

**SUSTAINABILITY** REPORT  
2016-2017



GEDEON RICHTER



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Dear Partner, Dear Employee, Dear Reader,

In 2010, Richter's management decided to choose a new business model in response to the increasing challenges of the pharmaceutical industry. In line with the 'Speciality Pharma' model, Richter's business is characterised by high added value along the entire value chain, i.e. in R&D, production and marketing alike. Our long-term strategy is based on organic growth along with case-by-case acquisitions especially in gynaecology. Today, Richter boasts one of the broadest gynaecological product lines in the world. At the same time, it has managed to preserve its century-old original research focusing on disorders of the central nervous system and has also created a biosimilar development and production capacity in order to meet the constantly growing needs for the treatment of oncological and immunological diseases.



Despite our strategic change, our mission remains the same: as an independent company based in Hungary, we are committed to providing global services to improve health and the quality of life. I am convinced that our business model based on a broad range of gynaecological products and the successful launch of original and biosimilar drugs can ensure sustainable success for Richter in the future. I am proud that last year the European Commission granted marketing authorisation for the first biosimilar product developed by our Company, which offers advanced therapy for the treatment of osteoporosis. On the other hand, our broad-spectrum antipsychotic drug invented by Richter's researchers and developed together with our strategic partner in the US was also made available during the relevant reporting period.

The three elements of sustainability – social, environmental and economic – are interdependent. We cannot succeed in the long run without taking responsibility for our environment and our society, as we cannot achieve economic success without doing our best to protect our society and our environment. Some of the value created this way can be recycled into the business, while in addition, responsible business conduct provides wider social benefits, since healthy people and communities are essential to building strong, sustainable societies. One of the best examples for this is our Health City program that has been running for 10 years now, which provided the community with a wide range of benefits through taking individual responsibility and strengthening health-conscious behaviour.

In 2016, Richter placed its sustainability principles on a new foundation, identifying the areas and criteria through which our Company can enforce the principles of social responsibility in the long term in all areas of its operations. Our sustainability policy is published as an appendix to our annual report. We are committed to pursuing our business in the spirit of effectiveness and transparency. We also seek to ensure that our business strategy reflects our responsibility for society and sustainability, thereby creating value for all our stakeholders.

Gábor Orbán  
Chief Executive Officer

Our Company draws up a Sustainability Report every two years on its economic, environmental and social performance. Our sixth report on sustainability applies to the 2016-2017 calendar years. Prior to that, we issued a report in 2016, reporting on the events and developments of the years 2014-2015. In our latest report, we switched to the G4 version of the GRI, which focuses on the main stakeholders and the key elements of operation. In this year's report, we switched over to compliance with GRI Standards. The previous relevance analysis was based on research conducted by KPMG Hungary on behalf of

Richter. This concerned the essential elements of Richter's stakeholders in Hungary and the company's activities in Hungary (all organizational units).

When making this report, we carried out an examination and validation of the relevance of material issues at the Group level. The analysis was carried out by independent experts of Alternate, involving Richter's 17 sites (subsidiaries, representative offices and sales partners) with the following respondents:

Gedeon Richter Plc (manufacturer)	Hungary, Budapest
Richter-Themis Medicare (India) Private Ltd. (manufacturer)	India, Vapi
Gedeon Richter Polska Sp. z o.o. (manufacturer)	Poland, Grodzisk
Richter-Helm BioLogics GmbH & Co KG (manufacturer)	Germany, Bovenau
ZAO Gedeon Richter RUS CJSC (manufacturer)	Russia, Jegoryevsk
Gedeon Richter Romania S.A. (manufacturer)	Romania, Târgu Mureş
PregLem SA (development)	Switzerland, Genf
Representative Office in Kazakhstan	Kazakhstan, Almaty
Russian main representative office	Russia, Moscow
Ukrainian representative office	Ukraine, Kiev
Vietnamese representative office	Vietnam, Hanoi
Gedeon Richter Marketing ČR s.r.o. (sales)	Czech Republic, Prague
Gedeon Richter France S.A.S. (sales)	France, Paris
Gedeon Richter Pharmaceutical (China) Co. Ltd. (sales)	China, Shanghai
Gedeon Richter Mexico, S.A.P.I. de C.V. (sales)	Mexico, Mexico City
Gedeon Richter Pharma GmbH (sales)	Germany, Cologne
Gedeon Richter Ibérica S.A. (sales)	Spain, Barcelona

By involving international partners, we examined the extent to which material issues are similar to or different from the key issues previously identified, and based on this, we put together the Group's material sustainability issues, which are also described in our report. Material issues were determined in the following steps:

- identifying relevant issues based on national and international benchmarks, GRI

standards and industry guidelines (a total of 44 topics);

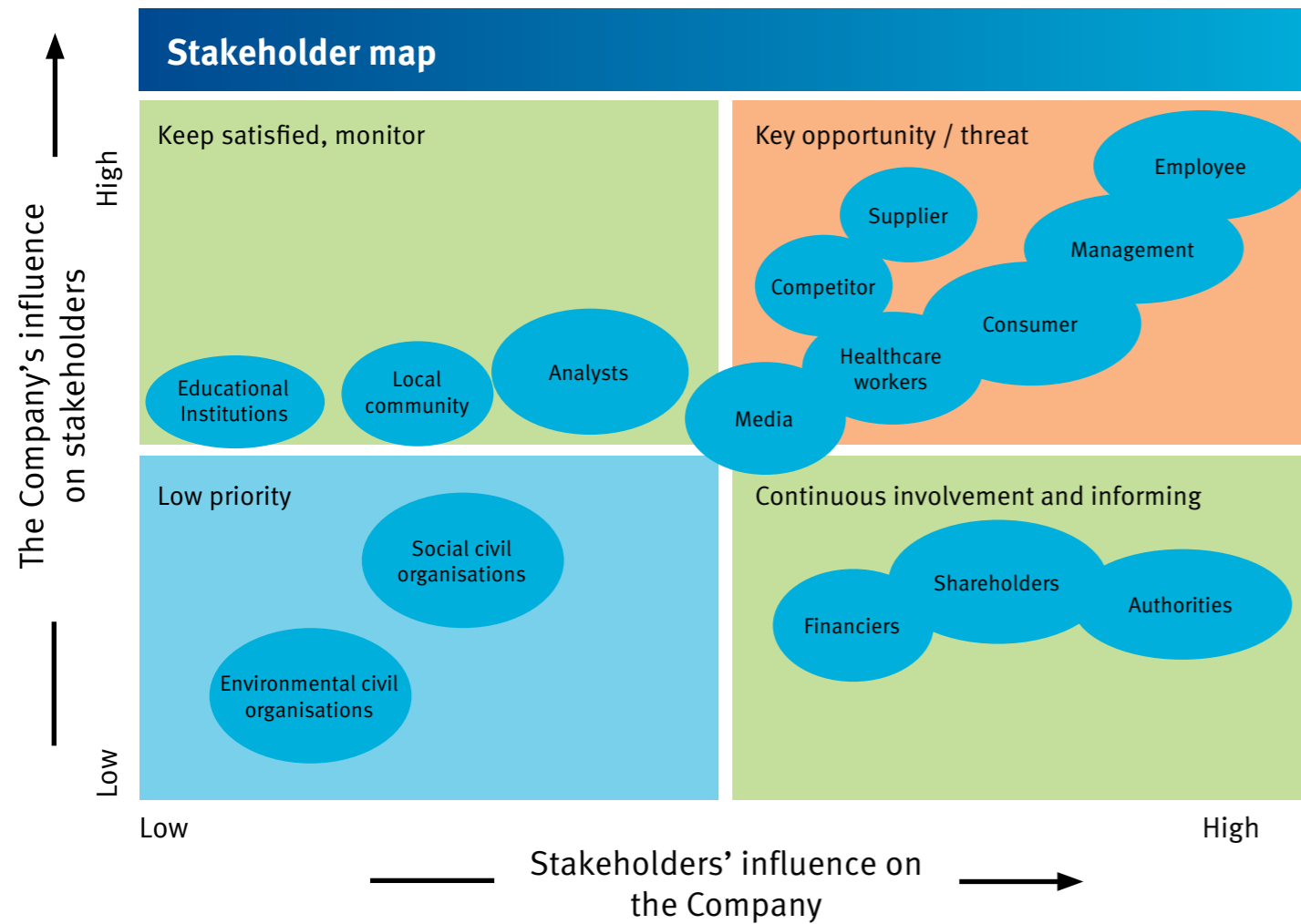
- we analysed the range of communication channels and tools for informing and involving stakeholders by affected groups;
- we ranked relevant issues based on the impact and expectations of local companies (based on available stakeholder information).

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

- Who are influenced by the Company's business?
- Who influence the Company's business?

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

Based on the survey, we created the Group's current stakeholder map shown below:



The size of the circles indicates the level of interest of the person concerned in the responsible and sustainable business of Gedeon Richter, which we also summarise in a table:

High level of interest	Medium level of interest	Low level of interest
<ul style="list-style-type: none"> <li>• Authorities</li> <li>• Employees</li> <li>• Consumers</li> <li>• Management</li> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Financiers</li> <li>• Media</li> <li>• Healthcare workers</li> <li>• Analysts</li> </ul>	<ul style="list-style-type: none"> <li>• Educational institutions</li> <li>• Environmental civil organisations</li> <li>• Social civil organisations</li> <li>• Local communities</li> <li>• Competitors</li> <li>• Suppliers</li> </ul>

In the analysis, we found that the respondent companies have some kind of practice in place for involving and informing all critical stakeholders: suppliers, healthcare workers, financiers, consumers, authorities, industry analysts, the local community, media, employees, environmental and social non-profit organizations, educational institutions and owners. (See details in the Chapter "Corporate Governance / Communication in practice".) The information gathered in the survey was therefore suitable for prioritizing relevant issues from the point of view of stakeholders as well. During conducting the survey, seven "key issues" were identified, as well as five substantive cases and four additional priority cases. We also provide information on the subsidiaries in connection with major safety and environmental issues. At the same time, we have not yet developed a Group-wide data collection and reporting procedure for the other topics, which will be done in the next few years.

Our Polish, Russian and Romanian manufacturing subsidiaries produce finished products. Our Indian company manufactures intermediates and active substances.

We consider the production of intermediates and active substances to have a significant impact on our environment, while the environmental impact of finished products is relatively low. There is no production activity at our Swiss subsidiary (PregLem). Our representative offices, commercial and wholesale companies and several other businesses in which we have an interest, which support the Richter Group by providing services, are only touched upon in our report when they are relevant for a particular (material) issue. The published information is based on documented measurements, calculations, official announcements and records.

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

As in previous years, you can find the pdf version of our sustainability report on the website of Richter Gedeon Plc: [www.richter.hu](http://www.richter.hu) If you have any questions or comments on our report, you can send them to [posta@richter.hu](mailto:posta@richter.hu).



Material issue	GRI Standard	Chapter	Page	Direct impact on external stakeholders
<b>Key material issues</b>				
Responsible corporate governance, ethical conduct, legal compliance (including anticorruption and risk management)	102-18; 102-16 102-12	Corporate Governance	13-18. 19.; 19.; 36-37.	shareholders, consumers, partners, authorities
Qualifications and talent of employees, training and development	404-2	Quality healthcare; Our human resources	34-35.; 50-51.	consumers
Product quality and product safety, safety of consumers	416-1	Health and safety of consumers	39-40.	consumers
Employee satisfaction, loyalty and commitment; benefits Employer brand	401-1	Our human resources	46-47.	consumers, shareholders
Use of hazardous chemical substances, Environmental effects	301-1; 301-2; 301-3; 303-1; 303-3; 305-1; 305-2; 306-1; 306-2	Environmental responsibility	58-65. 72-78.	local communities (only relevant for factories)
Product quality and product portfolio, Research and development	102-2	Quality healthcare	10.	consumers, shareholders, partners
<b>Material issues</b>				
Transparency and reporting	102-50-56	Corporate governance/ Communication	5-7.	shareholders, consumers, partners, media, industrial analysts
Pharmacovigilance	416-1	Quality healthcare	39-40.	consumers
Equal opportunity and diversity	405-1	Corporate governance and Human resources	14-17.	
Responsible marketing	416-1; 417-3	Corporate governance and Human resources	39-40. 25.	consumers, shareholders
Data Protection		Corporate governance	23-24.	consumers, partners, suppliers, authorities
<b>Additional key issues</b>				
Responsible procurement	102-9	The health and safety of our customers/ Suppliers	39.	partners, suppliers, consumers
The health and safety of employees	403-2	Health and safety	66-71.	
Prevention, screening programmes, healthy lifestyle and society, women's health	413-1	Health and safety of our customers	40-43.; 53-55.	consumers, the wider society
Incentives for science and innovation, Educational partnerships	413-1	Quality healthcare and Human resources	40-43.; 53-55.	consumers, shareholders, partners, education





With its headquarters in Budapest, Gedeon Richter Plc is a global, specialised pharmaceutical company that builds on innovation. Established in 1901, the Company's core activities – production and sale of pharmaceutical products as well as research and development – are supported by several subsidiaries, joint ventures and associated companies. The parent company and all these other companies make up the Richter Group. The combined performance of the Richter Group is more than the aggregate results of the individual companies. Its vertically integrated operation is reflected in R&D, pharmaceutical manufacturing, wholesale and retail trading, as well as in marketing.

The total headcount for the Group was 12,369 at the end of 2017, a 4 percent increase year on year. The Richter Group's sales revenue in 2017 amounted to HUF 444,356 million (EUR 1,437 million), which represents a 14% increase (15% in EUR) year on year.

Our production subsidiaries operating in our traditional markets and the development and continuous expansion of our own specialised marketing network provide the basis for the Group's multinational character. Richter conducts sales activities on five continents and is directly present in more than forty countries. It has five subsidiaries and joint ventures engaged in manufac-

turing, as well as 29 representative offices and 40 trading and wholesale companies in addition to its manufacturing sites in Hungary.

Richter has a widely known brand name and a well-established sales network in Hungary, Central Eastern Europe and the Baltic states. The Company has also built up its own marketing network in Western Europe, China and Latin America, especially for selling its gynaecological products. Acting under strategic partnership contracts and long-term supply agreements, Richter supplies products to its partners in the United States.

Additionally, Richter has several holdings that support the Richter Group's activities by providing services.

### Members of the Richter Group

#### Production and development subsidiaries and joint ventures

India, Vapi – Richter-Themis Medicare (India) Private Ltd.

Poland, Grodzisk – Gedeon Richter Polska Sp. z o.o.

Germany, Bovenau – Richter-Helm BioLogics GmbH & Co KG

Russia, Yegoryevsk – ZAO Gedeon Richter RUS CJSC

Romania, Târgu Mureş: Gedeon Richter Romania S.A.

#### Representative offices

Azerbaijan, Baku

Belarus, Minsk

Bulgaria, Sofia

Estonia, Tallin

Georgia, Tbilisi,

India, Mumbai

Kazakhstan, Almaty

Kyrgyzstan, Bishkek

Latvia, Marupe

Lithuania, Vilnius

Moldova, Chişinău

Mongolia, Ulan Bator

Russia, Khabarovsk

Russia, Irkutsk

Russia, Yekaterinburg

Russia, Kazan

Russia, Krasnodar

Russia, Moscow

Russia, Novosibirsk

Russia, Saint Petersburg

Russia, Volgograd

Armenia, Yerevan

Serbia, Belgrade

Tajikistan, Dushanbe

Turkmenistan, Ashgabat

Ukraine, Kiev

Uzbekistan, Tashkent

Vietnam, Hanoi

Vietnam, Ho Chi Minh City

#### Sales and marketing companies

Armenia, Yerevan – SP 000 Richter-Lambron, SP 000 Gedeon Richter Apteyka

Australia, Belrose – Gedeon Richter Australia

Austria, Vienna – Gedeon Richter Austria GmbH

Belgium, Diegem – Gedeon Richter Benelux SPRL

Bolivia, Santa Cruz – Gedeon Richter Bolivia S.R.L.

Brasília, Sao Paulo – Gedeon Richter Do Brazil

Im portadora, Exportadora E Distribuidora S. A.

Chile, Santiago – Gedeon Richter (Chile) Ltda.

China, Shanghai – Gedeon Richter Pharmaceutical (China) Co. Ltd

China, Hong Kong – GRmed Company Ltd

Columbia, Bogota – Gedeon Richter Columbia S.A.S.

Croatia, Zagreb – Gedeon Richter Croatia d.o.o.

Curacao – Mediplus N.V.

Czech Republic, Prague – Gedeon Richter Marketing ČR s.r.o.

Ecuador, Quito – Gedeon Richter Ecuador SA London – Gedeon Richter UK Ltd.

France, Paris Gedeon Richter France S.A.S.

Germany, Cologne – Gedeon Richter Pharma GmbH

Germany, Hamburg – Richter-Helm Biotec GmbH & Co. KG  
 Ireland, Dublin – Gedeon Richter Ireland  
 Italy, Milan – Gedeon Richter Italia s.r.l.  
 Jamaica, Kingston – Medimpex West Indies/Jamaica Ltd  
 Kazakhstan, Almaty – Gedeon Richter KZ TOO  
 Mexico, Tlalnepantla – Gedeon Richter Mexico, S.A.P.I. de C.V.  
 Moldova, Chişinău – Richpangalfarma S.R.L., Gedeon Richter Retea Farmaceutica S.R.L.  
 Peru, Lima – Gedeon Richter Peru S.A.C.  
 Poland, Warsaw – Gedeon Richter Polska Sp. z o.o.  
 Portugal, Lisbon – Gedeon Richter Portugal, Unipessoal LDA  
 Romania, Koronka – Gedeon Richter Farmacia S.A., SC Pharmapharm Romania S.A.

