

# REMUNERATION REPORT OF GEDEON RICHTER PLC.

## FOR THE FINANCIAL YEAR 2022

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## 1. INTRODUCTION

Gedeon Richter Plc. (hereinafter the “Company”), pursuant to the provision under Section 21 of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain laws for the purpose of legal harmonisation, herewith publishes the Company’s Remuneration Report for the year 2022<sup>1</sup> (hereinafter the “**Report**” or the “**Remuneration Report**”).<sup>2</sup>

The purpose of the report is to provide a comprehensive overview, in accordance with the Remuneration Policy adopted by Resolution No. 13/2020.04.28 passed by the Company’s Board of Directors acting within the competence of the general meeting based on Section 5 (1) and Section 9 of Government Decree 102/2020 (IV.10.) (hereinafter the “**Remuneration Policy**”), to persons falling under the personal scope of the Remuneration Policy, regarding all remuneration awarded in the 2022 financial year or due on the basis of the results of that year, and paid by the Company.

The Company’s Remuneration Policy is available on the Company website.

The quantified data of the Company’s Remuneration Report are presented in Chapters 3-6. of the report and the tables set out in those chapters. Values expressed in Hungarian forint (HUF) in the report are gross amounts, unless otherwise stated in the report.

For the Directors whose legal relationship (i.e. whose mandate or board membership) did not cover the entire year of 2022<sup>3</sup>, the report states the pro rata portion of the annual benefits and honoraria due in line with the period of their mandates.

While the remuneration paid by the Company to the Directors in 2022 under the Remuneration Policy contributed to the achievement of the objectives set out in the Remuneration Policy, it was below the industry average of other domestic blue chip companies and of competing European mid-pharma companies.

<sup>1</sup> According to Section 3:268, Subsection (3) of Act V of 2013 on the Civil Code of Hungary (the “Civil Code”): In the case of public limited companies, the remuneration report for the previous business year shall be placed on the agenda of the general meeting for an advisory vote.

<sup>2</sup> Although Section 19, Subsection (2), point b) of Act LXVII of 2019 stipulates that the report must also include the following information: “the annual change in remuneration over at least the five most recent business years, the development of the company’s performance and the average remuneration of the employees of the company other than directors during that period – on a full-time equivalent basis and presented in a manner that permits comparison,” Section 29, Subsection (4) of the same Act contains a transitional provision to the effect that “the public limited company shall fulfil its obligation under Section 19, Subsection (2), point b) in the first five business years of the application of the remuneration policy adopted on the basis of this Act by applying the provision only in respect of remuneration policies already adopted on the basis of this Act.” Accordingly, the Remuneration Report for the year 2022 contains comparative information compared to the information provided in the Remuneration Report for the 2021 financial year.

<sup>3</sup> A regards changes in the person and numbers falling within the personal scope of the Remuneration Report, changes in 2022 concerned only the Board of Directors.

As of the date of the 2022 Annual General Meeting, the terms of mandate of Dr György László Bagdy and Dr Gábor Gulácsi expired. The Annual General Meeting of the Company held on 12 April 2022 approved the election of Mr. István Hamecz and Ms. Ilona Dávid to serve as members of the Board of Directors for a three-year term of office until the Annual General Meeting of 2025 and the re-election of Mr. Lajos Csaba Lantos as a member of the Board of Directors for a three-year term of office until the Annual General Meeting of 2025. However, due to a conflict of interest arising from his appointment as Minister, Mr. Lajos Csaba Lantos resigned from his position on the Board of Directors of Gedeon Richter Plc. effective as of 30 November 2022.

The categorisation and list of remuneration components presented in this structure is based on the non-binding recommendations issued by the European Commission on the standardised presentation of the remuneration report (Cf. *COMMUNICATION FROM THE COMMISSION Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828, as regards the encouragement of long-term shareholder engagement*).

Following the adoption of the revised Remuneration Policy proposed for the 2022 Annual General Meeting with a low rate of votes, written feedback received from investors highlighted to the Company that in respect of the CEO's remuneration, the Company did not report on ESG (Environmental, Social and Governance) as non-financial performance criteria and the Company's report did not provide a sufficiently comprehensive view of the objectives and performance criteria set under the share-based remuneration scheme for the Company's Directors.

In light of this, the Company has enhanced the content of the Remuneration Report for the year 2022 with a number of new content elements (specifically, a presentation of the percentage of bonus award and its maximum payable; the percentage of bonus performance; a detailed presentation of the share-based remuneration and its terms; a detailed presentation of the performance criteria for the employed Directors; a comparison of the changes in remuneration and in the Company's performance in a table format; and a presentation of the business performance).

The non-financial ESG criteria for the CEO have been set out in the 2023 bonus and 2023 EPP terms, the detailed content of which will be disclosed in the Remuneration Report for 2023.

## 2. BUSINESS PERFORMANCE AND DIRECTORS' REMUNERATION

In 2022, the Richter Group made significant progress in the implementation of its Specialty strategy, successfully adapting to the hectic market environment and achieving record financial performance with HUF 802,755 million in sales (27.3% increase compared to 2021) and HUF 153,555 million in operating profit (13% increase compared to 2021)<sup>4</sup>, also thanks to the positive impact of exchange rate movements.

