



**SUSTAINABLE**  **DEVELOPMENT OBJECTIVES**




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# Letter to Stakeholders

Dear Stakeholders,  
2022 was a year that followed a difficult and complex period, characterised by the Covid emergency, the energy crisis and the global economic contraction, worsened by the Russian-Ukrainian war.

The company has been able to react to these difficulties because, from the beginning, it was firmly aware that attention to people, product quality, the use of innovative materials, avoiding waste, the participation of employees in company life, combined with cooperation with suppliers to meet customer needs, were the basic ingredients to guarantee its development, especially in difficult times, without ever losing the goal of becoming a reference point in the sector in which it operates.

Today, we can say that this important objective has been achieved with constant and meticulous commitment, and that many of these characteristics are in fact actions performed by a sustainable company.

The challenge now is to improve further. **We will have to carry out actions that are certainly essential elements for economic growth and that, at the same time, contribute to an increasing responsibility and awareness of the impacts generated on the environment and the social context that hosts us.**

These are mainly the reasons behind the commitment to report our activity, according to the indications of a path of sustainability in its most complete sense, that is, of economic, environmental and social sustainability, so that it represents a fundamental step for the development of the company.

We decided that it was essential to create and support a Team that would be responsible for the design and drafting of the company's Sustainability Report, and that would propose the activities aimed at achieving the objectives identified.

The publication of our first Sustainability Report in 2022 was designed and created to tell all our value, with the aim of being able to place it on a track that can be monitored and compared thanks to the use of the main reference standards, and for Favero's contribution to achieving the SDGs indicated in the 2030 Agenda and in the search to meet the ESG criteria.

This contribution must be a **great stimulus for Favero to grow and become increasingly structured in a path of stakeholder involvement and improvement of its business model.**

A path made of commitment, with the hope of transforming a sector like ours into something to feel an integral part of, to which you can actively contribute with your choices.

A path and a commitment that will see us ready to overcome and better manage the difficulties and seize the opportunities that will arise.

As President, I am proud to continue this journey together with all our interlocutors. We would like to thank all of them for their cooperation and the valuable information they have received.

Dr. Francesca Favero  
*Chairman of the Board of Directors*

## Letter and presentation of the Sustainability Team

Dear Stakeholders,  
a few months ago, the Board of Directors of Favero Health Projects commissioned us to design and draft the company's first Sustainability Report.

From the beginning, we were aware that the world of "sustainability" involves many business activities that can be examined and reported; but above all, we were convinced that the main objective was **to tell all our stakeholders "what we have done", "what we do" to be sustainable and "how we do it"**. These are the bases that define the purpose of this Sustainability Report.

We have therefore begun a journey to deepen and develop the correct preparatory methods for the introduction of sustainability, understood in its broadest meaning, in business processes as a constitutive and structural element of its medium and long-term strategy.

This process needs to be supported by specific skills, which are essential for designing and drafting a Sustainability Report. The first step was therefore to undertake a study phase characterised by a general theoretical in-depth study of issues related to sustainability, the evaluation of some of the different methodologies available and the analysis of the best practices of other organisations.

Following this initial phase, it was decided, at least for the creation of the first Report, to use **Integrated Reporting<IR>**. It is a **Framework chosen especially by SMEs, which allows, through its methodology, to analyse and identify in its development process, the combined use that the organisation makes of its assets, defined as the company's Capital; that is, how the company creates value in the short, medium and long term.**

The concept of "capital", at the base of the methodology indicated in the framework, implies that what is determined by the "financial world" is analysed as a priority. In reality and through the development of the analysis of the business model, it is highlighted that, in addition to financial capital, the company also uses its other capital, namely productive, intellectual, human, social and environmental capital. The result is that the company's business model is characterised by the daily and combined use of its many capitals.

**We are sure that this methodology allows us to highlight and share with our stakeholders, not only what the company is able to do to achieve the objectives identified in its strategic plan, but also, as a sustainable company, how it can achieve those best practices that contribute to the achievement of the objectives of the United Nations 2030 Agenda (the so-called "SDGs") in harmony with the ESG criteria.**

This method helps the company to identify specific indicators that allow to measure how many and what objectives have been achieved, how and why they have been achieved (or not) and will help to define what tomorrow's objectives may be.

Finally, we would like to thank all the Stakeholders who have contributed to the identification of the relevant issues, within each capital, through the compilation of a questionnaire, the results of which and the related information have been used solely for the purposes of drafting the Sustainability Report and in ways that guarantee its security and confidentiality.

Federica Davanzo  
Giacomo D'Urso  
Annalisa Usuelli

## Business Model

### The History

**Favero Health Projects is a company that has been operating since 1954 in the supply of furniture for hospitals, clinics and communities, using its own distribution and assistance organisation in as many as 30 European and non-European countries.**

It was founded as a manufacturer of bed nets to develop, over the years, in the manufacture of school furniture (since 1958) and hospital beds (since 1961). Since 1983, the company has mainly specialised in the supply of furnishings for healthcare facilities.

**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.**

The considerable investments made in research, in new design systems, in production technologies, have resulted in a product line that combines extreme functionality with design, improving the lives of patients and the quality of work of those who take care of them. The highest respect for suffering and great consideration for those who work alongside the sick prompt Favero Health Projects to study solutions that allow those who work within a facility to carry out their profession with maximum effectiveness and minimum risk.

The expertise in the specific sector, the vocation to operate with transparency and the particular attention paid to the needs of users, make Favero Health Projects an indispensable partner for those who want to equip, in complete safety, a hospital, a clinic, an RSA, or a community.

The company's flagship is the "turnkey" supply of furniture for hospitals and nursing homes, a feature that allows the homogenisation of the environment and services resulting from the study of the functions and logistics of the necessary products.





Company foundation

1954

1963

1973

UNI EN ISO 9001 Quality

1988

1992

1995

1998

UNI CEI EN ISO 13485 Medical Devices

2003

2008

2007

2008

2010

2011

2014

2016

2016

2017

2018

2020

2020

2022

2022

AGCM legality rating



Adoption of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01

ISO 14001

TECNODENT ERGONOMIC INNOVATION

TECNOS TECNOLOGIA PER LA SALUTE

MechuS Medical and Industrial weighing Solutions



EUROFUTURA CART



HORIZON PAEDIATRIC BED



PRAXIS TECHNICAL WALLS

OVERTOUR CART



ZEROFIRE TECHNICAL WALLS



ALIEN TECHNICAL WALLS



THUNDER STRETCHER



INSPIRE NEXT FLASH HYBRID TRACTION SYSTEM



INSPIRE NEXT BED



SWITCH COMPUTERISED CART



DISCOVERY BED



## Purpose, Mission and Vision

### Purpose

**Our company has always invested in research, new design systems and manufacturing technologies, to improve process and product, without forgetting that the human factor is what makes the difference even in the most sophisticated of 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 guests and the quality of work of those who assist them.** Beyond the product: integrated systems and solutions.

### Mission

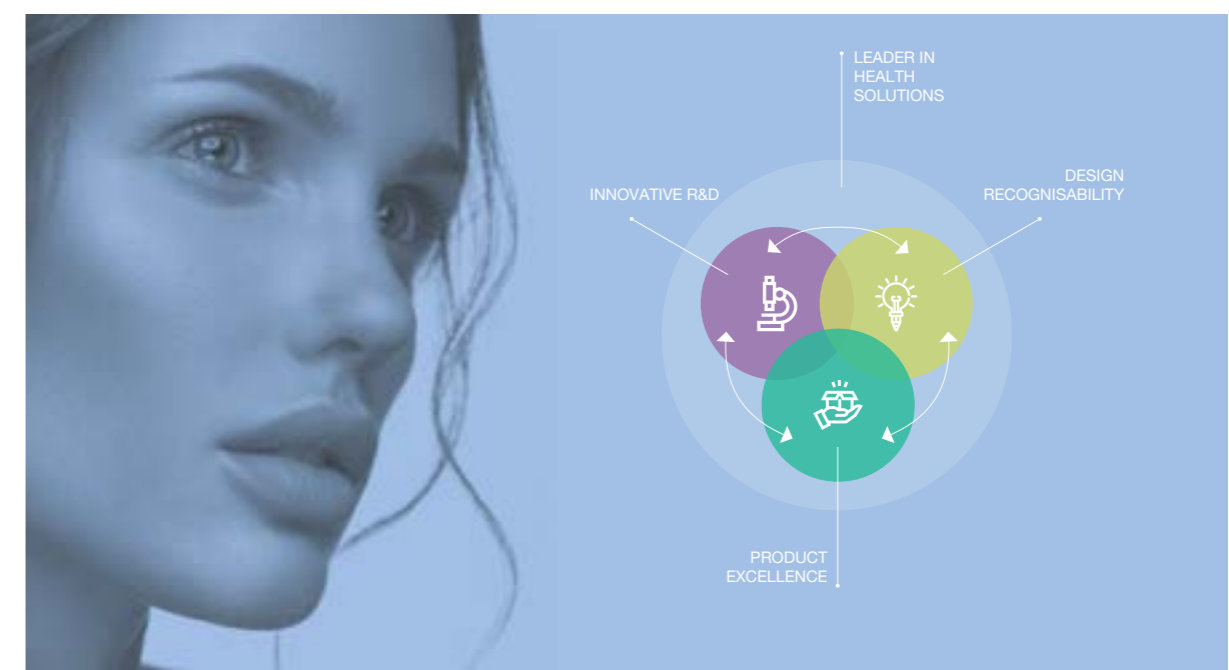
**Innovation in the design** and manufacture of products and **knowledge of the reference market** are the fundamental points that distinguish the Company and that have made it the leader in its sector in **Italy and abroad.**

The considerable investments made in **research and development** have resulted in a product line that combines extreme **functionality** with **design, improving the environment in which the products are placed as well as the work of the operators who use them.**

### Vision

**Become a leader company, with solutions at the service of people and their well-being.**

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**, collaborators, but also to operators and patients, together with respect for the **environment**, that moves our work.





### Our values

In the healthcare sector, the person, either a patient or operator, is always the centre of the design process. Favero Health Projects seeks continuous improvement, through the implementation of a corporate policy aimed at **sustainability**, which translates into **attention to the environment**, in order to reduce the impact of its activities, the **territory and the social fabric that surrounds us**.

The desire to have a Code of Ethics and an Organisational Model for over 10 years according to Legislative Decree 231/2001, which is monitored by an external control body, reinforces the principles of **honesty, ethics, responsibility, fairness and transparency** of which the company has always been the bearer.

Absolute **respect for people** and their rights, rejection of any type of discrimination - gender, nationality, religious belief or sexual orientation, aim 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.

