

Sustainability report 2019

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Letter from the president

At FIS, the last two years have been marked by significant news and developments, both within the market and internally, which we have reported in this edition of the sustainability report. The most obvious change you may have noticed by looking at the cover of this report is the new corporate image. Having now passed our 60th year in business and after having recorded remarkable growth in terms of size, we felt the need to freshen up our brand identity. Not just a change of look, but a thoughtful and thorough process that allowed us to reaffirm the fundamental values of our way of doing business. A business philosophy that finds its maximum sublimation in the slogan that accompanies our new logo which is we "Guard the future"- this is to indicate that there cannot be genuine development if there is no respect and care for our natural and social resources for the benefit of future generations.

In our target market - that of API (Active Pharmaceutical Ingredients) - pursuing sustainability objectives means satisfying the expectations of customers, being increasingly interested in working with partners able to prevent the waste of raw materials, and pursuing efficient recovery of solvents, thereby increasing plant productivity.

At FIS we believe that social responsibility is in all respects a tool of governance and a factor of competitiveness and in order to integrate sustainability into the business model, taking into account the changes underway in the context in which we operate, we have launched a strategic reflection that will lead us in 2019 to formulate the new sustainability vision, which will help guide our choices in the coming years. The new sustainability plan, born from the close collaboration between the various company departments, together with the vision, will define clear objectives and identify the strategic choices in order to reach them, as well as setting the measures to verify their progress. We believe that to offer new generations a future it is

necessary to combine economic growth, employment and well-being with respect for the environment. Only in this way it will be possible to put the company in a position to compete globally while still maintaining a link with the local area in which we operate. A natural perspective for a family business like ours.

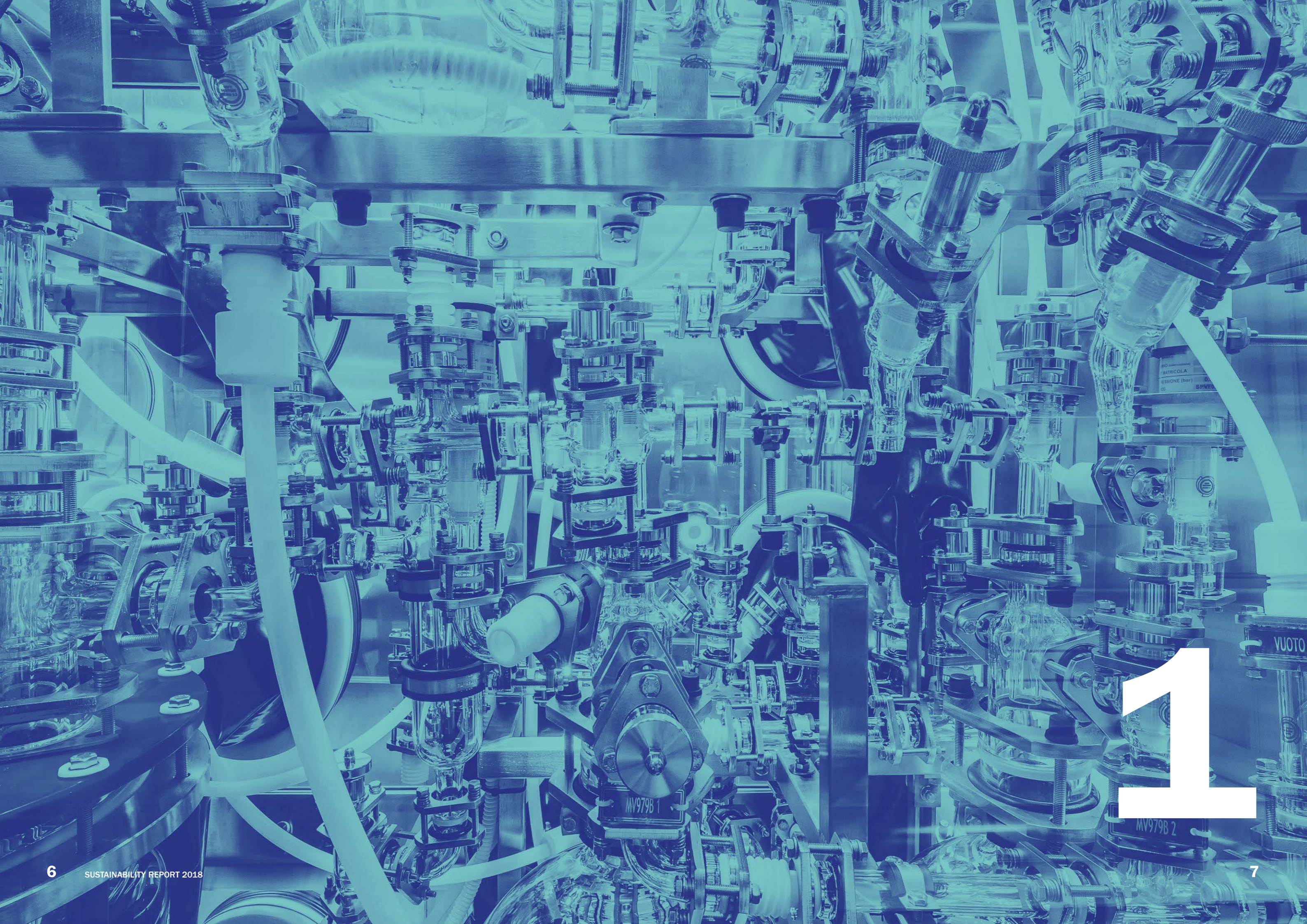
The initiatives and the huge investments made over the last two years must also be interpreted in this direction, which have seen us pay a lot of attention to our numerous workers, thanks to collective bargaining increasingly in line with the times and the new demands of the world of work and an improvement programme dedicated to operational excellence. A closeness that, in other forms, we have dedicated to customers with ever more efficient analysis and production processes and structures, which allow us to be reliable partners and at the forefront of innovation in fine chemicals and lean manufacturing.

The report, however, is not just a snapshot of the present, but a tool that drives us into the future, because within it we set our commitments to pursue,

as already mentioned, increasingly sustainable development. We are well aware that there is lots to do in the coming years, but we are starting from a good point and we are determined to be an agent of positive change, aware that employees are proud to work for responsible companies and young talents are aware and attracted by these values. We believe there is no other way for honest companies that want to compete and prosper in the world, in increasingly complex markets and tumultuous times. **FIS is ready for this.**



Giampaolo Ferrari
President



1

The reasons for our commitment

FIS is a private company that has a production capacity according to the GMP (Good Manufacturing Practices) standard such as to be ranked first in Italy and among the leaders in Europe with regard the production of advanced active ingredients and intermediates for the pharmaceutical industry.

We are an Italian company - founded in 1957 in Montecchio Maggiore (Vicenza), but with factories also in Lonigo (Vicenza) and Termoli (Campobasso) - specialised in the production of chemical products for the pharmaceutical industry. Our core business is represented by:

- Custom Synthesis, which is the exclusive production of intermediates, advanced intermediates and active ingredients for patent holding pharmaceutical companies;
- the generic market for which we develop and sell active ingredients such as tranquilisers, anxiolytics, antibacterials, anticonvulsants, anti-inflammatories, diuretics,

analgesics and cardiovascular drugs for which patent rights have expired;

- the veterinary market with both generic products and custom products.

We also provide a series of integrated services ranging from the optimisation of the synthesis and scale-up process to the large-scale production for commercial quantities.

Our commitment - summarised in our promise "To feed and contribute the growth and development of the entire ecosystem: families, local area, customers" - is to constantly be an international point of reference

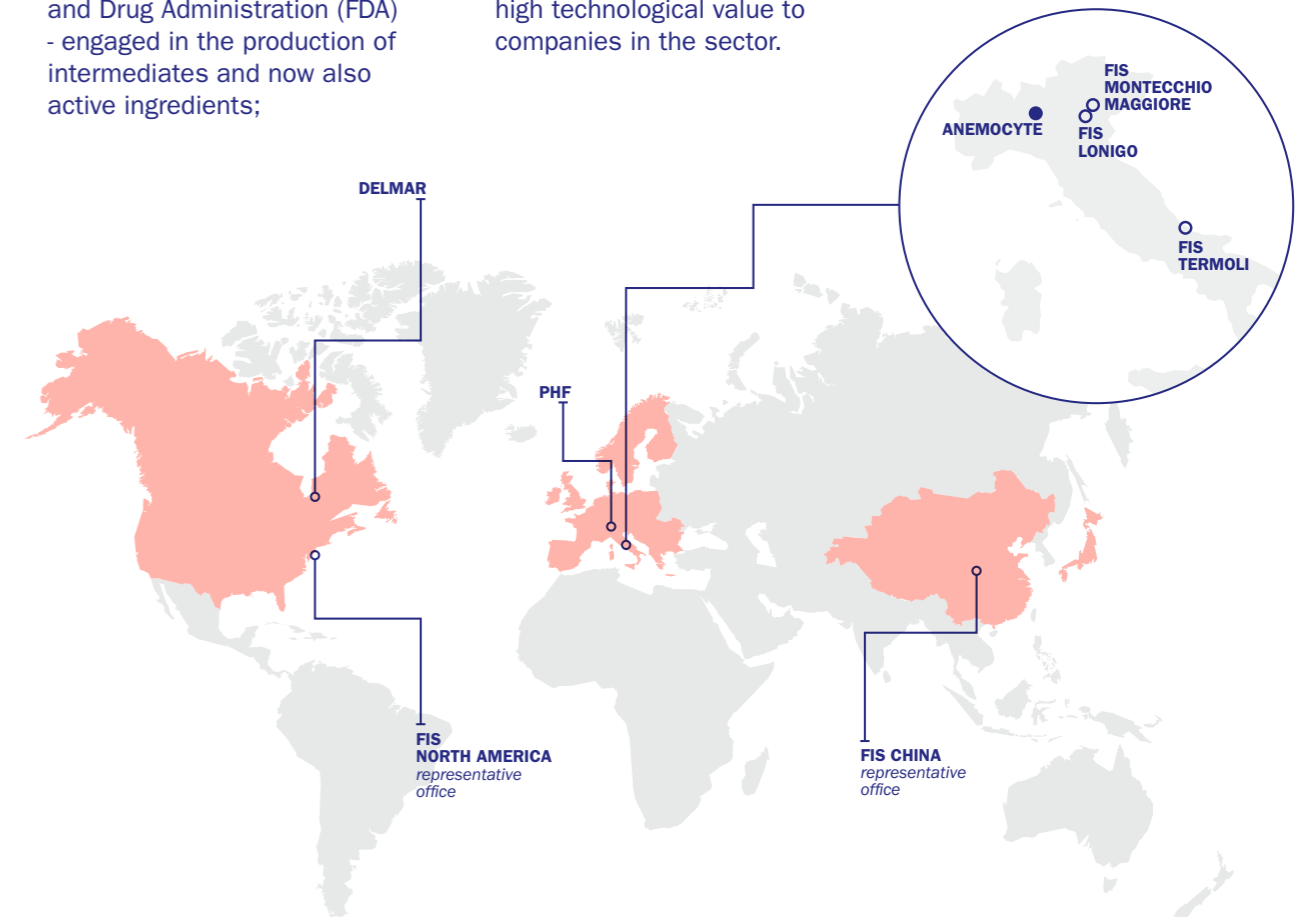
for pharmaceutical chemistry, which is why we guarantee our customers integrated services that include research and development, optimisation of chemical synthesis processes and growth strategies to guarantee large-scale production. The end user of our active ingredients is the patient suffering from a disease or condition and it is essential to be able to guarantee quality and safety of use aimed at therapeutic efficacy and improving the quality of life of the patient and the people around them.

FIS - Fabbrica Italiana Sintetici S.p.A. is controlled by Nine Trees Group S.p.A. which also controls the following companies:

- Anemocyte, an Italian biotechnology company dedicated to the development and production of innovative biological drugs;
- Delmar, a strategic site - authorised by the US Food and Drug Administration (FDA) - engaged in the production of intermediates and now also active ingredients;

- FIS North America Inc, FIS agent for the North American market;
- PHF, an independent Swiss company in charge of developing and manufacturing pharmaceutical and nutritional finished products, marketed in all countries through selected distributors. Furthermore, it offers itself as a financier for pharmaceutical projects of high technological value to companies in the sector.

FIS also has a representative office in China, which carries out support actions in the building and maintaining of relationships with suppliers of raw materials from the Far East.





62
YEARS IN BUSINESS


411,335
TURNOVER (K€)


1,800
EMPLOYEES


250
R&D EMPLOYEES


450
PATENTS


3,100
M³ PRODUCTION CAPACITY

The beginning and growth

The Ferrari family, with the help of a group of pioneers from within the Italian chemical sector, founded Fabbrica Italiana Sintetici. In 1958 the first plant was established in Altedi Montecchio Maggiore. In the 1960s, FIS became leader in the Benzodiazepine and Furanic families and other products including Furosemide, a diuretic drug still produced today by the company. It received the first authorisation from the US Food and Drug Administration.

Consolidation and new international challenges

Continuous growth of the Generic range, while at the end of the '70s the need emerged to follow a new market, Custom Synthesis. The continuous efforts to grow in this sector began to reap the first rewards and we looked with even more determination to international markets.

Green growth and the courage to look beyond

Business grew both in terms of products and contacts in the field of Custom Synthesis, which called for an expansion of production capacity (Termoli). Despite the crisis of outsourcing, FIS continued to invest, with ever increasing attention to the environment and thanks to obtaining the most important certifications. It celebrated 60 years of business in 2017.

Continuous and responsible innovation

FIS invested in the new sectors of High Potent molecules, in innovative process technologies such as Fluid bed drying, Spray drying and Sterile and in new Quality Control laboratories. It acquired a new plant in Lonigo and the number of its employees reached 1,700 (+175% from 2009). FIS celebrated its 60th year in business, with a focus on the future.

The context in which we operate

The European chemical industry - and at the same time the national one - plays an important role in economic development, supplying modern products and materials and allowing technological solutions in practically all sectors and the value chains of the manufacturing economy. The sector of active ingredients and intermediate for the pharmaceutical industry- one of the few in which Italy holds a leading position globally, with a turnover of around 3.6 billion euro (9% of world production) and with about 85% of production exported to more than 90 countries (USA and Japan in the lead - Source:Forum Aschimfarma 2018) is facing new and stimulating challenges:

- Coping with the discontinuity of supplies of raw materials from countries such as China where the regulatory framework suddenly changes;
- Preserving natural resources, especially water resources, in light of serious environmental damage perpetrated by some industries;
- Constantly increasing the value of professional resources in a difficult global market context in which growth and competitiveness are strongly conditioned by the quality of human capital;
- Responding to the changing needs of pharmaceutical multinationals that tend to outsource a significant part of the chemical production cycle, in addition to expanding one's skills to allow the use of enzymatic and biotechnological processes;
- Taking on board requests coming from legislative and regulatory entities that push for better disposal of waste - also hazardous - and more recycling;
- Attracting new talent to always be pioneers in the market;
- Spreading the paradigm of green chemistry, as a tool for sustainability and innovation.

The chemical-pharmaceutical industry is going through a difficult transformation process aimed at responding to the needs of society in terms of tackling climate change, focusing on the circular economy and greater sustainability, through new processing methods to ensure safe management of chemicals. Therefore, it is evident how the chemical industry can and must contribute in a decisive way to the achievement of the United Nations Sustainable Development Goals (SDGs) and more generally of the 2030 Agenda.

In this sense, FIS is also carefully looking at the sustainable development goals created by the United Nations. Given the nature of our business, our main aim is to strive for the third goal - *to ensure health and promote well-being for all at all ages* - by committing ourselves to reducing the negative impacts of our activities and spreading good practices, both upstream and downstream of our value chain.



Our way of doing business today

In order to face this increasingly complex scenario and ensure a solid guide for the company, we have adopted a sustainability vision. We did this by involving all company management through a process based on the planning methodology OGSM (Objectives-Goals-Strategies-Measures), which sets clear goals and identifies the

strategic choices to achieve them, defining the measures to verify their progress.

We have chosen this methodology because it encourages collaboration between different departments to achieve common objectives, taking into account the evolution of the market situation

and the expectations of our stakeholders.

We started from our current positioning related to CSR activities - Corporate Social Responsibility - by updating it and enriching it with suggestions that will allow us to better define our path of sustainability. The result is:

For some time we have adopted a Code of Ethics aimed at ensuring the entire company organisation conducts itself with respect for legality, honesty, integrity, fairness, transparency and good faith, all distinctive features of the FIS universe. All employees and those acting on behalf of FIS are required to know and comply with the provisions of the Code. Anyone can contact the Guarantor of the Code of Ethics, appointed by the Board of Directors, to report situations or behaviours that go against its contents.

Since 2011 we have added an Organisation, Management and Control Model to our Code of Ethics, complying with the requirements of Legislative Decree 231/2001 and subsequent amendments and additions, which requires the identification of corporate activities in which offences could be committed and defines the general principles, the structure and components of internal activities for risk organisation, management and control. We have added to this model over time, extending it to the

other offences envisaged by the Decree and have completed it with an internal sanction system. The application and operation of the model is monitored by an external independent Supervisory Board. This was established collectively and appointed by the Board of Directors to carry out periodic inspections to identify possible inconsistencies and shortcomings.

