

PROCEMSA GROUP



Farmaceutici Procemsa Spa
Societa Benefit

Sustainability Report 2022

SUMMARY

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CEO LETTER



Dear Members,

We are proud to present Farmaceutici PROCEMSA Società Benefit's 2022 Sustainability Report. In last year, our Group has grown further through the acquisition of Aakamp GmbH in Germany. In addition to corporate growth, we remain committed to sustainability and contributing to the SDGs. In 2022, we maintained our carbon neutral status primarily by improving investments and procedures to reduce our overall energy consumption, and secondarily by purchasing certificates to offset our residual scope 1 and 2 emissions.

Sustainability and its impact are one of the key factors of our company's policy and it is increasingly important for us to pay attention to the next generation, education, health, economic research, to develop strategies that support the low carbon economy and digital twin transition.

We work to give all stakeholders a better idea of the future. We work to make activities on sustainability issues a distinctive factor for us and for our entire "community", in order to create value around us. Post-year end, we have committed to becoming a benefit company according to Italian legislation, and have included ESG goals within our corporate by laws.

Alessandro Sertorio, CEO

2022 HIGHLIGHTS

In April 2022 Procemsa Group acquired Aakamp GmbH, located in Breddorf (Germany), to further expand its production capacity and its commercial proposal and capacities. Diversification has been key to this acquisition since Aakamp is specialized with DTC (Direct to Consumer) customers, while Procemsa and OFI are BTB (Business to Business). Furthermore, Aakamp is able to complete Procemsa Group's range of products with production of vegetable and animal softgels and gummies.

In 2022 we achieved several important Sustainability goals:



Farmaceutici Procemsa was ranked in the top 1 % of companies in EcoVadis' annual Corporate Social Responsibility (CSR) assessment, earning a Gold medal from one of the leading and trusted corporate sustainability rating providers.

2

Following a successful SMETA 4 pillars audit on Sustainability, we are now included in the Sedex collaborative platform

3

A new Ethical code has been developed, re-inforcing some of the key messages on human rights, commitments and social policies

4

In December 2022 Farmaceutici Procemsa SPA modified its societary statute and became a Benefit company, according to Italian law in force, formalising that adhering to ESG policies and contributing to SDGs is a business priority

5

Farmaceutici Procemsa received a Sustainability Top100 award for its ESG policy, according to Credit Swisse and Kon criteria

6

The Group set Scope 1 and Scope 2 GHG emission reduction targets, in line with the Science Based Targets initiative (SBTi). Those targets were reviewed and approved by the SBTi in May 2022

7

In May 2022 the Board of Director approved a complete 231 model, in which the Company includes all policies regarding social and H&S among other important matters

1. SUSTAINABILITY AT FARMACEUTICI PROCEMSA GROUP

1.1.1. Introduction

ABOUT THE REPORT

This report is intended to share information relating to Procemsa group's corporate sustainability performance. In today's world, facing a global climate crisis, we recognise that there has never been a more important time to act as a responsible corporate citizen. This report was drawn up taking the GRI standards as guidelines. The purpose of this third sustainability report is to report and highlight the results obtained in 2022 and the progress made in accordance with the principles of the United Nations Global Compact (UNGC) and the Global Reporting Initiative (GRI). The data collected relate to the two Nichelino sites of Farmaceutici Procemsa spa, the three plants that belong to OFI Farmaceutici located in Bergamo and the two sites of Aakamp GMBH located in Breddorf and Breme.

The content of the report reflects the achievements and progress made in the period between **January 1, 2022 and December 31, 2022**.

As a Group we recognize that our impact on sustainability factors must not be addressed relating only to the company itself but must be analysed with a holistic vision recognizing that our activities are connected to a very dense network of stakeholders, including our employees, our customers, our suppliers and our local communities.

We also recognize that sustainability is not just about our impact on the environment, but also social and governance aspects to which our Group is fully committed.

In 2022 the most significant impact to our business has been the Ukrainian war that affected the global economy, and in particular the cost of energy in general, gas in particular, but also had an impact on inflation, interest rates and cost of goods. At a global level, there has also been a growing awareness on climate changes which is reflected in energy consumption and Procemsa group's choice to become carbon neutral and carefully manage other environmental and social impacts to help ensure the future of the Group.

There have been some changes from the previous report based on the enlarged size of the Group, as well as changes to measurement methods.

1.1.2. Our strategy and our objectives

In developing Procemsa sustainability strategy, the Group analyzed its opportunity to contribute to the 17 Sustainable Development Goals (SDGs), defined by the United Nations in 2015 to drive sustainable development on the road to 2030. Ten SDGs and related SDG targets have been identified as being **most material** for the Company. We will continue to work towards these SDGs as we implement our sustainability strategy.



Goal

Ensure healthy lives and promote well-being for all at all ages.



Target

Target 3.4 *By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.*

Procemsa's Commitment

- Development of new products for wellness with particular attention to formulating innovative high-performance products
- Customer health and safety. For all our products and in particular when developing new products, all Procemsa phases starting from the production, the Laboratory and R&D team studies and focuses its attention to perform at highest quality level, formulating innovative high-performance products.

Achieve gender equality and empower all women and girls



Target 5.5 *Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life*

- Diversity and equal opportunities
- Monitor and solve pay inequalities
- Ensure women's full participation in leadership roles
- Increase number of female directors

Clean Water and Sanitation- ensure availability and sustainable management of water and sanitation for all.



TARGET 6.3 *By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally*

- Production standards benefit from an inverse osmosis machine, which produces extremely pure water, and a technologically advanced water purification system.

Target 6.4 *By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity*

- Water efficiency programs are in place in order to monitor and activate plans to reduce consumption and waste of water

Ensure access to affordable, reliable, sustainable and modern energy



Target 7.2 *By 2030, increase substantially the share of renewable energy in the global energy mix*

- Energy efficiency
- Renewable energy production

Target 7.3 *By 2030, double the global rate of improvement in energy efficiency*

Promote inclusive and sustainable economic growth, employment and decent work for all



***Target 8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value*

***Target 8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment*

- Smart working, reducing the impact of pollution from transport
- Produce with particular attention to the circular economy raw materials and formulation with reduced environmental impact
- Ensure a working environment where people feel supported and safe
- Sharing specific career plans for production personnel with trade unions in order to define an adequate level of management and a possibility of personal growth

Build resilient infrastructure, promote sustainable industrialization and foster innovation



***Target 9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities*

- Reduction in the consumption of energy
- Efficiency in water consumption
- Investments and adoption of new technologies for pure water in production
- Control and investments for the reduction of CO₂
- Reduction of waste

Reduce inequality within and among countries



Target 10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

- Continuous training available for employees
- Job quality and the creation of new jobs
- Increase awareness of gender equality importance
- Diversity and equal opportunities

Target 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

Ensure sustainable consumption and production patterns



Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources

- Reduction in the consumption of plastic
- Waste management and recycling practices
- Implementation of specific training initiatives aimed at the cultural growth and awareness about sustainability. This objective is linked to the study of new products, for which all parts involved take into consideration various environmental factors, starting from the use of materials deriving from the circular economy (i.e. prioritizing the use of raw materials obtained from waste process recovery in other agro-food sector such as wine, rice and tomatoes), arriving to the optimization of energy resources during the production phases

Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Target 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

Take urgent action to combat climate change and its impacts



Target 13.2 *Integrate climate change measures into national policies, strategies, and planning*

Target 13.3 *Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning*

- Reduction of CO₂ emissions
- Raising awareness among customers, employees and suppliers on environmental issues.

Procemsa aims to reduce any “extra-consumption” as much as possible and optimize the effectiveness of our controlling systems in order to limit and reduce the impact on the environment. Our plants are periodically monitored in order to constantly have a clear idea on consumption. We have acted on several fronts to get the best results.

- Training employees with specific courses and webinar dedicated to SDGs and Climate Action
- Raise awareness of ESG risks and opportunities amongst suppliers by requesting completion of an ESG questionnaire and participation in ESG projects.

Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss



Target 15.2 *By 2021, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally*

- Implementation of technologies with higher environmental standards.
- Reduction of waste per piece
- Through the reduction of the amount of Group waste generated, intensifying the separate collection of waste; reduced paper consumption related to optimized production documentation (Master Batch Records) and reduced carbon footprint by carrying out smart working.
- Reduction of secondary packaging for our branded products
- Clear label communication on our product on how to dispose the different materials for the final consumers
- Commercial strategy to increase the use of green packaging for our branded products
- Increase proposition of green solutions to our customers

2. THE GROUP

2.1. About our business: our mission, our vision, our value

Food supplements, cosmetics and natural products are increasingly becoming part of our lives, in fact they help to nourish us for the first months of life where newborns are provided with particular vitamins such as vitamin K or D for healthy growth, they help during our studies and they help during a teenager's growth, they are used during pregnancy where the integration of folic acid is highly recommended, they help during menopause, during cholesterol treatment and so on for all ages. Their functions are different and well defined, they act as support in people who have deficiencies of specific vitamins in order to restore the normal levels necessary for the correct functioning of the body, they are used to help our intestine, so, whatever specific function they perform, they have now become commonplace.

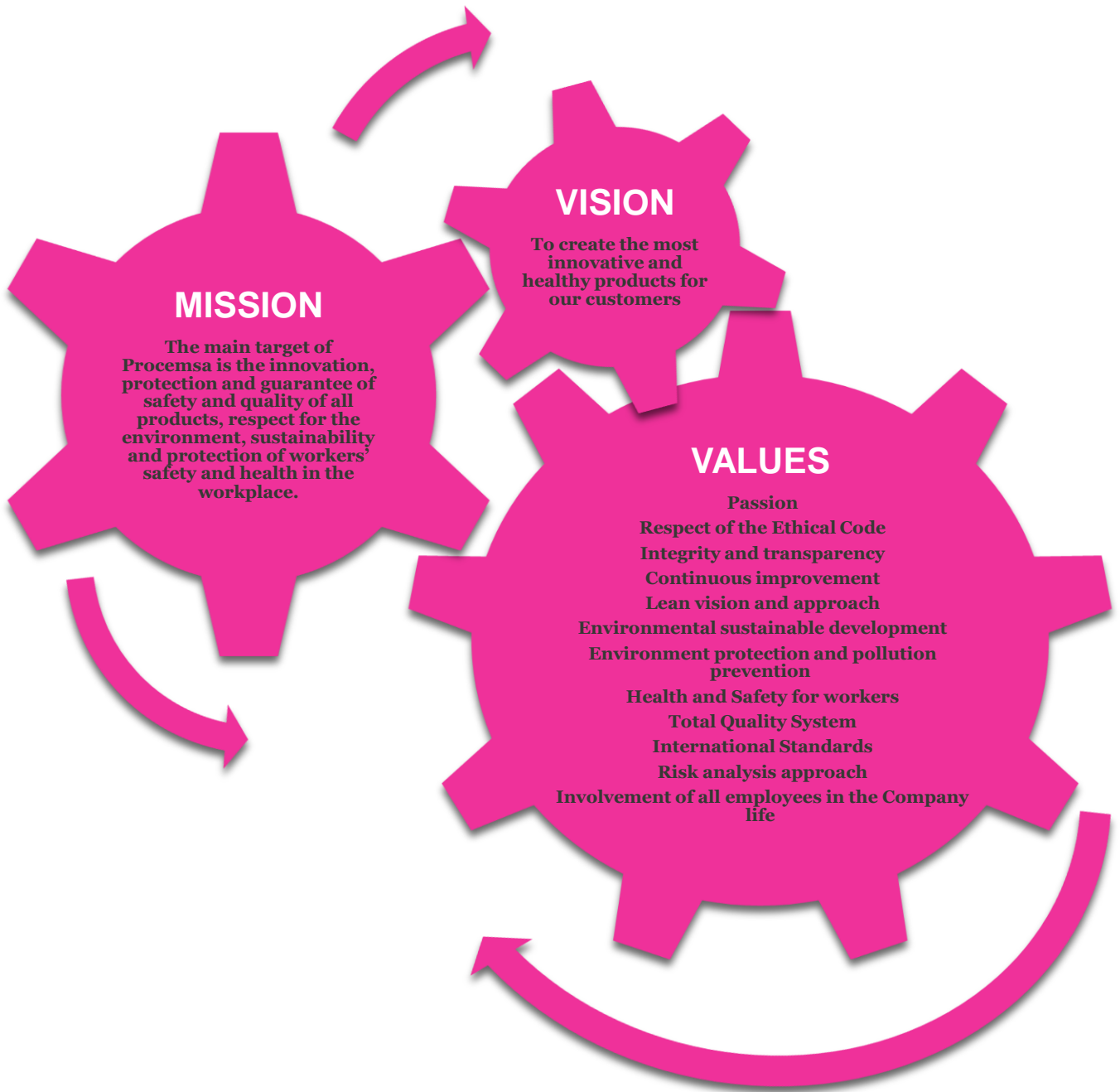
For this reason, our Group puts people's well-being at its centre by producing innovative, safe and natural products, including probiotic derivative products, cosmetics and medical devices (solid, liquid and cosmetics forms for well-being). Our goal is to improve people's life and well-being as much as possible by offering them high quality products, including high quality and innovative raw materials, that can be used safely and for many different pathologies, needs and wellness purposes.

