

SUSTAINABILITY REPORT 2018



We
ACT →

Certified



Corporation

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Chairman's statement

» *The health of our planet and its inhabitants
deserves our best efforts.*

This simple sentence perfectly describes Chiesi's approach to sustainability. In **2018** we continued to actively express the will of our Company to care for the people and the environment around us.

Now, more than ever, three years after the Paris Agreement and the adoption of the **UN 2030 Agenda for Sustainable Development**, we are aware that every single contribution towards sustainable development has a global impact. Our actions will influence the health and survival of our economy, our society, and our planet. At Chiesi, we are determined to play our part, actively contributing our resources and skills with purpose and enthusiasm.

Our actions are guided by a simple commitment to be a force for good, while operating a successful and sustainable business at the same time. This approach has characterized our company from the very beginning, and is founded on our belief in **shared value**; that we can create business opportunities and deliver social value simultaneously.

2018 was a year rich in important milestones for Chiesi; a year marked by **change, growth**, and the planning of **transformational projects** that will enable the continued growth and evolution of our company in the future.

Our successes in 2018 are directly attributable to the **talent, energy**, and **effort of the people** working every

day throughout the Chiesi world. Chiesi people are the heart and soul of our business, creating the kind of added value that we consider precious and unique.

More than 80 years ago **Chiesi** was born with the ambitious goal of taking care of **people's health**. This seed of an idea has grown into an even bigger ambition: an innovative business approach focused on working for the **health of our world and all of its environmental, cultural, economic, and societal resources**.

It is with this audacious vision, that we believe deeply in the **positive impact** we can have in the years to come.



Alberto Chiesi
Chairman



We are a pharmaceutical company
working in four main therapeutic areas:
respiratory, neonatology, rare diseases
and **special care**.

Our history begins in **Parma**, Italy, where in 1935 **Giacomo Chiesi** initiated research in his first Chiesi-owned laboratory. In 1955 that laboratory became a factory, and it did not take long for the company to start establishing business relationships in international markets around the world.

Currently, Chiesi's worldwide operation comprises six research centers, three manufacturing sites, and operating offices in **twenty-seven countries**.

Chiesi at a glance

»



REVENUES 2018

Global revenues 1,768
(million € ex factory)

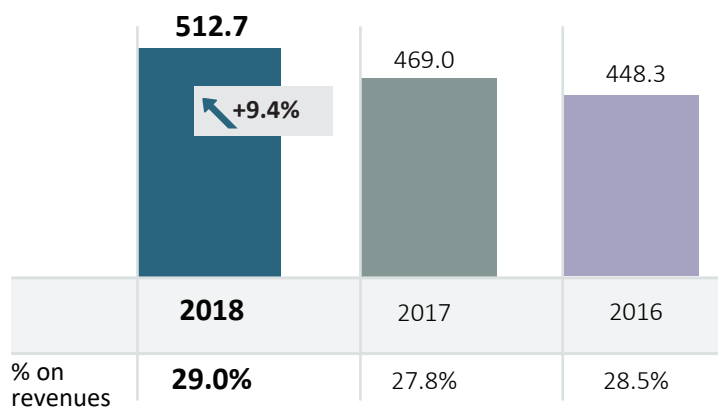


■ Europe ■ Usa ■ Emerging Markets and IMDD



EBITDA 2018

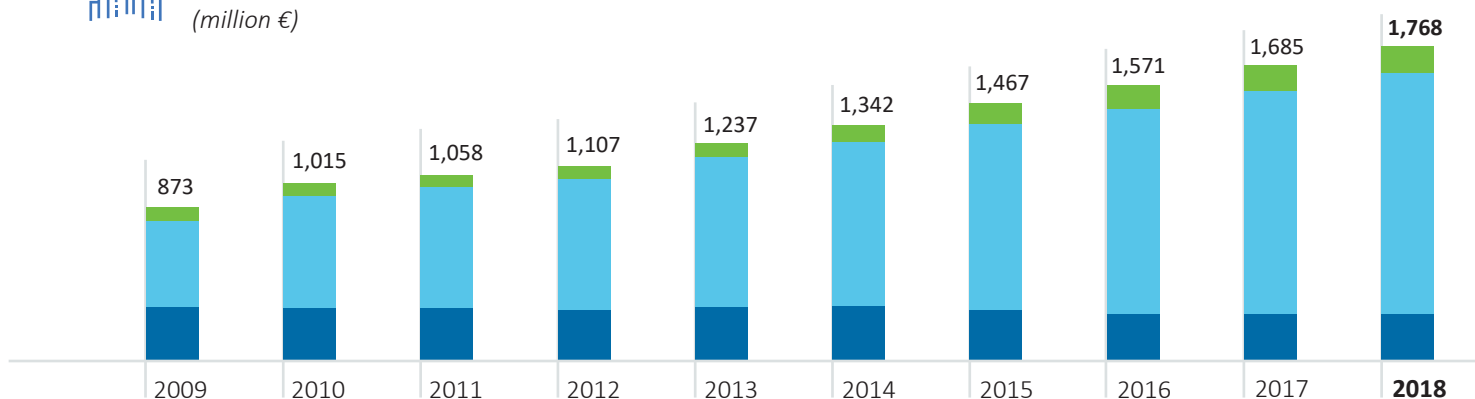
(million €)



CONSOLIDATED REVENUES

(million €)

■ Export ■ Affiliates ■ Italy



EMPLOYEES WORLDWIDE



52%
Women



48%
Men

49.8%

of executives are between the ages of 30 and 50

43.8 hours

of training per employees

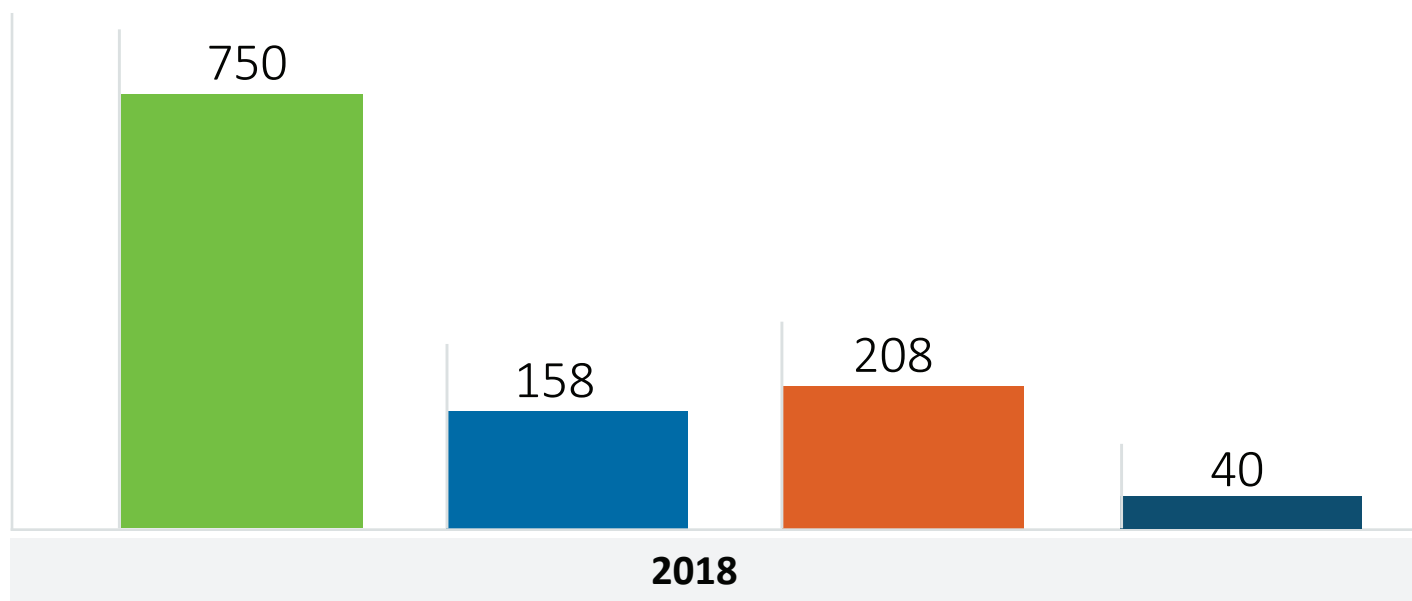
* The total workforce refers to employees and external collaborators (field force contractors and ad interim employees) of the Group, excluding long term employee absences, therefore it differs from the total of employees (equal to 5,228 at 31st December 2018) in which long term employee absences are included and external collaborators are excluded, and it differs from the total of employees reported in the Consolidated Financial Statement (equal to 5,129 at 31st December 2018) in which both long-term employees and external collaborators are excluded.



MAIN PRODUCTS*

(million €)

■ Foster ■ Clenil ■ Curosurf ■ Trimbow



* In market sales

OUR MAIN PRODUCTS

RESPIRATORY

FOSTER
Reach. Treat. Benefit.

ATIMOS

Clenil

Trimbow

FOSTER NEXThaler
FOR PERSISTENT ASTHMA

IperTen
Moxiprep cloridrato

BUDIAIR

BREXIN

NEONATOLOGY

Poractant Alfa
CUROSURF

LISA

Peyona
caffeine citrate
A STEP FORTHER

RARE DISEASES & SPECIAL CARE

Lamzede
Vismase Alfa

HOLOCLAR

BRAMITOB
Inspiration for the lungs

clipper
Inhalation Aerosol

HYANE

PROCYSBI
cysteamine
gastro-resistant hard capsules

Quinsair
levofloxacin nebuliser solution

Envarsus

bronchitol
BAMBITOL

INVESTMENTS IN RESEARCH AND DEVELOPMENT



1st

among Italian pharmaceutical companies *

2th

among Italian manufacturing Companies *

13th

among the European Pharmaceutical companies *

* European Commission - 2018 EU Industrial R&D investment scoreboard



In 2018 **Chiesi** is the 1st Italian pharmaceutical company in Europe for patent deposits

More than
3,754



Worldwide patents in the portfolio Chiesi
(12.31.2018)

Chiesi Once again Top Employer!

7th
consecutive year



11th
consecutive year



8 
CHIESI GMBH
GERMANY

7 
CHIESI SAS
FRANCE

7 
CHIESI LIMITED
UK

7 
CHIESI ESPAÑA S.A.U

6 
CHIESI
POLAND

4 
CHIESI INC.
USA

3 
CHIESI FARMACÊUTICA
LTDA
BRAZIL

2 
CHIESI İLAÇ
TİCARET A.Ş
TURKEY

1 
CHIESI
PHARMACEUTICALS
B.V.
NEDERLAND

Certified
B
Corporation™

REGION EMERGING MARKETS

BRAZIL

Chiesi Farmacêutica Ltda

CHINA

Chiesi Pharmaceutical (Shanghai)
Co., Ltd

RUSSIA

Chiesi Pharmaceuticals LLC

MEXICO

Chiesi México

PAKISTAN

Chiesi Pharmaceuticals (Pvt)
Limited

SWEDEN

Chiesi Pharma Ab

TURKEY

Chiesi İlaçicaret Limited Şirketi A.Ş

MANUFACTURING

Parma, **Italy**

Blois, **France**

Santana De Parnaíba, **Brazil**

RESEARCH

Chippenham e Oxford, **UK**

Parigi, **France**

Parma, **Italy**

Lidingö, **Sweden**

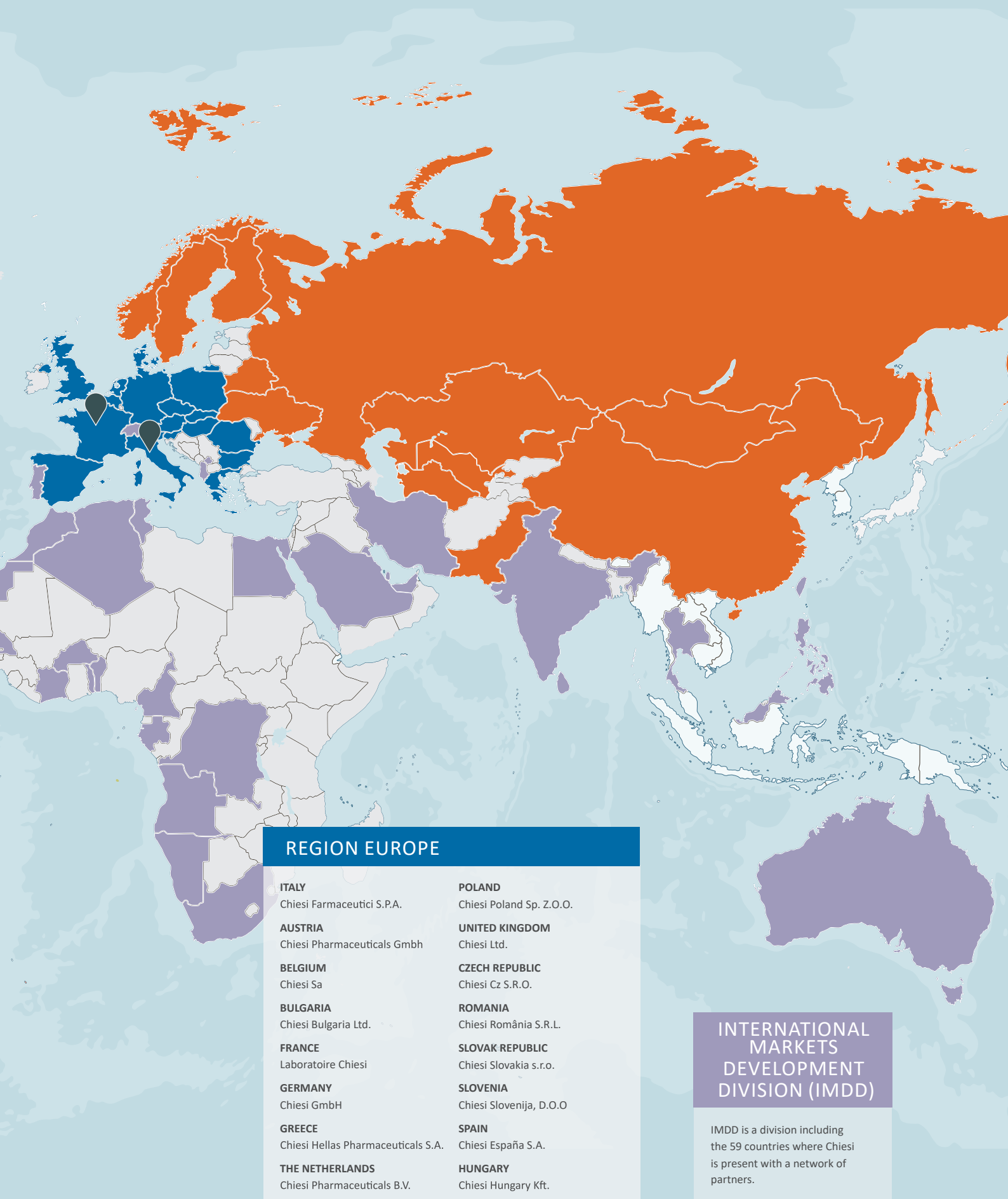
Cary, **North Carolina, USA**

REGION USA

USA

Chiesi USA Inc.





01

**SUSTAINABILITY
AT CHIESI**

*We
ACT* →

Journey to sustainability



1935

Our values

When our **first laboratory** was founded, key sustainability values were already intrinsic: ethics and transparency, responsible behavior, attention to our people's and customers' needs, innovation, value generation, collaboration, and a commitment to future generations.

1992

Our products to improve patients' health

New products for respiratory, neonatal, and rare diseases were commercialized in line with our mission to provide innovative pharmaceutical solutions to improve patients' quality of life. Notably, in 1992 Curosurf was launched for the prevention and treatment of neonatal respiratory distress syndrome in premature infants.

1955

Our new pharmaceutical factory and our first 50 employees

After World War II, the laboratory resumed its activities. We opened up **new markets and frontiers** and enriched our offering, thanks to a growing group of talented employees.

2005

The Chiesi Foundation was established to promote access to knowledge and quality care

Our desire to share Chiesi's broad knowledge in neonatology and pulmonology with people who otherwise would have little or no access to care, led to the creation of the **Chiesi Foundation** in 2005. This non-profit organization promotes health in some of the poorest areas of the world, where the company does not have any production facility or commercial activity.

2015

Our commitment to CSR

In 2015, we decided to give a precise governance and structure to our **Corporate Social Responsibility** activities. We published our first CSR Report, providing transparency to our CSR activities for all of our stakeholders.

2018

The Sustainability Strategic Plan and B Corp submission

In 2018 we developed a strategic plan dedicated to sustainability with the aim of integrating sustainability considerations into our business model. We also submitted the B Impact Assessment¹ at the end of 2018, starting the review process to become a **certified B Corp**.

2017

Our shared value approach to sustainability

In 2017 we started **a new journey** to thoroughly assess our social and environmental impact and to fully integrate sustainability principles into our way of doing business.



1.1

The concept of sustainability at Chiesi



At Chiesi, sustainability has a very specific meaning, describing both our perspective on where we fit in a sustainable system and the actions we take to achieve social, economic, and environmental progress and prosperity.

Sustainability at Chiesi is built on three pillars:



SYSTEMIC PERSPECTIVE

Everything starts with the system: being aware that we live and work in an interdependent network of economic, social, and environmental systems, and that each of them is variously affected by our choices and actions. For this reason, our efforts must be carefully planned and coordinated in consideration of their impact on each system in the network. This imperative informs our actions and the structure of our plans.

We are a for-profit company, and our approach to sustainability is based on the concept of shared value: that every choice we make should generate value for the greater society, which in turn creates a competitive



SHARED VALUE APPROACH

advantage for our company. We believe this is the only way to integrate sustainability into business.

This perspective is gradually being incorporated into every internal process, with the aim of enabling the natural integration of sustainability into our business model.

Our corporate nature leads us to value research, innovation, and development. We consider sustainability to be part of the natural evolution of our company, where we look to the future while holding on to the mission, values, and competencies that have always defined us.



