



Sustainability Report 2021

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Letter from

«We are aware that **sustainability is an issue of absolute importance** that we can no longer ignore if we want to guarantee a concrete tomorrow for future generations.»

«We have also understood that this dimension is complex and grafted into every aspect of our daily lives.

It concerns individuals and communities, institutions, and businesses, and asks us to rethink our way of being in the world. Being sustainable is a lifestyle.

While it is true that no revolution can be accomplished alone, it is equally true that all revolutions begin with small things.

For this reason, we can adopt virtuous behaviors and make our contribution every day: simple daily gestures, even the most obvious ones, can become opportunities to make a difference.

the President

«But is it possible for a company to be sustainable?»

As a community of people, even companies become fully sustainable only when they manage to reduce this concept in their way of *being* a business, not only in the form of *doing* business.

Of course, reducing emissions or creating environmentally friendly products is very useful. Still, it is not enough for the purpose: strategic choices of an industrial, financial, and behavioral nature must be made and pursued consistently.

Therefore, it is necessary to rethink the production system and the forms of collaboration on the territory, exploring new horizons to create synergies to find solutions for energy efficiency and rationalization of the supply chain.

There is a need for companies that know how to create a culture of sustainability, basing it on a well-defined value asset. Then, acting with virtuous, replicable, and transmissible behavior. Cooperate with respect and generate that Value that exceeds the value of the business. And allows us to make a difference leaving a tangible imprint, today and in our future, for our children and us.»

Germano Scarpa

Biofarma Group **President**

Letter from

«The notion of sustainability began to make its way into companies a few decades ago.

It linked itself to the broader concept of CSR (Corporate Social Responsibility), which refers to a style of ethical-moral conduct of the Company, where objectives are achieved through behaviors and rules respectful of the well-being of employees, in a synergy between all the staff inside and outside the Company (stakeholders and shareholders).»

«The sudden social and environmental changes we have experienced have greatly stimulated the development of this concept, **making the need to permeate the business with more and more explicit ethics: you cannot make a profit at all costs.**»

«We are witnessing incredible transformations on multiple levels: the new generations are young people with a greater conscience and sensitivity to these issues than ours.»

the CEO

«They are dictating new languages, lifestyles, and consumption.

Current social, economic, political, and health events are strongly accelerating this type of process and require companies not to be found unprepared.

A Company like ours, which has demonstrated the ability to grow in the global market and influence its choices, must accept the challenge, and integrate it into its mission and vision.

Its task is to look at sustainability through the lens of concretization, not an abstraction, linking it to the concept of performance.

It must pay more attention to production to reduce environmental pollution, identify *green packaging* solutions, contain the use of chemicals, to introduce increasingly *people-centered* policies.

This stage should no longer be seen as a social fad or slogan. Instead, it represents the Company's way of being.

Only in this way can we generate a valuable profit for the whole society and the environment, generating a series of virtuous behaviors that become lifestyles capable of creating a chain of shared value, which gives us the competitive advantage of being able to excel over time.»

Maurizio Castorina

Biofarma Group Chief Executive Officer



The numbers of Biofarma: Highlights 2021

233 Mln €

of turnover
(including IHS pro forma)



829

employees



500+

customers



4 production

sites



2000+

products



4 R&D

laboratories



88

international patents



170 lines

of production and
packaging



METHODOLOGICAL NOTE

The Biofarma Group's 2021 Sustainability Development Report is the first annual report on the Group's sustainable development, triggered by the desire to share its non-financial impacts from activities directly related to the business.

The information in this document has been defined as a methodological reference to the GRI Standards published in 2016 by the Global Reporting Initiative (GRI), one of the leading international standards used for sustainability reporting.

The Report also contains references to the UN Sustainable Development Goals (SDGs), which represents an opportunity for the Company to contribute to Sustainable Development concerning the areas of intervention proactively and concretely directly related to its business.

The reported data and information shall refer to the period from January 1 to December 31, 2021.

Unless otherwise specified, the news said according to GRI Standards includes a comparison for the three years 2019 - 2021.

The indicators reported in the sections, integrated, and completed by the content

of the Appendix, were selected based on the results of the materiality analysis, with which issues relevant to Biofarma and its stakeholders were identified.

All exceptions and omissions are given in the footnote below the tables or explained within the text.

The perimeter, as of 31/12/21, referred to the Biofarma Group and subject to the Financial Statements, is as follows:

- Biofarma Srl P.IVA 02895910301;
- Nutrilinea Srl P.IVA 02607440126;
- Apharm Srl P.IVA 02009840030

Details of some specific information, net of data availability, will be given in an aggregate and specific form for each of the entities considered through a "Core Compliance" to formulate the ones mentioned earlier.

For the drafting, to ensure adequate reliability of the reported information and to allow a proper representation of the performances, we tried to limit the use of estimates as much as possible and, where possible, for complete data, we compared with the two previous years.

The materiality analysis and the Sustainability Report have been prepared in accordance with the methodology indicated by the GRI standards.

The process saw the involvement of all company functions, coordinated by the CSR function, with the support of an external consulting company.



CHAPTER 1

Our sustainability: a roadmap for a sustainable strategy

- 1.1** Triple Bottom Line approach
- 1.2** Our stakeholders
- 1.3** The materiality matrix
- 1.4** Evaluation trends and the enhancement of commitment

Triple bottom line approach

The rapid evolution of the current socio-economic context has heightened the need for real corporate social responsibility.

Guided by institutional and legislative bodies, **developing a Sustainable Business Strategy that incorporates environmental, social, and economic aspects can no longer be deferred.**

The overall objective of a corporate strategy focused on sustainability is to positively impact the environment and society, involving all stakeholders directly or indirectly influenced by the Company's activities.

However, defining a structured path of sustainability, consolidating clear and achievable objectives, and formulating a strategy to achieve them, is the best way to integrate sustainability into a company's business model.

In its business model, Biofarma considers the integration between the economic dimension and the assessment of the corresponding social and environmental impacts to be increasingly important.

Therefore, sustainability, in line with ESG guidelines, is a fundamental principle that guides all the Group's strategic and operational choices to meet the needs of all categories of stakeholders.

This vision, together with the current socio-economic and geopolitical context, led the Group to reflect on its identity and responsibility in creating shared and sustainable value for Biofarma, stakeholders, and the whole community.

In 2022, the Group embarked on a reporting process that, on the one hand, formalizes the current commitment and, on the other, lays the foundations for future initiatives structured and measurable over time.

In this context, Biofarma adheres to the 2030 Agenda, signed in 2015 by the United Nations, which defines 17 Sustainable Development Goals (SDGs), divided into 169 targets, to develop an action program to guarantee a better present and future for the Planet and the people who inhabit it.

The Commission has developed the EU's set of SDG indicators to monitor progress towards the Sustainable Development Goals in the European context.

This set of indicators was integrated into an extensive consultative process involving various stakeholders, including the Member States, Council committees, NGOs, academia, and international organizations.

The SDG Compass, developed by the GRI, UNGC, and WBCSD, is the most suitable tool to achieve a synergistic interaction between reporting instances and international objectives.

It guides companies in aligning their strategies with the SDGs and improving their contribution to sustainable development through activities directly related to their core business.

Conscious of its role, Biofarma has decided to accept the challenge by **contributing concretely** to realizing the SDGs.

The desire has led to preparing the **first Sustainability Report**, voluntarily choosing to report non-financial performance, aware that it is impossible to improve without knowing and measuring its impacts.

The Report, prepared according to GRI Standards of the Global Reporting Initiative guidelines, is a valuable tool for communicating progress made, initiatives taken, and future objectives to its stakeholders.

The main benefits of such an approach can be summarized in:



- 

INVOLVEMENT OF ALL STAKEHOLDERS (STAKEHOLDER ENGAGEMENT)
- 

SUPPORT OF THE COMPANY'S DECISION-MAKING PROCESS WITH A VIEW TO SUSTAINABILITY
- 

ORIENTATION OF THE COMPANY'S STRATEGIC GUIDELINES
- 

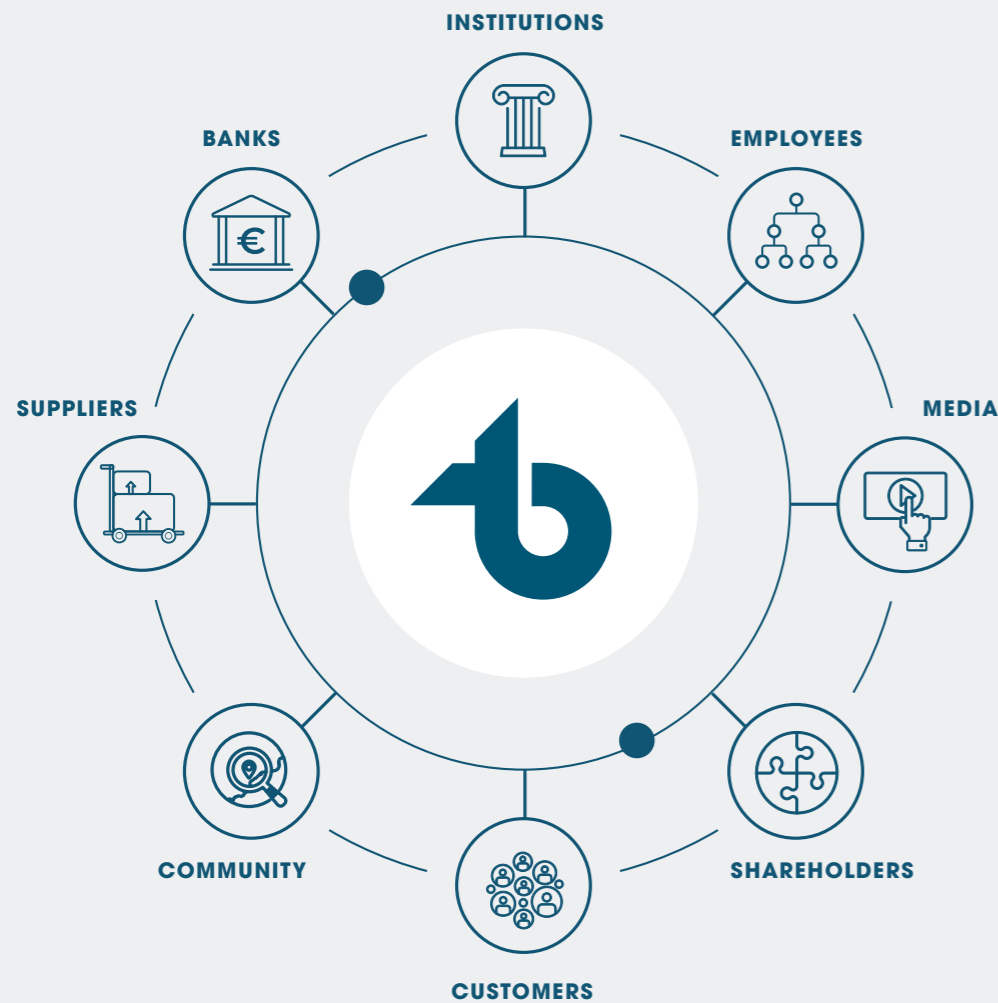
DRIVE FOR INNOVATION, PROMOTION OF PERFORMANCE IMPROVEMENT AND CREATION OF SHARED VALUE (CSV)
- 

CATALYZATION OF NEW INVESTMENT OPPORTUNITIES

Our stakeholders

To have complete and consistent cartography of the "as is" status of the company, it is necessary to include in the assessment analysis also the subjects with which Biofarma relates, the realities that enhance its presence in the territory, and that recognize its importance at the level of dissemination of good practices.

The human and economic fabric in which the company is based represents its pool of stakeholders who contribute to the co-creation of shared value.



The Stakeholder Engagement process concretizes this desire and allows, in the first instance, to identify the main areas of interest.

STAKEHOLDERS	EXPLICATION	ENGAGEMENT
Internal workers	Those who work in the employ or on behalf of Biofarma, including their representatives (e.g. trade unions)	<i>Indoor climate analysis; Periodic illustration of the results; moments of formation; newsletter; on-boarding programs for new hires; training meetings.</i>
External workers	Who collaborates with Biofarma but not directly dependent on it (e.g. freelancers)	
Suppliers - others	Who provides Biofarma with raw materials, materials, services, technologies	
Customers	Users of Biofarma products/services, including consumer associations	<i>Satisfaction questionnaires; dedicated customer service.</i>
Investors	Who owns or will hold proprietary shares within Biofarma	<i>Periodic financial reports; institutional website.</i>
Local societies and communities	The social context of the territories in which Biofarma is located and which can directly or indirectly influence its activities	<i>Meetings and cultural initiatives; meetings with representatives of associations, organizations, the local community; social networks.</i>
Institutions	The set of institutions that can directly or indirectly influence the activities of Biofarma (eg: Region, Province, Municipality where Biofarma is located or interacts, University)	<i>Ad hoc meetings.</i>
Financial institutions	Banks and credit institutions that can contribute to the financing of Biofarma's activities	<i>Periodic financial reports; institutional website.</i>
Associations and NGOs	Private, non-profit associations and organizations that can act in areas that directly or indirectly influence the activities of Biofarma (e.g., environmental associations, associations that deal with human nutrition, animal welfare associations, industry associations)	<i>Meetings and cultural initiatives; involvement through projects</i>
Media and press	International, national, and local media (e.g., television, press, radio, and web) that can directly or indirectly influence the activities of Biofarma	<i>Institutional web site, social network.</i>

The materiality matrix

At the end of the mapping phase, **we identified the material issues relevant to Biofarma and its stakeholders.**

In particular, the definition of the core topics follows a procedural process – the materiality analysis – which conveys the requests of internal and external stakeholders, allowing activities to be oriented towards creating a shared value that is sustainable over time.

To identify the issues directly related to Biofarma’s business, an assessment was carried out for the company’s top management, during which a survey questionnaire was administered.

At the same time, the same questionnaire was also sent to the different stakeholder groups.

Thanks to these documents, it was possible to understand the strategic priorities, the main opportunities/criticalities, and how these can affect the dimension of shared value and sustainability.

According to the report, the materiality study refers to AccountAbility figure 1000 and examines the developments proposed by the GRI standards.

Stakeholders were asked to assess on a timely basis the relevance and monitoring that some specific ESG prerogatives have or should have – for the Company compared to the baseline.

The assignment of a score on a numerical scale from 1 (not relevant) to 5 (extremely relevant) allows us to integrate the results within a matrix.

In other words, the analysis aims to assess the significance, in compliance with the indications of the GRI Standards, of a set of thematic areas concerning economic, social, and environmental sustainability both within the corporate dimension and for the most significant stakeholders.

The step was a preparation for identifying potential material problems for Biofarma, in terms of objectives and strategies, and for the external context, in terms of analysis of the main competitors and best practices already consolidated in the sectors to which they belong.

Specifically, the administration of the questionnaire, whose answers were treated anonymously, recorded **135 results**, of which 17 came from the top management.

The collection and interpretation of the results led to the identification of **12 material themes, 1 of which dates to the economic and governance field, 4 to environmental responsibility, 7 to social responsibility.**

In this regard, the analysis highlights how ethics and business integrity as well as health and safety (both for the customer and work) are the most relevant issues for internal and external respondents.

Some issues, such as emissions management, diversity, equal opportunities, non-discrimination, and energy management, although they were not material results for stakeholders, were still reported with a view to information and transparency.

The output generated by the analysis finds graphic evidence in the Materiality Matrix, structured in such a way as to represent each material theme on the abscissa axis, the relevance for Biofarma, and on the ordinate axis, the relevance for stakeholders.

3509 STAKEHOLDERS SELECTED

856 Total recipients
98,5% Reached

2.653 Total recipients
86,96% Reached

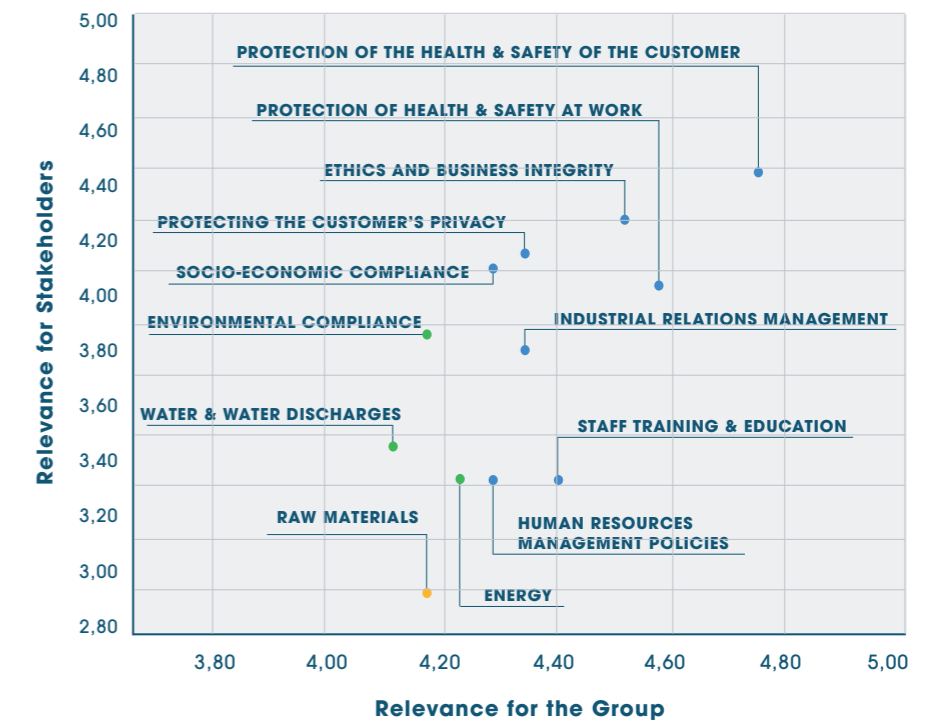
135 ANSWERS RECEIVED

Banks	1
Customers	5
Employees	74
Suppliers & partners	55

KEY

12 Relevant themes:

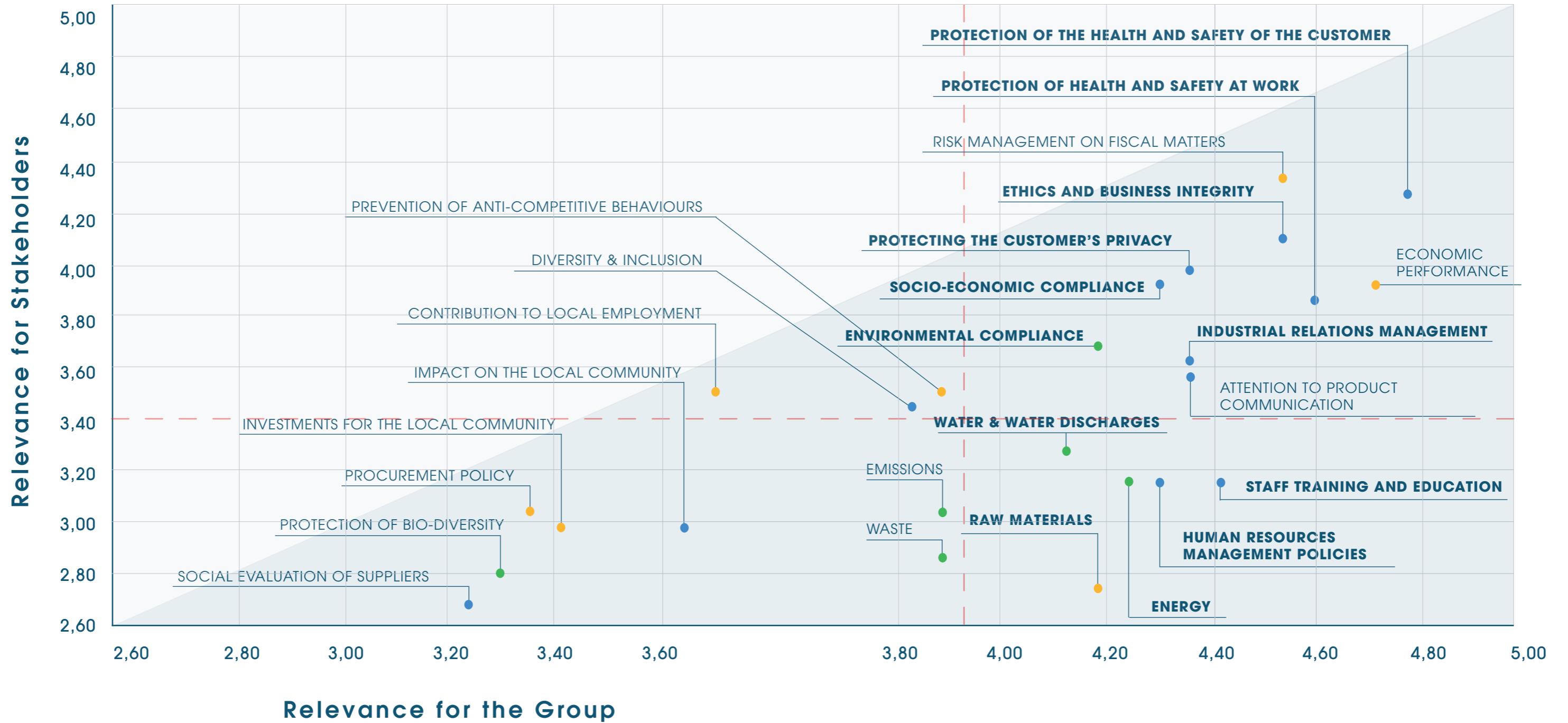
-  Economy & Governance
-  Environmental Responsibility
-  Social Responsibility



	N° OF RECIPIENTS	N° OF ANSWERS	REDEMPTION RATE
Relevance for management	17	17	100%
Relevance for Stakeholders	3509	135	3,8%

