



Sustainability Report 2022

About us

1.1	The history	11
1.1.2	PharmaNutra Group values	14
1.1.3	PharmaNutra market	15
1.1.4	Business Model	18
1.1.5	Products, brands and their purpose	22
1.1.6	Vision and mission	26
1.1.7	A business that creates value: the Group's impacts	27
1.2	Our approach to sustainability	30
1.2.1	The Stakeholders	30
1.2.2	The materiality analysis	32
1.2.3	Our contribution to the UN Sustainable Development Goals	34
1.2.4	The development of sustainability in PharmaNutra Group	38

Governance, ethics and integrity

2.1	Approach, strategy	46
2.1.1	The Governance	46
2.1.2	The Committees	48
2.1.3	Remuneration policy	55
2.1.4	The organisation, management and control model and the Group's Code of Ethics	58
2.1.5	Anti-corruption	59
2.1.6	Data Responsibility and Cybersecurity	60
2.2	Our management systems and certifications	62

People

3.1	Approach and policies	68
3.2	PharmaNutra staff	68
3.2.1	People management	68
3.2.2	We promote diversity and equal opportunities	72
3.2.3	We train and involve our people	73
3.2.4	We protect health and safety at work	76

Product quality and safety

4.1	Approach and policies	80
4.1.1	Quality and transparency of our products	80
4.1.2	Innovation and product development	81

Local communities

5.1	Approach and policies	88
5.2	Local communities and the territory	88
5.2.1	PharmaNutra Group to support social and inclusion initiatives	88
5.2.2	PharmaNutra Group to support cultural initiatives	89
5.2.3	Sponsorships	90
5.2.4	Universities and research centres	92

Suppliers and commercial network

6.1	Approach and policies	96
6.2	The supply chain	98
6.2.1	Supply management and production plants	98
6.2.2	Other suppliers	100

Environment

7.1	Approach and policies	104
7.2	The actions taken for reducing environmental impacts	104
7.2.1	Energy	104
7.2.2	Waste management	107

Dear Readers,

In the second PharmaNutra Group's Sustainability Report, we share with you the progress made and the objectives achieved, but we also present for the very first time our sustainability strategy. It is a concrete plan, made up of actions and projects, which will lead PharmaNutra Group towards a fair and sustainable future, where we will continue to generate value for investors, customers and all our stakeholders.

In 2022, PharmaNutra made the first acquisition in its history by taking over 100% of Akern S.r.l., an Italian company active in research, development, production and sale activities in the field of medical tools and software for monitoring body composition using bio-impedance techniques.

Through this transaction, we have expanded our production, opening up new market segments in the world of medical devices, and laid the foundations for a fruitful collaboration in terms of research and development, technology, know-how and innovation, under the banner of continuous improvement. Such an improvement is achieved thanks to the talent of our people, who have always been at the core of our growth strategy.

Our people are very important and that is why we put their safety first and we promote programmes to further improve standards relating to protection and prevention. We want the best talent with us so we invest in their professional development and training. In our strategic sustainability plan, we consider it of the utmost importance to build a serene and inclusive environment in which people can express their potential and be valued and rewarded according to their commitment and talent, but also encouraged to contribute to the company's success. It is precisely with these aims in mind that the Group's new headquarters was designed and will start being operational from September.

Through the construction of the new headquarters, we are also working to reduce our climate impact. We will purchase green energy quotas from the grid, use electrical power from renewable sources, strive to use the natural resources as well as the raw materials we need in circular manner, searching for and proposing more environmentally friendly materials.

The commitment to a fair future also extends to the social sphere. We will intensify our relations with educational institutions and continue to promote actions to support the communities in which we operate. Our strategy also envisages the increasingly active and responsible involvement of the players in the supply chain, engaging them in a process of evaluation and improvement of their environmental and social performance as well as of business ethics, with a focus on the respect for human rights.

We will also work on the creation of a Governance that can lead the Group towards sustainable success by expanding the functions of the Audit and Risk Committee with a view to sustainability, by delegating powers on sustainable issues to an Executive Director, by appointing an ESG Manager, and by creating an ESG Operations Team.

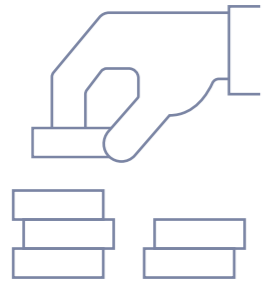
It is a challenging path that we will face as always with determination and enthusiasm to build a future in continuous evolution and sustainable growth for PharmaNutra Group by pursuing the process of value creation that has characterised our twenty years of history.

Faithfully yours,



Andrea and Roberto Lacorte
Founders of PharmaNutra S.p.A.

Letter by the shareholders
 to the stakeholders



+603%

Market Cap** (vs. Listing July 2017)

55,3%*

SiderAI® market share in Italy
(source IQVIA)

+15,4%

CAGR consolidated turnover
2017-2022



10^a

In the ranking for the national
nutraceutical market

(Source IQVIA, 2020*)

67



Countries of the world reached

45

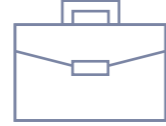


Business partners



71

Employees
in Italy



150

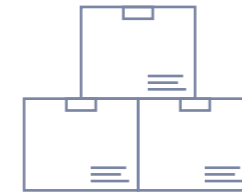
Agents on
national territory



over 30

Sports entities supported
through sponsorship and
medical partnerships

49



Portfolio Products

21



Proprietary patents

40

Registered
trademarks

20

Proprietary raw
material

158

Basic
research
and clinical
studies
published



* Total Nutraceutical Market (PharmaNutra+Junia Pharma) by value

**Data as at 31/12/2022

01

- 1.1 The history
 - 1.1.2 PharmaNutra Group values
 - 1.1.3 PharmaNutra market
 - 1.1.4 Business Model
 - 1.1.5 Products, brands and their purpose
 - 1.1.6 Vision and mission
 - 1.1.7 A business that creates value: the Group's impacts
- 1.2 Our approach to sustainability
 - 1.2.1 The Stakeholders and relevant topics
 - 1.2.2 Our contribution to the UN Sustainable Development Goals

About us

PharmaNutra Group (hereinafter the "Group") is a group of Italian companies based in Pisa, specialised in the pharmaceutical and nutraceutical sector. The Group consists of PharmaNutra S.p.A. (hereinafter "PharmaNutra", the "Company" or the "Parent Company") and its subsidiaries Junia Pharma S.r.l. (hereinafter "Junia Pharma"), Alesco S.r.l. (Hereinafter "Alesco") and Akern S.r.l. (hereinafter "Akern").



PharmaNutra

Established in 2003, it is a nutraceutical company dedicated to the development of innovative, effective and safe nutritional supplements and medical devices.

Junia Pharma

Established in 2010, it is a nutraceutical and pharmaceutical company focused on the development and marketing of medical devices and nutritional supplements dedicated to the paediatric area.

Alesco

Established in 2000, it is a company specialising in the research, development and distribution of raw materials, active ingredients and functional ingredients for the B2B sector.

Akern

Established in 1980, it operates in the development of medical instrumentation and software for monitoring body composition using bio-impedance techniques.

1.1 The history



PharmaNutra Group is the result of the vision of two brothers, Andrea and Roberto Lacorte, who, in the early 2000s, decided to bring together their scientific and commercial insights to change the way people approach health and well-being.

Alesco was thus established with the aim of standing out in the nutraceutical market for the high scientific value of the raw materials distributed. Thanks to continuous capital expenditures in R&D activities, today Alesco's active ingredients are considered among the most effective on the market and are also applied in the pharmaceutical, food and cosmetic fields.

PharmaNutra was established in 2003 with the aim of developing innovative nutritional supplements and medical devices, taking care of the entire production process, from the development of proprietary raw materials to the distribution of the finished product. In 2010, Junia Pharma, a company specialising in the development and distribution of drugs, medical devices, OTC and nutritional supplements dedicated to the paediatric area, was established to respond to the ever-increasing health demands of children. Through its constant attention to the needs of children and the quality and safety of its products, Junia Pharma is now present in Italy and in many foreign countries, acting as a point of reference for doctors and families.

The continuous capital expenditures in R&D have led to the development of innovative patented technologies, such as the Sucrosomial® technology through which the Group has succeeded in a short time in establishing itself in the production of iron-based nutritional supplements with the brand SiderAL® and Cetilar® r.m., a complex of highly concentrated Cetylated Esters (CFA) that together with Cetilar® brand is considered one of the top emerging players in the field of medical devices dedicated to the restoration of joint capacity.

The technologies developed have also been applied in the development of a new line of food supplements for people practising sports (Cetilar® Nutrition), which was launched in March 2023.

In 2022, PharmaNutra started and completed the process of acquiring 100% of the shares of Akern S.r.l., which started in July 2022. Akern S.r.l. was established in 1980 with the purpose of research, development and production of medical instrumentation and software for monitoring body composition using bio-impedance techniques. The company's mission is to support doctors and researchers in the challenge against chronic degenerative diseases, ensuring clinically relevant results that support diagnosis and therapeutic choice. Over the years, Akern has developed technologies that have allowed the company to be recognised in Europe as the benchmark for body composition science. For the purposes of this Sustainability Report, the company Akern S.r.l. was excluded from the scope of consolidation except for the calculation of the Economic Value Generated and Distributed to which the company contributed for the period between 1 July 2022 and 31 December 2022.

The reason for the exclusion from the reporting scope of this document is that the acquisition was completed during 2022 and the impact of this company on the Group and the stakeholders identified, in economic, environmental and social terms, is not material. The company will be consolidated starting from the 2023 Sustainability Report.

Our History

2000

**Alesco**

Establishment of a new company specialising in nutraceutical raw materials.

2003

**PharmaNutra**

PharmaNutra was founded, dedicated to the development of medical devices and nutraceuticals.

2005

**SiderAL®**

Market launch of the first proprietary brand.

2008

**New strategic plan**

PharmaNutra opens up to outside investors to kick-start a new development plan.

2010

**Junia Pharma**

Establishment of a new company focused on the paediatric sector.

2013

**Dissemination on the international scale**

Conclusion of the first foreign distribution contract.

2014

**Elite**

PharmaNutra enters the Elite programme of Borsa Italiana to consolidate and accelerate its growth.

2016

**Awards**

The patented Sideral® R.M. was voted "Readers Ingredient of the Year" by the scientific journal Nutraingredients.

2017

**AIM Italy**

PharmaNutra Group's listing on the AIM market (today Euronext Growth Milan) of Borsa Italiana, through the innovative pre-booking company IPO Challenger® promoted by Electa.

2019

**Top Seller**

SiderAL® Forte 20 capsules is the best-selling nutritional supplement in Italy (Federsalus- IQVIA value data).

2020

**STAR**

PharmaNutra Group's move to the Euronext STAR Milan market of Borsa Italiana.

2022

**Akern**

PharmaNutra starts and completes the process of acquiring 100% of the shares of Akern S.r.l.

2023

**New growth strategies**

Incorporation of PharmaNutra USA and PharmaNutra España and launch of the Cetilar® Nutrition line.

2022

**New Headquarters**

Inauguration of the new PharmaNutra chemical-pharmaceutical cluster.

1.1.2 PharmaNutra Group values

The pillars on which **PharmaNutra** is built have always been, and will continue to be, based on three fundamental elements: **people**, protection of **intellectual property** and **continuous improvement**.

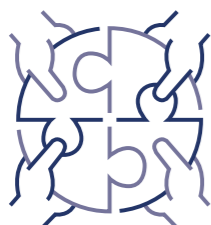
The Group believes that terms such as ethics, responsibility, research, innovation and respect for the people walking the same path as you have real, profound and current meaning. It is precisely on these concepts that the way of doing business is based. These are the solid foundations on which the founders have built, with commitment, determination and a pinch of healthy madness, a company that today is recognised as an Italian excellence:



Compliance with the provisions applicable in Italy and in any other country in which the recipients operate



Transparency vis-à-vis all stakeholders, i.e. the categories of individuals, groups or institutions whose interests are directly or indirectly affected by the performance of corporate activities



Responsibility towards the community which, even indirectly, may be influenced in its economic and social development by the activities of Group's companies



Protection of safety and health, physical and moral integrity and **rights of workers**



Respect for employees and a commitment to enhance their professional skills



Rejection of any conduct that, although aimed at achieving a result consistent with the companies' interests, presents aspects that are not compatible with the principles of its Code of Ethics and the **commitment to comply with the applicable regulatory provisions**, as well as the companies' rules of conduct and procedures.



Protection and preservation of the environment in all its components, the atmosphere, water, soil and subsoil, flora, fauna and ecosystems.

PharmaNutra Group's Code of Ethics - The trust that our customers, Partners and Stakeholders place in our Group is our most valuable asset. Therefore, it is the duty of all of us to renew this trust every day with correct and upright behaviour, also based on everyone's knowledge of and respect for the internal rules and legal regulations. To this end, PharmaNutra Group is committed to the constant pursuit of excellence and has deemed it appropriate to establish the ethical principles and rules of conduct aimed at pursuing the full respect of the founding values of business ethics, within a corporate culture that considers the respect of the laws in force and of the principle of legality as essential elements.

1.1.3 PharmaNutra market

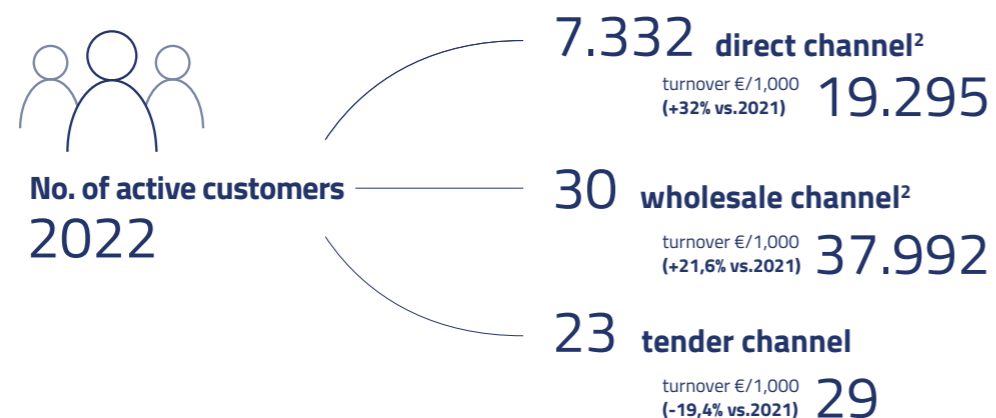
PharmaNutra Group's distribution and sales model consists of two main Business Lines:

Direct Business Line (LB1): it is characterised by direct presence in the reference markets in which the Group operates and concerns both PharmaNutra and Junia Pharma. The logic behind this model is to ensure complete control of the territory through an organisational structure of 150 Agents (hereinafter also called "ISC")¹ who, through sales and scientific information activities, ensure full control of all the players in the distribution chain: hospital doctors, outpatient doctors, pharmacies (even hospital pharmacies) and convey reliability, scientific value and product quality.

PharmaNutra's sales network is divided into two distinct lines: **Primary Care** and **Supportive Care**, each headed by a manager reporting directly to the Commercial Management. The main aim of this organisation is to achieve greater effectiveness in the commercial activities of ISC through a stronger focus on medical targets and product portfolio management. The **Primary Care Line** predominantly operates with territorial doctors and pharmacies, and the main brand in its product list is Cetilar®, in its various formulations.

The **Supportive Care Line** predominantly operates in the hospital sector and the main product in its portfolio is SiderAL Forte®.

The customers of the Direct Business Line are pharmacies, drugstores, rehabilitation centres (Direct Orders) and wholesalers. The tenders relate to sales made to the public administration through the subsidiary Junia Pharma.



Indirect Business Line (LB2): the business model is common to all three Group's companies and is mainly used in foreign markets. It is characterised by the marketing of finished products (PharmaNutra and Junia Pharma) and raw materials (Alesco) through local partners which, under long-term exclusive distribution contracts, distribute and sell the products in their own markets.

The search and selection of international partners and the negotiation of distribution contracts are directly handled by the company management with the support of an agent dedicated exclusively to the development and management of relations with foreign customers.

The two types of distribution mentioned above are complementary as, on the one hand, they allow for the complete management of the distribution and marketing process in Italy, and, on the other hand, they guarantee the quickest and widest territorial coverage, being possible only through a network of selected distribution partners.

In September 2022, the opening of the new online store dedicated to the SiderAL® range on the Tmall Global China cross-border e-commerce platform kicked off the sale of the full range of adult to infant Sucrosomial® Iron-based nutritional supplements also on the Chinese market.

This was a strategic step for the internationalisation goals of PharmaNutra Group and its nutraceutical technologies: the project was developed in partnership with Adiacent (Sesa Group), a leading Italian agency in China in the life science sector.

Cross-border e-commerce systems are a fast-growing component of China's economy and make up an increasingly large percentage of foreign trade. These distribution systems allow international companies to sell their products on the Chinese market without necessarily having a physical presence or direct distributor in China, but relying on the logistics network of large e-commerce platforms. This system enables Chinese consumers to easily and directly purchase high-quality goods with the guarantee of brand authenticity and delivery within 2 days of ordering. In addition, cross-border e-commerce offers the ability to buy on a global scale while making transactions locally. From the companies' point of view, this system allows them to reach a new and very large audience of consumers, with a business model in line with their cultural and purchasing habits.

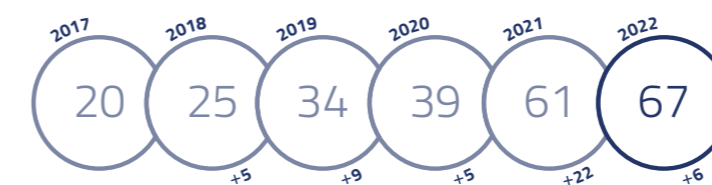
PharmaNutra Group has been present in foreign markets since 2013. Currently, the Group's products are present in **67** countries worldwide, including Europe, Asia, Africa and America, through a network of **45** carefully selected business partners.

	COUNTRIES	PARTNERS
Active sales	59	39
Under registration	8	6
Contracts	67	45
Under negotiation	7	9

The consolidated revenues as at 31 December 2022, amounting to Euro 82.7 million, increased by 21.5% compared to 31 December 2021 (Euro 68.1 million).

REVENUES BY BUSINESS LINE €/1,000	2022	2021	Δ%	INCIDENCE	
				2022	2021
Total BL1	57,491	47,813	20.2%	69.5%	70.2%
Total BL2	23,272	20,301	14.6%	28.1%	29.8%
Other ³	1,961	0	n.s.	2.4%	0.0%
Total	82,724	68,114	21.5%	100%	100%

CONTRACTS SIGNED



NET REVENUES BY LINE OF BUSINESS



NUMBER OF COUNTRIES TURNOVER INCIDENCE



² - For counting customers in the direct channel, key accounts were also considered. For the wholesale channel, the number of customers decreased due to a different count than in 2021.

³ - The item refers to sales of the subsidiary Akern S.r.l.

1.1.4 Business Model

The Group has the know-how to manage all stages of the production process from design, formulation and registration of a new product, to marketing and sales, up agents' training. The Group markets unique and innovative products by taking care, also through outsourcing, of the entire production process from raw materials to the finished goods. It directly manages the distribution, promotion and sale of all products in its portfolio.

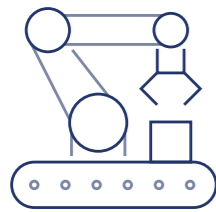
The primary activities carried out by the Group and which add value to the company's product are as follows:

PharmaNutra Group's VALUE CHAIN



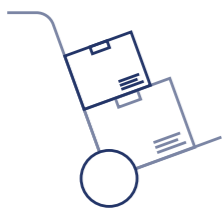
PharmaNutra Group
R&D Activities

BASIC RESEARCH
FORMULATION
COMPLIANCE/PRE-MARKETING TESTS



Production
plants

PRODUCTION



Logistics

DISTRIBUTION



"Innovation, scientific expertise and defence of intellectual property"; the Group's cornerstones are reflected in its business model.

Research and Development

The Research and Development activity can be structured in 5 distinct phases:

1. Discovery: PharmaNutra Group has the know-how to develop new technologies that enable new ingredients such as **Sucrosomial Minerals®** (Iron, Magnesium and others) and **CFAs** (Cetylated Fatty Acids), which constitute **real one-of-a-kind elements** that cannot be copied as they are **covered by proprietary international patents**.

2. Synthesis of proprietary raw materials (active ingredients): the production technique for proprietary active ingredients is also an invention and property of the Group, which constantly carries out a functional evaluation to make improvements to the techniques and ingredients that make up the active ingredients.

3. Basic research: the validation of the therapeutic solutions developed starts with **laboratory experiments conducted with the collaboration of leading Pharmacy and Biology faculties** (Barcelona, Modena, Pisa) **and research institutes** (New York Blood Centre and QIMR Berghofer, among others) on cell cultures, rat organ sections and mice, according to the strictest ethical and health standards, applying internationally recognised Good Laboratory Practice (GLP). These studies allow for (i) comparison of the Group's solutions with competing solutions, (ii) comparative evaluation of formulation improvements, (iii) understanding of the metabolic pathways by which the nutritional/therapeutic action is carried out, and (iv) preliminary efficacy prior to evaluation in human clinical trials.

4. Clinical trials: as "non-drugs", clinical trials on patients are carried out both preliminarily on new products, where necessary, and on products already on the market. In any case, they are only conducted at leading university or private hospitals.

