



Chiesi 2017 Sustainability Report



We
ACT 
ACTIVELY
CARE FOR
TOMORROW

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Chairman's Statement

2017 has been an important year for Chiesi, full of challenges and achievements, strategic changes and new milestones. Most notable among our achievements was our commitment to actively and increasingly operate our business in a way that ensures long-term sustainability, as defined in the United Nations 2030 Agenda for Sustainable Development. This Report will highlight the key elements of our strategy to integrate sustainability into our core business practices, with the understanding that, to do so, drives value for our company and all its stakeholders.

Chiesi has always defined our mission more broadly than by simple measures of financial success. This sense of responsibility is rooted in the values of our founder and the Chiesi family, who have always placed people – and not profit – at the center of their work. For more than 80 years, our company has grown and expanded by focusing on the needs of patients

and of the wider community and by operating our business and choosing our innovative projects in the interest of their well-being.

This seed of responsibility to our environment and to our fellow human beings has been nurtured and cultivated over the years, and has matured into a solid commitment that continues to inform our strategy and guide our activities.

For this reason, we have chosen to become ambassadors and active promoters of sustainability and to contribute our resources and capabilities to the implementation of the UN 2030 Agenda. We are conscious of the role that every member of society, companies included, can play to contribute to global changes that can no longer be postponed.

At Chiesi, we choose to pursue sustainability in a visible and tangible way, by monitoring and measuring our impact on the world around us, by

openly communicating about our progress and challenges, and by committing to continuous improvement in everything we do.

Alberto Chiesi
Chairman



Chiesi at a Glance 2017

Chiesi Farmaceutici is an international research-focused healthcare group, based in Parma, Italy, with Affiliates in 27 countries around the world. With more than an 80-year history in the pharmaceutical industry, we have established a heritage

of producing innovative pharmaceutical solutions to improve the quality of human life. We are committed to delivering outstanding results with integrity, and to operating in a socially and environmentally responsible manner.

2017 Sustainability Highlights

(comparisons are to 2016)



30%

reduction in consumption of electricity



1%

reduction in hazardous waste production



9%

reduction in GHG emissions



36%

reduction in work-related injuries



Women represent

51%

of our employees



Confidential Reporting System

implemented: a direct communication channel for employees at all levels to report behaviors of concern to them



190,000

hours of training conducted



7

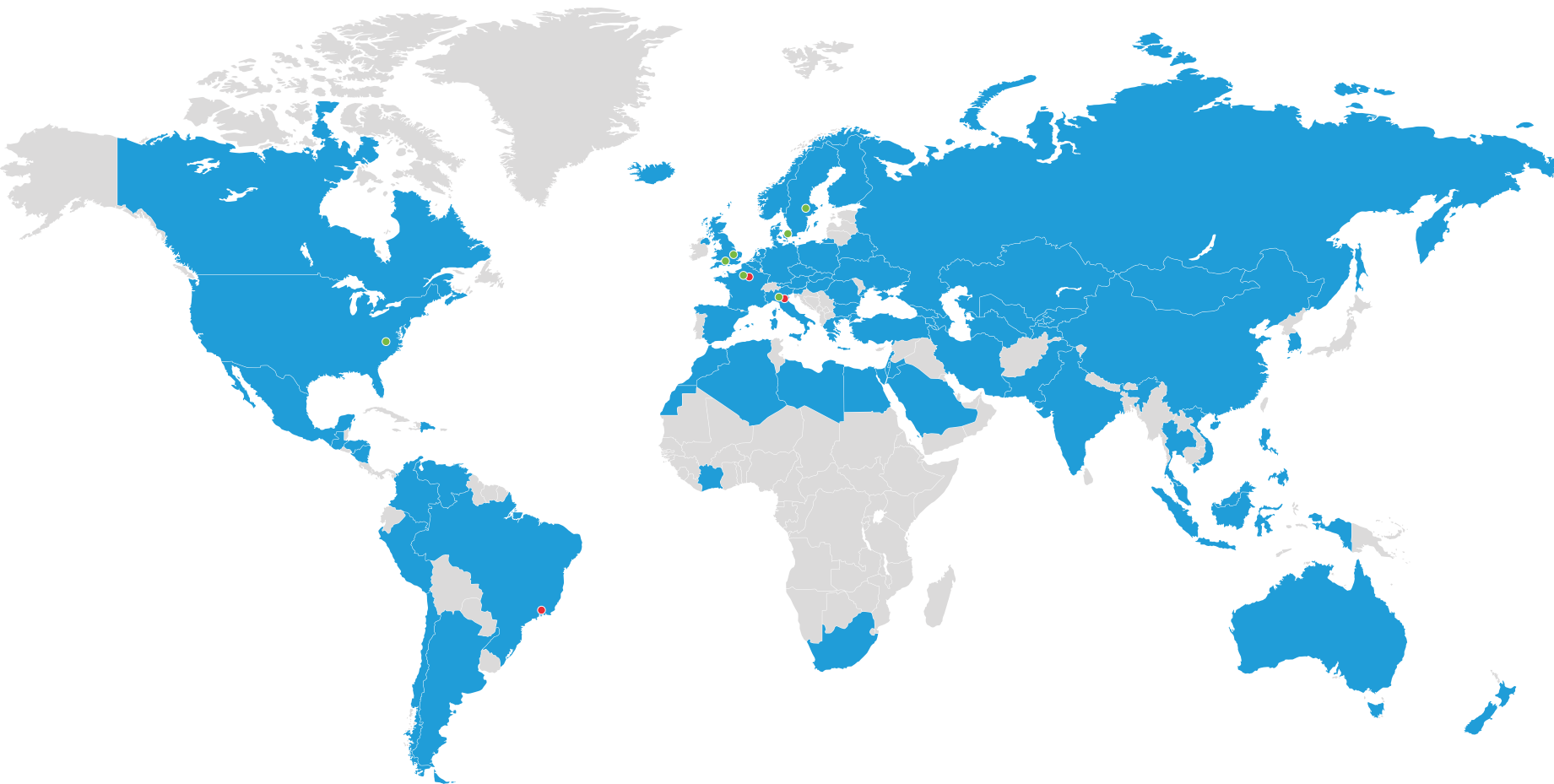
new products launched in past 5 years



3 "stars"

Awarded the highest score on ethics rating (Rating di legalità) from the AGCM (Italian Competition and Market Authority)

Chiesi worldwide



MANUFACTURING

Parma, **Italy**
Blois, **France**
Santana De Parnaiba, **Brazil**

RESEARCH

Chippenham e Oxford, **UK** Hillerod, **Denmark**
Parigi, **France** Lidingo, **Sweden**
Parma, **Italy** Cary, **North Carolina, USA**



RESPIRATORY

€ 1,019

Sales M€
+ 5.4%
on 2016



NEONATOLOGY

€ 246

Sales M€
+ 5.6%
on 2016



RARE DISEASE AND SPECIAL CARE

€ 413

Sales M€
+ 14.4%
on 2016



REVENUES 2017

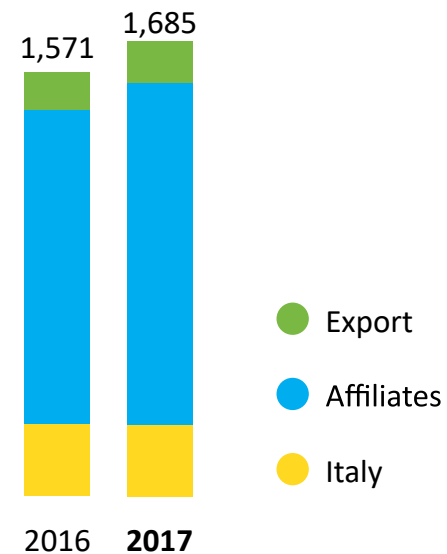
Global sales **1,685** (million €) *from consolidated financial statement*



in market revenues

- Europe
- Usa
- Emerging Markets and IMDD

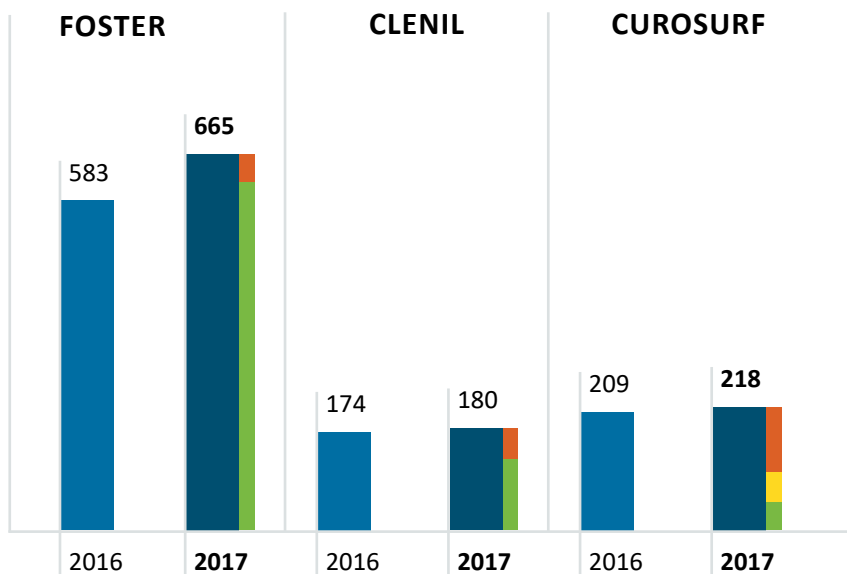
CONSOLIDATED SALES (million €)



MAIN PRODUCTS

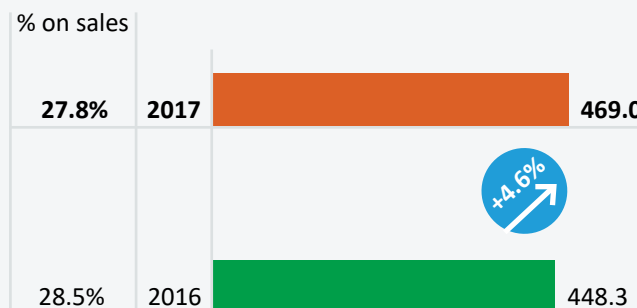
million €

● Europe ● Usa ● Emerging Markets and IMDD



EBITDA 2017

million €



ONCE AGAIN TOP EMPLOYER!



