



Sustainability Report 2014

In it for life

Hovione 

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Vision and Strategy



Hovione is a family business. This means that the Villax family, as founding and controlling shareholder, takes a continued interest in the company's activities and in its stakeholders' wellbeing. This is done with a long-term view, in a supportive manner and with particular sensitivity for the human dimension of those individuals that have dedicated all, or a large part, of their professional life to making Hovione a great company.

Providing good jobs is also an obligation that the Family, and in turn the Company feels is as intrinsic to its responsibilities as providing clients with a quality product with high service. Hovione management knows that the Family expects the Company and all its employees to act in line with these principles and to be role models of integrity.

Concerns with sustainability can be found in our values, behaviour and decisions as far back as you can look. When our first plant was built in 1966, a waste treatment plant with pH control and sedimentation pools was in place upon commissioning. Since then our performance in various axis of sustainability -safety, waste treatment, recycling- have been recognized by various awards in Portugal and Internationally.

As part of the annual management review goals for improvement, a large number of parameters have been put into place at site level since 2001. All our sites are either ISO14001, OSHAS18001 or included in some kind of top performance voluntary program related to safety. Management reviews, assesses and takes action, at least

annually, on the performance of the sites along all areas of the Global Reporting Initiative (GRI guidelines). Such data has been regularly compiled since 2006; site data has been made available transparently on our web-site to the local communities where we operate. Since 2005 our financial statements have also presented quantified information (with previous year's comparatives) in terms of safety and environment including data on complaints by neighbours.

At group level, to date, no action has been taken to review the consolidated data in a systematic way along the principles of GRI - and in this sense we have not set goals for the group or approved deliberate actions to meet them. This year we are making the commitment to improve, to review and act on our consolidated performance and establish an improvement program; this is the start of a new journey. We have decided to follow the GRI principles so that we can evidence a sustainable performance in parallel to financial growth. No special or serious event has triggered this decision, we do not believe that our performance is poor or below average - however pressure by one of the younger Villax family members has convinced us to take the high road.

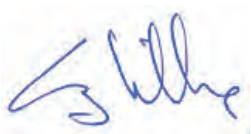
This report sets a baseline for Hovione's sustainability performance.

Sustainability for us is not about being politically correct, and is not about doing what others do. There are many areas where we can improve, we cannot do everything at the same time if we want to do it well.

The goals we have set for ourselves in this first year is 1st to be within the law - a simple indicator there is the absence of fines of any and all kinds - and 2nd to take control of sustainability at Hovione and develop a plan based on the careful analysis of the data available. The plan will be in place within 2015, we should start to see improvements across the board when we report in 12 months time.

Next year's report will be explicit as to what does sustainability means to Hovione; it will set a vision and a strategy for the short and medium term as to how we will manage the challenges associated with economic, environmental and social performance. We will report transparently on the failures we encounter, on how we contribute to the industry and to society, and how we cope with the changing standards, regulatory environment, and broader trends (such as macroeconomic or political) affecting the organization and influencing sustainability priorities.

Nothing can be achieved without good people aligned and motivated. So as we start this journey, it is only natural that the sustainability theme that we should address before any other is the improvement of the life of our team-members.



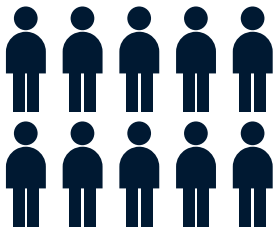
Guy Villax
Chief Executive Officer

Key Numbers



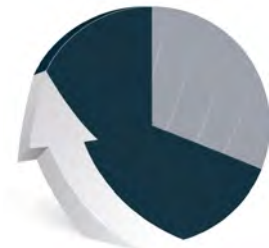
56

Years of Innovation
and Compliance



993

Hovione
team members



34%

Internal
Recycling



2.6%

Accident
Frequency Rate



800

Tons
of Products



222

Total Sales - mUSD

About Hovione

Hovione is an independent family owned international group of companies, dedicated to the cGMP development and manufacture of products for the pharmaceutical industry. With FDA inspected plants in Europe, the Far East and the US, Hovione is committed to the highest levels of service and quality. With a 50-year track record, Hovione offers advanced technologies as well as Active Pharmaceutical Ingredients (API) and Drug Product for all type of drug delivery systems, from oral to injectable and from inhalation to topical applications. Specializing in complex chemistry and particle engineering, Hovione offers all services related

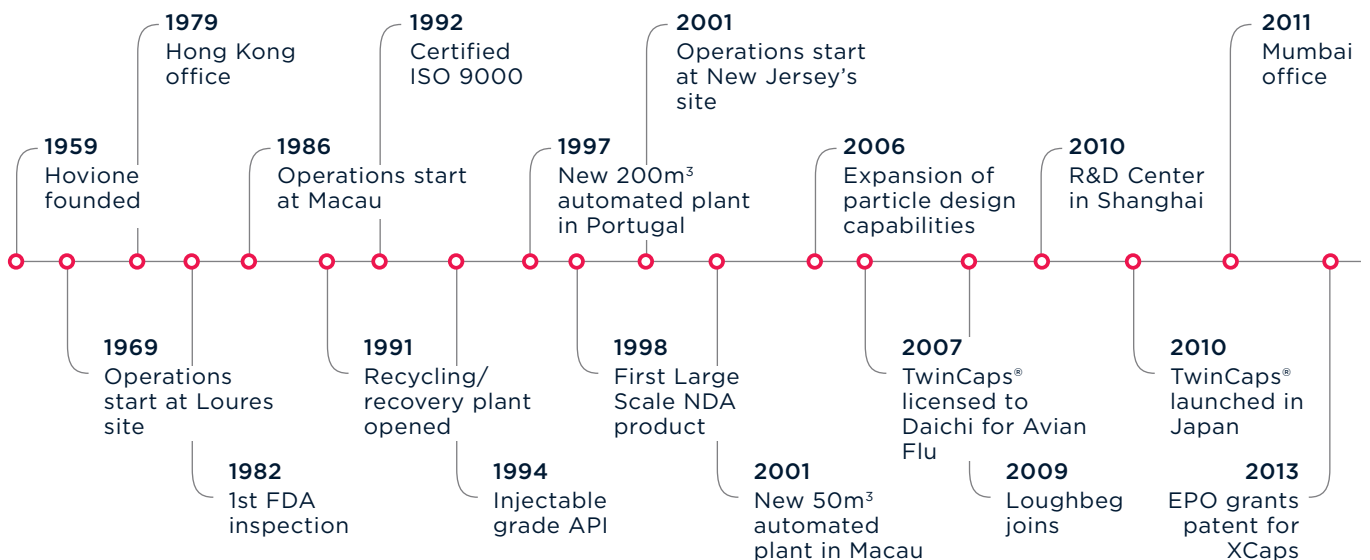
to the development, manufacture and pre-formulation of both new chemical entities (NCEs) and existing APIs for off-patent products.

