

SUSTAINABILITY REPORT 2019

Here's another way to wellbeing

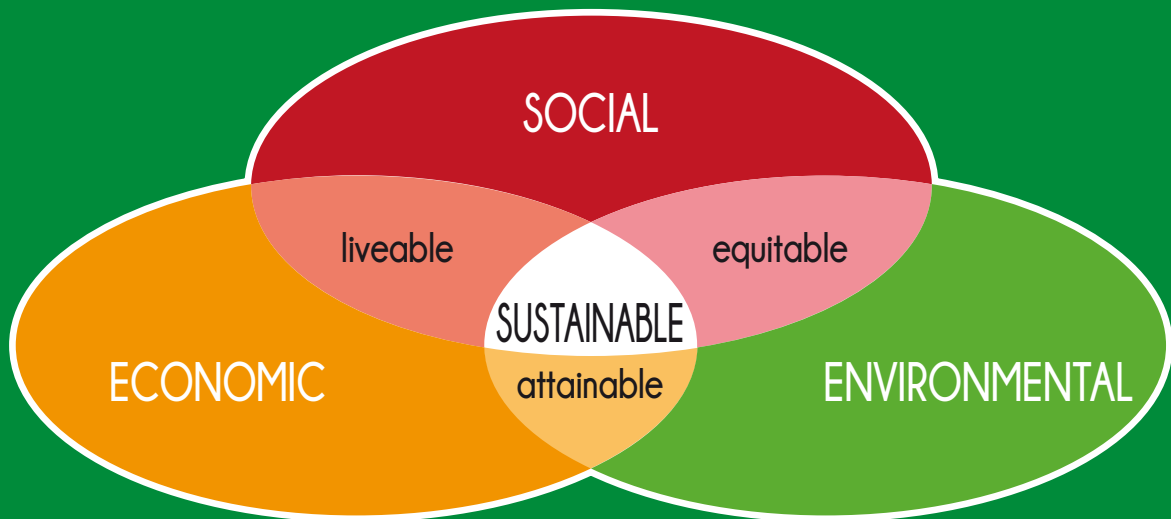


Schwabe Pharma
Italia
From Nature. For Health.



www.schwabe.it

PEGASO S.r.l. • Via Pietro Nenni, 5 • 37024 • Arbizzano di Negrar • Verona



"sustainable development is
development that meets the needs
of the present without
compromising the possibility for
future generations to meet theirs"

Gro Harlem Brundtland

Developed with the contribution of:
Pegaso Supporters Group.

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LETTER FROM THE BOD

To be able to meet the challenges of the future facing our market was the goal we had set ourselves for Pegaso in the latter half of 2018.

2019 was a year of profound, significant changes, given our decision to transfer our company shares and seize the opportunity to become part of a major German pharmaceutical group: Schwabe.

This decision, taken with the support of our father, the company founder, was communicated from the outset to staff at company HQ, who appreciated our desire to ensure continuity, development and therefore a sound future for the company.

The merger between Pegaso and Schwabe Pharma Italia, the Group's Italian affiliated company, with two complementary business models and a synergistic products catalogue, allowed us to envisage the development of a strategy for expanding distribution and strengthening the presence of both brands on the Italian market.

Thus, the sustainability process developed over the years by Pegaso will soon also involve Schwabe Pharma Italia with a new materiality analysis, the identification of stakeholders and the creation of a new report for the two company facilities at Arbizzano (Verona) and Egna (Bolzano).

BoD in office until 6th June 2019



Cristina Tosi



Bruno Tosi



Paola Tosi

Taking up the baton of an innovative and qualifying project such as the Sustainability Report, and succeeding in valorising it at both local and international level is a challenge I am delighted to accept!

At a local level, we used the second half of the year to implement a company reorganisation with a view to ensuring a frictionless integration between the two companies which will lead to the merger by incorporation during 2020. The 2019 Report also took into account this forthcoming development, as a result of which the Report itself was greatly simplified, paving the way for the inclusion, in the next edition, of new data deriving from Schwabe expertise.

At an international level, since our objective will be to suitably convey the value of the Report to all our colleagues, we will start drafting it in English too and we will present it as a qualifying project for Italy at the Corporate Social Responsibility Awards held each year by the Schwabe Group to reward the best social responsibility activities run by branches over the past year.

As we await the opportunity to draft a new, more extensive Report for 2020, let's read and consider the Pegaso Sustainability Report for 2019.

Representing the BoD in office since 7th June 2019



Marco Testa

A NATURAL HANDING OVER OF THE BATON: FROM PEGASO TO SCHWABE

*T*his 2019 report represents a moment of transition from the analysis of the sustainability of the Pegaso company to that which Schwabe will begin working on in 2020.

A company whose entire philosophy is already about great attention to human wellbeing and the respect for nature.

Everyone at Pegaso thus has the opportunity to involve their new colleagues in materiality analysis, the identification of stakeholders and the drafting of the future report which will be compiled over the course of the year.

This seventh year of our annual report concludes the 2017-2019 three-year reporting period and relative objectives, included in the project **Focus on Sustainability**, begun in 2016.

In the current sustainability report (calendar year 2019) we maintained the graphic structure of the 2017 report and the **SDGs** relating to our business model. Over the course of the year, all employees took part in the data reporting process.

The sustainability report is presented to **internal stakeholders** and some external stakeholders during an official event held at company headquarters, which leads to the publication of articles in local and sector publications; in addition, it is published on the corporate website and a printed copy is also sent to key stakeholders. Several copies are displayed in common areas and rooms dedicated to meetings with external suppliers and, lastly, an English version is drafted for sharing with the Schwabe Group. The scope of this report is limited to the footprint of the Arbizzano (Verona) facility.

TALKING

PROMOTING
HEALTH

WORKING
TOGETHER

GENERATING
WEALTH

PLANNING
HEALTH

TAKING CARE
OF THE
ENVIRONMENT



The director of the sustainability project to contact is **Monica Girelli** (monica.girelli@schwabe.it)

This report has been prepared in accordance with the GRI Standards: **Core option**.

All topics that we report below are in compliance with GRI requirements and integrated with additional information where necessary, in addition no issues highlighted by stakeholders have required additional extra GRI studies.

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SDGs

We have identified **6 of the 17 SDGs** (Sustainable Development Goals) which, according to our business model, we can help achieve in the medium term, on a local and national level.