Russia, Moscow – OOO Farmarichter  
 Slovakia, Bratislava – Gedeon Richter Slovakia, s.r.o.  
 Slovenia, Ljubljana – Gedeon Richter d.o.o.  
 Spain, Barcelona – Gedeon Richter Ibérica S.A.  
 Switzerland, Cham – Gedeon Richter (Schweiz) AG  
 Sweden, Stockholm – Gedeon Richter Nordics AB  
 Ukraine, Kiev – OOO Gedeon Richter Ukrfarm  
 Ukraine, Vishneve – PAT Gedeon Richter UA  
 United States of America, Ridgewood – Gedeon Richter USA Inc.



**The Company's operation**

**In keeping with the standards of ethical business conduct and in compliance with the statutory and authority requirements, our Company follows the Responsible Corporate governance guidelines of the Budapest Stock Exchange.**

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

**General Meeting**

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

In 2016, the Company held its regular Annual General Meeting on 26 April 2016, and on 26 April 2017 in 2017. In both 2016 and 2017, the Company's general meeting was, subject to prior registration, open to representatives of the media.

**Board of Directors**

The Board of Directors is the supreme decision-making body of the Company, with the exception of matters that are the direct responsibility of the shareholders. The Board of Directors conducts its activities in accordance with the company's Statutes, the resolutions of the General Meeting and the latest applicable laws and regulations.

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

regulations and the Code of Ethics. Members of the Board of Directors are elected by the General Meeting for a maximum of five years at a time. The majority of the Board members are not employed by the Company. In the Company's opinion, the independent members of the Board of Directors may not have any economic or other financial relationship with the Company and their duty is to express an independent opinion at the Board meetings and assess its decisions impartially. The Chairperson of the Board of Directors is elected by the Board members from among the members of the Board.

#### Members of the Board of Directors:

- William de Gelsey
  - Chairman of the Board (until 31 December 2016)
  - Board member (until 26 April 2017)
  - Honorary Chairman for Life of the Board of Directors (as of 1 January 2017)
- Erik Bogsch
  - Chairman of the Board (as of 1 January 2017)
  - Chief Executive Officer (until 31 October 2017)
- János Csák
- Dr Gábor Gulácsi
- Dr Ilona Hardy (as of 26 April 2017)
- Dr László Kovács (until 26 April 2017)
- Csaba Lantos
- Gábor Orbán (as of 26 April 2017)
- Christopher William Long (until 31 December 2017)
- Dr Gábor Perjés
- Dr Csaba Polacsek (until 11 January 2016)
- Dr Norbert Szivek (as of 26 April 2016)
- Prof. Dr Szilveszter E. Vizi
- Dr Kriszta Zolnay

The Board of Directors meets once a month and reviews the Company's business activity based on an agreed work schedule. To ensure efficiency in its work, the Board of Directors discusses the issues on the agenda after reading the preparatory briefings sent to them in advance and listening to the invited managers responsible for each area. The Board of Directors acts and passes resolutions as a committee. Minutes are taken of the meetings of the Board of Directors and its resolutions are documented. The Board of Directors met on twelve (12) occasions in the 2016 business year, with an average attendance rate of 89.19%, and on eleven (11) occasions in the 2017 business year, with an average attendance rate of 87.59%.

#### Subcommittees

Two subcommittees operate within the Board of Directors, each with at least three members. The **Corporate Governance and Nomination Subcommittee**, taking prevailing needs into consideration, makes a recommendation to the Board of Directors regarding the appropriate number and the duties

of its members. The subcommittee also determines the requirements for becoming a member of the Board of Directors, assesses the suitability of possible candidates, reviews the qualifications and professional credentials of the candidates, and monitors the corporate governance principles and makes recommendations for any necessary amendments. The Corporate Governance and Nomination Subcommittee consists solely of independent Board members.

The Corporate Governance and Nomination Subcommittee met on two (2) occasions in the 2016 business year, with an average attendance rate of 83.33%, and on four (4) occasions in the 2017 business year, with an average attendance rate of 100%.

The **Remuneration Subcommittee** makes recommendations for the annual and long-term targets of the elected officers. The Subcommittee is also responsible for drawing up a proposal for the compensation of the Chief Executive Officer. The Company believes it is essential for the effective operation of the Remuneration Subcommittee that a member of the Board with direct experience in the operative business of the Company be involved in its work.

The Remuneration Subcommittee met on two (2) occasions in the 2016 business year, with an average attendance rate of 100%, and on four (4) occasions in the 2017 business year, with an average attendance rate of 100%.

#### Supervisory Board

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

In accordance with applicable law, the Supervisory Board meets regularly in accordance with its rules of procedure to discuss topics specified in its work plan; it also acts whenever required by the Company's operational activities. The Supervisory Board submits a proposal to the Board of Directors, discusses the Company's strategy, financial results, investment policy and internal audit and control systems. During its meetings, the Supervisory Board receives regular and sufficiently detailed information on the management of the Company, and its Chairman is entitled to participate in the meetings of the Board of Directors in an advisory capacity.

#### Members of the Supervisory Board

- Dr Attila Chikán
- Dr Jonathán Róbert Bedros
- Mrs Tamás Méhész
- Dr Éva Kozsda Kovács
- Mrs Klára Csikós Kovács

The Supervisory Board met on nine (9) occasions in the 2016 business year, with an average attendance rate of 95.55%, and on nine (9) occasions in the 2017 business year, with an average attendance rate of 100%.



### Audit Committee

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

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

### Members of the Audit Committee:

- Dr Attila Chikán
- Dr Jonathán Róbert Bedros
- Mrs Tamás Méhész

The Auditing Committee met on two (2) occasions in the 2016 business year, with an average attendance rate of 100%, and on three (3) occasions in the 2017 business year, with an average attendance rate of 100%. In the 2017 business year, the Audit Committee also met and made resolutions on a total of eight (8) occasions without a meeting.

### The Executive Board

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

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

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

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

### Members of the Management:

- Erik Bogsch, Chief Executive Officer (until 31 October 2017), Executive Chairman responsible for trade, international and government relations (as of 1 November 2017)
- Gábor Orbán, Strategic Director (from 5 September 2016 to 31 December 2016); General Deputy CEO (from 1 January 2017 to 31 October 2017); Chief Executive Officer (as of 1 November 2017)
- Dr Gábor Gulácsi, Deputy CEO for Finance
- Tibor Horváth, Director of Commerce (as of 1 August 2017)
- Lajos Kovács, Chief Technical Officer
- András Radó, Deputy CEO for Production and Logistics
- Dr István Greiner, Research Director
- Dr György Thaler, Chief Development Officer

### Conflict of interest and independence

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

### Presentation of the diversity policy applied to members of executive bodies

Taking into account the relevant legal provisions and meeting the expectations of the international industry, the Company takes into account the criteria relevant to the nomination and selection of the members of executive bodies. In addition to the appropriately high level of professional qualifications and competence, the Company takes into account practical and business experience, achievements and personal leadership competencies when appointing the members of the Board of Directors, the Supervisory Board and the Audit Committee, as well as when selecting the members of the Executive Board. At the same time, the Company considers professional and personal reputation to be a key value and, in order to ensure diversity, it also bears in mind the expectation for a gradual increase in the participation rate of women. In 2017, the Company's 11-member (eleven) Board of Directors had 2 (two), its 5-member (five) Supervisory Board had 3 (three) and its 3-member (three) Audit Committee had 1 (one) female member. The Company did not have a female member in the Executive Board of 8 (eight) members in 2017. The Company is prepared to take all necessary and feasible measures to increase the proportion of women in executive bodies in the event that specific expectations regarding women's quota are laid down in law. At the same time, the Company considers it important to note that, due to the legal nature of a public limited company, the Company does not have the power to influence the election of members of executive bodies beyond the nomination of candidates for membership in the Board of Directors, the Supervisory Board and the Audit Committee, since their election is the exclusive competence of the General Meeting.

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

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

#### Relationship with the shareholders

The official forms of communication with shareholders are the annual reports and financial statements, as well as the quarterly reports published via the Budapest Stock Exchange and other announcements. In addition, the shareholders are informed about business operations, results and strategy at the Annual General Meeting. The Company also organizes investor road shows at major financial centres in the United States, the United Kingdom and Europe to inform the investment community. Investors can also contact the Company during the year with inquiries and can ask questions and make recommendations to the Company at the General Meeting.

The Company's Investor Relations Department is responsible for coordinating these activities. The Shareholder Relations Office primarily liaises with the small shareholders of the Company. In order to provide effective information, a separate section for investors is devoted to issues relating to shareholders, investors and analysts on the Company's website ([www.richter.hu](http://www.richter.hu)).

#### The Company's disclosure practice

In compliance with the General Terms of Service of the Budapest Stock Exchange and applicable laws, the Company publishes its announcements and its regular and extraordinary notices on the website of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)), on the website of the National Bank of Hungary maintained for capital market disclosures ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)), as well as on the Company's own website ([www.richter.hu](http://www.richter.hu)) and in the Companies Gazette. Invitations to its general meeting, in addition to the above, are also published in the Financial Times. Accordingly, the Company publishes a report every quarter and an annual report following the closure of each business year, and furthermore it issues a notice if it learns of information relating to changes that have occurred or are expected to occur in its

business, which could directly or indirectly influence the value or yield of the securities issued by it, or which is material to market players when making their investment decisions.


#### Ethical issues and discrimination

During 2016, as part of its Global Compliance Programme, the Company revised and updated the Code of Ethics of Gedeon Richter Plc and its affiliated companies ("RICHTER"). The Code of Ethics specifically provides for the conduct expected of its employees by the Company, specifying higher standards for senior employees and guidelines to be followed when communicating within the Company and with business partners. In 2017, the updated Code of Ethics and the manuals of the Global Compliance Programme were localized and implemented at the European subsidiaries of the Company, where employees received comprehensive training on the content of these documents. The Company plans to review and update the compliance manuals again in 2018.


We are committed to complying with the prohibition of any form of discrimination as set out in Hungary's Constitution, known as the Fundamental Law, namely discrimination based on race, colour, gender, language, religion, political or other views, ethnic or social origin, wealth, birth or any other circumstance. Pursuant to Article XVIII of the Hungarian Fundamental Law, our Company condemns and does not use child labour. We do not consider discrimination that clearly derives from the character or nature of work to be negative discrimination (e.g. certain roles may only be filled by women or men).

In every aspect of employment, we judge our employees only in terms of whether or not they have the capabilities necessary to meet the requirements of their job. This is reflected by the fact that 26% of our senior managers are women, and this proportion is over 43% among our middle managers (on 31 December 2017).

Our employment policy complies with Articles III and XII of the Fundamental Law and strongly opposes all forms of forced labour.

In order to ensure a high level of compliance with applicable laws and ethical conduct, GR Ibérica, Richter's Spanish trading subsidiary, strictly adheres to external regulations and Spanish law. 

This is facilitated by a number of internal procedures and regulations. In addition, the Company also participates in several industry initiatives aimed at promoting ethical behaviour across the sector. An external organisation, Farmaindustria, sets standards for ethical behaviour that all companies within the organisation must adhere to. This is especially important because some companies have decided not to join this organisation, therefore, they do not observe these rules and as a result, there are fewer restrictions on their behaviour. The "Code of Good Practice for the Pharmaceutical Industry", compiled by Farmaindustria, contains all rules that pharmaceutical companies are OBLIGED to observe. These rules, among other things, provide guidance on which ethical product a company may or may not support, on the relationship between companies and health professionals, health organisations and patient organizations, as well as on the Transparency Act. In addition, the Ministry of Health specifically provides for the advertising of medicines to the public.

Gedeon Richter's representative office in Vietnam seeks to respond successfully to the challenges of the business environment in which they operate by complying with regulations and enforcing responsible business conduct. 

Our core values and long-term vision are delivered to local workers through a variety of channels, such as formal internal guidelines, workshops, regular training and counselling, and the promotion of teamwork and knowledge sharing. Continuous development of best practices is supported by shared documents and internal platforms.

In addition to the compulsory trainings required by law, newly enrolled managers receive general training on compliance, covering topics such as laws, regulations, decision-making, administrative procedures and terminology. Regular training courses are also offered in other related areas, such as the development of a risk mitigation action plan and the maintenance of control readiness.

Employees working at the representative office rely not only on corporate guidelines and the requirements of local authorities, but they also seek to extend the best practices of good pharmaceutical covigilance and record-keeping practices to all possible areas, such as in-house quality control of all internal translations and documents to be issued. Meanwhile, members are encouraged to strive for excellence and to be proud of their results.

It can be seen that the introduction of the Code of Conduct, Standard Operational Procedures (SOPs), regulations, work orders and the internal training system has not only led to more efficient work, but Richter has also become an attractive employer for many talented young professionals looking for a job that encourages learning, creativity and excellence. In addition, local staff confidently and sincerely express their views when a public discussion of draft legal documents takes place and thus have a positive impact on the local legal environment.

### Stock market presence

Our Company was transformed into a joint-stock company as the first step in the privatisation process in 1990. Richter's registered shares were first listed on the Budapest Stock Exchange on 9 November 1994. In the same year, our Company was the first in the Central and Eastern European region to list its shares on the London SEAQ.

The Company's stock market value followed the trend in its share prices and by the end of 2017, it reached HUF 1,264 billion, having risen by nearly 9 per cent in forint terms in comparison to the figure on 30 December 2016. Expressed in euro, its stock market value on 29 December 2017 was EUR 4.07 billion, having risen by around 10 per cent relative to the EUR 3.75 billion year-end figure of 2016.

### Investor relations

The Company publishes its stock exchange reports containing non-audited data for its shareholders once every quarter, as well as its Annual Report containing primarily audited figures by the date of the Annual General Meeting. The Company holds its Annual General Meeting in Budapest and notifies its

The Company's market capitalisation (HUF bn)



shareholders of this in an announcement at least 30 days prior to the planned date of the meeting. At the General Meeting, the Chief Executive Officer of the Company presents the business report and all directors are present to answer any questions that may arise.

The Company's management, primarily the Chief Executive Officer and the employees responsible for investor relations, regularly update institutional investors with regard to the Company's performance and objectives by holding specialist conferences, business meetings, conference calls and investor roadshows. The representatives of Richter's Investor Relations Department participated in 2 international conferences and 4 investor roadshows in 2016. In addition to this, Richter's management – at its Budapest headquarters – briefed nearly 39 fund managers and stock market analysts on its business activity at 20 business meetings. In 2016, a conference call was held after the publication of every quarterly report. In 2017, the Investor Relations Department participated in 2 international conferences and 4 investor roadshows. In addition to this, Richter's management – at its Budapest headquarters – briefed about 22 fund managers and stock market analysts on its business activity at 17 business meetings. In 2017, a conference call was held after the publication of every quarterly report.

## Conferences in 2016

Concorde	One on One Conference	Budapest	6 April 2016
BAML	Global Healthcare Conference	London	14-15 September 2016

## Conferences in 2017

Concorde	One on One Conference	Budapest	5 April 2017
BAML	Global Healthcare Conference	London	13 September 2017

## Investor roadshows in 2016

London	11-12 February 2016
London	14 April 2016
London	4-5 October 2016
London	24 November 2016

## Investor roadshows in 2017

London	7-9 February 2017
Paris	28 June 2017
London	12 and 14 September 2017
London	16 November 2017

The Company's website ([www.richter.hu](http://www.richter.hu)) provides investors and analysts with detailed information in Hungarian and English on Richter's business activities in a separate section. Additionally, the Investor Relations Department is available for investors throughout the year at the Company's Budapest headquarters. Email: [investor.relations@richter.hu](mailto:investor.relations@richter.hu), phone: +36 1 431 5764.

## Analysts who/which regularly monitored the Company's activity in 2016-2017

## 2016

Bank of America Merrill Lynch	Jamie Clark
Concorde Securities Ltd.	Attila Vágó
Erste Group Bank AG	Vladimíra Urbánková
Goldman Sachs International	Yulia Gerasimova
IPOPEMA Securities S.A.	Michał Bugajski
Jefferies International Ltd.	James Vane-Tempest
J.P. Morgan	Michał Kuzawinski
KBC Securities Hungarian Branch Office	József Puzsár
Raiffeisen Centrobank AG	Oleg Galbur
Pekao Investment Banking S.A.	Naffa Helena
WOOD & Company Financial Services, a.s.	Bram Buring

## 2017

AEGON Befektetési Alapkezelő Zrt.	Naffa Helena
Bank of America Merrill Lynch	Jamie Clark
Concorde Securities Ltd.	Attila Vágó
Erste Group Bank AG	Vladimíra Urbánková
Goldman Sachs International	Yulia Gerasimova
IPOPEMA Securities S.A.	Michał Bugajski
Jefferies International Ltd.	James Vane-Tempest
J.P. Morgan	Michał Kuzawinski
KBC Securities Hungarian Branch Office	Norbert Cinkotai
Raiffeisen Centrobank AG	Oleg Galbur
WOOD & Company Financial Services, a.s.	Bram Buring

## Authorities

Since the laws place tight constraints on the operation of the pharmaceutical industry, our relationship with the authorities that enforce compliance with regulations is a crucial factor of success. Our pricing regime is overseen by the National Health Insurance Fund, while the circumstances of the marketing of our products is supervised by the National Institute of Pharmacy and Nutrition. The authority to monitor the compliance of our business lies with the Ministry of Human Resources, while the owner's rights of the State of Hungary are exercised by the Hungarian National Asset Management Inc, and we are also in contact with the Committee on European Affairs. The sector-specific authorities that our Company liaises with on a regular basis include the National Tax and Customs Administration, the Government Offices, the National Directorate General for Disaster Management at the Ministry of Interior, the Department of Environmental Protection and Nature Conservation at the Pest County Government Office and Water Management Authority of the Győr-Sopron County Disaster Management Directorate. In addition to regular inspections, the authorities often ask us for expert opinion regarding draft legislation affecting the industry.

