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## Letter to Stakeholders

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Dear Stakeholders,

The year 2023 was one of consolidation for Favero in terms of economic performance, while maintaining notable investment trends in R&D (research, development, technological innovation, aesthetic design and conception), energy efficiency, processes and marketing.

The journey that began last year with the publication of our first Sustainability Report allowed us to analyse and measure our impact on Stakeholders – employees, communities, local regions, customers, partners and more – identifying numerous sustainability improvement goals in line with our company's development model.

Through engagement and dialogue with both internal and external Stakeholders, Favero was able to assess its ESG strategy and launch a series of initiatives aimed at further aligning it with the targets of the 2030 Agenda.

As we prepare to present the results of our second Sustainability Report, covering 2023, we recognise that this report emerges and develops within a regulatory framework that is undergoing significant changes in methodology (CSRD-ESRS) – albeit currently applicable only to large companies – which will have a major impact on supply chains and introduce new obligations for medium-sized enterprises too.

The guidelines for SMEs will soon be officially released. Therefore, we have decided to prepare this second report using the same methodology as the first – following the IR framework – while also introducing certain elements from the new regulations, as will be explained by the team further ahead.

We wish to thank all our Stakeholders for their contributions and valuable insights, which help guide and strengthen our company's commitment to fostering more sustainable development.

Enjoy the report.

*The Board of Directors*

## Letter and presentation of the Sustainability Team

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For the preparation of this second Sustainability Report, we have once again chosen to use the Integrated Reporting (IIRC) methodology, enhanced with specific references and new metrics required by the Directive.

We are aware that this methodology will be gradually replaced by the new CSRD-ESRS regulations (Corporate Sustainability Reporting Directive - European Sustainability Reporting Standard), which came into effect for large companies on 1 January 2024. The final version for SMEs will be formalised by summer 2024.

However, we have already begun familiarising ourselves with the new ESRS regulation during the drafting of this report. Where possible, based on the draft currently under consultation (VSME ESRS), we have begun to incorporate several significant elements: from a more detailed analysis of the value chain to double materiality, and the definition of the IRO (IMPACT, RISK, OPPORTUNITY) table, which was first introduced in the 2022 report.

For the 2023 Sustainability Report, we have sought to engage a larger number of Stakeholders, and we extend our heartfelt thanks for the time they have dedicated and their contributions to defining the material topics.

Federica Davanzo  
Giacomo D'Urso  
Annalisa Uselli

## Business Model

### The History

**Favero Health Projects has been supplying furniture for hospitals, clinics and communities since 1954**, utilising its own distribution and service network in over 35 European and non-European countries.

In its early years, the company focused on producing bed frames, school furniture and hospital beds. By the early 1980s, it specialised primarily in furnishing healthcare facilities.

Since the 2000s, Favero Health Projects has led a small group of companies in the medical and dental sectors, expanding its product range and offering, ensuring high-quality standards and a more comprehensive service.

Innovation in the design and manufacturing of products is the fundamental aspect that distinguishes the company and that has made it one of the leaders in its sector in Italy and in the world.

Investments in research and development, new design systems and production technologies have led to the creation of **products that combine extreme functionality with design, improving patients' lives and the quality of work for their caregivers.**

Favero Health Project's focus on patient well-being and its strong commitment to healthcare professionals drive the company to develop solutions that enable staff to perform their duties with maximum efficiency and minimal risk.

Its expertise in the field, **professionalism** and commitment to **fairness and transparency** towards Stakeholders make Favero Health Projects an indispensable partner for anyone looking to safely equip a hospital, clinic or residential care facilities.



## Purpose, Mission and Vision

### Purpose

Favero has always invested in research and development, embracing new design and production techniques and technologies, while never forgetting that the human factor is what makes the difference, even in the most sophisticated automations.

This has allowed the company to create a line of products that combine functionality and aesthetics, which give substance to the design, because what we want to do is **improve the lives of patients and the quality of work of those who assist them.**

### Mission

**Innovation in product design and manufacturing, along with a deep understanding of the target market,** are Favero's distinctive qualities, securing its stance as a leading player in both the Italian and foreign markets.

The company's products, where functionality is merged with design, are aimed at improving the well-being and work environment of those who use them.

### Vision

**The development of the business for Favero Health Projects cannot be separated from the social value that we want to bring to the territory in which this company was born and continues to grow.**

And it is the constant attention to people, employees, but also to operators and patients, together with respect for the environment, that moves our work.



## Our values

In the healthcare sector, **people** are always at the centre of the design process.

Favero has adopted a **sustainability-focused** business policy reflecting its commitment to reducing the **environmental impact** of its activities, mindful of the local **community** and **social fabric** in which it operates.

Absolute respect for people and their rights, rejection of any type of discrimination - gender, nationality, religious belief or sexual orientation, are aimed at protecting the principles of **equality** that Favero has set itself as objectives in its daily work.

The professionalism of its employees, compliance with plans to improve the **quality** and efficiency of production and organisational processes, the continuous **search** for innovation, guarantee profound compliance with national and European regulations, the confidentiality of data and information processed and the safety of products throughout the entire life cycle.

A strict code of ethics, implemented in 2011, reinforces the core principles of our operations: **honesty, responsibility and transparency.**

*For further information, please refer to the Code of Ethics downloadable from the website (<https://www.favero.it/en/company>).*



## Certification and compliance

Favero's dedication to its Stakeholders is also reflected in the adoption of quality and environmental management policies, which have enabled the company to obtain **certifications in compliance with UNI EN ISO 9001:2015 and UNI EN ISO 14001:2015 standards.**

At our company, a dedicated team, constantly up to date on both national and European regulations regarding product compliance and safety, works daily to ensure that Favero's products fully comply with these Directives, ensuring, among other things, the obtainment and upholding of certification under **UNI CEI EN ISO 13485:2021.**

Favero has earned the "**Rating di Legalità**" (Legality Rating), awarded by the Italian Competition Authority (AGCM), achieving a score of **★★+**, one of the highest possible ratings, reaffirming the company's commitment to operate with integrity and honesty every day.



For over 10 years, the company has implemented a **Code of Ethics and an Organisational Model in compliance with Legislative Decree 231/2001**, overseen by an external supervisory body, further strengthening the company's long-standing principles of ethics, responsibility and transparency.

In compliance with Legislative Decree 24/2023, which implements EU Directive 2019/19367 regarding the protection of those who report violations of national and European regulations (**whistleblowers**), and in accordance with the provisions of the Organisation, Management and Control Model (MOGC) under Legislative Decree 231/2001, Favero has established an internal whistleblowing channel.

For more details, please visit our website (<https://www.Favero.it/en>).



## Our Business Model

For the 2023 Sustainability Report, the team sought to provide more detailed information on the market in which the company operates and on the group. Regarding the Business Model Canvas (BMC), reference is made to the 2022 Report, which can be downloaded from the website <https://www.favero.it/en/sustainability>.

Favero operates in the healthcare sector, manufacturing furniture and equipment for hospitals, nursing homes, elderly care facilities and healthcare centres, both in the public and private sectors.

In 2021, the global hospital furniture market was valued at \$7,506.25 million. It is projected to grow, reaching 10,827.96 million by 2027, with a compound annual growth rate of 6.3%.

Source: [Insights on the Hospital Furniture Market Growth 2023-2030] - Industry Research (<https://www.industryresearch.biz/>).

Globally, Favero holds a market share of less than 1%.

Favero's primary market is domestic, with demand influenced by peaks in public tender awards, and its clientele is divided into two major categories:

- The public sector, through participation in tenders and procurement processes;
- The private sector, through direct negotiations.

The distribution of market shares between domestic (Italy) and international markets, primarily in Bosnia and Herzegovina, Portugal, Greece and Germany, stands at approximately 77.4% and 22.4%, respectively.

Internationally, the company operates primarily through B2B (business-to-business) dynamics and/or direct supply to general contractors. Over the past 5 years, Favero has developed commercial relationships with more than 100 countries worldwide, generating an average annual revenue of 3.3 million euros.

Favero distinguishes itself in the industry through its attention to product quality and continuous commitment to ensuring the safety and comfort of healthcare users and professionals. Favero's approach is centred on design and innovation, constantly working to improve its products. It is crucial to highlight the excellence of our products and be leaders of change in the industry.

Through a network of sales agents, distributors and retailers, participation in international trade fairs, and targeted marketing and communication efforts, Favero positions itself in its target market and works with specialised firms to identify and participate in relevant tenders in the sector.

Favero's production process encompasses product design, electronic design, software development and product testing by external laboratories to produce specialised healthcare equipment, such as electric hospital beds, beds with integrated weighing systems, paediatric beds, modular wall systems, multifunctional gurneys, multifunctional chairs, medical carts, computerised carts, and furniture for elderly care facilities (RSA) and paediatric settings.

Favero participates in numerous industry trade fairs, showcasing its flagship products. These events are crucial for strengthening brand awareness in the international market, introducing the latest innovations, reinforcing relationships with long-standing distributors, acquiring new potential customers or retailers, and gathering contacts to establish new business partnerships.

The key trade fairs Favero attends include:

**ARAB HEALTH - DUBAI (UAE)**, which attracts exhibitors of medical equipment and devices, imaging and diagnostics, IT systems and solutions, orthopaedics and physiotherapy, healthcare infrastructure, consumables and healthcare services. The event hosts nearly 70,000 healthcare professionals from over 180 countries with 3,450 exhibitors. In recent years, Arab Health has not only become a key event for the Middle East but also a must-attend event worldwide. It is targeted at distributors and retailers in the medical sector, leaders in public and private healthcare, hospital and clinic directors and purchasing managers, clinical engineers and technicians, and private investors.

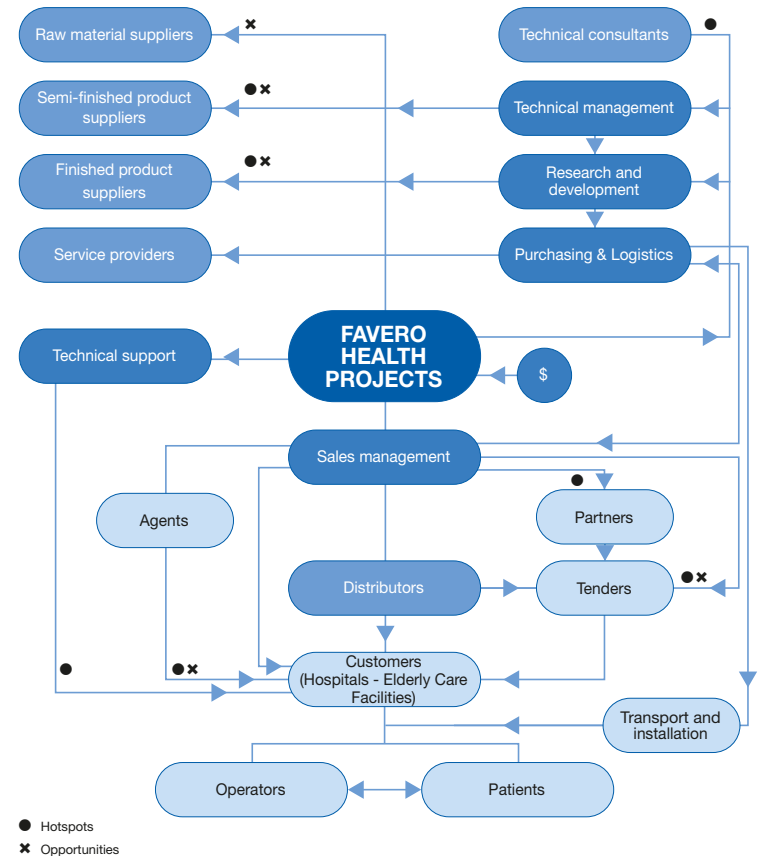
**EXPOSANITÀ - BOLOGNA (ITALY)** focuses on products and services for hospitals, diagnostics, digital healthcare, orthopaedics, rehabilitation, disability and care services. This international trade fair attracts 45,000 visitors and features 7 exhibition halls dedicated to healthcare and care services. In upcoming editions, Exposanità will highlight the importance of human resources and the value of expertise as key tools for ensuring the quality and sustainability of the National Health Service (SSN). It draws healthcare professionals (doctors, nurses, clinical engineers and purchasing managers), as well as distributors and retailers.

Favero fully controls the company Tecnodent srl, based in Casalecchio di Reno (BO), which specialises in the research, design and production of innovative dental/medical chairs and seats, including customisable options to meet specific customer and market needs. Tecnodent's manufacturing expertise, developed over years of experience, enables the development of medical chairs that offer patients and healthcare providers maximum comfort in terms of ergonomics, functionality, hygiene, quality and safety. In May 2024, Tecnodent became a Benefit Corporation, dedicated to achieving both economic goals and objectives of common benefit.

Favero also holds a 40% stake in the company Tecnos srl, based in Costa di Rovigo, which collaborates with Favero in the supply of finished products and semi-finished components for custom projects, using Favero Health Projects components. Tecnos is a manufacturing company operating in the supply of furniture for elderly care facilities, clinics and healthcare centres, hospitals, outpatient clinics, wards and care centres. It manages its own design, budgeting, maintenance, support and distribution services.

### Value chain map

The scope of reporting is represented by Favero's value chain (as illustrated in the following diagram), spanning from the procurement market for raw materials and semi-finished products for the manufacture of machines intended for B2B and B2C markets (upstream and/or downstream) to the end market, consisting of customers, dealers and distributors. Favero operates in an international market for both procurement and sales.





### Some details about governance

Favero Health Projects is owned by the Shareholders' Meeting, which includes 5 members of the Favero Family, who have been carrying out the activity for more than 70 years, while the management is entrusted to a Board of Directors composed of 5 people: in addition to the Chairman of the Board of Directors, who has the role of Legal Representative, two other Managing Directors have been assigned specific powers in the field of safety and promotion in foreign markets. The term of office is three years.