We are always attentive to satisfy the demands of the market, our mission is in perfect synergy with our vision and with our value.

Procemsa is a dynamic Group, with a strong presence in Italy and Germany, dedicated to the research, development, production and packaging of food supplements, cosmetics and some medical devices. **Our mission** is the innovation, protection and to guarantee the safety and quality of all products, respect for the environment, sustainability and protection of workers' safety and health in the workplace.

Our vision is to create the most innovative and healthy products for our customers.

We base our company on very precise and **defined values**. Sustainability and its impact are one of the key factors of the Company policy and it is increasingly important for us to pay attention to the Next Generation, education, health, economic research, to develop strategies that meet **the twin transition**: environmental and digital. We make sure that our products comply with international standards and we analyse any risk factors through the risk management approach and a solid total quality system.



2.2. More than 80 years of success

We are a dynamic Group, a strong presence in Italy and Germany entirely dedicated to the research & development, production and packaging of food supplements, cosmetics and medical devices. We export our know-how in support of your success all over the world.



In the last 10 years the Group has experienced significant growth both in terms of turnover and in terms of employees.

Procemsa is a Group characterized by important investments, which guarantee a leading role on national and international markets. It is a Group characterized by a strict control over all costs, overhead costs and margins analysis of every single products/projects, a factor that allows it to maintain high profitability and a solid financial structure. The Group is further characterized by a strong managerial structure, a high export propensity and a strong inclination for innovation.

All these factors have helped over the years to close important contracts with multinationals of the pharmaceutical sector, nutraceutical and well-being sector and have given the possibility to our customers to export to over 60 countries worldwide (about 60% of turnover). In 2022 Procemsa consolidated revenues of over EUR 110 million and an EBITDA of EUR 19 million, with expected future growth.

Our future vision aims to strengthen international expansion, both organic and through external growth, in the coming years, with particular reference to non-European areas.

We are convinced that our greatest asset are people and we want to invest in their continuous growth.

2.2.1. Our origins

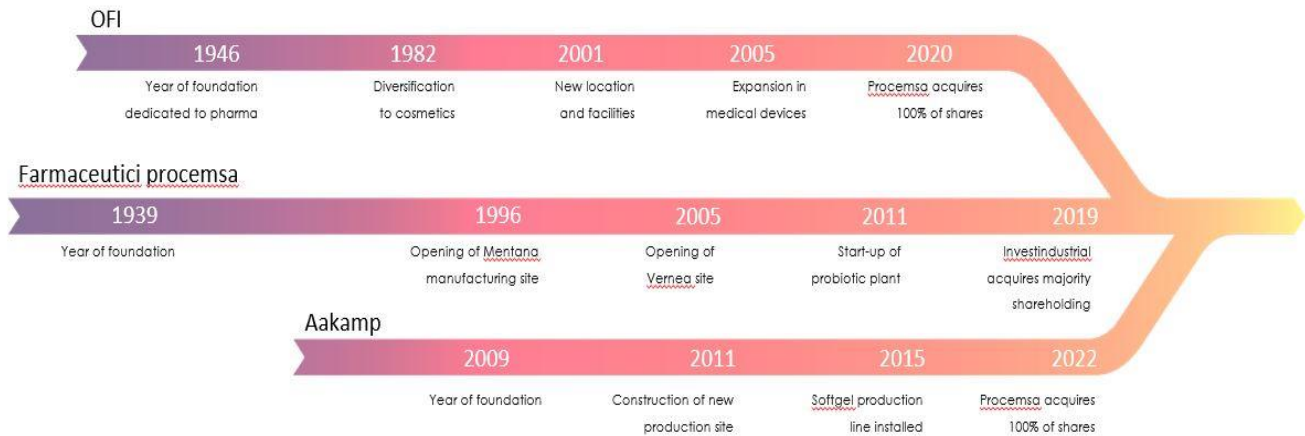
Procemsa was created in 1939 in Turin, starting its activity manufacturing and marketing pharmaceuticals drugs.

OFI, Officina Farmaceutica Italiana, was founded in 1946 By Attilio Donati, after having obtained the license for the production of medicinal specialties.

Aakamp was born in 2009, it has two sites: production plant situated in Breddorf and Commercial offices located in Bremen. They are specialists in development and manufacturing of food supplements for third parties.

The actual structure since July 2019, is constituted by the majority of the Group (approximately around 70%) indirectly acquired by a fund managed by Investindustrial, a leading European group of independently managed investment, holding and advisory companies. The rest of the Group is owned by the previous owner of each Company, such as Sertorio's family, Donati family and Mr. Keibel.

2.2.2. Our history



Like our home towns, Turin (Italy), Bergamo (Italy) and Bremen (Germany), Farmaceutici Procemsa group has a solid industrial culture that has allowed us to grow up to today, with production that takes place in six modern plants, a staff of over 400 people, customers in the pharmaceutical, food and nutritional, cosmetic and medical, all over the world.

A tree with solid roots in experience that today bears fruit in innovation.



Gummies will come in 2023 !!

2.2.3. The Group & the manufacturing plants

Production facilities

"If you can think it, we can produce and pack it". Procemsa Group has four state-of-the-art sites and 6 production facilities that allow us to manufacture and pack in all formats of products and all formats of packaging.

Farmaceutici Procemsa
Turin, Italy



- 01 Liquids and solids plant
- 02 Additional blistering line
- 03 Liquids and solids plant, cosmetics, R&D, QC labs
- 04 Probiotics plant
- 05 Warehouse
- 06 New warehouse (Mid-2019)
- 07 Newbuilding, sub-rented to a plastic molder
- 08 New site

Ofi
Bergamo, Italy



- 01 Warehouse
- 02 Production plant & warehouse 2
- 03 Warehouse 3 & Outlet
- 04 Warehouse 4

Production facilities

The combination of the four sites allows us to provide you with great flexibility and agility, and when combined with the vast experience of our production teams, we can find the perfect manufacturing & packaging solutions for your projects (large or small).

AAKAMP

Breddorf, Germany



- 01 Liquid filling
- 02 Softgels
- 03 Warehouse (Raw materials)
- 04 Tablets, Capsules & Powders
- 05 Labelling, packaging & storage space
- 06 Gummies

2.2.4. Our value chain

High quality raw materials and packaging materials are essential elements for consistently producing our high quality final products. Therefore, a solid and reliable supply chain is needed right from the beginning.

All our suppliers of both raw materials and packaging materials are evaluated and chosen in order to satisfy a strict and important list of characteristics, giving due consideration to product quality (a fundamental element), reliability, profitability, flexibility and punctuality.

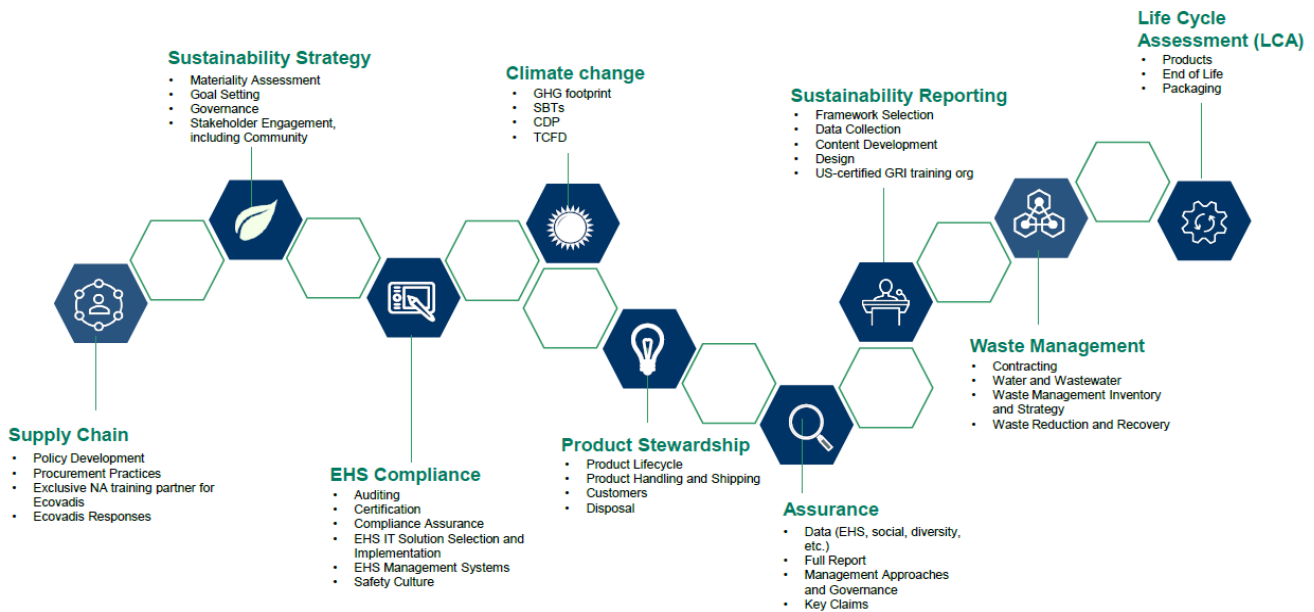
We choose our suppliers that will help us in our sustainability journey, we prefer suppliers who internally implement a sustainability policy and have strong control processes. During the initial assessment of a new supplier the internal Team collaborate with the partner in order to complete a questionnaire in which, human rights, business ethics, anti-corruption, quality standard, H&S and sustainability approach is evaluated.

During 2021 the Group started to share and checked that all suppliers could sign or have their own Code of Conduct. 70% of Italian supplier have accepted to be part of this process and have signed an Ethical code. Our future vision is to have it approved by all our suppliers of the group including all sites (100% signed by the end of 2023). We intend to collaborate with those suppliers who do not undertake or pass the assessment.

Our aim is to further strengthen the links we have with our suppliers, who are for the most part historical suppliers.

For this reason, in addition to working with them, we have defined **medium** and **long-term objectives** as a company. Our future vision is to **create a network** of organizations to share innovation and best practice regarding product sustainability, through Client ESG portal participation and University projects on ESG.

OUR VALUE CHAIN APPROACH



2.2.5. Governance

Over the years, the Group has created and strengthened its governance structure as we believe that this is an essential element to guarantee reliability and transparency.

First of all, the principle of accountability, meaning that the Company took the responsibility to account for its impacts on society, the economy and the environment, measuring it through different public certification such as ISO 9001, ISO 14001, ISO 13485, ISO 45011, GMP certification, SBT approved assessment, Bcorp Assessment, ECOVADIS certification, Sedex.

This shows strong resilience on different matters throughout all Company procedures.

Another principle of social responsibility is transparency, meaning that the Group and the organization disclose and make known the decisions and activities for which it is responsible, including both potential and actual impacts on society and the environment.

Other inspiring principles for governance are to behave ethically, based on values such as honesty, fairness and integrity, and to respect the interests of stakeholders, taking into consideration and responding to their needs. Regarding this matter Procemsa has certified as Model 231 during 2022, received the SMETA 4 PILLAR audit on CSRD and started the Bcorp process in 2022.

