Annual report **2023**

fagron.com

Fagron personalizing medicine

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Fagron at a glance

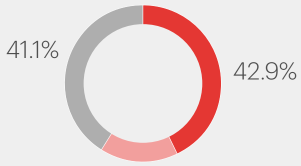
Financial indicators
(in million euros unless indicated otherwise)

Revenue

763.0 ↑ +11.6%

2023	763.0
2022	683.9
2021	573.8

Revenue per segment



Essentials | Brands | Compounding Services

REBITDA (EBITDA before non-recurrent result)

149.0 ↑ +13.9%

2023	149.0
2022	130.7
2021	118.3

Net result

71.0 ↑ +1.4%

2023	71.0
2022	70,1
2021	61.4

EBIT

108.6 ↑ +11.0%

2023	108.6
2022	97.9
2021	87.4

Earnings per share

0.97 ↑ +1.0%

2023	0.97
2022	0.96
2021	0.84

Non-financial indicators

3,567
Employees[1]

75
Number of facilities

18.8
Units of compounded medicine supplied (in millions)

1. *Number of people on December 31 (including employees, self-employed managers and temporary workers)*

North America
(in million euros)

Revenue

308.9 ↑ +26.0%

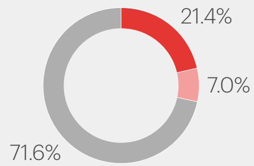
2023	308.9
2022	245.1
2021	177.6

REBITDA (EBITDA before non-recurrent result)

59.8 ↑ +44.9%

2023	59.8
2022	41.3
2021	32.2

Revenue per segment



Latin America
(in million euros)

Revenue

169.2 ↑ +4.2%

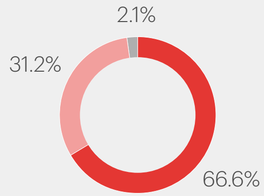
2023	169.2
2022	162.3
2021	141.1

REBITDA (EBITDA before non-recurrent result)

28.0 ↓ -3.1%

2023	28.0
2022	28.9
2021	30.5

Revenue per segment



EMEA
(in million euros)

Revenue

284.9 ↑ +3.1%

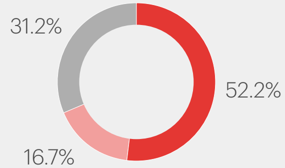
2023	284.9
2022	276.4
2021	255.1

REBITDA (EBITDA before non-recurrent result)

61.1 ↑ +0.9%

2023	61.1
2022	60.6
2021	55.6

Revenue per segment



Essentials | Brands | Compounding Services

ESG at a glance

Low impact on the environment

Carbon footprint intensity reduction

-24% **2023** | -30% Target 2025

Metric ton CO_2-eq per million euro revenue, at 2019 exchange rate compared to 2019. Carbon footprint of scope 1, scope 2 (location-based) and scope 3 business travel

Carbon footprint reduction

+1% **2023** | -42% Target 2030

Carbon footprint scope 1 and scope 2 (market-based) compared to 2021

Electricity from renewable sources

25% **2023** | 100% Target 2030

Percentage of electricity from renewable sources

Benefits to our people

Sustainable Engagement Score

84% **2022** | 80% Target 2024

Percentage of engaged employees, in latest Global Employee Survey

Work-related long-term or permanent injuries (employees)

1 **2023** | 0 Annual target

Number of employees with long-term or permanent injuries

Annual performance and career development review

97% **2023** | 100% Target 2030

Percentage of employees that completed an annual performance and career development review

Responsibility in the supply chain

Suppliers that have signed the Business Partner Code of Conduct

8% **2023** | 75% Target 2030

Percentage of trade goods suppliers by spend that have signed the Business Partner Code of Conduct

Suppliers with science-based targets

8% **2023** | 60% Target 2027

Percentage of goods and services suppliers by spend that have set science-based emission reduction targets for scope 1 and 2

Good governance

Women in top management

31% **2023** | 33% Target 2025

Percentage of top management that has the female gender

Code of Conduct & Ethics training

99% **2023** | 100% Target 2030

Percentage of employees who received an invitation and completed the Code of Conduct & Ethics training

Confidential counselor

58% **2023** | 100% Target 2025

Percentage of employees with access to a confidential counselor

CEO's message

In 2023, we progressed further towards our strategic ambitions and medium-term financial goals, as we realized strong performance across all our regions. This was underpinned by improved operations, continued focus on high quality standards, enhanced market positioning and solid employee engagement. Given the geopolitical and macro-economic developments, this demonstrates Fagron's resilience and the relevance of what we do in today's world.

EMEA showed nice growth in 2023, particularly the Compounding Services segment. Passing on price increases, strong commercial execution, enhancing our registration and licensing capabilities combined with drug shortages contributed to the strong performance in the region. This was further supported by the rolling out our operational excellence programs and introducing innovative products. Our acquisitions, namely Wildlife Pharmaceuticals in South Africa, distribution and licensing rights in the Benelux and Parma Produkt in Hungary contribute to a more diversified profile within EMEA. Fagron EMEA is therefore well-positioned to continue the solid trend into 2024.

In Latin America, as the year progressed, we have seen customer demand improve, while the competitive pressure remained heightened. Growing consumer spending on prevention and lifestyle products in combination with our innovative strength, operational efficiency, and competitive pricing allowed us to maintain our market leadership in Brazil. With the further streamlining of our operations in the region, optimizing our brands in Brazil, and the launch of new products, we are confident about our positioning in this region.

In North America, the growth was led mainly by our Compounding Services segment. At Brands and Essentials, we completed the consolidation of our repackaging activities resulting in an improved sales performance. Further towards the end of the year, we also announced the investment in our repackaging facility in Decatur, that will serve as the key enabler to achieve our ambition to become the market leader in the region. Our sterile outsourcing business (FSS) posted record growth this year as Wichita continued its spectacular performance through the year, combined with the integration of the Boston facility, which reached break even in the second semester. Integration of sales, marketing, IT, and product offering at Decatur and Boston, has allowed the Brands and Essentials and the FSS teams to run at full steam. Our health and wellness focused Anazao business also showed underlying strong performance, which was further helped by drug shortages. To facilitate further growth in this market and stay ahead of regulatory developments, we announced the investment in our Tampa facility.

All our ongoing initiatives and investments place Fagron North America in a strong competitive position, ready to capture the opportunities that the largest compounding market in the world has to offer.

CEO's message

With quality as our number one priority, we further strengthened our quality management and insourced more quality testing. We appointed a new global quality director, located at our global service center, and redesigned our quality management system which will be rolled out in due course. Additionally, this year we successfully closed multiple site audits by regulators worldwide. Global operational excellence remains one of the key enablers of our strategy. In addition to the improved regional operational efficiency, we also made good progress in globalizing our sourcing activities, resulting in better product availability and cost savings.

Our products and services contribute to people's health and well-being, and we have a clear focus on sustainability. To make our commitment measurable, we have set targets in various areas and are making nice progress in achieving these, such as reducing our climate change impact, creating a safe work environment, producing safe products, ensuring labor and human rights, and compliance. And in this context, we are proud that our science-based emission reduction targets have been validated by the Science Based Targets initiative (SBTi) this year.

I am pleased that after various management changes over the past few years, our executive team showed stability and resilience in 2023. This shows the power of Fagron's strong culture that enables us to leverage our collective capabilities and collaborate as a team with our people globally.

While 2023 was another dynamic year, we have again demonstrated our ability to successfully roll out our strategy even under turbulent conditions. Fagron's performance reflects the strength of our diversified, global, vertically-integrated business model enforced by the supportive long-term fundamentals for the industry. I look forward to keep building our market leadership in Brands & Essentials and a global sterile compounding platform with all our employees in 2024.

Rafael Padilla
Chief Executive Office

Key figures
Financial indicators

Results

(x 1,000 euros)	2019	2020	2021	2022	2023
Net revenue	534,695	555,971	573,808	683,881	762,991
REBITDA[1]	117,001	123,927	118,339	130,724	148,954
EBITDA	113,706	120,031	116,770	133,389	147,944
EBIT	84,388	88,738	87,438	97,909	108,633
Net result	41,540	60,037	61,378	70,066	71,044
Recurring net result[2]	58,082	62,910	61,171	63,677	74,522
Gross margin	60.2%	59.2%	58.6%	58.9%	60.5%
REBITDA margin	21.9%	22.3%	20.6%	19.1%	19.5%
EBITDA margin	21.3%	21.6%	20.3%	19.5%	19.4%

1 REBITDA is EBITDA after corporate costs and before non-recurrent result.
2 Recurrent net result equals sum of net result from continued operations before non-recurring items and revaluation of financial derivatives, corrected for taxes.

Balance sheet

(x 1,000 euros)	2019	2020	2021	2022	2023
Total assets	801,240	752,826	800,421	971,010	1,006,954
Equity	246,440	257,819	325,466	410,518	467,627
Operating working capital[1]	44,764	49,682	59,070	71,203	71,058
Net operational capex[2]	22,174	18,421	20,731	18,497	38,473
Net financial debt[3]	284,847	271,290	264,941	274,042	233,735
Net financial debt/ annualized REBITDA	2.33	2.06	2.11	1.93	1.42
Average number of outstanding shares	71,797,971	72,089,385	72,643,423	72,874,673	72,999,583

1 Operational working capital equals sum of inventory and trade receivables, minus trade payables.
2 Net operational capex equals acquired and produced intangible assets and property, plant and equipment (excluding acquisitions), minus assets sold.
3 Net financial debt equals sum of long-term and short-term financial liabilities, minus cash (excluding financial instruments) and cash equivalents.

Cash flow

(x 1,000 euros)	2019	2020	2021	2022	2023
Cash flow from operating activities	77,175	92,953	78,419	109,458	124,633
Cash flow from investing activities	-43,588	-51,299	-31,923	-69,269	-44,757
Cash flow from financing activities	-4,486	-53,111	-61,648	13,852	-74,279
Net cash flow for the period	29,102	-11,457	-15,152	54,042	5,598

Financial indicators

Data per share

(euros)	2019	2020	2021	2022	2023
Net result[1]	0.58	0.83	0.84	0.96	0.97
Recurrent net result	0.81	0.87	0.84	0.87	1.02
Dividend	0.08	0.18	0.20	0.25	0.30
Closing price (year-end)	19.33	19.00	14.80	13.27	16.61
Market capitalization[2]	1,395,218,214	1,377,075,426	1,079,810,279	968,612,519	1,216,332,095

1 Net result based on continued operations.
2 Market capitalization equals number of shares outstanding at year-end multiplied by closing price on last trading day of relevant year.

Personnel

	2019	2020	2021	2022	2023
FTEs as of 31 December[1]	2,615	2,712	2,846	3,035	3,282

1 FTE of own employees based on continued operations.

Non-financial indicators

Environment – Climate change

(tCO2eq)	2019	2020	2021[1]	2022	2023
Scope 1: Direct emissions	2,818	2,968	3,502	2,913	4,218
Scope 2: Indirect emissions from energy generation - location-based	7,714	7,655	9,079	8,444	8,137
Scope 2: Indirect emissions from energy generation - market-based	8,200	8,394	9,310	6,827	8,526
Scope 1 + 2 - location-based	10,532	10,623	12,581	11,357	12,355
Scope 1 + 2 - market-based	11,018	11,362	12,812	9,740	12,744
Scope 3: Other indirect emissions	2,477[2]	833[2]	112,390	1,847[2]	157,794
Total GHG emissions - location-based	13,009[2]	11,455[2]	124,971	13,204[2]	170,149
Total GHG emissions - market-based	13,495[2]	12,195[2]	125,202	11,587[2]	170,537

1 Values have been adjusted compared to values in 2022 annual report on basis of some small changes in activity data and emission factors.
2 Scope 3 emissions for 2019, 2020 and 2023 only relate to emission resulting from business travel.

Environment - Energy use

	2019	2020	2021[1]	2022	2023
Total energy consumption (in MWh)	33,655	36,542	41,970	38,715	43,437
Percentage of electricity consumption from renewable sources	8%	3%	9%	19%	25%

1 Values have been adjusted compared to values in 2022 annual report on basis of some small changes in activity data.

Our people – Employee engagement

	2016	2018	2020	2022[1]
Participation rate in Global Employee Survey	89%	79%	87%	89%
Sustainable Engagement Score	80%	80%	83%	84%

1 The Global Employee Survey is conducted every two years, most recently in 2022.

Our people – Training & development

	2019	2020	2021	2022	2023
% of employees with annual performance and career development review	83.7%	69.9%	88.8%	93.3%	97.3%

Non-financial indicators

Our people – Diversity & inclusion

	2019	2020	2021	2022	2023
Number of people in Fagron workforce[1]	2,790	2,921	3,061	3,240	3,567
% of employees with female gender[2]	55.8%	56.6%	53.1%	56.3%	56.7%
% of management with female gender[2]	39.1%	37.4%	40.7%	40.6%	40.4%
% of top management with female gender[3]	29.8%	28.6%	34.1%	27.6%	31.0%
Nationalities in head office	13	17	18	21	22

1 Number of people in Fagron workforce on 31 December (including employees, self-employed managers and temporary workers).
2 2019 to 2021 numbers include the number of employees including self-employed managers on 31 December. 2022 and 2023 numbers include the number of employees excluding self-employed managers.
3 2019 to 2023 numbers include the number of employees including self-employed managers on 31 December.

Giving back - Access to healthcare

(million)	2021	2022	2023
Units of compounded medicine supplied[1]	5.4	11.2	18.8

1 For locations where the exact amount of compounding is not tracked, the number of units of compounded medicine were determined by dividing total revenue per compounding facility (Compounding Services) by the facility's average price of a compounded unit.

Giving back – Product quality & safety

	2019	2020	2021	2022	2023
Class I Recalls: Products that may cause severe injury	0	1	1	1	0
Class II Recalls: Products that may cause temporary side effects	17	5	2	7	5
Class III Recalls: Products that do not meet quality standard, but are unlikely to cause injury or illness	9	7	2	3	10

Good governance – Preventing corruption and bribery

	2020	2021	2022	2023
% of employees who received an invitation and completed the Code of Conduct & Ethics training	68%	99%	99%	99%

About Fagron

About Fagron

Fagron is a leading global company active in pharmaceutical compounding. Fagron develops unique concepts and innovative solutions for the growing need for personalized medicine.

What we do

Fagron contributes to making personalized medicine accessible. We do this together with pharmacists, prescribers, hospitals, and the industry. By adjusting medicine to the patient's specific situation, personalizing medicine, treatments become less onerous for the patient, and treatments become accessible to more people. This contributes to the efficacy of the treatment, patient safety, and quality of life. Ultimately, personalized medicine also results in lower healthcare costs. In this way, Fagron contributes to people's health and wellbeing, and to the efficacy and efficiency of healthcare.

Fagron is unique in offering a full range of pharmaceutical compounding products and services to its customers worldwide. Mainly local players operate in this market. Our most important customers are hospitals, pharmacies, and clinics. As a vertically integrated player, Fagron is globally active throughout the pharmaceutical compounding value chain that starts with raw materials and ends with the patient.

Fagron supplies raw materials, supplies, packaging materials, equipment, excipients, semi-finished products, and sterile and non-sterile compounds. Fagron also offers education and training to prescribers and pharmacists through the Fagron Academy. We tailor our products and activities to customer needs in the regions where we operate. In addition, of course, health care infrastructure and applicable laws play a role. Our activities are divided into three segments: Essentials, Brands, and Compounding Services.

In 2023, Fagron operated globally in 34 countries[1] and had operations in 19 countries across three regions: EMEA (Europe, Middle East, and Africa), Latin America, and North America.

What is pharmaceutical compounding?

Pharmaceutical or magistral compounding involves preparing a non-patent protected or unregistered pharmaceutical preparation on the prescription of a doctor by or at the request of a community or hospital pharmacy.

Pharmaceutical compounding enables a patient to receive personalized treatment that is not standardly available, suited to that patient's specific need. This may include a modified administration form or dosage when a patient is unable to use the standard available form or dosage of an existing medication due to, for example, age, weight, difficulty swallowing, or allergies. In addition, an alternative dosage form, such as a topical dosage in the form of a cream, can reduce side effects and addiction risk and release the drug directly to the location of the condition, for example when treating pain.

[1] Countries in which Fagron generated more than 250k euro in revenues in 2023.

Bulk pharmaceutical compounding

Some personalized medicines are regularly prescribed. Certain countries allow pharmaceutical compounders to compound personalized medicine on a relatively large scale without a specific prescription. It allows a pharmaceutical compounder, such as Fagron, to supply community and hospital pharmacies with a regularly prescribed personalized medicine, provided the shelf life of that medication allows for it. The quantities in which such compounds are manufactured are generally too small for traditional pharmaceutical companies, such as generic drug manufacturers, to offer them profitably.

Sterile and non-sterile

Magistral compounding involves mixing or adding active pharmaceutical ingredients (APIs) or existing commercial drugs into an administration form. Such compound can be either non-sterile or sterile. Non-sterile pharmaceutical compounds include tablets, capsules, liquids, suppositories, creams, ointments, and suspensions. Sterile preparations are treatments administered directly into the bloodstream, such as pre-filled syringes and IV bags.

Our segments

Essentials

In 1990, Fagron started in the Netherlands with supplying pharmaceutical raw materials to community and hospital pharmacies for pharmaceutical compounding. Soon its assortment was expanded to include equipment and other supplies. Today, Fagron supplies pharmacists in EMEA, Latin America, and North America, enabling them to provide high-quality and safe treatments to patients. Our Essentials portfolio includes pharmaceutical raw materials, equipment, packaging, and supplies for pharmaceutical compounding. These products are sold worldwide to pharmacies (community and hospital) and the pharmaceutical, nutraceutical, and cosmetic industries.

Brands

Fagron offers pharmacists solutions that meet the increasing regulation and quality requirements of pharmaceutical compounding, simplifying their work. To this end, in close cooperation with pharmacists, doctors, and universities, Fagron develops and produces innovative semi-finished products and vehicles, such as emulsions, powder mixtures, creams, and other excipients, as well as total concepts and equipment for pharmaceutical compounding. In addition to developing and manufacturing these products, Fagron supports pharmacists and physicians with formulations and preparation protocols for compounding personalized medicines and by offering trainings through the Fagron Academy. These activities constitute the Brands segment.

Fagron Genomics also falls under Brands. Fagron Genomics specializes in the development, production, and marketing of innovative genetic tests. These tests assist a physician in prescribing the most appropriate personalized therapy for a specific patient.

Compounding Services

To further support pharmacies, Fagron began supplying community and hospital pharmacies with ready-to-use non-sterile compounded medicine in those countries where it is permitted. As a result of increasingly stringent regulation and a focus on quality and efficiency, community and hospital pharmacies and clinics are increasingly looking to outsource sterile compounding as well. In those countries where this is permitted, Fagron provides this by also supplying sterile compounds. The compounding of sterile and non-sterile compounds tailored to the specific needs of patients falls under our Compounding Services segment. For these compounding activities, we use Essentials' raw materials and Brands' vehicles.
Fagron has compounding facilities in the Netherlands, Belgium, Colombia, Israel, the Czech Republic, the United States, and South Africa that supply non-sterile and/or sterile pharmaceutical compounds to pharmacies, hospitals, and clinics, as well as, in Colombia and South Africa, directly to patients.

Where interesting, we are also looking at the possibility of registering specific compounds. Registration is generally a complex process that can take one to two years. Once a compound has been registered, it can no longer be marketed as a supplied compound. The revenue generated by registered compounds is being reported in the Compounding Services segment.

Our core values

Quality

Quality lies at the heart of Fagron's operations; it is our most important benchmark for everything we do. We always strive for the best and optimize our standards and processes to always deliver top quality.

Speed of execution

We are efficient in our actions: we work quickly and intelligently. We have the courage to take decisions and change course if necessary.

Customer is number 1

We put our customers first by responding to their needs and focusing on achieving customer satisfaction. In doing so, we continuously strive to improve our services and products.

Entrepreneurship

An entrepreneurial spirit suits our organization. We take responsibility and initiative to develop innovative solutions and explore new markets. We challenge our competitors and inspire others.

Creativity

Through creativity in the way we think and act, we come up with new solutions. In doing so, we contribute to improving health care while achieving sustainable growth and profitability. We are constantly looking at how we can operate better and smarter to meet the growing need for personalized medication.

Our value chain

Fagron's value chain begins with the procurement of raw materials and other products and ends with the patient.

Fagron purchases products and raw materials worldwide that can be grouped into five categories: APIs (Active Pharmaceutical Ingredients), pharmaceutical excipients, and pharmaceutical products represent about two-thirds of the total. Equipment and packaging and other products represent the rest.

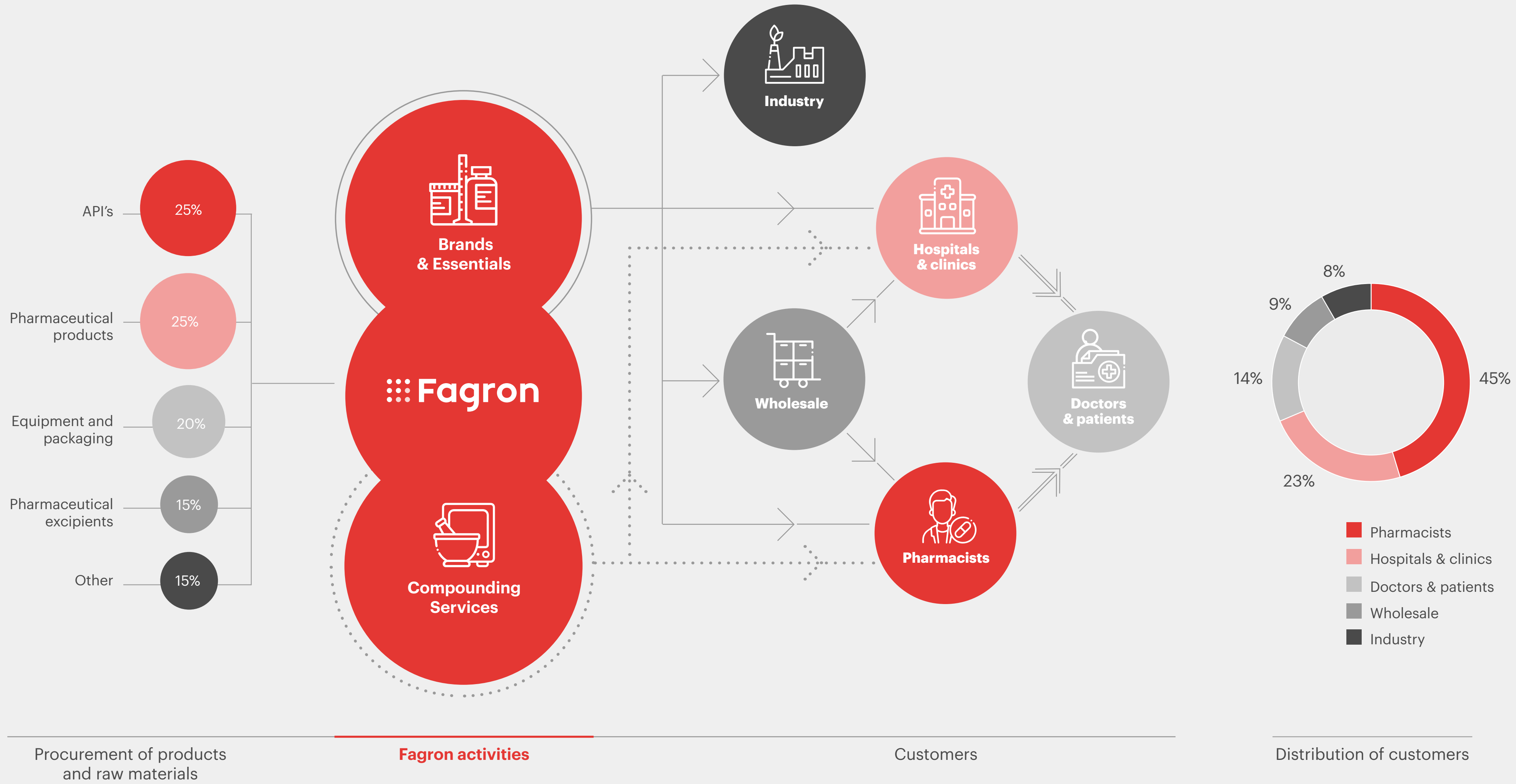
These raw materials and products are used within Fagron's various activities. In our Essentials segment, we add value by testing raw materials and by repackaging raw materials and products in appropriate quantities for our customers. All these activities are in accordance with cGMP standards.
In our Brands segment, we add value by developing and manufacturing proprietary products according to cGMP standards. We also share knowledge and offer training through the Fagron Academy.

Our customers use our products and services that we offer with these two segments to compound personalized medicine and enable treatment tailored to a patient's specific situation.

In our Compounding Services segment, we compound sterile and non-sterile products with the raw materials and products from our Essentials and Brands segments for community and hospital pharmacies and clinics. Our compounds allow our customers to provide patients with personalized medicine on a doctor's prescription.

Pharmacists, hospitals, prescribers (doctors), and patients account for more than 80% of our total customer base, and wholesale and industry for almost 20%.

Our value chain



Trends and market developments

Several trends and market developments drive the growing demand for personalized medication.

Demographic developments

Demographic factors, such as the growing world population, and rising life expectancy, are contributing to increasing demand for personalized medication. This is further supported by a growing middle class with increasing disposable income in the various regions where we operate and more focus on prognosis and prevention, including a healthy and responsible lifestyle, in addition to treatment and cure. Enabling and developing personalized medication meet this demand and contributes to people's well-being.

Additionally, in those countries where it is allowed to outsource pharmaceutical compounding, supplying pharmacies and hospitals with regularly prescribed personalized medicine can also alleviate the increasing workload of healthcare personnel.

Accessibility

Personalizing medication makes it accessible to more people. With sometimes relatively minor adjustments to the strength, administration form, or composition, medication is made suitable for patients who cannot tolerate commercial medication or can only do so with - sometimes serious - side effects. Furthermore, pharmaceutical compounding plays an essential role in solving drug shortages and in keeping medications accessible that are no longer produced or no longer in the right dosage or composition. As an example, there may be too little demand, making a product not interesting for large pharmaceutical companies to manufacture.

Personalization

The standardized nature of many commercial medications means that the needs of some patients cannot be met. Pharmaceutical compounding offers a solution for these patients by considering allergies, other intolerances, and the exact dosage and administration form required. In addition, through technological advances and data analysis, the genetic profile of a patient can be mapped more accurately. This can better predict the likelihood of getting a disease or its progression, but also the tolerance for a specific active ingredient. This allows the doctor to prescribe a personalized treatment, which can significantly improve a patient's quality of life.

Another development is that medical care is increasingly provided outside of the hospital. By doing so, the threshold for receiving care is lowered and the patient's quality of life is increased, while the costs are lower. This development places demands on the form in which medication is made available. Generic, large pharmaceutical companies are not well suited to compound these smaller batches and to ad hoc compounding.

Regulation

Finally, increasing (quality) requirements and regulations are causing pharmacies and hospitals to outsource pharmaceutical compounding. In order to keep these compounds available, parties like Fagron are essential.

Strategy

Together we create the future of personalized medicine. As partner of pharmacists, physicians, hospitals, and industry, Fagron makes personalized medicine accessible to patients. In doing so, we increase the effectiveness, quality, and safety of treatments, enable the treatment of more patients, and contribute to the reduction of healthcare costs.

Strategic objectives

Fagron, as an internationally operating and vertically integrated player, is unique in the fragmented niche market of pharmaceutical compounding. Fagron's scale, international reach, market knowledge, and innovative strength ensure our strong competitive position. To maintain our leading market position, a continuous focus on quality, efficiency, and innovation is essential.

Fagron has four strategic objectives.

1: Be market leader in Brands & Essentials

We achieve our first strategic objective by improving and expanding our high-quality productportfolio with innovative products and further reinforcing our operational efficiency. In addition, we develop the products in our Brands segment globally while selling them locally, applied to the specific needs of our customers in the various markets where we operate. We are also strengthening and professionalizing the Fagron Academy globally. Finally, we are always looking for opportunities to strengthen our market position through strategic acquisitions.

2: Be the leading, global platform for sterile outsourcing services

We achieve our second strategic objective by growing organically through the delivery of high-quality sterile compounds, innovative product introductions, and targeted acquisitions to strengthen our positioning

3: Further optimize non-sterile compounding and registration activities

In the area of non-sterile compounding, we focus on optimizing our market position and our capabilities and expertise in registering compounded medicine.

4: Build a future-proof organization with a clear focus on sustainability

Corporate social responsibility is at the heart of our global operations and strategy. Fagron's activities contribute to the better health and well-being of patients. Needless to say, our products meet all relevant quality and safety standards. We provide our people a work environment that meets current health and safety standards. We are reducing our climate change impact by using less energy, installing solar panels, and switching to electric mobility. We also do not accept human and labor rights violations in our locations, and we strive to eliminate violations in our supply chain.

Enablers

The realization of our strategic objectives is supported by the following four enablers.

Operational excellence

We are committed to operational excellence. As a global player, we can make the most of local knowledge and expertise by deploying it regionally or globally and jointly determining best practices. With our central purchasing team - which of course works closely with the business - we strive to achieve the optimal balance of product availability, inventory management, and competitiveness.

Furthermore, our focus on efficiency results in standardizing our production processes as much as possible and further optimizing our repackaging operations, distribution, sales organization, and support functions. Further, we are committed to digitization to increase customer engagement and customer experience.

Fagron Academy

Fagron operates in a knowledge-intensive niche market. It is of great importance that the links to the patient - doctors and pharmacists - have a solid understanding of pharmaceutical compounding as well as the products and services that Fagron offers. Therefore, informing and training doctors and pharmacists through the Fagron Academy is an integral part of our business model. To this end, Fagron regularly collaborates with various universities. We offer extensive training and educational opportunities on compounding techniques, the use of products, materials, administration forms, and quality and safety procedures, among other things. This is done through practical training sessions, conferences, and webinars, which take place both in person and digitally and are general in nature or tailored to a specific client (group). Also, we make available a formulary that offers pharmacists and prescribers a broad range of customized formulas linked to the indications for which they can be prescribed.

Focus on ESG

With our ESG strategy, Fagron aims to actively contribute to reach the SDGs of the United Nations. This is reflected in, among other things, our commitment to reducing greenhouse gas emissions in our operations and making a positive contribution to the well-being of our employees and applies throughout our operations.

Disciplined M&A strategy

In addition to innovation-driven organic growth, Fagron strives to grow through targeted acquisitions. The rationale for an acquisition may be geographic expansion, portfolio expansion, expansion into a therapeutic area, and market consolidation. Fagron's business model is scalable, allowing us to realize commercial and operational economies of scale mostly immediately when integrating an acquisition.

Medium-term financial objectives

During its Capital Markets Day in March 2022, Fagron outlined the following medium-term financial objectives for the period to 2026:

- 8% organic revenue growth (CAGR) at constant exchange rates for Fagron as a whole. By region, this means:
  - EMEA: low single-digit organic sales growth rate (CAGR) at constant exchange rates;
  - Latin America: high single-digit organic sales growth rate (CAGR) at constant exchange rates; and
  - North America: mid-teens organic sales growth (CAGR) at constant exchange rates;
- REBITDA margin in line with the 2017-2021 average (21.6%);
- Sustainably high cash generation and earnings conversion; and
- Capital allocation strategy aimed at driving growth.

Progress in achieving the strategic and financial objectives is reported in the description of the regions.

Strategy

Acquisitions in past 5 years

Fagron

2019

Acquisition of **Ortofarma Lab**, **Levviale** and **Apace** in Brazil (B&E), **Dr. Kulich Pharma** in Czech Republic (B&E and CS) and **Cedrosa** in Mexico (B&E).

Divestment of **HL Technology** in Switzerland.

2020

Acquisition of **Pharma Tamar** in Israel (B&E and CS) and **Gako** in Germany (B&E).

Partnership with **Azelis** in Australia and New Zealand including transfer of **Fagron Australia** to Azelis (B&E).

2021

Acquisition of **US Compounding** in the United States (CS) and 20% stake in **HeW Pharma** in Belgium (B&E).

2022

Acquisition of **Letco** in the United States (B&E), **Pharma-pack** in Belgium (B&E), **Curaphar** in the Netherlands (CS), **Hiperscan** in Germany (B&E) and **sterile compounding facility** in Boston in the United States (CS).

Divestment of **CMO activities** in the United States (B&E).

2023

Acquisition of **Wildlife Pharmaceuticals** in South Africa (CS), and of registration and exclusive distribution and licensing rights in the Benelux of some products (CS).

B&E = Brands & Essentials
CS = Compounding Services

Value creation model

Fagron aims to create long-term value for all its stakeholders: customers, employees, investors, and society as a whole, with the goal of contributing to improving the health of patients. To this end, Fagron strives to minimize its footprint and increase its social impact.

Fagron's value creation model gives insight into what inputs we leverage, how we add value, and how we contribute to society. It provides a framework for understanding Fagron's impact on society.

Input

In addition to natural resources and our facilities, our inputs include financial, intellectual, and human capital and our network of suppliers.

Fagron procures more than 2,500 raw materials. In addition, Fagron uses natural resources such as natural gas and water in its operations. Fagron has several facilities worldwide where it repacks raw materials and supplies, manufactures products sold through our Brands segment and produces pharmaceutical compounds. Virtually all of Fagron's repackaging and compounding facilities have current Good Manufacturing Practice (cGMP) status, which safeguards product quality. We also have several laboratories where quality controls are carried out. In addition, Fagron has warehouses and offices.

Our human capital consists of more than 3,500 dedicated employees. Their expertise, experience, and motivation are essential to Fagron's success. Our intellectual capital is represented by all the knowledge embedded in organizational processes and systems and the knowledge present among our employees, which includes pharmacists and pharmacy assistants. The innovations developed are protected, where possible, by patents and registrations.

Fagron has a robust network of carefully selected and mostly also certified or audited suppliers that ensures the availability and quality of Fagron's products. For some of our products we use contract manufacturers, which we also select carefully and, if required, audit. The majority of our raw material suppliers are based in Asia. In addition, Fagron maintains a broad network of pharmacists, physicians, hospitals, universities, and industry contacts. The active dialogue and cooperation with this network are important for development and innovation.

The financial capital consists of the capital made available by debt providers and shareholders with whom Fagron is in continuous contract through her communication towards the financial markets. The premise of the capital policy is to ensure continuity, facilitate organic and inorganic growth, while striving to optimize the cost of capital.

What we do

The value creation model is driven by our business activities. As a vertically integrated global player, Fagron operates across the pharmaceutical compounding value chain in the EMEA, Latin America, and North America regions. The Our Segments section further explains Fagron's three segments and starting on page 34 our activities per region are explained in more detail. The way Fagron operates is guided by Fagron's core values, explained in more detail on page 15.

Strategic pillars

Fagron's four strategic objectives are the foundation for advancing the future of personalizing medicine and our leading market position. Our enablers support us in achieving these objectives. Our strategic objectives and our enablers are explained in more detail in the Strategy section.

Good governance, transparency, and effective risk management are essential to good management. The Corporate Governance Statement and the Sustainability Statement describe in detail how this is organized and embedded at Fagron. The Risk Management section describes Fagron's main risks and how they are mitigated.

Output

The value Fagron creates for its stakeholders is measured by financial return, social return, and environmental and social indicators.

Fagron's financial return is expressed, among other things, in the cash flow from operations, which enables Fagron to pay salaries to employees, taxes to governments, and dividends to shareholders, among other things, in addition to making investments. Total cash flow from operating activities is further explained on page 150.

Fagron defines social returns as the provision and accessibility of safe personalized medicine in order to contribute to patients' health through our products and services. Quantifying our social return is difficult because Fagron does only deliver directly to patients marginally. As described in the section Our Value Chain, pharmacies and hospitals are Fagron's main customers. They use our products and services to help patients with pharmaceutical compounding. Customers use the products and services from our Essentials and Brands segments to compound medication. In addition, they can outsource the compounding to Fagron, where we compound the products for them in one of our compounding facilities in our Compounding Services segment. However, Fagron has no insight into how many patients are treated with the final compounded medication. We therefore report the number of compounded medicine that we deliver from our compounding facilities, in order to give an indication of our positive contribution to patients' health. Fagron reports in more detail on our corporate social responsibility in the Sustainability Statement.

When it comes to the environment, Fagron strives to minimize its climate impact, other negative environmental impacts, and negative impact on resource availability. In addition, Fagron ensures supply chain responsibility by adhering to strict procedures and protocols and by only working with certified suppliers. Fagron reports in more detail on its social responsibility objectives and results achieved in the Sustainability Statement.

In terms of social indicators, Fagron measures the engagement of its employees, among other things. Fagron reports on this in more detail in the Sustainability Statement.

Impact

Based on the Sustainable Development Goals (SDGs) introduced by the United Nations, Fagron also considers the impact of its activities on society in a more integral manner. These development goals provide a roadmap for achieving a more just and sustainable future. Fagron has committed itself to five SDGs. Page 56 shows how Fagron contributes to these topics.

Value creation model

Input

Financial
€ 836 million
Invested capital [1]

Facilities
75

Employees [2]
3,567

Intellectual
541
Pharmacists employed

Natural
43,437
Total energy consumption
(in MWh)

Network
3,000+
Suppliers

What we do

Our core values

- Quality
- Customer is number 1
- Creativity
- Speed of execution
- Entrepreneurship

Our strategy

Strategic priorities
Enablers

Output

Financial return
€ 124.6 million
Total cashflow form operating activities

Social return
18.8 million
Units of compounded medicine supplied

Environment
12,355
Climate impact, scope 1+2 (in metric tons of CO_2-eq)

Employees
84%
Sustainable engagement score

Impact

[1] Equity + financial debt + lease obligations.
[2] Number of people on December 31 (including employees, self-employed managers and temporary workers).

Information about the Fagron share

Stock exchange listing

Fagron shares are listed on Euronext Brussels and Euronext Amsterdam. The stock is included in the BEL Mid index, the AMX index, the BEL ESG Index and the AEX ESG Index. Options on ordinary Fagron shares are traded on Euronext Derivatives Brussels, Euronext's derivatives market. These American-style options expire on the third Friday of the contract month and have initial terms of 1, 2, 3, 6, 9, and 12 months. Each option represents 100 Fagron shares and is cleared by LCH.Clearnet SA. On December 31, 2023, Fagron's market capitalization amounted to 1,216.3 million euros, up 25.6% from December 31, 2022. On December 31, 2023, the number of shares issued is 73,228,904.

Average number of shares outstanding

On December 31, 2023, the number of voting securities was 73,228,904. The total number of voting rights (denominator) was 73,228,904. The authorized capital amounted to 503,719,217 euros.

Shares
ISIN code: BE0003874915
Euronext: FAGR

Options
ISIN code: BE0003874915
Euronext Derivatives Brussels: RCU

Shareholder structure

Fagron received notifications of shareholding pursuant to the Belgian Act of 2 May 2007 concerning the disclosure of major shareholdings in listed companies. The table shows the shareholder structure per March 7th, 2024. Article 11 of Fagron's Articles of Association stipulates that shareholdings must be disclosed as soon as a threshold of 3%, 5%, and multiples of 5% has been passed.

Share ownership	Number of shares	% of effective voting rights
The Goldman Sachs Group, Inc.[1]	13,209,148	18.04%
NN Group NV[1]	11,605,000	15.85%
AOC Pharma S.à.r.l.	8,102,492	11.06%
FMR LLC	3,639,823	4.97%
Alychlo N.V.	3,641,933	4.97%
Mawer Investment Management Ltd.	2,202,410	3.01%

1 In connection with notification received from Goldman Sachs Group, Inc. and NN Group N.V., be refered to document available on our website investors.fagron.com/share-holders/

Shares owned by the Board of Directors	Number of shares
Koen Hoffman	0
Rafael Padilla	100,000
Karin de Jong	17,500
Ann Desender	0
Rob den Hoedt	0
Klaus Röhrig	See holding AOC Pharma S.à r.l.
Neeraj Sharma	0
Els Vandecandelaere	0

Information about the Fagron share

Dividends

Fagron's Board of Directors will propose to the Annual General Meeting of Shareholders on May 13, 2024, to pay a gross dividend of 0.30 euros per share for the financial year 2023.

Investor Relations policy

Fagron values good, open, and timely communications with its investors, analysts, and others with (financial) interest in Fagron with the aim of informing them as effectively and as promptly as possible about Fagron's policies and relevant developments. Fagron actively seeks to engage with existing and potential investors, as well as with analysts that follow its share.

All other relevant information, such as (semi) annual results, trading updates, press releases, and background information, can be accessed on Fagron's website under Investors (investors.fagron.com). Investors and potential investors, analysts, journalists, and other interested parties are invited to direct questions to:

Karen Berg
Global Investor Relations Manager
+31 6 53 44 91 99
investors@fagron.com

Financial calendar

April 11, 2024[1]	Trading update first quarter 2024
May 13, 2024	Annual General Meeting of Shareholders
August 1, 2024[1]	Half year results 2024
October 10, 2024[1]	Trading update third quarter 2024

1 Results and trading updates will be published at 7:00 a.m. CET.

Trading	2019	2020	2021	2022	2023
Highest price	€ 19.33	€ 23.10	€ 21.56	€ 18.73	€ 18.19
Lowest price	€ 14.17	€ 14.80	€ 13.11	€ 10.80	€ 12.97
Closing price end of the financial year	€ 19.33	€ 19.00	€ 14.80	€ 13.27	€ 16.61
Highest day volume	1,789,353	584,169	525,563	614,569	880,546
Lowest day volume	37,587	9,133	15,223	28,179	15,108
Dividends	€ 0.08	€ 0.18	€ 0.20	€ 0.25	€ 0.30
Dividend yield at closing price	0.4%	0.9%	1.4%	1.9%	1.8%
Market capitalization at the end of the financial year	€ 1,395,218,214	€ 1,377,075,426	€ 1,079,810,279	€ 968,612,519	€ 1,216,332,095

Risk management

Risk management is important for Fagron to secure the company's long-term objectives and value creation.

Introduction

Fagron's risk management and control systems are designed to support Fagron's general business strategy, considering the nature of the business and the environment in which it operates. The risk management and control systems are subject to continuous refinement and improvement, taking into account external developments, including laws and regulations, as well as internal developments.

Risk management framework

The Board of Directors is responsible for the strategy as well as the associated risk profile and for the design and operation of the internal control and risk management systems. These systems are continuously assessed and further professionalized, paying attention to the governance structure, processes, systems, and controls, as well as to awareness among management and other employees of the importance of their correct application.

Responsibility for managing individual risks depends on the type and nature of the risk and lies either with local management supported by the local finance team or with the relevant team at group level.

The Corporate Governance chapter contains a more detailed description of the main features of the internal control and risk management systems within Fagron. This chapter also discusses the role of the Audit and Risk Committee.

Lines of Defense

Fagron's risk management system is based on the three lines of defense model that distinguishes between three lines of defense. The first line owns and manages risks, the second line has primarily a supervisory and advisory role in risk management, and the third line is responsible for auditing risk management and internal control systems.

First Line	Second Line	Third Line	
Local management	Group functions	Board of Directors (Audit and Risk Committee)	Internal audit function
• Entity-level risk management • Ensure a good control environment • Translate Fagron Group risk policies to entity level • Identify risks • Determine likelihood and impact of identified risks • Evaluate existing management measures • Develop and implement risk management measures • Validate risk management measures • Monitor and report risks	• Monitor risk management • Identify group-level risks and report them to Board of Directors • Detailed review how key risks are managed • Promote best practices in risk management and facilitate best practices knowledge sharing • Strategic objectives form the basis for business unit budgets and associated KPIs • Analyse results at local and group level and report to management	• Adopt risk management strategy • Determine risk appetite • Determine probability and impact of strategic risks • Monitor progress of strategic risk management • Review and approve costs for risk management measures • Determine reporting procedure	• Draw attention to and maintain attention on risk management • Monitor that local management maintain risk registers • Ensure sound implementation of risk management policies • Make recommendations and provide risk management support • Identify risks based on audits

Risk assessment methodology

Essential to effective risk management is periodic risk assessment at group level. This risk assessment takes place every year. By fully understanding the organization's strategy and objectives, the internal auditor can form an independent view of the inherent risks of the existing business and emerging risks of new business initiatives and projects.

The risk assessment process consists of the following five stages:

- Identify key people for risk assessment discussions
- Identify objectives by (type of) business process
- Identify potential risks and link potential risks by objective
- Score potential risks on 'likelihood' and 'impact'
- Record and report outcomes

During the risk assessment discussions, the internal auditor supports and challenges key people to think critically about the objectives per (type of) business process, potential risks, linking these risks per objective and scoring the potential risks.

Risk matrix

Action plans and measures

Following the risk assessment, action plans are prepared for each identified risk. An action plan describes (1) the actions to be taken to avoid the risk, (2) the research directions to mitigate the risk, and (3) the control and monitoring measures to be taken to avoid the risk or detect it at an early stage. The action plans for managing risks and the measures taken differ in form and degree of mitigation.

Identification and analysis of risks 2023

Risk management at Fagron involves identifying all major risks, establishing plans to limit these risks, and taking measures for their effective management. Due to the regional distribution of its business activities, its diverse product portfolio, and its broad supplier base, the risk of economic changes is diversified for Fagron.

Identification of risks

A risk assessment took place in 2023. The risk assessment methodology has been updated to an annual risk assessment, where it was previously bi-annual. Also, the group of people involved has been expanded. All members of the executive management team and various key people within the organization were invited to complete a questionnaire in 2023. Interviews have taken place when prompted by the outcome of the questionnaire.

The outcomes have been documented and the results are reflected in the risk matrix. There are no significant changes compared to last year. The risks for which the assessment has changed compared to 2022 are 'Acquisition and integration risk', 'Supply chain', 'Interest risk', 'Compliance risk' and "Corruption & bribery', these are explained in more detail on page 31.

Action plans

An action plan exists for each of the identified risks. These action plans were updated in 2023 following the outcome of the 2022 risk assessment. Where necessary, the action plans will be updated in 2024 on the basis of the risk assessment conducted in 2023. The action plans are followed up by the local management, which is being monitored by the internal auditor.

Main risks

This section describes the main risks with the likelihood and impact of each risk and the management measures taken by Fagron. This does not mean that all risks are listed in the table below. Some risks may not yet be known to us or are currently considered immaterial, but could ultimately impact the company. The trend column indicates whether the risk assessment has changed since the last assessment.

Fagron distinguishes the following four risk categories:

Strategic risks	Operational risks
• Acquisition and integration risk • Changing customer demand	• Supply chain risk • Health, safety & environmental incidents • Human capital • IT
Financial risks	**Compliance risks**
• Credit risk • Interest risk • Liquidity risk • Currency risk	• Compliance risk • Product quality & safety risk • Corruption & bribery • Reputational risk

Detailed explanation of selected risks

The table below shows the risks that have a different risk assessment in 2023 compared to 2022. An explanation of these risks follows below the table.

More details on the management of the various financial risks are included in note 3 of the annual financial report.

Risk	Trend	Likelihood	Impact	Management measure
Acquisition and integration	↘	Moderate/Low	Moderate	Fagron manages this risk by carefully identifying acquisition targets, paying attention to cultural and organizational fit with Fagron. Acquisitions are conducted in a structured manner. This includes defining the transaction structure and a thorough due diligence process. Acquisition activities are carried out by an internal M&A team led by the Head of Legal and M&A, who is a member of the executive leadership team. Acquisition activities are carried out, where necessary, with support of reputable external advisers. There is also an integration manager in the M&A team who manages the post-acquisition integration process.
Supply chain	↘	Moderate/Low	Moderate/ High	Fagron ensures that a significant portion of pharmaceutical raw materials, equipment and supplies are available from multiple suppliers and in sufficient quantities to meet Fagron's needs. Good working relationships are formed and maintained with suppliers.
Interest risk	↘	Moderate/Low	Moderate	Fagron periodically assesses the mix held between fixed and floating rate financial debt to maintain an acceptable level of risk. Fagron ensures that at least a large portion of its long-term interest-bearing financial debt is financed on a fixed-rate basis. Where necessary, derivatives such as interest rate swaps are used to hedge variably rated debt.
Compliance risk	↗	Moderate	Moderate/ High	Fagron strives to comply with laws and regulations in all jurisdictions in which it operates. The Head of Legal and M&A and the Global Quality Manager oversee compliance with laws and regulations in all jurisdictions, while at the local level employees are assigned to ensure compliance. Diversification of activities further helps reduce this risk. This risk also includes non compliance with ESG reporting requirements.
Corruption & bribery	↗	Moderate	Moderate	Fagron's Code of Conduct and Global Anti-Bribery & Anti-Corruption Policy describes the type of behavior that the company expects from all of its employees. All employees must formally sign the Code of Conduct, by which they agree to comply with the Code. All employees are invited to an annual Code of Conduct training in order to ensure that the employees are aware of and familiar with the Code of Conduct. This training always pays attention to corruption and bribery.

Acquisition and integration

Fagron is pursuing an active acquisition strategy to support growth and enter new markets. There is a risk that Fagron's future growth may be constrained by the failure to complete or integrate recent or potential future acquisitions.

Fagron follows a disciplined and structured process when acquiring companies. A group of internal and external professionals are involved when preparing and executing an acquisition. In 2023, the M&A team was expanded to include an M&A integration specialist. This M&A integration specialist is responsible for managing and executing the integration process after a merger or acquisition. The role of the M&A integration specialist is important to ensure that the relevant teams work together smoothly and effectively, creating value and achieving objectives. The integration specialist is responsible for drawing up an integration strategy, identifying synergies, coordinating and monitoring the integration process and facilitating communication between the various teams and following up on it. The further expansion of the M&A team has reduced the acquisition and integration risk.

Supply chain

Fagron depends on third parties for supply and production and is therefore exposed to supply chain risks.

Fagron depends on third parties for the supply of pharmaceutical raw materials, among other things. This dependence creates a risk with regard to product quality, availability and costs of this purchased products. With the centralization of the procurement team in recent years and the appointment of a COO in 2022, Fagron has further optimized the management of its supply chain. In 2022, Fagron still faced supply chain constraints partly due to the COVID-19 pandemic. In 2023, these restrictions eased and supply chain conditions improved. In addition, Fagron reduced risk by optimizing its supplier base by improving relationships with key suppliers and reducing dependence on specific suppliers. The breadth of its product range also helps moderate risk. All this contributes to the reduction in risk compared to last year.

Interest risk

Fagron has external bank financing at variable interest rates, a change in interest rate may have a significant impact on the cost of debt and hence profitability of Fagron.

For interest rate risk, there is a decrease in probability. From 2022 to the third quarter of 2023, there was uncertainty in the market about interest rate increases in terms of timing and level of increase. The impact of interest rate rises has been limited for Fagron due to the interest rate hedging strategy pursued. Fagron uses a mix of fixed and floating interest rates. The increase in interest rates in 2022 and 2023 has a negative impact on the company's financing costs. This risk has been partially hedged for 2023, 2024 and 2025 with financial instruments with different maturities. As a result, the impact for Fagron is only gradually noticeable. No additional interest rate increases are expected in the near future, which has reduced the risk for Fagron. For more details on the control measures and the impact, see the Annual Financial Report 2023.

Compliance risk

Fagron may be at risk of high costs, fines or other adverse consequences by failing to comply with laws, regulations and other policies and standards applicable to its business activities. For compliance risk, there is an increase in impact to moderate/high.

Fagron's facilities and products are subject to pharmaceutical standards that are regularly audited by regulatory and/or supervisory bodies. These regulations are subject to change. In some regions where Fagron operates, we see increasing requirements regarding the fulfillment of guidelines and safety of facilities and products. Fagron invests in facility upgrades to continue to ensure the highest quality standards. The local and global quality team monitors standards and guideline compliance on a daily basis. If a compliance issue arises, we actively engage with regulators regarding compliance and remediation.

Fagron offers an extensive range of products for preventive and curative care as well as equipment, packaging and supplies for pharmaceutical compounding. In some countries, Fagron's products are reimbursed by government agencies or insurance companies. Due to increasing pressure on healthcare costs, we are seeing more attention to reimbursement systems in countries.

Changes in reimbursement methodology may negatively impact product sales and/or margins. Although changes in the reimbursement system may occur per country in which Fagron operates, as a global player Fagron is less sensitive to this risk than its competitors who usually only operate in one country and are therefore affected for all their activities in case of changes in a reimbursement system.

Corruption & bribery

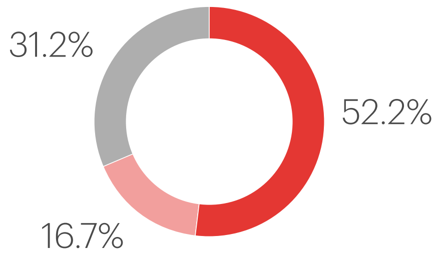
The expanding footprint of Fagron increased the corruption & bribery risk from low to moderate. This has to do with the growth of the business in certain regions combined with the expansion as a result of acquisitions. Acquisition growth increases the workforce from Fagron in general. After acquisitions it takes some time for the people to on-board to the Fagron standard and follow the Code of Conduct training which explains the Fagron standard and expected behavior of our employees.

Regions

Fagron EMEA

Fagron has been operating in Europe since its founding in 1990. In 2023, Fagron operated in 29 countries in the EMEA region. Fagron operates in all countries with Brands & Essentials and in Belgium, Israel, the Netherlands, the Czech Republic, and South Africa with Compounding Services as well. Fagron has a presence in China, where we source many of our raw materials. In 2023, the EMEA region generated around 37% of Fagron's total revenue.