The Company was founded in 1959 by Ivan Villax, and remains an independent family company. The Villax family owns the vast majority of the share capital of the company. Currently the Hovione Share Ownership Scheme owns over 2% of Hovione’s capital and up to 9% has been reserved to our Team-Members. About 20% of the staff also shareholders.

Our History

Hovione’s story is diverse and rich - from the intricate and eventful beginnings of Ivan Villax’s research and all important patents, to the professionally managed multi-local company of today, Hovione is a company with a story to tell. With sustained grow throughout more than 5 decades, Hovione has its very own culture, and is a brand that has provided better health to many millions around the world.

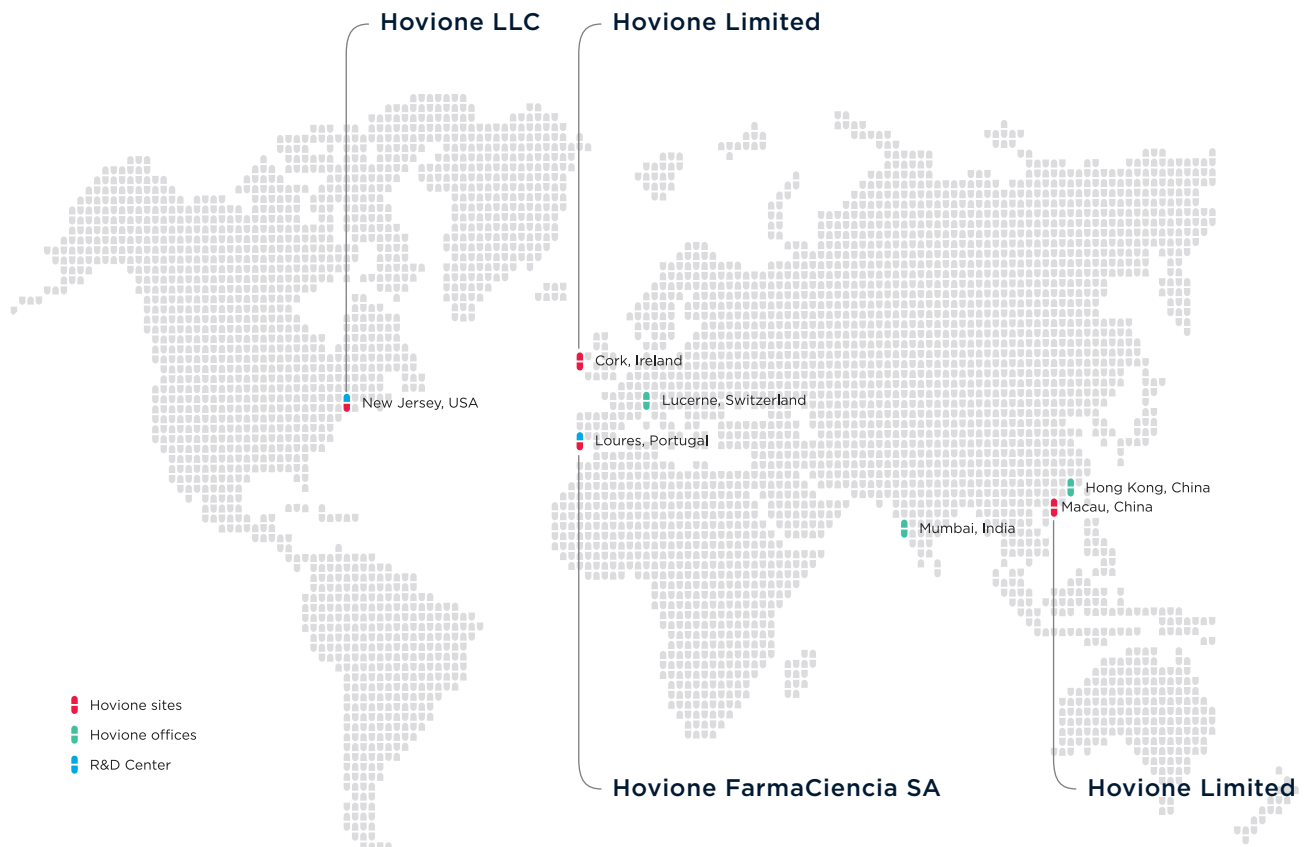
What we find at Hovione is a sense of mission and rigor that we, as citizens, demand and expect from the pharmaceutical industry. At Hovione one finds a sense of constant dedication and technical competence at all levels and in all areas. The Company maintains a healthy balance between the original guiding principles and the ever increasing challenges of a fast changing World.



Sites and Countries

Hovione has been supplying pharmaceutical industry for the past 50 years, and today has several locations:

Location Name	Years of first operations	Years of first FDA inspection	Activities
Lisboa (Portugal)	1959	-	Hovione founded
Loures (Portugal)	1969	1982	Process Chemistry R&D Compliant Manufacture
Hong Kong (China)	1978	-	Admin and Finance
Macau (China)	1986	1987	Compliant Manufacture
Lucerne (Switzerland)	1988	-	Licensing and contracts
New Jersey (USA)	2002	2007	Process Chemistry R&D Kilo-lab and Pilot Plant
Cork (Ireland)	2009	2010	Process Chemistry R&D Kilo-lab and Pilot Plant
Mumbai (India)	2011	-	Sales



Services

Hovione is a Business-to-Business Pharmaceutical Company dedicated to helping Business-to-Consumer Pharmaceutical Customers bring new and off-patent drugs to market.

Hovione provides services for the development and compliant manufacture of innovative new drugs. We offer branded and generic pharmaceutical customers niche off-patent API products. For all customers, we offer proprietary product development and licensing opportunities for drug products.

Our aim is to meet the needs of all customers across products and services that require the very highest standards of manufacturing quality and technical performance.

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

Products

Off-patent APIs

The company manufactures generic API with proprietary processes and, on exclusive basis, we offer oral, topical, inhalation and injectable grade products. With respect to generics, Hovione has 3 main lines of products: semi-synthetic antibiotics, anti-inflammatory corticosteroids, and imaging agents. We sell commercially a total of 28 different APIs.



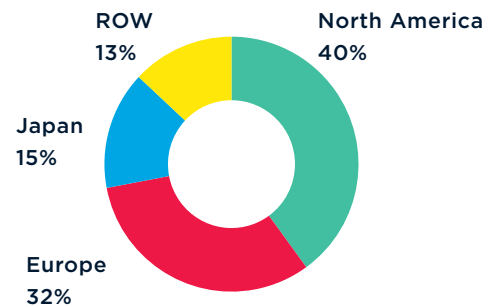
Services

Hovione provides R&D and compliant manufacturing services to pharmaceutical companies. Hovione in 2014 supported the clinical development of 60 compounds by providing clinical trial materials and by developing elements of their respective CMC sections (chapters of the filings for approval of the drug at the health authorities). These include a vast range of therapies: anti-AIDS drugs, cancer therapies, cystic fibrosis and Alzheimer's treatments, cardiovascular drugs and other novel therapies currently under investigation. Hovione's capabilities include process chemistry, particle engineering and inhalation formulation and device development. We supply a total of 16 commercial products made exclusively for the patent owner.