The materiality matrix

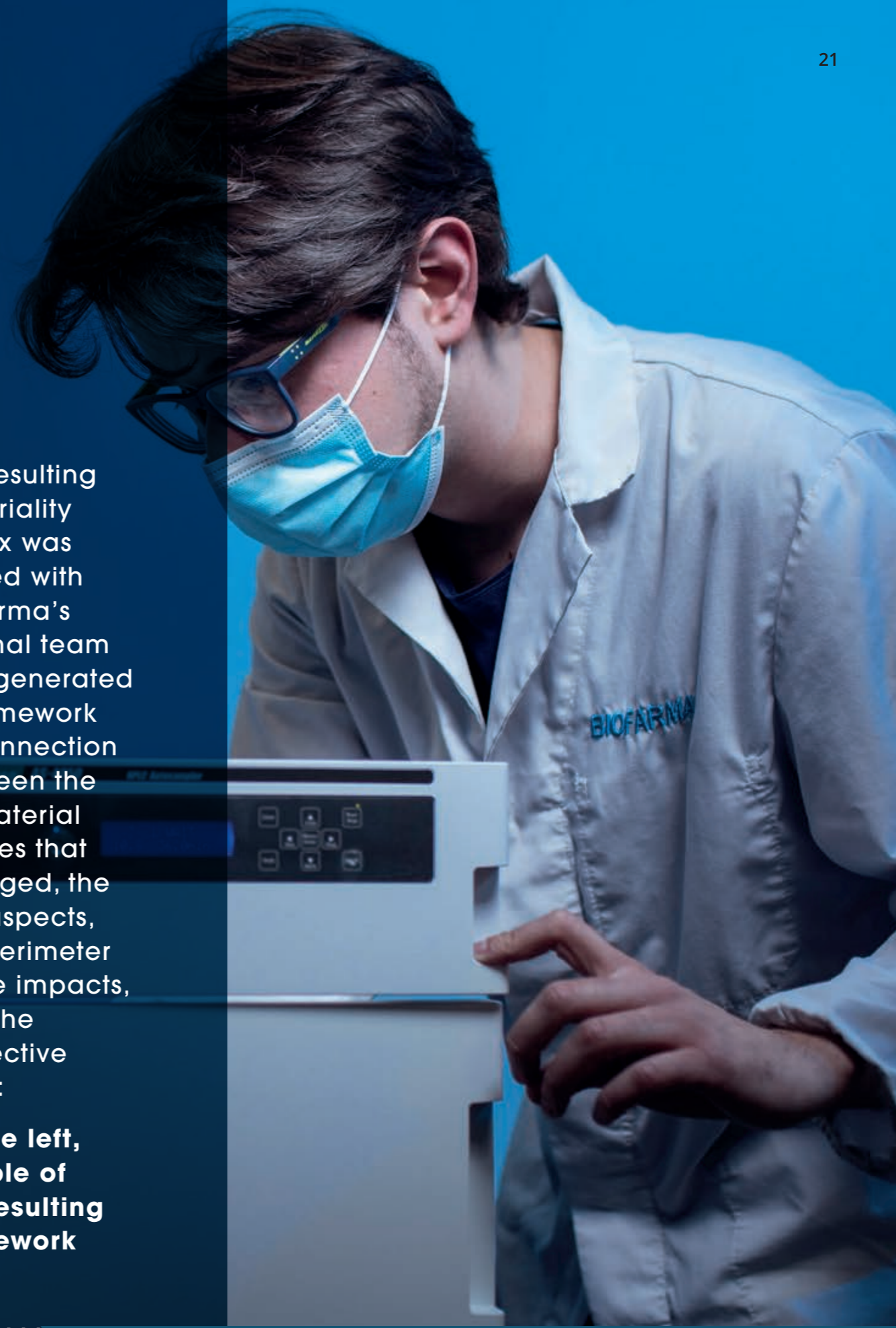
- Economy & Governance
- Environmental responsibility
- Social responsibility



THEME	GRI APPEARANCE	IMPACT	SDGs
ETHICS AND BUSINESS INTEGRITY	GRI 102 General information (2016)	Biofarma	
RAW MATERIALS	GRI 301 Use of raw materials (2016)	Value chain	
HUMAN RESOURCES MANAGEMENT POLICIES	GRI 401 Employment (2016)	Biofarma	
INDUSTRIAL RELATIONS MANAGEMENT	GRI 402 Relations between workers and management (2016)	Biofarma	
PROTECTION OF HEALTH AND SAFETY AT WORK	GRI 403 Health and safety at work (2018)	Biofarma	
STAFF TRAINING AND EDUCATION	GRI 404 Training and education (2016)	Biofarma	
ENERGY	GRI 302 Energy (2016)	Biofarma & Community	
WATER AND WATER DISCHARGES	GRI 303 Water & water discharges (2018)	Biofarma & Community	
PROTECTION OF THE HEALTH AND SAFETY OF THE CUSTOMER	GRI 416 Customer health and safety (2016)	Value chain	
PROTECTING THE CUSTOMER'S PRIVACY	GRI 418 Customer privacy (2016)	Value chain	
ENVIRONMENTAL COMPLIANCE	GRI 307 Environmental compliance (2016)	Biofarma & Community	
SOCIO-ECONOMIC COMPLIANCE	GRI 419 Socio-economic compliance (2016)	Biofarma & Community	

The resulting Materiality Matrix was shared with Biofarma's internal team and generated a framework of connection between the 12 material themes that emerged, the GRI aspects, the perimeter of the impacts, and the respective SDGs:

on the left, a table of the resulting framework



Evaluation trends and the enhancement of commitment

Corporate Social Responsibility is a form of voluntary responsibility that companies intend to assume towards their main social partners (stakeholders).

CSR means **companies adopt a business model that is socially responsible for balancing economic objectives with ethical parameters** relating to their business's social and environmental impact, combining intentions and results to bridge the "intention-delivery" gap.

In this regard, the financial dynamic is part of an overall vision that is increasingly trying to improve the commitment to greenwashing dynamics.

Sustainable investments are the type of investments that consider significant environmental, social, and governance factors in the selection and ownership process of companies, intending to generate sustainable returns in the long term.

Their goal is to mobilize the capital necessary to achieve sustainability objectives.

Deciding to set up your investment strategy with an ESG vocation is for significant funds, as well as for SMEs, a way to achieve solid financial performance, optimize risk management and precede institutional and regulatory bodies.

With the increase in these investments, the need to introduce an objective classification has emerged: the European Commission has developed the "taxonomy for green finance" published in Regulation (EU) 2020/852 and the related delegated acts, defining unambiguous criteria to identify the practical sustainability of corporate strategies.

This integration is part of a broader framework developed by the SFDR - Sustainable Finance Disclosure Regulation, which also aims to propose innovative, sustainable finance instruments, such as the SDG-linked bond.

Among the relevant specifications not about the 2021 Financial Statements but significant for the Group, it should be noted the issue of the bond package of 345 million as a crucial first step towards the inclusion of the company in a broader economic context, catalyst of these requests and promoter of new approaches, towards a bond product linked to an entire strategy centered on the objectives of the UN 2030 Agenda.

Given the growing interest in sustainability, it is unsurprising that the supply and demand for ESG investing leads to the affirmation of new tools such as the Sustainability Report.

Biofarma's commitment lies in having wanted to anticipate the requests of institutional bodies and primary stakeholders, building clear information that respects international GRI standards.

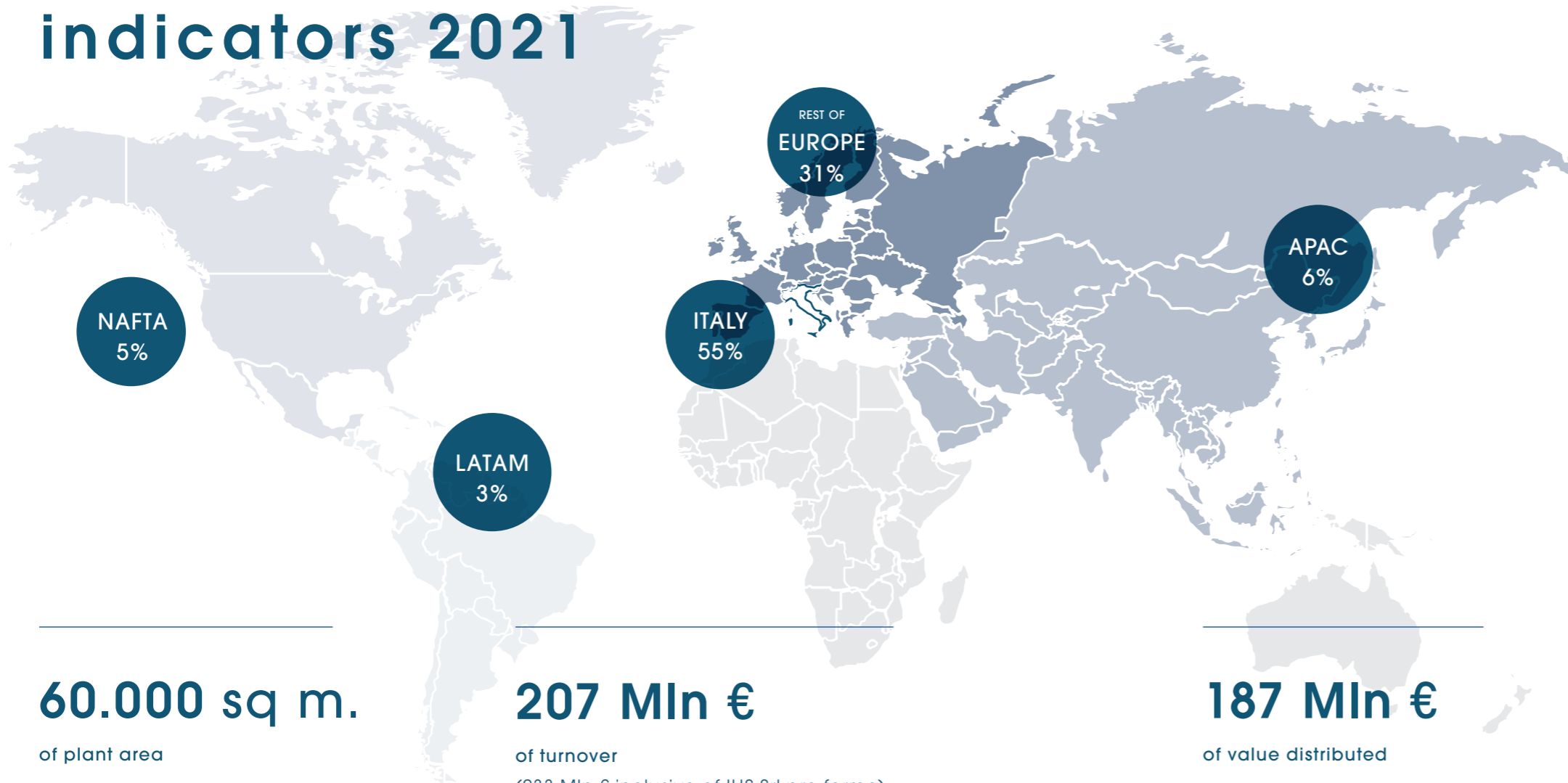
In addition, the company can boast of the recent acquisition by the Ardian Group, which, in continuity with the work of the presidency, pursues dynamic and flexible developments towards affirmation as an actively engaged Contract Development and Manufacturing Organization (CDMO).

CHAPTER 2

The Group: sharing growth and objectives

- 2.0** Performance indicators 2021
- 2.1** The history of Biofarma
- 2.2** Reference markets
- 2.3** The economic value generated and distributed to stakeholders

Performance indicators 2021



60.000 sq m.
of plant area

207 Mln €
of turnover
(233 Mln € inclusive of IHS Srl pro forma)

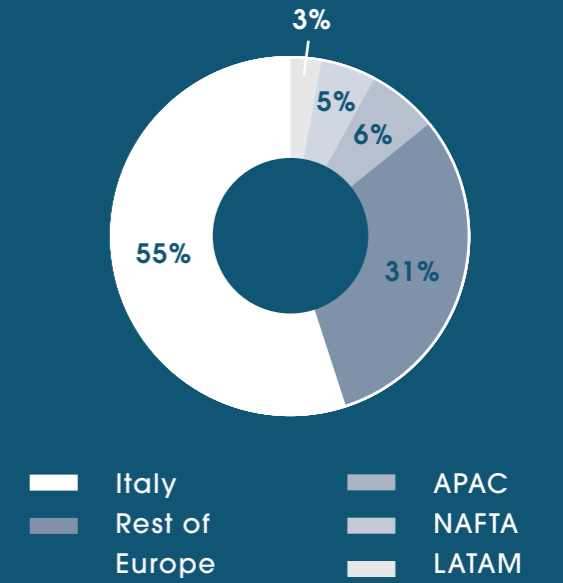
187 Mln €
of value distributed

3.000.000 €
of share capital

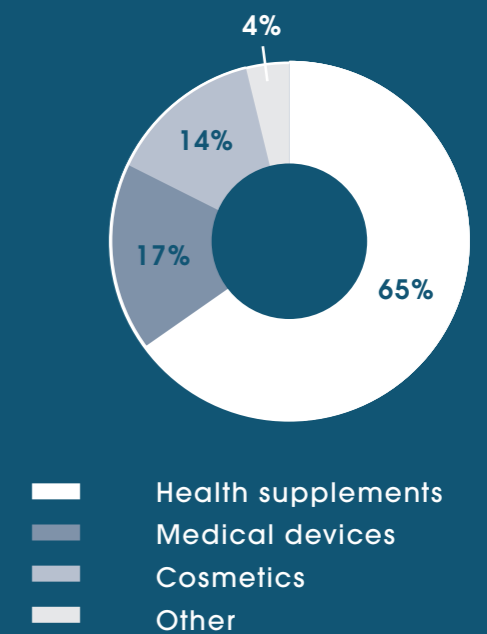
212 Mln €
of economic value generated
(+12,5% compared to 2020;
238 Mln € pro forma inclusive of IHS Srl)

88%
of value generated is distributed among stakeholders

Turnover by geographical area



Turnover by Business Unit



The history of Biofarma

AN EXPLOSIVE START

If we were to use an adjective to define Biofarma's birth, this would certainly be the most appropriate.

In the warehouses of a chemical company immersed in the countryside of a small town in rural Friuli, the leftovers of nitrocellulose-based processes used to produce explosives were stored: from a transformation project for the reuse of production scraps began the production adventure of Germano Scarpa and Gabriella Tavasani.

It was back in 1987.

At the time, they were in their early twenties and had just begun to explore the world. She was a promising science teacher, and he was an enterprising medical and scientific informant employed by a pharmaceutical company that still represents an important reference on the world market today.

A day like many others, Germano Scarpa found himself choosing from a list of over sixty destinations throughout the region where he could do his job.

He chose Mereto di Tomba. It was also a wonderful morning; the cold November sun illuminated the surrounding countryside and that day still recalls the suggestion of the landscape and the image of a mill nearby.

A sign of destiny?

Only time has been able to answer the reasons for his choice that morning, drawing the future of his family and the history of his company.

The project of reusing processing scraps soon gave way to one closer to his scientific knowledge and skills. He wanted to start making creams. He and his wife soon began to fill that warehouse with their ideas. Among the many things they found deposited was a small, old turbo emulsifier: a good carpenter did the impossible by renovating it.

The productive adventure began.

Driven by significant convictions and clear values, investing in a far-sighted way, looking to the future with courage and a spirit of collaboration. Step by step, their hands and ideas have been added to those of many other people who have believed in their project and contributed to its realization.

As a result, the warehouse, and the old turbo emulsifier in the countryside of Mereto soon gave way to a reality that grew in great leaps, quickly becoming a reference point on the international market.

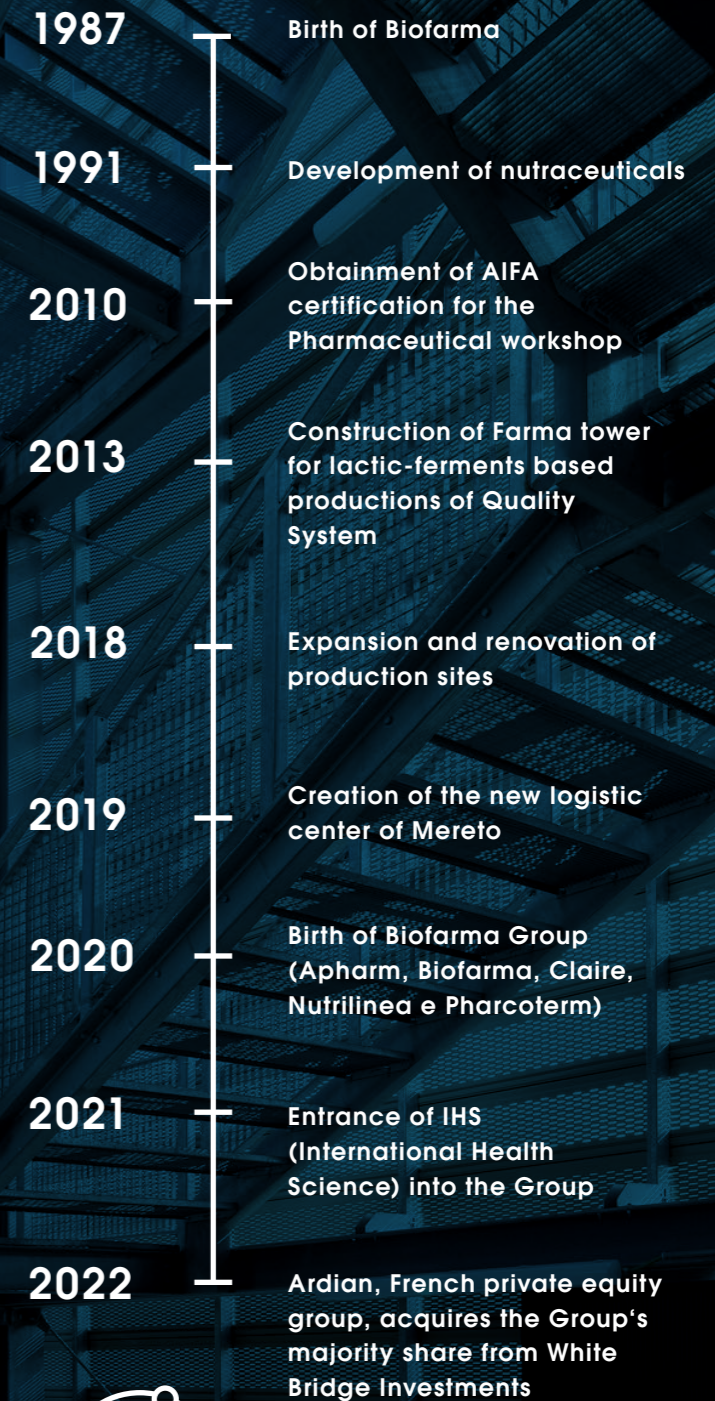
Today, 35 years after that "explosive" start, Biofarma continues to have solid roots and a clear vision of the future: to grow and continue to create something extraordinary, unique, and innovative for the health and well-being of people.

Biofarma's story teaches how *doing and being* a business is one.

It teaches that it is necessary to plant principles and human value in the ground.

That it's essential to cement the foundations of the company, even before grafting the production plants; it means knowing how to live in the light of constant and growing planning, having a mission, and having dreams to share.

It means knowing how to identify one's goal and pursue it consistently.





OUR HISTORY IN STAGES

Biofarma has always stood out for its strong drive for innovation and great attention to investment.

These aspects have studied its growth path with important goals, from obtaining certifications to expanding production spaces.

In 1991, Biofarma opened its doors to the world of nutraceuticals from a minor cosmetic production company; it became a reference point for the market of food supplements in solid and liquid forms and, subsequently, expanded its production capacity with the addition of medical devices to its portfolio.

2010 was marked by achieving AIFA certification for the Pharmaceutical Workshop and, later, for the CQ laboratory to produce drugs with probiotics: the Torre Farma, built in 2013, is the first European plant dedicated to the production of products based on lactic ferments.

Starting in 2018, the great project of expansion and revolution of the production sites came to life, reflecting a company policy of innovation, excellence, and – above all – environmental sustainability.

The **office tower** is born, which marries the principles of green building and the circular economy in a multifunctional structure that houses an auditorium and large spaces dedicated to organizing meetings, conferences, and the reception

of customers.

The lightness of the fir wood used for the construction and the reduced number of metal elements express in this structure the synergy between architecture, engineering, and innovation and make it a symbol of the desire to build ethically, with the utmost respect for man and the environment.

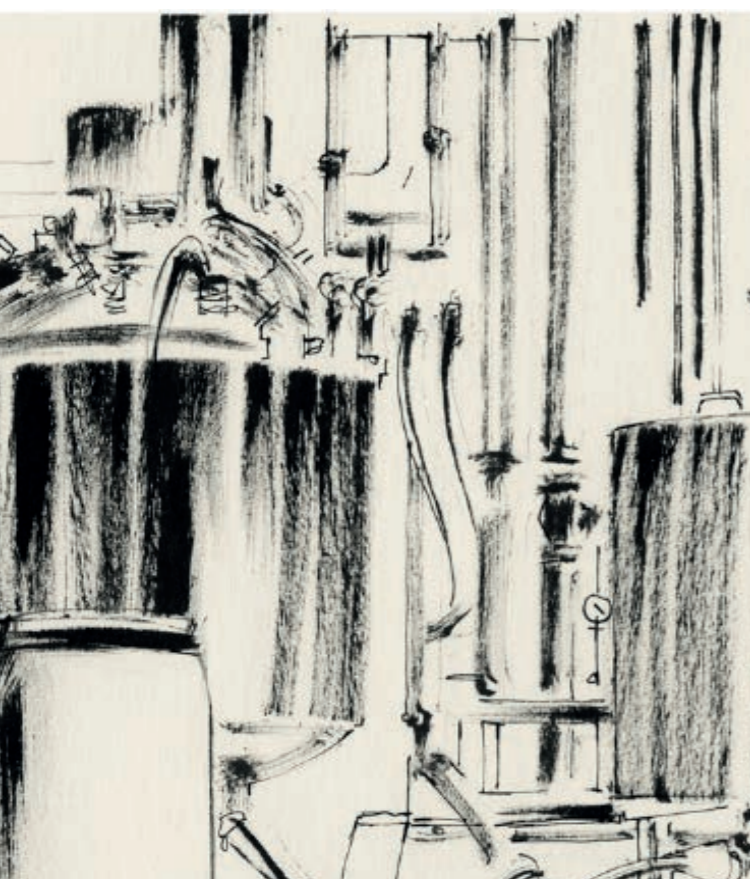
The creation of **Biofarma 2** has allowed the company to design a new organization of spaces and work areas and to continue to grow in equipment, machinery, and qualified personnel.

The cosmetics and cosmetic bags packaging department, previously located in Biofarma 1, has been entirely transferred to the new production facility in Biofarma 2 and occupies an area of 3,800 square meters.

This has also made expanding the departments of packaging and production of supplements possible, and cosmetics production in Biofarma 1, strengthening the company's production capacity uniformly to accommodate the increase in market and customer demands.

To continue to offer an increasingly secure service of traceability and availability of products and to ensure prompt delivery, the new **Logistics Hub** was born on July 1, 2019.

It is composed of a logistics area and a shipping area with high computerization and automation; the new headquarters can accommodate up to 20,205 pallets and is characterized by the presence of photovoltaic panels, which in a year allow the company to produce energy equal to 8% of that consumed.