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





# The Business Model Canvas

Designed for:

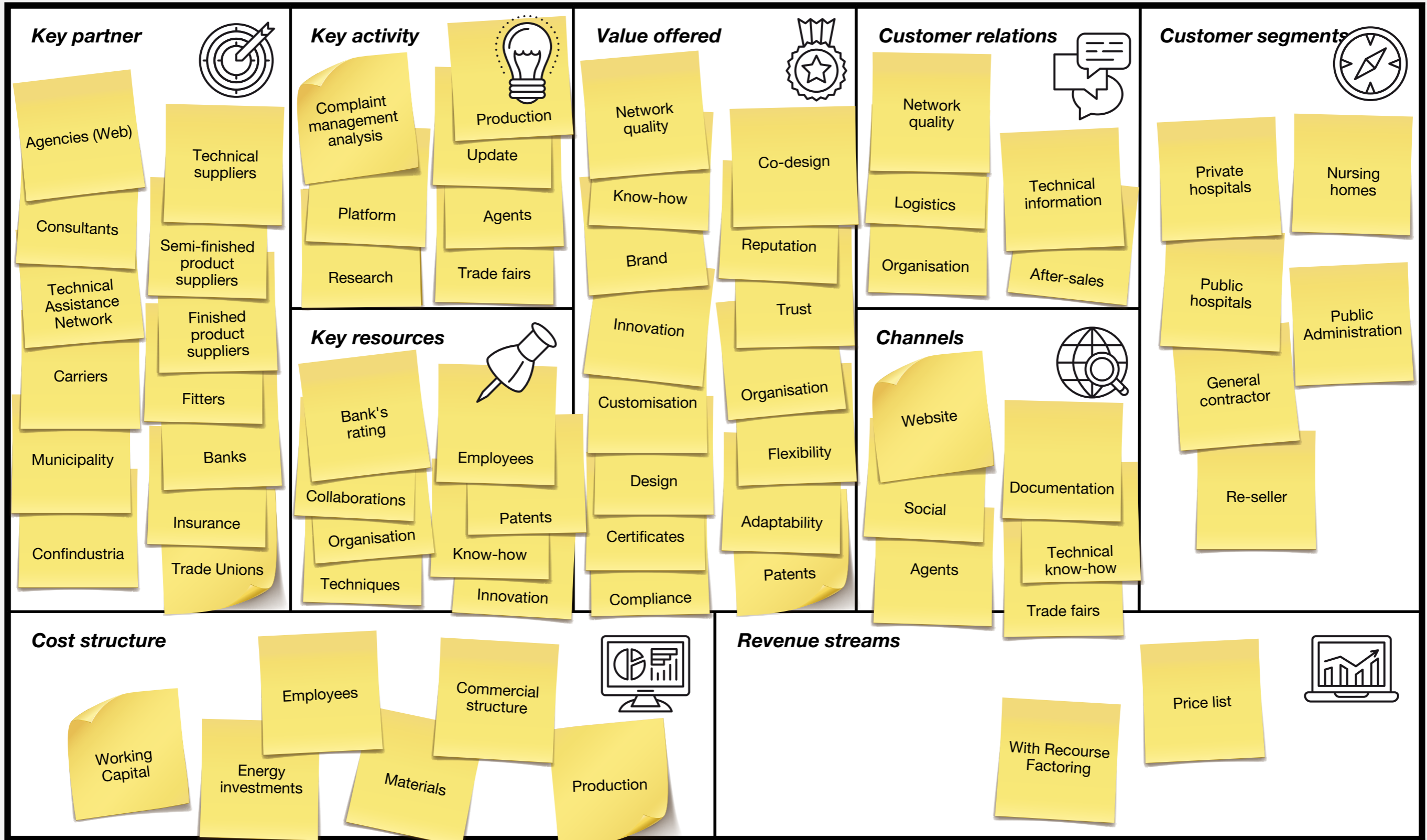
Programming

Availability

Designed for:

II:

Iteration:



## Our Business Model

For the first report, we decided to use the Business Model Canvas (BMC- <https://www.businessmodelcanvas.org/>) for the description of the business model; this tool allows to tell how the company builds its value through the description of the main phases of its business model. The construction of the BMC is the result of discussion with the representatives of the various company areas.

### Customer segments

Since the early 1980s, Favero has focused its attention on a segment of customers linked to the world of healthcare, specialising in products for public and private hospitals, clinics and nursing homes (RSA).

For the development of foreign markets, Favero makes use of local authorised distributors. In the various markets, Favero has participated in the construction of some major works through General Contractors.

### Value offered

Over the years, Favero has developed the ability to consolidate its value on the basis of company know-how, which, supported by the organisation, guarantees a level of design that meets the needs of the user and operators, not only in terms of compliance with regulations and related certifications, but also in terms of flexibility and ease of use.

To achieve this result, Favero has always designed its products taking into account the study of customer needs.

The technical innovation of products and materials, design, intended as a search for balance between shape and colour, and the related patents have contributed to the affirmation of the brand and the company's reputation in the world of healthcare.

Over the years, Favero has been able to gain the trust of its customers, also thanks to its willingness to customise furniture projects, its great organisational and production flexibility, and the quality of its sales network.



## Relationship with customers

For its type of business, its relationship with customers is a strategic aspect for Favero. The study of the market and the evolution of the products also takes place following competitive dialogues and preliminary market consultations, as well as the reading of the tender specifications published by the Public Administration or the specific requests of private customers.

About half of the supplies to Italian customers take place following the award of tenders.

The professionalism and competence of the internal organisation, the sales network and the distributors, together with the informative technical documentation and constant pre- and post-sales training, are able to meet the needs of customers.

### Channels

Contacts with customers take place in the traditional way: visits to the customer (both directly and through the sales/distributor network), sending of information documentation, participation in trade fairs, visits to the company and installations already carried out at other facilities, sending of company newsletters on a regular basis.

Favero has an updated website and social channels (Linkedin, Youtube, Instagram and Facebook) and is present on the "MedicalExpo" platform ([www.medicaexpo.it](http://www.medicaexpo.it)): all these tools allow to reach a wider audience of potential customers.

### Key activity

The main activities that the company carries out in its daily operations can be summarised as follows:

- Study of markets and emerging customer needs, with particular reference to foreign markets;
- Verification on the main online platforms for the completion of the tender procedures called by the PA and requests for information or quotes coming directly from customers;
- In the field of design, research of new materials and development of new products;
- Constant updating of the certifications necessary for the marketing of the products;
- Participation in national and international trade fairs and specialist congresses/conferences;
- Study of competitors in commercial and product terms;
- Production, constant verification and possible implementation/evolution of production processes;
- Careful quality control of incoming materials and outgoing finished products, including the necessary tests during installation;
- Training activities for internal collaborators and towards customers on the operation of the products;
- Analysis and management of complaints;





### Key resources

To carry out its activities, in order to achieve the objectives set, Favero avails itself of a qualified network of collaborators, internal and external.

Over the years, the company has established a solid collaboration relationship with its strategic suppliers, which has allowed us to achieve, maintain and implement high quality standards in terms of product innovation (as also demonstrated by the filing of important patents), and processes, both productive and organisational.

The recognition of a good bank rating is the result of the choices made by Management over time and the organisation's ability to continuously evolve, adapting to new market demands, thanks to a know-how gained over almost 70 years.



### Key partners

The organisation can count on the contribution of strategic partners, who contribute daily to the achievement of our objectives, namely:

- Internal and external collaborators
- Suppliers for production: semi-finished and finished products
- Service Providers: logistics and assembly
- Banks and Insurance Companies
- Subsidiary companies
- Consultants (technical, legal, administrative-financial, etc.)
- Certification bodies
- Testing laboratories for the products
- Communication agency
- Network of authorised service centres
- Local authorities
- Trade associations (Assindustria and Trade Unions)

### Structure of cost

The main costs are represented by the supplies of materials, services (both for maintenance and maintenance and energy costs), collaborators and the external commercial structure, depreciation, rent and leasing and other management charges and bank charges.



### Revenue structure

Revenues derive almost entirely from the sale of the products. The sales price is determined on the basis of a price list that provides discounts by product category, quantity and type and geographical area of the customer.



Payments by the PA represent a certain value, deferred, sometimes not punctual even if, compared to the past, there is a significant improvement.

Therefore, pro-solvency factor operations and bank credit lines are used for invoice advances.



### 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 almost 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.

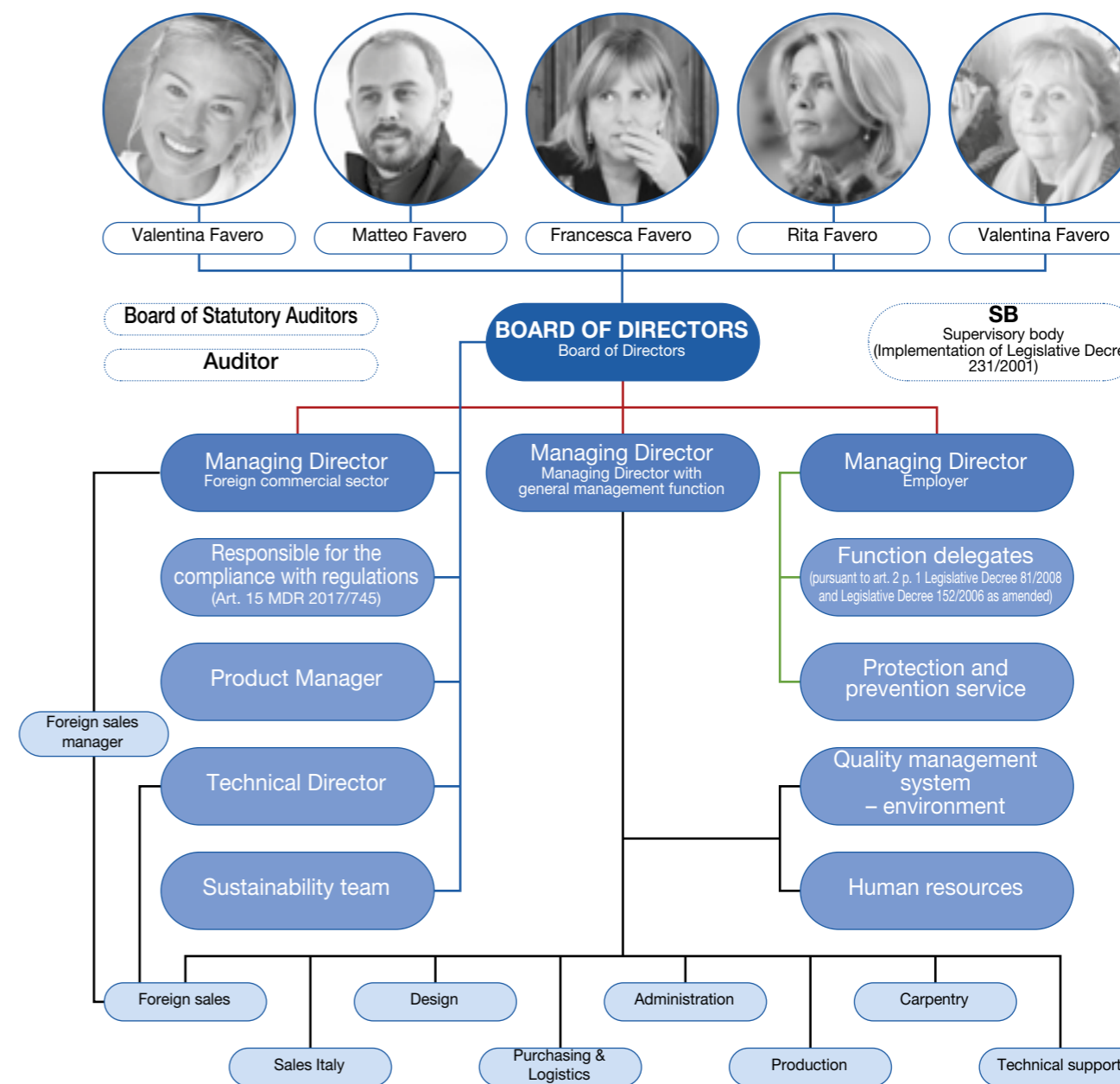
The following **Supervisory Bodies** are present in Favero:

- **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 verifies the accounting situation, the updating of the company books, relations with related parties and the regularity of the obligations relating to changes in corporate offices, powers of signature, powers of attorney, etc. It is an autonomous and independent body, the expiration of the offices 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 and reports any deficiencies, anomalies and violations. It is an autonomous and independent body, the term of office is three years. The SB's activity plan is scheduled in four annual audits.
- **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	5	60%	40%
SUPERVISORY BODY	2	100%	100%

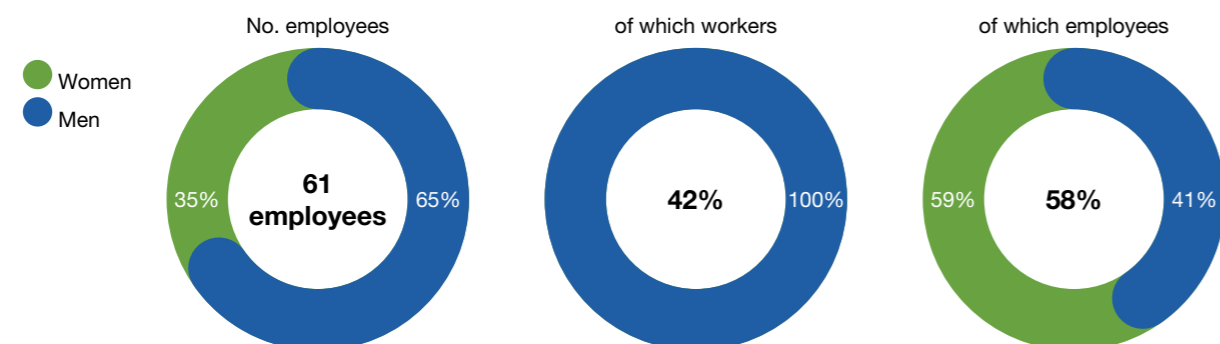
### Organisation of the Company

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.

