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Message from our President

Dear Stakeholders,

We are pleased to present IBSA's second Sustainability Report. In 2015 we embarked upon the task of reporting the non-financial aspects of our company activities with the aim of contributing to a more sustainable future, and in 2016-2018 we made a firm commitment to integrating sustainability into our business.

Today more than ever, it is important to remember that we have inherited this land from our ancestors and in particular that we are borrowing it from our children: it is therefore our duty to look after it and to create a solid foundation that guarantees a liveable future for the generations of tomorrow.

Improvement must be ongoing and, with this goal in mind, we are constantly striving to reduce our environmental impact and boost our economic and social performance.

It gives us great satisfaction to see that the measures we have implemented up to now have borne fruit and the figures show, for example, that we have significantly reduced energy consumption and emissions in all our industrial activities in the various countries in which we operate.

However, we do not see this success as the finish line, but rather as a starting point.

Despite the results we have achieved, we are well aware that there is still much to do, and it will therefore be of vital importance that we persevere along this path of improvement in the years to come.

IBSA’s mission is to improve people's quality of life. People's wellbeing and good health are our priority, be they patients or employees. Every day we try to reflect the family atmosphere of IBSA in the care of patients and we explore the frontiers of science so that we can offer better therapies and better education in the fields of medicine and science.

In this Report we have used the 17 Sustainable Development Goals (SDGs) of the UN as a blueprint for our common goals, which also help us overcome the difficulties we face on a global level. The importance of achieving these goals must permeate all layers of the pyramid from citizens and companies to even governments. This is the only way we will be able to make the difference for a more sustainable future.

I hope you enjoy reading the report and I wish to thank everyone for the interest shown in IBSA.

Arturo Licenziati
President and CEO IBSA Group
IBSA at a glance

- **FOUNDATION**: 1945
- **TAKEOVER BY CURRENT MANAGEMENT**: 1985

- **1.600 employees**
- **9 main therapeutic AREAS**
  - Cardiometabolic
  - Dermatology
  - Dermoesthetic
  - Endocrinology
  - Human Reproduction
  - Pain & Inflammation
  - Respiratory
  - Osteoarticular
  - Urology

- **14 MILLION vials of HORMONES**
- **60 MILLION PACKAGES** of finished products
- **300 MILLION SOFT GEL CAPSULES** produced yearly in our factories

- One of the largest organizations by BUSINESS TURNOVER & EMPLOYEES NUMBER

- **LARGEST PRIVATE PHARMACEUTICAL COMPANY** in Switzerland

- **4th LARGEST PLAYER IN FERTILITY** among MNCs

- IBSA’s Hyaluronic Acid is certainly among the best quality available on the market

- **CONDROSULF & FLECTOR** are IBSA’s leading and world-famous products
10 branches worldwide

116 employees in R&D in Switzerland, China and Italy

1 STRATEGIC PARTNERSHIP in France

80 MARKETS in 5 continents

MAIN MARKETS ITALY, SWITZERLAND, EU, MENA, AMERICAS

116 employees in R&D in Switzerland, China and Italy

116 employees in R&D in Switzerland, China and Italy

116 employees in R&D in Switzerland, China and Italy

65 exclusive patents registered and several others are in the pipeline

25 factories and laboratories

one of the world leaders in hyaluronic acid-based products

65 exclusive patents registered

100,000 LT DAILY COLLECTED IN CHINA from a network of menopausal women and delivered to our factories

400 M CHF invested from 1985 to date into people, production capabilities and innovation

One of the largest organizations by absence in more than

IBSA

IBSA

IBSA
IBSA Foundations

IBSA Foundation for SCIENTIFIC RESEARCH SINCE 2012

IBSA Foundation for OCCUPATIONAL PENSION PROVISION SINCE 1958

IBSA Foundation for CHILDREN SINCE 2008

IBSA in the world
HEADQUARTERS
Lugano, Switzerland

OFFICES
Collina d’Oro, Lugano, Switzerland
Lodi, Italy
Rome, Italy
Budapest, Hungary
Bratislava, Slovakia
Warsaw, Poland
Copenhagen, Denmark
Moscow, Russia
Istanbul, Turkey
Qingdao, China
Rizhao, China
Parsippany NJ, USA
Washington DC, USA

PRODUCTION & WAREHOUSING
Lugano, Switzerland (13 sites)
Lodi, Italy (2 sites)
Cassina de’ Pecchi, Italy
Qingdao, China

The Group avails itself of one commercial partnership: Laboratoires Genevrier, in France
Dr. Arturo Licenziati, Founder and President of IBSA, shares his entrepreneurial vision, based on core values, such as courage, skill and perseverance, combined with a stroke of luck. His powerful vision is built on this strong union of key values. And from this vision comes a brilliant insight that is the result of examining practical needs and then developing treatments that have a positive impact on people’s lives.

Small companies can prosper only if they are smart, that is, if they adapt, gradually, to situations that are often insignificant and unprofitable for large pharmaceutical companies. For us, in this field, the road to be taken in order to transform an idea into a tangible and productive project is conducting research aimed at practical needs and the tendency to address the everyday real issues linked to the needs of doctors and their patients.

Our goal is to direct our interest towards pharmaceutical substances with already-known properties and to identify their unexploited potential. On the basis of market studies that highlight certain gaps in certain therapeutic areas, we commit ourselves to understanding the real needs of patients and then to finding the best and most easy-to-use pharmaceutical forms that improve their lives.

– Arturo Licenziati, President and CEO IBSA Group
The Group stands out for its ethical approach to work based on four fundamental pillars:

1. People and their care
IBSA’s primary focus is on people, meaning patients and their families, doctors and investors, and can be seen in its responsibility and daily commitment to them, as well as to its employees. This commitment translates into the ongoing search for the best form of therapeutic solutions that improve health and general wellbeing, reducing the everyday burden of doctors and supporting their relationships with patients.

IBSA looks with particular pride upon its employees’ strong sense of belonging and identification with company values, which is demonstrated in everyone’s clear commitment to providing the best care possible.

2. Innovation as the expansion of human and technological potential
Innovation is a daily challenge for IBSA, the focal point of all its activities, and has its origin in a brilliant insight: transforming existing therapeutic solutions into a simpler, more evolved care instrument.

Its goal is to breathe new life into sectors that are often forgotten in scientific research, focusing on state-of-the-art technologies in order to improve the bioavailability of the active ingredients of commonly-used drugs and developing administration systems that are innovative, more functional and pertinent to real needs, with the aim of improving quality of life.

This has had a significant influence on the expansion of the Research and Development activities in IBSA and also translates into a sense of ethical responsibility that drives the company to constantly re-elaborate its concept of innovation, manifested in its desire to expand human potential and to care for people.
3. Quality as the main goal in all areas of the business

IBSA is a Swiss company that focuses on excellent standards of manufacturing quality, starting with the development of vertically-integrated process to reduce risk along the supply chain, without ever losing sight of caring for people’s health.

What sets IBSA apart is its inclination to further develop molecules that have already been tested, with a view to transforming them into more tolerable therapeutic solutions that can be adapted to meet people’s everyday needs, providing patients and doctors with innovative systems with superior levels of efficacy and quality.

IBSA products are inspired by nature, in the sense that they are created to align with the human body: physiological formulations inspired by a physiological model that imitate the functions of human organs and systems as closely as possible.

4. Responsibility as ethics and social responsibility

For IBSA, manufacturing pharmaceuticals means taking care of people’s general health and wellbeing: this is why, responsibility towards people and the environment are values held strong at all levels within the company.

The Group undertakes to carry out its activities with respect for the region in which it operates, in synergy with the other stakeholders working alongside it, aiming to become an increasingly attentive manufacturer that develops its industrial activities in harmony with the environment, the social and institutional framework of the communities surrounding it.

VISION

IBSA is committed to improving the lives of patients, from a physical, emotional, psychological and relational point of view.

IBSA is attentive to the needs of its employees, providing support throughout their professional careers, and aims to generate increased value for all stakeholders in a responsible, ethical and sustainable manner.

MISSION

Our mission is to search for and offer innovative, reliable and cost-effective solutions that improve patients’ quality of life, meet the needs of healthcare professionals and contribute to the mitigation of public health issues. IBSA is a responsible company that cares for the wellbeing of its employees and delivers increased value to all its stakeholders in an ethical and sustainable way.
Speed and determination
One of the secrets of IBSA’s success is the speed with which its processes, products and production facilities are developed. Speed in our decision-making and implementation is possible thanks to a highly-entrepreneurial approach and an extraordinary team spirit within the company.