FIS: GUARDIANS OF A SUSTAINABLE FUTURE

We share with our stakeholders a concrete and agile action for the sustainable development of our sector, by investing first and foremost in the people and areas in which we operate.

To give substance to this statement, during the course of 2019 we will set the goals to be achieved, strategies to be implemented and measurement systems to be activated. In this

way we will fully implement our sustainability vision, which will allow us to better clarify internally how to face future challenges and establish a transparent dialogue with all our stakeholders,

representing a link between the present and the future. A path that will lead us to achieving even greater success in markets across the world.

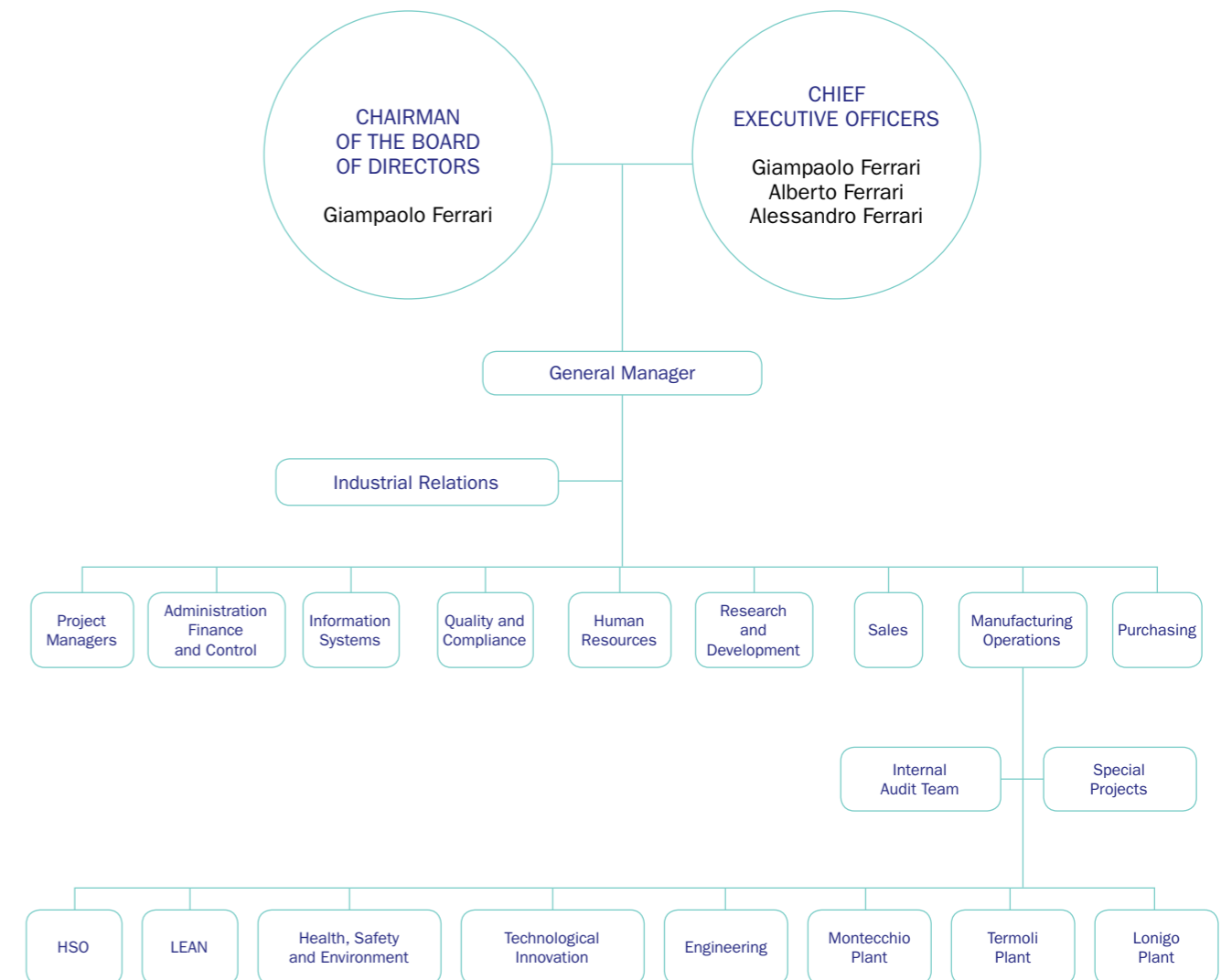
Our governance of sustainability

We have shaped a governance structure capable of meeting the daily needs of the company and allowing us to swiftly respond to our customers' requests. It has the merit of forging a synthesis between two distinctive aspects of FIS's success within the markets in which it operates: on the one hand there is the family component, which is the custodian of the founding values that have guided our company over the years; on the other hand, there is the managerial component, with skills that are always up to global challenges and that thrusts our

company into the future. We strongly believe in an ethical approach to business and that there is no genuine sustainable development unless the driver of sustainability is part of the company's business strategy. For this reason, since 2015 FIS has had a Sustainability Contact who reports directly to the General Manager. This Governance structure has contributed to giving even more relevance and substance to the issues of sustainable development within our company and to move from a reactive approach to compliance

to a proactive one in which sustainability is a lever for value creation. In particular, FIS is working towards greater integration of sustainability objectives into the corporate strategy.

In 2017 we decided to activate an internal function dedicated to communication with the aim of improving dialogue with all our stakeholders, making it more and more constant and open.



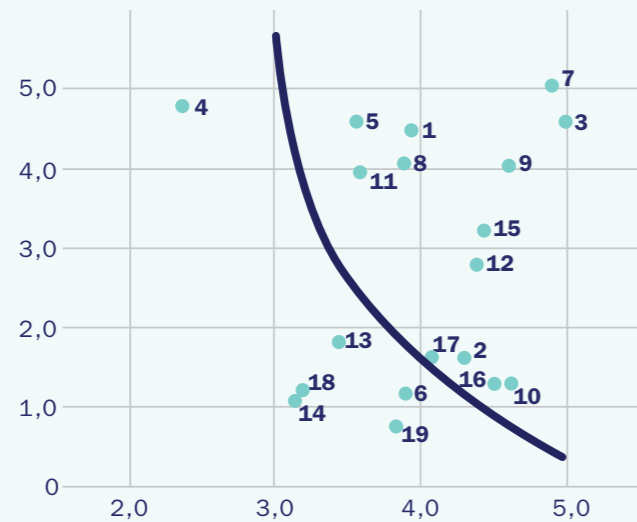
Our materiality matrix

The scope of this report takes into consideration the projects and activities undertaken or carried out by FIS during the two-year period 2017-2018. For the first time the Lonigo plant, which on the date of publication of the first report - May 2017 - had just been acquired, is taken into consideration. Any details, data and information relating to other companies of Nine Trees Group S.p.A. are not included. In accordance with the provisions of the GRI (Global Reporting Initiative, the

international reporting standard adopted), this edition of the Report is based on materiality analysis, identifying the reporting topics most relevant to the company and its stakeholders.

The identification of sustainability topics was carried out starting from a mapping of the company's stakeholders and a survey of the relevant topics for the reference market. The definition of a priority scale with regard material topics was conducted through a series of

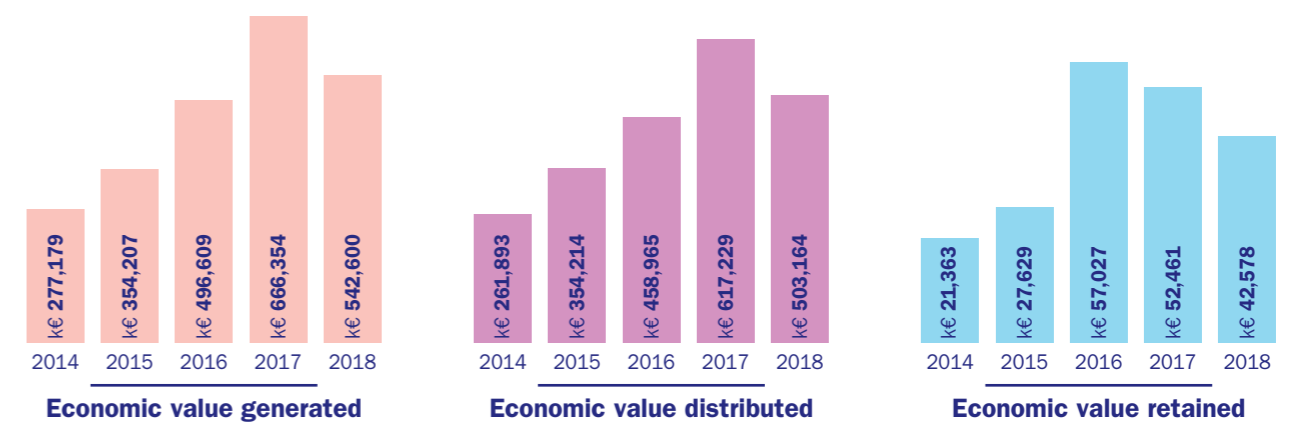
qualitative interviews conducted with top management and the heads of the main company departments. The result of this effort finds a visual summary in the following materiality matrix from which the material topics, above and right to the asymptote, will be discussed in detail in the following pages.

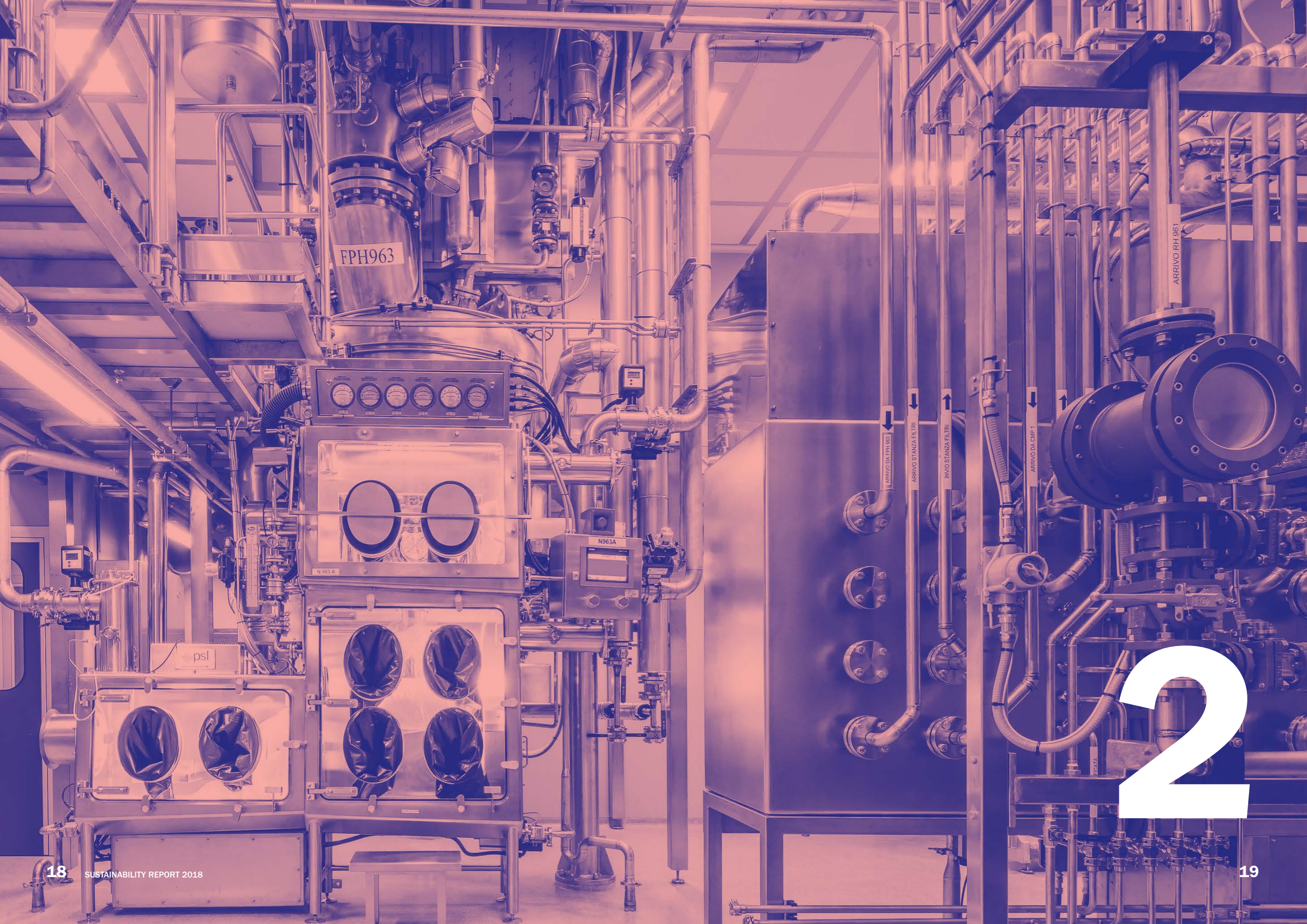


no.	TOPICS	no.	TOPICS
1	Employee remuneration, benefit and welfare policies	10	Supply continuity and compliance
2	Professional development	11	Climate Change, emissions and GHG
3	Health and safety at work	12	Discharges, water pollution and recycling
4	Fight against corruption	13	Sustainable use of energy
5	Business ethics (transparency of communication, pro-activeness above and beyond compliance, etc.)	14	Initiatives to support the community
6	Governance and board composition	15	Production capacity, stock management, delivery punctuality
7	Product health and safety	16	Sustainability of the supply chain
8	Data and intellectual property rights protection	17	Quality of relations with the institutions
9	Innovation, R&D and technological and process development (e.g. sustainable use of materials, enzymatic chemistry)	18	Respect for human rights
		19	Creation and maintenance of employment

The results of our commitment

	Unit of measurement	2014	2015	2016	2017	2018
Economic value generated						
Production value	k€	276,420	353,645	495,232	665,325	542,600
Income from investments	k€	-	-	-	-	-
Other financial income	k€	97	47	1,377	1,029	270
Extraordinary income	k€	662	515	-	-	-
Total FIS	k€	277,179	354,207	496,609	666,354	542,870
Economic value distributed						
Operating costs						
Raw material costs	k€	123,815	186,360	260,009	374,641	278,711
Service costs	k€	41,651	47,049	60,456	85,623	88,642
Costs for leased assets	k€	632	860	1,463	2,266	1,908
Changes in the stock of raw materials	k€	1,838	14,001	9,452	(10,424)	1,118
Other management costs (net of taxes)	k€	661	863	783	1,252	1,303
Extraordinary charges	k€	49	398	-	-	-
Value distributed to employees						
Personnel costs	k€	56,163	62,808	75,327	119,710	108,852
Value distributed to capital providers						
Interest and other financial charges	k€	1,485	1,782	2,433	3,759	7,754
Value distributed to the Public Authorities						
Current and deferred tax on income	k€	12,000	13,076	22,347	12,094	(247)
Other management costs (tax value only)	k€	587	527	506	2,043	847
Value available to the holding						
Dividends distributed	k€	23,000	26,000	26,000	26,000	14,000
Value distributed to the community						
Donations	k€	16	281	7	43	51
Sponsorships	k€	-	-	-	-	-
Membership fees	k€	177	209	182	222	225
TOTAL FIS	k€	261,893	354,214	458,965	617,229	503,164
Economic value retained						
Profit (or loss) for the year (excluding dividends)	k€	644	3,710	25,300	9,017	(5,710)
Depreciation/Provisions/Writedowns/Revaluations	k€	20,601	23,743	31,646	43,300	48,303
Deferred taxes	k€	118	176	81	144	(15)
TOTAL FIS	k€	21,363	27,629	57,027	52,461	42,578





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We strive for wellness at work

In the face of new work paradigms, we act to create together with our colleagues a business culture characterised by a safe and healthy working environment, in which to grow professionally, enhancing talents and respecting people's expectations

The outdated idea of a worker, who just goes to the factory to do the job in exchange for his/her wage, has had its days. Nowadays, everybody who is part of organisation, whether simple or more complex, asks for social validation, the economic aspect is part of a new and broader concept of remuneration that considers new needs and contemplates benefits that match modern requirements. The company can no longer offer "only" a job, but must open up and make each member of the team feel as if they are vital part of a meaningful community. And so the role of the worker also leaves room for a new professional figure in the chemical industry. A tension that is also noticeable outside the company itself and that calls companies to take the challenge for the continuous attraction of new talents: it is no longer sufficient to create a job position and choose the most suitable candidate. More and more often, young talents actually choose the company and the latter in order to be appealing must know how to showcase itself and satisfy needs that up to now have not been expressed, how to respect the environment or experiment with new ways of enjoying work.

Let's restart with the basics

Aware of these new issues, at FIS we have long begun to implement policies and initiatives that help our community feel respected and valued. But each community must share common values in order to progress and prosper, in addition to adopting rules of behaviour. For this reason, in 2018 - after the physical growth experienced in recent years - we decided to take up once again the company's founding values and set them in today's context. Starting from the analysis of the code of

ethics - created ten years earlier - the company compiled a set of values that best reflect the spirit and genetic heritage of FIS. The distinctive feature of this process consists in the fact that, for each of these values, behaviours have been explained which, from top to bottom, are transferred and shared with everyone in the company. It marks an extremely concrete approach to achieve equally concrete results and success. To facilitate this spreading there is a structured and organic internal

communication activity - headed by the Human Resources division - which uses tools such as the company intranet, the website, the TV screen system within the three sites; finally a corporate profile on professional social network (LinkedIn), through which we also want to address the outside world with an employer branding activity.

