

NON-FINANCIAL  
GROUP REPORT  
2018

# CARE AND LIVE

# NON-FINANCIAL GROUP REPORT

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## ABOUT THIS NON-FINANCIAL GROUP REPORT

The following section provides an overview of the ongoing sustainability efforts of Fresenius Medical Care, as required by Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code. Our Non-Financial Group Report provides insights into developments from January 1 to December 31, 2018 and incorporates disclosures relating to the following six key aspects:

- › responsibility for patients,
- › responsibility for employees,
- › our approach to anti-bribery and anti-corruption,
- › responsibility to respect human rights,
- › responsibility for the environment,
- › relationship with suppliers.

In accordance with the International Financial Reporting Standards (IFRS) 10 and 11, the report includes information on Fresenius Medical Care AG & CO. KGAA and its subsidiaries (hereinafter referred to as Fresenius Medical Care, the Company or we). The report has been compiled in reference to the international sustainability standards of the Global Reporting Initiative (GRI). It is based on a materiality analysis as outlined in GRI Disclosure 102-46 (defining the content and topic boundaries of the report) and includes a description of the Code of Ethics and Business Conduct according to GRI Disclosure 103 (specifying the management approach).

The auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, Germany, has assessed the separate Non-Financial Group Report of Fresenius Medical Care and has performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. For the Independent Practitioner's Report on a Limited Assurance Engagement, please refer to [PAGE 101](#).

## OUR BUSINESS MODEL

*Fresenius Medical Care provides products and services for people with chronic kidney failure. Through our network of 3,928 dialysis clinics, we offer dialysis treatments to more than 330,000 patients around the globe.*

Fresenius Medical Care is the world's largest dialysis company, based on publicly reported revenue and the number of patients treated. We provide dialysis care and related services to people with chronic kidney failure in addition to other health care services. We also develop and manufacture a full range of dialysis machines, systems and disposable products, which we sell to customers in around 150 countries as well as using them in our internal health care service operations. Our dialysis business is therefore vertically integrated.

Fresenius Medical Care has a decentralized organizational structure with operational segments that are managed on a regional basis (North America, EMEA [Europe, Middle East and Africa], Asia-Pacific and Latin America). Fresenius Medical

Care's global research and development activities, which are managed centrally by the Global Research and Development (GRD) function, enable us to develop products efficiently and systematically promote the exchange of knowledge and technology between regions. Global Manufacturing and Quality (GMQ) is a central function that manages Fresenius Medical Care's production activities worldwide, including the necessary procurement of relevant raw materials and semi-finished goods as well as quality management, and distribution in North America. In addition, some production sites are under local responsibility. For further information on Fresenius Medical Care's business model, please refer to [PAGE 18](#) in the Group Management Report.

## OUR RESPONSIBILITY

*Operating on a global scale means having global responsibility. As the world market leader in dialysis, Fresenius Medical Care is aware of its responsibilities. With our compliance programs and our Code of Ethics and Business Conduct, we aim to achieve adherence to applicable legal regulations and our internal guidelines.*

Our business is highly regulated and subject to a variety of complex laws, rules and regulations. We are committed to conducting our business activities in compliance with applicable legal standards as well as internal and external provisions and requirements. Our patients, customers, payors, investors and regulators as well as all other stakeholders expect

Fresenius Medical Care to manage its business responsibly with an emphasis on integrity, sound corporate governance and adherence to compliance principles.

## ADHERING TO THE CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics and Business Conduct constitutes a binding framework that governs how Fresenius Medical Care employees interact with patients, colleagues, suppliers and society. The Code defines practices beyond legal requirements. It covers material non-financial topics that are relevant for Fresenius Medical Care ranging from patient care, quality and innovation, anti-corruption and bribery to worker protection, the environment and health and safety. The Code of Ethics and Business Conduct and our underlying values also include Fresenius Medical Care's commitment to respecting material human rights topics such as working conditions, non-discrimination and grievance mechanisms. It applies to every function and division worldwide, to all of the Company's employees as well as to the operations of all direct and indirect subsidiaries that are majority-owned or controlled in some other way by us. Our employees are obliged to adhere to the principles in the Code of Ethics and Business Conduct.

In 2018, Fresenius Medical Care has updated and aligned its core values globally. The global value set – "Collaborative", "Proactive", "Reliable" and "Excellent" – is anchored in our vision to create a future worth living for dialysis patients, worldwide, every day. The roll-out of the updated values

will be completed in 2019. For further information please refer to the "Responsibility for employees" section starting on [PAGE 91](#).

## COMPLIANCE AT FRESENIUS MEDICAL CARE

All employees of Fresenius Medical Care are encouraged to report potential cases of non-compliance with laws, regulations, internal policies, as well as actual or suspected misconduct that violate the Code of Ethics and Business Conduct. Several options are available for this. For example, employees can report actual and potential misconduct to their superiors or to the compliance function. Any suspected misconduct may also be reported anonymously via a dedicated telephone number, the Compliance Action Line, or e-mail addresses set up for this purpose.

Compliance with the Code of Ethics and Business Conduct is essential for Fresenius Medical Care's long-term success as it dictates the corporate culture and is an integral part of day-to-day work. Specialized functions at a global, regional and local level are responsible for implementing and communicating these principles within the organization. Training programs on the Code of Ethics and Business Conduct are designed to increase awareness of the applicable rules and help employees to understand them better and comply with them. The training programs are held regularly and are mandatory for all relevant employees. Standardized processes are in place to allow employees to attend the programs.

To comply with government regulations and reduce the risk of legal proceedings, Fresenius Medical Care relies on its management structure, its regulatory and legal resources and the effective implementation of its compliance programs to direct, manage and monitor its operations. As regulatory and legal risks concern our business as well, the Company is involved in legal proceedings resulting from its business operations, some of which could have a negative effect on Fresenius Medical Care's financial condition and results of operation in the event of a negative outcome. For further information on legal matters, please refer to the notes to the consolidated financial statements starting on [PAGE 154](#).

## NON-FINANCIAL RISKS

*Fresenius Medical Care has established a Group-wide risk management process. No reportable non-financial risks were identified in this process for fiscal year 2018.*

The German Commercial Code requires Fresenius Medical Care to report on all known significant risks in connection with its own business activities and business relations as well as its products and services, as long as they are very likely to occur and would have a severe negative impact on material non-financial topics. In 2018, no such non-financial risks were identified. For further information on Fresenius Medical Care's risk management, please refer to the "Risks and Opportunities Report" starting on [PAGE 63](#).

# SUSTAINABILITY MANAGEMENT

*For Fresenius Medical Care, sustainability means acting responsibly to achieve business success as well as environmental and social progress to secure our future as a globally operating company in the health care industry.*

Responsible conduct in compliance with our core values and applicable legal requirements is a key element of our corporate culture. Our business activities are based on responsible management with a focus on integrity, sound corporate governance and adherence to compliance principles. This approach has been recognized and honored: Fresenius Medical Care was included in the Dow Jones Sustainability Index (DJSI) Europe for the tenth consecutive year and has once again earned recognition for its sustainability efforts in 2018. Furthermore, we actively participate in CDP, a non-profit organization that encourages companies to disclose their environmental impact.

## GLOBAL SUSTAINABILITY GOVERNANCE

In 2018, we have set up a global sustainability governance structure at Fresenius Medical Care to further improve the coordination and management of sustainability topics across all regions and global functions. This means that sustainability is now firmly established at Management Board level. Responsibility for the Company's sustainability efforts lies with the Sustainability Decision Board, Fresenius Medical Care's highest decision-making body for sustainable development (SEE CHART 3.1), which is headed by the Chief Executive Officer (CEO). Sustainability-related results and progress are presented on a regular basis to the Management Board and the Supervisory Board. The Management Board and the Supervisory Board discuss the results of the sustainability efforts in the form of the Non-Financial Report. In this context, the Supervisory Board reviews the Non-Financial

Report and is supported by the auditor's limited assurance engagement.