WORKFORCE AT GLOBAL LEVEL⁽¹⁾



4,813
2016



5,318
2017



PROJECTS ACTIVE
IN R&D

53

¹ The total workforce (or "collaborators") refers to employees and external collaborators (field force contractors and ad interim employees) of the Group, excluding long term employee absences and therefore differ from the total of employees (equal to 4,970 at 31st December 2017) in which long term employee absences are included and external collaborators are excluded.



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

Sustainability in Chiesi

1.1 Our milestones

Since its inception, Chiesi's story has been characterized by continuous efforts in research and development and an abiding respect for the people and communities we serve. This long-established tradition of knowledge and values is

the foundations for our Group's mission to combine integrity and commitment to results, and to operating in a socially and environmentally responsible manner.

"We ACT" – Actively Care for Tomorrow is Chiesi's Sustainability Manifesto – a declaration of our intention to care for our society and the environment – and a guideline for doing so to benefit all stakeholders, both inside and outside our company.

A 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 and value generation; sense of future; and collaboration.

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, enriching our offering thanks to increasingly numerous talented employees.

1992: Our products to improve patients' health

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

2005: The Chiesi Foundation was established to foster access to knowledge and quality care

The desire to combine the value of ethics and the knowledge inherited from the Group in the scientific areas of neonatology and pulmonology led to the creation of the Chiesi Foundation in 2005. This non-profit organization started to promote health in some of the poorest areas of the world, where the company does not have any production facilities or commercial activities.

2015: Our commitment to CSR

In 2015 we decided to give a precise governance and structure to our Corporate Social Responsibility activities. In addition we published the Group's first CSR Report, in order to share transparently our engagement with all our stakeholders.

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 the sustainability principles in our way of doing business. From this stems our decision to become a certified B Corp.

1.2 The concept of Sustainability at Chiesi

Sustainability, which has played a fundamental role ever since the company was founded, means:



Implementing a **governance** system based on transparency and accountability;



Fostering the professional and personal development of our **people**, as well as their well-being;



Protecting our **planet** and minimizing any negative impact produced by our activities;



Effectively addressing the unmet medical needs of our **patients**;



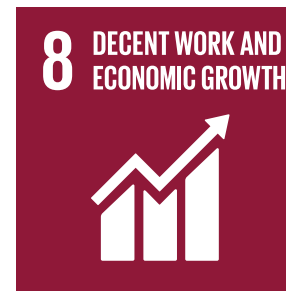
Serving our **community** and those most in need.

1.3 Our commitment to the SDGs

We support the United Nations 2030 Agenda for Sustainable Development, a universal call-to-action that aims at improving the well-being of the global community through the achievement of **Sustainable Development Goals (SDGs)**. We aspire to contribute to the realization of these 17 long-term objectives, which were defined in 2015 to tackle the greatest global challenges, such as poverty and environmental threats, and to shift the world towards a transformation that is sustainable, inclusive, and resilient.

We believe that Chiesi possesses the resources and capabilities needed to contribute to achievement of the

SDGs, and that we can have a significant and immediate impact on 8 of them that are closely linked to the nature of our business.



17
new sustainability
goals

1.
Sustainability
in Chiesi

In 2017, we renewed our engagement to social and environmental sustainability by launching a company-wide Sustainability Strategic Plan. This plan led us to define **17 new Sustainability Goals for Chiesi**, for which we are identifying the priority actions that will help us deliver value to society while achieving business success.

SUSTAINABLE DEVELOPMENT GOALS



1. Reduce hospitalization of premature babies and improve their short and long-term outcomes
2. Extend access to neonatal care in low resource countries
3. Develop sustainable therapeutic solution for patients affected by NCD
4. Reduce the burden of suffering for patients affected by rare diseases
5. Invest in R&D to progress scientific knowledge
6. Minimize greenhouse gases and pollutant emissions as well as exposure to chemicals
7. Adopt responsible consumption and production patterns to reduce damages and preserve planet resources
8. Encourage our suppliers to operate according to sustainability best practices
9. Help and educate people to take care of their health and the environment
10. Commit to the social, cultural, economic, and environmental sustainability of the community
11. Help those in need
12. Ensure the highest safety standards of the working conditions and of our products and promote healthy behaviors
13. Commit to personal and professional development of our employees and share our values of integrity, transparency and team spirit
14. Offer full and productive employment and full respect of labor rights
15. Leverage diversity and inclusion as sources of innovation and creativity
16. Create a working environment that favors our people's well-being
17. Operate in a transparent manner and openly communicate our impact on sustainability

1. Sustainability in Chiesi



1.4 Using business as a force for good

We declare our intention to become a certified B Corporation (also known as **B Corp**), joining a movement of certified for-profit companies that pledge to **contribute and to give value back to society** by creating a significant positive impact on the lives of workers and consumers – as well as on the community and the broader environment – while meeting rigorous social and environmental performance standards with accountability and transparency.

Achieving certification requires completion of the **B Impact Assessment (BIA)**, a process that identifies all of the ways a company creates value, as well as new ways it can increase its positive impact. The BIA assesses the company's current impact by means of an objective, comprehensive rating. All 27 Chiesi Affiliates are currently undergoing this assessment.

1.5 Our material aspects and main stakeholders

Integrating sustainability with our business approach means committing to create value for our stakeholders, taking all economic, social, and environmental factors into account.

We have identified our key stakeholders, as well as the material aspects of Chiesi's performance that should have the greatest – and most relevant – impact on them. Having identified the target stakeholders and performance criteria, we can manage and measure the effectiveness of our desired impact.



1. Sustainability in Chiesi



Corporate Governance



Diversity and equal opportunity



Ethics and compliance



Employees health and safety



Economic value generated



Programs for local community



Research and Development



Energy usage and emissions



Product quality and reliability



Water resources usage



Patient health and safety



Effluents and waste management



Human resources management and development

1. Sustainability in Chiesi

2. Corporate Governance and Business Ethics

At Chiesi, we consider ethics to be the highest model of behavior. For this reason, we require all our partners and collaborators to carry on their business transparently and in compliance with the highest standards of conduct. We therefore 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 EFPIA², we fully support the **disclosure of transfers of values from pharmaceutical companies to healthcare professionals and healthcare organizations**, as well as any similar legal requirement. This is to ensure that our relationship with medical/scientific groups and all our stakeholders is based on effective, transparent collaboration with a view to fostering scientific communication and medical progress, in addition to compliance with legal requirements;
- We expect all 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 (Collegio Sindacale)**. The latter's duty is to verify compliance with the law and the company's by-laws 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 **Supervisory Body (Organismo di Vigilanza)**, 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)**,

2. Corporate Governance and Business Ethics

² European Federation of Pharmaceutical Industries and Associations.

which oversees activities that benefit the local communities with which the company interacts. The CASSC has initially focused its attention on the city of Parma (Italy) and surrounding areas, where our headquarter is located. At the end of 2017, the Committee drew up the **Chiesi Group Community Development Guidelines**, which provides our Affiliates with a framework and key objectives for CSR activities focused on community development.

Our Board of Directors is composed of:



DIVERSITY IN OUR CORPORATE GOVERNANCE BODIES

Our current Board of Directors consists of 7 members. Of these, 6 are male and 1 is female (86% and 14% respectively). 6 directors are over 50 years old and account for 86% of the Board, while the other 14% is represented by a member between the ages of 30 and 50 years.

Chiesi is committed to encouraging the highest level of professional interaction among all of our employees, with a particular emphasis on respectful, transparent, and ethical behavior in our communications with one another and with our partners and customers. Employees at all levels of the company engage in training, monitoring, and evaluation to ensure that our commitment to high standards of integrity are upheld throughout the organization.

“Being a reliable company” is both a core value and a motivating goal that requires a vigilant commitment to ethical behavior on the part of 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 criteria for the entire Group to make ethics a concrete reality within our business.



Legality Rating promoted by the Italian Competition Authority (AGCM)

Chiesi Farmaceutici S.p.A. has been included in the list of companies with a Legality Rating with a **maximum score** of 3 stars, awarded by the Italian Competition Authority (AGCM).



ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

Over the past several 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 instrument (called a “Model 231”) that clearly defines our ethical commitments and responsibilities in the conduct of our business activities. This **Organizational, Management and Control Model** defines administrative responsibilities and rules to avoid unlawful behavior, and led to the designation of a **Supervisory Body (Organismo di Vigilanza)**.

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, at a more general level, all third parties acting on behalf of the Company.

In 2005, we developed 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 branches implemented internal control systems shaped on legal requirements similar to the Model 231.

The Model 231 is available to all employees via intranet. It is subject to periodic review and revision, and all changes are



promptly communicated to employees. All employees are trained on the Model 231. Newly hired employees are provided with an on-line training module as part of the boarding process, and they must pass a multiple choice exam³ to proceed. In addition, during the Group’s main institutional events and conferences, issues around ethics and compliance are discussed and reinforced as a part of our ongoing management development effort.

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**.