Our main customers are based in the US, Europe and Japan, and we continue to see a steady increase in sales from emerging markets; our sales are evenly spread between innovators and off-patent APIs, and no product or client represents more than 15% of sales or of profits.

Markets

Hovione’s main markets are North America, Europe and Japan. Hovione supplies its products and technical services to both large pharmaceutical multinationals and to small or medium sized biotech or drug discovery companies.



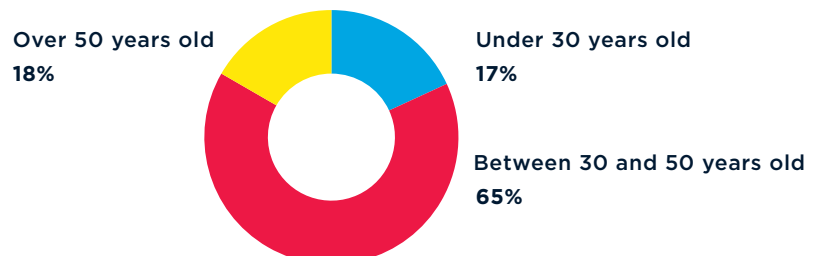
Our People

Our people are our biggest asset and the company’s continued success depends on the commitment, effort and professionalism of everyone that works at Hovione. It is the policy of each Hovione site to:

1. Attract and recruit high potential Team Members based on a transparent selection process.
2. Maintain high ethical standards, encourage diversity and provide a place of work free of discrimination whilst promoting mutual respect and team work.
3. Offer a working environment that provides stability and continuous professional challenges.
4. Pay a local market competitive remuneration that reflects the individual’s qualifications, skills, position and realises his/her potential, experience and merit.
5. Promote a culture of training and continuous development available to every Team Member adjusted to his/her needs on a regular and planned basis and demand that he/she makes the most of this investment.
6. Promote and develop the practice of delegation based on competence, effective communication and mutual trust that enables the taking of good decisions. This implies the acknowledgement of the right to make a mistake as well as the obligation to learn from it and being accountable.
7. Set expectations, provide direction and regular feedback on performance.
8. Give priority to providing internal professional opportunity to enable career progression.
9. Develop a social vision, adequate and aligned with local conditions applicable to each location.

FY2014	Portugal	Macau	Cork	New Jersey	Group
Employees	626	152	131	53	993
Male (%)	67	74	74	63	69
Female (%)	33	26	26	37	31
Average Age	39	41	38	43	39
% staff w/ university degree	43	40	59	80	47
Seniority	12	9	3	6	10

At Group Level



Innovation

As one of the largest investors in Portugal's pharmaceutical industry, Hovione has developed more than 100 chemical processes and other inventive successes holds more than 400 patents worldwide.

Hovione is a company fertile in ideas and innovation in all its areas of activity. Hovione Team members are entrepreneurial and encouraged to take risk; they are motivated to bring about change, and scientists thrive on finding elegant and clever solutions to improve processes, solve problems and make innovations. The drive and enthusiasm to innovate are becoming strong characteristics of all of our team members. Hovione has structured a long term investment in innovation strategy to develop new technologies as well as new product developments. The areas of research aim to secure IP in areas of innovation that the various businesses are likely to need in the coming years. A good example of this is the Hovione Research Program in which we can highlight the Hovione sponsored PhD in the area of new ADC (antibody drug conjugates) chemistries.

Innovation
Award



**CHANGING
THE WAY
WE LOOK AT THINGS**

We encourage and celebrate innovators' achievements. Our innovators make the difference in the Company because of the added value of their ideas.

At Hovione we celebrate:

- Patent authors with the RIPA Awards
- Significant innovations with the Innovation Annual Prize - for major advances at Hovione that have shown significant commercial results
- Significant operational innovations with the Remarkable Ideas Prizes

Supply Chain

Hovione's supply chain organisation, in force since 2011, includes a Corporate Purchasing area for the main items, site Purchasing and Logistics teams, who deal with local vendors.

Purchasing area have been working to re-design processes and systems to further pursue the alignment

with the business strategy, focus on added value activities and improvement of the Security of the Supply Chain.

No significant changes happened in 2014, and no incidents were reported related to the Supply Chain.

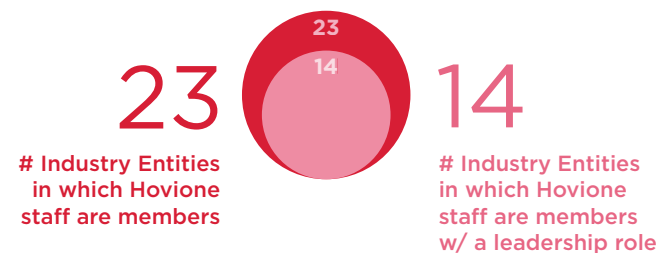
External Initiatives and Memberships

Hovione is, since 1995, a voluntary signatory of the Responsible Care® program and a member of the “International Chamber of Commerce Charter for Sustainable Development and of Responsible Care”, committing ourselves to a responsible conduct and to the continuous improvement of all aspects of health, safety and environment. In 2006, Hovione signed the Responsible Care Global Charter adopted by the

International Council of Chemical Associations (ICCA). Within the scope of this voluntary initiative, we have committed ourselves to defining standards that go beyond legal obligations.



Professional Membership in Industry Entities



Organisation	Details
APIC (CEFIC) Active Pharmaceutical Ingredients Committee (European Chemical Industry Council)	We have two representatives within this organisation; one representative has a seat as the vice-chair of the Quality working group and sits on the executive committee, while the other is a member of the regulatory affairs group. Both actively participate in the working groups and position other Hovione team members within specific working groups that have defined industry practices.
EFCG (CEFIC) - European Fine Chemicals Group	Hovione’s CEO is a member of the board of directors
EP - European Pharmacopeia	Hovione Regulatory Affairs Director is a member of the working group 10b
ICH	Hovione Compliance Director is a member of the ICH Q12 Expert Working Group as APIC representative
IPAC - RS	We have 1 representative within the International Pharmaceutical Aerosol Consortium - Regulation & Science
QP Association	Hovione Regulatory Affairs Director is a member of the European Qualified Person Association
Rx-360 Consortium	The International consortium of pharmaceutical and biotech companies are suppliers to the industry that aims to develop a global quality system to ensure product quality throughout the supply chain. Several Hovione team members also participate in Rx-360 working groups. Hovione is a founding member
USP - U.S. Pharmacopeial Convention	With 1 representative in the Expert working group
Others	APEQ in Portugal and PharmaChem in Ireland

Stakeholders Engagement

Stakeholders

Hovione's stakeholders includes employees, shareholders, neighbours, customers, suppliers, academia, local and national authorities, media and others.