Revenue 2023



Essentials | Brands | Compounding Services

Revenue (in million euros)

284.9 +3.1%

2023	284.9
2022	276.4
2021	255.1

REBITDA (EBITDA before non-recurring results, in million euros)

61.1 +0.9%

2023	61.1
2022	60.6
2021	55.6

46
Number of facilities

11
Compounding facilities

10
Repackaging facilities

1
Laboratories

15
Warehouses

9
Offices/other

1,233
Employees

206
Pharmacists employed

3.0
Units of compounded medicine supplied (in millions)

6,455
Climate impact, scope 1+2 (in metric tons of CO2-eq)

20,791
Energy use (in MWh)

82%
Sustainable Engagement Score

Fagron EMEA

Developments in 2023

Fagron EMEA showed solid performance in 2023, driven by the strong performance of the Compounding Services segment, the passing on of price increases in the first half of the year, and inorganic growth. Towards the end of the year, we saw the impact of our Polish customers anticipating the regulatory reimbursement reforms, scheduled to become effective in 2024, which impacted both our sales and REBITDA. In 2023, we further diversified our footprint by acquiring Wildlife Pharmaceuticals in South Africa. We also announced the acquisition of Parma Produkt in Hungary, which transaction was completed early January 2024, adding another country to our EMEA footprint. The REBITDA margin for the region improved satisfactorily in the first semester, supported by the operational benefits of the Polish repackaging facility and the pricing pass-through, which trend was offset in the second half of the year by the slow third quarter and the developments in Poland in the fourth quarter.

Brands & Essentials

The improved product availability as a result of the repackaging facility in Poland becoming fully operational, successful innovative product launches, as well as drug shortages in some markets contributed to sales growth at Brands & Essentials, compensated by the lower customer demand in the third quarter due to seasonality and the lower volumes in Poland in the fourth quarter.

Compounding services

The performance of our Compounding Services segment contributed significantly to the Fagron EMEA results in 2023. This was driven by the strength of our product portfolio, innovative product introductions, the enforcement of our registration capabilities, and drug shortages in some markets. With the acquisition of Wildlife Pharmaceuticals, we entered the veterinary compounding market in South Africa. We also invested in registration and exclusive distribution and licensing rights for some products in the Benelux, the benefits of which we expect to see in the course of 2024.

Many countries face drug shortages. Helping in case of such shortages is part of our business model: we can compound medication when the pharmaceutical industry cannot meet demand, but we may also be able to leverage our strong network by sourcing medication in other markets.

Innovation

With its continued focus on innovation, Fagron has a broad and diversified product portfolio that continues to enhance our relevance to customers. In this regard, the Fagron Academy plays an important role, as direct and regular contact with our customers allows us to meet customer demands.

As an example, we added Cleoderm™ to the Fagron Advanced Derma vehicles. Cleoderm™ is an advanced topical treatment designed to personalize dermatological care and address individual skin needs. With its gentle and skin-friendly ingredients it is well-suited to compound preparations for sensitive skin.

Maarten Pouw, Area Leader EMEA:

"All local teams in our diversified EMEA region contributed to this year's performance and I am very proud of what we have achieved together. We further improved our operations, diversified our product portfolio both organically and with the acquisition of Wildlife Pharmaceuticals, and added another country to our footprint. The strong growth within Compounding Services reflects the added value of our strengthened registration capabilities. Continuing on this path will further strengthen our market position in the region and will allow us to make the most of the growth opportunities the EMEA region has to offer."

Fagron EMEA

Fagron Advanced Derma vehicles are uniquely formulated to contain only ingredients for maximum safety and skin tolerance. The formulation of each base is based on specific skin types, so patients are guaranteed a total solution for both customized prescription compounding and basic skincare.

Also, as part of Fagron Academy, we launched the Formulary on our website, which offers pharmacists and doctors globally a broad range of customized formulas linked to the indications for which they can be prescribed. Doctors can find indications and formulas that suits the personal needs of the patient. Pharmacists can find customized formulas with the methods of compounding. Formulary represents a scientifically evidence-based selection of formulas for customized medication and is available free to doctors and pharmacists.

Operational excellence

Also in 2023, we have taken further steps to optimize operational excellence in the EMEA region. The completed transition to the cGMP repackaging facility in Poland contributed to improved product availability and service levels. We also continued strengthening our commercial approach and progressed with consolidating and optimizing our procurement processes.

Focus in 2024

Fagron EMEA will continue to strive for market leadership in all the countries where we operate and rolling out our diversification strategy. With the conclusion of the Parma Produkt acquisition early 2024, we can serve the Hungarian market with Parma Produkt's existing products, while adding our Brands products as the integration progresses. Innovation and operational excellence continue to be important levers for our market positioning and to realize our strategic ambitions in the region. Fagron EMEA will also keep strengthening the registration capabilities to drive growth of our Compounding Services segment.

European market for personalized medicine

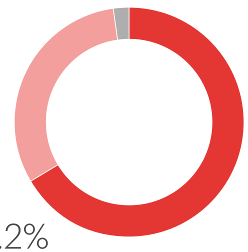
Fagron estimates that approximately 1 to 1.5% of all prescriptions in EMEA involve pharmaceutical compounding and that the EMEA pharmaceutical compounding market is worth around 3.5 billion euro. This is the available market for Compounding Services in EMEA. Based on the goods sold in Fagron's compounding facilities, Fagron estimates that approximately 10 to 15% of this market corresponds to the cost of pharmaceutical raw materials and administration forms, the available market for Brands & Essentials.

Fagron Latin America

In Latin America, Fagron is present in Brazil (Brands & Essentials), Colombia (Compounding Services), and Mexico (Brands & Essentials). Brazil is Fagron's largest market in Latin America, representing over 80% of sales in this region. In 2023, the Latin America region generated over 20% of Fagron's total revenue.

Fagron personalizing medicine
Fagron solutions
Fagron genomics
Fagron tech
SOVITÁ ATIVOS PARA A VIDA
infinity pharma
Florien

Revenue 2023



Essentials | Brands | Compounding Services

Revenue (in million euros)

169.2 +4.2%

2023	169.2
2022	162.3
2021	141.1

REBITDA (EBITDA before non-recurring results, in million euros)

28.0 -3.1%

2023	28.0
2022	28.9
2021	30.5

16
Number of facilities

2
Compounding facilities

2
Repackaging facilities

1
Laboratories

3
Warehouses

8
Offices/other

887
Employees

84
Pharmacists employed

0.1
Units of compounded medicine supplied (in millions)

861
Climate impact, scope 1+2 (in metric tons of CO_2-eq)

8,026
Energy use (in MWh)

87%
Sustainable Engagement Score

Fagron Latin America

Developments in 2023

After the decline of the Brazilian market in 2022, we started seeing initial signs of improving customer demand at the end of the first semester, which trend continued in the second semester. This positive development was partly offset by pricing pressure due to the sustaining competitive pressure. Our Compounding Services activities in Colombia continued its strong growth. Overall, this translated in revenue growth for the region.

As anticipated, the region's REBITDA and REBITDA margin showed the impact of our focus on maintaining market share in a heightened competitive environment, particularly in the first semester. The completed consolidation of our distribution and warehousing activities and of our brand portfolio in Brazil, in combination with our state-of-the-art cGMP repackaging facility in Brazil resulted in an improved performance in the second half of the year.

Brands & Essentials

Brazil is the largest Brands and Essentials market for Fagron in Latin America. In the market of pharmaceutical raw materials for the more than 8,000 compounding pharmacies in Brazil, Fagron carries the brands Fagron, Infinity Pharma, Florien, and Sovitá. In addition to raw materials, Fagron also offers packaging, equipment, and laboratory services (Fagron Solutions), and technology and software (Fagron Tech) to compounding pharmacies in Brazil. In Mexico, we focus on supplying pharmaceutical raw materials, while we are in the process of introducing our Brands as well.

The Essentials revenue development in the region reflected the strengthening customer demand. This, combined with the roll-out of our operational efficiency programs and innovative product launches reinforced our leading market position. The Brands segment showed solid revenue growth supported by product launches, reflecting the competitive advantage of our innovative power.

Compounding Services

The compounding operations in Colombia, centered in Chia, represent a relatively small portion of Latin America's total sales. However, these activities showed another year of very strong revenue growth, helped by customer wins, and increasing orders from existing customers. As market leader, we are supporting the development of personalized medicine particularly in dermatology, but also in pediatrics and gynecology.

Innovation

As part of our strategy, Fagron focuses on innovation and product development, launching multiple innovative new products every year. Our innovation power is an important pillar to support our market leadership. Fagron Academy also contributes to our innovative strength. Through our Academy, we support pharmacists and doctors with formulations and preparation protocols for compounding personalized medicines and offer trainings. These direct contacts with our customers are an important source for new innovations.

The multiple products introduced in 2023 include Akkermat, focused on weight loss, and Cureit, a Turmeric based product used in the treatment and prevention of various metabolic disorders. The Phusion ERP software system launched in 2022 continued its successful roll-out in 2023 and new features are being added continuously. This software gives compounding pharmacies control over every link in their value chain. Phusion is a cloud application and is purchased on a subscription basis.

Operational excellence

We further optimized our operations in Latin America in 2023. The consolidation of the various distribution centers in Brazil into one central modern distribution center in the São Paulo region started in 2021. In 2023, this consolidation was completed. As a result, distribution for the entire Brazilian market is now centralized at one location, significantly increasing efficiency and product availability. In the second half of the year, we also further consolidated some smaller brands into Fagron Solutions, offering packaging, equipment, laboratory services and training (Academy), creating additional efficiency benefits and cross-selling opportunities.

Fagron Latin America

After the 'Fagronization' of the Mexican activities in 2022, further enhancements were rolled-out in 2023, streamlining the organization and optimizing the sales approach, further strengthening Fagron's position in Mexico.

The optimization of sourcing and IT services at Fagron global level also benefited the Latin America region.

Focus in 2024

As market leader, focus on quality and operational excellence is key, while setting market standards with our unmatched innovative product portfolio. Also in 2024, focus in Latin America will be on operational efficiency, introducing new innovative, high-quality products, staying ahead of regulatory developments, strengthening our Brands offering in Mexico and further advancing the development of personalized medicine in Colombia.

Latin American market for personalized medicine

Fagron estimates that the Latin American pharmaceutical compounding market is worth around 2 billion euro. Taking into account the situation and pricing in the local market, it is estimated that about 10 to 15% of this market relates to the cost of pharmaceutical raw materials and administration forms, the available market for Brands & Essentials.

Geraldino Neder, Area Leader Fagron Latin America

"After a challenging 2022, impacted by dynamic macro-economic developments and increasing competitive pressure, we realized improved performance in 2023. Our drive for operational excellence to realize best-in-class service levels combined with our innovative power and focus on quality allows us to maintain our leading position and shows our resilience. While our market is competitive, it is also a very attractive market supported by favorable long-term trends. I am convinced that we are excellently positioned to capture the opportunities that this region offers."

Fagron North America

In North America, Fagron is present in the United States (Brands & Essentials and Compounding Services) and active in Canada (Brands & Essentials). In 2023, the North America region generated around 40% of Fagron's total revenue.

Fagron personalizing medicine

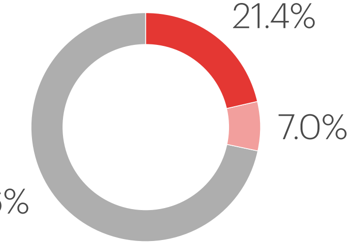
Fagron genomics

Fagron Sterile Services

AnazaoHealth®

Letco MED LET US HELP.

Revenue 2023



Essentials | Brands | Compounding Services

Revenue (in million euros)

308.9 +26.0%

2023	308.9
2022	245.1
2021	177.6

REBITDA (EBITDA before non-recurring results, in million euros)

59.8 +44.9%

2023	59.8
2022	41.3
2021	32.2

11
Number of facilities

4
Compounding facilities

2
Repackaging facilities

1
Laboratories

3
Warehouses

1
Offices/other

1,164
Employees

248
Pharmacists employed

15.6
Units of compounded medicine supplied (in millions)

4,950
Climate impact, scope 1+2 (in metric tons of CO_2-eq)

14,202
Energy use (in MWh)

83%
Sustainable Engagement Score

Fagron North America

Developments in 2023

Fagron North America accelerated its growth in 2023, driven by its compounding activities. Continued strong underlying demand, successful integration of our 2022 acquisitions, and drug shortages were important drivers for the revenue growth. Profitability also improved nicely, mainly as a result of progressing integration of the Letco and Boston acquisitions and improved operational efficiency at our Wichita facility.

Brands & Essentials

The United States is the largest pharmaceutical compounding market in the world in value. With our North America Brands and Essentials business we serve community and hospital pharmacies, including 503A and 503B facilities, clinics, and the industry with our broad product portfolio of raw materials, packaging, supplies, equipment, and Brands.

As part of the accelerated integration of Letco, all repackaging activities are now consolidated at our cGMP repackaging facility in Decatur, Alabama. Also the sales force, systems and product offering have been harmonized, resulting in an improving performance during the year. Towards the end of the third quarter, the FDA conducted an inspection at the Decatur facility, which resulted in one observation. We are working towards a satisfactory closure of the inspection.

In the second half of the year, we announced the closure of the Saint Paul repackaging facility and an investment in a new cGMP repackaging facility in Decatur, to facilitate further growth and enhance operational excellence. This new facility will enable us to achieve market leadership.

Andrew Pulido, Area Leader Fagron North America:
"I am very proud of the excellent job our team did this year: making strong progress in integrating last year's acquisitions, breaking sales records, and contributing to addressing the increasing drug shortages. At the same time, we continued our focus on quality, increased operational efficiency and started investments in the expansion of two of our facilities. In a sector that is subject to increasing regulatory requirements, accomplishing this progress is not easy. In the coming year, we will continue to focus on strengthening our market position in the region while maintaining quality as our first priority, leveraging the strength of our business model and underlying trends. I look forward to working with our great team towards achieving market leadership."

Compounding Services

Fagron Compounding Services' operations in North America can be divided into Fagron Sterile Services, which compounds sterile medicine in batches for hospitals, and AnazaoHealth, which compounds both non-sterile and sterile medicine for clinics and physicians, both on prescription and in larger batches. AnazaoHealth is a specialty compounding pharmacy focusing on wellness, pain management and nuclear medicine.

Fagron Sterile Services (FSS)
FSS has compounding facilities in Wichita, Kansas, and Boston, Massachusetts, that comply with section 503B of the Federal Food, Drug, and Cosmetic Act (FD&C Act) and are permitted to compound in batches.

The 503B compounding facilities in Wichita and Boston are set up to the highest quality standards and comply with stringent laws and regulations. Both facilities are under FDA oversight and have recently been inspected by the FDA, which inspections were completed satisfactorily. Deliveries may be made from Wichita to all states in the United States. At year-end 2023, the Boston facility could service 39 states, while license applications for the remaining states were pending.

Fagron North America

In 2023, underlying demand for outsourcing of sterile compounding remained high, as increasing regulatory scrutiny and focus on efficiency continued to drive hospital towards outsourcing. With our focus on quality, customer service and innovation and supported by the capacity expansion following the acquisition of the Boston facility, FSS North America further strengthened its market share, becoming number two in the market for sterile hospital outsourcing.

The Boston integration progressed well during the year, resulting in a single sales team, consolidated product offering and harmonized systems for FSS. With the number of licenses for the Boston facility increasing, it reached breakeven in the fourth quarter as anticipated. The increasing orders from existing customers and new customer wins, further supported by drug shortages, translated in record growth.

AnazaoHealth
AnazaoHealth has compounding facilities in Las Vegas, Nevada, and Tampa, Florida. The Tampa facility complies with Section 503A of the FD&C Act, which means it makes each compound on prescription basis. The Las Vegas facility is a 503B compounding facility, for sterile batch compounding. Although both facilities are overseen by the FDA, oversight of 503A compounding facilities is primarily exercised by the Boards of Pharmacies of the states where products are supplied (in the case of AnazaoHealth in all states). The Las Vegas compounding facility was inspected by the FDA in July 2022 from which five observations emerged. We are in regular contact with the FDA and are working towards a satisfactory closure of the inspection.

Increasing orders from existing customers, new customer wins, and new product introductions contributed to strong revenue growth, further supported by drug shortages, particularly driven by demand for GLP-1 related products.

Fagron expects to play a role in the trend towards further consolidation in this highly fragmented business as regulatory requirements are increasing. The announced investment in the Tampa facility is an important step in this regard, facilitating further growth and enhancing operational excellence. The new facility is planned to become operational in 2024.

Innovation
Innovative product introductions are an important pillar to strengthen our market positioning. Also in 2023, we launched new SKUs and products across our segments in North America optimizing our product offering, including Amino Multiplex PF, Fentanyl – Bupivacaine IV bags, and Hydromorphone IV bags.

Operational excellence
We have taken multiple steps to increasing operational efficiency, such as insourcing testing and introducing rapid testing, increasing batch sizes, and harmonizing IT systems. This is a continuing process that we expect to see further benefits from going forward. In 2024, we expect making a further important step in this process through automated visual inspection in our Wichita facility, which we have been preparing during 2023.

Following the capacity expansion resulting from the acquisition of the Boston facility and the investments in the capacity expansion of the repackaging activities in Decatur and our 503A facility in Tampa, Fagron North America is well-prepared to further strengthen its market position in the region and ultimately achieve market leadership across its businesses.

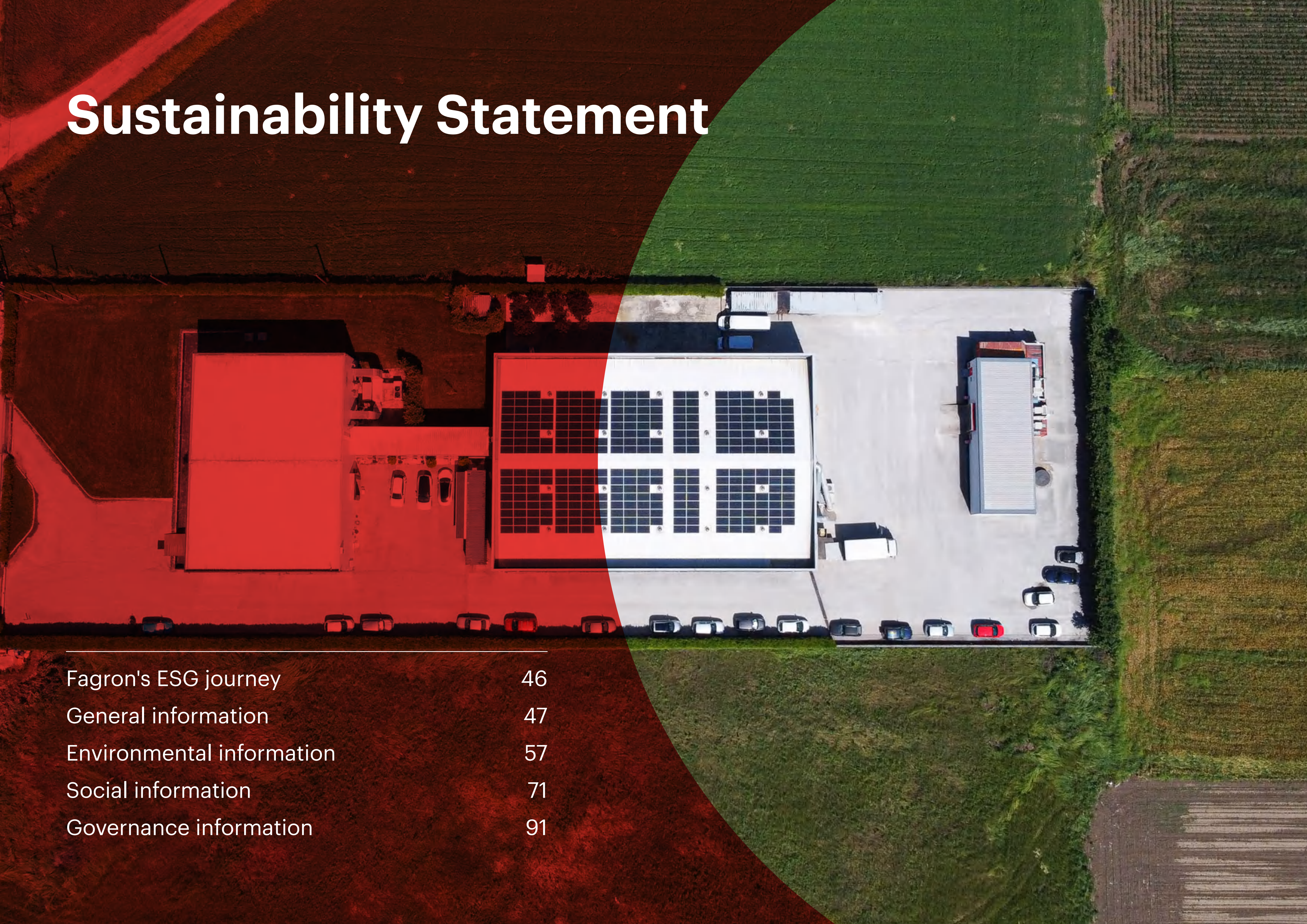
Fagron North America

Focus in 2024

Fagron expects demand for its products in both Brands and Essentials, and Compounding Services in the region to remain high, supported by increasing regulatory requirements and drug shortages. The investments in capacity expansion, combined with further roll-out of our operational excellence programs, our focus on quality, customer service and innovative product portfolio will contribute to the strengthening of our market positions across our businesses. This will put Fagron North America in an excellent position to benefit from the opportunities that this growing market offers.

North American market for personalized medicine

Fagron estimates that about 1 to 1.5% of all prescriptions in North America involve pharmaceutical compounding and that the North American market for sterile and non-sterile pharmaceutical compounding is worth around 5 billion euro. This is the available market for Compounding Services in North America. Based on the cost of goods sold in Fagron's compounding facilities, it is estimated that approximately 10 to 15% of this market was the cost of pharmaceutical raw materials and administration forms.



Sustainability Statement

Fagron's ESG journey

Contributing to society is Fagron's core business, by making healthcare accessible to more patients through personalizing medication. Building a future-proof organization with a clear focus on sustainability is one of our strategic pillars. Historically, Fagron always paid attention to ESG or sustainability. However, a more structured approach, with an ambitious ESG strategy, was initiated around the time Fagron concluded a credit facility with the interest margin linked to progress on our greenhouse gas emission reduction targets, in August 2019.

Initially working with external consultants, Fagron hired an in-house, dedicated global ESG consultant in 2020. We started our ESG journey that year by adopting an ambitious, but realistic, ESG strategy based on the input of our customers, employees and shareholders. Our ESG strategy was based on a 2020 materiality assessment and included targets on five ESG categories: low impact on the environment, benefits to our people, responsibility in the supply chain, giving back and good governance. In our 2020 annual report we started reporting progress on each of our different ESG targets per category.

As we are showing continuous progress on our targets since 2020, we challenge ourselves by keeping our strategy and targets ambitious. After a first evaluation in 2021, we updated our ESG strategy in 2022 and in September 2022 submitted near term science-based emission reduction targets for validation by the Science Based Target initiative (SBTi). These emission reduction targets cover scope 1, 2 and 3 emissions in line with the SBTi's criteria to meet the goals of the Paris Agreement of limiting global warming to 1.5°C. The SBTi approved our science-based targets in October 2023.

Our commitment to sustainability is furthermore evidenced by our continuous disclosure on progress and relevant developments on our ESG website and our pro-active reporting on various sustainability disclosure requirements, sometimes even before these become effective. As an example, our 2022 annual report included an ESRS index based on the draft ESRS (version November 2022), two years before we were required to comply with the CSRD. In addition, we hired two additional ESG team members, an ESG data analyst and an ESG specialist EMEA, enforcing our strategic pillar to build a future-proof organization with a clear focus on sustainability.

We are very proud that our commitment and efforts are recognized by our internal and external stakeholders. In 2022, at the launch of Euronext Amsterdam's AEX ESG index, the Fagron share was selected as one of the 25 constituents and in 2023, we were again honored by being selected for Euronext Brussels' BEL ESG index at its introduction.

In this Sustainability Statement, we describe our current ESG strategy and targets, expand our disclosure on the CSRD further in anticipation of its entry into force in 2024, and disclose progress made on our different ESG targets over 2023. We also identify where we see room for further improvement. In 2024, we will update our ESG strategy, incorporating the outcome of our double materiality assessment and the feedback from investors received in that process, re-adjust targets, work on a climate change transition plan, continue our dialogue with our stakeholders on sustainability topics, and much more.

General information

Reporting on ESG

Applicable legislation

Fagron's Environmental, Social, Governance (ESG) strategy, ESG policies, and ESG reporting comply with both national and international laws and regulations. Fagron reports on non-financial information in line with the EU Directive (2014/95) and the applicable national legislation in Belgium.

In preparation for the entry into force of the Corporate Sustainability Reporting Directive (CSRD) (Directive 2022/2464), which we must comply with for the first time when reporting over financial year 2024, we report extensively on ESG topics. In the ESRS Index, we list which CSRD disclosure requirements, as described in the European Sustainability Reporting Standards (ESRS) (Delegated Regulation 2023/2772), we already comply with and which not yet.

Scope of ESG reporting

All statements in this section and the ESRS Index apply to all companies within Fagron Group as listed in the consolidated financial statements on page 189. Exceptions apply only to environmental indicators, the delineation of which is described in detail starting on page 57. No material information has been omitted. For each material topic, we indicate if the information presented is applicable to Fagron's value chain in addition to being applicable to Fagron group companies.

Value chain estimations and other metrics with measurement uncertainty

Fagron reports on the following metrics, for which information was obtained from the value chain:

- Climate change: Scope 2 emissions (see pages 60-64)
- Climate change: Scope 3 emissions (see pages 60-64)
- Climate change: Suppliers that have set science-based targets (see page 65)
- Energy use: Electricity and heat from fossil or renewable sources (see pages 66-68)
- Work-related fatalities of value chain workers on Fagron sites (see page 78)
- Signature of Business Partner Code of Conduct (see page 84)
- Product recalls (see page 90)

Of these metrics, only the climate change and energy use metrics come with a level of uncertainty. In addition, the following reported metrics also have a degree of uncertainty:

- Rate of work-related injuries (see page 78)
- Units of compounded medicine supplied (see page 87).

We describe the estimations made and the resulting level of accuracy as well as planned actions to improve accuracy in the future together with the metric.

Changes and reporting errors
Based on our materiality assessment, we have decided to seize reporting on NO_x emissions (see Chemical use & pollution for more information). All other ESG indicators reported on in 2022 are included in this Sustainability Statement. We added additional indicators based on the outcome of our double materiality assessment.

The following metrics have been revised in comparison to the information presented in the 2022 report:

- Climate change: 2021 scope 1, scope 2 and scope 3 business travel emissions. There was an update based on new available emission factors for scope 2, also a number of small errors have been corrected. In addition, we have updated the calculation method used to estimate the market-based emission factor for electricity used in electric cars for 2021 to ensure that the numbers are comparable with 2023 data.
- Energy use: A number of small errors have been corrected and 2021 energy use figures have been revised.

A description of the exact revisions, and the explanation of corrections or differences between data reported in 2022 can be found with the amended indicators.

Incorporation by reference
To increase the readability of our ESG information, and prevent duplication of information, we have included an information box with reference information in each of the four main sections of the Sustainability Statement.

Disclosures incorporated by reference

The following information can be found in another part of this annual report, and is incorporated into the Sustainability Statement by reference:

- Our value chain
- Fagron Strategy
- Composition of the Board of Directors
- Skills and expertise in the Board of Directors
- Diversity in the Board of Directors
- Remuneration report and policy
- ESRS Index

The following information can be found in another part of this Sustainability Statement and is incorporated into the chapter "General information" by reference:

- Scope of reporting for material topics in the ESG category "Low impact on the environment"
- Scope of reporting for material topics in the ESG category "Benefits to our people"
- Scope of reporting for material topics in the ESG category "Responsibility in the supply chain"
- Scope of reporting for material topics in the ESG category "Giving back"
- Scope of reporting for material topics in the ESG category "Good governance"

See for the exact location of each disclosure the ESRS Index

ESG Management

Management of existing ESG strategy and policies

The Board of Directors determines Fagron's ESG strategy and adjusts it where necessary (see next section). It is also ultimately responsible for implementing the established ESG strategy and policies. The Board of Directors has appointed the CFO to oversee this on its behalf. To monitor the implementation of Fagron's ESG policies and strategy, the Board of Directors discusses progress at every meeting. The executive leadership team also regularly discusses progress on ESG policies and strategy. The executive leadership team and the Board of Directors reflect on ESG results achieved, adjustment of ESG policies based on the annual evaluation and, ESG as part of Fagron's overall strategy and the annual budget.

Fagron has an ESG team that consists of the CFO, Global Investor Relations Manager, Global ESG Officer, ESG Data Analyst and EMEA ESG Specialist. The EMEA ESG Specialist was appointed in the second quarter of 2023 to further improve implementation of ESG policies in the EMEA region. This team discusses material ESG developments and roll-out of ESG policies and strategy every month.

Responsibility for day-to-day management differs per Fagron ESG category or topic:

1. Low impact on the environment: Global ESG Officer; for health & safety implications of pollution, hazardous chemicals, and waste management together with the COO
2. Benefits to our people: Global HR Director and Global ESG Officer; for health & safety of employees in close cooperation with the COO
3. Responsibility in the supply chain: COO and Global ESG Officer
4. Giving back: COO and Global ESG Officer
5. Good governance: Head of Legal and M&A (Compliance with laws and regulations), Global HR Director (Prevention of corruption and bribery, grievance mechanism, and remuneration of executives), and Global ESG Officer

As the local companies play an important role in the implementation of Fagron's ESG policies and strategy, there is regular contact between the ESG team, those responsible for the day-to-day activities within an ESG category, and the location managers.

Strengthening and adjusting Fagron's ESG strategy and policies

The Board of Directors is ultimately responsible for overseeing ESG impacts, risks and opportunities and ensuring that they are adequately reflected in Fagron's ESG strategy and policies. The CFO advises the Board of Directors in this respect. The strengthening and adjustment of Fagron's ESG policies occur through an annual evaluation of the policies per material topic and through evaluation of these topics in the materiality assessment every two years.

The ESG team conducted a first evaluation in 2021. As part of this evaluation, Fagron spoke with investors and the financial market about ESG and held evaluation meetings with those internally responsible for day-to-day operations by category (e.g., the Global HR Director for the Benefits to our people category). In 2023, we conducted a materiality assessment instead of conducting an evaluation of the current ESG policies. This materiality assessment will serve as input for updating the ESG strategy in 2024.

ESG due diligence

The OECD Guidelines for Multinational Enterprises give guidance to multinationals on due diligence, i.e. processes to identify, prevent and mitigate actual and potential negative impacts on people and environment. This includes actual or potential negative impacts due to a company's operation or in the upstream or downstream value chain.

Fagron is committed to reduce its negative impact on people and the environment and to increase its positive impact. Fagron does not have a formalized due diligence process in relation to ESG topics, but the activities as described in this annual report are linked with the core elements of due diligence (see table on next page).

General information

Core elements of due diligence	Part of annual report
Embedding due diligence in governance, strategy, and business model	About Fagron and ESG Management
Engaging with affected stakeholders	Stakeholder engagement
Identifying and assessing adverse impacts	Materiality assessment
Taking actions to address adverse impacts	“Actions” as reported for each material topic
Tracking effectiveness of actions	“Performance” as reported for each material topic

Stakeholder engagement

Fagron’s stakeholders
Stakeholders that have an interest in Fagron’s ESG performance can be divided into affected stakeholders and users of ESG information:

- Fagron is likely to have an actual or potential impact on employees and other people working for Fagron (Our people), suppliers and supply chain workers, and customers/end-users. In addition, Fagron has an environmental impact, so the environment can also be considered a stakeholder. As Fagron does not have a material impact on local communities, we do not consider local communities as key stakeholders.
- Important users of Fagron’s ESG information are primary users of general-purpose financial reporting, including existing and potential investors as well as financial institutions, and customers. There are currently no other users of ESG information that regularly reach out to Fagron about ESG.

These stakeholders may also have a potential or actual impact on the financial value of Fagron. In addition, also the external stakeholder group regulators/authorities may have an impact on Fagron.

Engagement with our people
Fagron engages with its employees through a Global Employee Survey. The purpose of the Global Employee Survey is to understand the demands and needs of our people, to set priorities, and to respond adequately to our people's demands and feedback. The survey is conducted every two years and includes questions related to the ESG topics “Compensation & benefits”, “Diversity & inclusion”, “Sustainable engagement”, “Grievance mechanism for employees”, “Health & safety”, “Training & development”, and “Working hours”. In addition, employees can share how they feel about working at Fagron.

Based on the survey results Fagron develops an action plan with focus areas to work on. The results of the survey and proposed action plans are presented to the Board of Directors.

The Board of Directors provides feedback and, after having reached consensus on the plans, approves the action plans. For more information on the outcome of the most recent survey and the developed action plans, see Employee engagement.

In the subsequent Global Employee Survey, employees are always asked if enough has been done with their feedback. In the last Global Employee Survey 51% of employees were happy with the progress made, and 18% believed that Fagron could improve further. The other employees were neither explicitly content with the progress nor believed that it was necessary for Fagron to improve further.

Fagron does not have any specific engagement in terms of ESG topics with non-employees in its own workforce and also does not target any specific employee groups. Because the number of non-employees is small relative to the number of employees (see Benefits to our people) and the interests of both groups are similar, we do not believe we are missing any vital information.

Engagement with suppliers and supply chain workers
Fagron engages with its direct (Tier 1) suppliers and as part of our supply chain due diligence, suppliers are requested to sign our Fagron Business Partner Code of Conduct. During our supplier engagement, a supplier is requested to complete an ESG questionnaire so we can learn about the ESG practices of our direct suppliers. This questionnaire includes questions about climate change, human rights and labor rights, pollution control and due diligence further down the supply chain. This questionnaire does not inquire whether Fagron has a negative impact on our suppliers or supply chain workers. As Fagron started requesting a significant number of suppliers to complete our ESG questionnaire since the second half of 2023, there are not sufficient results available yet.

The ESG questionnaire will be updated in 2024 by a working group consisting of our COO, members of our Purchasing and Sourcing Management (PSM) team and Fagron's ESG team. When updating its supply chain ESG questionnaire in 2024, Fagron will consider amending the questionnaire to get better information on the potential negative impacts that Fagron may have on suppliers and supply chain workers. We will also consider the added value of including specific questions about more vulnerable supply chain workers (e.g. female workers).

Currently, Fagron does not have a structured approach to engage directly with value chain workers, nor are there plans to do so.

Engagement with customers/end-users
As Fagron generally does not sell directly to end-users (patients), we only have an indirect impact on end-users via our customers. We assume that our customers take the interest of the end-users of our products into consideration when interacting with us. There is currently no structured engagement with customers regarding potential negative impacts. Fagron does not conduct any customer satisfaction survey at Fagron group level, but we are considering doing so in the near future.

Engagement with shareholders
As part of our double materiality assessment, we engaged with shareholders representing over 50% of our outstanding capital[1] between mid-June and mid-July 2023. The aim of the shareholder engagement was to understand what ESG topics our shareholders find important enough to not invest in a company or trigger divestment, vote on at shareholder meetings or otherwise request information on.

The following questions were discussed during the shareholder engagement:
1. Does your organization have exclusion criteria for investing in specific markets/ types of products that are related to ESG? And if so, what are these?
2. Does your organization have exclusion criteria in place regarding ESG performance (e.g. in term of rating)? And if so, what are these?
3. Is there any ESG-related performance indicator that would trigger your organization to sell Fagron shares? And if so, what are these? And do you apply thresholds?
4. Does your organization have any ESG-related voting guidelines/standpoints for shareholder meetings? And if so, what are these?
5. Does your organization actively engage with the companies you invest in, in terms of ESG? If yes, what are the most important topics?

Engagement with other stakeholder groups
Fagron does not engage with stakeholders that it does not consider a key stakeholder group, including with local communities. Fagron also has no intention to do so in the near future. Fagron did not engage with credit providers, because most of the outstanding amount of the current credit facility will only mature in 2026. We anticipate including this stakeholder group in future materiality assessments. Fagron is considering direct engagement with regulators/authorities but has not done so in the most recent stakeholder engagement.

[1] Based on available information as of May 2023.

Materiality assessment

In 2023, Fagron conducted a double materiality assessment in line with the requirements of the CSRD. In short, double materiality assessment means that a topic can be material from either a financial perspective (financial materiality) or an impact perspective (impact materiality). An ESG topic qualifies as material within the meaning of the CSRD when it meets the criteria for financial materiality, impact materiality, or both.

The Board of Directors approved the materiality assessment performed in 2023, subject to review by the Sustainability Auditor. It is Fagron's ambition to conduct a materiality assessment every two to three years, which means that the next assessment will be scheduled for 2025 or 2026.

Fagron has taken the following steps in its materiality assessment:

1. Identify potential material topics
2. Identify stakeholders
3. Assess financial materiality
4. Assess impact materiality per stakeholder group
5. Plot materiality in matrix

Identify potential material topics

Fagron has made a long-list of potential material topics by combining all the potential topics listed in the ESRS with information from the MSCI Industry Materiality Map, SASB Materiality Finder, and the topics that Sustainalytics identified as material for Fagron. In addition, a high-level cross-check has been done with the available materiality assessments of healthcare companies that are listed in Belgium or the Netherlands. Any topics that were included in our previous materiality assessment were also included in the long-list.

Identify potential stakeholders

A description of stakeholders can be found under stakeholder engagement. The identified ESG topics have been grouped into what we call Fagron ESG topics and consequently divided over the potentially affected stakeholders. This division forms the basis for the impact materiality assessment per potentially affected stakeholder group.

Stakeholder group	Fagron ESG topics
Employees	Compensation & benefits, Diversity & inclusion, Employee engagement, Grievance mechanism for own workers, Health & safety, Human rights & labor rights, Security of employment, Training & development, Working hours
End-users	Access to healthcare, Ethical selling practices, Lobbying and political engagement, Privacy of end-users, Product quality & safety, Sustainable products
Value chain workers	Human rights & labor rights, Payment practices, Working conditions
Communities in which we operate	Corruption & bribery, Chemical use & pollution, Rights of communities, Resource use, Tax transparency, Waste, Water use
World at large/environment	Animal welfare, Biodiversity, Compliance with rules and regulations (general), Climate change, Energy use, Remuneration of executives

General information

Assess financial materiality
An ESG topic can be financially material from two perspectives:

- If an ESG topic generates risks or opportunities that have a material influence or could reasonably be expected to have a material effect on Fagron's development, financial position or performance, cash flow, access to finance, or cost of capital.
- If information on the ESG topic is important for users of general-purpose financial reports. For example shareholders and credit/debit providers may use this information to make decisions relating to providing financial resources to Fagron.

Because Fagron already conducted a risk assessment in 2022, we used data from that risk assessment as input for our materiality assessment. Most of our ESG topics were explicitly discussed in this assessment, either as a risk or as a factor contributing to a risk, with the exception of energy use and sustainable products that were discussed in terms of opportunities. The table shows the related risk from the risk assessment, as well as the risk assessed as Low, Moderate or High. See for more information on the risk assessment, Risk management.

In 2023, we reached out to shareholders as part of the materiality assessment (see Engagement with shareholders). We also considered the ESG indicators that are currently included in our credit facility.

We did not apply weighing, this means that a topic is considered as "High" materiality if it was rated as such in the risk assessment, by our shareholders or as part of our current credit facility. In our materiality matrix the results of the financial materiality assessment can be found on the axis "Potential or actual impact on Fagron Value".

Fagron ESG Topic(s)	Related risk in risk assessment	Risk assessment	Shareholder engagement
Climate change, Health & Safety (Employees)	Health, safety and environmental incidents	Moderate	High
Chemical use & pollution	Reputational risk	Low[1]	High
Energy use	-	Moderate	Moderate
Waste, Health & Safety (Value chain workers)	Reputational risk	Low[1]	Moderate
Compensation & benefits	Human capital risk	Moderate[2]	Moderate
Diversity & inclusion	Human capital risk	Low[2]	High
Employee engagement	Human capital risk	High[2]	Moderate
Human rights & labor rights	Reputational risk	Moderate	High
Training & Development, Working hours	Human capital risk	High[2]	-
Access to healthcare	-	No risk	Moderate (Positive)
Product quality & safety	Product quality & safety	High	High
Compliance	Compliance	High	High
Corruption & Bribery	Corruption & Bribery	Low	High
Remuneration of executives	Reputational risk	Moderate	High

1 Assessed as not being one of the main reputational risks in the risk assessment.
2 Scoring of factors that contribute to to human capital risk, or employees leaving has been done based on the annual leavers's survey.

Assess impact materiality
An ESG topic is material from an impact perspective when it results in Fagron having an actual or potential positive or negative impact on people or the environment over the short, medium, or long term. Impacts could occur because of own operations or via the upstream or downstream value chain.

For all stakeholder groups we have assessed impact based on the following assessment framework:

- Non-remediable and grave impact could be death or permanent physical or mental injury. Irrespective of how likely it is that this will happen and how many people are affected, we will always classify an ESG topic that falls in this category to have a High impact materiality.
- A remediable but grave impact is any ESG topic that could lead to a person not being able to build healthy, long-lasting relationships with others. This could be at home, at work or within the community. For example, because of displacement due to environmental degradation. We classify any remediable grave impact with an actual or high likelihood that affects more than 100 people as having a High impact materiality. In all other cases, we classify it as a Moderate impact materiality.
- A not grave and remediable impact is any impact Fagron has on people or the environment that could lead to someone not being able to self-develop (e.g. learning new skills). We classify any impact that is not grave and remediable as a Low impact materiality, except when there is an actual or very likely impact on more than 100 people. In which case we classify it as a Moderate impact materiality.

Fagron engaged with its employees, see Engagement with our people. Engagement with the world at large/environment has been done through available literature. The assessment for the other stakeholders is solely based on a theoretical assessment of potential impact that could occur in our upstream or downstream value chain.

In our materiality matrix the results of the impact materiality assessment can be found on the axis "Potential or actual impact on society and environment".

Plot materiality assessment in matrix
The results of our materiality assessment are shown in the matrix on the next page. Any topic that is considered as having a High financial or impact materiality is a material Fagron ESG topic. In addition, we consider any topic that is Moderate from both an impact and financial materiality to be a material Fagron ESG topic.

		Severity of impact					
		Impact is remediable & not grave		Impact is remediable & grave		Impact is non-remediable & grave	
		1-100 people affected	>100 people affected	1-100 people affected	>100 people affected	1-100 people affected	>100 people affected
Likelihood of impact happening	High/ Actual impact	Low	Moderate	Moderate	High	High	High
	Moderate	Low	Low	Moderate	Moderate	High	High
	Low	Low	Low	Moderate	Moderate	High	High

General information

Material topics

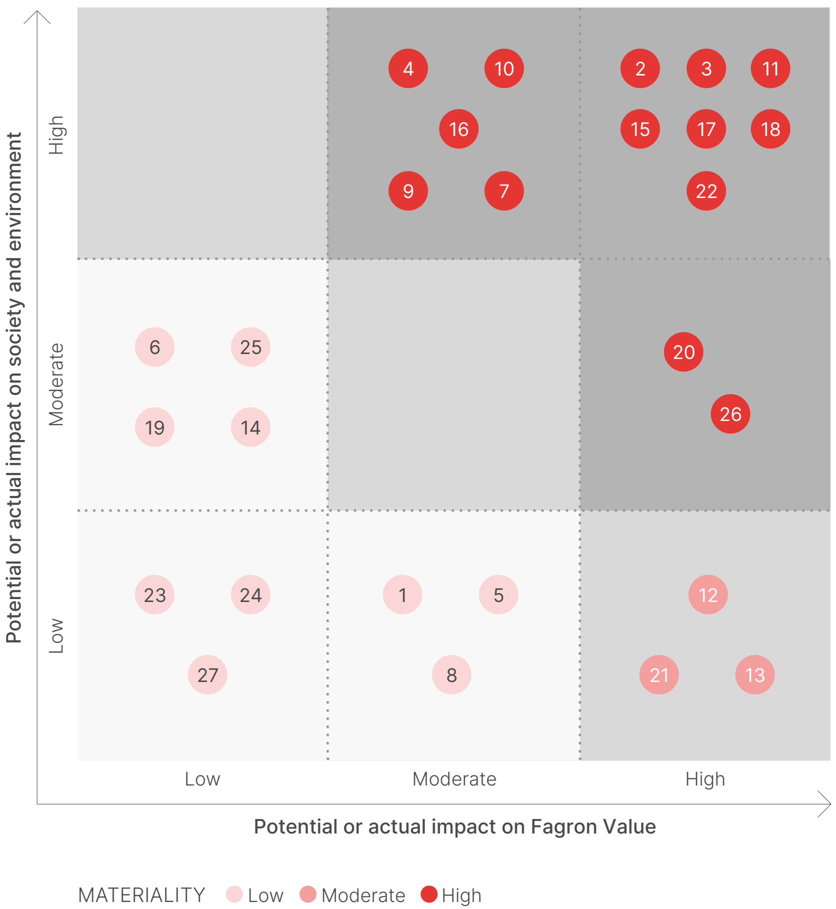
The topics scoring High or Moderate in the materiality matrix are considered material by Fagron. We report on these topics in this annual report. The material Fagron ESG topics are divided into the following ESG categories:

1. Low impact on the environment
2. Benefits to our people
3. Responsibility in the supply chain
4. Giving back
5. Good governance

Other than in our 2022 annual report, we are no longer reporting on “Fair tax policy” as this topic does not qualify as material for Fagron. As additional material topics, we are reporting on “Compensation & benefits”, “Working hours”, “Remuneration of executives”, “Human rights & labor rights of end-users”, and “Health & safety of supply chain workers” in this annual report.

Most of our material topics are covered by disclosure requirements laid down in the ESRS. For the material topics where this is not the case, we try to give an indication of our negative or positive impact on people or the environment with Fagron specific metrics.

Materiality matrix



LEGEND

Environment
1 Biodiversity
2 Climate change
3 Chemical use & pollution
4 Energy use
5 Resource use
6 Sustainable products
7 Waste
8 Water use

Social
9 Access to healthcare
10 Compensation & benefits
11 Corruption & bribery
12 Diversity & inclusion
13 Employee engagement
14 Grievance mechanism
15 Health & safety (employees)
16 Health & safety (supply chain)
17 Human rights & labor rights
18 Product quality & safety
19 Security of employment
20 Training & development
21 Working hours

Governance
22 Compliance
23 Ethical selling practices
24 Lobbying & political engagement
25 Payment practices
26 Remuneration executives
27 Tax transparency

Fagron's ESG strategy

Fagron's Global ESG Strategy covers all topics deemed material in our 2020 materiality assessment. The newest strategy was published early 2022 and is available on the Fagron website. When developing this strategy, Fagron involved internal stakeholders in setting targets (ELT, key members of staff). No other stakeholders were consulted.

The ESG strategy will be updated in the first half of 2024 to reflect the results of the materiality assessment as described under materiality assessment and material topics.

Validation of metrics

None of the metrics in this chapter are validated by an external body or assurance provider. Validation by an assurance provider will occur for the first time over the financial year 2024, in accordance with the CSRD.

Sustainable Development Goals

Fagron endorses all 17 Sustainable Development Goals (SDGs) that were defined by the United Nations in 2015. Based on the defined sustainability strategy, Fagron selected five SDGs on which it actively focuses and where we believe we can make the highest contribution. We are making an active contribution to achieving these five SDGs in 2030.

ESG category	Contribution Fagron	SDG
Environment	Fagron contributes to SDG 7 and SDG 13 with our commitment to reducing greenhouse gas emissions in our operations and investments in solar panels and energy-saving measures.	Affordable and clean energy Climate action
Our people	Fagron contributes to SDG 5 by applying gender equality policies. Fagron contributes to SDG 8 by providing a decent and safe work conditions for more than 3,000 employees worldwide.	Gender equality Decent work and economic growth
Responsibility in the supply chain	Fagron contributes to SDG 8 through our Business Partner Code of Conduct.	Decent work and economic growth
Giving back	Fagron contributes to SDG 3 by delivering personalized medicine and medicine for vulnerable patient groups.	Good health and well-being
Good governance	Fagron contributes to SDG 8 by striving to realize annual revenue growth.	Decent work and economic growth

Environmental information

Disclosures incorporated by reference

The following information can be found elsewhere in this annual report, and is incorporated into the Sustainability Statement by reference:

- Remuneration report and policy
- EU Taxonomy

The following information can be found elsewhere in this Sustainability Statement and is incorporated into the chapter "Environmental information" by reference:

- Materiality assessment
- Fagron's ESG Strategy

See for the exact location of each disclosure the ESRS Index

Low impact on the environment

Introduction

Key topics that are included in our ESG category "Low impact on the environment" are:

- Climate change
- Chemical use & pollution
- Energy use
- Waste

We report on environmental topics for all companies that have been part of Fagron Group for the entire financial year. This means that, for example Pharma-pack, which was acquired in 2022, is only included for the first time in the environmental disclosures for financial year 2023.

In the case of indicators reported for climate change and energy use, it is therefore relevant to keep the following in mind:

- When we report on greenhouse gas emissions and energy use, these values include only the greenhouse gas emissions and energy use of the companies that have been part of the Fagron Group for the entire financial year.
- When we report on intensity values (greenhouse gas intensity, energy intensity), these values are calculated with the revenue of the companies that have been part of the Fagron Group for the entire financial year.
- In line with our recalculation policy for our science-based targets, we recalculate our 2021 base year emissions (and all emissions since) for all companies that were part of the Fagron Group for the full financial year 2023. For clarity, we report both the adjusted and unadjusted greenhouse gas emissions. Unadjusted greenhouse gas emissions are the emissions of companies that were part of the Fagron Group for the entire financial year in respectively 2021, 2022 and 2023. Adjusted greenhouse gas emissions include an estimate of the emissions that would have occurred in the financial year 2021 and 2022 if those companies included in the Fagron Group in 2023 were also part of the Fagron Group in 2021 and 2022.

Environmental information

Climate change

Climate change has a negative impact on the health and safety of people worldwide. More than half of the world's population lives in areas susceptible to the impacts of climate change, which include but are not limited to rising temperature, rising sea level, higher risks of storms, flooding and droughts. Fagron's activities contribute to this negative impact through greenhouse gas emissions from its own operations and the operations in its upstream and downstream value chains.

Policies and targets

Fagron wants to reduce greenhouse emissions from its own operations and from its upstream and downstream value chain in line with the Paris agreement's goal of keeping global warming within 1.5°C above the average temperature in the pre-industrial era (1850 - 1900).

Fagron's policies and targets on climate change apply both to our own operations (scope 1 and 2 emissions), as well as to our upstream and downstream value chain (scope 3 emissions). With our policies and targets, Fagron strives to ensure that our greenhouse gas emissions reduce in line with the goals of the Paris agreement. Fagron's greenhouse gas emissions in our base year (in metric ton CO_2-eq), as well as the performance against our targets can be found under Performance.

We describe the following policies and targets:

- Greenhouse gas intensity targets
- Science-based targets
- Climate change transition plan

Greenhouse gas intensity targets

Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to climate change mitigation. Fagron's ESG Strategy includes the following target related to climate change:

- Reduce greenhouse gas intensity of our scope 1, scope 2 (location-based) and scope 3 business travel emissions with 30% by 2025 compared to 2019 emissions (5% reduction per year).

In addition, we have two target related to energy use, that contribute to greenhouse gas emission reduction. See Energy use.

Science-based targets

We will update our ESG strategy in 2024 to include additional policies and targets for the material topics identified in our most recent materiality assessment. This update will include the science-based targets that have been approved by the Science Based Targets initiative (SBTi) in October 2023 as 1.5°C aligned. The targets are as follows:

- Fagron will reduce absolute scope 1 and 2 greenhouse gas emissions (market-based) by 42% by 2030 from a 2021 base year.
- 60% of our suppliers by emissions covering purchased goods and services will have science-based targets by 2027.
- Fagron will reduce absolute scope 3 greenhouse gas emissions 25% by 2030 from a 2021 base year for the following scope 3 categories:
  - Fuel and energy-related activities
  - Upstream transportation and distribution
  - Waste generated in operations
  - Business travel
  - Employee commuting
  - Downstream transportation and distribution
  - End-of-life treatment of sold products

The targets approved by the SBTi for scope 1 and 2 are based on the cross-sector reduction pathway needed to achieve net-zero in 2050. These targets have a higher ambition level than the greenhouse gas intensity target which only applies to greenhouse gas emissions from own operations and from business travel (cars and flights). Since Fagron has a buy-and-build acquisition strategy (see Strategic objectives) these targets are challenging for Fagron, but we believe that they are achievable.

Climate change resilience analysis and transition plan

Fagron has not yet analyzed the resilience of its strategy and business model in relation to climate change physical risk and transition risk. Fagron therefore also does not yet have a climate change transition plan towards net zero in 2050. However, Fagron has set near-term greenhouse gas emission targets that are compatible with limiting global warming to 1.5°C (see Policies and targets).

Action plans have been developed to achieve these targets (see Actions). These targets, as well as action plans have been approved by the Board of Directors. Fagron is making progress on implementing its action plans and achieving its greenhouse gas emission targets (see Performance).

Fagron will be working on a climate change transition plan in 2024. When Fagron finalizes its climate change transition plan it may be eligible for indexes that align with a Paris-Aligned Benchmark, because Fagron is not active in one of the industries that will be excluded from Paris-aligned Benchmarks.

Climate change adaptation

Fagron does not currently have any policies that address climate change adaptation.

Actions

To mitigate the impacts of climate change, Fagron has been reducing its greenhouse gas emissions. The actions Fagron has been taking can be divided into:

- Reducing energy use
- Renewable electricity
- Electrifying fleet
- Promoting sustainable business travel

No designated funding has been allocated to any of these actions as actions are funded when implementing individual measures. Financial indicators related to climate change mitigation actions in 2023 can be found in the EU Taxonomy appendix.

Fagron does not finance any of its actions (GHG removals and GHG mitigation projects) through carbon credits. Fagron also does not apply internal carbon pricing schemes.

Reducing energy use

The greenhouse gas emissions from energy use (natural gas use and electricity use) in our facilities are the biggest contributor to our scope 1 and scope 2 carbon footprint. Reducing our energy use is therefore an important lever to reduce our greenhouse gas emissions. More details about our total energy use and efforts to reduce our energy use can be found in the section Energy use.