In 2017, a **Confidential Reporting System** was set up as a direct communication channel to allow employees at all levels to report behavior, such as a conflict of interest or other misconduct, that might cause damage to the Group’s financial results or reputation.

2. Corporate Governance and Business Ethics

³ For more information about training on ethics and compliance, please refer to the section entitled “Responsibility towards Chiesi’s people”.



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 mitigate the risk of any improper conduct or corruption. We have implemented several mechanisms designed to prevent these kinds of issues and respond to them should they occur. In 2015, we adopted the Corporate Standard Operating Procedure, **Group Guidelines on Healthcare Interactions**, to establish common rules on the interaction of company employees with healthcare

organizations and healthcare professionals.

Our **Anti-Bribery Policy** adopted in 2016 also provides a set of guidelines for how to recognize and avoid improper behavior and how to comply with the anti-bribery rules and regulations outlined in our Code of Ethics and Conduct. Corporate Internal Auditing is in charge of carrying out risk assessments and audits for all Affiliates.



TRANSPARENCY

In accordance with principles of Farmindustria⁴, which implemented the EFPIA's "*Code on the Disclosure of Transfers of Value from Pharmaceutical Companies to Healthcare Professionals and Healthcare Organizations*," we are engaged in disclosing transfers of value between Chiesi and healthcare professionals and organizations.

on the Group's websites.

As regards transparency in clinical trials, Chiesi and its Affiliates are also committed to transparency in all clinical trials, in accordance with the EFPIA requirements. All Chiesi studies are recorded on www.clinicaltrials.gov.

Chiesi has been committed at a European level to publishing annual data on such transfers of value, with a view to transparency and full traceability of all operations, since 2015 (first publication 30 June 2016). This information can be found

2.

Corporate Governance and Business Ethics

⁴The Association of Pharmaceutical Companies and a member of Confindustria.

3. Economic Responsibility

We aim to create value for our stakeholders through innovation and entrepreneurship, by fostering a positive impact for all of them, thanks to a constant flow of quality products and services, an effective value chain, and excellent working conditions.



OUR COMMITMENT

- While remaining a private company, we want to continue our expansion, focusing not only on **key markets**, but also on expanding patients' access to high quality healthcare in key emerging countries and in underprivileged areas of the world;
- We aim to maintain an adequate **level of profitability** to sustain our investments in innovation, development and internationalization;
- Entrepreneurship and innovation are key pillars of our strategy: we encourage **our people** to be proactive and to maximize their potential for innovation.

At Chiesi, we create and distribute value to all our stakeholders. We link the continuous economic growth of our Group to increased investment in Research and Development, as well as contributions to society through job creation and social commitments in the communities we serve.

IN 2017, WE CONTINUED TO GROW:



8.6%

Group **sales** increased by 8.6% at constant exchange rates, compared with the previous year (7.2% at current exchange rates)⁵



€469 mln

EBITDA grew from €448.3 million in 2016 to €469 million in 2017 (27.8% of sales)



€327 mln

Emerging **market revenues** saw an improvement of 14.1% on 2016, reaching a revenue level of €327 million⁶



In 2017, we **invested** around €112.5 million in the Company. Approximately 54% was invested in manufacturing plant, production machinery and infrastructure in general, while the remainder was invested in the acquisition of intellectual property

⁵ Data refer to revenues from the consolidated financial statements and does not refer to "in market revenues".

⁶ Data refer to "in market revenues".

3.1 Economic value generated and distributed

In addition to the usual financial figures, in 2017 we calculated the economic value that Chiesi generated for the year. This figure quantifies the amount of wealth – or economic value – that our business created and how it was distributed to our stakeholders along our value chain. The total economic **value generated** by Chiesi in 2017 was €1,765 million, of which:

80.54%

was distributed to stakeholders

19.46%

was retained by the Company

The economic value generated by Chiesi in 2017 has been distributed to various stakeholders of the value chain, divided in the following categories:



Reclassified operating costs ⁷



Human resources



Public Administration

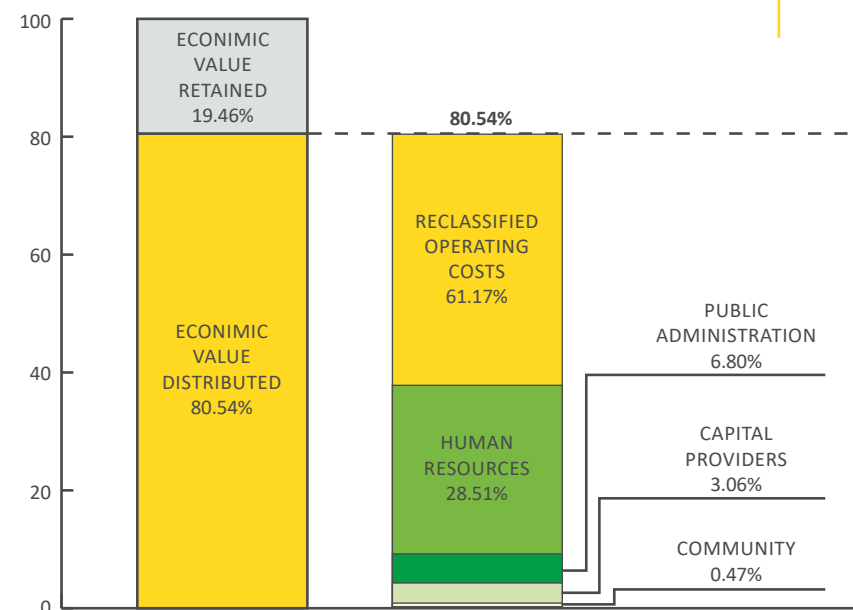


Providers of capital



Community

Percentage of economic value generated that was distributed or retained



Further details on community initiatives are available in the section titled, “Responsibility to the Community.”

Remuneration to suppliers and human resources represented the highest share of overall value distribution (61.17% and 28.51%, respectively, of the total value distributed). The remainder was distributed to the Public Administration, providers of capital and the community.

⁷ Reclassified operating costs are most significantly distributed to suppliers.

4.

Responsibility towards our Patients

We aspire to be a point of reference for patients affected by chronic respiratory disorders, rare diseases, and other health conditions which are difficult to treat, offering them – and those who take care of them – breakthrough innovative solutions for their needs. We work to guarantee effective and safe cures for our patients, also by exploring new frontiers in treatment and care and expanding patients' access to care in key emerging countries. We must be able to anticipate risks that could threaten the company's business and the wellbeing of our patients.



OUR COMMITMENT

- We care for **newborns**: we strive to develop 360-degree medical solutions in partnership with caregivers, to reduce the hospitalization of premature babies and improve their short- and long-term outcomes. We develop models to improve access to care for newborns in low- and middle-income countries;
- We care for patients with serious non-communicable diseases – in particular **respiratory diseases**, such as asthma and Chronic Obstructive Pulmonary Disease (COPD) – by developing sustainable therapeutic solutions, in the form of drugs and services that **improve their state of health and quality of life**. We assist healthcare professionals in preventing and managing these chronic conditions;
- We care for people affected by **rare diseases** and other non-communicable conditions that are difficult to treat. We engage in the research and development of drugs that either cure the disease or significantly diminish the level of suffering of these patients and their families; we **partner** with the **healthcare system** to reduce diagnosis time and facilitate access to care;
- We believe that **research and development** is a driver of innovation and prosperity, and we invest a considerable proportion of our resources to foster scientific knowledge and create a network of top class scientists engaged in finding solutions to patients' suffering.

Our responsibility to patients is at the heart of Chiesi's mission to develop products and technologies with the ultimate goals of improving patients' clinical outcomes, and to offer **innovative therapeutic options** to improve the quality of life for patients and their families. Our responsibility begins with a clear understanding of their needs.

4.

Responsibility
towards our
Patients

We operate in three main therapeutic areas:



Respiratory and Primary Care:

Chiesi is highly committed to improving the quality of life for patients suffering from **chronic respiratory diseases**, such as asthma and COPD, by targeting inflammation and obstruction throughout the entire bronchial tree and improving patient confidence and adherence to treatment (a major consideration in chronic disease management). In recent years we have developed fixed combinations of anti-inflammatories plus bronchodilators in **extra-fine particles** able to reach and treat both large and small airways. These formulations provide clinical benefits in terms of control and reduction of exacerbations and hospitalizations. These benefits have a significant impact on the lives of patients and their families.

Chiesi has been developing medicines to treat respiratory disease for more than 30 years, with an ongoing emphasis on improving patient experience, patient choice, and clinical efficacy. The introduction of combination treatments not only helps patients achieve better clinical outcomes using only one device, but also greatly reduces the environmental impact compared with the same drugs delivered through separate inhalers. We firmly believe that achieving patient safety and ensuring the optimal use of medication should be a priority, 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.

Chiesi was one of the first companies to abandon

chlorofluorocarbon (CFC) propellants used in pressured metered dose inhalers (pMDI). CFC gases are recognized as responsible for damaging the ozone layer of Earth's stratosphere. Even today, with new technologies developing rapidly, we are proud to be at the forefront of device innovation.

Our range of inhaled treatments includes the two main types of device: pMDIs and Dry Powder Inhalers (DPIs). The Patient-Device interaction is part of the prescribed therapy and can have a relevant impact on adherence and clinical outcomes. The proprietary mechanism of Chiesi's **Dry Powder Inhaler technology platform** (the NEXThaler® device), with its triple feedback system for effective full dose delivery, reduces critical errors and allows for higher confidence on the part of the patient, as well as more homogeneous distribution of the actives throughout the bronchial tree. Chiesi's **Modulite®** technology for pressurized Metered Dose Inhalers allows the size and distribution of particles to be tailored for the specific airway targets; it is also an improvement in patient usability thanks to the slower velocity and longer duration of the plume. This facilitates better hand-breath coordination, improving the patient's ability to use the device correctly.

