ZENTIVA

FINANCIAL EXERCISE 2021

Non-financial report

ZENTIVA

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1. Introduction

This report was prepared in accordance with the European Directive no. 2014/95, Art. 2, transposed at national level in Order no. 1938/2016 and completes the annual Report of the Board of Directors for 2021 published on the Company's official website.

The report discloses relevant information on the company business model as presented in the annual Report of the Board of Directors, ethics and anti-bribery measures, environmental protection policies and social commitment (working conditions, health and safety at workplace, social dialogue, diversity etc.) and associated risks and mechanisms for mitigation.

2. Activity of the company

2.1 Stocks and shareholders

ZENTIVA SA (hereinafter, the "Company") was established in 1962 under the name Intreprinderea de Medicamente Bucuresti (hereinafter, "IMB"). The current headquarters of the company is 50 Theodor Pallady Blvd., sector 3, Bucharest.

In 1990, the Company absorbed and took over the entire patrimony of the former IMB in accordance with the Government's Decision.

In November 1999, the majority shareholding was taken over by the group of institutional investors formed of the European Bank for Reconstruction and Development, the Post-Privatization Foundation, GED Eastern Fund, Euromerchant Balcan Fund, Black See Fund and Galenica North East via the Cypriot company Venoma Holdings Limited.

In 27 June 2002, the Extraordinary General Shareholders' Meeting approved the increase in the share capital by the amount of old Lei 277,974,100,000 (equivalent of 27,797,410 RON), respectively from the value of old Lei 138,987,050,000 (equivalent of 13,898,705 RON) to the value of old Lei 416,961,150,000 (equivalent of 41,696,115 RON), through the granting of 2 free stocks for each stock held by the shareholders registered with the Shareholders' Register as at the reference date 30 May 2002.

In 12 October 2005, Zentiva N.V., a Dutch company seated in Amsterdam, The Netherlands, with branches in several European countries, purchased the shares in Venoma.

In October 2005, Zentiva N.V. made a public offer regarding the purchase of the stocks of the issuer Sicomed SA, denominated afterwards Zentiva SA, for the amount of RON / stock 1.37, during the period between the 9 November 2005 and 12 January 2006.

In March 2009, Sanofi-Aventis Europe announced its having become the shareholder of Zentiva N.V., holding approximately 96.8% shares.

In August 2009, Sanofi-Aventis Europe made a public offer regarding the purchase of the stocks of the issuer Zentiva SA, for the amount of RON / stock 0.7, during the period between the 12 August 2009 and the 22 September 2009.

Between 20 February 2018 and 5 April 2018, Sanofi-Aventis Europe, through Zentiva N.V., conducted a public purchase offer at a price of RON 3.50 per share, after which it acquired 48,216,352 shares, thus reaching a holding of 93.2295% of the share capital of the Company.

2. Activity of the company (continued)

On 30 September 2018, the transfer of shares was finalized between Zentiva N.V. (100% owned and controlled by Sanofi Aventis Europe), as seller, and AI Sirona BidCo s.r.o. (100% owned and controlled by AI Sirona (Luxembourg) Acquisition S. à r.l., a company which is entirely owned by AI Sirona (Luxembourg) Subco S. à r.l. and ultimately controlled by Advent Funds GPE VIII, a fund managed by Advent International Corporation), as buyer, through which the control over Zentiva Group a.s. was transferred. On 31 December 2018, Zentiva Group a.s. held 388,730,877 shares, representing 93.2295% of the share capital of the Company.

Between 18 December 2018 and 11 January 2019, Zentiva Group a.s. conducted a mandatory public offer for buying at a price of RON 3.7472 per share, after which it acquired 200,333 shares, thus reaching a holding of 388,931,210 shares representing 93.2776% of the share capital of the Company.

Between 5 July 2019 and 5 August 2019 (subscription period), the Company carried out the operation of share capital increase by granting preferential rights, by issuing a number of 300,000,000 new shares, with a nominal value of 0.1 RON / share, which were offered for subscription to the shareholders registered in the shareholders' register of the Company held by Depozitarul Central SA, on the registration date of 16 May 2019. Following the subscriptions made, out of the total number of 300,000,000 new shares, 19,944,110 shares were not subscribed and were canceled in accordance with the provisions of the decision of the extraordinary general meeting of the shareholders of the Company dated 30 April 2019.

After the share capital increase, the share capital of the Company is RON 69,701,704 (compared with RON 41,696,115 prior to the increase), being divided into 697,017,040 nominal shares with a value of 0,1 RON each, and is held as follows:

- the shareholder Zentiva Group a.s. owns 668,778,101 shares, representing 95.9486% of the Company's share capital;
- other natural and legal persons hold 28,238,939 shares, representing 4.0514% of the Company's share capital.

The synthetic shareholding structure as at 31 December 2021 remained identical to the one as of 31 December 2020, as follows:

Shareholding structure	31 December 2019	31 December 2020	31 December 2021
	(%)	(%)	(%)
Zentiva Group a.s.*	95.9486	95.9486	95.9486
Other minority shareholders	4.0514	4.0514	4.0514
Total	**100**	**100**	**100**

Source: Central Depository

**On 31 December 2019, the company Zentiva Group a.s. merged with the company AI Sirona Bidco s.r.o., the latter being the sole shareholder of Zentiva Group a.s. Following the merger, the company Zentiva Group a.s. ceased to exist, its entire assets being transferred to the company AI Sirona Bidco s.r.o., which, as of 31 December 2019, also changed its legal form from a limited liability company ("s.r.o.") to a joint stock company ("a.s."), as well as the name from AI Sirona Bidco s.r.o. to Zentiva Group a.s.*

2. Activity of the company (continued)

The Company's shares have been listed on the Standard Category of the Bucharest Stock Exchange starting from 1998.

Out of the total number of 697,017,040 shares, 696,833,149 shares are being traded on the capital market, the rest of 183,891 shares being held by Zentiva SA.

The Company did not trade its own stocks during the year 2021.

The market capitalization of the Zentiva SA stocks as at the 31 December 2021 amounted RON 1,700,721,578 (2020: RON 2,021,349,416).

As of 31 December 2021 the price per share was RON 2.44/share (2020: RON 2.9/share).

As of 31 December 2021, the Company has net assets of RON 890,772,593 which represents more than 50% of the share capital of RON 69,701,704 (as of 31 December 2020, the Company had net assets of RON 785,364,075, representing more than 50% of the share capital of RON 69,701,704) which is in compliance with the requirements of Romanian Company Law no. 31/1990, as amended and supplemented (the "Company Law"). As of 31 December 2021, the Company did not set a legal reserve. On 31 December 2021, the level of legal reserves had reached the threshold of 20% of the Company's share capital, in accordance with the Companies Law.

