

SUSTAINABILITY REPORT 2017/18



ACKNOWLEDGEMENTS

We wish to express our thanks
to all who contributed to this report.

PUBLISHED AND COORDINATED BY

Sustainability Area
Marketing & Communication Area

PHOTOGRAPHY

Hovione Image Bank

DESIGN AND PAGINATION

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TECHNICAL SUPPORT

BSD Consulting

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Letter from the CEO



Thank you for taking an interest in our third sustainability report that covers the period from 1st April 2017 to 31st March 2019. We have been complying with the Global Reporting Initiative Standards since 2015. Please review this document together with the GRI content index, available at the online version.

For management to focus beyond the financial results is not simple because we need to develop other compasses to determine direction. This is demanding: beyond the legal requirements the industry has no reference standard and displays considerable heterogeneity in terms of corporate social responsibility (CSR) whether in goals or maturity of understanding. To set direction in CSR we use our values as a reference, we listen to our shareholders and other stakeholders and we set the example from the top. In 2017 we were certified as a B Corp, and we strive to improve our rating. Still this is a complex and multi-dimensional area that requires constant effort to evolve our attitude and keep abreast of developments and of the growth of the company.

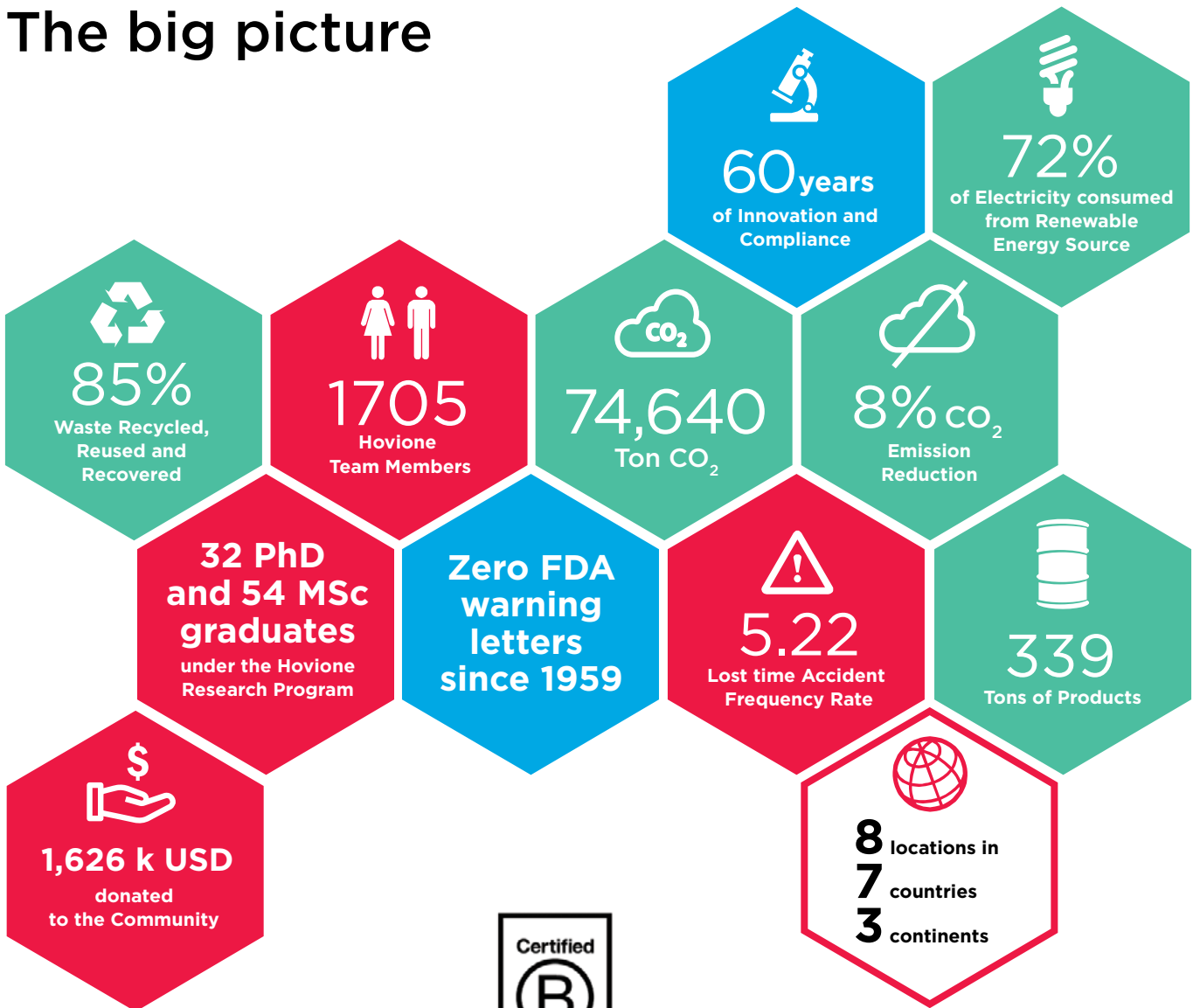
This report reflects a wide range of efforts and initiatives. It shows that Hovione has the right attitude and is making efforts to improve. I applaud the leaders at Hovione that are breaking new ground in this field and thank them for their commitment, but recognize that we are still short of goal.

In 2019 we will alter the corporate organization in terms of HSE and sustainability. We need to become more effective in terms of minimizing the negative impacts of the company. In the coming year we will have to identify simple measurable goals to set us in the right direction and define an ambitious multi-year goal.

In the past two years we made a step change in Hovione's support of Academia. This is a signal of the role we should increasingly be playing.

Guy Villax
CEO
July 1st, 2019

The big picture



- 2018 Data
- Market based Emission values
- FDA - U.S. Food and Drug Administration



1

A responsible business

The way we do things

Hovione's mission and the nature of our activities imply great responsibility. Hovione expects from its Team Members a conduct that is in accordance with the principles of our Code of Ethics, our Values and our Policies. Ethics and transparency are the cornerstones of our reputation. We work hard to make sure we live up to our own high standards every day.

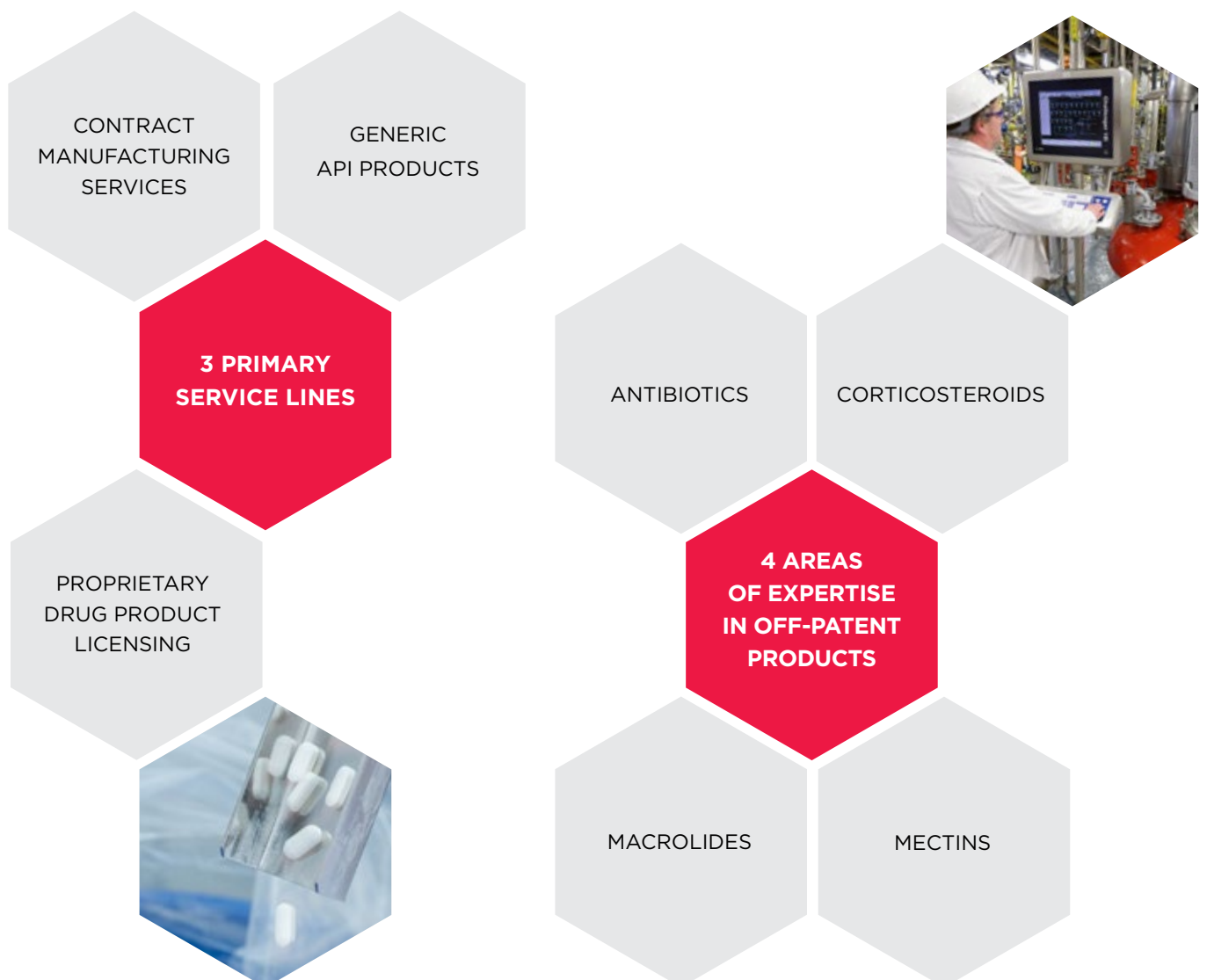
1.1. Our business

What we do

Hovione is a Pharmaceutical Company dedicated to helping Pharmaceutical Customers bring new and off-patent drugs to market. Hovione has 60 years of experience in the development and compliant manufacture of Active Pharmaceutical Ingredients (API) and Drug Product Intermediates. With four FDA inspected sites, USA, China, Ireland and Portugal, Hovione offers branded

pharmaceutical customers services for the development and compliant manufacture of innovative new drugs including highly potent compounds. For generic pharmaceutical customers the company offers niche generic Active Pharmaceutical Ingredients. Hovione also offers proprietary product development and licensing opportunities for drug products.

Hovione is a member of Rx-360, European Fine Chemical Group and participates actively in industry quality improvement initiatives to lead new global industry standards. Hovione is a company with a culture based on innovation, quality and delivery.



Where we are

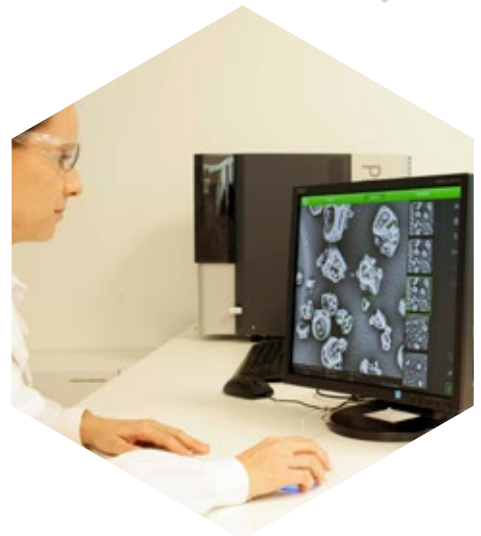
We are everywhere – with healthier, sustainable solutions to make lives better.