Chiesi researchers are now focusing on an e-inhaler platform to address both unintentional, practical barriers to adherence, as well as intentional adherence barriers with reminder alarms and monitoring.

4. Responsibility towards our Patients



Neonatology:

The correct maturation and functionality of the lungs is critical for the neonate's survival. In severely premature infants, the lungs can be partially or even completely immature, and therefore unable to support adequate respiratory function. For decades, Chiesi's recognized global role in neonatology has been the result of a **strong partnership** with the **neonatal clinical community** and **continuous investment** in innovative solutions to improve care and quality of life in infancy and beyond. We bring our life-saving drugs, Curosurf® (poractant alfa) and Peyona (caffeine citrate), to more than 80 countries worldwide, and we are working to **improve less invasive administration techniques** and **best clinical practices** to deliver quality care to our smallest and most vulnerable patients.

Curosurf® is a natural surfactant used to resolve Respiratory Distress Syndrome, a life-threatening condition in premature babies. Chiesi's research in recent years has renewed the care of RDS through the

new LISA methodology (Less Invasive Surfactant Administration), which facilitates the use of "gentle" ventilation. Following EU regulatory approval of LISA in 2017, more than 1,600 healthcare professionals have been trained on the utilization of the new technique.

Chiesi's commitment to neonatology does not end with the research and development of innovative therapies and devices, but also includes support for **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, our first innovation project (Neostart) involved all of the key stakeholders in the field of neonatology, with the objective of co-creating disruptive solutions to improve the quality of life of premature babies and their families.



Special Care and Rare Diseases:

People affected by rare diseases might experience hurdles to get a diagnosis, obtain information, or receive a referral to consult with competent specialists. They might also have difficulty in obtaining effective treatment, accessing medical care, or maintaining their autonomy and social, professional and civic inclusion. For these reasons, Chiesi focuses particularly on the treatment of rare diseases.

It has been over 10 years since Chiesi took on the

challenge of exploring solutions for rare diseases, by contributing to the birth and development of "**Holostem Therapie Avanzate**", a university spin-off combining the scientific capabilities of world-renowned researchers of Modena University and the industrial skills of Chiesi Farmaceutici SpA. The collaboration with Holostem has generated a stem cell therapy platform, which has delivered Holoclar® to the market. **Holoclar®** is the first and only European Medicines Agency (EMA) - approved stem cell therapy for the treatment of moderate to

4. Responsibility towards our Patients

4. Responsibility towards our Patients

severe Limbal Stem Cell Deficiency (LSCD) due to physical or chemical ocular burns.

Chiesi's commitment has continued over time in the field of inherited metabolic diseases. In 2017, Chiesi acquired the marketing rights were acquired for **Procysbi**, a delayed-release formulation of cysteamine indicated for the treatment of patients affected by nephropathic cystinosis .

In addition, important progress has been made in the construction of a portfolio of products that could bring added value to the lives of patients suffering from **rare** and **ultra-rare lysosomal diseases**. The development of **Lamzede**[®] (velmanase alfa), the first enzyme replacement therapy for the treatment of alpha-mannosidosis (AM), was concluded. AM is an ultra-rare disorder presenting a broad range of symptoms, and its long-term prognosis is generally poor, with reduced life expectancy.

Having a treatment available is certainly a primary need for patients with a rare disease, but it is not the only one. In many cases, health systems do not have the diagnostic capabilities to identify affected patients in time to begin proper treatment. In response, Chiesi is supporting the development of **a program aimed at diagnosing**

alpha-mannosidosis.

This program will consist of a diagnostic algorithm and a diagnostic tool based on the "dry blood spot" technique. It will be made available free of charge to all health centers potentially able to manage AM patients.

Although rare diseases differ greatly one from another, they do share two challenging characteristics: the lack of adequate information available to patients about the disease and limited awareness among clinicians. To meet this challenge, Chiesi has begun a series of **multichannel awareness-raising programs** to improve the quantity and quality of information available to clinicians, patients, and families.

To guarantee the quality and impact of our work in all therapeutic areas, Chiesi is committed to improving the quality and reliability of our existing products, making significant investment in the research and development of new pharmaceuticals, conducting transparent clinical trials, and fostering accessible prices for healthcare. Though a solid system of quality control, good manufacturing practices, and rigorous pharmacovigilance we are making every effort to anticipate risks, ensure reliability, and the secure the well-being of our patients.

4.1 Research and Development in Chiesi

In the pharmaceutical industry, innovation plays a significant role in improving people's health conditions.



Our R&D organization is therefore a fundamental pillar of Chiesi's business for its ability to develop effective treatments for patients. Moreover, R&D is the main driver of Chiesi's sales growth: in 2017, **more than 80% of our sales were connected to products developed internally** or for which we performed specific R&D activities.



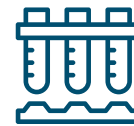
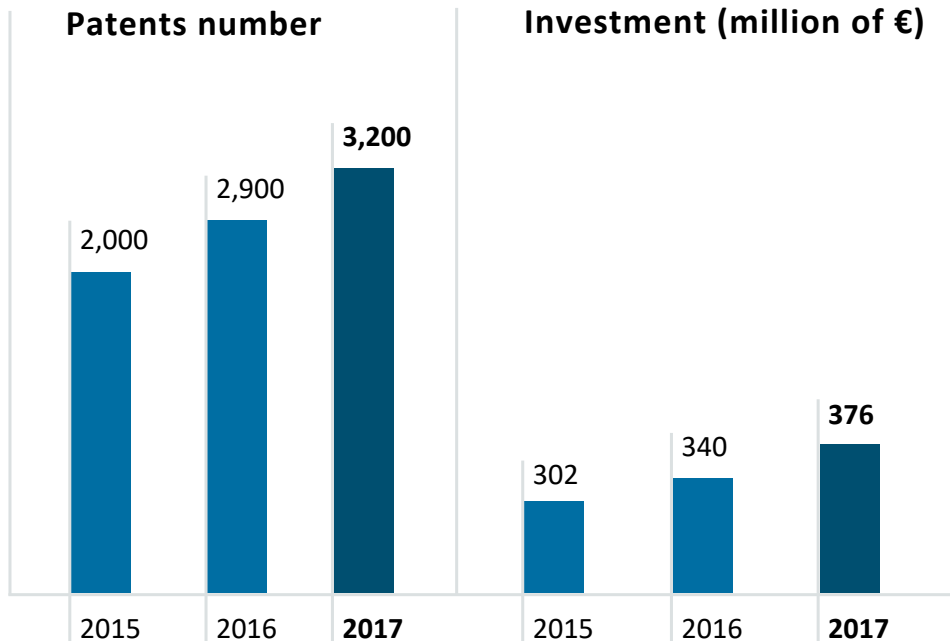
7 Research Centres



R&D investments at
22.3% of the sales

Supported by a **30% increase** in investment, our R&D organization has experienced significant growth in the number of people employed there and the number of patents in our portfolio.

Patents number



10 out of 53

active projects in 2017 are directed to neglected diseases

This investment led to a progressive and intensive increase in R&D activities, resulting in an increased number of active projects (53 in 2017, +23% in 3 years) covering the Respiratory, Neonatology, Special Care and Rare Disease areas. 10 of these projects have Orphan Drug Designation, confirming Chiesi's strong commitment to addressing patients' unmet medical needs with innovative drugs and solutions in our areas of specialization.

4.
Responsibility
towards our
Patients



7%

of spending dedicated to research into rare disease

In particular, we are investing even more in our rare disease franchise, which comprises 7% of our total investment and 10 out of 53 active projects in 2017, reinforcing our commitment to this area of neglected diseases.

>80%

of revenues come from products developed or supported internally



7

products launched in the last 5 years

17

priority filings in 2017

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 projects**. 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.

In the last 5 years, we have launched 7 new products, which now represent more than 13% of our revenues. In terms of our patent portfolio, Chiesi now owns **more than 3,200 patents** (+35% since 2015), and in 2017 our company submitted 17 priority filings.

4. Responsibility towards our Patients



We believe that our people are the main driver of progress and innovation, which is why we value and invest in training our R&D employees. In 2017, nearly 4% of working time was dedicated to training sessions.

4%

of time spent on training sessions



In terms of clinical development of new products, in 2017, more than 2,000 patients were recruited for clinical studies to support new drug development.

2,000

More than 2,000 patients recruited in 2017



€ 4.3 million

in collaboration and donations to universities and research centres

Another important aspect of our R&D activity is **collaboration with universities and research centers**, which allows Chiesi to help advance science and knowledge-sharing and contribute to the development of institutions that are fundamental for progress in innovation. In 2017, Chiesi invested approximately €1.2 million in scientific collaborations, and about €3.1 million in donations to universities and research centers.

4.2 Product quality and reliability



To ensure optimal health and safety for our patients, we are committed to guaranteeing the highest standards of quality and reliability of our products along our entire value chain, from the procurement of packaging and raw materials to the production and commercialization of our products.

Ensuring quality within our procurement practices

Our first commitment in terms of responsibility of our supply chain is to guarantee that our products are safe and accessible for the patients. For this reason, we constantly **review the risk of products shortage**, while ensuring the supply of ingredients and substances that are appropriate in terms of quality or safety.

Throughout the supply chain, our **suppliers** are selected and regularly assessed by our Procurement, Quality Assurance and Health Safety and Environment (HSE) departments, 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, quality of the ingredients used and other HSE criteria. 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 suppliers. This analysis and certification process is repeated every year or two, based on each supplier's specific criticality level, so that a close focus is maintained on all our suppliers.

