



SUSTAINABLE DEVELOPMENT
2018 GRI REPORT



**Shaping the future
of animal health**

GRI 102

general information

1. PROFILE OF THE ORGANIZATION

102-1 Name of the organization

See pages 100, 153 and 154 of the annual report.

102-2 Operations, brands, products and services

See page 210 of the annual report.

102-3 Geographical location of the organization’s registered office

See page 100 of the annual report.

102-4 Geographical location of operational sites

See page 153-154 of the annual report.

102-5 Type of ownership and legal structure

See pages 92 and 100 of the annual report.

102-6 Markets served

See pages 40-42 of the annual report.

102-7 Size of the organization

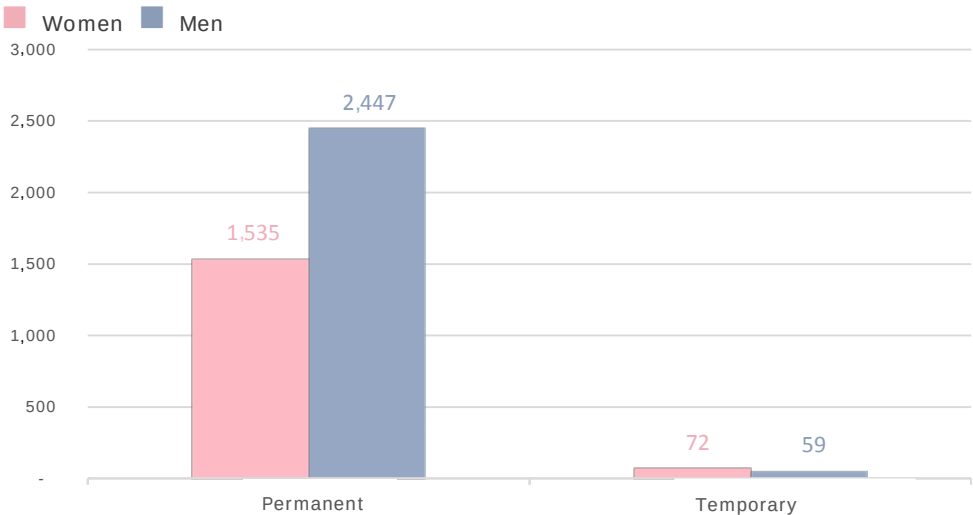
See pages 3 and 5 of the annual report.

102-8 Information on employees and other workers

The scope of the workforce for 2018 covers 16 countries and represents 4,113 employees, or 84% of the total staff. The change in the permanent workforce is +1% (3,982 in 2018 compared to 3,942 in 2017). On the social reporting scale, the total number of staff increased by 31. Temporary workforce includes contracts terminating at the end of a specified period or when a specific task, given an estimated date of completion, is completed.

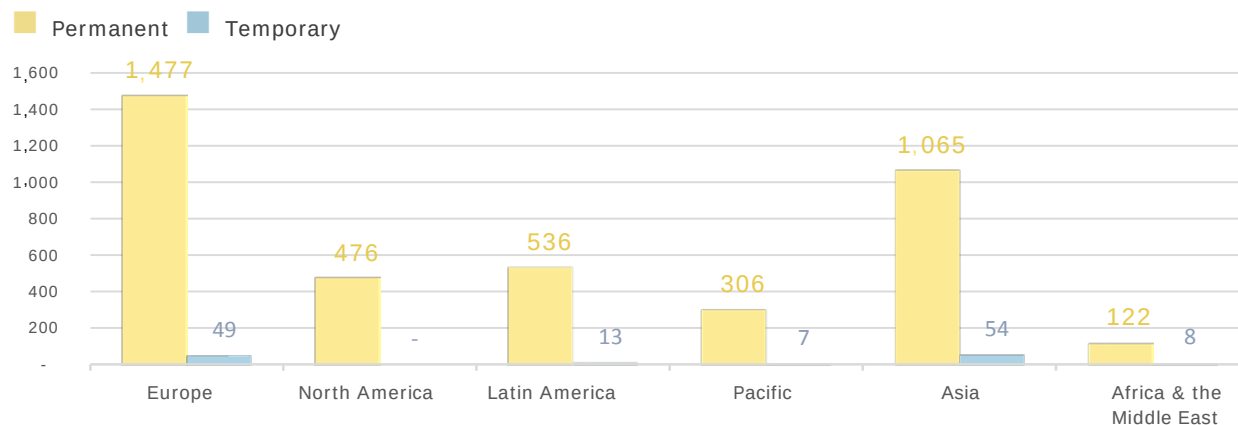
102-8. a. Total number of employees by employment contract (permanent and temporary), by gender

Total employee breakdown (by number)

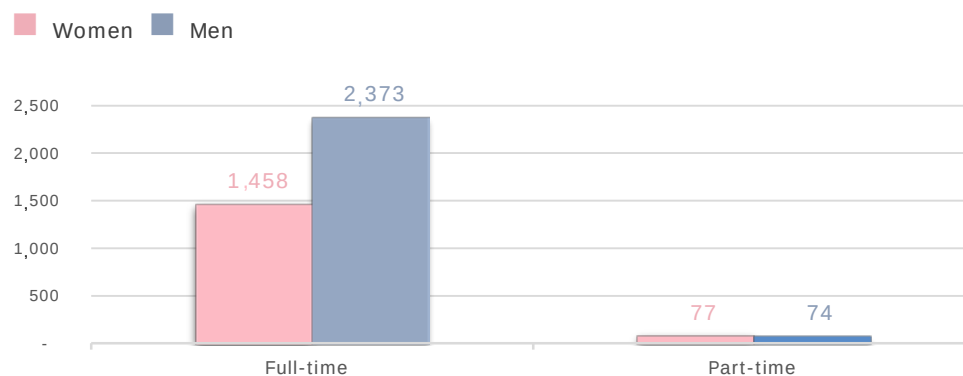


102-8. b. Total number of employees by employment contract (permanent and temporary), by region

Breakdown of permanent/temporary employees (by number)

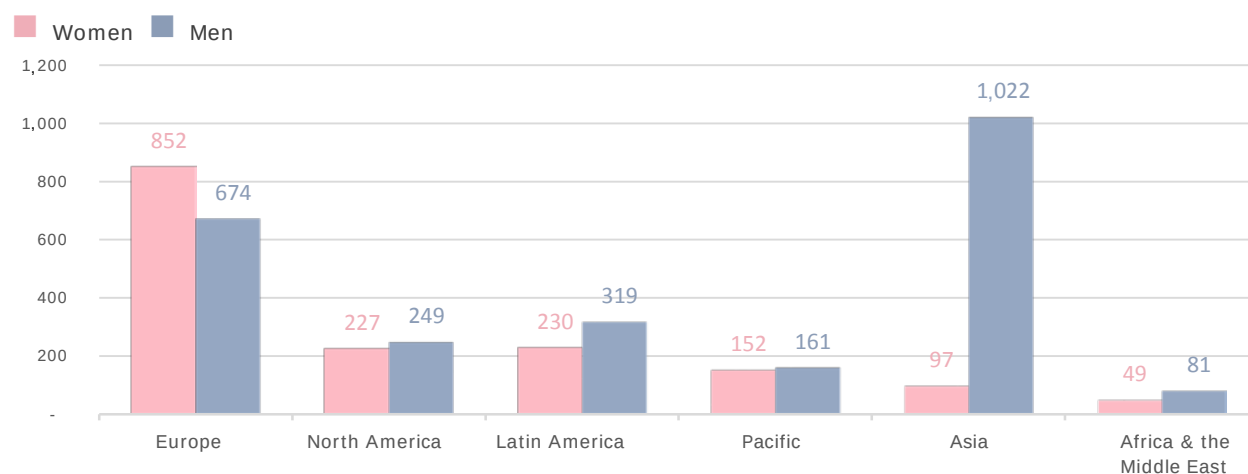


Breakdown men/women (by number)



Of the permanent staff, 5% of women and 3% of men work part-time. Overall, 4% of the permanent staff hold a part-time position.

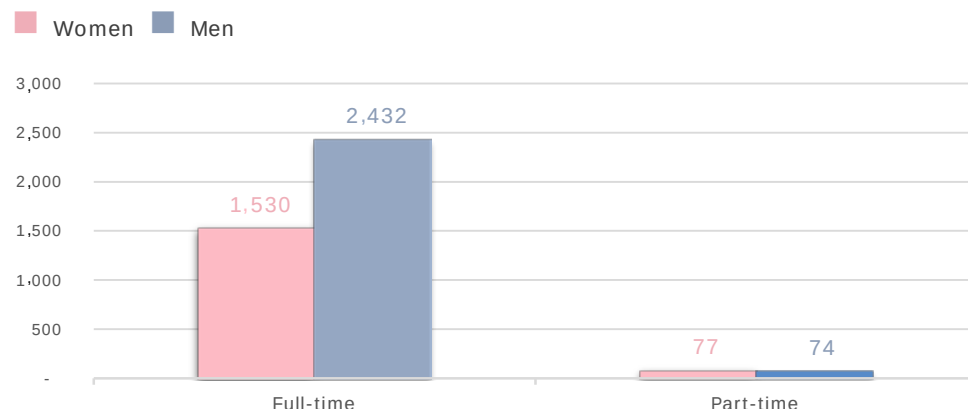
Regional breakdown Men/Women (by number)



Europe remains the only geographical area where women are in the majority (56% of the workforce). The Pacific areas with 49% and North America with 48% are very proportionally balanced. Latin America with 42% and Africa and the Middle East with 38% show a more significant imbalance. Asia has the lowest number of women in the workforce (9%). This very low representation is due to India, which has only 2% women. This country remains a special case: the sales teams, for reasons pertaining to local culture, job stress and security (visits to farms on two wheels) are more naturally composed of men. Excluding India, the Asia area accounts for 216 employees and consists mostly of men at 63%.

102-8. c. Total number of employees by type of employment (full-time and part-time), by gender

Full-time/part-time men/women breakdown (by number)



102-9 Supply chain

SUPPLIERS	PRODUCTION ASSEMBLY	WAREHOUSING DISTRIBUTION	CUSTOMERS SALES
Three categories of suppliers directly connected to industrial activity (worldwide): - Approximately 900 suppliers of raw materials and packaging (€120 million worth of purchases); - Approximately 100 fabrication subcontractors (€80 million worth of purchases); - Approximately 40 suppliers of finished products (€50 million worth of purchases).	Two industrial site categories: - Virbac plants (located in ten countries), whose products contributed to 60% of Group sales; - External industrial sites (located all over the world) whose products have contributed to generate 40% of Group revenue.	Two distribution center categories: - Virbac internal distribution centers (located in the country or area of each subsidiary); - External distribution centers (located all over the world). - Internal and external distribution costs account for 4.2% of Group revenue.	Two customer categories: - User customers (veterinarians, farmers, integrators, animal owners); - Intermediary customers (central purchasing units, distributors and wholesalers). 8,333 product references have been sold to these customers located in more than 100 countries.

2018 data

To supply its factories, Virbac buys the active ingredients, excipients and packaging from suppliers meeting high standards of quality and reliability. All new suppliers of raw materials and of primary packaging are subject to a rigorous qualification procedure aimed at limiting disruptions in supply. Whenever possible, Virbac strives to qualify several sources for the same need. Purchases of industrial equipment are also subject to rigorous selection that prompts Virbac to work with the leaders in industrial pharmaceutical equipment for important investments. Selection of new development partners is done in the same vein by multidisciplinary teams who ensure that they meet the most stringent reliability criteria and the best standards.

For certain products for which the industrial investments may not be reasonably amortized, Virbac calls upon a network of sub-contractors specialized in pharmaceuticals: aerosol, freeze-drying, tablets, etc. Production is carried out in close proximity to the regions in which the products are sold, with certain exceptions for very high-tech products such as biological products.

Other than these purchases directly linked to development and production, Virbac makes €220 million worth of Group-wide purchases:

- products and services related to marketing, sales forces and communication (promotional and advertising items, design or post-production agency services, advertising space, and at an earlier stage, market studies, not to mention digital media and events such as seminars and conferences);
- products and services not linked to production, commonly called "indirect" (intellectual services, trips, travel, facility management, energy, temporary workers, training, IT and telecommunications);
- products and services indirectly linked to production and R&D (consumables, chemical products, maintenance, parts, clinical studies, intellectual services);

- investments for the whole Group (€40 million, two-thirds of which are for production) earmarked for equipment, construction and small materials.

To cover all its needs, Virbac calls upon several thousand suppliers around the world. The Group's purchases are managed by dedicated teams at headquarters and in the regions, sharing a set of good practices.

102-10 Significant changes to the organization and its supply chain

See pages 38 of the annual report.

102-11 Precautionary principle or preventive approach

Given the very nature of pharmaceutical activities, Virbac systematically considers the precautionary principle. However, the Group ensures that this principle does not disproportionately impact the innovation process by favoring, when appropriate, a risk/benefit analysis.

102-12 External initiatives

Virbac's commitments are based on the principles set out in the following international documents:

- the Universal Declaration of Human Rights;
- the international conventions of the International Labor Organization;
- the guiding principles of the Organization for Economic Co-operation and Development (OECD) as regards multinational companies.

102-13 Membership in associations

As with all the large veterinary pharmaceutical companies, Virbac is a member of the main professional organizations representing animal health nationally, regionally or worldwide.

Among the main professional organizations:

- at the national level
  - SIMV (Association for animal health industry) in France
  - NOAH (National office of animal health) in Great Britain
  - BfT [Federal association for animal health] in Germany
  - AISA (Italian association of environmental sciences) in Italy
  - VeterIndustria in Spain
  - AHI (Animal health institute) in the United States
- at the regional level
  - Animalhealtheurope (the voice of the animal medicines industry)
- at the worldwide level
  - HealthforAnimals (Global Animal Medicines Association)

Virbac's representatives regularly participate in the work of these professional organizations through teleconferences, email consultations and in-person meetings. The main objective is to contribute to common work, to make Virbac's voice heard and to distribute internally such information as may be useful to the company.

The representatives take part:

- as experts in working groups
For example, at the national level, Virbac is present in 26 working groups in the SIMV. At the European level, Virbac is a member of 15 working groups, mainly technical and regulatory.
- in governance capacity within these organizations
At the national level, Virbac is on the board of directors of SIMV, NOAH, AISA, VeterIndustria, BfT (in this last organization, the Virbac representative was elected chairman of the executive board in 2015). At the regional level, Virbac is on the board of directors of Animalhealth Europe, whose headquarters is in Brussels. At the international level, Virbac is on the board of directors of HealthforAnimals, as vice-chair.

In terms of financing, Virbac contributes to these professional organizations through the payment of a membership fee based on the revenue it generates in the territory in question.

2. STRATEGY

102-14 Statement by the highest-ranking decision-maker

"We do not inherit the Earth from our parents, we borrow it from our children" (attributed to Saint-Exupéry). This awareness should be what drives how people behave towards the Earth. Virbac understands this well.

There are several reasons why long-term development is natural for Virbac. The majority of Virbac's capital is controlled by one family, that of its founder, Dr Pierre-Richard Dick. His profoundly humane values have distinguished the company and remain the foundation upon which the company strategy is built. As with many family businesses, the ability to envisage the long-term and to act accordingly is part of its genetic make-up. Furthermore, being a listed company only serves to advance this vision, because increasing numbers of shareholders favor companies whose strategy includes sustainable development goals that foster, rather than impede, economic performance. Virbac's mission, to create, manufacture and sell veterinary medicines and, in a broader sense, animal health products, puts the company at the heart of the food chain and the "One Health" ecosystem, where it is understood that the health of all living beings on Earth is intrinsically linked. Its customers, veterinarians, farmers and animal owners are becoming increasingly mindful of their impact on the environment and human health. As a result, Virbac is naturally driven to direct its activities accordingly.

The Group's growth both in France and internationally leads to additional requirements. Virbac is deeply rooted in its place of origin, the Côte d'Azur. Its visibility grows with its workforce and its investment in its place of origin. So it must endeavor to set both a social and environmental example for its employees and its community.

At the same time, Virbac has also become a global company that derives over 60% of its revenue from outside Europe and whose subsidiaries are located in 33 countries across every continent. The company must ensure that this development complies with certain common guiding principles, regardless of where it operates, particularly in relation to social and environmental issues, all while incorporating development targets. Since 2012, the company's sustainable development strategy has been audited by one of the company's statutory auditors. The audit relies on a solid basis in three areas.

In the social sphere, respect for human beings was one of the key values of the company's founder: conducting real social dialogue, a proper compensation and social welfare policy for employees at the lower end of the salary scale, and the trust and attention given to every employee are part of Virbac's traditional values. The company is committed to preserving and fostering this legacy by complementing it with ambitious skill development policies.

In the environmental sphere, the company's operations themselves guarantee strict quality requirements (for example, by ensuring compliance with Good manufacturing and laboratory practices). In addition, several years ago the company embarked on a continuous improvement strategy designed to consistently cut waste and optimize the use of resources. The search for energy efficiency and environmental friendliness are increasingly being systematically integrated into the company's key decisions (investment, transportation, product design, etc.).

In the financial sphere, the company's objective is to pursue the consistent and profitable growth it has seen almost annually since it was founded. This development is based mainly on solid organic growth, driven by innovation and the strength of Virbac's customer relationships. The company regularly boosts its development through targeted acquisitions, all the while ensuring a controlled level of net debt.

This strategy is pursued as part of a straightforward and clear governance structure, providing shareholders with a high level of transparency. Without overdoing the communication, Virbac uses a genuine approach, targeting long-term development that respects customers, employees, shareholders, partners and its environment.

Sébastien Huron

102-15 Key impacts, risks, and opportunities

As an animal health stakeholder, Virbac designs, manufactures and sells veterinary medicines, vaccines, and general health products to prevent disease, to improve animal well-being and health, including those of food producing animals, thus contributing to a more abundant, higher-quality, less expensive worldwide supply of meat and milk. The challenge is to meet the steadily increasing quantitative and qualitative food demands of a growing global population that wants to eat better. Virbac also offers veterinarians and owners of companion animals medicines, vaccines and health products and a range of food products that are tailored to carnivores (in keeping with the animals' needs) and that prolong the lives of animals and improve their quality of life. This in turn contributes to the increased well-being of the owners and is of particular benefit to people who live alone. Through its research, development and in-licensing efforts, Virbac has managed to provide veterinarians with an alternative to surgical castration, treatments and vaccines against infections that are still hardly combated (for example, the vaccine and treatment for canine leishmaniosis) or that present a new epizootic risk.