5. Quality Control: the analytical and organoleptic quality check of (i) the ingredients constituting the proprietary raw materials and (ii) the finished products destined for the end consumer in the marketplace, is performed at **accredited and certified laboratories** according to **strict procedures established by international standards**. Following a method typical of the pharmaceutical industry, all batches on the market up to their expiry date are subjected to an after-sale check. The use of accredited analytical laboratories extends to chemical and microbiological stability tests of all new formulations (often customised according to the regulatory requirements of the various countries) before they are placed on the market, in order to define a shelf life (expiry date) certified by defined analytical protocols.

Raw material procurement

The Group directly manages, through Alesco, the procurement process of raw materials from carefully selected distributors on the basis of high quality standards and strict technical requirements that guarantee the highest levels of product quality through quantitative analyses (search for metals and non-metals), microbiological and organoleptic analyses.

Production

The Group's products are entirely manufactured by nine Italian pharmaceutical factories selected following an in-depth audit by the quality control department and aimed at ensuring the highest quality standards which are verified through periodic analytical controls (quantitative, microbiological and allergen analyses) to be repeated before the product is released for marketing. The construction of the Group's new headquarters continues, with work scheduled to be completed by summer 2023.

Thanks to this investment, the Group will have its own research centre and a factory for the production of proprietary raw materials with a significant reduction in research time and the possibility of directly controlling the most important part of the production process. The new plant, for a total investment of around Euro 25 million, has been designed to meet the highest standards of technology, **functionality and energy efficiency**, representing a concrete commitment in terms of **sustainability** also considering its location at the gates of San Rossore natural park. It will occupy an area of 5,200 square metres, of which 2,200 square metres will be used for production, 1,600 square metres for management activities and about 1,500 square metres for complementary services, with **over 10,000 square metres of outdoor areas**.



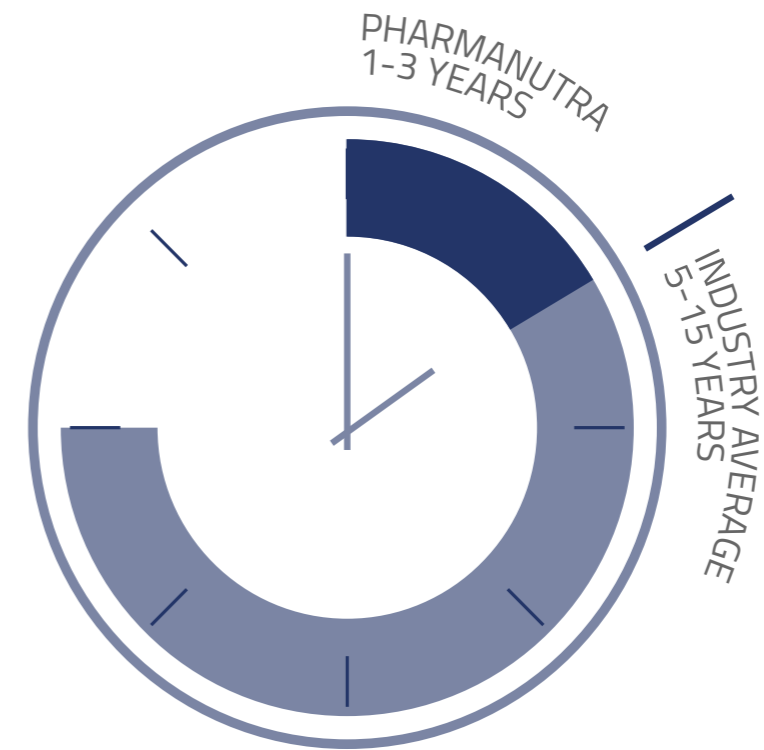
The investment is made in line with the requirements of Industry 4.0, with a focus on landscape aesthetics, comfort and energy efficiency, with a view to both environmental sustainability (through the reuse of the existing building, the cultivation of endemic plants and the use of materials with a low environmental impact) and social sustainability (for the enhancement of human capital with innovative areas for psychophysical well-being).



Logistics

The supply of goods to retailers in the Italian market (in particular pharmacies and wholesalers) is entrusted to one of the leading providers of logistics services for pharmaceutical products in Italy, being very attentive to environmental issues and holding an ISO 14001 certification. All packaging, adhesive tape, box-filling materials used, and even most of the pallets are green, 100% recycled and recyclable.

Our competitive advantage



- Discovery** of substances
- Pharmaceutical formulation **development**
- Evaluation** of effectiveness
- Patent coverage**
- Marketing**
- Communication**
- Medical detailing** activities
- Distribution** and **sales**

1.1.5 Products, brands and their purpose

The Group deals with the research, design, development and marketing of innovative nutritional supplements and medical devices.

PharmaNutra is specialised in the development of nutritional supplements and medical devices. Among these, the most relevant are those based on **Sucrosomial® Iron**, consisting of the **SiderAL®** line, the products for restoring joint capacity and movement in osteo-articular disorders, consisting of the **Cetilar®** line, and **Sucrosomial® Minerals**, nutritional supplements based on Sucrosomial® Minerals, vitamins and amino acids, designed for daily well-being and support to the immune system.

SiderAL® Line



INTERNATIONAL SIDERAL® LINE



CETILAR® LINE



SUCROSOMIAL® MINERALS



OTHER PROPRIETARY PRODUCTS



Junia Pharma is active in the production and marketing of pharmaceuticals, medical devices, OTC and nutraceuticals for the paediatric sector.

SiderAL® Line



INTERNATIONAL SiderAL® Line



LACTOZEPAM® LINE



APPORTAL® VITAL



DOLOMIR® LINE



OTHER PROPRIETARY PRODUCTS



PRESCRIPTION PRODUCTS



PRODUCTS UNDER EXCLUSIVE LICENCE



Alesco produces and distributes raw materials and active ingredients for the food, pharmaceutical and food supplement industries.

Proprietary raw materials (active ingredients)



OTHER TECHNOLOGIES

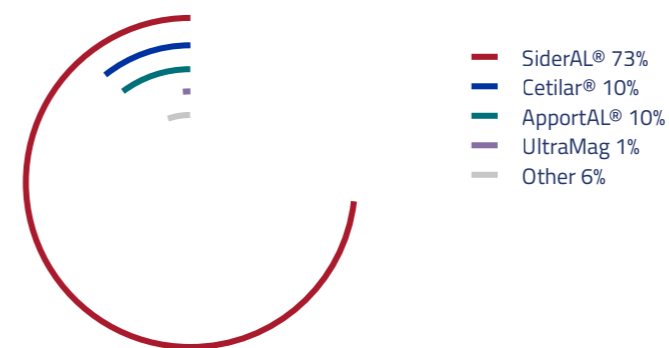


Raw materials under exclusive licence for Italy



F.P. REVENUES PER PRODUCT LINE

F.P. REVENUES BY PRODUCT LINE



F.P. REVENUES PER PRODUCT LINE € /1,000	2022	2021	Δ%	INCIDENCE	
				2022	2021
SiderAL®	58,790	52,584	11.8%	73.1%	79.9%
Cetilar®	8,144	6,556	24.2%	10.1%	10.0%
ApportAL®	8,238	3,885	112.1%	10.2%	5.9%
UltraMag®	874	863	1.3%	1.1%	1.3%
Other ⁴	4,376	1,928	126.97%	5.4%	2.9%
Total	80,421	65,816	22.2%	100%	100%

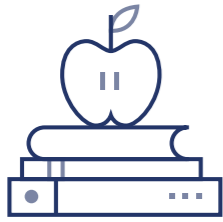
4 - "Other" for the year 2022 mainly includes Aken's sales and the ones of all other products excluding raw materials marketed by Alesco.

1.1.6 Vision and mission

PharmaNutra's mission is to make a **difference** by putting science at the service of nutrition so as to intervene before people need it.

We believe that the essential and indispensable tool to achieve this goal is **curiosity**, which drives one towards information, study, listening and knowledge in order to be able to understand the evolution of society and to have a microphone constantly turned on the health care environment.

These are our objectives:



Healing by educating for well-being: PharmaNutra works so that people do not get sick. This project goes beyond the concept of prevention because it is about culture and food awareness



Healing by making you feel well: **we enhance natural elements** with our technology so that nutritional supplements can be more effective and without contraindications



Healing by making people stronger: we know the human organism and we know that the first step to safeguarding its health is to give it **strong and effective natural defences**

How can we achieve them?



Making people more aware of the value of what they consume through food and the importance of a **healthy lifestyle**



Implementing a new **proprietary laboratory for the simulation of digestion and absorption processes** to be made available to researchers and experts



Applying its know-how and technologies to new trace elements to enhance their natural effectiveness



Activating new study and research programmes so that talents in the region have a future in science, sport and everyday life



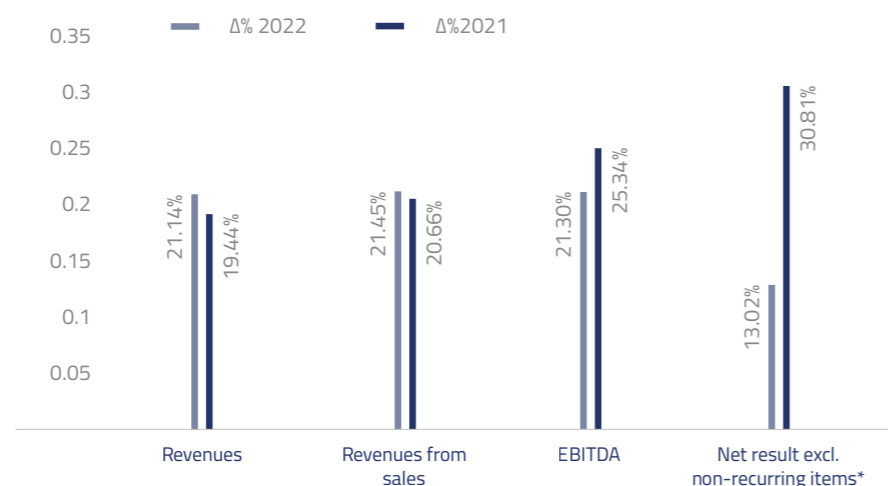
"Always look ahead, do not settle, do not stop to celebrate achievements, but always throw yourself headlong into new challenges."

1.1.7 A business that creates value: the Group's impacts

PharmaNutra's corporate governance system primarily aims at creating value for Shareholders through a responsible and sustainable approach, without losing sight of the social relevance of the business and all interests involved.

With a CAGR of around 15.40% over the last five years, PharmaNutra Group presents itself as a growing and strongly future-oriented company. The following tables show the main economic data for the financial years 2022, 2021 and 2020.

INCOME STATEMENT FIGURES €/1,000	2022	%	2021	%	2020	%
Revenues	83,390	100%	68,836	100%	57,631	100%
Revenues from sales	82,724	99%	68,114	99%	56,449	98%
EBITDA (excl. non-recurring items) *	24,358	29%	20,080	29%	16,021	28%
Net result	15,048	18%	13,771	20%	14,072	24%
Net result (excl. non-recurring items) **	15,048	18%	13,314	19%	10,178	18%
EPS - Net result per share (Euro)	1.56	-	1.42	-	1.45	-



* The gross operating margin for 2020 excluding non-recurring items is net of non-recurring income of Euro 1 million, relating to contractual indemnification, and non-recurring costs totalling Euro 1.5 million, of which Euro 610 thousand relating to the finalisation of the agreement with the Italian Inland Revenue (Agenzia delle Entrate) for access to the tax relief represented by the Patent Box, and Euro 904 thousand of costs incurred for the Group's transition to listing on the MTA - Star segment.

** Net income excluding non-recurring items for 2021 and 2020 does not include, respectively, the tax credit obtained for the costs incurred for transiting to the MTA market and the tax benefit obtained with the formalisation of the Patent Box with reference to the years 2016-2020.

BALANCE SHEET DATA €/1,000	2022	2021	2020
Net invested capital	40,310	17,018	18,371
NFP (positive cash)	10,638	28,064	19,359
Shareholders' equity	(50,948)	(45,082)	(37,730)

ECONOMIC VALUE GENERATED	UNIT OF MEASUREMENT	2022	2021	2020
Value of production	€/1,000	83,390	68,836	57,631
Income from participations	€/1,000	-	29	-
Other financial income	€/1,000	529	130	146
Extraordinary income	€/1,000	-	-	1,049
TOTAL		83,920	68,995	58,826

Extraordinary income for the financial year 2020 refers to a contractual indemnity accrued following the non-renewal of a distribution contract.

The value of production increased by +21% over the previous year due to higher sales volumes and the price increase applied starting from March. In 2022, the Group obtained tax credit and tax relief in the amounts shown in the table below:

€/1,000	2022	2021	2020
Tax relief and tax credit	282	760	5,305
TOTAL	282	760	5,305

In 2020, the tax benefit related to the exclusion from the taxable income of each financial year of a portion of the income deriving from the use of the so-called "intellectual property" (Patent Box) relating to the years from 2016 to 2020 was accounted for, following the finalisation of the relevant agreement with the Italian Inland Revenue (Agenzia delle Entrate), the tax credit for R&D activities in the amount of Euro 200 thousand and the benefit related to the cancellation of the first IRAP advance provided for by the Italian Relaunch Decree (Decreto Rilancio) in the amount of Euro 254 thousand. The 2021 tax credits refer for Euro 258 thousand to the tax credit on research and development activities, for Euro 457 thousand to the tax credit obtained pursuant to Article 1 of Italian Law no. 205 of 27/12/2017 on the costs incurred for the transition to the Euronext STAR Milan market and for Euro 45 thousand to the tax credit on sponsorships. The 2022 tax credits almost entirely relate to credits on research and development activities and the remainder to credits for advertising investments and are recognised on an accrual basis.

ECONOMIC VALUE DISTRIBUTED €/1,000	2022	2021	2020
Value distributed to suppliers of goods and services	(43,830)	(35,484)	(30,910)
Value distributed to the employees	(5,102)	(4,288)	(3,712)
Value distributed to the commercial network	(8,836)	(7,922)	(7,096)
Value distributed to capital providers*	(7,002)	(6,527)	(4,515)
Value distributed to P.A. bodies	(8,423)	(5,084)	736
Value distributed to the community	(1,208)	(1,016)	(1,429)
TOTAL	(74,402)	(60,321)	(46,926)

*Note: the value distributed to capital providers includes dividends paid and financial expenses.

The 2022 increase in the value distributed to P.A. bodies comes not only from the higher taxes accrued during the year, but also from the allocation made to the tax provision of Euro 1.4 million. During the year, the Parent Company received an invitation from the Pisa Provincial Directorate of the Agenzia delle Entrate (Inland Revenue) to discuss the start the tax settlement proposal for the 2016 tax year. PharmaNutra has expressed its willingness to collaborate, which implies the definition of 2016 and subsequent years up to 2021, and with this in mind, it has provisionally estimated the amount related to the definition of the aforementioned tax periods with a provision to the Tax Provision of the above mentioned amount.

ECONOMIC VALUE RETAINED €/1,000	2022	2021	2020
Wealth retained by the Group (Economic value generated - Economic value distributed)	16,370	15,160	16,410

1.2 Our approach to sustainability

1.2.1 The Stakeholders

PharmaNutra Group maintains an interactive and continuous dialogue with the main internal and external stakeholders, listening to them and understanding their expectations, in order to actively contribute to corporate sustainable development goals and to value creation in the long term. Starting from the awareness of its role and activities, the Group has identified its stakeholders in order to understand their expectations and define actions that fulfil the interests expressed, with the aim to satisfy market and consumer demands.

PharmaNutra constantly involves its stakeholders mainly through the activities of its Agents, sharing brochures and prospectuses. Another fundamental role is played by the trade fairs and congresses the Group takes part in, which allow it to disseminate its values and come into direct contact with the various stakeholders. During the year 2022, questionnaires were prepared so as to involve employees and key suppliers (Agents, production plants, universities) in the Group's sustainability world. Based on the responses received through this activity, it was possible to obtain relevant insights and feedback and to try to capture, albeit indirectly, the stakeholders' perception of the Group in terms of sustainability. In the chapters on staff and suppliers, the results of the questionnaires will be discussed in more detail.

PharmaNutra also deems it essential to be part of the community of companies in its sector and territory: this is why it is an associate member of **Farmindustria, Union Foods, Unione Industriali di Pisa.**



STAKEHOLDERS

MODE OF INVOLVEMENT



SUPPLIERS

- Regular progress and alignment meetings between suppliers and corporate business units
- Code of Ethics
- Trade fairs and congresses
- Training to Agents
- Order platform
- Questionnaire on ESG issues



CUSTOMERS

- Internet channels
- Social Media
- Trade fairs and congresses
- Scientific training for foreign distributors



EMPLOYEES AND COLLABORATORS

- Regular internal staff meetings for every single function
- Annual performance evaluation
- Continuing Education
- Corporate events
- Questionnaire on ESG issues



SHAREHOLDERS AND THE FINANCIAL COMMUNITY

- Meetings of the Board of Directors
- Periodic (quarterly) and annual management reports
- Press releases
- Website
- Periodic meetings



LOCAL COMMUNITIES

- Continuous dialogue of partnerships with civil society and charitable organisations with regard to cultural and sports initiatives
- Territorial and community initiatives



SCIENTIFIC COMMUNITY AND UNIVERSITIES

- Trade fairs and congresses
- University projects through sponsored masters

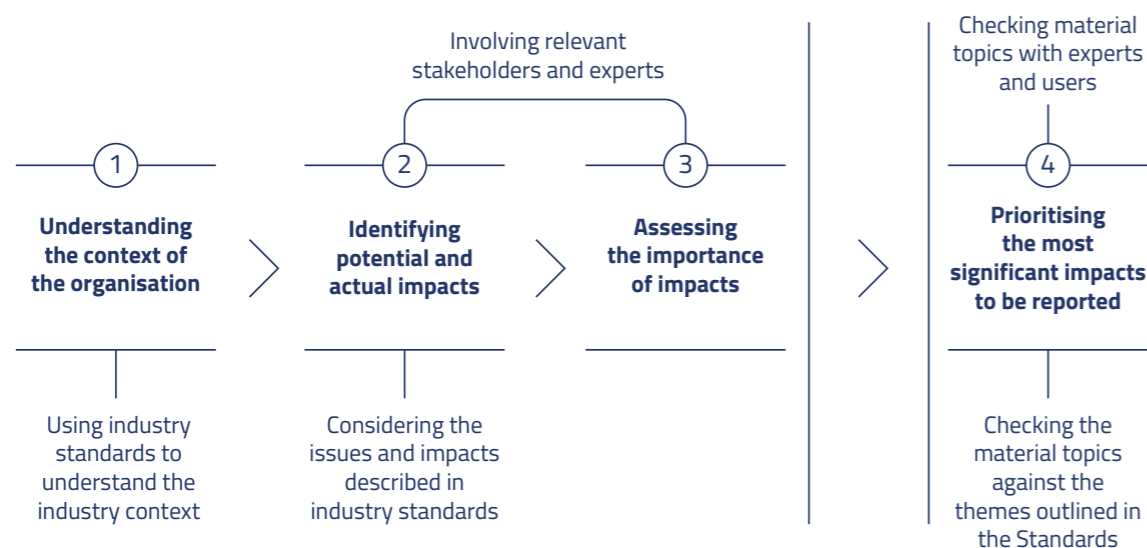


HEALTH CARE FACILITIES AND WORKERS

- Dialogue with health care professionals, the scientific and university community
- Press releases
- Website
- Trade fairs and congresses
- Use of medical partnerships

1.2.2 The materiality analysis

The process of identifying material topics carried out when preparing the first sustainability report (referring to 2021) was revised in 2022 following the changes introduced with the GRI Universal Standards 2021.



For the reporting year, consistent with the requirements of GRI 3 - Material Topics 2021, PharmaNutra Group updated the material topics focusing on the identification of the impacts that the organisation has or could have on the economy, the environment and people, including on their human rights, which in turn can indicate their contribution (whether negative or positive) to sustainable development.

Through the new approach, given the context in which it operates, by means of an assessment of the information it has on the economy, the environment and people, taking into account the needs of its internal and external stakeholders, and after discussion with the top management and the main company representatives for material topics, a list of 22 most significant, positive and negative, actual and potential impacts of the organisation on aspects such as economy, environment and people, including impacts on human rights (so-called **impact materiality**) was identified.

Subsequently, in order to assess the significance of the impacts identified and to prioritise them, a questionnaire was prepared to be submitted to its most relevant stakeholders (employees, Board of Directors, Board of Statutory Auditors, some banks, some investors and the main suppliers).

Through the questionnaire, PharmaNutra Group gave stakeholders the opportunity to express their opinion in terms of **severity/relevance** (for current impacts only) and **likelihood of occurrence** (for potential⁵ impacts).

⁵ - Within the questionnaire, stakeholders were asked to rate the impacts in terms of severity and likelihood on a scale of 1 to 7. The severity of an actual or potential negative impact depends on the following characteristics: **Scale**: how severe is the impact; **Scope**: how widespread is the impact, for example, the number of people affected or the extent of environmental damage. **Characteristics of irreparability**: how difficult it is to mitigate or compensate the resulting damage. The likelihood of a potential negative impact refers to the possibility of occurrence of the impact and can be measured or determined in a qualitative or quantitative way.