The Sustainability Decision Board and the Corporate Sustainability Committee enable the Corporate Sustainability Office to manage Fresenius Medical Care's sustainability program. The Corporate Sustainability Committee has an advisory and steering role. It consists of senior representatives of all regions and global functions who have been nominated so that regional and functional interests are appropriately represented in our sustainability program.

The Corporate Sustainability Office has introduced a global sustainability program in 2018 to further strengthen and harmonize our sustainability management concepts. The first initiatives have already been launched as part of this program and focus on patient satisfaction, occupational health and safety, suppliers, human and labor rights as well as data privacy and security.

### 3.1 GLOBAL SUSTAINABILITY GOVERNANCE



# MATERIALITY ANALYSIS

*In 2017, Fresenius Medical Care conducted a materiality analysis to identify topics that are material to us in the context of our business model, legal requirements and the interests of stakeholders. We defined the material non-financial topics in a three-step process comprising an external analysis, an internal analysis and a final prioritization and validation of the topics identified.*

For the external analysis, we conducted benchmarking with other companies in the health care business. Furthermore, we

drew on external initiatives such as the Sustainable Development Goals (SDGs) as well as ratings and rankings including the DJSI, CDP and MSCI, key sector reports and examples proposed by law to assess the effects of Fresenius Medical Care's business activities on non-financial aspects. The internal perspective was discussed in workshops with experts from all relevant operating segments and functions at Fresenius Medical Care, who prioritized the topics that are relevant for our business from an internal business and strategic point of view. The consolidated material topics were then validated by senior executives of Fresenius Medical Care as well as by the senior management of all relevant operating segments and global functions. The material aspects defined as part of this

process were reviewed and reconfirmed in 2018. These aspects reflect Fresenius Medical Care's commitment to responsibility and represent the focal points of our Non-Financial Group Report.

As can be seen in [CHART 3.2](#), we report on five matters in accordance with the German Commercial Code. In the last section, we address the cross-cutting topic of the "Relationship with suppliers" and describe our approach to incorporating non-financial topics in our supply chain.

## C.3.2 MATERIALITY ANALYSIS



## RELATIONSHIP WITH SUPPLIERS

## RESPONSIBILITY FOR PATIENTS

*Fresenius Medical Care's vision is to create a future worth living for patients, worldwide, every day. To live up to this vision, we endeavor to improve patients' lives with services and products of an uncompromised quality.*

Social responsibility for our patients is one of the most important non-financial aspects of our business. We fulfill this responsibility by attaching particular importance to the quality of care and patient satisfaction, customer health and product safety, as well as the protection of patients' medical information.

### QUALITY OF CARE AND PATIENT SATISFACTION

Fresenius Medical Care is committed to providing exceptional clinical care to its patients. To measure the quality of our products and services, we apply different frameworks in our clinics and production facilities. This subsection focuses on the quality management system used in our dialysis clinics. For our quality management system at plant level, please refer to the "Customer health and product safety" section starting on [PAGE 89](#).

As a health care company, we consider patient care to be a social responsibility which we take very seriously. Fresenius Medical Care aims to improve patients' quality of life by offer-

ing them high-quality products and services. For this reason, we have set out clear and consistent general principles regarding patient care for all members of staff who interact with patients treated in our own dialysis centers. According to these principles, clinical care must be consistent with national and international scientific guidelines, Fresenius Medical Care's policy and the physician's orders. Among other things, we expect all staff to:

- › act ethically, fairly, courteously, competently and timely when dealing with patients,
- › treat all patients with dignity and respect,
- › involve patients and families in treatment planning and processes whenever appropriate,
- › respond carefully and accurately to patients' and families' questions.

### QUALITY STANDARDS AND GUIDELINES

To improve the quality of Fresenius Medical Care's dialysis care services, we continuously measure and assess the quality of care at our dialysis clinics in all operating segments on the basis of generally recognized quality standards and international guidelines. These include the Kidney Disease: Improving Global Outcomes (KDIGO) foundation, the Kidney Disease Outcome Quality Initiative (KDOQI) and the European Renal Best Practice Guidelines (ERBP), together with industry-specific clinical benchmarks and our own quality targets ([SEE TABLE 3.3 ON PAGE 87](#)). In each operating segment, responsibility for this process lies with our Chief Medical Officers (CMOs) and relevant specialist departments. Together they develop and review internal quality policies, standards and guidelines based on the general standards and international guidelines mentioned above. Our specialists use various IT systems and

algorithms in line with local requirements to calculate, monitor and review key performance indicators (KPIs) relating to quality. In addition, they use IT-supported systems and processes to assess such data within the scope provided by the standards and guidelines, aiming to continuously improve the quality of patient care at Fresenius Medical Care.

### QUALITY PARAMETERS

As a further indicator of our culture of quality improvement, we implement and monitor quality parameters so that the quality of care remains on a consistently high level. As part of this approach, we regularly share aggregated data on the quality of care ([SEE TABLE 3.3 ON PAGE 87](#)) as well as our financial results with executives in the individual operating segments as well as with our Management Board. In addition, Fresenius Medical Care publishes selected results of its treatment analyses on a quarterly basis to provide transparency on the quality of patient care and to emphasize Fresenius Medical Care's social responsibility towards its patients.

Fresenius Medical Care uses the following global quality parameters for public reporting:

- › Kt/V provides information about the effectiveness and efficiency of dialysis. It is calculated by dividing the product of urea clearance (K) and the duration of treatment (dialysis time, t) by the volume of body space to be cleaned of toxins (the urea distribution volume in the patient, V).
- › The hemoglobin value in patients' blood should be kept within a defined range. Hemoglobin is the component of red blood cells that transports oxygen within the human body. An insufficient level of hemoglobin in the blood indicates anemia.

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- › Albumin, calcium and phosphate levels in the blood are indicative of a patient's general nutritional status and point to disorders in the mineral and bone metabolism of patients with chronic kidney disease.
- › Catheters are associated with a serious risk of infection and an increase in the number of days spent in hospital. In contrast, a permanent vascular access is associated with reduced risk and supports effective dialysis treatment. Fresenius

Medical Care records the number of patients who do not use a catheter as a vascular access for dialysis.

- › The number of days patients are hospitalized is relevant for determining the quality of care because more days spent in hospital significantly reduce the quality of life of dialysis patients and are particularly cost-intensive for health care systems.

In the reporting year, Fresenius Medical Care included the quality parameters of 88 % of its dialysis clinics worldwide in its table of quality parameters by operating segment (2017: 88 %; prior year information on the coverage of dialysis clinics was adjusted to conform to the current year's presentation).

### T3.3 QUALITY PARAMETERS BY OPERATING SEGMENT RELATING TO THE FOURTH QUARTER OF THE RESPECTIVE YEAR

	Description	Possible impact if too low	North America		Europe, Middle East and Africa		Latin America		Asia-Pacific	
			2018	2017	2018	2017	2018	2017	2018	2017
in %	Kt/V <sup>1</sup> ≥ 1.2	Effectiveness of dialysis: measures how well the body is cleaned of uremic toxins	97	97	95	95	91	93	96	96
	Hemoglobin <sup>2,3,4</sup> = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	72	73	83	83	53	52	58	58
	Calcium <sup>1</sup> = 8.4–10.2 mg/dl		86	85	81	80	75	77	74	75
	Albumin <sup>5</sup> ≥ 3.5 g/dl	Measures the patient's nutritional status and mineral balance	81	79	90	88	90	90	89	88
in days	Phosphate <sup>1,6</sup> ≤ 5.5 mg/dl	Marker for increased mortality	62	63	81	81	75	76	67	70
	Patients without catheter (after 90 days) <sup>7</sup>	Measures the number of patients with vascular access	83	83	79	80	80	81	86	88
	Days in hospital per patient year <sup>8</sup>	Result of complications during dialysis	10.2	10.7	7.5	7.7	4.2	4.1	3.3	3.8

<sup>1</sup> KDOQI guidelines (Kidney Disease Outcomes Quality Initiative).