The risks that weigh on Virbac, as they do for all veterinary pharmaceutical companies, are the following:

- producing medicines or vaccines of inadequate pharmaceutical quality, which could have negative effects on the health of animals and, in turn, on humans. The obligation to obtain a Marketing authorization (MA) from health authorities, the obligation to comply with Good laboratory and Good manufacturing practices, as well as the obligation to establish adequate quality assurance and quality control procedures to reduce the Group's exposure to this risk;
- not being sufficiently innovative to respond to the needs of veterinarians, farmers, and animal owners, for numerous reasons:
  - insufficient R&D budgets for maintaining an innovative edge over our competition;
  - lack of quality projects for obtaining new molecules, new vaccines or new differentiated products;
  - taking on excessive risk, particularly in insufficiently regulated countries, which could lead to market penetration by products that are insufficiently effective or even potentially hazardous;
  - excessive caution in well-regulated countries that could lead to insufficient innovation that is detrimental to the community.
- taking environmental risks or risks to the health of employees due to insufficient management of certain materials used in the composition of medicines or used in the R&D or production processes.

Detailed analysis of risks based on the Group's internal mapping is available on page 60 of the annual report.

As for any industrial company, there are opportunities for improvement in the environmental sphere:

- industrial policy that encourages local production (from one to three production sites per large world region) to limit the transportation of finished products. However, there are opportunities to optimize the transportation of finished products, as well as raw materials, that would further limit emissions of CO₂;
- energy use at the various production sites can be further reduced by optimizing processes, better insulating the various operations buildings, and constructing new buildings with better environmental quality standards. Continued optimization of water consumption may also be pursued. Within the limitations of pharmaceutical regulations, it is possible to increase the portion of recyclable materials converted into finished products. The volume of waste generated from the various sites can be further scaled back and the percentage of sorted waste can be increased.

In the social sphere, the main areas of improvement are found in an improvement in employee safety in the workplace: the reduction of work-related accidents, better protection from potentially hazardous materials, improved ergonomics and management of psychosocial hazards. Continuing to improve skills through training and better diversity management are also areas of progress pursued by Virbac.

Finally, in the economic sphere, there are three areas of improvement:

- helping customers to better prescribe and better use the products, by promoting the responsible use of veterinary medicines through suitable support and training activities;
- further developing relations with suppliers who are involved in sustainable development practices;
- extending risk management practices throughout the Group.

3. ETHICS AND INTEGRITY

102-16 Values, principles, standards and rules of conduct

Virbac's values are widely disseminated throughout the Group and are referred to at each major event in the life of the company. They are explained at a presentation systematically given by one of the Group managers for all new arrivals. This "The Virbac Way" presentation illustrates how the company's values and strategic guiding principles are implemented in the various Group entities.

In 2015, Virbac implemented a code of conduct, drafted in 16 languages and disseminated to all of the Group's employees. This code of conduct, about thirty pages in length, describes the standards and rules to be adhered to in the main areas related to the life of the company, grouped under four main themes: conducting business, protection of assets, business and privacy and social responsibility of the company.

In 2016, Virbac updated its Group anti-corruption policy, which is now available in 10 languages. Members of the executive board, members of the strategic committee, members of Comex in France and the Group's subsidiary directors signed a document formalizing their commitment to comply with this policy.

In 2016, Virbac recognized the new European rules on market abuse. Various presentations on this topic were given especially for members of the executive board, the supervisory board, members of the strategic committee, members of Comex in France and the financial affairs department. A market abuse prevention policy written in 3 languages was disseminated internally; it includes the changes related to this new regulation. An inside information supervisory committee was also set up and meets whenever a topic needs to be analyzed from the perspective of this regulation.

In 2017, Virbac approved an action plan for complying with the requirements of article 17 of the Sapin II law of December 9, 2016, which requires the establishment of a Group corruption risk prevention program. As part of this action plan, Virbac included its anti-corruption policy (which is in keeping with the code of conduct referred to in point II 1° of article 17 of the aforementioned law) in the internal regulations for French companies.

In 2018, Virbac completed its corruption risk mapping using the tools and methodologies used for the Group's overall risk mapping. The results of this mapping helped to determine which subsidiaries are a priority for roll-out of the Group's corruption prevention action plan. Additional analysis work identified those scenarios with potentially the highest risk and any possible control points. Additional training for the most at-risk employees (who were already made aware during roll-out of the anti-corruption policy in 2016), accounting control procedures and assessment procedures for first-tier partners are all in the process of being developed on these grounds. A tool for compiling alerts (in accordance with article 17 of the Sapin II law, as well as articles 6 to 16 of this same law) was selected and will be rolled out in the first half of 2019.

In 2018, Virbac also approved an action plan for bringing its processing of personal data into compliance with the European union general data protection regulation (regulation no. 2016/679, known as GDPR), which is applicable throughout the European Union. As part of this action plan, Virbac mapped its processing procedures carried out in France (which include all Group-wide processing procedures), identified an action plan and set up working groups to correct existing gaps for the most susceptible processing procedures. Virbac also began implementing tools to ensure that new processing procedures are GDPR-compliant and formed a correspondent network responsible for these topics in each of its subsidiaries in order to share relevant best practices with them.

In 2018, Virbac's executive board gave an update at the end of each half on how these compliance programs were progressing.

102-17 Counseling and management mechanisms for ethical issues

Virbac's code of conduct gives a specific email address for each topic broached, allowing employees to approach in a confidential manner a senior manager specialized in the area in question. The code of conduct is preceded by an introduction by the chairman of the executive board inviting employees to contact the departments mentioned in the document should they have any questions or should they witness behavior that breaches the rules defined in the code of conduct. Advanced audits were also put in place across several Virbac subsidiaries in 2018, including a component for reviewing these aspects without identifying any infractions described.

4. GOVERNANCE

102-18 Governance structure

See pages 6-7, 70-71 of the annual report.

102-19 Delegation of authority

Delegations of powers of the executive board to senior managers as they pertain to the economic, environmental and social themes adhere to the same plan as that which applies to other delegations of powers within the organization. For more details, see page 51 of the annual report.

102-20 Senior management's responsibilities as they pertain to economic, environmental and social issues

The economic, environmental and social themes are at the confluence of the Group's various departments. Virbac's main departments responsible for these topics are the Hygiene, Safety, Environment, Financial Affairs and Human Resources departments. All these departments are represented on the Group's strategic committee and all report to the chairman of the executive board. The chief financial officer is also a member of the executive board.

102-21 Consultation with stakeholders on economic, environmental and social issues

See 5. Stakeholder consultation.

102-22 Composition of the highest governance body and its committees

See pages 6-7, 70-71 and 77-78 of the annual report.

102-23 Chairmanship of the highest governance body

Virbac has adopted a dual governance structure with an executive board and supervisory board. No member of the supervisory board has an executive role within the Group.

102-24 Nomination and selection of members of the highest governance body

See pages 6-7 and 70-71 of the annual report.

102-25 Conflicts of interest

Virbac maintains and updates annually a list of offices held in other companies by members of the supervisory board and members of the executive board. Agreements entered into with companies in which these persons hold management positions or other offices or with a shareholder holding more than 10% of Virbac's voting rights (or with any company controlled by such a shareholder), other than current agreements concluded on normal terms, are subject to an authorization and monitoring process in accordance with the law, in particular with the provisions of articles L225-86 *et seq* of the French commercial code.

102-26 Role of the highest governance body in the definition of business purpose, values and strategy

To date, Virbac has not provided any information on this topic.

102-27 Shared knowledge of the highest governance body

To date, Virbac has not provided any information on this topic.

102-28 Performance assessment of the highest governance body

To date, Virbac has not provided any information on this topic.

102-29 Identification and management of economic, environmental and social impacts

At the end of 2009, the Virbac group set up a Risk Management department that reports to the executive board. Its top priority was to create a map of the major risks for the Group, which has been updated twice. This map was last updated during the 3rd quarter of 2015. At the same time, roll-out of the risk management mechanism was underway in subsidiaries posing a significant challenge for the Group. This mechanism involves creating a map of the subsidiary-wide risks, appointing risk owners, and implementing and following up on action plans in dealing with major subsidiary-wide risks. In 2018, risk mapping for the Uruguayan subsidiary was updated in conjunction with the subsidiary's directors. The results of this update were presented to Virbac's executive board, which verified the content. Generally speaking, the executive board is responsible for the implementation of internal control and risk management systems within the Group. For this reason, any new mapping or mapping updates is presented to the executive board for approval of the content and the resources to be allocated to the proposed action plans.

102-30 Effectiveness of risk management procedures

The map of the Group's major risks are regularly presented to the supervisory board, which validates the contents. The risks taken into account include the company's economic, environmental and social risks. Risk owners are appointed to define, implement and oversee action plans on priority risks. The result of these activities is presented annually to the supervisory board, together with the objectives and directions of the Risk Management department for the following year.

In 2018, efforts were particularly focused on:

- follow-up on action plans and support for risk owners (at headquarters and subsidiaries);
- the continuation of a project on securing major Group products (sponsored by two members of the executive board and led by the Risk Management department).

102-31 Review of economic, environmental and social issues

Maps of the various entities are updated approximately every three years. This may vary depending on the environment in which the entity is developing. In 2018, the map of the Uruguayan subsidiary was updated. Nevertheless, the action plans implemented on major risk factors are meticulously managed by the risk owners. As for the Group's major risks, the progress status of the action plans will be conducted on a quarterly basis between the risk owners and the Risk Management department. Likewise, a quarterly update is organized with the director of the subsidiaries in which the risk management mechanism was rolled out.

102-32 Role of the highest governance body in reporting sustainable development

See indicator 102-46 Process for defining content and scope.

102-33 Communicating major concerns

To date, Virbac has not provided any information on this topic.

102-34 Nature and total number of major concerns

To date, Virbac has not provided any information on this topic.

102-35 Compensation policies

See pages 80-83 of the annual report.

102-36 Procedure for determining compensation

Employee compensation takes into account elements both internal and external to the company.

Internal elements consist of notions of internal equity by comparing compensation of employees occupying the same position or who have an equal level of responsibility and individual performance that must be rewarded as part of the annual salary review process.

The main external elements are inflation and external competitiveness. External competitiveness is assessed via compensation surveys managed by the various subsidiaries with the goal of monitoring the competitiveness of Virbac's compensation policies against those of its competitors and to make adjustments if necessary.

The internal position grading system, which has now been finalized in most of the Group's major subsidiaries, is used first and foremost for local purposes to generate internal equity, external competitiveness and to create compensation policies. It will also accelerate international mobility by comparing positions on a global level.

102-37 Involvement of stakeholders in compensation

Virbac annually submits resolutions to its shareholders on all of the components of executive board member compensation. At the general shareholders' meeting of June 20, 2018, with regard to elements of compensation due or awarded to the chairman and members of the executive board during fiscal year 2017, these resolutions received 97.74% votes in favor.

102-38 Total annual compensation ratio

No analysis carried out on this data at the Group level in 2018.

102-39 Percentage increase in the total annual compensation ratio

No analysis carried out on this data at the Group level in 2018.

5. STAKEHOLDER INVOLVEMENT

102-40 List of stakeholders

The Group's main stakeholders are veterinarians, distributors, farmers, animal owners, employees, staff representatives, regulatory authorities, suppliers, associations, shareholders and communities.

102-41 Collective bargaining agreements

Each subsidiary of the Virbac group applies the social regulations in force in its country regarding collective wage bargaining obligations.

Employees covered by collective agreements

Australia	0 %
South Africa	0 %
Germany	0 %
Brazil	100 %
Colombia	100 %
Spain	98 %
United States/Canada	16 %
France	100 %
India	74 %
Italy	0 %
Japan	0 %
Mexico	7 %
New Zealand	0 %
United Kingdom	0 %
Uruguay	100 %
Vietnam	0 %

102-42 Identification and selection of stakeholders

Listening to stakeholders is a key component of Virbac's sustainable development strategy when it comes to knowing the expectations of its customers, employees, suppliers, scientists, residents near its sites, public authority representatives, and non-governmental organizations.

The stakeholders with whom Virbac is actively involved are identified by factors such as:

- their contribution to a better definition of needs within the Group's areas of activity;
- their alignment with the company's strategy and their added value;
- their expertise in the field;
- staff involvement in the company's operations;
- their perception of the Group's activities and products.

102-43 Approach to stakeholder involvement

STAKEHOLDERS	APPROACH AND FREQUENCY OF DIALOGUE
Veterinarians Farmers Animal owners Distributors	Continuous product information via advertising Continuous information on specific animal diseases Continuous support programs for veterinarians and farmers Technical call centers in France, United States, etc. Conferences, specialized trade shows, scientific conferences Permanent websites Market research Presence on social networks
Financial community Investors Analysts SRI Funds	Meetings between analysts and investors Annual shareholders' meeting Website including all regulatory information Multi-platform financial bulletins
Suppliers Partners	Regular monitoring of the Group's main suppliers (annual meetings) Audit plan for the Group's main suppliers Formal exchanges with each call for tender and for main suppliers about financial, environmental, ethical and quality criteria
Public authorities Regulatory authorities Associations of Animal health professionals	Regular communication with regulators and decision-makers on critical issues that affect the pharmaceutical industry, the scientific community and Virbac customers Participation in industry-specific working groups
Civil society Non-governmental organizations Journalists	Multiple contact options via the Group's website Transparency of and accessibility to the Group's official reports Local contributions to NGO initiatives
Scientific community Research partners Opinion leaders Universities/veterinary schools Veterinarians	Establishment of research partnerships Contributing to scientific education programs Organizing technical symposia
Employees Applicants	Intranet, magazines, presentations and in-house messaging boards Loyalty programs for employees and newcomers Annual conferences Plenary meetings for managers and webconferences for employees twice a year Internal opinion survey and world compilation every two years Recruitment websites, professional forums and corporate culture on the Internet Partnership with schools and universities

102-44 Major issues and concerns raised

See "Strategy and analysis", points GRI 102-14 and GRI 102-15.

Virbac's approach is to foster dialogue with stakeholders at the local level. The Group does not consolidate all actions taken by the various subsidiaries in this area, except those regarding social issues in regards to which an internal opinion survey, coordinated by headquarters, is conducted every two years, for all Group employees. Based on the results, the Group is committed to initiatives for progress in terms of management and communication.

6. REPORTING PRACTICE

102-45 Entities included in the consolidated financial statements

See pages 153 and 154 of the annual report.

102-46 Definition of report content and issue-specific perimeters

An internal sustainable development working group, led by the chairman of the executive board, has been in place for the past ten years. All of the company's departments are represented in this task force: Human Resources, Finance, Marketing, Risks, Safety, Regulations, Sourcing, Legal, Communication etc. During collective and sub-group meetings, the content of the report is defined and then produced according to two specific criteria: relevance of topics in relation to the Group's activity, and compliance with the French Grenelle II law. In terms of data collection, the working group relies on an optimized production and recovery process, in particular through formalization of both the indicators and scope of reporting within a dedicated reference system rolled out in the Group's major subsidiaries. This optimization also applies to the organization and training of a network of local correspondents specifically assigned to the major areas of sustainable development: environmental, social and economic.

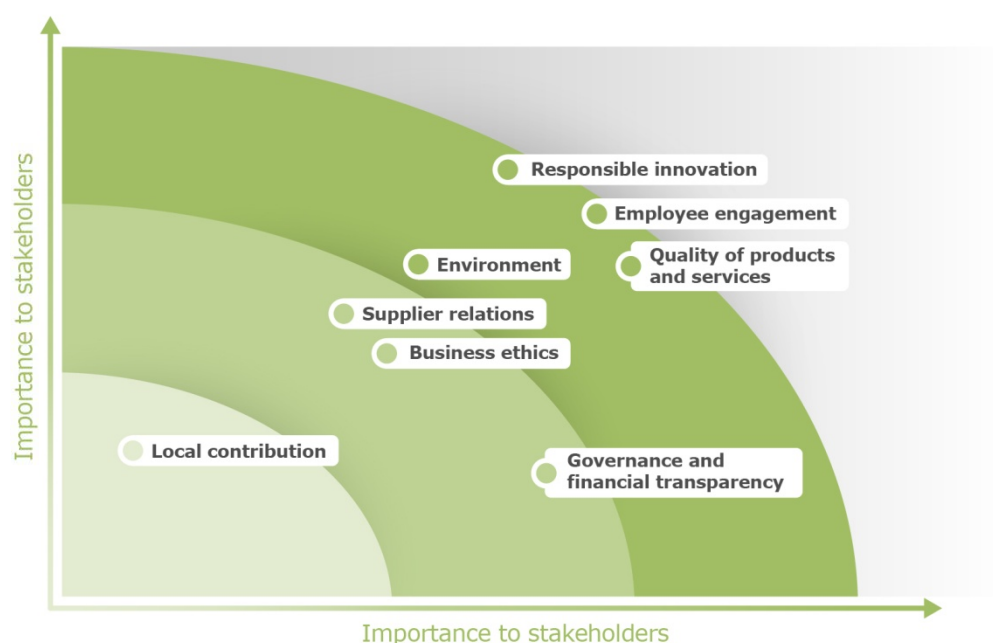
In 2018, Virbac gave some strategic thinking to CSR (Corporate social responsibility), and conducted an analysis of materiality in order to assess the Group's pressing issues in terms of sustainable development, particularly with regard to the social and environmental consequences of activity, effects of activity on human rights, and the fight against corruption and tax evasion. To do this, Virbac used a third-party expert, who directed the analyses and assessments. This matrix was updated in 2018.

This strategy was carried out using a methodology involving analysis of evidence-based information from credible external and internal sources:

- conducting of interviews with industry experts for reflection on key CSR challenges;
- sharing of information about surveys and internal and external communication support;
- review of sectoral documentation;
- media analysis etc.

Based on a materiality threshold defined at the confluence of internal expectations (impact of the key issues on Virbac's activity and business model) and external expectations (importance of the stakeholders' expectations), the results were summarized and submitted to the chairman of the executive board for approval. The office of the non-financial reporting specialist that assisted throughout the entire process guaranteed its independence and objectivity. It should be noted that areas required by the Statement on extra-financial performance: Social & Societal, Human Rights, Business Ethics and Environment were reviewed during interviews. Also reviewed were DPEF-related topics that, given Virbac's activity, do not concern us, particularly actions to combat food waste, food insecurity, responsible, fair and sustainable food compliance.