OUR TRADITION AND NATURE



Consistent with this view, in 2018 we launched a new sustainability program throughout our company, named **We ACT** – We Actively Care for Tomorrow. The key elements of this initiative are as follows:



Sustainability Manifesto

This is the loud declaration of our intentions and mission



Sustainable Development Goals and Sustainability Strategic Plan

We put our ideas into practice



B Corp Certification

Our impact is measured by comparison with others; we are not afraid of being measured



Sustainability Report

We want to communicate our performance and operate in a transparent manner



Internal Mobilization

Teamwork makes the dream work: everyone in the Chiesi world must be aware and engaged



We
ACT →
ACTIVELY
CARE FOR
TOMORROW

SUSTAINABILITY MANIFESTO

We live in a time of great changes. The planet is exploited beyond its limits and its equilibriums are in continuous transformation. We are changing ourselves in the way we live and think about our society. The most fragile and vulnerable are paying the price: those who are often left behind in this rush forward.

At Chiesi we have always believed that it is necessary to take care of our planet and the people who inhabit it, rediscovering the value of mutual solidarity, as we are aware that every individual, as well as every living organism, is unique and irreplaceable.

This is why we want to make the assurance of high-quality medical research available for the most fragile individuals so that we can closely listen to and understand them as people, not just as patients.

We want to act as a force for good, promoting a conscious and different way of doing business which strives to achieve a positive impact on society and nature by handling resources in a circular way and creating a new harmony and sustainability. The well-being of all depends on this balance. For us, this is the only true form of progress.

Our team of professionals is highly motivated and open-minded as our culture guides us, valuing the diversity of each individual.

*The health of our planet and its inhabitants
deserves our best efforts.*



1.2

The SDGs and the Sustainability Strategic Plan



The 17 Sustainable Development Goals (SDGs) were launched in 2015 by the United Nations in the 2030 Agenda, as a set of defined goals, targets, and indicators that the world must achieve in order to safeguard the planet and society. Achieving these goals will require the committed involvement of stakeholders worldwide: governments, institutions, businesses, organizations, and individuals. We are all impacted by the many challenges of our time, and the Sustainable Development Goals are the global framework to achieve true sustainability.

We are committed to the SDGs, and to maximize the results of our efforts we have chosen to focus on nine specific SDGs that align with Chiesi's capacities, abilities, and skills. By doing so, we can have a profound and immediate impact.



Our strategic plan for sustainability begins with these universal, broad objectives and refocuses them through the Chiesi lens, to identify 16 specific sustainability goals related to our nature and business.

The 16 Chiesi Sustainability Goals focus on four main areas of intervention: patients, planet, people, and partnership. The Sustainability Strategic Plan involved multi-functional groups at the corporate level; more than a hundred projects and activities emerged from the plan, each aimed at changing behaviors, re-engineering existing processes, or creating new ones to improve our impact.

CHIESI SUSTAINABILITY GOALS

PLANET			PATIENTS		
Reduce chemicals and GHG emissions	Responsible consumption and production	Raise awareness on planet health	Improve premature babies' outcomes	Extend access to neonatal care	Invest in R&D to foster scientific progress
			Find sustainable therapeutic solutions for Non-Communicable Diseases patients	Reduce the burden of suffering of patients affected by rare diseases	
PARTNERSHIP			PEOPLE		
Transparency and openness	Share good sustainability practices		Commit to community sustainability	Help those in need	Working conditions and products safety
			Employees' professional and personal development	Full and productive employment and people's well-being at work	Diversity and inclusion

The plan involved all of the Group's affiliates, each creating a local plan consistent with the corporate path. The Sustainability Strategic Plan was developed in 2018 and includes projects with a 4-year horizon. We consider this plan as the most efficient and direct way to integrate sustainability into our business model.

1.3

Using Business as a force for good



At the end of 2018, choosing to adopt a new legal form under the Italian (Law no. 208/2015) and US law (Delaware²), Chiesi became a **Benefit Corporation** by revising its Articles of Incorporation and integrating to the objective of generating profits to the shareholders, also the objectives of creating a positive impact on our patients, people, suppliers, communities and the environment we operate in.

A Benefit Corporation is a legal form of business enterprise introduced in 2010 in the United States and is becoming increasingly widespread throughout the world. In January 2016, Italy became the first country outside of the US to introduce the model.

A Benefit Corporation represents a step forward insofar as it changes the very concept of a company by redefining its purpose to balance profit-making, one of the main objectives of traditional companies, with a broader collective benefit. This approach creates value for multiple stakeholders in addition to providing financial returns to the shareholders. Benefit Corporations are the expression of a more evolved vision and incorporate a two-fold purpose into their business objectives: in addition to the objective of generating profit, they also pursue the goal of making a positive impact on society and the environment and undertake to create value not only for shareholders but also for the other stakeholders.

In this regard, Chiesi has taken a global approach: Chiesi affiliates in Brazil, UK, Germany, Spain, The Netherlands, and France have decided to amend their corporate formation documents to include social and environmental impact objectives, despite the fact that these countries have not yet passed a law to allow for the formal structure of a Benefit Corporation.

This change represents a real milestone for the Group, and it also contributes to the company's path of becoming a certified B Corp.

Chiesi's decision to become a certified B Corporation (also known as B Corp) represents our commitment to



join a growing movement of for-profit companies determined to create a significant positive impact on society, to benefit the environment and the lives of workers and customers, and to meet rigorous standards of transparency and accountability.

In 2018, Chiesi assessed the social and environmental performance of all 27 Chiesi affiliates, using the B Impact Assessment (BIA). The BIA is the most widely-used assessment for measuring the positive impact of a company on its workers, community, environment, and customers. As a result of the assessment, the Group started a global improvement plan, perfectly integrated with the Sustainability Strategic Plan, with the objective of improving our positive impacts, reducing or eliminating negative ones, and becoming eligible for certification.

In December 2018, all Chiesi affiliates submitted the request for obtaining B Corp certification, guided by one unified common goal: to become the first global pharmaceutical group to be awarded with B Corp certification.

Chiesi is the first global pharmaceutical group to be awarded **B Corp certification** in recognition of its corporate sustainability leadership

Certified



Corporation™

In June 2019, Chiesi received B Corp certification from the leading global sustainability non-profit B Lab®, in recognition of our corporate sustainability practices. This is one of the most fundamental steps to achieving our stated vision of continuous improvement toward a sustainable future.

About B Corporations®

Certified B Corporations are for-profit companies that use the power of business to build a more inclusive and sustainable economy. They meet the highest verified standards of social and environmental performance, transparency, and accountability. To date, there are more than 2,700 B Corps in 150 industries and 60 countries around the world.

About B Lab®

B Lab® is a non-profit that serves a global movement of people using business as a force for good™. Their initiatives include B Corp Certification, administration of the B Impact Management programs, and advocacy for governance structures like the benefit corporation. B Lab® envisions an inclusive and sustainable economy that creates shared prosperity for all.

*Let's make
the world
feel better.*

1.4

Materiality and stakeholder engagement



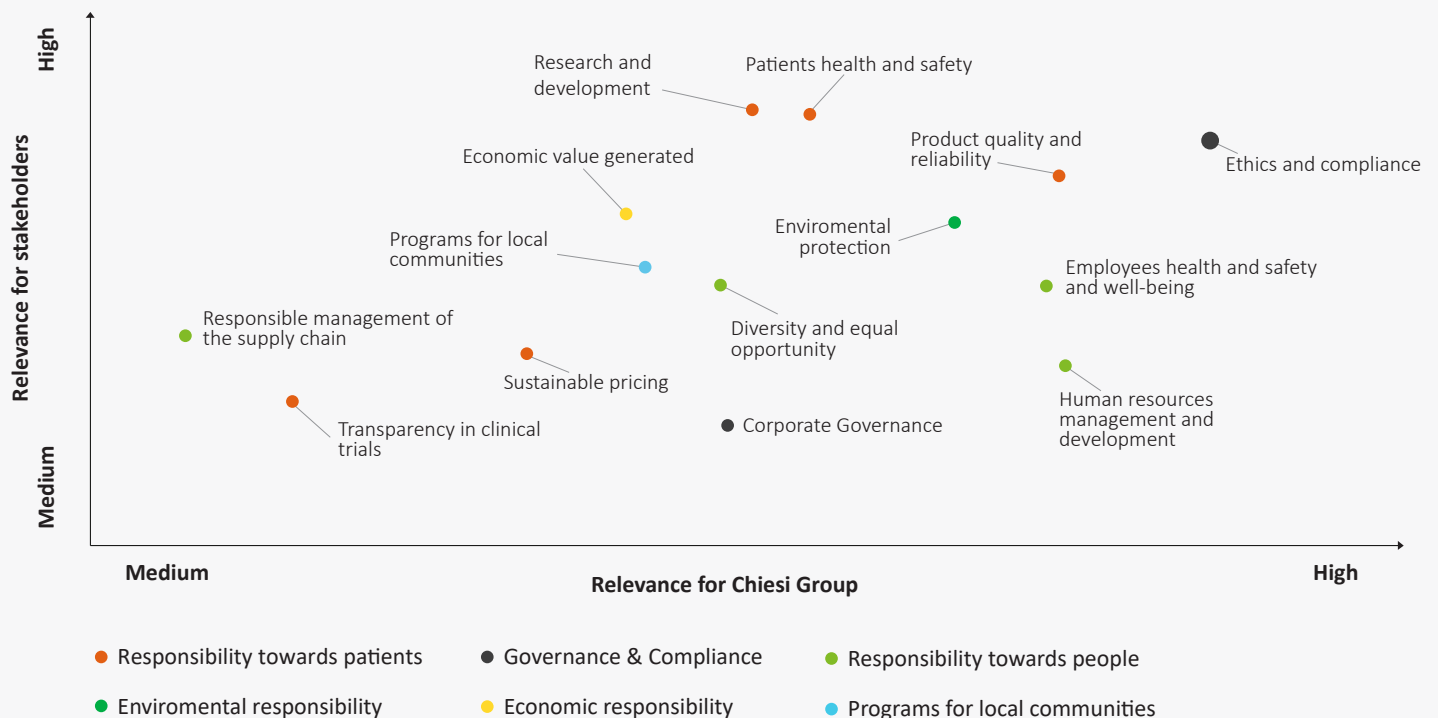
In order to achieve our goal of delivering value to a broader group of stakeholders, it was necessary to determine exactly who these stakeholders are (individuals, groups, organizations, etc.) and which aspects have a significant impact on them, as well as on our business. These relevant aspects are called material topics.

We identified eight key stakeholder groups whose lives and livelihoods are significantly affected by Chiesi's business.



Materiality analysis

Chiesi 2018 materiality matrix



For more information about material topics please refer to the table p. 19,20,21

Once Chiesi's key stakeholders were identified, we conducted a materiality analysis which revealed **fourteen material topics**, shown in the illustrated matrix, that have a significant **impact on our business and stakeholders**, scaled from medium to high relevance. The materiality process engaged corporate management, as well as internal and external stakeholders, to evaluate potential material topics in terms of their likely influence on the company's strategy, business operations, and activities.

We developed a set of engagement activities involving some of our primary stakeholders. Most activities were focused on our **employees, patients, and local communities**. We shared questionnaires regarding sustainability topics with 150 patients, several patients' associations, more than 700 employees, and 20 local associations. The aim of these activities was to gain the broadest possible understanding of what issues are most relevant to whom, by allowing our stakeholders to actively participate in our materiality process.



150
patients



700
employees



20
local associations

This analysis led to the identification of the following material topics:

AREA	MATERIAL TOPIC	GENERAL DEFINITION
Governance & Compliance	<i>Ethics and compliance</i>	Compliance with national laws and regulations in place in the countries where the Group is operating. The Group commitment to promote good relationships and fair practices with all its business partners; in particular, enforcing principles like freedom of contract, fair dealing, written agreements and confidentiality. Group commitment to employee training concerning the ethical code of conduct and adoption of whistleblowers policy and procedures.
	<i>Corporate Governance</i>	Promotion of Corporate Governance best practices and international principles, which are inspired to the highest standards related to ethics, integrity and compliance to laws and regulations (e.g. Code of Ethics). Clear separation of powers (segregation of duty), evaluation of the management and Board of Directors performance and transparency.
Responsibility towards patients	<i>Product quality and reliability</i>	Activities and procedures aimed at offering products and services with a high-quality level, through the implementation of defined actions to guarantee the quality and safety of the company products and their compliance with laws and regulations.
	<i>Research and development</i>	Research and Development activities aimed at discovering new therapeutic solutions for significant unmet medical needs. The topic also considers the use of innovative technologies, patents, intellectual property and avant-garde know-how.

	<i>Patients health and safety</i>	Activities and procedures aimed at offering high quality products and services for the protection of patients' health and safety.
	<i>Sustainable pricing</i>	Ensuring the greatest accessibility to products and therapies working on pricing processes that at the same time can improve access to healthcare while allowing the company to maintain a sustainable margin.
	<i>Transparency in clinical trials</i>	Ensuring transparency in all the phases of the clinical trials. Registration of clinical trials on publicly available databases, accessibility of patient data for subsequent analysis, and disclosure of results irrespective of the trial outcome.
Responsibility towards people	<i>Employees health, safety and well-being</i>	Compliance with national laws and regulations and international standards concerning health and safety, prevention, hygiene and health in the workplace. Moreover, the development of initiatives and practices to promote employees' health and safety and improve the quality of working conditions.
	<i>Human resources management and development</i>	Employees' management and development and the Group's ability to attract and retain talents. Training and development programs to strengthen employees' managerial and organizational skills and consolidate job-specific professional skills. Motivation of employees making them feeling part of the Group achievements. Employees' engagement in the Group strategy and activities.
	<i>Diversity and equal opportunity</i>	Implementation of adequate working practices to ensure equal opportunities, through the elimination of all forms of discrimination and moral or psychological violence due to gender, age, religion, sexual orientation, origin and ethnicity. Promotion of the "culture of diversity", gender equality and intercultural teams.
	<i>Responsible management of the supply chain</i>	Selection of suppliers, collaborators and business partners through fair and transparent processes and supporting competitiveness in the sector, if possible. Promoting fair partnerships and sustainable conducts in the supply chain, evaluating suppliers based on ESG (Environmental, Social and Governance) criteria.

Responsibility towards the environment	<i>Environmental protection</i>	Promotion of energy-efficiency and other energy conservation initiatives, projects aimed at reducing GHG emissions. Promotion of water resources responsible usage, effluents and waste responsible management.
Economic responsibility	<i>Economic value generated</i>	Effective and efficient resources evaluation and allocation to achieve short-run positive economic performance and middle- and long-run economic equilibrium. The ability of the Group to create and distribute direct economic value to different stakeholder categories.
Responsibility towards the community	<i>Programs for local community</i>	Involvement of local communities in the Group activities and initiatives. The Group responsible commitment to society and local communities (e.g. through social investments and donations). Organization and promotion of volunteering programs, in collaboration with non-profit organizations, to support local communities in the countries where the Group operates.



02

**CHIESI
WORLD**

2.1

Mission, vision and strategy



The mission and the vision of a company generally define why a company exists and what it intends to achieve. The mission articulates the original purpose and highest aspirations. The vision drives the company's direction. Both inform the company's choices and actions.

OUR MISSION



Our aim is to be recognized as a research-focused international Group, able to develop and commercialize innovative pharmaceutical solutions to improve the quality of human life.



We wish to maintain a high-quality entrepreneurial team characterized by self-confidence and a collaborative spirit.



Our goal is to combine commitment to results with integrity, operating in a socially and environmentally responsible manner.

In 2018, the Chiesi family worked together to update our **2020-2025 Vision** and set our **2020-2024 targets**, which will be disclosed throughout the Group at the beginning of 2019.

In addition to the essential elements of the Vision – **growth and internationalization, innovation and R&D, and the development of Chiesi people** – two additional themes have been integrated: **digitalization and sustainability**. These additions highlight the importance of digital technology to our strategic business model and our total commitment to acting responsibly as a business and as individuals in terms of sustainability.



VISION 2 25

By 2025 we aspire to be a point of reference for patients affected by chronic respiratory disorders, neonatal pathologies, rare diseases and other health conditions which are difficult to treat. We commit to offer patients, and those who take care of them, innovative solutions in the management of their needs, even exploring new frontiers in treatment and care.

As a family-controlled company, we want to continue to grow sustainably by focusing on key markets such as the US and Europe, but also expanding patients' access to care in key emerging countries, such as China. We aim to maintain a profitability level adequate to support our investments in innovation and development and our internationalization efforts.

As a Benefit Corporation, we want to act as a force for good, promoting a conscious and different way of doing business, that strives to achieve a positive impact on society and nature, handling resources in a circular way and creating a new harmony, finally sustainable.

We work to embrace state-of-the-art technologies to identify and develop new therapies, to streamline processes, improve efficiency, favor people working proximity and sharing.

We believe we can achieve all this only through teamwork, taking care with particular attention of the wellbeing and the excellence of all the people working with us. Leveraging diversity and creativity, we want to promote a working environment that welcomes everyone's contribution and awards personal accountability.

EVERYONE OF US IS DIFFERENT, EVERYONE OF US IS CHIESI

2.2 Our products and services

**AS A
PHARMACEUTICAL
COMPANY, OUR
BUSINESS IS
FOCUSED ON FOUR
MAIN THERAPEUTIC
AREAS:**

Chronic respiratory diseases

Neonatology

Rare diseases

Special care



Chronic respiratory diseases



Chiesi has been developing medicines to treat respiratory disease for more than 30 years, emphasizing an improved **patient experience, patient choice, and clinical efficacy and safety**.

Chiesi is highly committed to improving the quality of life for patients suffering from chronic respiratory diseases, such as **asthma** and **Chronic Obstructive Pulmonary Disease (COPD)**, by targeting the underlying pathophysiological conditions such as tissue inflammation and airway constriction, which are typical characteristics of such diseases. In other conditions such as bronchiectasis, we also seek to target infections in the airways as well as the increased density of secretions in the airway lumen.

Adherence to treatment regimens is central to a patient's benefit, and this is especially true in the treatment of these chronic respiratory disorders. Our **patient-focused approach** is therefore also aimed at ensuring improved treatment adherence and clinical outcomes. This approach seeks to deliver significantly positive impacts on the lives of patients and their families.

We target this objective with a dual approach: the use of a combination of medicaments and their effective delivery to the target organ (the lung). The introduction of combination treatments not only helps



patients to achieve better clinical outcomes using only one device, but also greatly reduces the environmental impact compared with the same drugs delivered through separate multiple inhalers. Chiesi has been successful in progressing the patient-access to both our **dual and triple inhaled combination treatments** for patients with asthma and COPD across the world. The effective development of patient-friendly inhaler devices, which contain multiple complementary drugs, is essential to ensure the optimal use of medication, while considering environmental sustainability. As a result, we are continually developing our range of devices to ensure they are safe and effective, and environmentally-friendly.

