril)

is a drug developed by Recordati to treat hypertension. It associates lercanidipine, a latest-generation calcium channel blocker, with enalapril, a widely prescribed ACE inhibitor, allowing the simultaneous administration of two active ingredients and increasing treatment compliance by the patient. Combination therapy is considered a first-line treatment for hypertensive patients at high risk for cardiovascular events. The benefits of the combination of these two active ingredients have been confirmed by the results of a number of clinical trials which have shown its significant antihypertensive efficacy, excellent tolerability in addition to renal and vascular protection from the damage caused by hypertension. This product is successfully marketed directly by Recordati or by its licensees in 56 countries.

| € (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Direct sales | 36,107 | 44,152 | (8,045) | (18.2) |
| Sales to licensees | 5,081 | 4,271 | 810 | 19.0 |
| **Total lercanidipine+enalapril** | **41,188** | **48,423** | **(7,235)** | **(14.9)** |

Direct sales of Zanipress® were down by 18.2% in 2021, mainly due to competition from the generic formulations and adverse currency exchange with Turkey. Sales to licensees, representing 12.3% of the total, increased by 19.0%.

## Urorec® (silodosin)

is a drug indicated for the treatment of the symptoms of benign prostatic hyperplasia (BPH, enlargement of the prostate). BPH manifests with problems linked to urination. It frequently occurs in men over the age of fifty, and its symptoms significantly reduce quality of life. This disorder is becoming more prevalent with the ageing of the population. Clinical evidence shows that patients receiving silodosin benefited from a significant reduction in symptoms associated with BPH and an improvement in quality of life within the first week of treatment. Symptom improvement is maintained during long-term treatment. A recent study (Fusco et al, 2020), found that silodosin improves symptoms and quality of life in patients with severe lower urinary tract symptoms related to benign prostatic obstruction.

The safety and tolerability of silodosin has been widely assessed with positive results. The low incidence of orthostatic and vasodilatory side effects makes it a well-tolerated treatment, even in patients taking antihypertensive medication. Silodosin was originally developed by Kissei Pharmaceutical Co. (Japan) and was obtained under license by Recordati for development and marketing in Europe and a further 5 countries in the Middle East and Africa. Currently, the product is successfully marketed in 39 countries, including France, Germany, Italy, Spain, Portugal, CIS countries, Tunisia, Turkey and Switzerland. Silodosin-based products are sold directly by our subsidiaries under the Urorec® brand and by our licensees under the Silodyx™ brand.

During 2021, sales of € 60.7 million were recorded, down by 18.1% due to competition from generic versions of the product following the expiry of its marketing exclusivity, in February 2020. The performance in sales gradually stabilized during the second half of 2021.

## Livazo® (pitavastatin)

is a latest-generation statin indicated for the treatment of dyslipidemia, a condition characterized by altered levels of blood cholesterol and other lipids and associated with an increased risk for heart disease and strokes. Controlled clinical trials have shown that pitavastatin induces a reduction in LDL-cholesterol (the "bad" cholesterol that contributes to formation of atherosclerotic plaques) and an increase in HDL-cholesterol (the "good" cholesterol that is removed from the arterial walls). This dual effect is highly significant because it has shown that the risk for cardiovascular complications can be reduced further in this way. Furthermore, pitavastatin presents an excellent safety profile due to the lower risk of drug-drug interactions compared to most other statins. Based on these findings, pitavastatin is regarded as an effective and safe treatment for dyslipidemia. Pitavastatin was licensed by Recordati from the Japanese pharmaceutical company Kowa for the European market, Russia and the other CIS countries and Turkey. The drug is sold by our marketing organizations in Spain, Portugal, Switzerland, Greece, Russia, Ukraine, other CIS countries and Turkey. Sales for 2021 were at € 42.8 million, down by 19.1%, mainly due to the loss of exclusivity in August 2020. Of note however is the growth in local currency in Turkey and Russia, and as was the case with silodosin, sales gradually stabilized during the second half of 2021.

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

are metoprolol-based medicines belonging to the beta blocker class of drugs that are widely used in the treatment of angina pectoris, myocardial infarction and cardiac rhythm disorders, as well as hypertension and functional heart disorders. Logimax® is a fixed association of metoprolol with felodipine which, over

the years, has shown high antihypertensive efficacy. The use of metoprolol together with felodipine reduces possible episodes of reflex tachycardia induced by the calcium channel blocker, while felodipine associated with metoprolol facilitates vasodilation by reducing peripheral vascular resistance. These drugs have been widely studied in large and important clinical trials and are frequently used in primary care and by cardiologists to treat cardiac disorders and hypertension. Long-term mortality studies (Seloken®/Seloken® ZOK Core Data Sheet) have shown that the use of metoprolol reduces the rates of general mortality, cardiovascular mortality, sudden death and the progression of heart failure.

The European marketing rights for **Seloken® / Seloken® ZOK (metoprolol)** and **Logimax® (metoprolol + felodipine)** were acquired from AstraZeneca in 2017. The products are sold directly in 35 countries and through distribution agreements in other European countries.

Sales in these specialties benefited from the temporary absence of certain generic products on the market in 2020 during the more acute phase of the pandemic. Sales in turn were at € 98.1 million in 2021, down by 7.2% compared to the previous year, mainly as a result of a drop in the markets in Germany, Poland and the Czech Republic.

## Eligard® (leuprorelin acetate)

is a depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa), which combines the active ingredient leuprorelin acetate with a biodegradable polymer matrix release system (Atrigel®). It is available in a 1-month (7.5 mg), 3-month (22.5 mg) and 6-month (45 mg) formulation. Eligard® provides a standard and consistent administration of leuprorelin over time, with significant and long-lasting testosterone suppression (≤ 20 ng/dL), thus improving patient outcomes, like the response time and survival rate free of any progression, with a favorable tolerance profile. The extended interval between injections, the low volume of the injection itself and short needle on the pre-filled syringe are additional advantages to this leuprorelin depot formulation.

Developed by the American pharmaceutical company Tolmar and previously licensed to Astellas, Eligard® now represents a corporate product, distributed by Recordati since January 2021 in 30 countries in Europe, North Africa and the CIS countries.

Sales for € 85.3 million were recorded in 2021, which include the sales realized by Astellas at the beginning of the year, before the Marketing Authorizations were transferred to Recordati. The excellent results achieved, which came in higher than forecasts at the start of the year, reflect the Group's ability to quickly integrate this product into its portfolio.

## OTHER CORPORATE PRODUCTS

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

- **Procto-Glyvenol® (tribenoside)**, leader in its class, is a tribenoside-based over-the-counter drug, indicated for the treatment of internal and external haemorrhoids. Recordati markets it in the following countries: Russia, Poland, Turkey, Romania, Ukraine, CIS countries, Czech Republic, Slovakia, Portugal, Baltic countries and Cyprus. Sales of this product in 2021 were at € 36.3 million, up by 16.2% with increases in most countries despite being penalized by the negative currency exchange impacting sales, especially in Turkey, Russia and Ukraine.

- **Polydexa®, Isofra® and Otofa®** are combination products for the treatment of ear, nose and throat infections, sold mainly in Russia and the CIS countries. In 2021, sales of Polydexa® were at € 26.2 million, Isofra® at € 13.1 million, and Otofa® generated sales of € 3.3 million. Sales were essentially in line with the previous year, thanks to reference markets recovering from the effects of the COVID-19 pandemic during the second part of the 2021.

- **Tergynan®** is a fixed combination of different active ingredients with antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity for the treatment and prevention of gynecological infections. Tergynan® is a leading brand in the class of anti-infective and antiseptic gynecological medicines in the countries where it is marketed, in particular, in Russia, in other countries in the Commonwealth of Independent States, in Ukraine, Mongolia and Romania. Total sales for 2021 were at € 22.2 million, down by 7.2%, with most of the sales for this product in Russia.

- **CitraFleet® and FosfoSoda®** are bowel cleansers used before any diagnostic procedure which requires emptying the intestines, such as a colonoscopy or X-rays These products are sold in 38 countries, but mainly in Spain and Germany. With the continual process to integrate product portfolios between the Group's subsidiaries, Citrafleet® has been extended to many other subsidiaries including in Poland, France, Portugal and Italy, while FosfoSoda® has been extended mainly to Turkey, the Russian Federation and France. In 2021, sales of CitraFleet® totalled € 28.8 million (+22.9%) and sales of FosfoSoda® € 2.8 million. Their performance was impacted by the resumption of endoscopy procedures after the suspension due to the COVID-19 emergency.

- With reference to the other main gastrointestinal products, a similar increase was recorded by **Fleet® enema**, with sales of € 13.7 million (+17.6%), while **Casenlax®** recorded sales of € 17.3 million (+19.8%).

- **Lomexin® (fenticonazole)**, an original Recordati product, is an internationally and widely used broad-spectrum antimycotic indicated for the treatment of dermatological and gynecological infections caused by fungi, mould, yeast and gram-positive bacteria. The brand recently obtained OTC status and was successfully relaunched in various EU countries, providing patients with a new easily accessible self-medication option. Sales of Lomexin® in 2021 were at € 19.9 million, down by 2.2% compared to the previous year, mainly due to sales in Italy and Poland.

- The **Hexa** line of products comprises biclotymol-based antibacterial treatments for the oral cavity sold under the Hexaspray®, Hexalyse® and Hexapneumine® brands, which are in high demand especially in France and North Africa, Russia, the Community of Independent States (CIS), Ukraine and Mongolia.
  The line's main brand is **Hexaspray®**, a throat spray and leader in its class in France. The product range was recently extended with the launch of **Hexatoux®**, a spray treatment for coughs available in France and Georgia. Overall sales of this product line in 2021 totalled € 12.9 million, down by 26.6%. They are mainly generated in North Africa, France and Russia and they have been impacted by the low incidence of seasonal flu illnesses and also by the failure to renew the import license in Algeria. It is worth to notice though, the recovery in the French and Russian markets over the latter part of the year.

- A recovery was also seen in the demand for OTC products and food supplements, thanks to the easing of social distancing measures. Included among these products, the more significant brands are **Magnesio Supremo®**, marketed in Italy with sales at € 18.5 million, up by 14.6%, and the product lines under license from BioGaia (which include *lactobacillus reuteri protectis* supplements and the **Reuflor®** brand in Italy and the **Casenbiotic®, Bioralsuero®, Reuteri®** and **Gastrus®** brands in Spain and Portugal), which grew by 36.6% compared to the previous year with sales at € 23.8 million.

- **Reagila® (cariprazine)** is a new drug for the treatment of schizophrenia, a third-generation antipsychotic, which, thanks to its specific pharmacological nature, can be considered unique in the panorama of this therapeutic class. It not only acts on the "positive" symptoms of the disease, such as delirium, hallucinations, thought dissociation, etc., but also on the "negative" component such as apathy, anhedonia and antisocial behaviour. Cariprazine has the added advantage of reducing neurological and metabolic side effects and has a low cardiovascular impact. Extending the treatment spectrum for schizophrenia has a positive effect on the functional recovery of patients. It comes in a once daily administration form, with a long half-life. Its clinical efficacy has been shown by a number of clinical studies involving over 2,000 patients. Reagila® was originated by Gedeon Richter and is under license to Recordati in Western Europe. The product was launched in Germany, Switzerland, Italy, Benelux, the United Kingdom, Sweden, Denmark, Finland, Spain, Portugal and Ireland, generating total sales for € 15.2 million in 2021 versus € 12.4 million last year. Please note that the pandemic contained the growth of this product due to fewer visits to psychiatric centres and less intense promotional activities.

- **TransAct® LAT**, a transdermal patch containing 40 mg of flurbiprofen, a non-steroidal anti-inflammatory drug (NSAID), is indicated for the symptomatic relief of localized pain involving the musculoskeletal system, obtained under license from Amdipharm and sold in Italy and Portugal. Sales of this product in 2021 totalled € 11.6 million (+12.2%).

- **Flavoxate**, a Recordati original research product, is a urinary tract muscle relaxant, indicated for the symptomatic treatment of dysuria, urgency, nocturia, frequency and incontinence and the treatment of bladder and urethral spasms and is marketed under the Genurin® and Urispas® brands. Sales of this product in 2021 totalled € 7.3 million, up by 4.1%.

- **Lopresor® (metoprolol)**, is a selective beta blocker for the treatment of different cardiovascular disorders, in particular hypertension and angina pectoris, marketed in Greece and other European countries. Sales of this product in 2021 were at € 6.2 million (+0.6%) and were generated primarily in Greece and Germany.

- **Lacdigest® (tilactase)** is an enzyme-based preparation indicated in cases of lactose intolerance due to primary and secondary lactase deficiency. Sales of this product in 2021 totalled € 5.8 million (+13.2%) and were generated in Italy and Switzerland.

- **Rupatadine** is a systemic antihistamine indicated for the treatment of different allergies, especially allergic rhinitis. Under license from Uriach, it is marketed in Italy and Germany as Rupafin® and in France as Wystamm®. Rupatadina recorded sales in 2021 for € 3.1 million, down by 23.7%, mainly due to the personal protective devices being used during the COVID-19 pandemic.

- **Abufene®** and **Muvagyn®** are gynecological products indicated for menopausal symptoms. Sales of these products in 2021 totalled € 5.3 million (+1.3%) and € 2.6 million (+13.0%) respectively.

- **Vitaros®/Virirec® (alprostadil)** is the first topically applied cream formulation of alprostadil for the treatment of erectile dysfunction. The local action mechanism minimizes any adverse systemic reactions or interactions with other drugs, food or alcoholic beverages, making Vitaros® an effective and safe alternative to existing orally administered products. The product was launched in Spain, Portugal, Ireland, the Czech Republic and Slovakia, Greece and Romania. Sales of this product in 2021 totalled € 4.4 million (+5.6%).

- **Fortacin® (lidocaine+prilocaine)** is an easy-to-use fast-acting topical spray formulation of lidocaine and prilocaine for the treatment of premature ejaculation. The product was launched in 2018 and is sold in Italy, Germany, Spain, Portugal and France. This is the first topical treatment officially approved for this specific condition by the European Medicines Agency (EMA) and is included in the EAU (European Association for Urology) Guidelines as a reference drug indicated for premature ejaculation. Fortacin® was recently officially classified by the EMA as OTC, making it available as an effective and convenient self-treatment option. Sales of this product in 2021 totalled € 1.0 million (-17.3%).

# TREATMENTS OF RARE DISEASES


Rare diseases bring great suffering to millions of affected people worldwide. They are predominantly genetic disorders that can affect patients of any age, gender and ethnicity, involving all medical specializations. These diseases are chronic, fatal or severely debilitating, strongly impacting patients, their families and society as a whole. In most cases, they affect newborns, children and young adults.

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

Due to the extensive range of existing diseases and scarce available information, a specialist or general practitioner may never come across a patient affected by a rare disease in their entire career. This always poses the risk that when a baby is born with a rare disease, it may not be correctly diagnosed and provided with timely and appropriate treatment. The limited number of patients as well as the limited relevant knowledge and expertise are specific characteristics of rare diseases. Governments have introduced legal and financial incentives to provide treatment to people affected by rare diseases and encourage pharmaceutical and biotechnology companies to invest in these treatments. The Orphan Drug Act was approved in the USA in 1983. In 1999, European legislation explicitly recognised the need to identify targeted treatments for these conditions and introduced specific regulatory processes and incentives to develop orphan drugs. The designation as "orphan drug" in Europe provides exclusivity on the marketing of the designated indication for 10 years from the time the drug is approved. Since April 2000, when the EU orphan drug regulation came into effect, many hundreds of drugs have been designated as orphan drugs by the European Medicines Agency (EMA). Of these designated drugs, over 100 have received marketing authorization (MA). The orphan medicines, 40% have been authorized for the treatment of oncological and hematological conditions and about 30% for the treatment of rare genetic metabolic disorders. More recently, there has been an increase in international research investments by different funding bodies to boost the number of authorized treatments.

The Recordati group operates in the rare disease segment worldwide through Recordati Rare Diseases, its group of subsidiaries entirely dedicated to the research, development and marketing of medicines for the treatment of rare diseases which share the conviction that every person affected with these conditions has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, Russia, the Middle East and North Africa, the USA, Canada, Mexico, Colombia, Brazil, Japan and Australia, as well as selected partners in a number of other countries, covering 88 countries worldwide. It has developed

a global presence through its network of subsidiaries and highly qualified distributors. Recordati also has a facility in Nanterre (Paris, France) dedicated to packaging and storing these drugs and shipping them to various countries. This direct distribution and packaging system effectively guarantees the rapid availability of these specialties around the world, in ad hoc quantities and packaging.

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

The main products in the rare diseases segment for metabolic and treatment areas other than endocrinology are listed in the table below:

| Name | Active Ingredient | Indication |
|---|---|---|
| CARBAGLU® | carglumic acid | Treatment of hyperammonemia due to N-acetylglutamate synthase deficiency (NAGS deficiency) and some organic aci-daemias (isovaleric acidaemia, methylmalonic acidaemia and propionic acidaemia) |
| NORMOSANG® PANHEMATIN® | human hemin | Treatment of acute attacks of hepatic porphyria |
| CYSTADANE® | betaine anhydrous | Treatment of homocystinuria |
| CYSTADROPS® | cysteamine hydrochloride | Treatment of the ocular manifestations of cystinosis |
| COSMEGEN® | dactinomycin for injection | Treatment of rare cancers: Wilms tumour, infantile rhabdo-myosarcoma, Ewing sarcoma and metastatic nonseminoma-tous testicular cancer |
| JUXTAPID® | lomitapide | Treatment of homozygous familial hypercholesterolemia (HoFH) |
| CYSTAGON® | cysteamine bitartrate | Treatment of nephropathic cystinosis |
| LEDAGA® | chlormethine hydrochloride | Treatment of mycosis fungoides (MF), T-cell cutaneous lym-phoma (CTCL) |
| PEDEA® NEOPROFEN® | IV ibuprofene | Treatment of patent ductus arteriosus (PDA) |

The main segment products dedicated to rare endocrine conditions are listed in the table below:

| Name | Active Ingredient | Indication |
|---|---|---|
| SIGNIFOR® and SIGNIFOR® LAR | pasireotide | Treatment of Cushing's disease and acromegaly |
| ISTURISA® | osilodrostat | Treatment of Cushing's disease (United States of America, Japan) and Cushing's syndrome (European Union, Switzerland). |

In 2021, sales of products for the treatment of rare diseases totalled € 383.9 million, increasing by 20.2%, and include revenue related to Signifor®, Signifor® LAR and Isturisa® for a total of € 126.6 million, compared to € 79.0 million recorded in 2020.

The contribution from these new products, together with the ongoing growth in Carbaglu®, Cystadrops®, Juxtapid® and Panhematin® (injectable hemin for the treatment of recurrent attacks of acute intermittent porphyria) form the basis for growth in 2021 compared to the previous year. Sales in the entire U.S.A. segment increased by 44.4%, whereas sales in the rest of the world grew by 5.1%.

Carbaglu® (carglumic acid) is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood.

If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States gave its approval for propionic and methylmalonic acidemia.

Juxtapid® (lomitapide) is a microsomial protein inhibitor for transferring N-triglycerides. It was approved by the Japanese Ministry of Health in September 2016 on an exclusive marketing basis because it is an "orphan" product, to treat patients affects by homozygous familial hypercholesterolemia. Homozygous familial hypercholesterolemia is a serious genetic disease that inhibits the functioning of the receptor responsible for removing LDL ("bad") cholesterol from the body. This failed functioning of the LDL receptor causes a sharp rise in blood cholesterol levels. Patients affected by this condition tend to develop premature and progressive atherosclerosis (narrowing and blockage of the arteries).

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

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

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

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

Isturisa® (osilodrostat) is an innovative drug for the oral treatment of endogenous Cushing's syndrome. The relevant marketing authorization was granted by the European Commission in January 2020 and approval was obtained in the U.S.A. in March 2020.

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

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

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

A series of initiatives and targets achieved recently contributed to further consolidating the product portfolio in other treatment areas. In August 2020, the U.S. Food and Drug Administration (FDA) granted approval to market Cystadrops® (cysteamine ophthalmic solution) in the U.S.A. In January 2021, the FDA approved a new indication for Carbaglu® (carglumic acid) 200 mg tablets as an adjunctive therapy to the primary treatment of acute hyperammonemia caused by propionic acidemia (PA) or by methylmalonic acidemia (MMA) in pediatric and adult patients.

In December 2021, the Recordati group announced the acquisition of EUSA Pharma, subject to the Regulatory Authorities' approval which was successfully achieved in March 2022. This acquisition is expected to strengthen growth in the rare diseases segment by further extending and consolidating the product portfolio with four drugs with high growth potential in the new and poorly serviced niche treatment area of rare cancers.

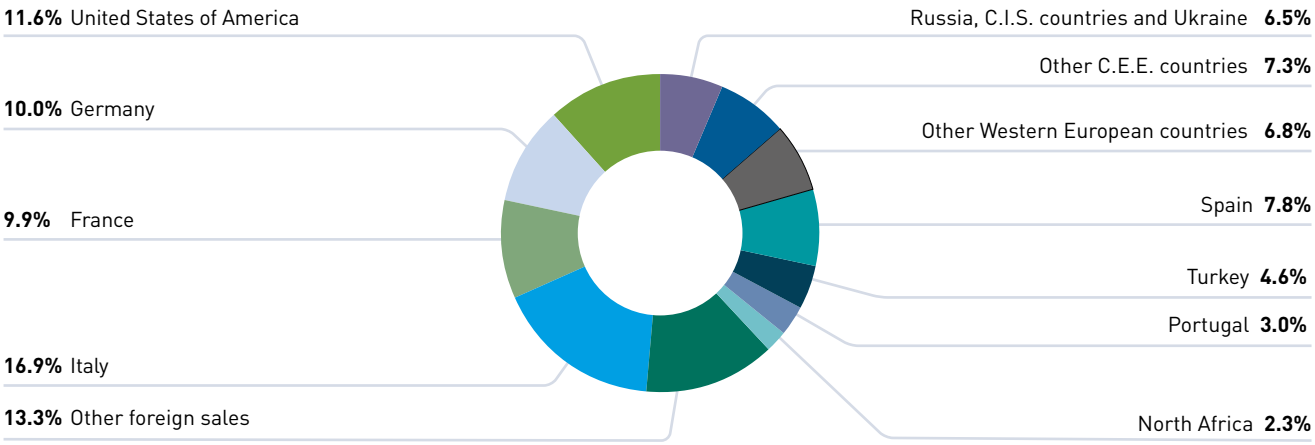
# PHARMACEUTICAL SALES BY GEOGRAPHIC AREA

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

| € (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Italy | 258,244 | 266,459 | (8,215) | (3.1) |
| France | 151,688 | 144,049 | 7,639 | 5.3 |
| Germany | 152,868 | 135,729 | 17,139 | 12.6 |
| Russia, other C.I.S. countries and Ukraine | 99,595 | 100,219 | (624) | (0.6) |
| U.S.A. | 176,903 | 122,472 | 54,431 | 44.4 |
| Spain | 120,034 | 83,824 | 36,210 | 43.2 |
| Turkey | 70,307 | 79,186 | (8,879) | (11.2) |
| Portugal | 45,432 | 42,719 | 2,713 | 6.4 |
| Other C.E.E. countries | 112,048 | 91,975 | 20,073 | 21.8 |
| Other Western European countries | 104,357 | 91,125 | 13,232 | 14.5 |
| North Africa | 35,902 | 41,252 | (5,350) | (13.0) |
| Other international sales | 204,214 | 200,925 | 3,289 | 1.6 |
| **Total pharmaceutical revenue** | **1,531,592** | **1,399,934** | **131,658** | **9.4** |

*Net revenue includes the sales of products and various revenue.*

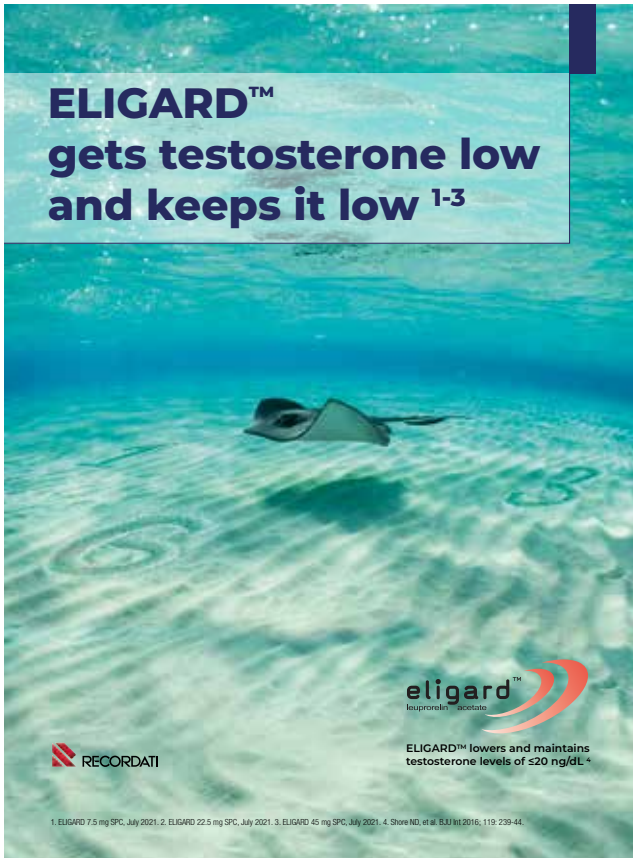
## BREAKDOWN OF PHARMACEUTICAL PRODUCTS PER GEOGRAPHIC AREA IN 2021




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

| Local currency (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Russia (RUB) | 6,338,805 | 6,460,313 | (121,508) | (1.9) |
| Turkey (TRY) | 690,289 | 601,241 | 89,048 | 14.8 |
| United States of America (USD) | 209,230 | 139,887 | 69,343 | 49.6 |

*Net revenue in Russia excludes sales of rare disease products.*


## ITALY

The Recordati group offers a wide range of treatment options in Italy through Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italchimici S.p.A. and Natural Point S.r.l. It has an established presence in the cardiovascular field, with two anti-hypertensive products that were fully developed in its research laboratories, Zanedip®/Lercadip® (lercanidipine) and Zanipril®/Lercaprel® (lercanidipine + enalapril), with two drugs that belong to the beta blocker category, Cardicor® (bisoprolol), and Seloken® (metoprolol) and Rextat®/Lovinacor® (lovastatin). The Italian product portfolio also has a consolidated offering primarily in urology, with Urorec® (silodosin), Recoprox®, Fortacin® and Eligard®, gastroenterology, with Peptazol® (pantoprazole), Reuflor® (lactobacillus reuteri protectis-based supplement), Peridon® (domperidone), AroéTM (gastro-esophagus anti-reflux), PeridoNatural®, Casenlax® (macrogol) and Lacdigest®, Lactofree® and Citrafleet® (sodium picosulfate).

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

Recordati has a broad offering of self-medications, with products for oral hygiene, eye, nose and throat care and the gastrointestinal tract. The historic brands include Alovex®, Proctolyn®, Eumill®, Dentosan®, Imidazyl®, TransAct® LAT, Clismafleet® and Losipaco®. With the acquisition of Natural Point S.r.l. in 2018, Recordati entered the food supplements market, with the main product Magnesio Supremo®. During 2020, its presence in the magnesium supplements market expanded with 4 new products and by reinforcing the Magnesio Supremo® brand.

Recordati is also involved in treatments for rare diseases, primarily those of metabolic and endocrinological origin.

The Italian pharmaceutical production site is situated in Milan, covering a surface area of around 5,000 sq. m., extending over several floors for a total of 21,000 sq. m. and produces over 60 million packs per year. The plant specializes in the manufacture and packaging of solid oral forms, liquids, injectables and products for topical use. Recordati has recently undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which will be added to the 5 that are already operational and increase production capacity significantly.

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

Pharmaceutical sales in Italy are broken down into prescription pharmaceuticals and self-medication pharmaceuticals, as shown in the table below:

| € (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Prescription pharmaceuticals[a] | 169,525 | 185,420 | (15,895) | (8.6) |
| Self-medication pharmaceuticals[b] | 88,719 | 81,039 | 7,680 | 9.5 |
| **Pharmaceuticals, Italy** | **258,244** | **266,459** | **(8,215)** | **(3.1)** |

*(a) Prescription pharmaceuticals include both reimbursable and non-reimbursable drugs.*
*(b) Self-medication pharmaceuticals include OTC products and other pharmaceuticals not requiring a prescription.*

Pharmaceutical specialties sales in Italy were down by 3.1% compared to 2020, mainly due to the contraction in the prescription products market relating to seasonal flu illnesses and the drop in Urorec® sales due to the loss in exclusivity. Furthermore, the marketing of Isocef® has been temporarely suspended in 2021 due to lack of product availability. Of note is the solid performance of Reagila® and the positive contribution of Eligard®, as well as the slight growth in sales of the rare diseases portfolio, amounting to € 18.8 million (+0.9%).

The performance in the sale of the main products in Italy is as follows:

| € (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| Cardicor® | heart failure | 34,461 | 34,954 | (493) | (1.4) |
| Zanedip® /Lercadip® | hypertension | 18,208 | 21,693 | (3,485) | (16.1) |
| Urorec® | benign prostatic hyperplasia | 17,768 | 22,187 | (4,419) | (19.9) |
| Peptazol® | gastric ulcers | 14,615 | 15,118 | (503) | (3.3) |
| Tora-Dol® | pain | 12,930 | 13,481 | (551) | (4.1) |
| Aircort® | bronchial asthma | 9,990 | 10,447 | (457) | (4.4) |
| Zanipril® /Lercaprel® | hypertension | 9,792 | 11,594 | (1,802) | (15.5) |

Self-medication pharmaceuticals generated sales for € 88.7 million, up by 9.5% on the previous year, thanks to the recovery in products for gastrointestinal conditions like Reuflor®, Casenlax®, Lactdigest and Alovex™, indicated for the treatment of oral cavity aphthae, Magnesio Supremo®, a magnesium-based supplement, with sales of € 18.5 million and Proctolyn® (hemorrhoid treatment) with sales of € 8.6 million (+13.4%).

Also of note was the excellent performance by Eumill® (eye drops and nasal spray), positioning itself as segment leader (26.3% market share) and realizing sales for € 8.3 million, up by 11.3%.



## FRANCE

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

Methadone, a synthetic opioid analgesic used as a substitute for heroin in abstinence syndromes, in detoxification from opiates and in maintenance programs, is Laboratoires Bouchara Recordati's most important product. Highly specialized staff and dedicated resources underpin the success of the detoxification programs. The benefits of treatment with methadone are universally recognized. The most important are the decrease in deaths resulting from the use of narcotics, the reduction in the spread of viral infections (HIV, HCV), reduced health, legal and social costs related to the use of drugs and improvements in the health and rehabilitation of addicts. A new capsule formulation has contributed to expanding its use.

Laboratoires Bouchara Recordati has a historical presence in the French OTC market, and in this regard, we note the Hexa line (Hexaspray®, Hexalyse®, Hexamer® and Haxatoux®), Exomuc® (mucolytic containing N-acetyl cysteine) including an expansion of the line with the 600 mg formulation, the Ginkor® line, a ginkgo biloba food supplement and Alodont® line, an oral cavity product.

Recordati Rare Diseases S.à r.l., a company dedicated exclusively to treatments for rare diseases, is headquartered in France.

The French pharmaceutical production plant is in Saint Victor, covering a surface area of 6,750 sq. m. and specializes in the production and packaging of liquid, solid oral and spray formulations. The site produces around 29 million packs per year. Certain corporate products are manufactured at the Saint Victor site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

Furthermore, the Group operates a manufacturing site in Nanterre (France), covering 1,200 sq. m. and entirely dedicated to the secondary packaging, storage and shipping of rare disease products. An area of 400 sq. m. is office space. On short notice, the site delivers more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern GMP (Good Manufacturing Practice) certified logistics platform.

Sales in France totalled € 151.7 million, up by 5.3%, with the main products recording the following performance:

| € (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| Methadone | drug addiction | 34,491 | 33,221 | 1,270 | 3.8 |
| Ginkor® | ginkgo biloba-based food supplement | 13,624 | 13,102 | 522 | 4.0 |
| Seloken® /Seloken® ZOK /Logimax® | hypertension, cardiac disorders | 10,769 | 10,331 | 438 | 4.2 |
| Transipeg® | laxative | 7,882 | 7,162 | 720 | 10.1 |
| Hexa line | oral antibacterial | 5,950 | 6,636 | (686) | (10.3) |
| Lercan® /Zanidip® /lercanidipine | hypertension | 4,814 | 4,800 | 14 | 0.3 |
| Zanextra® /Lercapress® | hypertension | 4,132 | 4,974 | (842) | (16.9) |
| Eligard® | antineoplastic | 3,999 | - | 3,999 | n.s. |
| Urorec® | benign prostatic hyperplasia | 2,009 | 4,335 | (2,326) | (53.7) |

Of note is the good trend in sales of methadone, which reached € 34.5 million in 2021, up by 3.8% compared to the previous year, and of Seloken®/Seloken® ZOK/ Logimax® (+4.2%). There was also a slight decrease in the sale of treatments for rare diseases, which at € 31.1 million, were down by 1.7%, and include the endocrinology products Signifor®, Signifor® LAR and Isturisa®. To highlight tough the sharo increase of the number of Isturisa patients over the course of 2021.

Sales include those of Lercapress® (lercanidipine + enalapril), now marketed by our subsidiary following the expiry of the license agreement with Pierre Fabre. Sales of lercanidipine-based products decreased due to competition from the generic versions of the drug. Regarding self-medication products, sales of Ginkor® and Abufen® recorded growth over the year.

Sales in the Hexa line, a leader in the treatment of seasonal winter illnesses, fell by 10.3% due to the drop in flu-related illnesses because of the social distancing measures linked to the COVID-19 pandemic.

## GERMANY

In addition to its consolidated presence in the cardiovascular therapeutic area with a range of treatments from the calcium channel blocker antihypertensives Corifeo® and Zanipress® to the beta blocker Beloc®ZOK, Beloc® and Mobloc® (metoprolol), Recordati Pharma GmbH is one of the most esteemed German pharmaceutical companies in the field of orthopedics, where it has developed a strong presence and supplies quality products to specialists in this segment. The most important of these includes Ortoton® and Ortoton Forte® (methocarbamol), a muscle relaxant used for back pain. Recosyn® (hyaluronic acid), for arthritis treatment regimens, Lipotalon® (dexamethasone palmitate), used to alleviate pain in the presence of inflammation of the joints, and Binosto® (alendronic acid) effervescent tablets used to treat osteoporosis that presents with the onset of menopause, are also very popular.

Recordati Pharma is also well-positioned in the pediatric segment with two brands, Laxbene® and Mirfulan®. The first is used for the treatment of constipation and the second for diaper rash.

Recently, in March 2021, the German branch began marketing Eligard® in the urology segment, a treatment area where it has established its presence, and offers additional products such as Urorec®. With the launch of Reagila® (cariprazine) in 2018, the German subsidiary entered an additional treatment area, psychiatry. Another important aspect for the German branch is its business in the gastroenterology area, and specifically in the treatment of chronic inflammatory intestinal conditions with the product Claversal® (mesalazine). The line was expanded in 2021 with the introduction of the 1-gram Citrafleet® suppositories and Fleet Phospho-soda®, which contributed to expanding the German subsidiary's offering in this area.

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

Sales in Germany were at € 152.9 million, increasing by 12.6% compared to the same period the previous year. The performance in the main products is as follows:

| € (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| Ortoton® | muscle relaxant | 35,132 | 30,121 | 5,011 | 16.6 |
| Seloken® | hypertension | 16,454 | 18,735 | (2,281) | (12.2) |
| Corifeo®/ lercanidipine | hypertension | 14,492 | 12,756 | 1,736 | 13.6 |
| Claversal® | lcerative colitis | 11,597 | 11,431 | 166 | 1.5 |
| Mirfulan® | healing ointment | 8,661 | 8,659 | 2 | 0.0 |
| Eligard® | antineoplastic | 8,404 | - | 8,404 | n.s. |
| Zanipress® | hypertension | 7,454 | 8,882 | (1,428) | (16.1) |
| Recosyn® | musculoskeletal | 7,205 | 6,547 | 658 | 10.1 |

Of note is the good performance of Ortoton® and lercanidipine, as well as the OTC products Mirfulan® and Laxbene®. There was also growth (+16.3%) in the rare diseases treatment area, reaching € 20.8 million, which included the newly acquired endocrinology products Signifor®, Signifor® LAR and Isturisa®. Overall sales in self-medication products in Germany reached € 33.9 million, up by 4.5% on the previous year, mainly thanks to increased sales of Laxbene® (+39.9%), Recosyn® (+10.1%) and Citrafleet® (+5.5%).

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

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

Russia launched Eligard® in 2021, and recorded significant growth in Livazo® and Zanidip® in the cardiology segment and Procto-Glyvenol® in the OTC area.

In 2021, revenue generated in Ukraine increased by over 20% on 2021, thanks especially to the growth in the primary products such as Procto-Glyvenol®, Isofra®, Hexaspray®.

FIC Medical, with its four representative offices in Kazakhstan, Belarus, Georgia and Armenia ensures the Group's direct presence in the C.I.S., the Caucasus region and Central Asia, territories where geographic coverage has increased significantly.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (CIS) was € 99.6 million, slightly down (-0.6%) compared to the same period the previous year and includes estimated currency exchange losses of € 4.6 million. In addition to the devaluation of the ruble, this area was severely impacted by the COVID-19 emergency during the first part of 2021, even though a net recovery was recorded in the second part of the year. Revenue realized in Russia was RUB 6,338.8 million in local currency, down by 1.9% over the same period the previous year. The table below shows overall sales of the main products in Russia in local currency.

| RUB (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| Polydexa® | ear infections | 1,785,527 | 1,777,700 | 7,827 | 0.4 |
| Tergynan® | gynecological infections | 1,117,633 | 1,306,087 | (188,454) | (14.4) |
| Procto-Glyvenol® | hemorrhoids | 939,948 | 745,073 | 194,875 | 26.2 |
| Isofra® | nasal infections | 904,500 | 843,980 | 60,520 | 7.2 |

The main product in the Russian portfolio is Polydexa®, with sales essentially in line with the previous year, together with Isofra®, whereas a drop was recorded for Tergynan®. Of note is the success of the corporate self-medication product Procto-Glyvenol® which has become one of the leading products in its market segment, similarly to Lomexin® and Phosphosoda®. Sales in Russia of the corporate products Isofra® and Livazo® also recorded strong growth.

Revenue generated in Ukraine and the other CIS countries, mainly Belarus, Kazakhstan and Armenia, grew to € 22.2 million, up by 14.3%, thanks to the recovery in flu products like Polydexa® and Hexaspray®, as well as the excellent performance by Procto-Glyvenol®, which grew by 15.3%.

## UNITED STATES OF AMERICA

The Group's pharmaceutical business in the U.S.A. is dedicated to marketing products for the treatment of rare diseases through our subsidiary Recordati Rare Diseases Inc. The portfolio includes products for the treatment of various rare metabolic disorders, including Panhematin® (hemin for injection) used for recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonemia associated with NAGS deficiency, propionic acidemia or methylmalonic acidemia, Cystadane® (betaine anhydrous oral solution), used in the treatment of homocystinuria to reduce the high level of homocysteine in the blood and Cystadrops® (cysteamine ophthalmic solution) 0.37% for the treatment of



corneal cystine crystal deposits, and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers.

Recently, the product portfolio was expanded to include Signifor®and Signifor® LAR (pasireotide) in the endocrinology area, a pituitary therapy for the treatment of Cushing's disease and acromegaly, and Isturisa® (osilodrostat), a potent cortisol synthesis inhibitor, for the treatment of Cushing's disease.

Sales reached € 176.9 million in 2021, up by 44.4% and by 49.6% in local currency. U.S.A. has therefore become the number two market for Recordati group in 2021. The increase mainly reflects the contribution from the new products Signifor®, Signifor® LAR and Isturisa® (osilodrostat), combined with steady growth in Carbaglu®, Cystadrops® and Panhematin®.

## SPAIN

Casen Recordati S.L., the Spanish subsidiary of the Recordati group, with headquarter in Madrid and production facilities and research and development department in Utebo (Zaragoza, Spain), markets an extensive and substantial portfolio of Specialty and Primary Care products belonging to the cardiology, urological, gynecological, gastrointestinal, pediatric and psychiatric treatment areas. It is particularly well known for its products for bowel cleansing and oral rehydration, which belong to markets where the Company is an undisputed leader. The market leaders in their class include products belonging to Citrafleet®, indicated for emptying the intestines before any diagnostic procedure, and Bi-OralSuero®, the lactobacillus reuteri protectis oral rehydration saline solution DSM1794.

In 2021, the company began marketing Eligard®, for the treatment of hormone-dependent prostate cancer (PCa), which became the main product in the portfolio, and Flatoril®, for the treatment of functional gastrointestinal disorders. The marketing of Reagila®, an antipsychotic continued apace.

In Spain, Recordati Rare Diseases Spain S.L. markets the portfolio of products for the treatment of rare diseases.

The Spanish production plant is situated near Zaragoza, covering 7,100 sq. m., and specializes in the production and packaging of solid and liquid oral and topical formulations. In particular, it manufactures a line of gastroenterological products. The plant produces around 21 million packs a year. Certain corporate products are manufactured at the Utebo site in Spain (Citrafleet®, CasenLax® and Phosphosoda®) for all the markets where they are sold. Recently, a project was finalized for the installation of a new line for the packaging of tablets in bottles, which has increased the annual volumes by around 8 million packs.

Sales in Spain totalled € 120.0 million, up by 43.2%, mainly due to the increase in the sale of products associated with hospital procedures (Citrafleet®, Enema®, Casenlax®), temporarily suspended due to the COVID-19 emergency, and the contribution from the new products Eligard® and Flatoril®. The drop in Urorec® and Livazo® can be attributed to competition from the generic versions.

The table below shows sales of the main products:

| € (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| Eligard® | antineoplastic | 18,557 | - | 18,557 | n.s. |
| CitraFleet® | bowel cleansing | 16,412 | 12,260 | 4,152 | 33.9 |
| Livazo® | hypercholesterolemia | 7,787 | 12,751 | (4,964) | (38.9) |
| Enema Casen | bowel cleansing | 7,515 | 6,893 | 622 | 9.0 |
| Casenlax® | laxative | 6,740 | 5,942 | 7978 | 13.4 |
| Urorec® | benign prostatic hyperplasia | 6,248 | 6,565 | (317) | (4.8) |
| Cidine® | gastroprokinetic | 6,151 | 5,654 | 497 | 8.8 |
| Reuteri® | probiotic | 4,340 | 3,019 | 1,321 | 43.8 |
| Zanipress® | hypertension | 3,908 | 3,613 | 295 | 8.2 |
| Flatoril® | metabolism | 3,669 | - | 3,669 | n.s. |
| Virirec® | erectile dysfunction | 3,519 | 3,337 | 182 | 5.5 |

Of note is the good performance by Virirec® and Zanipress®, as well as the increased sales of products for the treatment of rare diseases at € 13.4 million (+15.2%).

Sales of Cidine® (cinitapride) have grown despite the presence of generic competition in the Spanish market.

## TURKEY

Recordati Ilaç, the Group's Turkish subsidiary, is one of the top 30 pharmaceutical companies in Turkey. It continues to strengthen its position on the Turkish pharmaceutical market

and has a strong, consolidated presence in the fields of urology, uro-oncology, cardiology, gynecology and in rehabilitation. The subsidiary markets the corporate products Lercadip®, Zanipress®, Alipza®, Urorec®, Eligard®, Gyno-Lomexin®, Procto-Glyvenol® and Phospho-soda®, Citrafleet®, Casenlax®, together with the local brands Mictonorm® and Mictonorm SR® (propiverine hydrochloride), used for the treatment of hyperactive bladder and urinary incontinence, Cabral® (phenyramidol hydrochloride), a muscle relaxant, Kreval® (butamirate citrate), a cough suppressant, Aknetrent® (isotretinoin), used for the treatment of severe acne, Pankreoflat® (pancreatin), a treatment for dyspepsia, Prepagel® (escin, diethylamine salicylate), for use in cases of bruises, sprains, hematoma, and the antibiotic Ciprasid® (ciprofloxacin). The Turkish product portfolio was extended in 2021 with the launch of the Mictonorm® 5 mg formulation line (propiverine hydrochloride).

Recordati Ilaç has a significant production facility in Cerkezkoy, Turkey, built on 45,000 sq. m. of land, and covering approximately 11,300 sq. m., with a total production capacity of 80 million packs annually. It currently produces 52 million packs per year of solid oral and liquid formulations and products for topical use, of which 27% are for other pharmaceutical companies. The Cerkezkoy plant was certified cGMP (current Good Manufacturing Practice) compliant by the Turkish authorities in 2016 and has also been confirmed compliant with cGMP by the European Union, Azerbaijan, Libya and Kenya in 2019 and the Russian Federation in 2020.

Sales in Turkey were at € 70.3 million, down by 11.2%, and included an adverse currency exchange effect estimated at € 19.6 million. The Turkish subsidiary's sales in local currency were up by 14.6% thanks to a generalized price increase and the good performance by all corporate products, in particular Livazo® (sold in Turkey under the Alipza® brand), Eligard® and Procto-Glyvenol®, and the local products Aknetrent®, Metpamid® (metoclopramide) and Colchicum® (colchicine). Of note is the significant drop in Lercadip® and Zanipress® due to competition from generic products.

The table below shows overall sales of the main products in local currency.

| TRY (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| Mictonorm® | urinary incontinence | 122,951 | 120,742 | 2,209 | 1.8 |
| Cabral® | muscle relaxant | 93,123 | 95,517 | (2,394) | (2.5) |
| Livazo® | | 88,806 | 72,445 | 16,361 | 22.6 |
| Urorec® | benign prostatic hyperplasia | 85,072 | 94,097 | (9,025) | (9.6) |
| Lercadip® | hypertension | 64,776 | 96,027 | (31,251) | (32.5) |
| Procto -Glyvenol® | hemorrhoids | 58,166 | 41,460 | 16,706 | 40.3 |
| Kreval® | cough | 40,274 | 36,962 | 3,312 | 9.0 |
| Ciprasid® | anti-infective | 39,644 | 32,901 | 6,743 | 20.5 |
| Zanipress® | hypertension | 30,439 | 55,023 | (24,584) | (44.7) |


## PORTUGAL

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

Jaba Recordati S.A. has recently moved its office to Tagus Park.

Sales in Portugal grew by 6.4%, thanks especially to the new product Eligard® and increases in Carzap® (hypertension medicine) and TransAct® LAT, which offset the drop in Livazo® and Urorec® (due to the entry of generics in the market during 2020) and Zanipress®.

The table below shows the main products:

| € (thousands) | Therapeutic indications | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|---|
| TransAct® LAT | anti-inflammatory | 5,091 | 4,425 | 666 | 15.1 |
| Eligard® | antineoplastic | 4,291 | - | 4,291 | n.s. |
| Livazo® | hypercholesterolemia | 3,541 | 7,063 | (3,522) | (49.9) |
| Microlax® | laxative | 3,529 | 3,312 | 217 | 6.6 |
| Egostar® | vitamin D3 | 3,001 | 2,508 | 493 | 19.7 |
| Zanipress® | hypertension | 1,897 | 2,403 | (506) | (21.1) |
| Urorec® | benign prostatic hyperplasia | 1,627 | 2,394 | (767) | (32.0) |

## OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES

The Recordati group has subsidiaries in Poland, the Czech Republic and Slovakia, Romania and Bulgaria and also sells directly in the Baltic States. Sales in this area totalled € 112.0 million, up by 21.8%.

### Poland

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


In 2021, sales in Poland totalled € 43.9 million, increasing by 29.5%, mainly thanks to the sound performance by the new products Eligard® and Salaza®.

Lercan® (lercanidipine) also increased in demand 14.3%.

### Czech Republic and Slovakia

Herbacos Recordati s.r.o., the Group's subsidiary in the Czech Republic and in Slovakia, successfully markets pharmaceutical products belonging to a number of therapeutic areas, including cardiology, urology, gynecology and self-medication products such as analgesics, anti-inflammatories and dermatological medicines. Contributing to the subsidiary's development were Eligard® (leuprorelin acetate) for treatment of hormone-dependent prostate cancer, Betaloc® (metoprolol) indicated in the treatment of hypertension and other cardiac disorders, and Mictonorm® (propiverine), a urology treatment for a hyperactive bladder, where the relevant rights were acquired in 2019. Well-established in the self-medication market with Procto-Glyvenol®, the analgesic Valetol® (paracetamol), Acylpyrin® (acetylsalicylic acid), also offered as a solution for coughs and colds, Infadolan®, a topical treatment for dry and cracked skin recommended after using hand disinfectant products and Veral®.

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

Sales by Herbacos Recordati s.r.o. totalled € 27.5 million, dropping by 1.5%, especially due to the decrease in Betaloc® (metoprolol) and Mictonorm® (propiverine), which also reflect the reduced inventories by distributors, which had increased during the acute phase of the pandemic. These were partially offset by the contribution of the new product, Eligard® and the self-medication product Acylpyrin®, which grew by 22.0%.

### Romania and Bulgaria

Recordati Romania S.R.L. promotes prescription and self-mediation products successfully. Sales of € 15.9 million were realized in Romania, up by 18.6%, mainly attributable to the good performance of the OTC portfolio (Procto-Glyvenol® and Lomexin®Derma), gynecological products (Lomexin® GYN, Tergynan Flora®), and the introduction of Eligard® to the portfolio.

Sales of € 7.6 million were recorded in Bulgaria, up by 94.7%, thanks to the extended portfolio with the introduction of Eligard® and growth in Betaloc®.

### Baltic States

The Group has established a direct presence (from 2019) in Lithuania with the opening of a Recordati Polska Sp. z o.o. representative office. The main products marketed in this area are Betaloc®, Procto-Glyvenol®, market leader in the treatment of hemorrhoids segment in Latvia, Lomexin® and Urispas®.

Direct sales to the market in the Baltic States totalled € 7.3 million, up by 23.7%, generated by the metoprolol-based cardiovascular products.

### Products for the treatment of rare diseases marketed by Recordati Rare Diseases

Sales of products for the treatment of rare diseases in the Central and Eastern European markets amounted to € 9.8 million, up by 41.4%.

## OTHER WESTERN EUROPEAN COUNTRIES

The Recordati group is also present with its own subsidiaries in the United Kingdom with Recordati Pharmaceuticals Ltd and Recordati Rare Diseases United Kingdom Ltd, in Ireland through its subsidiary Recordati Ireland Ltd, in Greece with Recordati Hellas Pharmaceuticals S.A., in Switzerland through Recordati AG (also present in Austria through Recordati GmbH), in the Nordic countries with Recordati AB and in BeNelux with Recordati BV. Sales in this area totalled € 104.4 million, up by 14.5%.

### Switzerland and Austria

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

Sales for € 25.3 million were realized at the Swiss branch, up 18.9% thanks to the good performance by Livazo®, Eligard® and Urorec®.

### Greece

Recordati Hellas Pharmaceuticals S.A. is the Recordati subsidiary which operates in Greece where it offers a number of products in different therapeutic areas such as cardiovascular, urology, gynecology, psychiatry, dermatology and gastrointestinal. In the cardiovascular area, popular products are Livazo® and Lopresor®, a selective beta blocker indicated for the treatment of hypertension, Zanidip® (lercanidipine) and its fixed combination with enalapril Lercaprel®/Zaneril®, and Logimax®, for the treatment of hypertension. The main product in the urology area is Urorec®, which is marketed together with Vitaros® and Kentera®. Completing the product portfolio are the antimycotic Lomexin® and Citrafleet®.

Reagila® (cariprazine), the drug for treating schizophrenia was launched in Greece in 2021.

Sales in Greece were at € 18.9 million, essentially in line with the previous year.


### United Kingdom

Recordati Pharmaceuticals is the Group company marketing Recordati products in the United Kingdom. In 2019, the UK subsidiary launched Reagila®, relaunched Cleen Enema® and Citrafleet® in the gastrointestinal area, and Betaloc®, a product for hypertensive patients.

Sales in the United Kingdom were € 12.0 million, up 40.4% and refer primarily to products for the treatment of rare diseases, which represent 56.7% of our business in that country.

### Ireland

Recordati Ireland is the Group organization operating in Ireland. It continues to successfully market Lercaril® 20/20, a new formulation of the lercanidipine + enalapril combination for the treatment of hypertension strengthening the branch's product portfolio in the cardiovascular area. It also continued promoting Urorec® and launched Reagila®, which was well-accepted by the scientific community. The marketing authorization for Eligard® has recently been approved. Sales in Ireland were € 2.1 million, up by 20.4% compared to the previous year, and refer primarily to Zanipress® (sold in Ireland under the Lercaril® brand), Urorec® and Zanidip®.

### Nordic countries and BeNelux

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

The Nordic countries are managed by the Swedish branch, with headquarters in Kista (Stockholm), which also operates directly in Denmark, Norway, Finland and Iceland. Sales of € 12.1 million (+4.3%) were recorded in 2021 and referred mainly to the corporate products belonging to the cardiovascular segment, like Seloken®, Seloken ZOC®, Logimax®, Zanidip® and Zanipress®, and to a lesser extent to the gastrointestinal area, like Citrafleet®, Cleen Enema and Phospho-soda®. Recordati AB also markets Reagila®, the new antipsychotic drug for the treatment of schizophrenia, in all the Nordic countries, which despite the difficulties experienced due to the health emergency, recorded a growth rate of 63.9% compared to 2020.

Recordati BV, with headquarters in Brussels and a branch in Oss, Netherlands, manages direct distribution in Belgium, the Netherlands and Luxembourg of its lercanidipine and metoprolol-based products in the cardiovascular area, Citrafleet®, Cleen Enema and Phospho-soda® in the gastrointestinal area. Reagila® was launched in 2019 to the community of psychiatrists and also launched in the Netherlands. Sales of € 12.2 million were recorded in BeNelux in 2021, increasing by 54.8%. Urorec® was marketed by the subsidiary in 2021, having being repatriated by its partner.

Both companies have introduced Eligard® into their product portfolio.

### Products for the treatment of rare diseases marketed by Recordati Rare Diseases

Sales of products for the treatment of rare diseases in Western European countries stands at € 28.6 million (+1.4%).

## NORTH AFRICA

Recordati is present in North Africa with Opalia Recordati S.à.r.l. and Opalia Pharma S.A. in Tunisia and through its export business from France, mainly towards Algeria. Opalia Pharma is one of the most important Tunisian pharmaceutical companies and ranks high in the local pharmaceutical market. It markets branded generic drugs with leading products in dermatology and in the gastrointestinal and respiratory treatment areas. It manufactures most of its products at its own facility, which is located near to Tunis, covering an area of around 9,100 sq. m. and producing liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. The plant produces around 19 million packs a year. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority.

Overall sales in North Africa were at € 35.9 million, down by 13.0% compared to the previous year due to the restrictions on imports into Algeria, which impacted sales for around € 5.4 million. In 2021, sales in Tunisia through our subsidiaries totalled € 30.1 million, increasing by 10.1% and by 13.2% in local currency.

The main products in this highly diversified portfolio are Vitamin D3, the anti-hypertensives Zanidip® and Zanextra® (lercanidipine + enalapril), Urorec®, the gastro-protector Ippsium® (esomeprazole), and the two treatments for asthma and chronic obstructive pulmonary disease (COPD), Eolide® (budesonide) and Notos® (formoterol + fumarate dehydrate).

## OTHER INTERNATIONAL SALES

Other international sales were at € 204.2 million, up by 1.6%, and comprise the sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales and Recordati Rare Diseases' sales in all other countries not described above.

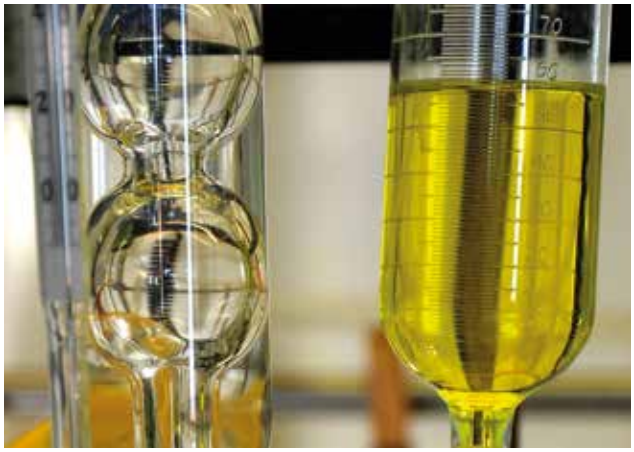
Sales to international licensees, including other revenue, were at € 113.4 million, increasing by 4.8% mainly as a result of the initial sales of the active ingredient lercanidipine® to the Chinese distributor.

Overseas sales by the French subsidiary Laboratoires Bouchara Recordati, excluding North Africa, reached € 15.4 million, down by 12.5%. Sales recorded by the Spanish subsidiary Casen Recordati were at € 1.5 million, falling by 62.2% compared to the previous year, due to the decision to transfer the sales of CleenEnema®, Citrafleet® and Phosphosoda® (that had previously been sold by Casen in these areas) to the subsidiary in the United Kingdom.

Revenue generated by products treating rare diseases in other countries, mainly in Canada and Australia, some countries in Latin America, the Middle East and Asia, mostly generated by our subsidiaries, amounted to € 71.2 million, in line with the previous year. Revenue included sales of Juxtapid®, a product obtained under license in 2019, in Japan and Panhematin® and Cystadrops® in Canada.

REVIEW OF OPERATIONS

# PHARMACEUTICAL CHEMICALS AND PLANTS



Recordati produces a number of active ingredients and intermediates for the pharmaceutical industry in its two pharmaceutical chemical production plants. Recordati's pharmaceutical chemicals business focuses on satisfying the requirements of the pharmaceutical business, striving for maximum product quality, strengthening its presence in highly regulated markets (the United States, Europe and Japan) and on constantly guaranteeing maximum safety standard in its production processes, protection of the environment and health and safety in the workplace.

The Campoverde di Aprilia plant in Italy mainly supplies the active ingredients used in the preparation of the various pharmaceutical specialties produced by the Company, but is also an established independent producer of a number of active and intermediate ingredients for the pharmaceutical industry internationally. It is one of the most important producers in the world of verapamil HCl, phenytoin, papaverine HCl, dimenhydrinate, tribenoside and manidipine. Other pharmaceutical chemicals are produced on behalf of important pharmaceutical companies. The plant was one of the first European facilities to undergo inspection by the American Food and Drug Administration (FDA). The United States has become and continues to be the primary outlet market for its production. The Campoverde site extends over approximately 335,000 sq. m., with an area of 35,000 sq. m under cover, and produces approximately 650 metric T/year of finished goods with approximately 5,000 T/year of semi-finished goods handled internally.

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

Investments have been made to enhance the technological and production capacity of the plant, which over the last decades have installed more than 20 new reactors, a latest-generation three-stage distillation unit for high-temperature unstable liquids, 2 thin film evaporators and 2 filters for the isolation of solid products and an anti-acid drier. From the perspective of continual improvement, important upgrades were also carried out in the intermediates and active ingredients' discharge and packaging areas.

A vast range of technologies, skills and expertise in the field of organic synthesis is employed, making it possible to quickly and effectively develop new processes for the production of active ingredients, from their synthesis to purification and finishing, through the various research stages, scale up and final industrialization. The Research and Development laboratories are fitted with the latest equipment such as a high containment HP-API pharmaceutical isolator (glove box) and a micro reactor for the development of new continuous production processes. An extremely versatile pilot plant is also available, equipped for the small-scale production of active ingredients, in accordance with cGMP (current Good Manufacturing Practice). During 2021, significant investments were made to expand the Pilot System in terms of technology, with the establishment of a plant to manage reactions at extremely low temperatures (-80°C) and to isolate high-containment products. The plant operates in compliance with current Good Manufacturing Practice (cGMP) and is regularly inspected by national and international authorities such as AIFA (Agenzia Italiana del Farmaco), the FDA (Food and Drug Administration), ANVISA (the Brazilian agency), PMDA (the Japanese Ministry of Health), and the KFDA (Korean Food and Drug Administration). The plant's environmental management system has been certified according to the UNI EN ISO 14001:2004:2015 standards by Det Norske Veritas Italia (DNV), an internationally accredited body, and is inspected on an annual basis.

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

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant for the international pharmaceutical industry, were at € 48.5 million, falling by 0.9%. Of note, the products papaverine and verapamil performed well.

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

| € (thousands) | 2021 | % | 2020 | % | Changes 2021/2020 | % |
|---|---|---|---|---|---|---|
| Italy | 4,833 | 10.0 | 5,024 | 10.3 | (191) | (3.8) |
| Europe (Italy excluded) | 17,138 | 35.3 | 15,239 | 31.1 | 1,899 | 12.5 |
| U.S.A. | 5,554 | 11.5 | 5,700 | 11.6 | (146) | (2.6) |
| America (U.S.A. excluded) | 4,762 | 9.8 | 4,584 | 9.4 | 178 | 3.9 |
| Asia and Oceania | 14,517 | 29.9 | 16,885 | 34.5 | (2,368) | (14.0) |
| Africa | 1,678 | 3.5 | 1,501 | 3.1 | 177 | 11.8 |
| **Total** | **48,482** | **100.0** | **48,933** | **100.0** | **(451)** | **(0.9)** |

REVIEW OF OPERATIONS

# HEALTH, SAFETY AND ENVIRONMENT

The Recordati group recognizes the protection of the environment, safety in the workplace and prevention in general concerning all themes related to health, safety and the environment as one of its most important priorities. Company policy is implemented through the careful organization of roles with regard to guaranteeing the safety and health of workers. A well- defined corporate organization combined with a systemic approach to the management of safety at the workplace ensures continuous improvement in management with the objective of constantly reducing work-related and environmental risks.

Similarly to 2020, 2021 proved to be a particularly difficult year for the entire world, with the unprecedented COVID-19 epidemic health emergency continuing.

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

These measures ranged from smart working implemented for office personnel to the launch of new organizational models for our sales network through the remote provision of scientific information, also supported by specific training programs. A series of measures were adopted in production and distribution facilities, in full compliance with provisions issued by the Authority, which allowed the Group to continue production and guarantee the health and safety of production personnel. While observing all measures necessary to ensure the health and safety of its employees, Recordati never suspended its production and distribution activities, guaranteeing continuous availability of its products in the market, many of which are used in the treatment of serious and chronic illnesses.

In order to define an organizational model specifically designed to address health and safety at the workplace, as well as protect the environment, the Company has internal procedures in place to regulate these issues entitled: "Procedures for Prevention Management, Accident Management and Medical Services" and "Procedures for environmental management". The application of these standards is periodically verified through internal audits.

The following common characteristics and measures for risk prevention are present within the system for the management of health, safety and the environment that the Recordati group employs in both its pharmaceutical chemicals and its pharmaceutical plants: risk assessment, training and information for workers, proper maintenance standards, environmental protection systems designed to minimize environmental impacts, appropriate emergency measures and compliance with local legislation on the subject. The Group monitors and analyses injuries and accidents that occur at the various production sites as well as any work-related illness. For every accident, an action plan aimed at preventing similar episodes is prepared and implemented. The results of these analyses of industrial accidents are periodically submitted to the Internal Audit Committee. Recordati employs a systematic approach to the management of health, safety and the environment, and sets itself the specific objective not only of compliance with the various national regulations in force at different production sites, but also of continuous improvement in the management of these matters.

Risk assessment is the principal tool used in the safety management system. It is used to define risk control factors along with the relative measures for prevention and protection to be adopted or monitored in order to reduce the risk to the health and safety of workers. The updating of the risk assessment document is a continuous activity, it records the sequence of the actions undertaken to improve the working environment and the activities in progress, and it also includes assessments of new activities or changes made to the work process.

Training, information, and awareness of the workers are considered to be fundamental prevention tools in all matters related to health, safety and the environment. Health and safety training programs are implemented to ensure adequate competency of everyone within the whole Company organization. The goal is to increase the attention placed by personnel on risks and the prevention measures put in place in order to reduce accident rates caused by human error, which is the main cause of accidents at the Company. Training and the dissemination of information on the organization of safety in the Company is provided for all employees and, thanks to the use of remote training, the operational forces in the field are also systematically involved.

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

Out-sourcing to third party contractors is managed by special internal procedures which include the verification that the contractor is suitable and the sharing of the "Single Interference Risk Assessment Document" in order to reduce, and if possible eliminate, potential interferences between the work activities of external firms and the normal operations of the Company.

Particular attention is placed on all aspects of an environmental nature, in order to protect the environment and to prevent any form of pollution.

The environmental factor is controlled and managed in the pharmaceutical chemicals plants by an environmental management system that is part of the general management system. It includes the organizational structure, planned activities, responsibilities, practices, procedures and resources to formulate, implement, review and maintain the Company's environmental policies.

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

Following internal and external audits in 2021, the Campoverde plant renewed its UNI-EN-ISO 14001 Environmental Certificate.

In 2021, the plant at Cerkezkoy (Turkey) passed its audit by the Ministry of the Environment and Urbanization to renew its environmental authorization.

REVIEW OF OPERATIONS
AND FINANCIAL ACTIVITIES 2021

# FINANCIAL REVIEW

# INCOME STATEMENT

Income statement items are shown below, with the relative percentage of net revenue and changes compared to 2020:

| € (thousands) | 2021 | % of revenue | 2020 | % of revenue | Changes 2021/2020 | % |
|---|---|---|---|---|---|---|
| **Net revenue** | **1,580,074** | **100.0** | **1,448,867** | **100.0** | **131,207** | **9.1** |
| Cost of sales | (427,727) | (27.1) | (406,831) | (28.1) | (20,896) | 5.1 |
| **Gross profit** | **1,152,347** | **72.9** | **1,042,036** | **71.9** | **110,311** | **10.6** |
| Selling expenses | (396,394) | (25.1) | (349,072) | (24.1) | (47,322) | 13.6 |
| Research and development expenses | (166,138) | (10.5) | (146,236) | (10.1) | (19,902) | 13.6 |
| General and administrative expenses | (84,495) | (5.3) | (72,785) | (5.0) | (11,710) | 16.1 |
| Other income/(expenses), net | (15,130) | (1.0) | (4,927) | (0.3) | (10,203) | n.s. |
| **Operating income** | **490,190** | **31.0** | **469,016** | **32.4** | **21,174** | **4.5** |
| Financial income/(expenses), net | (26,841) | (1.7) | (13,360) | (0.9) | (13,481) | n.s. |
| **Pre-tax income** | **463,349** | **29.3** | **455,656** | **31.4** | **7,693** | **1.7** |
| Income taxes | (77,383) | (4.9) | (100,629) | (6.9) | 23,246 | (23.1) |
| **Net income** | **385,966** | **24.4** | **355,027** | **24.5** | **30,939** | **8.7** |
| **Adjusted net income[1]** | **424,647** | **26.9** | **410,402** | **28.3** | **14,245** | **3.5** |
| **EBITDA[2]** | **602,253** | **38.1** | **569,320** | **39.3** | **32,933** | **5.8** |
| Net income attributable to: | | | | | | |
| Equity holders of the Parent | 385,966 | 24.4 | 354,984 | 24.5 | 30,982 | 8.7 |
| Non-controlling interests | 0 | 0.0 | 43 | 0.0 | (43) | (100.0) |

(1) *Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of the tax effects.*

(2) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

Net revenue amounted to € 1,580.1 million, increasing by € 131.2 million compared to 2020. For a detailed analysis, please refer to the previous chapter "Review of Operations".

Gross profit was € 1,152.3 million, at 72.9% of sales, an improvement over the previous year, mainly due to the increased impact of the rare diseases portfolio and recording the indirect sales margins for the new product Eligard®, especially during the first six months of 2021.

Selling expenses increased by 13.6% compared to 2020 due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well as the distribution charges payable to Astellas prior to the transfer of the authorization to sell Eligard® to Recordati. Furthermore, marketing expenses increased, due to the general resumption of promotional activities (following the easing of restrictive measures to contain the COVID 19 pandemic) and costs to launch Isturisa®.

Research and development expenses were at € 166.1 million, increasing by 13.6% over 2020, mainly due to the investments in assets and resources to support regulatory and medical activities for the endocrinology products. Amortizations increased on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 16.1% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard® products, which are expected to record sustained revenue growth into the future.

Labor costs in 2021 totalled € 307.7 million, up by 10.3% on 2020, with the per-capita cost rising by 10.5%.

The table below shows the main data referring to Group personnel for 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| **Employees at year-end** | **4,303** | **4,362** |
| Average age (years) | 45 | 44 |
| Average service (years) | 9.0 | 8.6 |
| **Labor productivity:** | | |
| Labor cost on net sales | 19.5% | 19.3% |
| Net sales per employee (€ thousands)[a] | 370.0 | 338.7 |
| Value added per employee (€ thousands)[a] | 209.7 | 196.8 |

*Labor costs include wages, related expenses and additional costs.*

*(a) Data per employee is calculated on the average number of effective personnel: 4,270 in 2021 and 4,278 in 2020.*

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

Other net expenses recorded € 15.1 million compared to € 4.9 million in 2020, and include € 14.4 million in non-recurring items: of these, € 11.7 million are attributable to the targeted right sizing of the Specialty & Primary Care sales force, which began in the fourth quarter, mainly in Germany and Turkey, with an expected reduction of around 175 FTEs; € 2.5 million referring to the costs for COVID-19 health emergency (€ 6.1 million in 2020); € 0.2 million (€ 0.5 million the previous year) relating to the reverse merger transaction resolved in 2020 and completed in 2021, whereby the subsidiaries Rossini Investimenti S.p.A. and FIMEI S.p.A. were incorporated into Recordati S.p.A.

EBITDA (net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items) totalled € 602.3 million, up by 5.8% compared to 2020, at 38.1% of revenue. The amortization items classified above equalled € 97.6 million, of which € 72.3 million related to intangible assets, up by € 4.0 million over the previous year, due to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 25.3 million relating to property, plant and equipment, down by € 0.1 million over 2020.

The reconciliation of net income and EBITDA, including write-downs on intangible assets is reported below.

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Net income | 385,966 | 355,027 |
| Income taxes | 77,383 | 100,629 |
| Financial income/(expenses), net | 26,841 | 13,360 |
| Depreciation and amortization | 97,585 | 93,672 |
| Write-downs of intangible assets | 52 | 0 |
| Non-recurring expenses | 14,426 | 6,632 |
| **EBITDA[1]** | **602,253** | **569,320** |

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

The breakdown of EBITDA by business segment is reported below.

| € (thousands) | 2021 | 2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Specialty and Primary Care segment | 421,999 | 421,166 | 833 | 0.2 |
| Rare diseases segment | 180,254 | 148,154 | 32,100 | 21.7 |
| **Total EBITDA[1]** | **602,253** | **569,320** | **32,933** | **5.8** |

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

The Specialty and Primary Care segment was 35.3% of EBITDA, reflecting the additional costs related to integrating Eligard®, whereas the rare disease segment was at 47.0%, increasing on 2020.

Net financial expenses amounted to € 26.8 million, increasing by € 13.5 million over the previous year and include net exchange losses for € 5.8 million (the previous year had recorded net exchange gains for € 4.3 million) and lower gains compared to 2020, when a net benefit of € 2.6 million was recorded from the repayment of the two intercompany loans and the related cross-currency swaps.

Income taxes amounted to € 77.4 million, coming down by € 23.2 million compared to the previous year, primarily due to the recognition of non-recurring tax benefits for € 27.8 million. As envisaged in the reverse merger project, following the incorporation of its subsidiaries, Recordati S.p.A. inherited the ACE (Allowance for Corporate Equity) accrued by Rossini Investimenti S.p.A. for € 12.9 million. Furthermore, the revaluation of the Magnesio Supremo® brand by the subsidiary Natural Point S.r.l., with tax effects from 2021, resulted in the alignment between the accounting and tax amounts, and consequent release of the residual deferred tax liabilities to the income statement, calculated in the scope of the Purchase Price Allocation conducted for accounting purposes in the consolidated financial statements at the time of acquiring the subsidiary, impacting positively on the income statement for € 13.3 million, net of the substitute tax for € 1.6 million. Finally, the Italian subsidiary Italchimici S.p.A. opted to realign the tax value of the Reuflor® brand to the higher carrying amount from the financial statements at 31 December 2019, in accordance with Art. 110 of Italian Decree-Law no. 104 of 2020, impacting positively on the income statement for € 1.6 million from the release of deferred tax liabilities net of the substitute tax due to finalize the transaction.

Net income equalled € 386.0 million, at 24.4% of revenue, compared to € 355.0 million in 2020.

Given the increased volume of intangible assets on the Group's balance sheet and their amortization, in order to provide information in line with best practices in the sector and provide a comparison with other operators, a new performance indicator has been introduced starting last year, adjusted net income, which is net income excluding amortizations and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects. In 2021, adjusted net income*, at € 424.6 million, grew by 3.5% over 2020, accounting for 26.9% of revenue.

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

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Net income | 385,966 | 355,027 |
| Amortization and write-downs of intangible assets (except software) | 70,696 | 66,507 |
| Tax effect | (14,734) | (13,936) |
| Non-recurring operating expenses | 14,426 | 6,632 |
| Tax effect | (3,936) | (1,770) |
| Non-recurring tax income | (27,771) | (2,058) |
| **Adjusted net income*** | **424,647** | **410,402** |

** Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.*


## NET FINANCIAL POSITION

The net financial position at 31 December 2021 recorded net debt of € 736.5 million compared to net debt of € 865.8 million at 31 December 2020.

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 | % |
|---|---|---|---|---|
| Cash and cash equivalents | 244,578 | 188,230 | 56,348 | 29.9 |
| Short-term debts to banks and other lenders | (8,657) | (12,567) | 3,910 | (31.1) |
| Loans - due within one year[1] | (213,486) | (261,216) | 47,730 | (18.3) |
| Leasing liabilities - due within one year | (8,100) | (9,038) | 938 | (10.4) |
| Short-term financial position | 14,335 | (94,591) | 108,926 | n.s. |
| Loans - due after one year[1] | (735,783) | (753,582) | 17,799 | (2.4) |
| Leasing liabilities – due after one year | (15,091) | (17,651) | 2,560 | (14.5) |
| **Net financial position** | **(736,539)** | **(865,824)** | **129,285** | **(14.9)** |

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

During 2021, € 35.0 million was paid to Tolmar International pursuant to the license agreement for Eligard® and € 14.5 million to Almirall S.A. for the Flatoril® license. Furthermore, treasury shares were purchased for € 59.3 million, net of sales proceeds from exercising stock options, and dividends were paid for € 216.7 million. Free cash flow, which is operating cash flow before excluding these effects and financing items, was € 469.9 million for the period, increasing by € 87.6 million compared to 2020, thanks to the increase in operating results and reduction in working capital. The Net debt/EBITDA ratio at the end of 2021 was at 1.22.

The increases in property, plant and equipment for € 28.7 million, of which € 10.2 million related to the right-of-use on leased assets, referring mainly to the Parent Company (€ 18.6 million), the subsidiaries Opalia Pharma S.A. (€ 1.3 million), Casen Recordati (€ 1.0 million), Recordati Pharma (€ 0.9 million), Recordati Ireland (€ 0.9 million) and Recordati Polska (€ 0.7 million).

In March, the Parent Company entered into a loan with for € 40.0 million with Allied Irish Bank at a variable interest rate of the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until December March 2026.

In May, the Parent Company also signed a € 180.0 million loan with a consortium of Italian and international lenders, led by Mediobanca, at a variable interest rate of the 6-month Euribor (with a floor of zero) plus a fixed spread and a 5-year term and single installment repayment on maturity.

Net working capital for operations at 31 December 2021 was € 213.8 million and is broken down as follows:

| € (thousands) | 31.12.2021 | % of revenue | 31.12.2020 | % of revenue | Changes 2021/2020 | % |
|---|---|---|---|---|---|---|
| Trade receivables | 307,778 | 19.4 | 268,897 | 18.5 | 38,881 | 14.5 |
| Inventories | 228,732 | 14.5 | 251,252 | 17.3 | (22,520) | (9.0) |
| Other current assets | 57,864 | 3.7 | 57,536 | 4.0 | 328 | 0.6 |
| **Current assets** | **594,374** | **37.6** | **577,685** | **39.8** | **16,689** | **2.9** |
| Trade payables | 177,925 | 11.2 | 132,096 | 9.1 | 45,829 | 34.7 |
| Tax liabilities | 29,543 | 1.9 | 29,743 | 2.0 | (200) | (0.7) |
| Other current liabilities | 173,074 | 11.0 | 124,034 | 8.6 | 49,040 | 39.5 |
| **Current liabilities** | **380,542** | **24.1** | **285,873** | **19.7** | **94,669** | **33.1** |
| **Net working capital for operations** | **213,832** | **13.5** | **291,812** | **20.1** | **(77,980)** | **(26.7)** |
| Trade receivables: | | | | | | |
| Days of exposure | 60 | | 63 | | | |
| Inventories as % of cost of sales | 53.5% | | 61.8% | | | |

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

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

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

| € (thousands) | Shareholders' equity | | Net income | |
|---|---|---|---|---|
| | 31.12.2021 | 31.12.2020 | 2021 | 2020 |
| Recordati S.p.A. | 400,644 | 464,010 | 219,109 | 234,664 |
| Consolidation adjustments: | | | | |
| - Elimination margins in inventories | (72,668) | (76,552) | 3,884 | (17,486) |
| - Related tax effect | 20,445 | 21,704 | (1,259) | 5,086 |
| - Other adjustments | (19,535) | (16,689) | (3,189) | (2,705) |
| Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A. | 974,550 | 835,142 | - | - |
| Net income for consolidated companies, net of amounts already recognized by Recordati S.p.A. | 291,275 | 265,671 | 291,275 | 265,671 |
| Dividends received from consolidated subsidiaries | - | - | (123,854) | (132,785) |
| Write-down of holdings in subsidiaries | - | - | 0 | 2,539 |
| Translation adjustments | (213,086) | (217,303) | - | - |
| **Consolidated financial statements** | **1,381,625** | **1,275,983** | **385,966** | **354,984** |

## RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor required any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italchimici S.p.A.

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

At 31 December 2021, the Parent Company held 3,214,300 in treasury shares equivalent to 1.54% of its share capital, with a nominal value of € 0.125 each.

Except for what is stated above, to our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant in terms of value or conditions, or which could in any way materially affect the accounts.

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

## SUBSIDIARIES OUTSIDE THE EUROPEAN UNION

Pursuant to Articles 15 (ex 36) and 18 (ex 39) of the Financial Markets Regulation (as amended by CONSOB with Resolution no. 20249 of 28 December 2018) concerning the conditions for listing companies established and regulated under the laws of countries outside the European Union with significant relevance and for the purposes of the consolidated financial statements, we note that, at 31 December 2021, the provisions of Art. 15 (ex 36) of the Financial Markets Regulation apply to the subsidiaries Recordati Ilaç, Recordati Rare Diseases Inc., Rusfic LLC and Recordati AG and that the conditions indicated in the above-mentioned Art. 15 (ex 36) regarding the administrative body's certification have been met.

## SIGNIFICANT TRANSACTIONS, DISCLOSURE REQUIREMENTS DEROGATION

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

## ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2021, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

# MAIN RISKS AND UNCERTAINTIES

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

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

### Results

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

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

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

## RISKS ASSOCIATED WITH THE EXTERNAL CONTEXT

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

The Group continues to map the risks arising from the ongoing situation caused by the COVID-19 virus. Although the effects of the virus have been curbed by the introduction of vaccines, the emergency measures (lockdowns, health measures, travel restrictions, etc.) still in force in the various countries where the Group operates continue to affect business operations. These measures have impacted various business activities, albeit to a lesser degree compared to the previous year: research and development, with delays to patient enrolment during clinical trials, to production activities with the restructuring of shifts and production processes, to medical and scientific data, where relations with the medical community have been profoundly remodelled, and to office work with the extensive use of remote working. In this context, the Recordati group has *maintained* dedicated operating plans aimed at delivering business continuity while ensuring the safety of the people involved (employees, clients, suppliers and other stakeholders). In particular, the Company adopted a Coronavirus Pandemic Plan aimed at ensuring business continuity and protecting the safety of its employees. COVID-19 management protocols ensure the continuous operation of production plants in compliance with new health regulations. Guidelines for the safe management of human resources were issued by the Parent Company to all of its subsidiaries. The Safely Back to Work project was developed in collaboration with external consultants, aimed at defining the most effective and efficient measures to protect employee health; these included an employee information and training campaign, the provision and use of personal protective equipment (PPE), changes to the layout of workspaces, the introduction of static and dynamic social distancing in the workplace, the installation of protective barriers, and the provision of sanitizers. The operating guidelines issued to External Operating Personnel regarding medical and scientific information were redefined. With reference to medical and scientific information, the Company constantly monitors and coordinates representatives' activities in order to ensure the adoption of the most effective measures and alternative approaches to enable effective interaction with the medical community, including through the use of digital tools, in compliance with COVID-19 regulations.

### Environmental risks

Climate change is one of the external environmental risks that will have a potentially increasing impact on business activities.

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

The risk associated with climate change is physical (extreme weather conditions, e.g. heavy rain, flooding, drought, etc., problems accessing natural resources) and impacts on asset protection and business continuity.

Another risk related to climate change concerns regulatory framework changes in view of the transition to a decarbonised economic system, with potential effects on existing plant technology, compliance costs, etc.

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

Specifically:

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

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

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

The pharmaceuticals sector is heavily regulated locally, nationally and internationally. This significantly impacts activities at all levels.

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

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

### Country risk, risks associated with business expansion into emerging markets

The Group is also exposed to country risk, a series of risks that do not concern the specific commercial or financial counterparty but which are associated with the country where it operates and which may impact the affordability of the operations. Country risk can be defined as the set of risks arising when an investment is made in a foreign country, mainly attributable to the political, economic and social differences existing between the investor's country of origin and the country where the investment is made. In other words, country risk has a multi-dimensional nature and concerns all sources of potential difficulty that would not arise while operating in the domestic market.

The policies pursued by the Group include the expansion of operations in countries with the highest potential for development and the strongest growth rates (for example Central and Eastern Europe, the Middle East and North Africa). Operations in those countries could present risks associated with political, economic, currency, regulatory and fiscal instabilities or discontinuities. Recordati carefully assesses all growth opportunities in all geographies in order to mitigate exposure to these uncertainties and where possible it prefers to acquire local companies with a smaller outlay of capital, rather than other companies that are more exposed to country risk. Furthermore, the export of medicinal products by the Group to countries subject to economic and trade sanction programs by various international authorities are marginal and are, in any case, allowed and in line with such programs. In this regard, in order to mitigate the risk of commercial and economic sanctions, the Group continues to refine the Export Management and Control model adopted several years ago.

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

In relation to this risk, in 2022, the Group is facing the implications of the ongoing conflict in Ukraine, where it operates through one of its subsidiaries. In this context and to manage the multiple consequences of this dramatic conflict, the Group has formed a Crisis Committee to coordinate the necessary actions to manage the emergency and the safety of its Ukrainian employees, also by activating local internal and external resources present and available in the countries bordering Ukraine. Simultaneously, the Corporate and local company departments have monitored the various implications associated with or deriving from the conflict (financial, supply chain of medicines, sanctions on exports, commercial relationships, etc.) by implementing suitable action plans.

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

### Risks associated with market competition

The Group, like any company operating in the pharmaceuticals sector, is subject to competition from products which could determine a contraction in its market share. This competitive pressure derives from new pharmaceuticals launched by competitors in the same therapeutic classes in which the Group is present and also from generic versions of pharmaceuticals being marketed once patents expire.

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

## RISKS ASSOCIATED WITH STRATEGY AND OPERATIONS

### Risks associated with the internationalization of the Group

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

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

### Risks associated with the expiry of patents

The pharmaceuticals industry makes large investments in research and development and as a consequence, it enjoys a high degree of protection on its intellectual property. Therefore, the expiry of patents covering important pharmaceuticals in product portfolios and the consequent introduction onto the market of generic versions exposes companies to reductions in revenues which can be significant. In order to counter the reduction in revenues as a result of competition from generic pharmaceuticals, the Group is pursuing a diversification strategy based on the reinforcement of its pipeline, the launch of new products in the therapeutic areas of major interest and the expansion of its operations onto new markets with high growth rates.

### Risks associated with investments in research and development

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

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

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

Furthermore, health technology evaluations have been introduced during the clinical development phases in order to effectively support the negotiations with the relevant authorities regarding reimbursement conditions for the products.

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

### Risks associated with the launch of new products

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

In order to mitigate that risk Recordati pursues two policy lines. One is to broaden and balance its pipeline of products, implemented by acquiring pharmaceuticals that are already registered or are about to be registered, or of new products at different stages of development. The other is to pursue a plan of geographical diversification designed to limit dependence on the regulatory authorities of a single country.

### Risks associated with pharmacovigilance

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

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

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

### Risks associated with the production process

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

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

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

### Risks associated with the interruption of the production process

Production is by its nature exposed to potential risks of interruption which, if they were to have significant or long lasting effects –

caused for example by natural disasters, fires, the revocation of production permits and licenses, malfunctioning of plant and equipment, interruptions in the supply of important raw materials or energy – could have adverse consequences on the continuity and regularity of sales.