The **6** goals are represented by the official icons and, in the report, indicate that the contents in question are linked to those of the **United Nations**.



The method of measurement for the goals was possible thanks to the GRI STANDARD indicators. Detailed information on the goals and the indicators used is given in the annexes section available at the following link: bit.ly/Methodology-annexes-SR2019 or scan the QR Code containing the URL.



ENSURE HEALTHY LIVES AND PROMOTE WELLBEING FOR ALL AT ALL AGES.

This goal coincides with our Mission.

Because **Here's another way to wellbeing** indeed means helping to improve people's health and wellbeing generally through prevention, lifestyle and supplements, reducing the burden on the national health system.



TARGET 3.8



TARGET 4.4, 4.7

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL.

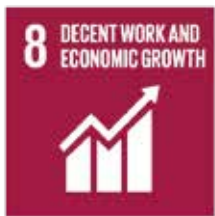
> We invest every year in technical and interdisciplinary training for employees and collaborators. We recognise that this impacts on knowledge and expertise, improving productivity and efficiency, while also rewarding employees by giving them the opportunity to access valuable educational content.



TARGET 5.5

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS.

> We are a company with a predominantly female workforce, and a female approach to business, product development, personnel management and the life-work balance.



TARGET 8.2, 8.3, 8.5

PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYEMENT AND DECENT WORK FOR ALL.

> We are aware of our role as a company and the contribution we make to the **social-economic sector** in the province of Verona.

> The company's success has a positive impact on the sector in terms of economic growth, the use of resources and development. We offer all our employees decent working conditions and we are attuned to their needs. We are also attentive to our suppliers, complying with all employment laws.



TARGET 12.4, 12.5

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

> We are acutely aware of **our waste, our annual consumption of materials** and the fact that third parties generate a greater environmental footprint than the Pegaso headquarters alone. We study the market in depth in order to produce the right amount of products without generating waste; we create products with limited packaging to help people achieve their health objectives with fewer negative external factors.

The Sustainability Report is a useful document to measure our environmental, social and economic performance, to become increasingly responsible in terms of manufacturing and to encourage responsible consumption patterns among clients and final users.



TARGET 17.17

STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT.

> We share our keen interest in sustainability and sustainable development **with our stakeholders**. Moreover, on more than one occasion, we have measured the environmental and social performance of certain suppliers, influencing their sustainable decisions and actions.

KEY FACTORS 2019

March 2019

THE PROJECT "HERE'S ANOTHER WAY TO WELLBEING AT WORK".

Participation in the tender "Verona Aziende sicure 2.0 - Guadagnare in salute" promoted by Veneto Region. The contribution entitles staff to have fresh fruit, medical check-ups and massages at work.

April 2019

TRAINING AND INTRODUCTION OF SMART WORKING

Training course and introduction of smart working for all employees.

June 2019

TRANSFER OF OWNERSHIP TO SCHWABE INTERNATIONAL GMBH.

The Tosi family transfers ownership of the company to Schwabe International GMBH, the leading German group in plant-based pharmaceuticals. New Board of Directors appointed.

July 2019

NEW E-COMMERCE.

The launch of the new online store www.pegaso.eu to facilitate users in the browsing and purchase of products.

September 2019

SALES NETWORK REORGANISATION.

Phase one of the merger process between Pegaso and Schwabe Pharma Italia through the first step in the reorganisation of the sales and information networks. New products and new training for both networks.

October 2019

ACTIVATION OF COMPANY CANTEEN THROUGH AZALEA COOPERATIVE.

The catering activities of the Azalea Social Cooperative allow us to provide freshly cooked lunches to the company workforce.

December 2019

PRESENTATION OF NEW ORGANISATION CHART.

The merger process with Schwabe Pharma Italia progresses: presentation of the new company organisation chart incorporating all employees.

COMPANY PROFILE



VISION, MISSION, VALUES

The mission and core values of Pegaso and Schwabe are particularly similar and this provides a solid base for the merger process.



We want to help create a world where health is a conscious choice that respects and is in harmony with life sources.

These individual choices begin with diet, lifestyle and mental attitude towards our bodies.

We place people at the heart of all this with our comprehensive and integrated vision, and through various treatment methods we can help people to maintain or recover their psychological and physical wellness (or to stay well).

Research, Training, Communication and Education are the four key words that guide our choices.

We have shared seven **values** we use as reference to generate coherent behaviours and to guide us in our daily decisions. They were developed through the engagement of the company owners, internal employees and some external collaborators.



*H*elping people to **grow, take care of themselves and live healthy lives**, in harmony with themselves and the world around them, thanks to the effective solutions that Nature alone offers us.

Ours is a **people-centred** approach, ensuring human beings are the focus of our care and attention, with Nature as our valued, exceptional ally. We firmly believe in the **principles of corporate social and ecological** responsibility, so our every action, product and service is part of an ethical business project based on respect for Man and Nature.

Our six **corporate values** convey everything that Schwabe Group stands for and applies in all its branches around the world.

Passion

Result

Together

Simplicity

Transparency

Responsibility

Respectful

Respect

Binding

Sharing

With complete trust

Evolution

Responsible

THE COMPANY PROFILE



We produce and distribute dietary supplements and medical devices for a total of **67 products under the Pegaso brand** (with 82 different product packs).

The **central and operating headquarters** are in Via Pietro Nenni, 5, Arbizzano, in the province of Verona (Italy). The company, an Srl, as of **June 2019** is owned by Schwabe Group (Germany). The Board of Directors is now comprised of Peter Braun (Chairman of the Board), Marco Testa and Peter Ladurner (Managing Directors) and Cristina and Paola Tosi (directors).



The **governance structure** answers directly to the Board of Schwabe Group, which is responsible for all corporate guidelines. The Board of Directors of Pegaso Srl is responsible for managing the business and the merger process with Schwabe Pharma Italia, based in Egna (BZ), due to be completed in 2020.

There is also a strategic committee called “**Supporters Group**” dedicated to social, environmental, and economic issues made up of Monica Girelli, Ilaria Facci and Stefania Chiecchi, and supported by external consultants.

The company has not activated any external sustainability programme or initiative.

MARKETS

The principal market is Italy, supported by sales on Spanish and Slovenian markets.