1.2.
Our behaviour

Hovione’s culture remains true to the values established by Ivan Villax from the very beginning. He was someone who passionately believed in the importance of the Company’s values, its integrity, serving customers well, scientific rigor and team work. The same principles define how we conduct

business today and run deep throughout the organization. We remain fully committed to solving complex problems and delivering solutions that are highly valued by our customers. These themes have been a constant for 60 years and no one at Hovione wishes to see them change.



We do well what is difficult, to give our customers what they cannot find elsewhere

Mission

To passionately turn any challenge into a solution by collaborating with our partners to create great medicines.

Vision

To become the #1 innovative, integrated pharmaceutical solution provider to the global pharmaceutical industry by 2028.

Core Values



We are Principled

- Honesty, integrity and transparency
- Family
- Partnership
- Never give up



Think Differently

- Team-thinking wins
- Innovate everywhere
- Creativity driven by diversity
- Dare to do the impossible



and Deliver

- Passion and rigor in everything we do
- Uncompromising quality
- Committed to our customers



Speak Up!

An Ethics Line to enable team members to Speak Up if they evidence wrongdoing at Hovione

1.3.

Ethics, transparency and compliance

We aspire to be open and transparent about how we operate in order to earn and retain the trust and confidence of our customers, employees, suppliers, and other important stakeholders. We do this by proactively providing non-proprietary information to stakeholders about our business and how we operate, which helps stakeholders make informed decisions about their interactions with the company and our products.

Our Code of Ethics ensures that directors, officers, and employees share Hovione's commitment

to conducting business with transparency and integrity. It provides guidance on how to put this commitment into practice and helps to ensure that we adhere to the laws and regulations in our operating countries. The Code of Ethics is available in several languages and has been issued in all Group companies. The Code of Ethics is supported by a variety of speak-up channels, including the global "Speak Up," enabling employees to report any integrity-related issue. It is a safe, confidential way to report possible ethical violations or raise compliance-related questions.

1.4. Our Governance

Hovione is an independent family owned international group of companies. The Company was founded in 1959 by Ivan and Diane Villax and remains an independent family concern. The board is made up of Villax family members and a majority of independent non-executive directors. Hovione has a two-tier

management structure consisting of the Board of Directors and the Executive Committee. The Chief Executive Officer is responsible for the management of the business and is assisted by the Management Board, which manages Hovione's activities and each member is responsible for a specific area of the business.

The Board of Directors supervises the Executive Committee, determines the company's overall strategy and follows up on its implementation, the performance, ensures adequate management and organization and, as such, actively contributes to developing the company as a focused, sustainable, global pharmaceutical company.

Board of Directors



Diane Villax
Founder Chairman of the Board



Elie Vannier
Chairman of the Board
Master of Law and DEA in Political Science from Université Paris-Sorbonne



Guy Villax
CEO and Member of the Board
Degree in Accounting and Financial Management



Francisco van Zeller
Non-Executive Board Member
Chemical Engineer



Michel Pettigrew
Non-Executive Board Member
B.COM from McGill University, Montreal and M.B.A. from York University, Toronto



Sofia Villax
Non-Executive Board Member
Degree in Pharmacology



David LaPré
Non-Executive Board Member
BSc Engineering and Life Sciences from Worcester Polytechnic Institute. MBA from New York University

Committees of the Board of Directors	Elie Vannier (INEC)	Diane Villax (NED)	Francisco Van Zeller (INED)	Sofia Villax (NED)	Michel Pettigrew (INED)	David La Pre (INED)
Audit, Risk and Finance	o				X	X
Remuneration & Nomination	X	X			o	
Governance & Ethics		o	X	X		
Development and Technical Operations			X	X		X

INEC: Independent Non-Executive Chair | INED: Independent Non-Executive Director | NED: Non-Executive Director
o = Committee Chair

1.5. Supply Chain Management

In a regulated industry as the one Hovione operates, our Suppliers are critical in terms of Compliance and Quality to assure the quality of our products. Their Environmental and Social impact is equally important. In order to support our Vision to be a state-of-the-art global supply chain, a well-established system supported by an integrated Purchasing Policy is in place for common use at all site locations, independent of the regions. We have two main Policies related with Supply Chain: Global Procurement and Supplier Qualification. The company enforces their adoption across the entire organization and

there are quality audits as part of the Quality System.

There is a global team fully dedicated to managing the supplier base worldwide. Every supplier is surveyed on the way they manage their activities and a due-diligence process is conducted with the support of local teams. Additionally, those with high impact go through an extensive audit process which covers not only the Quality aspects but also their Environmental and Social programs. Our operation model would not be complete if we did not engage with suppliers into our business and to ensure

good alignment in values and behaviors. This can only be reached by ensuring the company promotes and encourages longlasting business relationships.

With common principles we expect to bring a competitive advantage by fully engaging our suppliers in exceeding customer expectations in terms of the Quality, Service, Technology and Cost as well as ensuring no negative impact in terms of Environmental protection and Social support. Overall, they are key enablers of the Business and its impact on the sustainable development is a criteria for selection.

In the spotlight

New Procurement Communication Plan

In 2018, the Hovione Global Procurement Team met for several days to discuss subjects of common interest. From those sessions resulted the need to improve the communication within the Team and with internal clients. A Procurement Newsletter is now being published internally with a quarterly frequency.



In 2018, **57%** of all acquisitions were made with local suppliers

2

Sustainability approach

What do we mean by sustainability?

Hovione published a Sustainability Policy and a Strategy with the objective of clarifying: “What do We mean by Sustainability?”

Wherever Hovione operates, there is the commitment to do so in a manner that will keep the company well within the limits of compliance of legal requirements, be it with regard to the environment, occupational health or safety. Hovione uses business sense to take sound and long-term decisions that make the company proud of what it does.

2.1. Stakeholder engagement and communication

In 2016, Hovione defined its interest groups in a stakeholder analysis. Stakeholders are individuals or groups on which Hovione’s activities impact or by which they are impacted. They are fundamental to business development, therefore, Hovione has developed specific engagement strategies that aim to meet their individual expectations through the most adequate channels.



	Websites	Conferences	Webinars	Articles	Ads (On&Offline)	Press Releases	Email Marketing	Social Media	Customer surveys	Scientific Presentations	Visits to our facilities	Intranet	Hovionews	Internal events
Academic and Scientific Institutions	●	●	●	●	●		●		●	●		●		
Authorities / Official Entities	●	●		●	●	●	●			●				
Community	●				●		●			●		●		
Customers	●	●	●	●	●	●	●	●	●	●		●	●	●
Employees	●	●	●	●		●	●		●	●	●	●	●	●
Media	●	●		●	●	●	●			●		●		
Neighbors	●						●			●		●	●	●
Shareholders	●	●		●	●		●		●	●	●	●	●	●
Suppliers	●	●	●		●		●			●		●		

2.2. Materiality

In 2017, Hovione carried out a stakeholder consultation to learn about the expectations and concerns of internal and external stakeholders.

The topics identified as material were:

1. Product Safety and Quality
2. Research, Development and Innovation
3. Energy and Climate Change
4. Water and Wastewater
5. Waste Management
6. Supply Chain Management
7. Employee Engagement, Talent Retention and Compensation
8. Occupational Health and Safety
9. Community Engagement



Sustainability activities focus mainly on the topics that were identified as material by our stakeholders, based on international sustainability frameworks and on the United Nations Sustainable Development Goals (SDG).

Hovione assesses the management approach of its material topics on a regular basis, taking into account results and trends. For each material topic, we analyse the performance achieved within the internal and external frameworks, and identify actions carried out within their scope.

This assessment encourages the necessary reflection by Hovione's top management and by its teams as regards the review of their management systems, in order to

ensure adequate responses to the challenges raised, defining goals and action plans, whilst ensuring the monitoring and allocation of the necessary resources.



2.3. Sustainable Development Goals



The SDG address global challenges including those related to poverty, hunger, health and well-being, education, inequality, climate change, environmental degradation, prosperity, peace and justice.

Hovione identified the SDG that are aligned with its Sustainability Policy and its Strategy, and is committed to supporting and contributing, mainly, to goals 3, 6, 7 and 12.

 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Ensure healthy lives and promote well-being for all at all ages</p>	 <p>6 CLEAN WATER AND SANITATION</p>	<p>Ensure availability and sustainable management of water and sanitation for all</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Ensure sustainable consumption and production patterns</p>

2.4.

Hovione’s sustainability priorities

What do we mean by Sustainability? Our strategy for sustainable development.

Further to the approved Sustainability Policy, the Strategy sets out the understanding of and the commitment to sustainable development. The scope and reach were purposefully reduced in order to place the focus on what Hovione believes to be most relevant and, therefore, a priority.

STRATEGIC PRIORITY	SDG
---------------------------	------------

Energy Efficiency

We are committed to making the best use of Energy.

Every site will implement an Energy Management System. This system will be used to systematically measure energy usage, and to establish plans which will ensure that energy is used efficiently. In our investment plans, we will select technological solutions that are energy efficient and that will minimize losses. The usage of renewable energy sources will be considered whenever possible and deemed appropriate.

Material topic: Energy and Climate Change



Carbon Footprint

We are committed to minimizing the Carbon Footprint of our activity.

We are committed to defining an appropriate and meaningful way to measure the Carbon Footprint, and to do so in a systematic manner. By measuring our Carbon Footprint, we will be able to use our R&D capabilities and our innovative ability to minimize it.

Material topic: Energy and Climate Change, Supply Chain Management



Use of Materials: avoid, reduce, reuse, recycle

Taking into account that our portfolio is changing, our commitment to the circular economy involves the adoption of recycling technologies, whenever feasible, as one of our main goals.

We are also committed to making the best use of our R&D capabilities to ensure that we follow the hierarchy of waste management.

Material topic: Waste Management, R&D and Innovation



Unintended effects - resistance

Bacterial and parasite resistance is increasing around the world. Untreated waste streams have contributed to the development of resistance hot spots near API-producing plants or in the rivers to which some operators direct their untreated effluent discharges.

Hovione is committed to using the best available technology in order to prevent, as much as is technically possible, our wastewater streams from contributing to antibiotic resistance. Furthermore, we are involved in efforts to fight antimicrobial resistance by supporting the clinical development of new antibiotics.

Material topic: Product Safety and Quality, R&D and Innovation



Balance speed to treat and cure with optimal environmental performance

The development of green processes is often lengthy and incompatible with the need to minimize the time period in which to obtain the required approval. We understand the pressing need for fast product launch, whilst bearing in mind the importance of developing the process including waste recycling and reuse.

Hovione is committed to working with like-minded clients in the implementation of second-generation processes that minimize environmental impact.

Material topic: Product Safety and Quality, Energy and Climate Change, Water and Wastewater Management and Waste Management



Social Responsibility

Hovione actively contributes to the Local Community. We want to be part of the solutions for local challenges by providing the fishing rod because, as the saying goes: “give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.”.

We support those who help others, be they local schools, fire departments, NGOs, arts and sports organizations, those who reveal outstanding merit or worth, and even the like-minded who face serious challenges or have ambitious goals.

Material topic: Community Engagement



Health and Well-being

Hovione is committed, not only to creating a mechanism for all to share in its successes, but also to providing working conditions that promote everyone’s well-being and inspire collaboration and mutual trust.