The following Supervisory Bodies are present in Favero:

- **The Board of Statutory Auditors**, which oversees the proper administration and management of the company, which is composed of the Chairman of the Board of Statutory Auditors, two standing auditors and two alternate auditors; it is appointed by the Shareholders' Meeting. Carries out periodic checks (every three months), checking the most important economic, financial and equity transactions. It is an autonomous and independent body, the term of office is three years.
- **the Supervisory Body**, which oversees compliance with the Organisational Model. It consists of two members and is appointed by the Board of Directors. Constantly monitors and verifies effectiveness and compliance with the Organisational Model pursuant to Legislative Decree 231/01 and the Code of Ethics. It is an autonomous and independent body. The mandate is for three years.
- **The Auditor**, composed of one member, is appointed by the Shareholders' Meeting every three years. It acquires all the elements necessary to express its opinion on the truthfulness and correctness of the balance sheet and financial position and the economic result for the year. It is an autonomous and independent body and carries out the required annual audits.

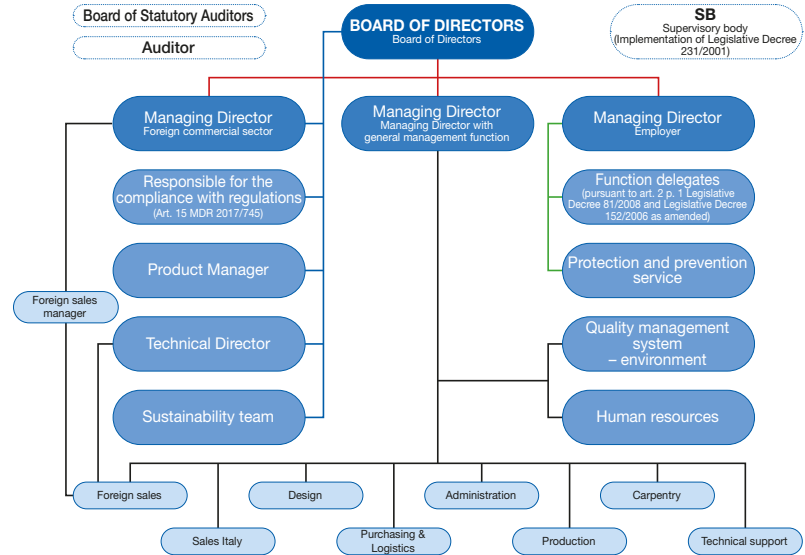
Management body	Number of components	% female components	% Under 50 components
SHAREHOLDERS' MEETING	5	60%	40%
Board of Directors	5	80%	40%
BOARD OF STATUTORY AUDITORS	3	66%	33%
SUPERVISORY BODY	2	100%	100%

\* The two majority shareholders are both men and over 50.

\*\* The Board of Directors is composed of 4 women (including 2 executive directors, one of whom is the Legal Representative, and 2 non-executive directors) and 1 man (executive director)

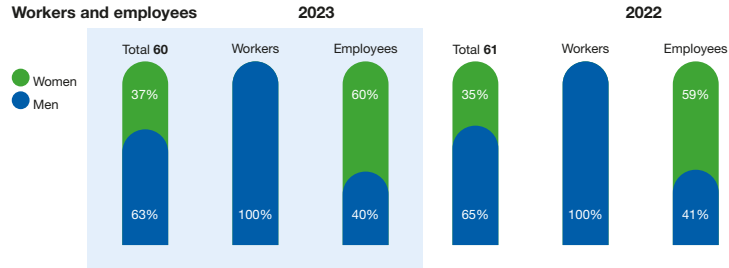
### Organisation of the Company

The company organisation chart has evolved over the years according to the needs derived from the opening of new markets and the introduction of new product lines, as well as following compliance with regulations.

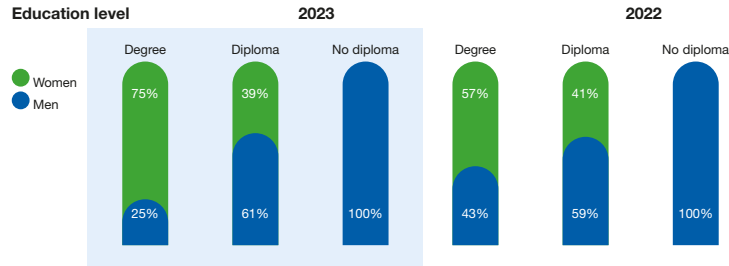


Some details about the composition and personnel of the company

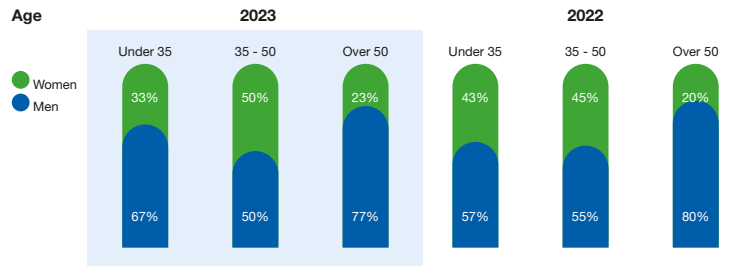
Workers and employees



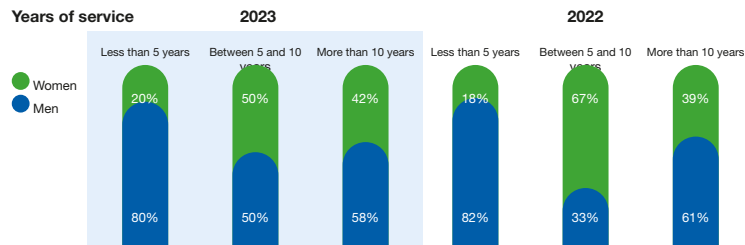
Education level



Age



Years of service

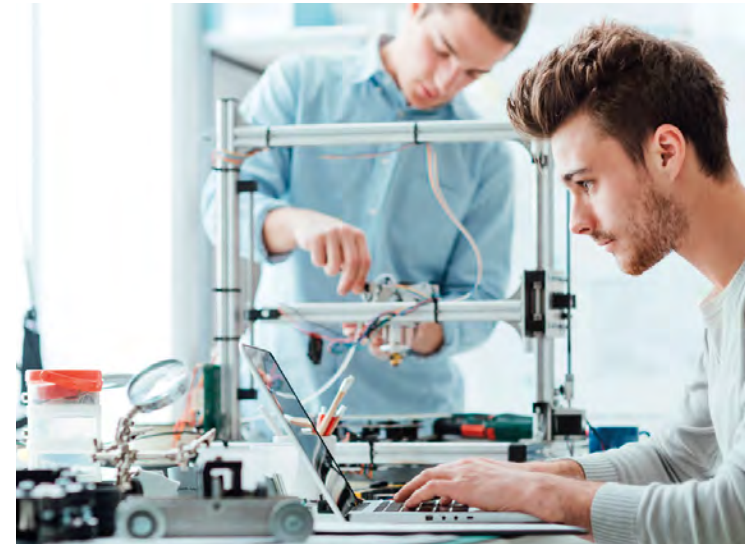


Turnover rate

	2023	2022
Outgoing Turnover	7.58%	7.94%
Incoming Turnover	7.58%	4.76%
Overall Turnover	15.15%	13.81%

Sick leave

	2023	2022
Hours worked	96,840.75	98,418.75
Hours of sick leave	2,814.00	3,189.25
Sick leave	2.9%	3%



### Turnover and main economic performance

Revenue for the 2023 financial year increased by approximately 2.4%. The ongoing conflict in Ukraine, the new crisis in the Middle East and the continued tensions between the United States and China further escalated international pressures in 2023. The increased risk of shipping routes through the Red Sea reduced cargo ship transits in the Suez Canal, extending shipping times from Asia to Europe. This had a negative impact on European port traffic, particularly in the Mediterranean, and led to significant increases in freight costs. In light of these tensions, the global economy grew slightly less than it did in 2022. Although Favero has not been directly affected by these international tensions, the company is feeling the market slowdown and is continuously monitoring its development to effectively address the situation. In 2023, several major tenders were announced in which Favero Health Projects participated, and in early 2024, several of these were awarded to us, representing a significant portfolio to manage over the next three years.

EBITDA	€1,115,081
Investment in R&D, moulds, plant and machinery, other fixed assets	€1,100,000
% of turnover	7.77%
Number of customers handled	505
Weight of the first 15-20 customers on total turnover	43.04%
Weight of the first 15-20 suppliers on the total turnover from purchases of goods and services	34.85%
Of which local (Veneto Region)	73.57%

### Favero's commitment to the 2030 Agenda

We resume from the ASVIS website ([www.asvis.it](http://www.asvis.it)) a brief presentation of the 2030 Agenda.

#### The UN 2030 Agenda for Sustainable Development

On 25 September 2015, the United Nations approved the 2030 Agenda for Sustainable Development, a global action plan for people, planet and prosperity.

#### Goals and Targets: goals and targets for 2030

Here is the list of the 17 Sustainable Development Goals (SDGs) and the 169 Targets that support them, approved by the United Nations for the next 15 years.

#### Sustainable development, a brief definition:

*"Sustainable development that allows the present generation to meet its needs without compromising the ability of future generations to meet their own."*



SDGs	Values	Capital	
<b>3 GOOD HEALTH AND WELL-BEING</b> 3 Ensure health and wellbeing for all and for all ages	Respect Safety Responsibilities Territory	PRODUCTIVE INTELLECTUAL HUMAN	
<b>4 QUALITY EDUCATION</b> 4.4 By 2030, substantially increase the number of youth and adults who have the necessary skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	Respect Innovation	HUMAN GOVERNANCE	
<b>5 GENDER EQUALITY</b> 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	Respect Territory Equality Sustainability	HUMAN GOVERNANCE	
			5.6 Ensure universal access to sexual and reproductive health and reproductive rights, as agreed under the "Programme of Action of the International Conference on Population and Development" and the "Beijing Platform for Action" and the outcome documents of the review conferences
<b>6 CLEAN WATER AND SANITATION</b> 6.3 By 2030, improve water quality by reducing pollution, eliminating uncontrolled discharge practices and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally	Sustainability Territory	ENVIRONMENTAL	
<b>7 AFFORDABLE AND CLEAN ENERGY</b> 7.2 By 2030, substantially increase the share of renewables in the global energy mix	Sustainability	ENVIRONMENTAL	
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value-added and labour-intensive sectors	Sustainability Responsibilities Fairness Safety	FINANCIAL PRODUCTIVE HUMAN INTELLECTUAL	
			8.3 Promote development-oriented policies that support productive activities, the creation of decent work, entrepreneurship, creativity and innovation, and promote the formalisation and growth of micro, small and medium enterprises, including through access to financial services
			8.8 Protect labour rights and promote a safe and secure working environment for all workers, including migrant workers, especially migrant women, and those in precarious work
<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 9.4 By 2030, upgrade infrastructure and modernise industries to make them sustainable, with greater resource efficiency to be used and greater adoption of clean and environmentally friendly technologies and industrial processes, so that all countries take action in accordance with their respective capacities	Respect Safety Sustainability Innovation Transparency	PRODUCTIVE INTELLECTUAL SOCIAL	
			9.5 Strengthen scientific research, promote the technological capacities of industrial sectors in all countries, particularly in developing countries, including by encouraging innovation by 2030 and substantially increasing the number of workers in the research and development sectors per million people and public and private spending on research and development

SDGs	Values	Capital	
<b>10 REDUCED INEQUALITIES</b> 10.2 By 2030, strengthen and promote the social, economic and political inclusion of all, regardless of age, sex, disability, race, ethnicity, origin, religion, economic status or other	Respect Transparency Sustainability Equality	HUMAN	
			10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality
<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> 11.6 By 2030, reduce the per capita negative environmental impact of cities, particularly with regard to air quality and waste management	Sustainability Innovation Responsibilities	ENVIRONMENTAL	
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 12.4 By 2030, achieve environmentally sound management of chemicals and all waste throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release into air, water and soil, in order to minimise their adverse effects on human health and the environment	Responsibilities Sustainability Fairness	FINANCIAL PRODUCTIVE INTELLECTUAL SOCIAL ENVIRONMENTAL	
			12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
			12.6 Encourage businesses, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their regular reports
<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> 16.5 Substantially reduce corruption and bribery in all their forms	Ethics Fairness Responsibilities	FINANCIAL SOCIAL GOVERNANCE	
<b>17 PARTNERSHIPS FOR THE GOALS</b> 17.17 Encourage and promote effective partnerships between public, public-private and civil society actors, building on the experience and resource accumulation strategies of partnerships	Responsibilities	INTELLECTUAL	