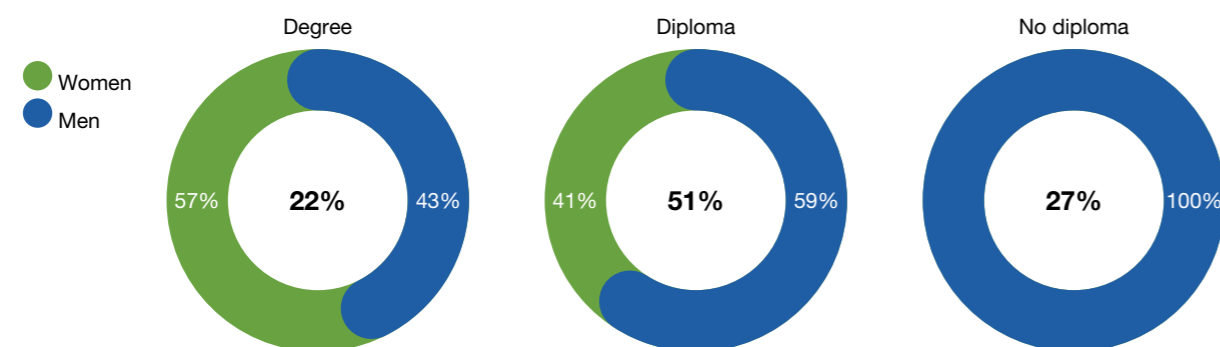


### Some details about the composition and personnel of the company

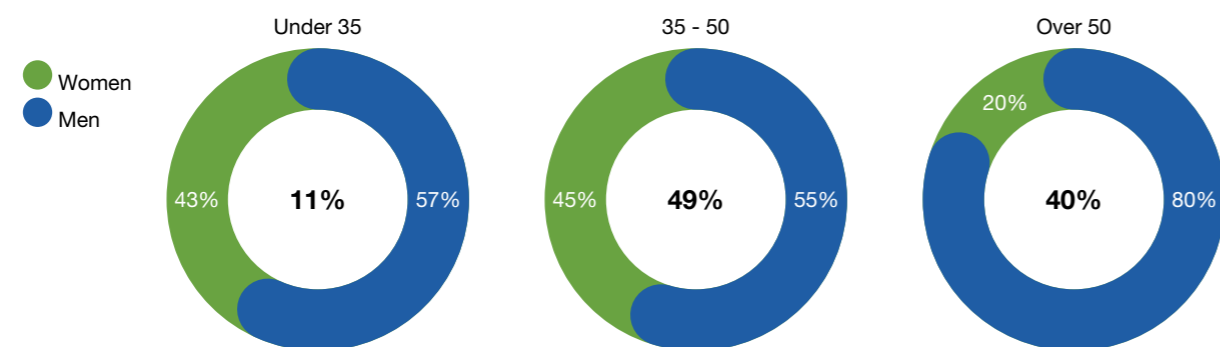
#### Workers and employees



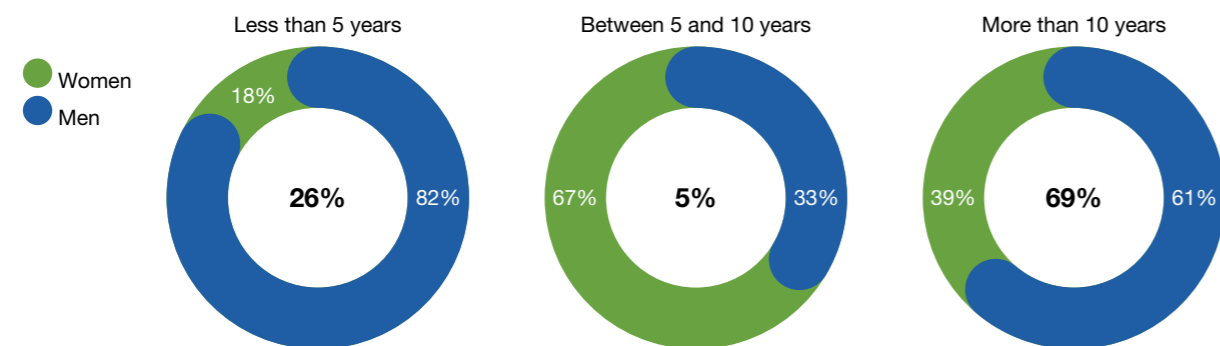
#### Education



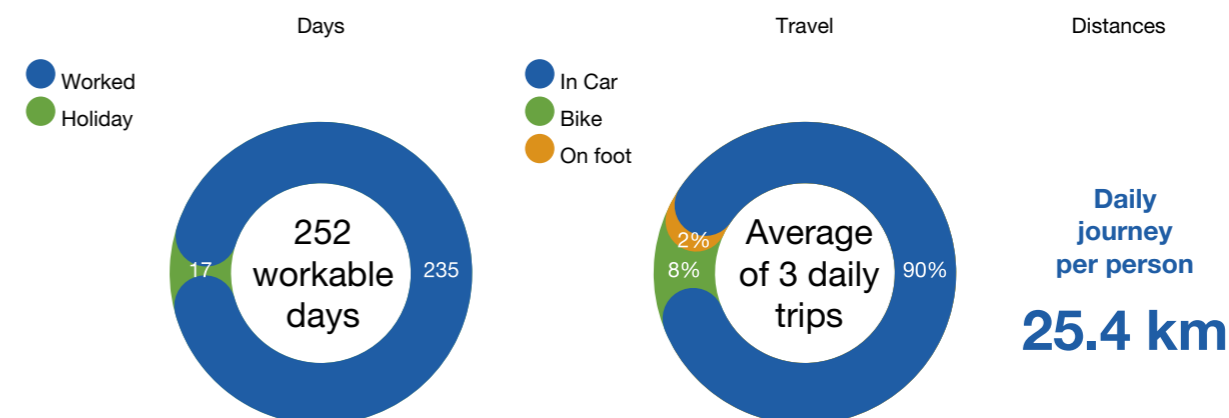
#### Age



#### Seniority in the company



### Distance between home and work



#### Degree of turnover 2022

Outgoing Turnover	7.94%	5 outgoing people, of which 2 retirements
Incoming Turnover	4.76%	3 incoming people
Overall Turnover	13.81%	(incoming and outgoing, on average personnel)

#### Sick leave

Hours worked 2022	98,418.75
Sick Hours 2022	3,189.25
Sick Leave 2022	3%
Provincial average (Assindustria Veneto Centro "The numbers for human resources" 2022 survey by the Study Centre)	5.6%

### Turnover and main economic performance

The trend in turnover in recent years is difficult to compare, mainly for the following reasons. The years 2020 and 2021 were out of the ordinary due to the Covid 19 pandemic and, in our sector, we have received an abnormal load of requests from both public and private health facilities. Further restructuring of the health sector was expected, albeit in more moderate terms, especially with the launch of the PNRR, but unfortunately most of the projects have not yet taken off. The economic recovery was supposed to continue in 2022 with an expected growth in world GDP, but the recent Russian-Ukrainian conflict has brought back extreme tensions and uncertainties. In addition, the Russian-Ukrainian crisis that began in February 2022 and the international sanctions adopted against Russia and Belarus have inevitably produced effects for Italian companies as well. Finally, the price increases of oil, gas, coal, the scarce availability of raw materials, have increased the costs of companies, creating a situation of great disorder and uncertainty.

#### Establishments and their dimensions

OFFICES (Montebelluna)	1,307 sqm
PRODUCTION PLANT (Montebelluna)	5,226 sqm
CARPENTRY PLANT (Montebelluna)	4,339 sqm
WAREHOUSE (Montebelluna)	2,768 sqm
SHOWROOM (Volpago del Montello)	1,576 sqm
REPRESENTATIVE OFFICE (Asolo)	447 sqm
REPRESENTATIVE OFFICE/GUEST HOUSE (Fontanelle)	375 sqm

Compared to 2021, turnover recorded a total decrease of -16.46%. There is an increase in foreign turnover of 10%

EBITDA	€891,873.00
Investments in R&D, Industry 4.0, software, communication (fairs, congresses, mktg)	€748,000.00
% of turnover	5.4%
Number of customers handled (Italy and abroad)	467
Weight of the first 15-20 customers on total turnover	44.31%
Weight of the first 15-20 suppliers on the total turnover from purchases of goods and services	31.03%
Of which local (Veneto Region)	82.27%

### 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
 3 GOOD HEALTH AND WELL-BEING	3 Ensure health and wellbeing for all and for all ages	Respect Safety Responsibilities Territory
 4 QUALITY EDUCATION	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
 5 GENDER EQUALITY	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
	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	
 6 CLEAN WATER AND SANITATION	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
 7 AFFORDABLE AND CLEAN ENERGY	7.2 By 2030, substantially increase the share of renewables in the global energy mix	Sustainability
 8 DECENT WORK AND ECONOMIC GROWTH	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
	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	
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	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
	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

 10 REDUCED INEQUALITIES	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 Transparence Sustainability Equality	HUMAN
	10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality		
 11 SUSTAINABLE CITIES AND COMMUNITIES	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
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	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		
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.5 Substantially reduce corruption and bribery in all their forms	Ethics Fairness Responsibilities	FINANCIAL SOCIAL
 17 PARTNERSHIPS FOR THE GOALS	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



### The Integrated Report: brief presentation of the methodology

To design and draft the Favero Health Projects Integrated Report, we chose to use the methodology described in the IIRC Framework (for consultation of the full document <https://www.integratedreporting.org/>), whose main characteristics and peculiarities are indicated below.

#### What is an Integrated Report

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 allows you to consistently represent, evaluate and monitor actions, resources – even of an intangible nature – and strategic results for the company.

#### Why the Integrated Report

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.

#### Who the Integrated Report is for

The Integrated Report addresses all Stakeholders, in a comprehensive, clear, concise and comparable way, providing an overall view of the ability to create value responsibly.

#### Drafting principles

The structure of the Integrated Report follows <IR> the IIRC Framework, published in January 2021, whose guidelines allow us to show how the Company creates value over time, starting from the resources it uses and reinvests, i.e. the six capitals.



CAPITALS are valuable stocks, available at the beginning of the year, i.e. INPUTS, which may increase or decrease based on the ACTIVITIES, and OUTPUTS of the organisation during the year. Activities and outputs determine impacts, OUTCOMES, in terms of effects on capital, which are measured by quantitative and/or economic indicators, which provide information for decision-making.

The six capitals considered by the Framework are:



**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.



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

Montebelluna office exterior photo



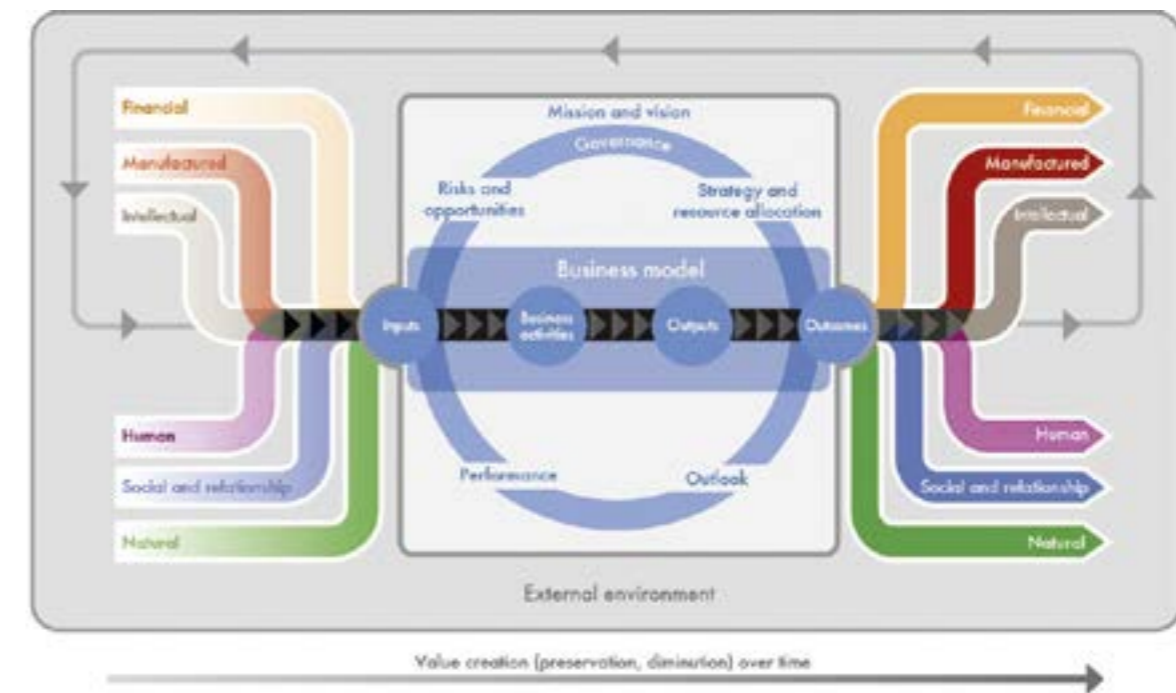


# The Value Creation Process

## The Value Creation Process at Favero Health Projects

The Value created by Favero in the short, medium and long term is the result of a process that originates from its resources (Capital) and from its relationships with the external environment, from which it is in turn influenced.