The essence of the Company's Specialty strategy is to secure its profit margin by applying a complex business model, building on its original research activities, with high added value products in central nervous system and women's healthcare indications, as well as in biotechnology.

In 2022, despite all the external challenges, we achieved a series of new product launches, partnerships, licensing agreements and R&D milestones, demonstrating that we are steadily progressing on our path to join the leading European pharmaceutical companies.

It is important to underline that even excluding the impact of exchange rates we achieved balanced growth in terms of both geographic regions and product portfolio in which the market success of our specialised product range played a key role.

Cariprazine continued to play a dominant role in our results, with sales up by more than 37 percent year-on-year. Our women's healthcare portfolio also delivered a strong performance, with growth of almost 40 percent, driven by oral contraceptives, the Evra patch and the recently launched innovative contraceptive pill Drovelis. Annual sales of our biosimilar product Terrosa, including sales through partners, exceeded EUR 100 million, and our revenue from direct sales of this product increased by almost 60 percent.

In addition to these positive results, some one-off items have worsened our results. These include impairment charges related to research and development and the special tax on pharmaceuticals announced at the very end of last year. As one of the reasons for the introduction of the special tax is the gain on the movements of foreign exchange, we are confident that this tax will only be temporary.

The remuneration of the Directors, which encourages the effective delivery of the corporate strategy, is aligned with the long-term sustainable development of the Company and strongly supports the creation of value for the Company's shareholders for the long term. The Remuneration Report provides transparent, concrete information on compensation for 2022.

<sup>4</sup> Pursuant to Government Decree No. 582/2022 (23 December) amending Government Decree No. 197/2022 (4 June) on Extra Profit Taxes, published on 23 December 2022, pharmaceutical companies are obliged to assess, declare and pay a special tax based on their net sales for the tax years 2022 and 2023. Excluding the impact of the extra profit tax, in 2022 the Company achieved an operating profit of HUF 181,415 million, 33.5% higher than in the previous year.

### 3. REMUNERATION OF DIRECTORS NOT EMPLOYED BY THE COMPANY

#### 3.1. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors receive fixed monthly honorarium for serving on the Board.

The amount of the honorarium for the financial year 2022 had been decided by the Annual General Meeting of the Company held on 12 April 2022: the Chairman of the Board of Directors received HUF 792,000 per month and the members of the Board of Directors received HUF 662,000 per month per member in 2022. The General Meeting also decided that the Chairman and the members of the Board of Directors shall receive a bonus corresponding to the monthly honorarium for 2021 (Chairman of the Board of Directors: HUF 730,000; members of the Board of Directors: HUF 610,000 per member) in recognition of the outstanding achievements of the Company in 2021.

Accordingly, in 2022 the following payments were made to the members of the Board of Directors not employed by the Company<sup>5</sup>:

Annual gross amount (HUF)	Year	1. Fixed remuneration							2. Variable remuneration				3. Extraordinary items	4. Total remuneration	5. Proportion of total variable remuneration to total remuneration
		Base salary	Honorarium (fee)	Fringe benefits	Remuneration from a subsidiary	Voluntary pension fund contribution	Other	Total fixed remuneration	One-year	Long-term (multi-year)	Other	Total variable remuneration			
<b>Members of the Board of Directors</b>															
<b>Dr Nándor Pál Ács</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	4 880 000	-	-	-	-	4 880 000	-	-	-	-	-	4 880 000	0%
<b>Dr György László Bagdy</b> Member of the Board of Directors until 12 April 2022	2022	-	3 258 000	-	-	-	-	3 258 000	-	-	-	-	-	3 258 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%
<b>Dr Péter Cserháti</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%
<b>Ilona Dávid</b> Member of the Board of Directors from 12 April 2022	2022	-	5 296 000	-	-	-	-	5 296 000	-	-	-	-	-	5 296 000	0%
<b>Dr Ilona Hardy dr Pintérné</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%
<b>Lajos Csaba Lantos</b> Member of the Board of Directors until 30 November 2022	2022	-	7 892 000	-	-	-	-	7 892 000	-	-	-	-	-	7 892 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%
<b>Dr Anett Pandurics</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%
<b>Dr László Szabó</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	4 880 000	-	-	-	-	4 880 000	-	-	-	-	-	4 880 000	0%
<b>Bálint Szécsényi</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%
<b>Prof Dr E. Szilveszter Vizi</b> Member of the Board of Directors	2022	-	8 554 000	-	-	-	-	8 554 000	-	-	-	-	-	8 554 000	0%
	2021	-	8 499 900	-	-	-	-	8 499 900	-	-	-	-	-	8 499 900	0%

<sup>5</sup> The remuneration components not included in the table below are presented in Chapter 4 of the report.

Of the fixed components of the remuneration, the members of the Board of Directors received only honoraria.

They did not receive any variable component, i.e. performance-based remuneration or share awards in connection with this position (thus the future long-term performance of the Company had no impact on their remuneration, and reclaiming variable remuneration was not meaningful in their case).

The past performance of the Company had an impact on the remuneration of the members of the Board of Directors in such a way that the Annual General Meeting of 2022 granted the members of the Board of Directors a bonus equivalent to one month's honorarium in view of the Company's outstanding performance in 2021.

The remuneration of the members of Board of Directors who are also employed by the Company and have therefore a parallel relationship with the Company<sup>6</sup> are contained in Chapter 4 of the Report.