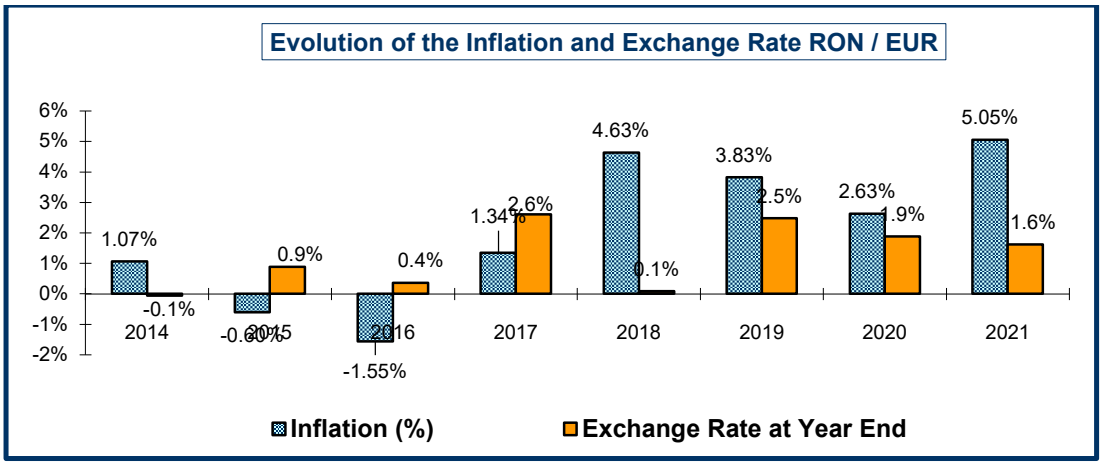
Mergers and re-organizations of the Company

In 2021 the Company did not undergo any mergers or re-organizations.

2.2 Economic and financial environment

Evolution of the macroeconomic indicators in Romania

The inflation rate had significant fluctuations, from 1.07% in 2014, to 5.05% in 2021. In 2021, the national currency depreciated against the EUR by 1.6%, from RON / EUR 4.8694 at 31 December 2020 to RON / EUR 4.9481 at 31 December 2021.



Source: National Institute of Statistics and NBR

2.2.1 Pharmaceutical industry

The Romanian pharmaceutical market, including prescription-based and over-the-counter medicines, recorded in 2021 a growth rate of 11.6% (in value) versus the previous year, reaching the level of EUR 4.558 million (according to the sell-in information provided by the market research agency IQVIA in December 2021).

According to IQVIA, the Romanian generic medicines market grew also in 2021 by 16.1% (in value), reaching the level of EUR 867 million, according to IQVIA.

2.2.2 Activity of the company in 2021

For 2021, ZENTIVA SA reports a turnover of MRON 683.9 being with 22.6% higher than the previous year and a net profit of MRON 105.7, 61.1% higher vs. prior period, mainly due to an improvement in operational efficiency and a decrease in expenses.

In 2021, the achieved production volume was higher by 25.28 million commercial units than the 2020 production, accounting for a growth of 23.6%.

The Company closed the year 2021 with a net profit of RON 105,745,554.

The most important achievements in 2021 were the following:

- Successfully finalization of the transfer to export of 8 more products locally produced;
- Exports accounted for 52% of the achieved 2021 production volume (56.2 million commercial units). Goods were primarily exported to the European market (Germany, France, Czech Republic, Slovakia etc.).
- Investments totaling RON 22.9 million (equivalent of EUR 4.6 million) for new production equipment and upgrading the existing one.

2.3 Portfolio of products and distribution market

2.3.1. Reporting base

As at the 31 December 2021, Zentiva SA prepared financial statements in accordance with Order of the Ministry of Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable for companies whose securities are admitted to trading on a regulated market, with all the subsequent amendments and clarifications in force.

Sales – Volumes and amounts

The net turnover amounts to RON 683,865,264 as at 31 December 2021 (2020: RON 557,960,940).

The Zentiva's average selling price (finished goods and merchandise) was RON 4.69 in 2021 and RON 4.16 in 2020. The increase in price is explained by a change in the mix of products because the weight of products for hospitals and chronic diseases significantly increased.

	2021	2020
Net revenue from sales of goods (million RON)	667,9	540.4
Sold quantity (million units)	142,4	129.8
Average selling price (RON / sold unit)	4,69	4.16

Source: Zentiva, Annual Financial Report

In 2021, exports accounted for 42.4% of the total turnover (RON 290.2 million), compared to 43.2% in 2020 (RON 241.1 million). The export sales were made through Zentiva k.s. (part of Zentiva Group). The medicines were mainly intended for European Union markets.

The percentage of OTC (over the counter) products in Zentiva SA sales was 4.1% in 2021 versus 4.5% in the previous year.

The sales by types of products in 2020 – 2021 are presented below:

Product type	2021	2020
Ethical (Rx)	95,9%	95.5%
OTC	4.1%	4.5%

The policy of Zentiva SA involves the permanent search for suppliers which deliver high quality raw materials.

The Quality Department assesses the potential suppliers and the existing ones on regular basis. Their focus is on the quality of documentation provided by the suppliers, which is necessary for authorization purposes and the quality of the supplied products, as well as the products behavior during the operating process.

2.3.2. Portfolio of products and distribution market

The product portfolio of Zentiva SA includes 120 products for human use, as solids (tablets, capsules, and pellets) and injectable solutions.

a. Until 27 September 2018, the distribution activity on the local market was ensured by Sanofi Romania SRL, the exclusive distributor of the Sanofi Group on the Romanian market. After Zentiva exited Sanofi Group, the distribution activity on local market was ensured by Romanian distribution companies.

b. The Company is a part of Zentiva Group, which has production facilities in Czech Republic, Romania and India. The export sales on the EU market were ensured by Sanofi Winthrop (part of Sanofi Group) until 30 September 2018 and by Zentiva k.s. (part of Zentiva Group) after 1 October 2018.

In 2021, the Company investment expenses amounted RON 22.9 million. The objectives of the investment program, which will be continued in 2022 are to maintain the Good Manufacturing Practice Guidelines and update technologies in line with the international quality and environmental standards, and to extend the product portfolio and of new forms of packaging. The investments provided in the 2022 budget is RON 21.5 million (EUR 4.3 million).

2.4 Objectives for 2022

For 2022, our objective is to maintain our leadership in the healthcare field, focusing on identifying growth opportunities and on diversifying our business according to European quality standards; to secure an efficient and profitable organization. Also, we reaffirm our commitment to our customers and partners for delivering the same best possible services to meet the Romanian patients' needs to the same extent of involvement as before.

