

SUSTAINABILITY REPORT 2017



Fabbrica Italiana Sintetici



Fabbrica Italiana Sintetici

Passion, responsibility
and professionalism are the factors
that set us apart.

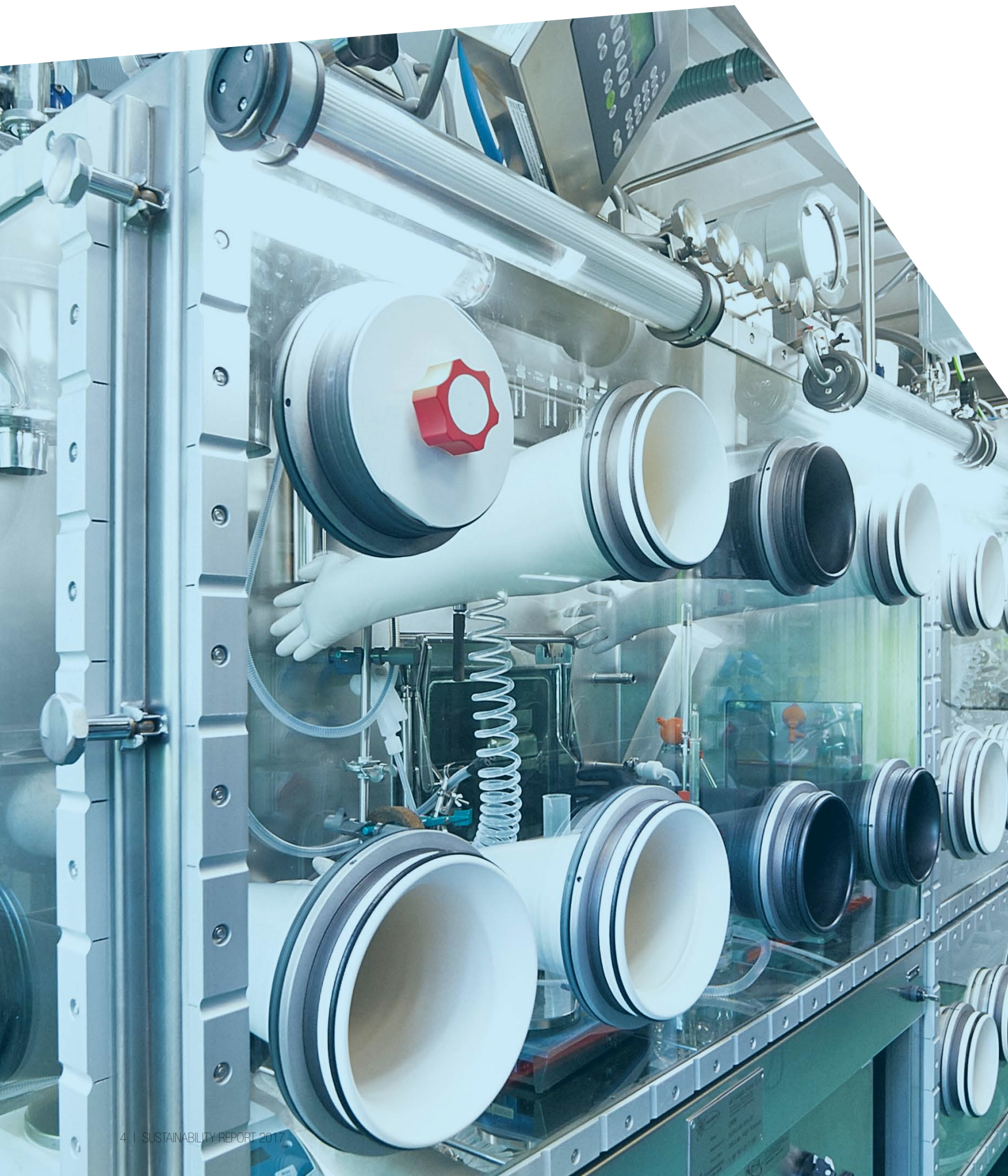
We continue to grow
with a commitment to
a future of innovation
and development. Together.

Giampaolo Ferrari
President



Franco Moro
Chief Executive Officer





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1 LETTER TO EMPLOYEES

On our 60th anniversary, we are proud to present the F.I.S. Sustainability Report, which is mainly aimed at you, our people, who represent the vitality and strength of our company. This document is an extract of the Sustainability Report drawn up for the first time in accordance with the international GRI4 guidelines, a 360-degree story of our company's business activities, since we are aware that numbers and economic performance are not enough to tell the full story of our world. The purpose of this document is to tell you why F.I.S. means for us to work to create a sustainable business from a social and environmental point of view. Sustainability must be the guiding principle in carrying out our activities and it is vital for us to contribute to sustainable development that benefits the company, its employees, the local community and other stakeholders with whom we interact.

In this document, you will find the concrete results of responsible business management that is inspired by our core values: respect for

people and the environment and the constant push for research and innovation, values that make us a unique company in our industry and a virtuous example recognized internationally.

For our company, 2016 has been a busy year of events; some have given us great satisfaction, others have given us sorrow, taking away from us important and unforgettable people, leaving us to regard even the more positive events of the year with a hint of melancholy.

One aspect which we are particularly proud of is the growth of employment: today we have 1,285 people, 400 more than 2 years ago, plus 312 new colleagues at the Lonigo plant. Acquiring this plant will let us make a further leap in quality over the next few years, increasing our production capacity and strengthening our expertise.

The attention we attach to our employees can also be witnessed in some small things that we think can make a difference in everyday

life. To improve your well-being, we have accomplished some welfare activities including the corporate bus and the expansion of the car park and the Montecchio canteen. To strengthen your skills and nourish your passion, we have decided to step up our training activities. Lastly, to protect your health at all times, we have made great investments in our plants to provide a safer and more enjoyable workplace.

Moreover, since many of you come from the territories of Montecchio, Lonigo and Termoli, or have learned to love these regions since you started working with us, we have decided to strengthen our ties with local companies by stepping up our donations and sponsorships in the community. For example, we point out the donation of teaching materials to the schools in the Montecchio area, support of Vicenza's rugby team and the "Open Factory" initiative, which has given the community a peek at our daily work. We will surely continue this work.

In recent years, our commitment to respect the environment has led to the improvement of the plants in Montecchio and Termoli and is already expanding to include the Lonigo plant. We have been able to reduce the environmental impacts of our plants by introducing new solvent and waste treatment systems and new machinery that will improve our environmental and safety performance.

In a world where natural resources are increasingly threatened by climate change and human activities, we have decided to act proactively beyond our production sites, protecting our key suppliers and collaborating with them to improve their environmental performance.

Finally, it is through our passion for innovation and research that we have once again managed to react to an ever-changing market and even anticipate our customers' demands. Our determination and the ability to attract some of the best talents in chemistry and physics has allowed us to win the "Best Sup-

plier" Award from our main customer for the second year running and we are confident that we are well-positioned to achieve further recognition.

The commitment to our values has allowed us to remain among the companies that hold leadership in the market of active ingredients and to steadfastly strengthen our economic performance, so that today we are stronger than ever and equipped to compete in an increasingly demanding and dynamic global market.

Likewise, passion, accountability and professionalism - our critical success factors - must be familiar to us all and to influence our daily action as a secret formula that allows us to maintain our excellence through fruitful and constant collaboration.

In fact, we are grateful to you for working with F.I.S., and we are amazed by the timely manner that you react to the market impulses, and for the commitment, the perseverance

and the flexibility that are now known and appreciated at an International level.

This Report is, for us, a further contribution to your growth, and to help make you become more aware of our commitment to people, the environment and the society and to inspire and encourage you to be proud to come to work every day, safe in the knowledge that you are part of a shared, consistent growth path.