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

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

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

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

### Risks associated with health, safety and the environment

Chemical and pharmaceutical production is subject to obligations to comply with environmental, health and safety rules and regulations. To ensure the correct application of these rules and regulations, the Group has in place organizational units specifically dedicated to prevention, verification and continuous monitoring as regards compliance with the structural technical standards (related to equipment, plant, the workplace, chemical, physical and biological agents) in addition to activities regarding health surveillance, security vigilance, workers training and information and the procurement of the documents and certificates required by law. In particular, the environmental management system of the Group's main production plant, located at Campoverde di Aprilia, obtained certification from the accredited international body DNV (Det Norske Veritas, Italy) of compliance with the UNI EN ISO 14001:1996 standard in 2003, which was subsequently confirmed with certification for the UNI EN ISO 14001:2004 standard. Opalia Pharma's production plant in Tunisia also obtained UNI EN ISO 14001 (environment) and OHSAS 45001:2018 (management of Health and Safety in the workplace) certification.

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

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

Today's pervasiveness of information technology for the management of business and the necessary connection between company information systems and external information infrastructures (web and networks) exposes said systems to potential risks, both related to the availability, integrity and confidentiality of the data as well as to the availability and efficiency of the information systems.

In the global scenario, cyber attacks continue to increase, and ransomware attacks in particular are becoming more sophisticated and targeted.

In order to guarantee effective operational continuity, the Group has implemented a disaster recovery and business continuity system which ensures the immediate replication of the principal legacy systems' workstations.

Furthermore, the active safety of the company's data and software is guaranteed by multiple protection levels of a physical and logical nature, at both server and client level.

The risk catalogue includes and monitors the risk of cyber attacks and cyber fraud. To combat this risk the Group has already introduced technological and organisational control measures.

The Company subjects its infrastructure to continuous VAPT (Vulnerability Assessment and Penetration Test) analysis and to additional IT security audits undertaken by independent technicians. The outcome of this analysis has always shown the Company's information systems to be adequately protected.

Instead, as regards fraud through the use of information technology resources by external individuals, the Company continues to provide training and information for employees in order to create awareness on the correct use of the resources and applications assigned to their use.

In the course of 2021, with the extensive use of remote working due to the COVID-19 pandemic, the Company increased new security levels for servers and clients (e.g. MFA - multi-factor authentication, or PAM - Privileged Access Management) in order to minimize the risk of cyber fraud.

Security events are managed in accordance with a new Cyber Security Incident Management policy, which was formalized during 2021.

The Company also commissioned a leading IT consultancy firm to conduct an assessment of the security of remote connections; the report found the protection to be adequate according to international standards.

## FINANCIAL RISKS

### Credit Risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations. This risk is higher during long lasting periods of economic and financial hardship due to COVID-19 pandemic and as a result of exposure to geographical areas with specific dynamics and peculiarities (for example Russia and Tunisia). The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

### Interest Rate Risk

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

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

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing medium/long-term fixed interest

loans or variable interest loans. Variable interest loans are covered with derivative financial instruments (for example interest rate swaps) for the sole purpose of minimizing such fluctuations and are not for speculation.

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

### Foreign Currency Risk

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

### Liquidity Risk

The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions.

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

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

## LEGAL AND COMPLIANCE RISKS

### Risks associated with product liability

Despite rigorous compliance with standards and regulations, like any company operating in the pharmaceuticals sector, the Group could be exposed to risks of claims for damages caused by its pharmaceuticals.

In order to meet those potential liabilities, the Group has taken out insurance policies to cover all the products marketed and under development. The maximum liability limits are considered adequate and are constantly monitored with the help of analyses and market research conducted by leading insurance brokers.

### Risks associated with compliance

Each and every activity performed by the Group throughout the entire life cycle of a product, from research and development, to production, to the scientific information provided, presupposes a compliance risk. To safeguard against non-compliance risks, the Company has in place an internal control system, composed of a series of procedures and structured and organic organizations in order to control the monitoring of risks of non-compliance with laws, rules and regulations, guarantee correct and transparent information to the market, as well as prevent and limit the consequences of unexpected results, whilst focusing on achieving the Company's objectives.

The structural aspects of internal control and risk management comprise: the Code of Ethics, that defines the principles and values at the base of the Company's ethics, as well as the behavioural rules in respect of said principles; the system for the delegation of powers based on general and special powers of attorney and internal delegations, corresponding to the responsibilities assigned by the Company's operational procedures; the Information systems supporting administration and production activities as well as the accounting and financial processes.

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

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

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

Regarding the risk of corruption, the Group has implemented a specific operational and behavioural plan for all its subsidiaries which defines the necessary measures to mitigate the risk of corruption.

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

Regarding the Code of Ethics, Anti-corruption and Organisation, Management and Control Models, the Group provides continuous training to all employees.

### Risks associated with legal action

It is always possible that the Group may be required to meet costs resulting from various types of litigation. In these cases, the Group may be called upon to pay extraordinary costs with consequences for operating and financial results.

A detailed description of ongoing litigation is given in Notes 29 and 38 to the financial statements.

# BUSINESS OUTLOOK

On February 24th we announced targets for 2022, which foresaw achieving revenue between € 1,720 and € 1,780 million, EBITDA[1] between € 630 and € 660 million and adjusted net income[2] between € 450 and € 470 million. These targets assume a contribution from EUSA Pharma of over € 110 million of revenue and around € 25 million of EBITDA starting from the second quarter of 2022. Non-recurring costs, which are not included in EBITDA[1] or adjusted net income[2], are estimated at € 35 million, mainly related to the acquisition and integration of EUSA Pharma.

The incremental amortisation charges and other non-cash IFRS3 adjustments arising from the EUSA Pharma acquisition, including fair value adjustment to acquired inventory, will be determined post acquisition completion on the basis of the formal Purchase Price Allocation.

These targets assumed the EUSA Pharma acquisition to complete in Q2 2022 and were set prior to the escalation of conflict in Ukraine and the significant devaluation of the Rouble vs the Euro compared to the average exchange rate in the month of January. Reported Group Revenue in 2021 from our affiliates in Russia and Ukraine was respectively € 77 million and € 15 million.

In the face of the Russia-Ukraine crisis, the Recordati group has given immediate priority to the safety of its people and is implementing all possible measures and initiatives to guarantee the supply of medicines to patients in territories involved.

In spite of the resilience of the pharmaceutical sector, recent operating performance and the diversification of the Group, it is difficult to quantify at this stage the potential future impacts from this crisis, given the complex and constantly evolving situation.

If appropriate, 2022 targets will be updated on the basis of the actual completion date of the EUSA Pharma acquisition and as situation in Russia and Ukraine evolves.

Milan, 17 March 2022

for the Board of Directors
*The Chairman*
**Andrea Recordati**

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

(2) *Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of the tax effects.*

# 2021 CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

## RECORDATI S.p.A. AND SUBSIDIARIES

### CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

### INCOME STATEMENT

| € (thousands)[1] | Note | 2021 | 2020 |
|---|---|---|---|
| **Net revenue** | 3 | **1,580,074** | **1,448,867** |
| Cost of sales | 4 | (427,727) | (406,831) |
| **Gross profit** | | **1,152,347** | **1,042,036** |
| Selling expenses | 4 | (396,394) | (349,072) |
| Research and development expenses | 4 | (166,138) | (146,236) |
| General and administrative expenses | 4 | (84,495) | (72,785) |
| Other income/(expenses), net | 4 | (15,130) | (4,927) |
| **Operating income** | | **490,190** | **469,016** |
| Financial income/(expenses), net | 5 | (26,841) | (13,360) |
| **Pre-tax income** | | **463,349** | **455,656** |
| Income taxes | 6 | (77,383) | (100,629) |
| **Net income** | | **385,966** | **355,027** |
| Attributable to: | | | |
| Equity holders of the Parent | | 385,966 | 354,984 |
| Non-controlling interests | | 0 | 43 |
| **Earnings per share (Euro)** | | | |
| Basic | | 1.874 | 1.725 |
| Diluted | | 1.846 | 1.698 |

*(1) Except amounts per share.*
*Basic earnings per share base is calculated on the average number of shares outstanding in the respective periods, 206,011,089 for 2021 and 205,758,125 for 2020. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,114,067 for 2021 and 3,367,031 for 2020.*
*Diluted earnings per share is calculated taking into account stock options granted to employees.*

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

# RECORDATI S.p.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

## ASSETS

| € (thousands) | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 131,120 | 133,250 |
| Intangible assets | 8 | 1,138,786 | 1,115,811 |
| Goodwill | 9 | 553,209 | 562,116 |
| Other equity investments and securities | 10 | 34,124 | 45,581 |
| Other non-current assets | 11 | 32,937 | 6,861 |
| Deferred tax assets | 12 | 75,922 | 75,084 |
| **Total non-current assets** | | **1,966,098** | **1,938,703** |
| | | | |
| **Current assets** | | | |
| Inventories | 13 | 228,732 | 251,252 |
| Trade receivables | 14 | 307,778 | 268,897 |
| Other receivables | 15 | 44,880 | 47,291 |
| Other current assets | 16 | 12,984 | 10,245 |
| Derivative instruments measured at fair value | 17 | 11,149 | 7,036 |
| Cash and cash equivalents | 18 | 244,578 | 188,230 |
| **Total current assets** | | **850,101** | **772,951** |
| | | | |
| **Total assets** | | **2,816,199** | **2,711,654** |

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

# RECORDATI S.p.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

### SHAREHOLDERS' EQUITY AND LIABILITIES

| € (thousands) | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | 26,141 | 26,141 |
| Share premium reserve | | 83,719 | 83,719 |
| Treasury shares | | (126,981) | (87,516) |
| Reserve for derivative instruments | | (974) | (2,659) |
| Translation reserve | | (213,086) | (217,303) |
| Other reserves | | 60,207 | 70,707 |
| Profits carried forward | | 1,275,962 | 1,151,053 |
| Net income | | 385,966 | 354,984 |
| Interim dividend | | (109,329) | (103,143) |
| **Shareholders' equity attributable to equity holders of the Parent** | 19 | **1,381,625** | **1,275,983** |
| Shareholders' equity attributable to non-controlling interests | 20 | 0 | 277 |
| **Total shareholders' equity** | | **1,381,625** | **1,276,260** |
| | | | |
| **Non-current liabilities** | | | |
| Loans - due after one year | 21 | 760,473 | 778,238 |
| Provisions for employee benefits | 22 | 21,010 | 21,174 |
| Deferred tax liabilities | 23 | 26,675 | 41,219 |
| Other non-current liabilities | 24 | 0 | 16,299 |
| **Total non-current liabilities** | | **808,158** | **856,930** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 25 | 177,925 | 132,096 |
| Other payables | 26 | 145,170 | 95,671 |
| Tax liabilities | 27 | 29,543 | 29,743 |
| Other current liabilities | 28 | 6,508 | 11,250 |
| Provisions for risks and charges | 29 | 21,396 | 17,113 |
| *Derivative instruments measured at fair value* | 30 | 14,156 | 9,770 |
| Loans - due within one year | 21 | 223,061 | 270,254 |
| Short-term debts to banks and other lenders | 31 | 8,657 | 12,567 |
| **Total current liabilities** | | **626,416** | **578,464** |
| | | | |
| **Total shareholders' equity and liabilities** | | **2,816,199** | **2,711,654** |

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

# RECORDATI S.p.A. AND SUBSIDIARIES

## STATEMENT OF COMPREHENSIVE INCOME RECOGNISED IN SHAREHOLDERS' EQUITY FOR FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

| **€ (thousands)[1]** | **2021** | **2020** |
|---|---|---|
| Net income | 385,966 | 355,027 |
| Gains/(losses) on cash flow hedges, net of tax effects | 1,685 | 2,698 |
| Gains/(losses) on translation of foreign financial statements | 4,217 | (70,437) |
| Gains/(losses) on equity-accounted investees, net of tax effects | (10,823) | 6,917 |
| Other changes, net of tax effects | (627) | (1,021) |
| **Income and expenses recognized in shareholders' equity** | **(5,548)** | **(61,843)** |
| **Comprehensive income** | **380,418** | **293,184** |
| Attributable to: | | |
| Equity holders of the Parent | 380,418 | 293,141 |
| Non-controlling interests | 0 | 43 |
| Per share data (Euro) | | |
| Basic | 1.847 | 1.425 |
| Diluted | 1.819 | 1.402 |

*(1) Except amounts per share.*
*Basic earnings per share base is calculated on the average number of shares outstanding in the respective periods, 206,011,089 for 2021 and 205,758,125 for 2020.*
*These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,114,067 for 2021 and 3,367,031 for 2020.*
*Diluted earnings per share is calculated taking into account stock options granted to employees.*

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

# RECORDATI S.p.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

| | SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ (thousands)** | **Share capital** | **Share premium reserve** | **Treasury shares** | **Reserve for derivative instruments** | **Translation reserve** | **Other reserves** | **Profits carried forward** | **Net income** | **Interim dividend** | **Non-controlling interests** | **Total** |
| **Balance at 31.12. 2019** | **26,141** | **83,719** | **(93,480)** | **(5,357)** | **(146,866)** | **64,651** | **999,708** | **368,825** | **(98,764)** | **234** | **1,198,811** |
| Allocation of 2019 net income | | | | | | | 368,825 | (368,825) | | | 0 |
| Dividend distribution | | | | | | | (205,423) | | 98,764 | | (106,659) |
| Change in share-based payments | | | | | | 160 | 4,718 | | | | 4,878 |
| Purchase of treasury shares | | | (47,871) | | | | | | | | (47,871) |
| Sale of treasury shares | | | 53,835 | | | | (18,134) | | | | 35,701 |
| Interim dividend | | | | | | | | | (103,143) | | (103,143) |
| Other changes | | | | | | | 1,359 | | | | 1,359 |
| Comprehensive income | | | | 2,698 | (70,437) | 5,896 | | 354,984 | | 43 | 293,184 |
| **Balance at 31.12. 2020** | **26,141** | **83,719** | **(87,516)** | **(2,659)** | **(217,303)** | **70,707** | **1,151,053** | **354,984** | **(103,143)** | **277** | **1,276,260** |
| Allocation of 2020 net income | | | | | | | 354,984 | (354,984) | | | 0 |
| Dividend distribution | | | | | | | (216,123) | | 103,143 | | (112,980) |
| Change in share-based payments | | | | | | 558 | 4,524 | | | | 5,082 |
| Purchase of treasury shares | | | (101,820) | | | | | | | | (101,820) |
| Sale of treasury shares | | | 62,355 | | | | (19,843) | | | | 42,512 |
| Interim dividend | | | | | | | | | (109,329) | | (109,329) |
| Other changes | | | | | | 392 | 1,367 | | | (277) | 1,482 |
| Comprehensive income | | | | 1,685 | 4,217 | (11,450) | | 385,966 | | | 380,418 |
| **Balance at 31.12.2021** | **26,141** | **83,719** | **(126,981)** | **(974)** | **(213,086)** | **60,207** | **1,275,962** | **385,966** | **(109,329)** | **0** | **1,381,625** |

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

# RECORDATI S.p.A. AND SUBSIDIARIES

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

| € (thousands) | 2021 | 2020 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | 385,966 | 355,027 |
| Income taxes | 77,383 | 100,629 |
| Net interest | 17,752 | 17,475 |
| Depreciation of property, plant and equipment | 25,294 | 25,355 |
| Amortization of intangible assets | 72,291 | 68,317 |
| Write-downs | 52 | 0 |
| Equity-settled share-based payment transactions | 5,082 | 4,878 |
| Other non-monetary components | 12,925 | 1,997 |
| Change in other assets and other liabilities | (15,516) | (11,090) |
| **Cash flow generated/(used) by operating activities before change in working capital** | **581,229** | **562,588** |
| Change in: | | |
| - inventories | 17,506 | (42,924) |
| - trade receivables | (43,786) | 6,033 |
| - trade payables | 46,335 | (38,614) |
| **Change in working capital** | **20,055** | **(75,505)** |
| Interest received | 291 | 463 |
| Interest paid | (18,279) | (18,699) |
| Income taxes paid | (91,646) | (65,272) |
| **Cash flow generated/(used) by operating activities** | **491,650** | **403,575** |
| **INVESTMENT ACTIVITIES** | | |
| Investments in property, plant and equipment | (21,852) | (21,263) |
| Disposals of property, plant and equipment | 161 | 0 |
| Investments in intangible assets | (65,508) | (110,415) |
| Disposals of intangible assets | 4 | 57 |
| Acquisition of holdings in subsidiaries | (304) | 0 |
| Disposals of holdings in other companies | 0 | 66 |
| **Cash flow generated/(used) by investment activities** | **(87,499)** | **(131,555)** |
| **FINANCING ACTIVITIES** | | |
| Opening of loans | 219,065 | 110,020 |
| Repayment of loans | (288,546) | (141,430) |
| Payment of lease liabilities | (9,153) | (9,730) |
| Change in short-term debts to banks and other lenders | (1,259) | 1,740 |
| Dividends paid | (216,742) | (212,718) |
| Purchase of treasury shares | (101,820) | (47,871) |
| Sale of treasury shares | 42,512 | 35,701 |
| **Cash flow generated/(used) by financing activities** | **(355,943)** | **(264,288)** |
| **Change in cash and cash equivalents** | **48,208** | **7,732** |
| Opening cash and cash equivalents | 188,230 | 187,923 |
| Currency translation effect | 7,661 | (7,425) |
| Effect of merger | 479 | 0 |
| **Closing cash and cash equivalents** | **244,578** | **188,230** |

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

# RECORDATI S.p.A. AND SUBSIDIARIES
# NOTES
# TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL INFORMATION

The consolidated financial statements of the Recordati group for the year ended 31 December 2021 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters in Milan at Via Matteo Civitali no. 1, were approved by the Board of Directors' meeting of 17 March 2022, which authorized their distribution to the public, and are available at the Company's headquarters.

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

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

The consolidated financial statements at 31 December 2021 comprise those of the Parent Company and all its subsidiaries. The companies included in the consolidation scope, the consolidation method applied, their percentage of ownership and a description of their activity are set out in Note 40.

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy.

The table below shows the effects of the merger on the Group's equity position at 1 April 2021.

| € (thousands) | Assets | | Shareholders' equity and liabilities |
|---|---|---|---|
| **Non-current assets** | | **Shareholders' equity** | |
| Other equity investments and securities | 3 | Merger reserve | 392 |
| Other non-current assets | 199 | | |
| **Total non-current assets** | 202 | **Total shareholders' equity** | 392 |
| | | | |
| **Current assets** | | **Current liabilities** | |
| Other receivables | 49 | Trade payables | 175 |
| Other current assets | 13 | Provisions for risks and charges | 176 |
| Cash and cash equivalents | 479 | | |
| **Total current assets** | 541 | **Total current liabilities** | 351 |
| **Total assets** | 743 | **Total shareholders' equity and liabilities** | 743 |

The remaining 1% of Recordati Rare Diseases Italy was acquired during the first nine months of 2021 for € 0.3 million. Furthermore, with the aim of extending the rare diseases sector into new markets, a Chinese company Recordati (Beijing) Pharmaceutical Co. Ltd, was established. Finally, the Austrian subsidiary Pro Farma GmbH was renamed Recordati Austria GmbH.

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

# 2. SUMMARY OF ACCOUNTING STANDARDS

The financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union and with the Italian regulations implementing Article 9 of Italian Legislative Decree no. 38/2005, in continuity with what was done for the consolidated financial statements at 31 December 2020, with the exception of the adoption of the new standards and amendments in force from 1 January 2021 described in the following paragraph "Application of new standards". The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

The financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues on the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months. Specifically, in making the estimates and assumptions related to the preparation of the consolidated financial statements, the impacts, including potential ones, deriving from the COVID-19 pandemic were taken into account. To face the emergency, in Italy, and subsequently also in other countries, in 2020, the Group implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees. The results obtained show that the impact on the Group's consolidated revenue is more than offset by the positive contribution from new products and the containment of operating expenses resulting from reduced activities, with operating and net income remaining in line with expectations. Also for 2022, despite the continuation of the epidemiological emergency, we believe that we can implement the necessary actions to ensure that the business is a going concern and to achieve positive results.

The financial statements for the consolidated companies, prepared by the Board of Directors or the Sole Director for submission to the respective Shareholders' Meetings, have been reclassified and adjusted as required in accordance with International Financial Reporting Standards. The criteria applied is consistent with that of the consolidated financial statements at 31 December 2020.

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

## Application of new accounting principles

Several amendments and interpretations apply for the first time in 2021 but had no impact on the Group's consolidated financial statements. These included:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2**
  The amendments include the temporary easing of requirements referring to the effects on the financial statements at a time when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially free of risk (Risk Free Rate – RFR).
  The amendments include the following practical expedients:
  A practical expedient that provides for contract changes or changes in cash flow that are directly required by the reform to be treated as changes to a variable interest rate, the equivalent to a change in a market-based interest rate.
  It provides for the changes required by the IBOR reform to be made in the scope of hedging relationships and hedging documentation without having to discontinue the hedging relationship.
  It provides temporary relief to entities in having to comply with the requirements of separate identification when an RFR is designated as a hedge for a risk component.
  These amendments had no impact on the consolidated financial statements, nor is any future impact for the Group foreseen.
- **IFRS 16 COVID-19-Related Rent Concessions amendment**
  On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment permits a lessee not to apply the IFRS 16 requirements for the accounting effects of lease modifications for any reduction in lease payments granted by the landlord which are a direct consequence of the COVID-19 pandemic. The amendment introduces a practical expedient according to which the lessee can choose not to assess whether the reduction in lease payments is a lease modification. A lessee electing to use this expedient reports payment reductions as if it were not a lease modification in terms of IFRS 16.
  The changes were to be applicable until 30 June 2021, but since the impact of the COVID-19 pandemic continues, on 31 March 2021 the IASB extended the application period of the practical expedient until 30 June 2022. The changes apply to the financial years beginning on 1 April 2021 or thereafter.
  These changes did not have any impact on the Group's consolidated financial statement.

## Use of estimates

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

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

- ***Goodwill:*** according to the accounting standards applied by the Group, goodwill is subject to annual impairment testing in order to ascertain whether a reduction in value has occurred. These tests require, on the part of management, subjective evaluations based on available information within the Group and from the market, as well as historical experience. They also depend on factors that could change over time, influencing the valuations and estimates made by management. Furthermore, when it has been determined that a potential reduction in value may have occurred, the Group proceeds to determine it by using the evaluation methods deemed to be most adequate.
- ***Provisions for risks:*** the identification of the existence or not of a current obligation (legal or implicit) is not easy to determine in some cases. Management evaluates these events on a case-by-case basis together with an estimate of the amount of financial resources required to comply with the obligation. When management considers that the generation of a liability is only possible, the risks are disclosed in the appropriate information section on risks and liabilities, and no accruals are made.

- ***Deferred tax assets:*** recording is supported by a recovery plan based on hypotheses and assumptions which management considers to be reasonable.
- ***Inventories:*** inventories which appear to be obsolete or slow-moving are periodically tested and written down if their recoverable value in less than their book value. Write-downs are based on assumptions and estimates which derive from experience and the historical results obtained.
- ***Financial instruments:*** trade receivables are reduced by their relative provision for bad debts in order to take into account their effective recoverable value. The determination of the amounts to be written down requires that management make subjective evaluations which take into account past events, current conditions and expectations of future economic conditions.
  In general, the methods for the calculation of the fair value of financial instruments, for accounting or disclosure purposes, are summarized below with regard to the main categories of financial instruments:
  - Derivative financial instruments: pricing models are adopted based on the market values of the interest rates;
  - Receivables and payables and unlisted financial assets: for financial instruments with maturity at more than 1 year, the discounted cash flow method was applied (discounting to the present the expected cash flows in consideration of the current interest rate conditions and creditworthiness) to determine the fair value on "first recognition". Further measurements are made based on the amortized cost method;
  - Listed financial instruments: the market value at the reporting date is used.

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

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

## Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has been reduced to zero, the lessee recognises the change in the profit/loss for the year.
The Group presents right-of-use assets that do not meet the definition of investments property in "Property, plant and equipment" and lease liabilities in "Loans" in the balance sheet.

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

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

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

**Goodwill** - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Transaction costs associated with a business combination are not considered acquisition costs, but are recognized as expenses in the year they are incurred. Goodwill is recognized as an asset and

subjected annually to an impairment test in order to determine any loss of value. This test is performed with reference to a cash-generating unit, or CGU, to which goodwill is attributed and at the level at which it is monitored.
Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

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

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

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In estimating future cash flows, Recordati also takes into account climate change risks, and related applicable regulations, and where it is deemed that they may have a significant impact on the estimate of the recoverable amount, the impact of these risks are included in the computation of the future cash flow.

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

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

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

### Financial instruments

#### Recognition and measurement

I crediti commerciali e i titoli di debito emessi sono rilevati nel Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. A trade receivable without a significant financing component is initially measured at the transaction price.

#### Classification and subsequent measurement

#### Financial assets

On initial recognition, a financial asset is classified on the basis of its measurement: amortized cost; fair value through other comprehensive income ("FVOCI") - debt security; (FVOCI) - equity security; or at fair value through profit or loss ("FVTPL").
Financial assets are not reclassified after their initial recognition, unless the Group changes its business model for management of financial assets. In this case, all the financial assets involved are reclassified on the first day of the year following the change in the business model.
A financial asset must be measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This choice is made for each asset.
All financial assets not classified as measured at amortized cost or at FVOCI, as indicated above, are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial assets: subsequent measurement and gains and losses

- **Financial assets measured at FVTPL**
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the year.
- **Financial assets measured at amortized cost**
  These assets are subsequently measured at amortized cost in

conformity with the effective interest criterion. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as are any gains or losses on derecognition.

- Debt investments measured at FVOCI
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- Equity securities measured at FVOCI
  These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

### Financial liabilities: classification, subsequent measurement and gains and losses

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

### Derecognition

#### Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the assets transferred are not derecognized.

#### Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group derecognizes a financial liability also in the case of a change in the related contractual terms and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized at fair value on the basis of the modified contractual terms.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### Offsetting

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

### Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.
Derivative instruments are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.
The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

### Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.
If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the cost of the non-financial item on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.
If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

### Net investment hedges

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

in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

**Inventories** - Inventories are stated at the lower of cost and net realizable value, where the market value of raw materials and subsidiaries is their substitution cost while that related to finished goods and work-in-process is their net realizable value. Inventories of raw materials, supplies and promotional material are valued at their average acquisition cost including costs incurred in bringing the inventories to their location and condition at year end. Inventories of work-in-process and finished goods are valued at their average manufacturing cost which includes the cost of raw materials, consumables, direct labour and indirect costs of production.
Inventories are written-down if market value is lower than cost as described above or in the case of obsolescence resulting from slow moving stock.

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

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

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

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

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

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

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

## Income statement

**Revenue** - Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenues are stated net of discounts, rebates and returns.
Information about the nature and the timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies are as follows.
Revenues mainly comprise product sales and revenue from licensing-out agreements. Product sales represent net invoice value less estimated rebates, returns and chargebacks and are recognized when control of the goods has been transferred to a third party. This is usually when ownership passes to the customer, either on shipment or on receipt of goods by the customer, depending on the specific trading terms.
Revenue from licensing-out agreements includes income from collaborative arrangements on the Group's products where the Group has licensed certain rights associated with those products, but retains a significant ongoing economic interest, through for example the ongoing supply of finished goods. Income may take the form of up-front payments, profit sharing and royalties. Where control of a right to use of intangible assets passes at the outset of an arrangement, revenue is recognized at one point in time. Where the substance of an arrangement is that of a right to access intangible assets, revenue is recognized over time, normally on a straight-line basis over the life of the contract. Where the Group provides ongoing services (i.e. supply of products), revenue in respect of this element is recognized over the duration of these services. Sales performance milestones are accounted for when the licensee achieves the sales target, so these are recognized at one point in time. Royalties received from the licensee are accounted for when the licensor is entitled to the payment, so these are to be recognized at one point in time.

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

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

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

**Grants from public bodies** - Public grants towards investment in plant are recognized as income over the periods necessary to match them with the related costs and are presented in the balance sheet as deferred income. Operating grants, including those for research, are booked on an accrual basis and are recognized in the income statement as "other revenue".

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

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

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

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

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

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

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

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

# 3. NET REVENUE

The Group's revenue is derived from contracts with customers and is not subject to significant seasonal fluctuations.

In 2021, total net revenue was € 1,580.1 million, up by 9.1% (+11.4% at constant exchange rate) compared to 2020, reflecting an adverse currency exchange rate effect of around € 34.5 million (mainly arising with regards to transactions in the Turkish lira, Russian rouble and US dollar), and a contribution of € 85.3 million from the new product Eligard® (acquired under license from Tolmar International Ltd. in January 2021).

Revenue can be detailed as follows:

| € (thousands) | 2021 | 2020 | Changes 2021/2020 |
|---|---|---|---|
| Net sales | 1,536,231 | 1,416,543 | 119,688 |
| Royalties | 5,436 | 5,415 | 21 |
| Upfront payments | 6,055 | 4,782 | 1,273 |
| Various revenue | 32,352 | 22,127 | 10,225 |
| **Total net revenue** | **1,580,074** | **1,448,867** | **131,207** |

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized over the time horizon of the related contracts with customers. Revenue for up-front payments of € 6.1 million recorded in 2021 refers mainly to marketing agreements for pitavastatin (€ 2.3 million), lercanidipine (€ 1.4 million), for the combination lercanidipine + enalapril (€ 0.6 million), Cystadrops® (cysteamine hydrochloride) (€ 0.7 million) and for silodosin (€ 0.4 million). The remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods, is recognized under current liabilities (see Note 28), and amounted to € 5.9 million (€ 10.3 million at 31 December 2020).

"Various revenue" includes € 26.2 million, corresponding to the sales margin for Eligard® — a medicinal product for the treatment of prostate cancer — earned by Astellas Pharma Europe Ltd. as the previous licensee and retroceded to Recordati following the contract finalized in January 2021 between Tolmar International Ltd. and Recordati S.p.A. for the assignment of the new product license. In 2020, € 20.1 million was included under this item for the margin on sales of Signifor® and Signifor® LAR realized by Novartis AG on behalf of Recordati following the transfer of the rights on the products. Following the transfer of the Marketing Authorization, initially in the United States of America and then gradually also for Europe and other geographic areas, the recognition of the margin on the sales of Signifor® and Signifor® LAR was gradually replaced by direct sales, which currently represent almost the entire revenue amount.

In the tables below, net revenue is disaggregated by product or product class and by geographic area by country. The tables also include a reconciliation of the disaggregated revenue with the Group's reportable segments.

## PRODUCT OR PRODUCT CLASS

| € (thousands) | Specialty and Primary Care 2021 | Specialty and Primary Care 2020 | Rare diseases 2021 | Rare diseases 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| Zanidip® | 136,736 | 134,612 | | | 136,736 | 134,612 |
| Zanipress® | 41,188 | 48,423 | | | 41,188 | 48,423 |
| Urorec® | 60,685 | 74,103 | | | 60,685 | 74,103 |
| Livazo® | 42,761 | 52,863 | | | 42,761 | 52,863 |
| Seloken®/Logimax® | 98,057 | 105,699 | | | 98,057 | 105,699 |
| Eligard® | 85,268 | - | | | 85,268 | - |
| Other corporate products | 170,563 | 165,859 | | | 170,563 | 165,859 |
| Drugs for rare diseases | | | 383,852 | 319,441 | 383,852 | 319,441 |
| OTC | 277,037 | 262,178 | | | 277,037 | 262,178 |
| Local product portfolios | 223,209 | 227,333 | | | 223,209 | 227,333 |
| Other revenue | 12,236 | 9,423 | | | 12,236 | 9,423 |
| Pharmaceutical chemicals | 48,482 | 48,933 | | | 48,482 | 48,933 |
| **Total net revenue** | **1,196,222** | **1,129,426** | **383,852** | **319,441** | **1,580,074** | **1,448,867** |

## GEOGRAPHIC AREA BY COUNTRY

| € (thousands) | Specialty and Primary Care 2021 | Specialty and Primary Care 2020 | Rare diseases 2021 | Rare diseases 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| **Pharmaceutical revenue** | | | | | | |
| Italy | 239,441 | 247,822 | 18,803 | 18,637 | 258,244 | 266,459 |
| France | 120,550 | 112,366 | 31,138 | 31,683 | 151,688 | 144,049 |
| Russia, Ukraine, other CIS | 94,954 | 97,512 | 4,641 | 2,707 | 99,595 | 100,219 |
| Germany | 132,079 | 117,861 | 20,789 | 17,868 | 152,868 | 135,729 |
| Spain | 106,596 | 72,156 | 13,438 | 11,668 | 120,034 | 83,824 |
| Turkey | 65,486 | 74,645 | 4,821 | 4,541 | 70,307 | 79,186 |
| Portugal | 43,550 | 41,046 | 1,882 | 1,673 | 45,432 | 42,719 |
| Other Eastern European countries | 102,211 | 85,019 | 9,837 | 6,956 | 112,048 | 91,975 |
| Other Western European countries | 75,799 | 62,971 | 28,558 | 28,154 | 104,357 | 91,125 |
| North Africa | 34,086 | 39,316 | 1,816 | 1,936 | 35,902 | 41,252 |
| Other international sales | 132,988 | 129,779 | 71,226 | 71,146 | 204,214 | 200,925 |
| U.S.A. | - | - | 176,903 | 122,472 | 176,903 | 122,472 |
| **Total pharmaceutical revenue** | **1,147,740** | **1,080,493** | **383,852** | **319,441** | **1,531,592** | **1,399,934** |
| **Pharmaceutical chemicals revenue** | | | | | | |
| Italy | 4,833 | 5,024 | - | - | 4,833 | 5,024 |
| Other European countries | 17,138 | 15,239 | - | - | 17,138 | 15,239 |
| U.S.A. | 5,554 | 5,700 | - | - | 5,554 | 5,700 |
| America (U.S.A. excluded) | 4,762 | 4,584 | - | - | 4,762 | 4,584 |
| Asia and Oceania | 14,517 | 16,885 | - | - | 14,517 | 16,885 |
| Africa | 1,678 | 1,501 | - | - | 1,678 | 1,501 |
| **Total chemical pharmaceuticals revenue** | **48,482** | **48,933** | **0** | **0** | **48,482** | **48,933** |
| **Total net revenue** | **1,196,222** | **1,129,426** | **383,852** | **319,441** | **1,580,074** | **1,448,867** |

# 4. OPERATING EXPENSES

Total operating expenses for 2021 amounted to € 1,089.9 million, up compared to the € 979.9 million of 2020, and are classified by function as follows:

| € (thousands) | 2021 | 2020 | Changes 2021/2020 |
|---|---|---|---|
| Cost of sales | 427,727 | 406,831 | 20,896 |
| Selling expenses | 396,394 | 349,072 | 47,322 |
| Research and development expenses | 166,138 | 146,236 | 19,902 |
| General and administrative expenses | 84,495 | 72,785 | 11,710 |
| Other (income)/ expenses, net | 15,130 | 4,927 | 10,203 |
| **Total operating expenses** | **1,089,884** | **979,851** | **110,033** |

The cost of sales was € 427.7 million, up compared to the previous year owing to the recovery in sales, with a proportion of revenue of 27.1% versus 28.1% of the previous year owing mainly to the higher proportion of sales of products with better margins.

Selling expenses increased by 13.6% compared to 2020, due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well as the distribution charges payable to Astellas prior to the transfer of the authorization to sell Eligard® to Recordati. Furthermore, marketing expenses increased, due to both the general resumption of promotional activities (following the easing of restrictive measures to contain the COVID-19 pandemic), and costs related to Isturisa® launch.

Research and development expenses were at € 166.1 million, increasing by 13.6% over 2020, mainly due to the investments in assets and resources to support regulatory and medical activities for the endocrinology products. Amortizations increased on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 16.1% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard®, which are expected to record sustained revenue growth into the future.

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

| € (thousands) | 2021 | 2020 | Changes 2021/2020 |
|---|---|---|---|
| Non-recurring costs for restructuring | 11,732 | - | 11,732 |
| Non-recurring costs for the COVID-19 epidemic | 2,453 | 6,125 | (3,672) |
| Non-recurring costs for the reverse merger | 241 | 507 | (266) |
| Write-downs of intangible assets | 52 | - | 52 |
| Other | 652 | (1,705) | 2,357 |
| **Other (income)/ expenses, net** | **15,130** | **4,927** | **10,203** |

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

- the costs relating to targeted restructuring of the Specialty & Primary Care sector field force during the fourth quarter, mainly in Germany and Turkey, affecting around 175 FTEs;
- the costs incurred for the COVID-19 epidemic, mainly for donations in favour of hospitals and national health services, but also to make work environments safe and for the purchase of personal protective equipment;
- the costs related to the reverse merger approved by the Board of Directors of the Parent Company on 1 October 2020, which was finalized in 2021 with the incorporation of the controlling companies Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A.

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2021, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

Total operating expenses are analyzed by nature as follows:

| € (thousands) | 2021 | 2020 | Changes 2021/2020 |
|---|---|---|---|
| Material consumption | 326,980 | 304,381 | 22,599 |
| Payroll costs | 276,886 | 250,879 | 26,007 |
| Other employee costs | 30,836 | 28,198 | 2,638 |
| Variable sales expenses | 113,551 | 85,422 | 28,129 |
| Depreciation and amortization | 97,585 | 93,672 | 3,913 |
| Utilities and consumables | 35,663 | 35,587 | 76 |
| Other expenses | 208,383 | 181,712 | 26,671 |
| **Total operating expenses** | **1,089,884** | **979,851** | **110,033** |

The proportion of raw material consumption to net revenue was 20.7%, down compared to the 21.0% of 2020.

Personnel costs increased compared to 2020, when, due to the reduction in business caused by the COVID-19 pandemic, expenses for incentive systems were lower and government subsidies positively contributed in the more acute phase of the pandemic. The item "Payroll costs" includes € 5.1 million in charges for stock option plans, down by € 0.2 million compared to the previous year. The average number of employees in 2021 was 4,270, which is less than the 4,278 of 2020. There were 4,303 employees as at 31 December 2021, which is less than the 4,362 at the end of 2020.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term subject to certain performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2021 income statement of € 1.3 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati group.

Amortizations equalled € 97.6 million, of which, € 72.3 million related to intangible assets, increasing by € 4.0 million over the same period the previous year, due mainly to the launch of

Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 25.3 million relating to property, plant and equipment, down by € 0.1 million on the first half of 2020.

## 5. NET FINANCIAL INCOME AND EXPENSES

In 2021 and 2020 the net balance of financial components was negative respectively of € 26.8 million and € 13.4 million.

The main items are summarized as follows:

| € (thousands) | 2021 | 2020 | Changes 2021/2020 |
|---|---|---|---|
| Interest expense on loans | 16,661 | 16,449 | 212 |
| Net exchange rate (gains)/losses | 5,817 | (4,279) | 10,096 |
| Net (income)/expense on short-term positions | 3,481 | (21) | 3,502 |
| Expenses on leases | 759 | 1,054 | (295) |
| Expenses for defined benefit plans | 123 | 157 | (34) |
| **Total net financial (income)/expenses** | **26,841** | **13,360** | **13,481** |

Interest expense on loans was substantially in line with the previous year.

Exchange losses were mainly determined by transactions in Russian roubles and U.S. dollars, currencies which were revalued against the euro compared to the end of 2020.

The change to "Net (income)/expense on short-term positions" is mainly attributable to the recognition in 2020 of the positive effects of the repayment of the two intercompany loans and the closure of the relative cross-currency swaps for € 2.6 million.

## 6. INCOME TAXES

Income taxes, at € 77.4 million, include income taxes levied on all consolidated companies, as well as the regional tax on production (IRAP) which is levied on all companies domiciled in Italy, and decreased by € 23.2 million compared to 2020, mainly following the recognition of non-recurring tax benefits for € 27.8 million.

After the reverse merger of Recordati Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. was finalized in April, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italchimici S.p.A.

Following the approval of the 2020 year-end consolidated financial statements, the Italian subsidiary Natural Point S.r.l. revalued its self-generated figurative mark for Magnesio Supremo®, in application of Article 110 of Italian Decree Law no. 104 of 10 August 2020, converted with amendments by Law no. 126 of 13 October 2020. The subsidiary used the market value criterion to identify the maximum amount for the brand revaluation, which was determined on the basis of an independent expert's report. In the subsidiary's financial statements at 31 December 2020, the brand was consequently revalued to € 53.6 million, which was lower than the maximum limit identified in the expert's report, and aligns to the net carrying amount recognised in the Recordati group's consolidated financial statements. As permitted by the afore mentioned legislation, the revalued amount in the subsidiary's financial statements was effective for tax purposes as from 1 January 2021, with the payment of substitute tax for € 1.6 million, equalling 3% of the revalued amount.

The higher value for the brand for € 61.2 million (which following amortisations, became € 53.6 million at 31 December 2020) had already been identified in the consolidated financial statements when allocating the surplus on the price paid in June 2018 to acquire the subsidiary, in relation to its carrying amount, and considering that this higher value did not have tax relevance, the corresponding deferred tax liabilities were recognised at that time. The tax applicability of the revaluation by Natural Point S.r.l., which was confirmed in the Circulars issued by the Tax Revenue Agency during 2021, resulted in the alignment of the tax and accounting values, with the consequent release of the residual amount on the deferred tax liabilities recognized in the consolidated financial statements at 31 December 2020 for € 14.9 million. Taking into account the substitute tax for € 1.6 million, the positive effect for the Group of what described above, amounting to € 13.3 million, was recognized in the income statement to reduce the income tax. In accordance with the updated legislation issued with the 2022 Budget Law, in order to avoid the full payment of the substitute tax standard rate, the tax amortization period of the brand value was extended to 50 years. As a result, the Company has further recognized the implied fiscal impact, which has been positive for € 0.5 million, due to the different time horizon of the accounting and fiscal amortization of the brand value.The revaluation is subject to the allocation into "tax suspension" of the corresponding revaluation reserve which is part of the shareholders' equity of the Company for an amount, net of the substitute tax due, of € 51.9 million. At the date of issuance of this document, it is not planned the distribution of this equity reserve.

The Italian subsidiary Italchimici S.p.A. opted to realign the tax value of the Reuflor® brand to the higher carrying amount from the financial statements, in accordance with Art. 110 of Italian Decree Law no. 104 of 2020. In relation to the origin of this misalignment, the brand was recognized by the company in its own annual financial statements in 2016 against a deficit generated during the reverse merger by incorporation of the former parent companies Apollo S.p.A. and Italchimici S.r.l. into the company. As a result of the aforesaid merger, in 2017, the company fiscally aligned the brand by making use of the tax realignment regime of greater values arising during extraordinary transactions, with recognition for tax purposes of the related greater values starting from the 2018 tax period. Starting from 2016, the brand is subject to an accounting amortization process on the basis of the estimated useful life and has been partially amortized for tax purposes, starting in 2018, more quickly over five years. Therefore, there was a statutory/tax difference on the value of the intangible assets at 31 December 2019, which the company agreed to realign. This transaction was only relevant for tax purposes and did not lead to any increase in the carrying value of the brand in the financial

statements. Following the payment of the substitute tax of around € 0.2 million, equal to 3% of the value of the realignment carried out of € 6.2 million, the company will deduct this value fiscally over time, according to the ordinary regulations for the purposes of corporate income tax (IRES) as well as regional tax on production (IRAP). Implementing the realignment led to the release of deferred tax liabilities, calculated on the difference between the book value and the tax value at 31 December 2019, for € 1.7 million. The realignment is subject to the allocation into "tax suspension" of part of the shareholders' equity reserves at an amount corresponding to the value to be realigned net of the substitute tax due, so for € 6.0 million. At the date of issuance of this document, it is not planned the distribution of this equity reserve.

In 2019, the Parent Company signed an advance agreement with the Italian Tax Authority to define the calculation methods and criteria for a discount on taxable income connected with the direct use of intangible assets for the 2015 to 2019 tax years. For the 2020 tax year, however, Recordati S.p.A. has subscribed to the reverse charge mechanism with reference to those assets from the previous five years (with the exception of expired patents and the brands excluded in the meantime from the objective scope of the subsidy), exercising, in the tax return for that year, the option until the expiry of the five years of validity of the option (2020-2024). Subsequently, on 21 October 2021, the Company filed a request for the purposes of activating the advance agreement procedure connected to the use of the intangible assets for the remaining 2021-2024 period, indicating the same calculation methods and criteria for the discount used in the previous periods. The Company, operating in line with the previous years, determined the tax benefit pertaining to 2021, recognised to reduce the tax amounts, as € 6.3 million.

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

| | 2021 % | 2020 % |
|---|---|---|
| Standard income tax rate on pre-tax income of the Parent Company | 24.0 | 24.0 |
| Dividends from foreign subsidiaries | 0.3 | 0.4 |
| Foreign tax rate differential | (1.5) | (1.9) |
| ACE from reverse merger | (3.2) | - |
| Revaluation of Magnesio Supremo® | (2.9) | - |
| Realignment of Reuflor® | (0.3) | - |
| Tax benefit provided by the so-called "Patent box" in Italy | (1.4) | (2.2) |
| Other differences, net | 0.1 | (0.1) |
| **Effective tax rate on income** | **15.1** | **20.2** |
| IRAP | 1.6 | 1.9 |
| **Effective tax rate on pre-tax income** | **16.7** | **22.1** |

IRAP is levied only on Italian companies and is computed applying an average rate of 5.29% to a broader taxable base calculated before the deduction of interest.

Under the terms of the CONSOB Communication of 28 July 2006 on non-recurring events, transactions and matters, for 2021, of note are the tax benefits described above resulting from the completion of the merger involving the Parent Company, the revaluation of the brand Magnesio Supremo® carried out by the subsidiary Natural Point S.r.l. and the realignment of the brand Reuflor® carried out by the subsidiary Italchimici S.p.A..

## 7. PROPERTY, PLANT AND EQUIPMENT

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

| € (thousands) | Land and buildings | Plant and machinery | Other equip-ment | Invest-ments in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1.1.2020 | 92,762 | 233,176 | 92,182 | 19,596 | 437,716 |
| Additions | 4,182 | 3,909 | 11,416 | 13,723 | 33,230 |
| Disposals | (2,656) | (442) | (5,182) | 0 | (8,280) |
| Other changes | (3,358) | 4,934 | 296 | (11,502) | (9,630) |
| **Balance at 31.12.2020** | **90,930** | **241,577** | **98,712** | **21,817** | **453,036** |
| Additions | 2,188 | 2,931 | 6,957 | 16,643 | 28,719 |
| Disposals | (1,668) | (3,355) | (5,924) | (139) | (11,086) |
| Other changes | 944 | 2,387 | (9) | (11,166) | (7,844) |
| **Balance at 31.12.2021** | **92,394** | **243,540** | **99,736** | **27,155** | **462,825** |
| **Accumulated amortization** | | | | | |
| Balance at 1.1. 2020 | 48,016 | 193,906 | 62,452 | 0 | 304,374 |
| Amortization for the year | 5,995 | 8,444 | 10,916 | 0 | 25,355 |
| Disposals | (1,657) | (446) | (4,238) | 0 | (6,341) |
| Other changes | (684) | (1,636) | (1,282) | 0 | (3,602) |
| **Balance at 31.12.2020** | **51,670** | **200,268** | **67,848** | **0** | **319,786** |
| Amortization for the year | 5,972 | 8,336 | 10,986 | 0 | 25,294 |
| Disposals | (1,601) | (3,325) | (5,679) | 0 | (10,605) |
| Other changes | (339) | (1,764) | (667) | 0 | (2,770) |
| **Balance at 31.12.2021** | **55,702** | **203,515** | **72,488** | **0** | **331,705** |
| **Net amount** | | | | | |
| 1.1.2020 | 44,746 | 39,270 | 29,730 | 19,596 | 133,342 |
| **31.12.2020** | **39,260** | **41,309** | **30,864** | **21,817** | **133,250** |
| **31.12.2021** | **36,692** | **40,025** | **27,248** | **27,155** | **131,120** |

The increases in property, plant and equipment for € 28.7 million refers mainly to the Parent Company (€ 18.6 million, especially for the Campoverde and Milan plants) and the subsidiaries Opalia Pharma S.A. (€ 1.3 million), Casen Recordati (€ 1.0 million), Recordati Pharma (€ 0.9 million), Recordati Ireland (€ 0.9 million) and Recordati Polska (€ 0.7 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 5.1 million compared to 31 December 2020, primarily due to the devaluation of the Turkish lira.

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

| € (thousands) | Land and Buildings | Plant and machinery | Other equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1.1.2020 | 20,239 | 496 | 17,263 | 37,998 |
| Additions | 3,074 | 858 | 8,121 | 12,053 |
| Disposals | (2,045) | (289) | (4,075) | (6,409) |
| Other changes | (649) | 17 | (1,448) | (2,080) |
| **Balance at 31.12.2020** | **20,619** | **1,082** | **19,861** | **41,562** |
| Additions | 1,759 | 357 | 4,810 | 6,926 |
| Disposals | (1,668) | (4) | (4,690) | (6,362) |
| Other changes | (22) | (2) | (896) | (920) |
| **Balance at 31.12.2021** | **20,688** | **1,433** | **19,085** | **41,206** |
| **Accumulated amortization** | | | | |
| Balance at 1.1.2020 | 4,196 | 247 | 5,804 | 10,247 |
| Amortization for the year | 3,769 | 228 | 6,185 | 10,182 |
| Disposals | (1,068) | (288) | (3,138) | (4,494) |
| Other changes | (213) | 1 | (596) | (808) |
| **Balance at 31.12.2020** | **6,684** | **188** | **8,255** | **15,127** |
| Amortization for the year | 3,756 | 233 | 5,942 | 9,931 |
| Disposals | (1,601) | (4) | (4,466) | (6,071) |
| Other changes | (23) | 0 | (542) | (565) |
| **Balance at 31.12.2021** | **8,816** | **417** | **9,189** | **18,422** |
| **Net amount** | | | | |
| 1.1.2020 | 16,043 | 249 | 11,459 | 27,751 |
| **31.12.2020** | **13,935** | **894** | **11,606** | **26,435** |
| **31.12.2021** | **11,872** | **1,016** | **9,896** | **22,784** |

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

## 8. INTANGIBLE ASSETS

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

| € (thousands) | Patent rights and marketing authorizations | Distribution, license, trademark and similar rights | Other | Advance payments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1.1.2020 | 801,402 | 502,530 | 21,764 | 263,559 | 1,589,255 |
| Additions | 168 | 1,714 | 293 | 29,362 | 31,537 |
| Disposals | 0 | (201) | (1,163) | (48) | (1,412) |
| Other changes | 227,765 | 106 | (243) | (244,437) | (16,809) |
| **Balance at 31.12.2020** | **1,029,335** | **504,149** | **20,651** | **48,436** | **1,602,571** |
| Additions | 6,920 | 50,521 | 514 | 7,450 | 65,405 |
| Disposals | (1) | (69) | (669) | 0 | (739) |
| Write-downs | 0 | 0 | 0 | (52) | (52) |
| Other changes | 30,765 | 6,668 | (18) | (1,085) | 36,330 |
| **Balance at 31.12.2021** | **1,067,019** | **561,269** | **20,478** | **54,749** | **1,703,515** |
| **Accumulated amortization** | | | | | |
| Balance at 1.1.2020 | 217,723 | 190,368 | 19,404 | 0 | 427,495 |
| Amortization for the year | 42,577 | 25,261 | 479 | 0 | 68,317 |
| Disposals | 0 | (201) | (1,154) | 0 | (1,355) |
| Other changes | (6,615) | (856) | (226) | 0 | (7,697) |
| **Balance at 31.12.2020** | **253,685** | **214,572** | **18,503** | **0** | **486,760** |
| Amortization for the year | 46,355 | 25,366 | 570 | 0 | 72,291 |
| Disposals | (1) | (69) | (663) | 0 | (733) |
| Other changes | 5,666 | 920 | (175) | 0 | 6,411 |
| **Balance at 31.12.2021** | **305,705** | **240,789** | **18,235** | **0** | **564,729** |
| **Net amount** | | | | | |
| 1.1.2020 | 583,679 | 312,162 | 2,360 | 263,559 | 1,161,760 |
| **31.12.2020** | **775,650** | **289,577** | **2,148** | **48,436** | **1,115,811** |
| **31.12.2021** | **761,314** | **320,480** | **2,243** | **54,749** | **1,138,786** |

Increases for the period include:

- € 35.0 million for the license agreement with Tolmar International Ltd. for acquiring the licence for the marketing rights of Eligard® (leuprorelin acetate), a medicinal product for the treatment of prostate cancer, in Europe, Turkey, Russia, and other countries;
- € 14.5 million paid to Almirall S.A. for a perpetual license agreement to market Flatoril® (combination of clebopride and simethicone) on the Spanish market. Flatoril® is a product for the treatment of functional gastrointestinal disturbances;
- € 12.5 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

The "Other changes" includes the conversion into euro of the value of the intangible assets held and booked in different currencies, which determined a net increase of € 29.8 million compared to 31 December 2020, mainly attributable to the revaluation of the Swiss franc for € 24.5 million, of the U.S. dollar for € 5.3 million and of the Russian ruble for € 1.0 million and to the devaluation of the Turkish lira for € 1.1 million.

# 9. GOODWILL

Goodwill at 31 December 2021 and 2020, amounted to € 553.2 million and € 562.1 million respectively and changed as follows:

| € (thousands) | |
|---|---|
| Balance at 31 December 2020 | 562,116 |
| Exchange rate adjustments | (8,907) |
| **Balance at 31 December 2021** | **553,209** |

The exchange rate adjustments are related to the goodwill associated with the acquisitions made in countries having currencies different from the euro: goodwill calculated in local currency is translated into euro for the preparation of the consolidated financial statements using the year-end exchange rates. Compared to 31 December 2020, this determined a total net decrease of € 8.9 million attributable to the acquisitions made in Turkey (decrease of € 11.0 million), Poland (decrease of € 0.1 million), Tunisia (increase of € 0.2 million), Switzerland (increase of € 0.4 million), Czech Republic (increase of € 0.7 million) and Russia (increase of € 0.9 million).

Net goodwill at 31 December 2021, amounting to € 553.2 million, is divided among the following operational areas, which represent the same number of cash-generating units:

- France for € 74.2 million;
- Russia for € 24.9 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Treatments for rare diseases: 110.6 million;
- Turkey for € 16.3 million;
- Czech Republic for € 14.2 million;
- Romania for € 0.2 million;
- Poland for € 14.3 million;
- Spain for € 58.1 million;
- Tunisia for € 16.7 million;
- Italy for € 133.2 million;
- Switzerland for € 8.9 million.

As reported in Note 2 above - "Summary of significant accounting policies" and as required by IFRS 3, goodwill is not amortized systematically but is subject to impairment tests at least once a year to determine its recoverable value. Goodwill is allocated to the individual cash-generating units identified on the basis of the business segments and the markets on which the companies acquired operate. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and when there is any indication that it may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity must recognize an impairment loss.

The recoverable amount was determined by calculating the value in use of the individual cash-generating units based on discounted cash flow (DCF analysis) originating from operating cash flow forecasts for the period used explicitly for the calculation (2022-2024) and from the cash flow beyond that period, according to the net operating income model expected in perpetuity.

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

Operating cash flow forecasts for the period explicitly used for the calculation (2022-2024) come from the 2022 budget approved by the Board of Directors of the Parent Company on 16 December 2021 and, for 2023 and 2024, from specific forecasts prepared for the cash-generating units subject to impairment testing approved by the Board of Directors on 17 March 2022. The effects of the COVID-19 pandemic were duly considered in the cash flow forecasts.

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

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

| Cash-generating unit | Discount rate |
|---|---|
| France | 4.95% |
| Russia | 9.55% |
| Germany | 5.23% |
| Portugal | 6.24% |
| Business dedicated to treatments for rare diseases | 5.62% |
| Turkey | 21.93% |
| Czech Republic | 5.94% |
| Poland | 6.69% |
| Spain | 6.04% |
| Tunisia | 15.65% |
| Italy | 6.53% |
| Switzerland | 4.39% |

The value in use, calculated according to the procedures described for each cash-generating unit, was examined and approved by the Board of Directors. In all cases, it was higher, even significantly so, than the book value of the net capital invested recognized in the financial statements at 31 December 2021, even when the growth rates and the discount rates used in impairment testing were changed, and therefore no impairment of goodwill was recognized.

## 10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 31 December 2021 the details of other equity investments and securities were as follows:

| € (thousands) | Book value | | Percentage stake | |
|---|---|---|---|---|
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| PureTech Health p.l.c. - United Kingdom | 33,201 | 42,509 | 3.3% | 3.3% |
| Erytech Pharma S.A. - France | 914 | 3,064 | 1.4% | 2.1% |
| Fluidigm Corp. - United States of America | 4 | 5 | n.s. | n.s. |
| Other | 5 | 3 | n.s. | n.s. |
| **Total equity investments and securities** | **34,124** | **45,581** | | |

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. At 31 December 2021, the total fair value of the 9,554,140 shares held was € 33.2 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 9.3 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.9 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. The value of the investment was adjusted to the stock exchange value and decreased by € 2.2 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

## 11. OTHER NON-CURRENT ASSETS

At 31 December 2021, this item came to € 32.9 million, up by € 26.1 million compared to 31 December 2020. The increase is primarily attributable to the recognition of assets for the subsidiary Recordati AG in the scope of the contract agreements with Novartis AG referring to the acquisition of rights on the Signifor® and Signifor® LAR products.

## 12. DEFERRED TAX ASSETS

At 31 December 2021 deferred tax assets amounted to € 75.9 million (€ 75.1 million at 31 December 2020).

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

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Balance at 1.1 | 75,084 | 71,513 |
| Additions | 19,326 | 18,212 |
| Utilizations | (18,488) | (14,641) |
| **Balance at 31.12** | **75,922** | **75,084** |

| € (thousands) | Earlier losses | Revenues/ costs with deferred tax effect | Franking | Tax credits | Other | Total |
|---|---|---|---|---|---|---|
| Balance at 1.1 | 33 | 5,507 | 16,764 | 3,039 | 49,741 | **75,084** |
| Additions | 0 | 6,994 | 0 | 0 | 12,332 | **19,326** |
| Utilizations | (33) | (1,630) | (7,885) | (1,391) | (7,549) | **(18,488)** |
| **Balance at 31.12** | **0** | **10,871** | **8,879** | **1,648** | **54,524** | **75,922** |

During 2017, the Parent Company and the subsidiary Italchimici S.p.A. took advantage of the option, allowed by tax law, to release the differences between the higher book value of Goodwill and intangible assets determined by extraordinary transactions and the corresponding recognized fiscal values. Tax law provides for the payment of an IRES and IRAP substitute tax of 16% and the subsequent deductibility of the franked values in the amount of one fifth per year starting, as the case may be, from the first or the second fiscal year subsequent to that in which the substitute tax was paid.

In the case of the Parent Company, the amounts franked relate to Goodwill, determined according to fiscal rules, arising from the acquisition of Italchimici S.p.A. and Pro Farma AG, both in 2016. The benefit deriving from the future tax deductibility of the franked amounts determined the recognition of deferred tax assets of € 22.2 million. The amount franked by Italchimici S.p.A. relates to the goodwill, determined according to fiscal rules, arising from a merger independently realized before their entry into the Recordati group. The benefit deriving from the future fiscal deductibility resulted in the recognition of deferred tax assets for an amount of € 8.6 million.

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

"Other" deferred tax assets refers mainly to temporary differences arising from the elimination of unrealized gains on intercompany sales and also includes the effect of the application of the accounting standard IFRS 15 for an amount of € 0.8 million. This item also includes deferred tax assets related to components of other comprehensive income amounting to € 1.1 million (€ 1.0 million at 31 December 2020).

## 13. INVENTORIES

Inventories at 31 December 2021 amounted to € 228.7 million (€ 251.3 million at 31 December 2020), net of provisions for the impairment of pharmaceutical products nearing expiry and slow moving of € 10.3 million (€ 7.1 million at 31 December 2020). Composition of inventories is as follows:

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 |
|---|---|---|---|
| Raw materials and supplies | 67,202 | 74,790 | (7,588) |
| Semi-finished goods and work in process | 44,053 | 32,663 | 11,390 |
| Finished goods | 117,477 | 143,799 | (26,322) |
| **Total** | **228,732** | **251,252** | **(22,520)** |

## 14. TRADE RECEIVABLES

Trade receivables at 31 December 2021 and 2020 amounted to € 307.8 million and € 268.9 million respectively. The amounts are expressed net of provisions for impairment, which at 31 December 2021 amounted to € 14.2 million (€ 15.1 million at 31 December 2020). This item is considered consistent with positions which, for the particular nature of the customers or the destination markets, may be difficult to collect. The average number of days of exposure was 60, down compared to the 63 days in 2020. Provisions for doubtful accounts decreased by € 1.0 million (increase of € 0.2 million in 2020), and this difference is classified in selling expenses.

The Group uses a matrix to measure the expected credit losses on trade receivables from individual customers, which comprise a very large number of small balances. Losses are estimated using a method based on the probability of a receivable progressing through successive stages of insolvencies calculated separately for exposures in different segments based on common credit risk characteristics, such as geographical region and duration of the customer relationship. In preparing the 2021 consolidated financial statements, the analysis was done with due consideration of the effects of the COVID-19 pandemic, without revealing significant impacts for the Group. The following table provides information about the exposure to credit risk for trade receivables at 31 December 2021.

| € (thousands) | Gross carrying amount |
|---|---|
| Current (not past due) | 280,060 |
| 1-30 days past due | 7,614 |
| 31-60 days past due | 8,236 |
| 61-90 days past due | 4,794 |
| More than 90 days past due | 21,233 |
| **Total gross trade receivables** | **321,937** |

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

## 15. OTHER RECEIVABLES

Other receivables amounted to € 44.9 million, down by € 2.4 million compared to 31 December 2020. The relevant details are presented in the table below:

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 |
|---|---|---|---|
| Tax receivables | 34,943 | 39,724 | (4,781) |
| Advances to employees and agents | 2,323 | 2,329 | (6) |
| Other | 7,614 | 5,238 | 2,376 |
| **Total other receivables** | **44,880** | **47,291** | **(2,411)** |

Tax receivables also include value added tax (VAT) receivable (€ 14.0 million) and advance payments of income tax paid in excess. Receivables from employees and agents comprise advances on expense accounts and other receivables. "Other" includes advances paid to suppliers and other parties and to computed credits under licensing-in agreements.

## 16. OTHER CURRENT ASSETS

Other current assets amounted to € 13.0 million (€ 10.2 million at 31 December 2020) and relate mainly to prepaid expenses.

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

At 31 December 2021 the value of derivative instruments included under this item amounted to € 11.2 million.

The measurement at market (fair) value of the cross currency swaps, entered into by the Parent Company to hedge the US$75 million loan issued on 31 September 2014 resulted in a total asset of € 11.1 million. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 7.4 million, and that hedging the US$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.7 million positive change.

At 31 December 2021, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for a total of € 0.1 million, recognized to the income statement and offsetting the exchange losses arising from the valuation of the underlying positions at current exchange rates.

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

## 18. CASH AND CASH EQUIVALENTS

A breakdown is shown in the following table:

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 |
|---|---|---|---|
| Demand current account deposits | 230,883 | 175,196 | 55,687 |
| Short-term time deposits | 13,654 | 13,003 | 651 |
| Cash on hand | 41 | 31 | 10 |
| **Total cash and cash equivalents** | **244,578** | **188,230** | **56,348** |

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

At 31 December 2021, cash and cash equivalents were mainly in euro (73.5 million), U.S. dollars (114.1 million, especially for the subsidiary Recordati Rare Diseases Inc.), Swiss francs (26.2 million, mainly for the subsidiary Recordati AG), and pounds sterling (13.1 million, mainly for the subsidiaries in the United Kingdom).

## 19. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

**Share capital -** The share capital at 31 December 2021, of € 26,140,644.50, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. During 2021, there were no changes.

**Share premium reserve -** At 31 December 2021, this amounted to € 83.7 million, unchanged compared to the previous year.

**Treasury shares -** As at 31 December 2021, 3,214,300 treasury shares are held in the portfolio, an increase of 384,998 shares compared to 31 December 2020. The change was due to the disposal of 1,750,500 shares for an amount of € 42.5 million to enable the exercise of the options attributed to employees as part of the stock option plans and to the purchase of 2,135,498 shares for an amount of € 101.8 million. The total cost to purchase the treasury shares in the portfolio was € 127.0 million, with an average unit price of € 39.51.

**Reserve for derivative instruments measured at fair value -** In accordance with the provisions of the international accounting standard IFRS 9, this shareholders' equity reserve contains the contra entry for the value of the assets and liabilities resulting from the measurement at market value of the cross-currency swaps qualifying as cash flow hedges, the contra entry for the recognition in the income statement offsetting the valuation at year-end exchange rates of the foreign currency loans hedged, and the assets and liabilities resulting from the measurement at market value of the interest rate swaps also qualifying as cash flow hedges. At 31 December 2021 this value, net of the tax effect, was negative € 1.0 million.

**Other reserves -** At 31 December 2021, these amounted to € 60.2 million, down by € 10.5 million compared to 31 December 2020. Other reserves include the statutory reserve of the Parent Company (€ 5.2 million), reserves for grants received (€ 15.5 million) and reserves for amounts booked directly to equity in application of the international accounting standards. The application of IFRS 2 had a positive effect of € 17.5 million, while the application of IAS 19 had a negative effect of € 0.8 million. The recognition of the gains associated with the investment in Puretech Health determined a positive after-tax effect of € 25.4 million, while the recognition of the reduced value of the investment in Erytech Pharma determined an after-tax negative effect of € 3.0 million. The completion of the reverse merger, the details of which are described in Note 1, led to the recognition of a reserve for € 0.4 million.

**Profits carried forward and net profit -** At 31 December 2021, retained profits amounted to € 1,276.0 million, up by € 124.9 million compared to 31 December 2020 and the Group's net profit was € 386.0 million, up by 8.7% compared to € 355.0 million in 2020. Some of the shareholders' equity reserves recognised in the Group's Italian companies are in tax suspension and, according to the fiscal rules, their distribution is subject to taxation. These reserves, net of the substitute taxes already paid of € 18.4 million, amounted to € 152.1 million. In accordance with the international accounting standard IAS 12, deferred taxes are not recognized on these suspended reserves until their distribution is resolved.

**Interim dividend -** During the year, the Board of Directors of the Parent Company resolved to distribute an interim dividend for 2021 of € 0.53 per share, for a total amount of € 109.3 million.

**Incentive plans -** At 31 December 2021, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grants of 29 July 2014 and 13 April 2016, the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grants of 6 May 2021 and 1 December 2021. The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years, over four tranches, starting from the second year in the case of the less recent grants, and three years for the 2021 grants, payable in a single tranche. They expire if they are not exercised within the eighth year after the grant date. Options cannot be exercised if the employee leaves the Company before they are vested.

Stock options outstanding at 31 December 2021 are detailed in the following table:

| | Strike price (€) | Quantity 1.1.2021 | Granted 2021 | Exercised in 2021 | Cancelled and expired | Quantity 31.12.2021 |
|---|---|---|---|---|---|---|
| Grant date | | | | | | |
| 29.7.2014 | 12.29 | 778,500 | - | (302,000) | - | 476,500 |
| 13.4.2016 | 21.93 | 1,587,500 | - | (649,000) | (4,500) | 934,000 |
| 3.8.2018 | 30.73 | 3,841,000 | - | (799,500) | (145,500) | 2,896,000 |
| 6.5.2021 | 45.97 | - | 3,219,500 | - | (294,000) | 2,925,500 |
| 1.12.2021 | 56.01 | - | 130,000 | - | - | 130,000 |
| **Total** | | **6,207,000** | **3,349,500** | **(1,750,500)** | **(444,000)** | **7,362,000** |

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2021 income statement of € 1.3 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati group.

## 20. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

All consolidated companies are 100% owned, except for the Tunisian company Opalia Pharma, which is 90% owned. The company has, however, been 100% consolidated by applying the anticipated acquisition method allowed by IAS 32. Consequently, the amount estimated for the acquisition of the remaining 10%, of € 3.4 million, was recognized as a liability since the transfer of this remaining quota is covered by contractual agreements which provide for reciprocal put and call options between the parties which have a high probability of being exercised. Subsequent changes of the estimate will be recognized in a shareholders' equity reserve. This accounting method is not detrimental to the rights of the non-controlling shareholders during the period until all capital shares are transferred.

The remaining 1% of the share capital in the Italian subsidiary Recordati Rare Diseases Italy was acquired in July, bringing the shareholding to 100%. Consequently, the portion of shareholders' equity is no longer recognised under non-controlling interests.

## 21. LOANS

At 31 December 2021, loans amounted to € 983.5 million, down by a net € 64.9 million compared to 31 December 2020.

This item includes the liabilities deriving from the application of the IFRS 16 accounting standard, representing the obligation to make the payments provided for in the existing leases for a total amount of € 23.2 million, a net decrease of € 3.5 million compared to 31 December 2020.

In 2021, new bank loans were taken out for € 219.1 million and new lease contracts were signed for € 6.9 million, whereas a total of € 297.7 million was repaid, of which € 9.2 million related to lease liabilities.

During the year, some loans reached maturity and were extinguished. Specifically:
- the € 25.0 million loan with Banca Nazionale del Lavoro ended in March, with the payment of the last installment of € 6.3 million;
- the 2017 loan with UniCredit ended in September, with the single installment repayment of € 50.0 million;
- the € 25.0 million loan with Intesa Sanpaolo was extinguished in December, with the payment of the last installment of € 4.2 million;
- the loan from Mediocredito Centrale also ended in December, with the final payments totaling € 0.9 million.

With the aim of improving the management of its overall debt, the Parent Company ended three loans in advance of their natural maturity. Specifically:
- the loan from Centrobanca, maturing in December 2022, was extinguished in April with the repayment of the residual debt of € 13.6 million;
- the debt with Intesa Sanpaolo (formerly UBI Banca) for € 40.0 million, payable in a single installment in October 2021, ended in May;
- the loan from ING Bank for € 22.5 million, maturing in December 2024, was extinguished in June, with the repayment of the entire subscribed amount.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 6.8 million compared to 31 December 2020.

A breakdown of medium and long-term loans at 31 December 2021 and 2020 is shown in the following table:

| € (thousands) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **GRANTED TO RECORDATI S.p.A.:** | | |
| Loan from a consortium of Italian and international lenders led by Mediobanca, at a varia-ble interest rate, repayable in a single installment in 2026 | *179,284 | - |
| Loan from Allied Irish Bank, at a variable interest rate, repayable in semi-annual install-ments starting 2022 through 2026 | *39,875 | - |
| Loan from Mediobanca, Natixis and Unicredit, syndicated involving a pool of Italian and international banks, at a variable interest rate, repayable in semi-annual installments start-ing 2020 through 2024 | *282,479 | *343,651 |
| Loan from Mediobanca, at a variable interest rate hedged by an interest rate swap, repay-able in semi-annual installments starting 2020 through 2023 | *85,456 | *128,178 |
| Loan from Banca Passadore, at variable interest rate - 3-month Euribor plus a fixed spread - repayable in annual installments starting 2020 through 2022 | *4,999 | *9,997 |
| Loan from Intesa Sanpaolo, at variable interest rate hedged by an interest rate swap, re-payable in semi-annual installments starting 2019 through 2025 | *42,749 | *53,435 |
| Loan from Intesa Sanpaolo (formerly UBI Banca), at a variable interest rate hedged by an interest rate swap, repayable in a lump sum in 2022 | *49,993 | *49,983 |
| Loan from Mediobanca, at variable interest rate hedged by an interest rate swap, repaya-ble in annual installments starting 2018 through 2024 | 33,000 | 43,500 |
| Guaranteed senior notes privately placed with international institutional investors in 2017 at a fixed interest rate, repayable in annual installments starting 2025 through 2032 | *124,913 | *124,905 |
| Guaranteed senior notes privately placed in 2014 with international institutional investors, structured in two tranches:<br>US$50 million at fixed interest rate repayable in semi-annual installments starting 2022 through 2026, converted with cross currency swap into a debt of € 37.3 million at fixed interest rate,<br>US$25 million at fixed interest rate repayable in semi-annual installments starting 2023 through 2029, converted with cross currency swap into a debt of € 18.7 million at fixed interest rate | *66,065 | *60,938 |
| Loan from Medio Credito Centrale, at a subsidised interest rate, ended in 2021 | - | *1,714 |
| Loan from Intesa Sanpaolo, at a variable interest rate hedged by an interest rate swap, ended in 2021 | - | *8,318 |
| Loan from ING Bank, at a variable interest rate, repayable in semi-annual installments start-ing 2021 through 2024, extinguished in advance in 2021 | - | *22,416 |
| Loan from Intesa Sanpaolo (formerly UBI Banca), at a fixed interest rate, repaid in a lump sum in 2021 | - | *39,974 |
| Loan from Centrobanca, at a variable interest rate hedged by an interest rate swap, repay-able in semi-annual installments starting 2012 through 2022, extinguished in advance in 2021 | - | *13,593 |
| Loan from Unicredit, at a variable interest rate hedged by an interest rate swap, repaid in 2021 in a lump sum | - | *49,986 |
| Loan from Banca Nazionale del Lavoro, at a variable interest rate, ended in 2021 | - | 6,250 |
| Liabilities for leases granted to Recordati S.p.A. | 3,152 | 3,091 |
| **GRANTED TO OTHER GROUP COMPANIES:** | | |
| Loan from UBS Switzerland AB to Recordati AG for CHF 75.0 million, at variable interest rate, repayable in semi-annual installments starting 2020 through 2025 | 50,818 | 62,489 |
| Loan from IFC-World Bank to Recordati Ilaç for TRY 71.6 million, at variable interest rate, repayable in quarterly installments starting 2016 through 2022 | *539 | *2,195 |
| Various interest-free loans granted to Casen Recordati S.L. repayable within 2029 | 173 | 281 |
| Liabilities for leases granted to the other Group companies | 20,039 | 23,598 |
| **Total amortized cost of loans** | **983,534** | **1,048,492** |
| Loans due within one year, classified among current liabilities | 223,061 | 270,254 |
| Loans due after one year, classified among non-current liabilities | 760,473 | 778,238 |

** Net of expenses incurred for placing the loans, amortized on the basis of the effective interest rate. At 31 December 2021, the remaining expenses amounted to a total of € 3.3 million, mainly related to the syndicated loan granted to Recordati S.p.A. by a pool of banks (€ 1.8 million), the loan from a consortium of lenders led by Mediobanca (€ 0.7 million), the guaranteed senior notes issued by Recordati S.p.A. in 2014 and in 2017 (€ 0.2 million) and the loans from Mediobanca (€ 0.3 million), Allied Irish Bank (€ 0.1 million), Intesa Sanpaolo (€ 0.1 million), and IFC-World Bank (€ 0.1 million)*

The repayment schedule for loans due after 31 December 2022, based on their amortization plans, is as follows:

| € (thousands) | |
|---|---|
| 2023 | 188,914 |
| 2024 | 188,203 |
| 2025 | 53,495 |
| 2026 | 226,908 |
| 2027 and subsequent years | 102,953 |
| **Total** | **760,473** |

The weighted average interest rate at 31 December 2021, calculated applying the rates resulting from the hedging instruments, is 1.47%.

The main loans outstanding are:

a) 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the 6-month Euribor (with a zero floor) plus a fixed spread and a 5-year term and single installment repayment on maturity. Disbursement, net of structuring and up-front fees, took place on 21 May 2021.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

b) Loan for € 40.0 million entered into by the Parent Company on 30 March 2021 with Allied Irish Bank at a variable interest rate of the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

c) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 31 December 2021 was € 50.8 million.

The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

d) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of 5 years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 31 December 2021 amounted to a total of € 282.5 million.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

e) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a duration of 5 years with semi-annual repayments of principal starting November 2020 through November 2023. The debt outstanding at 31 December 2021 amounted to € 85.5 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.8 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

f) Loan for € 15.0 million taken out by the Parent Company in November 2017 with Banca Passadore. The main conditions provide for a variable interest rate of the 3-month Euribor plus a fixed spread, quarterly payments of interest and a duration of 5 years with annual repayments of principal from November 2020 through November 2022. The total debt outstanding at 31 December 2021 amounted to € 5.0 million.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

g) Loan for € 75.0 million taken out by the Parent Company in October 2017 with Intesa Sanpaolo. The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and a duration of 8 years with semi-annual repayments of principal from June 2019 through October 2025. The debt outstanding at 31 December 2021 amounted to € 42.7 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.5 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

h) Loan for € 50.0 million taken out by the Parent Company in September 2017 with UBI Banca (now Intesa Sanpaolo). The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and repayment of the principal in a lump sum on 7 September 2022. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.4 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

i) Loan for € 75.0 million taken out by the Parent Company in July 2017 with Mediobanca. The main conditions of the loan provide for a variable interest rate of the 6-month Euribor plus a fixed spread and a duration of 7 years with annual repayments of principal from July 2018 through July 2024. The debt outstanding at 31 December 2021 amounted to € 33.0 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.4 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

j) Privately placed guaranteed senior notes by the Parent Company in May 2017 for an overall amount of € 125.0 million at a fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032.

The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

k) Loan disbursed on 16 October 2014 to the subsidiary Recordati Ilaç by IFC-World Bank for 71.6 million Turkish lira to finance the construction of a new production plant. The main conditions provide for a variable interest rate of the 3-month Trlibor plus a fixed spread and a duration of 8 years with quarterly repayments of principal from November 2016 through August 2022. The counter-value of the outstanding debt at 31 December 2021 amounted to € 0.5 million, down by € 1.7 million compared to 31 December 2020. This reduction was determined for € 0.6 million by the depreciation of the Turkish lira against the consolidation currency.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

l) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US$ 75 million, divided into two tranches: US$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. The conversion of the loan at 30 September 2021 resulted in an increased liability for € 5.1 million compared to 31 December 2020, due to the revaluation of the U.S. dollar against the consolidation currency.
The loan was hedged at the same time with two cross-currency swap operations, which provide for the conversion of the debt into a total of € 56.0 million, of which € 37.3 million at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million again at a lower fixed rate for per that with maturity at 15 years. At 31 December 2021, hedging instruments measured at fair value were positive for a total of € 11.1 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 17).

The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

## 22. PROVISIONS FOR EMPLOYEE BENEFITS

The balance at 31 December 2021 amounted to € 21.0 million (€ 21.2 million at 31 December 2020) and reflects the Group's liability towards its employees determined in accordance with IAS 19.
The changes in these provision were follows:

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Balance at 1 January | 21,174 | 20,557 |
| Additions | 1,408 | 1,341 |
| Utilizations | (2,380) | (1,932) |
| Adjustment for actuarial (gains)/losses | 808 | 1,208 |
| **Balance at 31 December** | **21,010** | **21,174** |

This liability is mainly due to the severance indemnities (TFR, Trattamento Fine Rapporto) in the Italian companies. The value of these provisions, measured in accordance with IAS 19, amounted to € 8.5 million. The other liabilities are mainly due to contribution plans in being in the French company Laboratoires Bouchara Recordati (€ 5.5 million), in the U.S. company Recordati Rare Diseases (€ 1.9 million), in the German company Recordati Pharma (€ 1.5 million), in the Swiss company Recordati AG (€ 1.3 million) and in the other Recordati Rare Diseases companies (€ 1.3 million). The fair value calculation made using actuarial assumptions updated to 31 December 2021 determined an increase of € 0.8 million compared to the value of the provisions at 31 December 2020 which is recognized in the statement of comprehensive income, net of the tax effect, as prescribed by the relevant accounting standard.

## 23. DEFERRED TAX LIABILITIES

At 31 December 2021 deferred tax liabilities amounted to € 26.7 million, down by a net € 14.5 million compared to 31 December 2020.

Their changes are shown in the table below:

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Balance at 1 January | 41,219 | 43,172 |
| Additions | 3,847 | 1,502 |
| Utilizations | (18,391) | (3,455) |
| **Balance at 31 December** | **26,675** | **41,219** |

The reduction was mainly determined by the release of € 14.9 million to the income statement following the revaluation of the brand Magnesio Supremo® by the Italian company Natural Point S.r.l. and € 1.7 for the realignment of the tax value of the brand Reuflor® carried out by the Italian company Italchimici S.p.A. (see Note 6).

At 31 December 2021 no deferred tax liabilities were calculated on subsidiaries' undistributed profits as, considering the current dividend policy applied by the Group and thanks to the substantial exemption from double income taxation, no significant additional tax would have to be paid by the Group.

Deferred tax liabilities related to other comprehensive income amounted to € 0.2 million (€ 0.4 million at 31 December 2020.

## 24. OTHER NON-CURRENT LIABILITIES

At 31 December 2021, the balance for other liabilities recorded under non-current liabilities was zero following the reclassification of future payments to Novartis AG under current liabilities, related to the marketing of Isturisa® in certain European markets.

## 25. TRADE PAYABLES

Trade payables, which are entirely of a commercial nature and include end-of-year provisions for invoices to be received, at 31 December 2021 and 2020 amounted to € 177.9 million and € 132.1 million respectively.

## 26. OTHER PAYABLES

Other payables at 31 December 2021 amounted to € 145.2 million (€ 95.7 million at 31 December 2020). Their composition is as follows:

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 |
|---|---|---|---|
| Personnel | 39,364 | 25,218 | 14,146 |
| Social security | 16,827 | 14,431 | 2,396 |
| Agents | 524 | 174 | 350 |
| Other | 88,455 | 55,848 | 32,607 |
| **Total other payables** | **145,170** | **95,671** | **49,499** |

The item "Other" includes:

- € 26.5 million for Recordati AG in respect of Novartis AG, on the occurrence of contract conditions
- in the scope of acquiring the rights for Isturisa®;
- € 11.7 million which Recordati Rare Diseases Inc. must pay to the U.S. health care insurance schemes;
- The payable of € 3.4 million related to the acquisition of a further 10% of the capital of Opalia Pharma reclassified among current liabilities on the basis of the put and call options provided for contractually. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments;
- € 2.4 million to be paid to the "Krankenkassen" (German health insurance schemes) by Recordati Pharma GmbH;
- € 1.4 million to be paid to the Italian National Health Service resulting from the 1.83% discount applicable to the retail price of reimbursed pharmaceutical products before VAT.

## 27. TAX LIABILITIES

Tax liabilities at 31 December 2021 amounted to € 29.5 million (€ 29.7 million at 31 December 2020) and include mainly tax payables, net of advances already paid, computed by the companies on the basis of estimated taxable income, and withholding taxes payable.

## 28. OTHER CURRENT LIABILITIES

At 31 December 2021, other current liabilities amounted to € 6.5 million, down by € 4.8 million compared to 31 December 2020. An amount of € 5.9 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable instalments based on the fulfilment of the conditions for revenue recognition.

## 29. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges set aside at 31 December 2020 amounted to € 21.4 million and include tax provisions and other provisions for future contingencies to cover liabilities of uncertain timing and value. The following tables show their composition and changes:

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 |
|---|---|---|---|
| For taxes | 1,048 | 483 | 565 |
| Future contingencies | 20,348 | 16,630 | 3,718 |
| **Total other provisions** | **21,396** | **17,113** | **4,283** |

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Balance at 1 January | 17,113 | 17,933 |
| Additions | 8,138 | 1,523 |
| Utilizations | (3,855) | (2,343) |
| **Balance at 31 December** | **21,396** | **17,113** |

The net increase compared to 31 December 2020 is mainly related to provisions for ongoing restructuring in certain countries.

The year-end balance is mainly related to the Parent Company and to the other Italian companies (€ 8.9 million), to the companies in France (€ 4.0 million) and in Germany (€ 2.0 million), the Spanish company Casen Recordati (€ 3.2 million) and to Recordati AG in Switzerland (€ 0.5 million).

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

The measurement at market (fair) value at 31 December 2021 of the interest rate swaps hedging a number of loans gave rise to a total € 2.1 million liability, which represents the unrealized opportunity of paying in the future, for the duration of the loans, the variable rates currently expected instead of the rates agreed. The amount is related to the interest rate swaps entered into by the Parent Company to hedge the interest rates on loans with Mediobanca (€ 1.2 million) and Intesa Sanpaolo (€ 0.9 million).

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 31 December 2021 on the outstanding loan of 162.7 million Swiss francs was a negative € 9.3 million, which was recognised in the income statement, offsetting the exchange gains determined by the valuation of the underlying loan at current exchange rates.

During the year, other hedging transactions were carried out on foreign currency positions, the fair value of which, at 31 December 2021, was negative for a total of € 2.8 million, booked to profit and loss and offsetting the exchange gains determined by the valuation of the underlying loans at current exchange rates.

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

## 31. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 31 December 2021 were € 8.7 million and comprise temporary use of short-term credit lines, overdrafts of a number of foreign associates and interest due on existing loans.

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, the book values and fair values at 31 December 2021 of financial assets and liabilities are resented below:

| € (thousands) | Book value | Fair value |
|---|---|---|
| **Financial assets** | | |
| **Financial assets measured at fair value** | | |
| Other equity investments and securities | 34,124 | 34,124 |
| Derivative instruments measured at fair value | 11,149 | 11,149 |
| **Financial assets not measured at fair value** | | |
| Cash and cash equivalents | 244,578 | 244,578 |
| Trade receivables | 307,778 | 307,778 |
| Other receivables | 44,880 | 44,880 |
| **Financial liabilities** | | |
| **Financial liabilities measured at fair value** | | |
| Derivative instruments measured at fair value | 14,156 | 14,156 |
| Other payables | 3,397 | 3,397 |
| **Financial liabilities not measured at fair value** | | |
| Loans | | |
| - at variable interest rates | 557,995 | 557,995 |
| - at variable interest rates hedged with interest rate swaps | 211,197 | 211,197 |
| - at fixed interest rates | 125,086 | 131,154 |
| - at fixed interest rates hedged with cross currency swaps | 66,065 | 67,037 |
| - lease liabilities | 23,191 | 23,191 |
| Trade payables | 177,925 | 177,925 |
| Other payables | 171,116 | 171,116 |
| Short-term debts to banks and other lenders | 8,657 | 8,657 |

# 33. DISCLOSURE OF FINANCIAL RISKS

The Group constantly monitors the financial risks to which it is exposed in order to take immediate mitigating actions when necessary.