Our key priorities for 2022 are:

- To maintain the profitability of the local producer, in the context of an increase in costs for utilities, increase in costs for materials (raw materials, excipients, and packaging materials);
- To enhance the production capacity, by implementing the investment plan for 2022;
- To diversify and enhance Zentiva's presence on various markets through exports and transfer of new products that should be produced locally;

- To increase the volume sales of products on the local market;
- To strengthen our product portfolio through new launches.

3. Ethics and business integrity

As a partner in the health journey, our commitment to act with integrity is essential to ensure people's trust.

In a complex environment, we are determined to respect the ethical principles that govern our activities and we are committed to comply with the laws and regulations applied in each country in which we operate. It is important to get results, but "how" we get them is just as important.

We subscribe to the principles of the Universal Declaration of Human Rights, the International Labor Organization and the Organization for Economic Cooperation and Development (OECD). We also support the right of every person to health, as defined by the International Convention on Economic, Social and Cultural Rights. We support and apply essential principles on human rights, labor, environment and anti-corruption.

Today more than ever, strengthening people's confidence is essential to the success and competitiveness of our company. In this regard, during 2021, Zentiva offered its employees training programs specific to the field of business ethics and integrity.

As means of control in the management of risks related to the fight against corruption and bribery (i.e., corruption among employees, bribery, non-compliance with anti-corruption laws, etc.), the Company has implemented a Code of Ethics, a policy on rules anti-bribery, against which the Company's employees are regularly trained, a policy on monitoring compliance processes, as well as a policy on reporting irregularities (en. *Speak-up*) which encourages the Company's employees to report any concerns related to ethical compliance, using one or more channels provided by the Company (mobile ballot boxes, landline / mobile phone number, e-mail address, electronic platform - https://www.zentiva.ro/speak-up-line).

In 2021, the Company was not involved in and did not register any case of bribery or corruption and there were no lawsuits against the Company regarding anti-competitive behavior, anti-trust or monopoly practices.

3. Ethics and business integrity (continued)

Starting with November 2018, Zentiva implemented a new Ethical Code, named "Code of Common Sense", updated in October 2021 under the title Code of Ethics, as follows:

- **A new design.**
- **A new concept** – 5 business principles with 5 senses are no longer compared, these being replaced by Zentiva's approach regarding:
  - Our Mission, our Values, our Code;
  - Our committment to patients, quality and safety;
  - Our people;
  - Our impact;
  - Our activity.

- **Completed/ underlined domains**:
  - Diversity and non-discrimination;
  - Human rights;
  - Environmental sustainability;
  - Marketing and sales practices;
  - Social media.
- **Added domains**:
  - Research and development (corporate citizenship);
  - Provisions against money laundering;
  - Cyber security;
  - Trade compliance.

The ethics compliance training program includes online training courses for employees with laptop/computer access on: Code of Ethics, Anti-Corruption Rules, Conflict of Interest Rules, Due Diligence Rules and the rules on economic sanctions.

The employees who do not have access to laptop/computer are trained regarding the above during the face-to-face training sessions.

New employees are trained in the above paragraphs, either through online training courses (if they have access to a laptop/computer) or through face-to-face training sessions.

Also, during the meetings of the sales team organized twice a year there are trainings on the above-mentioned subjects.

3.1 Medical ethics and transparency of medical data

We work with healthcare professionals every day to support the proper use of our healthcare products and get valuable feedback from them.

For example, we collaborate with healthcare professionals in order to:

- Better understand medical conditions, and further our knowledge of their physiopathology and of the mechanism of action of new compounds;

- Draw upon their expertise to adapt our projects in the interest of patients;
- Encourage proper use of our products; and
- Organize scientific briefings on pathologies, related issues, and the healthcare products we commercialize.

Committed to the principle of transparency* that helps build trust in our relations with stakeholders, the public and most importantly the patient, we have been disclosing the transfer of values to HCPs, according to national legislation*, since 2014. The information is available on ANMDMR (Agentia Nationala a Medicamentului si a Dispozitivelor Medicale din Romania) website.

**Health Ministry Order no. 194/2015 on the approval of the norms for the evaluation and approval of advertising of medicinal products for human use and Law no. 95/2006 on health reform.*

The company has put in place policies covering rules and operational requirements for organization of events, interactions with healthcare professionals and donations.

4. Sustainability and environment protection (HSE)

All of Zentiva activities are subject to regulations, and also to ever-growing expectations on the part of stakeholders, in the field of HSE. To address these challenges and to renew our commitment to our employees and to the environment, we have updated our HSE in October 2020.

This policy, the cornerstone of the company's HSE strategy, is part of our commitment to corporate social responsibility. To implement this policy, Zentiva has defined a series of HSE targets for 2025, which are applied in all of our activities, focusing on four key areas:

1. Encourage change in attitudes to safety means we can commit to protecting life by ensuring that all our people enjoy safety in the workplace and arrive home safe and sound every day;
2. Create a healthy community by protecting the health of everyone working at Zentiva;
3. Minimize our environmental footprint: leverage our strategy in order to become a leader of corporate environmental management;
4. Strengthen HSE as a partner of our business operations: using HSE programs and transverse cooperation, transform HSE challenges into opportunities for our businesses and in our markets.

Our HSE Department has established a framework that covers all aspects of HSE: safety in the workplace, process safety, occupational health, protection of the environment and Fire protection. These documents are reviewed periodically (as per regulation in force Law 319/2006). The framework includes regulatory requirements and internal rules, the results of risk/opportunity analysis, and is translated into a set of compulsory standards and methodological guides.

International standards	Zentiva certifications
ISO 9001: 2015 (Quality Management)	☑
ISO 14001: 2015 (Env. management)	☑
OHSAS 18001: 2007 (Occupational Health & Safety)	☑
ISO 50001: 2011 (Energy management)	☑
Environmental Permit no 234/07.05.2012	☑
Water permit no 517 B/ 02.11.2018	☑
Discharge Permit no 152/31.08.2012	☑
Fire Protection Permit	☑
Manufacturing Authorization no. 15F/16.04.2019	☑
Certificate for compliance with Good Manufacturing Practices 036/2018	☑

In addition to audits performed by the Group every three years, Zentiva manufacturing site is subject to several internal audits and inspections. In 2021, 24 (twenty four) internal audits and inspections were performed with good results in terms of safety, environmental protection and fire prevention.

The unit is also subject to inspections by authorities and third parties, such as potential and current customers. In 2021, the company was subject to an inspection from Work Inspectorate (ITM); no penalties or critical findings were issued.