In our commitment to become a certified B Corp, we are also working to enhance and strengthen the qualification and selection process for our suppliers, including the evaluation of their social and environmental performance.

Our production phases

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. During

manufacturing, all goods are produced in accordance with international standards, in sites authorized by the relevant national and international regulatory bodies. In addition, our plants are constantly subject to inspections and assessment to verify the compliance with current legislation and internal regulations. We also perform periodic **self-inspections** to maintain a high quality control system that fulfils all national and international requirements, guidelines and standards.

4.3 Pharmacovigilance for patients' safety

In the pharmaceutical sector, pharmacovigilance involves strict adherence to a series of activities, processes and policies executed to ensure patients' safety. Information on Chiesi's medicines is collected and continuously analyzed in order to assess the risk-benefit profile of the drug. Chiesi personnel, contracted partners, and pharmacovigilance service providers are required to promptly communicate any safety information regarding the company's medicines. Chiesi's Pharmacovigilance Department supervises all of these activities, guided by a global **Pharmacovigilance Policy**, which outlines management throughout the entire lifecycle of a drug, including:



collecting in a timely and proper manner any **reports** related to **side effects** caused by the use of Chiesi medicines during clinical development, the post-authorization setting, or reported by patients, healthcare professionals, an authority, contracted partners, or found in worldwide scientific literature;



ensuring appropriate analysis and assessment of side effects in periodic meetings (i.e. Safety Evaluation and Steering Committees) involving relevant stakeholders;



providing single safety case **reports** and aggregate reports, or proposals for safety variations, to the **authorities** in accordance with national requirements.

The Pharmacovigilance Department operates a risk management system for each medicine, monitors the outcome of risk mitigation measures which are contained in the risk management plans or which are laid down as conditions or requirements in the Marketing Authorization, **updates the risk management system, and monitors pharmacovigilance data** to determine whether there are changes to the risk-benefit profile of our medicines.

4.4 Patients' access to healthcare

Patients' access to treatment remains one of the major issues in healthcare at the global level, sometimes even in the top-tier developed Countries. At Chiesi, we are committed to accelerate and expand the availability of medicines to patients, particularly for those who suffer from high burden diseases, while considering the long-term sustainability of healthcare systems.

In this effort, we are developing, distributing and implementing **Company Policies and Positions** on subjects related to patients' access, assessment of medicines, and pricing and reimbursement (P&R). For example, we have recently developed the Company Position on the topic of **P&R innovative models for breakthrough curative medicines**, to carry forward the discussion in an area where Chiesi is one of the main European players. We are committed to the development and implementation of **Early Access Programs** for our assets in development, with a focus on those for rare or ultra-rare conditions and those that are unique. These programs allow patients in need to gain access to our medicines even before Marketing Authorization is granted. In this respect, we have expanded the Early Access Program on velmanase alpha (Lamzede®) to five EU Countries in 2017, on top of an after-trial care plan. Lamzede® received approval in Europe in April, 2018.

We support new approaches to expand patient access to our portfolio through innovative **Managed Entry and Managed Access Agreements**, which may be driven by the healthcare system sustainability considerations (finance-based agreements) or by the need to reduce uncertainty on outcomes (outcome-based agreements).

We also cooperate at both the global and country level with **Patient Advocacy Organizations** to improve our understanding of the different elements of care and their impact on patient disease-control and well-being. Recent initiatives include a project with the Society for Mucopolysaccharide Diseases, in the U.K., (MPS Society) on the burden of the disease alpha mannosidosis on patients, families, and caregivers. Direct conversation with these individuals, who shared their daily experience with the disease, is invaluable to our understanding of their challenges and their needs.

For diseases that are more common, such as asthma and COPD, we are committed to providing patients with improved therapeutic options, while caring for the sustainability of the healthcare system. Our latest products in this area were introduced on the market with the aim of providing a positive, or at least neutral, budget impact.



Compassionate Use

In 2017, the Group approved a procedure for the Compassionate Use of corporate products in order to define criteria and an approval flow for the use of investigational products or licensed drugs in an unauthorized therapy.

5. Responsibility towards Chiesi's People

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



OUR COMMITMENT

- We commit to the **professional and personal development** of our people;
- We believe in integrity, honesty, transparency, and team spirit, and we share these values with our people;
- We engage in offering our people full and productive employment, **safe and secure working conditions**, and full respect of labor rights;
- We believe in **diversity** as a source of innovation and engage in promoting inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status;
- We care for the **health and safety** of our employees and promote healthy behaviors;
- We commit to create a working environment that favors our **people's well-being**.



At 31st December 2017

4,970 employees

443 external collaborators

At the end of 2017, Chiesi employed **4,970 employees**⁸ (+8% vs. 2016), of which approximately 96% had a permanent contract. In addition, **443 external collaborators** were part of our workforce on December 31, 2017. The composition of Chiesi's workforce is a direct consequence of the sector in which we operate; Chiesi collaborates with healthcare operators, who are usually external collaborators.

5. Responsibility towards Chiesi's People

⁸The total of employees includes long term employee absences and therefore differs from the total workforce (equal to 5,318 at 31st December 2017) in which long term employee absences are excluded and external collaborators (field force contractors and ad interim employees) of the Group are included.

5.
Responsibility
towards
Chiesi's People

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

	at 31st December 2016			at 31st December 2017		
	Male	Female	Total	Male	Female	Total
Permanent	2,243	2,215	4,458	2,370	2,417	4,787
Temporary	60	83	143	63	120	183
Total	2,303	2,298	4,601	2,433	2,537	4,970

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

	at 31st December 2016				
	Italy	Rest of Europe	USA	Rest of the World	Total
Permanent	1,647	1,529	229	1,053	4,458
Temporary	85	41	1	16	143
Total	1,732	1,570	230	1,069	4,601

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

	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

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 data of human resources of the following countries: Brazil, China, Mexico, Pakistan, Russia, Turkey.

Total number of employees by employment contract (full time, part time), by gender

	at 31st December 2016			at 31st December 2017		
	Male	Female	Total	Male	Female	Total
Full time	2,283	2,153	4,436	2,410	2,381	4,791
Part time	21	144	165	22	156	178
Total	2,304	2,297	4,601	2,433	2,537	4,970

The coverage of employees by a **collective bargaining agreement** within the Group depends on countries' local legislation. As an average, around the 58% of Chiesi people were covered by collective bargaining agreement in 2017.

5.1 The development of our People

We believe that people are our Company's most precious resource, and we are convinced that our success depends on them. We want our employees to be proactive and to have the skills and competencies to excel in their roles, creating a work environment inspired by the principles of teamwork and collaboration. Chiesi is committed to **promote the internal growth of our people** through programs designed for their development, and to show recognition and appreciation of the effort and commitment that our employees put into their work day after day.

designed to create a pool of leaders well prepared for future challenges . It makes use of an assessment process that allows people to understand their areas of strength and areas where there is room for improvement, and to build an adequate training and development plan to help them perform their role in the best possible way and to be prepared for any future development opportunities within the organization. In 2017, there were 72 development plans underway for middle managers and executives. A Succession Plan for critical roles has also been created.

Another program is dedicated to employees not yet in management. This program, which has been implemented across all functional areas, assesses employees' skills and their potential for growth, through group assessments and individual interviews, and defines a individual development plans for them. In 2017, Chiesi Italia organized 3 sessions of Assessment of Potential involving 26 inter-function people. 26 development plans have been defined.



98

development plans
implemented in 2017

A key personnel initiative is our annual People Development Program. Designed for middle managers and executives, it is



In 2017 all employees around the world received

190,000

hours of training sessions

Manufacturing is a fundamental to our company’s success. In 2017 we launched a project dedicated to the newer employees in the Global Manufacturing Department (GMD) in Italy, France, and Brazil. The project is called “Got my Talent” and will involve 23 employees in 2018 and 2019. Its purpose is to develop skills, encouraging motivation and teamwork with a view to encouraging managerial growth, and to support change management in the manufacturing division.

In addition to programs for the development of soft skills and teamwork, cross-functional task training also plays a key role for Chiesi. In 2017, we offered our employees in Italy a catalogue of management training with 35 specific competencies, aimed at developing the skills of the Chiesi.

Model, language, and IT training activities, for a total of 1,568 course participations. Alongside these cross-functional initiatives, numerous ad hoc management training events were held to meet the specific needs of the various functions, including teambuilding activities, activities to support ongoing change management, and people development processes. As part of the processes of change management, particular attention is given to the promotion of initiatives in support of digital transformation, digital cultural growth, and new ways of collaborating remotely or in shared spaces. Chiesi also offers training sessions in every country and, in 2017, we provided our employees around the world with training sessions for a total of around 190,000 hours⁹.



39

Approximately 39 training hours per employee per year

Training varies depending on the country, the needs of the people, and the type of site (commercial or operational); however the majority of training was related to health and safety, people development, R&D, compliance, pharmacovigilance, soft skills, disease state, client management, and selling skills. We provide each employee with an average of 39 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. As a result, around 73% of Chiesi employees have received communication on anti-corruption, while a total of about 35% received a specific training on the topic.

Another significant development opportunity for Chiesi employees is the promotion of international assignments. Because Chiesi operates in 27 countries, moving employees between Affiliates encourages cooperation and a broad exchange of ideas. Participants gain insight from their global colleagues, while sharing their skills and experience with Affiliates abroad.



20

employees took part in international assignment programs in 2017

5. Responsibility towards Chiesi’s People

⁹Data on training hours reported is partly the result of estimation based on Group Affiliates’ training programs.

