

Sustainability report **2023**



GEDEON RICHTER



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ABOUT RICHTER

Gedeon Richter Plc. is a publicly listed pharmaceutical company with a global market presence. The company's core business is the manufacture and sale of innovation-driven pharmaceutical products, supported by several manufacturing and trading subsidiaries, representative offices and joint management entities. Our company's mission is to preserve health and improve quality of life, including by bringing to market original and biosimilar products with high added value, which we have specific expertise in developing and manufacturing. Richter produces 2,800 types of medicine covering almost all therapeutic areas. We pay particular attention to the development and manufacture of products targeting the central nervous system, women's healthcare and bio-similar therapies. Headquartered in Budapest, the Group employs 11,600 people worldwide.

Our activities:

RESEARCH-DEVELOPMENT	PRODUCT MANUFACTURING	SALES AND MARKETING
The Richter Group is one of the largest research and development centres in Central and Eastern Europe, with 1,200 professionals. Our aim is to provide the public with state-of-the-art products. We work tirelessly to ensure that the results of our research contribute to improving the quality of human life.	Our goal is to make sustainability a priority at every stage of the manufacturing and development process, through the use of innovative technologies and cost-effective manufacturing processes. Richter has production capacities in Poland, Romania, Germany, Russia and India in addition to its Hungarian sites.	Richter's products are distributed to six continents around the world, thanks to the company's extensive distribution network with a direct presence in 50 countries, as well as partnership agreements. The Group's most important markets in terms of turnover are the European countries, the CIS region and the US.

2023 highlights

- Pharmaceutical sales revenue increased by 14% and operating profit by 23%.
- Production increased by 17.7% to more than 300 million units, despite the fact that the number of employees in production did not change.
- Richter introduced its carbon footprint calculation at all key subsidiaries, which now enables group-level goal setting, guidelines and action plans.
- Emissions of greenhouse gases at our sites in Hungary decreased by a further 7.5%.
- Our proprietary antipsychotic helped nearly six hundred thousand patients in the United States and Europe.

Our awards in Hungary in 2023

PwC Awards - Most attractive employer – Pharmaceutical industry category, 1st place
Zynternship Awards - Medical and Health Sciences category, 1st place
Zynternship Awards - Natural Sciences category I.
Zynternship Awards - TOP15 most attractive employers
Dreamjo.bs portal - Lovable workplaces
Randstad Award - Pharmaceutical and chemical industry category, 1st place
Factory of the Year Project competition - HR Project of the Year in the industry, 1st place (Balance Programme)
Blood donor-friendly workplace
Extremely family-responsive place

ESG focus areas at Richter

The Richter Group is committed to the UN Sustainable Development Goals (SDGs). We believe that the Group is making a fundamental contribution to the global SDGs through its core business of manufacturing pharmaceuticals that cure diseases and improve quality of life. The most important of the UN's sustainability goals for Richter is therefore SDG 3: Health and well-being, which is the focus of our report. In line with our corporate mission "Health is our mission", we aim to continue to position ourselves in the global pharmaceutical market and to help patients around the world to recover with innovative medicine.

SDG 3.4 A significant and growing share of the company's sales comes from a product that helps treat mental illness. Richter's original antipsychotic, cariprazine, which improves the quality of life for people with schizophrenia and bipolar disorder, is now available in 64 countries, with reimbursement in most of them.

SDG 3.7 Another significant part of Richter's turnover comes from the sale of women's healthcare products. The company also conducts educational campaigns as well as CSR programs among women.

SDG 3.8 In addition, the company is able to increase access to treatment through its affordable generic and biosimilar products.

MATERIAL TOPICS

The purpose of the materiality assessment conducted in 2023 was to identify the most important and relevant topics for our organisation. The survey, which would also inform the content of our 2022 Sustainability Report, was carried out in accordance with the Global Reporting Initiative (GRI Universal Standards 2021). The long and then short topic lists, which formed the basis of the materiality assessment, were compiled according to the topics considered most important for the Richter Group, an analysis of the external environment, industry best practices, market recommendations and trends, and current challenges. The short list of topics was then scored according to the

GRI 2021 definition of materiality, the results of the stakeholder survey and industry benchmarks of external organisations. Positive and negative impacts related to material issues were assessed according to three criteria: actual or potential, direct or indirect, and severity of impact. Based on the assessment, we identified 9 material topics as priorities for our operations, these are, in order of priority:

- Product liability and consumer safety
- Business ethics and compliance
- Access to healthcare
- Environmental footprint, pollution and waste management
- Employee well-being, talent management
- Employee rights
- Responsible energy use
- Responsible marketing and communication
- Data security and protection

We focus on the above topics in the current report.

Our report covers the financial year 2023 and uses the GRI Standards 2021 as guidelines. The contents have not been verified by a third party. The scope of the report covers Gedeon Richter Plc. as the parent company and Richter Group's subsidiaries. The most important ESG data are listed at the end of the publication.

SAFETY AND WELL-BEING OF PATIENTS

The aim of Richter is to provide the public with state-of-the-art medicine and to contribute to improving the quality of human life. Drug safety permeates the entire operations of our Group: the primary focus of our product development and manufacturing processes is on the safe use of medicine, from animal testing, clinical trials and product manufacturing to pharmacovigilance and responsible marketing.