Periodical surveillance audits (every three years) carried out by Lloyd's Register Romania on Zentiva site and processes confirmed and maintained the certifications based on ISO standards. In 2019, the Company was recertified according with ISO 9001 and ISO 14001 – new edition, of 2015.

Also, at the level of Zentiva Group, we have developed the sustainability strategy (applicable to the level of Zentiva S.A. as well) around the following key messages:

- At Zentiva we ensure the supply of high quality medicines at affordable prices to people who depend on each day. We do this in a sustainable way and we will continue our mission even with and for future generations.

- We want Zentiva to be a healthy company. We understand the impact of our activities on the environment and implement measures to reduce it, throughout the product life cycle.

  Thus, we believe that active identification and proper management of environmental, social and governance (ESG) issues are fundamental. We take our responsibility seriously and that means we actively manage risk, respect communities, communicate transparently and create value through operational excellence. Our activities are guided by an annual evaluation, and our actions are grouped around 3 pillars: People, Partners and Planet.

  Our journey began in 2019, when Zentiva planted the first trees in Romania. We created the Planeta Z campaign and started collecting, consolidating the actions already carried out in our company and step by step we expanded our framework and applicability. Today, our work on sustainability is carried out in a structured way, sustained and led at the top of the company, focused on a few key topics in which we believe we can make a difference.

- We have started working on our vision to be carbon neutral in 2030 and to meet our annual targets.

- Zentiva Bucharest, is 100% supplied with electricity from renewable sources.

- We continue to plant trees as we started in Romania in 2019, with a local target of 20,000 trees and a global one for 2022 of 100,000.

- We focus on reducing the amount of waste generated by optimizing demand planning to avoid the destruction of medicines, optimizing materials used, recycling.

- We encourage the development of volunteer culture, promoting projects to collect expired drug waste from employees and facilitating the controlled destruction of this waste (approximately 22 kg managed this way), the plastic lids that we later hand over to an NGO involved in supporting medical cases. . In addition to planting the 20,000 trees in the deforested area of Transylvania, we support the voluntary approach of colleagues to participate in planting activities in the southern part of Romania, the area in the process of desertification.

- The concern for reducing the CO2 footprint is an active process of the last two years, the reduction being significant, approximately 4 times smaller than in 2019, as indicated by the data in the table within the sections below (CO2 footprint, 2018-2021).

- We continue to work globally and locally on Diversity and Inclusion, with a focus on people with disabilities.

4. Sustainability and environment protection (HSE) (continued)

4.1 Risk and impact assessment

The risk management and identification process is critical to our global HSE management system. Its main objective is to identify hazards and risks and to evaluate their probability and potential effects, by carrying out risk mapping and implementing risk control & mitigation measures. The site has a comprehensive risk assessement program covering all its activities by systematically identifying all HSE hazards and evaluating the associated risks and effects.

A Gap analysis on risk assessment is performed on 3 years basis, shared and discussed with all relevant stakeholders. Upon this analysis, risk management and action plan is constructed.

The evaluation methodology aims to identify and quantify hazards and assess the level of risk in light of the extent to which the risk is controlled:

- Process safety and risk of explosions;
- Fire risks;
- Exposure to natural disasters (assessed with insurers, if necessary);
- Work-station risks;
- Road safety;
- Asphyxiation risks;
- Occupational disease risks; and
- Environmental risks.

Risk evaluations are reviewed on a periodical basis, and whenever there is a material or process change.

Zentiva site establishes and maintains its own emergency response plan, adapted to reflect site-specific risks and the internal or external resources that would be deployed or called upon in response to those risks. This risk map is evaluated annually.

Results from the evaluations are collated in a site risk map, which identifies all types of risk associated with the site or activity. These risks are then ranked by priority, with the priorities signed off by management, first at site level and then at activity level. All the risk maps are incorporated into a summary report. Action plans are then implemented accordingly, at the appropriate level (site, activity or company level).

All actions are systematically followed-up with dedicated tools and during regular meetings.

The follow up process also identifies if the actions were appropriate, efficient and if the efficacy is the expected one.

All the CAPA (Corrective Action Preventive Action) defined in 2021 were implemented as planned.

4. Sustainability and environment protection (HSE) (continued)

4.2 Training and awareness initiatives

We invest in training and awareness programs designed to embed environmental protection, and the prevention of health and safety risks, into everything we do.

Each new joiner receives initial HSE training appropriate for their job profile so that they can perform their work in strict compliance with the rules. Depending on their jobs, employees may then follow other training modules specifically related to what they do (such as eco-driving for medical and sales representatives, or chemical risks for employees handling chemical products).

For each job in the company a training matrix was established and the HSE training was delivered 100%.

In addition, all new information about relevant incidents or accidents occurred and potential dangerous situations are also communicated to employees.

In 2021, Zentiva continued the collaboration with the Carpathia foundation, implementing a campaign to plant 20,000 trees in the Transylvanian area, in deforested areas.

In 2021, 2 accidents were registered, out of which one on the way from home to the company and one within the company, situations against which additional assessments and cause analysis were undertaken and operational processes were improved.

4.3 Health

4.3.1 Managing risks associated with manufactured substances

We continually assess the effects of products on human health, especially that of our employees. This expertise is made available to employees through committees responsible for chemical and biological risk assessments, which are used to determine adequate risk prevention and protection measures for employees.

The committee is responsible for hazard determination and classification for all the main active pharmaceutical ingredients and intermediates handled or manufactured at our sites. The committee provides guidance on risks, preventive measures, controls, personal protection equipment, medical surveillance and specific training programs associated.

4. Sustainability and environment protection (HSE) (continued)

4.3.2 Managing working conditions

Every three years and when changes in workplace or products occur, Zentiva site prepares a health risk analysis, and then defines and implements risk prevention programs and occupational health practices. All the risk assessments are performed in transversal teams, led by the site HSE specialist, toghether with representatives from the assessed area, and with the site Occupational Doctor.

All the results are communicated to all involved parties; depending on the results, programs to reduce the risks are developed. This mainly involves containment measures, as well as individual and collective protection against exposure at all work-stations where chemical substances are handled. Before taking any measure from an HSE perspective, the employees from the exposed area are involved in designing the solution or in the selection of the protection equipment they will use.

Also, other risk factors associated with issues such as noise, vibration and ergonomics are also measured and appropriate measures are taken when the limits are exceeded. All personnel is monitored under annual medical surveillance programs that are based on the results of occupational risk assessments linked to their duties.