From the early beginnings of the Montreal Protocol in 1990, Chiesi was among the first to openly support the

phasing out of the production of substances responsible for ozone depletion, abandoning chlorofluorocarbon (CFC) propellants used in pressured metered dose inhalers (pMDI) to move to hydrofluoroalkane (HFA) propellant. Even today, with new technologies developing rapidly, we are proud to be at the forefront of device innovation. We continue to work with international experts in the field of propellant gases and in collaboration with other industrial partners, to **develop new technologies for respiratory treatments, with low or null environmental impact.**

Our pMDI products now incorporate a dose counter to enhance patient feedback and compliance. In parallel, we have continued the application of our innovative DPI (Dry Powder Inhalers) platform (**NEXThaler®**) to an increasing number of novel treatment options. NEXThaler® incorporates a number of unique, simple, and patient-friendly use features, and is propellant-free. Recent developments include the application of electronics to inhaler devices and connecting the inhaler to the patients' smartphone, allowing a subsequent link to the prescribing physician as well. Such initiatives are seen as effective vehicles to enhance patient-engagement with their treatments and to directly improve directly patient benefits and the essential relationship with the caregiver.

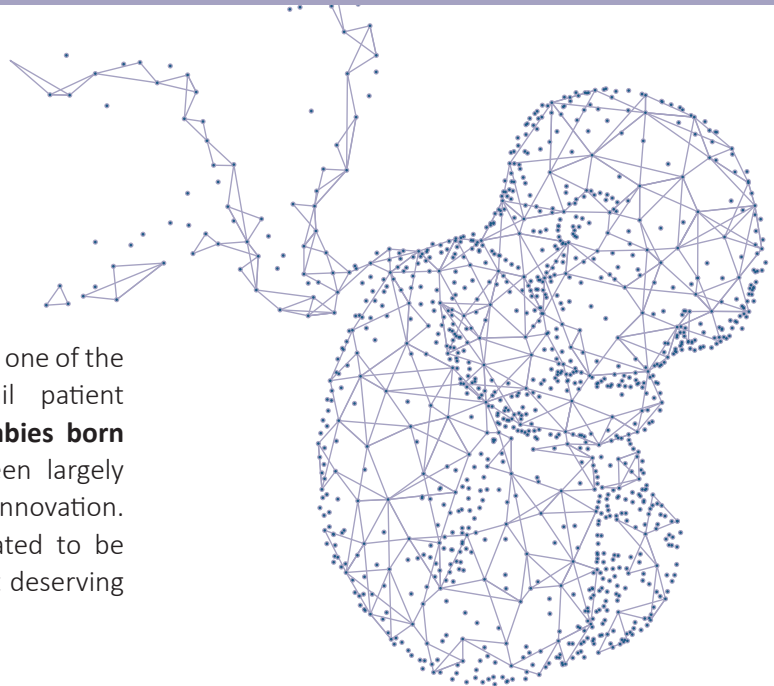
In addition to innovation in the inhaler device field, we have continued to support and develop our innovative formulation technologies. These, along with the key features of our devices, ensure delivery of extrafine aerosols, which maximize lung delivery and ensure that medicaments treat both the large and, importantly, the extensive small peripheral airways. This highly effective lung targeting optimizes both treatment efficacy and dosing, to enhance tolerability and product safety.

Our product developments are not limited to the major and widespread diseases of asthma and COPD, but also to the devastating conditions of **cystic fibrosis, pulmonary fibrosis, and pulmonary arterial hypertension**; diseases with significant patient morbidity and reduced life expectancy. A new recent focus is chronic cough, a symptom instead of a disease, which may have a huge negative impact on people's quality of life, with profound socio-economic consequences in those affected.





Neonatology



Our focus in neonatology brings us closer to one of the most delicate medical fields and frail patient populations with huge unmet needs. **Babies born prematurely and their families** have been largely neglected in terms of commitment and innovation. We are therefore very proud and motivated to be delivering meaningful support to this most deserving group.

When babies are born prematurely, perhaps as soon as 25 weeks of gestational age or 15 weeks before the natural delivery date, many of the body organs and systems are not fully developed and are, therefore, dysfunctional, as the baby starts his or her new life.

Among those organs are the **lungs**, which can efficiently execute their action of performing an appropriate gas exchange (intake of oxygen and discharge of carbon dioxide) only if completely developed. This action is facilitated by a **natural complex compound called surfactant**, which is produced by a specific type of mature lung cells.

In premature babies, the production of surfactant is severely reduced. In neonatology, our flagship development is **Curosurf®**, a product which has saved the lives of over **4 million babies** in nearly 100 countries worldwide by providing an effective replacement for the natural lung surfactant essential for normal breathing. This life-saving treatment is

commonly delivered through an invasive, albeit safe, placement of a tube into the baby's airways. In the pursuit of improving patients' quality of life, we have developed an alternative; a **more patient-friendly and less invasive delivery modality** for surfactant replacement. A series of new programs in partnership with our international network of neonatologists and specialists is also in place. This network provides an essential platform for all areas of our work but particularly in this clinical setting highly in need.

Our innovation efforts are not limited to those in respiratory disease, but also to other devastating consequences of premature birth, such as **neonatal brain injury** and **retinopathy of prematurity**. An example is a severe condition, with high social and clinical impact, especially in U.S., called **neonatal opioid withdrawal syndrome**, in which babies

exposed to opioids in the uterus (because of the use or abuse of these drugs by the mother) are born with a level of dependence and a broad range of complications. For this condition we are developing a novel formulation and delivery system for administration of buprenorphine by the neonatal nurse to alleviate the babies' suffering.

Chiesi's commitment to neonatology does not end with the research and development of innovative therapies and devices. We also support training projects to improve the clinical practices of neonatologists. For example, in Poland, our **Multichannel Neonatology Project** aims to support traditional channels for promotion in neonatology and to maintain Chiesi's scientific leadership in this field. In Spain, after the success of the first edition in 2017, a second edition of our innovation project (**Neostart**) was held, involving all the key stakeholders in the field of neonatology, with the objective of co-creating breakthrough solutions to improve the quality of life of premature babies and their families. A similar initiative has also been implemented in Russia, and collaboration is ongoing with neonatologists in **Pakistan** to address the need to improve access and quality of care in this country, where neonatal death is particularly high².

² Every Child Alive, United Nations Children's Fund (UNICEF), 2018



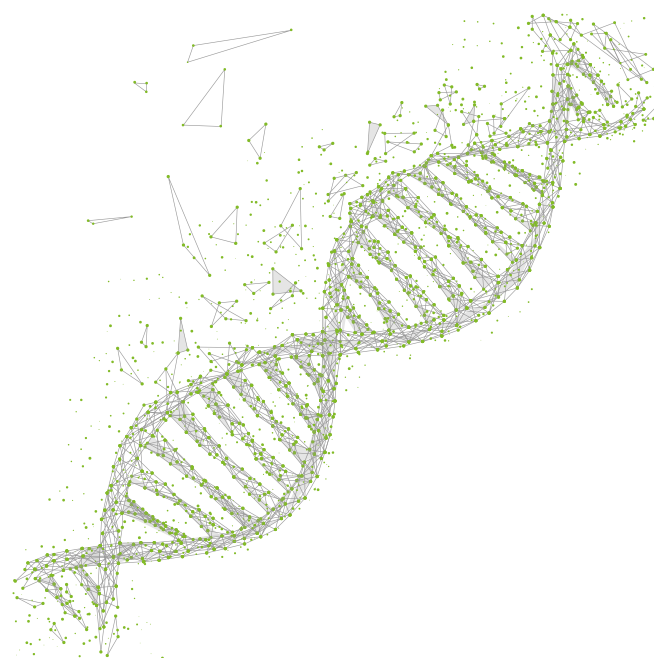
Rare diseases



A large number of **rare diseases** exist, which are typically very severe and affect very few patients. Given the scarcity of scientific knowledge and clinical experience around the majority of these diseases, patients often experience significant delays in diagnosis and optimal care. **Indeed, many rare diseases have been largely neglected with no effective treatments sought or discovered.**

One particular field of our work is **lysosomal storage diseases**, which is a family of rare and ultra-rare disorders that are a consequence of the lack of a specific lysosomal enzyme and which are often associated with progressive declines in mental and motor functioning as well as dysfunction of other organ systems.

Lamzede® (velmanase alfa) is a Chiesi product and the first enzyme replacement therapy for the treatment of alpha-mannosidosis. This is an ultra-rare disorder presenting a broad range of symptoms, and its long-term prognosis is generally poor, with reduced life expectancy. As an important “partner” to this novel therapeutic, we are supporting the **development of a diagnostic tool for the disease** to facilitate the identification and access of patients to optimal care.



We are also developing a treatment for **Fabry Disease**, another lysosomal storage disorder, wherein the novel product seeks to provide a less frequently-dosed, and therefore more patient-friendly treatment, associated also with reduced immunogenicity, thus enhancing patients' safety.

Beyond our treatments, Chiesi supports the rare diseases field through a series of **multichannel awareness-raising programs** to improve the quantity and quality of information available to clinicians, patients, and families.

Finally, our work in this field is further enhanced and enriched through our developing relationships and the direct impact on our programs of patient associations.



Special care



The treatment of serious **cardiovascular disorders** and complications is another area of high need. Our commitment in this area is significant, demonstrated by the development of a series of drugs for **acute myocardial ischemia**, the leading cause of death in the industrialized countries. Examples include a thrombolytic agent to break up clots obstructing the coronary arteries and a platelet antiaggregant to prevent the formation of clots when catheters are used to break coronary plaques. The former is also being reformulated for the rapid and effective clearance of blood clots in indwelling catheters used for drug administration in a range of indications, including in cancer patients. The quality of the patient's experience is improved by preventing the repeated, uncomfortable positioning of these devices.

Immunosuppression after kidney or liver transplantation is a clear medical need, and we have advanced to patients a novel dosage form of a widely used immunosuppressant with an enhanced pharmacokinetic profile which translates into better safety and patients acceptance of the treatment.



2.4

Corporate Governance and Business Ethics



At Chiesi, we demand the highest level of ethical behavior. We require all of our partners and collaborators to conduct their business transparently and in compliance with the highest standards of conduct. We recognize business ethics and lawful conduct as fundamental pillars of our reputation and success.

Our commitment

Because our core business is to **improve people's health**, we believe that integrity and transparency, for our specific sector, are central to every action and behavior.

As a member of the EFPIA³, and following the guidelines set by the Code on Disclosure of Transfers of Value from Pharmaceutical Companies to Healthcare Professionals and Healthcare Organizations, we disclose **transfers of values from pharmaceutical companies to healthcare professionals and healthcare organizations**, and adhere to all legal requirements pursuant to such disclosures. This is to ensure that our relationship with medical/scientific groups and external stakeholders is based solely on effective, transparent collaboration with a view to fostering scientific communication and medical progress.

We expect all of our employees and collaborators to adopt our **Code of Ethics and Conduct**, and we require **responsible business practices** throughout our organization and among all stakeholders in our value chain.

Corporate Governance Structure

Corporate Governance in Chiesi is exercised through various bodies, beginning with our **Board of Directors**, and the **Board of Statutory Auditors**⁴. The latter's duty is to verify compliance with the law and the company's by-laws, the written rules of the company stating our operation and management, and to ensure the adequacy and reliability of our accounting system.

In order to ensure compliance with all laws and regulations, Chiesi set up a **Corporate Compliance Committee**, which oversees the interpretation and implementation of the Group Guidelines on Ethics & Compliance, and the **Surveillance Body**⁵, an independent committee appointed directly by the Board of Directors.

A key role in planning and managing projects and actions pertaining to sustainability is played by the **Committee for Social Activities and Community Development** (CASSC), which oversees activities that benefit the local communities in which the company operates. The CASSC focuses its attention on the city of Parma (Italy) and surrounding areas, where Chiesi Group Headquarters is located. Each year, the Committee issues the Chiesi Group Community Development Guidelines, which provides our Affiliates with a framework and the key objectives for CSR activities focused on community development.

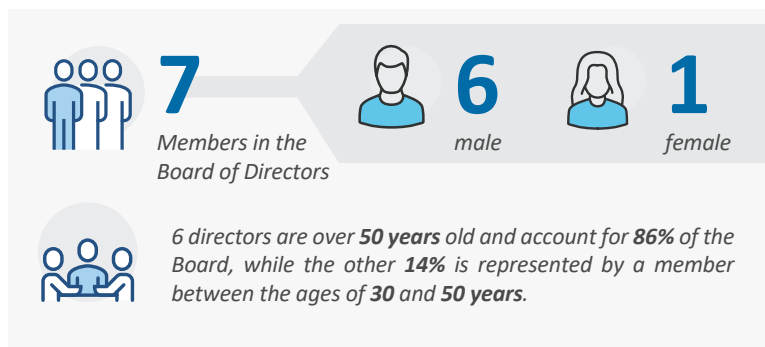
In 2008 a Corporate Internal Audit function was incorporated and provided with operational autonomy and organizational independence from operational and business functions. Internal Auditing assists management in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes by providing risk-based and objective assurance, advice, and insight. The audit mandate is extensive in terms of subjects, scope and geographies, and no limitations are in place.

³ European Federation of Pharmaceutical Industries and Associations.

⁴ Collegio Sindacale

⁵ Organismo di Vigilanza

Diversity in our corporate governance bodies



Chiesi is committed to encouraging the highest level of respect, transparency and ethical behavior in managing professional interactions among all our employees and with our partners and customers.

“Being a reliable company” is both a core value and a motivating goal that requires a deep commitment to ethical behavior by all our people. To support this goal, beyond fulfilling the requirements of laws and regulations, we have developed and adopted several procedures and guidelines, which set out common requirements with which all companies in the Group must comply.

Legality Rating promoted by the Italian Competition Authority (AGCM)

Chiesi Farmaceutici S.p.A. has been awarded the maximum Legality Rating score of 3 stars by the Italian Competition Authority (AGCM).

Organizational, management and control model

Over the past years, we have established tools and processes to prevent, monitor and respond to any cases of non-compliance. In 2003, pursuant to Italian Legislative Decree No. 231/2001, applicable on the whole Italian territory, we adopted an **Organizational, Management and Control Model** (known as a “Model 231”) that clearly defines our ethical commitments and responsibilities in the conduct of our business activities. This Model 231 defines administrative responsibilities and rules to avoid unlawful behavior and identifies the role and responsibilities of the

Surveillance Body. The latter is entrusted with the power of supervising the correct application of the Model itself and refers the outcomes of such activity to the Board of Directors on a periodic basis.

The **Model 231** includes the Code of Ethics and Conduct, which expresses the company’s commitment to operate in accordance, not only with the laws and regulations currently in force, but also with certain principles and rules of ethical conduct. The Code is binding on all bodies, employees, consultants, collaborators, agents and, on a more general level, all third parties acting on behalf of the Company.

In 2005, Chiesi adopted the Group Code of Ethics and Conduct, which at the time was implemented by our main affiliates and, in 2010, was endorsed by all Chiesi affiliates worldwide. In addition, a number of European affiliates implemented internal control systems shaped on legal requirements similar to the Model 231.

The Model 231 is available to all employees via intranet (C-Share). It is subject to periodic review and revision, and any change is promptly communicated to all employees.

In 2012, we released our **Group Guidelines on Ethics and Compliance**, which provides a common framework of rules and aligns governance processes and systems, while ensuring that all key risks are identified and managed effectively in all countries. Chiesi’s Corporate Compliance Committee, whose members (from the legal, human resources and internal audit functions) are appointed by the Board of Directors, oversees implementation of these guidelines. In 2015, our commitment to compliance resulted in the formal assignment of responsibilities in this area to an autonomous and independent function: the Group Compliance Office.

A Confidential Reporting System, established in 2017, is a direct communication channel that allows employees at all levels to report behaviors, such as a conflict of interest or other misconduct, that might damage the Group’s business or reputation.

Anti-corruption

Our work requires ongoing professional engagement with healthcare operators and scientists. We pay considerable attention to the appropriate management of these relationships, to exert the highest level of control to prevent improper or unlawful behaviors.

We have implemented several mechanisms to this end. In 2015, we adopted a **Corporate Standard Operating Procedure** (SOP) on interactions with healthcare professionals and healthcare organizations, which defines a set of binding principles – in line with IFMPA⁶ and EFPIA Code of Conduct requirements – with which any company in the Group must comply when interacting with Healthcare Professionals (HCPs) and Healthcare Organizations (HCOs).

In 2016 we adopted a Corporate Anti-Bribery Policy, directly applicable to all Companies of the Group, which provides a set of guidelines on how to recognize and avoid improper behaviors.

Corporate Internal Auditing is in charge of carrying out risk assessments and audits for all Chiesi Group affiliates.

Transparency

Since 2015 (first publication 30 June 2016), in accordance with the rules set forth within the **Farmindustria**⁷ Code of Conduct, which implemented the EFPIA's "Code on the Disclosure of Transfers of Value from Pharmaceutical Companies to Healthcare Professionals and Healthcare Organizations," we disclose any transfers of value between Chiesi and healthcare professionals and organizations. This information can be found on the Chiesi websites.

We are also fully committed to transparency in our conduct of clinical trials, in accordance with EFPIA requirements. Our internal policy mandates publication and transparency of all ongoing and completed [clinical trials](#) on the Chiesi website and on recognized independent registries. In accordance with the local legislative and applicable requirements on clinical studies, Chiesi discloses in public registries (e.g. www.clinicaltrials.gov, [EU Clinical Trials Register](#)),

the Clinical Protocol and Study-related Information and the Summary Results of those clinical studies sponsored by Chiesi Farmaceutici S.p.A.

Our approach meets or exceeds the recommendations of pharmaceutical industry trade associations. In addition to the transparency we continue to maintain on our clinical study designs and key results, we have also designed a publicly-available system and portal to collect and manage any requests from qualified external researchers interested in accessing Chiesi clinical data for legitimate research purposes.

A recent publication in a high impact factor, peer-reviewed journal recognized⁸ **Chiesi as one of the highest performers in terms of sharing EU clinical trial results through the European Clinical Trials Register.**

All clinical studies sponsored by Chiesi Farmaceutici S.p.A. and their study-related and results-related information publicly disclosed are made available on the Chiesi Clinical Study Register.