5.2 Welfare and well-being

Chiesi encourages a healthy work/life balance and the pursuit of personal well-being for our employees. This is reflected in our **People Care Project**. From the promotion of healthy lifestyles to initiatives dedicated to work-life balance, the People Care project aims to guarantee a peaceful environment in which people can find the right stimuli and social relationships, in addition to receiving valuable help on issues relating to health and the family.



The project provides a catalogue in which employees can freely register for workshops during working hours. In 2017, the **People Care Catalogue** included workshops on topics such as a healthy diet, use of technology in the management of family situations (e.g. involving elderly members of the family), and

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 51% of our employees. Approximately 54% of our executives are between the ages of 30 and 50.

emotional intelligence. An important activity in 2017 was the launch of the **Life Coaching project** in Parma, Italy, a free awareness path consisting of 4 individual meetings with a Life Coach. Life Coaching is a valid tool for activating useful resources to deal with personal or work situations.

In order to support the well-being of employees and their work-life balance (as one the most important outputs from the internal surveys), "smart working" was extended with some temporary initiatives in new departments.



In 2016, Chiesi implemented a program focused on employees' disease prevention and better personal health. In 2017, the Health Project offered a variety of options for health improvement, including ambulatory activities, prevention of chronic obstructive pulmonary disease, prevention of cardiovascular diseases, prevention of some of the most frequent neoplasms and a smoking cessation counselling.

Percentage of employees by gender and employee category						
	at 31st December 2016			at 31st December 2017		
	Male	Female	Total	Male	Female	Total
Executives	3.57%	1.25%	4.81%	3.18%	1.25%	4.44%
Managers and Field Force Area	9.76%	7.45%	17.21%	9.56%	7.88%	17.45%
Managers						
White Collar and Field Force Representatives	32.24%	38.35%	70.59%	31.97%	39.07%	71.04%
Blue collars	4.49%	2.90%	7.39%	4.24%	2.84%	7.08%
Totals	50.06%	49.94%	100.00%	48.95%	51.05%	100.00%

Percentage of employees by age group and employee category								
	at 31st December 2016				at 31st December 2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	-	2.76%	2.05%	4.81%	-	2.38%	2.06%	4.44%
Managers and Field Force Area	0.34%	12.78%	4.08%	17.21%	0.40%	12.86%	4.18%	17.44%
Managers								
White Collar and Field Force Representatives	9.37%	48.84%	12.38%	70.59%	9.97%	47.98%	13.09%	71.04%
Blue collars	1.01%	5.04%	1.34%	7.39%	0.95%	4.63%	1.50%	7.08%
Totals	10.72%	69.42%	19.85%	100.00%	11.31%	67.85%	20.84%	100.00%

In 2017, Chiesi developed the **JOY Program (Juniors on Strategy)** to collect ideas from newer employees and present them directly to Senior Management. Our goal is to encourage engagement and collaboration between junior and senior employees, who work closely together on issues of strategic importance to the company. In 2017 the program focused on **diversity**, a core value at Chiesi, and a key element of our sustainability strategy.



54% of Executives are between 30 and 50 years old.



51% of our employees are female.

5.4 Employees' health and safety

Providing a healthy and safe workplace is a fundamental tenet of our operational approach. The global growth of our company necessitates increased attention to the health and safety of our people, as our workforce and number of facilities grow. In 2016, we began implementation of the Corporate HSE (Health, Safety and Environment) Guidelines. These guidelines address all sites: manufacturing facilities; R&D centers; and sales and logistics

locations. Production sites in Chiesi France and Chiesi Brazil have undertaken a certification process of their safety and management systems, in accordance with the OHSAS 18001 standard. In 2017, we recorded a total of 37 injuries, decreasing the number of total incidents by 36% vs. 2016.

Work-related injuries by gender and by type¹⁰

	2016			2017		
	Male	Female	Total	Male	Female	Total
Total injuries	20	38	58	14	23	37
of which fatal	-	-	-	-	-	-
of which	13	24	37	11	14	25
of which injuries on the way to work	7	14	21	3	9	12

¹⁰ The perimeter of data for work related injuries does not include the commercial Affiliates of Chiesi SA (Belgium), Chiesi Pharma AB (Nordics) and R&D centres of Zymenex A/S (DK- Hillerod) and Chiesi Healthcare Limited (UK – Chippenham).

5. Responsibility towards Chiesi's People



The **Behavior Based Safety (BBS) project**, a behavior-based safety program, has reached 100% implementation in both the manufacturing and R&D sites in Italy, generating more than 1,300 suggestions resulting in more than 200 safety improvements.



Another activity to improve workers' safety is the introduction 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 important problem of health and safety at work, affecting almost one European worker out of four. Stress is not a disease, but prolonged exposure to stress can reduce efficiency and cause health and safety problems in the workplace. For this reason, the work-related stress RAD has been updated, to identify and promptly intervene on any critical issues that are detected.



Electronic Health Dossier: in collaboration with our HR and People Care functions in Italy, we have introduced the electronic health dossier for employees, which allows everyone to maintain their own healthcare information.

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." In addition, an HSE survey was planned to identify the needs of individual safety areas in terms of security, and collect

feedback on the level of satisfaction with the security services being. HSE also monitors how well key safety information is being communicated and whether employees are retaining that information.

5.

Responsibility
towards
Chiesi's People

6. Responsibility towards the Community

Our sense of responsibility to the community arises from a strong belief that we are not isolated. We are part of a system, and we can only prosper if the entire system prospers. Society, the community, our patients, employees, and the planet are all living parts of this system. We need to take care of all of them if we want to ensure long-term sustainability for our company and the families that depend on it. In addition, we believe that it is possible to generate social value while producing business value, linking the company's success to society's well-being.



OUR COMMITMENT

- **We care for our communities:** we want to invest resources and skills in the development of the community in which we live, to contribute to long-term integrated and sustainable growth;
- **We help and educate people** to take care of their health and the environment;
- We are committed to the **social, cultural, economic and environmental sustainability** of the communities and cities we live in;
- We help those in need in the countries where we operate. We work in **partnership** with relevant stakeholders to make this happen.

6.1 *Our commitment to the local community*

Caring for our local communities means recognizing the value and uniqueness of each area with which we are interconnected, including the local culture and territory of the Group's Affiliates. In 2017, we issued **Group Guidelines for Community Development** to encourage the development of specific social responsibility plans for the communities in the countries where we operate. The Corporate Social Responsibility (CSR) department supported several Affiliates as they focused their own approaches to

CSR by identifying their mission, strategic goals, and specific targets to maximize the positive impact of their contribution to their communities. In these Guidelines we prioritize three main areas of intervention: health and environment; social, cultural and economic development; and solidarity.

6. Responsibility towards the Community

Chiesi Brazil supported the Guri Music Projects in Hospitals and Children and Youth Groups conducted by Santa Marcelina Cultura, a local institution whose mission is to educate people through music. This support helped to provide over 6,000 people in hospitals throughout the city of São Paulo with 37 performances of the Guri Music Project in Hospitals and trained 29 students on this theme. Chiesi also contributed to training 390 students from Guri Music Groups, which held 60 music performances for over 14,000 people in several theatres throughout São Paulo.

Through the Breakfast Club initiatives, **Chiesi UK** supports schools in socially disadvantaged areas. Offering much more than sponsorships, it has created a partnership with the schools and a real involvement in day-to-day activities, such as supporting after-school clubs, reading and extra-curricular events.



Chiesi USA launched a project that involved collaborating with a local underperforming elementary school (“Bugg”) to improve the overall student learning experience in four key areas: behavioral learning; physical activity; sustainable nutrition; and an enhanced science curriculum. The program was designed by Chiesi USA employees in partnership with school administrators, parents, and staff. In addition to time, talent, and organizational resources, Chiesi USA provided financial support and significant employee participation in planning and execution. Local for-profit businesses and non-profit organizations have supported the project by providing goods and services for the students as well.

In **Italy**, we support our community through a variety of activities related to our interventional priorities. Since 2015, a **Committee for Social Activities and Community Development** oversees activities that benefit the community, particularly in Parma (Italy), where the Company is headquartered. In 2017, 43 social and cultural projects were supported with direct positive impacts on Parma and its surrounding area;

Parma, io ci sto!

The “Parma, io ci sto!” initiative: to achieve our objective of contributing to the economic, cultural, social and environmental development of our territory, since 2016 we have been one of the founders and supporters of the “Parma, io ci sto!” association, an

integrated model for local development. The association is active in four areas: **Food, Culture and Music, Education and Innovation, Tourism and Leisure**, with the aim of promoting and coordinating social, cultural and educational initiatives to encourage the economic and social development of the city of Parma and its surrounding area, while **fostering entrepreneurship** and stronger connections between citizens, businesses, schools and University.

6. Responsibility towards the Community

We support Cariparma Foundation's annual "**Call for Proposals for Innovative Education Projects.**" The aim of the call is to promote educational success and improve the province's education system with special attention to innovative spaces and teaching methods at all local schools. As part of this collaboration, Chiesi is specifically committed to supporting those projects that foster the approach of young people, girls in particular, to scientific studies and STEM subjects (Science, Technology, Engineering and Mathematics).



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



Chiesi
FOUNDATION

We also care about the **basic social needs of our community**. In this perspective, we encourage all our employees to be actively involved in responding to the local needs of our community through their personal involvement in volunteering activities. To make this happen, since 2015 we organize the **Chiesi Volunteering Week** to support local NGOs with our employees' active participation, commitment and passion. In 2017, in Parma, 412 employees volunteered in 1,648 hours, helping 21 local NGOs in 15 different support areas. Moreover, we have several country-specific programs to encourage employees' commitment in voluntary activities.

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 on relevant social issues.

