

SUSTAINABILITY, CORPORATE GOVERNANCE, COMPENSATION REPORT

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Our employees

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The Bachem Group is fully committed to ensuring equality of opportunity for all staff, irrespective of age, sex, religion, ethnic background or nationality. In particular, this equality of opportunity applies unconditionally with regard to the terms of employment, the principle of equal pay for equal work, performance incentives and the Group's professional development and promotion policies.

High level of education

Bachem Group is the world leader in its core business of manufacturing peptides as research chemicals and active pharmaceutical ingredients. Its claim to be a "Pioneering Partner for Peptides" is predicated on very high educational attainment of workforce members at every level and high subject area specialization. The growing complexity of the products the company manufactures and the services it is expected to provide, and, more so, the increasing requirements of customers and official bodies in terms of production and regulatory processes, call for a highly qualified workforce throughout the organization. At Bachem Group, 29% of the employees have earned a degree from a university and another 21% have earned a degree from a university of applied science. Over 40% of Bachem employees worldwide have completed a vocational apprenticeship, as have 55% of its employees in Switzerland.

Vocational training

Vocational apprenticeship training has a high priority at Bachem AG's Swiss sites in Bubendorf and Vionnaz. Our dual system of education provides young school leavers with an excellent opportunity to gain specific vocational training once they finish their compulsory schooling and strive to enter the working population. Apprentices acquire theoretical knowledge and general education at a vocational school and gain practical experience working at the company. In providing these apprenticeships, Bachem is both discharging part of its social responsibility towards society and also making an important contribution to the maintenance of non-academic professional training in Switzerland.

At the Bubendorf site, Bachem operates a teaching laboratory with two full-time instructors specifically for the practical instruction and training of qualified chemical lab technicians. At the two Swiss locations operated by Bachem AG, 42 young people were enrolled in three- or four-year vocational apprenticeship programs as of the end of the year; this represented 3.5% of the workforce. The apprentices were pursuing qualifications as chemical lab technicians (29), office administration staff (5), IT technicians (2), logistics specialists (4) and polymechanics (2). In the year under review, 14 apprentices successfully completed their vocational training, and 10 were offered permanent employment contracts.

PERSONNEL		2019		2018		
		FTE	%	FTE	%	
EMPLOYEE DISTRIBUTION BY JOB CATEGORY						
MARKETING AND SALES		91.1	7.5	86.5	7.9	
ADMINISTRATION		99.8	8.3	103.1	9.4	
SUPPLY CHAIN		56.1	4.6	56.1	5.1	
ENGINEERING AND SERVICES		155.4	12.9	141.3	12.9	
QUALITY ASSURANCE AND REGULATORY AFFAIRS		298.8	24.7	284.8	25.9	
RESEARCH/DEVELOPMENT AND PRODUCTION		507.5	42.0	425.5	38.8	
GEOGRAPHIC DISTRIBUTION						
EUROPE		872.6	72.2	772.4	70.4	
USA		333.1	27.6	322.9	29.4	
ASIA		3.0	0.2	2.0	0.2	
EMPLOYEE DISTRIBUTION BY GENDER						
WORKFORCE (TOTAL)		WOMEN	367.9	30.4	349.7	31.9
		MEN	840.8	69.6	747.6	68.1
UPPER MANAGEMENT		WOMEN	17.0	21.3	15.0	20.3
		MEN	62.8	78.7	58.8	79.7
REGIONAL EXECUTIVE COMMITTEES		WOMEN	5.0	14.7	5.0	17.2
		MEN	29.0	85.3	24.0	82.8
CORPORATE EXECUTIVE COMMITTEE		WOMEN	1.0	20.0	1.0	20.0
		MEN	4.0	80.0	4.0	80.0
BOARD OF DIRECTORS		WOMEN	2.0	33.3	2.0	33.3
		MEN	4.0	66.7	4.0	66.7
EMPLOYEE DISTRIBUTION BY AGE						
AGE < 26		128.2	10.6	120.6	11.0	
AGE 26-35		351.0	29.1	314.7	28.7	
AGE 36-45		310.8	25.7	276.8	25.2	
AGE 46-55		262.3	21.7	251.2	22.9	
AGE 56-65		150.4	12.4	130.3	11.9	
AGE 65		6.0	0.5	3.7	0.3	

Employee education

In addition to the professional qualifications of its workforce acquired through a vocational apprenticeship or university degree program, the company attaches great importance to providing employees with training and continuing education. The high level of specialization and increasingly tough requirements pertaining to quality and operating procedures call for additional specialist expertise. Bachem provides opportunities for continual professional development to employees as appropriate through internal programs and external providers. Bachem Group specialists meet periodically for international seminars or to share information. Seminar topics cover the entire spectrum of Group activities, including research and development, production, quality assurance and regulatory affairs, finance, marketing and sales. In addition to technical know-how, special attention is accorded to continual management training. Level-specific courses on topics including self-development and leadership were provided in the period under review.

Ethics and integrity

For the Bachem Group, ethically correct behavior and integrity are essential prerequisites for lasting business success. The professional and personal integrity of our employees is a prerequisite for meeting the high-quality standards of all stakeholders. Our principles of ethical behavior and integrity are binding on all staff, are set down in writing, and are applied without exception. This

applies in particular to staff with customer- or supplier-facing roles, such as sales and procurement staff.

Responsible Care

Bachem is committed to achieving ongoing, lasting improvements in safety, protection for employee health and the environment (EHS). To this end the company continually develops and implements new approaches for enhancing employees' safety and environmental awareness, sometimes in collaboration with external partners. The company provides funding and internal resources at all locations.