We look to the next few years with the passion we share, with the confidence in our capabilities and with the desire to explore every possibility of further improvement, working together for a sustainable development and to the benefit of F.I.S. and all our carriers of interest.

Enjoy the reading,

Giampaolo Ferrari,
President

Franco Moro,
Chief Executive Officer



1.1 ITALIAN BY BIRTH, INTERNATIONAL BY VOCATION

F.I.S. - Fabbrica Italiana Sintetici is a Venetian company specializing in the manufacture of chemical products for the pharmaceutical industry. Founded in 1957, F.I.S. is one of the world's leading companies in the Custom Synthesis industry, that is, the exclusive production of intermediates, advanced intermediates and active ingredients for pharmaceutical companies, and generic drugs, thanks to the development and sale of active ingredients used to treat diseases such as diabetes, hepatitis, cancer, AIDS and cardiovascular diseases.

In addition, our company provides a range of integrated customer services, including research and development activities, chemical synthesis processes and growth strategies to ensure successful large scale production.

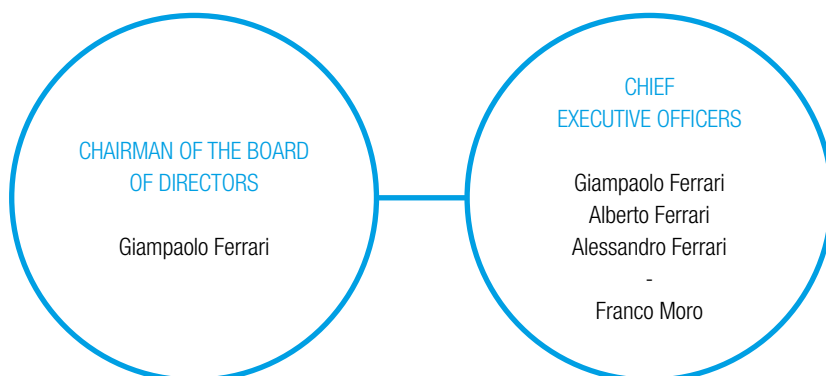
Our mission is to continue to be an international benchmark company in the production of active pharmaceutical ingredients and advanced intermediates for the pharmaceutical chemistry and fine chemicals.

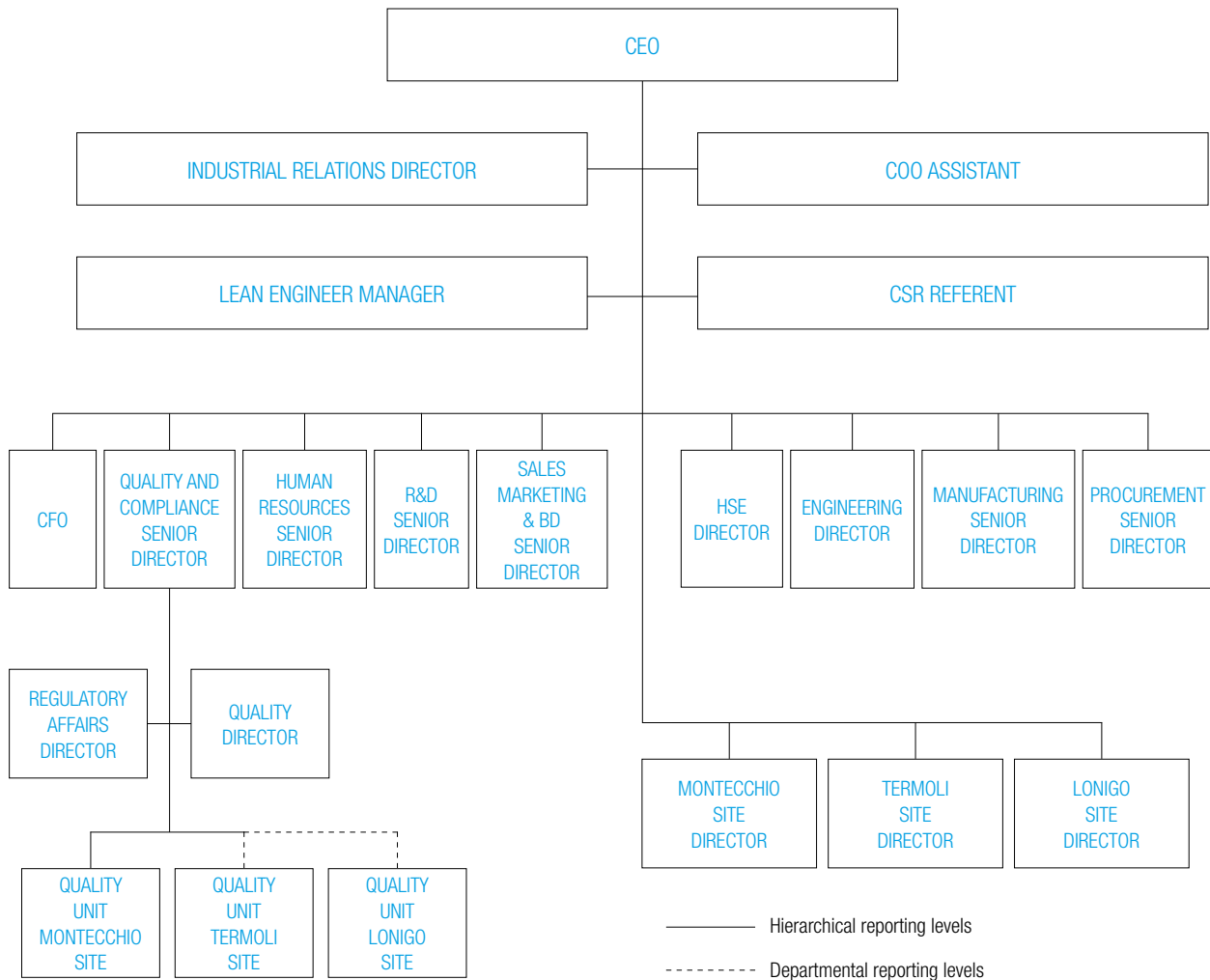
To do this, we know that we must continue to work every day to earn the trust of our customers, offering products that are perfectly in line with their needs. The end user of our active ingredients is the patient suffering from a pathology and it is crucial to always be able to guarantee quality and safety of use aimed at the therapeutic efficacy and improvement of the quality of life of the patient and the people around them. To achieve this ambitious goal, we have a capillary governance structure that can meet the daily needs of the company by providing a high degree

of flexibility that allows us to meet the demands of our customers in a timely fashion. The organizational management structure allows our company to keep its business as family-friendly, while at the same time ensuring effective managerial management.

Regarding the aspects of sustainability, we rely on a Sustainability Advisor who reports directly to the CEO.

The management of the three plants is entrusted to the respective Directors. These Directors share with the CEO the responsibility for proper management of the plant and ensure compliance of establishments with rules, standards and quality, health, hygiene and safety regulations.





In December 2011, the Board of Directors took the decision to supplement the company's Code of Ethics by adopting a Corporate Code on Organization, Management and Control, in compliance with the requirements of Legislative Decree 231/2001 and its subsequent amendments and additions. The Decree introduced in the Italian legal system outlines the administrative responsibilities of entities, companies, associations and legal persons in relation to a series of offences, including some environmental offences and, for health and safety, committed by individuals whose actions harm the community for their own benefit or interest.

The Code of Ethics is particularly aimed at ensuring that the entire corporate organisation constantly behaves in a way that is characterized by respect for legality, honesty, integrity, fairness, transparency

and good faith, the trademark features of F.I.S. All employees and those acting in the name and on behalf of F.I.S. are required to know the provisions of the Code and to behave accordingly. Anyone can contact the Guarantor of the Code of Ethics, appointed by the Board of Directors, to report situations or behaviours that go against what is contained therein.