Engagement Approach

Transparency is a key factor in the development of our activity and is exhibited through our open communication with customers, to make public our environmental performance as well as all matters relating to the community, safety, health and the environment. This report demonstrates our concern with social, safety and environmental issues, as well as our commitment to making our performance data more widely accessible.

Suppliers engagement

Hovione has guidelines for supplier relations (e.g. in the areas of ethical standards, health, safety and environment, human rights) and works closely with its suppliers and partners to continually make improvements in operations.

Community Involvement

Hovione encourages the visitation of our sites to more than 300 students schools every year. We provide plant tours to many universities, both local and from around the world. We sponsor and participate in many job shops and meetings to promote the industry and careers at Hovione. Every two years we hold Open Days for the local community, for the families of team members and for students, to explain its activity and industrial procedures. Hovione management is often asked to give classes at universities, to participate in seminars, or to create the opportunities for students to study Hovione for their projects. Hovione has a long standing and close relationship with the fire departments in the neighborhoods of all its sites, and regularly holds joint practice drills.

Team Member's Participation

Communication and participation is encouraged at all levels of the company.

Global contributions

Hovione has well defined criteria that guides our donations and social projects. Based on a budget approved annually, we support primarily our local community, giving priority to education, youth and environmental needs.

Social Media

Hovione uses social media to communicate with its stakeholders and to supplement traditional press and marketing efforts. Team members are encouraged to share Hovione's news and events, which are a matter of public record, with their family and friends.



LinkedIn: we engage with talent and communicate with customers. The Scientific community is being reached through team members that are members of LinkedIn groups.



Facebook: we engage with the local community and academia but also with Hovione team members and friends.



Twitter: the target is the media. The goal is to reach industry publications, specialized editorials and conferences/trade shows organizers.

Governance

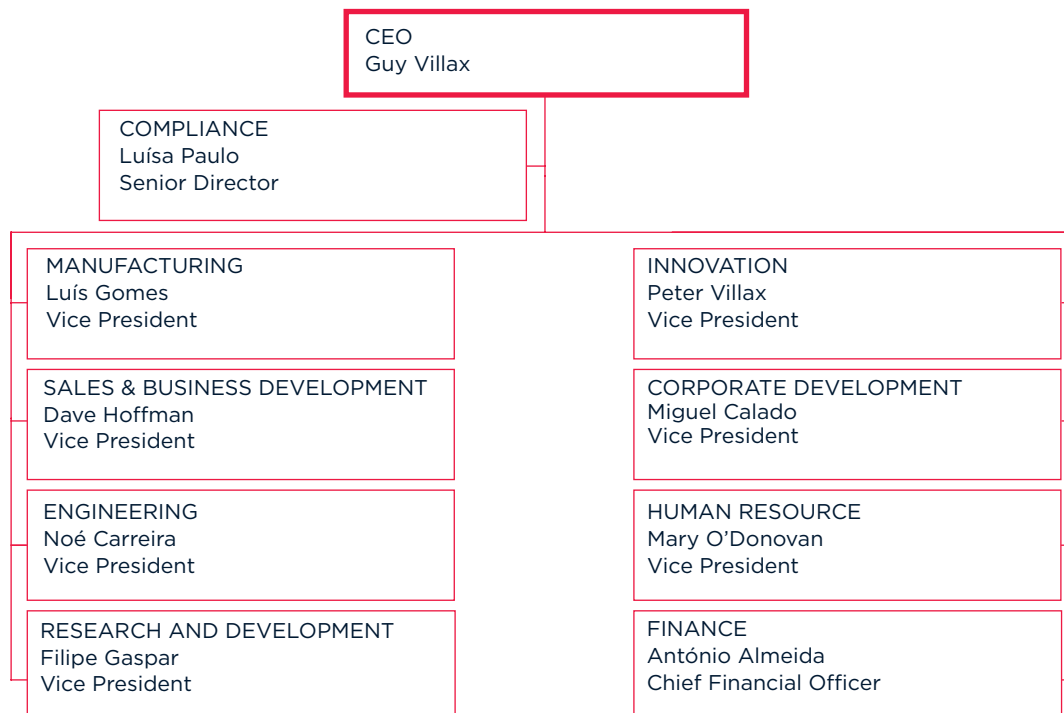
Our Mission

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

Governance Structure

The Hovione highest governance body is the Board of Directors of the holding company (Hovione Holding Limited, Hong Kong) and operates with a majority of non-executive independent directors. The Chairman is the representative of the family shareholders. The only executive allowed to be member of the board is the Chief Executive. The Board meets at least four times a year on a face to face basis. Most of the meetings take place outside of Portugal, in order to reflect the global nature of the business and the diversity of its clients and sites. The agenda of the meetings and the social events

accompanying them are devised to promote contact between the Directors and a large number of Hovione managers. The best practice that has been adopted is the creation of a 3 member Compensation Committee, composed of the Chairman and two non-executive Directors. The Audit Committee comprises the Chairman and one of the non-executive directors. The role of the non-executive directors is one of oversight over the management of Hovione. They judge the management ability of the Chief Executive, and the performance of the company under his or her leadership. The board assures that the Company's strategies are aligned with the interests of all shareholders, that risks are taken but that these are responsibly analyzed and downsides considered. The Board must also ensure that succession plans are in place for the CEO and the Executive Committee members. The annual financial statements of all Hovione companies have been independently audited since the 80s, and the consolidated financial statements have been audited by one of the Big 4 auditing firms since Hovione's established over 20 years ago. The management of the company is passed from the board to the Chief Executive. He/She then appoints a management team entitled "Executive Committee". This is not a deliberative group, it is an executive team.



Remuneration and Incentives

Hovione's remuneration policy is a key tool of strategic management. Its purpose goes well beyond the scope of Human Resources. The remuneration policy seeks to promote alignment between I) The Individual; II) The Job Function; III) The Team; and IV) The Company Values and Culture. It aims to recognize and reward individual performance within the 4 dimensions: the fulfilment of the Job Function,

the contribution to Goals of the Team, and the extent to which the individual lived the Hovione values and meeting the predetermined objectives (this assesses the behaviours and the competencies of the individual and does so in a 360° perspective). This policy aims to assure I) internal equity and II) the ability to capture and retain talent in a competitive environment.

Ethics and Compliance

Core Values

The Hovione culture and values are still the ones that Ivan Villax left us with. It is about principles, being client oriented, scientific rigor and team work. It is about the

constant effort to solve difficult problems that are highly valued by the client. This has been the theme for 50 years and no one at Hovione wishes to see it changed.

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

Code of Ethics

Since its foundation more than 50 years ago, Hovione has maintained a sound ethical conduct in pursuit of its business and success and is committed to acting responsibly in all fields. Our activity in the field of fine chemicals is the first step towards creating products that either save or improve the lives of millions of people around the world; it is the reason why we operate at the highest standards. Hovione believes that the respect for ethical values is the basic principle for the healthy growth of the Company, and it permeates and guides our business conduct and human relations. The Hovione Code of Ethics describes the values and principles that have governed the Company's activity and have been transmitted down for almost five decades.