For the office tower and Biofarma2, the Elysium system coating was used, which, thanks to the paint based on vegetable oils, can significantly reduce the environmental impact.

It is in 2020 that the big leap takes place.

The Scarpa family's dream of creating a timeless company, able to look to the future and go beyond the founding generations and those present, meets the strength of a group of people who share values and intentions and develop a great industrial development project.

The dream became a reality on February 12, 2020, and Biofarma Group was born.

Apharm, Biofarma, Claire, Nutrilinea, and Pharcoterm formalize an integration process to create a production reality capable of becoming, in a short time, the reference point in the Health & Beauty Care sector for third parties on the national and international market.

Like all important projects, this one is born from meeting people united by sharing the same values and principles.

Only the awareness of these assumptions gave the possibility to lay the foundations of a solid company.

Capable of looking to the future, with the involvement of far-sighted entrepreneurs, excellent management, and a group of financiers who, believing in the industrial project, have supported the investments necessary to increase its economic strength.

This integration path has allowed Biofarma Group to establish itself as a unique partner for its customers through the ability to innovate and for cutting-edge production

technologies, but also the excellence of human capital.

In 2021, IHS (International Health Science) also joined the Group, allowing the company to acquire intensely specialized know-how in the distribution of supplements and medical devices with high scientific content to compete as a reference player at a global level.

An evolution on which Ardian, one of the most important private equity groups French in the world, has also bet, which in January 2022 acquired a majority stake in the group from White Bridge Investments.

Today Biofarma Group represents the Italian and European industrial reality of reference on the market for developing, producing, and packaging food supplements, medical devices, probiotic-based drugs, and cosmetics exclusively for third parties.

A concrete reality that has 829 employees, 207 million euros in turnover, 4 Research and Development laboratories, an international customer portfolio of over 500 partners, and an export share of over 40%.

Biofarma Group has solid roots and a clear vision of the future: to develop new projects with high scientific and innovation content, invest in research and development, consolidate leadership in the CDMO sector at a global level, to invest in human capital.

Growing for a future in which innovation and scientific and technological research are at the service of people's health and well-being is its mission.

A LOOK TO THE FUTURE

As CDMO - Contract Development and Manufacturing Organization - the group has undertaken a qualified contract strategy, which responds to a highly specialized strategic focus: the business model has allowed a global approach to customer needs, which translates into the ability to follow the entire process, from research and development to product design, industrialization production, regulatory passing through all quality and certification standards, up to and packaging and logistics.

A 360° service that, evolving on the production of large batches, has focused operations on prestigious customers, with medium-long term planning.

A horizon that has made it possible to design significant investments in technologies, from plants for producing probiotics to new generation technologies for microencapsulation and multilayer compression.

In addition to nutritional supplements, the group produces topical and oral medical devices for gastrointestinal, oropharyngeal, dermatological, proctological, and vaginal areas, and in the cosmetic field, face care, products for the body, hair, hygiene, and skin care.

01. Mereto di Tomba, Udine

Via Castelliere 2 - 33036 Mereto di Tomba UD - Italia

Primary production specialization: nutraceuticals in solid and liquid form, topical and oral medical devices, sports food supplements, cosmetics, drugs with probiotics.

- Surface: 44.000 sq m
- Warehouse: 30.000 pallets
- Staff: 485 employees

02. Gallarate, Varese

Via Gran Bretagna, 1 - 21013 Gallarate VA - Italia

Primary production specialization: nutraceuticals in solid form, medical devices for oral use, sports nutrition.

- Surface: 9.000 sq m
- Warehouse: 2.000 pallets
- Staff: 234 employees

03. San Pietro Viminario, Padova

Via dell'Artigianato 14 - 35020 S. Pietro Viminario PD - Italia

Primary production specialization: topical medical devices and cosmetics.

- Surface: 3.700 sq m
- Warehouse: 3.100 pallets
- Staff: 47 employees

04. Cusano Milanino, Milano

Via A. Merli, 1 - 20095 Cusano Milanino (MI) - Italia

Primary production specialization: nutraceuticals in solid form, medical devices for oral use, sports nutrition.

- Surface: 3.100 sq m
- Warehouse: 1.300 pallets
- Staff: 63 employees

05. Arona, Novara

Via San Carlo, 56 - 28041 Arona (NO) - Italia

Sales office



Reference markets

The Italian market of products sold in pharmacies closes 2021 with a total annual turnover of 24.4 billion euros, marking an increase of 3.4% compared to 2020 (source Iqvia), a comeback evident especially in the last quarter of the year marking a + 7.9% compared to the same quarter of 2020.

The “ethical” sector (prescription medicines), which in 2021 accounted for 57% of pharmacy sales, recorded an increase of 1.8% compared to 2020. In terms of volumes, the increase in packages sold in 2021, compared to the previous year, was 0.9%, reaching 2.43 billion packages sold.

Overall, the **commercial sector (over-the-counter products without prescription, nutritional products, supplements, par pharmaceuticals, creams and cosmetics)** in pharmacies recorded an increase of 5.7% compared to 2020. In this context, the over-the-counter products sector without prescription has seen an increase of 2.5% in 2021 compared to 2020, reaching 2.18 billion euros. Much of this increase in turnover took place in the last quarter of the year (+23.8%).

Nutraceutical supplements reached a turnover of 4.09 billion euros with an increase compared to 2020 of 7.7%.

The **nutritional market (powdered milks, celiac food, etc.)** instead is down 2% to 373 million euros in pharmacies. While online increases by 17.7% in 2021 compared to 2020 to 12 million. Price plays an important role in this sector.

The sale of **personal care products (creams, cosmetics, etc.)**, after a difficult 2020, is slightly recovering in pharmacies in 2021 (+1.4%) to 1.9 billion euros, while online performance is good with a + 12% compared to 2020 to 141 million euros.

As for the **para pharmacy**, the trend is positive even without the effect of administering tampons. In 2021, para pharmacies had a turnover of 876 million euros against 827 million in 2020 (+5.9%).

The spread of the emergency linked to Covid-19 continues to impact the purchases of products from an online pharmacy substantially; in fact, many consumers still prefer to make purchases on the web during the pandemic. According to IQVIA data, in Italy, a double-digit growth trend in online sales continues, going from 383 million euros in 2020 to 437 million in 2021 (+14%). This increase is even more accentuated if compared with 2019, a pre-pandemic year, during which pharmacy products were purchased for a total of 230 million euros (+90% compared to 2021). Considering that in Italy, it is possible to sell only commercial products online, the turnover of e-commerce weighs about 4% of the market.

In addition, according to Evaluate Pharma, in 2021-2026, global sales of prescription drugs are estimated to be growing at an annual rate of 6.4%, with an absolute value by 2026 of just over a trillion dollars (1,040 billion dollars, to be precise). This figure does not include either orphan drugs, estimated to reach \$268 billion at the end of these five years, or generic drugs, for which the value is estimated to reach \$99 billion in 2026. The total market for prescription drugs will thus gain a total of \$1.408 trillion in 2026.

Much of this growth will be attributable to biotechnological drugs, which in 2026 are estimated to represent 37% of prescription and OTC drugs on the market (in 2020 they were 30%) and will constitute 57% of the value of sales generated by the 100 best-selling drugs globally (in 2020 this share is equal to 52%).

THE GROUP'S ACTIVITIES ON THE TERRITORY

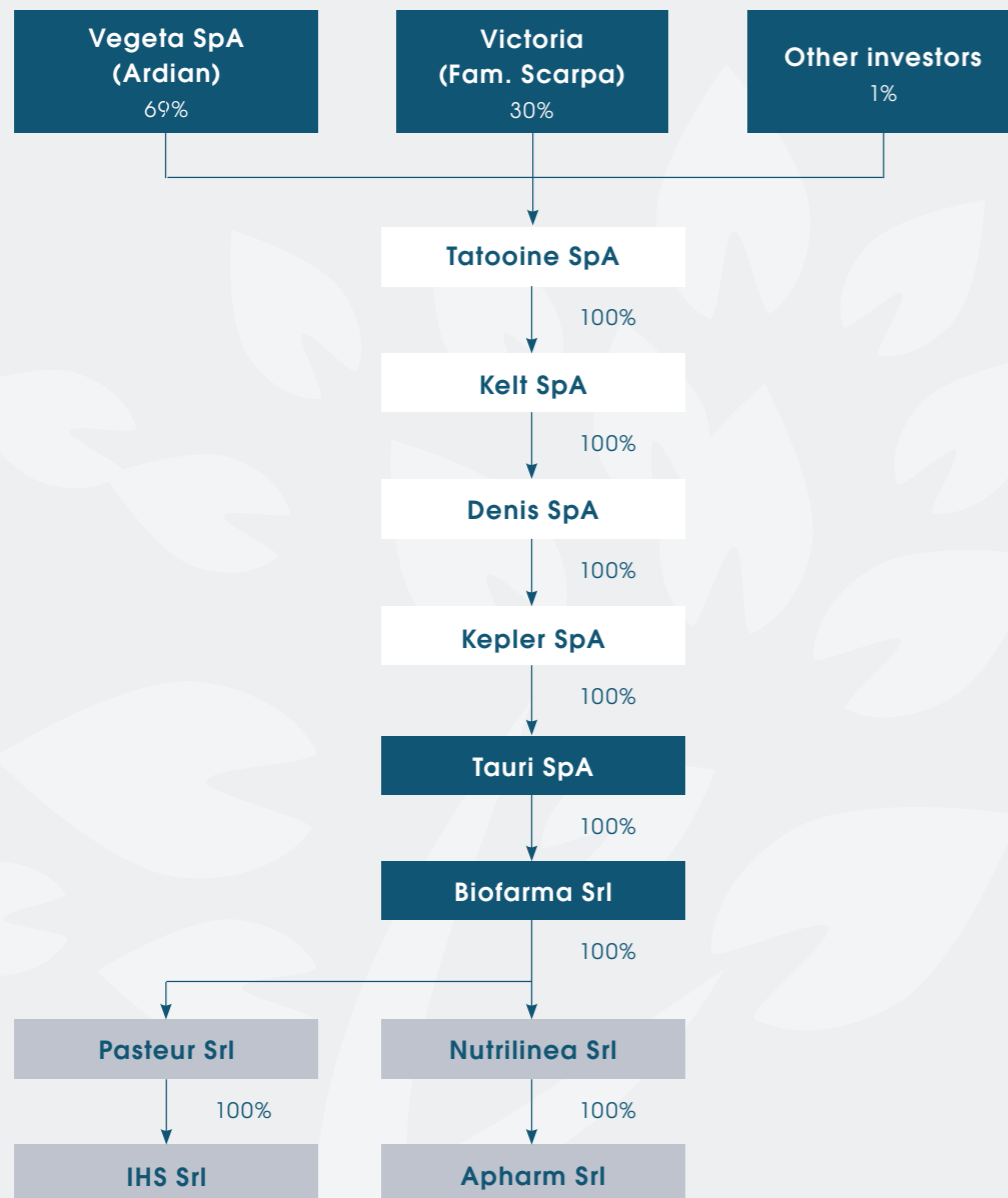
The Group has decided to build its network through active participation in the major interest groups of trade associations, through the elective offices of President **Germano Scarpa**.

The infographic is a vertical list of seven trade associations, each with a circular logo on the left and a text block on the right. The background is a dark blue with a faint image of a modern building.

- FEDERSALUS**
position of President from 2008 to 2012, collaborating in promoting and disseminating of the concept of a “Healthy lifestyle”.
- SUPPLEMENTS & HEALTH**
in 2022 as President of FederSalus he signed the deed of merger to incorporate it into the Italian Food Union giving life to Supplements & Health, a single association that represents about 220 companies and a total turnover of 4 billion euros that aims to develop greater awareness, at all levels, of the specificity of food supplements and their importance for health in the field of primary prevention and a healthy style of life.
- CONFINDUSTRIA UDINE**
Group leader from 2009 to 2015 and since 2018 in progress.
- CONSORZIO SVILUPPO ECONOMICO DEL FRIULI**
Member of the CD from 2018 to 2020.
- FRIULI INNOVAZIONE**
President of the Public Research and Technology Transfer Centre from 2016 to 2019.
- COSMETICA ITALIA & EHPM**
The group is also among the partners of Cosmetica Italia and EHPM - European Federation of Associations of Health Products Manufacturers.

Participogram as of 30/06/2022

As required by GRI general disclosure regulations, despite the fact that this document and the information contained therein refer to the year ended on 31/12/21, Biofarma Group has deemed it appropriate to illustrate the **corporate structure updated to 30/06/2022**.



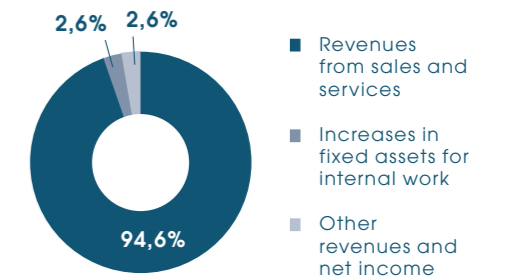
The Biofarma group was born with an initial share capital of Euro 3,000,000 on February 12, 2020, from the aggregation of the Nutrilinea Group (100% controlled), the company Esculapio S.r.l (100% controlled), and Biofarma S.r.l. (50.13% controlled). Esculapio S.r.l, in turn, owned a share of the company Biofarma S.r.l equal to 49.87%.

Subsequently, in June 2020, the Shareholders' Meeting of Esculapio srl resolved the reverse merger with retroactive effect to January 1, 2020, of Biofarma S.r.l. into Esculapio S.r.l.

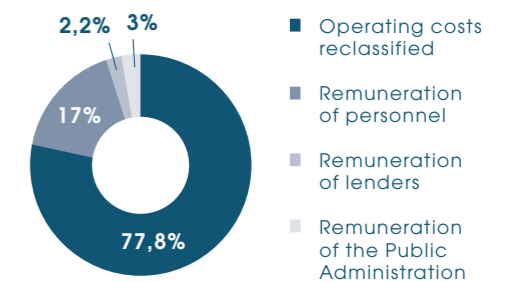
In addition, in December, the Shareholders' Meeting of Biofarma Holding srl resolved the reverse merger with retroactive effect to January 1, 2020, of Biofarma S.r.l. into Biofarma Holding S.r.l.

In March 2021, the Shareholders' Meetings of Pharcoterm S.r.l. and Claire S.r.l. resolved the reverse merger with retroactive effect to January 1, 2021, of Nutrilinea S.r.l. As a result of the above, Biofarma S.r.l., controls on 31.12.2021 100% of the Nutrilinea Group.

GENERATED ECONOMIC VALUE



DISTRIBUTED ECONOMIC VALUE



ENTRIES <i>(excluding IHS)</i>	2021	2020	% CHANGE
Turnover	206.590.979 €	183.448.529 €	12,62%
Value of production (VoP)	212.177.411 €	188.698.443 €	12,44%
Personnel costs / Turnover	14,91%	15,73%	-0,82%
Purchases of goods / Turnover	51,45%	48,21%	3,25%
Purchases of services / Turnover	13,54%	18,05%	-4,51%
Enjoyment of third-party goods / Turnover	2,55%	2,43%	0,12%
Miscellaneous operating charges / Turnover	0,77%	1,12%	-0,34%
Net financial charges / Turnover	0,05%	0,08%	-0,03%

The economic value generated and distributed to stakeholders

The economic value generated by the Biofarma Group during 2021 amounted to Euro 212 million, an increase of 12.5% compared to the previous year.

The contingent difficulties, linked to the current socio-economic period, have led to drawing on the inventories of finished products in storage, which have suffered a drastic decrease compared to 2020.

On the other hand, value adjustments from financial assets have contributed far more to creating economic value.

Over the two years, the Biofarma Group has generated positive economic value thanks to a business model and a strategy that looks to the future based on growth, innovation, and sustainability.

In 2021, the percentage reduction in the distributed value, equal to € 187 million, on that generated a net increase in overall turnover, which is fully explained by the effort to invest in resilience and risk

protection.

The cost of raw materials and income taxes have increased an extremely significant value of the economic value distributed both for greater productivity at the level of economic growth and for inflationary issues and difficulties in finding the raw material itself.

The progressive development of purchase prices has been effectively countered thanks to targeted purchasing policies.

The retained economic value, net of these considerations, is positive, with an increasing trend in the two years of reference.

It shows the difference between the monetary value generated and the economic value distributed, adjusted for the typically non-monetary components of depreciation and write-downs and provisions to funds.

This value is reflected in the amount available to the company to develop its core business over the years and reintegrate this amount into the remuneration of its stakeholders.

As is evident, for 2021 production costs, with reference to raw materials, transport costs and energy costs, were far higher than those of the previous year.

ECONOMIC VALUE <i>(excluding IHS)</i>	2021	2020	VARIATIONS	
Directly generated economic value	212.371.663 €	188.846.695 €	23.524.968 €	12,5%
Sales and performance revenues	200.987.568 €	176.871.647 €	24.115.921 €	13,6%
Changes in inventories of products and semi-finished and finished products	25.775 €	2.221.943 €	-2.196.168 €	-98,8%
Changes in inventories and work in progress to order	0	0	-	-
Increases in fixed assets for interior work	5.560.657 €	3.027.970 €	2.532.687 €	83,6%
Other revenues and net income	5.603.411 €	6.576.882 €	-973.471 €	-14,8%
Financial income	97.875 €	146.813 €	48.938 €	-33,3%
Value adjustments to financial assets	96.377 €	1.440 €	94.937 €	6592,8%
Distributed economic value	186.279.726 €	169.310.526 €	16.969.200 €	10,0%
<i>% on Generated Economic Value</i>	<i>88%</i>	<i>90%</i>	-	-
Reclassified operating costs	144.957.064 €	131.712.078 €	13.244.986 €	10,1%
Raw materials, subsidiary, consumer and goods	10.173.344 €	90.968.069 €	18.205.275 €	20,0%
Costs for services	28.733.809 €	34.058.726 €	-5.324.917 €	-15,6%
Costs for the enjoyment of third-party property	5.409.890 €	4.579.966 €	829.924 €	18,1%
Miscellaneous operating charges	1.640.021 €	2.105.317 €	-465.296 €	-22,1%
Staff remuneration	31.637.539 €	29.683.417 €	1.954.122 €	6,6%
Personnel costs	31.637.539 €	29.683.417 €	1.954.122 €	6,6%
Remuneration of lenders	4.086.860 €	4.282.561 €	-195.701 €	-4,6%
Interest and other financial charges	4.086.860 €	4.282.561 €	-195.701 €	-4,6%
Shareholder remuneration	-	-	-	-
Distributed profits	-	-	-	-
Remuneration of the Public Administration	5.598.263 €	3.632.470 €	1.965.793 €	54,1%
Income taxes	5.598.263 €	3.632.470 €	1.965.793 €	54,1%
Community	-	-	-	-
Donations and liberalities	-	-	-	-



CHAPTER 3

The organizational structure: transparency & formalization

- 3.0** Our organization
- 3.1** The Corporate Governance model
- 3.2** Ethics, Integrity and Compliance
- 3.3** The internal control and risk management system

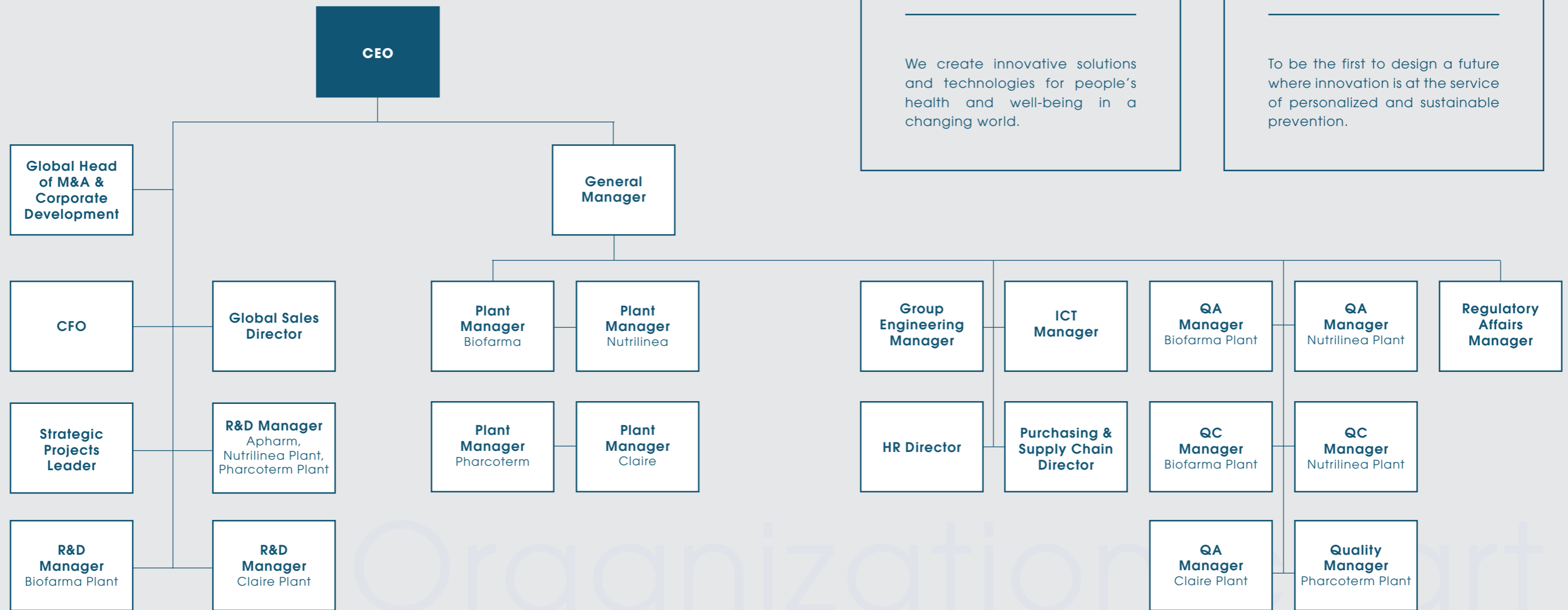
Our organization as of 31/12/2021

Our mission 

We create innovative solutions and technologies for people's health and well-being in a changing world.

Our vision 

To be the first to design a future where innovation is at the service of personalized and sustainable prevention.