Our values

CONCRETENESS

Ability and determination in turning ideas into results and words into actions. Strong propensity to formulate incisive and substantial proposals and solutions. Ability to design and adequately organise activities and tenaciously lead them towards the pre-set results.

CREDIBILITY

Paying a great deal of attention on the perception that external and internal individuals have of the company and of the action of individuals in the interpretation of their role. Expressing and promoting behaviours that are consistent with company values, with company strategies, with the role and responsibilities assumed. Individual commitment but also trying to achieve cohesion with a collective action, in putting into practice the decisions taken.

RESPONSIBILITY

Taking care of people and situations as much as possible by always identifying the contribution that can be made to solve problems. Not feeling comfortable if you have done your part but the result is not achieved. Considering the impact on others of your own actions and decisions in the short and long term. Always considering both the balance of the system and the balance of people's relationship with their work.

SKILL

Building an environment where people are encouraged to improve, where they have strong and constant opportunities for developing skills and their decision-making autonomy and are supported in this effort. Paying particular attention to making the professional experience interesting and profitable by looking for ways to enhance individual potential but also identifying new skills (technical and managerial) that allow the company to develop positively.

TRUST

Awareness of one's own means and of the company's ability to develop knowledge to positively face the future. Trust in the contribution and support provided by colleagues and workers. Becoming an active part in supporting colleagues both within their own role and in inter-functional relationships. Believing in professional sharing and discussion as an essential component for problem solving and improvement.



PASSION

Strong positive force towards the idea of a company that constantly improves, that is not content with satisfactory results but aims for excellence and growth. Feeling a sense of belonging and spreading a sense of pleasure in achieving results, no matter what, favoured by a positive and engaging atmosphere that stimulates commitment and the enthusiasm to face significant challenges.

INTEGRITY

Being an example of respect for people and rules. Acting constantly in accordance with the principles of fairness, correctness, transparency in behaviour and consistency. Always paying attention to the roles, skills, knowledge and personal experience of the individuals with whom we work. Assuming forms of constructive and non-personal discussion with others, even in difficult and contentious situations. Tackling problems to resolve them, with intellectual honesty, regardless of the repercussions on one's function or role.

ENTREPRENEURIAL WISDOM

Ability to combine the experience of the past with a view of the future while maintaining the balance between passion and logic. Tackling challenges, demanding projects and difficult situations by evaluating the resources available.

HUMILITY

Simplicity in interpreting one's own role: getting involved, knowing how to learn from others and knowing how to take into account points of view and experiences different from one's own, having the ability to know how to rethink things, not relating to others in an unbalanced way, carefully handling relationships with others. Having the desire and humility to learn to achieve the goals.

INITIATIVE

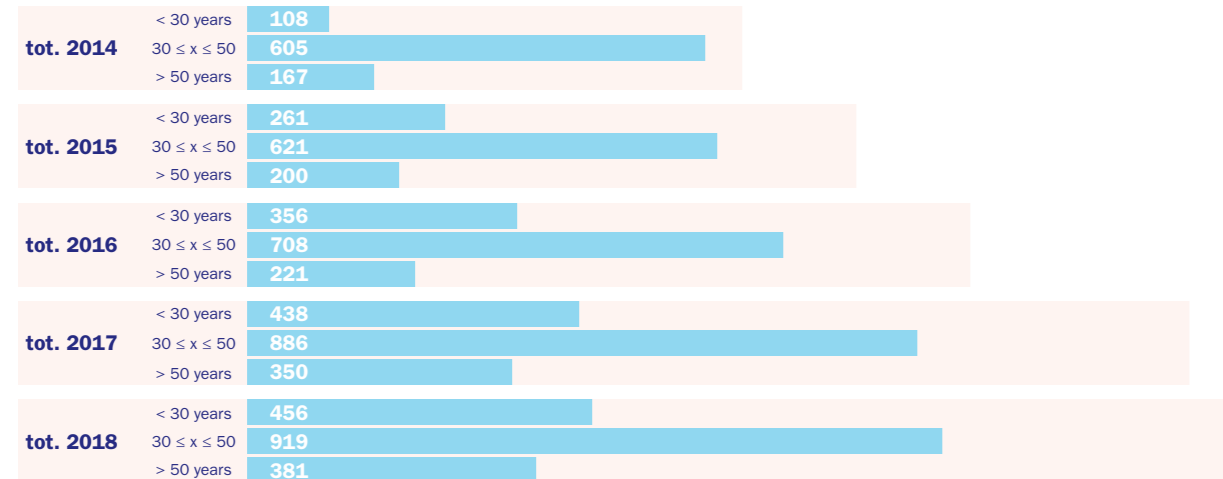
Being an engine and generator, knowing how to carry forward ideas, solutions and projects with energy. Adopting an attitude of openness to change, the search for new approaches, the drive for innovation and the exceeding of one's own standards.

Our people

In the last two years the number of workers has increased by 43% reflecting the expansion of production capacity, moreover the labour market has started to move again and also FIS has been a resource magnet and managed the physiological phases of retirement. Today our first objective must be to continue to guarantee high standards of safety, health and quality of work for all our employees, over 1700 people compared to almost 900 five years ago.

Number of employees by gender and age group (as of December 31)

	Age group	Unit of measurement	2014		2015		2016		2017		2018	
			Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
Montecchio	< 30 years	No.	76	16	172	42	234	70	234	89	229	91
	30 ≤ x ≤ 50	No.	450	69	459	79	514	103	522	124	514	135
	> 50 years	No.	122	22	146	21	159	19	183	24	207	28
Termoli	< 30 years	No.	16	0	45	2	49	3	52	4	47	4
	30 ≤ x ≤ 50	No.	83	3	78	5	85	6	86	6	88	12
	> 50 years	No.	23	0	33	0	42	1	50	1	53	1
Lonigo	< 30 years	No.	n/a	n/a	n/a	n/a	n/a	n/a	50	9	68	17
	30 ≤ x ≤ 50	No.	n/a	n/a	n/a	n/a	n/a	n/a	125	23	142	28
	> 50 years	No.	n/a	n/a	n/a	n/a	n/a	n/a	81	11	80	12
Total			770	110	933	149	1,083	202	1,383	291	1,428	328
Total (men + women)			880		1,082		1,285		1,674		1,756	



Type of contract*

*in 2017, 9 office workers were also employed on a temporary basis and then hired in 2018, excluding internships and work-related learning initiatives

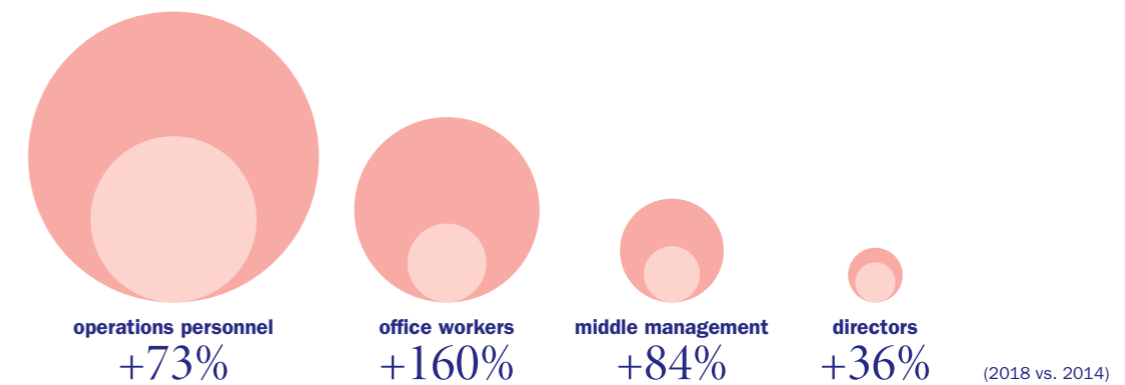
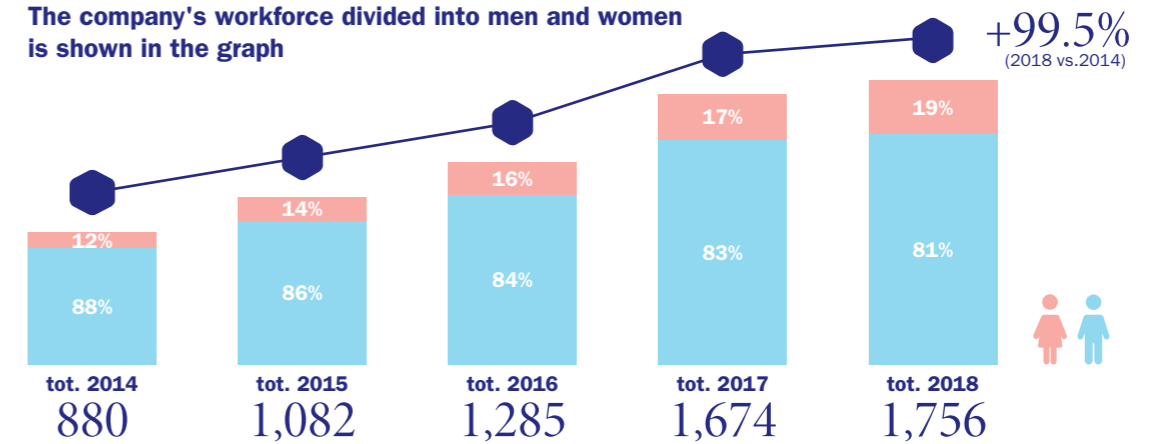
	2014	2015	2016	2017	2018
Employees with permanent contracts	873	1,073	1,229	1,515	1,612
Employees with temporary contracts	7	9	56	159	144

In recent years, the strong growth in size of the company has also been accompanied by the addition of different professionals, in all company areas, with different expertise, also opening up, but not limited to, the possibility of organising shift work also for female workers for example in

laboratories, thus ensuring greater accessibility to job opportunities. 2018's increased turnover rate is within physiological levels. People leaving the company mainly fall under the categories of generational turnover, the transfer of some managerial figures within the holding Nine Trees Group

as supervisory figures for the Chemical Business Unit, as well as relating to the revival of the job market. The company is still deemed attractive, especially for the specific technical skills of the sector, placing itself as a leader in the Italian market.

The company's workforce divided into men and women is shown in the graph



Employees divided by position

	Unit of measurement	2014	2015	2016	2017	2018
Number of directors	No.	22	23	26	33	30*
Number of middle managers	No.	109	121	134	184	201
Number of office workers	No.	263	283	360	613	684
Number of operations personnel	No.	486	655	765	844	841

*in 2018 some directors previously employed by FIS were transferred to the holding company Nine Trees

Turnover rate	Age group	2014		2015		2016		2017		2018	
		Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
	< 30 years	0.0%	0.0%	2.9%	2.4%	4.3%	1.4%	2.1%	2.2%	2.2%	1.1%
Montecchio	30 ≤ x ≤ 50	1.1%	1.4%	0.9%	2.5%	0.6%	3.9%	0.6%	2.4%	2.7%	4.4%
	> 50 years	4.9%	13.6%	5.5%	14.3%	3.1%	0.0%	4.9%	8.3%	7.7%	10.7%
Termoli	< 30 years	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30 ≤ x ≤ 50	2.4%	0.0%	1.3%	0.0%	2.4%	16.7%	1.2%	16.7%	1.1%	0.0%
	> 50 years	4.3%	0.0%	3.0%	0.0%	2.4%	0.0%	2.0%	100.0%	3.8%	0.0%
Lonigo	< 30 years	n/a	n/a	n/a	n/a	n/a	n/a	4.0%	0.0%	10.3%	5.9%
	30 ≤ x ≤ 50	n/a	n/a	n/a	n/a	n/a	n/a	0.0%	4.3%	2.1%	7.1%
	> 50 years	n/a	n/a	n/a	n/a	n/a	n/a	12.3%	27.3%	12.5%	8.3%



FIS's commitment to its people

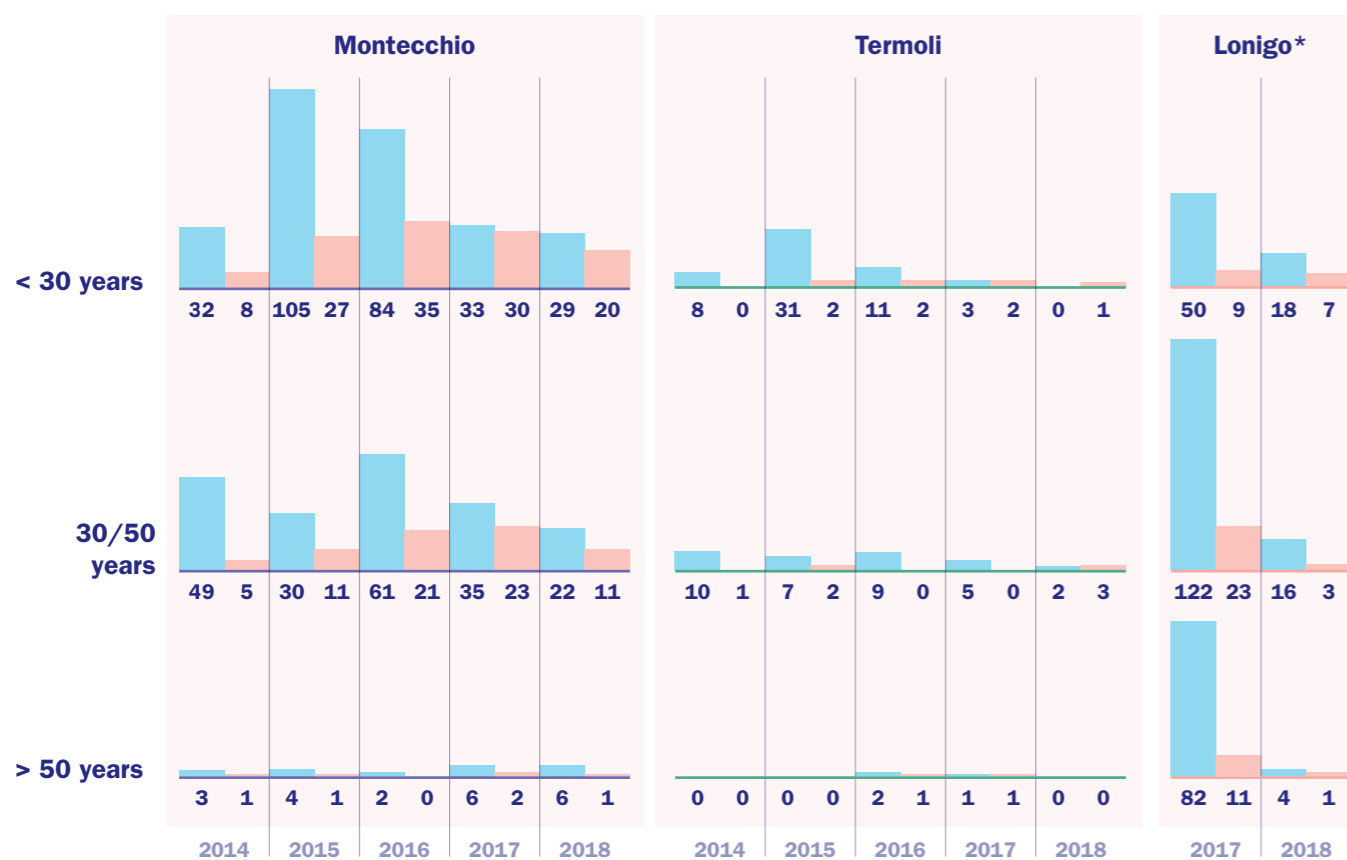
The company's main goal is to be by the side of everyone at FIS. This is why at the beginning of 2018, together with the workers' union representatives, we worked to create uniform contractual conditions for all employees, a path that saw completion in the

drawing up of the new second level labour agreements, valid for the three-year period 2018-2020 and addressed to the staff of all three company sites.

This has allowed us to improve the aspects regarding contracts and

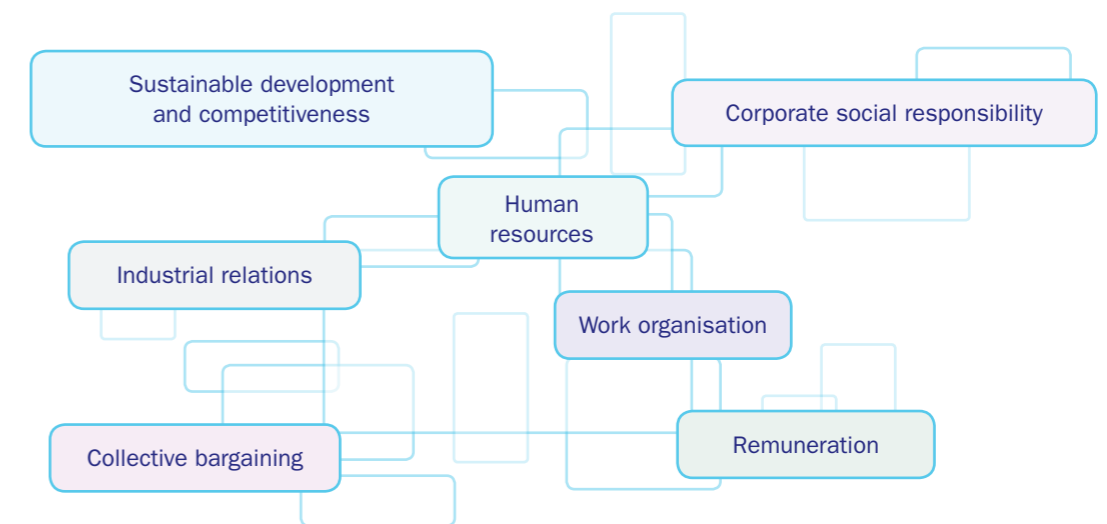
remuneration as well as the levels of awareness and engagement of workers, with the ultimate aim of creating a working environment that is increasingly in tune with the needs and expectations of people.