SECTORS

TRADE
(pharmacies,
chemist's,
herbalist shops,
wellness centres,
gyms)

WHOLESALE

E-COMMERCE

ASSOCIATIONS

We are members and supporters of the following associations.

FEDERSALUS: Association of manufacturers of health products which groups companies from the entire production supply chain.

We are among the founding partners and members of the governing body that meets every quarter. At the end of 2018, Cristina Tosi was also re-elected to the Governing Council, as Vice President and Treasurer.

We participate in development projects, available training courses and the dissemination of market data.



SISTE: Italian Society of applied sciences to botanicals and health products.

We support the society through the annual membership fee and we participate in the proposed initiatives and study groups.



ITALIA CHE CAMBIA: Information website.

We provide economic support to this organisation which reports and shares information relating to entrepreneurs of both sexes, municipalities and organisations and bodies that are implementing policies of change aimed at human and environmental sustainability to built a new cultural paradigm.



THE PRODUCTS

How does Pegaso first develop a product?

The scientific staff comes up with original and innovative ideas, developing high-quality, safe and effective formulas.

This is a conscious ethical and professional choice aimed at providing natural solutions for health problems which fully respect individuals and the environment and are developed with the utmost scientific rigour.

Our objective is to develop a unique and effective offering: we are the first users of our products and our first clients are our families and friends.

- We directly choose raw materials and we select facilities with the best production standards.
- We check and register every event that fails to comply with manufacturing specifications in order to guarantee consistent quality over time.
- We verify compliance with manufacturing quality procedures through inspections and testing carried out on finished products.
- We also choose the ideal transportation method to protect our products at every stage of the supply chain, in all seasons.
- We require our partners to produce products free from allergens like gluten and lactose, artificial sweeteners and colours.

The products belong to different **goods categories** that are clearly separated at legislative level.



DIETARY SUPPLEMENTS, art 2 Italian Legislative Decree n° 169 of 21st May 2004.

dietary products intended as supplementing a regular diet and which constitute a concentrated source of nutritional substances, such as vitamins and minerals, or other substances with a nutritional or physiological effect, in particular but not exclusively amino acids, essential fatty acids, fibre and plant extracts, both as single and multiple ingredients, in pre-dosed forms,



MEDICAL DEVICES, [Italian] legislative decree 46/97.

is any instrument, apparatus, appliance, substance or other product, whether used alone or in combination and intended by the manufacturer to be used for human beings for the purpose of diagnosis, prevention, monitoring, treatment or alleviation of disease; for diagnosis, monitoring, treatment, alleviation or compensation for an injury or handicap; for investigation, replacement or modification of the anatomy or of a physiological process; for conception intervention, for which the product does not achieve its principal intended action in or on the human body, by pharmacological or immunological means via a metabolic process, but which may be assisted in its function by such means.

PRODUCT LINES

We have divided products into **6 lines** according to the components that characterise the formulas:

Probiotics and Prebiotics



Gut microbiota balance: with lactic acid enzymes in freeze-dried live cells, these formulas with enteric microorganisms are specifically selected to target the gut microbiota.

Phytotherapy Line



Physiological wellness for the whole body: with plant extracts and phytotherapy complexes.

Special Formulas



For comprehensive, synergistic action: which includes formulas with health value combining nutrients and phytotherapy.

Nutritional Complexes



As a daily dietary supplement: with nutritional ingredients including vitamins, mineral salts, antioxidants, fatty acids, amino acids.

Children's Line



Safe and free from unwanted side effects: formulas devised specifically for the nutritional needs of children and without allergens.

Therapeutic Oligolito Line



To reactivate metabolic functions: oligoelement base, (mineral and metals) and lythotherapy (native rocks or minerals) in micro-concentration associated with complementary substances.

HEALTH AREAS

Products correspond to precise health areas divided according to system or target and coincide with Schwabe core areas.



THE "FREE FROM" CHOICE

We devote special attention to people with particular dietary requirements. For this reason, Pegaso products are formulated **without allergenic ingredients**. A choice that also makes them suitable for children, pregnant women, the elderly and coeliacs. Products marked with the **gluten-free symbol** are suitable for consumption by individuals with coeliac disease. Oligolito and Fitodrena lines are naturally lactose and gluten-free.



LONG-LASTING PRODUCTS ARE SUSTAINABLE PRODUCTS

Products are formulated with human physiology in mind, and this allows us to develop solutions that stand the test of time. Our bestsellers include new products as well as others which we have been producing for over 20 years, and which continue to meet the needs of users today.

The table below groups products according to **registered** brand and includes different products (different packages or different types of product in the same line), with the date they became available on the market.

PRODUCTS GROUPED BY BRAND	PIECES 2019	2019 REVENUE	% OF REVENUE	FIRST YEAR OF SALE
AXIMAGNESIO powder • tablets	100,675	920,506	15.65%	1999-2012-2016-2019
CANDINORM® capsules • ovules • lavage	94,814	700,634	11.91%	1999-2009-2015
AXIDOPHILUS®	52,484	591,925	10.06%	2002
OLIGOLITO® Diatetics and Supplements	52,915	555,795	9.45%	1997-2004-2008
AXIBOULARDI	51,176	542,202	9.22%	1999-2017
PEGASTRESS	32,193	342,508	5.82%	2013-2019
REGOBASIC® powder • tablets • sachets	39,585	304,638	5.18%	1995-1998-2008
ENTERODOPHILUS®	23,207	280,403	4.77%	2000
REGOLIPID®	17,958	222,031	3.77%	2017
FITODRENA® E - L - R - C	13,088	125,863	2.14%	1997-2017
ENZITIME®	13,294	123,569	2.10%	2006
TOTAL FIRST 11 PRODUCTS	491,389	4,710,075	80.06%	
OTHER PRODUCTS	139,098	1,172,744	19.94%	
TOTAL	630,487	5,882,818	100.00%	

NEW PRODUCTS

2019 was a year marked by the launch of numerous **new products: Progenorm, PegaFer, Estronorm PRO and RELAX, Intinorm ovules**, with a strong focus on women's health.

In addition, new product sizes were added to expand existing product ranges: Aminoform 60 tablets, Pegastress in packs of 14 and 28 sachets, Enzitime 48 tablets, AxiMagnesio 280g jar of powder.