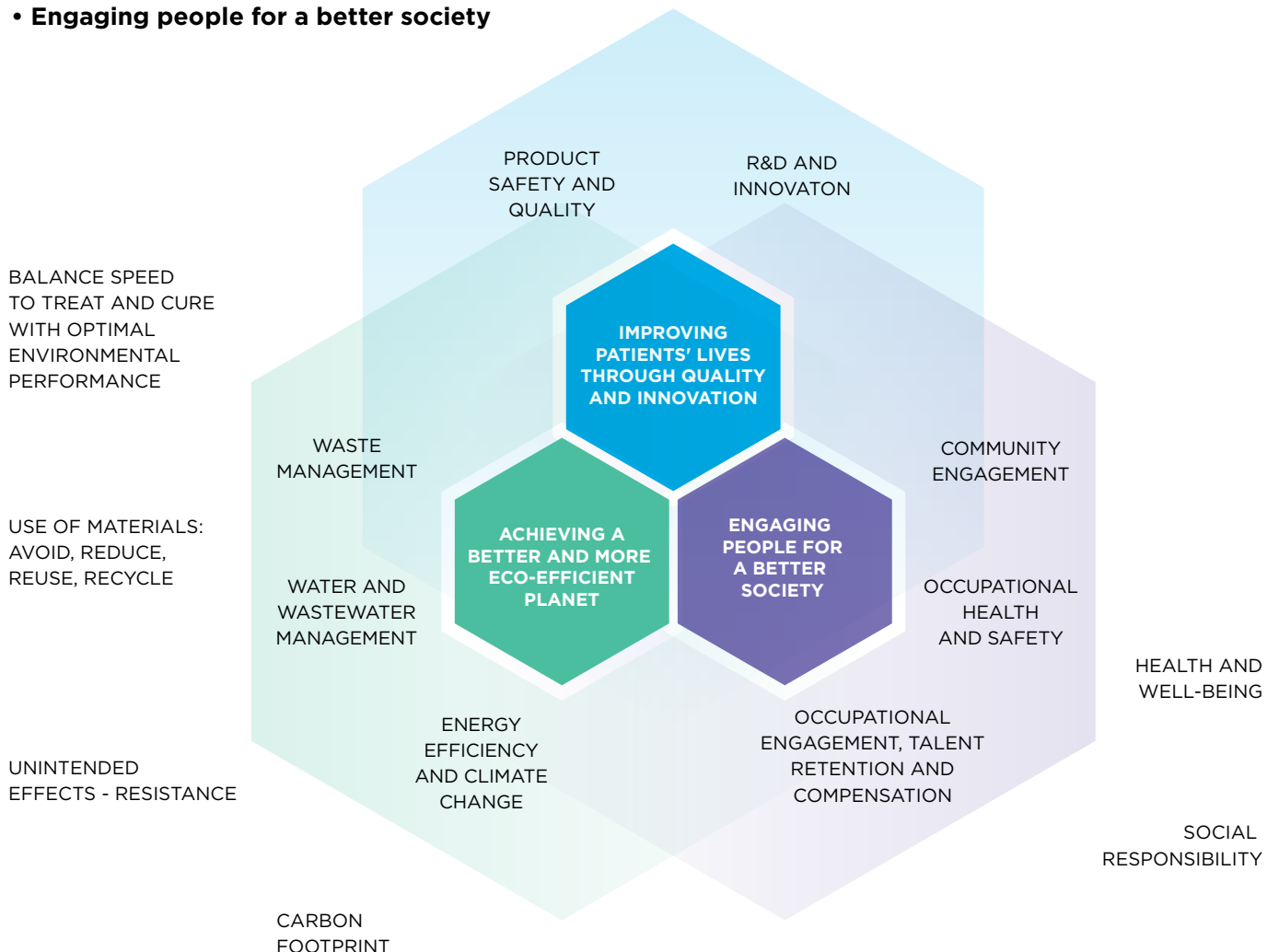


We are committed to doing our best to provide healthy food during working hours, to encourage healthy habits and to support the development of our team-members’ young children.

Material topic: Occupational Health and Safety

Based on the results of our materiality analysis of the key issues related to sustainability, we have grouped our sustainability strategic priorities with the following material topics:

- Improving patients’ lives through quality and innovation
- Achieving a better and more eco-efficient planet
- Engaging people for a better society



3



Improving patients' lives through
quality
and
innovation

At Hovione, we place patients first. We are committed to developing medicines, through quality and innovation, which will improve patients' lives every day. This commitment to patients and to their care-givers is the driving force behind everything we do.

3.1. Product safety and quality

We are “In it for life”. We can make the world a better place. Product Safety and Quality are the foundations on which we never compromise.



Why is it important?

Hovione is producing medicines for patients in need. We are proud to work with our clients on new developments, to commercially manufacture important drugs and to produce generic medicines that make a difference to people’s lives and their families. Two things are of utmost importance – our products must be safe and effective. We consider it a privilege to serve patients.

Our Quality units ensure that all products meet the required standards. We apply Quality-by-Design principles to develop manufacturing processes designed to produce safe and high-quality products.

We request feedback from our customers, on a regular basis, on our performance.



Pharmaceutical Quality System

Our Pharmaceutical Quality System, operative mechanisms and behavioural principles are designed to support the manufacture of safe and high-quality products. Special attention is given to product quality control, beginning with the selection of raw materials and their respective suppliers, right up to the final packaging. The mitigation of risks identified during the manufacturing process, equipment cleaning and maintenance, are key factors which contribute to the quality and safety of our products. The Pharmaceutical Quality System governs continuous improvement activities.

Our Ambition

“Quality is everybody’s responsibility” is our primary commitment, which leads us to our second commitment that is, “To comply with high quality production standards, serve the patient whilst working collaboratively and transparently with all stakeholders”. “Safety First – Quality Always” is a leading principle at all Hovione sites.



Special attention is given to product quality control, beginning with the selection of raw materials and their respective suppliers, right up to the final packaging.

Deviation Management System

In the past two years, we have focused our efforts on revamping our Deviation Management System. Deviations are good indicators of quality system performance and drivers for continuous improvement. We decided to optimize the Deviation Management System and base it on risk management principles so as to:

- classify deviations based on their impact on product quality and safety (severity and frequency of occurrence) and to determine the level of detail of the investigation process
- define appropriate tools to perform systematic and effective investigations in order to identify the root-cause(s) of an issue. Understanding the root-cause(s) enables us to set corrective and preventive actions that will reduce reoccurrence to a minimum.

An effectiveness evaluation plan has been created, which describes the acceptance criteria for success, timelines, the personnel involved and who needs to be informed about the changes. The success of the implementation of the new Deviation Methodology and its overall impact on the performance of our Quality System, are closely monitored.

In the spotlight

3.2.

Research, Development and Innovation

Innovation is one of the pillars of our growth and business sustainability. At Hovione, we use innovation to respond to the challenges that companies are facing.



Why is it important?

At Hovione, the R&D department develops new processes that will be used during product manufacturing. Consequently, it has a crucial impact on the efficiency and sustainability of our commercial operations which apply these processes. Hovione has developed a proprietary tool - “PRIME” (Process Ranking of Inputs from Manufacturing and Environment) - which evaluates multiple aspects of each process, including eco-scale factors. Furthermore, through in-depth knowledge and modelling, we are continuously reducing both the need for experimentation and for the consumption of active pharmaceutical ingredients and organic solvents during the development phase. Our Innovation department sponsors new ideas and proof-of-concept projects that, if successful, will have a material impact on the safety, quality, yields, cycle times and sustainability aspects (namely, emission levels, waste streams quality and quantities). These two departments, therefore, have a direct impact on the business and on its subsequent effect on the environment in the short, medium and long-term.

Skilled resources create a positive impact

Our R&D and Innovation departments are key drivers of Innovation within Hovione and have an increased responsibility towards the company’s long-term sustainability. We have been very successful, having been able to grow, year-on-year, during our 60-year existence.

In the last ten years, we have been collaborating with local academia and companies, contributing actively to both the economy and to society.



Our workforce is increasingly skillful – in Portugal, we are the private company that employs the highest number of PhD graduates – the majority of whom work in our R&D department.

Moreover, we have made decisive contributions towards the discovery of many innovative drugs that address serious diseases, such as Hepatitis C, Cystic Fibrosis or Cancer. These drugs have become possible due to innovative technology developed by Hovione.

Our Ambition

Hovione's long-term objective, which was set in 2008 and to be achieved by 2028, is to become the most innovative provider to the global pharmaceutical industry. This is the commitment we have placed upon ourselves, our Board of Directors and our Shareholders. And we are on the right track (e.g. we are now behind the development of four new drugs per year), having become increasingly recognised as an innovative partner.

We need to possess the right capacity of the best technologies, but we must also to be able to combine it with talent and knowledge so as to deliver unique solutions at the best value.

To reach our ultimate goal, we need to differentiate. We need to possess the right capacity and the best technologies, but we must also to be able to combine it with

talent and knowledge so as to deliver unique solutions at the best value. R&D and Innovation are, as mentioned before, key drivers along this path.

Hovione Research Program

In the spotlight

Over the past two years, we have stepped up our Hovione Research Program (HRP). Hovione sponsored 32 PhD and 54 MSc students, as well as traineeship programs in collaboration with academic institutions worldwide. These programs are crucial to the development of in-depth knowledge in areas of strategic interest, many of which are completely new to Hovione. Continuous Manufacturing, Biopharmaceuticals, Digital Transformation and HRP have been able to attract new talent to Hovione. Out of all the programs already concluded, Hovione has retained 60% of the HRP students.

Another program managed by our Innovation department, launched 2 years ago, was the 9°W initiative. This comprised three different programs where Hovione partnered with academic consortiums to solve specific issues that we could not have solved on our own. Six different academic partners were selected and a total of €5M were allocated to support this multi-year initiative. Several R&D initiatives are in place to transform Hovione into the most innovative provider to the global pharmaceutical industry. Among these are Knowledge Management, Development by Design, Continuous Manufacturing and Biopharmaceuticals Processing.

4

Achieving a **better** and more **eco-efficient** planet

We believe that companies have the responsibility to use resources wisely, and to drive innovation that will enable global development, whilst protecting and preserving the planet. Our main objective is to minimize the impact of Energy, GHG Emissions, Waste and Water.

4.1. Energy and Climate Change

Hovione is aware of the challenges posed by Climate Change and intends to be part of the solution by minimizing its greenhouse gas emissions.



Why is it important?

“Energy and Climate Change” is an important topic for Hovione due to its economic and environmental impact, namely on Climate Change.

Being a major energy consumer, Hovione regards Energy as a resource, the use of which should become more efficient.

We have made it a priority to reduce our demand for energy and have established internal policies and best practices to be applied at all our sites, which include minimizing greenhouse gas generation. By taking these steps, we are also reducing our operating costs and mitigating the business impact expected to be associated with future climate change requirements.

Energy from renewable sources

In 2017, Hovione set the goal of increasing the use of renewable sources and of improving energy efficiency.

In terms of total energy, the percentage of renewable sources at Hovione reached 38% in 2018.

Measuring our greenhouse gas footprint

Where possible, Hovione has decided to purchase electricity from renewable sources. In 2017, sites in Portugal increased the percentage of electricity derived from renewable sources to 43%. In 2018, the Cork site also initiated the consumption of electricity exclusively from renewable sources.

Hovione has made a considerable effort to calculate its Carbon Footprint, so that improvement measures can be defined and implemented. By doing so, Hovione is also becoming more transparent with regard to the impact of its energy consumption.

We are working to reduce this impact through activities like using renewable energy, increasing energy efficiency and implementing mobility solutions. In addition, we have measured our scope 3 emissions, which is of indirect control, but within our range of influence in the supply chain management.

Green Energy and Solar Panels

In the spotlight

The total amount of electricity purchased by Hovione in Portugal since July 2017, and in Ireland since March 2018, is certified as renewable energy.

In 2017, Hovione installed 744 solar panel modules at its site in Lumiar (Portugal). These panels provided the site with 7,5% of the electricity consumed in 2018.

As a result of these measures, the proportion of electricity used, derived from renewable sources, reached 31% and 72% of Hovione's total electricity consumption, in 2017 and 2018, respectively.



We have made it a priority to reduce our demand for energy and have established internal policies and good practices to be applied at all our sites, which include minimizing greenhouse gas generation across the company.