In the event of **emergencies or disasters**, Chiesi is also committed to helping those in need in the countries where the Group operates. Within this framework, in 2017, our Italian employees were involved in **solidarity fund-raising activities** on behalf of the communities affected by the earthquake in central Italy and by floods in the province of Reggio Emilia. Similar emergency support projects have also been set up by our Affiliates. For example, in 2017 Chiesi USA supplied funds and basic items for daily living to families hit by Hurricane Harvey in the Houston area.

In addition, since 2016 Chiesi has partnered and supplied anti-asthmatic drugs to **International Health Partners (IHP)**, a licensed non-profit organization which distributes medicines to populations in disaster relief and emergency situations.



6. Responsibility towards the Community

6.2 Chiesi Foundation Onlus

Chiesi Foundation Onlus is a non-profit organization, founded in 2005 as an expression of social responsibility at Chiesi. Within the Foundation, ethics and knowledge merge with the aim of **improving health and alleviating the suffering of patients** affected by respiratory and neonatal diseases. A sense of responsibility towards the environment and society, sharing with no boundaries or limits of science and knowledge, and the fight against suffering and inequality are deeply-rooted values that guide all the programs and activities of the Chiesi Foundation, which are focused in some of the **poorest areas of the world**, where the Group does not have any production facilities or commercial activity.

Chiesi

FOUNDATION ONLUS

CHIESI FOUNDATION PROGRAMS AND OBJECTIVES



Scientific research and dissemination of knowledge

Better understanding of the patients' needs and improving their management, through the study of physio-pathological mechanisms and in-depth analysis of socio economic factors involved in patient care

Promoting scientific communication and the dissemination of knowledge between patients, communities and institutions



International cooperation

Contributing to the development of low and middle-income countries by transferring scientific means and knowledge

Promoting full rights to health for populations most in need with a particular focus on neonatal health



Education

Supporting the scientific activities of young researchers

Promoting innovative training initiatives for healthcare providers and patients

In international cooperation, the Chiesi Foundation is particularly committed to neonatology with **the Neonatal Essential Survival Technology (NEST) project**, conceived in 2014 and carried on directly by the Foundation. The NEST Project aims to reduce neonatal mortality by improving the quality of neonatal care in low and middle-income countries with specific attention to premature, sick, and low birth-weight babies, in direct collaboration with local healthcare professionals, particularly in Sub-Saharan African countries. To achieve this goal, the NEST Project intervenes on three main fronts:

- training programs on essential newborn care for local healthcare providers, with particular attention to the role of neonatal nurses;
- support in setting up neonatal units with appropriate means and adequate medical equipment for the local situation;
- guidelines and protocols on essential newborn care, in accordance with national and international standards.

Chiesi Foundation's commitment to international cooperation is not just about neonatology, but also concerns pulmonology. Since 2014, Chiesi Foundation has been supporting the **Global Access to Spirometry (GASP) Project**, developed by a specialist respiratory team of the British Columbia University. GASP has successfully developed a model for the diagnosis and management of chronic respiratory diseases, particularly asthma and COPD, with spirometry and training programs for countries and hospitals with limited resources. During the pilot scheme, the project was able to create the first Laboratory of Spirometry and to develop a training program for the management of respiratory diseases in Georgetown, Guyana. The goal over the next few years is to continue supporting the project and to scale it up in other areas and countries with the same needs in terms of access to spirometry screening, diagnosis, and daily management of chronic respiratory diseases.



Neonatal Essential Survival Technology

CHIESI FOUNDATION AT A GLANCE

In the last 10 years, over €1.5 million for scientific research were granted as unrestricted research grants and research doctorates.

Scientific research

In 2017, over

288,000 euro

were donated to promote scientific research.

International cooperation

In 2017, over

155,500 euro

were donated for International Cooperation projects in 2017:

~ €119,000 euro allocated in the NEST Project

~ €15,000 for the GASP Project

7. Environmental responsibility

At Chiesi, we are committed to protecting our Planet, minimizing our impact, and preserving resources for future generations. We cannot prosper on a dying planet. We want to go beyond compliance with the strictest international regulations and standards on environmental protection to consider environmental sustainability as a key element of the Company's growth.



OUR COMMITMENT

- **We care for the planet:** air pollution and greenhouse gases have negative impacts for all living beings. We strive to reduce to a minimum our greenhouse gases, pollutant emissions, and exposure to chemicals;
- **We care for future generations:** we advocate the importance of responsible consumption and production, not only to reduce negative impacts, but also to preserve the planet's resources for future generations;
- **We care for our partners:** we encourage our suppliers to operate according to sustainable practices through knowledge sharing and regular appraisal of their conduct.

The Chiesi Code of Ethics identifies environmental protection as an essential operating principle in the countries where we do business. Our business strategies will be guided by sustainable practices and health, safety and environmental (HSE) legislation and standards.

In 2014 we defined our **Health, Safety and Environmental Policy**, which identifies our strategic goals.

Principles contained in our HSE Policy led us in 2017 to integrate aspects concerning the environment and safety in the Strategic Planning of our business. This integration led to our development of an Environment and Safety Management System, focused on achieving HSE. The system currently aims to prioritize and achieve HSE factors that are most critical to the Group and our stakeholders.

In line with the corporate values on environmental protection and the rational use of natural resources, we analyzed our environmental impact from a **Life Cycle Perspective (LCP)**. The aim is to identify, evaluate, and manage environmental

considerations, assessing our processes and their impacts on the environment, no matter where these activities take place. The LCP analysis examines all of the phases of production: research and development; manufacturing; distribution and use; to the "end of life" of the products.

Chiesi is currently involving all R&D departments to define a Sustainable Chemistry Policy, aimed at minimizing the impact of chemical substances on workers' health and on the environment, both within our Group and involving our suppliers.

7. Environmental responsibility



7. Environmental responsibility

Our new **Headquarters in Parma** has been designed with a focus on environmental sustainability and energy efficiency. The innovative systems reduce water and energy consumption significantly, while relying on energy production from renewable resources. The overall result is a more efficient use of primary resources than in a conventional building. This new building will allow us to create a healthier living and working environment that will enhance employees' well-being and benefit our community.

Certification of production sites and audits for affiliates: In 2017 the HSE audit activities on production sites and R&D centers continued in the framework of a three-year audit program, as required by the certification regulation. In this regard, Chiesi France and Chiesi Brazil are working to obtain **ISO 14001 certification** in 2018.

Carbon Footprint Analysis, already in place for two of our main respiratory products, is being extended to all manufacturing processes, through a Group database containing all of the information that characterizes our products and processes. This approach allows us to accurately and rapidly quantify the impacts of our products on climate change, as well as to drive our design choices during the various R&D phases.

Sustainable mobility: in Italy we are continuing our agreement with the Municipality of Parma to get traffic and parking facilitations for our "Workplace-House Travel Plan". We have

introduced the JOJOB car-sharing platform for the Parma Headquarters, which will lead to lower emissions, fewer parking spaces and reduced traffic congestion. Looking forward, new projects have been shared with the Municipality to promote bicycle lanes and new routes and stops for public transport lines.

Green PC: this project has the aim of reducing the energy wasted by office computers. Through the installation of the PowerMAN software, energy saving policies have been applied, and once fully operational, this project will help us avoid the emission of approximately 170 kg of CO₂, i.e. saving the equivalent of 5,000 liters of diesel fuel.

Car fleet: our green program for carpool management in Europe has the ambition to reduce company automobile emissions by 9% by the end of 2019, effectively reducing CO₂ emissions from the Chiesi fleet by 700 tons per year. In 2017 our project to harmonize the management of auto fleets continued at 10 European affiliates, with a view to a gradual reduction in greenhouse gas emissions. We are currently conducting a feasibility study to introduce hybrid/electric cars and alternative fuels to our fleet.

Another special commitment, both towards the environment and local communities, was linked, in Italy, to Chiesi's contribution to the drafting of an Environmental Organizational Model, addressing Small and Medium Enterprises, to encourage the implementation of an environmental management system aimed at improving performance and complying with legal requirements.

7.1 Energy consumption and emissions¹¹

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 2017, the Group's operations consumed approximately 436 TJ, with a decrease of 3% on the previous year.

ENERGY CONSUMPTION BY CHIESI BY TYPE OF FUEL

Type of fuel	Unit of measurement	2016	2017
Electricity	MWh	43,606	30,576
	GJ	156,981	110,075
<i>of which purchased</i>	MWh	43,484	30,472
	GJ	156,542	109,701
<i>of which purchased from renewable sources¹²</i>	MWh	547	510
	GJ	1,971	1,834
<i>of which self-produced from renewable sources</i>	MWh	122	104
	GJ	439	374
Natural Gas	m ³	3,709,380	4,120,908
	GJ	130,325	144,784
Diesel	Litres	3,770,765	3,958,755
	GJ	135,409	142,160
Gasoline	Litres	671,766	982,130
	GJ	21,572	31,539
Bioethanol	Litres	339,459	353,000
	GJ	7,223	7,512
LPG (Liquefied Petroleum Gas)	Litres	4,465	4,034
	GJ	106	95
Total	GJ	451,616	436,165

¹¹ The perimeter of data for energy consumption and emissions does not include the commercial Affiliates of Chiesi SA (Belgium), Chiesi Pharma AB (Nordics) and R&D centres of Zymenex A/S (DK- Hillerod), Chiesi Healthcare Limited (UK – Chippenham) and Atopix Therapeutics Limited (UK – Oxford).

¹² The portion of electricity obtained from renewable sources originates is certified by the Origin Guarantee.