Renewable electricity

Fagron is constantly looking for opportunities to make its energy use more sustainable. Fagron's approach to renewable electricity consist of:

- Solar panels: We install solar panels in our facilities. In 2023, new solar panels have been finalized at two facilities and we have expanded one existing solar panel installation. Because of the move of our facility in Mexico and the consolidation of locations in Brazil, the number of facilities with solar panel installations remained 14 at year-end 2023. On average, these installations generate approximately 20% of the electricity consumption of the facility. For 2024, we are developing plans to expand existing solar panel installations and to add new solar panels installations. Furthermore, when preparing investment plans for new facilities or the expansion or refurbishment of existing facilities, the possibilities of including the installation of solar panels are explored. Solar panels have led to an annual reduction of approximately 250 metric ton CO_2-eq in 2023 in comparison to 2021.
- Purchasing renewable electricity: In addition to generating renewable electricity on-site, Fagron also purchases renewable electricity as part of an electricity contract or separate energy attribute certificates such as Guarantee of Origin, REC, and I-REC. As a result, in 2023, 25.2% of the electricity used by Fagron globally was either generated by our own solar panels or purchased from renewable sources (2022: 19.5%).

Electrifying fleet

Fagron is looking at every opportunity to replace its fossil fuel lease cars with fully electric (BEV) or plug-in hybrid cars (PHEV). We strive to only drive electric lease cars in the EMEA region by year-end 2025. At the end of 2023, approximately 40% of our lease cars in EMEA were fully electric or PHEVs (2022: 33%).

Promoting sustainable business travel

Our travel policy aims to reduce the number of business flights and promotes traveling by train or electric car. Fagron uses a global business travel booking tool to facilitate monitoring and enforcing compliance with the travel policy. Fagron has also launched campaigns to bring awareness and promote sustainable travel.

Environmental information

Performance

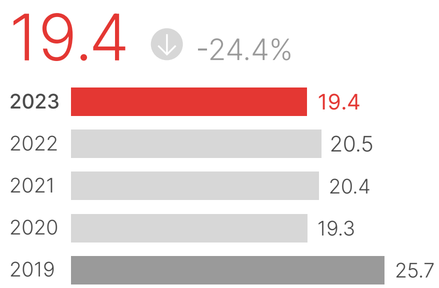
Greenhouse gas emissions

Fagron's absolute scope 1 and 2 greenhouse gas emissions (location-based) in 2023 was 12,355 metric ton CO_2-eq. This is an decrease with -2% compared to the base year 2021. This decrease is not so large because of the companies that have been added to Fagron Group in 2021 and 2022. When adjusting for these acquisitions in the base year, there was a decrease of -1% in comparison to 2021. This is due to the divestment of one large facility in 2021. Because we only report on companies that are part of Fagron Group for the entire financial year, the impact of Wildlife Pharmaceuticals (acquired in 2023) will become visible in our 2024 annual report. As the acquisition of Parma Produkt was completed early 2024, the contribution of this company will become visible in the 2025 annual report.

Fagron's absolute scope 1 and 2 greenhouse gas emissions (market-based) in 2023 was 12,744 metric ton CO_2-eq. This is an decrease of -1% compared to the base year 2021. When adjusting the base year 2021 for changes in the composition of Fagron Group, the increase is 1%. To be able to meet our target of 42% in 2030, we therefore need to significantly increase our efforts.

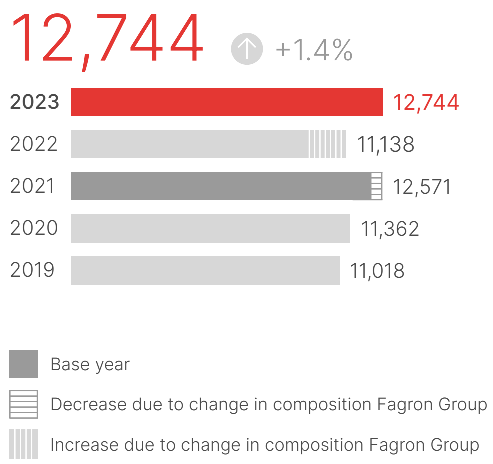
Greenhouse gas intensity

Scope 1, scope 2 (location-based) and scope 3 business travel, in metric ton CO_2-eq per million euro revenue at exchange rate 2019



Greenhouse gas emissions

Scope 1 and 2 (market-based), in metric ton CO_2-eq



Environmental information

Greenhouse gas emmissions

(tCO_2eq)	2019	2020	2021[1]	2022	2023
Fagron Group					
Scope 1: Direct emissions	2,818	2,968	3,502	2,913	4,218
Scope 2: Indirect emissions from energy generation - location-based	7,714	7,655	9,079	8,444	8,137
Scope 2: Indirect emissions from energy generation - market-based[2]	8,200	8,394	9,310	6,827	8,526
Scope 1+2 - location-based	**10,532**	**10,623**	**12,581**	**11,357**	**12,355**
Scope 1+2 - market-based	**11,018**	**11,362**	**12,812**	**9,740**	**12,744**
Scope 3: Other indirect emissions	2,477[3]	833[3]	112,390	1,847[3]	157,794
Total GHG emissions - location-based	**13,009**	**11,455**	**124,971**	**13,204**	**170,149**
Total GHG emissions - market-based	**13,495**	**12,195**	**125,202**	**11,587**	**170,537**
Adjusted for changes in composition of Fagron Group					
Scope 1: Direct emissions	-[4]	-[4]	3,844	3,505	4,218
Scope 2: Indirect emissions from energy generation - location-based	-[4]	-[4]	8,648	9,280	8,137
Scope 2: Indirect emissions from energy generation - market-based[2]	-[4]	-[4]	8,727	7,634	8,526
Scope 1+2 - location-based	-[4]	-[4]	**12,492**	**12,785**	**12,355**
Scope 1+2 - market-based	-[4]	-[4]	**12,571**	**11,138**	**12,744**
Scope 3: Other indirect emissions	-[4]	-[4]	125,639	1,847[5]	157,794
Total GHG emissions - location-based	-[4]	-[4]	**138,132**	**14,632**	**170,149**
Total GHG emissions - market-based	-[4]	-[4]	**138,211**	**12,985**	**170,537**

1 Values have been adjusted compared to values in 2022 annual report, because of some small changes in activity data and emission factors.
2 If we do not have definite proof that purchased heat or electricity is renewable, we have assumed that it originated from fossil sources.
3 Scope 3 emissions for 2019, 2020 and 2022 only relate to emission resulting from business travel.
4 Fagron's base year is 2021, so adjustments are only done from 2021 onwards.
5 Scope 3 emissions for 2022 only relate to emissions resulting from business travel. No adjustment are done on this value.

Environmental information

Greenhouse gas emissions - scope 3

(tCO_2eq)	2021	2022	2023
Fagron Group			
Scope 3: Selected emission categories[1]	56,026	1,847[2]	73,142
Scope 3: Other emission categories	56,364	0[2]	84,651
Total Scope 3 emissions	**112,390**	**1,847**	**157,794**
Adjusted for changes in composition of Fagron Group			
Scope 3: Selected emission categories	61,163	1,847[2]	73,142
Scope 3: Other emission categories	64,476	0[2]	84,651
Total Scope 3 emissions	**125,639**	**1,847**[2]	**157,794**

1 Selected Scope 3 categories are 3, 4, 5, 6, 7, 9 and 12 as shown in Greenhouse gas emissions - Details
2 Scope 3 emissions for 2022 only relate to emissions resulting from business travel. No adjustment are done on this value.

We estimate that Fagron's absolute scope 3 greenhouse gas emissions in 2023 for the targeted scope 3 emission categories (see our Science-based targets) was ~73,142 metric ton CO_2-eq. This is an increase of 31% compared to the base year 2021. When adjusting the base year 2021 for changes in Fagron Group, the increase is 20%. Scope 3 emissions make up the majority of Fagron's total greenhouse gas emissions. The largest part of Fagron's scope 3 emissions, originates from purchased goods and services (~56,947 metric ton CO_2-eq) and the transport of goods to Fagron, between Fagron Group companies and to our clients (~46,241 metric ton CO_2-eq).

In the calculation of its scope 3 greenhouse gas emissions we still use lot of estimates, because we do not have access (yet) to primary data. We are actively working on improving data quality for our scope 3 greenhouse gas emission calculation. We use the following calculation methods:

- Average-data for purchased goods, fuel- and energy-related activities and waste generated in operations. We know (approximately) the total mass of goods purchased, total fuel and energy use and the mass of waste generate. We multiply this respectively with the average greenhouse gas emissions for production of goods, emissions in the supply chain of fuel and energy and waste treatment emissions.
- Spend-based data for purchased services, capital goods and investments. We know the total monetary expenditures on purchased services and capital goods, and the monetary value of minority interests. We multiply this with the average greenhouse gas emissions per euro expenditure.
- Waste-specific data for end-of-life treatment of sold products. We know (approximately) the mass of sold products per material type and we assume that all of this waste is incinerated without energy recovery.
- Distance-based data for transportation and distribution, business travel and employee commuting. We know (approximately) the distance traveled per modality (plane, train, truck, car, public transport etc) and multiply this with the average emissions per traveled kilometer.

Average emissions have been obtained from life cycle assessment database(s) and input-output database(s).

Environmental information

Greenhouse gas emissions - details

	2021 (Base year)	2022	2023	% 2023 / 2022
Scope 1 GHG emissions				
Gross Scope 1 GHG emissions (tCO_2eq)	3,502	2,913	4,218	145%
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	0%	-
Scope 2 GHG emissions				
Gross location-based Scope 2 GHG emissions (tCO_2eq)	9,079	8,444	8,137	96%
Gross market-based Scope 2 GHG emissions (tCO_2eq)[1]	9,310	6,827	8,526	125%
Significant scope 3 GHG emissions				
Total Gross indirect (Scope 3) GHG emissions (tCO_2eq)	112,390	1,847	157,794	-
1 Purchased goods and services	41,969	-[2]	56,947	-
2 Capital goods	11,403	-[2]	20,863	-
3 Fuel and energy-related activities (not included in Scope 1 or Scope 2)	2,219	-[2]	2,032	-
4 Upstream transportation and distribution	35,725	-[2]	46,241	-
5 Waste generated in operations	2,091	-[2]	2,706	-
6 Business traveling	666	1,847	2,810	152%
7 Employee commuting	4,999	-[2]	5,860	-
8 Upstream leased assets	0	-[2]	0	-
9 Downstream transportation	563	-[2]	856	-
10 Processing of sold products	1,068	-[2]	1,422	-
11 Use of sold products	1,853	-[2]	5,230	-
12 End-of-life treatment of sold products	9,763	-[2]	12,637	-
13 Downstream leased assets	0	-[2]	0	-
14 Franchises	0	-[2]	0	-
15 Investments	70	-[2]	189	-
Total GHG emissions				
Total GHG emissions (location-based) (tCO_2eq)	124,971	13,204[2]	170,149	-
Total GHG emissions (market-based) (tCO_2eq)	125,202	11,587[2]	170,537	-

1 If we do not have definite proof that purchased heat or electricity is renewable, we have assumed that it originated from fossil sources.
2 Scope 3 emissions have not been calculated for 2022, with the exception of Business travel.

Environmental information

Greenhouse gas intensity

Fagron reports the following greenhouse gas intensities, to align with both Fagron's ESG Strategy and CSRD requirements:

- Greenhouse gas intensity (location-based scope 2 emissions) based on the revenue of all companies that were part of Fagron Group for the entire financial year at 2019 exchange rates. This greenhouse gas intensity only includes Scope 1, Scope 2 and Business travel emissions.
- Greenhouse gas intensity (market-based scope 2 emissions) based on the revenue of all companies that were part of Fagron Group for the entire financial year. This includes both Scope 1, Scope 2 and Scope 3 emissions.
- Greenhouse gas intensity (location-based scope 2 emissions) based on the revenue of all companies that were part of Fagron Group for the entire financial year. This includes both Scope 1, Scope 2 and Scope 3 emissions.

Fagron's greenhouse gas intensity at 2019 exchange rate in 2023 was 19.4. This is a decrease of -24% compared to the base year 2019. Our target is -20% reduction in greenhouse gas intensity. This means that Fagron has met its target for 2023. This is a higher reduction than in 2022 (-20%).

Fagron's non-adjusted greenhouse gas intensity has increased in comparison to 2021 when taking into account the location-based scope 2 emissions, ain increase of 3%. The difference with the greenhouse gas intensity that is adjusted for the 2019 exchange rate is next to the scope (including Scope 3 emissions) an overall strengthening of the euro in comparison with other currencies, in particular the Brazilian real and the US dollar.

Fagron's non-adjusted greenhouse gas intensity has increased in comparison to 2021 when taking into account the market-based scope 2 emissions, an increase of 3%. The difference with the non-adjusted greenhouse gas intensity based on the scope 2 location-based emissions is the emission factors used to calculate the impact of electricity purchased by Fagron. See Energy use for more information about (renewable) energy use.

GHG intensity (limited scope) - at 2019 exchange rate

	2019	2020	2021[1]	2022	2023
GHG emission (limited scope) (location-based) (tCO_2eq)[2]	13,009	11,455	13,247	13,204	15,165
Total revenue at 2019 exchange rate (million euros)[3]	507	592	641	645	782
GHG intensity (location-based) (tCO_2eq / million)	**25.7**	**19.3**	**20.7**	**20.5**	**19.4**

1 Value has been adjusted compared to values in 2022 annual report, because of some small changes in activity data and emission factors.
2 Greenhouse gas emissions of Scope 1, Scope 2 and Business travel.
3 Revenue of companies that were part of Fagron Group for full year, at 2019 exchange rate.

GHG intensity

	2021	2022	2023
Total GHG emissions (location-based) (tCO_2eq)	124,971	13,204[1]	170,149
Total GHG emissions (market-based) (tCO_2eq)	125,202	11,587[1]	170,537
Total revenue (x 1,000 euros)[2]	573,808	625,420	761,430
GHG intensity (location-based) (tCO_2eq / euro)	**0.0**	**0.0**	**0.0**
GHG intensity (market-based) (tCO_2eq / euro)	**0.0**	**0.0**	**0.0**

1 Scope 3 emissions for 2022 only relate to emissions resulting from business travel. No adjustment are done on this value.
2 Total revenue of companies that were part of Fagron Group for full year. Total revenue for Fagron (see Key figures) is higher and includes companies that were owned only part of year.

Environmental information

Suppliers with science-based targets
At the end of 2023, a minimum of 8% of our purchased goods and services suppliers (by spend) had science-based targets. That means we are not on track to meet our target of 60% by 2027. We assume that the percentage of spend equals the percentage of greenhouse gas emissions of these suppliers in comparison to the total emissions of greenhouse gas emissions on purchased goods and services. This assumption is a potential limitation of this metric. By increasing our visibility of supply chain emissions, we will be able to determine with more certainty if this assumption is valid.

Chemical use & pollution

Fagron uses chemicals that are classified as chemicals of concern or chemicals of very high concern by the European Union. When released into the environment as pollutants, these chemicals may have a negative impact on human health or the environment. Fagron tries to contribute to the realization of a clean(er) living environment by minimizing emissions of pollutants and ensuring careful handling of chemicals of (very high) concern.

Policies, targets, actions and performance
Fagron's activities inevitably lead to emissions to air and water. As part of our ESG strategy, we strive to reduce our impact on the environment and therefore reduce our emissions to the environment. In our most recent materiality assessment (see Materiality assessment), we have identified the following pollutants that may be above the applicable CSRD reporting thresholds for some of the Fagron facilities:

- Heavy metals to water
- Volatile organic compounds to air
- HCFC's, CFC's and halons to air

Fagron's emissions of nitrogen oxides (NO_x) are far below the threshold set by the CSRD. In the upcoming update of our ESG strategy we will therefore no longer include NO_x emissions. The current ESG Strategy includes the following target:

- Reduce NO_x emission intensity (NO_x-eq per million euro revenue) from our facilities and vehicles 40% by 2025 compared to 2019.

Since we almost achieved this target in 2022 (-35%) and it is not a material pollutant for Fagron, we do not report progress on this target in this annual report.

Fagron currently does not measure any of the chemical use or pollution related ESRS indicators. However, from the start of 2024, Fagron will start measuring material pollutants as well as the use of hazardous chemicals. It will then also become apparent if we are actually emitting pollutants above the thresholds set by the CSRD. The results will be published in our 2024 annual report.

Based on the emission measurements over 2024, Fagron will evaluate if it needs to adopt policies, targets, and performance to minimize its environmental impact in terms of pollutants and handling of chemicals of (very high) concern.

Suppliers with science-based targets

	2021	2022	2023
% of Fagron suppliers that have set science-based targets[1]	<1%	2%	8%

1 Measured as total spend on purchased goods and services by suppliers that have science-based targets at 31 December divided by total spend on purchased goods and services. The value in 2022 and 2023 only includes suppliers of trade goods that have set science-based targets. In 2024 we will also reported on service providers.

Energy use

Energy use plays a pivotal role in shaping the way we live, work and progress. Energy powers the world but at the same time can contribute significantly to climate change. The choices we make in our energy use can have a big impact depending on whether we use energy from fossil fuel or renewable sources. Despite producing part of the electricity we use with solar panels at our facilities, Fagron is a net energy consumer. By reducing energy use Fagron tries to reduce its climate change impact (see climate change).

Policies and targets

Fagron wants to reduce its energy use. Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to energy use. Fagron aims to increase energy efficiency and the use of renewable energy. Fagron's ESG Strategy includes the following targets related to energy use:

- Reduce energy intensity 18% by 2025 compared to 2019.
- 50% renewable electricity use in 2025, 100% in 2030.

These targets contribute to reducing Fagron's in market-based scope 2 emissions. See Climate change for more information on targets and actions to reduce Fagron's carbon footprint.

Fagron's policies and targets on energy use apply to energy use in Fagron's own operations. Fagron's total energy consumption (in MWh), renewable energy consumption (in MWh), energy intensity in our base year (in MWh per euro revenue), as well the performance against our targets can be found under Performance.

Actions

Fagron pays close attention to energy use at all sites and investigates and implements measures to reduce the consumption of electricity and natural gas. Fagron's approach to energy use reduction consist of:

- Energy scans: In the past years targeted energy scans have been conducted at some of our most energy intensive locations.
- Analyzing climate settings in clean rooms: In 2023, we analyzed all climate settings (temperature and humidity) in our clean rooms. Based on the energy scans and the analysis of climate settings, we have identified a number of opportunities to reduce energy and made plans to realize these reductions. Total expected annual reduction of two concrete identified opportunities that will be implemented in 2024 amounts to approximately 50 metric ton CO_2-eq.
- Implementing energy efficient technology: Newer technology often leads to a reduction in energy use. For example, Fagron is transitioning to LED lighting at all locations. At year-end 2023, most of our 75 locations were equipped with LED lighting. Installation of LED lights in 2021 and 2022 has led to a minimum annual reduction of 160 metric ton CO_2-eq.

Performance

Energy use

Fagron does not have any targets related to absolute energy use, only related to energy intensity and renewable electricity use. Total energy use, and the split over different types of energy, is useful to understand the actions that Fagron takes regarding regarding energy use.

Fagron's total energy use has been increasing since 2019, with a small dip in 2022. Total energy in 2023 was 43,437 MWh. This is mostly due to the energy use of acquired companies in the past five years. Because Fagron has a buy-and-build acquisition strategy it is unlikely that this trend will change. The total amount of renewable energy consumption has been increasing, relative to the total amount of energy use. Total renewable energy consumption was 6,990 MWh in 2023, in comparison to 4,900 MWh in 2022.

Environmental information

Energy use

(MWh)	2019	2020	2021[1]	2022	2023
Fuel consumption from coal and coal products	0	0	0	0	0
Fuel consumption from crude oil and petroleum products	4,324	4,537	3,900	3,551	3,957
Fuel consumption from natural gas	8,148	8,758	10,954	9,562	11,481
Fuel consumption from other fossil sources	0	0	0	0	0
Total fuel consumption, fossil sources[2]	**12,473**	**13,295**	**14,854**	**13,113**	**15,437**
Consumption of purchased steam and cooling from fossil sources	0	0	0	0	0
Consumption of purchased heat from fossil sources[3]	224	327	305	308	214
Consumption of purchased electricity from fossil sources[3]	19,343	22,176	24,390	20,394	20,796
Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources[2]	**19,567**	**22,503**	**24,695**	**20,702**	**21,010**
Total energy consumption from fossil sources[2]	**32,039**	**35,798**	**39,549**	**33,815**	**36,447**
Total energy consumption from nuclear sources	**0**	**0**	**0**	**0**	**0**
Fuel consumption from renewable sources	0	0	0	0	0
Consumption of purchased steam and cooling from renewable sources	0	0	0	0	0
Consumption of purchased heat from renewable sources[3]	0	0	0	0	0
Consumption of purchased electricity from renewable sources[3]	1,552	670	2,260	4,178	5,722
Consumption of self-generated non-fuel renewable energy	64	75	161	722	1,268
Total energy consumption from renewable sources[2]	**1,616**	**744**	**2,421**	**4,900**	**6,990**
Total energy consumption[2]	**33,655**	**36,542**	**41,970**	**38,715**	**43,437**

1 Values have been adjusted compared to values in 2022 annual report, because of some small changes in activity data.
2 Due to rounding, numbers might not add up.
3 If we do not have definite proof that purchased heat or electricity is renewable, we have assumed that it originated from fossil sources.

Environmental information

Renewable electricity consumption

In 2023, 25.2% of our electricity consumption was from renewable sources. Our target is to achieve 50% renewable electricity consumption by 2025. We were aiming to end up at around 30% in 2023, but ended up slightly lower because of a problem with renewable energy certificates in Poland. Of the 25.2%, the largest amount is due to the purchasing of renewable electricity. In total 5% of our consumed electricity is generated by the solar panels at Fagron locations.

Energy intensity

Fagron's energy intensity at 2019 exchange rate in 2023 was 55.6 MWh/million euros, this is an decrease of -16% compared to 2019. This means that we have almost met our target of -18% energy intensity reduction in 2025 compared to 2019 energy use. If we would not adjust for the 2019 exchange rate, the energy intensity in 2023 was 57.0 MWh/million euro.

Renewable electricity consumption

(MWh)	2019	2020	2021[1]	2022	2023
Consumption of purchased electricity from fossil sources	19,343	22,176	24,390	20,394	20,796
Total non-renewable electricity consumption	**19,343**	**22,176**	**24,390**	**20,394**	**20,796**
Consumption of purchased electricity from renewable sources[2]	1,552	670	2,260	4,178	5,722
Consumption of self-generated non-fuel renewable energy	64	75	161	722	1,268
Total renewable electricity consumption	**1,616**	**745**	**2,421**	**4,900**	**6,990**
Percentage of electricity consumption from renewable sources	**7.7%**	**3.3%**	**9.0%**	**19.4%**	**25.2%**

1 Values have been adjusted compared to values in 2022 annual report, because of some small changes in activity data.
2 If we do not have definite proof that purchased heat or electricity is renewable, we have assumed that it originated from fossil sources.

Energy intensity - at 2019 exchange rate

	2019	2020	2021	2022	2023
Total energy consumption (MWh)	33,655	36,542	41,970[1]	38,715	43,437
Total revenue at 2019 exchange rate (million euros)[2]	507	592	641	645	782
Energy intensity ratio (at 2019 exchange rate) (MWh/million euro)	**66.4**	**61.7**	**65.5**	**60.0**	**55.6**

1 Value has been adjusted compared to values in 2022 annual report, because of some small changes in activity data.
2 Revenue of companies that were part of Fagron Group for full year, at 2019 exchange rate.

Environmental information

Energy intensity

	2021	2022	2023
Total energy consumption (MWh)	41,970[1]	38,715	43,437
Of which in high climate impact sectors (MWh)	**41,623**	**38,363**	**43,048**
Total revenue (x 1,000 euros)[2]	573,808	625,420	761,430
Of which in high climate impact sectors (x 1,000 euros)	**564,096**	**613,468**	**741,186**
Energy intensity ratio in high climate impact sectors (MWh / euro)	**0.0**	**0.0**	**0.0**

1 Value has been adjusted compared to values in 2022 annual report, because of some small changes in activity data.
2 Revenue of companies that were part of Fagron Group for full year. Total revenue for Fagron (see Key figures) is higher and includes companies that were owned only part of year.

Fagron is active in the following high climate impact sectors: Manufacturing (Section C of NACE), Wholesale (Section G of NACE). The turnover in these sectors have been used to determine the energy intensity ratio in high climate impact sectors. If we only take into consideration energy use in the high climate impact sectors, then the energy intensity in 2023 was 58.6 MWh/million euros.

Waste

Unsustainable waste management leads to environmental pollution, health risks, and contributes to climate change. Incineration or land filling waste instead of recycling waste also leads to loss of valuable resources and contributes to resource scarcity. Reducing the amount of waste and maintaining a well-functioning waste management system can minimize these negative impacts. Fagron generates waste in its own operations and waste is also generated in our upstream and downstream value chain.

Policies and targets

Fagron strives to minimize the impact of waste management by reducing the quantity of waste produced in our own operations and by increasing waste recycling. Fagron's ESG Strategy describes our ESG policies and targets, including those pertaining to waste, which are:

- Separate collection of metal packaging waste at all our facilities by 2025
- Separate collection of plastic packaging waste at all our facilities by 2025
- Separate collection of paper/cardboard waste at all our facilities by 2025

With these targets Fagron wants to make sure that all the packaging waste and paper and cardboard waste are separated so that it can be properly treated by a waste management company. Fagron's policies and targets on waste management only apply to Fagron's own operations and are voluntary because separation of packaging waste is not mandatory in all jurisdictions in which Fagron operates.

As part of our efforts to reduce our scope 3 carbon footprint emissions (see the section on climate change) from the category 'End-of-life treatment of sold products' we are also assessing options to reduce the total quantity of packaging for our products. In addition we are exploring options to shift from fossil-based plastic packaging to sustainable alternatives, where this is allowed given the products safety and quality requirements that apply for pharmaceutical products. Any policy, target or action plan would therefore have an impact on the waste management of our customers or the end-users of our products (part of the downstream value chain). Detailed scope 3 action plans will be developed in 2024.

Actions and performance

Fagron monitors waste separation in line with our targets. By the end of 2023, paper and cardboard was separated in more than 80% of our sites, metal packaging in approximately 33%, and plastic packaging in more than 55%. We are therefore getting closer to our 2025 targets, but need to increase our efforts.

In 2023, we have organized a campaign to increase awareness among our employees and to help them correctly dispose of waste. This campaign included listing waste facts on Fagron intranet, and globally distributing posters and waste bin icons that cover the common types of waste that employees locally generate at the different facilities.

Currently, Fagron does not yet measure any of the waste-related ESRS indicators. However, from the start of 2024, Fagron will start measuring the quantities of different types of waste generated, as well as how each waste type is handled. The results will be published in our 2024 annual report in accordance with the CSRD. The monitoring of the quantities of waste will help us identify new actions to reduce total waste generation and improve waste management (including recycling) for 2025 and onward. In addition, we will start assessing if we can integrate waste management contracts for multiple facilities and/or optimize our waste management contracts in general.

Social information

Disclosures incorporated by reference

The following information can be found in another part of this Sustainability Statement and is incorporated into the chapter "Social information" by reference:

- ESG management
- Stakeholder engagement
- Materiality assessment
- Fagron's ESG Strategy
- Grievance mechanism

See for the exact location of each disclosure the ESRS Index

Benefits to our people

Introduction

Key topics included in our ESG category "Benefits to our people" are:

- Compensation & benefits
- Diversity & inclusion
- Employee engagement
- Health & safety
- Human rights & labor rights
- Training & development
- Working hours

We report on the social topics of all companies belonging to Fagron Group. Unlike the environmental topics, companies are included in the disclosures once they become part of Fagron Group (instead of the first full financial year that a company is part of Fagron Group). The disclosed information generally concerns our employees. However, in some cases we also report on self-employed managers and temporary workers working for Fagron. Employees, self-employed managers, and temporary workers together make up “Our people.”

Our People

By the end of 2023, Fagron's workforce consisted of 3,460 employees and 107 other people. The latter includes 13 self-employed managers and 94 temporary workers. The total of 3,567 people is what we refer to as “Our people”.

Our People

	2022	2023
Fagron employees	3,162	3,460
Self-employed managers	12	13
Temporary workers[1]	66	94[2]
Total our people	**3,240**	**3,567**

1 Temporary workers are workers that are employed via employment agency or any other companies active under NACE code N78. We include temporary workers if they work at Fagron for more than 0.3 FTE for more than 3 months.

2 Number of temporary workers is higher in 2022, because it includes employees with zero-hour contract. These type of workers were not included in 2022 number.

Social information

Employee turnover
During 2023, 796 employees have left Fagron either voluntary or due to dismissal, retirement or death. Because Fagron has a buy-and-build acquisition strategy, we use the average number of employees to calculate the rate of employee turnover, resulting in a total employee turnover rate in 2023 of 0.24. The voluntary employee turnover rate was approximately 0.10 in 2023. The turnover rate differs per region, partly due to the type of contract that is common in the local market. The voluntary employee turnover rate ranges from 0.07 in Latin-America to 0.14 in North-America, the rate in EMEA lies in between and was 0.09 in 2023.

Employee turnover

	2023
Employees who have left Fagron	**796**
Number of employees on January 1	3,170
Number of employees on December 31	3,460
Average number of employees	**3,315**[1]
Rate of total employee turnover	**0.24**

1 Number has been rounded down to nearest whole number.

Contract types
The majority of Fagron's workforce comprises of permanent employees. To adapt to local market practices across countries in which we operate, we tailor our employment contract types. This results in variation across regions. In the USA for example, employment is generally "at-will", while in the European Union employment contracts are required which entails a higher job protection but less flexibility.

Contract types for Fagron employees

	Female	Male	Other	Not disclosed	Total
Number of employees	**1,961**	**1,491**	**8**	**0**	**3,460**[1]
Number of permanent employees[2]	1,878	1,413	8	0	3,299
Number of temporary employees[3]	61	54	0	0	115
Number of non-guaranteed hours employees[4]	22	24	0	0	46

1 Note 9 of financial statements refers to the same headcount.
2 Permanent employees are employees with contract (including at-will contracts) with no fixed end date.
3 Temporary employees are employees with contract (including at-will contracts) with fixed end date.
4 Non-guaranteed hours employees are employees with an on-call contract or zero-hour contract.

Compensation & benefits

Compensation and benefits are pivotal pillars for organizations in both attracting and retaining talent and fostering employee satisfaction. Fagron, recognizing the significance of these factors, not only generates job opportunities but also ensures that every employee receives sufficient wage. This supports the local economies and communities where Fagron operates.

Policies, targets and actions

Fagron is dedicated to provide fair and competitive compensation and benefits to its employees in line with local practices. By doing so, Fagron strives to position itself as an attractive employer. Fagron recognizes that while compensation and benefits are significant, they should not be the sole reason for employees to want to work for Fagron or for potential hires to select Fagron as their employer of choice. Our commitment extends beyond mere remuneration, aiming to foster a work environment that values and supports every team member's professional and personal growth.

We review and fine-tune our compensation and benefits packages annually, factoring in inflation rates and comprehensive benchmark data. In addition, information on employee satisfaction regarding compensation and benefits is obtained through the Global Employee Survey and exit interviews.

Based on insights from the 2022 Global Employee Survey, priorities have been established for 2023 and 2024, including compensation and benefits. To ensure a targeted and region-specific approach these priorities were translated into action plans for each region. Examples of actions that have been taken in 2023 or are planned for 2024 are:

- Completing a full compensation and benefits scan and defining Fagron minimum standards.
- Determining specific Fagron benefits as part of the total compensation package.

Performance

Fagron currently does not measure any of the ESRS indicators related to adequate wage, social protection, and family-related leave. In 2024, Fagron will determine the adequate wage per country in which we operate and compare this with the actual wages paid in these countries. In addition, Fagron has kicked off an extensive compensation and benefits assessment in 2023. This assessment includes an assessment whether employees are covered by social protection for loss of income (whether through public programs, or through benefits offered by Fagron) for sickness, unemployment, employment injury, parental leave and retirement. The results will be published in our 2024 annual report in accordance with the CSRD.

Diversity & inclusion

A diverse workplace drives innovation, creativity, and problem-solving. At Fagron, we have diverse teams and value every individual's unique contribution. We believe in equal opportunities, irrespective of gender, age, sexual orientation, nationality, ethnicity, or other personal characteristics. With mutual respect, we collaborate in teams with diverse backgrounds and talents in a pleasant, safe, and inclusive work environment.

Policies and targets

At Fagron, we are dedicated to continuously build and foster a culture that enables our employees to become the best version of themselves. We specifically focus on the following topics:

- Gender equality: Fagron strives for gender equality at all levels of the organization.
- Nationality & ethnicity: Fagron hires its employees based on skills, irrespective of nationality or ethnicity.
- Age: Fagron provides career development opportunities to employees irrespective of their age. Fagron has a diverse age profile throughout all levels of the organization, see Diversity in terms of age.
- Employment opportunities for people with a disability: Fagron is committed to making a positive impact in the labor process by promoting the participation of people with disabilities.

Fagron's ESG Strategy describes our policies and targets, including those pertaining to diversity and inclusion. Our ESG strategy contains the following targets regarding gender equality:

- 50/50 male/female distribution at all management levels[1] by 2025.
- 1/3rd of senior management is female by 2025.

Actions

Diversity & inclusion in trainings

The first Fagron diversity & inclusion survey was conducted in 2021. The survey highlighted the sense of belonging, respect, and acceptance among Fagron employees, surpassing industry peers. However, it also unveiled a notable sentiment among a significant portion of the workforce, suggesting that management could enhance its efforts in emphasizing the significance of diversity and inclusion. To address this, diversity and inclusion has been integrated in the onboarding program developed in 2023 for all new hires (including management). In addition, the specific onboarding program for management in early 2024 will underscore these principles. An online training on unconscious bias has been made available to all employees early 2023 with a clear focus on creating awareness about prejudice and aiming to foster an inclusive culture, mitigating all types of discrimination, be it related to gender, nationality, ethnicity, age, or disability.

[1] See Gender diversity for the definition of all management.

Diversity & inclusion focus group

To ensure that we take appropriate actions on diversity and inclusion, we have created a diversity & inclusion focus group. At the end of 2023, the group consisted of 9 members from different countries who are passionate about this topic, and new members are joining. They contribute their insights on priorities and suggest actions to the global HR team. All initiatives to promote diversity are deliberated within the group, ensuring a collaborative and comprehensive approach to promoting inclusivity in the organization.

Female mentoring program

To reach our targets on gender equality in leadership, we introduced a female mentoring program in 2022 for all women at Fagron who want to explore their ambitions and further develop their careers. During the annual 6-months program, mentors and mentees meet regularly to discuss challenges, goals, and ambitions and share experiences. In 2023, 21 ambitious women participated in this program as a mentee (18 in 2022). This program will be organized again in 2024, reinforcing our commitment to cultivating a diverse and empowered leadership landscape at Fagron.

Performance

Gender diversity

We report on gender diversity of top management, all management levels, and employees.

We use the following definitions for this information:

- Top management: all managers holding positions within the KornFerry grade levels 18 to 28; this category includes those reporting directly to the CEO, or occupying managerial roles in a layer below. In addition, it incorporates select individuals belonging to the second tier beneath the CEO.
- Management: All managers holding positions within the KornFerry grade levels 16 to 28.

All gender equality indicators for 2021 are based on the number of employees on December 31, including self-employed managers. For 2022 and 2023, the numbers are based on the number of employees on December 31 (excluding self-employed managers). For top management we do include self-employed managers since omitting them would skew the results for top management.

Our target is to have 50% female representation in management by the end of 2025. In 2023, 40.4% was female (2022: 40.6%). Additionally, our target is for at least 1/3rd of top management to be female by 2025, where the figure was 31.0% in 2023. While there is a small increase in the proportion of women in top management, the target has not been realized (yet). The proportion of female in management has remained relatively stable, also here the target has not been realized (yet).

Social information

Gender distribution in top management

	Number of top managers			% of top management		
	2021[1]	2022[1]	2023[1]	2021[1]	2022[1]	2023[1]
Male	29	42	49	65.9%	72.4%	69.0%
Female	15	16	22	34.1%	27.6%	31.0%
Other gender	0	0	0	0.0%	0.0%	0.0%
Total people in top management	**44**	**58**	**71**	**100.0%**	**100.0%**	**100.0%**

1 2021, 2022 and 2023 numbers include employees and self-employed managers.

Gender distribution in management

	Number of managers			% of managers		
	2021[1]	2022[2]	2023[2]	2021[1]	2022[2]	2023[2]
Male	134	148	155	59.3%	59.4%	59.6%
Female	92	101	105	40.7%	40.6%	40.4%
Other gender	0	0	0	0.0%	0.0%	0.0%
Total people in management	**226**	**249**	**260**	**100.0%**	**100.0%**	**100.0%**

1 2021 numbers include self-employed managers.
2 2022 and 2023 numbers exclude self-employed managers.

Gender distribution employees

	Number of employees			% of employees		
	2021[1]	2022[2]	2023[2]	2021[1]	2022[2]	2023[2]
Male	1,435	1,383	1,491	46.9%	43.7%	43.1%
Female	1,626	1,779	1,961	53.1%	56.3%	56.7%
Other gender	0[3]	0[3]	8	0.0%[3]	0.0%[3]	0.2%
Total employees	**3,061**	**3,162**	**3,460**	**100.0%**	**100.0%**	**100.0%**

1 2021 numbers include self-employed managers.
2 2022 and 2023 numbers exclude self-employed managers.
3 For 2021 and 2022 no data available on "other gender", so all non-female are assumed to be male.

Social information

Gender pay gap

As of now, Fagron does not measure the pay gap between women and men. Starting 2024, Fagron will initiate the collection of data to be able to publish insights into the gender pay gap in the 2024 annual report in accordance with the CSRD.

Diversity in terms of age

In 2023, Fagron had a diverse workforce in terms of age. The higher in the organization, the higher the number of employees within the higher age category. At top management level 31% of the people are aged above 50 years, whereas in all management that is 26%, and out of all employees that is 20%.

Age diversity top management

% of top managers[1]	2022	2023
<30 years old	0%	0%
30-50 years old	67%	68%
>50 years old	33%	31%
Age unknown	-[2]	1%

1 Percentage of employees and self-employed managers by headcount on December 31, holding positions between KornFerry grade levels 18 to 28.
2 Not reported in 2022, all employees with age unknown were included in age category 30-50 years old.

Age diversity management

% of managers[1]	2022	2023
<30 years old	1%	1%
30-50 years old	72%	71%
>50 years old	27%	26%
Age unknown	-[2]	2%

1 Percentage of employees by headcount on December 31, holding positions between KornFerry grade levels 16 to 28.
2 Not reported in 2022, all employees with age unknown were included in age category 30-50 years old.

Age diversity employees

% of employees[1]	2022	2023
<30 years old	24%	25%
30-50 years old	56%	55%
>50 years old	20%	20%
Age unknown	-[2]	0%

1 Percentage of of employees by headcount on December 31.
2 Not reported in 2022, all employees with age unknown were included in age category 30-50 years old.

Diversity in terms of nationality

The largest portion of Fagron's workforce is employed in EMEA and China (1,412 people in 2023). While the number of employees per country is not the same as the number of nationalities, it serves as a good indicator of diversity in terms of nationality. At Fagron's Global Service Center (GSC) in Rotterdam, we have a very diverse team, representing the variety of countries we operate in.

In 2023, Fagron employed 22 nationalities at GSC (2022: 21).

Employees by country

Country/region	2022	2023
United States of America	929	1,164
Total employees North America	**929**	**1,164**[1]
Brazil	766	748
Colombia	67	76
Mexico	74	63
Total employees Latin America	**907**	**887**[1]
Belgium	102	106
Czech Republic	208	207
Germany	135	139
Israel	89	90
Netherlands	323	339
Poland	222	234
South Africa	-[2]	75
Spain	55	75
Other countries EMEA and China	192[2]	147
Total employees EMEA and China[3]	**1,326**	**1,412**[1]
Total Fagron employees	**3,240**	**3,460**

1 Note 9 of financial statements refers to 1,130 FTE in North America, 882 FTE in Latin America and 1,270 FTE in EMEA. Financial statements do not include employee headcount per region.
2 South Africa had less than 50 employees in 2022, who were then included in 'Other countries EMEA and China' category.
3 Some employees fall under Global Service Center and are not allocated to EMEA region.

Social information

Employee engagement

Fagron firmly believes that engaged employees are not only more likely to be productive but also exhibit higher performance levels, ultimately not only contributing to individual satisfaction but also to the overall success of Fagron. Fagron is therefore dedicated to ensure that our people feel valued and value the work they do.

Policies, targets and actions

We actively measure sustainable engagement by seeking feedback from our employees. Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to employee engagement. The employee engagement target included in the ESG strategy is:

- Sustainable engagement score in the Global Employee Survey of at least 80% by 2024.

Since 2016, we conduct our Global Employee Survey every two years. The survey includes a Sustainable Engagement Score: a metric reflecting the connection between our employees and Fagron.

The most recent Global Employee Survey was conducted in 2022. Based on this survey, we have set priorities for 2023 and 2024. These include leadership development (developing a motivational and empathetic management style), boosting feedback culture, compensation & benefits, and onboarding. These priorities have been translated into action plans for each region. For more information on compensation & benefits actions see page 73, and for leadership development and the onboarding framework see Training & development.

In December 2023 we conducted a short survey among employees to assess the recognition of employees of Fagron's efforts as a result of the 2022 Global Employee Survey. In total 70% of employees participated in this survey (a total of 2,308 employees). The survey revealed significant improvements compared to 2022 on leadership and feedback. The survey also gave an insight into the aspects that employees enjoy the most about working at Fagron and gave employees the opportunity to make suggestions on how to make Fagron a (even) better place to work.

Performance

With a very high participation rate of 89% of all employees in the Global Employee Survey, Fagron has achieved a Sustainable Engagement Score of 84% in 2022. This is an improvement compared to the 83% recorded in 2020 and aligns with the industry benchmark (global pharmaceutical sector). We have reached our target of 80% in 2022.

Employee engagement

	2016	2018	2020	2022[1]
Employee participation rate in Global Employee Survey	89%	79%	87%	89%
Sustainable Engagement Score	80%	80%	83%	84%

1 Global Employee Survey is conducted every two years, most recently in 2022.

Employee engagement

Health & safety

Fagron continuously ensures that our people can perform their work in a clean, orderly, and safe environment. There is a zero-tolerance policy towards actions that could endanger the health and safety of our employees and others. By proactively addressing or resolving identified risks, we strive to prevent or minimize injury and damage to the health of our people.

Policies, targets and actions

Our goal is to reduce the number of work-related injuries as much as possible. Our top priority is to ensure that there are no fatalities, and that no incidents occur that result in serious, long-term, or permanent injuries. Incidents that cause minor injuries are seen by us as a warning signal to adjust our procedures and emergency plans, as necessary.

Social information

Fagron's ESG Strategy includes Fagron's policies and targets pertaining to health and safety. The relevant target is:

- Zero fatalities and long-term or permanent work-related injuries.

Occupational health and safety system

We have procedures and emergency response plans in place at our facilities globally to ensure the health, safety, and welfare of our employees. In addition, there is a group-level monitoring system in place. In case of an accident, quarterly updates on actions taken to prevent future accidents are mandatory. Such actions may include additional education, training, or adjustment of procedures or emergency response plans.

Improving mental and physical well-being

Fagron actively promotes and facilitates vitality, encouraging a healthy lifestyle and a balanced workload for our employees.

This commitment is reflected in various initiatives such as providing sports facilities, offering healthy snacks (like fresh fruit), and ensuring ergonomic workstations and offices. Fagron firmly believes that nurturing good mental and physical well-being significantly reduces the risks of work-related ill-health, fostering a sustainable workplace culture.

Performance

Coverage of health and safety management system

Currently, Fagron does not measure the percentage of individuals covered by a health and safety management system aligned with legal requirements and/or recognized standards or guidelines. However, all facilities actively participate in the monitoring system of fatalities and injuries.

In 2024, Fagron will conduct an assessment, the results of which will be published in our 2024 annual report in accordance with the CSRD. This underscores our dedication to transparency and continuous improvement in health and safety practices

Work-related injuries

There were 35 employees that had recordable work-related injuries in 2023. Out of which one led to long-term injury or permanent injury.

This is unfortunately more than the aim of zero long-term or permanent injuries. Fagron will expand its health and safety management system from 2024 onward, to prevent these type of incidents from happening in the future. Fagron does not monitor the actual number of hours worked by employees, so we have made an estimate to determine the rate of work-related injuries. We will try to improve on this metric in the next years.

Number of work-related injuries and fatalities

	2021	2022	2023
Work-related fatalities (employees)	0	0	0
Work-related fatalities (non-employees in own workforce)	-[1]	-[1]	0
Work-related fatalities (value chain workers on Fagron sites)	-[1]	-[1]	-[1]
Total fatalities own workforce and value chain workers on Fagron sites	-[1]	-[1]	**0**
Work-related long-term or permanent injuries (employees)	0	0	1
Other recordable work-related injuries (employees)	32	16	34
Total recordable work-related injuries employees	**32**	**16**	**35**

1 Not measured

Rate of work-related injuries and fatalities

	2023
Total recordable work-related injuries employees	35
Total hours worked by employees[1]	5,735,867
Rate of work-related injuries	**6.1**

1 We estimate total hours worked by employees by multiplying number of FTE employed at 31 December 2023 (See Note 9 in Financial Statements) with 35 working hours per week per FTE. Most of Fagron employees work 40 hours per FTE, with an average of 5 hours annual paid leave allowance and national/regional holidays per week (33 days per year).

Other CSRD indicators
Fagron does not measure any of the ESRS indicators related to work-related ill health or days lost due to work-related injuries, work-related ill health, and fatalities. In 2024, Fagron will start setting up a monitoring system for these indicators. Monitoring will start from the beginning of 2025. The results will be published in our 2025 annual report in accordance with the CSRD.

Human rights & labor rights
At Fagron, we believe in treating everyone with respect and fairness. We find it important to create a good work environment for all our employees. Fagron is committed to preventing the violation of human rights and labor rights at all our facilities worldwide.

Policies and targets
At Fagron, we do not accept human rights and labor rights infringements in our facilities. We pay specific attention to the following human rights and labor rights:

- Non-discrimination and intimidation
- Slavery and forced labor
- Child labor
- Freedom of association and collective bargaining

Fagron's ESG Strategy includes Fagron's policies regarding human rights and labor rights that apply to all Fagron employees. In addition, our Code of Conduct & Ethics pays explicit attention to human & rights labor rights of employees.

Non-discrimination and intimidation
In line with the ILO convention on labor rights[1], Fagron is committed to equal pay for equal work. Fagron is also committed to providing all employees with a work environment that is free of violence, intimidation, bullying, or other forms of threat. We do not tolerate any form of discrimination, intimidation, abuse, or any other action that may be considered as intimidating, offensive, or discriminatory. Our Code of Conduct & Ethics specifically addresses the following grounds for discrimination: racial and ethnic origin, color, sex, sexual orientation, gender identity, disability, age, religion, marital status, or other forms of discrimination protected by applicable laws.

Slavery and forced labor
Fagron has issued a Modern Slavery Statement to combat and prevent modern slavery and human trafficking in our organization and our supply chain. This statement is part of our Code of Conduct & Ethics and applies to human trafficking, forced labor and compulsory labor.

Child labor
As described in our Code of Conduct & Ethics, we prohibit any use of child labor worldwide. Everyone who is employed at Fagron has at least reached the applicable legal minimum age for work. In cases where the legal minimum age in a country is under 18 years, we pay extra attention to these young employees and the work they perform.

Freedom of association and collective bargaining
As described in our Code of Conduct & Ethics, everyone who works at Fagron is free to become a member of a trade union or organization that promotes the interests of the individual. This policy is in line with the ILO conventions on these topics.[2]

Fagron grievance mechanism
Our Code of Conduct & Ethics describes our policies in relation to human rights and labor rights. Any questions or concerns employees may have in relation to the Code, can be reported via the Fagron grievance mechanism. For more information on the Fagron grievance mechanism see Grievance mechanism.

1 International Labor Organization (ILO), Declaration on Fundamental Principles and Rights at Work.
2 International Labor Organization (ILO), Collective Bargaining Convention. International Labor Organization (ILO), Freedom of Association and Protection of the Right to Organize Convention. International Labor Organization (ILO), Right to Organize and Collective Bargaining Convention.

Social information

Actions
We believe that a combination of education about our Code of Conduct & Ethics, our grievance mechanism, and efforts to advance diversity and inclusion reduce the risk of human rights and labor rights infringements. The grievance mechanism also provides a structured approach to dealing with any cases that might arise, so that appropriate actions can be taken swiftly.

Annual Code of Conduct & Ethics training
All employees and members of management are required to do an annual Code of Conduct & Ethics training. This training also pays attention to human rights and labor rights. For more information on the annual Code of Conduct & Ethics training, see Annual Code of Conduct & Ethics training.

Grievance mechanism
For more information on the grievance mechanism, see Grievance mechanism.

Advancing diversity & inclusion
For more information on ways that Fagron is advancing diversity and inclusion, see Diversity & inclusion.

Performance

Freedom of association and collective bargaining
At the end of 2023, 1,275 of Fagron employees were covered by a collective bargaining agreement (equaling 37% of all employees). Across the countries in the European Economic Area (EEA) where Fagron is active, multiple collective bargaining agreements are in effect applying to - part of - our employees in countries like the Netherlands and in the Czech Republic. At the end of 2023, there were worker's representatives in (some of the facilities in) Brazil, Colombia, Czech Republic, Israel and the Netherlands.

Fagron has not entered in any agreement with employees on representation by an EWC (European Works Council), SE (Societas Europaea) Works Council or SCE (Societas Cooperative Europaea) Works Council.

The percentage of employees that are covered by collective bargaining agreements and workers' representatives underscores Fagron's commitment to respect the right to collective bargaining and social dialogue.

Collective bargaining coverage and social dialogue

	Collective bargaining coverage		Social dialogue
Coverage Rate	Employees – EEA (for countries representing >50 employees)	Employees – Non-EEA (per region)	Workplace representation – EEA (for countries representing >50 employees)
0-19%	Germany, Poland	North-America	
20-39%			Netherlands
40-59%	Netherlands		
60-79%	Czech Republic		Czech Republic
80-100%	Belgium, Spain	Latin-America	

Discrimination and harassment
In 2022, an incident of discrimination and harassment was reported and an investigation started. Early 2023, the investigation concluded that the reported incident did not constitute discrimination or harassment. In 2023, 4 reports of possible incidents of discrimination and harassment were reported through the Fagron Integrity Line. None of these related to discrimination and 4 to harassment. The investigation of all of these reports was completed in 2023, it was concluded that 1 incident qualified as discrimination or harassment. Appropriate measures have been taken in this case. Our proactive approach to investigating and resolving reported incidents are reflective of Fagron's values regarding transparency and are integral to our commitment to address reported incidents.

As of now, Fagron does not monitor whether any fines, penalties or compensation for damages were imposed or due as result of the reports of discrimination and harassment. As of 2024, Fagron will start tracking this information. The results will be published in our 2024 annual report in accordance with the CSRD.

Incidents and complaints in Fagron Integrity Line

	2021	2022	2023
Reports of discrimination	6	5	0
Reports of harassment	3	9	4
Other complaints filed in Fagron Integrity Line	-[1]	-[1]	8

1 Not reported for 2021 and 2022.

Severe human rights incidents
There were no cases of severe human rights incidents related to Fagron's workforce reported in the Fagron Integrity Line in 2023. This means that there were no reports of forced labor, human trafficking, and child labor. In 2023, there was 1 employee under the age of 18 in the Fagron Group (2022: 0), making child labor very unlikely.

Training & development

We firmly believe that encouraging employee development contributes positively to both our company's performance and employability and job satisfaction of our people. By providing training and career opportunities, we not only enhance employee retention but also increase the overall quality of the work delivered. The investment in our employees enables them to improve their capabilities, subsequently improving their employability. Furthermore, personal development generally translates into increased job satisfaction, empowering growth and fulfillment within the organization.

Policies and targets
Fagron strives to create a culture where personal development is encouraged and nurture a workforce that is not just proficient but continuously evolving and excelling. By prioritizing continuous learning and individual growth and expanding our training offering, we aim to empower our team members with tools and resources to thrive both personally and professionally.

Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to training & development applicable to all Fagron employees. The Fagron ESG policy includes the following target:
- 80% of employees have an annual career development and performance review meeting.

Performance reviews and feedback discussions have long been embedded in Fagron HR policies. Fagron established annual performance and development cycles, which focus on continuous feedback. At the start of each year, employees collaborate with their manager to determine individual development objectives and career aspirations. These objectives could include internal or external training, on-the-job learning or mentorship opportunities. The insights from check-ins throughout the year serve as valuable inputs for the comprehensive year-end evaluation process.

Actions

E-learnings

In 2022, we launched our online learning library providing all employees access to internally developed e-learnings. This platform was further expanded in 2023 with e-learnings tailored to meet employees' individual development needs. Our learning library encompasses a range of topics, including:

- Soft skills: Learning styles, Introduction to feedback, Introduction to self-awareness, Time management and the art of effective communication
- ESG: Today's most pressing environmental and social challenges, How to prevent unconscious bias at work and a training on climate change.
- IT skills: How to work with IT tools such Microsoft Teams and Power BI.

Giving and receiving feedback

In 2023, a robust internal campaign was launched, highlighting the importance of feedback. This initiative encouraged all people leaders to actively seek feedback from both team members and peers through a comprehensive 180-degree feedback approach. This included dedicated sessions for leaders to analyze the feedback results, extracting valuable insights for personal development. In addition, a number of people leaders engaged in live feedback sessions to cultivate an open culture where giving feedback is valued.

As an expression of recognition, a 'KUDOS-board' was introduced across all Fagron facilities, providing a platform to share positive feedback. The success of this campaign has solidified feedback as a precious gift within our organizational culture, and we remain committed to fostering this culture of continuous improvement through feedback in 2024 and beyond.

Onboarding

A comprehensive onboarding program has been developed in 2023 for all new hires, including those in management roles. This onboarding track includes a detailed checklist for new employees, HR, and hiring managers, supplemented by both online and offline training material. To enhance the onboarding experience, monthly group introduction meetings are conducted with all new joiners, providing them a unique opportunity for interaction with the CEO. The roll-out of the onboarding framework has started in several Fagron facilities, with plans for further expansion in 2024. Recognizing the specific needs for new people leaders, a specific onboarding program will also be developed for those hired externally or promoted within Fagron, ensuring a tailored and effective integration process.