The Code of Ethics also explains why passion, responsibility and professionalism are our critical factors for success.

Passion, in fact, is one of the forces that move all our employees to operate with excellent quality work, with the desire to contribute to the company's innovation and economic growth. To encourage this, we have chosen to direct our efforts at selecting people in line with our business values, enhancing collaboration skills, and

making communication more effective at all levels.

Responsibility for us means, first and foremost, respect for people working in the company and for the community as a whole. Therefore, we encourage our employees to behave by being attentive and listening to the needs of others.

Professionalism, in turn, lies in the reliability and flexibility that make us worthy of trust and esteem from our customers. Quality means that we constantly cultivate within our corporate community to ensure that our products reach an ever increasing quality and are always in line with the specific requirements of each customer.

MONTECCHIO PLANT

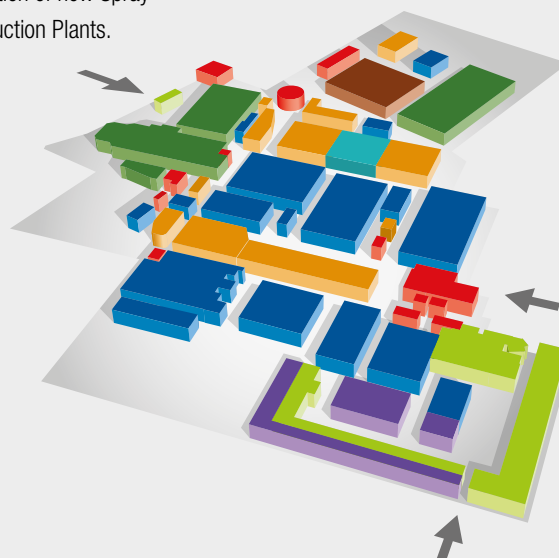
The Montecchio Plant, which has been active for more than 50 years, is the first operational centre of the Group and has a long history of quality and international certification.

It has one of the most advanced Research and Development laboratories in the country and makes the production process flexibility one of the site's trademark

features. The plant offers every customer a fully integrated and customized service and is equipped with a high-tech Pilot Plant that ensures high performance both for Custom Synthesis and Generic Synthesis service. Recently, the plant has completed the construction of new Spray Drying and Sterile Production Plants.

Over the last few years, we have sought to improve the working environment for our employees by doubling the canteen lines, expanding parking and making additional investments to adapt the plant to the growing population of the company.

The numbers of the Montecchio Plant	Unit of measurement	2014	2015	2016
Total area	m ²	95,000		
Employees	No.	755	919	1,099
Reactor capacity	m ³	1,675		
Certifications:	ISO 9001; ISO 14001; OHSAS 18001			



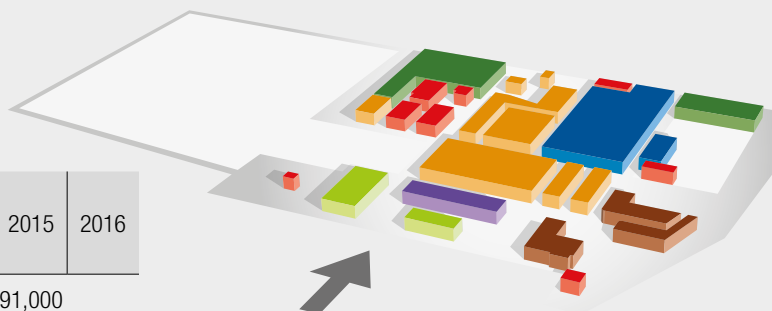
TERMOLI PLANT

Termoli has been operating since 1990, initially only for intermediate production. However, in 2009, it became a Pharmaceutical Workshop and authorized to produce Active Ingredients, and in 2012, the site was approved by the US Department of Health (FDA). In 2016, it obtained permission to build a new plant

that, once completed, will be double its current production capacity. The works will be completed by the end of 2017, and good returns on employment growth are expected, given that once the expansion has been completed, the plant will be occupied by at least 250 people, 64 more personnel than today.

This intervention will generate economic incentives for local companies involved in construction work, which will employ an average daily workforce of 30 people, half of which coming from the Termolese area. Lastly, in 2017, 40 m² of photovoltaic panels will be installed on the roof of the plant.

The numbers of the Termoli Plant	Unit of measurement	2014	2015	2016
Total area	m ²	91,000		
Employees	No.	125	163	186
Reactor capacity	m ³	415		
Certifications:	ISO 9001; ISO 14001; OHSAS 18001			



LONIGO PLANT

The Lonigo plant, acquired at the beginning of 2017, originated between 1975 and 1976, and over the years has been enlarged in terms of plant and equipment. It has always been regarded as a point of excellence in terms of quality, and occupies 312 people, most of whom live in

the neighbouring municipalities of Lonigo, Montebello and San Bonifacio or in the province of Verona.

Also in the case of Lonigo, expansion works are expected to be carried out between 2017 and 2018 and consist of the introduction of a new warehouse for

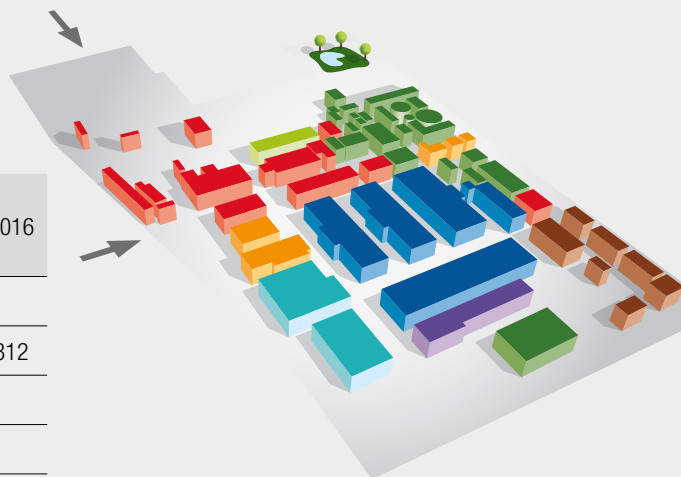
raw materials, intermediates and finished products, a new distillery for solvent recovery and the Technological Restructuring of Department 3B.

Joining F.I.S. S.p.A. from 1 January 2017.

The numbers of the Lonigo Plant

	Unit of measurement	2014	2015	2016
Total area	m ²	118,000*		
Employees	No.	258	264	312
Reactor capacity	m ³	656		
Certifications:	ISO 14001; OHSAS 18001			