In the context of the pandemic, a series of risk assessments have been developed and measures have been implemented to reduce the risk of contamination within the company. Thus, the team formed at Top Management level managed the entire pandemic crisis. In addition to aligning with legal requirements, additional protection measures have been implemented, from segregation and recompartmentalization of workplace access flows, to the provision of protective materials, masks and disinfectant for use outside working hours. The company also incurred the costs associated with PCR testing of employees to identify the risk of contamination, in order to limit the spread of the virus in work teams. Working from home was an alternative for office staff.

4.3.3 Prevention programs

Risk assessments of processes and installations are drawn up according to standards and internal guidelines that incorporate the benchmarks for the industry and international standards. Particular attention is paid to any risk-generating changes, such as process or installation changes, as well as changes in production scale and transfers between industrial or research units.

Zentiva site has implemented a real-time emergency reporting system that alerts management immediately after an accident has occurred. The information is quickly escalated to site head level and the management levels and also to the authorities. An investigation process and root cause analysis are performed in order to implement adequate measures to increase safety in the workplace.

Internal communication follows after each safety incident at site level, during specific sessions.

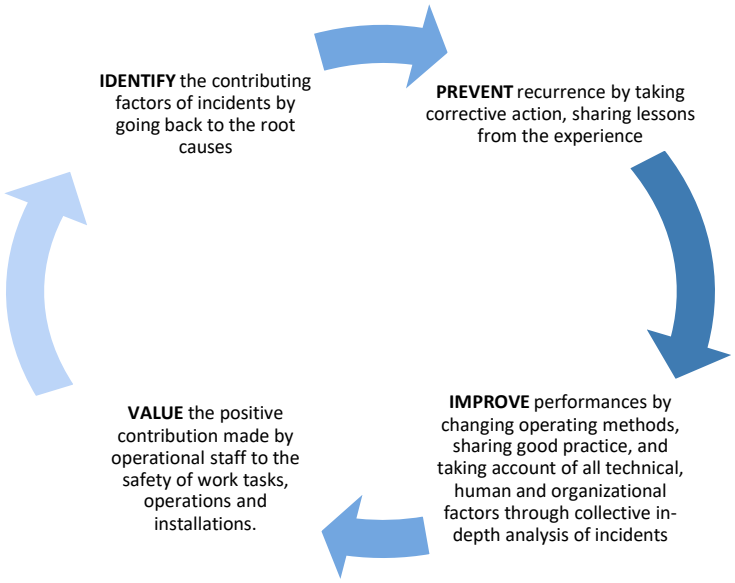
A monthly KPI is issued to top management. Also, daily monitoring of HSE deviations is performed in management meetings and followed up appropriately.

An internal tool, on the local intranet was developed in order to collect all the deviations from HSE perspective. All deviations are daily monitored during the site leadership meetings and appropriate actions are defined and implemented.

4. Sustainability and environment protection (HSE) (continued)

4.3.4 Learning from experience (LEX)

To achieve further improvements in accident prevention, we have set up a learning from experience process aimed at achieving the following objectives:



Learning from experience is based on a dedicated reporting datasheet (known as LEX Alert) containing an analysis of the incident, the immediate and root causes, and actions to be taken.

5. Information regarding environment protection

We have embarked upon an ambitious policy to limit the direct and indirect impacts of our operations on the environment through every stage of the life cycle of our products. We have identified five key environmental issues associated with our operations: greenhouse gas emissions and climate change; water; pharmaceutical products in the environment; waste; and biodiversity.

Our existing initiatives are ongoing but have been given fresh impetus through our “PlanetZ” program.

One of the important directions is to increase general awareness of all employees in environmental matters and to improve their behavior through voluntary environmental campaigns. In this regard, starting with 2020, we initiated in the company a program for the controlled collection and destruction of expired medicine waste that our colleagues own, thus preventing the contamination of the environment with medicine waste.

5. Information regarding environment protection (continued)

In the context of production activity in 2021 and post-pandemic activity reloaded, vs 2019, a noticeable reduction was registered.

		2018	2019	2020	2021
CO^2	[t]	20,780	22,650	4,452	5,939

5.1 Energy efficiency

An energy conservation program has been implemented at our site, with a specific focus on the air treatment systems that ensure high-quality production environments in manufacturing buildings, these systems being some of our biggest users of energy.

Since 2013, an energy performance management tool has been in place in Zentiva site to identify potential reductions in energy consumption. Zentiva site is certified by Lloyd's Register Romania since 2015 according to ISO 5001.

Our energy efficiency approach extends to all our activities including our medical rep vehicle fleets and decisions on how we transport our products.

Starting with 2020, the electricity used within the company comes 100% from renewable sources.

Energy Consumption (MWh)	2018	2019	2020	2021
Natural gas	8,909	13,275	22,041	24,985
Electricity	11,462	11,856	11,745	12,883
Other (steam, thermal fluids, cooling water, compressed air)	7,388	5,219	-	-
Total	**27,759**	**30,350**	**33,786**	**37,868**

5.2 Water use

We are committed to managing water resources sustainably. To help us deliver on this commitment, Zentiva site established and execute a water resource management plan.

Water used for production processes and for the heat exchange (cooling for processes, without contact with production) is mainly withdrawn from available watercourses and groundwater. We have specific operating procedures for effectively managing our use of water, and for reducing our consumption through moderation and performance.

Water	[unit]	2018	2019	2020	2021
City water network	[m3]	87,685	100,738	93,231	76,877
Groundwater*	[m3]	1,845	510	774	774
Total	**[m3]**	**89,530**	**101,248**	**94,005**	**77,651**

* not included in the product

5. Information regarding environment protection (continued)

5.3 Managing wastewater discharge

Water pollution prevention is one of Zentiva site priorities. Focus in terms of wastewater is to reduce as much as possible the pollutants that could get into the water system during cleaning procedures.

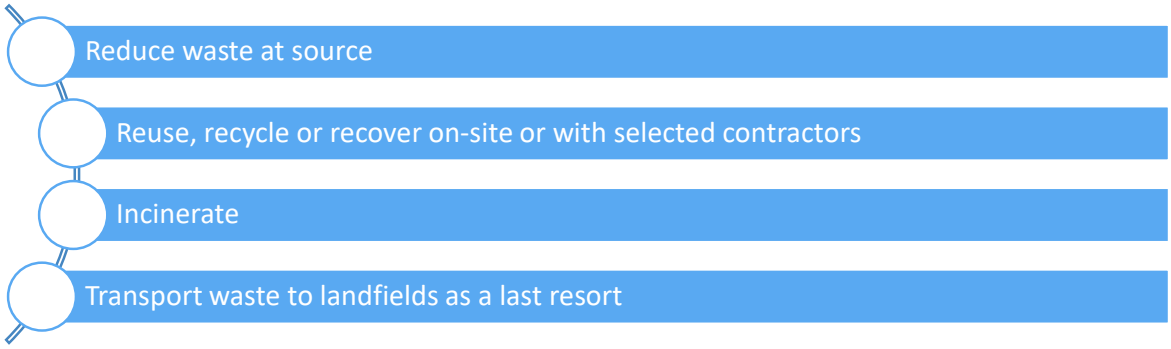
Several operational controls were put in place and proved to be consistent, the most effective being collection of waste before equipment's cleaning.