## Communication in practice

We report on the economic, environmental and social impacts of our activity every two years in our Sustainability Reports prepared on the basis of the GRI (Global Reporting Initiative) guidelines. Medicines are trust-based commodities, which aim to cure patients. The main objective of our communication practice is to maintain this trust, for which the most important tool is transparent communication. We measure the economic, environmental and social impact of our activity by monitoring the results and impacts of individual campaigns and objectives, as well as by conducting research studies. We communicate the results of these through all of the available communication channels primarily to consumer, financial and investor target groups.

The members of the Richter Group employ a wide range of communication channels and tools to inform and engage its stakeholders. The regularity and systematic nature of communications may differ from country to country and subject-matter to subject-matter. In the case of both one-way and two-way communication methods, it is true that Gedeon Richter and its subsidiaries as well as its representative

offices seek to cover and integrate, as efficiently as possible, the key sustainability topics. Although this cannot be said to be complete yet, it does provide the Group with the ability to understand the most important expectations of its stakeholders and incorporate them into their operations to improve their sustainability performance. The table below shows that there is a form of communication and engagement for all stakeholders, mainly in a country-specific structure. The headquarters of the Group is primarily responsible for maintaining contact with owners, financiers and industry analysts.

**Informing and engaging stakeholders**

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

Legend: ■ regularly used ■ occasionally used □ rarely used

Since 25 November 2015 we have had a procedural directive in place regarding the promotion of medicines marketed by Gedeon Richter Plc in Hungary.

At the end of 2016, Richter created its Global Compliance Programme, which includes the Corporate Communications Handbook. This document sets out the rules governing the content and manner of corporate communications, whether official or not, provided by the employees of the Company. The purpose of this manual is to define the general principles applicable to any information shared about Richter with third parties, such as external communications to the public and PR activities, including but not limited to information that the Company is required to make public as a company listed on the stock exchange.

Our communication activity is regulated by the Hungarian Act on the Economical Supply of Medicines, Ministry of Health (EüM) Decree 3/2009 (II.25.) (“Promotion Decree”), Act XLVIII of 2008 (“Advertising Act”) and the Code of Ethics of Medicine Communication amended in 2017.

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





Richter is a medium-sized, vertically integrated multinational European Group. With a history of 117 years, Richter operates production and development subsidiaries in six countries and distributes its products in almost one hundred countries around the world through its own market network. Over 90% of its sales revenue comes from export.

The Richter Group's sales revenue in 2017 amounted to HUF 444,356 million (EUR 1,437 million), which represents a 14% increase (15% in EUR) year on year. Its five largest international markets are: Russia, USA, China, Poland and Germany.

Sales by region (HUF m)

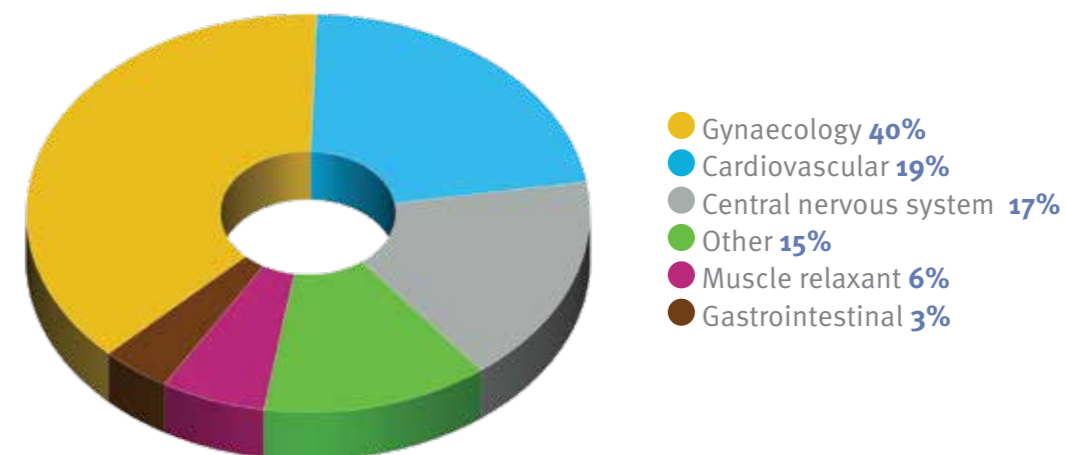
	2015	2016	2017
Hungary	34 976	35 776	36 040
EU	149 596	166 167	190 720
EU12	96 823	107 159	121 745
Poland	21 577	22 220	23 060
Romania	51 096	61 114	75 040
EU15	52 773	59 008	68 975
CIS	122 058	121 736	139 689
Russia	79 786	80 243	95 734
Ukraine	8 293	9 269	10 824
Other CIS countries	33 979	32 224	33 131
USA	18 103	18 813	27 472
China	16 849	21 616	24 004
Latin America	9 057	9 187	9 418
Other countries	14 581	16 395	17 013
<b>Total</b>	<b>365 220</b>	<b>389 690</b>	<b>444 356</b>

Product line

The Company manufactures more than 200 drugs presented in 400 different forms, offering effective, modern and affordable treatment in almost every therapeutic area. One of our key strategic objectives is to further strengthen the gynaecological area as well as research into and development of original products for the treatment of central nervous system (CNS) diseases.

Sales of gynaecology, cardiovascular and CNS products accounted for 76% of the sales in the pharmaceutical manufacturing segment in 2017.

Products by therapeutic area (2017)



Leading products (2017)

PRODUCT	ACTIVE SUBSTANCE	THERAPEUTIC AREA
Oral contraceptives	hormones	gynaecology, oral contraceptive
CAVINTON	vinpocetine	central nervous system, nootropic
ESMYA	ulipristal acetate	gynaecology, uterine fibroids
MYDETON	tolperisone	muscle relaxant
PANANGIN	asparaginates	cardiovascular, cardiology
VRAYLAR	cariprazine	central nervous system, antipsychotic
VEROSPIRON	spironolactone	cardiovascular, diuretic
BEMFOLA	follitropin alfa	gynaecology, fertility
LISOPRESS	lisinopril	cardiovascular, antihypertensive
GROPRINOSIN	inosine pranobex	antiviral

Ownership structure

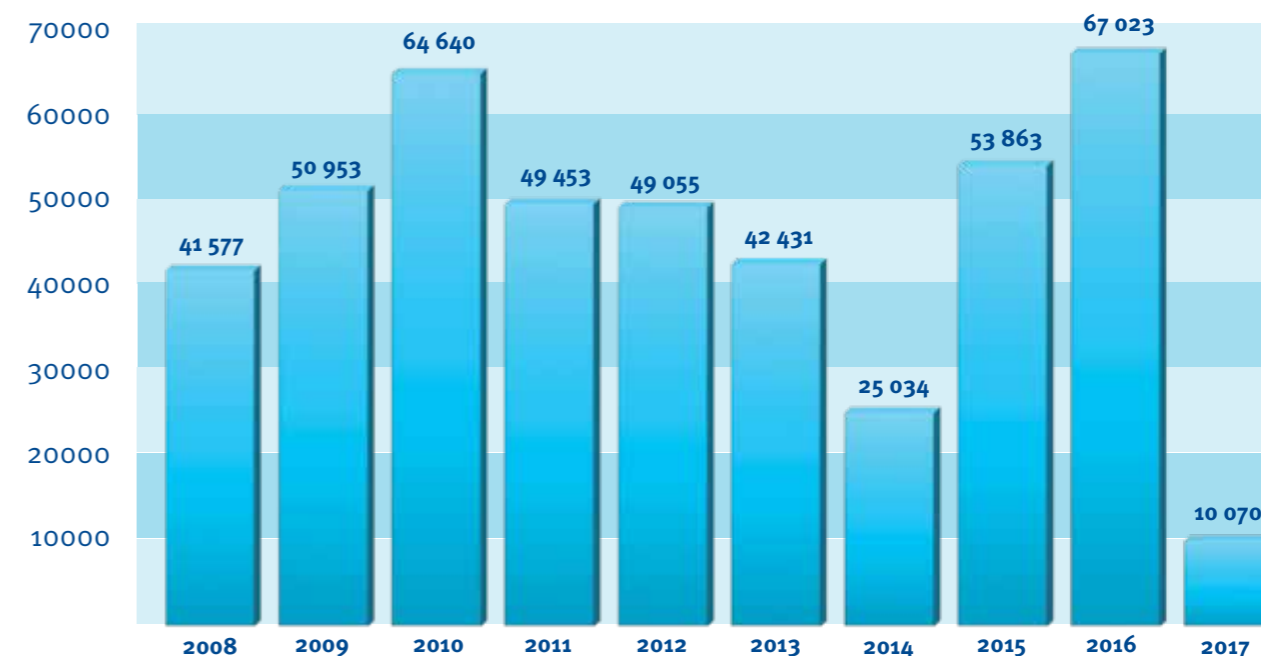
Around 25 percent of the shares continue to be owned by the Hungarian National Asset Management Inc. The share of domestic investors dropped slightly to 7 percent, and the proportion of foreign investors was 68 per cent.

	31 December 2017	
	ordinary shares (pcs)	subscribed capital (%)
Domestic owners	60 272 583	32.34
the Hungarian State in total	47 051 794	25.25
owned by MNV Zrt	47 051 668	25.25
owned by local governments	126	0.00
Institutional investors	6 150 262	3.30
Private investors	7 070 527	3.79
Foreign owners	126 025 320	67.61
Institutional investors	125 223 994	67.18
owned by Aberdeen Asset Management Plc	18 243 530	9.79
owned by Black Rock, Inc	9 628 286	5.17
owned by Harding Loevner LP	9 367 925	5.03
Private investors	801 326	0.43
Own shares	66 183	0.04
Unknown ownership	10 774	0.01
Subscribed capital	186 374 860	100.00

Key financial data

	2015	2016	2017
Total sales revenue (HUF m)	365 220	389 690	444 356
Operating profit/loss (HUF m)	66 682	54 616	20 711
Profit after tax (HUF m)	53 863	67 023	10 070
Earnings per share (EPS, HUF)	291	356	48

Profit after tax (HUF m)



Dividend per ordinary shares (HUF)



Comment: in line with the decimation of the face value of the shares on July 2013

## OUR BUSINESS RESULTS

### Contribution to the national economy

Our Company pursues research and development activities in Hungary and has the highest research and development expenditure among domestic manufacturers. We are a major payer of tax and social insurance contributions and our high volume of investments contributes to the growth of Hungary's national economy. With HUF 96 billion in 2017, our Company's contribution to the national economy is substantial.

### Richter's contribution to the national economy (HUF bn)

	2013	2014	2015	2016	2017
Investment	24.4	34.8	28.3	32.2	24.9
R&D	40.0	42.2	34.6	34.5	39.2
Taxes, contributions	23.9	24.0	25.3	25.9	26.9
Dividend (MNV Zrt)	3.1	2.7	1.6	3.4	5.0
Total	91.4	103.7	89.8	96.0	96.0



**Richter seeks to serve the goals of public healthcare by offering innovative products and, by doing so, help improve the quality of human life.**

### Research and development

In order to maintain the Company's growth and high level of profitability, Gedeon Richter's strategic objective is to further increase the share of its business that represents high added value. To this end, we are shifting the focus of sales from generic products – the market that has developed unfavourably in recent years due to constant price cuts and increasingly fierce competition – to innovative products. To achieve this objective, we focus our research and development activity on three main areas: small molecule original drug research in connection with central nervous system diseases, the development of biosimilars using a biotechnology platform, and the clinical development of original products for the treatment of gynaecological diseases. The successful market launch of innovative products has led to further expansion in the Company's export business, and more and more people are receiving the most advanced therapies worldwide.

### Cariprazine and related products

The acceptance of our application for marketing authorisation of the cariprazine molecule in 2015 by the United States Food and Drug Administration (FDA) for the treatment of schizophrenia and bipolar disorder was a major milestone for both our small molecule original research and the Hun-

garian pharmaceutical industry as a whole. The product's success story continued in 2017 when, on the proposal of the European Medicines Agency, the European Commission granted marketing authorisation for schizophrenia to the territory of the EU. In order to expand the medical uses of cariprazine, we also conducted clinical trials using the molecule with patients displaying depressive disorders, of which the clinical trials studying bipolar depression were particularly successful in 2017. Besides cariprazine, we have 10 projects with new compounds underway, two of which are human phase I trials, while the others are still in the preclinical stage of research.

In 2011, when drawing up its original small molecule R&D strategy to 2020, the Company considerably refined its focus with regard to the targeted therapeutic indications. Our research efforts focus primarily on the areas of cognitive disorders, obesity and autism. Our aim is to meet the significant medical and social needs in these therapeutic areas by developing new small molecule drugs. Significant progress has been made in the preclinical phase in these indications. We have published the results of our basic research activities in prestigious international journals.

In recent years, we have established the scientific and theoretical background necessary for translating the results of animal studies into efficacy







in humans, relying partly on our own funds and partly on grants. We seek to keep the number of animals used for experimental purposes to a minimum. Thanks to our state-of-the-art tests, pioneering cell technologies and modern measuring instruments, the annual rate of animal use in 2017 was 57% lower than in 2010 and 65% lower than in 2004. In 2017, we made a number of scientific advances in order to raise the research facilities to a higher level, primarily by localising technologies that examine the behaviour of animals in their natural environment. In our research, we included potential drug targets that represent a great challenge as well as a significant innovation value. In order to share the high risks inherent in pharmaceutical research projects and to increase professional knowledge, our colleagues have been working together with the Finnish pharmaceutical company Orion Pharma under a partnership agreement since 2013. We have conducted joint research in three projects so far and are currently working on setting up new models and launching new projects. The agreement also extends to the launch of joint clinical trials.

#### Development and production of biotechnology drugs

Biotechnology has played an important role through Richter's more than 110-year history. Initially, in the first half of the last century, biotechnology served medicine through the extraction of biologically active substances produced by living organisms. To this end, Richter has created organo-therapeutic products from hormone extracts taken from various organs. The Company has also quickly introduced the internationally groundbreaking insulin extraction technique to Hungary. Fermentation biotechnology has also been an important part of the Company's business since the 1950s: this technology uses the live reactions of microbes, primarily at various stages of the production of drugs (bioconversion or biosynthetic fermentation), such as vitamin B12 and certain steroid compounds.

More recently, the age of "recombinant biotechnology" has radically changed the development of biotechnology. The discovery of DNS and the research related to it have made it possible for us to enable cell cultures to produce proteins that are completely foreign to them. By knowing the

sequence of the desired protein, creating what is known as genetic structure and then implanting it in the host cell, we can create a modified host cell. In the fermentation stage, these host cells produce the desired protein, to which additional cleaning procedures are applied to reach the required quality. Human insulin was the first recombinant protein, which replaced swine insulin in the 1980s to modernise the treatment of diabetes and make it safer. Since then, numerous recombinant, biologically manufactured therapeutic and other proteins have appeared in the market. These are either used to treat some kind of a deficiency disorder – growth hormone for a low rate of growth, erythropoietin for anaemia, insulin for diabetes, filgrastim for a low neutrophil white blood cell count– or they have a favourable therapeutic effect primarily in oncological (e.g. breast cancer, intestinal cancer, lung cancer, etc.) and autoimmune diseases (joint inflammation, Crohn's disease with intestinal inflammation, psoriasis, etc.).

Producing precise copies of therapeutic proteins, i.e. its generics, is virtually impossible due to the manufacturing technology as well as the size and complex structure of the molecule. Due to the complexity of proteins, not all molecules of original biological products are identical in all features. Since biological products generally have a high value, it is especially true for these products that when patents expire, there is considerable demand for cheaper versions of safe drugs with the same efficacy. This has led to the creation of biologically similar drugs, known as the biosimilar product category, and the opportunity to register such products, which our Company wants to benefit from.

Compared to the therapeutic proteins that were introduced first, the monoclonal antibodies (mAb) used in the treatment of oncological and autoimmune diseases have an exceptionally large molecular size even for proteins: on average, 150

kDa, while for example insulin is 12 kDa, filgrastim is 18.8 kDa, and growth hormone is 20 kDa. This makes the production of biosimilar monoclonal antibodies an even greater challenge.

In 2006, Richter took the decision to develop and produce biosimilar drug molecules using recombinant technology. Thus, in 2007, Richter introduced biosimilar proteins that can be manufactured using microbial and mammalian cells to its R&D portfolio, including certain monoclonal antibodies. Richter-Helm Biologics, a joint venture established with Helm is responsible for bacterial fermentation-based development and manufacturing in Germany. Mammalian cell development takes place in Budapest, and the synthesis and manufacturing of clinical samples for the market is carried out in the Biotechnology Plant in Debrecen. Mammalian cell development has been underway since 2007 at the Budapest site, where the fermentation process developed for small volumes is being scaled up to a maximum volume of 1,000 litres. After this, the 1,000-litre technology is transferred to Debrecen, where it is increased to the final target volume of 5,000 litres (if necessary, the final manufacturing scale might be 1,000 litres).