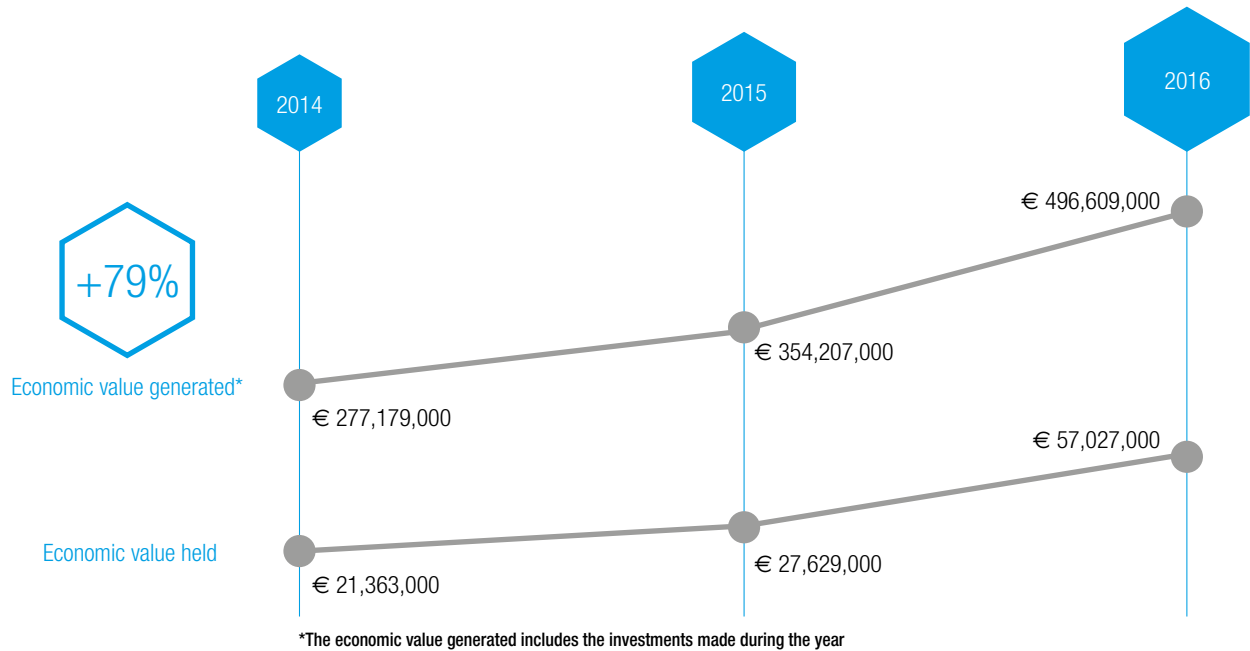
*the total area reaches 260,000 m² also considering the related areas



- Production
- Warehouse
- Maintenance
- Laboratories
- Offices and Services
- Local Services
- Shipping
- Waste treatment



1.2 THE RESULTS OF OUR COMMITMENT



Over the past three years, we have seen strong economic growth, which has led to a substantial increase in our economic value and operating profit.

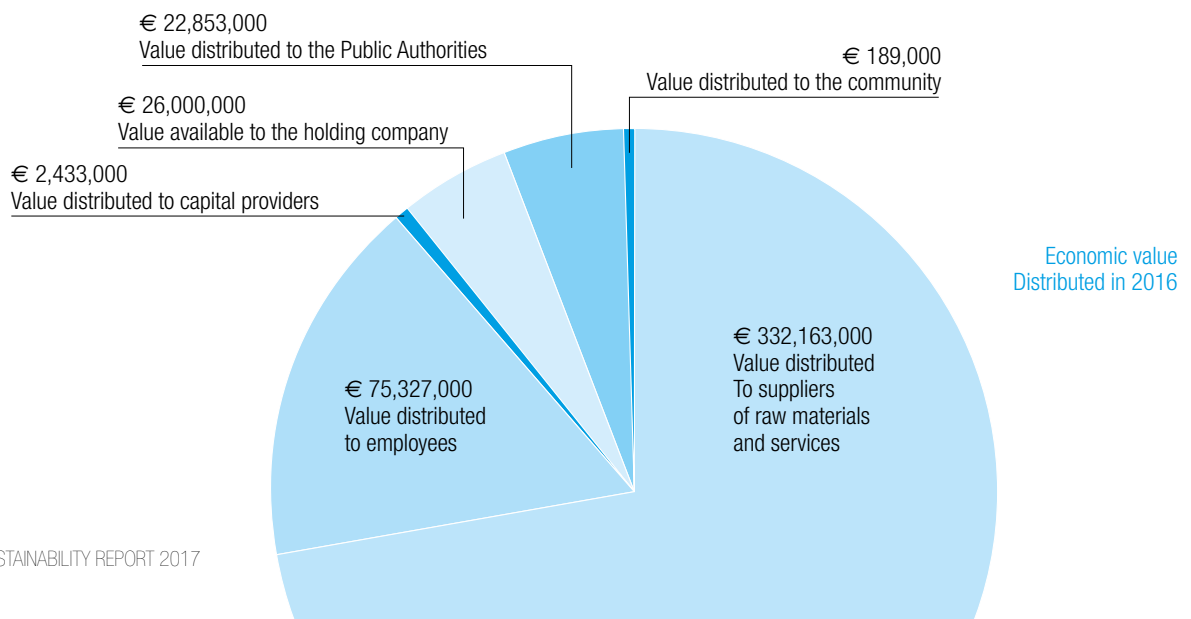
The economic value generated, which represents the sum of the value of production and the financial and extraordinary income, grew by 79.17% over the three-year period, from about 277

million euros in 2014 to over 496 million euros in 2016.

However, the economic value we distributed to our stakeholders increased by 75.25% over the same period, from 261.89 to 458.96 million euros. Of this amount, net of operating costs, in 2016 we distributed 75.32 million euros to our employees in the form of salaries

and benefits and approximately 189,000 euros were distributed to the community in the form of gratuities and associative contributions.

In particular, net income net of dividends distributed increased by more than 39 times, demonstrating the increased sustainability of our business and our ability to be market leaders.



OBJECTIVES FOR THE NEXT FEW YEARS

To make the company even more competitive and increase our future turnover, we are expanding the business on the generic drug market through a reorganization of the Marketing Sector, both in Italy and in the USA.

We also believe that improving internal processes through the gradual introduction of automation in the management of the most consolidated chemical processes will further strengthen our competitiveness and profitability.

In this direction, important investments are being made for the acquisition of new planning management software for the control and allocation of costs for new synthesis processes, for managing supplier relations, and for the management of training and skills of our staff.

As people in F.I.S. are considered a strategic success factor, we are reorganizing our personnel development processes to further enhance the skills required by their role in the company.

Finally, technological innovation is a success factor that F.I.S. has always pursued: the creation of the new Production Department B in Termoli and the new Quality Control Laboratories in Montecchio will lead to innovative solutions and more efficiency in the management of business processes; further investments are planned to include dust loading and unloading systems (both raw materials and finished products), process parameter control systems, as well as online residue solvent analysis systems, mass analysers and laser systems for monitoring the size of dust particles on the finishing lines.



2 THREE PROACTIVE PRINCIPLES

At F.I.S., we believe that we should not limit ourselves to a passive approach of respect for our foundation values. As a result, going beyond any regulatory obligation, we commit ourselves to proactively seeking new solutions to maximize the health and safety of our employees and protect the environment, ensuring compliance with our quality and safety standards and managing carefully any hazardous wastes and materials resulting from our productive activities in line with the law.

2.1 HEALTH AND SAFETY OF OUR PEOPLE

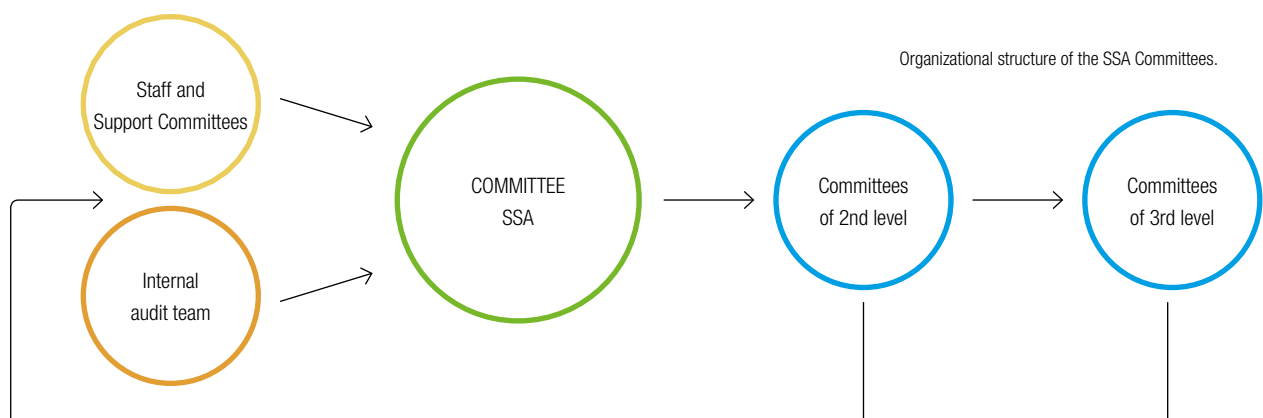
Between 2009 and 2010, the Montecchio and Termoli sites were awarded the OHSAS 18001 certification for their health and safety management systems.