Internal monitoring is performed on weekly basis besides the monthly analysis performed by RENAR certificated laboratory in accordance with legal requirements.

5.4 Waste

The key to our policy is to reduce waste generation at source, followed by a systematic examination of recycling possibilities before waste is disposed of in any other manner.

Inspired by the circular economy, Zentiva site manages its waste according to the following principles:



Our waste management program includes procedures to categorize and identify waste generated by each process, and then to collect, sort, store, transport and treat each type of waste appropriately. In addition, we keep records of all waste management documents to ensure traceability up to final treatment.

Wastes resulted from production activities are not landfilled.

	Generated waste (t)	Recycled waste (t)	Recycled waste (%)	Incinerated waste (t)
2017	580.4	325.1	55.86	259.6
2018	659.47	383.48	58.3	271.27
2019	1253.79	517.35	41.26	710.75
2020	370	130	35	240
2021	957	480	33	477

Specific to pharmaceutical production activities, air treatment units are designed to keep controlled and clean environment inside the site and also outside having several technical filtering barriers.

5. Information regarding environment protection (continued)

Manufacturing areas are equipped with 24h professional air treatment systems, they have filters for recycling the air and for evacuating the air.

Efficiency of the filtering air systems reaches a retention degree of 0.995% for particles measuring > 0.3µm. This filtering level is set in accordance with the production systems and GMP standards for the pharmaceutical industry and ensures environmental protection.

5.5 Commitment for reducing food waste

Within the canteen at the site food waste reduction is promoted by recovering leftover vegetables for reuse the next day; introducing sort bins to facilitate recycling of waste.

6. Social commitments and diversity

6.1 Prevention of Human Rights abuses

Zentiva supports and applies the United Nations Guiding Principles on Business and Human Rights, and has for many years adopted a proactive vigilance approach to prevent our activities having negative impacts on human rights. Our main initiatives are described below:

- freedom of association and recognition of the right to collective bargaining (ILO conventions 87 and 98); elimination of all forms of forced labor (ILO conventions 29 and 105);
- effective elimination of child labor (ILO conventions 138 and 182);
- elimination of discrimination in employment (ILO conventions 100 and 111);
- wages and employee benefits (ILO conventions 95, 131 and 135); and
- weekly rest (ILO conventions 14 and 106).

6.2 Employees

Employees have the right to be constantly informed and consulted as stipulated in the Internal Rules and the Collective Agreement.

Employees are informed upon employment, during the initiation program, about all the procedures and internal rules in force; they are informed as well about any update/change; all the procedures are visible to all employees on the local Intranet.

Given our desire to continuously improve and digitize processes, in November 2021 an application was implemented to help new employees to adapt more easily in our organization and to provide them with relevant information and support in the first months of activity.

6.2.1 Non-discrimination

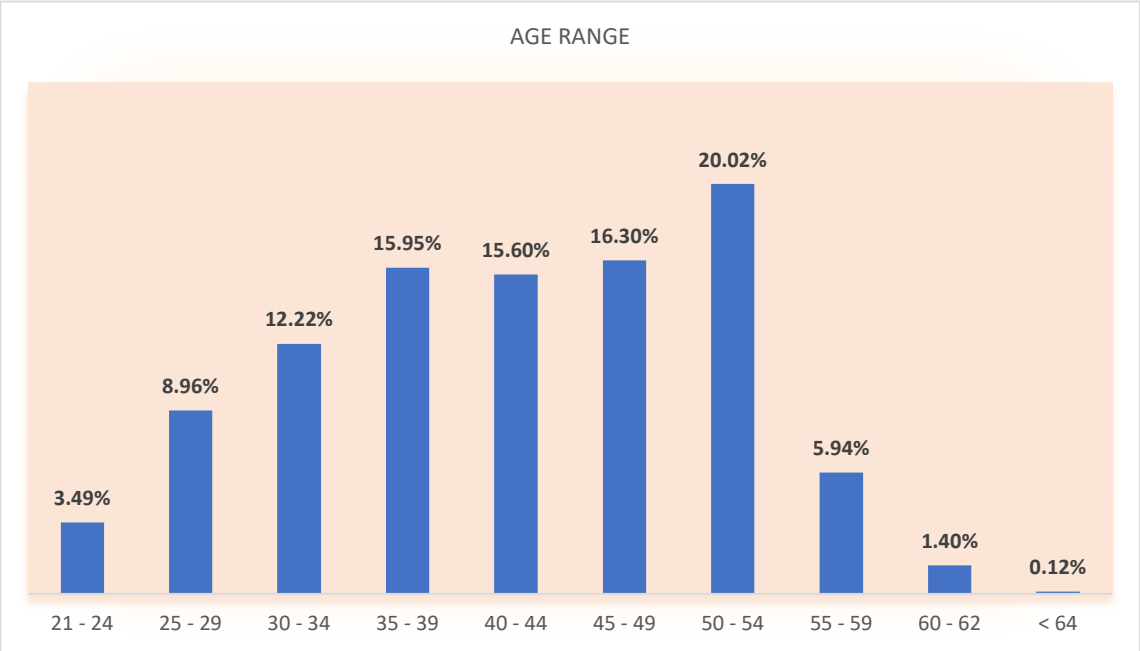
Zentiva strives to avoid any discrimination (*e.g.*, based on gender) in the compensation paid for a given position at equivalent levels of individual performance.

6. Social commitments and diversity (continued)

6.2.2 Employee benefits

We strive to ensure that all of our employees receive high-quality benefits covering health, old age pension, incapacity for work, disability and death. These benefits comply with the national regulation and provide the coverage that best meets employees' needs. In general, employees (as well as, in general, their spouses and children) receive a good level of reimbursement of medical expenses as well as death benefits. Benefits might also cover temporary or permanent incapacity for work, on a case by case basis. Employees can also access a flexible benefits platform where an annual budget is allocated by the company. The flexible benefits available for all employees on the platform are: private pension, professional development and foreign languages courses, transport (for those who don't have a company car allocated), gift vouchers for certain occasions according to the Collective Labor Agreement at company level, holiday vouchers and recreational activities.

Graphic age within the Company - December 2021



Whenever possible, Zentiva provides personalized employee benefit programs (medical, psychological support, personal development workshops etc.) that allow employees to adjust their coverage according to their family situations and personal needs.