The key challenges arising from the analysis of materiality are the following:



102-47 List of relevant challenges

The most significant challenges arising from the analysis of materiality are the following.

- Innovating responsibly
- Strengthening employee engagement
- Ensuring the quality of products and services
- Protecting the environment

102-48 Reaffirming information

A more standardized methodology based on a consistent definition of the indicators and support to the local correspondents was implemented in 2012. In certain cases, it can be difficult to compare with previous data. In the event that amendments were made, they are explained in the appropriate sections.

102-49 Changes related to reporting

In 2018, no material integration changed the sustainable development reporting scope.

102-50 Reporting period

January 1st, 2018 – December 31, 2018.

102-51 Date of most recent report

This document is Virbac's eleventh annual sustainable development report and the seventh to have been audited for completeness of content and screened for environmental and social indicators by an independent auditor. In addition, this document was designed in accordance with GRI guidelines. The latest Virbac sustainable development report was published on April 26, 2018.

102-52 Reporting cycle

Annual.

102-53 Contact point for questions related to the report

Arnaud Brisset - Corporate Communications manager - arnaud.brisset@virbac.com

102-54 Reporting statements in compliance with GRI standards

"This report was prepared in compliance with GRI standards: essential compliance option".

102-55 Index of GRI content

See: https://corporate.virbac.com/files/live/sites/virbac-corporate/files/contributed/5-Committing%20to%20the%20future/GRI_content_index_2018_Virbac.pdf

102-56 External auditing

The 2018 report was not audited. This year, the verification (certification that the report contains all sustainable development information required by law and confirmation of the veracity of all information published under this regulation) covered Virbac's statement on extra-financial performance.

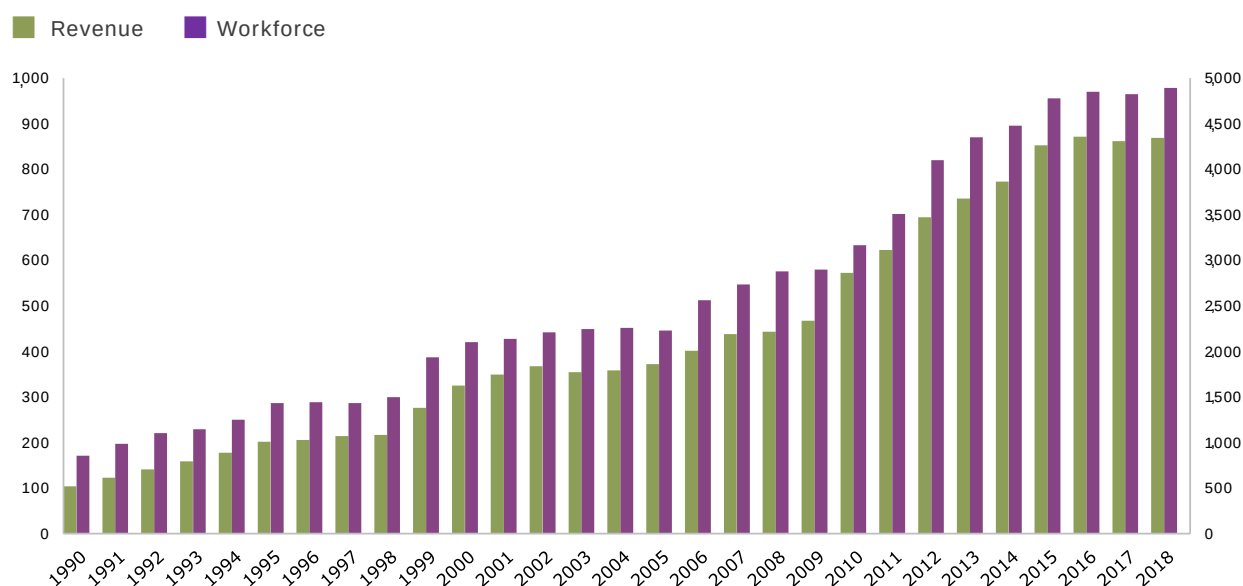
GRI 201

economic performance

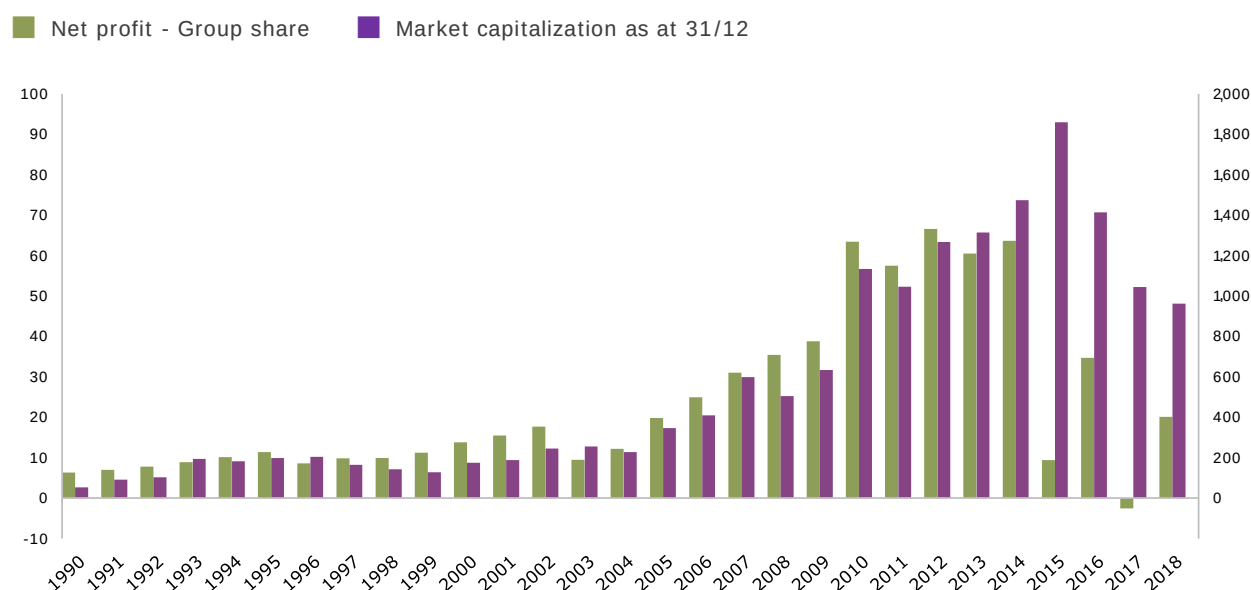
Dedicated exclusively to animal health for over fifty years, Virbac aims to continue its development in harmony with its environment and with its workers. It also wants to ensure the continuity of the Group through sustainable and profitable growth. In 2018 Virbac showed a slight increase of +4.5% in organic growth. This reflects sustained activity in all zones except for Chile.

As part of its strategy, Virbac supports its development through regular new product launches, the strength of its large portfolio and a global presence reaching into all the major markets in both developed and developing countries. Virbac also benefits from a stable shareholder family that favors constant and long-term growth over short-term goals. In terms of sub-contracted production activities (licensing products or production sub-contracted to a third party), they account for more than a third of the Group's revenue in 2018, as a result of the acquisition of Sentinel products manufactured externally over the period.

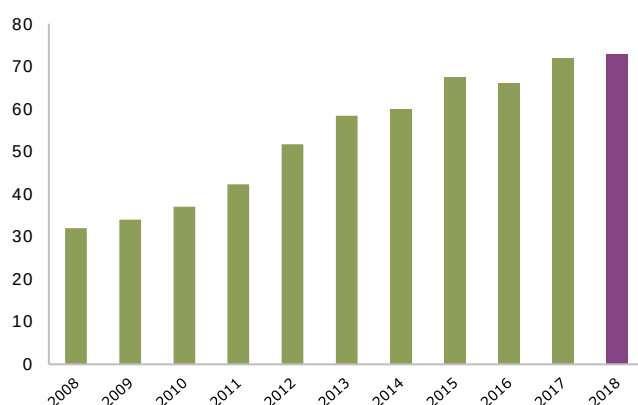
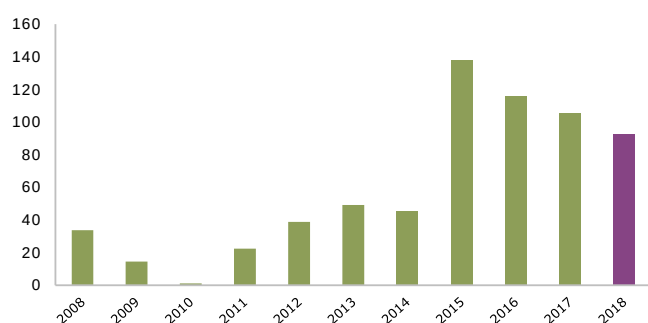
Change in revenue (in € million) and Group workforce



Change in net profit and market capitalization (in € million)



Virbac pursues a policy of investment and innovation that ensures the continuity and independence of the company. Also, Virbac independently sustains its internal and external growth. The resources thus identified support funding for innovation that is geared towards meeting the needs of customers. In 2018, resources dedicated to innovation (research, development, licensing) accounted for 8.4% of its revenue.

R&D expenses + Licensing (in € million)**Group's Net debt/equity (in %)****201-1 Direct economic value generated and distributed**

For data on created direct economic value, distributed economic value and undistributed economic value, refer to the annual report on pages 45-46 and 96-100.

201-2 Financial implications and other climate change-related risks and opportunities

The Group has not as yet carried out an analysis of the impacts of its activities on climate change.

201-3 Obligations linked to the defined benefit plan and other pension plans

See pages 126-128 of the annual report (Defined benefit pension plans).

201 - Public financial support

At this stage, Virbac does not have this information at the Group level.

GRI 202

market presence

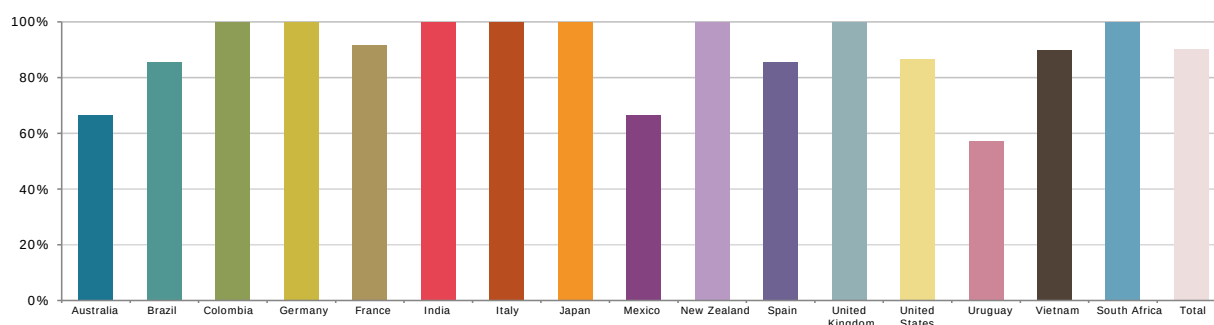
202-1 Ratios between the standard entry level salary by gender compared to the local minimum salary

Group-wide non-consolidated data to date.

202-2 Share of senior executives recruited from the local community

When it's a matter of recruiting for key positions, internal candidates are preferred. Recruitment decisions (internal or external) are based exclusively on the skills and qualification criteria for the position. The candidate's nationality does not play a role in the decision. Virbac staffs, to the extent possible, leadership positions with local managers in order to be closer to customers and the market culture. At the same time, the Group pursues a policy of skills development at the international level, which supports managers vying for positions with international exposure. In 2018, in the sixteen company subsidiaries, 90% of senior managers were local hires and the management of seven subsidiaries were made up strictly of local hires.

Proportion of locally hired senior managers (%)



GRI 203

indirect economic impacts

203-1 Investments in infrastructure and sponsorships

At this stage, Virbac does not have this information at the Group level. A few non-material examples in France: the donation of dog and cat food to the Société Protectrice des Animaux (SPA) and the contribution to the Virbac corporate foundation.

203-2 Substantial indirect economic impacts

Virbac did not identify any substantial indirect economic impacts in 2018.

GRI 204

purchasing practices

Virbac works with regional suppliers when their conditions are competitive and in line with the requirements of the Group's subsidiaries.

204-1 Share of spending through locally based suppliers

In 2018, the share of purchases made from regional suppliers amounted to 22% of total purchases. By regional suppliers, Virbac is referring to those located in the same geographical area as the subsidiary (or the industrial site), depending on how the country in question is zoned. For example: for the Carros site - France, the Provence-Alpes-Côte d'Azur region; for the American sites in Forth Worth and St. Louis, Texas and Missouri; for Australia, New South Wales, and so on.

GRI 205

corruption

See the general approach to this topic in point 102-16.

205-1 Activities assessed in terms of corruption risk

In accordance with law no. 2016-1691 of December 9, 2016 regarding transparency, the fight against corruption and modernization of economic life, Sapin II, in 2017, Virbac carried out a corruption risk analysis in all of its subsidiaries and the parent company (a total of about thirty companies). This analysis was carried out in order to produce Group-wide corruption risk mapping whose methodology and results were validated by the executive board and to identify the main scenarios that could create risks of corruption.

205-2 Communication and training on policies and procedures to fight corruption

In 2014 and 2015, specific training on the risks of corruption were delivered to many managers and directors in a certain number of subsidiaries. To complement these efforts, training carried out from July 2015 as part of the deployment of the code of conduct provided the opportunity to discuss the risks of corruption with a large number of employees and to remind everyone of the rules in force in the anti-corruption field. From 2016 to 2018, Virbac continued its efforts in the fight against corruption. Virbac has updated its Group anti-corruption policy, which is now available in ten languages and accessible to all Group employees via the Intranet, and is included in internal regulations for French Group subsidiaries. Violation of these internal regulations may result in penalties to be determined based on the seriousness of the violation, in a process that complies with employment law. Furthermore, the members of the executive board, the members of the strategic committee, the members of the France committee and the Group's subsidiary managers signed a document formalizing their commitment to comply with this policy.

205-3 Incidents of corruption reported and corrective measures implemented

The Group did not identify any reported incidents of corruption in any subsidiary over the past few years (over at least the past three financial years).

GRI 206

anti-competitive behavior

Over at least the past three financial years, Virbac has not been prosecuted, nor has it been under investigation for anti-competitive behavior or anti-trust practices. The fact remains that these risks are clearly identified by Virbac as particularly severe risks, and the Group's legal teams are very aware of these risks. Any situation identified as possibly posing this type of risk is subject to a review by lawyers and, if appropriate, measures to protect against the risk are proposed.

Furthermore, legal teams use those cases that may arise within the Group's area of activity in raising awareness of this type of risk among directors. For example, the July 26, 2018 ruling of the Competition authority against companies distributing veterinary products was the focus of an awareness-raising presentation in September of 2018 before the France committee. This presentation was an opportunity for the chairman of the executive board to reiterate his commitment to the virtues of and respect for free competition.

206-1 Court actions against anti-competitive behavior and anti-trust practices

Virbac has not been prosecuted, nor has it been under investigation for possible anti-competitive or anti-trust practices (over at least the past three fiscal years).

environment

In each of the Virbac group's industrial sites, resources and impacts are monitored and managed according to key indicators. They relate to energy consumption and natural resources (water, electricity, gas, fuels), emissions into water, air and the quantity of waste generated.

The scope of the principal environmental indicators covers all the major production sites, representing nearly 60% of the Group's revenue in 2018: South Africa, Australia, the United States, France, Mexico, New Zealand, Uruguay and Vietnam (excluding Chile, which is a joint-venture). For reasons of reporting maturity, certain indicators are collected within a more limited scope and the Group is continuously working to expand this. All the exclusions or possible focus countries are specified. It should be noted that data from the Sao Paulo production site in Brazil and the Wissous warehousing facility in France were not reported due to their closure in the middle of 2018 and their very low environmental impact. The Grenelle II provision on ground use has not been covered, having been deemed non-applicable to the Virbac group's activities and establishments. Finally, following the publication of the French decree of May 3, 2012 concerning the compulsory provision of financial guarantees for securing certain facilities classified for environmental protection, Virbac established, in 2016, a financial guarantee in France of €124,164.

Circular economy

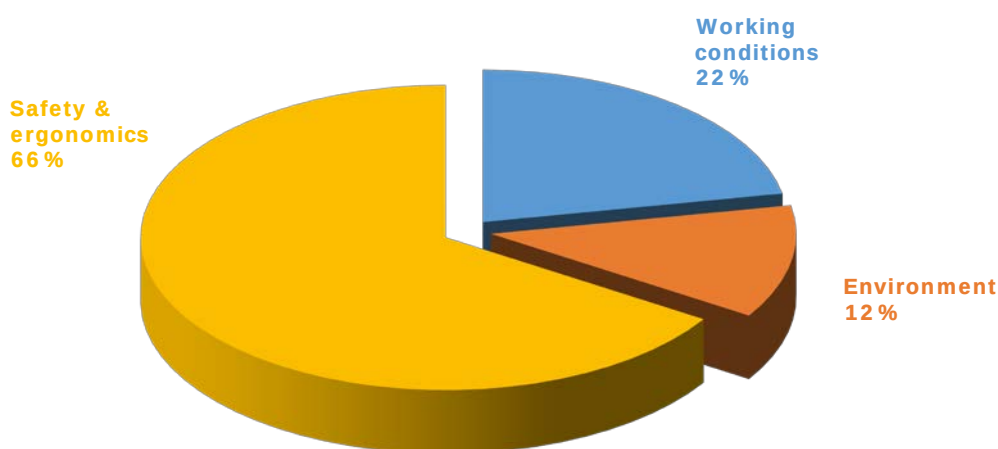
Taking into account its activity, the Virbac group is not concerned with actions to combat food waste. The establishment of the waste collection and sorting channels described in the report also aims to establish circular economies. It should be noted that the reuse of waste is not applicable to pharmaceuticals.