Site recruitment by gender and age group



*the Lonigo plant joined the FIS Group in 2017, which therefore had a considerable effect on the recruitment numbers for the year 2017.

The result is a substantial document whose key chapters are:



The effort called for by uniforming the collective agreements sees one of its challenges as making male and female remuneration equal, which at FIS has already been improving over the years and is above the sector averages if you look at the percentage difference in male vs female remuneration (at FIS equal to 93%), therefore higher than the chemical industry average

of 88% (Gender Gap Report Survey of the Job Pricing Control Committee in 2018), in other words, male remuneration is 100 so women are earning 12% less - 7% in the case of FIS. The data is to be read as a faithful mirror of the growth trend of FIS which has experienced significant recruitment of young resources, of which more and more are women, compared with a

cross-section of the company that saw a higher prevalence of men, from which there is a difference between the excellent salary ratio of middle management, office workers and operations personnel and the salary ratio of directors who still experience the historic situation, despite women already holding senior management positions.

Average pay difference between men and women

	Montecchio				
	2014	2015	2016	2017	2018
Directors	83.1%	81.15%	78.4%	85%	86.9%
Middle Management	103.0%	98.09%	97.2%	95%	94.2%
Officer workers	97.7%	94.01%	93.5%	95%	95.7%
Operations personnel	89.3%	88.72%	89.6%	92%	92.8%
Average pay difference between men and women	90.6%	86.2%	89.9%	90%	90.6%

	Termoli				
	2014	2015	2016	2017	2018
Directors					
Middle Management	85.3%	86.02%	101.6%	92.6%	93.2%
Officer workers	82.6%	85.73%	86.6%	88.7%	93.3%
Operations personnel		88.54%	88.7%	94.3%	87.7%
Average pay difference between men and women*	84.2%	87%	95.4%	91.9%	92.0%

*Excludes directors in the calculation of the average and operations personnel for the year 2014 as there are no females

	Lonigo	
	2017	2018
Directors	110.1%	101.0%
Middle Management	86.8%	91.6%
Officer workers	97.8%	98.0%
Operations personnel		91.9%
Average pay difference between men and women*	101%	97%

*Excludes operations personnel in the calculation of the average for 2017 as there are no females

Some initiatives, tangible examples of our commitment

On the occasion of the latest renewal of our company collective bargaining agreements, a series of new elements were introduced aimed at implementing certain strategic matters with respect to the climate of internal relations, conditions and work organisation. In the first sense, within the system of industrial relations, the network of organisations backed by the company and employee representatives was strengthened. In particular, in addition to the established Company Control Committee at a site level (mainly responsible for studying aspects of work organisation), the **Central Company Control Committee** was set up as a further tool to foster and develop dialogue between the parties on issues of common interest shared by the three company sites. The Control Committee operates periodically as a joint tool for information, consultation and analysis on the following topics:

- Market trends and production prospects;
- Development strategies and business competitiveness;
- Updates occurred regarding first-level bargaining;
- New elements to be considered in subsequent negotiation renewals.

A second area in which innovative actions have been seen since 2018 is that of contractual Welfare which, in addition to the support or social measures already provided, now includes additional tools for protecting workers and rebalancing work and family life. As a matter of fact, in order to be by the side of our workers, even in difficult times, we have set up a **provision fund for income support**. This is a bilateral instrument aimed at setting aside resources to be allocated to support workers' income, to guarantee their continuity of employment

and occupational well-being, in the event of possible risk situations. The fund - jointly managed by the Parties - has a welfare nature because the contributions are destined to workers in situations of individual difficulty or collective issues, but all workers are required to participate, together with the company, to allow support actions should they become necessary, according to contribution systems and regulatory mechanisms defined between the Parties. This is a measure that will become operational in 2019.

In the same spirit we have introduced a **Paid Time Off Fund**, introduced on a trial basis already in the collective agreement of 2015, which allows workers to transfer Paid Time Off (PTO) hours to the fund to be used by colleagues in particular need. Joining is voluntary and requires the worker to initially transfer 2 hours of PTO for each year. The hours set aside in the Fund can be used as paid time off for serious situations regulated in detail by the agreement.

We recognise the importance of **striking the right work-family life balance** and we try to encourage it, by contributing 50% of hours in paid leave and up to 40 hours/year, in the event of absence due to family illnesses requiring assistance from our workers; we know full well that serenity and productivity in the workplace are closely connected with the private life of our people, our greatest resource. But that's not it: we also believe that **motherhood** is a precious gift and the commitment and effort involved in creating a family must be strongly supported. We believe that our female workers should see their rights strengthened even more by extending them beyond

the limits imposed by current national legislation, therefore we recognise each new mother up to 100% pay in addition to that from INPS in the event of optional maternity leave, or beyond time period envisaged for compulsory maternity leave.

In the field of work organisation we have identified in **smart working** a performance method that can ensure and make compatible a range of positive effects including a greater balance between the management of the work activity and personal needs, with the consequent effects in terms of higher levels of effectiveness and productivity as well as reduction of polluting emissions. To this end, in 2018 a pilot project was started at the Montecchio plant, which allowed an initial trial to be carried out, producing positive and certainly interesting aspects that will be used during 2019 to further extend the number of workers involved, with the prospect of finally arriving at the complete adoption of this innovative work tool. Also with regard to the organisation of work, efforts have also been made to improve the company's response to requests from our customers by improving the conditions to achieve greater synergy between the three company plants through staff mobility between the sites themselves. An event already regulated by the national collective agreement of chemical industry employees, but for which we have decided to grant our employees more favourable treatment and additional benefits.

Other significant initiatives

Between 2017 and 2018 a survey was conducted on work-related stress which involved, at different times, the entire workforce of the three sites. As a result of how it was structured, it can be shaped into a sort of organisational health survey that has resulted in some interesting topics and needs that can be translated into a number of actions to be taken:

- skills development;
- access and opportunities in growth and career paths;
- wellness at work.



Following this survey, in order to respond to these requests, FIS trialled the WOW (**Wellness Opportunity at Work**) programme and, as a first step, it provided all personnel at Montecchio with the Mindfulness Point: personalised and individual specialist support from a psychotherapist able to provide the right tools to reduce stress and boost energy, motivation and personal and professional achievement.

At the same time, a workshop was also arranged on how to manage mental stress, addressed primarily to employees working in offices with a role of office worker/ technician, middle management and high management.

In 2019, the WOW Programme has been extended to all three sites and an initiative to promote well-being through the arranging of Nordic Walking courses was added. This initiative is also aimed

at supporting the creation of a business community, promoting psycho-physical well-being and a healthy lifestyle, supporting commitment and, consequently, fostering staff retention.

To further improve the respect for the environment by our staff and promote sustainable mobility, at the end of 2018, we introduced a trial **company car pooling scheme at the Montecchio production site**. We have decided to entrust Bringme, a leading company in Italy, which provides the Jojob® platform designed to facilitate the matching of employee car pooling supply and demand, thus becoming an effective alternative means of transport for commuting. The real added value offered by Jojob® also lies in the use of a Smartphone App able to certify the presence of one or more passengers by car, measuring the actual km travelled by carpooling, quantifying the CO2 emissions

saved for the environment, the economic savings of carpoolers and - through a points reward system - even allow users access to a specific platform for purchasing goods and services at subsidised prices.

To encourage platform usage, the Company has also activated another reward scheme for the best carpoolers who challenge each other on a quarterly basis with the awarding of additional prizes. In the last quarter of 2018, 115 people signed up and there was a total of about 4,600 journeys and 125,000 km travelled, obtaining a beneficial CO2 saving of around 10,000 kg. In 2019, also in view of the results that are set to be achieved, the platform could also be extended to the Lonigo and Termoli production sites.

Training

At FIS, the topic of training is considered to be of absolute importance. The high number of people working in the company and the highly specialised tasks they perform call for Human Resources to ensure specific and constant continuous training activities, which assume even greater value as they take into account the characteristics and needs - also in terms of soft skills - of each individual employee.

We believe training is a vital success factor, so much so that in the last two years we have

laid the foundations - through a Kaizen event - to create a genuine company academy to oversee the areas of Production, Quality Control, Research and Development, and Technology. The Company unit will focus on managing aspects of training, updating, development and sharing of technical, professional and specialist know-how, but will also relate to aspects of quality and health, safety and the environment, customising the training needs on the basis of the personnel present in company. This planning, therefore, is geared

towards enhancing internal skills and aims to make training initiatives more effective by managing learning with tangible and specific examples. It is seen as playing a central role to be able to structure and consolidate the vital know-how, considering the huge number of people who have joined in recent years, who are also bearers of knowledge and skills.



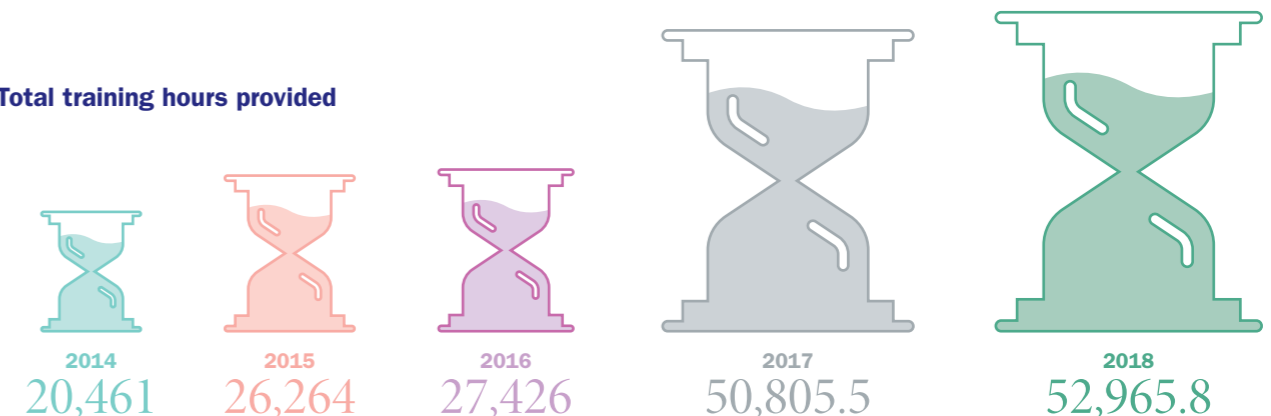
Company training (average no. hours per person)

	Unit of measurement	2014	2015	2016	2017	2018
Male employees	No.	25	26	22	30	30
Female employees	No.	31	29	25	32	31

Total training hours provided to employees

	Unit of measurement	2014	2015	2016	2017	2018
Training provided to directors	h	919	1,453	667	1,122	1,275.5
Training provided to middle managers	h	5,585	6,603	5,814	9,135	8,187
Training provided to office workers	h	6,003	5,924	7,939	22,533.5	21,078
Training provided to operations personnel	h	7,954	12,163	12,547	17,458	19,526

Total training hours provided



Schools and Universities

Training also goes beyond company boundaries and work-related learning programmes become the best opportunity to immediately train the chemistry professionals of tomorrow. In the last three years we have welcomed a total of 96 young people to the company at the three plants, who were able to experience first-hand the world of industrial chemistry.

In Termoli we have adopted a third-year class of the Majorana Higher Education Institute for three years, bringing to the classroom

professional contributions on the topics of chemistry, the environment and safety. There have also been some visits from high school classes.

Another activity worth noting concerns university students - 19 in the last two years - whom we have proudly welcomed with open arms looking to expand their thesis projects or further enrich their internships. These initiatives will be accompanied, in 2019, by career guidance and recruitment activities at professional institutes

and universities in the area of Vicenza, Padua and Verona. It is not just chemistry that is the playing field of interest and meeting between FIS and students of all educational levels, the complexity of our profession offers many opportunities for professional growth and deepening: from the areas of quality assurance to regulatory affairs, from health, safety and environment to information technology, from planning to ecological services.

Total training hours provided to students welcomed by the company

Plant	2017			2018		
	Montecchio	Lonigo	Termoli	Montecchio	Lonigo	Termoli
Work-related Learning	26	7	NO	28	10	15
WORK EXPERIENCE/THESIS STUDENTS/UNIVERSITY INTERNSHIPS	6	0	2	8	3	0

Health and safety of our people

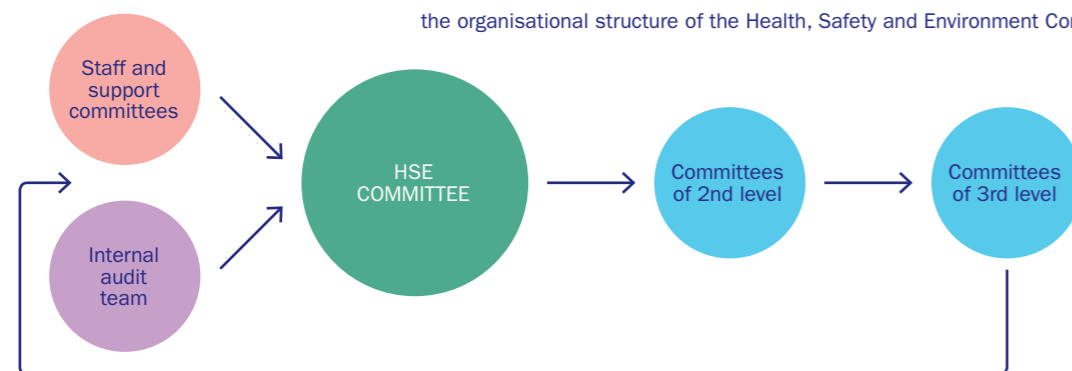
At FIS we believe that all employees should be promoters of the proper management of health and safety, both theirs and their colleagues. We have therefore implemented - in partnership with a multinational leader on providing advice on health and safety issues - a programme called "**Operational**

Excellence", aimed at training our people on safety aspects and transmitting a series of best practices also to suppliers and contractors.

To facilitate this improvement process we have established HSE Committees - to coordinate

initiatives and gather suggestions - defined a de-risking plan and drafted an HSE policy that details the commitments we make at FIS to ensure sustainable development compatible with local citizens, the environment that hosts us and the well-being of all our employees.

the organisational structure of the Health, Safety and Environment Committees.



The HSE Committees have the task of promoting and maintaining a positive corporate culture in the field of HSE - ensuring the involvement and participation of line personnel of all levels - and a communication process from top to bottom and vice versa.

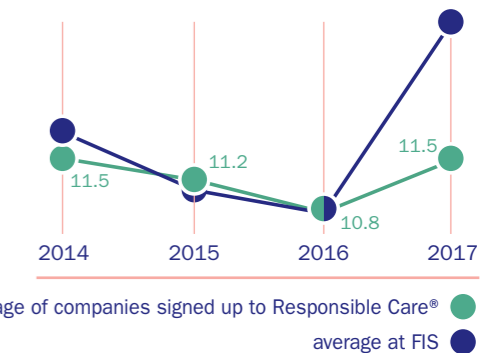
The Line Committees ensure the dissemination of HSE information to lower levels, in order to guarantee extensive and immediate dissemination of information, requests and needs involving aspects related to safety, health and the environment.

These committees are the most appropriate forum for documented discussions between safety managers and workers for the sharing and awareness of improvement and training plans.

On May 25, 2018, at the Lonigo plant, one of our young workers died during an operating phase in circumstances believed accidental yet still subject to evaluation by the Relevant Authorities. The company, stunned by the incident, decided to stop production for three days as a sign of mourning and respect to family members. This sad event confirmed our commitment to continue and, where possible, intensify the programmes and initiatives to guarantee the maximum health and safety of all the people who work at FIS.