Our courage and perseverance in decision-making are the key elements of our culture. In fact, they have been implanted in our company with the work and daily example of our President, who has been guiding our actions since 1985. IBSA boasts a strong spirit of teamwork based on mutual trust, respect for colleagues, tolerance and a sense of belonging, which are fundamental for fostering a positive working environment and for achieving ambitious goals in light of an increasingly competitive global environment.

For IBSA, creating shared values comes before the creation of value for stakeholders. The quality of life of our patients and our employees is central to everything we do.

VALUES
For IBSA, creating shared values comes before the creation of value for stakeholders.
The quality of life of our patients and our employees is central to everything we do. Harmony in the workplace, passion for finding innovative solutions to improve health and wellbeing, open and honest relationships with healthcare professionals as well as transparent communication are the essence of our company vision.
Fairness, loyalty, integrity and transparency are essential components of our daily activities, and are the foundations upon which we develop strong relationships based on cooperation, trust and mutual respect with our internal and external stakeholders.
Our main goal is to improve patients’ wellbeing and quality of life.
In IBSA we have adopted a model that is based on the following principles:

**Vertical integration**

The majority of our products - and active ingredients – are manufactured in-house, and we control all production phases with vertically-integrated processes.

This not only guarantees finished products with excellent standards of quality and direct control over all phases in the manufacturing process, but also greater speed and flexibility and the reduction of risk along the supply chain. IBSA products are conform to GMP standards and suppliers are subject to systematic controls.

Ongoing inspections and self-evaluations within our production plants, as well as regular inspections are carried out along the supply chain. This to guarantee product safety and to check that supplies comply with laws and regulations on quality, environment and healthcare.

**Therapies for a better quality of life**

We focus mainly on the development of efficient therapies to cure illnesses that are not life-endangering to patients, but that nevertheless have strong social consequences, in terms of both cost and quality of life.

**International presence**

We have a direct presence in Switzerland, Italy, France, Hungary, Poland, Slovakia, Turkey, USA, Scandinavia, China and, since 2016, a representative office in Russia, in addition to an indirect distribution network, through our main business partners, to whom we have granted licences to sell our products in 5 continents and in more than 80 countries.

**Supply chain**

IBSA produces ready-to-use medicines for patients and healthcare professionals. This typically involves combining active ingredients with excipients in solid, liquid or gel form, which are then transformed into finished products in various forms, such as tablets, capsules, plasters, pre-filled syringes or injectable vials. The finished product is then packaged with the information leaflet on the drug and instructions on how to administer it safely to the patient.

IBSA purchases active ingredients from its affiliates in Europe and China, whereas excipients and packaging materials are mostly purchased in Europe and reach IBSA by road or, to a limited extent, by air freight.
To guarantee a reliable supply chain, we sometimes subcontract the formulation of a limited number of products to reliable and safe third-party suppliers. Our factories in China are exclusively dedicated to the manufacturing of the components of some of IBSA’s best-selling products.

IBSA products conform to GMP standards, suppliers are subject to systematic controls and regular inspections are carried out along the supply chain.
Therapeutic areas

We focus our activities on areas where we can make a difference, offering ready-to-use solutions to patients and healthcare professionals.

IBSA currently holds 65 registered patents, and others are currently under development. A significant part of our research is dedicated to innovative and cost-effective therapies that address unmet medical needs.

IBSA is active in 9 main therapeutic areas.

Cardiometabolic
Dermatology

Dermoaesthetic
Endocrinology

Human reproduction
Pain and inflammation

65 exclusive patents and many others in the process of being registered.
Osteoarticular

More information
www.ibsagroup.com/it/therapeutic-areas.html
We develop special technologies that significantly improve the quality of molecules and simplifies therapeutic solutions that are already available. We are determined to be recognized as the manufacturers of pharmaceutical products and innovative administration systems with proven efficacy.
Our second Sustainability Report

IBSA's second Sustainability Report has been prepared with the aim of informing stakeholders of our performance and our approach to a sustainable development.

The information and data contained in this Report refers to the 2016-2017-2018 fiscal years, with several references also to the data from the last three-year period, for the sake of comparison.

The goals of this document are:
• to describe and quantify our progress over time;
• to present our initiatives, which are aimed at integrating sustainability more and more into all our activities;
• to have an internal and external tool of communication to inform our stakeholders of our initiatives and to encourage dialogue with them.

Our goal is to gradually integrate sustainability into our strategy and into all our activities. We are aware that there are many areas for improvement and know that the path we have taken requires a serious commitment and constant progress, every day.

METHODOLOGY

This Sustainability Report has been prepared in accordance with the “Core” Option of the Global Reporting Initiative guidelines (GRI). Statements made in this report were not audited externally as they were already reviewed by independent third parties. The Global Reporting Initiative (GRI) publishes internationally-recognized guidelines for reporting sustainability performance, thus enabling the development of a common language for users.

The GRI guidelines provide the world’s most widely-used criteria and standards on sustainability reporting, offering companies, governments, civil society and citizens a framework for measuring and reporting economic, environmental and social performance. Thousands of sustainability reports are drawn up and published every year in compliance with GRI guidelines or according to principles and indicators that can be used by all kinds of organizations during reporting and assessment processes. Our implementation of the GRI framework is a demonstration of our firm commitment towards the application of its strict set of standards and principles, and ensures the reliability of the information contained in this second sustainability report.

We are committed to being transparent with our stakeholders and to objectively evaluating our progress in terms of our social, environmental and economic impact.

This sustainability report includes our operations in Switzerland and Italy, as well as in our factories in China and, to a limited extent, in our affiliates in Europe. The environmental performance stated in this Report refers only to our operations in Italy, Switzerland and China, where our production activities are concentrated and...
almost all of our staff are employed. In line with GRI requirements, we performed a materiality assessment to identify the topics that are most important to IBSA and its stakeholders. These material topics can significantly affect the company’s performance, and are therefore the main aspects that can influence our stakeholders when they form an opinion or make a decision relating to IBSA and its activities. This report contains the qualitative and quantitative information necessary to assess the material issues relating to sustainability within IBSA in the years 2016-2017-2018. The content of the report, which was approved by IBSA’s General Management, was prepared under the supervision of the Corporate Communication and CSR department of the Group.
Sustainability in IBSA

The company’s main goal is the wellbeing of people, patients, doctors and employees. The pursuit of this goal permeates our behaviour at all levels, forming an integral part of IBSA’s culture.

Sustainability for us means acting responsibly to foster social advancement, to reduce our environmental impact and to achieve long-term economic prosperity.

In order to continue to serve patients in the best way possible, our company must grow while respecting the environment, encouraging social advancement and contributing to long-term economic sustainability. With this in mind, IBSA takes on the responsibility of:

- monitoring the supply chain;
- being an outstanding employer;
- supporting the communities in which it operates; and
- minimizing the impact of its manufacturing activities on the environment.
In September 2015 more than 150 international leaders met at the United Nations to define a common strategy to contribute to global development, foster human wellbeing and protect the environment.

The international community consequently approved the 2030 Agenda for Sustainable Development, the essential elements of which are the 17 Sustainable Development Goals (SDGs) that aim to put an end to poverty, fight against inequality and support social and economic development. They also address aspects of fundamental importance to sustainable development, such as climate change and the building of peaceful societies by the year 2030.

The sustainable development goals (SDGs) are applicable worldwide and all countries must make a contribution to achieve them to the best of their abilities.

IBSA recognizes the fundamental importance of this initiative, and also with this Report, it undertakes to step up its efforts to align its activities with seven chosen goals listed below and ultimately create tangible value.
IBSA goals

SDG 3 – Good Health and Wellbeing
Improving the quality of life of our patients and the wellbeing of our employees are the cornerstone of our culture. We meet this goal:
• by offering effective and accessible therapies to patients;
• by protecting and promoting the safety and wellbeing of our employees;
• through IBSA’s three foundations.

SDG 4 – Quality Education
Through our IBSA Foundation for scientific research, we are committed to promoting education via medical and scientific publications, funding of scholarships and fellowships, organization of scientific forums and other educational events.
We also provide ongoing training to our employees.

SDG 5 – Gender Equality
In 2018, 47% of our department heads or top managers were women.
SDG 8 – Decent Work and Economic Growth
The opening of affiliates in recent years on several continents enabled us to create job opportunities under better conditions than local standards. Sustainable growth allows us to contribute to the wellbeing of all the communities in which we operate.