Research and development

Research and development have always played an important role in Richter's life, with research of original drug molecules, new product launches and innovation being top priorities in the company's strategy since its foundation in 1901. Pharmaceutical research and development covers four strategic directions: recombinant biotechnology; research and development of potential original small molecule drugs; late development phase women's healthcare projects; and the development of generic drugs.

At the center of our original research activity are drugs that have an effect on psychiatric diseases. Our goal is to meet the significant medical and social need in these therapeutic areas by developing new small molecule drugs. We only include new potential drug targets in our research topics that represent a great challenge, but at the same time significant innovation value, and meet the needs of possible future multinational partners. During 2023, we made significant prog-

ress on several projects, so our clinical portfolio grew to an unprecedented size. At the end of 2023, in addition to cariprazine, Richter had a research portfolio of 13 ongoing original research projects, one of which is in phase II status and four of them are in phase I, with the remainder in earlier preclinical research and development.

Animal testing

Regulatory requirements for the authorisation of medicines oblige pharmaceutical companies to demonstrate the safety and efficacy of active substances in animal studies. Richter strives to reduce the number of animal experiments by applying the “3R” principle (Replacement, Reduction, and Refinement) in accordance with scientific goals. In order to achieve the goals of the 3R, we apply local ethical regulations – we use statistical analysis to determine the minimum number of animals required for a given experiment. As a result of decades of applying these principles, the number of animals used in tests was 71% lower in 2023 than in 2010. You can read more about our internal regulations regarding animal testing in [our Sustainability Report for 2022](#).

Clinical trials

Clinical trials are an essential part of drug development. During the conduct of clinical trials, our company pays great attention to ethical behaviour and quality. All colleagues and contractual partners involved in our trials are expected to perform their duties in compliance with the ethical guidelines of the Helsinki Declaration, Good Clinical Practice (GCP), and local legislation. A clinical trial can only start after the test protocol is signed by the head of the test site and the documents necessary for running the trial are approved by the local or central ethics committees. In accordance with local regulations, the ethics committee issuing the approval is informed of the progress and status of the study, along with any significant events. The level of authority of ethics committees may vary in each country, but the committee may even initiate the termination of the trial in particular cases.

Monitoring and continuous quality assurance are essential in clinical development. The Richter Group ensures on-site clinical monitoring at the test site of each clinical trial and conducts regular audits at the test sites of contractual partners involved in our trials.

During clinical trials, only the minimally necessary number of participants and only at the minimally necessary level are burdened with any intervention. In addition, participants receive detailed and easy-to-understand information about their rights as well as the aims, benefits, and possible risks of the trial before any intervention takes place. After all their questions have been answered, they give their voluntary, written consent to their participation, which they can withdraw at any point without explanation.

During the planning phase of clinical trials, we ensure the diversity of trial participants in order to guarantee representativeness of the drug’s future target group. In 2023 we conducted clinical trials in 18 countries, the locations significantly overlapping with the company’s most important markets.

The Richter Group publishes clinical trial data on the relevant official websites in accordance with legal obligations. In addition, we regularly publish clinical trial results in international journals. In 2023, we published 3 such articles.

Product manufacturing and product quality

During production, we pay special attention to compliance with the applicable technological and quality regulations, national, European, and other international laws and regulations. We operate a comprehensive quality management system, based on current Good Manufacturing Practice (GMP) requirements, which includes risk management in the design, development and control of all products, devices, processes and procedures that may pose a risk to patients or Richter. The number of Richter employees dealing with quality matters exceeds 510 people.

In order to achieve our strategic goals, we involve all our employees in quality management activities, the planning, and the application and control of GMP guidelines, thereby promoting a continuous, advanced quality approach to all employees of the company. This is ensured by regular training taking place around the year, the provision of adequate information to our employees as well as ensuring appropriate working conditions.

Our production operations and quality management system are regularly inspected by our contractual partners and the authorities at both the parent company and the manufacturing subsidiaries. In 2023, we had 15 GxP audits and 6 official inspections, all of which concluded without identifying a critical problem.

The evaluation of the suppliers of purchased materials used in our production is an important element of our quality assurance system. In the selection of partners, the existence and application of a well-established quality assurance system is a priority, in addition to supplying a high-quality product.

To comply with licensing regulations, we operate a strict change tracking system. The purpose of this is to ensure that only those changes can be introduced into our procedures that our experts have thoroughly considered before implementation and that do not affect or positively affect the quality of our products. These changes may affect manufacturing technology, suppliers, packaging materials, regulations, etc.

Product sales is also covered by our quality system. We only sell our products through partners with a valid manufacturing or wholesale licence. It is a priority for Richter and our partners to prevent counterfeit products from being commercialised, which could even endanger the lives and health of patients. To this end, we use a special packaging technique with an antitampering device (seal) and a unique identifier for our products. We have safety regulations to control the disposal of rejected products and packaging materials. We closely monitor and investigate those quality reports where counterfeiting may be involved and we also handle related warnings from the supply chain in accordance with internal and external regulations. Patient safety is a priority, therefore we operate a separate quality management system to handle complaints about products. In 2023, we recalled products from six countries, these recalls were primarily for precautionary reasons or at the request of the authorities. We did not have to initiate a patient-level recall.

Supply chain management

In the pharmaceutical industry, ensuring the expected quality of products is only possible with close control of the entire value chain, which is why the selection of suppliers is of paramount importance. In our procurement processes, we have the same high expectations of our suppliers as we do of our own performance.