Protecting human health and the environment and the safety of employees and the surrounding communities are fundamental concerns for the chemical industry. To live up to its social responsibility, Bachem has upheld its commitment to the Responsible Care program for over two decades. This initiative, the only one of its kind in the world, drives continual improvement in the health, safety and environmental performance of chemical companies with global operations, often going well beyond what the law requires. Responsible Care promotes responsible handling of resources and risks, making a key contribution to sustainability.

Right from the initial conceptual design of new plant and production processes, top priority is given to the consideration of safety-related and ecological issues, with input from personnel and external advisors.

RESPONSIBLE CARE KEY FIGURES

	2019	2018	2017	2016	2015
PERSON ACCIDENTS, NUMBER/100 EMPLOYEES	1.3	1.7	2.2	1.3	1.5
LOST WORKING DAYS, NUMBER/EMPLOYEE	0.1	0.1	0.1	0.1	0.1
HEALTH SAFETY ENVIRONMENT STAFF, NUMBER	10.5	9.5	9.5	9	8
TOTAL STAFF, NUMBER	1 200	1 056	1 026	939	750
ENVIRONMENT KEY FIGURES					
TOTAL ENERGY CONSUMPTION, GJ/EMPLOYEE	126	135	129	125	148
CO ₂ , T/EMPLOYEE	4	4	4	4	4
NO _x , KG/EMPLOYEE	4	4	4	4	4
SO ₂ , KG/EMPLOYEE	0.4	0.4	0.6	0.5	1
VOC, KG/EMPLOYEE	16	18	21	26	31
TOC, KG/EMPLOYEE	3	2	2	4	4
HAZARDOUS WASTE DISPOSED OF, KG/EMPLOYEE	7 470	9 965	7 080	6 262	6 544
TOTAL WATER CONSUMPTION, M ³ /EMPLOYEE	106	93	107	121	126

Annually recorded key parameters measure the performance and development of the company and help guide the management in continuously identifying and implementing effective and efficient improvement measures. Bachem collects relevant data at its four biggest locations, Bachem AG in Bubendorf and Vionnaz and Bachem Americas Inc. in Torrance and Vista.

Workplace hygiene

Workplace hygiene is a basic requirement for safe handling of active substances, making it an integral element of employee health and safety protection at Bachem. Bachem's strategy for achieving optimum workplace hygiene consists of three interlinked components: personnel hygiene, a basic hygiene concept and control banding.

The approach is based on universal principles of personnel hygiene, such as employee apparel and personal care. In addition, the basic hygiene concept seeks to prevent the release of active substances and their subsequent dispersal by deploying technical measures such as use of closed transfer systems and physical separation of individual pieces of production equipment. Organizational measures address analysis and optimization of personnel and material flows, specifications for cleaning procedures – even for non product-contact surfaces – as well as waste disposal. Bachem provides personal safety equipment and regular training in its use, and enforces application in line with regulations.

The purpose of control banding is to monitor active substance concentrations in the manufacturing environment and hold them to levels low enough to reliably prevent absorption of an effective dose during work processes. Active substances are classified into “control bands” based on what is known about their physiochemical properties and biological effects. Depending on the consistency of the substance, the production process and the quantity being produced, measures are set forth based on the risk level of each control band to ensure that concentrations are kept within the specified limits. Specifications derived from control banding techniques are also used in the planning of construction projects.

Environmental parameters

Thanks to a very satisfactory order book, the number of employees at the Bachem Group's four largest production sites rose to 1 200, an increase of 14% since 2018 (1 056 employees). Production capacity was also expanded through the commissioning of major facilities, increased automation and the expansion of shift working. Despite the resulting sharp increase in output, Bachem again succeeded in improving many of the environmental parameters measured. VOC emissions were reduced to 16 kg per employee, and the volume of special waste disposed of per employee was reduced by 25% to 7 470 kg. Total water consumption per employee recorded a rise from the previous year's figure to 106 m³ (Swiss chemical industry: 4 870 m³ per employee). The energy consumption per employee recorded a slight year-on-year decline to 126 GJ per employee, and remains well below the Swiss chemical industry's reference value of 303 GJ per employee. The Bachem Group has very good environmental figures to show, with a comparatively low environmental impact as well as a level of resource consumption relative to economic output that is well below the Swiss chemical industry average.

Occupational safety

The number of staff assigned to EHS increased further from 9.5 to 10.5 full-time equivalent positions. A welcome result was a 24% decline in the number of work-related injuries, from 1.7 to 1.3 per 100 employees. With only 0.1 lost workday per employee, Bachem maintained its excellent safety performance. Once again, non-work-related accidents were significantly more frequent than occupational injuries and resulted in far more absences from work. The number of non-occupational injuries per 100 employees was comparable with that in 2018, as was the resulting lost workdays per employee. The main risks of non-occupational accidents involved slips, trips and falls, along with sports-related injuries. Because heightened risk awareness among employees during their leisure time has been shown to reduce the frequency of accidents in the workplace as well, Bachem takes a comprehensive approach to employee safety training.

Health management

The Corporate Health Management (CHM) strategy promoting employee health was again given high priority in the year under review. CHM involves the development of corporate structures and processes specifically designed to promote employee health, performance and motivation. Bachem's corporate health management exceeds the minimum healthcare standards required by law. Among other things, issues addressed by Bachem's CHM program include "people in organizations" and "work-life balance."

Ethics and integrity

Bachem does not grant any advantage or concession if it is

- not in line with local law or custom
- not properly accounted for and financially registered

Bachem does not give nor request nor accept

- any illegal rebate
- any kickback payments
- any "unofficial" payments
- any form of improper gift or favor

Bachem employees

- do not encourage or solicit gifts or personal advantages of any kind from any third party
- avoid situations where their personal interests may conflict with the interests of Bachem
- will inform the responsible line manager if any unsolicited conflict of interest arises