Environmental protection: training initiatives and provision of information for employees

To sensitize its teams to key environmental issues, Virbac has carried out several activities within France since 2012. In concrete terms, these were the implementation of a training process for jobs subject to Environment and Security regulations, as well as the provision of welcome sheets to new employees explaining the environment and health regulations to be adhered to. In 2013, an HSE component was included in the welcome program for new employees. Since that year, specific training has been delivered to anyone working at sites in France during the two-week period after commencing employment under an open-ended employee contract, a fixed-term employee contract, as an intern, an apprentice or on a part-time basis. In 2015, with the creation of the HSE Corporate board and its connection to the chairman, an audit program was built. Since 2015, the subsidiaries in Mexico, Australia, Taiwan, Vietnam United States, Uruguay, New Zealand and Chile have been audited approximately every two years: an action plan for each of these subsidiaries was established, including regular monitoring by the HSE Corporate board and local stakeholders.

Although these budgets are managed locally by subsidiaries, and at this stage are not subject to consolidation at the Group level, they are validated at the Group level for the largest subsidiaries (the United States and Chile in particular). In France, which accounts for more than 50% of the Group's production, a monitoring system has been put in place to collect this data. Thus in 2018, total investments in the environment, for all French sites, amounted to slightly more than €230,000, or nearly 12% of all investments earmarked for safety, ergonomics, working conditions and the environment.

Budget allocation: safety & ergonomics, environment, working conditions (%)



GRI 301

materials

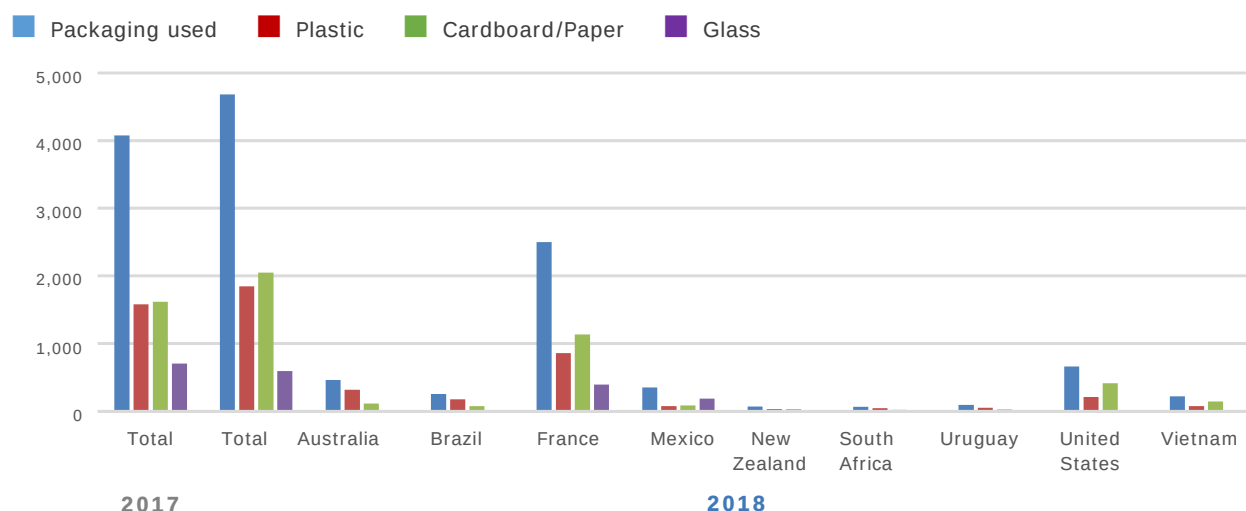
Minimize wastage at every stage of the industrial process

Since the introduction of the continuous improvement strategy, Virbac has stepped up the fine-tuning of its use of active ingredients, excipients and packaging. This improvement was implemented through partnerships with dedicated suppliers and in compliance with the various regulations: from resupply as and when necessary (storage reduction and internal transfers) to the shipping of finished products (in line with customer requirements) and optimized flow organization (manufacturing smoothed and tailored to demand) as well as an appropriate degree of quality with regard to product releases. Finally, while taking into account regulatory obligations for the pharmaceutical industry, Virbac's innovation policy favors manufacturing products that require less wrapping and packaging.

301-1 Materials used by weight or volume

Total packaging placed on the market worldwide was 4,682 tons in 2018. This amount is down slightly by just below 2% at constant rates compared to last year (except for the St. Louis site in the United States, which did not report these figures last year).

Packaging (tons)



301-2 Recycled materials used

The pharmaceutical industry is subject to strict standards regarding the purity, quality and stability of primary packaging (that is in contact with the medicine). Therefore, at present, a large part of materials used cannot come from recycling channels. Secondary packaging items are made from virgin cardboard, but are fully optimized in terms of weight. Tertiary packaging and thicker secondary packaging are made from recycled fibers.

301-3 Recovered products and packaging materials

Except for reasons of compatibility with the product being packaged, all packaging placed on the market is recyclable, representing nearly 96% of the 2,499 tons for France in 2018.

GRI 302

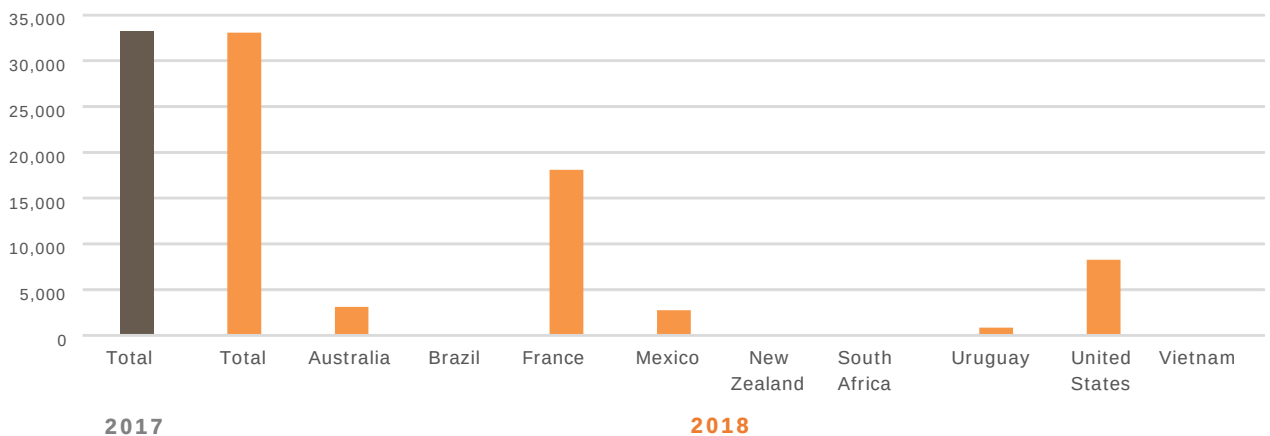
energy

For several years, Virbac has been working to reduce its energy and natural resource consumption by replacing equipment (improved performance), adding thermal insulation, optimizing air conditioning; these actions are now taken into account in the design of new facilities through the use of extremely clear, binding specifications. In addition, consumption indicators are introduced as close as possible to the end-user for better control of energy expenditures. Compared to an identical volume of activity, the overall reduction in electricity consumption at Virbac sites in France (which accounts for more than 50% of the Group's production) reached almost 36% over the past ten years.

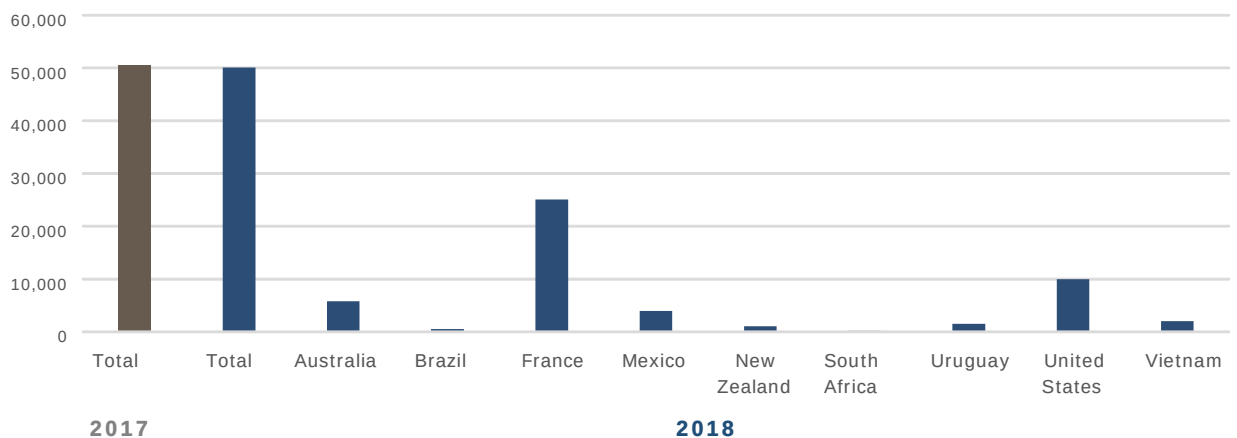
302-1 Energy consumption within the organization

The 33,101 MWh of gas consumed in 2018 over the entire environmental scope are broken down in the table below. The sites in Vauvert (France), South Africa, New Zealand, Brazil and Vietnam do not use gas. Gas consumption remained almost stable last year. The drop due to the closure of the storage unit in Wissous (France) was offset by an increase in consumption in the St. Louis site in the United States, as a result of the increase in production. At constant scope, this consumption remains stable compared to 2017. Like gas consumption, the 50,060 MWh of electricity consumed also remain stable compared to 2017 (a decrease of less than 1%), taking into account the closing of the Wissous site.

Gas (MWh)



Electricity (MWh)



Of all included sites, only certain Australian sites produce and/or resell electricity. In 2018, this represented slightly less than 190 MWh (including 16.5 MWh that were resold), accounting for 3.3% of this subsidiary's total consumption.

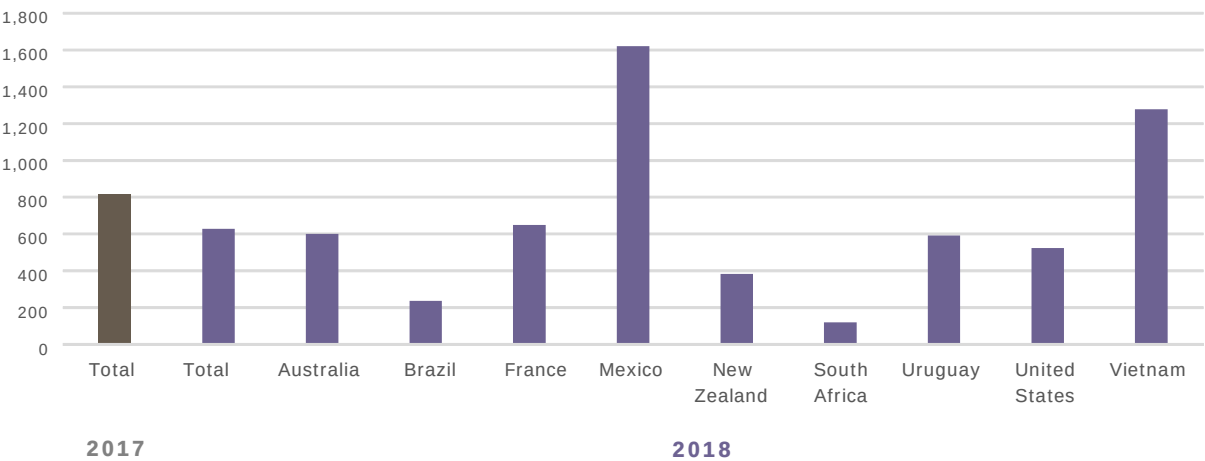
302-2 Energy consumption outside the organization

Virbac does not report this data.

302-3 Energy intensity

For each of the subsidiaries, energy intensity is the ratio between energy consumption (gas and electricity) and the value added in thousands of euros of the same subsidiary (direct labor costs + indirect production costs).

Energy intensity (MWh / k€)



302-4 Reduction of energy consumption

At all of its industrial sites around the world, whether choosing new equipment or through constant monitoring, Virbac strives to address energy consumption by using the BAT (Best available techniques) that apply to its activity. For example, at the Penrith and Crockwell sites in Australia, a reduction of about 200 MWh per year in electricity consumption was recorded thanks to the installation of solar panels and optimized power management; still in Penrith, a reduction in gas consumption of 580 MWh per year was made possible by the implementation of optimized maintenance of industrial boilers.

Within the framework of the new CO₂ regulations for companies with more than 500 employees, Virbac in France has also signed an agreement with EDF and its partners to implement an Energy Saving Plan (ESP) over three years, which, after a detailed inspection of the major sites in France, has identified three major areas of potential gain: better temperature management and air handler replacement rates; installation of a heat recovery unit at the water treatment plant, and, finally, installation of additional insulation on all the steam circuits. After the installation of nearly 100 “insulation blankets” at the Carros site in France, Virbac continued this action plan in 2017 by powering up the heat recovery unit at the water treatment station. This project reduced the gas bill by 3% over a full year and lowered the gas boilers’ installed power. The same level of gains has also been reached since 2016 at the Instrucciones site in Uruguay, where the hot water network set-point was lowered by 15°C.

302-5 Reduction in the energy needs of products and services

Virbac endeavors to optimize facilities that directly consume energy. At Carros, the company is avoiding, as much as possible, the need to install new electricity generators for its two new production units (CaniLeish vaccine and site dedicated to injectables). At the Instrucciones site in Uruguay, the air handlers in the production areas are put on “stand-by” mode outside of the periods of activity. Another example at the Carros site in France: the installation of temperature regulation systems (for storage of raw materials in 2015 and for finished products in 2017) includes electricity consumption optimization as part of the technical options available. At the St. Louis site in the United States, in conjunction with those actions already carried out, the insulation of the storage warehouses has been reinforced by the installation of insulating gates; LED lighting continues to be installed, especially on the exteriors. In 2018, all interior lighting at the Crockwell site in Australia were replaced with LED lighting, reducing electricity consumption by nearly 50%.

GRI 303

water

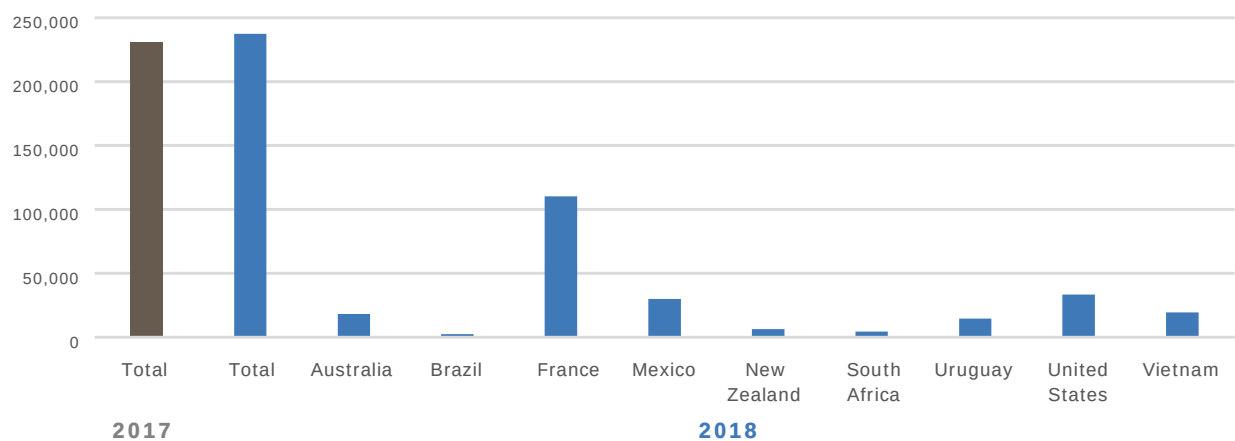
For many years, Virbac has striven to lower the water consumption for an equivalent level of activity by setting up recycling and production facilities for various water qualities in accordance with the BAT. Thus, reduction of water consumption at French sites (representing more than 50% of the Group's production) has reached almost 18% over the past ten years (an increase of more than 3 points compared to 2017).

Furthermore, the Group's environmental principles are adapted in the subsidiaries, depending on the various local regulations. In many sites, such as St. Louis and Boston in the United States, Penrith in Australia and Carros in France, the majority of waste water from manufacturing is recovered and treated as hazardous industrial waste in accordance with the local regulations of the countries involved.

303-1 Water withdrawal by source

The 237,462 m³ of water consumed in 2018 over the entire environmental scope is an increase of 3% compared to 2017. This increase is primarily related to production increases at the two Uruguayan sites (+24%), the St. Louis site in the United States (+10%), and a severe drought in Australia that necessitated increased irrigation of green spaces at sites in this country (+22%).

Water consumption (m³)



303-2 Water sources significantly affected by water withdrawals

Apart from the site in South Africa, located in a water stress zone using the criteria of the Food and agriculture organization and the WRF (Water risk filter), none of the Group's production plants are situated in water stress zone identified as such.

303-3 Water recycling and reuse

Virbac does not report this data.

GRI 304

biodiversity

Although the majority of production sites are located in operational or industrial areas, Virbac, within the framework of local regulatory requirements, takes into account the biodiversity of each of these establishments. Within these sites, this is accomplished through the preservation, even creation, of green spaces, including local vegetation (in Vietnam, Uruguay or Mexico, for example); in the environment near these establishments, operational impacts on biodiversity are taken into account.

304-1 Operational sites that are owned, rented or managed in protected areas, or adjacent to them, plus those zones rich in biodiversity outside these protected areas.

Only the Macquarie Park site in Australia, the PPM site in Boston in the United States, and the BVT site in La Seyne-sur-mer in France are located on rented premises. All other production subsidiaries reporting in this report own their buildings. Virbac's various industrial sites in Carros are located in the Plaine du Var area, an Operation of national interest (ONI). The national Public development agency is responsible for planning the sustainable development of the Plaine du Var (see www.ecovallee-plaineduvar.com). Likewise, the 4 hectares of the Penrith site in Australia are adjacent to a major waterway.

304-2 Significant impacts of activities, products and service on biodiversity

Virbac does not report this data.

304-3 Protected or restored habitats

Virbac does not report this data.

304-4 Species on the IUCN Red List of Threatened Species and the national conservation list whose habitats are located in zones affected by operations

Virbac does not report this data.