In 2023, the total value of items acquired by the Richter Group exceeded HUF 370 billion. Purchases were made in 26 categories, through 3,510 partners. Within the total, 36% of the total value was accounted for by the purchase of materials and services related to the core activity (direct category), which were typically purchased through direct links with manufacturers and service providers. We also strive to keep our processes under close control in our indirect procurement, but category specialities and demand volumes often increase the number of partners involved in the process.

In 2020, the company updated its Procurement Policy, which sets out the most important procurement principles of the Richter Group. These also include sustainability criteria such as environmental protection, the protection of human rights, and the fight against human trafficking, child and forced labor, integrity, anti-corruption, and the protection of personal data. [The policy is available on our website.](#)

We require all our employees and partners to comply with and enforce these principles, and our Code of Conduct on Procurement provides for their practical implementation. We ensure our business partners' compliance with these principles through the pre-qualification process of our Supplier Rating System and the relevant sections of our contracts. In the case of non-compliance, Richter's Legal and Intellectual Property Department is the competent body, but no such incidents occurred in 2023.

The Supplier Rating also includes general sustainability criteria, with a particular focus on the environment. Among the prequalification questions, several ask about the environmental and social performance of our potential suppliers. In 2023, we had 2,601 active suppliers, 21.3% of which pre-qualified.

Drug safety

Richter operates a quality-assured, group-wide drug safety system, which monitors all changes in the benefit-risk balance of medicines throughout their life cycle and informs authorities, health-care professionals and patients. We aim to market products that offer significant benefits to individuals and society, while minimising the risks associated with their use. We conduct our activities in accordance with the international principles of Good Pharmacovigilance Practice and through the acquisition of quality assurance certificates. In line with the legal requirements, our company employs a Qualified Person for Pharmacovigilance who oversees the operation of the pharmacovigilance system and has personal responsibility for the compliance of the system.

Information on the safety of our products is collected through a global information system, which is designed to alert and intervene when product safety changes or circumstances arise that could expose users to unforeseen risks. We received 18,200 reports in 2023.

Our drug safety system is under constant review. Over the past three years, we have participated in more than 60 internal and external (partner) audits and 8 regulatory audits, while our company has audited the pharmaceutical safety practices of 20 trading partners.

We further strengthened our operational excellence in 2023 by introducing a new product-focused operating model that is supported by a new Global Patient Safety structure which covers aspects of overall patient safety. The new model is able to serve the needs of healthcare professionals and patients more efficiently and at the same time it also serves the needs of Richter's business more effectively.

Responsible marketing

The Richter Group always strives to provide appropriate information to both patients and healthcare professionals when selling its products. This includes the content of marketing materials and regulating and managing communications with stakeholders to high ethical standards. Appropriate communication of information contributes to the safe use of our products and forms the basis of our ethical compliance.

We ensure responsible marketing and information practices through internal procedures and rules. At all times, Richter employees are strictly bound to comply with the laws governing pharmaceutical marketing communications, applicable international, local and Group Codes of Ethics, and any regulations that may apply to their activities. The Richter Compliance Manual also includes the Code of Business Conduct and Transparency, which compiles and systematises the rules on interactions with healthcare professionals and patient organisations, pharmaceutical law and transparency.

In its relationships with healthcare professionals, the company strives to maintain integrity and the highest level of compliance with applicable laws and regulations. Promotional materials and communications must not be misleading and must always be accurate, verifiable and scientifically sound in accordance with applicable health and legal requirements.

For more information on our responsible marketing principles, [please see our Sustainability report for 2023](#).

ACCESS TO HEALTH

Ensuring access to products for patient groups who otherwise have difficulty in accessing medicine due to geographical, economic or any other factor is an elementary part of the pharmaceutical industry's social responsibility. As the product range and geographical coverage of pharmaceutical companies varies, access programmes will always depend on the capabilities of the company concerned. In addition to its original products, Richter has a large portfolio of generic products and some biosimilars, which it offers at a lower price, thus increasing the availability of the active substance for several priority groups. The extent of the price difference depends on several factors, such as the regulation in the country concerned, the reimbursement landscape, the therapeutic

area and the number of competitors. In Richter's markets, we typically support disadvantaged groups through country-level decisions. At the heart of the company's targeted product launch programmes is the women's healthcare portfolio, which is also central to the company's strategy.

There are three main types of Richter's access to healthcare efforts. One of these is donating medicines to hospitals/social institutions, providing discounted medicines, and in some countries supporting family planning programmes/centres. The other large group of subsidies are products given to aid organisations at a reduced price. We work with numerous NGOs to whom we provide our emergency contraception products at very low prices, for distribution to people in need in developing countries. The third area of product access efforts is to help patients get the right therapy at the right time and use it for the necessary duration. To this end, patient support programmes are in place in some therapeutic areas to ensure that important information is delivered to patients.

ENVIRONMENTAL PROTECTION

Richter's mission is to help patients around the world heal with high added-value products. In addition to making a significant positive social impact, our goal is to minimise our negative impact on the environment as much as possible. To this end, we carried out a significant organisational restructuring, so in 2023 the new EHS organization (Environment, Health and Safety) was created, in which both Hungarian local and group-level functions were set up.

Climate change management is a priority area for sustainability. A significant part of the company's environmental footprint comes from the use of electricity associated with the energy-intensive production of pharmaceuticals. For this reason, the Richter Group has joined the European Union's "Fit for 55%!" programme, which aims to reduce the EU's carbon footprint by 55% by 2030 compared to 1990 levels. The remaining energy use after this reduction should be brought closer to net zero emissions, i.e., climate neutrality, by increasing the share of renewables and other indirect measures.