AxiMagnesio, Estronorm PRO and RELAX benefited from advertising launch campaigns with the client target (pharmacies and herbalist's shops) with display and advertising material.

Progenorm, Intinorm ovules and PegaFer, meanwhile, were promoted at Physician level through our network of medical representatives.



In **September**, the representatives began promoting **Kaloba®** to physicians; the Schwabe traditional herbal medicinal product used to relieve symptoms of the common cold, while sales agents began promoting Schwabe products to herbalist's.



COMPANY ORGANIZATION

The company boasts a **high level of loyalty**, a strong **sense of belonging**, which translates into **lower turnover** among employees and a **low rate of absenteeism**.

Employees are all hired with a CCNL contract, are all Italian and almost all residents of the province of Verona.

Male and female employees receive equal pay for equal levels. The minimum entrance level is the CCNL level 5 for commerce, valid for both male and female employees.

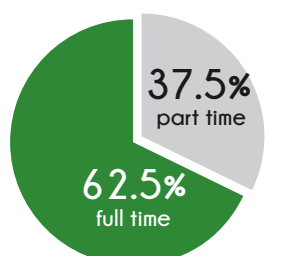
In 2019 the company workforce was comprised as follows:

- ➔ addition of **3 new employees** of whom **1 on a permanent contract**, **1 on a fixed-term, part-time contract** and **1 fixed-term collaborator reintroduced with a fixed-term employment contract**.

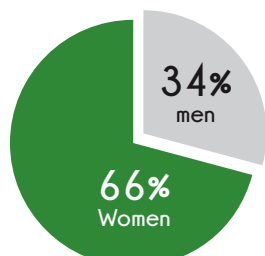
+12.5%
NEW
RECRUITMENT



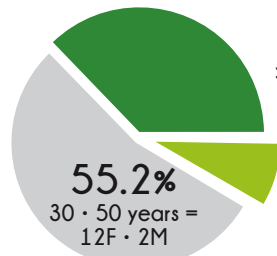
TARGET 8.2, 8.3, 8.5



Type of contract:
part time • full time



Total employees:
29 employees




Age of workers:
part time • full time

41.4%
>50 years = 7M • 5F

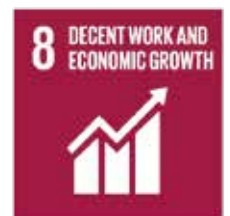
3.4%
<30 years = 1F

Total number of employees: **24 workers**, **2 directors** and **3 administrators**

EMPLOYEE CATEGORY		<30	AGE 30 - 50	>50	AVERAGE TIME WITH THE COMPANY	PART-TIME FULL-TIME	PERMANENT FIXED TERM
LEVEL 5 EMPLOYEES	1F		1F		1 Year	1 P-Time	1 Fixed term
LEVEL 4 EMPLOYEES	1M - 2F	1F	1F - 1M		4 Years	2 P-Time - 1 Full-Time	3 Permanent
LEVEL 3 EMPLOYEES	2M - 3F		3F - 2M		7 Years	3 P-Time - 2 Full-Time	4 Perm. - 1 Fixed term
LEVEL 2 EMPLOYEES	5F		5F		12 Years	2 P-Time - 3 Full-Time	5 Permanent
LEVEL 1 EMPLOYEES	1F		1F		9 Years	1 Full-Time	1 Permanent
MANAGEMENT	4M - 5F		2F	4M - 3F	14 Years	1 P-Time - 8 Full-Time	9 Permanent
ADMINISTRATORS (BoD)	3M - 2F			3M - 2F	12 Years		
TOTAL	29: 10M 19F	1F	17: 13F - 3M	11: 7M - 5F	10.8 Years	35% P-Time 65% Full-Time	81% Temporary 12% Permanent
EXTERNAL COLLABORATORS (Trainers/Consultants)	4: 2M - 2F		1: 1F	3: 2M - 1F			



TARGET 5.5



TARGET 8.2, 8.3, 8.5

COMPANY POSITIONS	
AREAS MANAGED IN-HOUSE	AREAS MANAGED EXTERNALLY
RESEARCH & DEVELOPMENT	LOGISTICS
SALES	PRODUCTION
MARKETING AND COMMUNICATION	
SUPPLY CHAIN	
INFORMATION TECHNOLOGY	
ADMINISTRATION AND FINANCE	

Some areas (logistics and production) are outsourced and in 2020 the logistics relating to all Pegaso products will be handled by the Egna warehouse owned by Schwabe Pharma Italia.

Production will be entrusted to validated external partners, based on production capacity and the technical characteristics of the products.

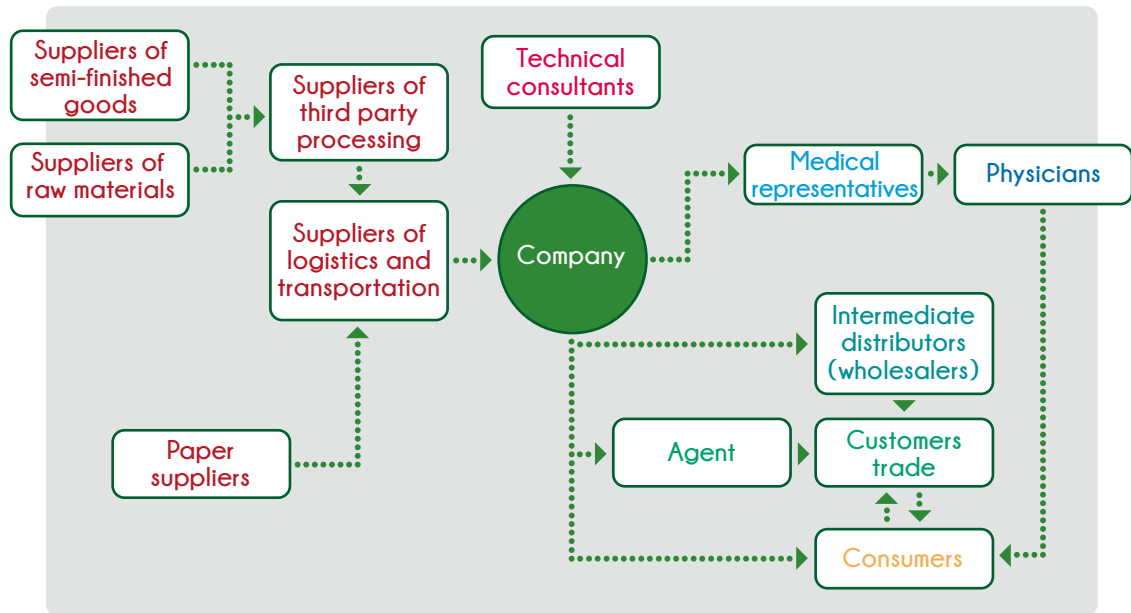
In addition to employees, the organisation also includes **Agents** and **Medical representatives**, who have work contracts with their own VAT code (suppliers) and who handle the distribution of the products on the ground. They have ongoing, long-term agreements.