### 3.2. REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

Members of the Supervisory Board receive a fixed monthly honorarium for serving on the Supervisory Board.

The amount of the honorarium for the financial year 2022 had been decided by the Annual General Meeting of the Company held on 12 April 2022: the Chairman of the Supervisory Board received HUF 662,000 per month and the members of the Supervisory Board received HUF 477,400 per month per member in 2022.

Accordingly, in 2022 the following payments were made to the members of the Supervisory Board:

Annual gross amount (HUF)	Year	1. Fixed remuneration						2. Variable remuneration				3. Extraordinary items	4. Total remuneration	5. Proportion of total variable remuneration to total remuneration	
		Base salary	Honorarium (fee)	Fringe benefits	Remuneration from a subsidiary	Voluntary pension fund contribution	Other	Total fixed remuneration	One-year	Long-term (multi-year)	Other				Total variable remuneration
<b>Members of the Supervisory Board</b>															
<b>Dr Attila Chikán Chairman of the Supervisory Board</b>	2022	-	7 944 000	-	-	-	-	7 944 000	-	-	-	-	-	7 944 000	0%
	2021	-	7 320 000	-	-	-	-	7 320 000	-	-	-	-	-	7 320 000	0%
<b>Prof Dr Jonathán Róbert Bedros Member of the Supervisory Board</b>	2022	-	5 728 800	-	-	-	-	5 728 800	-	-	-	-	-	5 728 800	0%
	2021	-	5 280 000	-	-	-	-	5 280 000	-	-	-	-	-	5 280 000	0%
<b>Dr Zoltán Matos Member of the Supervisory Board</b>	2022	-	5 728 800	-	-	-	-	5 728 800	-	-	-	-	-	5 728 800	0%
	2021	-	3 520 000	-	-	-	-	3 520 000	-	-	-	-	-	3 520 000	0%
<b>Dr Lívía Pavlik Member of the Supervisory Board</b>	2022	-	5 728 800	-	-	-	-	5 728 800	-	-	-	-	-	5 728 800	0%
	2021	-	3 520 000	-	-	-	-	3 520 000	-	-	-	-	-	3 520 000	0%
<b>Dr Krisztina Gál Member of the Supervisory Board / employee representative (from 15 April 2021)</b>	2022	-	5 728 800	-	-	-	-	5 728 800	-	-	-	-	-	5 728 800	0%
	2021	-	3 520 000	-	-	-	-	3 520 000	-	-	-	-	-	3 520 000	0%
<b>Péter Müller Member of the Supervisory Board / employee representative (from 15 April 2021)</b>	2022	-	5 728 800	-	-	-	-	5 728 800	-	-	-	-	-	5 728 800	0%
	2021	-	3 520 000	-	-	-	-	3 520 000	-	-	-	-	-	3 520 000	0%

<sup>6</sup> Gábor Orbán, CEO; Erik Bogsch (Executive Director Responsible for Commercial, International and Governmental Affairs until 14 November 2022, Advisor from 15 November 2022); Dr Gábor Gulácsi (Deputy Managing Director Responsible for Finance until 30 April 2022 and Financial Expert Advisor from 1 May 2022), and István Hamecz (CFO from 1 May 2022).

In the case of employee representatives Dr Krisztina Gál and Péter Müller, the remuneration related to the employee status is not included in the above table, given that pursuant to the provisions of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain laws for the purpose of legal harmonisation, their Supervisory Board membership qualifies them as Directors.

Of the fixed components of the remuneration, the members of the Supervisory Board received only honoraria.

They did not receive any variable component, i.e. performance-based remuneration or share awards in connection with this position (thus the future long-term performance of the Company had no impact on their remuneration, and reclaiming variable remuneration was not meaningful in their case).

#### 4. REMUNERATION OF DIRECTORS EMPLOYED BY THE COMPANY

The Company has an internal classification system based on Korn Ferry categories. These internal levels form the basis of the remuneration system. Job evaluation is based on the international Korn Ferry methodology. Korn Ferry job categories and classifications are determined by qualified HR specialists. Three dimensions are assessed in the course of job evaluation: knowledge, problem solving and ownership (responsibility). Each classification category has a guiding total remuneration band. The pay scales are determined and regularly reviewed for each job, on the basis of which the base salary is determined.

The Chief Executive Officer, the Chief Financial Officer and the Executive Director discharge their duties on the basis of employment contracts. The decision on the remuneration of the CEO (including, in addition to the determination of the base salary, the other benefits to which the CEO is entitled in case of the fulfilment of the annual bonus and EPP terms) is taken by the Board of Directors, taking into account the proposal of the Remuneration Subcommittee of the Board of Directors. The decision on the remuneration of the Chief Financial Officer and the Executive Director (including the determination of the fixed and variable components of the remuneration) falls within the sphere of competence of the Chief Executive Officer.

