

The way we act



Sustainability Report
2019



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Chairman's Statement

Chiesi's core mission is to provide excellent healthcare to our patients and to improve the quality of human lives. This is what drives us as a pharmaceutical company and will always be at the heart of our operations. We acknowledge that times have changed since our establishment in 1935, and that businesses have a relevant role in the current scenario with their ability to impact the world and the society. Today's world is facing unprecedented challenges that require new behaviours, new practices, and new mindsets in order to shape smart and human solutions. For this reason, we feel the duty to transparently assess and communicate the impact of our company, both in terms of creating positive value and in terms of the challenges that we face as a business operating in this interconnected system.

The world of business, called to take an active role in working towards those solutions, is responding. There is an ongoing conversation on how companies should behave and what their role should be beyond liability. Business ethics are debated as the very foundation of success.

For the first time in history, reputable actors and specialized press urged the business sector to do its part to reset capitalism which has by now proven to be insufficient to face the new global scenarios.

There is a cultural shift taking place, moving the economy away from the old "shareholder capitalism" interpretation, where generating profit for the shareholders is at the core, towards a "stakeholder capitalism", able to cultivate prosperity for all, from people to planet.

As humans, we are moving from the short sighted and profit focused system towards a renewed and more human economic and social paradigm. This new mindset is already circulating in the corporate world, as well as in universities and academia where future entrepreneurs are nurtured.

At Chiesi, we have fully embraced this crucial and ambitious perspective. We are innately experimenters, we design, innovate and create new solutions.

As a group, we have always applied our responsibility through the products we make, the processes we set up, the value chain we manage and the company culture we shape. In 2018 we made the choice to become a Benefit Corporation and in 2019, our dedication was recognised and allowed us to become the largest pharmaceutical Group to be awarded B Corp certification.

The group embarked on this fascinating journey and I am glad to see that this acknowledgement has catalysed our energy and enthusiasm. People are proud to contribute to the change they see coming, to being a part of the solution to the problem as opposed to the cause.

This report will serve as a logbook, aiming to share our journey in an effort to inspire others to join us. We want to show the different levels that we worked on and the activities we implemented to create a positive impact. Ultimately, this document shows how we decided to operate and position ourselves in the world. We can no longer separate the care of our patients, our core driver in everything that we do, from the health of our world as a whole and its environmental and human resources. At the same time, we also want to share the challenges and the difficulties that we are facing to stimulate a collective thinking on solutions and opportunities.

Alberto Chiesi,
Chairman





Letter from the CEO

Some directives are more challenging than others, but these are also the most inspiring.

At Chiesi, I have received what I feel is a **revolutionary direction** from our shareholders.

As a Benefit Corporation, Chiesi has chosen a double purpose model of enterprise, one that pursues financial targets as well as the advancement of society in favour of all stakeholders, people, communities and the environment. Our commitments for what is in essence a stakeholder primacy, are now stated in the Statute.

Also, as a certified B Corp, every year Chiesi will be asked to measure the impact of the practices put into action so to achieve the double purpose objectives.

My role will be to ensure that the positive effect we have on society and the environment is as equally important for us as the profit that the company generates.

We strongly believe that the success or failure that companies will confront in the future will be determined by their capacity to embrace this duality today. Enterprises will thrive if they become legally committed to generating beneficial social as well as financial results. We agree that, in the long term, corporations that do not work towards both of these goals in parallel will likely lose the license to operate.

Chiesi has started to function as a stakeholder company. This is the challenge of our time and we have decided to take it on, always carrying with us the group's history and ethical values. We are rethinking and redesigning the way we work across all of our operations to maximise positive effects on business as well as on people and on the planet. Yet, we are moving into uncharted territory without any reference points. This

major change requires a new double purpose mindset that we can build together because we already share a common cultural ground.

In this report we describe the journey we have ahead of us, through its phases, its results and its criticalities, and focussing on the outcomes, meaning the longer term effects of our actions.

We will also share, in order to provide full transparency, how we are implementing our practices in Chiesi-specific sectors where we can create a greater positive impact.

How businesses decide to operate **now** has strong repercussions on all of us, determining the most important issues at present and of the future.

Ugo Di Francesco,
CEO

“Chiesi has started to function as a stakeholder company. [...] We are rethinking and redesigning the way we work across all of our operations to maximise positive effects on business as well as on people and on the planet”.



Before we get Started

At Chiesi Group we take the reporting process seriously, going beyond mere legal requirements. We believe that transparency is a fundamental component of our company's management process and an opportunity to benchmark ourselves against international standards, and that a final report is a practical tool to represent our business' impact.

This report is the result of an extensive collaborative process.

As a B Corp and Benefit Corporation, we are committed to measuring our social and environmental impact with the same accuracy we use to measure our economic results and performance. We are also committed to sharing our work with responsibility, not only in terms of the positive results achieved, but also in terms of the difficulties we encounter and the challenges that hinder our evolution process. In the sustainability report 2019, we have integrated some important features and reporting frameworks:

- the structure of the report is in line with the four dimensions for thinking comprehensively about business alignment with the SDGs, proposed **by Professor Jeffrey Sachs**: products, processes, global value chain, and corporate citizenship (Columbia Center on Sustainable Development, Aligning Corporations with the Sustainable Development Goals, Summary of Conference Proceedings, November 2019).
- in correlation with these dimensions, **the purposes of common benefit** that Chiesi chose to pursue as a Benefit Corporation, as well as the related actions undertaken to contribute to their achievement.
- the analysis and measurement of the performance according to a **multidimensional approach** based on the integrated use of the most robust measurement and reporting frameworks: GRI Standards (Global Reporting Initiative), B Impact Assessment of B Lab, SDGs of the UN (United Nations).
- the use of a SDGs impact measurement tool, called the **SDG Action Manager**, made available in January 2020 by UNGC (United Nations Global Compact) and B Lab. Chiesi was involved, together with other 70 other companies across the world, in the testing phase during 2019.
- the identification and analysis of the **positive effects** generated on society and the environment by our organisation, as central elements of our evolution path.
- the identification of the **struggles** and **challenges** we face in achieving our sustainability goals.

Finally, in our constant commitment to the creation of a report inspired by maximum transparency and utility for the reader, we ask you to send us your feedback, your advice, and your most authentic impressions to help us improve in the narration of our activity. csr@chiesi.com

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Our Purpose: Why we are in Business

“We aim to offer patients innovative solutions to solve their needs, through a fully sustainable and evolved business model”

Chiesi was born in 1935 when Giacomo Chiesi, a chemist and the founder of the company, opened his small laboratory in Parma, Italy. As the company expanded, it faced many internal and external challenges including the Second World War that destroyed parts of the buildings. But this did not deter the ambitious researcher. Rather it solidified his calling to find and develop novel therapeutic solutions for the health of the population, growing the company not only in size but also in resilience, and continuously adapting to the changes of the context. Today Chiesi is proud to have grown into **29 Affiliates operating around the world with 3 manufacturing sites and 5 research centres.**

Just as our 85-year old heritage continues to guide us, we are still able to recognise the changes in the world and not only adapt to the current challenges but also to actively contribute in a positive way, adopting an approach that is consistent with the nature of our business: **to care for people and the society and to make the world feel better.**

We are aware that we live in an ecosystem where economic, social and environmental factors are inter-

twined and interdependent. There cannot be a sustainable future if we don't take this into account. With this in mind, the concept of health acquires a broader meaning for our company as **we commit to achieving a fully sustainable business model**, acting as a force for good by creating shared value: **contributing to the health of people and of the planet, while continuing to grow as a company.**

The Benefit Corporation model was introduced in 2010 in the United States. In January 2016, Italy became the first country outside of the US to introduce the model. In 2018, we became a Benefit Corporation, adopting a new legal form under the Italian (Law no. 208/2015) and US¹ law, by revising the Articles of Incorporation and including, together with the objective of generating profits for shareholders, the additional objectives of creating a positive impact on our patients, people, partners, the environment and the communities in which we operate. This approach creates value for multiple stakeholders, in addition to providing financial returns to the shareholders. Benefit Corporations are the expression of an evolved vision and incorporate a double-purpose

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into their business objectives with a shared value approach.

In 2019 we then became a certified **B Corporation (B Corp)** to strengthen our commitment. Chiesi received B Corp certification from the leading global sustainability non-profit B Lab®, in recognition of our corporate sustainability practices. This is one of the most fundamental steps to achieving our stated vision of continuous improvement towards

a sustainable future. Chiesi is the largest pharmaceutical group to be awarded B Corp certification with 87.5 points.

We undertook the B Impact Assessment (BIA), which measures the positive impact of a company on its workers, community, environment, and customers, and we started a global improvement plan, finally becoming eligible for certification.

¹Delaware DEL. CODE ANN. tit. 8, §§ 361-368 (2019)

About B Corporations®

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

About B Lab®

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

Our Mission



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



We wish to maintain a team characterised by innovative pharmaceutical self-confidence and a collaborative spirit.



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

Our Vision 2025

VISION 2025

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

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

As a Benefit Corporation, we want to

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

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

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

**EVERY ONE OF US IS DIFFERENT,
EVERY ONE OF US IS CHIESI**

The program named We ACT – We Actively Care for Tomorrow, was launched in 2018 as the expression of Chiesi's commitment towards sustainability:



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.

Our Global Challenge: Carbon Neutrality

We are facing a global climate emergency. This is scientifically proven and exponentially pervasive in every aspect of our lives, affecting business and personal habits.

At Chiesi, we recognise that we have a responsibility as a business, and we have committed to reducing and preventing our negative environmental impacts.

In 2019 we decided to significantly raise the bar by adopting the commitment to **become carbon neutral by the end of 2035, achieving a net zero carbon footprint.**

It will not be an easy journey. Our operations depend on the various actors involved in our system and value chain, being them suppliers, partners, distributors, institutions, and many others. All these actors contribute to our carbon footprint at different levels. Technology within this sector

has developed exponentially in recent years and continues to do so, however we realise that there is still progress to be made in this field. Nevertheless, we have committed to this ambitious target **because every business and every individual has the capacity and the duty to make a difference.**

Our company has already made a big step in this direction. We announced at the United Nations Climate Change Conference (COP25) our plan to bring to market, by the end of 2025, a breakthrough, carbon minimal pMDI inhaler for patients with asthma and chronic obstructive pulmonary disease (COPD). Currently, pMDI inhalers account for a negligible proportion of total emissions, but **we are committed to leading the way towards carbon minimal pMDI solutions** that maintain the necessary array of therapeutic solutions for patients. This is a first fundamental step in our journey of systematically reducing emissions at global scale.



Our Global Impact: the SDGs

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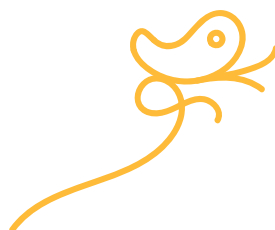
As we embark on the Decade of Action, it is crucial that businesses adopt an active role in achieving the Sustainable Development Goals (SDGs).

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



While we recognise that the 17 SDGs are all equally important, we have determined that our contribution can be higher for 9 of them, that we have therefore embedded in our strategic plan.

However, measuring a company's contribution to the SDGs has proven difficult so far. This is **why we decided to use a new tool to measure our impact: the SDG Action Manager**. Description of the results is provided later in this report.



Materiality Matrix

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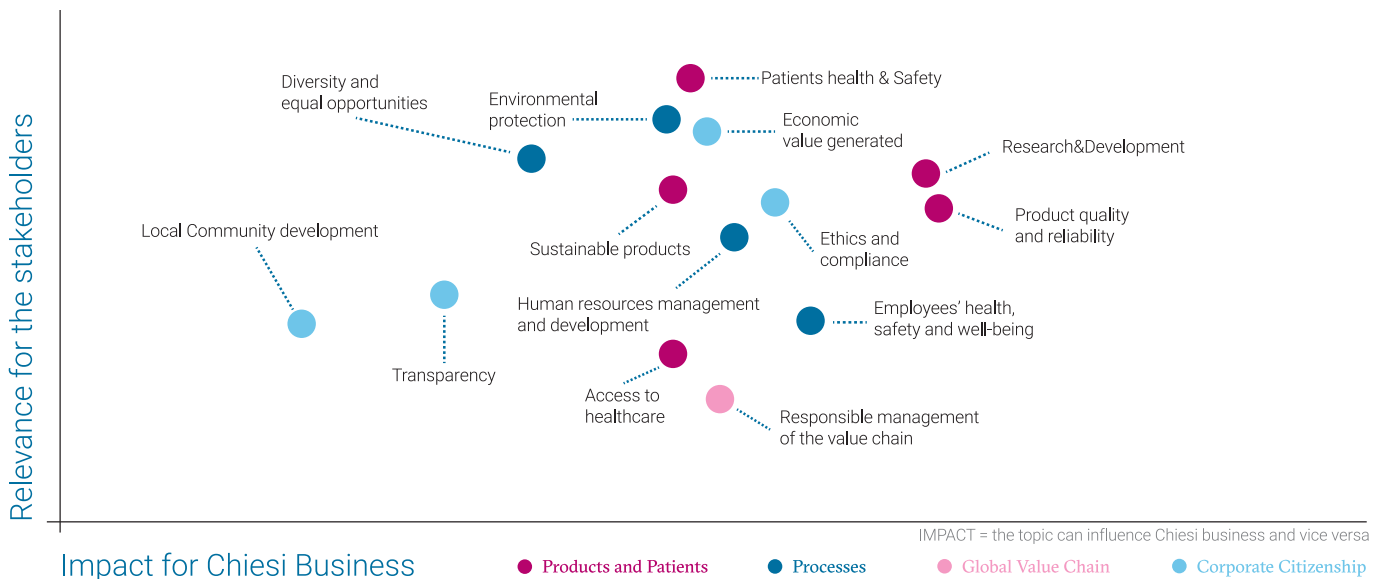
Materiality and stakeholder engagement

The Materiality Analysis is a key instrument to understand which issues are of relevance for the stakeholders and are influenced by the business and therefore should receive close attention by the company management. In 2019, we refined our materiality analysis, maintaining the material topics identified in our 2018 assessment as a baseline. We also integrated some new topics such as "sustainable products" and redefined some others such as "access to healthcare". We removed the topic "Corporate Governance", since we believe it is implicit and transversally covered by more than one material topic.

Following this review, we conducted an analysis which aimed at ranking the materiality of each topic on two levels: the impact of the topics in relation to the Chiesi business, and its relevance for our main stakeholders. With the term "impact" we considered both how the topic can influence the Chiesi business and how our business can influence the topic.

Chiesi Impact Committee, an internal body created in 2019 for the analysis and reporting of the company's impact, was responsible for this process. The materiality analysis then underwent the approval of our CEO and Board of Directors. We have retained 14 material topics, represented in the matrix below, as the result of the internal analysis and stakeholder engagement activities.

MATERIALITY MATRIX 2019



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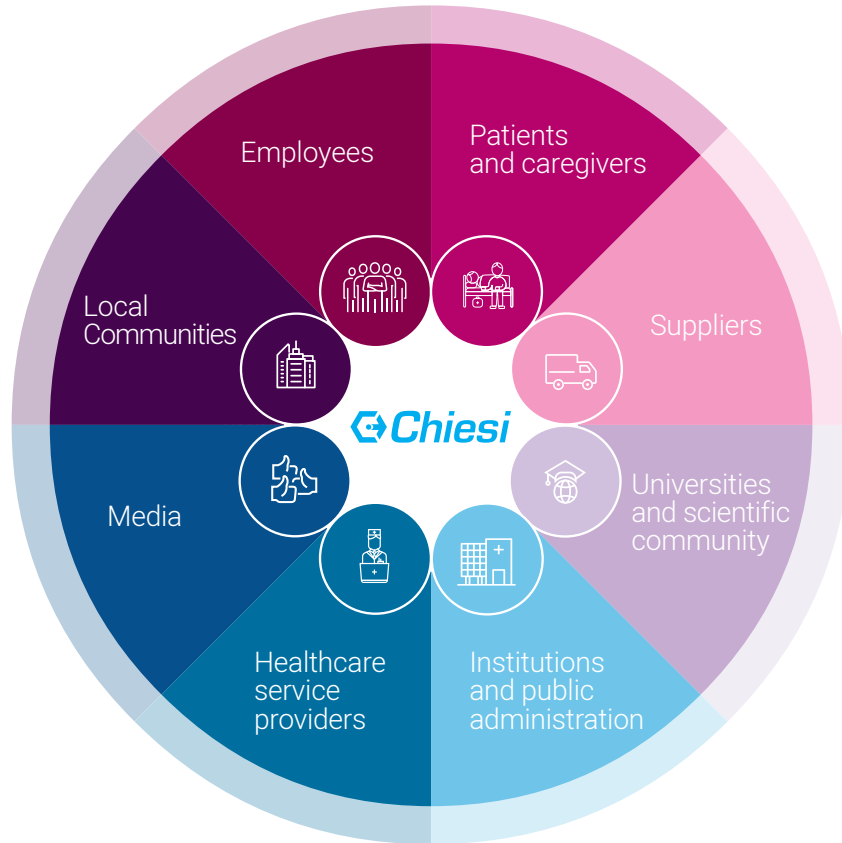
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The stakeholders mainly involved in our business model are:



We developed a set of engagement activities involving our primary stakeholders. Most activities were focused on our employees, patients, local communities and public administration. We shared questionnaires regarding sustainability topics with more than 90 patients, 20 representatives of public administrations (payers), more than 700 employees, and 30 local associations and citizens.



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

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AREA	MATERIAL TOPIC	GENERAL DEFINITION
Citizenship	Ethics and compliance	Compliance with national laws and regulations in place in the countries in which the Group is operating. The Group's commitment to promote good relationships and fair practices with all of its business partners; in particular, enforcing principles like freedom of contract, fair dealing, written agreements and confidentiality. Group's commitment to employee training concerning the ethical code of conduct and adoption of whistleblowers policy and procedures.
	Transparency	Transparency about tax, economic contributions, clinical trials and reporting of the company's impact, both positive impact and areas of improvement, including non-financial topics.
Products and Patients	Product quality and reliability	Activities and procedures aimed at offering high-quality products and services, through the implementation of defined actions to guarantee the quality and safety of the company's products and their compliance with laws and regulations.
	Research and development	Research and Development activities aimed at discovering new therapeutic solutions for significant unmet medical needs. The topic also considers the use of innovative technologies, patents, intellectual property and avant-garde know-how.
	Patients health and safety	Activities and procedures aimed at offering high quality products and services to ensure the protection of patients' health and safety. Including patient engagement and involvement activities in our business.
	Access to healthcare	Contributing to increased access to healthcare through our: products in specific therapeutic areas, including rare diseases; meeting patient needs through engagement activities; and working alongside healthcare authorities to increase disease awareness and promote training for healthcare professionals, including those in low- and middle-income countries.
	Sustainable products	Assessment and management of the environmental impact of our products by taking into consideration the entire life cycle throughout the value chain.

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AREA	MATERIAL TOPIC	GENERAL DEFINITION
Global value chain	Responsible management of the value chain	Integration of our values of sustainability throughout the evaluation processes and business relationships with suppliers, collaborators and partners.
Processes	Employees health, safety and wellbeing	Compliance with national laws and regulations and international standards concerning health and safety, prevention, hygiene and health in the workplace. Development of initiatives and practices to promote employees' health and safety and improve the quality of working conditions.
	Human resources management and development	Employee management and development and the Group's ability to attract and retain talents. Training and development programs to strengthen employees' managerial and organizational skills and consolidate job-specific professional skills. Motivation and fulfillment of employees allowing them to feel part of the Group's achievements. Employees' engagement in the Group strategy and activities
	Diversity and equal opportunity	Implementation of adequate working practices to ensure equal opportunities through the elimination of all forms of discrimination or harm due to gender, age, religion, sexual orientation, origin and ethnicity. Promotion of the "culture of diversity", gender equality and intercultural teams, acknowledging this as an opportunity to create value within the company and the society
	Environmental protection	Promotion of energy-efficiency and other energy conservation initiatives, including projects aimed at reducing GHG emissions. Promotion of responsible usage of water resources, and responsible management of effluents and waste in our processes.
Citizenship	Economic value generated	Effective and efficient resource evaluation and allocation to achieve short-term positive economic performance and middle- and long-term economic equilibrium. The ability of the Group to create and distribute direct economic value to different stakeholder categories.
	Local community development	Contribution to the development of the society and local communities in which the company operates through initiatives aimed at creating shared value e.g. through social investments and donations, organization and promotion of volunteering programs, collaborating with non-profit organisations.

Economic Results

2019 saw overall revenues totalling €1,992.81 million, of which, €1,376.4 million were generated in Europe, €340.3 million in the Emerging Countries and €273.1 million in the United States. Group revenues in 2019 increased by 12.7% compared to 2018. EBIT grew from €362.7 million in 2018 to €424.7 million in 2019 (21.3% in 2019 compared to 20.5% of revenues in 2018). Among the therapeutic areas, the respiratory portfolio remains the most relevant for Chiesi, with revenues of €1,213.5 million in 2019.

"First of all, a big THANK YOU goes to everyone! A double-digit achievement we should all be proud of. I would once again like to thank everyone at Chiesi for their concerted effort which has enabled the company to generate a turnover of almost €2 billion - an outstanding performance which represents an important milestone in the process of our Group's expansion and internationalisation." Ugo di Francesco, CEO.

Among the main highlights of 2019, we would like to remark:

- the acquisition of a drug indicated for the treatment of iron overload in patients affected by thalassemia major, with the closing phase taking place in January 2020;
- the buyback of a joint venture in China, as the result of a concerted team effort put in by the various functions involved in the project;
- the Chiesi Australia Affiliate set up following an acquisition;
- the in-license of a drug indicated for LHON treatment - a mitochondrial neurodegenerative disease - from a Swiss specialty pharmaceutical company (Santhera Pharmaceuticals);
- the set up Global Rare Diseases Business Unit based between Parma and Boston (Massachusetts, US).



Chiesi Headquarters - Parma, Italy

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Company Overview: Key Facts and Figures

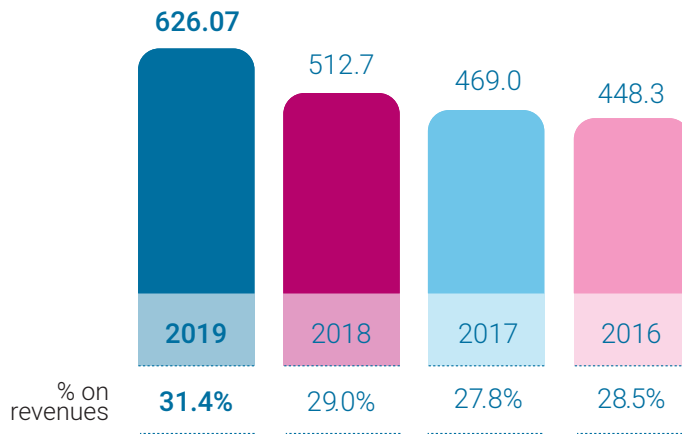
REVENUES 2019 (million €)

Tot. €1,992.8 million

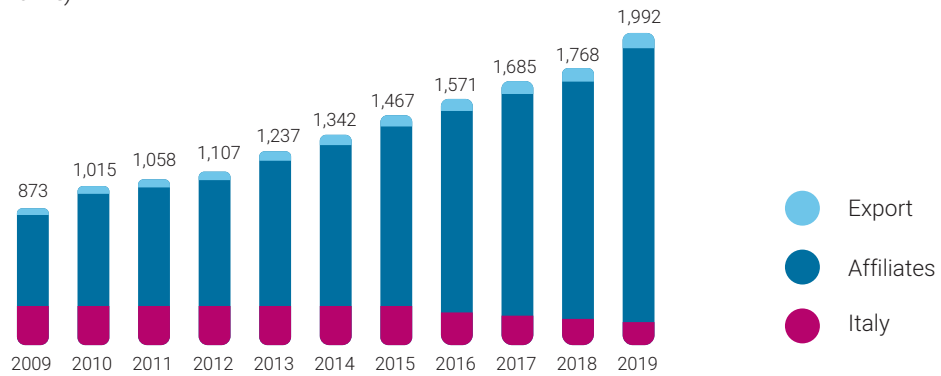


● Europe ● USA ● Emerging markets and IMDD

EBITDA 2019 (million €)



CONSOLIDATED REVENUES (million €)



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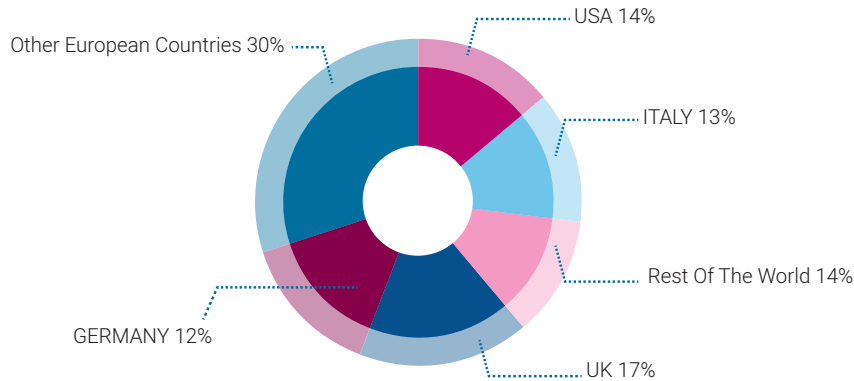
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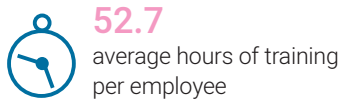
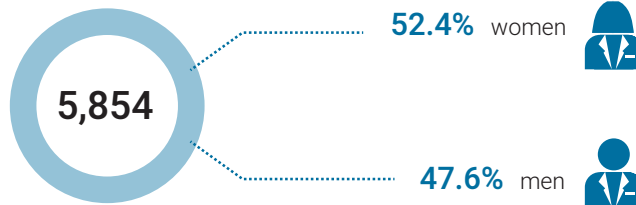
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THE FOLLOWING CHART SHOWS THE DISTRIBUTION OF REVENUES IN 2019 BY GEOGRAPHIC AREA:



EMPLOYEES WORLDWIDE²



²The total workforce (5,854) refers to employees and external collaborators (field force contractors and ad interim employees) of the Group, excluding long term employee absences, therefore it differs from the total of employees (equal to 5,480 at 31st December 2019) in which long term employee absences are included and external collaborators are excluded, and it differs from the total of employees reported in the Consolidated Financial Statement (equal to 5,388 at 31st December 2019) in which both long-term employees and external collaborators are excluded.

OUR COMMITMENT TO OUR PEOPLE



CHIESI ONCE AGAIN TOP EMPLOYER!



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REGION EMERGING MARKETS

BRAZIL
Chiesi Farmacêutica Ltda

CHINA
Chiesi Pharmaceutical (Shanghai) Co., Ltd

RUSSIA
Chiesi Pharmaceuticals Llc

MEXICO
Chiesi México

PAKISTAN
Chisei Pharmaceuticals (Pvt)

TURKEY
Chiesi İlaçicaret Limited Sirketi A.S

MANUFACTURING

Parma, **ITALY**

Blois, **FRANCE**

Santana De Parnaiba, **BRAZIL**

REGION EUROPE

ITALY
Chiesi Farmaceutici S.P.A.

AUSTRIA
Chiesi Pharmaceuticals Gmbh

BELGIUM
Chiesi Sa

BULGARIA
Chiesi Bulgaria Ltd.

FRANCE
Laboratoire Chiesi

GERMANY
Chiesi GmbH

GREECE
Chiesi Hellas Pharmaceuticals S.A.

THE NETHERLANDS
Chiesi Pharmaceuticals B.V.

POLAND
Chiesi Poland Sp. Z.O.O.

UNITED KINGDOM
Chiesi Ltd.

CZECH REPUBLIC
Chiesi Cz S.R.O.

ROMANIA
Chiesi România S.R.L.

SLOVAK REPUBLIC
Chiesi Slovakia s.r.o.

SLOVENIA
Chiesi Slovenija, D.O.O

SPAIN
Chiesi España S.A.

HUNGARY
Chiesi Hungary Kft.

RESEARCH

Chippenham e Oxford, **UK**

Paris, **FRANCE**

Parma, **ITALY**

Lidingo, **SWEDEN**

Cary, North Carolina, **USA**

REGION USA

USA
Chiesi USA Inc.