In September 2019, the network of representatives began promoting Schwabe plant-based pharmaceuticals to physicians. This made it necessary to terminate work contracts with those individuals who were not in possession of the qualifications required by legislation governing scientific information on drugs. The network of sales agents in pharmacies and herbalist's was reorganised nationwide in order to implement national coverage of the existing Schwabe Pharma Italia network.

AGENTS AND MEDICAL REPRESENTATIVES		
AGENTS	MEDICAL REPRESENTATIVES	AGENTS • MEDICAL REPRESENTATIVES
3 M • 3 F	3 M • 5 F	3 M • 1 F
TOT: 6	TOT: 8	TOT: 4

SUPPLY CHAIN

The diagram illustrates how the business is developed starting from the supply of raw materials through to the placing of products on the market. The **Suppliers** are generally Stakeholders with whom the company builds human and commercial relations based on mutual respect and shared objectives. The **upstream suppliers** (raw materials, semi-finished goods and third-party products) are important stakeholders with whom we create partnerships based on shared mutual values and periodic meetings (audits). The aim is to maintain a solid and stable relationship over time and to verify production standards. This allows us to offer clients products of an outstanding quality standard, with a known, controlled supply chain, for the most part Italian and regional. **Downstream suppliers** - agents, representatives, wholesalers - these are the intermediary figures who promote and distribute our products on the market and with whom we maintain a profitable and enduring relationship.



The **current logistics organisation** provides efficient services ranging from warehousing and storage to shipping of goods.

- ➔ During shipping by third parties to our logistics department, heat-sensitive products which travel at controlled or refrigerated temperatures are tracked throughout and their temperature checked upon arrival at destination.
- ➔ The technological quality control system used in the order preparation stage has enabled errors in packing to be reduced to virtually zero.
- ➔ For packing and shipping of goods, we use Air Plus recyclable plastic air pillows and biodegradable corn peanuts to prevent breakages or damage to goods.
- ➔ Shipping to clients is entrusted to transportation companies with refrigerated vehicles during the summer months.



The **online tracking service** allows us to request a text message to be sent to the recipient of the goods, providing notification of the date and time of delivery. Since November, delivery of new products by third parties have been sent directly to the warehouse in Eгна, in preparation for the complete transfer of all goods there by the end of the year.

STAKEHOLDERS

BoD

BoD members who manage the business and establish the corporate guidelines.

Trade Clients

We consider “clients” all supply chain intermediaries downstream of the company, natural persons and legal entities who purchase our products and sell them to consumers. Specifically, they are Wholesalers, Pharmacists, Herbalist Shops, Chemist's, Medical Equipment Stores.

Banks

These are financial institutions with which the company has an existing financial relationship. Banks support our development projects and with them we create an ongoing relationship of reciprocal knowledge for the company's economic and financial development.

Training centres

These are centres which handle university and postgraduate education - medical degree or degrees for health professionals.

Final consumers

These are users of our products, the people who acquire the product to maintain their wellness and supplement deficiencies.

Category associations

Associations where the company supports the associated aims through economic participation or support for projects and specific incentives.

Local Communities - Bodies

These are non-profit organisations, bodies, local (province of Verona) and national public institutions who we donate to through funding and products.

Employees

They are employees who operate within the central and operating headquarters and who are subject to a national collective bargaining agreement.

Agents and medical representatives

These are people tasked with conducting sales activities with trade professionals (Herbalist's shops, Pharmacies, Chemists..) and disseminating scientific medical information to Physicians, throughout Italy. They have ongoing, stable relationships, therefore we invest in their training and engagement to maintain company loyalty. Suppliers are also included in this category.

External collaborators

These are professionals or collaborators who provide specialist professional services, on an ongoing or occasional basis. Suppliers are also included in this category. This category also includes speakers and trainers for training courses organised by us and by third parties, tasked with disseminating scientific and technical content to clients and the public.

Suppliers

They provide services, capital goods and manufacturing activities, upstream and downstream of the production supply chain. Suppliers in the manufacturing pipeline are among the most important and strategic stakeholders as they enable us to turn our formulation ideas into tangible finished products.

Trade Physicians

Physicians are intermediate figures and influence the dissemination of products to patients-final users. They are among the most important and strategic stakeholders for us as they are competent authority figures who guide patient choices.

HERE'S ANOTHER WAY TO TALK



STAKEHOLDERS RELATIONS

Our focus on people translates into a relationship approach which respects the identity and nature of individuals and leads us to build transparent, professional, enduring relationships based on trust and mutual respect.

Engagement is therefore part of our corporate culture to draw value and content from the relationships we care about, redistributing these in the form of products, company organisation and information we can share.

The activity of involving people (stakeholder engagement) is ingrained and over time we have built our **company identity on it**.

We have therefore **identified** the groups of stakeholders we consider to be significant and with whom we interact, also declaring the method and frequency of engagement.

For this 2019 report, we removed publishers and sports people from the list of stakeholders, as they are no longer deemed relevant.

We are committed to maintaining two-way relationships with **stakeholders to make the company more sustainable and competitive**; we formalised this activity in an official policy drafted in 2018.

The directors managing the involvement of stakeholders relative to this report are the **BoD** and the **“Supporters Group”**.

In the following pages, we describe the work and the projects undertaken for every category of stakeholders.

In **Focus on Sustainability** we report the goals for improvement over a three-year period and the progress made to date.

SELECTING STAKEHOLDERS

Process used to define stakeholder categories:

- ➔ Based on a **questionnaire sent in October 2013** to numerous people on our database and belonging to various categories, we identified the list of stakeholders we are interested in.
This list was revised by the owners during a meeting at the beginning of 2017, bringing it up to date according to company needs.