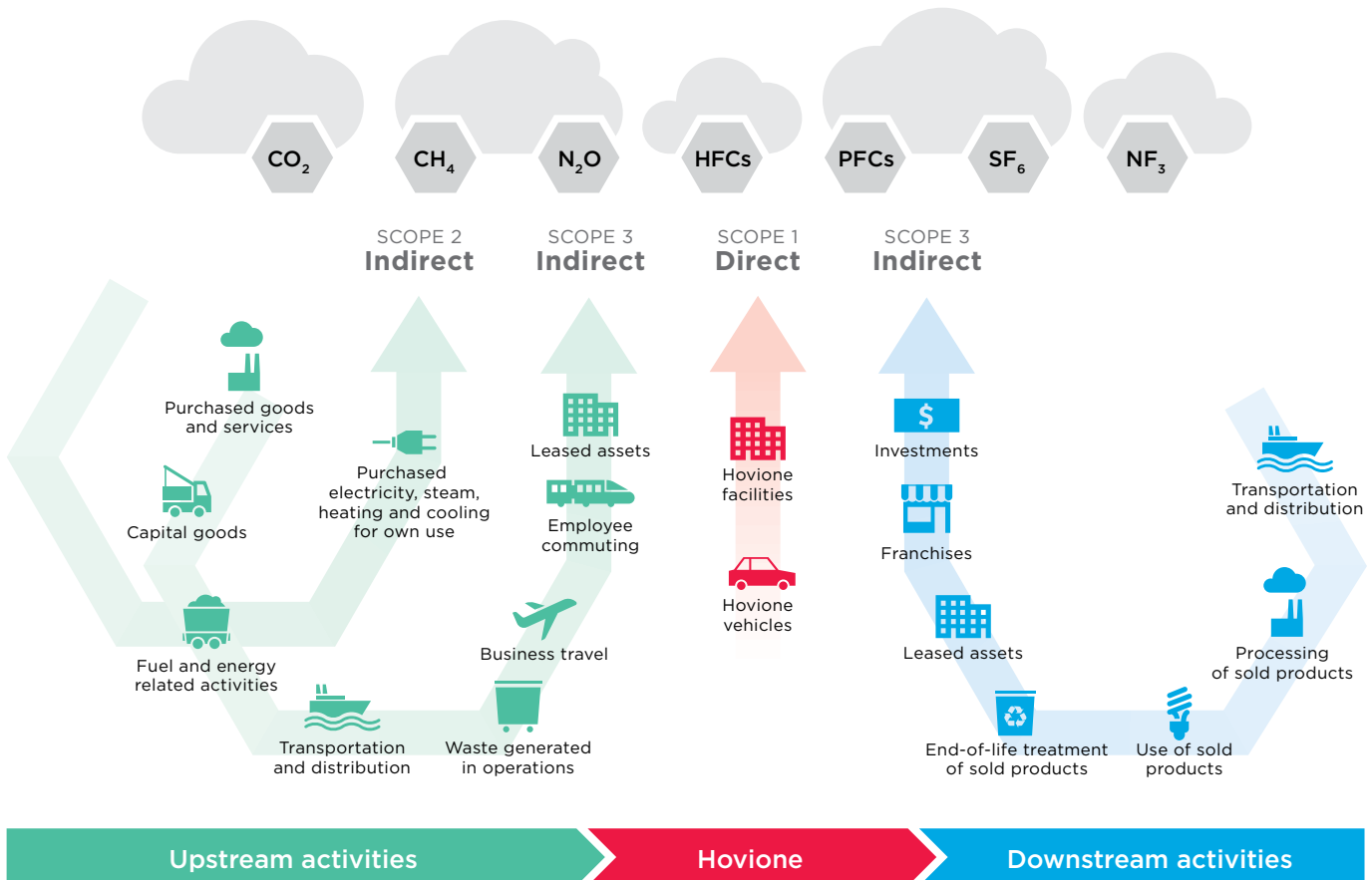


Methodology

The methodology for calculation of the greenhouse gas emission inventory was updated for 2017 and 2018. The calculation for

2016 was reviewed to ensure that the same criteria were applied to all fiscal years. Operational boundaries were defined

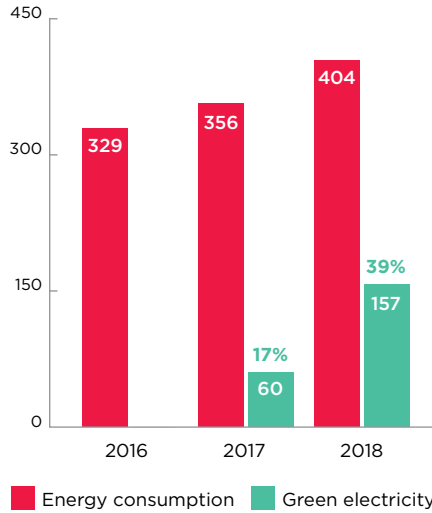
according to the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard guidelines.



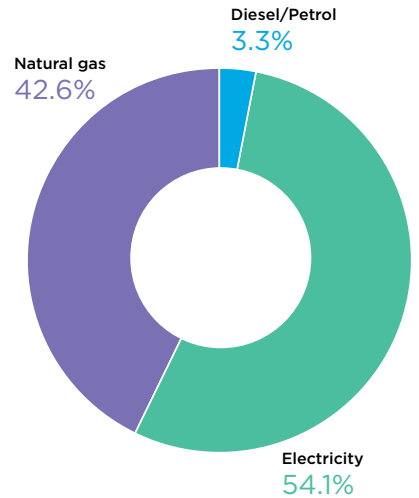
Energy in numbers

The energy consumed by Hovione increased by 8% in 2017 and by 23% in 2018, when compared to 2016, the base year. Most of this energy derives from electricity (54%) and from natural gas (43%). The main contributors to this increase in energy consumption, in the reporting period, are the Hovione manufacturing sites in Europe and in the USA, where expansion of new production areas occurred. In 2018, the ratio of energy per sales increased by 6% when compared to 2016, the base year. However, the percentage of green energy increased to 39% in 2018.

Energy (Thousands GJ)



Energy source in 2018



Emissions in numbers

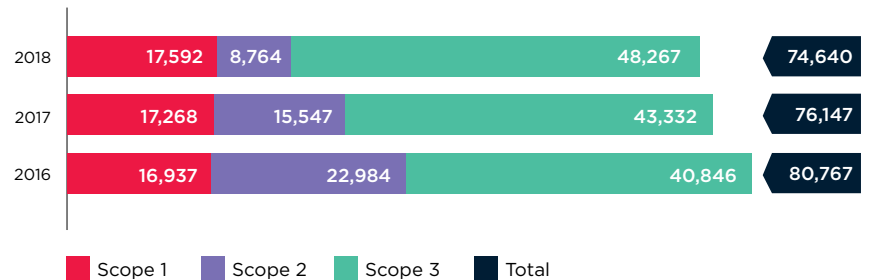
Hovione has set the objective of reducing the total amount of GHG emissions by 15% during the 2017-2021 period, when compared to the base year 2016.

The total amount of GHG emissions decreased by 6% in 2017 and by 8% in 2018, when compared to the base year 2016. This includes the effect of the expansion of its activities and the effect of the reduction initiatives.

In the 2017-2018 period, the main reduction initiatives implemented were the purchase of renewable electricity in Portugal and on Ireland sites as well as the solar panels installed in Lumiar, Portugal.

IN 2018, THE MANUFACTURING SITES IN LOURES, PORTUGAL, AND IN CORK, IRELAND, CONSUMED 100% GREEN ELECTRICITY.

GHG Emissions (Ton of CO₂ equivalent)



For more information please consult GRI Content Index

IN 2018, HOVIONE SAVED 23% ON ITS WORLDWIDE EMISSIONS THROUGH ITS REDUCTION INITIATIVES.

In the spotlight

New electric forklifts

In 2018, the manufacturing site in Loures updated the forklifts from diesel to electric. Currently, all forklifts consume electricity from renewable sources instead of industrial diesel. The consumption of industrial diesel decreased by 33% from 2017 to 2018. Thus, 14 ton of CO₂ equivalent were avoided in 2018.



These led to a reduction of 18,446 tonnes of CO₂ equivalent, which represents 23% of Hovione's worldwide emissions of the baseline year 2016.

Scope 1 emissions are quite stable, while Scope 2 emissions decreased considerably as a result of the reduction initiatives (purchasing of electricity from renewable sources). Scope 3 emissions increased by 11% in 2018, mainly due to the increase in capital expenditures and purchased goods.

4.2.

Waste management

We want to promote a circular economy throughout the lifecycle of our products. Prevent, recycle and reuse are part of our policies.



Why is it important?

API manufacturing processes are solvent-intensive. Hovione has proactively defined environmental protection measures and has made significant investments, in order to recycle and reuse these solvents. Hovione’s mission is to develop drugs that are important in the treatment or cure of diseases that afflict patients, and any delay in their development means that suffering will be prolonged. To develop green processes that optimize the use of materials and minimize waste production is often time-consuming and incompatible with reducing the period before approval. Once the new drug is revealed and proved to be successful, Hovione commits itself to working with like-minded clients in the implementation of second-generation processes that will minimize environmental impact.

Efforts to minimize waste generation

In the last two years, Hovione has taken actions so as to:

- Reuse and recycle solvents with high Global Warming Potential (e.g. dichloromethane);
- Recycle, every year, 80% of all waste produced during manufacturing processes, of which more than 60% are recycled internally. In this way, the investment made will be applied to environmental protection;
- Raise awareness among employees.

Our Commitment

Hovione’s commitment to the circular economy involves the adoption of recycling technologies, whenever feasible, as one of our main goals. Hovione is also committed to making the best

Awareness campaign for the minimization of plastic

In 2018, the awareness campaign for the minimization of plastic, a good example of how awareness can be raised among employees, entailed replacing plastic water bottles with reusable containers and providing spots where these containers can be refilled. This campaign took place in the Loures manufacturing site, in Portugal. The use of more than 50 thousand plastic water bottles, per year, was thus avoided.



In the spotlight

use of its R&D capabilities in order to follow the hierarchy of waste management. While doing this, Hovione looks to holistic solutions that are not exclusively confined

to its own plants, e.g., reusing a particular material elsewhere on the planet may have priority over internal energy recovery.

Disposal of spent acetone in New Jersey and savings therefrom

In the spotlight

In early 2018 the Hovione New Jersey site started to generate higher volumes of Acetone. An above ground storage tank was installed to accommodate the increased waste volume as part of the facilities expansion that brought a contained truck unloading area online.

In February of 2018, Hovione engaged a third party waste vendor to recycle and reclaim the Acetone. Over 120 tons of Acetone were diverted from incineration and fuel blending waste routes and sent to the reuse and recycling open market.

As production increases this volume is anticipated to double in volume. This initiative at the Hovione New Jersey site reduces the facility's environmental impact by providing a key raw material a second life cycle.