Internal Auditing

The Head of Internal Auditing is a member both of the Surveillance Body and of the Corporate Compliance Committee and provides auditing activities and investigation support to them when necessary. The audit plan and projects in it are executed in consideration of the operational risks, as well as the compliance and ethics risks in any geography in which the auditing activities are executed. Therefore, anticorruption and transparency considerations are built into the design and execution of auditing activities.

Audit results are timely and extensively communicated to management. Periodic meetings are held with the Surveillance Body, Corporate Compliance Committee, Statutory Auditors, and External Auditors in order to share information, results and insights. The Board of Directors is briefed on audit activities and related results annually.

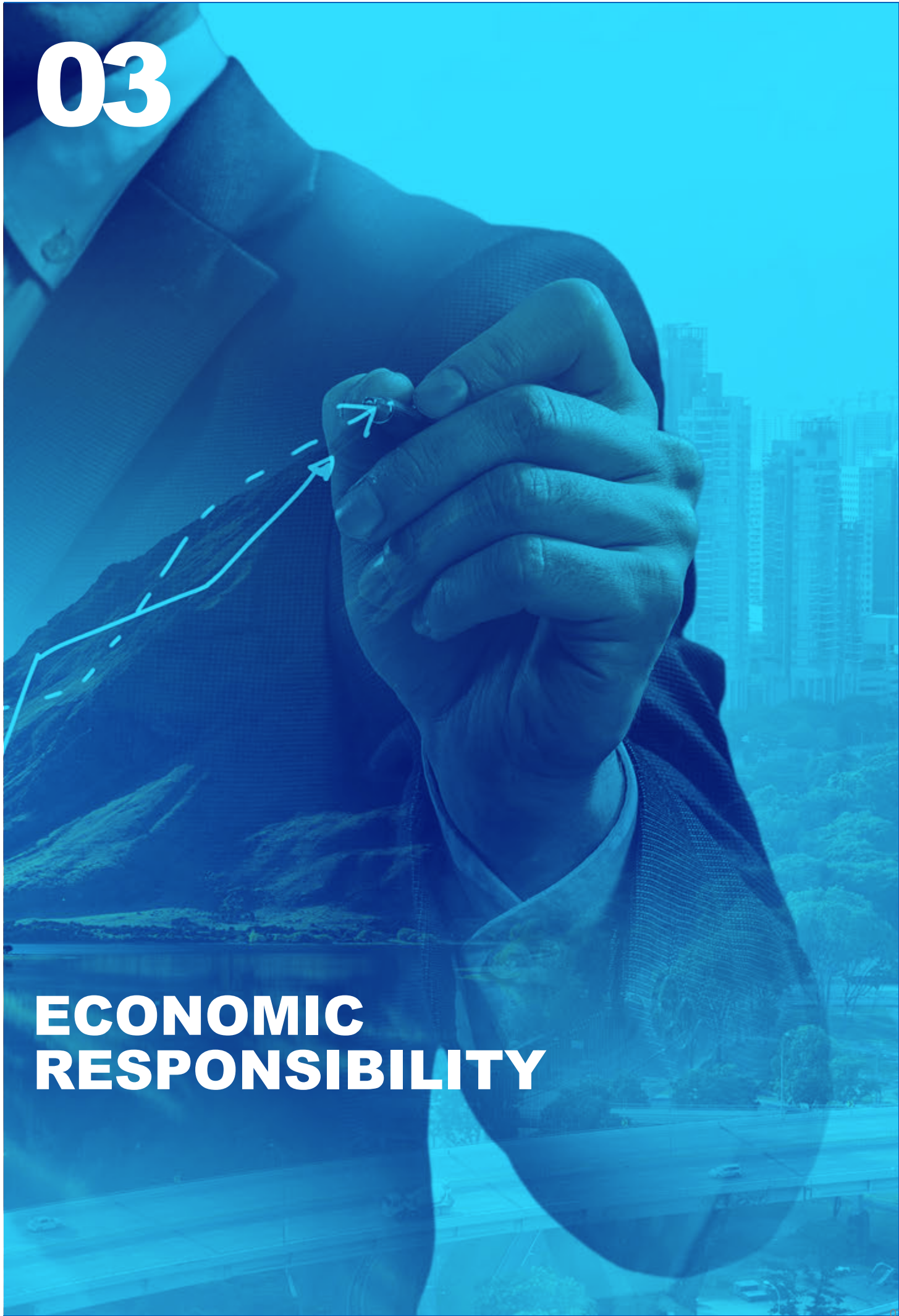
⁶ The International federation of Pharmaceutical Manufacturers and Associations

⁷ The Association of Pharmaceutical Companies and a member of Confindustria

⁸ Goldacre B, DeVito NJ, Heneghan C, et al. Compliance with requirement to report results on the EU Clinical Trials Register: cohort study and web resource. *BMJ* 2018

03

ECONOMIC RESPONSIBILITY



3.1

Financial
Figures

We create value for our stakeholders through innovation and entrepreneurship, thanks to a constant flow of quality products and services, an effective value chain, and excellent working conditions.

In our operations, we create and distribute value to all our stakeholders. At Chiesi, we link the continuous economic growth of our Group to the increase in R&D investment and contributions to society through the creation of quality employment opportunities and social commitment within the community.

IN 2018, WE CONTINUED TO GROW:

- ◆ Group revenues in 2018 amounted to **€ 1,768.0 million**, increasing by 4.8% (and 7.8% at constant exchange rates) compared to 2017;
- ◆ EBIT grew from € 320.7 million in 2017 to **€ 362.7 million** in 2018 (**20.5% of revenues** in 2018 and 19% in 2017);
- ◆ In 2018, investments amounted to around **€ 143 million in the Group**. Approximately 42% was invested in plant, production machinery, and infrastructure, including our new headquarters building in Parma, which is the most visible example of Chiesi's commitment to sustainability. The remainder was allocated in the acquisition of intellectual property and trademark.



+7.8% *growth in revenues
at constant exchange rates
(compared to 2017)*



€362.7 mln

*EBIT grew from € 320.7 million in 2017
to 362.7 million in 2018 (20,5% of revenues
in 2018 and 19% in 2017)*



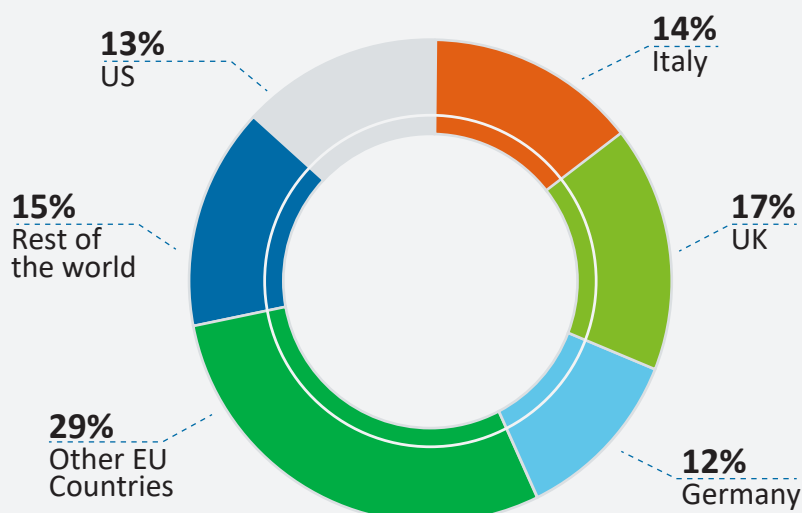
€1,768 mln
Group revenues in 2018 amounted



€143 mln

We invested around € 143 million in the Group

The following
chart shows the
distribution of
revenues in 2018
by geographic
area:



3.2

Economic Value generated and distributed



In addition to the usual financial figures, in 2018 we calculated the economic value that we generated. The purpose of this indicator is to quantify the amount of wealth – or economic value – created by our business and to understand how it has been distributed to our stakeholders, by providing a complete picture of our economic impact along the value chain. This indicator shows how the value generated is redistributed in various forms to our stakeholders or retained by the Company. The total economic value generated by Chiesi in 2018 amounted to **€ 1,843 million**, of which:

79.3%

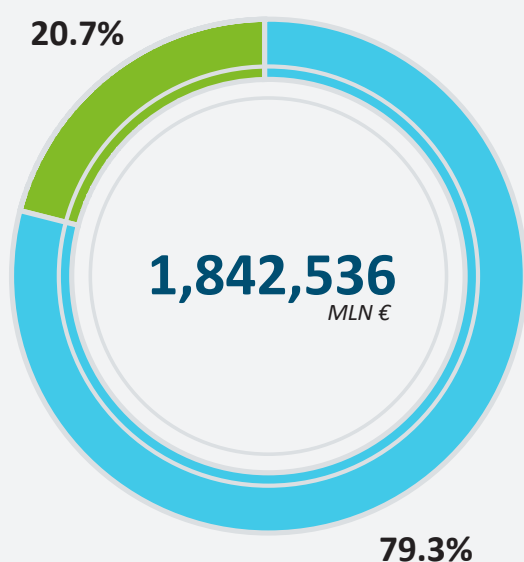
was distributed to stakeholders;

20.7%

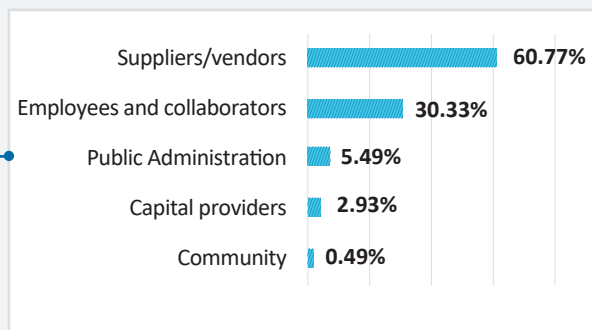
was retained by the Company.

The impact in terms of value distributed by Chiesi is represented by the remuneration of different stakeholders.

Economic value generated*



- Economic value distributed
- Economic value retained



	2018	2017
Economic value generated	1,842,536	1,722,043
Community ⁹	7,169	7,094
Capital providers ¹⁰	42,749	42,315
Public Administration	80,109	62,991
Employees and collaborators	442,831	409,841
Suppliers/vendors	887,363	859,990
Economic value distributed	1,460,221	1,382,231
Economic value retained	382,315	339,813

* Following the adoption in 2018 of the IAS/IFRS accounting standards and as a consequence of methodological improvement, 2017 figures have been restated. For previous values of the economic value generated and distributed please refer to 2017 Sustainability Report

⁹ Value distributed to community (7.16M€ in 2018 and 7.09 M€ in 2017) refers to donations and expenses with social purposes such as: congresses expenses, sponsorship, External Clinical Scientific Test & Studies.

¹⁰ Dividends considered are the ones distributed within the reference year but related to the profit of the previous year.

04

**RESPONSIBILITY
AND COMMITMENT
TO OUR PATIENTS**

Chiesi's mission is to improve the quality of human lives. This means putting **patients at the center** of our activities. In pursuit of this commitment, we provide patients and healthcare professionals with a range of therapeutic solutions that go beyond the simple medicine.

We strive to understand patients' needs, their individual characteristics, and the burden their disease represents in their daily lives.

We apply this patient-centered approach to developing innovative therapeutic solutions in our **areas of focus**:



CHRONIC RESPIRATORY DISORDERS



Including asthma, Chronic Obstructive Pulmonary Disease (often referred to as COPD), and rare conditions such as pulmonary fibrosis, pulmonary arterial hypertension, bronchiectasis and chronic cough.

NEONATOLOGY



Notably diseases of prematurity impacting the lung, but also the central nervous system, cardiovascular system, and the eye.

RARE DISEASES



With a specific focus on lysosomal storage disorders.

SPECIAL CARE



Which refers to other severe conditions requiring interventions by specialists, such as significant cardiovascular diseases and organ transplantation.

In all these therapeutic areas our work is predominantly focused on the development of pharmacological treatments conveying relevant **clinical benefit** to patients in the **short and long term**, but our broader scope includes **diagnostics, medical devices and support services**.

Geographically, we focus on patients in major markets and the developed world, but we continue to **explore new frontiers** in treatment and care and **expanding patients' access to care** in key emerging countries. We

also develop models to improve access to healthcare in low- and middle-income countries.

To deliver on this commitment, we believe that **research and development (R&D) is the foundation for a sustainable impact**. We continue to invest a considerable proportion of our resources to R&D and to foster scientific knowledge and create a network of top class scientists and clinicians engaged in finding solutions to patients' suffering.

We focus on the development of a sustainable and responsible approach towards our patients. We developed **five Chiesi sustainability goals** dedicated to the topic:



PATIENTS

- Reduce hospitalization of premature babies, and improve their short and long term outcomes
- Extend access to neonatal care in low resources countries
- Develop sustainable therapeutic solution for patients affected by non-communicable diseases (NCD)
- Reduce the burden of suffering of patients affected by rare diseases
- Invest in R&D to progress scientific knowledge

4.1

Research & Development



Our approach to R&D

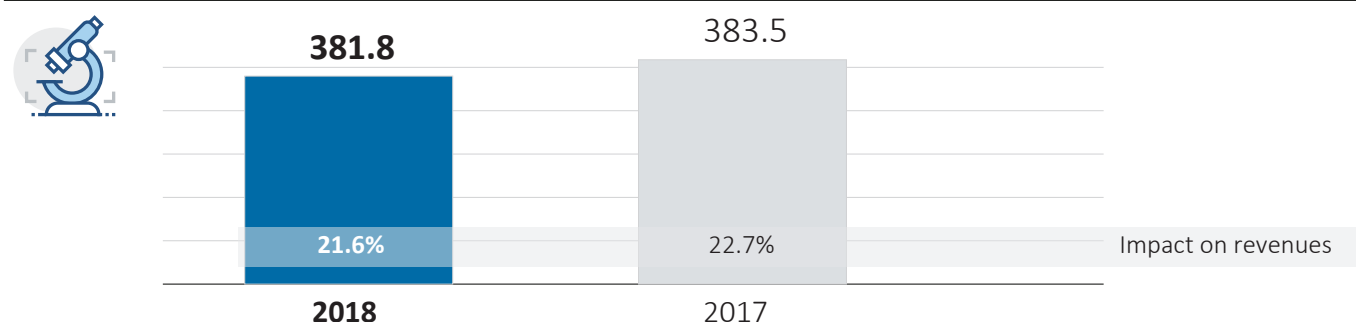
Chiesi's R&D commitment to all specific projects is executed by globally-staffed, cross-functional project teams, which effectively bring together subject matter experts and leaders from the necessary disciplines to ensure **efficient and sustainable product development**. The development of our therapeutic solutions is framed by a target product profile which incorporates the critical elements of efficacy, safety and acceptability, as well as the definition of global scope. Progress is monitored and approved through an established **governance system** to ensure alignment with both business targets and our sustainability strategic plan. R&D targets, including those of key R&D staff, are directly linked to our sustainability goals.

Our effort

Our R&D organization is a fundamental pillar of Chiesi's business for its ability to deliver effective therapeutic solutions for patients. Our commitment to R&D continues to grow:

R&D expenses*

(MLN €)



While remaining focused in our areas of interest, our R&D organization has grown in size and geographical scope. We have devoted particular attention to staff training and people development in this area of our business.

TRAINING SPENDING IN 2018



3 mln €
spent on training initiatives

TRAINING HOURS INCIDENCE IN 2018



5%
on a total of 252 working days
dedicated to training¹¹

N. of ACTIVE STUDIES at the end of 2018



54

N. of APPROVALS* IN 2018



11

(considering all type
of procedures)

N. of PATENTS as of 2018

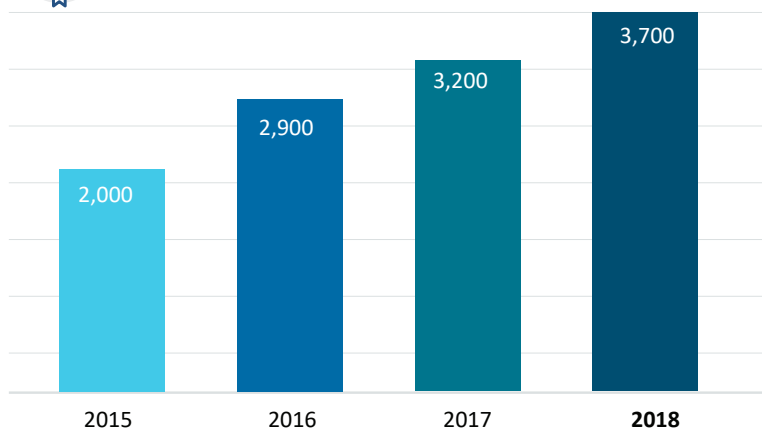


3,700

* Marketing authorization approvals and relevant regulatory variations



Chiesi granted patents worldwide (cumulative)



Growth in R&D activities is primarily driven by projects developed internally by Chiesi researchers. However, growth is also stimulated by our engagement in external collaborations and partnerships to enrich and accelerate innovation. The acquisitions of **Atopix Therapeutics** and **Zymenex A/S** and our collaborations with partners **Pharmaxis Ltd.** and **Protalix BioTherapeutics** reflect Chiesi's openness to strategic partnerships and the cross-fertilization of ideas with the external scientific and business community.

Another important aspect of our R&D activity is our "innovation network and community," an ongoing collaboration with universities and independent research centers, which allows Chiesi to help advance science and knowledge-sharing and to contribute to the vitality of institutions that are fundamental for progress in innovation. In 2018, Chiesi spent approximately **€2.4 million in scientific collaborations** and about **€3.4 million in donations** to universities and research centers.



2.4 mln €
in scientific collaborations



3.4 mln €
in donations to universities and
research centers

¹¹ The percentage of training hours dedicated to training is calculated considering all type of training (managerial, language and specific R&D training) delivered to the whole R&D workforce (worldwide research centers) over the workable hours

4.2

Product quality, safety and reliability



To ensure the best treatment for our patients, we are committed to meeting the highest standards of quality, safety, and reliability of our products. We are highly focused on **innovation and the fulfillment of our customers' expectations**, while maintaining strict **adherence to regulatory requirements**. Chiesi applies a global approach to the safety of our products to ensure a consistent standard of high quality across the company.