The **stakeholders were selected** according to these criteria:

- ...▶ **All categories** of in-house stakeholders.
- ...▶ **External categories** who we interact with more frequently.
- ...▶ **Most significant stakeholders** for the company according to the goals set out by the owners. The term significant is intended to denote those with greatest influence on our work and the areas of our interest.

DEFINITION OF STAKEHOLDERS

*F*or every category of stakeholders we have given a clear and comprehensive definition, stating how they are involved and how often.

The full table is provided in the **annexes section**, available at the following link: bit.ly/Methodology-annexes-SR2019 or scan the QR Code containing the URL.



All the points that emerged from engagement with stakeholders were linked back to topics covered by **GRI STANDARDS** as per the table given in the **annexes section**, available at the following link: bit.ly/Methodology-annexes-SR2019 or scan the QR Code containing the URL.

In January 2020 a new questionnaire will be compiled to identify those stakeholders deemed relevant for Schwabe Pharma Italia.

INVOLVEMENT AND ACTIONS

BoD

The Pegaso BoD convenes twice a year: the purpose of the first meeting, which takes place at the start of the year, is to approve the results of the preceding accounting year and analyse activities planned for the forthcoming year, including those aimed at reducing environmental impacts and those in favour of social initiatives. The second meeting, meanwhile, takes place in November, generally via video-conference, and is dedicated to the presentation, discussion and approval of the corporate development plan for the medium term (next four years).

Employees

Participation in the sustainability project was excellent and generated behaviours and actions proposed by employees. Ongoing collection of data, periodic refresher meetings and participation in the report presentation event, are all ways of involving and engaging stakeholders, together with good practices:

- ...► **Company canteen service:** through the supply of meals prepared by socially disadvantaged individuals in need of reintegration into the workplace. Employees who wish to use this service can convert their lunch voucher (benefit) into a meal supplied in the workplace.
- ...► **Use of washable dishes** (plates, cutlery, cups and glasses)
- ...► **Water in glass bottles.**
- ...► **Purchase of coffee in compostable pods with recyclable packaging.**
- ...► **Waste management.**

External collaborators

The choice of external collaborators, consultants, is based on the individuals and the type of performance required. Their involvement, in terms of human relations, is on a par with that of employees. This type of professional figure will be reduced in 2020 in order to implement internal expertise through employee specialisation, as part of the merger with Schwabe Pharma Italia.

Agents and medical representatives

Their involvement is a basic element for building professional relationships aimed at transferring values and applying company directives on the ground.

- ...► **Training:** activation of a scientific and commercial training course on Schwabe products. Activation of training on emotional communication techniques for Schwabe Pharma Italia Medical representatives with a view to alignment of working methods.
- ...► **Sales meeting:** with the goal of providing technical and scientific updates on products, presenting company directives and new developments, and exchanging information.
- ...► **IMS Area Managers:** they provide support to colleagues throughout the area. Area meetings (north, centre, south) are also organised to exchange information and create a cohesive group with a team spirit, the aim being to follow company directives for the physicians target group. These figures answer to the Scientific Information Director.

Suppliers

Sustainable production supply chain: we launched a process of involvement with sustainability with some suppliers who are more attuned to the goal of developing a "sustainable" company network. Despite there being a certain level of interest in this project, it remains challenging to conduct a survey and implement accurate and systematic monitoring of the social and environmental impacts of some suppliers.



TARGET 4.4, 4.7

Clients and Physicians

We use various methods of engagement in the distribution of our products with regard to intermediary figures, depending on the set objectives. The first type of engagement is put into practice by medical representatives and agents through regular promotional visits throughout the area.

- ...▶ **Area meetings** (Medical Meetings attended by the Scientific Information Director).
- ...▶ **Participation at events organised by third parties.**
- ...▶ **"Post market monitoring" service:** process of management of complaints, adverse reactions and reporting of various types through an on-line survey (mandatory for medical devices but not for supplements).
- ...▶ **Final consumers:** in areas temporarily without an agent, HQ staff keep customers up to date on new developments and the commercial offering currently available.
- ...▶ **Foreign clients:** The Foreign sales manager visits clients regularly to maintain close business relations.

Final consumers

A direct channel has been in place for many years with the final consumers of our products, providing feedback through:

- ...▶ **Personalised online consultation service.**
- ...▶ **"Customer care" service.**
- ...▶ **Publishing activities on the Facebook page.**
- ...▶ **"Post-market monitoring" service** (mandatory for medical devices but not for supplements): process of collection, analysis and monitoring of complaints, adverse reactions and any other reports.

Training centres

We have an ongoing, quality relationship with some training centres that has led to some of our highly-qualified speakers presenting professional training and refresher courses.

- ...▶ **Frontis:** we have collaborated for many years to promote wellbeing medicine to patients and health operators through interventions and meetings.
- ...▶ **Università degli Studi della Toscana:** we support Post-graduate courses in advanced phytotherapy.

Trade associations

Presence in the Governing Council to play an active role within the association and support the evolution of our sector. The association actively works with institutions to valorise the supplements category and give the food supplements sector a clearly defined role.

Local Communities - Bodies

The parameters we use to decide which cultural or social projects to participate in are the social and territorial context (although some associations are national), alignment with our Mission or affinity with our target users. We support some non-profit bodies and associations through financial donations, and other associations through product donations.

- ...► **Children's shelter in Nepal:** donation of 1467 pieces of probiotics for poor and abused children, thanks to our contact with a doctor working to provide assistance in the area.
- ...► **Company welfare and the local area- alliance for families:** we were invited to participate as an example of local excellence due to our welfare actions for our employees.

Donations of products near their expiration dates

- ...► **Aiuto Vita diocesan centre:** donation of 200 products, price list value € 2260.
- ...► **Banco della Solidarietà - diocesan charity:** donation of 200 products, price list value € 2260.
- ...► **Banco Farmaceutico Fondazione Charity:** donation of 300 products, price list value € 7530.