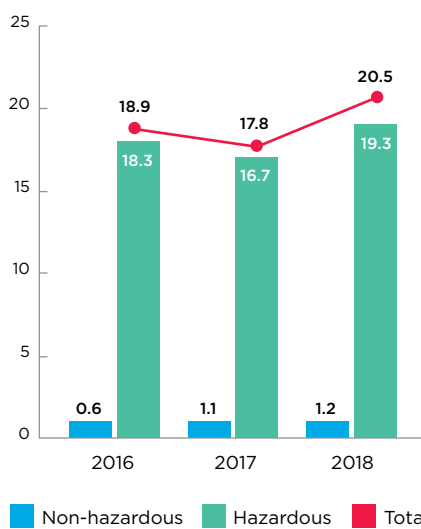


Waste in numbers

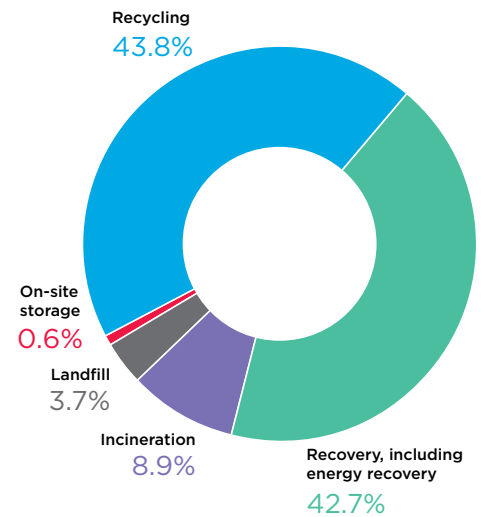
The waste produced by Hovione is proportional to the type and number of products manufactured, namely hazardous waste, which increased by 6% in 2018, when compared to the 2016 base year. The percentage of waste per final product (E-factor) also increased by 20%, mainly due to the portfolio of products produced, which were at development stages and in clinical trials, before recycling was addressed.

In Portugal, the amount of dichloromethane recycled increased by 19% in 2018, when compared to the 2016 base year. Taking Hovione worldwide into consideration, the total percentage of recycled, reused and recovered waste is consistently above 80%, more than 60% of this being done internally.

Quantity (Thousands Ton)



2018 Hazardous Waste Destination





4.3. Water and wastewater management

Access to clean water is crucial to human health and is a key input in our manufacturing operations. Hovione strives to minimize water consumption and to ensure that no pollution results from its activities.



Why is it important?

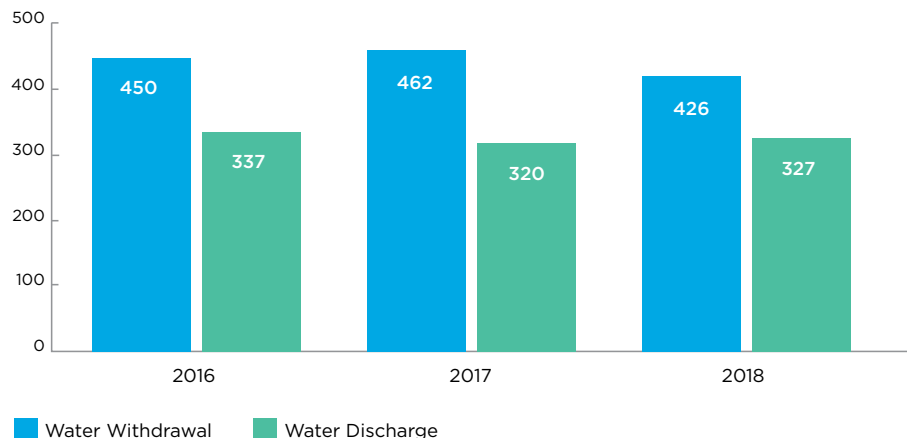
Hovione consumes water in its manufacturing processes. Typically, the water consumed is of municipal supply, with further internal treatment and purification conducted by Hovione. The aqueous mother liquors produced are treated by stripping and/or treated at Wastewater Treatment Plants, internally (at the Cork site) or externally.

Water and wastewater treatment are part of Hovione's major investments. Hovione strives to minimize the consumption of water and to ensure that no pollution results from its activities. Several projects are currently ongoing, such as the revamping of stormwater drainage and the treatment of pharmaceutical effluents by electro-peroxide-coagulation at the Loures site. This is an innovative technology that is able to remove organic pollutants by oxidation and coagulation.

Water in numbers

Nearly all the water consumed at Hovione's sites is provided by the municipal water supplier. Water withdrawal decreased by 8% as a result of several actions implemented, mainly regarding the reuse of water.

Quantity (Millions Liters)



Water conservation project at the Macau site

A water conservation Project was launched at the Macau site, in 2016, with the objective of achieving a reduction of 25% in water consumption.

DEFINITION PHASE (Nov.2016)	ANALYSIS PHASE (Jan.2017)	CONCEPTION PHASE (Mar.2017)	IMPLEMENTATION PHASE (Sep.2017)	CONTROL AND ROLL-OUT PHASE (Mar.2018)
<ul style="list-style-type: none"> • Leader & Team definition • Scope definition • Team kick-off 	<ul style="list-style-type: none"> • Shop floor observations • Map • Define the desired status 	<ul style="list-style-type: none"> • Quick Wins • Actions to bridge the gap • Define the KPIs for the project 	<ul style="list-style-type: none"> • Map the actions, assign person responsible and due dates • Action implementation • Monitor the KPIs • Status meetings 	<ul style="list-style-type: none"> • Online water meter • Statistical analysis

In the spotlight

Main steps

- We mapped the entire water distribution grid, going beyond the main lines in order to know who the end consumers were and to understand the purpose of every end of line.
- An action plan was prepared, which included 33 actions. These were then classified based on their reduction potential, with actions for immediate implementation and others for the conception phase.
- The actions classified for immediate implementation allowed for a quick win of about 100 m³ reduction in water consumption.
- The Project also included a promotion of the awareness of water consumption: change mindset, involve everyone! "This is everyone's project, everyone's responsibility. We need to measure and we need to have all the answers, at all times, in order to improve matters."
- The control phase is still ongoing, with the implementation of new online water consumption records and better statistical analyses.

Results

The achievements, thus far, reflect a reduction of 47,807 m³ which represents 31% of water consumption when compared with that of 2016.



5

Engaging people for a better society



At Hovione, employees are vital to company growth and for the successful execution of strategies. Therefore, it is important for Hovione to focus on employee development and diversity in all its operations, as well as on health and safety matters, ensuring that robust safety procedures are fully integrated into our working methods.

As a responsible company, we believe that it is important to engage with the communities in which we operate and to create value within society.

5.1. Employee engagement, talent retention and compensation

Hovione recognises that people are its main asset and that the company’s continued success depends on the commitment, effort and professionalism of all those who are part of the Team.



Why is it important?

At Hovione, we believe that our employees are at the heart of our success. That is why we invest time, and apply focus, rigour and commitment to our “Hire to Retire” processes. We believe it is important that we recognise our talents, and that we provide them with the right opportunities to develop emotionally rewarding and satisfying careers, thus maintaining and developing a highly skilled and motivated workforce, which translates into happy clients, who, in turn, translate into long-term sustainable business.

The “entry bar” to Hovione is set high, with a purpose in mind: to continue recruiting highly skilled and motivated team members (TMs) who are given the opportunity to make full use of their talents. We proudly respect each individual’s experience and

values, and actively encourage diversity. We believe that this is a true enabler that helps us Think Differently and drive our creativity.

We safeguard our internal working environment and act accordingly to create a climate where stability

exists, and where we can continue to offer various interesting professional challenges to our Team Members. This includes formal and informal opportunities to learn new skills and to further develop existing competencies. Our Team Members acknowledge these efforts by choosing to pursue their careers with us over the long-term, and to be part of our ongoing success, whilst feeling motivated and engaged in our mission and positive about the opportunities provided for them to develop both personally and professionally.

New Performance and Evaluation System

In the spotlight

A new evaluation system was launched into our global business to assess the performance of 2018. 1,700 people were trained in the new system across all of our sites. We also revised our behavioral competency model and introduced a new framework.

The progresses made in the digital world have resulted in technology reaching more people quicker than ever before and, at the same time, it is changing the type of skills that Hovione needs. We encourage our Team Members to develop these skills in order to become more efficient at complex problem-solving, teamwork and adaptability, as well as leadership and change. Our new competency model reflects these needs. The new performance review process also ensures that we place significant emphasis on personal development, focusing our attention on how innovation and creativity, which is the DNA of our organization, deliver business results.

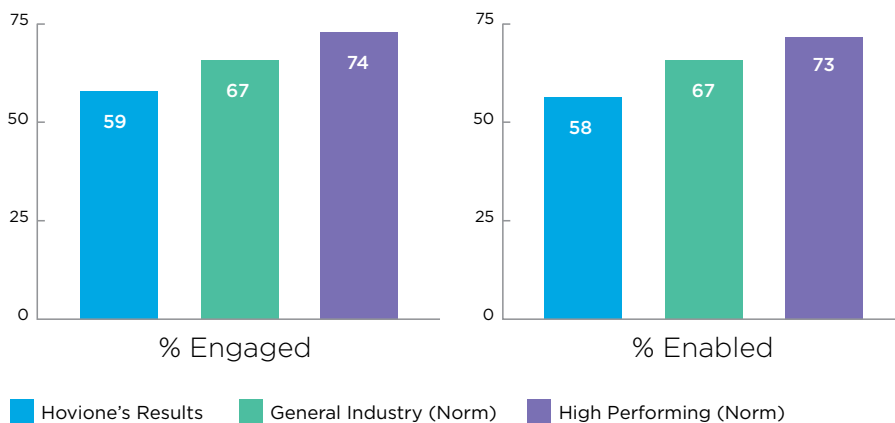
Employee Engagement and Enablement Survey

In the spotlight

At Hovione, we conduct an Employee Engagement and Enablement Survey as one of the many ways of receiving feedback from our Team Members. We are interested in measuring our performance against indicators that we know drive high levels of Engagement and Enablement, such as, Respect & Recognition, Authority & Empowerment, Pay & Benefits, Development Opportunities and Collaboration. The survey also provides insight into how confident our Team Members feel about Leadership at Hovione, and whether the business strategy is known and well understood.

In 2018, the response rate to the survey was 80%, an increase when compared to 2016 (79%). The results showed some improvements in the focus areas when compared to the previous survey, and also highlighted areas which can be improved. We will continue to place a strong emphasis on providing a stimulating and professionally challenging workplace for all employees.

Engagement and Enablement



Top Dimensions

1	Quality and Customer Focus	Favorable 83%
2	Clear and Promising Direction	Favorable 76%
3	Confidence in Leaders	Favorable 71%

Strengths

1	Hovione is socially responsible	Favorable 89%
2	Hovione operates in an ethical manner	Favorable 89%
3	Hovione is customer focused (always seeking to understand and meet customer needs)	Favorable 86%

Opportunities

1	I believe I am paid fairly for the work I do	Favorable 24%
2	I believe my pay is fair considering the pay of people doing similar work in other companies	Favorable 22%
3	There are enough people to do the work in my work group	Favorable 32%

Leadership Development

We believe that, at Hovione, successful leadership has two core components: the ability to address both task-related and people-related needs within our organization, with equal concern. We recognise that an engaged and motivated workforce translates into happy clients, which in turn translate into long-term sustainable business.

To ensure that we have effective leaders at Hovione, and to build a leadership pipeline for the future, we place high emphasis on the training of our managers in order to create leaders with the right skill sets to address both core components.



26%

more employees in 2018 when compared to 2016



34% female
66% male



68% female
32% male

	2016	2017	2018
Employees	1351	1596	1705
Male	67%	66%	66%
Female	33%	34%	34%
< 30 years old	25%	28%	27%
30-50 years old	59%	58%	59%
> 50 years old	16%	14%	14%
New Employee Hires	21%	23%	19%
Employee turnover	7%	9%	10%

5.2.

Occupational Health and Safety

Hovione is committed, not only to creating a mechanism for all to share in its successes, but also to providing working conditions that promote everyone’s well-being and inspire collaboration and mutual trust.



Why is it important?

As a manufacturing organization engaged in the production of life saving medicines, Hovione stores and handles chemicals and engages in activities which can be hazardous to the health and well-being of our employees and contractors, as well as to the communities in which we operate.

Safe operations are thus of paramount importance, and that is why Hovione promotes policies and working methods which place “Safety First”.



