

Serono fact sheets

Performing responsibly

We are committed to the principles of ethical science, good business practices, responsible corporate citizenship and environmental sustainability.



Serono fact sheets

Performing responsibly

Serono is a global biotechnology leader. Its mission is to discover and develop innovative products that will fight debilitating diseases and thereby improve lives. We are dedicated to the task of understanding disease and developing the treatments of the future.

In addition to being the world leader in reproductive health, Serono has strong market positions in neurology, metabolism and growth and has recently entered the psoriasis area. Our research programs are focused on developing these markets and establishing new therapeutic areas. Currently, we are working on approximately 30 development projects.

In 2004, Serono achieved worldwide revenues of US\$2.5 billion, and a net income of US\$494 million, making it the third largest biotech company in the world. Our products are sold in over 90 countries. Bearer shares of Serono S.A., the holding company, are traded on the virt-x (SEO) and American Depositary Shares are traded on the New York Stock Exchange (SRA).

Serono believes in the necessity of excellence and innovation in developing socially and environmentally responsible business practices. Serono has been a member of the United Nations Global Compact since 2001. We are committed to managing and monitoring our environmental and social impact. Environmental and social aspects relevant to our business are reported in detail in our 2004 Annual Report (www.serono.com/ir), following the recommendations and indicators developed by the Global Reporting Initiative (GRI).

As the number of investors and other stakeholders interested in our social and environmental performance increases, the number of requests for information from rating agencies has also increased. Although these questionnaires vary in length, depth of inquiry and structure, they often overlap when it comes to essential questions relating to corporate governance, environmental protection, social issues, stakeholder relations, risk management and strategic considerations.

On the basis of a compilation of the most frequently asked questions in the questionnaires, Serono has produced five fact sheets on the following topics:

1. Corporate governance and strategy
2. Environment
3. Social responsibility and stakeholder relations
4. Risk management, business and investor relations
5. R&D, bioethics, animal testing

These fact sheets were produced as an information resource for rating agencies and other entities interested in our responsible business practices. They are publicly accessible on our website (www.serono.com/ir/).

We believe that this approach best serves the need for transparent and accurate information while avoiding the inefficiencies of handling each questionnaire separately. The format also ensures flexibility for regular updating and clarity of information.

For more information, please contact:

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Serono fact sheet 1

Corporate governance and strategy

Board composition

Number of Board members

Eight

Composition of Board of Directors

Executive	Non-executive
Ernesto Bertarelli	Georges Muller
Jacques Theurillat	Sergio Marchionne
	Bernard Mach
	Pierre E. Douaze
	Patrick Gage
	Alberto Togni

Number of nationalities represented at Board level

Five

Are the roles of Chairman and Chief Executive Officer separate?

Yes

Executive Management Board composition and functions

Name	Position and Function
Ernesto Bertarelli	Chief Executive Officer
Jacques Theurillat	Deputy CEO, President of European and International Sales & Marketing,
Roland Baumann	Senior Executive Vice-President, Compliance Officer and Head of Corporate Administration
Leon Bushara	Senior Executive Vice-President, Business Development
Giampiero De Luca	Chief Intellectual Property Counsel
Fereydoun Firouz	President of Serono Inc.
Franck Latrille	Senior Executive Vice-President, Global Product Development
François Naef	Senior Executive Vice-President, Human Resources, Legal and Corporate Communication
Stuart Grant	Chief Financial Officer
Timothy Wells	Senior Executive Vice-President, Research

Board structure and disclosure

Functions/names of Board committees

Audit, accounting, risk management: Audit Committee Sergio Marchionne (Chairman) Pierre E. Douaze	Remuneration of Board members and top management: Compensation Committee Pierre E. Douaze (Chairman) Sergio Marchionne
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Percentage of non-audit fees (management consulting) to audit fees:

	US\$000	%
Audit services	2,369	68.95
Audit related services	206	6.00
Tax services	591	17.20
Other services	270	7.85
Total	3,436	100.00

Public disclosure of the Board's remuneration

Serono discloses remuneration for executive directors and executive management Board members as a group, as well as non-executive directors as a whole.