The analysis of the six capitals represents the basis for the description of the organisation's business model, according to a process well represented by the official scheme of the Framework.



It is fair to remember that Capital, the company assets, are "value stocks" available at the beginning of the year, that is, the **INPUTS** that can increase or decrease as a result of the **ACTIVITIES** and the relative creation of the **OUTPUTS** (the products and services created) that the organization has generated during the year.

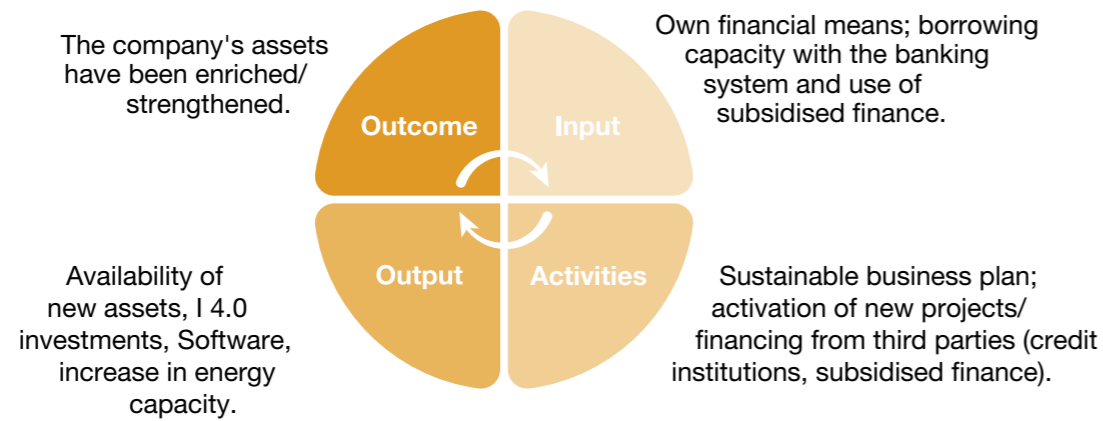
Favero's ability to transform and manage outputs into **OUTCOMES** determines the creation of value, that is, the ability to achieve an economic and social return.

This capacity is associated with the value created for Stakeholders also through interactions and relationships that, due to their importance, must be told and reported when they influence and determine value creation.

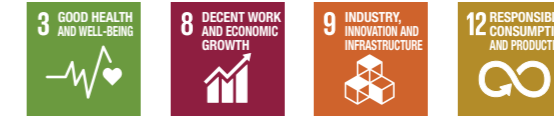


**The Financial Capital**

Favero's financial capital is expressed, among other things, in the model's ability to sustain itself economically in the long term and in its ability to guarantee the remuneration and return of the capital invested by the shareholders, or an **economic sustainability of the business in the medium and long term**. In addition, the constant and planned launch of profitable projects increases Favero's ability to invest, strengthening its own resources. 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.

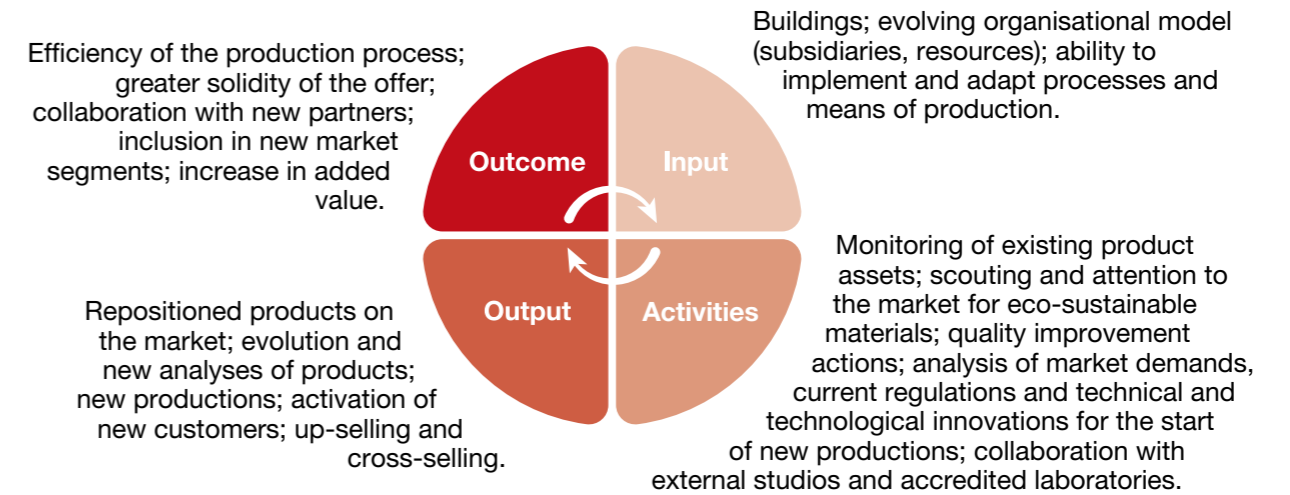


Photos of offices in Montebelluna



**Productive capital**

Productive capital is determined by the sum of available assets and their ability to generate value. To achieve this, it is necessary for the supporting organisation to be coherent and constantly updated and able **to implement and generate the processes necessary for the development, redevelopment and enhancement of the same assets**.



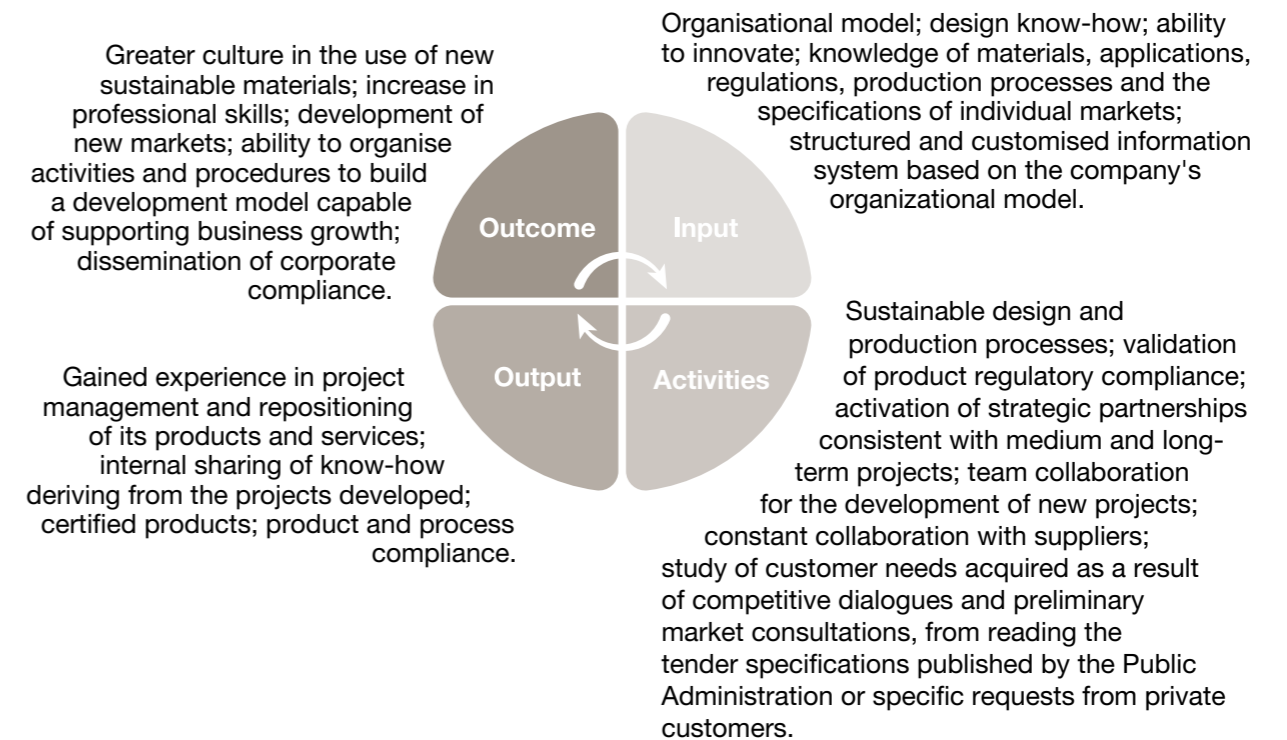
Montebelluna plant photo

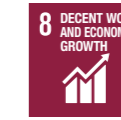




**Intellectual capital**

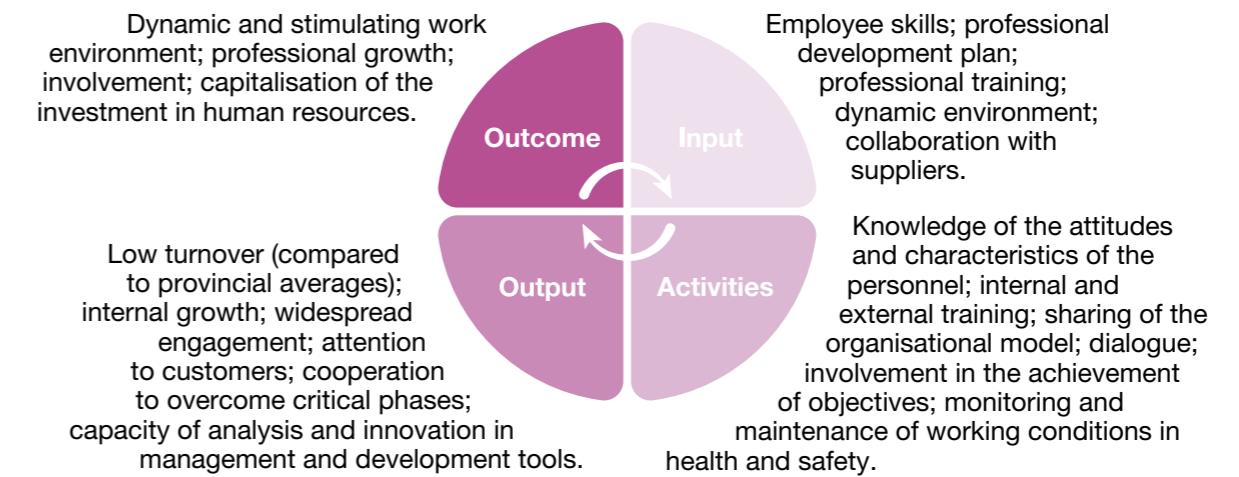
At Favero, Intellectual Capital is determined by the **ability to research, design and develop new methodologies for the implementation and transformation of products with innovative and more sustainable materials**; the study of the market, together with a consolidated system for collecting information and suggestions on the needs related to the use of products, an appropriate information flow management model with its customers and suppliers that is able to anticipate and foresee new business opportunities; ergonomics, flexibility, liveability and humanisation of environments are primary criteria for product design, with the aim of creating tools aimed at the well-being of patients and operators. The **study and in-depth study of the techniques, in order to draw up a Sustainability Report, has been initiated to support the organisation to have knowledge and awareness of its impact on the reference market and its Stakeholders.**