The Group aims at achieving a balanced and prudent financial structure as a basic condition for funding internal and external growth, minimizing financing costs and maximizing yields. Speculative investments in equities, funds or financial assets which could impair the value of the company are forbidden.

The only financial investments permitted are investments in risk-free assets and/or funds issued by major financial institutions.

The Group monitors the financial risks to which it is exposed in order to take immediate mitigating actions, whenever necessary, in compliance with the applicable legislations and regulations.

All companies belonging to the Group work only with investment grade banks.

On the basis of the above and considering that the related effects would be insignificant, no sensitivity analysis has been performed.

As prescribed by IFRS 7, the main financial risks to which the Group is exposed are disclosed below.

**Credit risk -** The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31 December 2021, the credit exposure was not critical due to the large number of customers, their geographic distribution and the average amount of each account receivable. In particular, at 31 December 2021, total trade receivables of € 321.9 million included € 21.2 million in receivables past due by more than 90 days. Of these, € 5.1 million are receivables from public hospitals which, despite their long collection times, do not represent a significant risk situation. The provisions for doubtful accounts of € 14.1 million are considered sufficient to cover potential losses due to insolvency. The effects of the COVID-19 pandemic were duly considered in the credit risk assessment.

**Interest rate risk -** The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, therefore affecting the Group's net financial expenses.
The Group's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans hedged by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Note 21. As a result of this policy and considering the current amount of net debt, it is believed that changes in current interest rates would not have a significant impact on net financial expenses.

**Foreign currency risk -** The Group is exposed to foreign currency exchange rate fluctuations, which can affect its operating results and the value of its equity. All companies are subject to exchange rate fluctuations affecting trade and financial balances denominated in currencies different from their own. In order to limit this risk, in some cases, non-speculative hedging instruments are negotiated.

As at 31 December 2021, positions in currencies other that the euro in companies in countries belonging to the European Monetary Union, not hedged by derivative instruments, are the following:

- net receivables of 48.7 million Mexican pesos;
- net receivables of 25.8 million Czech crowns;
- net receivables of 1.1 million US dollars;
- net receivables of 9.7 million Swedish krona;
- net receivables of 3.7 million Polish zloty;
- net debts of 103.4 million Russian rubles.

Among the companies in countries outside the European Monetary Union, at 31 December 2021 the main net exposures in currencies other than their own and not hedged by derivative instruments are in euro, in U.S. dollars, and Japanese yen. Net exposures in euro refer to the companies located in the United States (net payables of 15.5 million), Switzerland (net payables of 2.8 million), Sweden (net payables of 1.7 million), Australia (net payables of 1.5 million), Canada (net payables of 0.9 million), Turkey (net receivables of 1.6 million), Poland (net receivables of 1.6 million) and Tunisia (net receivables of 1.2 million). Net exposures in U.S. dollars refer to the companies in Switzerland (net payables of 12.1 million), Brazil (net payables of 1.5 million) and Colombia (net payables of 1.5 million). Exposure in Japanese yen is mainly in Switzerland (net receivables of 161.4 million).

For consolidation purposes, the income statements and balance sheets of the Group companies located outside the European Monetary Union are converted from their local currencies into euro. At 31 December 2021, the net asset values of these companies, excluding goodwill, are denominated mainly in U.S. dollars (324.2 million), pounds sterling (14.7 million), Swiss francs (229.3 million), Turkish lira (555.2 million), Czech crowns (352.9 million), Romanian ron (40.8 million), Russian rubles (6,026.7 million), Polish zloty (54.7 million) and Tunisian dinars (73.1 million). The effect of exchange rate variations on the conversion of these amounts is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, at 31 December 2021, was a negative € 213.1 million.

**Liquidity risk -** The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions. At 31 December 2021, the Group has at its disposal liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 21 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, medium/long-term loans and payables to banks. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

# 34. OPERATING SEGMENTS

The financial information reported by line of business and geographic area, in compliance with IFRS 8 – *Operating Segments*, is prepared using the same accounting principles used for the preparation and disclosure of the Group's consolidated financial statements.

Based on the characteristics of their business, operational and strategic models two main business segments can be identified, the Specialty and Primary Care segment and the segment dedicated to treatments for rare diseases.

The identification took into account the different management and marketing strategies applied to the products belonging to the two segments. Consequently, clearly identified and separate models and organizational structures have been developed. All economic and financial data derive from precise accounting and not from generic allocation criteria.

The geographic footprint of the Group's Specialty and Primary Care business is focused mainly on Europe. The Group operates in the main European markets, including Central and Eastern Europe, Russia and the other C.I.S. countries, Ukraine, Turkey and Tunisia, where it has established its own subsidiaries. In the rest of the world sales of Specialty and Primary Care products are carried out mainly through licensing agreements with pharmaceutical companies of high standing. The Group has gradually extended its international presence through the acquisition of existing marketing organizations with the aim of adding our proprietary products and those obtained under multi-territorial licenses to the local portfolios.

The Group's segment dedicated to treatments for rare diseases is a worldwide business. The Group operates through Recordati Rare Diseases, its dedicated group of subsidiaries, sharing the conviction that each person with a rare disease has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, the Middle East, North Africa, the U.S.A., Canada, Mexico, Brazil, Colombia, Japan and Australia through its subsidiaries and highly qualified distributors in the rest of the world.

During 2019, Recordati Rare Diseases announced that its strategy aimed at establishing a direct presence in the key markets across all continents has been successfully executed. Several companies formerly operating under the name of Orphan Europe were recently renamed Recordati Rare Diseases, which is today the global brand of Recordati's organization dedicated to treatments for rare diseases and orphan drugs. Orphan Europe, founded in 1990, pioneered the development of orphan drugs in Europe and became part of the Recordati group in 2007.

The Group's chief executive officer reviews the internal management reports of each segment at least quarterly.

The two following tables show financial information for these two business segments as at 31 December 2021 and include comparative data.

| € (thousands) | Specialty and Primary Care segment* | Rare diseases segment | Values not allocated | Consolidated financial statements |
|---|---|---|---|---|
| **2021** | | | | |
| Revenue | 1,196,222 | 383,852 | - | 1,580,074 |
| Expenses | (852,547) | (237,337) | - | (1,089,884) |
| **Operating income** | **343,675** | **146,515** | **-** | **490,190** |
| **2020** | | | | |
| Revenue | 1,129,426 | 319,441 | - | 1,448,867 |
| Expenses | (780,080) | (199,771) | - | (979,851) |
| **Operating income** | **349,346** | **119,670** | **-** | **469,016** |

** Includes pharmaceutical chemical operations.*

| € (thousands) | Segment Specialty and Primary Care* | Rare diseases segment | Not allocated** | Consolidated financial statements |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Non-current assets | 1,162,131 | 769,843 | 34,124 | 1,966,098 |
| Inventories | 182,344 | 46,388 | | 228,732 |
| Trade receivables | 228,591 | 79,187 | | 307,778 |
| Other receivables and other current assets | 45,712 | 12,152 | 11,149 | 69,013 |
| Cash and cash equivalents | | | 244,578 | 244,578 |
| **Total assets** | **1,618,778** | **907,570** | **289,851** | **2,816,199** |
| Non-current liabilities | 41,440 | 6,245 | 760,473 | 808,158 |
| Current liabilities | 249,046 | 131,496 | 245,874 | 626,416 |
| **Total liabilities** | **290,486** | **137,741** | **1,006,347** | **1,434,574** |
| **Net capital employed** | **1,328,292** | **769,829** | | |
| **31 December 2020** | | | | |
| Non-current assets | 1,162,636 | 730,486 | 45,581 | 1,938,703 |
| Inventories | 210,089 | 41,163 | - | 251,252 |
| Trade receivables | 200,601 | 68,296 | - | 268,897 |
| Other receivables and other current assets | 48,133 | 9,403 | 7,036 | 64,572 |
| Cash and cash equivalents | - | - | 188,230 | 188,230 |
| **Total assets** | **1,621,459** | **849,348** | **240,847** | **2,711,654** |
| Non-current liabilities | 57,621 | 21,071 | 778,238 | 856,930 |
| Current liabilities | 192,454 | 93,419 | 292,591 | 578,464 |
| **Total liabilities** | **250,075** | **114,490** | **1,070,829** | **1,435,394** |
| **Net capital employed** | **1,371,384** | **734,858** | | |

** Includes pharmaceutical chemical operationss.*
*** Amounts not allocated refer to the items other equity investments and securities, cash and cash equivalents, loans, derivative instruments and short-term debts to banks and other lenders.*

The pharmaceutical chemical business is considered part of the Specialty and Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view. No single customer contributed more than 10% to revenue in 2021 or in 2020.
The following table shows net revenue by geographic area:

| € (thousands) | 2021 | 2020 | Changes 2021/2020 |
|---|---|---|---|
| Europe | 1,208,253 | 1,132,008 | 76,245 |
| *of which Italy* | 265,361 | *274,588* | *(9,227)* |
| Asia and Oceania | 99,534 | 95,099 | 4,435 |
| America | 221,764 | 169,366 | 52,398 |
| Africa | 50,523 | 52,394 | (1,871) |
| **Total** | **1,580,074** | **1,448,867** | **131,207** |

The Group's production facilities are located almost exclusively in Europe, and therefore non-current assets and investments are, for the most part, in this geographic area.

# 35. NET FINANCIAL POSITION

The following table summarizes the Group's net financial position. This table is in compliance with the CONSOB issuances n.5/21 issued on April 29th, 2021 whose objective is to provide guidelines on 'Disclosures requirements regarding supplementary notes to the balance sheet' issued by ESMA on March 4th 2021 with the document "ESMA32-382-1138".

| € (thousands) | 31.12.2021 | 31.12.2020 | Changes 2021/2020 |
|---|---|---|---|
| Deposits in bank current accounts and cash on hand | 230,924 | 175,227 | 55,697 |
| Short-term time deposits | 13,654 | 13,003 | 651 |
| **Cash and cash equivalents** | **244,578** | **188,230** | **56,348** |
| Short-term debts to banks and other lenders | (8,657) | (12,567) | 3,910 |
| Loans - due within one year | (206,132) | (261,216) | 55,084 |
| Notes issued[1] | (7,354) | 0 | (7,354) |
| Leasing liabilities – due within one year | (8,100) | (9,038) | 938 |
| **Short-term borrowings** | **(230,243)** | **(282,821)** | **52,578** |
| **Short-term financial position** | **14,335** | **(94,591)** | **108,926** |
| Loans - due after one year | (563,233) | (574,743) | 11,510 |
| Notes issued[1] | (172,550) | (178,839) | 6,289 |
| Leasing liabilities – due after one year | (15,091) | (17,651) | 2,560 |
| **Non-current financial debt** | **(750,874)** | **(771,233)** | **20,359** |
| **Net financial position** | **(736,539)** | **(865,824)** | **129,285** |

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

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

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

| € (thousands) | Shareholders' equity | | Net income | |
|---|---|---|---|---|
| | 31.12.2021 | 31.12.2020 | 2021 | 2020 |
| Recordati S.p.A. | 400,644 | 464,010 | 219,109 | 234,664 |
| Consolidation adjustments: | | | | |
| - Elimination margins in inventories | (72,668) | (76,552) | 3,884 | (17,486) |
| - Related tax effect | 20,445 | 21,704 | (1,259) | 5,086 |
| - Other adjustments | (19,535) | (16,689) | (3,189) | (2,705) |
| Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A. | 974,550 | 835,142 | - | - |
| Net income for consolidated subsidiaries, net of amounts already recognized by Recordati S.p.A. | 291,275 | 265,671 | 291,275 | 265,671 |
| Dividends received from consolidated subsidiaries | | | (123,854) | (132,785) |
| Write-down of holdings in subsidiaries | | | 0 | 2,539 |
| Translation adjustments | (213,086) | (217,303) | - | - |
| **Consolidated financial statements** | **1,381,625** | **1,275,983** | **385,966** | **354,984** |

## 37. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 162 million, are merely potential at the moment.

## 38. RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italchimici S.p.A.

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

In compliance with the disclosure obligations required by Art. 38 of Italian Legislative Decree 127/91, it is hereby specified that the overall compensation of the Directors and Statutory Auditors of the Parent Company for the performance of their specific functions, including those in other Group companies, during 2021 amounted to € 3.3 million and € 0.2 million respectively.

Key management personnel compensation comprised the following:

| € (thousands) | 2021 | 2020 |
|---|---|---|
| Fixed remuneration | 5,564 | 5,109 |
| Non-monetary benefits | 147 | 169 |
| Bonuses and other incentives | 2,293 | 979 |
| Share-based payments | 871 | 981 |
| **Total** | **8,875** | **7,238** |

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the Group's stock option plans.

Except for what is stated above, to our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant in terms of value or conditions, or which could in any way materially affect the accounts.

## 39. SUBSEQUENT EVENTS

At the date of preparation of the financial statements, no significant events had occurred subsequent to the closing of the fiscal year that would require changes to the values of assets, liabilities or the profit and loss.

In December 2021, Recordati announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarters in the United Kingdom, focused on rare and niche oncology diseases, for an enterprise value of €750 million. The transaction, following the regulatory authorities' approval, has been completed on 16 March 2022 and will be consolidated in the Recordati group financial statements as of 31 March 2022.

The acquisition of EUSA Pharma represents another step forward in delivering on the Group's strategy to increase its presence in the rare disease segment and fulfill its mission: improving the lives of patients whilst delivering innovative treatments that address serious unmet medical needs. The deal will complement Recordati's global footprint with new capabilities and a highly efficient commercial infrastructure, adding a growing portfolio of 4 rare and niche oncology disease products, providing a platform for potential future expansion.

In the face of the Russia-Ukraine crisis, the Recordati group has given immediate priority to the safety of its people and is implementing all possible measures and initiatives to guarantee the supply of medicines to patients in territories involved.

In spite of the resilience of the pharmaceutical sector, recent operating performance and the diversification of the Group, it is difficult to quantify at this stage the potential future impacts from this crisis, given the complex and constantly evolving situation.

Italy and all the other main countries in which the Group operates continue to be impacted by restrictions on the circulation of people, and provisions to support companies' economic activities introduced following the epidemiological emergency due to the COVID-19 virus, declared a pandemic by the WHO (World Health Organization) in March 2020. To cope with the emergency, in Italy, and subsequently also in other countries, the Group implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees. The results in 2021 show that the impact on the Group's consolidated revenues is more than offset by the positive contribution from new products and the containment of operating expenses resulting from reduced activities, with operating and net profit remaining in line with expectations.

Except for the above, no significant events occurred subsequent to the reporting date.

# 40. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2021

| Consolidated companies | Head office | Share capital | Currency | Consolidation method |
|---|---|---|---|---|
| RECORDATI S.p.A.<br>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals | Italy | 26,140,644.50 | EUR | Line-by-line |
| INNOVA PHARMA S.p.A.<br>Marketing of pharmaceuticals | Italy | 1,920,000.00 | EUR | Line-by-line |
| CASEN RECORDATI S.L.<br>Development, production, and sales of pharmaceuticals | Spain | 238,966,000.00 | EUR | Line-by-line |
| BOUCHARA RECORDATI S.A.S.<br>Development, production, and sales of pharmaceuticals | France | 4,600,000.00 | EUR | Line-by-line |
| RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA<br>Holds pharmaceutical marketing rights in Brazil | Brazil | 166.00 | BRL | Line-by-line |
| RECORDATI RARE DISEASES INC.<br>Development, production, and sales of pharmaceuticals | U.S.A. | 11,979,138.00 | USD | Line-by-line |
| RECORDATI IRELAND LTD<br>Development, production, and sales of pharmaceuticals | Ireland | 200,000.00 | EUR | Line-by-line |
| LABORATOIRES BOUCHARA RECORDATI S.A.S.<br>Development, production, and sales of pharmaceuticals | France | 14,000,000.00 | EUR | Line-by-line |
| RECORDATI PHARMA GmbH<br>Marketing of pharmaceuticals | Germany | 600,000.00 | EUR | Line-by-line |
| RECORDATI PHARMACEUTICALS LTD<br>Marketing of pharmaceuticals | United Kingdom | 15,000,000.00 | GBP | Line-by-line |
| RECORDATI HELLAS PHARMACEUTICALS S.A.<br>Marketing of pharmaceuticals | Greece | 10,050,000.00 | EUR | Line-by-line |
| JABA RECORDATI S.A.<br>Marketing of pharmaceuticals | Portugal | 2,000,000.00 | EUR | Line-by-line |
| JABAFARMA PRODUTOS FARMACÊUTICOS S.A.<br>Marketing of pharmaceuticals | Portugal | 50,000.00 | EUR | Line-by-line |
| BONAFARMA PRODUTOS FARMACÊUTICOS S.A.<br>Marketing of pharmaceuticals | Portugal | 50,000.00 | EUR | Line-by-line |
| RECORDATI ORPHAN DRUGS S.A.S.<br>Holding company | France | 57,000,000.00 | EUR | Line-by-line |
| RECORDATI RARE DISEASES MIDDLE EAST FZ LLC<br>Marketing of pharmaceuticals | United Arab Emirates | 100,000.00 | AED | Line-by-line |
| RECORDATI AB<br>Marketing of pharmaceuticals | Sweden | 100,000.00 | SEK | Line-by-line |
| RECORDATI RARE DISEASES S.à r.l.<br>Development, production, and sales of pharmaceuticals | France | 320,000.00 | EUR | Line-by-line |
| RECORDATI RARE DISEASES UK Limited<br>Marketing of pharmaceuticals | United Kingdom | 50,000.00 | GBP | Line-by-line |
| RECORDATI RARE DISEASES GERMANY GmbH<br>Marketing of pharmaceuticals | Germany | 25,600.00 | EUR | Line-by-line |
| RECORDATI RARE DISEASES SPAIN S.L.<br>Marketing of pharmaceuticals | Spain | 1,775,065.49 | EUR | Line-by-line |
| RECORDATI RARE DISEASES ITALY S.R.L.<br>Marketing of pharmaceuticals | Italy | 40,000.00 | EUR | Line-by-line |
| RECORDATI BV<br>Marketing of pharmaceuticals | Belgium | 18,600.00 | EUR | Line-by-line |
| FIC MEDICAL S.à r.l.<br>Marketing of pharmaceuticals | France | 173,700.00 | EUR | Line-by-line |

| Consolidated companies | Head office | Share capital | Currency | Consolidation method |
|---|---|---|---|---|
| HERBACOS RECORDATI s.r.o.<br>Development, production, and sales of pharmaceuticals | Czech Republic | 25,600,000.00 | CZK | Line-by-line |
| RECORDATI SK s.r.o.<br>Marketing of pharmaceuticals | Slovak Republic | 33,193.92 | EUR | Line-by-line |
| RUSFIC LLC<br>Development, promotion, and sales of pharmaceutical products | Russian Federation | 3,560,000.00 | RUB | Line-by-line |
| RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.<br>Promotion of pharmaceuticals | Turkey | 8,000,000.00 | TRY | Line-by-line |
| RECORDATI ROMÂNIA S.R.L.<br>Marketing of pharmaceuticals | Romania | 5,000,000.00 | RON | Line-by-line |
| RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.<br>Development, production, and sales of pharmaceutical | Turkey | 180,000,000.00 | TRY | Line-by-line |
| RECORDATI POLSKA Sp. z o.o.<br>Marketing of pharmaceuticals | Poland | 4,500,000.00 | PLN | Line-by-line |
| ACCENT LLC<br>Holds pharmaceutical marketing rights | Russian Federation | 20,000.00 | RUB | Line-by-line |
| RECORDATI UKRAINE LLC<br>Marketing of pharmaceuticals | Ukraine | 1,031,896.30 | UAH | Line-by-line |
| CASEN RECORDATI PORTUGAL Unipessoal Lda<br>Marketing of pharmaceuticals | Portugal | 100,000.00 | EUR | Line-by-line |
| OPALIA PHARMA S.A.<br>Development, promotion, and sales of pharmaceutical products | Tunisia | 9,656,000.00 | TND | Line-by-line |
| OPALIA RECORDATI S.à r.l.<br>Promotion of pharmaceuticals | Tunisia | 20,000.00 | TND | Line-by-line |
| RECORDATI RARE DISEASES S.A. DE C.V.<br>Marketing of pharmaceuticals | Mexico | 16,250,000.00 | MXN | Line-by-line |
| RECORDATI RARE DISEASES COLOMBIA S.A.S.<br>Marketing of pharmaceuticals | Colombia | 150,000,000.00 | COP | Line-by-line |
| ITALCHIMICI S.p.A.<br>Marketing of pharmaceuticals | Italy | 7,646,000.00 | EUR | Line-by-line |
| RECORDATI AG<br>Marketing of pharmaceuticals | Switzerland | 15,000,000.00 | CHF | Line-by-line |
| RECORDATI AUSTRIA GmbH<br>Marketing of pharmaceuticals | Austria | 35,000.00 | EUR | Line-by-line |
| RECORDATI RARE DISEASES CANADA Inc.<br>Marketing of pharmaceuticals | Canada | 350,000.00 | CAD | Line-by-line |
| RECORDATI RARE DISEASES JAPAN K.K.<br>Marketing of pharmaceuticals | Japan | 90,000,000.00 | JPY | Line-by-line |
| NATURAL POINT S.r.l.<br>Marketing of pharmaceuticals | Italy | 10,400.00 | EUR | Line-by-line |
| RECORDATI RARE DISEASES AUSTRALIA Pty Ltd<br>Marketing of pharmaceuticals | Australia | 200,000.00 | AUD | Line-by-line |
| TONIPHARM S.a.s.<br>Marketing of pharmaceuticals | France | 257,700.00 | EUR | Line-by-line |
| RECORDATI BULGARIA Ltd<br>Marketing of pharmaceuticals | Bulgaria | 50,000.00 | BGN | Line-by-line |
| RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd [1]<br>Marketing of pharmaceuticals | People's Re-public of China | 1,000,000.00 | EUR | Line-by-line |

*(1) Set up in 2021*

## PERCENTAGE OF OWNERSHIP

| Consolidated companies | Recordati S.p.A. Parent Company | Recordati Pharma GmbH | Bouchara Recordati S.a.s. | Casen Recordati S.L. | Recordati Orphan Drugs S.a.s. | Recordati Rare Diseases S.à r.l. | Herbacos Recordati s.r.o. | Recordati Ilaç A.Ş. | Opalia Pharma S.A. | Recordati AG | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| INNOVA PHARMA S.p.A. | 100.00 | | | | | | | | | | 100.00 |
| CASEN RECORDATI S.L. | 100.00 | | | | | | | | | | 100.00 |
| BOUCHARA RECORDATI S.A.S. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI RARE DISEASES INC. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI IRELAND LTD | 100.00 | | | | | | | | | | 100.00 |
| LABORATOIRES BOUCHARA RECORDATI S.A.S. | | | 100.00 | | | | | | | | 100.00 |
| RECORDATI PHARMA GmbH | 55.00 | | | 45.00 | | | | | | | 100.00 |
| RECORDATI PHARMACEUTICALS LTD | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI HELLAS PHARMACEUTICALS S.A. | 100.00 | | | | | | | | | | 100.00 |
| JABA RECORDATI S.A. | | | | 100.00 | | | | | | | 100.00 |
| JABAFARMA PRODUTOS FARMACÊUTICOS S.A. | | | | 100.00 | | | | | | | 100.00 |
| BONAFARMA PRODUTOS FARMACÊUTICOS S.A. | | | | 100.00 | | | | | | | 100.00 |
| RECORDATI ORPHAN DRUGS S.A.S. | 90.00 | 10.00 | | | | | | | | | 100.00 |
| RECORDATI RARE DISEASES MIDDLE EAST FZ LLC | | | | | 100.00 | | | | | | 100.00 |
| RECORDATI AB | | | | | 100.00 | | | | | | 100.00 |
| RECORDATI RARE DISEASES S.à r.l. | | | | | 100.00 | | | | | | 100.00 |
| RECORDATI RARE DISEASES UK Limited | | | | | | 100.00 | | | | | 100.00 |
| RECORDATI RARE DISEASES GERMANY GmbH | | | | | | 100.00 | | | | | 100.00 |
| RECORDATI RARE DISEASES SPAIN S.L. | | | | | | 100.00 | | | | | 100.00 |
| RECORDATI RARE DISEASES ITALY S.R.L. | | | | | | 100.00 | | | | | 100.00 |
| RECORDATI BV | | | | | 99.46 | 0.54 | | | | | 100.00 |
| FIC MEDICAL S.à r.l. | | | 100.00 | | | | | | | | 100.00 |
| HERBACOS RECORDATI s.r.o. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI SK s.r.o. | | | | | | | 100.00 | | | | 100.00 |
| RUSFIC LLC | | | 100.00 | | | | | | | | 100.00 |
| RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. | | | | | | | | 100.00 | | | 100.00 |
| RECORDATI ROMÂNIA S.R.L. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. | | | | 100.00 | | | | | | | 100.00 |
| RECORDATI POLSKA Sp. z o.o | 100.00 | | | | | | | | | | 100.00 |
| ACCENT LLC | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI UKRAINE LLC | 0.01 | | 99.99 | | | | | | | | 100.00 |

## PERCENTAGE OF OWNERSHIP

| Consolidated companies | Recordati S.p.A. Parent Company | Recordati Pharma GmbH | Bouchara Recordati S.a.s. | Casen Recordati S.L. | Recordati Orphan Drugs S.a.s. | Recordati Rare Diseases S.à r.l. | Herbacos Recordati s.r.o. | Recordati İlaç A.Ş. | Opalia Pharma S.A. | Recordati AG | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CASEN RECORDATI PORTUGAL Unipessoal Lda | | | | 100.00 | | | | | | | 100.00 |
| OPALIA PHARMA S.A. | 90.00 | | | | | | | | | | 90.00 |
| OPALIA RECORDATI S.à R.L. | | | 1.00 | | | | | | 99.00 | | 100.00 |
| RECORDATI RARE DISEASES S.A. DE C.V. | 99.998 | | | | | 0.002 | | | | | 100.00 |
| RECORDATI RARE DISEASES COLOMBIA S.A.S. | | | | 100.00 | | | | | | | 100.00 |
| ITALCHIMICI S.p.A. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI AG | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI AUSTRIA GmbH | | | | | | | | | | 100.00 | 100.00 |
| RECORDATI RARE DISEASES CANADA Inc. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI RARE DISEASES JAPAN K.K. | | | | | | 100.00 | | | | | 100.00 |
| NATURAL POINT S.r.l. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI RARE DISEASES AUSTRALIA Pty Ltd | | | | | | 100.00 | | | | | 100.00 |
| TONIPHARM S.a.s. | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI BULGARIA Ltd | 100.00 | | | | | | | | | | 100.00 |
| RECORDATI (BEIJING PHARMACEUTICAL CO., Ltd [1] | 100.00 | | | | | | | | | | 100.00 |

*(1) Set up in 2021*

# RECORDATI S.p.A. AND SUBSIDIARIES

## ANNEX 1

## DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

| Type of service | Provider of the service | Recipient | Fees Amounts in € |
|---|---|---|---|
| Accounting audit | Auditor of Parent Company | Parent Company | 162,790 |
| Accounting audit | Auditor of Parent Company | Subsidiaries | 70,499 |
| Accounting audit | Network of auditor of Parent Company | Subsidiaries | 726,430 |
| Tax compliance | Network of auditor of Parent Company | Subsidiaries | 48,600 |
| Signatures on returns and attestations | Auditor of Parent Company | Parent Company | 39,970 |
| Signatures on returns and attestations | Auditor of Parent Company | Subsidiaries | 3,701 |
| Signatures on returns and attestations | Network of auditor of Parent Company | Subsidiaries | 25,168 |
| Other services | Network of auditor of Parent Company | Subsidiaries | 4,211 |

## RECORDATI S.p.A. AND SUBSIDIARIES

# CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

## PURSUANT TO ART. 154-BIS OF ITALIAN LGS. DECREE 58/98

### 1.

The undersigned, Andrea Recordati, in his capacity as Chairman, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions or Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy with respect to the Company structure and
- the effective application,

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements during financial year 2021.

### 2.

The undersigned certify further that:

### 2.1

the consolidated financial statements at 31 December 2021:

- have been prepared in accordance with the applicable International Accounting Standards, as endorsed by the European Union under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

### 2.2

The annual report includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Milan, 17 March 2022

The Chairman
**ANDREA RECORDATI**

The Financial Reporting Manager
**LUIGI LA CORTE**

# REPORT OF THE INDEPENDENT AUDITORS


## Recordati Industria Chimica e Farmaceutica S.p.A.

Consolidated financial statements as at 31 December 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Building a better working world

# Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Recordati Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Recordati Industria Chimica e Farmaceutica S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Building a better working world

We identified the following key audit matters:

| Key Audit Matter | Audit Response |
|---|---|
| Recoverability of goodwill | |
| The goodwill recognized in the consolidated financial statements of Recordati Group as of 31 December 2021 amounts to Euro 553 million. The goodwill originates from acquisitions made by the Group and it has been allocated to the individual Cash Generating Unit (CGU) identified on the basis of the business segments and the markets where acquired companies operate.<br><br>At each financial statements date, or more frequently if needed, the directors verify the recoverability of goodwill by comparing the carrying amount with the related value in use of each CGU, determined discounting the expected cash flows. The processes as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of value in use, are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts.<br><br>Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of goodwill, we assessed this matter as a key audit matter.<br><br>Financial statements disclosures related to this matter are reported in the note "2. Summary of accounting standards" and in particular in the note "9. Goodwill", which describes the composition of the balance as of 31 December 2021, as well as the allocation process to the various CGUs and the methodology applied to assess the recoverable amount of assets, with specific reference to the valuation methodology and the assumptions used. | Our audit procedures related to the key audit matter included, among the others:<br>i. the analysis of the procedure adopted by the Company and of the methodology applied in connection with the valuation of goodwill, taking into account the impairment test procedure approved by the Board of Directors of the parent company on 17 March 2022;<br>ii. the evaluation of the methodology used for the identification of the CGUs and the allocation of assets and liabilities to the individual CGUs;<br>iii. the analysis of the reasonableness of the expected cash flows;<br>iv. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts;<br>v. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount.<br><br>Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts.<br><br>Finally, we analyzed the disclosures provided in the consolidated financial statements of Recordati Group as of 31 December 2021. |

Building a better working world

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Recordati Industria Chimica e Farmaceutica S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our

Building a better working world

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Recordati Industria Chimica e Farmaceutica S.p.A., in the general meeting held on 29 April 2020, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

Building a better working world

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

## Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of of Recordati Group as at 31 December 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Recordati Group as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Recordati Group as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

## Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 30 March 2022

EY S.p.A.
Signed by: Renato Macchi, Auditor

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

# CONSOLIDATED NON-FINANCIAL STATEMENT 2021

# LETTER TO STAKEHOLDERS

2021 has continued to be characterised by the health emergency caused by Covid-19, which has impacted the social and economic context both in Italy and across the world. Despite the challenges and difficulties of the pandemic, we have continued to show consistency, resilience and social responsibility.

2021 was an important year that says a lot about our commitment to integrating sustainability into our business. In fact, we pursued the pledges set out in our Sustainability Plan and achieved key social and environmental sustainability targets.

We continued with our efforts concerning energy efficiency projects, expanded our purchase of energy from renewable sources, supported local communities and shared our founding ethical values with our employees and partners.

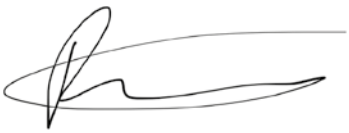
Above all, we continued to focus our priorities on patients. Indeed, we are guided by our constant ambition to improve the health and quality of life of our patients, offering high-quality and affordable products that serve a broad range of treatment areas, and pursuing a strategy to increase our presence in the rare diseases segment in order to provide innovative treatments that address serious unmet medical needs. We are convinced that by continuing to do our best on a daily basis to pursue this goal, we are able to create value for all of our stakeholders.

In this document we share the details of our achievements and our commitments for the future, based on the five strategic pillars of the Sustainability Plan: ethics and integrity, patient care, people care, environmental protection and responsible sourcing. In 2021, with the aim of continuous improvement, we updated the targets defined in the Plan, further confirming our growing focus on sustainability as a tool to develop our resilience and generate long-term value.

Our performance to date, which has been recognised by the leading ESG indices and ratings, and the trust we have earned among our stakeholders, are encouraging us to pursue this direction with commitment and passion. We are grateful to our more than 4,300 colleagues who continue to give their best to make Recordati an example of excellence that stands out thanks to its values. To them in particular, we would like to express our most sincere thanks.

ANDREA RECORDATI
*Chairman*

ROB KOREMANS
*Chief Executive Officer*



# SUSTAINABILITY HIGHLIGHTS

**100%**
purchased electricity from renewable sources and certified by Guarantees of Origin for European plants and annexed offices (57% of total electricity purchased by the Group)

**Approximately 3,750 trees planted**
in the metropolitan area of Milan through the Forestami project, with a commitment to plant 11,250 trees in the 2021-2023 three-year period

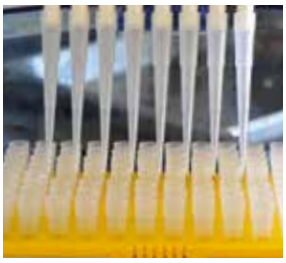
**€ 2.5 million**
in donations to the community

**95%**
of employees hired on permanent contracts

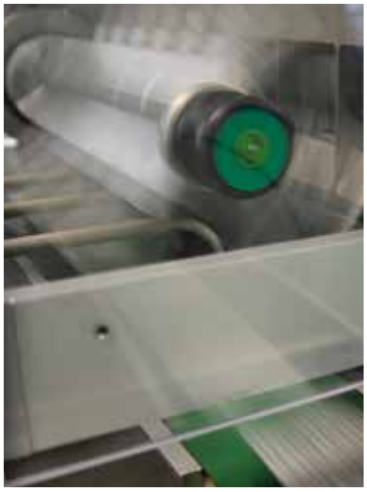
**47%**
of all employees in the Group are women. 56% women hired in 2021 out of total new hires

**Approximately 180**
supplier audits conducted by the pharmaceutical and chemical-pharmaceutical division, mainly on product quality and safety

**100% of employees received training**
on the Code of Ethics and the anti-bribery and anti-corruption policies in the 2020-2021 two-year period



# 1. THE RECORDATI GROUP



Recordati is a well-established and constantly growing international pharmaceutical group. For over 90 years, the Group has faced the challenges of a constantly evolving market with great determination, exploiting each of the opportunities best suited to its growth model. The Recordati group operates in a wide and differentiated field which comprises primary and speciality care, self-medication and rare diseases. In addition to cardiovascular disease, and specifically hypertension, Recordati is also active in urology and psychiatry.The Group has developed a growing presence in the segment dedicated to rare diseases, where it researches, develops and markets a number of orphan drugs.

## 1.1 THE RECORDATI GROUP: OVER 90 YEARS OF SUCCESS

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

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

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

The Group's most important products include Lercanidipine-based pharmaceuticals, a latest-generation antihypertensive calcium channel blocker, and products containing a combination of Lercanidipine and Enalapril, an ACE inhibitors. Both substances are used to treat cardiovascular conditions; the Group has strengthened its presence in this sector with the acquisition in 2017 of pharmaceuticals based on the beta-blocker Metoprolol.

For over forty years the Group has operated in the genito-urinary area, acquiring specific expertise and becoming the European partner of established international pharmaceutical companies. The offer has been recently expanded to include a leuprorelin acetate product indicated for palliative care in hormone-dependent prostate cancer (PCa) with a depot formulation for subcutaneous injection.

With a view to innovation and growth, the Group has enhanced its therapeutic range, developing its own pipeline of products and entering into the rare diseases sector. In fact, Recordati develops, produces and markets pharmaceuticals for the treatment of rare diseases through the Recordati Rare Diseases group. Recordati Rare Diseases is a leading pharmaceutical company entirely devoted to the research, development and commercialisation of drugs for the treatment of rare diseases, with a portfolio of products dedicated mainly to rare genetic metabolic disorders. Recently, portfolio in this segment was consolidated with the acquisition of additional important products in the field of rare endocrine diseases. Specifically, by acquiring universal rights from Novartis for Signifor® and Signifor® LAR for the treatment of Cushing's disease and acromegaly in adult patients when surgery is not indicated or when surgery has failed, as well as Isturisa® (osilodrostat), an innovative oral administration treatment that received European approval in January 2020 for Cushing's syndrome and U.S. approval in March 2020 for Cushing's disease. In March 2021, the Ministry of Health, Labour and Welfare (MHLW) of Japan approved Isturisa® (osilodrostat) for the treatment of patients with Cushing's syndrome.

In December 2021, the Group further expanded its principal therapeutic areas through the acquisition of EUSA Pharma (UK), a company focused on the treatment of rare and niche oncology diseases, enriching its product portfolio with four drugs with high growth potential.

Recordati Rare Disesase is one of the leading companies at an international level in terms of number of products launched on the market developed specifically to treat a rare disease. In recent years, the Group's activities to develop pharmaceuticals to treat rare diseases have extended to various countries in North and South America, as well as the Middle East, Japan and Australia.

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 "Review of Operations" sections of the 2021 Annual Report.

EMPLOYEES

over **4,300**

REVENUE

**€ 1,580.1** million

R&D SPENDING

**€ 166.1** million

*(this amount includes amortisation related to the purchase of new products)*

GEOGRAPHICAL PRESENCE

around **150 countries**

*(Specialty and Primary Care and Rare Diseases)*

**2**

pharmaceutical chemicals plants

*(Italy and Ireland)*

**6**

pharmaceutical production plants

*(Italy, France, Turkey, Spain, Tunisia and the Czech Republic)*

**1**

packaging and distribution plant handling drugs for rare diseases

*(France)*

## 1.2 THE RECORDATI GROUP'S VALUES

The values that inspire and guide the daily actions of the Group are described in the Code of Ethics:

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

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

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

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

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

## 1.3 THE RECORDATI GROUP'S GOVERNANCE

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

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

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

The Board of Directors of the Recordati group is composed of 12 members (4 of which are independent directors and 7 non-executive). Specifically, 58% of the BoD is composed of men and 42% of women. Furthermore, 17% of BoD members are between 40 and 50 years of age, while the remaining 83% are over 50.

The personal and professional characteristics of each Director still in office as at 31 December 2021 range from economic, financial and managerial matters, which for some of them also include significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters.

For further information, please consult the "Corporate governance report and ownership structure".

## 1.4 GENERATING VALUE FOR STAKEHOLDERS

During 2021, the activities of the Recordati group in the field of the research and sale of medicines represented an important profitability factor for the Group, allowing generation of various economic benefits for stakeholders.

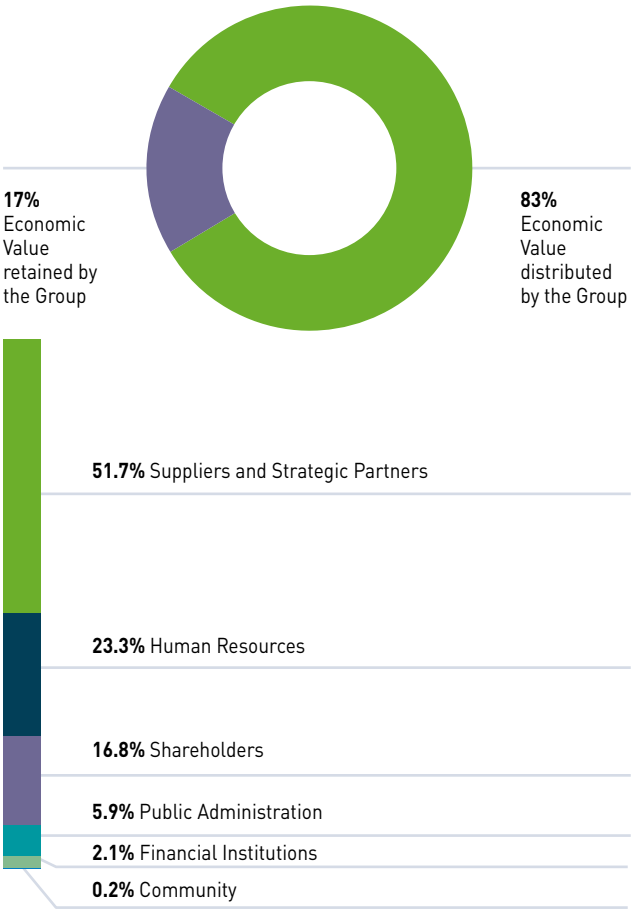
### Economic value generated and distributed by the Group

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

In 2021, of the € 1,580.7 million of economic value generated by the Recordati group, approximately 83% (equal to € 1,319.4 million) was distributed as follows:

- operating costs for suppliers and strategic partners of € 682.0 million, represented predominantly by the costs of raw materials, consumables and services;
- remuneration of human resources for a total of € 307.7 million, represented predominantly by the salaries and wages of Group personnel;
- remuneration of shareholders for a total of € 222.3 million, attributable to the distribution of dividends to shareholders[1];
- remuneration of the Public Administration, in the form of taxes, for € 77.4 million;
- remuneration of financial institutions for € 27.5 million, primarily formed of borrowing costs;
- donations disbursed during the year and various community contributions, for € 2.5 million.

### Economic value generated and distributed by the Recordati group[2]




1 *The value of the dividends distributed to shareholders refers to the balance for the 2020 financial year resolved in April 2021 for € 113.0 million, and the initial payment for the 2021 financial year defined in October 2020 for € 109.3 million.*

2 *The allocation of the Economic Value generated and distributed to various categories of stakeholder has been quantified through a reclassification of the income statement, elaborated according to the provisions of the "GRI - Sustainability Reporting Standards".*

## 1.5 WORK OF THE RECORDATI GROUP IN THE CONTEXT OF THE COVID-19 EMERGENCY

The past two years have proved to be particularly difficult for the entire world, which found itself facing an unprecedented health emergency with the COVID-19 epidemic.

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

**These measures include smart working for office staff for example, measures for production and distribution plants fully compliant with the provisions of the Authority, which have allowed the Group to continue production while guaranteeing the health and safety of production workers.**

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

**Recordati has also maintained ongoing dialogue with the supply chain, both recommending the adoption of strict prevention policies to protect the health and safety of individuals involved in the process and efficiently organising stock management, also differentiating the physical location of stock where possible.**

**Furthermore, fight from the start, the Recordati group has stood alongside the communities where it operates, offering support to the health facilities involved in combating the epidemic. It has supported numerous initiatives in different countries, largely through financial and product donations.**

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

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





# 2. THE RECORDATI GROUP'S APPROACH TO SUSTAINABILITY

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

ANDREA RECORDATI

## 2.1 THE RECORDATI GROUP'S COMMITMENT TO SUSTAINABILITY

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

In fact, when defining the Group's management strategies and policies, among Recordati's priorities, in addition to improving patient health and quality of life, is to identify the interests of all stakeholders, monitoring and managing the economic, social and environmental impacts of its work.

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

### The Group's sustainability governance

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

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

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

- analyses the relevant topics for the generation of value in the long term prior to approval by the Board of the business plan for the Group companies;
- examines and evaluates, at least once a year, the results of the Risk Assessment carried out by the Company and reported in the Company Risk Catalogue and, based on this analysis, defines the nature and level of risk compatible with the Company's strategic goals, including in its assessments all elements that may be of significance in the context of sustainable success of the Company;
- monitors sustainability topics connected to business activity and the dynamics of interaction of the latter with all stakeholders in accordance with the principle of sustainable success;
- examines Sustainability Plan guidelines and how to implement sustainability policies;
- examines the general composition of the consolidated Non-Financial Statement and the structure of its content, as well as the completeness and transparency of information provided in this document;
- expresses, on request of the Board, an opinion on sustainability issues.

The Environmental, Social & Governance department reports directly to the Group General Manager and is responsible for managing and coordinating topics related to sustainability at Group level. This department encourages and supports the various departments of the Group in the adoption and integration of sustainability principles in decision-making and business processes. In collaboration with the relevant departments, it identifies risks linked to sustainability topics, and areas and projects for improvement. It proposes strategies and goals of the Sustainability Plan and prepares the consolidated Non-Financial Statement. In addition, it promotes dialogue with stakeholders and disseminates the culture of sustainability within the Group.

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

## Main ESG indices and ratings

As of 2021, the Recordati group received an MSCI ESG Rating of A[3]. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.

**RECORDATI WAS INCLUDED IN THE MIB ESG INDEX, THE FIRST INDEX PROMOTED BY EURONEXT AND BORSA ITALIANA**

In October 2021, Recordati was included in the MIB ESG Index, the first index promoted by Euronext and Borsa Italiana for Italian blue-chip companies demonstrating best ESG practices. The inclusion of the Group in the index is further evidence of Recordati's real commitment to ESG. In fact, the index selects the top 40 Italian listed companies that have demonstrated perfect integration between economic performance and ESG criteria, in line with the United Nations Global Compact principles.

In June 2021, Recordati achieved the "Gold" rating in the analysis carried out by EcoVadis, falling within the top 5% of companies with the highest score globally. This recognition represents a further sign of the importance of sustainability in the company's corporate strategy. The score assigned to Recordati is based on the policies, actions and results achieved by the company in 4 key areas for sustainability assessed by EcoVadis: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement.

In May 2021, Recordati group was rated C by ISS ESG, leading to a Decile Rank of 4. The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). ISS ESG offers support services for the development and integration of policies and practices related to responsible investment.

Following the review in June 2021, the Recordati group was confirmed in the FTSE4GOOD Index series that measure the performance of companies in terms of ESG (Environmental, Social and Governance) criteria and are used by many financial operators all around the world to develop and evaluate products focused on sustainable investment.

In 2021, Recordati scored C (Awareness level) in the CDP Climate Change questionnaire. The CDP (formerly the Carbon Disclosure Project) is the non-profit organisation which runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts, and is most recognised worldwide for assessing company transparency in their disclosure of information.

*3 The use by the Recordati group of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Recordati group by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.*

## 2.2 THE RECORDATI GROUP'S STAKEHOLDERS

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

In this context, the Recordati group has identified its own key stakeholders by focusing on its understanding of how the Group's social role relates to company activities, with the aim of identifying their expectations and defining actions in response to the legitimate interests expressed.

The Group believes that it is fundamental to build and maintain solid and lasting relationships with stakeholders. A relationship based on constant dialogue and active involvement is essential for the generation of value in the long term.

In order to engage all of our stakeholders in their activities, optimising their roles and monitoring the possible direct and indirect impacts of the Group's activities on the relevant parties, the Recordati group implements stakeholder-engagement initiatives.

In particular, the Recordati group engages with its stakeholders on ESG topics during the periodic update of the materiality matrix. To this end, in 2020 around 150 stakeholders from different categories were involved through an online questionnaire. The stakeholders expressed their point of view on the importance of sustainability topics. This dialogue enabled the identification of the topics considered most important by the stakeholders, guiding definition of the material topics for reporting in the Non-Financial Statement and the topics on which to focus actions of the Sustainability Plan. For further details, please see the paragraph "Materiality Analysis".

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

- the organisation of awareness-raising initiatives and scientific research projects through conferences and training courses on specific themes relating to the treatment of rare diseases. Aimed at health professionals, doctors and researchers, these initiatives are designed to intensify the sharing of knowledge about the treatment of rare diseases;
- promotion of support initiatives aimed at the families of patients affected by rare diseases, with the aim of improving quality of life for both patients and their families;
- dialogue with healthcare operators, the scientific community and universities;
- relations and meetings with financial analysts and institutional investors focused on providing economic and financial information;
- internal communication initiatives and meetings with trade-union representatives;
- sharing of standards, day-to-day and institutional relations with suppliers and strategic partners;
- meetings with representatives of Local Communities and Regulators.

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

In 2021 the Recordati group was a member of various industry associations located in its countries of operation. In the context of Corporate Social Responsibility, Recordati is a member of the Sodalitas Foundation, which aims to work with its affiliated members to build a partnership of community growth, generating shared social value and contributing to a future founded on inclusivity and development. It is also a member of the Italian association Sustainability Makers which brings together businesses and professionals committed to defining and implementing sustainability practices and projects in companies and other organisations.

### The Recordati group's stakeholders[4]


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

## THE RECORDATI GROUP'S MAIN INDUSTRY ASSOCIATIONS

**ITALY**
Farmindustria
Confindustria Dispositivi Medici
ASSONIME
FEDERSALUS-Associazione Nazionale Produttori e Distributori prodotti salutistici
IBC Associazione Industrie Beni di Consumo
ASSOLOMBARDA
FARMADATI
UPA (Unione Pubblicità Associati)

**FRANCE**
LEEM (Les Entreprises du Médicament)
AFIPA (Association Française de l'Industrie Pharmaceutique pour l'Automédication)
GIE GERS
CIP (Club Inter Pharmaceutique)
Club Léonard de Vinci
CRIP (Cercle de réflexion de l'industrie pharmaceutique)

**BELGIUM**
Pharma.be (General national association of the pharmaceutical industry)
EUCOPE (European Confederation of Pharmaceutical Entrepreneurs)
EuropaBio (European Association for Bioindustries)

**NETHERLANDS**
Comité Weesgeneesmiddelen (committee of orphan drugs)

**GERMANY**
AGV Chemie - Arbeitgeberverband der Chemischen Industrie
IHK Ulm - Industrie - und Handelskammer Ulm
AKG e.V. - Arzneimittel und Kooperation im Gesundheitswesen e.V.
Wirtschaftsrat der CDU
Senat der Wirtschaft
BPI - Bundesverband der Pharmazeutischen Industrie e.V. (The German Pharmaceutical Industry Association)
DCCV e.V. - Deutsche Morbus Crohn/ Colitis Ulcerosa Vereinigung
UND e.V. - Urologen Netz Region Düsseldorf e.V.
VCI - Verband der Chemischen Industrie
ACS Pharma Protect GmbH - Securpharm

**SWITZERLAND**
*vips* Swiss Association of the Pharmaceutical Industry
*scienceindustries* Business Association Chemistry, Pharma, Biotech
Swiss Biotech Association
*HLG* Swiss Healthcare Licensing Group
Swiss Health Quality Association
Technology Forum Zug

**AUSTRIA**
PHARMIG - Verband der pharmazeutischen Industrie Österreichs
AMVS - Austrian Medicines Verification System GmbH
BASG - Bundesamt für Sicherheit im Gesundheitswesen
FCIO ARGE Pharma - Fachverband der chemischen Industrie Österreichs Wirtschaftskammer Österreich
AGES - Österreichische Agentur für Gesundheit und Ernährungssicherheit GmbH

**SPAIN**
Farmaindustria
Anefp (National Association of OTC products)
AINFA
AELMHU

**IRELAND**
Bio Pharmachemical Ireland (BPCI)
IBEC (Irish Business Employers' Confederation)
Cork Chamber of Commerce
Irish Exporters Membership - Logistics
PMI (Pharmaceutical Managers of Ireland)
MMRI (Medical Reps Institute of Ireland)
IMVO (Irish Medicines Verification Organisation)

**PORTUGAL**
APIFARMA - Portuguese Pharmaceutical Association
GROQUIFAR
AICIB

**POLAND**
Commercial Chamber "Farmacja Polska"
Buziness Centre Club

**RUSSIA**
GIM-Unimpresa

**UKRAINE**
EBA - European Business Association

**TURKEY**
Pharmaceutical Manufacturers Association of Turkey
ICC - The İstanbul Chamber of Commerce
Camera di Commercio Italo-Turca
Çerkezköy Organized Industrial Zone
Çerkezköy Chamber of Commerce and Industry
Istanbul Chemicals and Chemical Products Exporters' Association
The Union of Chambers and Commodity Exchanges of Turkey

**GREECE**
SFEE - Member of Hellenic association of Pharmaceutical Companies

**TUNISIA**
CNIP - The National Chamber of Pharmaceutical Industry
The Council of the Pharmacists Association

**UNITED KINGDOM**
EMIG Ethical Medicines Industry Group
ABPI - The Association of the British Pharmaceutical Industry

**UNITED STATES**
American Chemical Society
ASPN - American Society of Pediatric Nephrology
BIO - Biotechnology Innovation Organization
Global Genes
Healthcare Distribution Association
NORD corporate council
RAPS - Regulatory Affairs Professional Society

**CANADA**
LSO - Life Sciences Ontario
RAREi - The Canadian Forum for Rare Disease Innovators
CORD - Canadian Organization for Rare Disorders

**DENMARK**
ENLI - Ethical Committee for the pharmaceutical industry

**KAZAKHSTAN**
AIPM (Association of International Pharmaceutical Manufacturers in Kazakhstan)

**BRAZIL**
SINDUSFARMA (Union of Pharmaceutical Products Industries)
INTERFARMA (Pharmaceutical Industry Research Association)

**COLOMBIA**
ANDI (Asociación Nacional de Industriales)

**JAPAN**
Pharma Delegates
The Pharmaceutical Manufacture's Association of Tokyo
Kansai Pharmaceutical Industries Association
Kusuri no Shiori

**MEXICO**
AMIIF (Asociación Mexicana de Industrias de Investigación Farmacéutica)

**CZECH REPUBLIC AND SLOVAKIA**
SARAP (Slovak Association of Regulatory Affairs Professionals)
CASP (Czech association for food supplement)

**AUSTRIALIA**
Rare Voices Industry Working Group

**MALAYSIA**
MFCCI - Malaysia French Chamber of Commerce and Industry

## AWARDS RECEIVED BY SOME SUBSIDIARIES OF THE RECORDATI GROUP FOR SUSTAINABILITY RELATED INITIATIVES

### Portugal – Jaba Recordati wins the prize for the best Social Responsibility Company in June 2021:

in the tenth edition of the "Human Resources Awards", an initiative organised by the Human Resources Portugal magazine, Jaba Recordati was named the best Social Responsibility Company of the Country, winning the "Social Responsibility – SME" award. This award is an important recognition of the commitment of Jaba Recordati to improve its social and environmental responsibility performance through the implementation of initiatives and sustainable activities that include its employees, integrating social and environmental aspects in their activities and objectives.

### Poland – Recordati Polska wins the national Business Centre Club – Well Seen Company contest in November 2021:

during the 12th edition of the contest "Well Seen Company" organised in Poland by Business Centre Club, Recordati Polska was awarded for its commitment in carrying out its activities in a socially responsible manner. The contest had the objective of awarding companies that manage their businesses in a socially responsible way and of raising awareness on corporate social responsibility. The panel, composed of Corporate Social Responsibility experts, awarded Recordati for its performance in the following areas: the development of a CSR strategy, the effectiveness of internal and external CSR communication, the corporate policy toward its employees in compliance with the principles of equal rights and the values of corporate social responsibility.

### Turkey – Recordati İlaç named winner of the 2021 DoktorClub Social Responsibility Project of the Year award:

the project "With Unconditional Love Combating Violence Against Women" ("Kadına Karşı Koşulsuz Sevgi ile"), supported by Recordati İlaç in collaboration with Women Physicians Education Support Foundation (KAHEV), was recognised in the Social Responsibility Project contest organised by DoktorClub in Turkey.
The project presented by Recordati consists of 3 animated videos voiced by 20 female doctors, that represent real cases of violence against women, based on witnesses' accounts. The videos were shared on social media accounts by the Turkish Ministry of Family and Social Services, by the KAHEV Foundation, by Recordati and by many female doctors to raise awareness on violence against women to mark International Women's Day.

# 2.3 MATERIALITY ANALYSIS

The Materiality Matrix is an important tool to identify the most relevant sustainability topics from the perspective of the Company and its stakeholders. It forms the basis for preparation of the Consolidated Non-Financial Statement and helps to identify the ESG factors, i.e., those of an environmental, social and governance nature, on which to focus strategies and actions. In fact, the materiality analysis is used by the Group to identify strategic priorities in terms of sustainability, as well as to define the content of the Consolidated Non-Financial Statement, adopting the reporting standards issued by the Global Sustainability Standard Board of the Global Reporting Initiative (GRI).

The Recordati group periodically updates its materiality analysis in order to identify the need for any changes to the matrix in response to evolutions of the context in which it operates, megatrends and emerging topics. In particular, in 2020 the Group conducted an in-depth analysis that led to the substantial update of the Materiality Matrix.
The updating of the Materiality Matrix in 2020, performed by the Environmental, Social and Governance department, with the support of a recognised specialised consulting company, was structured in four project phases, as follows:

### Preliminary analysis

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

### Stakeholder engagement

Between September and November 2020, the Recordati group implemented stakeholder engagement activities, involving and listening to the points of view of stakeholders, with the goal of making the Materiality Matrix update process even more robust, in line with best practices and the main sustainability frameworks, and specifically in compliance with the requirements of the GRI standards. To this end, using the results of the preliminary analysis, an online questionnaire was prepared and sent to a panel of around 150 recipients belonging to all of the various stakeholder categories, previously identified in close collaboration with the different company departments. The stakeholders evaluated the individual topics, assigning a score to each on a scale from one to five, and therefore contributed to defining the prioritisation of the topics on the basis of the assigned relevance. The questionnaire also asked respondents to indicate any additions to the topics identified. The stakeholder engagement activities carried out promoted inclusion of the points of view of stakeholders in the Materiality Matrix and more precise identification of the material topics for which stakeholders of the Group expect constant commitment and tangible actions from Recordati, in compliance with the guiding principle of stakeholder inclusiveness of the Global Reporting Initiative.

### Involvement of Top Management

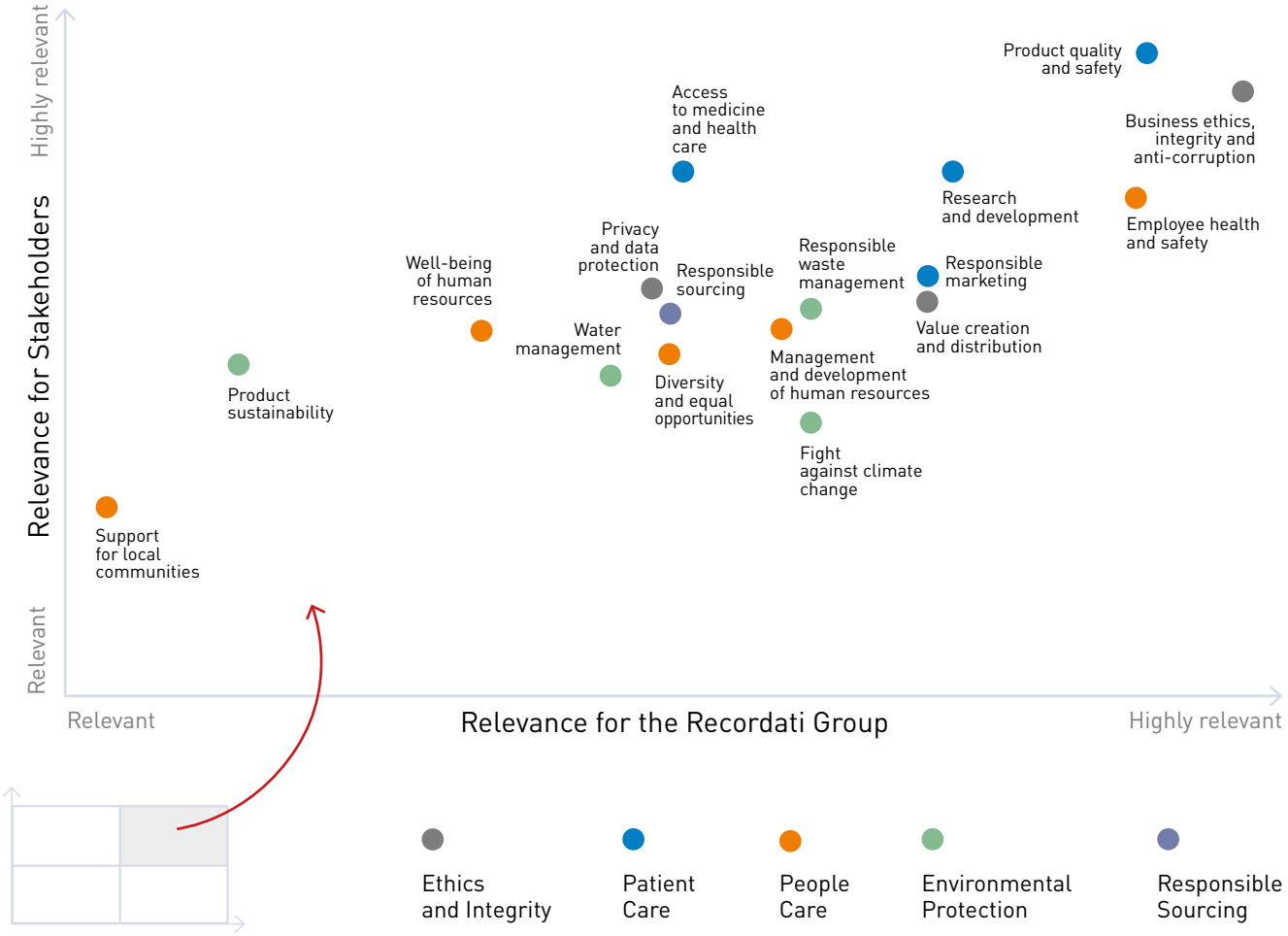
In addition to stakeholder engagement, the Recordati group has taken actions to engage Top Management, in order to identify priority material topics from the Group's perspective. Top Management engagement was implemented through one-to-one meetings and an online questionnaire. Top Management was also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

### Definition and approval of the Materiality Matrix

During the final phase of the Materiality Matrix updating process, the Group processed data and summarised the results of the evaluation of material topics by stakeholders and Top Management. This enabled the material topics to be ranked and prioritised within the Materiality Matrix. The results of the analysis were discussed with executive management and shared with the Risk, Control and CSR Committee and the Board of Directors.

In 2021 the alignment of the Materiality Matrix to the evolution of the reference scenario and emerging topics was evaluated and updates were made to the topic "Fight against climate change", deemed by executive Management to be more significant than previously considered. This evaluation considered the growing body of environmental legislation and the current transition towards a decarbonised economic system, the risks associated with climate change and the growing focus of the Group on climate action. The new Materiality Matrix was shared with the Risk, Control and CSR Committee and with the Board of Directors.

## RECORDATI GROUP'S MATERIALITY MATRIX




The Materiality Matrix represents the 17 topics selected according to their economic, social and environmental relevance both for the Recordati group and for the stakeholders involved. In particular, the Matrix identifies the level of importance assigned to the topics from the perspective of management on the horizontal axis "Relevance for Recordati group" and from the perspective of stakeholders on the vertical axis "Relevance for Stakeholders". Material topics are grouped into five specific areas: ethics and integrity, patient care, people care, environmental protection and responsible sourcing.
The topics of relevance identified in the Materiality Matrix are discussed and explored in subsequent chapters of this Statement in compliance with the reporting standards and the provisions of Italian Legislative Decree 254/2016. Please note that aspects linked to "Governance", "Regulatory Compliance" and "Risk Management" are not included in the final proposal of material topics for the Group as these aspects are considered as essential prerequisites for Recordati to continue to generate value and thus are in any case subject to reporting within this Consolidated Non-Financial Statement.
Furthermore, the topic of human rights is not considered a topic in itself but is discussed in other topics such as "Responsible Sourcing", "Business ethics, integrity and anti-corruption", "Diversity and equal opportunities" and "Research and development".

# 2.4 SUSTAINABILITY PLAN

The Sustainability Plan is the tool used to share the Group's future trajectory with its stakeholders: it represents an expression of the ambitions of the Recordati group and the commitments it wishes to prioritise in order to promote sustainable and responsible growth.

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

## OUR ASPIRATION

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

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

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

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

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

The Sustainability Plan focuses on 5 priority areas:

- **Patient care**
- **People care**
- **Environmental protection**
- **Responsible Sourcing**
- **Ethics and Integrity**

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

## PATIENT CARE

Our ambition

We are open to partnering and dedicated to discovering and developing innovative, value-added products that improve quality of life and help people to enjoy longer, healthier and more productive lives. We wish to offer our patients fast, widespread and sustainable access to our products.

## PEOPLE CARE

Our ambition

We are committed to creating a safe and inclusive working environment where everyone can express their talents. Our Employees are our most important asset and, therefore, we recognise and value the role that each person plays in the success of our business.

We aim to create shared value and positively contribute to sustainable development where we operate, aware of the importance of dialogue, collaboration and respect for the community.

## ENVIRONMENTAL PROTECTION

Our ambition

Improving human health is the cornerstone of our mission, but we are aware that the health and well-being of present and future generations and the health of our planet are closely interlinked.
With this in mind, we want to take conscious action by working to preserve natural resources and biodiversity and contribute to the fight against climate change by minimising our environmental impact.

## RESPONSIBLE SOURCING

Our ambition

We want to build relationships based on transparency and trust, sharing our values with suppliers and strategic partners.
We are committed to constantly promoting respect for ethical, environmental and social aspects along the entire value chain.

## ETHICS AND INTEGRITY

Integrity is our founding value, and we lead by example.
The principles of honesty and transparency towards our Shareholders and Stakeholders guide our daily actions.

### Process for the definition of the Sustainability Plan

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

The objectives of the CEO's MBO scheme include the key social and environmental targets defined in the Sustainability Plan. Furthermore, responsibility for the achievement of the goals included in the Sustainability Plan is assigned to the representatives of the various departments involved, who have the resources, tools and know-how required for their implementation; the Management by Objectives (MBO) scheme integrates social and environmental objectives associated with the implementation of the Plan itself which are assigned to certain key management figures.

In 2020, Recordati established the Group's first Sustainability Plan and in 2021, as part of a process of continuous improvement, the targets outlined in the plan were updated. In fact, the Plan defines a periodic monitoring and updating process:

- in order to monitor the commitments undertaken by the Group, the Environmental, Social and Governance department requests status reports on the objectives and informs the Risks, Control and CSR Committee;
- the plan is updated on an annual basis in order to take account of the implementation status of existing projects and to set new targets.

The tables below indicate the progress status of each target and the objectives that the Group intends to reach in the future.
For more details on actions implemented in relation to targets that have been achieved, please see the specific chapter.

## ETHICS AND INTEGRITY

| TARGETS DEFINED | RESULTS IN 2021 | FUTURE TARGETS |
|---|---|---|
| **Business ethics, integrity and anti-corruption** | | |
| Distribute the Code of Ethics and train 100% of employees | ✔ ACHIEVED<br>The new version of the Code of Ethics was translated in the main languages used by the Group and made available to all employees.<br>Furthermore, the 2020-2021 training plan involving all Group employees was completed. The training was delivered in 10 languages and was also extended to contractors/consultants who provide services to the Company on a continuous basis | 100% of Group employees involved in a two-year training programme on ethics, anti-corruption, anti-bribery topics (2022 - 2023) |
| Distribute anti-corruption policies and train 100% of employees. Specifically, distribution of and training on the new Group anti-bribery manual and country-specific anti-corruption laws (e.g. training on the 231 Model) | ✔ ACHIEVED<br>The Group's new anti-bribery manual and the other anti-corruption models specific to various countries (e.g. 231 Model, Ley Orgánica) were distributed and made available in the main languages spoken by the Group and published on the website. Furthermore, the 2020-2021 training plan on anti-bribery and anti-corruption legislation involving all Group employees was completed. The training was delivered in 10 languages and was also extended to contractors/consultants who provide services to the Company on a continuous basis | |
| Begin third-party/partner due diligence based on anti-corruption policies through an ad hoc questionnaire | ✔ ACHIEVED - ONGOING<br>The strategic approach and the execution methods of the third-party/partner due diligence was defined | Implementation of third-party/partner due diligence based on anti-corruption policies through an ad hoc questionnaire (2022) |
| **Privacy and data protection** | | |
| Deliver a training programme on privacy low (e.g. GDPR) aimed at approximately 1,200 employees in foreign branches | ✔ ACHIEVED<br>Privacy training was delivered to around 1,790 Group employees | Completion of privacy training cycle by all EU branch employees (2022) |
| **Communication and transparency** | | |
| Develop a new section on the Group's website dedicated to Sustainability | ✔ ACHIEVED<br>A specific sustainability section was published on the Group's website | |

# PATIENT CARE[5]

| TARGETS DEFINED | RESULTS IN 2021 | FUTURE TARGETS |
|---|---|---|
| **Access to medicine and healthcare** | | |
| Further enhance (by Recordati Rare Diseases) the Patient Assistance Program (PAP) and Co-Pay Assistance Program (CAP) aimed at providing assistance to patients who are eligible to receive financial support for products | ✔ ACHIEVED<br>The PAP and CAP programmes were extended to recently acquired endocrine drugs | Recordati believes that every single patient should have access to the best possible treatment.<br><br>In the field of rare diseases, the Group is committed to:<br>• Continuing to expand rare disease and orphan drugs innovation pipeline and research and development of new therapies<br>• Continuing to work closely with rare disease communities (including doctors, healthcare professionals, patients groups and families) to increase awareness, improve diagnosis and expand availability of treatments for people with rare diseases<br>• Continuing with the provision by Recordati Rare Diseases of the Patient Assistance Program (PAP) and Co-Pay Assistance Program (CAP) aimed at providing assistance to patients who are eligible to receive financial support for products (2022)<br><br>In the context of the Speciality & Primary Care Division, the Group is committed to:<br>• Continuing to provide high-quality and affordable products servicing a broad range of therapeutic areas |
| Continue to promote initiatives and training activities (including through the Recordati Rare Diseases Foundation) aimed at improving the diagnosis and treatment of rare diseases<br><br>Support medical and healthcare organisations dedicated to assisting those suffering from medical conditions and improving the quality of life of patients and their families through research and support projects and initiatives | ✔ ACHIEVED<br>In 2021 the initiatives and training programmes aimed at improving the diagnosis and treatment of rare diseases continued.<br>Furthermore, support for organisations involved in the medical-healthcare sector continued | |
| Donate products to organisations that collect and distribute pharmaceuticals to healthcare facilities that regularly assist disadvantaged people who are unable to purchase medicines | ✔ ACHIEVED<br>The Group made various donations of its products. Key donations include the donation to the Fondazione Banco Farmaceutico, an organisation which collects and recovers medicines from donors and companies and distributes them to facilities that care for people in need | Continue initiatives of product donations to organisations that collect and distribute pharmaceuticals to healthcare facilities that regularly assist disadvantaged people who are unable to purchase medicines (2022) |
| **Anti-counterfeiting** | | |
| Launch new projects to fight drug counterfeiting, focusing in particular on Brazil and other countries in relation to changing legislation | ✔ ACHIEVED<br>Projects to combat drug counterfeiting were launched in line with the developing legislation. In particular, serialisation projects were implemented in Bahrain and the United Arab Emirates in 2021. As regards Brazil, the project was launched and will be implemented in line with the timetables set by local legislation | Continue to take the necessary steps to fight drug counterfeiting and allow the unique identification of medicinal products. Specifically, completion of the serialization project to fight drug counterfeiting in the countries where we operate in relation to changing legislation (2022) |

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

# PEOPLE CARE

| TARGETS DEFINED | RESULTS IN 2021 | FUTURE TARGETS |
|---|---|---|
| **New ways of working and work-life balance** | | |
| Define the project aimed at the full implementation of smart working for employees | ✔ ACHIEVED - ONGOING<br>The project was defined with the provision of Group guidelines and local adaptations in line with reference legislation and pharmaceutical market practices | Continue to use smart working even after the "emergency phase" due to the COVID-19 pandemic (2022) |
| **Training and development** | | |
| Promote training activities focused on management and leadership skills and the "new" skills required to manage new work style, especially those related to smart working (e.g. digital transformation, remote team management, work/ life balance in the new online dimension) | ✔ ACHIEVED<br>The "leading remotely" master class was held to provide guidelines and practical tools to manage challenges and explore the opportunities of remote working.<br>The training programme was put together by the Corporate HR department with the contribution of HR personnel from various counties in collaboration with SDA Bocconi University Business School | Continue to manage training and development initiatives, also by promoting growth opportunities at all levels of organisation (2022). The various leadership development initiatives include the launch of the Recordati Leadership Academy, which provides initiatives for:<br>• New Leaders: 5 training days for employees transferring from a "single contributor" role to a "leading role"<br>• Recordati Leaders: specific training to further develop managerial skills<br>• Executive Leaders: specific training to enter into the executive leadership team or become Country General Managers |
| | | Strengthening succession planning, in particular for key roles (2022)<br><br>Strengthening internal career plans in order to support internal growth vs external recruitment (2022) |
| **Diversity and equal opportunities** | | |
| Sign the Charter for Equal Opportunities and Equality at Work, which represents a declaration of commitment to adopt inclusive human resources policies, supported by the Italian Ministry of Labour and Social Policies | ✔ ACHIEVED<br>The Charter for Equal Opportunities and Equality at Work was signed | Plan a strategy and actions to promote diversity and inclusion in the Group, including:<br>• increase the percentage of women in Top and Senior management positions<br>• recruit and promote employees who have both top skills and qualifications and reflect our focus on inclusion and diversity: from 2022 onwards, at least 40% of candidates short-listed for Top and Senior Management positions must be women and the internal personnel responsible for selecting new recruits and promoting employees must include at least one woman<br>• promoting a culture of inclusion by launching a training programme on "unconscious bias" to raise awareness on the issue (2022) |
| **Health, safety and well-being** | | |
| Reinforce the corporate culture aimed at preventing, monitoring and reducing occupational injuries through measures and initiatives to safeguard employee health and well-being (including installation of devices to facilitate and reduce the manual handling of loads, training and raising awareness) | ✔ ACHIEVED<br>Training was delivered constantly and further initiatives aimed at protecting employee well-being, health and safety were implemented (e.g. equipment to facilitate and reduce manual load handling were installed to reduce the risk of injury) | Reinforce a corporate culture aimed at preventing, monitoring and reducing occupational injuries through measures and initiatives to safeguard all employees (2022)<br><br>Run an online driver safety training programme for all employees with a company car in order to encourage safe driving practices (2022-2023) |

| | | |
|---|---|---|
| Promote programmes aimed at encouraging healthy lifestyles through initiatives to promote sport, training on health, well-being and work-life balance (e.g. healthy eating, psychological well-being, parenthood and family), consultations with nutritionists, sports coaches, psychologists and smoking cessation therapists | ✔ ACHIEVED - ONGOING<br>A series of projects aimed at encouraging health lifestyles and a positive work-life balance were identified and defined | Promote programmes aimed at encouraging well-being initiatives (to support psychological well-being, healthy lifestyles, healthy eating, Q&A sessions with nutritionists, parenting and family wellness, fitness activities, training on personal health and work-life balance, etc.) (2022) |
| **Support for local communities** | | |
| Community support through solidarity, social and cultural initiatives aimed at promoting the growth and well-being of local communities | ✔ ACHIEVED<br>Various social initiatives to promote the development and well-being of local communities in the Group's areas of operation were supported. These included support for Opera di San Francesco per i Poveri, Fondazione Banco Alimentare Onlus, Pane Quotidiano ONLUS, Programma QuBì promoted by Cariplo Foundation, etc | Continue to support the communities through solidarity, social and cultural initiatives aimed at promoting the growth and well-being of local communities (2022) |

## ENVIRONMENTAL PROTECTION

| TARGETS DEFINED | RESULTS IN 2021 | FUTURE TARGETS |
|---|---|---|
| **Climate action - renewable energy initiatives** | | |
| 100% renewable electricity purchased for our European production and packaging sites and annexed offices | ✔ ACHIEVED<br>100% of the electricity purchased for our European production and packaging sites and annexed offices is from renewable sources (57% at Group level)[6] | 100% renewable electricity purchased for our Group production and packaging sites and annexed offices (2025)[7] |
| Install solar panels to generate electricity on the roof of the Utebo plant;<br>Launch a feasibility study to assess the possibility of installing photovoltaic panels at the Cork production plant;<br>Install a thermal solar system to produce hot water for the changing rooms at the Campoverde production site | ✔ ACHIEVED - ONGOING<br>Utebo: the authorisation process with local authorities is underway<br>Cork: the feasibility study for the installation of the photovoltaic system has been completed<br>Campoverde: the installation of a thermal solar system to produce hot water for the changing rooms at the production site has begun and will be completed in early 2022 | • Install solar panels on the roof of the Utebo production plant (2022)<br>• Install photovoltaic panels at the Cork production plant (2022) |

*6 The Recordati group has 8 production plants (2 chemical-pharmaceutical plants and 6 pharmaceutical production plants) in addition to one plant dedicated to packaging. Please note that 7 of the 9 production sites are in Europe and are powered by renewable energy. The annexed offices of the Group's European plants also purchase renewable energy, with the exception of the offices in Czech Republic, as the electricity contract for this specific area is included in the lease and thus is not regulated or managed directly by the Group. In any case, the impact on total electricity in Europe is negligible.*

*7 Purchase of renewable electricity for plants located in countries where it is available.*

| | | |
|---|---|---|
| **Climate action - energy efficiency initiatives** | | |
| Gradually replace traditional lighting systems with LED lights:<br>• complete replacement of the existing lighting systems with LED lights in the Utebo production plant and the intermediates warehouse of the Campoverde plant (Aprilia)<br>• launch the project to replace the current lights with LED lights in the production department of the Milan plant (the replacement will be completed by 2023) | ✔ ACHIEVED - ONGOING<br>The first stage of the LED replacement process at the Milan plant is complete; replacement works are underway at the Campoverde plant (in the Intermediates warehouse) and the Utebo plant and will be completed in early 2022 | Gradually replace traditional lighting systems with LED lights:<br>• in the production department of the Milan plant (2nd step by 2022 – full replacement will be completed by 2023) and for external lighting (2022)<br>• replacement of the existing lighting systems with LED lights in the surrounding area of the Campoverde production plant (2022) |
| Install 2 inverter blowers at the Campoverde production plant to control the oxygenation levels of the wastewater treatment plant, enabling the regulation — and thereby improving the efficiency — of the machine's power based on the actual needs of the treatment plant (resulting in an estimated 50% reduction in electricity consumption compared to the current operating conditions of the unit scheduled for replacement) | ✔ ONGOING<br>The project is underway and the installation is due for completion in 2022 | Promotion of energy efficiency initiatives in the production plants (e.g. Campoverde Plant: installation of ammonia based chiller unit with inverter power regulator enabling the regulation - and thereby improving the efficiency - of the machine's power based on the actual cooling needs) (2022) |
| Install specific energy consumption monitoring systems (steam and electricity use) at the production plant in Çerkezköy, Turkey and the Campoverde plant in order to obtain more accurate energy consumption data and to identify possible optimisation measures | ✔ ACHIEVED - ONGOING<br>Works have begun to install energy consumption monitoring systems (steam and electricity) at the plant in Turkey and in Campoverde. As regards the Turkish plant, in 2021 the installation of energy meters was completed; the other activities are due for completion in 2022 | |
| **Climate action - other initiatives** | | |
| Participate in the Forestami project which aims to plant trees in the Milan Metropolitan Area in order to increase the amount of urban green spaces, improve citizens' well-being and reduce atmospheric pollution | ✔ ACHIEVED<br>Recordati has confirmed its participation as a Main Partner of the Forestami project for 2021-2023. In 2021 a total of 3,750 trees were planted and the Group supported a project to naturalise the Parco delle Cave in Milan | Planting of about 11,250 trees in the Milan Metropolitan area (and maintenance for 5 years) through the support of the Forestami project for the three-year period of 2021-2023 |
| Progressive incentivisation and introduction of eco-friendly vehicles in the company's fleet | ✔ ACHIEVED - ONGOING<br>In order to progressively promote the increased use of eco-friendly vehicles, the new list of cars available to the Italian medical sales representatives and area managers includes hybrid and electric vehicles | Progressive incentivisation of eco-friendly vehicles in the company's fleet: installation of charging stations for electric and hybrid vehicles of the company fleet at the Italian sites in Milan and Campoverde and at the Irish site in Cork (2022) |

| Responsible waste management and circular economy initiatives | | |
|---|---|---|
| Extend initiatives to recover and reuse chemical raw materials used in production processes, taking a circular economy approach, with a consequent positive impact on waste reduction and the use of natural resources.<br>Feasibility study for a project to reduce certain types of hazardous waste through the installation of a system to capture certain heavy metals | ✔ ACHIEVED - ONGOING<br>New recovery and re-use initiatives for the chemical raw materials used in production processes (such as solvents - ethanol - and palladium) were analysed.<br>Furthermore the feasibility study for the recovery of certain heavy metals was completed | Continue with the analysis of possible new initiatives for the recovery and reuse of chemical raw materials used in production processes, and investigate further the possibility of recovering certain raw materials on a routine basis for which feasibility on an industrial scale has already been demonstrated (2022-2023)[8] |
| Analyse possible packaging solutions with lower environmental impact | ✔ ACHIEVED - ONGOING<br>Analyses and feasibility studies relative to the packaging of certain products are in progress | Continue with the analysis of possible packaging solutions with lower environmental impact (2022-2023) |

## RESPONSIBLE SOURCING

| TARGETS DEFINED | RESULTS IN 2021 | FUTURE TARGETS |
|---|---|---|
| **Promote a responsible supply chain** | | |
| Define a strategic supplier management and monitoring plan that also considers ethical, social and environmental aspects | ✔ ACHIEVED - ONGOING<br>The supplier monitoring plan was defined | Monitoring of suppliers on ESG aspects through audits by an independent third party (EcoVadis) – (three-year plan starting from 2022) |
| Roll out the Attitude Project group-wide, aimed at standardising the supplier selection and qualification process — including from an ethical and environmental standpoint — and creating a universal shared database to ensure supplier quality control | ✔ ACHIEVED - ONGOING<br>The extension of the "Attitude project" was continued, making it possible to integrate approximately 70% of the Group's strategic suppliers into a single, shared database, i.e. suppliers in the most relevant product categories, such as raw materials, packaging, industrial products and services, finished products/CMOs | Continue with the Group-wide progressive extension of the "Attitude project" aimed at standardising the supplier selection and qualification process - including from an ethical and environmental standpoint - and creating a universal shared database to ensure supplier quality control (2022) |
| Distribute the new Code of Ethics to suppliers, starting with strategic suppliers | ✔ ACHIEVED<br>A new Code of Ethics was distributed to all suppliers listed on the platform (including strategic suppliers) | |

*8 The recovered raw materials may be reintroduced into internal production processes or through partnership agreements with third-party companies.*

# 3. BUSINESS ETHICS & INTEGRITY

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

## 3.1 THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

The main sustainability topics are regulated within the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (the "Models"), adopted by all the Italian companies of the Recordati group and in similar Models or sets of procedures adopted by the other subsidiaries of the Recordati group.

In 2021, the parent company Recordati S.p.A. updated its Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 in the Special Section, making changes on the basis of revision of numerous operational management protocols. No changes were made in the General Section as no new offences were introduced into legislation with significant impacts on company activities.

In 2021, the Italian subsidiaries Innova Pharma S.p.A., Italchimici S.p.a. and Recordati Rare Diseases Italy S.r.l. updated their Models to reflect the most recent tax offences similarly to what the Parent Company did in 2020.

Actual application of the Model was guaranteed by monitoring and training activities implemented in part by the Supervisory Board that continued to perform its activity in compliance with its By-Laws. In 2021, the Recordati S.p.A. Supervisory Body met six times.

Like the parent company Recordati S.p.A. and the other Italian Group Companies, regarding the foreign companies of the Group, also the Spanish subsidiary Casen Recordati S.L., following the adoption on 14 March 2018 of its own Organisational, Management and Control Model in compliance with Ley Orgánica 2015/1 of 30 March 2015, correctly performed the activities provided for in the Model through the action of its Supervisory Body. In 2021, the Supervisory Body met three times and performed activities in accordance with its Regulations aimed at guaranteeing the adequacy, implementation and updating of the Model adopted by the Company.

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

The Supervisory Bodies, appointed within the Group Companies, are collegiate and composed of an internal member (the Director of Audit & Compliance or the Corporate Compliance Officer) and external professionals (criminal lawyers or university professors in business administration). Each Supervisory Body is internally regulated and operates according to a specific action plan. The Supervisory Bodies have their own expenditure budget and periodically report to the Board of Directors and the Board of Statutory Auditors, where present.

The Models are constantly monitored and updated, with particular attention to crime prevention and risk assessment following the introduction of new legislation.

The Group's Italian companies, Recordati S.p.A., Innova Pharma S.p.A., Italchimici S.p.A. and Recordati Rare Diseases Italia S.r.l. submit their medical and scientific information and relationship management protocols, which are part of their respective models pursuant to Italian Legislative Decree 231/2001, to certification by Farmindustria, through an independent inspection body (Certiquality). In 2021, the aforementioned Companies were audited by Certiquality, which renewed and confirmed the Farmindustria Certification attesting compliance of the activities related to medical-scientific information with the association's code of ethics.

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

In terms of transparency towards the medical community, the Group, in the countries in which it operates, complies with applicable legislation and provisions of Professional Codes of Conduct of national industry associations (including Farmindustria in Italy) that are part of the EFPIA European federation. To enable optimal professional ethics in relationships between industry and the scientific and healthcare worlds, the Group Companies publicly disclose "value transfers" carried out by the Company in relation to healthcare professionals and organisations. These value transfers are publicly disclosed on the company websites of the Group Companies or in accordance with other methods required by applicable regulations.