SDG 9 – Industry, Innovation and Infrastructure
Innovation is at the core of our scientific research and business model. We are continually improving the efficiency of our infrastructures by using state-of-the-art technology to minimize the impact of our activities. We are also constantly improving our efficiency in the use of resources and use industrial processes that are cleaner and more environmentally-friendly.

SDG 13 – Climate Action
Since 2015 we have been committed to quantitatively assessing, reducing and disclosing the environmental impact of our operations. Through the preparation of our Sustainability Report, we set ourselves goals by measuring, and consequently disclosing, the results of the measures we implement. We also cooperate with the Swiss Energy Agency in order to reduce our emissions.

SDG 16 – Peace, Justice and Strong Institutions
In 2017 we implemented an anti-corruption policy to complement the government policies already existing in the various countries in which we operate. We are committed to appropriately promoting and informing our employees and stakeholders of our Anti-Corruption Guidelines by implementing training programs with specific levels of detail suited to the position held.

IBSA takes responsibility for monitoring the supply chain, being an outstanding employer, supporting the communities in which we operate and minimizing the impact of our production activities on the environment.
Our stakeholders

We constantly interact with our stakeholders, identifying their specific areas of interest, in order to map the main groups and identify the subjects that influence their opinions and decisions.

Although no external stakeholders were specifically consulted for the purposes of this report, we carefully analysed approaches and procedures we use to interact and cooperate with them. We intend to continue to intensify the dialogue we have with our stakeholders, demonstrated with the preparation of our first sustainability report in 2015. It further expanded in the years 2016-2018 with our interaction with several other business partners aimed to increase transparency along the supply chain.
How we engage with our stakeholders

**EMPLOYEES**
Communication through company intranet, newsletter extranet, corporate events, training programs, project management meetings, team building.

**HEALTHCARE PROFESSIONALS**
Constant contact, presentations during congresses, publications, invitations to events, meetings with clinical experts, product websites.

**PATIENTS, PATIENT ASSOCIATIONS AND MEDICAL-SCIENTIFIC SOCIETIES**
Products Website, sponsoring of congresses and other educational activities, ad hoc and regular meetings, contributions to training and research.

**AFFILIATES**
Constant contact, regular visits, QA sessions.

**LOCAL COMMUNITIES**
Company nursery, fellowships, sponsoring of cultural events, education and training establishments, employment and internships.

**INDUSTRY AND TRADE ASSOCIATIONS**
Regular meetings, IBSA representatives on various committees.

**GOVERNMENTS, REGULATORY AUTHORITIES AND INSURANCE**
Continuous meetings and dialogue with regulatory authorities and insurance, inspections and reports on compliance with environmental, health and safety in the workplace regulations.

**SUPPLIERS**
Meetings for partners’ selection, checks, quality inspections, negotiation of terms and conditions.

**FINANCIAL INSTITUTIONS**
Reports and regular meetings to discuss results.

**BUSINESS PARTNERS**
Regular meetings, congresses and trade fairs, constant contact with the commercial division, annual meetings with distributors, scientific training, support for local events.

**LOCAL COMMUNITIES**
Company nursery, fellowships, sponsoring of cultural events, education and training establishments, employment and internships.

**GOVERNMENTS, REGULATORY AUTHORITIES AND INSURANCE**
Continuous meetings and dialogue with regulatory authorities and insurance, inspections and reports on compliance with environmental, health and safety in the workplace regulations.

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Material aspects

Material analysis is the cornerstone of any sustainability report and incorporates the most significant values for a company and its stakeholders. The analysis consists in identifying the social, environmental and economic factors that may have an influence on a company’s performance and its interaction with its stakeholders. It is a valuable tool for monitoring the level of alignment between stakeholders’ expectations and IBSA’s outlook. These aspects were therefore assessed in terms of their priority for stakeholders and IBSA’s strategy, and their potential to have an impact on our ability to create economic, social and environmental value.

We applied this principle as illustrated by the GRI standards guidelines, after analysing current practices in the sector.

After the material aspects were defined, several senior partners of IBSA took part in an evaluation of the relevance of each material aspect for IBSA and its stakeholders.

Our materiality matrix was put together using data collected from this evaluation that, in addition to illustrating the relevant areas central to our sustainability strategy, defines how future initiatives will be implemented.

### MATERIAL ASPECTS

<table>
<thead>
<tr>
<th>Material Aspect</th>
<th>Internal Impact</th>
<th>External Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Development of new high benefit/low cost therapies</td>
<td><img src="102-44" alt="People" /></td>
<td><img src="102-46" alt="Profit" /></td>
</tr>
<tr>
<td>2  Equal pay and opportunities for men and women</td>
<td><img src="102-46" alt="Profit" /></td>
<td><img src="102-44" alt="People" /></td>
</tr>
<tr>
<td>3  Work environment, sense of belonging</td>
<td><img src="102-44" alt="People" /></td>
<td><img src="102-46" alt="Profit" /></td>
</tr>
<tr>
<td>4  Educational and cultural activities</td>
<td><img src="102-44" alt="People" /></td>
<td><img src="102-46" alt="Profit" /></td>
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<tr>
<td>5  Training and support for young professionals and students</td>
<td><img src="102-46" alt="Profit" /></td>
<td><img src="102-46" alt="Profit" /></td>
</tr>
<tr>
<td>6  Business ethics, integrity and fair competition</td>
<td><img src="102-46" alt="Profit" /></td>
<td><img src="102-46" alt="Profit" /></td>
</tr>
<tr>
<td>7  Creation and distribution of economic value</td>
<td><img src="102-44" alt="People" /></td>
<td><img src="102-44" alt="People" /></td>
</tr>
<tr>
<td>8  Long-term company growth</td>
<td><img src="102-44" alt="People" /></td>
<td><img src="102-44" alt="People" /></td>
</tr>
<tr>
<td>9  Creation of value through innovative products and services</td>
<td><img src="102-46" alt="Profit" /></td>
<td><img src="102-46" alt="Profit" /></td>
</tr>
<tr>
<td>10 Reduction of energy consumption and CO2 emissions in our operations</td>
<td><img src="102-46" alt="Profit" /></td>
<td><img src="102-46" alt="Profit" /></td>
</tr>
</tbody>
</table>
IBSA pioneers in serialization to combat the counterfeiting of drugs

The counterfeiting of drugs and their distribution through parallel channels is a phenomenon that is sadly widespread and extremely dangerous, as well as illegal.

In order to put a stop to this problem, since 2006 the European Federation of Pharmaceutical Industries and Associations (EFPIA) has been working to develop a common drug traceability system. Together with three other European organizations, the EFPIA has been involved in the creation of an ambitious barcoding and serialization project: the so-called European Stakeholder Model (ESM). In parallel, ESM stakeholders have undertaken to implement the European Medicines Verification System (EMVS), a system that verifies the dispensing of medicinal products to ensure their authenticity.

Within this context, the US FDA issued the Drug Supply Chain Security Act (DSCSA), whereas the European Commission legislated on this matter with Directive 2016/161. These laws aim to counter illegality through the introduction of serialization, which has been compulsory in the USA from the end of 2018 and in the EU from February 2019 (other important markets like China, Turkey and Brazil are also implementing similar laws), and therefore drugs that fail to meet the safety requirements laid down in these regulations can no longer be placed on the market.

Serialization consists of the assignment of a unique serial number to every product pack in the form of a bar code containing its production data and batch number. This code, which cannot be altered or tampered with, together with security labels added to the boxes, ensures authenticity of the product and safety of the drugs, and is the key to achieving the uninterrupted traceability of the product.

IBSA has approached this new strategy well in advance compared to similar companies, and has been implementing the tools and procedures necessary to respond to these demands, even before it was compulsory to do so. In fact, IBSA serialized its first batch of drugs for the USA market in June 2017!

In order to achieve this major result, IBSA created an internal team from its Swiss and Italian offices as well as several other affiliates, including Hungary, integrating the various areas of competence necessary for a complete and in-depth vision of the project.

In regulatory terms and in terms of adopting a specific management model, today IBSA represents an important and complete case-history of reference and has been called upon to present its unique experience at workshops and conferences dedicated to serialization.