Starting with this objective, with the awareness that every employee is the protagonist in health and safety management, we have implemented cutting-edge initiatives, such as the “Operational Excellence” program, designed to train our staff on safety-related issues and also to transmit

a series of best practices for suppliers and third parties. Launched in 2016, the program is conducted in partnership with the American company DuPont. After an initial evaluation phase, full integration into business processes on the different production sites of the Group will go ahead in 2017, involving the employees in training and coaching activities that will cover all the production staff and aim to spread virtuous behaviour in terms of Health and Safety while at the same time increasing

the efficiency and flexibility of staff.

To provide a continuous exchange of information on Health, Safety and Environment issues among all our employees, we have also set up Health, Safety and Environment Committees. These committees not only influence the responsibilities, roles, and objectives of each department, but also provide a platform for the continuous exchange of ideas, suggestions, and opinions about corporate SSA issues and is open to all employees of the company.

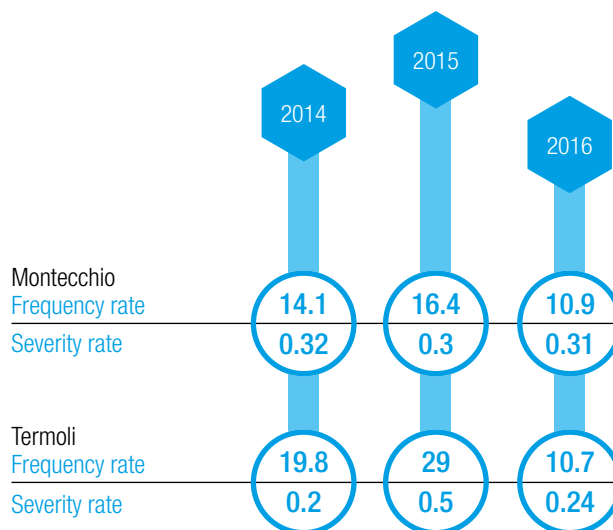




Accidents at the plants
Montecchio and Termoli plants (n.)



2014	2015	2016
Montecchio	Montecchio	Montecchio
17	22	18
Termoli	Termoli	Termoli
4	6	3
Total F.I.S.	Total F.I.S.	Total F.I.S.
21	28	21



The frequency rate is calculated as the number of injuries/hours worked * 1,000,000
The severity Index is calculated as the number of days lost per accident/hours worked *1,000

Our plants also operate with hazardous substances in quantities that can cause industrial accidents that are significant for the environment and people and are therefore subject to specific controls by Competent

Authorities. As a result, we identified all the possible risks that could be related to our activities and adopted preventive measures to minimize the likelihood of accidents. In addition, we have maintained intense training

activities for all of our employees, including newly recruited employees: in 2016, the average number of hours of Health, Safety and Environment training per employee was 9.90 at Montecchio and 16.35 at Termoli.

OBJECTIVES FOR THE NEXT FEW YEARS

By 2018, we intend reach the first phase of completion of the new department B in Termoli. This extension will accompany a series of technical interventions to further improve our SSA performance: specifically, we have planned the installation of new containment systems for raw material loads.

This will be complemented by the completion of the horizontal safety marking in each plant, the installation of fire detection systems and the implementation of a series of preventive inspections of the electrical panels using thermal imaging for the prevention of the risk of fire.

Moreover, by implementing the "Operational Excellence" program, we intend to gradually reduce the number of accidents within our plants. The activities that will be carried out in 2017 include a redefinition of shifts, roles and tasks within the plants, so as to obtain a clear and shared outlook of the responsibilities of all the people working for us. This redefinition will be followed by a training course aimed at staff at all levels, in which our partner DuPont will be involved. A process, analysing the causes of the accidents, will also be reviewed and improved in order to prevent recurrence by implementing specific actions for improvement.

2.2

QUALITY AND SAFETY OF OUR ACTIVE INGREDIENTS AND INTERMEDIATES

For our customers, the quality of the active ingredients and intermediates offered by the company is the most important aspect, along with continuity and punctuality of the supply.

In 2010, F.I.S. obtained quality system certification for the Montecchio and Ter-moli plants according to the UNI EN ISO 9001 standard, with the aim of ensuring maximum efficiency and effectiveness in making of the products and delivery of services offered by the company, in a

new risk management perspective for the company.

The main product quality and safety attributes are defined at the level of identification and development of the process by the R&D department. Every process is subsequently approved by each responsible department to ensure robustness and reproducibility in the industrialization phase, and each company employee contributes to ensuring the quality of the product by each responsible department through

training received on quality aspects and Good Manufacturing Standards.

Furthermore, thanks to the capillary interventions with which we have improved our internal control and assessment mechanisms, over the past 3 years, there have been no cases of punishable non-compliance and any minor non-compliances in relation to the Good Manufacturing Standards set out by the Domestic and Foreign Health Authorities have always been readily resolved.

OBJECTIVES FOR 2020

Over the next few years, we aim to implement a series of preventive measures on our equipment with the aim of minimizing the risk of contamination of our products with foreign material coming from plants or equipment.



2.3 MANAGEMENT OF HAZARDOUS WASTE AND MATERIALS

In 2001, we obtained the UNI EN ISO 14001 certification for the two Termoli and Montecchio plants related to the environmental management system. This certification enables us to certify the compliance of structures and products with existing regulations, but above all to ensure a management system that can constantly improve performance in this field and prevent, along with the OHSAS 18001 certification, new Health, Safety and Environmental needs. As regards the management of hazardous waste and materials related to our production activities, the aim is to pursue all recycling opportunities, particularly of solvents, that are compatible with the quality