Richter is committed to minimising the environmental impact of wastewater, air pollutants and waste from pharmaceutical manufacturing processes. Recognising our responsibility, we strive to reduce these beyond the legal limits.

Our carbon footprint

The Richter Group strives to identify and monitor both its direct and indirect greenhouse gas emissions in accordance with legislation and to publish the results to its stakeholders. Our carbon footprint includes direct emissions from our operations (Scope 1), indirect emissions associated with the energy (including heating) purchased by us (Scope 2) and indirect emissions from our operations (Scope 3).

In line with our plans, we performed our carbon footprint calculation in 2023 not only for our production subsidiaries but also for our joint ventures in India and Germany using the Bilan Carbo-

ne® method. Compared to the numbers published last year, it is a change that we included these two new sites, as well as recalculated the Hungarian sites' data, refining the amount of chemicals used. We examine the carbon footprint calculation and the compliance with the target value every year, and based on the results obtained, we determine the group-level reduction measures to achieve the goals set according to Fit for 55.

Scope 1, 2, 3 emissions of the Richter Group in 2023 by site (t CO₂eq)

	BUD	DEB	DOR	GR-PL	GR-RO	GR-RUS	RTML	RHB	Total
Scope 1	18,102	5,206	1,246	5,009	3,219	7,431	19,611	953	60,777
Scope 2	46,801	4,677	9,385	5,617	2,873	4,857	9,328	1,020	84,557
Scope 3	73,949	6,290	31,820	5,211	3,928	5,666	15,427	1,487	143,779
Total	138,852	16,173	42,451	15,837	10,020	17,954	44,366	3,459	289,112

Responsible energy use

Our company is committed to sustainable and responsible energy use by putting the principles of its Energy Policy into practice, by operating an ISO 50001-compliant Energy Management System and by developing a medium and long-term strategy. We are increasingly striving to use renewable energy sources. In the longer term, our aim is to use fossil fuels only to meet technological needs that cannot be met economically by other means. In order to promote energy awareness among our employees, we organise trainings and communication campaigns to encourage a more user-aware approach.

In 2023, Richter's energy consumption at group level was 1,676 Terajoules, 2% less than in 2022. The electricity used at our production sites comes from a variety of renewable and non-renewable sources, depending on the energy mix of the country. In the year 2023, the total energy used by Richter's sites in Hungary was 1,153 TJ, of which 392 TJ was electricity, nearly 3% of which came from self-produced renewable energy sources. The production of own-generated renewable energy started in 2021 at the Debrecen site, and in the same year solar power plants were installed in Dorog and in the Budapest recreation park, which started production in 2022. According to the plan, the production of self-produced renewable energy will continue to expand in Dorog and Debrecen with Phase 2 of the solar power plant project. The new plants will start operation in 2024.

Environmental pollution from operations

From an environmental point of view, our use of chemicals and solvents is an important area. A significant proportion of the substances used in the production of pharmaceutical active substances are solvents, so-called volatile organic compounds (VOCs), of which almost half are reused, i.e., recycled back into the production process without treatment or after purification. The Hungarian sites have kept their VOC emissions (solvent emissions to air and water) below 5% of total emissions, in line with the environmental target.

Waste management

The Richter Group considers it an important task to reduce the amount of waste generated during the production of pharmaceuticals and to recycle as much as possible. To achieve this, we have improved the recyclable waste collection system at our Budapest site, reorganised municipal waste collection and began to set up a centralised waste management system which will start operations in 2024. Waste generated during the production of pharmaceutical products, much of which is classified as hazardous waste, is treated in the way required by law. The waste is disposed of by authorised waste treatment operators who recover or dispose of it. We constantly strive to recover as much as possible (at least 60%) of both hazardous and non-hazardous waste. As a result of the successful implementation of waste reduction measures, the amount of hazardous waste produced at group level has decreased by 37% since 2020.

Richter strives to develop its processes according to the circular economy approach. In accordance with the life cycle approach, a system has been set up in Hungary for the collection of waste generated by end users and the public (e.g., expired pharmaceutical waste), which is operated by Recyclomed Kft. in compliance with the Hungarian legislation.

Water usage

The Richter Group's water management strategy aims to minimise the strain on aquifers, so we pay attention to both the amount of water used and pollution levels. Accordingly, our strategy consists of two parts: on the one hand, we continuously monitor and minimise the amount of water used during our activities, and on the other hand, we measure and minimise the pollutant content of the effluent from our activities. One way to reduce water use is to optimise processes and reuse. Therefore, Richter reuses fresh water for cooling purposes by using recirculation systems, and after treatment reuses condensed water in Budapest or returns it to the Power Plant for reuse. In 2023, we managed to reduce the amount of water used by 14% compared to 2022.

Of the Hungarian sites, Budapest has a wastewater pre-treatment system. After pH adjustment and sedimentation, the resulting process wastewater is discharged into the municipal sewerage system and from there to the municipal treatment plant. In Debrecen, the wastewater is discharged into the municipal sewerage system without treatment, while in Dorog the municipal wastewater is discharged directly into the municipal network and the process wastewater is discharged into the Danube watercourse after three-stage biological treatment. Wastewater from the Romanian, Polish and Indian sites is discharged into the public sewer, while in Russia it is discharged into the living water after biological treatment. All of Richter's subsidiaries treat wastewater in compliance with regulations, and our systems are being upgraded to meet the requirements. The legislation sets so-called emission limit values for the pollutant content of discharged wastewater. Compliance with these values is regularly monitored through self-monitoring.