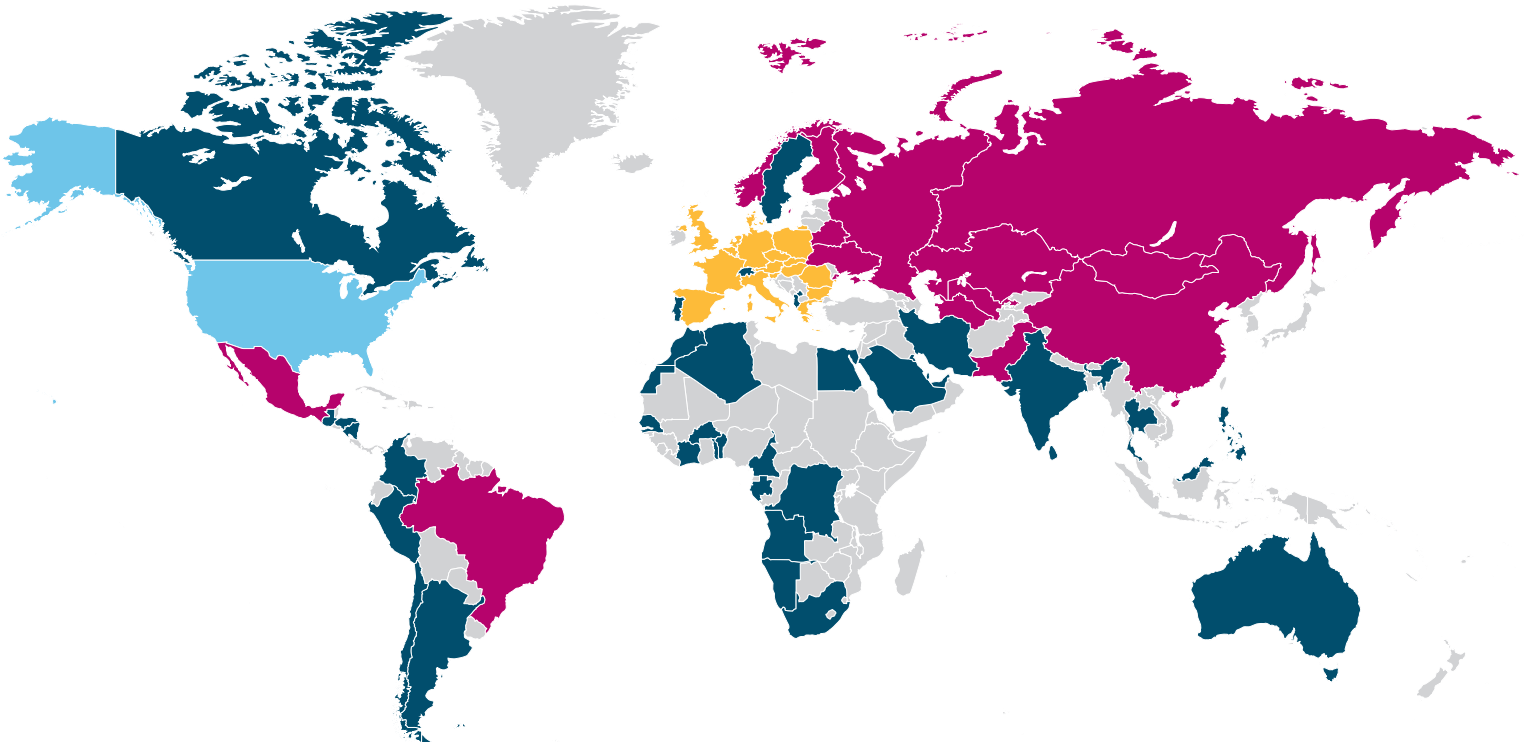
INTERNATIONAL MARKETS DEVELOPMENT DIVISION (IMDD)

SWEDEN
Chiesi Pharma Ab

SWITZERLAND
Chiesi S.A.

AUSTRALIA
Emerge Health Pty

IMDD is a division also including the **59 countries** where Chiesi is present with a network of partners.



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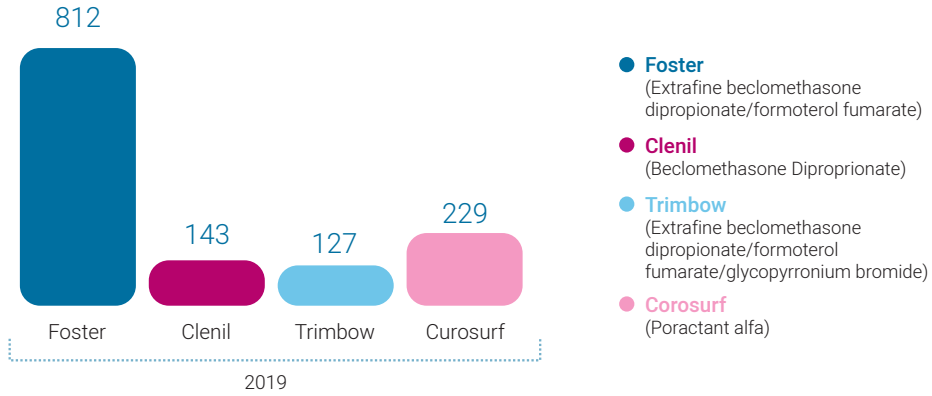
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Company Overview: Main Products and Therapeutic Areas

MAIN PRODUCTS (million €)



INVESTMENTS IN RESEARCH AND DEVELOPMENT



1st
among the Italian pharmaceutical companies

2th
among the Italian manufacturing companies

13th
among the European pharmaceutical companies

Source: European Commission – 2019 EU Industrial R&D Investment Scoreboard

IN 2019 CHIESI IS THE 1ST ITALIAN PHARMACEUTICAL COMPANY IN EUROPE FOR PATENT DEPOSITS



More than
4,147



Worldwide patents in the portfolio Chiesi (12.31.2019)



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Therapeutic Areas

Chronic respiratory diseases

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

Chiesi is highly committed to **improving the quality of life for patients suffering from chronic respiratory diseases**, such as asthma and Chronic Obstructive Pulmonary Disease (COPD), by targeting the underlying pathophysiological conditions such as tissue inflammation and airway constriction, which are typical characteristics of such diseases.

Adherence to treatment regimens is central to a patient's benefit, and this is especially true in the treatment of these chronic respiratory disorders. Our **patient-focused approach** is therefore also aimed at ensuring improved treatment adherence and clinical outcomes. We target this objective with a dual approach: the use of a combination of medicaments and their effective delivery to the target organ (the lung). The introduction of combination treatments not only helps patients to achieve better clinical outcomes using only one device, but also greatly reduces the environmental impact compared with the same drugs delivered through separate multiple inhalers. Chiesi has been successful in progressing the patient-access to both our dual and triple inhaled combination treatments for patients with asthma and COPD across the world. As a result, we are continuously developing our

range of devices to ensure they are safe and effective, and environmentally-friendly.

From the early beginnings of the Montreal Protocol in 1990, Chiesi was among the first to openly support the phasing out of the production of substances responsible for ozone depletion, abandoning chlorofluorocarbon (CFC) propellants used in pressurized metered dose inhalers (pMDI) to move to hydrofluoroalkane (HFA) propellant.

Even today, with new technologies developing rapidly, we are proud to be at the forefront of device innovation: in December 2019 Chiesi announced the first commercial agreement with propellant gas supplier Koura, to secure the supply of HFA 152a which is classified as a low Global Warming Potential (GWP) propellant, ten times lower than the currently used HFA 134a. We will work jointly with Koura to **bring to the market by the end of 2025 a breakthrough, environmentally friendly pMDI inhaler for patients with asthma and COPD**, while continuing investing on our DPI platform.

Our pMDI products now incorporate a dose counter to enhance patient feedback and compliance. In parallel, we have continued the application of our innovative DPI (Dry Powder Inhalers) platform (NEXThaler®) to an increasing number of novel treatment options. NEXThaler® incorporates a number of unique, simple, and patient-friendly use features, and is propellant-free. Ongoing developments include the application

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of electronics to inhaler devices and connecting the inhaler to the patients' smartphone, allowing a subsequent link to the prescribing physician as well. Such initiatives are seen as effective vehicles to **enhance patient-engagement** with their treatments and to directly improve patient benefits and the essential relationship with the caregiver.

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

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

Neonatology

Our focus in neonatology brings us close to one of the most delicate medical fields and frail patient populations with huge unmet needs. **Babies**

born prematurely and their families have been largely neglected in terms of commitment and innovation. We are therefore very proud and motivated to be delivering meaningful support to this most deserving group.

When babies are born prematurely, perhaps as soon as 25 weeks of gestational age or 15 weeks before the natural delivery date, many of the body organs and systems are not fully developed and are, therefore, dysfunctional, as the baby starts his or her new life. Among those organs are the lungs, which can efficiently execute their action of performing an appropriate gas exchange (intake of oxygen and discharge of carbon dioxide) only if completely developed. This action is facilitated by a natural complex compound called surfactant, which is produced by a specific type of mature lung cells.

In premature babies, the production of surfactant is severely reduced. In the field of neonatology, our flagship development is proactant alfa, a life saving product used to treat **5.3 million premature babies in nearly 100 countries** premature worldwide by providing an effective replacement for the natural lung surfactant essential for normal breathing. This life-saving treatment is commonly delivered through an invasive, albeit safe, placement of a tube into the baby's airways. In the pursuit of improving patients' quality of life, we have developed an alternative; a **more patient-friendly and less invasive delivery modality for surfactant replacement.** A series of new programs in partnership with our international network of neonatologists and specialists is also in place.



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Each year approximately 2% of babies are born suffering from hypoxic respiratory distress often associated with pulmonary hypertension. For 25 years these critically ill babies have been treated for hours or days with inhaled nitric oxide, a potent vasodilator, which relaxes smooth muscle in the lungs and assists the transport of oxygen to the blood stream. As well as being connected to a ventilator, these neonates are connected to a large and complicated device which supplies the nitric oxide from heavy gas cylinders. Chiesi has licensed the rights to a novel device which creates nitric oxide at the bedside from ambient air using a small, easy to use technology. This system is currently in the development phase and Chiesi has the distribution rights in all major territories worldwide.

Our innovation efforts are not limited to those in respiratory disease, but **also to other devastating consequences of premature birth**, such as neonatal brain injury. A further example is a severe condition, with high social and clinical impact, especially in U.S., called neonatal opioid withdrawal syndrome, in which babies exposed to opioids in the uterus (because of the use or abuse of these drugs by the mother) are born with a level of dependence and a broad range of complications. For this condition we are developing a novel formulation and delivery system for administration of buprenorphine by the neonatal nurse to alleviate the babies' suffering.

Chiesi's commitment to neonatology does not end with the research and development of innovative therapies and devices. We also support train-

ing projects to improve the clinical practices of neonatologists. For example, in Poland, our Multichannel Neonatology Project aims at supporting traditional channels for promotion in neonatology and to maintain Chiesi's scientific leadership in this field. In Spain, after the success of the first edition in 2017, a second edition of our innovation project (Neostart) was held, involving all the key stakeholders in the field of neonatology, with the objective of co-creating breakthrough solutions to improve the quality of life of premature babies and their families. A similar initiative has also been implemented in Russia, and collaboration is ongoing with neonatologists in Pakistan to address the need to improve access and quality of care in this country, where neonatal death is particularly high.

Special care

The treatment of serious cardiovascular disorders and complications is another area of high need. Our commitment in this area is significant. The portfolio consists of a thrombolytic agent to break up clots obstructing the coronary arteries, a platelet antiaggregant to prevent the formation of clots when catheters are used to break coronary plaques, a calcium channel blocker indicated for the reduction of blood pressure, and a synthetic direct thrombin inhibitor. The thrombolytic agent is also being developed for the rapid and effective clearance of blood clots in indwelling catheters used for drug administration in a range of indications, including in cancer patients. **The quality of the patient's expe-**

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rience is improved by preventing the repeated, uncomfortable positioning of these devices. Cardiovascular is a particularly important therapy area in the USA, and the expansion of our portfolio helps us to deliver products that enhance patient care, and meet the needs of providers in this setting. Immunosuppression after kidney or liver transplantation is a clear medical need, and we have advanced to patients a novel dosage form of a widely used immunosuppressant with an enhanced pharmacokinetic profile which translates into better safety and patients acceptance of the treatment.

Rare diseases

There are a wide variety of rare diseases, typically very severe and affecting very few patients. Rare diseases are characterised by a broad diversity of disorders and symptoms that vary not only from disease to disease but also from patient to patient. Relatively common symptoms can hide underlying rare diseases leading to misdiagnosis and delaying treatment. Indeed, many rare diseases have been largely neglected with no effective treatments sought or discovered. They are often chronic, progressive, degenerative, and frequently life-threatening.

A new Business Unit focused on rare diseases has been created in Chiesi with a patient-driven perspective. The Global Rare Diseases Unit will adopt a "disease-modifying" or "disease-resolving" mentality and serve the patients and their families with an approach at 360 degrees that changes the patients' lives. It is based in Boston, a key area of biote-

chnological innovation. In the first 3 months, it already counts more than 150 employees and is present in the US, Canada, Europe and a few emerging countries including Turkey and Australia. One particular field of our work is **lysosomal storage diseases**, which is a family of rare and ultra-rare disorders that are a consequence of the lack of a specific lysosomal enzyme and which are often associated with progressive declines in mental and motor functioning as well as dysfunction of other organ systems.

Alpha Mannosidosis, an ultra-rare genetic disease presenting a wide range of symptoms: the most frequent are recurrent chest infections and problems with hearing loss, distinctive facial features, cognitive impairment and progressive muscular weakness. Velmanase alfa is the active ingredient in our product representing the first enzyme replacement therapy for the treatment of alpha-mannosidosis. The long-term prognosis of this disease is generally poor, with reduced life expectancy. As an important "partner" to this novel therapeutic, we constantly work to **improve diagnosis for these diseases to facilitate the identification and access of patients to optimal care**. A pilot study to improve diagnosis of alpha-mannosidosis is currently run by Centogene (a specialized diagnostic company) with Chiesi's support in Germany, Austria and Switzerland. Participating treating physicians receive a special kit that allows blood samples of patients presenting with symptoms potentially suggestive of alpha-mannosidosis and send it to the central



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laboratory for testing.

We are also developing a treatment for Fabry Disease, another lysosomal storage disorder, wherein the novel product seeks to provide a less frequently-dosed, and therefore more patient-friendly treatment, associated also with reduced immunogenicity, thus enhancing patients' safety. Fabry Disease is characterised by specific neurological, cutaneous, renal, cardiovascular, cochleo-vestibular and cerebrovascular manifestations.

Beyond our treatments, Chiesi supports the rare diseases field through

a series of multichannel awareness-raising programs to improve the quantity and quality of information available to clinicians, patients, and families.

The Global Rare Diseases Business Unit is also actively building collaborative relationships with all stakeholders in the rare disease space, including for example International Rare Disease Research Consortium IRDiRC, European Confederation of Pharmaceutical Enterprises (EUCOPE) as well as patient organisations all around the world.



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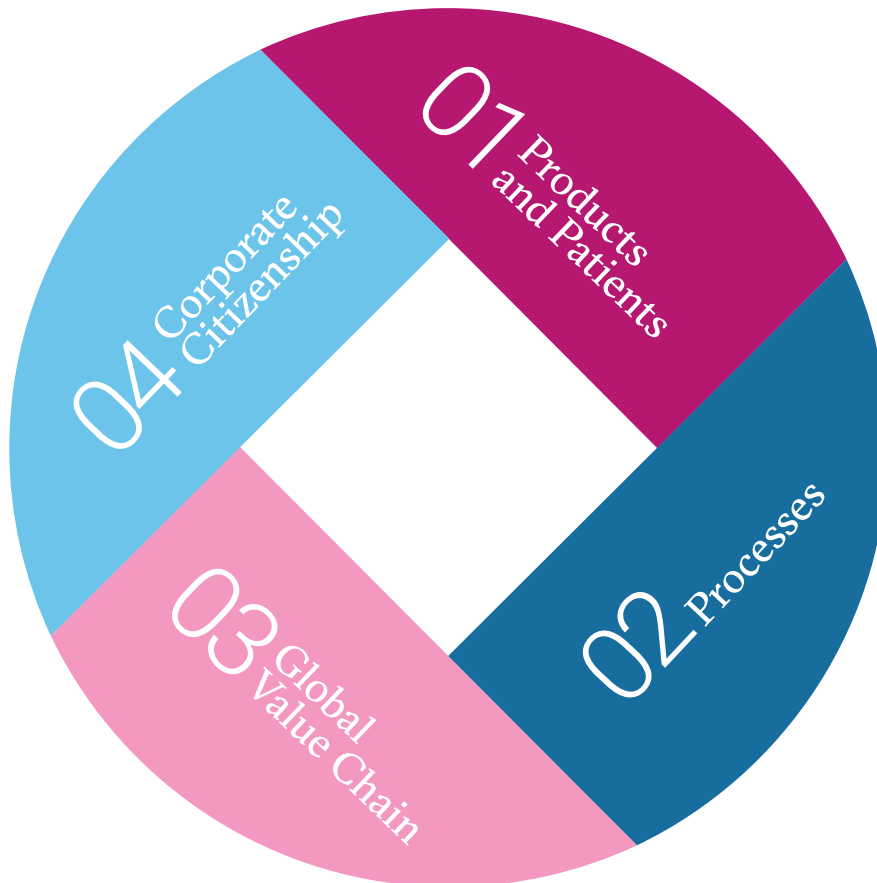
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A Preface to this Chapter

In this report we chose to narrate how the company operates in practice using the four dimensions for thinking comprehensively about business alignment with the SDGs³, proposed by Professor Jeffrey Sachs⁴, a framework to assess the performance of a company through the analysis of: products, processes, global value chain, and corporate citizenship. This will also allow companies to holistically and completely assess their contribution to the Sustainable Development Goals.

Chiesi's performance can be described by 4 dimensions



³Columbia Center on Sustainable Development, '[Aligning corporations with the sustainable development goals](#)' - Summary of Conference Proceedings, November 2019

⁴American economist, academic, public policy analyst, he is known as one of the world's leading experts on economic development. Professor at Columbia of Sustainable Development and of Health Policy and Management. As of 2017, he serves as special adviser to the United Nations (UN) on the Sustainable Development Goals.

Those dimensions also correspond to the 4 specific purposes of common benefit that we have elected since becoming a Benefit Corporation.

We are committed to implementing the necessary actions to reach the objectives set out in the selected areas. In the following pages, we want to **share the positive effects achieved through the actions implemented and the efforts put in place** by Chiesi at the global level, that go well **beyond KPIs and measurable objectives**.

1. Products and Patients

Associated purpose of common benefit:	Positive effects generated in 2019:
Improving patients' and peoples' lives, aiming to improve their health, wellbeing and quality of life.	<ul style="list-style-type: none">• Improving patients' health• Fostering Research & Development and substantially contributing to the scientific progress

2. Processes

Associated purpose of common benefit:	Positive effects generated in 2019:
Continuous innovation towards the sustainability of processes and all company practices in order to minimise negative impacts, in favour of positive ones, on people, the biosphere and on the territory.	<ul style="list-style-type: none">• Ensuring regular supply of high quality medicinal products for the patients in need• Lowering our impact on the biosphere• Fostering the self-fulfilment and wellbeing of the Chiesi people• Guaranteeing a safe and healthy working place for our employees



3. Global Value Chain

Associated purpose of common benefit:	Positive effects generated in 2019:
Promoting a conscious and sustainable way of operating in the business, including the fostering of collaborative dialogue among stakeholders	Taking a leading role towards a sustainable value chain

4. Corporate Citizenship

Associated purpose of common benefit:	Positive effects generated in 2019:
Contributing to the development of the local communities in which the company operates.	<ul style="list-style-type: none">• Having a positive impact on the territory• Increasing the transparency and ethical practices of business• Actively and positively contributing to European and international Agenda

While we will tell you about the positive ongoing initiatives, we feel it is also important to share, in full transparency, the areas of struggle that we are facing along our journey, which still need improvement.



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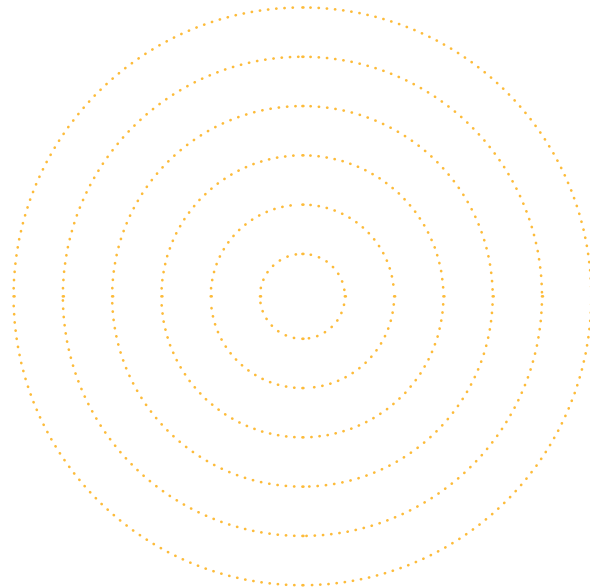
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Products and Patients

At Chiesi, we refer to products and patients as the end results of all of the company's production processes, and the people that benefit from them. Products and patients are closely intertwined. Our product lines are expressions of our mission, improving the life of patients, our main stakeholders. The centrality of the person, the patient, is the distinctive trait of our approach and it is concretised in this area.

Our commitment in this field aims to determine two positive effects:

- **Improving patients' health**
- **Fostering Research & Development and substantially contributing to the scientific progress**

To ensure that these commitments are secured throughout the years to come, we made Chiesi a Benefit Corporation and inserted into our Statute this specific purpose of common benefit:

"The positive impact on people and patients, with the aim of improving their health, well-being and quality of life"

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1. Improving Patients' Health

— At Chiesi we want to assure high-quality medical research, available for the most fragile individuals, so that we can closely listen to and understand them as people rather than patients.

Highlights

Caring for people informs all of our decisions and shapes our ethical guidance. It is the reason that we exist and it is also at the very core of our Research & Development activities.

The pharma industry is expanding rapidly and so is the world in terms of its approach to global health. This growth raises a question around the adoption of ethical practices in the development of products, and in rethinking how we relate to our patients. We have a moral responsibility towards the betterment of society, and that cannot solely happen through what we produce but also how we produce it.

The traditional pharmaceutical model is concentrated on molecules and mechanisms of action, and not always on the patients' needs and experiences. Instead, we feel we should start from the patients, to develop the therapies that they really require.

Placing patients at the centre is not just a statement. It means finding new ways that allow the whole Research and Development process to be guided by the needs of those patients: to adopt the patients' perspective, understanding their needs and collecting their feedback to tailor specific therapeutic solutions to them. It ultimately means **revolutionising the model**.

We focus mainly on respiratory diseases such as asthma, COPD, Cystic Fibrosis and neonatal Respiratory Distress Syndrome (RDS). To breathe means to live. One of our leading life saving product has been used, since its discovery, to treat **5.3 million premature babies** suffering from Respiratory Distress Syndrome.

In 2019, **we set-up** our Global Rare Diseases unit located in Boston.

It is dedicated to rare diseases because everyone, even the most vulnerable patients, must be considered. People affected by rare diseases today often have no treatments or limited access to effective treatments.

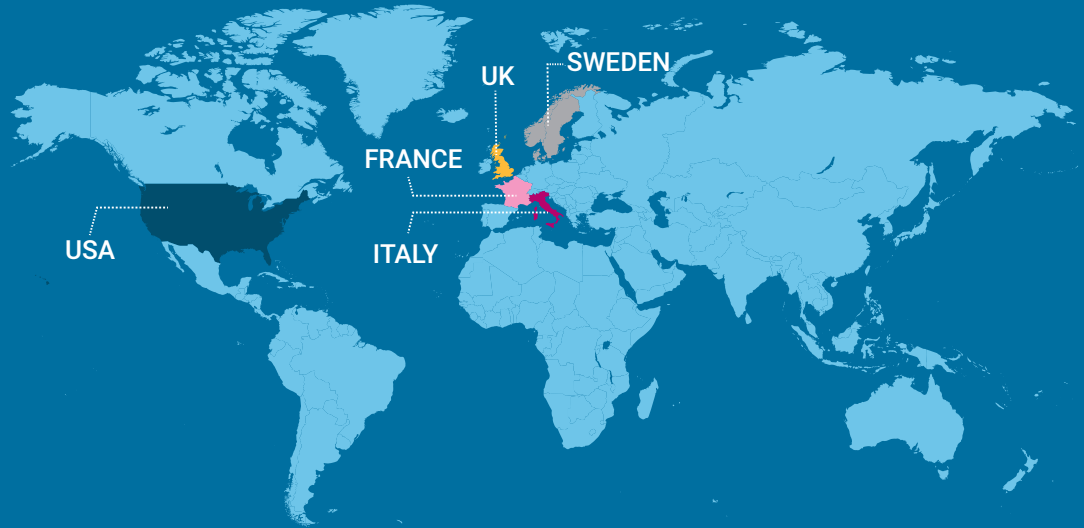
We began the build-out of a Global Patient Advocacy function to ensure the voice of patients, including patient associations, is included in our approach to product development.



GEOGRAPHY OF CHIESI R&D

Corporate Research Centers (R&D Staff)

Our R&D staff is made of 579 employees in addition to 277 people including regulatory and clinical staff, with a total of 856 employees working in R&D area.



19% of our revenues in Research & Development

Our Global Rare Disease unit set up in Boston: over **150** employees in the first 3 months, and present in the USA, Canada, and Europe





Improving patients health is the result of a comprehensive plan of actions that the group is implementing. The main initiatives that ran in 2019 are described below.

● **We want to involve and engage patients from the very beginning in designing products and solutions.** In 2019, thanks also to the inspiration that our sustainability journey brought us, we reviewed our core processes, including R&D, in order to **better integrate patients' perspectives into our approach**, with the objective of including this view **from the very beginning** of the research process. Embedding the patients' perspective at every stage of drug development represents a **global commitment and a differentiating point** for Chiesi.

In line with this approach, in December 2019 we had the chance to meet a **Fabry Patient Advisory Board composed of 14 Fabry disease patients coming from 11 EU countries**. We were able to learn from patients' experiences and knowledge on diagnosis, challenges and lifestyles of Fabry sufferers. The results of this project can also be beneficial for other commercial and clinical processes on a broader scale.

During the year, we also started a collaborative dialogue with **EUPATI** (European Academia of Patients) a major patients association in the EU, to learn about the organisation, its objectives, the work done, the activities in place and to explore collaboration opportunities.

● **We want to contribute to improving healthcare access:** We are present in more than **100 countries**

worldwide with our therapeutic solutions and in 2019 we had **48 additional registrations** of our products, thus further enlarging geographical access to our medicinal products. In 2019 we donated medicines to IHP (International Health Partner), equivalent to an amount of over **700,000 Euros**. In addition, we work together with associations and we promote programmes of early access to our medicines, with a focus on exclusive Orphan Medicinal Products with high unmet needs and no alternative treatments available ([read here our dedicated policy](#)).

Another important aspect is the effort carried on by the Chiesi Foundation to improve the **access to good quality neonatal care** particularly in **sub-saharian African countries** as well as the management of **respiratory conditions in Latin America**.

● **We designed neonatal care programmes for healthcare professionals worldwide.** In harmony with Chiesi's commitment to foster scientific advancement and medical education in neonatology, during 2019 more than **20 affiliates**, including EU, US, China and emerging countries, organised healthcare professional training events. Over **450 educational sessions** were conducted, with **27,000 doctors involved**, around cutting-edge topics relevant for clinical practice.

A pilot programme for **20 nurses** working in the Neonatal Intensive



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Care Unit in Pakistan has also been carried out by our affiliate there, conscious that this country has the highest neonatal mortality rate in the world and deserves an urgent joint government and industry effort. We want this to be just the start.

● **We set up patient support services in the US as a pilot for international development.** In the US, Chiesi works with Eversana to provide services

and support directly to patients. With a dedicated team including pharmacy staff, we contributed to helping people comply with therapies through **reminders for treatment adherence** and **periodic health assessments**. The service also included assistance through the **insurance reimbursement process**. The goal of this programme is to ensure that each patient receives a customised plan based on their unique needs.



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2. Fostering Research & Development and Substantially Contributing to the Scientific Progress

— Collaboration
and sharing of valuable
medical knowledge with
the scientific community
can allow progress
in research.

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Highlights

At Chiesi, the R&D division is at the very heart of the company. We have innovation in our DNA and finding solutions is our vocation. We rely on and invest in R&D because we see it as the key to succeed in our work and to realise our mission.

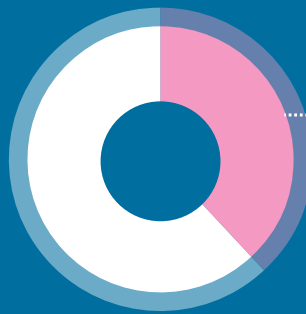
In 2019, we spent 19% of our revenues on Research & Development. We are the first among the Italian pharmaceutical companies, the second among Italian manufacturing companies and fourteenth among European pharmaceutical companies for investments in research.

We view sharing and transparency as two essential values, and moral obligations, for the pharmaceutical community. Sharing clinical trial data and information can be almost as important as running the clinical studies. Circulating R&D study results can strengthen the medical community and maximise the beneficial effects that our industry can have on people.

Wanting to minimise any possible negative effect of a products' research and development, we are working on a sustainable, future fit, R&D process, where sustainability is integrated by design. With this in mind, we adopted tools and practices not only to measure our impact, but also, and more importantly, to create products that are sustainable from the outset.

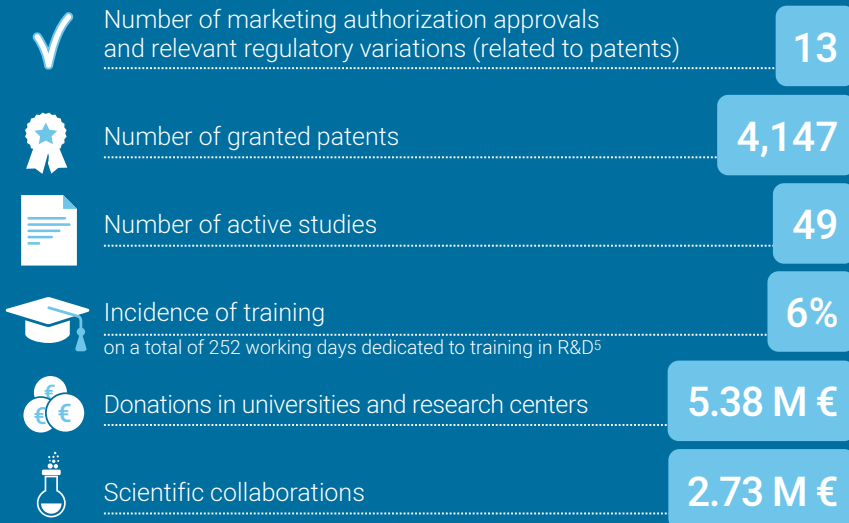
378.3 M€

expenses in Research & Development



38.2%

of the total R&D spending dedicated to neonatology, rare diseases and specific treatments



⁵The percentage of training hours dedicated to training is calculated considering all types of training (managerial, language and specific R&D training) delivered to the whole R&D workforce (worldwide research centers) over the workable hours

Fostering Research & Development and substantially contributing to the scientific community is the result of a comprehensive plan of actions that the Group is implementing. The main initiatives that ran in 2019 are described below.