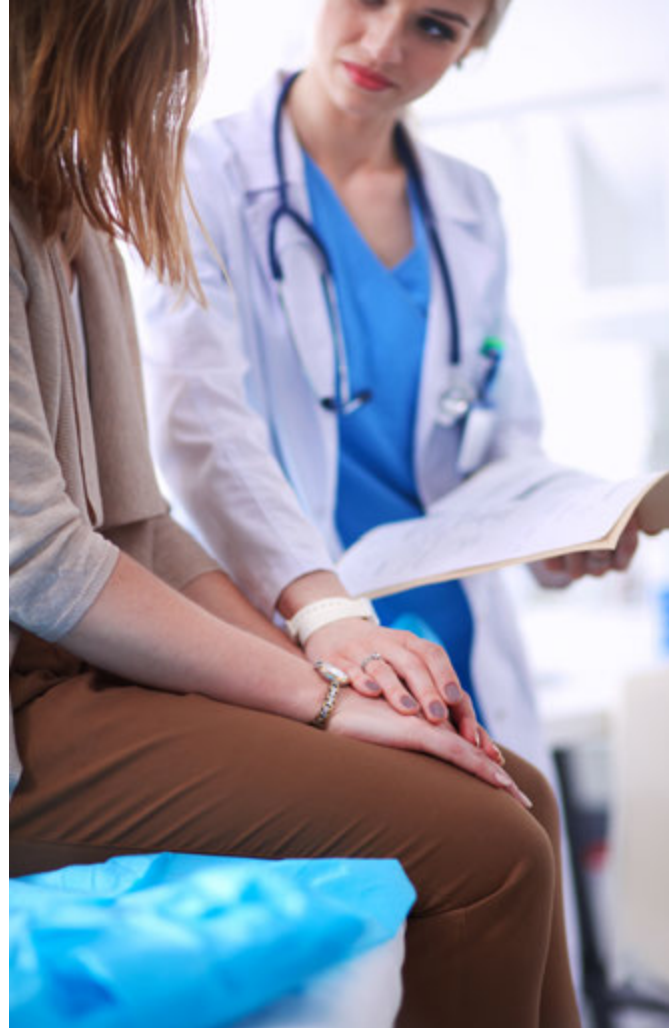
Because Chiesi engages with multiple stakeholders, providing a high-quality product means delivering to a range of specific expectations:

- › Our patients have specific medical needs
- › Healthcare professionals and pharmacists focus their expectations on product efficacy and safety
- › Pharmaceutical regulatory agencies monitor consistency of operations, addressing the product itself for issues like safety, efficacy, and pureness, as well as aspects related to compliance in the production process with regulatory requirements and industry standards.

Given the high level of diversification in our product portfolio, we implement different manufacturing strategies to guarantee the highest level of quality in our production process. All goods are produced in accordance with **international standards**, in sites authorized by the relevant **national and international regulatory bodies**.

Our plants are constantly subject to inspections and assessments to verify compliance with current legislation and internal regulations. We also perform periodic self-inspections to maintain a **high-quality control system**.

Drug safety monitoring is an essential element for the effective use of medicines and for high quality medical care. All information related to the safety of Chiesi's products is collected in a timely and proper manner, to ensure appropriate **analysis and data management** to prevent or address issues that might lead to



interruption or destabilization of the normal activities of the company.

Patients' safety is a fundamental requisite for all Chiesi products, and to ensure it, we rely on our pharmacovigilance and quality policies, which are applied to all company personnel directly or indirectly involved in this process.

The global approach to patients' safety is also driven by an entrepreneurial approach to continuous improvement, according to the principles expressed in the guidelines released by the European Medicine Agency (i.e. Good Pharmacovigilance Practices), National Competent Authorities, and by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH).

The pharmacovigilance system is aimed at monitoring the benefit-risk profile of the medicinal products, ensuring liability and appropriate action when necessary for products both marketed or under clinical development. In addition, all information relevant to the benefit-risk profile of our products is fully and promptly reported to the appropriate authorities and to other concerned receivers in accordance with the current legislation.

Procurement and supply chain

The management of **quality, safety, and reliability** involves every aspect of our product cycle, including procurement practices. Throughout the supply chain, our suppliers are selected and regularly assessed by three internal departments: Procurement, Quality Assurance, and Health Safety and Environment (HSE), according to a scheduled audit plan. These assessments verify their compliance with a wide range of critical factors, including specific procurement requirements, quality and regulatory compliance of operations and quality of their products and services.

Audit results are included in a comprehensive risk analysis on strategic suppliers, in order to identify and propose any corrective action or points of attention to be submitted to the vendors. This analysis and the certification process is repeated periodically. A number of different internal procedures are in place to manage the supply chain, in observance of Good Manufacturing and Distribution Practices.

Chiesi considers **Procurement and Supply Chain management** a key factor in our business model. We focus on excellence, on the qualification of reliable and sustainable partners, on increasing efficiencies in the supply chain, and on promoting strategic relationships with the most important partners. During 2018, Chiesi's approach to sustainability was integrated into our plans for supply chain management and procurement practices.

Sustainability in the supply chain is considered a relevant topic in the field of sustainable development. The UN Global Compact defines Supply chain sustainability as "the management of environmental, social, and economic impacts, and the encouragement of good governance practices throughout the lifecycles of goods and services"¹². This definition underscores the importance of sharing sustainability principles throughout companies' relationships, as one of the most relevant elements to enable the spread of sustainable principles.

We are committed to managing our supply chain in the most responsible way. If we really want our sustainable business model to work, and to be a

model for real change, we are aware of the importance of our network's engagement. For this reason, the management of the supply chain and the sharing of our principles becomes ever more relevant in driving efficiency in our work.

Supply chain management involves coordination of functions, such as Procurement and Corporate Logistics, and oversight of affiliates' local suppliers, through structured monitoring systems. In 2018 a challenging project was launched to standardize the scope of suppliers' sustainability performance, in order to build a unique model for Chiesi at a global level. The first step of this project will be to start with a definition of a **Supplier Code of Conduct** to be shared with all of our suppliers.

From an industrial standpoint, our main suppliers can be categorized as follows: APIs (Active Pharmaceutical Ingredients), Excipients, Primary and Secondary Packaging, CDMO (Contract Development and Manufacturing Organization). In addition, we rely on service providers, including relevant providers supporting our R&D early phase projects.

Direct materials suppliers for production needs in all Chiesi manufacturing sites are constantly monitored by Corporate Procurement.

In 2018, in Italy, Chiesi sourced **55.8%** of its goods from national suppliers, leaving a significant percentage for local suppliers, a positive impact on the communities in which we operate. In other significant locations of the Group¹³, around 72.4% of Chiesi supplies were purchased locally¹⁴.

In evaluating suppliers, we assess their financial stability, compliance with current regulations, service performance record, and their approach to sustainability, together with the evaluation of their business model. We are gradually integrating the social and environmental performance in our suppliers' evaluation system.

In late 2018, **Chiesi joined the Pharmaceutical Supply Chain Initiative (PSCI)**, a group of pharmaceutical companies pursuing common reliable and sustainable partners within the industry.

¹² https://www.unglobalcompact.org/docs/issues_doc/supply_chain/SupplyChainRep_spread.pdf

¹³ These locations include: Austria & CEE (Bulgaria, Czech Republic, Hungary, Romania, Slovenia, Slovakia), Brazil, France, Spain, Germany, UK, USA, Poland, Greece, Belgium, Netherlands.

¹⁴ The figure is calculated based on the orders value issued during the accounting period from Chiesi organizations managed in SAP, excluding internal orders and intercompany values. As local suppliers we consider those suppliers which are located within the same national boundaries of the company location of operation.

4.4

Access to healthcare



Patients' access to effective and affordable care continues to be one of the most critical issues in healthcare at the global level, even in the top-tier developed countries. Achieving a balance between affordable care and sustainable pricing is our goal. We continue to be committed to accelerating and expanding the availability of medicines to patients, particularly for those who suffer from high burden diseases, while considering the long-term sustainability of healthcare systems and of our business model.

In 2018, this effort focused primarily on three areas:

1 Collaboration with governments and healthcare stakeholders to tackle the challenges that prevent patients' access to care and medicines

We committed to support patient-driven initiatives to foster patients' access to treatments in Europe and increase overall understanding of the different elements of care that have an impact on patients' needs:

- › We took part in the initiative **RARE-impact**, a pre-competitive and patient-led consortium aimed at identifying and validating the challenges to patients' access to gene and cell therapies by engaging with HTA (Health Technology Assessment) agencies, regulatory bodies, payers, patient groups, clinicians, manufacturers and other experts across Europe. Driven by Eurordis, the project focuses on payer-related challenges to patient access and on discovering practical ways to ensure patients can gain access to these therapies. The perspective of patients and decision-makers, the ultimate users of gene and cell therapies, is the cornerstone of this unique initiative. The consortium will liaise with the

European Reference Networks (ERNs), Health Technology Assessment (HTA) Network and the European Medicines Agency (EMA) to align the activities.

- › We supported the Active Patients Access Care Survey & EFA Challenge Campaign, a project of the European Federation of Allergies and Airways Diseases Patients' Association (**EFA**), whose goal is to improve the quality of life of patients with allergy, asthma, and COPD in Europe by advocating for a better access to patient centered care.
- › Recently we initiated a collaboration with MPS¹⁵ **Europe**, alongside ongoing collaborations with Eurordis, the Fabry International Network, and ISMRD (the International Society for Mucopolysaccharidosis & Related Diseases).

We continue to participate in institutional working groups whose goal is to use existing regulatory tools more effectively to improve access to and availability of medicines for patients.

- › In 2018, Chiesi was appointed as industrial representative on behalf of **EUCOPE** within the **European STAMP**¹⁶ expert working group. The expert group works to more effectively use the existing EU regulatory tools to foster repurposing of established medicines and improve safe and timely access and availability of medicines for patients.
- › We also promoted a value-based shift for our healthcare systems by drafting the Group position related to patients' access, assessment of medicines, and pricing and reimbursement (P&R).
- › Chiesi recently reconfirmed its support of the **EFPIA** position on a proposal for a **European Regulation on Health Technology Assessment (HTA) and Policy Principles on Cross-country Collaborations on Medicines Pricing and Access**.

2 Access to Chiesi therapeutic solutions, with a focus on exclusive Orphan Medicinal Products with high unmet needs and no alternative treatments available.

Chiesi proactively solicits and listens to valuable input from the patient community, to reach informed decisions on our therapeutic solutions throughout their development and commercialization.

We are now including patient access as one of the components in the development plan of **our therapeutic solutions from the earliest phases on**. We are considering and, when suitable, implementing Expanded/Early Access Programs for our assets, focusing on those treating rare or ultra-rare conditions and those that are unique. These programs, which are sometimes based on Compassionate Use, and in other cases on Special License Sales, allow patients in need to gain access to our medicines even before Marketing Authorization is granted, and to continue receiving therapies after trials have ended and in the wake of the medicine being commercially available. **Our Early Access Program on velmanase alpha** (Lamzed®), supporting patients in five EU Countries, was extended during 2018, and after European Marketing Authorization granting (April 2018), in the wake of the completion of local P&R procedures. For those patients included in our clinical development program, after-trial care was continued throughout 2018.

We are committed to exploring new approaches to expand patient access to our portfolio through **innovative Managed Entry and Managed Access Agreements**, driven by healthcare system sustainability considerations (finance-based agreements) or by the need to reduce uncertainty on outcomes (outcome-based agreements), while preserving the sustainability of our business model.

3 Contribute to the private sector engagement in driving access to NCD prevention, treatment and care for people living with NCD in low- and middle-income countries



Chiesi is also committed to **reducing barriers to prevention, treatment, and care for NCDs** (Non-Communicable Diseases) in **low- and middle-income countries** (LMICs) by strengthening health systems and aligning with Universal Health Coverage (UHC) objectives and priorities. In 2018, Chiesi became a member of **Access Accelerated**, a project that brings together over 20 biopharmaceutical companies to tackle the growing NCD burden in LMICs. This action is fully aligned with the Company's commitment to helping achieve the United Nations' Sustainable Development Goals and the target to reduce premature deaths from NCDs by one-third by 2030.

We also contribute to healthcare access in low-income countries through the work of the **Chiesi Foundation**, a non-profit organization working in the therapeutic areas of respiratory and neonatology. The projects developed by the Foundation focus on countries with weak healthcare systems, providing basic medical equipment, knowledge, and education, in order to respond to the most urgent medical needs.



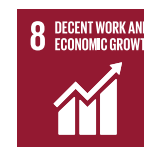
05

**RESPONSIBILITY
TO OUR CHIESI
PEOPLE**

Our workplace at Chiesi is **like a thriving beehive**, and nature teaches us that working in a team is the key, not just to survival, but to prosperity.

At Chiesi, we believe that our people are the driving force of our company's prosperity and longevity, and the wellbeing, team spirit, and excellence of all our collaborators are essential components of our sustainable development.

Four of our Sustainability Goals are dedicated to our people



PEOPLE

- Ensure the highest safety standards of the working conditions and of our products, and promote healthy behaviors.
- Commit to the personal and professional development of our employees, and share our values of integrity, transparency and team spirit.
- Offer full and productive employment, full respect of labor rights, and promote people's well-being at work.
- Leverage diversity and inclusion as sources of innovation and creativity.

As part of our **Sustainability Strategic Plan**, developed and launched during 2018, many initiatives and action plans were dedicated to our people. This plan incorporates sustainability principles into the processes and practices of human resources management, focusing on three main areas of intervention: People Development, People Care and Learning.



The beehive



We are **5,228 internal employees¹⁵** globally (+5.2% vs 2017), of which approximately 96.3% had a permanent contract. In addition to our internal employees, **495 external collaborators** were part of our workforce. We refer to the term workforce to define all those healthcare operators and external collaborators who are essential to efficient operation. The coverage of employees by a collective bargaining agreement within the Group depends on countries' local legislation. On average, around the 64% of Chiesi people were covered by collective bargaining agreement in 2018.

5,624*
people globally

64 %

Chiesi people covered by
collective bargaining agreement

Total number of employees by employment contract (permanent and temporary), by gender

Type of employment contract	at 31st December 2018			at 31st December 2017		
	Male	Female	Total	Male	Female	Total
Permanent	2,450	2,586	5,036	2,370	2,417	4,787
Temporary	59	133	192	63	120	183
Total	2,509	2,719	5,228	2,433	2,537	4,970

* The total workforce refers to employees and external collaborators (field force contractors and ad interim employees) of the Group, excluding long term employee absences, therefore it differs from the total of employees (equal to 5,228 at 31st December 2018) in which long term employee absences are included and external collaborators are excluded, and it differs from the total of employees reported in the Consolidated Financial Statement (equal to 5,129 at 31st December 2018) in which both long-term employees and external collaborators are excluded.

¹⁵ The total of employees includes long-term employee absences and therefore differs from the total of employees reported in the Consolidated Financial Statement (equal to 5,129 at 31st December 2018) in which long-term employee absences are excluded, and it differs from the total workforce (equal to 5,624 at 31st December 2018) in which external collaborators (field force contractors and ad interim employees) of the Group are included and long-term employee absences are excluded.

Total number of employees by employment contract (permanent and temporary) by region

Type of employment contract	at 31st December 2018				
	Italy	Rest of Europe *	USA	Rest of the World	Total
Permanent	1,765	1,788	281	1,202	5,036
Temporary	110	66	1	15	192
Total	1,875	1,854	282	1,217	5,228

* The category "Rest of Europe" refers to data of human resources of the following countries: Belgium, CEE (Bulgaria, Austria, Czech Republic, Romania, Slovak Republic, Slovenia, Hungary), France, Germany, Greece, Netherlands, Nordics (Denmark, Sweden), Poland, Spain, United Kingdom. The category "Rest of the World" refers to the following countries: Brazil, China, Mexico, Pakistan, Russia, Turkey.

Total number of employees by employment type (full-time and part-time), by gender

Full Time / Part Time	at 31st December 2018			at 31st December 2017		
	Male	Female	Total	Male	Female	Total
Full-time	2,486	2,544	5,030	2,411	2,381	4,792
Part-time	23	175	198	22	156	178
Total	2,509	2,719	5,228	2,433	2,537	4,970

During 2018, around 600 people left the company, and we welcomed more than 800 new colleagues around the world. The rate¹⁷ of new employees hired is about 15%, while the rate of employee turnover (terminations) is about 11%.

GROUP

New employee hired - Group

	2018				
	<30	30-50	>50	Total	Rate
Male	130	199	20	349	13.9%
Female	132	282	44	458	16.8%
Total	262	481	64	807	15.4%
Rate	48.2%	13.7%	5.4%	15.4%	

GROUP

Turnover (Terminations) - Group

	2018				
	<30	30-50	>50	Total	Rate
Male	49	199	54	302	12.0%
Female	58	195	52	305	11.2%
Total	107	394	106	607	11.6%
Rate	19.7%	11.2%	9.0%	11.6%	

¹⁷ The rate is calculated taking into consideration new employees hired and terminations divided by the total number of employees at the end of the reporting year (for more information on Group data on turnover please refer on Annex – page 70, 71, 72)

5.1

The development of our people



Every person has experienced, at least once in a lifetime, what it really means to be fully satisfied of the job she or he is doing every day. No matter how hard and challenging it might be, if your job is stimulating, you will find a way to achieve your goals.

Every person has also experienced, at least once in a lifetime, how frustrating and counterproductive it is to dislike a job or the conditions of a workplace.

We aspire to be a rewarding and satisfying place to work. We know the pride and the advantages that come with true professional satisfaction. For this reason, at Chiesi, we have built a very structured People Development program to encourage and support the growth of our employees.

We focus on skills and competencies, and endeavor to stimulate our collaborators to excel in their roles, creating a work environment inspired by the principles of teamwork and collaboration.

Our annual **People Development Program** is a key initiative, designed **for professionals, middle managers and executives**, to create a pool of well-prepared leaders to face future challenges.

The program starts with an assessment process that allows people to understand both their strengths and areas for improvement. The next step is a dedicated training and development plan, created to help employees improve and perform their roles at a high level and prepare for future development opportunities within the company.

In 2018, **around 800 middle managers and executives participated in the process, and 650 Individual Development Plans were activated**. A Succession Plan for critical roles is also in place, covering more than 50% of all relevant positions.

Our development effort is not limited to high level positions or people with extensive work experience. We also offer professional development opportunities for our less tenured employees.

Potential Assessment for young graduates is a program dedicated to recently hired employees, not yet in managerial roles. This program, implemented across all functional areas, assesses employees' skills and their potential for growth, through group assessments and individual interviews, and defines for each of them a specific development plan. In 2018, 40 people participated in the program in Italy and defined their individual development plans.