Social information

Performance

Performance and career development reviews
In 2023, 97.3% of employees engaged in an annual performance and career development review with their respective people manager or supervisor. This marks an increase compared to 2022, and significantly surpasses our set target. The calculation of this percentage is based on the number of employees employed at the time that the invitations for the annual performance and career development review were sent out. Emphasizing our commitment to a culture of continuous feedback, we also actively encourage our employees and their managers to participate in multiple reviews throughout the year. On average, each employee took part in 2.70 formal reviews in 2023.

Training hours
As of now, Fagron does not measure any training hours. In 2024, Fagron will start setting up a monitoring system for these indicators. Monitoring will start from the beginning of 2025. The results will be published in our 2025 annual report in accordance with the CSRD.

Working hours

At Fagron, we prioritize ensuring that employees do not structurally exceed their contracted working hours. Ensuring reasonable working hours not only enhances employee happiness but also mitigates the risk of occupational health and safety incidents. By affording our employees the time to balance work and life, we aim to provide the opportunity for a fulfilling social life outside of the workplace.

Policies, targets, actions and performance
Fagron adheres to local legislation governing maximum working hours and pay for overtime. Currently, there are no specific policies, targets, or actions regarding working hours other than complying with legislation. Fagron currently does not track any metrics related to working hours and the CSRD does not mandate disclosure on this topic. When updating our ESG strategy in 2024, we may consider doing so.

Performance and career development reviews

	2021	2022	2023
% of employees with annual performance and career development review	88.8%	93.3%	97.3%
% of female employees with annual performance and career development review	87.2%	94.1%	97.8%
% of male employees with annual performance and career development review	91.9%	93.6%	96.6%
Number of performance and career development reviews per employee	-[1]	-[1]	2.70

1 Not measured in 2021 and 2022.

Responsibility in the supply chain

Introduction

Key topics included in our ESG category "Responsibility in the supply chain" are:

- Health & safety
- Human rights & labor rights

We report on the social topics of all companies belonging to Fagron Group. Unlike the environmental topics, the supply chain of Fagron group companies are included in the disclosures once they are part of Fagron Group and not only as of the first full financial year that a company was part of Fagron Group. The disclosed information concerns our direct suppliers, and thus the value chain workers that work for these suppliers.

Business Partner Code of Conduct

Fagron is continuously trying to optimize its supply chain management by building long-lasting relationships with multiple suppliers for the main pharmaceutical raw materials in Fagron's portfolio. Fagron conducts extensive quality screenings before purchasing from a supplier (see Supplier qualification process). Currently, Fagron does not actively investigate compliance with social and environmental criteria when selecting suppliers.

To provide insight into human and labor rights risks and reveal and/or prevent violations, Fagron established a Business Partner Code of Conduct. The Code describes requirements and expectations regarding:

- Human and labor rights
- Health & safety at work
- Environment: regulatory compliance, waste and emissions, discharges, and environmental sustainability
- Ethics: combating bribery and corruption, and safeguarding fair competition and animal welfare
- Management systems: regulatory compliance, risk management, documentation, supplier selection and supplier monitoring

In 2021, the Business Partner Code of Conduct was incorporated in all new purchasing contracts. All suppliers must sign the Business Partner Code of Conduct and receive an ESG questionnaire. This questionnaire includes questions concerning environmental and social topics at the supplier and in their supply chain.

In addition, in 2023, the Business Partner Code of Conduct was added as a part of the qualification process for suppliers. Which means that every supplier is asked to sign the Business Partner Code of Conduct and fill out the ESG questionnaire when their qualification is renewed.

Fagron's ESG Strategy describes Fagron's ESG policies and targets, including the following pertaining to the Business Partner Code of Conduct:

- By 2025, suppliers collectively representing 75% of the value of our trade goods, have signed the Fagron Business Partner Code of Conduct.

In 2023, the Business Partner Code of Conduct has been signed by Tier 1 suppliers who collectively represent 8% of the value of purchased trade goods in 2023. This value includes the suppliers that already signed the Business Partner Code of Conduct in 2022. This is comparable with 2022 (10%). We will increase our efforts to meet our goal of 75% by 2025.

% of suppliers who have signed the Business Partner Code of Conduct

	2022	2023
% of suppliers who have signed the Business Partner Code of Conduct	10%	8%

Social information

Human rights & labor rights

We find enforcing human rights and labor rights important because of the impact that a potential violation could have on value chain workers. For example, child labor or forced labor could lead to permanent (non-remediable) physical or mental injury.

Policies, targets, actions, and performance

Fagron is committed to the Universal Declaration of Human Rights (UDHR) and makes an effort to combat the violation of human rights and labor rights.

Business Partner Code of Conduct

The Fagron Business Partner Code of Conduct (see Business Partner Code of Conduct) includes expectations in terms of human rights and labor rights. The Business Partner Code of Conduct explicitly addresses:

- the right to freely chosen employment (including trafficking in human beings, forced labor and compulsory labor)
- child labor and young workers
- non-discrimination
- fair treatment
- compensation and benefits (including working hours)
- freedom of association.

Risk assessment

In 2021, based on the geographical location of our direct suppliers (Tier 1), Fagron conducted a high-level risk analysis regarding the risk of (1) violation of the right to fair treatment of employees, (2) violation of the right to freedom of association and collective bargaining, (3) child labor and (4) forced labor. From this analysis, it was concluded that about 25% of Tier 1 suppliers have a potential risk regarding one of these topics.

In 2023, we started with setting up a first due diligence framework for our supply chain in line with the proposed European directive for Corporate sustainable due diligence (CSDD). This framework addresses possible environmental misconduct, in addition to due diligence regarding human rights and labor rights. It also includes measures to provide remedy for human rights impact. As the legislative process is developing, the due diligence framework is not yet final.

Audits

All Fagron's suppliers of pharmaceutical raw materials comply with GMP or ISO 19001 certification. As per the publication of this annual report, regular quality audits conducted by Fagron have never revealed an indication of human rights violations. Fagron does not currently audit its suppliers in respect of human rights and labor rights. At the beginning of 2024, Fagron has signed up for the Pharmaceutical Supply Chain Initiative (PSCI), in which pharmaceutical companies work together on audits and supply chain due diligence on ESG topics (including human rights & labor rights).

Channels to raise concerns

At present, Fagron does not have a dedicated channel for value chain workers to raise concerns in relation to their human rights and labor rights. Fagron also does not have any direct engagement with value chain workers. We may consider changing this in the future.

Health & safety

In addition to human rights and labor rights, the health and safety of value chain workers is a material topic for Fagron. Non-functioning occupational health and safety systems (as part of working conditions) at suppliers could result in permanent physical injury or even death of supply chain workers. All policies, actions and targets for health and safety are the same as they are for human rights and labor rights.

The Fagron Business Partner Code of Conduct specifically pays attention to the following health and safety topics:

- Worker protection
- Process safety
- Emergency preparedness and response
- Hazard information
- Housing standards.

Giving back

Introduction

Key topics included in our ESG category "Giving back" are:

- Access to healthcare
- Human rights & labor rights
- Product quality & safety

We report on Giving back topics for all Fagron group companies. Unlike the environmental topics, companies are included in the disclosures from the moment they are part of Fagron Group, rather than only the first full financial year a company is part of Fagron Group.

Access to healthcare

Access to healthcare is very important for the health of people globally. Fagron contributes by ensuring the availability of safe medication and increasing the accessibility of medication through personalization. Fagron primarily supplies products and services to pharmacies and hospitals, which use these products to help patients. All our products and services are used for, or related to, pharmaceutical compounding. Our customers use products from our Brands & Essentials segments to compound medication, and Fagron compounds products for customers through our Compounding Services segment.

Policies, targets, and actions

While we do not have targets, it is our core activity to foster access to healthcare by facilitating personalized medication. In doing so, we increase the effectiveness, quality, and safety of treatments, enable the treatment of more patients, and decrease healthcare costs. Fagron's actions in relation to access to healthcare can be divided into:

- Contribution of Fagron products
- Fagron Academy

Contribution of Fagron products

Fagron's purpose is to create the future of personalizing medicine. Fagron's strategic pillars aim to remain or become a market leader in Brands & Essentials, be the leading global platform in sterile outsourcing services and optimize our non-sterile compounding and registration activities. All Fagron's products are related to pharmaceutical compounding (see page 12).

Each of our product segments contribute to increasing access to healthcare:

- Essentials: Through our Essentials segment, we enable pharmacists across EMEA, Latin America, and North America, to compound safe and high-quality products and optimize their compounding process with our equipment and packaging. The portfolio includes pharmaceutical raw materials, compounding equipment, packaging, and supplies.
- Brands: Fagron's Brands segment focuses on developing semi-finished products and pharmaceutical-grade vehicles that increase quality and reduce the workload for pharmacists. Our Brands portfolio includes emulsions, powder mixtures, creams, complete concepts, and innovative genetic tests by Fagron Genomics.
- Compounding Services: In response to stricter regulations, pharmacies are increasingly outsourcing sterile compounding. Fagron supplies ready-to-administer medicines to hospital pharmacies. Compounding Services utilizes raw materials from our Essentials segment and vehicles from our Brands segment for compounding activities, offering both sterile and non-sterile compounded products tailored to patients' specific needs. Non-sterile products include tablets, capsules, creams, and ointments, while sterile products include IV bags and syringes.

Social information

Fagron Academy

Fagron Academy is one of the enablers of Fagron's strategy. The Fagron Academy was established to improve the knowledge and skills of prescribers and pharmacists in the field of pharmaceutical compounding. Fagron Academy offers extensive training and educational opportunities free of charge in areas such as compounding methods, use of materials, administration forms and quality and safety procedures. The activities of the Fagron Academy include knowledge sharing, in person and via online training, courses and educational programs. It also includes the Formulary, a global initiative offering pharmacists and prescribers a broad range of customized compounding formulations linked to the indications for which they can be prescribed.

The Formulary is a database platform where prescribers and pharmacists can access ready-to-use formulations that will enable the personalization of treatments. The user-friendly platform makes it easy to find:

- Complete formulations and their compounding guidance.
- Information regarding the mechanism, applications, contraindications, interactions, and side effects for each API present in the formulation.
- Specific calculations, correction factions and quality notes.
- All the information needed to prescribe the chosen formulation.

Each formula can be found based on name, ingredients and vehicle, application, dosage form, or doctor's specialty. Each formula has two versions, one for the pharmacy and one focused on the prescribers. A wide number of compounding instructions for Fagron products can be accessed by creating a free account for the Formulary database. Additional compounding instructions will become accessible in 2024 at a fee.
By requesting a contribution, higher-quality information can be provided and, in particular, pharmacists can be better helped with customized compounding instructions.

Performance

Contribution of Fagron products

Quantifying the positive contribution that Fagron makes through its activities is difficult because Fagron does not supply to patients directly. Fagron has no insight into the number of patients that use the sterile and non-sterile medication compounded by Fagron or by pharmacists with Fagron products.

The number of units of compounded medicine that we deliver from our compounding facilities gives an indication of our positive contribution to patients' health. In 2023, Fagron delivered approximately 18.8 million units of compounded medicine (2022: 11.2 million). We are certain of 18.1 million units, the remaining units are estimated based on the average price of a compounded unit.

Units of compounded medicine supplied

(million)	2021	2022	2023
Units of compounded medicine supplied[1]	5.4	11.2	18.8

1 For locations where exact amount of compounding is not tracked, number of units of compounded medicine were determined by dividing total revenue per compounding facility (Compounding Services) by facility's average price of compounded unit.

In addition to compounded medicine, Fagron offers a large portfolio of pharmaceutical raw materials, excipients, semi-finished products, equipment, and other products that enable (hospital) pharmacists to compound their own products.

Human rights & labor rights

Fagron takes privacy of end-users seriously, particularly in the context of medical patient information. Unwanted exposure of patient data could materially impact a patient's privacy and potentially result in health and safety risks for the patient. As an example, someone's health data may enable the identification of their sexual orientation. In countries where homosexuality is not accepted, leaking of health data may cause physical danger for end-users.

There are two other types of human rights and labor rights that are material for Fagron in relation to the end-users of our products. See Access to healthcare and Product quality & safety.

Policies and targets
Fagron is required and committed to keeping medical patient information private. Access to patient information is limited to the relevant patient and authorized parties to whom the patient gives consent to access such data, such as doctors. Fagron supplies primarily to hospitals, pharmacies, and clinics that use our products and services to compound medication for patients. Generally, Fagron does not have access to patient data. The only exception is when we compound products on prescription basis in our sterile or non-sterile compounding facilities. In these instances, Fagron is legally obligated to store patient and compounding data. The legal retention period varies between 5 and 15 years, depending on the jurisdiction. In all cases, Fagron treats patient's privacy-sensitive data with utmost care, striving to adhere to local privacy legislation, including the General Data Protection Regulation (GDPR) in the EU. Fagron's EU Privacy Statement is available on fagron.com.

At present, Fagron does not have specific targets related to human rights and labor rights of customers or end-users of our products. However, as part of our commitment to continuous improvement, potential targets in relation to access to healthcare, product quality and safety or privacy of end-users may be considered when updating our ESG strategy in 2024.

Channels to raise concerns
At present, Fagron does not have dedicated channels available for consumers or end-users of our products to raise concerns related to human rights and labor rights in general. There are currently no plans to establish a general channel for human rights and labor rights because we have two channels available:

- As described in our EU Privacy Statement, any complaints, or questions in relation to data privacy can be directed to the Privacy Officer.
- We have specific channels available for reporting product quality & safety issues (see Quality complaints and recall procedures).

Actions and performance
As identified, there are three types of material human rights and labor rights for Fagron in relation to consumers/end-users. For actions and performance in relation to 'Access to healthcare' see Access to healthcare and for actions and performance in relation to 'Product quality & safety' see Product quality & safety. Here, we describe actions related to the protection of 'Privacy of end-users'.

In 2023, there were no data breaches at any Fagron company that is legally required to store patient data. The rights of end-users of our products for which we store patient data were therefore sufficiently protected.

Product quality & safety

As a leading global player in pharmaceutical compounding, Fagron follows all required regulatory guidances for the quality and safety of its products. A product that does not meet all quality/regulatory specifications can, in the worst-case scenario, cause (severe) side effects for end-users. Product quality and safety is therefore a priority for Fagron. The positive contribution of our products to patient health (see Access to healthcare) relies on our adherence to high product quality & safety standards.

Policies and targets
Quality is one of Fagron's core values and it is the most important benchmark for everything we do. Our objective is to deliver products that meet all product quality and safety requirements and we strive for the best and optimize our standards and processes continuously. Our quality organization reports into our chief operations officer (COO). More information about responsibility per ESG topic can be found under ESG management.

Social information

Fagron has compounding and repackaging facilities worldwide that are fully compliant with GMP or similar local legislation. These facilities are a combination of certified facilities and facilities where compliance with GMP guidelines and legislation is audited on a regular basis by the competent authorities. All our warehouses comply with GDP or comparable local laws. Fagron policies that are part of GMP and GDP include our supplier qualification process, quality testing procedures, and quality complaints and recall procedures.

Supplier qualification process

An extensive supplier selection procedure ensures 100% traceability of the more than 2,500 pharmaceutical raw materials that Fagron uses. New suppliers are screened extensively. Suppliers of products with a higher risk profile are subjected to an on-site audit. These audits focus primarily on the quality and safety of the product.

Quality testing procedure

Fagron has a team of quality experts who ensure that the products we receive from our suppliers and that we produce ourselves have the required properties before they are made available for sale. In doing so, we distinguish between products that we repackage or use in one of our sterile or non-sterile compounding facilities and products that we do not process but deliver directly to clients. Raw materials and final products are tested in-house or by third party laboratories. We do our utmost to ensure that they meet all applicable laws and regulations, requirements, and internal standards.

Quality technicians test products during three phases of production (incoming products, during production, and upon release) to ensure that they meet all quality specifications. All the products that we repackage in one of our repackaging facilities are also tested. This includes pharmaceutical raw materials, excipients, such as base cream, and fillers such as lactose and methylcellulose. Most (about 2/3rd) of the pharmaceutical products we supply from our repackaging and compounding facilities are tested in-house in one of our own quality laboratories before release, the rest (about 1/3rd) are tested by a third party.

Products arriving at our warehouses are checked for all required documentation and are not released for sale unless they are also stored in the right conditions (temperature, humidity). We also check whether the transport of incoming and outgoing products is conducted as agreed upon with the suppliers and distributors.

Quality complaints and recall procedures

Every Fagron group company has at least one channel where customers can raise a concern or file a complaint concerning a Fagron product. This channel could be customer support, but in many instances also includes a direct line with the quality department. In case a complaint comes in regarding the quality and safety of a product, Fagron always logs the complaint into the quality control system and starts an investigation. In some instances, it might be necessary for the customer to return the product to allow for testing.

The aim of the investigation is to determine if there is a quality deviation of the product. If so, Fagron determines what happened, where it happened and why the quality deviation materialized. Based on this information Fagron can then decide to issue a recall to prevent potential harm to human health (see Performance). All information regarding the investigation is logged into the quality control system. After closing the investigation Fagron always provides a summary of the conclusions of the investigation to the customer that filed the complaint. In addition, if applicable, Fagron offers reimbursement for the product.

In the unlikely event that the customer or the end-user of the product has suffered from a faulty product Fagron will do its utmost best to provide a remedy for the damage.

Social information

Actions

Annual training on product quality & safety
International certifications such as GMP and GDP require all personnel who come into contact with pharmaceutical products to complete a number of annual trainings in product quality and safety. Compliance with this component of GMP and GDP is monitored at group level for production employees, warehouse employees, and quality staff, among others. By ensuring that all employees are trained and follow standard operating procedures on quality & safety, we ensure that our products do not have any negative impact on end-users.

Performance

Product quality & product safety indicators
A good indicator of our potential impact on the health and safety of the end-users of our products, is the number of products that we have recalled. Recalls are classified in the following three categories:

- Class I concerns a recall for products that may cause severe injury
- Class II concerns a recall for products that may cause temporary side effects
- Class III concerns a recall for products that are unlikely to cause injury or illness, but that do not (fully) meet the GMP or other local quality standards.

A Class 1 or Class 2 recall does not automatically mean that an end-user experienced side effects or has been injured. A recall is meant to prevent any impact on the health and safety of end-users.

Despite the fact that Fagron has grown significantly in terms of geographic distribution and quantity of products sold, the number of class 1 and class 2 product recalls has remained stable in recent years. In 2023, a total of 15 recalls occurred across the organization. Of these there were 5 class 2 recalls and no class 1 recalls. End-users might have been impacted, but no permanent health damage materialized.

Product recalls

	2019	2020	2021	2022	2023
Class 1 recalls	0	1	1	1	0
Class 2 recalls	17	5	2	7	5
Class 3 recalls	9	7	2	3	10
Total number of recalls	**26**	**12**	**5**	**11**	**15**

Governance information

Disclosures incorporated by reference

The following information can be found in another part of this Sustainability Statement and is incorporated in the chapter "Governance information" by reference:

- ESG management
- Materiality assessment
- Fagron's ESG Strategy
- Business Partner Code of Conduct

See for the exact location of each disclosure the ESRS Index

Good governance

Introduction

Key topics included in our ESG category "Good governance" are:

- Compliance with laws and regulations
- Corruption and bribery
- Grievance mechanism
- Remuneration of executives

We report on Good governance topics for all companies belonging to the Fagron Group. Unlike the environmental topics, companies are included in the disclosures from the moment they are part of Fagron, rather than only the first full financial year a company is part of the Fagron Group.

Compliance

Fagron strives to comply with laws and regulations in all jurisdictions in which we operate. Failure to comply with laws and regulations may negatively impact Fagron and our stakeholders. For example, the health of end-users of our products could be affected when we fail to comply with product quality or safety requirements.

Policies, targets, and actions

At local level, Fagron companies are responsible for compliance with the applicable laws and regulations. At group level we strive to ensure compliance with laws and regulations of Fagron NV and the Fagron holding company (Fagron BV), as well as compliance with the product quality and safety requirements of the products we supply worldwide (see Product quality and safety).

Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to compliance. We aim for:

- Zero compliance issues at Fagron NV and Fagron BV
- 90% of employees complete the annual Code of Conduct & Ethics training

Training on corporate culture

Fagron has an education program that ensures that every employee is aware of the corporate culture and associated expectations. This journey starts with the onboarding program (see Training & Development). As part of their onboarding, all employees sign for having received and have to commit to comply with the Code of Conduct & Ethics. In addition, all employees are expected to follow an annual Code of Conduct & Ethics training.

Governance information

Code of Conduct & Ethics

The Code of Conduct & Ethics serves as our guiding document, outlining the expected behavior of Fagron employees. In particular, the document contains information on how to act legally and ethically in day-to-day business operations. The Code of Conduct applies to all employees in the various companies of the Fagron Group. The following topics are included in the Code of Conduct:

- Fagron Values
- Fagron Family Rules: Autonomy, Analytic, Humility, Simplicity, Responsibility, Transparency
- Grievance mechanism (see Grievance mechanism)
- Corruption and bribery (see Corruption & bribery)
- Human rights & labor rights (see Human rights & labor rights)
- Health & safety (see Health & safety)
- Patient privacy (see Human rights & labor rights)

The Code of Conduct & Ethics is publicly available via investors.fagron.com. All employees and management have access to this Code of Conduct & Ethics via the Fagron intranet.

Annual Code of Conduct & Ethics training

Every year, all employees and members of management are provided with an annual Code of Conduct & Ethics training course. This training was initially introduced in 2020 and has been consistently offered, including in 2023. The latest training offered in 2023, covered all topics in the Code of Conduct & Ethics.

Both the Code of Conduct & Ethics and the Code of Conduct & Ethics training are available in all languages spoken in the countries where Fagron is present, with the exception of Mandarin. This ensures that all employees fully understand the contents of the Code.

Performance

Compliance at group level

In 2021, Fagron BV, among others, was summoned in a case involving Gako, one of the companies in the Fagron Group. To date, there has been no court ruling in this case and no fines or sanctions have been imposed on Fagron BV. We are awaiting a ruling. In 2023, Fagron BV, among others, was summoned in a case involving Gako and Hiperscan, both companies in the Fagron Group. In 2020, 2021, 2022 and 2023 Fagron NV and Fagron BV were not subject to any fines or penalties in the socioeconomic sphere or in the area of environmental laws and regulations, nor was there any involvement in dispute settlement. Before 2020, Fagron was involved in a number of disputes.

Compliance at Fagron group companies

The CSRD requires Fagron to report on material compliance topics. For Fagron these relate to corruption & bribery and infringements of the human rights of employees, end-users and supply chain workers. Fagron currently does not collect data from Fagron Group companies related to these indicators. Fagron will start doing so from the start of 2024. The results will be published in our 2024 annual report in accordance with the CSRD.

Annual Code of Conduct & Ethics training
In 2023, all employees and members of management employed at September 29, 2023 received an invitation on August 16, 2023. It is important to note that the number of participants may not precisely align with the total number of employees and management members as of December 31. The Code of Conduct & Ethics training was not offered to members of Fagron's Board of Directors. A total of 99% of employees and 100% of top management, who received an invitation to the do the Code of Conduct & Ethics training, have completed the training in 2023.

Corruption & bribery

Fagron attaches great importance to transparency and fair trade. We do not tolerate bribery or other forms of corruption (including facilitating payments). Corruption and bribery may lead to unfair pricing of pharmaceutical products vital to the operations of healthcare systems in the markets where we operate. Corruption and bribery can also expose Fagron to possible criminal prosecution, fines, reputational damage, and other serious consequences. A bribe or any other form of corruption is therefore never acceptable.

Policies and targets
All policies that relate to corruption and bribery aim to reduce the risk of corruption and bribery incidents. Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to corruption and bribery.

In addition, anti-corruption and anti-bribery are covered in our Code of Conduct & Ethics.

Code of Conduct & Ethics
The Code of Conduct & Ethics includes Fagron's expectations from its employees concerning anti-corruption and anti-bribery, including regarding:
- Accurate record keeping
- (Potential) conflicts of interest
- Charitable support and donations
- Dealing with government officials
- Facilitation payments
- Gifts & hospitality
- Side deals

We are convinced that paying attention to corruption and bribery has a preventive effect. For more information on our Code of Conduct & Ethics, see Code of Conduct & Ethics.

Annual Code of Conduct & Ethics training

	2020	2021	2022	2023
Number of employees who completed the Code of Conduct & Ethics training	-[1]	-[1]	-[1]	3,242
Number of employees who received an invitation to the Code of Conduct & Ethics training	-[1]	-[1]	-[1]	3,269
% of employees who received an invitation and completed the Code of Conduct & Ethics training	**68%**	**99%**	**99%**	**99%**
Number of members of top management who completed the Code of Conduct & Ethics training	-[1]	-[1]	-[1]	74
Number of members of top management who received an invitation to the Code of Conduct & Ethics training	-[1]	-[1]	-[1]	74
% of members of top management who received an invitation and completed the Code of Conduct & Ethics training	**100%**	**100%**	**100%**	**100%**

1 Datapoint not available.

Governance information

Internal audit procedure
Our internal audit department strives to provide independent and objective assurance and advice to optimize Fagron's operations. The internal auditor supports the organization in achieving our goals with a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Concrete examples of the work done include managing risk plans for the risks identified in the Fagron risk assessment (see Risk management), conducting internal audits, and reporting and following up on areas for improvement. One of these risks is corruption and bribery.

Every year, a number of Fagron group companies are audited by the internal auditor. This means that all Fagron companies are covered by the internal auditor approximately every five years. The topics covered during an audit depend on the risk assessment conducted for the company to be visited. In any event, financial control processes are always examined and points for improvement are suggested. This audit process ensures that there is a high probability that corruption and bribery will be detected during an internal audit, should it have occurred. We also believe that the existence of an internal audit procedure has a preventive effect.

Grievance mechanism
Fagron has established a comprehensive grievance mechanism procedure, providing employees with a structured mechanism to report suspicions of misconduct or behavior inconsistent with the Code of Conduct & Ethics. The mechanism includes procedures on how to address allegations or incidents of corruption and bribery. See Grievance mechanism for more details.

Actions

Annual Code of Conduct & Ethics training
As a mandatory annual requirement, both management and other employees follow the annual Code of Conduct & Ethics training, which always includes Fagron's anti-corruption and anti-bribery policies. This training is a pivotal element in our approach, we believe that emphasizing the importance of combating corruption and bribery has a significant preventive effect. See Annual Code of Conduct & Ethics training for more details.

Targeted anti-corruption and anti-bribery training
Fagron offers a general Code of Conduct & Ethics training to all employees. In 2024, Fagron intends to define which functions are most at risk in respect of corruption and bribery and to develop an anti-corruption and anti-bribery training specifically for those functions-at-risk.

Performance
In 2023, no cases of corruption and bribery were reported through the Fagron Integrity Line (See Grievance mechanism for more information on the Fagron Integrity Line). There were no other confirmed material cases of corruption and bribery. At Fagron Group level (Fagron NV and Fagron BV) there were no convictions or fines for violation of anti-corruption or anti-bribery laws. Fagron currently does not collect data on convictions and fines at the level of Fagron group companies. Fagron will publish this information for the first time in our 2024 annual report in accordance with the CSRD.

Grievance mechanism
Based on our latest materiality assessment, a grievance mechanism for employees is not identified as a material topic. However, we recognize the importance of a well-functioning grievance mechanism, as it plays an essential part in preventing and in gaining insight into practices that may not be aligned with rules and regulations or our Code of Conduct & Ethics.

Policies and targets
The Fagron grievance mechanism consist of three distinct steps to ensure accessibility for employees:

1. Expressing a concern or complaint to manager or supervisor: Employees are encouraged to share their concerns or complaints directly with their manager or supervisor.

2. Expressing a concern or complaint to HR or site manager: If the matter is not satisfactorily or cannot be addressed at the managerial level, employees have the option to escalate their concern or complaint to the Human Resources department or the site manager.
3. Submitting an official complaint via the Fagron Integrity Line: For more formal reporting, employees can choose to submit an official complaint through the Integrity Line, offering an additional possibility for confidential reporting.

This multi-tiered approach ensures flexibility and accessibility, allowing employees to choose the level of formality based on the nature and severity of their concerns.

In instances where an employee is uncertain about the appropriate steps to take or requires guidance, reaching out to a confidential counselor is an available option. Currently, not all facilities have a confidential counselor in place. Fagron's ESG Strategy describes Fagron's ESG policies and targets, including those pertaining to the grievance mechanism. Our target is to ensure that all employees have access to a confidential counselor by the end of 2025, underscoring our dedication to enhancing employee support and well-being across our organization.

Code of Conduct & Ethics

The Code of Conduct & Ethics describes how employees can report questions or concerns.

Fagron Integrity Line

The Fagron Integrity Line is available online 24/7 for all Fagron employees and is managed by an external provider. The Fagron Integrity Line is not (yet) intended for external stakeholders. Making a report via the Fagron Integrity Line is completely anonymous and falls under Fagron's whistle blower scheme. All reports are treated confidentially.

In the event of suspected misconduct, where something may have occurred that is not in line with laws and regulations or our Code of Conduct & Ethics, an investigation will be conducted. An internal investigation team is assembled for each report. We always ensure that an independent investigation can take place, and that if management is involved, they are not part of the investigation team. Should this not be possible due to the nature of the report, an outside party will be engaged to conduct the investigation. The internal procedure defines a time limit for each step in the investigation. This way we ensure that reports are handled swiftly and carefully. Upon completion of the investigation, appropriate action will be taken, if required. If these (internal) measures do not lead to improvement, external reports are made.

All reports made through the Fagron Integrity Line reach the Compliance team, excluding cases where a report concerns one of the members of the Compliance team. In turn, the Compliance team informs the Audit and Risk Committee of the Board of Directors about reports made and the progress of dealing with these reports. The Audit and Risk Committee uses the list of reports received to make recommendations to the Board of Directors.

The European Whistle blower Directive took effect on December 17, 2021. This directive provides legal protection for whistle blowers who follow an internal whistleblower scheme. Of the countries in the European Union where Fagron has entities at the end of 2023 (11), most countries have transposed this directive into local legislation. Only in one country (Poland) in the European Union where Fagron operates, the European directive has not yet been transposed into local law or there was no protection for whistle blowers. In the United Kingdom, the United States, and South Africa, whistle blowers were already legally protected. This means that by the end of 2023, 13 of the 19 countries where Fagron has a presence have legal protection for whistle blowers.

Fagron complies with the Whistle blower Directive. This means that Fagron will not take action against any employee who raises concerns or reports a (suspicion of) violation in good faith. Fagron applies this policy in all countries in which it operates, also when there is no legal obligation to do so.

Governance information

Actions and performance

Code of Conduct & Ethics training
Fagron believes it is important that all employees are familiar with the grievance mechanism and that access to the grievance mechanism is as easy as possible. To ensure this, the annual Code of Conduct & Ethics training explicitly addresses the grievance mechanism.

Confidential counselor
In 2021, the grievance mechanism was modified with the option to reach out to a confidential counselor. For each entity, a confidential counselor will be appointed and trained who can support employees in making a report and can identify misconduct at an early stage. At the end of 2022, 39% of all employees had access to a confidential counselor. By the end of 2023 Fagron had 23 employees who serve as a confidential counselor, so that by the end of 2023, 58% of employees had access to a confidential counselor. We will further expand the coverage in 2024.

% of employees with access to a confidential counselor

	2021	2022	2023
% of employees with access to a confidential counselor[1]	5%	39%	58%

1 Measured on December 31

Complaints filed in Fagron Integrity Line
In 2023, 12 unique complaints were filed (2022: 17). Of these, 4 complaints related to discrimination and harassment (2021: 14) and none related to corruption and bribery (2022: 1). See human rights & labor rights for a description of the complaints related to human rights, discrimination and harassment.

Number of complaints filed in Fagron Integrity Line

	2021	2022	2023
Complaints related to discrimination and harassment	9	14	4
Complaints related to other human and labor rights[1]	0	1	6
Complaints related to corruption and bribery	0	1	0
Other complaints	6	1	2
Total number of complaints filed in Fagron Integrity Line	**15**	**17**	**12**

1 This includes all complaints related to working conditions, equal treatment and opportunities for all and other work-related rights such as child labor and forced labor.

Evaluation of grievance mechanism
As part of the Global Employee Survey (see Employee Engagement), awareness of the Fagron Integrity Line was evaluated in 2022. This showed that 80% of employees who completed the survey are aware of the Fagron Integrity Line and know where to find it. We will evaluate this again in our 2024 Global Employee Survey.

Remuneration executives

The remuneration of executives at Fagron is designed to align with the long-term interests of shareholders, serving as a mechanism to attract and retain top-tier executive talent. Simultaneously our approach emphasizes the importance of maintaining a reasonable gap between employee and executive compensation. This consideration is closely related to our broader policies on compensation and benefits for employees. Recognizing the potential impact on employee engagement, we are committed to ensuring a fair and balanced remuneration structure that fosters a harmonious and motivated workforce.

Policies and targets
The remuneration policy for the members of the Board of Directors and Executive Leadership Team, aims to attract and retain talent and to provide fair and competitive remuneration. The starting point for this policy is to align with:

- Fagron culture: Fagron values and 'Family rules'
- Business strategy and growth ambitions
- Long-term interests of all stakeholders

The Nomination and Remuneration Committee of the Board of Directors regularly assesses the market conformity and effectiveness of our remuneration policy. If required, it proposes amendments of the remuneration policy to the Board of Directors. The General Meeting of Shareholders must approve the remuneration policy submitted by the Board of Directors.

The most recent version of the remuneration policy was approved by the General Meeting of Shareholders on May 8, 2023, and is available on the Fagron website. The Board of Directors is ultimately accountable for the implementation of the remuneration policy.

Performance

In its remuneration report, Fagron reports on the pay gap between executives and employees (see page 135), more specifically on the ratio between the highest remuneration (CEO) and the lowest remuneration of Fagron employees in Belgium. In 2023, the ratio was 34.0. This is an increase compared to 2022 when the ratio was 30.9.

In accordance with the CSRD, Fagron will report on the ratio of the highest-paid individual (CEO) to the median annual total remuneration for all employees (excluding the CEO) in our upcoming 2024 annual report. This disclosure aligns with our dedication to transparency and compliance with regulatory standards, providing stakeholders with insights into our approach to executive compensation relative to the broader workforce.

Message from the Chairman

In 2023, Fagron has made impressive progress towards achieving its mid-term strategic ambitions, demonstrating the strength of its business model and its people, though the macro-economic and global geopolitical uncertainties remained heightened.

Our EMEA region showed healthy revenue growth and solid margins supported by the pricing pass-through exercise, strong performance of the Compounding Services segment, benefits of the improved operational efficiency and diversification.

We further broadened our portfolio by entering the veterinary compounding market through the acquisition of Wildlife Pharmaceuticals in South Africa. We also closed the acquisition of Parma Produkt in Hungary early 2024, adding a new country to our EMEA footprint.

In Latin America, we saw a recovery in customer demand particularly in the second half of the year, translating into revenue growth, although competitive pressures remained heightened, resulting in pricing pressure.

With our focus on innovation and quality, and the progress we have made with our operational excellence programs, we are confident about our strong positioning in this attractive compounding market. Our North America region delivered an outstanding performance, benefiting from its commercial and operational strengths, the Boston facility, the outsourcing trend, and drug shortages. We announced investments in our North America infrastructure in both the repackaging and the compounding businesses to further strengthen our position in this region.

We welcomed the representation of 75% of our share capital at our hybrid general meeting of shareholders on May 8, 2023. The meeting approved all voting items, with the exemption of the proposal to approve the accelerated vesting in case of a public offer on or a change of control over Fagron as provided for in its new Performance Share Plan.

This provision has thus been deleted from the plan. Also, on the agenda were the appointment of Els Vandecandelaere LLC, represented by Els Vandecandelaere, confirming her co-optation in the third quarter of 2022, and of Klaus Röhrig as non-executive directors.

Finally, the agenda included the reappointment of AHOK BV, represented by the undersigned, as non-executive director. After the shareholders' meeting, Management Deprez BV, represented by Veerle Deprez, stepped down from the Board of Directors as non-executive director. We are very grateful for her dedication and valuable input during her years as Board member.

Currently, the Board of Directors consists of the following 8 members: AHOK BV, represented by the undersigned (chair), Rafael Padilla (CEO), Karin de Jong (CFO), Ann Desender (chair Audit and Risk Committee), Els Vandecandelaere LLC, represented by Els Vandecandelaere (chair Nomination and Remuneration Committee), Robert ten Hoedt, Klaus Röhrig and Neeraj Sharma, showing a strong representation of relevant expertise and seniority and a nice mix in age, gender, and nationality.

Message from the Chairman

Fagron has strong underlying fundamentals and clear mid-term strategic priorities. Together with all members of the Board of Directors, I have full confidence that, supported by its employees worldwide, Fagron will continue on its path towards realizing its ambitions. As our products and services contribute to the health and well-being of a very diverse group of patients globally, it is important that this diversity is also reflected in Fagron's workforce. The numbers in the Sustainability Statement show that we take this responsibility seriously, with inter alia over 40 nationalities. On behalf of the Board of Directors, I am grateful to all these employees worldwide for their commitment, effort, and loyalty during the past year. Furthermore, I would like to thank our shareholders, customers, suppliers, and other stakeholders for their confidence in Fagron.

Koen Hoffman
Chairman of the Board of Directors

Report of the Board of Directors

Consolidated income statement

Fagron EMEA

Revenue development in the EMEA region was driven by continued strong performance at Compounding Services partly offset by the performance at Brands and Essentials.

Brands and Essentials revenue development reflected the impact of a slowdown of the Polish market in the run up to the implementation of the new reimbursement system. Excluding this impact we saw solid demand in most of our markets as we benefit from our diversified footprint in the region. Our successful innovative product launches and improved product availability driven by our commitment to operational excellence further contributed to underlying performance.

The strong revenue growth in Compounding Services reflects solid performance across our markets driven by the enforcement of our registration activities, stock compounding and drug shortages in some countries.

After the strong improvement of the REBITDA margin in the first semester, supported by the operational benefits of the Polish repackaging facility and the pricing pass-through, the trend in the second half of the year reflected the low volumes in Poland in anticipation of the local regulatory changes.

As the Polish market adjusts to the new situation in 2024, we expect to minimize the impact of the new reimbursement system with strategic actions. Given our competitive and commercial strengths and resilient business model, we are confident about our positioning in the attractive Polish market.

Fagron Latin America

Revenue development in Latin America reflected growth in Brands and Compounding Services, slightly offset by the Essentials performance.

Essentials revenue development reflects our effort to maintain our market leadership in a heightened competitive environment, increasingly compensated by the strengthening customer demand in the second half of the year. Brands strong revenue development reflects the benefits of our broad product portfolio and product launches, evidencing the competitive advantage of our innovative power.

Compounding Services (Colombia) continued its strong revenue growth, driven by customer wins, increasing orders from existing customers and product launches. As market leader, we are promoting the development of personalized medicine in the country, particularly in dermatology.

As anticipated, the region’s REBITDA and REBITDA margin showed the impact of our focus on maintaining market share in a heightened competitive environment. However, our sustained focus on executing our operational excellence programs resulted in an improved REBITDA margin in the second half of the year compared to the first half.

Fagron North America

Revenue growth in North America is reflecting Compounding Services’ continuing strong performance, both at Fagron Sterile Services (FSS) and Anazao.

Organic revenue at the Brands and Essentials segment continued its recovery through the year following the completed consolidation of our repackaging activities at our Letco facility, and integration of sales forces and IT systems.

At Compounding Services, revenue prolonged its strong growth trajectory, driven by outstanding performance at both FSS (Wichita and Boston) and Anazao. Increasing orders from existing customers, new customer wins, and drug shortages supported the segment's performance. The combined run rate of the Wichita and Boston sterile outsourcing facilities was almost US$165 million (annualized) at year-end. The Boston facility reached break-even in the fourth quarter as new licenses continue to come in. Investment in the Anazao site in Tampa is progressing as planned and the new facility is scheduled to become operational in 2024.

The REBITDA margin continued to improve as the integration of the Letco and Boston acquisition progressed, further supported by improved operational efficiency at our Wichita facility.

Revenue and gross margin

Consolidated revenue increased by 11.6% (12.5% at CER) compared to 2022 to 763.0 million euros. Organic revenue growth was 9.6% (10.5% at CER) compared to 2022.

Gross margin increased by 14.6% to 461.3 million euros. Gross margin as a percentage of revenue increased 160 basis points compared to 2022 to 60.5%.

REBITDA and EBITDA

REBITDA (EBITDA before non-recurring result) increased by 13.9% (15.1% at CER) compared to the 2022 to 149.0 million euros. REBITDA margin increased 40 basis points compared to 2022 to 19.5%. The non-recurring result amounted to -1.0 million euros and related mainly to restructuring costs compensated by release of earn-outs in EMEA. EBITDA increased by 10.9% compared to 2022 to 147.9 million euros.

Depreciation and amortization

Depreciation and amortization increased by 10.8% compared to 2022 to 39.3 million euros.

EBIT and EBIT margin

EBIT increased by 11.0% compared to 2022 to 108.6 million euros. EBIT margin slightly decreased with 10 basis points compared to 2022 to 14.2%.

Results and taxes

Profit before income tax decreased by 3.8% compared to 2022 to 84.4 million euros. The effective tax rate as a percentage of profit before income taxes was 15.9% compared to 20.2% in 2022. The effective cash tax rate was 22.2% compared to 19.9% in 2022.

Net profit and earnings per share

Net profit increased by 1.4% compared to 2022 to 71.0 million euros. Earnings per share increased by 1.0% compared to 2022 to €0.97.

Consolidated statement of financial position

Consolidated total assets increased by 3.7% from 971.0 million euros in 2022 to 1,007.0 million euros in 2023.

Assets

Total fixed assets amounted to 671.1 million euros, up 18.1 million euros from 2022.

Goodwill increased by 4.6 million euros to 434.4 million euros.

Intangible fixed assets increased by 14.9 million euros to 48.6 million euros. Tangible fixed assets increased by 5.7 million euros to 109.8 million euros.

Net operating capex was 38.5 million euros (5.0% of revenue) in 2023. An increase of 20.0 million euros compared to 2022 (2.7% of revenue). The capex is mainly composed of investments in existing and new facilities.

Lease and similar rights amounted to 38.1 million euros compared to 39.5 million euros in 2022.

Financial fixed assets amounted to 4.2 million euros in 2023, no changed compared to 2022.

Financial instruments decreased by 10.8 million euros to 2.5 million euros. Other fixed assets increased by 0.8 million euros to 4.6 million euros.

Deferred tax assets increased by 4.1 million euros and represents a value of 28.9 million euros.

Total current assets amounted to 335.9 million euros in 2023 compared to 318.0 million euros in 2022, an increase of 17.9 million euros. Inventories increased by 5.6 million euros, trade receivables increased by 1.3 million euros, financial instruments increase by 3.8 million euros, other receivables decreased by 0.5 million euros and cash and equivalents increased by 7.7 million euros.

Equity and liabilities

Total equity amounted to 467.6 million euros. This is an increase of 57.1 million euros compared to 2022. This increase was caused by the result in 2023 (73.8 million euros), the capital increase (3.3 million euros), purchased own share (-2.3 million euros), the dividend made payable (-18.4 million euros), share-based payments (2.4 million euros) and change in minority interest(s) (-1.8 million euros).

Total liabilities decreased from 560.5 million euros in 2022 to 539.3 million euros in 2023. This is an decrease of 21.2 million euros. One of the reasons for the decrease is repayment of loans for an amount of 28.0 million euros.

Provisions remained the same at 2.0 million euros.

Pension liabilities were 2.6 million euros in 2023, a decrease of 0.1 million euros compared to 2022.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and tax accounting for the local entities. These amounted to 2.0 million euros in 2023 compared to 4.4 million euros in 2022.

Long-term interest-bearing financial liabilities (long-term loans and lease obligations) amounted to 357.1 million euros in 2023, a decrease of 23.3 million euros compared to 2022.

Short-term interest-bearing financial liabilities (short-term loans and lease obligations) amounted to 9.7 million euros in 2023, a decrease of 9.3 million euros compared to 2022.

At December 31, 2023, net financial debt (the total of current and long-term interest-bearing financial liabilities plus other long-term liabilities and less cash and cash equivalents) amounted to 233.7 million euros, compared with 274.0 million euros at the end of 2022.

Current trade payables were 7.1 million euros higher than in 2022, reaching 104.9 million euros.

Tax liabilities related to the current year were 10.1 million euros, an increase of 2.1 million euros compared to 2022.

Other current income tax personnel liabilities amounted to 33.9 million euros, an increase of 3.1 million euros compared to 2022.

Other (current) liabilities amounted to 16.3 million euros in 2023 compared to 15.2 million euros in 2022.

Consolidated cash flow statement

The consolidated cash flow statement begins with the result before taxes of 84.4 million euros.

This amount is reduced by pre-tax cash outflows of 18.8 million euros. Subsequently, the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This was a total of 65.3 million euros. This amount is composed of depreciation and amortization of tangible and intangible assets, interest paid, changes in provisions, and deferred taxes. Thereafter, changes in working capital are accounted for in the cash flow statement (a negative effect of 6.3 million euros). Total cash flow from operating activities was 124.6 million euros, up 13.9% from 109.5 million euros in 2022.

Total cash flows from investing activities produced an outflows of 44.8 million euros and related to net investments of 38.5 million euros, the payments for existing (subsequent payments) and new participations of 6.3 million euros.

Total cash flows from financing activities represented outflows of 74.3 million euros. The capital increase and interest received resulted in an inflow of 8.6 million euros. Outgoing cash flows consisted of the payment of interest on loans and other financial elements of 22.6 million euros, the payment of the dividend (18.3 million euros), purchase of own shares (2.3 million euros) and the repayment of loans and payments for lease obligations of 39.8 million euros.

Overall, cash and cash equivalents increased by 5.6 million euros in 2023: from 125.3 million euros at the beginning of the period to 133.0 million euros at the end of the period. The difference of 2.1 million euros between the changes in cash and equivalents of 5.6 million euros and the increase in cash and equivalents of 7.7 million euros, was caused by exchange rate differences.

Significant events after balance sheet date

Information about significant events after the balance sheet date can be found in note 34 Significant events after the balance sheet date, as included in the notes to the consolidated financial statements.

Research and development

Information about research and development can be found in note 15 Intangible fixed assets and goodwill, as included in the notes to the consolidated financial statements.

Financial instruments

The financial instruments used by the Group are the Sustainable syndicated credit facility, various privately placed loans and ISDA agreements. Please refer for details to Chapter Other legal information that must be disclosed by listed companies in the Corporate Governance Statement, note 3 Management of financial risks and note 25 Financial debt and financial instruments, as included in the Notes to the consolidated financial statements.

Description of risk management

Information about Fagron's risk management can be found in Risk management and note 3 Management of financials risks, as included in the notes to the consolidated financial statements.

Non-financial information

Non-financial information is included in the Sustainability Statement.

Corporate Governance Statement

Corporate Governance Statement

Fagron applies and uses the Belgian Corporate Governance Code (the Code) as its reference code. The Corporate Governance Statement contains a description of Fagron's governance and the annual report on compliance with the Code.

The[1] code assumes the 'comply or explain' principle, meaning that any deviations from the recommendations must be justified. Except when expressly stated otherwise and reasoned in this Corporate Governance Statement, Fagron (hereinafter also referred to as the Company) complies with the provisions of the Code.

Governance principles

The most important aspects of Fagron's governance policy – in particularly the role, responsibilities, the composition and operation of the Board of Directors, its advisory Committees and the Executive Leadership Team – are set out in the Corporate Governance Charter. The Board of Directors regularly reviews the Corporate Governance Charter and will make the necessary amendments. The Corporate Governance Charter, originally created on 4 October 2007 by the Board of Directors, was last amended and modified on 27 October 2022 to bring it into line with the provisions of the Code and Fagron's governance structure. The most recent version of the Corporate Governance Charter with appendices can be accessed on the Fagron investor page under the Corporate Governance/Governance documents section (investors.fagron.com).

The Corporate Governance Charter with appendices contains the internal regulations of the Board of Directors, the Audit and Risk Committee, the Nomination and Remuneration Committee and the Executive Leadership Team. Also included in the Charter is the policy adopted by the Board of Directors regarding transactions and other contractual ties between Fagron and its directors and the Executive Leadership Team. In addition, the Board of Directors has established rules to prevent the misuse of insider information and market manipulation. These internal policy documents are also available on the investor page of the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com). Any changes to the Corporate Governance Charter will also be announced on the corporate website.

As of the date of this report, Fagron is in full compliance with the provisions of the Code, with the exception of a limited number of deviations with respect to principle 7.6, which provides for the payment of a portion of non-executive directors compensation in shares, and with respect to principle 7.9, which provides that members of the Executive Leadership Team should maintain a minimum threshold of shares in the Company. As stated, the deviations are indicated, justified and further explained in the relevant sections of this Corporate Governance Statement.

[1] The Code is available online at corporategovernancecommittee.be/en

Governance structure

Fagron transformed its governance structure in 2021 to a one-tier board as described in Articles 7:85 et seq. of the Belgian Companies Code (CC). Fagron's Articles of Association were also amended accordingly after the Extraordinary General Meeting of 10 May 2021. Since 2021, the Board of Directors has been evaluating at least once every five years whether the present governance structure is still appropriate.

Under the current governance structure, the Board of Directors, as a collegial governing body, is empowered to take all actions necessary or relevant for achieving the objectives of Fagron, with the exception of the acts reserved by law or the Articles of Association to the General Meeting. The Board of Directors delegates specific governance powers to the Executive Leadership Team. This team will execute this authority under the CEO's chairmanship.

General Meeting

Composition of the General Meeting

General Assemblies are convened by the Board of Directors, the Statutory Auditor or, where appropriate, the liquidators.

The annual General Meeting shall be held on the second Monday in May at 3 PM, or, if such date falls on a general holiday, at the same time on the subsequent business day, at the registered offices of Fagron NV or at the location specified in the invitation to the meeting. The invitations to the General Meeting shall be made in the form and within the terms prescribed by law and shall contain at least the information provided by Article 7:129 of the CC.

The right to participate in the General Meeting and to exercise voting rights is granted only by virtue of the accounting registration of shares in the shareholder's name, on the fourteenth day before the General Meeting, at twenty-four hours (Belgian time), the registration date, either by their registration in the register of registered shares of the Company, or by registration in the accounts of an authorized account holder or from a settlement agency, regardless of the number of shares held by the shareholder on the day of the General Meeting.

The shareholder notifies the Company, or the person appointed by it for that purpose, no later than the sixth day before the date of the meeting, that they wish to participate in the General Meeting. The authorized account holder or the settlement institution provides the shareholder with a certificate that demonstrates by how many dematerialized shares, registered in the name of the shareholder in their accounts on the registration date, the shareholder has indicated their desire to participate in the General Meeting.

In a register designated by the Board of Directors, for each shareholder who has expressed their desire to participate in the General Meeting, the following information shall be recorded: their name and address or registered office, the number of shares owned on the registration date and with which they have indicated their desire to participate in the General Meeting, as well as the description of the documents showing that they held the shares on that registration date.

The holders of bonds, subscription rights or certificates that were issued with the cooperation of the Company, may attend the General Meeting with an advisory vote, subject to compliance with the admission conditions that are provided for shareholders.

Any shareholder entitled to vote may be represented at the General Meeting by a natural or legal person, in accordance with the applicable provisions of the CC. The Board of Directors shall, within the limits determined by the CC, establish the procedure for voting by proxy in the notice of meeting, as well as for giving power of attorney. The Company must receive the proxies no later than the sixth day before the date of the General Meeting, in accordance with the procedure established by the Board of Directors. For the purpose of calculating quorum and majority rules, only the proxies of shareholders who have complied with the admission formalities set forth in the articles of association are taken into account.

Function and role of the General Meeting

One or more shareholders who together hold at least 3% of the capital may have items to be dealt with placed on the agenda of the General Meeting and submit proposals for resolutions regarding items included or to be included on the agenda. This article does not apply to a General Meeting called with the application of Article 7:130 CC.

Shareholders shall prove on the date that they submit an agenda item or resolution proposal that they reached the 3% threshold, this by virtue of a certificate of registration of the relevant shares in the register of registered shares of the Company, or on the basis of an attest created by the account holder or the clearing house stating that the relevant number of dematerialized shares is registered in their name on account.

The items to be discussed and the proposals for resolution placed on the agenda will only be discussed if the aforementioned share of 3% of the capital is registered in accordance with Article 7:134, § 2 CC.

Requests shall be formulated in writing and shall be accompanied by the text of the issues to be considered and related proposals for decision, or the text of the proposals to be placed on the agenda for decision. It shall contain a mailing or email address to which the Board of Directors shall send the proof of receipt of these requests.

The Company must make these requests no later than the twentieth day before the date of the General Meeting. They shall be sent to the Company electronically, at the address provided in the invitation for the General Meeting. The Company acknowledges receipt of requests within a period of forty-eight hours from that of receipt. The Company acts upon the receipt of the requests in accordance with the CC, in particular Article 7:129 CC. The provisions of Section 7:129 of the CC should be applied in good faith by both shareholders and the Company. They may only be used in the best interests of the Company.

Once the notice of meeting has been published, shareholders may ask the aforementioned questions in writing, which will be answered during the meeting by, as the case may be, the Directors or the Statutory Auditor(s), insofar as these shareholders comply with the formalities to be fulfilled to be admitted to the meeting. Questions may be addressed to the Company electronically via the address stated in the invitation to the General Meeting. The Company must receive the written questions no later than the sixth day before the meeting.

The directors answer the questions raised by the shareholders during the meeting or in writing with respect to their report or to the items on the agenda, insofar as the communication of data or facts is not of such a nature that it would be detrimental to the business interests of the Company or to the trust to which the Company, its Directors or Statutory Auditor(s) have committed themselves. The Statutory Auditor answers questions raised by shareholders during the meeting or in writing regarding their report. When different questions dealing with the same subject arise, the directors and the Statutory Auditor may give a single answer.