● **We set up a company policy to implement Clinical Trial Transparency and Data Sharing.** We developed a [portal where Chiesi clinical trial data](#) can be requested by external researchers under specific and pre-defined requirements. We are fully committed to transparency in our conduct of clinical trials, in accordance with EFPIA requirements and we also want to boost transparency and collaboration, allowing our community to flourish from the process of knowledge sharing. In accordance with the local legislative and applicable requirements on clinical studies, we also disclose in public registries (e.g. [EU Clinical Trials Register](#)), the Clinical Protocol and Study-related Information and the Summary Results of those clinical studies sponsored by Chiesi Farmaceutici. Clinical studies sponsored by Chiesi, their **publicly disclosed, study-related and results-related information**, are made available on the Chiesi Clinical Study Register portal in accordance with the policy.

Chiesi also contributes to the EF-GCP-EFPIA Roadmap Initiative to good lay summary practices, a multi-stakeholder initiative with over **60 participating organisations**, with a focus on defining best practice guidelines for the implementation and dissemination of lay summaries aimed to allow non-scientific communities, including patients, to have a clear view of studies' details and results.

● **We adopted a Life-Cycle Perspective in our R&D process to include sustainability criteria by design, from the very start.** To ensure that the R&D process is sustainable at every stage, we set up a **Life Cycle Perspective tool that allows us to evaluate the impact of our products** at all key stages of their development, from pre-clinic to industrialisation. The tool addresses two main areas: the use of priority chemicals and process optimisation. For both areas, it evaluates qualitative aspects and quantitative data by using the best available resources on the market along with CO₂ calculation tools developed in house. It also gives a clear perspective of the actual impacts of a specific product during a given development phase as well as the improvement targets that can be developed over time.

● **We develop partnerships with Universities to attract a broader array of competencies.** In order to access cutting-edge expertise and knowledge in the development of new drugs and conduction of clinical studies, we set up **ad hoc collaboration with world-renowned international universities and academic groups**. Partnerships typically take place in the early phases of drug discovery, as well as during clinical studies. Such collaborations are an example of how we can all benefit from the



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interplay of competencies in the creation of new drugs.

- **We promote collaborations and round tables at the institutional level.**

In our sector, it is crucial to reach the agenda of institutions, industry associations and round tables. This is a fundamental step towards the promotion and advancement of topics related to our core business.

For this reason, we have a number of work streams in place, of which we highlight:

- **Drug repurposing:** Chiesi has represented the European Confederation of Pharmaceutical Enterprises (EU-COPE) in the STAMP - Commission Expert Group on Safe and Timely Access to Medicines for Patients -, an initiative launched by the European Commission. This supports the creation of a framework outlining the repurposing of approved drugs for the treatment of rare diseases, as well as for already genericised products.
- Supporting **patient-led drug development:** Chiesi is an active member of the International Rare Disease Re-

search Consortium (IRDiRC), an international effort to coordinate rare disease research involving funders, pharma companies, and umbrella patient organisations. Chiesi has brought forward, as a leading party of IRDiRC's Therapies Scientific Committee, an initiative to map all tools (incentives, facilitations, procedures, certifications, practices, resources, among others) available to orphan drug developers in Europe, the USA, and Japan, providing ready-to-use plans and checklists for their integration into drug development programmes. The outcome will be of particular help in supporting patient-led and academia-led initiatives of drug development and discovery.

- Chiesi's experience in **orphan drug development** and its international efforts in rare disease research were included in the EURORDIS Winter School teaching programme: advanced training given to "patient experts" who have already graduated from the Summer School and are aspiring to become international patient advocates.



The Struggles we are Facing

Broadening our patient-centric approach requires a new value model.

As we want to directly engage patients in our research processes, we need to organise a consistent and structured plan involving them from the early phases through the co-creation of therapeutic solutions, but also at the delivery stage through services and support specifically designed for them and their caregivers. Ensuring a sustainable transition of this model is a point of concern.

Patients' needs may change over time, and we must be able to foresee them.

Throughout the development of a product, we need to become able to foresee the changes that may occur in patients' needs.

The development of a drug can last 10-15 years. This is a very long time during which the needs of the patients may fluctuate. We need to develop the capacity to predict the needs of the people in order to keep innovations relevant through time. In line with this aim, we also started pioneering new projects for timeline reduction through process optimisation and multi-department task forces.

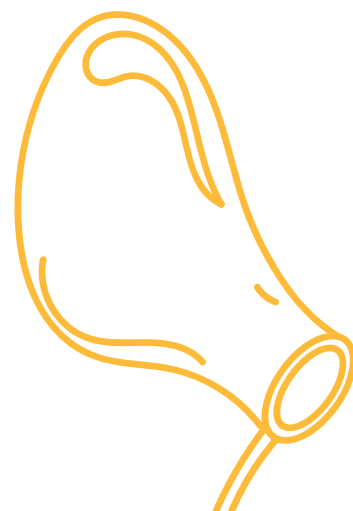
Governments, health care systems, institutions, organisations and pharma companies should work together to improve quality of care, achieving a balance in the system.

Increasing healthcare costs and the needs of a growing and aging popula-

tion risk becoming an unsustainable burden for governments who put their population's health as a priority. At the same time, drug development is an increasingly expensive and rigid process, with increasing development time and risk which may result unbearable for pharmaceutical companies. All concerned actors should find ways to work together in the interest of patients, identifying solutions that bring equilibrium in this delicate system.

We face the global challenge of a scientific and technological revolution.

In companies like ours, shaped around Research and Development, technology plays a pivotal role. Innovations like virtual reality, augmented reality, 3D, artificial intelligence and simulations are powerful tools that can radically change both the R&D process and the patients experience. However, in order to be ready to embrace technological change, we need to broaden our knowledge and ultimately rethink and restructure our interaction with technology.



Focus: Product Quality and Reliability and Patients' Safety

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

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

- Our patients have specific medical needs
- Healthcare professionals focus their expectations on product efficacy and safety
- Pharmaceutical regulatory agencies monitor consistency of operations, addressing product safety, efficacy, and purity, as well as compliance of production process with regulatory requirements and industry standards.

Given the high level of diversification in our product portfolio, we implement different manufacturing strategies to guarantee the greatest level of quality in our production process. All of our products are produced in accordance with European (e.g. **Good manufacturing practices**) and international standards (e.g. US FDA, Sino FDA, Brazilian ANVISA), in sites authorised by the relevant national and international regulatory bodies.

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

Drug safety monitoring is an essential element of the effective use of medicines and high-quality medical care.

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

The global approach to patients' safety is also driven by a proactive approach to continuous improvement, according to the principles expressed in the guidelines released by the European Medicine Agency (i.e. **Good Pharmacovigilance Practices**), National Competent Authorities, and by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (<https://www.ich.org/home.html>).

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



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Processes

At Chiesi, we refer to **processes** as the sum of all productive operations as well as those which ensure the continued functioning of the Chiesi business, including decision-making procedures and internal company practices, having an impact on employees, and the biosphere.

Through our Processes we commit to having several positive effects:

- **Ensuring regular supply of high-quality medicinal products for the patients in need**
- **Lowering our impact on the biosphere**
- **Fostering the self-fulfilment and wellbeing of the Chiesi people**
- **Guaranteeing a safe and healthy working place for our employees**

Ensuring the supply of high-quality medicinal products for the needs of our patients represents our core business, achieved through a combination of many actions performed across the entire organisation, therefore the whole report will describe this item. In this chapter we will focus on the last three positive effects regarding the way we care about our employees' health, safety and well-being and the environmental issues related to our processes.

To ensure that this commitment is secured through the years to come, we made Chiesi a Benefit Corporation and inserted into our Statute this specific purpose of common benefit:

"Continuous innovation towards the sustainability of processes and all the company practices so to minimise negative impacts, in favour of positive ones, on people, biosphere, and on the territory."

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1. Lowering our Impact on the Biosphere

— Because the health of our planet and its inhabitants deserves our best efforts.

Highlights

The term "biosphere" could be a synonym to life itself. Without the biosphere - land, water, air and the energy from the sun - the Earth would be a lifeless, desolate planet. Human life is intertwined with the health of the biosphere more than we think. We can have a huge impact on the Planet, either in a positive or in a negative way. We opted for the former.

As a B Corp and a Benefit Corporation, we do not just want to be compliant with the legal requirements, we want to make a significant difference with our work, because safeguarding the biosphere contributes to our greatest goal of improving people's health.

Feeling a sense of urgency, we have taken tangible actions at different levels for measuring, reducing and offsetting CO₂.

Our aim is to reach carbon neutrality incrementing the use of renewable energy, adopting a sustainable chemistry approach, and mapping the waste from our industrial processes.

We pledge to achieve carbon neutrality by 2035, well before the 2050 target set out in the Paris agreement.

The Paris agreement is the first-ever universal, legally binding global climate change agreement, adopted at the Paris climate conference (COP21) in December 2015.

This is the highest of ambitions. Highest because it means having a net zero carbon footprint on this planet. Hence, it is not enough to correct just a few aspects. **It requires designing a system able to measure, minimise and compensate the impact of all of the operations undertaken.**

It is an ambitious aim that requires both the heart - a solid company culture - and the mind - the technical capacities.

Our work does not only address carbon neutrality. We are also confronting other industry-specific necessities.

So, while we are enthusiastic about this challenge, aware of the extraordinary complexity of this mission, we also recognise the unforeseen effort that awaits us.



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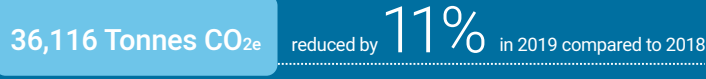
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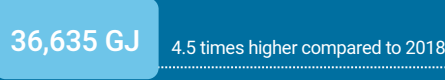
CO_{2e} Emissions Scope 1 & 2⁶:



Energy intensity:



Renewable energy 2019:



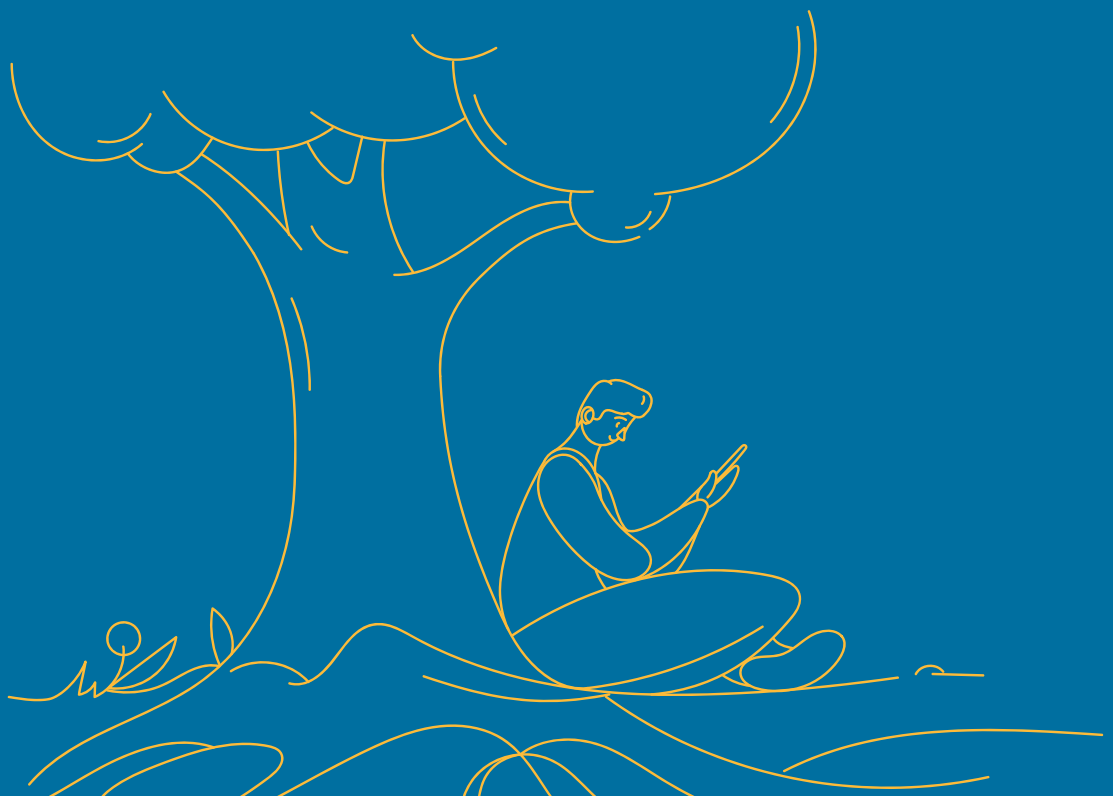
Water:



Waste:



⁶market-based data, based on the actual contracts in place with energy providers



Lowering the impact on the biosphere is the result of a comprehensive plan of actions that the group is implementing. The main initiatives that ran in 2019 are described below.

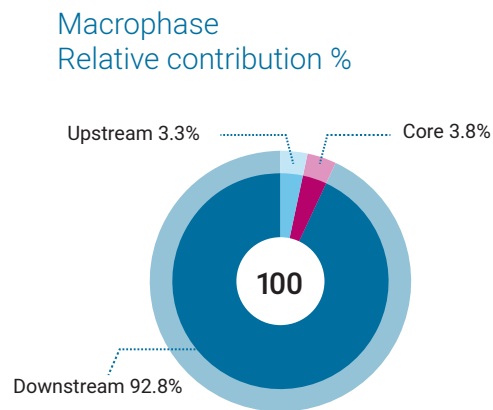
● **We started to measure the carbon footprint of our products.** What can't be measured can't be improved, so to make a significant step towards reaching the net zero emissions goal in 2035 we developed a tool able to measure the carbon footprint of our pMDI and DPI products manufactured in Italy, with a life cycle assessment from cradle to grave. As a company with a strong focus on R&D, we want to use these results to drive sustainable product development. We started from our most relevant products, the inhalation medicines for the treatment of chronic respiratory conditions, that have the largest impact on the environment because of the GWP (Global Warming Potential) of

the propellant, as well of the highest production volumes. **The carbon footprint systematic approach is certified** by Certiquality according to ISO 14067 standard and has been "peer reviewed" by Carbon Trust, which has acknowledged the substantial compliance with the adopted process. As an example, the table below shows how the carbon footprint of a specific pMDI (pressurised Metered Dose Inhaler) product is composed, from upstream (raw materials, device and packaging purchasing) to core (raw materials, device and packaging transportation, energy and water consumption, waste as well as air emissions from the manufacturing process) and downstream (use and end of life).



QUANTIFICATION CARBON FOOTPRINT

MACROPHASE	ABSOLUTE CONTRIBUTION
	(g CO ₂ e/actuation)
UPSTREAM	3.1
CORE	3.6
DOWNSTREAM	87.6
TOTAL (g CO₂e/U.D.)	94.4



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This study highlighted that the patients' use and end of life phases are those which contribute the most to CO₂ emissions, with the **propellant being responsible for more than 90% of total emissions**. This knowledge led us to research and develop a **new low GWP propellant** that enables a drastic reduction in emissions while safeguarding the effectiveness and the safety of the product.

● **A new low impact generation of F-gases (Fluorinated greenhouse gases)**. Chiesi signed the first commercial agreement, with propellant gas supplier Koura, to secure the supply of HFA 152a, which is classified as a low Global Warming Potential (GWP) propellant, ten times lower than the currently used, HFA 134a. Despite the very limited contribution of HFAs for pharmaceutical use compared to the total F-gases use, we have committed to a 5-year, **€350 million investment plan**, becoming

the first pharmaceutical company leading the way towards carbon minimal pMDI solutions that will preserve patients' choice and wellbeing by **reducing the carbon footprint of our pMDI by 90%**.

● **We embrace "sustainable chemistry"**. Because of the nature of our business, we regularly manage chemical substances which could be harmful to both humans and to the environment.

We, therefore, adopted a Sustainable Chemistry Policy so as to **eliminate and substitute**, as first preference, or **minimise with responsible handling**, as second, the use of substance of very high concern (SVHC). The policy foresees the implementation of processes with effective emissions containment strategies; of reduction systems with the **most innovative technologies**; the avoidance of all molecules that are **persistent, bioaccumulative and toxic**.



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● **We improved our energetic performance.** Chiesi implemented an energy management system that gives continuity, with a focus on continuous improvement, to the energy audit carried out in 2019 for our manufacturing plants and research centre in Parma. This is more than a mere calculation of the energy performance. The output and documentation of the project will be the basis for future certification according to the ISO 50001 standard. In addition, we adopted a purchase policy that favours **green energy from certified renewable sources.** We involved all of our **affiliates** and manufacturing si-

tes in the **efficiency and optimisation processes**, including energy review methods, energy metering installation, and partner selection approach. We are pursuing the **LEED Gold certification** for our new Headquarters building and we are going to pursue this certification processes for 3 additional sites.

At our production sites, R&D centres, and commercial affiliates, the main energy resources used are electricity, natural gas, and diesel. In 2019, the Group's energy consumption decreased by 2.4% compared to 2018, mainly due to a reduction in fossil fuel consumption (diesel and natural gas).

497,103 GJ of Energy consumption in 2019 → reduced by 2.4% compared to 2018

Energy consumption within the organization (GJ)⁷

	2019	2018
Total non-renewable fuel consumption	323,572	339,638
Natural gas	139,766	143,533
Gasoline	24,823	21,887
Diesel	150,841	166,691
Bioethanol	8,142	7,336
LPG	-	191
Total electricity purchased	173,087	169,389
From renewable sources	36,635	8,175
From non-renewable sources	136,453	161,214
Electricity self-produced from renewable sources	444	451
TOTAL ENERGY CONSUMPTION	497,103	509,478

⁷In 2019 we increased the scope of our energy data, compared to 2018.

Details on methodology and conversion factors are explained in the Annexes (p. 141 Annexes)



● **We reduced CO₂ emissions.**

The first step to achieving Carbon Neutrality is to reduce emissions. We mapped emissions of scope 1 and 2 as well as scope 3 for primary logistics and business travels. We are currently analysing the material elements to define the relevant perimeter of **scope 3 emissions**. In the meantime, we made a **giant leap in the use of energy from certified renewable**

sources in our Headquarters, with progressive extension to our affiliates. We chose transportation companies committed to minimise their environmental footprint and who are able to calculate their approximative amount of CO₂. Examples are the use of Euro 5/6 trucks, eco-friendly airlines or the **switch to maritime shipping**. We have optimised business travelling, producing less CO₂.

GHG EMISSIONS⁸

GHG emissions Scope 1 (Tonnes CO _{2e})		
	2019	2018
Direct emissions	20,533	21,843

GHG emissions Scope 2 (Tonnes CO _{2e})		
	2019	2018
Energy indirect emissions (location based)	15,525	15,283
Energy indirect emissions (market based)	15,842	18,851

⁸GHG Protocol definition: Direct (Scope 1) GHG emissions come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organisation. Direct (Scope 1) GHG emissions include, but are not limited to, the CO2 emissions from the fuel consumption. Energy Indirect (Scope 2) GHG emissions result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation. Details on methodology and conversion factors are explained in the Annexes (p. 142)

While we are currently developing an analysis of the perimeter of the scope 3 emissions, material to our business model, we have started to measure some of our scope 3 emissions within our current capacity.

Scope 3 already measured:

Emissions from Primary logistics⁹: 4,005 tonnes CO_{2e}

Emissions from Business Travels¹⁰: 8,717 tonnes CO_{2e}

⁹Primary logistics includes all finished goods movements, under Chiesi responsibility, from Chiesi production plants to Warehouses and Distribution Centres

¹⁰Only countries that use DEFRA methodology calculation



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GHG emissions intensity ¹¹ (Tonnes CO _{2e} /mln eq. units)		
	2019	2018
GHG emission intensity (Scope 1 + Scope 2 location based)	170	183
GHG emission intensity (Scope 1 + Scope 2 market based)	176	218

¹¹The GHG emission intensity is calculated considering the GHG emissions (Scope 1 and Scope 2) of the manufacturing plants divided by the production volume (reported as million of Equivalent Units produced). The production sites considered are: Blois, Santana de Parnaiba, Parma (Via Palermo-Via San Leonardo)

This and the above programs reinforce our commitment to the **SDG 13**

"Take urgent action to combat climate change and its impacts", which fosters the integration of actions against the climate change into companies policies, strategies and planning.

● **Waste and water minimisation.**

Waste and water can be a challenge in our sector, as processes largely depend on stringent quality requirements which are difficult to modify. Our primary water consumption comes from manufacturing processes and related cleaning requirements. We only use freshwater in all our processes. These factors are also directly correlated to the growth of our business operations. Nevertheless, we established efficient control systems regarding waste production and disposal as well as water management.

We are working to gradually implement **waste reduction activities** both in manufacturing processes (i.e. reduction of quantity of mate-

rials used in R&D tests, materials used for dressing procedures) and in offices (i.e. ban of plastic bottles and introduction of drinking water dispensers).

Many initiatives have been implemented or are underway to actively involve all of us in the reduction of waste. The first step was to implement measurement and control of water consumption and waste production to all of our affiliates, so to be able to set precise reduction targets. Therefore in 2019 water consumption and waste production measurements were extended to the vast majority of our affiliates, whereas in 2018 they were limited to the manufacturing sites.



Some facts and figures:

Plastic saved in 2019:
- 14,447 plastic water bottles (circa - 60%)
in our Headquarters

Plastic bottles reduction allows us to save:
1,459 Kg CO_{2e}/year

Data related to water and waste consumption are shown in the tables below

Total quantity of water withdrawal by source (m ³)		
	2019	2018
Municipal	290,880	309,635
Surface water	-	-
Total	290,880	309,635

Total weight of waste by type and disposal method (Tonnes)						
Disposal method	2019			2018		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Reuse	1.00	0.09	1.09	-	-	-
Recycling	351.42	1,555.10	1,906.53	234.63	1,248.08	1,482.71
Composting	-	-	21.99	-	-	-
Recovery (including energy recovery)	37.14	66.97	104.11	36.08	51.94	88.02
Incineration (mass burn)	47.31	161.64	208.95	8.21	-	8.21
Deep well injection	-	-	-	-	-	-
Landfill	13.33	17.19	30.52	40.25	-	40.25
On-site storage	70.92	1,803.62	1,874.55	107.74	3,429.56	3,537.30
Other	6.70	5.99	12.69	96.80	-	96.80
Total	527.83	3,632.60	4,160.43	523.71	4,729.58	5,253.29

The higher values observed of waste generation and water consumption for 2018 compared to 2019 were mainly due to the fine-tuning of a new equipment at our Parma main manufacturing site. 2019 data are line with previous years' values.

More details on [water consumption](#) and [waste production](#) are explained in the Annexes pp. 143 - 144



The Struggles we are Facing

We pledge to net zero by 2035.

This means becoming able to measure and reduce as much as possible all our CO₂ emissions, both the direct (those we directly own and control – Scope 1) and indirect (those coming from the energy provision – Scope 2), as well as those from the supply chain or sources not directly owned or controlled by the company (Scope 3).

Now, we face two challenges. First, while for our direct emissions we can use existing tools to measure our impact, scope 3 presents greater difficulties in defining the proper perimeter of action and gathering the data to measure the carbon footprint effectively. Secondly, the commitment is long term. We need to ensure a high level of attention and engagement throughout the years to come, fine tuning our strategy according to the development of new technologies and global strategies that will be adopted not only by our sector but also by business at a global scale.

Quantifying and reducing the sources of waste in industrial processes can be difficult.

Industrial processes in the pharmaceutical sector are extremely com-

plex and related to one another. Quantifying how and where in the process waste is produced is of utmost importance for its minimisation and reduction of its impact on the biosphere.

Green chemistry principles are not always adoptable.

The pharmaceutical industry is a unique territory and companies need to comply with the industry's stringent requirements. As of today, it is still not always technically possible to substitute some chemical substances while maintaining unchanged profiles of quality, safety, efficacy and economics of the products.

It is hard to have direct control to the whole life-cycle of products.

In particular, it is difficult to ensure that the sustainability principles are applied especially in the end of life phase and thus in their disposal, since this does not directly depend on the company's practices. For this reason the involvement of key stakeholders, such as patients, pharmacies and disposal services, is essential on this topic and for our future initiatives.



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2. Fostering the Self-Fulfilment and Wellbeing of the Chiesi People

———— We are a team of capable and motivated people. We work with openness and creativity as our culture teaches us, recognising the value of diversity.

Highlights

There is an open conversation in the world of work on the need to broaden companies' attitudes towards workplace wellness, taking a holistic approach that considers all aspects of the individual's health, including self-fulfillment at the workplace. The growth of a company cannot leave aside the self-fulfillment and wellbeing of its people. It is becoming increasingly clear that people's wellbeing makes business sense.

Over the years, we have come to understand that working for people's wellbeing helps in attracting and retaining younger talents as well as encouraging older employees to improve and progress. It produces **happier, healthier** individuals who will be more engaged, generating **greater productivity**.

In 2019 we made Chiesi a B Corp. This achievement infused positive energy among our people, who have endorsed the B Corp values. Today we all share a **double purpose culture** of work, focused on both profit and societal benefit. This common ground represents a significant evolution for us as a group, and a lever for growth, which is both economic and sustainable.

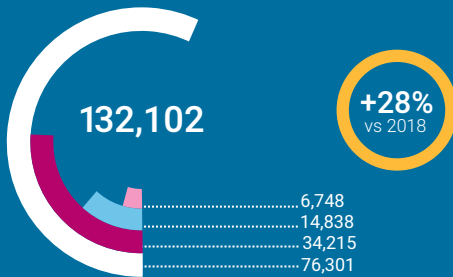
Globally, we are a team of 5,480 internal employees (around +5% vs 2018) and 466 external collaborators.



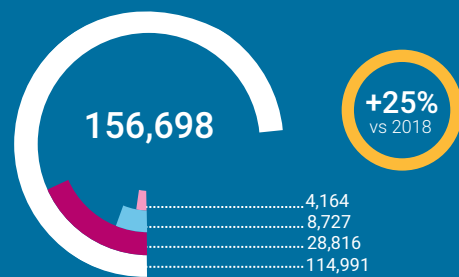
Hours of training 2019

288,799 total hours in 2019 --> +26% vs 2018
53 hours per employee --> +20% compared to 2018

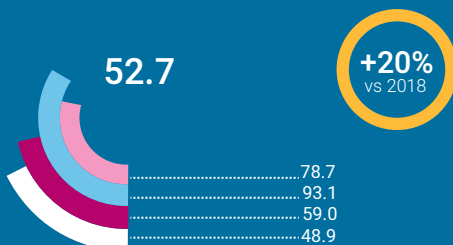
Total hours for men



Total hours for women



Average hours per employee



- Executives
- Blue collars
- Managers and Field Force Area Managers
- White Collar and Field Force Representatives

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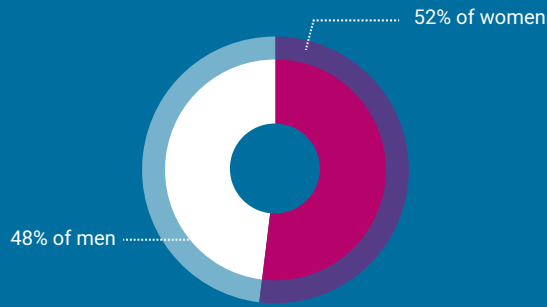
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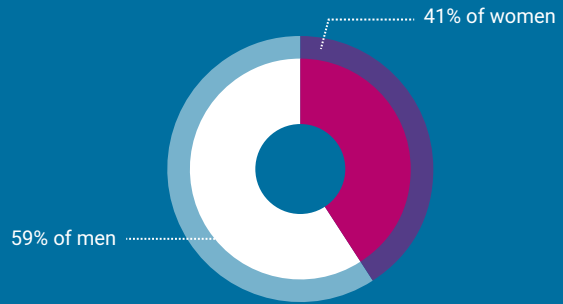
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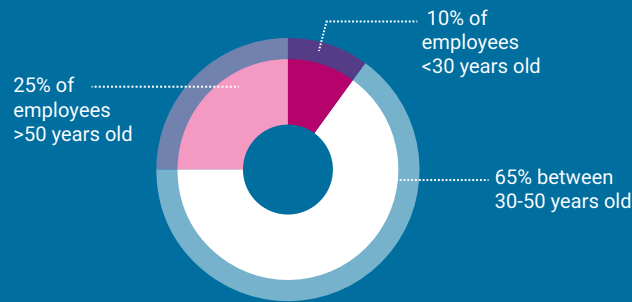
GENDER BALANCE OVERALL:



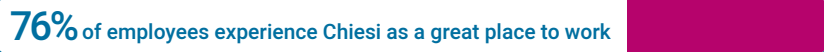
GENDER BALANCE IN THE MANAGERIAL ROLES



AGE DIVERSITY:



GREAT PLACE TO WORK (GPTW):





Self-Fulfilment and wellbeing of the Chiesi people are the result of a comprehensive plan of actions that the Group is implementing. The main initiatives that ran in 2019 are described below.