<sup>2</sup> KDIGO guidelines (Kidney Disease: Improving Global Outcomes).

<sup>3</sup> ERBP standard (European Renal Best Practice).

<sup>4</sup> EMEA data includes patients with Hb > 12 g/dl without erythropoiesis-stimulating agents (ESA).

<sup>5</sup> European Reference Material ERM-DA470k.

<sup>6</sup> Phosphate specified as mg/dl of phosphorus.

<sup>7</sup> Where we as the care provider are directly responsible, the proportion of patients with permanent vascular access serves as an indirect quality indicator.

<sup>8</sup> Days spent in hospital over a 365-day dialysis treatment period per patient.



For reasons of comparability, all data shown in [TABLE 3.3 ON PAGE 87](#) is collected at the same time. As we continuously measure the quality of care we offer our patients, medical data collected at a later point in time as well as lab test results might affect the quality parameters retroactively, requiring us to adjust them at a later stage.

## HOLISTIC DIALYSIS CARE FOR PATIENTS WORLDWIDE

Fresenius Medical Care has identified a need for integrated care for patients with advanced renal disease to optimize care transition, develop cost-effective alternative therapies and care structures, increase renal transplantation rates, and reduce the costs associated with caring for patients. Based on these considerations, the cmos as well as specialist departments at Fresenius Medical Care and other dialysis organizations have set up a global initiative to collaborate and share their clinical expertise with the aim of aligning the various definitions of clinical parameters used in quality management for end-stage renal disease. This group of experts is also dedicated to improving care as well as outcomes for dialysis patients worldwide. To this end, they analyze good clinical practices, develop new guidelines and promote their distribution in the respective clinic networks.

Thanks to our efforts to improve patient care, Fresenius Medical Care North America came top in the industry in the government's Five-Star Quality of Care Rating. In the rating, one to five stars are assigned to facilities based on a series of measurements relating to their clinical performance and patient outcomes. In the 2018 star rating release, Fresenius Medical Care had the highest percentage of clinics rated with four or five stars of all major dialysis providers in the u.s.

As demand for holistic care will continue to rise in the future, our aim is to combine all fields of application related to dialysis and coordinate them more effectively. As part of this approach, a group of dialysis facilities, nephrologists and other health care providers in the North America region are working together to deliver high-quality care that meets the patient's individual needs and preferences. With a focus on the patient, an integrated care team is dedicated to selling solutions, providing holistic care and receiving outcome-based reimbursement rather than offering single products or services. Our commitment to value-based care is demonstrated by our significant participation in the End-Stage Renal Disease (ESRD) Seamless Care Organization (ESCO) program with currently around 39,500 patients participating in the program. The results show improved health outcomes for patients receiving care through ESCOs. This success was validated by an independent report which showed a 6 % decrease in hospitalization rates for patients included in the ESCO program.

## PATIENT SATISFACTION

Patient surveys are essential to measure, manage and improve the services and care we offer our patients. Fresenius Medical Care carries out patient surveys in selected countries with the aim of collecting information on patients' experience, finding out where further improvements can be made and in which areas we should expand our services. The survey results are used to identify process improvements and consequently to improve patients' quality of life and the care given to each individual patient.

To improve local responsiveness, responsibility for the patient surveys lies with each region. In the u.s., for example, the state-run public health care authority, the Centers for Medi-

care & Medicaid Services (CMS), determines the content of patient satisfaction surveys. Our EMEA, Latin America and Asia-Pacific Segments also conduct surveys to measure and improve patient satisfaction. In EMEA and Latin America, the surveys are part of the quality management system. In all three regions, the survey results are analyzed and discussed with central functions at country level to identify and act upon strengths and weaknesses in the area of patient care. For further information on our grievance mechanisms, please refer to the "Responsibility to respect human rights" section starting on [PAGE 96](#).

## PATIENT SUPPORT IN EMERGENCY SITUATIONS

The Company as a whole fulfills its social responsibility in crisis situations or in the event of international disasters. To continue providing our patients with their vital dialysis treatment, even in extreme conditions such as severe storms or floods, Fresenius Medical Care has established a system of regionally organized emergency response teams. Their task is to protect patients and employees in emergency situations and to give patients the best possible care, even under extremely difficult conditions.

In addition to our disaster response activity, Fresenius Medical Care donates funds, dialysis machines and medical supplies to organizations that urgently require help. In 2018, our response to the life-threatening conditions caused by Hurricanes Michael and Florence in the u.s. is a good example of Fresenius Medical Care's social responsibility and our strong commitment to our patients. Our Disaster Response Team prepared for the storm well in advance and actively monitored its track so that we could continue caring for our

patients as well as providing support and safety for our employees. Applying best practices from prior seasons, Fresenius Medical Care made sure that all patients and staff were accounted for after the storm and was happy to report only minor damages to the facilities.

As a result of our commitment to our patients and employees, and based on our response to the extreme hurricane season of 2017, we were one of three finalists for the U.S. Chamber of Commerce Foundation's 2018 Corporate Citizenship Awards in the Best Disaster Response and Community Resilience Program category. The Citizenship Awards honor partnerships and organizations that leverage their resources, expertise and talent to make a positive impact.

## POLITICAL DIALOGUE AND ENGAGEMENT TO SUSTAIN BEST POSSIBLE CARE

As a company with global operations we are subject to a wide range of regulatory changes and political decisions that impact our business activities. In this context, we consider it our responsibility to represent the interests of our stakeholders, including our patients and employees in an open dialogue with governments, associations, organizations and various groups in society. Our principles for political activities as set forth in our Code of Ethics and Business Conduct form the basis of our political dialogue and engagement in compliance with applicable laws and regulations. In 2018, we participated in public discourse regarding a proposed legislation in three states in the U.S. For further information, please refer to the Group Management Report starting on [PAGE 17](#).

## CUSTOMER HEALTH AND PRODUCT SAFETY

For Fresenius Medical Care, customer health and product safety means creating a safe and healthy clinical environment to avoid potential harm caused by our products. The quality and safety of our products and services are the foundation of our business success. This subsection describes our quality management efforts at production level, aiming to constantly improve the quality of products. For a description of the management system in our dialysis clinics, please refer to the "Quality of care and patient satisfaction" section starting on [PAGE 86](#).

Depending on the target market and the country of production, Fresenius Medical Care is subject to different rules and regulations. In the European Union, these include the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Restriction of Hazardous Substances (RoHS) legislation and the Medical Device Directive 93/42/EEC. Furthermore, we continuously strive to meet the requirements of selected relevant standards, including those of the Association for the Advancement of Medical Instrumentation (AAMI), the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). To fulfill our commitment to customer health and product safety while complying with the numerous relevant regulatory requirements, our processes are embedded in comprehensive quality management systems (QMS). These QMS enable all of our products and procedures to comply with quality and safety standards from their development to market approval, manufacturing and use in clinics through to training customers and dealing with complaints.

## OUR GLOBAL QUALITY POLICY AND QUALITY MANUALS

To allow us to provide our products and processes with a high quality, Fresenius Medical Care is committed to adhering to its Global Quality Policy, which is a key component of our QMS. The policy reflects our commitment to providing uncompromised product and service quality, while maintaining compliance with relevant regulations. By approving the Global Quality Policy, the heads of the GRD and GMQ functions, who are also members of the Management Board, confirmed their commitment to implementing a harmonized quality management system and maintaining its effectiveness.

Aside from quality policies, quality manuals are a vital framework for describing our quality systems. For this reason, the North America Segment has developed a quality manual to satisfy applicable regulatory requirements and internal policies and procedures. In 2018, the GMQ and GRD functions in EMEA, Latin America and Asia-Pacific have also introduced a quality manual. This manual identifies key policies and procedures, describes corporate oversight responsibilities and includes sub-system policies according to ISO 13485 and ISO 9001 as well as other documents needed by the organization to allow effective process planning, operation and control.