The development requires enhanced analytical methods, demonstration of biosimilarity by electrophoretic, liquid chromatography, polymerase chain reaction-based methods, as well as about 50 additional studies including cellular biological measurements. A broad-spectrum range of cellular, in vitro data appears to be replacing animal experiments, and after appropriate analytical characterisation, the biochemical molecule may enter the human trial phase. In the case of clinical trials, current regulatory requirements are more similar to those applying to the development of an original product, so in many cases, efficacy and safety should also be demonstrated in a Phase 3 type clinical trial as opposed to small molecule generics for which, in addition to ana-

lytical testing, only bioequivalence tests are required to verify the identity of the originator (the reference product). The regulatory environment for the development of biosimilar antibodies is further reshaped by the authority simultaneously with current developments and the market experience gained so far regarding biosimilar products. At the beginning of 2017, Richter was the first in Europe to receive marketing authorisation for

its biosimilar teriparatide product. Currently, we have another biosimilar product for registration at the European Medicines Agency and we are working on five biosimilar development projects, especially in the area of cancer and immunology.

As a result of our Company's intensive biotechnological development work that started in 2007, we commissioned Central Europe's most modern biotechnology plant in Debrecen in 2012. Several facilities supporting the development and manufacturing of biotechnologically synthesised pharmaceutical products were built here, and more than 250 new jobs were created. The Company's goal is to create a complex and competitive product line that will help expand its domestic and international product portfolios with products representing high added value. In 2016, the Company started to further expand the capacity of the already operational biotechnology unit in order to meet future demand.

**Expansion in gynaecology**

One of the key elements of the Company's growth strategy is the continuous expansion of its gynaecological product portfolio, as well as growth in Western Europe and Latin America. In order to strengthen the gynaecological portfolio, the Company has introduced the development of innovative products in its strategy and decided to step up its efforts to identify new gynaecological indications in addition to the previously predominant contraceptive product line.

The series of acquisitions made by the Richter Group in 2010 represented a crucial step in the implementation of these elements of the strategy. The Company bought the German Grünenthal's oral contraceptive portfolio as well as the Switzerland-based Preglem. While the Grünenthal portfolio provided the foundation for building up a European network of medical representatives and marketing, the acquisition of PregLem provided the Company with an innovative product

for the preoperative treatment of uterine fibroids. Following the release of the marketing authorisation in February 2012, we launched the product in Europe. By the end of 2015, we had introduced the product in over 30 European and CIS countries. In 2013, our Company obtained additional US-wide distribution rights, and the product was launched in several countries after the completion of the registration process.

In addition, we continue to pursue research into medical indications for unmet medical needs in order to expand our product portfolio.

**The human factor**

The pivotal role of innovation in the Company's activity is clearly shown by the fact that Richter invested on average approximately 10% of its consolidated sales revenue, HUF 35.2 billion in 2016 and HUF 39.9 billion in 2017, in research and development. The Company operates the largest R&D centre in Central and Eastern Europe

with a staff of 1,029, including 656 researchers in total, 26.7% of whom have a PhD degree. This significant and highly qualified "grey matter" makes a crucial and notable contribution to the Company's own developments and at the same time, its scientific activity is worthy of recognition (see our text box).

Although the primary task of industrial researchers is not to produce scientific publications, many of Richter's researchers have undertaken a great deal of extra work to present their results in scientific publications. In 2016–2017, our researchers wrote 4 chapters in books published by other authors and published 139 scientific papers, most of them in English, in the most prestigious international journals of their special area. The publications represent all major areas of drug research (medical biology, pharmacology, synthetic and analytical chemistry, pharmaceutical technology). This shows that Richter's research team is also one of the most important domestic scientific communities in the area of drug research as far as publications are concerned.

In the past two years, our innovative discoveries have resulted in 23 Hungarian and international patent applications; the latter ones covering more than eighty countries.

Richter does not rely exclusively on its in-house research team and has broadened its innovation-base by involving Hungarian universities and the academic community. We have educational, scientific and R&D partnerships with the University of Szeged, the Budapest University of Technology and Economics, the University of Pécs and the University of Debrecen. We are currently participating in five ongoing consortium applications in R&D tenders as a partner to universities and academic institutes; the total value of the tender projects exceeds HUF 27.5 billion.

In addition, Richter announces its own tenders, in which academic and university research centres can apply for support for research that could benefit pharmaceutical research and development. For this purpose we spent HUF 1,125 million on 58 applications in total between 2007 and 2017, supporting the research and development activity of six universities, four academic institutions and seven small and medium-sized enterprises.





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

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

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

During manufacturing, we devote particular attention to compliance with the valid technological and quality assurance regulations, as well as with domestic, European and other international laws and requirements. Our manufacturing operations and quality assurance system are regularly inspected by competent Hungarian and foreign authorities. We are very proud that for many years, these inspections have been concluded without any critical observations being made. We operate a comprehensive quality management system based on the requirements of the current GMP guidelines, which includes risk management for the design, development and regulation of all products, devices and processes that may be a source of danger for either patients or the Company.

As we give priority to developing and harmonising the efficiency of the quality assurance system across the entire Company, we monitor the operation of our subsidiaries continuously and seek to develop the most consistent approach and procedures possible.

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

In the long-term IT strategy for quality assurance, our goal was to replace the currently isolated IT developments with a long-term policy to be followed by the organisation, which lays down the basic rules to be followed in advance for the development and operation of IT systems, including the concepts and key needs for resources and investments as well as the responsibility for implementation. The goal is to identify a direction that will ensure that IT potentials are optimally utilised and IT investments are financially affordable and technically feasible, making sure that they can be managed, understood and used in the long term. In developing a digital vision of quality assurance and quality control, we seek to evaluate product parameters automatically and introduce data-based operation, where we can also save human work by optimising, robotising and automating the process.

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

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

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

We only distribute our products through sales partners who have a valid manufacturing and/or wholesale trading licence. We cooperate with domestic manufacturers, wholesalers and other organisations in an effort to prevent counterfeit products – products that could even endanger patients' lives – from being introduced to the market.

#### **Use of packaging materials**

In pharmaceutical manufacturing, packaging materials are clearly differentiated in terms of whether or not they come into direct contact with the product.

A packaging material that comes into direct contact with the product has an effect on its stability; its primary purpose is to preserve the quality parameters of the product throughout its shelf life and protect it from physical, chemical (moisture, light, oxygen, temperature changes etc.) and biological impacts.

It is also important to ensure that the packaging material and the product do not have any physical or chemical interaction with each other, contaminating the product or damaging the properties of the packaging material.

For these reasons, the quality assurance of primary packaging materials is required by law. The suitability of a given packaging material must be supported by stability tests; this ensures protection of the product and the consumer. The officially approved packaging materials are specified in the product's marketing authorisation, and no deviation from this is permitted.

A significant part of the secondary packaging materials is paper-based, the role of which is partly to provide physical protection and partly to provide product information.

We choose the suppliers of primary and secondary container materials (packaging materials) by means of a selective tendering procedure. When procuring packaging materials, we comply with the provisions of Richter's procurement policy, with particular regard to cost-effective and ethical operation. The criteria for choosing suppliers include stability (the stability of the supplier company), quality and competitive price. Our Company assumes the environmental product fee for packaging materials payable by the manufacturer and pays it based on self-assessment.

The production of biosimilars poses a major challenge to our company when it comes to selecting packaging materials. For the purposes of distributing these drugs safely, which have a high value and are far more sensitive than our traditional products, we sought out the most prominent suppliers in this field, who work with the most advanced technology.

The primary packaging materials generated in the manufacturing process are hazardous waste, which our Company is required by law to dispose of. We collect the waste generated by the use of secondary packaging materials – where permitted by law – selectively for the purposes of recycling.

In accordance with the provisions of Directive 2011/62/EU of the European Parliament and of the Council, we are prepared to introduce packaging that incorporates safety features. The full system will be introduced in Europe from February 2019. The essence of the system is that the packaging of prescription drugs for human use must have a unique identifier and a tamper-proof seal to ensure the authenticity and integrity of the drug.

#### Quantitative indicators for the main packaging materials

Name	QTY	2015	2016	2017
Aluminium foil	kg	100 578	107 056	118 270
Ampoules	thou. pcs	143 445	133 542	130 406
Folding carton box	thou. pcs	256 207	183 442	193 290
Metal tube	thou. pcs	6 168	5 642	7 251
Corrugated cardboard products	pcs	1 263 847	1 246 274	127 2847
Infusion bottle	pcs	494 208	732 368	491 816
Glass vial for injection	thou. pcs	24 200	29 935	25 101
PVC	kg	648 613	572 744	608 798
Instructions	thou. pcs	189 971	185 187	191 971

#### Suppliers

Our Company's procurement centre specialised for three functions has not changed since the publication of the previous report, and there has been no change in the procurement practices of each function. (For detailed information, please see our homepage [www.richter.hu](http://www.richter.hu) under the menu item 'CSR/Sourcing'.)

In 2016, we published our Supplier Policy, in which we set out our sourcing principles.

In 2016, we took part in a research project on the CSR activities of domestic companies, in which several of our partners (MEs, SMEs) participated on our proposal. Although for data protection reasons we did not receive direct information about the given companies, we are reassured by the conclusion of the study that the commitment of the selected MEs and SMEs to sustainability is not questionable. (INSPIRA Visionary Research 2016)

#### Pharmacovigilance

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

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

Pharmacovigilance (pharmakon: medicine, vigilare: watch out) is the science of studying side effects. It ensures that when using a product, it is possible to avoid situations where the increased risk is no longer acceptable compared to its usefulness. This is possible by monitoring our products in the market environment all over the world. We ensure that the medicines are used in accordance with the most recent instructions for use and register any unexpected outcomes that might occur in the course of their use.

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

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

Richter has been using a world-class IT system across the region for 10 years now to support the collection, transmission and analysis of information. Using this system, pharmacovigilance specialists can continuously analyse incoming data. This activity is performed in accord with the pharmaceutical

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authorities of the European Union, and the information is mutually shared in compliance with our statutory obligations.

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

Because no medicine is free of side effects, we believe that our activities, aimed at gaining the most precise understanding of the effects of our medicines, protect both our patients and our products. Our Company regards pharmacovigilance as a service, which is also stated in its Pharmacovigilance Policy. We perform this activity subject to quality assurance standards, in accordance with internationally accepted principles of Good Pharmacovigilance Practice. Personal responsibility for pharmacovigilance lies with, and the operation of the system is supervised by, the Qualified Person for Pharmacovigilance. Our ultimate goal is to operate a continuously developing quality assurance system for pharmacovigilance that supports the Company's business goals, while complying with the requirements of the European Union and other domestic authorities as well as the provisions of international guidelines.

By the end of 2013, our Company had created the basis for a well-functioning pharmacovigilance quality assurance system that complies with the European Union regulations for medicinal products.

For the future, we have set the following main general goals to protect public health and effectively support our business goals:

- Ensure consistent, efficient and fast communication both within the Company and with authorities and drug users by the entire Group to guarantee safe use of pharmaceutical products.
- Compliance:
  - o full adoption of the EU's Good Pharmacovigilance Practice Guidelines;
  - o extending risk management activity to the entire product portfolio.
- Inspection readiness:
  - o Identifying the same processes based on the same principles and methods for all subsidiaries and representative offices, which ensures that the quality assurance system is ready for inspection at any moment.
- Elaboration and routine use of efficiency and compliance metrics.

### Social programmes

#### Health for thousands, millions for the hospital

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

Within the framework of the Richter Health City, educating individuals on health awareness and taking responsibility for the local hospital have become a common goal. Those who participate in free screenings, counselling or presentations are not only doing it for themselves, but they contribute to the acquisition of hospital equipment.

For each activity, the participants receive a donation point worth HUF 300, which at the end of the day is



added to the two million Hungarian forints donated by Richter. By the end of 2017, 148,800 participants had collected HUF 296,732,200 in donation in 61 cities.

The hospitals spent the money on purchasing X-ray equipment, respirators, stress electrocardiograph and ultrasound devices, incubators for premature infants and many more.

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

#### Richter for Women

Our Company has several decades of unique experience in gynaecological therapy. Of all the companies marketing gynaecological products in the world, Richter offers one of the largest product ranges. As one of the leading pharmaceutical companies in the market for gynaecological products, we are in the lucky position of having an exceptional insight into the situation of women.

Our state-of-the-art gynaecological products support women's health from adolescence all the way to menopause. However, we believe it is important to increase women's social recognition and do whatever we can for their social and spiritual well-being as part of our social responsibility.

This is why we introduced the **Richter for Women** programme with the following key pillars: The **It's Good to Be a Woman** programme focuses on the fact that women can be happy at every age and stage of life whether it is due to the special attention shown to them by a small, kind gesture or to each of the prominent moments that they experience in their lives connected to womanhood.

The **Fibroid Education Campaign** focuses on the most common benign tumour in gynaecology, uterine fibroids. The aim of Richter's "It's My Choice" campaign is to make people familiar with the symptoms of this disease in order to increase women's health awareness, relying on their willingness to turn to a doctor and, on the other hand, inform women that today there is a modern drug treatment for fibroids. The **Stick to it** programme pays special attention not only to the preservation of women's health but also the mental and social well-being of women through its several social initiatives. This education campaign focuses on two main areas. On the one hand, it highlights the benefits of long-term relationships and their impact on mental and physical health, and on the other, it emphasises the importance of conscious family planning through different channels. To support this, it aims to provide guidance on how to find the best contraceptive method for a particular lifestyle. In 2016-2017, our women-oriented social responsibility activities were primarily characterised by the Richter Golden Mum Award and the Mum Teresa programme. Both programmes were closed successfully in 2017. The impact of our programmes is monitored and analysed based on research. The research results help us further develop our Richter for Women programme.

Although the 21<sup>st</sup> century is often referred to as the century of information, the majority of health problems is still caused by the lack of information on health.



Gedeon Richter Romania facilitates the solution of this problem through health campaigns and a number of health information programmes for all age groups. Gedeon Richter wants to contribute to the development of a responsible, health-conscious society through programmes that allow participants to gain a deeper understanding of certain diseases and disorders as well as the importance of prevention and a healthy lifestyle.

#### Health education programmes:

- Gedeon Richter Romania has also developed a number of information materials in the context of its health education programme called "Capsula Sănătății", which presents important information about the prevention, diagnosis and treatment of various diseases and health conditions (such as back pain, uterine fibroids, osteoporosis, allergies, etc.). The information leaflets highlight the importance of a healthy lifestyle and effective communication between patients and doctors. They are available free of charge at pharmacies, medical consulting rooms and events organised by Gedeon Richter.
- Richter Vita, which is a quarterly magazine available in pharmacies all over the country, publishes articles written by physicians specialising in certain illnesses and health conditions, as well as on a healthy lifestyle.
- The campaign "Uterine Fibroids – Learn About It, Talk About It and Decide", announced in partnership with the Romanian Society of Obstetrics and Gynaecology, provides women with specific information on uterine fibroids, the fertile age and modern treatment options.

In addition, Gedeon Richter Romania organises or supports a number of special health programmes, such as:

- One of the biggest local events of the year is the "Egészségfogatag" (meaning Health Whirl-



wind, or Health Crowd). As part of this festival, we organise numerous cultural and social programmes in Târgu Mureș. The event attracts nearly 80,000 visitors a year. The exclusive partner and organiser of the Festival is Gedeon Richter Romania. Under this programme, participants receive personalised health and dietary recommendations from healthcare specialists and can take part in various medical and screening tests.

- International Day of the Elderly: In this project, which goes back to several years, our Company supports events organised for elderly people, primarily the International Day of the Elderly. The programmes organised at several venues in three counties usually address different health topics. One of the important partners in the project is the Caritas Foundation, which plays a pioneering role in the development of professional social services in Romania.
- Events for disabled people: In 2016 and 2017, Gedeon Richter Romania organised numerous programmes for people living with a disability.

Richter participates twice a year in the "Run for a New Life" initiative in Poland to promote transplantation. The main goals of the charity campaign include raising public awareness and strengthening support for organ transplantation, encouraging people to give their consent to organ donation and promote conscious organ donation.



Thanks to the great goal and the participation of celebrities, the charity event is getting more and more publicity and the number of volunteers is constantly increasing. Our Company participates in the race with two relay teams. Each team consists of 3 runners: a company representative, a celebrity and a person who has received an organ.

In 2017, we launched an information campaign and organised a registration campaign with the DKMS Foundation for potential bone marrow donors. As 11 of our colleagues registered during the campaign, the employees of GR Polska gave a new life to several patients.

Gedeon Richter Polska has been providing financial support to the West Hospital for years to purchase the equipment it needs. We also sponsor a conference for doctors called "Traineeship in Mazovia".

For the first time in Russia, Richter's central representative office in Moscow organised a campaign entitled "Women's Health Week" to focus attention on the importance of women's health, help break down taboos and misconceptions about this topic and, above all, encourage women to attend gynaecological screenings regularly.



The main events of this large-scale educational campaign, which called attention to gynaecological problems via tools like TV advertisements, events and advertisements at public places and a press conference presenting the results public opinion polls, took place in the third week of April. In the first year of the campaign, the majority of the activities were organised in Moscow, but in 2017, they were extended to St. Petersburg and Yekaterinburg. The 2016 campaign focused on uterine fibroids, while in 2017, the main topic was gynaecologist-patient communication.



**By operating as an innovative and knowledge-intensive Group with various CSR programmes, Richter supports the development of its human resources, i.e. its employees and, on the other hand, it promotes the development of human resources in a broader sense by supporting healthcare and education, which represent an additional value for the entire society.**

**By demonstrating responsible and well-considered business conduct, we are committed to playing a role in addressing social issues in accordance with our economic importance. Human resource management plays a key role in this process.**

Our employees are our most important stakeholders. Our human resources form the basis on which our continuous business success, the potential for growth inherent to our scientific, commercial and financial values is built. In order to promote the development of our employees, our Company has developed a human resource strategy to secure our staff's long-term commitment by creating an attractive workplace and passing on a set of traditional values.

