

N O N - F I N A N C I A L  
R E P O R T

2019

# 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, 2019, and incorporates disclosures relating to the following six key aspects:

- › responsibility for patients,
- › responsibility for employees,
- › responsibility for ethics and compliance,
- › responsibility to respect human rights and workplace rights and labor and employment principles,
- › 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 (together referred to as we, our, Fresenius Medical Care or the Company). The report references the international sustainability standard of the Global Reporting Initiative (GRI) Disclosure 102-46 from GRI 102: General Disclosures 2016, and Disclosures 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016 as a framework within the meaning of Section 289d of the German Commercial Code.

The auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, Germany, has assessed the separate Non-Financial Group Report of Fresenius Medical Care and 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 108](#). References to sources outside of the Non-Financial Group Report are marked "for further information". They are considered as additional information and do not form part of the legally required content according to the German Commercial Code.

## OUR BUSINESS MODEL

*Fresenius Medical Care is a global health care company that provides products and services for people with chronic kidney failure. In our 3,994 dialysis clinics we offer treatments to more than 345,000 dialysis patients around the globe.*

Fresenius Medical Care is the world's leading 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, as well as 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 own health care service operations. Our dialysis business is therefore vertically integrated.

To strengthen our dialysis business and further enhance clinical outcomes and patient empowerment, we acquired NxStage Medical, Inc. (NxStage) in 2019. NxStage develops, produces and markets an innovative product portfolio of medical devices for use in home dialysis and critical care. With this acquisition, we aim to improve the choice of dialysis treatment modalities for patients and help them live more independently. As post-merger integration is still ongoing, NxStage is excluded from the following disclosures unless explicitly stated otherwise. For further information on the

acquisition of NxStage, please refer to [NOTE 3](#) of the notes to the consolidated financial statements.

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). Our global research and development activities are centrally managed by the Global Research and Development (GRD) function, which enables us to develop products efficiently and systematically promotes the exchange of knowledge and technology between regions. Global Manufacturing, Quality and Supply (GMQS) is the organization in Fresenius Medical Care that centrally manages all of our worldwide activities relating to the procurement of raw materials and semi-finished goods, the manufacturing and distribution of renal products as well as the supply chain management. In addition to production sites managed by GMQS, some smaller sites are under local responsibility. For further information on our business model, please refer to the Group Management Report starting on [PAGE 19](#).

## 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. We are guided in our decisions by our purpose of “Creating a future worth living. For patients. Worldwide. Every day”. This aspiration is translated into specific actions all over the world based on our global values. With our compliance programs and our Code of Ethics and Business Conduct, we set standards that comply with our own and our stakeholders’ expectations.*

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 and customers, payors, investors and regulators as well as all other stakeholders expect Fresenius Medical Care to manage its business responsibly and that integrity, sound corporate governance, and adherence to compliance principles play a natural, fundamental role in this.

## ADHERENCE TO THE CODE OF ETHICS AND BUSINESS CONDUCT

Leadership plays a crucial role in setting the right tone and maintaining the ethical integrity of the business. To build an ethical culture where everybody is responsible for doing the right thing, we have developed and defined standards of ethical business including a set of values and principles. Our Code of Ethics and Business Conduct is a binding framework that governs how Fresenius Medical Care employees interact

with patients, colleagues, suppliers and society. As the cornerstone of our compliance programs, the Code describes Fresenius Medical Care’s standards with an emphasis on the Company’s commitment to operating in accordance with applicable laws and regulations as well as our company policies. The Code of Ethics and Business Conduct covers non-financial topics that are relevant for Fresenius Medical Care’s business, from patient care, quality and innovation, anti-corruption and bribery to worker protection, the environment as well as health and safety. It also includes Fresenius Medical Care’s commitment to respecting material human rights topics such as working conditions, non-discrimination and grievance mechanisms.

Our Code of Ethics and Business Conduct applies worldwide to the members of the Management Board, 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. We strive to meet the high standards set by our Code of Ethics and Business Conduct and are committed to comply with applicable law. Failure to do so could expose Fresenius Medical Care, and any individuals involved to fines, loss of license or other serious sanctions.

We take compliance seriously and promote a culture in which compliance is recognized as everyone’s responsibility. Compliance with the Code of Ethics and Business Conduct is essential for Fresenius Medical Care’s long-term success as it is the foundation of our corporate culture and an integral part of day-to-day work. Specialized functions at global, regional and local level are responsible for implementing and communicating the principles set out in the Code of Ethics and Business Conduct 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 help employees to participate in the programs.

## CORPORATE CULTURE AND OUR CORE VALUES

More than 345,000 patients rely on us every day to enable them to have the best quality of life wherever they are, and regardless of their treatment preferences. This is reflected in our statement of purpose: Creating a future worth living. For patients. Worldwide. Every day. Fresenius Medical Care’s management takes this statement very seriously by integrating patient needs and expectations into our business decisions.

We regularly encourage our leaders and employees to interact closely and directly with our patients to foster a better understanding of their challenges and experiences. We believe that success at Fresenius Medical Care is directly linked to this. In doing so, our global values provide us with a clear framework and orientation for the conduct and actions of our employees all over the world:

- › Collaborative: We team up. This means that we know how to work together for our shared purpose and to achieve our goals as one company.
- › Proactive: We get things done. We are good at taking the initiative to make an impact with our work.
- › Reliable: We do what we say. We are a trusted companion to our patients, partners and colleagues.
- › Excellent: We exceed expectations. We continuously drive quality and progress to lead the business into a successful future.

## COMPLIANCE AT FRESENIUS MEDICAL CARE

Fresenius Medical Care has comprehensive worldwide compliance programs in place, encompassing a written Code of Ethics and Business Conduct that is applicable worldwide, policies and procedures including corrective action for failure to follow policies, and periodic internal audits.

All employees of Fresenius Medical Care are encouraged to report potential cases of non-compliance 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.

On occasion, we may identify instances where employees or other agents deliberately, recklessly, or inadvertently contravene our policies or violate applicable law. In March 2019, we entered into a non-prosecution agreement with the U.S. Department of Justice and a separate agreement with the U.S. Securities and Exchange Commission intended to resolve the U.S. government's claims against the Company arising from their investigations concerning violations of the U.S. Foreign Corrupt Practices Act (FCPA). As part of the settlement, we agreed to retain an independent compliance monitor for a period of two years and to an additional year of self-reporting. For relevant information according to section 289c paragraph 3 no. 6 of the German Commercial Code, please see [NOTE 22](#) of the notes to the consolidated financial statements. We continue to cooperate with government authorities in Germany in their review of the issues resolved in the U.S. settlement. In order to promote a culture of ethical business

behavior and direct, manage and monitor the activities of our employees accordingly, we rely on our management structure, our regulatory and legal resources, and the effective operation of our compliance programs. For further information on compliance at Fresenius Medical Care, please refer to "Responsibility for ethics and compliance" section starting on [PAGE 96](#).

## 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 2019.*

As a company with global operations, Fresenius Medical Care is naturally exposed to risks associated with its business activities. We see risk management as an ongoing task of determining, analyzing, and evaluating the spectrum of potential and actual risks in the Company and its environment. As part of our comprehensive risk management, we also oversee non-financial risks which could have an impact on our business operations.

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 2019, no such non-financial risks were identified. For further information on our 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 medical, environmental and social progress.*

Acting in a responsible and sustainable manner is a fundamental component of our corporate culture; it secures our future as a globally operating company in the health care industry. We expressly endorse the comprehensive approach to achieve the Sustainable Development Goals (SDGs) agreed by the United Nations (UN). With our core business in quality essential health care services and products, we support in particular SDG 3 with its focus on good health and well-being. Furthermore, we regularly take part in recognized ratings including the Dow Jones Sustainability Index (DJSI) Europe and CDP, a non-profit organization that encourages companies to disclose their environmental impact.

## GLOBAL SUSTAINABILITY GOVERNANCE

Responsibilities and processes in the area of sustainability are clearly regulated at Fresenius Medical Care. According to our global sustainability governance structure, sustainability is firmly established at Management Board level ([SEE CHART 3.1 ON PAGE 85](#)). The Sustainability Decision Board, which is headed by the Chief Executive Officer (CEO), supports the Management Board in coordinating Fresenius Medical Care's sustainability efforts. Together with the Sustainability Decision Board, the Management Board takes the final decision concerning our sustainability targets and the incorporation of

C 3.1 GLOBAL SUSTAINABILITY GOVERNANCE



sustainability aspects into the Company’s strategy. The results and progress of our sustainability efforts are presented on a regular basis to the Management Board and the Supervisory Board. They review the progress and results, which are then published in the Non-Financial Report. The Supervisory Board is supported in this process by the auditor’s limited assurance engagement.

Another important part of our global sustainability governance is the Corporate Sustainability Committee, which acts as an advisory and steering committee. It comprises senior representatives from all regions and global functions who have been nominated to adequately represent regional and functional interests in our sustainability activities. The Sustainability Decision Board and the Corporate Sustainability Committee enable the Corporate Sustainability Office to manage Fresenius Medical Care’s sustainability activities.

To underline our strong commitment to sustainability, we launched a Global Sustainability Program in 2019. As part of this program, we have defined eight sustainability areas, which allow us to proactively manage key topics of material interest: responsibility for our patients and our employees,

anti-corruption and bribery, data privacy and security, human and labor rights, supply chain, environment as well as occupational health and safety. The Global Sustainability Program will shape our operations and create valuable opportunities for us to integrate sustainability principles into global activities and assume even greater accountability.

### STAKEHOLDER DIALOG

As a company with global operations, our business activities have an impact on many stakeholder groups, including patients, employees, suppliers, and shareholders, as well as representatives from academia, politics and society. We consider it essential to engage in stakeholder dialog to understand their expectations of Fresenius Medical Care as a sustainable company. As part of our materiality analysis, we therefore held interviews with external stakeholders. Furthermore, we regularly conduct surveys among our patients and employees.