The choice to create an internal inter-departmental team was the winning factor in many respects. Because if on the one hand a considerable effort was made during the study phase in terms of time and commitment, on the other hand this contributed to the reinforcement of personal and professional bonds between participants and the strengthening of group spirit. In the second phase of the project, the in-depth and transversal knowledge of the company, which only an integrated working group could have, meant that we could proceed in a decisively much quicker and more efficient manner than an external team of consultants would have been able to.

The human factor was therefore a source of great satisfaction for the company and for all those that contributed directly to the project, and of the renewed pride of belonging to a company that is constantly growing: IBSA was
among the first, with its sole efforts, to play an important role in offering increasingly extensive assurances in the protection of the safety and care of patients’ health.

Digital beauty contest: a sustainability tool in the legal field

In 2017 IBSA Group legal office initiated its collaboration with 4cLegal, a company that acts as a consultant for legal procurement services and the only operator specialized in providing assistance and solutions that enables companies or individuals to select law firms in compliance with the best governance principles: transparency, traceability, competition, market opening and quality research under market conditions.

The IBSA legal office therefore takes advantage of the benefits linked to being part of the digital beauty contest, such as standard and default methods in the selection of law firms and in the entrusting of mandates. The principles of which are firmly implemented using the innovative 4clegal.com platform. The platform offers online competitive procedures that are completely free-of-charge. It is to be noted that the beauty contest is an accredited anti-corruption standard governed by private law, in line with the provisions of ISO 37001:2016 with reference to “non-financial controls”. The process is described in brief below:

STEP 1
THE REQUEST FOR PROPOSAL
The company describes the job, the access conditions and the desired pricing methods

STEP 2
THE INVITATION
The company chooses several of the firms registered on the platform and invites them to submit their offers

STEP 3
THE OFFER
Each law firm sends its offer, highlighting its expertise, skills and fees

STEP 4
THE CHOICE
The company compares the offers and then appoints the firm with the best result from a quality and cost perspective
The digital beauty contest enables companies to:
• compare a wide number of experts in the area and/or matter of interest;
• trace the entire digital beauty contest process, with a PDF and Excel report for each phase of the process;
• identify the current market conditions for the purchase of certain legal assistance services, by comparing the offers received, avoiding waste and preventing the payment of disproportionate amounts from creating funding destined for illegal activities;
• easily compare the qualitative and financial components of the offers received, maximizing chances of making an objective and correct choice in the interest of the company.

The adoption of best practices in the management of the awarding of legal mandates generates a significant return for a company in terms of its reputation, which is based on choices characterized by the lawful and ethical conduct of companies towards third-party service providers (such as lawyers).

From 2018, IBSA’s legal department will apply the digital beauty contest as a sustainability measure, both in the awarding of legal mandates with reference to prevention of corruption in such a sensitive area, as well as the best way of managing legal expenses in compliance with best governance practices.

The cases planned to date are as follows:

E-commerce project
Selection of an appropriate law firm for supporting the development – in compliance with all the applicable laws in force – of a new e-commerce portal for the sale of products that do not require a medical prescription on the Italian market.

Adjustment to GDPR 679/2016
Selection of a specialized law firm to assist the Legal Department and the DPO for a period of three months to adjust the personal data management system. The new system must provide new procedures and an adequate set of documents.
Revision of organizational model 231/2001
In view of the merger of Bouty with IBSA Farmaceutici Italia (January 1, 2019), it is necessary to standardize the processes set out in the organization and management model of IBSA Farmaceutici Italia under Italian Legislative Decree no.231/2001. Hence, a law firm be selected that, subject to the performance of an assessment on the existing activities and procedures in Bouty, will be in responsible for revising the organizational model of the acquiring company IBSA Farmaceutici Italia.

Debt collection in France
Selection of an Italian law firm, also operating in France, which will assign the task of managing the legal activities connected to the recovery of debts accruing for supplies made to an insolvent company.

In IBSA’s legal department the digital beauty contest is applied as a sustainability measure.
PEOPLE
People

We are constantly working to improve people’s quality of life, be they our patients, our employees and their families, healthcare professionals or the communities in which we carry out our activities.

To fulfil our company mission, it is essential that our employees feel a strong sense of belonging and identification with IBSA’s values. With the growth of our business over the last two years, we have been able to increase our headcount by 10%, and in Italy, despite the macroeconomic difficulties faced by the market, our personnel increased by 11%.

In IBSA there is no inequality between men and women. This includes wage policy and career opportunities, and 47% of our middle and top managers are women.

In October 2016 we introduced a skills-based management model to our Swiss office. This is closely connected to the values of the Group and serves as a compass that helps our employees to guide and adjust their behaviour to achieve IBSA’s business goals and to develop their personal and professional skills. The model includes an annual assessment of directors and executives, in which career opportunities and development needs are discussed. The same model was extended to IBSA Italy in 2017.

Two initiatives introduced by the human resources office are of particular interest:
- advice for employees wishing to take out a personal loan, aimed at offering them an overview of the best option and helping them to avoid dealing with interest rates that are too high, as well as excessive debt;
- an osteopath for employees offered free-of-charge at Lugano headquarters.
**Workforce Distribution Year 2018**

- **Management**: 44/18 (29%)
- **Middle Management**: 149/134 (47%)
- **Team Leaders**: 80/29 (27%)
- **Employees/Factory workers**: 486/491 (50%)
- **Apprentices/Temps**: 8/1 (11%)

**Employment Type Year 2018**

- **Full-time**: 1340 (56%)
- **Part-time**: 780 (28%)
- **Fixed-term Contract**: 700 (26%)

**Seniority in Years Year 2018**

- **1-5**: 340 (14%)
- **5-10**: 380 (28%)
- **10-15**: 360 (16%)
- **15-20**: 50 (3%)
- **20-25**: 60 (2%)
- **25-30**: 50 (2%)
- **30+**: 60 (2%)

**Age Groups Year 2018**

- **<30**: 520 (14%)
- **30-50**: 880 (24%)
- **>50**: 740 (21%)

**Employees Geographical Distribution Year 2018**

- **Switzerland**: 637 (44%)
- **Italy**: 521 (36%)
- **USA**: 14 (1%)
- **Russia**: 7 (1%)
- **Scandinavia**: 6 (1%)
- **Hungary**: 24 (2%)
- **Turkey**: 4 (1%)
- **Poland**: 14 (1%)
- **Slovakia**: 22 (2%)
- **China**: 201 (14%)

**Employment Type +10% Workforce from 2016 to 2018**

- **Man**: 53%
- **Women**: 47%
Corporate Social Responsibility (CSR) of the Group develops mainly at an international level and it is then established locally, with social projects and activities that interpret the motivations and needs of the different regions in which the company operates.

In general, IBSA strives to create value for a wide group of stakeholders:
- offering the most efficient and safest products based on the needs of doctors and their patients;
- creating job opportunities within the group and for our business partners;

- contributing to the advancement of healthcare;
- investing in our employees and their wellbeing;
- adopting best practices in the areas of environmental and social protection.

Economic sustainability of the business
IBSA bases its actions on the maintenance of economic sustainability, meaning the ability to generate continued growth of economic indicators. In particular, the ability to generate income and have a positive impact on the regions and in the communities in which it operates.

At IBSA, the concept of sustainability can be broadly interpreted. It also includes the safeguarding of economic, human/social and natural capital.

Human potential
IBSA strongly believes in people and their potential, and is committed to placing the individual at the centre of all its actions, relationships and projects.
Being part of IBSA means sharing this ideal in order to build solutions together that meet people’s needs effectively, by developing talent, motivation and a spirit of teamwork among all individuals. This approach raises a new awareness and openness to a broader concept of sharing and collaboration.

Our social responsibility projects are based on caring for people and their wellbeing, and reinforce IBSA’s commitment to returning value to both people – employees, patients and their families – and to the regions and communities in which we operate.
The projects pursued by IBSA to support parenting are an example of its goal of making people the focus of all its activities, providing support to women, men and couples facing the difficult task of parenting. In today’s society, which is continually and rapidly evolving, parenthood is taking a range of new, different forms. They are new families with children from previous marriages, families with children born through assisted fertilization, de facto couples, single-parent families, mixed families and families with children adopted nationally and internationally, to name a few. Even the roles of mother and father can be switched from one parent to the other or there may even be an extended group of people that intervene to “care for” the children.