The systematic approach of the Organisational, Management and Control Models pursuant to Italian Legislative Decree 231/2001 is reinforced though additional models dedicated to other company departments, such as in the context of health and safety in the workplace, environmental management, privacy and export control.

To promote dissemination and comprehension of the principles set out in the Organisational, Management and Control Models pursuant to Italian Legislative Decree 231/2001 adopted by the Recordati group, an online training programme was launched, aimed at Italian employees with access to digital devices. This programme, launched in 2020, was completed in 2021 by approximately 150 employees, bring the overall total to approximately 850 employees trained in 2020–2021.

Further information regarding the Models, the relative procedures and the training provided on the same is available in the section "Internal Control and Risk Management System" of the Corporate governance report and ownership structure.

## The Group Personal Data Management Model

Regarding management of personal data, in 2021 the Recordati group conducted various activities in accordance with the Personnel Data Management Model (Privacy Model) adopted in 2018 in the context of alignment with the European General Data Protection Regulation 679/2016 (hereinafter "GDPR"). Specifically, Recordati lanced a structured process for the revision of all activities for personal-data processing, updating of the processing activity log pursuant to art. 30 of the GDPR, assessment of risks deriving from mapped processing and identification of relevant security measures, which involved Italian subsidiaries and some European subsidiaries of the Group. At the same time, certain "key" documents belonging to the existing privacy documentation were updated (including notices on processing of personal data and the format for appointment as data processor pursuant to art. 28 of the GDPR to submit to all third parties processing personal data on behalf of the Recordati group). New formats/templates were also prepared required for compliance with the provisions of the GDPR (including, the record of any data breaches/security incidents, the Data Protection Impact Assessment model and privacy clauses to include in commercial contracts/agreements).

To promote the dissemination and comprehension of the principles contained in the Personal Data Management Model adopted by the Recordati group, an online training programme was implemented, aimed at Group employees with access to digital devices working in Italy and other EU countries where the GDPR is applicable.

Regarding Italian Group Companies, this programme, launched in 2019, was completed by approximately 440 employees in 2021, bringing the overall total to approximately 850 employees trained in 2019–2021. In addition, in 2021 this course, with partially updated content, was made available in English, Polish, Spanish, Portuguese and French for certain European subsidiaries of the Group and was completed by approximately 900 employees. Finally, other local training on privacy topics has been implemented in the Turkish subsidiary Recordati ILAC, involving approximately 450 employees. In 2021, therefore, the total number of Recordati group employees that participated in training on privacy topics was approximately 1,790 (approximately 2,200 for the period 2019–2021).

In 2022, this training will be extended to enable full training coverage on GDPR issues for all Group employees working in EU countries.

Alongside the above activities, daily assistance and support has also been offered to Italian and foreign Group Companies regarding privacy matters (also in reference to local privacy legislation in countries were the GDPR is not applicable) linked to contracts, new projects/initiatives and relationships with employees, suppliers, commercial partners and the medical community. This activity, along with the training activity, has contributed to development of a privacy culture within the Group and greater attention to these issues amongst all divisions involved.

Finally, in 2021, support and assistance on the privacy front continued, provided to divisions involved in implementation of anti-COVID-19 protocols and measures in the workplace. Specifically, there was assessment and management of all aspects of privacy associated with adoption of the measures imposed by competent authorities and preparation of the necessary documents in compliance with the provisions of the Italian Data Protection Authority, including notices on the processing of personal data, appointments of authorised parties and data processors.

Lastly, it is noted that in 2021 there were no recorded security incidents/data breaches, like 2020, such as to represent a risk to the rights and freedoms of those involved, no inspections or checks were performed by the Data Protection Authority and/or other competent authorities on privacy and no complaints were received by the Data Protection Authority regarding Recordati pursuant to art. 77 of the GDPR.

## The Recordati group Code of Ethics

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

The Code of Ethics established the fundamental values of Recordati that guide and support the Group in its operations and relationships with stakeholders, both internal and external. It sets out the responsibilities of all recipients and defines "shared commitments", i.e. conduct through which Recordati's values find concrete, practical application. This section includes indications on:

- **How we manage our business, including indications regarding:**
  - Ethical and legally compliant behaviour
  - Product quality and safeguarding health
  - Our commitment to environmental protection and sustainable development
  - Conflicts of interest and protecting the Company's assets
  - Accounting transparency, confidentiality of information, personal data and social media
- **People and the workplace, including indications regarding:**
  - Protecting people
  - Fairness, equality, and the protection of human rights
  - Health and safety in the workplace
- **Relationships with our stakeholders.**

The Code is adopted by all Group Companies and applies to all employees, associates, directors, members of company bodies, commercial partners and other third parties with which the Group collaborates, including consultants, intermediaries, agents and contractors, clearly defining the expectations of the Company in terms of standards of ethics and conduct. This document therefore serves as a reference for all Recordati stakeholders and represents the Group's commitment to conducting its business and managing both internal and external relationships in an ethical and sustainable manner.

This Code has been inspired by the main standards and guidelines for corporate governance, human rights and the environment, such as the United Nations' Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the decent

work standards set out in ILO (International Labour Organization) conventions, the OECD (Organisation for Economic Cooperation and Development) Guidelines for multinational enterprises, and national and supra-national Anti-Bribery legislation (e.g.: the OECD Anti-Bribery Convention, Italian Legislative Decree 231/2001, the Foreign Corrupt Practices Act, the Bribery Act, Loi Sapin 2, Ley Orgánica, etc.), as well as ISO 14001 standards on the environment.

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

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

Following approval, the Code of Ethics was translated and made available in Italian, English, French, Turkish, Russian, Spanish, Portuguese, Polish, Czech and German, and adopted by all Group Companies. The Code of Ethics is published on the Recordati group website in order to guarantee widespread availability and access, and its distribution within the Group has been carried out with involvement of the General Managers of all Group Companies.

To facilitate dissemination and comprehension of the principles contained in the Code of Ethics, a training programme has also been implemented targeting all Group employees. This programme had a two-year duration, 2020–2021 and was implemented through provision of an online training course for all Group employees with access to digital devices and distribution in hard-copy format for employees without access to such devices. Participation in this course was also required for external parties who, although not employed directly by the Recordati group, perform activities in the name of and on behalf of the Recordati group on an ongoing basis.

The online training plan, which includes a final assessment of learning, is available in Italian, English, Turkish, Polish, German, Spanish, Portuguese, French, Czech and Russian. It involved all Group subsidiaries and was completed in 2021 by approximately 3,315 Group employees and more than 77 external parties (e.g. agents and contractors). For Recordati group employees, without access to digital devices operating in facilities in Italy, Turkey, France, Tunisia and Spain, training on the Code of Ethics was issued using paper materials distributed to a total of approximately 740 individuals in 2021.

In 2021, therefore, the total number of Recordati group employees that participated in training on the Code of Ethics was approximately 4,055. Activity during the year enabled completion of the training plan on the Code of Ethics for all Group employees in the 2020–2021 period, with involvement of approximately 4,300 Group employees and approximately 90 external parties.

## THE RECORDATI GROUP'S FOCUS ON HUMAN RIGHTS THROUGHOUT THE VALUE CHAIN

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

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

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

## The Anti-Bribery Model of the Recordati group

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

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

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

The Group Anti-Bribery Manual is subject to periodic review. The most recent review, which involved significant additions and improvements to the contents and areas covered, with new examples of potential corruption risks and related guidelines for conduct, was performed at the end of 2019. In the context of this revision, the key principals for the prevention of corruption within the Group were strengthened (e.g. absolute prohibition on facilitation payments and prohibition on payment of contributions, whether direct or indirect, in any form to parties, movements, committees and organisations of a political or trade-union nature, including to their representatives and candidates, outside those permitted by specific provisions of law) and the structure of the Group Anti-Bribery Manual was reviewed for easier consultation and comprehension. Currently, the new Group Anti-Bribery Manual contains 16 business areas potentially exposed to the risk of corruption, for which specific principles of conduct have been formulated to avoid corruption[9]. In 2022, a critical analysis will be carried out to identify and updates required to this document.

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

The Group Anti-Bribery Manual, translated and distributed in English, French, Turkish, Russian, Spanish, Portuguese, Polish, Czech and German, was published on the Recordati group website, to guarantee widespread availability and access, and its distribution within the Group was carried out with the involvement of the General Managers of all foreign Group Companies.

To facilitate dissemination and comprehension of the principles contained in the Group Anti-Bribery Manual, a training programme has also been implemented targeting all employees of foreign Group Companies. This programme had a two-year duration, 2020–2021 and was implemented through provision of an online training course for all employees of foreign Group Companies with access to digital devices and distribution in hard-copy format for employees without access to such devices. Participation in this course was also required for external parties who, although not employed directly by the Recordati group, perform activities in the name of and on behalf of the Recordati group on an ongoing basis.

The online training plan, which includes a final assessment of learning, is available in English, Turkish, Polish, German, Spanish, Portuguese, French, Czech and Russian. It involved all foreign Group subsidiaries and was completed in 2021 by approximately 1,510 Group employees and more than 17 external parties (e.g. agents and contractors). For employees of foreign Recordati group companies, without access to digital devices operating in facilities in France, Turkey, Tunisia and Spain, training on the Anti-Bribery Manual was issued using paper materials distributed to a total of approximately 430 individuals in 2021.

In 2021, therefore, the total number of Recordati group employees of the foreign subsidiaries that participated in training on the Anti-Bribery Manual was approximately 1,940. This activity enabled completion of the training plan on the Anti-Bribery Manual for all employees of foreign subsidiaries of the Group in the 2020–2021 period, with involvement of approximately 3,150 employees and approximately 90 external parties.

During 2021, there has been a consolidation and strengthening of communication, coordination and control activities between the Parent Company and the various branches, through introduction of additional information to existing information flows on anti-corruption and anti-terrorism, allowing interception and management of potential risk situations through dedicated channels.

With regard to the detection of corruption and internal fraud, a continuous monitoring tool based on mass analysis of transactions in the company's accounting systems was reinforced in 2021. This tool, based on business intelligence systems, enables continuous monitoring of anomalous accounting transactions en mass and planning of audits with greater precision and accuracy. In 2021, as a Recordati S.p.A. pilot project, a new detection tool was introduced based on RPA (Robotic Process Automation) with the goal of further automating testing activity.

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

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

**Overall in 2021, dedicated anti-corruption training was given to approximately 2,090 employees, approximately 150 of whom in work in Italian Group Companies and approximately 1,940 located in foreign branches. Activity during the year enabled completion of the training plan on anti-corruption/anti-bribery for all Group employees[10] in the 2020–2021 period, with involvement of all Group employees.**

**In 2022, a new online training plan will be prepared and launched regarding ethics and preventing corruption. This course will have a two-year duration and will also involve external parties who, although not employed directly by the Recordati group, perform activities in the name of and on behalf of the Recordati group on an ongoing basis.**

In terms of communication and training on the matter of anti-corruption and the contents of the Group's Anti-Bribery Manual, in 2021 all members of the Board of Directors of Recordati S.p.A. were informed of the policies and procedures adopted via the periodic report from the Group's Internal Audit and Compliance Manager.

As regards the channels for reporting breaches and anomalies of laws and internal procedures, for some time now the Company has established dedicated whistleblowing channels as part of its organisational models pursuant to Italian Legislative Decree 231/2001 for Italian Companies and the Group Anti-Bribery system[11].

During 2020, the existing whistleblowing channels were further reinforced. On the basis of a 2019 pilot project that saw implementation of dedicated web portals and hotlines in the Recordati Rare Diseases France branch and in the Italian Group Companies, during 2020, these whistleblowing platforms were extended to the entire Group, and went live in January 2021. Whistleblowing management has been formalised by means of internal procedures that ensure the confidentiality of the whistleblower, safeguards (non-retaliation policy) and anonymity, if desired by the whistleblower in accordance with the relevant legislation.

These tools and additional information regarding the fight against corruption are described in more detail in the "Internal Control and Risk Management System" section of the Corporate governance report and ownership structure.

No cases of corruption were recorded in 2021.

## 3.2 INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

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

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

By updating a Company Risk Catalogue, the System enables identification, measurement and control of the level of exposure of all Group Companies to various risk factors, as well as the management of overall exposure, and envisages the implementation of control measures and procedures able to flag any anomalies. As described in more detail in the "Main Risks and Uncertainties" section of the 2021 Annual Report and the "Internal Control and Risk Management System" section of the Corporate governance report and ownership structure, the main risk factors to which the Group is exposed relate to the external context, strategic and operational risks (including risks related to Research and Development, the environment, health and safety, and pharmacovigilance risks), financial risks, legal risks and compliance risks.

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

Specifically, in 2021, the Risk Catalogue was updated and submitted to the Risk, Control and CSR Committee and the Board of Directors on four occasions: in the context of approval of the 2021/23 Three-Year Plan, for updating of the state of progress for certain projects related to an acquisition in 2020, in the context of a new acquisition and for annual updating of the Catalogue in December 2021. In addition, in order to effectively meet Swiss regulatory requirements and, at the same time, strengthen the Recordati group Internal Audit System, a project was implemented for critical analysis and review of the existing internal audit processes in the subsidiary Recordati AG. This project, implemented in line with the existing Recordati group Risk Management Model, led to additions to the existing procedural system with adoption of specific protocols and procedures aimed at further increasing the effectiveness of certain company processes and the level of internal auditing in the subsidiary Recordati AG.

*10 Training on the Code of Ethics, privacy, anti-corruption and anti-bribery were issued to Group employees regardless of contract type (part-time or full-time, temporary or permanent).*

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

Updating of the Company Risk Catalogue in 2021 was performed with particular focus on certain key areas. These include the continued impact of the COVID-19 pandemic and assessment of ESG topics in the Company Risk Catalogue, with introduction of the new Risk Catalogue for Climate Change. A second new risk associated with managing communications via Social Media has been introduced in the Catalogue.

The Board of Directors, also on the basis of this review, concluded that the level and nature of the risks identified by the Group Risk Catalogue, presented to the Board in the meeting of 16 December 2021, are compatible with the Group's budget and strategic goals.

## The principal non-financial risks

The identification, assessment and management of corporate risks is based on an Enterprise Risk Management (ERM) approach and also includes non-financial risks related to the topics expressly specified by Italian Legislative Decree 254/2016.

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

- Climate change (e.g. changes to legislation in the context of the transition to a decarbonised economic system, physical damage to assets by weather events, etc.);
- Environmental management and safety in the workplace (e.g. risks in the HSE– Health, Safety and Environment area and industrial incidents);
- Management of personnel and workers' rights (e.g. compliance with human rights, change in dimension of the organisational structure, loss of key resources, etc.);
- Supply chain (e.g. inappropriate selection of suppliers and commercial partners, interruption of supply by critical suppliers, rights of the personnel involved etc.);
- Compliance (e.g. fight against corruption, compliance with international quality standards, with legislation pertaining to the drug scientific information);
- Product responsibility (e.g. product recalls and impacts on patients' health).

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

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

- Topics linked to climate change: in this context, the risks are identified linked to potential negative consequences (operational, financial and reputational) of climate change. In particular, one risk related to climate change is connected to changes in legislation due to the transition in progress to a decarbonised economy (e.g. carbon-tax policies, increased legal and financial risks for failure to observe performance standards, changes in incentivisation programmes, etc.) with potential impacts, for example, on technology of existing plants, compliance/energy costs, etc. Risks connected to climate change may also be of a physical nature (extreme weather phenomena such as precipitation, flooding, drought, and access to natural resources) with impacts on the protection of assets and business continuity. In addition, growing sensitivity and awareness around climate change amongst stakeholders may generate reputational risks if these aspects are not appropriately managed. In the face of these risks, the Group constantly monitors the development of relevant laws, regulations and standards and defines ESG goals within the Group sustainability strategy (e.g. increase in the purchase of renewable energy, implementation of projects to increase energy efficiency, etc.). The Group has adjusted its All Risk Property insurance policies to cover the risks of direct damage (damage to buildings, machinery and goods) and indirect damage (loss of earnings from accidents) in order to hedge any losses arising from potential shut-downs or damage to the production cycle.
- Topics linked to environment: the risks in this context predominantly relate to the production process. In particular, such risks concern those deriving from industrial incidents that may have serious consequences for people and the environment, with resulting impacts in terms of economics and corporate image. The management of these risk is above all required by the quality standards provided for by the sector in which the Group operates, compliance with which is represented by the environmental certificates obtained by the Group's main production sites. Specific measures are represented by a preventative risk analysis carried out by specific and qualified personnel, an audit plan and plant maintenance activities to which significant financial resources are allocated on an annual basis. These measures enable the Group to drastically reduce its exposure to risks of this nature.
- Topics linked to HR management: these risks concern the rights, health and safety of workers as well as their professional development. In relation to health and safety in the workplace, compliance with legislation is guaranteed by the respect for technical-structural standards relative to equipment, plants, workplaces and chemical, physical and biological substances, as well as organisational activities such as emergency management, first aid, tendering processes and periodic safety meetings, and consultations with workers' safety representatives. Finally, health checks, information sessions and training activities for workers as well as a programme of internal audits and audits by third parties enable the Group to monitor and reduce risks in this context. In relation to workers' rights, the principal risk identified concerns the size of the organisational structure in terms of the adequacy of resources and skills, as well as the risk of losing key resources. To deal with these risks, the Human Resources Department constantly monitors the size of the workforce within the various divisions and units of the Group. Furthermore, the Company employs a specific skills mapping process (the Group Performance Appraisal System), mapping both managerial and technical skills and enabling the identification of key resources at Group level, withan initial focus on Managers and then considering lower levels within the company.
- Topics linked to the supply chain: although the Group operates in a highly regulated sector, certain risks relating to the procurement chain have been identified, including that of establishing relationships with suppliers that do not guarantee responsible procurement processes regarding human rights, environmental protection and safety in the workplace, and the risk of being unable to source adequate commercial partners and the lack of control over performance of outsourcing

contracts. The Group manages these risks through contractual clauses that define the mutual responsibilities of the parties, the use of consolidated and qualified suppliers in line with applicable technical standards, document audit activities and on-site inspections carried out by qualified personnel. In order to protect the rights of workers in the supply chain, termination clauses are included in company contracts for failure to comply with the company Code of Ethics. Furthermore, the use of an IT platform for supplier approval, allowing relevant documentation such as certificates and declarations to be gathered organically, which further reduces the risk of partnerships with suppliers that have unsuitable technical, ethical, conduct and sustainability profiles.

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

More information on the activities carried out by the Group in relation to ESG risks is contained in the chapters "The Group's Focus on the Environment", "The Recordati Group's Employees", and "Suppliers and Strategic Partners" of the Non-Financial Statement and in the "Health, Safety and Environment" section of the 2021 Annual Report.

## 3.3 THE GROUP'S FISCAL POLICY

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

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

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

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

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

- Observation of laws and regulations and fulfilment of all requirements applicable in the countries in which it operates;
- Maintenance of a solid governance structure to properly comply with fiscal obligations and management of fiscal risk. All decisions are taken on the basis of the system of powers in force with supporting documentation justifying the decision-making process;
- Development and promotion of collaboration with Tax Authorities, based on reciprocal respect, transparency and trust. To this end, the Group has submitted various applications for rulings and prior agreements on transfer pricing;
- Guarantee of adequate legislative compliance, by observing documentary requirements under national or international law, including preparation of transfer pricing documentation for Group companies in order to guarantee, demonstrate and support compliance with the principle of free competition relative to prices applied to intragroup transactions;
- Dialogue with governments on proposals for changes to fiscal legislation, where appropriate, directly or through representative bodies;
- As mentioned above, absence of the use of aggressive tax planning schemes involving artificial structures created solely for fiscal benefit or transactions without economic substance in order to obtain undue fiscal advantages. Use of incentives and tax benefits, where available, is transparent and occurs in full collaboration with the Tax Authorities involved, e.g. the Patent Box incentive pursuant to Italian Law of 23/12/2014, as amended, or tax credits for research and development activity;

- Acting with integrity and not using tax havens that do not allow the exchange of information or jurisdictions with low taxation to obtain undue fiscal advantages.

### Tax governance, control and risk management

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

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

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

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

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

## INCOME TAXES: COUNTRY-BY-COUNTRY REPORTING

| Geographical Area | Tax Jurisdiction | Unrelated Party Revenue [€ thousand] | Related Party Revenue [€ thousand] | Average Nominal Tax Rate | Income Taxes Paid[12] [€ thousand] | Income Taxes Accrued [€ thousand] | Number of employees[13] | Tangible Assets other than Cash and Equivalents [€ thousand] |
|---|---|---|---|---|---|---|---|---|
| **Africa** | Tunisia | 20,341 | 1,358 | 25.0% | 985 | 952 | 396 | 3,839 |
| **Asia and Oceania** | Australia, Japan, United Arab Emirates | 34,548 | 766 | 20.2% | 913 | 1,279 | 34 | 301 |
| **Europe** | Austria, Belgium, Bulgaria, Czech Republic, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom | 1,367,017 | 648,144 | 23.1% | 54,401 | 96,425 | 3,898 | 108,088 |
| **North America** | Canada, Mexico, USA | 133,573 | 21,964 | 27.8% | 8,328 | 10,271 | 87 | 747 |
| **South America** | Brazil, Colombia | 9,760 | 1,067 | 33.0% | 770 | 742 | 22 | 158 |

The data provided refers to the 2020 financial year, as this is the most recent period for which the information is available. For the names and businesses of the entities residing in each tax jurisdiction, please refer to the List of Group companies reported in the Consolidated Financial Statements. The data reported are aggregated by geographical area and include the average nominal tax rate for each area.

*12 The item "Income Taxes Paid" differs from "Income Taxes Accrued" mainly due to the differences in the timeframes for determining the tax base and taking advantage of the tax benefits associated with research and development activities.*
*13 FTE (full time equivalent) employees and collaborators.*

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

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

## 4.1. RESEARCH & DEVELOPMENT AND INTELLECTUAL PROPERTY

The Group is constantly committed to Research & Development activities, implemented through pharmaceutical pipelines and the acquisition of new areas of speciality. In particular, in recent years Recordati has focused its efforts mainly on pharmaceuticals in the rare diseases sector.

Over the last few years, the development of new pharmaceuticals, enabled partly through internal research programmes but primarily through R&D opportunities in partnership with external companies and research institutions, has been a fundamental element in enriching the pipeline and ensuring the Group's consistent growth.

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

Recordati ensures the utmost rigour in performance of clinical studies through appropriate data management and the transparent management of results, thus avoiding any potential conflicts of interest. The health and safety of the subjects involved in clinical and post-marketing studies are our top priority, along with the protection of their human rights, including the rights to dignity, self-determination, privacy, and the confidentiality of personal data. Subjects enrolled in the studies are provided with clear and comprehensive information, expressed using comprehensible, non-technical language. The Group uses trial centres and suppliers of proven reliability and professionalism and which are capable of meeting the highest legal and regulatory requirements, as well as the applicable codes of conduct for the industry.

### Ethics and transparency in clinical trials

Clinical trials are essential for determining whether new medicinal products are safe and effective treatments for patients. In particular:

- interventional clinical trials are conducted by various Recordati Group companies to demonstrate the efficacy and safety of new drugs in the development phase in various rare diseases and in populations with unmet medical needs;
- observational post-marketing clinical studies, known as "real world" studies, are conducted to monitor the benefit-risk balance of new drugs once they are on the market and to collect additional data to improve the knowledge of the product.

To ensure full compliance with the requirements defined by the regulatory authorities and to guarantee the utmost rigour in the conduction of clinical trials, the Group has defined a set of standard operating procedures (Corporate Standard Operating Procedures - SOPs), and the entire process is closely monitored through continuous auditing activity.

**Standard Operating Procedures – Corporate R&D Quality Management System:** the same Standard Operating Procedures are applied at all of the Group's research centres to ensure that interventional clinical trials are conducted in compliance with the highest international standards, and in line with the principles established in the Declaration of Helsinki and the Good Clinical Practice (GCP) guidelines defined by the International Council of Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH), as well as applicable local laws and regulations.

At the same time, observational Post-Authorisation Safety Studies (PASS) are conducted in line with the Guidelines for Good Pharmacoepidemiology Practice (GPP) and the Good Pharmacovigilance Practice (GvP).

The confidentiality of the collected data is protected in accordance with current privacy legislation such as the General Data Protection Regulation (EU) 2016/679 ("GDPR").

Study results are reported in accordance with the requirements of the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA).

**Staff qualifications and training:** all Recordati employees involved in the planning, conduction and reporting of clinical trials are suitably qualified in terms of professional experience and training. The Group delivers periodic training programmes on applicable company procedures and study-specific aspects (therapeutic areas, study protocols). Training is delivered and documented in collaboration with the Quality Assurance Department.

**Selection and supervision of Contract Research Organisations (CROs):** the Recordati group's clinical trials are performed with the support of adequately qualified international Contract Research Organisations (CROs), experienced in conducting clinical studies in various countries in collaboration with research centres. The CROs are only selected after an in-depth evaluation of their experience and procedures, as assessed also during qualification audits. Subsequently, the respective roles and responsibilities of Recordati and the CRO are defined clearly and in detail in specific written agreements.

The personnel of the Recordati group, in the capacity of sponsor of the study, perform continuous oversight on the activities carried out by the CRO in accordance with a specifically defined plan, in order to ensure that:

- appropriate documentation on the medicinal product (as included in the Investigator's Brochure and in the Investigational Medicinal Product Dossier) and on the study itself (as described in the protocol, in the informed consent form and in the Case Report Form) is prepared and submitted to the Competent Authorities, the Ethics Committees and the Investigators prior to the start of the trial and, if necessary, updated during the study;
- the medicinal product is produced in accordance with the Good Manufacturing Practice guidelines and is adequately packaged and labelled in accordance with the Good Clinical Practice guidelines;
- the clinical trials only begin upon receipt of the necessary approvals issued by the Health Authorities, the Ethics Committees and the Institutions, and having established an appropriate insurance for the patient;
- patients are included in the clinical trials only having voluntarily confirmed their wish to participate (having received adequate information from the investigators regarding the objective, methods, benefits and potential risks of the study), and in compliance with applicable privacy law (such as the EU GDPR);
- the study is conducted and reported in accordance with the requirements of the Good Clinical Practice (GCP) guidelines and in line with the applicable laws and regulations.

**Risk assessment:** Recordati, as sponsor of the clinical trial, conducts an in-depth analysis of the possible risks and benefits for the patients associated with their participation in a clinical trial (due to the administration of an experimental drug, the design of the study and/or its procedures) both before and during the study. The description of possible risks is included in the documents submitted to the Competent Authorities, the Ethics Committees and the Investigators. The risks are also described to the patients included in the trial in a clear, concise and comprehensible language in the informed consent form. The possible risks are minimised through the definition of appropriate patient inclusion and exclusion criteria (age, gender, concomitant diseases and treatments), the use of placebos only when ethically acceptable and/or required by the Health Authorities, the highest standards of care, the availability of medical treatment (if necessary) in the event of adverse reactions and the avoidance of invasive and unnecessary procedures.

The safety profile of the investigational products and the risks associated with participation in the clinical trial are continuously monitored by qualified medical personnel at Recordati (and, when required by the protocol, by an independent and external "Drug Safety Monitoring Committee"). Health authorities, investigators and patients are duly informed during the conduction of the study in the event of any changes in the expected benefits and risks.

**Data integrity:** the integrity of the data is ensured by the verification of the original documents filed at the research centres by the study monitors, by the validation of the IT systems used for data collection, analysis and reporting, and by co-monitoring visits performed by Recordati personnel in collaboration with the CRO monitor. Collected data is processed in accordance with the operating procedures and quality standards established by Recordati.

**Audits:** the entire process is monitored through constant auditing activity over the CRO, from the qualification step through to the subsequent conduction of the trial. Recordati also conducts audits at research trial sites following a risk-based approach.

In order to ensure the compliance with the applicable legislation, internal audits are also performed inside the Recordati group.

Furthermore, both Recordati – as sponsor – and the CROs may be inspected by the Regulatory Authorities to verify compliance with the Good Clinical Practice guidelines and pharmacovigilance obligations.

**Data transparency:** data transparency is ensured through the entry of clinical trials to a public register (EU Clinical Trial Registry and/or ClinicalTrials.gov) before the enrolment of the first patient, and through the publication of the results of the trial in accordance with the requirements of the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA).

**Archiving:** the study essential documents are maintained in electronic or paper format for the period of time required by applicable legislation and accordance with Recordati's procedures.

**Investigator Initiated Studies (IIS) supported by Recordati:** in line with the Group's standard operating procedures, Recordati may decide to support clinical trials proposed by academia after a careful evaluation of the scientific value of the proposed study, the expected benefits, and the possible risks associated with the use of the Group's existing pharmaceutical medicinal products in new indications.

In such cases, a written agreement between Recordati and the Investigator/Sponsor of the study is signed in order to ensure the exchange of safety information and enable an appropriate description of the potential benefits and risks to the patient.

### Policy on the compassionate use of medicinal products

Recordati believes that conducting clinical trials is the best way to ensure a broad patient access to medicinal products, because clinical trials ensure the collection of the efficacy and safety data required by the Health Authorities to grant a marketing approval and a price reimbursement.

However, Recordati recognises that certain patients with serious or life-threatening conditions may not be suitable to take part in a clinical trial and may not be able to access satisfactory alternative treatments. In these cases, in line with company policy and in accordance with the Group's Standard Operating Procedures, Recordati may provide access to medicinal products that are not yet available on the market on compassionate grounds, in cases where this approach is approved by medical and pharmacovigilance personnel with specific knowledge of the product, and in accordance with all applicable laws and regulations.

### Protection of intellectual property

The Group's intellectual property is protected by its patents, which enable Recordati to protect its R&D investments. Following a positive outcome of the patent criteria assessment of the invention in accordance with local laws and legislation, the award of European and international patents generally provides for patent protection in several countries.

Depending on the invention, patent applications may be submitted to protect new compounds, manufacturing processes, medical indications, devices and the composition of materials. This protection may vary from country to country and depends on the type of patent application and the intended objective. The duration of the protection is generally 20 years, beginning from the date of submission of the application. This period may be extended for a maximum of five years in certain countries, particularly in Europe and the United States, following the granting of authorisation for the market entry of the pharmaceutical product that uses the patented invention.

The patent portfolio is regularly monitored in collaboration with the relative Group offices, in order to identify potential breaches and take any necessary legal action. The Group also benefits from intellectual property rights for products and compounds patented by other companies through the relative licensing agreements.

As at 31 December 2021 the Group held 1,306 patents, of which 63 were granted in 2021.

Trademarks are also subject to intellectual property rights. This protection granted by such rights varies from country to country and is based principally on the use and registration of the trademarks. Trademark registrations are obtained based on the positive outcome of national, international and EU practices, and are generally granted for renewable periods of 10 years. The Group holds around 7,900 registrations for 900 trademarks filed in the name of its various offices. Approximately 55% of the trademarks are currently in use.

For more information on the Group's research and development activities, please refer to the "Research and Development" section of the 2021 Annual Report.

## 4.2 THE RECORDATI GROUP'S COMMITMENT TO IMPROVING ACCESS TO MEDICINE AND HEALTHCARE

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

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

Rare diseases are predominantly genetic disorders that can affect patients of any age, gender and ethnicity, and involve every category of medical specialisation. These are chronic, often fatal or severely debilitating diseases that have a huge impact on patients, their families and society. To treat these diseases, specialist medical products known as "orphan drugs" are developed.

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

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

The Recordati group operates in the rare diseases segment worldwide through Recordati Rare Diseases, its dedicated group of subsidiaries which makes our specialty pharmaceuticals for rare diseases available directly in Europe, the Middle East, the United States, Canada, Russia, Australia, Japan and certain countries in Latin America (Brazil, Mexico and Colombia) and through highly qualified distributors in other areas, covering over 100 countries around the world. Recordati Rare Diseases is a leading pharmaceutical company entirely devoted to the research, development and commercialisation of drugs for the treatment of rare diseases, with a portfolio of products dedicated mainly to rare genetic metabolic disorders. Recently, the Group's portfolio in this segment was consolidated with the acquisition of additional important products in the field of rare endocrine diseases.

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

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

Also in the context of facilitating access to treatments, in 2021 Recordati Rare Diseases continued to support two programmes to provide assistance to patients eligible to receive support for the costs related to its products: the Patient Assistance Program (PAP) and the Co-Pay Assistance Program (CAP), extending these programmes to the recently acquired endocrine drugs (Signifor®, Signifor® LAR and Isturisa®):

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

For more information on rare diseases and orphan drugs, please refer to the relevant section of the 2021 Annual Report.

## RECORDATI RARE DISEASES FONDATION D'ENTREPRISE

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

**The Recordati Rare Diseases Foundation was established to provide independent and unconditional support for training programmes aimed at the scientific community in the field of rare diseases. These high-level training courses are organised under the supervision of an external scientific committee. The overall aim is to share experience in the diagnosis, management and outcome of rare disorders where individual knowledge is by its nature limited. The Foundation gives specialists the opportunity to broaden their expertise, develop new ideas and establish scientific relationships.**

**A number of live events are held each year bringing together clinicians and scientists from all over the world to discuss innovations and new diagnostic and management strategies. However, during the COVID-19 pandemic and consequent lockdowns, courses were postponed and virtual meetings organised to keep up to date with developments in the scientific community.**

**In 2021 five webinars were organised as introductions to the CME (Continuing Medical Education) courses. These webinars were conducted virtually and focused on topics including: neurometabolic disorders, hypoglycaemia and a debate on the challenges of developing drugs for lysosomal storage disorders, involving adult and paediatric metabolic specialists, neurologists, endocrinologists, geneticists, and other healthcare professionals from around the world. The Foundation is also planning courses to be held in 2022.**




# 4.3 PRODUCT QUALITY AND SAFETY

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

During the research phase, specific clinical studies are carried out in order to ensure the efficacy and safety of the products and confirm the absence of any possible dangerous side effects. Furthermore, the results of these studies are assessed by regulatory bodies in Italy, Europe and all of the other countries around the world, before authorisation is given to introduce the medicines on the market.

Within the supply chain, the Group's suppliers are selected according to stringent criteria and are periodically audited to confirm compliance with the applicable quality standards required.

During manufacture at all Recordati facilities, all medicinal products are produced in accordance with Good Manufacturing Practices (GMPs) in plants authorised by the relative local and non-European regulatory bodies. The Group's plants are constantly subject to inspections and audits to ascertain compliance with current legislation and internal regulations. Furthermore, all third party production facilities used by Recordati are subject to periodic audits, verifying the existence of the necessary regulatory authorisations required and ascertaining that all manufacturing and control activities are conducted in compliance with GMPs.

The manufacturing process includes rigorous and comprehensive preliminary controls of all batches received and all raw materials and packaging materials, conducted prior to their use in manufacturing and packaging processes at the Group's production plants. In almost all cases, these controls are conducted at the Quality Control laboratories located within the Group's plants. In the event that external laboratories are used, these are selected and monitored according to the same rigorous procedure adopted for the Group for third party manufacturing facilities. In both cases, the Quality-Control laboratories must be expressly authorised and certified, with inspections performed by national and international regulatory agencies, in order to perform these control activities.

In order to guarantee the quality and safety of the products, each batch of medicines is subject to a preliminary quality control procedure prior to its release on the market, with the approval for distribution granted only in the event that the batches comply completely with the specifications predefined by the Regulatory Authorities.

Furthermore, all production processes are subject to validation procedures to confirm the capacity to supply medicines in a way that is reproducible over time in line with the quality, safety and efficacy standards on which the registration of the drug with the competent Authorities is based. Production and control procedures, as well as the validation of production processes, are guaranteed through the use of certified equipment subject to periodic recalibration, and specially and periodically trained personnel operating in line with the rigorous Standard Operating Procedures, with the goal of making every operation consistently reproducible and aligned with the defined standards.

All personnel engaged in GMP and product quality and safety monitoring procedures receive training at least once a year on topics related to Good Manufacturing Practices, as well as periodic updates on the various procedures, with particular reference to procedures regarding the use of equipment, codes of conduct and safety protocol.

For the product commercialisation phase, the Recordati group has implemented a system aimed at guaranteeing compliance with European, Russian, Turkish and US Directives on anti-counterfeiting measures, as well as those of other countries with equivalent regulations in force, observing the measures expected by the respective Authorities with regard to product serialisation and aggregation, and for the use of quality seals on packaging, always in line with applicable local legislation. Furthermore, when handling any complaints made regarding its products, the Group investigates any possibility of counterfeiting in order to report any such instances to the Authorities.

As well as medicines, the Recordati group also markets Medical Devices and Dietary Supplements. The quality systems that support the Group's activities related to production, where applicable, or marketing, comply with all applicable legislation. As regards Medical Devices, activities are conducted under the supervision of Notified Bodies.

Finally, after the products have been sold, the Recordati group operates a post-sale pharmacovigilance policy, enabling doctors, healthcare workers and patients to promptly notify the Group of any significant events or adverse reactions experienced during the use of Recordati products.

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

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

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

### Audits and inspections

In order to ensure the quality and safety of its products and verify the compliance of its suppliers with quality, environmental, health and safety legislation and regulations, the policies implemented by the Recordati Group include regular audits, as well as continuous inspections performed by the competent regulatory authorities and self-inspections within its own production plants.

*Inspections and quality audits*

The production plants of the Recordati group are necessarily authorised to produce medicinal products by the respective local Authorities and as such are subject to periodic regulatory inspections. In addition to regulatory inspections, production plants are audited by the Group's clients or by accreditation bodies qualified to certify compliance with ISO international standards.

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

In addition to the production facility monitoring system, the Authorities also conduct periodic inspections at the branches that operate as medicinal product distribution companies in their respective regions.

In 2021, a total of 139 inspections/audits were carried out at the Group's pharmaceutical production plants and branches in order to assess product quality, safety, and compliance with certification standards. Of these, 109 (78%) were internal audits and self-inspections carried out by the Group, while the remaining 30 (22%) were carried out by the competent authorities (Health Ministries, Regulators, Certification Bodies) and third-party companies.

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


In 2021, the pharmaceutical plants underwent inspections by regulatory bodies in order to review/grant manufacturing authorisations. Of particular interest in this regard are those that were performed:

- by the Turkish authorities in Çerkezköy (Turkey) for the periodic renewal of the manufacturing site authorisation;
- by the French (ANSM) and Russian authorities at the Saint-Victor manufacturing site (France), for the production, packaging and control of products and the periodic renewal of the manufacturing authorisation for specialist medicinal products aimed at the local market and the francophone regions of North Africa;
- by the Czech authorities (SUKL) in Pardubice (Czech Republic).

Furthermore, in Utebo (Spain), inspections were performed by the competent certification bodies for the periodic renewal of the manufacturing authorisation for medical devices (IMQ and UCMCP), while in Ariana (Tunisia) inspections were performed regarding the Quality, Safety and Environment certifications, as well as an inspection by the local Ministry to authorise a new warehouse outside the production site.

The Group also received supervisory inspections for activities regarding the manufacture and/or distribution of medical devices. In particular, inspections were conducted by Eurofins, TUV and ICIM at the Milan site.

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

In addition to the inspections received from external bodies starting in 2019, the pharmaceutical production plants are subject to internal audits carried out by the Group's internal Quality Assurance unit on an annual basis. Due to the persistent restrictions related to the COVID-19 pandemic, in 2021 these activities were conducted remotely. The acquisition of remote imaging units by all of the Group's sites will enable the effective real-time visualisation of the Group's facilities and thus facilitate audits in 2022.

As regards the inspections at the Group's two chemical-pharmaceutical plants, it is noted that in 2021 a total of 44 audits/inspections were carried out, of which 22 were internal (mainly involving the Safety and Environment Management System, Quality/GMP Compliance and the application of specific procedures) and 22 were performed by clients (mainly regarding quality control), certification bodies on the environmental management system, and regulatory and control authorities in regard to quality, environment, health and safety.

### *Supplier audits*

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

In line with the Group's procedures, all suppliers, particularly those supplying active substances, excipients, packaging materials and services, are subject to periodic audits as defined by a risk assessment. In fact, in 2021 the Pharmaceutical Division of the Recordati group conducted 164 supplier audits, of which 40% on suppliers of raw materials (active substances and excipients), 24% on third-party manufacturers, 17% on logistics, 9% on suppliers of packaging materials, 6% on service providers and the remaining 4% on laboratories and calibration companies.

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


As regards supplier audits conducted by the chemical-pharmaceutical division, in 2021 a total of 12 audits were conducted, mainly on suppliers of synthetic intermediates and waste treatment service providers.

### *Compliance with legislation and regulations*

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

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

During 2021, no instances of non-compliance with socio-economic legislation and regulations were recorded. However, an outstanding legal proceeding for the cancellation of an administrative penalty is still pending, as noted in the 2019 and 2020 Consolidated Non-Financial Statements. With regard to the administrative penalty of € 29,000 imposed on the Turkish subsidiary Recordati İlaç Sanayi ve Ticaret Anonim Şirketi by Turkey's Social Security Institution following the alleged damage suffered as a result of the former's failure to provide prompt

notification of price changes for certain products marketed by this branch in the countries concerned, it should be noted that after the objection raised by the Company with the competent government authorities regarding the lack of clarity in the countries of reference was not accepted, the Company filed legal proceedings against the local Social Security Institution for cancellation of the administrative sanction.

During 2021, no cases of non-compliance with legislation and/or self-regulation codes were recorded regarding impacts on the health and safety of products marketed by the Group that have led to sanctions applied to the Company[14].

In relation to possible recorded cases of non-compliance with legislation and/or self-regulation codes regarding information and packaging, it is noted that during 2021, Recordati did not receive significant sanctions for marketed products[15].

### *Pharmacovigilance*

Monitoring the safety of medicines is essential to ensure the effective used of the drugs and to provide high-quality medical care. In compliance with national and international laws and regulations on pharmacovigilance, Recordati has adopted an appropriate pharmacovigilance system aimed at ensuring the correct and timely evaluation of its products, both original and under licence, with particular attention given to the risk-benefit ratio.

Patient safety is a fundamental value for Recordati and is guaranteed by the pharmacovigilance system which, through the Group's quality system, operates in accordance with applicable legislation and the Good Vigilance Practice (GVP) guidelines.

The pharmacovigilance system and its quality system establish specific responsibilities and procedures for the performance of activities, which apply at Group level in accordance with local and EU legislation. Recordati's pharmacovigilance system is subject to continuous monitoring through internal audits, audits by commercial partners and inspections by the regulatory authorities.

Close safety profile monitoring applies to the entire product life cycle (from clinical trials to commercialisation) of all of the Recordati group's drugs at a global level. The Group collects and evaluates all information relating to adverse events with its drugs, monitors their benefit / risk profiles and assesses/discusses them during specific Safety Committee meetings. The relevant information is promptly communicated to the competent authorities in accordance with current legislation. The collection of reports of possible adverse reactions made by patients and physicians is an essential element of the safety analysis.

All company personnel must be aware of the concept of pharmacovigilance and of the conduct to be adopted in the event that they become aware of an adverse reaction following the use of a pharmaceutical product of the Group; therefore, when joining the company, all new employees receive dedicated training (delivered as an e-learning module) and all employees are required to take an annual refresher course. Furthermore, pharmacovigilance personnel are updated on pharmacovigilance obligations through participation in internal and external training courses.

### *Anti-counterfeiting*

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

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

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

In this regard, in 2015 the Recordati group launched a project to ensure that all medicinal products produced at its own production plants or those of third-party companies comply with this regulation. The project was completed in line with the implementation deadlines provided for by legislation and the packs produced for the Group have been compliant with legislative requirements since January 2019. In particular, a packaging management procedure was introduced, under which each individual packet is stamped with a two-dimensional code containing a unique identification number, and a quality seal is applied. Moreover, all information generated in regard to the serialisation of individual packs are collated in a database

*14 The extremely low number of product recalls were promptly handled by the Company and did not result in penalties or health impacts.*
*15 The extremely low number of cases of non-compliance with such regulations and codes were promptly handled by the Company and did not result in significant penalties.*

designed to enable the in-out management of all third parties of the Group as part of a European data-collection system.

All warehouses (both internal and external to the Group) used to store serialised pharmaceuticals are made aware of the regulations and the European warehouses are connected to the relative national systems for product authenticity spot checks. Compliance with the applicable regulations is verified through audits conducted by Recordati at the relative warehouses.

As regards the requirements of individual national Authorities, Recordati cooperates with the relative national systems for the resolution of alerts arising from product audits in the logistics chain or at point of delivery to the public.

Similar initiatives aimed at combating the counterfeiting of medicinal products have been launched or are currently being implemented in various countries in which the Group operates. Specifically, in Turkey, China, the US, Korea and Russia, drugs marketed by the Recordati group are already fully aligned with these safety requirements. In Brazil, where a drug anti-counterfeiting directive has recently been issued, implementation of similar regulation is planned within the coming years. For this reason, Recordati has launched a new project to allow provision of drugs compliant with these requirements by the deadlines defined for all products marketed by the Group in this country.

Finally, in the Middle East several initiatives are currently being implemented to combat product counterfeiting. In particular, in 2021 Recordati began to serialise its products aimed at the Bahrain and Saudi Arabian markets and launched a series of initiatives to guarantee compliance with the laws of the United Arab Emirates.

## 4.4 RESPONSIBLE MARKETING

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

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

All information and promotion activities regarding drugs promoted by the Group Companies are regulated by internal procedures and with assigned personnel (Scientific and Regulatory Affairs Departments) who are responsible for ensuring compliance with supra-national and national legislation and are aligned with the national codes of conduct of the relative industry associations.

In particular, these company procedures regulate medical and scientific information activities and relations with the medical community and healthcare facilities. The procedures adopted by all Group Companies regarding the sponsorship and organisation of conventions and training events, the contribution of professional medical consultancy services, the distribution of information and promotional materials and free samples, and the disbursement of donations and other grants to scientific companies and healthcare facilities are particularly important.

The Group's medical and scientific information procedures explicitly specify the applicable legislative provisions and the obligations contained in the professional codes of conduct applicable in the various counties in which the Group operates. Furthermore, the procedures are aligned with the content of the Group's Anti-bribery Manual and contain the necessary internal organisational and authorisation provisions. Finally, all procedures comply with the principles of control and transparency, correct separation of functions and traceability in decision-making processes.

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

The Group's External Operating Personnel receive constant training on regulations regarding drug advertising and the provision of information in compliance with local legislation, and specific training on ethics and anti-bribery topics in the context of the company's training plans.

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

# 5. THE RECORDATI GROUP'S EMPLOYEES

The Recordati group recognises the central importance of its Human Resources, who represent the primary factor for the successful implementation of the company's strategy and the generation of value in the long term. The Group is committed to constantly safeguarding the health, security and well-being of its people, in full compliance with applicable regulations and laws. It incentivises training and professional development. It promotes a serene, merit-based and inclusive environment where each individual is able to fulfil potential and optimise their capabilities and talent.

## 5.1 THE IMPORTANCE OF OUR EMPLOYEES

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

To develop and optimise its human resources, Recordati seeks to incentivise professional growth and career development, a policy founded on the belief that the Group's results are closely tied to the capacity of its employees to engage their own commitment and talent to achieve goals. The optimisation of human resources is a key priority when fulfilling company roles. The recruitment process is aimed at selecting the candidates that best respond to the profiles required by company departments in accordance with the given time frames, market cost criteria and internal fairness.

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

- attracts and encourages the development of talents, including by collaborating with Schools and Universities and a structured employee selection procedure;
- encourages employees and collaborators to develop their skills by providing tailored training courses;
- hangs on to and motivates the most qualified employees and those with potential for development, not just by offering competitive long term remuneration to reward merit but also through a series of initiatives able to foster a sense of belonging to the Group;
- ensures employees' well-being, health and safety;
- ensures social equity, equal opportunities and respect for the individual while constantly fighting against all forms of discrimination, which are Recordati's core values.

.

At 31 December 2021, the total of number of the Group's employees was 4,303 - in line with the figure in 2020 - of which 53% were men and 47% were women.

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

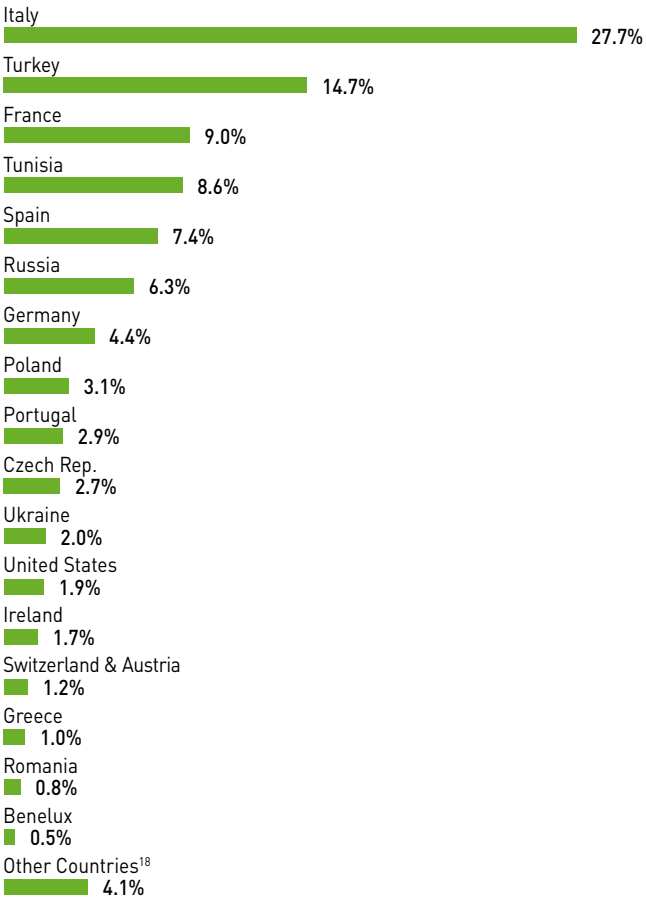
### Subdivision of employees and collaborators by gender[16]

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Number of employees** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Employees | 2,295 | 2,008 | **4,303** | 2,352 | 2,010 | **4,362** |
| Collaborators | 56 | 49 | **105** | 67 | 57 | **124** |
| **Total** | **2,351** | **2,057** | **4,408** | **2,419** | **2,067** | **4,486** |

### Percentage breakdown of employees by location[17]


16 Data relative to the composition of the workforce refer to the headcount as at 31 December 2021.
17 "Asia and Oceania" includes the Turkish branch (Recordati İLAÇ ve Hammaddeleri Sanayi ve Ticaret A.S.) and the Russian branch (RUSFIC LLC).

## Breakdown of employees by country




With regards to the breakdown of the Recordati group's workforce by professional category, to facilitate ongoing comparison between the various corporate positions and give a clearer picture of the organisation, the Group's employees are divided into four categories: Top Managers (Vice President, Corporate Managers and General Branch Managers), Senior Managers (equivalent to Directors in Italy), Middle Managers (equivalent to Junior Directors in Italy) and Staff (the other employees). At the end of the year, in addition to the 39 Top Managers, there were 219 Senior Managers, 685 Middle Managers and 3,360 Staff. All Top Managers and Senior Managers, which overall represent approximately 6% of the workforce, are hired locally, in line with the figure for the previous years.

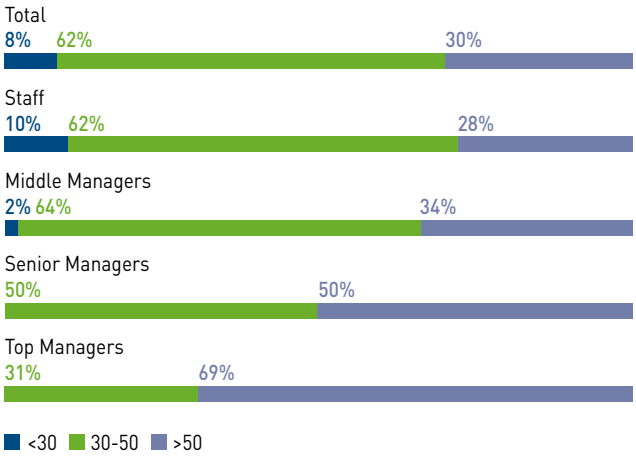
## Percentage breakdown of employees by professional level


Approximately 62% of the workforce is composed of employees aged between 30 and 50; 30% are over 50 and approximately 8% are under 30.

## Subdivision of employees by professional level and age

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Number of employees** | **<30** | **30-50** | **>50** | **Total** | **<30** | **30-50** | **>50** | **Total** |
| Top Managers | 0 | 12 | 27 | **39** | 0 | 13 | 24 | **37** |
| Senior Managers | 0 | 109 | 110 | **219** | 0 | 111 | 96 | **207** |
| Middle Managers | 15 | 439 | 231 | **685** | 17 | 450 | 203 | **670** |
| Staff | 344 | 2,097 | 919 | **3,360** | 393 | 2,177 | 878 | **3,448** |
| **Total** | **359** | **2,657** | **1,287** | **4,303** | **410** | **2,751** | **1,201** | **4,362** |

## Percentage breakdown of employees by professional level and age




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

In order to optimise the development of human resources, the Group prioritises the recruitment of internal employees to fill vacant positions. For junior positions, the recruitment process begins at university level, focusing on undergraduates in their final year or new graduates who have been selected according to their university or Master's specialisation. This policy offers young people the opportunity to embark on a professional path within the Group, in particular in the areas of Finance, Research and Development, Marketing and Industry.

*18 The item "Other Countries" includes the employees who work in Armenia, Australia, Baltic countries, Belarus, Brazil, Bulgaria, Canada, China, Colombia, Georgia, Hungary, Japan, Kazakhstan, Malaysia, Mexico, Sweden, the United Arab Emirates and the United Kingdom.*

To select the best candidates, the Group uses an internal Assessment Centre that aims to assess the transferable skills and communication abilities of the young candidates through group trials and role plays.

With the intention of standardising the selection of candidates, a "Recruiting Grid" has been implemented in the HR departments of the various Group companies for several years. The aim is to support line Managers involved in the selection of a new employee during the candidate's interview process. In a nutshell, this initiative provides a series of prompts aimed at exploring if, and to what extent, the candidate possesses the managerial skills that characterise employees of the Recordati group. During the interview, the Manager draws on a series of suggestions on how to engage with the interviewee, such as how to pose questions and which aspects to develop further. Furthermore, the "Recruiting Grid" offers a number of positive and negative indicators to outline whether a candidate possesses a certain skill.

In 2021, 542 new employees joined the Recordati group, with an inbound turnover rate (the ratio between the number of new employees and the Group's total workforce as at 31 December 2021) of approximately 13%, while the number of employees who left the company was 601 with an outbound turnover rate (the ratio of number of people leaving the Group and the Group's total workforce as of 31 December 2021) of around 14%. Around 56% of new employees hired during the year were women.

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

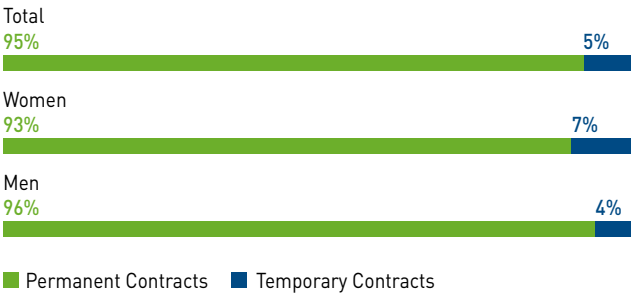
| | 2021 | | | | | 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **No. of employees** | **<30** | **30-50** | **>50** | **Total** | **Turnover %** | **<30** | **30-50** | **>50** | **Total** | **Turnover %** |
| **New employees entering the Group** | | | | | | | | | | |
| Men | 58 | 150 | 33 | 241 | 11% | 83 | 142 | 45 | 270 | 11% |
| Women | 89 | 184 | 28 | 301 | 15% | 113 | 173 | 47 | 333 | 17% |
| Total | 147 | 334 | 61 | 542 | 13% | 196 | 315 | 92 | 603 | 14% |
| Turnover % | 41% | 13% | 5% | 13% | | 48% | 11% | 8% | 14% | |
| **Employees leaving the Group** | | | | | | | | | | |
| Men | 42 | 188 | 68 | 298 | 13% | 82 | 134 | 78 | 294 | 13% |
| Women | 66 | 192 | 45 | 303 | 15% | 87 | 139 | 44 | 270 | 13% |
| Total | 108 | 380 | 113 | 601 | 14% | 169 | 273 | 122 | 564 | 13% |
| Turnover % | 30% | 14% | 9% | 14% | | 41% | 10% | 10% | 13% | |

The Recordati group believes that offering a stable and lasting working relationship is an important factor contributing to employee motivation and is essential for the Group's growth and economic development. For this reason, 95% of all resources are recruited on permanent contracts, an increase on previous years. The Group does not hire seasonal workers and limits the use of temporary contracts to exceptional cases such as occasional peaks in production, temporary maternity cover or cover for long-term absence.

## Subdivision of employees by contract type (permanent or temporary) and gender

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Number of employees** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Permanent Contracts | 2,205 | 1,875 | 4,080 | 2,244 | 1,835 | **4,079** |
| Temporary Contracts | 90 | 133 | 223 | 108 | 175 | **283** |
| **Total** | **2,295** | **2,008** | **4,303** | **2,352** | **2,010** | **4,362** |

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




Moreover, at a contractual level and in line with 2020, 79 people opted for part-time contracts. Approximately 78% of employees on part-time contracts are women. These contracts are usually granted by the Group to help employees who have to balance family commitments that are incompatible with full-time working hours.

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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Number of employees** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Part Time | 17 | 62 | **79** | 13 | 68 | **81** |
| Full Time | 2,278 | 1,946 | **4,224** | 2,339 | 1,942 | **4,281** |
| **Total** | **2,295** | **2,008** | **4,303** | **2,352** | **2,010** | **4,362** |

In order to promote continuous improvement aimed at optimising the sharing of information on human resources, in 2020 a preliminary analysis was conducted to outline an HR Digital Transformation project which was implemented in 2021 through various stages that involved all of the Group's HR departments, leading to the adoption of a Human Resources Information System (HRIS) at Group level. The system went live at the start of 2022 and the aim is to use the platform as the basis for the subsequent implementation of all HR processes (recruitment, MBO, salary review, skills appraisal, etc.). The focal point of the project was the construction of a Job Architecture, a structured classification of the professional roles at Group level, which will enable greater uniformity, a standardised management approach and the creation of a Global Model to be applied to the entire Group.

# 5.2 DIVERSITY AND EQUAL OPPORTUNITIES

At Recordati we believe that diversity is an asset in our teams, and that the combination of different backgrounds, cultures, genders, ages or other personal characteristics drives innovation and represents a key factor to success. By celebrating diversity and promoting inclusive practices among our employees, we are able to react to societal and market changes.

In 2021 we signed the Charter for Equal Opportunities and Equality at Work, which represents a declaration of commitment to adopt inclusive human resources policies, supported by the Italian Ministry of Labour and Social Policies. By adopting this Charter, Recordati aims to contribute to the fight against discrimination in all its forms in the workplace and is committed to enhancing diversity within its organisation.

As stated in the Code of Ethics, the Group is committed to guaranteeing that there shall be no form of discrimination whatsoever in the workplace based on age, gender, sexual orientation, ethnicity, language, nationality, opinions on political or trade-union matters, religious beliefs, or any other personal characteristics. Therefore, all Group structures are committed to: adopting criteria based on merit, skills and professionalism; selecting, recruiting, training, rewarding and managing employees without discrimination; promoting the integration of employees from other countries. In order to guarantee this principle, the Group has integrated a management policy which promotes the concept of inclusion, respects diversity and gives all employees a voice so that every contribution is heard and valued.

In line with previous years, the Group has a good gender balance, with 53% of employees represented by men and 47% represented by women. Furthermore, approximately 56% of employees hired during the year were women, 32% of Top or Senior Management roles are held by women (up on the previous year) and, finally, women represent 70% of the R&D department.

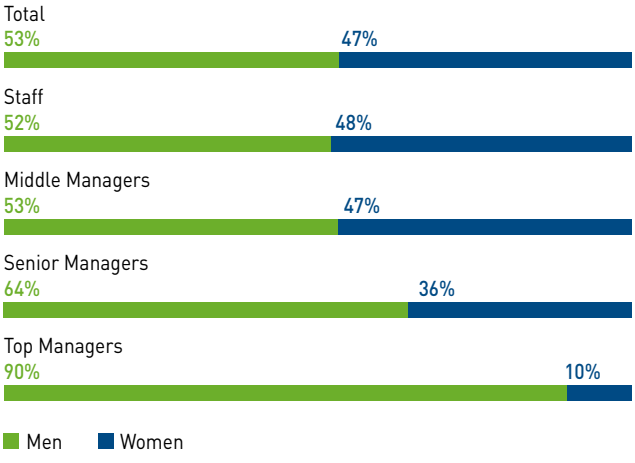
The Group is committed to continuing to promote equal opportunities. To this end, Recordati is currently defining a Diversity & Inclusion strategy and action plan, aimed at:

- Increasing the percentage of women in Top and Senior management positions;
- Recruiting and promoting employees who have both top skills and qualifications and reflect our focus on inclusion and diversity: from 2022 onwards, at least 40% of candidates short-listed for Top and Senior Management positions must be women and the internal personnel responsible for selecting new recruits and promoting employees must include at least one woman;
- Promoting a culture of inclusion by launching a training programme on "unconscious bias" to raise awareness on the issue.

## Subdivision of employees by professional level and gender[19]

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Number of employees** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Top Managers | 35 | 4 | **39** | 33 | 4 | **37** |
| Senior Managers | 141 | 78 | **219** | 137 | 70 | **207** |
| Middle Managers | 365 | 320 | **685** | 363 | 307 | **670** |
| Staff | 1,754 | 1,606 | **3,360** | 1,819 | 1,629 | **3,448** |
| **Total** | **2,295** | **2,008** | **4,303** | 2,352 | 2,010 | 4,362 |

## Percentage breakdown of employees by professional level and gender




19 *Top Managers (Vice President, Corporate Managers and General Branch Managers), Senior Managers (equivalent to Directors in Italy), Middle Managers (equivalent to Junior Directors in Italy) and Staff (the other employees).*

**47%**
of all employees in the Group are women

**56%**
of total new hires in the year were women

**42%**
of members of the B.o.D are women

**36%**
of Senior Management (equivalent to Directors in Italy) roles are held by women

**32%**
of Top and Senior Management roles are held by women (30% in 2020)

**70%**
of employees in the R&D department are women

Regarding the Group's remuneration policy, with reference to the ratio between salaries of women and men, please consult the paragraph entitled "Remuneration and benefits system".
Regarding human rights, in accordance with International Labour Organization conventions, the Group commits to preventing and refusing exploitation of labour, including and above all, that involving children, and commits to ensuring that its suppliers also do so. Within the Group, Recordati takes steps to guarantee that the human rights of all workers are respected, combating all types of harassment, violence, threats, abuse of authority, and the exploitation of crisis situations. As well as complying with the provisions of the applicable laws and/or collective labour agreements, managers across all company departments constantly monitor compliance with the provisions of the Code of Ethics and are committed to intervening promptly in the event of any situation that could potentially result in breaches of the conduct required and promoted by the Group. Furthermore, the Company has established a whistleblowing system to enable its employees to report any alleged breaches.

## 5.3 REMUNERATION AND BENEFITS SYSTEM

The remuneration system of the Recordati group is based on the meritocratic "Pay for performance" principle and has been designed to encourage and reward high levels of performance, aligning Managers' interests with those of our shareholders. The remuneration strategy aims to ensure that pay corresponds to the responsibilities of each role and to individual performance, optimising and retaining key resources while remaining in line with national employment legislation. The remuneration system is composed of basic 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 bonuses are subject to the achievement of specific results defined in line with the corporate strategy, which are measurable, quantifiable and made known to beneficiaries.

In 2019, an assessment of the existing MBO system was carried out at Group level, by a leading consulting company in the compensation field; a number of important changes were introduced (in relation to the calculation mechanism, target and payout) through benchmarking with the reference market and the subsequent design, which were initially applied for Top Managers starting from 2020 and proportionally extended to other Managers from 2021 (in order to align bonus logic within the Group), aimed at increasingly valuing and rewarding the best performance, aligning the interests of Managers with those of the shareholders, and rewarding special acquisitions and integrations.

The Group's remuneration policy aims to guarantee equal conditions for men and women across all professional levels, rewarding merit and the ability to fulfil the assigned role and meet defined objectives. In terms of remuneration, the ratio between the average basic salary of female employees and male employees is 91% at Senior Management level, 97% at Middle Management level and 96% for Staff. Instead, in terms of total remuneration[20], the ratio is 88% for Senior Managers and 93% for Middle Managers and Staff. At the Top Manager level, instead, the ratio is 106% in terms of basic salary and 112% in terms of total remuneration. In terms of total remuneration, in particular, for Top and Middle Managers the values improved compared to 2020, while for Senior Managers and Staff they remained in line with the previous years.

## Ratio of basic salary and remuneration of women to men by professional level

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Ratio between women and men** | **Basic Salary** | **Total Remuneration** | **Basic Salary** | **Total Remuneration** |
| Top Managers | 106% | 112% | 110% | 109% |
| Senior Managers | 91% | 88% | 90% | 90% |
| Middle Managers | 97% | 93% | 95% | 92% |
| Staff | 96% | 93% | 98% | 95% |

### Employee benefits and welfare

The Recordati group believes that the welfare of its employees is a key element to achieving company targets. In general terms, welfare initiatives vary between countries due to the specific characteristics of different states (regulatory framework, availability of public services etc.) and the existence of previous agreements developed by the various corporate entities before they became part of the Group. The benefits offered to employees are linked to their professional category, regardless of the type of contract, and are also offered to those on fixed-term and part-time contracts. At Recordati, corporate welfare is "the system of non-monetary benefits designed to increase the individual and family well-being of employees from an economic and social point of view" and is part of a wider strategy aimed at managerial innovation and corporate social responsibility, representing a tool to improve relations with employees and stakeholders within the Group.

The definition of company welfare includes both benefits, which represent resources allocated by the employer to meet the social security and welfare needs of employees (e.g. contribution to healthcare plans or additional welfare provisions), and "perks", which consist of goods or services made available to employees (e.g. company car, canteen or restaurant vouchers or coupons).

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

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

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

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

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

The Parent company has a flexible benefits system: this system represents an alternative remuneration method for employed work consisting of a range of goods, services and non-financial benefits offered by the Group to its employees in addition to their "standard" wage package, in order to increase employees' buying power and improve their quality of life. More specifically, this system also offers the opportunity to partially or fully replace a percentage of the employee's variable remuneration package with

20 *The variable component of total remuneration differs between Italian and foreign companies. In Italy, this variable component is predominantly composed of MBO programmes (available for all Senior Managers and around half of all Middle Managers) and the participation bonus offered to all Middle Managers and Staff except Senior Managers. Foreign companies manage the variable component independently through packages similar to MBO programmes which are offered to the employees (including a portion of the Staff) in line with local regulations.*

goods and/or services which are usually purchased externally by the employee to meet their personal or family requirements (ranging from grocery or fuel vouchers and the reimbursement of medical or school fees for the employee or their family members, to membership with recreational initiatives and support for the care of elderly relatives). The term "flexible benefits" refers to a fixed allowance allocated to employees that can be "spent" freely on the goods and services which best correspond to their individual requirements.

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

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

- choice of a service from the Group's suppliers that have an agreement with the Company operating such services - and if there are suppliers that do not have an agreement, there is the possibility of requesting new agreements - and paying for it with the amount available in their individual account without any advance payment;
- use of a supplier not available on the platform, then "uploading on the platform" the relevant paid invoice; in this case there will be a refund of the paid receipt.

The objective, after consolidation at corporate level, is to evaluate its possible expansion to other Group concerns, again in line with the specific local regulations, so as to make it a means of further harmonization. For this reason, the launch of a project to map the benefits (and related legislation) for each country where the Group is present is being studied at Group level.

Following the health emergency that defined 2020 and 2021 and the actions taken by the Group to ensure business continuity and the well-being of its employees, in the future the Group intends to define appropriate flexible working tools for employees with the goal of supporting a better work-life balance, firstly by introducing a "structural" smart working format that is not linked to the emergency. To implement smart working, Group guidelines and local adaptations that consider the applicable legislation and pharmaceutical market practices have been established.

## WELL-BEING INITIATIVES PROMOTED BY THE RECORDATI GROUP

**After preliminary studies conducted in 2021, in order to guarantee personal health and well-being, in 2022 employees will be offered a series of well-being initiatives designed to inspire healthier lifestyles and positive daily routines. In the first instance, the initiative will involve the Group's Italian employees with the aim of evaluating the future roll-out to other Group companies.**

**More generally, these initiatives represent an opportunity to capitalise on the new working methods adopted since the start of the pandemic and associated with the subsequent introduction of remote working. The aim is to promote the well-being of the Group's employees and their immediate families, offering a broad range of coaching services, courses and tools aiming at taking care of personal physical and mental health.**

**The project is structured into two core activities:**

- **Fitness training: for 12 months, all employees will have access to a streaming platform that hosts live and on-demand classes in several different disciplines including yoga, pilates, total body, stretching and many more; professional trainers will lead sessions of varying lengths in their area of expertise. Employees can extend access to the platform to a maximum of three family members who can follow the classes live or download recordings from the platform; personalised lessons will later be added in the most popular disciplines.**
- **Well-being webinars: once a month employees will be invited to attend a webinar on well-being and lifestyle topics, such as: "Diet and the immune system". Employees can either watch the webinar live by registering on the platform, or download the recording to view later. After the webinar, an "Ask the expert" session will be hosted on the same platform, enabling attendees to ask the speaker one or more questions about the topics covered during the session, receiving a response via email or phone in the next three days.**

# 5.4 TRAINING AND DEVELOPMENT OF HUMAN CAPITAL

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

In this respect, the main initiatives promoted by the Group throughout the year, directed towards all of the Group's personnel (including workers on fixed-term and part-time contracts) 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.

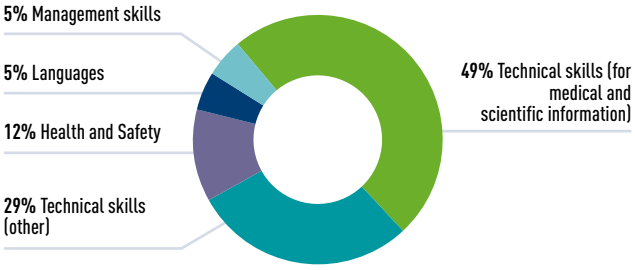
In 2021 the Recordati Group provided around 100,000 hours of training to its employees, equating to 22 hours of training pro capita. In particular, 78% of all training hours was provided to staff, 16% to Middle Managers and 6% to Senior Managers. Various types of training courses were offered, including management skills, technical skills (for medical and scientific information), specialist technical skills (other), languages and health and safety. The decrease in total training hours compared to the previous year is mainly attributable to technical training provided to the Group's medical sales representatives, which in 2020 was subject to a particularly concerted training drive.

In the last two years training programmes were converted from in-person courses to remote learning. In order to ensure that the provision of the training met the necessary occupational health and safety requirements, duration, frequency and delivery methods were reviewed in order to identify the best approach for each course to ensure the effective transfer of content and facilitate learning despite the situation caused by the Covid-19 pandemic.

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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Average number of hours** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Top Managers | 10.5 | 7.0 | 10.1 | 6.1 | 5.8 | **6.1** |
| Senior Managers | 22.7 | 29.1 | 25.0 | 16.8 | 19.4 | **17.7** |
| Middle Managers | 22.6 | 21.4 | 22.1 | 36.8 | 18.7 | **28.5** |
| Staff | 20.7 | 23.8 | 22.2 | 43.1 | 40.2 | **41.7** |
| **Total** | **21.0** | **23.6** | **22.2** | **40.1** | **36.1** | **38.2** |

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




For 2021, both at the Parent Company and its international branches, almost all training initiatives have been converted from classroom training courses to online courses, mostly using the Microsoft Teams platform, or continuing the development of digital projects which began in the previous year, such as the selection and purchase of a platform dedicated to training for the entire population of the Recordati Group.

The decision to implement an e-learning platform allowed for the possibility to convert the training provided during 2020 and 2021, both in Italy and abroad, despite the fact that most professional activities were carried out remotely, because of the regulations implemented to tackle the Covid-19 pandemic. In addition, based on the experience of delivering content over the last two years, the training formats were modified, reducing the duration but increasing the frequency of certain courses. This enabled the design of shorter, more focused sessions (90 or 120 minutes) repeated over time and supported by the provision of vertical and specific supplementary content.

There was an increase in the number of online courses produced by the Parent Company and delivered to employees at the head office and the Group's branches, some of which are mandatory (such as the Pharmacovigilance course or the Code of Ethics course), with the obligation to complete a final test to certify comprehension and learning. All classroom activities were re-designed for e-learning. This often meant a reduction in the number of consecutive hours required for a course, making it easier for more people to take part, allowing them to connect remotely and from different Group sites.

Furthermore, certain very specific activities continued to take place in person, such as the training project aimed at the management team at the Italian site in Campoverde: based on the requirements of the course, which focused on team building and developing a managerial spirit, it was decided that this particular programme should continue to be held in person to avoid missing out on certain key elements that would affect the achievement of the course aims. The same approach was applied to a digital training course that involved individual exercises that had to be carried out in person before sharing and discussing them with the group. In these two cases, and for the HSE programmes that require practical exercises, an in-person approach was adopted and the courses were delivered in classrooms that enabled the necessary social distancing to be maintained.

Training aimed at the Group's medical sales networks (external sales operators) continued to be a key priority in view of the new challenges associated with the pandemic and the consequent access restrictions to hospitals or healthcare structures. International branches all provided many hours of training for external sales operators, helping medical sales representatives to change their way of working in response to the new conditions dictated by Covid-19, to make work effective even when conducted remotely, sharing best practices to ensure everyone's safety during the pandemic.

## LEADING REMOTELY: A MASTER CLASS PROGRAMME TO PROVIDE GUIDELINES AND PRACTICAL TOOLS TO MANAGE CHALLENGES AND EXPLORE THE OPPORTUNITIES OF REMOTE WORKING

**In the last two years, HR management was handled remotely and consequently the work organisation and HR management paradigm was modified. To help the Group's managers, the "Leading Remotely" master class was developed. The programme aims to promote the development of new leadership skills among managers who manage teams remotely and is based on a common thread that begins with the definition of new working paradigms both during and after the emergency, and the relative contingencies, focusing on the challenges of remote working and remote management.**

**The training programme was put together by the Corporate HR department with the contribution of HR personnel from various counties in collaboration with SDA Bocconi University Business School. In 2021, after the initial pilot project attended by all of the HR Managers of the Group's branches, the programme was extended to around 100 Italian managers and in 2022 will be rolled out to approximately 200 managers at international branches.**

**The three master classes focused on the following topics:**
- **Challenges and skills for an evolving leadership role**
- **Assigning objectives and KPIs in remote work contexts**
- **Favouring collaboration with and between geographically distant people**

**The programme also focused on virtual feedback and communication methods to enable employees to adapt their practices and kick-start a process of continuous improvement.**

In addition to those noted above, other training programmes included:

- The *"Se vuoi andare veloce, vai da solo, se vuoi andare lontano, vai con altri"* programme ("If you want to go somewhere fast, go alone, if you want to go far, go with others") was aimed at the team reporting directly to the Manager of the Campoverde di Aprilia Chemical Plant. The project centred on team-building activities and combined on-the-job training with classroom sessions, with a series of practical projects to help participants to get to know one another better and work together to develop a team spirit. The project will continue in 2022 and will be extended to more participants.
- A new three-day programme in Italy delivered by teaching staff from SDA Bocconi and aimed at HR coordinators: the course (planned in 2021 and delivered in early 2022) focused on management skills and assertive communication as a management tool, along with the ability to provide constructive feedback to collaborators. During the course, participants were given theories and practical tools aimed at developing an understanding of the key elements of HR management and putting them into practice. The project began by exploring individual interpretations of the role of team manager with a view to promoting a managerial style in line with the needs and characteristics of the Recordati group. The course concludes with two individual coaching sessions guided by senior professors from Bocconi University, during which each participant will have the opportunity to review their management skills and the possible obstacles they may face in developing them. Subsequently, an action plan focused on the areas of improvement identified will be defined.
- Technical training: mainly delivered online, including courses delivered in Italy and several programmes and seminars organised abroad.
- Language courses: language classes are delivered using a dedicated platform or through private online lessons based on the needs of individual departments. The lessons are supported by regular tests to check the level of learning and to motivate participants to develop their personal skills.
- Health and Safety training: in addition to technical training activities, in order to uphold training and updating levels, specific requirements were identified linked to the COVID-19 emergency. There were numerous branches that provided ad hoc training on measures to prevent the spread of COVID-19, with learning verification tests. In addition to these activities, training was added "on the psychological impact of COVID-19," and on the impacts that the lockdown had on the well-being and emotional stability of employees and their families. For more information on Health and Safety training and the initiatives implemented by the Group to manage the health emergency, please refer to the specific paragraphs.

### Performance-evaluation systems

The intense process of growth and internationalisation of the Recordati group made it necessary to develop a system to know, assess and develop the human capital present within the managerial population, starting with the identification of those distinctive skills that have marked the evolution of the Group over the years. For this reason the Recordati group has launched a skills evaluation project which is currently being consolidated in Italy and throughout the Group's international branches. The initiative aims to identify, evaluate, optimise and promote the key management skills that have characterised the Group's history and which will contribute to the Group's success as it confronts new challenges. This is not a simple assessment of performance, which could result in attitudes not in line with the spirit of the project but is a detailed assessment of distinctive and essential skills aimed at promoting the continuous development of the Group and the professional growth of each employee.

To manage the individual evaluation process, the Recordati group has implemented a cloud-based platform in order to ensure standardised procedures, ease of use and the possibility of carrying

out assessments involving numerous assessors (but nonetheless respecting the corporate hierarchy) and personalising forms, fields and messages at a global Group level. The project's aim is to promote the professional growth of each employee and ensure the continued development of the Group.

Managers assess their collaborators based on skills observed during their 50 working activities. The initial assessment is then reviewed by the Manager's superior or the department manager at corporate level. These behaviours (both positive and negative) relate to 5 distinctive skills identified at the basis of the company culture:

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

At the end of the assessment period, an internal committee analyses the results and mitigates any elements of subjectivity (calibration phase). The appraisal process is concluded by a meeting between the assessor and the assessed employee in order to share and discuss the results.

The Recordati group has also constructed a *Competency Model* that links the observed behaviour with a soft skill. Based on these evaluations by Managers, the system automatically generates a development programme for each employee to develop any skills that fall below a certain threshold. Afterwards, the system automatically forwards these proposals to the assessor who is then free to make amendments, additions or alternatives to the plan. This is the truly innovative aspect of the system and has been deemed effective by the HR Innovation Practice Observatory of Milan Polytechnic University.

For "top performers", career and retention plans are defined while "poor performers" are offered programmes to improve their managerial skills. In the future, the same assessment approach will be extended to technical skills as defined by the analysis of the roles in each country. The appraisal system enables all employees to improve their understanding of their role and helps to construct an individual development plan aimed at developing and increasing their skill levels. Those who have the required skills and experience may be offered opportunities to develop their role and enhance their performance or their area of responsibility. Specific tools to assess soft and transversal skills are used to evaluate whether a change of role is appropriate and identify any training that may be required to best encourage professional development. Over time, the assessment of managerial skills of employees has become increasingly structured and finalised, making the Managers themselves more and more accustomed to taking care of the development of their people and to resorting to targeted actions, starting from the areas of improvement of individuals or of the whole team. In particular, the Company invests in resources with great potential, offering growth paths based on the 70/20/10 approach, in other words:

- 70% "on the job" (for example being assigned or working on projects or directly covering tasks related to a role of a higher level);
- 20% "near the job" through effective feedback (including 360° feedback on leadership skills) and mentoring and coaching activities;
- 10% through the structuring of tailor-made training activities (classroom programmes, workshops and/or e-learning courses).

In addition to the constant updating of management personnel subject to evaluation on the basis of developments in the Group's organisational structure, in 2021 the "second level"[21] management team was expanded and currently includes approximately 500 resources.

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

Please note that the objectives of the CEO's MBO scheme include the key social and environmental targets defined in the Sustainability Plan. Furthermore, responsibility for the achievement of the goals included in the Sustainability Plan is assigned to the representatives of the various departments involved, who have the resources, tools and know-how required for their implementation; the Management by Objectives (MBO) scheme integrates social and environmental objectives associated with the implementation of the Plan itself which are assigned to certain key management figures.

In addition to this, in order to strengthen the development and growth of expertise within the Group, the Company has another tool referred to as "360 Degrees Feedback", which allows each manager interested in their managerial development to receive feedback from their direct line manager, colleagues at their level and those reporting to them, in aggregate and anonymous form. The outcome of this feedback often forms a basis for coaching and targeted personal development. The feedback takes the form of a questionnaire where both the employee and their line manager review their performance based on certain management criteria. The same questionnaire is completed anonymously by a group of colleagues, employees at the same level in other departments and collaborators, and is aggregated in clusters based on professional category. To begin the process, the department manager invites the employee to take part in the initiative, who can choose whether or not to participate. At the end of the appraisal, the HR department shares the results with the employee and their line manager in order to identify the characteristics recognised by others and to define an improvement and development plan. In 2021 the initiative mainly focused on the Research and Development division.

## Principle internal engagement initiatives

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

One of the most important initiatives of an informative nature is the "Inside Recordati" magazine. Presenting the Group's activities and distributed to all employees, the publication features news articles and describes important events and initiatives the Group has been involved in during the period in question.

The Group Management Meeting represents an important opportunity for dialogue. This event is organised every year in Milan and allows sharing of goals and results achieved. This meeting represents an opportunity for debate and discussion between Managers from all Group companies and features a series of presentations given by Top Managers or important figures

*21 Second-Level Management is defined as managers of departments that report directly to members of the Country Management Team (direct reports to the Country General Manager) of each branch.*

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, an awards ceremony is held to reward the best medical sales representatives from each branch.

Furthermore, the sector meetings held by each company department with representatives of foreign branches are smaller-scale but equally important method of the sharing of methods and tools. Developed as part of the launch of new projects, these events now represent an essential opportunity for debate and orientation, aiming to promote a shared approach and develop the sense of Group belonging in an increasingly complex and multicultural context. Often, training sessions are held for soft skills considered useful and interesting for the entire team involved, as well as team building, aimed at strengthening relations between members of international groups.

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

In 2020 and 2021, the limitations imposed by the health emergency made these initiatives impossible. The Management Meeting was nevertheless held but it was replaced by a virtual ceremony, so that Group Managers could still be thanked by the Company for their efforts.

The activities performed for employees newly hired by the Recordati group are particularly significant, being an essential tool to transmit the values, goals and mission of the Group. In fact, there is now an almost fully adopted Group induction process that, for employees of the Parent Company, involves a full day of training for new hires within the first 6 months of their employment. This enables employees to gain an initial basis of first-hand knowledge of the company structure before being guided by the HR function through a complete overview of the entire Recordati group organisation. The day course is usually introduced by the Human Resources Manager who explains the Group policies, after which presentations are given to provide background information on the organisational structure, history and characteristics of the company. The morning is brought to a close by a session centred around the Communications and Investor Relations department. The rest of the day consists of talks given by Managers of various departments to illustrate the activities and processes of the various business areas. This provides an ideal opportunity for new hires to ask questions or seek clarifications on the business model and the company's adopted policies. In the second half of the day, a visit is made to the Milan plant, offering a constructive method of learning about the organisation and its processes.

Once again, due to the restrictions imposed due to the pandemic the initiative was delivered via video-call.

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

### CORPORATE VOLUNTEER PROGRAMMES

**Various volunteering initiatives were held in some of the Group's branches. These activities not only represent a key tool of social responsibility, but also help to create a culture focused on solidarity. They are also an opportunity to bring colleagues together. For example, in 2021 employees of the Recordati Rare Disease branch in France took part in the "Course des Héros" race, a major charity event in France. This event enables non-profit organisations to promote their cause and raise money. Employees of Recordati Rare Disease helped to raise money to support the Envol Association, aimed at supporting "Recreational Therapies" for seriously ill children hospitalised at the association's facilities.**

**Employees of the French branch of Recordati Rare Disease also took part in the "Rare Disease Day - Quiz Contest" initiative, a competition consisting of a questionnaire of 10 questions about rare diseases. The top three winners were invited to select a patient association to receive a donation.**

## 5.5 HEALTH AND SAFETY IN THE WORKPLACE

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

As stated in the Code of Ethics, the Group is committed to disseminating and consolidating a culture of safety, raising awareness of risks, also through training activity aimed at promoting responsible behaviour and working to protect the health and safety of those operating for the Group, including by preventive measures. All company activities are carried out in compliance with current legislation regarding risk prevention and protection, with a constant focus on the improvement of workplace health and safety conditions.

The Group, in particular at its manufacturing sites, independently of the nature and purpose of the activities carried out, implements

prevention measures provided for by local legislation, aimed at ensuring the constant improvement of workplace health and safety conditions. To this end, technical and organisational measures are implemented, such as:

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

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

In this respect, the Group aims to promote responsibility among the Management team through the definition and formalisation of health and safety roles and responsibilities, and each production plant has a level of independent control over its health and safety budget. Activities at each production site are controlled and monitored through inspections and audits, performed both internally and by external companies. In 2021 internal health and safety audits were carried out at the Group's facilities in the following countries: Turkey, Italy (Campoverde and Milan), Czech Republic, Spain and Tunisia. Furthermore, the Tunisian pharmaceutical production plant holds certification ISO 45001 for its occupational health and safety management system. In 2021, the follow-up audit was conducted and the certification was renewed.