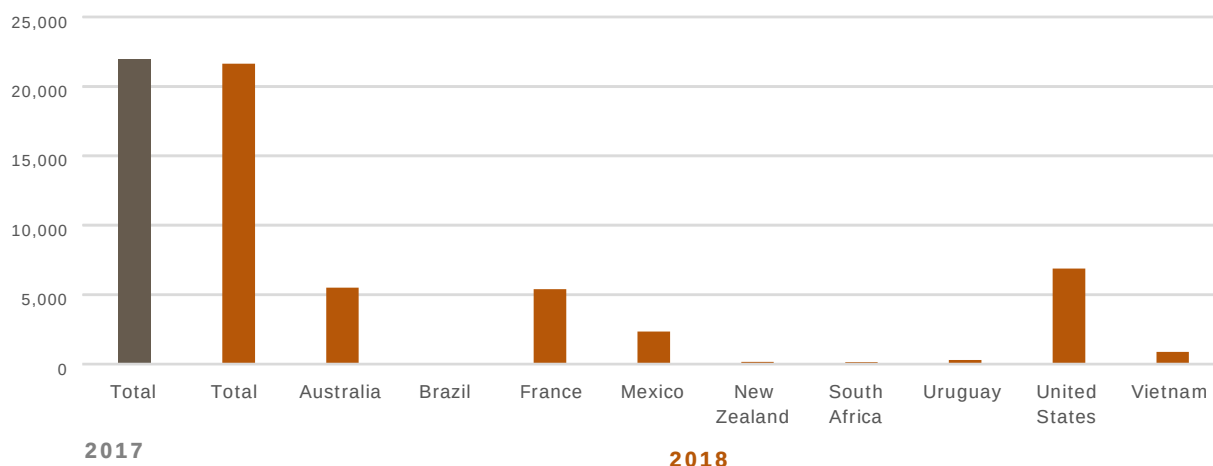
GRI 305

emissions

The direct and indirect emissions of greenhouse gases (scope 1 and 2) represent emissions related to the consumption of the various forms of energy (in this case gas and electricity) in all industrial sites worldwide, as well as the greenhouse gas emissions related to refrigeration fluids. In total, these emissions accounted for 24,130 equivalent tons of CO₂; these emissions are stable in spite of an increase (+9%) in emissions related to refrigerant gases due to recurring malfunctions at freeze-drying facilities at the Carros site in France. At this site, following a decline in results over the past two years, a monthly monitoring process with a dedicated organization was established in 2018. This change should should pay off in 2019.

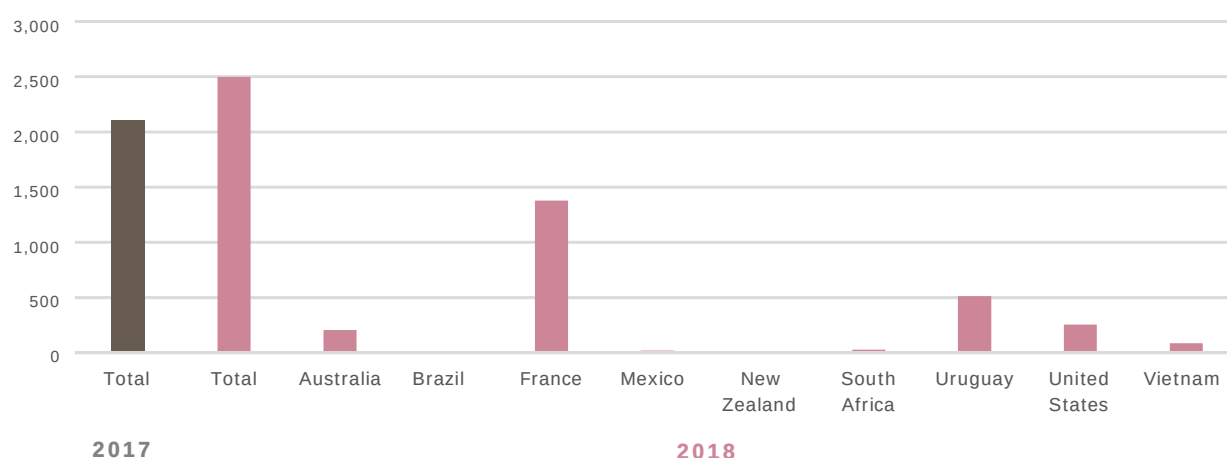
305-1 Direct greenhouse gas emissions (scope 1)

Greenhouse gas: energy-related emissions (equivalent tons of CO₂)



305-2 Indirect greenhouse gas emissions (scope 2)

Greenhouse gas: emissions related to refrigeration gases (equivalent tons of CO₂)



In accordance with the CO₂ regulations for companies with more than 500 employees, Virbac has committed to a plan for the reduction of greenhouse gases related to energy consumption (gas and electricity). Thus, in addition to all the thermal insulation already installed, all the “anomalies” (valves, taps, elbow attachments, etc.) have also been insulated on all the steam networks at the Carros sites in France. This additional thermal insulation has already resulted in a 1% gain in total gas consumption. This savings plan was followed up in 2017 with the establishment of an energy recovery system at the biological production wastewater treatment station, resulting in an approximate drop in gas consumption of 3% at the Carros sites (France). This action plan continues with the replacement of high energy-consuming equipment; this was the case in 2018 at the Carros site in France, with the installation of a “high performance” heat-recovery-equipped cooling unit for the production of hot water.

The Group's IT team actively pursues a strategy of installing communication systems that reduce transportation-related environmental impacts:

- collaborative tools reducing unnecessary travel (videoconferencing in most subsidiaries, shared spaces, instant messaging);
- communication tools conducive to virtual internal and external discussions (workflow, PDA, FTP platform);
- IT infrastructure reducing the amount of material resources required (server virtualization, Lean ERP, automation).

In 2018, Virbac continued to encourage its teams to use videoconferencing: all subsidiaries are equipped with dedicated systems (78 rooms of offices in the Group) and all individual computers are also video-conference-ready with the deployment of more powerful software. The 16,363 Group-wide videoconferencing meetings held in 2018 (a nearly 23% increase over the previous year) greatly helped to reduce physical travel among employees.

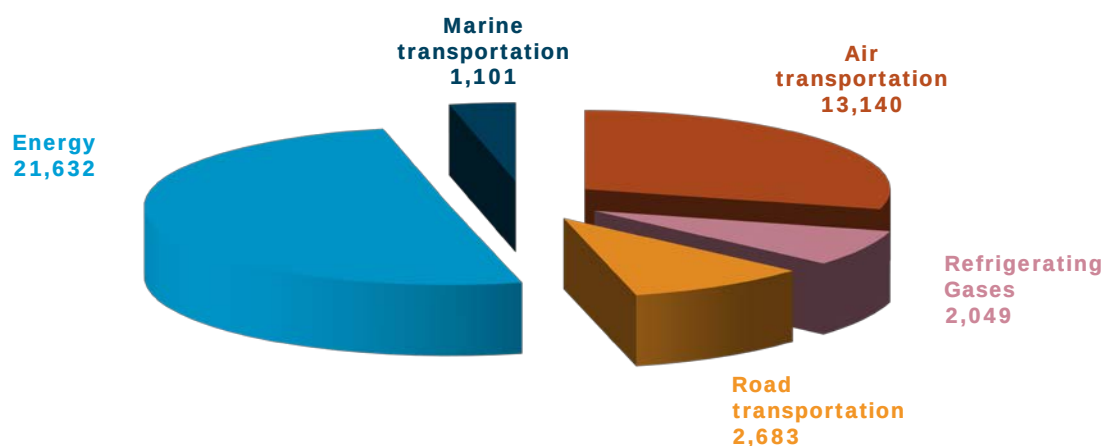
Total number of meetings via the videoconferencing tool built into workstations					
2013	2014	2015	2016	2017	2018
3 289	5 360	6 270	6 923	13 289	16 363

In addition to all these initiatives, e-visits are gradually being set up to optimize sales team travel in France. After an experimental phase in 2016, 339 remote training sessions and 50 virtual visits took place in 2018. Similarly, two webinars were also set up on the topics of preventive medicine and electronic identification of wildlife. In addition to all these methods, more than 20 webcasts are available to veterinarians on subjects ranging from: dog/cat nutrition, sensible antibiotic therapy, diagnosis, dermatology, calf health, leishmaniosis, preventive medicine, etc.

305-3 Other indirect GHG emissions (scope 3)

To date for the Virbac group, the other indirect greenhouse gas emissions (scope 3) reflect emissions related to the shipping of finished products, from departure from all sites to arrival at the end-customer's location. In 2018, a new calculation method for these emissions was applied for all subsidiaries. This method is based on the emissions factors given by the French environment and energy management agency (www.bilans-ges.ademe.fr). Total shipping-related CO₂ emissions for the Group is 16,927 tons.

Country	Arrivals (2018)
Total	17,000
Australia	1,200
Brazil	500
France	12,000
Mexico	1,500
New Zealand	0
South Africa	0
Uruguay	800
United States	1,500
Vietnam	1,000

Total emissions (tons of CO₂)

The intensity of greenhouse gas emissions is the ratio between direct and indirect greenhouse gas emissions (scopes 1 and 2) and the value added in thousands of euros of each subsidiary (direct labor costs + indirect production costs).

The chart displays the number of people in the top 1% of income for 2017 and 2018 across various countries. The y-axis represents the number of people, ranging from 0 to 700. The x-axis lists the countries and the year. The bars are color-coded: brown for 2017 and teal for 2018.

Country	2017	2018
Total	240	190
Australia		390
Brazil		30
France		110
Mexico		580
New Zealand		60
South Africa		140
Uruguay		230
United States		210
Vietnam		610

305-5 Reduction in GHG emissions

As part of transporting finished products while assuring end-user satisfaction, Virbac has implemented a grouping system for several national and international destinations in France and the United States, thereby reducing shipping-related CO₂ emissions. For all staff at the Carros sites, Virbac provides a shuttle service to the railway station serving the industrial area. Also used for inter-site connections and the corporate restaurant, this shuttle transported nearly 3,264 people per month in 2018, a decrease of 7%. This decrease is due to the week-long closing of the Carros for holidays in May and a temporary transfer of approximately forty people to another industrial zone site while work was being carried out at their facilities.

As part of a business-to-business transportation plan, in 2012 Virbac was actively involved in setting up an “express shuttle” connecting different points of the city of Nice and the Carros industrial area. In 2013 and 2014, three new lines were added between the West of the department and the Carros industrial area. Lastly, in 2018, a new bus line going directly from hillside towns to the industrial zone were put in service, still as a part of this PDIE. Since 2010 in France and 2012 in the United States, Virbac has also had in place an incentive-based policy for company vehicles geared towards limiting the carbon footprint. Still on the theme of transportation, financial incentives and reserved parking spaces are offered to employees of the new production site in Mexico who use “clean” vehicles or who carpool. The sites in Australia and France take greenhouse gas emissions into account when choosing refrigeration gases for each industrial refrigeration unit. Finally, in Mexico, a solar boiler producing industrial hot water has been installed as part of the new production unit.

305-6 Emissions of ozone-depleting substances (ODS)

The facilities or processes used in various Group subsidiaries are not a significant source of such emissions.

305-7 Nitrogen oxide (NO_x), sulfur oxide (SO_x) and other substantial atmospheric emissions

Due to the nature of its activity and the energy used, Virbac generates low NO_x emissions (related to boilers that run on natural gas at production sites equipped with them) and no significant SO_x emissions. In light of steps taken in 2018 at all Carros sites in France and of the United States' EPA (Environmental protection agency) emission factors supplied by the site, NO_x emissions by all sites included in this report are considered insignificant. Overall, the other possible emissions, particularly Volatile organic compounds (VOC) related to operations, are also considered insignificant given the confinement of operations.

GRI 306

effluents and waste

Water discharges are directly related to activities at each subsidiary; they are primarily a result of pharmaceutical industry requirements to ensure the quality and reproducibility of manufactured products. Given the activities at Virbac's industrial sites, the main pollutant discharged into industrial waters is COD (Chemical oxygen demand). At each industrial site, there are two kinds of waste: non-hazardous industrial waste and hazardous industrial waste. These are handled by dedicated waste collection and sorting sectors which ensure optimal waste recycling or recovery depending on the nature of the waste.

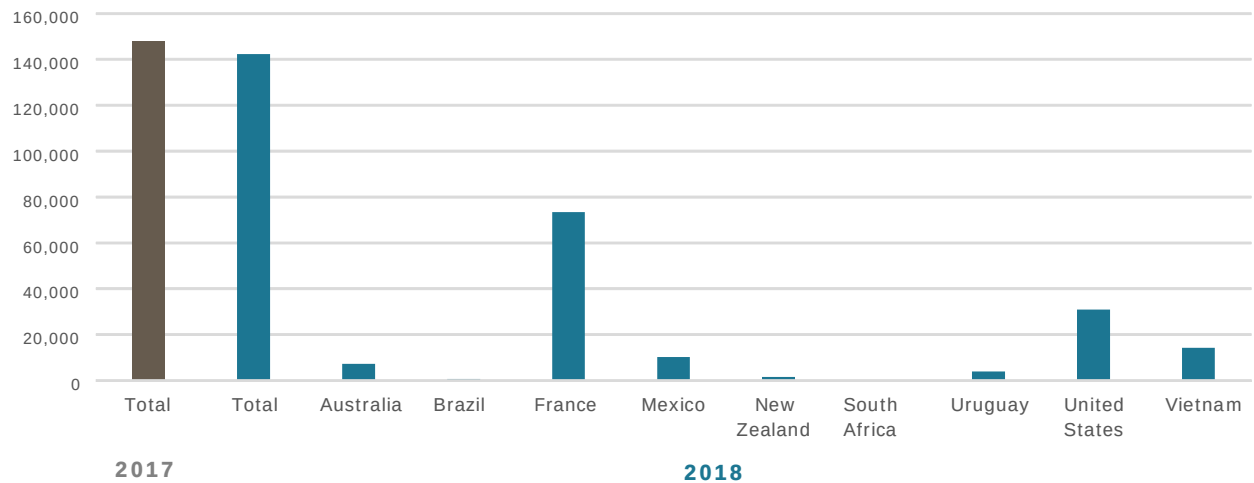
Improving non-hazardous industrial waste sorting at source and reducing its volume

Since 2003, Virbac has been helping with the roll-out of a non-hazardous waste (aluminum, iron, glass, cardboard, plastic, paper, etc.) collection system at the Carros industrial area through “Carros Indus'tri”. This system (regularly studied by local communities or other industrial areas wishing to imitate it), managed by the Côte d'Azur Industry Plaine du Var (CAIPDV) business club, evolved in 2015 into “Tri&Co” as a result of optimizing and harmonizing collection schedules, among other things. Thus, all non-hazardous waste from the Carros sites is handled by service providers located within a radius of less than 40 km with a 100% recovery rate and therefore 0% landfilling. Like most Virbac sites, the Argo Navis site in Mexico is setting up pre-packaging facilities for non-hazardous waste to optimize the volumes produced and consequently the truck traffic.

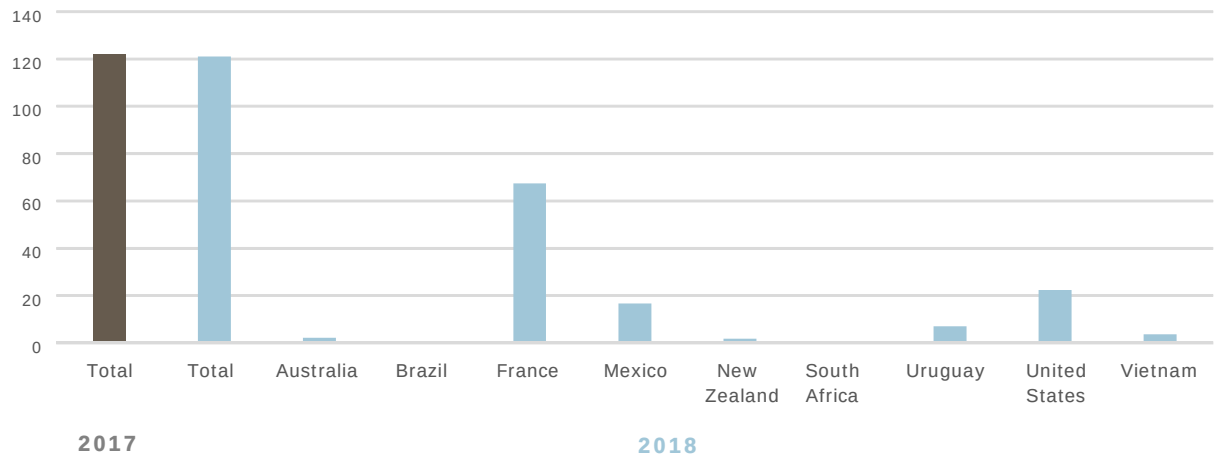
306-1 Water discharges by type and destination

The quantity of industrial water discharged by all the Virbac sites worldwide amounted to 142,259 m³ in 2018. For the entire Group, 121 tons of COD were emitted by industrial sites in 2018 (-1% compared to 2017). Although COD emissions remained stable, quantities of discharged water dropped by 4%, despite greater consumption at the Mexican site (+45%) due to an increase in production that was countered by a significant drop in consumption at the Carros site in France (-15%) due to renovations to an obsolete portion of the water supply.