Remuneration based on employment may include the following components:

##### **Fixed components of remuneration (i.e. components not dependent on performance):**

- Base salary
- Honorarium
- Fringe benefits
  - Employee cafeteria benefits
  - Company car and fuel card benefits
  - Life and accident insurance

- Health insurance and comprehensive health screening
- Other fringe benefits
- Remuneration from a subsidiary
- Voluntary pension fund contribution
- Other variable remuneration

#### Variable components of remuneration (i.e. elements dependent on performance):

- Relating to one year:
  - Bonus
  - Extraordinary reward (only for employee delegates)
  - Other reward
- Long-term (relating to several years):
  - Benefit through the Employee Stock Ownership Plan (ESOP)
- Other variable remuneration

#### Remuneration of Directors employed by the Company:

Payments for 2022 based on the above<sup>7, 8, 9</sup>:

Annual gross amount (HUF)	Year	1. Fixed remuneration							2. Variable remuneration				3. Extraordinary items	4. Total remuneration	5. Proportion of total variable remuneration to total remuneration
		Base salary	Honorarium (fee)	Fringe benefits	Remuneration from a subsidiary	Voluntary pension fund contribution	Other	Total fixed remuneration	One-year	Long-term (multi-year)	Other	Total variable remuneration			
<b>Directors employed by the Company</b>															
Gábor Orbán CEO	2022	57 825 006	8 554 000	6 542 961	3 537 090	1 200 000	350 000	78 009 057	52 042 500	132 700 322	-	184 742 822	-	262 751 878	70%
Member of the Board of Directors	2021	53 280 000	8 499 900	7 286 672	3 229 650	1 004 400	-	73 300 622	53 280 000	130 705 937	-	183 985 937	-	257 286 559	72%
Dr Gábor Gulácsi Deputy Managing Director until 30 April 2022	2022	15 700 564	3 258 000	823 671	1 000 226	400 000	116 667	21 299 127	3 523 427	3 350 000	200 000	7 073 427	-	28 372 555	25%
Financial Expert Advisor from 1 May 2022 Member of the Board of Directors until 12 April 2022	2021	46 218 774	8 499 900	3 046 221	3 866 040	1 079 600	-	62 710 535	23 109 385	30 000 000	-	53 109 385	871 400	116 691 320	46%
István Hamecz CFO from 1 May 2022 Member of the Board of Directors from 12 April 2022	2022	31 244 313	5 296 000	2 317 203	2 277 601	938 358	253 543	42 327 018	12 897 531	14 307 087	-	27 204 617	-	69 531 636	39%
Erik Bogsch Chairman of the Board of Directors Executive Director for Commercial, International and Governmental Affairs until 14 November 2022	2022	44 738 561	10 234 000	7 388 188	3 679 280	1 200 000	350 000	67 590 029	21 709 288	30 000 000	-	51 709 288	-	119 299 316	43%
Advisor from 15 November 2022	2021	45 649 024	10 177 950	6 226 911	3 343 280	1 004 400	-	66 401 565	22 814 513	30 000 000	-	52 814 513	854 488	120 070 566	44%

<sup>7</sup> Remuneration from subsidiaries is stated in HUF at the annual average exchange rate.

<sup>8</sup> The long-term remuneration vested in 2022 (hence the Total remuneration) also includes a conditional component (contingent on the average sales rate for 2022-2023). The HUF value of the conditionally vested 2022 shares is reported at the closing exchange rate on 30 Dec 2022.

<sup>9</sup> For the Directors whose legal relationship (i.e. whose mandate or board membership) did not cover the entire year of 2022, the Report states the *pro rata temporis* portion of the annual benefits and honoraria due in line with the period of their mandates.



#### 4.1. PRESENTATION OF THE FIXED COMPONENTS OF REMUNERATION

- **Base salary:** The base salary is fixed remuneration reflecting mainly the job, position, responsibility and experience within the organisation ensuring that the Company attracts and retains the best professionals taking into consideration the remuneration offered by potential competitors in the labour market. The annual change in the base salary of the CEO was decided by the Board of Directors of the Company<sup>10</sup>, and the annual pay rise in 2022 of the other Directors employed by the Company was effected in accordance with the rules of the agreement with the Trade Union Committee. The base salary was paid monthly.
- **Honorarium** Fixed remuneration, which is paid to the members of the Board of Directors and the Supervisory Board on a monthly basis in the amount described in Chapters 3.1. and 3.2.
- **Fringe benefits:**
  - **Employee Cafeteria benefits** Pursuant to the Cafeteria regulations of the Company valid for 2022, the Directors may enjoy Cafeteria benefits in accordance with the same principles and rules as apply to all employees, the annual value of which in 2022 was HUF 402,000 per person. Payments were made in accordance with this, based on the Directors' declarations regarding their Cafeteria plan selections.
  - **Company car and fuel card benefits:** The company vehicle and fuel card may be provided in accordance with the Company's Vehicle Use Regulations.
  - **Life and accident insurance:** The Directors were able to benefit from comprehensive life and accident insurance cover during 2022 in accordance with the same principles and rules as applied to all employees, whereby the Company's employees are insured and are beneficiaries together as a group. The sums allocated to each person were calculated by the Company as the per-capita amount of the total cost to the Company (based on the annual average headcount).
  - **Corporate health insurance including complex health screening:** In accordance with the same principles and rules as apply to all employees, the Directors were able to use the private healthcare services offered by the healthcare provider that is in a contractual relationship with the Company, and were able to participate in comprehensive health screenings provided by the Company in the interests of preserving the health of its employees, strengthening their awareness of health issues, and detecting diseases early on. The Company pays the healthcare provider a flat rate that covers all employees – the contract is not for the benefit of the individual Directors alone. The sums allocated to each person were calculated by the Company as the per-capita amount of the total cost to the Company (based on the annual average headcount).
  - **Fringe benefits:** The Directors were also able to benefit from the Company's extensive range of fringe benefits in accordance with the applicable internal regulations. The aggregate amount of these components may not exceed 5% of the annual base salary.