As we are subject to a wide range of regulatory changes and political decisions that impact our business activities, we also

consider it our responsibility to represent the interests of our stakeholders in an open dialog with governments as well as with associations, organizations and further groups in society. Our principles for political contribution as set forth in our Code of Ethics and Business Conduct form the basis of our political dialog and activities in compliance with applicable laws and regulations. For a list of our stakeholder groups and our form of involvement, please see [TABLE 3.2](#).

T 3.2 STAKEHOLDER GROUPS AND OUR INVOLVEMENT

Stakeholder group	Form of involvement
Patients	<ul style="list-style-type: none"> <li>› Direct communication with doctors and nurses</li> <li>› Grievance letter boxes and hotlines</li> <li>› Patient satisfaction surveys</li> </ul>
Employees	<ul style="list-style-type: none"> <li>› Compliance Action Line</li> <li>› Employee surveys</li> <li>› Internal communications</li> <li>› Works council</li> </ul>
Investors	<ul style="list-style-type: none"> <li>› Annual General Meeting</li> <li>› Ongoing dialog with investors and analysts</li> <li>› Sustainability surveys from investors and analysts</li> </ul>
Supplier	<ul style="list-style-type: none"> <li>› Continuous contact with suppliers and partners</li> <li>› Ethical standards of conduct towards employees, society and the environment</li> </ul>
Politics and society	<ul style="list-style-type: none"> <li>› Dialog with government officials and representatives of health care systems, health care professionals, physicians and nurses as well as patient organizations</li> </ul>
Academia	<ul style="list-style-type: none"> <li>› Research collaborations with universities</li> </ul>

## MATERIALITY ANALYSIS

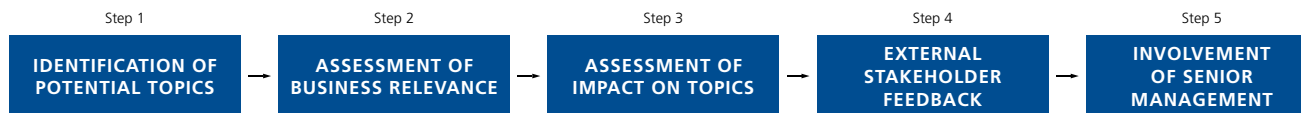
*To identify and prioritize the topics that have the strongest impact on the economy, society and the environment and matter most to our business, we conduct a formal materiality analysis every three years.*

In 2019, we conducted a thorough materiality analysis in accordance with the German Commercial Code to help us identify topics that are important to the business and our stakeholders and that therefore need to be covered in our reporting. Our materiality analysis comprised five steps (SEE CHART 3.3). First, we created a comprehensive list of potential material topics based on a competitor benchmark, our corporate risk management reporting, ESG (Environment Social Governance) ratings and rankings such as DJSI, CDP and MSCI, best-practice guidelines including GRI and the Sustainability Accounting Standards Board (SASB), as well as an ongoing trend and media analysis. To prioritize the sustainability topics according to their business relevance, we then conducted an online survey, in which we asked representatives of all regions

and functions to assess the importance of the individual topics for Fresenius Medical Care. To gain an internal perspective on our contribution to sustainable development, in the third step, we used the comprehensive and internationally accepted Sustainable Development Goals (SDGs) as a proxy to help us understand how our business activities impact non-financial aspects. In step four, we asked our stakeholders for feedback and identified external stakeholders to review the results and make sure that the materiality analysis process and the results derived from it are sound. Finally, we involved senior management and asked them to test the results of our materiality analysis and validate the outcome.

The results of the materiality analysis reflect Fresenius Medical Care's commitment to responsibility and represent the focal points of our Non-Financial Group Report. We have grouped the material topics identified into five high-level categories (SEE CHART 3.4 ON PAGE 87) following the five matters defined by the German Commercial Code. In the last section of our report, we address the cross-cutting topic of our "Relationship with suppliers" and describe our approach to incorporating non-financial topics in our supply chain.

### C 3.3 OUR MATERIALITY PROCESS



## RESPONSIBILITY FOR PATIENTS

*At Fresenius Medical Care, we are working towards a common goal: To create a future worth living. For patients. Worldwide. Every day. To achieve this aspiration, we do all we can to improve the quality and efficiency of our services and products to give a growing number of people access to high-quality dialysis care.*

*Non-financial topics covered in this chapter regarding our responsibility for patients are quality of care and patient satisfaction, quality of products, innovation and R&D, challenges of global health care systems, access to medicine and health services, and patient support in emergency situations.*

Life expectancy is increasing worldwide. The result is an ageing population that requires improved medical care and accelerates demand for dialysis products and services. We intend to respond to today's global health care challenges with innovative technologies and treatment concepts. In doing so, we apply different frameworks in our clinics and production facilities to measure and continuously improve the quality of our products and services. The "Quality of care and patient satisfaction" section below discusses quality management in health care services. For information on the topic of quality management in our product business, please refer to the "Quality of products" section starting on PAGE 90.

**C 3.4 NON-FINANCIAL TOPICS COVERED IN THIS REPORT**



<sup>1</sup> Relevant according to the German Commercial Code.

## QUALITY OF CARE AND PATIENT SATISFACTION

Quality of care and patient satisfaction are key components of our corporate activities. We treat over 345,000 patients in our 3,994 dialysis clinics around the world. Our patients’ well-being is our top priority, and key to the Company’s success all over the world. To continuously deliver on this commitment, it is important that we also coordinate the interpretation of clinical science and medical practice patterns on a

global basis. For this reason, we established a Global Medical Office in 2019. Headed by the Global Chief Medical Officer, this office is tasked with evaluating coordinated data from clinical scientific research and medical practice to improve treatment outcomes. This includes facilitating cooperation and knowledge transfer across the entire Fresenius Medical Care network.

At a regional level, responsibility for the quality of our dialysis care services lies with our Chief Medical Officers, the Chief Clinical Office, and the interdisciplinary patient care teams.

They develop and review internal standards and policies relating to quality. Furthermore, they continuously measure and assess the quality of care at our dialysis clinics based on generally recognized quality standards and international guidelines. These include the Kidney Disease: Improving Global Outcomes (KDIGO) foundation, the Kidney Disease Outcome Quality Initiative (KDOQI), the European Renal Best Practice Guidelines (ERBP) as well as industry-specific clinical benchmarks and our own quality targets (SEE TABLE 3.5 ON PAGE 88).



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Limited Assurance Report of the independent auditor

T 3.5 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	
			2019	2018	2019	2018	2019	2018	2019	2018
			in %							
Kt/V <sup>1</sup> ≥ 1.2	Effectiveness of dialysis: measures how well the body is cleaned of uremic toxins	More days spent in hospital; increased mortality	97	97	94	95	91	91	95	96
Hemoglobin <sup>2,3,4</sup> = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicator for anemia	71	72	82	82	50	53	56	58
Calcium <sup>1</sup> = 8.4–10.2 mg/dl			81	86	79	81	76	75	74	74
Albumin <sup>5</sup> ≥ 3.5 g/dl			81	81	89	90	91	90	87	89
Phosphate <sup>1,6</sup> ≤ 5.5 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	60	62	80	81	76	75	63	67
Patients without catheter (after 90 days) <sup>7</sup>	Measures the number of patients with vascular access	More days spent in hospital	81	83	78	79	79	80	83	86
Days spent in hospital per patient year <sup>8</sup>	Result of complications during dialysis	Restrictions in quality of life	10.3	10.8	7.5	7.8	4.3	4.2	2.6	3.3

<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.

### QUALITY PARAMETERS TO MEASURE OUR QUALITY OF CARE

As a health care company, our success depends on our health care services improving outcomes. To this end, we have defined a set of quality parameters, which we continuously monitor to make sure that the quality of care remains on a consistently high level. As part of this approach, we regularly provide executives in the individual operating segments as well as our Management Board with aggregated data on the

quality of care (SEE TABLE 3.5). In addition, we publish selected results of our treatment analyses on a quarterly basis to create transparency on the quality of patient care and to emphasize the importance of our social responsibility towards our patients at Fresenius Medical Care.

We evaluate a variety of medical indicators to measure the quality of care provided in our dialysis clinics. These quality parameters include the following:

- › **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. Anemia not only affects patients' quality of

life but is also associated with multiple comorbidities, including an increased risk of cardiovascular morbidity and mortality.

- › **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 (arteriovenous fistula/arteriovenous graft) 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 for dialysis patients and are particularly cost-intensive for health care systems.

For 2019, we included the quality parameters of 89 % of our dialysis clinics worldwide in our table of quality parameters by operating segment.

For reasons of comparability, all data shown in [TABLE 3.5 ON PAGE 88](#) are 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.

## APPROACHES TO ENHANCE THE QUALITY OF DIALYSIS CARE

We are committed to continuously improving the quality of life of patients affected by kidney disease. For this reason, we are working on various schemes to offer even more flexible

treatment, including new options for home dialysis and new, value-based care models for patients with chronic kidney disease. Our recent acquisition of NxStage, which manufactures and distributes hemodialysis machines for home use, is just one aspect of our efforts to promote the benefits of home dialysis treatment and provide industry-leading solutions to patients and physicians. Home dialysis expands the choice of dialysis treatment modalities, helping our patients to live more independently.

As a further example of our approach to advance the quality of dialysis care, we have entered into a strategic global partnership with Humacyte Inc., a medical research and development company. Fresenius Medical Care's investment in Humacyte gives us the opportunity to offer patients a dialysis vascular access option with the potential to significantly improve clinical efficacy and safety, including minimizing catheter contact time. Furthermore, we are investing in technologies for home therapies, including innovations for remote patient monitoring, portals for patients, care givers and providers, as well as telehealth, which, combined with predictive analytics and artificial intelligence, will make it easier to clinically manage patients between visits to a doctor and avoid unnecessary hospitalizations.