100% of the Hovione team members had training on legal compliance of business conduct.

Compliance

Hovione has an uncompromising commitment to Compliance. Compliance is more than a set of rules; it's a state of mind. We believe that all industrial processes and other activities should be properly managed in accordance with the company principles, policies and procedures and meet legal requirements. The final product has to conform to pre-defined standards before release is authorized. Throughout our history, we have done everything possible to minimize risk and error.

This is the solid basis on which the Company built its management system. Today, Hovione has in place an enviable management system that gives everyone who manufactures and uses our products a high degree of quality, safety and environmental protection. Internal and external audits are used to proactively

detect and address deficiencies. Compliance and the performance of the management system is monitored, reviewed regularly and improvements made whenever necessary. Management review meetings are performed in all sites at least once a year.

LCBC

To ensure that all business activities are legal, risks for LCBC (Legal compliance of business conduct) are periodically assessed. Training and awareness is provided on company values and rules of conduct to prevent unethical and illegal behaviors. A speaking up system is available to all employees, and an externally managed helpline is to be established within the next 12 months.

Quality

Hovione's Quality System is based mainly on European GMP guidance's as published in Eudralex volume 4 part I and II and applicable annexes, USA 21CFR part 210 and 211 and Japanese GMP Ministerial Ordinance.

Quality is a responsibility of all staff at all levels from all departments/areas within the site organization including suppliers and service providers. This ensures that all products through their life-cycle are manufactured according with the GMPs, applicable guidelines and regulatory requirements to fit their intended use.

The quality management system encompasses an organizational structure and several resources. It also processes a set of controlled procedures, including necessary risk assessment procedure.

The performance and effectiveness of the system is assessed periodically at least once a year by top management in the so called "Formal Review". Here each department presents its achievements, weaknesses, strengths and objectives for the following year.

All manufacturing sites (Loures, Macau, New Jersey and Cork) are regularly inspected and approved by at least one of the main three health authorities in the world, namely from USA, EU and Japan.

From the EU Health Authorities the following GMP certificates have been granted to Hovione sites:

European GMP Certificates			
Sites/Certificates	APIs	Investigational Medicinal Products	Medicinal Products
Loures (Portugal)	✓	✓	✓
Macau (China)	✓	N/AP	N/AP
Cork (Ireland)	✓	✓	✓

Health, Safety and Environment

All manufacturing sites have a Health, Safety and Environment (HSE) management system in accordance with OHSAS 18001 and ISO 14001. In accordance with the company policy, and the procedures of the management system implemented, compliance with the applicable legal requirements is mandatory and is the baseline for the continuous improvement of the company’s performance. Risk assessment is performed to all new and existing activities to prevent incidents and nonconformities.

Objectives and programs are defined for risks and environmental impacts that cannot be easily addressed and require significant human and/or financial resources. Communication, training and awareness is provided to all staff, including to contracted/subcontracted staff working for the company. Operational control is maintained throughout all activities with significant risk or environmental impacts.



Emergency systems and procedures are tested and kept ready in case of emergencies. All accidents, near misses and nonconformities are registered, investigated to identify root causes and addressed with appropriate corrective/preventive actions to prevent their recurrence. Lessons to be learned and best practices are shared within the company across all sites.

The current certifications of the manufacturing sites are:

	Loures	Macau	Cork	New Jersey
Health & Safety	OHSAS 18001	OHSAS 18001	OHSAS 18001 (*)	OSHA VPP Star program SOCMA ChemStewards
Environmental	ISO 14001	ISO 14001	ISO 14001 (*)	SOCMA ChemStewards

(*) Recertification in progress



Hovione LLC (New Jersey) was first invited to be part of OSHA's VPP star program in 2007, and has remained in that program since. This site also is certified by SOCMA ChemStewards which is aligned with OHSAS 18001 and ISO 14001.

Plant security

The safety of our employees and the security and integrity of our operating facilities, materials and products is a priority. Hovione, LLC (NJ) is C-TPAT certified by the U.S. Customs and Border Protection (CBP). The Loures site in Portugal has the EU equivalent AEO (Authorized Economic Operator) certification.

Process safety

Hovione has guidelines that regulate process safety. Specialized personnel in a dedicated process safety laboratory develop process safety studies comprising thermal stability of substances and mixtures, process related heat production and pressure rates as well as the ignitability and flammability of powders. Data and recommendations are produced to support risk assessment activities related with process development and manufacturing.

REACH

In order to ensure compliance with REACH, the EU Regulation No. 1907/2006 aims to improve the protection of human health and the environment by requiring EU importers and manufacturers of chemicals to share data and register their substances with the European Chemicals Agency (ECHA). Hovione has developed internal procedures and IT systems to assess and monitor compliance of the planned and effective imports and manufactured substances in EU sites. SAP, IUCLID 5, REACH-IT are used to prepare the necessary PPORDS and registrations.

GHS

The United Nations' Globally Harmonised System of Classification and Labelling of Chemicals (GHS) prevents the use of different symbols and labels for the same hazards around the world and will be fully implemented in the EU, USA and several other countries by 2015. In accordance with the GHS, Hovione has implemented systems to produce safety data sheets (SDS) and labels in several languages for various countries.

Sustainability and business continuity

Because we care about the future, we are improving our sustainability and business continuity procedures. Sustainability performance monitoring and reporting are being improved in accordance with the latest GRI guidelines. Business continuity plans are being improved in accordance with ISO 22301. Crisis emergency procedures, including incident response plans and IT disaster recovery plans, are available in all sites.

Award received

In March of 2015, Hovione wins 2 CMO Leadership Awards from Life Science Leader in the categories of Innovation and Regulatory. The Life Science Leader Magazine recognized Hovione for its achievements and awarded:

Innovation Award: the business will improve our in-house capabilities with customized solutions.

Regulatory Award: the business is reputable and compliant.



The publication of the Top 10 largest national exporters by Diário Económico (July 24th, 2012) lists Hovione as the number one Portuguese exporter of drugs in the publication of The Top 10 largest national exporters; this award publically acknowledges Hovione's success despite worldwide difficult times.

The Hovione's spray dryer technology was awarded with the Product Innovation Award Cotec-Unicer 2009.

About this Report

Characteristics of this Report

Even though Hovione has a regularly published sustainability indicators on its website since 2006, this is the first sustainability report based on GRI guidelines and is also intended to be issued annually. This report was prepared by Hovione's Compliance area in collaboration with the Marketing & Communication team.

Reporting Period

This report provides a summary of the activities in fiscal year 2014 (April 1, 2014 to March 31, 2015).

Whenever possible, quantitative data is compared with at least the 2 previous years to show changes over time.

Material Aspects and Boundaries

This report covers all Hovione owned manufacturing facilities worldwide. It does not include the iMAX Diagnostic Imaging business that is a partially owned subsidiary, unless when specified. All data included in the report is global data, unless specified.