The Corporate Governance model

The corporate governance structure of the Limited Liability Companies belonging to the group is articulated on a traditional organizational model and consists of the following bodies:

- **Shareholders' Meeting**, a body that represents the interest of the general public and that has the task of making the most relevant decisions for the life of the company, appointing the board of directors, approving the financial statements and amending the articles of association;
- **Board of Directors**, which operates through the managing directors;
- **Board of Statutory Auditors**, which meets quarterly;
- **Supervisory Body**: in accordance with Law 231/2001, it acknowledges the risks and concerns arising from the Group on a monthly basis.

The board of directors plays a central role in the company organization. It is responsible for the functions and responsibilities of the strategic and organizational guidelines and holds, within the scope of the corporate purpose, all the powers that by law or by statute are not expressly reserved to the shareholders' meeting and this in order to provide for the ordinary and extraordinary administration of the company.

The Board of Statutory Auditors is composed of standing and alternate auditors, appointed by the shareholders' meeting, who hold office for three financial years, are eligible for re-election and expire on the date of the shareholders' meeting called to approve the financial statements for the third year in office.

The highest managerial responsibilities within the company are attributed to the Ceo Delegato, or divided according to the areas of competence between the Chief Corporate Officer (CCO), the Chief Executive Officer (CEO) and the Chief Financial and Risk Officer (CFRO), according to the proxies conferred by the Board of Directors.

The company has adopted an internal control system consisting of rules, procedures and organizational structure aimed at monitoring:



THE EFFICIENCY AND EFFECTIVENESS OF BUSINESS PROCESSES



THE RELIABILITY OF FINANCIAL INFORMATION



COMPLIANCE WITH LAWS, REGULATIONS, ARTICLES OF ASSOCIATION AND INTERNAL PROCEDURES



THE PROTECTION OF COMPANY ASSETS

Biofarma Srl

NAME	SURNAME	F/M	CHARGE	PLACE OF BIRTH	DATE OF BIRTH
GERMANO	SCARPA	M	President	UDINE (UD)	04/06/1959
SEBASTIANO MAURIZIO	CASTORINA	M	CEO	CATANIA (CT)	01/04/1954
GABRIELLA	TAVASANI	F	Councillor	GORIZIA (GO)	28/11/1964
FABRIZIO	RASO	M	Councillor	GENOVA (GE)	14/02/1994
ANDREA	AUDISIO	M	Councillor	TORINO (TO)	04/10/1996
YANN MARIE SERGE	CHARETON	M	Councillor	REPUBBLICA DEL GABON	08/01/1978
GIACOMO	FORTI	M	Councillor	CESENA (FO)	22/02/1987
ALDO	MAZZOCCO	M	Councillor	RHODESIA DEL SUD - ZIMBABWE	02/09/1961

On 22/03/2022, Ghersini Gianluca, born in MILAN (MI) on 29/09/1965, was appointed Councillor.

Nutrilinea Srl

NAME	SURNAME	F/M	CHARGE	PLACE OF BIRTH	DATE OF BIRTH
SEBASTIANO MAURIZIO	CASTORINA	M	CEO	CATANIA (CT)	01/04/1954
MORRIS	MARACIN	M	CFO	RIJEKA (HR)	09/01/1977
MARCO	MALAGUTI	M	General Manager	MANTOVA (MN)	27/04/1971

Apharm Srl

NAME	SURNAME	F/M	CHARGE	PLACE OF BIRTH	DATE OF BIRTH
SEBASTIANO MAURIZIO	CASTORINA	M	CEO	CATANIA (CT)	01/04/1954
MORRIS	MARACIN	M	CFO	RIJEKA (HR)	09/01/1977
MARCO	MALAGUTI	M	General Manager	MANTOVA (MN)	27/04/1971

BOARD OF DIRECTORS as of 30.06.2022

The company's object is the production, packaging, and trade of raw materials, intermediate and finished products for cosmetics, perfumery, herbal medicine, pharmaceuticals, and chemistry, as well as the production of food supplements of all kinds intended for a particular diet.

The Board of Directors represents the executive body of Biofarma Group which is responsible for the ordinary and extraordinary management of the company and may perform all the acts deemed appropriate and appropriate for the pursuit of the corporate purpose.

The board consists of some of the members of the companies in the perimeter considered.

The mechanisms for appointing and replacing the Board of Directors are contained in the Articles of Association.

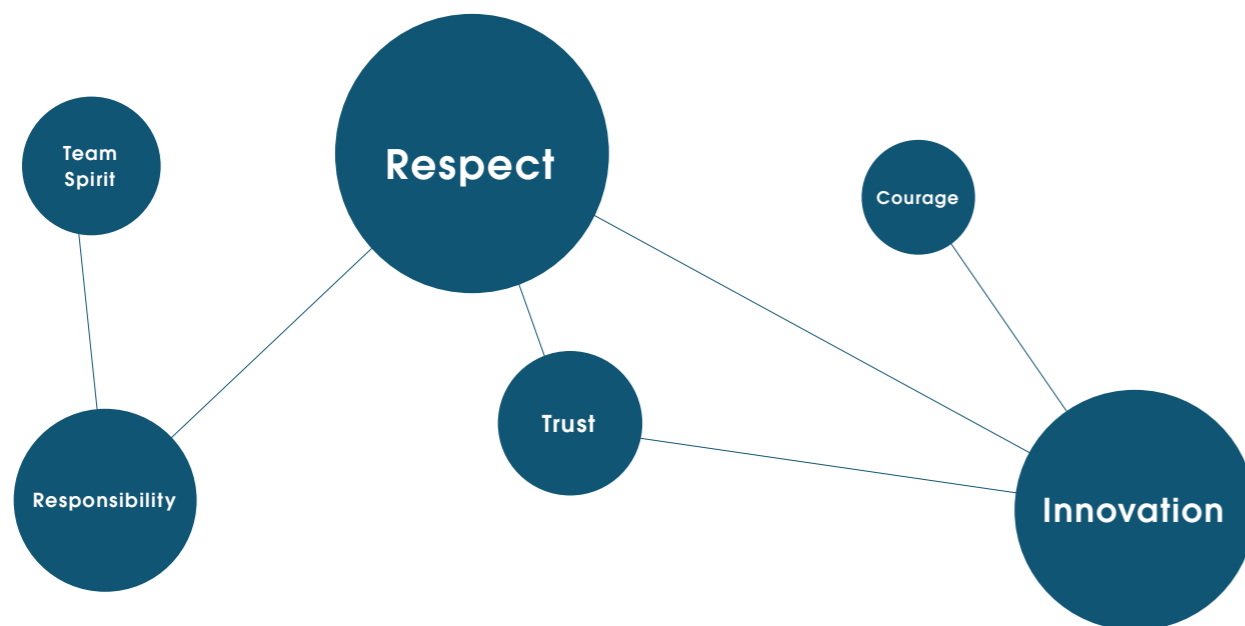
The directors remain in office until the financial years indicated in the Articles of Association and may be re-elected.

The Board of Directors has the widest powers, without restriction, with the legality to perform all acts deemed necessary to achieve the company's objectives, excluding only those that, by law or by statutory provisions, are reserved for the competence of the Shareholders' Meeting.

The expiry of the mandate is scheduled for the date of the General Meeting, called to approve the accounts for the last year of his mandate. The Council of each of the realities of the group meets monthly.

Ethics, Integrity and Compliance

Innovation is an integral part of the Group's DNA. Tenacity, consistency, competence, and creative spirit have allowed Biofarma to write a success story and to become not only a large group but a great partner on the international CDMO market.



These values allow the Group to orient itself in the working reality with clarity, competence, and effectiveness.

They imply the adoption, on the part of each one, of a social and moral perspective, the assumption of responsibility for their own choices and actions; they require consistency and awareness to achieve the highest achievement for the Group and the individual.

The Company Regulations express the principles and values that characterize Biofarma and contain the rules of conduct valid for all those who, for various reasons, work, operate, and collaborate within the Company.

The Company promotes and enhances every valuable personal contribution for the continuous improvement of working practices and procedures, so it urges all staff to make any suggestions to its Manager.

The Company Regulations contain specific behaviors referring to:

>> General rules and corporate values

>> General rules of conduct

>> Health and safety standards

>> Rules for access to workplaces

>> Working hours

>> Management of attendance, holidays, and illness

>> Specific privacy rules

>> Rules on hygiene and cleanliness

>> Rules on asset management

>> Rules on new hires and termination of relationships

>> Rules for drawing up and compiling documents

THE GROUP'S CERTIFICATIONS

The Group was born as a reality that focuses on maintaining a high quality and responsibility rating, clarifying its transparency and commitment through the most authoritative system, process, and product certifications.

As a subcontractor of numerous products related to Health Care, it is aware that its activities, products, or services produce effects that can interfere with the natural ecological balance.

Therefore, it recognizes environmental protection as its strategic objective to be paid attention to in the daily exercise of its activities.

The primary objectives that Biofarma sets itself in this area are to ensure compliance and continuous compliance with the applicable legislative requirements, constantly improve its environmental performance, and prevent pollution.

The Group's management firmly believes that the health and safety of workers and the hygiene of the workplace are essential conditions.

Without them, it is impossible to plan sustainable, effective, and lasting developments for the company.

Based on this conviction, all the necessary efforts will be made to guarantee human, instrumental, and economic resources to pursue the Group's objectives.

Improving the health and safety of workers and the hygiene of the workplace, both as an integral part of its activity and as a strategic commitment concerning the more general purposes of the entire company, is of key importance.

This vocation is combined with the health and safety of the service offered to ensure compliance and compliance with product regulations.

All the Group's certifications can be consulted through the following links:

CERTIFICATION	PLANT	LINK
ENVIRONMENTAL POLICY	MERETO	Download
POLICY ON THE HEALTH & SAFETY OF WORKERS	MERETO	Download
QUALITY POLICY	MERETO	Download
ISO 13485 (MEDICAL DEVICES)	MERETO	Download
ISO 13485	CUSANO MILANINO	Download
ISO 13485 (MEDICAL DEVICES)	GALLARATE	Download
ISO 13485 (MEDICAL DEVICES)	SAN PIETRO VIMINARIO	Download
ISO 22716 (COSMETICS)	MERETO	Download
ISO 22716 (COSMETICS)	SAN PIETRO VIMINARIO	Download
ISO 9001	GALLARATE	Download
ISO 9001	CUSANO MILANINO	Download
ISO 9001	SAN PIETRO VIMINARIO	Download
GMP CRF TITLE 21, VOL.2, PART 111 (SUPPLEMENTS)	MERETO	Download
GMP CRF TITLE 21, PART 111 (SUPPLEMENTS)	GALLARATE	Download
GMP CRF TITLE 21, PART 111 (SUPPLEMENTS)	CUSANO MILANINO	Download
GMP PHARMA AIFA	MERETO	Download
PET FOOD SUPPLEMENT AUTHORIZATION (ART 10 OF REG. 183/2005/CE)	GALLARATE	Download
KOSHER	MERETO	Download
HALAL	MERETO	Download
COSMOS	MERETO	Download
RSPO MASS BALANCE (COSMETICS)	MERETO	Download
ISO 45001:2018 (SAFETY)	MERETO	Download
ORGANIC	GALLARATE	Download
ORGANIC	SAN PIETRO VIMINARIO	Download
FDA REGISTRATION	MERETO	Download
FDA REGISTRATION	GALLARATE	Download
SMETA (SEDEX) CODICE ZC409499788	MERETO	Download
ISO 22000:2018	CUSANO MILANINO	Download
MANUFACTURING LICENCE IT0610401189	MERETO	Download
IFS HPC-HOUSEHOLD AND PERSONAL CARE	MERETO	Download



In particular, the Mereto hub has joined the network of Sedex. This organization provides one of the world's leading online platforms for companies to manage and monitor working conditions in global supply chains.

Sedex (Supplier Ethical Data Exchange) is a global non-profit organization that promotes improving ethical and transparent business practices throughout the supply chain.

The Group has certified the presence and compliance with the requirements of Sedex, which are mainly:

- **Applicable national or local legislation**
- **Codice ETI (Ethical Trade Initiative)**
- **Detailed best practices in the SMETA Guidelines**
- **Any additional requirements defined by another company in the supply chain that promotes the conduct of the audit**

The verification audit is carried out through the "SMETA" methodology (Sedex Members Ethical Trade Audit) aimed at assessing the company's compliance with 2 Pillars:

- **Pillar II: working conditions, health, and safety, right to work, subcontracting, and home working**
- **IV pillar: covers the elements listed above in addition to the environmental assessment, Business practices, and ethics in business**

Biofarma Group in the Mereto di Tomba Plan joined Sedex in June 2020 by performing the Audit II Pillar.

The registration was renewed and extended to the IV pillar in November 2021.



The internal control and risk management system

The mitigation of financial risks is managed through a defined system to identify, monitor, and implement initiatives to facilitate resilient and structured economic growth.

The Group aims to eliminate or minimize the risk of non-compliance with tax legislation. It uses professionals who compete and support the structure in all the declarations of inherent relevance to achieve it.

In addition to having internal compliance requirements as required by law, all the Group Companies' and consolidated financial statements are audited by an external body identifiable as an Auditing Company.

Every month, all risk areas are submitted to the Supervisory Board in compliance with law 231/2001.

The Group's Finance area takes care of the projects related to identifying any critical issues and adopting behaviors in compliance with the reference legislation and the deadlines envisaged.

The supervision of the CFO and the external verification by the Accountant / Labor Consultant make the six-monthly audit processes and the related budget reviews more effective and streamlined.

The involvement of the Revenue Agency regarding VAT and tax credits is constant.

The latter and the Patent box are subjected to the sworn and insured expertise of Warrant Hub and a systematic analysis by the Auditors.

The procedure also involves the Revenue Agency, as a preventive measure, for formal and systematic control of the items that make up the Formal Declaration and the related request for reimbursement.

The risk of non-compliance is thus analyzed and mitigated.

Once processed by the company administrations, each tax declaration is subjected to the validation and in-depth analysis process by external experts in tax and tax matters.

The formal and official statements are only submitted to the Revenue Agency after the final confirmation.

Regarding collecting and taking charge of the opinions and concerns of stakeholders, the company – on a quarterly basis or on an immediate basis in case of urgency – involves the Board of Statutory Auditors, which expresses itself and elaborates corrective actions, if necessary.

Regarding regional taxation issues, the Group has established a direct line with the Territorial Agencies of the Friuli-Venezia Giulia Region for drafting, validating, and controlling regional tax actions and declarations.

Also, every month, the Group involves the Executive Board and the Board of Directors, which examines and decides on potential risks and structures operational actions and policies.

The company is strongly involved in defining and drafting tax documents to benefit from the Tax Credit relating to the R&D function, which leads to about € 1 million of annual benefit, testifying to a constant commitment to implement updates and legislative trends promptly.

The Group has defined the following approach to the preparation of F24 forms precise and timely:

01.

Punctual accounting of the Order to formalize the "R&D Tax Credit" as an operational business area, defining the accounting and IT structure in a solid, unambiguous, and transparent way;

02.

Management of the "R&D Tax Credit" Benefit exclusively by senior administrative staff with many years of experience in the field;

03.

Involvement by the external body for the sworn and insured appraisal;

04.

Systematic involvement of all cost areas and analysis of all invoices by the Auditing Firm;

05.

Sharing and validation of the merits of the "R&D Tax Credit" Benefit by the Board of Statutory Auditors;

06.

Direct line with the Revenue Agency regarding any tax contradictory.

THE REACTION TO THE PANDEMIC

The measures regarding containment and emergency management have been implemented by the Chief Executive Officers' joint commitment, the Operations Director, the Head of the Prevention and Protection Service (RSPP), the Quality Assurance Manager, and the Workers' Safety Representatives (RLS), to identify the preventive actions to be introduced within the Biofarma plants.

The progressive evolution of the situation and the updates of the measures adopted by the Government has led the company representatives to constantly update the regulations issued and the restrictions introduced to ensure maximum safety for their collaborators and production continuity, in full compliance with the rules.

Modification and tightening of the preventive measures implemented within the plants by integrating the Risk Assessment Document with the Biological Risk Assessment and the Contingency Plan;

Definition of the procedure to be followed in case of suspected or confirmed positive status with the virus and identification of those responsible for the management of critical situations;

Information and training of department heads and supervisors so that it is possible to supervise and promptly report any unsuitable behavior and any subjects showing flu symptoms;

Modification of working hours for operators in the production and packaging departments to allow staff to have meals at home; granted greater hourly flexibility to office staff to facilitate the return home during the lunch break;

Preparation of appropriate internal documentation to inform all staff about the rules of conduct to be followed inside and outside the company walls with explicit reference to the internal emergency numbers and public utility to be contacted;

For this reason, the Group has taken the following actions:

The health emergency has made it necessary for the Company to intervene to pursue the following **objectives**:

- **ensure maximum safety of operators by reducing the risk of contagion and spread of the virus;**
- **limit the number of people in common areas (changing rooms, canteen, vending machines, offices);**
- **define the access management of external personnel (visitors, suppliers, couriers).**

Formalization of smart working to reduce attendance in offices;

Forbidden access to the canteen and closure of refreshment points;

Contingent access to the changing rooms to avoid the risk of gathering;

Access to the meeting rooms contingent (allowed the simultaneous stay of up to 3 people keeping the distances of at least 1 meter);

Invitation not to be stationed in the parking lots at the beginning and end of the work shift and constant monitoring by the

Distribution of sachets of hand sanitizing gel to the staff;

Distribution of a surgical mask per week to each collaborator to be worn compulsorily during working hours, to be sanitized independently following the operating instructions disseminated;

Access to external staff (visitors, suppliers, and couriers) is allowed only if in possession of a protective mask and only after reading and signing the information relating to the Covid emergency.

Increased frequency of sanitation processes of offices (twice a day) and all common areas by competent staff.

All the above measures have been disseminated capillary and uniformly to the company population through publication on the internal app “MyBio” and through paper posting on the bulletin boards in places of greater accessibility and visibility to the staff.

With a view to total transparency towards partners and customers, a communication campaign was launched on the company’s LinkedIn page to inform about the continuation of production activities and the safety of people.



Thanks to these measures, the cases of positivity to Covid-19 within the company have been minimized.

Regular production has been guaranteed and through the support of the RSU and RLS company, it has contributed to

greater awareness and empowerment of employees towards the health emergency. Its implications inside and outside the company walls.

Net of these actions, the Group has decided to provide its contribution through:



Free production and distribution of hand sanitizing gel

the production of hand sanitizing gel has been increased to distribute it free of charge to the Civil Protection, hospitals, and Ministerial Bodies of the national territory.

This gesture has nourished the sense of responsibility and pride of the collaborators who have engaged in an extraordinarily productive activity contributing to protecting the country’s health.



Production over the weekend

Given the volunteer action and increased requests for sanitizing gel from customers, production efforts were supported for 2 weekends in March 2020.

On this occasion, to reward the **dedication** of the **staff** called to work in this exceptional production, the **group** wanted to recognize an increase in hours worked **above** that defined by the **CCNL compensation** tables.



“Courage Award”

The Group has decided to contribute 100.00 euros net to be paid on the paycheck for April to all employees who have worked continuously during March, as a reward for the dedication, trust, and courage shown with the daily presence at work in such a difficult moment.

APP MyBIO

MyBio is an internal communication platform based on the MyNet model, highly customized for all internal communication and Corporate Social Responsibility needs.

It allows you to manage all business communications on social networks and in real-time with the entire business community.

The application can be customized to:

FUNCTIONALITIES

Share and manage company documentation in a traceable and secure way;

Plan and manage training activities or other business activities aimed at the team;

Book spaces and tools for everyday use;

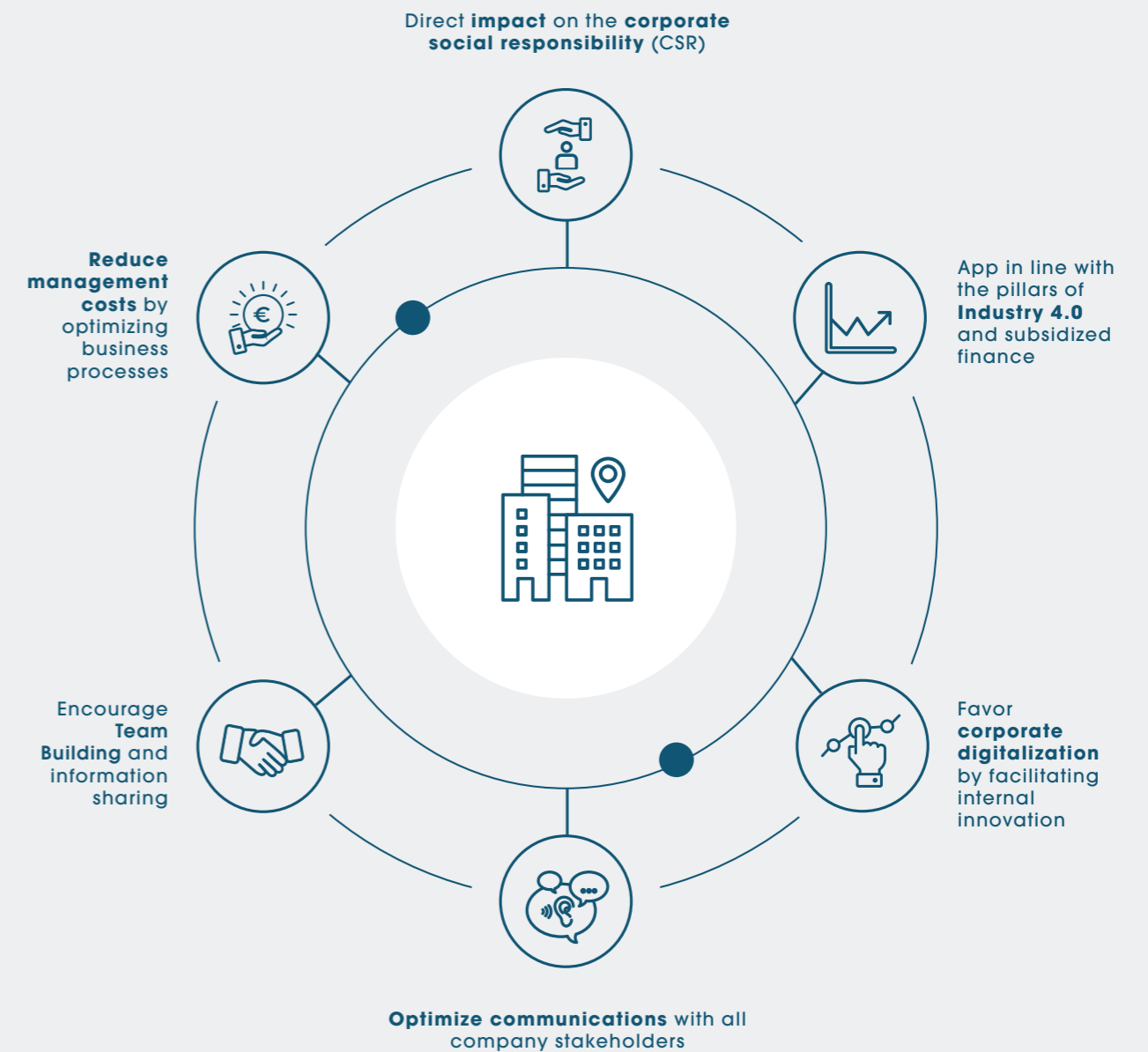
Simplify access to external platforms and software by inserting available links;

Manage corporate mobility, effectively protecting the environment and optimizing travel;

Involve employees and collaborators and test through real-time feedback from the team;

Allow employees to participate in corporate projects.