The Recordati group believes that participation of employees in the identification and reporting of any issues regarding health and safety in the workplace or possible dangerous situations to which employees may be exposed is of fundamental importance and encourages such involvement. A specific procedure was adopted at the Group's plants to declare and report dangerous situations or irregularities at the plants: at the facility in Cork, for example, a Safety Observation programme was implemented to incentivise staff to observe health and safety aspects at the site and report any necessary corrective measures.

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

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

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

The Group records injuries and occupational disease, constantly monitors the main injury rates and analyses the causes and circumstances of every incident, taking prompt improvement actions where necessary. On all manufacturing sites, there is a procedure in place for the management of accidents defined as "near misses", i.e. any work-related event that could have caused an injury or damage (illness) but did not: therefore an event that has the potential to produce an injury. The procedure involves filling in specific forms, investigating what happened and identifying the corrective measures to be implemented to avoid the occurrence of the event and reduce the related risk.

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

In case of accidents at work, the HSE department is promptly informed to activate the specific management procedure. An inspection is carried out at the scene of the accident to discover the causes and identify the corrective measures to be implemented. All manufacturing plants have personnel with specific first-aid training and the Italian, Spanish and Turkish plants also have an on-site nurse equipped for the management of first aid with the physical presence of qualified healthcare operators.

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

With regard to the handling and transportation of chemicals and hazardous substances, specific procedures have been defined and adopted at the Group's sites which, in many cases, and with a view to promoting health and safety, are shared with and applied to external collaborators and contractors.

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

- The Italian plant in Milan has conducted various risk-assessment activities aimed at evaluating and constantly monitoring possible risks which employees may be exposed to in the workplace. The final goal of this activity is the alignment and continuous updating, where necessary, of procedures in force and consequent planning of training courses for employees in relevant procedures. In particular, in 2021 risk assessments were conducted on: work-related stress, oxygen deficient atmosphere hazards, fire risk, biological risk and risks linked to the use of machinery on two packaging lines. At the plant, several new pieces of equipment and devices were acquired to reduce health and safety risks, including forklifts to facilitate loading and unloading operations and the implementation of noise reduction technology. In 2022 additional systems aimed at reducing the risks associated with the manual handling of loads will be implemented.
- At the Campoverde di Aprilia plant, in order to prevent the occurrence of accidents a series of preventive measures relating to equipment, operating processes, management systems and procedures has been implemented, including

a computerised control system for various devices, the installation of locking devices on certain equipment, safety valves for exhaust devices, air pollution control devices and systems to detect the presence of dangerous substances in the atmosphere. Dedicated fire-prevention systems are available on site such as firefighting trailers and portable fire extinguishers. Following certain improvements made in previous years to the loading systems for critical substances and also to some product unloading systems, in order to further improve the protection of operators and the product itself periodic audits were conducted for the critical lines. These inspections allowed a reduction in losses from lines and injuries caused by contact with dangerous chemical substances. Furthermore, in 2021 the Campoverde plant updated its risk assessment, focusing on chemical risks, risks associated with manual loads, biological risks and microclimatic risks. In addition, a risk assessment on noise levels was completed and employees affected by noise exposure received training and information on the relative risk.

- The Irish plant in Cork defined a risk assessment plan that enables the identification, evaluation and management of health and safety risks within the plant. Furthermore, over the last few years specific actions have been taken to acquire equipment and adopt procedures for the transportation of thionyl chloride from its arrival on site to its deposit in the relative storage tank, with a view to further protecting employees and stakeholders from chemical risk. Also at the Irish plant in Cork, in recent years there was a review of management activities/measures in the area of potentially explosive atmospheres (ATEX) and plant ageing to provide a risk-based approach for future asset maintenance projects.
- In 2021, at the Saint Victor site in France, measures were adopted to improve the ergonomics of work stations, such as new devices to transport aluminium coils to reduce the risks associated with handling them. In addition, fume extractor caps were installed in the quality control department to further reduce the risk of exposure to chemicals. Furthermore, weekly inspections are carried out at the site to identify any areas of improvement in terms of safety, the working environment and waste management. Also in 2021, a work-related stress assessment was conducted and updates were made to product safety documents and the software used to assess chemical risks. A risk assessment process was also conducted at the French plant in Nanterre in 2021.
- Meanwhile, the Tunisian plant in Opalia, whose management system is certified by ISO 45001, updates its risk assessment of all work stations on an annual basis. In 2021 workshops and employee interviews were held to prevent possible psychological risks and work-related stress.
- At the Turkish site in Çerkezköy, in 2021 the risk assessment was integrated with a Covid-19 risk assessment, and during the year a health and safety handbook was produced and distributed to employees in order to promote and share good health and safety practices.
- At the Pardubice site, the risk assessments in 2021 focused on occupational health and safety procedures and fire prevention systems. Based on the results of the assessment, no corrective measures were required.

Thanks to continuous training and awareness-raising initiatives aimed at promoting prevention, effectively managing the Group's spaces and correctly monitoring the application of improvement measures, the number of work-related injuries is limited. 27 work-related injuries were recorded in 2021. As in previous years, there were no fatalities.

## Number of accidents and Group Employee Health and Safety indicators by gender[22]

| | | | 2021 | | | 2020[24] |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates[23]** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 17 | 10 | **27** | 18 | 8 | **26** |
| *of which high-consequence work-related injuries[25] (No.)* | *0* | *1[26]* | ***1*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 3 | 3 | **6** | 4 | 2 | **6** |
| Hours worked (No.) | 2,289,000 | 1,479,103 | **3,768,103** | 2,287,025 | 1,397,146 | **3,684,171** |
| Cases of work-related diseases (No.) | 1 | 0 | **1** | 0 | 0 | **0** |
| Severity Index | 28.9 | 47.9 | **36.4** | 27.5 | 30.9 | **28.8** |
| Work-related injury rate/Frequency rate | 1.5 | 1.4 | **1.4** | 1.6 | 1.1 | **1.4** |
| High-consequence work-related injury rate | 0 | 0.1 | **0.05** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0.09 | 0 | **0.05** | 0 | 0 | **0** |

### Training and information activity

The Recordati group believes that training and informing its employees is essential to ensuring the prevention of health and safety risks. As well as providing mandatory training in the field of health and safety in compliance with the time frames and methods defined by applicable local laws, the Group also delivers courses in addition to those required by law. Each production plant implements training plans aimed at workers exposed to specific risks. As well as the mandatory training, employees are also offered supplementary voluntary courses.

During 2021, more than 11,200 hours of health and safety training was provided. All personnel working within production plants, in line with local laws, receive training and continuous updating for the purposes of environmental protection and health and safety in the workplace. New employees undergo a training period supported by experienced operators and theoretical lessons delivered by qualified personnel. Following the risk assessments relative to topics of health, safety and environment risks, all personnel receive adequate training and instruction in order to mitigate the risks identified according to their role.

The main training plans include, for example, training on the use and storage of hazardous chemicals and flammable materials during manufacturing processes, the correct use of personal protection equipment, the correct handling of loads and posture to adopt in working environments, noise risk and fire prevention. For roles that involve exposure to chemical/biological risk, specific training courses are also provided.

Furthermore, in certain plants such as the Tunisian and Czech facilities, safe driving courses were offered, aimed in particular at medical sales representatives. The Group aims to offer online safe driver training courses to all employees with use of a company vehicle in 2022 and 2023.

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

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

Specifically, since the initial phases of the Covid-19 emergency, the Group has implemented a remote working system for office personnel, which, since the start of the pandemic and throughout 2021, guaranteed that the business was fully operational. Meanwhile, in production plants, the Group committed itself to guaranteeing workplace health and safety through the adoption of strict anti-contagion measures. Furthermore, in the last two years, new organisational models were adopted for the network of Medical Sales Representatives, who represent the Group's first point of contact with doctors and hospitals.

22 *The scope of accident indicators, in line with 2020 reporting, includes all personnel employed at Group production plants and their offices. Data is also included for personnel from the sales network (Field Forces) within Italy and the Parent Company's offices (Milan).*

23 *The Severity Index represents the ratio between the number of days lost due to work-related injuries and the total number of hours worked in the same period, multiplied by 200,000. In 2021 a total of 685 days of absence due to work-related injuries were recorded (331 by men and 354 by women). In 2020, total days of absence due to work-related injuries was 530 (314 men, 216 women).*
*The Work-related injury rate/Frequency rate represents the ratio between the total number of work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.*
*The high-consequence work-related injury rate represents the ratio between the total number of high-consequence work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.*
*The Work-related fatality rate represents the ratio between the total number of fatalities and the total number of hours worked in the same period, multiplied by 200,000.*
*The Occupational disease rate represents the ratio between the number of cases of work-related diseases and the total number of hours worked in the same period, multiplied by 200,000.*

24 *Regarding the calculation of the 2021 accident indices, there is now more detailed data available on the hours worked compared to what was used for last year's calculation, which was reported in the 2020 NFS. This change in method, specifically, made it possible to include data from external operational forces. The information reported above, which became available in 2021, made it possible to fine-tune the Severity and Frequency index calculations for the current reporting year (2021) and, likewise, for the previous year (2020) to give as reliable and consistent a representation as possible. This NFS, therefore, reports the most accurate data for 2021 and 2020.*

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

26 *The high-consequence work-related injury recorded in 2021 refers to a fall resulting from a slip in the area in front of the Utebo pharmaceutical production plant.*

In 2021, in line with the previous year, the Group's plants continued to update its protocols containing specific indications to prevent the risk of infection in the workplace, in compliance with the many laws and guidelines issued at local level. Employees have been constantly updated and trained on any new developments regarding protocols adopted and safety regulations applied internally.

The Health and Safety Committees of the various sites, involving workers' representatives, management representatives and the internal Prevention and Protection Service, worked to create and consolidate a collaborative working environment to confront the health emergency. Additionally, the Cork facility in Ireland took part in weekly meetings organised by the Irish business association IBEC, of which it is a member, in order to share and align health and safety practices, focusing in particular on measures associated with Covid-19.

Keenly aware of the uncertainty surrounding the continuation of the health emergency throughout 2021, Recordati is committed to reassuring and maintaining constant dialogue with its employees regarding the Group's operational changes, methods for performance of activities and possible future developments.

Following the best practices defined during the course of the health emergency and as requested by applicable legislation in the various countries where the Group operates, in all plants and all offices stringent anti-Covid measures were adopted. For example:

- special signage was developed and installed within working environments providing indications set out by the protocols adopted in order to guide employees in observing health and safety rules;
- remote working was activated for all office personnel;
- employees were equipped with the necessary Personal Protective Equipment (PPE), including sanitizing gel, surgical masks, FFP2 masks, gloves and goggles;
- specific rules were defined to avoid gatherings of people. In-person meetings were significantly reduced, replacing them with remote meetings using digital platforms provided by the Group;
- work-related travel was suspended unless required for specific reasons and unable to be postponed;
- systems were introduced to check body temperature for access to sites using thermal scanners or manual measurement by specially appointed personnel;
- working environments were subject to regular sanitising in line with defined protocols, and special materials were identified and provided in order to reduce the risk of contagion, specifically with the installation of Plexiglas and dispensers for sanitising gel, and safe distances between workstations were guaranteed.

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

Confirming its constant focus on ensuring the health and safety of its employees, the Recordati group has provided specific services to support its employees during the pandemic. Specifically, in 2020 and 2021 the French plant in Saint Victor offered a telephone mental-health support service, giving all employees access to psychological support aimed at improving their ability to adapt to the changing situation and their quality of life and promoting personnel well-being during this challenging period.

Finally, in 2021 Recordati continued the "Covid-19 Insurance Policy", aimed at all employees of all Italian Group companies and their families, completely paid for by the Group with the goal of offering employees tangible support in the management of potential health problems linked to the Covid-19 pandemic.

## 5.6 INDUSTRIAL RELATIONS

As regards industrial relations, the Recordati group guarantees the right to join unions and collective bargaining rights in all the Countries where it is operative in compliance with current legislation.

The Group adopts positive and constructive conduct and policies towards workers' representative organisations and trade unions. Recordati therefore guarantees the right of workers to join and form trade unions, supports alternative means of union association and collective bargaining and ensures that trade union representatives are not discriminated against in the workplace and can communicate freely with their members in full compliance with local legislation. Recordati group companies have an industrial relations system based on involving employees and their representatives in the pursuit of the company's goals, ensuring constant monitoring of the objectives to be achieved. It is based on dialogue and continued discussion, characterized by correct and transparent relations and aimed at increasing the company's competitiveness and maximum employment. One of the main topics covered in the year was the use of contracts relative to the structural adoption of "remote working".

As in the previous year, in 2021 60% of the Group workforce, predominantly located in western Europe, was covered by a collective labour agreement. The solutions and behaviour adopted in the various countries in which the Group operates are in line with the social and institutional context and local legislation, and are always consistent with the fundamental principles of the Code of Ethics and with the Group's needs.

# 6. THE GROUP'S FOCUS ON THE ENVIRONMENT

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

## 6.1 COMMITMENT TO ENVIRONMENTAL PROTECTION[27]

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

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

All of the Group's production sites hold the necessary environmental authorisations and ensuring compliance with said authorisations is an important part of the responsibilities of the Management team at each site. Demonstrating the commitment to the environmental and to continuous improvement, it is noted that the Italian Campoverde di Aprilia chemical pharmaceutical plant and the Tunisian pharmaceutical plant have an ISO 14001 certified environmental management system. This certification attests that the manufacturing sites have a management system that is suitable for managing and mitigating the environmental impacts of their activities, and that their efforts for continuous, coherent, efficient and sustainable improvement. Regarding the Irish chemical pharmaceutical plant in Cork, it is noted that the environmental management system was developed to ensure full compliance with environmental legislation, regulated in Ireland by the Environmental Protection Agency (EPA), and is subject to regular inspections by EPA officers. In addition, for several years, the chemical pharmaceutical plant in Cork has joined the Responsible Care initiative which aims to promote the continuous improvement in the chemical and pharmaceutical industry of all aspects that have a direct or indirect aspect on the environment, employees or the community.

Risk assessments are conducted periodically at the Group's sites to assess risks and identify preventive measures. In 2021, for example, risk assessments were carried out at the Campoverde and Cork chemical pharmaceutical plants and at the Tunisian production plant. The Group also conducts internal inspections and receives audits by external certification bodies or regulators. As regards the internal audits, for example, in 2021 various activities were conducted at the Campoverde plants (mainly regarding the efficacy and efficiency of the Environmental Management System in compliance with standard UNI EN ISO 14001 and the previsions of certain applicable laws), and in Tunisia and Turkey. With regard to external audits, reference is made to those received by the certification bodies (to obtain ISO 14001 certification) and by the regulatory authorities. For example, in 2021, the Cork production facility received two inspections by the Environmental Protection Agency (EPA) focusing on atmospheric emissions and effluents, both with positive outcomes.

Environmental topics are also covered in periodic training sessions provided to Group employees, especially those responsible for such aspects at the plants. As well as the mandatory training required by local laws, the Group also offers voluntary training programmes. In 2021, training sessions were held on various topics, including the environmental management system, specific operating procedures, the use, handling and transport of hazardous substances, reducing emissions and waste disposal.

The active pharmaceutical ingredients production plants of Campoverde di Aprilia and Cork are included in the European Pollutant Release and Transfer Register (E-PRTR), established on the basis of EC Regulation 166/2006. The Campoverde di Aprilia site is included in the national inventory of plants with the potential for major accidents, based on Italian Legislative Decree 334/99, replaced by Italian Legislative Decree no. 105/2015, which transposed Directive 2012/18/EU. All the formalities arising from such inclusion are carried out regularly.

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

Please note that, following voluntary reporting by the Company to the competent authorities in 2001 about the potential contamination of some portions of the land and water of the Campoverde di Aprilia plant resulting from past industrial production, an administrative proceeding was initiated which is still pending. With regard to this proceeding - now governed by Art. 242 of Italian Legislative Decree. 152/06 - in February 2021 the Company received feedback from the local authorities, which entailed the rewriting of part of the documentation produced by the Company in the proceedings, in order to take into account the technical observations made by ARPA in Lazio in January of the same year. The Company promptly acted on the feedback and, in particular, following the approval by the authorities of the updated characterisation plan, steps are being taken to update the data based on new legal provisions and using updated scientific methods and technologies. This process is currently expected to conclude in 2022 and the results of these actions will form part of the prosecution in the administrative proceeding. In any case, from the initial survey of the situation subject to this procedure, the Company has continued to implement, in relation to the aforementioned past contamination, all necessary and appropriate containment measures and monitoring actions.

## 6.2 ENERGY USE AND EMISSIONS

### Energy use

The Recordati group manages the general use of energy resources through a range of initiatives to reduce consumption, with the aim of improving energy efficiency in all of its activities.

The main energy resources used at the Group's production plants are electricity, natural gas and diesel. In 2021, the Group plants consumed approximately 627 TJ, in line with 2020 consumption.

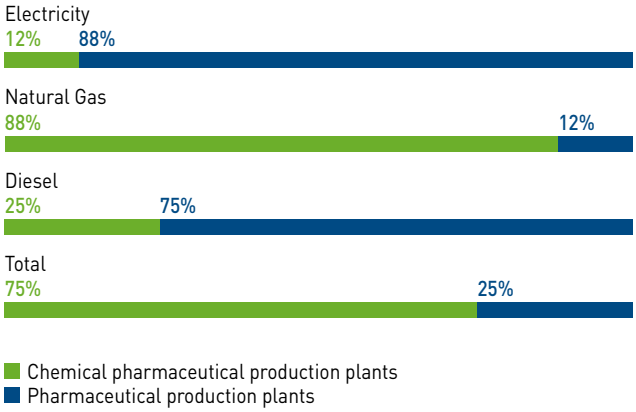
As regards electricity, as part of Recordati's constant focus on the environment and its commitment to reducing atmospheric emissions, the Group increased its procurement of electricity from renewable sources. In 2021, the target to purchase 100% renewable electricity for our European production and packaging sites and annexed offices[28] was achieved (approximately 57% at Group level). The Group aims to ensure that 100% of the electricity purchased for the Group's production and packaging sites and annexed offices is from renewable sources by 2025[29].

Consumption of diesel in 2021 fell by approximately 25% as use of this fuel within plants is tied to operation of the diesel generators when needed.

### Energy use at the production plants of the Recordati group by source[30]

| Type of fuel | Unit of measurement | 2021 | 2020 | % Variation |
|---|---|---|---|---|
| Purchased electricity | kWh | 29,296,365 | 28,940,776 | 1.2% |
| | GJ | 105,467 | 104,187 | |
| *originating from renewable sources[31]* | *kWh* | *16,766,203* | *14,227,129* | *17.4%* |
| | *GJ* | *60,358* | *51,398* | |
| Natural Gas | $m^3$ | 14,759,492 | 14,835,915 | -0.5% |
| | GJ | 520,730 | 523,426 | |
| Diesel | Litres | 42,833 | 57,205 | -25.1% |
| | GJ | 1,543 | 2,060 | |
| **Total** | **GJ** | **627,740** | **629,673** | **-0.3%** |

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




28 *The Recordati group has 8 production plants (2 chemical pharmaceutical plants and 6 pharmaceutical production plants) in addition to one plant dedicated to packaging. Please note that 7 of the 9 production sites are in Europe and are powered by renewable energy. The annexed offices of the Group's European plants also purchase renewable energy, with the exception of the offices in Czech Republic, as the electricity contract for this specific area is included in the lease and thus is not regulated or managed directly by the Group. In any case, the impact on total electricity in Europe is negligible.*

29 *Purchase of renewable electricity for plants located in countries where it is available.*

30 *Lower Calorific Value of natural gas is 0.035 GJ/m3, average density of diesel is 0.84 kg/litre, Lower Calorific Value of diesel is 42.87 GJ/litre, (Source: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2021).*

31 *The proportion of renewable electricity purchased by the plants of Milan and Campoverde di Aprilia (Italy), Cork (Ireland), Utebo (Spain), Nanterre and St. Victor (France) and Pardubice (Czech Republic) is certified by Guarantees of Origin valid for 2021.*

## Energy use at pharmaceutical production plants by fuel source

| Type of fuel | Unit of measurement | 2021 | 2020 | % Variation |
|---|---|---|---|---|
| Purchased electricity | kWh | 25,830,845 | 25,323,202 | 2% |
| | GJ | 92,991 | 91,164 | |
| *originating from renewable sources* | *kWh* | *13,300,683* | *10,659,555* | *25%* |
| | *GJ* | *47,882* | *38,374* | |
| Natural Gas | $m^3$ | 1,742,110 | 1,555,626 | 12% |
| | GJ | 61,463 | 54,884 | |
| Diesel | Litres | 32,233 | 47,202 | -32% |
| | GJ | 1,161 | 1,700 | |
| **Total** | **GJ** | **155,615** | **147,748** | **5%** |

## Energy use at chemical pharmaceutical production plants by fuel source

| Type of fuel | Unit of measurement | 2021 | 2020 | % Variation |
|---|---|---|---|---|
| Purchased electricity | kWh | 3,465,520 | 3,617,574 | -4% |
| | GJ | 12,476 | 13,023 | |
| *originating from renewable sources* | *kWh* | *3,465,520* | *3,617,574* | *-4%* |
| | *GJ* | *12,476* | *13,023* | |
| Natural Gas | $m^3$ | 13,017,382 | 13,280,289 | -2% |
| | GJ | 459,266 | 468,542 | |
| Diesel | Litres | 10,600 | 10,000 | 6% |
| | GJ | 382 | 360 | |
| **Total** | **GJ** | **472,124** | **481,925** | **-2%** |

Electricity consumption of pharmaceutical production plants was approximately 155 TJ (25% of the total), slightly up compared to the 2020 value due to the increased use of natural gas for heating the annexed offices of the Parent Company at the Milan plant, with the increased presence of personnel following the gradual return to in-person activities. Compared to chemical pharmaceutical plants, pharmaceutical plants used higher quantities of diesel (75% of the diesel consumed by the Group) to produce electricity and more electricity was purchased from the national grid. However, in 2021 energy use by the Group's chemical pharmaceutical production plants was 472 TJ (75% of the total).

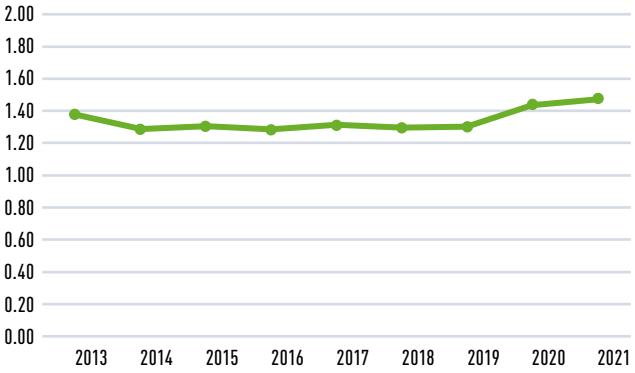
The chemical pharmaceutical plants consume higher quantities of natural gas than the pharmaceutical plants: a high proportion of this gas usage derives from the electricity generation system at the Campoverde di Aprilia plant, where a self-generation policy for electricity and thermal energy has been in place for over 20 years thanks to the installation of a co-generation system (for more details, see the "Co-Generation System of the Campoverde di Aprilia" information box). Through the use of a single fuel source (natural gas), the co-generation system enables the plant to generate enough electricity to meet its needs, sell any excess to the national grid and produce all of the steam used in the plant without the use of any additional gas or resources.

## Electricity and thermal energy generated and sold by the Campoverde di Aprilia co-generation plant

| Type of fuel | Unit of measurement | 2021 | 2020 | % Variation |
|---|---|---|---|---|
| Self-generated electricity | kWh | 32,150,928 | 32,292,572 | -0.4% |
| *consumed internally* | *kWh* | *27,865,360* | *27,973,604* | *-0.4%* |
| *sold externally* | *kWh* | *4,285,568* | *4,318,968* | *-0.8%* |
| Self-generated and consumed thermal energy | Kg of steam | 72,385,000 | 77,132,000 | -6.2% |

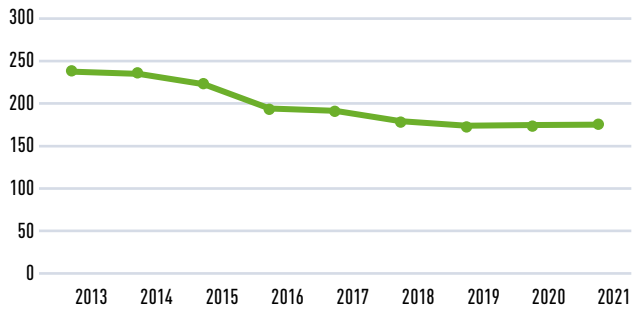
## Cubic metres of methane acquired against kilograms of product processed by the Campoverde di Aprilia plant

Cubic metres of methane acquired/total kg of product processed




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

Cubic metres of methane acquired/€k of product invoiced



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

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

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

**The co-generation system at the Campoverde di Aprilia plant is equipped with a 15-bar methane gas turbine. In its current configuration and with an air temperature of 9°C, the system is able to generate a maximum output of approximately 4.3 MW of electricity. Gas turbines operate by burning the fuel source in a special combustion chamber and expanding it with compressed air inside the turbine itself. During expansion, the mixture of air and fuel interacts with the blades of the turbines and activates the rotational motion of the rotor to generate mechanical energy.**

**This mechanical energy is then converted into electricity by an alternator. The fumes produced by the gases expanded in the turbine are emitted at very high temperatures (450–500°C) and consequently specialist heat exchangers or boilers may be used (the Recordati plant at Campoverde di Aprilia uses a steam recovery boiler) to produce hot water or steam. The use of the steam recovery boilers prevents exclusive use of methane gas to meet the plant's demand for steam for use in chemical processes and as a heating fluid. The steam recovery boiler installed in the co-generation system, which recovers the gases expanded in the turbine, enables the production of 15-bar saturated steam up to a capacity of 16 tons per hour. Without this production of steam using the gas turbine fumes in the steam recovery boiler, an estimated 4.6 million cubic metres of additional gas would have been required in 2021 alone, corresponding to 37% of the plant's annual gas consumption in 2021. This enabled the avoidance of 9,193[32] tonnes of $CO_2$.**

**In 2021 the gas turbine and reduction gearbox of the co-generation plant were updated in order to improve the efficiency of the co-generation system. Furthermore, the turbine's alternator was reconditioned.**

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

As part of its approach to climate action, the Recordati group is implementing several initiatives at its plants and offices in order to reduce energy consumption and atmospheric emissions. These projects are mainly focused on energy efficiency measures and the procurement of renewable electricity. Moreover, energy consumption is constantly monitored and other initiatives have been launched such as the progressive incentivisation of eco-friendly vehicles in the company fleet. The main initiatives implemented by the Group are listed below:

**Initiatives to purchase and produce renewable energy:** as regards electricity, as part of Recordati's constant focus on the environment and its commitment to reducing atmospheric emissions, the Group increased its procurement of electricity from renewable sources. In 2021, thanks to the completion of the project in France and its extension to the Czech Republic, the target to purchase 100% renewable electricity certified by Guarantees of Origin for our European production and packaging sites and annexed offices[33] was achieved (approximately 57% at Group level). Furthermore, the purchase of renewable for energy for all of the Group's European plants and the absence of greenhouse gas emissions related to the purchase of electricity was confirmed by the "Zero Emission Electricity" certification in 2021. The Group aims to ensure that 100% of the electricity purchased for the Group's production and packaging sites and annexed offices is from renewable sources by 2025[34].

Furthermore, the Group is pursuing a series of initiatives aimed at installing renewable energy plants. In particular, with regards to the Spanish production plant in Utebo, in 2021 the authorisation procedure was launched to install solar panels on the roof of the production plant, and the Group aims to complete the installation in 2022. Meanwhile, following the feasibility study conducted at the Irish production plant in Cork in 2021, plans are underway to install photovoltaic panels in 2022. Finally, at the Italian site in Campoverde di Aprilia, the installation of a thermal solar system to produce hot water for the changing rooms at the production site began in 2021 and will be completed in early 2022.

**Main energy efficiency and energy use monitoring initiatives:** in terms of lighting systems, in recent years, the Group has implemented various efficiency initiatives, including the gradual, programmed replacement of traditional lighting systems with LED lights or, in certain cases, the installation of motion sensors to reduce electricity consumption. Today, many areas of Group manufacturing sites and offices are already equipped with LED lighting systems.

These progressive replacement and efficiency actions were continued in 2021 and will be pursued in the coming years. In line with the Group's objectives, in 2021 the Milan plant completed

*32 Source of emission coefficient data for natural gas: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2021.*
*33 The Recordati group has 8 production plants (2 chemical pharmaceutical plants and 6 pharmaceutical production plants) in addition to one plant dedicated to packaging. Please note that 7 of the 9 production sites are in Europe and are powered by renewable energy. The annexed offices of the Group's European plants also purchase renewable energy, with the exception of the offices in Czech Republic, as the electricity contract for this specific area is included in the lease and thus is not regulated or managed directly by the Group. In any case, the impact on total electricity in Europe is negligible.*
*34 Purchase of renewable electricity for plants located in countries where it is available.*

the first step of the LED replacement project in the production department (in the technical pharmaceutical area). Meanwhile replacements began at the Utebo production plant in Spain and in the intermediates warehouse of the Italian Campoverde di Aprilia plant, and will conclude in early 2022.

Furthermore, in 2021 specific projects were launched to reduce energy consumption, including the installation of two inverter blowers at the Campoverde di Aprilia production plant, scheduled for completion in 2022. The installation is aimed at controlling the oxygenation levels of the wastewater treatment plant, enabling the regulation — and thereby improving the efficiency — of the machine's power based on the actual needs of the treatment plant (resulting in an estimated 50% reduction in electricity consumption compared to the current operating conditions of the unit scheduled for replacement). The dual installation will provide continuity to this optimisation of energy use in the case of shutdown due to a fault.

Furthermore, to further reduce energy consumption, specific energy consumption monitoring systems (steam and electricity use) are being installed at the production plant in Çerkezköy, Turkey and the Campoverde plant in order to obtain more accurate energy consumption data and to identify possible optimisation measures. As regards the Turkish plant, in 2021 the installation of energy meters was completed; the other activities are due for completion in 2022.

With the goal of continuous improvement, Recordati is committed to measuring, evaluating and monitoring its energy consumption also through performance of energy audits by specialised third parties. For example, based on the results of the energy audits, the Irish site in Cork is defining actions to further improve its energy performance and reduce emissions.

Moreover, actions have been implemented at the plants to raise employee awareness about energy saving, including through training programmes.

**Incentivisation of eco-friendly vehicles:** in 2021 the Group carried out a monitoring and control activity to assess the emissions of its global fleet of company vehicles. In 2021, approximately 2,000 company cars were in use by employees of the Recordati Group, while the average $CO_2$ emissions emitted by the vehicles was approximately 113 g/km, according to the new Worldwide Harmonized Light-Duty Vehicles Test Procedures (WLTP). To gradually incentivise the use of eco-friendly vehicles in the fleet of company vehicles, in 2021 hybrid and electric cars were added to the list of cars available to medical sales representatives and managers in Italy. Furthermore, the Group aims to increase the number of EV charging points at its plants to supplement its existing charging infrastructure in Italy, Ireland and Poland.

## Greenhouse gases emissions

The Recordati group's commitment to protecting the environment is also expressed through policies and initiatives aimed at reducing the emission of greenhouse gases and other air pollutants, as described in the previous paragraph.

In 2021, Scope 1 direct emissions were primarily related to energy consumption for industrial production (natural gas and diesel), to which a smaller share (about 19% of total Scope 1 direct emissions) is also added related to consumption by the Group's vehicle fleet. The slight increase in Scope 1 emissions is due mainly to the return to near normality of the activities of the Group's medical sales representatives, which led to an increase in emissions from the company fleet compared to 2020, when travel was significantly limited due to the restrictions imposed in response to the COVID-19 pandemic. Additionally, starting with this Non-Financial Statement, emissions caused by minor refrigerant gas leaks are being reported, which Recordati aims to minimise by using appropriate collection systems, disposing of them according to the applicable procedures and replacing old equipment containing refrigerants with new machinery that does not contain ozone-depleting gases. Conversely, Scope 2 indirect emissions due to the purchase of electricity from the grid decreased by around 5% according to the Location-based approach and by around 6% under the Market-based approach. The latter reduction is mainly due to the purchase of 100% renewable electricity for our European production and packaging sites and annexed offices (approximately 57% at Group level).

### Greenhouse-gas emissions (tons of $CO_2$) of the Recordati group's production plants and car fleet[35]

| | 2021 | 2020 | % Variation |
|---|---|---|---|
| Direct emissions (Scope 1) | 37,511 | 36,671 | 2% |
| *Relating to energy consumption* | *29,383* | *29,586* | *-1%* |
| *Relating to the company vehicle fleet*[36] | *7,262* | *5,938* | *22%* |
| *Relating to refrigerant gases*[37] | *866* | *1,147* | *-24%* |
| Indirect emissions (Scope 2) - Location-based approach[38] | 9,580 | 10,106 | -5% |
| Indirect emissions (Scope 2) - Market-based approach[39] | 5,431 | 5,798 | -6% |
| **Total (Scope 1 and Scope 2 - Location-based approach)** | **47,091** | **46,777** | **1%** |
| **Total (Scope 1 and Scope 2 - Market-based approach)** | **42,942** | **42,469** | **1%** |

35 *Source of emission coefficient data for natural gas and diesel: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2021.*
36 *Scope 1 emissions relating to the use of fuel by company vehicles have been estimated based on the average mileage of each car defined in the leasing contract and the average emission factor of fleet vehicles (113 g/km). On the basis of applicable legislation and actions taken to deal with the health emergency that have led to a reduction in mobility, for 2021 a reduction of 12% was reasonably assumed compared to expected pre-pandemic annual use.*
37 *Due to changes to the data collection methodology, data for 2021 also includes emissions related to minor refrigerant gas leaks. Data for 2020 has been included for comparison purposes.*
38 *The reporting standards applied (GRI Sustainability Reporting Standards 2016) provide for two different approaches for the calculation of Scope 2 emissions: "location-based" and "market-based". The location-based approach uses national average emission factors relating to the specific configuration of national electricity production (source of emission factors: TERNA, Confronti Internazionali, 2019).*
39 *The market-based approach uses an emission factor defined on a contractual basis with the electricity supplier and defines that the purchase of renewable electricity with Guarantee of Origin does not imply emissions of greenhouse gases calculated according to this approach. Consequently, consumption at the plants in Milan and Campoverde di Aprilia (Italy), Cork (Ireland), Utebo (Spain), Nanterre and St. Victor (France), Pardubice (Czech Republic), which use 100% certified Guarantee of Origin renewable energy, was not included in the calculation for Scope 2 emissions (according to the Market-based approach). For calculation of emissions using the market-based approach, the national "residual-mix" emission factors were applied (source of residual-mixes: (AIB European Residual Mixes - 2021).*

### Other emissions

With reference to other air pollutants, depending on the type of pollutant various thresholds have been defined; these are respected by the Group thanks to continuous monitoring and control activities of the emission points. In particular, emission points at production sites are authorised according to specific local laws in the various countries. Other atmospheric emissions are mainly due to the activities of the chemical pharmaceutical sites in Campoverde di Aprilia and Cork in reference to which, for almost all the substances listed below, more than 80% of total annual emissions are recorded.

Specific initiatives to monitor, control and reduce emissions include:

- At the Milan plant, all emission points with a high environmental impact are monitored annually as required by the supervisory authority. In addition, to monitor greenhouse gas leaks from the compressed-air production system, sensors have been installed in the most critical area of the system. In 2020, a gas detection system was installed for the refrigeration units, with alarms connected to the site manager's office, in order to immediately identify any leaks of ozone-depleting gases.
- At the Çerkezköy plant in Turkey, all emission points with a high environmental impact are monitored every two years as required by the Turkish authorities. The most recent inspection was carried out in 2020 and the next is scheduled for 2022;
- Pursuant to local law, the Opalia factory in Tunisia monitors the quality of its atmospheric emissions from all sources at the site using an accredited laboratory;
- At the Campoverde plant in the last few years, in the context of continuous improvement of air quality, efficiency assessments were conducted on scrubber systems and in coming years there are plans to build a new scrubber system and develop further systems. In 2020, a new NOx, SOx and PM emissions monitoring system was installed on the chimneys of the co-generation plant in order to track and report the levels of emissions generated and consequently implement possible actions for mitigation and reduction. The emissions are managed according to a specific procedure and specifically, the existing scrubber systems are included in the improvement plan, which outlines constant verification of the efficiency of the moderation system.

## Other emissions (kg/year) from Recordati group production plants[40]

| | 2021 | 2020 |
|---|---|---|
| Nitric oxide ($NO_x$) | 8,030 | 19,066 |
| Sulphur oxide ($SO_X$) | 10 | 20 |
| Persistent Organic Pollutants (POP) | 0 | 0 |
| Volatile Organic Pollutants (VOC) | 19,067 | 23,168 |
| Hazardous Air Pollutants (HAP) | 1,515 | 6,261 |
| Particulate Matter (PM) | 484 | 435 |
| Methane ($CH_4$) | 0 | 0 |
| Others | 12,397 | 5,961 |

# 6.3 WATER MANAGEMENT

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

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

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

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

- at the head office in Milan, since 2016 the new heating and air conditioning unit equipped with geothermal heat pumps has used groundwater as the principle thermal carrier. The groundwater is drawn from a shaft and channelled into the system for use in the heating or air conditioning systems before being returned in its original condition to the groundwater reserves via two return channels. The quantity of water used and recycled by the heat pump in 2021 was 454,411 m3 and corresponds to approximately 17% of the Group's annual water intake. The chemical and physical characteristics (pH, suspended solids, BOD, COD, metals, aromatic solvents, chlorinated aromatic solvents, aliphatic solvents and surfactants) of the wastewater, non-potable groundwater and

40 *As provided for by the environmental authorities, significant atmospheric emissions (including NOX, SOX, POP, VOC, HAP, PM, CH4) are monitored at the Group's plants. Measurements are taken at varying frequencies depending on the type of emission. For example, at the chemical-pharmaceutical plant in Campoverde di Aprilia (which is responsible for most of the atmospheric emissions), measurements are carried out once a year based on the plant's operations, according to AIA (Autorizzazione Integrata Ambientale) requirements. Therefore, any variations year on year are due to the plant's operations at the time of measurement. Due to the different calculation and measurement methods used, the values do not include emissions at the Opalia pharmaceutical plant, which are monitored annually and are within the limits permitted by law.*

potable water from the mains supply are monitored at the Milan plant on a monthly basis. Furthermore, in response to the problems encountered with regard to the correct flow rate from the intake well, in order to ensure the proper functioning of the heating and cooling system, a new well was excavated in 2019 and 2020 to replace the one previously in use. In 2021 the project to reduce the overloading of municipal drains, which reach critical levels during large storms, was completed. Water from the company drain is collected in detention tanks and progressively released into the municipal drains once the storm has passed. In 2020, in order to reduce water consumption used to clean the creams production plant, an automatic pressurised system was installed that allows a 50% reduction in water consumption compared to the previous method. In 2022 another initiative will be launched to implement an automatic cleaning system at the oral solid dosage product production plant, with a view to further reducing water consumption;

- at the Italian plant in Campoverde di Aprilia, daily monitoring is performed of water parameters. In recent years, the plant initiated and completed a project to replace the use of water from wells with river water for external cleaning of departments and for certain cooling systems, in order to minimise the impact of manufacturing activities on water resources;
- at the Cork plant in Ireland, particular focus was given to water use, particularly water used to ensure the correct operation of the scrubbers (system for filtering out pollutants from fumes). In any case, water usage is constantly monitored to identify any anomalies and facilitate prompt intervention when required. Following transposition by the Irish authorities in 2020 of EU law 2016/902, works were initiated for upgrading of the purifier currently used at the plant. Specifically in 2021 a bio-reactive membrane was installed in the aeration basin, the part of the system where organic waste is biodegraded, which significantly improved the quality of wastewater. Following the updates made in 2020, it was possible to reduce the level of nitrogen present in the discharged water by over 80%, improving the quality of the final effluent and reducing the amount of waste produced;
- at the Tunisian plant in Opalia, various initiatives were implemented to increase awareness about the use of water resources and to reduce the amount of water used to clean the machinery;
- at the Çerkezköy plant in Turkey, industrial wastewaters are treated by the chemical pre-treatment plant on site, connected downstream to the drainage line for waste water from the Çerkezköy industrial area, to be sent to the central treatment plant. The chemical pre-treatment of wastewater used for plant processes has the tangible goal of reducing the impact of pollutants generated by the company within the municipal water system;
- at the French plant in Saint Victor, the chemical and physical characteristics (pH, suspended solids, BOD, COD, etc.) of wastewater are monitored every three months. In order to reduce the amount of water disposed of as "pharmaceutical waste", water used in the initial cleaning process which contains high concentrations of pollutants is recovered and stored in vats to be processed as pharmaceutical waste (sludge). To dispose of the remaining wastewater from this process, the French plant has signed an agreement with the management of the purification system that allows storage of wastewater and its input into the purification system only during night-time hours, in order to avoid overloading the purification system and sewerage network.

The total water intake in 2021 was 2,706 Ml, of which 30% was surface water, approximately 62% was groundwater and the remainder was drawn from the mains supply.

In 2021, the overall water intake at the Group's production plants increased by around 10% compared to 2020. The increase in the Group's water intake, specifically the increase in groundwater use, is mainly attributable to the Milan site due to extraordinary maintenance carried out in 2021 on a pump on one of the site's wells.

Around 63% of Group water intake is attributable to the chemical pharmaceutical plant in Campoverde di Aprilia, located in an area subject to water stress[41]. In addition to the Italian plant, the Turkish plant and the Tunisian plant are also located in areas considered to be subject to water stress, although they do have lower water intake.

It should also be noted that in 2021, 29% of total water intake at the Group's production plants was recycled.

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

## Water intake at Recordati group production plants by source (megalitres)

| | Unit of measurement | 2021 | 2020 | % Variation |
|---|---|---|---|---|
| Surface water | Ml | 805 | 763 | 5.5% |
| Groundwater | Ml | 1,671 | 1,459 | 14.5% |
| Mains water | Ml | 230 | 231 | -0.4% |
| **Total** | **Ml** | **2,706** | **2,453** | **10.3%** |

## Percentage of recycled water at Recordati group production plants

| | Unit of measurement | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | Total | % of total water intake | Total | % of total water intake |
| Quantity of water recycled | Ml | 777 | 29% | 571 | 23% |

41 *To determine the water stressed areas, the Aqueduct tool developed by the World Resources Institute was used.*

## 6.4 WASTE MANAGEMENT AND CIRCULAR ECONOMY

The Recordati group's commitment to environmental protection is also evidenced by its activities to reduce the waste produced by its activities, the adoption of a circular approach, wherever possible, aimed at recovery and re-use, and the correct disposal of chemical and pharmaceutical products, particularly at its production sites.

All waste is processed in accordance with the applicable national laws, and chemical and pharmaceutical waste is managed according to specific internal procedures. In particular, the various types of waste produced at the plants are classified as hazardous or non-hazardous. In accordance with internal operating procedures, all waste is assigned an identification code which defines the relative management procedure for that type of waste. The classification of waste according to its origin and type (material and composition analysis) is maintained within the sites, leaving the waste collected and stored separately at defined delivery points, and after temporary storage the waste is sent for recycling or disposal (according to its characteristics). Waste disposal is contracted to specialist firms that hold the relative authorisations to act as carriers, intermediaries and recipients.

Depending on the planned storage and disposal process, it is of the utmost importance that all employees have received training in waste classification. Training courses for new hires and refresher courses are therefore offered throughout the year. Furthermore, in accordance with the provisions of Italian law (Legislative Decree no. 231/01), the Group's organisational model includes the appointment of various waste management officers within the company.

All of the Group's plants subject to the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation comply with the necessary requirements. The regulation aims to ensure the protection of human health and the environment by requiring companies that produce, import or market chemical substances to assess the risks associated with their use. In compliance with the REACH regulation, Recordati registers the relative substances and applies the requirements provided for by the regulation.

The main initiatives implemented at the Group's plants with regard to waste management and the circular economy include the following:

- at the Campoverde di Aprilia site, in order to promote an approach aimed at the circular economy that reduces waste and the use of natural resources, various initiatives to recover and re-use chemical raw materials used in production processes (such as solvents - ethanol - and palladium) were analysed. Furthermore the feasibility study for the recovery of certain heavy metals was completed. The Group aims to continue to analyse new initiatives and to further explore the possibility of routinely recovering certain raw materials that have already been proven to be feasibly recoverable on an industrial scale. The recovered raw materials may be reintroduced into internal production processes or through partnership agreements with third-party companies. A research programme is underway to investigate the possibility of internally managing certain types of waste that have previously been disposed of externally. For some types of waste, the implementation of this strategy has led to a significant reduction in costs and a positive environmental impact due, in addition to internal management, to the reduction in the number of transports and less handling and management of packaging (polythene and steel drums);
- 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 treatment plant is sent for incineration by a specialist contractor. In 2022 the Cork plant will assess the use of thionyl chloride in its production cycle. Furthermore, the site is improving the process used for the preliminary reconditioning of thionyl chloride drums with support from an external company. The preliminary reconditioning process will be conducted in line with standard ISO 14001;
- at the Çerkezköy plant in Turkey, all wastes are classified according to five main categories, with a different colour assigned to each, allowing easy identification of its placement as the colours of equipment and bags for waste collection are the same as those used for the different types of waste. With this method, the plant aims to minimise potential errors in the separation of waste. These five main categories are: domestic waste (e.g. waste from the canteen), recyclable waste, chemical waste, medical waste and hazardous waste. A specific policy has been adopted at the plant to regulate waste collection, storage, recycling and transfer procedures. This procedure includes a waste tracking system which closely monitors the transfer of special waste throughout the production chain. In recent years a new area equipped with a controlled access system was designated for the temporary storage of waste awaiting final disposal. In addition, in the wastewater treatment plant, a number of improvements were made which led to a reduction in the pollution values of wastewater. These optimisation measures also reduced the consumption of chemical substances used in treatment plants, with a consequent reduction in operating costs;
- at the Tunisian plant, the management of chemical and pharmaceutical waste is regulated by a specific internal procedure which classifies the waste by colour, class and code. Furthermore, waste disposal is entrusted to specialist contractors authorised to process this type of waste.
- in the last few years a new cardboard box compactor with an automatic lifting system for emptying boxes was installed at the Saint Victor plant to eliminate the need to lift and throw waste into the compactor. In addition, at the French site in Saint Victor, a project is underway in collaboration with Batribox aimed at

the disposal and recycling of used batteries, supporting the AFM-Telethon charity for medical research into muscular dystrophy. In 2021 the Saint Victor site implemented a complete recycling system for paper documents, aluminium cans and plastic thanks to the installation of a shredder;

- at the Milan plant, in order to limit the number of collections made by the carrier, two waste compactors have been installed in recent years, one for paper and cardboard and one for special waste equivalent to SUW.

A total of 5,547 tonnes of waste was produced in 2021, of which 55% was hazardous waste (substances defined as hazardous in the country of origin) and 45% was non-hazardous waste (all other forms of liquid and solid waste).

Compared to 2020, waste produced by the Group fell by 17%. The reduction is mainly due to improvements in certain waste management practices implemented at various plants. For example, the Campoverde plant reduced the amount of hazardous and non-hazardous waste produced by 26% in 2021 partly thanks to some improvements to the water treatment plant, which made it possible to reduce the amount of sludge produced. The Opalia plant in Turkey reduced the amount of waste sent to landfill and hazardous waste by 36% thanks to the re-use of containers that have not been contaminated by chemical products or hazardous substances.

## Total waste produced by Recordati group plants, subdivided by type and disposal method

| | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| **Disposal method** | **Unit of** | **Hazardous waste** | **Non-hazardous waste** | **Total** | **Hazardous waste** | **Non-hazardous waste** | **Total** |
| Reuse | tonnes | 5.3 | 0.4 | 5.7 | 3.0 | 0.3 | 3.3 |
| Recycling | tonnes | 31.1 | 718.0 | 749.1 | 43.0 | 557.8 | 600.8 |
| Compost | tonnes | 0.0 | 19.0 | 19.0 | 0.0 | 0.0 | 0.0 |
| Recovery (excluding energy recovery) | tonnes | 1,217.1 | 341.5 | 1,558.6 | 1,500.53 | 644.5 | 2,145.0 |
| Incineration (with energy recovery) | tonnes | 155.0 | 157.4 | 312.4 | 158.2 | 156.9 | 315.0 |
| Incineration (mass burn) | tonnes | 406.3 | 157.6 | 563.9 | 399.7 | 31.3 | 431.1 |
| Deep well injection | tonnes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Landfill | tonnes | 98.7 | 93.6 | 192.3 | 124.1 | 105.2 | 229.3 |
| Storage on site | tonnes | 1.2 | 0.0 | 1.2 | 1.8 | 0.0 | 1.8 |
| Other[42] | tonnes | 1,133.2 | 1,011.5 | 2,144.7 | 1,862.4 | 1,118.8 | 2,981.2 |
| **Totale** | **tonnes** | **3,047.9** | **2,499.0** | **5,546.9** | **4,092.2** | **2,614.8** | **6,707.0** |

Correct spillage management is regulated by specific standard operating procedures, which state that the spilled product must be collected using absorbent sheets and pads suitable for use with all types of hazardous and non-hazardous materials. Once used, the absorbent kits are handled and destroyed in the most appropriate way, considering the hazardous nature of the product. For example, at the Campoverde di Aprilia plant small leaks of chemical substances are resolved using liquid chemical absorption kits, while for more significant leaks external drainage systems are employed. For the containment of spillages of chemical substances from containers or tanks, bunds and retention areas are used at the plant.

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. The Recordati group has implemented two key strategies to reduce the amount of waste it produces: first, in line with the "Packaging decree" (which enters into force in July 2022), it has updated the information contained on the labels of its supplements and medical devices, and second, where possible it is committed to reducing the volume of packaging entering the waste system and increasing consumer waste recycling activities. When coordinating these initiatives, the Group works with national recycling organisations such as CONAI (Consorzio Nazionale Imballaggi) in Italy.

In 2021, in partnership with its suppliers, the Group continued to implement initiatives to reduce the environmental impact of its product display units and packaging. In Italy, for example, a project to eliminate the use of plasticised materials from display units was developed in order to enable pharmacies to dispose of them as recyclable paper. The Group aims to continue with further analysis of other possible packaging solutions with lower environmental impacts, while complying with the strict legislation in place in the pharmaceutical industry.

*42 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.*

## 6.5 ENVIRONMENTAL IMPACT OF PRODUCTS

As well as endeavouring to minimise the environmental impact of the production processes conducted at its industrial plants (both pharmaceutical and chemical-pharmaceutical), the Group also recognises stakeholders' concerns regarding pharmaceutical residues in the environment that mainly derive from the use of medicines by patients. To this end, the Group assesses the environmental risks of its products from the R&D stage, in compliance with applicable law.

### Environmental risk assessment of pharmaceutical products

Man-made pharmaceutical residues have become a pressing topic of environmental concern. Following the detection of pharmaceutical residues in drinking and surface water reserves, regulatory authorities across the world, including the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA), have developed detailed guidelines on how the negative environmental impact of pharmaceutical products should be assessed.

To this end, regulatory bodies now require an Environmental Risk Assessment (ERA) as an integral element of the authorisation process for the commercialisation of pharmaceutical products. The assessment is mandatory for pharmaceuticals to treat human conditions and those for veterinary use.

Recordati is committed to guaranteeing the effective environmental management of its products according to current guidelines. All new pharmaceuticals developed by the Group are subject to an environmental risk assessment prior to approval. Data on environmental toxicity are reported according to the applicable international standards. During the environmental risk assessment, the safe concentration, i.e. the concentration at which the pharmaceutical does not harm the soil or aquatic organisms, is identified. The Group notifies the outcome of the assessment to the regulatory authorities in specific environmental impact reports.

Throughout the product lifecycle, for any extension of the authorisation to market the product (new indications or new dosages) Recordati revises and updates the existing environmental assessment dossier or generates a new one to reflect the latest information on the potential environmental impact of the product. Two examples are given below:

- Fenticonazole: approved in Italy in 1985 and now approved in more than 70 countries worldwide with various formulations in several European and non-European countries. Recently, an application was made for a new authorisation to market the product in new European countries. This procedure led to the performance of an environmental risk analysis and more than 12 eco-toxicological studies in the last three years to assess the product's impact on the aquatic and terrestrial environment. The results were duly reported to the EMA. Throughout this process, Recordati works in collaboration with the agency to ensure that the product has the lowest environmental impact possible. The final report will be available and shared with the regulatory authorities in the first quarter of 2022.
- Methadone: the drug was approved for new therapeutic indications (cancer-related pain) and therefore a complete assessment of the environmental risks is currently ongoing.

Personnel at the R&D department attend periodic internal training sessions focused specifically on environmental legislation, with a view to raising awareness on the topic and ensuring that staff are up to date with any changes to legislation.

Furthermore, continuous efforts are made in the Group's R&D laboratories to reduce the environmental impact of the laboratories through the adoption of instruments that use a lower amount of solvents, are less energy-intensive and produce less waste. Finally, in 2021 Recordati collaborated with AFI (Associazione Farmaceutici Industria) to draft the chapter of the book "Buone Pratiche di Fabbricazione, Linee Guida AFI-Vol XVI, 2021" that covers environmental aspects.

## 6.6 EMPLOYEE AWARENESS-RAISING INITIATIVES AND OTHER PROJECTS

Recordati's vision and its commitment to reducing its environmental impacts is also reflected through internal engagement and awareness-raising policies aimed at its employees and initiatives launched in its offices, which aim to promote a greater understanding of the importance of correct waste management, energy saving, environmental protection and biodiversity.

In fact, the Group works actively to reduce consumption of paper, toner and energy and properly separate and recycle waste. Group sites have special containers for separation of waste, to ensure disposal or recovery/recycling of these materials in a correct and efficient manner. Regarding paper used in offices, in the context of raising awareness amongst employees on the environmental impacts of daily actions, all printers in Italy are equipped with individual codes to be used when printing documents. The purpose is to increase individual responsibility and reduce the number of documents printed, thus reducing consumption of paper and toner. In addition, it is noted that the paper used for printers in Italy and certain other Group branches originated from sustainable sources (recycled or FSC certified).

Raising awareness amongst personnel regarding good environmental practices has also led to the participation and creation of local initiatives in the areas in which Recordati operates. In 2020, for example, the Company participated in several projects during the year aimed at cleaning up urban green spaces thanks to the participation of certain volunteers at the Cork plant in Ireland. Due to the ongoing nature of the Covid-19 pandemic, some of these activities were postponed in 2021; new initiatives are planned to be launched in 2022, including a clean-up day, recycling campaigns, etc.

Furthermore, for several years the Cork plant has been involved in the Ringaskiddy community project, managed by the National Biodiversity Data Centre of Ireland and aimed at protecting pollinators. To this end, approximately 200 lavender plants and 180 conifers have been planted in the area, replacing the fences that were present around the manufacturing site. Following a survey to identify the biodiversity in the area around the site, in autumn 2021 the Group helped to sow a native wildflower meadow. Other activities are planned for 2022, such as planting native trees and shrubs in collaboration with local bee-keepers.

In further proof of Recordati's commitment to protecting nature and the environment, the Group has signed up as a leading partner of the Forestami project for the 2021-2023 period. The Group will support the planting of over 11,000 plants in the Milan metropolitan area (for more details, please refer to the "Community" chapter".

Natural Point is the Recordati group company established with the aim of promoting the healthy and safe use of supplements to support a healthy diet. It was one of the first companies to focus its attention of vitamin and mineral supplements, focusing in particular on magnesium as an essential element of healthy organisms.

Since its foundation, the company has always focused on protecting the environment, promoting sustainable business practices and supporting environmental awareness campaigns:

- the company is committed to protecting marine habitats: the fish oil used in Natural Point supplements is certified by Friend of the Sea, a non-profit organisation that aims to protect marine environments by promoting sustainable fishing practices and protecting the sea floor;
- the product Spirulife is certified organic, guaranteeing that the entire supply chain is audited and monitored;
- in 2021 the company supported the WePlanet project which aims to raise public awareness about sustainability, pollution, energy saving, recycling, waste disposal, and rising global land and ocean temperatures;
- wherever possible, product packaging (labels, boxes) and marketing materials use FSC-certified paper which guarantees the responsible management of forests.

## NATURAL POINT FOR WEPLANET

In 2021 Natural Point took part in the "100 globes for a sustainable future" event organised the WePlanet Association, supported by the Municipality of Milan, the Lombardy Region and the Italian Ministry of the Environment, which aims to increase awareness and raise money to protect the environment and public health.

The globes were made from recycled plastic and created by young artists from the Brera Fine Arts Academy (Milan) and well-known artists and designers as expressions of topics and values related to sustainably. The installation was on display in Milan from 27 August to 7 November. Among the pieces on display was the Natural Point globe, aimed at raising public awareness about sustainability.

At the end of the exhibition the globes were auctioned at a charity event and the proceeds were donated to Forestami, specifically to Associazione Parco Segantini Onlus to complete the municipal park, to Ospedale Niguarda and Fondazione Umberto Veronesi to support pioneering cancer research, and to Fondazione Progetto Arca Onlus which supports and promotes the integration of people in need.

# 7. SUPPLIERS AND STRATEGIC PARTNERS

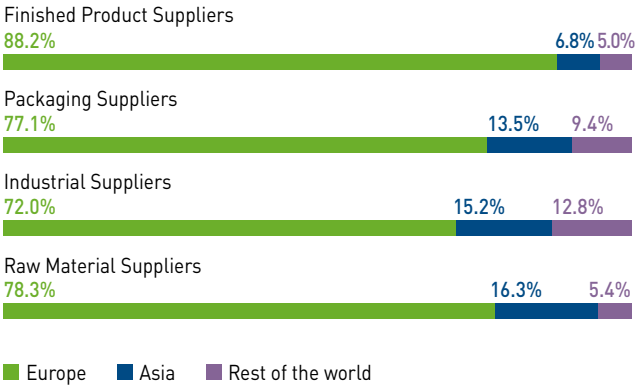
Recordati recognises the fundamental value of the supply chain in creating safe and high-quality products and is committed to working with suppliers and strategic partners that share its values and ethical principles. Commercial relationships with other parties (suppliers, consultants and partners) are founded on respect for the principles of fairness, professionalism, efficiency, loyalty, transparency and equal opportunities. The Group establishes written agreements specifying the responsibilities of each party and requiring that the principles of the Code of Ethics be respected.

## 7.1 SUPPLY-CHAIN PROFILE

The Recordati group is served by approximately 9,000 suppliers, predominantly located in the countries in which the Group operates production plants or has a commercial presence. The supply chain is characterised by the purchase of direct ingredients (active substance, packaging material, excipients and chemical intermediates), finished products and indirect services required for regular operation (consultancy services, marketing, supplies, licensing, etc.). In this regard, the main purchase categories are represented by raw materials (and in particular APIs - Active Pharmaceutical Ingredients), packaging, industrial products and services, and finished products.

In 2021, the Recordati group interacted with around 370 suppliers of raw materials[43], principally located in Europe and India. Approved suppliers for the packaging of medicinal products produced directly in the Group's plants numbered approximately 220, located principally in the countries in which the Group has manufacturing sites. Suppliers of industrial materials and services for use in the Group's plants numbered approximately 1,500, with a significant local presence due to the type of goods and services. Suppliers of finished products (CMOs - Contract Manufacturing Organisations) number approximately 160 at Group level, with a significant presence of European producers.

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




## 7.2 RESPONSIBLE SOURCING

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

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

In order to standardise the supplier selection and approval process, in recent years 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. In 2021, the expansion of the project continued, which made it possible to integrate approximately 70% of the Group's strategic suppliers into a single, shared database, i.e., suppliers in the most relevant product categories, such as raw materials, packaging, industrial products and services, finished products/ CMOs. Recordati's goal is to continue to progressively expand the project to all Group suppliers.

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

*43 The figure for raw materials refers to: API - Active Pharmaceutical Ingredients, excipients, starting materials, chemical intermediates.*

serious cases, the Group reserves the right to terminate the contractual relationship.

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

In 2020, supplier-approval questionnaires were reviewed and the Group's goods categories were refined. In addition, the new Code of Ethics was distributed through the eProcurement platform. All previously registered suppliers were therefore invited to re-apply for approval. In 2021, as in previous years, certain environmental assessment parameters were also included in various tenders, including those for transport and logistics, for example. In addition, during 2021, aiming to continuously improving the process, the integration with Bureau Van Dijk was implemented for analysing financial and risk data.

As part of the Group's responsible procurement strategy, in order to strengthen monitoring of sustainability issues along the supply chain, an plan to audit the social and environmental aspects of the Group's suppliers will be launched in 2022 by an independent third party. Regarding audits and inspections on the quality and safety of products and raw materials, please consult the paragraph entitled "Product quality and safety".

In order to promote the ESG culture and increasing awareness of sustainability throughout the value chain, during 2020 all personnel of the Purchasing and Supply Chain department of the parent company participated in a training course on the principles of responsible sourcing. With the start of ESG auditing and monitoring along the supply chain, the involvement of the function in the process of implementing the principles of responsible sourcing will continue.

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

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

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

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

# 8. SUPPORT FOR LOCAL COMMUNITIES

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

ANDREA RECORDATI

## 8.1 RECORDATI GROUP DONATIONS

Recordati believes that support for patient associations and local communities is fundamental.

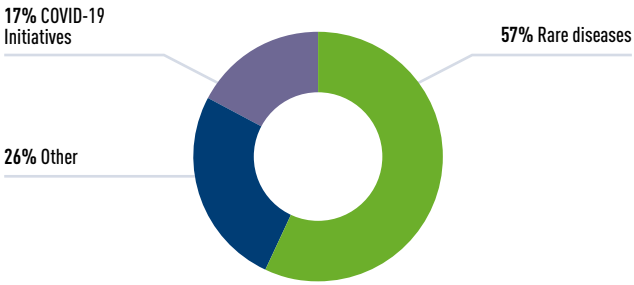
In full compliance with ethical standards, the Group develops social projects and initiatives to support organisations operating in the medical and healthcare fields, it supports associations that are dedicated to assisting patients and improving the quality of life for them and their families, initiatives and social projects which benefit the most vulnerable members of society and those who experience disability, hardship, and other difficulties.

This support is mainly in the form of monetary donations and product donations, support to organisations and associations to facilitate access to healthcare through training and collaboration initiatives.

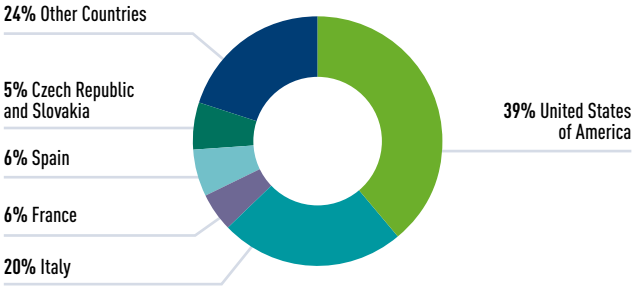
During 2021, the Recordati group disbursed over € 2.5 million[44] in support of the community.

Of particular note is the company's contribution in the field of treatments for rare diseases (57% of total donations in 2021). Approximately 26% was given to organisations in the medical and healthcare field, social and cultural organisations and institutions in various countries. Another 17% went to initiatives connected to the COVID-19 epidemic.

### Recordati group donations by type




### Recordati group donations by geographic area




### Contributions to the community during the COVID-19 pandemic

Right from the start of the emergency, the Recordati group has stood alongside the communities where it operates, offering support to the health facilities involved in combating the epidemic. It has supported numerous initiatives also in 2021 in the various countries, largely through monetary and product donations.

The COVID-19 epidemic has not only created a global health crisis, but a profound social crisis as well due to the dramatic consequences for the socio-economic system. In fact, COVID-19 has further increased existing inequalities, exacerbating situations of poverty and social exclusion. With this in mind, the Group wanted to contribute again in 2021 to supporting the most disadvantaged segments of the population through donations to organisations and associations that are committed to meeting the basic needs of people in serious difficulty. Some important associations that received support included:

- Opera di San Francesco per i Poveri: this organisation works every day to guarantee support for women, men and families in difficulty. It offers services, charity and support and advice. OSF carries out a wide range of activities, including a kitchen service offering free hot meals, personal hygiene and wardrobe services to guarantee the opportunity to wash and have a clean change of clothes (particularly for those living on the streets), and a health clinic to guarantee the right to healthcare with medical volunteers and fully equipped clinics. It also offers a shelter service, education, social and legal support and an employment office.
- Pane Quotidiano ONLUS: a no-profit organisation with a mission to guarantee free food on a daily basis to the poorest members of the population, to anyone vulnerable and in need, without discrimination.

*44 This figure includes both monetary donations and product donations.*

- Fondazione Banco Alimentare Onlus: a foundation that collects foodstuffs and recovers excess consumables from agricultural and industrial production, redistributing them to charities across the area that provide support to those in need.

### Other initiatives supporting the community

Again in 2021, there were numerous initiatives to support local communities in all countries in which the Group operates, both through monetary and product donations.

The key initiatives in Italy include being a main partner for the 2021–2023 period in the Forestami project, which aims to plant 3 million trees and increase the natural capital of the Metropolitan City of Milan by 2030. Support was also given to the QuBì Programme promoted by Cariplo Foundation, aimed at combating child poverty in fragile neighbourhoods in Milan. Amongst many initiatives launched, this project involves after-school activities for children in difficult circumstances and the creation of new opportunities for their free time, including sport and culture. Other organisations receiving support included Fondazione Francesca Rava - N.P.H. Italia Onlus, which supports children in need in Italy and around the world, and Avis in Aprilia for their Plasmateca project. During 2021, support also continued for Banco Farmaceutico, through product donations. Banco Farmaceutico gathers and recovers medicines from donors and companies and delivers them to organisations offering care to those in difficulty. The products donated are sent to care givers in Italy and to Ethiopia as emergency aid.

Equally important monetary and product donations are made by the different branches of the Group, including those in Tunisia, France, Spain, Portugal, the Czech Republic, Slovakia and Ukraine.

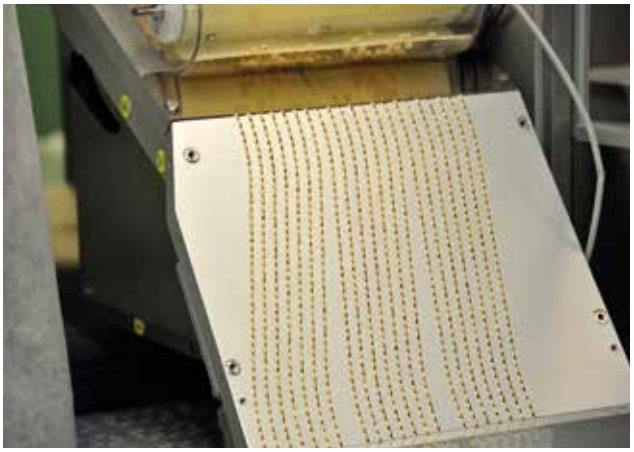
## RECORDATI SUPPORTS THE FORESTAMI PROJECT

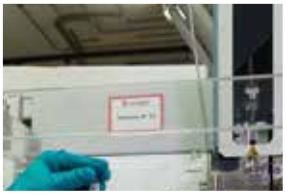
**Recordati has renewed its commitment to protecting the environment and supporting sustainable development in the areas in which it operates through its role as a main partner for the 2021–2023 period in the Forestami project, which aims to plant 3 million trees and increase the natural capital of the Metropolitan City of Milan by 2030.**

**The Group sees this urban forestation project as an opportunity to make a tangible contribution to the Milanese community, where it has strong roots and has operated for many years, increasing well-being and improving quality of life from both an environmental and social perspective. Support over the three-year period will enable planting of approximately 11,250 forest plants (and their maintenance for five years), helping to increase urban green spaces, support the well-being of citizens and reduce atmospheric pollution, improving landscapes, community spaces and biodiversity and slowing global warming.**

**In 2021, approximately 3,750 trees were planted in the metropolitan area of Milan and in particular the Group requested to assign around 500 plants to the Parco delle Cave area near the company headquarters. Work at Parco delle Cave, in addition to planting, included naturalisation initiatives, such as removal of debris and creation of a wet zone to promote population and reproduction of amphibians and other aquatic animals, strengthening biodiversity.**

# 9. APPENDIX





# 9.1 EUROPEAN TAXONOMY

In 2021 the Recordati Group acknowledged the EU Taxonomy as regulated by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020.

The Taxonomy Regulation defines the economic activities that are considered environmentally sustainable. To qualify as environmentally sustainable, an economic activity must, inter alia, contribute substantially to one or more of the six objectives outlined in Article 9 of the Regulation. On 4 June 2021 a delegated act was adopted that defines the technical selection criteria that the specific activities must meet in order to align with the first two environmental objectives: climate change mitigation and climate change adaptation. For the remaining four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and controls and protection and restoration of biodiversity and ecosystems) a delegated act has not yet been adopted but its publication is currently scheduled for 2022.

Therefore, the disclosure on the EU Taxonomy in fiscal year 2021 only considers the environmental objectives of climate change mitigation and climate change adaptation. The Group is committed to making subsequent evaluations following the publication of the delegating act governing the other four objectives and the associated economic activities.

The definitions currently available and included in the EU Taxonomy are formulated with a broad scope; consequently, businesses must interpret how they apply to their commercial activities and the relative impact on eligibility. The Group has applied its judgement, interpretations and hypotheses based on the information currently available. Documents and delegated acts published in the future may lead to more accurate definitions and thus to other decision-making processes to meet the reporting obligations that may be in force, which could have an impact on future reporting on the EU Taxonomy.

In accordance with Article 10, paragraph 1 of the delegated act of 6 July 2021, which specifies the content and the presentation to be disclosed, in fiscal year 2021 the Group only disclosed the proportion of Taxonomy eligible and Taxonomy not-eligible economic activities in total turnover, CAPEX and OPEX.

The process to define the eligibility of the Group's economic activities under the conditions of the EU Taxonomy not only involved an analysis of the activities performed by the Group, with reference to the main activities associated with its business (manufacturing of medicines and pharmaceutical substances), i.e. those that contribute to its turnover, CAPEX and OPEX, in order to ascertain, as required by the regulation, whether the activities performed by the Group have an impact on the climate change mitigation and adaptation objectives.

Considering all of this and given the Group's business, the sector in which the Group operates and the activities conducted are not reported in Annex I or II of the delegated act relating to climate change (EU Regulation 2020/852). Therefore, in line with what is reported in the act, there are no portions of turnover allowable according to the climate change mitigation and adaptation objectives.

Nonetheless, Recordati carried out an analysis of the eligibility of CAPEX and OPEX in specific actions and projects that contribute to reducing GHG emissions, as defined in the EU Taxonomy Regulation. In fact, the Recordati group has consolidated its commitment towards an increasingly integrated management of sustainability topics and its Sustainability Plan defines the ESG objectives, which include specific targets for climate action. To this end, and in relation to the provisions of the regulation, in 2021 the analysis was extended to the activities included in the Sustainability Plan which contribute to the formation of CAPEX and OPEX which are eligible under the climate change mitigation and adaptation objectives.

The calculation of the portion of the Group's allowable CAPEX under the taxonomy was conducted on economic activities associated with programmes launched in 2021 and included in the Sustainability Plan. Specifically, the following economic activities were considered, as reported in the delegated acts of Regulation EU 2020/852:

- Activity 4.1 - "Electricity generation using solar photovoltaic technology";
- Activity 4.21 - "Production of heat/cool using solar thermal heating;
- Activity 5.4 – "Renewal of waste water collection and treatment";
- Activity 7.3 – "Installation, maintenance and repair of energy efficiency equipment";
- Activity 7.5 - "Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings".

The analysis revealed that the portion of CAPEX allowed under the established criteria is not significant, representing around 1% of the Group's total CAPEX. With regard to the said activities of the Group, it is not possible to specify the value of OPEX in reference of the activities described out of the total value of OPEX. However, based on the CAPEX analyses conducted in 2021, it may be assumed that the impact of OPEX is also not significant.

## 9.2 NOTE ON METHODOLOGY

In recent years, the Recordati group (in this document also "Recordati", the "Group" or the "Company") has taken a structured and organic approach to sustainability, considering the economic, social and environmental aspects of sustainability in a manner that is in line with its organisational structure.

In order to provide a clear understanding of the business' activities, its development, its results and its impacts on sustainability, in 2021 the Group's commitment to sustainability was reiterated with the preparation of the fifth Consolidated Non-Financial Statement (also the "Non-Financial Statement" or "Statement") for the purposes of compliance with the obligations provided by Articles 3 and 4 of Italian Legislative Decree no. 254/16. As such, presented in this Statement are the principle policies adopted by the Group, its management models and the principle activities carried out by the Group in 2021 with respect to the matters expressly specified by Italian Legislative Decree no. 254/16 (environmental, social, personnel, human rights and anti-corruption), as well as the principle identified risks related to these themes.

In line with the one of the two options provided by Article 5 of Italian Legislative Decree no. 254/16, this Statement is a separate report. However, it is noted that, as stated in specific notes contained in this document, further details relative to certain non-financial information, as well as the relative management models and main identified risks, are also included in the 2021 Annual Report and the Corporate governance report and ownership structure.

This document represents the Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254 of 30 December 2016 in implementation of Directive 2014/95/EU, of the Companies belonging to Recordati S.p.A. and its subsidiaries, describing the initiatives and principle results in terms of the Group's performance on the subject of sustainability in 2021 (reporting period: 1 January to 31 December 2021). The Non-Financial Statement 2021 has been prepared in accordance with the GRI Sustainability Reporting Standards published in 2016 by the Global Reporting Initiative (GRI), in line with the "in accordance– core" option. Data and information relating to occupational health and safety and the impact on water resources is reported in reference to the GRI 403 and GRI 303 Standards, published by the Global Reporting Initiative (GRI) in 2018 and replacing the versions published in 2016. The reporting of data and information for 2021 relating to waste management has been updated in accordance with the new GRI 306 Standards, published by the Global Reporting Initiative (GRI) in 2020 and replacing the versions published in 2016. In order to make it easier to find information, the table of the reported GRI indicators is annexed to this document.

The Statement was prepared based on the results of the materiality analysis that was updated in 2021. This analysis, described in paragraph 2.3, enabled identification of the material aspects for Recordati and its stakeholders considering the topics referred to in Italian Legislative Decree no. 254/2016.

The scope of the financial data referred to in this document corresponds to the data considered in the Consolidated Financial Statement 2021 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 2021, consolidated with the comprehensive approach in the Group's Consolidated Financial Statement. However, while ensuring the correct understanding of the company's business, it should be noted that:

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

In line with the reporting standards and the provisions of Italian Legislative Decree no. 254/ 16, these exceptions and any other minor limitations are expressly indicated in the report. Furthermore, in order to provide a correct representation of performance and guarantee the reliability of the data provided, estimates have been kept to a minimum and, where unavoidable, are based on the best available methods, duly indicated. For more information regarding significant changes to the scope and share ownership of the Group during the reporting period, please refer to the *"Issuer profile and general information"* and *"Share ownership information (pursuant to Art. 123-bis, paragraph 1 of the TUF)"* sections of the Corporate governance report and ownership structure of the Recordati group as of 31 December 2021.

The Non-Financial Statement is published on an annual basis. The Non-Financial Statement is also available online at Group's website www.recordati.it.

This Statement was presented for evaluation and approval to the Risk, Control and CSR Committee on 10 March 2022 and was approved by the Board of Directors of Recordati S.p.A. on 17 March 2022.