**Human capital**

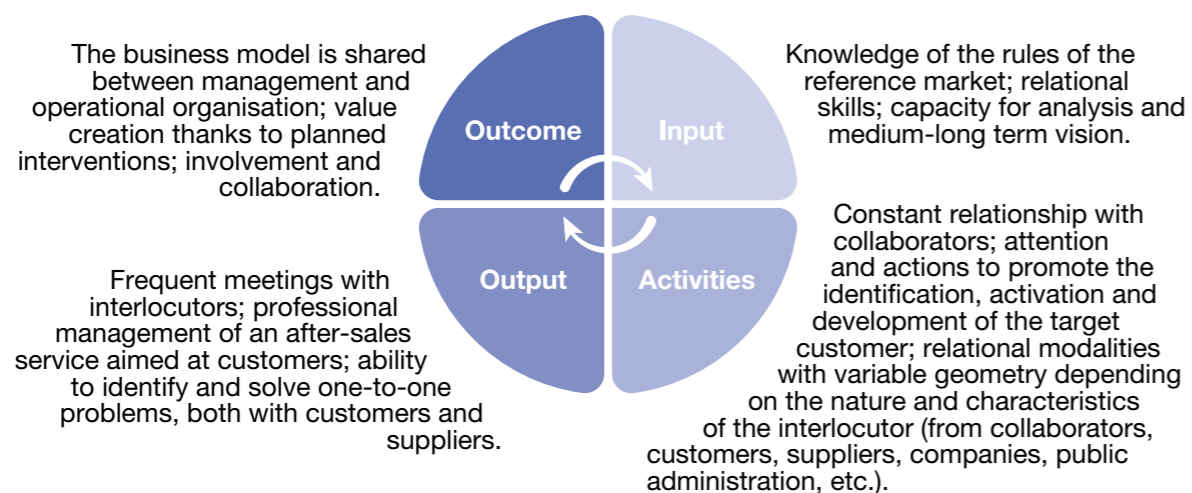
At Favero, it manifests itself in **the attention of the organisation towards the training and professional growth of its employees** and in the need for the potential to be stimulated and supported. Attention to the working environment, organised management of working time and health in general. Attention to **safety in the workplace, quality of life and people's well-being**, also through the use of targeted welfare 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 relate to the needs of customers that is achieved through a **constant and continuous study of the needs of the health sector**, also in connection with suppliers. The relationship and availability towards the operational stakeholders are the basis for the success of the projects with the aim, through revisiting and redesigning, of enriching the value and standing of the product proposal. Attention to the territory becomes a new and stimulating activity that should improve the perception and reputation of the company.



### COLLABORATORS

For Favero, the relationship with collaborators, both internal and external, is strategic. In fact, the professionalism and reliability of the collaborators has contributed decisively to the growth of the company. To ensure this trend, Favero offers continuous training and professional updating, in addition to what is required by law, it makes available the necessary resources both in terms of the evolution of the work organisation, and of the infrastructures, hardware and software. In general, all activities are aimed, whenever possible, at promoting the professional growth of employees; this also allows to maintain stability in the workforce and not to lose the skills acquired, necessary for the development of the company's business.

### CUSTOMERS

Favero has always been sensitive and attentive to the needs of its customers, with the aim of studying products capable of best meeting their needs. This policy is reflected in the quality of the product that must meet the needs of safety and easy use of healthcare professionals and at the same time ensure safety and comfort for users. It also respects the agreed delivery times. To confirm and improve these standards (see paragraph on Stakeholder engagement) we have planned to adopt some initiatives, the costs of which have been allocated in the 2023 budget. Another element that qualifies the relationship with its customers is the consistency between the proposed behaviours and values.

### SUPPLIERS

The relations between Favero and its suppliers are characterised by responsible, collaborative and integrated management in economic, social, environmental and governance terms. Suppliers are evaluated for the economic and product or service quality offered from the opening phase of the relationship; in addition, a verification process begins to be established that also implements the evaluation for their environmental and social responsibility, as well as for business ethics. In fact, in 2022, a qualification procedure was adopted for critical suppliers, as they play a decisive role in creating value (for example, material suppliers and materials that are essential in the production process and not easily replaced). The procedure, in summary, provides for the collection of information available on the market (on the web but also, if necessary, through specialised agencies), then the request to complete a questionnaire and finally, where possible, a visit to the supplier's production site.

### 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, particularly involved in the youth sector.

In addition, the Transversal Pathways for Skills and Orientation (PTCO) project is maintained to provide for the inclusion of 4 interns in the year, selected by the local institutes (Einaudi and Scarpa), in addition to two university students. This project in collaboration with various schools actively contributes to reducing the skill gap between the skills acquired in the school period and those required by the market, also maintaining the employment levels of the territory and preventing depopulation in favour of large urban agglomerations.

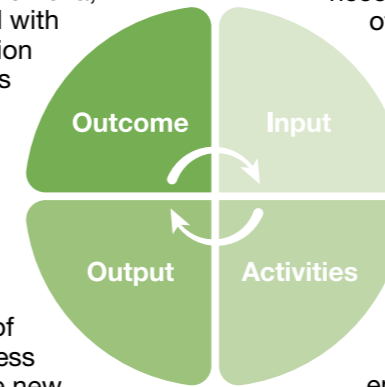


**Environmental capital**

The constantly evolving business model will make it possible to give substance to the desire to mitigate the environmental impact. At the moment, it is possible to act on the production structures for their redevelopment and plan the introduction of adequate mechanisms for new projects, both for layout, production and logistics. Knowledge of the impact of waste management, emissions, and the production process allows you to plan improvement actions.

Greater attention to interventions for the reduction of climate-altering phenomena; collaboration with customers and with the main suppliers for the application of monitoring systems and actions to reduce the impact and creation of CO<sub>2</sub>.

Redevelopment of the product range with the aim of reducing and in some cases eliminating the impact; attention to environmental impact aspects with the aim of adapting the production process to the standards set by the new environmental sustainability criteria.



Carrying out projects and products with low environmental impact; management and implementation of the procedures necessary to maintain the certification of the production process and environmental impact; Scope 1 and 2 energy assessment; digitisation of administrative and production processes.

Control of development plans with a view to energy savings; redesign with an indication to preferably use low-impact materials; orderly management of waste; awareness of the environmental impact within and outside the company.

# Map of Stakeholders and their Engagement

In a reporting process, it is necessary to build a structured approach to listening to the needs of Stakeholders, with the aim of developing a relationship of reciprocal exchanges useful to better understand the problems related to business development.

One of the most important steps involved dialogue and listening with internal personnel and then progressively including the other categories of Stakeholders.

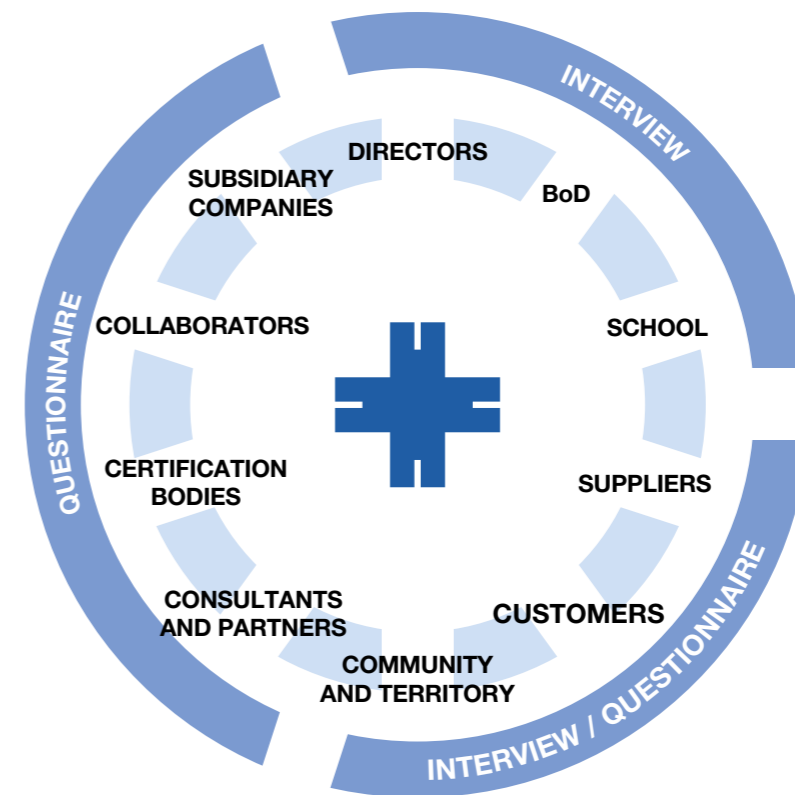
Today, Stakeholder engagement, although still in the embryonic phase but in constant implementation, has become an essential activity for Favero.

Stakeholders are entities that can have a significant impact on the activities of an organisation. According to their degree of *Influence/Dependence* and *Priority/Importance*, as suggested by Standard AA1000 (Accountability 1000) in their "Stakeholder Engagement Manual", Stakeholders can be divided into: primary (if included in the value chain as they are directly influential on the company) or secondary (if mapped but not taken into account in Stakeholder Engagement activities).

The prioritisation of Favero's Stakeholders was conducted through a double analysis, highlighted below, which represents the overall result. Each Stakeholder was assessed on the basis of their **Influence** (ability to influence the organisation in achieving its objectives) and on the basis of **Dependence**, actual or potential, on the organisation.

In addition, their **Priority** (ability to contribute to the generation of economic value and the ability to grow the business model) and their **Importance**, understood as representativeness and ability to promote growth through their direct collaboration, were taken as elements.

The result of this analysis allowed to have both a prioritisation of the Stakeholders, and a qualitative/quantitative mapping of their main characteristics but above all an indication of the possible methods for their involvement.



# Materiality Analysis

## Identification of the main relevant issues

### Introduction: Materiality

The main feature of an Integrated Report is to provide information related to the aspects that significantly affect the ability of the organisation to create value in the short, medium and long term. The aspects referred to are identified through materiality and express and define the peculiar characteristics of the organisation.

To determine materiality for the purpose of drafting and submitting an integrated report, the following basic principles must be respected:

- **Identify** relevant aspects based on their ability to influence value creation
- **Assess** the importance of relevant aspects in relation to their known or potential effects on value creation
- Prioritise these aspects based on their importance
- **Determine** the information to be provided regarding the material aspects

### Materiality Analysis

Materiality analysis is necessary to define the contents that will be analysed in the Sustainability Report.

Materiality analysis is more precisely a tool that allows companies to identify the relevant priorities (issues), consistent with their business strategy.

**For sustainability reporting, those aspects that significantly impact the economic, social and environmental performance of the company and that, due to their characteristics, can influence the evaluations and decisions of the Stakeholders are considered material, or relevant.**

When using the methodology indicated in <IR> the Framework to analyse its business model, it is possible to subdivide the relevant themes identified, for each of the 6 capitals that the company uses in the value creation process.

**Each relevant issue identified through this methodology acquires the role of material only after it has been subjected to the verification and judgement of the Stakeholders.**

It is therefore essential to design and organise moments of stakeholder engagement, at least those identified as priorities, through which the issues identified will be submitted to their judgement and point of view. The methods also according to the AA1000 Accountability Principles are different (from interviews, focus groups, questionnaires...) and must be adapted and used according to the technical and practical possibilities that the organisation can support.