Loures site prevents Slips and Trips and obtains recertification to ISO 45001

Following an increase in the number of accidents associated with Slips and Trips in 2017, the Loures site developed a remedial action program which systematically analysed its walking and working surfaces and took the necessary actions to reduce the risk of slipping or tripping. A supporting hazard communication program was also rolled out among employees and contractors alerting them to the actions to be taken so as to minimize this risk.

In addition, the Loures site focused on updating and obtaining recertification of its management system from OHSAS 18001:2007 to ISO 45001:2018.

In the spotlight

Cork site improves Health and Safety process efficiency and communication with employees

Hovione Ireland implemented several projects in 2018. One of these projects focused on updating the site management system procedures so as to improve the effectiveness and efficiency of the Health & Safety management processes.

Other projects focused on improving communication and engagement with on-site employees. Examples include the establishment of a new Health Safety Representative forum which meets monthly to discuss Health & Safety issues and opportunities for improvement. The forum tracks active issues and is comprised of both employees and management. The HE site also initiated a “12-Themed” safety program which focuses on one aspect of the safety program each month. Monthly activities supporting this 12-themed approach include education, training, inspections and audits.



In the spotlight

Health and Safety Rates	2016	2017	2018
Accident Frequency Rate (# Accidents/million worked hours)	16	13	11
Lost Time Accident Frequency Rate (# LTA/million worked hours)	3.21	5.26	5.22
Lost Time Accident Severity Rate (# lost days/thousand worked hours)	0.04	0.08	0.07

5.3. Community engagement

We aim to exceed the strict legal compliance of our business conduct and we take our responsibility towards the Community very seriously – we believe we can contribute to a better society.

Why is it important?

At Hovione, we want to positively contribute to the social dimension of those that live wherever we operate, from the sourcing of materials to the interaction with local communities. Hovione wants to do what is best for the world.

The chemical and industrial operations carried out at Hovione sites include activities that can affect employees, neighbors and the community at large, and have an environmental impact (air, water, soil), as well. With a policy of “safety is our priority” and “zero accidents” as our main goal, Hovione aims at minimizing the impact of its activities. We also want to get involved with the local communities to foster positive social change and solve identified social problems.

We believe that we can play our part in helping solve global challenges by acting locally wherever we operate.



Four main areas of intervention

Hovione wants to get involved with local communities wherever we operate, supporting those that help others through our Corporate Social Responsibility. In 2017 and 2018, the following areas of intervention were covered:

- Education and Culture
- Social, Health and Well-being
- Sports
- Safety and Environment



In the spotlight

SDG @ Loures

In 2018, Hovione launched the SDG (Sustainable Development Goals) @ Loures Program. This Program aims to raise awareness, encourage and promote the development of projects that contribute to SDG goals. Within the scope of this Program, nine projects were developed by 5th to 10th grade students.



Hovione Solidarity Running Race

More than 1,500 participants attended the 2nd Edition of the Hovione Solidarity Running Race in Loures, Portugal in 2018, which was focused on creating road safety awareness and a healthy lifestyle. In addition, two local social organizations were financially supported and also received in-kind donations. This was also an opportunity to actively strengthen our bonds with the community and the local partners.



In the spotlight

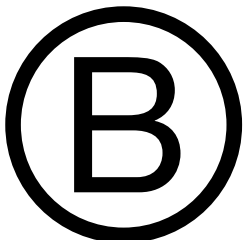
Hovione MAIS

A pilot training program started in 2018 for five organizations in Portugal, named Hovione MAIS (Metodologia de Avaliação do Impacto Social /Social Impact Assessment Methodology). This Program aimed to support five social organizations in defining the social problem they are addressing, developing their own Theory of Change, creating and applying a tool for social impact assessment and improving reporting skills.



In the spotlight

Certified



Corporation[®]

Hovione is a certified B Corporation, which means that it is committed to pursuing better social and environmental performances, alongside Hovione's financial targets.

About this Report

This is the third Sustainability Report published by Hovione that responds to the expectations of its main stakeholders. Their opinions and contributions have been taken into consideration in selecting and prioritizing the content of this Report. Hovione is aligned with the United Nations Sustainable Development Goals, which are identified and associated with the main thrust of its activities and goals throughout its value chain.

Reporting Scope and Boundaries

The report covers all Hovione owned manufacturing facilities worldwide. The data does not include the iMAX Diagnostic Imaging business.

Reporting Period

The period covered by the report refers to the 2017 and 2018 fiscal years, from 1 April 2017 to 31 March 2019. Whenever considered relevant, quantitative data from previous years is disclosed to show changes over time.

Global Reporting Initiative (GRI)

The Hovione's Sustainability Report 2017-2018 has been drawn up using the Global Reporting Initiative Standards, in accordance with the "core" option. The printed version includes the information regarded as most relevant, as identified in the sub-chapter on "Sustainability Approach". For detailed consultation of all the indicators, you can obtain the full version of the Sustainability Report which includes a list of all the disclosures in the "GRI Content Index", available at the end of this document.

Materiality

As a result of the 2015 stakeholders' consultation, this Report is divided into three main areas: IMPROVING PATIENTS' LIVES THROUGH QUALITY AND INNOVATION, where we address product safety and quality, and research, development and innovation; ACHIEVING A BETTER AND MORE ECO-EFFICIENT PLANET, where we focus on energy and climate change, water and wastewater, and waste management; and ENGAGING PEOPLE FOR A BETTER SOCIETY, dealing with employee engagement, talent retention and compensation, occupational health and safety, and community engagement.



Contact

For further information regarding this report and for additional information please consult the website at www.hovione.com/about-hovione/corporate-responsibility-and-sustainability or contact Corporate Compliance: Phone: +351 21 982 9000 | Email: sustainability@hovione.com



GRI Content Index

General Disclosures

GRI STANDARD	DISCLOSURE/ANSWER	PAGE
GRI 102: General Disclosures 2016	Organizational profile	
	102-1 Name of the organization Hovione	
	102-2 Activities, brands, products, and services More information at: https://www.hovione.com/about-hovione/what-we-do	8
	102-3 Location of headquarters Sete Casas, 2674-506 Loures, Portugal	
	102-4 Location of operations More information at: https://www.hovione.com/hovione-worldwide	9
	102-5 Ownership and legal form Hovione is an independent family owned international group of companies, having adopted the legal form of a holding.	
	102-6 Markets served More information at: https://www.hovione.com/products-and-services/patent-api-products/meet-team	8
	102-7 Scale of the organization	6
102-8 Information on employees and other workers		

Total number of employees by type of employment contract, by gender.

	2017	2018	
Total number of employees on permanent contracts	female	406	454
	male	863	918
	Subtotal	1269	1372
Total number of employees on temporary contracts	female	137	131
	male	190	202
	Subtotal	327	333

Total number of employees by type of employment contract, by region.

	2017	2018	
Total number of employees on permanent contracts	Portugal	736	822
	Cork	211	196
	Macau	194	194
	New Jersey	128	160
	Subtotal	1269	1372
Total number of employees on temporary contracts	Portugal	320	313
	Cork	0	18
	Macau	0	0
	New Jersey	7	2
	Subtotal	327	333

GRI STANDARD	DISCLOSURE/ANSWER	PAGE
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GRI 102: General Disclosures 2016

Total number of employees by employment type, by gender.

	2017	2018
Total number of full-time employees	female	508
	male	917
	Subtotal	1489
Total number of part-time employees	female	18
	male	4
	Subtotal	22

Work performed by workers who are not company employees is mostly limited to construction projects, whenever Hovione has the need to expand or build new factories or offices.

102-9 Supply chain

Hovione has a Purchasing group within the organization which includes resources located at all manufacturing sites. Strategic items are negotiated centrally.

12

102-10 Significant changes to the organization and its supply chain

No significant changes

102-11 Precautionary Principle or approach

The Precautionary Principle is embedded in the Hovione Sustainability Policy and has been in force since the 80's, when Hovione invested in Factory no. 2, which is fully dedicated to solvent recycling. The environmental impact is always a concern in every activity.

102-12 External initiatives

Signatory of the MassBio's Open Letter to the BioPharma Community on gender diversity (<https://www.massbio.org/news/recent-news/an-open-letter-to-the-biopharma-community-129524>)

102-13 Membership of associations

- APIC/CEFIC (Active Pharmaceutical Ingredients Committee of the European Chemical Industry Council)
- APQuímica (Portuguese Association of Chemistry, Petrochemicals and Refining)
- BCSD (Business Council for Sustainable Development)
- BITC (Business in the Community Ireland), BPCI (BioPharmaChem Ireland)
- EFCG/CEFIC (European Fine Chemicals Group), EP (European Pharmacopoeia)
- ICH (International Council for Harmonisation)
- Industrial Association of Macau, Macau Chamber of Commerce
- IPAC (International Pharmaceutical Aerosol)
- Rx360 (International Pharmaceutical Supply Chain Consortium)
- USP (United States Pharmacopoeia)

Strategy

102-14 Statement from senior decision-maker

5

GRI STANDARD	DISCLOSURE/ANSWER	PAGE						
Ethics and Integrity								
	102-16 Values, principles, standards, and norms of behaviour More information at: https://www.hovione.com/about-hovione/mission-vision-and-values	9-10						
Governance								
	102-18 Governance structure More information at https://www.hovione.com/about-hovione/management	11						
Stakeholder engagement								
	102-40 List of stakeholder groups	14						
	102-41 Collective bargaining agreements							
	<table border="1" style="float: right; margin-left: auto;"> <thead> <tr> <th></th> <th style="background-color: #ccc;">2017</th> <th style="background-color: #ccc;">2018</th> </tr> </thead> <tbody> <tr> <td>Employees covered by collective bargaining agreements</td> <td style="text-align: center;">66%</td> <td style="text-align: center;">67%</td> </tr> </tbody> </table>		2017	2018	Employees covered by collective bargaining agreements	66%	67%	
	2017	2018						
Employees covered by collective bargaining agreements	66%	67%						
	Information presented only accounts for Hovione's employees in Portugal							
	102-42 Identifying and selecting stakeholders Stakeholders were selected through an internal assessment, including all relevant areas.							
	102-43 Approach to stakeholder engagement	14						
	102-44 Key topics and concerns raised	15						
Reporting practice								
	102-45 Entities included in the consolidated financial statements The data in this report does not include the iMAX Diagnostic Imaging business, which was sold at the end of 2017.							
	102-46 Defining report content and topic Boundaries	15						
	102-47 List of material topics	15						
	102-48 Restatements of information There were no restatements of information.							
	102-49 Changes in reporting There were no changes in reporting.							
	102-50 Reporting period 1 April 2017 to 31 March 2019							
	102-51 Date of most recent report 6 December 2018							
	102-52 Reporting cycle Hovione's sustainability reports are issued every two years.							

GRI STANDARD	DISCLOSURE/ANSWER	PAGE
	102-53 Contact point for questions regarding the report Questions and comments should be sent to: sustainability@hovione.com	
	102-54 Claims of reporting in accordance with the GRI Standards	38
	102-55 GRI content index This table.	
	102-56 External assurance Hovione did not seek external assurance for this report.	