## QUALITY MANAGEMENT SYSTEMS AND QUALITY INSPECTIONS

Quality management systems and quality inspections play an important role when it comes to the quality, safety and efficacy of medical and pharmaceutical products and supplies. It is therefore of great importance to Fresenius Medical Care that all plants have successfully passed the annual ISO 13485,

ISO 9001 or Good Manufacturing Practice (GMP) inspections required for recertification.

As regulatory requirements vary around the world, our QMS are managed at a regional or local level. Responsibility always lies with the Head of Quality of the corresponding region. As part of this approach, local sites are subject to management reviews and regular internal quality audits performed by personnel who are not directly involved in the processes. Furthermore, our manufacturing sites in all regions undergo external audits by notified bodies and authorities such as the U.S. Food and Drug Administration (FDA) or the German Ministry of Health. Any cases of non-conformance are forwarded to the respective department to determine and implement appropriate corrective and preventive actions in due time.

As a result of this management concept, all of our sites in North America are GMP-compliant and four out of eight sites are certified according to ISO 13485. In EMEA, all sites coordinated by GMQ are certified according to ISO 9001 and ISO 13485. In Asia-Pacific, three out of eight sites are GMP-compliant. Furthermore, all plants that produce medical devices or pharmaceuticals are certified in accordance with ISO 9001 and/or ISO 13485. In Latin America, one plant is certified in accordance with ISO 13485. Furthermore, all production sites are GMP-compliant and have the applicable certifications required by law to manufacture, import, distribute and export pharmaceutical products and medical devices.

## REPORTING ADVERSE EVENTS AND PRODUCT COMPLAINTS

Patient safety is given top priority at Fresenius Medical Care. To continuously improve the quality and safety of its products

and services, the Company reviews adverse events and analyzes product complaints. It uses this information to maximize safety in its facilities. Furthermore, we require all staff involved in the relevant tasks to understand, be familiar with, and follow Fresenius Medical Care's policies regarding the reporting of adverse events and product complaints.

## PROTECTION OF PATIENTS' MEDICAL INFORMATION

As a company in the health care sector, we are entrusted with sensitive personal data on patients' treatment. We use this data to continuously optimize the quality of care we provide and fulfill our social responsibility towards our patients, as described in the "Quality of care and patient satisfaction" section starting on [PAGE 86](#).

Fresenius Medical Care takes data privacy and security seriously and respects the privacy of all its stakeholders. We are committed to maintaining trust of our stakeholders and protecting patients' medical information. As we highly value quality, honesty and integrity, we use our best efforts to handle patient data with the expected and appropriate care. This includes continuous attention and dedication to the protection of personal data that we process.

We aim to apply adequate and global minimum privacy standards relating to the way we handle patient data at Fresenius Medical Care, and its affiliates, subsidiaries and majority controlled joint ventures. As legal requirements differ throughout the world, we have established the Global Privacy Founda-

tion, which specifies a consistent set of minimum requirements so that personal data is used appropriately throughout its life cycle. While the Global Privacy Foundation creates a baseline requirement for all our affiliates to comply with, Fresenius Medical Care is also committed to adhering to applicable local laws that may impose stricter standards.

Fresenius Medical Care's global privacy program is overseen by its Management Board, which is informed on a bi-annual basis of the program status and any privacy-related issues that need to be addressed. Through the Global Head of Data Protection and Cybersecurity Laws as well as the Global Privacy Team, the Fresenius Medical Care affiliates are guided in order to meet their compliance with the global privacy program. The Global Privacy Team maintains the Global Privacy Foundation by developing policies, procedures and guidelines, planning training and awareness programs, monitoring and reporting on compliance, collecting, investigating and resolving privacy inquiries, concerns and complaints as well as determining and updating appropriate sanctions for violations of these rules. Each Fresenius Medical Care affiliate is accountable for establishing and implementing at the minimum the baseline global privacy program for its operations. They shall, as deemed appropriate, designate resources who are qualified to serve in such capacity by virtue of their background, experience, education, and training.

In 2018, Fresenius Medical Care continued to further develop its global privacy program with a focus on its General Data Protection Regulation (GDPR) readiness program so that our systems, databases and applications meet GDPR requirements.

As expressed in our Code of Ethics and Business Conduct, Fresenius Medical Care is committed to protecting the privacy

of its patients and only uses information collected in accordance with local data protection and privacy rules. Furthermore, Fresenius Medical Care's employees are expected to promptly report lost, stolen or damaged devices owned by the Company or containing Company information. To safeguard the confidentiality of sensitive patient information, all relevant employees of Fresenius Medical Care with access to patient data are instructed to never disclose personal information to any unauthorized persons, either inside or outside the Company, who do not have a legal right of access to this information.

## RESPONSIBILITY FOR EMPLOYEES

*Fresenius Medical Care's employees work hard to provide products and services of a consistently high quality worldwide. As we depend on skilled staff for our continued growth, we constantly strive to attract, retain and develop qualified employees. Fresenius Medical Care acknowledges its responsibility as an employer to maintain high occupational, health and safety standards.*

## EMPLOYEES AND EMPLOYMENT STRUCTURE

With 112,658 employees worldwide (full-time equivalents [FTEs], 2017: 114,000), Fresenius Medical Care is one of the largest health care providers and the largest vertically inte-

grated dialysis company in the world. The 1 % decrease in the number of employees in 2018 was primarily due to the divestiture of Sound Inpatient Physicians. In Germany, Fresenius Medical Care employed 6,466 employees (FTEs) at the end of the reporting year (2017: 6,010 [FTEs]), accounting for around 6 % (2017: 5 %) of the total workforce. This underscores the very high degree of internationalization in Fresenius Medical Care. The majority of employees work in the area of production and services (86 %) followed by administrative functions (10 %) – [SEE TABLE 3.4](#).

**T3.4 EMPLOYEES PER FUNCTIONAL AREA**  
FTEs AS A PERCENTAGE OF TOTAL EMPLOYEES  
PER FUNCTIONAL AREA AS AT DECEMBER 31

	2018	2017
Production and services	86	87
Administration	10	9
Sales and marketing	3	3
Research and development	1	1

To enable continued growth in its business with health care services and products, Fresenius Medical Care relies on its ability to attract, retain and develop skilled employees. In the ten years between the end of 2008 and the end of 2018, the number of employees at Fresenius Medical Care increased by 47,992 (FTEs), in line with our overall growth. Fresenius Medical Care does all it can to continue being an attractive employer. The global voluntary turnover rate in 2018 was 12.9 % ([SEE TABLE 3.5](#)). The fluctuation rate reflects the average for many countries. The increase is mainly due to the growing global competition for medical specialists. We respond to this trend with initiatives such as aligning the corporate value set and introducing comprehensive employee

surveys in all regions. These serve to highlight the attractiveness and advantages of Fresenius Medical Care as a globally active employer that improves the lives of patients every day. We will use the surveys to take additional appropriate measures locally, if necessary.

On average, employees stay with Fresenius Medical Care for 7.4 years ([SEE TABLE 3.5](#)). The length of service at Fresenius Medical Care thus shows a positive trend and, after evaluating the employee survey, encourages Fresenius Medical Care to identify specific measures at local level in order to further improve this development.

**T3.5 EMPLOYEE RETENTION<sup>1</sup>**  
SELECTED HR METRICS AS AT DECEMBER 31

	2018	2017
Voluntary turnover rate <sup>2</sup>	12.9 %	12.2 %
Average service length in years <sup>3</sup>	7.4	7.0

<sup>1</sup> Based on country data representing 96 % of Fresenius Medical Care employees. Prior year information was adjusted to reflect the increased scope and to conform to the current year's presentation. Recently acquired entities like Cura in Australia have been excluded.

<sup>2</sup> Calculated as the number of employees who left the organization voluntarily in relation to the number of employees at the end of the year. Based on an internal review of our definitions, we have now excluded events like rehires.

<sup>3</sup> Average length of employment at Fresenius Medical Care.