<sup>10</sup> Given that employer's rights over the CEO are exercised by the Company's Board of Directors.

- Remuneration from subsidiaries: Fixed remuneration; honoraria paid for membership of the board of directors and/or supervisory board of one or more of the Company's subsidiaries. If the Director performs managerial or board membership duties at a subsidiary of the Company, he or she is entitled to a fixed honorarium for anything up to three subsidiary board<sup>11</sup> memberships. Payments were made in accordance with this in 2022.
- Contribution to voluntary pension scheme: The Directors were entitled to the Voluntary Pension Fund Contribution (membership fee supplement) in accordance with the same principles and rules as apply to all employees. This benefit was specified in the annual Collective Agreement on Wage Increases concluded with the representative Trade Union Committee in 2022 and its rate was set at 6% of the gross base salary stated in the employment contract. The monthly amount of the employer's contribution for any one person may not exceed 50% of the prevailing national statutory minimum wage (from 1 February 2022, HUF 100,000.00 per person per month). Payments were made accordingly in 2022.
- Other: Fixed components of remuneration not listed among the items above (e.g. Service Longevity Award), the combined amount of which may not exceed 5% of the annual base salary.

#### 4.2. PRESENTATION OF THE VARIABLE COMPONENTS OF REMUNERATION

- Relating to one year:
  - Bonus: As the Directors employed by the Company are persons who have a significant impact on the Company's results and who perform tasks of key importance, the Company wishes to provide them with a vested interest in increasing the profitability of the business and in remaining with the Company for the long term. In light of that, the Company may choose to reward work of outstanding importance or profitability in the form of a bonus or other award. The size of the bonus, determined as a percentage of the base salary (i.e. of fixed remuneration), is determined on the basis of the latest salary benchmarking data, and partly on the Company's own employee rating system. The detailed terms and conditions applicable to the bonuses are set out in the latest Bonus Policy of the Company. In 2022, 70-100% of the bonus (depending on the job) was tied to the achievement of individual goals, and 0-30% (depending on the job) was linked to the achievement of company-level goals. In 2022, company-level goals were linked to the Company's profitability and to responsible cost management. These goals were fully met. The CEO's bonus – in terms of both its size as a percentage of the base salary and the actual bonus targets – was determined in a manner different from the above and was based on the decision of the Company's Board of Directors<sup>12</sup>.

The amount of the bonus as a short-term incentive is based on a fixed percentage of the annual base salary for directors employed by the Company, determined by the internal

<sup>11</sup> Membership of the board of directors, management council, supervisory board, etc.

<sup>12</sup> Given that employer's rights over the CEO are exercised by the Company's Board of Directors.

Korn Ferry level of the job. The final level of payment will be determined on the basis of the performance evaluation of the directors employed by the Company.

<b>Position</b>	<b>Percentage of annual bonus</b>
CEO	100%
Executive Director	50%
Deputy Managing Director (CFO)	50%

The maximum bonus pay-out is 100%.

In the above table showing the remuneration of the Directors employed by the Company, the variable remuneration for one year represents the bonus amount, which is based on the following percentage of bonus performance<sup>13</sup>: the annual bonus targets were cumulatively met to 90% for Gábor Orbán and 100% for the other Directors employed by the Company.

- Other reward: Reward not specified above, paid in line with the terms set out in the Company's effective remuneration regulations. No other payments were made to Directors in 2022.
- Long-term (multi-year) share-based remuneration:
  - Share-based remuneration through the Employee Participation Program (EPP): The Company has operated an Employee Participation Program (hereinafter: EPP) since 2018 as a form of remuneration of certain officers and key employees. Every year, the company launches a new EPP Remuneration Policy and a consequent new Program with a vesting period of two years. For 2022, the relevant policies were the 4th Remuneration Policy applicable to the years 2021-2022 (to be paid in Q1 of 2023) and the 5th Remuneration Policy applicable to the years 2022-2023 (to be paid in Q1 of 2024) (with 50% each of their annual values).  
The rate of the EPP as a long-term incentive is based on the job's internal Korn Ferry level for directors employed by the Company. The final level of payment will be determined on the basis of the performance evaluation of the directors employed by the Company.

<sup>13</sup> Presented *pro rata temporis* in line with the Directors' relevant status for the purposes of the Remuneration Report.