At the Extraordinary General Assemblies of the past five years, the following amendments to the Articles of Association were approved:

- On 13 May 2019 to renew the authorization on the acquisition and disposal of treasury shares for a period of five years.
- On 10 May 2021 to bring the Articles of Association in line with the CC;
- On 9 June 2021 to increase capital pursuant to subscription rights;
- On 9 May 2022 to renew and extend the authorization under the authorized capital for a period of five years;
- On 10 June 2022 to raise capital within the framework of the authorized capital pursuant to the exercise of subscription rights;
- On 2 May 2023 to increase the capital within the framework of the authorized capital following the exercise of subscription rights.

The coordinated Articles of Association can be accessed on the investor page of the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com).

Board of Directors

Composition of the Board of Directors

The Board of Directors consists of at least three and no more than 11 directors of which at least one-third are of a different gender than the other members. The Corporate Governance Charter provides that at least half of the directors are non-executive and that at least three directors are independent within the meaning of Article 7:87, §1 CC, and thus meet the criteria set forth in principle 3.5 of the Code. Both the composition as well as the functioning of Fagron's Board of Directors must comply with all provisions of the Code for the 2023 financial year.

The composition of the Board of Directors is such that:

- There is sufficient expertise on the various activities of Fagron, as well as sufficient diversity in competences, background, age and gender, so that the Board of Directors is able to fulfil its role as well as possible;
- Each director meets the specific qualitative requirements set out in the Corporate Governance Charter;
- None of the directors can hold more than five mandates as a director of a listed company;
- The directors' term of office will end at the General Meeting in the calendar year in which the director reaches seventy years of age, unless the Board of Directors decided otherwise upon recommendation of the Nomination and Remuneration Committee.

As on the publication date of this report, the Board has eight members and is composed as follows:

- Two executive directors;
- Six non-executive directors, of whom five were appointed as independent directors. All six non-executive directors meet the criteria of Article 7:87, §1 CC and principle 3.5 of the Code;
- Three of the directors are women and five of the directors are men. This fulfils the criteria stipulated in Section 7:86 of the CC.

On 8 May 2023, the General Meeting reappointed AHOK BV, permanently represented by Koen Hofmann, as an independent, non-executive director, for a term of four years to expire after the 2027 General Meeting.

On 8 May 2023, the General Meeting also approved the co-option of Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere as an independent, non-executive director of the Company, with effect from 2 August 2022 until the 2023 Annual Meeting and appointed Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere, as an independent, non-executive director of the Company for the remaining term of Ms. Vera Bakker, i.e., ending after the 2026 General Meeting.

The General Meeting on 8 May 2023 appointed Mr. Klaus Röhrig as a non-executive director of the Company for a term of 4 years, ending after the 2027 General Meeting.

The following pages show the composition of the Board of Directors and of its Committees, the Board members' attendance rates and the resumes of the individual Board members.

Corporate Governance Statement

Composition of Board of Directors during financial year 2023	Term of office	Independent director	Nomination and Remuneration Committee	Audit and Risk Committee	Presence
AHOK BV, permanently represented by Koen Hoffman (Chair)	AGM 2027	•	•	•	BoD: 6/6 AC: 4/4 NRC:5/5
Rafael Padilla – Chief Executive Officer	AGM 2026				BoD: 6/6
Karin de Jong – Chief Financial Officer	AGM 2026				BoD: 6/6
Ann Desender	AGM 2026	•		• (Chair)	BoD: 6/6 AC: 4/4
Robert ten Hoedt	AGM 2024	•			BoD: 5/6
Management Deprez BV, permanently represented by Veerle Deprez[1]	AGM 2026	•	• (Chair)		BoD: 3/6 NRC: 2/5
Klaus Röhrig[2]	AGM 2027		•	•	BoD: 3/6 AC: 3/4 NRC: 3/5
Neeraj Sharma	AGM 2026	•			BoD: 5/6
Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere	AGM 2026	•	• (Chair)		BoD: 6/6 NRC: 5/5

1 Stepped down per May 8, 2023
2 Appointed per May 8, 2023

AHOK BV
permanently represented by
Koen Hoffman
Chair of the Board of Directors

Koen Hoffman holds a master's degree in Applied Economics and an MBA from the Vlerick Business School. From 1992 to July 2016, he worked for the KBC Group where he started his career in the corporate finance department and became the CEO of KBC Securities in October 2012.
Since August 2016, he has been the CEO of the asset manager Value Square.
Koen Hoffman is also an independent director at the listed companies Greenyard (Chairman), and MDxHealth (Chairman).

Rafael Padilla
Chief Executive Officer

Rafael Padilla started his career in 2002 at Fagron in the Netherlands and has been Fagron's CEO since 2017. Rafael Padilla has a long-time operational and commercial track record within Fagron. Under his leadership, Fagron has been able to successfully expand its activities in Southern Europe and Latin America since 2010 through strong organic growth and acquisitions.
Rafael Padilla obtained a degree in Pharmaceutical Sciences from the University of Barcelona and followed a Program for Management Development (PMD) at the IESE Business School.

Karin de Jong
Chief Financial Officer

Karin de Jong has been CFO of Fagron since May 2016. Karin de Jong has been with Fagron since 2008, when she started as corporate controller; she was appointed Group Controller in 2013. After finishing her degree in business administration, accounting and control, Karin de Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.

Ann Desender

Ann Desender has been CFO at Barco since 2016. She started her career at Barco more than 14 years ago as Vice President Corporate Finance & Controlling and has since grown into her current position within the organization. She started her career at Anderson (now Deloitte). Ann Desender holds a master's degree in Applied Economics and completed the Advanced Management Program at the IESE Business School.

Robert ten Hoedt

Robert (Rob) ten Hoedt is President of Europe, Middle East and Africa and a member of the Medtronic Executive Committee. Rob ten Hoedt has held numerous international sales, marketing and general management positions in the medical technology industry and has been at Medtronic since 1991. He is also chairman of the Board of Directors of Medtech Europe, the European interest group for the medical technology industry. Rob ten Hoedt holds a bachelor's degree in commercial economics and business administration and a master's degree in marketing from the Netherlands Institute for Marketing (NIMA).

Klaus Röhrig

Klaus Röhrig is a founding partner of Active Ownership S.à r.l. (AOC), that – indirectly – controls a shareholding in Fagron. In 2000, Klaus Röhrig started his career at Credit Suisse First Boston in London, focusing on corporate finance and M&A for technology companies. In 2006, he joined Elliott Associates where he was responsible for the funds' investments in German speaking countries as well as selected debt, equity, and sovereign investments. Throughout his career, he focused on identifying investment opportunities, structuring of investments and process-driven value creation. Klaus Röhrig currently serves on the Board of Directors of Agfa-Gevaert NV as well as on the Supervisory Board of Formycon AG and Francotyp-Postalia Holding AG. Klaus Röhrig holds a Master of Economics and Business Administration from Vienna University of Economics and Business Administration.

Neeraj Sharma

Neeraj Sharma is CEO of SteriScience, a niche company specializing in sterile injectables with plants in India and Europe, since May 2021 and Head of Business at Stelis Biopharma, a specialty bio-pharmaceutical CDMO, since July 2023. Neeraj Sharma started his career at Ranbaxy, now Sun Pharmaceuticals, where he worked for more than 25 years in different positions in various countries, including India, Southeast Asia, Belgium, Italy, the United Kingdom and the Netherlands, the last seven years of which he was head of the Generics Business – Western Europe. Neeraj Sharma has a bachelor's degree in engineering and an MBA in business management.

Els Vandecandelaere LLC
permanently represented by
Els Vandecandelaere

Els Vandecandelaere is Global Head of HR Integrated Supply Chain, Quality & Regulatory, Services & Solutions Delivery at Philips. She joined Philips in 2021 and is based in the US. Els Vandecandelaere started her career in Belgium at Janssen Pharmaceutica and held various managerial positions of increasing responsibility in HR in Belgium, the US, the UK, and Switzerland. Els Vandecandelaere holds a master's degree in organizational psychology from the Catholic University of Leuven (Belgium).

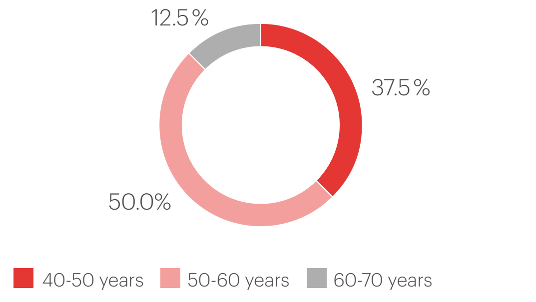
Diversity in the Board of Directors

The Board of Directors complies with its obligations regarding gender diversity as stipulated in Article 7:86 of the CC, which provides that at least one-third of the members of the Board of Directors must be of the opposite gender than the other members. As already mentioned three of the directors are female and five are male. In addition, in the composition of the Board of Directors, Fagron values value complementary skills, experience, knowledge and age diversity.

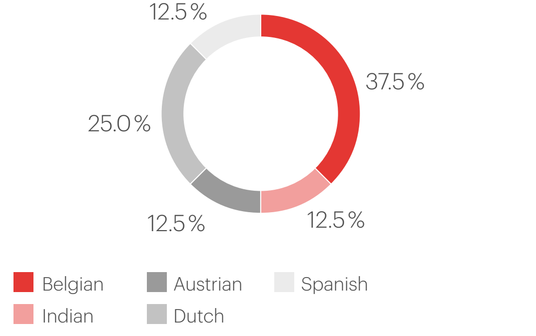
On the appointment and renewal of directors' terms of office and on the appointment of members of the Advisory Committees, diversity in gender, age, education and professional background shall be taken into account, as well as with complementary skills, experience and knowledge as is apparent from their biographies.

As part of the self-evaluation process, special attention is also paid to complementarity and diversity in the composition of the Board of Directors and its Committees. The Board of Directors has representatives of five nationalities from different age categories.

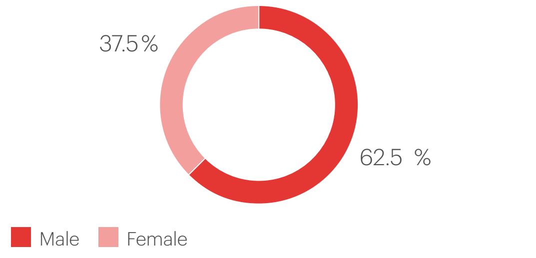
Age



Nationality



Gender



Expertise and skills of the Board of Directors

Fagron operates in the sector of pharmaceutical compounding. Several members of the Board of Directors have experience within the pharmaceutical compounding and/or outsourcing sector as well as international experience across all geographical locations of the company. This includes experience in international and national developments in (niche) pharmaceutical markets in which Fagron is active, and the relevant products and technologies. In addition, the members of the board possess complementary competencies regarding pharmaceutical regulation, quality, operations and supply chain, business development and M&A, financial reporting and structures, risk management and internal control, human resources, and IT. Multiple members of the board also have competencies and experience in ESG (Environmental, Social, and Governance) and corporate governance and ethics.

Employee representation on the Board of Directors

There was no official employee representation on the Board of Directors in 2023.

Function and role of the Board of Directors

The Board of Directors, as part of the preparation of the Corporate Governance Charter, has established internal regulations.

The Board of Directors, in addition to what is legally determined, has the following tasks:

- Determining strategy, risk profile, values and key policies;
- Ensuring that the necessary financial and human resources are in place to achieve the objectives;
- Monitoring and reviewing the financial and operational performance and forward-looking development of Fagron's business results;
- Adopting an internal control and risk management framework;
- Structuring the Executive Leadership Team, defining its powers and duties and evaluating its performance;
- Overseeing the quality and completeness of disclosed financial messages as well as the integrity and timely disclosure of financial statements and other material financial and non-financial information;
- Determining the corporate governance structure and monitoring compliance with the provisions of the Corporate Governance Code, establishing specialized Committees, defining their internal regulations and assessing their effectiveness;
- Encouraging effective dialogue with shareholders and potential shareholders;
- Approving contracts for the appointment of the CEO and other members of the Executive Leadership Team;
- Establishing the Company's ESG strategy and monitoring the evolution of its implementation; and
- Selecting the Statutory Auditor on the recommendation of the Audit and Risk Committee and monitoring its performance and overseeing the internal audit function.
- Responsible for the implementation of the ESG strategy and policies, including those related to business behavior[1].

The Chairman ensures that decision-making is as constructive and efficient as possible. They preside over General Assemblies and Board of Directors meetings, ensure effective communication with shareholders and is the primary contact with shareholders for all matters under the jurisdiction of the Board of Directors. They are committed to effective interaction between the Board of Directors and management.

Meeting of the Board of Directors

The executive and non-executive members of the Board of Directors jointly met six times in 2023 (7 February, 28 April, 8 May, 1 August, 24 October and 5 December). During these meetings, the majority of the directors were always present. All meetings were attended by the Head of Legal and M&A, Johan Verlinden, and some meetings were attended - in part - by members of the Executive Leadership Team, when topics belonging to their area of competence were discussed.

[1] ESRS 2 GOV-1 G1 §5a.

The non-executive directors of the Board have met one time in 2023 without the executive directors (1 August). The main topics discussed were the organization looking to the future (in particular the composition of the Board of Directors and the Executive Leadership Team), the company's remuneration policy and the further development of the Company's growth and acquisition strategy. During these meetings, all non-executive members were present.

Activities of the Board of Directors in 2023

In 2023, the Board's main focus was on the following issues:

- Strategic development of Fagron including further development of growth and acquisition strategy;
- Conducting a global business review;
- Analysis, research and assessment of Fagron's financing structure;
- Reviewing Fagron's financial and business results;
- Calling and adopting the agenda of the Ordinary General Meeting;
- Adjustment of the remuneration policy and report of Fagron and complying with the provisions of the Shareholders' Rights Directive (EU) 2017/828;
- Monitoring, strengthening and supporting the company's ESG policy, including the implementation of the Corporate Sustainability Reporting Directive (CSRD);
- Further defining and refining the internal audit function and monitoring the compliance activities of the company;
- Monitoring and analysis of digital developments and security within the company;
- Follow-up on the progress of budget reviews at a regional level for financial year 2023 and subsequent analysis and executed approval of the financial year 2024 budget;
- Approval and follow-up of investment opportunities and acquisition processes;
- Evaluation and analysis of the performance of members of the Executive Leadership Team;
- Monitoring compliance with the requirements of the MAR Regulation;
- Discussion of remuneration policy for non-executive directors, taking into account the recommendations of the Code;
- Formal self-assessment of the composition, operation and effectiveness of the Board of Directors; and
- Review of press releases that have been prepared for the release of the periodic, (semi-)annual financial results;
- Assessment of information given by members of the Executive Leadership Team on material impacts (results of ESG policy, materiality analysis), risks and opportunities, implementation of due diligence and the results and effectiveness of policies, measures, benchmarks and targets set to act on them.

Board of Directors evaluation process

Every two years, under the leadership of its Chairman, the Board of Directors will conduct a review of its size, composition, operation and that of its Committees and of the interaction with the Executive Leadership Team. The Chairman and the exercise of their role within the Board of Directors is also evaluated. The aim is to encourage the continuous improvement of Fagron's corporate governance by recognizing the Board's strengths while identifying areas for improvement. Board self-evaluation is coordinated by the Global HR Director, under the leadership of the Chairman, and is monitored by the Nomination and Remuneration Committee.

This self-assessment aims at four objectives:

1. Assessment of the functioning of the Board of Directors and Committees;
2. Checking that the important issues are thoroughly prepared and discussed;
3. Reviewing each director's actual contribution to the work of the Board, his or her attendance at Board and Committee meetings and his or her constructive involvement in meetings and decision-making; and
4. Assessment of the governance structure and composition of the Board and Directors in the light of the desired composition of the Board and Directors.

The most recent evaluation of the Board's functioning, as regards to its size, composition, operation and that of its Committees and of its interaction with the Executive Leadership Team, took place on 8 May 2023 under the leadership of the Chairman of the Board. This evaluation resulted in a favorable assessment in terms of the current governance structure, the cooperation and dynamics within the Board of Directors, the interaction with the Committees and the Statutory Auditor, and the contribution and involvement of each director.

Specialized Committees of the Board of Directors

The Board of Directors has established two advisory Committees: the Audit and Risk Committee and the Nomination and Remuneration Committee. Their role, tasks, operation and composition are defined in accordance with the CC and the recommendations of the Code and are described in their internal regulations, which are attached as an appendix to the Corporate Governance Charter. These Committees assist the Board in specific matters, which they follow up thoroughly and on which they make recommendations to the Board. Final decision-making rests with the Board. The Committees report after each meeting regarding their work to the full Board of Directors.

Audit and Risk Committee

Composition of the Audit and Risk Committee
The Audit and Risk Committee consists of at least three non-executive directors appointed by the Board of Directors. At least one member of the Audit and Risk Committee is an independent director within the meaning of Article 7:87, §1 of the CC, who meets the criteria of principle 3.5 of the Code.

As at the date of this report, the Audit and Risk Committee consists of the following members:

- Ann Desender (Chair) - Independent non-executive director;
- AHOK BV, firmly represented by Koen Hoffman - Independent non-executive director;
- Klaus Röhrig - Non-executive director.

The composition of the Audit and Risk Committee complies with all the requirements stated in the Code and the CC. All members of the Audit and Risk Committee have collective expertise in Fagron's business and have sufficient accounting and audit technical experience.

Function and role of the Audit and Risk Committee
The Audit and Risk Committee met four times in 2023 (7 February, 1 August (2 times) and 5 December). During these meetings all serving members of the Audit and Risk Committee were present. Also Rafael Padilla, Karin de Jong and the internal auditor (from 1 April 2023: Internal Audit Manager) attended the meetings at the request of the Audit and Risk Committee. The Statutory Auditor attended three of the four meetings (7 February, 1 August and 5 December). The Audit and Risk Committee may invite other persons to attend meetings.

The Audit and Risk Committee is the main point of contact between the internal audit function and the Statutory Auditor. Without prejudice to the statutory mandates of the Board of Directors, the Audit and Risk Committee in charge of the development of a long-term audit program covering all the Company's activities, and in particular is in charge of:

- Determining internal financial reporting to the Executive Board;
- Monitoring the financial reporting process;
- Monitoring the effectiveness of the Company's internal control and risk management systems;
- Monitoring internal audits and their effectiveness;
- Monitoring of the legal audit of the financial statements and consolidated financial statements, including monitoring of the questions and recommendations formulated by the Statutory Auditor; and
- Assessment and monitoring of the independence of the Statutory Auditor, whereby particular attention is paid to the provision of additional services to the Company.

The Audit and Risk Committee chiefly addressed the following topics in financial year 2023:

- Monitoring the consolidated half-year and annual results and the single and consolidated financial statements;
- Monitoring accounting treatment of specific IFRS transactions and applications;
- Monitoring and evaluating the Statutory Auditor's performance;
- Monitoring improvements in Fagron's internal control and risk management systems and their effectiveness, particularly with regard to cyber-security attacks and IT governance;
- Review and approval of the three-yearly (internal) audit plan and follow up on progress of activities;
- Follow up on pending litigation reported by subsidiaries;
- Follow up on major regulatory developments and changes and their possible impact;
- Assessment of whether internal audit recommendations of the internal auditor have been implemented;
- Preventing fraud, illegal acts, and internal control deficiencies;
- Follow up on CSRD guidelines and ESRS (European Sustainability Reporting Standards) and compliance with the technical requirements to which the sustainability reports must comply as well as the reporting of this sustainability information in the annual report and digital 'tagging' such that the information is accessible in a central EU database.

In financial year 2023, Fagron's independent internal audit function focused on, among other things:

- Developing a flexible three-year audit plan using appropriate risk-based methodology, including any risks or control issues identified by management and submitting that plan to the Audit and Risk Committee for review and approval, as well as submitting periodic updates on it;
- Implementation of the annual audit plan, as approved, including any special tasks or projects requested by management and the Audit and Risk Committee;
- Conducting independent process reviews, including special investigations, to provide assurance to the Audit and Risk Committee and management on the effectiveness of the control mechanisms in place;
- Periodic reporting to the Audit and Risk Committee and management of the results of all audit activities;
- Reporting of significant issues regarding the processes for controlling the activities of Fagron, including possible improvements to those processes, and providing information on such problems until a solution is found;
- Periodically informing on the status and results of the annual audit plan and adequacy of resources by department;
- Coordinating with and overseeing other control and monitoring functions (risk management, compliance, security, ethics, environment, external audit) ;
- High-level follow-up meetings (research, observation and validation) conducted with those responsible within each company to monitor the agreed action plans derived from the internal audit reports issued from 2021 to date;
- In 2023, 15 additional confidential counselors were selected within the various entities by the confidential counselor committee of which the internal auditor is an active member;
- Support management in identifying, understanding, scoring, prioritizing, periodically assessing and monitoring risks that may affect the achievement of business objectives within the framework of the Global Risk Assessment;
- Several standard operating procedures and guidelines established with regard to to inventory, accounts receivable and income (credit limits and payment terms).

Nomination and Remuneration Committee

Composition of the Nomination and Remuneration Committee
The Nomination and Remuneration Committee consists of at least three non-executive directors appointed by the Board of Directors. At least the majority of its members are independent directors in accordance with Article 7:87, §1 of the CC, who meet the criteria of principle 3.5 of the Code.

As at the date of this report, the Nomination and Remuneration Committee consists of the following members:

- Els Vandecandelaere LLC, firmly represented by Els Vandecandelaere, (Chair) - Independent non-executive director;
- AHOK BV, firmly represented by Koen Hoffman - Independent non-executive director;
- Klaus Röhrig - Non-executive director.

The composition of the Nomination and Remuneration Committee meets all the requirements listed for financial year 2023 in the Code and the CC. Members of the Nomination and Remuneration Committee have a collective competence and expertise in remuneration and remuneration policy.

Function and role of the Nomination and Remuneration Committee
The Nomination and Remuneration Committee met five times in 2023 (6 February, 23 March, 31 July, 15 November and 5 December). At these meetings, all serving members of the Nomination and Remuneration Committee, the CEO and the Global HR Director were present. The CEO is invited to attend meetings of the Nomination and Remuneration Committee when the Committee discusses the appointment or remuneration of the other members of the Executive Leadership Team. The Nomination and Remuneration Committee may invite other persons to attend meetings.

The committee's main tasks in terms of appointments include drafting appointment procedures for the members of the Board of Directors and the Executive Leadership Team, nominating suitable candidates for vacant directorships, formulating proposals for reappointments, reviewing and making recommendations on the composition of the Board of Directors and its Committees, advising on proposals relating to appointment and dismissal of directors, members of the Executive Leadership Team and evaluating potential candidates for a position within the Executive Leadership Team.

The committee's main tasks in terms of remuneration consist of:

- Preparing, reviewing and making proposals to the Board of Directors on the remuneration policy to be pursued for the directors, members of the Executive Leadership Team and, where applicable, on the resulting proposals made by the Board of Directors to shareholders;
- Preparing, reviewing and making proposals to the Board of Directors on the individual remuneration of directors, members of the Executive Leadership Team, including variable remuneration and long-term incentives whether or not tied to shares, in the form of stock options or other financial instruments, and of severance payments, and where applicable, on the resulting proposals made by the Board of Directors to shareholders;
- Preparing performance target recommendations for the CEO and other members of the Executive Leadership Team;
- Preparing recommendations on the allocation of annual bonuses and long-term incentives for the CEO and other members of the Executive Leadership Team;
- Discussing the functioning and performance of members of the Executive Leadership Team;
- Discussing at least annually with the CEO both the operation and performance of the Executive Leadership Team;

- Preparing the remuneration policy, the remuneration report that is included in the Corporate Governance Statement by Board of Directors and communicating the remuneration report to the works council, or, if there is none, to the employee delegates in the Committee for Prevention and Protection at Work or, if there is none, to the trade union delegation; and
- explaining the remuneration report and policy during the annual General Meeting.

The Nomination and Remuneration Committee dealt chiefly with the following issues during the 2023 financial year:
- Monitoring changes in the regulatory framework and recommendations regarding governance and remuneration;
- Assisting with the evaluation of Board's performance;
- Reviewing and discussing possible changes to the remuneration policy for non-executive directors following the recommendations of the Code;
- Discussing and making proposals to the Board of Directors, in consultation with the CEO, regarding the composition of and functions within the Executive Leadership Team;
- Assessing and setting performance criteria and targets for members of the Executive Leadership Team;
- Establishing a competence matrix as a tool to visually map the core competences of people within the organization, and
- Consideration of matters relating to remuneration, award of annual bonuses and long-term incentive awards to members of the Executive Leadership Team.

Executive Leadership Team

The day-to-day and operational management of Fagron is carried out by the Executive Leadership Team, with the CEO responsible for day-to-day management in close cooperation with the CFO.

Composition of the Executive Leadership Team

The members of the Executive Leadership Team are appointed by the Board of Directors, based on recommendations of the Nomination and Remuneration Committee and after consultation and recommendation by the CEO. Members are dismissed for an indefinite term and may be appointed at any time by the Board of Directors. The remuneration and terms of dismissal of a member of the Executive Leadership Team are set out in the individual agreement between the team member and Fagron.

Following are the brief curricula vitae of the members of the Executive Leadership Team.

Rafael Padilla
Chief Executive Officer

Rafael Padilla started his career in 2002 at Fagron in the Netherlands and has been Fagron's CEO since 2017. Rafael Padilla has a long-time operational and commercial track record within Fagron. Under his leadership, Fagron has been able to successfully expand its activities in Southern Europe and Latin America since 2010 through strong organic growth and acquisitions.
Rafael Padilla obtained a degree in Pharmaceutical Sciences from the University of Barcelona and followed a Program for Management Development (PMD) at the IESE Business School.

Karin de Jong
Chief Financial Officer

Karin de Jong has been CFO of Fagron since May 2016. Karin de Jong has been with Fagron since 2008, when she started as corporate controller; she was appointed Group Controller in 2013. After finishing her degree in business administration, accounting and control, Karin de Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.

Vera Bakker
Chief Operations Officer

Vera Bakker started working at Fagron in 2022 as COO. Before joining Fagron, Vera Bakker worked at Unilever for 25 years, lastly as Vice President Global Supply Chain Foods. During her career at Unilever, she fulfilled various roles with a focus on various parts of the supply chain. Vera Bakker holds a master's degree in Chemical Engineering and an MBA from the Katz Business School, University of Pittsburgh.

Geraldino Neder
Area Leader Latin America

Geraldino Neder has been Area Manager of Fagron Latin America since 2022. He was responsible for setting up Fagron's operations in Brazil end of 2010 and has been Business Leader of Fagron Brazil since then. Geraldino has 30+ years of experience in the Brazilian pharmaceutical compounding market. Geraldino Neder studied Administration at PUC Campinas and has a post grade in Business Management at Unicamp.

Maarten Pouw
Area Leader EMEA

Maarten Pouw started working at Fagron in August 2022 as Area Leader EMEA. Before joining Fagron, Maarten worked at Centrient Pharmaceuticals (a DSM spin-off) as CCO. Maarten started his professional career as a management consultant at Ormit, after which he joined DSM. At DSM, he fulfilled various marketing and sales, and executive roles in DSM's pharmaceutical business internationally. Maarten holds a master's degree in Business Administration from the Rotterdam School of Management, the Netherlands, and a master's degree in International Management from the Rotterdam School of Management / ESADE, Spain.

Andrew Pulido
Area Leader North America

Andrew Pulido was President of Humco until Humco was acquired by Fagron, when he became President of Fagron United States and then President of Fagron North America. Andrew Pulido has held various leadership positions within Humco, including President Global Pharmaceuticals and Vice President Corporate Development. Before joining Humco, Andrew Pulido worked in Investment Banking at Merrill Lynch. Andrew Pulido studied Economics (BA) at Vanderbilt University.

Johan Verlinden
Head of Legal and M&A

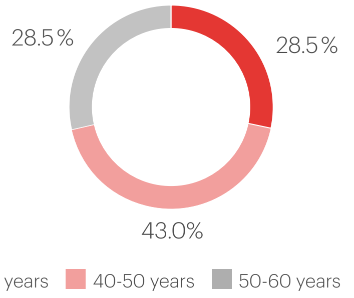
Johan Verlinden obtained a master's degree in Law from the University of Antwerp, a master's degree in Company Law and a master's degree in Financial Law from the Catholic University of Brussels. He started his career as a lawyer at the Brussels and Turnhout bars. Johan Verlinden has been working at Fagron as Global Legal Affairs Director since 2013.

Diversity in the Executive Leadership Team

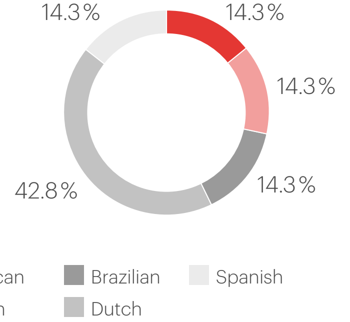
In the composition of the Executive Leadership Team, Fagron values complementary skills, experience, knowledge and diversity. The appointment of members of the Executive Leadership Team takes into account diversity in gender, age, education and professional background, as well as complementary skills, experience and knowledge.

As at the date of this report, the Executive Leadership Team consists of two female members and five male members. The Executive Leadership Team is composed of representatives of five nationalities from various age categories. As their roles within Fagron require, team members' education, work experience and career paths differ, ensuring complementary set of knowledge and skills within the Executive Leadership Team.

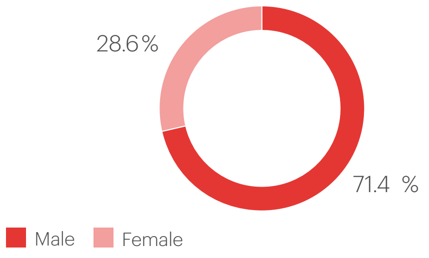
Age



Nationality



Gender



Function and role of the Executive Leadership Team

As mentioned, Fagron has a monistic governance structure since 2021 and the Board of Directors delegates daily management to the CEO. Day-to-day management includes all actions and decisions that do not go beyond the day-to-day needs of the company, as well as those that the actions and decisions that do not justify the intervention of the Board of Directors for reasons of minor importance or urgency.

The CEO has individual power of representation in the field of day-to-day management. They may validly represent the company pursuant to a specific mandate from the Board of Directors and may sub-delegate any of the specific powers granted to them. The CEO shall submit the proposals of the Executive Leadership Team to the Board of Directors or the advisory Committees, depending on the topic.

The role of the Executive Leadership Team is to oversee and manage the global operations of Fagron, under the leadership of the CEO, and taking into account the overall strategy of Fagron as determined by the Board of Directors. The main responsibilities of the Executive Leadership Team are developing strategic guidelines, analyzing budgets and operational objectives and overseeing local management teams. The individual members of the Executive Leadership Team have powers and responsibilities assigned to them by the

Board of Directors, based on the proposals of the Nomination and Remuneration Committee, and after consultation with and on the recommendation of the CEO.

Depending on the issue or decision proposed to the Board of Directors, a member of the Executive Leadership Team may, at the request of the CEO and with the agreement of the Chairman, be invited to provide explanations or advice at a Board meeting. The Board may also, through the CEO, request special written or oral reports from members of the Executive Leadership Team individually. In discharging its responsibilities, the Executive Leadership Team will be assisted by a team of key personnel from across Fagron's divisions.

The main responsibilities of the Executive Leadership Team are:

- Elaborating and implementing the vision, mission, strategic objectives and direction of Fagron, and advising the Board of Directors on these, with a focus on long-term value creation by the company;
- Observing the day-to-day and operational management of Fagron;
- Researching potentially interesting investment opportunities and making proposals to the Board of Directors in this regard;
- Rolling out strategic partnerships with key customers and building and maintaining strong customer relationships;
- Organization and monitoring of internal controls, without prejudice to the supervisory role of the Executive Board;
- Oversee the complete, timely, reliable and accurate preparation of financial statements in accordance with Fagron's accounting principles and policies;
- Following up on Fagron's mandatory publication of financial statements, annual reports and other material financial and non-financial information;
- Assessing Fagron's financial situation and budget and providing information to the Board of Directors on the company's financial results and financial position;
- Advising and implementing the decisions taken by the Board and exercising the powers delegated to them by the Board; and
- Timely provision of all information that the Board requires to carry out its duties.

The Executive Leadership Team is a collegial body that is basically convened every week and can be convened at any time, if necessary, to ensure proper functioning in carrying out the day-to-day and operational management of the company. It is chaired by the CEO.

Save in exceptional circumstances, the CEO, on behalf of the Executive Leadership Team, provides relevant information at each Board meeting on the progress of matters within the Board's remit, as well as on key aspects of the day-to-day and operational management of the company.

Executive Leadership Team evaluation process

The CEO and the Nomination and Remuneration Committee evaluate both the operation and performance of the members of the Executive Leadership Team every year. The evaluation of the Executive Leadership Team is done as part of the annual salary review of Executive Leadership Team members.

Statutory Auditor

The Statutory Auditor of Fagron is Deloitte Bedrijfsrevisoren BV, with registered office at Luchthaven Brussel Nationaal 1, Bus 1J, 1930 Zaventem and registered in the K.B.O. under number 0429.053.863, represented by Ine Nuyts. Ine Nuyts, company auditor, was appointed as representative authorized to represent Deloitte Bedrijfsrevisoren BV and who is entrusted with the exercise of the mandate in her name and on her behalf.

Deloitte Bedrijfsrevisoren BV, represented by Mrs Ine Nuyts, was elected as Statutory Auditor of Fagron with effect from 2019 for a term of three financial years ending after the General Meeting to be held in 2022. This appointment was renewed by the General Meeting on 9 May 2022 for a period of three years to end after the 2025 General Meeting.

Deloitte received a total annual audit fee of 544,640 euros in 2023. Of this amount, 151,580 euros related to Fagron NV. The General Meeting of Shareholders on 13 May 2024 will be proposed to approve this remuneration.

Details of the Statutory Auditor's remuneration in 2023 are included in explanatory note 33 of the financial statement.

Rules to prevent conflicts of interest

To avoid conflicts of interest, Fagron is subject to the applicable statutory provisions for listed companies: sections 7:96 and 7:97 CC, and the additional rules set out in Fagron's Corporate Governance Charter under its policy on transactions and other contractual relationships between the Company and its directors or members of the Executive Leadership Team not covered by the foregoing conflict of interest arrangements.

Conflicts of interest within the meaning of Article 7:96 CC

Where a director has a direct or indirect interest of proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors, the director concerned must notify the other directors pursuant to Section 7:96 CC at the start of the meeting, and shall act in accordance with that section. The director may not take part in the Board of Directors' deliberations on these transactions or decisions, nor vote in that regard.

In 2023, the procedure under section 7:96 CC was applied once, namely at the meeting of the Board of Directors of 28 April 2023. Passages from the minutes of the relevant meetings are reproduced verbatim below, indicating the reasons for the conflicting interest, as well as the justification and the asset-law consequences for the Company.

Excerpt from the minutes of the April 28, 2023, Board of Directors meeting:

(Beginning quote)

"Exercise of Subscription Rights
Before commencing consideration of the agenda, Mr Rafael Padilla and Ms Karin de Jong announced that there may be a conflicting interest of a patrimonial nature for them with regard to the decisions that the Board of Directors will take in order to establish the list of the subscription rights, as they are also beneficiaries of those plans, under agenda item 2.

The Board of Directors notes this and the fact that it was also signaled by the directors concerned to the Company's Statutory Auditor. In accordance with the provisions of the CC - taking into account that the Company has a public appeal for savings - the directors concerned were asked not to participate further in deliberation, nor to the establishment of the list of subscription rights. Consequently, the directors concerned did not take part in the deliberations or vote.

The justifications regarding the aforementioned adverse interest are:
The adoption by the Board of Directors of the list of subscription rights exercised aims to implement subscription rights plans and the exercise of the subscription rights granted to the beneficiaries in order to motivate the latter, on the one hand, to contribute to the growth of the company and, on the other, to promote and strengthen their loyalty towards the company.

The property law consequences are as follows:
The property rights implications for the Company resulting from the determination of the list of subscription rights exercised by the aforementioned executive directors are minimal taking into account the fact that the exercise of the subscription rights to the aforementioned executive directors essentially concerns the implementation by the Board of Directors of the subscription rights granted under the approved subscription rights plans as a result of which there will be a limited dilution among existing shares as a result of this issue of new shares.

Interest of the Company:
The Board of Directors refers to the opinion of the Nomination and Remuneration Committee following the issuance of the relevant subscription rights plans, which indicate that the work, initiative and entrepreneurial spirit of each of the beneficiaries make a significant contribution to the development of the Company's business and results, and that it

therefore wishes to give the beneficiaries the opportunity to acquire (additional) shares of the Company at a predetermined subscription price so that they can financially participate in value added and growth of the Company.

Indeed, experience in previous years has shown that options and subscription rights and participation in shareholding by the Company's employees are an important element of motivation and commitment towards the Company. The purpose of such plans and their implementation is to promote long-term commitment and motivation so that the commitment contributes in the realization of the strategy and in the success and growth of the company." (end quote).

Conflicts of interest within the meaning of Article 7:97 CC

A company must also comply with the procedure of section 7:97 CC when it, or a subsidiary, is considering a transaction with a related company (subject to certain exceptions). Such decision or transaction must be reviewed and assessed beforehand by a committee of three independent directors, assisted by one or more independent experts of their choice. Pursuant to Article 7:97 CC, the Board of Directors, after taking note of the committee's opinion, will deliberate on the proposed decision or transaction. The Statutory Auditor must give an opinion on the accuracy of the information in the committee's opinion and minutes of the Board of Directors.

During the 2023 financial year, no transaction or decision gave rise to the application of the rules to prevent conflicts of interest covered by Section 7:97 of the CC.

Policy on transactions and other contractual ties between the Company and its directors or members of the executive leadership team not covered by the conflict of interest rule

The Board of Directors has a number of guidelines on transactions and other contractual relationships between Fagron and its directors or members of the Executive Management Team not covered by the conflict of interest regulation. All members of the Board of Directors and the Executive Leadership Team are expected to avoid actions, positions or interests that are contrary to, or give the impression of being contrary to, the interests of Fagron or any of the Group companies.

Furthermore, all transactions between Fagron and members of the Executive Board or of the Executive Leadership Team (or their permanent representatives) approval of the Board of Directors. When members of the Board of Directors or the Executive Leadership Team (or their permanent representatives) face a potentially conflicting interest in a decision or transaction of Fagron, they must also inform the Chairman of the Board of Directors as soon as possible.

If section 7:96 CC applies, the director concerned shall further refrain from participating in the deliberations and from the vote.

In the 2023 financial year, no transaction or decision gave rise to the application of the rules to prevent conflicts of interest not covered by Section 7:96 of the CC.

Rules for the prevention of abuse of inside information and market manipulation

The Board of Directors has established rules to prevent privileged information from being used unlawfully by directors, shareholders, members of management, employees and certain third parties (collectively: 'Insiders'). These rules are an integral part of the Corporate Governance Charter and can be accessed on the investor page of the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com). In this context, the Board of Directors also appointed a Compliance Officer whose responsibilities include monitoring compliance with the rules by the Insiders. The function of Compliance Officer is currently exercised by Karin de Jong. Insiders and persons closely related to them may not conduct transactions involving securities of the Company during the so-called Closed Periods and Blackout Periods.

Closed Period:
1. the period of 30 calendar days preceding the time of publication of the Company's annual results for the previous financial year;
2. the period of 30 calendar days preceding the time of publication of the Company's half-yearly results for the preceding six months; and
3. the period of 15 days immediately preceding the announcement of the Company's quarterly results or, if shorter, the period from the close of the relevant quarter up to and including the time of announcement of the quarterly results.

A Blackout Period is deemed to be the period communicated as such by the Compliance Officer upon instructions from the Board of Directors or the Executive Leadership Team and commencing from the date on which the Inside Information becomes known to the Board of Directors or the Executive Leadership Team and will last until immediately after the announcement of the Inside Information or until the date on which the Inside Information loses its price-sensitive character.

Certain, specifically named transactions remain possible during Closed Periods and Blackout Periods in exceptional cases. Insiders wishing to acquire or dispose of securities of the Company must notify the Compliance Officer in writing prior to the transaction. Following this notification, the Compliance Officer can formulate a negative advice about the planned transaction. In that case, the Insider should consider this as an explicit disapproval of the transaction by the Company. Every request and advice from the Compliance Officer is recorded in a special register. Transactions that can reasonably be expected to have a significant impact on the stock exchange price of the Company, are published in accordance with the rules regarding occasional provision of information.

Remuneration report and policy

The remuneration policy

In accordance with the Act of 28 April 2020 transposing the Shareholders' Rights Directive (EU) 2017/828, the remuneration policy shall be listed as a separate agenda item at the General Meeting and at least every 4 years submitted to the General Meeting for approval.

The adjusted remuneration policy that applies from 1 January 2023 was approved by the General Meeting of 8 May 2023 and is available on the investors page of the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com).

Adopting of the remuneration policy

The starting point of the remuneration policy for the directors and members of the Executive Leadership Team is the connection of this policy with the Fagron culture (the Fagron values and 'Family Rules'), with the business strategy and growth ambitions and with the long-term interests of all stakeholders. The requirements of the Code and the Shareholder Rights Directive as converted into Belgian law on 28 April 2020 have also been taken into account.

For the components and the amount of the remuneration for non-executive directors, is taken into consideration Fagron's size, the fact that it is a listed company, the sector in which Fagron operates and relevant benchmarks in relation to designated comparable companies and general international market practices. When determining the remuneration of the non-executive directors, consideration is given to the directors' general and specific responsibilities and the associated risks.

The remuneration policy for members of the Executive Leadership Team is determined by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee. Remuneration is aimed at attracting, motivating and retaining highly qualified and promising leadership talent and at aligning the interests of leadership and all Fagron stakeholders. The level and components of their remuneration are analyzed annually by the Nomination and Remuneration Committee, taking into account relevant benchmarks and performance.

Remuneration report 2022

The 2022 remuneration report was approved with 62% of the votes. This level of support was below the expectations of the Board of Directors and. To this end, members of the Board and management reached out to the shareholder base and subsequently held meetings with investors holding 37% of the outstanding shares to discuss general board governance and, more specifically, executive compensation.

Overall, the shareholders' concerns centered around bonus payments not being tied to quantified performance. The Nomination and Remuneration Committee carefully considered the feedback from investors, resulting in a commitment to making no additional discretionary awards to executives and in the long-term awards that are now 100% performance based. This has been reflected in the 2023 remuneration framework and been adopted in the remuneration policy. The Committee believes its engagement efforts and subsequent actions demonstrate a commitment to good governance as well as the pay-for-performance philosophy at Fagron.

Remuneration of the non-executive members of the Board of Directors

In accordance with the remuneration policy, non-executive directors do not receive performance-related bonuses, nor do they receive benefits in kind or benefits associated with pension plans.

As approved by the General Meeting of 11 May 2020, the Chairman receives an annual fee of 100,000 euros, regardless of the number of Committees of which the Chairman is a member. The remaining non-executive directors of the Company receive an annual remuneration of 30,000 euros plus 7,200 euros per Committee of which they are a member. The relevant members of the Executive Leadership Team do not receive any separate compensation for their membership of the Board of Directors.

Non-executive director remuneration has remained unchanged in 2023 compared to the previous year. In 2023, the independent external remuneration advisor conducted a benchmark analysis against a European sector-specific reference market (consisting of pharmaceutical companies, relevant to Fagron from a labor market perspective) as well as against a reference market consisting of Belgian and Dutch (focus on BEL Mid and AMX indices) companies with an international footprint that are comparable in terms of size. Fagron's non-executive director fees for the members of the Board of Directors and all committee fees position below the 25th percentile of both reference markets (Chair of the Board below the median of both markets). Consequently, Fagron will submit an increase in the non-executive director fees for approval at the Annual General Meeting of May 13, 2024.

Principle 7.6 of the Code stipulates that non-executive directors must receive part of their remuneration in shares in the Company. These shares must be held for at least one year after the end of their mandate as director and at least three years after their allocation. However, in the course of 2023, Fagron decided after due consideration that the remuneration of Non-Executive Directors remains to be paid fully in cash. Fagron considers not to provide for equity-based remuneration because this could create a conflict of interest for their long-term mandate and because they should engage in pursuing all stakeholders' interests rather than shareholders' interests only. The Nomination and Remuneration Committee will continue to review whether and to what extent the allocation of Fagron shares to non-executive directors as part of their remuneration has added value for the company and provide a recommendation about the future remuneration of the non-executive directors and any changes that should be recommended in that regard.

Remuneration Board of Directors 2022 - 2023 In euro	2022	2023
AHOK B.V., permanently represented by Koen Hoffman Non-executive Director Chair, Member of Audit and Risk Committee, Member of Nomination and Remuneration Committee	100,000	100,000
Ann Desender Non-executive Director Chair of Audit and Risk Committee	24,800[1]	37,200
Rob ten Hoedt Non-executive Director	30,000	30,000
Management Deprez B.V., permanently represented by Veerle Deprez Non-executive Director Member of Nomination and Remuneration Committee	37,200	13,950[2]
Klaus Röhrig Non-executive Director Member of Audit and Risk Committee, Member of Nomination and Remuneration Committee	-	27,700[2]
Neeraj Sharma Non-executive Director	20,000[1]	30,000
Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere Non-executive Director Chair of Nomination and Remuneration Committee	15,500[1]	37,200

1 Amounts pro rata the term in office in 2022.
2 Amounts pro rata the term in office in 2023.

Remuneration of the members of the Executive Leadership Team

The daily operational management of Fagron rests with the Executive Leadership Team chaired by the CEO. The executive directors who are members of the Executive Leadership Team receive no separate compensation for their membership of the Board of Directors.

In addition to the CEO and the CFO, the Executive Leadership Team consists of the COO (Vera Bakker), the Area Leaders Maarten Pouw (EMEA), Andrew Pulido (North America), Geraldino Neder (Latin-America) and the Head of Legal and M&A (Johan Verlinden).

This report describes the remuneration on an individual basis for the executive board members and as a whole for the other members of the Executive Leadership Team as it exists on the date of this report.

The remuneration package of the members of the Executive Leadership Team consists of a fixed remuneration, an annual bonus (short-term variable remuneration), a long-term variable remuneration and any additional benefits. The Nomination and Remuneration Committee reviews on an annual basis the compensation levels, the compensation structure and how the performance criteria for the annual bonus have been met. It then makes a proposal to the Board of Directors for approval.

As determined in the remuneration policy, the Nomination and Remuneration Committee calls on an external service provider for a market comparison of the remuneration packages of the members of the Executive Leadership Team. This study compares the remuneration packages with comparable (in terms of scope and complexity) multinational companies in – depending on the place of residence of the job holder – Europe, Brazil or the United States. In early 2022, the Remuneration and Nomination Committee requested its independent external remuneration advisor to conduct such a market comparison for the remuneration of the members of the Executive Leadership Team.

Such analysis will be repeated in 2024. In terms of market positioning, Fagron focuses on the median of the reference market for fixed compensation and benefits. The variable compensation is higher than the market median (75 percentile) if the ambitious objectives are achieved.

Fixed renumeration Executive Leadership Team 2022 - 2023

In euro	2022	2023	%
Rafael Padilla Executive Director Chief Executive Officer	539,902	539,902	0.0%
Karin de Jong Executive Director Chief Financial Officer	375,000	375,000	0.0%
Other members of Executive Leadership Team	1,116,016[1]	1,215,923	9.0%

1 Total in euros at constant exchange rates (December 31, 2023).

Fixed remuneration
The annual revisions of the the fixed remuneration are made based on expected inflation and general salary increases in the different geographic markets, as well as the salary increase margins for the broader workforce, taking into account the responsibilities, individual performance, experience and competences of each member of the Executive Leadership Team as well as with the aforementioned market comparison and the overall business results.

Given the macroeconomic situation and uncertainty around cost developments in early 2023, the fixed remuneration of majority of the Executive Leadership Team members was not increased in 2023. The exception was a legally mandatory indexation of 7.16% applied to the fixed remuneration of the Area Leader Latin America. The total overall fixed remuneration for the members of the Executive Leadership other than the CEO and CFO increased by 9%, due in part to the change in remuneration of the Area Leader Latin America and in part to the full year remuneration in 2023 of the COO and the Area Leader EMEA, both of whom took up their roles in the course of 2022.

Total fixed remuneration increased by 9% as a result of the COO and Area Leader EMEA taking up employment in the course of 2022 and therefore did not perform and were not remunerated for a full year in 2022 - unlike 2023.

The table above provides an overview of the fixed remuneration paid to the members of the Executive Leadership Team in 2022 and 2023.

Annual bonus

The annual bonus scheme is designed to realize short-term operational performance with a view to long-term value creation, and works as outlined in the table on the right.

The Nomination and Remuneration Committee has evaluated the bonus criteria for the members of the Executive Leadership Team drawn up for 2023 in accordance with the remuneration policy, based on the Company's audited results. Based on the input from the Nomination and Remuneration Committee, the Board of Directors approved the bonuses.

This concerns financial targets – (1) revenue, (2) REBITDA and (3) OWC – and (4) individual, usually qualitative, objectives. For the financial criteria, a minimum threshold of 90% of the set target and a maximum of 105% apply. Minimum levels are also set for the personal objective(s), as well as what is considered over-performance.

The financial targets for Area Leaders relate to the performance of the region in combination with targets relating to the performance of the Fagron Group. The financial targets for the other members of the Executive Leadership Team relate to the performance of the Fagron Group. The bonus targets and their relative weight are determined annually at the beginning of the calendar year, taking into account the annual budget as approved by the Board of Directors.

In 2023, the group-level revenue target was partially achieved (97%), the REBITDA target was also partially achieved (95%) and the OWC target was exceeded (118%). The relative weight of each of the financial targets was equal.

In terms of regions, revenue targets in EMEA and Latin America were partially achieved and exceeded in North America. REBITDA targets were not achieved in EMEA and Latin America and exceeded in North America. The OWC target was almost achieved in EMEA, but was exceeded in the other two regions. The financial objectives for the members of the Executive Leadership Team have therefore been partially achieved; in North America they were all exceeded.

Annual bonus targets	Weight as (% of on-target bonus) (CEO)	Weight (% of on-target bonus) (CFO)	Threshold performance	Target performance	Maximum performance	Achievement
Revenue	25%	16.7%	90%	100%	105%	**97%**
REBITDA	25%	16.7%	90%	100%	105%	**95%**
OWC	25%	16.7%	90%	100%	105%	**118%**
Specific targets	25%	50%	determined annually	determined annually	determined annually	**maximum**

The individual objectives for the CEO (regarding leadership development within the company and onboarding programs for new employees) and for the CFO (regarding leadership development within the company and OWC management) have been exceeded. The individual objectives for the other members of the Executive Leadership Team have been partially or fully achieved.

The final pay-out of the annual variable remuneration also depends on the achievement of predetermined sustainability objectives (bonus-malus). The sustainability target for 2023 was to reduce greenhouse gas emission intensity by 20% compared to 2019, and for 2024 the target is a reduction of 25%. This is in line with the climate objectives for Fagron, as described in the Sustainability Statement. This objective applies to the Area Leaders in their region, and for the other members of the Executive Leadership Team on Fagron's emissions. If these sustainability objectives are achieved, the annual compensation is paid out at 110%. If these are not achieved, the payment percentage is 90%. The sustainability objective for the bonus reference year 2023 was not achieved for the Latin America and EMEA regions, as a result of which the bonuses of the Area Leaders of these regions were paid 90%. For North America and at the group level, the sustainability targets were met and the bonuses were paid 110%.

For the bonus reference year 2023, a clawback right for acquired bonuses has been provided. No such right of recovery was invoked in 2022. The tables shown provide an overview of the bonuses achieved and paid out for the bonus reference year 2023 as well as the performance conditions and achievement of the annual bonus metrics for the CEO and CFO.

Bonuses Executive Leadership Team 2023 In euro	On-target bonus (% of fixed remuneration)	Bonus achieved (% of on-target bonus)	Pay-out ratio (90% or 110%)	Total bonus
Rafael Padilla Executive Director Chief Executive Officer	100%	95%	110%	566,507
Karin de Jong Executive Director Chief Financial Officer	50%	124%	110%	254,910
Other members of Executive Leadership Team	50%[1]	94%[2]	102%[2]	1,030,308[3]

1 100% for the Area Leader North America.
2 Average percentages.
3 Total in euros at constant exchange rates (December 31, 2023).

Annual bonus achievement in 2023 In euro	On-target bonus (% of fixed remuneration)	Maximum bonus (% of fixed remuneration)	On-target annual bonus (amount)	Weight financial performance	Weight individual performance	Achievement (% of on-target annual bonus)	Pay-out ratio sustainability (90% or 110%)	Total bonus (% of fixed remuneration)	Total bonus (amount)
Rafael Padilla - CEO	100%	120%	539,902	75%	25%	95%	110%	105%	566,507
Karin de Jong - CFO	50%	75%	187,500	50%	50%	124%	110%	68%	254,910

Long-term variable remuneration - Subscription rights

Until 2021, the long-term variable remuneration consisted of the granting of subscription rights to the members of the Executive Leadership Team. The awards were not made annually, but on the basis of the Board's discretion, on average every 2 to 3 years. For further details regarding the warrants and subscription rights, please refer to explanatory note 21 in the consolidated financial statement.

In 2023, a new long-term variable compensation plan (Performance Share (Unit) Plan) was approved by the Board of Directors, which provides for the award of performance shares. These performance shares are awarded annually and vest after a term of 3 years. The performance criteria are partly linked to financial objectives and partly to sustainability objectives.

The Board of Directors proposed at the General Meeting to approve the provisions of the Performance Share (Unit) Plan in accordance with article 7:151 CC. More specifically, it was proposed to the General Meeting to approve the provisions that would grant rights to certain employees or service providers in the event of a takeover or change of control over the Company (more specifically the early vesting provided for in Article 11 – Change of Control of the Performance Share (Unit) Plan).

The General Meeting of 8 May 2023 did not approve the proposal to approve the early vesting in the event of a public offer or change of control over Fagron as provided for in the Performance Share Plan (agenda item 10). This provision was therefore removed from the plan.

Long-term variable incentive awards

Based on the Performance Share (Unit) Plan approved by the Board of Directors in 2023, all members of Executive Leadership Team - with the exception of the Area Leader North America due to a specific North American plan and of the COO and Area Leader EMEA due to the seniority condition not yet being met - are awarded performance shares. The award for the period 2022-2024 is equal to 150% of the annual compensation for the CEO, 125% for the CFO and 100% for the other members of the Executive Leadership Team.