Parenting is a dynamic process that teaches us how to care for and respond adequately to the needs of others, children in particular, but not exclusively. This journey, in fact, not only concerns the idea of being real parents, but rather it is an autonomous psychological space that is constantly evolving, forming part of the development of each and every one of us. Caring is one of the stages of human growth, but it is also a mental and relational dimension in which a person’s emotional history, ability to experience dynamic relationships, relationships with norms and society, and ability to change and be changed, etc. converge. Within such a broad definition, “caring for someone” can also mean relationships other than that of a mother/father and child. In a society where our life expectancy is constantly increasing, there is an ever-higher number of children that are being called upon to look after ageing parents no longer able to look after themselves. Hence, children are experiencing a reversal of dynamics and roles that results in them becoming parents of their own parents. Parenting roles, such as for example, providing emotional support and protection are therefore played by the children themselves. A particularly complex and difficult reversal to actually experience, especially from an emotional point of view. Parenting is therefore a fundamental stage in everyone’s life, a complex and dynamic web that forms part of our existence.

IBSA carefully observes the multiple implications of parenting and how it affects different stages of our lives with great interest. For this reason, it promotes projects and supports initiatives – targeted at employees and the communities in which it operates – that make a real contribution towards experiencing parenting during its different stages with awareness and peace of mind, always in respect of specific personal preferences.
Foundations

IBSA manages three Foundations:

IBSA Foundation for scientific research

IBSA Foundation for scientific research is an international non-profit organization established in Lugano in 2012. It promotes research and the spreading of scientific culture and its applications using communication models that encourage dialogue. The Foundation’s firm commitment to the education of young scientists and supporting them with their research is exceptional. The Foundation represents the cornerstone of Social Responsibility in IBSA. It aims to educate and inform the scientific community, but also to increase public awareness of issues regarding healthcare and subjects that have a strong impact on society and health, reflected in people’s quality of life. In this regard, IBSA promotes the Art&Science events, created to involve the wider public, with the intention of spreading scientific knowledge and culture in a non-conventional manner, while maintaining the exactness of the content. In keeping with this commitment, the Foundation has formed major partnerships with museums of international standing, with the aim of creating efficient synergies to meet its own goals. In particular, through its agreement with MASI (Museo d’arte della Svizzera italiana) in Lugano, the Foundation has been appointed as the museum’s exclusive scientific Partner. In addition to the creation of the series of conversations entitled...
**State-of-the-art Science**  
(La Scienza a regola d’Arte), the collaboration involves the development of various other activities linked to the subject of the intertwining of science and art. Furthermore, the Foundation’s partnership with the Museo Nazionale della Scienza e della Tecnologia Leonardo da Vinci in Milan, the biggest of its kind in Italy and one of the most important in Europe and worldwide, is based on the joint desire to spread scientific and technological culture and education, which ultimately envisages various opportunities for exchange and collaboration.

**Scientific forums**  
Forums are one of the main tools used by the Foundation for scientific dissemination. They are held in prestigious universities, with the participation of internationally-renowned scientific experts that meet with new generations of researchers, offering a networking opportunity for students, scientists and researchers.

During the 2016-2018 period, IBSA Foundation organized 6 days dedicated to science open to everyone and free-of-charge.

**STATE-OF-THE-ART SCIENCE**  
*May 9, 2017*  
Tony Cragg and Piergiorgio Odifreddi in conversation  
*December 6, 2017*  
Wolfgang Laib and Silvia Bencivelli in conversation  
*May 16, 2018*  
Armin Linke and Paolo Cortini in conversation  
*October 26, 2018*  
Thomas Struth and James Beacham in conversation

**FORUMS**  
*June 16, 2017*  
Basic mechanisms of cancer immunotherapy  
*September 7, 2017*  
Healthy ageing in women  
*April 12, 2018*  
The new nutrition era: from molecular mechanisms to human health  
*13 Ottobre 2018*  
Scientific views on migration

**SPECIAL EVENT**  
*November 24, 2017*  
India according to Federico and Costanza Rampini
Workshops
The wealth of information on the internet can be dangerous if users are not able to assess the reliability of what they find. In 2016-2018, the Foundation promoted a number of events in Italy in collaboration with professors and experts from the medical community. In particular, two training days were held on the subject of Health Literacy for patient associations and a public meeting entitled “E-health: fake news and the truth: the Two Sides of Health Online”.

State-of-the-art Science
In 2017, IBSA Foundation in collaboration with MASI (Museo d’Arte della Svizzera italiana) set up a series of conversations between representatives of world of art and science, called State-of-the-art Science. The first meeting was held on May 9, 2017: the artist Tony Cragg and the mathematician and scientific communicator Piergiorgio Odifreddi met in the spectacular setting of the hall of the LAC in Lugano and discussed ties and connections between art and science. Three other meetings were held between internationally-renowned artists and scientists within the same context and a further two meetings are planned for 2019.
I ragazzi di Pasteur ("The Pasteur Kids")

Presented at a press conference at Sapienza University of Rome on October 20, 2016, I ragazzi di Pasteur ("The Pasteur Kids") is a project that aims to familiarize young public with the world of science in an active and original way. Targeted at first- and second-year secondary school students in Italy, the series consists of 11 books and offers two annual national competitions. In 2016-2017 the competition was entitled “Fake news online: how to recognize it!” and in 2017-2018, “Profession: hunter of fake news (online).”

I ragazzi di Pasteur aims to provide a tool that translates complex topics into a much simpler and engaging language, facilitating learning and helping students to remember the concepts learned. Each book is divided into two parts: a scientific text, written by a university professor and an expert on the subject, followed by a comic on the same text created by the Scuola Romana dei Fumetti based on a script written by a class of students.

The initiative, promoted by IBSA Foundation and the Istituto Pasteur Italia, was sponsored by the Italian Ministry of Education, University and Research, as well as by the Italian Ministry of Health.
Let’s Science!

Let’s Science! is a creative project that aims to focus its efforts on the promotion of correct scientific information and the fight against fake news starting with young people. A pioneering battle that the Foundation started in 2013, when this issue was still not widely-discussed.

The comics in I ragazzi di Pasteur series, together with those created by the students that took part in the school competitions organized by IBSA Foundation, are an integral part of Let’s Science!, presented, for the first time, on January 10, 2018, at the San Fedele Gallery in Milan.

In addition to the comic exhibition, the event also hosted study meetings and workshops with influencers, school representatives, high-school and higher-education students, who creatively demonstrated their way of viewing science and correct scientific information.

The second Let’s Science! event promoted by IBSA Foundation was held at Villa Saroli in Lugano from 12-17 November 2018. This time in collaboration with DECS, the Department of Education, Culture and Sport of the Canton of Ticino, designed to converse with the city, its institutions and media on the very important topic of our health.

After the success of the Milan edition, Let’s Science! came to Lugano with a particularly educational goal and a weekly programme dedicated to middle school students. In the two daily workshops, under the careful guidance of university professors, the students confronted various themes linked to the central argument: cells and how they transform. Using a clear, in-depth and fun approach, students entered the fascinating world of stem cells in order to understand how cells specialize, what control mechanisms they use and what happens when these mechanisms
break down. Special attention was also paid to healthy lifestyles and nutritional prevention. In the final part of the meeting, with the help of an illustrator from the Scuola Romana dei Fumetti (Comic Strip School of Rome), the students created a comic strip together using a character they invented to illustrate a key scientific message taken from the topics discussed with the experts. Even the food served (lunch and snacks) was linked to the subject of prevention, with a special menu put together by a biologist and nutritionist from the European Institute of Oncology in Milan.

During the Let’s Science! week it was also possible to visit the comic exhibition put together by the middle school students who, in collaboration with Pasteur Institute, Scuola Romana dei Fumetti and Carocci Publishing House, participated in the creation of the 11 books “I ragazzi di Pasteur” (“The Pasteur Kids”).

The future series of books that will be called “Let’s Science!” created by IBSA Foundation with the collaboration of the secondary education division of DECS (Department of Education, Culture and Sport of the Canton of Ticino) and the involvement of middle school students in Ticino was also presented during the event. In this new project Carocci Publishing House will be responsible for publishing the books and Scuola Romana dei Fumetti will prepare the drawings based on scripts created by the students, together with teachers and researchers, the majority of whom from bodies and organizations in Ticino.
Study Grants

- Fellowships
IBSA Foundation awards the most innovative projects in the scientific fields of Dermatology, Endocrinology, Fertility, Orthopaedics-Rheumatology and Pain Medicine, offering fellowships of 30,000 euros. The fellowships are awarded by a scientific committee to young promising researchers from Universities and Institutes from all over the world.