Air pollution

We also continuously monitor and strive to reduce emissions of air pollutants. Monitoring allows us to react as quickly as possible to any increase in emissions. In addition to carbon dioxide emis-

sions, which are discussed in a separate chapter, air pollution is divided into three categories: volatile organic compounds (VOCs), other air pollutants and ozone pollutants emitted into the air. The 2023 production year was compliant at group level in terms of pollutant emissions.

Pharmaceuticals in the environment

The release of pharmaceuticals and their active substances into the environment is a specific environmental challenge for the pharmaceutical industry. This is because these substances are often difficult to degrade in the environment and can subsequently find their way back into the food chain and the human body. For this reason, preventing and monitoring the release of active substances into the environment during the production of pharmaceuticals is a priority for the Richter Group. Of the three active pharmaceutical ingredients in surface water that are under scrutiny by the European Union - diclofenac, 17 β -estradiol and 17 α -ethynylestradiol - Richter is involved in the latter two.

Since 2021, the Richter Group has been monitoring the amount of substances released into the environment and analysing their impact. The project was started at the Dorog site, which is the Richter Group's largest steroid production base, and then was expanded to the Budapest site in 2023. For the APIs tested (norelgestromin, drospirenone, estetrol, desogestrel, 17 β -estradiol, estradiol-17 β -acetate, estradiol methylether acetate, norethisterone), the amount released into the environment was at least one order of magnitude smaller than the value with a potentially harmful effect on the environment.

Every year, we expand the list of tested substances, first covering steroid and then non-steroid active substances.

Environmental costs and expenses

In line with the targets set in the sustainability strategy, we allocate a significant amount of money to environmental expenditure each year. In recent years, the most significant expenditure has been on groundwater treatment, wastewater treatment, emergency storage, noise pollution control and storage. In 2023, the Richter Group spent a total of around EUR 11 million on internal environmental measures and on payments to subcontractors for various environmental services.

RESPONSIBLE EMPLOYER

Our stability comes from continuous growth, based on the long-term development and retention of our employees, a secure financial background and continuous innovation. We pay special attention to the evaluation and rewarding of employees for outstanding performance. We offer stress management and recreational programmes with personal counselling to ensure a good work-life balance and the mental well-being of our employees. Our employment culture is as much about reaching out to young talents at the start of their careers as it is about achieving a humane generational change. The total number of employees in the Richter Group was 11,603 at the end of 2023. Approximately half of them work in Hungary.

In 2023, the primary objective of the HR strategy was the exceptional support of the company's organisational changes/needs, the further development of the talent management system, and the continuation of the digitisation of HR processes both in Hungary and at group level.

Corporate culture

In 2021, we launched a culture change project with the dual aim of ensuring that our company culture is fully supportive of our strategic business objectives and that we create a modern working environment that is attractive and retaining for our current and future employees. We identified four corporate values (Responsibility, People-Centredness, Excellence and Innovation) that define and influence the way we work. To communicate these effectively, we address them in management and employee forums at different levels, supporting the understanding and embedding of these values. In addition, with our new competence system aligned with the company's values and its incorporation into the performance evaluation process, we ensure that the desired cultural elements are an integral part of our expectation systems and thus our everyday life.

Employee retention and recognition

Richter continues to pay particular attention to retaining an increasingly flexible young workforce. In recent years, the wage competition for workers in niche professions and to keep employees has intensified, and was even further aggravated by the high inflation of 2023. In addition, a generational shift is taking place and companies need to be prepared to provide skilled replacements.

In Hungary, we are actively involved in job fairs and professional events at national level to ensure that the next generation of employees have an attractive image of Richter. We provide internships for interested young people and a 2-year apprenticeship programme for pharmacist and engineering graduates.

Most of Richter's R&D activity is in Hungary - with an average R&D headcount of 606, there were 44 new entrants and 46 leavers in 2023. This represents a total R&D turnover rate of 7.6% and a voluntary R&D turnover rate of 5.6%, which in the current fast-changing environment is a good result compared to the market benchmark of 17.2% total turnover and 11.5% voluntary turnover rate, according to the Richter Group's assessment.

We are focused not only on finding the right people but also on retaining and making the best use of their skills. One of the elements of this is our performance appraisal system (TÉR), which also provides an opportunity to communicate more widely the goals and objectives of Richter. The TÉR meetings also provide an opportunity to discuss our employees' future expectations and career plans.

We recognize the performance of our colleagues who have worked in Richter for more than 10 years with a Gedeon Richter Memorial Plaque and a monetary award. In addition, our employees also receive share awards.

Training and development of our employees

In our knowledge-driven business model and performance-oriented culture, the professional development of our staff is a key element. In the pharmaceutical industry it is perhaps more essential than in any other industry to keep the knowledge of employees up to date, as this ensures that one of our most important values, innovation, becomes a part of our everyday lives. In 2023, we approved more than 1,000 conference applications and nearly 1,000 of our colleagues participated in further training or courses related to their profession. In addition, we supported 110 colleagues studying in different schools.