One important key element of our growth strategy is to combine all aspects of dialysis-related care and coordinate them more effectively. As part of this approach, we are participating in a pilot project called the End-Stage Renal Disease (ESRD) Seamless Care Organization (ESCO) program. An ESCO is a group of dialysis facilities, nephrologists, and other health care providers in the North America region who work together to coordinate and improve the quality of care patients receive. An integrated care team is dedicated to providing holistic, high-quality care that meets the patient's individual needs and preferences, with a focus on outcome-based reimbursement rather than offering single products or services. The

ESCO pilot project will run until the end of 2020. For further information on ESCOs, please refer to the "Reimbursement in Care Coordination in the U.S." section starting on [PAGE 38](#).

Thanks to our ongoing efforts to improve patient care, Fresenius Medical Care North America came top in the industry in the U.S. government's Five Star Quality of Care Rating. In the rating, one to five stars are awarded to facilities based on a series of measurements relating to their clinical performance and patient outcomes. In 2019, we had the highest percentage of clinics rated with four or five stars of all major dialysis providers in the U.S. More than 94 % of the Company's dialysis centers were rated with three stars and more for clinical quality, with a total of 762 centers achieving the highest five-star rating, up from 659 last year.

## PATIENT SATISFACTION AS A QUALITY PARAMETER

As part of our commitment to providing sustainable clinical care to our patients, we have set out clear and consistent general principles regarding patient care for all members of staff who interact with patients 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. In line with our Code of Ethics and Business Conduct, we expect all staff, among other things, 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,
- › accurately answer questions by patients and families,
- › respond to and attempt to resolve all concerns and complaints promptly and thoroughly.

Patient surveys are a meaningful and essential source of information to measure, manage and improve the services and care we offer our patients. We carry out the surveys in various countries to assess whether we are meeting patients' expectations or are lacking in any areas. We use the results to identify process improvements and consequently to improve patients' quality of life and the care we give each individual patient.

To improve local responsiveness, responsibility for patient surveys lies with each region. In the U.S., for example, the federal public health care authority, the Centers for Medicare and Medicaid Services (CMS), determines the content of patient satisfaction surveys. The EMEA, Latin America and Asia-Pacific regions also conduct surveys as a tool to measure patients' experience and improve the quality of health care services. 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.

Another way to seek and respond to patient feedback are the patient grievance processes established at Fresenius Medical Care. To foster a culture of open communication and continuous improvement, we have established grievance processes in all regions to enable a positive patient experience based on dignity and respect. Depending on the region, we offer our patients various channels through which they can express their concerns, such as complaints and suggestion books and boxes, dedicated hotlines and e-mail addresses as well as a web form on our website. Although all patients have the right to file a grievance without fear of reprisal or denial of services, some patients may not feel comfortable with doing so. For this reason, we give patients and their representatives the option of filing grievances anonymously.

## PATIENT SUPPORT IN EMERGENCY SITUATIONS

Fresenius Medical Care operates dialysis facilities in many regions of the world with diverse geographic, social and economic conditions. To be able to continue providing our patients with their vital dialysis treatment, even in extreme conditions such as severe storms or floods, we have developed a robust emergency response program, so that we can operate smoothly in the event of a crisis or disaster. As part of the program, we have established a system of regionally organized emergency response teams. Their task is to mobilize very quickly at local level to help keep the clinics running without interruptions and provide treatment and supplies to patients regardless of the dialysis provider.

In addition to our disaster response activity, we donate funds, dialysis machines and medical supplies to organizations that urgently require help. Our response to the life-threatening conditions caused by Hurricane Dorian in the U.S. in 2019 is a good example of our 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. Furthermore, affected employees were provided with emergency housing, personal goods, generators, fuel, food, and water so that they could continue to care for and treat our patients. Applying best practices from prior hurricane seasons, we made sure that all patients and staff were accounted for after the storm and were happy to report only minor damages to the facilities.

## QUALITY OF PRODUCTS

Quality management in our product business covers the entire product's lifecycle from research and development to

production and application. We strive to create a safe and healthy clinical environment and take the quality, safety and efficacy of the medical and pharmaceutical products that we develop and manufacture very seriously.

## INNOVATIONS AND RESEARCH AND DEVELOPMENT

As an important element of our growth strategy and as set out in our Code of Ethics and Business Conduct, we carry out research and development (R&D) in order to maintain a technological and clinical edge and develop innovative products and enhanced therapies. To this end, we not only work on new products that are close to market launch, but also have an extensive portfolio of innovation projects.

Our worldwide R&D activities are centrally managed by our GRD function, with a focus on developing innovative products that are not only of high quality, but also affordable. In doing so, GRD enables us to respond to the worldwide rise in demand for high-quality yet cost-efficient treatment methods. In addition to our internal R&D activities, we collaborate with external partners, including academic institutions, renowned universities, and start-ups, promoting an open culture of innovation and enabling access to the latest technologies.

To continuously grow our core business and expand into new business areas, we also invest in early-stage companies. As an important part of our innovation culture, we carefully consider the ethical implications of our R&D activities. For further information, please refer to the "Bioethics in research and development" section starting on [PAGE 98](#). For further information on our innovation portfolio in 2019, please refer to the "Overview of the Group" starting on [PAGE 19](#).

## ACCESS TO MEDICINE AND HEALTH CARE SERVICES

People living in low- and middle-income countries often have poor access to medicine and health care services including kidney treatment. To facilitate access to dialysis treatment, we have developed a targeted portfolio specifically designed to meet the needs of emerging markets. In 2018, we launched the 4008A dialysis machine to bring life-saving dialysis within reach of the increasing number of patients who need urgent access to this treatment. The 4008A machine meets high therapy standards while reducing costs for health care systems. At the same time, it is designed to be robust and easy to handle, making it ideal for use in challenging infrastructures and remote locations.

In a systematic review of patients' access to treatment around the world, it is estimated that almost two million people in Asia with end-stage renal disease who needed dialysis were not receiving it – that is twice the number of patients being treated. In response to this treatment gap, the 4008A dialysis machine has so far been primarily deployed in China and India, with other countries across the Asia-Pacific region to follow.

## PRODUCT QUALITY AND SAFETY AS THE BASIS FOR OUR BUSINESS

Our operations are subject to extensive governmental regulation in virtually every country in which we operate. In the European Union, this includes legislation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) EC 1907/2006, the Restriction of Hazardous Substances (RoHS) 2011/65/EU, the Medical Device Directive 93/42/EEC and the new Medical Device Regulation (EU) 2017/745. To fulfill our commitment to product quality and safety while complying with the numerous relevant regula-

tory requirements, our processes are embedded in comprehensive quality management systems. As a result, all of our products and procedures 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.

As we believe that quality management systems create more leverage via best-practice sharing and a more integrated global and regional organization, we have harmonized the local quality management systems in EMEA, Latin America and Asia-Pacific and, where applicable, in North America, into one consolidated quality management system. This multi-year initiative will enable GRD and GMQS to leverage synergies, allowing us to respond faster to market developments, and work together more efficiently and effectively to design and manufacture innovative, high-quality products that better support treatment outcomes for renal patients. In December 2018, the consolidated quality management system was successfully audited by the notified body TÜV Süd and achieved ISO 9001 and ISO 13485 certification.

To produce safe products with a reliable quality, our plants are subjected to regular external quality audits and reviews in accordance with local requirements. TABLE 3.6 shows the certification of our GMQS-managed production sites in accordance with ISO 9001/13485 and the Good Manufacturing Practice (GMP)/Current Good Manufacturing Practice (cGMP) guidelines.

**T 3.6 CERTIFICATION OF OUR GMQS-MANAGED PRODUCTION SITES**

Region	ISO 9001/13485	GMP/cGMP
North America <sup>1</sup>	2 out of 8 production sites	8 out of 8 production sites
EMEA <sup>1</sup>	12 out of 12 production sites	All sites producing pharmaceutical products are certified in accordance with GMP
Asia-Pacific <sup>2</sup>	6 out of 6 production sites	4 out of 6 production sites
Latin America	1 out of 4 production sites	4 out of 4 production sites

<sup>1</sup> In addition to ISO 9001/13485 and GMP/cGMP certification, two of the sites in North America as well as seven of the sites in EMEA are certified by the Medical Device Single Audit Program (MDSAP).

<sup>2</sup> Excluding one plant that does not produce finished products, so that no certification is necessary.

In addition to audits carried out by notified bodies and authorities, including the U.S. Food and Drug Administration (FDA), the German Ministry of Health and other applicable national health authorities, our local sites are subject to management reviews and regular internal quality audits. Any cases of non-conformance detected as part of these quality audits are forwarded to the respective department to determine and implement appropriate corrective and preventive measures.

## OUR GLOBAL QUALITY POLICY AND QUALITY MANUALS

Another cornerstone of our commitment to product quality and safety is our Global Quality Policy, which was jointly developed and approved by GMQS and GRD. As a key component of our quality management system, the Global Quality Policy describes our overarching quality objectives and reflects our commitment to providing uncompromised product and service quality, while maintaining compliance with relevant regulations.

In addition to our Global Quality Policy, all regions have developed quality manuals, which are maintained at local level. These contain a detailed description of our quality systems, including corporate oversight responsibilities, policies and procedures, as well as sub-system policies according to ISO 9001 and ISO 13485 and other documents needed to allow effective process planning, operation and control.

## REPORTING ADVERSE EVENTS AND PRODUCT COMPLAINTS

Patient safety is of utmost importance to Fresenius Medical Care. We strive to ensure compliance with legal requirements related to monitoring the adverse effects of drugs – also called pharmacovigilance – and medical devices – known as technovigilance. To this end, we collect and review adverse events and product complaints.

In addition to compliance with applicable legal requirements, we have included the topic of reporting adverse events and product complaints in our Code of Ethics and Business Conduct. As articulated in the Code, we require all staff involved in relevant tasks to understand, be familiar with, and follow Fresenius Medical Care's principles regarding the reporting of adverse events and product complaints.