FOCUS ON SUSTAINABILITY - GOALS

1. TARGET		HOW IT WAS ACHIEVED	IMPACT ON
2017	<p>Creation and sharing of a grid containing a set of minimum environmental and social sustainability requirements (guiding criteria) as a basis for evaluating new Pegaso suppliers.</p> <p>The formalisation of this practice is a natural step towards the creation of a network of sustainable enterprises (sustainable supply chain).</p>	<p>The current procedure (Supplier Validation - Procedure PDSCI0100) has a data collection grid that includes the supplier's certification information. Addition of a specific request for sustainability requirements.</p> <p>The target is considered partly reached since it has not been possible to create a network of sustainable companies.</p>	<p>New suppliers.</p> <p>Pegaso employees.</p>
LEVEL REACHED 50%			
2. TARGET		HOW IT WAS ACHIEVED	IMPACT ON
2018	<p>Plan opportunities for discussion and verification with employees to ascertain the level of success of their good intentions and those declared by the company, and to identify potential areas for improvement.</p>	<p>The sustainability group, created in 2018, encourages and maintains a keen focus on the established targets.</p>	<p>Employees.</p>
LEVEL REACHED 100%			
3. TARGET		HOW IT WAS ACHIEVED	IMPACT ON
2017 2019	<p>Schedule opportunities for discussion and sharing of the company's clear values and character traits, with all stakeholders (collaborators, partners, etc.). Stakeholder engagement - BRAND REPUTATION.</p>	<p>Dissemination of company values through communications released by the press office. Inclusion of the same values on the Pegaso corporate website, in the consumer guide. Drafting in 2018 of the stakeholder engagement policy through the involvement of workers.</p>	<p>All in-house and external Stakeholders involved: Employees, Customers, etc.</p>
LEVEL REACHED 100%			
4. TARGET		HOW IT WAS ACHIEVED	IMPACT ON
2019	<p>Project to collect empty containers for some of our products for creative reuse (e.g. they can be brought to the creative recycling centre or other associations who can use them).</p>	<p>The project representative has responded to the needs of schools attended by the children of some colleagues in terms of material to be recycled and reused in creative projects, collecting and distributing these materials (jars, pouches, packing peanuts, boxes, coffee pods, elastic bands, bubblewrap, tops).</p>	<p>Employees; Local Community.</p>
LEVEL REACHED 100%			

HERE'S ANOTHER WAY TO WORK TOGETHER



OUR FOCUS IS ON PEOPLE

In accordance with our company mission, we place the focus on people, striving for informed and enduring health in harmony with the environment. As a consequence, we pay particular attention to our employees, fundamental resources to promote a culture of **wellbeing**. Some of the services we offer our workers are not dictated by regulations and contractual obligations but by good will and the knowledge that a comfortable working climate contributes to individual wellbeing:

- ➔ A liveable and stimulating work environment.
- ➔ Technical and personal training to boost expertise.
- ➔ Group work to develop a company culture based on shared values and transparency.
- ➔ Smart Working for all employees.
- ➔ Projects for a work-life balance, above all for maternity leave and the family commitments of working mothers.
- ➔ Welfare Plan.

In 2019 we switched from a time management model based on checks to one based on trust and responsibility, with employees no longer required to clock in and clock out at work.

This is in addition to compliance with regulations:

Safe place
in terms of
health and
safety.

Clear and
transparent
benefits for all
employees,
according to
company
level.

Respect,
acting without
any form of
discrimination.

The relationship between Pegaso management and employees **is informal** and important structural and organisational interventions are managed transparently. We are committed to maintaining **this standard of people-centred approach within the company**. In the following pages, we describe the actions, projects undertaken for every topic and the goals for improvement over the next three years.

WORK ORGANIZATION

In the latter half of the year, work organisation was reviewed in order to prepare for the merger with the Italian affiliated company Schwabe Pharma.

Following the sale of the company, a new organisation chart was drawn up detailing changes in the roles, responsibilities and job descriptions of Pegaso employees in the light of the merger with Schwabe Pharma Italia, with its departments and workforce. This has had an impact on:

- ➔ Travel between the two sites necessary for work activities and integration of personnel.
- ➔ Use of car-pooling to optimise transport and reduce the number of car journeys.
- ➔ Reorganisation of existing offices to accommodate new colleagues.
- ➔ Creation of a new, larger meeting room for BoD, management and departmental meetings.
- ➔ Implementation of video conference systems for teleworkers and smart working between the different sites.

To help the two groups to become acquainted and promote good relations from the outset, three different light-hearted social gatherings (lunches and dinners) were organised in the two sites at Arbizzano and Egna.

The IT department was tasked with sharing computer data to align it with the system requested by headquarters, and with restructuring the email system. The changes to the IT infrastructure affected the tools used as well as employees' working methods.

In addition, the commercial network of agents and medical representatives was completely reorganised with changes to areas and types of contract which, in some cases, led to the termination of work contracts with long-standing medical representatives and agents.

> **EMPLOYEE TRAINING.**

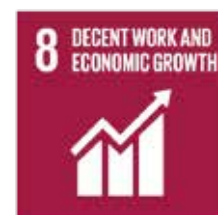
Technical, multidisciplinary training is sustained in order to increase expertise and maintain a suitable level of knowledge to respond to corporate and market requirements.

A significant share of the 2019 budget was provided using Veneto Region tenders and free courses, including training by trade organisations.

Smart Working training was rolled out to all employees in order to develop new skills, strategies, individual and company reorganisation, to allow employees to have access to work away from home.



TARGET 5.5



TARGET 8.2, 8.3, 8.5



TARGET 4.4, 4.7



TARGET 8.2, 8.3, 8.5



SMART WORKING PROJECT. Thanks to participation in the Veneto Region project (DGR 1311/18) on work-life balance titled “Il sottile equilibrio tra vita e lavoro”, training was completed for all employees, with implementation and regulation of SMART WORKING made available to all staff: individual employee-employer agreements, new internal regulations, communication to INAIL, 4 days per month divisible in half days or cumulable, not usable in subsequent months

EMPLOYEE TRAINING	AVERAGE TRAINING HOURS 2019	AVERAGE HOURS COMPARED TO 2018	TOTAL HOURS 2019	TOTAL HOURS COMPARED TO 2018	INVESTMENT IN TRAINING IN EUROS
EMPLOYEES	27	-35%	355	-40%	€ 530
MANAGERS	39	-50%	350	-49%	€ 1,140
DIRECTORS	26	-51%	52	-50%	€ 2,450
TOTAL	32	-43%	757	-45%	€ 4,120

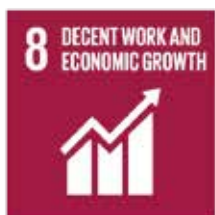
> TRAINING FOR AGENTS AND REPRESENTATIVES.