Fresenius Medical Care brings together a wide range of cultures and skills under one roof. We value the diversity that our employees provide in the form of their qualifications, personal strengths, characteristics, interests, perspectives and ideas. We will continue to promote diversity in the future, emphasizing and embracing it as an asset. Moreover, Fresenius Medical Care does not tolerate discriminatory or any other unlawfully prejudiced behavior, as outlined in the "Responsibility to respect human rights" section starting on [PAGE 96](#).

In 2018, 69 % of employees were women, with the highest proportion in North America (72 %), which is typical for the medical device and health care industry (SEE TABLE 3.6). For further information on gender diversity at top management level, please refer to the Declaration on Corporate Governance starting on PAGE 111.

**T 3.6 FEMALE EMPLOYEES**  
AS A PERCENTAGE OF OVERALL EMPLOYEES AS AT DECEMBER 31

	2018	2017
North America	72	70
EMEA	67	67
Latin America	67	68
Asia-Pacific	65	65
<b>TOTAL</b>	<b>69</b>	<b>69</b>

The average age of employees in 2018 was 42.1 years. Around 17 % of employees were below 30, the majority of 56 % were between 30 and 49 years old and 27 % of employees were 50 years and older (SEE TABLE 3.7). This distribution reflects a high proportion of skilled and experienced employees as required in many areas of work in our industry.

**T 3.7 DEMOGRAPHIC OVERVIEW<sup>1</sup>**  
AVERAGE AGE OF EMPLOYEES AS AT DECEMBER 31

	2018	2017
Average age in years	42.1	41.7
Share of employees under 30	17 %	18 %
Share of employees between 30 and 49	56 %	56 %
Share of employees 50+	27 %	26 %

<sup>1</sup> Based on country data representing 96 % of Fresenius Medical Care employees. Prior year information was adjusted to reflect the increased scope and to conform to the current year's presentation. Recently acquired entities like Cura in Australia have been excluded.

## GLOBAL PEOPLE STRATEGY

Fresenius Medical Care's Human Resources (HR) function provides and manages the necessary frameworks, policies and processes to enable our employees to contribute to our success and growth. HR is organized on a global, regional (North America, EMEA, Latin America, Asia-Pacific) and functional level (GMQ, GRD and other corporate functions). The global HR function develops and implements the Global People Strategy and reports directly to Fresenius Medical Care's CEO. Regional and divisional HR functions work closely with local HR representatives, employees and managers to adapt this strategy to regional and functional requirements, and allow us to provide HR services of a high quality on a daily basis.

Fresenius Medical Care's Global People Strategy provides the framework for all of our HR activities and is translated into annual roadmaps that are defined and discussed globally as well as in each region and function on a regular basis. In addition, the Company has formed global centers of excellence to share, discuss, develop and implement new ideas, tools and

solutions. This facilitates close collaboration, the leveraging of synergies and greater alignment of the HR function across all countries.

The Global People Strategy rests on three pillars (SEE CHART 3.8 ON PAGE 93). These enable Fresenius Medical Care's continued success, driven by our purpose, values and commitment to our patients and employees.

- 1) **Driving culture that attracts, engages, and retains our employees.** Fresenius Medical Care fosters an inclusive and diverse working environment throughout the organization based on its purpose and values. Employees can participate in the Company's success via profit-sharing schemes, such as the Long-Term Incentive Program and other instruments. We aim to further boost the commitment of our employees by expanding our employee engagement activities on a global scale. To create a better common basis, Fresenius Medical Care has harmonized its approach to employee surveys worldwide to determine and evaluate employee commitment and obtain feedback in a more comparable way. In 2018, the North America region was the first to implement the new employee engagement survey.

To provide employees with a consistent reference framework regarding our culture, Fresenius Medical Care has aligned its core values globally and launched campaigns to communicate and foster their application throughout the Company. The new harmonized global value set – "Collaborative", "Proactive", "Reliable" and "Excellent" – is anchored in our motto: "Creating a future worth living. For patients. Worldwide. Every day." The roll-out of the globally harmonized values will be completed in 2019. In

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the next step, we will revise and update our internal training material as well as our Code of Ethics and Business Conduct.

2) **Managing talent to provide skills and resources today and in the future.** Lifelong learning and education as well as personal and professional development are crucial elements of employee motivation and prerequisites for a successful career. In addition, they are critical for giving us a competitive edge. Fresenius Medical Care invests in its employees and provides them with attractive development opportunities, taking their roles and individual strengths into consideration. This is reflected in various local, regional and global development programs. For instance, in the reporting year, we developed and started to implement a global leadership development program for the top 400 leaders, built around specified leadership expectations. Fresenius Medical Care also runs the Clinical Advancement Program (CAP), a development program designed specifically for state-registered nurses in the U.S. and the new FAME program with a focus on providing management essentials in the Asia-Pacific region. Another

aspect of this investment is the use of online training, which is available in all countries in which Fresenius Medical Care employs staff.

To further boost our global talent management, we continued to refine the process for regularly reviewing leadership talent and succession planning and expanded our scope, including a focus on female talent. The results support managers and HR colleagues in recognizing and delivering “best-fit” solutions in the future; they are the basis for identifying, promoting and developing future leaders at Fresenius Medical Care.

3) **Aligning organizational capabilities to enable global growth.** As Fresenius Medical Care operates in a highly regulated industry with employees in more than 60 countries, it must constantly strive to find the right balance between globalization and localization and organize itself accordingly. On the one hand, health care regulations differ considerably between operating segments and the individual countries in which Fresenius Medical Care is active. On the other hand, cultural conventions, lan-

guages as well as the varying size and focus of Fresenius Medical Care’s local footprint also require close collaboration, alignment and adaptability. For example, we regularly bring together senior managers on a global, regional and functional level to discuss our future strategy and priorities. In addition, Fresenius Medical Care defines cross-functional targets in various business areas to encourage employees to set aligned priorities for their projects. Furthermore, the Company continues to work on digitizing its HR processes to enable HR services of a consistently high quality in future. This is complemented by the application of software solutions to carry out HR-related analyses that provide insights for well-informed decisions with regard to the organization.

## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Fresenius Medical Care is committed to giving top priority to occupational health and safety (OHS) management and to providing a healthy and productive workplace for its employees and business partners. To this end, we promote a safe and secure work environment to prevent harm.

We aim to foster a culture of continuous improvement in the work environment with the goal of minimizing injuries and reducing incident rates. This includes:

- › reporting and analyzing work-related accidents and injuries,
- › identifying their root causes, and
- › implementing corrective actions, as appropriate.

### C3.8 THE THREE PILLARS OF THE GLOBAL PEOPLE STRATEGY



... to attract, engage and retain employees



... to provide skills and resources, today and in the future



... to enable global growth

As part of this concept, we have introduced KPIs for occupational health and safety to our production sites and our dialysis clinics to provide information, as required by government authorities. To further strengthen and harmonize our management concepts and KPIs in this context, we launched an occupational health and safety initiative in 2018 as part of our global sustainability program.

At Fresenius Medical Care, the topic of occupational health and safety is managed locally, allowing us to meet local and regional legislative requirements. In many countries, medical facilities are obliged to fulfill country-specific occupational health and safety requirements to achieve certification. In North America, operational activities related to occupational health and safety are monitored and evaluated by a specialized department. This function also assesses external regulatory and legal requirements and incorporates them into our internal policies and guidelines together with regional and local management. Every year, Fresenius Medical Care's production sites and laboratories in the U.S. are put through a formal program to monitor environmental protection and occupational safety standards. Audits are carried out to check compliance with the regulations of the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency as well as state and local statutes.

In the EMEA region, we have established an Environmental Health & Safety (EHS) Basic System that focuses on compliance and risk control in connection with environmental and employee matters. The EHS Basic System applies to all operational units within the Integrated Management System (IMS) that have a certified quality management system in place. Aside from the EHS Basic System, all operational units in EMEA

are required to file an annual declaration of responsible management confirming their compliance with environmental and occupational health and safety regulations (Declaration of EHS Compliance). Our occupational health and safety procedures in the EMEA region are bundled in a central management system for occupational health and safety based on the British Standards for Occupational Health and Safety Assessment Series 18001 (BS OHSAS 18001), which is incorporated into our IMS. As a result, we conduct internal reviews and audits as part of our regional QMS to monitor compliance with occupational health and safety policies and procedures in the dialysis care business.