## RESPONSIBILITY FOR EMPLOYEES

*We are one of the world's largest health care providers and the largest dialysis company in the world, with a workforce of 128,300 people (head-count) or 120,659 full-time equivalents (FTEs). Our employees are the reason for our continued success. We acknowledge our responsibility to maintain a high level of employment as well as occupational, health and safety standards and to provide an attractive and engaging working environment.*

*Non-financial topics covered in this chapter regarding our responsibility for employees are employer attractiveness and retention, employment standards and HR policies, employee engagement, diversity and inclusion, training and development as well as occupational health and safety.*

## EMPLOYEES AND EMPLOYMENT STRUCTURE

In the ten years between the end of 2009 and the end of 2019, the number of employees at Fresenius Medical Care increased by 52,671 (FTEs). As shown in TABLE 3.8 STARTING ON PAGE 95, the majority of our employees work in the area of production and services (86 %) followed by administrative functions (10 %). Most of our employees are located in North America (50 %), followed by EMEA (17 %).

Our future growth and success depend on our ability to continue to attract, develop and retain skilled employees wherever we have operations. Following a prolonged period of

economic growth in many markets, the competition for talent has heated up, which could increase recruiting and personnel costs in affected markets and thus reduce our ability to serve our patients. These overall labor market constraints translated into a global voluntary turnover rate of 14 % in 2019. In health care in general, external comparisons show a slight increase and it is especially emerging countries which encounter increased rates due to the economic growth there. We work hard to address turnover issues wherever they occur with a wide range of measures tailored to the respective market. For example, we have intensified our employer branding activities in North America to increase the opportunities for candidates to learn about our career offerings, attract the right candidates and ensure that candidates experience our recruiting processes as positive. Based on the insights gained, we are now starting to expand this process to markets outside North America.

Globally, our external hire rate was 25 % in the past year, demonstrating our success in attracting talent worldwide. In addition, we hired around 5,424 (HCS) new employees as part of our acquisition efforts, above all through the integration of NxStage. On average, employees stay with us for seven years. Compared to 2018, tenure has slightly decreased due to the high number of external hires as well as employees that have joined us as part of our acquisitions.

Our employees work in more than 65 countries and bring 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. Our diversity concept is therefore broadly defined to foster inclusiveness in general and covers characteristics such as gender, age, nationality as well as academic and personal background. We will continue to promote diversity in the future, emphasizing and embracing it as an asset.

In 2019, 69 % of our employees were women, with the highest proportion in North America (72 %). This distribution is unchanged to the previous year. Gender diversity in our main governance bodies and at management level has increased over time, as outlined in [TABLE 3.8 STARTING ON PAGE 95](#). We are proud of our efforts to continuously enhance gender diversity and foster an inclusive working environment, starting at the top.

The average age of employees in 2019 was 41 years, with the majority of 56 % aged between 30 and 50. This distribution reflects the high proportion of skilled and experienced employees as required in many areas of work in our industry. The average age of our employees has remained the same compared to last year while the percentage of employees above 50 and between 30–50 years has slightly decreased. The percentage of employees below 30 has increased to below 18 %.

In Germany, we employed 6,732 people (FTEs) at the end of the reporting year (2018: 6,466), accounting for around 6 % (2018: 6 %) of the total workforce. This underscores the high degree of internationalization within Fresenius Medical Care, as outlined in [TABLE 3.8 STARTING ON PAGE 95](#). Our management is also highly international with 86 % non-German leaders within our Long-Term Incentive Plan (LTIP) population, [SEE TABLE 3.8 STARTING ON PAGE 95](#).

## GLOBAL PEOPLE STRATEGY

Fresenius Medical Care's global 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 at a global, regional and functional level. The global HR function continues to enhance our Global People Strategy and reports directly to

Fresenius Medical Care's CEO. The regional and functional HR teams work closely with local HR representatives, employees and managers to adapt this strategy to regional and functional requirements to allow us to provide high-quality HR services on a daily basis.

The Global People Strategy rests on three pillars ([SEE CHART 3.7](#)) and provides the framework for all of our HR activities. The strategy 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, our global centers of excellence help to share, discuss, develop and implement new ideas, tools and solutions. This facilitates close collaboration, leveraging of synergies and greater alignment of the HR function across all countries.

- 1) **Driving a culture that attracts, engages, and retains employees.** Fresenius Medical Care fosters an inclusive culture and work environment throughout the organization. In 2019, many of our communication and mobilization activities were based on our global values. They included a series of worldwide and local events and workshops to promote our global values and the Fresenius Medical Care way of working and bring our teams together.

We recognize our employees' commitment with various other local and regional events. For example, at the International Nurses Day in the Asia-Pacific region in 2019, more than 4,500 nurses and medical staff were recognized for their contributions and dedication to our patients. In the U.S., we hold a Nephrology Nurses Week and a week for hemodialysis technicians as well as events and campaigns tailored to other employee groups. In some countries, we support Employee Resource Groups (ERGs) and networks, such as the Women's Employee Resource Group (WERG) or the Veterans' Employee Resource Group (VERG) in the U.S.

We established our global employee engagement framework as a standard concept to collect feedback from all employees worldwide in a consistent manner. It takes place every two years. The first full cycle was completed in 2019. As outlined in [TABLE 3.8 STARTING ON PAGE 95](#), the global participation rate was 68 %, with a global employee engagement rate of 56 %. As we have closed this first cycle only by the end of 2019, we are still in the process of a detailed analysis. First insights show that one of our strengths is a very strong identification with Fresenius Medical Care's products and services and our purpose to improve patient lives. Furthermore, results indicate that

### C 3.7 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

we can further strengthen collaboration and provide our employees with more development opportunities. The findings gained from the engagement process will be used to support local and global action plans and further improve engagement levels in the long term.

- 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. We invest in our employees and provide them with attractive development opportunities, taking their roles and individual strengths into consideration. Our skill sets include nurses, physicians, social workers, dieticians, engineers, production workers, IT experts, supply chain experts, drivers, researchers, as well as staff with expertise in legal, compliance, human resources, finance, marketing, communications, auditing, and much more. This is reflected in our learning programs for either specific skills or selected leadership levels.

Our employees participate in training courses on our Code of Ethics and Business Conduct and additional mandatory training related to areas such as workplace safety. In addition, employees can enroll in various e-learning courses and education opportunities based on their individual preferences and needs.

In 2018, we implemented a global leadership development program for our top 400 leaders, built around the leadership expectations “define and shape vision & purpose”, “collaborate globally”, “lead innovation and positive change”, “be a good decision-maker”, and “develop our talent”. This is now the standard program to learn about our global leadership mindset. It was completed by the first approximately 100 participants in 2019.

To further boost our efforts to manage global talent, we continued to refine the process for regularly reviewing leadership talent and succession planning and expanded its scope, including a focus on female and future talents. The results are used by managers and HR colleagues to recognize and deliver “best-fit” solutions in the future, and are the basis for identifying, promoting and developing future leaders at Fresenius Medical Care. In Asia-Pacific, we continued to roll out our program for managers, called FAME, with a focus on providing essential management skills. It supplements programs we have established in other regions like North America and EMEA in recent years.

We offer multiple local and regional courses and programs for our clinical staff that are tailored to their priorities and requirements. They include the Clinical Advancement Program (CAP), a development program designed specifically for state-registered nurses in the U.S., and learning programs that cater to the needs of patient care technicians. Another example is the NephroCare Academy in EMEA, which promotes blended learning and further improves clinical performance in our clinics. Adapted to the highly specific needs of health care professionals, this platform provides learning opportunities for nurses, physicians and other health care professionals in more than 24 countries.

- 3) **Aligning organizational capabilities to enable global growth.** As we operate in a highly regulated industry and have employees in more than 65 countries, we are constantly working to find the right balance between globalization and localization and organize ourselves accordingly. On the one hand, health care regulations differ considerably in the individual countries in which we operate. On the other hand, cultural conventions, languages as well as the varying size and focus of our local footprint require close collaboration, alignment and adaptability to

be effective. To foster this exchange, we regularly connect and bring our leaders together to discuss our future strategy and priorities, for example, at our Annual Leadership Conference.

The 2019 Annual Leadership Conference produced a large number of initiatives and solutions to promote innovation, establish a digital mindset, and further promote collaboration. These solutions are either currently being further specified or are already in the implementation phase, helping Fresenius Medical Care to progress and improve as an organization. To foster organizational alignment, cross-functional targets are defined in different business areas to encourage employees to align priorities for their projects. We are also well underway with our PeopleConnect project, which involves rolling out a global HR software solution to further simplify collaboration while digitizing HR tasks and processes.

## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

At Fresenius Medical Care, we consider the health and safety of our employees part of our corporate responsibility. As voiced in our Code of Ethics and Business Conduct, we seek to provide a safe, healthy and productive work environment for our employees and our business partners who assist us in our business operations. We are committed to safeguarding our employees against work-related illnesses and accidents.

We foster a culture of continuous improvement and

- › report and analyze work-related accidents and injuries,
- › identify their root causes, and
- › implement corrective actions, as appropriate.