We have a wide range of tools at our disposal for finding and recruiting employees whose professional experience, skills and vision of the future will best facilitate Richter's success.

In addition to offering an attractive workplace and creating traditional values, the diverse range of professional and skills development training courses and career paths, the performance evaluation system, the fringe benefits and a wide range of support schemes also help us earn the long-term commitment of our employees. Our Company pays special attention to the evaluation and remuneration of employees who show outstanding performance, and offers stress management programmes and personal counselling to promote the mental health of its staff. All these factors contribute to the retention of key staff, the achievement of a high level of performance and the accomplishment of the objectives pursued. We place great emphasis on employing young people at the start of their career and ensuring a supportive succession process.

### Our values

Our Company attaches paramount importance to nurturing and preserving its written and unwritten values. We regard long-term thinking and commitment as a value, which characterise both our professional and strategic activities and collaboration with our employees. We also consider thoughtfulness, careful decision-making and striving for stability a value.

We are proud of the security that Gedeon Richter provides to its employees. We value professionalism and a high level of expertise, which are ensured by giving priority to the promotion of professional development (education, training). Our Company relies on its internal resources, where possible, and seeks to recruit the next generation of its workforce with the help of its own employees.

We focus on high-level performance and are constantly striving to improve efficiency. One of the important means of achieving common goals at the Company is coordinated teamwork based on good professional and human relationships. As a positive consequence, this leads to the sense of belonging to the Richter community. Social sensitivity is manifested both in corporate social responsibility and in the fringe benefits provided to employees, as well as in various other forms of support.

The well-being of its employees is one of the top priorities for Gedeon Richter Romania. Therefore, we not only expect and support high quality work, but also organise social and health events.



- A good example is the Health Day and Children's Day, which draw the attention of our employees to the importance of regular exercise in developing a healthy lifestyle, why it is important to recognise certain diseases and disorders early, and why our Company pays special attention to the health of its employees.
- In 2016, on Children's Day, we opened the factory gates to the staff's children so they could see where their parents were working.
- As part of the Sports & Gastro programme, Richter offers various sports and gastronomical experiences as well as competitions for its staff and their families.

Our employees also participate in community projects:

- Swimathon collects charity donations for local communities. The programme includes swimming competitions in different cities of the country. In 2017, Gedeon Richter Romania participated in the programme for the fifth time. The project is based on the volunteer work of our employees. The Company's internal communications team organises various events and provides financial support for the charitable purposes that its employees swim for. The event receives significant online publicity on its website and on social media channels.
- Christmas Present: At the end of 2016 and in 2017, our Company launched a "Christmas Present" project with the Caritas Foundation, under which hundreds of gift packages were prepared for children in need. The Company has doubled the donations collected by our colleagues.
- "Let's Collect Together" is a new internal CSR project, launched in 2017, where we set up paper collection points at many of the Company's centres to contribute to the protection of the environment.

Gedeon Richter's representative office in Spain takes social responsibility seriously, considers the involvement of employees as important, and thereby contributes to the well-being of its employees and the maintenance of the Company's reputation.



In 2016-2017, our staff took part in two major social initiatives:

- Day-time assistance: the staff had the possibility to participate in a community help programme at a mother's home with the support of Fundació Raventos.
- Gala iMujer Awards: The primary goal the Premios iMujer (Women's Award) initiative organised by Gedeon Richter Ibérica is to promote women's social recognition. The first prizes were awarded in December 2017. The award recognises outstanding achievements in six different professional areas (innovation, scientific research, health initiative, communication, enterprise, social commitment). The financial support that goes with a particular award is used by the winners to further develop the project for which recognition has been given.

Gedeon Richter Russia participates in a number of community and charity programmes to strengthen the image of corporate citizenship in our brand together with its colleagues.



Such events were the following in 2017:

Annual new year race for local children: children make New Year handicraft products, and the best ones are selected by a jury. In general, more than one hundred small children participate in the competition, and around fifty percent receive some rewards.

- In the New Year's charity programme "We Believe in the New Year", our employees gave gifts to 160 families in need.
- Sandboxes for children in two large parks in Yegorevsky
- "Children for Children" charity event: gala festival with the participation of talented children, where donations collected with the help of the staff are given to children with disabilities.
- The Company participates twice a year in events organised by local authorities: community cleaning days and tree planting.

**Recruitment, labour market situation**

In today's Hungarian labour market situation, finding the right workforce and integrating it with the corporate culture are placing an increasingly great burden on Richter as well as on other actors in the competitive market. The wage competition among employers for workers in sectors with skills shortages and for those with secondary education has been increasing in the last few years. There is also a growing need for flexible employment conditions. It is still obvious that the distance between the knowledge provided by schools and the expectations of employers is increasing.

It has become part of recruitment to draw young people's attention to certain professions during their school years to show the beauty of these special fields, e.g. by providing plant visits and arousing interest in pharmaceutical production.

The challenge is to retain the increasingly mobile workforce and to manage increased staff turnover. In addition to financial incentives, the welfare services and institutions as well as the relaxed workplace atmosphere ensuring continuous development have become more valuable for employees. The potential for learning and development is motivating, but attention needs to be paid to ensuring a proper work-life balance as well.

**Headcount data for the reporting period** (Hungarian data)

At the end of 2017, we had 7,036 employees, including 1,694 people working at our foreign offices. At the end of 2016, we had 6,728 employees, including 1,645 people working at our foreign offices.

Compared to 2016, the increase in headcount is mainly due to a significant increase in the number of employees in Hungary. The main reason for the headcount increase is the increase in the number of workers in the biotechnology area and the employment of former temporary agency workers by the Company. The slight increase in the number of employees at foreign offices also contributed to the change in headcount. The proportion of people with higher education is 78% of white-collar workers in Hungary.

**Changes in headcount data between 2015 and 2017**

	QTY	2015	2016	2017
Ratio of women/men among the staff	%	49/51	49/51	49/51
Staff turnover in % /churn rate)	%	6.5	7.8	7.5
Average age of employees	years	44.5	44.1	44.1
Average time spent at Richter	years	14.1	13.7	13.3
Average number of staff	person	4948	5011	5187
full-time	person	4878	4941	5111
retirees, full-time	person	11	6	4
part-time	person	53	58	69
retirees, part-time	person	6	6	3
Number of staff with an open-term employment contract (at year end)	person	4604	4633	4917
Number of staff with an fixed-term employment contract (at year end)	person	336	450	425

**Details of staff turnover in Hungary (churn rate) between 2015 and 2017**

	QTY	2015	2016	2017
Under 30 years	persons	141	246	249
Between 30-50 years	persons	143	236	353
Over 50 years	persons	16	32	59
Total	persons	300	514	661

	QTY	2015	2016	2017
Under 30 years	%	9.1	11.3	14.2
Between 30-50 years	%	5.9	5.2	6.6
Over 50 years	%	7.2	10.8	6.7
Total	%	6.6	7.8	7.5



The number of Richter employees has been growing dynamically from year after year due to the expansion of the Company's business, thereby increasing employment. We had 120% more new entrants in 2017 than in 2015. The proportion of new entrants over 50 years of age increased from 5% to 9%. Although staff turnover was higher than in 2015, in view of the current labour market situation and the size of the Company, it is still good and is below the Hungarian average.

The Richter Group's consolidated closing headcount at the end of 2017 was 12,378; 86% of the white-collar employees had a higher education degree. The closing headcount at the end of 2016 was 11,892; 85% of the white-collar employees had a higher education degree.

#### Relations with our subsidiaries

At the annual meetings held with the HR managers of our manufacturing subsidiaries, we recommend the latest "Good practices and good solutions" to the participants. In addition to the high level of performance and quality requirements, however, we need to take into account the fact that, due to the different geographic and cultural environment, decisions work differently.

In the training of our employees, we rely on the development of trainings in the given country. Respect for Richter's traditions and loyalty to the Company, however, are instilled regardless of the country.

#### Advocacy

The representation of employees' interests is provided by the VDSZ Pharmaceuticals Trade Union, which is an independent civil society advocacy organisation operating since April 1992. The trade union organisation covers all employees of Richter's Hungarian organisational units. 1,232 of our employees in Budapest and 393 in Dorog are members of the VDSZ Pharmaceuticals Trade Union in Hungary. Cooperation between the trade union and the management has a long history: they conclude the Collective Agreement and agree on wages and other matters that concern employees. A line of communication is maintained constantly with the Work Safety Committee to ensure satisfactory working conditions.

The Pharmaceutical Industry Sub-sectoral Dialogue Committee, the forum where the Pharmaceutical Industry Collective Bargaining Agreement was concluded, has been strengthened.

The activity of the elected Works Council brings a form of employee participation to the workplace that primarily aims to ensure the continuous representation of employees' interests in the Trade Union Committee and other forums, where it participates in the elaboration of the Collective Agreement. Its most important tasks include approval of the allocation of the welfare budget. It functions as an information bridge between the employer and the employees.

The scope of the Collective Agreement extends to employees employed by Gedeon Richter Plc provided that they usually perform their work in Hungary. The scope of the Collective Agreement does not apply to the Chief Executive Officer, nor to senior executives.

#### Labour law practice

Our employees are employed in accordance with the current Labour Code. This is true for both entering and leaving the Company. We strive to act in accordance with legal requirements, also ensuring that our employees receive humane treatment.



#### Benefits

In 2017, we introduced a fringe benefit system that also covers part-time employees. Our Company attaches particular importance to financial self-care as well as to helping employees preserve their health. In order to promote self-care, in addition to the fringe benefits, we contribute to the voluntary pension fund membership fee for our colleagues.

In Budapest, we operate our own swimming pool, gym and sports ground for our employees and their family members. In 2015, we established our own gym in Dorog, which provides sporting opportunities for the workers and their family members. In Debrecen, we provide access to swimming pool services through our contracted partners, and our employees in Debrecen receive a gym pass.

The screening campaigns for different types of diseases every year are used to prevent diseases, identify chronic conditions, and make recommendations for their treatment.

Our Company helps its employees get the most out of their vacation time by maintaining its own holiday facilities. These facilities operate at a level appropriate to today's requirements; their management, the intimate atmosphere and the high standard of services are guaranteed by the staff of Humanco Kft, which is wholly owned by Gedeon Richter Plc. Outside the holiday season, we use these facilities as a venue for basic and advanced training courses to support our employees' professional development, and for conferences to promote the Company's business interests, which also help us achieve significant savings.

We have nursery schools for the children of our employees in Budapest and Dorog. The nursery schools operated by our Company enable us to ensure that during the day children are looked after in peaceful surroundings by well-trained nursery school teachers and nannies providing for their development and education. The nursery schools each have a salt room and a gym; the appropriate environment is assured by well-equipped activity rooms. The nursery schools' opening hours are synchronised with the Company's working hours, which means that the children are also looked after during the summer. The life and accident insurance extended to all employees serves to enhance their personal security and care.

We also provide our staff with low-interest and interest-free company loans, travel allowances and housing opportunities for young career starters. In order to retain talented young people, we have developed a long-term insurance scheme, and we strive to provide the best ones with professional career opportunities and mobility options within the organisation.

**Training and development**

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

For new employees entering Richter, we organise an “onboarding programme”, during which they can get acquainted with Richter’s wide range of activities and corporate culture partly through lectures and partly by visiting the factory and its laboratories. We offer recent graduates an internal training program called “Engineer’s Kindergarten”. The aim is to facilitate integration into the world of work and to learn about Richter’s activities and corporate culture.

We offer a variety of training opportunities to our managers. Managers can choose the most appropriate form of training tailored to their individual development needs. We provide special training for our team leaders as well as our middle and senior managers. Our newly appointed managers are supported by a complex, one-year programme in the process of becoming a leader. In developing our leadership training programmes, the most important criterion is that the key learnings gained in the training courses are integrated into everyday management practice as much as possible.

Training areas	QTY	2015	2016	2017
<b>Formal academic training programmes</b>				
<b>Higher education training programmes</b>				
Basic training programmes (BA, BSc)	persons	44	36	31
Master training programmes (MA, MSc)	persons	17	24	25
Postgraduate specialist training programmes	persons	33	31	31
Doctoral degree (PhD) programmes	persons	8	4	5
Higher education vocational training programmes	persons	3	4	3
<b>Higher education training programmes in total:</b>	persons	105	99	95
<b>Secondary school training programmes (with a school-leaving certificate, technician certificate):</b>	persons	14	15	16
<b>Formal academic training programmes in total:</b>	persons	119	114	111
<b>Programmes outside formal academic training</b>				
Trainings listed in the Hungarian National Qualification Register (“OKJ”)	persons	72	54	138
Other vocational training programmes	persons	16	25	34
Training related to compliance with the law	persons	1 048	785	1 362
Courses (technical, IT, other)	persons	1 052	1 196	926
Language courses	persons	814	849	807
Management training	persons	312	513	261
HR programmes	persons	204	335	383
Domestic conferences	persons	673	691	652
<b>Programmes outside formal academic training in total:</b>	persons	4 191	4 448	4 563

Since the common language at the Richter Group is English, we strongly support the acquisition and development of proficiency in this language. We continue to place great emphasis on the scientific and professional retraining of our employees and on the widespread expansion of IT skills.

We provide many of our colleagues with the opportunity for development by supporting them to participate in domestic and foreign professional conferences and scientific congresses.

We try to organise a significant part of our trainings in an outsourced form with the involvement of recognised experts in the given field. This allows us to make sure that the content of the courses matches Richter’s development needs as much as possible.

Major courses offered at our Company	QTY	2016	2017
Special course in drug technology	persons	22	27
DryLab® 4 User HPLC Courses	persons	10	12
Drug Stress Testing & Stability Prediction Training	persons	20	-
Process Analytical Technology & Data Integrity Training	persons	-	22
LabSolution WS software course for beginners and advanced students	persons	-	30
Empower (Waters) basic and advanced courses	persons	30	23
Fundamentals of statistics for analytical experts	persons	33	-
Fundamentals of LEAN Management	persons	18	2
Training for experts in enhancing internal efficiency	persons	10	-
State-accredited course for construction and materials handling equipment	persons	38	64
State-accredited course for pressure vessel technicians	persons	-	18
Special retraining course for handling hazardous goods (ADR/RID)	persons	106	129

Richter’s representative office in the Czech Republic places great emphasis on the continuous training and development of its staff. This also includes knowledge and skills related to sustainability. Their long-term, sustainable and successful work is based on our Company’s ethical principles.



They believe it is essential for their daily work to provide maximum safety and protection for their clients – both healthcare professionals and patients. To this end, trainings and presentations are regularly organised for employees on the principles of sustainable business, addressing ethical, social and environmental issues.

**Among the most attractive employers**

In 2017, the Randstad Employer Awards were presented in Hungary for the fourth time, recognising the domestic employers that were found the most attractive by employees in a survey. In the pharmaceutical and chemical industry category, our Company was awarded the Randstad prize for excellence as the four-time winner of the Randstad Award. Randstad Employer Brand Research is the world’s largest independent survey of employer brands.

Gedeon Richter's representative office in Russia annually measures employee satisfaction to assess the extent to which our employees are satisfied with their work and the work environment and to identify areas where improvement is needed. In the course of the survey, we study ten areas: career opportunities, salary, management, fringe benefits, performance-based rewards, subcontractors, working conditions, the nature of work, communication, operational processes. Participants receive four questions in each area. The first survey was conducted in 2014.



### Membership in organisations and industry representatives

One of the key ways of representing our interests is to participate in various Hungarian and international organizations. Our role in the National Association of Hungarian Pharmaceutical Manufacturers (MAGYOSZ) and in the Sectoral Dialogue Committee is of paramount importance. This sectoral representation body, established in 1990, brings together companies operating in the pharmaceutical sector, represents and coordinates our common interests, serves as an intermediary between its members, and monitors domestic and international R&D trends and the economic situation. This makes it easier for us, too, to exert our influence in matters relating to regulation, and make our decisions when developing our market strategy. Until 13 May 2016, Erik Bogsch, the then CEO of Gedeon Richter Plc was president of the MAGYOSZ.

### We are members of the following organisations:

- AIPPI Hungary National Group (International Association for the Protection of Intellectual Property)
- Academy Club Association
- Budapest Chamber of Commerce and Industry
- Creditreform Kft
- EOQ European Organisation for Quality, Hungarian National Committee
- Medicines for Europe AISBL (former EGA)
- Medicines for Europe AISBL (former EGA) Biosimilar Medicines Section
- Hajdú-Bihar County Chamber of Commerce and Industry
- Hungarnet Association
- KÖVET Association for Sustainable Economies
- Association of Environmental Protection Service Providers and Manufacturers
- National Association of On-site Firefighters
- Hungarian Biotechnology Association
- Hungarian Hydrological Association
- Hungarian Association for Innovation
- Hungarian Association for the Protection of Industrial Property and Copyright
- Hungarian Association of Chemists
- Hungarian Economics Association
- Business Council for Sustainable Development in Hungary (BDCSH)
- Hungarian Association for Advertisements
- Hungarian Competition Law Association

- Hungarian Trademark Association
- National Association of Hungarian Pharmaceutical Manufacturers (MAGYOSZ)
- Hungarian Association of International Companies
- National Human Resource Policy Association
- Pharmapolis Cluster Kft
- National Association of Entrepreneurs and Employers

### Sponsorship policy and foundations

In addition to its economic importance, the Richter Group is an outstanding player in social life in the countries of Central and Eastern Europe. We feel it is our duty to support our community goals through social programmes as far as we can. We provide these grants primarily through foundations, which – reflecting our activities – operate in two main areas: healthcare and education. Sponsorship for education is broad: we support talented middle and high school students, PhD students, as well as educational institutions and training programmes. We have established and operated separate foundations to recognise the work of outstanding teachers in chemistry and science education (see the list of foundations).