Regarding working conditions Zentiva provides high quality protection equipment for each category of job and special facilities in the site. We offer special alimentation for people working in production area, yogurt offered on a daily basis, once a week we offer fruits (especially apples) that are placed in the canteen.

For work during night we offer a special compensation amount of money, 25% of the base salary for each worked hour. The same applies for different bonuses for extra hours or special events (wedding, child birth, funerals, seniority and so on).

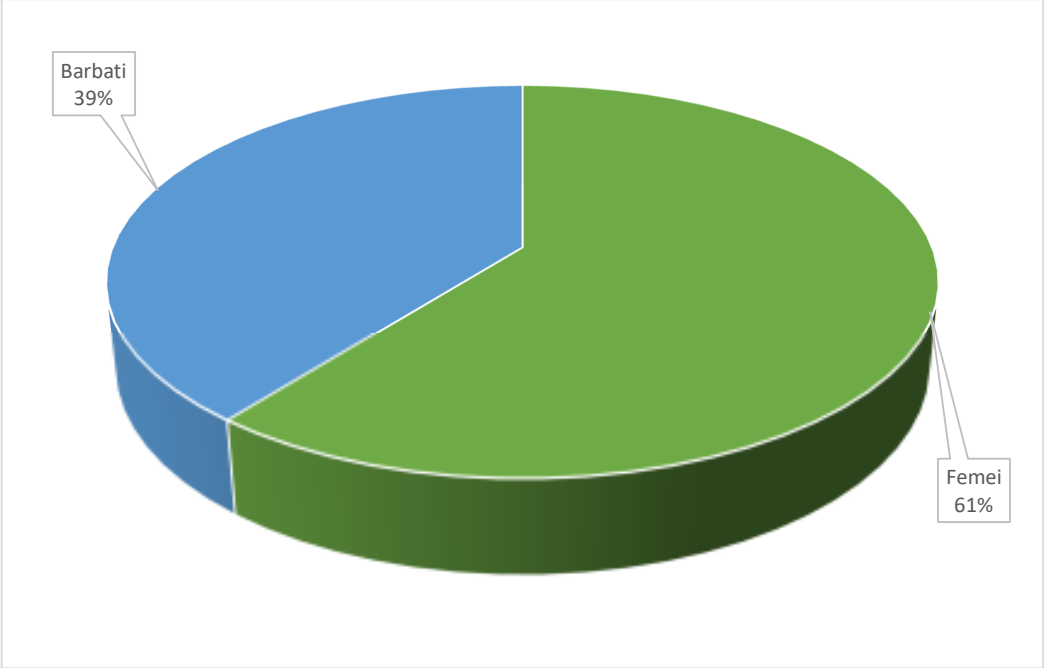
6. Social commitments and diversity (continued)

Part of „Fabrica de Bunastare" program, Zentiva also offers to employees on a weekly basis kinetotherapy classes, massage on chair and, from time to time, ergonomy classes, respectively emotional education courses. During the pandemic, these activities from the mentioned program involving physical presence at the office and in the factory were suspended and replaced with online activities.

In the fall of 2020, Zentiva implemented a project called "Formula ONE", an organizational culture project designed to help employees work and interact constructively and effectively. 400 employees were involved in the organizational diagnosis and over 30 employees from managerial roles participated in development courses on the priority areas for the organization and the team: Leadership, Decision Making, Team Management. The project continued in 2021 with initiatives to strengthen organizational culture and priority areas established in 2020.

We also offer subscription to online library called Bookster from where the employees can borrow a wide range of books for free and that are delivered to the office or at home.

The number of active employees Zentiva on 31 December 2021 was 859 people.



6.2.3 Social dialogue

Trade union representatives are elected by company employees for a term of 2 years; they have guaranteed job security and cannot be dismissed by the company during their term of office. Regular meetings are held between the Trade Union Committee and employee's representative.

Through the Collective Agreement (2nd Chapter) Zentiva allows Trade Union to conduct its activities in the Site and use Zentiva's physical resources for this purpose. The Trade Union has the right to be constantly informed and the right to choose its members from among Zentiva's employees.

Zentiva has always been interested in the education of young people and for that we developed special internship programs for university graduates (Zentiva University) and we are supporting dual education, in partnership with Technical College „Costin D. Nenitescu".

6.2.4 Gender balance and diversity

Diversity principles governing non-discrimination, equal opportunity and respect for individuals are observed and embedded in all our HR policies and Code of Ethics in accordance with the national legislation applicable in Romania, regarding human rights and labor.

Zentiva considers that diversity is a resource for optimizing performance and recognizing differences between employees.

Zentiva prohibits all forms of discrimination or any conduct that may harm personal dignity and promotes diversity and inclusion in the company.

Zentiva prohibits any employee to be subject of any form of harassment.

The actions to support this are related to the fact that all employees have the same rights and obligations, same benefits and rewards, linked to the job responsibilities and regardless the age, gender, race, religion, sexual orientation etc.

Regarding the equal treatment, Zentiva supports equal opportunity for each employee and job applicant in order to create an inclusive and positive working environment.

Skills, competencies, expertise, experience and high ethical standards are the factors taken into account. Zentiva offers the same career opportunities to men and women, including access by women to management positions. In the company, more than 50% of women are part of management teams. Every year we use surveys performed by prestigious market research companies to compare the remuneration level and benefits.

Zentiva supports recruitment and ensures job retention of disabled workers.

As means of control in the management of risks related to observance for human rights (i.e., the risk of discrimination against employees and/ or customers based on gender, race, ethnicity, age, etc.), the Company has implemented a Code of Ethics, a policy on anti-bribe, against which the Company's employees are regularly trained, a policy on monitoring compliance processes, as well as a policy on reporting irregularities (en. *Speak-up*) that encourages the Company's employees to report any concerns related to ethical compliance, using one or more channels provided by the Company (mobile ballot boxes, landline / mobile phone number, e-mail address, electronic platform - https://www.zentiva.ro/speak-up-line). Also, the Internal Regulation applicable at the level of the Company contains an entire chapter dedicated to the observance of the principle of non-discrimination, called "*Rules regarding the observance of the principle of non-discrimination and the removal of any form of violation of employees' dignity*".

In 2021, the Company was not involved in and did not record any incidents of discrimination against employees or in connection with the work of minors.