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## T 3.8 EMPLOYMENT OVERVIEW (CONTINUATION SEE NEXT PAGE)

Global overview <sup>11</sup>	2019	2018	2017
Employees (headcount)	128,300	120,328	121,245
Employees (FTE)	120,659	112,658	114,000
Staff costs (EUR m)	6,799	6,440	6,900
Average staff costs per FTE (EUR)	56,740	57,129	61,287
Employees per region (% FTE) <sup>10, 11</sup>	2019	2018	2017
EMEA (incl. Germany)	17	17	17
Germany	6	6	5
North America	50	50	51
Asia-Pacific	10	10	9
Latin America	9	8	8
Corporate <sup>12</sup>	14	15	15
Employees per functional area (% FTE) <sup>11</sup>	2019	2018	2017
Production and services	86	86	87
Administration	10	10	9
Sales and marketing	3	3	3
Research and development	1	1	1
Employee retention (rate, Headcount) <sup>10, 11</sup>	2019	2018	2017
Voluntary turnover rate (%) <sup>1</sup>	14.3	13.2	12.2
External hire rate (%) <sup>2</sup>	24.7	21.7	n/a
Average service length in years <sup>3</sup>	6.8	7.1	7.0
Female employees per region (Headcount, %) <sup>11</sup>	2019	2018	2017
As a percentage of overall employees as at December 31			
Total	69	69	69
North America	72	72	70
EMEA	66	67	67
Latin America	65	67	68
Asia-Pacific	64	65	65
Female employees / members in governance bodies and leadership levels (%) <sup>11</sup>	2019	2018	2017
As a percentage of the overall respective group as at December 31			
Supervisory Board	33	33	33
Management Board	29	14	0
First management level <sup>5</sup>	23	21	19
Second management level <sup>6</sup>	30	27	28
LTIP participants <sup>4</sup>	34	33	33
Demographic overview of our employees <sup>10, 11</sup>	2019	2018	2017
Average age in years	41	41	42
Share of employees under 30 (%)	18	16	18
Share of employees between 30 and 50 (%)	56	57	56
Share of employees 50+ (%)	26	27	26
Demographic overview of the Supervisory Board	2019	2018	2017
Average age in years	63	67	67
Share of Supervisory Board members between 30 and 50 (%)	17	0	0
Share of Supervisory Board members 50+ (%)	83	100	100
Demographic overview of the Management Board	2019	2018	2017
Average age in years	56	57	55
Share of Management Board members between 30 and 50 (%)	14	14	29
Share of Management Board members 50+ (%)	86	86	71
Demographic overview of top leadership levels <sup>4, 11</sup>	2019	2018	2017
Average age (in years)	50		
Share of leaders between 30 and 50 (%)	52		
Share of leaders 50+ (%)	48		

Footer see next page



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**EMPLOYMENT OVERVIEW (CONTINUATION OF THE PREVIOUS PAGE)**

Level of internationalization in leadership levels (%) <sup>7,11</sup>	2019
International leaders on first management level <sup>5</sup>	61
International leaders on second management level <sup>6</sup>	73
International managers among LTIP participants <sup>4</sup>	86
Employee engagement (%)	Sep 2018 – Dec 2019
Engagement score <sup>8</sup>	56
Participation rate <sup>9</sup>	68

<sup>1</sup> Calculated as the number of employees (headcount) who left the organization voluntarily in relation to the number of employees at the end of the year.  
<sup>2</sup> Calculated as the number of employees (headcount) who joined the organization in relation to the number of employees at the end of the year.  
<sup>3</sup> Average length of employment at Fresenius Medical Care.  
<sup>4</sup> Includes all LTIP participants.  
<sup>5</sup> Includes all direct reports to a Management Board member that participate in our LTIP.  
<sup>6</sup> Includes all direct reports to a first-level leader that participate in our LTIP.  
<sup>7</sup> Percentage of international, i.e. non-German, managers overall on the respective management level, that participate in LTIP.  
<sup>8</sup> Calculated based on the percentage of affirmative answers to questions about employees' opinion of Fresenius Medical Care, their desire to work for us and their motivation to contribute to our business success.  
<sup>9</sup> Number of employees that participated in our engagement survey compared to the number of invited employees.  
<sup>10</sup> Prior year information was adjusted to conform to the current year's presentation to reflect coverage of 100 %.  
<sup>11</sup> Including NxStage.  
<sup>12</sup> Including Global Manufacturing, Quality and Supply as well as Global Research and Development.

As part of this concept, we have introduced key performance indicators (KPIs) in our production sites and dialysis clinics to collect and record incident data, and supply them to government authorities.

At Fresenius Medical Care, the topic of occupational health and safety (OHS) is under local responsibility, allowing us to better respond to legislative requirements at a local and regional level. As part of our Global Sustainability Program, we will work on harmonizing our management concepts in this area while complying with health and safety legislation and continually improving our performance in occupational health and safety.

At our GMS-coordinated plants, the topic of occupational health and safety is managed at local or plant level. Operational activities related to occupational health and safety are

monitored and evaluated by specialized departments, which also assess external regulatory and legal requirements and incorporate them in our internal policies and guidelines in consultation with regional and local management.

As occupational health and safety in the field of health care is closely linked to injury prevention and employee education, we provide health-related training on-site in our clinics. These courses cover topics including medication management, the safe use of sharps and disposables, hand hygiene as well as manual handling education, infection prevention and emergency control. Our clinics have applicable guidelines, policies and procedures related to occupational health and safety in place. Internal reviews as well as external audits by government agencies and national regulatory bodies are regularly conducted to monitor compliance with corresponding regulations, policies and procedures.

## RESPONSIBILITY FOR ETHICS AND COMPLIANCE

*We are committed to fair and responsible business and prohibit all forms of bribery and corruption. Our commitment to anti-bribery and anti-corruption is set out in our Code of Ethics and Business Conduct.*

*Non-financial topics covered in this chapter regarding our responsibility for ethics and compliance are anti-bribery and anti-corruption, compliance with laws and regulations, data protection and data privacy, political contribution and lobbying, as well as bioethics in R&D.*

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

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.

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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 ABC. The Chief Compliance Officer reports directly to the CEO of Fresenius Medical Care. Fur-

thermore, the Chief Compliance 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 enable the Company to:

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

The Global Compliance function reflects Fresenius Medical Care's organizational structure and comprises departments at corporate, regional and local level. The individual departments closely collaborate to provide for the effective implementation and continuous improvement of the ABC compliance program.

**ABC COMPLIANCE PROGRAM**

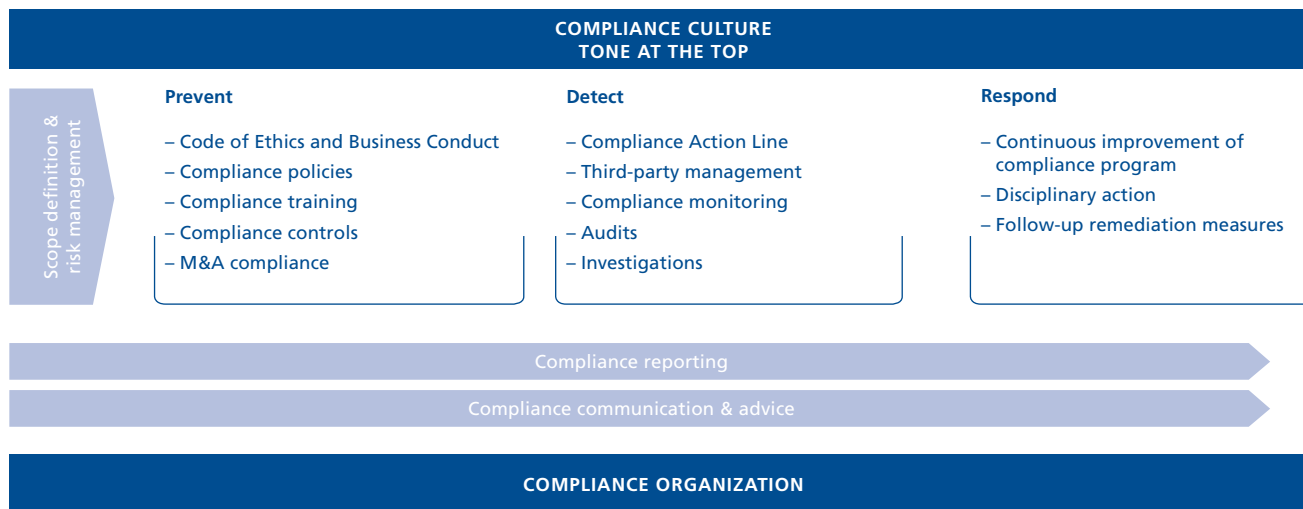
The perception of Fresenius Medical Care as a reliable partner in the health care system also depends on our employees complying with laws and adhering to the rules and conventions set out in our Code of Ethics and Business Conduct. We have therefore developed an ABC Compliance Program to help employees abide by these rules and to understand and meet their legal, regulatory, and ethical obligations.

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).

- › **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.

We are continuously improving the ABC Compliance Program. To this end, Fresenius Medical Care analyzes and enhances components of the program with a focus on certain groups of third parties and the way they interact with us. These groups 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, as well as customers and suppliers. We also cover related provisions on topics including, but not limited,

**C 3.9 THE THREE PILLARS OF THE ABC COMPLIANCE PROGRAM**



to discounts and rebates, grants, gifts, and entertainment. As we are subject to a wide range of regulatory changes and political decisions that impact our business activities, we also engage in political dialog. For further information on our political activities, please refer to the “Stakeholder dialog” section starting on [PAGE 85](#).

Fresenius Medical Care has implemented the ABC Compliance Program in all business segments to reduce the risk of legal violations by providing general and specific procedures and rules of conduct as well as regular training for relevant employees. In 2019, Fresenius Medical Care continued to enhance its ABC Compliance Program and conduct ABC compliance training for its employees. As a result, the enhancements to the ABC Compliance Program have been implemented in all relevant entities. 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.

## BIOETHICS IN RESEARCH AND DEVELOPMENT

As well as legal compliance and compliance with the Code of Ethics and Business Conduct, the consideration of ethics is of fundamental importance to Fresenius Medical Care, especially in our research and development (R&D) activities.

We owe our unique position to many years of professional experience and continued innovation, allowing us to respond flexibly to changes in the market environment and to continue to grow. When engaging in R&D, we carefully consider the ethical implications of our activities. We carry out research

in the field of regenerative medicine, including stem cell technologies, with the aim of developing innovative solutions for our patients. Stem cells are regarded as a promising alternative in the field of organ regeneration and may have the potential to significantly slow down the progression of kidney disease. In stem cell research, we apply rigorous scientific processes while maintaining ethical standards and complying with applicable laws and regulations. We acknowledge the ethical controversies surrounding the use and derivation of stem cells from certain sources, and only conduct research using stem cells derived from adult tissue and only after careful consideration of ethical and legal standards. Furthermore, we do not use stem cells or tissue derived from human embryos or fetuses for our R&D activities.