● **We invested in people's development.**

We believe that providing professional development plans and offering training to improve individual competencies is ultimately key to increasing productivity. As part of this program, we offered coaching pathways delivered by external professionals in the Headquarters. These are creative processes that inspire people to generate solutions to maximise their professional potential, develop managerial skills, new and complex behaviours, and to optimise performances. We are also committed to offering fair opportunities to all of our people to develop their competencies, according to both their attitudes (motivations and aspiration) and business needs. To this end, we implemented the People Development global initiative: to sustain individual performance and foster professional development at all levels. To fulfil our commitment to providing career development opportunities worldwide, we ran the 2019 edition of the Chiesi Academy program, an intensive educational program involving colleagues from all over the world designed and delivered in partnership with the internationally acclaimed Italian business school, SDA Bocconi.

People development programs now cover 1,013 employees, 27% more compared to 2018; and 8 coaching pathways have been delivered in the Headquarters.

● **We designed a programme aiming to raise awareness among Chiesi employees on sustainability issues and mobilise them to take action.**

Without correct and widespread knowledge, we cannot act responsibly in our everyday business. We ACT Educational is a training programme dedicated to sustainability topics with specific training courses on values, principles and practices. These courses review the basics of environmental and social sustainability, and refer to the United Nations Sustainable Development Goals, the B Corp and Benefit Corporation frameworks, and to our sustainability strategic plan. This training project was launched throughout the Chiesi Group to ensure an alignment on sustainability values and principles among our people. 70% of all of our employees around the world completed the training in 2019.

● **Sustainability criteria were included in the rewarding schemes of the Group.**

To ensure the effective integration of sustainability into our everyday activities, it is essential to incentivise our employees. This raised interest and engagement around the meaning of sustainability and its applications in achieving personal and Group objectives. From 2019 all eligible employees of the Chiesi Group will benefit of a multiplier, based on the achievement of the important company objectives, including sustainability principles.





● **We are on our way to becoming a Great Place to Work.**

Great Place to Work® is a leader in the analysis of a company's work culture which compares the employees' perception about their work environment with HR management policies. Chiesi was awarded the certification according to the Trust Index and Culture Audit results in Austria, Brazil, France, Germany, Mexico, the Netherlands, Spain, Sweden, UK and the US, and is currently working to extend it. 4,932 employees were surveyed (90% of total employees) around three key areas: relationship with management, good relations with colleagues and pride in their work. **4,403 people answered globally, representing an 89% response rate.** They confirmed a high level of fairness related to diversity, credibility, respect and, above all, pride to work for Chiesi. 76% of employees recognise Chiesi as a great place to work.

Chiesi was certified as a Top Employer and Top Employer Europe – the title assigned to companies that achieve certification in at least 5 European countries – in **11 different countries.** In particular, Italy was awarded the title for the **12th year running**, whereas France, Germany, the Netherlands, Poland, Spain and the UK have confirmed Chiesi as Top Employer Europe for the 8th consecutive year. Non-European countries whose certification has also been renewed are Brazil, the USA and Russia.

● **We have created the Diversity & Inclusion Committee.**

We aim to apply best practices for diversity and inclusion to ensure employee retention, motivation and

equity in general. We saw that increased diversity and inclusion contributes to productivity, creativity and a company's ability to innovate. Ultimately, this contributes to the happiness and success of all employees.

This international committee addresses 4 main areas: disability, gender diversity, diversity among generations and cultural diversity. Our main goal for 2019 was to raise awareness around the topics and to set a plan for 2020. We collected key information on the expectations, stereotypes, advantaged and disadvantaged categories in Chiesi and we identified the needs for future action.

At the end of 2019, Chiesi received the "Diversity Leaders Award 2020", promoted by the Financial Times. Chiesi was included among the first 70 European companies which work to promote the concept of diversity. Chiesi was **ranked 1st of the 8 Italian companies.**

● **We have introduced 1 day a week smart working.**

This allows more flexibility and improved quality of private life which in turn increases people's efficiency, confirming the relationship between **work-life balance and productivity.**

● **We have created a group of local and international mentors.**

We are committed to helping our people across the globe, starting with new hires, to grow, discovering new understanding, acquiring abilities, and changing perspectives. Mentoring is a wise and rich use of existing knowledge and resources, accelerating the transition of people into new professional roles. It improves un-



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derstanding of business and allows cross-fertilization among functions, markets and generations.

We have 11 certified mentors in Edition 1 in our HQ and are rolling out to our Affiliates.

● **We enhanced our health and wellbeing program.**

It is essential to provide our employees with the tools and knowledge required to enhance their quality of life. The first fundamental step was to pursue the **LEED Gold certification for our new Headquarters** for 2020. LEED is the most recognised and advanced certification developed for better buildings, not only in terms of energy performance, but also for the impact on the wellbeing of the occupants providing, among others, cutting edge solutions to improve fresh air, reduce volatile organic compounds, and to optimise temperature and lighting regulation.

In Italy, we also involved our employees in a **number of programmes** encompassing nutrition, better work-life balance, stress reduction, counselling for new mothers, time saving services, yoga, life coaching, anti-smoking campaigns, and safety at work.

We implemented a **health programme**, aimed at preventing diseases such as chronic obstructive bronchi-

tis, cardiovascular diseases and neoplasms.

We have nourished and strengthened our company culture, engaging people around the B Corp values and sharing the social and environmental standards and practices, through which we operate, with specific courses and events.

● **We engage with universities to attract young talents.**

The success of our company depends on the collective decisions made every day by our people. This is why it is fundamental that we are able to attract the most talented and motivated persons, while creating the conditions and company culture which allow them to thrive. This is a distinctive trait that we want to preserve over time. We set up a series of collaborations with the universities of Parma and Milan to engage students in our business case, the meaning and implications of being a pharmaceutical company and the details of the therapeutic areas that we focus on. This is done with the concepts of Shared Value and Benefit Corporation in mind. In this way we are able to raise awareness and interest among the most famous universities and, at the same time, gain "fresh and direct" feedback about us.



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Training:
288,799 total hours in 2019;
53 hours per employee → +26%
compared to 2018

Training hours per employment category and gender						
2019						
Hours per employment category and gender	Total hours for men	Average hour per men	Total hours for women	Average hour per women	Total hours	Average hours per employees
Executives	6,748	76.1	4,164	69.5	10,912	78.7
Managers and field force area managers	34,215	56.8	28,816	61.8	63,031	59.0
White collar and field force representatives	76,301	45.0	114,991	51.9	191,292	48.9
Blue collars	14,838	106.7	8,727	76.6	23,565	93.1
Total	132,102	50.7	156,698	54.5	288,800	52.7



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3. Guaranteeing a Safe and Healthy Working Place for our Employees

— Excellence can be reached by applying the most rigorous procedures and practices to take care of our people and by sharing a common culture and preparedness.

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● **Health, safety and environment management and the identification of the main hazards is carried out in accordance with local regulations and HSE Corporate guidelines.**

For each accident, a specific root cause analysis is carried out to identify corrective and preventive actions.

Each Chiesi site is compliant with regulations and manages HSE aspects locally through continuous risk assessments, analyses, improvement plans and implementation of specific preventative actions in accordance with local legislation. All the **production sites are OHSAS 18001 certified** and

are updating their system to migrate to the international standard ISO 45001. They also have a near-miss reporting system that emphasises preventative rather than corrective actions. Each management system monitors health and safety aspects for both employees and outsiders.

There are initiatives in place to **involve workers in health and safety management**, such as the **identification and promotion of safe behaviours**, and both general and **specific training on safety** is carried out. **There were no fatality nor high-consequence injuries** during the reporting period.

Employees Injuries			
	2019		
	Men	Women	Total
Work-related injuries	10	18	28
of which fatalities	-	-	-
of which with high - consequences (excluding fatalities)	-	-	-
Worked hours	4,596,584	4,760,935	9,357,519
Injury Rate	0.44	0.76	0.60
High-consequences injury Rate	-	-	-

[More details on methodology are explained in the Annexes \(p.136\)](#)

The Struggles we are Facing

Growing a solid, long-lasting company culture is a challenge

Chiesi is building a strong culture around the B Corp principles and values, engaging all employees with the aim of also spreading these values to our partners. The difficulty lies in building solid foundations for this culture to survive and thrive in the future. We need solid strategies for our Company culture to become deep rooted. We acknowledge the need to develop intelligent and creative tools so that our set of values are cultivated and nourished by people, becoming long-lasting and transversal to all processes, and spreading throughout the organisation as a whole at global level.

Gender disparity rebalance is difficult to implement

Gender inequality can take place in the career gap, in the pay gap, across all functions, and across generations. In order to be monitored and managed it needs a strong strategic approach, but also a viable and sustainable system and policy:

Percentage of internal employees by gender and employee category			
	as of 31st December 2019		
	Male	Female	Total
Executives	3.1%	1.4%	4.5%
Managers and Field Force Area Managers	11.0%	8.5%	19.5%
White Collar and Field Force Representatives	30.9%	40.4%	71.4%
Blue collars	2.5%	2.1%	4.6%
Total	47.6%	52.4%	100%

Internal employees by age group and employee category				
	as of 31st December 2019			
	<30	30-50	>50	Total
Executives	0.0%	2.3%	2.3%	4.6%
Managers and Field Force Area Managers	0.4%	13.6%	5.5%	19.5%
White Collar and Field Force Representatives	9.1%	47.0%	15.3%	71.4%
Blue collars	0.7%	2.6%	1.4%	4.6%
Total	10.3%	65.3%	24.4%	100%

Not all employees around the world are able to access the same training opportunities. As of today, the majority of the programs are provided mainly in our headquarters. In the future all best practices shall be extended to all of the affiliates.



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Global Value Chain

At Chiesi we refer to the **global value chain** as all the activities and the actors involved in the life cycle of our products; from R&D to production, distribution and eventually disposal. Reforming value chains in a truly sustainable manner is, for us, a topic of the highest importance. Yet, it is in this area especially, with the involvement of so many third parties, that sustainability faces great implementation challenges while also presenting opportunities to be spread across the business.

Through our Global Value Chain we commit to producing one over-arching positive effect:

— **Taking a leading role towards a sustainable value chain**

to ensure that this commitment is secured throughout the years to come, we made Chiesi a Benefit Corporation and inserted into our Statute this specific purpose of common benefit:

"Promoting a conscious and sustainable way of operating in the business, including the fostering of collaborative dialogue among stakeholders".

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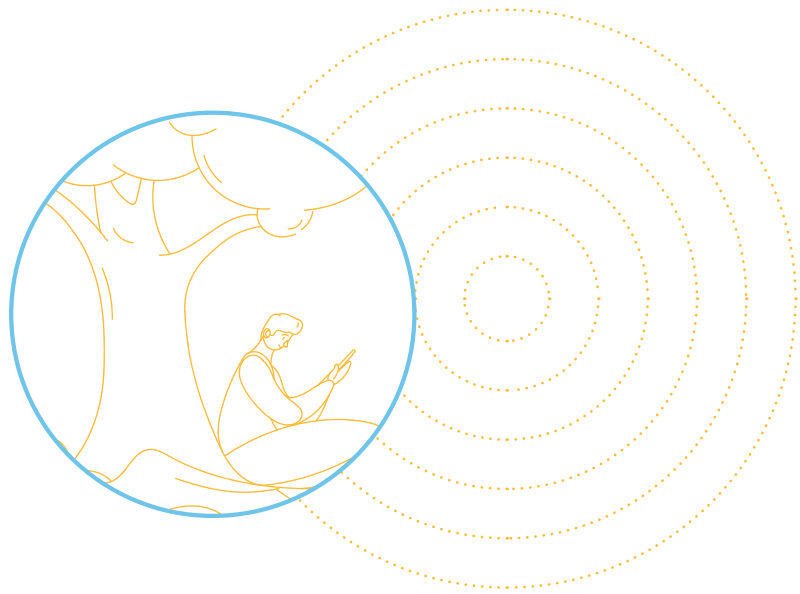
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Taking a Leading Role Towards a Sustainable Value Chain

————— We promote collaboration and interdependence among all stakeholders as a lever for mutual advancement and growth.

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Value chains are the backbone of every business model. Throughout our value chain, we involve many stakeholders upstream and downstream, including pharmacies and hospitals, from the transformation of raw materials and components till the delivery of our products to those who need them, our patients. It is a crucial process, characterised by interdependence of various actors, where positive impact on both people and the environment can either be maximised or weakened.

As a B Corp and a Benefit Corporation, Chiesi feels the need to ensure that the entire chain of processes and activities related to its operations, be them primary or support activities, responds to the social and sustainable criteria Chiesi is committed to.

During 2019, our starting point to implement such an approach was our supply chain. We have the ambition to set up and run a supply chain where **purpose and positive values** determine every stage. We envision a system where each **supplier collaborates** with us, moving in the same direction with the same ethics.

But here lies the complexity. Turning supply chains into sustainable ecosystems requires a holistic, bottom-up view, where each of our **15 thousand plus suppliers** adhere to and act according to the same values. This is why we have designed and developed a relationship framework in partnership with our suppliers: **Chiesi's Code of Interdependence.**

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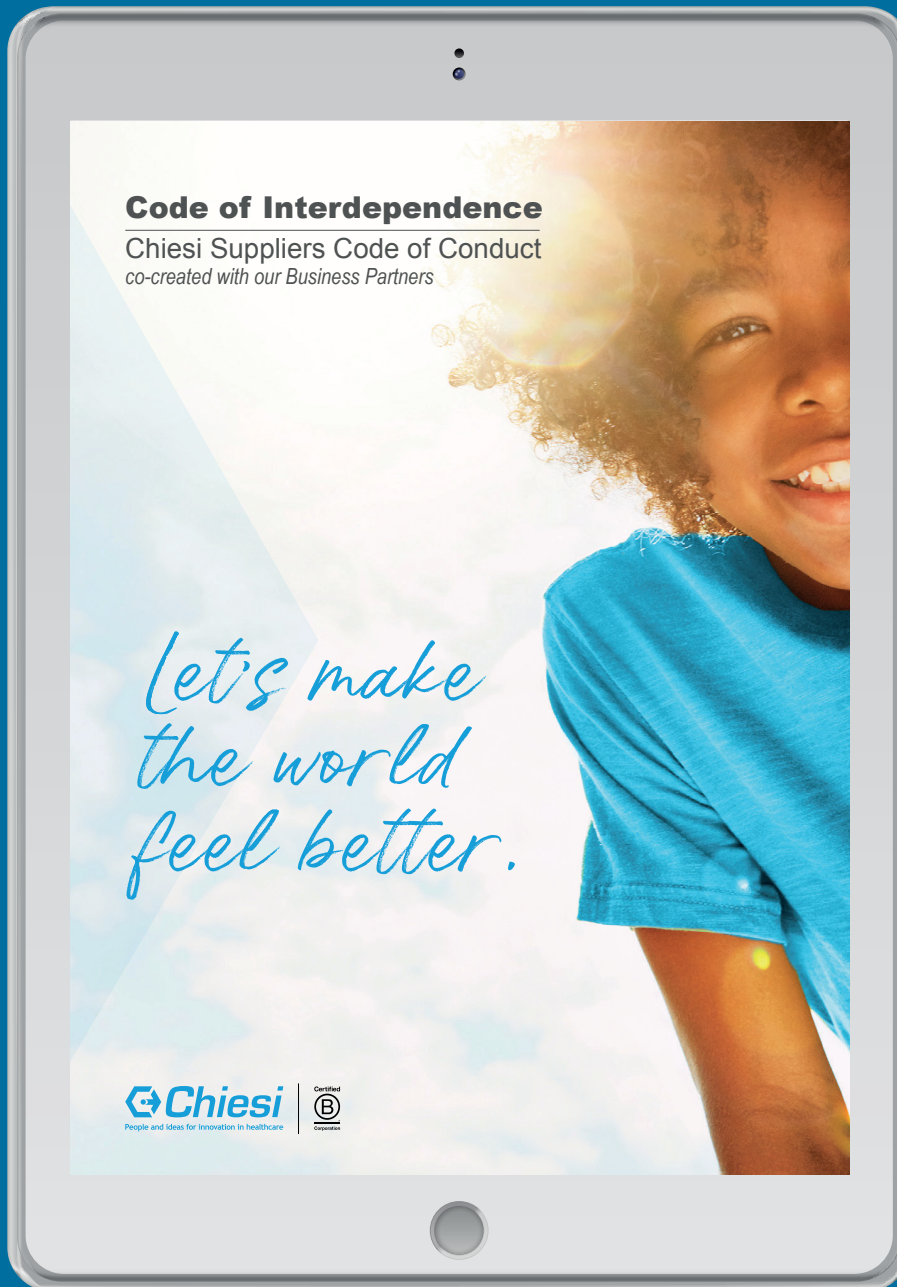
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In 2019 we co-created the [Chiesi Code of Interdependence](#) together with our strategic suppliers, in order to include ideas, expertise and suggestions from our value chain into the code itself.



93% of indirect suppliers in 2019 were qualified for embedding sustainability topics in the self assessment questionnaire;



59.2% of the supply expenditure at group level comes from local suppliers.

Taking a leading role towards a sustainable value chain is the result of a comprehensive plan of action that the Group is implementing. The main initiatives that ran in 2019 are described below.

● **With our suppliers, we co-created the first SDG-enabled Code of Conduct to define shared guidelines. We named it Code of Interdependence.** In the spirit of maximum collaboration, we decided to involve about **70 of our strategic supply partners** to design this new code of conduct. We evolved the concept of a supply chain into that of an **ecosystem**, recognising that each of us is indispensable and can bring value to the other through a process of mutual learning and co-evolution.

Throughout this process, we were inspired by the most progressive movements and frameworks beyond our field: Pharmaceutical Supply Chain Initiative (PSCI), B Impact Assessment by B Lab, International Labour Organization (ILO) and the United Nations' Sustainable Development Goals (SDGs).

Together, we solidified the behavioural principles to be used in guiding the work of each of us. This makes the Code an expression of the combined effort put in throughout 2019 in defining the way we operate in the world and with each other. For this reason, it was named accordingly: **The Code of Interdependence.**

This document also valorises the approach of our suppliers towards sustainability, and provides a set of topics that shall be relevant for all of us, such as quality of products, safety of employees, the use of environmental

resources and much more. We believe this exercise can enhance accountability towards our common purpose and values.

Code of Interdependence co-creation in numbers:

All affiliates engaged worldwide
+ 120 people actively involved
+ 70 strategic suppliers involved

● **We integrated sustainability in relation to our suppliers and in the criteria for their selection.** If we want to accelerate sustainable development, it is essential that our entire supply chain evolves with us. This is why, in 2019, we introduced specific **sustainability topics into our suppliers' qualification process.** This allowed us to gather essential information, enhancing our knowledge and monitoring capabilities of a partner from a sustainability perspective, going beyond the concepts of price-quality-service as only drivers of the relationship. Sustainability concepts will also become part of **new suppliers' evaluation processes.** We have also inserted sustainability principles into specific **tenders' evaluation procedures.**

● **We want to have a positive impact on the economic development of the community, sourcing also from local suppliers.** In 2019, in Italy, Chiesi sour-

¹²More details are explained in the Annexes (pp. 139 - 140)

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ced 46.3% of its goods from national suppliers. The Group total spending on **local suppliers represents 59.2% of global supply expenses**, keeping the overall impact well above 50%¹².

● **We are members of the PSCI initiative because the greatest challenges can only be overcome together.** We

strongly believe in the power of collaboration and sharing as a strategic means for industry advancement. This is why, in 2018, we joined the Pharmaceutical Supply Chain Initiative (PSCI) network. PSCI is a group of pharmaceutical and healthcare companies that have the common aspiration of improving at the social, health, safety and environmental performance in the pharma sector supply chain. We believe that PSCI members can **share knowledge and expertise across our industry** to drive complex global change more effectively than any one organization alone.

This program reinforces our commitment to SDG 17: **"Strengthen the means of implementation and revitalise the global partnership for sustainable development"**.

In essence, this fosters and mobilises multi-stakeholder partnerships, sharing knowledge, expertise, technology

and resources to support the achievement of the sustainable development goals at a **global scale**.

● **We are designing our sustainability assessment tool for logistic operations.**

Our Logistics department began a comprehensive analysis of the overall impact of our global logistic network, aiming to design a model allowing the **evolution of logistics, guided by sustainability principles**. Logistics is one of the operational areas where improvement is not only possible but it can also determine larger results, either in terms of improving efficiency on "classic" variables (such as cost, service level and quality), or on specific new environmental and societal objectives that we decided to integrate into our operational standards. In 2019, we started a project aimed at creating **organisational conditions, specific know-how, analysis models and information infrastructure** with the goal of designing our new logistics model that will **measure its environmental and social impact**. This model, to be finalised in 2020, is a **key pillar** of the more general 2035 Carbon Neutrality goal.



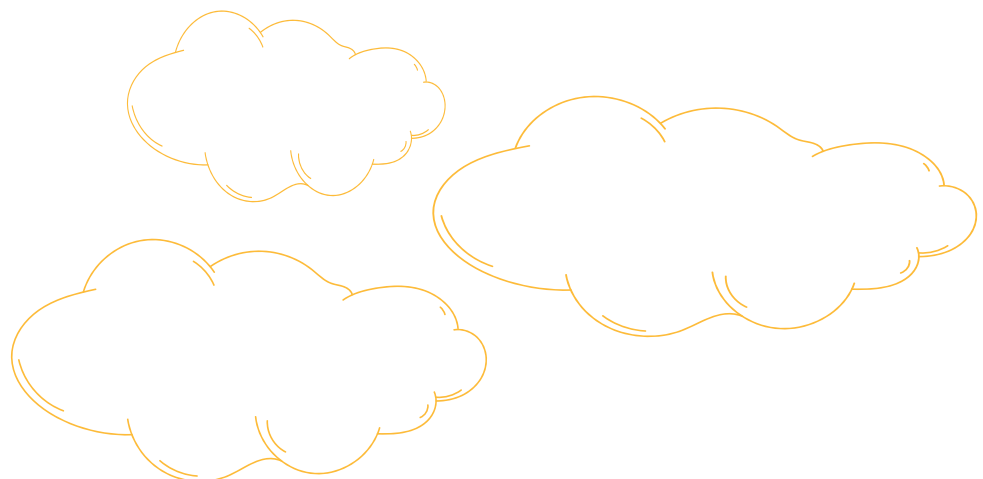
The Struggles we are Facing

Supporting suppliers in fully committing to the B Corp values requires time. We share our experience, knowledge and values around environmental and social practices and standards with our suppliers in order to ensure the alignment of our approaches. However, we understand the integration of sustainable principles also **requires time to absorb new values and activate change** in contexts which can be different in terms of size, history and core business. This is one of the challenges we face and requires **redesigning the engagement of our stakeholders**. Nonetheless, this approach also requires a continuous dialogue which can bring new opportunities from the encounter of diverse realities.

Measuring the environmental and social impact of direct suppliers is major challenge in the pharma sector. The ideal global value chain can assess the impact of both direct and indirect suppliers on sustainability criteria. Today, we are only able to assess indirect suppliers - those who

provide services or secondary materials. However, we want to **extend our process of mapping**, analysis and evaluation to also include direct suppliers - those who are responsible for the production and supply of raw materials and ingredients. In the pharma sector, supplies are **strongly regulated**, applying new criteria to the acquisition and use of materials is therefore difficult; they are under strict and standardised control and **changes can take years**.

Adopting the interdependence approach with other key players in the value chain. In 2019, the main stakeholders involved, in terms of integration of sustainability principles, were our suppliers. From now on, we believe we will gradually be able to adopt this model along our entire value chain. We have already started to work in other areas such as distributors, logistics, business partners, as well as Merger & Acquisition procedures, where sustainability has also been integrated into due diligence processes.



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Corporate Citizenship

Corporate Citizenship is the recognition that a corporation has economic, social, cultural and environmental responsibilities to the community in which it seeks a licence to operate. Such as any citizenship, it is made up of rights and duties. Inspired by the United Nations Sustainable Development Goals, we developed our Corporate Citizenship through internal corporate governance practices in place within our company.

Through our Corporate Citizenship we commit to achieving several positive effects:

- **Having a positive impact on the territory**
- **Increasing the transparency and ethical practices of business**
- **Actively and positively contributing to European and international Agenda**

To ensure that these commitments are secured through the years to come, we made Chiesi a Benefit Corporation and inserted in our Statute this specific purpose of common benefit:

"The contribution to the development of the local communities in which the company operates."

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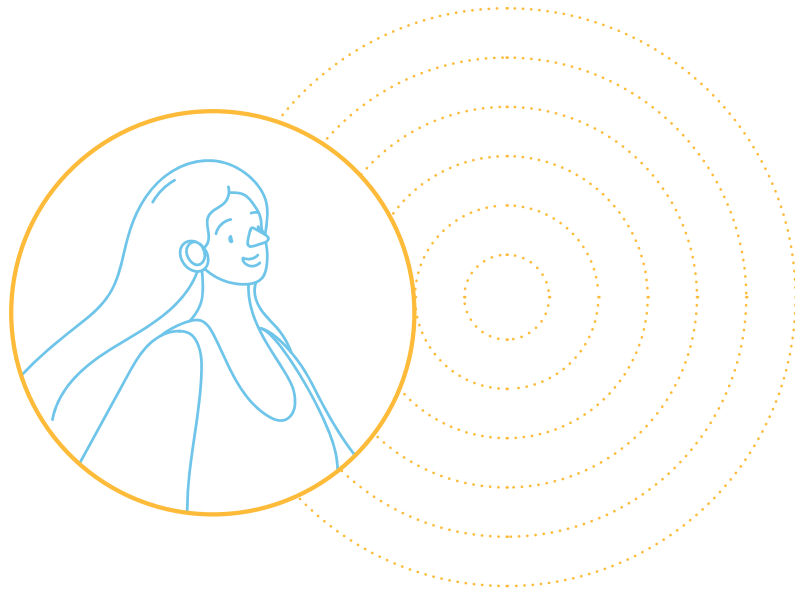
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1. Having a Positive Impact on the Territory

— We want to act as
a force for good, promoting
a conscious and different
way of doing business, with a
positive impact on society
and nature... for us, this is the
only true form of progress.

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Highlights

We care for our communities. With our skills and resources, we want to contribute to the development of the communities we live in, to do our part in promoting long-term, integrated and sustainable growth.

Sustainability, to us, means to recognising the strong interdependence between a business and the system in which a company operates, including the local community: the success of the former is inextricably linked to the prosperity of the latter, and vice versa.

Our intent is to promote the local community's social, cultural, environmental and economic development, generating shared value, because the mere adherence to legal requirements and accountability cannot be enough. To make a difference, we need to go back to caring and therefore doing as much good as we can.

VOLUNTEERING PROGRAMME:

620 people involved with more than 30 local non-profit associations for 2480 hours of volunteering;



620
people

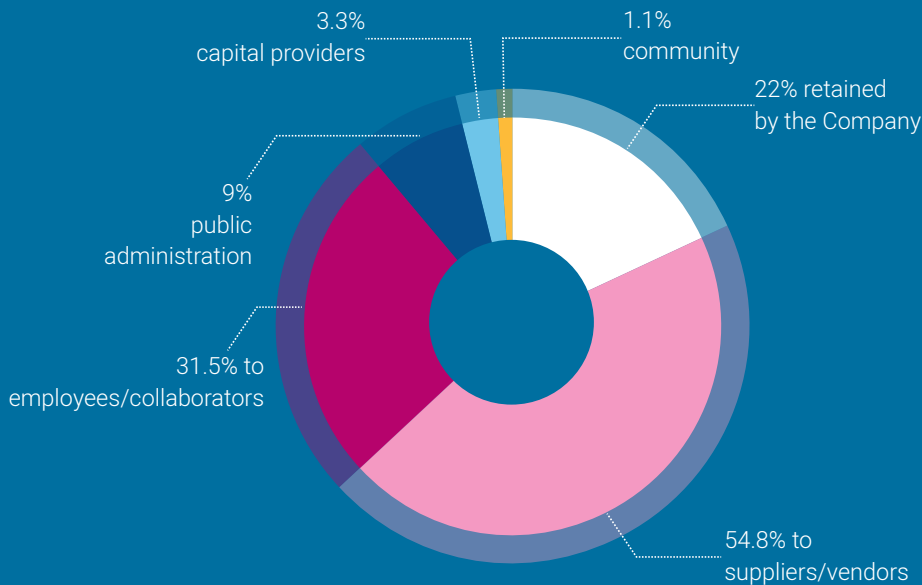


30
non-profit associations



2480
hours

CHIESI'S ECONOMIC VALUE DISTRIBUTED:



Having a positive impact on the territory is the result of a comprehensive plan of actions that the Group is implementing. The main initiatives that ran in 2019 are described below.

● **With an organic vision, we strategically guide all the projects that Chiesi promotes in the Parma territory, our hometown, through a dedicated Committee** – the Committee for Social and Community Development Activities. We know our prosperity is linked to that of our community and we care about the development of our local territory. We focus on Parma, where we are based, while creating a model of company-community interaction that can be used as a reference by all of our international affiliates.

We focus on three specific areas of intervention: **Education**, on both health and environmental topics; **Development**, intended as social, cultural, economic and environmental prosperity of the community; **Emergencies**, support for environmental disasters such as floods or earthquakes or other critical situations such as the global health emergency caused by the spread of the COVID-19 virus. This approach is extended to Chiesi Affiliates worldwide, with tools and guidelines to set up the same programmatic strategy, while preserving the peculiarities of local communities.