Below is the list of impacts identified and submitted for stakeholders' assessment:

MATERIAL TOPIC	IMPACT	IMPACT TYP.
Creation of sustainable value and social commitment	Creation of economic and financial value	Current positive
	Investment in research and development and purchase of laboratory equipment	Current positive
	Ongoing collaboration with the university aimed at improving relations with the territory and establishing continuous education flows for internal staff and the possibility of recruiting future candidates	Current positive
	Redevelopment of an area in Pisa territory through the construction of a new technologically advanced headquarters that respects the environment	Current positive
	Donations, sponsorships and liberal grants	Current positive
Corporate welfare and employee career development	Development of staff skills through appropriate training programmes	Current positive
	Guarantee of stable employment for employees and collaborators	Current positive
	Improving the psycho-physical well-being of individuals and their families through welfare solutions, with an eye to work-life balance	Current positive
Product quality and safety	Potential damage to consumer health related to products distributed on the market that are defective and/or do not comply with EU regulations	Potential negative
	Loss of sensitive information relating to the production process and company know-how	Potential negative
	Use of non-biodegradable packaging to maintain product quality	Current negative
Energy efficiency	Emissions and/or waste generation along the value chain	Current negative
	Production of GHG and non-GHG emissions in the corporate activity	Current negative
Waste management and recycling	Increase in waste generation related to the construction of the new headquarters	Current negative
	Generation of hazardous waste in the course of laboratory and prototype analysis activities	Current negative
Responsible procurement management	Possible human rights violations along the value chain	Potential negative
	Collaboration with certified suppliers with whom research activities focusing on product quality improvement are carried out	Current positive
Health and safety at work	Occurrence of accidents due to employees' lack of attention to health and safety	Potential negative
Diversity and equal opportunities	Cases of employee discrimination based on gender, age, political or sexual orientation, marital status, etc.	Potential negative
	Lack of transparency in communication and application of subjective evaluation drivers in employee career paths	Potential negative
Ethics, Integrity and Anti-Corruption	Cases of non-compliance with the regulatory system in which the company operates	Potential negative
Cybersecurity and Data Responsibility	Business Continuity issues and cyber attacks that could impact business operations	Potential negative

The remainder of this report features the description of the mitigation actions implemented by the Group to manage the negative impacts identified.

Through the analysis of the answers received in the questionnaires, they were classified according to the combination relevance/probability of occurrence.

Ethics, integrity and fight against corruption together with cybersecurity and data responsibility are the most relevant topics for the stakeholders who filled in the questionnaire, while ranked last are the topics of waste management and recycling as well as energy efficiency.

Below is a short description of the material topics of PharmaNutra Group:

MATERIAL TOPICS IDENTIFIED	DESCRIPTION
Ethics, Integrity and Anti-Corruption	The Group regards integrity as a founding value of its leadership. For this reason, it ensures compliance and enforcement of the regulations, with a view to fairness and transparency towards shareholders and stakeholders.
Cybersecurity & Data Responsibility	The protection and responsible handling of corporate data is an essential prerequisite for safeguarding stakeholders' interests and maintaining the trust placed in us.
Corporate Welfare and employee career development	The beating heart of the Group lies in its people. That is why we are committed to creating perspectives for personal and professional growth, striving to meet the needs of our employees and developing individual capabilities through continuous learning.
Responsible procurement management	In order to ensure a procurement policy aimed at reducing waste and guaranteeing respect for human dignity, the Group is committed to formalising agreements that require respect for human value and the principles contained in its Code of Ethics, with a view to responsible procurement.
Diversity and equal opportunities	The Group's interest in giving everyone the same opportunities for professional development is constant, maintaining an appropriate level of gender representation in the corporate workforce, promoting respect for equal opportunities, fair treatment of all people and diversity as an asset to be cultivated.
Product quality and safety	PharmaNutra Group's goal is to make safe and effective products available to the community. To this end, research and development, in which our company is one of the leaders, is strategic and fundamental.
Sustainable value creation	PharmaNutra Group is committed to achieving results that satisfy its investors, the needs of all relevant stakeholders and to creating value for the community in which the company operates.
Health and safety in the workplace	The Group guarantees safe and welcoming workplaces for all, recognising prevention in workers' health and safety as a priority and responsibility of the company.
Energy efficiency	PharmaNutra Group pays attention to energy resources, managing consumption with the aim of improving the energy efficiency of all its activities.
Waste management and recycling	Through its production plants, research laboratory and construction site for the new headquarters, the Group seeks to contribute to reducing the impact of its activities on the environment.

1.2.3 Our contribution to the UN Sustainable Development Goals

Consistent with its vision and mission, PharmaNutra Group joined the 2030 Agenda for Sustainable Development (the "Agenda") and assessed in a more direct way how it can contribute to the Sustainable Development Goals (SDGs). The Agenda was signed at the UN summit in September 2015 by 193 countries and includes 17 Sustainable Development Goals (SDGs), broken down into 169 targets, which have global validity and chart a path of responsibility and collaboration to address current challenges.

The 17 goals of the Agenda refer to a set of important themes for sustainable development that take into account the three dimensions - being economic, social and ecological - and involve all countries and societies, from private companies to the public sector, aiming to end poverty, fight inequality, tackle climate change and build societies that respect human rights.

Below are the material topics identified by PharmaNutra Group associated with the relevant SDGs, demonstrating the contribution that the Group's companies can make towards achieving the SDGs.

Through a document on the official GRI Standards website showing the correlation between the GRIs applied and specific SDGs, the link between each topic and the SDGs of the 2030 Agenda was made.






	3 HEALTH AND WELL-BEING	5 GENDER EQUALITY	6 CLEAN WATER AND HYGIENE	7 CLEAN AND AFFORDABLE ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCING INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 ACTING FOR THE CLIMATE	14 LIFE UNDERWATER	15 LIFE ON EARTH	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
WASTE MANAGEMENT AND RECYCLING	■		■		■			■	■			■	
ENERGY EFFICIENCY	■			■	■				■	■	■	■	■
CORPORATE WELFARE AND EMPLOYEE CAREER DEVELOPMENT		■			■		■						
HEALTH AND SAFETY IN THE WORKPLACE	■				■								■
DIVERSITY AND EQUAL OPPORTUNITIES		■			■		■						
RESPONSIBLE PROCUREMENT MANAGEMENT					■								
PRODUCT QUALITY AND SAFETY													■
CYBERSECURITY AND DATA RESPONSIBILITY													■
ETHICS, INTEGRITY AND ANTI-CORRUPTION													■
SUSTAINABLE VALUE CREATION		■			■	■		■					

1.2.4 The development of sustainability in PharmaNutra Group

In the Sustainability Report 2021, the Group had not yet envisaged a proper structured sustainability plan. Future commitments to be achieved during 2022 had been identified for each ESG area without these objectives being outlined in a medium-term strategic plan. Below is a short summary of what has been achieved:

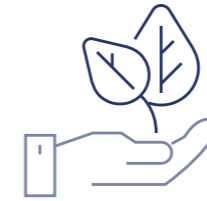
OUR COMMITMENT	2022 RESULTS	NOTES
The Group will be committed to setting up a system for monitoring and reporting certain and alleged corrupt acts/behaviour.	✓	In compliance with Article 6, paragraph 2-bis of Italian Legislative Decree No. 231/2001 (as amended by Italian Law 179/2017) during 2022, the Company set up a special e-mail address to which reports can be sent with the guarantees provided by law for the protection of whistleblowers, and adopted a specific Procedure for "Handling reports."
Adopting a corporate welfare plan that meets the specific spending, personal and family needs of employees.	✓	The Welfare platform was introduced starting from November 2022
With a view to continuous improvement, the adoption of tools, software and procedures capable of timely monitoring the training hours carried out by all Group personnel is being evaluated.	!	A Group's employee training management software was acquired; the implementation phase is underway and will be completed in 2023
The Group is evaluating internal procedures and policies for a reward system based on the achievement of both corporate and individual targets set by each department head and agreed with the employees themselves.	✗	Project postponed to the following three-year period
In order to encourage the involvement of its employees in sustainability issues, the Group is preparing a questionnaire to survey the most relevant aspects.	✓	A questionnaire was prepared and sent to all internal staff of PharmaNutra Group to monitor the "corporate ESG-related" climate.
PharmaNutra Group will increasingly contribute to the improvement of the sustainability work of most suppliers. To do this, it will act through specific requests to its partners and favour a more sustainable use of materials.	!	The Group has started to implement a process of dialogue and interaction with a number of strategic suppliers on ESG issues, in order to create a lasting and mutual collaboration on environmental matters
At the moment, the Group has no renewable sources to draw energy from, but the Group's commitment is to provide photovoltaic systems and energy efficiency systems in the new headquarters, such as high-efficiency air-conditioning systems with heat recovery, air renewal system with heat recovery and free-cooling system, as well as roof rainwater recovery system for irrigation use.	!	This objective will be achieved with the commissioning of the new headquarters
Through the implementation of in-house software, PharmaNutra will be able to keep track of the emissions of its fleet in an increasingly timely manner.	!	The project is being implemented
The Group will consider a more accurate reporting system concerning the waste generated, emissions and consumption that plants produce on our behalf.	✗	Awaiting a sector-specific regulation (ESRS to be issued in July 23)
The Group is taking steps to be able to report on the emissions and waste that the construction and implementation of the new headquarters will entail in the short, medium and long term.	!	This objective will be achieved with the commissioning of the new headquarters

 Objective achieved
  In progress
  Objective postponed

The awareness of the importance of the Sustainability project generated with the preparation of the first Sustainability Report in 2021 has led to the drafting of a real plan through which the Group's commitment to sustainable and responsible development over a medium-term time horizon is made explicit.

Through the Sustainability Plan, the Group communicates to its stakeholders its strategic guidelines and identifies the objectives it is committed to achieving, thus guaranteeing continuous annual updates, in the knowledge that sustainability is never a point of arrival but a constantly evolving path.

The Sustainability Plan is divided into six high-level areas of commitment:



GOVERNANCE
Oriented towards sustainable success



COMMUNITY
Contributing to the well-being and improvement of the quality of life of the local community



PEOPLE
Generating involvement, awareness and belonging to the project



WORK CHAIN
ESG-oriented strengthening of the supply chain



ENVIRONMENT
Ensuring efficient consumption management and reduction of environmental impacts



INNOVATION
Ensuring the protection of intellectual property, patents and raw materials

For each area of commitment, operational objectives have been identified to be pursued with estimated deadlines for completion.

AREA OF COMMITMENT	PROJECTS	SCHEDULE
Governance oriented towards sustainable success	Delegation of ESG powers to the Executive Director	2023
	Widening of the Risk Committee functions with the inclusion of ESG matters	2023
	Appointment of the ESG Manager	2023
	Creation of the ESG Operations Team	2023
	Implementation of software for data collection, data processing, ESG Report drafting	2023
	Software implementation for ESG Report taxonomy	2023
	Integration of the Code of Ethics with ESG issues	2024
	Spreading of knowledge about the Code of Ethics	2024
	Achievement of ESG certification and rating	2024/2025
	Software implementation for ESG Report tagging	2025
People: involvement, awareness and belonging to the ESG project	Implementation of management incentive systems also based on ESG targets	2026
	Organisation of the annual meeting with employees to share Group strategies and trends	2023
	Addition of a company canteen and a company gymnasium in the new premises	2023
	Renewal of individual agreements for Smart or remote working	2023
	Introduction of a personnel incentive system based on qualitative/quantitative elements	2024
	Formalisation of the staff training plan	2024
	Organisation of team building events	2024
	Organisation of the training course about Project Management	2024
	Training on ESG issues to all staff/functional managers (managers who are part of the ESG team)	2024
	Formalised communication of the career path and personal objectives to be achieved during the year	2025
Environment: ensuring efficient consumption management and reduction of environmental impacts	Achievement of 45001 certification (Occupational Health and Safety Assessment Specification)	2025
	MBO system on ESG criteria to the ESG team	2026
	Commitment to purchase certified green energy	2023/2024
	Assessment of the environment policy adoption and training	2024
	Implementation of a water and energy consumption monitoring system	2024
	Evaluation of the possibility of using biodegradable packaging	2025
Assessment of the adoption of an ISO 14001-compliant environmental management system	2025	
Projects to reduce water consumption and share of waste for disposal	2026	

Community: contributing to the well-being and improvement of the quality of life of the local community	Development of initiatives aimed at the development and welfare of the local community	2023/2024
	Definition of agreements with educational institutions for internships, school/work placement	2023
	Evaluation of the possibility of using food not consumed by the company canteen in canteens/hospitality centres	2025
Value chain: ESG-oriented strengthening of the Supply Chain	Introduction in supplier selection processes of the compliance with ESG criteria to be defined	2024
	Establishment of contractual clauses requiring the most significant suppliers to provide KPIs to be defined (implementation of a monitoring system for energy and water consumption upstream in the value chain)	2024
	Evaluation of the implementation of incentive systems for strategic suppliers based on ESG criteria (guaranteeing annual orders, intervention on payment terms, etc.)	2025
Innovation: ensuring the protection of intellectual property, patents and raw materials	Assessment of the achievement of ISO 27001- Information Security Management Systems certification	2025

For monitoring the objectives, the Group has defined an appropriate measurement method (KPI) allowing to assess the effectiveness of the actions taken.

The main reason why they are used is precisely to determine whether the company is achieving its objectives. If this is not happening, corrective measures can be introduced. Therefore, sustainability indicators measure the company's performance and how it implements its plans from a sustainability perspective.

PharmaNutra Group - Sustainability Indicators (KPIs)



PEOPLE

- % of employees hired with open-ended contract > 90%
- Turnover rate < 14%
- 1 questionnaire per year about the workplace environment



RESEARCH AND DEVELOPMENT

- Staff dedicated to R&D projects for annual hours > 9,500
- Research and development investments > € 500k



VALUE CHAIN

- % of suppliers who signed the Code of Conduct > 95%
- Audits of at least 50% of critical suppliers



COMMUNITY

- Donations given to the community > € 20k
- Sponsorships to amateur sports clubs >= € 100k
- Collaboration projects with universities started during the year >= € 50k
- Value generated (turnover) > 10% compared to the previous year

Environmental KPIs will be defined when the new plant becomes operational.



02

- 2.1 Approach, strategy
 - 2.1.1 The Governance
 - 2.1.2 The Organisation, Management and Control Model
 - 2.1.3 Anti-corruption
 - 2.1.4 Cybersecurity and Data Responsibility
- 2.2 Our management systems and certifications

Governance, ethics
and integrity

2.1 Approach, strategy

PharmaNutra Group's core values include respect for ethics in business and socially responsible behaviour by placing **responsibility towards customers, shareholders, people and the environment at the core of its business model**.

To this end, the Group, which has been listed on the Euronext Star Milan market since December 2020, has adopted a governance structure aligned with national and international best practices and complies with the principles set forth in the Corporate Governance Code for Listed Companies promoted by the Corporate Governance Committee.

2.1.1 The Governance



PharmaNutra holds 100% stake of Junia Pharma, Alesco and Akern. Over the years, the Group has strengthened its governance structure, which is a sign of reliability and transparency towards its stakeholders by adopting the following organisational elements:

- Corporate governance structure reflecting the principles of Borsa Italiana's Corporate Governance Code
- Code of Ethics containing the principles and values as a foundation for smooth management execution
- Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001
- Systems certified according to international ISO standards to control sensitive processes and operations for smooth running of the organisation

PharmaNutra Group has adopted **a traditional organisational model**, consisting of: **Shareholders' Meeting, Board of Directors** and **Board of Statutory Auditors**.

The Group's governance is entrusted to the Board of Directors, which consists of seven members, four of whom are executive directors and three independent directors, appointed in 2020 with office until the approval of the 2022 financial statements, and whose Chairman is not an employee or manager of the Group. Its operation is governed by the specific "Regolamento del **Consiglio di Amministrazione** (Rules of the Board of Directors) published on the Parent Company's website www.pharmanutra.it.

BoD COMPOSITION



AGE GROUP



The Board of Directors is made up of 71% men and the remaining 29% women, with the average age of directors almost equally distributed between the 30-50 and 50-plus age brackets. The members of the Board of Directors in office until 31 December 2022 are characterised by a mix of professional and personal skills ranging from scientific subjects to economics, law and management, with international experience in the business sectors in which PharmaNutra Group operates.

An abstract of the Curricula of all Board members can be found in the "Governance" section of the website www.pharmanutra.it.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company, decides on strategic guidelines both from a sustainable and a business viewpoint, and monitors the implementation of the decisions taken.

Strategies are defined by the Board of Directors, which takes sustainability impacts into account in the evaluation process. At present, the Group has no structured processes for sustainability, but is increasingly aware of its importance, and for the year 2023 it will strive to implement the defined sustainability plan recording the KPIs identified to assess and measure the progress and effectiveness of the plan's progress.

With a view to sustainability, the functions of the Audit and Risk Committee are to be expanded to become the Audit, Risk and Sustainability Committee. In addition to supporting the Board of Directors' assessments and decisions on the internal control and risk management system, such Committee will have proposal and advisory functions vis-à-vis the Board of Directors on sustainability issues such as:

- Examining and evaluating sustainability issues related to business operations and the dynamics of interaction with stakeholders;
- Examining and evaluating the system for collecting and consolidating data for the preparation of sustainability reports and documents that will be required in the future as a result of the European Union's sustainability regulations;
- Examining the Sustainability Report in advance, formulating an opinion for approval by the Board of Directors;
- Monitoring the Group's positioning on sustainability issues, with particular reference to the Group's ranking in ethical sustainability indices;
- Expressing opinions on any further sustainability issues at the request of the Board of Directors.

Pursuant to the Articles of Association, the Directors are elected for a term of 3 (three) years or for a period of not more than 3 (three) financial years, as determined by the Shareholders' Meeting upon election, and can be re-elected.

The members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting (which also determines their number) on the basis of lists in which the candidates must be listed in numerical order and in compliance with the pro tempore regulations in force concerning directors who meet the requirements of independence and gender balance.

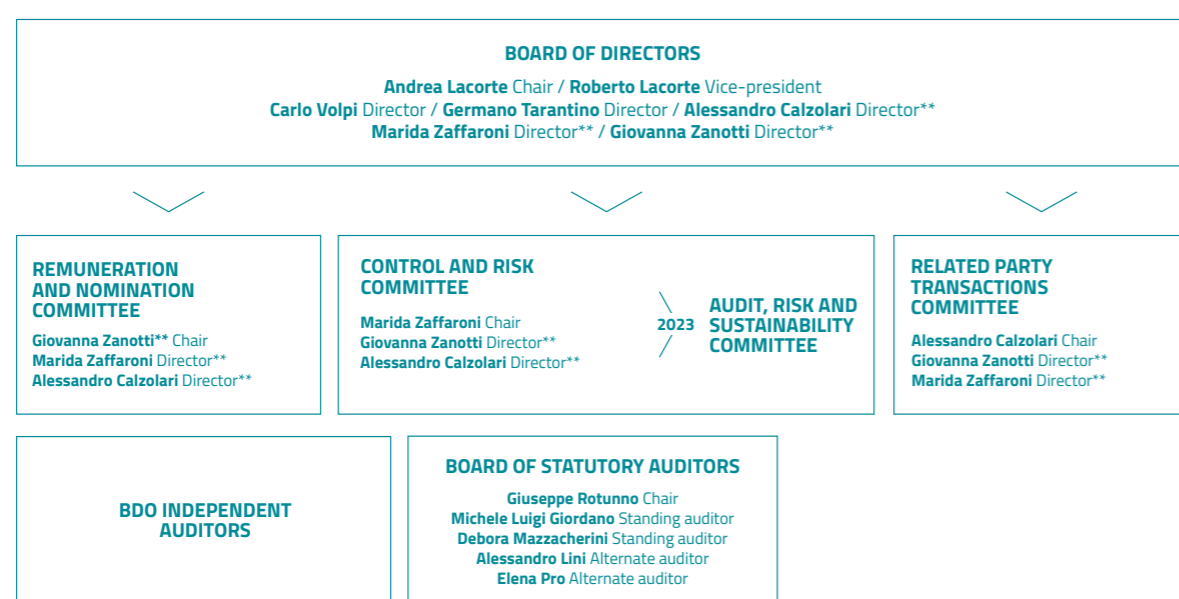
The right to submit lists is held by the Board of Directors in office and by shareholders who, at the time the list is submitted, alone or together with others own shares representing at least the minimum percentage of the share capital with voting rights at the Ordinary Shareholders' Meeting as established by Consob, which will in any case be indicated in the notice of call. Consob set the shareholding required for the submission of lists for the election of the Company's Board of Directors at 2.5% of the share capital. PharmaNutra's Board of Directors met 9 times during 2022 (9 times in 2021), mainly dealing with issues concerning: (i) the definition of future growth strategies, such as the acquisition of Akern, the establishment of foreign companies in key markets (USA and Spain), the launch of new product lines (Cetilar® Nutrition), (ii) the approval of financial statements (quarterly, half-yearly and annual), (iii) the approval of the Group's budget and business plan, (iv) the approval of additions to procedures and model 231.

As part of the implementation of the sustainability plan in the course of 2023, it is envisaged that an Executive Director will be given specific powers to manage the organisation's impacts on the economy, the environment and people.

For further details, please refer to the documents in the Governance section published on PharmaNutra Group's website.

2.1.2 The Committees

The Board of Directors has established three committees within its structure featuring proposal and advisory functions: the **Remuneration and Nomination** Committee, the **Control and Risk** Committee and the **Committee for Related Party Transactions**, consisting solely of independent and non-executive directors. The roles, composition and functioning of the various committees are defined by specific regulations that implement the principles set out in Borsa Italiana's Corporate Governance Code.