Responsible animal research is another important aspect when considering the ethical implications of our R&D activities. We need to prove that the new products we develop are safe and effective. In this context, we utilize – when necessary – animal testing, the legitimacy of which is regulated by regional legislation including the US Animal Welfare Act and Germany’s Animal Welfare Act. We do not perform any in-house animal studies. Tests to prove the safety and effectiveness of our products are carried out in recognized laboratories by third-party research institutes. Any animal testing performed by third-party research institutes must be in strict compliance with applicable legislation. In accordance with local law this may include that animal testing must first be approved by an ethics committee. For further information on our minimum requirements for our business partners, please refer to our “Relationship with suppliers” section starting on [PAGE 106](#).

Our investments in 2019 with respect to R&D were aimed at supporting our corporate strategy of growing continuously in our core business and expanding into new business areas. In assessing new opportunities in R&D, we are committed to

ensuring compliance with international guidelines and carefully consider the ethical concerns of emerging technologies. For further information please refer to the “Research and development” section starting on [PAGE 32](#).

## SAFEGUARDING DATA

As a company in the health care sector, we are entrusted with the personal data of our patients, employees, customers and business partners. We do all we can to protect these personal data and handle them with the expected and appropriate care. To this end, we apply appropriate policies, procedures, guidelines, security measures, and internal audits as well as training and awareness raising measures.

We are continuously developing our privacy program to maintain the trust of our stakeholders and protect the confidential and personal data we collect in the course of our business operations. This especially applies to medical information that we handle as part of the trusted relationship with our patients. As stated in our Code of Ethics and Business Conduct, we only collect, process, and use personal data to the extent permitted by applicable law, and only when necessary for business, clinical or employment purposes. We are committed to ensuring compliance with local regulations regarding privacy such as the right to informational self-determination in Germany. We respect the right to privacy of all individuals from whom we receive and collect data as part of our business operations. This also includes processing of personal data by third parties on our behalf.

## ORGANIZATION

As a company with international operations, we are subject to many different local privacy and data protection laws and regulations. To comply with varying legal requirements

around the world, we have established a dedicated privacy program to help ensure that personal data are used appropriately throughout their lifecycle. While the privacy program is a baseline requirement to which all Fresenius Medical Care affiliates must adhere, Fresenius Medical Care is committed to complying with applicable local laws that may impose stricter standards. Fresenius Medical Care's privacy program is overseen by the Management Board, which is informed on a bi-annual basis of the program status and any privacy-related issues that need to be brought to its attention.

Based on our corporate structure, we have created a network of privacy liaisons officers throughout the company to carry the privacy strategy. In accordance with this approach, each Fresenius Medical Care affiliate is accountable for establishing and implementing the baseline global privacy program as a minimum requirement for its operations and is required to designate resources that are qualified to serve in such a capacity by virtue of their background, experience, education, and training. To drive the execution of the privacy program, dedicated privacy experts are assigned both at regional and local level.

## TRAINING AND EDUCATION

We believe that data protection should be a shared effort by all employees. This is based on Fresenius Medical Care's commitment to confidentiality, proprietary information, data privacy and IT security, as stated in our Code of Ethics and Business Conduct.

As educating our workforce about security and data protection is of paramount importance, we provide them with training on information security and privacy guidelines, as appropriate for their job function. Furthermore, we train and educate our employees on current requirements and threats in relation to data protection and IT security. We also offer

them a comprehensive range of e-learning opportunities and classroom training courses. In doing so, we combine general training with targeted measures for specific employee groups. This ensures that employees responsible for data processing activities are aware of current internal and external requirements. At the same time, third parties that perform services for or on behalf of Fresenius Medical Care are also expected to meet our standards of conduct and comply with our information security and privacy policies and applicable laws. In 2019, we continued to roll out our privacy training as part of an international training program that provides details on our values and the measures we take to safeguard and protect personal data.

## RISK ASSESSMENT AND AUDITING

Digital technologies are a key enabler in the globalization of business. They enhance our ability to communicate, share, and store information. From a risk management perspective, we regularly assess risks related to data protection and IT security. Responsibility for carrying out data protection measures, including risk assessments and monitoring, lies with the functional departments of Fresenius Medical Care. In North America, our corporate policies and procedures are developed based on the ISO 27001 and 27002 standards for information security. This provides us with a consistent and common framework that addresses security issues relating to protecting information based on industry standards and best practices.

To manage and monitor the risks related to data protection and IT security, we rely on our compliance program. Dedicated risk-compliance programs help our business and technology teams to assess security and privacy risks associated with projects and systems, including third-party services. Furthermore, business processes and procedures that involve the processing of patient and personal data are subject to regular

audits carried out by our Global Internal Audit department. Observing professional standards with regard to independence, integrity and confidentiality, the audits focus on compliance with policies, procedures and standards including our privacy standards. Any breaches identified during the audit are passed on so that we can initiate adequate remedies, aiming to continuously improving our data protection processes. For further information on Fresenius Medical Care's risk management, please refer to the "Risks and Opportunities Report" starting on [PAGE 63](#).

## DATA SUBJECT RIGHTS AND DATA TRANSFER

As digitization is transforming all spheres of life, it is increasingly important that people are aware of how their personal data are being used, collected and shared. For this reason, we are committed to respecting and protecting the rights of all data subjects and disclose how we process personal data about them. Furthermore, we make sure that they can access, review or delete their personal data.

As part of our business operations, we may transfer personal data to third parties who support Fresenius Medical Care's business activities on our behalf. Providing an appropriate level of data protection in international data transfers, as defined by local or regional regulations including the General Data Protection Regulation (GDPR) and the US Health Insurance Portability and Accountability Act (HIPAA) is a priority for Fresenius Medical Care. Therefore, data transfers outside the country of origin must comply with all applicable privacy export obligations, including national and local privacy laws, international agreements and personal commitments to data subjects. This commitment is also part of our privacy standards.

## PATIENTS' MEDICAL INFORMATION

As a company in the health care sector, we are entrusted with sensitive medical information about our patients. We use patient-related treatment 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 87](#).

Personal data protection plays a central role in the trusted relationship we have with our patients. As articulated in our Code of Ethics and Business Conduct, we are committed to protecting the privacy of our patients and will only use information collected in accordance with local data protection and privacy rules. To safeguard the confidentiality of sensitive patient information, all relevant employees of Fresenius Medical Care are instructed to keep personal information strictly confidential.

## CYBERSECURITY

Fresenius Medical Care engages in future-oriented health care. This includes the use of information and communication technologies. In this respect, we need to act with special care when handling the data of our patients, employees, customers and partners.

Cyberattacks are becoming increasingly frequent in today's highly connected world, often leading to the theft of product and client data that can cause huge financial losses as well as serious harm to companies' operations and reputations. With the aim of protecting our company against this growing threat, we launched the CARE cybersecurity program in 2017. CARE – which stands for Cybersecurity Approach, Roadmap and Execution – is designed to protect the critical information assets including patient and employee data in all clinics, production sites, medical devices and IT environments at

Fresenius SE & CO. KGAA, Fresenius Helios, Fresenius Kabi, Fresenius Vamed and Fresenius Medical Care in the EMEA, Latin America, and Asia-Pacific regions as well as at GRD and GMS. Based on a cross-business governance model, the program aims to identify cyber risks, harmonize security standards and policies, and meet global data security requirements. Building a "human firewall" by raising employee awareness of cyber threats, preventing data leaks and enhancing medical device security are among the main cybersecurity initiatives in 2019. At the same time, we have established a global, cross-segment team to follow up on suspected violations and potential attacks on our information assets. In North America, the Information Security Office of Fresenius Medical Care North America maintains a cybersecurity program based on the U.S. National Institute of Standards and Technology (NIST) cybersecurity framework. This program assesses and improves the Company's ability to prevent, detect, and respond to cyberattacks. It takes care that all medical devices, clinics and our company infrastructure incorporate cybersecurity capabilities.

## RESPONSIBILITY TO RESPECT HUMAN RIGHTS AND WORKPLACE RIGHTS AND LABOR AND EMPLOYMENT PRINCIPLES

*We work continuously to save lives, promote health, and improve the quality of life of our patients. We want to make a difference to the lives of others with our products and services by enabling better access to good and affordable health care in many countries. To us, human rights are an integral part of our corporate responsibility.*

*Non-financial topics covered in this chapter regarding our responsibility to respect human rights and workplace rights are working conditions, non-discrimination and equal opportunities, harassment, collective bargaining and freedom of association, forced labor, as well as child labor.*

## OUR APPROACH TO HUMAN RIGHTS AND WORKPLACE RIGHTS

To fulfill our responsibility as a health care company, we are committed to respecting human rights in our operations and complying with the laws of the countries in which we do business. As a responsible company, we want our business to have a positive impact, and avoid or mitigate negative effects.

**C 3.10 POTENTIAL IMPACTS OF OUR BUSINESS ON HUMAN RIGHTS**



To achieve this, we consider it essential that we understand and address the impact of our business activities on people and society. We have therefore developed an overview of the main areas in which our company and its business relationships could impact human rights (SEE CHART 3.10). Our business activities could have an impact on our patients, employees, as well as our supply chain, which includes employees and workers of our suppliers, service providers and business partners.

Human rights topics are addressed in our bi-annual corporate risk management process. For further information on Fresenius Medical Care’s risk management, please refer to the “Risks and Opportunities Report” starting on PAGE 63.

As part of our company-wide human rights program, we continuously gather information on the way human rights topics are addressed and managed at the local level. In addition, we raise awareness of human rights and create the basis for a systematic exchange of information and support, as well as embedding our commitment to respect human rights in all

business functions and successfully build the Company’s long-term labor/human rights program.

## HUMAN RIGHTS DUE DILIGENCE IS A JOINT RESPONSIBILITY

Human rights topics concern our patients, our employees as well as our suppliers, service providers, and business partners. The different groups that are potentially affected by our business activities require a coordinated response and joint efforts by our global, regional, and local functions. For this reason, we consider human rights due diligence to be a shared responsibility among the various functions and regions of our organization. We share relevant information and developments with our Management Boards as appropriate and whenever reasonably required.