The performance objectives are based on a combination of financial objectives on the one hand and sustainability objectives on the other. For the first allocation under the plan with regard to 2022-2024, a split of 80/20 (financial objectives/sustainability objectives) applies. Financial objectives related to the first award under the plan with relating to 2022-2024 are relative total shareholder value (TSR), organic revenue growth, REBITDA and operational cash conversion. These criteria provide an important benchmark for measuring the successful implementation of the business strategy. In this way, the LTI plan is also directly linked to the long-term value creation of Fagron. Sustainability objectives related to the first allocation under the plan covering 2022-2024 relate to greenhouse gas intensity reduction and employee engagement. These criteria are in line with Fagron's ambition to create long-term value for all its stakeholders: customers, employees, investors and society.

Taking into account compensation practices in the United States, a specific LTI plan was developed for the Area Leader North America (as described in the remuneration policy) that is comparable to the LTI plan that applies to the other members of the Executive Leadership Team. This plan, like the plan for the other members of the Executive Leadership Team, provides for a right of recovery in the event of fraud or serious misrepresentations of the financial data.

Conclusion of the 2022-2026 North America Long-term Incentive Plan

As noted in the previous section, the Area Leader North America participated in the 2022-2026 North America Long-term Incentive Plan that provided cash and equity awards based on achievement of performance goals to initially be measured following the financial 2024 year. The Nomination and Remuneration Committee and Fagron leadership believed that the goals of this plan were no longer appropriate given Fagron’s North American strategy. The North American leadership team, including the Area Leader, has now transitioned to a new long-term incentive program with performance goals specific to the North American market.

Therefore, in early 2024, the Nomination and Remuneration Committee decided to terminate the 2022-2026 program for the Area Leader North America and to provide awards based on current performance (per December 31, 2023) against the seven pre-established goals. The Committee reviewed performance and determined which goals had been achieved fully, partially, or not at all.

Following this review, it was determined that the Area Leader of North American was eligible to receive 92% of the target award (being three annual salaries). However, the Committee also decided to reduce the ultimate payout to reflect the shortened performance period. This cutback reduced the potential award by one third. The Committee's action reduced the ultimate payout to approximately 61% of the target award.

The Committee viewed its one-time action as necessary and appropriate given the circumstances in the North American market. The decision to terminate the program allowed the North American leadership team to focus on new priorities and strategic objectives. This action fairly rewarded the Area Leader's significant accomplishments of the past two years while also acknowledging the shortened time period.

Vesting of long-term variable incentives
The vesting of warrants and subscription rights takes place after the expiry of a predetermined period, subject to the condition that the beneficiaries are still linked to the Company or its subsidiaries through an employment or service agreement, unless in the case of express recognition by the Board of Directors as a 'good leaver' or in the event of retirement, death or permanent disability. In addition, Fagron's Articles of Association stipulate that it may deviate from the provisions of Article 7:91 CC for all persons who fall within the scope of those provisions.

In 2023, 190,000 warrants were exercised by the members of the Executive Leadership Team at an exercise price of rounded EUR 13.94. No subscription rights were exercised. The subscription rights of the Area Leader North America based on the the 2020 Subscription Rights Plan have been canceled and replaced by the specific LTI plan as described above.

The vesting of the performance shares granted on the basis of the Performance Share (Unit) Plan will take place at the end of the performance period, provided that the beneficiaries are still connected to the Company or one of its subsidiaries through an employment or service agreement and that the performance criteria and any other criteria established at the time of award have been met.

Overview of outstanding warrants and subscription rights
The table below lists all the outstanding warrants and subscription rights of members of Executive Leadership Team.

Outstanding warrants and subscription rights	Plan	Award	Vesting	Term	Exercise Price	Outstanding balance as of December 31, 2023
Rafael Padilla	Subscription Rights Plan 2020 Subscription Rights Plan 2020	2020 2021	3 year (100%) 3 year (100%)	10 year 10 year	€ 18,52 € 19,44	112,500 112.500
Karin de Jong	Subscription Rights Plan 2020 Subscription Rights Plan 2020	2020 2021	3 year (100%) 3 year (100%)	10 year 10 year	€ 18,52 € 19,44	75.000 75.000
Vera Bakker	–	-	-	-	-	-
Geraldino Neder	Subscription Rights Plan 2020 Subscription Rights Plan 2020	2020 2021	3 year (100%) 3 year (100%)	10 year 10 year	€ 18,52 € 19,44	22.500 22.500
Maarten Pouw	–	-	-	-	-	-
Andrew Pulido	Warrant Plan 2019	2020	3 year (50%) 4 year (50%)	5 year -	19,03 -	85.000 -
Johan Verlinden	Subscription Rights Plan 2020 Subscription Rights Plan 2020	2020 2021	3 year (100%) 3 year (100%)	10 year 10 year	€ 18,52 € 19,44	50.000 50.000

Shareholding
In accordance with the remuneration policy, the non-executive directors do not receive performance-related remuneration, benefits in kind or benefits linked to pension plans.

According to principle 7.9 of the Code, the Board of Directors must determine a minimum threshold of shares to be held by the members of the Executive Leadership Team. The CEO must build up a shareholding in Fagron to an amount equal to 100% of the annual fixed remuneration over a period of five years. This shareholding requirement for the CEO has been met. There is no minimum number of shares that the other members of the Executive Leadership Team must hold in the Company. Sufficient other mechanisms are provided to guarantee the long-term professional commitment of the members of the Executive Leadership Team. Fagron believes that its remuneration policy, which includes the granting of performance shares, is clearly linked to sustainable organic growth and a selective and targeted acquisition policy, and thus ensures that the members of the Executive Leadership Team act from the perspective of the long-term shareholder.

Fagron encourages the members of the Executive Leadership Team to acquire and retain Fagron shares. Various members of the Executive Leadership Team hold Fagron shares. The Board of Directors will analyze further in the coming years whether a minimum threshold for all members of the Executive Leadership Team has added value. In addition to the CEO and the CFO, three members of the Executive Leadership Team currently hold Fagron shares.

An overview of the number of shares held by the members of the Board of Directors and the Executive Leadership Team is available on the investor page of the Fagron website under the 'Shareholders' section (investors.fagron.com).

Other benefits
Fagron strives, where applicable, to grant other benefits in line with local market practices in the geographical reference markets. In general, the members of the Executive Leadership Team participate in the benefits plans that exist for the other employees of the company with which they are affiliated.

The CEO's benefits package consists of health insurance and a company car (no pension plan). The CFO and the other members of the Executive Leadership Team with a Dutch employment contract are affiliated with the collective pension plan (defined contribution plan). They may also opt for a company car or a mobility allowance.

The COO has a Spanish employment contract that provides for a mobility allowance and an allowance for joining a private pension plan. The Belgian member of the team is an independent service provider and is therefore not affiliated with any benefits plan. The US member of the Executive Leadership Team is affiliated with the group health and life insurance plans and with pension plan (401(k)) of the Company with which he has an employment contract. The Brazilian team member has a company car and has health insurance.

Remuneration overview

The table below provides an overview of the compensation of the members of the Executive Leadership Team.

Total remuneration of Executive Leadership Team 2023 In euro	Fixed remuneration	Annual bonus	Subscription rights granted	Pension costs	Other benefits	Ratio of fixed to variable
Rafael Padilla Executive Director Chief Executive Officer	539,902	566,507	809,853	-	15,207	29%/71%
Karin de Jong Executive Director Chief Financial Officer	375,000	254,910	466,766	8,746	25,092	36%/64%
Other members of Executive Leadership Team[1]	1,215,923[1]	1,030,308[1]	890,761	33,985[1]	86,961[1]	49%/51%[2]

1 Total in euros at constant exchange rates (December 31, 2023).
2 Average percentages.

Severance pay

No severance payments were granted to members of the Executive Leadership Team in 2023.

Deviations from the remuneration policy

The long-term incentive plan for the Area Leader North America was terminated as described above. There have been no other deviations from the remuneration policy in 2023.

Annual change in remuneration and internal pay ratio

In accordance with the Directive Shareholder rights (EU) 2017/828 as transposed into Belgian law, provides a joint overview of the annual change in remuneration, the annual change in the development of the Company's performance and the annual change in average remuneration, expressed in full-time equivalents of the executive and non-executive directors for the most recent five financial years. The ratio is also stated between the highest remuneration of the aforementioned executive directors and the lowest remuneration (in full-time equivalent) of the other employees of the Company.

Leadership Remuneration In euro		2019	2020	2021	2022	2023
Executive directors						
Rafael Padilla - CEO	Remuneration[1]	755,000	869,037	606,749	986,780	1,106,409
	Δ %	+3,7%	+15,1%	-30.2%	+62.6%	+12.1%
Karin de Jong - CFO	Remuneration[1]	398,588	475,210	382,094	621,978	629,910
	Δ %	+7,7%	+19,2%	-19.6%	+62.8%	+1.3%
Non-executive directors						
Chairman Board of Directors	Remuneration	100,000	75,000	100,000	100,000	100,000
	Δ %	+66,7%	-25.0%	+33,3%	+0%	+0%
Fixed remuneration for other non-executive board members	Remuneration	30,000	27,900	30,000	30,000	30,000
	Δ %	-	-25.0%	33.3%	+0%	+0%
Additional remuneration for members of Board of Directors' Committees	Remuneration	7,200	5,400	7,200	7,200	7,200
	Δ %	-	-25.0%	+33,3%	+0%	+0%
Company performance (in million euros)						
Revenue		534.7	556.0	573.8	683.9	763.0
Total growth at CER	Δ %	+13,4%	+4,0%	+3,2%	+10,3%	+12,5%
REBITDA		117.0	123.9	118.3	130.7	149.0
Total growth	Δ %	+18,1%	+5,9%	-4.5%	+10,5%	+13,9%
Remuneration of other employees						
Average remuneration (FTE)		52,694	56,701	56,369	61,527	63,845
	Δ %	+7,0%	+7,6%	-0.6%	+9.2%	+3.8%
Lowest remuneration (FTE)		27,830	27,740	28,708	31,947	32,586
	Δ %	+4,9%	-0.3%	+3,5%	+11.3%	+2.0%
Ratio between highest remuneration (CEO) and lowest remuneration		27.1	31.3	21.1	30.9	34.0

1 Renumeration refers to fixed renumeration and annual bonus.

In order to be able to display the annual changes in director remuneration in a consistent and transparent manner and to compare them with the average and the lowest remuneration of other Fagron employees, the following principles are applied:

- To calculate the total remuneration of the executive directors and other employees, the total of the fixed remuneration and the annual bonus paid are taken into account. The subscription rights and performance shares granted to the executive directors have not been taken into account, as the subscription rights were not granted on an annual basis and therefore do not allow a consistent comparison. Other benefits are also disregarded.
- For the non-executive directors, the fixed remuneration for the Chairman, fixed remuneration for the other non-executive directors and the additional remuneration for the Committees as determined uniformly are taken into account. A comparison on an individual basis is not relevant as certain board members were members of the Audit and Risk Committee and/or the Nomination and Remuneration Committee in certain financial years and not in other years.
- Given Fagron's active buy-and-build strategy with multiple acquisitions in different countries – with often significant differences in remuneration levels between these countries – taking into account the average remuneration of all employees worldwide would provide an overly volatile and therefore inconsistent and irrelevant basis for comparison. For this reason it has been decided to include the average remuneration of Fagron employees employed in Belgium in the comparison.

Other legal information that must be disclosed by listed companies

Based on Article 3:6, §1 CC and Article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market, this chapter contains the information that must be disclosed under this legislation and that is not contained in other chapters of this report.

Specific control rights

No special control rights have been granted to Fagron's shareholders.

Restrictions on the transfer of securities

Fagron's Articles of Association do not impose any restrictions on transfers of shares.

Legal or statutory restrictions on exercising the voting right

Article 7 of Fagron's Articles of Association states that if a shareholder has not made the requested payment on his shares within the period determined by the Board of Directors, the exercise of the voting rights attached to the shares will be suspended by operation of law as long as this payment has not been made. The capital was fully paid up on 31 December 2023.

In accordance with Article 9 of Fagron's Articles of Association, the Board of Directors may suspend the exercise of the rights attached to a share if these rights are divided among several persons, until a single representative has been designated as a shareholder vis-à-vis Fagron. The same rules apply to other securities issued by Fagron.

Procedure for amending the Articles of Association

In accordance with article 7:153 CC, an amendment to Fagron's Articles of Association can only be implemented with the consent of at least 75% of the valid votes cast at the Extraordinary General Meeting of Shareholders at which at least 50% of the Company's capital is present or represented. For the calculation of votes, abstentions are not included in the counter, nor included in the denominator. If the attendance quorum of 50% is not reached a new Extraordinary General Meeting of Shareholders must be convened at which the shareholders can decide on the agenda items regardless of the percentage of the capital present or represented at this meeting.

Rules for appointing or replacing directors

Directors of the Company are appointed by the General Meeting of Shareholders. The Chairman of the Nomination and Remuneration Committee is responsible for the appointment procedure. The Nomination and Remuneration Committee recommends suitable candidates to the Board of Directors. The Board of Directors then makes a proposal to the General Meeting of Shareholders for appointment as director. The Nomination and Remuneration Committee determines the requirements regarding independence, competence and other qualifications of the members of the Board of Directors. After consultation with the Chairman of the Board of Directors, the Nomination and Remuneration Committee takes all necessary initiatives to optimize the composition of the Board of Directors.

For each new appointment, an evaluation of the skills, knowledge and experience already available and required at the Board of Directors level is made and a profile of the vacancy is established. Fagron attaches great importance to diversity, so that there is particular attention paid to diversity and complementarity with regard to the various backgrounds and abilities in nominating candidates for the position of director.

After consultation with the Nomination and Remuneration Committee, the Board of Directors determines the profile of each new independent director, taking into account the applicable independence requirements as set out in the Corporate Governance Charter. The Nomination and Remuneration Committee starts the search for suitable candidates for each vacancy as an independent director and may, if desired, engage an external consultant to supervise the selection procedure.

The Nomination and Remuneration Committee's proposal to the Board of Directors for a vacant position as independent director contains the following information: (i) an overview of all persons contacted and all applications received, (ii) a detailed curriculum vitae of the proposed candidate, (iii) an advice from the Nomination and Remuneration Committee with regard to the proposed candidate, and (iv) any report submitted to the Nomination and Remuneration Committee by an external consultant (if appointed).

The Nomination and Remuneration Committee ensures that the Board of Directors has sufficient information about the candidate to be able to take them into consideration, such as a curriculum vitae, the assessment based on an initial interview, a list of the mandates that the candidate already holds and, if necessary, the information needed to assess the independence of the director.

The decision of the Board of Directors to nominate a candidate to the General Meeting of Shareholders for appointment as independent director requires a special majority of two-thirds of the vote. The proposal is accompanied by a recommendation from the Board of Directors and relevant information on the professional qualifications of the candidate director, including a list of positions previously held. This procedure also applies to the reappointment of a director.

Fagron's Articles of Association stipulate that the directors are appointed for a maximum term of four years. The mandate ends at the conclusion of the General Meeting of Shareholders, which is set as the end date for the appointment. Exiting directors can be reappointed. A director's mandate can be revoked at any time with simple majority at the General Meeting of Shareholders.

In the event of a premature vacancy on the Board of Directors, the other directors have, in accordance with Article 15 of the Articles of Association, the right to appoint a new director to temporarily fill the vacancy until the General Meeting of Shareholders appoints a new director. The appointment will be placed on the agenda of the next General Meeting of Shareholders. The director shall be appointed for the remainder of the term of the director they replace.

Shareholder agreements known to the issuer that can lead to a restriction in the transfer of securities and/or exercise of the voting right

The Board of Directors is not aware of any shareholder agreements during the 2023 financial year that could give rise to restrictions on the transfer of securities and/or the exercise of voting rights.

Important agreements that take effect, undergo changes, or expire in the event of a change in control over the company

The following agreements shall enter into force, be amended or expire in the event of a change of control of the Company:

- 105,000,000 euros additional financing facility dated 28 January 2022 under the same conditions, documentation and as an integral part of the already existing 375,000,000 euros multi-currency term and revolving facilities agreement dated 1 August 2019;
- ISDA 2002 Master Agreement dated 10 March 2020 concluded between the Company and Belfius NV/SA and associated schedule dated 10 March 2020 to the ISDA Master Agreement;
- 375,000,000 euros multi-currency term and revolving facilities agreement dated 1 August 2019 between, among others the Company and BNP Paribas Fortis SA/NV, ING Belgium SA/NV and KBC Bank NV as book running mandated lead arrangers, Belfius Bank SA/NV, Commerzbank Aktiengesellschaft, Filiale Luxembourg and HSBC France, Brussels Branch as mandated lead arrangers and ING Bank N.V. as agent;
- ISDA 2002 Master Agreement dated 7 March 2018 concluded between the Company and ING Belgium NV/SA and associated schedule dated 7 March 2018 to the ISDA Master Agreement;
- 2002 ISDA Master Agreement dated 23 May 2017 concluded between the Company and KBC Bank NV and associated schedule dated 23 May 2017 to the ISDA Master Agreement;
- ISDA 2002 Master Agreement dated 10 January 2018 concluded between the Company and HSBC Bank PLC and associated schedule dated 10 January 2018;
- ISDA 2002 Master Agreement dated 9 June 2017 concluded between the Company and Commerzbank Aktiengesellschaft and associated schedule dated 9 June 2017;
- ISDA 2002 Master Agreement dated 27 July 2017 between the Company and BNP Paribas Fortis NV/SA and associated schedule dated 27 July 2017;
- The Subscription Rights Plans 2019 and 2020.

No agreements have been concluded between Fagron and its directors or employees that provide for compensation if, as a result of a public takeover bid, the directors resign or have to resign without a valid reason or the employment of the employees is terminated.

Description of key features of internal control and risk management systems

The Board of Directors is responsible for Fagron's strategy with the associated risk profile and the design and operation of the internal risk management and control systems. These systems aim to:

- with a reasonable degree of certainty -to be constantly informed of the extent to which Fagron is achieving its strategic and operational objectives,
- to ensure the reliability of financial reporting, and
- to act in accordance with the laws and regulations applicable to Fagron.

Fagron gives priority to internal control and risk management and to the design of these internal risk management and control systems with regard to Fagron's strategic, operational, compliance and financial reporting risks. Partly in view of the development of Fagron and the environment in which it operates, the design and operation of these internal risk management and control systems are continuously evaluated and are continuously subject to further refinement and improvement.

Despite the various controls that have been implemented to manage the risks that could undermine the realization of the strategic objectives, these cannot provide absolute certainty that no material inaccuracies will occur at Fagron.

In concrete terms, Fagron's internal governance is composed of the following building blocks.

Control environment

Fagron conducts conscious risk management on the basis of an internal control system that is achieved by encouraging a corporate culture in which all employees are authorized to fulfill their tasks and responsibilities according to the highest standards of integrity and expertise. Internal control and management is continuously assessed and further professionalized, with attention to the governance structure, processes, systems and controls and awareness among management and employees of the importance of their correct application.

Without prejudice to the responsibilities of the Board of Directors as a whole, the Audit and Risk Committee monitors the effectiveness of the internal control and risk management systems set up by Fagron's management in order to monitor that the main risks are identified (including those related to regarding compliance with laws and regulations), managed and brought to the attention of the responsible persons, all within the framework established by the Board of Directors.

The Audit and Risk Committee meets the Statutory Auditor at least three times a year to discuss matters within its competence and all other matters arising from the audit work. In addition, management provides a status update of pending disputes to the Audit and Risk Committee on a regular basis. The risk is always quantified and qualified.

Fagron has an internal audit function. The Audit and Risk Committee reviews the internal auditor's risk analysis, the internal audit charter and the internal audit plan, and receives internal audit reports for discussion and review on a regular basis. The mission of the internal auditor includes independent and objective quality assurance and support, and thus aims to create added value through improvement of the underlying business cycles and associated internal controls. The internal audit function is in its early stages and will be further expanded and professionalized in the coming years so that the internal audit department can help the company achieve its overall objectives by evaluating and improving risk management and control procedures in a systematic and disciplined manner. Deficiencies in internal control identified by internal audits will be communicated to management in a timely manner and will be monitored periodically to ensure that the necessary remedial action is taken.

Strategy Development

Based on developments in the market, the opportunities and threats that are identified, an analysis of strengths and weaknesses and a strategic risk assessment, Fagron's strategy and the associated objectives and ambitions are critically assessed annually and adjusted where necessary. The Board of Directors is responsible for this.

Budgets

The strategic objectives, including the main opportunities and risks, are discussed with the Executive Leadership Team. Fagron's strategic objectives form the basis for budgeting the business components. For each business unit, in addition to a financial budget, the budget contains a number of concrete business objectives that are translated into KPIs, which are measured for progress during the year.

Reporting, analysis, and review

The financial results and expectations are reviewed monthly using the Fagron Management Information System, both at local and central level. This system is available to management and business controllers, as well as to the Executive Leadership Team and the Corporate Controlling department.

The management and business controllers report monthly on the progress of the realization of their business plan, the resulting KPIs and financial performance to the Executive Leadership Team and to the Corporate Controlling department. Progress discussions are regularly held on the basis of this report, in which in any case the following are discussed: the actions agreed in previous reviews, the financial results and the updated expectations, the turnover and recruitment of employees and the progress and developments in the business.

Fagron's financial reporting and reporting process can be summarized as follows:

- A closing program with checklist includes the tasks to be completed for the monthly, quarterly, half-yearly and annual closing of the company and its subsidiaries.
- The finance department provides the accounting figures under the supervision of the head of accounting or the financial director of each group company.
- The controllers shall verify the accuracy of these figures and report thereon. This involves both coherence tests through comparisons with historical or budgetary figures and sample checks of transactions. As part of the closing process, extensive reporting with financial and operational data must also be provided.
- The Audit and Risk Committee assists the Board of Directors in monitoring the integrity of the financial information. In particular, it shall monitor the relevance and consistency of the application of the accounting standards, including the criteria for the consolidation of the accounts of the group companies.
- Management shall inform the Audit and Risk Committee of the methods used regarding the accounting treatment of significant and unusual transactions whose accounting treatment may be subject to various approaches. The Audit and Risk Committee discusses the financial reporting methods with both the Executive Leadership Team and with the Statutory Auditor.

Supervision of internal control is exercised by the Board of Directors, assisted by the work of the Audit and Risk Committee and the internal auditor. The Statutory Auditor annually conducts an analysis of the internal control with regard to the risks associated with Fagron's financial statements. In this context, the Statutory Auditor makes recommendations, if necessary, on the internal control and risk management systems, which will be formalized in a management letter. Management takes actions to address the findings and further improve the internal control environment. These measures are monitored and the Audit and Risk Committee examines the extent to which the Executive Leadership Team complies with the Statutory Auditor's recommendations.

Global Policies and Code of Conduct

Responsibilities, powers, guidelines and procedures at Fagron are laid down in a clear and accessible manner in the Global Policies and Code of Conduct of Fagron. Every important process is addressed. Management and business controllers of the business units are responsible for the correct application of the processes and systems. As soon as there is further integration, acquisitions are also integrated in terms of guidelines, procedures and processes and systems.

Compliance reviews and external audits

In addition to the internal and external audits, various compliance reviews take place, both on the quality system used as well as on the administrative organization and the financial results.

The Statutory Auditor focuses on the operation of internal control measures that are important for the creation of the financial statements. The results of the Statutory Auditor's audits are reported orally and in writing to Corporate Controlling, the CFO and the Audit and Risk Committee. The compliance reviews are carried out by Corporate Controlling and also focus on the correct application and compliance with internal procedures and guidelines. The orientation is on both financial and operational audits. The objective is to use the results to achieve continuous professionalization of internal control. In addition, these instruments contribute to a continuous increase in risk awareness within Fagron.

Information for shareholders

Number of shares and evolution of the capital

Fagron NV was founded on 29 June 2007 (under its previous name Arseus NV). At the time of incorporation, the share capital was 61,500 euros, represented by 100 registered shares without nominal value, fully paid up in cash, with each share representing an identical fraction of Fagron's share capital.

The evolution of the capital as well as the issuance of shares from the year 2021 is shown below. For the changes that took place from 2007 to and 2020, previous annual reports may be consulted.

On 9 June 2021, 482,500 new shares were issued as a result of the exercise of warrants under the Warrant Plan 2016, 2018 and 2019. The number of Fagron voting securities amounted to 72,960,154. The total number of voting rights (denominator) amounted to 72,960,154. The capital amounted to 501,870,567.62 euros.

On 10 June 2022, 32,500 new shares were issued as a result of the exercise of warrants. The total number of voting securities after the issue amounted to 72,992,654, which is equal to the total number of voting rights (denominator). The capital amounted to 502,094,125.17 euros after the issue.

On 2 May 2023, 236,250 new shares were issued as a result of the exercise of warrants. The total number of voting securities after issue amounted to 73,228,904, which was equal to the total number of voting rights (denominator). The capital amounted to 503,719,216.61 euros after issue.

A share buyback program was carried out between 14 August 2023 and 31 December 2023, in which 138,372 Fagron shares were purchased so that Fagron could meet its obligations under the Long-Term Incentive Plan as approved at the 2023 General Meeting of Shareholders.

The capital therefore amounts to 503,719,216.61 euros at the time of preparing this annual report, represented by 73,228,904 shares, without indication of nominal value with a par value of 1/73,228,904th of the capital.

Shareholder structure and notifications of shareholding

In accordance with Article 11 of Fagron's articles of association, for the purposes of Article 6 of the Act of 2 May 2007 on the disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and subject to various provisions, the applicable quotas are determined at 3%, 5% and multiples of 5%.

When these thresholds are exceeded, those involved must send a notification to the FSMA (Financial Services and Market Authority/ Financial Services and Markets Authority) and to the company.

Chapter 'Information on Fagron shares' describes the shareholder structure of Fagron as of March 7th, 2024.

Warrants and Subscription Rights

On 12 April 2019, the Board of Directors approved the 2019 Warrant Plan for the benefit of employees and managers/consultants of Fagron NV and its subsidiaries. This was confirmed by decision of the Extraordinary General Meeting of 13 May 2019 in the presence of notary Liesbet Degroote, whereby it was decided to issue 300,000 warrants.

On 4 August 2020, the Board of Directors approved and issued the 2020 Subscription Rights Plan for employees and managers/consultants of Fagron NV and its subsidiaries under the authorized capital in the presence of notary Stijn Raes, whereby it was decided to issue 2,600,000 subscription rights.

For further details regarding the modalities of the Warrant Plan 2019 and the Subscription Rights Plan 2020 and the movements in the number of subscription rights during financial year 2023, please refer to explanatory note 21 in the consolidated financial statement.

Authorized capital

By decision of the Extraordinary General Meeting of 9 May 2022, the authority of the Board of Directors to increase the issued capital as stated in Article 5b of the coordinated articles of association dated 8 May 2017 was renewed and extended for a period of five years from the announcement of the amendment of the articles of association published in the Appendices to the Belgian Official Gazette on 30 May 2022.

By decision of the Extraordinary General Meeting of 9 May 2022, the authority was granted to count, with a majority of at least three quarters of the votes and within a period of five years, from the date of publication of the decision in the appendix to the Belgian Staatsblad, on one or more occasions, in the manner and under the conditions that the Board of Directors will determine, to increase the capital by an amount equal to ten percent of the capital.

Acquisition of treasury shares

The General Meeting or the articles of association determine in particular the maximum number of shares, profit sharing certificates or certificates to be acquired, the duration for which permission has been granted to acquire them, which may not exceed five years from the publication of the deed of incorporation, the amendment of the Articles of Association or the authorization of the General Meeting, as well as the minimum and maximum value of the compensation.

The Extraordinary General Meeting of 9 May 2022 authorized the Board of Directors to acquire its own shares, by purchase or exchange, directly or through a person acting in his own name but on behalf of the Company, at a price that may not be lower than one euro and not higher than the average of the closing prices of the ten working days prior to the day of purchase or exchange, increased by ten percent and this in such a way that the company will at no time own its own shares, the par value of which will be higher than twenty percent of the issued capital of the Company.

On 3 August 2023, the Company announced that it would start purchasing a maximum of 138,372 Fagron shares on 14 August 2023 to cover its obligations under Fagron's long-term variable remuneration scheme, which was approved during the 2023 General Meeting. The share buyback program was successfully completed on 19 September 2023. A total of 138,372 Fagron shares were purchased at an average price of 16.31 euros per share, which corresponds to a total amount of 2,256,826.89 euros.

As of the date of this report, Fagron owns 241,999 of its own shares.

Access to documents

The statutory and consolidated financial statements, Articles of Association, annual reports and other information provided for the purpose of shareholders can be obtained free of charge at the registered office.

These documents can also be accessed digitally on the investors page of the Fagron website (investors.fagron.com).

Financial Annual Report 2023

Consolidated Financial Statements

The Report from the Board of Directors and the Corporate Governance Statement, as reported above, constitute an integral part of the consolidated financial statements.

Statement

We declare, to the best of our knowledge, that the consolidated financial statements for the year ending 31 December 2023, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, reflect a true and fair view of the equity, the financial situation and the results of the Company and the companies that are included in the consolidation, and that the Annual Report provides a true and fair view of the development and the results of the company and of the position of the Company and the companies included in the consolidation, and provides a description of the main risks and uncertainties that they face.

In the name and on behalf of the
Board of Directors,

Rafael Padilla, CEO
Karin de Jong, CFO
13 March 2024

Consolidated income statement

(x 1,000 euros)	Note	2023	2022
Operating income		**767,193**	**695,346**
Revenue	6	762,991	683,881
Other operating income	7	4,202	11,466
Operating expenses		**658,560**	**597,437**
Trade goods		301,670	281,374
Services and other goods	8	128,709	116,342
Employee benefit expenses	9	186,512	158,130
Depreciation and amortization	10	39,311	35,480
Other operating expenses	11	2,358	6,111
Operating profit		**108,633**	**97,909**
Financial income	12	5,324	8,833
Financial expenses	12	29,512	18,973
Profit before income tax		**84,445**	**87,769**
Taxes	13	13,401	17,703
Net-profit (loss)		**71,044**	**70,066**

(x 1,000 euros)	Note	2023	2022
Attributable to:			
Shareholders of the company (net profit)		70,547	69,612
Non-controlling interest(s)		497	454
Profit (loss) per share from continued and discontinued operations attributable to the shareholders during the year			
Profit (loss) per share (in euros)	14	0.97	0.96
Diluted profit (loss) per share (in euros)	14	0.97	0.96

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2023	2022
Net profit (loss) for the financial year		**71,044**	**70,066**
Other comprehensive income			
Items that will not be reclassified to profit or loss	23		
• Remeasurements of post-employment benefit obligations		253	1,964
• Tax relating to items that will not be reclassified		-63	-491
Items that may be subsequently reclassified to profit or loss			
• Interest hedge	21	-438	7,384
• Currency translation differences		2,997	18,468
Other comprehensive income for the year net of tax		**2,750**	**27,325**
Total comprehensive income for the year		**73,794**	**97,391**
Attributable to:			
Shareholders		73,297	96,936
Non-controlling interest(s)		497	454

Consolidated statement of financial position

(x 1,000 euros)	Note	2023	2022
Non-current assets		**671,053**	**653,000**
Goodwill	15	434,361	429,768
Intangible assets	15	48,560	33,633
Property, plant and equipment	16	109,825	104,086
Leasing and similar rights	16/27	38,110	39,510
Financial assets	17	4,199	4,210
Financial instruments	17/24	2,515	13,277
Other non-current fixed assets	17	4,579	3,731
Deferred tax assets	18	28,904	24,785
Current assets		**335,901**	**318,010**
Inventories	19	113,938	108,337
Trade receivables	20	62,052	60,722
Financial instruments	24	4,268	451
Other receivables	20	22,636	23,163
Cash and cash equivalents	20	133,008	125,337
Total assets		**1,006,954**	**971,010**

(x 1,000 euros)	Note	2023	2022
Equity	21	**467,627**	**410,518**
Shareholders’ equity (parent)		463,754	404,541
Non-controlling interest(s)		3,872	5,977
Non-current liabilities		**364,070**	**389,484**
Provisions	22	1,993	2,024
Pension obligations	23	2,596	2,739
Deferred tax liabilities	18	1,976	4,352
Debt	24	325,039	346,673
Financial instruments	24	440	0
Lease liabilities	27	32,026	33,697
Current liabilities		**175,258**	**171,009**
Debt	24	0	9,461
Lease liabilities	27	9,678	9,548
Trade payables	25	104,932	97,856
Tax liabilities for the current year	18	10,129	7,993
Other current taxes, remuneration and social security	18	33,854	30,777
Other current payables	26	16,294	15,191
Financial instruments	24	371	181
Total liabilities		**539,328**	**560,493**
Total equity and liabilities		**1,006,954**	**971,010**

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Cash flow hedge reserve	Treasury shares	Retained earnings	Total	Non-controlling interest(s)	Total equity
Balance as of January 1, 2022		**520,785**	**-277,154**	**0**	**-18,823**	**95,297**	**320,105**	**5,361**	**325,466**
Profit (loss) for the period		0	0	0	0	69,612	69,612	454	70,066
Other comprehensive income		0	19,779	7,384	0	0	27,163	161	27,325
Total comprehensive income for the period		**0**	**19,779**	**7,384**	**0**	**69,612**	**96,775**	**616**	**97,391**
Capital increase		453	0	0	0	0	453	0	453
Declared dividends	21	0	0	0	0	-14,592	-14,592	0	-14,592
Share-based payments	21	0	1,799	0	0	0	1,799	0	1,799
Balance as of December 31, 2022		**521,238**	**-255,576**	**7,384**	**-18,823**	**150,317**	**404,541**	**5,977**	**410,518**
Profit (loss) for the period		0	0	-3,583	0	74,130	70,547	497	71,044
Other comprehensive income		0	3,404	-438	0	0	2,967	-217	2,750
Total comprehensive income for the period		**0**	**3,404**	**-4,021**	**0**	**74,130**	**73,514**	**280**	**73,794**
Capital increase		3,293	0	0	0	0	3,293	0	3,293
Treasury shares		0	0	0	-2,257	0	-2,257	0	-2,257
Declared dividends	21	0	0	0	0	-18,175	-18,175	-225	-18,400
Share-based payments	21	0	2,429	0	0	0	2,429	0	2,429
Change in non-controlling interests		0	409	0	0	0	409	-2,160	-1,751
Balance as of December 31, 2023		**524,531**	**-249,333**	**3,363**	**-21,080**	**206,273**	**463,754**	**3,872**	**467,627**

Consolidated cash flow statement

(x 1,000 euros)	Note	2023	2022
Operating activities			
Profit before income taxes from continued operations		84,445	87,769
Taxes paid		-18,762	-17,454
Adjustments for financial items		24,188	10,140
Total adjustments for non-cash items	28	41,069	31,143
Total changes in working capital	29	-6,306	-2,140
Total cash flow from operating activities		**124,633**	**109,458**
Investment activities			
Capital expenditure		-38,473	-18,497
Investments in existing shareholdings (subsequent payments) and in new holdings		-6,283	-53,997
Proceeds from sold shareholdings		0	3,226
Total cash flow from investment activities		**-44,757**	**-69,269**

(x 1,000 euros)	Note	2023	2022
Financing activities			
Capital increase	21	3,293	453
Purchase own shares	21	-2,257	0
Dividends paid	21	-18,265	-14,571
New debt		0	135,000
Reimbursement of debt		-28,000	-85,727
Payment of lease obligations		-11,797	-9,396
Interest received		5,324	3,569
Interest paid		-22,578	-15,476
Total cash flow from financing activities		**-74,279**	**13,852**
Total net cash flow for the period		**5,598**	**54,042**
Cash and cash equivalents - start of the period		125,337	70,646
Gains (losses) from currency translation differences		2,072	649
Cash and cash equivalents - end of the period		133,008	125,337
Changes in cash and cash equivalents		**5,598**	**54,042**

Notes to the consolidated financial statements

1 General information

Fagron is a leading global pharmaceutical compounding company focused on delivering personalized pharmaceutical care to hospitals, pharmacies, clinics and patients in 30+ countries worldwide.

The Belgian company Fagron NV is based on Venecoweg 20A in Nazareth and is listed on Euronext Brussels and Euronext Amsterdam under the ticker symbol “FAGR”. Fagron’s operational activities are managed through the Dutch company Fagron BV. Fagron BV’s head office is located in Rotterdam.

These consolidated financial statements were approved for publication by the Board of Directors on 13 March 2024.

2 Principles for financial reporting

The principal accounting policies applied in preparing these consolidated financial statements are detailed below. These policies have been consistently applied by all of the consolidated entities, including subsidiaries, for all of the years presented, unless stated otherwise.

The Fagron consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the basis of the historical cost convention, with the exception of derivative financial instruments and contingencies, which are listed at fair value.

The consolidated financial statements of Fagron NV and its subsidiaries for the full year 2023 have been prepared on a going concern basis, which means that it is assumed that the company will continue to be able to meet its obligations as they become due in the foreseeable future.

Notes to the consolidated financial statements

IFRS developments

The following amendments to standards and interpretations are mandatory for the first time for the fiscal year starting January 1, 2023, and have been adopted by the EU.

Published, mandatory and approved by the EUR		Anticipated impact
IFRS 17 Insurance Contracts 1 January 2023	IFRS 17 requires that insurance liabilities are valued at the current fulfilment value and offers a more uniform approach to valuation and presentation for all insurance contracts. These requirements are intended to achieve consistent, principle-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 Insurance contracts as at 1 January 2023.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information 1 January 2023	The change revises the fixed expiration date for the temporary exemption in IFRS 4 Insurance Contracts for the application of IFRS 9 Financial Instruments.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies 1 January 2023	The changes require an entity to state its material accounting policies instead of its major accounting policies. Further changes explain how an entity can identify a material accounting policy.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates 1 January 2023	The adjustments replace the definition of a change in estimates with a definition of estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainties." The changes clarify that an estimate change resulting from new information or new developments is not the correction of an error.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction 1 January 2023	Amendments to IAS 12 Income Taxes relates to: the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.

Published, mandatory and approved by the EUR		Anticipated impact
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (immediately applicable - disclosures are required for fiscal years on or after 1 January 2023)	The Amendments introduces; • A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and • Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes rising from that legislation, particularly before its effective date	Fagron has determined that the application of the changes to these standards may apply for the first time for the year 2025.

The following new standards, changes to standards and interpretations have been issued and approved by the EU but are not yet mandatory for the first time for the financial year beginning 1 January 2023.

Published, approved by the EU and not yet mandatory		Anticipated impact
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (applicable for fiscal years beginning 1 January 2024)	The amendment clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	Fagron will review the effects of these amendments and process them if applicable.
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (applicable for fiscal years beginning 1 January 2024)	The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.	Fagron does not expect the adoption of these amendments to these standards to have a material effect on the consolidated financial statements.

The following new standards, changes to standards and interpretations have been issued, but not yet approved by the EU and are not yet mandatory for the financial year beginning 1 January 2023.

Published, not yet approved by the EU and not yet mandatory		Anticipated impact
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for fiscal years beginning 1 January 2024 but not yet approved within the European Union)	The amendment requires companies to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.	Fagron does not expect the adoption of these amendments to these standards to have a material effect on the consolidated financial statements.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for fiscal years beginning 1 January 2025 but not yet approved within the European Union)	The amendments specifies: • when a currency is exchangeable into another currency and when it is not, • how an entity determines the exchange rate to apply when a currency is not exchangeable, • Require the disclosure of additional information when a currency is not exchangeable	Fagron does not expect the adoption of these amendments to these standards to have a material effect on the consolidated financial statements.

Consolidation criteria

The consolidated financial statements comprise Fagron and its subsidiaries. Subsidiaries are entities controlled by Fagron. Fagron controls an entity when Fagron has power over the entity and is exposed to, or has rights to, variable income from the entity and has the ability to affect the amount of variable income through its power over the entity. Subsidiaries are fully consolidated as of the date on which control is transferred to Fagron. They are no longer consolidated as of the date on which Fagron no longer has control.

Any contingent consideration to be entered into by Fagron is recognized at fair value on the acquisition date. Changes in the fair value of the contingent consideration that is an asset or liability are recognized in accordance with IFRS 9 and in the income statement. Contingent considerations that are classified as equity are not revalued and the settlement of the liabilities is accounted for within equity.

An acquisition is recognized using the purchase method. The cost price of an acquisition is defined as the fair value of the assets given, shares issued and liabilities assumed on the date of the acquisition. Identifiable assets acquired, liabilities and contingencies assumed in a business combination are initially recognized at their fair value on the acquisition date. For each business combination, Fagron values any minority interest in the party acquired at fair value or at the proportional share in the identifiable net assets of the party acquired. The acquisition costs already incurred are recognized as expenses. The positive difference between the acquisition price and the fair value of the share of Fagron in the net identifiable assets of the acquired subsidiary on the date of acquisition constitutes goodwill and is recognized as an asset.

Intra-group transactions, balances and unrealized gains on transactions between companies of the Group are eliminated. Unrealized losses are also eliminated, but are considered to be an indication of an impairment. Where necessary, the accounting basis for amounts reported by subsidiaries have been adjusted in accordance with the accounting policies of Fagron.

Transactions with minority interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with shareholders in their capacity as shareholders.

For purchases from minority interests, the difference between the price that was paid and the corresponding share acquired against the carrying amount of the net assets of the subsidiary is recognized in equity. Gains or losses on disposals to minority interests are also recognized in equity.

Foreign currency conversion

Items included in the financial statements of all Fagron entities are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in euros, the presentation currency of Fagron. To consolidate Fagron and each of its subsidiaries, the respective financial statements are converted as follows:

- Assets and liabilities at year-end rates;
- Income statement at the average rate for the year;
- Components of equity at the historical exchange rate.

Exchange rate differences arising from the conversion of the net investment in foreign subsidiaries at the year-end exchange rate are recognized as shareholders' equity elements under "Cumulative conversion differences".

Transactions in foreign currencies

Transactions in foreign currencies are converted to the functional currency using the exchange rates that apply on the transaction date. Profits and losses from exchange rate differences that result from settling these transactions and from the conversion of monetary assets and liabilities in foreign currencies at exchange rates valid at year-end are recognized in the income statement.

Exchange rates of key currencies

	Balance sheet		Income statement	
	2023	2022	2023	2022
US dollar	1.105	1.067	1.082	1.053
Brazilian real	5.362	5.639	5.402	5.438
Polish zloty	4.340	4.681	4.542	4.686
Mexican peso	18.723	20.856	19.188	21.189

Earnings per share (EPS) (14)

Fagron presents basic and diluted earnings per share (EPS) for common shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to holders of common shares by the sum of the weighted average number of common shares outstanding during the period. Dividend distribution to the shareholders of Fagron is recognized as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

For the purpose of calculating diluted EPS, the profit or loss for the period attributable to holders of common shares adjusted for the effects of all dilutive potential shares is divided by the sum of the weighted average number of outstanding ordinary shares used in the basic EPS calculation and the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Goodwill (15)

Goodwill represents the positive difference between the cost of an acquisition and the fair value of Fagron's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill is tested for impairment at least once a year, but also whenever a triggering event occurs. Goodwill is recognized at the cost price less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the book value of goodwill relating to the entity sold.

Intangible fixed assets (15)

Intangible fixed assets are valued at cost price less accumulated amortization and impairment. All intangible fixed assets are checked for impairment when there is an indication that the intangible asset may require impairment.

Brands, licenses, patents and other

Intangible fixed assets are recognized at cost, provided this cost is not higher than the reported economic value and the cost price is not higher than the recoverable value. No other intangible fixed assets with an unlimited useful life were identified. The costs of brands with a definite useful life are capitalized and amortized on a straight-line basis over a period of 5 to 7 years. If part of the consideration paid for a business combination has to do with trade names, brand names, formulas and customer files, it is considered intangible fixed assets.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognized as costs at the moment they are incurred.

Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes preceding commercial production or use. They are capitalized when, among other things, the following criteria are met:

- Technical feasibility of the project;
- Intention to complete the project and use or sell the asset;
- Option to use or sell the asset;
- Probability that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure cost reliability.

Development costs are amortized using the straight-line method over the period of their expected benefit, which is currently a maximum of 5 years. Amortization starts at the moment these assets are ready for use

In-house development

Unique products developed in-house, including software controlled by Fagron, which are expected to generate future economic benefits, are capitalized at the cost directly related to their production. The software is depreciated over its useful life, which is currently estimated at 5 years.

Software

Acquired software is capitalized at cost price and then valued at cost price less accumulated depreciation and impairment losses. The assets are depreciated over the useful life, which is currently estimated at 5 years.

Impairment

Assets that have an indefinite useful life are not subject to amortization and are checked for impairment on an annual basis. Amortized assets are reviewed for impairment when events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less the sale costs and its value in use. For the purpose of amortization, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Fixed Assets held for sale and discontinued operations (16)

Non-current assets and groups of assets to be sold are classified as fixed assets held for sale when the book value will be recovered principally through a sales transaction or through continued use of that asset.

In order to be classified as fixed asset held for sale, the following criteria must be satisfied in accordance with IFRS 5:

- Management has committed to the plan of sale;
- An active program has been initiated to seek buyers for the assets;
- The assets (or groups of assets being disposed of) are available for immediate sale, taking into account conditions customary for sale;
- Sale is highly probable, expected sale occurs within 12 months of initial classification as available-for-sale fixed assets;
- The asset is placed in the market at a reasonable price, the price is in line with the fair value;
- The actions required to complete the sale of the asset indicate that the plan is not likely to change significantly or be withdrawn.

If Fagron has committed to a plan to sell a subsidiary which results in Fagron relinquishing control over a subsidiary and the aforementioned criteria are satisfied, then all of the assets and liabilities from that subsidiary are classified as fixed assets held for sale and liabilities related to assets held for sale, regardless of whether Fagron will retain a non-controlling interest after the sale.

Assets held for sale and liabilities related to assets held for sale (or groups of assets that will be sold) are recognized at the lower of the original book value and the fair value less the costs to sell the asset.

A discontinued operation is a component of Fagron that represents a separate, important operation or geographic business area, is part of a single coordination plan to dispose of a separate, important operation or geographic business area, or concerns a subsidiary that was acquired exclusively with the intention of selling it.

The classification as a discontinued operation will occur on the date when the transaction satisfies the conditions in order to be recognized as being held for sale or when an operation has been sold.

When an operation has been classified as a discontinued operation, the result from the discontinued operations over the reporting period will be presented separately in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation in the balance sheet of groups of assets that will be sold, comparable figures are included in the income statement and in the statement of comprehensive income for the presentation of the results of discontinued operations. Furthermore, the net cash flows that can be attributed to the operating, investment and financing activities of the discontinued operations are reported separately.

Property, plant and equipment (16)

Property, plant and equipment are valued at the acquisition value or production costs plus directly attributable costs, if applicable. Depreciation is calculated pro rata based on the useful life of the asset in accordance with the following amortization parameters: 3 to 5 years for equipment and machinery and between 25 and 33 years for buildings. Land is not depreciated.

All assets are depreciated using the straight-line method, based on the estimated economic life. Any residual value taken into account when calculating the depreciation is reviewed on an annual basis. The “right to use” assets are depreciated over the shorter period of the lease period and the useful life. When it is fairly certain that the ownership will be obtained at the end of the lease, the “right to use” assets is depreciated over the useful life.

Financial fixed assets (17)

Financial assets and financial liabilities are recorded in the Fagron balance sheet when Fagron becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, if applicable, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recorded immediately in the income statement.

Financial Instruments (17/24)

Fagron uses derivative financial instruments to mitigate risks related to fluctuations in interest rates and exchange rates. No derivatives are employed for trade purposes.

Derivative financial instruments are recognized at fair value on the balance sheet. The fair values are determined using a Level 2 method which means that the value is calculated using the discounted cash flows of the face value and interest flows. Some of Fagron’s derivative contracts do not meet the criteria defined in IFRS 9 to be considered as cash flow hedges, and therefore changes in the fair value of these derivatives are recognized in the income statement. For the portion of derivative contracts that meet IFRS 9 requirements, the changes in fair value attributable to the effective portion of the hedge in line with IFRS 9 hedge accounting guidance are recognized in the cash flow hedge reserve, which is part of equity. Changes in fair value attributable to the ineffective portion of the hedge are recognized directly in the income statement.

Tax on profits (18)

Income taxes as recognized in the income statement include the income tax on the current year and deferred taxes. Current income taxes include the expected tax liabilities on Fagron’s taxable income for the financial year, based on the applicable tax rates at balance sheet date and any adjustments from previous years. Income tax due on dividends is recognized when a liability to pay the dividend is recognized.

Deferred taxes are recognized using the balance sheet liability method and are calculated on the basis of the temporary differences between the book value and the tax basis. This method is applied to all temporary differences arising from investments in subsidiaries and associated companies, except for differences where the timing of settling the temporary difference is controlled by Fagron and where the temporary difference is not likely to be reversed in the near future. The calculation is based on the tax rates as enacted or substantially enacted at balance sheet date and expected to apply when the related deferred tax is realized or the deferred tax liability is settled. Under this calculation method, Fagron is also required to account for deferred taxes relating to any difference between the fair value of the net acquired assets and their book value for tax purposes resulting from any acquisitions.

Deferred taxes are recognized to the extent that the tax losses carried forward are likely to be offset in the foreseeable future. Deferred tax assets are fully written off when it is no longer probable that the corresponding tax benefit will be realized.

Fagron will offset tax assets and tax liabilities if, and only if, Fagron has a legally enforceable right to offset the recognized amounts; and either (a) intends to settle on a net basis, or (b) to realize the asset and settle the liability simultaneously.

Inventories (19)

Raw materials, auxiliary materials, and trade goods are valued at the acquisition value in accordance with the FIFO method or the net realizable value (NRV) at the balance sheet date, whichever is lower. Work in progress and finished products are valued at production cost. In addition to the purchasing cost of raw materials and auxiliary materials, production costs and production overhead costs directly attributable to the individual product or the individual product group are included.

Trade receivables (20)

Trade receivables are initially valued at transaction price. After the initial valuation, trade receivables are valued at amortized cost. Provisions are made based on lifetime expected loss allowance for all customers based on historical payment behavior and forward-looking information.

When trade receivables are transferred to a third party (through factoring), the trade receivables are no longer recognized on the balance sheet if (1) the right to receive cash flows no longer exists and (2) Fagron has transferred substantially all rights and risks.

Cash and cash equivalents (20)

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and are valued at acquisition at fair value and subsequently recognized at cost. Adjustments are made to the book value when at balance sheet date the realization value is less than the book value.

Capital (21)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are recognized in the equity as a deduction, net of taxes, from the proceeds.

If a company of Fagron purchases share capital of Fagron (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the shareholders of Fagron until the shares are cancelled, reissued or disposed of. If such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the shareholders of Fagron.

Provisions (22)

Provisions will be made for restructuring costs, legal claims, risk of losses or costs potentially arising from personal securities or collateral constituted as guarantees for creditors or commitments to third parties, from liabilities to buy or sell non-current assets, from the fulfilment of completed or received orders, technical guarantees associated with turnover or services already completed by Fagron, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal, when:

- Fagron has an existing legal or actual obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions for restructuring costs comprise lease termination penalties and employee termination payments. No provisions are recognized for future operating losses.

Provisions are recognized based on management’s best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine present value reflects current market estimates of the time value of money and the risks specific to the liability.

Employee benefit expenses

Share-based payments (21)

Fagron operates a share-based compensation plan under which compensation is paid in shares. The total amount to be recognized as expense over the vesting period is determined based on the fair value of the performance shares or subscription rights granted. Operating and non-market conditions do not affect the fair value of the instruments granted but are taken into account by adjusting the number of equity instruments included in the valuation of the transaction. At each balance sheet date, Fagron revises its estimates of operating and non-market conditions. Fagron recognizes the impact, if any, of the revision of the original estimates in the income statement, and a corresponding adjustment to equity over the remaining definitive acquisition period. The proceeds received, net of any directly attributable transaction costs, are included in the item capital (nominal value) and share premiums when the subscription rights are exercised. The terms of the existing plans were not changed this year.

Fagron also manages a compensation scheme in Performance Share Units. The Performance Share Units relates to the conditional cash payment based on of the Fagron share price, but is otherwise similar to an grant of performance shares. The Performance Share Units are recognized at fair value on the grant date and are periodically updated in accordance with IFRS 2. The fair value is determined using the same method as the determined as the performance shares.

Pension obligations (23)

The Fagron companies operate various pension schemes. The pension schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. Fagron has both defined benefit and defined contribution plans.

The liability recognized on the balance sheet for defined benefit plans is the present value of future obligations from the benefit plan less the fair value of plan assets. The obligation is calculated periodically by independent actuaries using the “projected unit credit” method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately recognized, in the period in which they arise, in equity through other comprehensive income.

For defined contribution plans, Fagron pays contributions to insurance companies. Once the contributions have been paid, Fagron will cease to have any further liabilities. Contributions to defined contribution plans are recognized as costs in the income statement at the moment they are made.

Debt (24)

Loans are initially recognized at fair value, net of transactional costs incurred. Loans are then recorded at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the loans using the effective interest method. Borrowings are classified as current liabilities, unless Fagron has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Consultancy costs for the refinancing are part of the financial costs.

Debt instruments that meet the following conditions are subsequently valued at amortized cost price:

- The financial asset is held within a business model whose purpose is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms and conditions of the financial asset give rise on specified dates to cash flows that are payments solely of principal and interest on the outstanding principal.

On August 1, 2019, Fagron entered into a (sustainable) syndicated credit facility consisting of a revolving credit line of 245 million euros and a term loan facility of 130 million euros. In 2022, this facility was expanded by an additional term loan facility of 105 million euros. If a new credit facility is refinanced with substantially different terms, a new debt position will be recorded on the balance sheet, replacing the old debt position. If the newly agreed terms and conditions of an existing credit facility change substantially, a new debt position will also be included on the balance sheet. Substantial change means a change in net present value of future cash flows (including fees paid and received) from the new facility of at least 10% compared to the net present value of cash flows from the old facility.

If the changes in new terms are not substantially different, the difference between (1) the current debt position on the balance sheet; and (2) the net present value of cash flows after change in terms is included in “Other Gains and Losses” in the income statement.