- USI Scholarships
In 2017, IBSA Foundation set up a scholarship program within the context of a wide-reaching collaboration and partnership project with USI (Università della Svizzera italiana). The agreement with USI will last for 10 years and envisages the awarding of 10 new scholarships per year to young people that have enrolled to study Biomedicine. The scholarship is then renewed if the students pass their exams.

Within this collaboration with USI, IBSA Foundation also supports the PhD in Cancer Biology and Oncology and courses at the Center of Advanced Studies on Entrepreneurship in Biomedicine (CASE BioMed), which complete the medical and scientific training offered by the Faculty of Biomedical Sciences through ongoing training programs (Bio Business and MedTech Business). These programs offer the knowledge and skills to young companies working in the bio and medical technology sectors to develop and finance innovative projects in the field of biomedicine and to place them on the market.
Publications
With the aim of promoting medical and scientific research, IBSA Foundation publishes articles on a multitude of subjects, in both paper and digital format, that focus on current scientific discoveries, so that both specialists and the general public can be kept constantly up-to-date on the latest scientific developments.

After each of its events, in fact, IBSA Foundation is committed to communicating the information shared, by preparing digital newsletters and publishing articles on its website ibsafoundation.org. Since 2018 the Foundation’s website has had a blog discussing specific subjects concerning the latest innovations in the field of biomedicine.

Surveys
The Foundation commissions prestigious Research Institutes, like CENSIS and GFK, to perform surveys in Switzerland and Italy, with a special emphasis on the subject of parenting. These surveys collect the data necessary to provide a complete picture to the general public and valuable information to specialists.

The results of the first survey on fertility/infertility conducted in Switzerland by GFK were published in 2017. This study shed light for the first time on a subject that has been widely discussed and debated in Switzerland. The results of the survey, which was representative of all regions of the country, highlighted a number of surprising observations, including that “in the first place, family planning occurs on the basis of the economic situation of the couple: according to more than 62% of the interviewees, in fact, the low birth rate in Switzerland is due to economic reasons. To ensure that the demographic stability of the country is maintained, each woman ought to have 2.10 children, whereas this figure currently stands at only 1.54”. The results can be downloaded for free from the Foundation’s website ibsafoundation.org.
IBSA Foundation for children

IBSA Foundation for children is a non-profit organization whose main goal is the management of IBSA Nido Primi Passi nursery for 30 children aged between 4 months and 4 years old, officially credited by the authorities of Canton Ticino and located in the vicinity of IBSA headquarters in Lugano.

The nursery Nido Primi Passi was created in 2008 with the aim of offering practical help to IBSA employees during one of the most critical periods of parenthood, encouraging a better balance between parenting and work commitments.

The nursery offers the best possible care, stimulation and learning environment for children that go there and boasts a welcoming, happy and family atmosphere, in which children feel safe and cared for, while playing and learning at their own pace.

To perform this very important role we selected 10 outstanding and highly-qualified teachers, coordinated by an expert director specializing in the Montessori method, who teach the children to develop areas such as self-confidence and independence, with an educational approach based on active teaching methods that consider all children to be competent, active and willing to learn through the enjoyment of savoir-faire.

The nursery is located in a modern, spacious and well-lit building, with large rooms and an open-air area, where children can experiment through play and physical activity.
The Foundation for the pension fund of employees was established in 1958, a good 14 years before the right to a pension was introduced in the Swiss Constitution, with the aim of managing the pension fund assets of IBSA Institut Biochimique SA employees. Fund assets are managed by an external organization that follows the mandate awarded by IBSA, with precise instructions on the investment strategy, type of investment assets and risk profile to be implemented. The latter is chosen by IBSA according to our overall risk approach. These assets belong to our employees and have the purpose of guaranteeing their financial security during retirement or in the case of health-related problems. It is therefore essential that we choose a careful strategy that combines and balances capital preservation with return on assets. Currently, the coverage ratio of the fund is well above 100%.

The social security services we offer are superior to those required by Swiss law, an incentive that enables us to attract, retain and motivate highly-qualified personnel.
Other social initiatives

**Code of Ethics**

In 2017 IBSA Group introduced a Code of Ethics, which forms the basis of all the activities carried out within the company. Respect for the laws, principles and values contained in the Code are considered essential conditions for the performance of all operations in IBSA.

Through its Code of Ethics, IBSA Group intends to define and disseminate the values and principles of fairness, loyalty, integrity and transparency, as guiding elements of the conduct of its corporate bodies, employees and all those who work to achieve the objectives within the Group. The Code of Ethics therefore also covers dealings with external third parties, such as suppliers, customers, authorities and the media, etc. The Code also includes the guidelines for regulating sponsorship and philanthropy activities, in order to ensure that the Group’s Anti-Corruption Guidelines are respected. Any conduct in violation of these principles cannot be justified under any circumstances, even if pursued with the intent of acting in the interest of the Company and/or procuring a benefit for it.

IBSA Group expressly complies with the provisions of existing national codes of ethics and the provisions of the applicable guidelines for the pharmaceuticals industry established in the individual national arenas in which it operates. The Group also undertakes to promote the communication of its Code of Ethics in the most suitable manner to all its recipients, and to implement specific training programmes, so that all employees can ensure that their conduct complies with the Code. All newly-hired staff receive a copy of the Code of Ethics.

Recipients of the Code of Ethics must, to the extent of their responsibility, comply with the ethical principles set out below, which represent a continuous framework of reference in carrying out the activities performed for the companies of the Group:

- responsibility and compliance with the law;
- preventing and tackling corruption;
- transparency;
- impartiality;
- professional ethics;
- fair competition;
- empowerment of human resources;
- health protection;
- environmental protection;
- confidentiality and protection of privacy;
- social responsibility;
- respect for industrial and intellectual property.

**Anti-corruption Guidelines**

The Global Competitiveness Report prepared by the World Economic Forum identifies corruption as a major barrier to doing business. Corruption exposes organizations to the risk of failing to achieve their operational, reporting and compliance objectives and poses a significant threat to sustainable growth, stability and free market competition. In this respect, IBSA...
Group is committed to operating ethically, with honesty and integrity in all geographic areas and in compliance with the highest anti-corruption standards. In 2017, in conjunction with its Code of Ethics, IBSA prepared a document containing its internal anti-corruption guidelines to be adopted in addition to the governance guidelines already formalized. Recipients of this document include internal stakeholders, such as for example, employees, and external stakeholders, who act on behalf of the Group. These guidelines can be found online on the website ibsagroup.com.

IBSA is committed to promoting the communication of its Anti-Corruption Guidelines in the most appropriate manner, by implementing training programmes with a level of detail specific to the position held. All newly-hired employees are obliged to sign a declaration of compliance with the principles stated in the guidelines.

Between 2017 and 2018 IBSA Group established a Code of Ethics, which forms the basis of all the activities carried out within the company.
Collaboration with the academic world

IBSA supports and works with leading universities and research institutes worldwide, and maintains relations with international experts in the fields of Medicine and Life Sciences.

In Switzerland IBSA is a member of various associations, including:
- Farma Industria Ticino FIT;
- Associazione delle imprese del farmaco;
- Associazione Industrie Ticinesi AITI;
- Ticino Chamber of Commerce;
- Società Ticinese delle Scienze Biomediche e Chimiche;
- Science Industries Switzerland.

In Italy, on the other hand, IBSA is a member of the following associations:
- Assolombarda;
- Farmindustria;
- Assobiomedica Confindustria;
- Unindustria.

Human rights
IBSA believes in treating all people with respect and objectivity at all times. We value the different experience of diverse individuals from all over the world. We are committed to conducting our business and to aligning our codes of conduct and principles with the internationally-recognized standards of the United Nations (UN), the International Labour Organization (ILO) and the Organization for Economic Cooperation and Development (OECD). We expect all personnel within IBSA and our business partners to abide by these principles.

Human rights for us include the following principles:
- improving access to healthcare, especially for those underserved by the healthcare system;
- protecting the privacy of our employees, customers and their patients;
- never tolerating any form of harassment or discrimination on the basis of gender, race, skin colour, religious beliefs, ethnic origin or nationality, marital/parental status or sexual orientation;
- respecting the legal rights of employees to join or to refrain from joining worker organizations, including trade unions;
- ensuring that there is no child or forced labour, and no illegal workers are employed at any point in our supply chain.

Bioethics
Despite our reluctance towards the use of animal testing, some regulatory bodies force us to perform trials on rats to guarantee the biological safety of some of our products. However, we are committed to the “Three Rs” principle - replacement, reduction and refinement – to limit this testing as far as possible.