The Gedeon Richter for Hungarian Healthcare Foundation is particularly important among our foundations supporting healthcare. When awarding grants, it is a priority that the support provided:

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

### Support for educational institutions

Supporting educational institutions is one of the pillars of our corporate social responsibility. In our strategy, it is crucial to maintain continuous research and development activities, and we consider the training of future professionals and the support of the education of the next generations to be essential. However, Gedeon Richter provides support for both chemistry and pharmacy specialists and universities of technology, medicine and economics. Our Company also supports the work of researchers and physicians, their continuing education, as well as their activities in healthcare and disease prevention. Since our innovation knowledge is based on careful planning, we support educational institutions through practical opportunities and other benefits. Our Company supports the training of young researchers, chemical engineers and pharmacy students primarily through grant applications and foundations, as well as high-school students with extraordinary talent in chemistry and teachers playing an outstanding role in education.

Our expanding domestic market presence is also evidenced by the development of our reference pharmacy network since 1994, which assesses the needs of patients and provides our customers with information materials with details about our products. Our pharmacists working in our reference pharmacies receive professional training and enrich their knowledge through various meetings and events for the exchange of experiences.

Form of support	Description	Participation
Traineeships	We offer traineeships to secondary school students, college and university undergraduates at our teaching facilities, manufacturing plants and research laboratories.	2015: 271 persons 2016: 256 persons 2017: 306 persons
Support for undergraduate theses and doctoral dissertations	On an individual basis, we occasionally provide on-site research opportunities or external consultants	2015: 52 persons 2016: 39 persons 2017: 44 persons
Factory visits	Organised on demand for vocational schools, universities, Hungarian universities beyond the national borders and foreign students coming from countries of the European Union	2015: 649 persons 2016: 605 persons 2017: 704 persons

Other support is provided via foundations:

Foundation	Form of support
Foundation for Student Researchers	Provides research opportunities to secondary school students.
University foundations	Awards for prize winners at Students' Scientific Associations conferences and for excellent degree work. Grants for young researchers and PhD students.
Richter foundations	
Foundation for Hungarian Chemistry Education	Awards for the teaching work of primary and secondary school chemistry teachers.
Richter Foundation for the Development of Fine Chemistry Operations	Support for the research work of students studying at the Engineering Faculty of the University of Veszprém and their teachers.
Gedeon Richter Plc Centenary Foundation	Support for the PhD studies and short and long-term research of young research scientists and university students.
Richter Gedeon Talentum Foundation	Support for the graduate and postgraduate studies of talented youngsters who, after completing their studies, could become the Hungarian pharmaceutical industry's next generation of successful specialists and researchers. In addition, support for the activities of universities and other educational institutions that train young successful applicants.
Aesculap Foundation	Support for scientific activity, research, training, education, skills development and the dissemination of knowledge at the Faculty of Pharmacy of Semmelweis University, Budapest.
Hungarian Foundation for Education in Natural Sciences	Award for teachers who achieve outstanding results in teaching mathematics, physics, biology and chemistry (Rátz Life Achievement Award).
Bugát-Richter Natural Sciences Foundation	Deepening the scientific knowledge of high school students, helping talented students with outstanding knowledge, supporting high-level competitions and quizzes.

Varga József Foundation	At the Faculty of Chemical Engineering and Biomedical Engineering at Budapest University of Technology and Economics: supporting scientific activities, research, education, skills development, conferences.
ProScola Nostra Foundation	Supporting the talented pupils of the Vilmos Zsigmondy Secondary Grammar and Vocational School in Dorog in their school environment, as well as supporting training and public education, promoting activities and sports for young people in domestic and foreign special camps. Health promotion, skills development, supporting foreign language training, incentives for taking language tests.

Gedeon Richter Romania has been committed to supporting scientific research from the very beginning. In recent years, the Company has been a solid pillar in supporting the work of students showing an outstanding performance in the field of chemistry.



In order to create a tradition, we recognise students and teachers from Marosvásárhely (Târgu Mureş) who win medals at the National Chemistry Olympiad.

- Since 2016, our Company has been supporting the Ştiinţescu programme organised by the Community Foundation of Târgu Mureş, which supports events that raise children's interest in science. The aim of the programme is to provide teachers with the tools to make projects attractive and interesting for students. Another aim of the programme is to encourage charity and create a local community that supports education. In 2016 and 2017, the programme supported 14 projects submitted by different schools.
- Students from the University of Medicine and Pharmacy in Târgu Mureş participate in various projects organised by Gedeon Richter Romania. The best papers based on valuable experimental research are awarded the Richter Special Prize.

Gedeon Richter Romania also supports a scholarship scheme developed by the Medical and Pharmaceutical Division of the Transylvanian Museum Association for PhD students and young lecturers in partnership with Semmelweis University in Budapest.

In 2017, Gedeon Richter celebrated its 60th anniversary of entering the local market in the Czech Republic. On the occasion of the anniversary of our entry into the Czech market, we decided to support the training of doctors and students specialising in psychiatry.



Gedeon Richter founded the Gedeon Richter's 60 fund in partnership with the Charter 77 Foundation. Psychiatrists and students under 40 years of age who specialize in psychiatry receive a scholarship for their traineeship at leading clinics in the European Union.

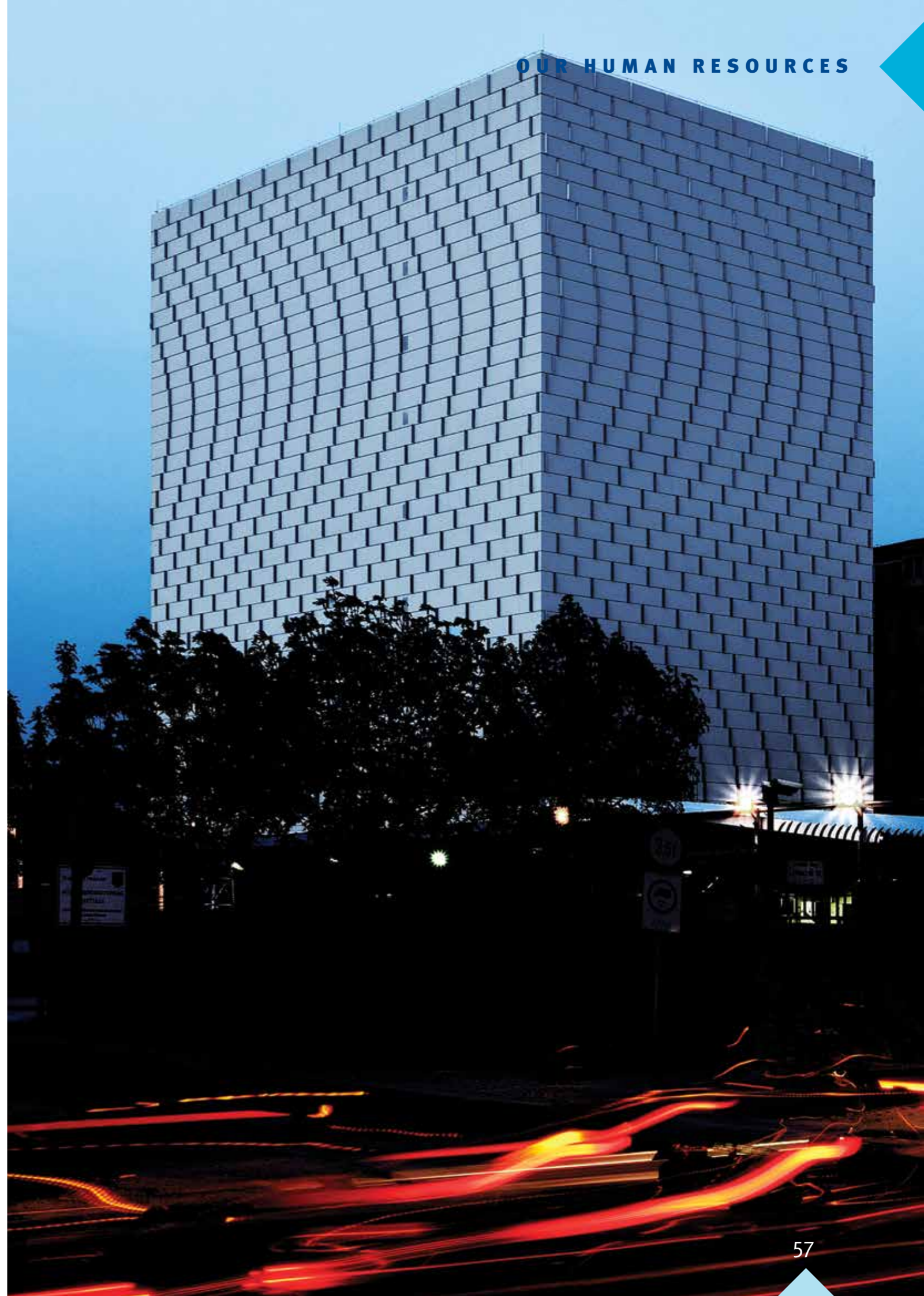
### Foundation for Hungarian Chemistry Education

Gedeon Richter founded the Hungarian Chemistry Education Award in 1999 for teachers of primary, secondary and vocational secondary schools. The prize is aimed primarily at the recognition of chemistry teachers in Hungary, but it is also possible to recommend chemistry teachers teaching in Hungarian in schools beyond the national borders. The Foundation's Board of Trustees selects those teachers for the Award who have been recognised for several years for making the best efforts to raise interest in and a liking for chemistry, and whose students have been successful in domestic and international chemistry inter-school competitions.

In recent years, on the initiative of the Foundation, we have invited a few of the award-winning teachers and their students who have shown interest in chemistry and have developed their knowledge by participating in various competitions to an Extraordinary Chemistry Lesson.

During these lessons, students were able to learn about the process of drug development and research, the high-performance instruments that monitor this work, find out what it takes to become a good researcher, take a look at the spectroscopic instruments at the Structural Research Department, including the 800 MHz NMR spectrometer and its huge superconductor magnet, and also had the chance to talk about the life of researchers with the staff working there.

A few students of the Ecumenical Primary School and Secondary Grammar School in Fót were also selected, and together with Angéla Nagy, their award-winning teacher they were given the opportunity to attend this unusual chemistry class. The teacher summarised her thoughts about the visit as follows: "I am grateful that I, along with my colleague and students, have had the opportunity to gain an insight into the work of a research laboratory at Gedeon Richter. After the visit, my students noted that the science of chemistry has a number of opportunities to offer, and that there is a place for people who want to learn and create. We had an insight into the human world of a huge company and understood the values around which the science of chemistry is organised across the company. The Foundation has given us momentum and new perspectives. We will try to keep alive the FLAME we received, carry it around and pass it on."





**Our company is committed to reducing its environmental impact. To this end, environmental criteria are built into research and development, operational processes and investment decisions. In order to reduce environmental risks, we operate an environmental management system in Hungary and regularly review our energy supply concept to ensure a sustainable and secure energy supply. The fulfilment of environmental requirements is supported by our environmental policy, internal regulations, international standardised and certified management systems (KIR, MEBIR), quality assurance systems, and internal audits. We plan to extend the system to our foreign subsidiaries that produce finished dosage pharmaceutical products only.**

Since our foreign production subsidiaries are located in different regions, on different continents, we encounter a wide range of problems and regulations. Their history and their past and present activities are also different. However, given that the environmental, occupational safety and occupational health tasks ultimately serve the same goals, i.e. promoting sustainability everywhere, we continued to collect the data of individual companies based on the GRI indicators.

#### Environmental protection management

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

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

#### Legal compliance

The competent authorities check the implementation of the provisions of the Integrated Pollution Prevention and Control (IPPC) permit annually, combined with an on-site inspection. The audits revealed only minor objections, and we provided the required answers in due time. There was only one fine imposed in a case with no environmental impact, due to late submission of the required notification.

#### Key environmental targets

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

#### Energy and water consumption

During the operation, maintenance and development of our energy supply systems, we pay particular attention to meeting energy efficiency, operational safety and environmental requirements, and strive to follow the constantly changing legal, technical and economic conditions in the energy sector.

In order to improve energy efficiency, the following comprehensive modernisation programmes will be implemented:

- In line with economic rationality and technical possibilities, steam as a heat transfer

medium will be replaced by hot water.

- As for the transformation and development of cooling systems, our task is to meet the increasingly stringent requirements for coolants that create a greenhouse effect and are highly damaging to the ozone layer. We replace our low-efficiency refrigeration units by increasing the capacity of electric-powered refrigeration systems to meet new cooling needs.
- In order to reduce losses, the size of distribution systems and power lines for the transmission of energy is optimised and the insulation is renewed.
- We develop a metering system for measuring energy quantities to monitor energy processes.
- We improve our building energy indicators with thermal insulation and shielding.
- The amount of fresh water used for cooling is reduced by increasing the proportion of recirculated cooling water.

To improve operational safety, we consider the following to be particularly important:

- Develop reserve capacities to avoid operational problems and reduce the effects of extreme weather conditions.
- Connect energy systems and equipment to a computer monitoring system, which can also be used to select energy efficient modes.
- Maintenance of equipment in accordance with the manufacturer's specifications and best technical practice.

Our endeavours to comply with environmental and other energy laws:

- We are constantly monitoring changes in legislation and act in compliance with the provisions set out in them.
- We regularly measure and check the critical parameters of energy machines and equipment.

**Raw materials use**

The quality and quantity of chemicals and solvents used by our Company are primarily determined by the laws of physics and chemistry that apply to the procedure. A significant part of the materials used is solvent, known as Volatile Organic Compound (VOC), almost half of which is recycled, i.e., channelled back into the reactive processes without treatment or after purification.

Highly dangerous substances are only used as reaction partners in accordance with legal requirements and only when they cannot be substituted by any other materials, or if their alternatives would be even less acceptable in terms of environmental or health protection. In these cases, we create a safe manufacturing environment for the process.

**Air pollution**

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

**Wastewater discharge**

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

In Drog, rainwater, municipal wastewater and

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

The site in Debrecen has a segregated drainage network. Communal and pre-treated technological wastewater is discharged into the industrial park's drainage network and ultimately, into the city's wastewater treatment plant.

Our water discharge has no substantial impact on the natural waters into which it is discharged.

**Waste**

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

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

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

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

Our production sites have been active in the chemical industry for decades, in Budapest for over 100 years. We monitor the current condition of soil and groundwater (contamination dated from the 70s) through a network of monitoring wells that has been expanded several times since



the 1990s. We have isolated the detected soil contaminations and are treating them in accordance with official regulations. Such remediation activities are already underway at the Budapest and Drog sites, while preparations for remediation are in progress at the storage facility in Vecsés. We are operating the equipment continuously, monitor its efficiency and report to the environmental authority on the progress of work as often as necessary.

No significant spills have occurred in recent years. As our production site in Debrecen was a greenfield investment, the quality of groundwater does not require treatment.

**Noise protection**

The noise levels of our sites are in compliance with the regulations. For new investments, we

have requested an acoustic expert opinion to ensure that we can meet the noise emission limits even after the facility has been put into operation. We verify the compliance of specific areas with noise emission requirements by taking control measurements and submit the results to the environmental authority.