● **We are among the founders of Parma, io ci sto!** Born in 2016, this association aims to catalyse concrete actions for the sustainable development of the territory of Parma. The association creates networks among

companies, citizens, public institutions, schools and other actors of the city, also bringing new ideas and projects aimed to create value in our community. Sectors of interest of Parma, **Io Ci Sto!** are **food, culture, education and innovation, tourism and leisure, and environmental sustainability.**

● **We support Parma as Italian Capital of Culture.** In 2020 the city of Parma, where our Headquarters is located, was awarded the honour of being the Italian Capital of Culture thanks to its cultural heritage and the peculiar and **unique partnership between the public and private sector** that characterises our territory. Indeed, many actors, including companies, worked together to achieve this important objective. This program is an opportunity for the city to promote its economic, cultural and social growth and to increase the attractiveness to its citizens, workers and tourists. As a founder and member of the association "Parma, io ci sto!", **Chiesi played a key role in the nomination of Parma with ideas and economic sponsorship**, both in 2019 and in 2020. In addition, we also promoted specific projects, such as "**Pharmacopea**", which aims to **re-discover the chemical and pharmaceutical identity** of the city of Parma and to enhance the value of historic locations linked to this identity, such as old pharmacies and the botanical gardens.

● **We are part of the team that fosters the submission of Parma European Green Capital in 2022.**

In collaboration with other partners, like the Parma municipality and the Foundation for Sustainable Development, we actively contributed to the drafting of the **environmental policies dossier**, and in particular to the definition of specific actions on how to reduce emissions, develop a climate adaptation plan, reduce car mobility, create green conservation areas, improve air quality, reduce noise pollution, water consumption and waste production.

It is a great opportunity to make **Parma an innovative and virtuous community.**

● **We are contributing to the 11-kilometre green belt to protect Parma.**

The topic of **air pollution represents an important environmental issue** for the territory of Parma and in general the Emilia Romagna region. In Parma, the busy A1 motorway, a major source of pollution, runs alongside to the city. Chiesi is an active part of the design and development team of the "Green Kilometre" project. The initiative, initially focused on the creation of an 11 km green barrier along the motorway, has now evolved into a much bigger project of urban reforestation of the Parma province. Through a partnership between the municipality and the land owners, The Green Kilometre aims to reduce air and noise pollution and, even more importantly, to raise environmental awareness among citizens. In 2019, we actively contributed by planting around 6,500 trees, plants, shrubs and bu-

shes both in our new Headquarters and in our Research Centre.

● **We launched the Volunteering Month.**

Since 2015 we have promoted the "Volunteer Week" in our Headquarters in Parma and other corporate volunteering activities across all our branches. During this week, our employees work for local non-profit organisations. In 2019, in Parma, we extended this period to the "Volunteer Month" involving up to 620 people with 2480 hours of volunteering in different projects: environmental protection, multiculturalism, poverty reduction, and support to the most vulnerable groups such as the elderly.

● **We celebrated the We ACT Day, on 25th September, at our Research Centre.**

We ACT Day was born from the desire to inform and engage our employees on the topics of sustainability. It is a moment to **share what we can all do to contribute towards sustainable development.** The day is a celebration of the Sustainable Development Goals defined by the 2030 Agenda of the UN on 25th September 2015. In 2019, we celebrated the We ACT Day in our Research Centre, organised as a full-day festival involving employees, partners, local non-profit associations, institutions and many guests sharing themes, projects, activities, and conferences about the 9 specific SDGs that Chiesi decided to adopt.

● **We launched the "No Longer Alone" project ('Progetto Non Più Soli'), addressed towards the elderly recently discharged from hospitals.**

Chiesi collaborates with local associations and institutions, such

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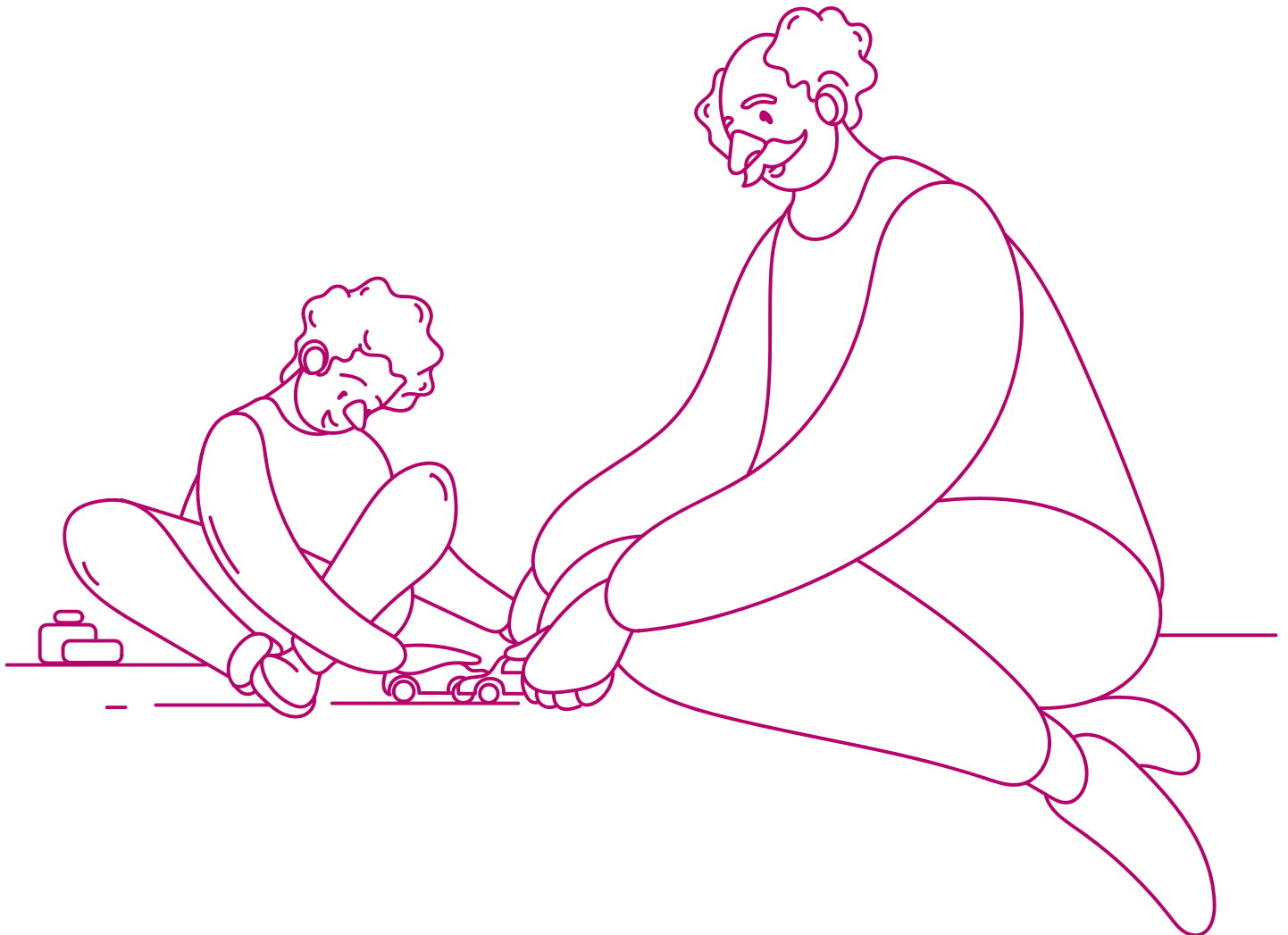
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as the Hospital of Parma, the local Service Centre for Volunteering and the Pubblica Assistenza, to answer to the needs of the most vulnerable categories of our community. With this project, we ensure assistance to **people in difficulty, especially the elderly, who may be not fully self-sufficient when discharged from the hospital**, especially in case of lack of family support. The project, started in 2019 in its pilot phase, will continue at full speed in 2020. It can be considered a best practice since it leverages the **collaboration between the public, private and third sector**, including the volunteering world.

● **We maintain our active collaboration with the Teatro Regio.** In collaboration with local stakeholders, we actively contribute to enhance the cultural soul of the city. Built in the first half of the 1800s, the Teatro Regio is a national and international treasure. We work closely with the Teatro Regio Foundation to spread the culture of art and performance, and to foster professional development in artistic, technical and musical education. This way we cherish and **cultivate the priceless heritage linked to Opera, dance and music of our homeland**, making Parma more attractive and a better place to live.

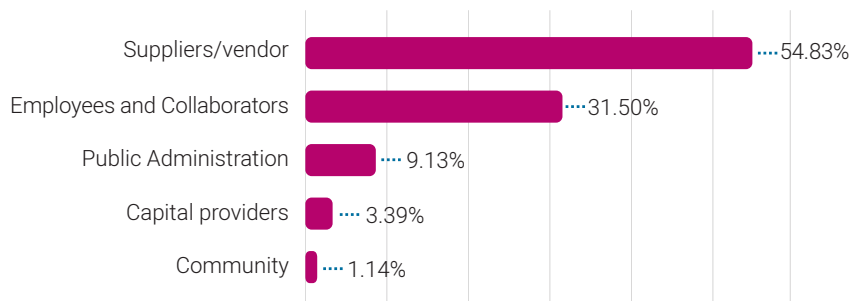


● **Economic value generated and distributed.** In addition to the usual financial figures, Chiesi calculates the economic value that we generate. The purpose of this indicator is to quantify the amount of wealth – or economic value – created by our business and

to understand how it has been distributed to our stakeholders, and how much has been retained by the company. The total economic value generated by Chiesi in 2019 amounted to € 2,012 million.

Economic value generated and distributed (M€)		
	2019	2018 ¹³
Economic value generated	2,012.45	1,842.54
Community	17.88	11.31
Capital providers	53.19	42.75
Public Administration	143.27	80.11
Employees and Collaborators	494.09	442.83
Suppliers/vendors	860.07	883.22
Economic value distributed	1,568.50	1,460.22
Economic value retained	443.95	382.32

In 2019, **78%** was distributed to stakeholders and **22%** was retained by the Company.



¹³Following the London Benchmarking Group methodology for community investment calculation, 2018 figures have been restated according to the new approach. The restatement impacts the "Community" and the "Suppliers/vendors" line. For previous values of the economic value generated and distributed please refer to 2018 Sustainability Report. Value distributed to community (17.88M€ in 2019 and 11.30M€ in 2018) refers to donations and expenses with social purposes such as: congresses expenses, sponsorship, External Clinical Scientific Test & Studies. Dividends considered are the ones distributed within the reference year but related to the profit of the previous year. [More details are explained in the Annexes p. 140.](#)

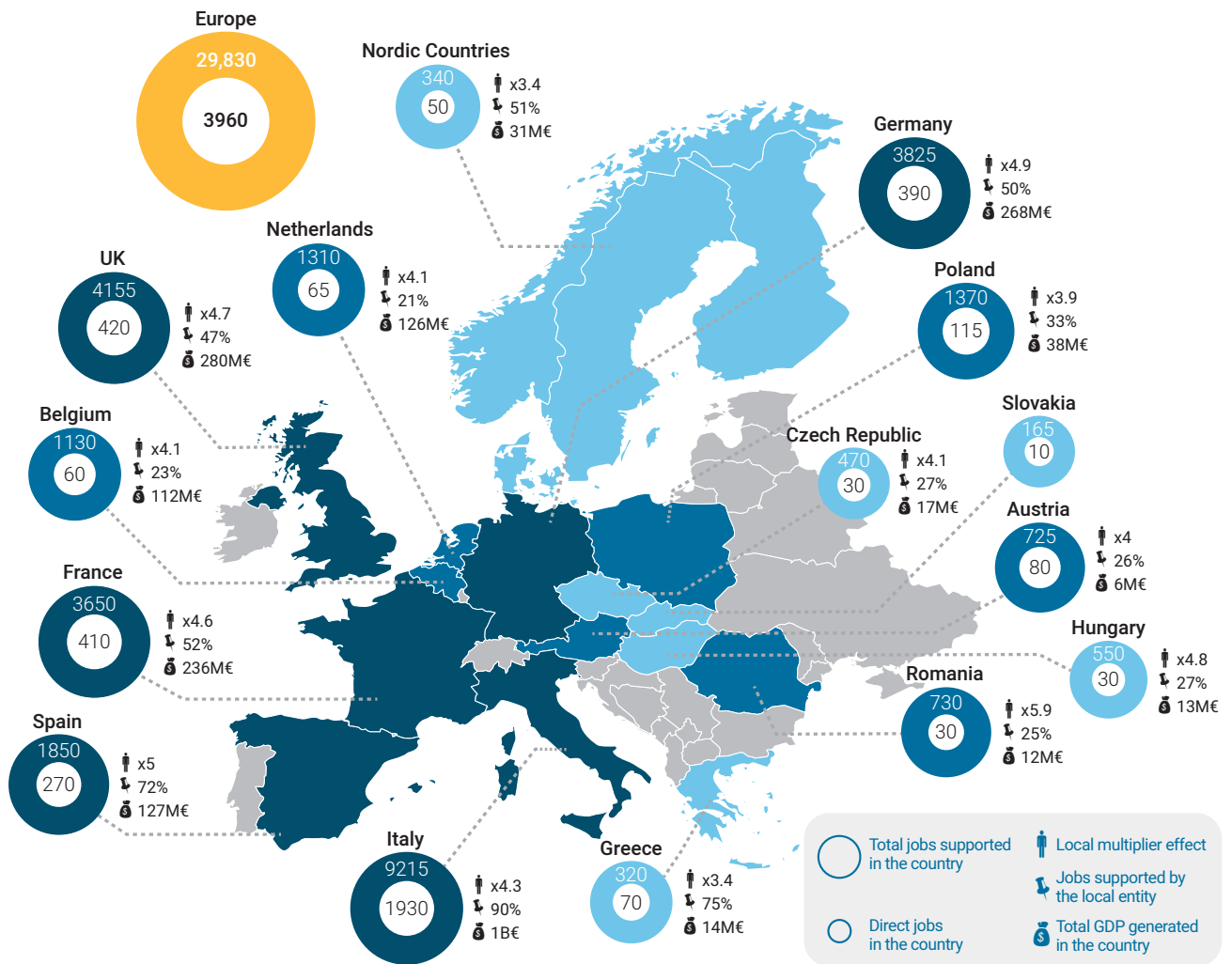
● **Chiesi's socio-economic footprint goes beyond the direct impacts generated by its economic activity.** In 2019, we measured the socio-economic footprint generated by the economic flows of our EU entities differentiating between:

1. direct impact - jobs and added value generated by our activities;
2. indirect impacts - the GDP (Gross Domestic Product) generated and FTE

jobs supported along the supply chain;
3. induced impacts - those supported by household consumption (wages paid by Chiesi and its chain of suppliers) and by public administration expenditure (taxes paid by Chiesi and its chain of suppliers).

The study concluded that the activity of Chiesi in the EU supported **29,830 jobs** and generated approximately **€ 2.4 billion of GDP** locally.

X7.5 Local multiplier effect
For **1** direct job at CHIESI IN EUROPE, **6.5** more jobs are supported in our European countries of presence.



This study was conducted using the LOCAL FOOTPRINT® tool developed by UTOPIES. It enables to measure the order of magnitude of the gross economic weight of CHIESI in 220 world countries, analyzing the impact of the economic flows generated by the company's activity in 2018. The jobs reported here are salaried and non-salaried jobs expressed in «Full-Time Equivalents» to reflect the number of equivalent years of work.

The LOCAL FOOTPRINT® model is based on Input-Output tables that trace the economic links between sectors of activity, private and public, and the household's consumption. This is the most realistic way of representing an economic system. Further details of the methodology available at www.utopies.com.

● **The Chiesi Foundation's work aims to have a positive impact on patient care by enhancing the quality of care for patients living in low- and middle-income countries.** The [Chiesi Foundation](#) is committed to improving the health and alleviating the suffering of patients with respiratory and neonatal diseases in those countries where the company does not have a commercial reach, and access to quality of care is not always guaranteed. Our work is driven by a broader definition of patients and territory which goes well beyond our direct lines of business.

We established international cooperation programs in African and South American countries to implement two different models.

The **NEST** (Neonatal Essential Survival Technology) model aims to **reduce neonatal mortality rates by improving the quality of neonatal care in countries with limited resources**, paying specific attention to premature, sick, unwell and small for gestational age babies. In 2019, the case study of the **NEST model in Burkina Faso was published in the WHO – UNICEF report**

“Survive and thrive”. Transforming care for every small and sick newborn”. Towards the end of 2019, we inaugurated a new area dedicated to the **Kangaroo Mother Care Therapy in Burundi**: a simple, safe and efficient therapy for premature and low-birth weight babies consisting of continuous skin-to-skin contact.

The **GASP** (Global Access to Spirometry Project) is focused on the **development of specific clinical skills for the diagnosis and management of chronic respiratory diseases** such as asthma and chronic obstructive pulmonary disease (COPD), through the introduction of spirometry capacity and training activities. In addition to this, the programme focuses on patient education through medical training, an integral part of the project. In 2019 we **up-scaled the project in Peru and we consolidated the one in Guyana.**

We also work to increase the **awareness and engagement of Chiesi colleagues, organising specific events** like the World Prematurity Day which takes place every year on 17th November.



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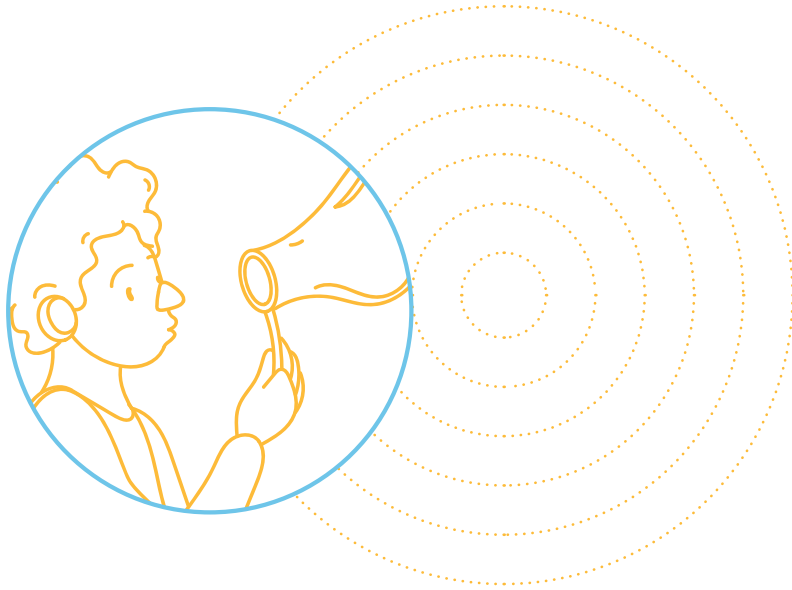
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2. Increasing the Transparency and Ethical Practices of Business

——— We work with
openness and transparency.

Highlights

We have always had ethics at the centre of our work. This principle has guided us through our history. This implies going beyond compliance, for example in significant areas like regulatory tax frameworks. It's a matter of conducting fair business with maximum transparency.

CHIESI IS THE FIRST ITALIAN PHARMACEUTICAL COMPANY TO ENTER THE COOPERATIVE COMPLIANCE REGIME

Our reputation is rooted in our tradition. One fundamental aspect lies in how we contribute to the correct distribution of wealth in the countries in which we operate. Thanks to our commitment, in 2019 Chiesi became the first Italian pharmaceutical company to enter the Cooperative Compliance Regime held by the Italian Tax Agency, which aims to improve transparency and fair distribution of taxes in the countries in which we operate.

13 departments engaged

65 internal procedures and guidelines reviewed

AS A BENEFIT CORPORATION CHIESI HAS AN IMPACT COMMITTEE DEDICATED TO THE MONITORING AND MANAGEMENT OF PURPOSES OF COMMON BENEFIT

The Committee includes the following internal functions:





Increasing the transparency and ethical practices of business is possible through various corporate governance activities. Some relevant aspects are described below.

● **We implemented a Cooperative approach with the tax authorities, on top of other means, for a fair distribution of value in the countries we operate.**

For a few years, the OECD (Organization for Economic Co-operation and Development) has been pointing out that tax audits for large taxpayers are highly inefficient because companies have to keep track of multiple data and documents and tax authorities must focus on an immense amount of data. Thus, the OECD has suggested, to all jurisdictions, enacting cooperative approaches between taxpayers and tax administration in order to trade disclosure and certainty within a frame constituted by a new, open and fair approach. We decided to embrace this **landmark shift in the relationship with tax authorities, with the ultimate objective of having the tax authorities as partners in a transparent exchange of information.** Therefore, in 2014 we already voluntarily participated in a pilot project involving 84 Italian companies, but only the top 10 in terms of turnover were selected. When the pilot project was turned into a structural programme, in 2018 we applied for the Cooperative Compliance Regime held by the Italian Tax Agency. The programme required Chiesi to **establish an internal tax risk detection, regulation, management and control system** in line with the OECD requirements, which for us implied the need to **engage 13 departments and reviewing 65 internal procedures and guidelines.** Such an effort allowed Chiesi to become the

first Italian pharmaceutical company to enter this programme in 2019 - as of today in Italy there are only about 25 companies that have signed up to this requirement, being recognised, in a broad sense, as **Best Contributors.**

Such achievement comes on top of other **long-lasting tax risk management frameworks** we already have in place, such as the **Advanced Price Agreements with the Italian Tax Agency, with whom we share and agree the remuneration of transactions with our affiliates in various countries.** Such arrangements implies that Chiesi Italy, as long as it sets the distribution of remuneration to its affiliates – and, ultimately, the taxes due by them in their respective countries – in compliance with the agreement with the Italian Tax Agency, will not be subject to tax audits on this topic for a period of up to five years. These agreements recognise and certify Chiesi as a reliable taxpayer both as Chiesi Italy and with respect to the transactions towards its affiliates.

But we went further. At the end of 2019 we were selected to participate in ICAP (International Compliance Assurance Programme), an innovative worldwide pilot project where multinational enterprises disclose certain selected tax data with a group of Tax Authorities, carrying out an open and frank combined tax risk assessment. The ultimate goal of this pilot project, following a series of meetings to take place in 2020 at the OECD where Chiesi's position will be scrutinised, will be to **draft agreements not only with the Italian Tax**



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Agency, but with 11 other authorities from countries in which Chiesi is present. Such arrangements will reward Chiesi's open approach with the benefit of no tax audits, for the years 2017-18, for the respective affiliates active in those countries.

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

● **Risk Management: from compliance to business continuity.** As a multinational company operating in the pharmaceutical sector, we have a great responsibility: our choices have a relevant impact on the community, and **we must ensure the continuity of our operations in order to take care of our patients.** This is why Risk Management is also a key pillar of Chiesi's strategy. We follow a **holistic approach in managing the risks** affecting the group and its stakeholders. In 2018, we started a path to adopt an integrated risk management system and unify the individual efforts of the various departments. With this in mind, the **Enterprise Risk Management function was created in 2019**, reporting directly to the group's

CFO. An initial risk mapping with a top-down approach was carried out, which led to the identification of **36 specific risks**, 16 of which were classified as top risks and have undergone **specific risk monitoring activities.** But we always aim to improve, so this is why we have a pipeline of activities for 2020 to enhance the synergies with all departments in their risk management activities.

● **Corporate Governance in Chiesi is exercised through various bodies,** beginning with our Board of Directors, and the Board of Statutory Auditors. The latter has a duty to verify compliance with the law and the company's by-laws, and to ensure the adequacy and reliability of our accounting system. 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. 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's Guidelines on **Ethics & Compliance**, and the **Supervisory Body** (Organismo di Vigilanza), an independent committee appointed directly by the Board of Directors. As a Benefit Corporation, since 2018 Chiesi has had an **Impact Committee dedicated to the monitoring and management of purposes of common benefit.** Beyond fulfilling the requirements of laws and regulations, we have developed and adopted several procedures and guidelines which set out common requirements with which all companies in the Group must comply.



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3. Actively and Positively Contributing to European and International Agenda

———— We want to act as
a force for good, promoting
a conscious and different way
of doing business.

Highlights

We live in times of major upheavals. We are now facing the consequences of human action, and we have the urge to change the way we relate to people and the planet. Political agendas must be steered in this direction.

Healthcare economics is a complex intersection of regulatory aspects, institutional agendas, patients' association objectives, advocacy groups campaigns, and overall knowledge on specific health problems. In this scenario, our role as a business, guided by the B Corp principle of interdependence, is crucial: contributing to the advancement of the regulatory frameworks in the countries we operate, to enhance the quality of life of our patients, with complete transparency.

7 institutional working tables and policy initiatives supported worldwide



1 patient award for our commitment to policy development in field of Rare Diseases



Actively and positively contributing to both the European and the international agenda is the result of a comprehensive plan of actions that the Group is implementing. The main initiatives that ran in 2019 are described below.

● **Chiesi is proud to represent the European Confederation of Pharmaceutical Entrepreneurs as a member of the Policy Board of the European Joint Programme on Rare Diseases (EJP RD).** We believe in a collaborative and effective use of data and resources to speed-up the research in finding cures for rare diseases, so as to dramatically decrease patients' suffering. As one of the 130 institutions from 35 countries, as members of the EJP RD programme we actively contribute to two main goals: to improve the integration and social impact of research on rare diseases through a European/world-wide sharing of research and clinical data and know-how; and to further develop an efficient model of financial support for all types of research on rare diseases.

● **We support #SHOWLEADERSHIP: a patient-led campaign aiming to raise awareness and support 200 million European people affected by allergy and airways diseases.** Allergy and asthma are major, widely prevalent chronic diseases, affecting more than 200 Million Europeans. They are the most common diseases in children, often lasting a lifetime. The healthcare costs of asthma in Europe alone amount to 72.2 billion annually. Chronic obstructive pulmonary disease (COPD) is the third leading cause of death in the world among

adults over 45. This is why, at Chiesi, along with other partners, we support the #ShowLeadership campaign that brings together the motivation of patients, carers, healthcare professionals and decision-makers to overcome the situation, to make the difference on prevention and care of allergy, asthma and COPD.

● **We want to empower the members of the European Parliament to act on behalf of patients when needed.** Despite the facts and figures, asthma and respiratory diseases are often dismissed as "second-class" diseases. For this reason, for years, EFA (European Federation of Allergy and Airways Diseases Patients' Associations) has been running the secretariat of the EP Interest Group on Allergy and Asthma, with the objective of raising awareness and putting these diseases high in the EU political agenda. In 2019, new events in the European Parliament were organised involving members of the EP, EU Official and international bodies such as the WHO (World Health Organization), in order to continue to raise the profile of asthma and respiratory conditions in the political agenda.

● **A wake-up call for Health Technology Assessment (HTA) bodies and payers on assessing and valuing person-centred therapeutic innovations.** Person-centred therapeutic



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innovations can have a dramatic and concrete impact on patients' quality of life and wellbeing. For this reason, we were among the main supporters of the EFPIA sponsored study "Assessing Person-centred Therapeutic Innovations. Are usage experience and outcome benefits from Person-Centred Therapeutic Innovations appropriately valued?". The aim of this initiative is to ask for the further inclusion of the patient experience through Health Technology Assessment (HTA) evaluation, pricing and reimbursement decisions. This is a critical and sensitive area because many HTA bodies and payers do not fully consider person-centred thera-

peutic innovations meaningfully in their evaluation of new treatments. We, as Chiesi, are committed to including all stakeholders in the decision making of such critical processes.

● **Our commitment in Rare Disease was awarded.** Black Pearl Award is an annual event, held in Brussels, to recognise the outstanding achievements and exceptional work of people making a difference for the rare disease community. Chiesi was awarded for its strong commitment, its support to policy development and for bringing to market a wide array of treatments, including products for extremely rare diseases.



The Struggles we are Facing

A global citizenship strategy must be locally applicable.

We want to develop a corporate citizenship strategy that can maximise our intervention as an expression of our civic sense in every country we operate. This global strategy must be as efficient and effective as possible to avoid wasting time, energy and capital. It must also be able to be decoded and understood in different, culturally-specific contexts, allowing the global approach to be translated at a local level.

Focus: Business Ethics and Compliance

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

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

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

Organisational, management and control model

Over the past few 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 across the whole Italian territory, we adopted an Organisational, Management and Control Model (known as a “Model 231”) that clearly defines our ethical commitments and responsibilities in the conduct of our business activi-

ties. This Model 231 defines administrative responsibilities and rules to avoid unlawful behaviour and identifies the role and responsibilities of the Surveillance Body¹³. The latter is entrusted with the power of supervising the correct application of the Model itself and refers the outcomes of such activity to the Board of Directors on a periodic basis.

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

In 2005, Chiesi adopted the Group Code of Ethics and Conduct, which at the time was implemented by our main affiliates and, in 2010, was endorsed by all Chiesi affiliates worldwide. In addition, a number of European affiliates implemented internal control systems shaped on legal requirements similar to the Model 231. The Model 231 is available to all employees via intranet (C-Share). It is subject to periodic review and revision, and any change is promptly communicated to all employees.

In 2012, we released our Group Guidelines on Ethics and Compliance, which provides a common framework of rules and aligns governance processes and systems, while ensuring that

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all key risks are identified and managed effectively in all countries. Chiesi's Corporate Compliance Committee, whose members (from the legal, human resources and internal audit functions) are appointed by the Board of Directors, oversees implementation of these guidelines. In 2015, our commitment to compliance resulted in the formal assignment of responsibilities in this area to an autonomous and independent function: the Group Compliance Office.

A **Confidential Reporting System** ("whistleblowing system"), established in 2017, is a direct communication channel that allows employees at all levels to report behaviours, such as a conflict of interest or other misconduct, that might damage the Group's business or reputation.

Anti-corruption

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

We have implemented several mechanisms to this end. In 2015, we adopted a Corporate Standard Operating Procedure (SOP) on interactions with healthcare professionals and healthcare organisations, which defines a set of binding principles – in line with IFMPA¹⁴ and EFPIA Code of Conduct requirements – with which any company in the Group must comply when

interacting with Healthcare Professionals (HCPs) and Healthcare Organisations (HCOs). In 2016, we adopted a Corporate Anti-Bribery Policy, directly applicable to all Companies of the Group, which provides a set of guidelines on how to recognise and avoid improper behaviours.