Two further strongly related principles are respect for the principle of legality, which implies the need to know all applicable laws and regulations and to respect them (even when they do not appear to be adequately enforced), and respect for international standards of conduct in adherence to the principle of legality.

Every organization should respect human rights and recognize their importance and universality.

Finally, we started projects at Group level and single Company level on D&I (Diversity and Inclusion) with a clear objective and timing for which we would like to improve on this respect compared to historical data, internal data and market data.

The governance structure of the Group is entrusted to a board of directors made up of 8 members listed in table of which 6 are men and 2 are woman, 25% of total.

The Board members as of the 31st December 2022 and the main Group functions are defined as follows:

Sagi Cohen	Chairman of the Board
Filippo Sertorio	Vice Chairman and ESG Chief Officer of the Board – Company’s representative
Alessandro Sertorio	Chief Executive Officer – Company’s representative
Alessandro Fogo	Board member
Carlo Pavesio	Independent Board member
Davide Accornero	Independent Board member
Micol Fornaroli	Independent Board member
Cristina Donati	Board member

No episodes of corruption were recorded during the examined period, this demonstrates the constant commitment of the Group to continuous improvement in this area. The workers union is represented by the elected members (RSU), which periodically discusses with the Management on Group issues and on production, safety and quality trends.

During 2022 the Board approved the new 231 Model.

The 231 model is adopted to allow the company to be exempted from the crimes attributed to individual employees and, through the correct adoption, the company can request the exclusion or limitation of administrative liability deriving from one of the crimes mentioned in the standard.

The fundamental elements of Farmaceutici Procemsa SB 231 model have been:

- The revision of the Ethical Code;
- The formalization of a disciplinary system;
- The appointment of a Supervisory Body called “Organismo di Vigilanza”;
- The setting of specific procedures for all sensitive areas which might arise a risk of crime for the Company.

No Cyber attacks were recorded in 2022 across the Group.

2.2.6. Ethical business

Ethics and compliance are fundamental pillars of Procemsa’s values, the Group has an Ethical Code approved since 2014 and updated in 2022, to indicate which conduct is not acceptable, including bribery and corruption.

It includes also principles of honesty and transparency in relations with Stakeholders, Customers and Suppliers, in economic reports and communications, in the application of production models able to defend human rights and to respect the Earth, promoting sustainable development, as well as in Countries that produce raw materials used in our products, in the choice of suppliers, impartially selected on the base of competitiveness, economic convenience and quality.

The Risk and Compliance Committee reports to the Audit Committee, which is responsible for supervising the efficiency of the Compliance Management System.

2.3. The Sustainability path

Thanks to the growth and development of the Company, the Group has made the culture of corporate sustainability its own, making this a determining factor in its choices. We believe in the importance of caring for the environment, our employees, and our local communities. As a demonstration of this, the Group has joined the United Nations Global Compact (UNGC) and incorporates the Ten Principles in the areas of human rights, labour, environment and anti-corruption into company strategies, policies and procedures.

THE TEN PRINCIPALS OF THE UNITED NATIONS GLOBAL COMPACT

Human Rights	Labour	Environment	Anti-Corruption
PRINCIPLE 1 Businesses should support and respect the protection of internationally proclaimed human rights.	PRINCIPLE 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	PRINCIPLE 7 Businesses should support a precautionary approach to environmental challenges.	PRINCIPLE 10 Businesses should work against corruption in all its forms, including extortion and bribery.
PRINCIPLE 2 Make sure that they are not complicit in human right abuses.	PRINCIPLE 4 The elimination of all forms of forced and compulsory labour.	PRINCIPLE 8 Undertake initiatives to promote greater environmental responsibility.	
	PRINCIPLE 5 The effective abolition of child labour.	PRINCIPLE 9 Encourage the development and diffusion of environmentally friendly technologies.	
	PRINCIPLE 6 The elimination of discrimination in respect of employment and occupation.		

In order to have a global and broader view of the aspects of interest and which are significant for the various stakeholders, the company has assessed the topics using two different standards, SASB (for the relevant issues from a “financial” point of view) and GRI (for defining the impact of the company on the economy, environment and society).

Furthermore, by cross-referencing these data and analyzing the industry framework and the Contract Development and Manufacturing Organization (CDMO) of the pharmaceutical sector, the most critical aspects were highlighted:

- Quality & safety
- Customer welfare
- Employee engagement
- Supply chain
- Business affect
- Energy, water & waste management.

2.3.1. Stakeholders

Communication with stakeholders is the key for achieving the success of the Company. All stakeholders are taken into consideration so as be able to achieve the set objectives.

Our Group evaluates the needs of the various stakeholders trying to satisfy the demands of the market and consumers.

Respect for the environment and the evaluation of low-impact strategies are one of the milestones on which the actions undertaken by our Group are based.

To achieve these objectives, the Group makes choices starting from raw materials. The most innovative and high quality raw materials are selected paying attention to the components used (such as no GMOs, gluten free, no artificial raw materials, flavors and dyes) and similar policies are used for packaging, where the Group is in contact with suppliers looking for materials with a lower impact on environmental management (recycled plastic, FSC cardboard boxes). All taking care of the aspects of innovation, quality and regulation in force.

We have a permanent commitment to dialogue with our principal internal and external stakeholders, listening to them and understanding their concerns and expectations.

We offer the following channels to respond to concerns and guarantee that we will generate value for them all.

STAKEHOLDER	CHANNEL FOR DIALOGUE
Employees	<ul style="list-style-type: none"> - Opinion polls among employees - Internal communication e-mails - Noticeboard - Ethics channel - Webinar - Focus group - Conventions and meetings - Conferences - Employee training - Sustainability report
Customers	<ul style="list-style-type: none"> - Commercial channels - Handling of claims - Trade fairs - Web site - Sustainability report
Shareholders & Investors	<ul style="list-style-type: none"> - Assistance to shareholders - Annual Accounts - Progress Report on 2021 Commitment
Suppliers	<ul style="list-style-type: none"> - Communication/collaboration in the choice of more sustainable materials - Involvement in the code of Conduct

Society & Community	<ul style="list-style-type: none"> - Collaboration in social projects - Collaboration with Unions - Collaboration with University and Research centre - Active roles in Industry Association - Collaboration with NGOs
Government & regulatory authority	<ul style="list-style-type: none"> - Product registrations and verification of compliance with laws
Universities and research centers	<ul style="list-style-type: none"> - University projects on ESG - New research projects and collaborations.

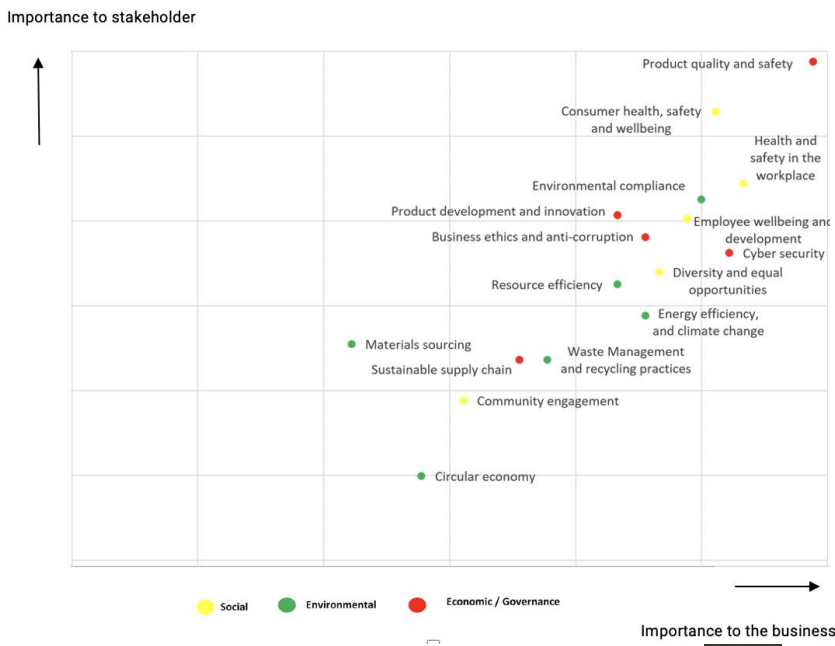
This report aims to highlight the commitment that the Group constantly shows towards its stakeholders.

2.3.2. Material topics

In order to determine the material issues that influence stakeholder decisions regarding economic, environmental and social impacts, our Group analyzed the combination of external and internal factors to assess and determine the importance of information in reflecting significant impacts which are the subject of attention from stakeholders. To define the material topics, the combination of economic, social, environmental impacts, values, policies and strategies, stakeholders’ expectations, challenges and future objectives as growth of the Group was taken into account.

The definition of the material topics has been carried out through **interviews with senior management, benchmarking analysis** (analysis of sustainability topics reported by other companies operating in food supplement sector); **macro-trend analysis** (analysis of documents of the most relevant government organizations, in order to identify the main sustainability topics at global level (e.g. United Nations, European Union, Dow Jones Sustainability Index, etc.).

been carried out through **interviews with senior management, benchmarking analysis**



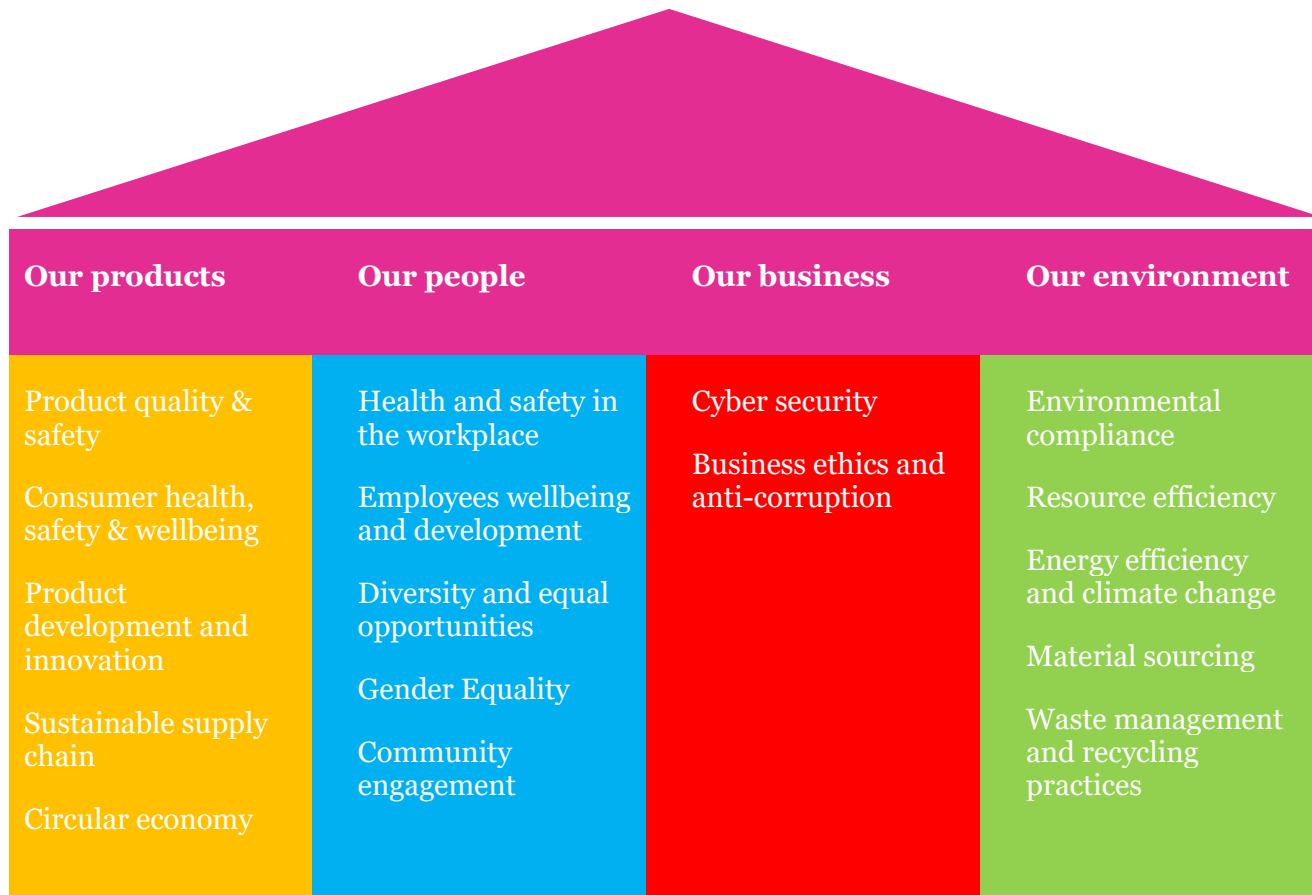
Based on the GRI standards Core Option and through the analysis of internal and external factors it was possible to identify a list of materials topics.