Health, Safety and Environment training (hours per person)

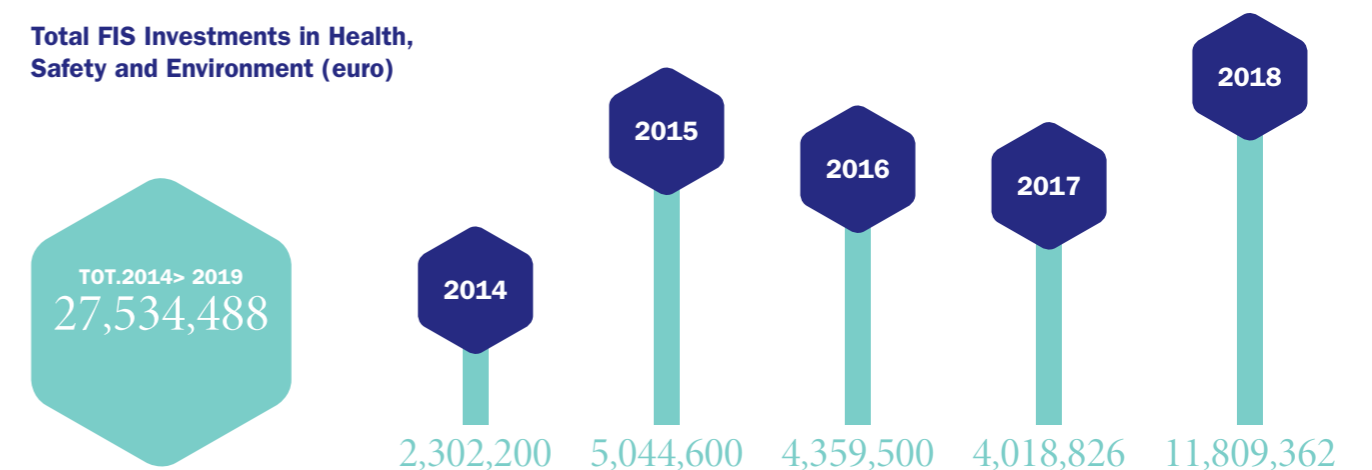
		2014	2015	2016	2017	2018
Montecchio	h	12.6	9.4	9.9	27.7	21.6
Termoli	h	14.2	14.6	16.3	35.7	45.0
Lonigo	h				45.6	50.8
average at FIS	h	12.8	10.2	10.8	28.9	25.0



Health, Safety and Environmental Investments (Euro)

	2014	2015	2016	2017	2018	Total
Montecchio	1,816,900	4,621,600	3,704,900	3,202,000	4,410,700	17,756,100
Termoli	485,300	423,000	654,600	671,226	3,671,500	5,905,626
Lonigo				145,600	3,727,162	3,872,762

Total FIS Investments in Health, Safety and Environment (euro)

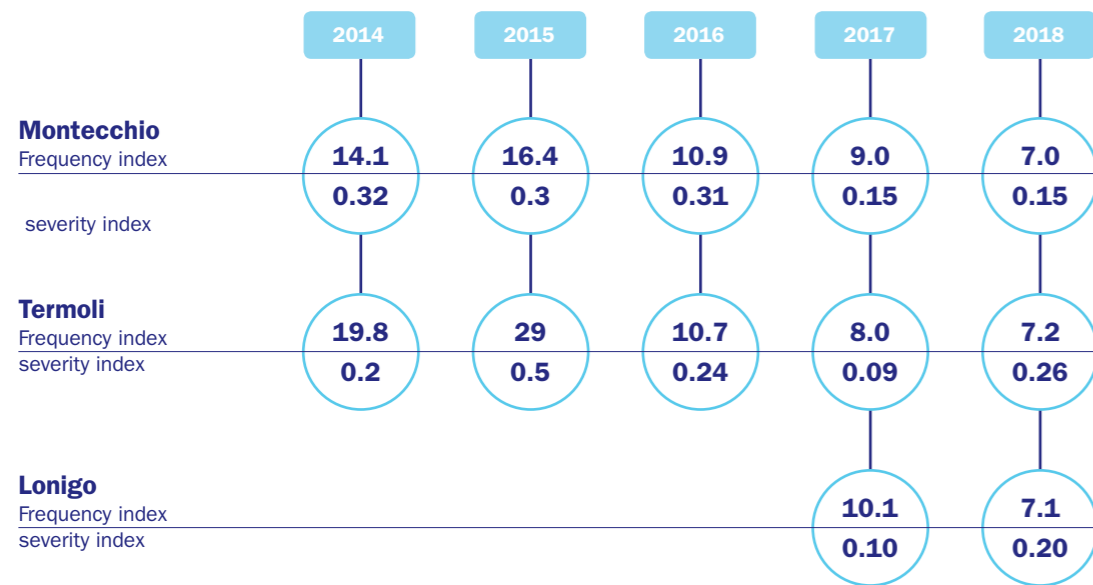


Accidents at the plants (no.)*

	2014		2015		2016		2017		2018	
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
Montecchio	17	-	22	-	18	-	20	-	17	-
Termoli	4	-	6	-	3	-	3	-	3	-
Lonigo	2	-	3	-	6	-	6	-	5	-
Total F.I.S.	23	-	31	-	27	-	29	-	25	-

*Only accidents with a prognosis of more than 3 days and deaths are counted

Frequency index* and severity index** of accidents



*The frequency index is calculated as the number of accidents/hours worked x 1,000,000
 **The severity index is calculated as the number of days lost due to injury/hours worked x 1,000

Days lost due to illness and absenteeism rate*

	2014		2015		2016		2017		2018	
	Total days lost	Absenteeism rate	Total days lost	Absenteeism rate	Total days lost	Absenteeism rate	Total days lost	Absenteeism rate	Total days lost	Absenteeism rate
Montecchio	6,858	4.2%	8,210	4.4%	8,831	3.2%	8,133	2.8%	9,882	3.2%
Termoli	1,093	4.10%	1,293	4.1%	1,293	2.7%	1,143	2.3%	1,666	3.2%
Lonigo	2,388	4.4%	2,172	4.0%	2,161	4.0%	1,679	2.3%	2,391	2.7%

*The absenteeism rate is calculated as the number of days lost due to illness/planned work days, temporary workers are excluded from the calculation

Operational Excellence

The program started in 2016, initially involving only production personnel and then extended to all employees with training and coaching activities aimed at spreading best practices, thereby increasing efficiency and flexibility.

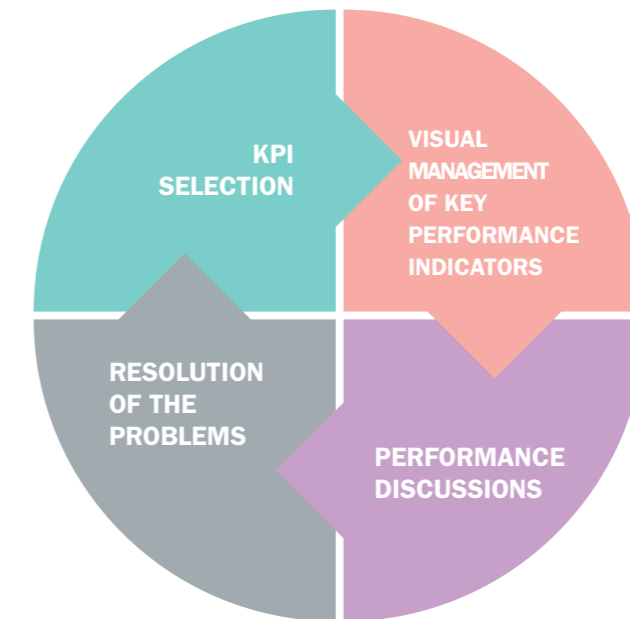
The underlying idea is to leverage existing resources and our experience in the sector to develop a structured approach, which will allow us to better manage our activities by involving people and encouraging them to always strive for excellence.

In more detail, with this programme we set ourselves three clear objectives:

- to make the behaviours observed in key roles uniform;
- to adopt a formalised management structure (processes, KPIs and tools);
- to involve personnel in the management and improvement of activities in the main operational areas (safety, production quality), developing customised plans.

Key performance indicators highlighting how we are doing and helping us to manage results in relation to goals

Frequent and well organised troubleshooting sessions to address systematically operational issues indicated on the Dashboards



Construction of Operational Dashboards that allow immediate visual management of key performance indicators

Daily dialogue on how to deal with issues to favour improvements and eliminate barriers:

- Coaching, feedback, LSW
- Visual control/ Daily dialogue
- Leadership, conflict management, delegation & empowerment

It is our intention for the programme to strive for excellence and for this reason it must not be limited to health and safety aspects but also take into account those related to environmental protection and quality. This will be made possible by strengthening a number of operational tools including dashboards positioned in the various departments that will allow each worker to monitor operational performance almost in real time. It is one way that reinforces an already active work of raising awareness and the

empowerment of all employees and allows the three company sites to use the same language. In this sense - within the mindset of training on the job - are included setting observations: individual interviews through which the head of the department communicates with the individual employee, while performing tasks, to involve him/her in reflecting on how he/she operates, with the opportune corrections, could bring greater value and contribute to operational excellence.

An important commitment for the company in terms of financial investment, but also from a cultural point of view. 2019 will witness the completion of the programme and all three sites will be brought in line. The right time to make the first appropriate considerations and make any corrections.

Future Objectives

- To constantly improve the qualitative value of human resources, conditions and the working environment in which people are employed
- To develop the skills of the entire workforce, with the establishment of a dedicated Academy
- To make pilot projects such as smart working, sustainable mobility and WOW operational on a large scale
- To strengthen the work-related learning program and relations with universities in the sector
- To work non-stop to reach the goal of zero accidents



We strive for sustainable chemistry

Research and innovation, outside the box, for chemistry that, through continuous innovation, generates values while respecting man and the environment.

Sustainability and the development model attached to it are becoming increasingly central themes on the agenda of the most important global organisations. Apart from a small group who deny it, the majority of public opinion agrees that it is essential to act immediately to avert or mitigate the consequences of likely natural disasters resulting from sudden climate change. The great environmental crises, such as that affecting large swathes of China - which led to the closure of many factories because they are not in line with the minimum levels of safety and respect for the environment - pin everyone to their responsibilities. This generates an inevitable pressure on the world of production and in particular calls on companies to question themselves as never before on the impact of their own productions and on the repercussions of their actions, thereby coming up with new paths of sustainability integrated with classic business models.

Responsible development and innovation

At FIS we have always considered environmental protection and safeguarding of the local area as two fundamental aspects of our business and we aim to guarantee constant monitoring of our impact, with the same care with which we try to maximise the quality of our products and company production at all three of our sites. In particular, the integration process

between the company facilities, extended after the acquisition two years ago of the Lonigo site, is at an advanced stage and proceeds in line with the Operational Excellence Program.

With this in mind, in order to organise Quality and Health, Safety and Environment Management Systems, increasingly integrated

with each other, in 2019 we have migrated from OHSAS 18001:2007 to ISO 45001:2018 at the Lonigo and Montecchio Maggiore sites, while for Termoli this transition is planned for February 2020; for 2019 we have planned the integration of the Lonigo site with the achievement of ISO 9001:2014.



The Montecchio Maggiore plant, located in Vicenza area, a historic site and headquarters that hosts research & development activities as well as the production of active ingredients for pharmaceutical companies, has been accredited by the Italian Ministry of Health since 1958 and inspected by the FDA since 1968.

The numbers of the Montecchio plant

	Unit of measurement	2014	2015	2016	2017	2018
Total area	m ²			95,000		
Employees	No.	755	919	1,099	1,176	1,204
Reactor capacity	m ³		1,675		1,733	
Certifications		ISO 9001; ISO 14001; ISO 45001*				

*from 2019 for the Montecchio Maggiore site

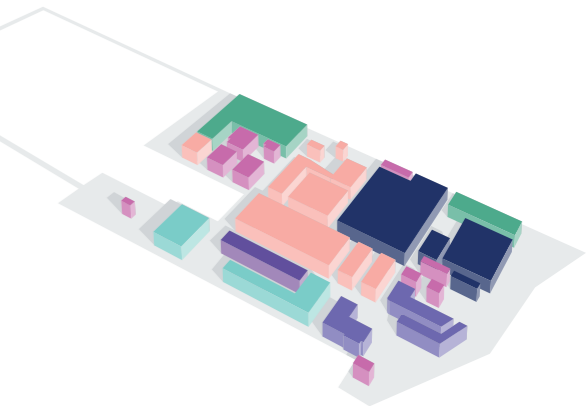


The Termoli plant, located in the province of Campobasso, initially involved in the production of intermediates, now also produces active ingredients, and is accredited by the Italian Ministry of Health and the FDA.

The numbers of the Termoli plant

	Unit of measurement	2014	2015	2016	2017	2018
Total area	m ²			91,000		
Employees	No.	125	163	186	199	215
Reactor capacity	m ³		415		700	
Certifications		ISO 9001; ISO 14001; BS-OHSAS 18001*				

*transition to the ISO 45001 certification is scheduled for 2020 for the Termoli site

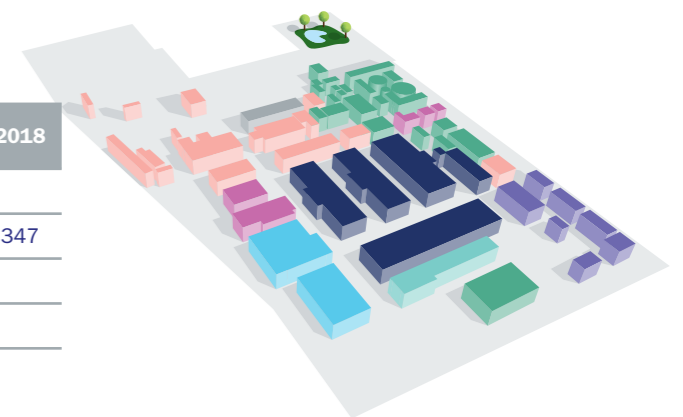


The Lonigo plant, also located in Vicenza area, acquired in 2017 as a Zach System business unit, is also accredited by the Italian Ministry of Health and the FDA.

The numbers of the Lonigo plant

	Unit of measurement	2014	2015	2016	2017	2018
Total area	m ²			118,000*		
Employees	No.	258	264	312	299	347
Reactor capacity	m ³		656		700	
Certifications		ISO 14001; ISO 45001**				

*the total area covers 260,000 m² also taking into account the related areas
**from 2019 for the Lonigo site



Overall, FIS can count on a production capacity of around 3,100 m³ (in terms of volume of the reactors used for chemical synthesis).

Thanks to our environmental management system certified according to the technical standard ISO 14001/2015, we constantly monitor the main environmental impacts related to the activities of our plants, with the aim of limiting the emissions resulting from our production activities, of increasing energy efficiency and of providing maximum protection of the resources from which we source our water. To meet this commitment, we allocate significant financial resources to improving the performance of plants and production processes

by implementing numerous and continuous modernisation initiatives, in compliance with Italian and European regulations and legislation. Also in this sense, the choice must be interpreted thanks to the willingness of one of our suppliers to create a plant for the production of gaseous nitrogen near our site in Montecchio, which arrives at the production department through a pipeline. This allows the elimination of a large part of the heavy goods traffic resulting from the supply of this inert gas for daily consumption, used in huge volumes for plant safety reasons. At Lonigo the system is within our site.

During 2018, the Lonigo and Montecchio Maggiore sites were inspected by the special commission of the Ministry of the Environment for the verification of our Safety Management systems (in accordance with the Seveso Law, Legislative Decree 105/2015), which received a positive result. Similarly, inspections at all three sites by the Regions (ARPA) did not present any critical issues. The preliminary investigation for the issuance of the Integrated Environmental Authorisation for the Montecchio Maggiore and Lonigo sites, pursuant to Legislative Decree 152/2006, is still ongoing.

Proper water management

The well-documented environmental tragedy that recently affected a very large area of Veneto whose groundwater was discovered to be contaminated by polyfluoroalkyl substances (PFAS) has triggered a national debate and caused alarm bells to ring across the whole community. An event that pushed our company, without any liability whatsoever in this case since these types of substances are neither used nor synthesised in our production cycles, to continue

and where possible to intensify our own commitment to preserving water resources.

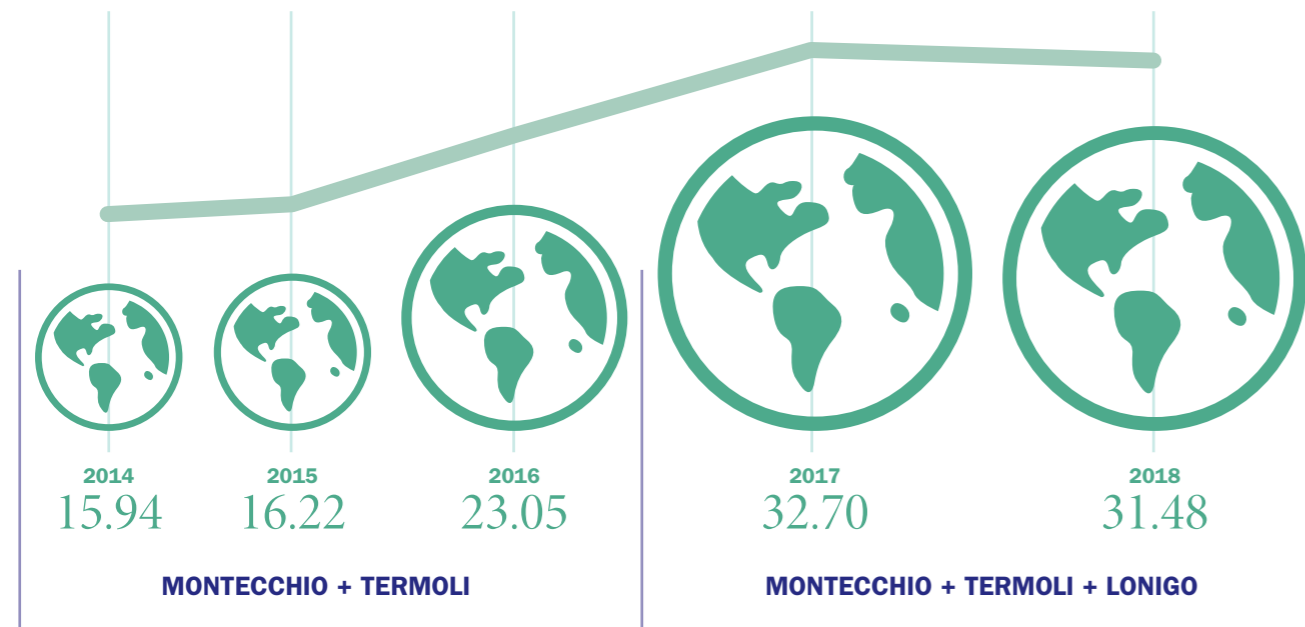
We are able to meet our water needs mainly for the purpose of cooling, from the aquifer and most of the water taken is used in production processes and is continuously reused.