Remuneration of Executive members of the Board of Directors and Executive Management Board members CHF 18,980,458

Remuneration of Non-executive members of the Board of Directors CHF 1,278,820

Company's disclosure of corporate governance policy

In 2004 Annual Report (Web location: www.serono.com/ir/)

Company's disclosure of information

The Disclosure Committee, chaired by François Naef, Senior Executive Vice-President, Head of Group Human Resources, Legal and Corporate Communications, ensures the timely and appropriate reporting of information to stock exchanges and shareholders.

Serono is a signatory to

The United Nations Global Compact (since 2001)

Stakeholder relations

Serono's main external stakeholders

- National Regulators (eg US Food and Drug Administration (FDA), European Medical Evaluation Agency (EMA) and its committees, Swissmedic, National healthcare agencies)
- Swiss Federal Banking Commission (SFBC)
- US Securities and Exchange Commission
- National authorities
- International or regional integration organizations (eg EU Commission, WHO)
- Business organizations
- Health practitioners, scientific experts
- Patients' organizations and patients

Strategy

Key areas of significance in Serono's responsible business practice strategy

- Improvement of the quality of life and curing debilitating diseases
- Talent attraction, retention and development, and well being of employees
- Reducing environmental impact
- Reputation and relations with stakeholders
- Business innovation and excellence



Serono fact sheet 2

Environment

The environmental information provided below is based on recommended indicators developed by the Global Reporting Initiative (GRI).

Responsibility, reporting and policy

Name, position and reporting line of the person responsible for environmental issues

Antoine Glardon, Associate director, Corporate Risk Engineering

Reporting to: Corporate Risk and Insurance director

Serono's corporate environmental report

Serono's environmental report can be found in the Corporate social responsibility section of the 2004 Annual Report (www.serono.com/ir/)

Who does Serono's corporate environmental management policy apply to?

Serono's Environmental, Health and Safety (EHS) policy applies to all research and development and manufacturing operations. Guidelines and criteria applying to suppliers and subcontractors have been included since the beginning of 2005 into Serono's Procurement Policy conditions.

Environmental impact of industry

Serono does not manufacture genetically modified organisms for sale or release into the environment, and it does not make use of, or generate, hazardous chemicals, heavy metals, carcinogenic substances or persistent organic pollutants such as PCBs, dioxins or pesticides. Processes are carried out in aqueous phase and do not cause emissions of atmospheric pollutants or ozone-depleting substances. The proteins, hormones and other molecules that Serono produces are naturally occurring substances in living organisms. While genetic modifications are applied to the cells and micro-organisms that synthesize these molecules to obtain required concentration and purity, such cells and micro-organisms are completely deactivated through heat processes. Research operations are regularly inspected by biological safety regulatory authorities and use Class 1 micro-organisms that present no health or environmental hazard according to internationally recognized standards.

Environmental performance in 2004

Key indicators

- Total chemical waste down 71.7% (down 75.8% relative to product sales)
- Volatile organic compounds emissions down 53.9%
- Total non-chemical waste down 7.3% (down 20.9% relative to product sales)
- Total carbon dioxide emissions down 15.9% (down 28.3% relative to product sales)
- Energy efficiency up 13.8% normalized to product sales
- Water consumption efficiency up 14.3% normalized to product sales
- Total waste/effluent recycled and treated was 58.8% of the total waste generated in 2004, up from 44.5% in 2003.

Percentage of Serono's sites from which environmental performance data is collected

All manufacturing and R&D sites, representing 44% of total employees.

Environmental management

Serono is a signatory to:

The United Nations Global Compact (since 2001).

Serono's environmental management systems

Two of Serono's manufacturing sites are certified ISO14001 and a process has been initiated with a view to harmonise Environment, Health and Safety (EHS) management systems for all the company sites.

Objectives and targets

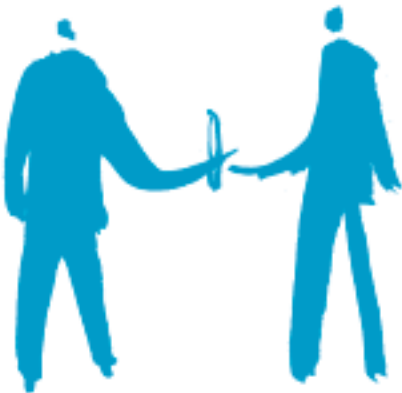
Serono relies on specific targets, monitoring and review processes within the framework of a tailored management system in manufacturing. While this process does not set comprehensive targets at the corporate level, it does so for specific activities and departments.