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

**Contacts**
Recordati S.p.A.
Registered Office - Via Matteo Civitali 1, 20148 Milan
E-mail: sustainability@recordati.it
tel.: +39 02 48787.1 - Fax: +39 02 40074767

# 9.3 ADDITIONAL INFORMATION

### Human Resources - Turnover

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

| | 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Number of employees** | **<30** | **30-50** | **>50** | **Total** | **Turnover %** | **<30** | **30-50** | **>50** | **Total** | **Turnover %** |
| | **Employees joining the Group - Europe** | | | | | **Employees leaving the Group - Europe** | | | | |
| Men | 32 | 97 | 25 | **154** | **10%** | 18 | 76 | 53 | **147** | **10%** |
| Women | 45 | 112 | 23 | **180** | **14%** | 20 | 91 | 36 | **147** | **11%** |
| **Total** | **77** | **209** | **48** | **334** | **12%** | **38** | **167** | **89** | **294** | **10%** |
| **Turnover %** | **51%** | **14%** | **4%** | **12%** | | **25%** | **11%** | **8%** | **10%** | |
| | **Employees joining the Group – Asia and Oceania** | | | | | **Employees leaving the Group - Asia and Oceania** | | | | |
| Men | 23 | 54 | 4 | **81** | **19%** | 25 | 74 | 2 | **101** | **23%** |
| Women | 17 | 33 | 2 | **52** | **10%** | 18 | 84 | 9 | **111** | **21%** |
| **Total** | **40** | **87** | **6** | **133** | **14%** | **43** | **158** | **11** | **212** | **22%** |
| **Turnover %** | **35%** | **11%** | **9%** | **14%** | | **38%** | **20%** | **17%** | **22%** | |
| | **Employees joining the Group - Africa** | | | | | **Employees leaving the Group - Africa** | | | | |
| Men | 19 | 9 | 0 | **28** | **14%** | 21 | 24 | 1 | **46** | **22%** |
| Women | 8 | 11 | 0 | **19** | **11%** | 6 | 22 | 0 | **28** | **17%** |
| **Total** | **27** | **20** | **0** | **47** | **13%** | **27** | **46** | **1** | **74** | **20%** |
| **Turnover %** | **32%** | **7%** | **0%** | **13%** | | **32%** | **17%** | **6%** | **20%** | |
| | **Employees joining the Group - America** | | | | | **Employees leaving the Group - America** | | | | |
| Men | 1 | 9 | 6 | **16** | **28%** | 0 | 6 | 6 | **12** | **21%** |
| Women | 2 | 9 | 1 | **12** | **17%** | 0 | 3 | 6 | **9** | **13%** |
| **Total** | **3** | **18** | **7** | **28** | **22%** | **0** | **9** | **12** | **21** | **17%** |
| **Turnover %** | **38%** | **28%** | **13%** | **22%** | | **0%** | **14%** | **22%** | **17%** | |

### Occupational Health and Safety

Number of injuries and Health and Safety indicators for Group employees by gender, country or production plant

## Italy (Campoverde di Aprilia) – Chemical pharmaceutical production plant and offices

| | | | 2021 | | | 2020 |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates[45]** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | **5** | **0** | **5** | 5 | 0 | **5** |
| *of which high-consequence work-related injuries[46] (No.)* | ***0*** | ***0*** | ***0*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | ***0*** | ***0*** | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | **0** | **0** | **0** | 1 | 0 | **1** |
| Cases of work-related diseases (No.) | **0** | **0** | **0** | 0 | 0 | **0** |
| Severity Index | **37.0** | **0** | **34.0** | 42.8 | 0 | **39.5** |
| Work-related injury rate/Frequency rate | **2.1** | **0** | **1.9** | 1.9 | 0 | **1.8** |
| High-consequence work-related injury rate | **0** | **0** | **0** | 0 | 0 | **0** |
| Work-related fatality rate | **0** | **0** | **0** | 0 | 0 | **0** |
| Occupational disease rate | **0** | **0** | **0** | 0 | 0 | **0** |

*45 The Severity index represents the ratio between the number of days lost due to work-related injury and the total number of hours worked in the same period, multiplied by 200,000.*
*The Work-related injury rate/Frequency rate represents the ratio between the total number of work-related injuries and the total number of hours worked in the same period, multiplied by 200,000.*
*The High-consequence work-related injury rate represents the ratio between the total number of high-consequence work-related injuries and the total number of hours worked in the same period, multiplied by 200,000*
*The Work-related fatality rate represents the ratio between the total number of fatalities and the total number of hours worked in the same period, multiplied by 200,000.*
*The Occupational disease rate represents the ratio between the number of cases of work-related diseases and the total number of hours worked in the same period, multiplied by 200,000.*
*46 High-consequence work-related injuries are considered injuries sustained by the worker from which he/she cannot or should not be able to recover their state of health prior to the injury within 6 months.*

## Ireland - Chemical pharmaceutical production plant and offices

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 0 | 0 | **0** | 1 | 1 | **2** |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 0 | 0 | **0** | 9.8 | 21.1 | **14.5** |
| Work-related injury rate/Frequency rate | 0 | 0 | **0** | 2.5 | 3.5 | **2.9** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

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

| | 2021 | | | 2020[47] | | |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 2 | 4 | **6** | 2 | 3 | **5** |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 2 | 0 | **2** | 1 | 1 | **2** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 19.8 | 33.5 | **24.9** | 5.8 | 15.4 | **9.2** |
| Work-related injury rate/Frequency rate | 0.5 | 1.6 | **0.9** | 0.5 | 1.4 | **0.8** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

## Czech Republic - Pharmaceutical production plant and offices

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 0 | 0 | 0 | 0 | 1 | *1* |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | *0* |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 0 | 0 | **0** | 0 | 169.1 | **112.5** |
| Work-related injury rate/Frequency rate | 0 | 0 | **0** | 0 | 1.7 | **1.2** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

*47 Regarding the calculation of the 2021 accident indices, there is now more detailed data available on the hours worked compared to what was used for last year's calculation, which was reported in the 2020 NFS. This change in method, specifically, made it possible to include data from external operational forces. The information reported above, which became available in 2021, made it possible to fine-tune the Severity and Frequency index calculations for the current reporting year (2021) and, likewise, for the previous year (2020) to give as reliable and consistent a representation as possible. This NFS, therefore, reports the most accurate data for 2021 and 2020.*

## Spain - Pharmaceutical production plant and offices

| | | | 2021 | | | 2020 |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 1 | 3 | **4** | *1* | *0* | ***1*** |
| *of which high-consequence work-related injuries (No.)* | *0* | *1*[48] | ***1*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 0 | 1 | **1** | 0 | 0 | **0** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 110.9 | 616.2 | **422.8** | 48.0 | 0 | **20.4** |
| Work-related injury rate/Frequency rate | 4.3 | 7.9 | **6.5** | 4.4 | 0 | **1.8** |
| High-consequence work-related injury rate | 0 | 2.6 | **1.6** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

## Tunisia - Pharmaceutical production plant and offices

| | | | 2021 | | | 2020 |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 2 | 1 | **3** | 1 | 3 | **4** |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 1 | 2 | **3** | 2 | 1 | **3** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 53.9 | 3.1 | **26.7** | 6.2 | 33.8 | **21.3** |
| Work-related injury rate/Frequency rate | 1.0 | 0.4 | **0.7** | 0.5 | 1.3 | **0.9** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

## Turkey - Pharmaceutical production plant and offices

| | | | 2021 | | | 2020 |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 5 | 0 | **5** | 5 | 0 | **5** |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | *0* |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | *0* |
| Commuting to/from work injuries (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 12.0 | 0 | **8.2** | 15.5 | 0 | **10.8** |
| Work-related injury rate/Frequency rate | 3.5 | 0 | **2.4** | 3.2 | 0 | **2.2** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

*48 The high-consequence work-related injury recorded in 2021 refers to a fall resulting from a slip in the area in front of the pharmaceutical production plant.*

## France (Saint Victor) - Pharmaceutical production plant and annexed offices

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 2 | 2 | **4** | 3 | 0 | **3** |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Cases of work-related diseases (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Severity Index | 24.4 | 73.1 | **48.7** | 342.1 | 0 | **173.6** |
| Work-related injury rate/Frequency rate | 4.9 | 4.9 | **4.9** | 7.9 | 0 | **4.0** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 0 | 0 | **0** | 0 | 0 | **0** |

## France (Nanterre) - Distribution centre and offices

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Injuries and Injury Rates** | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| Work-related injuries (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| *of which high-consequence work-related injuries (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| *of which work-related fatalities (No.)* | *0* | *0* | ***0*** | *0* | *0* | ***0*** |
| Commuting to/from work injuries (No.) | 0 | 0 | **0** | 0 | 0 | **0** |
| Cases of work-related diseases (No.) | 1 | 0 | **1** | 0 | 0 | **0** |
| Severity Index | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related injury rate/Frequency rate | 0 | 0 | **0** | 0 | 0 | **0** |
| High-consequence work-related injury rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Work-related fatality rate | 0 | 0 | **0** | 0 | 0 | **0** |
| Occupational disease rate | 11.8 | 0 | **7.4** | 0 | 0 | **0** |

### Water management

## Water withdrawal at Recordati group production plants located in water-stressed areas[49] by source

| | Unit of measurement | 2021 | 2020 | % Variation |
|---|---|---|---|---|
| Surface water | Ml | 805 | 763 | 5% |
| Groundwater | Ml | 872 | 887 | -2% |
| Mains water | Ml | 81 | 78 | 4% |
| **Total** | **Ml** | **1,758** | **1,728** | **2%** |

# 9.4 GRI INDEX

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

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

| Material topics of the Recordati group | Correlation with GRI Standards | Correlation with the topics covered by Legislative Decree no. 254/2016 | Scope of material topics | Type of impact |
|---|---|---|---|---|
| **Business ethics, integrity, anti-corruption** | **GRI 205:** Anti-corruption | Fight against active and passive corruption | Recordati group | Caused by the Group |
| | **GRI 206:** Anti-competitive behaviour | Fight against active and passive corruption | Recordati group | Caused by the Group |
| | **GRI 207:** Tax | N/A | Recordati group | Caused by the Group |
| | **GRI 307:** Environmental compliance | Environmental | Recordati group | Caused by the Group |
| | **GRI 419:** Socio economic compliance | Fight against active and passive corruption | Recordati group | Caused by the Group |
| **Value creation and distribution** | **GRI 201:** Economic performance | Social | Recordati group; Investors and the financial community | Caused by the Group |
| | **GRI 203:** Indirect economic impacts | N/A | Recordati group | Caused by the Group |
| **Privacy and data protection** | **GRI 418:** Customer Privacy | Social | Recordati group | Caused by the Group |
| **Product quality and safety** | **GRI 416:** Customer health and safety | Social | Recordati group; Clients and consumers; Patients and associations | Caused by the Group |
| **Access to medical products and healthcare** | N/A | Social | Recordati group; Clients and consumers; Patients and associations | Caused by the Group |
| **Research and development** | N/A | N/A | Recordati group; Scientific organisations and Universities | Caused by the Group |
| **Responsible marketing** | **GRI 417:** Marketing and labelling | N/A | Recordati group | Caused by the Group |
| **Employee health and safety** | **GRI 403:** Occupational Health and safety | Relating to personnel | Recordati group; Employees | Caused by the Group and directly connected to its activities |
| **Diversity and equal opportunities** | **GRI 405:** Diversity and equal opportunities | Relating to personnel | Recordati group; Employees | Caused by the Group |
| | **GRI 406:** Non-Discrimination | Relating to personnel Human rights | Recordati group; Employees | Caused by the Group |
| **Management and development of human resources** | **GRI 401:** Employment | Relating to personnel | Recordati group; Employees | Caused by the Group |
| | **GRI 404:** Training and education | Relating to personnel | Recordati group; Employees | Caused by the Group |
| **Well-being of human resources** | **GRI 401:** Employment | Relating to personnel | Recordati group; Employees | Caused by the Group |
| **Support for local communities** | **GRI 202:** Market presence | Social | Recordati group, Community | Caused by the Group |
| **Fight against climate change** | **GRI 302:** Energy | Environmental | Recordati group | Caused by the Group |
| | **GRI 305:** Emissions | Environmental | | |
| **Water management** | **GRI 303:** Water and Effluents | Environmental | Recordati group | Caused by the Group |
| **Product sustainability** | N/A | Environmental | Recordati Group; Suppliers | Caused by the Group |
| **Responsible waste management** | **GRI 306:** Effluents and waste | Environmental | Recordati group | Caused by the Group |
| **Responsible Sourcing** | **GRI 414:** Supplier Social Assessment | Social Human rights | Recordati group; Suppliers and strategic partners | Caused by the Group and directly connected to its activities |
| | **GRI 308:** Supplier Environmental Assessment | Environmental | Recordati group; Suppliers and strategic partners | Caused by the Group and directly connected to its activities |

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

| Indicator | | References and other information | Omissions |
|---|---|---|---|
| **GRI 102: GENERAL DISCLOSURES (2016)** | | | |
| **Organisation Profile** | | | |
| 102-1 | Name of the Organisation | Page 113 | |
| 102-2 | Activities, brands, products, and services | Page 113. 2021 Annual Report, "Review of Operations" section | |
| 102-3 | Location of headquarters | Page 189 | |
| 102-4 | Location of operations | Page 113 | |
| 102-5 | Ownership and legal form | Page 113; page 189. Corporate governance report and ownership structure, *"Issuer profile and general information"* section | |
| 102-6 | Markets served | Pages 113 | |
| 102-7 | Scale of the organisation | Pages 113-114; 116; page 154. 2021 Annual Report, "Financial Highlights" section; Corporate governance report and ownership structure, *"Issuer profile and general information"* section | |
| 102-8 | Information on employees and other workers | Page 154; pages 156-157 | |
| 102-9 | Supply chain | Pages 182-183 | |
| 102-10 | Significant changes to the organisation and its supply chain | Page 189. Corporate governance report and ownership structure, *"Issuer profile and general information"* section | |
| 102-11 | Precautionary Principle or approach | Pages 139-141 | |
| 102-12 | External initiatives | Pages 119; pages 121-123 | |
| 102-13 | Membership of associations | Pages 121-123 | |
| **Strategy** | | | |
| 102-14 | Statement from senior decision-maker | Page 110 | |
| 102-15 | Key impacts, risks and opportunities | Pages 126-133; pages 139-141 | |
| **Ethics and integrity** | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | Page 115 | |
| **Governance** | | | |
| 102-18 | Governance structure | Page 116; page 119. Corporate governance report and ownership structure, *"Issuer profile and general information", "Board of Directors"* sections | |
| **Stakeholder engagement** | | | |
| 102-40 | List of stakeholder groups | Page 121 | |
| 102-41 | Collective bargaining agreements | Page 168 | |
| 102-42 | Identifying and selecting stakeholders | Page 121 | |
| 102-43 | Approach to stakeholder engagement | Page 121; page 124 | |
| 102-44 | Key topics and concerns raised through stakeholder engagement | Pages 124-125 | |
| **Reporting practice** | | | |
| 102-45 | Entities included in the Consolidated Financial Statements | Page 189 | |
| 102-46 | Defining report content and topic boundaries | Page 189; page 194 | |
| 102-47 | List of material topics | Page 125; page 194 | |
| 102-48 | Restatements of information | Page 189 | |
| 102-49 | Changes in reporting | Pages 124-125; page 189 | |
| 102-50 | Reporting period | Page 189 | |

| Indicator | | References and other information | Omissions |
|---|---|---|---|
| 102-51 | Date of most recent report | *The previous Consolidated Non-Financial Statement was approved by the Board of Directors of the Group on 18 March 2021.* | |
| 102-52 | Reporting cycle | Page 189 | |
| 102-53 | Contact point for questions regarding the report | Page 189 | |
| 102-54 | Chosen "in accordance" option | Page 189 | |
| 102-55 | GRI content index | Pages 195-200 | |
| 102-56 | External assurance | Pages 201-203 | |

## Topic-specific standards

| GRI 200: ECONOMIC SERIES (2016) | | | |
|---|---|---|---|
| **Aspect: Economic performance** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 116 | |
| 103-3 | Evaluation of the management approach | Page 116 | |
| **GRI-201: ECONOMIC PERFORMANCE (2016)** | | | |
| 201-1 | Direct economic value generated and distributed | Page 116 | |
| **Aspect: Market presence** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 154; pages 155-156 | |
| 103-3 | Evaluation of the management approach | Page 154; pages 155-156 | |
| **GRI-201: ECONOMIC PERFORMANCE (2016)** | | | |
| 202-2 | Proportion of senior management hired from the local community | Page 155 | |
| **Aspect: Indirect economic impacts** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 116; page 185 | |
| 103-3 | Evaluation of the management approach | Page 116; page 185 | |
| **GRI-203: INDIRECT ECONOMIC IMPACTS (2016)** | | | |
| 203-1 | Infrastructure investments and services supported | Pages 116; pages 185-186 | |
| **Aspect: Anti-corruption** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 135-139 | |
| 103-3 | Evaluation of the management approach | Pages 135-139 | |
| **GRI-205: ANTI-CORRUPTION (2016)** | | | |
| 205-1 | Operations assessed for risks related to corruption | Pages 135-139 | |
| 205-3 | Confirmed incidents of corruption and actions taken | *No cases of corruption were recorded in 2021.* | |
| **Aspect: Anti-competitive behaviour** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 135-139 | |
| 103-3 | Evaluation of the management approach | Pages 135-139 | |

| Indicator | | References and other information | Omissions |
|---|---|---|---|
| **MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOUR (2016)** | | | |
| 206-1 | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | *No legal action for anti-competitive behaviour, anti-trust cases or monopoly practices was reported during the year.* | |
| **Aspect: Tax** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 141-142 | |
| 103-3 | Evaluation of the management approach | Pages 141-142 | |
| **GRI-207: TAX (2019)** | | | |
| 207-1 | Approach to tax | Pages 141-142 | |
| 207-2 | Tax governance, control and risk management | Pages 141-142 | |
| 207-3 | Stakeholder engagement and management concerns related to tax | Pages 141-142 | |
| 207-4 | Country-by-country reporting | Page 142 | |
| **GRI 300: ENVIRONMENTAL SERIES (2016)** | | | |
| **Aspect: Energy** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 170-174 | |
| 103-3 | Evaluation of the management approach | Pages 170-174 | |
| **GRI-302: ENERGY (2016)** | | | |
| 302-1 | Energy consumption within the organisation | Pages 171-172 | |
| **Aspect: Water and effluents** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 170-171; pages 175-176 | |
| 103-3 | Evaluation of the management approach | Pages 170-171; pages 175-176 | |
| **GRI-303: WATER AND EFFLUENTS (2018)** | | | |
| 303-1 | Interactions with water as a shared resource | Pages 175-176 | |
| 303-2 | Management of water discharge-related impacts | Pages 175-176 | |
| 303-3 | Water withdrawal | Page 176; page 193 | |
| **Aspect: Emissions** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 170-171; pages 173-174 | |
| 103-3 | Evaluation of the management approach | Pages 170-171; pages 173-174 | |
| **GRI-305: EMISSIONS (2016)** | | | |
| 305-1 | Energy indirect (Scope 1) GHG emissions - Scope 1 | Page 174 | |
| 305-2 | Energy indirect (Scope 2) GHG emissions - Scope 2 | Page 174 | |
| 305-7 | Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions | Page 175 | |
| **Aspect: Effluents and waste** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 170-171; pages 177-178 | |
| 103-3 | Evaluation of the management approach | Pages 170-171; pages 177-178 | |

| Indicator | | References and other information | Omissions |
|---|---|---|---|
| **GRI-306: WASTE (2020)** | | | |
| 306-1 | Waste generation and significant waste-related impacts | Pages 177-178 | |
| 306-2 | Management of significant waste-related impacts | Pages 177-178 | |
| 306-3 | Waste generated | Page 178 | |
| 306-4 | Waste diverted from disposal | Page 178 | |
| 306-5 | Waste directed to disposal | Page 178 | |
| **Aspect: Environmental compliance** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 170-171 | |
| 103-3 | Evaluation of the management approach | Pages 170-171 | |
| **GRI-307: ENVIRONMENTAL COMPLIANCE (2016)** | | | |
| 307-1 | Non-compliance with environmental laws and regulations | *In 2021 the Group did not record any cases of breaches of environmental laws and regulations.* Pages 170-171 | |
| **Aspect: Supplier Environmental Assessment** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 126-127; page 133; pages 182-183 | |
| 103-3 | Evaluation of the management approach | Pages 182-183 | |
| **GRI-308: SUPPLIER ENVIRONMENTAL ASSESSMENT (2016)** | | | |
| 308-1 | New suppliers that were screened using environmental criteria | Page 150; pages 182-183 | |
| **GRI 400: SOCIAL SERIES (2016)** | | | |
| **Aspect: Employment** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 154-156; pages 158-160 | |
| 103-3 | Evaluation of the management approach | Pages 154-156; pages 158-160 | |
| **GRI-401: EMPLOYMENT (2016)** | | | |
| 401-1 | New employee hires and employee turnover | Page 156; page 190 | |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Pages 159-160 | |
| **Aspect: Occupational Health and safety** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 154; pages 164-168 | |
| 103-3 | Evaluation of the management approach | Page 154; pages 164-168 | |
| **GRI-403: OCCUPATIONAL HEALTH AND SAFETY (2018)** | | | |
| 403-1 | Occupational health and safety management system | Pages 164-168 | |
| 403-2 | Hazard identification, risk assessment and incident investigation | Pages 164-168 | |
| 403-3 | Occupational health services | Pages 164-168 | |
| 403-4 | Worker participation, consultation and communication on occupational health and safety | Pages 164-168 | |
| 403-5 | Worker training on occupation health and safety | Page 167 | |
| 403-6 | Promotion of worker health | Pages 164-168 | |

| Indicator | | References and other information | Omissions |
|---|---|---|---|
| 403-7 | Prevention and mitigation of occupation health and safety impacts directly linked by business relationships | Pages 167-168 | |
| 403-9 | Work-related injuries | Pages 167; pages 190-193 | |
| 403-10 | Work-related ill health | Pages 167; pages 190-193 | |
| **Aspect: Training and education** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 154; pages 161-163 | |
| 103-3 | Evaluation of the management approach | Page 154; pages 161-163 | |
| **GRI-404: TRAINING AND EDUCATION (2016)** | | | |
| 404-1 | Average hours of training per year per employee | Page 161 | |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Pages 161-163 | |
| **Aspect: Diversity and equal opportunity** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 154; pages 157-158 | |
| 103-3 | Evaluation of the management approach | Page 154; pages 157-158 | |
| **GRI-405: DIVERSITY AND EQUAL OPPORTUNITY (2016)** | | | |
| 405-1 | Diversity of governance bodies and employees | Page 116; page 155; page 157. Corporate governance report and ownership structure, "Board of Directors" section | |
| 405-2 | Ratio of basic salary and remuneration of women to men | Page 159 | |
| **Aspect: Non-Discrimination** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 154; pages 157-158 | |
| 103-3 | Evaluation of the management approach | Page 154; pages 157-158 | |
| **GRI 406: NON-DISCRIMINATION** | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | *The Group did not record any incidents of discrimination in 2021.* | |
| **Aspect: Supplier Social Assessment** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 126-127; page 133; pages 182-183 | |
| 103-3 | Evaluation of the management approach | Pages 182-183 | |
| **GRI-414: SUPPLIER SOCIAL ASSESSMENT (2016)** | | | |
| 414-1 | New suppliers that were screened using social criteria | Page 150; pages 182-183 | |
| **Aspect: Customer health and safety** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 148-150; pages 151-152 | |
| 103-3 | Evaluation of the management approach | Pages 148-150; pages 151-152 | |
| **GRI-416: CUSTOMER HEALTH AND SAFETY (2016)** | | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | Pages 148-150; pages 151-152 | |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Page 151 | |

| Indicator | | References and other information | Omissions |
|---|---|---|---|
| **Aspect: Marketing and labelling** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 150-151; pages 151-152 | |
| 103-3 | Evaluation of the management approach | Pages 150-151; pages 151-152 | |
| **GRI-417: MARKETING AND LABELLING (2016)** | | | |
| 417-2 | Incidents of non-compliance concerning product and service information and labelling | Page 151 | |
| 417-3 | Incidents of non-compliance concerning marketing communications | Pages 150-151 | |
| **Aspect: Customer Privacy** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 136; page 144 | |
| 103-3 | Evaluation of the management approach | Page 136; page 144 | |
| **GRI-418: CUSTOMER PRIVACY (2016)** | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Page 136 | |
| **Aspect: Socio economic compliance** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 150-151 | |
| 103-3 | Evaluation of the management approach | Pages 150-151 | |
| **GRI-419: SOCIOECONOMIC COMPLIANCE (2016)** | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | Page 151 | |
| **Aspect: Product sustainability** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 119; pages 126-127; page 133; page 144 | |
| 103-3 | Evaluation of the management approach | Page 119; page 144 | |
| **Aspect: Access to medical products and healthcare** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Pages 146-147 | |
| 103-3 | Evaluation of the management approach | Pages 146-147 | |
| **Aspect: Research and development** | | | |
| **GRI-103: MANAGEMENT APPROACH (2016)** | | | |
| 103-1 | Explanation of the material topic and its boundary | Page 125; page 189; page 194 | |
| 103-2 | The management approach and its components | Page 144; page 146 | |
| 103-3 | Evaluation of the management approach | Page 144; page 146 | |

## 9.5 AUDITOR'S REPORT

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Building a better working world

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

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

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Recordati Industria Chimica e Farmaceutica S.p.A. and its subsidiaries (hereinafter the "Group" or "Recordati Group") for the year ended on December 31st, 2021 in accordance with article 4 of the Decree and approved by the Board of Directors on March 17th, 2022 (hereinafter "DNF").
Our assurance engagement does not cover the information included in the paragraph "9.1 European Taxonomy" of the DNF, that are required by art.8 of the European Regulation 2020/852.

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

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

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

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

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

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

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Building a better working world

## Auditors' independence and quality control

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

## Auditors' responsibility

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

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

In particular, we have performed the following procedures:

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

   With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below;
5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we

Building a better working world

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

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

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Recordati Group for the year ended on December 31st, 2021 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.
Our conclusions on the DNF of the Group do not refer to the information included in the paragraph "9.1 European Taxonomy" of the DNF itself, that are required by art.8 of the European Regulation 2020/852.

Milan, March 30th, 2022

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

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

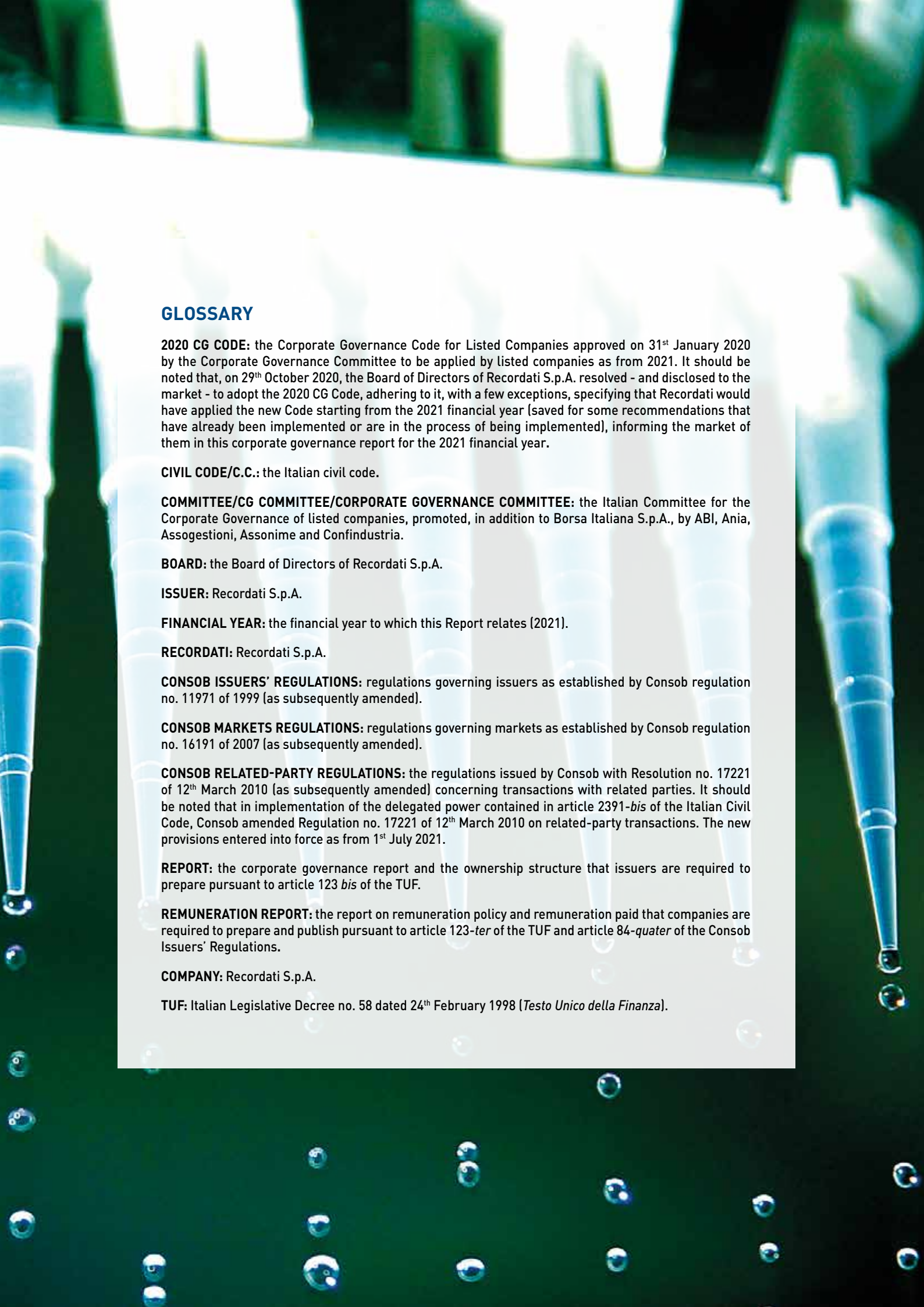
# CORPORATE GOVERNANCE REPORT AND OWNERSHIP STRUCTURE

## FINANCIAL YEAR 2021

**pursuant to article 123 *bis***
**of Italian Legislative Decree no. 58**
**of 24th February 1998**

**Approved on**
**17th March 2022**
**by the Board of Directors**

**www.recordati.it**
**'Traditional' management**
**and control model**



## GLOSSARY

**2020 CG CODE:** the Corporate Governance Code for Listed Companies approved on 31st January 2020 by the Corporate Governance Committee to be applied by listed companies as from 2021. It should be noted that, on 29th October 2020, the Board of Directors of Recordati S.p.A. resolved - and disclosed to the market - to adopt the 2020 CG Code, adhering to it, with a few exceptions, specifying that Recordati would have applied the new Code starting from the 2021 financial year (saved for some recommendations that have already been implemented or are in the process of being implemented), informing the market of them in this corporate governance report for the 2021 financial year.

**CIVIL CODE/C.C.:** the Italian civil code.

**COMMITTEE/CG COMMITTEE/CORPORATE GOVERNANCE COMMITTEE:** the Italian Committee for the Corporate Governance of listed companies, promoted, in addition to Borsa Italiana S.p.A., by ABI, Ania, Assogestioni, Assonime and Confindustria.

**BOARD:** the Board of Directors of Recordati S.p.A.

**ISSUER:** Recordati S.p.A.

**FINANCIAL YEAR:** the financial year to which this Report relates (2021).

**RECORDATI:** Recordati S.p.A.

**CONSOB ISSUERS' REGULATIONS:** regulations governing issuers as established by Consob regulation no. 11971 of 1999 (as subsequently amended).

**CONSOB MARKETS REGULATIONS:** regulations governing markets as established by Consob regulation no. 16191 of 2007 (as subsequently amended).

**CONSOB RELATED-PARTY REGULATIONS:** the regulations issued by Consob with Resolution no. 17221 of 12th March 2010 (as subsequently amended) concerning transactions with related parties. It should be noted that in implementation of the delegated power contained in article 2391-*bis* of the Italian Civil Code, Consob amended Regulation no. 17221 of 12th March 2010 on related-party transactions. The new provisions entered into force as from 1st July 2021.

**REPORT:** the corporate governance report and the ownership structure that issuers are required to prepare pursuant to article 123 *bis* of the TUF.

**REMUNERATION REPORT:** the report on remuneration policy and remuneration paid that companies are required to prepare and publish pursuant to article 123-*ter* of the TUF and article 84-*quater* of the Consob Issuers' Regulations.

**COMPANY:** Recordati S.p.A.

**TUF:** Italian Legislative Decree no. 58 dated 24th February 1998 (*Testo Unico della Finanza*).

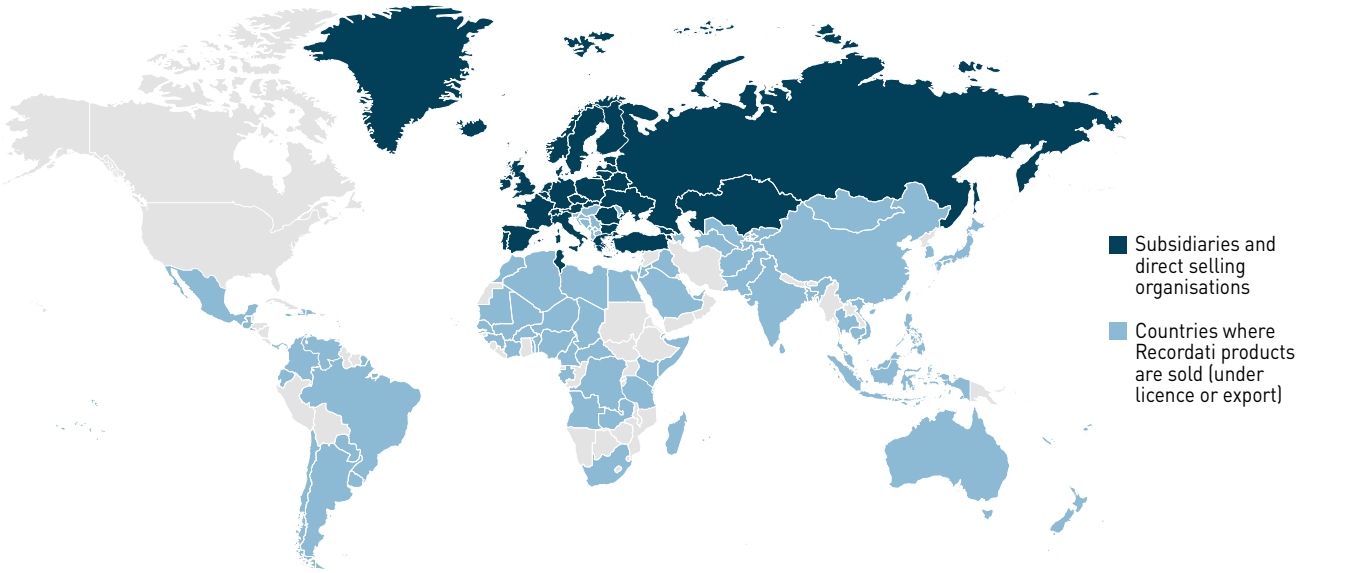
# 1. PROFILE OF THE ISSUER AND GENERAL INFORMATION

Recordati S.p.A. (Reuters RECI.MI, Bloomberg REC IM) was founded in 1926 and is a joint stock company listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Italian Borsa S.p.A. (ISIN IT 0003828271).

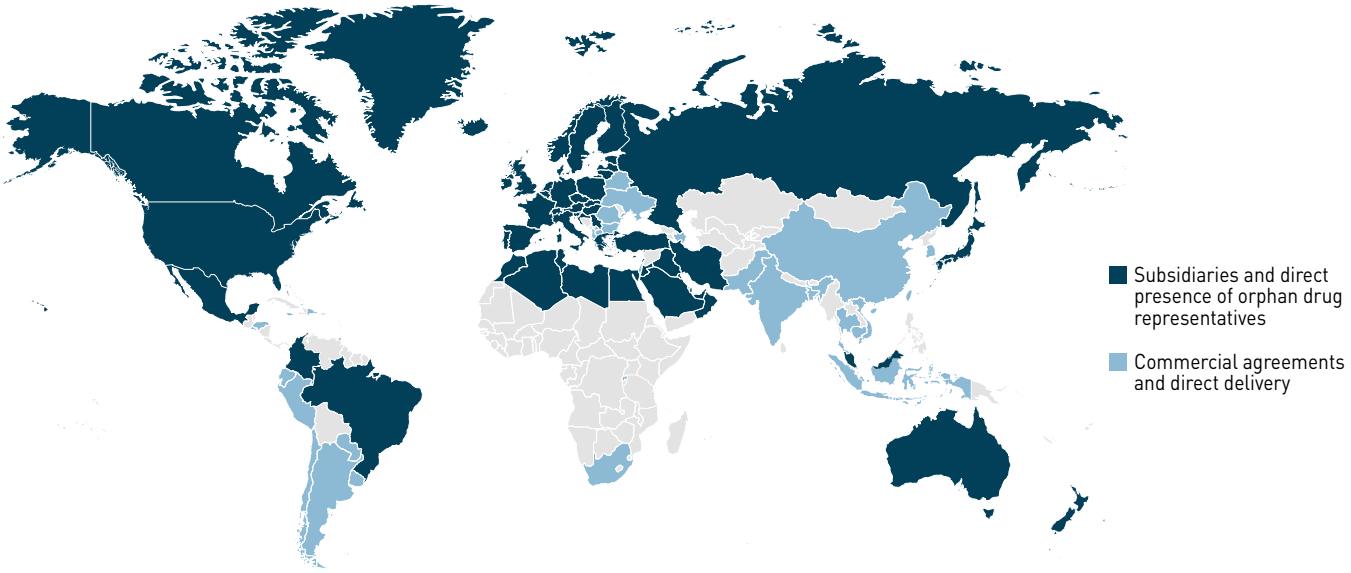
The Company and the Group that it leads has approximately 4,300 employees. They perform research and development, production, marketing and sales of pharmaceuticals – both original and licensed, belonging to different therapeutic areas including a specialised activity in rare diseases – supplements and medical devices, as well as pharmaceutical chemical products. Recordati is engaged in the research and development of innovative pharmaceuticals, particularly, therapies for rare diseases. They perform their activities in the principal European countries, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some countries in South America, Japan, Australia and, since 2021, also in China.

As at 31st December 2021, the Group was composed of 47 subsidiaries (of which 4 are Italian), in addition to the Parent Company, Recordati S.p.A.

## GENERAL AND SPECIALIST MEDICINE




## RARE DISEASES



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

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

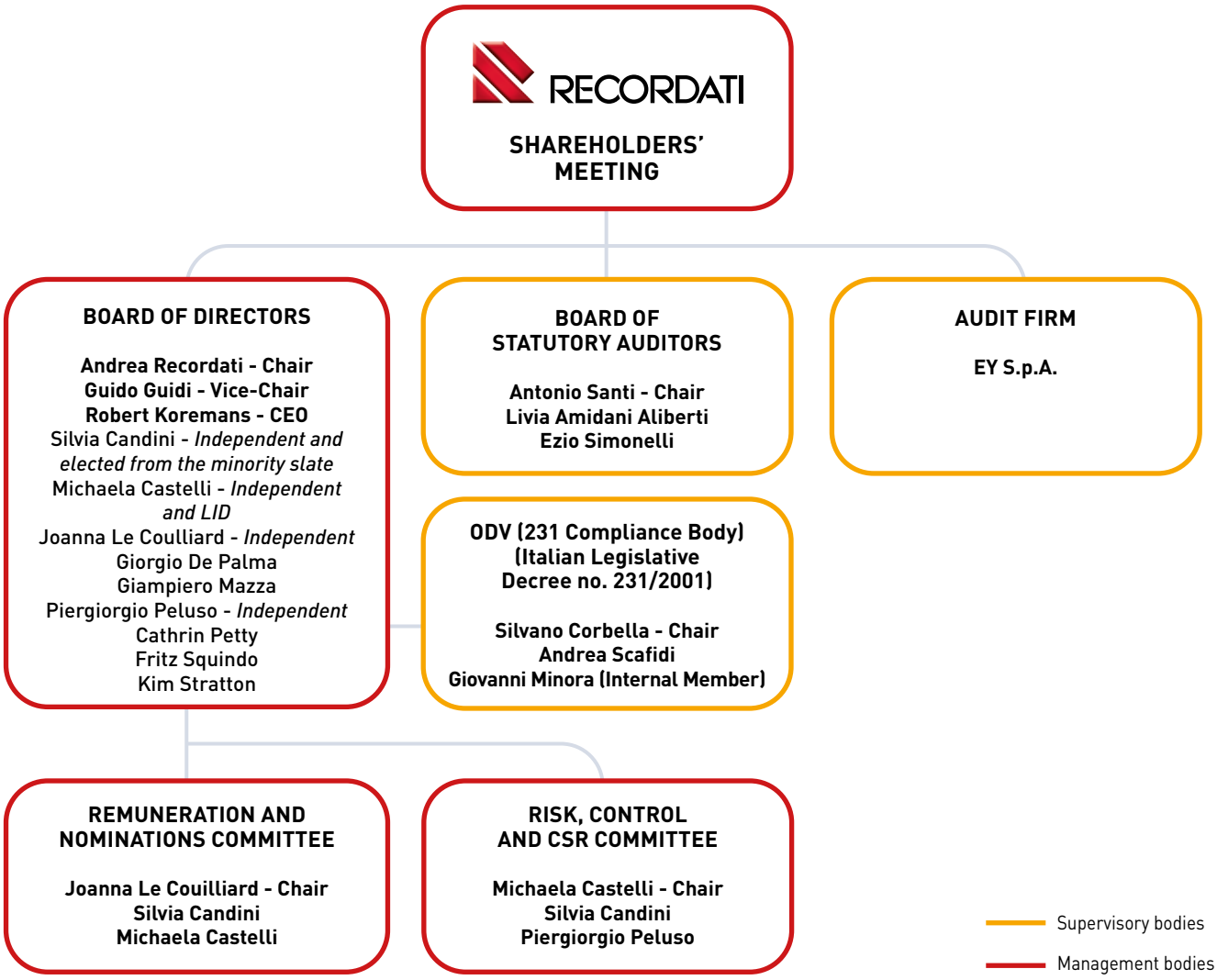
**An important change in the corporate governance of Recordati S.p.A. took place during 2021:** on 1st December 2021, the Board of Directors of Recordati appointed Mr Andrea Recordati as Chair of the Board of Directors and Mr Robert Koremans – upon co-option by the Board – as Chief Executive Officer, further to what had already been approved at the Board meeting on 16th July 2021. On 1st December 2021, the resignation of Mr Alfredo Altavilla – in light of other important appointments conferred on him by the Italian Government and the completion of the transition process towards a new governance system for the Company – from his positions as Chair and Director of Recordati and of Mr Andrea Recordati from his position as Chief Executive Officer became effective.

*"Under Robert Koremans' leadership, Recordati will continue to consolidate its trajectory, as set out in the recent three-year plan, combining volume driven organic growth of the current portfolio with value enhancing BD and M&A. As future Chairman Andrea Recordati will remain involved in the development of the Group's strategy, supporting the new CEO and the senior management team."*[1]

Andrea Recordati stated: *"I am delighted that Rob is joining Recordati. He is a highly experienced international executive with a strong track record of driving growth and business performance in pharma and biotech industries. I am confident that under his leadership, Recordati will continue its positive momentum and capitalise on what has been achieved so far. We have worked diligently over the past several years to strengthen our management team and now is the right time to bring on board a new CEO of Rob's calibre. I will transition to the Chairman role, ensuring continuity, and will work very closely with Rob to support a smooth transition and the implementation of the company strategy. I would also like to thank Alfredo for his excellent contribution to the Group and the Board during his tenure as Chairman."*[2]

More information on this is provided later in this Report.

Below is a graph representing the **corporate governance structure** of the Company as at 17th March 2022:




*1 Press Release of 16th July 2021 2 Press Release of 16th July 2021*

The **primary objective** of Recordati's corporate governance system is to create value for its Shareholders by means of a responsible and sustainable approach, without ever losing sight of the social relevance of its business and all the interests involved.

In fact, Recordati is convinced of the fundamental importance of generating value through an approach that is ethical, lasting, sustainable and shared with its stakeholders. Over the years, it has launched various initiatives focused on **sustainability**, aligned with its strategic, organisational and operational characteristics. In fact, when defining its management strategies and policies, in addition to improving people's health and quality of life, one of Recordati's priorities is to identify the interests of all stakeholders, monitoring and managing the economic, social and environmental impacts of its work.

During 2020, Recordati formalised the first Group Sustainability Plan, an essential tool that shares the future pathway with stakeholders. The Plan represents the ambitions of the Group and its commitments regarding sustainable and responsible development. In 2021, with a view to continued improvement, Recordati worked on updating the objectives included in the Plan, after having reviewed the Materiality Matrix. The Plan, defined in accordance with the Recordati group's Materiality Matrix, focuses on five priority areas: ethics and integrity, responsibility towards patients, people care, environmental protection and responsible sourcing.

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

Responsibility for achievement of the goals included in the Sustainability Plan is assigned to the representatives of the various departments involved, who have the resources, tools and know-how required for their implementation. Under the Management By Objective (MBO) system, social and environmental objectives, linked to the implementation of the Plan itself, were assigned to certain key management personnel. In addition, the Chief Executive Officer's MBO system targets include the main social and environmental objectives of the Sustainability Plan.

For further information, please refer to:

(i) the Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016, which the Company publishes annually and which is available on the Section of the Company's website on sustainability (https://www.recordati.it/en/sustainability/);

(ii) the Sustainability Plan, the main aspects of which are also detailed in the Sustainability section of the Recordati's website;

(iii) the Remuneration Report, also published on the Company's website in the Corporate Governance, Remuneration section.

Recordati has strengthened its commitment to a sustainable future on ESG issues. In October 2021 **Recordati was included in the MIB ESG Index**, the first index promoted by Euronext and Borsa Italiana, dedicated to blue chips demonstrating ESG best practices. Recordati's inclusion in the index is further proof of its firm commitment to environmental, social and governance issues. Please note that Recordati is also included in the FTSE4Good Index. As evidence of the company's focus on sustainability, there has been a general improvement in its ESG rating overall; MSCI and EcoVadis have assigned Recordati an A and Gold rating respectively.

More generally, Recordati promotes dialogue with its shareholders and institutional investors as an essential aspect for positively influencing the Company's conduct and increasing the level of transparency. In this respect, the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing its policy on the remuneration of Directors and Key Management Personnel.

This activity is carried out through the development of an engagement plan performed on an annual basis, which involves the participation of the corporate functions of Human Resources, Investor Relations and Legal Affairs, supported by the Chair of the Remuneration and Nominations Committee in order to highlight the committee's commitment on matters within their competence.

More information on this is provided later in this Report (in particular, in the Shareholders' Relations Section).

**Recordati's values** are identified in the **Code of Ethics**, last updated by the Board of Directors on 30th July 2020 (available on Recordati's website[3]).

On 29th October 2020, Recordati's Board of Directors resolved to adhere to the new 2020 CG Code, the recommendations of which are applicable from 1st January 2021, with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report. In particular, **the Company falls within the 2020 CG Code's definitions of 'large company' and 'concentrated ownership company'**. The application of the relevant recommendations and application methods approved by the Board of Directors and, in particular, the possible use of the relevant flexibility options for the application of the 2020 CG Code will be specified from time to time, where necessary for 'large companies' 'with concentrated ownership'.

The information contained in this document, unless otherwise indicated, refers to the financial year ended on 31st December 2021 and, in relation to specific issues, updated at the date of its approval by the Board of Directors (17th March 2022).

In some cases, the Report, which is published on the 'Governance' section on the Company's website http://www.recordati.it, makes reference to documents and information which may be consulted on the Company's website.

## Reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A.

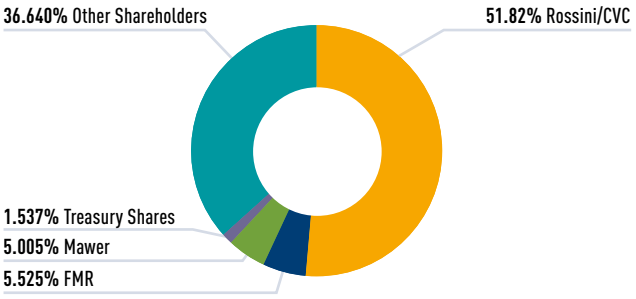
Further to the information contained in the 2020 Corporate Governance Report and the market disclosures, it should be noted that on 22nd April 2021 the last of the registrations with the competent Companies' Register of Milan, Monza, Brianza and Lodi of the merger deed relating to the merger by incorporation of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A. was completed. (the 'Merger').

For further information on the terms and procedures for performing the Merger, reference should be made to the Merger Project, the Information Document and the Explanatory Reports, published on the website www.recordati.com (in the 'Investors' area, section 'Shareholders' Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism 1Info https://www.1info.it

*3 https://www.recordati.it/pdf/code-of-ethics-recordati-group.pdf*

# 2. OWNERSHIP STRUCTURE (pursuant to article 123-*bis*, paragraph 1, of the TUF)

Below is a graph representing the ownership structure as at 31st December 2021.




**a) Structure of the share capital and rights attaching to shares (pursuant to article 123-*bis*, paragraph 1, letter a) of the TUF)**
The subscribed and paid-up share capital amounts to € 26,140,644.5 and is represented by 209,125,156 ordinary shares each with a par value of € 0.125 as reported in the table at the end of this section. The shares are listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Borsa Italiana and issued under a dematerialisation regime.

The rights attaching to the shares are set out in the By-Laws. More specifically, each share entitles the holder to a proportional part of the profits allocated for distribution; article 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares. The Board of Directors may resolve to distribute interim dividends, within the limits and according to the procedures established by law. Dividends not collected within five years following the day on which they became payable shall revert to the Company and are recognised in the extraordinary reserve.

As reported in the table below, there are no other categories of shares, nor other financial instruments that assign the right to subscribe to new share issues, with the exception of the conditions indicated below in the context of stock option plans.

As concerns outstanding stock option plans and any share capital increases there may be at the service of those plans, reference is made to the information documents prepared in accordance with article 84-bis of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the address: http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/.

The Remuneration Report pursuant to article 84-*quater* of the Consob Issuers' Regulations may also be consulted, available on the Company's website (http://www.recordati.it/en/corporate_governance/remuneration/remuneration_reports/).

## Structure of the share capital

| | No. Shares | No. of voting rights | Listed/ unlisted |
|---|---|---|---|
| **Ordinary shares** | **209,125,156** | **209,125,156** | **Listed on the *Mercato Telematico Azionario* (electronic stock exchange) managed by Borsa Italiana** |
| Preference shares | 0 | 0 | |
| Shares with multiple voting rights | 0 | 0 | |
| Other classes of shares with voting rights | 0 | 0 | |
| Savings shares | 0 | 0 | |
| Convertible sav-ings shares | 0 | 0 | |
| Other classes of shares without voting rights | 0 | 0 | |

No other financial instruments exist which give the right to subscribe newly issued shares.

**b) Restrictions on transfer of securities (pursuant to article 123-*bis*, paragraph 1, letter b) of the TUF)**
The By-Laws of the Company establish that the shares of the Company are freely transferable.

**c) Significant investments in the share capital (pursuant to article 123-*bis*, paragraph 1, letter c) of the TUF)**
On the basis of notifications received, in accordance with article 120 of Italian Legislative Decree no. 58/1998 and other information received, as at 17th March 2022, the following parties held shares, either directly or indirectly, amounting to more than 3% of the share capital ('significant shareholdings').

## Significant shareholdings

| Reporting entity | Direct Shareholder | Percentage (%) of ordinary share capital | Percentage (%) of voting share capital* |
|---|---|---|---|
| CVC CAPITAL PARTNERS | ROSSINI SARL | 51.82% | 51.82% |
| FMR LLC | Fidelity Management & Research Company LLC<br>Fidelity Management & Research (Japan) Limited<br>FIAM LLC<br>FMR Investment Management (UK) Limited<br>Fidelity Institutional Asset Management Trust Company | 4.998% | 4.998% |
| Mawer Investment Management LTD | Mawer Investment Management Ltd | 5.005% | 5.005% |

** As is known treasury stock consists of shares on which voting rights are only temporarily suspended in accordance with the law.*

As at 17th March 2022, Recordati S.p.A. also held no. 3,537,802 treasury shares equal to 1.69% of the capital on which voting rights are suspended in accordance with the law.

Significant shareholdings may be consulted on the Consob website (www.consob.it).

**d) Securities with special rights**
**(pursuant to article 123-*bis*, paragraph 1, letter d) of the TUF)**
No securities with special rights of control have been issued.

**e) Shareholding by employees: exercise of voting rights**
**(pursuant to article 123-*bis*, paragraph 1, letter e) of the TUF)**
No shareholding system exists for employees which involves the exercise of voting rights which is different from that provided for shareholders in general.

**f) Restrictions on voting rights (pursuant to article 123-*bis*, paragraph 1, letter f) of the TUF)**
Each ordinary share gives the right to vote without any restrictions.

**g) Shareholders' Agreements (pursuant to article 123-*bis*, paragraph 1, letter g) of the TUF)**
On 29th June 2018, the members of the Recordati family, then shareholders of Fimei S.p.A. – at that time the majority shareholder of the Company (as from 22nd April 2021 merged by incorporation into Recordati S.p.A.) – announced that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII of the entire capital of Fimei S.p.A. which, on that date, held 51.79% of the Company's capital (the **'Contract'**).
On 4th July 2018, this Contract was published pursuant to article 122 of the TUF, as it contains *inter alia* certain agreements (the **'Agreements'**) functional to the execution of the transaction governed by the Contract itself, which can be considered as agreements of a shareholder nature and have therefore been prudently subject to the related publication formalities.
On 6th December 2018, in the performance of the aforementioned Contract, the shareholders of Fimei S.p.A. transferred their entire shareholding in Fimei S.p.A. to Rossini Investimenti S.p.A. (a company designated for this purpose under the aforementioned agreement).

Following the completion of this transfer, all the Agreements of the Contract ceased to apply.

On 29th June 2018, Rossini Holdings S.àr.l., (**'Rossini Holdings'**), executed two investment agreements with Andrea Recordati and an investment agreement with Fritz Squindo (collectively, the **'Investment Agreements'**). The aforementioned agreements govern the investment conditions of Andrea Recordati and Fritz Squindo respectively in Rossini Luxembourg S.àr.l., a subsidiary of Rossini Holdings, subject to the acquisition by Rossini Luxembourg of the entire share capital of FIMEI S.p.A., a company that holds ordinary shares representing 51.791% of the subscribed share capital of Recordati. The Investment Agreements contain, *inter alia*, certain agreements (the **'Agreements'**), functional to the execution of the transaction governed by the Investment Agreements themselves, which are likely to take on a significant shareholder nature for the purpose of fulfilling the related publication formalities.
On 4th July 2018, these Agreements were disclosed pursuant to article 122 of the TUF.
On 6th December 2018, two agreements were executed amending the aforementioned Investment Agreements, both of which were notified pursuant to article 122 of the TUF on 11th December 2018.

On 6th December 2018, Rossini Holdings S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 (**'CVC Luxco'**), Rossini Luxembourg S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 (**'Lux Equityco'**) and Rossini Co-Invest GP Limited (**'General Partner'**), in its capacity as general partner of Rossini Co-Invest L.P. (the **'Partnership'**) both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, and Channel Islands JE1 1SG, executed with PSP Investments Holding Europe Limited with its registered office in London, 10 Bressenden Place SW1E 5DH, United Kingdom, (**'PSP'**) some significant shareholders' agreements pursuant to article 122 of the TUF (the **'PSP Shareholders' Agreement'**).
This PSP Shareholders' Agreement was published pursuant to article 122 of the TUF on 11th December 2018.

On 6th December 2018, Rossini Holdings S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 (**'CVC Luxco'**), Rossini Luxembourg S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 (**'Lux Equityco'**) and Rossini Co-Invest GP Limited (**'General Partner'**) in its capacity as general partner of Rossini Co-Invest L.P. (the **'Partnership'**) both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, Channel Islands JE1 1SG, executed with Finance Street SSMA C.V., AlpInvest LIVE Co C.V., ACIF VII C.V., ACIF (Euro) VII C.V., AG Co-Investment C.V., AJ Co C.V., AlpInvest GA Co 2018 C.V. and APSS Co-Investment C.V. (collectively, **'AlpInvest'**) some significant shareholders' agreements pursuant to article 122 of the TUF (the **'AlpInvest Shareholders' Agreement'**).
This AlpInvest Shareholders' Agreement was published pursuant to article 122 of the TUF on 11th December 2018.

On 19th February 2019, with reference to the investment agreements executed between Andrea Recordati, on one hand, and Rossini Luxembourg S.àr.l. and Rossini Holdings S à r.l., on the other hand, on 29th June 2018 (as amended on 6th December 2018) (hereinafter referred to as the **'AR Agreements'**), which include some significant shareholders' agreements pursuant to article 122 of the TUF, paragraphs 1 and 5 and were already disclosed to public on 1st July and 11th December 2018, the following amendment was disclosed: on 14th February 2019, (i) Mr Andrea Recordati subscribed for no. 6,350,000 ordinary shares and no. 1,150,000 preference shares (the ordinary and preference shares, the **'Shares'**) of Rossini Luxembourg; (ii) Mr Andrea Recordati transferred these Shares to his controlled company Indio s.s., with registered office in Milan, via Paolo Andreani 4, fiscal code 97832790154 (**'Indio'**); (iii) through the signing of certain adhesion agreements with Andrea Recordati, Rossini Luxembourg and Rossini Holdings S.àr.l. (the **'Indio Adhesion Agreements'**), Indio has adhered to the AR Agreements, taking upon itself the rights and obligations arising from the AR Investment Agreements held by Andrea Recordati, who in any case remained a party to those agreements; and (iv) the Shares are held by Cordusio Società Fiduciaria per Azioni, a company subject to the management and coordination of Unicredit S.p.A., with registered office in Milan, via Borromei, 5, registered under no. 863916 with the Companies' Register of Milan (**'Cordusio'**), in its capacity as fiduciary company (*società fiduciaria*) appointed by Indio, which has given Cordusio irrevocable instructions, as they are also conferred in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the AR Agreements and the By-laws of Rossini Luxembourg.
Through the Indio Adhesion Agreements, Indio has undertaken the rights and obligations which Andrea Recordati was entitled to on the basis of the AR Agreements, Mr Andrea Recordati remaining although part to such agreements.
Furthermore, pursuant to the Indio Adhesion Agreements, Indio has undertaken towards Rossini Holdings and Rossini Luxembourg to transfer the ordinary and privileged shares of Rossini Luxembourg held by the latter to Mr Andrea Recordati or to a related party to him, in case Indio ceases to be qualified as related party to Mr Andrea Recordati.

No amendments occurred in relation to the same agreements executed on 29th June 2018 between Fritz Squindo, on one hand, and Rossini Luxembourg S.àr.l. and Rossini Holdings S.àr.l., on the other hand, as subsequently amended on 6th December 2018 likewise the AR Agreements the **'FS Agreements'**), which were disclosed to the market on 4th July and 11th December 2018. On 14th February 2019, the Rossini Luxembourg shares subject to the FS Agreement were subscribed by Cordusio on behalf of Mr Fritz Squindo, who granted Cordusio irrevocable instructions, as they were also granted in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the FS Agreement and the By-laws of Rossini Luxembourg.

For the sake of completeness, it should be noted that the extract of the aforementioned shareholders' agreements published pursuant to the law and the essential information on the relevant agreements mentioned above, as also possibly amended, in line with the applicable legislation, are available on the Company's website: http://www.recordati.it/en/corporate_governance/shareholders_agreements.

**h) Change of control clauses (pursuant to article 123-*bis*, paragraph 1, letter h) of the TUF) and By-Laws provisions concerning public tender offers to purchase (pursuant to articles 104, paragraph 1-*ter* and 104-*bis*, paragraph 1)**

The Company and some of its subsidiaries are, in relation to their business operations, parties to some licensing agreements that include a clause, which is a normal provision in international agreements, authorising the Licensor to dissolve the contracts in the event of change of direct or indirect control of the Licensee.

In addition, bonds issued by the Company (in 2014 and 2017) – for totals of US$ 75 million and € 125 million - both privately placed with international institutional investors and most of the major loan agreements executed by the Company, also as guarantor for the benefit of its subsidiaries –for a total of € 795 million – set out, as is normal in financial operations of this type, a clause, which authorises the creditors to obtain immediate repayment if the control of the Company changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to article 104, paragraph 1-*ter*, of the TUF nor do they allow the application of neutralisation rules pursuant to article 104-*bis*, paragraph 1, of the TUF.

**i) Authorisation for increase of share capital and acquisition of treasury shares (pursuant to article 123-*bis*, paragraph 1, letter m) of the TUF)**

The Board of Directors was authorised to increase share capital, pursuant to article 2443 of the Italian Civil Code, by a Shareholders' Meeting of 11th April 2017.

The increase in the share capital may be performed in one or more tranches, free of charge or by payment, for a total maximum nominal amount of € 50,000,000 within a period of no more than five years from the date of the resolution, by issuing ordinary shares and/or warrants for the subscription to such shares, to assign or to offer as an option to shareholders, with the right pursuant to the joint provisions of article 2441, last paragraph, of the Italian Civil Code and article 134, second paragraph, of the TUF to offer subscription to the shares to Recordati S.p.A. employees or to subsidiaries of the Company in relation to the stock option plans decided by the Shareholders' Meeting. The Board of Directors may also decide that the issue should be performed with a share premium, setting the amount and also specifying that if the issue decided is not fully subscribed within the time limits set from time to time, the share capital shall be increased by an amount equal to the subscriptions received by the time limit set.

To-date, the Board has not yet acted on this mandate, not even partially.

That same Shareholders' Meeting authorised Directors, in accordance with article 2420-*ter* of the Italian Civil Code to decide the issue in one or more tranches, for a total maximum nominal amount of € 80,000,000, of bonds convertible to ordinary shares, or valid warrants to subscribe to such shares, to offer in option to shareholders within a period of no more than five years from the date of resolution, in observance of applicable law and regulations concerning the issuing of bonds, and at the same time, deciding an increase of share capital for the amount that corresponds to the nominal value of the shares to be attributed in conversion.

To-date, the Board has not yet acted on this mandate not even partially.

Both mandates will end upon the Shareholders' Meeting called in order to approve the financial statements as at 31st December 2021 and, as at the date of the Report, the Board has decided not to propose to renew them at the next Shareholders' Meeting called in order to approve the financial statements as at 31st December 2021.

The By-Laws do not authorise the Board to issue participating financial instruments.

In ordinary session, by means of a resolution of 20th April 2021 a Shareholders' Meeting renewed the authorisation to purchase treasury shares, pursuant to articles 2357 et seq. of the Italian Civil Code, until approval of the financial statements as at 31st December 2021, scheduled for 29th April 2022. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 4,000,000, which corresponds to a total potential payment of not more than € 200,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must be made on regulated markets, in compliance with the applicable laws and regulations, according to the procedures set forth by EU Regulation no. 596/2014 and the relevant implementing provisions, and according to standard practices recommended by Consob in accordance with article 13 of EU Regulation no. 596/2014, where applicable.

At the end of the Financial Year, the Company held no. 3,214,300 treasury shares in portfolio, which represented 1.537% of the share capital.

On the basis of this shareholders' resolution, on 1st November 2021, a share buy-back program was launched to service stock option plans for the management of Recordati group companies already adopted by the Company and those plans to be adopted in the future. Such plan was completed on 21st January 2022. On the basis of this program, 1,000,000 shares were purchased for a consideration of € 53,916,758.37.

For the sake of completeness, it should be noted that the share buy-back program launched on 23rd February 2021, by virtue of the Shareholders' Meeting's resolution of 29th April 2020 (in relation to which preliminary information was provided in the Report for the 2020 financial year), was completed on 19th April 2021. Based on this program, 1,500,000 shares were purchased for a consideration of € 66,824,532.56.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the financial statements for the year ended on 31st December 2021, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2021 financial statements to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors' Report on the relevant

item on the agenda, which will be also made available on the Company's website within the time period set forth by law, may be consulted for further information.

**j) Management and co-ordination (pursuant to article 2497 *et seq.* of the Italian Civil Code)**
The Company is subject to the management and coordination on the part of Rossini Luxembourg S.àr.l, pursuant to article 2497 et seq. of the Italian Civil Code.

In 2019 the Board of Directors approved the adoption of specific regulations on the management and coordination activities carried out by Rossini Luxembourg S.àr.l. on Recordati S.p.A. and on the information flows of Recordati S.p.A. towards, in particular, Rossini Luxembourg S.àr.l. at the end of an in-depth investigation which involved, from the onset of the drafting phrase, the independent directors and the Board of Statutory Auditors.

The exercise of this activity by Rossini Luxembourg S.àr.l. can be carried out, *inter alia*, through the formulation of general guidelines, the purpose of which is to coordinate, to the extent deemed necessary, insofar as possible and in any case in accordance with the respective objectives, the management strategies of Rossini Luxembourg and the Recordati group; the establishment of directives and the formulation of instructions for the transmission of management and accounting information which Rossini Luxembourg may need in order to comply with applicable laws and regulations; the formulation by Rossini Luxembourg of non-binding opinions in particular on some significant transactions and decisions.

The Company performs management and coordination activities, pursuant to articles 2497 *et seq.* of the Italian Civil Code, vis-à-vis the Italian companies belonging to the Recordati group and its direct and indirect subsidiaries, outlining their medium/long-term strategies in terms of economic and financial results, industrial and investment objectives and commercial policies. The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.

**k) Other information**
The information required by article 123-*bis*, first paragraph, letter i) of the TUF (*'agreements between the Company and directors, members of the Board of Directors or the supervisory board, which provide for the payment of indemnities in the event of resignation, dismissal without just cause or if the contract of employment is interrupted following a public tender offer'*) is given in the Remuneration Report published in accordance with article 123-*ter* of the TUF.

The information required by article 123 bis, first paragraph, letter l) of the TUF (*'regulations for the appointment and replacement of directors and for amendments to the By-Laws, if different from those applicable by law in the absence of alternative provision'*) is given in the section of the report on the Board of Directors (Section 4.1).

# 3. COMPLIANCE (pursuant to article 123-*bis*, paragraph 2, letter a, first part) of the TUF)

As illustrated in Section 1, in accordance with the procedures contained in this report, the Company adheres to the 2020 CG Code, with a few minor exceptions.

The 2020 CG Code may be consulted on the website of the Corporate Governance Committee at the address: https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020-eng.en.pdf.

In particular, in the event that the Company has decided not to adhere to certain principles or operating criteria of the 2020 CG Code, reasons were given either in the corresponding section of this Report or in the corresponding section of the Remuneration Report.

The main characteristics of the risk and internal control management systems in relation to financial reporting, including consolidated reporting, requested by article 123-*bis*, paragraph 2, letter b) of the TUF are illustrated in the section of the Report on internal control and risk management (Section 9).

The procedures for the functioning of shareholders' meetings, its principal powers, the shareholder rights and the procedures for exercising them, required by article 123-bis, paragraph 2, letter c) of the TUF, are illustrated in the section of the Report on Shareholders' Meeting (Section 13).

The information concerning the criteria and policies concerning diversity applied in relation to the composition and functioning of management and supervision bodies and their committees, required by article 123-*bis* paragraph 2, letter d) of the TUF, are illustrated in the section of the Report on the Board of Directors (Section 4) and, in more detail for the Committees, in the section of the Report on internal Board Committees (Section 6).

Information on the criteria and policies on diversity applied in relation to the composition of the administrative, management and control bodies with regard to aspects such as age, gender composition and training and professional background required by article 123-*bis*, paragraph d-*bis*, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.3.b.).

# 4. BOARD OF DIRECTORS

## 4.1 ROLE OF THE BOARD OF DIRECTORS

On 28th October 2021, the Board of Directors approved a regulation (the 'Regulation') governing the **role**, activities, organisation and procedures for the functioning of the Company's governing body, in order to ensure compliance with applicable laws and Recordati's By-Laws (the 'By-Laws'), as well as with the principles and recommendations of the 2020 CG Code as applicable from time to time and as approved by the Company and, in particular, also with a view to ensuring an effective management of board reporting.

With regard to the role and competences of the Board of Directors, pursuant to article 22 of the By-Laws, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration and management of the Company, without any exceptions whatsoever, and is authorised to perform all the acts it deems appropriate for the implementation and achievement of the corporate purposes, with the exception only of those acts that the law strictly reserves to the Shareholders' Meeting. The Board of Directors is also empowered to resolve on matters that cannot be delegated pursuant to article 2381 of the Italian Civil Code.

In addition, the Board of Directors: (i) is empowered to resolve on the matters set out in article 22 of the By-Laws; (ii) pursuant to article 18 of the By-Laws, appoints one or more Chief Executive Officers from among its members; (iii) may delegate its powers, in whole or in part, in addition to the Chair, also to the Vice-Chair, to the Executive Committee and/or to one or more Chief Executive Officers and may grant specific mandates to individual Directors or to managers of the Company, all as better specified in article 9 below; (iv) pursuant to article 25 of the By-Laws and the 'Regulation of the Manager responsible for preparing the company's financial reports' approved by the Board of Directors most recently on 18th March 2020 (the 'Financial Reporting Officer Regulation', subject

to the mandatory opinion of the Board of Statutory Auditors and the Risk, Control and CSR Committee, appoints and revokes the Manager responsible for preparing the company's financial reports (the 'Financial reporting Officer'; (v) decides on related-parties transactions in the cases provided for by the related-party transaction procedure adopted by the Company.

The Board of Directors is responsible for defining the strategic guidelines of the Company and of the group it heads, monitoring their implementation, resolves on transactions of strategic importance and is responsible for governing their management.

In relation to the **specific powers provided for by the 2020 CG Code**, the Board monitors the adequacy of the organisational, administrative and accounting structure of Recordati and its subsidiaries of strategic importance, with particular reference to the internal control and risk management system.

The Board of Directors:

(i) leads the Company by pursuing its sustainable success;

(ii) defines the corporate governance system that is most functional for carrying out the Company's business and pursuing its strategies, taking account of the flexibility offered by the legal framework, and, if needed, assesses and promotes the appropriate amendments and submits them to the Shareholders' Meeting when such changes are necessarily subject to the Shareholders' approval, with reference to:
  (a) choice and characteristics of the corporate form;
  (b) size, composition and appointment of the management body and term of office of its members;
  (c) definition of administrative rights (including the possible introduction of increased voting rights) and equity rights of share;
  (d) (d) percentages set for the exercise of the prerogatives to preserve minorities;

(iii) promotes dialogue with Shareholders and other stakeholders which are relevant for the company, in the most appropriate way. In particular, the Board of Directors:
  a) examines and approves the business plan of the Company and of the group it heads, also on the basis of the analysis of the issues relevant to the generation of long-term value carried out with the support of the Risk, Control and CSR Committee or of the different committee that may be identified by the Board of Directors;
  b) periodically supervises the implementation of the business plan and assesses the general operating performance, taking into account, in particular, the information received from the delegated bodies and periodically comparing the achieved results with the planned ones;
  c) defines the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all the elements that may be relevant to the medium-long term sustainability of the Company's activities;
  d) defines the corporate governance system of the Company and the structure of the group it heads, setting out guidelines for the governance of its subsidiaries;
  e) assesses the adequacy of the organisational, administrative and accounting structure of the Company and of its subsidiaries with strategic importance as drafted by the delegated bodies, with particular reference to the internal control and risks management system;
  f) resolves on the transactions of the Company and of its subsidiaries that have significant strategic, economic, equity or financial importance for the Company itself and, to this end, it sets out the general criteria for the identification of significant transactions through the adoption of an appropriate procedure;
  g) adopts internal regulations, including those concerning market abuses (Regulation (EU) no. 596/2014, the so-called Market Abuse Regulation).

In addition, in relation **to the internal control and risks management system**, the Board of Directors, in line with the provision of the 2020 CG Code, with the support of the Risk, Control and CSR Committee:

a) defines the guidelines of the internal control and risk management system in accordance with the Company's strategy and in such a way that the main risks relating to the issuer and its subsidiaries, including the various risks that may be relevant to sustainable success, are correctly identified, as well as adequately measured, managed and monitored, also determining the level of compatibility of such risks with a management of the company in line with the Company's strategies;
b) identifies one or more Directors responsible for the introduction and maintenance of an effective internal control and risk management system (Director(s) in charge of the internal control and risks management system), if it considers to derogate from the recommendation of the 2020 CG Code which identifies the latter as the Chief Executive Officer;
c) appoints and revokes the Chief of the Group Internal Audit Function, defining his/her remuneration in line with the Company's policies and ensuring that he/she is provided with appropriate resources to carry out his/her duties. If the Board of Directors decides to entrust the Group Internal Auditing Function, as a whole or by segments of activity, to an external party, it shall ensure that the latter has appropriate competence, independence and organisation requirements, and that appropriate reasons for this choice are provided in the Corporate Governance Report;
d) approves, at least once a year, the work plan prepared by the Chief of the Group Internal Auditing Function, after having also consulted the Board of Statutory Auditors, the Director responsible for the internal control and risks management system and the Chief Executive Officer (if a person other than the Director responsible for the internal control and risks management system);
e) assesses the appropriateness of measures adopted to ensure the effectiveness and impartiality of judgement of the corporate functions involved in the controls (such as risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they are provided with appropriate competence and resources;
f) assesses, at least once a year, the adequacy of the internal control and management risks system with respect to the Company's characteristics and its risk profile, as well as its effectiveness;
g) assigns the supervisory functions pursuant to article 6, par. 1, lett. b) of Italian Legislative Decree no. 231/2001 to the Board of Statutory Auditors or to a body established specifically for this purpose (the so-called 'Organismo di Vigilanza' - ODV (231 Compliance Body)); in the latter case, (i) appoints the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, ensuring to appoint within the body at least one non-executive Director and/or a member of the Board of Statutory Auditors and/or the head of a legal or supervisory function of the Company, in order to ensure coordination among the various parties involved in the Internal Control and Risks Management System and (ii) grants the ODV (231 Compliance Body) an annual budget;
h) describes, in the corporate governance report, the main characteristics of the internal control and risks management system and the methods of coordination among the persons concerned. The report provides information about the national and international reference models and best practices adopted

and the Board's overall assessment of the adequacy of the system itself. Moreover, it provides an adequate explanation of the composition of the ODV (231 Compliance Body);

i) assesses, after consultation with the Board of Statutory Auditors, the results presented by the External Auditors in any letter of suggestions and in the additional report on the key issues raised during the statutory audit addressed to the Board of Statutory Auditors, if any;

j) adopts, modifies and/or integrates the Management, Control and Organisational Model drafted pursuant to Italian Legislative Decree no. 231/2001 and approves its adjustments in line with the regulatory provisions in force from time to time;

k) appoints and revokes the Person(s) in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998;

l) implements the recommendations of the 2020 CG Code in relation to the internal control and risks management system.

In addition, the Board of Directors, with the support of the Remuneration and Nominations Committee, is vested with the powers and functions set out in the 2020 CG Code and applicable law in **relation to remuneration**. Again with the support of the Remuneration and Nominations Committee, the Board of Directors:

a) ascertains that appropriate procedures are in place for the succession of top management in accordance with the 2020 CG Code;

b) identifies the candidates for the office of Director in the event of co-option, if there are no remaining candidates available in the slate to which the outgoing Director belonged, in accordance with the criteria relating to the composition of the Board.

The Board of Directors is also responsible for the adoption of the regulations, procedures and internal policies deemed necessary or appropriate for the organisation of the company, or for compliance with the law or the compliance with the 2020 CG Code, including, by way of example, the following:

a) a regulation which defines the functioning rules of the Board of Directors and of its Committees (please see article 11.4 of the Regulation);

b) a procedure which regulates the related-party transactions carried out by the Company, directly or through its subsidiaries;

c) a procedure for the internal management and the external communication of inside information in accordance with the law (please see point I), lett. g) above).

The Board of Directors has decided to take advantage, with effect from 20th December 2012, of the option not to comply with obligations to publish the reports required when significant transactions are performed consisting of mergers, demergers, share capital increases through contributions in kind, acquisitions and disposals, in accordance with article 70, paragraph 8, of the Consob Issuers' Regulations.

It should be noted that, in implementation of the above, **during 2021**, the Board in particular:

- set targets for 2021 to be disclosed to the market;
- launched two share buy-back programs to service stock option plans for the management of Recordati group companies already adopted by the Company and those plans to be adopted in the future;
- set targets for 2021 to which the exercise of the individual tranches of the options granted and not yet vested on the basis of the Company's Stock Option Plans is subject;
- set the performance targets linked to the variable component of the remuneration of the Chief Executive Officer and the Director, Mr Squindo, Group General Manager, for 2021 and approved their performance targets for 2020;
- after consulting with the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, approved the work plan prepared by the Chief of the Group Internal Audit Function for 2021;
- approved the Guidelines on the internal control and risk management system for 2021, following their adaptation to the 2020 CG Code, as adopted by the Company at the end of the 2020 financial year;
- assessed the independence requirements of the directors qualifying as independent also in the light of the criteria set out in the 2020 GC Code;
- at the beginning of 2021 confirmed as subsidiaries of strategic importance the companies already identified as such in 2020: Laboratoires Bouchara Recordati S.a.s., Recordati Ireland Ltd., Jaba-Recordati S.A., Recordati Pharma GmbH, Innova Pharma S.p.A., Recordati Rare Diseases SARL, Recordati Ilac, Recordati Rare Diseases Inc, Rusfic Llc, Casen Recordati SL and Recordati AG. It therefore assessed positively the adequacy of the general organisational, administrative and accounting structure of the Company and its subsidiaries of strategic importance prepared by the Chief Executive Officer, with the support of the Director responsible for the internal control and risk management system;
- approved a procedure aimed at regulating possible conflicts of interest for Directors in relation to M&A/Licensing-in transactions.
- examined the impairment analyses concerning the 2020 financial statements, the economic valuation assumptions and the forecast assumptions used for these purposes;
- more generally assessed the operating performance and monitored the comparison, amongst other things, of actual results with budgeted results taken from the approved 2021 budget, carried out as generally established practice when quarterly interim accounting reports are approved;
- following the proposal of the Remuneration and Nominations Committee, approved the new 2021-2023 Stock Option Plan to be submitted to the Shareholders' Meeting scheduled for 20th April 2021;
- examined and approved the materiality matrix and updated the sustainability plan and objectives for the 2021 financial year;
- approved the guidelines on the maximum number of positions that each Recordati director may hold in other listed companies or large companies;
- approved the 2021-2023 Three Year Plan;
- carried out the adequacy analysis of the procedures for the succession of key manager personnel;
- approved the update of the Procedure for regulating related-party transactions and the related implementing provisions following the Consob rules and regulations implementing the European Directive 'SHRD II' (EU/2017/828);
- redefined the Company's new governance structure (as already mentioned and better detailed later in the Report);
- approved the Regulation of the Board of Directors (including the policy on qualitative and quantitative criteria for assessing independence requirements) pursuant to the Corporate Governance Code and appointed the Group General Counsel as Secretary of the Board;
- at the end of 2021, examined and approved the 2022 Group budget and reviewed the annual update of the 'Risk Map' and carried out the consequent assessment of the compatibility of the level and nature of the risks as identified in the Group Risk Map submitted to the Board, with the Group's strategic objectives set out in the 2022 Budget, also with a view to the medium/long-term sustainability of the Company;
- examined the updates of the Company's 'Risk Map', also prior to the completion of transactions for the acquisition companies or rights to products deemed significant;
- carried out specific in-depth analyses, also from a strategic point of view, on some business areas;
- reviewed the results of the Board of Directors' self-assessment process;

- examined and approved the transactions of the Company and of its subsidiaries, when such transactions were of significant strategic, economic, equity or financial importance for the Company or its subsidiaries (in particular: acquisitions of rights to pharmaceutical products and acquisitions of shareholdings, as well as loan agreements including those of significant subsidiaries).

In view of the important change in the corporate governance structure and, in particular, the appointment of a new Chief Executive Officer during the financial year, the definition and approval of the policy for managing dialogue with all shareholders was postponed to 2022.

In addition to what is indicated in this Section, reference should also be made to the other relevant Sections of the Report for details of the further duties assigned to the Board concerning: its composition, functioning, appointment and self-assessment as well as the internal control and risk management system.

Please refer to the Remuneration Report for details of the additional duties assigned to the Board concerning remuneration policy.

## 4.2 APPOINTMENT AND REPLACEMENT (pursuant to article 123-*bis*, paragraph 1, letter l) of the TUF)

The appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, for the sake of completeness, is reproduced in full below:

***Article 15)*** *The Board of Directors shall be appointed from slates of candidates presented by shareholders, in compliance with the existing legislation in force on gender balance, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.*
*The slates, signed by the shareholders who present them, must be deposited at the registered office of the Company at least twenty-five days prior to the date of the first convention of the Shareholders' Meeting, available to anyone who requests to see them, and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time.*
*Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and companies subject to joint control pursuant to article 93 of the TUF, may not present or contribute to the presentation of more than one slate, not even by means of another person or trustee, nor may they vote for different slates, and each candidate may be listed in only one slate or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any slate.*
*Only shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights at ordinary meetings, or representing a lesser percentage as established by binding legislative or regulatory provisions which shall be specified in the notice of meeting, shall have the right to submit slates.*
*The following items must be filed for each slate within the respective deadlines set out above and as provided by applicable regulations: (i) statements by each candidate to the effect that each accepts candidacy and declares, assuming full responsibility, that there are no reasons preventing the candidate from being elected or rendering him unsuitable for the office, and that the candidate meets any specific requirements for the relevant office; (ii) a curriculum vitae detailing each candidate's personal and professional characteristics and indicating that the candidate may be considered independent.*
*The specific certification demonstrating title to the necessary number of shares for the presentation of the slate, issued by a legally authorised intermediary must also be deposited within the time limits set by the relative regulations at the time when the slates are deposited at the Company.*
*Slates containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the less represented gender.*
*Slates that are presented but are not in accordance with the provisions as above will be considered as not presented.*
*The Board of Directors will be elected as follows:*
*a) all of the Directors to be appointed, except one, will be selected from the slate that obtained the greatest number of votes, following the progressive order in which they are listed on the slate;*
*b) the remaining director shall be the candidate placed at the number one position on the minority slate, which shall not be connected in any way, even indirectly, with those who submitted or voted for the slate indicated in letter a) above, which obtains the second highest number of votes. For this purpose, slates that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates as at the fourth paragraph of this article will not be considered.*

*For the purposes of the appointment of directors as indicated at point b) above, in the event of a tie between slates, the slate presented by shareholders possessing the larger shareholding, or subordinately the larger number of shareholders, shall prevail.*
*If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for statutory auditors at article 148, third paragraph, of the TUF, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the slate that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other slates, according to the number of votes obtained by each. This procedure of substitution will be followed until the Board of Directors is composed of a number of members who have the qualifications as at article 148, third paragraph of the TUF, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.*
*Furthermore, if with the candidates elected according to the above procedures the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is not ensured, the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.*
*If only one slate is presented, all of the Directors will be selected from the same slate. If no slate is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above. All of the foregoing is subject to compliance with the legislation in force at the time concerning gender balance.*
*Any different or additional compulsory provisions of the law or regulations will form an exception to these provisions.*
***Article 16)*** *- The fees to be paid to the Board of Directors shall be*

*established by the Shareholders' Meeting for the entire period of their term, or for each financial year, and may take the form of profit-sharing.*
***Article 18)** - Unless already provided for by the Shareholders' Meeting, the Board shall appoint a Chair and may appoint a Vice-Chair from among its members. The Board shall also appoint one or more Managing Directors from among its members. The Chair shall have all the powers vested in him by law; in the case of his absence or inability to attend for any reason, the said powers shall be exercised by the Vice-Chair, or in his absence, by the most senior Director.*
*Finally, the Board shall appoint a Secretary, who need not be a member of the Board.*

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Shareholders' Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Consob Issuers' Regulations, as well as Consob resolution no. 60 of 28th January 2022, the percentage of the share capital required to present slates of candidates to the Board of Directors of the Company is currently 1%. The current By-Laws do not provide for the possibility of the outgoing Board of Directors to submit a slate.

On the basis of article 147-*ter*, first paragraph, of the TUF, the By-Laws also state that for the purposes of the distribution of votes among directors to be elected, no account is taken of slates that have not obtained a percentage of votes equal to at least half of that required for the presentation of slates.
In order to ensure the election of at least one minority director, the By-Laws state that all the directors to be elected except for one shall be drawn from the slate which obtained the greatest number of votes in the order in which they are slated on that slate. The remaining director is the candidate placed in the number one position on the minority slate, which shall not be connected in any way, even indirectly, with the shareholders who submitted or voted for the majority slate and which obtained the majority of votes from the shareholders. In the case of a tied vote between slates, the minority director shall be drawn from the slate presented by the shareholders in possession of the greater number of shares or, secondarily, with the greatest number of shareholders.

As concerns the mechanism adopted to ensure that a minimum number of independent directors are elected in compliance with article, 147-*ter*, fourth paragraph, of the TUF, the By-Laws state that if the number of independent directors is not reached, the non-independent candidate elected in last place on the majority slate shall be replaced by the first independent candidate in progressive order not elected on that slate, or, if there is none, by the first independent candidate in progressive order not elected on the other slates, according to the number of votes obtained by each. Finally, if this procedure does not lead to the aforementioned result, the directors shall be replaced by a resolution passed by relative majority of the Shareholders' Meeting upon presentation of candidates satisfying the above requirements of independence. If only one slate is presented, the By-Laws also state that all of the Directors to be elected shall be selected from that slate. If no slate is presented the Shareholders' Meeting shall decide by legal majority, without following the procedures just described.
The By-Laws to not lay down any additional **requirements for the independence of Directors** with respect to those contained in article 148, paragraph 3, of Italian Legislative Decree no. 58/1998, because the Company adheres to the 2020 CG Code and the Board of Directors verifies possession of the requirements of independence in accordance with the 2020 CG Code and consequently when a Shareholders' Meeting appoints Directors, the Board of Directors invites candidates to the position of Director contained on slates to declare also these requirements, as adopted by the Company.
In compliance with the 2020 CG Code, during 2021, the Board adopted a ***'Policy on qualitative and quantitative criteria for assessing independence requirements'*** which will apply from the assessment of the independence of the Directors of the Company who will be appointed by the Shareholders' Meeting of Recordati convened to approve the financial statements for the financial year ending on 31st December 2021. Such policy is available on the Company's website in the Corporate Governance section with reference to the Board of Directors. For further details on such policy, please refer to the section of the Report on Independent Directors.
In particular, the table at the end of this Section may be consulted for details of those Directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the 2020 CG Code.
With regard to the **regulations on gender balance in corporate bodies** Italian Law no. 160 of 27th December 2019 (Budget Law 2020) has amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to the previous 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.
According to the Italian Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law' (1st January 2020).
Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of this application, to corporate bodies composed of three members, of the new rules on gender quotas, introduced by the aforementioned provisions of the TUF and which has already been applied for the renewal of the Board of Statutory Auditors scheduled for the 2020 financial year: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*, 1, paragraph 3, of the Consob Issuers' Regulations.
It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates submitted by shareholders).
Furthermore, the By-Laws set out the procedures to follow to ensure that the composition of the Board of Directors complies with the existing legislation in force concerning gender balance: the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the least represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the least represented gender.
Again, with respect to gender balance in the bodies of listed companies, the Company acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies first introduced in the 2018 CG Code in July 2018 and subsequently confirmed by the 2020 CG Code, which indicates that at least one-third of the members of

the Board of Directors shall be composed of the least represented gender.

For the sake of completeness, it should be noted that, in compliance with the 2020 CG Code, during 2021, the Board defined, upon the proposal of the Remuneration and Nominations Committee, specific **'Guidelines regarding the maximum number of offices that the Directors of Recordati S.p.A, may hold'**. These guidelines are available on the Company's website in the Corporate Governance section with reference to the Board of Directors. For further details of these guidelines, please refer to the section of the Report on this specific issue.

The Issuer reports that it is not governed by any further laws and regulations concerning the composition of the Board of Directors.

## 4.3 COMPOSITION (pursuant to article 123-*bis*, paragraph 2, letter d) of the TUF)

The By-Laws currently in force state that the Company is managed by a Board of Directors consisting of a number of members varying between six and sixteen.

### a) Current composition

On 5th February 2019, the Shareholders' Meeting appointed a Board of Directors with eleven members, which was increased to twelve by the Shareholders' Meeting of 29th April 2020.
With effect as from 15th October 2021, the non-executive Director, Mr Francesco Balestrieri, who had been appointed by the Shareholders' Meeting of 29th April 2020, resigned.
With effect as from 1st December 2021, following the resignation of Mr Alfredo Altavilla - from the role as Chair and non-executive Director - and of Mr Andrea Recordati - from the role as Chief Executive Officer - the Board of Directors of Recordati S.p.A. approved the appointment of Mr Robert Koremans as the new Chief Executive Officer (subject to his co-option to the Board) and of Mr Andrea Recordati as the new Chair of the Board of Directors (non-executive Director).

On 16th December 2021, the Board co-opted Ms Kim Stratton as a new non-executive and non-independent Director to replace Mr Balestrieri.

To date, the Board of Directors is therefore composed of twelve members of which seven members were appointed by the Shareholders' Meeting of 5th February 2019, three members were appointed by the Shareholders' Meeting of 29th April 2020 and two members were co-opted by the Board of Directors on 1st December 2021 and 16th December 2021 respectively.

The Board of Directors thus composed will remain in office until the Shareholders' Meeting called to approve the Financial Statements as at 31st December 2021.

The curriculum vitae of the directors are available on the Company's website www.recordati.it in the section on the Board of Directors.

In addition, the personal and professional characteristics of each Director still in office as at 31st December 2021 - which range from economic, financial and management matters, including, for some of them, significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters - are set out in attachment 1 to this Report, which also indicates the positions held by the Directors in other listed companies and large companies pursuant to the Guidelines regarding the maximum number of management and control offices that the Directors of Recordati S.p.A. may hold in other listed companies or large companies. In some cases, for the sake of the utmost transparency, the Directors have decided to indicate additional positions held in companies other than listed companies or large companies.

The Board's self-assessment process, which has been carried out on several occasions, and most recently at the beginning of 2021, has confirmed the generally positive assessment of the composition and functioning of the Board and of its Committees, with particular reference to the expertise of its members. For further information, please refer to the section on the self-assessment process.

The composition of the Board of Directors at the date of this Report and the titles of each Director at that date are summarised below:

| | | | | |
|---|---|---|---|---|
| **Andrea Recordati** | Chair | Non-Executive | - | * Shareholders' meeting 29.04.1998 |
| **Guido Guidi** | Vice-Chair | Non-Executive | - | * BoD 29.04.2020 |
| **Robert Koremans** | CEO | Executive | - | * BoD 01.12.2021 |
| **Silvia Candini** | Director | Non-Executive | Independent | * Shareholders' meeting 05.02.2019 |
| **Michaela Castelli** | Director | Non-Executive | Independent | * Shareholders' meeting 17.04.2014 |
| **Joanna Le Couilliard** | Director | Non-Executive | Independent | * Shareholders' meeting 05.02.2019 |
| **Giorgio De Palma** | Director | Executive | - | * Shareholders' meeting 29.04.2020 |
| **Giampiero Mazza** | Director | Executive | - | * BoD 06.12.2018 |
| **Cathrin Petty** | Director | Executive | - | * BoD 06.12.2018 |
| **Piergiorgio Peluso** | Director | Non-Executive | Independent | * Shareholders' meeting 29.04.2020 |
| **Fritz Squindo** | Director | Executive | - | * Shareholders' meeting 17.04.2013 |
| **Kim Stratton** | Director | Non-Executive | - | * BoD 16.12.2021 |

**Date of first appointment to the Board of Directors*

## Table of composition and structure of the Board of Directors

**Board of Directors in office as at 31 December 2021 and currently in office**

| Office | Members (surname and name) | Year of birth | In office since | In office until | Slate (submitters) | Slate (M/m) | Executive | Non-Executive | Indep. under Code | Indep. Under TUF | No. of other positions | Attendance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | * | ** | | | | | *** | **** |
| Chair[1] | Recordati Andrea | 1971 | 5.2.2019 | Approval of 2021 financial statements | A | M | X | | | | 0 | 16/16 |
| Vice Chair | Guidi Guido | 1953 | 29.4.2020 | Approval of 2021 financial statements | A | M | | X | | | 2 | 16/16 |
| Chief Executive Officer [2] | Koremans Robert | 1962 | 1.12.2021 | Approval of 2021 financial statements | N/A | N/A | X | | | | 0 | 2/2 |
| Director | Candini Silvia | 1970 | 5.2.2019 | Approval of 2021 financial statements | A | m | | X | X | X | 1 | 16/16 |
| Director° | Castelli Michaela | 1970 | 5.2.2019 | Approval of 2021 financial statements | A | M | | X | X | X | 4 | 15/16 |
| Director | De Palma Giorgio | 1974 | 29.4.2020 | Approval of 2021 financial statements | A | M | X‡ | | | | 0 | 15/16 |
| Director | Le Couilliard Joanna | 1963 | 5.2.2019 | Approval of 2021 financial statements | A | M | | X | X | X | 3 | 15/16 |
| Director | Mazza Giampiero | 1969 | 5.2.2019 | Approval of 2021 financial statements | A | M | X‡ | | | | 0 | 12/16 |
| Director | Peluso Piergiorgio | 1968 | 29.4.2020 | Approval of 2021 financial statements | A | M | | X | X | X | 0 | 14/16 |
| Director | Petty Cathrin | 1973 | 5.2.2019 | Approval of 2021 financial statements | A | M | X‡ | | | | 2 | 15/16 |
| Director• | Squindo Fritz | 1956 | 5.2.2019 | Approval of 2021 financial statements | A | M | X | | | | 0 | 16/16 |
| Director[3] | Stratton Kim | 1962 | 16.2.2021 | Approval of 2021 financial statements | N/A | N/A | | X | | | 2 | 1/1 |

*(1) Appointed as Chair of the Board of Directors 01.12.2021. On the same date, the resignation submitted on 16.07.2021 regarding the position of Chief Executive Officer became effective.*
*(2) Appointed by co-option on 1.12.2021.*
*(3) Appointed by co-option on 16.12.2021.*

**Directors no longer in office during the reference financial year (2021)**

| Office | Members (surname and name) | Year of birth | In office since | In office until | Slate (submitters) | Slate (M/m) | Executive | Non-Executive | Indep. under Code | Indep. Under TUF | Attendance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | * | ** | | | | | **** |
| Chair | Altavilla Alfredo | 1963 | 5.2.2019 | 30.11.2021 | A | M | | X | | | 14/14 |
| Director | Balestrieri Francesco | 1969 | 5.2.2019 | 14.10.2021 | A | M | | X | | | 10/10 |

*• This symbol indicates the director responsible for the internal control and risk management system.*
*° This symbol indicates the Lead Independent Director (LID).*
*‡ This symbol indicates the executive director identified as such in accordance with the 2020 GC Code as he/she holds management positions in group companies of the majority shareholders that regard also the Company, but has no operational powers in the latter.*
** This column indicates A/C depending on whether the list from which each director was drawn was submitted by shareholders (azionisti) (A) or by the Board of Directors (Consiglio di Amministrazione) (C).*
*** M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).*
**** This column shows the number of positions as director or auditor held by the person concerned in other listed or large companies as at 31st December 2021, pursuant to the "Guidelines regarding the maximum number of offices that the directors of recordati S.p.A. may hold". For a complete list of the offices held at the date of this Report, please refer to the list in Attachment 1 to this document.*
***** This column shows the attendance of Directors at meetings of the Board of Directors and Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).*

*Please note that the information relating to the date of the first appointment of Directors to the Board of Directors of the Company is indicated on page 218.*

**No. of Board of Directors' meetings performed during 2021: 16**

**Quorum required for submission of lists by minorities for the last appointment: 1%**

## b) Diversity criteria and policies of the Board and in the corporate organisation

With specific regard to the principles and recommendations of the 2020 CG Code, as highlighted in the paragraph dedicated to the composition of the Board of Directors, the configuration of Recordati's Board of Directors as at 31st December 2021 and at the date of this Report, complies with the diversity criteria recommended by the 2020 GC Code: in particular, the current composition, following the co-optation of Ms Stratton, ensures a balanced gender representation, with five female directors out of 12, equal to more than 2/5 of the total number of members.