The groundwater withdrawn in Montecchio and Lonigo is therefore affected by the contamination of these molecules, which we keep under control with continuous chemical analysis before draining into the sewer system, and if PFAS concentrations are detected above the permitted limits, we remove them via the use of special sand and activated carbon filtration systems.

Total water withdrawal per plant (m³)

	Unit of measurement	2014	2015	2016	2017	2018
Montecchio	m ³	1,205,400	1,298,082	1,406,345	1,402,898	1,314,971
Termoli	m ³	418,188	432,611	449,745	488,229	446,311
Lonigo	m ³	902,850	910,490	898,510	914,600	770,240
total water withdrawn	m ³	2,526,438	2,641,183	2,754,600	2,805,727	2,531,522
Total water withdrawn per tonne of product	m ³ /t	2,056.4	2,892.9	2,930.4	1,237.6	1,174.7

Investments in environmental protection (millions of euro)



The water discharged for our sites is mainly the wastewater coming from the chemical, physical and biological processes by the water treatment plants, which have the role of drastically reducing the polluting load leaving the plants.

Water discharge by destination (m³)

	2014		2015		2016		2017		2018	
	water discharged into sewers	rainwater discharged as surface water*	water discharged into sewers	rainwater discharged as surface water*	water discharged into sewers	rainwater discharged as surface water*	water discharged into sewers	rainwater discharged as surface water*	water discharged into sewers	rainwater discharged as surface water*
Montecchio	510,560	679,328	515,229	675,400	562,554	814,914	554,150	761,560	574,154	697,137
Termoli	424,346	-	421,044	-	419,890	-	452,350	-	453,961	-
Lonigo	-	838,444	-	802,572	-	832,799	-	744,309	-	704,746
total water discharged	2,452,678		2,414,245		2,630,157		2,512,369		2,429,998	

*The water of the Lonigo site intended for surface discharge is both water from rainfall and processing

Waste management

The main type of waste that we produce within our sites is that of the reaction mother liquors, i.e. the liquid in which chemical synthesis reactions take place. This wastewater is removed in the process of isolating the finished product - the active ingredient - and can be treated in different ways depending on the characteristics of the wastewater itself, which can typically be water based or any other organic solvent.

This wastewater can therefore follow four treatment routes:

- a degradation process through the use of bacteria and biological processes with the water then drained into the consortium sewer, thereby undergoing further treatment in the consortium purification plants. This can only be done through a stripping system to reduce the flow of water to be incinerated in favour of a biological treatment;
- heat combustion in which the wastewater is burnt, recovering the heat generated (this is the case for high calorific power

mother liquors) which is then used for the production of steam for industrial use as well as for the generation of electricity through a cogeneration plant;

- external disposal, using road transport, for the purpose of transferring the wastewater and exploiting it in other production processes;
- distillation and rectification in special columns, to recover some types of solvents that can be reused as a substance in chemical synthesis processes.

Hazardous and non-hazardous waste produced (tonnes)

	2014		2015		2016		2017		2018	
	Hazardous waste	Non hazardous waste	Hazardous waste	Non hazardous waste	Hazardous waste	Non hazardous waste	Hazardous waste	Non hazardous waste	Hazardous waste	Non hazardous waste
Montecchio	36,567.8	4,583.4	38,236.0	4,504.2	59,463.5	1,819.8	39,217.0	2,458.7	43,359.0	1,973.17
Termoli	12,091.0	942.0	10,404.0	1,230.0	10,297.0	17,803.0	14,995.0	1,587.0	12,013.0	1,547.0
Lonigo	n/a	n/a	n/a	n/a	n/a	n/a	33,441.0	2,317.0	23,299.0	2,762.0
total FIS	48,658.8	5,525.4	48,640.0	5,734.2	69,760.5	19,622.8	87,653.0	6,362.7	78,776.0	6,171.1

Hazardous waste produced by disposal method (tonne)

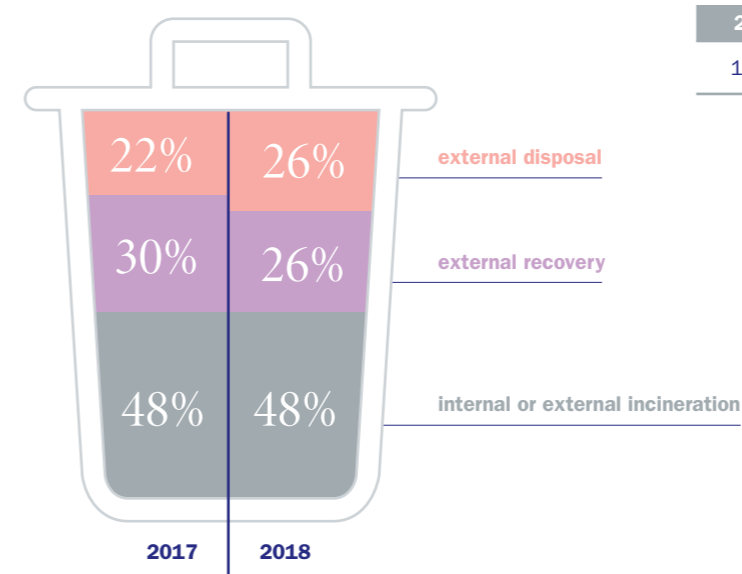
	2014			2015			2016			2017			2018		
	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration
Montecchio	4,550	9,380	22,598	8,067	8,741	21,973	36,036	9,319	13,598	6,686	9,041	23,490	10,256	9,702	23,401
Termoli	9,742	2,349	-	8,291	2,113	-	7,267	3,030	-	9,041	4,224	1,730*	7,269	3,587	1,156*
Lonigo										3,992	10,537	18,912	2,626	5,263	15,409
total FIS	14,292	11,729	22,598	16,358	10,854	21,973	43,303	12,349	13,598	19,719	23,802	44,132	20,730	18,079	39,966

* for the Termoli site only, incineration is carried out externally and not internally

Non-hazardous waste produced by disposal method (tonne)

	2014			2015			2016			2017			2018		
	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration	External disposal	external recovery	internal incineration
Montecchio	556	706	3,323	206	1,442	2,857	535	1,265	-	15	1,623	820	81	1,664	228
Termoli	728	214	-	952	278	-	12,167	5,636	-	1,252	335	-	1,243	304	-
Lonigo	-	-	-	-	-	-	-	-	-	146	2,103	69	93	2,597	73
total FIS	1,284	920	3,323	1,158	1,720	2,857	12,702	6,921	-	1,413	4,061	889	1,416	4,182	301

Type of disposal expected for hazardous waste and non-hazardous waste (%)



Hazardous waste transported abroad (tonnes)

2014	2015	2016	2017	2018
1,508	1,510	4,378	1,792	0

One of the goals we have set ourselves in recent years is to make waste management more efficient and recover - through our distillation plants - some types of solvents that we can reuse according to a principle of circularity that allows us to minimise the costs of the product, reduce the charges for third party waste disposal and ultimately reduce our environmental impact. A lean project has been dedicated to this activity with the objectives of economic and environmental sustainability so as to minimise the cost of the products, reuse

the waste and reduce the disposal charges. In 2017, in collaboration with a number of our customers, we finalised the solvent recovery process for some high-volume chemical syntheses and their reuse, with considerable savings in terms of costs and raw materials.

Other types of solvents, such as mother liquors containing high percentages of noble solvents, are not reused internally due to aspects mainly regulatory in nature (i.e. linked to the constraints deriving from international product quality standards for chemical-

pharmaceutical syntheses) and for which they must be classified as waste. Therefore, they are destined for third party companies operating in the regenerated solvent market.

During the three-year period, following environmental inspections by ARPA at the Termoli site, the Molise Region imposed two administrative fines for a total amount of 3,000 euro as a few minor irregularities were discovered.

Energy consumption

With regard to our energy consumption, the entry into full operation of the integrated trigeneration system powered by methane (Montecchio 2016) has made it possible to lower energy consumption and allowed us to obtain from the GSE (Electricity Services Operator), for the year 2017, 1391 Energy Efficiency

Credits - also called white certificates.

The introduction of new boilers for the production of steam at the Montecchio and Lonigo sites, and the mono-fluid thermoregulation of the process equipment in the Lonigo plant are the other developments that have made it

possible to make the processes more efficient and thus optimise energy consumption. The constant updating from energy audits allows us to monitor the efficient operation of our sites and take prompt action to make the most appropriate improvements.

List of main materials coming from recycling/recovery (solvents)

			2014	2015	2016	2017	2018
HEPTANE	Total input material	Tonnes	599	643	843	603	376
	Total recycled material	Tonnes	2,827	3,143	5,140	4,511	3,540
	Percentage of recycled material	Percentage	82.52%	83.02%	85.92%	88.21%	90.39%
ISOPROPANOL	Total input material	Tonnes	2,525	1,594	2,991	3,364	3,513
	Total recycled material	Tonnes	2,161	1,816	2,093	4,648	5,346
	Percentage of recycled material	Percentage	46.12%	53.26%	41.17%	58.01%	60.35%
ACETONE	Total input material	Tonnes	2,076	2,288	3,153	1,919	2,767
	Total recycled material	Tonnes	182	626	767	2,124	3,927
	Percentage of recycled material	Percentage	8.04%	21.47%	19.57%	52.54%	58.66%
TOLUENE	Total input material	Tonnes	2,037	2,531	2,903	1,881	1,898
	Total recycled material	Tonnes	1,212	1,929	1,824	1,774	3,367
	Percentage of recycled material	Percentage	37.31%	43.25%	38.58%	48.54%	63.95%
THF	Total input material	Tonnes	393	1,310	1,683	1,057	623
	Total recycled material	Tonnes	585	1,148	1,038	468	1,001
	Percentage of recycled material	Percentage	59.84%	46.70%	38.14%	30.69%	61.64%
METHANOL	Total input material	Tonnes	5,597	4,968	7,947	7,295	7,076
	Total recycled material	Tonnes	2,260	1,422	1,961	2,838	2,816
	Percentage of recycled material	Percentage	28.77%	22.25%	19.79%	28.01%	28.47%
TOTAL	Total input material	Tonnes	13,225	13,334	19,519	16,120	16,254
	Total recycled material	Tonnes	9,227	10,084	12,823	16,363	19,997
	Percentage of recycled material	Percentage	41.09%	43.06%	39.65%	50.37%	55.16%

Montecchio	Unit of measurement	2014	2015	2016	2017	2018
Diesel/Gas oil	GJ	92	4	92	599	615
Natural Gas	GJ	206,562	213,636	323,928	346,049	357,221
Electricity supplied by the grid	GJ	148,964	168,750	170,137	154,593	168,030
Electrical energy from other sources produced and consumed internally	GJ	6,102	2,322	96,932	53,748	53,506
Overall energy consumption	GJ	361,720	384,712	591,089	554,989	579,372

Termoli	Unit of measurement	2014	2015	2016	2017	2018
Diesel/Gas oil	GJ	309	257	129	111	107
Natural Gas	GJ	82,183	93,701	99,370	107,701	96,037
Electricity supplied by the grid	GJ	56,877	63,583	67,511	74,737	80,553
Electrical energy from other sources produced and consumed internally	GJ	-	-	-	-	-
Overall energy consumption	GJ	139,369	157,541	167,009	182,550	176,697

Lonigo	Unit of measurement	2014	2015	2016	2017	2018
Diesel/Gas oil	GJ	-	-	-	138	112
Natural Gas	GJ	-	-	-	166,624	157,862
Electricity supplied by the grid	GJ	-	-	-	86,144	77,365
Electrical energy from other sources produced and consumed internally	GJ	-	-	-	-	-
Overall energy consumption	GJ	-	-	-	252,906	235,339

Overall energy consumption (GJ)	Unit of measurement	2014	2015	2016	2017	2018
Diesel/Gas oil	GJ	401	261	221	849	834
Natural Gas	GJ	288,745	307,337	423,298	620,374	611,120
Electricity supplied by the grid	GJ	205,841	232,333	237,648	315,474	325,948
Electrical energy from other sources produced and consumed internally	GJ	6,102	2,322	96,932	53,748	53,506
Overall energy consumption	GJ	501,089	542,253	758,098	990,445	991,409
Energy consumption/tonne of product	GJ/tonne	497	594	806	437	460

*The item refers to the trigeneration plant whose installation was completed in May 2016

of energy consumption
per tonne of product
between 2016 and 2018

-43%

Direct and indirect greenhouse gas emissions (tonne CO_{2eq})

	Unit of measurement	2014	2015	2016	2017	2018
Co2 emissions (scope 1)	GJ	42,441.00	44,009.00	48,960.00	62,485.00	58,920.00
Co2 emissions (scope 2)	GJ	13,651.00	15,581.00	15,709.00	27,059.00	27,956.00
Co2 emissions (total)	GJ	56,092.00	59,590.00	64,669.00	89,544.00	86,876.00
Co2 emissions (total)/ per tonne of product	GJ	55.6	65.3	68.8	39.5	40.3

In addition to greenhouse gas emissions, our plants also emit other substances, such as nitrogen oxides (NO_x), sulphur oxides (SO_x), volatile organic compounds (VOC), particulate matter (PM) and carbon monoxide (CO).

Emission of the main pollutants at the Montecchio plant (kg)

MONTECCHIO						
Type of emissions	Unit of measurement	2014	2015	2016	2017	2018
NO _x	kg	13,592	13,062	14,010	16,404	16,971
SO _x	kg	49	47	187	19	47
VOC	kg	5,180	2,862	1,958	1,211	2,601
PM	kg	330	224	329	189	50
CO	kg	1,972	1,657	1,856	2,842	2,896

Emission of the main pollutants at the Termoli plant (kg)

TERMOLI						
Type of emissions	Unit of measurement	2014	2015	2016	2017	2018
NO _x	kg	5,959	4,989	2,920	3,570	2,070
SO _x	kg	6	1	2	2	16
VOC	kg	32	60	70	43	5
CO	kg	405	871	1,596	760	58

Emission of the main pollutants at the Lonigo plant (kg)

LONIGO						
Type of emissions	Unit of measurement	2014	2015	2016	2017	2018
NO _x	kg	n.a.	n.a.	n.a.	13,376	12,839
SO _x	kg	n.a.	n.a.	n.a.	526	230
VOC	kg	n.a.	n.a.	n.a.	534	562
PM	kg	n.a.	n.a.	n.a.	193	197
CO	kg	n.a.	n.a.	n.a.	2,371	2,109

Emission of main pollutants in total (kg)

Type of emissions	Unit of measurement	2014	2015	2016	2017	2018
NO _x	kg	19,551	18,051	16,930	32,813	32,417
SO _x	kg	55	48	189	547	293
VOC	kg	5,180	2,862	1,958	1,211	2,601
VOC	kg	32	60	70	577	567
PM	kg	330	224	329	382	247
CO	kg	2,377	2,528	3,452	5,973	5,063

A vocation for research and development

Investments to ensure the technological development of our company are essential to remain competitive in the chemical-pharmaceutical sector. Innovation means developing processes for the production of safe intermediates and active ingredients and with potential economies of scale, which allow significant sales. In order to increase our skills in this area and always be ready to respond to market needs, in the last year we have reorganised the research area by dividing the activities into "Early Phase Projects", "Advanced Phase Projects" and "Toll Manufacturing Projects" groups. In this sense, an advanced project for the cost reporting of R&D projects was finalised and the workforce was strengthened with 40 new experts (250 in total).

Furthermore, the market is steering us towards increasingly high-risk business projects as they relate to very early stages of development, therefore without

certainty of large-scale commercial development. These projects involve a huge portion of our operations - 40/50% of ongoing projects - due to the fact they are demanding from the point of view of chemical development and analysis methodology, but which, if successful, could offer the opportunity to give continuity to the project in the following phases, up to production on a commercial scale.

Diversification plans are in place to provide customers with technologies such as GMP fluorination and services such as API sterility production by aseptic and semi-finished formulations filtration - from Spray Dryers and Fluid Bed Dryers - for improved drug formulation. Without forgetting the investments in the construction of systems for High Potency Active Pharmaceutical Ingredients (HPAPI). In this way we try to anticipate the needs of our customers and to position ourselves as reliable partners in

every phase of the development of new molecules.