All targets are linked to the overarching goal of reaching maximum resource efficiency in all manufacturing processes.

Investment in energy savings and renewable energy

Serono's global research center and group headquarters currently under construction in Geneva, Switzerland, includes energy conservation and management concerns as core elements of its design. The center will be located at walking distance from the railway station and linked to a RER commuter train stop. Thermally treated and tiled glass panels will constitute the façade's envelope, serving as both thermal insulation and an intrinsic element of the building's decentralized temperature regulation system. Additional heating and cooling capacity will rely on thermal energy extracted from Lake Geneva's water, which will be pumped from a depth of 35 meters where the water temperature is stable. Compared to traditional heating and cooling techniques, this system will enable savings of the order of 60% in carbon dioxide emissions.

Half of the building's energy needs will be met by pumping of lake water and another 20% by hydroelectric power, making the building 70% reliant on renewable energies.



Serono fact sheet 3

Social responsibility and relations with stakeholders

Employee-related issues, workforce diversity and job creation

Board responsibility for social issues and relations with stakeholders

Executive Management Board level (cf. Fact sheet 1)

Serono's social responsibility report

Serono's social performance report can be found in the Corporate social responsibility part of the 2004 Annual Report.

Workforce diversity

Breakdown by region

Switzerland	USA	EU	Other OECD	Rest of world	Total
1,475	721	1,792	353	561	4,902
30.0%	14.7%	36.6%	7.2%	11.5%	100.0%

Job creation

Net employment creation (2003/2004)

Switzerland	USA	EU	Total
0%	8%	12%	7%

Employees

Serono's employee policy is geared towards

- Developing a safe, healthy and productive workplace
- Ensuring employees' well-being and responding to their needs
- Encouraging mutual respect, diversity and teamwork
- Providing equal opportunities in the recruitment, development and promotion of employees
- Promoting active participation and interest of the employees in the company through stock incentive plans
- Implementing fair and competitive employee compensation and benefits programs
- Implementing recognition programs designed to reward excellence in contribution and performance

Non-discrimination and harassment policy

Serono's corporate policy on harassment and discrimination adopted in 2002 tolerates no discrimination on the basis of race, gender, color, national origin, ancestry, religion, physical or mental disability, sexual orientation, age, or any other reason related to the personal sphere. Procedures for complaint or third-party mediation are in place under the responsibility of the Human Resources Department, and all reported incidents are investigated formally with the maximum level of confidentiality. Employees can choose to file a complaint with their HR department, a mediation office, a third party, or local public authorities.

Proportion of women in management positions

Gender ratios in management

	Total	%
Women	37	18
Men	171	82
Total	208	100

Performance appraisal of employees and senior/middle management

The remuneration of all employees and managers is based on level of responsibility and competence. Compensation comprises a fixed element and a variable part based on performance. Appraisals are conducted once or twice a year on the basis of activity-related objectives that are set annually. Employees have a development plan and the appraisal system is supervised by an organizational development function. The compensation process is supervised by Compensation Committees at different levels.

Employee benefits provided by Serono

All of Serono’s manufacturing facilities - where the large majority of serono’s employees work - are located in countries or regions (Switzerland, USA, EU, OECD) where strict labor standards are in place, including wages that exceed what is required to cover basic living needs, and benefits such as maternity leave, pension funds, health and professional accident insurance. Such schemes vary from country to country. For example, employee pension schemes and legislation are different in Europe and the USA. Serono complies strictly with local legislation and practice in these matters.

Percentage of performance-related compensation

	%
Senior management	60-150
Middle/lower management	20-40
Sales staff	15-60
Technical specialists	5-10

Tracking employee satisfaction

The impact and effectiveness of various aspects of our Employee Policy is monitored and assessed through regular employee surveys.

Trade unions and freedom of association

Freedom of association and other employee’s rights and obligations in Switzerland are codified in national law (ie. Code des Obligations; Labor Law). Employees in EU countries are covered by collective agreements where required by national legislation.