## Share-based remuneration of directors employed by the Company in 2022<sup>14</sup>:

	The main conditions of share-based remuneration				Information regarding to the reported year (2022)				
					Opening balance	During the year		Closing balance	
	EPP Re-muneration Policy No. <sup>15</sup>	Performance (vesting) period	EPP Remuneration Policy adoption date	EPP Remuneration Policy closing date	Shares held at the beginning of the year <sup>16</sup>	Shares awarded during the year	Shared vested	Shares subject to a performance condition	Shares awarded but unvested
Gábor Orbán CEO Member of the Board of Directors	4th	2021-2022	29 January 2021	March 2023	10,000	-	9,500	10,000	-
	5th	2022-2023	31 January 2022	March 2024	7,500	-	7,125	7,500	-
Erik Bogsch Chairman of the Board of Directors Until 14 November 2022 Executive Director Responsible for Commercial, International and Governmental Affairs From 15 November 2022 Advisor	4th	2021-2022	29 January 2021	March 2023	2,017	-	2,017	2,017	-
	5th	2022-2023	31 January 2022	March 2024	1,723	-	1,723	1,723	-
Dr Gábor Gulácsi Until 12 April 2022 Member of the Board of Directors Until 30 April Deputy Managing Director From 1 May 2022 Financial Expert Advisor	4th	2021-2022	29 January 2021	March 2023	2,017	-	673	2,017	1,344
	5th	2022-2023	31 January 2022	March 2024	-	-	-	-	-
István Hamecz From 12 April 2022 Member of the Board of Directors From 1 May 2022 CFO	4th	2021-2022	29 January 2021	March 2023	-	426	-	426	-
	5th	2022-2023	31 January 2022	March 2024	-	1,149	-	1,149	-

In the interest of managing the financial assets acquirable under the EPP Remuneration Policies adopted by the Board of Directors and of disbursing these benefits, the Company established the Gedeon Richter Plc. Employee Participation Program Organisation (hereinafter: EPP Organisation). As the supreme powers of the EPP Organisation as a body are not exercised by the Company, it shall be considered independent of the Company pursuant to the provisions of the ESOP Act<sup>17</sup>; furthermore, pursuant to the provisions of Act C of 2000 on Accounting, the EPP Organisation shall not be considered as a subsidiary of the Company.

In all cases, the EPP Remuneration Policy includes a company-level performance indicator relating to the Company's profitability as a condition for the remuneration.

At the end of the program, if the remuneration condition is fulfilled, the EPP Organisation's management will convert the shares into cash in the manner specified in the EPP

<sup>14</sup> The HUF value of vested shares is recognised in the aggregation of individual remuneration at the following share prices: In the case of the 2021-2022 EPP, the unweighted arithmetic average of the daily average price of the 20 trading days preceding 15 January 2021 (HUF 7,439.1106); in the case of the 2022-2023 EPP, the unweighted arithmetic average of the daily average price of the 20 trading days preceding 14 January 2022 (HUF 8,705.7924). The parties also bear the risk of changes in the share price until the EPP awards are settled.

<sup>15</sup> The implementation of the 5th EPP Remuneration Policy contains a contingent component (see narrative explanation).

<sup>16</sup> Portion of shares for 2022 offered under each Remuneration Policy. The number of shares transferred to the EPP Organisation in respect of the Director as an EPP participant at the time of the adoption of the EPP Remuneration Policy.

<sup>17</sup> Act XLIV of 1992 on Employee Stock Ownership Plans

By-laws, withdraw the shareholdings to which the participants are entitled, and settle accounts with the participants in the program in accordance with the provisions of the EPP By-laws. The Company will transfer Richter shares to the EPP Organisation, but the Directors may receive the payments due to them as individuals not in stock but in cash (by bank transfer). This ensures that the Directors will have an interest in increasing the price of Richter shares during the two-year holding period, just as other participants in the EPP programs (not classed as Directors) will. So **EPP is a share-based benefit, but paid in cash at the end of the vesting period.**

If the company-level performance criteria are met, 50% of the individual benefit values are paid out, while the other 50% are contingent on individual performance evaluations. Corporate and individual performance conditions are listed in the table below.

Under this Remuneration Report, the item specified as EPP remuneration is the sum total of the remunerations that were fully vested in 2022 under the EPP 4th Remuneration Policy and those partially vested in 2022 under the 5th Remuneration Policy. The ESOP Remuneration Policies make the remuneration of participants conditional, besides the fulfilment of the individual performance goals, upon the achievement of a company performance objective valid in respect of all participants. However, under the 5th EPP Remuneration Policy, only the individual performance targets were fully achieved in 2022 as the company-level performance requirement under that policy considers not only the sales for 2022 but also the sales for 2023, and it will only be possible to issue a statement on this in 2024, after the publication of the Q1-4 stock market reports for 2023. Consequently, 50% of the EPP remuneration total (payable for the company-level performance targets) has not yet been fully vested and is still a contingent item.