**Independent director pursuant to Article 148, paragraph 3 of T.U.F. or Italian Consolidated Law on Finance (referred to in Article 147-ter, paragraph 4, of T.U.F.)

Remuneration and Nomination Committee

The Company has established a remuneration committee within its Board of Directors. On 23 October 2020, the Parent Company's Board of Directors appointed non-executive and independent directors as members of the Committee:

The Committee has advisory and proposal functions with reference to the Remuneration Policy:

- It proposes the adoption of the Policy for the Remuneration of Directors and top executives with strategic responsibilities, including incentive plans;
- It periodically assesses the adequacy, overall consistency and practical application of the Remuneration Policy for Directors and top executives with strategic responsibilities;
- It submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors holding particular offices;
- It makes proposals to the Board of Directors with reference to the Remuneration Policy, including incentive plans, with reference to Managing Directors and other Directors holding particular offices, as well as, according to the suggestions of the Managing Directors, proposals for the definition of the remuneration criteria of top executives with strategic responsibilities of the Company.

Control and Risk Committee

On 23 October 2020, the Parent Company's Board of Directors appointed as members of the Control and Risk Committee the Independent Directors Marida Zaffaroni (as Chairwoman), Alessandro Calzolari and Giovanna Zanotti. At the time of their appointment, the Board of Directors considered that the members of the Control and Risk Committee have, on the whole, adequate expertise in the business sector in which the Group operates to assess the related risks.

In addition, the Directors Alessandro Calzolari and Giovanna Zanotti have adequate knowledge and experience in accounting, financial and risk management matters. On 3 February 2023, the Board of Directors approved the regulation of the Control and Risk Committee defining its operation rules. Pursuant to the aforementioned regulation, the Control and Risk Committee has the task of assisting the Board of Directors' evaluations and decisions concerning the internal control and risk management system, by means of an adequate preliminary activity of a proposal and advisory nature, so that the main risks relating to the Company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored. More specifically, the Control and Risk Committee is entrusted with the tasks regarding control and risks as set forth in Recommendations 33 and 35 of the Corporate Governance Code, as also specified in the Committee's regulation published in the Governance section of PharmaNutra's website. During the financial year and up to the Report Date, the Control and Risk Committee met seven times.

Related Party Transactions Committee

On 23 October 2020, the Parent Company's Board of Directors resolved to adopt a new procedure for Related Parties Transactions, subject to the favourable opinion of the Independent Directors in office on that date (the "RPT Procedure"). The RPT Procedure entered into force as of the negotiations start date and was last amended on 29 June 2021. The RPT Procedure establishes the rules governing the procedures for the identification, approval and management of the company's transactions with related parties in order to ensure the transparency and substantive and procedural fairness of transactions with related parties, carried out directly or through subsidiaries pursuant to art. 93 of T.U.F. or otherwise companies subject to management and coordination.

In addition, it should be noted that PharmaNutra – as (i) a smaller company, as well as (ii) a newly listed company pursuant to article 3 of the "RPT Regulations" adopted by Consob with resolution no. 17221 of 12 March 2010 as subsequently amended (the "RPT Regulations") – applies to related party transactions – including the more relevant ones (as identified in accordance with Annex 3 of the RPT Regulations) – a procedure which takes into account the principles and rules set out in article 7 of the RPT Regulations, as an exception to article 8 of the same RPT Regulations. For further information on the RPT Procedure, please refer to the procedure available on the website www.pharmanutra.it, Governance section.

The Related Party Transactions Committee includes three Independent Directors, in the persons of Alessandro Calzolari (as Chairman), Marida Zaffaroni and Giovanna Zanotti. The Committee is assigned the functions set out in the RPT Procedure.

During the financial year and up to the Report Date, the Related Party Transactions Committee met 2 (two) times.

The Board of Directors periodically evaluates the effectiveness of its activity and the contribution made by its individual members, through formalised procedures whose implementation it oversees.

To this end, it carries out its own assessment of the size, composition and actual functioning of the Board itself and of the Board Committees (so-called board review), also considering the role that the Board has played in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system.

During the financial year 2022, the Board of Directors carried out the annual assessment on the basis of a specific questionnaire divided into different areas of investigation (i.e. composition, structure, size and functioning of the Board, interaction with management, risk governance, composition and structure of the committees, etc.) and with the possibility of expressing comments and proposals. Such a questionnaire was transmitted and completed by all the Directors, as well as examined by the Board at its meeting of 18 March 2022. The Remuneration and Nomination Committee assisted the Board and the Chairman of the administrative body in ensuring the adequacy and transparency of the self-assessment process and, more generally, assisted the Board in its self-assessment activities, examining, in particular, the results of the self-assessment procedure.

As a result of the aforementioned self-assessment, the Board considered the administrative body suitable to perform the functions attributed to it by current legislation and that the size, composition and functioning of the Board and its committees are adequate with respect to the management and organisational needs of the Issuer, also taking into account the professional characteristics, experience, including managerial experience, of its members, their seniority as well as the presence, out of a total of 7 (seven) members, 3 (three) independent non-executive directors and 2 (two) female directors, who also guarantee an adequate composition of the Committees established within the Board.

In addition, the Directors considered that the composition of the Board of Directors reflects adequate diversity profiles regarding aspects such as age, gender composition and training and professional path.

Furthermore, it should be noted that, at the Report Date, the Board did not adopt a plan for the succession of executive directors, taking into account the current shareholding and organisational structure of the Issuer and also considering that the Corporate Governance Code recommends it only for "large companies".

The Group has also appointed a **Lead Independent Director** in the person of Alessandro Calzolari, one of the independent directors elected by the Board of Directors, with the task of collaborating with the Chairman of the Board of Directors to ensure that corporate governance functions properly, that information flows to the directors in a complete and timely manner as recommended by the Corporate Governance Code, and to coordinate, in collaboration with the Managing Director, the activities of the non-executive and independent directors.

Periodically, the Board of Directors, directly or through its delegated bodies, reports on its own actions and on any transactions conducted by the Company and its subsidiaries to the **Board of Statutory Auditors**. As a supervisory and controlling body, it performs control functions over the administration of the Company and compliance with the rules laid down in the Italian Civil Code.

As at 31 December 2022, the Board of Statutory Auditors consisted of five auditors, two women and three men, three acting and two alternate auditors, all of whom were over 50 years of age.

The **Supervisory Body (SB)**, established pursuant to Italian Legislative Decree 231/2001, has the task of supervising and verifying the adequacy and application of PharmaNutra Group's Organisation, Management and Control Model, in relation to the corporate structure and its effective capacity to prevent the commission of offences. It carries out annual checks and on the occasion of substantial changes in activities or regulatory or organisational changes of reference, the completeness and updating of the Model, and ensures its observance by all recipients.

As at 31 December 2022, the Supervisory Body consists of four members:

Ms Rosa Annarumma (Chairwoman)
Mr Guido Carugi
Mr Michele Luigi Giordano (Standing Auditor)
Mr Pasquale Giovinazzo (Internal Auditor)

During 2022, PharmaNutra Group's Supervisory Body met 10 times (12 in 2021).

The architecture of the Internal Control System

PharmaNutra Group deems it of the utmost importance for the development and management of its business to maintain an effective Internal Control System that, without being an unnecessary bureaucratic burden, is useful to the whole Group in achieving its objectives. In line with national and international best practices, a valid Internal Control System must be aimed at enabling a sound, correct and consistent management of the company in accordance with its objectives through an adequate process of risk identification, measurement and management.

The responsibility for maintaining an adequate level of the Internal Control System lies with all employees, in particular managers and heads of business units, with different levels depending on the responsibility held by each.

The Internal Control System is the set of rules, procedures and organisational structures aimed at enabling a sound, correct and consistent management of the company in accordance with its objectives through an adequate process of identification, measurement, management and monitoring of the main risks. An effective Internal Control System helps to ensure:

- The protection of social assets
- The efficiency and effectiveness of business operations
- The reliability of financial reporting
- The compliance with laws and regulations

The execution of controls involves, with different roles, the administrative bodies, the control bodies, the management and all personnel. They form an integral part of corporate process activities. Internal controls can be attributed to three different organisational levels:

- **Line controls or first-level controls**, aimed at ensuring that operations run smoothly. They are carried out by operational personnel in the different corporate functions (e.g. hierarchical and/or authorisation controls) or incorporated into procedures;
- **Controls on risk management or second-level controls**, whose objective is to contribute to the definition of risk measurement methodologies, to verify compliance with the limits assigned to the various operational functions and to check the consistency of the operations of individual functions with the objectives assigned. They are entrusted to corporate functions other than operations;
- **Internal audit or third-level controls**, aimed at identifying anomalous trends, violations of procedures and regulations as well as assessing the functionality in terms of design and operation of the overall internal control system. It is conducted continuously, periodically or by exception, by functions other than and independent of the operational functions, including by means of on-site audits.



Roles and responsibilities in the Internal Control System

The Board of Directors defines the guidelines of the Internal Control System so that the main risks are correctly identified and adequately measured, managed and monitored. The Chairman of the Board of Directors oversees the company's internal control functions, those aimed at ensuring that public interest is fulfilled in the provision of the service and respect for users' rights. The Managing Director is responsible for the management of the company, ensures that the organisational, administrative and accounting structure is appropriate to the nature and size of the company, examines the company's strategic, industrial and financial plans, evaluates and reports to the Board of Directors and the Board of Statutory Auditors on the general performance of operations and its foreseeable evolution as well as on the most significant operations, due to their size or characteristics, carried out by the Company. Therefore, it ensures the necessary resources for the management of the internal control system.

The Head of Internal Audit is responsible for verifying, on the basis of international standards, that the Internal Control System is always adequate, fully operational and functioning through an audit plan based on a process of analysis and prioritisation of the main risks. The Head of Internal Audit is not responsible for any operational area and acts on the basis of the Internal Audit Mandate, the formal document that defines the purposes, powers and responsibilities of the Internal Audit activity, defined by the Board of Directors of PharmaNutra S.p.A. and reports hierarchically to the Board of Directors through the Chairman. By law, the Board of Statutory Auditors has the task of monitoring compliance with the principles of proper administration and the adequacy of the Company's organisational structure (for the aspects within its competence), the Internal Control System and the administrative-accounting system, as well as the reliability of the latter in correctly representing management events. Also in order to facilitate the fulfilment of the aforementioned tasks, the Board of Statutory Auditors:

- Takes part in the meetings of the Board of Directors;
- Independently evaluates the effectiveness and functioning of the Internal Control System and makes any recommendations to the competent bodies.

The Independent Auditors check during the year:

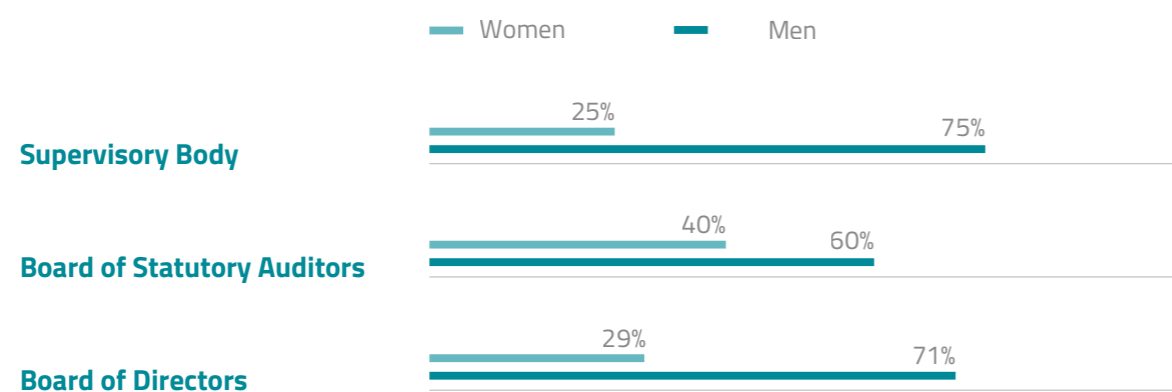
- The regular maintenance of corporate accounts and the correct recording of management events in the accounting records;
- That the financial statements and the consolidated financial statements correspond to the results of the accounting records and the audits performed and that they comply with the rules governing them.

Pursuant to Italian Legislative Decree 231/2001, the **Supervisory Body** is established in compliance with Italian Legislative Decree 231/2001 and is endowed with autonomous powers of initiative and control. It has the task of supervising the operation of and compliance with the Organisation, Management and Control Model as well as its updating. The **Heads of Function** are responsible for fostering and monitoring the effectiveness of the Internal Control System.

Employees, within the scope of their roles and responsibilities, after appropriate training, must contribute to ensuring the functioning of the Internal Control System.

The table below shows the breakdown by gender of the persons belonging to the corporate bodies described above for 2022.

	MEN	WOMEN	TOTAL
Board of Directors	5	2	7
Board of Statutory Auditors	3	2	5
Supervisory Body	3	1	4
TOTAL	11	5	16



In particular, as at 31 December 2022, 69% of the members of PharmaNutra Group's main governing bodies are men, while the remaining 31% are women.

31%
women



69%
men



2.1.3 Remuneration policy

The Remuneration Policy adopted by the Group defines the principles and guidelines to which it adheres in determining the remuneration practices for Directors and the members of the Board of Statutory Auditors, as well as in monitoring the enforcement of the same.

The Remuneration Policy was drafted in light of the recommendations set forth in the Corporate Governance Code promoted by the Corporate Governance Committee, taking into account the provisions of the Rules of the markets organised and managed by Borsa Italiana S.p.A. and the relevant Instructions for issuers with STAR qualification, and was approved by the Company's Board of Directors on 22 March 2021, upon the proposal of the Remuneration and Nomination Committee

The Company's Remuneration Policy – and, in particular, the policy on variable components of remuneration – contributes to the Company's strategy and to the pursuit of not only short-term but also medium/long-term interests and the sustainability of the Company. The Policy is functional to the pursuit of sustainable success by the Company and takes into account the need to have, retain and motivate people having the skills and professionalism required by their role in the Company. In view of this goal, the Policy is defined in such a way as to ensure an overall remuneration structure capable of recognising the managerial value of the persons involved and the contribution made to the growth of the Company in relation to their respective roles and functions. The Remuneration Policy has a two-year duration and in particular with reference to the 2021 and 2022 financial years.

The Company did not rely on the support of independent experts in the preparation of the Remuneration Policy. The main persons and bodies involved in the preparation, approval and revision of the Remuneration Policy are the Board of Directors, the Committee, the Shareholders' Meeting and the Board of Statutory Auditors.

The remuneration of the members of the Board of Directors consists of a fixed part and a variable part (variable remuneration is reserved for executive members only). The fixed component of the Executive Directors' remuneration is commensurate with the responsibilities, delegated powers and professional skills associated with the office/function held by the person concerned.

This component, which is not linked to the achievement of performance objectives, is determined in an amount sufficient to remunerate the performance of Executive Directors and Directors holding particular offices in the event that the variable components are not paid due to the failure to achieve the performance objectives specified by the Board. The remuneration of Non-executive and Independent Directors shall be appropriate to the skills, professionalism and commitment required by the duties assigned to them within the Board of Directors and Board committees. The variable component is divided into a short-term and a medium to long-term component.

The incentive system for Executive Directors recognises an appropriate balance between the fixed and variable components, consistent with the Company's strategic objectives and risk management policy, taking into account the characteristics of the Company's business and the sector in which it operates, it being understood that the variable portion represents a significant part of total remuneration.

The short-term variable component is determined on the basis of the achievement of preset annual objectives related to performance indicators, both at consolidated and group level, established by the Board of Directors, on the proposal of the Remuneration Committee.

The performance objectives, to which the payment of the variable components for Executive Directors is linked, are predetermined, measurable and mostly linked to a long-term horizon. They are consistent with the Company's strategic objectives and are designed to promote its sustainable success, including non-financial parameters, where relevant. The medium-long term variable component of Executive Directors consists of monetary incentive plans that, in line with the best comparable market practices, envisage adequate vesting periods and is determined on the basis of the achievement of predefined annual quantitative targets correlated to performance indexes determined at Group level, established by the Board of Directors, upon proposal of the Remuneration Committee

The organisational structure of PharmaNutra Group is divided into four main areas, each being headed by an executive director, and transversally applies to all three companies belonging to the Group:

- Research and development supervised by the President and coordinated by the Scientific Director
- Commercial, production and logistics supervised by the COO and coordinated for the Italian market by the Commercial Director
- Administration, Finance and Control supervised by the Vice-President and coordinated by the Administration, Finance and Control Director (CFO)
- Marketing and Communication supervised by the Vice-President and coordinated by the Marketing Manager

For further insights, please refer to the section on the Report about the Remuneration policy and the remuneration paid⁶.



⁶ - The Remuneration Policy Report is available at the following link: <https://www.PharmaNutra.it/wp-content/uploads/2023/04/PharmaNutra-Relazione-sulla-politica-in-materia-di-remunerazione-e-sui-compensi-corrisposti.pdf>

2.1.4 The Organisation, Management and Control Model and the Group's Code of Ethics

In 2019, PharmaNutra adopted the Organisation, Management and Control Model (pursuant to Italian Legislative Decree 231/01), approved by the Board of Directors, and updated periodically (last update January 2022).

Thanks to its set of protocols, such Model allows for the application of a complete and effective control system within the Group, aimed at regulating and defining the corporate structure and the management of its sensitive processes, thus reducing the risk of criminal offences being committed, if it is correctly applied.

For the Model to be developed and adopted effectively, PharmaNutra Group:

- Carried out a risk assessment to identify and analyse the risk of offences being committed in the various company activities (both established and developing);
- Implemented specific procedures to manage risk, preventing the commission of unlawful conduct in areas where the risk of offences is higher.
- Defined the management structure for the prevention of offences, ethical principles, resources (human, economic, information), responsibilities and information flows, enabling the application and updating of prevention procedures and the detection, over time, of the emergence of new risk areas.

The effectiveness of Model 231 is ensured by the control activities of the Supervisory Body, which monitors the proper functioning of the Model, also with the support of the Internal Audit Department, takes care of its updating and continues to carry out its activities in accordance with its Articles of Association.

Model 231 traditionally consists of a general part, in which the guiding principles for the conduct of company operations are established, as well as the procedures for setting up and functioning of the Supervisory Body and the system of sanctions. There is also a special section where the control protocols of the corporate activities assessed as "sensitive" are explained and procedures for the precise regulation of some of them are included.

The documents constituting Model 231 are:

- Code of Ethics
- Disciplinary system
- Risk assessment
- List of offences

All the Organisational Models adopted within PharmaNutra Group foresee specific channels reserved to the reporting of anomalies or violations by employees and periodic training of personnel on the contents of the Models and reference standards.

Below are the main conducts contained in PharmaNutra Group's Code of Ethics:

- Compliance with the regulatory provisions applicable in Italy and in any other country in which the Recipients operate;
- Transparency vis-à-vis all stakeholders, i.e. the categories of individuals, groups or institutions whose interests are directly or indirectly affected by the performance of corporate activities;
- Responsibility towards the community which, even indirectly, may be influenced in its economic and social development by the activities of Group's companies;
- Protection of safety and health, physical and moral integrity and rights of workers;
- Respect for employees and a commitment to enhance their professional skills;
- Rejection of any conduct that, although aimed at achieving a result consistent with the companies' interests, presents aspects that are not compatible with the principles of this Code of Ethics and the commitment to comply with the applicable regulatory provisions, as well as the companies' rules of conduct and procedures;
- Protection and preservation of the environment in all its components, the atmosphere, water, soil and subsoil, flora, fauna and ecosystems.

2.1.5 Anti-corruption

PharmaNutra Group manages the anti-corruption topic through the Organisation, Management and Control Model, which includes the Code of Ethics adopted by the Company in 2019 and as last updated on 31 January 2022.

In compliance with the Code of Ethics, the Model provides specific rules for the prevention of cases of corruption and the management of risks that may arise in the performance of corporate activities. In order to ensure compliance with the principles contained in the Code of Ethics, the Company shall ensure its widespread dissemination to employees, but also to suppliers, distributors and any other subject deemed to be appropriate.

In the 2021-2022 period, as in previous ones, there were no incidents of proven corruption, demonstrating the Group's ongoing commitment in this area.

In a perspective of continuous improvement, within the project of updating the Model 231/2001, the Group has set itself the objective of adopting an anti-corruption procedure aimed at guaranteeing the ethical performance of corporate activities, protecting the creation of value for the Group and its stakeholders and those fundamental values on which PharmaNutra's activities are based.

In early 2022, the Group set up a protected reporting channel (whistleblowing reports) made available to employees and external parties to report any suspicion of attempted, actual or suspected acts of corruption. The adoption of such rules allows protection and ensures the safeguarding of the whistleblower.

2.1.6 Data Responsibility and Cybersecurity

PharmaNutra Group takes into account the legitimate concerns about the risks associated with the processing and integrity of the personal data of all its stakeholders, and has therefore adopted a Privacy Policy in accordance with art. 13 of the EU Regulation 2016/679 as well as the applicable national data protection legislation.

The Group's data management follows specific standards of responsibility and confidentiality, using a protective IT infrastructure to guarantee data integrity throughout their life cycle, so as to prevent accidental or intentional modification, falsification or even deletion.

The Group's employees, with particular reference to those working in the field of clinical trials handling large amounts of data, receive continuous training on the importance of data integrity and privacy.