Occupational health and safety (OHS)

Main characteristics

Serono's OHS Policy aims to ensure a safe and healthy working environment for employees and focuses on the prevention of accidents, occupational diseases and exposure to hazardous or toxic substances, explosions and fires. In 2002, Serono's Swiss operations registered 34 accidents for 1,000 workers, which was less than half the national average of 76 accidents for 1,000 workers.

Each R&D, manufacturing and administrative site director is responsible for the establishment and implementation of the occupational health and safety policy. All newly hired personnel are given an introductory training, and employee representatives are involved in OHS systems through a Security and Safety Committee at each site. Reviews of OHS policy compliance take place every second year.

Good corporate practice committee relevant to health and safety

The Security Committee ensures that adequate measures are taken to protect employees, assets and proprietary information from hazards (see also Fact Sheet 5, security policy).

Training and development

Serono's competency framework, "Pillars of Excellence", aims to support the individual development needs of employees, managers and executives. Clear guidelines are drawn for each competency area – effective leadership, management and business knowledge, interpersonal skills, cognitive skills and energy and drive – in order to offer opportunities for career progression and continuous learning within the company. Training is delivered through facilitated workshops, personalized coaching sessions, individual or team assignments and recommended reading. Serono encourages employee training and development through the annual performance appraisal and development process.

Customers, contractors and community

Serono's customers

Serono distributes its products through channels that depend on an individual country's health system. Its customers are distributors, pharmacies, as well as government procurement centers, doctors, and hospitals depending on the drug distribution policy. In some countries national legislation authorizes direct sales to patients.

Customer health and safety

Serono's Clinical Safety Policy aims to ensure the highest standard of protection of patients treated with Serono's drugs and subjects receiving medical products and/or devices. This objective is pursued within the context of a highly regulated environment under Clinical Safety and Pharmacovigilance Standards and Regulations, as well as Good Manufacturing Practices and Good Clinical Practices. The policy applies to all Serono medical products and devices available for use under prescription. It also applies to products undergoing clinical trial or post-marketing assessment, whether conducted by Serono, a local operating company, a contract research organization, or a licensee.

Information to regulators and customers

Serono provides information on the safety of its medical products and devices in the form of patient leaflets, summary of product characteristics, package inserts, scientific publications and periodic reports. In 2002 Serono started up a new worldwide function, Medical Information, whose aim is to provide non-promotional medical/scientific information in response to enquiries from Serono's customers (physicians, pharmacists) and employees.

Good corporate practice committees relevant to customer health and safety

The Safety and Ethics Committee ensures proper monitoring and reporting of the safety of our products.

The Labeling Committee approves and monitors the labeling of products, including the patient information leaflet.



Feedback mechanisms

Serono has set up an internal procedure that ensures the comprehensive collection, documentation and processing of any safety information brought to the attention of any of its employees, both during drug development and use of products. This includes information originating from healthcare professionals, patients, regulatory authorities or scientific literature. All clinical safety data gathered from clinical trials and post-marketing sources is regularly reviewed and analyzed by a multifunctional and independent team. Risk assessments are performed by independent physicians and scientists with a high degree of scientific and ethical integrity. Their objectives are pursued within the context of a highly regulated environment.

Responsible practice in marketing and sales

Serono's marketing and sales practices are regulated by national norms for the industry (eg. Pharmacode). Their norms are aimed at preventing unethical behavior from the sales forces.

Responsible practice in government relations

Serono ensures transparency and consistency in its positions by publicly disclosing its views on certain public policy issues, by publicly disclosing its affiliation to trade associations (eg. Interpharma (CH), European Federation of Pharmaceutical Industries and Associations, EFPIA (EU) EuropaBio (The European Association for Bioindustries) and Pharma (USA).

Focus of Serono's philanthropic policy

Serono's sponsorship policy aims at promoting projects that generate goodwill in the community and offer opportunity for employees' participation. It focuses as a priority on charitable and socio-cultural projects, environmental management and academic awards.