**Performance criteria for Directors employed by the Company in the share-based remuneration plan (=EPP) in 2022**

	Description of the performance criteria	Relative weighting of the performance criteria	Minimum target (threshold) performance
<b>Performance criteria for all EPP participants under the 4th EPP Remuneration Policy</b>	Consolidated sales in 2021-2022	25%	Average sales for 2021-2022 should exceed the sales for 2020, after adjusting for exchange rate effects and changes in the scope of companies.
<b>Performance criteria for all EPP participants under the 5th EPP Remuneration Policy<sup>18</sup></b>	Consolidated sales in 2022-2023	25%	Average sales for 2022-2023 should exceed the sales for 2020, after adjusting for exchange rate effects and changes in the scope of companies.
<b>Gábor Orbán CEO Member of the Board of Directors</b>	Operating profit grade 1	10%	Surpassing two thresholds of Cariprazine non-pillar operating profit
	Operating profit grade 2	10%	
	Women's healthcare product launch targets	10%	Achieve additional revenue from the sale of 5 key women's healthcare products
	Biotechnology product development targets	10%	Achieve the milestones of 3 key biotechnology development programs by 2022
	Cost savings target achieved through BPR projects to improve operations	10%	Achieve pre-defined sustainable cost savings
<b>Erik Bogsch Chairman of the Board of Directors Until 14 November 2022 Executive Director Responsible for Commercial, International and Governmental Affairs From 15 November 2022 Advisor</b>	Operating profit/loss grade 1	10%	Surpassing two thresholds of Cariprazine non-pillar operating profit
	Operating profit/loss grade 2	10%	
	S/M ratio	20%	Keep the marketing cost/sales ratio below a pre-defined level
	Transfer of acquired WH product	10%	Meet 2022 deadlines of acquired WH product transfer
<b>Dr Gábor Gulácsi Until 12 April 2022 Member of the Board of Directors Until 30 April Deputy Managing Director From 1 May 2022 Financial Expert Advisor</b>	Operating profit grade 1	10%	Surpassing two thresholds of Cariprazine non-pillar operating profit
	Operating profit grade 2	10%	
	Cost saving	20%	Achieve pre-defined <i>pro rata</i> annual savings through centralised procurement and digitisation of accounting
	Handover	10%	Meet CFO handover task list
<b>István Hamecz From 12 April 2022 Member of the Board of Directors From 1 May 2022 CFO</b>	Operating profit grade 1	10%	Surpassing two thresholds of Cariprazine non-pillar operating profit
	Operating profit grade 2	10%	
	Cost saving	20%	Achieve pre-defined <i>pro rata</i> annual savings through centralised procurement and digitisation of accounting
	ERP system	10%	Prepare feasibility plan for the introduction of a new ERP system

<sup>18</sup> The implementation of the 5th EPP Remuneration Policy contains a contingent component (see narrative explanation).

- Other: The Program Related to Employee Share Bonuses is a type of benefit made allowable under Section 77/C of Act CXVII of 1995 on Personal Income Tax. The limits on the benefit and its basic terms and conditions are determined by the provisions of the said Act. In 2022, following the decision to adopt and implement the program the Board of Directors of the Company, adopted a separate regulations on the conditions and modalities of participation in the program, in which the senior managers responsible for the preparation of the Report were not allowed to participate. Therefore, only Dr Gábor Gulácsi was eligible for this benefit, as he was no longer Deputy Managing Director and member of the Board in November 2022, the date of the benefit<sup>19</sup>. As Dr Gábor Gulácsi's legal relationship (mandate or board membership) relevant to the Remuneration Report did not cover the entire year of 2022, the Report states the *pro rata* portion of the benefits due in line with the period of his mandate.

#### 4.3. PRESENTATION OF THE VARIABLE COMPONENTS OF REMUNERATION:

No other payments were made to Directors in 2022.

One of the principles set out in the Remuneration Policy is that the total amount of the variable (i.e. performance-dependent) components of the remuneration of the Directors should not exceed 0-80% of the total amount of their remuneration. The rate of variable pay per individual recorded in the 2022 Remuneration Report ranged from 0-70%, and was therefore in line with the Remuneration Policy.

A condition for payment of the benefits specified above is that the person be an employee of the Company at the time his or her fulfilment of the criteria is assessed.

Any reward (variable remuneration) paid lawfully, based on criteria that has been fulfilled, may not be reclaimed. During 2022, no such claim arose, either from the employer or the employee side.

The Company applied the criteria for the payment of variable, i.e. performance-related, components of remuneration consistently, taking into consideration the Company's best interests. When determining whether measurable criteria have been fulfilled, the Company considered the percentage of fulfilment. The Company considered non-measurable criteria fulfilled if the given criteria had been fully met.

<sup>19</sup> Dr Gábor Gulácsi (Deputy Managing Director Responsible for Finance until 30 April 2022 and Financial Expert Advisor from 1 May 2022).

## 5. SHARES AND SHARE OPTIONS AWARDED OR OFFERED

Benefits under the Employee Participation Program (EPP) are share-based, but the benefit is paid in cash, so there is no share transfer through the EPP. Due to the two-year vesting period of each EPP Remuneration Policy, each financial year is subject to two half-phases of EPP Remuneration Policy overlapping each other. For the financial year 2021, the second phase of the 3rd Remuneration Policy and the first phase of the 4th Remuneration Policy were applicable, while for the financial year 2022, the second phase of the 4th Remuneration Policy and the first phase of the 5th Remuneration Policy were applicable.

In 2022, the Company did not offer any share options to the Directors.

## 6. COMPARATIVE INFORMATION ON CHANGES IN REMUNERATION AND COMPANY PERFORMANCE

In 2022, the Group progressed in the implementation of its Specialty strategy, successfully adapting to the hectic market environment and achieving record financial performance with HUF 802,755 million in sales (27.3% increase compared to 2021) and HUF 153,555 million in operating profit (13% increase compared to 2021),<sup>20</sup> also thanks to the positive impact of exchange rate movements.