Leases (27)

The standard requires lessees to include a “right to use” asset and a lease obligation. IFRS 16 also requires that depreciation costs linked to the “right to use” assets and interest expenses are recognized on these lease liabilities.

At the start of the contract, Fagron assesses whether it is a lease contract, or it contains a lease. Fagron recognizes a “right of use” asset and a lease liability in respect of all leases in which it is the lessee, except for short-term leases (defined as leases with a lease period of 12 months or less) and leases of low-value assets. For these leases, Fagron recognizes lease payments on a straight-line basis as operating expenses over the lease term unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased assets are consumed.

Revenue recognition

Fagron uses the five-step model in order to recognize revenue that results from sales to customers. The revenue is recognized at the value that we expect to receive for the delivery of the goods or services. Any liabilities related to these sales will be deducted here. Contracts for the sale of goods to customers have only one performance obligation.

Sales of goods are recognized at the moment that control over the goods has transferred to the customer, the customer has accepted the goods and the related receivables are likely to be collectible. This is normally the case at the time the goods are delivered. Revenue from services is recognized in the accounting period in which the services have been provided.

Segment reporting

IFRS 8 defines an operating segment as:

- A part of a business where income is generated and expenses are incurred;
- Where operating results are regularly reviewed by the decision-making body (Chief Operating Decision Maker) to make decisions about resource allocation to the segment and performance assessment; and
- Where concrete financial information is available.

Fagron determines and presents operating segments based on information provided internally to the executive leadership team, Fagron’s decision-making body. An operating segment is a group of assets and activities engaged in providing products or services that form the basis of internal reporting to Fagron’s executive leadership team.

The reporting structure and presentation of the financial results per Fagron segment are in line with the way in which the business is managed. The financial information of the Fagron segments provided to the executive leadership team is split into Fagron EMEA (Europe, Middle East and Africa), Fagron North America and Fagron Latin America.

3 Management of financials risks

Adequate and reliable financial reporting is essential for both the internal management reports and the external reporting. Group-wide reporting guidelines have been drawn up within Fagron to this end, based on IFRS and internal information needs.

Risk management is important to Fagron in order to secure the company’s long-term business goals and value creation. The policy of Fagron is to focus on identifying all major risks, on developing plans to prevent and manage these risks, and on putting in place measures to contain the consequences should such risks effectively occur. Still, Fagron cannot conclusively guarantee that such risks will not occur or that there will be no consequences when they occur.

All entities periodically prepare business plans, budgets and interim forecasts at predetermined moments. Discussions with management of the entities take place periodically on the general course of affairs, including the realization and feasibility of the forecasts issued and strategic decisions. With regard to tax regulations, Fagron makes use of the possibilities offered by the tax laws and regulations without taking any unnecessary risks in doing so. Fagron has the support of external tax advisers in this regard.

In addition to strategic and operational risks, Fagron is also subject to various financial risks. The following credit facilities are available to Fagron for the purpose of its operating business.

Sustainable syndicated credit facility

On August 1, 2019, Fagron entered into a (sustainable) syndicated credit facility consisting of a revolving credit line of 245 million euros and a term loan facility of 130 million euros. The maturity of this financing is 5 years with the option to extend twice for one year. In 2022, the option to extend the term loan facility in the amount of 105 million euros was exercised. Both extension options were exercised in previous years, resulting in both term loan facilities totaling 235 million euros and 210 million euros of the revolving credit line being extended until mid 2026.

Financial covenants syndicated credit facility

Test period	Net financial debt/REBITDA	REBITDA/net interest expense
Semi-annual test periods (June/December)	Max. 3.50x	Min. 4.00x

As of the end of 2023, the full-term loans of 235 million euros (2022: 235 million euros) and an amount of 90.5 million euros were drawn under the syndicated credit facility (2022: 112.5 million euros) and Fagron was in compliance with the aforementioned financial covenants.

The credit facility is a so-called Sustainability Linked Loan, where the interest is linked to Fagron's sustainability objective to reduce greenhouse gas intensity (Scope 1 and Scope 2 of the GHG protocol) by approximately 30% in six years. Based on the annual progress measured, a discount or an addition can be applied to the credit facility's interest rate.

Starting in 2020, the sustainability objective to reduce Fagron's greenhouse gas intensity by approximately 30% in six years is also linked to the variable remuneration system for management.

Capital management

Fagron's objectives in relation to capital management are to:

- Safeguard the company's ability to maintain its continuity; and
- Maintain an optimal capital structure to reduce the cost of capital.

Fagron does not have any explicit policy for return on capital. There were no changes in the capital management policy during the year.

Fagron can adjust the amount to be paid on dividends (see note 21) in order to retain or adjust the capital structure. It can also issue new shares or dispose of assets in order to reduce the debt position.

Fagron has a dividend policy that takes into account the profitability of the company and its underlying growth, as well as capital requirements and cash flows, where sufficient liquidity is maintained in order to follow the buy-and-build strategy. Fagron hereby expects to reinvest most of its free cash flow in the coming years and to pay out a relatively low, steady level of dividends to its shareholders.

Cash pool

Fagron manages the cash and financing flows and the risks arising from these by means of a group-wide treasury policy. In order to optimize the financial position and keep the related interest charges to a minimum, the companies' cash flows are centralized as much as possible in one cash pool. Fagron has a total of three local cash pools . One in the region North America and two in Europe (the Netherlands and Belgium). These are used by the operating companies, whereby zero balancing is applied in Europe and target balancing in North America. The three local cash pools are pooled daily to one central notional cash pool, where balances within the same entity are presented net.

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Liquidity risk

Liquidity risk is the risk that Fagron is unable to meet its financial obligations. The expected cash flow is assessed and analyzed on a regular basis. The goal is to have sufficient financial resources available at all times to meet the liquidity needs.

Credit risk

Credit risk involves the risk that a debtor or other counterparty is unable to fulfill its payment liabilities to Fagron, resulting in a loss for Fagron. Fagron has an active credit policy and strict procedures to manage and limit credit risks. No individual customers make up a substantial part of either revenue or outstanding receivables. Fagron has an active policy to reduce operational working capital. From this perspective, Fagron aims to reduce the accounts receivable balance.

Below is an overview of the category, level, net book value of financial assets and the term of financial instruments. Where GK stands for financial liabilities measured at amortized cost and level 2 method means that the valuation was based on inputs other than quoted prices in active markets as included in level 1.

Net book value financial assets 2023

(x 1,000 euros)	Category	Level	Gross value	Special value-reductions	Net book value
Trade receivables	GK	2	66,122	-4,070	62,052
Other receivables	GK	2	27,872	-969	26,904
Cash and cash equivalents	GK	2	133,008	0	133,008

Net book value financial assets 2022

(x 1,000 euros)	Category	Level	Gross value	Special value-reductions	Net book value
Trade receivables	GK	2	64,318	-3,596	60,722
Other receivables	GK	2	24,584	-970	23,614
Cash and cash equivalents	GK	2	125,337	0	125,337

Term of financial instruments 2023

(x 1,000 euros)	Category	Level	Average effective interest rate	Total book value	< 1 year	1 -5 years	> 5 years
Leasing liabilities	GK	2	4.4%	41,704	9,678	27,296	4,730
Credit institutions	GK	2	2.7%	324,685	0	324,685	0
Other financial debt	GK	2		354	0	354	0

Term of financial instruments 2022

(x 1,000 euros)	Category	Level	Average effective interest rate	Total book value	< 1 year	1 -5 years	> 5 years
Leasing liabilities	GK	2	3.9%	43,245	9,548	27,316	6,381
Credit institutions	GK	2	1.5%	355,826	9,461	346,365	0
Other financial debt	GK	2		308	0	308	0

Interest risk

Fagron regularly reviews the maintained mix between a fixed and floating rate. At this moment, the financing consists of financing with a floating interest rate ranging from 1 to 6 months. A higher Euribor interest rate of 10 basis points would have had an increasing effect on floating interest expenses of about 75 thousand euros before tax (2022: 135 thousand euros). Currently, all debt is based on floating interest that is partially fixed through interest hedges.

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Fagron reports its financial results in euros and, due to the international spread of its operations, is subject to exchange rate influences that may affect its results. Exchange rate risk is the result on the one hand of several entities of Fagron operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Fagron have foreign currencies as reference. The risk regarding the Fagron entities that operate in a functional currency other than the

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euro involves entities that operate in the US dollar, Brazilian real, Polish zloty, Czech crown, British pound, Danish crown, Israeli shekel, Colombian peso, Chinese yuan, South African rand and Mexican peso. Together, these entities represent 73.6% of consolidated sales in 2023 (2022: 71.7%).

Some of Fagron's revenue is realized in currencies other than the euro, such as in Brazil, the United States, Poland and Mexico. The table below shows the hypothetical supplementary effect of a 10% strengthening or weakening of the euro against the US dollar, the Brazilian real, the Polish zloty and the Mexican peso for the year 2023 and the effect on profit before tax and equity.

2023

	Profit before tax		Equity	
(x 1,000 euros)	Strengthening	Weakening	Strengthening	Weakening
US dollar	-2,922	2,391	-14,058	11,502
Brazilian real	-1,117	914	-14,918	12,206
Polish zloty	-1,404	1,149	-3,854	3,153
Mexican peso	-21	17	-2,613	2,138

2022

	Profit before tax		Equity	
(x 1,000 euros)	Strengthening	Weakening	Strengthening	Weakening
US dollar	-2,250	1,841	-11,242	9,198
Brazilian real	-1,555	1,272	-14,428	11,804
Polish zloty	-203	166	-2,128	1,741
Mexican peso	-192	157	-2,351	1,923

There is also an indirect foreign exchange risk since a large portion of purchases in Brazil are in US dollars. This means that Fagron's products become relatively more expensive to Fagron's customers each time the US dollar rises against the Brazilian real. The risk is difficult to quantify, as such price increases are directly charged to the consumer entirely or partly.

Foreign exchange risk related to foreign currency debt, which is borrowed entirely in US dollars, is fully hedged with intercompany loans to the US subsidiary.

Fair value risk

Fagron uses financial derivatives to hedge interest rate and exchange rate risks. For all currency derivatives and the US dollar interest rate derivative, the revaluation is recognized directly in the income statement. For all EUR interest rate derivatives, the revaluation is recognized through equity.

For various currency positions, Fagron has hedged the foreign exchange risk with a currency swap. An interest rate derivative was also taken out for US$100 million in financing, which will expire in 2024. In accordance with IFRS, all financial derivatives are recognized either as assets or as liabilities. In accordance with IFRS 9, financial derivatives are recognized at fair value. Changes in the fair value of currency derivatives and interest rate derivatives for the US dollar financing is recognized immediately in the income statement because they are financial derivatives that do not qualify as cash flow hedging instruments.

In 2022, Fagron entered into various financial derivatives for a total value of 180 million euros with various maturities to partially hedge the variable euro interest rate risk of the two term loans. In 2023, an interest rate hedge with a value of 30 million euros expired and a new interest rate hedge was concluded for 20 million euros. The financial euro interest rate derivatives concluded in 2022 and 2023 comply with IFRS 9 guidelines and have been qualified as cash flow hedging instruments. The changes in the fair value of these financial derivatives run through the cash flow hedge reserve, which is is part of equity.

Euro interest hedges as included in hedge accounting

Expiration date per year	Notional amount (x 1.000 euro)
2024	40,000
2025	110,000
2026	20,000

4 Critical accounting estimates and judgments

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are deemed reasonable given the circumstances.

Critical estimates and judgments

Fagron makes estimates and judgments concerning the future. The resulting estimates will, by definition, rarely match the related actual results. Those estimates and assumptions that entail a significant risk of causing the need for a material adjustment of the book value of assets and liabilities within the next financial year are discussed below. A summary of the important estimates is presented below. No key judgements were made in preparation of the financial statements.

Estimated impairment loss for goodwill and other intangible fixed assets

Fagron performs an annual review to verify whether goodwill has been impaired in accordance with the accounting policies stated in Note 15. The recoverable amount of cash-generating units is the higher of the fair value of the asset less costs to sell and the net present value. These calculations require the application of estimates. No impairment loss was recognized in 2022 and 2023.

Provisions for disputes

As stated, provisions are valued at present value of the best estimate by management of the expenditure required to settle the existing obligation at the balance sheet date. Provisions for disputes require significant professional judgment in terms of the ultimate outcome of administrative law rulings or court judgments. Estimates are always based on all available information at the moment the financial statements are prepared. However, the need for significant adjustments cannot be absolutely precluded if a ruling or judgment proves not as expected. Judgments and estimates are continuously evaluated on the basis of past experience and other factors, including projected development of future events that are regarded as reasonable given the circumstances. See also Note 22: Long-term provisions and Note 30: Contingent liabilities.

Uncertain tax positions

The company is subject to tax on profits in different jurisdictions. Significant judgments must be made in determining the provision for tax on profits. There are some transactions and calculations for which the ultimate taxable amount is uncertain. When the final income tax is determined, the deviations will affect the current and deferred taxes and liabilities for the period in which the determination is made. See also Note 18: Income tax and employee benefit liabilities and Note 30: Contingent liabilities.

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5 Segment information

Fagron has adjusted the reporting structure and presentation of the financial results per segment to bring these in line with the way in which the business is managed. Fagron's results are reported in the segments Fagron EMEA, Fagron North America and Fagron Latin America. This structure is tailored to the various activities of Fagron and also supports effective decision-making and individual responsibility. This is consistent with the application of IFRS 8 which states that the determination of operating segments should be based on the components used by the executive leadership team to determine the performance of operating activities and on which decisions are based.

Fagron is organized into three main operational segments:
1. Fagron EMEA refers to Fagron's European operations in the Netherlands, Belgium, Poland, Germany, Italy, the Czech Republic, Spain, France, Denmark, Greece, Croatia and the United Kingdom and operations in Israel and South Africa. Fagron EMEA is active in every Fagron activity category;
2. Fagron North America includes all Fagron operations in the United States. Fagron North America is active in every Fagron activity category;
3. Fagron Latin America refers to all of Fagron's operations in Brazil, Colombia and Mexico. In Latin America, Fagron is primarily active in Fagron Brands and Fagron Essentials.

Fagron's operations can be divided into three categories:
1. Fagron Compounding Services refers to all personalized medication prepared in Fagron's sterile and non-sterile facilities;
2. Fagron Brands includes the innovative concepts, products and vehicles developed by Fagron, often in close cooperation with prescribers, pharmacies and universities;
3. Fagron Essentials refers to all the pharmaceutical raw materials, equipment and supplies that a pharmacist needs to prepare medication himself in the pharmacy.

Fagron Segment results for the period ended December 31, 2023 are as follows:

2023 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Revenue	284,912	308,850	169,230	762,991
Intersegment revenue	1,194	230	144	1,568
Total revenue	**286,105**	**309,080**	**169,374**	**764,559**
Operating result per segment	47,212	42,063	19,358	108,633
Financial result				-24,187
Profit before taxes				84,445
Taxes on profits				13,401
Net profit from continued operations				**71,044**

Fagron Segment results for the period ended December 31, 2022 are as follows:

2022 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Revenue	276,409	245,136	162,336	683,881
Intersegment revenue	1,454	155	299	1,909
Total revenue	**277,863**	**245,291**	**162,635**	**685,790**
Operating result per segment	45,216	31,020	21,674	97,909
Financial result				-10,140
Profit before taxes				87,769
Taxes on profits				17,703
Net profit from continued operations				**70,066**

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Other segmented items recognized in the income statement for continuing operations are as follows:

2023 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Depreciation and amortization	12,724	14,764	7,033	**34,521**
Write-down on inventories	1,038	2,121	0	**3,158**
Write-down on receivables	786	521	324	**1,632**

2022 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Depreciation and amortization	11,286	13,426	6,586	**31,297**
Write-down on inventories	2,483	869	0	**3,352**
Write-down on receivables	1,090	-140	-118	**831**

The assets and liabilities, and the capital expenditure (investments) are as follows:

2023 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Unassigned/ intersegment elimination	Total
Total assets	382,387	316,248	206,966	101,353	**1,006,954**
Total liabilities	138,907	189,724	45,119	165,577	**539,327**
Capital expenditure	18,389	21,151	5,239	0	**44,779**

2022 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Unassigned/ intersegment elimination	Total
Total assets	389,344	317,010	206,270	58,387	**971,010**
Total liabilities	142,593	215,830	52,487	149,583	**560,493**
Capital expenditure	8,266	6,920	5,291	0	**20,477**

The segment assets consist primarily of property, plant and equipment, intangible fixed assets, inventories, receivables and cash from operations. The difference between the above-mentioned capital expenditures and the capital expenditures in the cash flow statement mainly relates to the impact of capital expenditures still to be paid at the end of 2022 and 2023 and proceeds from divestitures.

Fagron has a large number of customers that are distributed internationally, with a substantial portion of revenue realized with a wide range of smaller customers and no customer accounts for more than 10% of Fagron's proceeds.

Notes to the consolidated financial statements

6 Revenue

(x 1,000 euros)	2023	2022
Sale of goods	762,991	683,881
Revenue	**762,991**	**683,881**

2023 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Essentials	148,582	66,057	112,767	327,406
Brands	47,503	21,714	52,870	122,087
Compounding services	88,826	221,079	3,593	313,498
Total	**284,912**	**308,850**	**169,230**	**762,991**

2022 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Essentials	149,635	69,941	112,923	332,499
Brands	46,130	22,384	46,544	115,058
Compounding services	80,643	152,810	2,869	236,323
Total	**276,409**	**245,136**	**162,336**	**683,881**

7 Other operating income

(x 1,000 euros)	2023	2022
Gain on disposal of fixed assets	713	926
Other operating income	3,489	10,539
Total other operating income	**4,202**	**11,466**

The decrease in other operating income in 2023 is mainly due to a recognition of badwill in 2022 from the acquisition of the 503B compounding facility in Boston (5.5 million euros).

8 Services and other goods

(x 1,000 euros)	2023	2022
Sale and distribution costs	44,470	42,018
Contracted services	31,106	29,388
Other services and goods	53,133	44,936
Total services and other goods	**128,709**	**116,342**

Other services and goods cover a wide range of services and goods such as maintenance, utilities, office and production supplies and travel expenses.

9 Employee benefit expenses

(x 1,000 euros)	2023	2022
Wages and salaries	124,396	108,198
Social security costs	21,701	19,112
Pension costs – defined benefit plans	251	535
Pension costs – defined contribution plans	4,241	3,470
Other post-employment benefit contributions	2,952	1,381
Other employee expenses	32,971	25,435
Total employee benefit expenses	**186,512**	**158,130**

On December 31, 2023, Fagron's workforce (fully consolidated companies) was 3,460 (2022: 3,162) persons or 3,282 (2022: 3,035) full-time equivalents. The distribution of the number of full-time equivalents per operating segment is as follows:

Full-time equivalents (rounded to whole units)[1]	2023	2022
Fagron EMEA	1,270	1,284
Fagron North America	1,130	914
Fagron Latin America	882	837
Total	**3,282**	**3,035**

1 FTE of own employees based on continuing operations.

10 Depreciation, amortization and impairment

(x 1,000 euros)	2023	2022
Depreciation intangible fixed assets	10,622	9,213
Depreciation property, plant and equipment	12,294	11,191
Depreciation lease and similar rights	11,606	10,893
Write-down on inventories	3,158	3,352
Write-down on receivables	1,632	831
Depreciation, amortization and impairment	**39,311**	**35,480**

11 Other operating expenses

(x 1,000 euros)	2023	2022
Increase (decrease) in provisions for current liabilities	-65	196
Increase (decrease) in provisions for pension liabilities	24	8
Taxes and levies (excluding income tax)	1,801	1,434
Other operating expenses	598	4,473
Total other operating expenses	**2,358**	**6,111**

Notes to the consolidated financial statements

12 Financial result

The financial results are presented in the consolidated income statement as follows:

(x 1,000 euros)	2023	2022
Financial income	5,324	4,064
Revaluation of financial derivatives	0	4,769
Total financial income	**5,324**	**8,833**
Financial expenses	7,823	5,931
Interest expenses	13,337	8,581
Interest on leasing liabilities	1,819	2,039
Currency translation differences	2,818	2,422
Revaluation of financial derivatives	3,714	0
Total financial expenses	**29,512**	**18,973**
Total financial result	**-24,187**	**-10,140**

The revaluation of financial derivatives of -3.7 million euros in 2023 (2022: +4.8 million euros) relates to the change in the market value of interest rate derivatives that, in accordance with IFRS 9, cannot be presented as cash flow hedging instruments and does not involve cash flow. Interest rate derivatives were valued on a discounted cash flow basis.

The financial result, excluding the revaluation of financial derivatives, amounts to -20.5 million euros in 2023 (2022: -14.9 million euros). This increase is mainly caused by higher interest expenses which are partly offset by higher interest income.

13 Tax on profits

Income taxes from continued operations are as follows:

(x 1,000 euros)	2023	2022
Current tax expenses	26,653	17,268
Deferred taxes	-13,252	435
Tax on profits	**13,401**	**17,703**
Effective tax rate	15.9%	20.2%
Profit before income tax from continued operations	**84,445**	**87,769**
Tax calculated at weighted Fagron NV's statutory tax rate	21,111	21,942
Effect of rate differences compared with foreign jurisdictions	-1,115	-62
Income not subject to taxes	-997	-817
Expenses not deductible for tax purposes	4,392	2,816
Tax on profit previous years	4	42
Valuation of deductible losses	-9,152	-4,958
Other	-843	-1,260
Tax on profits	**13,401**	**17,703**

The “Tax calculated based on Fagron NV’s statutory tax rate” is the taxes expected based on the Belgian statutory rate. The “Effect of rate differences compared with foreign jurisdictions” pertains to the impact of the statutory rates to which the entities in Fagron are subject compared to the Belgian statutory rate.

The “Income not subject to taxes” concerns the exempt income and expenses and is mainly related to ICMS in Brazil.

The “Expenses not deductible for tax purposes” are all costs that are not tax-deductible and relate mainly to non-deductible intercompany expenses and other non-deductible expenses. The increase is caused by the further restriction on interest deductions combined with an increase in interest rates.

The "Income tax previous years" is a reflection of all adjustments to earlier estimates for taxes.

The valuation of non-deductible losses mainly regards the valuation of losses that we expect to be able to offset against future profits.

The item "Other" concerns all other movements that impact the effective tax rate. This primarily pertains to the use of tax losses that were not recognized earlier as a deferred tax claim and tax losses in the current year which have not been recognized because of insufficient expected future tax profits.

Fagron does not expect that the Belgium tax law changes regarding Controlled Foreign Companies to have material effect on the tax on profit.

14 Earnings per share

(in euros)	2023	2022
Basic earnings (loss) per share	**0.97**	**0.96**
• based on continuing operations	0.97	0.96
Diluted earnings (loss) per share	**0.97**	**0.96**
• based on continuing operations	0.97	0.96

The earnings used in the calculations are as follows:

(x 1,000 euros)	2023	2022
Profit (loss) attributable to equity holders of the company	**70,547**	**69,612**
• based on continuing operations	70,547	69,612

The diluted earnings are equal to the "basic" earnings.

The weighted average number of shares used in the calculations is as follows:

(number of shares x 1,000)	2023	2022
Weighted average number of ordinary shares	73,000	72,875
Effect of subscription rights	0	11
Weighted average number of ordinary shares (diluted)	**73,000**	**72,886**

No ordinary share transactions were executed after the balance sheet date which have impacted on earnings per share. The number of subscription rights that do not have any dilutive impact during the period, but which could possibly have an impact in the future, is equal to zero. These are subscription rights whose exercise price exceeds the average share price of Fagron in 2023.

Notes to the consolidated financial statements

15 Intangible fixed assets and goodwill

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands and customer relations	Software	Other	Intangible fixed assets	Total
Net book value as of January 1, 2022	**380,411**	**7,090**	**1,111**	**15,806**	**6,658**	**0**	**30,665**	**411,075**
Investments	0	2,890	0	0	2,461	0	5,351	5,351
Acquisitions	33,780	969	0	2,843	1,089	0	4,902	38,682
Transfers and disposals	0	154	0	0	307	0	461	461
Depreciation and amortization	0	-2,302	-110	-5,011	-1,790	0	-9,213	-9,213
Exchange differences	15,577	56	2	1,064	345	0	1,468	17,045
Net book value as of 31 December, 2022	**429,768**	**8,857**	**1,003**	**14,703**	**9,070**	**0**	**33,633**	**463,401**
Gross book value	**689,564**	**20,660**	**2,605**	**43,830**	**25,658**	**22**	**92,775**	**782,340**
Accumulated depreciation including amortization	-259,796	-11,803	-1,602	-29,127	-16,588	-22	-59,142	-318,939
Net book value	**429,768**	**8,857**	**1,003**	**14,703**	**9,070**	**0**	**33,633**	**463,401**
Net book value as of January 1, 2023	**429,768**	**8,857**	**1,003**	**14,703**	**9,070**	**0**	**33,633**	**463,401**
Investments	0	13,041	440	68	6,554	0	20,103	20,103
Acquisitions	4,512	0	753	0	0	0	753	5,265
Transfers and disposals	0	2,811	0	-37	2,025	0	4,798	4,798
Depreciation and amortization	0	-2,701	-148	-5,257	-2,517	0	-10,622	-10,622
Exchange differences	81	-30	-1	-155	80	0	-105	-24
Net book value as of December 31, 2023	**434,361**	**21,978**	**2,047**	**9,322**	**15,212**	**0**	**48,560**	**482,921**
Gross book value	**686,182**	**36,422**	**3,358**	**43,436**	**33,559**	**22**	**116,797**	**802,979**
Accumulated depreciation including amortization	-251,820	-14,444	-1,310	-34,114	-18,347	-22	-68,237	-320,058
Net book value	**434,361**	**21,978**	**2,047**	**9,322**	**15,212**	**0**	**48,560**	**482,921**

The intangible fixed assets have not been encumbered with collateral.

The category “Development” consists mainly of unique software developed in-house in full control of Fagron together with exclusive license and distribution rights. Development costs are fully capitalized in 2022 and 2023. These are in addition to the costs for the exclusive license and distribution rights mainly related to employee costs.

Impairment

Goodwill is checked at least once per year for impairment, but also each time a trigger event occurs. This did not result in goodwill impairment in 2022 and 2023.

Goodwill

Goodwill acquired in business mergers and acquisitions is allocated to cash-generating units or groups of cash-generating units which are expected to have future economic benefits following the merger or acquisition. The allocation of goodwill to the cash generating units has changed to align the grouping of the cash generating unites with the evolving business model of Fagron. There are also several steps taken the last year to fully integrate back-office activities in combination with operational activities on a regional level. This means that companies in a region share resources for different activities like finance, HR, IT, regulatory, quality, procurement etc. There is also a vertically integrated model were the Brands and Essentials are sourced, produced and shipped to Fagron compounding facilities were possible and used as starting material in the compounded products. The combination of activities within the region increases scale benefits and saves costs. These are the main reasons that the CGU’s are reduced to three. Goodwill is recognized at cost less accumulated impairment losses. The net book value of goodwill was attributed as follows to the cash-generating units:

(x million euros)	Dec-23	Dec-22
Fagron EMEA	201.7	196.5
Fagron North America	152.7	158.2
Fagron Latin America	80.0	75.1
Total	**434.4**	**429.8**

The increase in goodwill is mainly due to an acquisition in South Africa.

Goodwill impairment test

The methodology for testing impairment is in accordance with IAS 36. Goodwill is tested at least annually for impairment with respect to cash-generating units and consistently when a trigger event occurs during the year which may result in an impairment loss. When the goodwill impairment test is conducted, the realizable value, being the value in use, is calculated per cash-generating unit.

The key judgments, estimates and assumptions that are commonly used are as follows:

- The main estimates used in the impairment test for goodwill are the sales growth rate, gross margin rate, discount rate and long-term growth rate.
- The first year of the model is based on detailed financial budgets approved by management and the Board of Directors.
- For the second to fifth year, budget figures from the first year are extrapolated taking into account an internal growth rate or a business plan is used. The figures take into account economic assumptions and historical experience of market share, turnover and expenses, capital expenditures and working capital.
- For subsequent years, an estimate of perpetual growth is used. For the main cash-generating units, a long-term growth rate of 2% for Fagron EMEA and North America and 7% for Fagron Latin America was used. The same growth rates were used in 2022.
- Projections are made for North America in the functional currency and are discounted at the weighted average unit cost of capital. For the main cash-generating units, a weighted average capital charge was used of 9.4% (pre-tax: 12.0%) for Fagron EMEA, 10.1% (pre-tax: 12.2%) for FNorth America and 15.6% (pre-tax: 21.1%) for Fagron Latin America.
- In 2022, a weighted average capital charge was applied of 9.2% (pre-tax: 11.6%) for Fagron Europe Compounding Services, 9.2% (pre-tax: 11.7%) for Fagron Europe Brands & Essentials, 10.8% (pre-tax: 13.1%) for Fagron United States Brands & Essentials, 10.8% (pre-tax: 13.1%) for Fagron Sterile Services, 10.8% (pre-tax: 12.9%) for AnazaoHealth and 19.4% (pre-tax: 27.1%) for Fagron Latin America Brands & Essentials.

The outcome of the impairment test for the main cash flow generating units indicates that a reasonable change in the assumptions used will not lead to an impairment.

Notes to the consolidated financial statements

16 Tangible fixed assets

(x 1,000 euros)	Land and buildings	Machinery and installations	Office equipment and trans-portation resources	Leasing and other similar rights	Other property, plant and equipment	Assets under construction	Total
Net book value as of January 1, 2022	**47,365**	**17,450**	**6,180**	**36,287**	**3,899**	**17,445**	**128,626**
Investments, including additions for IFRS 16	2,674	2,942	2,186	8,934	512	6,815	24,064
Acquisitions	6,854	1,494	559	3,591	70	98	12,668
Transfers and disposals	5,405	1,127	2,199	8	184	-12,872	-3,948
Depreciation and amortization	-3,750	-4,455	-2,117	-10,893	-868	-2	-22,085
Exchange differences	-107	704	181	1,583	96	1,814	4,272
Net book value as of December 31, 2022	**58,441**	**19,263**	**9,189**	**39,510**	**3,894**	**13,299**	**143,596**
Gross book value	**86,943**	**53,836**	**25,957**	**69,810**	**8,871**	**13,299**	**258,716**
Accumulated depreciation including amortization	-28,502	-34,573	-16,768	-30,300	-4,977	0	-115,120
Net book value	**58,441**	**19,263**	**9,189**	**39,510**	**3,894**	**13,299**	**143,596**
Net book value as of January 1, 2023	**58,441**	**19,263**	**9,189**	**39,510**	**3,894**	**13,299**	**143,596**
Investments, including additions for IFRS 16	1,083	3,695	1,910	11,456	409	16,032	34,585
Acquisitions	100	57	17	0	0	0	174
Transfers and disposals	269	1,238	-399	-1,324	614	-7,065	-6,666
Depreciation and amortization	-4,890	-4,326	-2,043	-11,606	-1,036	2	-23,900
Exchange differences	353	-101	225	74	17	-423	145
Net book value as of December 31, 2023	**55,355**	**19,827**	**8,899**	**38,110**	**3,898**	**21,845**	**147,935**
Gross book value	**88,235**	**56,818**	**27,483**	**75,310**	**9,182**	**21,845**	**278,872**
Accumulated depreciation including amortization	-32,880	-36,991	-18,584	-37,199	-5,283	0	-130,937
Net book value	**55,355**	**19,827**	**8,899**	**38,110**	**3,898**	**21,845**	**147,935**

Fagron's liability regarding leasing is guaranteed on account of the lessor holding the legal property title to the leased assets. All other property, plant and equipment have no restrictions on the title of ownership. Nor are these assets pledged as security for liabilities.

17 Financial fixed assets

(x 1,000 euros)	Investments	Financial instruments MtM hedge	Loans and receivables	Total
Net book value as of January 1, 2022	**1,556**	**1,197**	**1,710**	**4,463**
Investments	2,498	0	2,179	4,676
Transfers and disposals	176	0	-240	-64
Other movements	-20	12,080	82	12,143
Net book value as of December 31, 2022	**4,210**	**13,277**	**3,731**	**21,218**
Investments	76	0	1,633	1,708
Transfers and disposals	-13	0	-737	-749
Other movements	-75	-10,762	-48	-10,885
Net book value as of December 31, 2023	**4,199**	**2,515**	**4,579**	**11,293**

The change in investments consist mainly of the unrealized appreciation of derivatives of 10.8 million euros. Investments are valued on a fair value basis and differences from the fair value are disclosed in the income statement. However, this asset is valued at cost due to the lack of reliable information about its fair value.

An analysis of the aforementioned assets showed that for 2023, as for 2022, none of these assets need to be impaired.

Loans and receivables concern receivables with different due dates. The book value approximates the fair value.

18 Tax on profits, remuneration and social security

a) Current taxes, remuneration and social security

(x 1,000 euros)	2023	2022
Tax liabilities for the current year	10,129	7,993
Other current tax and VAT payable	9,758	12,029
Remuneration and social security payable	24,097	18,749
Current taxes, remuneration and social security	**43,983**	**38,771**

b) Deferred tax assets

(x 1,000 euros)	Difference in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance as of January 1, 2022	**670**	**1,331**	**1,384**	**19,070**	**91**	**22,545**
Result	-459	-113	-334	2,958	-281	1,771
Change in scope of consolidation	200	0	0	0	268	468
Impairment	0	0	0	0	0	0
Balance as of December 31, 2022	**411**	**1,218**	**1,050**	**22,028**	**78**	**24,785**
Result	-169	-49	545	4,109	-316	4,120
Change in scope of consolidation	0	0	0	0	0	0
impairment	0	0	0	0	0	0
Balance as of December 31, 2023	**242**	**1,169**	**1,595**	**26,137**	**-238**	**28,904**

The category "Other" mainly consists of netting with deferred tax liabilities.

An impairment test on tax losses is performed twice per year. If it becomes clear that the losses cannot be offset within a reasonable time, they are written off. This calculation is based on result projections with a five-year forecast horizon, based on detailed financial budgets approved by the management for the first year and an extrapolation of these figures for the second through fifth year. If earnings forecast is extended by one year in the region with the most significant deferred tax asset, it will increase by about 5.0 million euros.

Based on the impairment test in 2023 on tax losses, no impairment took place. As of the end of 2023, tax losses amount to 203.3 million euros (2022: 258.4 million euros), of which 121.7 million euros (2022: 104.2 million euros) have been valued, resulting in a deferred tax asset of 26.1 million euros (2022: 22.0 million euros). 69% of the tax losses will lapse in 2036.

c) Deferred tax liabilities

(x 1,000 euros)	Difference in depreciation rates	Other	Total
Balance as of January 1, 2022	**5,582**	**-3,072**	**2,510**
Result	-473	2,032	1,560
Change in scope of consolidation	355	-73	282
Discontinued operations	0	0	0
Balance as of December 31, 2022	**5,464**	**-1,113**	**4,352**
Result	-1,319	-1,056	-2,375
Change in scope of consolidation	0	0	0
Discontinued operations	0	0	0
Balance as of December 31, 2023	**4,145**	**-2,169**	**1,976**

The category “Other” mainly consists of netting with deferred tax assets. For 2022 and 2023, the movement was largely due to the difference in valuation of financial derivatives.

On the balance sheet date, Fagron has not included any deferred tax liability for taxes payable as the result of any dividend payment. Fagron has not recognized a deferred tax liability as no defined intercompany dividend policy applies and thus Fagron can determine when and for what amount a dividend is paid. The unvalued deferred tax liability is nil.

19 Inventories

(x 1,000 euros)	2023	2022
Raw materials	31,705	31,173
Work in progress	529	231
Finished goods	31,439	24,099
Trade goods	50,264	52,834
Inventories	**113,938**	**108,337**

The increase in inventories is mainly explained by investments in the growth of the business activities.

20 Trade receivables, other receivables and cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2023	2022
Trade receivables	66,122	64,318
Provision for impairment of receivables	-4,070	-3,596
Total trade receivables	**62,052**	**60,722**
Other receivables	22,636	23,163

There is no concentration of credit risk with respect to trade receivables because many of Fagron's customers are dispersed internationally. A provision has been made insofar as there are indications that trade receivables will be uncollectible.

Fagron applies a strict credit policy with regard to its customers, ensuring that the company controls and minimizes credit risk. No individual customers make up a substantial part of either turnover or outstanding receivables. Fagron uses factoring. The factoring balance as of December 31, 2023, was 35.5 million euros (2022: 36.8 million euros).

(x 1,000 euros)	Provision for impairment of receivables
Balance as of January 1, 2022	**-2,508**
Additions:	
• Through business combinations	-221
• Other	-831
Allocations	0
Other	-34
Balance as of December 31, 2022	**-3,596**
Additions:	
• Through business combinations	0
• Other	-474
Allocations	0
Other	0
Balance as of December 31, 2023	**-4,070**

There is no major write-down on trade receivables that have not expired. Fagron adopted the simplified approach to IFRS 9 to determine expected credit losses, using a provision for expected losses over the life of all trade receivables based on historical losses and future expectations. Fagron analyzed the impact of IFRS 9 concluded that there is no material impact on the provision made for doubtful debts. Fagron also assessed whether the historical pattern would change materially in the future and does not expect a significant impact.

	Carrying amount	Of which not overdue at year-end				Of which due at year-end
(x 1,000 euros)			less than 30 days	between 31 and 90 days	between 91 and 150 days	more than 150 days
Trade receivables on December 31, 2023	62,052	46,780	7,080	4,853	1,480	1,860
Percentage of expected credit losses 2023		0.1%	3.5%	7.5%	15.0%	50.0%
Trade receivables on December 31, 2022	60,722	42,610	9,546	4,118	1,964	2,485
Percentage expected credit losses 2022		0.1%	3.5%	7.5%	15.0%	50.0%

b) Cash and cash equivalents

(x 1,000 euros)	2023	2022
Investments with a maturity of less than three months	770	670
Cash and cash equivalents	132,237	124,667
Cash and cash equivalents	**133,008**	**125,337**

The increase in cash and cash equivalents is explained in the consolidated statement of cash flows.

There majority of the cash comprises cash and cash equivalents in bank accounts and cash. The cash and cash equivalents are centralized as much as possible in a cash pool, held in accounts with banks that mostly have an A-rating. All new bank accounts are only opened with banks awarded at least an A-rating.

There was no impact of cash pool netting at year-end 2023 (2022: 13.2 million euros).

Trade receivables, other receivables and cash and cash equivalents are generally within a close range of their maturities. Therefore, the carrying amount approximates their fair value.

21 Equity

Authorized capital

By resolution of the Special General Meeting of May 9, 2022, the power was granted, by a majority of at least three-fourths of the votes and within the period of five years from the date of publication of the resolution in the Appendix to the Belgian Official Gazette, to increase the capital in one or more times, in the manner and under the conditions to be determined by the Board of Directors, by an amount equal to ten percent of the capital.

Statement of changes in the capital and in the number of shares

The movements in this balance sheet item are presented in the statement of changes in equity. 138,372 own shares were purchased in 2023 (2022: nil). As of December 31, 2023, Fagron NV held 241,999 treasury shares (2022: 103,627). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In 2023, 236.250 new shares were issued under warrant plans (2022: 32,500). The nominal number of shares as of December 31, 2023, was 73,228,904 (2022: 72,992,654). The total number of shares outstanding as of December 31, 2023, was 72,986,905 (2022: 72,889,027).

		2023		2022
Number of common shares and their value in equity	Number of shares x 1,000	Value of shares x 1,000 euros	Number of shares x 1,000	Value of shares x 1,000 euros
Issued shares as of 1 January	72,993	521,238	72,960	520,785
Newly issued shares	236	3,293	33	453
Issued shares as of 31 December	**73,229**	**524,531**	**72,993**	**521,238**
Treasury shares as of 31 December	242	21,080	104	18,823
Shares outstanding as of 31 December	**72,987**	**503,451**	**72,889**	**521,219**

All ordinary shares are fully paid. The ordinary shares have no par value designation but have a fractional value of 1/73,228,904th of the capital as of December 31, 2023 (2022: 1/72,992,654th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On 12 April 2019, the company's Board of Directors approved the Warrant Plan 2019 for employees, directors and consultants of the company and/or its subsidiaries. The warrants were issued in response to the decision taken by the Board of Directors dated 13 May 2019 in the presence of Civil-law Notary Barbara Glorieux and her colleague Civil-law Notary Liesbet Degroote. In total 335,000 warrants were issued. In 2019, 110,000 warrants were granted at an exercise price of 17.17 euros.

On 4 August 2020, the company's Board of Directors approved the Subscription Rights Plan 2020 for employees, directors and consultants of the company and/or its subsidiaries. The subscription rights were issued in response to the decision taken by the Board of Directors dated 6 August 2020 in the presence of Civil-law Notary Barbara Glorieux and her colleague Civil-law Notary Liesbet Degroote. A total of 2,600,000 subscription rights were issued. In 2020, there were 995,000 subscription rights granted at an exercise price of 18.52 euros and in 2021, there were 900,000 subscription rights granted at an exercise price of 19.44 euros.

The condition for vesting subscription rights for employees is that they still have an employment contract with the company; for directors and consultants the condition is that their relationship with the company has not been terminated. The costs of the subscription rights have been determined at the subscription rights' real value on grant date and are spread over the vesting period of the subscription rights. The costs are included in other personnel costs and amount to 1.8 million euros for fiscal year 2023 and 1.8 million euros for fiscal year 2022. The subscription rights are settled via equity instruments.

In 2023, 236.250 shares (2022: 32,500) were issued as a result of the exercise of warrants under the 2018 Warrant Plan. The number of voting securities of Fagron is currently 73,228,904 (2022: 72,992,654). The total number of voting rights (denominator) is currently 73,228,904 (2022: 72,992,654). The capital amounts to 503,719,216.61 euros (2022: 502,094,125.17 euros).

Changes in the number of outstanding warrants under Warrant Plan 2019 and Subscription Rights Plan 2020, and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Average exercise price in euros
Outstanding as of January 1, 2022	**18.21**	**2,186,250**
Forfeited	13.94	-55,000
Forfeited	18.52	-139,167
Forfeited	19.44	-147,500
Forfeited	13.94	-5,000
Exercised	13.94	-32,500
Outstanding as of December 31, 2022	**18.31**	**1,807,083**
Exercised	13.94	-236,250
Forfeited	18.52	-15,000
Outstanding as of December 31, 2023	**18.97**	**1,555,833**

The weighted average exercise price per share at year-end was 18.97 euros in 2023 (2022: 18.31 euros). All warrant plans are equity-settled plans.

As of December 31, 2023, the total number of unexercised warrants that could give rise to the issuance of as many shares of the Company was 1,555,833. Their average exercise price is 18.97 euros. Outstanding year-end warrants have the following theoretical expiration date and exercise price:

Exercise date	Average exercise price in euros	Number of warrants	Year of expiry
2023 – May (Warrant Plan 2019)	17.17	5,000	2024
2024 – August (Warrant Plan 2019)	19.03	85,000	2025
2023 – August (Subscription Rights Plan 2020)	18.52	750,833	2030
2024 - January (Subscription Rights Plan 2020)	19.44	715,000	2030
	18.97	**1,555,833**	

Some of the members of the executive management team and employees received Performance Share (Units) for the period 2022-2024. For the first allocation under the plan relating to 2022-2024, the distribution is 80% financial targets and 20% sustainability targets. Financial objectives relating to the first allocation under the plan of 2022-2024 are related to total shareholder value (TSR), organic sales growth, REBITDA and operating cash conversion. Sustainability targets with respect to the first award under the plan of 2022-2024 relate to greenhouse gas intensity reduction and employee satisfaction.

The vesting of performance shares granted pursuant to the Performance Share (Unit) Plan, will occur at the end of the performance period provided that the beneficiaries are still connected to the Company or any of its subsidiaries through an employment or service agreement and that the performance criteria and any other criteria established at the time of award are met.

The performance shares concern the grant of a conditional right to receive Fagron shares after receive Fagron shares after the end of the vesting period ("vesting"). The Performance Share Units relates to the conditional cash payment based on Fagron share price, but is otherwise similar to a grant of performance shares.

There is a minimum performance level for effective vesting and the maximum vesting is 150% of the initial award. The following table shows a vesting of 100%.

	Performance shares	Performance Share Units
Balance as of January 1, 2023	**0**	**0**
Awarded	138,372	134,271
Expired	0	5,537
Balance as of December 31, 2023	**138,372**	**128,734**

The Performance Share (Units) granted in 2023 resulted in a charge of 1.4 million euros, which is included in the consolidated income statement under personnel expenses. The expense of the performance shares was recognized against equity in the amount of 0.7 million euros.

Fair value

The fair value of the subscription rights were determined at the time of grant using the “Black and Scholes” valuation model. The main data used in the model were the share price at grant date, the above-mentioned exercise price, the standard deviation of Fagron share price returns during option life and expected dividend, the option life specified above, and the annual risk-free interest rate. The expense is recorded on a straight-line basis from grant date to exercise date.

performance shares are recognized at fair value at the grant date in accordance with IFRS 2. The fair value is determined using the share price excluding dividends at grant date. The market conditions of total shareholder return, which impacts on 20% of the targets, are not included in the fair value.

The Performance Share Units granted under these plans are recognized at fair value at grant date and are periodically updated in accordance with IFRS 2. The fair value is determined using the same method determined as the performance shares.

Notes to the consolidated financial statements

Dividends

A dividend of 18.2 million euros was made payable in 2023 (2022: 14.6 million euros). At the Annual General Meeting on May 13, 2024, a gross dividend for 2023 of 0.30 euros per share will be proposed (2022: 0.25), representing a total dividend of 21.9 million euros. This dividend is not included in this financial statement.

A further note on equity is included in the Corporate Governance Statement.

Other reserves

(x 1,000 euros)	Consolidated reserves	Cumulative conversion differences	Transactions with non-controlling interest	Remeasurements of post-employment benefit obligations	Share-based payments	Total
Balance as of January 1, 2022	**-195,967**	**-100,059**	**-377**	**-530**	**19,779**	**-277,154**
Other comprehensive income	0	18,307	0	1,473	0	19,779
Share-based payments	0	0	0	0	1,799	1,799
Change in non-controlling interest	0	0	0	0	0	0
Balance as of December 31, 2022	**-195,967**	**-81,752**	**-377**	**943**	**21,578**	**-255,576**
Other comprehensive income	0	3,214	0	190	0	3,404
Share-based payments	0	0	0	0	2,429	2,429
Change in non-controlling interest	0	0	409	0	0	409
Balance as of December 31, 2023	**-195,967**	**-78,538**	**32**	**1,133**	**24,007**	**-249,333**

Cash flow hedge reserve

(x 1,000 euros)	Fair value	Nominal value
Balance as of January 1, 2022	**0**	**0**
Change in unrealized gains and losses	7,384	180,000
Realized gains and losses	0	0
Balance as of December 31, 2022	**7,384**	**180,000**
Change in unrealized gains and losses	-438	30,000
Realized gains and losses	-3,583	-40,000
Balance as of December 31, 2023	**3,363**	**170,000**

Notes to the consolidated financial statements

22 Long-term provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance as of January 1, 2022	**1,104**	**488**	**191**	**1,783**
Additions:				
• Through business combination	0	0	552	552
• Other	0	91	0	91
Amounts used	0	105	0	105
Release	0	-48	-52	-101
Currency translation differences	0	53	-459	-407
Balance as of December 31, 2022	**1,104**	**689**	**231**	**2,024**
Additions:				
• Through business combination	0	0	0	0
• Other	0	235	24	259
Amounts used	0	-324	0	-324
Release	0	0	-1	-1
Currency translation differences	0	35	0	35
Balance as of December 31, 2023	**1,104**	**635**	**255**	**1,993**

23 Pension Obligations

Pension obligations and costs

The amounts recognized in the balance sheet are determined as follows:

(x 1,000 euros)	2023	2022
Defined benefit pension plans	1,393	1,519
Other defined benefit pension plans	1,203	1,220
Pension obligations	**2,596**	**2,739**

The “Defined benefit plans” includes the pension plans held by Fagron in the Netherlands for Fagron Services BV and Spruyt hillen BV. The “Other defined benefit liabilities” include multiple smaller defined benefit plans, which are not further disclosed due to their limited size.

In accordance with IAS19, defined benefit liabilities are estimated using the Projected Unit Credit method. Under this method, benefits under the plan are attributed to years of service, taking into account future salary increases and an allocation of the plan’s benefit. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. If an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis.

All defined benefit plans are final salary pension plans paid on a monthly basis. The amounts pertaining to post-employment medical plans are included in the liability but are not significant. There are no informal constructive liabilities.

The amounts recognized regarding the Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV are determined as follows:

(x 1,000 euros)	2023	2022
Present value of defined benefit obligations	15,822	14,352
Fair value of plan assets	-14,429	-12,833
Net liability arising from defined benefit obligations	**1,393**	**1,519**

Notes to the consolidated financial statements

Movements in the present value of the defined benefit liabilities and the fair value of the plan assets were as follows:

(x 1,000 euros)	Present value of defined benefit obligations	Fair value of fund investments	Total
Balance as of January 1, 2022	**22,273**	**-19,024**	**3,249**
Pension costs attributed to the year of service	0	0	0
Interest expense (income)	307	-265	42
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	6,118	6,118
• Actuarial differences due to changes in demographic assumptions	172	0	172
• Actuarial differences due to changes in financial assumptions	-7,987	0	-7,987
• Actuarial differences due to adjustments in experience	224	0	224
Employer contributions	0	-299	-299
Plan contribution	-637	637	0
Balance as of December 31, 2022	**14,352**	**-12,833**	**1,519**
Pension costs attributed to the year of service (income)			
Interest expense (income)	589	-525	64
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	-1,738	-1,738
• Actuarial differences due to changes in demographic assumptions	-1	0	-1
• Actuarial differences due to changes in financial assumptions	1,282	0	1,282
• Actuarial differences due to adjustments in experience	267	0	267
Employer contributions	0	0	0
Plan contribution	-667	667	0
Balance as of December 31, 2023	**15,822**	**-14,429**	**1,393**

The assets relate to eligible insurance policies and are not part of Fagron's own financial instruments. The pension insurer has fully invested the assets in the following funds: AeAM Strategic Liability Matching Fund, AEGON Strategic Allocation Fund Fixed Income, AEGON Strategic Allocation Fund Equity. The investment profile of these funds is similar to the investment profile of the AEGON Strategic Allocation Fund 80/20 fund in which was fully invested in 2022.

Actuarial assumptions

The principal actuarial assumptions used for the actuarial valuations are:

	December 31, 2023	December 31, 2022
Weighted average discount rate	3.60%	4.20%
Expected rate of salary increase	N/A	N/A
Expected rate of price inflation	N/A	N/A
Future rate of pension increases actives	2.25%	2.25%

The life expectancy is determined on the basis of the AG2022 Forecast Table.

Realized and unrealized result

The amounts recognized in the realized and unrealized result in respect of these defined benefit plans are as follows:

(x 1,000 euros)	December 31, 2023	December 31, 2022
Interest expense	64	42
Pension costs (income) attributed to the year of service	0	0
Pension costs defined benefit plans recognized in the -income statement	**64**	**42**
Actuarial differences on the present value of unfunded liabilities:		
• Costs (return) on plan assets (excluding interest income)	667	637
• Actuarial (gains)/losses arising from changes in demographic assumptions	-1	172
• Actuarial (gains)/losses arising from changes in financial assumptions	-456	-1,869
• Actuarial differences as a result of adjustments in experience	267	224
Pension costs defined benefit plans recognized as other comprehensive income	**477**	**-836**
Total comprehensive income for the year	**541**	**-794**

There were no new entrants to the defined benefit plan; further accrual only takes place in a defined contribution plan. New employees are offered a defined contribution plan.

Sensitivity analysis

The sensitivity analysis illustrates the sensitivity of the pension liability as of December 31, 2023, and the "Pension cost allocated to the year of service" relative to the key actuarial assumptions.

The table below shows, for each major actuarial assumption, the pension liability as at December 31, 2023, compared to the corresponding amounts if the actuarial assumption of the respective scenarios were applied. Salary increases are not included in the sensitivity analysis.

	Base scenario	Increase in base scenario	Decrease in base scenario
Weighted average discount rate	3.60%	3.85%	3.35%
Defined benefit obligation	15,822	15,265	16,410
Inflation increase	2.25%	2.75%	1.75%
Defined benefit obligation	15,822	15,902	15,744
Life expectancy	+/- 0 jaar	+1 jaar	-1 jaar
Defined benefit obligation	15,822	16,206	15,427

Pension plans in Belgium

Fagron has nine pension plans in place in Belgium which are legally structured as defined contributions plans. Because of a previous legislative amendment in Belgium applicable to 2nd pillar pension plans (the Supplementary Pensions Act), all Belgian Defined Contribution plans have to be considered as defined benefit plans under IFRS. The Supplementary Pensions Act was established in 2015 as follows:

- For contributions through December 31, 2015, the employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions;
- For all contributions from 2016 onwards, the employer must continue to guarantee a minimum return that can vary between 1.75% and 3.75%, depending on the evolution of the average OLO 10-year interest rate over a 24-month period. The current guaranteed minimum return is 1.75%.

Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk. The employer has a legal obligation to pay further pension contributions in the financing fund if the fund does not hold sufficient assets to pay all current and future pension commitments. These Belgian defined contributions plans should therefore be classified and accounted for as defined benefit plans under IAS 19.

In the past, Fagron did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return.

Notes to the consolidated financial statements

As a result of continuous low interest rates on the European financial markets, the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past. As a result, these plans need to be considered defined benefit plans.

Management has estimated the potential resulting liabilities as of December 31, 2023. Based on this estimation, it has been established that there are no substantive liabilities. The 2023 employer contribution for these Belgian pension plans is 0.1 million euros (2022: 0.1 million euros). The employee share for 2023 is nil (2022: nil), the employee contribution was abolished in 2014.

The total amount of fund investments as of December 31, 2023 is 1.4 million euros (2022: 1.4 million euros).