In 2023, we revised our management and general competence system related to the company's four values (Responsibility, People-Centredness, Excellence and Innovation) and the contents of both the employee and management development portfolios were rebuilt to develop these competencies. In 2023, nearly 1,100 of our employees participated in skills development training in Hungary. More than 50% of our managers participated in leadership development courses.

In addition to the professional development of our colleagues, it is also extremely important for us to support them in handling their daily issues. In 2023, we organized events to increase financial awareness for the first time, which were very successful.

Remuneration and benefits

Our remuneration principles are based on a commitment to performance. Our fundamental interest is in fair, performance-based and consistent remuneration and its alignment with business objectives and employee motivation. The remuneration structure for our managers and employees is designed according to the Richter Grade (RG) system, which sets out the elements of remuneration based on job levels (responsibility, complexity, seniority).

As a responsible employer, in addition to the basic salary, we provide all our employees in Hungary with membership of a pension fund, which we supplement with 6% of their basic gross salary after a 2% co-payment. All our employees are also entitled to an annual fringe benefit, childcare, school and housing allowances, and a salary advance.

In 2023, inflation continued to place a heavy financial burden on our employees, so Richter examined how it can support its employees. In addition to our usual broad benefits package, we implemented a base salary increase which was outstanding among Hungarian employers, increased our fringe benefit allowance and the amount of some other benefits.

Diversity and equal opportunities at work

We strive for generational diversity - we believe that we can learn a lot from each other. Richter organises thematic training sessions to support workforce diversity in Hungary. The training supports managers in making diversity a value in their team and discussion a source of new opportunities. We ensure promotion, career development opportunities and leadership appointments regardless of gender or age. Within the proportion of female employees (49% based on total Hun-

garian headcount), we pay particular attention to management groups: the proportion of women in the parent company at management levels is on average 38%. We aim to increase this ratio in senior management and executive management in the future.

Employee well-being

Our “Balance Programme” continued in Hungary in 2023 to support the physical and mental well-being of our employees and foster a sense of a healthy, comfortable, and lovable working environment. In the framework of the programme, we provide advice on maintaining a healthy diet, physical fitness and mental health, organise sports activities (yoga, cycling, swimming, rowing) and hold a Mental Day. In 2023 the programme was awarded with the “HR Project of the Year in the industry” recognition.

We are offering employees more flexibility to work from home in certain roles. In 2023, 44% of all employees in Hungary and 79% of our colleagues in white collar positions made use of the option to work from home at least once. All our international sites also offer flexible working arrangements.

In order to preserve the health of our employees, Richter operates an in-house GP and specialist service, as well as provides private healthcare services through a health insurance partner. As part of our health programme, our employees can participate in a series of complex screenings, too.

In addition, the parent company supports the recreation, relaxation, and health of its employees with a range of valuable services and its own facilities. We offer our employees and their family’s access to our own resorts, sports fields, swimming pools, kindergartens.

Occupational health and safety

An integral part of our operating strategy is to provide a workplace that supports the physical health and safety of employees and maintains their ability to perform. It is vital to follow the rules of work to maintain health and safety. To prevent accidents, we provide our colleagues with the necessary training and education. Our safety rules are up-to-date, comply with current domestic and EU requirements, and all our managers pay special attention to their enforcement and the reduction of workplace risks.

To protect our employees and ensure proper risk management, we operate an ISO 45001:2018 certified occupational health and safety management system at the Hungarian and Romanian sites. The assessment of compliance is an important element of the management system, which is ensured by internal audits and external, independent audit. Our sites without ISO 45001 certification also document their occupational safety processes. At the Indian and Russian sites, the heads of department and the safety committee ensure compliance with EHS regulations and the necessary safety measures. We check the working conditions of our contractual partners with frequent audits and on-site inspections at our sites. In case of non-compliance, we take immediate action. Depending on the extent of the violation, the action can range from verbal warning to ban from the premises.

RESPONSIBLE GOVERNANCE

The Richter Group considers a corporate governance system in line with international and domestic requirements a priority. As a pharmaceutical company, the trust of our customers and partners is essential to us and can only be guaranteed through ethical and reliable operation. Our company's commitment is demonstrated by the fact that we strive for the highest possible degree of transparency in our corporate governance structure and business activities. We regularly inform our stakeholders about the cornerstones of our responsible corporate governance through our publicly available stock exchange disclosures and reports. A detailed description (i.e. rules of the Annual General Meeting, shareholders' rights, Executive Board, Board of Directors, Supervisory Board, responsibilities and division of tasks of subcommittees, conflict of interest, remuneration and diversity policy, internal control and risk management system, etc.) of the corporate governance system of Gedeon Richter Plc. as the Hungary-based parent company [is available on the Richter corporate website](#) in the document "Report on Corporate Governance". Information on the group-level governance model, on the other hand, can be found in [our Sustainability report for 2022](#).

BUSINESS ETHICS, COMPLIANCE

Business ethics are regulated by Richter's Global Compliance Programme. The company expects all employees, consultants, representatives, suppliers and other business partners of the Richter Group to observe, comply with and enforce the provisions of the Compliance Handbook and its Code of Ethics at all times in their dealings with all market participants, including healthcare workers, patients, healthcare organisations, business partners, suppliers and distributors. All new employees receive training on the application of the Code of Ethics upon joining the company. [Richter's Code of Ethics is available on the company website](#).