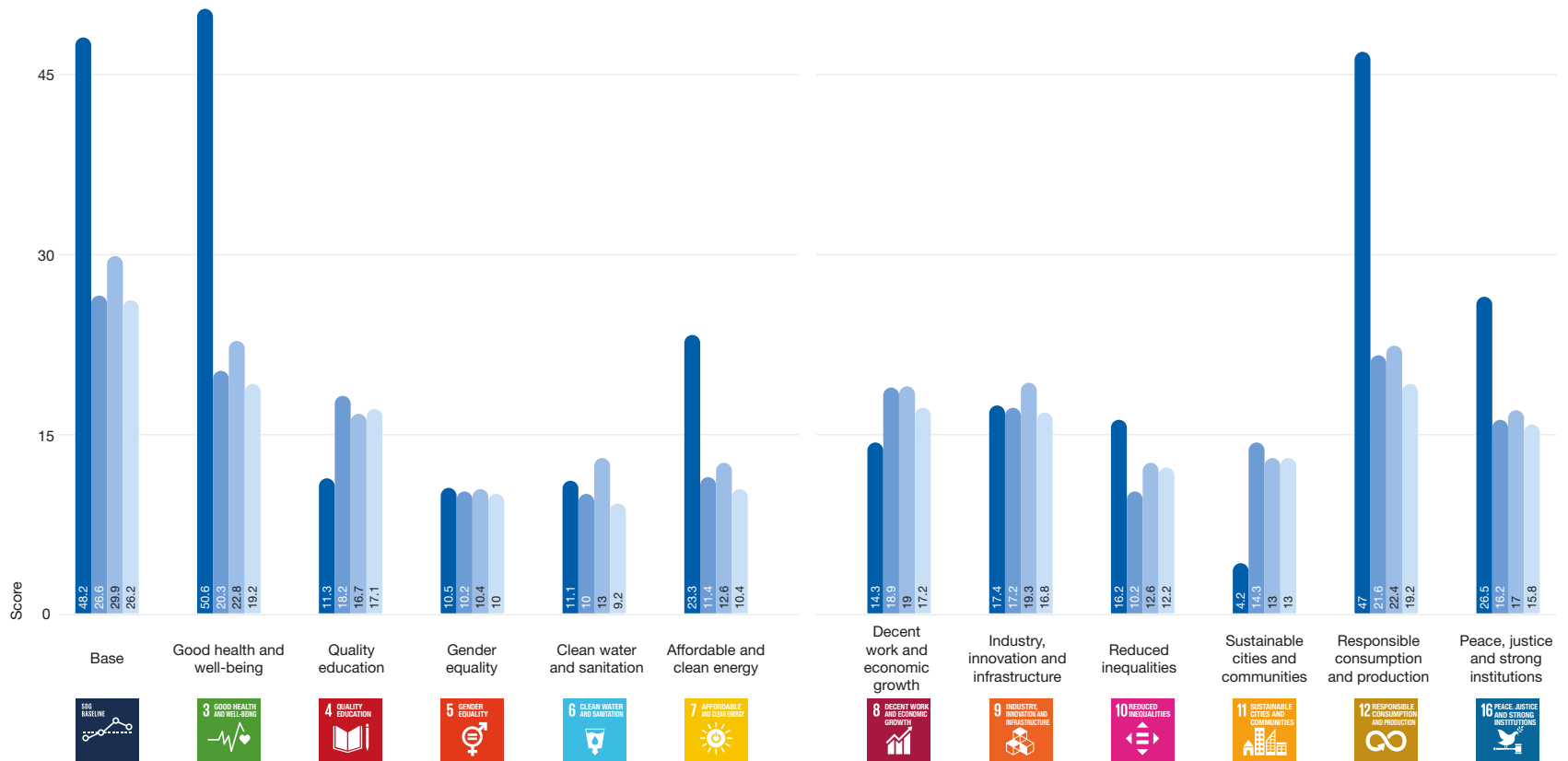


### SDG Manager

Developed in collaboration with B Lab, the SDG Action Manager is a web-based impact management solution that enables companies to take action on the Sustainable Development Goals outlined in the **2030 Agenda** and the ten principles of the **United Nations Global Compact**. The self-assessment enabled us to measure Favero's impact on its Stakeholders, including employees, the community, customers and the environment, and compare these results with those of our industry and other Italian companies.

For more information: <https://app.bimpactassessment.net/>

- Favero H.P.
- Country
- Sector
- Dimensions



## The Integrated Report: brief presentation of the methodology

The methodology described in the IIRC Framework was chosen to prepare and draft the Favero Health Projects Integrated Report (see the full document <https://www.integratedreporting.org/>).

The Integrated Report is a document drawn up annually, which is the main tool for reporting the economic and meta-economic results of business management. It is the information tool that illustrates how the company creates value over time, for itself, but also for its surroundings, through activities, relationships and interactions that are analysed following the value creation process.

The Integrated Report promotes a strategic approach to corporate reporting. Adherence to the guiding principles and essential contents of the Framework leads the company to analyse and possibly critically review its strategic choices. Reporting that respects the principles of the Framework is also an effective tool to identify potential risks and implement mitigation actions, highlight opportunities and related actions for their achievement and increase the drive for innovation.

The structure of the Integrated Report follows the <IR> Framework of the IIRC, published in January 2021, the guidelines of which allow us to demonstrate how the company creates value over time, starting from the resources it uses and reinvests, i.e., the six capitals. For the 2023 analysis, we have decided to add a seventh one, focused on Governance.



The seven capitals considered are therefore:



**Financial capital:** the set of funds that the organisation can use to produce goods or provide services, also obtained through forms of financing.



**Productive capital:** physical manufactured objects (e.g. buildings, machinery, plants, equipment) that an organisation can use to produce goods or provide services.



**Intellectual capital:** intangible assets corresponding to organisational capital and the value of knowledge (e.g. patents, procedures and protocols, organisational know-how).



**Human capital:** people's skills, capacity and experience and their motivation to innovate.



**Social and relational capital:** set of relationships with stakeholder groups and other networks, and ability to share information in order to increase individual and collective well-being.



**Natural capital:** processes and resources, renewable and non-renewable, that provide goods or services for the past, present and future success of an organisation.



**Governance:** This encompasses all internal and external rules, the assurance that roles and responsibilities are clearly defined at the Board level, and procedures enabling the company to operate in alignment with its business model while pursuing corporate objectives, including those based on ESG criteria.

Montebelluna office exterior photo



## The Value Creation Process

### The Value Creation Process at Favero Health Projects

The value generated by Favero is the result of a process stemming from its own resources (the Capitals) and its interactions with the external environment, which in turn influences the company.

The analysis of the six capitals, which we have chosen to expand with a seventh – Governance, using the official framework, serves as the foundation for describing the organisation's business model.

The **inputs** consist of all the various resources (money, skills, time, real estate, machinery, etc.) utilised in **activities** – essentially the work carried out using these resources with the aim of delivering the desired outcomes.

The **outputs** are the organisation's products and services resulting from these activities, while the **outcomes** refer to the effects achieved – or expected to be achieved in the medium term – representing the value generated, both economically and socially, for Stakeholders.

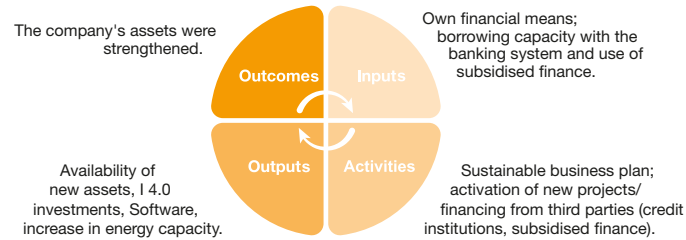




**The Financial Capital**

Favero's financial capital is reflected in the ability of its business model to remain economically sustainable over the long term and its capacity to ensure returns and compensation for the capital invested by shareholders.

The continuous initiation of profitable projects enhances Favero's ability to invest, thereby strengthening its equity. The financial management of its means, with the support of subsidised finance, guarantee the ability to carry out important projects for industrial innovation, for commercial development and for the implementation of innovative-sustainable projects in partnerships. Favero directly controls companies that carry out complementary and/or functional activities to the group's core business.



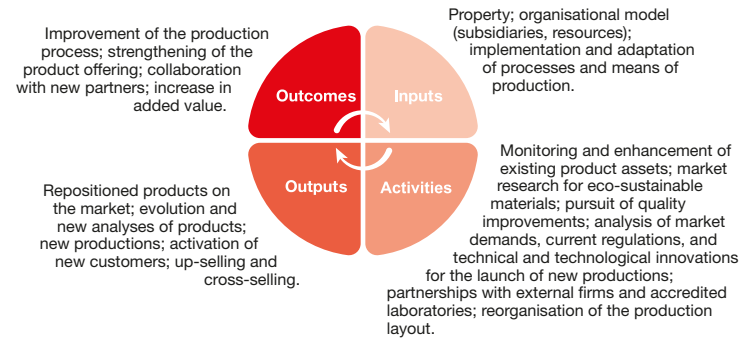
Photos of offices in Montebelluna



**Productive capital**

The company's assets and their ability to generate value represent its productive capital.

An organised, up-to-date organisation whose goals are aligned with those of the company, works to adjust the processes necessary for the development, enhancement and optimisation of the assets themselves.



Montebelluna plant photo



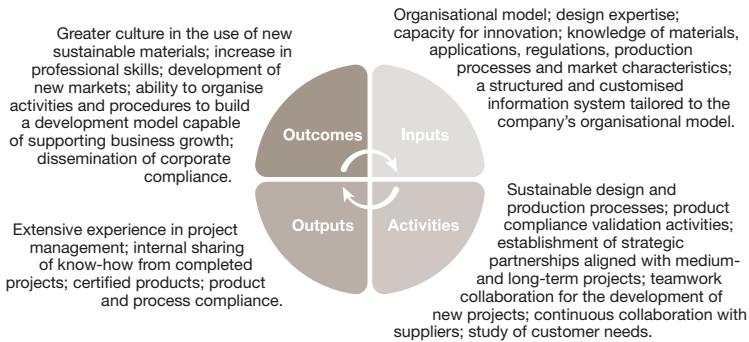




**Intellectual capital**

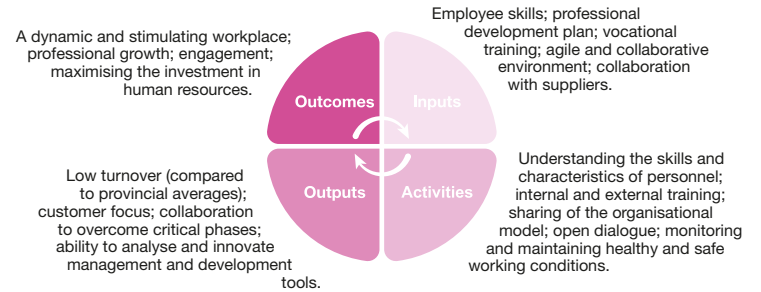
Intellectual Capital is primarily represented by the ability to research new methodologies for developing products with innovative and more sustainable materials, supported by thorough market analysis, enabling the company to anticipate customer demands and seize new business opportunities.

The study on methodologies for drafting the Sustainability Report allows the organisation to deepen its understanding of its impact on the market and its Stakeholders.



**Human capital**

The organisation is committed to the training and development of its employees and to creating a safe and comfortable work environment, aiming to improve overall well-being through targeted employee wellness policies.

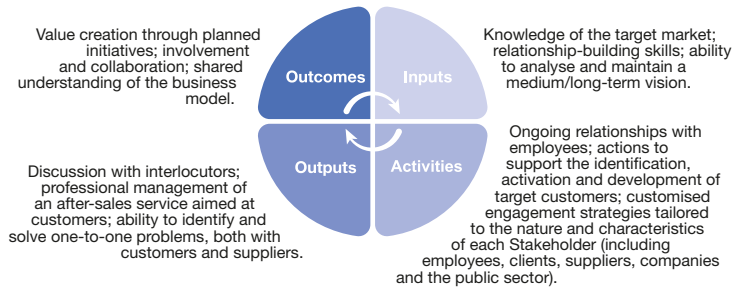




**Social-relational capital**

The relationship with employees is constant and organised to promote the achievement of medium and long-term development plans. The study of customer needs through competitive dialogues, the reading of published specifications, preliminary market consultations and collaboration with both technical and operational suppliers, is one of the relevant elements of the effort that Favero proposes for the development of its business model. There is a strong ability to engage with customers through continuous listening and analysis of the healthcare industry's needs, with support from suppliers.

Relationships and collaboration with operational Stakeholders are crucial to the success of projects, aiming to enhance the value and quality of the product offering through redesign and innovation. An ongoing focus on the local community helps to improve the company's reputation and image.



**COLLABORATORS**

The relationship with both internal and external collaborators is strategic, insofar as their professionalism and reliability play a crucial role in the company's growth. To maintain this momentum, Favero invests in continuous training and development beyond what is required by law, and to ensure workforce stability, it promotes the professional growth of its employees. Additionally, Favero provides all necessary resources (infrastructure, software, etc.) to support the organisation's ongoing development.

**CUSTOMERS**

Favero has always focused on understanding the needs of its customers in order to create products that best meet their requirements, striving to ensure safety and ease of use for healthcare professionals, while also providing maximum comfort for patients.

Another element that qualifies the relationship with its customers is the consistency between the proposed behaviours and values.

Favero is also committed to promptly responding to customer requests during the organisational and logistical phases, for example, by adapting to hospital operating hours, providing product storage/warehousing solutions, and more.

**SUPPLIERS**

The relationship between Favero and its suppliers is characterised by responsible, collaborative and integrated management.

Supplier evaluations are based not only on the balance between product or service quality and cost but also on ethical standards and environmental and social responsibility. The implementation and application of the qualification procedure for critical suppliers (those playing a key role in value creation) is ongoing. This process includes gathering market information, completing a questionnaire, and, where possible, conducting a site visit to the supplier's production facility.

**COMMUNITY**

**Giving value to Local Suppliers**

To date, Favero has maintained a significant percentage of supplies of goods and services by companies close to the production site. This element strongly characterizes the "Made in Italy" of the products, which boast a high intrinsic and perceived quality and, above all, generate value in the territory.