With regard to the provisions introduced on this matter by Italian Law no. 160 of 27th December 2019 (the '2020 Budget Law'), these were taken into account with reference to the appointment of the Board of Statutory Auditors that took place at the Shareholders' Meeting of 29th April 2020 and therefore the composition of the Board of Statutory Auditors complies not only with the diversity criteria recommended by the 2018 CG Code (and confirmed by the 2020 CG Code), but also with the law; while, as regards the Board of Directors, such legal provisions, which have intervened on the matter by amending the previous regulations, shall apply at the time of the next appointment of the Board of Directors, whose term of office will expire at the time of the Shareholders' Meeting called to approve the 2021 financial statements.

It should be noted that the self-assessment process conducted during 2021 confirmed that, in terms of diversity (not only gender), the composition of the Board was balanced, with some areas for potential strengthening that are indicated in the Directors' Report to the Shareholders' Meeting, at the time of the guidelines to the shareholders aimed at appointing the new Board of Directors at the Shareholders' Meeting of 29th April 2021. Further indications are also provided in the paragraph in this Section on the self-assessment process of the Board and of its committees.

With regard to the diversity policies applied in relation to the composition of the management and control bodies (also referred to in Italian Legislative Decree no. 254/2016 on non-financial information, implementing Directive 2014/95/EU), the issue is therefore adequately monitored since the composition of the Board of Directors and of the Board of Statutory Auditors is adequately diversified in terms of age, gender, educational and professional background, and nationality, as can be seen from the curricula. In light of this, as previously stated, the Board of Directors has so far deemed it unnecessary to formalise the approval of such policies, deeming that it can effectively monitor and identify its optimal qualitative and quantitative composition over time by carrying out the self-assessment process and preferring – in order to implement the relevant self-regulatory recommendations – to provide guidelines in its report to the shareholders' meeting called to resolve on the appointment of directors, as was also performed during 2020 and how it resolved to proceed for the purpose of the Shareholders' Meeting of 29th April 2022. This also because it is a 'large company' with a 'concentrated ownership' pursuant to the 2020 CG Code.

Moreover, with reference to measures to promote equal gender treatment and gender opportunities within the entire corporate organisation, Recordati and in general the Recordati group is committed, as referred to in its applicable Code of Ethics, to offer equal job opportunities without discrimination on the basis of ethnicity, gender, age, sexual orientation, physical or psychological disability, nationality, religious belief, political and trade union membership and to ensure fair and merit-based treatment to its employees. For further information on the policies applied to this issue, please refer to the respective section ('Diversity and equal opportunities') of the Non-Financial Statement.

## c) Maximum number of offices held in other companies

The Board of Directors had over time preferred not to set any general criterion for the maximum number of positions as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has previously done this because in the past it deemed that it was best to allow individual Directors to assess this compatibility themselves, also in the light of the fact that the Board's self-assessment process had, on several occasions, confirmed the generally positive assessment of the functioning of the Board and its Committees with particular reference to this aspect.

Moreover, taking into account recommendation no. 15 of the 2020 CG Code *'in large companies, the Board of Directors expresses its guidelines on the maximum number of offices that can be considered compatible with an effective performance and the time commitment required by the role of the directors'* - on 29th October 2020, at the time of the resolution to adhere to the 2020 CG Code, the Board of Directors asked the Remuneration and Nominations Committee to carry out an analysis aimed at verifying the contents of the best practices developed on the subject by the market (and more specifically by a peer group of comparable companies) and by the main proxy advisors and institutional investors, reserving the right to formulate a proposal on the subject after examining the results of these analyses.

During 2021, the Remuneration and Nominations Committee completed the above-mentioned analysis and elaborated a proposal that the Board of Directors approved on 6th May 2021. These guidelines are available on the Company's website in the Corporate Governance Section with reference to the Board of Directors.

The approved guidelines on the general criteria concerning the maximum number of management and control offices in other companies that can be considered compatible with the effective performance of the role of Director of the Company are summarised below:

- Executive Directors who are granted individual management powers (excluding, therefore, directors defined as executive directors in compliance with the 2020 CG Code because they hold management positions in companies in which the chain of control also involves the Company) are not permitted to hold the position of executive director in other companies listed on regulated markets (including foreign markets) or large companies, as defined below, other than Recordati S.p.A. and its direct or indirect subsidiaries;
- Executive Directors who are granted individual management powers (excluding, therefore, Directors defined as executive Directors in compliance with the 2020 CG Code because they hold management positions in companies whose chain of control also involves the Company) are permitted to hold the position of non-executive Director in no more than 1 company listed on regulated markets (including foreign markets) or a large company, other than companies directly or indirectly controlled by Recordati S.p.A.;
- Non-Executive Directors (whether or not independent) are permitted to hold positions as director and/or statutory auditor in no more than 5 companies listed on regulated markets (including foreign markets) and/or large companies, including Recordati S.p.A.; among the directorships in such companies, only one position as an executive director is permitted;
- for the purposes of the aforementioned limits on the number of offices held:
  - a 'large company' is any Italian or foreign company with a shareholders' equity - possibly consolidated - of more than € 1 billion;

- if a Director holds offices in more than one company belonging to the same Group, only one office held within that group shall be taken into account for the purposes of calculating the number of offices;
- any office held as Chair of the Board of Directors is considered to have double weight;

• however, the Board of Directors is entitled to grant exceptions with reasons, for exceptional and/or transitory cases, departing from the criteria set out;
• in any case, the Board of Directors shall ensure, also by monitoring the attendance record of Directors at Board and Committee meetings, that Directors have sufficient time and can commit themselves sufficiently to perform their duties.

It should be noted that in light of this policy, at the date of its approval, only the director Ms Castelli, lawyer, was found to exceed the maximum number of offices illustrated above by one; however, taking into account that this policy was expressed at a later date with respect to the offices already held by Ms Castelli, the Board, upon the proposal of the Remuneration and Nominations Committee and with Ms Castelli abstaining on this point, granted a specific waiver to Ms Castelli with reference to the offices already held.
It should be noted that, as at 31st December 2021, Ms Castelli held a number of offices in compliance with the maximum number allowed, as in the meantime an office that was relevant for the purposes of the calculation referred to in the above-mentioned Guidelines had ceased to exist.

## 4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (pursuant to article 123-*bis*, paragraph 2, letter d), of the TUF)

The Board of Directors, in its meeting of 28th October 2021, approved the regulation for the functioning and organisation of the Board of Directors which governs, inter alia, the organisation and procedures for the functioning of the Company's managing body, in order to ensure compliance with the applicable provisions of the law and Recordati's By-Laws, as well as with the principles and recommendations of the CG 2020 Code and, in particular, also in order to ensure effective management of the Board's disclosures.

In particular, the Board's meetings are convened by the Chair - or in the event of his/her absence or impediment for any reason, the Vice Chair, or failing that, the most senior Director in terms of age – who sends the notice of call to the Directors and Statutory Auditors at least five clear days before the date set for the meeting. In urgent or necessary cases, the notice of call is sent at least one day beforehand.

The Chair sets the agenda of the meetings – upon consulting with the Chief Executive Officer – and schedules and coordinates the work and activities in order to ensure that adequate information on the items on the agenda is provided to all Directors.

Any documentation relating to the items on the agenda is uploaded onto a specific computer portal that guarantees restricted access to Directors and Statutory Auditors and to the resources of the Board Secretary, as well as to any permanent guests, as a rule three days prior to the convened Board meeting, except for:

(i) certain matters deemed to be of particular importance, in respect of which documentation shall be uploaded five days beforehand;
(ii) certain cases, in which the documentation is transmitted with a shorter notice period according to the subject matter of the resolution to be adopted; and
(iii) in cases of special and proven urgency or for special confidentiality requirements. In the latter case, however, the comprehensiveness, usability and timeliness of the reporting shall be ensured; in particular, the Chair shall ensure that adequate reporting is provided during Board meetings.

During the financial year, the time frames set out in the Regulation for sending the notice of call and the documents relating to the items on the agenda were generally complied with, with a few exceptions.

The Chair shall ensure that the time necessary to allow a constructive dialogue is devoted to the discussion of each item on the agenda. To this end, the Chair, after having consulted the Chief Executive Officer – where necessary or appropriate, – may request that executives and managers of specific corporate functions of the Company or its group, as well as consultants, to attend the Board meeting in order to properly discuss the items on the agenda.

As a general rule, managers from the Company and its subsidiaries attended Board meetings to provide information on the items on the agenda.

Pursuant to the Regulation concerning the Financial Reporting Officer, and if he/she is not already a member of the Board of Directors, the Financial Reporting Officer is invited to attend all Board meetings concerning the approval of any additional periodic financial information with regard to the annual and half-yearly financial reports, the half-yearly report, the annual financial statements and the consolidated financial statements, or other data relevant to the certifications that he/she is called upon to issue, as well as whenever deemed appropriate by the Chair of the Board of Directors/Chief Executive Officer in view of the presence on the agenda of issues that may have an impact on the accounting information of the Company or of the Group it heads.

The By-Laws allow Board meetings to be held by video or teleconference, and these methods are specifically regulated in the Regulation.

Without prejudice to the regulations on related-party transactions and without prejudice to the application of the specific **'Policy on conflicts of interest and disclosure in relation to M&A/licensing-in transactions'** approved by the Board of Directors, Directors who have an interest, whether even potential or indirect, in relation to the subject matter of the resolution, shall promptly and fully inform the Board of Directors.

During 2021, the Board of Directors met 16 times with an average duration of approximately 1 hour and 35 minutes and with an average attendance of 91.67% of the Directors.

The resolutions are recorded in minutes signed by the Chair of the meeting and the Secretary of the meeting. Following the meeting, minutes are drafted in Italian - and a courtesy translation in English, if at least one member of the Board is a non-Italian speaker – which is a deed that gives a concise description and documentation of what was discussed during the meeting. In particular, the minutes provide a brief description of the topics discussed, acknowledging any relevant documentation made available to the Directors and Statutory Auditors, a summary of any relevant speeches and voting declarations, as well as further information on the course of the discussion regarding the items on the agenda.

The text of the minutes prepared by the Secretary and the Chair (or the person who chaired the meeting) shall normally be submitted to the Board for formal approval at its first meeting. Following approval, the minutes signed by the Chair (or the person who chaired the meeting) and by the Secretary shall be kept in the Company's records by the Secretary, together with supporting

documentation made available to the Board; the latter shall be kept at least until the end of the term of office of the Board members; a copy of the signed minutes shall be made available to the Directors and Statutory Auditors.

A portion of the minutes relating to the resolutions adopted that are to be implemented immediately may be certified and extracted by the Chair and the Secretary of the Board of Directors, even prior to the completion of the verification process of the entire minutes, which shall also include any interventions, all of which shall be shared with the Directors and the Statutory Auditors.

In accordance with the obligations imposed on listed issuers by the Market Regulations of Borsa Italiana S.p.A., upon the Chair's proposal, in agreement with the Chief Executive Officer, the Board shall annually approve the dates of the meetings relating to the corporate events provided for in the aforementioned Regulations, to be disclosed to the market without delay and in any case no later than 30th January of each year.

## 4.5 ROLE OF THE CHAIR

In accordance with article 23 of the By-Laws, representation of the Company shall be vested in the Chair of the Board of Directors or, in the event of his/her absence or inability to attend for any reason, in the Vice-Chair, with sole signing authority for implementation of all resolutions of the Board unless resolved otherwise. Moreover, the Chair or, in the event of his/her absence or impediment for any reason, the Vice-Chair, shall represent the Company before the court, with the authority to take legal action and bring judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 24 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chair, but also to the Vice-Chair and one or more Executive Directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law.

From 1st January 2021 to 30th November 2021, the role of Chair was held by Mr Alfredo Altavilla, whose appointment was approved by the Board on 29th April 2020, following the Shareholders' Meeting of the same date and the resignation of Mr Flemming Ornskov.

As already stated at the beginning of this Report, on 1st December 2021, the resignation of Mr Alfredo Altavilla from his position as Chair (and Director) became effective, in view of other important appointments granted to him by the Italian Government and the completion of the transition process towards a new Corporate Governance of the Company, as announced on 16th July 2021. On the same date, the Board of Directors appointed Mr Andrea Recordati, previously Chief Executive Officer of the Company, as Chair of the Board of Directors, again following what had already been approved at the Board meeting held on 16th July 2021.

According to the Regulation of the Board of Directors approved in 2021, the Chair of the Board of Directors serves as a link between the Executive Directors and the Non-Executive Directors and ensures the effective functioning of the Board's work.

The Chair, or the person acting in his/her place, convenes the Board of Directors' meetings, sets their agenda – after having consulted the Chief Executive Officer – schedules and coordinates its work and activities and ensures that adequate information on the items on the agenda is provided to all the Directors, as also established in the Regulation of the Board. In addition to signatory powers and the legal representation of the Company, the Chair is also vested with the powers that may be granted to him/her by the Board of Directors.

In this last regard, taking into account that under the new corporate governance structure, Mr Andrea Recordati, as Chair, will continue to be involved in formulating the Group's strategy, in support of the new Chief Executive Officer and the senior management team, the Board of Directors has granted him the following powers:

a) participating, in support of the Chief Executive Officer, in the formulation of the strategic development guidelines of the Company and of the Group, including in the field of R&D, and in the conduct of transactions of strategic importance submitted to the approval of the Board of Directors, concerning the acquisition (and, where appropriate, disposal) of equity investments, assets, business units, mergers, joint ventures, licensing and distribution agreements;
b) handling institutional relations in Italy and abroad, in coordination with the Chief Executive Officer;
c) supervising the activities of the internal audit function and liaising with the Board of Directors (without prejudice to the function's hierarchical relationship with the Board of Directors) and ordinary management of the employment relationship of the chief of the internal audit function;
d) supervising and promoting the implementation of corporate governance rules, in accordance with the Corporate Governance Code. In particular, in addition to the powers granted by law and the By-Laws, mainly: i) formulating, in agreement with the Chief Executive Officer, a proposed policy for the management of dialogue with all shareholders; with the assistance of the Secretary of the Board; dealing with ii) the adequacy and timeliness of pre-meeting information; iii) that the activities of the Committees are coordinated with the activities of the Board of Directors; iv) in agreement with the Chief Executive Officer, that the Group managers in charge of the relevant corporate departments attend Board meetings, also at the request of individual directors, in order to provide the appropriate details on the items on the agenda; v) in coordination with the Chief Executive Officer, induction initiatives for members of the Board of Directors and of the Board of Statutory Auditors, after their appointment and during their term of office; vi) the adequacy and transparency of the self-assessment process of the Board and of its Committees, with the support of the Remuneration and Nominations Committee.

Furthermore, the Regulation of the Board of Directors provides that in accordance with the provisions of the Code, the Chair of the Board of Directors, with the assistance of the Secretary, shall ensure:

a) that the pre-meeting information and additional information provided in the meeting are appropriate to ensure Directors to act in a properly informed manner in carrying out their office;
b) that the activities of the Board committees with preliminary, proposal and advisory functions are coordinated with the activity of the management body;
c) in agreement with the Chief Executive Officer (if other than the Chair), that the Company's managers and those of the companies of the group it heads, responsible for the corporate offices according to the subjects, attend the Board's meetings, also upon request of individual Directors, to provide appropriate details of the items on the agenda;

d) that all members of the management and control bodies shall take part in activities, after the appointment and during the term of the office, aimed at providing them with an appropriate knowledge of business sectors in which the Company operates, of the corporate dynamics in the view of sustainable success of the Company itself, as well as of the principle of correct risks management and of the relevant law and self-regulation framework, with the support of the lead independent director, if appointed;
e) the adequateness and the transparency of the board self-assessment, with the support of the Remuneration and the Nominations Committee.

It should be noted that, in implementation of the above, during **2021**:
- the following managers, *inter alia*, attended the Board meetings, in order to provide the appropriate in-depth analysis of the items on the agenda: the CFO, the Manager of Corporate Development & Licensing, the General Counsel (who is also the Secretary of the Board), the Corporate Law Counsel, the Audit & Compliance Manager (who is also the Data Protection Officer and an internal member of the ODV (231 Compliance Body), the Heads of the two Business Units (rare diseases and general and specialist medicine – SP&C), the Head of Strategy and Commercial Excellence and the ESG Manager;
- as already mentioned, during the financial year, the time frames set out in the Regulation for sending the notice of call and the documentation relating to the items on the agenda were normally complied with, with a few exceptions with particular reference to M&A transactions due to the relevant strict negotiation deadlines;
- further to the specific induction sessions organised in 2019 and 2020 for the benefit of the Directors appointed in those financial years (and also extended to the other Directors and Statutory Auditors concerned) and intended to provide the directors with an adequate knowledge of the business sectors in which the Group operates, as well as of the corporate dynamics and their evolution, including the organisational structures, in general, during the meetings of the Board of Directors, the Chief Executive Officer illustrated the relevant aspects for the purpose of presenting the performance of the Company and the Group, providing, *inter alia*, constant information on the most relevant updates of the regulatory framework of the sector and their impact on the Company. Also with reference to the principles of proper risk management, during Board meetings the Chief Executive Officer, in agreement with the Chair, ensures that appropriate in-depth analyses are performed, when considered appropriate and in particular with reference to significant acquisition/licensing-in transactions, in addition to the annual analysis of Recordati's Risk Map. Furthermore, in agreement with the Chair, a specific in-depth session was organised during a Board meeting with reference to business analysis in relation to the Specialty & Primary Care Business Unit also from a strategic viewpoint;
- taking into account the entry of a new foreign Chief Executive Officer, also on the recommendation of the Remuneration and Nominations Committee, a specific induction activity was carried out for the benefit of the new Chief Executive Officer concerning the main regulatory provisions applicable to an Italian listed company, with specific more detailed focuses on the Company and the corporate procedures in place for the purposes of implementing the main regulations. The material used for this induction activity was also circulated to the Director, Ms Stratton, who was co-opted on 16th December 2021, and to all the independent directors and statutory auditors;
- the Chair participated in the self-assessment process of the Board and of its Committees in order to verify their adequacy and transparency. In particular, the Chair attended all the meetings of the Remuneration and Nominations Committee in which this process was discussed, in implementation of the provision of the Regulation of the Board which states that 'more specifically, the way in which the self-assessment process is carried out and the way in which its results are communicated are determined upon the proposal of the Remuneration and nominations Committee in agreement with the Chair of the Board of Directors'.
- the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementation of the Remuneration Policy for Directors and Key Manager Personnel. This activity is carried out through the development of an engagement plan carried out on an annual basis that provides for the participation of the Human Resources, Investor Relations and Legal Affairs corporate functions supported by the Chair of the Remuneration and Nominations Committee in order to highlight the commitment of the committee itself on matters within their competence. The results, indications and feedback which emerge during the engagement activity, once they have been reported, are examined and assessed by the Remuneration and Nominations Committee in order to provide any clarifications and verify how to overcome potential criticalities. Finally, the Committee reports to the Board of Directors on the relevant developments and significant contents emerging from such engagement activities, through the Chair or another member designated by the latter. In addition, the CFO provides the Board with information on major interactions with investors and analysts insofar as it is deemed relevant.

### 4.5.1. SECRETARY OF THE BOARD OF DIRECTORS

With reference to the Secretary of the Board of Directors, the Regulation of the Board of Directors approved during 2021 provides as follows:
- the Board appoints a Secretary, who may not be a member of the Board. The Secretary's appointment and revocation is made upon the proposal of the Chair. Normally the designation will favour the appointment of the Company's VP and Director of corporate Legal Affairs.
- the Secretary shall be a person with proven experience in the corporate sector, with particular reference to the corporate governance of listed companies, as well as the company secretariat activities. The Secretary also meets the requirements of independence of judgement and is not involved in a situations gof conflict of interest.
- the Secretary supports the activity of the Chair and assists him/her, in particular, performing the functions indicated in the paragraph above and in relation to the reporting prior to Board meetings.
- in case of his/her incapacity o absence, the powers, tasks or duties granted to him/her pursuant to the Regulation shall be performed or complied in his/her behalf by her/his deputy or another person designated from time to time by the Chair of each meeting.
- the Secretary, in carrying out his/her duties, has an organisational structure and staff suitable for the performance of his/her office. Furthermore, the Secretary has access to the information and corporate functions needed in order to perform his/her tasks, he/she is provided with financial resources and, where deemed appropriate, can be supported by external consultants.

In implementation of the above, on 28th October 2021, upon the Chair's proposal, the Board of Directors appointed Ms Daria

Ghidoni, lawyer, Group General Counsel - who had already been performing this role for some time - as permanent Secretary of the Board of Directors, deeming that the requirements set forth in the Regulation had been met.

With regard to the implementation of the Chair's functions and duties in the course of 2021, with the support of the Secretary, please refer to the previous paragraph.

## 4.6 EXECUTIVE DIRECTORS

### Chief Executive Officer

As already mentioned, on 1st December 2021, the Board of Directors of Recordati appointed Mr Robert Koremans as Chief Executive Officer – upon his co-option by the Board – as approved at the Board meeting held on 16th July 2021. On the same date, the resignation of Mr Andrea Recordati from his position as Chief Executive Officer became effective, as was also announced on 16th July 2021.

From 16th August 2016 until 30th November 2021, Mr Andrea Recordati, as Chief Executive Officer, was delegated, to the extent permitted by law, all the widest powers for the administration and ordinary and extraordinary management of the Company and the performance of the management and coordination activities carried out by the Company in comparison with Group companies, determining the adequacy of the organisational, administrative and accounting structure of the Company for the execution of strategic, industrial and financial plans approved by the Board of Directors, with the sole exclusion of the transactions listed below (exhaustive and mandatory in nature), which, because they are to be carried out directly by the Company and/or indirectly through subsidiaries, are reserved for the competence of the Board of Directors (unless they are intra-group transactions, *i.e.* carried out with or between other Group companies):

a) the assumption of financial debt for an amount higher than € 25 million for each transaction and the grant of secured or personal guarantees for amounts higher than € 10 million for each transaction;
b) the sale and purchase of real estate properties for amounts higher than € 10 million, in which the Company's or its subsidiaries' business activity is carried on at the time of sale;
c) the acquisition or disposal of ownership, or the acquisition or licensing-in, of intellectual property rights, in particular, but not limited to, intellectual property rights regarding specialty medicines, dietary supplements and medical devices for amounts not greater than € 10 million each;
d) the acquisition, sale or any other provision in relation to holdings in other companies and similarly the acquisition and disposal of companies or company branches, for an amount higher than € 10 million each;
e) the entering to agreements, including settlement agreements, concerning matters not included in those above for an amount higher than € 10 million for each agreement.

The aforementioned powers were also confirmed for the new Chief Executive Officer Mr Robert Koremans on 1st December 2021.

### Chair of the Board of Directors

Please refer to Section 4.5 of this Report.

### Executive Committee

No Executive Committee has been formed as an internal committee of the Board of Directors.

### Reporting to the Board

The Chief Executive Office reported to the Board in individual Board meetings on the activities performed in exercising the powers conferred on him by the Board itself: in each meeting, and independently of the time elapsed since the previous meeting, the Chief Executive Officer provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require prior approval by the Board of Directors.

### Other Executive Directors

With reference to the Board of Directors in office until 30th November 2021, the Board of Directors has qualified Mr Andrea Recordati, Chief Executive Officer and Mr Fritz Squindo, Group General Manager, as well as Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, as executive directors in view of the functions performed, since they hold management positions in the indirect parent company or in other CVC companies, which also concern the Company; on the other hand, they have not been granted individual operating powers.

After 1st December 2021, the Board of Directors has qualified Mr Robert Koremans, Chief Executive Officer, as an executive director in view of the functions performed. Mr Fritz Squindo, Group General Manager, as well as Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, remain qualified as executive directors in view of the functions performed. As from 1st December 2021, Mr Andrea Recordati, Chair, no longer qualifies as an executive director.

## 4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTORS

### Independent Directors

During 2021 four directors (Michaela Castelli, Silvia Candini, Joanna Le Couilliard and Piergiorgio Peluso) were qualified as independent on the basis of the declarations provided by the individuals concerned and the information in any case available to the Company, as confirmed during the annual Board of Directors' assessment required by the 2020 CG Code which took place on 22nd February 2021 (and already renewed also during 2022 on 24th February 2022).

More specifically, in implementation of the provisions of the 2020 CG Code, the Board of Directors - on 22nd February 2021 - confirmed, on the basis of the declarations provided by the individuals concerned and the information in any case available to the Company, in relation to the four directors mentioned above, the existence of the independence requirements pursuant to Article 148, paragraph 3, of the TUF and the independence requirements provided for by the 2020 CG Code.

At the beginning of 2022, on 24th February 2022, the Board of Directors renewed this assessment positively.

The Board of Statutory Auditors successfully verified the correct application of the criteria and procedures adopted by the Board to assess the independence of its members on both occasions.

The independent Directors, on the occasion and before the beginning of the meetings of the Board of Directors, have from time to time verified the absence of specific problems that would be relevant in the context of their role as independent Directors.

The Independent Directors met twice during 2021 to examine governance and risk control aspects in greater detail, in

particular with reference to the follow up on the analysis of the correct application and functioning of the Regulations concerning the management and coordination activities exercised by Rossini Luxembourg S. àr.l. over Recordati S.p.A. and regarding the information flows from Recordati S.p.A. to, in particular, Rossini Luxembourg S.àr.l. which were approved by the Board of Directors of Recordati S.p.A. in 2019 as well as on possible further matters to be examined in greater detail by the Board or by induction. In addition, at their second meeting in December, the independent directors carried out some in-depth analysis of possible recommendations in relation to the implementation of the new governance structure - following the appointment of a new Chief Executive Officer and the appointment of Andrea Recordati, the previous Chief Executive Officer, as Chair - and in view of the renewal of the Board of Directors, aimed at contributing to the continuous improvement of the activities and functioning of the Board itself and more generally of the Company's governance. In this regard, a specific meeting was held at the beginning of 2022 between the Independent Directors, the Chair and the Chief Executive Officer.

**Information regarding the independence assessment process**

The procedure followed by the Board for the purposes of verifying independence provides for the existence of the requirement to be declared by the director at the time of submitting the candidacies and at the time of accepting the appointment. The Board verifies this requirement at the first meeting following the appointment and discloses the results to the market.

Without prejudice to the independent director's commitment to promptly notify the Board of the occurrence of any situation that could lead to the loss of the requirement, the Board annually renews the request to the directors concerned to confirm that they meet the requirements, as provided for by law and the 2020 CG Code. The Board of Directors and the Board of Statutory Auditors then proceed respectively to verify the content and correct application of the requirements and the procedure to verify them.

In implementation of the provisions of the CG Code 2020, on 28th October 2021 the Board of Directors defined quantitative and qualitative criteria for assessing the significance of relationships, including economic ones, capable of compromising the independence of its members ('Policy on qualitative and quantitative criteria for the purposes of assessing independence requirements': available on the Company's website, in the Corporate Governance/Board of Directors section).

In defining the Significance Criteria, the Board of Directors has, *inter alia*, took into account the recommendations set out in the 2020 CG Code and the clarifications provided in the collection 'Q&A for the application of the Corporate Governance Code – 2020 edition' available on the website of the Corporate Governance Committee (the 'Q&A').

Such criteria will be applied starting with the assessment of the independence of the Directors of the Company who will be appointed by Recordati's Shareholders' Meeting convened to approve the financial statements for the year ending on 31st December 2021. However, already at the time of the assessment of the independence of the directors performed at the beginning of 2022, the Directors who had declared that they met the independence requirements were asked to communicate any relevant information in accordance with those criteria. No elements were communicated on that occasion.

**Policy on qualitative and quantitative criteria for assessing independence requirements**

**1. QUANTITATIVE CRITERIA**

**1.1. Significance of commercial, financial or professional relationships**

With specific reference to the quantitative criteria, relations of a commercial, financial or professional nature which the Director - whose independence is being assessed - carries on or carried on during the financial year in which the declaration of independence is made or in the three financial years preceding the date on which such declaration is made[4] (the **'Reference Period'**) with the following persons, are relevant (jointly, the **'Relevant Persons'**):

(i) the Company, its subsidiaries, the person who controls the Company[5] and the companies subject to a joint control,
(ii) the relevant executive Directors[6] or the top management[7].

The aforementioned relations with the Relevant Persons are generally considered to be significant – and therefore such as to compromise the Director's independence – if they entailed, whether individually or cumulatively considered, an annual economic consideration higher than € 50,000.00 (fifty thousand)[8].

It should be noted that, for the purpose of the above, the relations between the Relevant Persons and Director's close family members, who are identified as (i) parents, (ii) children, (iii) the non-legally separated spouse and (iv) the cohabitants (individually referred to as the **'Close Family Member'**) are also relevant.

It should also be noted that, if the relations with the Relevant Persons are entertained indirectly by the Director – *i.e.*, through subsidiaries or company of which he/she is an executive Director, or as a partner of a professional firm or consultancy firm – the relations existing or carried on during the Reference Period which entailed, whether individually or cumulatively considered, an annual economic consideration higher than € 100,000.00 (one hundred thousand) are generally deemed to be significant.

It is understood that – notwithstanding the above – in the event that the relations with the Relevant Persons are entertained by the Director indirectly through a legal entity which has been established or used *ad hoc* for the purpose of establishing such relations, the above quantitative limits applicable in the event

*4 By way of example, it should be considered the case in which the Director makes his/her declaration of independence on 15th March 2022 and takes office as a Director of Recordati in April 2022; in such case:*
*(i) for the purposes of assessing the independence of the Director in question, in addition to any existing relationship, any relationship the Director may have had with Relevant Persons during the 2021, 2020 and 2019 financial years and during the period between 1st January 2022 and 15 March 2022 shall be taken into account;*
*(ii) it is understood that the Director shall be required to promptly inform the Board of Directors of the Company of any relationship he/she may have with Relevant Persons after the date on which he/she has made his/her declaration of independence (in the example in question, 15th March 2022), providing all the necessary elements for a full assessment by the Board.*

*5 As specified in the Code, control exercised 'together with others through a shareholders' agreement' is also relevant (please see Recommendation 7, first period, lett. c) of the 2020 CG Code).*

*6 'Executive directors' means (see definition in the Code):*
*(i) the chair of the Company or a subsidiary of strategic importance, when delegated to manage or develop corporate strategies;*
*(ii) directors who are recipients of managerial powers and/or hold managerial positions in the company or in a subsidiary of strategic importance, or in the parent company when the position also concerns the Company;*
*(iii) the directors who are members of the executive committee of the Company (if any).*

*7 'Top management' means 'senior managers who are not members of the management body and have the power and responsibility for planning, directing and controlling the activities of the company and the group it heads' (see definition in the Code). With reference to Recordati S.p.A. top management means those who are identified as key management personnel pursuant to the applicable regulations on Related Parties and Remuneration Policy.*

*8 Such amount is lower than the current annual remuneration paid by the Company for the role as non-executive Director.*

of relations entertained directly by the Director shall apply (*i.e.* the limit of € 50,000.00 per year).

**1.2. Significance of additional remuneration**

With specific reference to the remuneration received by the Director, included the one received in the Reference Period[9], the sum of any additional remuneration paid to the latter by:

(i) the Company,
(ii) one of its subsidiaries, and/or
(iii) the parent company, even indirectlye,

for professional appointments or consultancy – with respect to the fixed remuneration for the position held[10] and the remuneration for the membership in committees[11] (or bodies) recommended by the Code or provided for by the applicable law.

The remuneration received by the Director in the form of participation in incentive plans linked to company performance is also relevant for this purpose.

Additional remuneration should normally be considered significant - and thus capable of compromising the independence of the Director concerned – if, whether individually or cumulatively considered, it is, during the Reference Period, higher than € 50,000.00 (fifty thousand) per year[12].

It should be noted that being a Close Family Member of a person in one of the situations referred to in this paragraph 1.2 also constitutes a circumstance likely to compromise the Director's independence.

**2. QUALITATIVE CRITERIA**

**2.1. Professional relations**

If the Director is also a partner of a professional firm or of a consulting company, the professional relations of the firm and/or of the consulting company with the Relevant Persons shall also be qualified as significant, regardless of the quantitative parameters set out in paragraph 1.1 above. In this regard, the relations that are relevant:

a) may have an effect on his/her position and role within the professional firm or the consultancy firm; or
b) in any case relate to important transactions of the Company and of the group it heads[13].

The significance of the aforementioned relations is assessed taking into account the overall professional activity normally exercised by the Director, the tasks normally entrusted to him/her, as well as the relevance that such relations may have for the Director in terms of reputation within his/her organisation.

**2.2. Other relations**

For the purpose of the assessment of the significance of the relations between the Director and the Relevant Persons, the Board of Directors may take into account, in relation to the specific situations of each Director – such as position, individual characteristics and overall professional activity – any further elements deemed useful and/or appropriate, by adopting additional and/or partially different criteria from those set out above that give preference to substance over form.

In particular, the Board of Directors, by giving appropriate reasons for the decision, may:

(i) take into account also the relations that, even if without financial content and character or not economically significant, are particularly relevant to the prestige of the Director involved or such as to affect in actual terms his/her independence and autonomous judgment;
(ii) assess, on the basis of the actual circumstances, the existence and/or maintenance of the independence requirements of a Director even when one of these Significance Criteria is met.

## Lead Independent Director

With effect as from 29th April 2020, following appointment by the Board of Directors, the independent director, Ms Michaela Castelli, lawyer, acts as lead independent director with the duties set out in the 2020 CG Code.

The 2020 CG Code, to which the Company resolved to adhere as from 1st January 2021, confirmed that the lead independent director (a) represents a point of reference and coordination of the requests and contributions of the non-executive directors and, in particular, of the independent directors, specifying that (b) he/she coordinates the meetings of the independent directors only.

The Regulation of the Board of Directors of Recordati, approved in 2021, states more specifically that, 'if appointed, the lead independent director: (i) represents a point of reference and coordination of the requests and contributions of the non-executive Directors and, in particular, of the independent Directors; (ii) coordinates the meetings of the independent Directors only; (iii) has the power to convene meetings to discuss issues deemed to be of interest with respect to the functioning of the Board of Directors or company management; (iv) collaborates with the Chair in order to ensure that the Directors receive complete and timely information flows, including through the organisation of specific induction activities'.

During the 2021 financial year, Ms Castelli, as lead independent director, has, in particular, promoted the organisation of the meetings of the independent directors only, by coordinating - also outside of such meetings - the requests of the independent directors aimed at contributing to the continuous improvement of the activity and functioning of the Board itself and, more in general, of the governance of the Company, acting as their spokesperson with the Chair and at the Board and Committees' meetings.

*9 By way of example, it should be considered the case in which the Director makes his/her declaration of independence on 15th March 2022 and takes office as a Director of Recordati in April 2022; in such case:*
*(i) for the purposes of assessing the independence of the Director in question, in addition to any remuneration paid to the Director himself/herself, any remuneration the Director may have received during the 2021, 2020 and 2019 financial years and during the period between 1st January 2022 and 15 March 2022 shall be taken into account;*
*(ii) it is understood that the Director shall be required to promptly inform the Board of Directors of the Company of any remuneration that he/she may receive after the date on which he/she has made his/her declaration of independence (in the example in question, 15th March 2022), providing all the necessary elements for a full assessment by the Board.*

*10 'Fixed remuneration for the position held' means (please see Q&A Recommendation 7, lett. d)): (i) the remuneration determined by the Shareholders' Meeting for all Directors or determined by the Board of Directors for all non-executive Directors within the total amount decided by the Shareholders' Meeting for the whole Board of Directors; (ii) any remuneration granted by reason of the particular position held by the individual non-executive Director within the Board of Directors, determined according to the best practices provided for by Recommendation 25 of the 2020 CG Code. On the contrary, the remuneration received by the Director of the Company for his/her positions in the parent company or in the subsidiary is considered as 'additional remuneration' and is therefore assessed in terms of its 'significance'.*

*11 'Remuneration for the membership in the committees' means (please see Q&A Recommendation 7, lett. d)) the remuneration that the individual Director receives by reason of his/her participation in the internal committees recommended by the 2020 CG Code or in committees/bodies provided for by the regulations in force, with the exclusion of the remuneration deriving from membership of the executive committee, if any.*

*12 Such amount is lower than the current annual remuneration paid for the position of non-executive Director.*

*13 Recommendation 7, second period of the 2020 CG Code.*

# 5. MANAGEMENT OF CORPORATE INFORMATION

The Company has adopted a procedure that regulates the internal management and external communication of information relating to the Company, with particular reference to Relevant and Inside Information, in order to prevent its improper circulation and disclosure both inside and outside the Company, in compliance with current EU and national regulations regarding market abuse: **'Procedure for the internal management of Relevant Information and Inside Information and disclosure to the public of Inside Information'** (in brief, the 'Procedure for Relevant Information and Inside Information').

The Procedure is a fundamental component of the Internal Control and Risk Management System of the Company and the Group, as well as an integral part of the overall system of prevention of offenses pursuant to Italian Legislative Decree no. 231/2001.

The current version of the Procedure for the internal management of Relevant Information and Inside Information was last revised during 2018, as an update of the company procedures in the field of market abuse, which had been previously and significantly amended in 2016 following the entry into force of Regulation (EU) no. 596/2014 containing the regulation of market abuse, for the purpose of adapting them to the rules and regulations subsequently issued both at the national and at the EU level and, in particular, to the Guidelines issued by Consob on that subject in October 2017.

The rules of conduct established by the Procedure for Relevant Information and Inside Information are aimed at implementing the necessary organisational controls for the proper management of information flows, guaranteeing the maximum confidentiality information that is Inside Information or otherwise likely to become so (Relevant Information), balancing the interest in the confidentiality of information in the course of its progressive formation and the obligation of the related disclosure in a non-selective form, protecting investors and the integrity of the market, since they are aimed at preventing the performance of transactions detrimental to their interests through the exploitation of information asymmetries, or the alteration of market variables, through the dissemination of untrue or misleading information; to reduce the risk of crimes or administrative offences relating to market abuse; protecting the Company against any liability that may arise for the unlawful acts committed by parties that can be referable to the same; defining the processes for identifying and managing the Relevant Information; defining the processes for identifying and managing the Inside Information; defining the processes of communication to the public and to Consob of Inside Information.

The members of the administrative, management and control bodies of the Company and the employees and collaborators of the Company and of its Subsidiaries who have access for any reason to Relevant Information or Inside Information are required to comply with this procedure.

The Procedure for Relevant Information and Inside Information identifies the Chief Executive Officer as the person responsible for the public disclosure process of inside information concerning the Company also in relation to the decision to begin the procedure of any delay in the market disclosure. The Chief Executive Officer has therefore been identified as holding the Inside Information Management Function (so-called *'IIMF'*) pursuant to the 2017 Consob guidelines or as a function responsible for the management of inside information. For the carrying out of his/her activities, the Chief Executive Officer, as holder of the IIMF, avails himself of the technical consultancy support of an 'info room' (always in line with the 2017 Consob guidelines) which includes, on a permanent basis, in light of the evolution of the Company's organisational charts, the Group General Manager and the Group CFO, the Group General Counsel, and the Director of Investor Relations & Corporate Communication, as well as, on a case-by-case basis, other members of management concerned from time to time by the specific information, in the light of the evolution of the corporate organisation charts.

The **'Procedure for keeping and managing the list of persons who have access to relevant information and the list of persons having access to inside information'** is also currently in force, which is aimed at regulating the methods of maintaining and regularly updating the List of persons who have access to inside information (hereinafter referred to as **'Insider List'**) the maintenance of which is mandatory for the Company pursuant to the applicable regulations, and the List of persons having access to relevant information (hereinafter '**Relevant Information List'** or, in brief, **'RIL'**) in implementation of the Procedure for Relevant Information and Inside Information, in compliance with the applicable EU and national legislation and regulations on the prevention and repression of market abuses, also taking into account the guidelines issued by ESMA and by Consob. In particular, for the purposes of applying the Procedure for Relevant Information and Inside Information, the Company takes into account the interpretative and applicative indications contained in the Consob Guidelines.

In particular, the Company has, on a voluntary basis, proceeded to establish a list of persons who have access, in the performance of their duties, to Relevant Information, in compliance with the provisions of the Consob Guidelines. This list is aimed at ensuring the traceability of persons who have access to Relevant Information with a view to a more effective monitoring of corporate information also for the purpose of fulfilling the market disclosure obligations of Inside Information and the prevention and repression of market abuses.

The Insider List, on the other hand, contains registered persons who have access, in the performance of their duties, to Inside Information and, in compliance with EU legislation, the Procedure provides that the Insider List also has a section of registrants in which to register subjects who are permanently aware of all the inside information and a section where registration is required for each event.

Lastly, it should be noted that Recordati also has in place an **'Internal Dealing Procedure'** which provides for, starting from 2016, the so-called **black-out periods**, namely, specific periods of the year – thirty calendar days prior to the announcement of an interim or year-end financial report that the Company is required to make public according to the rules of the registered office of trading in which the shares are admitted to trade or national law - in which there is an obligation to abstain from performing transactions on financial instruments issued by the Company and listed on regulated markets.

This Procedure is available on the Company's website in the Investors/Internal Dealing Section.

During 2021 the following black out periods were identified: prior to the publication of the preliminary data for the 2020 financial year and prior to the 2021 half-yearly report.

Starting from 2020, Mr Luigi La Corte, Group CFO, key management personnel and Financial Reporting Officer pursuant to article 154-*bis* of the TUF, has been identified as a Relevant Person pursuant to the Procedure on internal dealing.

# 6. INTERNAL COMMITTEES OF THE BOARD

The Board of Directors has formed a Remuneration and Nominations Committee and a Risk, Control and CSR Committee among its members, both with consultative and proposal-making functions composed exclusively of independent directors.

The Company has not set up an independent committee for related-party transactions. According to the RPT Procedure adopted by the Company (as defined below), this committee is identified as the Risk, Control and CSR Committee, except for related-party transactions concerning remuneration, for which the Remuneration and Nominations Committee is identified.

Please refer to Section 10 of this Report for further information.

## Table of structure of board committees as at 31st December 2021 and currently in office

| Office | Members | Risk, Control and CSR Committee | | Remuneration and Nominations Committee | |
|---|---|---|---|---|---|
| | | * | ** | * | ** |
| Non-executive director - independent pursuant to the TUF and the Code | Candini Silvia | 8/8 | M | 14/15 | M |
| Non-executive director - independent pursuant to the TUF and the Code | Castelli Michaela | 8/8 | P | 14/15 | M |
| Non-executive director - independent pursuant to the TUF and the Code | Le Couilliard Joanna | | | 15/15 | P |
| Non-executive director - independent pursuant to the TUF and the Code | Peluso Piergiorgio | 8/8 | M | | |
| N. meetings held during the financial year: | | 8 | | 15 | |

** This column shows the attendance of Directors at meetings of the Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned in the reference financial year).*
*** This column indicates the status of the director within the Committee: 'P' (Presidente) chair and 'M' (membro) member.*

It should be noted that in 2021 it was not necessary for the Risk, Control and CSR Committee to meet also as acting as the related-party transactions committee. The Remuneration and Nominations Committee met 15 times, as reported above, 7 of which was also as acting as the related-party transactions committee.

# 7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS – NOMINATIONS COMMITTEE

## 7.1 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS

During 2021, the Board of Directors performed an in-depth board review process with the support of an external consultant: the consultancy firm Crisci & Partners which, it should be noted, does not provide any further services to Recordati or to companies in a controlling relationship with it.

The process concerned the functioning of the Board itself and of its committees as well as their size and composition and also involved a benchmarking analysis with Recordati's peers and, in general, with the best practices in the field performed by the consultant. The self-assessment process also included, for the first time, a peer-to-peer review, *i.e.* a focus on the content of the contribution made by each of the members of the Board, including the Chair. Two questionnaires (one of which was dedicated to the peer review) and an individual interview with each director, as well as with the Chair of the Board of Auditors and the Secretary of the Board, were performed.
Lastly, the process included a specific focus on supporting the Board in relation to its renewal, also for the purpose of possibly formulating some guidelines for the benefit of the Shareholders, even though the Company is a large company with concentrated ownership.

The Remuneration and Nominations Committee played a proactive and preparatory role in the process by coordinating with the Chair of the Board of Directors, who attended the Committee meetings in which the procedures for carrying out the process, the macro areas of analysis to be taken into account and the timing of the process were examined, as well as the identification of the external consultant and therefore the outcomes of such processes were also examined.

The results of the board review process were analysed on an investigation basis by the Remuneration and Nominations Committee at its meetings of 11th October 2021 (on a preliminary basis) and of 9th November 2021 (on a definitive basis), and subsequently by the Board of Directors on 26th November 2021, which examined specific documentation illustrating the process, including a specific benchmarking analysis, an examination of the results of the peer-to-peer analysis and some of the Committee's recommendations, also in relation to possible guidelines for Shareholders.
The results of this process confirm a positive picture in terms of the composition of the Board, in particular from the point of view of the mix of experience and expertise, and showing that there is a general atmosphere of transparency and shared trust. In addition, the functioning of board and committee activities is also viewed very positively.
With respect to the areas for possible improvement based on the results of this process, these mainly concerned the possibility of dedicating even more time during meetings to the in-depth examination and sharing of ideas and decisions relating to strategies concerning business activities. During the process, particular attention was also paid to the change in governance expected by the end of the 2021 financial year with the appointment of a new foreign chief executive officer, and some recommendations were made in relation to the induction activities to be performed in favour of the latter (activities that – it is confirmed – were performed; please refer to section 4.5) and, more generally, to the support activities aimed at a smooth handover to the new chief executive officer.

In this latter regard, the results of the process have highlighted the importance of the role of Mr Recordati, as the future Chair, to whom a number of specific recommendations have been addressed, including, *inter alia*, support for the induction of the new Chief Executive Officer, handling induction activities for directors and serving as a link between executive and non-executive directors without experience in the pharmaceutical sector.

With respect to the Committee's recommendations, also in relation to possible guidelines addressed to the Shareholders, the Committee indicated to the Board that it could recommend the appointment of a new Board that is substantially in line with the current one, with some new elements, such as, in particular, the importance given to members meeting the independence requirements, the presence of women required by law for the renewal of the Board, as well as the strengthening of some skills/experience (in particular, experience in the pharmaceutical market – preferably in the business relating to orphan products and in the OTC business - in an international context). In this regard, it should be noted that, subsequently, on 16th December, Ms Kim Stratton was appointed to the Board of Directors in office, to replace Mr Balestrieri, who resigned on 15th October 2021: she is a female director with significant business experience in the pharmaceutical market.

The Board of Directors acknowledged the results of the self-assessment process and the recommendations provided by the Remuneration and Nominations Committee and unanimously expressed an overall positive assessment of the functioning of the Board itself and its Committees as well as their size and composition. With regard to the recommendations made by the Committee, despite the fact that the Company is a large company with concentrated ownership (and, as such, under the CG Code 2020, the Board is not required to express guidance to Shareholders), the Board decided to express some guidance in line with the above: please refer to the Directors' Report to Shareholders which will be made available for the Shareholders' Meeting scheduled for 29th April 2022 and which will resolve upon the appointment of the new Board of Directors.

With regard to the future self-assessment processes of the Board of Directors and of its committees, it is confirmed that the Board has assigned the Remuneration and Nominations Committee the competence to support the Board in this respect when it adheres to the 2020 CG Code.

Finally, as regards the timing of the next/future self-assessment process(es), taking into account that the new Board of Directors will be appointed by the Shareholders' Meeting scheduled for 29th April 2022, it will be a matter for that new Board to assess.

### Succession Planning for the Executive Directors and Key Manager Person

**With respect to succession plans for Executive Directors who are granted individual management powers,** on 30th July 2020, the Board of Directors adopted, upon receiving the opinion of the Remuneration and Nominations Committee – following agreement also with the Risk, Control and CSR Committee which had also originally started the preliminary analysis before assigning the relevant competence to the Remuneration and Nominations Committee at the time of the extension of the Remuneration Committee's competences to the functions of the Nominations Committee – a plan for the Chief Executive Officer and the Director in charge of the Internal Control and Risk Management System, containing, in the event of early termination or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at short-term/medium-term management continuity. It is therefore a so-called 'contingency plan' that will enable the Company to deal with any emergency situation immediately,

On the basis of this 'contingency plan':
- upon the occurrence of the early cessation from holding office or impediment, including temporary, to the performance of the Chief Executive Officer's functions, the Group General Manager shall assume the powers for the management of the Company with the same limits as those previously envisaged for the Chief Executive Officer, and a Board of Directors' meeting shall promptly be called in order to take the consequential measures;
- upon the occurrence of the early cessation from holding office or impediment, including temporary, to the performance of the functions of the Director in charge of the Internal Control and Risk Management System, the Chief Executive Officer shall take over the role, and a Board of Directors' meeting shall promptly be called in order to take the consequential measures.

In light of the significant change in the Company's corporate governance - which saw Mr Andrea Recordati, the previous Chief Executive Officer, being appointed as the new Chair as from 1st December 2021 and Mr Robert Koremans being appointed as the new Chief Executive on the same date – upon preliminary investigation and the favourable opinion of the Remuneration and Nominations Committee, on 1st December 2021, the Board updated the above-mentioned Contingency Plan, providing for the following:
- in the event of the temporary or permanent absence of the Chief Executive Officer, the Chair (*i.e.* Andrea Recordati: who, having held that position until November 2020, was naturally considered to be in a position to fill it again in the event of an emergency) will take over;
- if the unavailability concerns the Director responsible for the Internal Control and Risk Management System (currently confirmed as Mr Fritz Squindo, Group General Manager) the proposal confirms that the Chief Executive Officer will take over.

The Remuneration and Nominations Committee specified that these amendments were necessary to manage the transitional period between the appointment of the new Chief Executive Officer and the appointment of the new Board and that, naturally, the text would subsequently have to be reviewed in the light of the new composition of the Board resolved upon by the Shareholders' Meeting on 29th April 2022.

During 2021, the Remuneration and Nominations Committee continued its analysis of the *status quo* regarding the existence of adequate **procedures for the succession of key management personnel** that it had started in 2020, further developing the content and formalisation of the guidelines for these procedures. The process is aimed at verifying the existence of adequate organisational controls by the Company in order to ensure effective managerial continuity.
The Committee expressed a favourable opinion on the adequacy of the procedures for the benefit of the Board, which in turn, agreed with its assessment.

Lastly, the Committee provided some suggestions for the continuous improvement of these procedures – particularly regarding the further study of paths to develop internal resources in the future – and planned further checks on the actual implementation of the procedures, in order to assess their effectiveness and any need for any further improvements.

## 7.2 REMUNERATION AND NOMINATIONS COMMITTEE

### Composition

During 2021, the Remuneration and Nominations Committee was composed of Joanna Le Couilliard (acting as Chair), Silvia Candini

and Michaela Castelli, all directors meeting the independence requirements. The Board of Directors acknowledged that all members have adequate knowledge and experience in financial matters or remuneration policies.

## Duties

As regards specific information on the Remuneration and Nominations Committee's duties and activities in the field of remuneration, please refer to the relevant parts of the Remuneration Report published pursuant to article 123-*ter* of the TUF.

With regard to the tasks as a nominations committee, according to the organisational regulations, most recently updated in December 2020, the Remuneration and Nominations Committee is assigned the consultative and proposal-making duties described below:

- assisting the Board of Directors in the self-assessment process of the Board itself and its committees;
- also taking into account the results of the aforesaid self-assessment, formulating opinions to the Board of Directors on the optimal composition (qualitatively and quantitatively) of the Board itself and its committees and on the managerial and professional profile whose presence on the Board is deemed appropriate, also in light of the Company's sectoral characteristics, for the purposes of the possible formulation by the outgoing Board of Directors to the shareholders of guidelines in relation to the appointment of the new Board of Directors;
- assisting the Board of Directors in assessing candidates for the office of director in cases of co-optation;
- making recommendations to the Board of Directors on any critical issues related to the application of the non-competition clause provided for Directors by article 2390 of the Italian Civil Code in the event that the Shareholders' Meeting has authorised general and preventive exceptions to this prohibition;
- supporting the Board of Directors by carrying out the necessary investigation activities for the preparation of a possible succession plan for the Chief Executive Officer and the other executive directors granted with management powers, which at least identifies the procedures to be followed to ensure the regular management of the Company in the event of early termination of the office of the Chief Executive Officer and/or of the Director in charge of the Internal Control and Risk Management System – if different from the Chief Executive Officer – with respect to the ordinary expiration of the office;
- assisting the Board of Directors through the necessary investigation activity in order to ascertain the existence of adequate procedures for the succession of top management, *i.e.*, key manager personnel ('Top Management')
- formulating opinions to the Board of Directors in relation to the guidelines on the maximum number of offices held in the management or control bodies in other listed companies or large companies that may be considered compatible with an effective performance of the office of director of the Company, taking into account the commitment deriving from the role held also with reference to the participation of directors in the committees established within the Board.

## Activities carried out in 2021

With reference to the above-mentioned duties, during 2021, the Committee mainly:

- preliminary examined the proposed recommendation to the Board of Directors on the maximum number of offices that each director may hold in other listed companies or large companies;
- continued the analysis started in 2020 on the procedures for the succession of key management personnel;
- assisted the Board of Directors in performing the self-assessment process of the Board of Directors and of its committees in relation to the methods of performing the process and the analysis of the results, also with the aim of proposing to the Shareholders guidelines on the quantitative and qualitative composition of the Board considered optimal, in agreement with the Chair of the Board of Directors in compliance with the role assigned to the latter in relation to this process by the 2020 CG Code;
- assisted the Board of Directors in relation to the change of corporate governance of the Company and in particular in the activities of evaluating candidates for the position of Chief Executive Officer and in defining the new role of the former Chief Executive Officer as Chair in the new corporate governance structure;
- examined, on a preliminary basis, to the Board of Directors the proposed Policy on qualitative and quantitative criteria for the purposes of assessing the independence requirements of the members of the Board of Directors pursuant to the CG Code 2020;
- in light of the change of the Company's corporate governance, preliminary examined the Board's proposal of a 'contingency plan' for the Chief Executive Officer and the Director in charge of the internal control and risk management system containing, in the event of early cessation from office or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at ensuring management continuity in the short-medium term.

The percentage of attendance of Committee members at meetings is shown in the table at the end of Section 6 of this Report.

Minutes were duly taken of the meetings of the Remuneration and Nominations Committee , in line with the provisions of the Committee Regulation, which includes specific regulations in this regard, as well as with regard to the procedures for the management of information to committee members in line with what is also provided for in the Regulation of the Board of Directors.

In particular:

- the Committee meets, subject to written notice being given by its Chair (or in his/her absence or impediment, by the Committee member who has served longest on the Board of Directors, or in the event of the same length of service, with the greatest seniority in terms of age) indicating the place, date, time and agenda of the meeting to be held, in general, at least three days prior to the date set for the meeting; in cases of urgency, the time limit may be shorter, provided that a minimum of 24 hours' notice is given, at the registered office or elsewhere in Italy, as indicated in the notice of call; the notice of call is sent to the members of the Committee by the Secretary, on the instructions, of the Chair of such Committee; the notice is also sent by the Secretary to the statutory auditors of the Board of Statutory Auditors and to any other persons invited by the Chair of the Committee to attend the meeting;
- The Chair, with the assistance of the Secretary, shall ensure that the pre-committee reporting and additional information provided during meetings are suitable so as to enable Committee members to act in an informed manner in carrying out their role; in particular, with regard to the identification of time frames for sending documentation, the Committee indicates the following time frames:
  - three calendar days in most cases;
  - one calendar day for the minutes of the meeting.

The members of the Committee and the Statutory Auditors are informed in advance if the Chair considers it appropriate that, for particular reasons of confidentiality and/or urgency in relation to the content of the item on the agenda and the related resolution, the supporting documentation be provided directly at the meeting. These timeframes have mainly been complied with, with a few exceptions;
- The Secretary of the Board of Directors acts as Secretary of the Committee and is responsible for taking the minutes of the meetings.

The Committee had access to the information and company departments necessary to carry out its duties; it did not consider it necessary to use external consultants.

After each meeting of the Committee, the Chair shall inform the Board of Directors, at the next available meeting, of the issues discussed and the observations, recommendations and opinions expressed therein, in the manner deemed most appropriate.

## 8. DIRECTORS' REMUNERATION – REMUNERATION COMMITTEE

For the information on this Section, please refer to the Remuneration Report published by the Company on its website.

## 9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – RISK, CONTROL AND CSR (Corporate Social Responsibility) COMMITTEE

The Internal Control and Risk Management System, which is based on the Enterprise Risk Management (ERM) approach, consists of a structured process of risk management in line with international best practice and in accordance with the primary requirements of applicable laws and regulations. The goal of the Internal Control and Risk Management System is to guide activities in line with company objectives while promoting informed decisions and ensuring the efficiency and efficacy of internal processes and the reliability of financial information and compliance with applicable laws and regulations.

The principles underlying the Company's risk management processes are based on the Corporate Governance Code for listed companies approved on 31st January 2020.
The internal control and risk management system permeates the whole Company, involving a variety of staff with specific roles and responsibilities.

The Group has developed - also with the support of the consulting firm Deloitte S.p.A. - its own Risk Map of the Company, which is kept constantly updated, in order to better identify the risks associated with the achievement of the strategic objectives of the Three Year Plan in force, also with a view to promoting mid- to long-term sustainability and, in general, in order to identify and manage the main internal and external risks of the Group in the most efficient way.

The updating process of the Risk Map of the Company (the so-called 'Risk Assessment') allows it to measure and control the level of exposure of all Group Companies to the various risk factors, as well as to manage overall exposure and implement controls and procedures that are able to reveal anomalous situations. The main risk factors to which the Group is exposed may be related to the external context, strategic and operational risks (including in relation to Research and Development, environment risks, health and safety risks, and pharmacovigilance risks), financial risks, and legal and compliance risks.[14]

The process of updating the Risk Map of the Company (Risk Assessment) is carried out at least annually, in line with the timing of preparation of the Company Budget. The methodology adopted for the performance of Risk Assessment activities is based on a self-assessment process. This choice derives from two considerations:

- the company representatives concerned have a thorough knowledge of the risks and issues involved in managing the business;
- different opinions and points of view can lead to a better understanding of the risks analysed and the safeguards put in place.

The adoption of a Self-Assessment process allows the dissemination of the control culture at all company levels (awareness of business risks); the establishment of an internal control and risk management system based on the accountability and self-assessment of the key persons involved in the control system (Risk Owner and Control Owner) and, finally, the focus of the control bodies on issues that have a significant impact on the company's business.

Risk Assessment activities are initiated with the identification of the corporate mission/vision and strategic objectives, on the basis of which Management sets the specific objectives to be assigned and shared at the various levels of the organisational structure. The Board of Directors of the Parent Company is responsible for determining the Group's strategic guidelines and policies, also with regard to the internal control and risk management system, with the support of the Director responsible for the internal control and risk management system. The corporate objectives are set out in the Three-Year Plan.

Risk Assessment results are set out by drafting a 'Risk Map of the Company', which contains the description of the identified risk, the risk rating, the mitigation measures implemented or under implementation, the corporate persons in charge of monitoring and managing the risk and the persons in charge of implementing the risk mitigation measures.
The Group periodically reassesses the Risk Map throughout the year, usually during the meeting called to approve the budget for the following financial year including by way of a bottom-up approach to the critical assessment of risks, in conjunction with significant company events, such as the definition of the budget, the revision of organisation charts, and other events that could have an impact on the Company's risks. In addition, Recordati updates its Risk Map in conjunction with the approval of extraordinary transactions, such as acquisitions of new assets that are considered significant.

As already mentioned in this Report, during 2021, Recordati updated its Risk Map on several occasions: in April 2021 in conjunction with the 2021-2023 Three Year Plan, in November 2021 at the time of an acquisition project of a Company group, and lastly, at the time of the approval of the 2022 budget, at the Board of Directors' meeting held on 16 December 2021.

*14 For more information, see the section 'Main Risks and Uncertainties' of the 2021 Consolidated Financial Statements of the Recordati group.*

Furthermore, in a meeting held on 24th February 2021, further to the opinion in favour by the Risk, Control and CSR Committee, the Board approved the adjustment of the guidelines for the internal control and risk management system of the Company and the Recordati group, on the basis of the Board's resolutions in compliance with the 2020 CG Code; it should be noted that the purpose of these guidelines is to ensure that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored.

The heads of each department are responsible for designing and managing the Internal Control and Risk Management System and for monitoring its effective functioning on the basis of the guidelines approved by the Board of Directors.

The Board of Directors positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system on the basis of information provided in meetings in the form of reports presented by the Internal Risk, Control and CSR Committee and by the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01.

With respect to reporting on breaches of applicable regulations, of the Code of Ethics and of internal procedures, the Company has for some time established special whistleblowing channels in place in all Group branches.

The structural components of the internal control and risk management system consist of: the Code of Ethics, which defines the principles and underlying values of the Company's ethical code and the rules of conduct that are based on those principles; the system of powers and delegations with general and specific authorisations and the internal delegation of powers, according to the responsibilities assigned; corporate operating procedures; IT systems to support both management and production activities and also accounting and financial processes. With regard to compliance, since April 2003 the Issuer has had an organisational model in place pursuant to Italian Legislative Decree no. 231/2001 on administrative liability of companies, which is continuously updated and also a control model pursuant to Italian Law no. 262/2005 for financial reporting (further information is given below on the 'Risk management and internal control systems in relation to financial reporting').

The control mechanisms described above are monitored by management, by the functions and bodies of management and control (*i.e.*, the Board of Directors; the Risk, Control and CSR Committee; the Board of Statutory Auditors; the executive director responsible for the internal control and risk management system; and the ODV (231 Compliance Body)) and involve all personnel of the Recordati group. The Group's Auditing & Compliance function also conducts the independent audits called for under the annual audit plan. The results of these audits are reported to the Chair and Chief Executive Officer, the executive director responsible for the internal control and risk management system, and to company management, as well as periodically to the Board of Statutory Auditors, the ODV (231 Compliance Body), the Risk, Control and CSR Committee, and the Board of Director.

## Main characteristics of the risk and internal control management system in relation to the financial reporting process.

The internal control and risk management system, as just defined, covers financial reporting which forms an integral part of it, the preparation of which is governed by organisational procedures and instructions which ensure compliance with the general principles of control laid down by the Issuer (*e.g.*, a proper separation of functions, a proper system of authorisations and powers, checks and balances, accountability, etc.). It is based on the main established reference models (*e.g.*, CoSO Report) being subject at the same time to verification and periodic update by means of a review of the risks to which the Company is exposed.

A description is given below, in accordance with the regulations in force, of the characteristics of the system adopted, with particular reference to (a) the stages of the risk and internal control management system in relation to the financial reporting process and (b) the roles and functions involved and the procedures for co-ordination between the parties involved.

### (a) The stages of the risk and internal control management system in relation to the financial reporting process

The Issuer has implemented a model for the administrative and accounting control of the system (hereinafter also the '262 Control Model') for some time now in order to ensure the effectiveness of that system. It has also assigned responsibility for verifying proper application of that model and for monitoring the functioning and adequacy of the Internal Control System in relation to the model to the Financial Reporting Officer.
The 262 Control Model consists of a set of corporate rules and procedures designed to enable objectives of reliability, accuracy, completeness and promptness in financial reporting to be achieved by identification and management of the main risks attached to the preparation and disclosure of financial information.

The 262 Control Model consists of:
- administrative and accounting risk assessment;
- administrative and accounting manuals and procedures;

which are closely related to one another and are subject to continuous update and periodic assessment.

More specifically, administrative and accounting risk assessment is a continuous process of identifying and assessing risks attached to accounting and financial information and it is performed by the Financial Reporting Officer with the support of the Chief of the Internal Audit Function. This process is performed annually by means of:
- the identification, by means of quantitative (size) and qualitative (importance) criteria, of items in the financial statements and in financial information which may be highly sensitive and significant or involve risks of error or omission, with reference to the financial statements of the Parent Company or to the consolidated financial statements of the Group;
- the identification of the relative processes and accounting information input for each significant item of the financial statements and of financial information and of the relative controls to manage the risks identified.

If control activities are not found to be adequately documented or regulated in relation to risk areas identified following periodic risk assessment, the function responsible for the process shall provide adequate support documentation, with the support of the Financial Reporting Officer and, if necessary, the Chief of the Internal Audit Function, to enable the existing controls in the area subjected to analysis to be assessed.

When risks were identified as a result of annual risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities. The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:
- the Group Accounting and Reporting Manual, designed to ensure

the application of uniform criteria in the Group with regard to the recognition, classification and measurement in the accounts of operating and financial events;

- a system of internal certification by the management and administrative chiefs (CEO and Financial Controller) of the subsidiaries of the Recordati group with regard to the accuracy, reliability and completeness of accounting information and its compliance with Group accounting policies and local regulations. This system, set out in the Group Accounting and Reporting Manual, is designed, amongst other things, to support the signing of certifications and attestations required by law of the Financial Reporting Officer and of the Chief Executive Officer;
- administrative and accounting procedures and protocols for closing accounts at the end of accounting periods (or 'Financial Closing Protocols') and preparing annual financial statements and reporting packages which define control responsibilities, activities and rules to follow for the administration and accounts of the Parent Company and its subsidiaries;
- procedures for preparation of the consolidated financial statements which regulate the operations and controls to be performed for the preparation of the consolidated financial statements, describing, amongst other things, the activities to be performed in the consolidation IT system adopted by the Group and used in its subsidiaries and which define the responsibilities of the various functions for the proper functioning of that system;
- calendar of end of period activities: a document which is updated and distributed monthly, which gives deadlines for the process of closing accounts and preparing financial statements, reporting packages and the consolidated financial statements;
- operational procedures which define the activities, responsibilities and management operations in terms of authorisation, implementation, control, official approval and recognition in the accounts for those accounting and reporting areas considered significant, in co-ordination with annual accounting and administrative risk assessment. Those responsible for the functions and for the subsidiaries involved in the process of preparing and managing accounting and financial information are responsible for the proper functioning and update of the administrative and accounting internal control system in relation to all the processes and accounting reporting under their control and they must constantly monitor those administrative and accounting procedures in order to ensure that they are properly applied and appropriate to the existing processes;
- tables of administrative and accounting controls, which describe the control activities implemented in each administrative and accounting process in relation to the risk identified and the related control objectives and which summarise the results of control testing activities performed by the Internal Audit & Compliance Function. The controls described by those tables represent the application of control principles described in administrative and accounting control procedures. These tables are therefore used as a tool for the identification of the key controls in place, specific to each significant process, and for the identification of tests to be performed to assess the adequacy of the administrative and accounting internal audit system. These tables are constantly updated by the Internal Audit & Compliance Function.

The Financial Reporting Officer appointed to prepare corporate accounting documents assesses and testifies to the adequacy of the 262 Control Model, which is the administrative and accounting internal control system just described and to the proper functioning of the procedures in place at least twice annually, when the interim half year and annual financial statements (consolidated financial statements of the Group and separate financial statements of the Parent Company) are approved. He is supported by the testing activity performed by the Group Internal Audit & Compliance Function designed to assess the adequacy of the design and proper implementation and operational effectiveness of the controls in place.

In 2021, the Company introduced and implemented a periodic information flow on the activities and accounting areas forming part of the 262 Control Model. By means of a self-assessment process, the Chief Financial Officers of the companies in the Recordati group were asked to fill in a questionnaire designed to self-assess the correct implementation of the controls provided for by the Control Model pursuant to Italian Law no. 262/2005 and to identify areas for improvement. During 2021, the information received through this information flow was analysed by the Group Audit & Compliance Function and discussed with the Financial Reporting Officer. The 2021 information flows did not reveal any significant weaknesses and provided indications to start specific improvement and optimisation activities in the existing accounting processes.

Independent testing is performed continuously throughout the year on the basis of the Annual Audit Plan drawn up by the Chief of Group Audit & Compliance. The results of testing activities, assessments of possible areas for improvement and the relative corrective action are officially published in an annual report addressed to the Chief of Group Audit & Compliance, the Financial Reporting Officer and the CEO.

The Financial Reporting Officer is also responsible for monitoring the administrative and accounting internal control system on the basis of information received from the chiefs of corporate functions and reports on the activities performed by the Internal Audit & Compliance Function, in order to ensure that the body of procedures is updated and that the controls identified by means of the administrative and accounting procedures are actually implemented.

**(b) Roles and functions involved in the system for the management of risks and internal control in relation to the financial reporting process**

The roles involved with specific reference to financial reporting processes are: the Board of Directors, CEO, the Chief of Group Audit & Compliance, the Risk, Control and CSR Committee and the Financial Reporting Officer and the Director responsible for the internal control and risk management system.
The Financial Reporting Officer in conjunction with the CEO is responsible for putting adequate administrative and accounting procedures in place for the preparation of the separate Parent Company and consolidated financial statements.

The Board of Statutory Auditors is also called upon to perform the functions assigned by the current regulations to the **Committee for internal control and accounting audit** ('CICAA'), established by Italian Legislative Decree no. 39/2010 (so-called "consolidated law on statutory audits"), implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and therefore oversees the financial information process, on the effectiveness of the internal control, internal audit and risk management systems, the revision of the annual accounts and consolidated accounts, and the independence of the auditing company. Further information is given in Section 11 on the Board of Statutory Auditors.

## 9.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 29th October 2020 (and previously on 5th February 2019), at the time of adhering to the 2020 CG Code, the Board of Directors, with the support of the favourable opinion of the Risk, Control and CSR Committee, confirmed the appointment of Mr Fritz Squindo, Group General Manager, as Executive Director responsible for the internal control system, confirming, therefore, the assignment of the tasks referred to in Recommendation no. 34 of the new 2020 CG Code, despite the fact that the latter recommends that the CEO be identified as the director responsible for establishing and maintaining the internal control and risk management system.

It is therefore highlighted that this is a case of non-compliance with the 2020 CG Code; in relation to the reasons for this decision, it should be noted that it takes into account the particular characteristics of Mr Squindo's role with reference to the following aspects: a) in-depth knowledge of the group both at business and organisational level; b) his supporting role to the CEO in determining the Group's strategies and objectives; c) the organisational reporting to Mr Squindo of the ESG manager (taking into account that the 2020 CG Code recommends that sustainability objectives be integrated into the internal control and risk management system).

At the time of the change in the Company's corporate governance, which became effective on 1st December 2021, the Board considered not to make any changes in this regard. In light of the new Board of Directors to be appointed by the Shareholders' Meeting scheduled for 29th April 2022, the Board will reassess the most appropriate identification.

### Duties

The Director responsible for the Internal Control and Risk Management System, with the assistance of the Chief of the Group Audit & Compliance:

a) is responsible, as part of the Risk Assessment process adopted by the Company, for identifying the main corporate risks, taking account of the characteristics of the activities performed by Recordati S.p.A. and its subsidiaries, with particular attention to companies of strategic importance, and periodically submits them to the Board of Directors for examination;
b) implements the guidelines defined by the Board of Directors, monitoring the structuring, implementation and management of the Internal Control and Risk Management System and constantly checking its adequacy and effectiveness;
c) takes care of the adaptation of the Internal Control and Risk Management System to the dynamics of the operating conditions and the legislative and regulatory framework;
d) may entrust the Group Internal Audit Function with the task of carrying out checks on specific operational areas and on compliance with internal rules and procedures in the performance of corporate transactions, simultaneously notifying the Chair of the Board of Directors, the Chief Executive Officer (if not identified as the latter person), the Chair of the Risk, Control and CSR Committee and the Chair of the Board of Statutory Auditors;
e) promptly reports to the Risk, Control and CSR Committee (or to the Board of Directors) on problems and critical issues that have arisen in the performance of its activities or of which it has become aware, so that the Committee (or the Board of Directors) can take the appropriate measures.

### Activities carried out in 2021

The Director Responsible for supervising the functionality of the internal control and risk management system during 2021:

- has identified, with the help of the Chief of Group Audit & Compliance, as part of the Risk Assessment process adopted by the Company, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries. In detail, he has completed the update of the Recordati Risk Map relating to (i) the 2021 financial year (again with the assistance of the outside company Deloitte S.p.A.), (ii) the approval of the 2021-2023 Three Year Plan and (iii) some particularly significant M&A transactions of which he informed the Risk, Control and CSR Committee and the Board on several occasions during 2021;
- has implemented the guidelines defined by the Board and, with the assistance of the Chief of Group Audit & Compliance and other competent functions within the Company, has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system, again with the help of the Chief of Group Audit & Compliance and other competent functions within the Company, into line with changes in operating conditions and in the legislative and regulatory framework.

## 9.2 RISK, CONTROL AND CSR (Corporate Social Responsibility) COMMITTEE

### Composition

During 2021, the Risk, Control and CSR Committee was composed of the following non-executive and independent Directors: Ms Michaela Castelli, lawyer, Chair, Ms Silvia Candini and Mr Piergiorgio Peluso.

The Committee met 8 times during the Financial Year. In the current financial year, the Committee met three times. The percentage attendance of Committee members at meetings is shown in the table contained at the end of Section 6 of this Report. The Board determined that all members have adequate experience in accounting and finance or risk management matters.

The entire Board of Statutory Auditors has been constantly invited to participate in the Committee's work.

Upon invitation by the Chair of the Committee and with regard to individual items on the agenda, various non-members have attended some meetings, in particular the Group General Manager and the Director Responsible for the Internal Control and Risk Management System, the Chief of Group Audit & Compliance, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO, the IT Director, the ESG Manager, representatives of the Audit Firm, the Cyber Security Manager, the Group Insurance Manager, Employers and the Heads of the Prevention and Protection Service for production sites in Italy with regard to safety in the workplace, the Group Engineering Manager as well as consultants who provided support to the Company on specific projects examined by the Committee.

The Group General Counsel attended all the meetings, also in her capacity as Secretary of the Committee, together with the Group Corporate Law Counsel, also for the purposes of taking the minutes of the meetings.

## Duties assigned to the Risk, Control and CSR Committee

The Risk, Control and CSR Committee has been set up with the task of supporting the Board's assessments and decisions relating to the internal control and risk management system and, in particular, it is in charge of analysing the issues and instructing relevant practices to control business activity, by carrying out investigative, advisory and proposal-making functions towards the Board with respect to assessments and decisions relating to the internal control and risk management system – understood as the set of rules, procedures and organisational structures for the actual and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the Company's sustainable success (meaning the objective that guides the Board's actions and that consists of the creation of long-term value to the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Company) – as well as in those relating to the approval of periodic financial and non-financial reports for the purposes of the internal control and risk management system.

In particular, during 2020, while adhering to the 2020 CG Code, the Board of Directors confirmed the assignment to the Risk, Control and CSR Committee of the task of supporting the Board in ensuring that strategies are consistent with the sustainable success objective.

More specifically, the Committee plays an investigative and advisory role *vis-à-vis* the Board in the performance of certain tasks pertaining to the Board itself, such as:

- to carry out the analysis of issues relevant to the creation of long-term value as a preliminary step for the Board's approval of the business plan of the Company and of the Group;
- to define the nature and level of risk compatible with the Company's strategic objectives, by including in its assessments all elements that may be relevant to the Company's sustainable success;
- to identify the director responsible for establishing and maintaining an effective internal control and risk management system (Director responsible for the internal control and risk management system) in the event that the Board decides to depart from the recommendation of the 2020 CG Code, which identifies the latter as the Chief Executive Officer;
- to define the guidelines of the internal control and risk management system in accordance with the Company's strategies;
- to assess, at least once a year, the adequacy of the internal control and risk management system in relation to the characteristics of the company, its risk profile, as well as its effectiveness;
- to appoint and revoke the Chief of the Group Internal Audit Function, by defining his/her remuneration in line with company policies, and ensuring that he/she is provided with adequate resources to perform his/her duties. If the Board decides to entrust the internal audit function, as a whole or by operational segments, to a person external to the Company, the Committee shall first assess that the person adequately meets the requirements of professionalism, independence and organisation and that adequate reasons for such choice are provided in the Corporate Governance Report;
- to approve, at least once a year, the work plan prepared by the Chief of the Group Internal Audit Function, after having consulted with the Board of Statutory Auditors, the Director responsible for the internal control and risk management system and the Chief Executive Officer;
- to assess the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the corporate functions involved in controls (such as the risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they have adequate professionalism and resources;
- to assign to the Board of Statutory Auditors or to a specially established body – the ODV (231 Compliance Body) – the supervisory functions pursuant to article 6, paragraph (1)(b) of Italian Legislative Decree no. 231/2001; in the second case, (i) to appoint the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, taking care to assess the advisability of appointing to the Body at least one non-executive director and/or one member of the Board of Statutory Auditors and/or the holder of the company's legal or control functions, in order to ensure coordination between the various persons involved in the internal control and risk management system and (ii) to allocate an annual budget to the ODV (231 Compliance Body). In particular, the Committee formulates proposals to the Board regarding the appointment of members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 and the allocation of an annual budget to that body;
- to assess, in consultation with the Board of Statutory Auditors, the findings set out by the auditor in the letter of suggestions, if any, and in the additional report on key issues arising from the statutory audit addressed to the Board of Statutory Auditors;
- to describe, in the Corporate Governance Report, the main features of the internal control and risk management system and the methods of coordination between the persons involved in it, indicating the models and national and international best practices of reference, expressing its overall assessment of the adequacy of the system itself and giving an account of the choices made regarding the composition of the ODV (23 Compliance Body);
- to generally implement the recommendations contained in the 2020 CG Code in relation to the internal control and risk management system.

Moreover, the Risk, Control and CSR Committee, in compliance with the 2020 CG Code, in assisting the Board:

- assesses, together with the Financial Reporting Officer and after having consulted with the auditor and the Board of Statutory Auditors, the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, prior to the Board's approval of the consolidated financial statements;
- assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- examines the content of periodic non-financial information relevant to the internal control and risk management system;
- expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the Board's assessments and decisions relating to the management of risks deriving from prejudicial facts of which it has become aware;
- examines the periodic reports on the assessment of the internal control and risk management system and those of particular relevance prepared by the Chief of the Group Internal Audit Function;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Group Internal Audit Function;
- may entrust the Group Internal Audit Function with the task of carrying out checks on specific operational areas, simultaneously reporting to the Chair of the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, unless the subject of the request for control specifically concerns the latter's activity;

- reports to the Board, at least every six months, upon the approval of the annual and half-yearly financial reports, on the activities carried out as well as on the adequacy of the internal control and risk management system.

The Risk, Control and CSR Committee also assists the Board **in relation to sustainability issues**:

- monitors sustainability issues related to the Company's operations and the dynamics of its interaction with all stakeholders in accordance with the principle of sustainable success;
- examines the guidelines of the Sustainability Plan and the means for implementing the sustainability policy;
- examines the general approach of the consolidated non-financial statement and the structuring of its contents, as well as the completeness and transparency of the reporting provided through this document;
- at the request of the Board, expresses opinions on sustainability issues.

Lastly, the Risk, Control and CSR Committee also plays an investigative and advisory role *vis-à-vis* the Board of Directors in the performance of the following duties pertaining to the Board itself:

- amending and/or supplementing the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 adopted by the Company; in particular, the Committee makes proposals to the Board of Directors regarding amendments to be made to the Organisational Model pursuant to Italian Legislative Decree no. 231/01 adopted by the Company;
- appointing and dismissing the Internal Audit Officer(s) pursuant to article 150 of Italian Legislative Decree no. 58/1998;
- appointing, subject to the mandatory opinion of the Board of Statutory Auditors, the Financial Reporting Officer pursuant to Article 154-*bis* of Italian Legislative Decree no. 58/1998 and article 25 of the By-Laws; in compliance with the 'Regulations of the Financial Reporting Officer' approved by the Board on 18th March 2020, the Committee carries out the preliminary activities regarding the requirements of professionalism and integrity in support of the Board's resolution;
- carries out any further duties assigned to it by the Board of Directors.

In addition to the above, the Committee is also assigned the following duties with reference to the Procedure governing Related-Parties transactions:

- shall express an opinion on the Procedure governing Related-Party Transactions that the Company must adopt in compliance with Consob Regulation no. 17221 of 12th March 2010, as well as on any subsequent amendments to the Procedure itself;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of major importance and on Related-Party Transactions of minor importance in compliance with the aforementioned Procedure for Related-Party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration.

## Activities performed in 2021

At the meetings mentioned above, the Committee mainly carried out the following activities:

- met with the auditing firm EY S.p.A., appointed as Group auditor by the 2020 Shareholders' Meeting, to discuss the structure and purpose of their audit plan;
- followed the developments of the emergency caused by the spread of the SARS-CoV-2 virus with the aim of monitoring the adequacy of the measures adopted by Recordati to ensure the safety of employees and business continuity and subsequently also examined the plans to reopen production activities and, prospectively, the operational activities of the offices as well as, more generally, the measures and guidelines adopted by Recordati, at Group level, to deal with the spread of the Sars-Cov-2 virus;
- examined the periodic reports of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 and of the Chief of the Group Internal Audit Function and the results of the audits performed by the Audit Function, including the audits which specifically concerned the analysis of the correct application and functioning of the Regulations on the management and coordination activities exercised by Rossini Luxembourg S.àr.l. over Recordati S.p.A. and on the information flows from Recordati S.p.A. to, in particular, Rossini Luxembourg S.àr.l which were approved by the Board of Directors of Recordati S.p.A. in 2019 and the follow up on the assessment of IT security, taking account of the way in which staff in the Milan offices work remotely; the Committee also met with the Company's Cyber Security Manager in this respect;
- examined the proposed Audit Plan for 2021 and supervised its progress during the financial year; in particular, it followed and shared the proposals to adjust the activities planned by the internal audit function as a result of the measures adopted to manage the pandemic;
- acknowledged the ODV's (231 Compliance Body) action plan for 2021;
- after consultation with the Audit Firm and the Board of Statutory Auditors and together with the Financial Reporting Officer, examined the results of the audit of the accounts regarding the financial statements and the proper application of accounting standards and their consistency in the preparation of the consolidated financial statements; the Committee subsequently acknowledged the specific reporting to be included within the 2020 annual financial report with respect to the expected impacts of the SARS-Cov-2 coronavirus on the evolution of operating performance and agreed positively with the Company's proposal;
- formulated a proposal for submission to the Board concerning the expenditure budget of the ODV (231 Compliance Body) for the operating expenses of the committee itself concerning the application of the Organisation, management and control model pursuant to Italian Legislative Decree no. 231/01;
- examined the adequacy of the Guidelines for the Internal Control and Risk Management System, giving a favourable opinion;
- examined the section of the Corporate Governance Report for the 2020 financial year concerning the internal control and risk management system;
- examined the organisational structure of the Group Internal Audit Function and examined Recordati's organisational structure following specific reporting from the Chief Executive Officer;
- examined, on a preliminary basis with respect to the approval by the Board of Directors, the Procedure prepared specifically for the management of Directors' conflicts of interest regarding M&A and licensing-in transactions, giving a favourable opinion;
- examined the sustainability objectives for the 2021 financial year on a preliminary basis for the Board of Directors – giving a favourable opinion – and examined in detail the activities implemented by the Company aimed at providing the non-financial information required by Italian Legislative Decree no. 254/2016 relating to the 2021 financial year, giving a favourable opinion; it also supervised during the year the activities carried out by the Company in the various areas of interest highlighted by the materiality analysis;
- examined the 'Risk Map' which had been updated in December 2021 in view of the 2022 financial year, updating it with respect

to what had been examined for the 2021 financial year, also for the purposes of supporting the Board's assessment concerning the compatibility of the level and nature of the risks as identified by the Group Risk Map submitted to the Board, with the Group's strategic objectives as set out in the 2022 Budget; during 2021, the Committee examined the update of the Risk Map prior to the Board's approval of the 2021-2023 Three-Year Plan (also with a view to the sustainability of the Company's activities in the medium-long term) and in relation to specific significant M&A transactions for the acquisition of rights to products considered relevant, should this transaction be completed;

- also expressed its favourable opinion to the Board on the adequacy of the internal control and risk management system at the time of the approval of the 2020 budget and the 2021 half-yearly report;
- reported to the Board twice on its activities performed, at the time of approval of the 2020 financial statements and the 2021 half-yearly interim financial report; the Chair of the Committee in any case informed the Board of Directors at the first subsequent meeting of the decisions taken regarding the matters for which it is competent;
- with regard to safety in the workplace, it examined the reports of the Employers and the Heads of the Prevention and Protection Service of the Milan and Campoverde production plants, as well as the reporting on the Group's foreign plants, specifically focusing on the management of the pandemic and on how to work remotely;
- examined the update of the Procedure for regulating related-party transactions and the related implementing provisions, following the Consob rules and regulations implementing the 'SHRD II' Directive (EU/2017/828);
- in particular, as part of the in-depth examination of risk management, received specific reporting on insurance and tax matters; the Committee also met with the Company's Group Insurance Manager and Tax Manager in this regard;
- preliminary examined for the Board – giving a favourable opinion – the proposed Regulation of the Board of Directors pursuant to the 2020 CG Code;
- at the end of the 2021 financial year, it reviewed the sustainability matrix for the purpose of the 2021 non-financial statement and preliminarily examined the proposed 2022 Sustainability Plan, giving a favourable opinion.