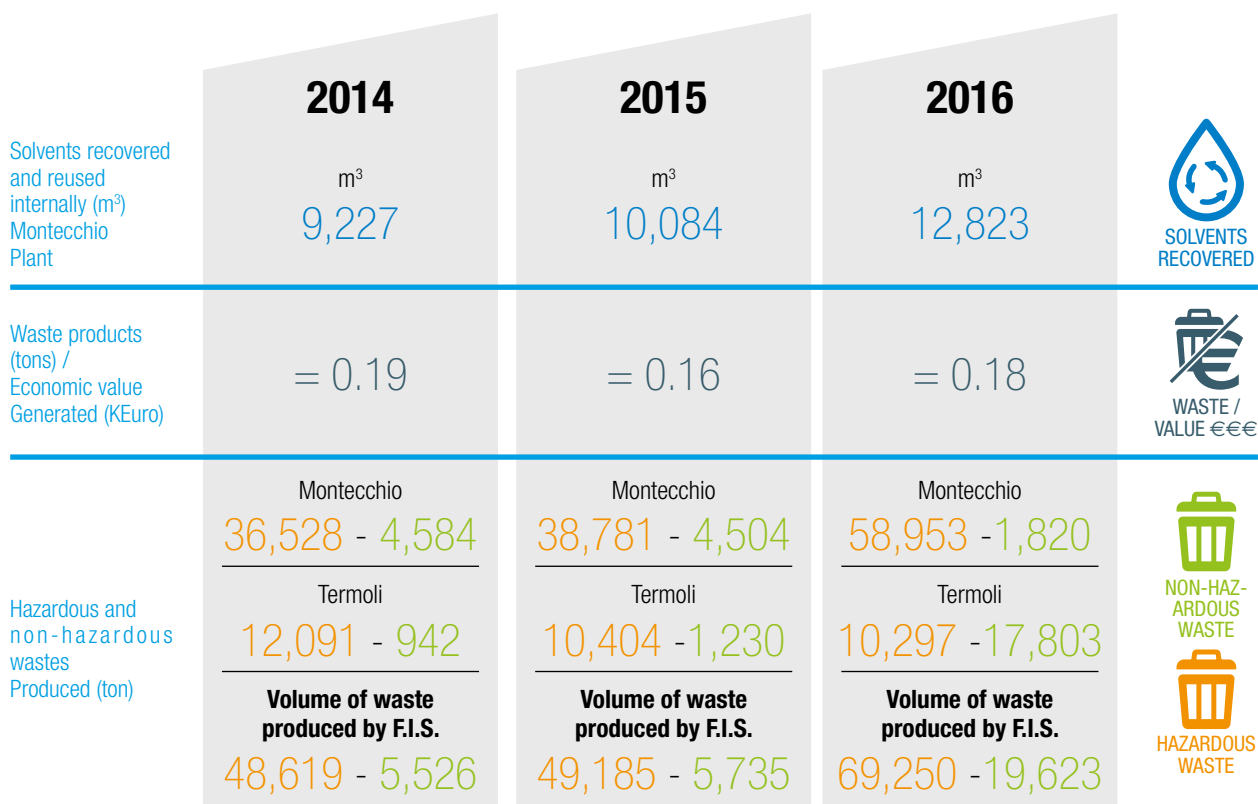
concepts from the Good Manufacturing Standards.

We have internal plants for the recovery of solvents from the waters coming from the manufacturing processes.

Recovery is usually refined with distillation and/or evaporation columns and, whenever possible, we re-use solvents within the same production cycle.

In general, the volume of waste produced has gradually increased over the past three years in both of our plants due to the increase in our production activity, going from a total volume of 54,145 tonnes in 2014 to 88,873 tonnes in 2016 (an increase of 64.14%). Despite the gradual increase, efforts have been made in recent

years to reduce the environmental impact linked to disposal. Specifically, progressive elimination of bulk waste has been carried out, which is currently managed through direct discharge, improving the collection systems and further reducing the potential environmental impacts by making the handling and transport of waste more efficient. In 2016, we also completed the installation of a thermal dryer of the sludge produced by the company's water purifier, which allows for a substantial and sustained reduction of sludge volumes, making transport of waste more efficient and more sustainable, where it is destined for energy recovery.



*The high amount of waste produced in Termoli in 2016 can mainly be attributed to the activities of the new Department B, which generated significant volumes of soil and rocks from excavation

3 EXCELLENT, IN EACH MOLECULE

3.1 CATALYSTS OF OUR SUCCESS

For our company, reliability in responding to customer requests is a key condition for continuing to operate in the active ingredients market, which is characterized by high levels of product customization and an extremely complex supply chain. Therefore, we believe that the flexibility and the ability to operate and constantly increase our reliability are the main catalysts of our success and is the leverage that helps us to maintain a good reputation and the confidence of our business partners, whether they are our suppliers or customers.

In total, we purchase from about 1,500 suppliers, which are spread over 40 countries. The main sources for purchasing volumes are from within Italy for the purchase of services and the far east for raw materials needed to produce the intermediates used in the generation of the active ingredients that we offer.

About 15 of our suppliers of raw materials are considered key suppliers due to the large volume of goods we consume or the particular nature of the products they offer. Relationships with these strategic vendors are mainly handled by our office in Shanghai, China, where there are people specialising in the evaluation and selection of business partners.

Thanks to the continuous exchange of information and data with key suppliers, we are able to keep a constant eye on their business and gradually pass on our best practices in terms of plant modernization, environmental and social risk coverage and customer data protection. In fact, our main goal is to have a stronger relationship with these suppliers, helping them to innovate and maintain a high production capacity, while at the same time encouraging them to adopt practices of sustainability.

In addition, the supply chain management activities are designed to monitor and predict purchase scenarios and test product sales aspects by predicting the evolution of market consumptions and trends in the competitive context in which we are operating.

In this respect, the adoption of the SRM software platform is part of the introduction of business intelligence software that transversely affects business operating processes. This tool will become fully operational by 2017 and aims to systematize the collection and monitoring of supplier data.

These interventions are accompanied by efforts to reorganise shift work, enabling a continuous cycle of activity as well as substantial investments in machinery and technology to meet the specific needs of customers.

Thanks to all these efforts, we have received the Best Supplier Award from our main customer in 2014 and 2015, due to the flexibility in production and compliance with delivery times, even in the face of sudden changes or increases in production requests.

THE OBJECTIVES FOR THE NEXT FEW YEARS

We also intend to institutionalise the mechanisms for assessing and selecting new suppliers, using the capabilities of the SRM platform and conducting dedicated training activities for employees at our office in China. At the same time, we aim to disseminate good practices in terms of sustainability and respect for human rights throughout the supply chain, following the findings obtained through SRM.

PROTECTION OF CUSTOMER DATA.

Another best practice that sets us apart as a reliable company is our experience in managing and protecting customer data.

Currently, all business relationships with customers are covered by secrecy agreements and the intellectual property rights of the products are protected by patents.

Furthermore, in further demonstration of our data protection capability, we have not received any complaints over the last 3 years and there have been no cases of infringements, illegal transfer by employees, theft or loss of customer data.

However, with a view to continuously improve, to strengthen the current control, we have planned for the introduction of an internal process management model through SharePoint¹ software and the

progressive transition to a single data collection and monitoring system through the use of dedicated Business Intelligence software.

We conducted an analysis, which was completed in March 2017, to verify the level of maturity of the company with respect to the European Union Privacy Policy², the definition of which will be followed by an action plan aimed at achieving full compliance.

3.2 CONTINUOUS LOOP INNOVATORS

Investments to ensure proper technological development in a highly advanced industry based on scientific research, such as chemistry and pharmaceuticals, are indispensable for increasing our company's economic sustainability. In fact, our customers are constantly asking us to implement new solutions to optimize synthesis processes and allow the development of the intermediates faster using a lower volume of raw materials, resulting in lower costs.

For us, innovation means developing safe processes for the production of intermediates and active ingredients for the pharma-

ceutical industry with potential economies of scale that will allow it to be widely commercially implemented, thus providing a competitive advantage to our customers.

In recent years, we have hired new researchers, counting on a workforce of over 130 people in the R&D department alone. Moreover, in 2016, we had a team of 12 people devoted to the design of existing process improvement solutions to make them more sustainable, both from an economic and environmental point of view, and has seen an investment from the Company of about 1.5 million euros. In addition, there are currently 5 active

collaborations with universities (Venice, Padova, Bologna, Florence, Barcelona) that arise from our need to find specialized know-how on a number of innovative and experimental subjects. These collaborations involve the creation of permanent laboratories within the university departments and the development of new skills, thus generating a very positive impact on the universities and helping to build solid relationships with our company. Over the last few years, we have taken on 8 chemists directly from university laboratories.

THE OBJECTIVES FOR THE NEXT FEW YEARS

Given the tremendous market potential and our privileged position in this segment, we intend to pursue research activities related to enzymatic chemistry. Likewise, we intend to expand projects related to peptide development.

(1) Microsoft SharePoint is a software platform developed by Microsoft, a program that allows the creation and distribution of particular websites primarily for corporate use (Intranet).