7. Environmental responsibility

Our commitment to protecting the environment is also expressed through specific initiatives to reduce the greenhouse gas (GHG) emissions caused by our operations, such as production and commercial activities, and due to the use of the car fleet. In 2017, a greater share of GHG emissions was represented by Scope 1 emissions, generated directly within the Group through the use of fuels for production processes, for heating and the car fleet (natural gas, diesel, gasoline, bioethanol and LPG). In particular, this year, Scope 1 direct emissions related to the use of energy for industrial production and commercial activities increased by 11% compared with 2016, mainly due to the increase of goods manufactured.

Our Scope 2 GHG indirect emissions, generated by the electricity supply purchased, decreased vs. 2016 concomitant to the reduction of purchased electricity. Specifically, some Chiesi Affiliates (mainly in Sweden, France, Netherland, and Spain) purchased certificates of Origin Guarantee from some European suppliers to support the share of electricity consumed by the Group from renewable sources and reducing the corresponding CO₂ emissions according to the Market-based calculation approach.

At the end of 2017, we produced around 30,000 tons of CO₂ emissions (with reference to Scope 1 and Scope 2 Location-based), a decrease of 9% vs. 2016¹³.

GREENHOUSE GAS EMISSIONS BY CHIESI¹⁴

GHG emissions (tonnes of CO ₂)	2016	2017
Direct emissions (Scope 1)	18,840	20,876
Indirect emissions (Scope 2)		
Location-based approach	13,922	8,863
Market-based approach	16,872	10,568
Total (Scope 1 + Scope 2 location based)	32,762	29,739

¹³ The GRI Sustainability Reporting Standards 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 (for example, the emission coefficient used for Italy is equal to 375 gCO₂/kWh - Source: Terna, Confronti Internazionali 2015). 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 (e.g. purchase of certificates of Origin Guarantee), this approach foresees the use of the emission factors relating to the national "residual mix", without considering those electricity purchased from renewable sources (for example, the emission coefficient used for Italy is 465 gCO₂/kWh - Source: Association of Issuing Bodies, European Residual Mixes 2016).

¹⁴ Source of Scope 1 emission coefficient data for natural gas, diesel, gasoline, bioethanol and LPG: Italian Ministry of the Environment and the Protection of Land and Sea, Table of National Standard Limits, 2017. Source of Scope 2 (Location-based) emission coefficient data for various countries: TERNA, Confronti Internazionali, 2015. Source of Scope 2 (Market-based) emission coefficient data for various countries: Association of Issuing Bodies, European Residual Mixes 2016. Only CO₂ emissions are considered for the calculation of the Scope 1 and Scope 2 emissions.

7.2 Water resources management¹⁵

In order to support our growing 2017 production activities, our total water consumption increased by about 10% compared to 2016. This value refers only to our main production sites and R&D centers in Italy, France and Brazil, which draw water from the water network managed by municipalities and other water utilities.

WATER WITHDRAWAL BY CHIESI BY SOURCE

Water withdrawal by source (m ³)	2016	2017
Municipal water	255,625	280,810
Total	255,625	280,810

7.3 Waste disposal¹⁶

Chiesi Group focuses a significant effort on proper waste disposal, continuously monitoring this activity through an efficient management process in compliance with current legislations. In our production sites and R&D centers, we are striving to preserve the environment by monitoring the production of waste and by ensuring the correct disposal of it and of pharmaceutical products. In 2017, a total of 3,537 tons of waste were produced, of which 12% was hazardous waste (substances defined as hazardous in the country of origin) and 88% was non-hazardous waste (all other forms of liquid and solid waste). In particular, it should be noted that the production of hazardous waste decreased by 1% vs. 2016.

¹⁵ The perimeter of data for water consumptions refers only to production sites and R&D centres and does not include the R&D centres of the following Affiliates: Zymenex A/S (SE - Lidingo) and Chiesi Healthcare Limited (UK – Chippenham).

¹⁶ The perimeter of data for waste production refers only to production sites and R&D centres and does not include the R&D centres of the following Affiliates: Zymenex A/S (SE - Lidingo) and Chiesi Healthcare Limited (UK – Chippenham).

TOTAL WASTE PRODUCED BY CHIESI, SUBDIVIDED BY TYPE AND DISPOSAL METHOD

Waste by type and disposal method (tons)	2016			2017		
	Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Reuse	0.02	-	0.02	0.04	-	0.04
Recycling	134.07	1,213.36	1,347.43	172.43	1,331.01	1,503.44
Recovery	69.51	35.13	104.64	79.11	35.31	114.42
Incineration	68.16	-	68.16	36.21	1.74	37.95
Landfill	-	72.86	72.86	-	93.87	93.87
Storage on site	140.20	1,063.23	1,203.43	138.30	1,640.77	1,779.07
Other ¹⁷	16.32	-	16.32	-	8.24	8.24
Total	428.28	2,384.58	2,812.86	426.09	3,110.94	3,537.03

7.
Environmental
responsibility

¹⁷ Waste disposed through physical-chemical treatments, originating compounds or mixtures which are then removed, for example, by evaporation, drying, calcination (Code D9 of the classification of waste treatment and disposal activities - List of operations D, Annex B, Part IV, Italian Legislative Decree n. 152/06)

8.

Note on methodology

After taking our first steps down the road to Corporate Social Responsibility, which led to the publications of two CSR Reports, this document is the first Sustainability Report of the Chiesi Group (referred to in the Report as “Chiesi”). Our Sustainability Report provides a clear picture of our activities and our impacts on sustainability to all our stakeholders, in which we describe our initiatives and the results that we achieved in 2017 (reporting period: 1 January to 31 December 2017).

This Sustainability Report references to selected “Global Reporting Initiative Sustainability Reporting Standards” established by GRI – Global Reporting Initiative, as follow: 102-1, 102-2, 102-3, 102-4, 102-8, 102-13, 102-14, 102-16, 102-18, 102-41, 102-47, 102-50, 102-52, 102-53, 102-54, 102-55, 201-1, 205-3, 206-1, 302-1, 303-1, 305-1, 305-2, 306-2, 307-1, 405-1, 416-2, 419-1.

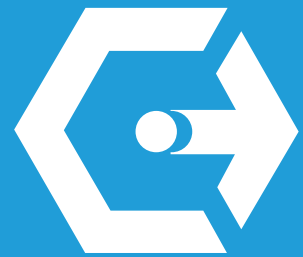
Data and indicators reported in this document have been chosen among various aspects from a wide variety of economic, social and environmental factors, that are most significant for Chiesi’s business and Chiesi’s stakeholders.

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.

During the reporting period, we did not face any significant change concerning the organization’s size, structure, ownership or supply chain, however it should be noted that in June 2017, Chiesi acquired the rights of the European branch of Horizon Pharma products.

Unless otherwise indicated, data and information contained in this Report refer to the year 2017. 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. In addition, information about actions taken in previous years is likewise included to give a full picture, if such actions are still applicable within the sphere of Chiesi’s activities.

With the aim of providing a correct representation of performance and ensuring that the data is 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.

This Sustainability Report has been drafted with the technical-methodological support of Deloitte & Touche S.p.A..

For any information related to our Sustainability Report, it is possible to contact the CSR function at the following e-mail address: CSR@chiesi.com. This Report is also available on the Chiesi website (www.chiesi.it), in the Sustainability section.

Note on
methodology

9.

GRI Content Index

GRI 102: GENERAL STANDARD DISCLOSURE	Description	Page/Notes	Omission
Organization profile			
102-1	Name of the organization	46	
102-2	Activities, brands, products, and services	2,4-5, 19-21	
102-3	Location of headquarters	2	
102-4	Location of operations	3	
102-8	Information on employees and other workers	2, 27-29	
102-13	Membership of associations	12, 15	
Strategy			
102-14	Statement from senior decision-maker	1	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	6, 8, 12-15	

Governance		
102-18	Governance structure	12-13
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102-41	Collective bargaining agreements	29
Reporting Practice		
102-47	List of material topics	11
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SPECIFIC STANDARD DISCLOSURE	Description	Page/Notes	Omission
Topic: Economic Performance			
GRI-201: Economic Performance (2016)			
201-1	Direct economic value generated and distributed	17	
Topic: Anti-Corruption			
GRI-205: Anti-Corruption (2016)			
205-3	Confirmed incidents of corruption and actions taken	In 2017, 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)			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2017, no legal actions pending or completed regarding anti-competitive behavior and violations of anti-trust and monopoly legislation, involved the company	
Topic: Energy			
GRI-302: Energy (2016)			
302-1	Energy consumption within the organization	2, 42	
Topic: Water			
GRI-303: Water (2016)			
303-1	Water withdrawal by source	44	

Topic: Emissions**GRI-305: Emissions (2016)**

305-1	Direct (Scope 1) GHG emissions	43
305-2	Energy indirect (Scope 2) GHG emissions	43

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

306-2	Waste by type and disposal method	44-45
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Topic: Environmental Compliance**GRI-307: Environmental Compliance (2016)**

307-1	Non-compliance with environmental laws and regulations	In 2017, no fines or non-monetary sanctions for non-compliance with environmental laws and regulations were registered
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Topic: Diversity and Equal Opportunity**GRI-405: Diversity and Equal Opportunity (2016)**

405-1	Diversity of governance bodies and employees	2, 13, 31-33
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Topic: Customer Health and Safety**GRI-416: Customer Health and Safety (2016)**

416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2017, no incidents of non-compliance concerning the health and safety impacts of products and services were registered
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Topic: Socioeconomic Performance**GRI-419: Socioeconomic Compliance (2016)**

419-1	Non-compliance with laws and regulations in the social and economic area	In 2017, no incidents of non-compliance with laws and regulations in the social and economic area were registered
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Chiesi 2017 Sustainability Report

Design:

Dynamic Mind (Italia)

In collaboration with: Giango (Italia)

Technical-methodological support:

Deloitte & Touche S.p.A.

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