In order to determine Hovione's topics of relevance, the sustainability report team performed a materiality analysis with consideration for the available stakeholders, communications, and inquiries. A more detailed materiality analysis (and a materiality matrix) should be developed for next reports with a higher participation of stakeholders, in accordance with GRI G4.

Reference Guidelines

Hovione applies the Global Reporting Initiative (GRI) reporting framework. This report contains standard disclosures from the GRI G4 sustainability guidelines. A list of the standard disclosures and their location is available in the website: [G4 GRI Content Index](#)

Contact

Further information regarding this report can be obtained by contacting the Corporate Compliance:

Phone: +351 21 982 9000

E-mail: sustainability@hovione.com

Additional information available at

<http://www.hovione.com/corporate-responsibility-and-sustainability>

Our Performance*

Economic performance

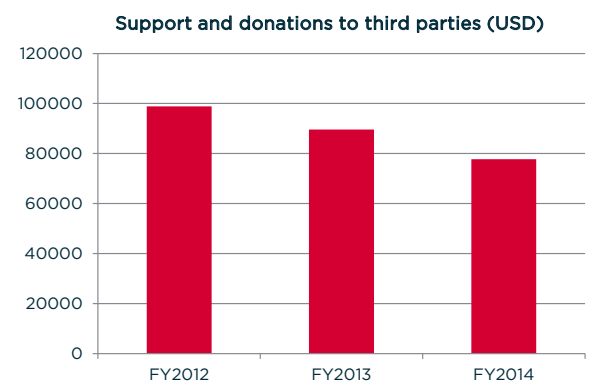
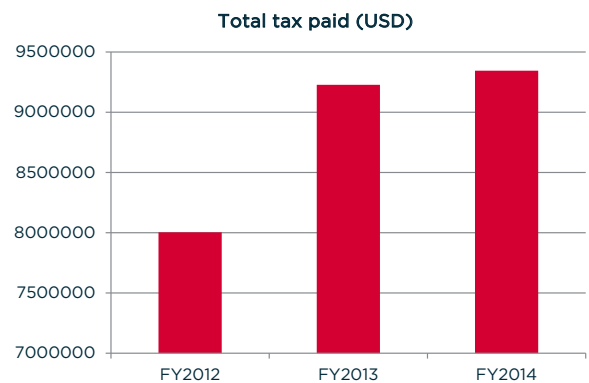
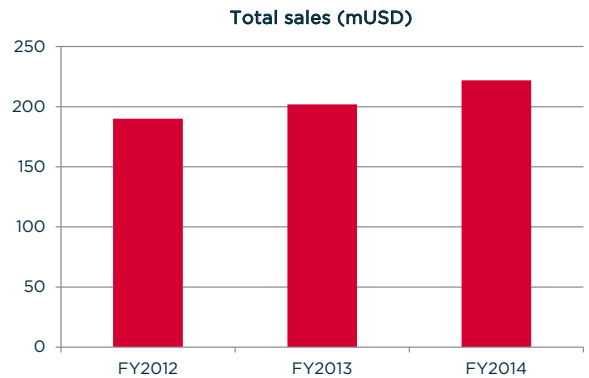
Since 2008 we have grown considerably. We went from 3 to 5 sites, from 637 Team-Members to 993 with Loures growing from 462 in 2008 to 626. We doubled our sales since 2006 - from \$100 to \$202m - a CAGR of 12% over 6 years. We have built a business that is profitable, robust and when it takes some tough knocks, Hovione recovers and moves on with energy.

We have a balanced portfolio with low risk, profitable products and young business segments that are strong enough to explain our recent investment grade credit rating from Dagong.

We have built a strong brand across all the businesses; even in Generics our brand is evolving into a key competitor despite our higher prices. This is because clients value our quality, service, continuity of supply and production functionalities.

Our Particle Engineering business has grown robustly and drives important margins. Our pipeline for the Service business has never been so strong, with over a dozen compounds in Phase III.

Hovione has never applied for more patents or had so many scientists (and others) coming up with innovative ideas that have market applications.



*See additional information on our sustainability indicators in the [website](#).

Social performance

The development of our people is one of the strategic pillars we have set for ourselves. We have maintained our strong retention rate by hiring and developing exceptional people and, whenever possible, providing international promotions based on merit and competence. We have grown and developed both our technical capabilities and our talent.

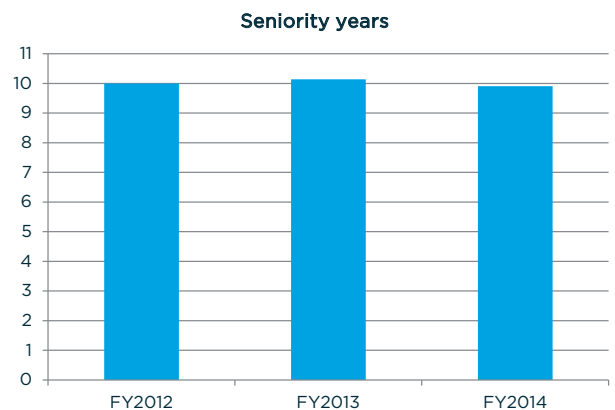
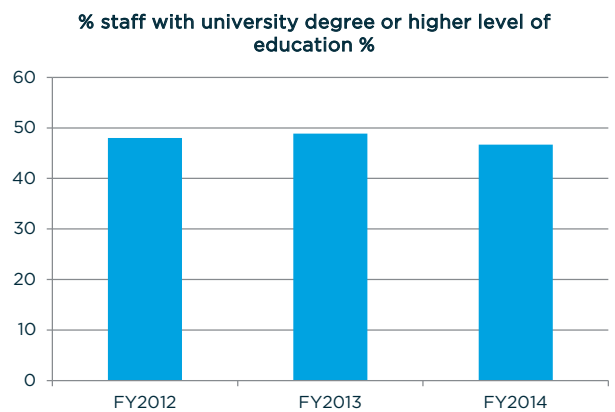
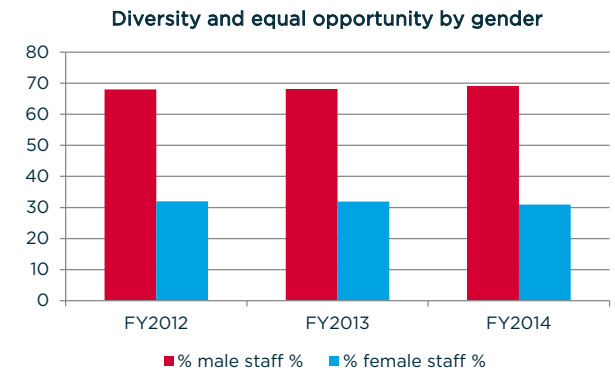
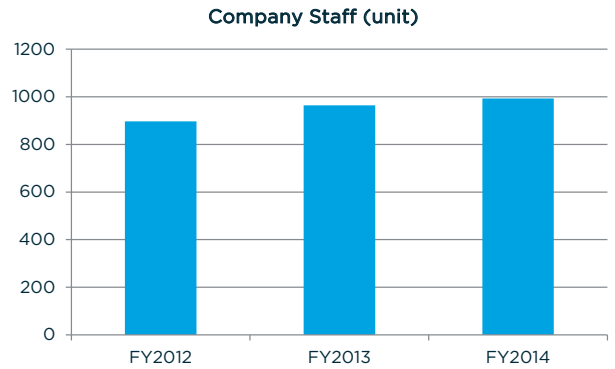
We are committed to attracting, retaining and developing high potential Team Members at all levels in the organization.