Volume of water discharged (m³)

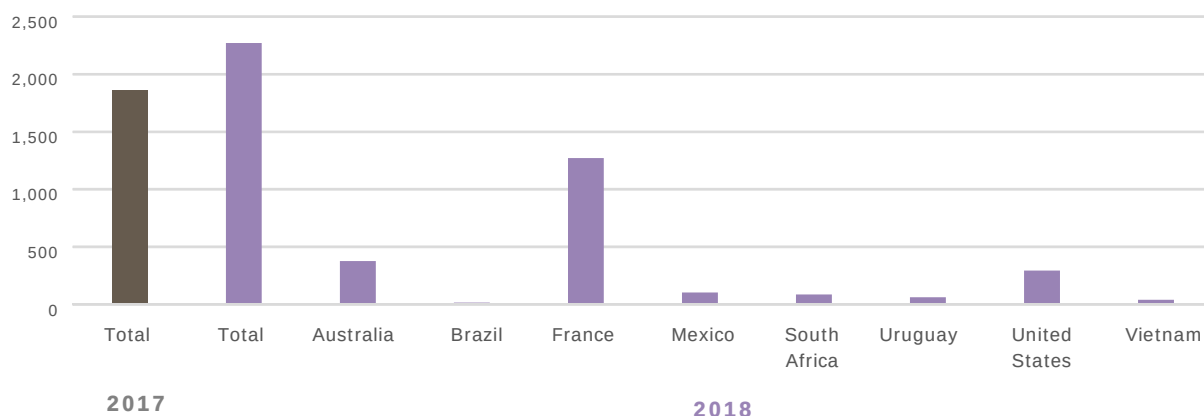


Quantities of COD discharged (tons)

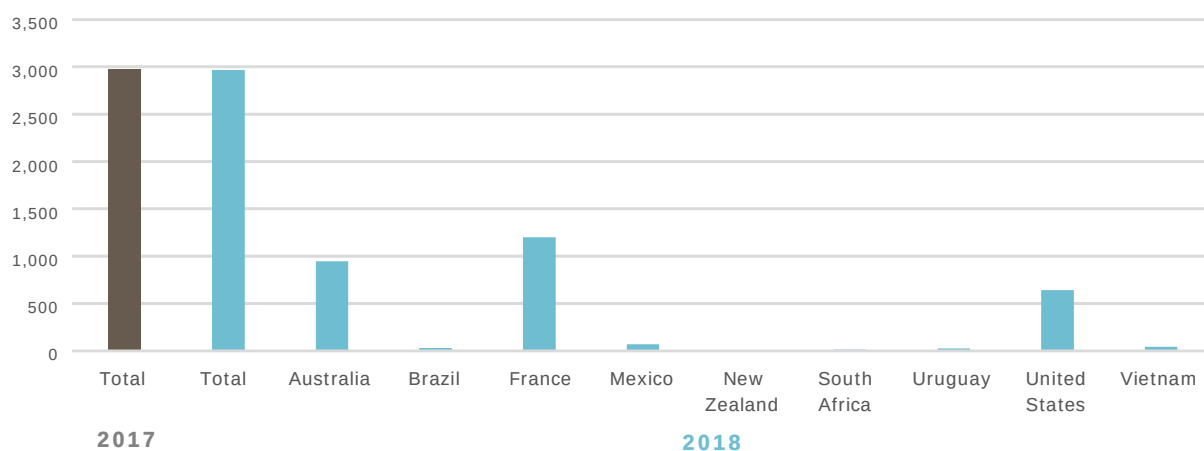


306-2 Waste by type and disposal method

The 2,270 tons of non-hazardous waste generated in 2018 in the environmental scope are broken down in the following graph. At constant scope (excluding the St. Louis site, which did not report this data in 2017), there is an increase of 10%, due primarily to a very significant increase at the Argo Navis site in Guadalajara, Mexico (+52%) and PPM in Boston in the United States (+100%), mainly stemming from a reclassification of the types of waste (for the two sites), but also following the destruction of finished products and an increase in production at the Mexican site.

Non-hazardous waste (tons)**Controlling volumes of hazardous industrial waste**

Virbac tracks all hazardous waste up to the point of disposal: soiled packaging; laboratory, production, medicinal or infectious wastes; and chemical effluents (mostly incinerated and therefore thermally utilized or recycled for solvent recovery). Finally, Virbac makes regular improvements to the collection system through the establishment of new and even more selective channels, making it possible to reduce the proportion of waste that cannot yet be recycled. The 2,966 tons of hazardous waste generated in 2018 in the entire environmental scope are broken down as follows.

Hazardous industrial waste (tons)

At constant scope (excluding the St. Louis site, which did not report this data in 2017), the significant drop in tonnage of more than 23% is due to the reclassification of waste at the Guadalajara site in Mexico and the Boston site in the United State (idem non-hazardous waste) and a decrease of 23% at the Carros site in France due to reduced activity in the production of injectables and to the stoppage in the manufacturing of anti-rabies baits.

306-3 Significant spills

There were no significant spills at any of the Group's sites in 2018.

306-4 Transport of hazardous waste

None of the industrial sites that produce hazardous waste handle its transport. This is carried out in accordance with local requirements by specialized companies responsible for its destruction.

306-5 Bodies of water affected by spills and/or runoff

As no substantial spill occurred at any Group sites, no body of water was affected in 2018.

GRI 307

environmental compliance

At each industrial site, a person is appointed to be in charge of the environment. This is even a full-time assignment at major sites, such as those in Australia, France, the United States and Mexico. As part of these assignments, environmental regulatory evaluations are continually carried out with regard to local regulations as well as Group guidelines. In addition to these permanent responsibilities, Corporate HSE management carries out regular inspections at each industrial site approximately every two years.

307-1 Non-compliance with environmental legislation and regulations

For all Virbac sites in 2018, no damages were paid to third parties. However, a non-monetary penalty was imposed on the PPM Boston site in the United States for exceeding the regulatory ceiling for industrial water discharges.

GRI 308

environmental assessment of suppliers

For every invitation to tender and for the main suppliers (more than 80% of the value of purchases of raw materials and subcontracting and 50% of the value of indirect purchases), Virbac administers a questionnaire evaluating their compliance with environmental standards currently in force.

308-1 New suppliers verified using environmental criteria

Since 2015, new framework contracts have included a provision requiring compliance with these standards. In 2018, this assessment process carried out by Virbac with its new suppliers did not identify any relevant risks. Should Virbac identify a non-compliant supplier, the latter would be required by the Group to comply, or else have its contract terminated.

308-2 Negative environmental impacts on the supply chain and measures taken

To Virbac's knowledge, no complaints about environmental impacts were made in regards to any of the Group's sites in 2018.

GRI 400

social

For all social performance indicators, the 2018 scope includes the Group's main subsidiaries (84% of the total number of employees): South Africa, Germany, Australia, Brazil, Colombia, Spain, the United States, France, India, Italy, Japan, Mexico, New Zealand, United Kingdom, Vietnam and Uruguay. These social indicators cover both permanent and temporary contracts.

Social reporting does not cover the following themes:

- Group policy on health and safety conditions at work;
- record of agreements reached on this matter with staff representative bodies.

Virbac is working towards extending the scope of social reporting through gradual inclusion of these themes in the coming years.

Measuring and improving well-being at work

Throughout the year, emphasis was placed on the topics of information and communication as well as those of training and development. The first component stands out, in particular by improving the transmission of company-wide strategic decisions made through regular and tiered information meetings across the departments or by rolling out formalized and implemented best practices on subjects such as information sharing, improving transversality and "working better together". Increasing the visibility of the actions carried out within the various departments also makes it possible to enhance Virbac's expertise, both individually and collectively.

Developing employees also means offering more career opportunities within the Group. World-wide open positions are brought to the attention of employees by publishing them on the Virbac Intranet, so as to promote increased internal and international mobility. To better respond to the increase in employee transfers from one entity to another in the years to come, practices in this area have been harmonized by developing a Group-wide comprehensive and equitable international mobility policy.

Facilitating the transmission of information for improved sharing, optimizing operating methods to increase efficiency and enhancing the development of know-how to ensure quality skills are all practices that aim to strike a balance between the performance of the company and improving the quality of working life from a sustainable development perspective.

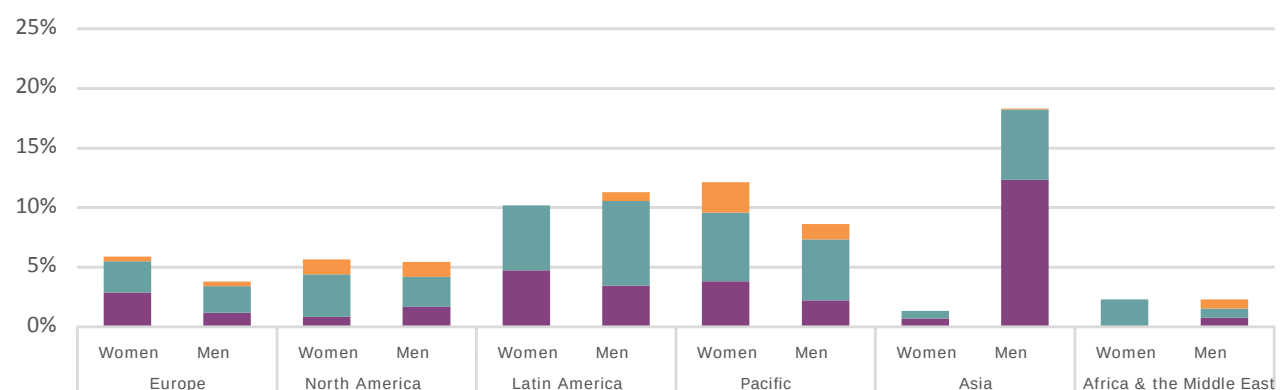
GRI 401

employment

401-1 Hiring of new employees and staff turnover

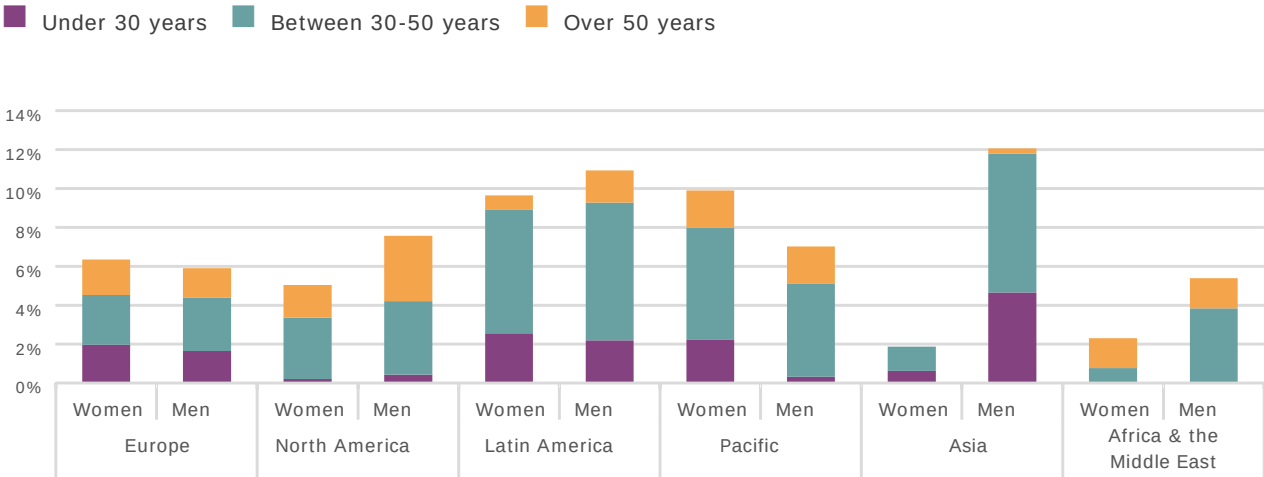
Newly hired employees (% by age / gender / region)

■ Under 30 years ■ Between 30-50 years ■ Over 50 years



In 2018, within the scope of social reporting, Virbac hired 610 new employees compared to 519 in 2017. India, with 184 new recruits, France, with 115 and North America with 53 account for 58% of the total number of new hires. In terms of age groups, it is still comparable to prior years, with 47% of new hires under 30, 46% between 30 and 50, and 7% over 50 years of age. The subsidiary that hires the most young people is India, with 69% of new recruits under 30 years of age (compared to 82% in 2017). North America recruited the most experienced employees, with 55% between 30 and 50 and 23% over 50 years of age. In terms of gender, India still stands out for recruiting a majority of men, since this practice relates to the role of seller, which is typically assumed by males in this country.

Staff turnover (% by age /gender /region)



With 579 departures, total staff turnover rate in 2018 was 14.08%, an increase of 0.48% compared to 2017 (13.6%). The countries in which we see the highest staff turnover rates are Brazil with 50% (following the closure of the production unit), Vietnam with 24.4%, and New Zealand and the United Kingdom with over 21%. With less than 5%, Italy and Spain are the countries in which we see the fewest departures. The number of departures amounts to 229 for women, or 14.25% of the population, and 350 for men, or 13.97%.

401-2 Benefits provided to full-time employees and not to temporary or part-time employees

Group-wide non-consolidated data to date.

401-3 Parental leave

Group-wide non-consolidated data to date.

GRI 402

employee/management relations

402-1 Minimum advance notice periods for operational changes

No standardized advance notice procedure at the Group level at this time.

GRI 403

health and safety at work

Focus France: safety at work

This is a priority area for the Group and has become ingrained in the corporate culture year after year. The 2018 frequency rate showed strong improvement (-1.77 points), reaching an historic record of 4.72, which represents a gain of nearly 1.7 points over the previous record. The severity rate also improved in 2018, with 0.28 for the year, a gain of 0.05 points. These positive results were achieved thanks to the establishment of a multi-year action plan. In 2018, managers in the industrial organization received new training, a "safety charter" was rolled out in the industrial and research and development organizations, and the Intranet tool, established in 2017, was enriched with new procedures and new forms.

Even though regulations on stress in the workplace have further developed and are still in line with the action plans designed in partnership with the *CHSCT* (*Comités d'hygiène, de sécurité et des conditions de travail* [French Health, Safety and Working Conditions Committees]) in 2012 and 2015, in 2018, there are no more than 20 people at the Carros site in France (out of nearly 1,250 employees) affected by one of the ten regulatory criteria, a decrease of over 47% compared to 2017. Since the end of 2017, this site has only been affected by two stress factors: "alternate shift teams" and "night work". At the Vauvert site, 20 other people are also affected by the same factors.

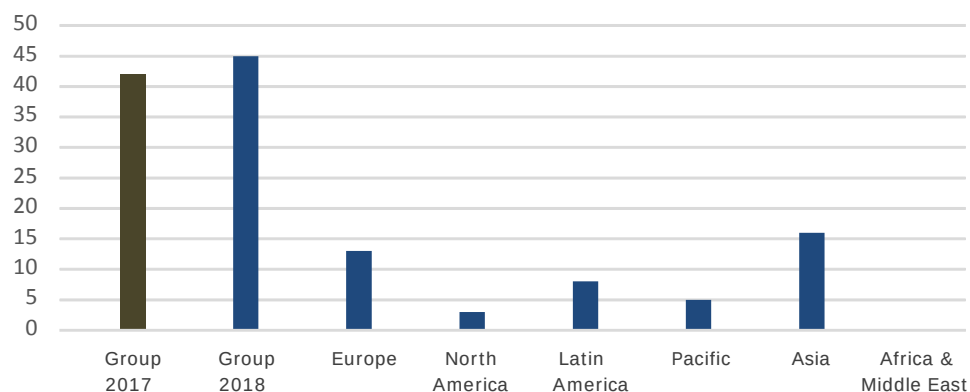
403-1 Worker representation on official health and safety committees involving both workers and management

The notion of staff representatives on official health and safety committees is a uniquely French notion. Therefore, *CHSCT* are in place in every site in France, including those sites with fewer than 50 employees either with a site-specific committee, akin to Magny in the Paris region, or through affiliation with a major site's *CHSCT* for the BVT site in la Seyne sur mer. Consequently, 100% of staff in France are covered by such a committee.

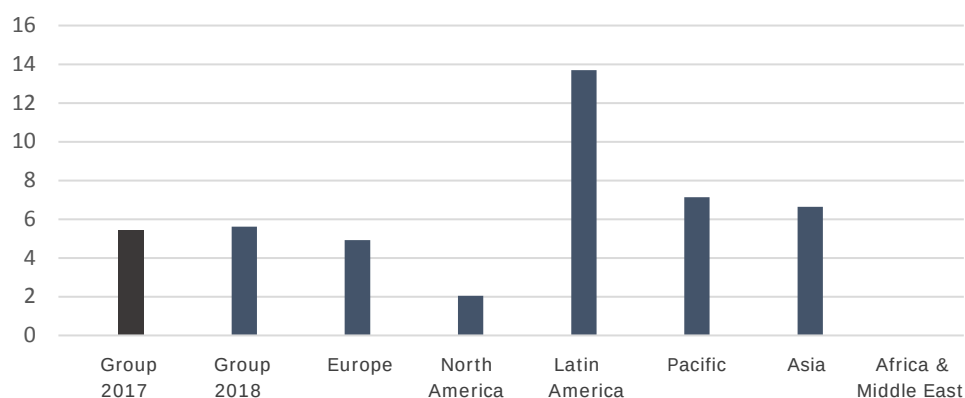
403-2 Rates and types of work-related accidents, occupational diseases, lost work days, absenteeism and number of work-related fatalities

The work-related accident definition used is standardized for the Group based on France's notion of work-related accident with lost time. Lost days or absences are counted from the first day and in days actually worked. The severity rate used is also based on French regulations and defined as the number of lost days following a work-related accident that resulted in a minimum of one lost work day, divided by the number of hours worked, multiplied by one thousand.

Work accidents (number)

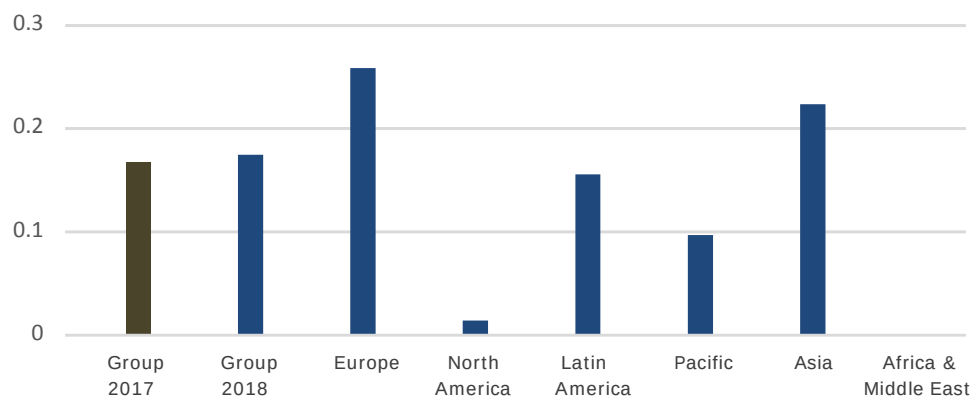


Frequency of work accidents



After very strong improvement in 2017, 2018 is slightly down with three additional accidents with lost time. These results are solely the product of a significant decline in India (+6 accidents and +85%); all other regions achieved results that were at least at the level of those in 2017, which were positive. As a result, there was a slight decrease of +0.18 points in terms of frequency, still due to India. France strongly improved its results, establishing a new frequency record of 4.72 for an improvement of -1.77 points. In 2018, Virbac had no fatalities at work within the entire social scope. The frequency rate used is based on French regulations and defined as the number of work accidents that resulted in at least one lost working day, divided by the number of hours worked multiplied by one million.