With the ambition of reaching every area of our employee population, our development projects also focus on employees working in manufacturing sites. We launched a project dedicated to the **Global Manufacturing Department** (GMD) in Italy, France, and Brazil. This project, dedicated to talented employees, is called "Got my Talent," and was initiated in 2018. Its purpose is to develop skills, motivation, and teamwork with the objective of encouraging managerial growth in the manufacturing division. Within this project in 2018, 22 people were invited to participate in assessments, training sessions, project works, and development programs.

In addition, a new performance evaluation program has been designed for workers in the Italian manufacturing sites. The new evaluation process will be implemented in 2019.

In 2018, as part of our commitment to providing career development opportunities worldwide, we expanded the **Chiesi Academy**, an intensive educational program designed and delivered in partnership with the internationally acclaimed Italian business school, SDA Bocconi. Highly-qualified Chiesi employees from around the globe are invited to attend one of three tracks:

- ▶ the fourth edition of the **DEAL program (Develop Executives And Leaders)**, targeting senior executives, a unique journey into Leadership for our future Company "shapers"
- ▶ the fifth edition of the **CCM program (Chiesi Corporate Master)**, a 25-day MBA-like program targeting young talents
- ▶ a brand-new program for marketers, the first edition of **Marketing Excellence** program

Since its creation in 2009, approximately 300 people from all geographies have participated in the Academy.

In addition to the global training programs, in Italy we offered employees a catalog of 22 specific courses for managerial skills development, based on the **Chiesi Leadership Model**, in addition to language and IT training. Alongside these initiatives, a number of ad hoc management training events were held to meet the specific needs of the various functions, including teambuilding activities, change management, and people development support. It is worth noting that we paid particular attention to change management initiatives in support of digital transformation, digital cultural growth, and new ways of remote collaboration. A group of 35 **Digital Ambassadors** have been selected internally for their digital skills, to promote and support the use of new technologies and innovative ways of working.

At Chiesi, we believe accountability is central to people management and development. To this end, we provided new leadership training courses for managers (*People First*) and open sessions focused on the people development process.

We also promote **cross-country development** opportunities for our employees through international assignments among our 27 affiliates. These international assignments are an active example of our Group's support of diversity as a precious source of personal, professional, and cultural enrichment. The opportunity to work in different affiliates encourages cooperation, a broad exchange of ideas, and the sharing of skills and experience.

Training is a fundamental pillar of people development throughout the entire **Chiesi Group**. In 2018, we provided our employees around the world with training sessions for a total of around **229,115 hours**¹⁸.

Hours of training

Hours per employment category and gender	2018					
	Total hours for men	Average hour per men	Total hours for women	Average hour per women	Total hours	Average hours per employees
Top executives	1,364	54.5	0	0.0	1,364	54.5
Executives	8,817	67.3	6,407	92.9	15,225	76.1
Managers and Field Force Area Managers	18,518	35.7	26,635	62.1	45,154	47.6
White Collar and Field Force Representatives	64,744	39.4	84,939	40.9	149,684	40.2
Blue collars	10,006	52.4	7,683	54.1	17,689	53.1
Total	103,450	41.2	125,665	46.2	229,115	43.8

Chiesi provides a wide variety of training customized to the particular country, the needs of the people, and the type of site (commercial or operational). Essential training for all employees includes health and safety, people development, **Research & Development, compliance**, pharmacovigilance, soft skills, disease state, client management, and selling skills. We provide each employee with an average of **43.8 hours of training per year**.

In addition, specific trainings and communication on anti-corruption practices have been developed to ensure the proper implementation of the rules of

ethical behavior in order to guarantee compliance by our employees.

At the end of 2018, a **new training initiative** was launched for all Chiesi Group employees, focusing on **sustainability and Chiesi's path toward sustainable development**. The training highlights the milestones that led to the United Nations Sustainable Development Goals and key concepts related to sustainable development. The program also provides an overview of Chiesi's Sustainability Strategic Plan, as an example of our concrete commitment to sustainability and the actions **Chiesi people** are taking to pursue it.

¹⁸ Allocation of training by gender and employees categories have been estimated for some countries based on population characteristic. Figures do not include France (Blois, Bois and Nh.Co) and UK (Atopix).

5.2

Welfare and wellbeing



Chiesi's approach to people care is a 360° effort. We encourage a healthy work-life balance and the pursuit of personal well-being for our employees through our **People Care Project**.

The People Care Project provides a catalog of programs for employees, offered during working hours. In 2018, the **People Care** Catalog included workshops on healthy diet, conflict management between parents and children, emotional intelligence, and the generation gap (90 participants).

Also included was the **Life Coaching Project**, an individual awareness program designed to help employees define personal and professional objectives and identify useful resources for dealing with personal or work situations. This unique program provides four meetings with a certified life coach. Yoga-Azienda, a series of yoga lessons for employees, was also a popular program (39 people participated in Italy).

In 2018 a new initiative was launched in Italy to support employees' families. Our Human Resources department offered a **volunteer consultancy service** for employees' children who are either unemployed or having difficulty entering the labor market. This commitment was extended to the broader community, with the establishment of a new collaboration to **assist young people in situations of social exclusion and foreign girls who need support for entering the workplace**. The services are provided through two local associations in Parma.

Internal surveys highlight the importance of **work-life balance** to our employees and their families. In response, Chiesi has extended our **Smart-Working program** in departments where it already existed, and we have installed a series trial-run programs in departments where Smart-Working had not been implemented.



5.3

Diversity and inclusion



Chiesi firmly believes in the principles of fairness and equal opportunity. Moreover, in our Code of Ethics, we mandate a selection process that respects the principles of fairness and transparency and disallows any form of discriminatory behavior. **Women comprise 52.0% of our employees. Approximately 49.8% of our executives are between the ages of 30 and 50.**

Employees by gender and employee category

Percentage	at 31st December 2018			at 31st December 2017		
	Male	Female	Total	Male	Female	Total
Executives	3.0%	1.3%	4.3%	3.2%	1.3%	4.4%
Managers and Field Force Area Managers	9.9%	8.2%	18.1%	9.6%	7.9%	17.4%
White Collar and Field Force Representatives	31.4%	39.8%	71.2%	32.0%	39.1%	71.0%
Blue collars	3.7%	2.7%	6.4%	4.2%	2.8%	7.1%
Total	48.0%	52.0%	100.0%	49.0%	51.0%	100.0%

Employees by age group and employee category

Percentage	at 31st December 2018				at 31st December 2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	0.0%	2.1%	2.1%	4.3%	0.0%	2.4%	2.1%	4.4%
Managers and Field Force Area Managers	0.4%	13.2%	4.5%	18.1%	0.4%	12.9%	4.2%	17.4%
White Collar and Field Force Representatives	9.2%	47.9%	14.1%	71.2%	10.0%	48.0%	13.1%	71.0%
Blue collars	0.8%	3.9%	1.7%	6.4%	1.0%	4.6%	1.5%	7.1%
Total	10.4%	67.1%	22.5%	100.0%	11.3%	67.9%	20.8%	100.0%

5.4

Employees health and safety



Providing a healthy and safe workplace is fundamental to our approach, as expressed in our operational goals: “Ensure the highest safety standards of the working conditions and of our products and promote healthy behaviors.” Many activities dedicated to health and safety will also be implemented through our **Sustainability Strategic Plan** which includes actions that pursue the United Nations Sustainable Development Goal number 8.

Occupational Health and Safety is managed locally by each Chiesi site through ongoing risk assessments, analysis, improvement plans, and implementation of specific preventative actions in accordance with local legislation.

In addition to compliance with local laws, all our manufacturing sites have in place Safety Management Systems implemented and certified according to the internationally recognized standard **BS OSHAS 18001**. In the years to come these Management Systems will be gradually updated and certified according to the latest issued International Standard: **ISO45001**.

Although managed locally, Occupational Health and Safety is also monitored and coordinated at the Group level through our corporate **HSE Guidelines** which standardizes policies for health and safety throughout the Group.

Every Management System monitors health and safety aspects both for employees and external

collaborators, thus ensuring the safety for the whole workforce of the site.

We are dedicated to continuous improvement in this area, and our employees are key to the process. We have in place in all our manufacturing sites a “near misses” reporting system, implemented to emphasize prevention activities rather than accidents management. Moreover, in Parma (Italy), our dedicated online platform for “near misses” reporting provides an easy-to-use tool for employees to report safety concerns. This direct reporting is essential to managing safety in the workplace.

The Behavior Based Safety (BBS) project has reached 100% implementation in both the manufacturing and R&D sites in Italy, generating more than 2200 suggestions resulting in more than 60 safety improvements.

Continuous improvement programs have been developed to prevent accidents, and **Behavior Based Safety (BBS)** teams have been directed to assess and communicate to all employees what constitutes the “safest behavior.”

Another activity to improve workers’ safety is the introduction, for our employees in Parma, of the electronic **Risk Assessment Document (RAD)**, a tool that permits quicker access to RADs and their timely update.

Risk Assessment of Work-related stress

Stress is the second most reported health and safety issue at work, affecting almost one European worker out of four. Stress is not a disease; however, prolonged exposure to stress can reduce efficiency and cause health and safety problems in the workplace. For this reason, the work-related stress **RAD** (Risk Assessment Document) has been updated to identify and promptly intervene on any critical issues that are detected.

In regard to employees training on health and safety, in Italy we developed specific activities such as in class training, e-learning on the correct use of devices, and proper behavior on the manufacturing workplace. In 2018,

approximately **800 employees** in Parma received a total of more than **10,000 hours of training**.

Work related injuries are systematically investigated through root causes analysis, in order to find proper preventive and corrective actions.

In 2018 we recorded 49 injuries, of which 2 were with high-consequences.¹⁹ In 2017²⁰ we recorded a total of 37 injuries (of which 12 were commuting accidents)²¹. The majority of injuries recorded in 2018 were related to car accident of the field force and cut or fall of low impact. In addition, in 2018 we recorded 4 injuries in relation to external collaborators operating in our manufacturing plants.

Employees Injuries			
	2018		
	Men	Women	Total
Work-related injuries	22	27	49
<i>of which fatalities</i>	-	-	-
<i>of which with high-consequences (excluding fatalities)</i>	2	-	2
Worked hours	4,054,436	4,020,071	8,074,507
Injury Rate	1.09	1.34	1.21
High-consequences injury Rate	0.10	-	0.05

The injury rate is the ratio of the number of injuries reported to the number of hours worked (including overtime), multiplied by 200,000. The high consequence injury rate is the ratio of the number of injuries with high consequence reported to the number of hours worked (including overtime), multiplied by 200,000. Worked hours of some affiliates have been estimated. Data do not contain injuries and worked hours of the commercial site of: Nh.Co (France), Atopix Therapeutics Limited (UK – Oxford)

A keystone of our people care is our **Health Program**, which focuses on employees' disease prevention. It offers a variety of options for health improvement, including screening for the prevention of chronic obstructive pulmonary disease, cardiovascular diseases, and frequent neoplasms. In 2017 and 2018, 30% of our employees in Italy were taking advantage of the program. Our goal is to involve at least 50% of our Italian employees in our Health Program.

Specific objectives are included in the Sustainability Strategic Plan regarding the integration of new exams within the initiative and the expansion of our Health Program to all Affiliates.



¹⁹ High consequence injuries are the one that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months

²⁰ Figures of 2017 for work related injuries do not include the commercial Affiliates of Chiesi SA (Belgium), Chiesi Pharma AB (Nordics) and R&D centres of Zymenex A/S (DK- Hillerød) and Chiesi Healthcare Limited (UK – Chippenham).

²¹ Following the methodology of the new GRI Standard 403-9 (2018), injuries of 2018 scope is different from the one of 2017 since data of 2018 do not include commuting incidents when the transport was not organized by the organization

06

RESPONSIBILITY TO OUR COMMUNITY

6.1

Local community



We firmly believe that we have the duty to contribute to the world in which we live. To do so, we choose to start with our local communities. Our objective is to play a positive role in the development of the cities and communities where we live.

We dedicated three specific Sustainability Goals to the community:



PEOPLE

- ◆ Help and educate people to take care of their health and of the environment
- ◆ Commit to the social, cultural, economic, and environmental sustainability of the community
- ◆ Help those in need

Since 2015, a **Committee for Social Activities and Community Development** has overseen and evaluated the projects we have chosen to undertake in the local community, particularly in Parma, where Chiesi is headquartered.



The Committee is responsible for efficiently selecting projects and initiatives to maximize our positive impact on the community, the environment, and the citizens themselves. The Committee also sets up corporate social responsibility (CSR) guidelines, which provide a roadmap for affiliates' involvement in their local communities.

We have four main areas of involvement:

- ◆ Health and environment, including education and awareness
- ◆ Social, cultural, and economic development
- ◆ Solidarity, helping those in need
- ◆ Transparency, in communicating our impacts

Here are some ways we turn our words into action:

We encourage employees to be actively involved in responding to the local needs of our society. In 2015 we organized the **Chiesi Volunteering Week** to support local NGOs with our employees' active participation, commitment, and passion. In 2018, in Parma, the project involved **460 employees** (10% more than in 2017,) who contributed **1,840 hours** of their time, helping 30 local NGOs (compared to 21 in 2017). Chiesi employees volunteered in nursing homes, pediatric units, urban gardens, and associations caring for people with disabilities or living in difficult circumstances.

Our 2019 objective is to increase the impact of our volunteering activities by extending the project to a one-month long commitment. In addition, our affiliates commit to planning country-specific programs to encourage employees' commitment in volunteering activities.



**Everyone of us is different
Everyone of us is Chiesi**



Since 2013, Chiesi has also been supporting **Parma Facciamo Squadra**, an annual fundraising campaign, launched in the Parma community to mobilize resources for vulnerable groups and raise awareness of relevant social issues. The campaign involves businesses, associations and citizens. In 2018, thanks to the campaign, **227,450 Euros** were collected and distributed among local non-profit associations focused on children's care, health, and development.



Parma, io ci sto!

Parma io ci sto! is an organization that was born in 2016. Chiesi is among the four founders of this initiative, which promotes the economic, cultural, social, and environmental development of our territory. The organization is an integrated model for local development and is active in four areas: food; culture and music; education and innovation; and tourism and leisure. The association creates networks among **companies, citizens, institutions** and **schools**, championing the power and efficiency of team work, communication, and shared value as essential ingredients and **catalysts for sustainable development of the local community**.

IHP – Since 2004, **International Health Partners** has worked with the healthcare sector and medical NGOs to send high quality medical aid, targeting people around the world who have little or no access to healthcare or essential medicines. In 2018, thanks to this association, 4.4 million treatments were sent to 34 countries. Chiesi has collaborated with IHP since 2016 and in 2018 contributed **30,000 inhalers** to IHP's Essential Health Packs, which are pre-packed kits containing essential medicines, and to its Disaster Response Program. The packs reached 20 different countries, including Kosovo, Zambia, Nepal, Nigeria, Lebanon.



We support **Cariparma Foundation's** annual "**Call for Proposals for Innovative Education Projects**," which supports local schools in Parma. The aim of the call is to improve the local education system by focusing on the creation of innovative spaces and teaching methods, and by contributing to the creation of a network of different schools and institutes implementing innovative projects. As part of this collaboration, we are primarily focused on two areas:

- Supporting projects that foster the engagement of young people, girls in particular, in scientific studies and STEM subjects (Science, Technology, Engineering and Mathematics)
- Supporting projects that promote environmentally sustainable approaches and activities

More activities developed by some of our affiliates:

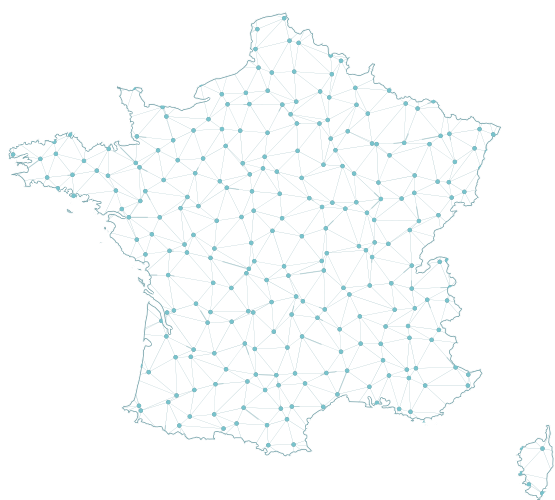
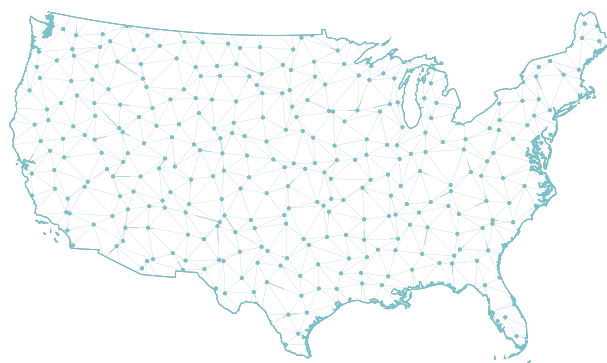
Echale tu casa – In 2018, consistent with our commitment to helping those in emergency situations in the countries where the Group operates, **Chiesi Mexico** supported this project to rebuild a small Mexican village that was destroyed by an earthquake in September 2017. Thanks to the project, **49 families** were given new homes. The project also actively involved 82 employees from Chiesi Mexico, who personally participated in the reconstruction of the buildings, dedicating 24 hours of volunteering each.





Brazilian sound – To honor its commitment to social responsibility, **Chiesi Brazil** supported **Guri projects’ Music within Hospitals and Children and Youth Groups** conducted by Santa Marcelina Cultura, a Brazilian social organization. The institution has the mission of educating people through music, promoting artistic experience as part of the education process. The program reached **390 students** in 2018. The topic of music is central also to the **Music at Hospitals project** aimed at promoting democratic access to music, well-being and quality of life and the adaptation of music in hospital environments. The project involved **48 students** and reached **11,757 people** during the performance in the hospitals.

Learning, developing, educating – **Chiesi USA** successfully planned and executed a **“Keystone” project** in 2018. The project focused on partnering with a local underperforming elementary school in Wake County. The goal of this multi-faceted program was to improve the overall student learning experience, creating positive and enduring change. This program was designed by Chiesi USA employees in partnership with school administrators, parents, and staff and focuses on five main areas: **conscious discipline, physical activity, sustainable nutrition, enhanced elective curriculum, and community engagement**. Chiesi USA dedicated **\$250,000 to support the project**. In 2018, two schools were involved: Bugg Magnet Elementary School, a partner since 2017, and Poe Magnet Elementary School. For this new partner Chiesi USA planned new programs tailored to the school’s needs.