In order to keep our business up to date with the latest legislation, in particular with pharmaceutical regulations, we regularly review our Compliance Handbook. These reviews are necessitated in part by internal regulatory and organisational changes, but also by national and international legal compliance. In 2023, our Group Compliance Manual included the following:

1. Code of Ethics: It sets out the basic standards of conduct, corporate principles and objectives that are binding and expected of all employees of the Richter Group.
2. Code of Business Conduct and Transparency: It covers anti-corruption standards and rules on interactions with healthcare professionals, pharmaceutical law and transparency.
3. Handbook for Compliance with Competition Law: It provides a brief overview of the most important EU competition laws.

4. Corporate Communications Handbook: It lays down the rules on the content and order of statements to the press.

5. Website Content Requirements Manual: It contains general corporate standards, legal frameworks and sample documents for the content and operation of websites and social media sites and the management of the data collected.

6. Conflict of Interest Policy: The purpose of the policy is to make employees aware of potential conflicts of interest, to prevent conflicts of interest from occurring, and to manage existing conflicts of interest.

7. Trade Secrets Policy: It contains a definition of the scope of trade secrets relating to the activities of our Group and other relevant data, facts and information.

In 2022, we launched the Compliance monitoring project, the purpose of which was to assess compliance awareness, existing compliance risks and controls with regard to the Group's affiliates. In 2023, the member companies' risk assessment questionnaires were evaluated, based on which we set up action plans. In addition, a 3-year monitoring plan is in preparation, along which we will start the compliance audits of the subsidiaries in 2024.

Trainings on ethics and anti-corruption

The Richter Compliance team regularly provides training to employees in relation to the Richter Group Compliance Manual. The trainings can be mandatory online trainings for all employees (Code of Ethics, Anti-Corruption and Anti-Bribery) or specific to a particular field (e.g., competition law, transparency).

Anti-corruption

The principles to be observed in the fight against corruption and bribery are set out in the Code of Business Conduct and Transparency in the Compliance Manual. Under the Code, Richter expects integrity and transparency. We have a zero-tolerance policy towards fraud and all other corrupt activities. Regardless of local customs, business culture, or the nature of the solicitation of bribes or other improper advantage, our employees and third parties are strictly prohibited from actively participating in or passively tolerating corruption in connection with the company's business. In order to ensure that our partners also comply with anti-corruption rules, all our contracts include anti-corruption clauses. [The Richter Group's Anti-bribery and anti-corruption manual is available on our corporate website.](#)

Lobby activity

Due to the high risk of corruption, the Richter Group does not support political parties, does not engage in lobbying activities and does not influence the financial decisions of national governments. Richter has strict rules on relations and cooperation with public sector employees and government officials.

Transfers of value

A transparent system of relations or relationships between Richter and patient organisations, healthcare workers and healthcare providers contributes to the prevention of unethical and illegal conduct. Under the applicable regulations, pharmaceutical companies must disclose payments, other benefits and mandates made to patient organisations, health professionals and health care providers. Disclosures should be published on Richter's and its affiliates' websites, unless national rules require publication on other platforms. Transparency disclosure was also made in 2023, the reports are [available on our website](#).

Whistleblowing, ethical violations

Under the provisions of the Code of Ethics, all employees of Richter shall report, whilst all representatives/employees of business partners, potential employees (candidates) of Richter, former employees of Richter, and persons exercising ownership or supervisory rights over Richter have the right to report any incident during which they have reasonable grounds to believe that a violation of applicable laws, industry codes of ethics, Global Compliance Program manuals, or other internal Richter policies has occurred. Affected parties can report perceived misconduct and ethical violations anonymously via an online interface (Richter Virtual Compliance Officer), accessible in 20 languages, by email, phone and voice message. Cases are investigated under the coordination of the Group Compliance Manager. Whistleblowers are adequately protected from negative consequences, as provided for by the Code of Ethics. In 2023, a total of 16 reports were received from within the Group via the Richter VCO and the Compliance Hotline. The incidents reported by our foreign affiliates affected 8 countries with varying content.

Protection of human rights

Our employees are bound by the Code of Ethics to respect human rights as defined in relevant international conventions, local laws and regulations. Richter strongly condemns human trafficking, exploitation and forced labour and strictly prohibits the harsh and cruel treatment of employees. In our international relations, we attach the utmost importance to and expect our subsidiaries and partners to act in accordance with good practice. We are committed to protecting fundamental rights, including the prohibition of any discrimination based on race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. We promote a working environment free from verbal and physical harassment.

Data protection

The Richter Group considers it of utmost importance to act in accordance with data protection rules, official guidelines and best market practices when handling the data of persons who encounter it, and to handle them in a lawful and transparent manner. Richter processes a large amount of personal data, whether in connection with the organisation of events, adverse reaction reports, clinical research, or the monitoring of security on the factory grounds. In carrying out these activities, the protection and respect of the rights and freedoms of the individuals concerned is a key concern.

To develop our data protection framework, we launched the Richter Group's data protection programme several years ago and have established a number of specific data protection policies, procedures and sample documentation, which are continuously reviewed. We also seek to increase the data protection knowledge, awareness and compliance of employees and other partners through training. Before entering into a contract, we conduct data protection surveys with our business partners and enforce strong data protection and data security requirements in our contracts, the compliance of which is regularly monitored.

No complaints of data leakage, theft or loss involving consumers were received during 2023.

CORPORATE SOCIAL RESPONSIBILITY

Patients, employees, students, teachers and researchers are important beneficiaries of the Richter Group's support policy. The company's social commitment is not limited to Hungary; it supports social causes in almost all countries where it has an affiliate.