During 2022, as in the previous financial years, there were no security incidents/data breaches, such as to pose a risk to the rights and freedoms of the data subjects involved, no inspections or audits were carried out by the Privacy Guarantor and/or other competent privacy authorities, and no complaints were lodged with the Privacy Guarantor against PharmaNutra Group pursuant to Article 77 of the GDPR.



PharmaNutra Group aims at continuously improving its privacy governance with guidelines for the business on the application of privacy requirements for specific activities, particularly in the processing of health-related data.

PharmaNutra Group is on a path of constant evolution of its information systems in the broader context of digitisation of business processes and the related IT security.

To this end, a Cyber Maturity Assessment was carried out in cooperation with the Group's consultants in order to evaluate the current level of maturity with regard to Cybersecurity issues in order to prevent and identify gaps in various contexts of the organisation and identify any remedial actions to be taken.

The areas assessed were:

- Human factors
- Information Risk Management
- Business Continuity
- Operations and Technology
- Legal & Compliance

The analyses conducted and the assessments carried out revealed gaps in the areas of Information Risk Management, Business Continuity and Operations & Technology, therefore, a remedy implementation plan was defined as follows:

- Business Continuity: a Business Impact Analysis methodology was defined to identify critical processes, human beings, supporting ICT assets, relevant suppliers and the effects of their disruption. This methodology was applied to the purchasing and sales processes functional to the production cycle, and the business impacts and related IT asset continuity measures were shared with the relevant process owners and IT managers. On 26 April 2023, the Board of Directors of the Parent Company approved PharmaNutra Group's Business Continuity Plan.
- Risk assessment on outsourced activities to third parties in the IT field: the contracts of the four strategic IT suppliers were analysed and an assessment of the potential risk of the supply, and the countermeasures applied, was carried out, defining the remedial activities to be ensured by the supplier.

At the date of this report, the formalisation of a procedure for incident management and the formalisation of a procedure for the management of logical access to the Group's information system remain to be completed.

2.2 Our management systems and certifications

As an operator in the health care and well-being sector, the quality of PharmaNutra Group's products and business processes is an indispensable value, to which the Group pays special attention through a structured Quality Assurance system, regulating activities at every level.

PharmaNutra Group's Quality Assurance system is based on three fundamental principles:

INNOVATION: The protection of intellectual property, patents and raw materials is the key to PharmaNutra Group's uniqueness.

SCIENTIFIC RIGOUR: Cutting-edge studies and clinical research constantly guide the Group in the development of new products and solutions.

DEVELOPMENT SPEED: Flexible and interdisciplinary resources are the driving force behind development in a constantly changing world.

PharmaNutra is a **SA8000:2014** and **UNI EN ISO 9001:2015** certified company. Furthermore, in 2020, Cetilar® Cream, Cetilar® Patch and ApportAL® products were certified to meet the requirements of the **Play Sure Doping Free** specification.

PharmaNutra first obtained **ISO 9001 certification** for its quality management system in 2007, Junia Pharma in 2012, and Alesco became certified in 2018. In 2018, all three Group companies were certified 9001:2015, maintaining ISO standards for the development and production of food supplements and medical devices in compliance with the requirements of a management system.

The Group's need is to demonstrate its ability to regularly supply products that meet customer demands and applicable mandatory requirements. In addition, our companies aim at continuously increasing customer satisfaction through the effective application of the system, as well as at promoting the use of the process-based approach and the **risk-based thinking** one:

- Ensuring the availability of the necessary resources for the Quality Management System also through continuous professional development of personnel to ensure competence, awareness and the necessary knowledge for processes to take place.
- Ensuring the continuity of product supply to customers and that agreed quality and legal requirements are met.
- Selecting qualified service providers to maintain high quality standards.

- Monitoring internal economic/financial and commercial aspects, also in relation to the national and global economic environment.
- Defining quality indicators against which to assess the performance of business processes and implement intervention plans, which are periodically checked and redefined.

PharmaNutra and Junia Pharma are voluntarily certified **SA8000**, regarding the implementation of a Corporate Quality System and Corporate Social Responsibility (quality in the workplace). PharmaNutra and Junia Pharma want to align their corporate objectives with their ethical principles, being aware that social responsibility is an added value for organisational development.

The adoption of the **principles contained in SA8000 standard**:

- It encourages accountability to the various stakeholders, both internal and external, in a transparent manner, with regard to issues such as working conditions, safety and staff remuneration; it promotes a participative business management model, in which dialogue between company leadership and staff is encouraged;
- It fosters a collaborative climate within the organisation;
- It supports communication between the company and its external stakeholders with a view to transparency.

The distinctive elements of SA8000 certification are:

- Avoiding and/or discouraging child labour
- Avoiding and/or discouraging forced or compulsory labour
- Monitoring and ensuring workers' health and safety in the workplace
- Guaranteeing freedom of association and the right to collective bargaining
- Avoiding or/discouraging the implementation of discriminatory practices
- Monitoring the correct and fair application of disciplinary practices
- Ensuring working hours congruent with those defined by current regulations
- Monitoring that the remuneration complies with the contracts concluded and the regulations in force
- Promoting the organisation and growth of the company's Management System

The Group is committed with a management system to respect human rights and labour laws and regulations, social performance is monitored and health and safety in the workplace is promoted.

FARMINDUSTRIA Certification



Integrated with Quality Management Systems such as ISO 9001:2015 or SA8000 (Social Accountability), PharmaNutra Group holds Farmindustria Certification, thus ensuring compliance with the modes of specific scientific information activities of pharmaceutical companies. Holding this certification represents for PharmaNutra and the Group's companies a reason for differentiation in the nutraceutical industry, improves the credibility of the commitments made, thanks to the controls carried out by the independent third party body, and is a tool for communication and transparency of the quality of service towards all stakeholders.



PLAY SURE DOPING FREE Certification

The products of Cetilar® line were **Play Sure Doping Free**-certified in 2020. Granted by the **No Doping Life** association in technical collaboration with Bureau Veritas Italia, the Play Sure Doping Free label certifies that products are free of any substance considered potentially doping and hence are particularly suitable for those practising sport at any level. Doping is regulated at the international level by the World Anti Doping Agency (WADA), which annually issues specific lists of substances that must not be taken by athletes to be compliant for international competitions. Against this list, pharmaceutical manufacturers are obliged to display a warning on the packaging if there is a "prohibited" substance among the ingredients of the drug (graphically represented by a crossed-out red circle with the word Doping in black).

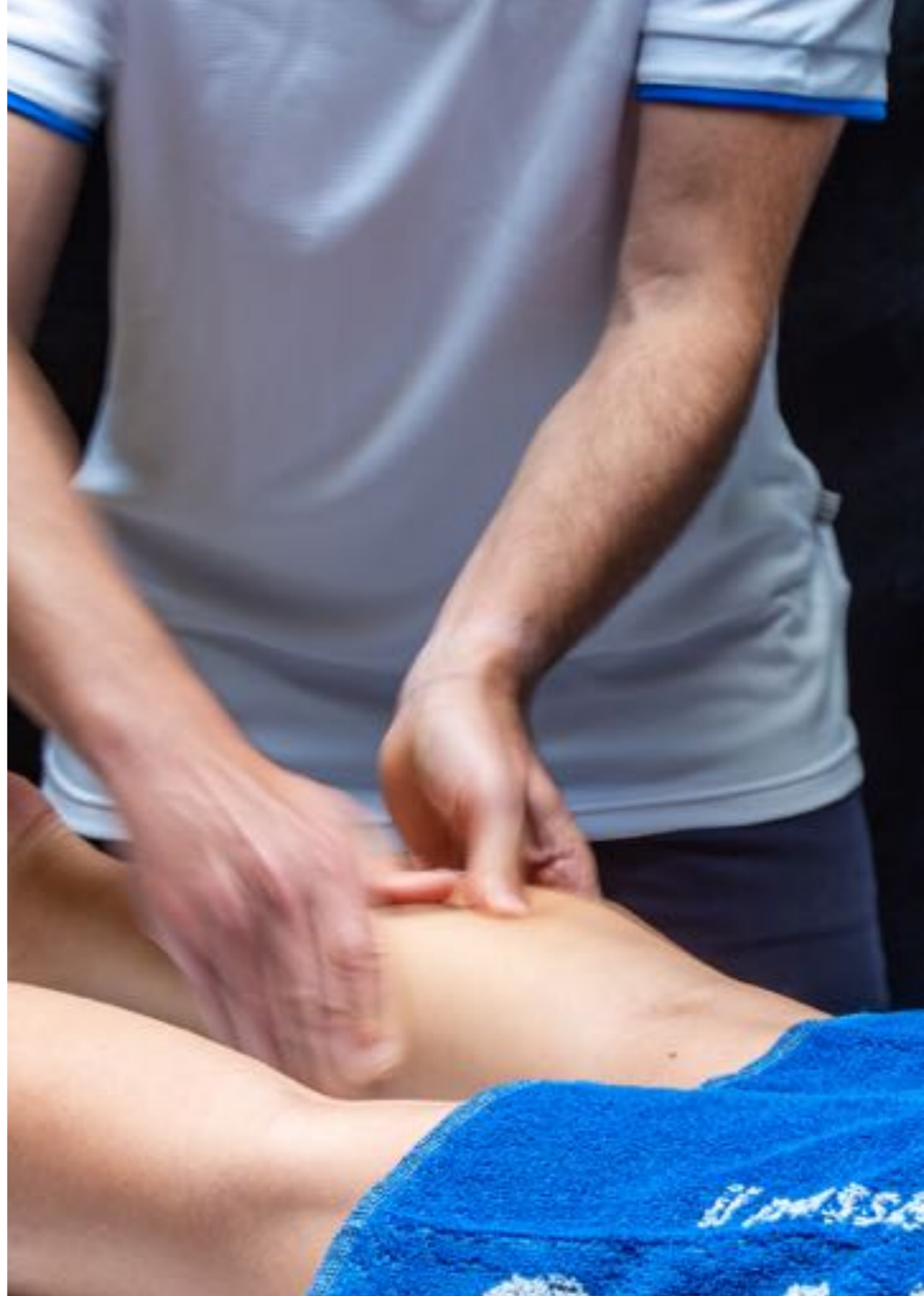
In order to avoid taking doping food supplements and any other kind of doping products, the doping free certification was created. It is a first concrete attempt to ensure a precise formulation of food and nutritional products in general, so as to offer correct information not only to sportsmen and women, but to all consumers in general who want to avoid taking prohibited substances. The certification was created with the twofold aim of enhancing the companies that are committed to promoting action against doping substances in respect of their consumers, and at the same time giving a boost for activities that enable the control of production processes in an ethical manner.

The certification benefits for PharmaNutra Group are manifold and are reflected throughout the supply chain: for all other parties involved in the production of the food supplement and/or food product, it represents an improvement in corporate image by proving care and attention to consumer needs. For customers, it represents a quality guarantee with respect to what is stated on the label.

BIOAGRICERT Certification



In August 2022, the subsidiary **Alesco S.r.l.** obtained the certification in accordance with Article 35, paragraph 1 of EU Regulation 2018/848 on organic production and labelling of organic products. By obtaining such certification, Alesco is authorised to import organic products from third countries into the European Union. The products covered by the certification are Acquamin® and plant protein concentrates.



03

- 3.1 Approach and policies
- 3.2 PharmaNutra staff
 - 3.2.1 People management
 - 3.2.2 We promote diversity and equal opportunities
 - 3.2.2 We train and involve our people
 - 3.2.4 We protect health and safety at work

3.1 Approach and policies

Human capital is a strategic asset for PharmaNutra Group and it can have a decisive impact on the entire value chain, leveraging people, skills and passion to enable us to face increasingly competitive markets.

The people working within the organisation represent a key stakeholder that PharmaNutra Group is committed to protect, involve and develop in a perspective that dynamically favours operations, the constant exchange of information and know-how and the development of relations between the Group's companies.

Great companies are such not only because of the effectiveness of their products, but above all because of the value of the people who help to build them through their work and daily sacrifices. In an environment where effectiveness and innovation are the business pillars, taking care of people means paying attention to the dynamics of the different teams, but also being demanding and expecting quality, seriousness and dedication. At PharmaNutra we believe in talent, but even more so in commitment and willpower, because the success of a company is only achieved when it is able to guarantee a future, safety, work and values for all its employees.

3.2 PharmaNutra staff

3.2.1 People management

For the development of its human resources and their enhancement, the Group aims at fostering their professional growth and career development, believing that the results achieved are closely linked to people's ability to activate their energies to reach objectives.

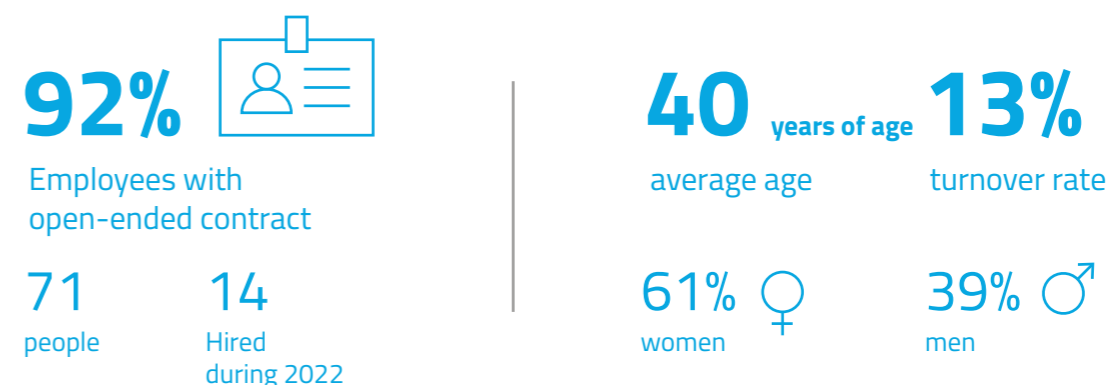
The selection process is aimed at finding the resources that best match the profiles required by corporate functions. The recruitment policy can be described as reactive as it starts when a position becomes vacant.

The main recruitment channel used is the LinkedIn portal through job postings, which is a useful tool to quickly reach young talent throughout the country. At the same time, the posting is also published on the main recruitment sites and on the company website.

In order to assess the skills of the candidates during the selection process, several motivational, cognitive and technical interviews are conducted according to the position to be filled.

There is always an interest and pleasure on the part of the executive directors to personally meet all candidates to convey to them the passion and pride of being part of PharmaNutra.

As at 31 December 2022, the total number of employees in the Group was 71 (+8% compared to 2022), of which 61% were women and the remaining 39% men, with an average age of 40. The CCNL or National Labour Collective Agreement applied for all employees in the Group is the Chemical and Pharmaceutical Industry one. There are no staffing contracts or other types of contracts in the Group.

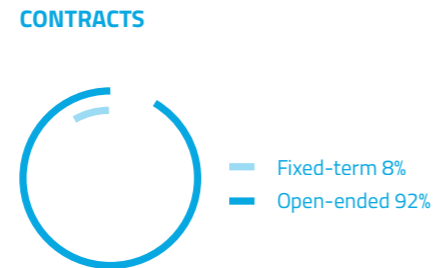


WORKFORCE BY QUALIFICATION BROKEN DOWN BY AGE GROUP	2022			2021			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Executives	0	1	1	0	1	1	0	1	1
Managers	0	18	3	0	21	3	0	18	2
White collars	11	28	6	7	27	4	4	27	4
Blue collars	0	3	0	0	2	0	0	1	0
TOTAL	11	50	10	7	51	8	4	47	7

% INC. WORKFORCE BY QUALIFICATION BROKEN DOWN BY AGE GROUP	2022			2021			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Executives	0%	2%	10%	0	2%	13%	0	2%	14%
Managers	0%	36%	30%	0	41%	38%	0	38%	29%
White collars	100%	56%	60%	100%	53%	50%	100%	57%	57%
Blue collars	0%	6%	0	0	4%	0	0	2%	0
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%

EMPLOYEES BROKEN DOWN BY CONTRACT	2022			2021			2020		
	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL
Open-ended contract	24	41	65	22	37	59	23	32	55
Fixed-term contract	4	2	6	0	7	7	0	3	3
TOTAL	28	43	71	22	44	66	23	35	58
Contracts changed from fixed-term to open-ended	0	5	5	1	4	5	1	3	4

PharmaNutra Group is committed to ensuring the continuity of employment within its company. As at 31 December 2022, 92% of contracts are open-ended and 8% are fixed-term. Fixed-term contracts are used as an instrument of mutual acquaintance preparatory to the establishment of open-ended contracts. 71% of the 7 fixed-term contracts in 2021 were transformed into open-ended contracts in 2022.

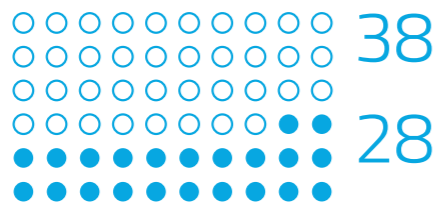


EMPLOYEES BROKEN DOWN BY TYPE	2022			2021			2020		
	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL
Full-time	28	38	66	22	40	62	23	31	54
Part-time	0	5	5	0	4	4	0	4	4
TOTAL	28	43	71	22	37	66	23	32	58

As the graph below shows, part-time contracts concern women, who are generally called upon to reconcile work and family demands.

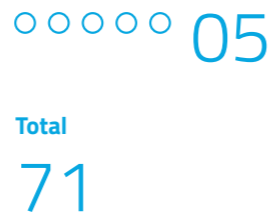
CONTRACT TYPE FOR THE YEAR 2022

Full-time



○ Woman ● Man

Part-time

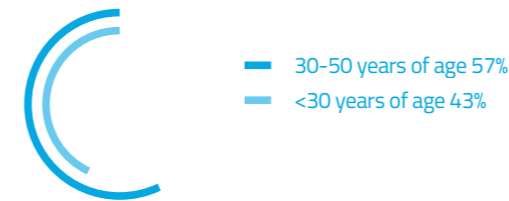


Total
71

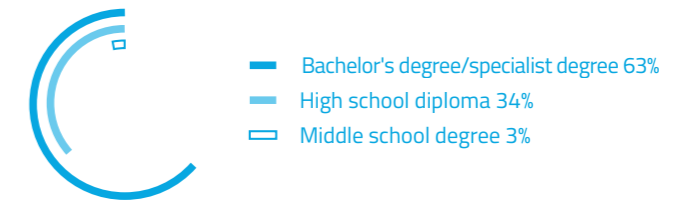
WORKFORCE (EMPLOYEES AND COLLABORATORS)	2022			2021			2020		
	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL	MAN	WOMAN	TOTAL
Employees	28	43	71	22	44	66	23	35	58
Agency workers	0	0	0	0	0	0	0	0	0
Other types	0	0	0	0	0	0	0	0	0
TOTAL	28	43	71	22	44	66	23	35	58

As a result of the reduction in turnover rate in the year 2022 from 15.2% to 12.7%, the Group hired substantially fewer employees than in the year 2021, but in line with the number of hires in the year 2020.

Hired Employees by Age Group



Employees by Level of Education



HIRED EMPLOYEES BY AGE GROUP	2022			2021			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Hired employees	6	8	0	4	13	1	3	11	0

TERMINATED EMPLOYEES BY AGE GROUP	2022			2021			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Terminated employees	0	7	2	1	9	0	2	9	1

In the reporting year, the number of hires in the under-30 age group grew by +50% compared to 2021, reflecting the company's policy of investing in young talent for them to grow inside the company.

HIRED EMPLOYEES BY GENDER	2022			2021			2020		
	MAN	WOMAN	TOT.	MAN	WOMAN	TOT.	MAN	WOMAN	TOT.
Hired employees	9	5	14	1	17	18	6	8	14

TERMINATED EMPLOYEES BY GENDER	2022			2021			2020		
	MAN	WOMAN	TOT.	MAN	WOMAN	TOT.	MAN	WOMAN	TOT.
Terminated employees	3	6	9	2	8	10	7	5	12

All employees have the option of joining the Faschim health care fund, which can also be extended to family members. Employees also have the option of joining the Fonchim supplementary pension fund.

3.2.2 We promote diversity and equal opportunities

In the framework of the employment relationship, PharmaNutra Group offers equal opportunities to everyone, avoiding forms of discrimination due to difference in gender, age, health status, nationality, political or religious opinions. The Group deems inclusion to be an asset and promotes diversity as an opportunity to improve the working climate and allow every talent to express itself. The company is committed to protecting the plurality of gender, origin and age, developing actions and strategies for inclusion and protection of diversity with the aim of guaranteeing employees equality in the workplace and equal opportunities for professional growth. The Group makes its values explicit towards employees through a series of formal policies and documents, but also through constant dialogue with its stakeholders. In particular, it sets out the ethical and behavioural principles relating to the issues considered to be priorities through the **Code of Ethics**.

PharmaNutra Group is committed to the constant pursuit of excellence and has deemed it appropriate to establish in this document the ethical principles and rules of conduct aimed at pursuing the full respect of the founding values of business ethics, within a corporate culture that considers the respect of the laws in force and of the principle of legality as essential elements.

Below are the figures on the ratio of women's average salary to men's average salary:

AVERAGE SALARY FOR MEN AND WOMEN	2022	2021	2020
	RATIO	RATIO	RATIO
Executives	79%	82%	79%
Managers	103%	82%	95%
White collars	83%	80%	87%
Blue collars	88%	51%	0%

Changes in the ratio of salaries and remunerations are attributable to the dynamics resulting from employee turnover, their classification within the category and seniority within the company.