The materiality matrix shows the social and economic / governance aspects and the environmental ones that concern, influence and are important for both stakeholders and business. The topics identified and reported in the materiality diagram highlight the main issues divided into 3 groups, social (yellow), environmental (green) and economic / governance (red).

Through the analysis of the matrix showing the social / governance / environmental aspects, it was possible to divide the issues into 4 key groups: Our Products, Our People, Our Business, Our Environment. For each key group, Procemsa has established objectives, targets and initiatives, which are detailed in the Our Strategic Pillars section below.

The company is trying to involve its employees more on sustainability issues thinking of a future project to set up questionnaires and workshops to better understand the expectations of the main stakeholders including employees, suppliers, patients, local communities and public administration. All this to deepen and expand the materiality analysis as proposed by the Global Reporting Initiative (GRI) and the International Integrated Reporting Committee (IIRC) as a necessary starting point to bring reporting closer to the expectations of stakeholders.

2.3.3. Our strategic pillars



Our Products:

“To produce innovative, effective, high quality, safe, sustainable products for our clients”

Our people:

“To create a culture of excellence, opportunity, innovation and collaboration that motivates employees”

Our business:

“Lead with integrity and ethics to drive a culture of responsible investment and business excellence”

Our environment:

“A Carbon neutral Group on operations is focused on continuous improvement to minimise negative environmental impacts throughout its operations and supply chains”

TARGETS AND INITIATIVES

Pillar	Objective	Target KPI	Target Year	Initiatives	Status
Our products	Create a network of organisations to share innovation and best practice regarding product sustainability	- Active participation in projects with clients and/or suppliers and external organizations	2021 and still on going 2022	- Client ESG website and/or Platform completed - Projects w/University and agrifood Co. on circular matters;	✓ Still ongoing in 2022.
		- use of sustainable packaging and raw materials derivates from the circular economy	2025	- Study of a new, completely sustainable product line (packaging and formulation) - All development passes through an analysis with the Mkt team and the customer in order to propose a reduction of secondary packaging when possible as well as in CDMO projects	✓ The study carried out on the stability of the biodegradable bottle led to positive results in defined environmental conditions of storage. ✓ Food supplements: Sustainable secondary packaging used in 20% of projects (certified FSC paper) ✓ Cosmetics: 20% of cosmetics projects are using sustainable packaging
	Product complaints and non-conformities	Maintain product complaints below 1% of turnover in value	2025	- Quality system - Internal audit - Internal teamwork and with customers	✓The non-conformities recorded for the year 2022 affected the turnover for 0.8%, improved compared to 1.4% in 2021.
	Zero product recalls	Zero product recalls	Continuous implementation	- Quality system - Periodic internal audit	
	Minimise waste from finished products – to increase efficiency and produce higher yields	- Reduce amount of waste per produced pieces < 0,8% - Average yield 98,5%	2025	- Improve productivity: reduce or better organized set-up of production & cleaning, team work to analyse indirect hours - Reduce defective products	✓ Objective achieved by Procemsa by improving the yields of the top 20 products with the lowest contribution margin

<i>Pillar</i>	<i>Objective</i>	<i>Target KPI</i>	<i>Target Year</i>	<i>Initiatives</i>	<i>Status</i>
<i>Our people</i>	Provide a safe working environment	- Zero incidents and injuries	2025	- Periodic internal audit	✓Ongoing
		- 2 hours training per employee per year		- Training to new employees and refresh for all employees	✓ Ongoing. In Procemsa on 2022 a total of 33 h / man of training was carried out, in total training was provided for 1.97% of the hours worked
		- 100% new employees receive H&S induction training, within 45 days of joining		- Annual evacuation test - Safety management system certified ISO 45001 - Positively implement culture for near misses reporting	✓Ongoing
	Promote smart working to achieve work/life balance	-100% of desk based employees	2025	- Give laptop to desk-based employees, Organize on line meetings, formalize Group agreement with specific rules of smart working	✓Ongoing
				- Cyber security activities	✓Ongoing
	Implement employee welfare programme	100% people involved in welfare programme	2022	- Extend the welfare programme to new groups of employees - Digitalization of welfare programs	✓completed. Under evaluation the extention at the Group level
	Increase collaboration between teams throughout the organization to encourage innovation	- Higher people awareness with creation of a group involving 20% of employees	2025	- focus Group white&blue collars during 2022 with clear objective and focus	✓Ongoing. In 2022, Procemsa renewed the official communication to the UN and published the sustainability report relating to the 2021 data, 3 meetings were held for the involvement and awareness of secondline personnel.
- Create at least 1 group involving each functional Area		- 6 focus Groups within 2025			

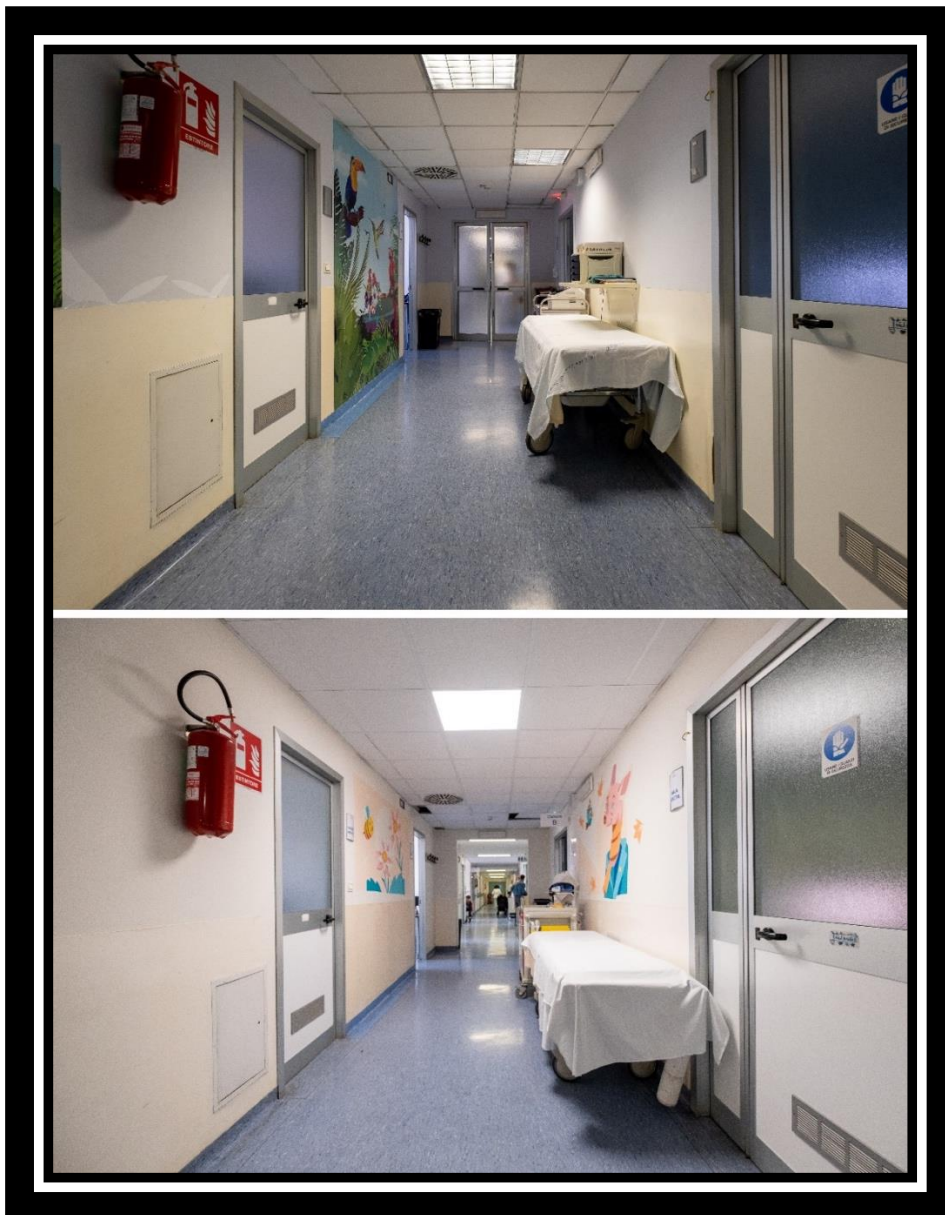
<i>Pillar</i>	<i>Objective</i>	<i>Target KPI</i>	<i>Target Year</i>	<i>Initiatives</i>	<i>Status</i>
<i>Our business</i>	Strengthen cyber security	- Improve cyber security policy, procedures and infrastructure	2023	- Disaster recovery plan	✓ completed first step, ongoing for new development
		- Complete third party integrity testing of cyber security policy		- Change of infrastructures	✓ completed first step, ongoing for new development
		- 1 hour cyber security training per employee per year	Continuous implementation	- Training of employees that use Group IT systems	✓ Ongoing
	business ethics and anti-corruption questions into the supplier assessment process	- 100% of code of conduct signed	2023	- Collaborate with suppliers not answering or answering «no» to the assessment	✓ Ongoing
	Integrate add-on businesses into Procemsa's culture	- People leave below 3%	2025	- Create internal competent team	✓ Ongoing
		- Turnover increase of 5% year		- Create internal qualified personel,	✓ Procemsa in 2022 had a turnover of over €43 million, while margins and profitability decreased due to problems of material and energy costs.
Increase customer satisfaction	- maintain retention-loyalty of top 10 customers Group baseline	Continuous implementation	- Share total quality service approach for innovation and formalization of agreements with Customers	✓ Ongoing. In 2022, Procemsa's consolidated customers are confirmed; new customers have been acquired. Customer audits had positive results.	
	-customers satisfaction above 70%		-improvement of cost efficiency and quality	✓ confirmed and on going	
			Customer survey and questionnaire		

<i>Pillar</i>	<i>Objective</i>	<i>Target KPI</i>	<i>Target Year</i>	<i>Initiatives</i>	<i>Status</i>
<i>Our environment</i>	Reduce carbon emissions in alignment with science-based targets (SBT)	Set carbon emissions reduction target in line with SBT (to be quantified in 2022)	2030	<ul style="list-style-type: none"> - Quantify the carbon emissions reduction in 2022 - Identify opportunities to improve energy efficiency - Investment to improve energy efficiency 	<ul style="list-style-type: none"> ✓ completed ✓ ongoing <p>New photovoltaic system in Turin site and Aakamp site installed in 2022</p>
	Reduce paper usage in all processes	Reduce number of printed pages of million pieces < 2%	2025	<ul style="list-style-type: none"> - Reduction of Master Batch Record pages with new tables for In Process Control - Digitalization of processes 	✓ Ongoing. In 2022, the pages about 1000 MBR under review and new ones have been reduced.
	Reduce total waste generated per million pieces	Reduce waste to less than 0,6% per million pieces	2025	<ul style="list-style-type: none"> - Reduce defective products - Improve circular activity 	✓ Ongoing. In 2022 the amount of wastes per million pieces is 0,9%
	Achieve on going environmental compliance	Operate at least 5% better on environmental limits for waste, water and emissions	2025	- Environmental system certified ISO 14001 includes periodic internal audit, eriodic internal checks on emission and waste water	✓ confirmed in 2022
	Improve the sustainability of packaging	Develop at least one 100% compostable product using bio-sourced packaging material	2025	<ul style="list-style-type: none"> -market studies & analysis - creation Group Sustainable culture - study of regulatory aspects - involvement of several suppliers 	✓ Ongoing

2.3.4. Working with our community

During 2022 (in particular first half of the year) COVID 19 had still implications for the working and private life, and for this reason Procemsa kept organizing both internal and external activities in this regards, and thanks to a strong effort based on the continuous adaptation, production was not affected for the entire period.