The concept of human rights in the patient care context refers particularly to interactions between patients and health

care providers. Responsibility for human rights topics in patient care therefore lies with our clinical and medical functions as well as the Global Medical Office. For further information, please refer to the “Responsibility for patients” section starting on PAGE 86.

Employees’ rights cover an array of human rights, workplace rights and labor and employment principles including equal opportunities as well as protection against unlawful workplace practices, such as discrimination and harassment. While employee-related topics such as working hours, wages and salaries are managed by our HR function, some topics require the know-how of other expert groups. In 2018, we therefore established a dedicated global labor law function to provide legal support in matters relating to employment and labor law. This function serves as a global center of expertise for labor law, provides professional support for specific situations, and helps to align existing knowledge on labor law.

The protection of life and health in the workplace is a fundamental right. We believe that every workplace needs to be safe and hygienic not only for our employees, but also for our patients, visitors, and business partners. Responsibility for this lies with dedicated health and safety functions. For further information about responsibilities for occupational health and safety, please refer to the “Responsibility for employees” section starting on PAGE 92.

Our suppliers play an important role in contributing to Fresenius Medical Care’s sustainable growth and business success. For this reason, we also encourage our suppliers and business partners to share our commitment to sustainability and human rights. Our strategic procurement departments in collaboration with regional and local buyers work with suppliers, service providers and business partners to reflect our commitment to sustainability in our procurement practices. For further information on our sustainability requirements for

suppliers, please refer to the “Relationship with suppliers” section starting on [PAGE 106](#).

## HUMAN RIGHTS PRINCIPLES ARE EMBEDDED IN OUR CODE OF ETHICS AND BUSINESS CONDUCT

Today, companies are expected to show how they respect human rights in their daily business operations. To deliver on this responsibility, respect for human rights must be embedded within the business through adequate policies and due diligence. As articulated in our Human Rights, Workplace Rights and Labor and Employment Principles, we are committed to respecting and upholding human rights. This commitment is also incorporated in our Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct sets behavior standards that apply globally to every officer, director, employee, worker, and agent of Fresenius Medical Care. Mandatory training courses on the Code of Ethics and Business Conduct are held regularly for all relevant employees, both via e-learning and classroom training. For further information on our Code of Ethics and Business Conduct, please refer to the “Responsibility for ethics and compliance” section starting on [PAGE 96](#). In addition to the Code of Ethics and Business Conduct and the Human Rights, Workplace Rights and Labor and Employment Principles, we have implemented further specific policies on selected human rights topics in most of our regions.

## WE HAVE DEFINED HUMAN RIGHTS STANDARDS AND WORKPLACE RIGHTS STANDARDS AND EMPLOYMENT AND LABOR PRINCIPLES

Based on our materiality analysis, we have identified three main areas that reflect our commitment to respecting human rights.

### WE TREAT OUR EMPLOYEES WITH RESPECT

As stated in our Code of Ethics and Business Conduct, we are committed to providing all employees with fair and safe working conditions. This means that we

- › pay salaries and compensation that at least meet the applicable legal standards, and
- › take care that regular working hours and overtime do not exceed, as applicable, the maximum legal limits.

Furthermore, we condemn the use of exploitative and illegal child labor. We are committed to respecting and complying with the applicable legal minimum age for regular employment. Everyone should work for us of his or her own free will. In addition, we do not accept any form of forced labor, and all employees have the right to terminate their employment after giving a reasonable period of notice.

We believe that the best way to interact with our employees is through open and direct communications regarding work assignments, policies, and other terms of employment. By working together and maintaining open lines of communication, we can build a positive and rewarding work environment that delivers high-quality health care to our patients and excellent services and products to our customers.

Fresenius Medical Care respects the principles of freedom of association and the right to effective collective bargaining, including the rights of our employees to choose freely whether they want to be represented by a particular trade union, in accordance with applicable laws and practice. For instance, in the U.S., as protected by Federal Labor Law, employees have the ability to make a fully informed choice with respect to union representation, and secret ballot elections conducted by the United States National Labor Relations Board, following a campaign period where information is shared both by the employer and by the union, are the most effective way to determine employee support in the U.S. Where our employees wish to be represented by a trade union, we will cooperate in good faith with the bodies that our employees collectively choose to represent them, in accordance with applicable law and practice. We do not tolerate retaliation or discrimination against employees who engage in lawful union organizing.

### WE TAKE A CLEAR STAND AGAINST DISCRIMINATION, ABUSE, VIOLENCE AND HARASSMENT

Fresenius Medical Care supports equal opportunities for its employees and takes a clear stand against discrimination. We do not tolerate any form of discrimination based on gender, gender identity, race, ethnic origin, skin color, nationality or national origin, religion or religious belief, age, marital or family status, citizenship, disability, sexual orientation, veteran status or any other protected criteria under applicable law.

We seek to provide a work environment that is free from all forms of discrimination under applicable law, including verbal or physical harassment or intimidation from supervisors, co-workers, vendors, consultants, visitors, patients and customers of Fresenius Medical Care. We do not tolerate harass-

ment or intimidation in any form as set forth by applicable law. Neither do we tolerate violent or abusive conduct, including verbal or physical abuse by any employee, patient, customer, client, or visitor in connection with Fresenius Medical Care's business.

## WE PROVIDE GRIEVANCE MECHANISMS AND SUPPORT OPEN COMMUNICATION

Fresenius Medical Care recognizes the importance of open communication and aims to create an environment where patients and employees can report grievances. We strive to create a workplace where everyone can raise concerns and issues in an appropriate form. Furthermore, we are committed to ensuring that concerns are addressed in a professional, reasonable and prompt manner are investigated – where facts need to be clarified – and then remedied appropriately. We believe that an open communication where communication can flow across all levels of the organization is essential to resolve patient and/or employees' concerns effectively and promptly. The essence of this commitment to open communication is an environment where employees are not afraid to speak up and feel comfortable addressing their concerns. Employees who report concerns in good faith are protected from retaliation.

All employees of Fresenius Medical Care are strongly encouraged and expected to report situations and cases of potential or suspected non-compliance with laws, regulations, policies, as well as actual or suspected misconduct and unethical conduct, and any conduct that is in violation of the Code of Ethics and Business Conduct. For further information on employee options to report concerns, please refer to the "Our responsibility" section starting on [PAGE 83](#).

We provide all patients with the possibility to express concerns and complaints. 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. When dealing with patients, employees are required to respond accurately to questions posed by patients and their families. We aim to react to and attempt to resolve all concerns and complaints promptly and thoroughly.

## WE TAKE RESPONSIBILITY IN OUR SUPPLY CHAIN

As both a manufacturer of dialysis products and a provider of health care services, we work with suppliers, service providers and partners, all of whom contribute to Fresenius Medical Care's sustainable growth and business success. We believe that our commitment to sustainability should 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. The Sustainability Principles describe Fresenius Medical Care's minimum expectations in the areas of human rights, working conditions, occupational health and safety as well as compliance with applicable laws and regulations. Details are outlined in the "Relationship with suppliers" section starting on [PAGE 106](#).

## RESPONSIBILITY FOR THE ENVIRONMENT

*As a global player in the health care sector, our responsibility extends beyond our business operations. We are committed to improving the environmental performance of our products throughout their lifecycle, and to reducing the impact of our operations on the environment.*

*Non-financial topics covered in this chapter regarding our responsibility for the environment are environmental compliance, water, energy, waste, greenhouse gas emissions and impact on climate change, as well as environmental performance of products and services.*

At Fresenius Medical Care, we actively reduce the environmental impact of 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. We take a strategic approach to improving our environmental performance based on internationally agreed standards such as iso 14001.

## ENVIRONMENTAL MANAGEMENT AT FRESENIUS MEDICAL CARE

Environmental management at Fresenius Medical Care includes the 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 compliance, improve the environmental performance of our products along their entire



lifecycle, 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. If we fail to comply with such laws and regulations, this may have a number of adverse legal consequences. In order to comply with applicable laws and regulations, we have established management structures in line with our decentralized structure.

In North America, environmental management is organized at a regional level. We constantly monitor national and international regulations relating to environmental, chemical, and occupational health and safety issues so that our internal policies, guidelines and standard operating procedures (sops) are up-to-date. In compliance with applicable laws and internal guidelines, our manufacturing sites, distribution centers and laboratories are subject to regular audits. Furthermore, we regularly analyze energy, water and waste, and review them to reduce consumption and improve efficiency in all our facilities. In the U.S., 92 % of our dialysis clinics are covered by this approach.

In EMEA, environmental management is part of Fresenius Medical Care's integrated management system. The aim here is to systematically control and reduce risks associated with environmental protection, comply with applicable legislation, and meet the expectations of our customers and patients. Our Environmental Health & Safety (EHS) Basic System also focuses on compliance and risk control in connection with environmental and employee matters. The EHS Basic System has broad coverage as it applies to all operational units within the integrated management system, i.e. with a certified qual-

ity management system. In addition, all operational units in EMEA are required to file an annual declaration of responsible management as well as show their compliance with environmental and occupational health and safety regulations.

Since the environmental certification strategy of GMQS is focused on but not limited to production sites with a high environmental impact, eight of our largest production sites in the EMEA region are certified according to ISO 14001 standards. Two of these production sites also have ISO 50001 certification. In addition, 48 % of our dialysis clinics are certified according to ISO 14001. Compliance with ISO standards is regularly reviewed by internal and external experts. At present, 72 % of our clinics in the EMEA region use the integrated software solution e-con5 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 increase the proportion of clinics using e-con5.

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 90 % of our clinics in this region use the integrated software solution e-con5 for eco-controlling. In addition, we review the environmental data on a regular basis to control developments as well as target achievements and define measurements and activities for improvement.