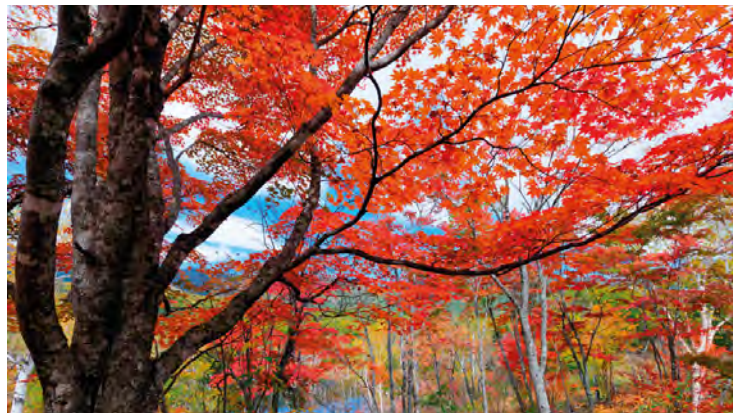
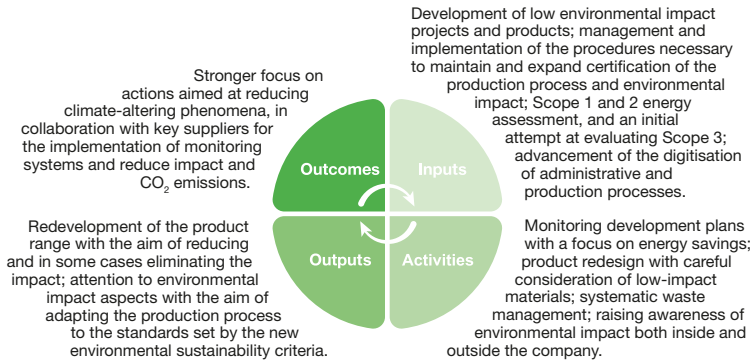
**Contributions to the Community**

Favero continues the historical economic support in favour of the local association A.S.D. Montebelluna Rugby is particularly focused on youth development, while the Società Cooperativa Sonda implements projects aimed at individuals with disabilities. The Percorsi Trasversali (Cross-Cutting Paths) project for Skills and Orientation (PTCO) continues to be maintained and expanded, providing for the inclusion of interns throughout the year, selected from local institutions (Einaudi and Scarpa), as well as university students. This initiative, in collaboration with the educational sector, aims to reduce the skills gap between those acquired in school and those required by the market, helping to sustain local employment levels.



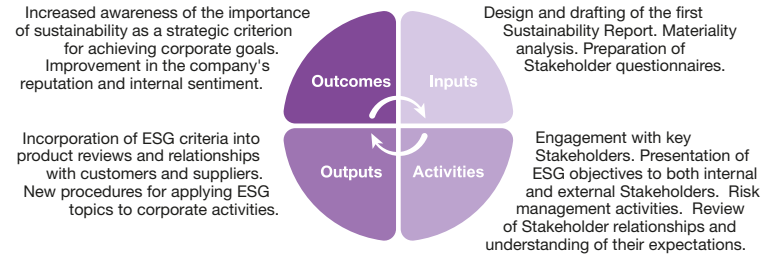
**Environmental capital**

Environmental impact mitigation is achieved through the redevelopment of production sites and the introduction of appropriate mechanisms for new projects involving layout, production and logistics. Knowledge of the impact of waste management, emissions, and the production process allows you to plan improvement actions.



**Governance**

In recent years, there has been a growing and increasingly significant focus on sustainability issues at Favero, in line with the ESG criteria set by the 2030 Agenda. This evolution of objectives has also driven changes in the company's governance, which has adapted by creating a specific team, at the request of the Board of Directors. Since the drafting of the first report, key issues emerged that prompted an in-depth analysis in terms of risk management, which were subsequently integrated into new corporate actions and procedures.



## Stakeholder Map and their Engagement

As part of the reporting process, Favero has committed to listening to and gathering the needs of Stakeholders (individuals and entities that can have a significant impact on the organisation), aiming to foster a reciprocal relationship that helps better understand the challenges related to business development. The process of engaging internal employees has effectively begun, and has also been expanded to include other Stakeholder groups.

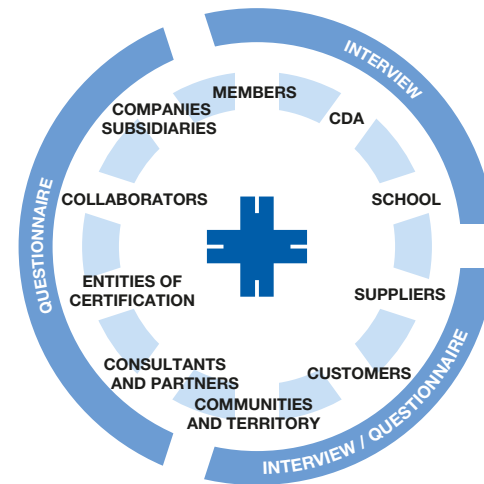
Though still in its infancy, Stakeholder engagement has become a key activity for the company.

The methodology used follows the guidelines on Stakeholder Engagement (AA1000), issued by Accountability (2015). This approach involves identifying primary Stakeholders (those who directly influence the organisation) as distinguished from secondary Stakeholders (not considered for engagement). It then prioritises Stakeholders based on an analysis of several key principles:

- Influence, that is, the ability to affect the organisation's achievement of its goals;
- Dependence, whether real or potential, on the organisation;
- Priority, determining the ability to contribute to generating economic value and growing the business model;
- Importance, understood as representativeness and the ability to actively promote the organisation's growth.

This in-depth analysis allowed us to prioritise Stakeholders and create a qualitative/quantitative mapping of their key characteristics.

The questionnaires were tailored to the specific characteristics of the Stakeholders involved, ensuring they could respond precisely in the areas most relevant to them.



## Double Materiality Analysis

For the 2023 report, the company decided to introduce, alongside the traditional materiality analysis typical of the Integrated Report – aimed at providing information on the organisation's impacts and its ability to create value – a financial relevance analysis, as also outlined in the new European directive.

The assessment of impact relevance and financial relevance are interconnected, which is why Favero deemed it useful to consider the interdependencies between these two dimensions.

### Identification of key impact materiality topics (inside-out)

For sustainability reporting, topics are considered relevant if they significantly impact (either negatively or positively) the company's economic, social and environmental performance in the short, medium and long term, and if, by their nature, they can influence Stakeholder evaluations and decisions.

To determine **impact materiality**, **key aspects (Topics)** were identified based on their ability to influence value creation, assessing their real or potential effects and prioritising them based on an analysis of certain factors:




- **Scale:** identifies the severity, even potential, of the impact of the identified Topic;
- **Scope:** determines the extent of the Topic's impact in terms of its reach;
- **Irremediable character:** considers whether it is possible to remedy the negative effects of the impact.

Each relevant topic identified using this methodology is considered material only after being reviewed and evaluated by Stakeholders, via an engagement process involving only key Stakeholders as previously identified, who were presented with a structured and personalised questionnaire.

The results are subsequently highlighted in the materiality matrices of the 7 capitals.

MATERIALITY ANALYSIS

SDGs Agenda 2030

Company values	Capital	NR	Material theme														
Sustainability Transparency Responsibilities Fairness	FINANCIAL	1	Business sustainability						✓						✓		
		2	Economic value generated						✓					✓			
		3	Correct administrative management						✓							✓	
		4	Correct financial management						✓							✓	
Respect Safety Responsibilities	PRODUCTIVE	5	Renovations / qualifications	✓					✓	✓				✓			
		6	Company organisation						✓	✓				✓			
Innovation Compliance Sustainability Responsibilities Safety	INTELLECTUAL	7	Development Plans						✓	✓				✓			
		8	Planning towards a circular economy								✓			✓			
		9	Workplace safety	✓					✓								✓
Transparency Respect for people Re- sponsibilities Territory Sustainability Fairness Equality	HUMAN	10	Vocational training		✓								✓				
		11	Career growth		✓								✓				
		12	Equal opportunities							✓			✓				
		13	Employee engagement and satisfac- tion	✓						✓			✓				
		14	Corporate welfare	✓						✓			✓				
Transparency Fairness Ethics Sustainability Responsibilities	SOCIAL	15	Quality of the solutions provided	✓					✓	✓				✓			
		16	Marketing and brand image						✓	✓							
		17	Customer information	✓										✓	✓		
		18	Collaboration with suppliers								✓			✓			
		19	Supplier evaluation	✓						✓	✓			✓	✓		
		20	Managing agents and distributors							✓	✓					✓	
		21	Support for local communities (associations, social cooperatives and sports clubs)							✓			✓				
Sustainability Fairness Innovation Attention to the environment	ENVIRONMEN- TAL	22	Waste management and recycling	✓						✓			✓	✓			
		23	Responsible resource management							✓				✓			
		24	Emissions						✓					✓	✓		
		25	Safety of products supplied to end-users	✓						✓	✓						
		26	Consumption (circular economy)								✓			✓	✓		
Fairness Innovation Sustainability Ethics	Governance	27	Corporate governance and mission	✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	
		28	Sustainability strategy in accordance with ESG principles	✓	✓				✓	✓	✓	✓	✓	✓	✓		
		29	Business ethics	✓						✓	✓					✓	

**Identification of key financial materiality topics (outside-in)**

A sustainability issue is financially relevant if it has – or could have – significant financial effects on the company, its development, financial position, economic results, cash flows, access to financing or cost of capital in the short, medium or long term.

The financial relevance of a sustainability issue is not limited to aspects under the company's control, but also includes the analysis of significant risks and opportunities originating externally (outside-in).

The relevance of risks and opportunities has been assessed by combining the potential scale of financial effects in the short, medium and long term, together with the likelihood of their occurrence.

This analysis resulted in the assignment of a SCORE to each of the identified relevant topics, as shown in the table below.

**Evaluation of financial materiality arising from impacts**

ESRS issues	NR	Material theme	Probability	Severity	Score		
E1 Climate change							
E2 Pollution							
		Air pollution	24	Emissions	25%	5.6	1.4
E3 Water and marine resources							
E4 Biodiversity and ecosystem							
E5 Resource use and circular economy							
		Resource outflows related to products and services	8	Planning towards a circular economy	45%	6.5	2.93
		Waste	22	Waste management and recycling	10%	3.8	0.38
		Resource inflows, including resource use	23	Responsible resource management	15%	4.1	0.62
		Resource outflows related to products and services	26	Consumption (circular economy)	15%	4.5	0.68
S1 Own workforce							
		Health and safety	9	Workplace safety	25%	5.1	1.28
		Training and skills development	10	Vocational training	40%	6	2.4
		Training and skills development	11	Career growth	45%	4.3	1.94
		Equal treatment and opportunities for all	12	Equal opportunities	60%	4.9	2.94
		Work-life balance	14	Corporate welfare	25%	5.7	1.43
S2 Value chain workers							
S3 Affected communities							
		Land-related impacts	21	Support for local communities (associations, social cooperatives and sports clubs)	10%	4.9	0.49
Consumers and end-users							
		Personal safety of consumers and/or end-users	15	Quality of the solutions provided	30%	5.3	1.59
		Access to (quality) information	16	Marketing and brand image	10%	3.9	0.39
		Access to (quality) information	17	Customer information	45%	5.9	2.66
		Personal safety of consumers and/or end-users	25	Safety of products supplied to end-users	25%	6	1.5
		Responsible marketing practices	29	Business ethics	40%	5.6	2.24
<b>ESRS issues</b>	<b>NR</b>	<b>Material theme</b>		<b>Probability</b>	<b>Severity</b>	<b>Score</b>	
G1 Business conduct							






Corporate culture	3	Correct administrative management	20%	5.7	1.14
Corporate culture	4	Correct financial management	20%	5.7	1.14
Corporate culture	5	Renovations / qualifications	25%	6	1.5
Corporate culture	6	Company organisation	40%	5.3	2.12
Corporate culture	7	Development Plans	40%	6.5	2.6
Corporate culture	13	Employee engagement and satisfaction	15%	4.3	0.65
Management of relationships with suppliers including payment practices	18	Collaboration with suppliers	65%	6.9	4.49
Management of relationships with suppliers including payment practices	19	Supplier evaluation	50%	6.2	3.1
Management of relationships with suppliers including payment practices	20	Managing agents and distributors	25%	5.9	1.48
Corporate culture	27	Corporate governance and mission	60%	5.6	3.36
Corporate culture	28	Sustainability strategy in accordance with ESG principles	40%	6.5	2.6

NOT IDENTIFIED \*

	1	Economic sustainability of the business	40%	7.1	2.84
	2	Economic value generated	40%	7.1	2.84

\* pursuant to points 11/19 of the basic template of the Draft "Voluntary Small and Medium Enterprise European Sustainability Reporting Standard" (VSME ESRS) by EFRAG

The company has set a **cut-off score of > 2.8**, and therefore the financially relevant topics to be reported are as follows:

	1	Economic sustainability of the business
	2	Economic value generated
	8	Planning towards a circular economy
	12	Equal opportunities
	18	Collaboration with suppliers
	19	Supplier evaluation
	27	Corporate governance and mission

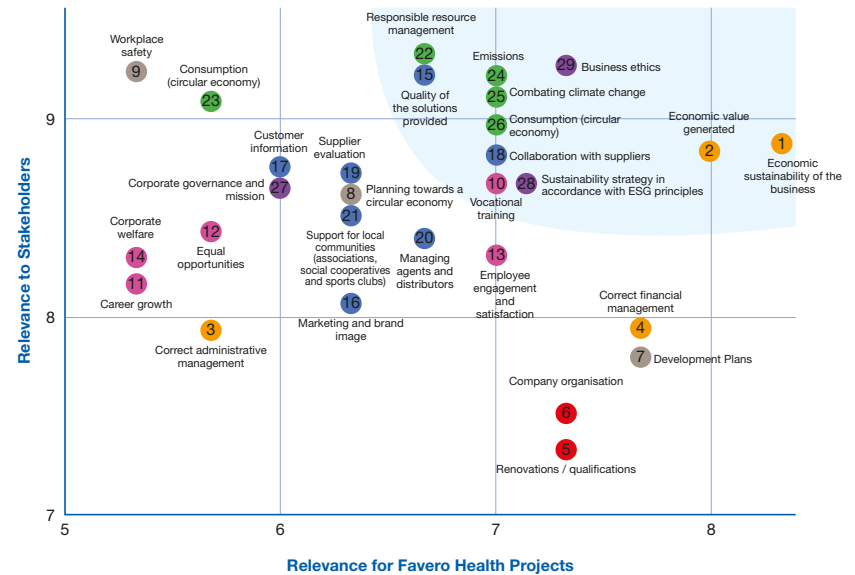
# Materiality Matrix

## Matrix construction

Based on the analyses carried out on the individual capitals, in which the relevance for the company and for the Stakeholders were related, the themes indicated in the upper right quadrant emerged as material.