Finally, the Risk, Control and CSR Committee was constantly updated during the first few months of 2021 on the finalisation and successful conclusion of the process relating to the 'Reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A.', the major related-party transaction.

For further information on the terms and procedures for performing the Merger, please refer to the Merger Plan, the Information Document and the Explanatory Reports, published on the website www.recordati.com (in the 'Investors' area, section 'Shareholders' Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism 1Info https://www.1info.it

The percentage of attendance of Committee members at meetings is shown in the table at the end of Section 6 of this Report.

Minutes were duly taken of the meetings of the Committee, in line with the provisions of the Committee Regulation, which includes specific regulations in this regard, as well as with regard to the procedures for the management of information to committee members in line with what is also provided for in the Regulation of the Board of Directors.

In particular:

- the Committee meets, subject to prior written notice being given by its Chair (or in his/her absence or impediment, by the Committee member who has served longest on the Board of Directors, or in the event of the same length of service, with the greatest seniority in terms of age) indicating the place, date, time and agenda of the meeting to be held, in general, at least three days prior to the date set for the meeting; in cases of urgency, the time limit may be shorter, provided that a minimum of 24 hours' notice is given, at the registered office or elsewhere in Italy, as indicated in the notice of call; the notice of call is sent to the members of the Committee by the Secretary, on the instructions of the Chair of such Committee; the notice is also sent by the Secretary to the statutory auditors of the Board of Statutory Auditors and to any other persons invited by the Chair of the Committee to attend the meeting;
- The Chair, with the assistance of the Secretary, shall ensure that the pre-committee reporting and additional information provided during meetings are suitable so as to enable Committee members to act in an informed manner in carrying out their role; in particular, with regard to the identification of time frames for sending documentation, the Committee indicates the following time frames:
  - three calendar days in most cases;
  - one calendar day for the minutes of the meeting.

  The members of the Committee and the Statutory Auditors are informed in advance if the Chair considers it appropriate that, for particular reasons of confidentiality and/or urgency in relation to the content of the item on the agenda and the related resolution, the supporting documentation be provided directly at the meeting. These timeframes have mainly been complied with, with a few exceptions;
- The Secretary of the Board of Directors acts as Secretary of the Committee and is responsible for taking the minutes of the meetings.

The Committee had access to the information and company departments necessary to carry out its duties; it did not consider it necessary to use external consultants.

The Board of Directors approved a specific budget for the Risk, Control and CSR Committee for 2021 in order to provide it with adequate financial resources to carry out its duties.

## 9.3 CHIEF OF THE GROUP AUDIT & COMPLIANCE FUNCTION

It is the responsibility of the Board of Directors, upon the proposal of the Risk, Control and CSR Committee, to appoint and remove the chief of that function, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

The Group Audit & Compliance Department, headed by Mr Giovanni Minora, is not responsible for any operational area whatsoever and reports hierarchically from 20 December 2012 to the Board of Directors; the ordinary management of employment relationships has been assigned to the Chair, also following the appointment of the new Chair on 29th October 2020. Following the change in corporate governance with effect as from 1st December 2021, the new Chair was confirmed as being in charge of supervising the activities of the internal audit function and liaising with the Board of Directors (without prejudice to the hierarchical dependence of the function on the Board of Directors) and ordinary management of the employment relationship of the chief of the internal audit function.

The Chief of the Group Audit & Compliance Function is also in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998, as confirmed by the Board of Directors, most recently on 5th February 2019.

When he was appointed, the Board, having consulted with the Risk and Control Committee (as named at the time), assessed the appropriateness of the remuneration paid to the Chief of Group Audit & Compliance as an employee of the Company with respect to the Company's policies.

### Duties

The duties of the Chief of Group Audit & Compliance are as follows:
- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and set priorities in relation to the main risks;
- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- also, upon request by the Board of Statutory Auditors, to promptly prepare reports on events of particular importance;
- to submit periodic reports to the Board of Statutory Auditors, the Risk Control and CSR Committee, the Board of Directors, the Director responsible for the internal control and risk management system and the CEO, except where the subject matter of such reports specifically concerns the activities of such bodies;
- as part of the audit plan, to oversee the reliability of IT systems, including those responsible for bookkeeping.

For the purposes of the above the Chief of Audit & Compliance has direct access to all information useful for performing his/her duties.

Furthermore, the Chief of Group Audit & Compliance:
- explains the proposed annual work programme to the Risk, Control and CSR Committee in order to implement any recommendations that the Committee may intend to make;
- assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, implementation and management of the Internal Control and Risk Management System and in the Risk Assessment process in order to update the Risk Map of the Company at least on an annual basis;
- schedules and carries out, consistent with the annual work plan, direct and specific audit activities at Recordati S.p.A. and at all the subsidiaries, with particular regard to companies of strategic importance, in order to detect any failings there may be in the internal control and risk management system, in the various risk areas.
- checks that the rules and procedures for auditing and risk management processes are observed and that all individuals involved act in accordance with the predetermined objectives;
- carries out checks on his own initiative or at the request of the Board of Directors, the Risk, Control and CSR Committee, the Executive Director responsible for monitoring the functionality of the internal control and risk management system or the Board of Statutory Auditors.

### Activities in 2021

In detail, during the course of the Financial Year and in meetings of the Board of Directors already held in 2021, the Chief of Group Audit & Compliance:
- explained the annual work programme and the organisational structure of his function to the Risk, Control and CSR Committee;
- had direct access to all the necessary information to carry out his role;
- carried out direct and specific auditing tasks, in a manner consistent with the annual work plan;
- reported to the Executive Director responsible for monitoring the functionality of the internal control system on the results of the auditing activities undertaken during the Year;
- reported on his actions and on the results of the activities undertaken to the Risk, Control and CSR Committee and to the Board of Statutory Auditors of the Company.

The Chief of Group Audit & Compliance had an operating budget which was used to carry out the audits and checks performed during the Financial Year.
The Board of Directors was informed by the Risk, Control and CSR Committee of the organisational structure of the Group Audit & Compliance Function and it agreed with the assessment of its adequacy in carrying out the responsibilities assigned to it and drawing up the audit plan approved for 2021.

## 9.4 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

All the Italian companies of the Recordati group (Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italchimici S.p.A. and Natural Point S.r.l.) adopted their own model of organisation, management and control as envisaged under Italian Legislative Decree 231/2001 concerning the administrative liability of organisations. More specifically, Recordati, the Group Parent, adopted its model in 2003, with the latest update of its specific part and protocols in 2021. The Organisation Models of the following other Italian companies were updated in 2021: Natural point S.r.l, Innova Pharma S.p.A. and Recordati Rare Disease Italy S.r.l..

In accordance with Confindustria guidelines, the organisational models of the Italian companies of the Recordati group are dynamic, effective mechanisms as a result of constant monitoring and updating by the Supervisory Bodies. The organisational models call for specific, confidential channels for the reporting of violations or other anomalies by employees and periodic personnel training on the content of Italian Legislative Decree no. 231/2001 and of the Organisational Model. The ODV (231 Compliance Bodies), which have been appointed within the Group's Italian companies, are boards comprising of the Chief of the Internal Audit & Compliance and outside experts. Each ODV (231 Compliance Body) has its own internal regulations and operate in accordance with a specific programme. The ODV (231 Compliance Bodies) also periodically report to the Board of Directors and the Board of Statutory Auditors.

In particular, the ODV (231 Compliance Body) of Recordati S.p.A. appointed by the Board of Directors on 29th April 2020, is composed of the external members, Prof. Silvano Corbella, Chair and Mr Andrea Scafidi, lawyer, and the internal member Mr Giovanni Minora, Group Audit & Compliance Manager.

During 2021, the two-year training plan on Models 231 was completed, providing training sessions to all personnel of the Group's Italian companies,

In particular, on 14th March 2018 Spanish subsidiary Casen Recordati adopted a Management and Control Organisational Model in compliance with Ley Organica 2015/1 of 30th March 2015 which introduced in the Spanish criminal code some relevant changes concerning the criminal liability of legal

persons. This law, in relation to the conditions for the exemption from administrative liability for legal persons, borrowed the legislative structure envisaged in Italy by Italian Legislative Decree no. 231/01. The model adopted by the Spanish subsidiary therefore has a similar approach to the 231 Models adopted by the Italian companies of the Group. Also, in the Spanish subsidiary, a collective ODV (231 Compliance Body) has been appointed and is operative, as required by best practices. In 2021, the ODV (231 Compliance Body) of the Spanish subsidiary met periodically.

In 2012, the Board of Directors, assisted by the Risk and Control Committee (as named at the time), had also assessed whether to assign to the Board of Statutory Auditors the functions of the ODV (231 Compliance Body) (pursuant to Italian Legislative Decree no. 231/2001 in accordance with Italian Law no. 183/2011 – the 2012 'Stability' Law), and decided in favour of Recordati continuing to maintain a ODV (231 Compliance Body) as a separate highly specialised unit, dedicated entirely to the supervision of ethical, preventative, organisational and management procedures adopted to prevent incurring liability within the meaning of Italian Legislative Decree no. 231/2001 and therefore with specific expertise on compliance with a particular area of law which applies to the Company. These functions were not therefore assigned to the Board of Statutory Auditors.

The Organisation, Management and Control Models adopted by the Group's Italian companies, pursuant to Italian Legislative Decree no. 231/2001, are constantly monitored by the ODVs (231 Compliance Bodies) in charge. The Models are subject to constant updating both for the introduction or updating of the regulations of interest and for organisational changes or internal processes. The updates concern the General part of the Model, with adjustments to risk mapping, the disciplinary system and other general elements and the Special part of the Model, made up of control and behavioural protocols.

The Models consist of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the ODV (231 Compliance Body). The specific part includes, *inter alia*, a 'map' of the areas where the risk of offences is more marked and a significant number of 'protocols'' through which measures are put in place to prevent offences being committed in the areas identified in the map.

A presentation of the Model adopted by the Company is available on the Company's website at https://www.recordati.it/en/corporate_governance/compliance_programmes/

## The Code of Ethics

The Code of Ethics, approved by Recordati S.p.A. for the first time in 2002 and constantly updated and supplemented, is a clear embodiment of the Company's corporate values.

During 2020, the Group approved a new version of its Code of Ethics. This update was guided by the Recordati group's desire to further increase the accessibility and usability of that document and was achieved by means of meticulous drafting and critical revision by an internal inter-functional team, supported by external specialists as well as by the ODV (231 Compliance Body) of Recordati S.p.A.

The new version of the Code of Ethics, approved in July 2020 by the Board of Directors of Recordati S.p.A., defines Recordati's fundamental values which guide and support the Group in its daily operations and in its relations with both its internal and external stakeholders.

The Code of Ethics also describes the responsibilities of all those to whom it is addressed, both internal and external to the Group, and defines 'shared commitments', *i.e.*, those forms of conduct through which Recordati's values are put into practice. This section includes information on:

- **How we manage our business**, *i.e.*, guidelines concerning:
  - Ethical and legally compliant behaviour
  - Product quality and safeguarding health
  - Commitment to environmental protection and sustainable development
  - Conflicts of interest and asset protection
  - Accounting transparency, confidentiality of information, personal data and social media
- **People and workplaces**, *i.e.*, indications concerningi:
  - Protection of employees
  - Fairness, equality and protection of human rights
  - Health and safety in the workplace
- **Relations with our stakeholders**.

The Code is adopted by all Group companies and applies to all employees, shareholders, directors, members of corporate bodies, commercial partners and other third parties with whom the Group cooperates, such as consultants, intermediaries, agents and contractors, clearly defining the Company's expectations regarding ethical standards and behaviour.

The Code is therefore a point of reference for all Recordati's stakeholders and it represents the Group's commitment to conducting its business and managing its internal and external relations in an ethical and sustainable manner.

The Code is based on the main existing regulations and guidelines on corporate governance, human rights and the environment, such as, for example, the United Nations Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the decent work standards laid down by the ILO (International Labour Organisation) conventions, the OECD (Organisation for Economic Co-operation and Development) Guidelines for multinational companies, national and supranational Anti-Bribery regulations (*e.g.*: OECD Anti-Bribery Convention, Italian Legislative Decree no. 231/2001, Foreign Corrupt Practices Act, Bribery Act, Loi Sapin 2, Ley Organica, etc.) and ISO 14001 environmental standards.

The new version of the Code of Ethics defines the procedures for reporting infringements (whistleblowing) and provides information on how to handle such reports.

The Code of Ethics has been published on the Recordati group's website, in order to ensure that it is widely distributed and accessible, and can be consulted at the following link: https://www.recordati.it/en/corporate_governance/compliance_programmes/

In order to facilitate the dissemination and understanding of the principles contained in the Code of Ethics, during the 2020-2021 two-year period a training programme was completed for all employees of the Group and for external persons who, although not employees of the Recordati group, perform activities on an ongoing basis in the name and on behalf of the Recordati group.

## The Recordati group's Anti-Bribery Model

Because of its international reach, the Recordati group is present in a diverse range of social, cultural, economic and political contexts and is responsible for acting in accordance with applicable laws based on an awareness that any act of corruption would compromise the integrity of the business would jeopardise the organisation and would expose the company to legal and financial risks and risks to the company image.

The Group is firmly committed to conducting business transparently, honestly and ethically in every nation in which it operates, and it rejects all forms of corruption, aware of the potential risks deriving from numerous relations with government that are typical of the industry in which the Group operates.

To that end, since 2009, the Group has been conducting an assessment of the status of internal mechanisms in accordance with the main international and supranational anti-bribery laws and regulations in the countries in which it has branches.

The Group's anti-bribery programme involves the employees of both the Parent Company and of the various branches and is made up of four stages:
1. assessment of local and supranational legislation;
2. assessment of the local systems, procedures and models to protect against corruption;
3. analysis of inherent risks and of existing mechanisms for identifying residual risks;
4. definition and release of the Group's Anti-Bribery Model.

Based on the documentation and information gathered, various areas of the organisation potentially exposed to a risk of corruption were identified, and the principles of conduct to avoid corruption have been defined for these areas. Based on this analysis, an Anti-Bribery Manual for the Group has been implemented.

During 2019, the Group Anti-Bribery Manual was revised. The manual was updated with new areas of attention, with new explanatory examples and new behavioural guidelines. The Manual, in its updated version, contains 16 business areas potentially exposed to the risk of corruption and, for each of them, specific principles of conduct have been formulated to avoid cases of corruption.

The 16 areas most exposed to corruption risk are the following: Research and Development; Production; Relations with doctors and healthcare organisations; regulatory activities; transactions with government; consulting; medicine samples; courses and conferences; marketing material; contributions and donations; financial transactions; Human Resources, relations with politicians and political organisations, purchasing management, relations with public administrations and management of agency costs.

During 2021 the Manual was distributed again to all of the Group's subsidiaries.

During the 2020-2021 two-year period, training sessions dedicated to ethics and anti-corruption were provided to all employees of the Recordati group.

In 2021 all members of the Board of Directors of Recordati S.p.A. received communication on the policies and procedures adopted through periodic reporting by the Chief of Group Internal Audit & Compliance.

### Other models of control and adoption of national codes of ethics

The systemic approach of the Organisation, Management and Control Model defined under Italian Legislative Decree no. 231/2001 may also be found in other models in other areas of the company, such as within the scope of health and safety in the workplace, environmental management, and data protection.

Regarding data management and privacy, the Recordati group has conformed to the new General Data Protection Regulation (No. 2016/679, hereinafter 'GDPR'). The Group companies have adopted the measures envisaged by European regulation with the introduction of a privacy management model and of new rules and business processes, both at the group level and at the local level. On the organisational front, the Company has appointed a Data Protection Officer and a Key Privacy Person in each subsidiary concerned. With regard to the processes and operating rules, Group policies are in place for the management of personal data, from which local procedures adopted by the various European branches derive.

The Recordati group also adheres to the codes of self-regulation issued by industry associations that oversee activities related to detailing activities. A large portion of the Group's branches has adopted the codes of ethics defined by their local pharmaceutical associations. These codes of conduct are based on the European Federation of Pharmaceutical Industries and Associations (EFPIA) code, which establishes the ethical standards for European pharmaceutical firms for the management of detailing activities and relations with the medical community.

Within the scope of involvement with the industry associations and adoption of their codes of ethics, the branches are taking specific action aimed at maximising transparency in their management of relations with the medical and scientific community. This includes Project Transparency (and publication of the 'Transfers of Value' for healthcare organisations and operators) and the certification of detailing procedures. This disclosure is provided by many of the Group's companies, in compliance with legal rules (such as those that apply in France, Portugal and the USA) and with ethical standards (in addition to Italy, Spain, Germany and others).

## 9.5 AUDIT FIRM

EY S.p.A. is the firm of external auditors appointed to audit the Company for 2021. The appointment was formally made by a Shareholders' Meeting on 29th April 2020 for the financial years 2020-2028, as proposed by the Board of Statutory Auditors.

For further information on the engagement conferred by the Shareholders' Meeting to EY S.p.A., please refer to the Shareholders' Meeting documentation available on Recordati's website in relation to the Shareholders' Meeting of 29th April 2020.

## 9.6 THE FINANCIAL REPORTING OFFICER

During the 2021 financial year the Financial Reporting Officer was Mr Luigi La Corte, the Group CFO.

At the time of the appointment (18th March 2020), it was confirmed that he satisfied the requirements of integrity and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in article 25, that the Financial Reporting Officer must not only satisfy the requirements of integrity laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

The Financial Reporting Officer is given duties and powers to perform that assignment also with reference to the provisions of the operational guidelines for the Financial Reporting Officer, lastly approved, on 18th March 2020, by the Board of Directors updating those previously adopted since 2007.

In particular, the Financial Reporting Officer is responsible for:
a) the definition of the administrative and accounting procedures necessary for the preparation of corporate accounting documents and any other communication of a financial nature as well as their adequacy and effective application;
b) the correspondence of the corporate accounting documents with the results in the accounting books and records and their suitability to provide a true and fair view of the asset, economic and financial position of Recordati and of the Group;
c) the completeness of the contents and, in general, compliance with the rules applicable to financial statement documentation.

The Board of Directors or, in any event, the Chief Executive Officer, provides the Financial Reporting Officer with human and material resources that enable him/her to organise a team for preparing, updating and implementing the administrative and accounting procedures for the preparation of the financial statements, as required by law. The Financial Reporting Officer is granted extensive autonomy in organising his/her team, with the use of internally available resources.

The Financing Reporting Officer has free access to any information, which is relevant or necessary, both with reference to the Company and with reference to the Group companies, he/her can liaise and exchange information with all the management and control bodies of the Company and of the group companies, including the Risk, Control and CSR Committee, the Board of Statutory Auditors and the Audit Firm.
Lastly, the Financial Reporting Officer is invited to attend all meetings of the Board of Directors (with the exception of the discussion of items on the agenda items which do not pertain to his/her activity).

### 9.7 CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail, in the Guidelines for the Internal Control and Risk Management System of Recordati S.p.A. and of the Recordati group and also the procedures for co-ordination between the parties involved.

In this respect, the Company encourages meetings between the different roles involved in order to exchange information and to co-ordinate. As already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Risk, Control and CSR Committee and also the Director in charge of the internal control and risk management system, the Chief of Group Audit & Compliance, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO and the Financial Reporting Officer as well as senior representatives of the external audit firm have participated in various meetings on invitation of the Chair of the Committee and on individual items on the agenda.

The Board of Statutory Auditors of the Company and the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

Finally, the Board of Statutory Auditors meets periodically with the Financial Reporting Officer, the external auditors and the various corporate functions involved in the processes and procedures that must be subject to specific audit by the Board of Statutory Auditors, including those relating to the internal control and risk management system.

### 9.8 REGULATIONS FOR CONTROLLED FOREIGN COMPANIES LOCATED IN NON-EU COUNTRIES

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31st December 2021 the regulatory provisions of article 15 of the Markets Regulations have applied to the Turkish subsidiary Recordati Ilaç Sanayi Ve Ticaret Anonim irketi, to the American subsidiary Recordati Rare Diseases Inc, to the Russian subsidiary Rusfic Llc and to the Swiss subsidiary Recordati AG.

With reference to those companies, the Company:
- publicly discloses its financial statements used for preparing consolidated financial statements;
- ensures that they regularly deliver information to the external auditor of the Parent Company needed to audit the annual and interim accounts of the Parent Company itself.

Finally, the Company possesses continuous knowledge of the composition of the corporate bodies of the controlled companies with information on the company officers and on the corporate by-laws of the companies.

## 10. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

As also reiterated most recently in the Regulation of the Board of Directors approved in 2021, Directors who have an interest, even potential or indirect, with reference to the subject matter of a resolution of the Board of Directors shall promptly and fully inform the Board of Directors.

Without prejudice to the general rules on conflicts of interest and more specifically on related-party transactions, the Board - subject to the prior favourable opinion of the Risk, Control and CSR Committee – approved an **ad hoc procedure aimed at regulating possible conflicts of interest of Directors in relation to M&A/Licensing-in transactions** (the 'Policy on Conflicts of Interest and Disclosure in relation to M&A/Licensing-in Transactions'). Such transactions have been deemed worthy of specific regulation, taking into account that M&A activity has historically been an integral part of the Group's business and that the experience in the Pharma sector, which is preferred in order to enrich the Board's expertise, could give rise to conflict of interest issues.

Under this policy, directors receive certain preliminary information, prior to the details of a possible transaction being shared with them, so that they can promptly disclose to the Chief Executive Officer any interest that may constitute a conflict of interest or a potential conflict of interest. This duty remains in place even if such conflicts of interest arise after more detailed information on the M&A/licensing-in transaction has been received. The Chief Executive Officer shall determine, in consultation with the Group Corporate Development/Licensing Director, whether such a conflict exists and at the same time the Group VP and Director Corporate Legal Affairs will be informed. The director who has a conflict of interest will not receive any further information on the transaction and will not participate in the meetings of the Risk, Control and CSR Committee (called to analyse risks), if it is a member, or of the Board, in relation to the part of the meeting's discussion examining the transaction. The Company has also reserved the right to exercise its discretion in reviewing any situation that is not specifically defined as a conflict of interest

under this policy, but which falls within its spirit, in accordance with the procedures set out in this policy. The Risk, Control and CSR Committee is responsible for overseeing this Policy. The Chief Executive Officer periodically reports – or promptly when circumstances render it appropriate – to the Risk, Control and CSR Committee and to the Board of Directors on the matters dealt with in the Policy.

With respect to related-party transactions, subject to the prior favourable opinion of the Risk and Control Committee (now the Risk, Control and CSR Committee) identified as the Committee Responsible pursuant to article 4 paragraph 3, of Consob Regulation no. 17221 of 12th March 2010, in a meeting held on 24thNovember 2010, the Board adopted 'Regulations for related-party transactions' in accordance with article 2391-*bis* of the Italian Civil Code and with the aforementioned Regulations to replace the 'Procedure for significant transactions with related parties or when a Director has an interest in the transaction' adopted in 2008.

The Procedure for Related-Party Transactions (**'RPT Procedure'**) defines the guidelines and the criteria for the identification of related-party transactions and gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.

The RPT Procedure, which has been in force since 1st January 2011, has been periodically reviewed and updated by the Board and, most recently, in June 2021 in order to adapt its contents to the amendments to the Consob Related-Party Regulation approved by the latter in December 2020 in implementation of the (EU) 2017/828 Shareholder Rights Directive 2 (SHRD II).

The main changes made to the previous version concerned *(i)* the introduction of a mobile reference to the definitions contained in the international accounting standards in force at the time (in particular, IAS 24 on 'Related Party Disclosures') for the definition of 'related parties' and 'transactions with related parties' and, consequently, the definitions of these terms (*i.e.* 'control', 'joint control', 'key management personnel', 'significant influence', 'joint venture' and 'close family members'); *(ii)* the introduction of a new definition of 'directors involved in the transaction' (identified as those who have an interest in the transaction, on their own behalf or on behalf of third parties, that conflicts with that of the Company) and their abstention from voting on the transaction, without prejudice to the provisions of article 2391 of the Italian Civil Code; *(iii)* the introduction of an obligation to verify in advance the independence of the experts involved by the competent committee; *(iv)* the introduction of new cases of exemption from the application of the Procedure; and *(v)* the introduction of the obligation to inform the competent committee on the application of the cases of exemption by sending a specific report, as well as on the performance of transactions with related parties subject to exemption, on an annual basis and at least with reference to transactions of major importance.

Furthermore, it should be noted that, on the basis of these Regulations, as most recently amended:

- the Risk, Control and CSR Committee was identified as the committee responsible for issuing a reasoned opinion on both transactions of major importance and transactions of minor importance, except for related-party transactions concerning remuneration, for which the committee responsible would be the Remuneration and Nominations Committee ('Competent Committee' or 'RPT Committee').
- the reference is to the definition of related parties in force at the time of the start of negotiations on the transaction (as specified by Consob);
- at the date of this Report, Key Manager Personnel are those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non-executive) of the Company itself identified as six managers of the Company – five of which are employees of the Company and one who is an employee of the subsidiary – by the Board of Directors, and proposed by the Chief Executive of the Company;
- Transactions of Major Importance are defined as those related-party transactions for which at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Related-Party Regulations and which are applicable according to the characteristics of each related-party transaction (*i.e.* value of the transaction in relation to shareholders' equity or, if greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;
- Transactions of Minor Importance are defined as those related-party transactions which are not transactions of Major Importance and not transactions of negligible amounts i.e., transactions for an individual amount of less than € 150,000 if the related party is an individual, or not exceeding € 300,000 if the related party is a person other than an individual.

The procedure does not apply to:

- Transactions of Negligible Amounts unless the overall value of more than one Transaction of Negligible Amounts, to be performed as part of a single plan, exceeds the amounts indicated above, depending on the nature of the related party;
- Intercompany Transactions provided that no Significant Interests of other related parties of the Company exist in the subsidiaries of Recordati or in associate companies of Recordati which counterparties to the transaction are. It is considered that the existence of 'Significant Interests' of other related parties could be determined by:
  - the existence of a significant amount receivable by the Chief Executive Officer of the Parent from a subsidiary;
  - one or more directors or other key manager personnel shared between companies who benefit from share-based incentive schemes (or in any case variable remuneration) dependent on the results of subsidiaries or associate companies with which the transaction is performed;
  - an interest held in a subsidiary or associate company (even indirectly) by the party that controls the parent.
- shareholders' resolutions pursuant to article 2389, first paragraph, of the Italian Civil Code, concerning the remuneration due to members of the Board of Directors and resolutions concerning the remuneration of Directors appointed to special positions which forms part of the total amount determined in advance by shareholders in accordance with article 2389, third paragraph, of the Italian Civil Code;
- shareholders' resolutions pursuant to article 2402 of the Italian Civil Code, concerning the remuneration due to members of the Board of Statutory Auditors;
- remuneration schemes based on financial instruments approved by shareholders in accordance with article 114-*bis* of the TUF and the relative transactions to implement them;
- decisions (other than those referred to under the preceding point concerning the remuneration of Directors, Directors appointed to special positions and other key manager personnel, when (i) the Company has adopted a remuneration policy approved by the shareholders' meeting (the formulation of which involved

a committee formed exclusively of non-executive directors, the majority of which are independent) and (ii) remuneration actually assigned is compliant with that policy and quantified on the basis of criteria that do not involve discretionary assessments. It is understood that, where resolutions on remuneration are subject to the procedure because they do not fall within the exemptions set out in this point, as well as in the three previous points, the first case described above may still apply for transactions for small amounts;

- transactions which fall within the ordinary performance of Operating Activities and the related financial activities concluded under conditions equivalent to market conditions or standards (i.e. conditions similar to those normally practiced with non-related parties for transactions of an analogous nature, magnitude and risk or based on regulated tariffs or on compulsory prices or those practiced for parties with which the Company is obliged by law to negotiate at a determined consideration). The 'ordinary performance' is identified by considering the contents, recurrence, function or purpose and timing of the transaction and also the nature of the counterparty, even if it is a related-party. Operating Activities are defined as the main revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to article 114, paragraph 1, of the TUF, to comply with the provisions of article 13, paragraph 3, letter c), points i) and ii) of the Consob Related-Party Regulation. More specifically, if the transactions mentioned in this item g) are of greater importance pursuant to the subsequent sub-section 03.03, the Company shall notify Consob and the Competent Committee, within seven days from the approval of the transaction, of the counterparty, the subject and the consideration for the transaction and the reasons why the transaction is considered ordinary and concluded under conditions equivalent to market or standard conditions, providing objective evidence of the same. The Competent Committee verifies without delay, and in any case within seven business days from the communication, the correct application of the aforementioned exemption;
- transactions approved by the Company and addressed to all shareholders on equal terms, including: full or partial demerger transactions in the strict sense with proportional share allocation criteria (ii) share capital increases with option rights reserved to shareholders and to any holders of financial instruments (therefore issuances which are performed without excluding their option rights) including to service convertible bonds, and capital increases on a gratuitous basis provided for by article 2442 of the Italian Civil Code; (iii) share capital reductions through reimbursement to shareholders provided for by article 2445 of the Italian Civil Code and (iv) purchases of treasury shares pursuant to article 132 of the TUF;
- transactions to be performed on the basis of instructions for the purpose of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The full text of the RPT Procedure is available on the company's website https://www.recordati.it/en/corporate_governance/related_parties/regulations_for_related-party_transactions/.

As already mentioned in this Report, the RPT Committee is identified as the Risk, Control and CSR Committee, except for related party transactions concerning remuneration, for which this committee is identified as the Remuneration and Nominations Committee. It should be noted that both Committees are composed of Independent Directors only. Please refer to the table on the structure of Board committees in Section 6 of this Report for further information on their composition and note that there were no changes during the current financial year.

The meetings of the Risk, Control and CSR Committee and the Remuneration and Nominations Committee, acting as RPT Committee, are coordinated by the Chair of the relevant committee and minutes are regularly taken. In view of the fact that the RPT Committee does not constitute an autonomous committee, but that its functions and work are included into those of the two above-mentioned Board Committees, it is not possible to provide independent data on the average duration of meetings as an RPT Committee during the year in question (2021).

Reporting on the activities of the two committees, including those acting as RPT Committees, is provided to the first Board of Directors by the chair of the competent committee.

With regard to transactions with related parties carried out in the 2021 financial year, the Remuneration and Nominations Committee was also called on to express its opinion as the RPT Committee, in some cases for transactions of minor importance. For more information, please refer to the Remuneration Report published by the Company.

# 11. BOARD OF STATUTORY AUDITORS

## 11.1 APPOINTMENT

The appointment of Statutory Auditors is governed by article 26 of the By-Laws, which is given below:

*"Art. 26) - The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law. Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products. The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.*
*Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of slates submitted by Shareholders in which candidates are listed by means of a progressive number and in compliance with the existing legislation in force concerning gender balance.*
*The slate must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor.*
*Only Shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock or representing a lesser percentage as established or provided by binding legal or regulatory provisions which shall be specified in the notice of meeting, shall have the right to present slates.*
*Each shareholder, including shareholders who have signed a shareholders' agreement identified in article 122 of Italian Legislative Decree no. 58/1998, controlling entities, subsidiaries, and jointly controlled entities, is prohibited from individually or jointly submitting more than one slate or voting for different slates, even through a third party or trust company. Each candidate may only run on one slate on penalty of disqualification. Endorsements of slates and votes cast in*

*violation of this prohibition shall not be attributed to any slate.*
*The slates submitted shall be deposited at the Company's head offices at least twenty-five days before the date scheduled for the first convocation of the Shareholders' Meeting without prejudice to further disclosure required by regulatory or other provisions in force at the time. Without prejudice to any further procedural duty required by the legislation and also by the regulations currently in force, the following must be deposited together with each slate, within the time limit already mentioned:*
*a) information on the identity of the shareholders who have submitted the slates, indicating the total percentage of capital stock held;*
*b) a declaration by shareholders other than those who hold, singly or jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided for by the regulations in force;*
*c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.*
*Slates containing a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage of candidates to the position of Statutory Auditor and candidates to the position of Alternate Auditor are equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Statutory Auditors belongs to the less represented gender in a given slate.*
*Slates not satisfying the requirements specified above shall be considered as not having been submitted.*
*Statutory Auditors shall be elected as follows:*

1. *from the slate which obtained the highest number of votes at the Shareholders' Meeting, two Statutory Auditors and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;*
2. *from the second slate which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the slate which obtained the highest number of votes, one Statutory Auditor, who shall chair the Board of Statutory Auditors, and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the slate.*

*In the event of a tie between slates for the appointment of the Auditors indicated in point 2 of the foregoing paragraph, the slate submitted by shareholders owning the largest shareholding or, alternatively, the slate submitted by the largest number of shareholders shall prevail.*
*If by following the above procedures, the composition of the full members of the Board of Statutory Auditors in compliance with the legislation in force at the time concerning gender balance is not ensured, the necessary replacements shall be made from the candidates to the position of full Statutory Auditor on the slate that obtained the majority of votes on the basis of the order of the names on the slate.*
*Should a single slate or no slate be submitted, all candidates for that position named on the aforesaid slate or those voted by a Shareholders' Meeting (as long as they receive a relative majority of the votes cast in the Shareholders' Meeting) shall be elected as Statutory and Alternate Auditors and provided the existing legislation in force on gender balance is complied with.*
*Should they no longer satisfy the requirements laid down by law and in the by-laws, the auditor shall leave office.*
*Should it become necessary to replace a Statutory Auditor, the Alternate Auditor belonging to the same slate as the outgoing auditor shall take the latter's place or, failing this, should the minority auditor leave office, he shall be replaced by the next candidate on the slate from which the outgoing auditor was elected, or, alternatively, by the first candidate on the minority slate that obtained the second highest number of votes.*
*It is understood that the Board of Statutory Auditors shall continue to be chaired by the minority auditor and the composition of the Board of Statutory Auditors must comply with the existing legislation in force on gender balance.*
*The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint Statutory and/or Alternate Auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes.*
*Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the shareholders' meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of slates. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree no. 58/1998, shall not be considered in establishing the outcome of said vote.*
*The replacement procedures set forth in the above paragraphs must in any event ensure compliance with the legislation in force at the time concerning gender balance.*
*Members of the Board of Statutory Auditors may participate in meetings remotely by means of audio-visual connection, video conferencing or telephone link-up systems.*
*In the above case:*

- *the following must always be established:*
  *a) the identity of all members attending, at each point of connection, shall be confirmed;*
  *b) each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;*
- *meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chair and Secretary are located.*

*The statutory audit of the Company's accounts shall be performed by the Audit Firm on the basis of applicable regulations'.*

It is underlined, in particular, that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the ordinary Shareholders' Meeting, or representing any lower percentage established by mandatory laws or regulations. It should be noted that In accordance with articles 144-*quater* and 144-*septies* of Consob Issuers' Regulations, according to the Consob resolution no. 60 of 28th January 2022, the minimum percentage of the share capital required to present slates of candidates to the Board of Statutory Auditors of the Company is currently 1%.

The minority slates shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various slates submitted, we note that, again according to the above transcribed article 26 of the By-Laws, two Statutory auditors and one Alternate auditor are elected from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order by which they are listed in the sections of the slate; from the second slate which obtained the highest number of votes after the first slate and which has no connection, not even indirectly, with the shareholders who submitted or voted for the slate which obtained the highest number of votes, one Statutory Auditor, who will chair the Board of Statutory Auditors, and one Alternate Auditor are elected, based on the progressive order by which they are listed in the slate.

With regard to the rules on gender balance in corporate bodies, Italian Law no. 160 of 27th December 2019 (Budget Law 2020) amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to previous one 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.
According to the Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law', which occurred on 1st January 2020.
Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of the application, to corporate bodies composed of three members, of the rules on gender quotas, introduced by the aforementioned provisions of the TUF and which have already applied to the renewal of the Board of Statutory Auditors at the 2020 shareholders' meetings: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*.1, paragraph 3, of the Consob Issuers' Regulations.
It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders).
Again with respect to gender balance in the bodies of listed companies, the Company also acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies introduced first in the 2018 CG Code and then confirmed by the 2020 CG Code, which indicates that at least one third of the Board of Directors and control body is made up of members of the least represented gender.

Finally, we report that article 19, paragraph 3 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, requires that members of the committee for internal control and the accounting audit – which for 'public interest entities' is the Board of Statutory Auditors – are competent as a whole and also in the sector in which the company operates. The business activities closely related to the Company's activities consist of research, production and trade in chemical and pharmaceutical products.

## 11.2 COMPOSITION AND FUNCTIONING (pursuant to article 123-*bis*, paragraph 2, letter d) and d-*bis*) of the TUF)

The composition of the Board of Statutory Auditors in office on the closing date of the Financial Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 29th April 2020 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended on 31st December 2022.

At the Ordinary Shareholders' Meeting of 29th April 2020, two slates for the position of statutory auditor were presented: one by the shareholder FIMEI S.p.A., holder of 108,368,721 ordinary shares equal to 51.82% of the Recordati S.p.A. share capital, and another, following the shareholding required in order to present a minority slate being cut in half, presented by other shareholders – SGR and institutional investors, - which collectively hold 1,662,725 shares equal to 0.79509% of share capital.
In detail:
The first slate, presented by FIMEI S.p.A., named the following individuals to be members of the Board of Statutory Auditors:
**Statutory Auditors**
Ms Livia Amidani Aliberti
Mr Ezio Simonelli
Mr Emiliano Nitti
**Alternate Auditors**
Ms Patrizia Paleologo Oriundi
Mr Marco Antonio Viganò
The second slate presented by the institutional investors named the following individuals to be members of the Board of Statutory Auditors:
**Statutory Auditors**
Mr Antonio Santi
**Alternate Auditors**
Mr Andrea Balelli

As a result, and in accordance with the mechanism established to ensure female representation on the board, the following individuals were elected:

| | |
|---|---|
| Mr Antonio Santi | Statutory Auditor and Chair |
| Ms Livia Amidani Aliberti | Statutory Auditor |
| Mr Ezio Simonelli | Statutory Auditor |
| Ms Patrizia Paleologo Oriundi | Alternate Auditor |
| Mr Andrea Balelli | Alternate Auditor |

The voting capital represented 84.016% of the Issuer's share capital with voting rights. In favour of list no. 1, 133,547,362 shares (63.860% of the share capital with voting rights). In favour of list no. 2, 41,519,283 shares (19.854% of the share capital with voting rights).

Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slates presented by FIMEI and by institutional investors, accompanied by a list of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website www.recordati.it (in the section Investor Relations, Shareholders' Meetings, financial year 2020).

Moreover, it should be underlined that the personal and professional features of each auditor range from economic and financial, to legal and corporate governance subjects and are detailed in Appendix 1 of this Report.

**Table of the structure of the board of Statutory Auditors as at 31st december 2021 and currently in office**

| Office | Members (surname and name) | Year of birth | Year of first appointment | In office since | In office until | Slate (M/m) | Indep. under the Code | Indep. under the TUF | Attendance at the Statutory Auditors' meetings | Number of other offices |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | * | | | ** | *** |
| Chair | Santi Antonio | 1977 | 2017 | 29.4.2020 | Approval of the 2022 financial statements | m | X | X | 11/11 | 9 |
| Statutory Auditor | Amidani Aliberti Livia | 1961 | 2014 | 29.4.2020 | Approval of the 2022 financial statements | M | X | X | 11/11 | 3 |
| Statutory Auditor | Simonelli Ezio | 1958 | 2020 | 29.4.2020 | Approval of the 2022 financial statements | M | X | X | 11/11 | 21 |
| Alternate Auditor | Paleologo Oriundi Patrizia | 1957 | 2014 | 29.4.2020 | Approval of the 2022 financial statements | M | X | X | N/A | 12 |
| Alternate Auditor | Balelli Andrea | 1975 | 2017 | 29.4.2020 | Approval of the 2022 financial statements | m | X | X | N/A | 25 |

** M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).*
*** This column shows the attendance of Statutory Auditors at meetings of the Board of Statutory Auditors (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).*
**** This column shows the number of positions as director or auditor held by the person concerned pursuant to article 148-bis of the TUF and the relevant implementing provisions contained in the Consob Issuers' Regulations. The full list of the offices is published by Consob on its website pursuant to article 144-*quinquiesdecies *of the Consob Issuers' Regulations. In addition, all the positions held by the members of the Board of Statutory Auditors are indicated in full in the in Attachment 1 of this document dedicated to the curricula of the Statutory Auditors.*

**Indicate the quorum required for the submission of slates by minority shareholders in accordance with the last appointment:**

0.5% (following the reduction of the 1% threshold in accordance with article 144-*sexies*, paragraph 5, of the Issuers' Regulations)

**No. of meetings held during 2021:** 11

During the Financial Year the Board of Statutory Auditors met 11 times, with meetings lasting approximately 1.5 hours on average.

As regards the current financial year, 11 meetings are scheduled and the Board of Statutory Auditors has already met 2 times in 2022. The percentage attendance of Auditors in these meetings during the 2021 Financial Year is shown in the table above.

## Criteria and diversity policies

Information on the diversity criteria and policies applied in relation to the composition of the control bodies with regard to aspects such as age, gender composition and educational and professional background required by article 123-*bis*, paragraph 2, letter d-bis, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.3).

The composition of the Board of Statutory Auditors complies with the criteria indicated in the applicable provisions on gender balance and therefore at least one third of the statutory and alternate auditors is made up of auditors of the least represented gender.

## Independence

In application of article 144-*novies* of the Issuers' Regulations and the 2020 CG Code, the satisfaction of the requirements mentioned above by members of the Board of Statutory Auditors is assessed by the latter, which submits the results to the Board of Directors which discloses them, after the appointment, by means of a press release, and subsequently on an annual basis, in the corporate governance report.

The Board of Statutory Auditors conducted an internal verification process concerning its independence on 26th February 2021. The result of such verification confirmed that all members of the Statutory Auditors in office possessed the requirements for independence according to article 148 of the TUF as well as the independence requirements contained in the 2020 CG Code.
During 2022, the aforementioned assessment was renewed, with a positive outcome, on 24th February 2022.

## Remuneration

The remuneration of statutory auditors is determined by the Shareholders' Meeting at the time of their appointment.

The remuneration of the Board of Statutory Auditors' in charge was set by the Shareholders' Meeting of 29th April 2020 – upon recommendation of the Board of Directors (and, in turn, upon recommendation of the Remuneration Committee) included in the Directors' Report on the renewal of the Board of Statutory Auditors - providing for an annual fee of € 62,000 for the Chair of the Board of Statutory Auditors and of € 45,000 for each Statutory Auditor, gross of withholding tax.

Details of the fees earned in 2021 are nevertheless given in detail in the Remuneration Report.

## Management of interests

During 2021, no situations of interest within the meaning of Recommendation 37 of the CG Code 2020 were brought to the attention of the Chair of the Board.

## Further information on the activities of the Board of Statutory Auditors

The Board of Statutory Auditors monitored the independence of the auditing firm EY S.p.A., verifying both compliance with the relevant regulatory provisions and the nature and extent of non-audit services provided to certain subsidiaries by the same auditing firm and entities belonging to its network. As concerns services other than auditing provided by the audit firm to the Company and its subsidiaries, reference should be made to the specific exhibit concerning 'disclosure of audit and non-audit fees' contained in the consolidated financial statements for the year ended on 31st December 2021 and in the draft separate financial statements of Recordati S.p.A. for the year ended on 31st December 2021.
The Board of Statutory Auditors, in the performance of its activities, liaised with the Chief of Group Audit & Compliance and with the Risk, Control and CSR Committee through the constant presence in Committee meetings, in which the Chief of Group Audit & Compliance also usually participates. It also worked with the ODV (231 Compliance Body) appointed in accordance with Italian Legislative Decree no. 231/2001. The Board reported to the Director in charge of the internal control and risk management system as well as with the Financial Reporting Officer. Finally, it participated in the works of the Remuneration and Nominations Committee and of the Risk, Control and CSR Committee.

It should also be noted that the Board of Statutory Auditors, by participating in the meetings of the Board of Directors, receives periodic updates on operations and on developments within the regulatory and legislative framework, and was involved, during 2021 in the focus conducted on the main regulatory framework applicable to the Company as a listed company, following the entry of the new CEO, and in-depth analysis of the Specialty & Primary Care business.

As part of its oversight of procedures for the concrete implementation of corporate governance rules, the Board of Statutory Auditors:
- participated in the in-depth analyses, also together with the Independent Directors on governance and risk control issues;
- verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The Board of Statutory Auditors is also called upon to carry out the duties assigned by the legislation in force to the **Committee for internal control and accounting audit** (CICAA), set up by Italian Legislative Decree no. 39/2010 (the 'Consolidated Statutory Audit Act'), which implements Directive no. 2006/43/EC concerning the statutory audit of annual accounts which entered into force on 7th April 2010, as subsequently amended.
More specifically, the CICAA is required to monitor the efficacy of systems for the internal control of a company's quality and risk management and, if applicable, internal audit, as far as the financial reporting of the entity subject to audit is concerned, without violating its independence.
Furthermore, from the specific viewpoint of the statutory audit, on the basis of the current article 19 of Italian Legislative Decree no. 39/2010, the duties of the CICAA are as follows:
- to monitor the statutory audit of the annual separate company and consolidated financial reports;
- to report to the management body and the results of the statutory audit and to submit to it the additional report required by article 11 of Regulation no. 537/2014, accompanied by any remarks that there may be;
- to verify and monitor the independence of the statutory auditors or the firm of statutory auditors, especially with regard to the adequacy of non-auditing services provided;
- these activities also include responsibility for the procedure for the selection of the auditing firm as well as the indication of the firm to be appointed in the recommendation (in accordance with the provisions of article 16 of Regulation no. 537/2014).

In this regard, in view of the fact that the engagement conferred on KPMG S.p.A. by the Shareholders' Meeting of 13th April 2011 for the financial years 2011-2019, would expire with the approval of the financial statements for the financial year 2019, the Board of Statutory Auditors, in its capacity as the CICAA, had initiated in 2019, with the assistance of the Company, a specific procedure for the selection of the new audit firm to be appointed for the financial years 2020-2028, in accordance with the applicable law, particularly, article 16 of Regulation (EU) no. 537/2014. At the end of the selection procedure, the Internal Control and Audit Committee prepared its reasoned recommendation addressed to the Board of Directors and subsequently to the Shareholders' Meeting, which, on 29th April 2020, in line with the latter, conferred to EY S.p.A. the engagement for the purposes of the statutory audit for the nine-year period 2020-2028.
For further details, please refer to that recommendation which was published within the terms set forth by law and can be found in the section of Recordati's website dedicated to the shareholders' meeting of 29th April 2020.

The Board of Statutory Auditors meets systematically with the Directors of the main corporate functions, who provide the information requested by the Board.

## 12. RELATIONS WITH SHAREHOLDERS

The Company has created a specific section on its website called 'Investors ', which is easily identifiable and accessible, and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner. The Company has also created a special section of its website dedicated to corporate governance containing full documentation, including this Report and an archive of past reports as well as a specific section on 'sustainability' .

With regard to the publishing and storage of regulatory information pursuant to article 113-*ter* of the TUF we report that the company:
- for the transmission of regulatory information, the Company makes use of the dissemination system '1Info SDIR' at www.1info.it, which is managed by Computershare S.p.A. based in Milan (Via L. Mascheroni 19) and has been authorised by Consob with Resolution no. 18994 of 30th July 2014;
- uses the centralised storage system for regulatory information named '1Info' to store regulatory information. This can be consulted at the website www.1info.it and it is operated by Computershare S.p.A. with registered offices in Milan and is authorised by the Consob with Resolution no. 18852 of 9th April 2014.

As part of the Company's organisational structure, Ms Federica De Medici, the Director Investor Relations & Corporate Communications was identified as the person in charge of the management of the relations with the shareholders.

In addition, the tasks of the Group Corporate Legal Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations department of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. This function organises periodic conference calls regarding periodic financial information, and the documentation presented for these calls is also made available to the public on the Company's website and by way of the centralised storage system for regulatory information named '1Info' (see www.1info.it).

Recordati promotes dialogue with its shareholders and institutional investors as an essential element for positively influencing the conduct of the Company and increasing the level of transparency. In this context, the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing its policy on the remuneration of directors and key manager personnel.

This activity is carried out through the development of an engagement plan performed on an annual basis, which involves the participation of the corporate functions of Human Resources, Investor Relations and Legal Affairs, supported by the Chair of the Remuneration and Nominations Committee in order to highlight the committee's commitment on matters within their competence.

The results, indications and feedback emerged during the engagement activities, once reported, are examined and assessed by the Remuneration and Nominations Committee in order to provide any clarifications and verify the overcoming of potential criticalities. Finally, the Committee reports to the Board of Directors on the relevant developments and significant contents emerging from such engagement activities, through the Chair or another member designated by the latter. In addition, the

CFO provides the Board with reporting on major interactions with investors and analysts as far as it is deemed relevant.

Finally, it should be noted that the new 2020 CG Code has recommended that the Board - on the proposal of the Chair, formulated in agreement with the Chief Executive Officer - adopt a 'policy for the management of general dialogue with shareholders', taking into account the 'engagement policies adopted by institutional investors and asset managers'; the aim is for companies to strengthen market dialogue.

When adopting the 2020 CG Code, the Board resolved to proceed with the adoption of such policy, in 2021, highlighting, however, the need to better understand, in advance, the content of said policy in terms of areas to be regulated and objectives to be pursued. In light of the change in the governance structure in 2021, it was considered more appropriate to postpone the process of defining and adopting the policy until 2022, in order to allow the new Chief Executive Officer to strengthen his knowledge of Recordati beforehand.

## 13. SHAREHOLDERS' MEETINGS

In accordance with article 9 of the By-Laws in force, Shareholders' Meetings are convened in the manner and within the legal time limits on the Company's website and, where necessary due to mandatory provisions or decided by the directors, in the Official Gazette and in at least one of the following national newspapers: 'Il Corriere della Sera', 'La Repubblica', 'La Stampa', 'Il Giornale', 'Milano Finanza', as well as according to other procedures provided for by the legislation and regulations currently in force.

Article 3 of Italian Legislative Decree no. 91 of 18.6.2012 (the 'Corrective Decree') has established that Shareholders' Meetings are convened by a notice published on the Company's website by the thirtieth day prior to the date of the Shareholders' Meeting and also using other procedures and within the time limit set by the Consob with regulations issued in accordance with article 113-*ter*, paragraph 3 of the TUF, inclusive of the publication of extracts in daily newspapers. These provisions apply to Shareholders' Meetings for which the notice to convene is published after 1st January 2013.

Following amendments made by the Shareholders' Meeting of 13th April 2011 to the By-Laws, article. 9 states that 'notice to convene may also contain the date of meetings convened subsequent to the first. The Board of Directors may decide, if it considers it appropriate, to convene Ordinary and Extraordinary Shareholders' Meetings to be held following one single Notice of Meeting. In the case of a single call the legal majorities for that purpose apply.'

Furthermore, that same article 9 of the By-Laws also states that: 'Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within one hundred eighty days from the end of the financial year. Directors shall indicate the reasons for the delay in the report required by article 2428 of the Italian Civil Code. Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the share capital.'

In accordance with article 12 of the By-Laws in force, resolutions of ordinary and extraordinary meetings, on the first and successive calls, as well as for single calls, are valid if made in the presence of the required number of persons and the majorities required by law. Therefore, an ordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital with voting rights at the meeting itself and resolutions are passed by an absolute majority of those participating, including abstentions.

An ordinary shareholders' meeting is validly constituted in second call no matter what proportion of the share capital is represented and resolutions are passed by an absolute majority of those participating, including abstentions.
An extraordinary shareholders' meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital and resolutions are passed with the vote in favour of shareholders representing at least two-thirds of the share capital.
An extraordinary shareholders' meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions are passed with the vote in favour of shareholders accounting for at least two-thirds of the share capital present at the meeting.
In the case of a single call: an Ordinary Shareholders' Meeting passes resolutions with an absolute majority, whatever the percentage of the capital stock represented and an Extraordinary Shareholders' Meeting is validly constituted when at least one-fifth of the capital stock is represented and it passes resolutions with the vote in favour of at least two-thirds of the share capital represented in the Shareholders' Meeting.

In relation to the right to participate in Shareholders' Meetings and voting rights, on the basis of article 83-*sexies* of the TUF, legitimate authorisation to participate in Shareholders' Meetings and to exercise voting rights is certified by a communication to the issuer, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to vote on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first call or a single call. Nevertheless, the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of each single session of the shareholders' meetings.

In accordance with article 10 of the By-Laws, those holding the right to vote may be represented by a written proxy, where no incompatibilities and limitations exist pursuant to the legislation and regulations in force. The Company may be notified of the proxy for participation in the Shareholders' Meeting by sending the document to the email address indicated in the Notice of Meeting.
Furthermore, article 135-*undecies* of the TUF, inserted by Italian Legislative Decree no. 27/2010 introduced the role of a *'Designated representative of a listed company' 'unless the By-Laws stipulate otherwise, listed companies designate a representative for each Shareholders' Meeting to which shareholders may grant, by the end of the second day of market trading prior to the date set for the Shareholders' Meeting, even in a call after the first one, an authorisation with voting instructions on all or some of the motions on the agenda. The proxy is valid solely for proposals in relation to which voting instructions have been given.'* At present Recordati's Company By-Laws contain no provisions in this respect, and this new provision is therefore considered applicable to future Shareholders' Meetings of the Company, until different provisions are introduced to the Company By-Laws.

The Board believes that there are no conditions that require the adoption of particular initiatives regarding attendance of Meetings and the exercise of voting rights by shareholders such as, for example, postal voting.

In accordance with article 127-*ter* of the TUF, shareholders may submit questions on the items on the agenda even before the

Shareholders' Meeting. Answers are given to questions received prior to the Shareholders' Meeting, subject to verification of the relevance and the legitimacy of the asker, at the latest during the meeting itself and the Company has the right to give a single answer to questions having the same content.

In this respect article 127-*ter* of the TUF, expressly allows the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if they are to be considered. The time limit is at the discretion of the Company, but cannot be earlier than five trading days prior to the date of the Shareholders' Meeting (in first or single call) or the date indicated in article 83-*sexies*, paragraph 2, of the TUF if the notice of call provides for the Company to provide, before the Shareholders' Meeting, an answer to the queries received. In such latter case, answers shall be provided at least two days before the Shareholders Meeting, also by publication in a special section of the company's website, and the ownership of voting rights may be certified even after the queries have been sent, provided that this is done by the third day following the date indicated in article 83-*sexies*, paragraph 2, of the TUF. Cases where a reply is not obligatory are then specified: when the information required is already available in the format 'answer and reply' in the relevant section of the website and also when the reply has already been published on the website.

Starting from 2013, the Company adopted a Shareholders' Regulation, the text of which is available on the Company's website at www.recordati.it, in the corporate governance section; this is to ensure that Shareholders' Meetings can be held in an orderly and functional manner and to ensure that each Shareholder can speak on the items on the agenda.

During the 2021 financial year, **the Shareholders met once**: in ordinary call on 20th April 2021.

Firstly, it should be noted that, in view of the **health emergency related to the COVID-19 epidemic** and taking into account the emergency regulatory provisions issued for the containment of the contagion, at the meeting mentioned above, as indicated in the respective notice of call, the Company decided to avail itself of the option provided for by article 106 of Italian Law Decree no. 18 of 17th March 2020 - converted with amendments into Italian Law no. 27 of 24th April 2020 and as extended by paragraph 6 of article 3 of Italian Law Decree no. 183 of 31st December 2020, converted by Italian Law no. 21 of 26th February 2021 - providing that the intervention at the Shareholders' Meeting of those entitled to vote was allowed exclusively through the Delegated Representative of the Company pursuant to article 135-*undecies* of the TUF to whom a proxy had to be conferred; the Delegated Representative could also be conferred proxies or sub-proxies pursuant to article 135-*novies* of the TUF, as an exception to article 135-*undecies*, paragraph 4, of the TUF.

At the Shareholders' Meeting held on **20th April 2021**, in a single call, in ordinary session, **with the attendance of 84.233% of the share capital with voting rights**, it was resolved (i) to approve the financial statements for the year ended on 31st December 2020 and the allocation of the 2020 profit for the year, (ii) the binding vote on the first section of the Report on remuneration policy and remuneration paid, (iii) the approval of the new 2021-2023 Stock Option Plan and (iv) the authorisation to purchase and dispose of treasury shares. The Shareholders' Meeting also cast its non-binding vote on the second section of the Report on remuneration policy and remuneration paid in 2020.
In addition to the Chair, Mr Alfredo Altavilla, the following Directors were also attending the meeting via audio/video conference: Mr Guido Guidi (Vice-Chair), Mr Andrea Recordati (Chief Executive Officer), Mr Francesco Balestrieri, Ms. Michaela Castelli, lawyer, Mr Giorgio De Palma, Mr Piergiorgio Peluso and Mr Fritz Squindo.

Also present for the outgoing Board of Statutory Auditors were Mr Antonio Santi, Chair, Ms Livia Amidani Aliberti and Mr Ezio Simonelli, Statutory Auditors.

In consideration of the fact that, due to the particular way in which the shareholders' meeting was conducted, it was not possible to hold a debate at the meeting, the Company provided for the answers to any questions raised, pursuant to article 127-*ter* of the TUF, by certain shareholders to be published one day in advance, compared to the deadline of two days prior to the date of the shareholders' meeting indicated in the regulations, in order to allow a more informed choice in the voting instructions to the Designated Representative.

The documentation relating to the items on the agenda, together with the voting results, has been filed in accordance with the law and applicable regulations and can be consulted on the website www.recordati.it (section - investors/shareholders-_ meetings/2021/).

As in the past, and *a fortiori* given the way in which the Shareholders' Meeting was conducted due to the continuing pandemic, the Remuneration and Nominations Committee and the Risk, Control and CSR Committee decided that they did not need to report to the Shareholders' Meeting on how they exercised their functions, taking into account that this information is contained, with respect to the former, in the Report on Remuneration Policy and Remuneration Paid and, for both, where applicable, also in this Report, which were made available to shareholders prior to the Shareholders' Meeting.

Lastly, it should be noted that during 2021, no changes or events occurred that would have led the Board to deem it necessary to draw up reasoned proposals to be submitted to the Shareholders' Meeting concerning *(i)* the choice and characteristics of the corporate model *(ii)* the size, composition and appointment of the Board and the term of office of its members (also taking into account that the appointment of the new Board is scheduled for the Shareholders' Meeting of 29th April 2022); *(iii)* the structure of the administrative and equity rights of the shares; and *(iv)* the percentages established for the exercise of the prerogatives established to protect minorities.

The corporate governance system is functional to the needs of the Company.

## 14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-*bis*, paragraph 2, letter a) of the TUF)

The Issuer does not apply any additional corporate governance practices, other than those described in the preceding sections of this Report.

## 15. CHANGES OCCURRING SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

There were no further changes in the Company's corporate governance structure, except for a change in the perimeter of key manager personnel, which will be reported in the Report for the next financial year.

# 16. OBSERVATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE OF 3RD DECEMBER 2021

The recommendations to promote good corporate governance formulated, as per practice, in the letter of the chair of the Corporate Governance Committee dated 3rd December 2021 were brought to the attention, first, of the Chair of the Board of Directors, the Chief Executive Officer, the Director in charge of the Internal Control and Risk Management System, the Board of Statutory Auditors and as well as the members of the Risk, Control and CSR Committee on 9th December 2021.
It was therefore made available to all of the directors on 16th December 2021.
On 16th February 2021, the Board of Directors acknowledged these new recommendations and that the Committees will discuss them in greater detail at future meetings, as part of the 2022 Work Plan, in order to verify any further measures that may be appropriate.

**Milan, 17th March 2022**

For the Board of Directors
CEO
Mr. Robert Koremans

## ATTACHMENT 1
## PROFESSIONAL OVERVIEW OF THE DIRECTORS AND STATUTORY AUDITORS

At the date of approval of this Report (17th March 2022)

### Members of the Board of Directors

**Andrea Recordati**
Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he participated in the SmithKline Beecham Management Access Program, in the United Kingdom, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative. He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company. In 1999, he was given responsibility for Pharmaceutical Business Development.
In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH. In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division. In July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group and sitting on several boards of directors within the Group. From 16th August 2016 to 5th February 2019, he was appointed as Vice Chairman and from 16th August 2016 to 1st December 2021 he was appointed as CEO of Recordati S.p.A.
Currently he holds the office of Chairman of the Board of Directors.

**Robert Koremans**
Robert Koremans qualified as a medical doctor from RSM Erasmus University in the Netherlands and has over 30 years' experience in managerial and executive roles, gained mainly in the pharmaceutical industry at various international companies, including Serono, Grünenthal, Sanofi-Aventis and Teva.
He has worked globally and lived in the Czech Republic, Germany, Switzerland and the Netherlands. In 2018, he was appointed as Chief Executive Officer in Nutreco, a global leader in animal nutrition. Previously, he had been President and CEO of Global Specialty Medicines and a member of the Executive Committee at Teva Pharmaceutical Industries Ltd. From 1st December 2021, he is Chief Executive Officer of Recordati S.p.A..

**Silvia Candini**
Silvia Candini was born in Milan on 2nd July 1970, she earned a degree in economics (summa cum laude) at Università Commerciale Luigi Bocconi and an Exchange Programme at The Wharton School (MBA) of University of Pennsylvania. In 1994 she began her career at Lehman Brothers London in the Corporate Finance team where she worked on marketing and structuring of IPOs and convertible bonds. In 1996 she moved to the Debt Origination team at JP Morgan London to cover Italian banks and local authorities as issuers. From 1998 to 2008 she continued to work at JP Morgan in the fixed income sales & trading department, assuming responsibility for the distribution to Italian institutional clients of fixed income products, plain vanilla and structured, with a specializing in structured credit. Since 2009 she has been managing partner of Studio C&C, providing Family Office and financial advisory services to High Net Worth private clients. From 2016 to 2019 she has been an independent board director at Unipol Gruppo (FTSE MIB listed company).
Current roles:
- Independent Director, Member of the Audit, Risk and Sustainability Committee and Member of the Remuneration and Nominations Committee at Recordati S.p.A. (FTSE MIB listed company);
- Independent Director, President of the Nomination and Corporate Governance Committee at BPER Banca (FTSE MIB listed company).

**Michaela Castelli**
Born in Rome on 7th September 1970; after the degree in Law and a specialization course in financial law, her working experience started in London dealing with Capital Market and then she worked with major legal firms in Italy, dealing with corporate and financial markets law. She worked for Borsa Italiana S.p.A. for 9 years, where she dealt with primary market and assisting, listed issuers on matters concerning extraordinary operations, price sensitive information, compliance and corporate governance. Registered in Milan Bar Association, she gained a significant experience as a member of the Boards of Directors and Supervisory Bodies of major listed and unlisted companies. Author of sector publications and lecturer on various continuous

education courses on corporate and financial marketslaw; she participated in numerous conferences as a speaker.
Current relevant positions:
- Chaiman of ACEA S.p.A. (listed on the Milan Stock Exchange);
- Chairman of Nexi S.p.A. (listed on the Milan Stock Exchange);
- Member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Giorgio De Palma**
Graduated summa cum laude in Nuclear Engineering from Politecnico di Milano. He holds an engineering degree from the École Centrale de Paris.
His career began at Morgan Stanley, where he worked for more than four years in the M&A team.
He joined the Italian team at CVC Capital Partners in 2005, where he became Partner afterwards.
Giorgio De Palma currently holds the following positions: (i) Member of the Board of Directors of CVC Advisers (Italia) S.r.l., Sisal Lottery Italia S.p.A, Sisal S.p.A. and Recordati S.p.A. (listed on the Milan Stock Exchange) and (ii) Sole Director of Donizetti Holdings S.r.l.

**Guido Guidi**
Born on 27th March 1953, he graduated in medicine, cum laude, in 1979 at the University of Milan, with a specialization, at the same university, first in immunology and allergology, achieved in 1984, and then in rheumatology, achieved in 1989.
Medical doctor since 1980, he was Medical Advisor first in Smith Kline & French Italia from 1981 to 1982 and then, from 1983 to 1985 in Roussel UCLAF Italia, then Medical Director from 1986 to 1989 in Sharper Italia (Roussel UCLAF Group).
In Sandoz Italy since 1990, until 1991 as head of the immunology and transplantation area and from 1992 to 2000 as head of the Specialty Products unit.
Since 2000 he has been in charge of the Southern Europe oncology unit at Novartis and from 2002 to 2012 he was head of the Head of Oncology, Europe at the Milan office where he led the marketing of several oncology products and played a key role in several partnership operations as a Novartis Deal Committee member. From December 2012 to February 2017, at the Swiss headquarters in Basel, he was appointed Head of Pharma, Europe, where he leads the marketing of several key products, coordinates operations and supervises a staff of over 7,000 employees working in more than 50 countries, including Russia and Israel.
Meanwhile he attended business courses in Lausanne in 2000 and from 2003 to 2015 in Boston (USA) at Harvard University.
Throughout his career, he has also been Chairman of the Board of Directors of Novartis Italy, Novartis Spain, Novartis Nordics and Novartis UK, he was a member of the Novartis Pharma Executive Committee (PEC) and Chairman of the Novartis European Executive Committee (EEC) as well as a member of the Novartis Portfolio Management Board, R&D Oncology and Pharma and the EFPIA Executive Committee. He was awarded the Novartis CEO Excellence Award in 2006 and the Novartis CEO Talent Development Award in 2008.
Currently senior advisor at Boston Consulting Group and he holds the positions of:
- founder and chairman of the Board of Directors of AuroraTT S.r.l.;
- member of the Board of Directors of Aurora Science S.r.l.;
- member of the Board of Directors of Philogen S.p.A. (listed on the Milan Stock Exchange);
- member of the Board of Directors of Genenta Science S.r.l. (Nasdaq listed company);
- member of the Board of Directors and SAB member of Zambon S.p.A.;
- SAB member and consultant of Italfarmaco S.p.A.;
- vice President of the Board of Directors of Recordati S.p.A. (FTSE MIB listed company);
- Chairman of Cellestia Biotech AG.

**Joanna Le Couilliard**
Joanna Le Couilliard has 25 years' healthcare management experience gained in Europe, the United States and Asia.
Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the U.S. vaccines business and Asia Pacific Pharmaceuticals business and led a program to modernise the commercial model.
She was previously Chief Operating Officer at the BMI group of private hospitals in the U.K. She was Non-Executive Director at Frimley Park NHS Foundation Trust in the UK and at the Duke NUS Medical School in Singapore and Cello Health PLC, listed on the London Stock Exchange.
She is a graduate of Cambridge University and a Chartered Accountant.
She is currently a Non-Executive Director at Indivior PLC, Alliance Pharma PLC and Circassia Group PLC, all listed on the London Stock Exchange.

**Giampiero Mazza**
Giampiero Mazza graduated summa cum laude from Rice University (Houston, Texas, USA) with a degree in Economics in 1991 and he completed a Master in Business Administration at the Harvard Business School (Boston, Massachusetts, USA) in 1996.
He started his career as business strategy Advisor in Bain & Company (Dallas, Texas, USA). He joined James D. Wolfensohn Inc (New York, NY, USA), a firm specialized in M&A transactions. From 2005 to 2010 he was Partner in BC Partners (London, UK), a private equity firm.
In 2010 he joined CVC Capital Partners, a private equity fund, where he currently is Managing Partner and CEO of the Milan office CVC Advisers (Italia) S.r.l., responsible for the Italian business.
Giampiero Mazza also holds the following positions: (i) member of the board of directors of CVC Advisers (Italia) S.r.l., Sisal S.p.A., Sisal Lottery Italia S.p.A., Mooney S.p.A., Mooney Servizi S.p.A., Mooney Group S.p.A., Recordati S.p.A. (listed on the Milan Stock Exchange), Multiversity S.r.l., Pegaso Management S.r.l., Università Telematica Pegaso S.p.A., Università Telematica Pegaso S.r.l., Paganini BidCo S.p.A., Multiversity S.p.A., Wversity S.p.A., Bip S.p.A., Bach HoldCo S.p.A., Bach MidCo S.p.A., Bach BidCo S.p.A. and (ii) Sole Director of Akoa Place S.r.l.

**Piergiorgio Peluso**
Diploma in humanities, degree in 'Economics and Social Sciences (D.E.S.)' from Università Commerciale L. Bocconi, with a specialization in Finance, obtained in 1992, and an experience in Arthur Andersen, he joined Mediobanca S.p.A. in the Participations and Special Affairs Service, dealing with mergers, acquisitions and financial restructuring.
In 1998 he worked at Credit Suisse First Boston in London on mergers, acquisitions and capital market transactions in the financial institutions (banking and insurance) and utilities area.
In 2002 he joined Medio Credito Centrale S.p.A. (Capitalia Group), as Central Director of the Advisory Area, and subsequently assumed direct responsibility for the Corporate Division of the

Capitalia Group with the title of Central Director and member of the Executive Committee of the banking group. During the years of his management, he was actively involved in the Capitalia Group's recovery plan. In 2007, following the merger between Capitalia S.p.A. and UniCredit Group S.p.A., he was confirmed as Head of Investment Banking in Italy and, subsequently, Managing Director of the corporate bank of the UniCredit Group (UniCredit Corporate Banking S.p.A.) and Head for Italy of the Corporate & Investment Banking Division of the banking group.
From 2011 to September 2012, he was General Manager of Fondiaria-SAI S.p.A., working on the relaunch plan of the insurance group and the subsequent integration with the Unipol group. From September 2012 to June 2019, he was Telecom Italia's CFO, with responsibilities of various kinds in the areas of: planning and control, transformation office, purchasing, real estate and logistics, finance and investments, accounting and financial, tax, mergers and acquisitions and risk management; participation in road shows and meetings with investors; regular attendance in Telecom Italia's Board of Directors and the Internal Control Committee.
During his career, he has also held the position of Director in several companies, including Banco di Sicilia S.p.A., Edison S.p.A., Gemina S.p.A., Aeroporti di Roma S.p.A., Milano Assicurazioni S.p.A., Fondazione Telecom Italia, Telecom Italia Media S.p.A. and Telecom Argentina S.A. (Argentina).
Since January 2020 he holds the position of member of the Board of Directors of Sacertis S.r.l., a start- up that deals with the monitoring of infrastructures and diagnosticsfor risk assessment.
He is a member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Cathrin Petty**
Cathrin Petty holds a Master of Arts in Natural Sciences from New Hall, Cambridge University and a post-graduate Diploma in Management Studies from the Judge Institute, Cambridge.
She started her career at Schroders and Schroder Ventures. She has been partner at APAX Partners, and prior to moving to CVC Capital Partners, she was Head of Healthcare EMEA with JP Morgan Chase & Co.
Currently, she serves as Managing Partner and Head of Healthcare at CVC Capital Partners, where she joined in July 2016.
Cathrin is currently member of the Board of Directors in the following companies: Theramex HQ UK Limited (significantly-sized company), Rayner, System C Holdings Limited, Graphnet Health Limited (significantly-sized company), Sebia and Recordati S.p.A. (listed on the Milan Stock Exchange).

**Fritz Squindo**
Fritz Squindo graduated 'cum laude' in Economics at the Bocconi University in Milan, Italy. He started his career in 1981 in Telettra S.p.A., a telecommunications company within the Fiat Group, where he was employed in the finance department. In 1986 he joined Sanofi S.p.A., the Italian subsidiary of the French pharmaceutical group Sanofi, where he was first Head of Finance and, as from 1990, Head of Management Accounting.
In 1992 he joined Recordati S.p.A. as Head of the Management Accounting department.
In 1995 he was appointed Chief Financial Officer and as from 2008 to 31st October 2019 also Managing Director.
Since November 2019 he is appointed Group General Manager.
Since 2013 Mr. Squindo is a member of the Board of Directors of Recordati S.p.A.

**Kim Stratton**
Kim Stratton has 30+ years experience in Biopharmaceuticals as CEO, C-Suite and Non-Executive Director and has held a variety of senior commercial leadership roles at both Global and country level, combined with experience in Global External & Public Affairs, HSE and Compliance & Diversity across developed and emerging markets.
Kim Stratton is recognised for her strong track record leading turnaround & business transformations and integrations in the rare diseases, specialty and primary care businesses.
She is currently (i) Non-Executive Director and member of Nomination and Remuneration Committee and Innovation committees for Novozymes A/S (listed company), a leading biotech in industrial enzymes, proteins and microorganisms, (ii) Non-Executive Director and member of the Audit and Innovation Committees for Vifor AG (listed company), a global specialty pharma leader in nephrology, cardio-renal and iron deficiency therapies, (iii) Chief Executive Officer of Centogene N.V. (Nasdaq listed company) and member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange).

## Members of the Board of Statutory Auditors

### Effective Auditors

**Antonio Santi**
Graduated in Business Administration - University of Rome 'La Sapienza', with a PhD in Business Administration at University of Rome 'Roma 3'.
Registered with the Register of Italian Corporate and Tax Affairs Experts (*Albo dei Dottori Commercialisti*) and with the Register of Certified Auditors (*Registro dei Revisori Contabili*).
He carries out advisory activities with regards to the appraisal of companies and branches, - of both the public and private sector - economic and financial feasibility studies and restructuring plans.
During his professional experience he has developed consistent expertise in accounting control and supervision activities carried out by company control subjects.
He is member of the Board of Directors of Enav S.p.A. – listed company (where he carries out the role of president of the CRPC Committee and member of the CRN) and member of the Board of Directors of Adue Consulting S.r.l.
He is member of the Board of Statutory Auditors of companies operating in different sectors: he is the sole member of the Board of Statutory Auditors of Acea Liquidation and Litigation S.r.l; Chairman of the Board of Statutory Auditors of F.A.I. Service S. COOP. and of the CQS Holding S.r.l. group companies in liquidation.
He is also Chari of the Board of Statutory Auditors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Livia Amidani Aliberti**
Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds a Post Graduate Diploma from FT-Pearson (UK). She has completed the INSEAD International Corporate Directors programme. She holds status of authorised Person by BCE, (FCA- Financial Conduct Authority – until 2021)- she is a Dottore Commercialista (Chartered Accountant) and a member of the Reflection Group of NedCommunity on Internal Controls and Risk Management. With almost twenty years of consulting and research in corporate governance, she is also engaged in gender diversity research, area where she authored several publications on gender diversity and directors.

Livia Amidani Aliberti occupies the following positions, as corporate director, in other companies:
- Unicredit Bank Austria A.G., part of the Unicredit Group: independent director, chair of the strategy and nomination committee and the remuneration committee;
- Cassa Depositi e Prestiti: independent director, RPT member;
- Messaggerie Italiane S.p.A.: independent director;
- Centre for European social research, ltd. by guarantee - UK – director;
- AgriCult Ltd by guarantee, UK director.

**Ezio Simonelli**
Ezio Simonelli graduated in Economics at University of Perugia (Italy) on 1980 (Grade: 110/110 cum laude). On 1982 he has been registered Italian qualified Chartered Accountant and Tax Adviser (District of Milan) and on 1995 Italian qualified Chartered Statutory Auditor.
On 1997: Journalist and Publicist.
On 2013 he has been Appointed Honorary Consul of Canada in Milan by the Government of Canada, admitted by a decision issued on 06.03.2013 by the Ministry of Foreign Affairs.
Ezio Simonelli is currently a Managing Partner of Studio Legale Tributario Simonelli Associati, with offices in Milan and more than 20 professionals.
Previous Work Experience: Member of the Board of Directors of Banca Nazionale dell'agricoltura and Interbanca; Member of the Supervisory Board of Banca Popolare di Milano SCARL; Chairman of Statutory Auditors of UBS Italia, ING Group Italia, Dexia Crediop, Alba Leasing, Mediolanum, Cremonini, Meridiana, Arexpo and Lega Nazionale Professionisti Serie A e Serie B; Member of the Statutory Auditors of Cerved, Banca Akros, Abaxbank, Montetitoli, E-Mid.
As Author or Co-author of the following books:
- 'L'impresa e il nuovo testo unico delle imposte dirette' (IPSOA Editore 1988);
- 'L'attuazione della IV direttiva CEE' (Giuffré Editore 1992);
- 'Oneri deducibili' (Giuffré Editore 1993);
- 'Il revisore contabile' (Editore Il Sole 24 Ore 1996);
- 'Tassazione dell'utile e politiche fiscali sui dividendi' (Maggioli Editore 1997);
- 'Finanza straordinaria d'impresa' (Editore Il Sole 24 Ore 1999);
- 'Economia e gestione della banca' (Editore Mc Grow-Hill 2010).

Holding positions as Chairman or member of Supervisory Boards pursuant to Legislative Decree 231/01 in the following companies:
- AGC BIO S.p.A. (Chairman of the Supervisory Board);
- LA VILLATA S.p.A. (Esselunga) (Chairman of the Supervisory Board);
- Aprilia Racing S.r.l. (Member of the Supervisory Board);
- Diasorin S.p.A. (Chairman of the Supervisory Board);
- Fondazione Milano Cortina 2026 (Chairman of the Supervisory Board).

List of Administration and Control offices held by Mr Simonelli in other companies:

**Chairman of Statutory Auditors:**
- Chairman of Statutory Auditors of Aprilia Racing S.r.l.;
- Chairman of Statutory Auditors of ATEX S.p.A.;
- Chairman of Statutory Auditors of Branchini Associati S.p.A.;
- Chairman of Statutory Auditors of Intraco S.p.A.;
- Chairman of Statutory Auditors of La Villata S.p.A.;
- Chairman of Statutory Auditors of Mediaset Italia S.p.A.;
- Chairman of Statutory Auditors of Sisal Entertainment S.p.A.;
- Chairman of Statutory Auditors of Sisal S.p.A.;
- Chairman of Statutory Auditors of Sisal Lottery S.p.A.;
- Chairman of Statutory Auditors of Vortice S.p.A.

**Member of the Board of Statutory Auditors:**
- Member of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. (listed on the Milan Stock Exchange);
- Member of Statutory Auditors of Different S.p.A.;
- Member of Statutory Auditors of F2I SGR S.p.A.;
- Member of Statutory Auditors of Mondadori Scienza S.p.A.;
- Member of Statutory Auditors of Phs Group S.p.A.;
- Member of Statutory Auditors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Member of the Board of Directors:**
- Member of Board of Directors of Fondazione BPM;
- Member of Board of Directors of Sintesy Pharma S.r.l.;
- Member of Board of Directors of Plusadvance S.r.l.

**Sole Director:**
- Sole Director of Gosen S.r.l.;
- Sole Director of Gosen Immobiliare S.r.l.;
- Sole Director of Immobiliare San Sebastiano S.p.A.;
- Sole Director of UBK S.r.l.;
- Sole Director of Wings of Hermes S.r.l.

**Liquidator** of National Professional Football League.

**Chairman of Auditors' committee** of Fondazione Altagamma.

## Alternate Auditors

**Patrizia Paleologo Oriundi**
Born in Milan on January 24th 1957, she is a 1980 Business Administration graduate of Università Commerciale L. Bocconi. She is a member of the Milan Association of Certified Public Accountants since 1983 and a financial auditor since 1995.
She has been built up her career working for renowned law firm specialized in tax regulation, becoming an expert in consulting for multinational and for non-commercial companies, tax litigations, in addition to legal and administrative control of companies, foundations and associations. She also deals with real estate and insurance companies.
She has 30-years of experience as legal controller and member of the Supervising Body established by Legislative Decree no. 231/01.
Foreign Languages: English, Spanish and French.
She occupies the following management and supervisory positions in other companies:
- Chairman of Auditors' committee of Associazione dei Componenti degli Organismi di Vigilanza ex D. Lgs. 231/2001;
- Chairman of Auditors' committee of Valore D - Donne al vertice per l'azienda di domani';
- Statutory Auditor of Centervue S.p.A.;
- Sole Statutory Auditor of Cushman & Wakefield AS Italy S.R.L.
- Sole Auditor of Blend Management S.R.L.
- Chairman of Auditors' committee of Consorzio Universitario per l'ingegneria nelle assicurazioni (CINEAS);
- Auditor of Fondazione Giannino Grillo;
- Chairman of the Board of Statutory Auditors of Helvetia Vita S.p.A.;
- Chairman of the Board of Statutory Auditors of Helvetia Italia Assicurazioni S.p.A.;
- Shareholder Director of Quisi snc di Patrizia Paleologo & C.;
- Vice Chairman of the Board of Directors of Fondazione Biscozzi Rimbaud;

- Chairman of the Board of Statutory Auditors of Virgin Active Italia S.p.A.;
- Statutory Auditor of Falck Renewables S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of LU-VE S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of ICIM S.p.A.;
- Alternate Auditor of Recordati S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of Siolo Nuova S.p.A.;
- Alternate Auditor of Silver Fir Capital SGR S.p.A.;
- Statutory Auditor of Ford Credit Italia S.p.A.

**Andrea Balelli**

Graduated cum laude in Economics at La Sapienza University of Rome in 2000. Business Advisor, Certified Public Accountant and Auditor.

He started his professional experience at PricewaterHouseCoopers. He subsequently worked at the Government Printing Office and Mint and Capitalia Service Jv in Rome.

He then moved to Milan working for Archon Group (Goldman Sachs Group) as Vice President of the Corporate Accounting Team.

He is now top management advisor for both public and private companies on strategic, organizational and financial aspects such as M&A advisory (including mergers, acquisitions, spinoffs, liquidations, fairness opinions); corporate valuations; strategic plans; business and debt restructuring; performance measurement and control systems; organizational models pursuant to legislative decree 231 of 2001.

He is member of the Board of Directors and the Board of Statutory Auditors for companies operating in various sectors.

He occupies management and supervisory positions in the following companies:

- Sole Director of Fedaia Spv S.r.l.;
- Sole Director of Gardenia Spv S.r.l.;
- Sole Director of Italian Credit Recycle S.r.l.;
- Sole Director of Restart Spv S.r.l.;
- Sole Director of Rienza Spv S.r.l.;
- Sole Director of Re Vesta S.r.l.;
- Director of Leviticus ReoCo S.r.l.;
- Director of Malfante 2009 S.r.l.;
- Director of Ferroli S.p.A.;
- Chairman of the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (Company listed on the Milan Stock Exchange);
- Chairman of the Board of Statutory Auditors of Wellcomm Engineering S.p.A.;
- Chairman of Supervisory Body ex D.Lgs 231/2001 of Salvatore Ferragamo S.p.A. (Company listed on the Milan Stock Exchange);
- Statutory Auditor AdR Infrastrutture S.p.A.;
- Statutory Auditor Airport Cleaning S.r.l.;
- Statutory Auditor Autostrade Tech S.p.A.;
- Statutory Auditor Danesi Caffè S.p.A.;
- Statutory Auditor Hotel Cristallo S.p.A.;
- Statutory Auditor of Infoblu S.p.A.;
- Statutory Auditor of Infomobility S.r.l.;
- Statutory Auditor of Leonardo Energia Scarl;
- Statutory Auditor of Pillarstone Italy S.p.A.;
- Statutory Auditor of Pillarstone Italy Holding S.p.A.;
- Statutory Auditor of PS Reti S.p.A.;
- Statutory Auditor of Sirti S.p.A.;
- Statutory Auditor of Tangenziale di Napoli S.p.A.;
- Alternate Auditor of Recordati S.p.A. (listed on the Milan Stock Exchange).

This publication contains the Consolidated Financial Statements together with Management Report, the Consolidated Non-Financial Statement as well as the Corporate Governance Report, which are also available - for the Consolidated Financial Statements in ESEF format too - on the Company's website www.recordati.com and can also be viewed on the authorized storage system 1Info (www.1Info.it).

This document in PDF format does not meet the obligation arising from the ESEF (European Single Electronic Format) Regulation.

This document contains forward-looking statements relating to future events and future operating, economic and financial results of the Recordati group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may therefore differ materially from those forecast as a result of a variety of reasons, most of which are beyond the Recordati group's control.

The information on the pharmaceutical specialties and other products of the Recordati group contained in this document is intended solely as information on the Recordati group's activities and therefore, as such, it is not intended as medical scientific indication or recommendation, nor as advertising.

This is an English courtesy translation of the original documentation prepared in Italian language.

iStock images are included for illustrative purposes only.

PRODUCED BY
Recordati S.p.A.

CONCEPT AND GRAPHIC DESIGN BY
Graphicamente srl

PHOTOGRAPHY
Archivio Recordati
Riccardo Sarri
iStock

PRINTED BY
Optima

RECORDATI
Industria Chimica e Farmaceutica S.p.A.

**HEADQUARTER**
Via Matteo Civitali,1 - 20148 Milano, Italy
Ph +39 02 48 787.1 - Fax +39 02 40 073 747
www.recordati.com