7. Taxonomy

7.1 Brief considerations on the EU taxonomy

To meet the existing climate and sustainability objectives, the European Commission has defined specific measures through the EU Action Plan on Sustainable Growth, which are designed to ensure that capital flows are directed towards sustainable activities, among other objectives. The EU taxonomy is the first approach of a comprehensive classification system that aims to facilitate the comparison of the sustainability activities of different companies. In accordance to Article 10 (3) of Regulation (EU) 2020/852 (the "**Taxonomy Regulation**"), the EU taxonomy classifies the contribution by relating to six environmental objectives, defined as:

- Climate change mitigation;
- Adaptation to climate change;
- The transition to a circular economy;
- Pollution prevention and control;
- Protecting and restoring biodiversity and ecosystems;
- Sustainable use and protection of water and marine resources.

According to the Taxonomy Regulation, an economic activity is considered compliant with the taxonomy if:

- makes a significant contribution to the achievement of one or more environmental objectives, in accordance with Articles 10 to 16;
- does not significantly affect the achievement of the other five environmental objectives (does not significantly harm - DNSH), in accordance with Article 17;
- complies with the minimum requirements for safety at work and human rights at enterprise level (social security), in accordance with Article 18.

7.2 Our economic activities as medicines producer – taxonomy-non-eligible activities

During the internal preparation for compliance with EU taxonomy requirements for the financial year 2021, Zentiva S.A. grouped an interdepartmental, multidisciplinary project team for the initial data collection. This team assessed the taxonomy eligibility of Zentiva's activities based on market analysis and internal financial and accounting policies.

Thus, the designated team examined all activities eligible for taxonomy listed in the Complementary Delegated Climate Taxonomy Act no. 2800/2001 ("**Delegated Act no. 2800**"), based on the activities carried out by Zentiva S.A. as a medicines manufacturer. The Delegated Act focuses on those economic activities and sectors which have the greatest potential to achieve the goal of climate change mitigation – that is, the need to avoid producing greenhouse gas (GHG) emissions, to reduce such emissions or to increase GHG emissions and long-term carbon storage. The sectors covered include energy, selected manufacturing activities, transport and buildings.

After a thorough review involving all relevant divisions and functions, we concluded that the economic activities carried out by Zentiva S.A., specific for manufacturing of medicines, are not covered by the Delegated Act and consequently are Taxonomy-noneligible. It can therefore be concluded that the pharmaceutical sector has not been identified as a major source of GHG emissions.

Our assessment of Taxonomy-eligibility is focused on economic activities defined as the combination of resources to produce specific goods or services. In this context, Zentiva S.A., as a medicines producer, generate external revenue from its products only under one activity (manufacture and sale of our pharmaceutical products), but it is active in several sectors within the value chain of our products. Activities within the value chain of our products that are not revenue-generating, but that result in assets or processes that are essential for our revenue-generating activities, are not reported as Taxonomy-eligible economic

activities on their own. This includes, in particular, research and development, the acquisition/construction of new buildings (for our production sites/ deposits), and other investment-oriented activities such as expenditure for our fleet and data center capacities. Additionally, the transport of our pharmaceutical products to our clients is not reported as a Taxonomy-eligible activity and it is not included in our turnover KPI, because Zentiva S.A. is not generating external turnover on a standalone basis with this activity.

However, we do disclose Capex and Opex relating to the purchase of output from Taxonomy-eligible economic activities and individual measures to improve energy efficiency listed in the Delegated Act No. 4987/2021 supplementing Taxonomy Regulation ("**Delegated Act No. 4987/2021**"), in accordance to Table 2 below - Individually Taxonomy-eligible Capex/Opex and the corresponding economic activities.

We disclose this information on a voluntary basis, because we believe that this information is helpful for users of our consolidated non-financial statement to gain a better understanding of our business activities, as well as as a starting point in drawing up the reports for the following financial years, in the event of future updating of the legislation.

7.3 Individually Taxonomy-eligible Capex and Opex

Regarding Capex/Opex related to purchases and measures that we consider as individually Taxonomy-eligible, we refer to the explanations in the section "Capex KPI and Opex KPI" in the description of our accounting policies.

The key performance indicators ("KPIs") include the turnover KPI, the Capex KPI and the Opex KPI. For the reporting period 2021, the KPIs have to be disclosed in relation to Taxonomy-eligible economic activities and Taxonomy-non-eligible economic activities (Art. 10 (2) of the Art. 8 Delegated Act No. 4987/2021).

Since our economic activities as a pharmaceutical group are not covered by the Delegated Act No. 2800/2021, the share of Taxonomy-eligible economic activities in our total turnover is 0% and, consequently, the related capital and operating expenditure are also 0%.

Zentiva S.A.'s turnover is Taxonomy-non-eligible because its economic activities are not covered by the Delegated Act No. 2800/2021 to date. Consequently, the capital and operating expenditure related to these activities are Taxonomy-non-eligible.

In addition, the capital and operating expenditure to be reported also include those that are related to the purchase of output from Taxonomy-eligible economic activities and certain individual measures enabling the target activities to become low-carbon or to lead to GHG reductions. Due to our accounting policy regarding these individually Taxonomy-eligible Capex/Opex, we report our total KPIs as follows:

	*Total (mRON)**	*Proportion of Taxonomy-eligible economic activities (in %)*	*Proportion of Taxonomy-non-eligible economic activities (in %)*
Turnover	683.9	0%	100%
Capital expenditure (Capex)	22.9	30%	70%
Operating expenditure (Opex)	602.8	1%	99%

*the values presented are extracted from the IFRS financial statements published as of 31 December 2021.

We have identified the following purchased outputs and individual measures that correspond to eligible economic activities and, thus, result in Taxonomy-eligible Capex/Opex, distinct from the economic activities relevant to our total turnover:

Description of the individually Taxonomyeligible purchased output/measure	Corresponding economic activity (Annex 1 to Delegated Act No. 2800/2021)
All our vehicle fleet (leasing) including maintenance and repair	6.5 Transport by motorbikes, passenger cars and light commercial vehicles
All renovation measures of our existing buildings	7.2 Renovation of existing buildings
Maintenance and repair of the energy efficiency equipment in our existing buildings	7.3 Installation, maintenance and repair of energy efficiency equipment
Our acquisition and ownership of buildings (i.e. eligibility of all buildings, taking into account the legal or economic ownership, including the right of use from a lease of a building)	7.7 Acquisition and ownership of buildings
Leasing of data centre resources from external service providers (non-capitalised lease costs)	8.1 Data processing, hosting and related activities

7.4 Conclusions and future perspectives

The economic activities of Zentiva S.A. make the greatest contribution to the EU's first two environmental objectives: climate change mitigation and adaptation to climate change.

We believe that our business activities will not significantly affect any of the environmental objectives and we believe that we comply with the minimum protection measures. However, there are still many uncertainties regarding the application of the EU Taxonomy Regulation.