Although the initial intention was to weigh the responses from different types of Stakeholders differently (based on their influence and importance to the company) through a customised questionnaire and a general expansion of the number of Stakeholders involved, the response rate was not satisfactory or sufficient to allow for a differentiated data analysis, forcing us to use the same methodology as last year, that is, keeping the verification and engagement tools with Stakeholders at the same level.

The identified topics, listed below, will undergo a more detailed analysis, focusing both on the assessment of risks and opportunities and on the establishment of goals to pursue, along with the relevant indicators that will define how and by what means these goals will be achieved.





### Financial Capital



Among the financial topics, those deemed most significant for Favero and its Stakeholders are related to the company's ability to create value and manage, in line with its business model, potential challenges and/or new opportunities.

The healthcare market continues to operate at substantial volumes, driven in part by the growing presence of private healthcare facilities. This market must be carefully managed to offset potential structural and temporal financial imbalances.

### Productive Capital



Although of lesser importance to Stakeholders, the organisational aspects of the company – such as process management, its organisational model and the ability to adapt the design and production structures to market demands – remain important.

### Intellectual Capital



In the area of intellectual capital, occupational health and safety is a top priority for Stakeholders. However, the company views it as less critical since it is well-established, monitored and effectively managed, as demonstrated by the data presented later in the report. Similarly, there is a slight disparity in the evaluations regarding the transition towards a circular economy. At Favero, internal guidelines aimed at achieving this goal are already firmly in place. The results in relation to development plans, however, are more aligned.

### Human Capital



Within human capital, the topic of professional training stands out as the most important for both the company and its Stakeholders, confirming the need for continuous employee development. Other topics are important but not considered top priorities. However, it is worth noting that employee feedback on worker engagement, job satisfaction and active employee wellness policies – aimed at improving well-being and the work-life balance – was highly positive.

### Share and Relational Capital



In the relational sphere, the top priorities for both Stakeholders and Favero are the quality of solutions provided and collaboration with suppliers, which remains a strategic value for the company's growth. An important, though not priority, issue for Stakeholders is marketing and brand image, which appears to be a more established concern externally than internally within the organisation.

### Environmental Capital



Several topics related to environmental capital are priorities for both Favero and its Stakeholders, reaffirming the impact of the company's activities on the environment and surrounding areas. Energy consumption is less significant for the company, as, given the production characteristics and investments made to increase energy independence, this is an issue managed through well-established environmental policies.

### Governance Capital



Governance-related topics, introduced for the first time in the 2023 Report, received a medium to high rating from both Stakeholders and the company. In particular, the issue of ethical conduct is deemed absolutely critical, underscoring the importance of values such as fairness and transparency in managing business relationships. While less of a priority, the development of a sustainability strategy aligned with ESG criteria is also crucial.

At the end of the analysis, we list the relevant topics that will subsequently be reported on using specific indicators – KPIs.

	1	Economic sustainability of the business
	2	Economic value generated
	10	Vocational training
	15	Quality of the solutions provided
	18	Collaboration with suppliers
	22	Waste management and recycling
	24	Emissions
	25	Safety of products supplied to end-users
	26	Consumption (circular economy)
	28	Sustainability strategy in accordance with ESG principles
	29	Business ethics

### Risk and Opportunity Matrix

The Board of Directors is responsible for the ongoing monitoring of risk factors as well as factors that can generate new opportunities. The following analysis aims to identify events that could positively or negatively impact the company’s activities and define the necessary actions to mitigate or capitalise on these events.


For 2023, the Risk and Opportunity Analysis was once again conducted within the Materiality Analysis, which highlighted the significance of these topics for Favero and its Stakeholders, identifying the associated risk levels.


In particular, the risk level was calculated by considering the likelihood of the risk event occurring – linked to inadequate oversight of the material topic – and the severity of its consequences.


The table below outlines the main risks, the measures taken to mitigate them, and the suggested actions to capitalise on opportunities.


Risk Legend:


- High
- Medium
- Low


CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
	1. Deterioration of revenue and profitability, influenced by investment policies in the healthcare sector and further aggravated by the international situation	1a. Constant assessment for verification and management of new tenders 1b. Increase scouting efforts to identify new clients, particularly abroad 1c. Improve alignment between technical documentation (files and data sheets) in Italian and English, at least for flagship products 1d. Expand the use of secure payment systems (e.g. letters of credit)
	2. In the context of procurement procedures, the non-recognition of the quality of the offer in the face of higher prices of some products with respect to the market average	2a. Better highlight the quality of the product and all production processes 2b. Research new materials 2c. Cost reduction through the simplification of mechanical mechanisms in products
	3. Sales imbalance between the Italian and international markets	3a. More effective commercial management of the international department 3b. Increase and train technicians (internal/ external) capable of handling installations abroad
	4. Ability to access funding. Solid financial position	4. Use of new investments for new products and to reduce product and process costs


CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
<p><b>PRODUCTIVE</b></p> 	<p>1. Potential deficiency of internal processes, technological systems, supply chain control</p>	<p>1a. Implementation of procedures in the design and engineering systems of current and new products</p> <p>1b. Identification of new materials and alternative suppliers</p> <p>1c. Improve alignment between technical documentation (files and data sheets) in Italian and English (at least for flagship products)</p> <p>1d. Introduction of IT tools to support business procedures (BIM and internal offer management system)</p>
	<p>2. Progressive increase in the volume of semi-finished and finished inbound products</p>	<p>2. Implementation of quality control procedures on incoming goods</p>
	<p>3. Difficulty in procurement planning to handle order surges</p>	<p>3. Improved procurement planning</p>
	<p>4. Machine downtime due to lack of material or dedicated operators</p>	<p>4. Improved procurement planning, revision of certain supply contracts and specialised training for extra operators</p>
	<p>5. Organisation of production (coordination)</p>	<p>5. Implementation of behaviour by individual departments aimed at achieving common objectives through synergy, cooperation, information flows and connection between roles at all levels of the production process</p>
	<p>6. Blockage or inefficiency of the company's information flow (e.g. loss of data, hacker attacks)</p>	<p>6. Support from an external specialised company (updating of company software, data backup, antivirus protection systems) and periodic monitoring of system vulnerabilities by the insurance company</p>
	<p>7. Know-how in the research and production of innovative process and product solutions</p>	<p>7. Verification and updating of the production layout and machinery</p>

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
<p><b>INTELLECTUAL</b></p> 	<p>1. Potential abandonment of talent to other companies</p>	<p>1. Activation of new procedures for the enhancement and gratification of collaborators and for the consolidation of internal collaboration</p>
	<p>2. Unintentional transfer of know-how</p>	<p>2. Introduction of a confidentiality agreement (pursuant to EU Directive 2016/943 as amended and updated)</p>
	<p>3. Failure to align with the evolution of current regulations on international certifications</p>	<p>3. The office in charge constantly updates and aligns with European regulations and carries out cost-benefit analyses on non-EU regulations</p>
	<p>4. Partial alignment of the company organisation with the business model</p>	<p>4. Assessment of company functions – job adjustment</p>
	<p>5. Centralisation of know-how in department managers</p>	<p>5. Improve information sharing, including through the introduction of new IT tools (Microsoft 365), and increase participation at all company levels</p>
	<p>6. Lack of delegation (and responsibility)</p>	<p>6. Revise internal job descriptions according to duties and responsibilities for each department</p>
	<p>7. Drafting of the sustainability report</p>	<p>7. Broader dissemination to increase Stakeholder engagement and potentially enhance reputation</p>
	<p>8. Growing interest in product and material circularity and environmental sustainability</p>	<p>8. Implementation of new circular management systems, education and practical knowledge of new materials</p>

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
<p><b>HUMAN</b></p> 	1. Occupational health and safety; working conditions and social protection	1. Monitoring of the working environment and compliance with health and safety regulations in the workplace. Employer branding (development of a shared employee wellness plan, generational know-how)
	2. Lack of widespread employee engagement and satisfaction across all company departments	2. Improve participation and the sharing of goals and solutions
	3. Unshared roles, tasks and workloads	3. Individual interviews to detail job descriptions based on a better allocation of resources
	4. People's resistance to change	4. Extension of participative and inclusive leadership to all company departments and levels
	5. Professional updating of employees not suited to the development of the market	5. Implementation of the annual training plan, driven primarily by input from employees
	6. Loss of intellectual and human resources at retirement age	6. Coaching and training of new resources
	7. Interest in and adherence to new corporate sustainability practices, understood in its broadest, economic, social and environmental sense	7. Operational involvement of employees
	8. Rich corporate know-how (given by experience), values and corporate culture	8. Transfer of knowledge, through on-the-job training and coaching

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
<p><b>SOCIAL RELATIONAL</b></p> 	1. Deterioration of relations with citizens due to increased sensitivity to environmental sustainability and inattention to the needs of the territory and its citizens	1a. Transparency policy and compliance with regulations (administrative, environmental) 1b. Activation of a consolidated sustainability reporting system 1c. Greater involvement and activation of employees on sensitive issues
	2. Deterioration of relations with suppliers	2a. Implementation of collaboration activities with target suppliers 2b. Raised awareness on ESG topics 2c. Knowledge of the business model of key suppliers
	3. Loss of a strategic supplier that generates the total or partial block of production	3. Identification of one or more alternative suppliers
	4. In the outsourcing field, adopt choice criteria relying on suppliers exclusively on the basis of a downward quote	4. Greater use of the supplier evaluation system to ensure a balance between the quality of the final product and its price, while also considering delivery times
	5. Deterioration of customer relationships	5a. Constant assessment of relations with the main customers and introduction of any corrective actions 5b. Continuous maintenance of the sales policy, with one-to-one engagement if necessary and possible 5c. Updating the sales network 5d. Improved complaint management, especially for the international market, by more actively involving the local distributor 5e. Ongoing ethical and transparent behaviour in business relations with the customer
	6. Socio-institutional attention to sustainability issues by society	6a. Sustainability initiatives to increase brand awareness and consolidate the company's reputation 6b. Develop donations to ETS (Third Sector Entities)
	7. Increased corporate reputation	7. Greater sharing of sustainability values with its priority Stakeholders
	8. Search for new suppliers aligned with the company values derived from the sustainable approach	8. Implementation of the supplier validation procedure
	9. Wider dissemination of the company's Code of Ethics	9. Sharing of company values and code of ethics with Stakeholders

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
 <p><b>ENVIRONMENTAL</b></p>	1. Cases of non-compliance of suppliers resulting from violations of laws or regulations that result in an unmanaged polluting situation	1. Ongoing field monitoring of suppliers' production processes
	2. Suppliers' suboptimal understanding of waste management practices	2. Verification of potential non-compliance and identification of proper waste management and disposal practices
	3. Insufficient capacity for energy autonomy and/or use of alternative energies to fossil fuels	3a. Evaluation of the efficiency of the company's energy capacity 3b. Monitoring of suppliers that guarantee the use of renewable energy
	4. Emissions management	4. Activation of partnerships on sustainability issues through the sharing of good practices
	5. Awareness of the rules and resources the company utilises	5. Communication of Favero's sustainable approach, both externally to partners, on social media, through marketing, PR, etc., and internally to Stakeholders

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
 <p><b>GOVERNANCE</b></p>	1. Temporal misalignment between the needs emerging from the implementation of the ESG strategy and the formalisation of policies	1. Formalisation and application of policies and procedures aligned with ESG goals
	2. Misalignment of ESG awareness within the Board of Directors	2. Definition of delegations
	3. The company organisation is not yet prepared to implement ESG policies	3. Improve communication and awareness of potential improvements for the organisation
	4. Organisational resistance to ESG policies	4. Launch informative and training programs on ESG topics and related company procedures
	5. Insufficient budget for the implementation of ESG policies	5. Definition of priorities
	6. Updating of the business model following the application of procedures	6. Training and acceptance of learning timeframes
	7. Inactivity of control and management bodies	7. Initiation of a process to review control bodies, possibly by incorporating new expertise
	8. Alignment with market trends	8. Definition of an ESG strategy
	9. Improvement of the company organisation	9. Organisational assessment and redefinition of delegations and responsibilities
	10. Keep ESG-related performance under control	10. Implementation of information systems to track ESG metrics
	11. Improvement of internal sentiment	11. Greater employee involvement in understanding the potential impact of ESG policies
	12. Increase in company reputation and attractiveness	12. Enhance the effectiveness and continuity of company communication, also through new information tools

## Material topics and capitals

### 2023 indicators and 2024 targets

#### Introduction.

The development of the Materiality Matrix, alongside the identification of the key financial material topics, has allowed us to determine the material topics reported for the year 2023 in this document. The reporting is structured around various indicators (both quantitative and qualitative) that demonstrate how the company addresses and manages the defined topics.

In the 2022 Sustainability Report, a series of objectives for each material topic were identified to be achieved in 2023-2024. The following chapters will outline and report on the activities and actions undertaken by the company during 2023 to achieve these goals.