AVERAGE REMUNERATION FOR MEN AND WOMEN*	2022	2021	2020
	RATIO	RATIO	RATIO
Executives	69%	86%	82%
Managers	103%	82%	97%
White collars	81%	73%	84%
Blue collars (**)	48%	39%	0%

* For the purpose of more timely reporting, the process of determining the average remuneration for men and women was revised.

** There were no women in 2020.

With the exception of the executive category, all professional categories saw an improvement in the ratio of salary and remuneration between women and men. The Total Compensation Ratio⁷ of PharmaNutra Group is 63. During 2022, there was no increase in the remuneration of the members of the Board of Directors.

3.2.3 We train and involve our people

One of the Group's primary objectives, as a determining factor for the efficient and lasting development of its activities, remains the growth, in terms of training and professional enrichment of its human resources. The level of skills and knowledge acquired, the daily search for excellence in one's work are a heritage that we intend to preserve and increase. Training and education activities are planned, scheduled and implemented by the Group. The first day in the company for the newly recruited employee is characterised by the so-called "on-boarding" process: the human resources department broadly explains the company dynamics, communicates the company culture, and clarifies in general terms the role he or she will be filling, the objectives and responsibilities. The new employee is assigned a company "mentor" who defines and supervises the training programme of the new hire.

The Group constantly invests in the training of its personnel, both through standard and transversal courses (on topics such as safety at work), and through specific training dedicated to the various corporate functions.

Below are the training hours provided in the year 2022:

TRAINING HOURS BY TRAINING AREAS	2022	2021	2020
IT/Technology	448	481	21
Commercial	407		
Managerial	74	41	
Quality/Product	46	95	24
Administrative	34		
Safety/Technical	32	148	56
Total	1,040	765	101

Internal courses are partly carried out by specialised external consultants, and concern refresher courses on software that the staff constantly use in the course of their work (see the hours related to IT/Technology). The hours related to quality and product mainly concern the training of Area Managers, intended for in-depth scientific and commercial product training as well as training on clinical studies carried out by the Group. During 2022, the so-called "commercial" training was provided through a specialised company to the Group's sales and Area Managers with the aim of developing leadership skills, empowering and motivating the people in their group, and implementing an effective delegation system to ensure the autonomy and empowerment of their staff.

⁷ - In calculating the Total Compensation Ratio, all variable elements and reimbursements were taken into account to determine the annual Total Compensation of the highest paid person (the Chairman of the Board of Directors); while the Gross Annual Remuneration (GAR) was taken into account to calculate the median annual total remuneration of all employees in the organisation (employees hired and terminated during the year were excluded from the calculation), excluding the highest paid person.

The incentive system currently concerns a limited number of employees for whom a contractually defined reward system is in place. For executives and a large portion of managers, bonuses are provided, usually annually or quarterly, based on company performance targets set by the management. For all employees, a bonus is awarded at the end of the year on the basis of a discretionary assessment by the department head and the management.

As explained in the Sustainability Plan, the Group schedules in the medium to long term to extend to all employees an incentive system based on qualitative-quantitative elements and to build a customised career path.

Assistance programmes to facilitate business continuity and the management of the end of employment due to retirement or termination are not provided.

As mentioned in the section on stakeholders' involvement, during the year 2022, PharmaNutra Group employees were given a questionnaire, to be filled in anonymously, through which they were asked to judge with a score from 1 (completely disagree) to 5 (completely agree) on PharmaNutra Group's commitment to sustainability. Open questions were also asked through which the ESG team could gather insights to outline the future strategic sustainability plan.

Such questions were grouped into categories covering the main employee-related issues.

Below are the main results of the questionnaire.

Ranking of the results provided by the personnel questionnaire

1. Technological Innovation
2. Involvement and appreciation of the work done
3. Integrity and equal opportunities and respect for rights
4. Horizontal and vertical communication
5. Remuneration and career development

As you can see from the average of the scores obtained, the staff gave an overall positive opinion of all the issues analysed in the questionnaire⁸. A low rating should be noted for the categories training, flexibility and work-life balance: for the latter, despite not being one of the priorities in the questionnaire, PharmaNutra Group has entered into individual agreements guaranteeing smart or remote working with a minimum of thirty days per year to all employees.

As far as training is concerned, the Group has bought a software to manage staff training and will start collecting the main training requirements for each department from 2023. The Group is committed to implementing innovative incentive policies and tools, not of a strictly monetary nature, aimed at increasing personal and, where permitted by law, family well-being and improving the so-called work-life balance in line with UN Sustainable Development Goal number 3 (health and well-being). To this end, the Group's employees are granted the following benefits:

- Part-time for a percentage of staff
- Flexible working hours for all staff
- Meal vouchers
- Smart or remote working

Also with a view to improving work-life balance, a corporate welfare plan was adopted in 2022, in addition to the traditional money incentive tools and benefits that the Group already provided to its employees, with the aim of ensuring that employees could benefit from a series of services aimed at supporting personal and family life. The plan is valid until 31/3/2024 and each employee can join it by choosing the benefits that best meet his or her personal and family needs. The employee receiving the plan can make his or her choices and allocate his or her budget via a dedicated web portal whose access is personal and confidential.

PharmaNutra Group has allocated an expenditure budget to the various categories of workers targeted by the plan, the disbursement of which is conditional on the achievement of certain economic targets. The benefit range in the welfare plan includes:

- Reimbursement of education expenses for family members
- Refunds of summer camps, colonies, summer schools
- Reimbursement of school books
- Reimbursement of expenses for extracurricular language and computer courses
- Reimbursement of expenses for baby sitting / baby parking
- Reimbursement of expenses for care of the elderly
- Reimbursement of expenses for public transport season tickets
- Vouchers
- Recreation services
- Services for medical purposes
- Supplementary pension provision

⁸ - In general, the questions focused on topics concerning the Group's Leadership, innovation, the Group's commitment to the community, and person-specific topics.

3.2.4 We protect health and safety at work

The Group deeply cares about the health and safety at work of its employees, ensuring safe working places on a daily basis.

For the continuous improvement of the company's management system and guaranteeing that the basic requirements of SA8000 standard become more widely accepted, the Group has set up a working group called SPT (Social Performance Team) consisting of employee representatives, a member of the management team and the management system manager. The SPT has the task of carrying out risk assessment activities, identifying points for improvement and reporting any action the Group wishes to take to management.

The adoption of SA8000 principles encourages accountability to the various stakeholders, both internal and external, with a view to transparency on issues such as staff working conditions, safety and remuneration.

All Group companies have drawn up a Safety Organisation chart and have set up a workplace safety system in accordance with Italian Legislative Decree 81/2008, requiring scrupulous compliance with it in order to meet the requirements of the regulations in force.

For all Group's companies, the RSPP (Prevention and Protection Service Manager) and the competent doctor inspect the workplaces on a regular basis in order to point out to the Employer any health and/or safety risks at work. Workers have the right to notify their RLS (Workers' Safety Representative) if they become aware of risks that have not been sufficiently assessed or have arisen, and the RLS will report to the Employer and/or the RSPP.

To avoid and mitigate significant negative impacts on health and safety at work directly related to its operations, products and services, the Group adopts all measures required by occupational safety regulations for the premises where the worker operates and those that may be suggested at the periodic meeting.

At the time of recruitment, the worker is subjected to a fitness-for-duty examination by the corporate competent doctor, who will determine the frequency of subsequent examinations. At the same time, a general and specific training course must be attended, the duration of which depends on the risk associated with the job.

The Group considers **corporate safety training** to be fundamental: it believes that the dissemination of a safety culture based on the awareness of possible risks and individual responsibility are central factors in providing a safe working environment by minimising the occurrence of accidents.

All workers' health and safety regulations were also observed in the premises of the new headquarters: in particular, in the laboratory and production rooms where potential accident hazards may arise (rooms where toxic substances may be released), ventilation systems (extractor hoods) were installed to ensure clean and healthy air in the environment.

Only one commuting accident of a non-serious nature was notified in the reporting period.



04+

- 4.1 Approach and policies
 - 4.1.1 Quality and transparency of our products
 - 4.1.2 Innovation and product development

Product quality
and safety

4.1 Approach and policies

Our aim is to manufacture and provide consumers with safe, effective and high-quality products. Thanks to our products' features, we are the leader in the Italian market for iron-based food supplements with a value market share of 55.3%⁹.

4.1.1 Quality and transparency of our products

The Group ensures compliance with **product quality and safety** in all activities, covering research and development, industrialisation, procurement of raw materials and packaging materials, production, distribution and after-sales surveillance. This is ensured through the adoption of a **Corporate Quality Policy**, which demonstrates the Group's commitment to complying with applicable regulatory requirements and meeting patient needs, resulting in the **adoption of a Quality Management System** allowing its maintenance.

PharmaNutra Group has its own quality management system, consisting of a Manual, a Procedure and Instructions, so as to establish requirements for product quality and safety. It has procedures that define the activities required to monitor its processes, handle any complaints received and the preventive and corrective actions taken. The Group adopts a quality policy, issued by the management, known to all employees and available to consumers via the company website, which defines the organisation's general commitment to its products' quality and safety.

The Parent Company has an in-house **Quality Department** which is responsible for maintaining the pre-established safety requirements for the quality of its products.

Such a department focuses the research, development, production and marketing of its products on the **organisational efficiency**, the respect for ethical values (guaranteeing to its consumers a set of actions that allow careful control of production processes), on the compliance with and the application of the regulations in force in the Food Supplements and Medical Devices sector as well as in the pharmaceutical sector.

The Group focuses on process and product compliance, which entails a **careful and meticulous management of the various processes** aimed at minimising any problems that may arise. In order to protect its consumers/customers and to ensure that certain quality standards are maintained, a series of procedures have been drawn up⁹ to which the Group must adhere so as to prevent PharmaNutra and its subsidiaries from possible quality threats for the products¹⁰.

PharmaNutra Group has implemented the monitoring of the effectiveness of the management model and the compliance of what is foreseen in its management system with the actual operational activities carried out by its workforce. On the basis of what is defined in the aforementioned procedure, it evaluates the company's processes at pre-determined intervals, defining any changes necessary for continuous improvement.

To date, the Group declares that it has found no non-compliance with regulations and/or self-regulatory codes, and that it has found no cases of defective batches or products that need to be withdrawn from the market.



In line with the requirements of **SA8000** standard, PharmaNutra Group establishes how non-compliances and reports concerning corporate social responsibility are managed. For the medicinal products for which Junia Pharma S.r.l. is AIC holder, it applies a **pharmacovigilance** process management in compliance with the mandatory European and Italian regulations. The management of pharmacovigilance processes is primarily aimed at **protecting public health**. Pharmacovigilance activities are aimed at identifying, assessing, understanding and preventing adverse effects or any other problems related to the use of medicines, to ensure a favourable benefit/risk ratio for the population.

Also for its marketed medical devices, PharmaNutra Group applies a system of vigilance and post-market surveillance aimed at regulating the post-market system, in collaboration with the economic operators involved in the marketing chain, to proactively collect and analyse experience gained on medical devices placed on the market, in order to identify any need for immediate corrective or preventive action and to cooperate with the competent national authorities in charge of market surveillance and supervisory activities.

4.1.2 Innovation and product development

PharmaNutra Group has always based its technical and scientific activities and business strategy on **Research and Development (R&D)** considered to be a fundamental pillar for growth. For this reason, in 2022 the company continued to invest first and foremost in its **in-house research laboratory**, through the addition of a new employee with the position of laboratory technician, and the purchase of new laboratory equipment that will be installed in the research centre at the new headquarters to expand testing possibilities. The R&D work inevitably starts from a continuous study and a detailed knowledge of both the biology, human physiology and biochemistry aspects of nutrition, as well as medicine and pharmacology. It is fully driven by the objective to meet the needs of the market as well as the ones of consumers and key players in the health sector, to be able to provide them with new products with which to address unresolved issues.

The Group's R&D **objectives** are to find **new formulations, implement or discover new applications** for existing products, **generate new scientific evidence**, so as to always guarantee the effectiveness and innovation of its products. Design and development activities and scientific research are constantly growing.

⁹ - Source: IQVIA data

¹⁰ - [Procedures PR_13 Food Supplement Outsourcing Production, PR_19 DM Risk Management, PR_20 NC Product Withdrawal and Recall, PR_21 Post-Market Surveillance AND PMCF, PR_22 NC and Claim Management, PR_25 DM Outsourcing Production, I_04 Regulatory]

Basic research, through pre-clinical experiments (*in-vitro*, *ex-vivo* and *in-vivo*), has borne fruit with **important international publications** that are paramount tools available to the business and represent solid pillars, thus ensuring a significant competitive advantage. In addition, the research activity has been implemented in its own laboratory allowing to carry out the part of experimental research in the field of cell biology, which represents a fundamental step in the activity of screening and study of the effectiveness of all the formulation prototypes developed and to be tested before moving on to industrialisation. The activity of PharmaNutra Group's Research and Development department also includes the execution of **clinical studies** on its products, both in the development and post-marketing phases. The practical implementation of these studies is carried out through formal collaborative relationships with clinics, hospitals, Italian and foreign research centres, depending on the skills and know-how required, or through formal agreements with **Contract Research Organisation (CRO)**.

Research is mainly carried out on the group's flagship products, Sideral®, Cetilar® and its proprietary raw materials (Ultramins® of Alesco). The studies (clinical and pre-clinical) are carried out in Italy or abroad. In addition, there are other clinical studies carried out by foreign partners on marketed products.

The Group's studies are innovative and expected to open up new markets, or help strengthen current evidence and market positioning. The year 2022 saw the **publication in international indexed journals of 10 studies on the Group's products**. Among these, worth mentioning is the publication of a study in cardiac surgery on Sucrosomial® Iron supplementation on 1,000 subjects in the pre-operative period in order to allow a reduction in the number of transfusions with consequent saving of blood bags. A study was also published on the benefits of Apportal® in reducing fatigue and asthenia in subjects who had a Sars-Cov-19 (Long-Covid) infection. This evidence adds to that published the previous year confirming the product's beneficial effect in long-Covid, giving further impetus for the use of Apportal in all situations of chronic fatigue.

To date, PharmaNutra Group boasts a total of **149** publications, including full papers and preliminary or poster data at accredited scientific congresses and conferences. At the same time, numerous papers continue to be published in which Sucrosomial® Iron is cited and identified as one of the most innovative oral iron products. Therefore, the Group's R&D staff participates in national and international congresses as speakers, or in hospital meetings and focus groups with doctors, where they show the evidence and results obtained on their products, in order to disseminate and make its results available to the scientific community.

The total costs incurred to carry out research and development activities amounts to Euro 697 thousand of which Euro 505 thousand charged to the income statement, to which should be added personnel costs for research and development.

The recognition process of Cetylated Fatty Acids as **Novel Food** was completed during 2022. The novel food (**Lipocet®**) mainly consists of a mixture of myristic acid, oleic acid and, to a lesser extent, other Cetylated Fatty Acids (CFA), which in the past could only be used in Cetilar® brand topical products. Cetylated Fatty Acids patented by PharmaNutra are therefore included in the Union list of authorised novel foods established by Implementing Regulation (EU) 2017/2470.

Following this authorisation, **Cetilar® Oro**, a Lipocet®-based food supplement was launched in September.

At the same time, **Apportal® Vital** was launched, a nutritional supplement that extends the Apportal® line, having a formulation targeted at younger age groups (paediatrics). The launch of these products required specific training from the Group's R&D to the external network, as well as the launch of possible clinical trials with these new products. During 2022, 14 applications for the registration of new patents and 69 applications for the registration of trademarks were filed. As at 31/12/2022, the Group owned 21 patents, 40 trademarks, and had 20 proprietary raw materials.




 **20**
proprietary raw material
PROPRIETARY SUPPLY
chain of active ingredients

 **21**
Patents of pure innovation
COMPETITIVE
advantage

 **40**
registered trademarks
RECOGNISABILITY
and brand awareness in the medical field

Thanks to the research and development activities carried out, the Group was able to benefit from the specific tax credit referred to in Article 3 of Italian Decree-Law 145/2013 within the terms and in the manner set out in Italian Ministerial Decree 27/05/2015 and subsequent amendments. The tax credit relating to research and development activities for the year 2022 amounts to Euro 282 thousand.

ONGOING R&D PROJECTS

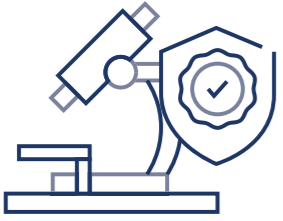
	2022	2021	2020
 ALESCO			
Preclinical studies	20	8	10
 PHARMANUTRA			
Clinical studies	15	7	4
New products	21	16	7
 JUNIAPHARMA			
Clinical studies	0	0	0
New products	2	1	1

The Group constantly invests in new R&D projects in order to achieve ever-increasing technical and scientific know-how. It is a unique value and an indispensable strategic asset, but also the foundations on which to continue building a future in which scientific progress serves collective well-being, understood as prevention and care for health.



INNOVATION

The protection of intellectual property, patents and raw materials is the key to our uniqueness.



SCIENTIFIC RIGOUR

Cutting-edge studies and clinical research constantly guide us in the development of new products and solutions.



DEVELOPMENT SPEED

Flexible and interdisciplinary resources are the driving force behind our development in a constantly changing world.



- 5.1 Approach and policies
- 5.2 Local communities and the territory
 - 5.2.1 Sponsorships
 - 5.2.2 PharmaNutra Group to support cultural initiatives
 - 5.2.3 Sponsorships
 - 5.2.4 Universities and research centres

Cetilar



**MARATONA
DI PISA**

23ST INT
M A R
18- DIC
f t KM 2
WWW.CETIL

05

5.1 Approach and policies

The Group aims to share its expertise with communities to help increase health literacy. By raising awareness of nutritional deficiencies in which it has unique expertise, PharmaNutra Group makes an effective contribution by improving health and well-being worldwide. Addressing health literacy is the key to combating global inequalities and providing quality treatment for all. Recognising that the level of knowledge of disease and health are issues that greatly differ between countries and communities, the Group works hard to reach out to disproportionately affected patient groups. This way it pioneered the development of iron-based food supplements and established itself as a leader in the treatment of iron deficiency. Also during 2022, PharmaNutra Group continued to invest in the territory, ensuring the development of local communities by supporting humanitarian social activities.

VALUE DISTRIBUTED TO THE COMMUNITY	M.U.	2022	2021	2020
Gifts	€/1,000	126	12	51
Universities and research centres		44	136	114
Sponsorships		987	831	1,207
Membership fees		51	37	57
TOTAL		1,208	1,016	1,429

5.2 Local communities and the territory

5.2.1 PharmaNutra Group to support social and inclusion initiatives

The Group is attentive and sensitive to the needs of the community, that is why events and meetings were organised during the reporting year to develop and promote the culture and interest of adults and children in literature.



"I Bambini delle fate" (Fairy Children) Project

An important project started in 2005, the association "I Bambini delle Fate", provides financial support to social inclusion projects and paths run by local partners, benefiting families with autism and other disabilities. Such an association works at the forefront, with facts, to tell "with a smiling face" about the potential of children and young people with autism and the great strength of their families. This activity could not fail to find full support from PharmaNutra Group, which has always closely followed activities

with a strong ethical value operating in difficult contexts. For the year 2022, Christmas gifts for the Group's customers and employees were made by the children belonging to this association. At the company's Christmas dinner, for the association's activities to be even more widely

known, there was a moment of sharing with the association's president, who told about the activities organised throughout the year aimed at integrating young people into the social community and including them in the working world.

Alice Onlus (non-profit organisation)

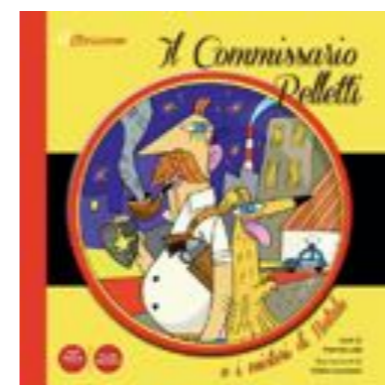
Donation to the non-profit organisation Onlus Alice Benvenuti - PharmaNutra annually supports Onlus Alice Benvenuti supporting cancer patients at the Meyer Hospital in Florence.

PharmaNutra Group to support the Ukrainian people

Following the beginning of the conflict between Russia and Ukraine, PharmaNutra Group decided to allocate part of the margin made through sales to the Russian distributor, amounting to Euro 114 thousand, to Comitato Provinciale della Croce (Provincial Committee of the Cross) of Pisa, taking care of Ukrainian families sheltered in the city and its surroundings. This action will also be taken in 2023 and represents a concrete support for the social commitment of organisations and associations that are always at the forefront of solidarity initiatives and ready to help those in difficulty.

5.2.2 PharmaNutra Group to support cultural initiatives

The Group is attentive and sensitive to the needs of the community, that is why events and meetings were organised during the reporting year to develop and promote the culture and interest of adults and children in literature.



Marianeve's Book

("Il commissario Pelletti e i misteri di Natale" Inspector Pelletti and the Christmas mysteries- La Nazione)

This sponsorship started in 2017 for the publication of a book of children's fairy tales, to be given as a gift with the newspaper at the beginning of December, dedicated to the memory of Marianeve, a disabled Pisan young girl who died prematurely. This is the fifth book in the series of short stories written by Marianeve's grandmother (Nonna Lela - Daniela Marrazzini). The proceeds of the book served to finance the project "Il sorriso di Marianeve"

(Marianeve's Smile), for the construction of the Ethiopian schools of Wasserà, Bitena and MayoKoyo (with an adjoining library), and now aims to build a new school block and library in the village of Lalla (Dawro - Konta - Ethiopia) promoted by Missioni Africa Onlus Group, to offer other children the opportunity to study.