Last year we saw a successful role out of the Personal Development Planning process. In addition we saw the creation and implementation of the Hovione Core Competencies and the introduction of the 70:20:10 approach.

Our objective for the next years is to turn Hovione's people into a High Performance Team.

Community Engagement

School Visits	FY2012	FY2013	FY2014
Number of schools	14	16	25
Number of students	358	331	483



Health and Safety

Safety is our priority and zero accidents our main objective.

All manufacturing sites have a mature Health and Safety management system, with well established tools and methodologies in accordance with OHSAS 18001 and/or other similar standards to ensure quality results in overall performance.

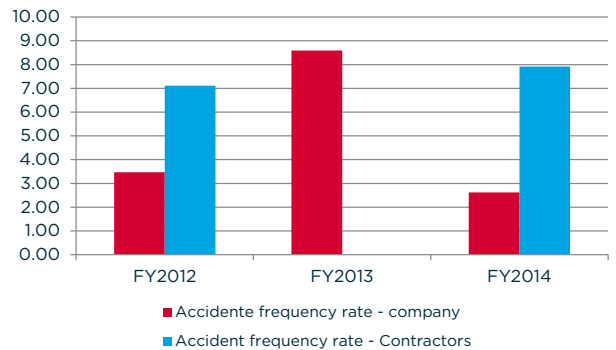
Injuries related to chemical exposure, noise exposure, ergonomic handling or any other kind of industrial activity injuries are low and confirm the care and prevention that we place on our processes.

Several measures were implemented along the years to provide our staff good conditions for their health, including health insurance for employees and family. Health and safety expenses were 0.6% of sales and the investments about USD 300,000. During 2014, the company doctor performed at least one medical check-up for all employees, and no occupational health diseases related to work were detected.

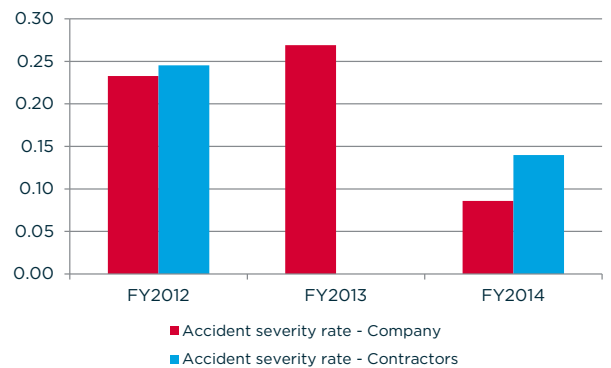
A global awareness program promoting accident prevention and solutions for near misses is being reinforced in all sites to target zero accidents.

In 2014, training and awareness on behavioural safety was reinforced to reduce and eliminate accidents related to behaviours (e.g. trips and falls).

Accident Frequency Rate
(Number of accidents with one or more lost days per million of hours-men worked)



Accident Severity Rate
(Number of lost days per thousand hours-men worked)



Internal Campaign - "Help us avoiding Falls!"



Environmental Performance

Compliance with the applicable regulations and licenses is a minimum requirement in all sites. In addition to this, reduction of consumptions and emissions is a continuous objective and supported by a management system in accordance with ISO 14001 and/or other similar systems. Despite the continuous grow of company sales, quantities produced, consumptions and emissions, in general, are not increasing.

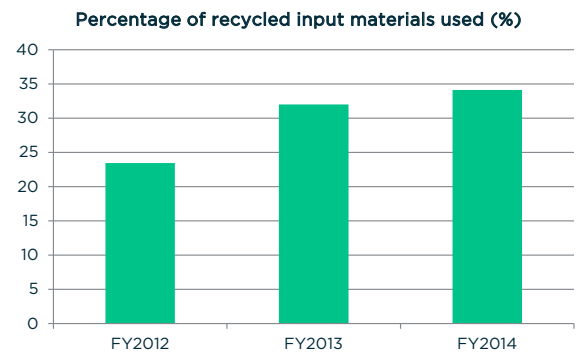
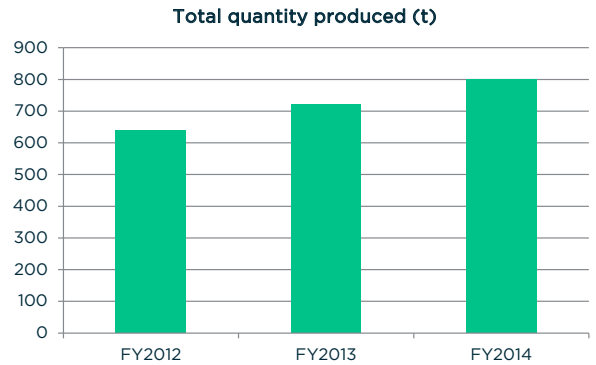
Consumptions of water, electricity, natural gas and other utilities are monitored at least weekly to detect and correct deviations against our expected projections.

Purchase of chemicals is limited to the necessary to prevent waste. Solvents and other materials are recycled and/or reused whenever possible. In 2014 about 34% of all materials used were recycled and reused (mainly solvents). Used solvents that cannot be recycled or reused, are used to produce steam, whenever possible, reducing fuel consumption in the boilers. The waste that cannot be recycled, reused or treated on-sites is sent to authorized destinations in accordance with the applicable regulations. Whenever possible, water is reused; in 2014 our cooling system utilized about 8% of the total recycled water. Air, wastewater and noise emissions are maintained below the limits defined in the applicable regulations and licenses. Portugal and Ireland sites have environmental licenses in accordance with the Integrated Pollution Prevention and Control (IPPC) EU directive which requires the implementation of BAT (best available techniques).

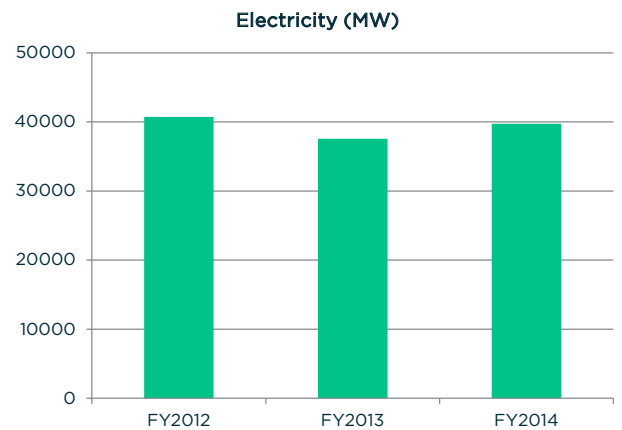
Emissions of VOC (volatile organic compounds) are contained, reduced and eliminated as much as possible through the use of carbon adsorbers and/or thermal oxidation. COD (chemical oxygen demand) and several other parameters are monitored in wastewaters.