Give me carte blanche – In 2018 **Chiesi France** contributed to the creation of the **White Book** (Livre Blanc), aimed at raising public awareness of **Chronic Obstructive Pulmonary Disease (COPD)**. The document was written in collaboration with pulmonology scientific societies, patient associations, and public exponents. Apart from the information and the data regarding the disease at the local level, the book also focuses on the **economic and social implications of COPD** and on the **importance of efficient diagnosis and therapies**. The White Book was created to counter the lack of recognition of COPD as a serious disease.



Chiesi

FOUNDATION

6.2

Chiesi Foundation



Our concept of community is by no means confined to cities and countries where we operate. We believe in the universal right to health and essential care, acknowledging that a healthy and safe populace is the basis for prosperous and fair societies.

But we are also objectively aware that around the world, many of the communities in **low- and middle-income countries** are suffering and lacking basic and life-saving therapies and medicines. For all these reasons, and firmly believing in our company's capacity to mobilize skills and resources and our desire to contribute to the global good, Chiesi Foundation was born.

Chiesi Foundation is a non-profit organization, founded in **2005**, with the goal of promoting health and alleviating the suffering of patients affected by respiratory and neonatal diseases. The foundation currently focuses its activities on Africa and Latin America.

In 2018, Chiesi Foundation began collaborating with two new countries, **Peru and Mozambique**, in addition to our ongoing work in **Burkina Faso, Benin, Burundi, Togo, Central African Republic** and **Guyana**.

We focus our impact on two areas of intervention:



SCIENTIFIC
RESEARCH



INTERNATIONAL
COOPERATION



Chiesi Foundation's **Scientific Research Program** supports biomedical research projects of particular scientific and social relevance. The financial support, amounting to € 250,000 in 2018, is granted to scientific research projects in the fields of chronic respiratory diseases and neonatal pathologies.

Our international cooperation initiatives actively pursue projects that improve health conditions and share scientific knowledge. To this end, we structured and developed two models:

- ◆ **The GASP project** (Global Access to Spirometry Project)- focused on the development of specific clinical skills for the **diagnosis** and **management** of chronic respiratory diseases.

Activities:

- › **training programs** for healthcare operators on the diagnosis and management of asthma and chronic obstructive pulmonary disease (COPD) and on spirometry use (a specific test to measure breathing capacity)
- › setting up of **pneumology centers**



- ◆ **The NEST project** (Neonatal Essential Survival Technologies) aims at **reducing neonatal mortality rate** by **improving the quality of neonatal care**, with specific attention to premature, sick, unwell, and small for gestational age babies.

Activities:

- › **training programs** on **essential newborn care** for local healthcare providers, with particular focus on the role of neonatal nurses
- › the setting up and organization of **neonatal units**, with appropriate means and medical equipment adequate to the local contexts
- › **guidelines and protocols** on essential newborn care, in accordance with national and international updated standards



In 2018, Chiesi Foundation contributed to “**Survive and thrive. Transforming care for every small and sick newborn**” a report published by the World Health Organization and UNICEF. According to this report, more than 2.5 million newborns died globally in 2017 from preventable causes, such as prematurity, birth complication, infections, and the lack of adequate care, while those who survived were often affected by uncertain health conditions and disabilities.



An aerial photograph of a dense, lush green forest canopy, showing a variety of tree species and a thick layer of foliage. The colors range from deep forest green to lighter, sunlit greens.

07

**ENVIRONMENTAL
RESPONSIBILITY**

The approach we have adopted towards our planet and the environment in which we live and do business, is the result of a mindset that characterized our way of thinking from the very beginning.

It was by investing in the future, pursuing our passion for fulfilling practical needs while aspiring to wider objectives, that **Chiesi developed as a company centered on people's health.**

If we were asked to choose a term to define our approach to environmental sustainability, it would certainly be awareness. We are deeply aware how urgently we need to address climate change and achieve the goals of the Paris Agreement, the global action plan established in

2015 to arrest global warming.

We are aware of the era in which we live, an epoch governed by human activities whose impact on the planet will be devastating. And finally, we are aware that a systematic view is needed to face this global challenge.

For all these reasons, and believing in the importance of our role as a company, we have structured a program of concrete actions to achieve our objective to minimize our impact and preserve resources for future generations.



Four of our Sustainability Goals address environmental stewardship:



PLANET



PARTNERSHIP

- ◆ Minimize greenhouse gases and pollutants emissions and exposure to chemicals
- ◆ Adopt responsible consumption and production patterns to reduce damages and preserve the Planet resources
- ◆ Orient our suppliers to operate according to sustainability best practices
- ◆ Help and educate people to take care of their health and that of the environment

Our Sustainability Strategic Plan includes many important and strong commitments to address our environmental impact. We established a dedicated multidisciplinary working group led by the corporate **Health, Safety and Environment** (HSE) department in order to define Chiesi's concrete commitment towards environmental sustainability. Approximately fifty projects were defined, aimed at improving our environmental stewardship and minimizing Chiesi's impact on the environment.

Environmental Management Systems

Parma main sites' Environmental Management System, in place since 2009 and certified according to **ISO14001:2004** International standard since 2012, was certified in 2018 according to the latest release of the standard, **ISO14001:2015**.

In another important achievement, the Environmental Management Systems at our production sites in Blois and Santana de Parnaiba completed a 2-year implementation and have been certified according to **ISO14001:2015 International Standard**.

These successes are very important to guarantee the highest level of environmental protection and continuous

improvement throughout the entire Chiesi Group.

Even as the **Environmental Management System** ensures full legal compliance and maximum performance in terms of managing environmental impacts, in 2018 we carried out a detailed Legal Compliance Audit at our Parma sites, in order to assess possible further improvement plans.

The environmental impact of our business is managed at the local level in compliance with national laws, under the constant oversight of our HSE Corporate function. We also developed **Corporate HSE Guidelines**, which address the strategies dedicated to environmental issues.

New Headquarters

We are constructing a **new Headquarters building in Parma**, and it represents one of our most tangible efforts toward sustainability. Every single detail of the design and construction incorporates the latest innovations in reducing environmental impact.

The building, which will house about 600 people, has been designed to **reduce energy and water consumption and minimize the production of waste**, beginning with the use of sustainable materials in construction.

Great care has been taken to design around the **wellbeing of the people** who will work in our new offices, choosing solutions that guarantee high levels of comfort and using building materials with low emission levels of volatile substances.

The new headquarters building is designed to be **carbon neutral**; that is, we will achieve net zero carbon emissions by producing part of the energy directly with the **photovoltaic panels** installed on the building. In addition, we will adopt criteria for sustainable mobility by providing charging columns for electric cars and encouraging the use of bicycles with the presence of a bicycle lane (built together with Parma Municipality). Our goal is to obtain **Gold LEED certification** for our new headquarters building.

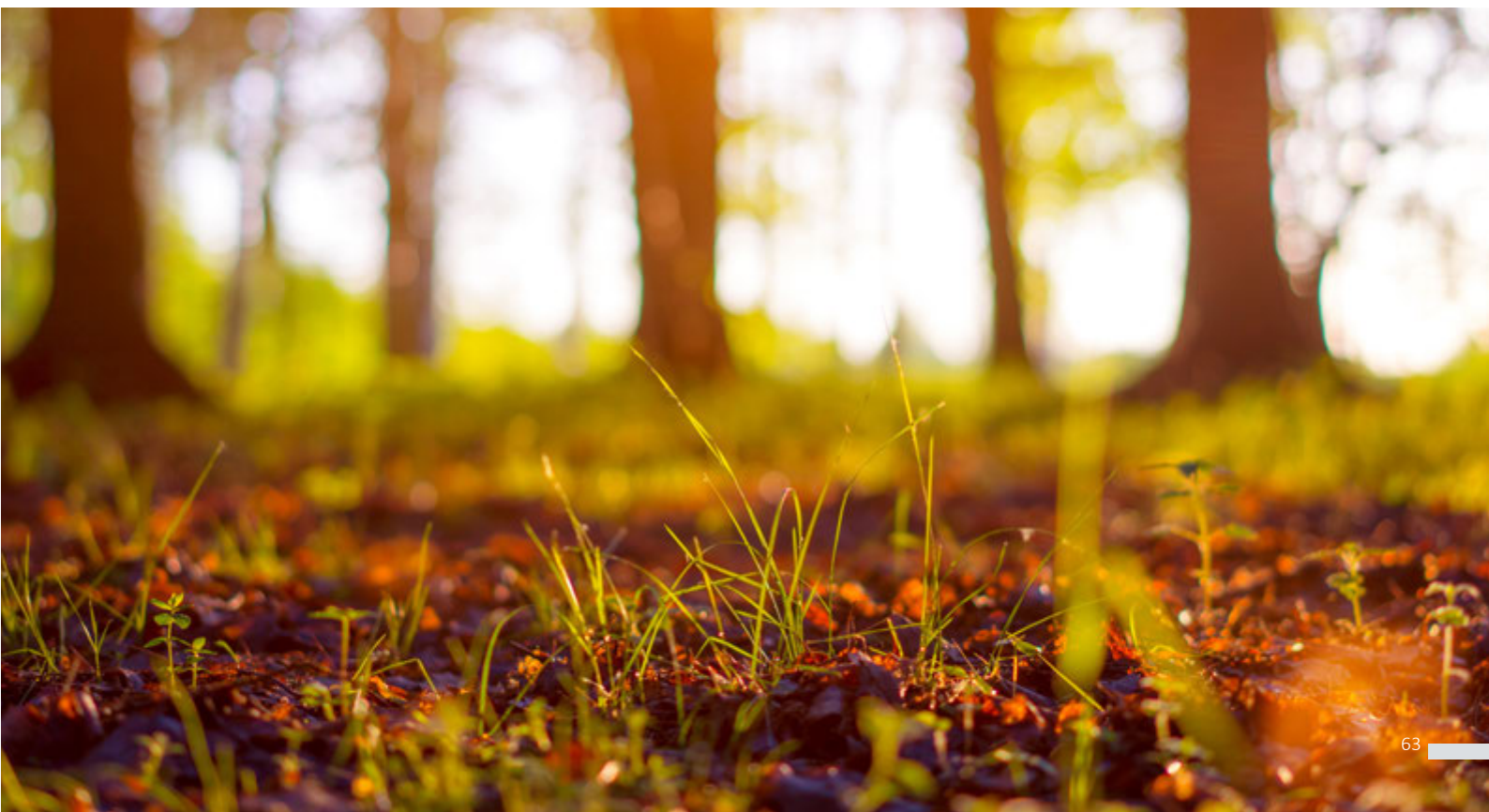
Chiesi's commitment to a more sustainable way of building will apply to all affiliates' buildings and all future real estate investments, under new guidelines for green design.



Paper and responsible consumption

During 2018, in Italy, we consumed 23.52 tons of paper, reducing our **paper consumption by 17%**, compared to 2017 (28.71 tons).

Our goal by 2019 is to use reduce the environmental impact due to the paper consumption, using as much recycled paper as possible in all our processes.



7.1

Energy consumption and emissions



In recent years, we have implemented several initiatives to reduce energy use and improve energy efficiency in all our operations. At our production sites, R&D centers, and commercial affiliates, the main energy resources used are electricity, natural gas, and diesel fuel. In 2018, the Group's energy consumption was about 516.6 TJ, thus creating emissions of 22,357 tCO₂ (Scope 1) and 15,283 tCO₂ (Scope 2 – Location Based)²³. The total energy consumption increase from 2017 by a 1.8% mainly due to scope change²⁴, production increases, and fuel consumption increases due to our field force activities. In 2018 Chiesi's commitment to managing energy consumption in a more responsible and sustainable way was evident in many key initiatives.

- **ReLAMPing Project** – in 2018 a complete substitution of all light bulbs with high efficiency LEDs lamps was implemented in many Parma departments. The target is to substitute 100% of light bulbs with LED lighting systems in all our sites.
- **Improvement of the monitoring system for electrical and thermal energy consumption**, to study consumption patterns and implement effective energy saving actions.
- Installation of a **thermal insulation system on hot water piping** to increase the insulation and reduce the heat dispersion.

ENERGY CONSUMPTION (GJ)		
	2018	2017
Total non renewable fuel consumption	346,743	342,499
Natural Gas	143,533	152,011
Gasoline	21,887	32,164
Diesel	173,795	150,708
Bioethanol	7,336	7,521
LPG	191	95
Total electricity purchased	169,389	164,592
From renewable sources	8,175	1,834
From non-renewable sources	161,214	162,758
Electricity self-produced from renewable source	451	374
Total energy consumption	516,583	507,464

Figures of 2018 do not include data, both for energy and fuel for car fleet of: Nh.Co (France - following the acquisition in 2018), R&D centres of Zymenex A/S (DK-Hillerød), Atopix Therapeutics Limited (UK – Oxford); while figures do not include data for energy of: Chiesi SA (Belgium), Chiesi México (Mexico city - Mexico), Chiesi Pharma AB (Nordics). Conversion factors source for energy data: Department for Environment Food Rural Affairs - DEFRA, UK, 2018 and 2017. 2017 figures on energy and emission have been restated from the ones published in the previous Sustainability Report due to the improvement of data collection and change of conversion factors and GHG emission factors. For historical data published in the past, please refer to the 2017 Sustainability Report.

In 2018, the GHG emission intensity related to our production processes remained stable compared to 2017.

ENERGY Intensity*		
	2018	2017
Gj/million Eq.Units	2,649.72	2,673.15

*Energy intensity related to production processes is calculated considering the energy consumption of the production plants divided by the production volume (reported as million of Equivalent Units produced). The production sites considered are: Blois, Santana de Parnaíba, Parma (Via Palermo-Via San Leonardo).

²³GHG Protocol definition: Direct (Scope 1) GHG emissions come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organisation. Direct (Scope 1) GHG emissions include, but are not limited to, the CO₂ emissions from the fuel consumption. Energy Indirect (Scope 2) GHG emissions result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.

²⁴Inclusion in 2018, in regards to energy: Marco Antonetto - Farmaceutici S.p.A. (Italy), Chiesi Healthcare Limited (Chippenham- UK); in regards to fuel for car fleet: Marco Antonetto - Farmaceutici S.p.A. (Italy), Chiesi Farmacêutica Ltda (Sao Paulo - Brazil). Data included in 2017 and not in 2018, in regards to energy: Chiesi SAS (Bois – France), Chiesi Farmacêutica Ltda (Sao Paulo - Brazil), Chiesi México (Mexico city - Mexico), Chiesi Pharmaceuticals LLC (Moscow - Russia).

Moreover, we are working to implement our **Energy Management System according ISO 50001:2018**, which will help Chiesi improve our energy performance and significantly decrease consumption. Our Energy Management System will have third party verification by the end of 2019 in our Parma sites.

EMISSION (tCO ₂)		
	2018	2017
Scope 1	22,357	21,729
Scope 2 - Location based	15,283	13,948
Scope 2 - Market based	18,851	17,985

Scope 1 emission coefficient data for natural gas, diesel, gasoline, bioethanol and LPG were calculated using DEFRA (Department for Environment Food Rural Affairs, UK, 2018 and 2017) data as source for emission factors (expressed in tCO₂ equivalent).

The GRI Sustainability Reporting Standards, in accordance with the GHG Protocol, include two methodologies for calculating Scope 2 emissions, the "Location-based" approach and the "Market-based" approach. The "Location-based" approach provides for the use of a national average emission factor related to the specific national energy mix for the production of electricity (Source: Terna, Confronti Internazionali 2016). The "Market-based" approach contemplates the use of an emission factor defined on a contractual basis with the electricity supplier. Given the presence of specific contractual agreements between some Affiliates of the Group and the electricity supplier (purchase of certificates of Guarantee of Origin), this approach foresees the use of the emission factors relating to the national "residual mix", without considering those electricity purchased from renewable sources (Source: Association of Issuing Bodies, European Residual Mixes 2017). When the "residual mix" emission factors is not available (for countries outside the EU), the factor of location based method has been used.

Scope 2 emissions are expressed in tCO₂, the amount of CH₄ and NO₂ (percentage) has a not significant effect on the overall GHG emissions (CO_{2eq}) as deductible from technical literature.

In 2018, the GHG emission intensity related to our production processes remained stable compared to 2017.

GHG emission intensity*		
t CO ₂ e/ million Eq.Units	2018	2017
Scope 1 + scope 2 (Location based)	189.39	189.07
Scope 1 + scope 2 (Market based)	224.53	224.53

In 2018, the Group purchased 2,270.8 MWh of electrical energy from renewable sources (Guarantee of Origin) avoiding 1,048 tCO₂ emission (Scope 2 Market based).

Carbon footprint

We are re-engineering our entire approach to carbon emissions, in order to minimize our environmental impact. We performed a **Carbon Footprint Analysis** on all our respiratory products (both pMDIs and DPIs) according to the new **International Standard ISO 14067:2018**.

For this analysis, we recently moved from a product approach to a process approach. This new method allows us to evaluate the impact of different choices in the production process as we endeavor to manufacture more sustainable products. In the near future, we will be including our Blois and Santana plants in the analysis process for these products, as well.

* The GHG emission intensity is calculated considering the GHG emission (Scope 1 and Scope 2) of the production plants divided by the production volume (reported as million of Equivalent Units produced). The production sites considered are: Blois, Santana de Parnaiba, Parma (Via Palermo-Via San Leonardo)

Sustainable mobility

Chiesi's initiatives to enhance sustainable mobility include:

- › Company contribution to season tickets for **public transportation**, in order to encourage their use instead of using private means of transport.
- › **JOJOB car-sharing** platform for the Parma Headquarters, which will lead to lower emissions, fewer parking spaces and reduced traffic congestion.
- › **Taxi Service** among different sites for employees during working hours. The initiative has been in place since 2016 and has been very successful. Through the use of the taxi in pooling, congestion in city traffic is avoided and, using latest generation vehicles, emissions are reduced.
- › Many projects have been shared with the Municipality to promote **bicycle lanes** and **new routes** and **stops for public transport lines**.

7.2

Water resources management



Our primary water consumption occurs in our manufacturing processes where constant cleaning is required for equipment containing the substances and the ingredients which are used to produce medicines. Our increase in water consumption from 2017 to 2018 is primarily due to an increase in the number of cleaning processes that are required to ensure quality production.