Campionati giornalismo La Nazione - CRONISTI IN CLASSE (Journalism Championships - REPORTERS IN CLASS)

For the second consecutive year, the collaboration between PharmaNutra and La Nazione for the initiative "Cronisti in classe - Campionato di Giornalismo 2022" (Reporters in class - Journalism Championships) is confirmed. The project involves students from secondary schools and primary schools (classes 3, 4 and 5 of the Italian education framework) in a training course, with the aim of introducing the new generations to reading newspapers, stimulating the children's interest in current affairs, and letting them experience the different stages of creating an article. Already in the 2021 edition of "Cronisti in classe", PharmaNutra supported the initiative with a special prize for the best essay about "Sports and its values". This year, however, the topic for PharmaNutra prize was about students to present an innovative idea: what are the areas where revolutionary insights and ideas are needed?



Scrittori in borgo (Writers in the village)

For the second consecutive year, PharmaNutra Group supported the initiative of a Pisan bookstore with the 2022 literary re-

view of "Scrittori in Borgo" (Writers in the village). The protagonists of this initiative are many national and local authors, being open to the audience with presentations and dialogues.

5.2.3 Sponsorships

PharmaNutra Group to support sports

The link between PharmaNutra Group and the sports world is inseparable. These two worlds are driven by the same principles: determination, passion, growth, but also teamwork, inclusion and, above all, goals. Through its constant support for sports events and activities, PharmaNutra Group aims to promote sociality, the territory and care for the environment, as well as a healthy and active lifestyle.



Support for Obiettivo3

PharmaNutra Group is alongside Obiettivo3 project www.obiettivo3.com, which is the result of champion Alex Zanardi's will to recruit, start up and concretely and financially support disabled people who wish to take up a sporting practice. Since 2019, PharmaNutra, through Cetilar®, one of its flagship products, has been supporting Obiettivo3 athletes through the purchase of new handbikes and funding for the partici-

pation in sporting events.

After the project kick-off in 2019, which was described in detail, in 2020 Cetilar followed in the footsteps of cyclist Enrico Fabianelli. For the 2021 season, PharmaNutra's support has taken the form of a new project: a cycle of webinars, open to all and free of charge named Sport and Performance. It consists of four appointments that, on a monthly basis, have addressed topics related to the well-being of sportsmen and women, thanks to the conduct of Francesco Chiappero, athletic trainer of Obiettivo3 and founder of ReAction, together with numerous professional guests. In 2022, PharmaNutra together with Dal-lara company collaborated to provide Tiziano Montila with the best possible handbike. The 34-year-old para-cyclist from Tarquinia, who is steadily improving his performance in the H5 category, has a high-performance handbike at his disposal, being the fruit of Alex Zanardi's thought and great deal of experience.



Support for Paralympic golfer Tommaso Perrino

The partnership between the golfer Tommaso Perrino-from Livorno- and the Cetilar® brand, which began in 2019, continued also in 2022. The athlete is involved in EDGA (European Disabled Golf Association) international circuit, an association that works to promote golf among people with disabilities, and in other events scheduled throughout Italy.

Pisa Sporting Club 1909 - Parma Calcio 1913

The charitable activity organised by the two football clubs (Parma Calcio 1913 and Pisa Sporting Club 1909) together with PharmaNutra, whose Cetilar® brand was the main sponsor of both, took the form of the sale of four jerseys worn by the captains of the two teams and by the two players who particularly distinguished themselves during the matches of the 2021/2022 season, characterised by the application of two special patches on the inside. The proceeds from the sale of the jerseys, managed by the Parma Museum Onlus association, were entirely donated to the orthopaedic clinic - Traumatology unit of Ospedale Maggiore in Parma and to the maternity and children's department of the Hospital of Pisa. This initiative confirms the attention of Cetilar and more generally of PharmaNutra Group to the needs of hospitals in their respective cities.

Parma Lands

In 2022, PharmaNutra and Parma Calcio carried out the Parma Lands project, designed to pay tribute and actively involve the municipalities of the province of Parma. For all home matches in the 2022/2023 season, the men's main team took to the pitch during the warm-up with a special pre-match line. On the jerseys and sweatshirts worn by the players, in addition to Cetilar®'s logo, a flag was placed with the name of a municipality in the Parma area, a different one for each match. The jerseys of the pre-match line worn by the players can be purchased at Tardini's store, with the possibility of customising them with the flag of your municipality. The entire proceeds were donated to support organisations and associations indicated by the mayors of the area.

Paralympic Fencing

PharmaNutra Group, together with the Region of Tuscany, the Municipality of Pisa, the University of Pisa and Fondazione Pisa, once again supported the Italian leg of the Paralympic Fencing World Cup in 2022, an event presented for the seventh edition in Pisa, organised by the Italian Fencing Federation and held at PalaCus in Pisa

Cetilar® Academy Project

Cetilar® Academy is a new project through which PharmaNutra supports the growth in athletic, professional and human terms of future sports talents involved in amateur clubs of excellence, including the motorsport rising stars of Kart Republic team, the young footballers of Parma club U.S. Arsenal and the youngsters of Parma Panthers (flag football and American football). Such a commitment was renewed also in 2022, to stay on a path that continues to bring satisfaction.

5.2.4 Universities and research centres

PharmaNutra Group is the main partner of the Master in Marketing Management at the University of Pisa for the academic year 2021-2022. The Group involved the students of the 15th Master's course in the development of a marketing project. The students took on the role of consultants for PharmaNutra and tackled real business problems and needs through application-based, group and remote work.

The partnership with the Master in Marketing Management at the University of Pisa has confirmed the strong link between PharmaNutra Group and the University of Pisa and has welcomed the students into our environment, giving them an important opportunity to work on research and, more generally, the partnership between the Master and the Group is an opportunity to enhance skills and abilities on both sides, University and local businesses³.

In the year 2022 as well as in 2021 and 2020, the Group participated, with other companies from different sectors, in a PROJECT WORK within the Marketing and Web Technologies course of the Department of Management Engineering of the University of Pisa. The project consisted in developing a marketing plan dedicated to the launch of a new PharmaNutra-branded product.

The Group's participation in such projects aims not only to test the students on the topics acquired during the course of study, but also to enable them to apply them concretely to the corporate world, leading them to understand and master the strategic decision-making processes underlying entrepreneurial activities.

The winning group was awarded the "Best Marketing Project" prize.

Scientific collaborations with universities and academic institutions of excellence have always been a key part of the company's growth. On the one hand, they have enabled PharmaNutra to become increasingly aware of the quality and importance of its research and to acquire expertise through the comparison and exchange of knowledge with experts in the field. On the other hand, actively collaborating with research centres outside the company is an important recognition of the scientific value expressed by the Group. Among the research institutes and universities with which we collaborate:



UNIVERSITÀ DI PISA



UNIVERSITÀ
DEGLI STUDI
DI BRESCIA

UNIBS.it



Sant'Anna
Scuola Universitaria Superiore Pisa



UNIVERSITÀ
DEGLI STUDI
DI PADOVA

New York Blood Center



QIMR Berghofer
Medical Research Institute



Consiglio Nazionale
delle Ricerche



06

- 6.1 Approach and policies
- 6.2 The supply chain
 - 6.2.1 Supply management and production plants
 - 6.2.2 Other suppliers

Suppliers and commercial network



6.1 Approach and policies

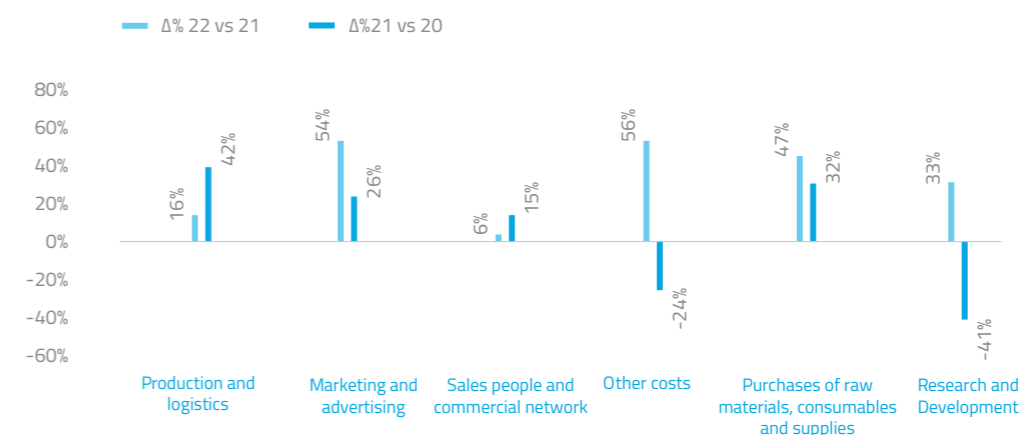
The supply chain represents the ecosystem of companies and entities within which PharmaNutra Group deals with suppliers for the purchase of goods or services. The Group's adoption of corporate social responsibility principles enables the company to make decisions that are economically, socially and environmentally sound and generate a positive impact on the community.

PharmaNutra Group constantly strives to ensure that suppliers and partners adhere to standards of conduct consistent with the Group's ones. These include compliance with laws, regulations, international human rights agreements and decent working conditions according to accepted international labour standards. The Group's suppliers can be classified into production and logistics suppliers and service providers. The former include the production plants and our supplier in charge of the storage and distribution of finished products and samples. Service providers mainly include Agents, marketing and advertising providers, as well as general service providers:

COSTS* € /1,000	2022	2021	2020
Production and logistics	14,507	12,513	8,823
Marketing and advertising	12,051	7,819	6,226
Sales people and commercial network	10,089	9,557	8,335
Other	5,179	3,326	4,394
Purchases of raw materials, consumables and supplies	4,793	3,264	2,477
Research and Development	505	379	637
TOTAL	47,124	36,858	30,892

* It should be noted that research and development costs represent the costs incurred for collaborations with external bodies, while the cost of employees performing research and development is included in personnel costs.

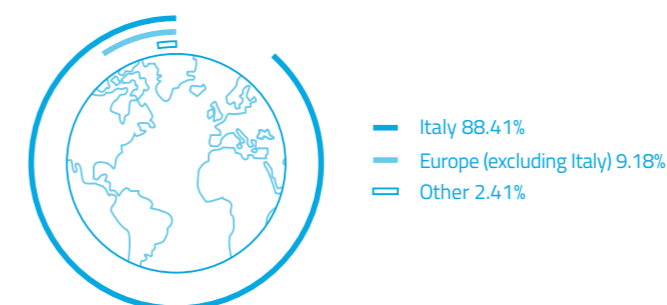
The increase in sales for 2022 compared to the previous financial year was accompanied by a physiological increase in operating costs due to the higher revenue volumes realised in raw material purchasing, finished goods processing and logistics costs, sales network costs and travel costs. Marketing costs increased (+ Euro 4.2 million) as a result of the new investments implemented to support the Group's brands and the removal of the Covid-19 restrictions that also in 2021 had not allowed to carry out all the events planned.



The breakdown of the Group's production suppliers by geographical area is shown below. Local suppliers are considered to be those in the Italian territory. Given the peculiarities of some of the raw materials required for the production of finished products, it is essential to purchase outside national and European borders. On the other hand, with regard to services (other than logistics and outsourced production costs), suppliers in the neighbouring/Tuscan area are preferred, wherever possible.

TOTAL VALUE OF SUPPLIES OF GOODS, SERVICES AND WORK TASKS BY GEOGRAPHICAL AREA	M.U.	2022	2021	2020
Italy	no.	88%	92%	100%
Europe (excluding Italy)		9%	7%	0%
Asia		0%	0%	0%
America		2%	0%	0%
Other		1%	1%	0%
TOTAL		100%	100%	100%

The increase in the incidence of European and non-European supplies at the expense of the Italian market is attributable to the procurement policies implemented by the Group with a view to optimising production costs.



As mentioned in the section on stakeholders, during 2022 a questionnaire was sent to the Group's main strategic suppliers to measure their degree of satisfaction on issues such as propensity to innovation, ethical behaviour, flexibility and effectiveness in managing business relations with them. The results obtained are to be considered satisfactory overall and no particular critical areas emerged.

6.2 The supply chain

6.2.1 Supply management and production plants

The Group's suppliers are selected on the basis of specific features that reflect the Group's quality standards. In particular, for raw materials (RM), a sample is requested and analysed at the third party laboratory.

The documentation required for the certification of a new supplier includes proof of compliance with mandatory requirements and the presence of voluntary certifications attesting to the quality of business processes. The final judgement on the quality of the supplier is only made after an audit has been carried out by PharmaNutra Group's appointed personnel.



Following a positive assessment, the supplier is listed among qualified suppliers and monitored annually according to 4 evaluation parameters:

- Production volume, to be considered as the volume of product handled
- Percentage of non-compliant batches
- Timely delivery
- Proactivity in the management of corrective actions

In addition, during the supplier's qualification phase, evidence is acquired concerning the safety and health of workers with reference to the voluntary SA8000 standard.

The audited suppliers are evaluated on a yearly basis to ensure that the Group's quality requirements are maintained, enabling the Group to monitor the high and required quality standard. Any observations, points for improvement and non-conformities are monitored over time and re-assessed in the next scheduled audit. During 2022, 5 audits were carried out at the plants and they were all successful.



100%
of our supplier contracts include a
human rights clause

At present, production is entirely carried out in Italy by a limited number of pharmaceutical plants concentrated in the north, which take care of the entire production process. The plants all meet environmental sustainability requirements.

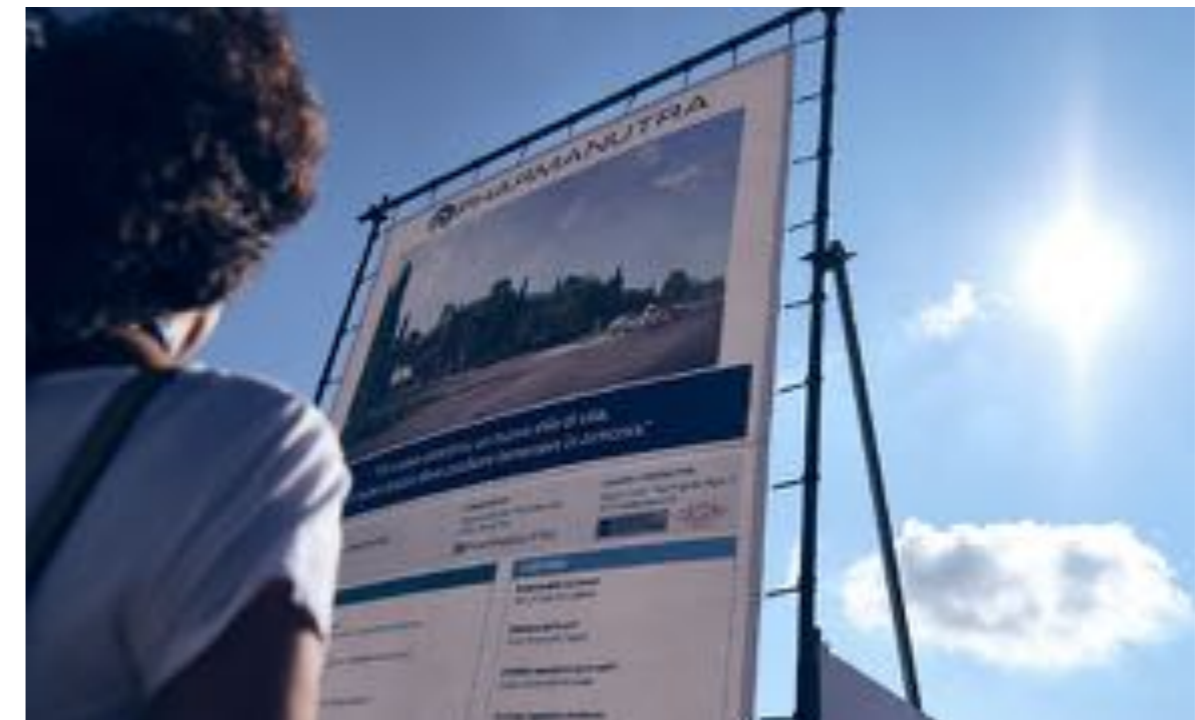
With the completion of the headquarters, the Group will internalise part of the production process, which will be carried out at the new site under construction.

The production cycle of PharmaNutra Group's products includes several process controls along the production lines to prevent any defects and deviations being potentially harmful to consumer health. In addition, for each product the plants produce a certificate of analysis confirming the wholesomeness of the product and compliance with production conformity.

At the production stage, before the packaging components are printed, a check is carried out to verify that the indications and information present on the same comply with the mandatory regulations aimed at preventing any non-compliant use by the end consumer.

Following food alerts resulting from ethylene oxide contamination, PharmaNutra Group has voluntarily started monitoring the raw materials used in its products with targeted analyses and fully checking finished products with systematic and continuous analyses. Finally, in compliance with the provisions of (EU) Regulation 2022/63, PharmaNutra Group has removed the ingredient titanium dioxide from all its products, the use of which in food supplements has been preventively banned.

PharmaNutra Group has adopted, in advance of regulatory requirements, environmental labelling on the cases and components of its products indicating material, collection, reuse recovery and recycling. Environmental labelling informs the end consumer about the proper separate disposal of packaging to mitigate the current impossibility of using biodegradable packaging to maintain the quality of the finished product.

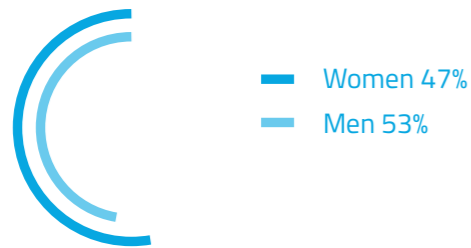


6.2.2 Other suppliers

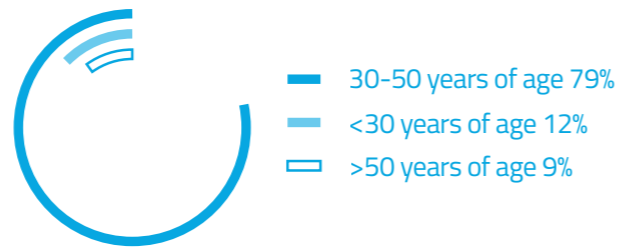
The category of other suppliers includes the class of Agents (ISC), which represent a strategic stakeholder-supplier together with the production plants as they constitute the direct distribution channel for PharmaNutra and Junia Pharma. The work carried out by the ISC for the Group also has an important function in providing scientific information to the medical profession, which is why the Group carefully selects candidate profiles and provides periodic refresher courses for the agents themselves. As described above, the sales network is organised into three dedicated sales lines, Primary, Supportive and Junia Pharma, each headed by a manager reporting directly to the Commercial Management.

As at 31 December 2022, there are 150 ISC with exclusive mandate, who are the real driving force of the company.

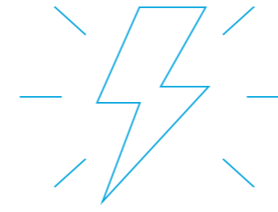
ISC BREAKDOWN BY GENDER



ISC BREAKDOWN BY AGE



The breakdown of ISC by gender is almost equal, while the age of the Agents is 79% between 30 and 50 years of age. This is attributable to the type of work, which involves constant movement between hospital facilities and pharmacies. In addition, in view of the peculiarities of the products in the Supportive and Junia Pharma lines, the Group is looking for people who are preferably university graduates with a few years of experience.



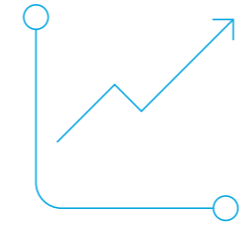
Flexibility and responsiveness

Such features have enabled the integration of remote information and sales tools, thus structuring a new sales system capable of meeting changing market needs.



Continuing Education

Professional growth is guaranteed by a system of constant professional update and monitoring of performance and scientific knowledge.



Competitive time to market

Guaranteed only by rigorous scientific research, high quality standards and proprietary technologies.

The process of selecting Agents involves the Sales Department in defining the job description and the area that the Pharmaceutical Sales Representative will cover. Recruitment channels are the same as those used for personnel recruitment (LinkedIn, recruitment sites). The training of new ISC consists of several stages starting with the delivery of the scientific and commercial material for training, and is developed through periodic in-person and/or remote sessions with final evaluation tests. On average, each new Pharmaceutical Sales Representative receives about 2 weeks of training before starting work in the field.

In 2022, there was a sharp increase in the total training hours for the entire network, which rose to approximately 14,592 hours following the removal of the Covid-19 pandemic restrictions (average of 92 hours per ISC).

- 7.1 Approach and policies
- 7.2 The actions taken for reducing environmental impacts
 - 7.2.1 Energy
 - 7.2.2 Waste management

07



7.1 Approach and policies

The fight against climate change is one of the major global challenges of recent years. Every company, whether large or small, can engage and contribute to the best of their abilities to this global challenge. Commitment to social and territorial responsibility has long been an integral part of the principles and conduct of companies of the Group oriented towards maintaining high levels of safety, environmental protection and energy efficiency, as well as training, awareness and involvement of personnel on social responsibility issues. It should be noted that in the current financial year, just like in the past, there was no damage caused to the environment for which any of the Group's companies has been declared definitively liable. Although the Group has not yet implemented a specific environmental policy, it is committed to reducing the impact of its activities by outlining a management approach that takes into account the relevant environmental aspects. This approach was used in the design and construction of the new headquarters. The Group envisaged an environmentally friendly structure: the materials used and the plants reflect the highest sustainability standards. The Group will also have electricity generated by the photovoltaic system to be installed.