**Costs and expenditures**

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

Environmental investments

	GR Romania (RON)			GR RUS (RBL)			GR Polska (PLN)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>Total investment also relevant for environmental protection (direct + Σintegrated)</b>	1 644 900	994 871	1 995 837	22 744 700	32 752 327	11 698 232	1 436 576	101 139	0
Direct investment in environmental protection	0	0	0	13 127 600	365 031	2 128 369	0	2 630	0
air pollution	0	0	0	0	0	0	0	0	0
water pollution	0	0	0	13 127 600	365 031	2 128 369	0	0	0
soil, ground water	0	0	0	0	0	0	0	0	0
hazardous waste	0	0	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0	2 630	0
Integrated investment in environmental protection	1 644 900	994 871	1 995 837	9 617 100	32 387 296	9 569 864	1 436 576	98 509	0
investments relevant for environmental protection	59 400	368 931	146 732	868 500	6 932 785	997 868	27 200	2 955	0

	2015 (M HUF)			2016 (M HUF)			2016 (thou. rupees)			2017 (M HUF)			2017 (thou. upees)			
	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	Budapest	Debrecen	RTML	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	RTML
<b>Total investment also relevant for environmental protection (direct + Σintegrated)</b>	1 544.3	2 193.9	141.8	1 625.1	3 097.5	1.4	1 625.1	3 097.5	1.4	9 118.5	2 054.3	4 991.6	49.0	4 081.5		
Investments relevant for environmental protection (direct + Σintegrated)	247.4	541.8	133.2	321.6	910.3	1.4	321.6	910.3	1.4	7 594.0	199.1	494.3	6.8	2 588.4		
Direct environmental protection investments	51.6	218.8	133.2	143.3	256.2	1.4	143.3	256.2	1.4	7 075.2	98.0	268.6	5.0	0.0		
air pollution	0	11.5	0	0	0.9	0	0	0.9	0	0	0	0	0	0		
water pollution	45.5	171.2	14.5	0	250	0	0	250	0	7 075.2	25.6	138.9	5.0	0		
soil, ground water	2.9	0	0	63.3	0	1.4	63.3	0	1.4	0	28.2	70.1	0	0		
hazardous waste	2.6	0	118.7	70.1	4.8	0	70.1	4.8	0	0	43.2	0	0	0		
other	0.6	36.1	0	9.9	0.5	0	9.9	0.5	0	0	1.0	59.6	0	0		
Integrated environmental protection investments	1 492.7	1 975.1	8.6	1 481.8	2 841.3	0	1 481.8	2 841.3	0	2 043.4	1 956.3	4 723.0	44.0	4 081.5		
investments relevant for environmental protection	195.8	323.0	0.0	178.3	654.1	0	178.3	654.1	0	518.8	101.1	225.7	1.8	2 588.4		

Operating costs of environmental protection:

	2015 (thous. HUF)			2016 (thous. HUF)			2016 (rupees)			2017 (thous. HUF)			2017 (rupees)			
	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	Budapest	Debrecen	RTML	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	RTML
<b>Amounts paid to environmental service providers</b>	0	0	0	0	0	0	0	0	2 215 861	0	0	0	0	0	0	2 684 252
service provided by external labs	0	0	0	0	0	0	0	0	2 215 861	0	0	0	0	0	0	2 684 252
removal and disposal of solid, non-hazardous waste	82 543	3 077	684	57 636	1 691	576	57 636	1 691	576	57 824	1 537	492	57 824	1 537	492	0
disposal of hazardous waste	269 634	487 627	4 049	307 331	460 967	4 503	307 331	460 967	4 503	304 433	542 661	4 338	304 433	542 661	4 338	4 161 564
wastewater removal through the sewage network	489 064	7 943	21 108	501 142	8 678	23 749	501 142	8 678	23 749	456 931	7 619	29 497	456 931	7 619	29 497	4 320 765
<b>Environmental protection expenditures within the organisation</b>	13 453	8 265	410	12 745	7 200	940	12 745	7 200	940	13 400	8 865	47	13 400	8 865	47	0
protection of clean air	13 453	8 265	410	12 745	7 200	940	12 745	7 200	940	13 400	8 865	47	13 400	8 865	47	0
waste water treatment	47 617	343 940	5 180	54 413	348 165	5 206	54 413	348 165	5 206	68 264	385 118	7 809	68 264	385 118	7 809	8 313 268
treatment of solid, non-hazardous waste	16 187	0	712	16 704	0	712	16 704	0	712	16 918	0	712	16 918	0	712	0
treatment of hazardous waste	83 965	0	9 375	85 157	0	9 375	85 157	0	9 375	82 323	0	12 687	82 323	0	12 687	0
protection of subsoil waters and groundwater	29 125	3 170	410	34 844	4 851	345	34 844	4 851	345	70 844	3 381	345	70 844	3 381	345	0
protection against noise and vibration	0	549	0	955	0	0	955	0	0	0	0	0	0	0	0	0
environmental research and development	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
operation of labs	5 901	10 562	0	6 275	8 946	0	6 275	8 946	0	6 663	11 919	0	6 663	11 919	0	250 970
operation of the environmental management system	5 350	0	960	6 671	0	300	6 671	0	300	6 835	0	0	6 835	0	0	0
other	4 603	6 970	410	1 453	697	831	1 453	697	831	3 022	1 310	265	3 022	1 310	265	0
<b>Total</b>	<b>1 047 442</b>	<b>872 103</b>	<b>43 298</b>	<b>1 085 326</b>	<b>841 195</b>	<b>46 537</b>	<b>1 085 326</b>	<b>841 195</b>	<b>46 537</b>	<b>1 087 457</b>	<b>962 410</b>	<b>56 192</b>	<b>1 087 457</b>	<b>962 410</b>	<b>56 192</b>	<b>19 730 819</b>



Operating costs of environmental protection:

	GR Romania (RON)			GR RUS (RBL)			GR Polska (PLN)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>Amounts paid to environmental service providers</b>	308 276	383 092	352 744	4 007 353	3 738 016	4 400 828	336 445	423 786	526 882
Removal and disposal of solid, non-hazardous waste	36 602	114 132	143 345	400 000	278 983	340 000	101 337	121 874	120 469
Disposal of hazardous waste	155 534	140 094	124 570	3 607 353	3 459 033	4 060 828	6 497	8 689	6 389
Removal via a wastewater network	116 140	128 865	84 829	0	0	0	228 611	293 223	400 024
<b>Environmental protection expenditures within the organization</b>	134 703	2 107 657	1 970 643	1 954 642	1 415 017	1 106 526	17 821	22 441	20 976
Protection of clean air	23 125	347 315	1 583 954	0	0	0	11 561	16 459	18 276
Wastewater treatment	111 578	679 334	16 830	1 129 123	1 249 417	991 726	0	0	0
Treatment of solid, non-hazardous waste	0	0	0	162 840	165 600	114 800	0	0	0
Treatment of hazardous waste	0	1 053 883	0	0	0	0	0	0	0
Protection of soil and groundwater	0	0	34 288	550 567	0	0	800	800	800
Protection against noise and vibration	0	0	0	0	0	0	0	0	0
Environmental research and development	0	0	0	0	0	0	0	0	0
Operation of laboratories	0	0	0	0	0	0	5 460	5 182	1 900
Operation of the Environmental Management System	0	0	0	0	0	0	0	0	0
Other	0	27 125	335 571	112 112	0	0	0	0	0
<b>Total</b>	<b>442 979</b>	<b>2 490 749</b>	<b>2 323 387</b>	<b>5 961 995</b>	<b>5 153 033</b>	<b>5 507 354</b>	<b>354 266</b>	<b>446 227</b>	<b>547 858</b>

**Evaluation of suppliers**

We evaluate our suppliers using a comprehensive rating system, and one of its elements is environmental compliance. According to our requirements, agreements may only be concluded with qualified contractors. In order to improve the system, a new questionnaire was developed, which will be introduced in 2018.

**Communication, complaint management**

One of the essential components of the established management system is used for handling stakeholders' comments, suggestions and complaints. The elaborated procedures fully ensure that all comments are received and properly evaluated by the environmental organisation.

**Environmental activity of our production subsidiaries abroad**

GR RUS (Russia), GR Polska (Poland) and GR Romania (Romania) are engaged exclusively in the production of pharmaceutical products. This type of activity is very strictly regulated in terms of the quality assurance standards applicable in the pharmaceutical industry that imply a number of regulations, which at the same time ensures that these companies can be regarded as moderate-risk businesses from the point of view of both environmental protection and occupational health. This is further reinforced by the fact that most of the materials used are typically incorporated into the product, with only a very small proportion of them being "wasted". As all three plants use less than 50 tonnes of solvents per year, none of them are subject to the VOC directive. At GR Polska, we have a site where the production of active substances was discontinued several decades ago, and the old infrastructure needs to be adapted to much smaller capacities that sometimes entail a different quality requirement. At GR Romania, we also shut down an active substance manufacturing facility, which had a considerably smaller im-

act on the infrastructure, while GR RUS started as a greenfield investment. No major environmental developments have been implemented in the past two years.

In our Indian facility (RTML) active pharmaceutical substances are produced, which is a chemical activity and as such, its risks can be considered significant. In terms of production processes, the factory can be compared to our pharmaceutical manufacturing plant in Dorog, supplemented with all the service functions needed to operate an independent facility (storage, logistics, energy supply, wastewater treatment, etc.). Our specialists in Hungary also participated in planning the physical design of the production plant, specifying the technical content of the equipment (BAT), and implementing the transferred production technologies locally. During the implementation of the project, adaptation to the typically different weather conditions, standards and (work) culture was a major challenge. In 2017, the tanks of the solvent regeneration unit were completely renovated, including the replacement of equipment, where necessary. By the end of 2017, a three-year modernisation program was implemented and adopted, with special emphasis on air quality (closed powder and liquid feeding, closure of centrifuges, etc.) when replacing obsolete equipment.

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



### Health and safety at work

The Workplace Health and Safety Management System (MEBIR) is a tool for the development and sustainability of occupational health and safety. The MEBIR includes, in principle and at a practical level, all elements along which development and sustainability can be ensured. MEBIR provides a framework for ensuring responsible behaviour at all levels of corporate hierarchy, professional knowledge and cooperation among organisational units for safe work.

### The Workplace Health and Safety Management System

The MEBIR was introduced and certified by the Company in 2006 according to OHSAS 18001:1999 (the Hungarian equivalent is MSZ 28001).

Our Company was the first pharmaceutical company in Hungary to obtain the certificate. In 2012, re-certification was based on OHSAS 18001:2007. The next re-certification will take place in 2018. The independent certification process supports continuous improvement. The 2012 MEB policy, which has remained unchanged since 2012, sets out the commitment of the Company's management to create and maintain a high level of work safety. The commitment of leaders is considered the most important element of sustainability. The Company's management and all its employees consider the safety of each job as an individual task. Managers are aware of the typical risks associated with a particular workplace and organise and supervise work processes accordingly. Workers have the right to require safe working

conditions and must comply with occupational health and safety regulations. These rules are summarised in the MEBIR documentation.

In 2017, no serious or fatal accident or serious workplace incident occurred at any of our sites.

In the field of occupational health and safety, the employees are represented by the occupational safety representatives of the Work Safety Committee. The Trade Union delegates one member to the Work Safety Committee.

### Practical implementation of the MEBIR

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

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

- to employees: an individual risk profile is established for each employee; occupational health medical examinations, based on individual risk profiles, always play a health monitoring role;
- to work equipment: categorised as dangerous (machine safety) and non-hazardous, supplemented by the detection of workplace risks;
- to hazardous chemicals: chemical safety and technological risk assessments, including risk assessments for combined explosion protection (ATEX) and major industrial accident prevention (disaster management). The Company is committed to implementing the REACH Regulation. To this end, around 70 hazardous chemicals have been registered so far, of which 34 are key registrants.

In order to quantify the risks, the Safety Laboratory measures occupational hazards. The fire and explosion protection properties of hazardous chemicals are measured by a laboratory operating under the management of the Dorog Safety Department. Internal audits involving external employees also facilitate effective risk assessment.

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

The results of the risk assessments can also generate an action plan, the implementation of which is monitored as a back-up component.

The provision of collective and/or personal protective equipment may occasionally be a tool for risk mitigation. Cyclic, planned preventive maintenance also reduces the risk stemming from work equipment.

Workers' psycho-social risk assessment and training courses associated with it are designed to prevent adverse effects of workplace stress.

The management of the Company provides a central financial framework for the implementation of risk mitigation measures – WS goals and programmes.

The following table illustrates the **goals** and programmes **envisaged for 2018**.

Safety and security at work: goals and programmes 2018  
Budapest, Vecsés

Mitigating the risk of exposure to hazardous chemical substances	Creating a room for disbursing controlled solvents
Improving the conditions of the work environment	Replacement of lamp housing kits
Risk assessment of work equipment	Implementing risk management measures at Tank 29
Improving work safety	Replacement of flame arresters
	Lockout and Tagout (LOTO) toolkit for safe maintenance and repair work
Risk identification, risk assessment	Assessing the risks presented by electromagnetic fields
Reducing ergonomic risks	Ergonomic risk management
Improving traffic conditions	Making the medical consultation room accessible

Dorog

Increasing the degree to which multi-stage active substance production technologies are closed	Converting the filter washer into a detergent washer
	Installing an automatic sampler for the 1600 l device
	Full replacement of the vacuum cable in the laboratory
Improving emergency readiness	Replacement of the hydrochloric acid tank and its receptacle
Improving traffic conditions	Renovation or replacement of pavements
Improving work safety	Installing a washer for tools and equipment
	Installing mixing tanks for suspending coal
	Earthing clips
Improving the conditions of the work environment	Renovation of the solvent dispenser room in the hall
	Renovation of lighting at the site
	Renovation of air-conditioning absorbers in the service
	Replacement of doors and windows
	Installing exhaust ventilation in the vacuum room
Fire protection development	Improving lighting conditions at the workplaces
	Installing a fire alarm in the warehouse
Mitigating the risk of exposure to hazardous chemical substances	Modernising overcharge protection
	Installing exhaust ventilation points in labs

**Regulation:** the Company’s occupational safety specialists regulate the work processes related to occupational safety in the MEBIR documentation, e.g. MEBIR manuals, procedures, instructions. The MEBIR regulation must be known by all employees, and knowledge transfer is provided through training. The regulation is based on a process map, which is supported by a software tool. All other risk assessments, records and documentation are supported by a proprietary software tool, through which the Company’s security experts also make their own contribution. The Company’s occupational safety experts are also involved in the administrative processes in

which work safety plays an important role, e.g. investment, sourcing, etc.

**Education, training and awareness-raising:** employees acquire the knowledge required for safe work in the education and training courses provided under the MEBIR. The trainings also help follow the requirements of changing legislation and overcome the shortcomings of internal audits.

**Communication:** all employees are provided with the knowledge they need for carrying out their tasks safely. This applies to all employees coming to the Company’s premises for the purpose

of working, as well as for external employees. We fulfil our information obligations to the supervisory authorities in full. We strive for effective communication and good relations based on common goals with all authorities and interest groups.

**Preparing for and responding to an emergency:** fire and other rescue plans have been prepared for possible emergencies, and drills are regularly held. In order to prevent major industrial acci-

dents, risk assessment and protection plans have been developed and documented in the format required by law. The Debrecen site is not subject to regulation, the site in Vecsés is below threshold, while the Budapest site is considered a low risk and the Dorog site a high-risk hazardous plant.

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

Work accident indicators

	Budapest, Vecsés			Dorog			Debrecen			RTML		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Incapacity exceeding 3 days	30	36	32	7	7	7	3	2	0	0	2	1
sick leave days per 1 accident (severity indicator)	52.6	36.3	17.6	25.57	24.57	10.43	43.67	7	not applicable	0	52	3.5
work accidents per 1,000 persons (frequency indicator)	7.6	9.1	7.9	7.02	7.04	6.9	14.63	9.09	0	0	3.33	6.7
Sick leave days per 1,000 persons	401.2	328.6	139	181.9	172.86	72.1	639.02	63.64	0	0	173.33	23.3

	GR Romania			GR RUS			GR Polska		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Incapacity exceeding 3 days	1	1	1*	0	0	0	0	2	2
Work accidents per 1,000 persons (frequency indicator)	1.8	1.8	0.0	0	0	0	0	8	9
Sick leave days per 1,000 persons	162	57	162	0	0	0	0	57	140
sick leave days per 1 accident (severity indicator)	90	32	90**	0	0	0	0	14.25	35

\* In 2017, there was no work accident carried over from 2016.  
\*\* Number of days after a work accident in 2016

Sick leave days due to accidents

	2015	2016	2017
Budapest	1577	1306	562
Dorog	179	172	73
Debrecen	131	14	0
RTML	0	52	7
GR Romania	90	32	90
GR RUS	0	0	0
GR Polska	0	57	140

\* Before 23 Sept 2016: for calendar days; afterwards: for full working days lost

Work accidents by type

	Budapest			Dorog			Debrecen			RTML		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Falling and slipping	6	12	7	1	5	1	1	0	0	0	0	1
Cuts and punctures	3	2	4	1	0	1	0	0	0	0	0	0
Skin corrosion, poisoning	0	0	0	0	0	0	0	0	0	0	0	0
Burns, scalding	0	2	0	0	1	3	0	0	0	0	0	0
Eye injuries	1	0	0	0	0	0	0	0	0	0	0	0
Strikes, crushing or trapping	13	13	14	2	1	1	0	1	0	0	0	0
Other (strained joints, sprains)	6	6	7	3	0	1	2	1	0	0	0	2
Mechanical, technological	1	1	0	0	0	0	0	0	0	0	2	0

	GR Romania			GR RUS			GR Polska		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Falling and slipping	1	1	0	0	0	0	0	0	0
Cuts and punctures	0	0	0	0	0	0	0	1	2
Skin corrosion, poisoning	0	0	0	0	0	0	0	0	0
Burns, scalding	0	0	0	0	0	0	0	0	0
Eye injuries	0	0	0	0	0	0	0	0	0
Strikes, crushing or trapping	0	0	0	0	0	0	0	0	0
Other (strained joints, sprains)	0	0	0	0	0	0	0	0	1
Mechanical, technological	0	0	0	0	0	0	0	3	1

Safety and security expenditure of the four Hungarian sites (Budapest, Dorog, Debrecen, Vecsés\*):

		2015			2016			2017		
		Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen
		thousand HUF			thousand HUF			thousand HUF		
health at work	occupational health care	155 484	8 276	6 644	195 528			211 558		
	procurement of personal protective equipment	144 405	61 360	12 651	147 678	66 023	15 048	175 210	74 333	12 727
	<b>total</b>	<b>388 820</b>			<b>424 277</b>			<b>473 828</b>		
training	training	24 649			19 508	6 520	*	20 768	7 669	*
	conferences	987	471	263	1448			427		
	<b>total</b>	<b>26 370</b>			<b>27 476</b>			<b>28 864</b>		
development	safety technology expert fees	80 172			72 768			88 389		
	<b>total</b>	<b>80 172</b>			<b>72 768</b>			<b>88 389</b>		
	investment	fire protection (improving the fire alarm system, Hi-Fog, fire fighter vehicle)	106 773	249 350	8 120	272 300	353 853	18893	128 391	206 435
purchasing new instruments		20 056	78	0	6 667	9 280	811	7 696	695	2 171
other		3 600	298 700	0	2 150	182 200	23	518 000		0
<b>total</b>		<b>686 677</b>			<b>846 177</b>			<b>877 577</b>		
maintenance	fire protection (fire alarm system, Hi-Fog, solvent detector, fire extinguisher)	53 045	17 161	6 571	50 429	18 572	7950	81 459	23 850	8 340
	official inspection of hazardous machines and obtaining permits for their operation	33 773	11 850	1 040	25 898	10 624	2003	23 474	8 797	976
	protective breathing equipment	809	1 797	0	2 114	1 130	58	772	1 240	58
	safety lab instruments	5 549	1 517	0	6 845	768		6 787	563	
	shelters	1 439	0	0	697	0		2 465	0	
	other	0	0	0	6 900					
	<b>total</b>	<b>134 551</b>			<b>133 988</b>			<b>158 781</b>		
renovation	central	29 145	28 600	0	29 562	26 570		32 128	20 000	
	plant	3 910	24 360	0	5 800			17 300		
	<b>total</b>	<b>86 015</b>			<b>61 932</b>			<b>69 428</b>		
other	laboratory supplies, work accident incidental costs (indemnification, order for social security payment, insurance excess)	15 848	186	0	17 030	15		25 837	2 280	
	<b>total</b>	<b>16 034</b>			<b>17 045</b>			<b>28 117</b>		
	<b>Grand total</b>	<b>1 418 639</b>			<b>1 583 663</b>			<b>1 724 984</b>		