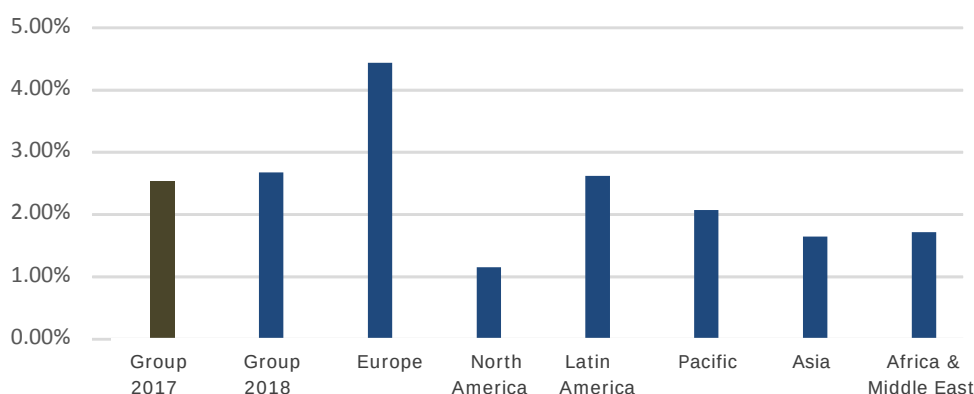
Severity rate



Occupational diseases

The notion of occupational disease is a notion specific to France. Over the year 2018 in France, three statements, related to the handling of heavy loads, were made and accepted. All occupational diseases reported and accepted since 2015 generated 582 lost days, including 50 days resulting from occupational diseases in 2018.

Total rate of absenteeism (%)



The absenteeism rate is based on the number of absence days incurred (in other words, excluding authorized absences) applied to the total number of work days initially planned for the current workforce throughout the year. This rate is about 2.68% higher than in 2017, an increase directly related to occupational diseases.

403-3 Workers with an elevated rate and risk of occupational diseases

The notion of occupational disease is a concept specific to France. It can be the result of stress in the workplace. Despite many changes to regulations on stress in the workplace in France, out of the ten regulatory criteria, only two affect the French sites: "alternate shift teams", and "night work".

403-4 Health and safety issues covered by formal agreements with trade unions

In all countries, numerous measures have focused on the theme of employee health and safety, without necessarily any formal agreement being entered into with the trade unions.

In France, following the change in legislation governing difficult working conditions, an external consulting firm was assigned to all sites in France to conduct an analysis identifying people subject to the 10 newly-defined factors of difficult working conditions. It shows that the percentage of employees is well below that which would require the company to negotiate an agreement or an action plan. However, with the constant aim of improving the working conditions of employees, an action plan established in conjunction with the CHSCT will be implemented to further minimize the number of vulnerable employees.

In North America, two agreements were also concluded with the trade unions: the International longshoremen's association (ILA) agreement and the International brotherhood of electrical workers (IBEW) agreement, the purpose of which is to support the company in prevention, to participate in the safety committee and to provide safety training courses. There are other existing agreements in several countries, such as Germany or Brazil, in order to complement the health and safety guarantees required by law.

GRI 404

training and education

The Group continues to invest in Digital Learning, which figures prominently in the roll-out of training courses, combining e-learning and practical activities over a period of time. In addition, specific customized training projects geared towards topics as varied as collaboration, project management or business relationship management have emerged, as well as individual support through coaching or personalized follow-up.

404-1 Average number of training hours per year per employee

In 2018, training hours averaged 19.0 hours per employee (17.6 hours for women and 19.9 hours for men). Two notable items should be taken into consideration to explain the gap between women and men. One explanation comes from India, where the majority of employees are men (97%) and the average number of training hours is 24.1. Then, in 2018, the United States rolled out a major training system (42 hours) for workers, the majority of whom (74%) are men in this country.

Average annual training hours (per employee)	Women	Men	Total
Leaders	13.6	13.5	13.6
Managers	22.0	28.0	25.3
Technicians/Employees	15.5	15.0	15.2
Workers	11.1	17.3	14.7
Total	17.6	19.9	19.0

Online training (e-learning) hours are included in the reported training hours, which means training inclusive of computerized learning solutions and methods.

404-2 Programs to upgrade employee skills and programs to help them with transitioning

The Virbac Group proposes a skills development policy with various development courses (management, professional efficiency, business know-how in particular). In all countries, staff in all categories are given training to ensure their continued employability and skills development. These training courses are provided in conjunction with development discussions that take place during the year-end or mid-year interviews.

In 2018, Virbac pursued its strategy around the world as a learning company. The Group continued to develop digital or multimodal training curricula and several new departments worked on career training: Corporate Sourcing, targeting buyers worldwide and its "customer" organizations that receive these services, Corporate Communications with the design of an online path for new hires, and lastly subsidiaries such as France or Australia that devote their energy to blended paths, combining in-person training and technology-based distance learning.

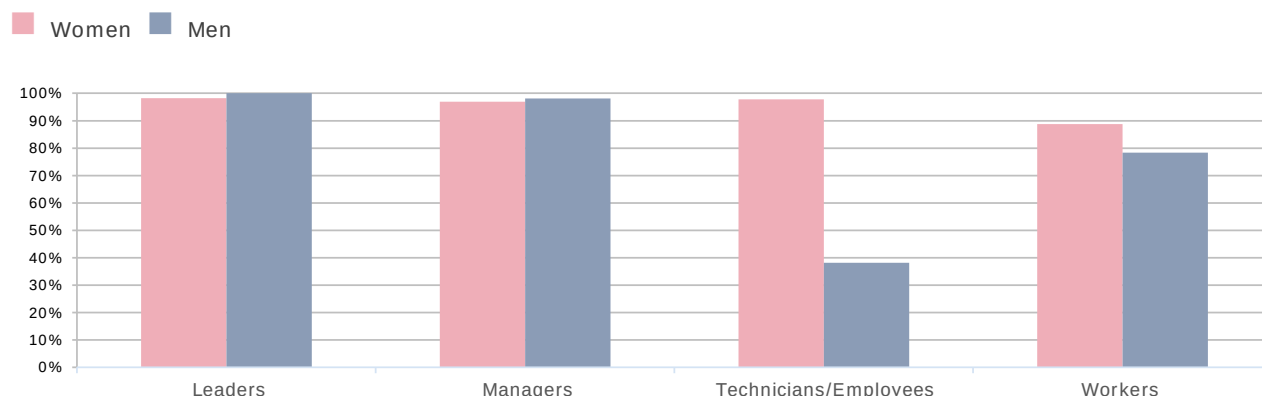
It should be noted that the online "Virbac Learn" platform, launched in February 2018, saw its number of connected learners increase daily: approximately 2,000 in 2018. The Virbac Learn mobile app allows these learners to connect offline via their cell phone. This is particularly practical for traveling learners, such as sales representatives.

Specific customized training projects geared towards themes as diverse as business relationships, multicultural cooperation, project management, management or professional effectiveness and accountability emerged around the world, as was individualized support through coaching and personalized follow-up.

404-3 Percentage of employees who receive performance and career development assessments

The vast majority of Group employees receive, at the very least, an annual interview conducted to assess their performance over the year and their proficiency at their job (business-specific skills and behavioral skills). This interview is also an opportunity to discuss objectives for the following year as well as development needs. More and more subsidiaries have set up an additional mid-year interview. In that case, the year-end interview is centered around performance assessment and job proficiency, whereas the mid-year assessment focuses on discussing development. During these interviews, topics such as workload and prioritizing are also discussed if necessary in order to prevent work overload.

Regular assessment interviews and career development (% employees)



GRI 405

diversity and equal opportunity

For Virbac, job equity between women and men is fundamental and requires that no form of discrimination exists and is tolerated, both in terms of access to employment and promotions, wage policy and other determinants of working conditions.

In France a diversity policy has been in force for several years, and in 2009, a charter in favor of non-discrimination and diversity recognized by the Halde (*Haute autorité de lutte contre les discriminations et pour l'égalité* [French equal opportunity and anti-discrimination commission]) was signed. The company's human values have always put the employee front and center of our strategy: today, it is thanks to its teams that Virbac has become an internationally recognized stakeholder. The men and women that make up the company are a real treasure and diversity is an integral part of this human treasure. It's only natural that it is part of Virbac's Human Resources policy.

Diversity is taking root little by little in business culture and today, it represents a real opportunity for performance. By embracing diversity, the Group cultivates differences and creates value.

The diversity policy aims to guarantee equal treatment of staff, encourage variety among people and human relationships, maintain worker employability. It is built around 3 main principles: gender equality, disabilities, and age diversity through the intergenerational agreement.

A third Gender Equality agreement was just signed with social partners whose purpose is to:

- ensure compliance with the principle of non-discrimination regardless of gender;
- guarantee a neutral and fair recruitment process;
- ensure equal access to vocational training for both women and men;
- ensure equality between women and men in their career paths;
- ensure pay equity between women and men doing the same job, with the same level of skill and responsibility;
- oversee working conditions for all of its employees;
- develop measures to promote work-life balance.

The second disabilities agreement, signed in 2017, aims to:

- recruit, integrate, retain and train persons with disabilities;
- communicate, raise awareness among employees and managers about the topic, fight stereotypes, and build a network of in-house disability stakeholders acting as ambassadors;
- maintain and develop subcontracting activities in partnership with the protected and adapted sector; thus increasing the rate of employment year-by-year.

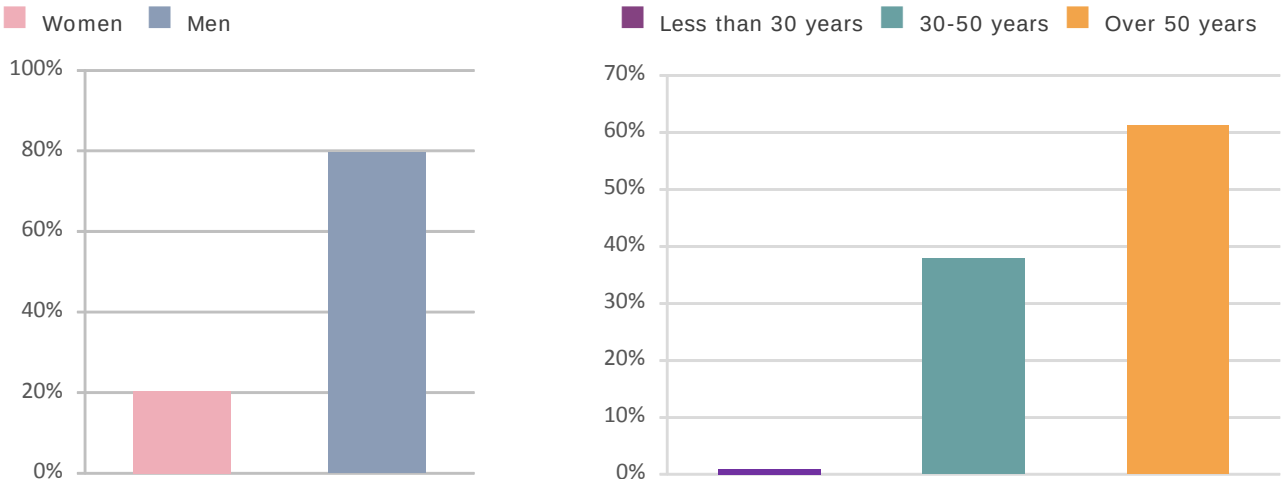
Lastly, in 2017, Virbac signed a second intergenerational agreement, which aims to:

- permanently integrate young workers;
- recruit and retain seniors in the workforce;
- foster intergenerational skills sharing.

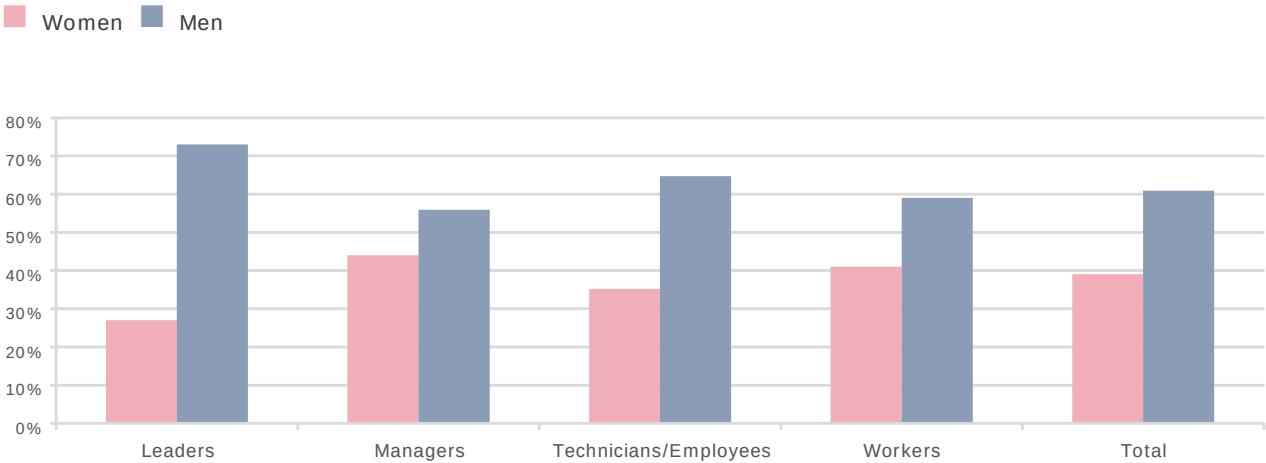
405-1 Diversity of governance bodies and employees

In France, 50% of the members of the supervisory board are women. The Group has a recruitment policy that is firmly based on skills. In terms of social scope, 21% of women are in leadership positions (senior management in France, general manager and its executive team in the subsidiaries), compared to 79% of men. 60% of leaders are over the age of 50, and it should be noted that just one leader is under the age of 30.

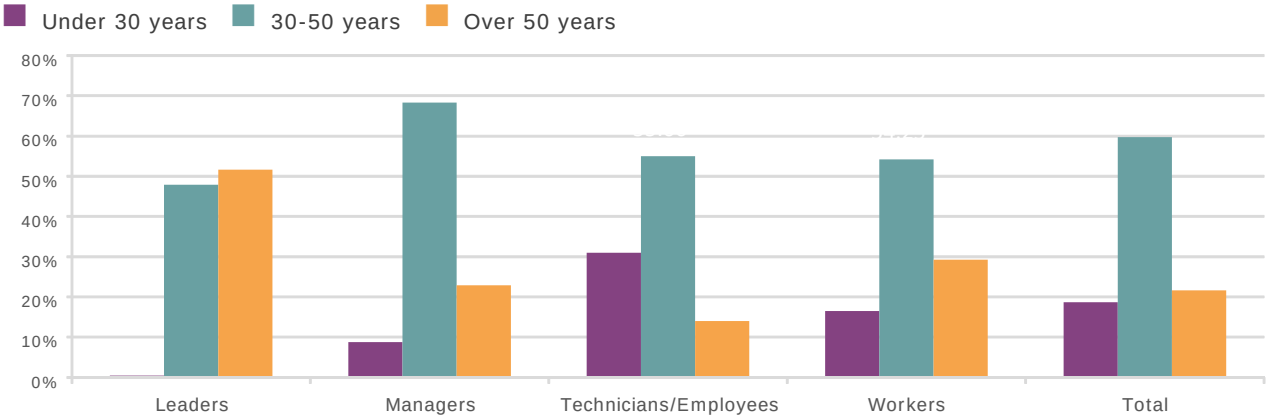
Breakdown within the governance bodies (%)



Distribution of employees (%)

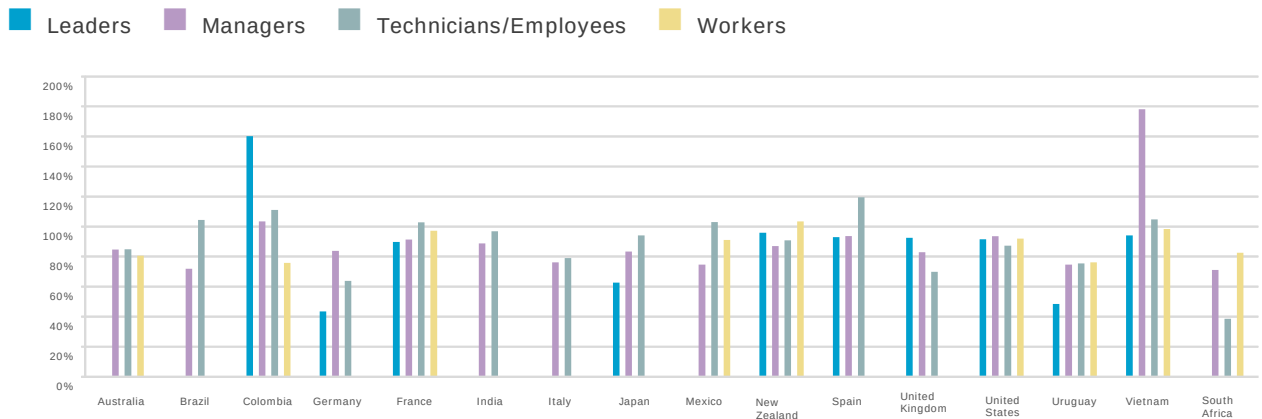


In the social reporting sphere, 61% of staff are men and 39% are women. The 30-50-year age group accounts for 60% of the total population. Relatively speaking, leaders represent the oldest population, with 52% of them over the age of 50, while technicians/employees are the youngest, with 31% of them under the age of 30. It should be noted that 68% of managers are in the 30-50-year age group.



405-2 Ratio of base salary and compensation for women compared to men

Female / male salary ratio by category (%)



Globally, Colombia, Spain and the United States are the countries with the fewest adverse gaps for women in all professional categories. On average, the female/male base salary ratio is equal to 87% for leaders, 90% for managers, 89% for technicians/employees, and 89% for workers. When it's a matter of pay equity between men and women, actions are taken to measure gaps, identify causes and take action, following the example of France through the gender equality agreement.

Remuneration policy

The Group regularly conducts company-wide surveys on compensation in order to ensure it remains competitive in the job market. Depending on the results and in keeping with the group's policies, specific budgets are allocated to boost compensation (particularly for sought-after professions) and to develop compensation policies and employee benefits (for example, variable compensation for sales forces or insurance guarantees for all employees). For data on payroll and the compensation policy, see pages 20-21, 54 and 97 of the annual report.