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

Internal Auditing

Since 2008, a **Corporate Internal Audit function is incorporated and provides with operational autonomy and organisational independence from operational and business functions**. The Head of Internal Auditing is a member both of the Surveillance Body and of the Corporate Compliance Committee and provides auditing activities and investigation support to them when necessary. The audit plan and projects in it are executed in consideration of the operational risks, as well as the compliance and ethics risks in any geography in which the auditing activities are executed. Therefore, anticorruption and transparency considerations are built into the design and execution of auditing activities.

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

¹³In Italian, "Organismo di Vigilanza".

¹⁴The International federation of Pharmaceutical Manufacturers and Associations.

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Board of Directors

Alberto Chiesi

President

Paolo Chiesi

Vice President

Alessandro Chiesi

Chief Commercial Officer

Andrea Chiesi

Member of the Board

Maria Paola Chiesi

Shared Value & Sustainability Director

Giacomo Chiesi

Head of Global Rare Diseases

Ugo Di Francesco

Chief Executive Officer



Chiesi Research Centre - Parma, Italy

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Section ——— 03

Chiesi's contribution to the UN Sustainable Development Goals



Background

The Sustainable Development Goals (SDGs) are a set of 17 objectives, launched in 2015 by the United Nations, as part of a comprehensive strategic plan, the **2030 Agenda**. The objectives represent the **global challenges identified by the UN as targets to be achieved by 2030 to ensure a sustainable future of shared prosperity**.

The SDGs are deeply interconnected and their progress over time is monitored through a system of 169 Targets and over 240 indicators. The objectives have been developed by adopting a multidimensional approach which takes into account **economic, social, and environmental** dimensions, as well as the 10 founding principles of the Global Compact, in order to formulate the 17 final goals towards which to strive.

The 10 founding principles of the Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Role of Business

At Chiesi, we firmly believe in the value of the SDGs and we put our best efforts into their implementation. In order to maximise the results of our actions, we have chosen to prioritise 9 SDGs as recipients of our strategy. The selection was made in line with our business model and the skills and abilities we are able to offer.



Our commitment to SDGs stems from a deep sense of responsibility about our impact and, at the same time, an important awareness of the role of business in fostering the transition to a long-term sustainable economic system.

The strength of business is an essential element and driving force for the achievement of SDGs, but so far this drive has been held back by the lack of shared tools to guide and support companies towards internal reflection and specific, meaningful actions.

The need to bridge this gap led to a solid partnership in 2017 between the UN Global Compact (UNGC) - the UN agency responsible for guiding and supporting the global business community in advancing UN goals and values through responsible corporate practices - and B Lab - the US based non-profit organisation that develops B Corp's measurement tools and encourages their worldwide diffusion. In a collaboration that has lasted more than two years, the two actors have put together, on the one hand, the great institutional reach, content expertise and global extension of the UNGC and, on the other hand, the robustness, innovativeness and accuracy of a platform for measuring impacts such as the B Impact Assessment by B Lab.



SDG Action Manager

The result is a new, publicly available online tool, the **SDG Action Manager (SDG AM)**: an actionable management platform for businesses to assess, compare and improve their performance in order to deliver tangible progress on the Sustainable Development Goals by 2030.

Companies are now supported in managing their impact on the SDGs throughout their operations, supply chain, business model, and collective action, while monitoring their risk of negative impact.

The tool incorporates the 10 Principles of the UN Global Compact and the Sustainable Development Goals (SDGs) and was built through a rigorous process of information and feedback of a range of stakeholders, including experts in corporate sustainability, civil society, UN, and academia.

Before being officially launched, the SDG AM tool went through a **beta testing phase**, during which more than 60 businesses from around the world, networks or organisations with expertise in one or more of the SDGs contributed as advisors.

Chiesi, due to their experience in the field, was invited to **contribute to the development of SDG number 3 - Good Health and Well-Being** - by testing the metric sets as they were rolled out, prototyping the online platform through development, and piloting features as they were completed.

Chiesi's Results

We decided to be one of the first companies in the world to adopt the new tool and this section reports the results of our very first analysis. These scores resulted from a self assessment approach based on internal company information and interpretation of the SDG Action Manager content. The performance is not validated by B Lab, but the use of an internationally shared tool still allows us to spread our best practices worldwide, responding to a core value of the 2030 Agenda, as well as comparing our performance against other companies.

The analysis has produced 3 results:

1. The Baseline

The Baseline module is a starting point that includes cross-cutting issues that apply to all SDGs prior to diving deep into individual SDGs. The baseline consists of a series of questions about how companies can **proactively** manage specific issues related to the 10 principles of the UNGC. It then returns an **overview of the company's commitment to social and environmental issues**, such as commitments to human rights, positive labour practices, environmental management systems, and good governance.



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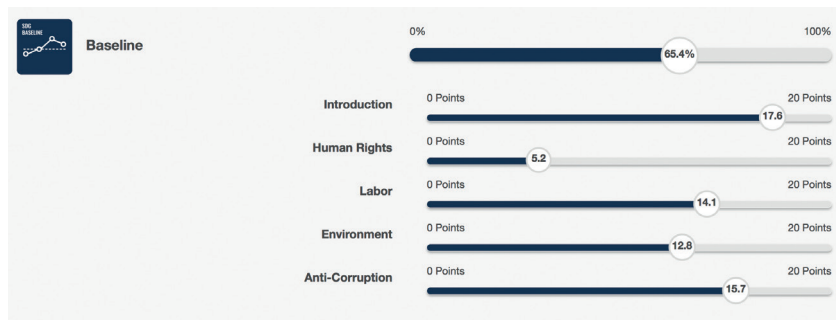
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Chiesi's baseline evaluation returns interesting results. The main takeaways are summarised in the following points:

- **Baseline 65.4%:** our organisation shows a **general well-rounded commitment** to the most relevant social and environmental global issues. A solid set of processes and a structured organisation are already helping us in ensuring a proactive focus on these matters. Nevertheless, we have identified additional activities that we will consider in our improvement plans.
- **Human Rights:** the analysis shows the most room for improvement in the Human Rights area. Our operations and facilities are located in **areas where human rights are generally granted** and we did not feel the need to establish extra control models. The analysis brought to our attention possible additional measures that will ensure further protection of human rights over time.

2. Our progress in the 9 SDGs we are committed to

In addition to the baseline analysis, Chiesi's performance was measured against 4 different sub-topics for each of the 9 SDGs we are committed to:

- **Business Model:** how Chiesi's business model can contribute to each SDG;
- **Internal Operations:** how Chiesi can contribute to each SDG within itself;
- **Supply Chain:** how Chiesi manages its supply chain's contributions to each SDG;
- **Collective Action:** this section recognises the broader opportunities Chiesi can engage in outside of the business model, operations, and supply chain to contribute to each SDG.

Scoring System

Overall performance on a given SDG is reported as a percentage in order to provide a consistent and comparable benchmark across all companies, as not all sub-topics are applicable to every company. Performance on sub-topics are reported on a point-s based system in order to more directly track progress and improvement over time. Sub-topics are equally weighted relative to one another for each module. Each question has its own score value, which is viewable on the question itself and the user earns credit for the positive practices it answers and improves upon.

Furthermore, when evaluating the company's performance, it is important to consider how business activities, practices, outcomes, and lack of information may be posing a risk to the targets of an SDG, in addition to positive contributions. To assess this, each SDG-specific module features a section focused on risk. This section does not assume actual negative impact, based on the answers, and is scored through coloured flag ratings, as you can see below.

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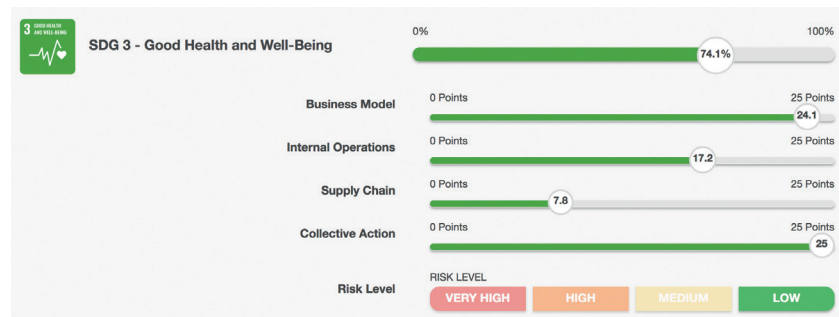
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SDG 3 - Good Health and Well-Being

Ensure healthy lives and promote well-being for all at all ages

This module highlights key practices a business can take to contribute to SDG 3 - Good Health and Well-Being, such as providing healthcare to employees within their operations and supply chain, offering operational health and safety programmes for employees, and participating in collective action at the industry, local, and national level.



Takeaways:

- Chiesi's business model is specifically designed to contribute to Good Health and Well-Being
- For the Internal operations area, which includes practices that promote SDG 3 within our own facilities, we are pleased to have achieved the highest possible score, which reflects our efforts in this direction. This includes, for example, the supplementary health benefits and wellness initiatives we have implemented for our people
- We should reinforce the assessment criteria and guidelines put in place with our suppliers to further encourage healthcare and operational health and safety development on their side
- Although we have specific activities to advocate for positive regulatory changes, we are suggested to improve our collaboration with stakeholders to improve behaviour or performance specifically related to achieving SDG 3
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 3

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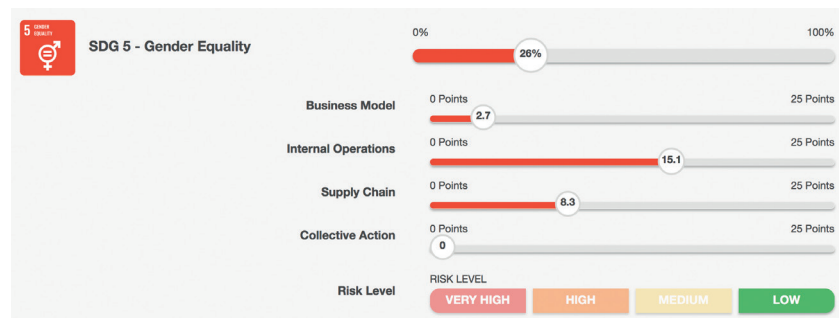
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SDG 5 - Gender Equality

Achieve gender equality and empower all women and girls

This module highlights key practices a business can take to contribute to SDG 5 - Gender Equality, such as increasing women's representation in the workforce, management and supply chain, managing gender discrimination complaints, offering non-discrimination training, and providing equitable caregiver leave.



Takeaways:

- Chiesi does not have a specific business model designed to contribute to gender equality. However, we have aligned our social and environmental performance strategy throughout our practices and processes to specifically address the SDG 5 targets.
- For the internal operations area, we discovered that we have a solid performance in all of the evaluation topics, such as women's representation in the workforce and management, gender discrimination management. At the same time, we are aware that we have further steps to take to address the pay gap issue.
- Our Suppliers Code of Interdependence, with provisions about gender equality and non-discrimination, along with the procurement policy that gives preference to women-owned businesses, are recognised as good practices that contribute to SDG 5.
- Our policy making strategy does not include any initiatives specifically designed to advocate for policy changes to contribute to SDG 5 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 5.

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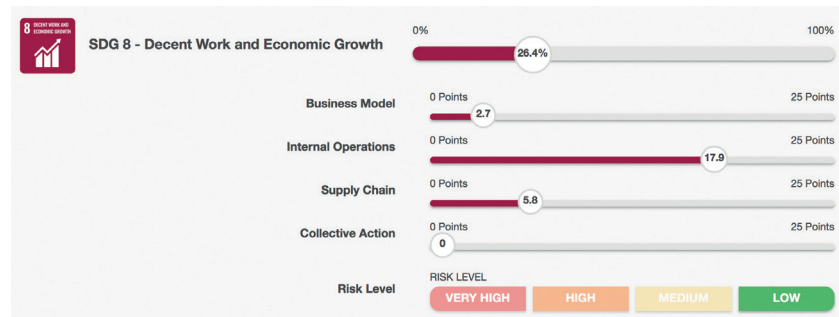
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SDG 8 - Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

This module highlights key practices a business can take to contribute to SDG 8 - Decent Work and Economic Growth, including paying a living wage, ensuring fair working conditions in their operations and supply chain, and providing professional development opportunities.



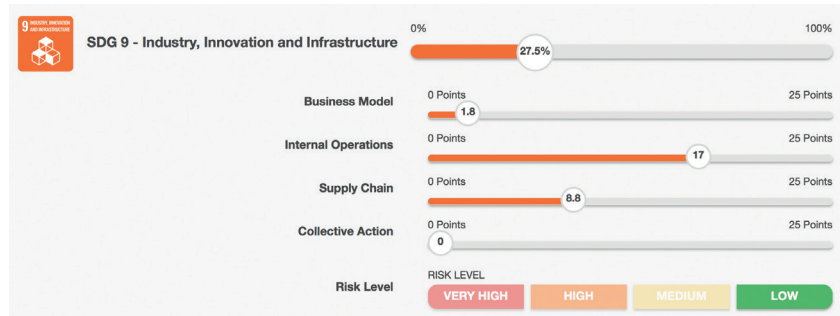
Takeaways:

- Our business model is not specifically designed to promote decent work and economic growth. Chiesi's commitment results in the alignment of our social and environmental performance throughout our practices and processes to address SDG 8 targets.
- In the evaluation process of Internal Operations, we resulted in having a strong commitment in ensuring working conditions that respect Labour rights. Our operations are focused on monitoring and improving worker satisfaction / engagement and on transparency (i.e. in ensuring access to information).
- For the supply chain, the analysis confirmed improvement opportunities in the topics of social and environmental impact of our suppliers and in the spending on local providers. With regard to this last point, we are aware that further improvement is limited by the impossibility to refer to local suppliers in our specific sector.
- Our policy making strategy does not include any initiatives specifically designed to advocate for policy changes to contribute to SDG 8 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 8.

SDG 9 - Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

This module highlights key practices a business can take to contribute to SDG 9 - Industries, Innovation and Infrastructure - including enhancing research and development efforts aligned with sustainable development priorities, supporting small-scale suppliers, and adopting clean and environmentally sound technologies and industrial processes.



Takeaways:

- Our business model is not specifically designed to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation. Chiesi's commitment results in the alignment of our social and environmental performance throughout our practices and processes to address SDG 9 targets.
- The assessment for the category 'Internal Operations' has fully recognised Chiesi's point of excellence in R&D and our commitment to promoting the use of technology for research innovation. Furthermore, our Environmental Management System and water conservation practices were highlighted as strengths. Chiesi's performance could improve in conservation and in the percentage of company facilities certified accordingly to Green Building Standards.
- The analysis has rewarded our contribution in R&D and technology with our suppliers. Investment in local and Small and medium-sized enterprises suppliers remains low, reflecting a characteristic of our industry.
- Our policy making strategy does not include any initiatives specifically designed to advocate for policy changes to contribute to SDG 9 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 9.

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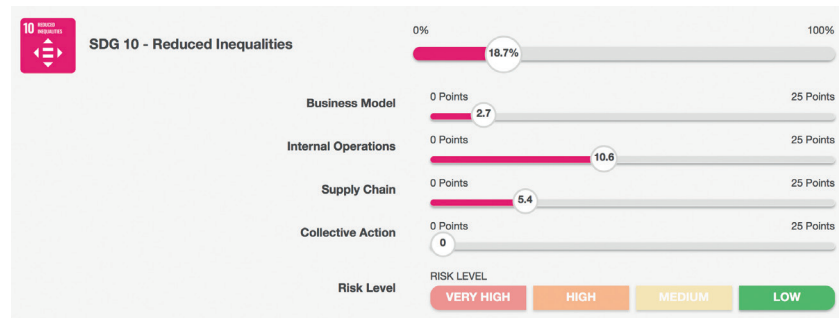
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SDG 10 - Reduced Inequalities

Reduce inequality within and among countries

This module highlights key practices a business can take to contribute to SDG 10

- Reduced Inequalities, including paying a living wage, reducing the pay ratio within the company, and employing non-discrimination practices in their operations.



Takeaways:

- Our business model is not specifically designed to reduce inequality within and among countries. Chiesi's commitment results in the alignment of our social and environmental performance throughout our practices and processes to address SDG 10 targets.
- Analysis of internal operations resulted in a good profile in all valuations topics (such as Management of Diversity; equity and Inclusion; workplace diversity and inclusivity; social protection guarantee package) with additional improvement steps available in the formalisation of procedures aimed at reducing inequalities.
- With regard to our supply chain, we have room to promote diversity within our providers and, in particular, we could put in place specific activities to support small scale suppliers to prevent discrimination and harassment.
- Our policy making strategy does not include any initiatives specifically designed to advocate for policy changes to contribute to SDG 10 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 10.

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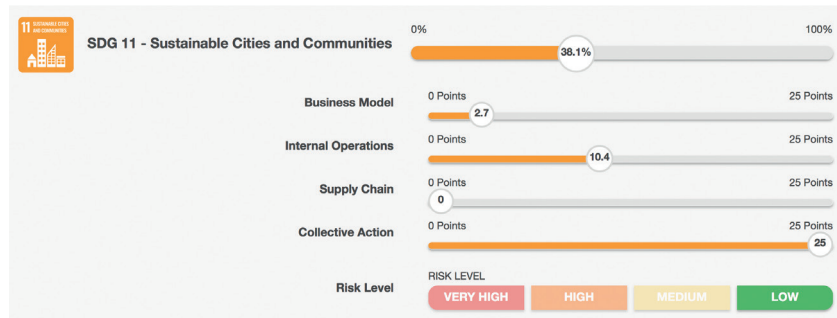
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SDG 11 - Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable

This module highlights key practices a business can take to contribute to SDG 11 - Sustainable Cities and Communities, including promoting inclusive urbanisation practices, adopting green building standards, and promoting sustainable transport for employees.



Takeaways:

- Our business model is not specifically designed to make cities and human settlements inclusive, safe, resilient and sustainable. Chiesi's commitment results in the alignment of our social and environmental performance throughout our practices and processes to address SDG 11 targets.
- Chiesi improved access to high quality jobs and green spaces for the surrounding communities: our "Green Km" initiative is just one example. Moreover, we strengthened and safeguarded the cultural and natural heritage assets in the city of Parma with specific initiatives, such as 'Parma, Io Ci Sto!' and supporting Parma's candidacy as EU Green Capital. We also put in place specific practices to reduce carbon emissions from transportation, hence reducing the carbon footprint caused by travel / commuting. Although we are heading the right direction, there are still some areas that can be improved. One possible action to this effect would be encouraging the use of sustainable transport with Chiesi employees and fostering the implementation of programs regarding waste management and indoor air quality checks.
- Chiesi's supply chain contribution on SDG 11 has achieved a satisfactory result, but we know it's only a starting point and we are continuing to work to reduce carbon emissions related to transportation, in line with the objective of carbon neutrality.
- We have specific activities to advocate for policy changes in our local community to contribute to SDG 11 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 11.

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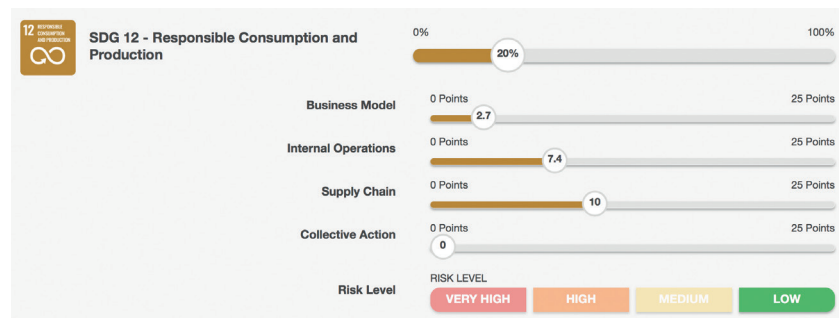
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SDG 12 - Responsible Consumption and Production

Ensure sustainable consumption and production patterns

This module highlights key practices a business can take to contribute to SDG 12 - Responsible Consumption and Production - including adopting circular economy principles, assessing supplier impact on resource consumption, and setting and reporting publicly on sustainability targets.



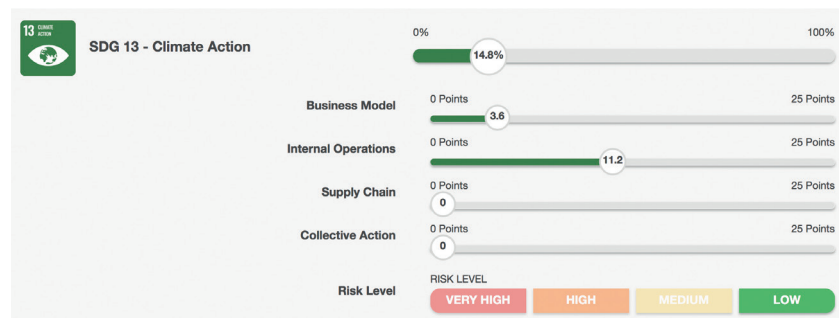
Takeaways:

- Our business model is not specifically designed to ensure sustainable consumption and production patterns. Chiesi's commitment results in the alignment of our social and environmental performance throughout our practices and processes to address SDG 12 targets.
- With regard to the 'Internal Operations' category, the tool recognises Chiesi's commitment in encouraging responsible consumption and production. In particular, the reporting method we chose for our social and environmental performance represents the company's commitment to transparency. Some of the more difficult points can be traced back to typical challenges of the pharma sector, such as the longevity of products, the reduction of end of life waste and the percentage of environmentally preferred materials (from recycled materials, reused components, and/or certified sustainably sourced materials). The difficulty in intervening in these matters also stems from the strict regulation of our sector.
- Our Suppliers Code of Interdependence includes specific indications to ensure responsible consumption and production. In this area of evaluation, special recognition is also given to Chiesi's chemical management system. Beyond our strengths, we came to understand that we need to focus more on waste management across the entire supply chain.
- Our policy making strategy does not include any initiatives specifically designed to advocate for policy changes to contribute to SDG 12 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 12.

SDG 13 - Climate Action

Take urgent action to combat climate change and its impacts

This module highlights key practices a business can take to contribute to SDG 13 - Climate Action, including employing climate risk assessments, adopting climate change governance, inventorising greenhouse gas emissions in their operations and supply chain, and setting science-based targets.



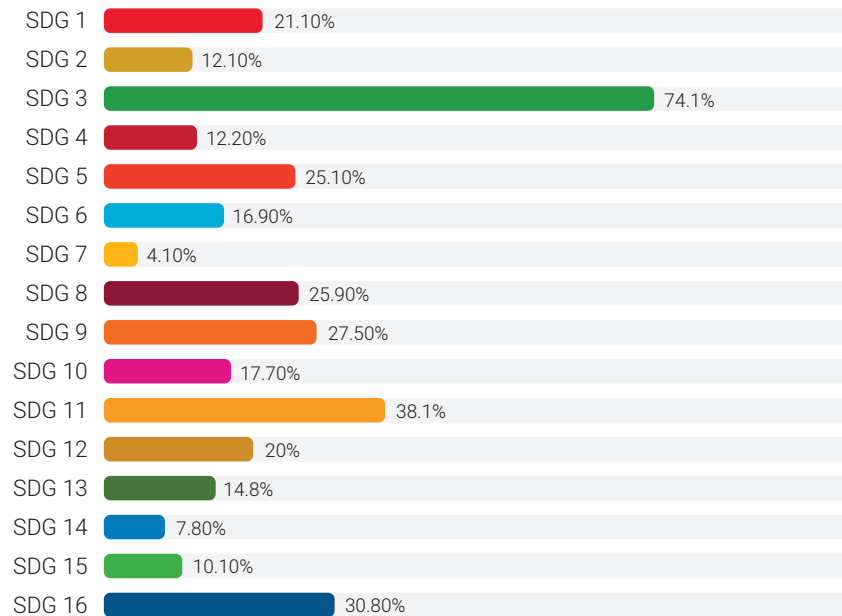
Takeaways:

- We have a formal commitment to align our business with the Paris Agreement and measure progress towards it. At the same time, we recognise that our business model does not have a direct positive impact in taking urgent action to combat climate change and its impacts.
- Our internal operations are on the right trajectory but with important steps yet to be taken. We need to encourage the purchase of energy from low-impact renewable sources. Our achievements in lowering the carbon intensity for Scope 1 and 2 were rewarded, together with the recognition of the progress made in managing Scope 3. Our pledge to meet carbon neutrality by 2035 has undoubtedly contributed to this result and represents the starting point to align all strategic directions to one main objective. Scope 3 includes the management of greenhouse gas emissions produced by the supply chain, therefore our 2035 plan will ensure further steps are taken in tracking and managing our suppliers CO₂ emissions.
- Our policy making strategy does not include any initiatives specifically designed to advocate for policy changes to contribute to SDG 13 (either at individual or collective level).
- Chiesi shows a low level of risk in negatively affecting or inhibiting SDG 13.

SGD 17: Goal 17 - Partnership for the goals - is considered a cross-cutting goal and for this reason is not evaluated with a dedicated module. The progress of the international community in terms of strategic partnership is measured in the tool by various questions in the modules of the remaining 16 objectives.

The absence of a specific result related to **SDG 17** should not give us a tinted perception of the goal, whose development is not secondary at all, but **contributes, instead, to the achievement of all of the objectives of the 2030 Agenda**. The **SDG 17** "partnerships for the goals" includes all of Chiesi's commitments to involve suppliers in the contribution to the **SDGs**. The same commitment is evaluated in the application of the other 16 modules.

3. An overall evaluation of our performance on the 17 SDGs



The results show that **the company contributes 74.1% to SDG No. 3 - Good Health and Well-being** - which is the highest percentage among those assessed. This means that the tool recognises our business model as fully oriented to the promotion of Good Health and Well-being.

Our commitment to **SDG 3** focuses particularly on the following defined targets:

- Target 3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under 5 mortality to at least as low as 25 per 1,000 live births
- Target 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well being

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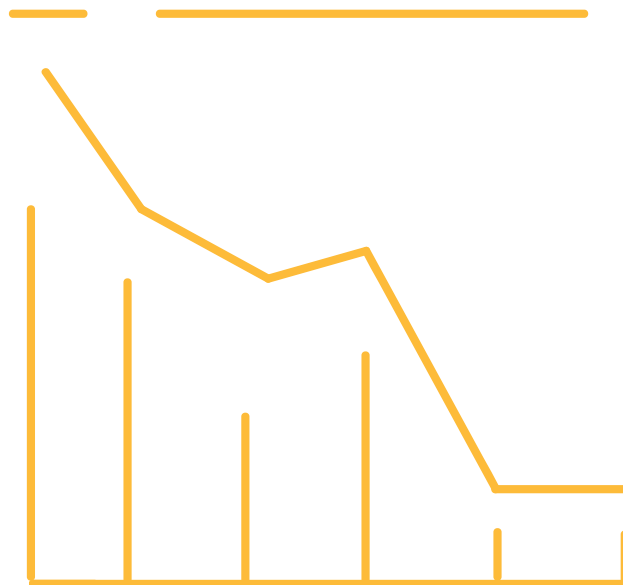
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— Target 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

— Target 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

The use of the SDG Action Manager tool allowed us to assess our contribution to our 9 priority SDGs, but also underlined the interconnectedness of the SDGs and **the importance of having a comprehensive and broad approach towards all 17 SDGs**. This analysis enabled us to highlight also those on which **we have an impact without focussing our efforts directly, for example SDG 16 – Peace, Justice and Strong Institutions**. This specific SDG highlights our company's transparent approach - which we have also brought to our supplier relationships through the supplier Code of Interdependence - and our commitment to sustainable development, through our governance and changes in our Articles of Incorporation to become a Benefit Corporation.

In conclusion, the SDG Action Manager analysis led us to broaden our vision and reflect on our future strategic directions.



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IMPACT REPORT 2020

Annex I

As a Benefit Corporation we are legally required to publish an annual Impact Report containing the activities we put in place and the objectives we set up to pursue common benefit, in compliance with the Italian Law No. 208 of 28-12-2015, Paragraphs 376-384.

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Chairman's Statement

The Chairman's Statement can be found in Chiesi's Sustainability Report 2019 at [page 4](#).

Introduction

As we can all observe, a cultural change is underway that will forever modify the way we understand and do business. A change that Chiesi has embraced and which sees the vocation of the company at the centre, as a guide for the decisions we make and the actions we take every day.

For this reason 2019 was for us, in Chiesi, a year of redesign: the year in which we created the conditions to imagine our future.

First of all, we have chosen to face a challenge that will accompany us in the years to come: we want to become a **Carbon Neutral company by 2035**, zeroing our emissions balance in advance on the deadlines set by the Paris Agreement and, more recently, Europe, of 15 years.

The first step we have focused on is the knowledge of the problem in its complexity, from the study of the emissions produced by our activity and the solutions to reduce and mitigate them, to the operational implications. We have undertaken a programme to measure the CO2 emissions associated with our products, buildings, production sites and logistics. This step was fundamental in the design of a multi-year Carbon Neutrality plan that will be put into action in 2020 and will guide the company over the next 15 years: an historic course for Chiesi and the entire pharmaceutical sector.

Another crucial aspect for the current year is the strengthening of the stakeholder engagement programme, with which we wish to share our experience and our new way of doing business. We want to establish a true and solid relationship of interdependence with our suppliers. We want to take care of and give new life to the territory and local communities in which we operate around the world.

Furthermore, we want the people who work at Chiesi to have the tools and conditions for their personal and professional fulfilment. The third great challenge is diversity. We want to seek and apply best practices that foster **diversity and inclusion** for an absolute goal of equity as a basis for contributing to the happiness of all people in Chiesi.