Topic-Specific Disclosures

STANDARD	DISCLOSURE/ANSWER	LOCATION					
Economic Performance							
Market Presence							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary Associated with topic "Employee Engagement, Talent Retention and Compensation"	15, 32					
	103-2 The management approach and its components Purpose: At Hovione we really believe that our employees are at the heart of our success. That is why we invest time and apply focus, rigour and commitment to our "Hire to Retire" processes. Policy: Human Resources Management Policy - Hovione recognizes that people are its main asset and that the company's continued success depends on the commitment, effort and professionalism of all those who work at Hovione. Commitments: Not defined Responsibility: Human Resources Department Grievance Mechanism: N/AP Projects: Page 32						
	103-3 Evaluation of the management approach	15					
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage						
	<table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Ratio of standard entry level wage</td> <td>1,3</td> <td>1,3</td> </tr> </tbody> </table> <p>The ratio presented only takes into account the wages of Portuguese and Irish employees. The other countries where Hovione operates do not have a minimum wage defined by law.</p>		2017	2018	Ratio of standard entry level wage	1,3	1,3
	2017	2018					
Ratio of standard entry level wage	1,3	1,3					

STANDARD	DISCLOSURE/ANSWER	LOCATION
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202-2 Proportion of senior management hired from the local community

	2017	2018
% of senior management hired from the local community	85%	84%

Hovione has taken into account “Senior Management” employees and above, and by “local community” we mean all employees who are citizens of the country where the manufacturing site is located.

Procurement Practices

GRI 103: Management Approach 2016

103-1 Explanation of the material topic and its Boundary

Associated with topic “ Supply Chain Management”.

15, 12

103-2 The management approach and its components

Purpose: At Hovione we promote and encourage long-lasting business relationships with our suppliers.

Policy: We have adopted two main Policies related with the Supply Chain: (i) Global Procurement Policy; and (ii) Supplier Qualification.

Commitments: The company enforces the adoption of Policies across the entire organization and quality audits are carried out as part of the Quality System.

Responsibility: Global Procurement is responsible for managing this topic and its head is the person ultimately responsible for it.

Grievance Mechanism: There is a formal supplier grievance mechanism for non-compliance with the agreed requirements: This mechanism impacts the final purchase decision.

Projects: Page 12

103-3 Evaluation of the management approach

15

GRI 204: Procurement Practices 2016

204-1 Proportion of spending on local suppliers

	2017	2018
Portugal	56%	57%
Cork	76%	73%
Macau	27%	18%
New Jersey	94%	89%
Total % of spending on local suppliers	62%	57%

By “local” Hovione means that the supplier belongs to the country where the manufacturing site is located; by “significant locations of operation” Hovione means the places where the company has its manufacturing sites.

STANDARD	DISCLOSURE/ANSWER	LOCATION
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Environmental Performance		
Energy		

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary Associated with topic “Energy and Climate Change”.	15, 24
--	---	--------

103-2 The management approach and its components
Purpose: Hovione is committed to making the best use of energy by using it as efficiently as possible and by mitigating its use.
Policy: Sustainability Strategic Priorities - Energy Efficiency
Commitments: To use renewable sources of energy, where available.
Responsibility: The bigger sites have a Utilities Manager.
Grievance Mechanism: N/AP
Projects: Pages 24-27

103-3 Evaluation of the management approach	15
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GRI 302: Energy 2016	302-1 Energy consumption within the organization	
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	2017	2018
Total energy consumption from non-renewable sources (GJ)	163,276	185,470
Total energy consumption from renewable sources (GJ)	348	1127
Total electricity purchased for consumption (GJ)	192,741	217,491
Total energy consumption within the organization (GJ)	356,365	404,088

26

Water and Effluents		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary Associated with topic “Water and Wastewater”.	15, 29
--	--	--------

103-2 The management approach and its components
Purpose: Hovione strives to minimize the consumption of water and to ensure that no pollution is brought about by its activities.
Policy: Hovione designs, implements actions and operates in a way which enables it to reduce and compensate the environmental impact of its activities as much as possible.
Commitments: Hovione is committed to using the best available technology so as to prevent, as much as is technically possible, the increase in antibiotic resistance.
Responsibility: all Hovione manufacturing sites have a Health, Safety and Environmental (HSE) Department, which manages the local implementation of the policies in force. Furthermore, the Corporate Sustainability Department updates strategies and provides guidance on the strategy and goals.
Grievance Mechanism: There is a CAPA (Corrective Actions and Preventive Actions) management system to record and manage all observations which include environmental topics. Local communities have open communication channels (email and phone) with local HSE teams. Every complaint is subject to an internal investigation in order to find out the causes of the incident. Feedback is systematically given back to the community.
Projects: Pages 29-30

STANDARD	DISCLOSURE/ANSWER	LOCATION																								
	103-3 Evaluation of the management approach	15																								
GRI 303: Water and Efluentes 2018	<p>303-1 Interactions with water as a shared resource Due to climate change, extensive periods without rain are becoming common and increasing the risk of droughts. According to WRI (World Resources Institute) data about water risk - an index that evaluates the risk related to water consumption and activities - the Lumiar and Cork facilities are in Medium to High risk areas (3 on a scale of 6), while New Jersey and Macao are in Low to Medium risk areas. Hovione will continue to monitor this situation, working with local authorities and other stakeholders to ensure that there is a continuous supply of water to its facilities.</p> <p>303-2 Management of water discharge-related impacts Hovione is committed to using the best available technology so as to prevent, as much as is technically possible, the increase in antibiotic resistance due to its wastewater discharges.</p> <p>303-3 Water withdrawal</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Municipal supply (Million Liters)</td> <td>459</td> <td>423</td> </tr> <tr> <td>Ground water (Million Liters)</td> <td>3</td> <td>3</td> </tr> <tr> <td>Total water withdrawal (Million Liters)</td> <td>462</td> <td>426</td> </tr> </tbody> </table> <p>303-4 Water discharge</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Seawater (Million Liters)</td> <td>85</td> <td>126</td> </tr> <tr> <td>Third-party water (industrial + domestic) (Million Liters)</td> <td>235</td> <td>201</td> </tr> <tr> <td>COD < 1500 mg/l</td> <td>320</td> <td>327</td> </tr> </tbody> </table>		2017	2018	Municipal supply (Million Liters)	459	423	Ground water (Million Liters)	3	3	Total water withdrawal (Million Liters)	462	426		2017	2018	Seawater (Million Liters)	85	126	Third-party water (industrial + domestic) (Million Liters)	235	201	COD < 1500 mg/l	320	327	29
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GRI 103: Management Approach 2016	Associated with topic "Energy and Climate Change". Please refer to the Management Approach of GRI 302: Energy.																									
GRI 305: Emissions 2016	<p>305-1 Direct (Scope 1) GHG emissions</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Scope 1 GHG emissions (t CO₂ eq)</td> <td>17,268</td> <td>17,606</td> </tr> </tbody> </table> <p>305-2 Direct (Scope 2) GHG emissions</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Scope 2 GHG emissions (t CO₂ eq)</td> <td>market-based</td> <td>15,547</td> <td>8,764</td> </tr> <tr> <td>location-based</td> <td>21,942</td> <td>27,210</td> </tr> </tbody> </table>		2017	2018	Scope 1 GHG emissions (t CO ₂ eq)	17,268	17,606		2017	2018	Scope 2 GHG emissions (t CO ₂ eq)	market-based	15,547	8,764	location-based	21,942	27,210	26								
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STANDARD	DISCLOSURE/ANSWER	LOCATION											
	305-3 Other indirect (Scope 3) GHG emissions												
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Effluents and Waste													
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	15, 27											
	Associated with topic "Waste Management".												
	103-2 The management approach and its components												
	<p>Purpose: To develop green processes which optimize the use of materials and minimize waste production.</p> <p>Policy: Hovione designs, implements actions and operates in a way which enables it to reduce and compensate the environmental impact of its activities as much as possible.</p> <p>Commitments: Hovione's commitment to the circular economy involves the adoption of recycling technologies, whenever feasible, as one of our main goals. Hovione is also committed to making the best use of its R&D capabilities in order to follow the hierarchy of waste management. While doing this, Hovione looks to holistic solutions that are not exclusively confined to its own plants, e.g., reusing a particular material elsewhere on the planet may have priority over internal energy recovery.</p> <p>Responsibility: all Hovione manufacturing sites have a Health, Safety and Environmental (HSE) Department which manages the local implementation of the policies in force. Furthermore, the Corporate Sustainability Department updates strategies and provides guidance on the strategy and goals.</p> <p>Grievance Mechanism: N/AP</p> <p>Projects: Pages 27</p>	15											
	103-3 Evaluation of the management approach	27											

STANDARD	DISCLOSURE/ANSWER	LOCATION
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**GRI 306:
Effluents and
Waste 2016**

306-2 Waste by type and disposal method

		2017	2018
Hazardous (tons)	Reuse	0	64
	Recycling	6,872	8,045
	Composting	0	0
	Recovery, including energy recovery	7,524	7,849
	Incineration	1,539	1,633
	Deep well injection	0	0
	Landfill	334	1,616
	On-site storage	95	116
	Other	4	4
	Subtotal	16,698	19,326
Non-hazardous (tons)	Reuse	0	0
	Recycling	637	664
	Composting	0	31
	Recovery, including energy recovery	195	177
	Incineration	283	276
	Deep well injection	0	0
	Landfill	0	0
	On-site storage	0	0
	Other	0	6
	Subtotal	1,115	1,154

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Environmental Compliance

**GRI 103:
Management
Approach 2016** Associated with topics “Energy and Climate Change”, “Water and Wastewater” and “Waste Management”.
Please refer to the Management Approach components of GRI 302: Energy, GRI 303: Water and Effluents and GRI 306 Effluents and Waste.

**GRI 307:
Environmental
Compliance 2016** **307-1 Non-compliance with environmental laws and regulations**

Portugal:
4 notifications | 2 (air); 1 (trees); 1 (noise). All notifications are under assessment, no fines applied.

Cork:
6 notifications | 2 (Wastewater Treatment Plant); 3(air); 1(bunding). No fines applied.

New Jersey:
1 notification | Hazardous waste labelling. Fined \$4,500.

STANDARD	DISCLOSURE/ANSWER	LOCATION
Supplier Environmental Assessment		
GRI 103: Management Approach 2016	Associated with topic " Supply Chain Management ". Please refer to the Management Approach of GRI 204: Procurement Practices.	15, 24, 27, 29
GRI 308: Supplier Env. Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken No negative impacts identified.	

Social Performance

Employment

GRI 103: Management Approach 2016	Associated with topic "Employee Engagement, Talent Retention and Compensation". Please refer to the Management Approach of GRI 202: Market Presence.
GRI 401: Employment 2016	401- New employee hires and employee turnover New employee hires and employee turnover during the reporting period

		2017	2018
Total number of new employee hires	Total	374	321
	female	161	123
	male	213	198
	<30 years old	231	158
	30-50 years old	134	151
	>50 years old	9	12
Rate of new employee hires	Total	23%	19%
	female	10%	7%
	male	13%	12%
	<30 years old	14%	9%
	30-50 years old	8%	9%
	>50 years old	1%	1%
Total number of employee turnover	Total	138	174
	female	59	72
	male	79	102
	<30 years old	61	84
	30-50 years old	65	77
	>50 years old	12	13
Rate of employee turnover	Total	9%	10%
	female	4%	4%
	male	5%	6%
	<30 years old	4%	5%
	30-50 years old	4%	5%
	>50 years old	1%	1%

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STANDARD	DISCLOSURE/ANSWER	LOCATION
Occupational Health and Safety		
GRI 103: Management Approach 2016	<p>103-1 Explanation of the material topic and its Boundary Associated with topic “Occupational Health and Safety”.</p> <hr/> <p>103-2 The management approach and its components Purpose: To establish effective and robust controls to manage the occupational and safety risks associated with the company’s activities. Policy: Policies address management system requirements related to identified hazard areas/activities. They are related to the control of work activities through permits, the management of industrial hygiene, hearing protection, personal protective equipment, etc. Commitments: Not defined. Responsibility: Hovione has established a dedicated Corporate HSE function to provide guidance and governance to its occupational, health and safety management program. In addition, all facilities have dedicated HSE staff focused on the management and oversight of occupational health and safety risks. The HSE staff send the report to the site’s general manager and to the head of corporate HSE in order to ensure functional alignment. Grievance Mechanism: All sites operate a system which records and investigates complaints. Data is periodically reviewed for trends and reported to the corporate HSE and to senior management. Projects: Pages 34-35</p>	15, 34
<hr/>		
103-3 Evaluation of the management approach		
GRI 403: Occupational Health and Safety 2018	<p>403-1 Occupational health and safety management system All Hovione manufacturing sites have a Health, Safety and Environmental (HSE) management system, in accordance with the OHSAS 18001 and are periodically audited and certified by independent external certification organizations. In addition, during 2018, the Loures site focused on updating and obtaining recertification of their management system from OHSAS 18001:2007 to ISO 45001:2018.</p> <hr/> <p>403-2 Hazard identification, risk assessment, and incident investigation The safety of our employees and the security and integrity of our operating facilities, materials and products are priorities. Risk assessment is performed on all new and existing activities to prevent incidents and nonconformities.</p> <hr/> <p>403-3 Occupational health services The Job Hazard Analysis (JHA) engages employees from specific areas. Their input is essential because they work in these areas every day. Once the JHA Team finalizes the hazard review, HSE then holds department meetings to review/communicate the findings, as well as short-term and long-term corrective actions. The meetings also serve to align the departments on the hazards they face in their daily activities.</p>	15

STANDARD	DISCLOSURE/ANSWER	LOCATION
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403-4 Worker participation, consultation, and communication on occupational health and safety

Hovione has Emergency Response Teams (ERT) in all its manufacturing sites. Our Incident Commander (ICS) works with the local Fire Department and serves as leader of this group. On an annual basis, Hovione conducts drill exercises in order to improve its emergency preparedness. Additionally, the ERT and other employees participate in First Aid courses and other trainings relevant to the risks identified in our facilities.