Support for non-profit educational projects

The Serono Foundation for the Advancement of Medical Science (www.serono-foundation.org) was established in 1996 mainly to support educational activities in basic and clinical science. Its emphasis is on helping promising young scientists by awarding annually two year post-doctoral fellowships based on a peer-reviewed selection of the recipients. The Foundation also supports various programs conducted by renowned organizations such as the European Molecular Biology Organization, and has established collaboration schemes with scientific institutions with a view to promoting knowledge exchange and scientific debate.

Serono Symposia International (www.seronosymposia.org) was established in 1971 as a non-profit organization dedicated to delivering ethical state-of-the-art educational activities that respond to the increasing need of healthcare professionals for continuing education. Serono Symposia International initiates dialogue on significant medical issues. Independently or in collaboration with medical and other organizations, it works to improve healthcare outcomes by developing educational programs for scientists, physicians, nurses, pharmacists, and other health professionals.

Supply chain

Serono has introduced guidelines into its Procurement Policy conditions to ensure that its suppliers comply with core environmental, social and human rights standards. All Serono's suppliers are audited according to strict health and safety regulations in the company's area of activity.



Risk management, business ethics, investor relations

Risk management

Responsibility for risk management
Executive Management Board level

Business risk factors for Serono over short- and medium-term

Serono operates in a rapidly changing environment that involves a number of risks. The risks and uncertainties listed below are not the only ones facing the company: additional risks and uncertainties that we do not currently know or that we currently believe to be immaterial may also adversely affect our business.

Technological change and research and development:

Successful biotechnology product development depends on numerous factors, some of which are beyond our control.

Products and markets:

This risk includes possible manufacturing defects, risks linked to suppliers, and new competition.

Reputation issues linked to sales of counterfeit products:

If any counterfeit products are sold as ours, our reputation could suffer and patients could lose faith in our products.

Changes in governmental laws/regulations:

Governmental regulations may partially or totally restrict our ability to sell our products.

Intellectual property issues:

The patents and patent applications relating to our products and the technologies from which we derive license revenue may be challenged, invalidated or circumvented by third parties and might not protect us against competitors with similar products or technology.

Financial markets:

Share price movements are influenced by activities and market conditions that are not under our control.

Serono's corporate crisis/emergency policy includes the following components

- Threat exposure and risk analysis
- Organization, responsibilities and budget allocation
- External and internal communication procedures
- Training and awareness of management and staff
- Security performance reviews
- Technical and organizational measures and plans

Business ethics

A Code of Ethics adopted by the Board applies to members of the Executive Management Board, including the Chief Executive Officer, the Chief Financial Officer, general managers and financial officers at corporate and local level.

The Code of Ethics

- Addresses conflicts of interest
- Contains a commitment to providing information that is accurate, complete, reliable, objective, relevant, timely and understandable
- Includes a commitment to complying with laws/regulations
- Proactively promotes being an example of ethical behavior throughout the organization
- Provides guidance on use of company resources

Bribery and corruption

Serono's Procurement Policy contains ethical guidelines that prohibit employees from accepting gifts in cash or cash equivalent, and in general any gift that would influence the selection of the company's suppliers. Family relationships between employees and suppliers are proscribed. Sanctions are taken in case of non-compliance with the policy.

Mechanisms for enforcement and compliance

The Internal Audit, Compliance and Risk Assessment Committee makes recommendations to the CEO on risk management, based on evaluations carried out by the International Audit Department, the Corporate QA Department and the Legal Department. Responsibilities and reporting lines are defined for all functions and group sites. Enforcement action is based on a report on potential misconduct or violation. The compliance system is certified/audited/verified in accordance with standards set forth in the Sarbanes-Oxley Act.

The compliance system is placed under the supervision of the Group Compliance Officer. Compliance is overseen by the Board Audit Committee, which is composed of independent directors.

Investor relations

Socially responsible investment (SRI) market indices

Serono is a constituent of the Dow Jones Sustainability Group Index (DJSGI), and has been declared eligible for quotation in the FTSE4Good Index in 2005.

Disclosure of information

The Disclosure Committee, chaired by François Naef, Senior Executive Vice-President, Head of Group Human Resources, Legal and Corporate Communication, ensures the timely and appropriate reporting of information to stock exchanges and shareholders. The Disclosure Committee strives to adhere to Fair Disclosure rules and regulations of the NYSE and Swiss Exchange. All information relevant to the valuation of the company is communicated to the public through press releases. Company financial results are communicated on quarterly basis, through press releases and conference calls with management that are open to the public.