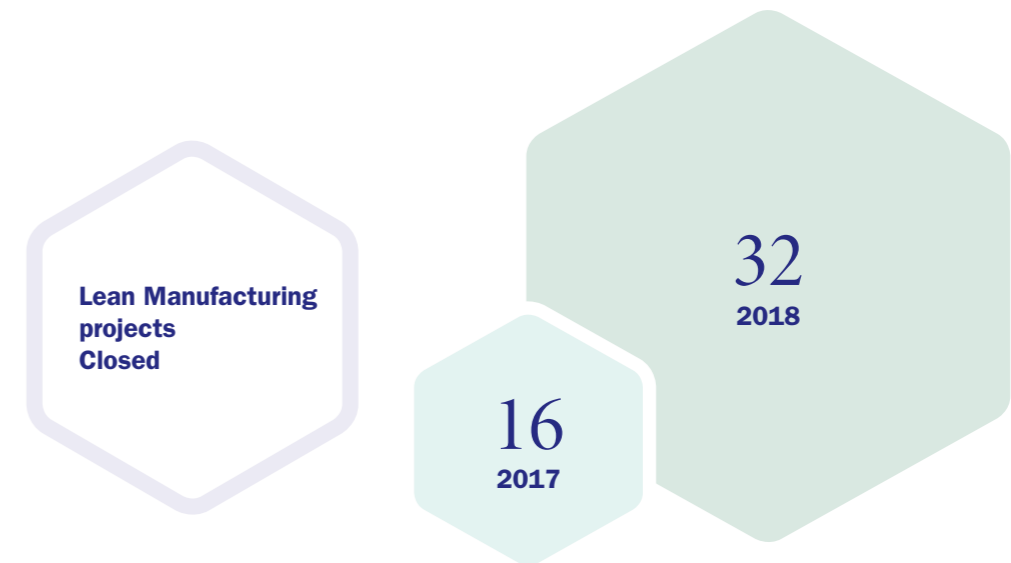
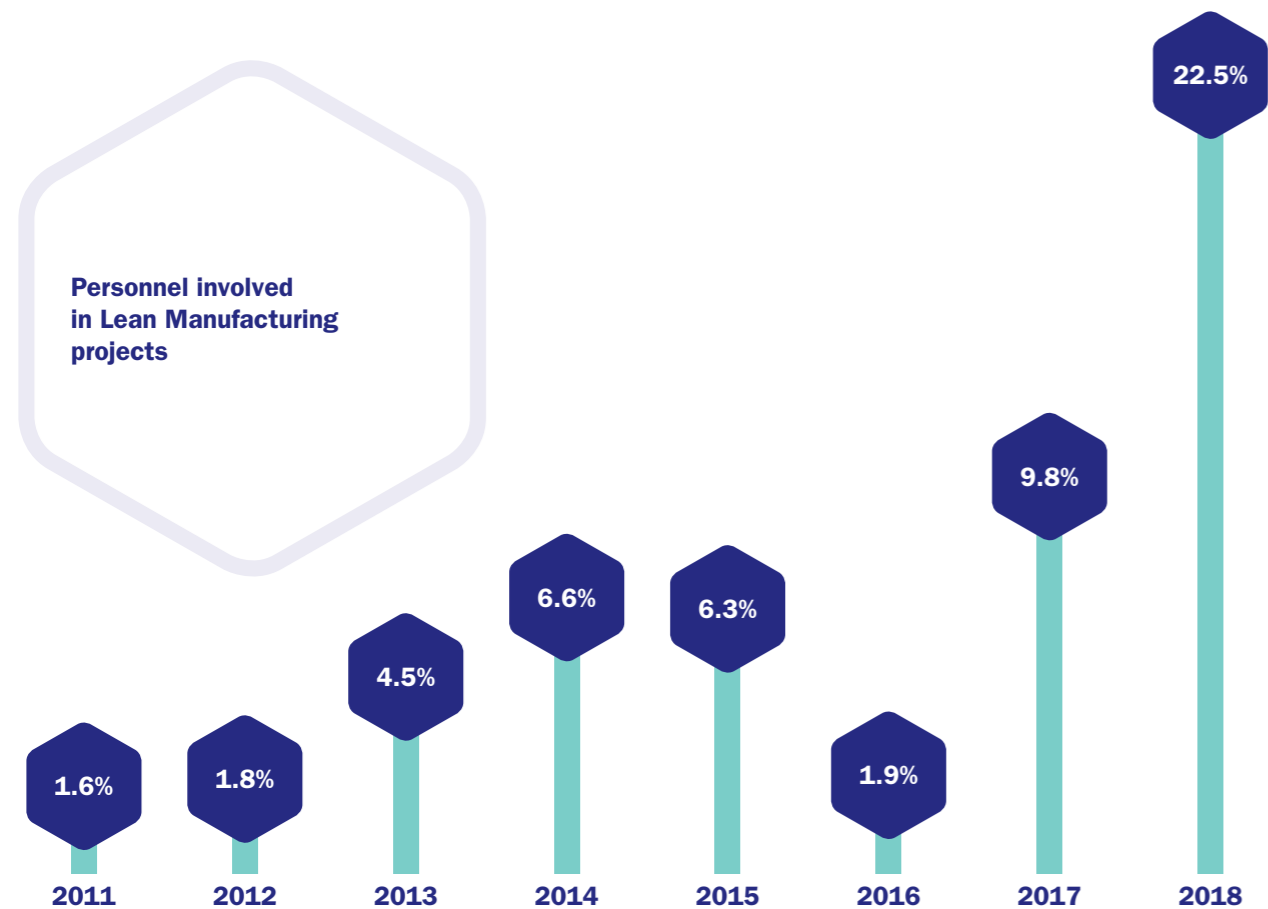
With a view to de-risking and expanding the customer and product portfolio, we are implementing different technologies such as, for example, flow chemistry which allows us to improve the management of reaction conditions and critical reagents. On the other hand there is peptide chemistry, know-how that we have developed with the University of Florence, with which we aim to produce safer and more effective drugs. With a view to future processes, the objective is to evaluate the recovery of precious metals from catalysts. Currently we have a goal on the table to measure the sustainability index of each of our processes.

Innovation

Since 2011, an inter-functional team has been formed within the company that deals with developing the theme of Innovation in terms of Continuous Improvement and Open Innovation: for Continuous Improvement, this is done through the development of a culture of Lean Manufacturing and elimination of waste by creating value within FIS through the support, training and coaching of all personnel by means of the continuous identification and elimination of non-value added activities. As a result, the Lean Manufacturing methodology is felt in FIS, so much so as to find worthy consideration within second-level collective bargaining with the establishment of the Lean Prize, which was set up to support greater involvement of people in the Lean Manufacturing project activities and the promotion of which takes into account the savings generated annually due to the improvement actions. At the same time, an organisational solution was identified, called the "innovation factory", able to carry out Open Innovation projects with the aim of adopting a structured and systematic approach to managing Innovation processes, exploring the area of innovation which is stronger, more radical, less involved in the extended organisation and planning a "Business Contest", called the Ideas Lab, which allows everyone to express their ideas.

Objectives of Lean Manufacturing activities: Training and development of the Lean Manufacturing culture as a model for Operational Excellence focusing on the reinforcement of Foundations
 Planning, coaching and monitoring of incremental improvement projects
 Internal communication and promotion of Lean Manufacturing activities

The development of Lean Manufacturing activities has seen an ever increasing involvement of the company workforce, with the development in the two-year period 2017-2018 of 48 Lean projects that have eliminated waste and generated value for the organisation through 5S activities, Kaizen event development, Practical Problem Solving or projects to increase productivity.



The MOM Project

In 2018 we started the MOM (Manufacturing Operations Management) project. The goal is to support and improve production processes by implementing new tools, especially information technology, thereby bringing new value to the company, not only in economic terms, but also in terms of quality, safety, reputation and environmental impact. The project will initially be trialled as a pilot in a single production department, in order to obtain the reference parameters on which the feasibility of the project on a larger scale will be evaluated. For this reason one could call it

ambitious, because it will require an unprecedented technological, but above all cultural, leap for FIS. It is an inevitable strategic choice that is set to bring us a significant advantage over our competitors, with the possibility of customers recognising our undisputed leadership.

MOM consists of defining the policies and rules necessary to maintain high production value and ensure that people, processes and equipment operate in a coordinated, more efficient and safer way. The management will involve digitalisation of the information that will have to be entered and managed

electronically, standardising the production and connected processes, standardising the way in which this information will be collected and then processed with a view to data integrity. The value of the MOM project also lies in reducing corporate risk. In fact, we will focus on reducing risks on processes (greater industrial safety), on quality (increasing the reliability and robustness of business processes), on employees (improved personal safety) and on the environmental impact (managing waste).

The ideas lab

At FIS we believe in a culture of innovation that strikes a balance between incremental innovation, made up of continuous improvements and which leads to Operational Excellence and open innovation. By Open Innovation we mean an original and complete solution, generated by the company organisation outside of the processes and tasks of the individual functions, designed to meet an unexpressed need of a customer - current or potential, internal or external - and which increases the value of the product or service provided. The challenge

we have set ourselves is to take on a structured and systematic approach to managing innovation processes, experimenting and structuring processes that can support change, through the validation of a KPI system and the culture of best practices. To overcome this challenge we have devised an independent organisational solution, which collects and manages all open innovation projects, with a budget, resources and responsibilities established for their development. The first learning test promoted by the innovation factory was the Ideas Lab, set up in 2017 at the Montecchio plant and extended

to the Termoli and Lonigo plants in 2018, it is a Stage-Gate process (Collection, Deepening and Execution) to promote, collect and analyse what is currently missing from the existing FIS development flows. Everyone at FIS has been called, with a view to crowdsourcing, to take up these challenges and offer their own idea, comment and vote for the best.

Here are some numbers of the two editions:



1,756
FIS employees

886
signed up

638
active members

2018 edition

- Montecchio Maggiore plant
- 621 workers signed up
- 133 ideas generated
- 2 winning ideas currently being developed
- 43 readdressed ideas currently being developed or implemented

2019 edition

- Montecchio Maggiore, Lonigo, Termoli plants
- 265 workers signed up
- 43 ideas generated

FIS and Universities

We strongly believe in building a bridge of communication with the academic world so as to develop innovation processes with a huge impact. So far we have initiated five collaborations with the universities of Venice, Padua, Bologna, Florence and Barcelona in order to find specialised know-how on a series of innovative and

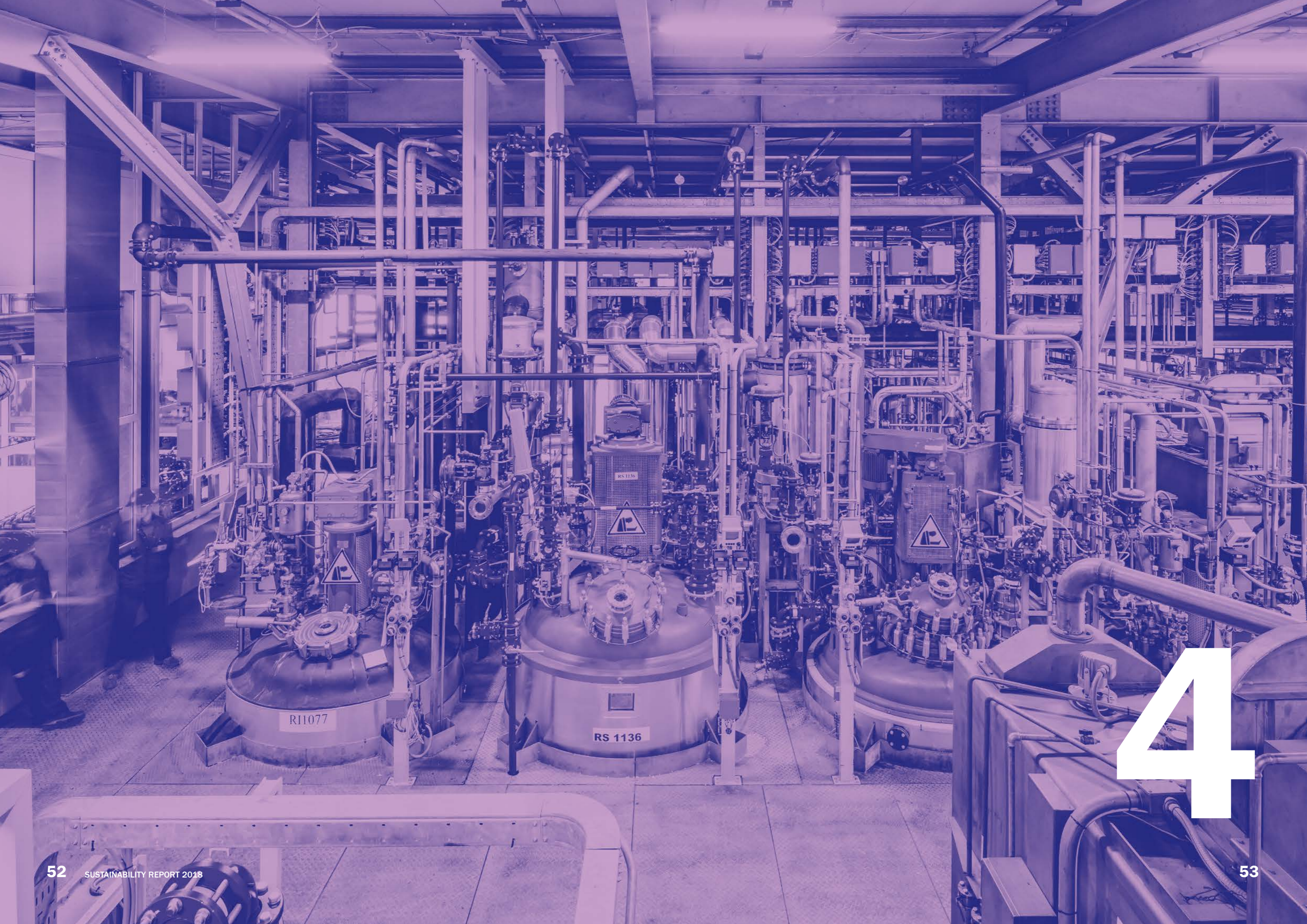
experimental subjects: Florence for peptides, Padua for enzymatic synthesis, and Bologna, Venice, Barcelona for organic synthesis. These collaborations involve the creation of permanent laboratories within the university departments and the development of new skills, thus generating a very positive impact 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.

Future Objectives

- To effectively manage the possible presence of APIs in water discharges
- To reduce the consumption and waste of raw materials and energy
- To strengthen relationships with players in the area in order to forge collaborations and activate circular economy processes
- To increase the recovery of metal catalysts
- To enhance the quality of impact assessments of our production processes
- To define sustainability criteria in our investments
- To reclassify some waste in agreement with regulatory agencies
- To implement the MOM-MES programme
- To identify innovative solutions for cleaning activities





4

We share value throughout the entire supply chain

We synthesise all the needs of the links of our supply chain to generate shared value.

The companies that are today operating in the sector of active ingredients and intermediates for the pharmaceutical industry are facing major evolutionary tension. Analysing the production chain, upstream there is a growing instability in the sourcing of chemical raw materials, while downstream there is a tendency for pharmaceutical multinationals to outsource a significant part of the chemical production cycle. The relationship with the countries supplying raw materials - China first and foremost - has been characterised by dynamics that were not always easy to interpret, which led the producers of API (Active Pharmaceutical Ingredients) to establish on-site presence so as to effectively monitor the supply chain. This has only mitigated potential supply problems, often caused by rapidly evolving local legislation, especially from an environmental and safety point of view. Today, in order to mitigate potential risks, we are looking at new countries like India and we are also carefully assessing the possibility of bringing back part of these primary processes, once outsourced in the past, to the target markets (i.e. those in Europe). The relationship with pharmaceutical companies, on the other hand, is characterised by an ever greater interdependence with API producers who are required to take on a major role already in early phase, before the product is marketed, as well as taking responsibility for some operations that customers used to process internally but now consider more convenient to outsource. It is clear that the role of an API producer is now bestowed with greater complexity that leads it to be a key player in the supply chain, with all the opportunities and risks that come with it.

Our quality

Quality is the first guarantee we owe to our customers when we offer them our products, besides, naturally, the continuity and punctuality of the supply. A commitment that we honour at every stage of our production with monitoring activities on the quality of raw materials and actions aimed at averting or mitigating potential problems. All in compliance with the highest international

standards, as evidenced by the achievement - since 2010 at the Montecchio Maggiore site - of the Quality certification according to the UNI EN ISO 9001 standard. The continuous improvement and expansion of our historic sites in Montecchio and Termoli, as well as the recent acquisition of the Lonigo site, allow us to offer customers continuity and punctuality in deliveries. In the

same direction, there is also the reorganisation of work shifts - to allow a continuous cycle - and all the measures related to the organisation of work introduced, or rather regulated, by second-level contracts renewed in 2018. Of course, in addition to which is the Operational Excellence program described in the previous chapter.

Our quality process

Quality is part of all company processes starting from the design of chemical processes and transversal management processes, to the execution of product creation processes up to the final control of product quality and technical/regulatory support. At FIS, quality operates in accordance with the following principles:

- Compliance
- Customer focus to meet increasingly challenging needs
- Leadership, talent development and staff engagement
- Continuous improvement aimed at minimising non-quality costs
- Decisions based on facts, on data analysis and trends to anticipate potential defects
- A mutually beneficial relationship with suppliers that supports and strengthens customer focus within an integrated supply chain approach.

The Quality Assurance team, which involves about 50 people in

total across the three sites, has implemented a production support activity since the beginning of 2018 with a constant presence in the control rooms of the QA specialist Departments in order to support daily operations in compliance with procedures that guarantee reproducibility, process robustness and product quality.

The Regulatory Affairs Team ensures attainment of the necessary Italian and foreign ministerial authorisations for production and trading. In 2018, 13 new active substances were authorised as proof of the ability to innovate, design and develop processes to guarantee company sustainability.

FIS has quality control laboratories at each site that employ about 200 people in total, who work across the three shifts so as to support production activities. The laboratories carry out analysis of raw materials (9,500 batches in 2018), synthesis intermediates (11,400 batches in 2018), products and active ingredients (3,500 batches in 2018) to certify the quality of our products.