During 2022, Procemsa continued the commitment with local non-profit organizations, supporting them with donations, and in particular Procemsa continues to support FORMA (a Pediatric specialized non-profit organization) in the creation of a new day-hospital area.



The Group adheres to the international voluntary “Responsible Care” program of FEDERCHIMICA through the Bergamo site, which oversees the implementation of principles and behaviors regarding employee health and safety and environmental protection.



Sustainable development: in Bergamo we act in a socially responsible manner with the community in which we operate thorough sponsorship, in particular with the **EVILITY PROJECT**

Evbility is a project that provides free electric car chargers, increasing the possibility of sustainable mobility.



Thanks to the Evbility project, local authorities provide the local community with electric car chargers at an affordable cost.

3. OUR PRODUCTS

3.1.1. Our different proposals

We care about the well-being of the population and of the people and for this reason we work with our customers to increase and fulfill this commitment, hence we develop products with reduced use of artificial dye and replaced palm oil. We develop low-sugar alternatives, progressively replacing the use of artificial flavours with other 100% natural ones.

Our Group works every day to best meet the needs and requests of each customer, we make our knowledge available to develop and create products that comply with all standards in terms of quality and safety. The biggest brands rely on us to produce their products and give the Consumers a reliable and high quality product.

Our types of products vary in order to satisfy customer's requests and needs. This allows us to always be competitive and in line with market demands.

PROCEMSA GROUP KPI

6

PLANTS

56

PACKAGING LINES

53

BULK MANUFACTURING LINES

68.6

MILLION UNITS / YEAR

PROCEMSA GROUP 2022 RESULTS

2,553,922
PZ

COSMETICS

3,200,146
PZ

MEDICAL DEVICES

19,429,441
PZ

NUTRACEUTICALS

5,324,908
PZ

PROBIOTICS

TYPES OF PRODUCTS

TABLETS



- ✓ Swallowable single, double, triple layer tablets
- ✓ Chewable tablets
- ✓ Normal, fast, modified release tablets
- ✓ Aesthetic film, taste masking film, gastroprotected film coated tablets
- ✓ Effervescent tablets
- ✓ Big size table

CAPSULES



- ✓ Hard gelatine capsules
- ✓ Vegetable gelatine capsules (HPMC)
- ✓ Low humidity (LH) capsules specific for probiotics and hygroscopic or moisture sensitive active ingredients
- ✓ Gastro-resistant capsules
- ✓ Capsules without titanium dioxide
- ✓ Hard gelatine capsules with one pellet, 2 type of pellets/beadlet; 1 type of pellet and powder

POWDERS AND GRANULATES



- ✓ Blends for direct mixing
- ✓ Mixtures with scaled dilutions of the components
- ✓ Granulates obtained by dry granulation
- ✓ Granulates obtained by wet granulation
- ✓ Effervescent powders and granulates
- ✓ Modified release granulates
- ✓ Granulates with taste masking technologies
- ✓ Coloured granulates

LIQUIDS



- ✓ Water-based solutions, oral, sublingual
- ✓ Syrups
- ✓ Dispersions
- ✓ Suspensions
- ✓ Oily suspensions
- ✓ Oils
- ✓ Spray
- ✓ Drops

SEMISOLID/ COSMETICS



- ✓ Cosmetic emulsions
- ✓ Ointments and pastes
- ✓ Hydrophilic gels
- ✓ Anhydrous gels
- ✓ Oils and oleolites
- ✓ Detergents
- ✓ Spray solutions
- ✓ Hydrolytes and Solutions
- ✓ Vaginal douches



You can find more information on our website www.procemsa.it



FOOD SUPPLEMENTS

- Food supplements based on plant extracts and derivatives, bee products, others nutrients
- Food supplements based on vitamins, mineral salts, metals and trace elements
- Food supplements based on charcoal



PROBIOTICS

- Food supplements based on probiotics for adult, for different target, for well-being, daily integration, disorders treatment
- Food supplements based on probiotics for baby (0-3 years ages)



MEDICAL DEVICES

- MD class IIA canker sores (gel adult, junior, baby; spray; mouthwash)
- MD class IIA teething gel
- MD class IIA orosoluble sticks for GEARD
- MD class IIA cough syrup adult/children
- MD class IIA throat tablets and spray
- MD class IIA for gastroesophageal reflux
- MD Class IIB proctological gel



COSMETICS

- Face products
- Body products
- Sun products
- Haircare products
- Mouthwashes
- Spray
- Facial cleansing products
- New hybrid and innovative forms



4. OUR PEOPLE

Our Group firmly believes that people are the driving force of a Company. Thanks to the continuous commitment of all the people who work in the Group we can guarantee and maintain high quality products every day. In order for consumers to be protected and satisfied with the product they have purchased, it is necessary for our Group to carry out training that guarantees continuous improvement in terms of quality and objectives.

4.1. Our workforce

We believe in equal opportunities for men and women. The personnel selection criteria establish the same skill requirements for men and women to promote equality.

Procemsa promotes equal treatment of people. In 2022, there were about 5.7% of people with different disability on Procemsa's Group payroll. Procemsa facilities are considered accessible to people with disabilities.

We put people in the foreground, for this reason a welfare plan has been created dedicated to particular Groups of people and activities, an extra bonus has also been given to all workers.

The Group promotes the development of human capital through the implementation of specific training initiatives aimed at the professional and cultural growth of employees.

The Group guarantees union representation, in accordance with the customs and practices of each country. Procemsa's workforce is covered by collective agreements or by applicable labour laws, guaranteeing working conditions, freedom of association and the right to collective bargaining among others.

YEAR	2018	2019	2020	2021	2022		
					Nichelino	Bergamo	Germany
Worked hours (direct employees work in production, excluded warehouse operators)	127.357	142.160	206.326	210.544	191.513	113.294	315.552
					Total Group 620.359		
Overall no. of hours worked by contractors in the reporting period	n.d.	n.d	n.d	n.d	91.041	52.699	24.636
					Total Group 168.376		
Training hours	2.211	2.868	1.655	2.930	4.146	350	840
					Total Group 5.336,00		
Number of employees	103	108	113**	178	127	62	216
					Total Group 398,00		
Ratio % Training/Worked hours	1.73	2.0	0.9	1,67	0.86		

In order to guarantee that work is carried out efficiently and productively, in observance of applicable laws both in the nutritional and environmental field and health and safety of the work place, all workers undergo constant updating and training according to their role within the Company.

An annual basis re-training are organized on the principal GMP procedures that involve all manufacturing employees, department chiefs, maintenance, warehouse employees and QC/QA and operators.

Training and education activities are planned, programmed and implemented by the Group through:

- participation of staff in external courses (symposium, seminars, etc.);
- participation of staff in internal courses for specific duties and roles they are assigned to;
- support of new staff by expert staff for operating methodologies or for the introduction of new technologies.

In 2022, 5.336 hours of total training were carried out in Procemsa group (Nichelino + Bergamo + Breddorf). Below you can see in detail how the hours are divided:

- 577 hours in quality/GMP (18.8%) for Nichelino staff
- 1.825 hours on training for 70 new employees for Nichelino staff, and 53 hours for Bergamo staff
- 1.361 hours on safety and environmental management for Nichelino staff, 280 hours on safety and environmental management for Bergamo staff and 151.2 hours on safety and environmental management for Germany staff
- 23 hours training for specific roles (5.13%) for Nichelino staff, 17.5 hours training for specific roles for Bergamo staff and 75.6 hours training for specific roles for Germany staff
- 360 hours English language course (4.34%) for Nichelino staff and 52.5 hours for Bergamo staff



With the acquisition of Aakamp Plant in 2022, the company continues to look to the future and grow, investing in its people as it does so.

4.2. Promoting a safe work environment

For our Group, the health and safety of its employees is fundamental, which is why we are committed to ensuring compliance with laws and regulations regarding the prevention of risks and the protection of health and safety at work.

The issue of workers' health is particularly important, and the Group adopts the measures envisaged in accordance with UNI EN ISO 45001:2016.

This is possible through the implementation of measures such as:

- Creation of a health and safety team
- Definition and reporting of indicators
- 4 prevention audits / year in each plant

Management periodically reviews and updates the manual of the occupational health and safety management system. Preventive audits are carried out at a predetermined frequency in each plant (analysis of injuries in lost days, coaching sessions, etc.) in order to assess possible anomalies.

In 2019, there were 304 hours linked to injuries with lost days and no work-related fatalities, while in 2020 the hours are 214, in 2021 the hours are 1283 (considering the contractors).

Specific actions are taken to help employees achieve a balance between work and their personal and family life, such as part time, flexible time, time polarization or personal business leave.

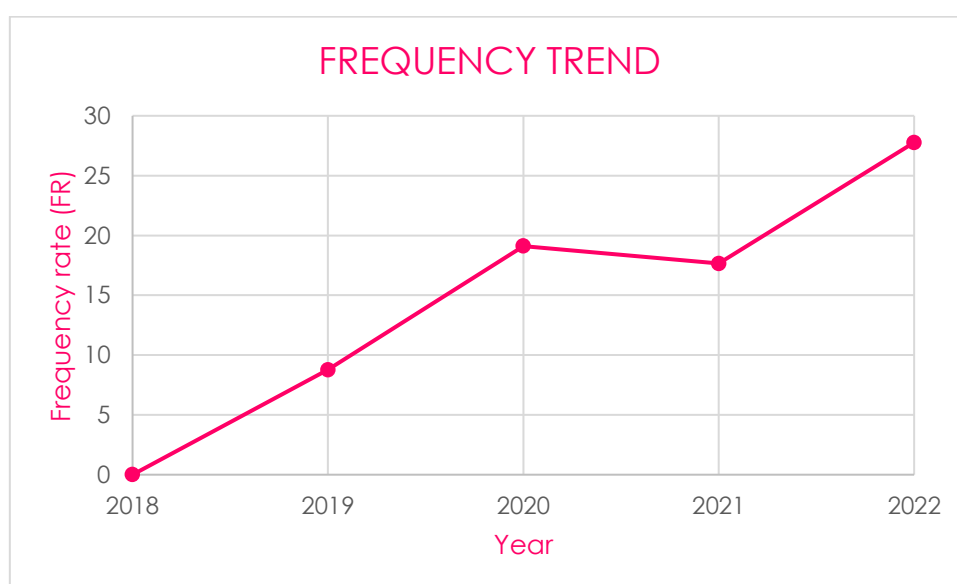
INJURY ANALISYS

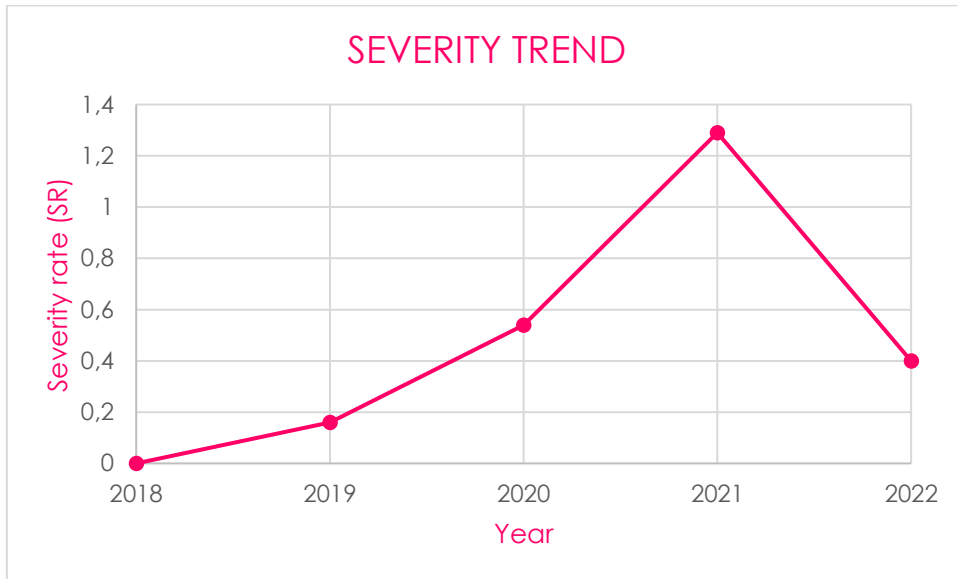
In 2022 there were recorded 13 incidents for a total of 173 days in total (including contractors), which is why the Group will focus its attention on raising the awareness of department chief, reporting of near misses and on the internal information flow and training.