These principles were developed more than 50 years ago, providing a framework of reference for more ethical research on animals. Since then they have been integrated into national and international law and regulations on the use of animals in scientific procedures, as well as into the policies of organizations that fund or carry out animal testing.

Replacements
We use non-animal testing (in particular, testing with cell cultures) or chemical-constituent testing in situ situations where these methods are accepted by the respective regulatory bodies and provide information as relevant as that obtained from in vivo models. We monitor the development of new in-vitro methods and their acceptance by the regulatory authorities.

Reduction
We apply strategies aimed at reducing the number of animals used in testing, for example:
- whenever possible, we use previously-evaluated
or historically-established biologically safe materials, by taking advantage of the shared research of the various companies within our group;
- we strive to avoid any completely unnecessary or repeated testing.
- we place great importance on risk assessment, carefully analysing if animal testing is really necessary.

**Refinement**

We select test methods that cause the **least distress** to animals. We conduct all animal testing through appropriately accredited testing laboratories.

**Philanthropy**

IBSA’s philanthropic activities are based on its **company values and are at its discretion**. The donations made by IBSA are **never advertised**, and we never ask the recipients to publish, display or advertise our name or our products in exchange.

IBSA supports and works with leading universities and research institutes worldwide.
Planet

IBSA believes in vertical integration, which enables us to have direct control over our supply chain and to guarantee the impeccable quality of our products. Therefore, our industrial activities are of primary importance and a fundamental strategic asset.

This ensures that various aspects related to the environmental impact of our industrial operations become a focal point of interest, so that our sustainability performance can be constantly improved.

CorPharma Project
In April 2016 we launched the CorPharma program at our Swiss headquarters, an extensive project that will transform our production system.
The first CorPharma production plant, called M-L2S, was built in 2017 and manufactures ointments and syrups, previously spread over 3 different sites.
At this plant we installed state-of-the-art machinery that significantly reduces energy and water consumption as well as CO₂ emissions. All of this is thanks to an industrial cold, hot and steam production system, which is technologically-advanced and highly-efficient.

A highly-innovative industrial treatment plant was also installed in the CorPharma area, which will neutralize wastewater, whereas active substances will be disposed of as sludge by a specialized company. Thanks to this remarkable process, water will be reused to cool down the production plants, generating a considerable saving in drinking water and reducing the volume of wastewater sent to the local treatment plant.
The plant was inaugurated on June 8, 2018.

With the development of CorPharma, the old IBSA building in Massagno, built in the 1940s, will gradually be abandoned and all its activities will be transferred to the new CorPharma area, in Pian Scairolo.

The CorPharma project considerably reduces energy and water consumption, and makes production and logistics activities much more efficient.
By concentrating our sites in a single area, we will be able to make production and logistics activities much more efficient, as well as considerably reduce emissions and make vital energy savings. In the near future, between late 2019 and 2022, we plan to install around **2000 solar panels**, which will cover a total surface area of approx. 3400 m² and produce approximately 550,000 Kwh/year.
For three consecutive years the objectives tailored at reducing emissions have been exceeded.
Since 2015 emissions have decreased by 9%.

Switzerland

Between 2016 and 2017 we achieved positive results that we are very proud of due to the rationalization of our production processes.
In 2018, significant growth in the volume of our products requiring a considerable amount of energy and water for their manufacturing caused a slight increase in consumption, especially in natural gas. As a result, CO₂ emissions also increased proportionately.

One of our goals is still to constantly increase our efficiency in the use of resources. Compared to our benchmark year 2015, in fact, our use of electrical energy usage decreased (-2%), as well as heating oil (-15%), whereas our natural gas usage increased by 14% and water by 10%. This is due to a significant increase in production during the 4 years in question.

Since 2015 we have been committed to implementing measures to reduce the emission limits agreed within the context of our collaboration with the Energy Agency for the Swiss Private Sector (EnAW) with whom we have defined annual short and mid-term targets. In the 2015-2018 period we exceeded these set reduction targets, recording an increase in emissions that is inversely proportionate to the growth of our industrial activities, thus making a contribution to achieving the goals defined by the Swiss Confederation in the Paris agreement.

In 2017 we produced a total of 1160 tons of waste, reduced to 950 tons in 2018. All special waste was collected by a specialized company to be recycled or further processed. Domestic waste was collected by the local waste removal service, whereas 6 other types of waste were sent to specialized service providers for recycling or environmentally-friendly disposal. Between 2017-2018, we recycled 252 tons of waste paper from our production activities. In addition, we also recycled 129 kg of PET plastic, corresponding to around 4700 bottles.

Printing paper
In 2018, we purchased 15 tons of paper for our printing and photocopying needs during the year. This amount corresponds to an average use of around 23kg per person, which is 35% less than 2015, a result achieved also thanks to the introduction of a centralized printer system and the consequent elimination of around 120 smaller and less efficient printers. All the paper we bought is FSC and PEFC certified.
All the paper we bought is FSC and PEFC certified.

TOTAL ENVIRONMENTAL RESULTS

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<td>Water m³</td>
<td>87.054</td>
<td>85.940</td>
<td>79.570</td>
<td>95.519</td>
<td>10%</td>
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<td>Heating Oil kWh</td>
<td>3.314.883</td>
<td>2.883.984</td>
<td>2.627.970</td>
<td>2.820.253</td>
<td>-15%</td>
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<tr>
<td>Natural Gas kWh</td>
<td>13.789.077</td>
<td>12.874.041</td>
<td>13.020.949</td>
<td>15.763.684</td>
<td>14%</td>
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<td>Electricity kWh</td>
<td>16.452.566</td>
<td>15.862.889</td>
<td>15.913.115</td>
<td>16.106.901</td>
<td>-2%</td>
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<td>Total Energy kWh</td>
<td>33.556.526</td>
<td>31.620.914</td>
<td>31.562.034</td>
<td>34.690.838</td>
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<tr>
<td>CO₂ emissions from manufacturing and heating Ton.</td>
<td>3.316</td>
<td>3.044</td>
<td>3.009</td>
<td>3.588</td>
<td>8%</td>
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FOSSIL FUELS VS. ELECTRICAL ENERGY (kWh 000)

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<th>Energy Source</th>
<th>2015</th>
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RENEWABLE VS. NON-RENEWABLE ENERGY (kWh 000)

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<tr>
<th>Waste Type</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Special Waste</td>
<td>873.720</td>
<td>223.000</td>
</tr>
<tr>
<td>Domestic Waste</td>
<td>252.240</td>
<td>507.000</td>
</tr>
<tr>
<td>Paper</td>
<td>16.120</td>
<td>161.700</td>
</tr>
<tr>
<td>Wood</td>
<td>13.520</td>
<td>11.600</td>
</tr>
<tr>
<td>Glass</td>
<td>3.388</td>
<td>8.500</td>
</tr>
<tr>
<td>Plastic</td>
<td>0</td>
<td>38.200</td>
</tr>
<tr>
<td>Polystyrene</td>
<td>680</td>
<td>0</td>
</tr>
<tr>
<td>Mixed</td>
<td>520</td>
<td>0</td>
</tr>
</tbody>
</table>

All the paper we bought is FSC and PEFC certified.
Significant results were also achieved in our IBSA offices in Italy, which saw substantial reductions in all consumption categories despite an increase in production output. Water consumption was reduced by 13% compared to 2015, reflecting a decrease in total energy consumption. The use of natural gas also declined significantly (-20%), whereas electricity usage essentially remained unchanged. As a result of the reduction in the use of natural gas, a proportional reduction in CO₂ emissions (-20%) was also recorded. Our factory in Cassina de’ Pecchi was modernized at the end of 2017, with the replacement of its steam production plant with a system that will considerably improve energy performance, reducing natural gas needs during the production process by approximately 40%.

In 2018, 6% of the energy in our Italian offices came from renewable energy sources. Unfortunately, the mix provided by our energy provider saw a reduction in the percentage of electricity from renewable sources in favor of electricity generated by natural gas power stations. The use of non-renewable energy decreased by 12% during 2017-2018 two-year period due to the reduction in the use of natural gas in our factory in Cassina de’ Pecchi. However, we are aware that we still need to make a lot of improvements.

Waste
In 2018 our Italian offices produced 407 tons of waste. Of these 407 tons, 262 tons of waste were partially recycled, 139 tons were fully recycled and the remaining 6 tons were disposed of through specialized companies.