They carry out product stability studies to certify quality is maintained over time to guarantee the safety and efficacy of the drugs produced. Each laboratory is equipped with the most advanced analytical technologies and 2018 witnessed a significant financial commitment through the construction of a new building in Montecchio dedicated to quality control and designed with a lean approach.

Our commitment to data integrity

One element that distinguishes us in the eyes of our customers is the ability to manage and guarantee the confidentiality of the data entrusted to us. The basis of our work involves the exchange of confidential information, it is therefore essential for us to always be able to guarantee maximum confidentiality, so that such data are not spread or do not come into the possession of unauthorised parties. Currently

all our business relationships are covered by non-disclosure agreements and the intellectual property rights of the products are patent protected. However, with a view to continuous improvement, in 2018 we implemented a model for managing internal processes through Share Point software and the gradual transition to a single data collection and monitoring system using dedicated business intelligence software. The topic

of data integrity permeates and impacts all company functions and for this reason the continuous research and adoption of cutting-edge software and applications is one of our main priorities. Finally, we have naturally complied with all the obligations regarding the General Data Protection Regulation (GDPR).

FIS and its customers

Reliability with respect to customer requests is also a fundamental condition - almost a prerequisite - in order to continue to operate successfully in a market characterised by high product customisation.

At FIS we try to offer customers who request it continuous and effective assistance in registering with the authorities, including both regulatory services and technical and analytical services, making sure to exceed compliance wherever possible.

In order to meet these needs, over the past three years we have adapted and increased our production capacity, with non-stop improvements in safety and plant engineering, with huge investments that have led to:

- the acquisition of the Lonigo plant, with different product pipelines compared to our other sites;
- the doubling of the production capacity of the Termoli plant;
- a new Quality Control laboratory in Montecchio, at the forefront of our sector;
- a sterile department for the production of APIs in completely sterile conditions, that is to say the total absence of microorganisms;
- the adoption of highly advanced technologies for "dust containment", in other words at the forefront for the handling of High Potent molecules;

- GMP management of reaction steps for fluorination, a complex industrial process;
- the production of semi-finished formulations from Spray Dryers and Fluid Bed Dryers.

Being close to the customers also means satisfying new needs and integrating more and more downstream, bringing their own contribution in early phase, before the trading of our customers' products. This is happening more and more often and provides immense challenges and difficulties by having to build dedicated supply chains. In this process our attention is also focused on assessing the environmental impacts of production and choosing more sustainable processes.

Another aspect that brings us closer to the customer and allows us to offer a precise and reliable service is the project, started in 2017 and set to close at the end of 2019, on the redesign of the industrial costing model. The aim is to present to the customer - right from the beginning - a quantification of costs that is as accurate and true as possible during the production process, with the ultimate goal of having a satisfied customer with whom to establish a long-lasting business relationship.

A company like ours, in order to feel closer to customers and to better support their needs, must envisage a physical presence at least in the main target markets. It is precisely for this reason that we have had a branch in North America for some time and we will soon open one in Japan, with the aim of also facilitating dealings with regulatory bodies. Internationalisation will be an increasingly central theme for our company, as well as the ability to collaborate - from a partnership perspective - with our customers on projects related to process innovation or the impact of our processes. To that effect, in 2018 we started a process aimed at obtaining AEO authorisation for all our sites, with which the Customs Agency will recognise us as a competent and reliable partner compliant with customs and fiscal regulations, equipped with adequate measures to one's own activities within the international supply chain. A recognition valid within the EU, but also recognised in Switzerland, the United States and Japan. It represents an additional tool for us, which will allow us to be an increasingly vital partner for our customers.

FIS and its suppliers

As already mentioned, the identification and management of the best suppliers is a critical aspect. All the more so today given that in recent years our customers have been asking us to take care of the integrity and strength of the supply chain. We have around 1360 suppliers divided into suppliers of chemical raw materials (55% of total purchase volumes), technical goods and services (around 35%), utilities, logistics and waste disposal services. These are scattered across 38 countries, although the main source for purchasing volumes is Italy for the purchase of services and China for the raw materials necessary for the production of molecules needed for the generation of active ingredients.

Among the 120 or so suppliers of raw materials from this geographical area, about fifteen are considered key suppliers, due to the huge volume of goods we procure or the particular nature

of the products they offer, and are constantly followed by our Shanghai office. FIS periodically carries out audits to assess supply performance, with particular attention to environmental, safety and quality issues, which could undermine our operational continuity, in 2018 25 were carried out at key suppliers. One undoubted value - for the purposes of business continuity - is given by the fact that we are able to maintain a constant overseeing of their activities.

One of the next steps will be to make our suppliers aware of business and human rights issues, sharing with them our human rights policy, drafted in May 2017.

Our drive for improvement - also from a risk management perspective - leads us to consider new risk reduction strategies with the aim of improving the selection process of new suppliers: in this sense, the adoption of the SRM software platform is allowing us

to systematise the collection and monitoring of data relating to suppliers, to improve their evaluation also on the basis of their economic and environmental performance. When this report goes to press, there will be 350 suppliers registered on the platform who have provided socio-environmental information through a well-planned questionnaire.

In terms of service providers in Italy, we have implemented a unique platform where it is possible for us to qualify each supplier in detail by including in addition to the most common documents, all the records of their employees with, for example, their professional updating. This database called Access System allows us to monitor in real time the status of each of our suppliers and ensure we always rely on the very best.

Future Objectives

- To implement a derisking plan for sourcing
- Strategic profiling of suppliers
- To refine the development management of new products and processes
- To improve capacity and containment solutions



5

We get involved with our stakeholders

There are 12 main categories of stakeholders with whom we foster a relationship based on collaboration and respect, so as to grow a community that knows how to share values, principles and a common idea of sustainable development.

The focus on sustainable development topics is becoming increasingly more important and widespread. All stakeholders, with different perceptions and characteristics, have specific requests and expect companies to listen to them and, as much as possible, take them on board. Today, as in the past, management is not limited to listening to its own company, shareholders and customers, but must pay attention to many other groups that can affect business success with their feelings and actions. A one-to-one, but above all proactive relationship is required of the company, which must learn how - even within representative organisations - to be known, respected, build consensus around its positions and govern its reputation.

Our stakeholders

For some years now in the company we have been convinced that a correct and close relationship with all our stakeholders represents a critical success factor. The process that led, at the end of 2018, to creating and launching a new brand identity is without doubt a further step to transmit a clear and distinctive identity to the outside world. Updating our original logo's look and the creation of a new payoff - "we safeguard the future" - are the most immediate demonstration of who we are, and are set to only be the first step towards structuring a stakeholder engagement activity.

We talked at length about the relationship with our employees and their representatives in the first chapter, where here we will provide an overall picture of our public, focusing on some particular categories or activities carried out.

Within our business, we naturally relate first and foremost with our customers and suppliers, paying particular care for the most important national and international health authorities - Ministry of Health, AIFA, FDA just to mention the main ones - in order to be always in line with regulatory developments and respect human health and the environment.

Our industrial nature has always meant we have been part of the Italian industrial confederation system, in which we hold representative roles within the chemical section of Vicenza, with our representatives. Circumstances that led us to signing up to the Confederal Charter containing the Principles for Environmental Sustainability.

Voluntary membership of professional associations or organisations - The European Chemical Industry Council, Active Pharmaceutical Ingredients Committee, European Fine Chemicals Group - allows us to keep up to date on the trends and dynamics of our sector.

In this spirit, in 2018 we also became a member of the Pharmaceutical Supply Chain Initiative (PSCI). An organisation that brings together many pharmaceutical

companies - established in 2006 in the United States - which aims to establish and promote responsible practices that allow continuous improvement of the social, environmental and health

and safety aspects of the supply chains. It has one major ambition: that all the members of the network support and incorporate the principles defined by it into their supply contracts.

Our stakeholder engagement model:

Stakeholder	Communication channels	Frequency of listening/communication	Topics emerged
Suppliers of strategic raw materials	Periodic visits/audits	Constant communication via email and web channels.	Integrated management of the supply chain Regulatory compliance Process and product quality
Suppliers of goods and technological services		Periodic on-site visits carried out 4 times a year, every 3 months.	Process risks The audits are followed by formal communications from FIS, with which the Company suggests to key suppliers which activities to implement to comply with regulations and reduce risks.
Waste disposal service providers	Periodic visits/audits	Audits based on the agreed plan and in any case on 2 or more occasions a year.	Continuous improvement of suppliers' performance.
Other suppliers			
Customers	One-to-one meetings/audits by customers also with application of international protocols (PSCI, Ecodesk etc.)	Constant communication via email and web channels. Annual audits by main customers.	Product development speed Product quality and safety Production capacity Technological innovation Data protection Development of integrated services for production Health, safety and environment of internal production processes and the supply chain
Employees and new potential resources	1. Function Dashboard 2. Regular committee meetings 3. Company communications 4. Periodic meetings with middle management and directors	1. Daily 2. Monthly 3. As and when required 4. Quarterly	1. Trend of production, quality, and HSE performance, with a view to involving continuous improvement 2. Topics related to Health, Safety, Environment and Quality aspects. 3. Business strategies, training initiatives, company welfare 4. Corporate results, strategies and objectives, evaluation systems
Trade union representatives	Company Control Committee	Variable according to needs	Remuneration, supplementary collective bargaining, work organisation, health and safety
Supervisory Authority	Informal/formal communications via email and telephone Routine inspections	Variable frequency	Updates on compliance and regulations (e.g. Data Integrity)
Local institutions (e.g. ARPA, PA, Protezione Civile, Comitato Tecnico Regionale, ASL) and citizens	One-to-one meetings/Reports drawn up periodically Periodic inspections by ARPAV-Regional Environmental Protection Agency (waste incinerator or other) and/or periodic transmission of technical or test reports relating to the prescribed self-monitoring activities.	Quarterly submission of self-monitoring results on gaseous emissions and incinerator water discharges	Updates on health, safety and environmental regulations. AIA (Integrated Environmental Authorisation) Chemical Preliminary Investigation for the Montecchio and Lonigo sites by the Vicenza's territory. PIR (Prevention of relevant accidents) inspections by CTR (Regional Technical Committee) VVF (Fire Brigade) Committees.

Stakeholder	Communication channels	Frequency of listening/communication	Topics emerged
Internal and Customer Insurance Companies	Audit	Periodic or one-off following customer request	Improvement of the management of possible impacts related to production continuity
Schools and non-profit organisations	"Open Factory"	Annual	Knowledge of FIS activities, work-related learning initiative
Ownership	One-to-one meetings during periodic visits to the plant and the Board meetings	Continuous and recurrent through the CEO and the Leadership Team	Corporate performance - governance
Board of Statutory Auditors, SB, Independent Auditors,	Periodic checks	Quarterly	Statutory-fiscal compliance, corporate governance, risk governance
Credit institutions and financial operators	Periodic meetings	Variable according to the company's strategic needs - at least every two months	Knowledge of the business and corporate performance. Analysis of financial requirements
Universities and research institutes	Periodic meetings	Variable according to planning	Sustainable production processes
Representative and sector organisations (PSCI, EFCG)	Periodic meetings	According to the calendar prepared by the sector bodies (3-4 annual meetings)	Sector trends sharing, promoting responsible social and environmental management practices

Commitment to schools, the FIS people of the future

We strongly believe in the relationship with schools, so since 2015 we have sponsored the supply of the School Homework Diary - inside which there are ideas to help spread knowledge and interest in STEM (Science, Technology, Engineering and Mathematics) subjects - to the Comprehensive School 2 of Montecchio, while in 2018 we extended it to include the schools of Creazzo, Lonigo and Termoli, naturally, without forgetting our employees' children, thereby reaching over 4000 children and teenagers. Luca Novelli, author of the diary as well as being a cartoonist and journalist, met some classes at the Montecchio school.

In the Vicenza area we have started other projects with the world of education that are designed to interest and excite young chemists who may one day

become part of FIS. In 2018 we promoted the "Progetti in Erba" initiative at the Comprehensive School of Montecchio, a well-established format as part of the PMI-NIC (Project Management Institute - Northern Italy Chapter) voluntary activities. FIS made itself available to support the creation of the final event scheduled for May 2019, at the Theatre of Vicenza during which the award ceremony was held for all the participating classes that presented their projects developed with Project Management methods.

For 2019 we have already started two other initiatives.

- At the Ceccato school (IT and business school) of Montecchio Maggiore we will launch the E3 pilot project - again with the support of PMI-NIC volunteers - which aims to develop skills for solving complex problems. The project is part of the Work-

related Learning initiative and seeks to throw down a challenge to 3rd year pupils: to identify innovative solutions that can contribute to the goal of reducing/making more efficient the use of private cars (with combustion engine), by promoting new forms of eco-sustainable mobility compatible with the company's context.

- In partnership with RICAP (Research and Innovation Corporate Affiliates Programme) of the Ca 'Foscari University of Venice, a collaboration platform is being studied on the theme of sustainable chemical process design.

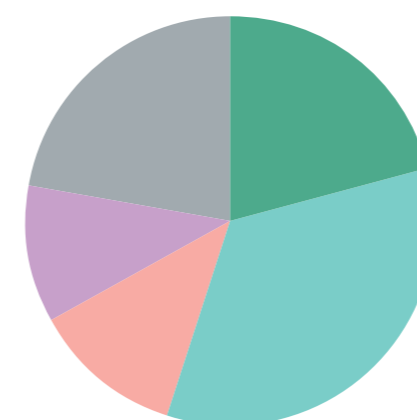
The relationship with local communities

To start telling you who we are and what we do, in 2017, we created a new "Open Factory" initiative, which is an open day when local citizens are able to visit us to increase their knowledge of our activities. On that occasion, we welcomed almost 2,300 visitors to the Montecchio factory, accompanying them on a tour of production facilities, laboratories and services. We were amazed by the interest shown, which made us realise, once again, the

importance of organising this type of initiative on a regular basis.

We wanted to establish this open day also to celebrate, together with other initiatives, FIS's first sixty years of business and for this reason we wanted to give the day a title - "In the core of chemistry" - and we organised a conference named "Watch out for fake news! How scientific methods can protect us from fake news."

FIS looks to forge close ties with the local area by giving donations to worthy causes by assessing the merits of each request received. In the future we aim to establish a policy that improves the donation process by defining transparent criteria and the most suitable methods.



Donations in 2018

- 34% cultural
- 12% education
- 11% non-profit organisation for humanitarian causes
- 22% sport
- 21% other

Future Objectives

- To constantly update the mapping of stakeholders improving their involvement.
- To transfer a cultural message in favour of science, involving middle and high schools, encouraging visits to the plants and providing in-depth educational material.
- To strengthen the bond with the local area, opening up the factories to locals so they can find out what happens inside them and demonstrating with tangible actions, regulated by appropriate policies, FIS's bond with the communities to which it belongs.
- To participate proactively in associative or thematic networks to build a shared growth and development path.
- To strengthen the relationship activity with regulatory bodies (National and International Institutions)
- To Define a policy that governs donations



A note on methodology

This document represents FIS's second Sustainability Report, the previous one was published in 2017 as the company opted for a biennial reporting frequency. The Report is based on the principles of the guidelines in the Global Reporting Initiative (GRI), the international reference standard for non-financial reporting, in the GRI Standard version, in accordance with the "Core" approach. The Report is the main instrument for reporting the company sustainability performance and assessing its commitment, initiatives and the continuous dialogue and listening process with reference stakeholders, first and foremost all our employees. The Report considers the operations performed by FIS S.p.A. during 2018. Any details, data and information relating to other companies of Nine Trees Group S.p.A. are not included. Regarding the temporal limits, the data, initiatives, projects and actions reported refer to the period from 01 January 2017 to 31 December 2018. However, sometimes some facts and data referring to previous years have been mentioned. In accordance with the provisions of the GRI, this edition of the Report is based on a material analysis to define the reporting topics that are most relevant to the company and its stakeholders. Starting from a mapping of the company's stakeholders, the most important sustainability topics were identified to understand the operational and strategic context in which FIS operates and to describe the company's main environmental, economic and social impact. The topics

were identified starting from a benchmark analysis, conducted with an artificial intelligence tool that, by reading the sustainability, financial and SEC Filing reports of 38 operators in the sector (customers, competitors and peers), allowed us to draw up the list of the most reported topics. Starting from this selection, the identification of priorities among the material topics was carried out through a series of individual interviews conducted with members of top management. In this way, we obtained a materiality matrix that measures the importance attributed by stakeholders to a given topic on the x-axis and, the importance of each topic in relation to company operations on the y-axis. The analysis culminated in the identification of 13 topics, which result as material since failure to monitor or non punctual monitoring of them by FIS would cause damage that would undermine the proper functioning and success of the company within its markets. With reference to the materiality matrix on page 16 of this document we can identify, with respect to the corporate value chain, where the material topics impact. Specifically, the topics that are going to impact upstream of the chain (10 and 16), consider the relationships with suppliers of raw materials in particular. Many topics have a significant impact on the central part of the chain (1,2,3,5,6,8,9,12,15) taking into consideration the workers and their safety, production capacity, innovation, business ethics and water management among others. Finally, downstream of the chain we find topics related to product

safety and the relationship with stakeholders, especially the entire institutional and regulatory system. The latter are divided into 4 chapters and for each of them we have attempted, in appropriate detail, to explain how FIS considers them and deals with them on a daily basis.

To request information on the report and its contents, please contact:
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