Healthcare and education are two areas where we can contribute our expertise in line with our corporate social responsibility policy – they are also integral to the company's core business. Supporting healthcare and raising health awareness is part of our mission, and by supporting science education, we aim to secure the next generation of talents. In addition, Richter is also dedicated to promoting women's healthcare, enhancing women's emotional and mental well-being as well their recognition in society and helps these causes through various initiatives. [More information on our CSR activity can be found on our website.](#)

In 2023, the Richter Group supported health promotion, research and development, education, and programmes focusing on women's health, social and professional recognition to a total value of HUF 2.5 billion.

ESG DATA

SCOPE			2021	2022	2023	GRI
Environmental protection						
P + MS*	Energy consumption	TJ	1,889	1,714	1,676	302-1
P + MS	Non-renewable	TJ	1,889	1,704	1,665	302-1
P + MS	Thermal energy	TJ	742	706	630	302-1
P + MS	Electricity	TJ	557	529	533	302-1
P + MS	Steam	TJ	549	412	416	302-1
P + MS	Fuel	TJ	41	57	86	302-1
P + MS	Renewable	TJ	0	10	11	302-1
P + MS	Water withdrawal	thousand m3	2,145	2,004	1,762	303-3
P + MS	From surface water	thousand m3	1,873	1,714	1,509	303-3
P + MS	From water-stress area	thousand m3	90	104	123	303-3
P + MS	From groundwater	thousand m3	272	290	253	303-3
P + MS	Water discharge**	thousand m3	2,220	2,018	1,703	303-4
P + MS	To surface water**	thousand m3	660	730	592	303-4
P + MS	To third party for treatment**	thousand	1,560	1,288	1,111	303-4
P + MS	Scope 1-2-3 GHG emissions**	t CO2eq	303,725	294,506	289,112	305-5
P + MS	Scope 1 GHG emissions**	t CO2eq	67,779	63,117	60,777	305-1
P + MS	Scope 2 GHG emissions**	t CO2eq	87,992	85,910	84,557	305-2
P + MS	Scope 3 GHG emissions**	t CO2eq	147,954	145,479	143,779	305-3
P + MS	Waste generated	t	21,691	21,207	32,648	306-3
P + MS	Hazardous waste	t	15,792	13,980	14,167	306-3
P + MS	Non-hazardous waste	t	5,899	7,227	18,482	306-3
P + MS	Waste diverted from disposal	t	9,600	11,880	19,638	306-4
P + MS	Hazardous waste	t	7,062	5,813	6,275	306-4
P + MS	Non-hazardous waste	t	2,538	6,067	13,363	306-4
P + MS	Waste directed to disposal	t	11,451	12,784	8,653	306-5
P + MS	Hazardous waste	t	8,733	12,195	7,877	306-5
P + MS	Non-hazardous waste	t	2,718	589	776	306-5
Patient safety						
P*	Supplier audits	number of audits	37	58	88	-
Group	Pharmaceutical manufacturing practice audits	number of audits	22	24	21	-
Group	Product recalls	number of recalls	5	6	4	-
Group	Drug safety reports	number of reports	14,500	15,200	18,200	-

SCOPE			2021	2022	2023	GRI
Patient safety						
Group	Pharmacovigilance audits within the Group	number of audits	20	27	24	416-1
Employee wellbeing						
Group	Number of employees at Richter Group	headcount	12,262	12,167	11,603	2-7
P	Number of employees at parent company	average headcount	5,724	5,500	5,576	2-7
P	New hires	headcount	456	671	731	401-1
P	Ratio of new hires	%	8	12.2	13.1	401-1
P	Employees leaving	headcount	631	756	646	401-1
P	Ratio of leavers	%	11	13.7	11.6	401-1
P	Employees on parental leave	headcount	323	334	319	401-3
P	Returning from parental leave	headcount	98	100	110	401-3
P	Ratio of employees receiving regular performance and career development reviews	%	94.2	96.2	99.8	404-3
P	Fluctuation in R&D headcount	%	10	11	8	-
Occupational health and safety						
P + MS	Recordable work-related injuries**	number of cases	156	155	186	403-9
P + MS	Fatalities as a result of work-related injury	number of cases	0	0	0	403-9
P + MS	Rate of work-related injuries	%	2.32	2.4	2.84	403-9
P + MS	Cases of recordable work-related ill health	number of cases	1	0	0	403-10
P + MS	Fatalities as a result of work-related ill health	number of cases	0	0	0	403-10
Responsible operation						
Group	Communication and training about anticorruption policies and procedures	headcount	3,891	2,878	3,622***	205-2
Group	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	number of cases	0	0	0	206-1
Group	Confirmed incidents of corruption and actions taken	number of cases	1	0	0	205-3
Group	Incidents of discrimination and corrective actions taken	number of cases	0	0	0	406-1
Corporate governance						
P	Diversity of the Board of Directors					405-1
P	male	headcount	10	8	8	405-1
P	female	headcount	2	3	4	405-1

SCOPE			2021	2022	2023	GRI
Corporate governance						
P	Diversity of the Supervisory Board					405-1
P	male	headcount	4	4	4	405-1
P	female	headcount	2	2	2	405-1
Group	Annual total compensation ratio	%	28.41%	21.66	21.96	2-21

*P + MS: Parent company and manufacturing subsidiaries, P: Parent company

**Revised data

***2023 data is only for Parent company