INJURY ANALISYS

	2018	2019	2020	2021	2022
<p>Lost time injury frequency rate (LTIFR)</p> <p>(A lost time injury is an injury or disease where the injured party has at least one complete day or shift off work. Calculated by the total number of lost time injuries multiplied by 200,000 divided by overall no. of hours worked in the reporting period).</p>	0.00	0.7	2.6	2.3	3.30
<p>Total numbers of hours linked to injuries with lost days and no work-related fatalities.</p>		304	214	1283*	
				*considering contractors	

YEAR	2018	2019	2020	2021 (Procemsa Group)	2022 (Procemsa Group)
Total number of work-related accidents and incidents resulting in injuries	0.0	1.0	4.0	5.0	13.0
Total number of recorded near-misses/close calls events	5.0	4.0	8.0	5.0	13.0
Lost time injury frequency rate (LTIFR)	0.5%	0.7%	2.6%	2.3%	3.30
Days lost due to works related injuries or diseases	510.0	476.0	848.0	1,024.9	4816.00
Rate of recordable work-related injuries	0.0	0.7	2,6	2.6 %	3.30
Frequency rate (FR) FR: total number of injury, with and without absence from work, divided by worked hours and multiplied for 1.000.000	0.00	8.77	19.11	17.65	27.77
Severity rate (SR) SR: total number of days lost due to injury, divided by total worked hours and multiplied by 1.000	0.00	0.16	0.54	0.4 (1.29*)	0.4





5. OUR BUSINESS

5.1. We guarantee quality and transparency

A documented risk assessment has been prepared according to Failure Modes and Effects Analysis method, in order to examine each business process (production, commercial, strategy, management, business, logistics, product safety). The purpose of the risk analysis is to evaluate all the real and potential risks and opportunities and, based on the severity, the occurrence and the possibility of identification, define the most critical ones that can be used as a starting point in the definition of corporate objectives and strategies for the year 2022.

The risk assessment was updated following specific meetings that involved all function managers, until the environmental aspects and impacts have been analyzed, new objectives have been defined and the Group Policy has been updated.

The Group periodically carries out internal audits and the Management revises the non-conformities and complaints trend, evaluates the applicable prescriptions and the legislative compliance and the results of the environmental performances.

The commitment and continuous desire for growth and improvement by the Group is visible from the implementation of a total quality system (Quality – Environment – Safety) recognized with several certifications obtained and maintained over the years: UNI EN ISO 9001: 2015, UNI EN ISO 14001: 2015; UNI ISO 45001: 2018, GMP for food supplements; UNI CEI EN ISO 13485: 2016, IFS 7.0 Standard, NSF ANSI455-2, Responsible Care Program, FDA Approved, Halal certifications for some products, ICEA- ECO BIO FOR SOME COSMETICS.

A specific risk analysis has been carried out to identify and reduce possible frauds with the objective of improving **Food Safety Culture**.



5.2. Develop and study of innovative products

INNOVATIONS, TECHNOLOGIES

Procemsa revolutionizes the new way of doing research applied to nutraceuticals, probiotics, medical devices and cosmetics, using its knowledge gained over 80 years of experience with the most modern technologies.

Technological platforms, patents that combine technologies, exclusive raw materials born from the collaboration with research institutions, to offer our customers truly innovative products with greater functionality and bioavailability.

Procemsa's research lines are currently focusing on the development of innovative products to support the immune system and in general to improve quality of life while respecting the environment.

RESEARCH & DEVELOPMENT GROUP

15 RESEARCHERS / EMPLOYEES

1.242 PROTOTYPES MADE IN 2022 (853 FOR FOOD SUPPLEMENTS AND 389 FOR COSMETICS)

270 STABILITY STUDIES

All products are developed and optimized in our Research & Development department, where 12 researchers and technicians study how to improve quality of life with safe, original and effective products daily.

Procemsa Group has developed and registered several patents for food supplements, cosmetics and medical devices.

INNOVATIONS - PROPRIETARY RAW MATERIALS AND TRADEMARKS

αALFAMEL



TFMAX



and TFMAX+

5.3. 2022: significant external factors

Ukrainian war: the response to the Energy crises

Since 24th February 2022 a new event involved all European and extra EU Countries: the Russian-Ukraine diplomatic crisis evolved in the invasion of Ukrainian territories by the Russian army.



This event has had a direct impact on our business, since the Group, as all other industries in Europe, faced an important rise in the cost of natural gas and of electricity, that increased more than fivefold.

The Group applied immediately a strong policy of energy consumption control and monitor with a clear objective of reduction, evaluating day-by-day how to sectorize and optimize the use of equipment, in order to reduce the total cost to be incurred.

Further, the supply of some goods was not anymore warranted and the deliveries were often late. In order to avoid shortage and to guarantee the business continuity the Group had applied a policy of purchasing materials in stock, also through the choice and the qualification of new suppliers and a big direct investment of money and resources.

The Group, and in particular the Nichelino site were also strongly impacted during 2022 by the increase in cost of gas and energy.

Procemsa had prices around 20/25 €/m³ in 2021, growing up to 150/160 €/m³ during 2022. The strict control of almost all consumption, the prompt intervention with important investments on different area, and special preventive measures and protocols, such as turning off weekend procedure were adopted.

Procemsa's prompt response with the introduction of a special "energy team" which dealt with prompt intervention procedures and investment ensured business continuity.

The company achieved a 30% reduction in energy consumption thanks to these efforts, resulting in a final overall cost increase of "only" 3 times, compared to a 8 times increase in tariffs.

6. OUR ENVIRONMENT

Procemsa is committed to implementing an environmental sustainability policy as we are aware of the impact our activities have on the environment. This is why all our choices are made in order to have a lower environmental impact. Starting from the choice of raw materials, our formulations are designed to reduce the use of palm oil and avoid the use of raw materials coming from protected botanical species. In cosmetic products the R&D department has been studying more sustainable and Green filters for sun protection products in order to manufacture products that are also ocean friendly.

The impact of our production facilities is constantly monitored and evaluated in order to increase their efficiency and reduce waste.

6.1. Our commitment to the environment

Procemsa's commitment to the environment has grown in the past 12 months, partnering with environmentally sustainable organisations; procuring environmentally sustainable products; and, promoting REDUCTION, REUSE, RECYCLE to better manage waste.

This report highlights the results obtained in 2022 regarding:

- Energy consumption
- Water consumption
- Electricity consumption
- GHG emissions
- Waste

ENERGY CONSUMPTION

In 2022 there was a decrease of the total energy consumption (17,0%) compared to 2021.

ENERGY CONSUMPTION	2019	2020	2021	2022		
				NICHELINO	BERGAMO	GERMANY
Total energy consumption (kWh)	15.074.913	16.360.317	18.369.623	14.424.759,00	670.252,00	189.660,00
				Total Group 15.284.671,00		
		+ 7,8%	+ 7,0%	-17%		
% Renewable Energy	3,1%	3,0%	1,9%	Total Group 4,3%		

ELECTRICITY CONSUMPTION	2019	2020	2021	2022		
				NICHELINO	BERGAMO	GERMANY
Electricity consumption (kWh)	4.264.779	4.413.000	4.959.954,0	3.735.666,0	1.010.710,00	189.660,00
				Total Group 4.936.036,00		
Electricity consumption produced with renewable energy source (kWh)	461.800,8	484.000	342.320	659.224,00		
% Renewable Electricity	10,8%	11,0%	6,9%	Total Group 13%		

WATER CONSUMPTION

In 2022, water consumption increased compared to the quantity of pieces produced. This is due to a water loss from a pipe and to the installation of a new osmosis system in Vernea site.

The continuous monitoring of H₂O consumption allowed to quickly identify the increase and to quickly act to solve it with a maintenance.

WATER CONSUMPTION						
	2019	2020	2021	2022		
				NICHELINO	BERGAMO	GERMANY
Water consumption (m3)	40.871	24.730	37.046,0	21.560,0	11.215,0	1.735,0
				Total Group 34.510,0		
Produced pieces	26.935.478	29.954.925	34.437.796,0	68.602.741,0		
		-39,5%	-14,4%	-7%		

WASTE

2022 has seen an increase in the amount of waste generated due to the acquisition of Ofi (in fact the amount of waste generated only by Procemsa is lower than in 2020), in addition there is a significant increase in the amount of non-recyclable waste due to the fact that the main production of Bergamo site consists in cosmetics products that generate hazardous not recyclable wastes.

WASTE						
	2019	2020	2021	2022		
				NICHELINO	BERGAMO	GERMANY
Total non hazardous wastes (tons)	259,9	228,8	387,8	190,51	258,94	386,86
				Total Group 836,31		
Waste recycled/reuse(tons)	213,2	213,0	184,3	255,51		
Hazardous wastes (tons)				1,5	96,4	n.d
				Total Group 97,9		
Waste not recycled/reuse (tons)	46,7	15,9	203,5	294,35		

Our Group is engaged in separate collection of wastes, most of the recycled material comes from packaging waste (mainly used for the final product, it consists of paper, cardboard, aluminium, multilayer materials). Even the wood is recycled, this comes from pallets no longer suitable for transport which are then recycled.

TOTAL AMOUNT OF RECYCLABLE WASTE IN NICHELINO SITE			
Type of waste	Total		
	2020	2021	2022
PACKAGING	159.530 Kg	141.810 kg	201.760 kg
WOOD	30.860 kg	19.970 kg	28.960 kg
PLASTIC	4.110 kg	2.190 kg	7.280 kg
IRON	240 kg	190 kg	0 kg
ELECTRICAL EQUIPMENT	0 kg	0 kg	1.210 kg

CIRCULAR ECONOMY

NUTRIBEV PROJECT: it was decided to use the extraction techniques of the laboratory to obtain an extract of purified yeasts to increase the percentage of proteins. It was also decided to evaluate the inclusion in the project of the hop concentrate which is currently produced in the laboratories of the University of Turin. The concentrate will be evaluated by Procemsa for both its antibacterial and aromatic properties. Attention has shifted to the development of supplements in the form of high-protein powders and spreads. The project partner developed the recipe for the anhydrous cream and carried out the inoculation tests of the identified strains. The microbiological analyzes carried out at limited time intervals made it possible to evaluate the trend of the microbial populations. The results show that within the pasteurized cream the probiotic strains reach loads no longer relevant for obtaining a probiotic food in a few days. In the unpasteurized cream, the probiotics instead maintain high loads. It was therefore decided to carry out new tests using microencapsulated probiotics.

PRIME PROJECT – concluded at the end of 2022. The bottle which was developed starting from agricultural waste from the thistle supply chain proved to be an effective barrier which allowed the capsules containing probiotics to remain in acceptable conditions for all 6 months of stability at 2-8°C. Even the tablets containing probiotics reached the end of 6 months at 25°C 60%UR% remaining within the control limits. The situation shown by the data collected during the stability period at a temperature of 40C° and a RH of 75% is different. In this case, not only the appearance of the tablets has undergone changes with the appearance of a brown dot on the external surface, but also the composition of the active ingredients has been affected by the period of stability. In conclusion, it was defined that in the presence of favorable conditions represented by the product inside or by the storage environment, the use of the pill box could

be a probable alternative to replace packaging materials with a high environmental impact given the sufficient results obtained from the stability tests.



Prototype of bottle

6.2. GHG emissions and carbon neutrality

GRI 305-1; GRI 305-2; GRI 305-3; GRI 305-4; GRI 305-5

The Company's GHG inventory has been developed according to the GHG Protocol Corporate Accounting and Reporting Standard – Revised Edition.