Corporate Benefit





CHAPTER 4

Product creation: design evolution & supply chain

- 4.0** Performance indicators 2021
- 4.1** The quality and safety of our products
- 4.2** Research and Development as an innovation tool
- 4.3** The supply chain
- 4.4** Our customers

Performance indicators 2021

170

production lines

50 people

R&D team

54

trademarks

50 lines

devoted to the **production** of cosmetics, supplements, and medical devices

2000+

projects developed per year

40 countries

where customers are supplied (Europe, North America, Far East, China)

120 lines

devoted to the **packaging** of cosmetics, accessories, and medical devices

38 patent families

with 25 Mln turnovers from marketing

80% of supplies

purchased locally

5% of turnover

invested in R&D

25 Mln €

turnovers from marketing patent families

95% of services

purchased locally

By continually comparing with key clients, the Group is not only looking to adopt best practices in terms of ESG implementation but also promoting a short supply chain with shared values based on the enhancement of “made in Italy,” proposing itself as a player of interaction and anticipator of trends.

The quality and safety of our products

The strong orientation towards innovation, the ability to understand customers' needs, and the solid collaborations with research centers and professionals in the machinery world allow the Group to create cutting-edge packaging and product solutions, some of which are patented

FOOD SUPPLEMENTS

Food supplements, made in liquid and solid forms in different types of packaging, are produced in high-tech departments that guarantee compliance with the highest quality standards.

The strong orientation towards innovation, the ability to understand customers' needs, and the solid collaborations with research centers and professionals in the machinery world allow the Group to create cutting-edge packaging and product solutions, some of which are patented.

In December 2021, Groupe Biofarma acquired **Giellepi's** finished products division, an international company founded more than 20 years ago and specializing in distributing innovative raw materials for nutraceuticals.

And in the development of food supplements and medical devices licensed to significant multinationals: it is concerning this last sector of activity that the acquisition by Biofarma Group of the business branch takes shape, "renamed" *International Health Science (IHS)*.

The Group's market presence is reinforced with "market ready" products, in various therapeutic areas such as type 2 prediabetes, non-alcoholic hepatitis (NASH), pre-hypertension, sleep disorders, hyperuricemia, prostatitis, and gastrointestinal disorders, accompanied by clinical studies and certifications of their effective use.

These studies are carried out in collaboration with the best universities and private laboratories in Italy and Europe.

FOOD SUPPLEMENTS: KEY FIGURES

24 lines

of bulk production

47 lines

of packaging

17.6 Mln Kg

of bulk (annual capacity)

1.71 Mld

of tablets produced per year

75.000 kg

of fluidized bed granulates per year

615 Mln

of stick packs produced per year

342 Mln

of sachets produced per year

61 Mln

of blister packs produced per year

DIETARY SUPPLEMENTS AND PROBIOTIC DRUGS

The Mereto di Tomba plant, an area authorized and certified by the Italian Medicines Agency (AIFA), has been set up dedicated to the production for the world market of drugs and food supplements based on lactic ferments.

The products are made in a tower structure spread over 3,500 square meters (of which 1,000 are external) that houses 15 production rooms distributed over three floors, under strict ISO8 environmental conditions, with tightly controlled temperatures and humidity to ensure the best quality standards and avoid microbial contamination.

MEDICAL DEVICES

These are products exert their action through substances that act on the body in a chemical-physical / mechanical, not a pharmacological way.

The Group produces topical and oral medical devices to respond to gastrointestinal, oral, oropharyngeal, dermatological, proctologic, and vaginal disorders.

The service that the Group can offer its customers in this field is twofold: on the one hand, it can formulate, develop, industrialize and generate the dossier for third parties; on the other hand, it is the manufacturer (i.e., owner of the product dossier) of over thirty MDs, some of which with an international patent, which is distributed in *out-licensing*.

Also, in this case, as for dietary supplements, the effectiveness of DM is supported by accurate clinical studies.

COSMETICS

The Group develops, manufactures, and manufactures facial treatments, body products, hair, hygiene, and skin care, even for children's most sensitive and delicate.

The ability to read and interpret the market and customer needs leads the Group to be sensitive and attentive to the main trends in the industry, such as:

>> Environmental sustainability:

NATRUE certifiable green formulations are developed that reward the use of natural raw materials, promoting a concept of beauty that responds to the application of products with a few simple ingredients. Sustainability also means creating green-friendly technologies for the application of the product.

>> Beauty In&Out:

promoting the concept of beauty linked to health and a healthy lifestyle, with new formulations and beauty products designed to act on the body from the inside, exploiting the nutraceutical properties of some foods.

>> Waterless formulations:

waterless beauty is the new frontier of avant-garde cosmetics. The Research and Development laboratories are dedicated to the study and production on behalf of third parties of cosmetics with formulations rich in concentrated or vegetable oils, powders, and butter capable of enriching the skin in depth and allowing the principles of the cosmetic product to perform at its best.



COSMETICS PRODUCTION: KEY FIGURES

24 lines

of production

38 lines

of packaging

17.6 Mln Kg

of bulk (annual capacity)

SERVICES

The range of services offered by the Group covers in a capillary manner all the souls of the reference market, with a degree of functional internalization to be a relevant player in financial but, above all, qualitative terms.

Product development:

As CDMO, new solutions and formulations are developed that meet all requests, testing their skills with challenging studies even in areas that are still unexplored;

Production:

all plants are catalysts for continuous investments in the latest technology, machinery, and equipment. The staff has specialized professional skills in constant updating and complies with the strictest safety and quality standards.

The Group has ample space for the implementation of new production processes in response to customer needs and in line with the company development project to assume the role of CDMO of reference in the market;

Packaging:

Biofarma Group is specialized in the production of products in different forms that find expression in multiple types of packaging, with great attention to the sustainability of the process and product with the guarantee of total quality and safety;

Regulatory support:

in Biofarma Group, the Regulatory Office provides its expertise to comply with regulatory requirements relating to the different product categories.

The team of highly qualified experts can offer a tailor-made regulatory package, which allows for meeting the multiple needs of companies that intend to obtain and maintain the necessary marketing authorizations of products.



In particular, the regulatory consultancy of the Biofarma office is developed in the following activities:

- Drafting of the product data-sheet;
- Release of technical documentation for raw materials;
- Release of technical documentation packaging materials;
- Development of technical dossiers specific to a product category;
- Declarations of conformity to current legislation;
- Release of documentation to support foreign registrations;
- The quality agreement guarantees the quality system and production standards in response to current regulations.

In July 2019, the **Logistics Hub** was set up on the **Mereto site**, an area intended for logistics and shipments with high computerization and automation, perfectly able to respond to current and future times, which require adaptation to new distribution models as well as speed, flexibility, and continuous innovation on the road to international competition.



I numeri del polo logistico di Mereto

Biofarma Group logistics offers a service of traceability and availability of products and guarantees prompt delivery.

A delicate and essential project to review internal logistics flows has begun, which today represents an example of optimizing distribution processes and increasing efficiency and business flexibility in collaboration with the Friulian company Ceccarelli Group, a partner and leader in the logistics sector.

This implementation has led to greater flexibility in the management of peaks, thanks to the possibility of promptly reorganizing work shifts according to different needs and greater efficiency, reducing operational errors.

As relevant projects are planned and under construction, the installation of monitors is intended for reporting daily operating levels in real time.

The adoption of an electronic recall system for the control of production lines to dematerialize the current procedures for requesting materials, thus reducing paper, time and potential errors, and the purchase of laser-guided vehicles (LGVs), automatic vehicles without a man on board, to be used for the distribution of packaging material in the packaging departments.

These projects have not yet been launched, but from a structured perspective, they are formalized in a plan to be implemented in 2023.

KEY FIGURES

Height under beam: **12 meters**

3.058 sqm shipping area

9.261 sqm logistics/storage area

Trilateral warehouse (**12,400** packaging places + **4350** places PF insulated **+8°C/+25°C**)

Retractable warehouse (**3,200** sites)

Cold room (**700** pallet places at temperature **+2°C/+8°C**)

Cold room (**77** pallet places at temperature **-18°C/-22°C**)

Shipping: **3.500/4.000** per year

References: **1.800** packagings, **2.600** raw materials, **5.000** codes of finished products

Incoming goods: **350/400** pallets per day

Outgoing goods: **300/350** pallets per day

People: **32** operators and **8** employees

Research and Development as a tool for innovation

On 31/12/2021, the value of capitalizations amounted to 991 thousand euros: this amount (item B.I.2 Development Costs of the Statutory Financial Statements) contains the strategic costs mainly related to R&D projects structured to support economic growth in 2022.

Over the next few years, the aim will be to launch new innovative projects with multinational companies.

The Group's Research and Development division is constantly committed to designing and innovating products and production processes and, at the same time, translating and anticipating the needs of its customers.

The team comprises 50 professionals from the cosmetics, dietary supplements, and medical devices areas and includes a team of employees in charge of regulatory affairs.

Collaboration with research centers, universities, and start-ups at regional and national levels enables the Biofarma Group to develop over 2000 projects a year. Many become products with a high content of innovation, capable of establishing themselves on the market as leaders for their quality, sometimes accompanied by clinical studies that testify to the effectiveness of the formulations.

The Group can also count on the high competence and preparation of the Apharm team of researchers who, with over 10 registered patents and 20 patents pending, allow the new company to stand out in the market for its sensitive innovative capacity worldwide for medical devices.

All the companies of the Group have a quality control laboratory with modern and cutting-edge equipment, which constantly interfaces with research centers and universities at a regional and national level to ensure the highest standards of quality and product safety.

Furthermore, thanks to the presence of technologically advanced tools in its laboratories, Biofarma Group can offer its customers a service of development and validation of new analytical methods, with the possibility of transferring methods, if required, in a proactive and personalized approach.



FLOW CYTOMETRY: A NEW APPROACH FOR PROBIOTIC COUNTING

In the microbiology laboratory in the Mereto di Tomba plant, **cytofluorimetry** has been introduced - a new technology that recognizes and counts the bacteria in lactic acid.

An analytical method has been the subject of a critical study, which has examined its effectiveness by comparing it with the traditional plate method.

The results have been discussed in a recent scientific publication, conducted in collaboration with the Institute for Pathological Anatomy at ASU FC Udine, entitled "A novel pharmaceutical approach for the analytical validation of probiotic bacterial count by flow cytometry," Journal of Microbiological Methods, Michelutti, Bulfoni, Nencioni.

Cytofluorimetry is a technique that allows the analysis, quantification, and separate cells or microparticles. In the specific case of probiotics, it can measure their vitality and efficiency, analyzing their metabolic activity, fermentation capacity, acidification potential, and oxygen absorption capacity.

The optimization and validation of the flow cytometry technique following the ICH recommendations provided the basis for applying the chemical-pharmaceutical rules.

So also, the count of probiotics allows the identification of viable and non-viable cells and includes additional information on their physiological state and metabolic activity, all with lower costs and reduced analysis time.

>> Laboratory of chemical-physical analysis:

It releases the lots in compliance with current regulations, guaranteeing their high quality. Here the raw materials, semi-finished and finished products are analyzed using modern and cutting-edge equipment (HPLC, IR, ICP-OES, Dissolution tester, Disaggregators).

In addition, it offers customers a service of development and validation of analytical methods, with the possibility of transferring methods - if required - into a proactive and personalized approach.

>> Microbiology Laboratory:

Designed and built-in compliance with the requirements of GMP standards, it is divided into different areas for different environmental classifications.

It conducts microbiological purity, cleaning, and counting analysis of lactic acid bacteria in producing probiotics.

The product innovation project in Biofarma Group stems from analyzing the scientific trends continuously monitored by the R&D function.

Once a series of trends and areas of interest have been selected, we proceed with the sharing with Global Sales and subsequently with the CEO to assess the needs of the market, verify the presence in the customer portfolio of interested parties in a proactive way and define the business model for their development.

As a result, projects can be fully developed by the Group, with investments of different sizes according to the level of scientific support needed (in vitro, in vivo, or clinical studies on humans) or by sharing the development project and costs with a customer-partner.

The latter can also directly commission the realization of a project conceived, enhancing the collaboration with the Group, recognized as a holder of high technical know-how, such as the ability to conduct clinical studies on finished products.

On the other hand, the process innovation project can be generated by an industrial need or a market need. In the first case, planning arises as a need to improve production efficiency with a view to continuous improvement.

Therefore, R&D must assess the existence on the market of new technologies or technologies already known but applicable in a new way in specific contexts.

Likewise, the concept of innovation can be transposed towards the identification of technologies used in other sectors but possibly able to respond to the needs of increasingly informed and demanding consumers.



Products in detail

BIOFARMA

Patents filed, and patents pending demonstrate the constant commitment of Biofarma to **creating products and solutions with highly innovative content**, leading the company to develop and implement meaningful technological solutions, including real national excellence.

Similarly, **trademarks and patents represent a strategic asset** for the company and contribute substantially to its **growth in value**.

BEST-IN-CLASS TECHNOLOGIES

MULTILAYER TABLETS

Technology for the oral administration of formulations with active ingredients or mixtures of active ingredients with diversified, prolonged, and controlled release in a single product, for greater effectiveness on the body.

MICROENCAPSULATION

Today, Biofarma is the first CDMO in Italy to use in the nutraceutical field. This innovative patented German technology, applicable to powders, capsules, and tablets, allows one to coat and protect an ingredient, keeping it active and stabilized until the moment chosen for release.

DRY-CAP & M-CAP

They are based on a unique two-phase packaging technology for enclosing and, simultaneously, separating in the same main pack the solid part of the product (powder) and the liquid part. This type of packaging is particularly suitable for probiotic products but also applies to vitamins, minerals, and other micronutrients.

T-WIN

The packaging system for powders, patented in Italy and awaiting international patent. A sachet composed of two chambers allows the packing of different but miscible powders to be kept separate until the intake.

ODT

Oral Disintegrated Tablet: it is a tablet in solid dosage that disintegrates in the mouth without water in about 30 seconds, ensuring greater convenience and compliance for a wide range of therapeutic indications and types of patients.

BOV

Bag On Valve: represents excellence in producing pressurized aerosols with liquefied or compressed gases. The product is contained in a bag, connected to the valve, and immersed in a propellant based on compressed air, neither chemical nor flammable, for maximum safety and without emissions harmful to the environment.

Collaboration projects with research institutions.

PROJECT TITLE	AMOUNT OF APPROPRIATION/ EXPENDITURE ALLOWED IN EURO	POSSIBLE PUBLIC GRANTOR AND REFERENCE LEGISLATION	POSSIBLE AMOUNT OF CONTRIBUTION GRANTED IN EURO
OraCle - New integrated approach for oral therapy of Crohn's disease	248.314,70	Region FVG POR-FESR az. 1.3. b	133.136,96
Project "HEaD HIGHER EDUCATION AND DEVELOPMENT" OPERAZIONE 2 UNIUD	20.382,00	Region FVG FSE 2014/2020	20.382,00

External institutes and research organizations with which the company collaborates or has collaborated in the last 5 years.

RESEARCH INSTITUTION	PROJECT REALIZED
1) University of Udine - Department of Agronomic Sciences	OraCle - New integrated approach for oral therapy of Crohn's disease
2) University of Trieste - Department of Life Sciences	OraCle - New integrated approach for oral therapy of Crohn's disease
3) University of Udine - Department of Medical Area	Effect of natural extracts in the prevention of cellular aging
4) San Matteo Hospital in Pavia	Clinical study pre-diabetes, hypertension, uricemia
5) IRCCS San Raffaele of Milan	Sleep-enhancing clinical trial
6) Federico II University of Naples	Study for oncological immunotherapy
7) ECSIN - research center dedicated to the sustainable development of nanotechnologies	In vitro study to identify prostatitis

In the last three years, some important research and development projects have been carried out in collaboration with companies (including start-ups) and universities in the area.

Furthermore, Biofarma has consistently supported research and cross-fertilization with the scientific and productive realities of the territory, sponsoring young researchers, Doctoral students, and interns for a mutual exchange of knowledge and skills.



Products in detail

NUTRILINEA

In recent years Biofarma Group has invested heavily in developing finished products supported by different levels of scientific evidence. In particular, in the Gallarate plant, Nutrilinea's operational headquarters, 8 clinical studies, 1 in vitro study, and 3 in vivo studies were conducted.

These analyses followed specific procedures to receive a solid validation corroborated by clinical trials for developing ITA patents or official publications.

PRODUCTS WITH CLINICAL STUDY

PRE-DIABETES: Glicoset

Single-layer tablet valuable formulation in the treatment of a healthy but borderline subject at risk of developing diabetes. The product is therefore positioned in the field of prevention and is patented according to the ITA indications

PRE-DIABETES: Reglicem

Formulation along the lines of Glucose, with the same purpose and method of study.

PRE-HYPERURICEMIA: Uricemin

A single-layer tablet is a valuable formulation in treating a healthy but borderline subject at risk of developing hyperuricemia, which determines an exponential increase in cardiovascular risk.

NAFLD: Epatrex

Multilayer tablet formulation with proven metabolic efficacy.

PRE-HYPERTENSION: Tensred Plus

Multilayer tablet formulation that reduces systolic and diastolic pressure.

PRE-DEPRESSION: SAMEUp

Double-layer **compressed** formulation to reduce **cortisol** levels (stress hormone) and a substance known for **mood modulation**.

SLEEP DISORDERS: Seredream

Multilayer tablet formulation that combines 3 different botanicals selected to improve mild sleep disorders, acting on sleep induction, decreased nocturnal awakenings, and sleep quality.

ERECTILE DYSFUNCTION: Seoxin

Multilayer tablet formulation that combines 3 different botanicals selected to improve erectile dysfunction. The product is positioned innovatively as a sort of muscle training to train the smooth muscles involved in the erection phase. The product is **for** prevention but can also be used as an **adjunct to** standard **pharmacotherapy**.

Studies conducted by type:

IN VITRO STUDIES

BACTERIAL PROSTATITIS

An in vitro study was conducted on prostate cells to **assess** the effectiveness of a mixture of active ingredients in **treating** the inflammatory condition in bacterial **prostatitis**.

IN VIVO STUDIES

DIVERTICULOSIS

A study was conducted in mice to **prove** the **efficacy** of a mixture of active ingredients in the treatment of diverticulosis.

PRE-DIABETES

A study on mice was necessary to demonstrate the synergistic effect of the product in support of the patent application.

ERECTILE DYSFUNCTION

Required a study in mice to demonstrate the synergistic effect of the product in support of the patent application.

IMPACT ON ANIMAL WELFARE

During the development phase of a project, it may be necessary to carry out a part of preclinical tests that involve the involvement of laboratory animals, mice, or rats.

These studies are always carried out by specialized laboratories/universities equipped with stables and personnel able to guarantee animal welfare as per current legislation (Legislative Decree 26/2014, on the protection of animals to be used for scientific purposes).

THE DEVELOPMENT OF SOLID LINES

The Group's commitment to creating products with less environmental impact and high performance has been publicly recognized by a specific insert published in 2021 in "Applied Research."

Biofarma has, in fact, an active role in solid cosmetics through the development and production of high-performance cosmetics for the face, hair, and body, united by sustainable packaging, whose use has multiple advantages.

The group's choices are gratifying to produce products with low water content, integrating an approach designed to enhance aspects of everyday life in the psychological, relational, and physiological fields.

Biofarma's R&D laboratories have developed a complete line of toothpaste and mouthwashes in tablets to combine sustainability and health.

The supply chain

The Group works with selected and often recurring suppliers to **create a structured and reliable supply chain, resilient and stable** in operations concerning specific and stringent regulatory aspects. The goal is to manage in a correct and streamlined way the supply of raw materials, the mitigation of qualitative risks, and currency risk.

The group uses foreign suppliers, particularly for supplying raw materials, packaging, logistics and warehouse services, temporary services, and operating as much as possible at the European level.



The procurement strategy of Biofarma raw materials currently ranges from the Asian continent to the American one, depending on the product development needs.

For this reason, the Group is evaluating projects to make systematic a timely mapping of the supply chain.

It should be noted that, with the structuring of the Biofarma Group, the management is focused on the qualitative and economic standardization of external supply relationships to maximize the financial benefits and maintain the high

quality and punctuality of deliveries.

On the other hand, to avoid dangerous dynamics of dependence on third parties, a strategy has been imposed to define a supplier classifiable as “main” for each area while maintaining two alternatives that can be used in case of need.

The Purchase Request is managed by the appropriate function for direct and indirect dynamics, with an insertion on the management system that traces the respectability of the constraints and allows price and reliability evaluations.

Concerning packaging, the Group is engaged in projects that have tried to raise awareness throughout the supply chain to prefer purchases in the Italian territory.

In this way, “made in Italy” products are enhanced, especially for services that can meet virtuous territorial realities.

NEW SUPPLIERS OF BIOFARMA GROUP	2021	2020	2019
Total number of new suppliers	11	14	12

Considering the difficult time with the spread of the COVID-19 virus worldwide, Biofarma Group implemented specific policies in 2021.

In addition to the obligations provided for by the anti-covid legislation, for managing relationships and activities along the supply chain, such as warehouse loading/unloading management policies to minimize the movements of external drivers inside the plant.

Our customers

REGIONS

The services of the Biofarma Group have a worldwide distribution, with relationships and supply relationships in more than 40 countries.

TYPES OF CUSTOMERS

The group's CDMO nature focuses its customer base on multinationals and companies distributing products and services in the Health Care world.

The choice of subcontracting response to a highly specialized strategic focus: the developed business model has allowed the Group to take a global approach to market innovation, product, and customer service needs.

This has allowed us to take care of the process at 360 degrees, from research and development to product design, industrialization, production, regulatory and quality and certification standards, to packaging and logistics.