Last but not least, we are laying the foundations for an evolution of our Research and Development towards a **new centrality of the patient**. We intend to include the patient, his or her experience and needs in the design of solutions from the

earliest stages of research. This is an important evolution that will take time, but will greatly contribute to people's quality of life.

A change is therefore underway that requires huge **capacity for adaptation**. And this will probably be our greatest challenge. The epochal developments we face in medical research and biotechnology, in production processes, in the way we work and collaborate, together with the universal priorities imposed by the climate crisis, growing inequalities, and globalisation as summarised by the United Nations Agenda 2030 in the 17 sustainable development goals, will have an impact on us as individuals and as a business.

We want to meet these changes with responsibility and courage to seize all the opportunities, with the transparency and ethical sense that have always distinguished our history and our culture.

The beginning of 2020, the period in which this document was written, has been extremely complex for the entire world, particularly for the area in which our Headquarters is based, in the north of Italy. The Covid-19 pandemic has had a significant impact on the social and economic mechanisms not only in our country, but also at a global scale. At this time of uncertainty, as a company particularly active in its local community, we are trying to make a significant contribution to support our territory, which is particularly marked by this emergency. While hoping for the opposite, we share the concern that the current situation, during the course of the year, may change the implementation of some of the initiatives contained in this document. For 2020, we are therefore committed to continuing the various activities described here, giving priority to the support of our community, the constant supply of our medicines and the safety of our workers.

We ACT 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.

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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.

The specific purposes of Common Benefit of Chiesi Farmaceutici

The Articles of Incorporation of Chiesi Farmaceutici Spa include four specific purposes of common benefit, as well as a general purpose that defines our profile as a Benefit Company:

(I) Commitment to continuous and sustainable innovation of processes and all business practices in order to minimise negative impacts and amplify positive impacts on people, the biosphere and the territory.

(II) Positive impact on people and patients, with the aim of improving their health, well-being and quality of life.

(III) Contribution to the development of the local communities in which the Company operates.

(IV) Promotion of a conscious and sustainable way of conducting business, also through collaborative dialogue with stakeholders.

Moreover, the company pursues - together with the economic objectives of an entrepreneurial activity - general purposes of common benefit and operates in a responsible, sustainable and transparent manner towards people, communities, territories and the environment, cultural and social assets and activities, bodies and associations and other stakeholders.

The following pages deal with the specific purposes of common benefit and for each of them we have reported:

- the specific objectives, as set out in the Strategic Plan 2018-22
- the reporting of activities and targets compared to 2019
- the activities and targets to be achieved during 2020, to contribute to each specific purpose of common benefit

Specific purpose of common benefit (I):

Commitment to continuous and sustainable innovation of processes and all business practices in order to minimise negative impacts and amplify positive impacts on people, the biosphere and the territory.

What we did in 2019

Chiesi's commitment to this purpose of common benefit was carried on in 2019 with specific attention to the environmental impact generated by the company. This priority was reflected in the implementation of the following actions:

1. Carbon Footprint

We completed the carbon footprint analysis concerning those products that, in terms of importance, volume and potential environmental impact, particularly in terms of GWP (Global Warming Potential) linked to the propellant they contain, are considered of greater importance: the inhaler devices for the treatment of chronic respiratory diseases. In 2019, we calculated the carbon footprint of all our inhalation products (pressurized metered dose inhalers - pMDI and dry powder inhalers - DPI). The target was the completion, by the end of the year, of the carbon footprint analysis of the entire life cycle of the product including raw materials, production processes, end use of the product and its disposal.

This activity was successfully completed and allowed us to obtain Certiquality certification, according to the standard ISO 14067. We also had a peer review testifying the conformity of the process adopted. The review was carried out by the international body Carbon Trust (UK).

2. Energy efficiency

Energy efficiency is, together with reducing energy consumption, another crucial point of the journey towards achieving net zero carbon footprint. In 2019, an energy audit was completed in compliance with the legal standard on energy audits. Our approach also includes the implementation of an Energy Management System. The energy performance assessment and all related activities will also be a useful baseline for future certification processes in accordance with the ISO 50001 standard.

3. Sustainable Chemistry Policy

In addition to activities related to CO₂ emissions, we are also working on other forms of environmental impact. Regarding the topic of chemistry in particular, we acted to ensure that the management of raw materials, manufacturing and research processes comply with sustainable chemistry criteria.

In 2019, we developed a Sustainable Chemistry Policy regarding the proper management of chemicals and the high safety standards we want to ensure

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for the people working on these processes. The policy is based on fundamental aspects for the management of the issue, such as providing information to the stakeholders involved, the substitution of certain substances whenever possible through innovative solutions and process optimisation, and the commitment to a Life Cycle Perspective approach regarding the impact of our products both on health, safety and the environment. The policy is published on our website <https://www.chiesi.com/en/sustainability/environment/>.

Our commitments for 2020

Below is a description of the commitments for 2020, pursuing the common benefit purpose described in this section, in continuity with the activities undertaken in 2019, with a particular focus on Carbon Neutrality.

> Towards Carbon Neutrality

For 2020, we will develop an action plan to achieve Carbon Neutrality, i.e. net zero carbon footprint by 2035, in relation to Scope 1 (direct emissions), Scope 2 (indirect emissions mainly due to electricity purchase) and Scope 3 (other indirect emissions). The main aspects of the plan in 2020 will be the analysis of the scope materiality of other indirect emissions and the use of energy from renewable sources.

> Energy efficiency of our buildings

The energy efficiency efforts will be the base of the certification of our Energy Management System according to the international standard ISO 50001.

> The new Headquarters with high environmental and social standards

We aim to obtain a recognition of high environmental and social standards for our new Headquarters in Parma by obtaining the Leed Gold v.4 certification.

> Animal Welfare

Aware of the fundamental role and contribution that animals have in drug development, Chiesi promotes the highest ethical standards, acting to ensure maximum respect for the health and care of experimental animals. In our scientific research, animal testing is a very limited part of the work and is only carried out when there are no viable alternatives to ensure the safety and efficacy of our products. These tests are necessary and mandatory to process the pre-clinical data to be submitted to regulatory authorities such as the FDA (Food and Drug Administration) and the EMA (European Medicines Agency) and to obtain authorisation to proceed with human studies, and then receive the final product's approval.

The scientific community around the world agrees that while it is desirable to replace animal testing with alternative methods, animal testing continues to be necessary to protect human, environmental and animal health.

In 2020 we want to begin the AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care) accreditation process, one of the most internationally recognised bodies in good animal use and care practices, in addition to compliance with local and national regulations.

Specific purpose of common benefit (II):

Positive impact on people and patients, with the aim of improving their health, well-being and quality of life.

What we did in 2019

Chiesi's commitment in relation to this purpose of common benefit regarded the implementation of the following actions:

1. Research and Development Expenditure

Improving people's health and quality of life is our vocation. For this reason, we believe that investing in Research and Development (R&D) is necessary to promote the discovery of innovative therapeutic solutions to tackle those diseases for which, despite scientific progress, the medical need remains high, such as chronic respiratory diseases, diseases due to neonatal prematurity, rare diseases and special care. In 2019, our R&D (Research & Development) expenditure amounted to 19% of our revenues, of which 38.2% was spent in neonatology, rare diseases and special care, with a particular focus on innovative therapies and services. Chiesi ranks first among Italian pharmaceutical companies, second among Italian manufacturing companies and fourteenth among European pharmaceutical companies for investments in research¹⁵.

2. Training in Neonatology

Consistent with Chiesi's commitment to promoting scientific progress also through medical training, in 2019 more than 20 of the Group's affiliates organised neonatology training events targeting healthcare professionals around the world. The training programmes took place in various countries of the European Union, the United States, China and emerging countries, with more than 450 training sessions and a total of 27,000 healthcare professionals involved.

Many topics of great relevance to clinical practice were covered, such as respiratory support, infant stabilisation in delivery rooms, ventilation techniques and less invasive methods of surfactant administration for infants with Respiratory Distress Syndrome.

Another important pilot programme was carried out in Pakistan, where one of Chiesi Group's affiliates is present. The programme aimed to train 20 nurses working in neonatal intensive care units. The project is of particular value in light of the socio-economic condition of the country, which currently has the highest neonatal mortality rate in the world and where the improvement of neonatal care standards requires particular attention in a joint effort by government and industry.

¹⁵The 2019 EU Industrial R&D Investment Scoreboard

3. Diversity Committee

We pay the utmost attention to ensuring a high level of quality of life for all people, including those who work in the Chiesi world. In view of this, a fundamental topic is Diversity and Inclusion.

In 2019, the Diversity and Inclusion Committee was created. The Committee has the aim of monitoring the initiatives related to diversity and inclusion that are already in place within the Chiesi Group, and defining specific plans to enhance diversity and inclusion within the company. The priority topics identified are gender, age, disability and cultural diversity. In 2019, the Committee included 17 members from various Group affiliates and from our Headquarters in Italy. We consider the creation of the Diversity Committee an important step in having a structured governance on this topic, fostering an inclusive working environment and creating a corporate culture considering diversity as a stimulus for growth, creativity and value for the company and our people.

Our commitments for 2020

Below is a description of the commitment planned for 2020, aimed at achieving the purpose of common benefit described in this section.

> R&D expenditure

We continue to pursue the objective of contributing to scientific progress with innovative and up-to-date solutions, seeking to better embrace the challenges that innovation and new technologies will also bring in the healthcare sector. We are committed to investing significantly in Research & Development, keeping our Research expenses around 20% of our revenues, with a particular focus on neonatology, rare diseases and special care.

> Development of new services for patients in rare diseases

Working in the field of rare diseases is a way to contribute to the improvement of healthcare access. Our work is truly guided by the perspective of those people suffering who need a kind of support that goes beyond therapeutic solutions. In 2019, we set up a Business Unit completely dedicated to the field of rare diseases. In 2020, we want to further develop this approach, contributing to services dedicated to supporting patients suffering from rare diseases, with the aim of making life easier for these people and their caregivers.

> COPD (Chronic Obstructive Pulmonary Disease) Awareness Campaigns

COPD is a respiratory disease characterised by persistent and irreversible bronchial obstruction, mainly caused by tobacco smoking and pollution. The life of a person affected by COPD is by no means simple, considering that this disease occurs during adulthood, often advanced, and is frequently characterised by other comorbidities such as cardiovascular disease, diabetes, and lung cancer. COPD is a disease not sufficiently known to the public, and yet is no less alienating nor impactful for the people suffering from it. Chiesi has

been committed to raising awareness of this disease for years. In 2020, we will continue the promotion of awareness campaigns, raising awareness of COPD and of the physical and social challenges that patients face on a daily basis.

> Diversity & Inclusion

After the creation of the Diversity Committee, we now want to plan and consolidate strategies for managing and enhancing diversity throughout the Chiesi Group. In particular, we want to implement a specific action plan on Diversity & Inclusion issues, together with a review of the current composition of the Diversity Committee, in order to extend its participation to a greater number of corporate functions and colleagues within the Group.

A special focus, for 2020, will be dedicated to the gender pay gap, with the aim of monitoring the issue on an annual basis and implementing possible corrective actions through the launch of a dedicated body which will involve our top management.

Specific purpose of common benefit (III):

Contribution to the development of the local communities in which the Company operates.

What we did in 2019

We want to act as a key player for the social, economic and environmental local development in the context in which we operate because we believe this approach is a source of resources and opportunities, but also a commitment of civic value, that can have a positive impact on our community.

Chiesi's commitment to this purpose of common benefit in 2019 includes the following actions:

1. No Longer Alone Project ("Progetto Non Più Soli")

"No longer alone" is a project developed in the city of Parma that aims to ensure the support of lonely elderly people who have been discharged from the hospital and are facing the difficulties of life post-hospitalisation. The project is promoted and financed by Chiesi and it represents a model of partnership between the public, private and non-profit organisations, responding to the needs of a specific and vulnerable target population.

The project, which started as a pilot in 2019, includes the creation of a service point at the Hospital of Parma, in connection with the existing community points in the area. Through the training of dedicated volunteers and the involvement of Parma's NGO Pubblica Assistenza, it was possible to act both at home and at community points, guaranteeing assistance to the first 15 beneficiaries of the project who

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were in situations of temporary difficulty. The partnership of the project involves several stakeholders including Chiesi, Centro Servizi Volontariato Emilia (Forum Solidarietà), Parma WELFARE, Fondazione Asphi and Parma Pubblica Assistenza.

2. Volunteer programme

Since 2015 we have promoted the Chiesi Volunteering Week during which Chiesi employees can donate their time to local non-profit associations. There are different local versions of this commitment across our affiliates, with country-specific solidarity initiatives.

In 2019, with the launch of the Volunteering Month initiative, promoted at our Headquarters, 620 volunteer employees were involved in projects regarding environmental protection, multiculturalism and interculturalism, the fight against poverty and support for the most vulnerable groups in our community.

3. Collaboration with the Teatro Regio

The Teatro Regio, built during the first half of the 1800s, is the opera house of Parma with national and international relevance. For years Chiesi has been collaborating with the Fondazione Teatro Regio, which aims to spread the culture of performing arts, professional artistic and technical training and musical education, in order to preserve and enhance the historical and cultural heritage linked in particular to opera, dance and music in general. In 2019, we continued our collaboration by economically contributing to the activities of the Fondazione Teatro Regio, promoting them also among our employees living in the community of Parma. The various activities include the Verdi Festival, the opera season, Parma Danza, Regio Young and Barezzi festival.

Our commitments for 2020

Below is a description of the commitment planned for 2020 aimed at achieving the purpose of common benefit described in this section.

> Parma 2020

In 2020 Parma will be the Italian Capital of Culture. In October 2018, the Committee for Parma 2020, founded by the Municipality of Parma, "Parma io ci sto!" and UPI - Unione Parmense degli Industriali, was established with the aim of supporting the implementation of the activities and objectives included in the candidature dossier of the city as Italian Capital of Culture, strengthening public-private collaboration and developing an approach that will continue beyond 2020. Chiesi's partnership with the city for the Capital of Culture year is part of the company's commitment to actively contribute to the social and cultural development of its community and in particular to contribute to the development of Parma as a cultural and attractive area for citizens, workers and tourists.

> No Longer Alone Project ("Progetto Non Più Soli")

The pilot project carried out during 2019 has brought positive results. Therefore, in 2020 we want to expand the project and provide the service to an increasing number of elderly people in need.

Specific purpose of common benefit (IV):

Promotion of a conscious and sustainable way of conducting business, also through collaborative dialogue with stakeholders.

What we did in 2019

As a B Corp and Benefit Corporation we believe that interdependence is a primary value. Every part of the system is connected with the others and these relationships are the basis for boosting the positive impact created by the company. In order to expand the value that we are able to generate we cannot ignore the involvement of our stakeholders and this is particularly true when we talk about value chains.

Chiesi's commitment to this purpose of common benefit in 2019 includes the implementation of the following actions:

1. Suppliers' code of interdependence

Chiesi Group's Supplier Code of Interdependence is an innovative and unique tool, both in terms of its structure (based on the United Nations' Sustainable Development Goals) and in terms of content, which includes sustainability topics. The code was co-created with the contribution of 120 people from Chiesi Group and the representatives of 70 international suppliers, in a process that has enabled them to fully share and adhere to the values of the code. It was approved by Chiesi Executive Committee at the end of 2019.

The points of the Code will not simply represent a list of directives, but a shared responsibility so as to generate a virtuous circle for all on an economic, environmental and social level.

The publication on www.chiesi.com took place in February 2020, and formal implementation is planned throughout the year. For our Headquarters, the Code of Interdependence will be included in the supplier qualification processes, while we are working with all of our affiliates to support its implementation locally.

2. Training programme "We ACT Educational"

We Actively Care for Tomorrow was Chiesi's sustainability programme launched in 2018 which included a plan to engage and raise awareness on sustainability among Chiesi employees. "We ACT Educational", a training programme dedicated to sustainability, was also included in this plan. The topics covered the basic principles of environmental and social sustainability, the United Nations' Sustainable Development Goals, B Corp and Benefit Corporations, and the presentation of some corporate projects arising from our sustainability strategic plan. This training project has been extended to the entire Chiesi Group

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in order to ensure the dissemination of sustainability values and principles among our people, given their importance for our business. In 2019, we reached a participation rate of 70% of Chiesi Group employees.

Our commitments for 2020

Below is a description of the commitment planned for 2020 aimed at achieving the purpose of common benefit described in this section.

> Involvement of patients in our processes

Including the voice and perspectives of our patients in our processes and in the development of our drugs is the approach we try to adopt in our daily activities. In 2020, we want to carry out more structured stakeholder engagement activities with our patients, listening to their experiences, understanding their lifestyles and integrating their suggestions. This represents our shared value approach and will allow the co-creation of innovative solutions, developed around their specific needs.

> Implementation of the Code of Interdependence among our suppliers

The implementation of the Code of Interdependence will take place gradually throughout the year in the supplier qualification and evaluation processes. In addition to the code, these processes integrate, by design, further sustainability principles. Furthermore, the Code of Interdependence will be the baseline of the supplier audit plan. In 2020 we will therefore start implementing the Code of Interdependence with our strategic suppliers.

General Purpose of Common Benefit and Impact Assessment

As a Benefit Corporation, Chiesi is committed to pursuing, in addition to the economic objectives of its business activity, the purposes of common benefit. We are committed to operating in a responsible, sustainable and transparent manner towards people, communities, territories and the environment, to cultural and social assets and to activities, bodies and associations and other stakeholders.

In order to comply with legal requirements and to report the impact generated by the company, Chiesi uses the third-party standard B Impact Assessment, the assessment tool that underpins B Corp certification.

The impact assessment for the year 2019 and related to the Italian perimeter resulted in a score of 91.8 points, measured with version 6 of the B Impact Assessment made available from April 2019. There was a small reduction in the score of about 2 points compared to the measurement of 2018 due to the new "major release" of the assessment tool which modified some key

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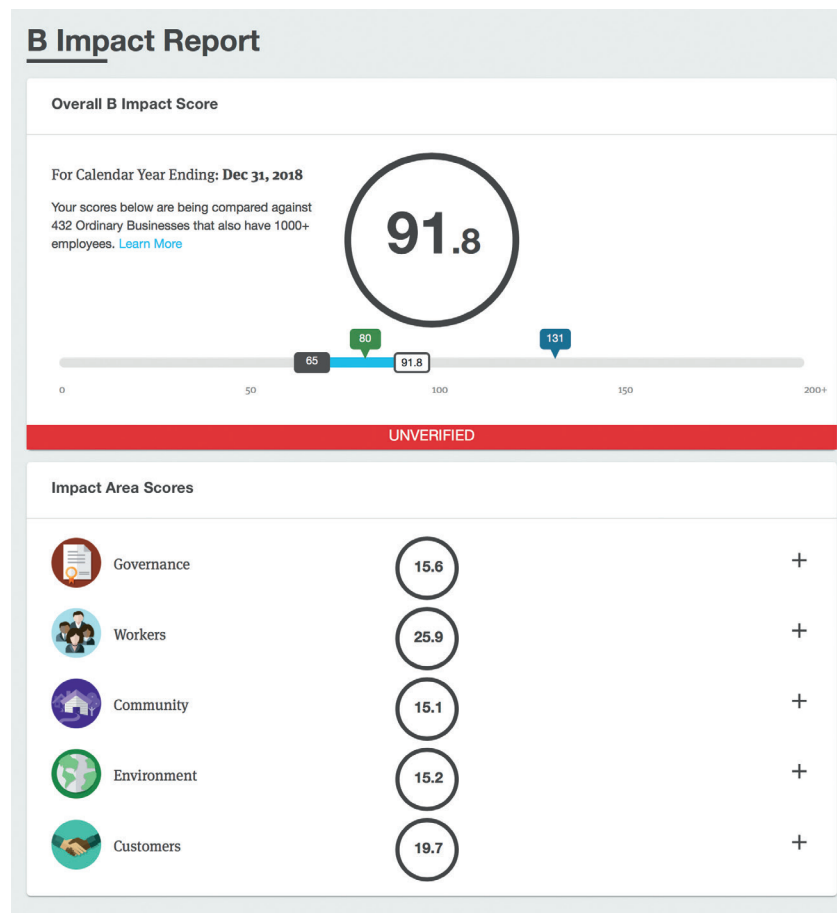
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elements. Each new "major release" involves an increase in the level of the assessment standard and the introduction of new areas of assessment. In particular, the changes introduced in the new release of the B Impact Assessment concerned:

- Reorganisation of the areas of investigation
- New questions
- Different and additional answer options
- Balancing of the scoring system (Updating of the calculation algorithm and reward mechanism; different distribution of weights in the normalisation of the final score).

Summary assessment of the Italy impact profile of Chiesi Farmaceutici Spa obtained using the international standard B Impact Assessment.



To meet legal requirements, the company has established an Impact Committee, including the corporate functions of Shared Value & Sustainability, Human Resources, Health Safety and Environment, Marketing, Compliance and Communication. The Impact Committee is responsible for defining sustainability objectives consistent with the purposes of common benefit, expressed in the articles of incorporation, evaluating the results achieved and drafting the impact report.

Chiesi also publishes a sustainability report for 2019 in accordance with GRI ("in accordance – core") standards that transparently reports on the company's commitment to sustainability and the concrete actions taken.

Impact report reviewed by Nativa

This impact report is the result of a process of collaboration between Chiesi Farmaceutici SpA and Nativa Srl SB, inspired by the values of transparency, trust and interdependence and designed to ensure the reliability and accuracy of what is reported.

The ultimate goal of this process is the validation by Nativa of both the updating of the impact measurement using the B Impact Assessment tool and a continuous and effective commitment to work towards the progressive achievement of specific purposes of common benefit.

The Review process is structured in three areas:

1) Organisation: to ensure that key roles by area of expertise have been involved and to ensure the necessary know-how to update the BIA.

In this specific case the company has increased the level of preparation of the organisation with the design and dissemination of a support handbook.

2) Data reliability: to ensure that the data and information produced are based on a quality structured process.

In this specific case, the company has designed a process for collecting and verifying company data, structured so as to involve the main company functions. A quality check mechanism has also been implemented to guarantee the reliability of the data itself.

3) Quality check of the BIA compilation: to ensure the correct compilation of the analysis tool.

In this specific case, the BIA update responses have been checked and validated with the team contact person responsible for the compilation through a drill down of the impact areas most affected by the change of standards from V5 to V6 of the BIA and the improvement actions implemented during 2019. Finally, a validation was carried out through the verification of the documental support and the most important data.



Final remarks

2019 was Chiesi Farmaceutici's first full calendar year as a Benefit Corporation, during which we were able to test the operating and management models to maximise the positive impact on society and the environment.

With this story we hope to contribute, inspire and mobilise, not only the ecosystem of which our company is part, but also other leaders and entrepreneurs in the world to undertake a journey similar to ours.

The decisions we make as a business over the next 5 years will have profound impacts over the coming 20. For this reason, we hope to receive an active contribution from our business partners, especially in terms of ideas for improvement.

Appendix: What is a Benefit Corporation and what is a B Corp

The Benefit Corporation, known in Italy as Società Benefit, represents one of the most advanced models in terms of positive corporate, social and environmental impact. They are for-profit companies that express a dual objective to the corporate purpose: to create value for both shareholders and stakeholders. Together they constitute a global movement of 'Purpose Driven Businesses' that aims to spread a more evolved economic paradigm which sees companies as protagonists in regenerating society and the biosphere. The Vision is to trigger positive competition between all companies, so that they are measured and evaluated in their actions according to the same standard: the positive impact on society and the planet, as well as economic results.

Since 2016, Italy has been the first sovereign state in the world and the first country after the United States to introduce Benefit Corporations, a new legal form of enterprise, which provides a solid basis for aligning and protecting the company's mission, as well as creating shared value in the long term.

Benefit Corporations choose to:

- make explicit in their articles of incorporation the purpose for which the company exists and to balance the interests of shareholders with those of all other stakeholders
- fully measure all of their impacts and communicate them transparently through an impact report, which integrates with the company's traditional reporting

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— to equip themselves with a governance that allows them to manage the company as a force for regeneration of society and the biosphere.

The legal form of Benefit Corporation has created a new role that serves to transform the company from within: the person responsible for the impact is the person entrusted, in agreement with the management, with the task of ensuring that the company, in carrying out its activities, also aims to have a positive impact on people, society and the environment, and pursues the purposes of common benefit declared in its articles of association.

In measuring their impacts, Benefit Corporations use a technological measurement platform, the B Impact Assessment (BIA) developed by the non-profit B Lab. This protocol, available for free online worldwide, allows companies to measure whether they create more value than they destroy, i.e. whether it is regenerative. If a given company, by measuring all of its economic, environmental and social impacts through the BIA protocol, exceeds a threshold of excellence of 80 points, verified by the B Lab Standards Trust on a scale from 0 to 200, then it is eligible to be B Corp Certified. Certified B Corp are the companies that, worldwide, are committed to spreading more advanced business paradigms and have promoted, since 2006, the legal form of Benefit Corporation / Società Benefit throughout the world.

The thousands of B Corps and the 120,000 companies that use them, across 71 countries and 150 industries, represent a concrete, positive and scalable solution that creates value for both shareholders and stakeholders. One of the fundamental principles of the B Corp values is interdependence, i.e. co-responsibility among B Corps, responsibility towards all stakeholders and future generations. Currently, in Italy, there are about 100 certified B Corps and over 400 Benefit Corporations, the fastest growing community in the world.

<https://bcorporation.net>

<http://www.societabenefit.net>

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Stakeholder Engagement Methods

In the following table are summarized all methods used for stakeholders engagement.

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

Boundaries

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

Dimension	Material topic	Boundary	
		Where the impacts occur	Chiesi Group involvement
Corporate Citizenship	Ethics and compliance	Chiesi Group, Suppliers	Caused and directly linked through business relationship
	Transparency	Chiesi Group	Caused
Products and Patients	Product quality and reliability	Chiesi Group, Suppliers	Caused and directly linked through business relationship
	Research and development	Chiesi R&D centres	Caused
	Patients health and safety	Chiesi Group, healthcare service providers	Caused and directly linked through business relationship
	Access to healthcare	Chiesi Group, healthcare service providers	Caused and directly linked through business relationship
	Sustainable products	Chiesi Group, Suppliers	Caused and directly linked through business relationship
Global value chain	Responsible management of the value chain	Chiesi Group, Suppliers	Caused and to which the Group contributes
Processes	Employees health, safety and wellbeing	Employees of Chiesi Group	Caused
	Human resources management and development	Employees of Chiesi Group	Caused
	Diversity and equal opportunities	Chiesi Group	Caused
	Environmental protection	Chiesi Group, Energy providers	Caused and directly linked through business relationship
Corporate Citizenship	Economic value generated	Chiesi Group	Caused
	Local community development	Chiesi Group, Chiesi Foundation	Caused and to which the Group contributes

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

Chiesi by the Numbers

People

Number of employees

Total number of employees by employment contract (permanent and temporary), by gender (headcount)						
	2019			2018		
	Male	Female	Total	Male	Female	Total
Permanent	2,394	2,617	5,011	2,450	2,586	5,036
Temporary	211	258	469	59	133	192
Total	2,605	2,875	5,480*	2,509	2,719	5,228**

*The total of employees includes long-term employee absences and therefore differs from the total of employees reported in the Consolidated Financial Statement (equal to 5,388 at 31st December 2019) in which long-term employee absences are excluded, and it differs from the total workforce (equal to 5,854 at 31st December 2019) in which external collaborators (field force contractors and ad interim employees) of the Group are included and long-term employee absences are excluded.

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

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Total number of employees by employment type (full-time and part-time), by gender (headcount)						
	2019			2018		
	Male	Female	Total	Male	Female	Total
Full-time	2,587	2,688	5,275	2,486	2,544	5,030
Part-time	18	187	205	23	175	198
Total	2,605	2,875	5,480	2,509	2,719	5,228

Total number of employees by employment contract (permanent and temporary), by region (headcount)					
	at 31st December 2018				
	Italy	Rest of Europe	USA	Rest of the World	Total
Permanent	1,765	1,788	281	1,202	5,036
Temporary	110	66	1	15	192
Total	1,875	1,854	282	1,217	5,228

Total number of employees by employment contract (permanent and temporary), by region (headcount)					
	at 31st December 2019				
	Italy	Rest of Europe	USA	Rest of the World	Total
Permanent	1,860	1,874	296	981	5,011
Temporary	74	80	0	315	469
Total	1,934	1,954	296	1,296	5,480

Rest of Europe: 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, Switzerland, United Kingdom.

Rest of the World: The category "Rest of the World" refers to the following countries: Brazil, China, Mexico, Pakistan, Russia, Turkey, Australial.