It should be noted that topics included in the 2022 Report but not in the 2023 Report have not been re-addressed; for those, only the progress on objectives outlined in the previous document is reported. The goals set for 2023-2024, which are yet to be achieved, along with new goals related to the material topics introduced and analysed in this Report, are listed in the summary table "2024 Goals" on page 74.



#### FINANCIAL CAPITAL

In 2023, the company's revenue slightly increased compared to the previous year.

Ongoing conflicts in the Ukraine and Middle East, along with the risk posed to shipping routes through the Red Sea, which reduced cargo ship transits through the Suez Canal, have had a significant impact on the international market.

Domestically, in 2023, the public healthcare sector was expected to make greater use of the National Recovery and Resilience Plan (PNRR) resources in addition to the National Health Fund.

By 2026, the PNRR is expected to allocate around 15.6 billion euros to healthcare, particularly to Mission 6, which aims to implement new models for healthcare through various organisational innovations. These include the development of local networks and intermediate care facilities to enhance community-based healthcare services by strengthening and establishing local healthcare structures, such as Community Health Centres and Community Hospitals.

#### Economic sustainability of the business

Thanks to stabilised revenue and access to financing and incentives, Favero has been able to continue investing in R&D and equipment to improve product quality, achieve sustainable productivity and enhance energy savings.

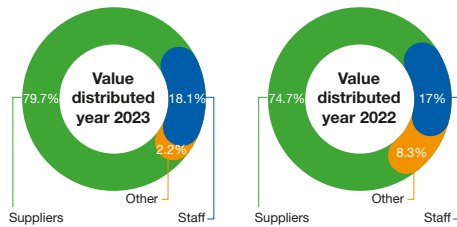
#### Indicators:

% trend compared to previous years	Year 2023	Year 2022
Total Favero revenue	+2.33	-16.46
Turnover Italy	+6.45	-22.83
Foreign turnover	-9.65	+9.98

**Economic value generated**

The economic value generated by the company is distributed to its Stakeholders, including suppliers, employees, financiers, the community, public administration and shareholders. This value represents the wealth produced by the company and its relative impact on the main Stakeholder categories, in line with the requirements of GRI Standard 201. In 2023, over 97% of the company's generated wealth was distributed to its Stakeholders. Notably, employees and suppliers are among the primary beneficiaries, receiving 18% and 79% of the total distributed value, respectively.

2023 versus 2022 indicators:



**2023/2024 Goals plan reporting**

Material topic	Goal	2023 Action taken	Out-come	Notes	2024 Goal
<b>Economic sustainability of the business</b>	1) Revenue growth	Increase in private client revenue	✓		Revenue growth
	2) Improvement of net result	Profitability management in relation to contracts with specific financial demands	⬆️	Review profitability	Improvement of net result
	3) Consolidation and improvement of foreign turnover	Exploration of new markets: being monitored	⬆️	Reorganisation and search for new markets of interest in the healthcare sector	Foreign revenue growth
	4) Intervention on suppliers, product and materials for cost rebalancing	Search for new suppliers and alternative solutions	⬆️	Challenges in finding suppliers with the necessary certifications for our market and products with the required technical specifications	Expansion of supplier search
	5) Interventions on consumption, energy savings and increased self-consumption	Traditional lighting replaced with LED lighting. Photovoltaic systems activated for carpentry and office sites.	⬆️	Resolution of dispute with supplier of the plant's photovoltaic system	Increase in energy savings, self-consumption and activation of the plant's photovoltaic system
	6) Investments in the BIM digital information system	Library defined for Praxis walls and under development for Evolutional walls	⬆️	Training and verification of other products in progress	Completion of training and product library for defined products

Material topic	Goal	2023 Action taken	Out-come	Notes	2024 Goal
<b>Economic value generated</b>	1) Increase the results achieved	Cost control	✓		Increase the results achieved
	2) Consolidate the internal organisation in terms of efficiency in managing new target customers	Supply chain control	✓		Improve the cost/revenue ratio
	3) Implement the procurement cost control system	Supply chain control	✓		Reduction of cost impact
	4) Analyse national and international markets, strengthen and streamline the sales network	The sales network in Italy was expanded. New private clients and entry into new foreign markets	✓		Expand markets
<b>Correct administrative management</b>	1) Decrease exposure to customers	Trade agreements/collection punctuality	✓		Reduce collection days
	2) Renegotiate payment terms with some suppliers	Negotiation of new terms	✓		
	3) Review of the maximum payment deferral limit by some customers	Negotiation of payments by the sales department	✓		
	5) Optimisation of stock turnover for purchased products	Optimise supply management and review the operational organisation of storage	✓		Optimise stock turnover
	6) Extension of new customer selection circles	Financial review and references	✓		Search for reliable and long-term customers
	<b>Proper financial management</b>	1) Increase in equity	Countering rising interest rates		Waiting for central bank decisions
Credit line management and control			⬆️	Notary assignments for Tuscan regional authorities - routine operations	
2) Renegotiation of interest rates		Request for renegotiation with financial institutions	✗		Negotiation of better rates and commissions
	3) Search for new funding (for R&D) through participation in subsidised funding calls, training	Innovation manager funding	✓		Constant monitoring of new opportunities for grants in R&D and innovation

**Legend:**  
 ✓ achieved  
 ⬆️ in progress  
 ✗ not achieved



**PRODUCTION CAPITAL**

In 2023, Favero improved the layout of workstations, both in its offices and production facilities, enabling better space management and a reduction in direct production costs. The impact materiality matrix and financial materiality analysis did not identify any significant issues related to productive capital, so only the goals outlined in the 2022 Report are reported.

**2023/2024 Goals plan reporting**

Material topic	Goal	2023 Action taken	Outcome	Notes	2024 Goal
Renovations / qualification	1) Introduction of more demanding quality criteria in the acceptance of materials and/or outsourced suppliers	The time and criteria are sufficiently adequate  Although higher in number, non-conformities were handled quickly and effectively	✓  ↑		Continue verifying quality criteria upon acceptance
	2) Efficiency of production batches	Reorganisation of production processes, departments, storage, metalworking machines, woodworking machines and packaging machines	✓		
	3) Introduction of a minimum production batch for compatible codes	Feasibility analysis	✗	Goal abandoned due to the incompatibility of order types	
	4) Check and, if necessary, improve the knowledge of new machinery and related process procedures by direct production personnel	The annual skills assessment did not reveal any need for additional training to improve knowledge on the use of machinery	✓		
	5) Assessment of process chains and production layout	Planning, design and positioning of spaces, departments and plants have begun, aligned with the production system and material flow	↑		Completion and adoption of the new layout
	6) Decrease production waste	Thorough checks at every stage of the production process. In case of confirmed or suspected non-conformities, production is halted and immediate corrective actions and treatments are implemented	✓		

Material topic	Goal	2023 Action taken	Outcome	Notes	2024 Goal
Renovations / qualification	7) Study obsolete codes and verify their disposal	Further study and review of codes to be suspended or discontinued due to obsolescence, non-compliance or lack of market demand	✓		
	8) Implementation of new quality control systems	Technical and cost assessment of installing PCs at each workstation	↑		Implement the installation of devices
	9) Digitisation of operating procedures	A review of digitised procedures has been carried out	✗	Goal abandoned as it was deemed insignificant – procedures are already sufficiently digitised	
	10) Personnel requalification	Training hours for staff have been increased	✓		

**Legend:**  
 ✓ achieved  
 ↑ in progress  
 ✗ not achieved



**INTELLECTUAL CAPITAL**

In 2023, the company continued its efforts and increased its investment in resources to develop new products, focusing in particular on recyclable materials and the product life cycle, aiming to develop a more sustainable business model.

**Planning towards a circular economy**

Internal R&D activities during 2023 focused on projects that targeted the use of eco-friendly (recyclable) materials and more generally on extending product life cycles to minimise waste. The company's continuous adoption of high-tech solutions (software and applications), thanks in part to specialised suppliers, has strengthened its market standing in a higher value-added segment, and has also increased the know-how of its employees.

**2023 versus 2022 indicators:**

- Investments in research and development: +14%
- Number of projects started: +100%
- Total hours dedicated to R&D: +9.5%
- No. of new products placed on the market: -50%
- Incidence % of new products on total turnover: 2023: 1.4% 2022: 3.2%
- No. of active design and graphics software licences: = stable data



2023/2024 Goals plan reporting

Material topic	Goal	2023 Action taken	Out-come	Notes	2024 Goal
Design	1) Creation of a roadmap of new projects and new products	Implementation of investments in R&D	↑		Optimise product design based on market demands
	2) Implementation of co-design with suppliers	The development of more advanced products with increasingly technological components, combined with attention to detail and design, has led to the identification of new, even alternative suppliers, and has generally improved collaboration with suppliers in developing new products	✓		
	3) Identification of new areas of competence for Research and Development	Increase in hours dedicated to research and development	✓		
	4) Implementation of a structured system for gathering and sharing market demands	Increase in the number of new products launched in response to emerging internal	✓		
	5) Creation of a library of BIM models - Building Information Modeling – and related internal training needs	Partial completion of the product library and several of the planned training hours.	↑		Completion of training and implementation of the BIM model (Building Information Modeling) library
Development Plans	1) Evaluation of the effects on tenders in Italy induced by the PNRR	The effects of the PNRR on public tenders in the health-care furniture sector have been extremely modest, and in some regions, entirely absent	✗	Goal abandoned	
	2) Optimisation of the sales network in Italy	Reorganisation of the sales network and introduction of new agencies	✓		
	3) Analysis of new potential foreign markets (linked to participation in the Dubai fair)	Participation in Arab Health 2023 allowed the exploration of potential new markets and commercial partners	✓		
	4) Update of the Code of Ethics and the MOG 231	Update of the Organisational and Management Model to incorporate the Whistle-blowing Directive	✓		
	5) Confirmation of a stable team for the preparation of the second Sustainability Report	Confirmation of the team and necessary financial investment to draft the second Report	✓		
	6) Identification of new sustainability reporting criteria (CSRD)	Introduction of informative materials and a VSME reconciliation table	✓		

Material topic	Goal	2023 Action taken	Out-come	Notes	2024 Goal
Workplace health and safety	1) Implementation of an e-learning platform (training snippets)	Analysis of existing market solutions	↑		Introduction of training snippets via Microsoft 365 applications
	2) Introduction of incoming visitor control system	Adoption of a visitor tracking system	✓		
	3) Possible modification of working hours for greater flexibility	Adjustment of operating hours based on specific (even temporary) operational, personal and industry needs	✓		
	4) Reduction of manual workloads, thanks to the use of automated systems in particular for the packaging of outgoing goods	Implementation of automated systems for packing outgoing goods and the start of workstation reorganisation	✓		
	5) Decrease in welding chimneys (from 4 to 2)	Removal of 2 flues and modification of the remaining 2 with the installation of an emission control system	✓		

Legend:  
 ✓ achieved  
 ↑ in progress  
 ✗ not achieved

HUMAN CAPITAL



Employees within the organisation have always played a fundamental role in the company's growth, and in 2023, there was an increased focus on professional development, wellness initiatives and gender equality in general, aiming to improve workplace well-being, as well as internal engagement and collaboration.

Vocational Training

In order to support the evolution of the company's business model, ongoing professional development, skill enhancement of internal resources, and the reinforcement of company culture and values are essential.

2023 versus 2022 indicators:

- General training hours (including mandatory ones): +15%
- Number of employees involved in the training (% of total collaborators): 2023: 67% 2022: 49%
- Average hours of direct individual training: +20%
- Number of course types offered:  
 2023: 6 (Specific updates - Environment – Safety – Regulatory updates – Legislative Decree 231/2001 - Sustainability)  
 2022: 3 (Specific updates - Environment – Safety)

### Equal opportunities

Favero's commitment to gender equality is reflected in a policy that, while not formalised beyond the Code of Ethics, aims to apply equal treatment and non-discriminatory practices (regarding gender, age, nationality, religion, sexual orientation, etc.) across all aspects of employment throughout the organisation.

#### 2023 versus 2022 indicators:

- Employment (direct employees and temporary staff)

Hires*	Year 2023	Year 2022
Total	11	5
Direct	5	3
Temporary	6	2
Women	2	0
Under 35	7	1
Non-Italian citizenship	2	1

\* Recruitment in recent years has mainly focused on production roles, partially replacing employees leaving due to retirement.

- Employee classification and the average wage ratio between women and men

Classification	Year 2023			Year 2022		
	No. of men	No. of women	Ratio	No. of men	No. of women	Ratio
A1	2	0	N.A.	2	0	N.A.
AS1 WORKERS	3	0	N.A.	3	0	N.A.
AS3 EMP.	1	0	N.A.	1	0	N.A.
B2 EMP.	3	0	N.A.	2	0	N.A.
B3 EMP. P.T.	1	0	N.A.			
C2 EMP.	1	10	-1.30%	1	9	-0.90%
C2 WORKERS	5	0	N.A.	5	0	N.A.
C3 EMP.	6	8	7.30%	7	8	-4.10%
C3 WORKERS	6	0	N.A.	7	0	N.A.
D1 WORKERS	0	0	N.A.	1	0	N.A.
D2 EMP.	2	4	3.70%	2	4	3.20%
D2 WORKERS	9	0	N.A.	9	0	N.A.