In Latin America, we have established occupational health and safety management systems under local responsibility. In our GMQ-managed production sites dedicated functions like work safety officers or EHS officers are responsible for introducing OHS guidelines, policies and procedures in accordance with local regulations. These functions record and report work-related injuries to local authorities, the local OHS committee or local management. Our dialysis care business in Latin America has introduced OHS guidelines, policies or procedures in accordance with local regulations. All of these sites are subject to regular internal reviews as well as external audits from government agencies or national regulatory bodies.

In Asia-Pacific, occupational health and safety management in our production sites is under local responsibility. All production sites have dedicated personnel including OHS Committees, HR or EHS departments responsible for overseeing the application of OHS laws and regulations. As part of this management approach, our production sites have established OHS guidelines, policies or procedures in accordance with the applicable local regulations. In the provider business, the clin-

ical quality team has introduced a risk management system that covers occupational health and safety aspects. This includes infection prevention and control, medication management, the safe use of sharps and disposables as well as other clinical quality tools. We provide a clinical framework including guidelines, standards, operating procedures and policies. To monitor compliance with the clinical framework as well as country, state and federal legislation, we regularly perform internal clinical quality audits.

## OUR APPROACH TO ANTI-BRIBERY AND ANTI-CORRUPTION

*Our efforts to help patients around the world to lead a better life by offering high-quality products and services are based on our commitment to our core values: Collaborative, Proactive, Reliable, Excellent. It therefore goes without saying that we comply with anti-bribery and anti-corruption laws in the regions in which we operate.*

Fresenius Medical Care's corporate culture and policy as well as its entire business activities are guided by its corporate values. This also applies to Fresenius Medical Care's work and business relationships with its patients, customers, business partners, public authorities, investors and the general public, as well as with its employees.

We are committed to conducting our business activities in compliance with the respective legal provisions and industry standards. As a company with international operations, Fresenius Medical Care must comply with the anti-bribery and anti-corruption (ABC) laws of many jurisdictions, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and the German Criminal Code, as well as the ABC laws of all countries in which Fresenius Medical Care operates. Fresenius Medical Care does not tolerate any form of corruption, whether it involves a health care professional, government official, private party or a transaction for the purchase or sale of items or services provided by Fresenius Medical Care.

Every employee, contract worker and agent of Fresenius Medical Care is responsible for complying with the relevant laws. They must adhere to the principles set out in the Code of Ethics and Business Conduct as well as in related Fresenius Medical Care policies and guidelines. Should employees violate the law, the Code of Ethics and Business Conduct or Fresenius Medical Care guidelines and policies, this may result in disciplinary or corrective action or other legal consequences. Disciplinary or corrective action may include, for example, verbal counseling or termination of their contract.

## ABC COMPLIANCE ORGANIZATION

Fresenius Medical Care has appointed a global Chief Compliance Officer who is responsible for the worldwide compliance organization with respect to anti-bribery and anti-corruption. The Chief Compliance Officer reports directly to the CEO of Fresenius Medical Care. Furthermore, the Chief Compli-

ance Officer regularly provides a report on the status of our ABC Compliance Program to the Audit and Corporate Governance Committee of the Supervisory Board of Fresenius Medical Care.

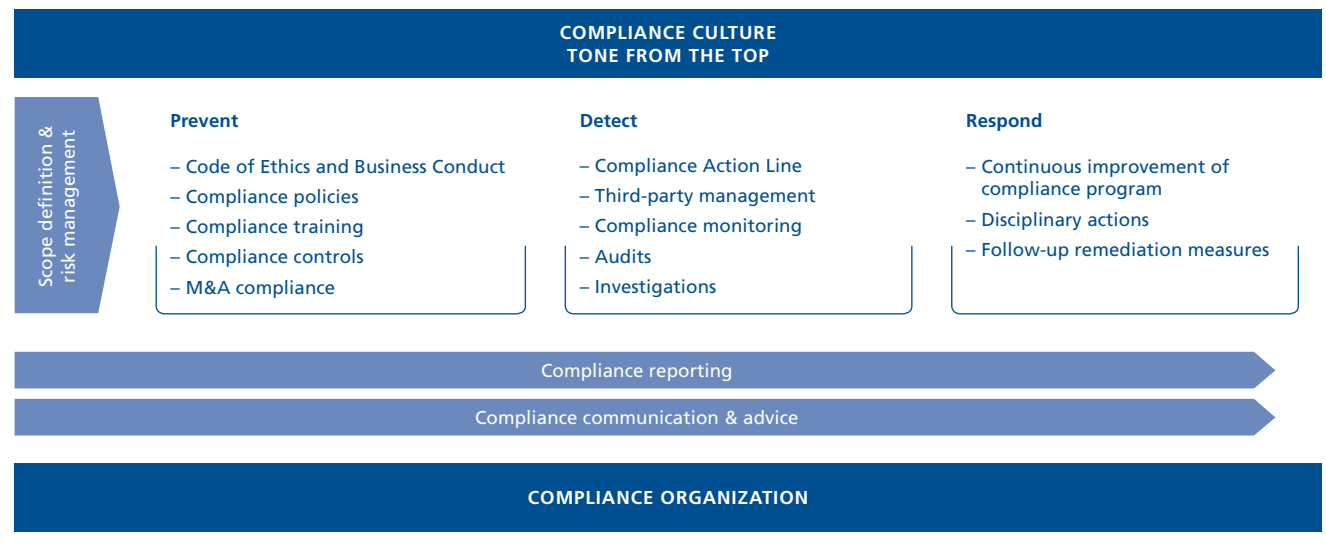
The mission of Fresenius Medical Care's ABC Compliance Organization is to empower the organization to:

- › create the prerequisites for integrity in all relevant activities, and
- › facilitate our long-term business success.

## ABC COMPLIANCE PROGRAM

By complying with laws as well as our values and rules, our employees contribute to the perception of Fresenius Medical Care as a reliable partner in the health care system by patients, customers, business partners, public authorities, investors and the general public. Fresenius Medical Care has therefore developed an ABC Compliance Program to help employees abide by these values and to understand and meet their legal, regulatory and ethical obligations.

### C3.9 THE THREE PILLARS OF THE ABC COMPLIANCE PROGRAM





The ABC Compliance Program includes a training program, compliance policies and procedures including corrective action for failure to follow policies, provisions for anonymous reporting of suspected violations of applicable laws or company policies, and internal monitoring and reviews of Fresenius Medical Care's compliance procedures. The ABC Compliance Program is risk-based and rests on three pillars (SEE CHART 3.9 ON PAGE 95):

- › prevent – including policies and procedures, regular training programs and a compliance control framework,
- › detect – including reviews of Fresenius Medical Care's business partners and the Compliance Action Line as well as risk-based reviews and monitoring of the ABC Compliance Program,
- › respond – including a follow-up of reported or otherwise detected potential violations.

The ABC Compliance Program is continuously being improved. When analyzing or enhancing components of the program, Fresenius Medical Care focuses on certain groups of third parties and the respective interactions. These include, but are not limited to, government officials, health care professionals, health care organizations, reimbursement entities, third parties acting on behalf of Fresenius Medical Care, and customers/suppliers, as well as related provisions on topics, including but not limited to discounts and rebates, grants, gifts and entertainment.

Fresenius Medical Care has implemented the ABC Compliance Program in all business lines to reduce the risk of legal violations by providing general and specific rules of conduct and procedures as well as regular training for relevant employees.