Printing paper
In 2018 our Italian offices used a total of 9.1 tons of paper. Like the rest of the Group, the paper purchased was FSC and PEFC certified.

<table>
<thead>
<tr>
<th>Waste Category</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed material packaging</td>
<td>114,760</td>
</tr>
<tr>
<td>Paper and cardboard packaging</td>
<td>67,020</td>
</tr>
<tr>
<td>Plastic packaging</td>
<td>31,420</td>
</tr>
<tr>
<td>Discarded materials unsuitable for consumption or</td>
<td>26,460</td>
</tr>
<tr>
<td>processing (nutritional screened gelatin)</td>
<td></td>
</tr>
<tr>
<td>Medicinal products other than those mentioned in</td>
<td>17,100</td>
</tr>
<tr>
<td>item</td>
<td></td>
</tr>
<tr>
<td>Other bottoms and reaction residues (scrap plasters)</td>
<td>109,260</td>
</tr>
<tr>
<td>Aqueous washing solutions and mother liquors (water</td>
<td>11,840</td>
</tr>
<tr>
<td>from the production process)</td>
<td></td>
</tr>
<tr>
<td>Organic waste other than that mentioned in item</td>
<td>14,280</td>
</tr>
<tr>
<td>Organic waste containing hazardous substances</td>
<td>6,103</td>
</tr>
<tr>
<td>Organic waste other than that mentioned in item</td>
<td>8,330</td>
</tr>
</tbody>
</table>

- Totally recycled
- Partially recycled
- Disposed of by specialized services
<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2018 vs. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water m³</td>
<td>191.537</td>
<td>168.169</td>
<td>179.624</td>
<td>165.756</td>
<td>-13%</td>
</tr>
<tr>
<td>Heating Oil kWh</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Natural Gas kWh</td>
<td>23.833.611</td>
<td>23.207.222</td>
<td>21.961.944</td>
<td>19.132.468</td>
<td>-20%</td>
</tr>
<tr>
<td>Electricity kWh</td>
<td>11.190.278</td>
<td>11.472.778</td>
<td>11.135.000</td>
<td>11.404.880</td>
<td>2%</td>
</tr>
<tr>
<td>Total Energy kWh</td>
<td>35.023.889</td>
<td>34.680.000</td>
<td>33.096.944</td>
<td>30.537.348</td>
<td>-13%</td>
</tr>
<tr>
<td>CO₂ emissions</td>
<td>4.389</td>
<td>4.274</td>
<td>4.045</td>
<td>3.523</td>
<td>-20%</td>
</tr>
</tbody>
</table>

**TOTAL ENVIRONMENTAL RESULTS**

**FOSSIL FUELS VS. ELECTRICAL ENERGY (kWh 000)**

**RENEWABLE VS. NON-RENEWABLE ENERGY (kWh 000)**

All the paper we bought is FSC and PEFC certified.
China

We made a considerable investment in our Chinese branch of IBSA, Qingdao Huashan Biochemical Co., where we manufacture the active ingredients for the drugs used in the therapeutic area of human reproduction. This investment consisted of the modernization of our factories, with the inauguration in 2017 of comfortable office areas, a new cafeteria for 100 people, a leisure area with a gym, a basketball court and table-tennis tables, and various rooms for workers that live far from the factory. The site has grown considerably, occupying an area of 26,000 m² and includes two new production lines, a wastewater treatment plant and a new facility for storing solvents.

We achieved noteworthy results between 2015 and 2018. Energy consumption decreased by one third, registering a total reduction of 18%.

Despite a 73% increase in the use of heating oil - in absolute values and in any case used to a very limited extent - fossil fuel consumption was reduced by 78% as the result of a 80% decrease in the use of natural gas and an increase in the use of electrical energy.

Thanks to these savings, we achieved a significant reduction of 77% in CO₂ emissions between 2015 and 2018.

We were unable to obtain reliable data on the energy mix of our factories in China. It is therefore impossible to determine the quantity of renewable energy used in our Chinese subsidiaries.

Paper

In 2018 our Chinese subsidiaries consumed a total of 1.8 tons of paper. All the paper purchased was FSC and PEFC certified.
<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2018 vs. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water m³</strong></td>
<td>103,703</td>
<td>77,795</td>
<td>90,000</td>
<td>126,737</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Heating Oil kWh</strong></td>
<td>112,500</td>
<td>127,222</td>
<td>130,556</td>
<td>195,116</td>
<td>73%</td>
</tr>
<tr>
<td><strong>Natural Gas kWh</strong></td>
<td>7,953,889</td>
<td>2,065,833</td>
<td>3,075,556</td>
<td>1,553,974</td>
<td>-80%</td>
</tr>
<tr>
<td><strong>Electricity kWh</strong></td>
<td>3,049,167</td>
<td>2,460,556</td>
<td>3,382,978</td>
<td>3,628,829</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Total Energy kWh</strong></td>
<td>8,066,389</td>
<td>4,653,611</td>
<td>6,589,090</td>
<td>5,377,919</td>
<td>-33%</td>
</tr>
<tr>
<td><strong>CO₂ emissions</strong></td>
<td>1,490</td>
<td>413</td>
<td>600</td>
<td>337</td>
<td>-77%</td>
</tr>
</tbody>
</table>

**TOTAL ENVIRONMENTAL RESULTS**

**FOSSIL FUELS VS. ELECTRICAL ENERGY (kWh 000)**
Profit

Improving the quality of life of patients and our employees and creating added value for all our stakeholders is central to IBSA’s mission. In order to do this to the best of our ability, it is essential that we achieve excellent economic results. This added economic value enables us to reinvest a large part of our returns and to redistribute profits under the form of taxes, dividends, donations to philanthropic causes and interest on third-party capital, etc.

Only an economically-sound company can look towards the long-term with confidence, create jobs, contribute to tax revenue and develop state-of-the-art products. IBSA strives to produce value for a wide group of stakeholders, by:

• offering the most efficient and safest products based on the needs of doctors and their patients;
• creating job opportunities within the group and for our business partners;
• contributing to the advancement of healthcare;
• investing in our employees and their wellbeing;
• adopting best practices in the areas of environmental and social protection.

In order to do so, we need to ensure that our business is economically responsible and sound. Economic responsibility and profitability are prerequisites for sustaining our operations and the foundation on which all other responsibilities rest. IBSA Group is a privately-owned company, i.e. it is not listed on the Stock Exchange, and under Swiss and European law it is not obliged to publish its financial figures. IBSA management in fact has decided to not disclose our annual results beyond our Group turnover, split by geographical region and therapeutic area, for both confidentiality reasons and because this information is neither critical nor of any substantial significance for the overall quality of this Sustainability Report.
In IBSA we are well aware of the importance of having a positive impact on the local economy. For example, in Switzerland, whenever possible, we give priority to local (from Ticino) or Swiss suppliers. Between 2017 and 2018 we purchased 60 million Swiss francs worth of goods or services from Swiss suppliers – 7 million more than in 2015.
## GRI CONTENT INDEX

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<td></td>
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<td>102-9 Supply Chain</td>
<td>16-17</td>
<td></td>
</tr>
<tr>
<td>102-10 Significant changes to the organization and its supply chain</td>
<td>No change</td>
<td></td>
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<tr>
<td>102-11 Precautionary Principle or approach</td>
<td>IBSA adopts a precautionary approach by implementing detailed risk analyses and by ensuring, as primary objective, the quality and safety of our therapies and of patients</td>
<td></td>
</tr>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
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<tr>
<td>102-18 Governance structure</td>
<td>The CEO is also Chairman of the Board</td>
<td></td>
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<tr>
<td><strong>Stakeholder engagement</strong></td>
<td></td>
<td></td>
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<td>102-40 List of stakeholder groups</td>
<td>32-33</td>
<td></td>
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<td>No collective bargaining agreements in place</td>
<td></td>
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For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. This service was performed on the Italian version of the report.
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<td>102-51 Date of most recent report</td>
<td>2016 (for 2015)</td>
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<tr>
<td></td>
<td>405-2 Ratio of basic salary and remuneration of women to men</td>
<td>There are no gender based differences</td>
</tr>
</tbody>
</table>
A heartfelt thank you to everybody who made this project possible, in particular to
Our Management Team
Our President & CEO, Arturo Licenziati

and to the persons who helped to collect, compile and make sense of the information:
Giovanni Facchinetti  Giovanna Bognandi  Alberto Sala
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