(2) It is the General Data Protection Regulation, an EU Regulation 2016/679, which aims to strengthen and unify the protection of personal data within the borders of the European Union.

4 QUESTION OF CHEMISTRY

4.1 OUR PEOPLE, STRATEGIC ASSET OF OUR ACTIONS

Our three critical success factors - passion, responsibility, and professionalism - make our people the most important strategic asset for our company. It is only thanks to their commitment, their motivation and their expertise that F.I.S. is able to maintain its market leadership in a context characterized by ever more rapid and unpredictable changes and increasingly high expectations from our customers.

THE PROFILE OF OUR EMPLOYEES

Over the past three years, the number of our employees has grown steadily. We have gone from 880 employees in 2014 to 1,285 at the end of 2016, an increase of **46%**. Thanks to the recent acquisition of the Lonigo plant, the 312 people em-

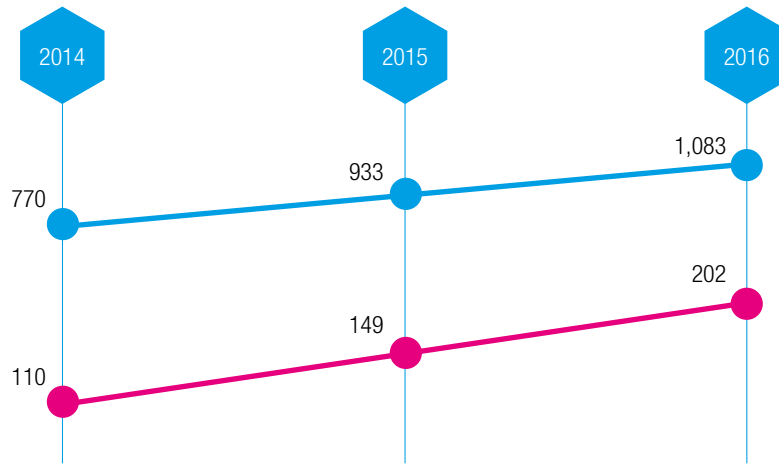
ployed at that site will also be integrated into our business structure. In recent years, we have also seen strong growth in the amount of young employees under 30, from 108 in 2014 to 356 in 2016, an increase of **229%**. This extremely positive figure also attests to our willingness to

give growing space to people who can bring fresh skills and innovative points of view.

In contract terms, **96%** of our people have an indefinite contract, of which **97%** are full time and the remaining **3%** work part time. Typically, the entry of staff into our plants is aimed at a long-term relationship with steady professional growth in order to develop the complex technical and personal skills required by our business.



Subdivision by gender of employees (No.)



	2014			2015			2016		
	Men	Women	Total F.I.S.	Men	Women	Total F.I.S.	Men	Women	Total F.I.S.
Montecchio	648	107	755	777	142	919	907	192	1,099
Termoli	122	3	125	156	7	163	176	10	186
Total F.I.S.	770	110	880	933	149	1,082	1,083	202	1,285

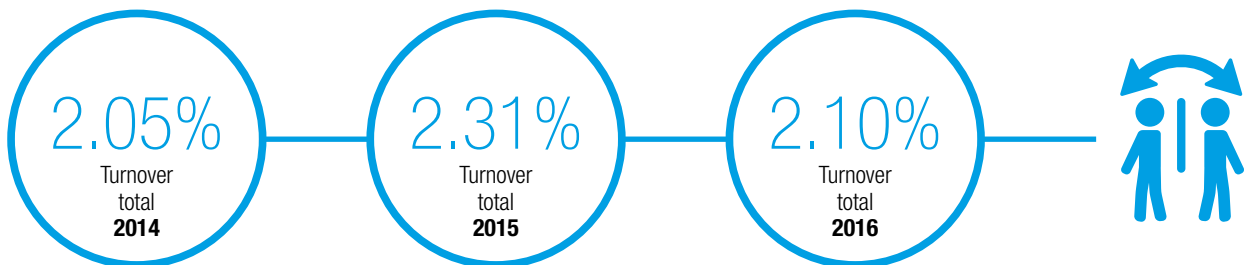
EMPLOYEE LOYALTY AND BUSINESS TRAINING AND WELFARE

Keeping employees with the company is a key priority for us. To pursue this goal, we are focusing on offering concrete opportunities for growth and development, a performance evaluation system oriented towards continuous improvement and

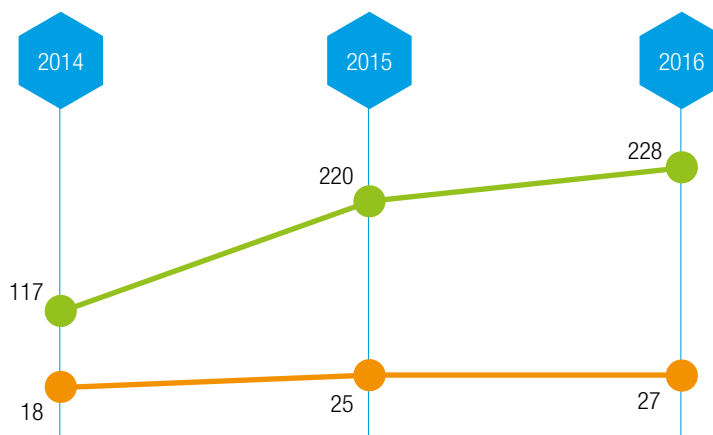
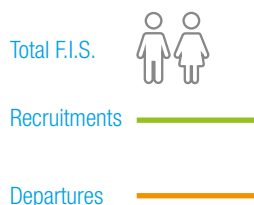
a rewarding system linked to achieving goals. Additionally, coaching activities are based on dialogue and continuous confrontation between the superiors and employees and on a constant accompaniment from the Human Resources

department to ensure that each employee has access to a custom channel through which they can receive feedback and express their own needs and possible improvements.

Rate of turnover (%)



Recruitment and departures at our plants (n.)



		2014		2015		2016	
		Men	Women	Men	Women	Men	Women
Montecchio	Recruitments	84	14	139	39	147	56
	Departures	11	4	17	6	18	5
Termoli	Recruitments	18	1	38	4	22	3
	Departures	3	0	2	0	3	1
Total F.I.S.	Recruitments	102	15	177	43	169	59
	Departures	14	4	19	6	21	6

Equally important for us is to ensure the well-being of our employees through the implementation of company welfare initiatives that make our plants tailored to the needs of our people. In 2016, for example, in Montecchio, work was carried out to extend the car park and a full private bus service with a timetable that coincides with the shift patterns was set up at the full expense of the company.

In 2016, we also completed the work to double the company's canteen. Also, further initiatives are planned for 2017, when the second-level integrative contracts will be renewed, and further welfare issues will be developed.

Training is a third key element in increasing skills and homogenizing them to inform and raise awareness of approaches that are increasingly mindful of quality and

security or to improve relationship and management aspects of the activities and employees.

Our attention to the training and growth of our employees can be seen in the increase in training hours delivered over the past 3 years, totalling 20,461 hours in 2014 and 27,426 hours in 2016, an increase of 34.04%.

THE OBJECTIVES FOR THE NEXT FEW YEARS

Over the next few years, the organization will evolve further in the face of an increasing number of employees, establishing new internal communication channels and upgrading existing ones, starting from the site and "social" channels. We will also review the training and welfare needs of our people by conducting specific analyses and introducing skills updating systems that will result in structured learning paths, with the help of specialised trainers.

5 A SOLUTION THAT WORKS

5.1 OUR COMMITMENT TO THE ENVIRONMENT

At F.I.S., we consider protecting the environment and protecting the surrounding area to be two fundamental aspects of our business and we aim to ensure that we maintain a constant focus on our impact with the same care which we take to maximise our product quality and business productivity.