In 2018, Fresenius Medical Care continued to implement enhancements to its ABC Compliance Program and continued to conduct ABC compliance training for its employees. The ABC Compliance Organization provides the Supervisory Board, Management Board as well as other internal and external stakeholders with an adequate level of transparency regarding the status of the ABC Compliance Program including potential compliance risks, mitigating actions and the status of their implementation.

## RESPONSIBILITY TO RESPECT HUMAN RIGHTS

*As a global health care company, we continuously work to save lives, promote health and improve the quality of life of our patients. With our products and services, we improve access to good and affordable health care in many countries. To us, human rights are an integral part of our corporate responsibility.*

To fulfill its responsibility as a health care company, Fresenius Medical Care is committed to respecting human rights in its operations and complying with the laws of the countries in which it does business. Further relevant commitments towards our patients and employees are embedded in our Code of Ethics and Business Conduct.

Based on the materiality analysis conducted by the Company, Fresenius Medical Care considers three human rights aspects to be particularly relevant to its business model:

- › Fresenius Medical Care is committed to providing all employees and business partners with fair and safe working conditions. We give top priority to employee protection, as outlined in the "Occupational health and safety management" section starting on [PAGE 93](#).

We respect the freedom of association and the recognition of the right to collective bargaining. Our employees can join labor unions, seek representation and engage in collective bargaining in accordance with local laws.

We condemn the use of forced labor and exploitative child labor.

- › Fresenius Medical Care supports equal opportunities for its employees and patients and takes a clear stand against discrimination. We do not tolerate any form of discrimination or harassment based on, in particular, gender, race, ethnic origin, skin color, nationality or national origin, religion or belief, age, marital status, citizenship, disability, sexual orientation, veteran status or any other unlawful discriminatory consideration.

We strive to provide a work environment free from all forms of discrimination, harassment – including verbal, physical or sexual harassment – violence or any other form of intimidation from and against supervisors, co-workers, employees, vendors, consultants, visitors, patients or customers in connection with our business.

› Fresenius Medical Care recognizes the importance of open communication and aims to create an environment where patients and employees can report grievances. Grievance letter boxes, hotlines as well as patient surveys are available in many of Fresenius Medical Care's clinics and help us to improve our systems and processes.

The Code of Ethics and Business Conduct and the underlying corporate values include our commitment to respect human rights and to treat all patients and employees with dignity and respect. Fresenius Medical Care also encourages its suppliers and business partners to share this commitment, as outlined in detail in the "Relationship with suppliers" section starting on [PAGE 99](#).

## RESPONSIBILITY FOR THE ENVIRONMENT

*As a global player in the health care sector, our responsibility extends beyond our business operations. We are committed to achieving environmental improvements throughout the entire life cycle of our products and to reducing the impact of our operations on the environment.*

At Fresenius Medical Care, we actively reduce the environmental impact from our operations by monitoring and continuously improving our environmental performance, using resources as efficiently as possible, and seeking to leverage the advantages of new technology. Internationally agreed

standards such as ISO 14001 help us to take a strategic approach to improving our environmental performance.

## ENVIRONMENTAL MANAGEMENT AT FRESENIUS MEDICAL CARE

Environmental management at Fresenius Medical Care includes management of water, waste water, energy, waste as well as greenhouse gas emissions. These topics are the focus of our environmental management activities. We aim to achieve environmental improvements along the entire life cycle of our products and reduce negative environmental impacts and risks for our patients and employees.

We are subject to a broad range of federal, state and local laws and regulations relating to the protection of the environment. These laws regulate, among other things, the discharge of substances into the environment, the handling and disposal of waste and waste water and the remediation of contaminated sites. As we operate in highly regulated markets, we have established management structures in line with our decentralized structure to comply with applicable laws and regulations.

In North America, environmental management is established at regional level. As part of this approach, we constantly monitor national and international regulations relating to environmental, chemical and occupational health and safety issues so that our internal policies, guidelines and SOPs are up-to-date. For the purpose of compliance with applicable laws and internal guidelines, manufacturing sites, distribu-

tion centers and laboratories are subject to regular audits by our Corporate Audit team. Furthermore, we regularly analyze energy, water and waste and review them to reduce consumption and improve efficiency in all our facilities. 91 % of our dialysis clinics in the U.S. are covered by this approach.

In the EMEA Segment, environmental management is part of Fresenius Medical Care's Integrated Management System (IMS). Its aim is to systematically reduce and control risks associated with environmental protection, comply with applicable legislation and meet the expectations of our customers and patients. Since our environmental certification strategy is focused on but not limited to production sites with high consumption levels, eight of our largest production sites in the EMEA Segment are certified according to ISO 14001. Two of these production sites are also certified according to ISO 50001. In addition, almost 50 % of our dialysis clinics are certified according to ISO 14001. Compliance with ISO standards is regularly reviewed by internal and external experts.

At present, more than 70 % of our clinics in the EMEA Segment use the integrated software solution e-cons for eco-controlling. This software is designed to monitor and reduce energy, water and waste while improving the quality and consistency of environmental data. In the years to come, we intend to continuously increase the proportion of clinics using e-cons. For further information on our Environmental Health & Safety (EHS) Basic System and the Declaration of EHS Compliance, please refer to the "Occupational health and safety management" section starting on [PAGE 93](#).

In Latin America, we have implemented an environmental management program to control and improve our environmental performance in terms of energy, water and waste in

our dialysis clinics. More than 92 % of our clinics are covered by the integrated software solution e-cons for eco-controlling. The environmental data is reviewed on a regular basis to control developments as well as target achievements and define measurements and activities for improvement.

## ENVIRONMENTAL DATA

To enable us to use resources as efficiently as possible, each region collects environmental data. This data is analyzed with the aim of reducing consumption and improving efficiency. In 2018, the Corporate Sustainability Office started to collate and review this data on a quarterly basis to manage the issue at global level.

Fresenius Medical Care monitors and reports data on the following environmental topics including dialysis services and manufacturing at global level:

- › water consumption,
- › energy consumption and
- › greenhouse gas emissions (Scope 1 and 2).

In 2018, Fresenius Medical Care used 42 M m<sup>3</sup> of water and 2.4 M MWh of energy, resulting in 218 k tons of scope 1 and 548 k tons of scope 2 CO<sub>2</sub> equivalents worldwide. The figures include data on energy and water consumption provided by GMQ-coordinated manufacturing sites as well as data on electricity and water consumption from our dialysis centers. Greenhouse gases are calculated based on energy data. Due to the timing of this publication and the availability of data

sources such as energy or water bills, we have performed a limited number of extrapolations to complete the data set for this reporting year.

## ENVIRONMENTALLY SOUND AND EFFICIENT OPERATIONS IN GMQ AND GRD

Our corporate GMQ function encourages local sustainability projects as part of our Green & Lean initiatives with the aim of continuously improving Fresenius Medical Care's environmental performance and incorporating environmental management best practices into our business operations. This means that each plant is responsible for defining, planning and implementing environmental initiatives.

Green & Lean reporting enables best practices to be shared between plants with a view to reducing emissions, promoting the responsible and efficient use of natural resources as well as recycling waste and waste water. The key objectives of the initiatives are compliance with applicable environmental regulations, managing and reducing environmental risks and implementing environmentally sustainable operations. In 2018, our Green & Lean initiatives included the conversion to LED lighting in our warehouses and production areas, waste water heat recovery, the replacement of production chillers and boilers to adapt to environmental conditions and the increased use of solar power. We also saved water and waste water by implementing and optimizing reverse osmosis systems, autoclaves and purification systems. Furthermore, we

improved our production processes and recycling activities and were consequently able to reduce waste produced at our manufacturing sites.

Our commitment to using natural resources efficiently is also part of the environmental policy set out by our GMQ function in EMEA and Latin America as well as by GRD. In this policy, we pledge to minimize the impact of our activities on the environment, comply with applicable laws and regulations and provide safe and healthy working conditions for all employees. Using natural resources efficiently, preventing environmental pollution, recycling waste efficiently, and enhancing our environmental performance are core elements of our efforts to continually improve our environmental management system.