Focus on France

In France, 100% of employees are compensated at a level above that of the legal minimum wage. The policy for base salaries is set at +5% above the industry minimum for all categories of staff. In addition, the policy follows a rationale of competitiveness vis-a-vis the life sciences market and is globally at the median for this market.

GRI 406

fighting discrimination

406-1 Incidents of discrimination and corrective action implemented

No incident of discrimination was reported in the Group in 2018.

GRI 407

freedom of association and collective bargaining

407-1 Activities and suppliers where the right to join a union and collective bargaining may be in peril

In 2018, no activity of this type was identified within the Group or among its main suppliers of raw materials.

GRI 408

child labor

408-1 Activities and suppliers identified as posing a significant risk for incidents of child labor

No child works within the Virbac Group. As concerns the main suppliers, Virbac's ethical assessment questionnaire commits them to abide by child labor legislation. In 2018, none of the suppliers questioned failed to live up to this criterion. Should Virbac identify a non-compliant supplier, the latter would be required by the Group to comply, or else have its contract terminated.

GRI 409

forced or mandatory labor

409-1 Activities and suppliers identified as posing a significant risk for forced or mandatory labor

Forced labor does not exist in the Virbac Group. Regarding its main suppliers, compliance with the fundamental International labor organization (ILO) agreements, including the prohibition of forced labor, is included in all new contracts. In 2018, none of the suppliers questioned failed to live up to this criterion. Should Virbac identify a non-compliant supplier, the latter would be required by the Group to comply, or else have its contract terminated.

GRI 410

safety practices

410-1 Safety staff training on human rights policies and procedures

Group-wide non-consolidated data to date.

GRI 411

rights of native peoples

411-1 Incidents of violations of the rights of native peoples

No incidents of violations of the rights of native peoples was identified in 2018.

GRI 412

assessment of human rights

412-1 Activities that have been monitored for compliance with human rights or whose impacts have been assessed

Data not consolidated at the Group level.

412-2 Employee training on policies or related procedures policies and procedures

Data not consolidated at the Group level.

412-3 Agreements and major investment contracts that include human rights' clauses or are subject to a background check

Data not consolidated at the Group level.

413-1 Activities involving the local community, impact assessments and development programs

Virbac has no Group-wide activities involving local communities.

GRI 413

local communities

413-2 Activities generating real or potential substantial negative impacts on local communities

Virbac has no identified Group-wide activities that generate negative impacts on local communities.

GRI 414

social assessment of suppliers

For every invitation to tender, and for main suppliers (more than 80% of the value of purchases of raw materials and subcontracting and 50% of the value of indirect purchases), Virbac administers a questionnaire to assess their compliance with human rights: age of employees, the existence of a health and safety policy and the absence of discrimination. Since 2015, new framework contracts have included a provision requiring compliance with these standards.

414-1 New suppliers verified using social criteria

In 2018, the assessment process carried out by Virbac with its new suppliers did not identify any relevant risks. Should Virbac identify a non-compliant supplier, the latter would be required by the Group to comply, or else have its contract terminated.

414-2 Negative social impacts on the supply chain and measures taken

In 2018, Virbac did not find any discrepancies that had a negative social effect on the supply chain.

GRI 415

public policies

415-1 Political contributions

The Group did not make any contributions of this nature in 2018.

GRI 416

consumer health and safety

RESPONSIBLE INNOVATION

In terms of responsible innovation, Virbac today works with two main themes: alternative methods to animal testing and the reduction of antibiotics in animal production.

The development of prevention, particularly by vaccination, is one of the ways to reduce the use of antibiotics in animal production. Recent investments by Virbac in centers for research and vaccination production for livestock in Uruguay, Chile and Taiwan reflect this willingness on the part of the company to strengthen its development in the field of vaccines. Virbac is also involved in several partnership programs with public research institutes and private companies for the purposes of developing alternatives to antibiotics that will not lead to resistance in treated bacteria. These partnerships are part of long-term rationale and, like the vaccine strategy, will reduce the use of antibiotics.

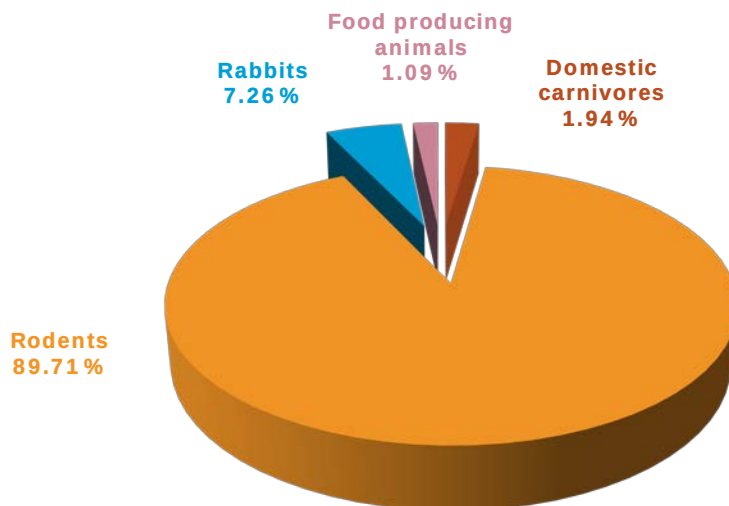
Virbac develops pharmaceutical and biological products for which regulatory requirements, as well as some quality controls imposed by medication agencies, must involve testing on animals. Virbac is committed to upholding the 3Rs rule (reduce, refine, replace) and is proactive in replacing studies and trials on animals with alternative methods, and negotiates with the various agencies worldwide to persuade them to accept these alternative methods.

In 2018, 14% of the animals were used for R&D studies, 86% for biology production quality control (regulatory trials for release of vaccines).

R&D Studies

Dedicated to animal health, Virbac does not use primates for its R&D studies, but focuses on the species for which its health products are intended (efficacy and safety studies). Rodents and rabbits are used in the validation phases for new vaccines.

R&D studies – breakdown by species (%)

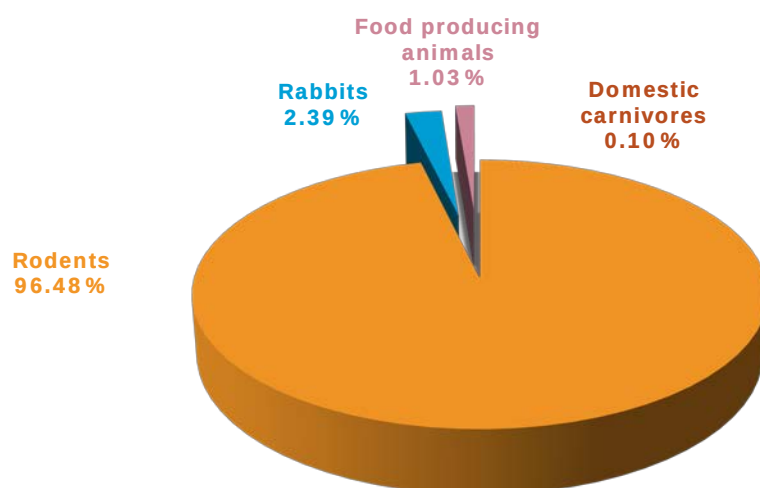


Out of the 5,598 rodents and rabbits used in studies, 1,286, or 23%, were used for the set-up and development of alternative methods. This temporary phase makes it possible to prove the reliability of alternative methods, particularly for the quality control of vaccines, and to foresee a significant medium-term reduction in the use of rodents.

Quality Control

36,361 animals were used as part of Quality Control activities in 2018.

Quality control – breakdown by species (%)



0.10% of domestic carnivores are used for the Target animal batch safety test (TABST) still required by several countries outside of Europe in order to release vaccines.

Over the past few years, Virbac has made a major effort to reduce the number of domestic carnivores.

Domestic carnivores used in quality control between 2013 and 2018

	2013	2014	2015	2016	2017	2018
Dogs	170	146	52	38	50	24
Cats	12	10	10	8	6	13
Total	182	156	62	46	56	37

This reduction in the number of animals (80%) between 2013 and 2018 was achieved thanks to a 85% reduction in the number of trials carried out on domestic carnivores (the increase between 2016 and 2017 reflects a greater number of vaccines to be tested for countries outside of Europe).

Various initiatives made it possible to achieve this result:

- negotiation with national regulatory agencies (outside of Europe) to remove routine testing;
- selective production of tested or untested batches based on the destination country;
- regulatory removal of tests in Europe.

Focus on France: an adoption program that has been in place for 6 years

Since 2013, the year in which adoption was authorized in France by the new “Animal Welfare” regulation, Virbac has collaborated with the primary French association dedicated to this activity. The goal of ensuring a host family for 100% of adoptable dogs and cats was reached.

Domestic carnivores adopted between 2013 and 2017

	2013	2014	2015	2016	2017	2018	Total
Dogs	135	183	56	68	50	83	575
Cats	62	45	1	19	7	6	140
Total	197	228	57	87	57	89	715

The drop in animals adopted since 2015 is due to a reduction in the number of quality controls (removal of tests) and by the nature of the R&D studies (vaccine development).

CONSUMER HEALTH AND SAFETY

Virbac is committed to developing, producing and distributing products and services aimed at improving the quality of life for animals and guaranteeing their health, while ensuring comfort and safety for those who administer these products: veterinarians, farmers, animal owners, etc. To do this, Virbac meets the highest applicable quality-safety-efficacy standards. At the development stage, Good Laboratory Practices (GLP) are followed systematically, for example through data traceability. Current Good Manufacturing Practices (cGMP) are applied during the production stage, particularly through the certification of all Virbac factories. Finally, for the supply of drugs, Virbac uses Good Distribution Practices (GDP), such as compliance with the cold chain, when required by the nature of the products.

For species intended for consumption, Virbac ensures that during product development, its products comply with pharmaceutical standards relating to residual traces of medicines in foodstuffs: meat, milk, eggs... In addition, the guidelines for use are systematically brought to the attention of the consumer through product packaging and various associated communication media.

Throughout the life cycle of the products, including during development, Virbac assesses the expectations of customers and their satisfaction, in order to continuously adjust product features. In terms of marketing, all Virbac promotional communications are consistent with the scientific and technical claims demonstrated during the development stage of the product. Lastly, the Virbac quality system enables the company to efficiently detect, trace and treat all quality incidents inherent to the pharmaceutical business.

Regulatory monitoring

Virbac has had an efficient regulatory monitoring system in place for several years, allowing it to stay abreast of regulatory developments. This monitoring system is carried out through inter-professional organizations:

- at the national level with *SIMV* in France, *NOAH* in the United Kingdom, *BfT* in Germany, and so on;
- regionally with, for example, *Animalhealth Europe*, *AHI* (Animal health institute) in the United States;
- at the global level with *HealthforAnimals* (Global animal medicines association).

It is also carried out using automatic monitoring tools in several hundred Internet sites linked to the company's activities. Lastly, this monitoring is carried out when Virbac receives feedback during periodic inspections of its facilities, and this feedback from inspectors helps the Group to progress.

The regulatory monitoring system covers all types of products:

- veterinary medicines (pharmaceuticals or vaccines);
- biocides (products intended for treating the animals' environment);
- nutritional products (intended as animal dietary supplements);
- food for companion animals.

Customer profile

Virbac customers worldwide are particularly diverse in terms of nature, size and expectations and they demand of the company a very specific and professional approach that takes their needs into account. Veterinarians remain Virbac's preferred customer; however, depending on the country and the economic models, the customers may be different:

- in the companion animal industry, beyond veterinarians, owners concerned about their animals' well-being consider them to be full-fledged members of the family. Today's owners are increasingly younger, and millennials own the most companion animals. Very interested in prevention, more and more of them are seeking information, especially with the growth of the Internet. On the veterinary front, customers are also quite diverse, as the information requirements for a veterinary clinic in which a single veterinarian operates are not the same as those of a chain of clinics in the United States with more than 1,500 clinics in its network;
- in the field of food-producing animals, the Virbac customer's palette is also rich and varied. To give only a few examples, clients range from an Indian farmer with a few cattle to an Asian producer with over 200,000 sows or a Mexican beef production unit with more than 300,000 head of cattle.

This diversity and heterogeneity of customer profiles require adaptation of communication methods and the development of high-quality professional relationships that address their customers' daily concerns. Distribution also plays an increasingly important role in certain countries and requires specific strategies and communications. Most of the time, these distributors are considered strategic partners, for example, as with an agri-business chain that is larger than the Virbac Group and has more than 400 outlets in Australia.

416-1 Assessment of the impacts of categories of products and services on health and safety

In compliance with all national regulations, Virbac systematically monitors the quality of its products at all stages of the production process:

- pre-marketing (during the development phase and until the products are launched on the market);
- after market launch (through continual research on stability, advice and guidance for users and pharmacovigilance).

Products subject to pharmaceutical registration

(Sources: EC 82/2001, 28/2004 regulations and applicable national regulations)

ASSESSMENT PRIOR TO MARKET LAUNCH	
Pre-development: safety check	100 %
Development: quality check	
Development: stability check	
Development: safety check for animal use	
Development: safety check for human use	
Development: environmental safety check	
Development: efficacy check	
Production: checking all components and raw materials at every stage of production	
ASSESSMENT AFTER MARKET LAUNCH	
Stability check (continuous research)	100 %
Advice and guidance for users	
Pharmacovigilance	

Products not subject to pharmaceutical registration

(Sources: EC 767/2009 and internal instructions)

ASSESSMENT PRIOR TO MARKET LAUNCH	
Pre-development: safety check	100 %
Development: quality check	
Development: stability check	
Development: safety check for animal use	
Development: safety check for human use (for all locally-applied products coming into contact with human skin)	
Development: environmental safety check (at the test batch production stage)	
Development: efficacy check and/or perceived benefits	
Production: checking all components and raw materials at every stage of production	
ASSESSMENT AFTER MARKET LAUNCH	
Advice and guidance for users	100 %
Pharmacovigilance	

Nutritional products not subject to pharmaceutical registration*(Sources: EC 183/2005, 1069/2009, 767/2009 and internal instructions)***ASSESSMENT PRIOR TO MARKET LAUNCH**

Pre-development: nutritional recommendations check	
Pre-development: raw materials check	
Development: safety check for animal use	
Development: digestibility and palatability check	
Development: stability check	100 %
Development: efficacy and perceived benefits check	
Development: validation in actual use conditions	
Monitoring and compliance of raw materials and products	
Monitoring of production processes	
Monitoring of digestibility and palatability	

ASSESSMENT AFTER MARKET LAUNCH

Stability check	10 %
Advice and guidance for users	100 %
Pharmacovigilance	

Pharmacovigilance

Like all pharmaceutical companies, the Virbac Group is legally obliged to monitor the veterinary medicines it places on the market, in terms of their safety and efficacy. This obligation is known as pharmacovigilance. Its purpose is to create an organization that keeps track of adverse reactions (whether serious or not) reported by veterinarians or other health professionals, or even by users of such medicines (owners of companion animals, for example). This organization, placed under the responsibility of a person qualified in (veterinary) pharmacovigilance and a qualified interim person, must compile all of the cases originating from all countries in the world, analyze them, decide whether the side effects are attributable or not to the use of the drug in question and, finally, officially report these cases to the supervisory authorities. Periodically, all cases declared during a given period for a given medicine are compiled in a report, which is then sent to the same authorities. Compiling all the side effects attributable to a drug eventually allows precautions for use to be added to the packaging leaflets and make their use safer. Due to the increasing globalization of its medicines, the Virbac Group goes about compiling cases of side effects on a global scale, by implementing a reporting system in all subsidiaries.

The Virbac Group's ambition is perfect pharmacovigilance; that is to say, allowing them to compile all cases of side effects attributable to medicines that it places on the market, to fulfill all its obligations within the time frames prescribed by the administration, and to use the pharmacovigilance tool to develop knowledge of its products.

416-2 Incidents of non-compliance related to the impacts of products and services on safety and health

In 2018, out of a total of 8,333 products marketed worldwide, Virbac declared or was informed by the national authorities of 16 cases of non-compliance observed in the field. None of these cases posed any danger to animal health.

GRI 417

marketing and labeling

Assessment of product safety during its use is carried out whenever necessary, particularly through the development or selection of specific packaging. In product labeling, Virbac intends to clearly explain all the information useful to the proper administration of the product and to the understanding of its properties and contra-indications. The Group also has a leading role in the development of diagrams and pictograms that provide a clear understanding of information fundamental to consumer health and safety.

417-1 Requirements related to information on products and services and labeling

In terms of the safety of products and their components, Virbac's policy is as follows:

- provision of safety data sheets for "raw materials" and "finished products" to Virbac staff and carriers;
- organization of transportation in accordance with European regulations governing the shipping of high-risk products:
  - availability of safety data sheets for finished products in French and in English,
  - packaging of hazardous products in packaging that meets current standards;
- from the customer's perspective, Virbac complies with the European directives and regulations on indications and precautions for use that must appear on packaging, both for products requiring marketing authorization and those referred to as nutritional.

Each claim is supported by appropriate clinical studies.

417-2 Incidents of non-compliance related to information on products and services and labeling

In 2018, out of a total of 8,333 product references marketed worldwide, Virbac declared or was informed by the national authorities of eight cases of packaging non-compliance, which had no impact on product distribution.

417-3 Incidents of non-compliance concerning marketing communications

In 2018, out of a total of 8,333 product references marketed worldwide, Virbac declared or was informed by the national authorities of three communications that did not comply with regulations and codes relating to promotional marketing.

GRI 418

customer data confidentiality

As stated in the Group's code of conduct (Protection of information heading), Virbac is strongly committed to the protection of confidential information, whether it belongs to Virbac or its partners, whether they be R&D partners, licensors, suppliers or customers, and encourages its employees to safeguard it. Virbac is also strongly committed to the protection of its customers' personal information and takes this into account in its approach to compliance with the GDPR (see indicator 102-16).

418-1 Complaints lodged about breaches of confidentiality and loss of customer data

Over at least the last three quarters, Virbac has not received any complaints from its customers related to violations of confidentiality or loss of data.

GRI 419

non-compliance with legislation and
social and economic regulations

419-1 Non-compliance with legislation and social and economic regulations

In 2018, two fines were noted: one in Chile for €500 and one in Vietnam for €2,100.

THE VIRBAC TEAMS
ARE LISTENING TO YOU
ON 5 CONTINENTS

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Shaping the future
of **animal health**

Virbac