24 Financial debt and financial instruments

(x 1,000 euros)	2023	2022
Non-current		
Bank borrowings	324,685	346,365
Other borrowings	354	308
Financial lease liabilities	32,026	33,697
Total non-current	**357,065**	**380,369**
Current		
Bank borrowings	0	9,461
Financial lease liabilities	9,678	9,548
Total current	**9,678**	**19,010**
Total financial debts	**366,743**	**399,379**

	2023		2022	
(x 1.000 euro)	Financial leases	Bank borrowings and other borrowings	Financial leases	Bank borrowings and other borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	27,296	325,039	27,316	346,673
More than 5 years	4,730	0	6,381	0
Total non-current borrowings	**32,026**	**325,039**	**33,697**	**346,673**

			Non-cash change			
(x 1,000 euros)	2022	Cash flow from financing activities	Additions IFRS 16	Acquisitions/ divestments	Exchange rates	2023
Non-current borrowings	380,369	-29,381	9,077	0	-3,000	357,065
Current borrowings	19,010	-10,416	997	105	-18	9,678
Total borrowings	**399,379**	**-39,797**	**10,074**	**105**	**-3,018**	**366,743**

Bank borrowings and financial instruments

The book value of bank loans is denominated in euros. The reported values approximate their fair values. The effective interest rate for the year 2023, was 2.7% (2022: 1.7%).

Sustainable syndicated credit facility

On August 1, 2019, Fagron has a (sustainable) syndicated credit facility consisting of a revolving credit line of 245 million euros and a term loan facility of 130 million euros. The term of this financing is 5 years with the option to extend twice for one year. In 2022, the opportunity to extend the term loan facility in the amount of 105 million euro. Both extension options were exercised in previous years, with the result that both term loan facilities for a total value of 235 million euros and 210 million euros of the revolving credit line have been extended until mid-2026.

Effect of the initial application of the interest rate reform

In 2022, Fagron applied the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 have been applied. The adoption of these amendments allows Fagron to reflect the effects of the transition from interbank offered interest rates (IBOR) to alternative reference interest rates (also referred to as "risk-free interest rates" or RFRs) without giving rise to accounting consequences that would not provide useful information to users of financial statements. Fagron did not restate the prior period.

All interest rate reforms have been fully implemented and there is no impact on the fiscal year ended December 31, 2023.

Progress in the introduction of alternative benchmark interest rates

Fagron completed the transition to TERM SOFR for all USD Libor linked contracts completed before the USD Libor was terminated as of June 30, 2023. Also, to the extent applicable, a fall-back clause is included for the EURIBOR.

Financial covenants syndicated credit facility

Test period	Net financial debt/REBITDA	REBITDA/net interest expense
Semi-annual test periods (June/December)	Max. 3.50x	Min. 4.00x

As of the end of 2023, an amount of 90.5 million euros had been drawn under the syndicated credit facility (2022: 112.5 million euros). In addition to these financial covenants, the total EBITDA, calculated as being the result before interest, taxes, depreciation, amortization and impairment, of the guarantors should be at least 70% of the consolidated EBITDA of the total Group. The credit facility is a so-called Sustainability Linked Loan where the interest rate is linked to Fagron's sustainability target to reduce greenhouse gas intensity (scope 1 and scope 2 of the GHG protocol) by 30% in six years. Based on the annual progress measured, a discount or an addition can be applied to the credit facility's interest rate.

Starting in 2020, the sustainability objective to reduce Fagron's greenhouse gas intensity by approximately 30% in six years is also linked to the variable remuneration system for management.

As of 2021, Fagron used financial derivatives in order to hedge the interest risk for 100 million US dollars of financing. In 2022, several financial derivatives were concluded to hedge part of the interest rate risk on the euro term loans (6m EURIBOR) for a total nominal value of 180 million euros. During 2023 an interest rate hedge with a value of 30 million euro expired and a new hedge as concluded for 20 million euro. At the end of 2023, the fair value of the US-dollar interest rate hedge is 2.2 million euros which revaluation has been recognized directly in the income statement. The fair value of the EUR interest rate hedges is EUR 3.4 million for which is recognized in the cash flow hedge reserve in line with the hedge accounting rules set out in IFRS 9.

These instruments were valued in accordance with a Level 2 method. This implies that the valuation was based on inputs other than the listed prices in active markets such as included in Level 1. The fair values of all derivatives held for hedging purposes were based on valuation methods. These methods maximize the use of detectable market data, where available, and minimize the impact of the company's estimates and projections. Hedge instruments were valued based on discounted cash flows. The parameters used for these models are those applicable as at year-end and are therefore classified as Level 2. The valuation was calculated using the discounted cash flows of the nominal value and interest flows. The maturity of the financial derivatives varies with the last one expiring in 2026.

As do the borrowing companies, Fagron NV and Fagron Capital NV, the following companies serve as guarantors for the bank loans concluded by Fagron:

Company name of guarantors

Anazaohealth Corp Inc.
Fagron Belgium NV
Fagron BV
Fagron Capital NV
Fagron Compounding Services LLC
Fagron GmbH & Co KG
Fagron Inc.
Fagron Nederland BV
Fagron NV
Fagron Sp. z.o.o
Galfarm Sp. z.o.o.
Pharma-Pack NV (former Infinity Pharma NV)
Pharmaline BV
SM Empreendimentos Farmaceuticos Ltda
Spruyt hillen BV

25 Trade payables

(x 1,000 euros)	2023	2022
Payables	100,200	97,310
Investment payables	4,732	546
Trade payables	**104,932**	**97,856**

Trade payables generally have due dates that are close to each other. The reported values approximate their fair values.

26 Other current payables

(x 1,000 euros)	2023	2022
Prepayments	82	41
Other payables	4,618	5,479
Accrued expenses	11,594	9,671
Other current payables	**16,294**	**15,191**

Other liabilities of 4.1 million euros (2022: 4.6 million euros) relate to amounts still to be paid for existing participations (subsequent payments).

The accrued expenses of 5.2 million euros (2022: 2.9 million euros) relate to interest yet to be paid. The remainder of this item concerns various accruals and deferrals.

The debts generally have due dates that are close to each other. The reported values approximate their fair values.

27 Leases

(x 1,000 euros)	Closing balance sheet leases on December 31, 2023	Closing balance sheet of leases on December 31, 2022
Assets		
Buildings & land	33,990	36,000
Machinery & installations	1,696	1,701
Furniture and vehicles	2,424	1,809
Total lease assets	**38,110**	**39,510**
Liabilities		
Lease liabilities - non-current	32,026	33,697
Lease liabilities - current	9,678	9,548
Total lease liabilities	**41,704**	**43,245**

(x 1.000 euro)	2023	2022
Depreciation and amortization		
Buildings & land	9,412	9,195
Machinery & installations	886	663
Furniture and vehicles	1,308	1,036
Total depreciation	**11,606**	**10,893**
Costs related to low-value leases	40	157
Costs related to short-term leases	707	692
Costs related to variable costs	191	163
Financial expenses	1,819	2,039

Notes to the consolidated financial statements

28 Total adjustments for non-cash items

(x 1,000 euros)	2023	2022
Depreciation and amortization intangible fixed assets	10,622	9,213
Depreciation property, plant and equipment	12,294	11,191
Depreciation lease and similar rights	11,606	10,893
Write-down on inventories and receivables	4,790	4,183
(Profit) loss on sale of non-current assets	-631	-742
Movements in provisions	-41	69
Share-based payments	2,429	1,799
Badwill 503B compounding facility in Boston	0	-5,463
Total adjustments for non-cash items	**41,069**	**31,143**

29 Total changes in working capital

(x 1,000 euros)	2023	2022
Changes in operational working capital	-5,590	-5,042
Changes in other working capital	-717	2,902
Total changes in working capital	**-6,307**	**-2,140**

30 Contingent liabilities

Fagron runs certain risks for which no provision has been made (such as the possible tax liabilities with regard to ICMS in Brazil or VAT in Poland) because it is not likely that these risks will have a negative impact for Fagron. ICMS is a business tax incentive program called Produzir for companies based in the Brazilian state of Goiás. This is contested by several Brazilian states.

In 2018, 2019 and 2023, Fagron received tax assessments regarding the amortization of goodwill due to mergers in Brazil for 2014 until 2019. We dispute these assessments for a total amount of 33.8 million euros and have not made any provision for this purpose.

Fagron is also involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management is of the opinion that it is unlikely that these claims, disputes and lawsuits will have a negative impact on the financial situation at Fagron. For claims where it is considered probable that the claim will result in payment, and for which a reliable estimate can be made, a provision has been made (see Note 22).

31 Related parties

The overall compensation package for members of the executive leadership team and the CEO individually as well as non-executive directors for fiscal years 2023 and 2022 is shown below:

(x 1,000 euros)	Fixed remuneration component	Variable remuneration component
2022 financial year		
Rafael Padilla, Chief Executive Officer	539	447
Executive leadership team, including the Chief Executive Officer	2,249	1,323
Non-executive members of the Board of Directors	305	0
2023 financial year		
Rafael Padilla, Chief Executive Officer	540	567
Executive leadership team, including the Chief Executive Officer	2,131	1,852
Non-executive members of the Board of Directors	276	0

The variable remuneration component concerns the bonus realized for 2023, which will be paid in 2024. The Nomination and Remuneration Committee formulates proposals annually regarding remuneration policy and/or other benefits for members of the executive leadership team and the CEO.

A further explanation of the compensation package is included in the Remuneration Report and Policy in the Corporate Governance Statement.

32 Business Combinations

Fair value of the acquired assets and liabilities

The preliminary determination of the fair value of acquired assets and liabilities of Wildlife Pharmaceutical in South Africa resulted in an adjustment of 4.0 million euro in goodwill.

The final determination of the fair value of acquired assets and liabilities of previously made acquisitions in 2022 resulted in an adjustment of 0.5 million euros in goodwill.

Contingent liabilities

At year-end, Fagron has outstanding liabilities of approximately 4.1 million euros to selling shareholders which were determined based on business plans at the time of acquisition, see also Note 26.

After-tax payments for business combinations are expected to be paid in 2024.

The subsequent payments for business combinations vary between 0 euros and a maximum of 4.1 million euros. The retrospective payments are valued at fair value at the moment of acquisition. The current expectation is that the remunerations will be paid on the expiration dates.

33 Information regarding the Statutory Auditor, her compensation and additional services

The Company's Statutory Auditor is Deloitte Bedrijfsrevisoren, represented by Mrs Ine Nuyts.

(x 1,000 euros)	2023	2022
Audit fee for the Group audit		
Fagron Group	**535**	**461**
Remuneration for Deloitte Bedrijfsrevisoren	445	379
Remuneration for parties linked to Deloitte Bedrijfsrevisoren	90	82
Remuneration for additional services rendered by the Statutory Auditor to Fagron		
Other audit assignments	5	0
Other non-auditing assignments	5	7
Remuneration for additional services rendered by parties linked to the Statutory Auditor		
Tax advisory assignments	0	0
Other non-auditing assignments	0	0

34 Significant events after the balance sheet date

In January 2024, we completed the acquisition of Parma Produkt in Hungary. In February 2024, we acquired London Specialist Pharmacy, allowing us access to the non-sterile compounding market in the United Kingdom and further diversifying our EMEA footprint.

35 Additional Notes

1. Fagron NV has signed a declaration of liability for the benefit of a number of Dutch subsidiaries, specifically:
   Curaphar BV
   Fagron Brazil Holding BV
   Fagron BV
   Fagron Holding EMEA BV
   Fagron Nederland BV
   Fagron Services BV
   Fagron Steriele Services BV
   Infinity Pharma BV
   Pharma Assist BV
   Pharmaline BV
   Spruyt hillen BV

2. Exemption of a German subsidiary:

Fagron GmbH & Co KG in Barsbuttel (Germany) is exempt from the obligation to set up its financial statements and financial report according to §264b of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

Hiperscan GmbH in Dresden (Germany) is exempt from the obligation to set up its financial statements and financial report according to §264 (3) of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

Notes to the consolidated financial statements

36 List of consolidated companies

Name	Ownership
ABC Dental & Pharmaceutical Consultancy NV	100.00%
AnazaoHealth Inc.	100.00%
ApodanNordic PharmaPackaging A/S	100.00%
Arseus Dental Solutions SAS	100.00%
Central de Drogas S.A. de C.V.	100.00%
Coast Quality Pharmacy LLC	100.00%
Curaphar BV	100.00%
Dr. Kulich Pharma S.R.O	100.00%
Fagron a.s.	82.24%
Fagron Belgium NV	100.00%
Fagron Brazil Holding BV	100.00%
Fagron BV	100.00%
Fagron Capital NV	100.00%
Fagron Care Sp. z.o.o.	100.00%
Fagron Colombia SAS	100.00%
Fagron Compounding Services LLC	100.00%
Fagron Compounding Services NV	100.00%
Fagron Genomics S.L.U.	100.00%
Fagron GmbH & Co KG	100.00%
Fagron Hellas A.B.E.E.	100.00%
Fagron Holding EMEA BV	100.00%
Fagron Holding USA LLC	100.00%
Fagron Hrvatska d.o.o.	100.00%
Fagron Iberica SAU	100.00%
Fagron Inc.	100.00%
Fagron Italia SrL	100.00%
Fagron Lékárna Holding s.r.o.	100.00%

Name	Ownership
Fagron Nederland BV	100.00%
Fagron Nordic A/S	100.00%
Fagron NV	100.00%
Fagron SAS	100.00%
Fagron Shared Services S.L	100.00%
Fagron Services BV	100.00%
Fagron Service Northern Europe Sp. z o.o	100.00%
Fagron SH Ltd	100.00%
Fagron South Africa (Pty) Ltd	100.00%
Fagron Sp. z o.o	100.00%
Fagron Sterile Services BV	100.00%
Fagron Technologies Ltda	100.00%
Fagron UK Ltd	100.00%
Fagron Verwaltungsgesellschaft GmbH	100.00%
Fresenius Kabi Compounding LLC	100.00%
Gako Deutschland GmbH	100.00%
Galfarm Sp. z.o.o.	100.00%
GX Sciences, LLC	100.00%
Hiperscan GmbH	100.00%
Humco Holding Group Inc.	100.00%
Humco Qsub 1 Inc.	100.00%
Infinity Pharma BV	100.00%
JCB Laboratories LLC	100.00%
Letco Medical Holdings LLC	100.00%
Letco Medical LLC	100.00%
Ma'ayan Haim Beit Dagan Ltd	100.00%
Ortofarma Laboratorio de Controle de Qualidade Ltda	100.00%
Panoramix Holding BV	100.00%

Notes to the consolidated financial statements

Name	Ownership
Pharma Assist BV	100.00%
Pharma Tamar Ltd	100.00%
Pharmaline BV	100.00%
Pharma-Pack NV	100.00%
Pierson Laboratories Inc.	100.00%
Pro Health lab coleta de análises clínicas Ltda	100.00%
SM Empreendimentos Farmaceuticos Ltda	100.00%
Spruyt hillen BV	100.00%
Wildlife Pharmaceuticals (Pty) Ltd.	100.00%

Statutory Auditor's Report Statutory

Statutory auditor's report to the shareholders' meeting of Fagron NV for the year ended 31 December 2023 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Fagron NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 9 May 2022, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2024. We have performed the statutory audit of the consolidated financial statements of Fagron NV for 5 consecutive periods.

Report on the consolidated financial statements

Unqualified Opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

The consolidated statement of financial position shows total assets of 1 006 954 (000) EUR and the consolidated statement of comprehensive income shows a profit for the year then ended of 71 044 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2023 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit adressed the key audit matters
Goodwill – impairment testing	
Goodwill amounts to 434 361 (000) EUR and represents 43% of the total consolidated statement of financial position at 31 December 2023. Goodwill is tested annually for impairment at the level of the cash generating units ("CGU"). These calculations are based on estimates of future cash flows.	Our audit procedures include the evaluation of the design and implementation of the relevant controls over the preparation and approval of the budget and the impairment models.
The annual impairment testing of goodwill was important for our audit because it relies on a number of critical judgements, such as the determination of the CGU as well as estimates and assumptions used in a discounted free cash flow model to determine the CGU's recoverable value. The key judgments are the sales growth, the gross margin rate, the discount rate and the long term growth rate. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider the annual impairment test of goodwill as a key audit matter.	Supported by our valuation specialists, we challenged the key assumptions, methodologies and data used by the group in its determination of the recoverable value, for example by analysing sensitivities in the group's discounted cash flow model and benchmarking with external macroeconomic data to determine if they were reasonable and consistent with the current economic climate. Furthermore, we assessed the determination of the CGU's and the historical accuracy of management's estimates.
We focused our audit efforts on the impairment assessment of the Fagron Latin America cash generating unit.	We assessed the adequacy of the group's disclosures in the consolidated financial statements.
We refer to note 4 and 15 to the consolidated financial statements.	

Responsibilities of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory Auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects related to the directors' report on the consolidated financial statements and to other information included in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors’ report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in a separate report that is part of section “Sustainability Statement” of the annual report. This statement on non-financial information includes all the information required by article 3:32, § 2 of the Code of companies and associations and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the European Sustainability Reporting Standards (ESRS). In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these ESRS Standards.

Statements related to independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Single European Electronic Format (ESEF)

In accordance with the draft standard on the audit of the compliance of the financial statements with the Single European Electronic Format ("ESEF"), we have also performed the audit of the compliance of the ESEF format and of the tagging with the technical regulatory standards as defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 ("Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (“digital consolidated financial statements”) included in the annual financial report.

Our responsibility is to obtain sufficient and appropriate evidence to conclude that the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements as stipulated by the Delegated Regulation.

Based on our work, in our opinion, the format and the tagging of information in the the official Dutch version of the digital consolidated financial statements included in the annual financial report of Fagron NV as of 31 December 2023 are, in all material respects, prepared in accordance with the ESEF requirements as stipulated by the Delegated Regulation.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Signed in Antwerp on 13 March 2024

The Statutory Auditor

Deloitte Bedrijfsrevisoren/Réviseurs d’Entreprises BV/SRL
Represented by Ine Nuyts

Statutory financial statement

Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2023	2022
Operating income	**4,509**	**3,330**
Revenue	0	0
Other operating income	4,351	3,330
Non-recurring operating income	158	0
Operating expenses	**5,838**	**4,760**
Trade goods, raw and auxiliary materials	0	0
Services and other goods	5,063	4,108
Employee benefit expenses	762	485
Depreciation and amortization	1	0
Provisions for risks and costs	0	0
Other operating expenses	11	7
Non-recurring operating expenses	1	159
Operating result	**-1,329**	**-1,430**
Financial result	**14,964**	**4,014**
Recurring financial result	14,964	4,014
Non-recurring financial result	0	0
Profit for the financial year before taxes	**13,635**	**2,584**
Tax on the result	25	1
Net result for the financial year	**13,610**	**2,583**

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2023	2022
Non-current assets	**498,574**	**498,575**
Formation expenses	0	0
Intangible fixed assets	0	0
Property, plant and equipment	2	3
Financial non-current assets	498,572	498,572
Current assets	**108,052**	**109,102**
Receivables due after one year	0	0
Inventories and orders in progress	0	0
Receivables due within one year	97,290	87,063
Investments	3,978	1,375
Cash and cash equivalents	6,657	20,581
Accrued expenses	127	84
Total assets	**606,626**	**607,677**

(x 1,000 euros)	2023	2022
Equity	**535,821**	**540,872**
Capital	503,719	502,094
Share premiums	7,335	5,666
Legal reserves	5,590	4,909
Unavailable reserves - treasury shares	3,979	1,375
Available reserves	15,198	26,827
Retained earnings	0	0
Debt	**70,805**	**66,805**
Debt due after one year	0	0
Debt due within one year	70,400	66,527
Accrued expenses	405	278
Total liabilities	**606,626**	**607,677**

Appropriation of profits Fagron NV

(x 1,000 euros)	2023	2022
Profit to be appropriated	**13,610**	**2,583**
Profit for the year to be appropriated	13,610	2,583
Profit carried forward from the previous year	0	0
Withdrawal from equity	**9,025**	**15,720**
From the capital and share premiums	0	0
From the reserves	9,025	15,720
Addition to equity	**680**	**129**
To the legal reserves	680	129
To the other reserves	0	0
Profit to be carried forward	**0**	**0**
Profit to be carried forward	0	0
Profit to be distributed as dividends	**21,955**	**18,175**
Dividend	21,955	18,175

Accounting policies

The valuation rules are determined in accordance with the provisions of the Royal Decree dated 29 April 2019 in implementation of the Belgian Companies Code.

Statutory financial statements of Fagron NV

As required under Article 3:17 of the Belgian Companies Code, this annual report is a condensed version of the statutory financial statements of Fagron NV. The annual report and the Statutory Auditor's report will be filed and will also be available for inspection at the company's registered office.

The Statutory Auditor certified the statutory financial statements of Fagron NV for the fiscal year 2023 without reservations.

Alternative performance indicators

In addition to the terms as defined in IFRS, this interim financial information also includes other terms. These "alternative performance indicators" are set out below:

(x 1,000 euros)	2023	2022
Operating profit (EBIT)	108,633	97,909
Depreciation and amortization	39,311	35,480
EBITDA	**147,944**	**133,389**
EBITDA	147,944	133,389
Non-recurrent result	1,010	-2,665
EBITDA before non-recurrent result	**148,954**	**130,724**
Non-current financial debt	-325,039	-346,673
Non-current lease liabilities	-32,026	-33,697
Current financial debt	0	-9,461
Current lease liabilities	-9,678	-9,548
Cash and cash equivalents	133,008	125,337
Net financial debt	**-233,735**	**-274,042**

(x 1,000 euros)	2023	2022
Inventories	113,938	108,337
Trade receivables	62,052	60,722
Trade payables	-104,932	-97,856
Operational working capital	**71,058**	**71,203**
Total cash flow from operating activities	124,633	109,458
Capital expenditure	-38,473	-18,497
Free cash flow	**86,160**	**90,961**

The non-recurring result amounted to 1.0 million euros in 2023 and consisted mainly of restructuring costs offset by the release of earn-outs in EMEA. The non-recurring result amounted to -2.7 million euros in 2022 and consisted mainly of acquisition and restructuring costs compensated by the Badwill of the Boston 503B acquisition (5.5 million euros) and the release of contingent liabilities related to acquisitions in North America.

Alphabetical terminology list

In addition to the terms as defined in IFRS, this annual report also includes other terms. These "alternative performance indicators" are explained below. The IFRS terminology is in italics.

EBIT	*"Earnings Before Interests and Taxes"*. Profit (loss) from operations.
EBITDA	*"Earnings Before Interests, Taxes, Depreciations and Amortizations"*. Profit (loss) from operations plus depreciation and amortization, including write-downs on inventory and receivables.
Financial result	*Net finance costs*. Balance of financing income and financing costs.
Gross margin	Sales less purchased trade goods, raw and auxiliary materials and also adjusted for change in inventories and work in progress, as a percentage of sales.
Net financial debt	Non-current and current financial liabilities, less cash and cash equivalents (excluding financial instruments).
Net operational capex	Net capital expenditures. *Intangible and tangible fixed assets acquired and produced (excluding acquisitions), less assets sold.*
Net result	*Profit (loss) of the period*. Consolidated result.
Non-recurring items	*Non-recurring costs or revenues outside the ordinary course of business.*
Operating profit	*Profit (loss) from operations*. EBIT ("Earnings Before Interests and Taxes").
Operational working capital	*Inventories + Trade receivables – Trade payables*
Recurrent net profit	Profit (loss) for the period adjusted for non-recurring items.
REBITDA	*"Recurring Earnings Before Interests, Taxes, Depreciations and Amortizations"*. Profit (loss) from operations plus depreciation and amortization and adjusted for all non-recurring items.

Appendix
Warning with regard to forward-looking statements

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, containing information such as, but not limited to, communications expressing or implying beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions on which they are based) on the part of Fagron. Forward-looking statements by definition involve risks and uncertainties. Therefore, actual future results or circumstances may differ materially from those expressed or intended in forward-looking statements. Such a difference may be caused by a range of factors (such as, but not limited to, evolving statutory and regulatory frameworks within which Fagron operates, claims in the areas of product liability, currency risk, etc.).

Any forward-looking statements in this annual report are based on information available to Fagron's management on 13 March 2024. Fagron cannot accept any obligation to publish a formal notice each time changes in said information occur or if other changes or developments occur in relation to forward-looking statements contained in this annual report.

List of Definitions

API
Active Pharmaceutical Ingredient. An ingredient in a medical product that is responsible for the efficacy of the product.

Business Partner Code of Conduct
This code describes how Fagron expects its business partners to behave.

CO_2 eq
Carbon dioxide equivalent (CO_2-eq) is a measure of how much a greenhouse gas contributes to global warming. For example, one kg of nitrous oxide (N_2O, nitrous oxide) has the same contribution to climate change as 250 kg of CO_2.

Code of Conduct & Ethics
This code describes how Fagron expects its employees to behave.

CSRD
CSRD stands for Corporate Sustainability Reporting Directive (EU/2022/2464). This EU directive requires large companies such as Fagron to disclose information about the way they deal with social, governance and environmental challenges. This helps investors, civil society organizations, consumers, policymakers, and other stakeholders assess the non-financial performance of large companies.

Dispute resolution / dispute settlement
The resolution of problems or disputes without appealing to the courts, for example through arbitration.

ELT
ELT stands for Executive Leadership Team.

EMEA
EMEA stands for Europe, the Middle East and Africa.

Emergency plan
An emergency response plan is a guideline that establishes how a facility should handle an emergency, such as an outbreak of fire. The plan primarily describes who has which tasks, responsibilities, and authority and how these relate to laws and regulations.

ESG
ESG stands for Environmental, Social and Governance.

ESRS
European Sustainability Reporting Standards are the reporting standards that specify what large companies must report according to the CSRD.

FSS
FSS stands for Fagron Sterile Services.

GDP
Good Distribution Practice are the standards with which Fagron must comply to ensure that the quality and integrity of medicine is maintained throughout the supply chain.

GMP
Good Manufacturing Practices are the standards with which Fagron must comply to ensure that when medicine is used correctly, the quality is safe for patients to use. GMP is intended to minimize the risks for the patient.

Greenhouse gas emission scopes
Greenhouse gas emissions can be divided in three scopes:
1. Scope 1 emissions: direct emission from owned and controlled sources
2. Scope 2 emissions: indirect emissions from purchased or acquired energy
3. Scope 3 emissions: all indirect emissions (not included in scope 2) that occur in a reporting company's value chain, including both upstream and downstream emissions

List of Definitions

Greenhouse Gas Intensity
Greenhouse gas intensity stands for the total greenhouse gas emissions in CO_2-eq divided by a unit of production or revenue. Fagron calculates its greenhouse gas intensity based on million euro revenue. Revenue in currencies other than euros are normalized based on the exchange rate in our base year (2019).

Greenhouse gases
Greenhouse gases are gases in the earth's atmosphere that can absorb heat. With that, they contribute to the retention of heat in the atmosphere and increase the earth's temperature. Examples of greenhouse gases are carbon dioxide (CO_2) and methane (CH_4).

GRI
The Global Reporting Initiative is an international and independent organization that helps companies, governments and other organizations better understand and communicate their impact on issues such as climate change, human rights, and corruption.

KPI
KPI stands for Key Performance Indicator. It is an indicator that provides insight in the performance over time for a specific objective.

Location-based scope 2 greenhouse gas emissions
Scope 2 greenhouse gas emissions calculated by using the average emissions intensity of the grid where the energy consumption occurs. For example, to calculate the location-based scope 2 greenhouse gas emissions of the electricity consumed in one of Fagron's facilities in the Netherlands, one uses the average carbon footprint of electricity purchased from the Dutch grid.

Market-based scope 2 greenhouse gas emissions
Scope 2 greenhouse gas emissions calculated by using the emissions intensity of the contract through which the energy is purchased. For example, to calculate the market-based scope 2 greenhouse gas emissions of the electricity consumed in one of Fagron's facilities in the Netherlands, one uses the average carbon footprint of electricity purchased a shown on the electricity bill.

Materiality assessment/double materiality assessment
(Double) Materiality assessment means the exercise to identify and determine potential ESG topics that could affect a business and/or stakeholders. A topic can be material from either a financial perspective (financial materiality) or an impact perspective (impact materiality). An ESG topic meets the criteria of double materiality within the meaning of the CSRD if it is material from the financial impact perspective or the impact perspective, or both.

MWh
Megawatt hour (MWh) is a unit of energy and equals one million watt-hours (Wh) or 1,000 kilowatt-hours (kWh).

NO_X
NO_X stands for nitrogen oxides and is an umbrella term for various combinations of nitrogen-oxygen compounds. NO_X is formed mainly in internal combustion engines and is a form of air pollution.

SDG
The Sustainable Development Goals are 17 different sustainable development goals for the year 2030 established by the United Nations.

SO_2
SO_2 stands for sulfur dioxide. SO_2 is formed mainly in internal combustion engines and is a form of air pollution.

UDHR
The Universal Declaration of Human Rights is a declaration adopted by the United Nations, describing human rights for every human being.

ESRS Index

General Information

ESRS 2 - General disclosures

Disclosure	Paragraph	Location in Annual Report
BP-1	5a/b	Sustainability statement – Scope of ESG reporting
BP-1	5c	Sustainability statement – Scope of ESG reporting. More details reported per material topic.
BP-1	5d/e	Not applicable
BP-2	9	No deviations from time horizon definitions.
BP-2	10-12	Sustainability statement – Value chain estimations and other measurement uncertainty
BP-2	13-14	Sustainability statement – Changes and reporting errors
BP-2	15	The only sustainability framework applied is the ESRS/CSRD.
BP-2	16	Sustainability statement – Incorporation by reference
BP-2	17	Not applicable, Fagron has more than 750 employees.
GOV-1	21a/b	Corporate Governance Statement – Composition of Board of DIrectors
GOV-1	21c	Corporate Governance Statement – Skills and expertise in the Board of Directors
GOV-1	21d	Corporate Governance Statement – Diversity in the Board of Directors
GOV-1	21e	Corporate Governance Statement – Composition of Board of DIrectors
GOV-1	22a	Sustainability statement – ESG management
GOV-1	22b	Will be reported in annual report 2024.
GOV-1	22c	Sustainability statement – ESG management
GOV-1	22d	Will be reported in annual report 2024.
GOV-1	23	Will be reported in annual report 2024.
GOV-2	26a/b	General information in Sustainability statement – ESG management, more detailed information will be included in annual report 2024.
GOV-2	26c	Will be reported in annual report 2024.
GOV-3	29(all)	Corporate Governance Statement – Remuneration report and policy
GOV-4	32	Sustainability statement – ESG due diligence
GOV-5	36	Will be reported on for the first time in annual report 2024.
SBM-1	40a	i. and ii. About Fagron - Our value chain iii. Sustainability statement – Diversity in terms of nationality iv. Not applicable
SBM-1	40b/c	Fagron will publish this information once ESRS sector descriptions become available.
SBM-1	40d	Fagron is not active in the fossil fuel sector, chemicals production, controversial weapons or the cultivation and production of tobacco
SBM-1	40e	Sustainability statement
SBM-1	40f	About Fagron - Strategy
SBM-1	40g	Will be reported in annual report 2024.
SBM-1	41	Not applicable.
SBM-1	42(all)	About Fagron - Our value chain
SBM-2	45a	Sustainability statement – Stakeholder management
SBM-2	45b/c	Will be reported in annual report 2024.
SBM-2	45d	Sustainability statement – Stakeholder management
SBM-3	48a	Sustainability statement – Material topics
SBM-3	48b	Will be reported in annual report 2024.

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Disclosure	Paragraph	Location in Annual Report
SBM-3	48c-e	Will be reported in annual report 2024.
SBM-3	48f	Will be reported in annual report 2024.
SBM-3	48g/h	Sustainability statement – Material topics
IRO-1	53a	Sustainability statement – Materiality assessment
IRO-1	53b	i. Not included in the materiality assessment process. ii. – iv. Sustainability statement – Materiality assessment
IRO-1	53c-g	Will be reported in annual report 2024.
IRO-1	53h	Sustainability statement – Materiality assessment
IRO-2	56	This ESRS Index.
IRO-2	57	Not applicable.
IRO-2	58	Disclosure not mandatory.
IRO-2	59	Sustainability statement – Materiality assessment
MDR-P	All	Disclosed alongside disclosures in the relevant ESRS.
MDR-A	All	Disclosed alongside disclosures in the relevant ESRS.
MDR-M	All	Disclosed alongside disclosures in the relevant ESRS.
MDR-T	All	Disclosed alongside disclosures in the relevant ESRS.

Environmental Information

ESRS E1 - Climate change

Disclosure	Paragraph	Location in Annual Report
GOV-3	13	Corporate Governance Statement – Remuneration report and policy
E1-1	16a-c	ESG Statement – Climate change – Climate change resilience analysis and transition plan
E1-1	16d	Will be reported in annual report 2024.
E1-1	16e	Appendix – EU Taxonomy
E1-1	16f	Fagron does not conduct economic activities related to coal, oil and gas.
E1-1	16g	Sustainability Statement – Climate change – Climate change resilience analysis and transition plan
E1-1	16i/j	Will be reported in annual report 2024.
SBM-3 E1	18	Will be reported in annual report 2024.
SBM-3 E1	19	Will be reported in annual report 2024.
IRO-1	20-21	Will be reported in annual report 2024.
E1-2	24	Sustainability statement – Climate change
E1-2	25	Sustainability statement – Climate change – Policies and targets
E1-3	28	Sustainability statement – Climate change - Actions
E1-3	29a/b	Sustainability statement – Climate change - Actions
E1-3	29c	Will be reported in annual report 2024.
E1-4	32-34	Sustainability statement – Climate change – Policies and targets
E1-5	37-38	Sustainability statement – Energy use - Performance
E1-5	39	Not applicable, Fagron does not produce non-renewable energy.
E1-5	41-43	Sustainability statement – Energy use - Performance
E1-6	All	Sustainability statement – Climate change – Performance
E1-7	All	Fagron does not engage in carbon capture and/or storage and does not use carbon credits.
E1-8	All	Fagron does not apply internal greenhouse gas or carbon pricing.
E1-9	All	Will be reported in annual report 2025.

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ESRS E2 - Pollution

Disclosure	Paragraph	Location in Annual Report
IRO-1 E2	11	Will be reported in annual report 2024.
E2-1	14-15	Sustainability statement – Chemical use & pollution – Policies, targets, actions and performance
E2-2	18	Sustainability statement – Chemical use & pollution – Policies, targets, actions and performance
E2-2	19	Disclosure not mandatory.
E2-3	22/23	Sustainability statement – Chemical use & pollution – Policies, targets, actions and performance
E2-3	24	Disclosure not mandatory.
E2-3	25	Sustainability statement – Chemical use & pollution – Policies, targets, actions and performance
E2-4	28a	Will be reported in annual report 2024.
E2-4	28b	Not material for Fagron.
E2-4	29-31	Will be reported in annual report 2024.
E2-5	34-35	Will be reported in annual report 2024.
E2-6	39	Will be reported in annual report 2025.
E2-6	40a+c	Will be reported in annual report 2025.
E2-6	40b	Will be reported in annual report 2024.
E2-6	41	Will be reported in annual report 2024, if related to 40b. Otherwise in annual report 2025.

ESRS E3 – Water and marine resources

Disclosure	Paragraph	Location in Annual Report
IRO-1 E3	8	Will be reported in annual report 2024.
Other	9-33	Not material for Fagron.

ESRS E4 – Biodiversity and ecosystems

Disclosure	Paragraph	Location in Annual Report
IRO-1 E4	17	Will be reported in annual report 2024.
IRO-1 E4	18	Disclosure not mandatory.
IRO-1 E4	19	Will be reported in annual report 2024.
Other	20-45	Not material for Fagron.

ESRS E5 – Resource use and circular economy

Disclosure	Paragraph	Location in Annual Report
IRO-1 E5	11	Will be reported in annual report 2024.
E5-1	14-16	Sustainability statement – Waste – Policies and targets
E5-2	19	Sustainability statement – Waste – Actions and performance
E5-2	20	Disclosure not mandatory.
E5-3	23-25	Sustainability statement – Waste – Policies and targets
E5-3	26	Disclosure not mandatory.
E5-3	27	Sustainability statement – Waste – Policies and targets
E5-4	All	Not material for Fagron.
E5-5	35-36	Not material for Fagron.
E5-5	37-40	Will be reported in annual report 2024.
E5-6	All	Will be reported in annual report 2025.

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Social Information

ESRS S1 - Own Workforce

Disclosure	Paragraph	Location in Annual Report
SBM-2	12	Will be reported in annual report 2024.
SBM-3	14-16	Will be reported in annual report 2024.
S1-1	19	This information is presented for each material topic.
S1-1	20-22	Sustainability statement – Human rights & labor rights – Policies and targets
S1-1	23	Sustainability statement – Health & safety – Policies, targets and actions
S1-1	24a/d	Sustainability statement – Human rights & labor rights – Actions
S1-1	24b	Sustainability statement – Human rights & labor rights – Policies and targets
S1-1	24c	Not applicable.
S1-2	27a-b	Sustainability statement – Stakeholder management
S1-2	27c	Sustainability statement – ESG management
S1-2	27d	Not applicable, Fagron does not have a Global Framework Agreement or other agreements with workers' representatives.
S1-2	27e	Sustainability statement – Stakeholder management
S1-2	28	Not applicable.
S1-3	32(all)	Sustainability statement – Grievance mechanism
S1-3	33	Sustainability statement – Grievance mechanism
S1-4	37-43	This information is presented for each material topic.
S1-5	46	This information is presented for each material topic.
S1-5	47	Sustainability statement – ESG management
S1-6	50(all)	Sustainability statement – Benefits to our people
S1-6	51-52	Disclosure not mandatory.
S1-7	55(all)	Sustainability statement – Benefits to our people
S1-7	56	Disclosure not mandatory.

Disclosure	Paragraph	Location in Annual Report
S1-8	60(all)	Sustainability statement – Human rights & labor rights – Performance
S1-8	61-62	Disclosure not mandatory.
S1-8	63	Sustainability statement – Human rights & labor rights – Performance
S1-9	66	Sustainability statement – Diversity & Inclusion - Performance
S1-10	69-70	Will be reported in annual report 2024.
S1-10	71	Disclosure not mandatory.
S1-11	74-75	Will be reported in annual report 2025.
S1-11	76	Disclosure not mandatory.
S1-12	All	Not material for Fagron.
S1-13	83a	Sustainability statement – Training & development – Performance
S1-13	83b	Will be reported in annual report 2025.
S1-13	84-85	Disclosure not mandatory.
S1-14	88a	Will be reported in annual report 2024, with the exception of non-employees which will be reported in 2025.
S1-14	88b	Fatalities employees work-related injuries: Sustainability statement – Health & safety – Performance Rest will be reported in annual report 2025.
S1-14	88c	For employees: Sustainability statement – Health & safety – Performance Rest will be reported in annual report 2025.
S1-14	88d/e	For work-related accidents, will be reported in annual report 2024. Work-related ill-health will be be reporting in annual report 2025.
S1-14	89-90	Disclosure not mandatory.
S1-15	93a	Will be reported in annual report 2025.
S1-15	93b	Not material for Fagron.
S1-16	97(all)	Will be reported in annual report 2024.

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Disclosure	Paragraph	Location in Annual Report
S1-16	98	Disclosure not mandatory.
S1-16	99	Will be reported in annual report 2024.
S1-17	103a	Sustainability statement – Human rights & labor rights – Performance.
S1-17	103b	Fagron grievance mechanism see Sustainability statement – Human rights & labor rights – Performance. NCP of OECD will be reported in annual report 2024.
S1-17	103c	Will be reported in annual report 2024.
S1-17	104	Not applicable, no cases of severe human rights incidents identified.

ESRS S2 – Workers in the value chain

Disclosure	Paragraph	Location in Annual Report
SBM-2 S2	9	Will be reported in annual report 2024.
SBM-3	10-13	Will be reported in annual report 2024.
S2-1	16	This information is presented for each material topic.
S2-1	17	Will be reported in annual report 2024.
S2-1	18	Sustainability statement – Human rights & labor rights – Policies, targets, actions, and performance
S2-1	19	Will be reported in annual report 2024.
S2-2	22-24	Sustainability statement – Stakeholder management
S2-3	27-29	Sustainability statement – Human rights & labor rights – Policies, targets, actions, and performance
S2-4	32	This information is presented for each material topic.

ESRS S3 - Affected communities

Disclosure	Paragraph	Location in Annual Report
SBM-2 S3	7	Sustainability statement – Stakeholder management
SBM-3 S3	8-11	Will be reported in annual report 2024.
Other		Not material for Fagron.

ESRS S4 - Consumers and end-users

Disclosure	Paragraph	Location in Annual Report
SBM-2 S4	8	Sustainability statement – Stakeholder management
SBM-2 S4	9-12	Will be reported in annual report 2024.
S4-1	15	This information is presented for each material topic.
S4-1	16a+c	Sustainability statement – Human rights & labor rights – Policies and targets
S4-1	16b	Sustainability statement – Stakeholder management
S4-1	17	Will be reported in annual report 2024.
S4-2	20+22	Sustainability statement – Stakeholder management
S4-2	21	Not applicable.
S4-3	25+27	Sustainability statement – Human rights & labor rights – Policies and targets
S4-3	26	Will be reported in annual report 2024.
S4-4	30	This information is presented for each material topic.
S4-4	31	This information is presented for each material topic.
S4-4	32(all)	Will be reported in annual report 2024.
S4-4	33(all)	Will be reported in annual report 2024.
S4-4	34	Will be reported in annual report 2024.
S4-4	35	Sustainability statement – Human rights & labor rights – Actions and performance
S4-4	37	Will be reported in annual report 2024.
S4-5	40	This information is presented for each material topic.
S4-5	41	Sustainability statement – ESG management

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Governance Information

ESRS G1 - Business conduct

Disclosure	Paragraph	Location in Annual Report
GOV-1 G1	5a	Sustainability statement – ESG Management
GOV-1 G1	5b	Will be reported in annual report 2024.
IRO-1 G1	6	Will be reported in annual report 2024.
G1-1	9	Sustainability statement – Compliance – Policies, targets, and actions
G1-1	10a	Sustainability statement – Grievance mechanism – Policies and targets
G1-1	10b	Will be reported in annual report 2024.
G1-1	10c	Sustainability statement – Grievance mechanism – Policies and targets
G1-1	10d	Not applicable, see G1-1 10c.
G1-1	10e	Sustainability statement – Grievance mechanism – Policies and targets
G1-1	10f	Not material for Fagron.
G1-1	10g	Sustainability statement – Compliance – Policies, targets, and actions
G1-1	10h	Will be reported in annual report 2024.
G1-1	11	Sustainability statement – Grievance mechanism – Policies and targets
G1-2	14	Not material for Fagron.
G1-2	15(all)	Sustainability statement – Responsibility in the supply chain – Business Partner Code of Conduct
G1-3	18a	Sustainability statement – Corruption and bribery – Policies and targets
G1-3	18b+c	Sustainability statement – Grievance mechanism – Policies and targets
G1-3	19	Not applicable.
G1-3	20	Sustainability statement – Grievance mechanism – Policies and targets
G1-3	21a+c	Sustainability statement – Corruption and bribery - Actions
G1-3	21b	Will be reported in annual report 2024.
G1-4	24(all)	Sustainability statement – Corruption and bribery - Performance
G1-4	25(all)	Disclosure not mandatory.
G1-5	All	Not material for Fagron.
G1-6	All	Not material for Fagron.

EU Taxonomy

The European Taxonomy Regulation (Sustainable Finance Taxonomy – Regulation (EU) 2020/852) stipulates that a large number of companies, including Fagron, must publish information whether their economic activities can be classified as “environmentally sustainable”. Three indicators must be reported upon: revenue, capital expenditures and operational expenditures that contribute to the “environmentally sustainable” economic activities.

After a thorough review of the EU Taxonomy Climate Delegated Act and later amendments, it can be stated that Fagron’s economic activities cannot be classified as “environmentally sustainable” from a climate change adaptation or climate change mitigation perspective. Fagron does not generate revenue from the following economic activities defined in the legislation:

- Forestry
- Restoration of wetlands
- Manufacturing: Including manufacturing of renewable energy technologies and equipment for the production and use of hydrogen (NACE codes 25, 27 and 28), technologies for low carbon transport (NACE codes 22.2, 26.1, 26.2, 26.3, 26.4, 27.1, 27.9, 28.14, 28.15, 29.1, 29.2, 29.3, 30.1, 30.2, 30.9, 33.15, 33.17), batteries (NACE codes 27.2, 38.32), energy efficient equipment for buildings (NACE codes 16.23, 23.11, 23.20, 23.31, 23.32, 23.43, 23.61, 25.11, 25.12, 25.21, 25.29 25.93, 27.31, 27.31, 27.33, 27.40, 27.51, 28.11, 28.12, 28.13, 28.14, 30.3, 33.16), low carbon technologies (NACE codes 22, 25, 26, 27, 28), cement (NACE code 23.51), aluminium (NACE codes 24.42, 24.53), iron and steel (NACE codes 24.1, 24.2, 24.31, 24.31, 24.33, 24.34, 24.51, 24.52), hydrogen (NACE code 20.11), carbon black (NACE code 20.13), soda ash (NACE code 20.13), chlorine (NACE code 20.13), organic base chemicals (NACE code 20.14), anhydrous ammonia (NACE code 20.15), nitric acid (NACE code 20.15), plastics in primary form (NACE code 20.16), electricity distribution and transmission equipment (NACE codes 26.51, 27.1, 27.3, 27.9, 33.13, 33.14, 33.2). Fagron has manufacturing activities, but does not manufacture any of these products.
- Energy: including energy generation from renewable sources, transmission and distribution of renewable energy and storage of renewable energy (NACE codes 35.11, 35.12, 35.13, 35.21, 35.22, 35.30, 42.21, 42.22, 49.5). Fagron does generate its own renewable electricity with solar photovoltaics primarily for own use.
- Transport
- Water supply, sewerage, waste management and remediation
- Construction and real estate activities
- Information and communication
- Professional, scientific and technical activities related to the reduction, avoidance or removal or GHG emissions (NACE codes 71.12, 72.1), energy performance of buildings (NACE code 71) or consultancy for physical climate risk management and adaptation (NACE code 74.9)
- Software solutions including software enabling physical risk management and adaptation (NACE code 62.01). Fagron does provide software products related to pharmaceutical compounding that fall under the NACE code 62. These software products do not concern themselves with water leakage reduction.
- Emergency services

After a thorough review of the EU Environmental Delegated Act, it can be stated that Fagron’s economic activities cannot be classified as “environmentally sustainable” in terms of “sustainable use and protection of water and marine resources” and “the protection and restoration of biodiversity and ecosystems”. Fagron’s economic activities do not fall under the following categories defined in the legislation:

- Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems (NACE codes 36 an 42.99).
- Water supply (NACE codes 36.00 and 42.9).
- Urban waste water treatment (NACE codes 37.00 and 42.9).
- Sustainable urban drainage systems (NACE codes 36.00, 37.00 and 42.9).

EU Taxonomy

- Nature-based solutions for flood and drought risk prevention and protection (NACE code 42.91).
- Provision of IT/OT data-driven solutions for leakage reduction (NACE codes 36, 42.99 and 62). Fagron does provide software products related to pharmaceutical compounding that fall under the NACE code 62. These software products do not concern themselves with water leakage reduction.
- Conservation, including restoration, of habitats, ecosystems and species (NACE code 91.04).
- Hotels, holidays, camping grounds and similar accommodation (NACE codes 155.10, 155.20, 155.30).

Some of Fagron's economic activities can be related to the "transition to a circular economy". Fagron carries out activities related to the manufacturing of plastic packaging goods and the manufacture of electrical and electronic equipment. Neither of these economic activities meet the criteria for having a substantial contribution to the transition to a circular economy:

- Manufacture of plastic packaging goods: Fagron only produces plastic packaging for use with its own Fagron lab equipment. This packaging is therefore used as primary packaging for pharmaceutical products. Legislation at this point does not allow the use of recycled post-consumer material in this type of packaging, nor can this type of packaging be designed for reuse withing a reuse system. Fagron is currently not producing packaging that contains at least 65% of bio-waste feedstock. Only the Fagron group company Gako Deutschland GmbH works with the manufacturing of plastic packaging goods.
- Manufacture of electrical and electronic equipment: Fagron manufactures lab equipment. There is no EU ecolabel available for these types of products. Fagron has not paid explicit attention to design for long lifetime, repair and guarantee, reuse and manufacturing, dismantling or recyclability. Fagron might do so in the future. Only the Fagron group companies Gako Deutschland GmbH and Hiperscan GmbH work with the manufacturing of plastic packaging goods.

Some of Fagron's economic activities can be related to "pollution prevention and control". Fagron carries out activities related to the manufacturing of pharmaceutical ingredients (API) or active substances and the manufacturing of medicinal products. Neither of these economic activities meet the criteria for having a substantial contribution to pollution prevention and control:

- Manufacture of active pharmaceutical ingredients (API) or active substances: According to the registrations in the chamber of commerce in the respective countries in which Fagron group companies operate, some of Fagron's activities fall under the NACE code 21.1 (Manufacture of basic pharmaceutical products). However, Fagron does not, with the exception of Wildlife Pharmaceuticals, manufacture active pharmaceutical ingredients or active substances. Fagron does purchase these products and repackages them (Fagron Brands and Essentials segments) or compounds them (Fagron Compounding segment). Wildlife Pharmaceuticals manufactures a number of APIs for veterinary use in South Africa. Since these products are not meant for human use, no study has been carried out as to whether their key human metabolites are biodegradable or mineralize in the environment.
- Manufacture of medicinal products: According to the registrations in the chamber of commerce in the respective countries in which Fagron group companies operate, some of Fagron's activities fall under the NACE code 21.2 (Manufacture of basic pharmaceutical preparations). It is possible that some of the sterile and non-sterile products that Fagron puts on the market under its compounding segment meet some of the requirements set out in the legislation. However, Fagron has not established whether the ingredients that constitute the individual pharmaceutical preparations are biodegradable in the environment.

Since the revenue of every company is only counted towards the main economic activity (one NACE code), there is no risk for double counting. In total this means that 1.2% of Fagron's revenue falls within an economic activity that is eligible for the taxonomy in relation to the "transition to the circular economy" and Fagron's revenue from its compounding segment 41.0% of Fagron's revenue falls within an economic activity that is eligible for the taxonomy in relation to "pollution prevention and control". The percentage of eligibility is much higher than reported over 2022 because of the expansion of the scope of the Taxonomy Regulation with the Environmental Delegated Act. However, also in 2023, 0% of Fagron's economic activities are aligned with the Taxonomy Regulation since they do not meet the criteria for making a substantial contribution. There is therefore also no OpEx and CapEx that falls within "bucket a" of the Taxonomy aligned OpEx and CapEx indicators.

EU Taxonomy

Fagron might have OpEx and CapEx that falls within "bucket a" for Taxonomy eligible OpEx and CapEx indicators. Fagron has not determined these values at this moment. We will do so over financial year 2024.

Fagron does not currently have any CapExplan to allow taxonomy-eligible economic activities to become Taxonomy-aligned. There is therefore also no OpEx and CapEx that falls within “bucket b” of the Taxonomy aligned OpEx and CaPex indicators.

Fagron did have CapEx in 2023 in relation to “bucket c” or individual measures that lead to greenhouse gas reductions. These include CapEx on:

- Installation, maintenance and repair of energy efficiency equipment
- Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- Installation, maintenance and repair of renewable energy technologies

A total of 302 (x1.000 euro) was spent in 2023 on these activities. This means that ~1% of Fagron’s CapEx are eligible under the Taxonomy Regulation. Since Fagron does not currently have an analysis of its physical climate risk specifically for the facilities where energy efficieny equipment, charging stations and solar panels have been installed, the alignment of these activities with the Taxonomy Regulation is unknown. Out of cautionary principle, Fagron therefore states that 0% of its CapEx are aligned.

Since maintenance and repair of this type of installed equipment will always be an order of magnitude less in terms of expenditure than the installation of the equipment itself, Fagron does not deem it necessary to assess the OpEx in 2023 in relation to individual measures that lead to greenhouse gas reductions. This means that 0% of Fagron’s OpEx are aligned with the Taxonomy Regulation.

EU Taxonomy

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm)									
Economic Activites (1)	Code (2)	Turnover (3)	Proportion of Turnover year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaption (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, year 2022 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
		Million euro	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmental sustainable activities (Taxonomy-aligned (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Manufacturing of plastic packaging goods	CE 1.1	1.6	0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Manufacture of electrical and electronic equipment	CE 1.2	7.8	1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	1.6	0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Manufacture of medicinal products	PPC 1.1	311.0	41%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		322.1	42%	0%	0%	0%	97%	3%	0%								0%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		322.1	42%	0%	0%	0%	97%	3%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		440.9	58%																
TOTAL		**763.0**[1]	**100%**																

1 Explanation 6 in the consolidated financial statements.

EU Taxonomy

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activites (1)	**Code (2)**	**CapEx (3)**	**Proportion of CapEx year 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaption (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaption (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, year 2022 (18)**	**Category (enabling activity or) (19)**	**Category (transitional activity) (20)**
		Million euro	**%**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmental sustainable activities (Taxonomy-aligned (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.2	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	1%	100%	0%	0%	0%	0%	0%								0%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		0.3	1%	100%	0%	0%	0%	0%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities	-	44.5	99%																
TOTAL	**-**	**44.8**[1]	**100%**																

1 Note 5 in the consolidated financial statements.

EU Taxonomy

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activites (1)	Code (2)	OpEx (3)	Proportion of OpEx 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaption (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
Text		Million euro	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmental sustainable activities (Taxonomy-aligned (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		317.6	100%																
TOTAL	-	**317.6**[1]	**100%**																

1 Fagron does not currently calculate the total OPEX based on the definition as given in the Taxonomy, because it does not align with its accounting standards. The sum of note 8, 9 and 11 in the consolidated financial statements, together give an indication of the maximum OPEX that might fall under the Taxonomy definition.

EU Taxonomy

Template 1 – Nuclear and fossil gas related activities

Nuclear energy related activities	
1. The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2. The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3. The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities	
4. The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

The other four templates related to nuclear and fossil gas related activities have not been included in this annual report. Since Fagron is not active in these sectors, the values to be reported in templates 2 to 5 are all "0".

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personalizing medicine