In this case, after the internal analysis that determined the list of the main material issues for Favero, **a structured questionnaire was submitted to the various identified stakeholders** (internal, external collaborators, customers, suppliers, banks, members of the Board of Directors and control bodies, subsidiaries, consultants, certification bodies) **whose results are highlighted by the materiality matrices of the 6 capitals. This allows us to analyse the impact that the relevant issues have on the value creation process, up to identifying those materials that will be studied and studied in depth and that are highlighted in the general materiality matrix.**



### MATERIALITY ANALYSIS

#### SDGs Agenda 2030

Company values	Capital	NR	Material theme	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
Sustainability Transparency Responsibilities Fairness	FINANCIAL	1	Economic sustainability of the business						✓					✓		
		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	Design							✓			✓		✓	
		8	Development Plans						✓	✓			✓			
		9	Workplace safety	✓					✓							
Transparency Respect for people Re- sponsibilities Territory Sustainability Fairness Equality	HUMAN	10	Participation in the business						✓							
		11	Vocational training		✓	✓										
		12	Career growth		✓	✓						✓				
		13	Corporate welfare	✓		✓				✓		✓				
		14	Work-life balance	✓		✓				✓		✓				
		15	Equal opportunities			✓				✓		✓				
Transparency Fairness Ethics Sustainability Responsibilities	SOCIAL	16	Customer information							✓						
		17	Correct business practices							✓					✓	
		18	Ethical conduct	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
		19	Supplier evaluation (experience)								✓					
		20	Supplier evaluation (policy)								✓			✓	✓	
		21	Collaboration with suppliers								✓			✓		
Sustainability Fairness Innovation Attention to the environment	ENVIRONMEN- TAL	22	Responsible resource management				✓						✓			
		23	Consumption (circular economy)									✓	✓			
		24	Emissions									✓	✓			
		25	Combating climate change					✓					✓	✓		

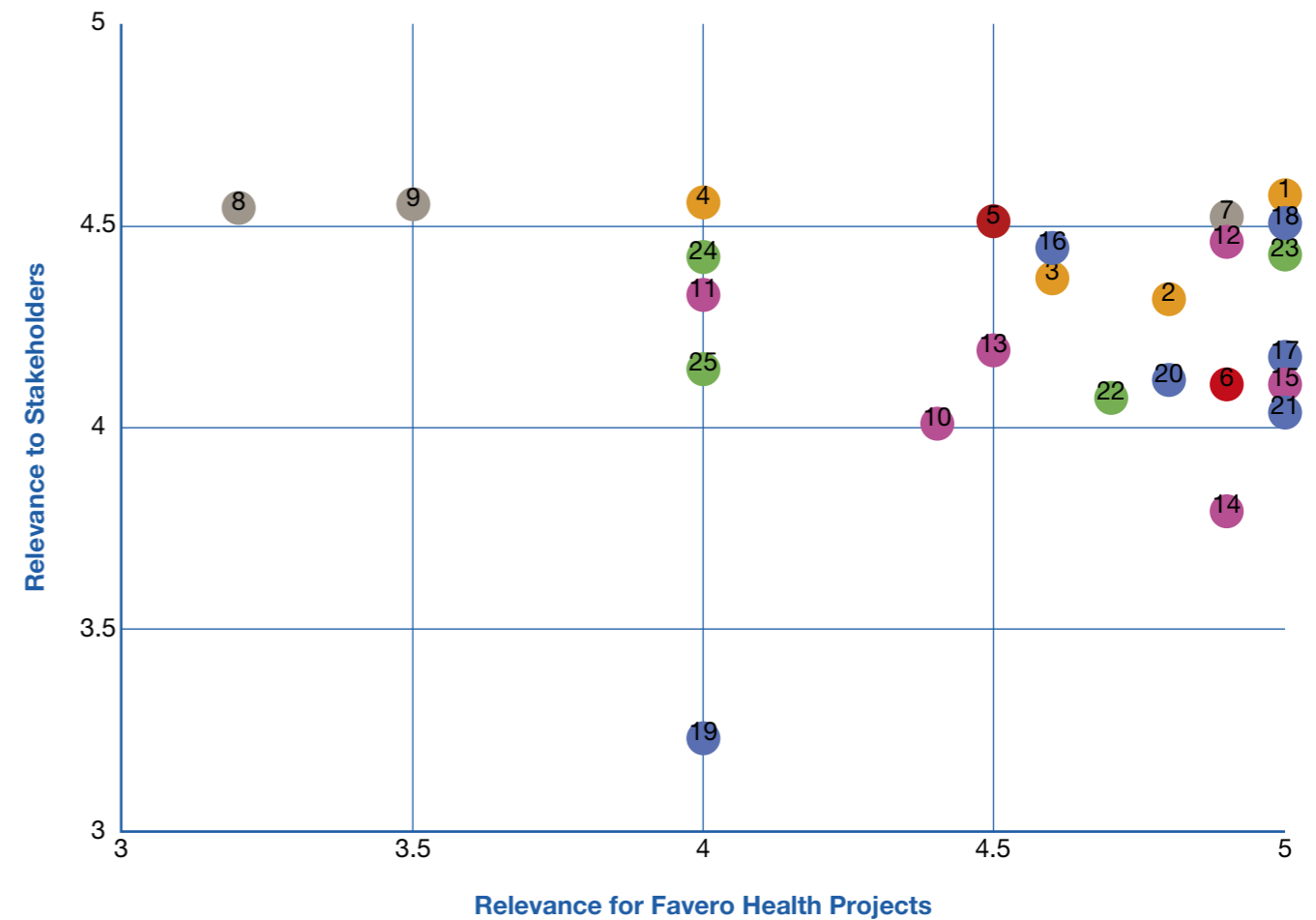
# Materiality Matrix

## 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. We specify that, being the first materiality analysis, the verification and comparison tools used with the Stakeholders were kept at the same level of analysis and this definitely influenced the final result.

The identification of the material issues was therefore made on the basis of some priority criteria decided by the Work Team, following important evaluations, in some cases, disjointed between the company's evaluation and that of the Stakeholders.

The topics identified will be the subject of a more in-depth analysis, both in terms of assessing risks and opportunities, and determining the objectives to be pursued and the related indicators, which will explain how and how they will be achieved.



**Financial Capital**



Material themes	Priority	Very relevant		Relevant
	5 - 4.60	4.59 - 4.20	4.19 - 4	3.99 - 3
1 Economic sustainability of the business	●	●		
2 Economic value generated	●	●		
3 Correct administrative management	●	●		
4 Correct financial management		●	●	

- Favero Health Projects
- Stakeholders

Financial issues were also assessed as extremely important by the Stakeholders. The market in which Favero operates, especially in Italy, may be fluctuating, but it remains at significant volumes, thanks also to the growing spread of private healthcare facilities. It therefore needs to be managed in a professional and careful way, which is able to compensate for structural and temporal financial imbalances.

**Productive Capital**



Material themes	Priority	Very relevant		Relevant
	5 - 4.60	4.59 - 4.20	4.19 - 4	3.99 - 3
5 Renovations / qualifications	●	●		
6 Company organisation	●		●	

- Favero Health Projects
- Stakeholders

It should be noted that for both Favero and the Stakeholders it is important that the structure of the design and production is always in line with the needs of the market in terms of product innovation. Corporate organisation for Stakeholders is an acquired fact, important but not a priority.

**Intellectual Capital**



Material themes	Priority	Very relevant		Relevant
	5 - 4.60	4.59 - 4.20	4.19 - 4	3.99 - 3
7 Design	●	●		
8 Development Plans		●		●
9 Workplace safety		●		●

- Favero Health Projects
- Stakeholders

In the area of intellectual capital, Stakeholder valuations are quite aligned, unlike those of Favero. In particular, we highlight the divergence regarding the issue of Health and Safety at work, which for Favero is a fundamental prerequisite, consolidated, monitored and in continuous implementation, while it remains very relevant for Stakeholders.

For the Development Plan, Favero believes it is necessary to share it only with some Stakeholders.

**Human Capital**



Material themes	Priority	Very relevant		Relevant
	5 - 4.60	4.59 - 4.20	4.19 - 4	3.99 - 3
10 Participation in the business		●	●	
11 Vocational training		●	●	
12 Career growth	●	●		
13 Corporate welfare		●	●	
14 Work-life balance	●			●
15 Equal opportunities	●		●	

- Favero Health Projects
- Stakeholders

For Favero, human resources represent a wealth of knowledge, experience and skills, which has grown in almost 70 years of activity. The issues are also very important for Stakeholders, with the exception of work-life balance, which appears to be a non-priority issue. However, it should be noted that, among the evaluations expressed by a small group of Stakeholders, or internal collaborators, in general, issues related to the management of human capital assume greater importance than that resulting from the total average of Stakeholders.

Share and Relational Capital



Material themes	Priority	Very relevant		Relevant
	5 - 4.60	4.59 - 4.20	4.19 - 4	3.99 - 3
16 Customer information	●	●		
17 Correct business practices	●		●	
18 Ethical conduct	●	●		
19 Supplier evaluation (experience)			●	●
20 Supplier evaluation (policy)	●		●	
21 Collaboration with suppliers	●		●	

- Favero Health Projects
- Stakeholders

At Favero, issues related to Share Capital are all priorities. The constant and information-rich relationship, supported by correct commercial management and ethical conduct, are the aspects that are also considered most relevant by the Stakeholders. With regard to relations with suppliers, Stakeholders consider the adoption of a specific policy for the evaluation of the same to be of greater importance, considering that experience alone is not sufficient.

Environmental Capital





Material themes	Priority	Very relevant		Relevant
	5 - 4.60	4.59 - 4.20	4.19 - 4	3.99 - 3
22 Responsible resource management	●		●	
23 Consumption (circular economy)	●	●		
24 Emissions		●	●	
25 Combating climate change			● ●	

- Favero Health Projects
- Stakeholders

The issues considered are priorities and very relevant for Favero which, for some time, has been committed to better manage energy resources, emissions and what can be implemented to combat climate change. The feedback from stakeholders is in line with the importance of the issues identified by the company. Waste and refuse seem to be for Favero and its stakeholders elements to be monitored and managed according to specific policies.

At the end of the analysis, the relevant topics that are considered material are the following:

	1	Economic sustainability of the business
	2	Economic value generated
	3	Correct administrative management
	4	Correct financial management
	5	Renovations / qualifications
	7	Design
	8	Development Plans
	9	Workplace safety
	11	Vocational training
	12	Career growth
	16	Customer information
	18	Ethical conduct
	23	Consumption (circular economy)
	24	Emissions

They will be described and reported in the next part through the use of specific indicators (KPIs).

### Risk and Opportunity Matrix

Among the Board's particular and relevant activities, it is worth mentioning the constant monitoring of risk factors and factors that can generate opportunities. The purpose of this analysis is therefore to identify, prevent or plan for events that may negatively or positively affect the company's business.

On the occasion of this first integrated Report, **an integrated Risk and Opportunity Analysis was carried out within the Materiality Analysis**, described in the previous paragraph.


**The materiality determination process revealed both the relevance of the impact of the various issues for Favero and its Stakeholders, and the level of risk associated with these aspects.** In particular, the level of risk was calculated considering the probability of occurrence of the risky event - linked to the lack of monitoring of the material issue - due to the seriousness of the consequences of the event itself. The following table illustrates the most relevant risks, the measures taken to mitigate each risk but also the enhancement actions suggested to achieve the opportunities.



Risk Legend:

- High
- Medium
- Low

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
<b>FINANCIAL</b> 	1. Reduction in turnover and profitability, conditioned by investment policies in the Italian health sector and the international political and economic situation.	1a. Constant assessment for verification and management of new tenders. 1b. Increase scouting to verify new customers, especially abroad, and redesign the products used below.
	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. search for new materials.
	3. Ability to access funding. Solid financial position.	3. Use of new investments for new products and to reduce product and process costs.

CAPITAL	RISKS / OPPORTUNITIES	MITIGATION / ENHANCEMENT
<b>PRODUCTIVE</b> 	1. Potential deficiency of internal processes, technological systems, supply chain control.	1a. Implementation of procedures in the design and engineering systems of current and new products. 1b. Identification of new materials and alternative suppliers.
	2. Increase in the volume of semi-finished products and the incoming finished product.	2. Implementation of quality control procedures on incoming goods.
	3. Organisation of production (coordination).	3. Behaviours of the individual functions aimed at achieving common objectives through synergy, cooperation, information flows and connection between roles at all levels of the production process.
	4. Blockage or inefficiency of the company's information flow (e.g. loss of data, hacker attacks).	4. Specialised external company support (updating of company SWs, data backup of antivirus protection systems).
	5. Know-how in the research and production of innovative process and product solutions.	5. Verification and updating of the production layout and machinery.
<b>INTELLECTUAL</b> 	1. Potential abandonment of talent to other companies.	1. Activation of new procedures for the enhancement and gratification of collaborators and for the consolidation of internal collaboration.
	2. Failure to align with the evolution of current regulations on international certifications.	2. The office in charge constantly updates and aligns with European regulations and carries out cost-benefit analyses on non-EU regulations.
	3. Failure to align the company organisation with the business model.	3. Assessment of company functions – job adjustment.
	4. Growing interest in the topics of circularity and respect for the environment.	4. Activation of new circular management systems and application knowledge of new materials.