403-5 Worker training on occupational health and safety

Communication, training and awareness is provided to all staff, including to contracted/subcontracted staff working for the company.

403-6 Promotion of worker health

Injuries caused by chemical exposure, noise exposure, ergonomic handling or any other kind of industrial activity are few, thus confirming the care and prevention that is actively applied in our processes.

On a regular basis, the company doctor performs a medical check-up on all employees at the Loures plant.

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Hovione has control over both its work and workplace. The company engages its suppliers to ensure alignment as regards safety behaviours.

403-9 Work-related injuries

		2017	2018
Total number of	fatalities as a result of work-related injuries, for all employees	0	0
	high-consequence work-related injuries, for all employees	0	0
	recordable work-related injuries, for all employees	32	27
	fatalities as a result of work-related injuries, for all workers who are not employees	0	0
	high-consequence work-related injuries, for all workers who are not employees	0	0
	recordable work-related injuries, for all workers who are not employees	4	8
	fatalities as a result of work-related injuries, for all employees	0%	0%
	high-consequence work-related injuries, for all employees	0%	0%
	recordable work-related injuries, for all employees	12%	9%
	fatalities as a result of work-related injuries, for all workers who are not employees	0%	0%
Ratio of	high-consequence work-related injuries, for all workers who are not employees	0%	0%
	recordable work-related injuries, for all workers who are not employees	15%	9%

STANDARD	DISCLOSURE/ANSWER	LOCATION
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A contractor from the Cork facility died as a result of an *in itinere* accident. This fatality is not recorded in the above table because, according to Irish regulations, it should not be considered a work accident. The main types of work-related injuries are the same for employees and workers who are not employees.

		2017	2018
Number of hours worked	for all employees	2,745,762	2,961,192
	for all workers who are not employees	268,480	845,668

Work-related hazards that pose a risk of high-consequence injury, and actions taken or underway to eliminate other work-related hazards and minimize risks are reported in Chapter 5.2. Occupational Health and Safety. Rates have been calculated based on 1,000,000 hours worked. No workers have been excluded from this disclosure. Minor injuries, treated using the first-aid kit, were not considered when counting the number of accidents at work. When calculating the number of days lost, calendar days were considered and were counted as from the day after the accident.

Training and Education

GRI 103: Management Approach 2016 Associated with topic “Employee Engagement, Talent Retention and Compensation”. Please refer to the Management Approach of GRI 202: Market Presence.

GRI 404: Training and Education 2016 **404-1 Average hours of training per year per employee**

		2017	2018
Hours of training	per employee (average)	55	31
	Management category	2,027	665
	Technical Expert category	21,792	12,239
	Operational and Administrative category	30,008	16,087

Diversity and Equal Opportunity

GRI 103: Management Approach 2016 Associated with topic “Employee Engagement, Talent Retention and Compensation”. Please refer to the Management Approach of GRI 202: Market Presence.

STANDARD	DISCLOSURE/ANSWER	LOCATION
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GRI 405: Diversity and Equal Opportunity 2016 **405-1 Diversity of governance bodies and employees**

		2017	2018
Governance Bodies	female	29%	29%
	male	71%	71%
	<30 years old	0%	0%
	30-50 years old	0%	0%
	>50 years old	100%	100%
Management category	% of total	11%	11%
	female	32%	34%
	male	68%	66%
	<30 years old	0%	0%
	30-50 years old	74%	74%
Technical Expert category	% of total	40%	40%
	female	44%	46%
	male	56%	54%
	<30 years old	26%	27%
	30-50 years old	61%	60%
Operational and Administrative category	% of total	48%	49%
	female	26%	25%
	male	74%	75%
	<30 years old	38%	35%
	30-50 years old	50%	53%
	>50 years old	13%	12%

Non-discrimination

GRI 103: Management Approach 2016 Associated with topic “Employee Engagement, Talent Retention and Compensation”.
Please refer to the Management Approach of GRI 202: Market Presence.

GRI 406: Non-discrimination 2016 **406-1 Incidents of discrimination and corrective actions taken**
There were no incidents involving discrimination during the reporting period.

STANDARD	DISCLOSURE/ANSWER	LOCATION
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Child Labour		
GRI 103: Management Approach 2016	Associated with topic “Supply Chain Management”. Please refer to the Management Approach of GRI 204: Procurement Practices.	

GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	
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		2017	2018
Operations and suppliers considered to be at significant risk for incidents of child labour	child labour	<0.05%	<0.05%
	young workers exposed to hazardous work	<0.05%	<0.05%

At the moment India is the only country of concern as we evolve into new projects and very specific materials. Policies and due diligence processes are in force to identify the potential existence of child labour practices.

Forced or Compulsory Labour

GRI 103: Management Approach 2016	Associated with topic “Supply Chain Management”. Please refer to the Management Approach of GRI 204: Procurement Practices.	
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GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour At the moment forced or compulsory labour is not perceived as a risk.	
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Local Communities

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary Associated with topic “Community Engagement”.	15, 36
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103-2 The management approach and its components
Purpose: To manage our impacts appropriately in order to anticipate, avoid and solve possible negative impacts on local communities and the planet.
Policy: There are at least three policies related with this topic: Health, Safety, Environment and Energy Policy; Sustainability Policy; and the Corporate Social Responsibility Policy.
Commitments: Hovione is a certified B Corporation, which means that it is committed to pursuing better social or environmental performances, alongside Hovione’s financial targets.
Responsibility: All Hovione manufacturing sites have a Health, Safety and Environmental (HSE) Department and a Corporate Sustainability Department.
Grievance Mechanism: There are privileged communication channels (email, phone, personal contact, depending on the subject) between local HSE directors, corporate sustainability directors and general site directors. Every complaint is subject to an internal investigation in order to find out the causes of the incident. Feedback is systematically given back to the community.
Projects: Page 36

103-3 Evaluation of the management approach	15
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STANDARD	DISCLOSURE/ANSWER	LOCATION
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	36, 37
Supplier Social Assessment		
GRI 103: Management Approach 2016	Associated with topic “Supply Chain Management”. Please refer to the Management Approach of GRI 204: Procurement Practices.	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria High risk suppliers are audited. The audit covers social criteria.	
Customer Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary Associated with topic “Product Safety and Quality”.	15, 20
	103-2 The management approach and its components Purpose: Product Safety and Quality is a basic requirement for the manufacture of products within the boundaries of Good Manufacturing Practises (GMP). Policy: Hovione has a Quality Policy which helps the company to do things right first time round and to deliver without mishaps (errors, repetition of work, failures and client dissatisfaction). Through this policy the company assures the quality and safety of its products for patients. Commitments: “Quality is everybody’s responsibility” is our primary commitment, which leads us to our second commitment which is, “To comply with high quality production standards and to serve the patient whilst working collaboratively and transparently with all stakeholders”. “Safety First – Quality Always” is a leading principle at all Hovione sites. Responsibility: Quality is the responsibility of all Hovione employees. We all play a role in managing it. However, it is the Quality Unit’s prime duty to manage this area within the organization. Complaint Mechanism: A complaint mechanism is in place at Hovione, covering customer and neighbor complaints. To any complaint that is received we assign a multidisciplinary team to investigate the root cause of the complaint and to define the corrective/preventive actions that will mitigate the risk of its re-occurrence to a minimum. It is the responsibility of Quality Assurance to make sure that all actions are implemented and to evaluate their effectiveness. Projects: Pages 20-22	
	103-3 Evaluation of the management approach	15
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services No regulatory actions, such as product or service alert, warning letter, import alert or recall due to defects or health and safety impacts, related with Active Pharmaceutical Ingredients manufactured at Hovione, were ever received by Hovione.	

STANDARD	DISCLOSURE/ANSWER	LOCATION
Marketing and Labelling		
GRI 103: Management Approach 2016	Associated with topic “Product Safety and Quality”. Please refer to the Management Approach of GRI 416: Customer Health and Safety.	
GRI 417: Marketing and Labelling 2016	<p>417-2 Incidents of non-compliance concerning product and service information and labeling</p> <p>No regulatory actions, such as product or service alert, warning letter, import alert or recall due to information or labelling, related with Active Pharmaceutical Ingredients manufactured at Hovione, were ever received by Hovione.</p>	
Research, Development and Innovation		
GRI 103: Management Approach 2016	<p>103-1 Explanation of the material topic and its Boundary</p> <p>Associated with topic “Research, Development and Innovation”.</p> <hr/> <p>103-2 The management approach and its components</p> <p>Purpose: Hovione relies heavily on R&D and Innovation to guarantee long-term sustainability of the company. R&D and Innovation represents more than 10% of Hovione’s workforce and reports directly to Vice-President Science & Technology who sits in the Executive Team.</p> <p>Policy: Innovation & Entrepreneurship Policy - Innovation allows us to make better products and to work better, leaner and quicker. Entrepreneurship converts risk into value and makes us more competitive.</p> <p>Commitments: “Our Ambition” in Chapter 3.2.</p> <p>Responsibility: The Vice-President of Science & Technology is the ultimate person responsible for all activities within R&D and Innovation. He is supported by the CEO, by his colleagues from the Executive Committee and by the heads of R&D (RD Site Manager) and Innovation (Innovation Manager) who report directly to him.</p> <p>Grievance Mechanism: The company has an established complaints system which has been perfected over the years. This complaints mechanism is also used with regard to R&D and Innovation activities.</p> <p>Upon receiving a complaint, an investigational team is put together to evaluate the issue, propose corrective actions and communicate with the person/ organization that raised the complaint, following a well-defined workflow. Throughout the process, all steps are recorded in our Quality System.</p> <p>Projects: Pages 21-22</p>	15, 21
	103-3 Evaluation of the management approach	15

Note: N/AP - Not Applicable

In 2019 Hovione celebrates its 60th anniversary. The drive behind the success of Hovione draws on the energy of the 1700 people that across eight countries and three continents are united in building this company and serving clients and patients.

To all those that make this company since 1959: Congratulations and thank you for your work.

Guy Villax
CEO





Hovione 

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