A complete service, therefore, is pursued with a focus on marketing intelligence and the anticipation of market trends, as well as through the study and development of products with a high scientific value that has opened the doors to dialogue with leading companies in the healthcare sector: a strategy that has allowed to direct operations on large customers, signing partnerships with medium-long term horizons.

Biofarma has also decided to present itself on the market as a reference CDMO for all companies that wish to rely on external service providers to produce their Research

& Development (R&D) pipeline and product portfolio.

In terms of marketing transparency, this choice forced the group to strengthen specific ways of managing relations with partners:

Innovation Meeting with the customer, aimed at sharing therapeutic macro-trends and hypotheses for developing innovative products. Innovation Meetings are opportunities to exchange information with the customer and to propose new projects based on briefings and co-development;

Implementation of technical data sheets to provide scientific information to support the products developed;

Realization of market analysis aimed at offering a reference framework on the evolution of therapeutic targets and their incidence at a global level;

Develop new projects in the nutraceutical field with a high scientific and innovation content, invest in research and development, and consolidate leadership in the CDMO sector at a global level.

The future of Biofarma passes through these strategic assets, which see the partner-customer centrally located.

Currently, there are Business Review processes promoted by the most structured partners that aim to verify and periodically validate the compliance of the Group's products and procedures with the required standards.

Soon, implementing a Customer Satisfaction analysis service is planned to highlight all the opportunities for improvement with a view to continuous improvement.

The recent establishment of a Group CRM platform will make managing investigations automatically possible, really understanding the satisfaction of the partners, the areas of improvement, which team meets the expected service requirements, and which internal procedures are instead to be optimized and improved, allowing to have a complete analysis of the customer, his preferences on the product or service provided and on the overall degree of his satisfaction.

By continually comparing with key clients, the Group is not only looking to adopt best practices in terms of ESG implementation but also **promoting a short supply chain with shared values based on the enhancement of "made in Italy,"** proposing itself as a player of interaction and anticipator of trends.





CHAPTER 5

The people: tangible assets and active involvement

- 5.0** Performance indicators 2021
- 5.1** The team
- 5.2** Training and skills development
- 5.3** The well-being of people
- 5.4** Our contribution to the community



Performance indicators 2021

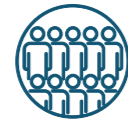
829
employees



*The quantitative information provided in this section shows the details of the data that it was possible to process in an aggregate group manner.

The collection allows complete and detailed communication, particularly for the reference year, and the indicators are robust and significant to the Group's situation.

11
interns



6000+
hours of training



93
new employees



8 anni
average length of service



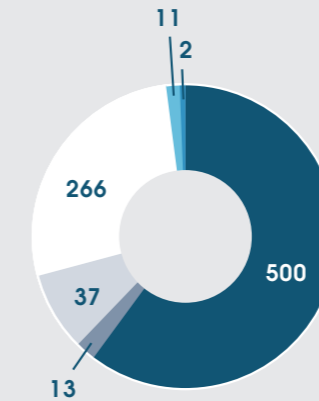
26%
turnover rate



58%
female employees

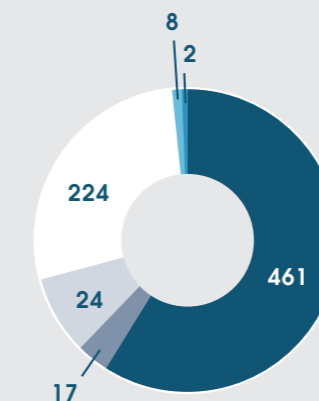


Total employees (as of 31/12/2021): 829



- Permanent employees
- Fixed-term employees
- Permanent staff
- Temps
- Interns
- Collaborators

Total employees (as of 31/12/2020): 736



- Permanent employees
- Fixed-term employees
- Permanent staff
- Temps
- Interns
- Collaborators

The team

Biofarma's objective is to become an increasingly "people-centered" company in which well-being is conceived as a holistic concept, respecting the worker's life in the round, both inside and outside the company walls.

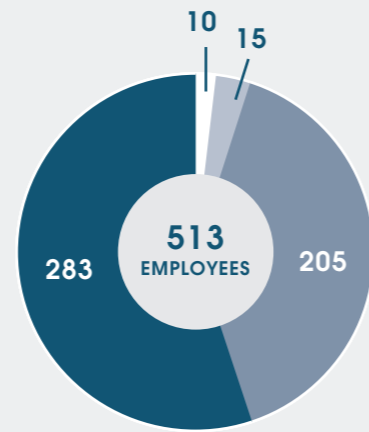
It is no coincidence that the total core of employees has increased over the years, carrying out growth in economic terms and recognition of the Group's commitment to making the work experience healthy and satisfying.

The turnover rate stands at 26.3%, an increase compared to 2020 (18.6%) considering the staff who have interrupted or terminated their employment relationship (50) and the large number of new hires that have seen 85 new resources enter the team.

The same increasing average seniority, from 6 to 8 years in 2021, denotes greater loyalty and growing attractiveness of the Group towards new talents, increasingly technical and specialized individuals.

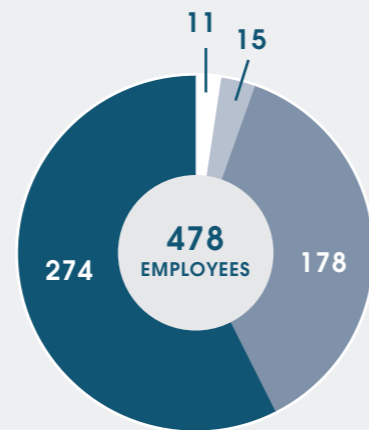
In a national and international context where there are still gender stereotypes and limitations on access to work for women, Biofarma focuses on professionalism and equality, respect for equal opportunities, and meritocratic discrimination in the choice and growth of its collaborators.

Employees 2021



The data entered refer to the year ended on 31/12/2021

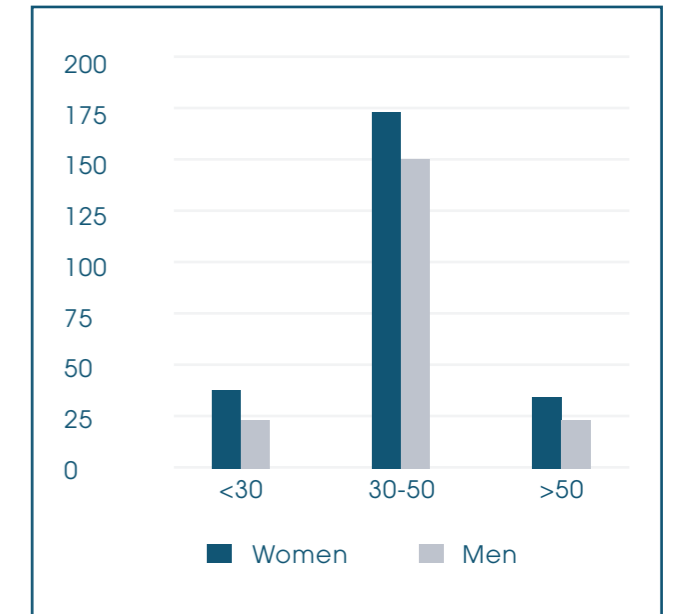
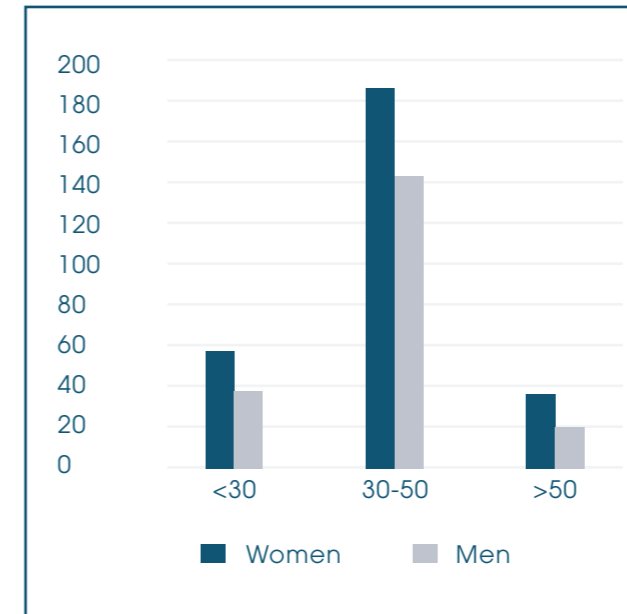
Employees 2020



The data entered refer to the year ended on 31/12/2020

- Executives
- Managers
- Office clerks
- Workers

The Group can have, in this way, a balanced **gender balance** that, net of the considerations above, manages to reward the employment of female figures.



PERMANENT AND FIXED-TERM STAFF, BY AGE AND GENDER

Age range	2021			2020		
	Women	Men	Tot	Women	Men	Tot
Under 30	59	41	100	46	28	74
Between 30 and 50	194	151	345	178	156	334
Over 50	42	26	68	42	28	70
TOT	295	218	513	266	212	478

Female presence - 2021		Female presence - 2020	
Under 30	59%	Under 30	62%
Between 30 and 50	56%	Between 30 and 50	53%
Over 50	62%	Over 50	60%
TOT	58%	TOT	56%

The same approach is based on the Group's decision to increase female staff even in top positions, in which, to date, there are no female quotas, particularly in the management core.

TYPE OF EMPLOYEES ON THE TOTAL

	WOMEN	MEN
Executives	0%	100%
Managers	20%	80%
Office clerks	67%	33%
Workers	54%	46%
Total	58%	42%

The CCNL agreements cover the total number of employees, in particular 55% by the CCNL Industria Chimica (Mereto di Tomba pole) and 45% by the CCNL Chimica PMI (Gallarate, Cusano Milanino, and San Pietro Vinimario hubs).

This difference is, however, reduced by the predisposed organizations, which try to align as far as possible the facilities referring to both types of contracts, planning and unifying the entire staff under a single CCNA.

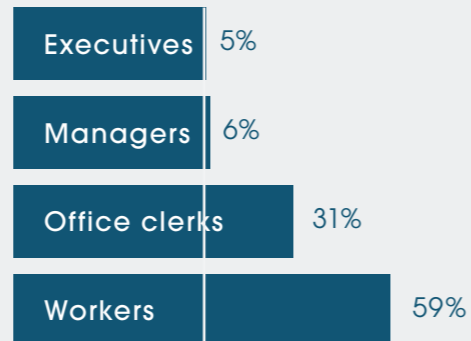
PERCENTAGE OF EMPLOYEES ON THE TOTAL

SITE	%
Mereto di Tomba	55,2%
Gallarate	27,3%
Cusano Milanino	9,5%
San Pietro Viminario	8,0%

EMPLOYEES BY TYPE (2021)



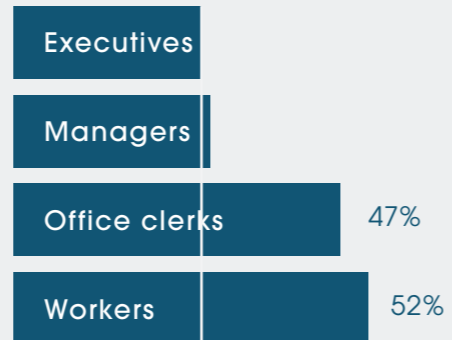
MEN



EMPLOYEES BY TYPE (2021)



WOMEN



The value of people

Biofarma focuses on professionalism and equality, respect for equal opportunities, and meritocratic discrimination in the choice and growth of its collaborators.



Training and skills development

The method of managing human resources, including the Group's practices and procedures, underwent a restructuring in 2021, aiming at a precise and inclusive formalization and integration for all the Group's souls.

A system for selecting personnel based on the identification of hard and soft skills outlined as "Biofarma Skills" has been introduced.



A second step was implementing a performance system to measure the achievement of objectives in terms of mode and quality (What & How) has allowed keeping track of critical issues and improvements, defining specific KPIs distinguished by function and role. To this end, a plan for developing managerial skills has been launched for the resources that cover roles of responsibility.

The individual's reward system is balanced, intersecting perfectly with the collective results: the salary review processes and the recognition of MBO are based on the achievement of specific company performances, enhancing the individual's commitment to achieving the Group's objectives to share values and *modus operandi*.

Biofarma is firmly convinced that training plays a central role in the development of a cohesive business reality based on the achievement of specific goals, in particular for:

01.

Maintaining the requirements of the regulations on safety and quality;

02.

Acquiring skills in a highly specialized sector, the catalyst of hard skills difficult to find;

03.

To remedy any skills gaps to make reality as homogeneous as possible and ready for the challenges of internationalization.

Within the same HR team, it was decided to include a specialized figure dedicated to formalizing a "Learning & Development" path for all employees.

This project involves units for classroom training inside and outside the company, training on e-learning platforms, webinars, and specific coaching paths, for a total of over 6000 hours of guaranteed training.

In addition, the verification of learning and the effectiveness of training courses is supported by an evident and constant improvement in performance.

The well-being of people

The nature of the Group and the vocation towards creating an adequate and safe working space for employees focuses on the theme of health and prevention, in line with the company's mission and vision.

This is reflected in creating safe and comfortable work environments and in projects designed to promote culture and health protection with targeted initiatives.

For a future project, for example, the possibility for workers to use specific nutritional advice or participate in conferences on related topics is being evaluated.

In this respect, procedures and behavior linked to the theme of work-life balance have been formalized, conceptualized in the greater flexibility at the entry and exit of the employee in the workplace, time and presence.

Smart working is monitored effectively and allowed, within the limits of company indications, to better organize employees' daily lives and operational management.

In addition, a welfare system with flexible benefits, modular services, and solutions in line with different age groups and needs has

been born in recent years.

Therefore, we do not take care of the worker only in compliance with legal obligations.

Still, we invest resources so that the staff is followed at 360 degrees and managed with ethics devoted to the sustainability of the work and respect for the person.

Thus, protecting health and safety at work becomes a basic concrete condition for continuity and activity with a view to its continuous improvement.

Good health and safety practices can also boast the supervision of an external company that provides services through consultants, with a continuous contract for integrated and shared management at the various plants.

Monitoring in this sense is ongoing, with periodic inspections, checks, and ordinary and extraordinary meetings in the presence of the delegated DDL, to discuss the plan and any news or critical issues that emerged from the various meetings or on the recommendation of the Workers' Representative for Safety.

To identify and evaluate the risks related to work and to apply the hierarchy of controls in order to eliminate and / or minimize the risks, a communication channel has been formalized between the persons in charge, production manager, DDL (Employer), quality manager and RSPP (Head of the Prevention and Protection Service), even when external, to allow the information always to reach its

destination and to be managed in a short time.

The goal is to define specific KPIs to have monthly monitoring linked, for example, to the number of accidents, the days since the last accident, or the number of people trained in this regard.

This way, it will be possible to build a tracking system for dangerous situations, from reporting to closing any corrective actions.

The Risk Assessment Document (DVR) is also revised in less than a year, on the occasion of changes in the production process or work organization, following significant accidents, or when the results of health surveillance highlight the need.

The results obtained from the risk assessment are presented to the safety figures for any comments, checks, changes, and subsequent subscription, as well as the application of PPE (Protective Devices) for the planning and implementation of the update of the prevention measures and any corrective actions.

In case of actual reporting, the persons in charge promptly inform the production manager who interfaces with DDL and RSPP, immediately stopping – where necessary – the operation and securing all the employees involved.

Depending on the severity, an amendment process is undertaken with the employee, who can still send advice, complaints, and communications through the Workers' Safety Representative (RLS).

Furthermore, during the periodic inspections, the RSPP conducts interviews with the persons in charge and the production manager to be aware of the accident situation, the safety measures adopted, improve the PPE, and reduce any stress due to the inadequacy of the same.

These processes aimed at facilitating the participation of workers and their consultation in the development, implementation, and evaluation of the occupational health and safety management system, allow the creation of a sensitive and inclusive interface so that people are at ease in the department and safe in the use of PPE and machinery.

This system has made it possible to have an accident rate at work of 16×10^{-6} (16 injuries per million hours worked), net of the absence of accidents classified as severe. In addition, the severity index for 2021 was 0.13 and the average duration of injuries stood at 8.21 days.

For any other matter and always in a preventive perspective, access to occupational health services is total, with the preparation of periodic visits by the attending physician in addition to the availability throughout the year to schedule further visits and to deepen problems (postural discomfort, acute physical problems or other) related to dynamics or accidents in the workplace.

IMPROVEMENT PLAN - SHORT TERM ACTIONS

- Integration of substance management procedures by operators;
- Operational maintenance of the Workers' Safety and Health Management System;
- Continuous updating of safety training for all departments (e.g., packaging, production, warehouses, maintenance, printing, and purifier, ...);
- Updating the fire prevention practice (SCIA);
- Inspections on departments, laboratories, offices, and warehouses together with DS and Quality for the management of critical issues encountered on site;
- Training in the use of PPE in the light of regulatory changes;
- Conclusion of the planned safety improvements and closing of the machinery risk assessment;
- Update stress risk assessment - work-related;
- Updating the MMC assessment with the integration of Biofarma 2 and related risk training for all operators;
- Introduction of signs prohibiting access to emergency routes between the aisles of the Biofarma 2 warehouse;
- Purchase pump for loading in the machine of MP silicones in liquid production

IMPROVEMENT PLAN - LONG TERM ACTIONS

- For temporary displacements, safety training for the use of machines;
- Training those in charge of IT 001(PGS_003) «training and security»;
- Improvement of the tracking recording of the «Enabling machine use» training;
- Computerized management of PPE;
- Increase in dust collection of the packaging departments of supplements;
- Study for the installation and implementation of collaborative robots on packaging lines for the reduction of repetitive movements;
- Delimitation and identification of waste and consumables storage areas;
- Reduction of the risk of falling from above by the mixers;
- Protection of uprights in the Biofarma 2 warehouse for catenaries and new shelves;
- Fire extinguisher cover in Biofarma 1 warehouse;
- Purchase of load reset for lifting loads in Production Departments.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The involvement of the Group's staff in total, with a system, audited and certified by independent third parties.

Thanks to the Health, Safety & Environment (HSE) office for the organization and monitoring of risk assessment, a functional hierarchy of controls is applied and aimed at reducing impacts.

The results of these evaluations are analyzed to determine the best prevention and protection actions taken.

During the periodic meetings, in compliance with Article 35 of the ISO, the improvement plan is discussed, and the main results are exposed.

The risk assessment follows the deadlines set by the legislation and is updated to any substantial changes in the organization and activities carried out in the company.

In this case, the procedure adopted meets the POS_202 (Missions for inspection activities: reporting, expense control and accounting management).

In case of dangerous situations and the presence of hazards on the job, workers may report such conditions to the persons in charge of the department to which they belong.

The responsible persons, in turn, fill in the relevant forms and give them to the HSE office. In the DVR and the operating instructions, on the other hand, the prevention and protection methods helpful in managing any residual risk situations for specific cases are specified.

To make communication streamlined and clear, the procedure that manages the communication and consultation of all staff has been drawn up (POS_204 - Employee Attendance Detection). All workers' involvement occurs through the Mynet company application dedicated to communication.

Concerning accident management, the document "Accident Management

Procedure for the reporting of near misses", edited by the Actuarial Statistical Consultancy, the Contarp, and the Department of Medicine, Epidemiology, Occupational and Environmental Hygiene of Inail, consistent with the indication of the Near miss and occupational diseases (POS_201).

In addition, twice a month, a team of people involving the company management, the HSE office, the Quality office, the maintenance office, and a member of the RSU, inspect a specific area of the plant (each time different) where they meet the referent of the area and verify the status of the same.

This activity is managed as a Factory Tour.

Our contribution to the community

Biofarma's commitment to the community has always been proactive, and the engine of every initiative implemented and proposed planning.



Over the last period, this bond has been even stronger thanks to the group's natural attitude toward seeking solutions for improving collective health and preventing diseases.

For this reason, increasingly challenging and innovative projects have been carried out to set up the growth necessary for overcoming periods of crisis and their prevention.

These include the launch of a new reagent liquid that allows COVID-19 buffer samples to be transported and stored longer, minimizing environmental variations in the analysis material.

Unlike conventional swabs, the new reagent fixes and preserves the RNA of the virus and makes it inactive.

This allows healthcare professionals to conduct the analyses safely and to be able to carry them out even after a few days or to repeat them without affecting the storage of the sample or the result.

In addition, studies have shown that the reagent, when applied to salivary swabs, increases the clinical sensitivity of the test by 10% compared to pharyngeal nose swabs.

The research project was born in collaboration with the Hospital of Udine, when the need to find reagents and materials for the diagnosis of Covid-19 appeared very critical.

In turn, the Friuli-Venezia Giulia Region immediately showed great interest in the project, evaluating forms of collaboration to allow the product testing phase to take place with the utmost accuracy and speed.



"The project was not born with a commercial intent. On the contrary, it was the attention to the needs of the area that prompted us to take this new path of research and to make our wealth of know-how and experience available to the Region" - **comments Germano Scarpa, President of Biofarma Group.**

"Our Group is strongly rooted in this region and the Research and Development division can count on collaboration with research centers, universities and start-ups at a regional, national and international level.

The collaboration with the Udine Hospital, therefore, was natural and brought the various skills into a system, leading to this result that can facilitate the work of microbiological investigation of the laboratories which, in this emergency period, are under a lot of pressure."

MADAGASCAR PROJECT

The Biofarma Group has supported the Madagascar Project since 2016, aiming to produce medicines and provide health care to ensure the correct health treatment and survival of children and native families.

This was achieved through the creation of the Galenic Laboratory of Hospitaly Vezo in Andavadoaka, Madagascar, the result of Michele Sari's courage, a young pharmacist who, in 2015, left for the island from Villesse, in the province of Gorizia.

The Group's contribution has made it possible to build a Galenic Laboratory for the on-site production of medicines to treat problems arising from poor hygienic-sanitary conditions and the lack of clean water.

In this way, Biofarma has participated in the great machine of sustainable development that not only creates a network between countries but allows the dissemination of technologies and practices to be catalysts and growth drivers.

From 2016 to today, the support of Biofarma has made it possible to achieve significant results: the hospital assists 125 patients and manages 5 surgeries on average per day.

It was decided to expand the project's scope, supporting the training of medical and nursing staff and starting a campaign for preventive intervention against child malnutrition.



It is a project aimed at creating and distributing helpful care to give a smile and a better life expectancy to local children and families, as well as an example of great courage and love.