\* Vecsés is included in the figures for Budapest



Environmental protection data for Hungary and India  
Materials use

	2015				2015					
	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML
Chemicals	t	4 966	6 308	121	160	t	5 430	12 654	1	2 378
Purchased solvents	t	2 003	4 107	1	1 378	t	3 427	8 547	0	999
Renewable solvents	t	3 427	8 547	0	999	The ratio of recycled materials within the materials used		66,21	42,03	
Nitrogen	em <sup>3</sup>	2 319	3 301	269	386					

	2016				2017					
	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML
Purchased chemicals*	t	6 724	6 949	129	1 628	t	6 093	7 173	148	1 706
Purchased solvents	t	2 553	4 121	1	1 418	t	2 516	4 815	1	1 461
Renewable solvents	t	3 128	7 318	0	949	t	3 386	6 731	0	847
Total solvents used	t	5 681	11 439	1	2 367	t	5 902	11 546	1	2 308
Ratio of renewable solvents	%	55.1	64.0	0.0	40.1	%	57.4	58.3	0.0	36.7

\*Purchased chemical = solvents + other chemicals

Energy use

	2015				2016				2017						
	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML
<b>Direct</b>															
Natural gas	GJ	511 455	8 356	112 141	0	481 408	10 704	111 579	0	423 194	11 435	115 747	0	0	0
Oil	GJ	0	0	n.a.*	946	0	0	1 940	1 993	0	0	783	1 115	0	0
Coal	GJ	0	0	0	37 320	0	0	0	32 810	0	0	0	34 248	0	0
<b>Indirect</b>															
District heating	GJ	334 540	296 204	0	0	313 254	307 405	0	0	316 962	310 245	0	0	0	0
Other	GJ	24 927	274	17 271	0	25 893	285	0	0	23 282	267	0	0	0	0
Electrical energy	MWh	72 049	30 757	9 321	8 636	76 036	30 254	9 578	9 228	79 769	31 073	9 712	9 260	0	0

\*Due to a change in the data communication methodology in 2016, there is no data available for the site or energy sources for 2015.

Total water consumption by source

	2015				2016				2017						
	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML
From a surface water source	thous. em <sup>3</sup>	1 690	332	121	74	1 747	333	127	73	1 583	486	125	76	0	0
From a groundwater source	thous. em <sup>3</sup>	0	139	6	0	0	46	7	0	0	95	2	0	0	0

Water consumption

	2015				2016				2017						
	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML
Total quantity of water used	thous. em <sup>3</sup>	57 977	11 571	7 855	74	59 905	13 179	7 659	73	54 312	18 250	8 189	76	0	0
Quantity of recycled water	thous. em <sup>3</sup>	56 287	11 100	7 728	0	58 158	12 800	7 425	0	52 737	17 611	7 959	0	0	0
Ratio of recycled water	%	97	96	98	0	97	97	97	0	97	97	97	0	0	0

CO2 emission

	2015				2016				2017						
	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML	QTY	Budapest	Dorog	Debrecen	RTML
CO2	tons	27 894	454	5 923	9 289	26 039	583	6 093	8 522	23 741	642	6 551	8 494	0	0
						24 379	15 687	0	0	23 685	17 200	0	0	0	0
						Direct CO2									
						Indirect CO2									

Ozone depleting substances

	QTY	2015				2016				2017					
		Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML		
Base material	kg	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cooling medium	kg	266	295	416	10	0	0	0	0	0	0	0	0	0	0
		0	0	0	12	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
		713	0	0	0	0	0	0	0	0	0	0	0	0	0

Emission of NOx, SOx and other significant air pollutants by emission type and quantity

	2015				2016				2017				
	QTY	Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML
VOC loss in air	%	2.9	1.85	-	0.48	2.46	1.64	-	2	2.91	2.1	-	2.3
VOC loss in air	tons	177	221	-	11.54	144	188	-	47.3	184.2	375	-	53.1
NOx	kg	1 067	12	253	2 824	1 076	9	266	2 242	788	13	249	5 589
CO	kg	159	1	41	0	172	2	48	0	219	3	71	0
SO2	kg	0	0	0	4 293	0	0	0	2 835	0	0	0	10 250
PM	kg	0	0	0	10 937	0	0	0	5 841	0	0	0	20 728

Total water discharge broken down by quality parameters and recipients

	QTY	2015				2016				2017			
		Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML
Technological wastewater	m <sup>3</sup>	0	545 913	0	0	0	523 923	0	0	0	694 422	0	0
Other	m <sup>3</sup>	210 500	0	68 570	33 580	223 100	0	72 000	31 198	203 400	0	75 129	31 121
living water	m <sup>3</sup>	0	56 988	0	0	0	63 976	0	0	0	55 410	0	0
municipal	m <sup>3</sup>	1 255 600	29 408	7 619	4 015	1 279 100	31 317	13 400	0	1 166 300	29 365	8 348	0

Total water discharge broken down by quality parameters

	QTY	2015				2016				2017			
		Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML
KOI	mg/l	524	107	156	215	536.7	88	119	559	642	98	197.5	396
KOI	tons	768.2	58.4	11.9	0	806.2	50.2	10.2	5.8	879.3	50.2	16.5	12.3
AOX	ug/l	293	422	0	*	196	220	*	*	409	378	*	*
Ammonium	mg/l	8.63	3.9	11.13	3.5	5.6	2.4	22.7	3.4	9.8	6.2	12.2	7.4
total phosphorus	mg/l	1.33	9.3	3.44	*	3.1	4	3.00	*	1.9	9.7	2.2	*
total nitrogen	mg/l	0	0.097	18	*	*	0.45	29.7	*	*	0.7	18.6	*
VOC	tons	73.67	2.7	-	11.54	55.4	1.8	-	0	53.0	15	-	0
VOC	%	1.21	0.02	-	0.4	0.94	0.02	-	0	0.84	0.1	-	0

\* not measured

Generated waste

	QTY	2015			RTML
		Budapest	Dorog	Debrecen	
total	tons	6 218	11 874	55	622
hazardous	tons	3 627	3 932	46	256
other	tons	2 591	7 942	9	366
caustic	tons	342	0	0	n.a.
municipal	m <sup>3</sup>	2 771	264	216	n.a.

	QTY	2016				2017			
		Budapest	Dorog	Debrecen	RTML	Budapest	Dorog	Debrecen	RTML
Hazardous waste	disposal	3 598	1 689	52	329	3 614	1 542	47	306
	recycling	3 919	9 163	11	525	3 576	11 569	10	783
Non-hazardous industrial waste	tons	931	422	0	0	945	206	0	0
Municipal waste	m <sup>3</sup>	2 879	528	203	0	2 869	525	192	0

Environmental data for subsidiaries (Gedeon Richter Romania, Gedeon Richter RUS, Gedeon Richter Polska)

Material consumption

	QTY	2015		
		GR Romania	GR RUS	GR Polska
Chemicals	tons	498	168	427
Purchased solvents	tons	25	10	14
Renewable solvents	tons	0	0	6
Nitrogen	m <sup>3</sup>	20	84	116

	QTY	2015		
		GR Romania	GR RUS	GR Polska*
Total quantity of solvents used	kg	25 350	9 700	13 842
Quantity of recycled solvents	kg	0	0	0
Percentage recycled solvents within the material used	%	0	0	0

\*GR Polska returns part of the used solvents to the sending partner for reuse. The proportion of this was 41.18% in 2015.

	QTY	GR Romania		GR RUS		GR Polska	
		2016	2017	2016	2017	2016	2017
Purchased chemicals*	tons	637	660	172	192	602	479
Purchased solvents	tons	27	29	12	15	20	19
Renewable solvents	tons	0	0	6	7	7	4
Total solvents (purchased+reused)	tons	27	29	18	22	27	23
Ratio of renewable solvents	%	0.0%	0.0%	34.0%	31.8%	26.1%	17.7%

\*total chemical substances purchased (solid and solvent)

Energy use

	QTY	GR Romania			GR RUS			GR Polska		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>Direct</b>										
Natural gas	GJ	37 930	39 514	49 449	32 974	39 011	51 322	28 654	26 201	26 495
Fuel oil	GJ	0	0	0	37 308	34 493	9 754	0	0	0
Coal	GJ	*	0	0	*	0	0	*	0	0
<b>Indirect</b>										
District heating	GJ	0	0	0	0	0	0	0	0	0
Other	GJ	*	0	0	*	0	0	*	0	0
Electrical energy	MWh	5 755	7 203	7 358	8 428	8 480	8 180	5 504	5 656	5 659

\*Due to a change in the data communication methodology in 2016, there is no data available for energy sources for 2015.

Total water consumption by source

	QTY	GR Romania			GR RUS			GR Polska		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
From a surface water source	thous. em <sup>3</sup>	68	70	65*	0	0	0	0	0	0
From a groundwater source	thous. em <sup>3</sup>	0	0	0	23	26	26	36	37	40

\*Estimate

Water consumption

	QTY	GR Romania			GR RUS			GR Polska		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
Total quantity of water used	thous. em <sup>3</sup>	68	70	65*	23	26	26	36	37	40
Quantity of recycled water	thous. em <sup>3</sup>	0	0	0	0	0	0	0	0	0
Ratio of recycled water	%	0	0	0	0	0	0	0	0	0

\*Estimate

Direct CO2 emission

	QTY	GR Romania			GR RUS			GR Polska		
		2015	2016	2017	2015	2016	2017*	2015	2016	2017
CO2	tons	2 085	2 309	2 594	4 668	4 892	3 635	1 421	1 300	1 326

\*At the beginning of 2017, several boilers of GR RUS operated with fuel oil. During the year, greenhouse gas emissions decreased after switching to gas.

Quantity of ozone depleting substances emitted into the air

Purpose of use	QTY	GR Romania			GR RUS			GR Polska		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
production	kg	0	0	0	0	0	0	0	0	0
cooling	kg	96	40	128	13	5	3	0	0	0

Emission of NOx, SOx and other significant air pollutants by emission type and quantity

	QTY	2015		
		GR Romania	GR RUS	GR POLSKA
VOC emission				
VOC loss in air	tons	24.84	9.04	7.8
VOC loss in air	%	98	94.9	56.36
CO2	tons	2 085	4 668	1 421
Quantity of other greenhouse gases emitted indirectly				
NOx	kg	1 288	5 645	1 390
CO	kg	257	3 064	195
Dust	kg	n.a.	n.a.	11

	QTY	GR Romania		GR RUS		GR POLSKA	
		2016	2017	2016	2017	2016	2017
VOC loss in air	tons	16	16	6	8	12	13
VOC loss in air	%	60	56	52	52	59	71
NOx	kg	1 427	1 602	3 924	1 530	1 272	1 256
CO	kg	285	320	52	241	179	182
Dust	kg	n.a.	n.a.	n.a.	n.a.	10	11

## Total water discharge by type broken down by recipients

	QTY	GR Romania			GR RUS*			GR Polska			
		2015	2016	2017	2015	2016	2017	2015	2016	2017	
Total wastewater	living water	m <sup>3</sup>	0	0	0	23 092	17 430	18 620	0	0	0
	municipal sewage network	m <sup>3</sup>	67 852	64 672	60 052 **	0	0	0	40 037	48 075	62 153

\* From the water treatment system of GR RUS

\*\* Estimate

## Total water discharge broken down by quality parameters

	QTY	2015		
		GR Romania	GR RUS	GR Polska
VOC*	mg/l	0	0.02	0
VOC*	tons	0	0	0
Total VOC*	%	0	0	0
KOI	mg/l	325	24.3	n.a.
KOI	tons	2.75	0.52	n.a.
AOX	µg/l	n.a.	n.a.	n.a.
Ammonium	mg/l	n.a.	0.33	n.a.

\*Estimate

	QTY	GR Romania*		GR RUS		GR Polska	
		2016	2017	2016	2017	2016	2017
KOI	mg/l	245.00	318.50	16.97	5.80	n.a.	n.a.
KOI	tons	2.64	3.37	0.30	0.11	n.a.	n.a.
Ammonium emission	mg/l	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

\*Values do not refer to the total amount of wastewater discharged, but only to the technological wastewater part

## Generated waste

	QTY	2015			
		GR Romania	GR RUS	GR Polska	
hazardous	total	tons	13	64	9
	incineration	tons	13	54	0
	other	tons	0	9	9
caustic sludge	tons	2	23	187	
municipal	m <sup>3</sup>	394	632	856	

	QTY	GR Romania		GR RUS		GR Polska		
		2016	2017	2016	2017	2016	2017	
hazardous	incineration	tons	8	10	61	80	0	0
	other	tons	0	1	0	1	10	8
Non-hazardous industrial waste	tons	54	46	48	32	173	173	
Municipal	m <sup>3</sup>	384	366	472	536	649	458	



## SUSTAINABILITY POLICY

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

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

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

## Gedeon Richter Plc is committed

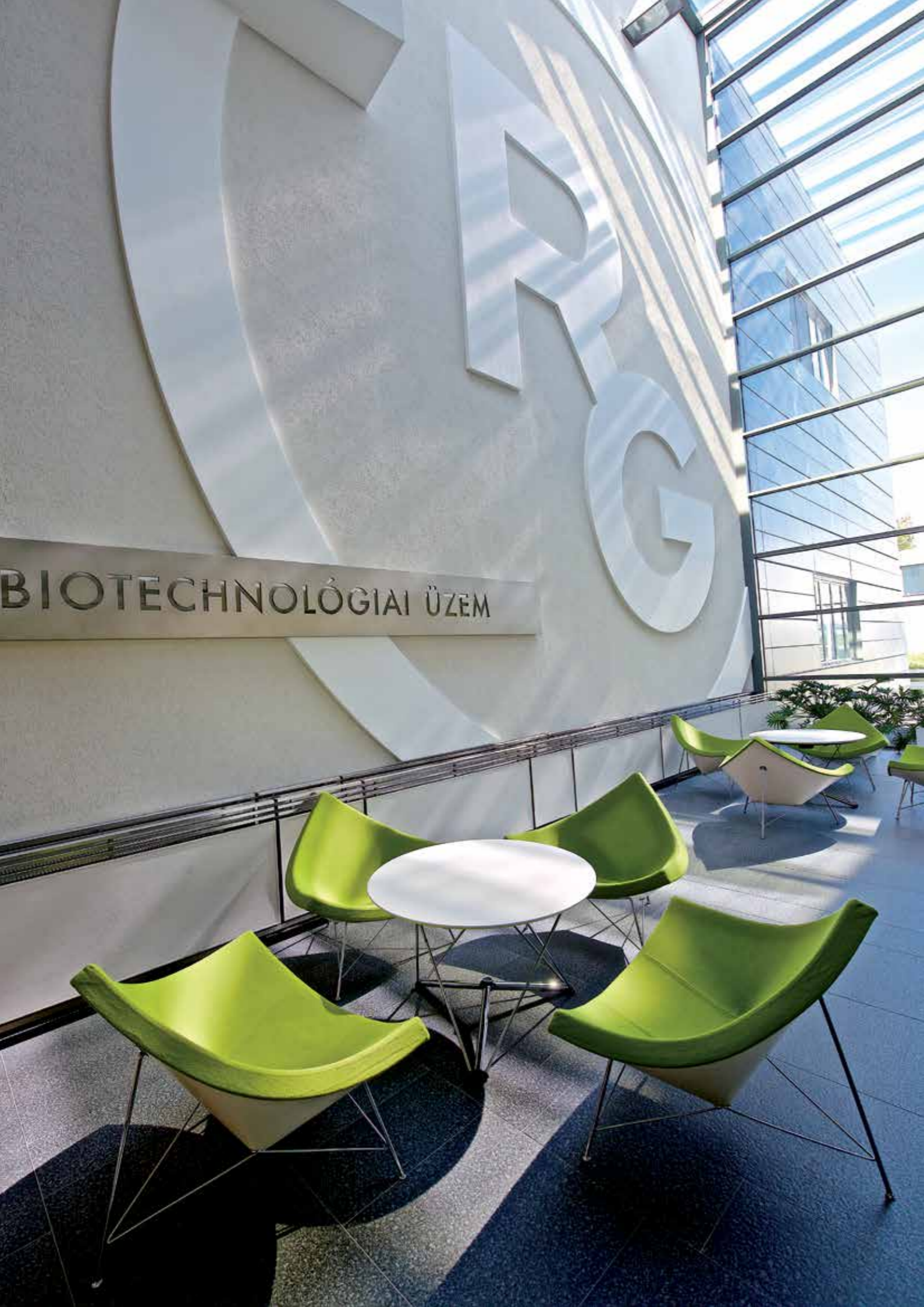
- to offering consumers the best and most recent products – at a price that allows for the Company's sustainable operation – as a result of its high-level research activity;
- to treating drug safety as a high priority area whose purpose is to ensure the conditions for the safe use of drugs for both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

Budapest, 2016

William de Gelsey  
Chairman

Erik Bogsch  
Managing Director





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