### 2023/2024 Goals plan reporting

Material topic	Goal	2023 Action taken	Outcome	Notes	2024 Goal
Vocational training	1) Verification of the soft skills present and to be implemented	Initiation of the soft skills assessment as indicated in the evaluation	↑		Complete the implementation and verification of soft skills
	2) Preparation of a general training plan according to the main needs identified	Confirm mandatory courses and identify specific courses for various departments	✓		
	3) Monitor the "Corporate Climate"		✗	Gender equality certification, which includes this verification, is scheduled	
	4) Introduction of horizontal training courses for sharing issues that affect efficiency and internal communication	Internal reorganisation of certain areas has postponed the evaluation of training pathways	↑		Evaluation and introduction of horizontal training courses for the purpose of sharing issues that affect efficiency and internal communication
Career growth	1) Update the company job descriptions	Job descriptions have been updated	✓		
	2) Assess employee skills	Skill evaluation forms have been updated	✓		
	3) Professional growth for certain company roles	Assessment of employee skills	✓		
	4) Implementation of the goals plan	Improved production scheduling system and logistics chain	✓		
	Definition of incentives	Feasibility analysis initiated	↑	Goal postponed to 2025	

Legend:  
 ✓ achieved  
 ↑ in progress  
 ✗ not achieved



### SOCIAL-RELATION CAPITAL

#### Quality of the solutions provided

In the sector where the organisation operates, the quality of products and services offered – in terms of efficiency, materials, functionality, durability and product sustainability – is key to ensuring the company's reliability. The introduction of software and applications into the organisation's products has required more careful and timely monitoring of product quality and functionality.

#### 2023 versus 2022 indicators:

	Year 2023	Year 2022
No. incident reports	1	0
No. product tests conducted	8	4
No. customer complaints	0	0
No. complaints regarding delivery delays	0	0

#### Collaboration with suppliers

The consistent reliance on outsourcing and the development of increasingly high-tech products (in terms of performance tied to the integration of software and applications) have made supplier collaboration essential for business growth, also through a diversification policy.

#### 2023 versus 2022 indicators:

	Year 2023	Year 2022
Incidence % outsourcing on turnover	12%	10%
Man-hours dedicated to quality control	Unchanged	Unchanged
No. non-conformities caused by suppliers	0	0

#### Supplier evaluation

In light of the latest European sustainability regulations (CSRD), which affect the entire supply chain, we are integrating our standard tools (initial evaluation; periodic monitoring; audit reports) with ESG parameters to ensure our suppliers also improve their sustainability performance.

#### 2023 Indicators:

- Periodic monitoring: Percentage of suppliers reconfirmed out of monitored suppliers 96%
- Audits: No. findings 0

### 2023/2024 Goals plan reporting

Material topic	Goal	2023 Action taken	Outcome	Notes	2024 Goal
Customer information/ customer management	1) Implementation of a formalised customer management system	Implementation of the corporate CRM (EXPORT) is in progress and will also be applied to the Italian Sales Office	↑		Completion and adoption of the customer management system
	2) Prepare an economic evaluation analysis of the main customers	Adoption of a dynamic and up-to-date system for estimating cash flow related to offers in negotiation	✓		
	3) Alignment of commercial technical communication with the sales network, distributors and customers	Analysis initiated to improve/update the completeness of commercial communications. Works commenced to complete the technical documentation in English	↑		Completed English translation of technical documentation intended for external recipients. Improved accuracy of information provided to customers and distributors
	4) Improvement in customer service in terms of order fulfillment	Production scheduling and logistics distribution system enhanced	✓		
	5) Efficient preventive and scheduled maintenance service	Optimised preventive maintenance scheduling	✓		
	6) Customer adherence to our sustainability principles	Stakeholder engagement and publication of the 2022 Sustainability Report on the website	↑		Increase Stakeholder alignment with our sustainability principles
	7) Improvement of proactive marketing activities towards the customer through greater use of the website	Updated and enhanced website content	↑		Communications agency appointed to manage social media and newsletters to improve brand awareness, lead generation and conversions on the website
Ethical conduct	1) Update of the Code of Ethics and the MIOG pursuant to Legislative Decree 231/01	Update in 2023 of the Organisational and Management Model to incorporate the Whistleblowing Directive	✓		
	2) Review of the system for assigning responsibilities to employees	Process commenced to review job descriptions and the system of assigning responsibilities to employees	↑		Completion of the system for assigning responsibilities to employees
	3) Evaluation of customers also on the basis of business ethics	Continued awareness-raising among agents (Italy) and distributors (abroad) about the principles outlined in the Code of Ethics	↑		Increased sharing and dissemination of our ethical and sustainability principles (Code of Ethics) with customers through the sales network

## ENVIRONMENTAL CAPITAL



Environmental capital is a key factor in the services our company offers, particularly for customers who prefer businesses that are increasingly focused and committed to environmental sustainability. We aim to enhance our image through strategies designed to achieve environmental sustainability goals, such as minimising waste and emissions, optimising production processes to use less energy, and leveraging renewable resources for resource procurement.

### Waste management and recycling

Waste management and recycling in our company is now a well-established policy. We rigorously apply waste sorting. Every type of waste is classified in accordance with Article 184 of Legislative Decree 152/2006, based on its origin and characteristics. Disposal represents the final elimination of special waste, while recovery involves transforming waste into new materials, products or energy.

#### 2023 versus 2022 indicators:

	Year 2023	Year 2022
Amount of waste produced	-18.5%	-25%
% of R-type waste (recovery) out of total	99.5%	99%
Hazardous (non-radioactive) waste	30 Kg	40 Kg

### Emissions

Our sustainability journey continues with an analysis of the company's emissions. As part of this process, we evaluate every source of carbon dioxide emissions in Scope 1 and Scope 2. Scope 1 emissions are associated with natural gas consumption at our sites and the fuel consumption of the company fleet. There are no emissions due to refrigerant gas leaks. In calculating Scope 2 emissions, we considered emissions related to electricity procurement. Based on this analysis, we are extracting the necessary information to develop strategies for reducing and/or offsetting CO<sub>2</sub>.

#### 2023 versus 2022 indicators:

	Year 2023	Year 2022
Tonnes of CO <sub>2</sub> equivalent in Scope 1	125.64	126.93
Tonnes of CO <sub>2</sub> equivalent in Scope 2	0.00	0.00

## Product Safety

Product safety in terms of environmental impact is achieved by reducing the use of harmful chemical agents in production processes that pose risks to human health and the environment. When designing new products, we aim to minimise their environmental impact throughout the entire product life cycle – from production to use and eventual disposal – by providing specific recycling instructions, while maintaining high standards of product quality and safety.

#### 2023 versus 2022 indicators:

- Characteristics of components and materials of new products:

	Average 2023	Average 2022
Eco-friendly and recyclable	84%	86%
Non-recyclable (WEEE)	16%*	13%
Recyclable	96%	95%

- \* Increase due to measures adopted for the digital transition of newly designed electromedical devices.

## Consumption (circular economy)

Our commitment to reducing greenhouse gas emissions, replacing fossil fuels with clean energy and creating products through low-impact materials and processes with increasingly longer life cycles continues through the analysis and monitoring of specific indicators and the implementation of relevant improvement actions.

#### 2023 versus 2022 indicators:

	Delta%	2023	2022
Litres of water	0.4%	504,240	502,210
TOTAL ENERGY CONSUMPTION in MWw, of which:	-3.7%	689	714
Natural gas	6.0%	386	363
Electricity purchased from renewable sources	-16.1%	303	351
Self-produced electricity from photovoltaic systems	n.a.	0.06	n.a.
Kg of gases in cooling equipment	=	23.37	23.37
Km travelled by the company fleet	-29.80%	301,641	429,593
Kg of packaging materials	39.39%	72,138	51,753
Kg of semi-finished ferrous materials	-60.26%	2,627	6,610
Kg of semi-finished wood materials	-9.7%	156,520	171,710
Kg of chemicals used in production processes	18.73	225	190

2023/2024 Goals plan reporting

Material topic	Goal	2023 Action taken	Outcome	Notes	2024 Goal	
	1)-2)-3) Energy savings and/or use of eco-friendly energy.	Process began to replace traditional lighting with LED lamps (70% of goal achieved)	↑		Completion of LED lamp replacement	
		Staff has been diligent in reducing waste. Lights and systems are turned off by staff when not needed, making the installation of light sensors unnecessary	✘	Goal abandoned		
		Photovoltaic systems have been installed at all three main sites.	↑		All photovoltaic systems are operational	
		Feasibility study for a water reuse system: technically complex and costly to implement	✘	Goal abandoned		
Consumption	4) In the research and evaluation phase of new suppliers, prioritise those more sensitive to environmental issues and/or who have already implemented concrete/certified actions	Study initiated for the integration of the supplier evaluation form with more detailed information on the adopted ESG criteria	↑		Supplier evaluation form completed, with additional information on adopted ESG criteria	
	5) Implementation of actions for the conscious use of water	Water consumption analysis revealed a steady trend	✘	Goal abandoned as consumption is driven solely by sanitary/domestic use		
	6) Installation of rainwater harvesting systems	Feasibility and economic sustainability study (cost/benefit analysis) returned negative results	✘	Goal abandoned		
	7) Efficiency to reduce methane gas consumption	Installation of heat containment systems in production areas	✓			
	8) Responsible use of all resources	Significant reduction in energy consumption, especially electricity and natural gas	✓			
	9) Identify and monitor GHG emissions produced by Favero during the use of electricity or thermal energy under Scope 2	Data on all utility consumption under Scope 1 and 2 is being monitored on dedicated data recording sheets	✓			
	10) Reduce the use of standard paper and promote the use of recycled and eco-friendly paper	Reduction in use of traditional paper and increased use of recycled paper	✓			

Material topic	Goal	2023 Action taken	Outcome	Notes	2024 Goal	
Consumption	11) Optimised working hours for use of the self-owned photovoltaic system	Working hours of offices and certain production departments have been optimised in accordance with the photovoltaic system	✓			
	12) Installation of storage batteries for energy produced by our photovoltaic systems	A feasibility study was conducted, with a negative outcome	✘	Goal abandoned		
	13) Reduction of non-recyclable waste production	Reduction of non-recyclable waste through proper waste disposal management in dedicated containers identified by respective CER codes	↑		Further reduction of non-recyclable waste	
	14) Use of materials with lower environmental impact	Production through efficient processes and with reduced pollutant emissions; No harmful emissions after installation; Long lifespan and recyclability at the time of disposal	✓			
	16) Even if not mandatory, application of CAM (Minimum Environmental Criteria) in the design and production phases of medical devices	Research and development of new materials with low/no environmental impact	↑		Increase the number of medical devices produced according to CAM criteria	
	17) Progressive reduction of parts/accessories with chrome finish	An additional 5% of components were produced with alternative finishes to chrome plating with lower environmental impact	↑		Eliminate parts/components with chrome-plated finishes	
	18) Versatility of packaging made with recycled and/or recyclable materials	The use of such types of packaging has become a consolidated practice	✓			
	19) Actions for CO2 emission compensation: a. Planting trees in the territory b. Introduction of plants in all offices	Feasibility study	↑		Introduction of plants in all offices	
	Emissions	1) Identification of new suppliers who adopt eco-sustainable solutions and recyclable materials	Study initiated for the integration of the supplier evaluation form with more detailed information on the adopted ESG criteria	↑		Supplier evaluation form completed, with additional information on adopted ESG criteria
		2) Increased vocational training in the use of the circular economy	Participation in specific seminars	✓		
3) Identification of specific software for the application of circular economy criteria		Initiation of a review of available software in the market	↑	Goal postponed pending more comprehensive guidelines		

## GOVERNANCE CAPITAL



Favero's Governance is characterised by a set of rules, behaviour and processes aimed at ensuring transparency, efficiency and responsibility. The current Board of Directors, appointed in 2017 and subsequently renewed, has leveraged the skills and knowledge acquired over time, supported by control and supervisory bodies, to ensure continuity and stability in company management, all while remaining forward-looking, placing sustainability at the core of both their operations and development strategy.

### Corporate governance and mission

Balancing economic objectives, employee well-being, community engagement, environmental responsibility and compliance with laws and regulations remains a constant focus for the company. Favero believes that careful risk management and sound corporate governance are key to achieving long-term stability and meeting the expectations of its Stakeholders.

In 2023, Favero continued its research into new, safe, eco-friendly products and made significant investments.

Relationships with Stakeholders are managed with the utmost transparency, fairness and responsibility, in full compliance with national and international regulations.

#### Indicators:

- Legality rating \*\*+
- Appointment of the Sustainability Team
- Corporate decision-making based on delegated authority
- Adoption of ISO management systems and related procedures

### Sustainability strategy in accordance with ESG criteria

In 2023, Favero strengthened its commitment to pursuing a sustainable and transparent business development strategy. The drafting of the Sustainability Report highlighted both the positive and negative short- and medium-term impacts of the organisation's activities. This process also initiated mitigation or enhancement actions and pinpointed specific goals to be achieved, aligning with ESG criteria for a more sustainable approach to the company's work.

#### Indicators:

- Adherence to ESG principles
- Measurement and monitoring of ESG indicators
- Drafting of Sustainability Report




## Business Ethics




The relationship of trust with Stakeholders is becoming increasingly important for Favero, not only to maintain a certain level of reputation but also to ensure that the company's processes and behaviour adhere to principles of fairness, transparency and sustainability. The distribution of the Code of Ethics and the Sustainability Report to all company Stakeholders aims to encourage adherence to the principles they contain.