CHAPTER 6

Commitment to the environment: harmonious integration and efficient management

- 6.0** Performance indicators 2021
- 6.1** Energy consumption
- 6.2** Water consumption
- 6.3** Waste
- 6.4** Environmental virtuosity of the Mereto hub

Performance indicators 2021

826 KWp

photovoltaic power installed

55% of energy

of the Mereto site is self-produced through cogeneration

3,3% contraction

on consumption per unit of value produced

96%

of waste is non-hazardous

The focus on environmental sustainability passes through an integrated approach, able to consider and intervene in the different areas of impact of the company's activity.

The policies undertaken over the years by the Group, therefore, aim at pursuing a twofold objective: reducing the impact deriving from its operating activities and reducing, at the same time, operating costs.

Interventions

of **revamping** in the various locations

These policies are implemented through initiatives concretely set in the business context, which see the direct involvement of staff at the forefront.

Specifically, it is the strategic will of the management to invest in training and communication campaigns aimed at its employees to ensure the adoption of correct and straightforward management practices, such as turning off the lights or machinery during the inactivity phases.

However, the involvement of its people must be accompanied by policies and concrete interventions that can contribute significantly to the objectives set.

The direction given by the management has given substance to these requests through numerous interventions that have involved the main areas of impact of the company: control of energy resources, water consumption, and waste production.

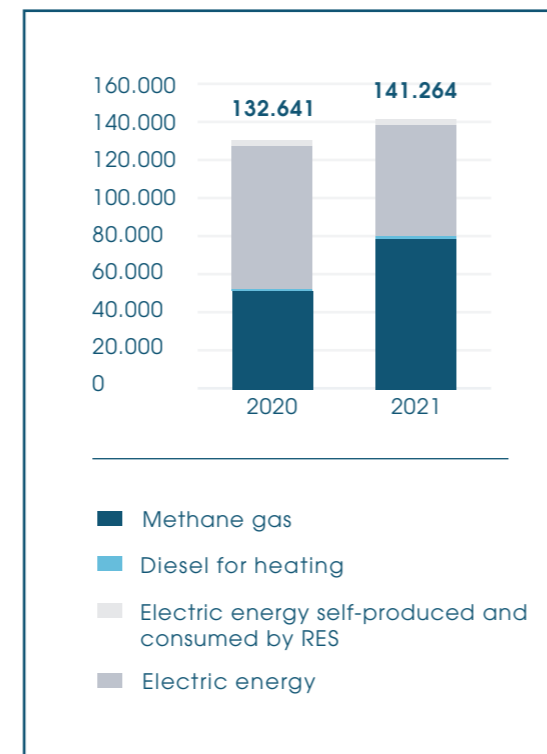


Energy consumption

The priority area of intervention is logically the correct **management of energy, able to generate significant repercussions** from the economic and managerial point of view on the **realities of the chemical-pharmaceutical sector** such as Biofarma.

Through the data collection system implemented by the Group, it was possible to report on the data relating only to the energy consumption of the plants in aggregate form for the two years 2020-2021.

Energy consumption Biofarma plants 2020-2021



For 2021, the **4 locations** analyzed (Mereto, Cusano Milanino, Gallarate, San Pietro Vinimario) show **consumption of 141,264 GJ**. As shown in the graph above, in the period monitored, this consumption grew slightly (**6.5% compared to the previous year**).

Specifically, the most significant increases refer to moderate **growth in natural gas (+9.21%)**, adding an even more contained increase in **electricity consumption (+3.72%)**. Of diametrically opposite sign is the **consumption of diesel used for heating** (the prerogative of the Cusano Milanino headquarters), which instead **recorded a -8%**.

This consumption growth is consistent with the increase in the Group's production and the consequent increase in turnover, both of which profile Biofarma as a reality in constant development.

Concerning the contribution by source, according to 2021 data, there is a clear predominance of natural gas consumption, which covers 56% of energy needs, followed by electricity which, with 40%, represents the second primary energy source used in Biofarma's current energy mix.

The fuel consumption of the company's fleet: hybrid, petrol, and diesel vehicles, does not see data processing in aggregate form, given data that is not easy to monitor for a constantly evolving fleet.

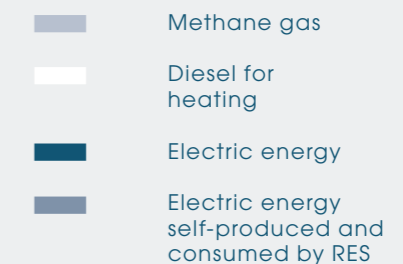
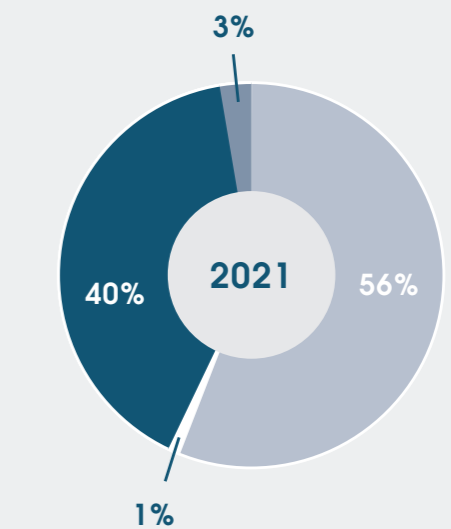
It should be emphasized that these consumptions are, as will be deepened for the Mereto plant, not very significant on the overall figure.

Finally, compared to previous years, no significant changes are observed in the company's energy mix and for this reason, only the data relating to the year 2021 are reported below.

The various locations within the reporting perimeter have been the subject of significant interventions in terms of energy efficiency: the Cusano Milanino plant, for example, in recent years, has seen a radical replacement of the lighting fixtures, previously made up of neon lamps, with new LED systems.

In addition to efficiency measures, the investments made on the supply front should be highlighted, aimed at diversifying the sources used to meet their energy needs to increase the share deriving from renewable sources.

Energy consumption by source



New projects in this sense will involve the San Pietro Viminario plant, which already can boast a small 24.3 kWp photovoltaic system installed in 2018, not yet sufficient for the satisfaction of the energy needs of the headquarters.



THE CAR FLEET

The cars available to the Group have a composition in 2021 purely hybrid or Mild Hybrid, that is, with a petrol or diesel thermal engine and a small electric motor with recharging in recovery, without the need to be connected to the grid.

The park is brought within the limits of the perimeter of the budget to ensure completeness. Equivalent to 10 units, with an increase of the park by 2022 of 11 other units.

MODEL	PLANT	FUEL	CO ² vehicle emissions g/km
Tesla X Long	Mereto	ELECTRIC	0,0
BMW 318D	Cusano Milanino	LIGHT HYBRID DIESEL FUEL	127,0
Audi A4 Avant	Gallarate	LIGHT HYBRID DIESEL FUEL	128,0
Audi A4 Avant	Mereto	LIGHT HYBRID DIESEL FUEL	128,0
Audi A4 Avant	Mereto	LIGHT HYBRID DIESEL FUEL	129,0
Audi A4 Avant	Mereto	LIGHT HYBRID DIESEL FUEL	128,0
Audi A4 Avant	Monselice	LIGHT HYBRID DIESEL FUEL	128,0
Audi A6 Avant	Mereto	LIGHT HYBRID DIESEL FUEL	151,0
Bmw X4 xdrive 20d	Gallarate	LIGHT HYBRID DIESEL FUEL	125,0
Volvo V60	Gallarate	DIESEL	120,0

Water consumption

Concerning water consumption, the data collection system does not allow to date to have precise data for each of the plants in the perimeter.

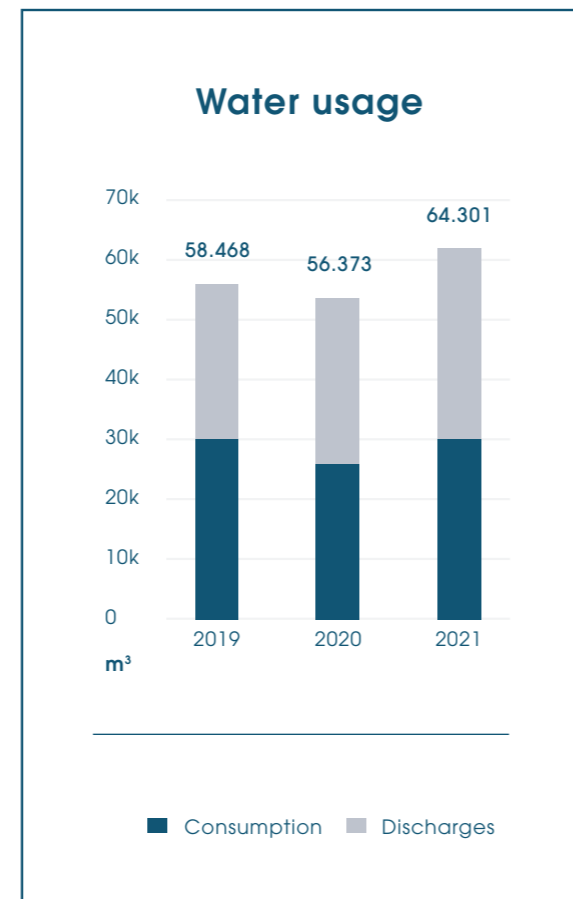
Specifically, given the difficulty in finding information on the water discharges of the Cusano Milanino and San Pietro Viminario plants, some hires were made to produce an output that is the most detailed and all-encompassing possible: for these sites, it was assumed that the quantities discharged into the sewer were similar, in percentage terms, to what was recorded in the Mereto plant which today is characterized by more extensive coverage of environmental data.

As for the Gallarate plant, however, considering that the water taken is mainly used for washing operations and leaves the plant as waste, following verification and collection of information, the discharges were considered equal to 0.

As explained in the graph on the right, based on the assumptions made, **in 2021, water withdrawals have significantly increased compared to what was recorded in the previous year (+14% vs. 2020).**

This increase is due to the slight contraction in production recorded in 2020, when the withdrawals amounted to 56,373 cubic meters, recording -3.6% compared to the previous year.

The water comes solely from the aqueduct



for all the group's plants. It is discharged into the sewage system in full compliance with the minimum standards laid down by current legislation (Legislative Decree 152/2006).

For the Cusano Milanino plant and the Gallarate plant, the washing water in the production departments, packaging, and those coming from granulation activities are collected and sent to disposal through tankers under the monitoring of specialized companies.

Waste

The commitment made by the Group, in full respect of the hierarchy of waste management, as outlined by the European Framework Directive¹, is expressed through the adoption of specific initiatives aimed at reducing upstream as much waste as possible.

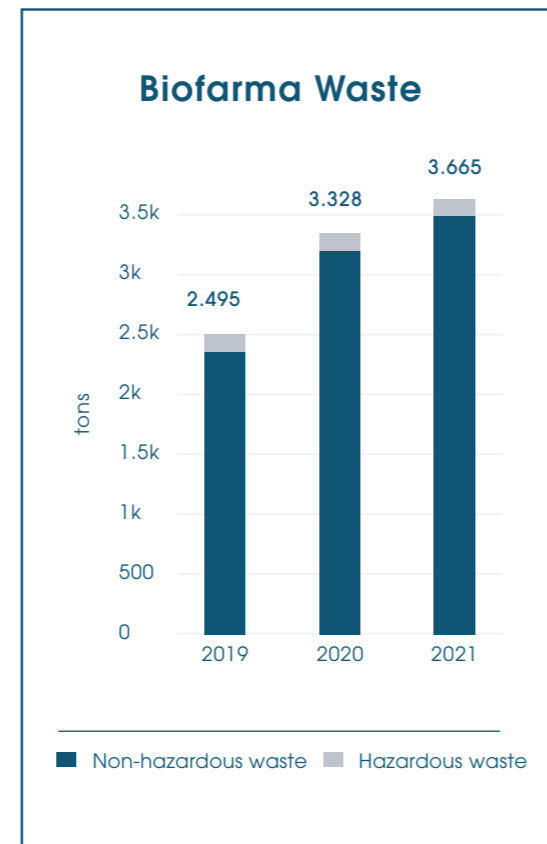
This process requires the careful involvement of its staff, appropriately sensitized for the correct management of the materials used and those generated by the procedures.

According to the regulations, all the waste produced by the group's plants is managed using external companies authorized to treat the quantities and the types of waste generated. Furthermore, each company entrusted with the task of organizing transport and giving the waste is subject to accurate assessments to verify the requirements for the treatment of materials withdrawn.

The processes within the factories, also under their nature, necessarily imply the release of significant quantities of waste materials.

In 2021 these quantities were around 3665 tonnes.

¹Directive 2008/98/EC



* figures rounded up by excess

However, they are composed mainly of non-hazardous waste, which accounts for 96% of the total waste. This shows a substantial confirmation of what can be observed for the other reporting years.

38% of non-hazardous waste is to be disposed of. In contrast, the remaining 62% is directed to recovery activities: almost all this share is allocated to preparatory activities for reuse (classified as R13), and only a tiny part, about 1%, directly to recycling operations.

A similar argument can be made for hazardous wastes, 97% of which are appropriately managed and aimed at preliminary recovery operations (R13).

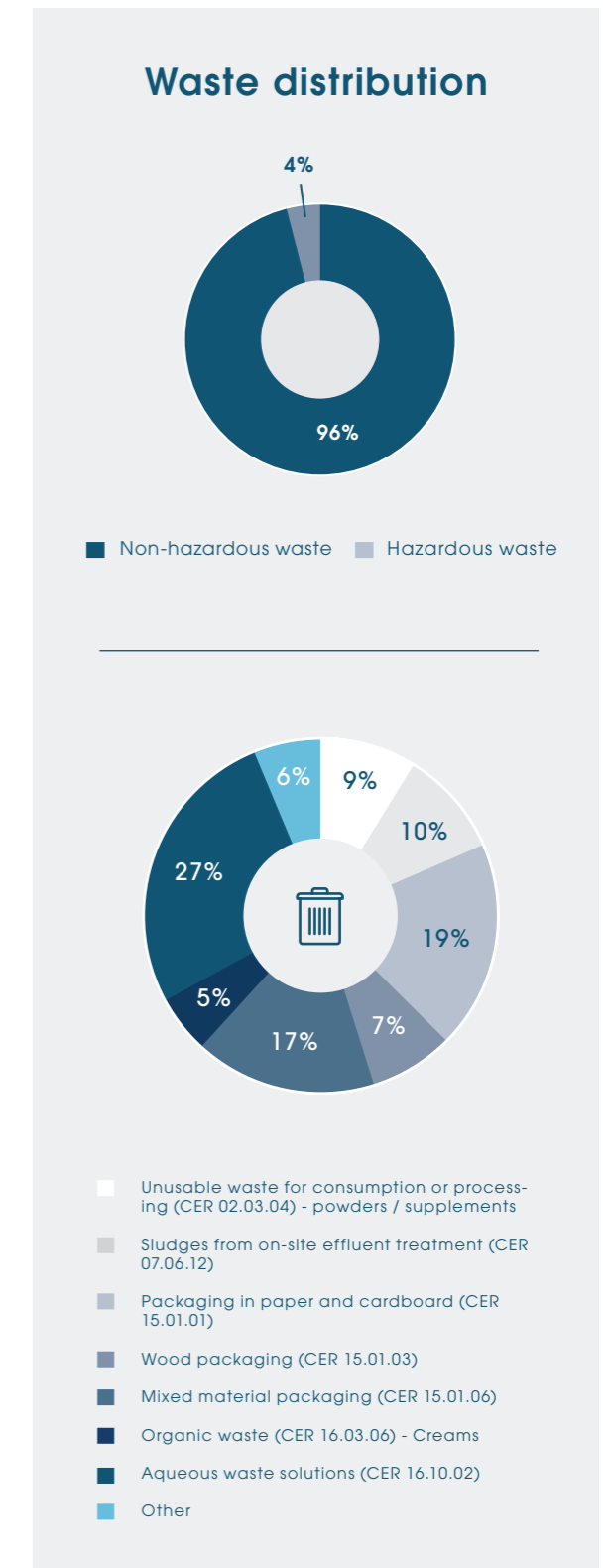
The waste generated is mainly related to washing, granulation, and water treatment activities (CER 16.10.02). They represent, for 2021, 27% of the total waste produced at the group level. Water is involved in numerous washing activities in the equipment and containers used to produce semi-finished products. These waters are processed in some plants, like San Pietro Vinimario, primarily through purifiers present in the sites. The resulting sludge, deriving from the activities above (CER 07.06.12), accounts for 10% of the total waste generated by Biofarma.

The use of numerous quantities of packaging, both for the transport of raw materials and for the packaging of finished products, contributes significantly to the generation of waste. These include mainly paper packaging (CER 15.01.01) and mixed materials (15.01.06): they represent, for the year 2021, respectively 19% and 17% of the total waste generated by the four plants in the Group. Finally, wooden packaging is relevant (CER 15.01.03).

Other sources of waste derive directly or indirectly from the processing and production of finished products. At the level of the individual plant, the type and the different stages of the process that are specifically carried out within each site are inevitably reflected.

Qualifying mainly as powders deriving from the processing and processing of preparations made in the plants (CER 02.03.04) or waste in the form of creams (CER 16.03.06), these categories considered together represent 14% of the waste produced in 2021.

Finally, to the waste produced deriving from the industrial process is added a minority fraction (6% of the total) composed of waste of various kinds arising, for example, from regular maintenance activities and operations carried out in laboratories for quality control.



Environmental focus on the Mereto site

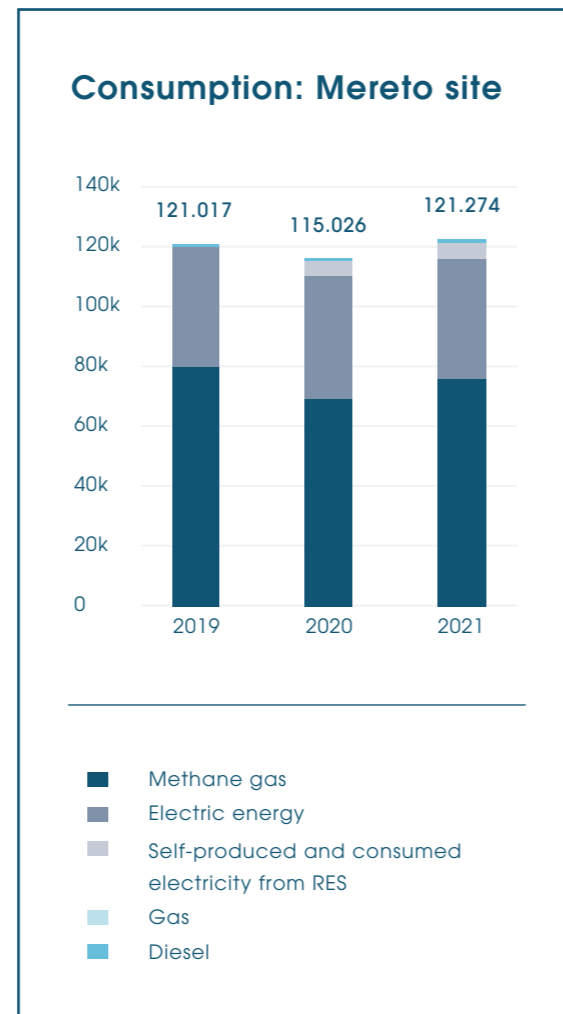
The Biofarma Group plant and **Head Quarter in Mereto** is the flagship of the Gruppo plants. It consists of over 420 m³ of PEFC-certified wood; it has been built based on the best sustainable construction standards.

The lesson that guided the creation of its **Head Quarter** lies in developing a natural balance with the landscape, respect for the territories, and the correct and efficient management of resources.

ENERGY CONSUMPTION

The plant located in Mereto is the most significant contributor to the world's energy consumption, being responsible for more than 85% of the same.

Precisely under this condition, what has been observed at the aggregate level, is directly linked to



the consumption trend found in Mereto: specifically in 2021, following a slight contraction (-5%) recorded in the period 2019-2020, probably dictated by the the pandemic situation, the values returned to 2019 levels, standing at 121,274 GJ.

Analyzing the normalized data for the value of production, which can best be used for an analysis of the plant's environmental performance, in the face of a significant increase in production values, consumption

per unit of value produced recorded a contraction of 3.3%.

As will be discussed later for other environmental performance indicators, this condition underlines a decoupling of energy consumption from the value generated by

production.

It should be noted that the degree of detail obtained for the data of this plant has allowed us to have a broad overview of energy consumption, going to include in full also the consumption of diesel and gasoline used for the company fleet.

The practices implemented at the group level for energy management are also fully implemented in the Mereto hub, among which the most significant can be summarized as follows:

01.
Adoption of twilight sensors for the definition of the switching on and off of lights not directly involved in production and packaging activities (bathrooms, lights outside the plant, warehouse, etc.);

02.
Replacement and purchase of production lines of high-efficiency machinery;

03.
Careful planning of plants and machinery to ensure their correct functioning;

04.
Real-time monitoring of machinery consumption through dedicated software for the identification of malfunctions and inefficiencies;

05.
Planned periodic cleaning for photovoltaic systems to ensure their correct operation and maintain high production yields.

ENERGY MANAGEMENT

The initiatives set out above, and the information collected thanks to the monitoring systems adopted are evaluated during the periodic meetings of the management, which commissions careful analysis of energy consumption and self-production.

The goal lies in identifying critical issues, possible solutions, and opportunities for further energy performance improvement.

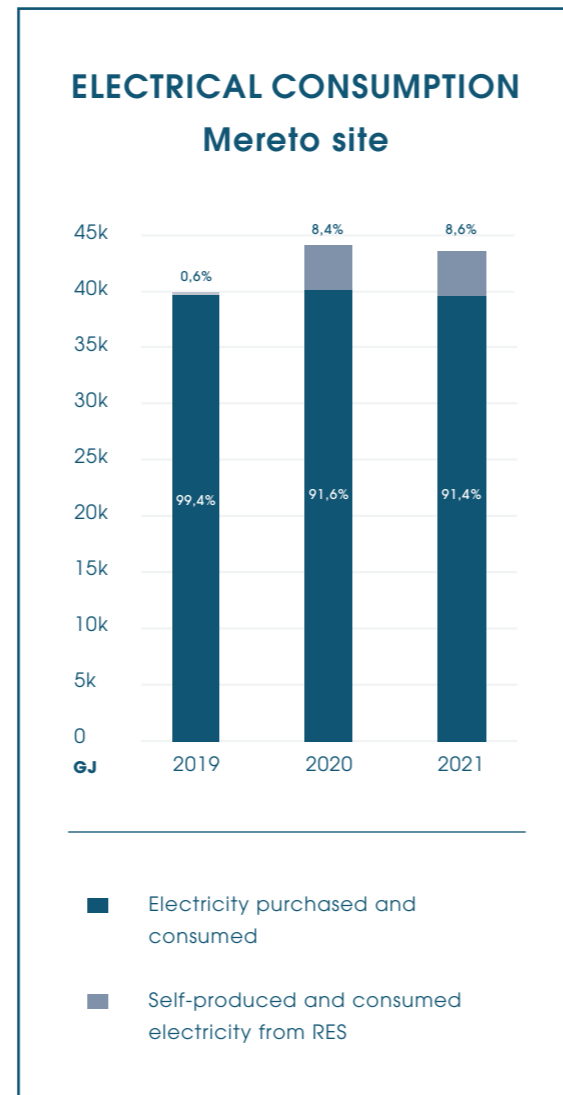
In addition, the Friulian hub has been the subject of essential investments to expand the coverage of electricity needs from renewable sources.