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 (business climate survey, shared welfare plan and generational know-how).
	2. Centralisation of know-how in department managers.	2. Improve information sharing and increase participation at all levels of the business.
	3. Unshared roles, tasks and workloads.	3. Individual interviews to detail job descriptions based on a better allocation of resources.
	4. Resistance to people's change.	4. From top-down management decisions to modes of involvement in decision-making: from managerial leadership to participatory leadership
	5. Professional updating of collaborators not adequate to the development of the market.	5. Implementation of the annual training plan.
	6. Demotivation of internal personnel caused by demobilisation (externalised production processes).	6. Reorganisation of internal resources to invest them in primary activities.
	7. Loss of intellectual and human resources at retirement age.	7. Coaching and training of new resources.
	8. Interest in and adherence to new corporate sustainability practices, understood in its broadest, economic, social and environmental sense.	8. Operational involvement of collaborators.
	9. Rich corporate know-how (given by experience), values and corporate culture.	9. 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.	1st Policy of transparency and compliance with regulations (administrative, environmental). 1b Activation of a consolidated sustainability reporting system. 1c Greater involvement and activation of collaborators on sensitive issues.
	2. Deterioration of relations with suppliers.	2. Implementation of collaboration activities with target suppliers.
	3. Loss of a strategic supplier that generates the total or partial block of production.	3. Have 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. Adoption of a supplier evaluation system that guarantees the quality of the final product.
	5. Deterioration of customer relations.	5a. Constant assessment of relations with the main customers and introduction of any corrective actions. 5b. Constant maintenance of the commercial policy, if necessary on to one. 5c. Updating the sales network. 5d. Implementation of complaint management. 5e. Adoption of an ethical and transparent behaviour in business relations with the customer.
	6. Socio-institutional attention to sustainability issues by society.	6. Sustainability initiatives to increase brand awareness and consolidate the company's reputation.
	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. Adoption and dissemination of the Company Code of Ethics.	9. Sharing of company values and code of ethics with Stakeholders.
<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. Greater control over suppliers' production processes in the field.
	2. Suboptimal knowledge of waste management practices.	2. Identification of a work team that will propose new procedures for waste management and disposal.
	3. Insufficient capacity for energy autonomy and/or use of alternative energies to fossil fuels.	3a. Increased 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 necessary rules and resources available to all Stakeholders.	5. Communication on Favero's sustainable approach, Towards Partners, social, marketing, PR, etc.).

# Material and capital issues

## 2022 indicators and 2023-2024 targets

### Introduction.

The materiality analysis and the determination of the relative Materiality Matrix made it possible to identify the material issues that must be reported. Reporting is developed through the use of indicators to understand if and how Favero has addressed, managed and resolved them. It is important to remember that the choice of indicators is made based on what needs to be done to report the commitment of the organisation, but, at the same time, taking into account the possibility that the indicators have objective results in the current activity of the company. Objectives to be used in the next Report, indicated as 2023-2024 objectives, were also identified for each material theme. These objectives take into account the possible development of the company's activities and identify to some extent how the company intends to create value in the medium term, taking into account the management of risks and possible opportunities indicated in the specific table.



### FINANCIAL CAPITAL

During 2022, Favero suffered a contraction in turnover due to various factors.

Following the significant investments, in Italy above all, linked to the Covid pandemic in the years 2020/2021, 2022 suffered a significant slowdown, linked, on the one hand, to the need for a reorganisation of the NHS - pending the interventions envisaged by the PNRR for the modernisation and strengthening of health facilities - and on the other to the energy crisis, the difficulty in finding raw materials (and the consequent significant increase in prices), and the war in Ukraine, which has blocked the market of our sector with respect to the countries involved in the conflict.

### Economic sustainability of the business

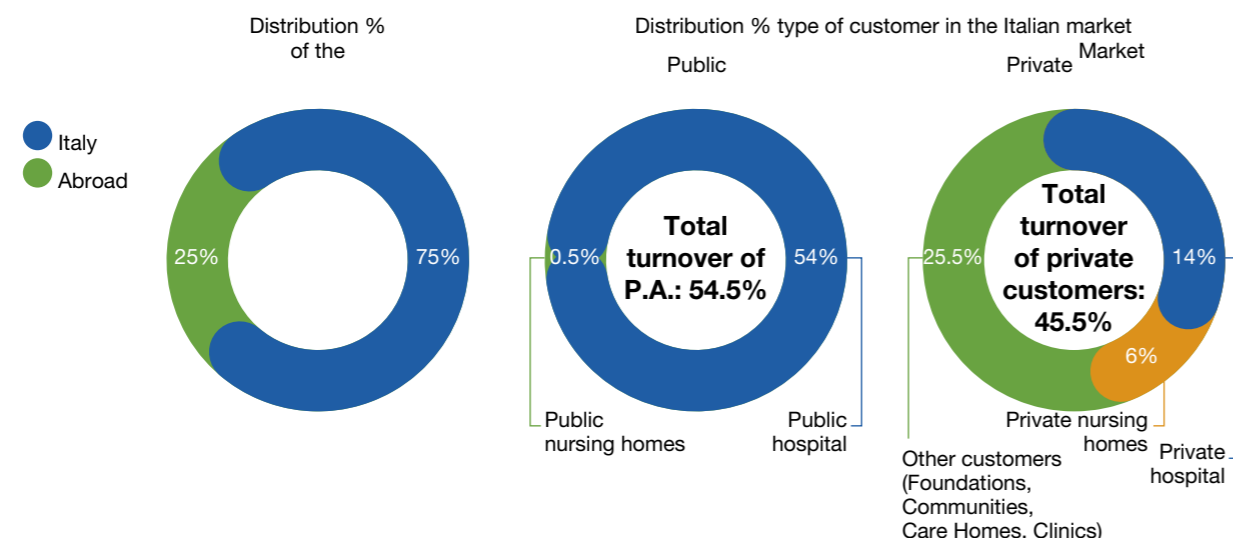
Despite the difficulties encountered in 2022, Favero was still able to manage the contraction, thanks to the consolidated business model, the support of the banking system and the possibility of accessing financing and benefits, while continuing to invest in terms of product innovation. In the management of the organisation, efforts have been made to increase the commitment to the development of foreign markets.

#### Indicators:

1)

	2021	2022	% compared to 2021
<b>Total Favero turnover trend % compared previous year</b>			
	16,560,137	13,834,201	-16.46
Turnover Italy	13,345,157	10,298,374	-22.83
Foreign turnover	3,214,980	3,535,827	+10.00

2) P.A. turnover ratio with respect to private customers in percentage terms:



- 3) Economic value generated (MOL) 6.20%
- 4) Investment ratio (2022 on 2021) in percentage terms +71.14%
- 5) Research and development (2022 on 2021) in percentage terms -4.5%

**Goals 2023-2024:**

- 1) Improved turnover
- 2) Improvement of net result
- 3) Consolidation and improvement of foreign turnover
- 4) Intervention on suppliers, product and materials for cost rebalancing
- 5) Interventions on consumption, energy savings and increased self-consumption
- 6) Investments in the BIM digital information system

**Economic value generated**

Revenues show a significant reduction compared to the previous year. Particular attention was paid to costs that in any case showed a minor decrease compared to turnover, as fixed costs did not have a proportional reduction to the costs of raw materials and purchases, and we also suffered energy increases (about +16% compared to 2021).

**Indicators:**

- 1) Value generated
  - a. Revenues: €13,834,201
  - b. Other revenues: €100,832 (Sabatini MISE contribution, R&D tax credit, energy and gas credit, capital goods credit)
  - c. Distribution of business: geographical and sectoral area (valuation compared to the previous year)  
Turnover by geographical area: IT North -11.66%, Central -10.56%, South -64%
- 2) Distributed value (according to GRI 201 indication)
  - a. Operating costs: 74.66%
  - b. Personnel costs: 17.03%
  - c. Territory sports benefits and sponsorships: 0.74%
  - d. Financial costs: 1.07%

- 3) Treasury 0.50%
- 4) Retained value (according to GRI 201 indication) 0.90%

**Goals 2023-2024:**

- 1) Increase the results achieved
- 2) Consolidate the internal organisation in terms of efficiency in managing new target customers
- 3) Implement the procurement cost control system
- 4) Analyse national and international markets, strengthen and streamline the sales network.

**Correct Administrative Management**

Periodically, checks are carried out by the Board of Statutory Auditors, the Auditor and the Supervisory Board. In addition to the legal requirements, analysed and evaluated by the control bodies, a new management software programme for the treasury was commissioned, to have a timely and precise analysis of cash management.

**Indicators:**

- ROI: 1.15%
- Liquidity ratio: 226.2%
- Social security and tax debt index: 1%
- Warehouse rotation: 3/4 per year
- Inventory value: + 3.98% compared to 2021
- Capital adequacy index: 84.6%

**Goals 2023-2024:**

- 1) Decrease exposure to customers
- 2) Renegotiate payment terms with some suppliers
- 3) Review of the maximum payment deferral limit by some customers
- 4) Identify and contract alternative suppliers both for quality of service and cost control
- 5) Improve the rotation of the warehouse of purchasing products
- 6) Extension of new customer selection circles



### Correct Financial Management

In 2022, subsidised loans or requests for reimbursement in the form of a tax credit were used. The cash flow generated, together with the loans and the certainty of receipts, has made it possible to support working capital.

There are no risks of: credit, liquidity, market, financial.

#### Opportunity derived from subsidised finance to support investments in:

- Installation of photovoltaic panels, R&D development of new products, models and moulds
- Training: used by Fondimpresa for IT courses, RSPP, specific worker safety, general first aid and fire safety
- Software: licences related to the software applied to the carpentry machinery

#### Indicators:

- Incidence of financial charges on turnover: 1.07%
- Concentration of diversified bank loans (more credit institutions)
- % use of credit lines: 58% of which 48% long-term unsecured loans
- % factoring on turnover: 1.53%

#### Goals 2023-2024:

- 1) Increase in equity
- 2) Renegotiation of interest rates
- 3) Search for new funding (for R&D) through participation in subsidised funding calls, training

### PRODUCTION CAPITAL



A rationalisation activity of the production layout was started, which allowed to improve the working spaces, increase the space dedicated to the warehouse and reduce the direct production costs. The outsourcing of some processes has made it possible to manage natural turnover (retirement).

#### Renovation/qualifications

During 2022, the redevelopment and restructuring of the production process was in the final phase with the outsourcing of some processes (metal), including to subsidiaries. The carpentry processes have been implemented with new investments in machinery and software that have strengthened and improved the one-to-one customisation service.

#### Production efficiency:

- Reorganisation of work areas
- Optimisation of work cycle times
- Greater use of outsourcing
- Management and reduction of production waste

#### Indicators:

- % investments in machinery and plants on turnover: 2.03%
- Energy savings (consumption/hours worked ratio), 2022 on 2021: Electricity (-23%); Methane (-42%)
- Direct personnel costs (compared to the previous year): -5.44%
- Personal training hours: 403
- Outsourcing value on turnover:

	2022	2021
<b>TOTAL OUTSOURCING</b>	1,383,380.00	1,205,099.00
Incidence % outsourcing on turnover	10%	7.28%
Outsourcing incidence trend on turnover (2022 compared to 2021)	+37.36%	

- Dedicated man-hours for quality control: 6805
- Total number of 2022 codes: 100,000
- No. of new codes 2022: 1624 (1.62% of the total)
- No. of lost/suspended codes 2022: 1809 (1.81% of the total)

#### Goals 2023-2024:

- 1) Introduction of more demanding quality criteria in the acceptance of materials and/or outsourced suppliers
- 2) Efficiency of production batches
- 3) Introduction of a minimum production batch for compatible codes
- 4) Check and, if necessary, improve the knowledge of new machinery and related process procedures by direct production personnel
- 5) Assessment of process chains and production layout
- 6) Decrease production waste
- 7) Study obsolete codes and verify their disposal
- 8) Implementation of new quality control systems
- 9) Digitisation of operating procedures
- 10) Personnel retraining



## INTELLECTUAL CAPITAL

During the 2022 financial year, the company increased its activities and commitment of resources to continue what it started in 2021 in terms of new product development. Despite the uncertainties caused by the particular historical moment we are experiencing, the company has continued to invest and look to the future, especially in terms of the sustainability of its business.