Starting from 2020, Farmaceutici Procemsa SpA has expanded its reporting by including the following Scope 3 emission categories:

- Cat. 1 – Purchased goods & services
- Cat. 2 – Capital goods
- Cat. 3 – Fuel and energy-related activities
- Cat. 4 – Upstream transportation and distribution
- Cat. 5 – Waste generated in operations
- Cat. 6 – Business travel
- Cat. 7 – Employee Commuting

GHG EMISSIONS (TCO₂E)

	2020	2021	2022		
			Nichelino	Bergamo	Germany
Scope 1	2.307,10	2.529,90	1.618,60	173,80	10,20
			Total Group 1.802,60		
Scope 2 (Location Based)	873,80	915,40	604,70	249,60	76,20
			Total Group 930,50 ¹		
Scope 2 (Market Based)	1.211,60	1.332,60	1.117,80	461,50	117,20
			Total Group 1.696,50		
Scope 3	6.701,10	14.482,02 ²	14.600,75	6.503,61	4.679,21
			Total Group 25.783,57		
GHG emissions (tCO₂e) – TOTAL (Absolute Market Based)	10.219,80	18.344,52	Total Group 29.282,67		
GHG emissions (tCO₂e) – TOTAL (Absolute Location Based)	9.882,00	17.927,32	Total Group 28.516,67		

Data Processing Partner:  **Open** GROUP ITALIA

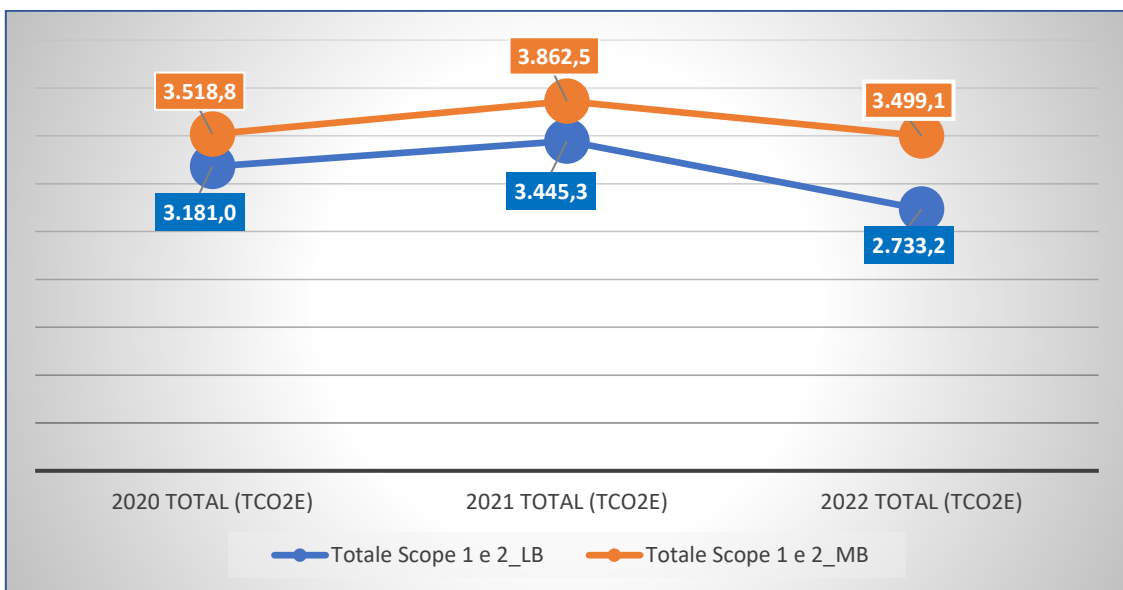
Procemsa Group currently reports the entirety of the group's emissions.

¹ The calculation of Location Based emissions has undergone a change in the source of the reference Emission Factor measurement. The previous parameter from Terna took into account the emissions produced along the energy supply chain. The new parameter follows the requirement of the GHG protocol, which stipulates that for the energy supply chain of the company as an energy purchaser, the emission factor should only consider the emissions produced by energy producers.

² In 2021, the total emissions produced were 10.013,00 TCO₂. However, after the recalculation, the value is now 14.482,02 TCO₂eq.

SCOPE 1 AND SCOPE 2

The decrease in the data related to direct emissions (Scope 1) produced by the company is attributable to a change in the energy policy that has led to a decrease in natural gas consumption used by the internal cogeneration plant, in favour of a greater focus on energy consumption from the electrical grid. This strategy has led to an increase in Scope 2 emissions, both Location Based (2%) and Market Based (27%) but this has resulted in a 29% reduction in CO₂eq emissions, Scope 1 e 2, produced by the entire group, despite the addition of emissions produced by AAKAMP. Despite the energy price fluctuations in 2022, Procemsa Group, in order to maintain its pollution reduction targets set in the SBTi (Science Based Target initiative), has adopted a strategy of electrifying internal energy consumption, favouring a more efficient consumption (grid energy), but more subject to temporary price fluctuations due to the war in Ukraine.



SCOPE 3

The methodology implemented involves collecting inventory data on the transportation and distribution of purchased raw materials, as well as the travel and commuting of employees (through questionnaires). This methodology allows for alignment with the most stringent GHG Protocol standards. The analysis was carried out considering all three plants of Procemsa Group.

The effort to achieve linear reporting in line with the objectives defined by the SBTi standard can also be seen in the decision to calculate the Scope 3 emissions for 2021 by improving the collection of data related to: (1) raw materials purchased by the group and (2) emission factors of individual raw materials more specific.

EMISSION INTENSITY

There has been a reduction in emissions intensity per product for the Procemsa group.

	2021	2022	% Percentage variation
Scope 1 e 2 Intensity Location Based (KgCo2/N. Pcs)	0,10	0,04	-61%
Scope 1 e 2 Intensity Market Based (KgCo2/N. Pcs)	0,11	0,05	-55%
Scope 1, 2(LB), 3 Intensity (KgCo2/N. Pcs)	0,53	0,42	-21%
Scope 1,2(MB), 3 Intensity (KgCo2/N. Pcs)	0,54	0,43	-21%

SCIENCE BASED TARGETS

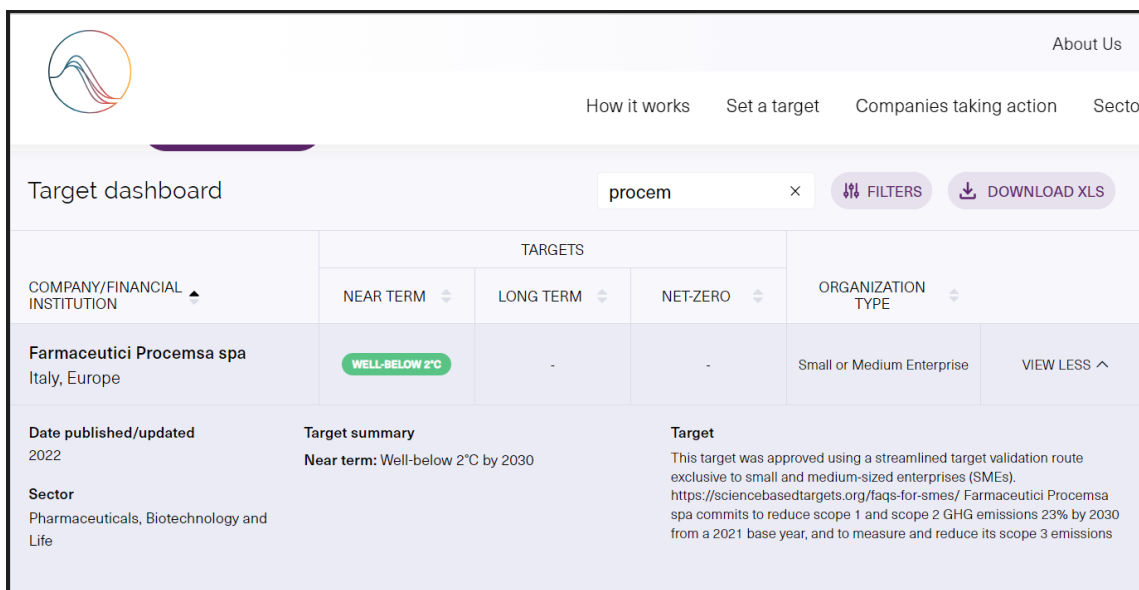
The Science Based Targets initiative (SBTi) is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

The SBTi defines and promotes best practice in science-based target setting and independently assesses companies' targets.

Farmaceutici Procemsa Società Benefit has set emissions reduction targets through the Science Based Targets initiative, since we want to be part of the Company halving global emissions before 2030 and achieving net-zero before 2050, and we set our targets in line with the levels required to meet the goals of the Paris Agreement.

The targets covering greenhouse gas emissions from Farmaceutici Procemsa Società Benefit's operations (scopes 1 and 2) are consistent with reductions required to keep warming to well-below 2°C by 2030 target.

FARMACEUTICI PROCENSA Società Benefit has had its emissions reduction targets approved by the Science Based Targets initiative as consistent with levels required to meet the goals of the Paris Agreement, using a streamlined target validation route exclusive to small and medium-sized enterprises (SMEs).



The screenshot shows the Science Based Targets dashboard for Farmaceutici Procemsa spa. The dashboard includes a search bar with 'procem' entered, a 'FILTERS' button, and a 'DOWNLOAD XLS' button. The main table displays the target details for Farmaceutici Procemsa spa, including the target type 'WELL-BELOW 2°C', the organization type 'Small or Medium Enterprise', and the target summary 'Near term: Well-below 2°C by 2030'. The target was published/updated in 2022 and is in the 'Pharmaceuticals, Biotechnology and Life' sector.

COMPANY/FINANCIAL INSTITUTION	TARGETS			ORGANIZATION TYPE	VIEW LESS ^
	NEAR TERM	LONG TERM	NET-ZERO		
Farmaceutici Procemsa spa Italy, Europe	WELL-BELOW 2°C	-	-	Small or Medium Enterprise	VIEW LESS ^

Date published/updated
2022

Sector
Pharmaceuticals, Biotechnology and Life

Target summary
Near term: Well-below 2°C by 2030

Target
This target was approved using a streamlined target validation route exclusive to small and medium-sized enterprises (SMEs).
<https://sciencebasedtargets.org/faqs-for-smes/> Farmaceutici Procemsa spa commits to reduce scope 1 and scope 2 GHG emissions 23% by 2030 from a 2021 base year, and to measure and reduce its scope 3 emissions

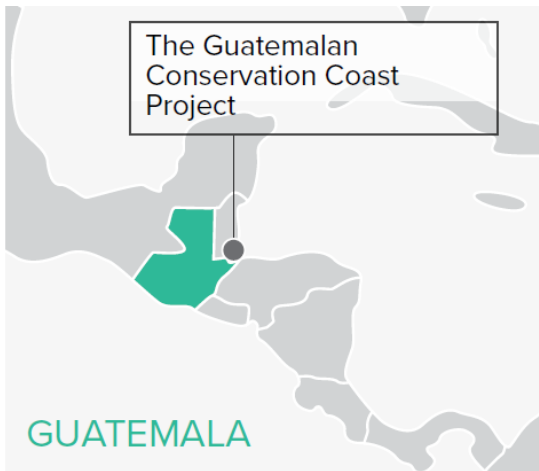
Procemsa base year and targets have been settled as follow:

SBT TARGET (2030)- 23% REDUCTION BEFORE 2030	Year reduction objective	Simulated objective	Value obtained
3.001,58 target year 2030	2022	3.776,18	3.499,1
	2023	3.679,36	
	2024	3.582,53	
	2025	3.485,71	
	2026	3.388,88	
	2027	3.292,06	
	2028	3.195,23	
	2029	3.098,41	
	2030	3.001,58	

CARBON NEUTRALITY

As a complement to Procemsa’s initiatives to manage and reduce its absolute greenhouse gas (“GHG”) emissions, the Company has since 2020 purchased carbon credits to compensate for (“offset”) its [residual] Scopes 1 and 2 operational emissions. The Company’s primary climate mitigation approach is to reduce its absolute carbon emissions over time. Through the purchase of carbon credits, Procemsa also provides carbon financing to climate mitigation projects beyond its value chain. As each credit corresponds to the reduction (or removal) of one ton of CO₂ equivalent (CO₂e), the Company can – under voluntary carbon market standards and guidance – claim it has reached carbon neutrality (Scope 1 and 2) in a given year by purchasing credits to offset its [residual] emissions. From the outset, the two projects from which Procemsa has purchased carbon credits are the “Great Bear Forest Carbon” and the “Guatemalan Conservation Coast” projects. These two projects were chosen because of their strong credentials on environmental and biodiversity issues as well as their social initiatives.