7.2 The actions taken for reducing environmental impacts

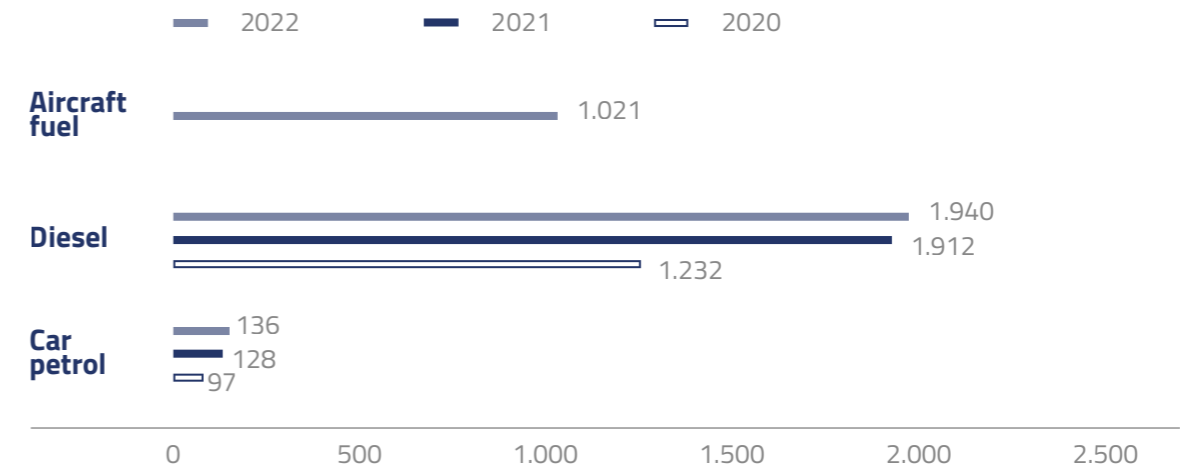
7.2.1 Energy

For PharmaNutra Group, as it does not currently have any production plants or logistics warehouses, energy use comes exclusively from the headquarters offices and fleet emissions. Below are the main figures on the organisation's internal energy consumption:

(ENERGY) CONSUMPTION WITHIN THE ORGANISATION	M.U.	2022	2021	2020
Methane (room heating)	GJ	60	200	183
Fuel (CAR)		136	128	97
Fuel (AIRCRAFT)		1,021		
Diesel (CAR)		1,940	1,912	1,232
Electricity		455	338	313
TOTAL direct energy consumption		3,612	2,578	1,825

Note: DEFRA conversion factors

ENERGY CONSUMPTION OF COMPANY CARS



The reduction in methane consumption resulted from the improved weather conditions compared to the previous year and the adaptation of office temperatures to the regulations issued by the authorities to reduce energy consumption. The increase in fuel consumption in 2022 stems from the use of an aircraft for optimising management travel, providing greater flexibility in terms of routes travelled and timetables, and greater economy and efficiency (in terms of flight duration and reduced waiting times).



At the moment, the Group has no renewable sources from which to draw energy, but as of the third quarter of 2023, with the access to the new headquarters, the Group's companies will begin to exploit these resources through the installation of photovoltaic systems. The new headquarters will also feature:

- **Energy efficiency systems such as high-efficiency air-conditioning and heat recovery systems**
- **Air renewal system with heat recovery**
- **Free-cooling system**
- **Roof rainwater recovery system for irrigation use**
- **Provision of charging stations for electric cars in the car park**
- **Conclusion of new supply contracts using energy from renewable sources with the inclusion of green certificates**

The Group's CO2 emissions reflect direct (Scope 1) and indirect (Scope 2) energy consumption, resulting from the conversion of consumption data using conversion factors.

DIRECT CO2 EMISSIONS (SCOPE 1)	M.U.	2022	2021	2020
Methane (room heating)	CO2e kg	3,065	10,177	9,291
Fuel (CAR)		8,541	8,158	6,183
Fuel (AIRCRAFT)		64,363		
Diesel		123,180	119,630	77,116
TOTAL		199,150	137,965	92,590

Note: DEFRA conversion factors

INDIRECT CO2 EMISSIONS (SCOPE 2)	M.U.	2022	2021	2020
Market-based electricity	CO2e kg	57,666	42,922	39,720
Location-based electricity		31,033	23,098	21,375
TOTAL		88,699	66,020	61,095

Note: Terna and AIB conversion factors

Due to the involvement of the logistics and distribution company and one of the production plants in the emissions reporting process, the Group was able to report consumption attributable to logistics and to production for the year 2022.

Consumption attributable to PharmaNutra Group's logistics comes from the sole entity in charge of logistics for the entire Group. Since this operator uses external companies, it claimed its share of the total consumption of external operators and subsequently reported its share attributable to PharmaNutra Group (3.6% of its total emissions).

INDIRECT EMISSIONS DOWNSTREAM IN THE VALUE CHAIN - LOGISTICS	M.U.	2022
Market-based electricity	CO2e kg	69,490.96

Note: DEFRA conversion factors

As far as consumption attributable to production is concerned, it was only possible to obtain data from one production plant, which accounts for about 5% of the Group's total production. The information provided refers to consumption for the production made on behalf of PharmaNutra on the basis of one kilogram of generic product made by the plant, in view of the fact that the production steps are common to all products manufactured by the plant. The table below shows the consumption attributable to the total production for PharmaNutra (66,503 kilograms).

EMISSIONS UPSTREAM IN THE VALUE CHAIN	M.U.	2022
Consumption generated by production plants		
Water	Cubic M	73.15
Energy	GJ	9.58
Gas		207.55

Note: DEFRA conversion factors

In the years of reporting, the Group has not received any sanctions and has not been the subject of litigation concerning environmental issues.

7.2.2 Waste management

As the Group has no production site and uses subcontractors for production, it does not generate waste directly from production. Waste from the **production plants**, to which PharmaNutra Group entrusts the manufacturing of its products, follows specific certified and standardised procedures, which include the identification of methods, timing and responsibilities in waste management. Each plant follows internal "Supplier Qualification" SOPs for the selection of disposers and transporters. The companies entrusted with waste transport, disposal and recovery have the legal authorisations without which they would not be assigned such a task as they are denied access to the production sites. Production plants then classify waste into municipal and special waste, coded according to the current European Waste List (EWC). Code assignment is a prerequisite and condition for the classification as hazardous and non-hazardous. Inside the company (plant), in the production unit, QC laboratory, offices, etc., different types of containers are placed, identified with appropriate signs bearing the name, the EWC code and any signs indicating the hazard risk.

All waste operations are tracked on loading and unloading registers, one for each production site by the persons in charge (such as Quality Assurance or transporters). Records are made within 10 working days of waste production and disposal, and records are kept for at least 5 years at Quality Assurance. In the course of 2022, with a view to improving the ESG reporting process of the value chain and for better impact mitigation, the Group started interfacing with its strategic suppliers, requesting from them some data on the waste generated in the production process. From this activity, the Group was able to obtain data from a production plant on the waste generated and the consumption resulting from the production process. The information provided refers to consumption for the production made on behalf of PharmaNutra on the basis of one kilogram of generic product made by the plant, in view of the fact that the production steps are common to all products manufactured by the plant.

The table below shows the consumption attributable to the total production for PharmaNutra (66,503 kilograms).

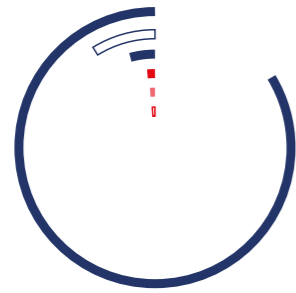
INDIRECT EMISSIONS UPSTREAM IN THE VALUE CHAIN - PRODUCTION	M.U.	2022
Consumption generated by production plants		
Hazardous waste	t	27.93
Non-hazardous waste		24.61

Note: DEFRA conversion factors

In 2022, the Group adopted another policy to reduce the environmental impact reducing the disposal (destruction) of obsolete packaging materials. According to this policy, if a change in product packaging graphics is decided, the packaging to be replaced will be used before the change is made so as to minimise the quantities to be disposed of.

Waste directly generated by the organisation's activities to date derives exclusively from internal quality control activities on finished products (for the companies PharmaNutra and Junia Pharma) and on samples of raw materials and semi-finished products (for the company Alesco). They are non-hazardous in nature and mainly come from the disposal of archive counter-samples sent by the subcontractor plant. Alesco's R&D laboratory, on the other hand, generates potentially infectious wastes, acid and basic solutions, solvents, saline solutions, PPE, gloves, glassware, tips and pipettes, due to research and development activities related to new raw materials and semi-finished products by Alesco. Waste disposal is externally managed by a company registered with the Tuscan Regional Register of Environmental Managers. Therefore, PharmaNutra Group keeps and files the forms issued by the company for each disposal carried out. Prior to collection and disposal by the external company, waste is classified according to the EWC code and hazardous nature. Inside the laboratory, waste is collected separately in dedicated paved areas, deposited in specific containers for temporary storage, before transport and recovery/disposal by the external company. Only when a specific amount has been reached does the external company proceed with collection and disposal, so the data reported only refer to the amount of waste that has reached a quantity that can be disposed of. Subsequently, the waste is stored and shipped by the external company in a separate manner according to its type and destination. According to the forms issued by the disposal company, the main waste generated by the organisation are:

LABORATORY WASTE



- Non-hazardous **83.65%**
- Potentially infected solid waste **8.98%**
- Acid solutions **4.49%**
- Potentially infected liquid waste **1.53%**
- Glassware, tips, pipettes **0.90%**
- Waste that must not be collected and disposed of with special precautions to avoid infection **0.45%**

Waste production in 2022 amounted to 1,113 kilograms, of which approximately 84% fell into the category of "non-hazardous" waste, which is totally destined for disposal processes, and mostly concerns expired food supplements from Junia Pharma and PharmaNutra, and waste material from Alesco's Laboratory. As far as hazardous waste is concerned, again it is entirely disposed of and comprises 9% solids, about 4% acid solutions, 2% liquids and the remainder laboratory material such as glassware, tips or pipettes. The increase in waste generated in 2022 compared to 2021 (+48%) is justified by the PharmaNutra Group's laboratory activity becoming fully operational. During 2022, work continued on the construction of the new headquarters and this activity led to the

production of waste that the construction company entrusted to companies specialised in disposal or recovery.

Data on waste generated and disposed of are summarised below:

COMPOSITION OF WASTE (M.U. t)		2022			2021		
EWC CODE	DESCRIPTION	TOTAL	RECOVERY	DISPOSAL	TOTAL	RECOVERY	DISPOSAL
150106	Mixed material packaging	11.60	11.60	-	6.84	3.00	-
160214	Discarded equipment other than those mentioned under EWC item 160209 to 160213	-	-	-	3.58	1.50	-
161002	Miscellaneous aqueous liquid wastes under item 161001	2.08	-	2.08	2.00	-	2.00
170101	Cement	206.71	206.71	-	28.80	28.80	-
170201	Wood	12.64	12.64	-	1.40	1.40	-
170202	Glass	-	-	-	2.92	2.92	-
170203	Plastic	0.12	0.12	-	-	-	-
170405	Iron and steel	-	-	-	10.05	10.05	-
170407	Mixed metals	-	-	-	2.25	2.25	-
170604	Insulating materials, various	0.07	0.07	-	-	-	-
170802	Plasterboard	-	-	-	7.36	7.36	-
170802	Chalk-based construction metals other than those under item 170801	-	-	-	0.22	0.22	-
170904	Demolition and construction waste	-	-	-	229.76	229.76	-
170904	Mixed construction and demolition waste other than those under items 17 09 01, 17 09 02 and 17	719.80	719.80	-	8,694.34	8,694.34	-
TOTAL NON-HAZARDOUS		953.02	950.94	2.08	8,989.52	8,981.60	2.00
200121	Fluorescent tubes and other mercury-containing waste	-	-	-	0.07	0.07	-
170603*	Other insulation materials containing or consisting of hazardous substances	-	-	-	2.61	-	2.61
170605*	Construction material containing asbestos	-	-	-	28.47	-	28.47
170301	Bituminous mixtures containing coal tar	0.37	0.37	-	-	-	-
TOTAL HAZARDOUS		0.37	0.37	-	31.15	0.07	31.08
TOTAL		953.39	951.31	2.08	9,020.67	8,981.67	33.08

The table shows the main waste generated. About 99% is non-hazardous waste consisting of mixed waste from construction and demolition activities. Almost all of the waste generated was recovered, representing a concrete commitment by PharmaNutra Group in terms of sustainability.

This document represents the second Sustainability Report for PharmaNutra Group, consisting of the companies PharmaNutra S.p.A., Junia Pharma S.r.l., Alesco S.r.l. and Akern S.r.l. It demonstrates the Company's commitment and focus on integrating sustainability issues into its business.

We point out that in 2022 Sustainability Report Akern S.r.l. has been included into the Group consolidation area only for what concerns economics and financial information reported at par. 1.1.7. "A business that creates value: the Group's impacts". Due to the limited contribution the Group's activities in 2022 all other sustainability information related to Akern will be disclosed starting from 2023.

The reference time frame is the financial year 2022, i.e. the calendar year from 1 January 2022 to 31 December 2022. In order to facilitate the comparability of quantitative data for the different areas under analysis, numerical values for the years 2021 and 2020 have also been reported.

The Sustainability Report, which was approved on 17 July 2023 by the Board of Directors, is prepared in accordance with GRI Standards on an "In accordance" basis. GRI standards were updated in accordance with the Global Reporting Initiative (GRI) in 2021 and are the most widely recognised international non-financial reporting standard to date. This document is drawn up on a voluntary basis as the company is exempted from the mandatory reporting of the Non-Financial Declaration according to Italian Legislative Decree 254/2016 being currently in force.

The Sustainability Report is subject to limited assurance by KPMG S.p.A., which issued a specific report and conducted the audits according to the procedures indicated in the section of the document entitled "Independent Auditors' Report".

This document deals with and explores material topics for PharmaNutra Group, i.e. issues that represent the organisation's impacts on the economy, the environment and people, including human rights. Impacts are defined as the effects the organisation has or could have on the economy, the environment and people, including their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development. Section "1.2.2 Materiality analysis" sets out how the Group has interacted with its stakeholders to define its material topics and their impacts, consistent with the GRI 2021 update.

In the correlation table "GRI Content Index" included at the end of the document, for each material topic the page reference of the Report where the relevant content can be found is made explicit.

PharmaNutra Group makes this Sustainability Report available to the stakeholders through its publication on the website www.pharmanutra.it. To request further information about this Document or to share comments and observations, please write to the e-mail address esg@pharmanutra.it.

GRI	INDICATOR	PAGE	NOTE/OMISSION
1	Foundation - Version 2021	n/a	
GENERAL DISCLOSURES 2021			
2-1	Organizational details	10	
2-2	Entities included in the organization's sustainability reporting	11; 110-111	
2-3	Reporting period, frequency, and contact point	110-111	
2-4	Restatements of information	110-111	
2-5	External assurance	114-115; 116-117	
2-6	Activities, value chain and other business relationships	15 to 22	
2-7	Employees	68 to 71	
2-8	Workers who are not employees	100-101	
2-9	Governance structure and composition	46 to 57	
2-10	Nomination and selection of the highest governance body	46 to 48	
2-11	Chair of the highest governance body	46	
2-12	Role of the highest governance body in overseeing the management of impacts	38 to 43	
2-13	Delegation of responsibility for managing impacts	47 to 49	
2-14	Role of the highest governance body in sustainability reporting	47	
2-15	Conflicts of interest	50 - 58 - 59	
2-16	Communication of critical concerns	51	
2-17	Collective knowledge of the highest governance body	46-47	
2-18	Evaluation of the performance of the highest governance body	52 to 54	
2-19	Remuneration policies	55-56	
2-20	Process to determine remuneration	55-56	
2-21	Annual total compensation ratio	73	
2-22	Statement on sustainable development strategy	4 - 38 to 42	
2-23	Policy commitments	62-63	
2-24	Embedding policy commitments	80-81; 98-99	
2-25	Processes to remediate negative impacts	76; 81; 99; 107	
2-26	Mechanisms for seeking advice and raising concerns	59	
2-27	Compliance with laws and regulations	n/a	During the reporting period, there were no instances of non-compliance with laws and regulations
2-28	Membership associations	30	
2-29	Approach to stakeholder engagement	30-31	
2-30	Collective bargaining agreements	68-69	
MATERIAL TOPICS 2022			
3-1	Process to determine material topics	32-33	
3-2	List of material topics	34	
ETHICS, INTEGRITY AND ANTI-CORRUPTION			
3-3	Management of material topics	32-33; 59	
205-3	Confirmed incidents of corruption and measures taken	59	
CYBERSECURITY AND DATA RESPONSIBILITY			
3-3	Management of material topics	32-33; 60-61	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	60	

GRI	INDICATOR	PAGE	NOTE/OMISSION
PRODUCT QUALITY AND SAFETY			
3-3	Management of material topics	32-33; 80 to 83	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	80-81	
RESPONSIBLE PROCUREMENT MANAGEMENT			
3-3	Management of material topics	32-33; 96-97	
204-1	Proportion of spending on local suppliers	97	
CORPORATE WELFARE AND EMPLOYEE CAREER DEVELOPMENT			
3-3	Management of material topics	32-33; 71 to 73	
401-1	New employee hires and employee turnover	71	
404-2	Programs for upgrading employee skills and transition assistance programs	73	
HEALTH AND SAFETY IN THE WORKPLACE			
3-3	Management of material topics	32-33; 73 to 76	
403-1	Occupational health and safety management system	76	
403-2	Hazard identification, risk assessment, and incident investigation	76	
403-3	Occupational health services	76	
403-4	Worker participation, consultation, and communication on occupational health and safety	76	
403-5	Worker training on occupational health and safety	73	
403-6	Promotion of worker health	76	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	76	
DIVERSITY AND EQUAL OPPORTUNITIES			
3-3	Management of material topics	32-33; 68	
405-1	Diversity of governance bodies and employees	54; 68 to 71	
405-2	Ratio of basic salary and remuneration of women to men	72	
SUSTAINABLE VALUE CREATION			
3-3	Management of material topics	32-33; 27 to 29	
201-1	Direct economic value generated and distributed	27-28-29	
201-4	Financial assistance received from government	29	
203-1	Infrastructure investments and services supported	20	
413-1	Operations with local community engagement, impact assessments, and development programs	88-89; 90-91; 92	
WASTE MANAGEMENT AND RECYCLING			
3-3	Management of material topics	32-33; 107 to 109	
306-1	Waste generation and significant waste-related impacts	107-109	
306-2	Management of significant waste-related impacts	107-109	
306-3	Waste generated	108-109	
ENERGY EFFICIENCY			
3-3	Management of material topics	32-33; 104-105	
302-1	Energy consumption within the organization	104-105	
305-1	Direct (Scope 1) GHG emissions	106-107	
305-2	Energy indirect (Scope 2) GHG emissions	106-107	

Declaration of use: PharmaNutra Group presented a report in accordance with GRI standards for the period 01/01/2022 - 31/12/2022.
Relevant GRI industry standards: N/A



KPMG S.p.A.
Revisione e organizzazione contabile
Viale Niccolò Machiavelli, 29
50125 FIRENZE FI
Telefono +39 055 213391
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the sustainability report

*To the board of directors of
Pharmanutra S.p.A.*

We have been engaged to perform a limited assurance engagement on the 2022 Sustainability report (the "sustainability report") of the Pharmanutra Group (the "group").

Responsibilities of the directors of Pharmanutra S.p.A. (the "parent") for the sustainability report

The parent's directors are responsible for the preparation of a sustainability report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), as described in the "Methodological remarks" section of the sustainability report.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

They are also responsible for defining the group's objectives regarding its sustainability performance and the identification of the stakeholders and the significant aspects to report.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Ancona Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
Registro Imprese Milano Monza Brianza Lodi
e Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA



Pharmanutra Group
Independent auditors' report
31 December 2022

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the sustainability report with the requirements of the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the sustainability report is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the sustainability report are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the sustainability report, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we performed the following procedures:

- 1 analysing the reporting of material aspects process, specifically how the reference environment is analysed and understood, how the actual and potential impacts are identified, assessed and prioritised and how the process outcome is validated internally;
- 2 comparing the financial disclosures presented in section "1.1.7 A business that creates value: the Group's impacts" of the sustainability report with those included in the group's consolidated financial statements;
- 3 understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the sustainability report.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the sustainability report.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- a) we held interviews and obtained supporting documentation to check the qualitative information presented in the sustainability report;
- b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information.



Pharmanutra Group
Independent auditors' report
31 December 2022

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2022 Sustainability report of the Pharmanutra Group has not been prepared, in all material respects, in accordance with the requirements of the GRI Standards, as described in the “Methodological remarks” section of the sustainability report.

Florence, 18 July 2023

KPMG S.p.A.

(signed on the original)

Giuseppe Pancrazi
Director of Audit

PharmaNutra S.p.A.
+39 050 7846500
info@PharmaNutra.it

Junia Pharma S.r.l.
+39 050 7846506
info@juniapharma.it

Alesco S.r.l.
+39 050 7846511
info@alescosrl.com

Via Delle Lenze, 216/b 56122 Pisa - Italy