Complaints (from neighbors and others) are registered, investigated and addressed to prevent recurrence. In 2014 we received 3 complaints from our neighbors related to smell/odor; one was from the Loures site and the other two from Macau. These complaints were investigated, and corrective measures were implemented to prevent the recurrence of similar situations. Currently, Hovione is paying special attention to the Macau site because the proximate residential area has quickly grown in the last years.

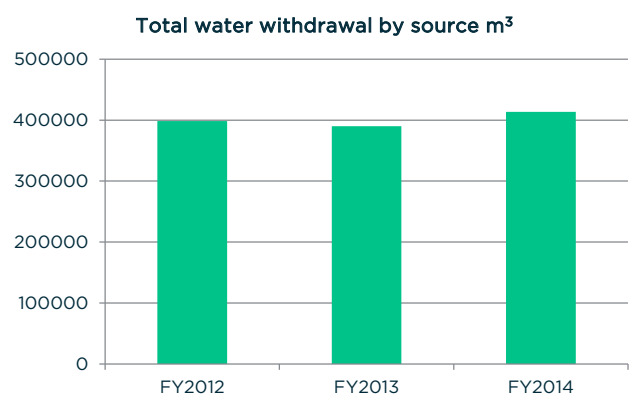
Materials



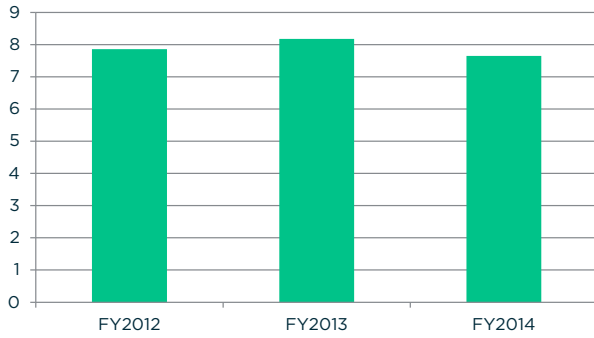
Energy



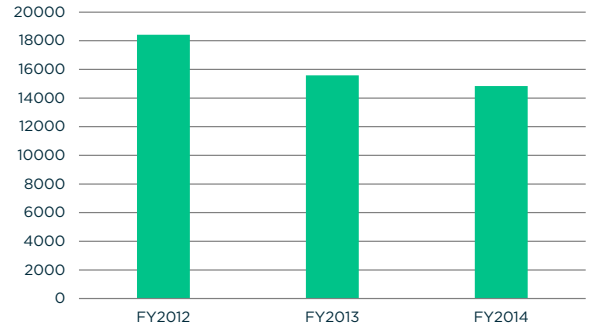
Water



Recycled and reused %

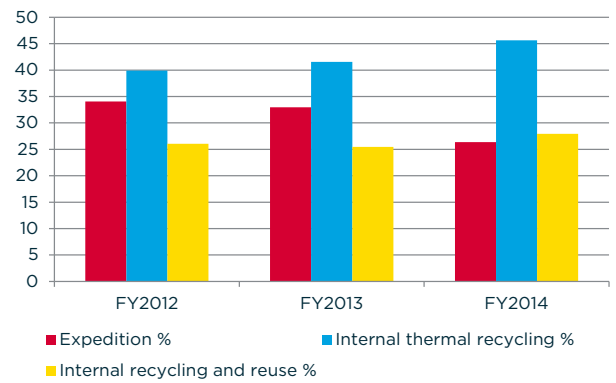
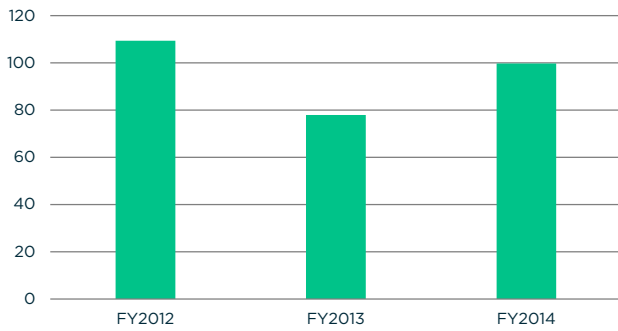


Total weight of waste (t)



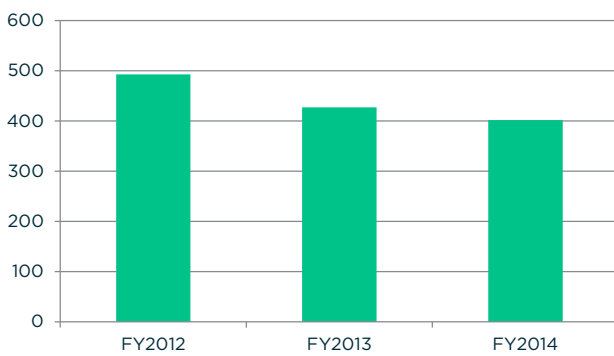
Air emissions

Volatile organic compounds (VOC) (t)

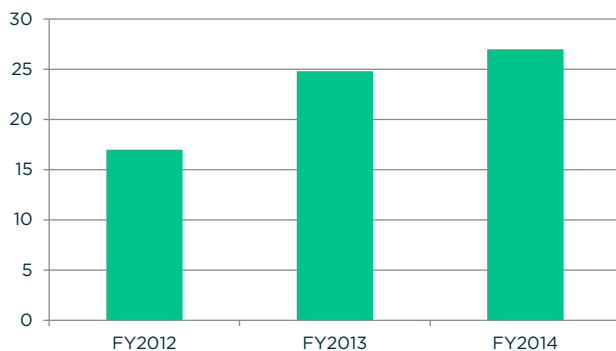


Efluent and Waste

Chemical oxygen demand (COD) (t)

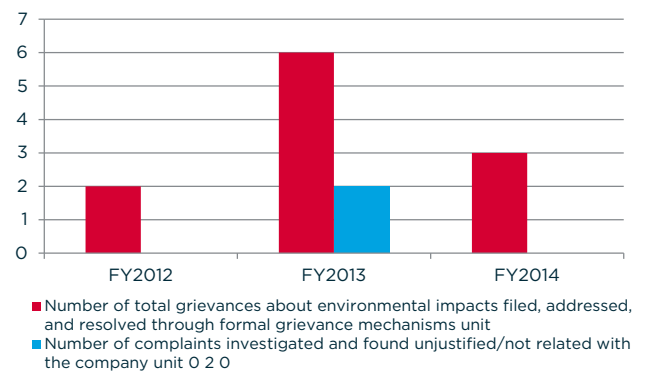


Total suspended solids (TSS) (t)



Complaints

Complaints from neighbors



HQ.HSED.SR034.0.EN

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