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Percentage of employees by employment contract and gender (headcount)		
	2019	2018
Male	47.6%	48.0%
Female	52.4%	52.0%
Permanent	91.4%	96.3%
Temporary	8.6%	3.7%

New employees hires and employees turnover

New employee hired - Group (headcount)										
	2019					2018				
	<30	30-50	>50	Total	Rate	<30	30-50	>50	Total	Rate
Male	121	209	31	361	13.8%	130	199	20	349	13.9%
Female	128	289	44	461	16%	132	282	44	458	16.8%
Total	249	498	75	822	15%	262	481	64	807	15.4%
Rate	44.2%	13.9%	5.6%	15%		48.2%	13.7%	5.4%	15.4%	

Terminations - Group (headcount)										
	2019					2018				
	<30	30-50	>50	Total	Rate	<30	30-50	>50	Total	Rate
Male	56	162	47	265	10.2%	49	199	54	302	12%
Female	46	221	38	305	10.6%	58	195	52	305	11.2%
Total	102	383	85	570	10.4%	107	394	106	607	11.6%
Rate	18.1%	10.7%	6.4%	10.4%		19.7%	11.2%	9%	11.6%	

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ITALY					
New employee hired - Italy (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	30	43	3	76	7.9%
Female	54	42	7	103	11.3%
Total	84	85	10	179	9.5%
Rate	51.5%	7.3%	1.8%	9.5%	

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

REST OF EUROPE					
New employee hired - Rest of Europe (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	24	57	11	92	13.1%
Female	42	126	24	192	16.7%
Total	66	183	35	284	15.3%
Rate	48.2%	14.9%	7.2%	15.3%	

Terminations - Rest of Europe (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	4	62	26	92	13.1%
Female	15	82	33	130	11.3%
Total	19	144	59	222	12%
Rate	13.9%	11.7%	12.1%	12%	

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2018

USA					
New employee hired - USA (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	1	15	5	21	18.3%
Female	6	43	9	58	34.7%
Total	7	58	14	79	28%
Rate	35%	29.1%	22.2%	28%	

Terminations - USA (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	-	20	6	26	22.6%
Female	2	18	5	25	15%
Total	2	38	11	51	18.1%
Rate	10%	19.1%	17.5%	18.1%	

REST OF THE WORLD					
New employee hired - Rest of the World (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	75	84	1	160	21.9%
Female	30	71	4	105	21.5%
Total	105	155	5	265	21.8%
Rate	46.9%	17%	6.2%	21.8%	

Terminations - Rest of the World (headcount)	2018				
	<30	30-50	>50	Total	Rate
Male	27	89	15	131	18%
Female	16	72	5	93	19.1%
Total	43	161	20	224	18.4%
Rate	19.2%	17.7%	24.7%	18.4%	

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New employee hired - Group (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	121	209	31	361	13.9%
Female	128	289	44	461	16.0%
Total	249	498	75	822	15.0%
Rate	44.2%	13.9%	5.6%	15.0%	

Terminations - Group (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	56	162	47	265	10.2%
Female	46	221	38	305	10.6%
Total	102	383	85	570	10.4%
Rate	18.1%	10.7%	6.4%	10.4%	

ITALY					
New employee hired - Italy (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	31	30	11	72	7.2%
Female	40	44	4	88	9.4%
Total	71	74	15	160	8.3%
Rate	44.1%	6.3%	2.5%	8.3%	

Terminations - Italy (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	11	16	12	39	2.0%
Female	16	38	8	62	3.2%
Total	27	54	20	101	5.2%
Rate	4.5%	14.4%	2.0%	5.2%	

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REST OF EUROPE					
New employee hired - Rest of Europe (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	30	72	12	114	15.7%
Female	41	132	29	202	16.4%
Total	71	204	41	316	16.2%
Rate	47.3%	16.3%	7.5%	16.2%	

Terminations - Rest of Europe (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	11	53	25	89	12.3%
Female	14	91	22	127	10.3%
Total	25	144	47	216	11.1%
Rate	16.7%	11.5%	8.5%	11.1%	

USA					
New employee hired - USA (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	1	16	4	21	17.6%
Female	5	21	8	34	19.2%
Total	6	37	12	55	18.6%
Rate	40.0%	18.5%	14.8%	18.6%	

Terminations - USA (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	2	10	5	17	14.3%
Female	4	12	8	24	13.6%
Total	6	22	13	41	13.9%
Rate	40.0%	11.0%	16.0%	13.9%	

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REST OF THE WORLD					
New employee hired - Rest of the World (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	59	91	4	154	20.1%
Female	42	92	3	137	25.8%
Total	101	183	7	291	22.5%
Rate	42.6%	19.2%	6.7%	22.5%	

Terminations - Rest of the World (headcount)	2019				
	<30	30-50	>50	Total	Rate
Male	32	83	5	120	15.7%
Female	12	80	-	92	17.3%
Total	44	163	5	212	16.4%
Rate	18.6%	12.6%	0.4%	16.4%	

Work-related injuries

Injuries (number and rate)						
	2019			2018		
	Men	Women	Total	Men	Women	Total
Work-related injuries	10	18	28	22	27	49
of which fatalities	-	-	-	-	-	-
of which with high-consequences (excluding fatalities)	-	-	-	2	-	2
Hours worked	4,596,584	4,760,935	9,357,519	4,054,436	4,020,071	8,074,507
Injury rate*	0.44	0.76	0.60	1.09	1.34	1.21
High-consequence injury rate	-	-	-	0.10	-	0.05

The injury rate is the ratio of the number of injuries reported to the number of hours worked (including overtime), multiplied by 200,000. The high consequence injury rate is the ratio of the number of injuries with high consequence reported to the number of hours worked (including overtime), multiplied by 200,000. Worked hours of some affiliates have been estimated. High consequence injuries are the one that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

Average hours of training per year per employee

Hours per employment category and gender						
	2019*					
	Total hours for men	Average hour per men	Total hours for women	Average hour per women	Total hours	Average hours per employees
Executives	6,748	76.1	4,164	69.5	10,912	78.7
Managers and Field Force Area Managers	34,215	56.8	28,816	61.8	63,031	59.0
White Collar and Field Force Representatives	76,301	45.0	114,991	51.9	191,292	48.9
Blue collars	14,838	106.7	8,727	76.6	23,565	93.1
Total	132,102	50.7	156,698	54.5	288,800	52.7

*Allocation of training by gender and employees categories in some countries have been estimated. Figures include all countries.

Hours per employment category and gender						
	2018					
	Total hours for men	Average hour per men	Total hours for women	Average hour per women	Total hours	Average hours per employees
Executives	10,181	121.8	6,407	92.9	16,589	130.6
Managers and Field Force Area Managers	18,518	35.7	26,635	62.1	45,154	47.6
White Collar and Field Force Representatives	64,744	39.4	84,939	40.9	149,684	40.2
Blue collars	10,006	52.4	7,683	54.1	17,689	53.1
Total	103,450	41.2	125,665	46.2	229,115	43.8

Diversity of governance bodies and employees

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.

Percentage of internal employees by gender and employee category						
	2019			2018		
	Male	Female	Total	Male	Female	Total
Executives	3.1%	1.4%	4.5%	3%	1.3%	4.3%
Managers and Field Force Area Managers	11.0%	8.5%	19.5%	9.9%	8.2%	18.1%
White Collar and Field Force Representatives	30.9%	40.4%	71.4%	31.4%	39.8%	71.2%
Blue collars	2.5%	2.1%	4.6%	3.7%	2.7%	6.4%
Total	47.5%	52.5%	100%	48%	52%	100%

Internal Employees by age group and employee category								
	2019				2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	0.0%	2.3%	2.3%	4.6%	0.0%	2.1%	2.1%	4.2%
Managers and Field Force Area Managers	0.4%	13.6%	5.5%	19.5%	0.4%	13.2%	4.5%	18.1%
White Collar and Field Force Representatives	9.1%	47.0%	15.3%	71.4%	9.2%	47.9%	14.1%	71.2%
Blue collars	0.7%	2.6%	1.4%	4.6%	0.8%	3.9%	1.7%	6.4%
Total	10.3%	65.3%	24.4%	100%	10.4%	67.1%	22.5%	100%

Collective Bargaining Agreements

Percentage of total employees (headcount) covered by collective bargaining agreements		
	2019	2018
Total percentage	64%	64%

Economics

Proportion of spending on local suppliers

In 2019, in Italy, Chiesi sourced 46.3% of its goods from national suppliers, leaving a significant percentage for local suppliers, a positive impact on the communities in which we operate. In other significant locations of the Group, around 75.6% of Chiesi supplies were purchased locally.

Country	Spending on local suppliers - %	
	2019*	2018**
Australia (Emerge Health Pty)	90	N/A
Austria (Chiesi Pharmaceuticals GMBH)	47	45
Bulgaria (Chiesi Bulgaria Ltd)	95	94.2
Czech Republic (Chiesi cz SRO)	83	87.1
Hungary (Chiesi Hungary kft)	14	24
Romania (Chiesi Romania srl)	91	88.6
Slovenia (Chiesi Slovenija d.o.o.)	97	89
Slovakia (Chiesi Slovakia SRO)	91	88.9
Belgium (Chiesi SA)	95	97.6
Brazil (Chiesi Farmaceutica Ltda.)	84	63
China (Chiesi Pharmaceuticals Shanghai Co. Ltd)	99	98
Denmark (Zymenex Holding A/S)	98	Not available
France (Chiesi SAS)	62	77.7
France (Nh.Co)	78	Not available
Germany (Chiesi gmbh)	95	98
Greece (Chiesi Hellas Pharmaceuticals SA)	94	94.7
Italy (Chiesi Farmaceutici)	46	55.8
Italy (Marco Antonetto)	94	Not available
Mexico (Chiesi Mexico S.A. DE C.V.)	97	Not available
Netherlands (Chiesi Pharmaceuticals B.V.)	95	93.8
Pakistan (Chiesi Pharmaceuticals (Pvt) Ltd.)	97	Not available
Poland (Chiesi Poland SP Z.O.O.)	88	97.1
Russia (LLC Chiesi Pharmaceuticals)	86	Not available
Spain (Chiesi España S.A.)	83	86.5
Sweden (Chiesi Pharma AB)	83	Not available
Switzerland (Chiesi S.A.)	100	N/A

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Turkey (Chiesi Ilac Ticaret AS)	88	Not available
United Kingdom (Healthcare Ltd.)	96	77.3
United Kingdom (Atopix)	87	Not available
USA (Chiesi USA Inc.)	52	86.8
Total	59	66

*The figure is calculated based on the orders value issued during the accounting period from all Chiesi organisations in SAP (Systems Applications and Products in Data Processing), excluding internal orders and intercompany values. For Chiesi organisations outside SAP the figure is the value of purchases booked in the local Enterprise resource planning (ERP) system during the accounting period. As local suppliers were considered those suppliers which are located within the same national boundaries of the company location of operation. All legal entities are included.

**Percentages of Hungary and Brazil have been restated, respectively from 90.4 to 24% and from 31 to 63%. Thus, the total percentage has been restated from 63 to 66%. Due to a re-evaluation of the figure stated in 2018, in other significant locations of the Group, around 80.84% of Chiesi supplies were purchased locally. For 2018 figures please refer to Sustainability Report 2018. These locations include: Austria & CEE (Bulgaria, Czech Republic, Hungary, Romania, Slovenia, Slovakia) , Brazil, France, Spain, Germany, UK, USA, Poland, Greece, Belgium, Netherlands.

Economic value generated and distributed

Economic value generated and distributed (M€)	2019	2018*
Economic value generated**	2,012.45	1,842.54
Community***	17.88	11.31
Capital providers	53.19	42.75
Public Administration)	143.27	80.11
Employees and Collaborators	494.09	442.83
Suppliers/Vendors	860.07	883.22
Economic value distributed	1,568.50	1,460.22
Economic value retained	443.95	382.32

*Following the LBG methodology for community investment calculation, 2018 figures have been restated according to the new approach. The restatement impacts the "Community" (previous 7.17 M€) and the "Suppliers/vendors" (previous 887.36 M€) category. For previous values of the economic value generated and distributed please refer to 2018 Sustainability Report.

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

***Value distributed to community (17.88M€ in 2019 and 11.30M€ in 2018) refers to donations and expenses with social purposes such as: congresses expenses, sponsorship, External Clinical Scientific Test & Studies.

Environment

Paper

Paper used by weight (tonnes)	2019
FSC	8.13
Recycled	35.12
Mixed FSC-recycled	2.98
Without environmental claims	1.71
Total	47.95

Countries included: Spain Brazil Italy Germany UK Greece Turkey Mexico Nordics Pakistan The Netherlands CEE China Poland Belgium France Switzerland USA Australia Russia.

Energy consumption within the organization

Energy consumption within the organization (GJ)	2019*	2018**
Total non renewable fuel consumption	323,572	339,638
Natural gas	139,766	143,533
Gasoline	24,823	21,887
Diesel	150,841	166,691
Bioethanol	8,142	7,336
LPG	-	191
Total electricity purchased	173,087	169,389
From renewable sources	36,635	8,175
From non-renewable sources	136,453	161,214
Electricity self-produced from renewable sources	444	451
TOTAL ENERGY CONSUMPTION***	497,103	509,478

*Figures of 2019 do not include data, both for energy and fuel for car fleet of: R&D centres of Zymenex A/S (DKHillerod). Conversion factors source for fuel and energy data: Department for Environment Food Rural Affairs - DEFRA, UK, 2019; TERNA; Association of Issuing Bodies.

**Figures on energy, GHG emissions and GHG emissions intensity have been restated from the ones published in the previous Sustainability Report due to the improvement of data collection and change of conversion factors and GHG emission factors. For historical data published in the past, please refer to the Sustainability Report 2018.

***Scope broadening in 2019, in regard to energy: Nh.Co (France), R&D centres of Zymenex A/S (DKHillerod), Atopix Therapeutics Limited (UK - Oxford); while figures do not include data for energy of: Chiesi SA (Belgium), Chiesi México (Mexico city - Mexico), Chiesi Pharma AB (Nordics), Australia, Switzerland.

Energy intensity

	2019	2018
Energy intensity (GJ / mln eq. units)	2,386	2,649

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

Direct (Scope 1) GHG emissions

Direct (Scope 1) GHG emissions (Tonnes CO _{2e})	2019	2018
Direct emissions	20,533	21,843

Energy indirect (Scope 2) GHG emissions

Energy indirect (Scope 2) GHG emissions (Tonnes CO _{2e})	2019	2018
Energy indirect emissions (location based)	15,525	15,283
Energy indirect emissions (market based)	15,583	18,851

Other indirect (Scope 3) GHG emissions

Other indirect (Scope 3) GHG emissions (Tonnes CO _{2e})	2019	2018
Other indirect emissions	14,063	Not available

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

Methodology:

Scope 1 emission coefficient data for natural gas, diesel, gasoline, bioethanol and LPG were calculated using DEFRA (Department for Environment Food Rural Affairs, UK, 2019) data as source for emission factors (expressed in tCO₂ equivalent).

The GRI Sustainability Reporting Standards, in accordance with the GHG Protocol, include two methodologies for calculating Scope 2 emissions, the "Location-based" approach and the "Market-based" approach. The "Location-based" approach provides for the use of a national average emission factor related to the specific national energy mix for the production of electricity (Source: Terna, Confronti Internazionali 2016). The "Market-based" approach contemplates the use of an emission factor defined on a contractual basis with the electricity supplier. Given the presence of specific contractual agreements between some Affiliates of the Group and the electricity supplier (purchase of certificates of Guarantee of Origin), this approach foresees the use of the emission actors relating to the national "residual mix", without considering that electricity purchased from renewable sources (Source: Association of Issuing Bodies, European Residual Mixes 2018). When the "residual mix" emission factors is not available (for countries outside the EU), the factor of location based method has been used.

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

Scope 3 emissions include emissions from employees' own private vehicles used for commercial activities, business travels (only for Italy - Chiesi Farmaceutici, Brazil, France, Germany, Mexico, Netherlands, UK and USA) and primary logistics. Emission coefficient data were calculated using DEFRA (Department for Environment Food Rural Affairs, UK, 2019).

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GHG emission intensity

GHG emission intensity* (Tonnes CO _{2e} /mln eq. units)	2019	2018**
GHG emission intensity (Scope 1 + Scope 2 location based)	170	183
GHG emission intensity (Scope 1 + Scope 2 market based)	176	218

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

**Data 2018 scope 1 + scope 2 location based and scope 1 + scope 2 market based are restated. For previous values please refer to 2018 Sustainability Report.

Water withdrawal by source

Water withdrawal by source (m3)	2019*	2018
Municipal water	290,880	309,635
Surface water	-	-
Of which freshwater	290,880	309,635
Total	290,880	309,635

*Data scope increased compared to 2018. 2018 figures refer only to production sites, Parma R&D center and the Parma - via Palermo office. 2019 data include all production, research and commercial sites except from Austria and CEE, Mexico, Nordics, BRPD, Spain. Some data have been estimated. 2019 data with the same scope of 2018 data is 275,071 m3.

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Waste by type and disposal method

Disposal method (Tonnes)	2019*			2018		
	Hazardous	Non-Hazardous	Total	Hazardous	Non-Hazardous	Total
Reuse	1.00	0.09	1.09	-	-	-
Recycling	351.42	1,555.10	1,906.53	234.63	1,248.08	1,482.71
Composting	-	21.99	21.99	-	-	-
Recovery (including energy recovery)	37.14	66.97	104.11	36.08	51.94	88.02
Incineration (mass burn)	47.31	161.64	208.95	8.21	-	8.21
Deep well injection	-	-	-	-	-	-
Landfill	13.33	17.19	30.52	40.25	-	40.25
On-storage site	70.92	1,803.62	1,874.55	107.74	3,429.56	3,537.30
Other	6.70	5.99	12.69	96.80	-	96.80
Total	527.83	3,632.60	4,160.43	523.71	4,729.58	5,253.29

[*Data scope increased compared to 2018. 2018 figures referred only to production sites, Parma R&D center and the Parma - via Palermo office. Data 2019 include all production, research and commercial sites except from Germany, NHC0, Nordics office, Poland and USA. Some data have been estimated. Data from 2019 with the same scope of 2018 is 3,749.2 tonnes.](#)

The higher values observed of waste generation and water consumption for 2018 compared to 2019 were mainly due to the establishment and fine-tuning of a new production department at our Parma manufacturing site. 2019 data are line with previous years' values.

Key Impacts, Risks, and Opportunities

Key impacts	Pages 14-19, 111-125
Key opportunities	Pages 111-125
Key risks	<p>As a multinational company operating in the pharmaceutical sector, we have a great responsibility: our choices have a great impact on the community and the planet and we must ensure the continuity of our operations for keeping the health of our patients safe.</p> <p>So this is why also Risk Management is a key pillar of Chiesi strategy. We follow a holistic approach in managing the risks affecting the group and its stakeholders. In 2018, a structured path was started to adopt an integrated risk management system, and unify the individual efforts of the various departments. With this in mind, the Enterprise Risk Management function was created in 2019, reporting directly to the group's CFO. An initial risk mapping with a top-down approach was carried out, which led to the identification of 36 specific risks, 16 of which were classified as top risks and undergone specific risk monitoring activities. But we always aim at improving, so this is why we have a pipeline of activities for 2020 to enhance the synergies with all departments in their risk management activities.</p> <p>The following list reports the identified specific risks with an impact related to sustainability: GWP of our products, suppliers reliability and continuity, travel and security, waste disposal regulations, employees health and safety.</p>

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Note on Methodology

This third Sustainability Report from Chiesi Group (Chiesi) provides for our stakeholders a clear picture of our activities and our impact on sustainability. In it, we describe our initiatives and the positive impacts that we achieved in 2019 (reporting period: 1 January to 31 December 2019) as well as the struggles we are facing. In accordance with our legal status of Benefit Corporation, also the Impact Report 2020 is included in this document.

This report has been prepared in accordance with the GRI Standards: Core option.

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

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

this information guarantees a complete representation of the social impact produced by the Group.

In November 2019, the Group completed the acquisition of the Australian Company Emerge Health PTY and its subsidiary operating in New Zealand. Further to that, the company Chiesi S.A. operating in Switzerland has been integrated in the consolidation's perimeter due to the growth of its business. We did not experience any other significant change concerning the organization's size, structure, ownership, or supply chain.

Unless otherwise indicated, data and information contained in this Report refer to the year 2019. However, in order to facilitate an evaluation of the ongoing trend of the activity, the data and information related to the previous year, if available, are reported for comparative purposes. Any restatements of data and figures published in the previous Sustainability Report is clearly indicated throughout the document.

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

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

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

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For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English version of the report.

GRI Content Index

GRI Standard	Disclosure	Page/Notes	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Organization profile		
	102-1 Name of the organization	155	-
	102-2 Activities, brands, products, and services	24-29	-
	102-3 Location of headquarters	Via Palermo 26 A, 43122, Parma, Italy	-
	102-4 Location of operations	23	-
	102-5 Ownership and legal form	10-11	-
	102-6 Markets served	23-29	-
	102-7 Scale of the organization	20-24, 80-81	-
	102-8 Information on employees and other workers	58-59, 66	-
	102-9 Supply chain	69-71	-
	102-10 Significant changes to the organization and its supply chain	20-21, 146	-
	102-11 Precautionary Principle or approach	10-11, 86, 91-92	-
	102-12 External initiatives	15, 31-33	-
	102-13 Membership of associations	86, 88-92	-
	Strategy		
	102-14 Statement from senior decision-maker	4-7	-
	102-15 Key impacts, risks, and opportunities	86, 145	-
	Ethics and integrity		
102-16 Values, principles, standards, and norms of behavior	12-13	-	
Governance			
102-18 Governance structure	91-93	-	

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GRI 102: general Disclosures 2016	102-20 Executive-level responsibility for economic, environmental, and social topics	Head of Shared Value & Sustainability	-
	102-32 Highest governance body's role in sustainability reporting	Impact Committee	-
	Stakeholder engagement		
	102-40 List of stakeholder groups	17	-
	102-41 Collective bargaining agreements	138	-
	102-42 Identifying and selecting stakeholders	17	-
	102-43 Approach to stakeholder engagement	16-19, 127	-
	102-44 Key topics and concerns raised	16-19	-
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	146	-
	102-46 Defining report content and topic Boundaries	16, 128	-
	102-47 List of material topics	16, 18, 19	-
	102-48 Restatements of information	146	-
	102-49 Changes in reporting	146	-
	102-50 Reporting period	146	-
	102-51 Date of most recent report	146	-
	102-52 Reporting cycle	146	-
	102-53 Contact point for questions regarding the report	8	-
102-54 Claims of reporting in accordance with the GRI Standards	146	-	
102-55 GRI content index	147	-	
102-56 External assurance	The report was not subject to external assurance	-	
GRI Standard	Disclosure	Page/Notes	Omission
Material topics (covered by the topic-specific Standards)			
GRI 200 Economic Series			
Topic: Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19,128	-
	103-2 The management approach and its components	20, 80	-
	103-3 Evaluation of the management approach	80	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	80	-

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Topic: Procurement Practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	69-73	-
	103-3 Evaluation of the management approach	69-73	-
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	69-73, 139-140	-
Topic: Anti-Corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18,128	-
	103-2 The management approach and its components	92	-
	103-3 Evaluation of the management approach	92	-
GRI 205: Anti-Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	In 2019, no fines or non-monetary sanctions for non-compliance with laws and regulations were registered.	-
Topic: Anti-Competitive Practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	91	-
	103-3 Evaluation of the management approach	91	-
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, antitrust, and monopoly practices	In 2019, no legal actions pending or completed regarding anti-competitive behavior and violations of antitrust and monopoly legislation, involved the company	-
GRI 300 Environmental Series			
Topic: Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	52	-
	103-3 Evaluation of the management approach	52	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	52	-

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Topic: Water			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	54-55	-
	103-3 Evaluation of the management approach	54-55	-
GRI 303: Water 2016	303-1 Water withdrawal by source	49, 54-55	-
Topic: Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	53-54	-
	103-3 Evaluation of the management approach	53-54	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	49, 53-54	-
	305-2 Energy indirect (Scope 2) GHG emissions	49, 53-54	-
	305-3 Other indirect (Scope 3) GHG emissions	53	-
Topic: Effluents and waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	54-55	-
	103-3 Evaluation of the management approach	54-55	-
GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method	49, 54-55	-
Topic: Environmental compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	51-52	-
	103-3 Evaluation of the management approach	51-52	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	In 2019, no fines or non-monetary sanctions for non-compliance with environmental laws and regulations were registered	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	To date we are working in the implementation of a dedicated screening according to environmental criteria on our suppliers	-

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GRI 400 Social Series			
Topic: Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	58-59	-
	103-3 Evaluation of the management approach	58-59	-
GRI 401: Employment 2016	401-1 New employee hires and and employee turnover	131-136	-
Topic: Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	65	-
	103-3 Evaluation of the management approach	65	-
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	65	-
	403-2 Hazard identification, risk assessment, and incident investigation	65	-
	403-3 Occupational health services	65	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	65	-
	403-5 Worker training on occupational health and safety	65	-
	403-6 Promotion of worker health	65	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71	-
	403-9 Work-related injuries	65, 136	-
Topic: Training and education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	58, 60, 63	-
	103-3 Evaluation of the management approach	58, 60, 63	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	41, 58, 60, 63	-
Topic: Diversity and equal opportunity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19,128	-
	103-2 The management approach and its components	58-59, 61, 66	-
	103-3 Evaluation of the management approach	58-59, 61, 66	-

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GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	58-59, 61,66	-
Topic: Operations with local community engagement, impact assessments, and development programs			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 128	-
	103-2 The management approach and its components	74-82	-
	103-3 Evaluation of the management approach	74-82	-
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	58% of operations have developed activities in support of local community (The term operation refers to Chiesi Group legal entities)	-
Topic: Customer health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	36-39, 45	-
	103-3 Evaluation of the management approach	36-39, 45	-
GRI 416: Customer health and safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	In 2019, no incidents of non-compliance concerning the health and safety impacts of products and services were registered	-
Topic: Socioeconomic performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	85-86, 91	-
	103-3 Evaluation of the management approach	85-86, 91	-
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2019, no incidents of non-compliance with laws and regulations in the social and economic area were registered	-
Other material topics			
Transparency			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	8, 41-42, 84-86	-
	103-3 Evaluation of the management approach	8, 41-42, 84-86	-

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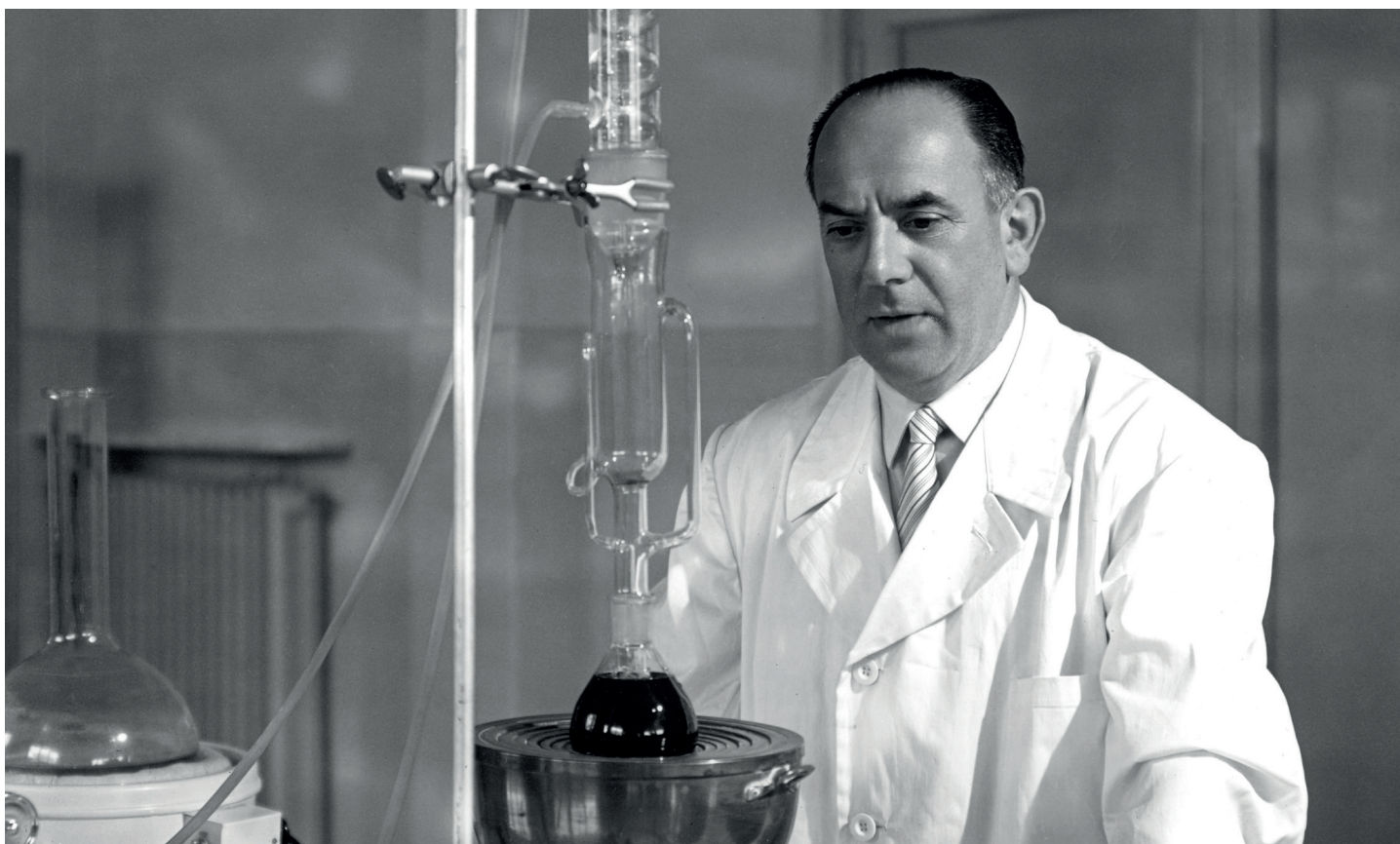
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Access to healthcare			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18,128	-
	103-2 The management approach and its components	25-29, 36, 38, 43, 82	-
	103-3 Evaluation of the management approach	25-29, 36, 38, 43, 82	-
Research and development			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	24, 36-44	-
	103-3 Evaluation of the management approach	24, 36-44	-
Product quality and reliability			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	44-45	-
	103-3 Evaluation of the management approach	44-45	-
Sustainable products			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 128	-
	103-2 The management approach and its components	48-51, 56	-
	103-3 Evaluation of the management approach	48-51, 56	-

85 years of history



Giacomo Chiesi, Founder of the company



Chiesi's laboratories, 1930s-1940s



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