GUATEMALAN CONSERVATION COAST PROJECT³, CENTRAL AMERICA



The Guatemalan Conservation Coast programme works to address the drivers of deforestation through effective law enforcement, land-use planning, education, economic opportunities, and sustainable agroforestry initiatives. Some of the most important project achievements to date are the protection of 30 threatened tree species including the Baird's tapir and West Indian manatee, the protection of 54,157 hectares of threatened forest in the Mesoamerican Biological Corridor and the creation or support of 1.141 jobs for indigenous and local communities (41% held by women).



Guatemalan conservation coast project

³ The Guatemalan Conservation Coast project is registered on the Verra registry, REDD+ Project for Caribbean Guatemala: The Conservation Coast 1622, applies Verra's Verified Carbon Standard (VCS Standard v4.3 VM0015) and the Climate, Community and Biodiversity Standards v.3.1, and will generate carbon credits from avoided unplanned deforestation representing

GREAT BEAR FOREST CARBON PROJECT⁴, CANADA

The second project is the Great Bear Forest Carbon project, which is an Improved Forest Management project in British Columbia (BC), in Canada. The project activities include changes in land-use legislation and regulation by converting forests that were previously designated, and coastal wolves sanctioned, or approved for commercial logging to protected forests. Emissions caused by harvesting, road building and other forestry operations are also prevented. It is a landmark project for balancing human well-being and ecological integrity and it is the first carbon project in North America on traditional territory with unextinguished Aboriginal Rights and Title.



⁴ The Great Bear Forest Carbon project is registered on the British Columbia Registry under three different projects: Great Bear (South Central Coast) 104000000011319, Great Bear (Haida Gwaii) 104000000011559 and Great Bear (North and Central-Mid Coast) 104000000012798 aims to generate Improved Forest Management and reforestation-based carbon credits.

7. METHODOLOGICAL NOTE

This sustainability report has been drawn up with reference to the GRI standards. The table below shows the link between the material topics and the corresponding GRI standards topics.

TOPIC BOUNDARIES

MATERIAL TOPICS	GRI STANDARD TOPICS	WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION
Customer health and safety	GRI 416: Consumer health and safety	Procemsa	Clients
Employees health and Work organization safety	GRI 403: Occupational health and safety	Procemsa	-
Energy efficiency and renewable energy production	GRI 305: Emission	Procemsa	Suppliers
Reduction of CO emissions	GRI 305: Emission	Procemsa	Suppliers
Efficiency in water consumption	GRI 306: Effluents and waste	Procemsa	Suppliers
Waste management and recycling practices	GRI 306: Effluents and waste	Procemsa	Suppliers
Continuous training and updating of employees	GRI 404: Training and educational	Procemsa	-
Job quality and the creation of new jobs	GRI 401: employment	Procemsa	-
Collaborators welfare and benefits	GRI 401: employment	Procemsa	-

Diversity and equal opportunities	GRI 405: Diversity and equal opportunity	Procemsa	-
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GHG calculations methodology

The company has calculated its GHG emissions through the application of documented emission factors; these factors are calculated ratios relating GHG emissions to a proxy measure of activity at an emissions source.

The formula applied is: *GHG Emissions = Emission factor * Activity data*

The main sources of the emission factors (EF) used are identified based on the following databases:

SCOPE 1

- **DEFRA 2022**
DEFRA (Department for Environmental, Food & Rural Affairs): it is a UK government department; its wide database contains EF for Scope 1, Scope 2 and Scope 3 emissions.

SCOPE 2

- **Market Based**
- **AIB:** the European Attribute Mix (EAM) and the residual mixes for all countries and the related supporting materials by the Association of Issuing Bodies are reported. It was used to calculate Market-Based GHG emissions from the electricity purchased. Such emission factors are published, not considering methane and nitrous oxide greenhouse gas effect, thus GHG emissions from electricity are presented in CO₂ and not in CO₂e.
- **Location based**
 - o **IEA:** The IEA (International Energy Agency) carries out extensive research, offers policy guidance, and fosters collaboration among its members to tackle global energy challenges. Its areas of focus encompass a wide range of energy-related subjects, such as energy production, consumption, technology, and environmental sustainability. The IEA is one of the highly recommended databases for calculating Scope 2 Location-based emissions, which led to the modification of the previous parameter set by Terna. The previous parameter considered emissions generated along the energy supply chain in the accounting of the energy emission factor.

SCOPE 3

- **For Categories 1**
 - ECOINVENT: its database is one of the world's leading Life Cycle Inventory (herein after also “LCI”) database which delivers both in terms of transparency and consistency and provides well documented process data for thousands of products. Its database contains EF for Scope 3.1 emissions (Purchased Goods and Services).
 - Science Direct Research Studies: is a search engine and online platform for accessing academic and scientific publications. It is one of the largest digital resources in the field of scientific research, providing access to a wide range of scientific articles, journals, books, and conferences from various academic disciplines.
- **For Categories 2**
 - DEFRA 2022
- **For Categories 3-4-5-6-7**
 - DEFRA 2022

The greenhouse gases (GHGs) included in the reporting, as required by the GHG Protocol and ISO 14064, are as follows: CO₂, CH₄, N₂O. Biogenic emissions have also been separated in the calculation, in order to account only for fossil fuel emissions, as requested by the GHG Protocol. The source of the Global Warming Potential (GWP) applied to different GHGs is the IPCC Climate Change 2022, and it represents the value for a 100-year atmospheric lifetime of the gases.

8. GRI DISCLOSURE

GRI CONTENT INDEX “In Accordance with”

GRI STANDARD	DISCLOSURE	Disclosure or explanation
Statement of USE	Farmaceutici Procemsa spa SB has reported with the GRI Standards for the period January 1st to December 31st, 2022	
GRI 1 USED	GRI 1 – Foundation 2021	
GRI Sectors standard applied	N.A.	No specific sector available
	GRI 2 - General Disclosure 2021	
GRI 2-1	Organization details	Section 2.2.1 origins
GRI 2-2	Entities included in the organization’s sustainability reporting	Farmaceutici Procemsa Spa SB Ofi Farmaceutici Spa Aakamp GMBH
GRI 2-3	Reporting period, frequency and contact point	Annual report 1 st Jan 31 st dec 2022 Contacts end of report
GRI 2-4	Restatement of information	All data have been restated due to acquisition Point 6 Environment Kpi Point 7 Methodologic notes
GRI 2-5	External assurance	No external assurance
GRI 2-6	Activities, value chain and other business relationships	2.2.4 Our Value Chain
GRI 2-7	Employees	4. Our People 4.1 Our Workforce
GRI 2-8	Workers who are not employees	4.1 Our Workforce
GRI 2-9	Governance structure and composition	2.2.5 Governance
GRI 2-10	Nomination and selection of the highest governance body	2.2.5 Governance
GRI 2-11	Chair of the highest governance body	2.2.5 Governance

GRI 2-12	Role of the highest governance body in overseeing the management of impacts	2.2.5 Governance
GRI 2-13	Delegation of responsibility for managing impacts	2.2.5 Governance
GRI 2-14	Role of the highest governance body in sustainability reporting	2.2.5 Governance
GRI 2-15	Conflicts of Interest	2.2.6 ethical code
GRI 2-16	Communication on critical concerns	5.3 Relevant occurrence
GRI 2-17	Collective knowledge of the highest governance body	2.2.5 Governance
GRI 2-18	Evaluation of the performance of the highest governance body	Not examined
GRI 2-19	Remuneration policies	2.2.6 ethical code
GRI 2-20	Process to determine remuneration	2.2.6 ethical code
GRI 2-21	Annual total compensation ratio	2.2.6 ethical code
GRI 2-22	Statement on sustainable development strategy	CEO statement
GRI 2-23	Policy commitments	5.1 We guarantee quality and transparency
GRI 2-24	Embedding policy commitments	5.1 We guarantee quality and transparency
GRI 2-25	Processes to remediate negative impacts	7.0 GHG emissions and carbon neutrality
GRI 2-26	Mechanisms for seeking advice and raising concerns	Ethical code on web site www.procemsa.it and Internal L.231 Model
GRI 2-27	Compliance with laws and regulations	5.1 guarantee quality and transparency
GRI 2-28	Membership associations	5.1 We guarantee quality and transparency
GRI 2-29	Approach to stakeholder engagement	2.3.2 stakeholders
GRI 2-30	Collective bargaining agreements	100% workers is under Approved National Labour Contract of the appropriate category
	GRI 3 – Material Topics 2021	
GRI 3-1	Process to determine material topics	2.3.3. material topics
GRI 3-2	List of material topics	2.3.3. material topics

GRI 3-3	Management of material topics	2.3.3. material topics
	GRI 200 – Economic disclosure	
GRI 201	Economic performance	5.0 our business
GRI 202	Market presence	2.0 the group
GRI 203	Indirect economic impacts	Pag.34 Our products Pag. 60 Circular economy project
GRI 204	Procurement practices	2.2.4 the Value Chain
GRI 205	Anti-corruption	2.2.6 Ethical code
GRI 206	Anti-competitive behaviour	2.2.6 Ethical code
GRI 207	Tax	Approved and public balance sheet and ethical code
	GRI 300 – Environment	
GRI 301	Materials	6.1 environment
GRI 302	Energy	6.1 environment
GRI 303	Water and effluents	6.1 environment
GRI 304	Biodiversity	6.1 environment
GRI 305	Emissions	6.1 environment
GRI 306	Waste	6.1 environment
GRI 307	Environmental compliance	6.1 environment
GRI 308	Supplier environmental assessment	2.2.4 our value chain
	GRI 400 – Social Disclosure	
GRI 401	Employment	4.0 our people
GRI 402	Labour and management relations	4.1 our workforce
GRI 403	Occupational health and safety	4.2 promoting a safety work environment
GRI 404	Training and education	4.1 our workforce
GRI 405	Diversity and equal opportunities	2.2.6 ethical code
GRI 406	Non discrimination	2.2.6 ethical code
GRI 407	Freedom of association and collective bargaining	2.2.6 ethical code

GRI 408	Child labour	2.2.6 ethical code
GRI 409	Forced or compulsory labour	2.2.6 ethical code
GRI 410	Security practices	2.2.5 governance
GRI 411	Rights of indigenous peoples	2.2.6 ethical code
GRI 412	Human rights assessment	2.2.6 ethical code and UNGC annual declaration
GRI 413	Local communities	2.3.5 working with our community
GRI 414	Supplier social assessment	2.3.4 Our strategic pillar: Our business
GRI 415	Public policy	2.3.5 working with our community. Ethical code on transparency
GRI 416	Customer health and safety	5.1 guarantee quality and transparency
GRI 417	Marketing and labelling	3.1.1. our products
GRI 418	Customer privacy	2.2.5 governance
GRI 419	Socio-economics compliance	2.2.6 ethical code and UNGC annual declaration

<https://www.procemsa.it>



PROCEMSA

FARMACEUTICI PROCEMSA

Via Vernea, 129
10042 Nichelino (TO) ITALY
T: +39 011 6279337
W: www.procemsa.it/it/
E: procemsa@procemsa.it

AAKAMP

Am Lüßelsfeld 9
27412 Breddorf GERMANY
T: +49 4285 25495100
W: www.aakamp.de/
E: info@aaakamp.de

O.F.I. OFFICINA FARMACEUTICA ITALIANA

Via Andrea Verga, 14
24127 Bergamo (BG) ITALY
T: +39 035 402929
W: www.ofi.it/
E: info@ofi.it