More information on Serono share price can be found on the company website or directly via the Serono investor relations hotline.

Employee stock option program

Under Serono's Employee Share Purchase Plan, all employees, where legally possible, have an opportunity to allocate a portion of their salary to buy the company's shares on favorable terms. Shares can be sold immediately after their purchase. Employees who leave their shares in the Plan for a full year are eligible to receive free matching shares from the company.

Disclosure of current value of stock options in financial reports/statements:

2004 Annual Report (www.serono.com/ir/)



R&D, bioethics and animal testing

Controversial business activities

Serono is not involved in, and does not derive any portion of its turnover from, the production, manufacturing, distribution, sales, marketing or purchase of the following:

- Fossil fuels
- CO₂-generating vehicles or products
- Genetically modified seeds or foodstuffs
- Pesticides (including insecticides, herbicides and fungicides)
- Mining and other extractive activities
- Logging
- Fur and specialty leather
- Factory farming
- Alcoholic beverages
- Military material, weapons, or firearms
- Nuclear industry
- Pornography
- Gambling
- Tobacco

R&D and bioethics

Serono does not manufacture genetically modified organisms (GMOs) for sale or release into the environment.

The proteins, hormones, and other molecules that Serono produces are naturally occurring substances in living organisms. While genetic modifications are applied to the cells and micro-organisms that synthesize these molecules, so that they are obtained in required concentrations and purity, such cells and micro-organisms are completely deactivated – through heat processes – before they are released in waste effluents. In addition, our research operations are regularly inspected by biological safety regulatory authorities, and use Class 1 micro-organisms that present no health or environmental hazard according to internationally recognized standards.

Serono's policy with respect to biotechnology

We give priority to health, safety, and environmental protection when undertaking the research, development, manufacture and distribution of our products and services.

We develop and use biotechnology with full respect for human dignity and human rights.

The biotechnology that we conduct at Serono does not involve the manufacturing of genetically modified organisms for sale or release into the environment.

We communicate and share information about biotechnology and its derived products and services in a balanced manner, stating both benefits and risks.

We engage in a dialogue with those concerned about ethical and societal implications of biotechnology.

Serono does not and will not develop or produce biotechnology to make any biological weapons.

Medical information

We respect the codes of ethics of the healthcare professionals who diagnose and treat disease and who prescribe, dispense, and use our products or make use of our services whether in research, development or patient care.

We support the protection of the confidentiality of medical information, which includes genetic information.

We oppose the use or disclosure of medical information, without informed consent, or any use or disclosure which could lead to allow intolerance or stigmatization.

Clinical trials policy

We ensure, within our responsibilities, that the informed consent of all individuals or their legal representatives participating in our research programs, taking genetic tests or undergoing medical treatment is obtained.

We support the accessibility of counseling for genetic testing.

Stem cell research

Serono recognizes the future therapeutic potential of stem cell research for the treatment of debilitating degenerative diseases, and we are collaborating with the best academic research institutions in this area.

Cloning and human germ line therapy

We do not use, nor support the use, of cloning technologies to reproduce human beings.

We do not support human germ line gene therapy.

Animal testing

Animal testing is an internationally established legal obligation because it ensures that medicines are effective and safe for clinical trials. Animals are used only when no equally predictive alternative methods that are accepted by the regulatory bodies are available.

Serono is committed to ensuring that animal research is performed only when no alternative exists.

All of our testing for new cures and treatments is covered by severe regulations and subject to stringent and continuous inspections.

We continue to strive to make our cell biology more predictive and to use fewer and fewer animals in our research on new medicines.

R&D on diseases in developing countries

The types of disease areas that Serono currently works on are not major health concerns in less developed countries.

However, Serono is collaborating with the World Health Organization (WHO) on an innovative training program in which Serono will train scientists and clinicians from less developed countries on the science of drug discovery. This program aims to empower them to continue to work on diseases in the developing world. Serono routinely sends useful scientific and immunological reagents to a wide variety of laboratories in developing countries to contribute to a better understanding of the molecular aspects of some infectious diseases.