### Comparison of changes in remuneration and Company performance following the adoption of the Remuneration Policy:

	2022	2021	Change
<b>Annual per capita (FTE) remuneration of the Directors not employed by the Company</b>			
Members of the Board of Directors	HUF 8,559,701	HUF 7,695,478	111%
<b>Annual remuneration of members of the Supervisory Board</b>			
Chairman of the Supervisory Board	HUF 7,944,000	HUF 7,320,000	109%
Annual per capita (FTE) remuneration of the members of the Supervisory Board	HUF 5,728,800	HUF 5,200,273	110%
<b>Annual per capita (FTE) remuneration of the Directors employed by the Company</b>			
Gábor Orbán	HUF 262,751,878	HUF 257,286,559	102%
Erik Bogsch	HUF 119,294,678	HUF 120,070,566	99% <sup>21</sup>
Dr Gábor Gulácsi	HUF 28,372,555	HUF 116,691,320	24% <sup>22</sup>

<sup>20</sup> Pursuant to Government Decree No. 582/2022 (23 December) amending Government Decree No. 197/2022 (4 June) on Extra Profit Taxes, published on 23 December 2022, pharmaceutical companies are obliged to assess, declare and pay a special tax based on their net turnover for the tax years 2022 and 2023. Excluding the impact of the extra profit tax, in 2022 the Company achieved an operating profit of HUF 181,415 million, 33.5% higher than in the previous year.

<sup>21</sup> The decrease is due to a mid-year change in the post of the Director: Executive Director Responsible for Commercial, International and Governmental Affairs until 14 November 2022, Advisor from 15 November 2022.

<sup>22</sup> The decrease is due to a mid-year change in the post of the Director: Deputy Managing Director until 30 April 2022, Financial Expert Advisor from 1 May 2022.



<b>Key annual performance indicators of the Company</b>			
Pharmaceutical sales	HUF 656,343 million	HUF 505,019 million	130%
Consolidated operating profit	HUF 153,555 million	HUF 135,832 million	113%
Contribution of key specialty products to pharmaceutical sales	61.4%	57.4%	+4 percentage points
<b>Average annual remuneration (personnel costs) of employees</b>			
Gedeon Richter Plc. employees	HUF 14,165,834	HUF 12,781,438	111%
Richter Group employees	HUF 14,002,280	11,437,760	122%

The Richter Group's remuneration system has served the achievement of outstanding performance well, but inflation, which will continue to rise in 2023 after 2022, is expected to put pressure on remuneration in 2023.

The Remuneration Report for the year 2021 was published as part of the proposals to the Annual General Meeting and submitted to the Annual General Meeting on 12 April 2022 for advisory vote. The Annual General Meeting discussed the Company's Remuneration Report for 2021 and approved it with 60.23% of the votes cast. The Company has sought feedback from shareholders who did not support the adoption of the Remuneration Report and, taking into account the comments received, has significantly expanded the content of the Report, as reflected in the Remuneration Report for 2022.

In order to meet the information needs of shareholders in the United States the Company discloses the CEO pay ratio below.

2022	2021
<b>Group-level calculated median personnel costs (HUF)</b>	
HUF 12,129,289	HUF 9,056,129
<b>CEO pay ratio:<sup>23</sup></b>	
21.66	28.41

<sup>23</sup> Annual remuneration of the CEO / Median annual remuneration of all employees of Richter Group without the CEO . Calculation:

	2022	2021
Gedeon Richter Plc. total wage average (HUF)	9,630,714	8,486,000
Gedeon Richter Plc. total wage median (HUF)	8,342,478	6,719,000
Gedeon Richter Plc. median to average (%)	86.6%	79.2%
Group personnel expenses excluding CEO (HUF '000)	165,664,270	143,240,852
Group average head count	11,850	12,546
Group average personnel expenses (HUF)	14,002,280	11,437,760
<b>Group calculated median personnel expenses (HUF)</b>	<b>12,129,289</b>	<b>9,056,129</b>
<b>CEO's remuneration (HUF)</b>	<b>262,751,878</b>	<b>257,286,559</b>
<b>CEO pay ratio</b>	<b>21.66</b>	<b>28.41</b>

## 7. SUMMARY

In the financial year 2022, the Company implemented the Remuneration Policy in full compliance with the provisions of the adopted Remuneration Policy applicable from the year 2021. The Company has not deviated from the Remuneration Policy and the possibility of clawback of variable remuneration has not arisen.

The objective of the Remuneration Policy to the effect that it should encourage the Company's top executives to achieve the goals set by the Company and should thus promote the profitable operation of the Company was, in the Company's assessment, achieved in 2022.

Dated: Budapest, March 9, 2023

## 8. CLAUSE

*The Report was discussed at the meeting of Richter Gedeon Plc.'s Board of Directors held on 9 March 2023 and the Board of Directors approved the submission of the report to the General Meeting by Resolution No. 47 for advisory vote, in accordance with the provisions of Section 3:268 (3) of the Hungarian Civil Code.*

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### **Resolution of the AGM No. 10/2023. 04. 25.**

The AGM **has - in its advisory competence - approved** the Company's remuneration report on the year 2022 prepared by the Board of Directors pursuant to Act LXVII of 2019 on the Encouragement of Long-term Shareholder Engagement and Modification of Certain Acts with the Purpose of Legal Harmonization as included in the proposals for the AGM.

Voted in favour of the draft of the resolution: 66,996,542

The proportion of the "yes" votes compared with all the votes cast:

69.36%

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