## REDUCING ENVIRONMENTAL IMPACT ALONG THE PRODUCT LIFE CYCLE

At Fresenius Medical Care, innovations and new technologies help us to reduce our impact on the environment and the use of resources. Most of the water utilized by Fresenius Medical Care is needed to produce dialysate during life-saving dialysis treatment in our dialysis centers around the world. The amount of dialysate and consequently the amount of water required per dialysis treatment is determined by a variety of factors including the blood flow rate, the selected dialyzer and the treatment method, most of which are the direct responsibility of the physician.

In its efforts to save resources, it is of utmost importance to Fresenius Medical Care that resource efficiency does not compromise the quality of care or product quality. With our latest machine generations, the 5008 and 6008 series, we have developed a dialysis machine that supports patient safety while at the same time being eco-friendly by automatically adjusting the dialysate flow to the effective blood flow. This allows us to save substantial amounts of dialysate, water and energy while maintaining a constant dialysis quality. We are continuously increasing sales of these machines worldwide. In 2018, more than one in five dialysis machines we produced belonged to one of these resource-friendly machine generations.

With the aim of reducing our environmental impact, we take a life-cycle approach that takes into consideration all significant environmental impacts along the entire product life cycle. To this end, we have established a simplified, lean product life cycle assessment (Screening LCA) as part of our EMEA environment, health and safety program. Based on international guidelines, we calculate the environmental impact caused during the different stages of a product's life cycle in order to meet the requirements of ISO 14001 and IEC 60601-1-9. Our Screening LCA covers the majority of our active medical device product lines.

## RELATIONSHIP WITH SUPPLIERS

*We believe that our commitment to sustainability needs to be reflected in our procurement practices. Therefore, we expect our suppliers to comply with our Sustainability Principles along their own supply chain and establish adequate procedures for this purpose.*

As both a manufacturer of dialysis products and a provider of health care services, we work with suppliers, service providers and partners, who all contribute to Fresenius Medical Care's sustainable growth and business success. Based on our corporate strategy, we benefit from the advantages gained from covering the entire value chain. A high degree of vertical integration allows us to offer products with uncompromised quality from the raw material to the finished product.

To further strengthen and harmonize our commitment to sustainable procurement practices, we have launched an initiative to promote sustainable supply as part of our global sustainability program. To this end, we have set up a global, cross-functional working group with a focus on supplier relationship management and risk management within our supply chain as well as a sustainable supply strategy.

## SUSTAINABILITY PRINCIPLES AND ROLE OF THE PROCUREMENT ORGANIZATION

At Fresenius Medical Care, regional procurement organizations assist the health care services division, the sales organizations and the Company's headquarters in North America, EMEA, Latin America and Asia-Pacific in managing their demand for materials and services. Moreover, the GMQ Procurement function at Fresenius Medical Care manages demand for materials and services at our production sites around the globe so that they are delivered in the required quality, at the right time and at the best cost.

GMQ Procurement is a centrally managed matrix organization with global leadership. Its task is to align strategies within the regional and local units of North America, EMEA, Latin America and Asia-Pacific. This enables global coordination and governance while retaining local responsibility for implementation.

As the connecting interface between supply markets and internal demands, GMQ Procurement has drafted the Sustainability Principles, a standard document that describes Fresenius Medical Care's minimum expectations of its suppliers in the areas of environmental management, human rights, occupational health and safety as well as compliance with applicable laws and regulations. The Sustainability Principles take international standards into consideration.

In detail, the Sustainability Principles comprise the following aspects:

- › compliance with applicable laws and regulations, including environmental legislation,
- › protection of the environment,
- › working conditions, occupational health and safety as well as process safety,
- › data protection, and
- › human rights such as non-discrimination, prohibition of forced labor and exploitative child labor.

Where applicable local laws impose stricter requirements than those provided by the Sustainability Principles, the stricter standard applies.

The Sustainability Principles are part of Fresenius Medical Care's standard operating procedures (SOPs) in EMEA, Latin America and Asia-Pacific, forming an integral part of our supplier contracts along with contract specifications, our general terms and conditions as well as any supplementary information.

## ASSESSING SUPPLIERS' COMPLIANCE

Fresenius Medical Care is committed to ethical, sustainable and socially responsible procurement. We care about the way our suppliers do business. Therefore, before doing any kind of business, we screen all potential business partners for inclusion in sanctions lists. This is repeated before we enter into any transaction with them. Screening is in line with applicable sanctions regulations, including but not limited to sanctions laws imposed by the United Nations Security Council as well as the sanctions laws and regulations of the United States and the European Union. In North America, suppliers are screened to determine whether they are included in the Office of Inspector General's (OIG) List of Excluded Individuals/Entities (LEIE).

In addition to the screening of sanctions lists, Fresenius Medical Care may ask its suppliers to self-assess their compliance with our Sustainability Principles. To obtain an objective evaluation of the supplier's processes, the Company may also request a third-party assessment as well as documented evidence to confirm compliance with the Sustainability Principles. In accordance with these principles, Fresenius Medical Care is entitled to conduct on-site inspections to verify the information provided. As a rule, these on-site inspections can either be conducted by employees of Fresenius Medical Care or by independent auditors. In addition, on-site audits are also regularly conducted by independent certification bodies including the U.S. Food and Drug Administration (FDA) and the China Food and Drug Administration (CFDA).

# LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE SEPARATE NON-FINANCIAL GROUP REPORT <sup>1</sup>

To the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale

We have performed an independent limited assurance engagement on the separate Non-Financial Group Report, (further Non-Financial Group Report), of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale (further Fresenius Medical Care) according to §§ 315b, 315c in connection with 289c to 289e of the German Commercial Code (HGB) for the period from January 1 to December 31, 2018.

## MANAGEMENT'S RESPONSIBILITY

The legal representatives of Fresenius Medical Care are responsible for the preparation of the Non-Financial Group Report in accordance with §§ 315b, 315c in connection with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Non-Financial Group Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibil-

ity includes designing, implementing and maintaining systems and processes relevant for the preparation of the Non-Financial Group Report in a way that is free of – intended or unintended – material misstatements.

## INDEPENDENCE AND QUALITY ASSURANCE ON THE PART OF THE AUDITING FIRM

We are independent from the Company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

## PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Non-Financial Group Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Non-Financial Group Report, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

<sup>1</sup> Our engagement applied to the German version of the separate Non-Financial Group Report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Within the scope of our engagement, we performed amongst others the following procedures:

- › inquiries of personnel of the Corporate Sustainability Office who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for Fresenius Medical Care,
- › a risk analysis, including a media research, to identify relevant information on Fresenius Medical Care's sustainability performance in the reporting period,
- › evaluation of the design and implementation of the systems and processes for the collection, processing and control of disclosure on environmental, employee and social matters, respect for human rights as well as combatting corruption and bribery matters, including the collection and consolidation of quantitative data,
- › inquiries of personnel who are responsible for determining disclosures and for compiling the disclosures on concepts, due diligence processes, results and risks, the conduction of internal controls and consolidation of the disclosures,
- › evaluation of selected internal and external documents,
- › analytical evaluation of data and trends of quantitative disclosures which are reported by all sites on Group level,
- › assessment of local data collection and reporting processes and reliability of reported data via a sampling survey at the Lyon site of Fresenius Medical Care SMAD S.A.S., Savigny (France),
- › assessment of the overall presentation of the disclosures.

## CONCLUSION

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Group Report of Fresenius Medical Care for the period from January 1 to December 31, 2018 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

## RESTRICTION OF USE / CLAUSE ON GENERAL ENGAGEMENT TERMS

This assurance report is issued for purposes of the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/bescheinigungen/lib/aab\\_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this

assurance report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to €4 M as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, February 19, 2019

### KPMG AG

*Wirtschaftsprüfungsgesellschaft*  
[Original German version signed by:]

### HELL

*Wirtschaftsprüfer*  
[German Public Auditor]

### GLÖCKNER

*Wirtschaftsprüfer*  
[German Public Auditor]

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