This is why, through our ISO 14001 environmental management system, we constantly monitor the main environmental impacts associated with plant activities, with the aim of progressively reducing emissions from our production activities, increasing energy efficiency and providing the utmost protection to the water resources

which we use.

The Company also devotes considerable financial resources to improve its environmental performance. Over the last three years, the amount of our environmental protection investments has increased from 15.95 to 23.05 million Euros, an increase of 44.59%.

Investments in environmental protection (millions of euros)

	2014	2015	2016
Incinerator, water treatment, and waste disposal	13.37	13.27	19.73
Other investments	2.58	2.95	3.32
Total investments	15.95	16.22	23.05

In terms of our energy consumption, in May 2016, for example, a new, integrated methane-powered trigeneration system was completed at the Montecchio plant. Over the last year, our total energy consump-

tion increased by 51.29% from 501,088 GJ to 758,098 GJ, mainly as a result of the installation of the new methane-fuelled cogeneration plant and the company's growth in production volumes. Overall, however, we

have become more efficient in energy consumption by producing a significant share of the electricity we use.

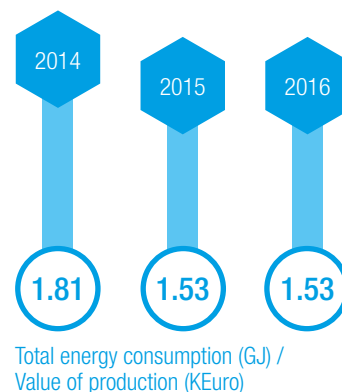
(3) Trigeneration is a particular field of cogeneration systems which, in addition to producing electricity, allows us to use the thermal energy recovered from the thermodynamic transformation to also produce refrigerated energy, i.e. refrigerated water for conditioning or for industrial processes.



Total energy consumption (GJ)

	2014	2015	2016
Diesel and gas oil	401	261	221
Natural Gas	288,745	307,337	423,298
Electricity supplied by the grid	205,840	232,343	237,647
Electricity from other sources	6,102	2,322	96,932
Total energy consumption	501,088	542,263	758,098

*The heading "Electricity from other sources" refers to the trigeneration plant which was installed in May 2016.

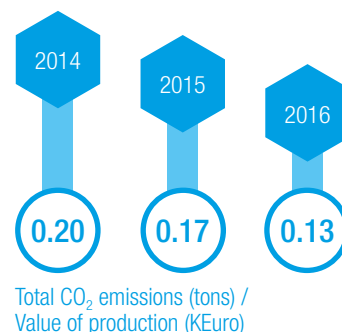


In addition to the increased energy consumption, greenhouse gas emissions have also risen from 56,092 to 64,669 tonnes of CO₂ equivalent from 2014 to 2016, up 15.29%. However, this is not a matter of "fugitive" emissions, i.e. those due to physiological and non-accidental losses that characterize certain chemical plants, as all our plants are closed-loop and equipped with systems for conveying vent and emissions to systems of internal heat combustion and reduction systems. In addition, in order to further ward off the risk of leakage, these tools are subject to preventive and periodic maintenance by our technical staff.

Direct and indirect greenhouse gas emissions over the three-year period (tonnes CO_{2eq})

	2014	2015	2016
CO ₂ emissions (objective 1)	42,441	44,009	48,960
CO ₂ emissions (objective 2)	13,651	15,581	15,709
Total	56,092	59,590	64,669

Objective 1 DIRECT CO₂ emissions from installations located within the company boundaries
Objective 2 INDIRECT CO₂ emissions deriving from the generation of imported electricity and consumed by the company



Knowing that further improvements can be made, we have also planned a series of actions that we will put in place starting in 2017 that will allow us to increase the efficiency of the plants. In Termoli, a new thermocouple will be installed and a new boiler has already been installed in order to increase the levels of energy savings and thus reduce greenhouse gas emissions.

Another category of potential environmental impacts associated with production activity concerns water consumption and

the treatment of waste water following production processes.

Our internal processes allow us to minimise the water consumption of the plant since most of the water used in production processes (for cooling purposes) is recycled and reused all the time: our evaporation towers provide an estimated saving of about 3,200,000 m³ of water per year, which was 228% of consumption in 2016. Furthermore, in 2016, the waste water monitoring system was improved in Mon-

tecchio and a continuous TOC⁴ (i.e. total organic carbon) analyser was installed on the drain that flows into the sewer system.

F.I.S. at the end of 2016 installed an activated carbon tertiary filter and initiated a process of progressively replacing foaming gases in use in firefighting systems containing traces of PFAS, a family of well-known pollutants at regional level but not Present in F.I.S. production cycles

THE OBJECTIVES FOR THE NEXT FEW YEARS

Over the next few years, we will be making further efforts to reduce environmental impacts, such as the installation of new thermocouples for gas emissions in Termoli and Lonigo, and a new boiler for steam production at Montecchio Maggiore with a view to reducing energy consumption

(4) Total Organic Carbon, often abbreviated to TOC, is a measure of the amount of carbon bound in an organic compound and is often used as a non-specific indicator of water quality or in the analysis of fumes resulting from combustion processes.

5.2 A RESPONSIBLE LINK

After more than half a century of production at Montecchio and almost 25 years in Termoli, we are proud of our report of profitable integration with the territory in

which we operate: in the face of steady growth in safety and development planned in agreement with local governments, the company has been an important driver of

employment development, as seen in the growing number of employees - of which an increasing number are young people - and their high professional qualification.

Employees employed in Montecchio from the territory

	Unit of measurement	2014	2015	2016
Employees residing in Montecchio	%	9.70%	9.30%	8.30%
Employees residing less than 20 km away	%	75.90%	75.20%	75.10%
Employees residing more than 20 km away	%	14.40%	15.50%	16.60%

Employees employed in Termoli from the territory

	Unit of measurement	2014	2015	2016
Employees residing less than 20 km away	%	71.20%	77.60%	76.30%
Employees residing more than 20 km away	%	28.80%	22.40%	23.70%

But that's not enough. Knowing our potential to provide additional social development opportunities to the communities we work with each year, we carry out school initiatives and projects and sponsor events, public spaces and youth sports teams for the benefit of the entire community, demonstrating the deep attachment that binds us to the territories of Termoli and Montecchio.

For the last two years, for example, we have sponsored the editing of the School Diary of the Comprehensive Institute of Montecchio, which has over 800 primary and secondary school students. Moreover, in 2016, we contributed to the purchase of musical equipment for the Marco Polo di Alte School that has undertaken a project

using music as a culturally aggregating element. Our proactive commitment to communities is also demonstrated by a number of sponsorships and donations that we have confirmed in 2016, such as sponsoring Vicenza's rugby team and adopting a green area within the city. Furthermore, in 2016, we donated an outpatient container to the Gagliole Municipality, which was hit hard by the earthquake that affected the Marche Region.

The direct relationship with schools in the territory of Montecchio and the surrounding areas, with particular attention to the institutes offering chemistry courses, has always been a business priority, further confirmed and enhanced in recent years with numerous visits to the company by

4th and 5th year students, some of which have been included in internship programs in a context of work class alternation. In 2016 alone, we have hosted 26 students and we are expected to host 30 in 2017 and we are also evaluating the upgrading of the work-class alternation program at Termoli.

The idea of organising regular visits to the plants is also seen in the "Open Factory" initiative, which will be replicated as soon as possible and which aims to give all citizens of the territory a look at our business activities. In the last edition of the event, we welcomed almost 3,000 visitors to the Montecchio plant, accompanying them on a visit to production facilities, laboratories and services.

THE OBJECTIVES FOR THE NEXT FEW YEARS

We intend to replicate the "Open Factory" initiative to increase the knowledge of the company's activities carried out at our plants.



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