Our Environmental Management Systems allow us to monitor the impact and set objectives for improving our water management.

Our production sites and R&D centers draw water from the water network managed by municipalities.

Total quantity of water withdrawal by source - m³

	2018	2017
Municipal	309,635.00	280,810.00
Total	309,635.00	280,810.00

2018 and 2017 figures refers only to production sites, R&D centers and the Parma - via Palermo office. Figures do not include the R&D centers of the following Affiliates: Zymenex A/S (Lidingo -SE), Chiesi USA (Cary – USA), Atopix Therapeutics Limited (UK - Oxford), Chiesi Healthcare Limited (UK – Chippenham – reported in 2018).

7.3

Waste disposal



Chiesi's commitment to managing our environmental impact also takes into consideration responsible disposal methods. We work in compliance with current legislation, establishing efficient monitoring systems regarding waste production, and ensuring the correct disposal of each type of waste. The increase of the waste generation compared to 2017 (of about 49%) is mainly due to the establishment of a new production department at our Parma manufacturing site.

Total weight of waste by type and disposal method - Tons

Disposal method	2018			2017		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Reuse	-	-	-	0.04	-	0.04
Recycling	234.63	1,248.08	1,482.71	172.43	1,331.01	1,503.44
Recovery (including energy recovery)	36.08	51.94	88.02	79.11	35.31	114.42
Incineration (mass burn)	8.21	-	8.21	36.21	1.74	37.95
Landfill	40.25	-	40.25	-	93.87	93.87
On-site storage	107.74	3,429.56	3,537.30	138.31	1,640.77	1,779.08
Other	96.80	-	-	-	8.24	8.24
Total	523.71	4,729.58	5,253.29	426.10	3,110.94	3,537.03

2018 and 2017 figures of waste production refers only to production sites, R&D center and Palermo office and do not include the R&D centres of the following Affiliates: Zymenex A/S (SE - Lidingo), Chiesi USA (Cary – USA) and Chiesi Healthcare Limited (UK – Chippenham).

ANNEX

Stakeholder Engagement methods

Methods of stakeholder	
Stakeholder	Type of engagement
Employees	<ul style="list-style-type: none"> • Intranet • CEO communications • Workshops • Materiality survey • Employees survey
Patients and caregivers	<ul style="list-style-type: none"> • Regular survey • Projects with patients associations • Materiality survey
Suppliers	<ul style="list-style-type: none"> • Meetings • Partnership
Scientific community and universities	<ul style="list-style-type: none"> • Conferences • Research projects • Publications
Institutions and public administration	<ul style="list-style-type: none"> • Dialogue with regulators through survey, meetings and conferences
Healthcare service providers	<ul style="list-style-type: none"> • Conferences • Surveys
Media	<ul style="list-style-type: none"> • Corporate website • Press releases
Local communities	<ul style="list-style-type: none"> • Chiesi Foundation activities • Events sponsored by the company • Materiality survey

For each of the 14 topics that emerged as being material, in order to identify where the issue generates an impact and thus determine its relevance, a specific boundary was identified.

Category	Topics	Boundary	
		Where the impacts occur	Chiesi Group involvement
Governance & Compliance	Ethics and compliance	Chiesi Group, Suppliers	Caused and directly linked through business relationship
	Corporate Governance	Chiesi Farmaceutici S.p.A (parent company)	Caused
Responsibility towards patients	Product quality and reliability	Chiesi Group, Suppliers	Caused and directly linked through business relationship
	Research and development	Chiesi R&D centres	Caused
	Patients health and safety	Chiesi Group, healthcare service providers	Caused and directly linked through business relationship
	Sustainable pricing	Chiesi Group, healthcare service providers	Caused and directly linked through business relationship
	Transparency in clinical trials	Chiesi Group	Caused
Responsibility towards people	Employees health, safety and wellbeing	Employees of Chiesi Group ²⁵	Caused
	Human resources management and development	Employees of Chiesi Group	Caused
	Diversity and equal opportunity	Chiesi Group	Caused
	Responsible management of the supply chain	Chiesi Group, Suppliers	Caused and to which the Group contributes
Responsibility towards the environment	Environmental protection	Chiesi Group, Energy providers	Caused and directly linked through business relationship
Economic responsibility	Economic value generated	Chiesi Group	Caused
Responsibility towards the community	Programs for local community	Chiesi Group, Chiesi Foundation	Caused and to which the Group contributes

²⁵ The Group will carry out an analysis concerning the relevance of workers who are not employees, in order to consider the possibility to gather data from the employers of workers who are not employees and the suppliers who work in the Group's plants and/or the control of the Group, taking into consideration the quality and the accuracy of those data over which the Group has no direct control.

Responsibility to our Chiesi people

Total number of employees by employment contract (permanent and temporary), region

Type of employment contract	at 31st December 2017				
	Italy	Rest of Europe	USA	Rest of the World	Total
Permanent	1,688	1,694	253	1,152	4,787
Temporary	93	65	1	24	183
Total	1,781	1,759	254	1,176	4,970

ITALY

New employee hired - Italy

	2018				
	<30	30-50	>50	Total	Rate
Male	30	43	3	76	7.9%
Female	54	42	7	103	11.3%
Total	84	85	10	179	9.5%
Rate	51.5%	7.3%	1.8%	9.5%	

Turnover (Terminations) - Italy

	2018				
	<30	30-50	>50	Total	Rate
Male	18	28	7	53	5.5%
Female	25	23	9	57	6.3%
Total	43	51	16	110	5.9%
Rate	26.4%	4.4%	2.9%	5.9%	

REST OF EUROPE

New employee hired - Rest of Europe

	2018				
	<30	30 50	>50	Total	Rate
Male	24	57	11	92	13.1%
Female	42	126	24	192	16.7%
Total	66	183	35	284	15.3%
Rate	48.2%	14.9%	7.2%	15.3%	

Turnover (Terminations) - Rest of Europe

	2018				
	<30	30-50	>50	Total	Rate
Male	4	62	26	92	13.1%
Female	15	82	33	130	11.3%
Total	19	144	59	222	12.0%
Rate	13.9%	11.7%	12.1%	12.0%	

USA**New employee hired - USA**

	2018				
	<30	30-50	>50	Total	Rate
Male	1	15	5	21	18.3%
Female	6	43	9	58	34.7%
Total	7	58	14	79	28.0%
Rate	35.0%	29.1%	22.2%	28.0%	

Turnover (Terminations) - USA

	2018				
	<30	30-50	>50	Total	Rate
Male	-	20	6	26	22.6%
Female	2	18	5	25	15.0%
Total	2	38	11	51	18.1%
Rate	10.0%	19.1%	17.5%	18.1%	

REST OF THE WORLD**New employee hired - Rest of the World**

	2018				
	<30	30-50	>50	Total	Rate
Male	75	84	1	160	21.9%
Female	30	71	4	105	21.5%
Total	105	155	5	265	21.8%
Rate	46.9%	17.0%	6.2%	21.8%	

Turnover (Terminations) - Rest of the World					
	2018				
	<30	30-50	>50	Total	Rate
Male	27	89	15	131	18.0%
Female	16	72	5	93	19.1%
Total	43	161	20	224	18.4%
Rate	19.2%	17.7%	24.7%	18.4%	

Note on methodology



After taking our first steps down the road to Corporate Social Responsibility, which led to the publication of two CSR Reports, this second Sustainability Report from Chiesi Group (Chiesi) provides for our stakeholders a clear picture of our activities and our impact on sustainability. In it, we describe our initiatives and the results that we achieved in 2018 (reporting period: 1 January to 31 December 2018).

This Sustainability Report was prepared in accordance with the “GRI Sustainability Reporting Standards” established by GRI – Global Reporting Initiative (“GRI Standard”): Core option.

Data and indicators reported in this document have been chosen from a variety of economic, social, and environmental factors that are most significant for Chiesi’s business and Chiesi’s stakeholders.

With regard to the financial data, the scope of reporting corresponds to that of Chiesi’s consolidated financial statement. Regarding the qualitative and quantitative data on social and environmental aspects, the scope of reporting corresponds to Chiesi and its subsidiaries consolidated on a line-by-line basis in the consolidated financial statement. Any exception, with regard to the scope of this data, is clearly indicated throughout the Sustainability Report. Moreover, data and information related to initiatives of the Chiesi Foundation have been reported in the chapter “6.2 Chiesi Foundation”, even if the Foundation is not included in the scope of the Consolidated Financial Statement. The Foundation represents an important element of the Group strategy in the social area; therefore, the inclusion of this information guarantees a complete representation of the social impact produced by the Group.

In February 2018, Chiesi acquired the Italian company Marco Antonetto – Stabilimento Chimico- Farmaceutici S.p.A. and, in July 2018, the French company Laboratoires Nh.Co Nutrition Sas. We did not experience any other significant change concerning the organization’s size, structure, ownership, or supply chain.

Unless otherwise indicated, data and information contained in this Report refer to the year 2018. However, in order to facilitate an evaluation of the ongoing trend of the activity, the data and information related to the previous year, if available, are reported for comparative purposes. Any restatements of data and figures published in the previous Sustainability Report is clearly indicated throughout the document.

In order to provide the most accurate representation of performance and to ensure that the data are reliable, directly measurable quantities have been included while limiting, as far as possible, the use of estimates. Any figure that has been estimated is indicated as such; moreover, certain totals in the tables shown in this document may not add up due to rounding.

As regards the frequency of publication, reporting will be annual.

The Report was subject of a limited assurance engagement (according to the criteria set out by the ISAE 3000 Revised principle) by Deloitte & Touche S.p.A., which, at the end of the work performed, released the Independent Auditor’s Report.

As regards the frequency of publication, reporting will be annual. The previous version was published in July 2018. The report is also available on the Chiesi website (www.chiesi.com) in the "Sustainability" section.

For any information related to our Sustainability Report, please contact the CSR function at the following e-mail address: CSR@chiesi.com

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GRI 102: GENERAL STANDARD DISCLOSURE (2016)	Description	Page/Notes	Omission
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103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	43	
103-3	Evaluation of the management approach	43	
204-1	Proportion of spending on local suppliers	43; Austria (45.0%); Belgium (97.6%); Bulgaria (94.2%); Brazil (31.0%); Czech Republic (87.1%); Germany (98.0%); Spain (86.5%); France (77.7%); Greece (94.7%); Hungary (90.4%); Netherlands (93.8%); Poland (97.1%); Romania (88.6%); Slovenia (89.0%); Slovakia (88.9%); UK (77.3%); USA (86.8%) ²³	
Topic: Anti-Corruption			
GRI-205: Anti-Corruption (2016)			
103-1	Explanation of the material topic and its Boundary	19; 69	
103-2	The management approach and its components	33-34	
103-3	Evaluation of the management approach	33-34	
205-3	Confirmed incidents of corruption and actions taken	In 2018, no fines or non-monetary sanctions for non-compliance with laws and regulations were registered	
Topic: Anti-Competitive Practices			
GRI-206: Anti-Competitive Practices (2016)			
103-1	Explanation of the material topic and its Boundary	19; 69	
103-2	The management approach and its components	33-34	

²³The figure is calculated based on the orders value issued during the accounting period from all Chiesi organization in SAP, excluding internal orders and intercompany values. As local suppliers were consider those suppliers which are located within the same national boundaries of the company location of operation.

103-3	Evaluation of the management approach	33-34	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2018, no legal actions pending or completed regarding anti-competitive behavior and violations of anti-trust and monopoly legislation, involved the company	
GRI 300 Environmental series			
Topic: Energy			
GRI-302: Energy (2016)			
103-1	Explanation of the material topic and its Boundary	21; 69	
103-2	The management approach and its components	64-65	
103-3	Evaluation of the management approach	64	
302-1	Energy consumption within the organization	64	
Topic: Water			
GRI-303: Water (2016)			
103-1	Explanation of the material topic and its Boundary	21; 69	
103-2	The management approach and its components	66	
103-3	Evaluation of the management approach	66	
303-1	Water withdrawal by source	66	
Topic: Emissions			
GRI-305: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	21; 69	
103-2	The management approach and its components	64-65	
103-3	Evaluation of the management approach	64-65	
305-1	Direct (Scope 1) GHG emissions	65	
305-2	Energy indirect (Scope 2) GHG emissions	65	

Topic: Effluents and Waste**GRI-306: Effluents and Waste (2016)**

103-1	Explanation of the material topic and its Boundary	21; 69	
103-2	The management approach and its components	67	
103-3	Evaluation of the management approach	67	
306-2	Waste by type and disposal method	67	

Topic: Environmental Compliance**GRI-307: Environmental Compliance (2016)**

103-1	Explanation of the material topic and its Boundary	19; 21; 69	
103-2	The management approach and its components	62	
103-3	Evaluation of the management approach	62	
307-1	Non-compliance with environmental laws and regulations	In 2018, no fines or non-monetary sanctions for non-compliance with environmental laws and regulations were registered	

Topic: Supplier Environmental Assessment**GRI-307: New suppliers that were screened using environmental criteria (2016)**

103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	43	
103-3	Evaluation of the management approach	43	
308-1	New suppliers that were screened using environmental criteria	To date we are working in the implementation of a dedicated screening according to environmental criteria on our suppliers	

GRI 400 Social series**Topic: Employment****GRI-401: Employment (2016)**

103-1	Explanation of the material topic and its Boundary	20; 69	
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103-2	The management approach and its components	47-48	
103-3	Evaluation of the management approach	47-48	
401-1	New employee hires and employee turnover	48; 70-72	
Topic: Occupational Health and Safety			
GRI-403: Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	53-54	
103-3	Evaluation of the management approach	53-54	
403-1	Occupational health and safety management system	53-54	
403-2	Hazard identification, risk assessment, and incident investigation	53-54	
403-3	Occupational health services	53-54	
403-4	Worker participation, consultation, and communication on occupational health and safety	53-54	
403-5	Worker training on occupational health and safety	53-54	
403-6	Promotion of worker health	53-54	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	53-54	
403-9	Work-related injuries	54	
Topic: Training and Education			
GRI-404: Training and Education (2016)			
103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	49-50	
103-3	Evaluation of the management approach	49-50	
404-1	Average hours of training per year per employee	50	
Topic: Diversity and Equal Opportunity			
GRI-405: Diversity and Equal Opportunity (2016)			

103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	52	
103-3	Evaluation of the management approach	52	
405-1	Diversity of governance bodies and employees	33; 52	
Topic: Local Communities			
GRI-413: Local Communities (2016)			
103-1	Explanation of the material topic and its Boundary	21; 69	
103-2	The management approach and its components	56-58	
103-3	Evaluation of the management approach	56-58	
413-1	Operations with local community engagement, impact assessments, and development programs	65% of operations ²⁵ have developed activities in support of local community	
Topic: Supplier Social Assessment			
GRI-414: Supplier Social Assessment (2016)			
103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	43	
103-3	Evaluation of the management approach	43	
414-1	New suppliers that were screened using social criteria	To date we are working in the implementation of a dedicated screening according to social criteria on our suppliers.	
Topic: Customer Health and Safety			
GRI-416: Customer Health and Safety (2016)			
103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	42	
103-3	Evaluation of the management approach	42	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2018, no incidents of non-compliance concerning the health and safety impacts of products and services were registered	

Topic: Socioeconomic Performance			
GRI-419: Socioeconomic Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	19; 69	
103-2	The management approach and its components	32- 34	
103-3	Evaluation of the management approach	32- 34	
419-1	Non-compliance with laws and regulations in the social and economic area	In 2018, no incidents of non-compliance with laws and regulations in the social and economic area were registered	
Other material topic			
Corporate governance			
103-1	Explanation of the material topic and its Boundary	19; 69	
103-2	The management approach and its components	32-33	
103-3	Evaluation of the management approach	32-33	
Transparency in clinical trials			
103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	34	
103-3	Evaluation of the management approach	34	
Sustainable pricing			
103-1	Explanation of the material topic and its Boundary	20; 69	
103-2	The management approach and its components	44-45	
103-3	Evaluation of the management approach	44-45	
Research and development			
103-1	Explanation of the material topic and its Boundary	19; 69	
103-2	The management approach and its components	40-41	
103-3	Evaluation of the management approach	40-41	

Product quality and reliability

103-1	Explanation of the material topic and its Boundary	19; 69	
103-2	The management approach and its components	42	
103-3	Evaluation of the management approach	42	

INDEPENDENT AUDITOR'S REPORT ON THE SUSTAINABILITY REPORT

To the Board of Directors of Chiesi Farmaceutici S.p.A.

We have carried out a limited assurance engagement on the Sustainability Report of the Chiesi Group (the "Group") as of December 31, 2018.

Responsibility of the Directors for the Sustainability Report

The Directors are responsible for the preparation of the Sustainability Report in accordance with the "*Global Reporting Initiative Sustainability Reporting Standards*" established in 2016 by GRI – *Global Reporting Initiative* (hereinafter "GRI Standards"), as stated in the paragraph "Note on methodology" of the Sustainability Report.

The Directors are also responsible, for such internal control as they determine is necessary to enable the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the definition of the Group's objectives in relation to the sustainability performance and the reporting of achieved results, for the identification of the stakeholders and the significant aspects to report.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the Sustainability Report with the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona
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The procedures performed on the Sustainability Report are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the Sustainability Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

- analysis of the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
- comparison between the financial data and information included in the chapter “Economic responsibility” of the Sustainability Report with those included in the Group consolidated financial statements of the Group;
- understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the Sustainability Report.

In particular, we carried out interviews and discussions with the management of Chiesi Farmaceutici S.p.A. and with the employees of Chiesi S.A.S., Chiesi Farmacêutica Ltda., Chiesi USA Inc., Chiesi Healthcare Ltd., Chiesi GmbH and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of data and information to the department responsible for the preparation of the Sustainability Report.

In addition, for material information, taking into consideration the Group’s activities and characteristics:

- At the parent company’s and subsidiaries’ level:
 - a) with regards to qualitative information included in the Sustainability Report, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- For the following companies and sites, Parma Via San Leonardo production site and Largo Belloli R&D centre for Chiesi Farmaceutici S.p.A. and Bois Colombes headquarters and Blois-La Chaussée-Saint-Victor production plant Chiesi S.A.S., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Chiesi Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with the GRI Standards as stated in the paragraph "Note on methodology" of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.



Valeria Brambilla

Partner

Parma, Italy
June 6, 2019



Chiesi 2018 Sustainability Report

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