### Design

Internal research and development activities have been launched on numerous projects related to eco-sustainable materials and in general to the prolongation of the life cycle of the product, the use of technologically advanced solutions and features (software and applications), also with the support of external professionals and academic entities.

All the activities carried out related to product innovation have allowed the company to achieve the strategic objective of positioning itself on a market segment with greater added value, to better respond to customer needs and at the same time to expand and consolidate the company's know-how.

#### Indicators:

- Investments in research and development: €421,333
- No. of projects started in 2022: 3
- Hours/man dedicated to Research and Development in 2022: 294
- No. of new products placed on the market: 9
- Incidence % of new products on total turnover: 3.20%
- No. of active design and graphics software licences: 30

#### Goals 2023-2024:

- 1) Creation of a roadmap of new projects and new products
- 2) Implementation of co-design with suppliers
- 3) Identification of new areas of competence for Research and Development
- 4) Implementation of a structured system for the collection and sharing of market requests (technical/ accessory/functional characteristics)
- 5) Creation of a library of BIM models - Building Information Modeling – and related internal training

## Development Plans

While in the design of new products the company has constantly proceeded, during 2022 the development plans in foreign markets, despite a good performance, were conditioned by the international situation (war, raw materials, energy, tail of the pandemic...).

Following the numerous awards obtained by the company in recent years in the field of sustainability, Favero has decided to proceed with the preparation of the Sustainability Report, referring to the year 2022.

#### Indicators:

- Increase in foreign turnover (2022 over 2021): +10%
- New countries (Kazakhstan, Brunei)
- Hours spent on certifications (including training hours): 1100 hours
- Investment in participation in international exhibitions: €63,000
- Investment value Sustainability Report: €13,700 and 498 working hours

#### Goals 2023-2024:

- 1) Evaluation of the effects on tenders in Italy induced by the PNRR
- 2) Optimisation of the sales network in Italy
- 3) Analysis of new potential foreign markets (linked to participation in the Dubai fair)
- 4) Update of the Code of Ethics and the MOG 231
- 5) Confirmation of a stable team for the preparation of the second Sustainability Report
- 6) Identification of new sustainability reporting criteria (CSRD)

## Workplace health and safety

During 2022, the management of aspects related to health and safety in the workplace was maintained and further strengthened, despite the fact that the company is already fully compliant with current regulations.

### Safety

During 2022, there were no accidents or injuries, nor were there any situations of risk, also thanks to the punctual adherence to company protocols and the constant monitoring and control, by the persons in charge, of the correct use of PPE. A group accident insurance policy was also taken out.

#### Indicators:

- No. of accidents 0
- No. of injuries 0
- No. of reports received and taken over (potential risks reported) 0
- Investment in specific insurance policies

## Health

The protocol applied since 2020, on the occasion of the Covid-19 emergency, continued for the first part of 2022, in particular procedures were applied to:

- limited contacts between people;
- personal safety devices (masks) have been maintained;

**Indicators:**

- No. of hours of sick leave: 3,189 out of 98,418 worked (3%) – Provincial average 5.6%
- Investments: not necessary

**Goals 2023-2024:**

- 1) Implementation of an e-learning platform (training snippets)
- 2) Introduction of incoming visitor control system
- 3) Possible modification of working hours for greater flexibility
- 4) Reduction of manual workloads, thanks to the use of automated systems in particular for the packaging of outgoing goods
- 5) Decrease in welding chimneys (from 4 to 2)

**HUMAN CAPITAL**



During 2022, Favero maintained a high level of attention with respect to its employees, in terms of training and professional growth, health and well-being of the workplace and involvement in achieving objectives, trying to stimulate dynamism and internal collaboration.

**Vocational Training**

In order to support the development and evolution of the company's business model, it is necessary to carry out constant professional training and increase the skills of internal resources, know-how, culture and company values.

**Indicators:**

- General training hours (including mandatory ones): 403
- No. of collaborators involved in the training (% of total collaborators): 49%
- Average hours of direct individual training: 6
- Average hours of indirect personnel: 6
- Types of courses carried out (expressed in number): 3 (Specific updates - Environment - Safety)

**Goals 2023-2024:**

- 1) Verification of the soft skills present and to be implemented
- 2) Preparation of a general training plan according to the main needs identified
- 3) Creation of a questionnaire to monitor the "Business Climate"
- 4) Introduction of horizontal training courses for sharing issues that affect efficiency and internal communication

**Career growth**

Even in the absence of a formalised plan for the professional growth of its employees, the company recognises and attributes an expansion of skills with the assignment of new tasks, in some cases supported by training activities.

The interest in sustainability issues has led Favero to promote the development of the skills of its employees in this area, providing for some of them a growth path aimed at achieving certain objectives.

**Indicators:**

- Employee classification and average female/male salary ratio

Classification	No. of men	No. of women	Average female/male pay ratio
A1	2	0	N.A.
AS1 Production	3	0	N.A.
AS3	1	0	N.A.
B2	2	0	N.A.
C2	1	9	-0.90%
C2 Production	5	0	N.A.
C3	7	8	-4.10%
C3 Production	7	0	N.A.
D1 Production	1	0	N.A.
D2	2	4	3.20%
D2 Production	9	0	N.A.

**Goals 2023-2024:**

- 1) Updating the company's job description
- 2) Implementation of the system of periodic assessment of the tasks and skills of personnel
- 3) Definition, for some company figures, of a professional updating plan
- 4) Implementation of the objectives plan and definition of incentives

**SOCIAL-RELATION CAPITAL**



**Customer information/customer management**

The relationship with customers during 2022 saw the strengthening of trust on the part of some historical customers, but also the beginning of collaboration with some new customers, based in particular abroad.

The use of software has characterised the development of new products, making them more sophisticated and innovative; this has made it necessary to create more detailed and in-depth information material and user manuals.

**Indicators:**

- No. of active customers: 700
- No. of new customers: 72
- No. Offers: 3304
- % offers successful: 7.39%
- Average value of customer turnover: €19,500
- Customer concentration by turnover classes:
  - with invoices from 0 to 10,000 Euro= 528 (75.5%)
  - with invoices from 10,000 to 50,000 Euro= 103 (15%)
  - with invoices from 50,000 to 100,000 Euro= 31 (4.5%)
  - with facts over 100,000 Euro= 34 (5%)
- Type of sale:
  - directional sales Italy 9.5%
  - sales with brokerage agents Italy 61.5%
  - distributor sales Italy 4%
  - sales distributors abroad 24%
  - sales to foreign customers 1%

**Goals 2023-2024:**

- 1) Implementation of a formalised customer management system
- 2) Prepare an economic evaluation analysis of the main customers
- 3) Improvement of commercial technical communication to the sales network, distributors and customers
- 4) Reduce lead times
- 5) Improvement of the management of the preventive and scheduled maintenance service
- 6) Engage customers on the benefits of adhering to the principles of sustainability
- 7) Improvement of proactive marketing activities towards the customer through greater use of the website

**Ethical conduct**

The fiduciary relationship with the Stakeholders is a fundamental element to guarantee the company's activity. Not only to maintain the level of reputational standing but to ensure that internal procedures are aligned with the values of a sustainable company. To this end, the dissemination of the code of ethics to customers and suppliers guarantees adherence to the principles indicated therein.

**Indicators:**

- Charges for late delivery penalties: 0  
The data relating to the average days of delay in deliveries is not particularly significant, also because they are normally agreed with the customer, especially in consideration of the great supply difficulties recorded in 2022 and the significant size of the product range offered.
- Company Recalls: 0
- No. of customer claims: 0

**Goals 2023-2024:**

- 1) Update of the Code of Ethics and the MOG pursuant to Legislative Decree 231/01
- 2) Review of the system for assigning responsibility to collaborators
- 3) Evaluation of customers also on the basis of business ethics

**ENVIRONMENTAL CAPITAL**



There are some obvious repercussions in the responsible application of resources both in economic terms and cost containment, and in terms of the practical application of the values of a sustainable company.

The increased use of eco-sustainable materials in new products begins to be enhanced in communication with customers regarding the life span of the product and the recyclability of the components.

**Consumption management**

This particularly important and demanding activity is supported by a careful analysis of company consumption, divided between production area and office area, monitored through the use of dedicated indicators with a view to implementing improvement actions.

During 2022, the company, also in order to mitigate the production of climate-altering gases, made investments for:

- a) Review of working hours
- b) Activation of more efficient production machines
- c) Renewal of company car fleet with hybrid system

**Indicators:**

(Registered and operational office v. Schiavonesca Priula no. 18, 20 and 23)

- Use of electricity from renewable sources: 100%
- Packaging consumption (2022 compared to 2021): - 40.15%
- Water consumption (2022 compared to 2021): + 31.93%
- Electricity consumption (2022 compared to 2021): - 31.27%
- Methane consumption (2022 compared to 2021): - 73.32%
- Chemical products used in production processes (2022 compared to 2021): + 1.7%
- Waste produced (2022 compared to 2021): - 18%
- Waste R (recovery): 99%
- CO<sub>2</sub> emissions company fleet: 160,396.00 kg
- CO<sub>2</sub> emissions from home/work trips of internal collaborators: 50,525.00 kg

**Goals 2023-2024:**

- 1) Installation of proprietary photovoltaic systems
- 2) Installation of presence sensors for activation/deactivation of department/office lights
- 3) Replacement of old technology lamps with LED lighting
- 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
- 5) Implementation of actions for the conscious use of water
- 6) Assessment of the feasibility of installing rainwater recovery systems
- 7) Efficiency to reduce methane gas consumption
- 8) Initiate awareness-raising activities for our Stakeholders on the responsible use of all resources
- 9) Identify and monitor the consumption indicated in Scope 2
- 10) Reduce paper use and promote the use of recycled paper
- 11) Optimised working hours for the use of the photovoltaic system owned
- 12) Installation of photovoltaic energy storage batteries
- 13) Zero production of non-recyclable waste
- 14) Increase in products made with materials with less environmental impact
- 15) Progressive reduction of chemicals used in production processes
- 16) Application of cams also on medical devices (Note: the application of cams to medical devices is not mandatory)
- 17) Progressive reduction of parts/accessories with chrome finish
- 18) Versatility of packaging made with recycled and/or recyclable materials
- 19) Actions to offset CO<sub>2</sub>emissions:
  - a. Planting trees in the territory
  - b. Introduction of plants in all offices

**Emissions**

During 2022, the company's attention to the revision in terms of bill of materials of historical products was increased, depriving the use of eco-sustainable and recyclable materials. The newly conceived products aim at maximising the use of recyclable eco-sustainable materials, with an easily disassembled structure and specific indications for their correct disposal.

**Indicators:**

- Newly designed product components (average 2022):

Eco-friendly and recyclable	86%
Non-recyclable	13%
Disassemblable	95%

- Revised product lines for increased use of eco-friendly and recyclable materials

**Furniture and technical walls line:**

wooden materials	80%
metallic materials (aluminium and painted steel)	80%

**Medical devices, equipment and accessories line:**

padding and related coatings	70%
polymeric materials (PE, ABS, PP, etc.)	85%

**Goals 2023-2024:**

- 1) Identification of new suppliers
- 2) Increased vocational training in the use of the circular economy
- 3) Identification of specific software for the application of circular economy criteria

## Conclusions

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The drafting of the first sustainability report, as at 31/12/2022, allowed us to carry out an in-depth analysis of the Organisation, which revealed, in a transparent way, its impacts on economic, environmental and social aspects.

It has been a complex path in some ways, but the critical issues that have been found are now the stimulus and the engine from which to imagine, design and build the future of Favero Health Projects.

The number and magnitude of the concrete objectives identified as a result of this analysis make it necessary, for their realisation, a broader time frame and therefore we have decided to target them in the two-year period 2023-2024.

We hope that our interlocutors, who now know our continuous commitment to sustainability issues, can share it and help us make it an element of greater reliability for all Stakeholders.

[favero.it](http://favero.it)



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