The additions made to the existing systems led to the installation of 826 kWp in addition to the 68 already present.

In this way, the Group has gradually managed to **increase the share of electricity self-produced and consumed**, as shown in the graph on the right.

The figure for the renewable energy generated rose from 68,000 kWh (247 GJ) in 2019, to over 1 million kWh (about 3,700 GJ) in the years 2020 and 2021.

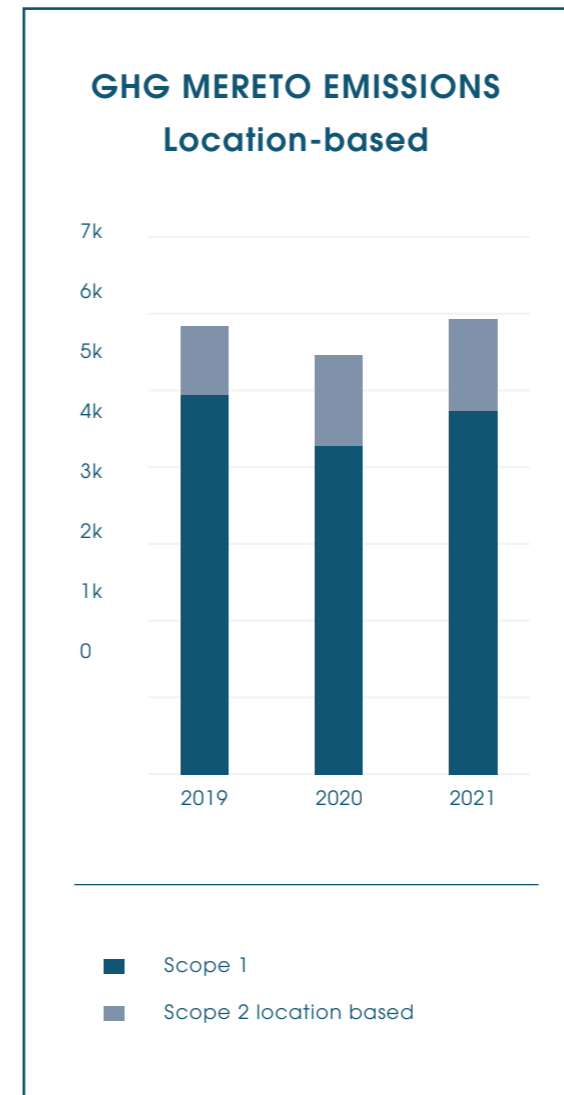
Thanks to these significant results, the company saw a substantial increase in the coverage of electrical consumption from renewable sources, from less than 1% in 2019 to over 8% for the two years 2020-21.



In the future, the connection of an additional 20 kWp already present in the pole is planned.

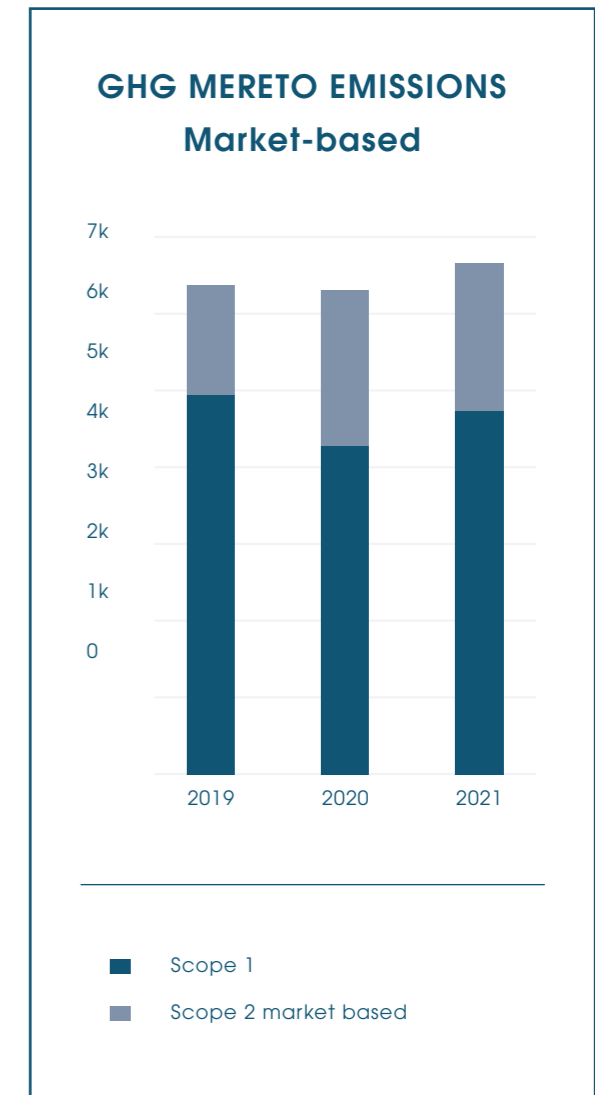
Finally, 55% of the energy consumed at the Mereto site is self-produced through the cogeneration system.

The focus on proper energy management is reflected in assessing and managing corporate climate impacts.



MANAGEMENT OF EMISSIONS

Thanks to the information available, the company can **monitor the climate-altered emissions for the Mereto plant in a solid and structured way**. Specifically, to date, it is possible to report the emissions falling within these categories:



- **Scope 1 (direct emissions)** - Greenhouse gas emissions generated directly by the Group, deriving from fossil fuel combustion plants used for the operation of the plants and from the company car fleet;

- **Scope 2 (indirect emissions from energy consumption)** - Indirect greenhouse gas emissions from purchased electricity generation.



The emissions have been calculated using the market-based approach: it provides for the determination of GHG emissions deriving from the purchase of electricity and heat (Scope 2), considering the specific emission factors of its suppliers.

As far as boilers are concerned, they are maintained periodically, and consequently, the emission values are always under control and mainly below the limits.

As reported in the graphs on the previous pages, the emissions follow what has already been described for the energy consumption of the Friulian plant. Compared with a reduction in emissions in 2019-2020 of about 5%, there is a recovery in emission levels in the period 2020-21 quantifiable in the order of 7%.

Furthermore, at the increase in absolute terms, however, it is possible to compare with the normalized data for the output value of Mereto. In the period 2020-2021, the indicator $t\ CO_2\ eq/euro$ produced shows a significant contraction equal to -2%, a symptom of **decoupling of emissions concerning the economic value of production, testifying once again to the commitment made by the Group in environmental terms.**

In addition to monitoring climate-altered emissions, Biofarma believes that controlling all types of emissions into the atmosphere is fundamental.

Therefore, annual checks are carried out for all the emission points present in its plants to ensure constant compliance with the legal limits established by the legislation and by the AUA.

Activities of this type closely involve boilers, which are subject to periodic maintenance and checks. In addition, the use of dust collectors and special filters allows the maintenance of low levels of pollutants.

WATER MANAGEMENT

The water resource used in the Mereto site, as for the other plants of Biofarma, is from an aqueduct and intended for discharge into the sewer following authorizations.

The plant represents, on average, in the three years analyzed, 88% of the water withdrawals of the group.

For the year 2021, following a slight contraction recorded in 2020, water withdrawals have grown again, driven primarily by the increase in consumption (+34%), reaching 55,490 m³.

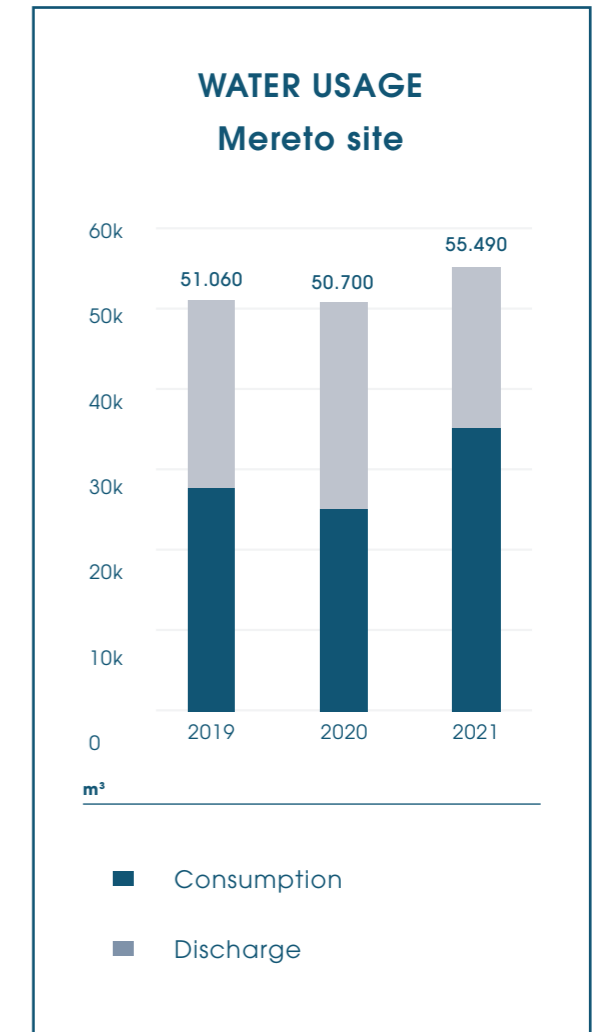
The attention paid to the care and protection of the territory in which Biofarma operates is also declined through specific actions aimed at protecting water resources: the latter theme is now increasingly relevant

The approach adopted by the management is fully implemented in the Mereto plant, in light of the significant contribution that the latter has on the overall water withdrawals.

Through an integrated and transversal approach that involves specialist functions and business lines, the company maps and monitors the risks associated with using water resources. All this aims to identify the most vulnerable operating areas and define specific actions to mitigate water risk.

Thanks to the monitoring system implemented, it was possible to structure a punctual control of the water requests of the lines and, at the same time, identify any spills or abnormal consumption.

Furthermore, this process also allows the periodic verification of quarterly KPIs, such as volumes of incoming water and volumes of wastewater, allowing the evaluation of performance in terms of water management through a comparison with the previous year.



Driven by the desire to pursue a continuous improvement of its company performance, specific actions are planned that will closely involve the entire pole:

- **improvement of the management of the water** used in the washing phases of machinery and equipment;
- **reuse of wastewater** from osmosis plants to power cooling systems.

WASTE MANAGEMENT

The Friulian plant in Mereto has seen a significant increase in the quantities of total waste produced (hazardous and non-hazardous) over the three years of reporting, whose values have gone from 1351 tons in 2019 to 1986 tons in 2021, with a variation attested in the order of + 47% (as per graph on the right.)

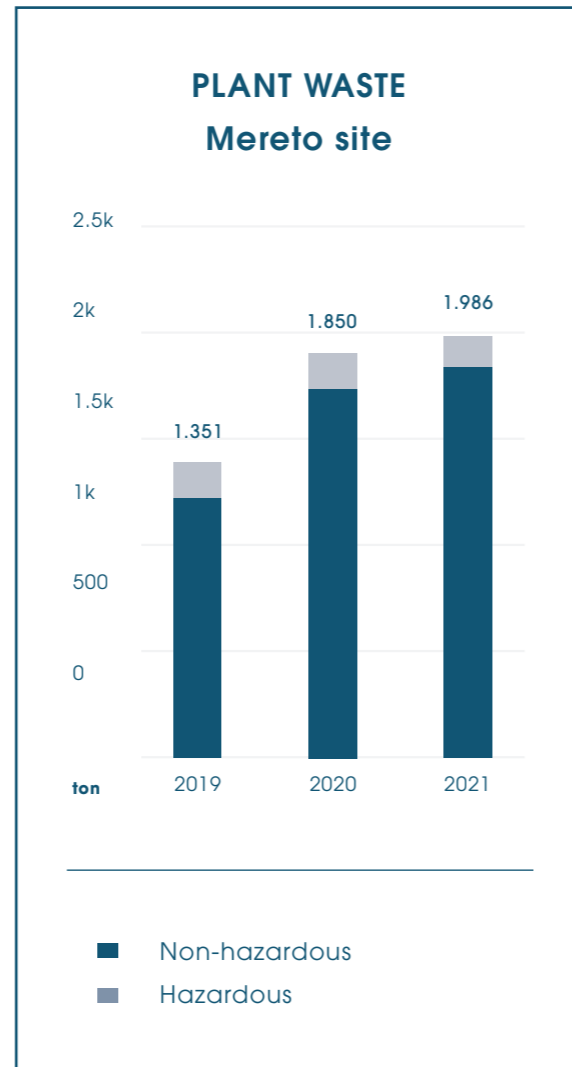
In reality, a **reduction in waste produced** by a percentage **equal to 1.6%** has been recorded despite the fact that there have been increases in production values which have gone from just over 90 million euros in 2020 to over 100 million in 2021.

This data makes it possible to affirm, similarly to what was discussed on the side of alternating climate emissions, the **achievement of a decoupling between the production of waste and the production volumes achieved.**

Regarding breakdown by type of waste, the total comprises non-hazardous waste, representing 94% of the total quantities produced.

The graph on the right shows the data for 2021, with the breakdown not undergoing significant changes compared to previous years.

At the Mereto plant, under the significant production volumes affecting the site, more than 50% of the waste produced by the Biofarma group is attributable.

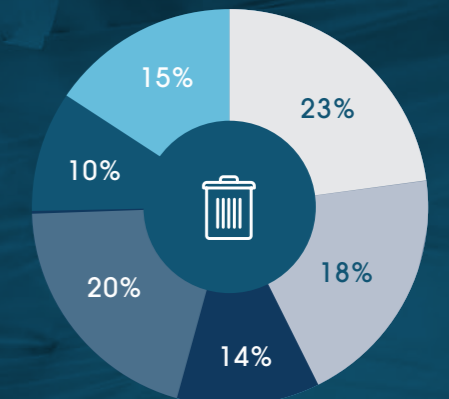
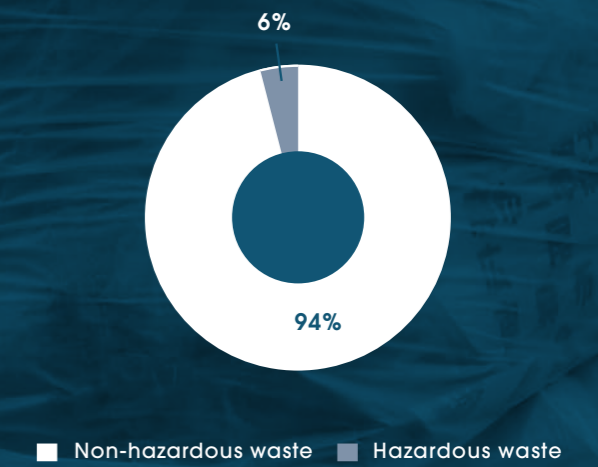


* figures rounded up by excess

In terms of composition and product characteristics, 57% of waste is mainly attributable to paper and cardboard packaging (CER 15.01.01), mixed packaging (15.01.06), and wooden packaging (15.01.03).

Also relevant in this case are the sludge produced by the on-site treatment of effluents (CER 07.06.12), which contributes to about 18% of the total amount generated by the plant.

Waste distribution



- Sludges from on-site effluent treatment (CER 07.06.12)
- Packaging in paper and cardboard (CER 15.01.01)
- Wood packaging (CER 15.01.03)
- Mixed material packaging (CER 15.01.06)
- Organic waste (CER 16.03.06) - Creams
- Other



APPENDIX:

GRI TABLE OF CONTENTS



GRI 101 - General principles 2016
GRI 102 - General information 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
ORGANIZATION PROFILE			
102-1	Organization Name	2 THE GROUP	
102-2	Activities, brands, products, and services	1.1.The quality and safety of our products	
102-3	Location of the head office	2.1 The history of Biofarma	
102-4	Place of activities	2.1 The history of Biofarma	
102-5	Ownership and legal form	3.1 The Corporate Governance model	
102-6	Markets served	2.2 Reference markets	
102-7	Size of the organization	2 THE GROUP	
102-8	Information about employees and other workers	5 THE PEOPLE	
102-9	Supply Chain	4.3 The supply chain	
102-10	Significant changes to the organization and its supply chain	2.1 The history of Biofarma 4.3 The supply chain	There were no significant changes to the organisation and supply chain during the reporting period.
102-12	External initiatives	4.2 Research and development as a tool for innovation 5.3 Our contribution to the community	
102-13	Membership of associations		
STRATEGY			
102-14	Statement by a senior executive	LETTER TO STAKEHOLDERS	
102-15	Key impacts, risks, and opportunities	1.4 Evaluation trends and the enhancement of commitments 3.2 Reference markets 3.3 The economic value generated and distributed	
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of conduct	3.2 Ethics, integrity and compliance	

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GOVERNANCE			
102-18	Governance structure	3.1 The corporate governance model	
102-22	Composition of the highest governing body and its committees	3.1 The corporate governance model	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	1.2 Our stakeholders	
102-41	Collective bargaining agreements	3.3 The Internal Control and Risk Management System 5.1 The team	Collective agreements cover 100% of the Group's employees.
102-42	Identification and selection of stakeholders	1.2 Our stakeholders	
102-43	How stakeholder engagement	1.2 Our stakeholders	
102-44	Key issues and critical issues raised	1.3 The materiality matrix	
REPORTING PRACTICES			
102-45	Entities included in the consolidated	Methodological Note	
102-46	Defining report content and theme perimeters	Methodological Note	
102-47	List of material themes	1.3 The materiality matrix	
102-49	Changes in reporting	Methodological Note	First Budget
102-50	Reporting period	Methodological Note	The Financial year
102-51	Date of publication of the most recent financial statements	Methodological Note	First Budget
102-52	Reporting frequency	Methodological Note	Annual
102-53	Contacts to request information regarding the report		sustainability@biofarmagroup.it
102-54	Statement on reporting in accordance with GRI Standards	Methodological Note	
102-55	GRI Table of Contents	GRI Content Index	
102-56	External Assurance		Not subject to Assurance.

GRI 205 – Anti-corruption 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 103: INFORMATION ON MANAGEMENT METHODS 2016			
103-1	Explanation of the material theme and its perimeter	1.3 The materiality matrix 3.2 Ethics, integrity, and compliance	
103-2	The management mode and its components	3.2 Ethics, integrity, and compliance 3.3 The Internal Control and Risk Management System	
103-3	Evaluation of management methods	3.3 The Internal Control and Risk Management System	
GRI 205: SPECIFIC INFORMATION			
205-3	Episodes of corruption ascertained and actions taken	3.2 Ethics, integrity and compliance	In the 2021 financial year, no established cases of corruption emerged.

GRI 302 – Energy 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 103: INFORMATION ON MANAGEMENT METHODS 2016			
103-1	Explanation of the material theme and its perimeter	1.3 The materiality matrix 6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
103-2	The management mode and its components	6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
103-3	Evaluation of management methods	6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
GRI 302: SPECIFIC INFORMATION			
302-1	Energy consumed within the organization	6.1 Energy consumption 6.4 Environmental focus on the Mereto site	

GRI 305 – Emissions 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 103: INFORMATION ON MANAGEMENT METHODS 2016			
103-1	Explanation of the material theme and its perimeter	1.3 The materiality matrix 6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
103-2	The management mode and its components	6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
103-3	Evaluation of management methods	6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
GRI 305: SPECIFIC INFORMATION			
305-1	Direct GHG emissions (Scope 1)	6.1 Energy consumption 6.4 Environmental focus on the Mereto site	
305-2	Indirect GHG emissions from energy consumption (Scope 2)	6.4 Environmental focus on the Mereto site	

GRI 306 – Waste 2020

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 103: INFORMATION ON MANAGEMENT METHODS 2016			
103-1	Explanation of the material theme and its perimeter	1.3 The materiality matrix a. Waste 6.4 Environmental focus on the Mereto site	
103-2	The management mode and its components	6.3 Waste 6.4 Environmental focus on the Mereto site	
103-3	Evaluation of management methods	b. Waste 6.4 Environmental focus on the Mereto site	
GRI 306: SPECIFIC INFORMATION			
306-2	Waste by type and method of disposal	c. Waste 6.4 Environmental focus on the Mereto site	

GRI 403 – Health and safety at work 2018

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 103: INFORMATIVE SULLE MODALITÀ DI GESTIONE 2016			
103-1	Explanation of the material theme and its perimeter	1.3 The materiality matrix 5.3 People's well-being	
103-2	The management mode and its components	5.3 People's well-being	
103-3	Evaluation of management methods	5.3 People's well-being	
GRI 403: SPECIFIC INFORMATION FOR 2018			
403-5	Training of workers in occupational health and safety	5.2 Training and skills development	
403-9	Accidents at work	5.3 People's well-being	

GRI 404 – Training and education 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 103: INFORMATION ON MANAGEMENT METHODS 2016			
103-1	Explanation of the material theme and its perimeter	1.3 The materiality matrix 5.2 Training and skills development	
103-2	The management mode and its components	5.2 Training and skills development	
103-3	Evaluation of management methods	5.2 Training and skills development	
GRI 404: SPECIFIC INFORMATION			
404-1	Average hours of annual training per employee	5.2 Training and skills development	

GRI 416 – Customer health and safety 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 416: SPECIFIC INFORMATION			
416-2	Incidents of non-compliance concerning health and safety impacts of products and services	4.1 The quality and safety of our products 4.4 Our customers	In 2021 there are no episodes of non-compliance.

GRI 307 – Environmental compliance 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 307: SPECIFIC INFORMATION			
307-1	Incidents of non-compliance with environmental compliance	6 COMMITMENTS TO THE ENVIRONMENT: harmonious integration and efficient management	In 2021 there are no episodes of non-compliance.

GRI 419 – Socio-economic compliance 2016

GRI	INDICATORS	REFERENCE IN TEXT	COMMENTS
GRI 419: SPECIFIC INFORMATION			
419-1	Episodes of non-compliance with laws and regulations in social and economic matters	3.2 Ethics, integrity, and compliance	In 2021 there are no episodes of non-compliance.

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