In Asia-Pacific, environmental management within the GMQS organization is managed locally by each manufacturing site. This includes the management of water, waste water, energy, waste, greenhouse gas emissions/air pollution, and noise, based on local regulations which may differ from site to site. These topics are the focus of environmental management activities in our manufacturing facilities. The general target is

to achieve environmental compliance and make improvements to reduce any negative environmental impact and risks for our patients and employees as well as for our production facilities.

## ENVIRONMENTAL DATA COLLECTION

To enable us to use resources as efficiently as possible, each region collects environmental data. We analyze this data 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.

As part of our environmental management, we monitor and report data on the following environmental topics including our dialysis services and manufacturing sites around the globe:

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

We aim to conserve natural resources by means of environmentally sound and efficient operations. Our corporate GMQS function encourages local sustainability projects as part of our Green & Lean Initiative to continuously improve Fresenius Medical Care's environmental performance and incorporate environmental management best practices into our business operations. As part of this approach, 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 initiative are to achieve compliance with applicable environmental regulations, manage and reduce environmental risks, and establish environmentally sustainable operations.

Our commitment to using natural resources efficiently is also included in the environmental policy set out by GRD and GMQS in EMEA and Latin America. 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. As part of our 2019 Green & Lean Initiative, we improved our production processes and recycling activities and were consequently able to reduce waste produced at our manufacturing sites. For more information on our Green & Lean Initiatives and their impact on our water and energy consumption and greenhouse gas emissions (GHG), please see below.

## WATER CONSUMPTION

Water is an important resource for Fresenius Medical Care as the fluid used in dialysis therapy mainly consists of water. We collate data on water consumption in our manufacturing sites and our dialysis centers (SEE TABLE 3.11) and regularly analyze municipal water, ground water, surface water, reuse water as well as rain water to use this resource more efficiently.

Water savings are also part of our Green & Lean Initiative. With the aim of leveraging the advantages of new technology, we have implemented waste water heat recovery in several of our production sites. In 2019, we also saved water and waste water by enhancing our production process and by

implementing and optimizing reverse osmosis systems, auto-claves, condensate pumps and purification systems.

**T 3.11 WATER CONSUMPTION AT FRESENIUS MEDICAL CARE<sup>1,2</sup>**

	2019	2018
<b>Water (M m<sup>3</sup>)</b>	43.2	42.1
Municipal water	42.7	41.6
Ground water	0.5	0.5

<sup>1</sup> Prior year information was adjusted to conform to the current year's presentation.

<sup>2</sup> Including NxStage data.

## ENERGY CONSUMPTION

At Fresenius Medical Care, we monitor the energy consumption in our manufacturing sites and our dialysis centers (SEE TABLE 3.12), with the aim of continuously improving our environmental performance.

In 2019, measures to save energy in our production included the conversion to LED lighting in our warehouses and production areas as well as the replacement of production chillers and boilers to adapt to environmental conditions. By installing photovoltaic solar panel cells, we can now also generate renewable energy.

**T 3.12 ENERGY CONSUMPTION AT FRESENIUS MEDICAL CARE<sup>1,2</sup>**

	2019	2018
<b>Energy (M MWh)</b>	2.4	2.4
Electricity	1.3	1.3
Natural gas	1.1	1.1
Others <sup>3</sup>	<0.1	<0.1

<sup>1</sup> Prior year information was adjusted to conform to the current year's presentation.

<sup>2</sup> Including NxStage data.

<sup>3</sup> Including fuel oil, diesel, liquid gas and district heating.

## GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions (GHG) at Fresenius Medical Care are calculated based on energy data and refer to our manufacturing sites and our dialysis centers (SEE TABLE 3.13).

As part of our 2019 Green & Lean Initiative, we optimized production processes and were consequently able to reduce CO<sub>2</sub> emissions and save electricity. Furthermore, we optimized our logistics processes and worked on improving the efficiency of transport routes, resulting in a reduction in our CO<sub>2</sub> emissions.

**T 3.13 GHG EMISSIONS OF FRESENIUS MEDICAL CARE<sup>1,2</sup>**

	2019	2018 <sup>1</sup>
<b>Scope 1 CO<sub>2</sub> equivalents (THOUS tons)</b>	227.3	218.7
Natural gas	224.6	215.6
Liquid gas	2.2	2.3
Fuel oil	0.3	0.5
Diesel	0.3	0.3
<b>Scope 2 CO<sub>2</sub> equivalents (THOUS tons)</b>	547.2	557.2
Electricity	546.9	557.1
District heating	0.3	0.2

<sup>1</sup> Prior year information was adjusted to conform to the current year's presentation.

<sup>2</sup> Including NxStage data.

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

## IMPROVING THE ENVIRONMENTAL PERFORMANCE OF PRODUCTS AND SERVICES ALONG THE PRODUCT LIFE CYCLE

At Fresenius Medical Care, we take advantage of innovations and new technologies to improve the environmental performance of our products and services. 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 our 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 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.

Our 2008T BlueStar machine is another example of our continued efforts to reduce our products' environmental impact along their lifecycle. The 2008T hemodialysis machine was launched at the beginning of 2019 and features evolved technologies and enhanced performance, including simplified machine operation, management and maintenance. Compared to similar devices, the 2008T machine also fea-

tures an idle mode to reduce dialysate and water usage by up to two-thirds, saving additional costs. Based on our history of innovation and industry firsts in renal care, we believe that our 2008T machine offers distinct clinical advantages that reduce the complexities of hemodialysis care and enhance patients' overall treatment experience, while at the same time considerably reducing the amount of dialysate and water used. We are continuously increasing sales of 5008, 6008 and 2008T BlueStar machines worldwide. In 2019, almost every second dialysis machine we produced belonged to one of these resource-friendly machine generations.

Another way to reduce our environmental impact is to use a lifecycle approach that takes into account a product's impact on the environment throughout its lifecycle. To this end, we conduct a simplified, lean product life cycle assessment (Screening LCA) as part of our GRD and EMEA environmental, health and safety programs. In assessing the environmental impact associated with all stages of a product's life from raw material extraction to materials processing, manufacture, distribution, use and disposal, we can identify processes and materials that we need to focus on to improve our processes and products. Based on international guidelines, we calculate the environmental impact caused during the different stages of a product's life cycle in accordance with ISO 14001 and IEC 60601-1-9 standards. Screening LCA currently covers the majority of our active medical device product lines and is gradually being extended to the product range of disposables, including bloodlines, PD bags, and cartridges. Moreover, we have subjected important disposables to detailed comparative product lifecycle assessments. These follow the structure and requirements of ISO 14040/44 and compare the eco-performance of several of our acid concentrates and dialyzers.

## 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 ethical standards of conduct towards employees, society and the environment, 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, all of whom contribute to our sustainable growth and business success. Based on our vertically integrated business, we benefit from the advantages gained from covering the entire value chain of dialysis, allowing us to define our own quality and sustainability standards for a significant share of our products.

The procurement organization at Fresenius Medical Care comprises one global and four regional procurement units, all five with distinct management governance. The global GMS Procurement function manages the demand for materials and services at our production sites around the globe, making sure that they are delivered in the required quality, at the right time and at the best cost. The four 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. This includes procurement activities for our dialysis clinics.

## SUSTAINABILITY IN OUR SUPPLY CHAIN

In procurement, forward-looking planning and long-term partnerships with strategic suppliers are key to ensure the reliable supply of raw materials for production and service. This helps to minimize bottleneck situations, which could result in delays in production and hence have an adverse effect on our results of operation. For this reason, we regularly monitor our supplier relationships. Suppliers that are integral to our procurement functions are also subject to performance and risk analyses. To identify, assess, and mitigate procurement-related risks in our supply chain, our global GMQs Procurement function has developed a risk management solution which monitors supplier- and country-related aspects of compliance and sustainability, such as anti-bribery and corruption, labor practices and human rights, environmental protection, and conflict minerals. Thanks to this strategic risk management process, we were among the finalists in the Procurement Leaders World Procurement Award for Risk Management in 2019.

## OUR SUSTAINABILITY PRINCIPLES

Fresenius Medical Care is committed to ethical, sustainable, and socially responsible procurement. We expect that our suppliers share this commitment. For this reason, we have implemented a standard document – our Sustainability Principles – which describes our minimum expectations towards our 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 are based on international environmental and social standards and 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 or the prohibition of forced labor and exploitative child labor.

The Sustainability Principles are part of Fresenius Medical Care's standard operating procedures (sops) of the GMQs Procurement function and in the strategic procurement departments in EMEA, Latin America and Asia-Pacific, and are an integral part of our supplier contracts along with contract specifications, our general terms and conditions, as well as any supplementary information. Where applicable local laws impose stricter requirements than those provided by the Sustainability Principles, the stricter standard applies.

To evaluate the sustainability performance of our suppliers, we may ask them to self-assess their compliance with our Sustainability Principles. To obtain an objective evaluation of the supplier's processes, we 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.

In addition to our Sustainability Principles, our strategic procurement department in North America has a procurement handbook in place that requires all employees to uphold our social and environmental responsibilities and maintain the highest ethical standards when selecting, negotiating and awarding procurement activities. In an effort to globally harmonize our ethical standards of supplier conduct, we drafted the Global Supplier Code of Conduct in 2019. It emphasizes

our comprehensive approach to sustainable supply chains and will be accompanied by training and communication efforts in the years to come. Also in 2019, the Management Board of Fresenius Medical Care decided to establish a Global Sustainability Program, including a focus on the supply chain. As part of the program, we aim to promote sustainable supply and continuously strengthen and harmonize our commitment to sustainable procurement practices.

# 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 or Company) 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, 2019.

## 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 responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Non-Financial Group Report 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 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.

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,

<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.

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 Ogden, UT site of Fresenius USA Manufacturing, Inc. (United States of America)
- › 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, 2019 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, 2020

### KPMG AG

*Wirtschaftsprüfungsgesellschaft*

*[Original German version signed by:]*

### GLÖCKNER

*Wirtschaftsprüfer*

*[German Public Auditor]*

### BROKOF

*Wirtschaftsprüferin*

*[German Public Auditor]*

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