#### Indicators:

- Adoption and sharing of the Code of Ethics and the Organisational Model in accordance with Legislative Decree 231/2001
- Introduction of a Whistleblowing channel
- Adoption of a Privacy Policy and periodic monitoring to maintain adequate levels of cybersecurity
- No reports of contractual violations
- No convictions or fines for corruption and bribery

2024 GOALS

CAPITAL	MATERIAL TOPIC	2024 GOAL
<b>FINANCIAL</b> 	ECONOMIC SUSTAINABILITY OF THE BUSINESS	Revenue growth
		Improvement of net result
		Foreign revenue growth
		Expansion of supplier search
		Increase in energy savings, self-consumption and activation of the plant's photovoltaic system
ECONOMIC VALUE GENERATED	CORRECT ADMINISTRATIVE MANAGEMENT	BIM: Completion of training and product library for defined products
		Increase the results achieved
		Optimise the cost/revenue ratio
CORRECT FINANCIAL MANAGEMENT	CORRECT FINANCIAL MANAGEMENT	Reduce the impact of procurement costs
		Expand national and international markets
		Reduce collection days
<b>PRODUCTIVE</b> 	RENOVATIONS / QUALIFICATION	Improve inventory turnover
		Search for reliable and long-term customers
		Continue to monitor interest rates and potential actions to reduce them. Continue credit line management and control
		Negotiation of better rates and commissions
		Constant monitoring of new opportunities for grants in R&D and innovation
<b>INTELLECTUAL</b> 	PLANNING FOR A CIRCULAR ECONOMY	Continue verifying quality criteria upon acceptance
		Completion and adoption of the new production layout
		Study obsolete codes and verify their disposal
WORKPLACE HEALTH AND SAFETY	HUMAN	Implement the installation of devices at workstations
		Optimise product design based on market demands
VOCATIONAL TRAINING	EQUAL OPPORTUNITIES	Increase R&D and the application of circular economy principles to new products
		Completion of training and implementation of the BIM model (Building Information Modelling) library
EVALUATION AND INTERNAL COMMUNICATION	EVALUATION AND INTERNAL COMMUNICATION	Introduction of training snippets via Microsoft 365 applications
		Complete the implementation and verification of soft skills
GENDER EQUALITY CERTIFICATION	GENDER EQUALITY CERTIFICATION	Evaluation and introduction of horizontal training courses for the purpose of sharing issues that affect efficiency and internal communication
		Gender equality certification – UNI Pdr 125
ESTABLISHMENT OF THE GENDER EQUALITY STEERING COMMITTEE	ESTABLISHMENT OF THE GENDER EQUALITY STEERING COMMITTEE	Establishment of the Gender Equality Steering Committee

CAPITAL	MATERIAL TOPIC	2024 GOAL	
<b>SOCIAL RELATIONAL</b> 	CUSTOMER INFORMATION / CUSTOMER MANAGEMENT	Completion and adoption of the customer management system	
		Completed English translation of technical documentation intended for external recipients. Improved accuracy of information provided to customers and distributors	
		Increase Stakeholder alignment with our sustainability principles	
		Communications agency appointed to manage social media and newsletters to improve brand awareness, lead generation and conversions on the website.	
		Completion of the system for assigning responsibilities to employees	
<b>ENVIRONMENTAL</b> 	ETHICAL CONDUCT	Improve delivery times	
		Better application of the outbound product control procedure	
		COLLABORATION WITH SUPPLIERS	Increase collaboration with suppliers (including new ones) for project development
		SUPPLIER EVALUATION	Complete the integration of supplier evaluation systems with ESG criteria
		RESPONSIBLE WASTE MANAGEMENT	Reduction of non-recyclable waste
<b>GOVERNANCE</b> 	CONSUMPTION	Completion of LED lamp replacement	
		All photovoltaic systems are operational	
		EMISSIONS	Introduction of plants in all offices
		Increased vocational training in the use of the circular economy	
		PRODUCT SAFETY	Eliminate parts/components with chrome-plated finishes
CORPORATE GOVERNANCE AND MISSION	SUSTAINABILITY STRATEGY IN COMPLIANCE WITH ESG PRINCIPLES	Increase product verification and testing	
		Increase the number of medical devices produced according to CAM criteria	
		Formalisation of the delegation to a Board member on sustainability matters	
		Initiation of preliminary discussions for the definition of an Energy Transition Plan	
		Monitoring of the benefits observed by the subsidiary TECNODENT Srl following its transformation into a Benefit Corporation	
BUSINESS ETHICS	BUSINESS ETHICS	Update of the Code of Ethics	
		Increase sharing and dissemination of our ethical and sustainability principles (Code of Ethics) with customers through the sales network	
		Formalisation of the Intellectual Property Management Policy	

## Reconciliation table VSME-ESRS

### VSME - ESRS Reconciliation table

At the conclusion of this second Sustainability Report, the Sustainability Team set out to analyse the evolution of regulations concerning sustainability reporting for small- and medium-sized enterprises (SMEs) as outlined in the draft VSME-ESRS, January 2024

*([https://www.fondazioneoic.eu/wp-content/uploads/downloads/2024/03/Traduzione-ESRS-VSME-ED\\_18-marzo-2024.pdf](https://www.fondazioneoic.eu/wp-content/uploads/downloads/2024/03/Traduzione-ESRS-VSME-ED_18-marzo-2024.pdf)).*

This reflection led us to create a "bridge" between the methodology used in this report (IR Framework) and the new methodology, developing a reconciliation table that includes the disclosures required by the Basic Module, the Narrative-PAT Module and the Business Partners Module.

The purpose of this approach is twofold: first, to compare the current model with the new guidelines, and second, to perform an initial gap analysis to identify the reporting activities that will need to be developed to comply with VSME-ESRS requirements.

The requested information has been divided into "included" and "omitted" categories, but to fully understand the table, it is important to clarify their meaning:

**Included:** the disclosure code, number, letter and any sub-clause are provided.

**Omitted:** three classifications are introduced:

- Not reported: when the information is potentially available within the company but not included in the Report;
- Partially reported: when the information is only partially included in the Report, but specific documents exist within the company;
- Not applicable: when the information does not exist within the company.

**Where:** an indication of the page number(s) where the content of the requested disclosure is reported or the company document(s) in which the disclosure is contained.

The table clearly highlights how certain key elements of the new regulations were either taken for granted or else not provided for by the methodology we used.

This leads us to align the content of the next Report with the new regulations, without neglecting the need to highlight how the company creates value in the short, medium and long term.



Cod	Description of disclosure	Included	Omitted	Where
<b>Basic module</b>				
B 1	Basis for preparation			
B 2	Practices for transitioning towards a more sustainable economy	a. Improve working conditions		a. Pg. 31, 52, 63-65 of Report
		b. Equal treatment		b. Pg. 9, 63-65 of Report
		c. Sustainability training		c. Pg. 63-65 of Report
		d. Reduced water and energy consumption		a. Pg. 28, 34, 69-71 of Report
B 3	Energy and greenhouse gas emissions	e. Improved product safety		e. Pg. 9-10 of Report
		24. Total energy consumption in MWH		Pg. 69 of Report
		a. Fossil fuels		Pg. 69 of Report
		b. Consumption from energy bills		Pg. 69 of Report
B 4	Pollution of air, water and soil	25. Gross emissions in CO2eq		Pg. 68 of Report
		a. Scope 1		Pg. 68 of Report
	b. Scope 2		Pg. 68 of Report	
B 5	Biodiversity	Emissions management documentation	PARTIALLY REPORTED	Specific documentation and Pg. 68 and 69 of Report
B 6	Water		NOT APPLICABLE	
B 7	Resource use, circular economy and waste management	a. Recycled content in products	PARTIALLY REPORTED	a. Specific documentation and Pg. 68 and 69 of Report
		b. Recyclable content rates in products	PARTIALLY REPORTED	b. Specific documentation and Pg. 69 of Report
		c. Total annual waste production		c. Pg. 68 of Report
		d. Total annual waste for recycling	PARTIALLY REPORTED	d. Specific documentation and Pg. 68 and 69 of Report
B 8	Workforce - General characteristics	a. Type of contract	NOT REPORTED	A. Specific documentation and Pg. 68 and 69 of Report
		b. Genre		b. Pg. 64 of Report
		c. Country	NOT APPLICABLE	
B 9	Workforce - Health and safety	a. Accident rate	NOT REPORTED	a. Specific documentation
		b. Number of deaths	NOT REPORTED	b. Specific documentation
B 10	Workforce - Remuneration, collective bargaining and training	a. Ratio of entry wage to minimum wage	NOT APPLICABLE	
		b. Percentage pay gap		b. Pg. 64 of Report
		c. Percentage of employees covered by a collective agreement	NOT REPORTED	c. Specific documentation
		d. Hours of training		d. Pg. 63 and 64 of Report
B 11	Workers in the value chain, affected communities, consumers and end-users		NOT REPORTED	Specific documentation
B 12	Convictions and fines for corruption and bribery			Pg.73 of Report
<b>Narrative - Policies, actions and targets (PAT)</b>				
N 1	Strategy: business model and sustainability related initiatives	a. Products and services offered	PARTIALLY REPORTED	a. Pg. 7 of Report and www.favero.it
		b. Markets in which the company operates		b. Pg. 11 of Report
		c. Main business relations		c. Pg. 13 of Report
		d. Key elements of the strategy addressing sustainability issues	PARTIALLY REPORTED	d. Pg. 11-13 of Report and specific documentation
N 2	Material sustainability matters	a. Impact on people and the environment		a. Pg. 57- 73 of port
		b. Effects on the financial position or result		b. Pg. 42-43 of Report
		c. Effects on business activities and strategy		c. Pg. 49-55 of Report
N 3	Management of material sustainability matters	a.i. Actions to prevent actual and potential negative impacts		a.i. Pg. 49-55 and 57-73 of Report
		a.ii. Actions to mitigate actual and potential negative impacts		a.ii. Pg. 49-55 and 57-73 of Report
		a.iii. Actions to remedy actual and potential negative impacts		a.iii. Pg. 49-55 and 57-73 of Report
		a.iv. Dealing with financial risks		a.iii. Pg. 49-55 and 57-59 of Report
		b.i. Policy targets		b.i. Pg. 8-10, 19-21 and 49-55 of Report
		b.ii. Application of the policy in the value chain		b.ii. Pg. 27-35 of Report
		b.iii. The groups affected by the policy		b.iii. Pg. 37 of Report
		b.iv. Third-party principles or initiatives that the company undertakes to respect through the policy		b.iv. Pg. 19-21 of Report

Cod	Description of disclosure	Included	Omitted	Where
N 3	Management of material sustainability matters	b.v. Targets for monitoring the implementation of the policy		b.v. Pg. 22-23 and 57-75 of Report
		c.i. List of actions		c.i. Pg. 57-75 of Report
		c.ii. Scope of the policy		c.i. Pg. 49-55 and 74-75 of Report
		c.iii. Time horizon of actions		c.iii. Pg. 57-75 of Report
		c.iv. Targets for monitoring actions		c.iv. Pg. 57-73 of Report
		61. Actions to improve energy efficiency		61. Pg. 68-71 of Report
		62.a. Disclosure of policies adopted to manage negative impacts	PARTIALLY REPORTED	62.a. Pg. 49-55 of Report and specific documentation
		62.b. Actions taken on impacts and risk management	PARTIALLY REPORTED	62.b. Pg. 49-55 of Report and specific documentation
		62.c. Targets for managing significant negative impacts	PARTIALLY REPORTED	62.c. Pg. 49-55 of Report and specific documentation
		63. Information on policy, actions and targets		Sustainability Report in its entirety
		64.a. Separation of duties	PARTIALLY REPORTED	64.a. Pg. 14-15, Specific documentation
		64.b. Training for own employees	PARTIALLY REPORTED	64.b. Pg. 63 of Report and specific documentation
		64.c. Actions to address violations of anti-corruption procedures and principles	NOT REPORTED	64.c. Specific documentation
		N 4	Key Stakeholders	a. Stakeholder categories b. Engagement activities
N 5	Governance: responsibilities in relation to sustainability matters	Description of governance and own responsibilities in relation to sustainability matters		Pg. 5, 14-15, 72-73
<b>Business Partners Module - short/medium term</b>				
BP 1	Revenue in from certain sectors			NOT APPLICABLE
BP 2	Gender diversity ratio in governance body	75. Gender diversity index		Pg. 14-15 of Report
BP 3	GHG emissions reduction target	76.a. Scope 1 GHG reduction targets	PARTIALLY REPORTED	Pg. 75 of Report and specific documentation
		76.b. Scope 2 GHG reduction targets	NOT APPLICABLE	
		77. Scope 3 emissions	NOT APPLICABLE	
BP 4	Transition plan for climate change mitigation			NOT APPLICABLE
BP 5	Physical risks from climate change	79.a. % assets subject to significant physical risks	NOT APPLICABLE	
		79.b. % assets subject to significant physical risks affected by climate change adaptation actions	NOT APPLICABLE	
		79.c. Position of affected assets	NOT APPLICABLE	
		79.d. % of revenue from activities subject to significant physical risk	NOT APPLICABLE	
		79.e. Value of real estate assets by energy efficiency classes	NOT APPLICABLE	
BP 6	Hazardous waste and/or radioactive waste ratio	80. Amount of hazardous waste produced		Pg. 68 of Report
BP 7	Alignment with internationally recognised instruments	81. Workforce policies aligned with international instruments		NOT APPLICABLE
BP 8	Processes to monitor compliance and mechanisms to address violations			NOT REPORTED Specific documentation
BP 9	Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)			NOT APPLICABLE
		84.a. Percentage of employees entitled to family leave	NOT REPORTED	84.a. Specific documentation
BP 10	Work-life balance	84.b. Percentage of employees who took family leave	NOT REPORTED	84.b. Specific documentation
BP 11	Number of apprentices			NOT APPLICABLE

## Conclusions

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The drafting of the second Sustainability Report, covering 2023, allowed us to measure the evolution of the Organisation's ESG impacts on Stakeholders by comparing 2022 indicators, and to monitor the achievement of the goals set for the 2023-2024 period.

The inclusion of the SDG Manager analysis, financial materiality and the VSME-ERSR reconciliation table in the 2023 Report also enriched the study and evaluation of Favero's impacts. Additionally, it helped identify further aspects and information to be reported in the future in order to fully align with the new CSRD methodology.

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