We invest resources to train agents and medical representatives through sales and area meetings to implement technical scientific and relational expertise for sales and medical information activities. Pegaso networks participated in training on new Schwabe products in order to begin distribution and promotion to physicians and to herablist's store and pharmacy clients.

TRAINING FOR PEGASO AGENTS IN 2019	HOURS	COST
INTRODUCTORY COURSES FOR NEW AGENTS AND MEDICAL REPRESENTATIVES	58	€ 3,900
TECHNICAL AND COMMUNICATION TRAINING COURSES THROUGHOUT THE AREA	16	€ 2,640
COMMERCIAL MEETINGS	56	€ 40,500
FIELD-TRAINER TRAINING	18	€ 1,500
TOTAL	148	€ 48,540

> TRANSPARENCY AND SHARING.

Significant changes that affect the company are communicated with variable time frames according to the position. When there is a significant impact on the working life of the employee, a transfer plan is created in collaboration with the person involved, with timing from 1 to 6 months.



TARGET 8.2, 8.3, 8.5

The owners gave notice of negotiations for the sale of the company shares more than 6 months in advance, with one-to-one meetings with each employee, in line with our shared values. We share and value **successful milestones**, we celebrate birthdays, weddings and births.

WORK QUALITY

> WELFARE PLAN.

In 2019, once again, the services offered by the company Welfare plan **INDIVIDUAL WELLBEING IS WELLBEING FOR THE COMPANY** were used by all employees and concerned the following areas: travel, gym use, children's education fees.



TARGET 5.5

> WELLBEING AT WORK.

Admission to the competition "Verona Aziende Sicure 2.0 - Guadagnare in salute", promoted by the ASL 9 local health authority in Veneto Region, allowed us access to a grant of € 11,000 to fund the project "Here's another way to wellbeing at work". It involves the introduction of measures aimed at improving the health of employees in the workplace, in addition to the existing yoga course, for a full year:

- ➔ Weekly supply of fresh fruit.
- ➔ Medical check-up (one at the start of the year and one at the end): the check-up includes a calculation of metabolic age, body composition analysis indicating lean mass and fat mass, plus nutrition advice.
- ➔ 15 minutes of individual neck/back massage in the office every month. Excellent relations with Verona Innovazione led to us becoming a testimonial at regional level.

2019
Fruit
consumed
687 kg



> WORK-LIFE BALANCE.

The **tangible actions** we have implemented for all our collaborators are aimed at **people as individuals, in keeping with our mission: to help people stay well.** Activation and regulation, for all staff, of **SMART WORKING**.

YOGA: a yoga course is offered (1 hour a week) to employees, and is also open to family members.

LAPTOP COMPUTERS: to allow mobility within the company headquarters, promote meetings and work groups, enabling employees to work from home; when necessary, laptops can also be used for personal activities.



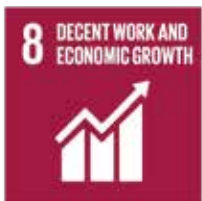


MATERNITY LEAVE: we keep female employees' positions open for their return after maternity leave, in accordance with their personal needs after having a baby, and breastfeeding requirements: the rate of return to work after parental leave to date is 100%.



TARGET 5.5

COMPANY CANTEEN SERVICE: the arrival at headquarters of new colleagues from the Eгна facility made it necessary to organise a company canteen service. The company thus began a collaboration with the Azalea Cooperative, a local organisation which works for the greater good of the community. The preparation of meals and growing of vegetables is entrusted to disadvantaged people who need help to get back into the workplace.



TARGET 8.2, 8.3, 8.5

> HEALTH AND SAFETY.

Ours is intellectual office work, with low risks for health. We ensure a safe work environment and conditions suited to staff requirements, in accordance with regulations governing workplace health and safety.

To record and report on incidents in the workplace and occupational diseases, we refer to regulation (art. 53, [Italian] Presidential Decree 30/06/1965 no. 1124 - art. 18, paragraph 1, letter r, [Italian] Decree 09/04/2008 no. 81) that follows the ILO Code of Conduct.

Within 48 hours of any workplace accident, a report is sent to INAIL, the Italian National Institution for Insurance against Workplace Accidents and Occupational Disease, and the public safety authority is notified.

In 2019, no accidents were reported.

Sick days
2019

43

There were a total of 43 sick days and the percentage **rate of sick days was 0.77%.**

All obligations in respect of the regulations were fulfilled within the allotted time frame.

> BENEFITS.

Benefits awarded to employees are (without distinction between full and part time):

BENEFITS FOR ALL WORKERS

LUNCH VOUCHERS OR COMPANY CANTEEN SERVICE

TRAINING COURSES

MONETARY INCENTIVES FOR SENIORITY
(cash or travel vouchers)

YOGA COURSE

BENEFITS FOR ALL EXTERNAL COLLABORATORS

iPADs

PERSONAL AND PROFESSIONAL TRAINING COURSES

MONETARY INCENTIVES ON REVENUE GOALS

MONETARY INCENTIVES FOR SENIORITY
(cash or travel vouchers)

BENEFITS FOR WORKER CATEGORIES WITH GREATER RESPONSIBILITY

INTERNET CONNECTION AT HOME
(Management)

COMPANY CAR
(of which 36% hybrid and methane)
(Administrators and Management)

MOBILE PHONE
(Administrators and Management)

iPADs
(Administrators and Management)

> EQUAL OPPORTUNITIES.

Our **team** today consists of 26 employees and 5 members of the BoD, 34% of whom are male and the remaining 66% female.

As of June, the BoD consists of 3 male administrators and 2 female directors.

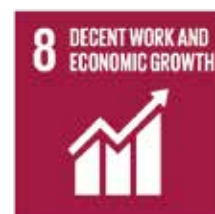
Our “**Supporters Group**” consists of 3 women with the support of 1 external consultant.

Despite having a largely female workforce (66%) and practising **no salary distinctions** between men and women on the same level of work contract, **the average pay is 27% higher for male employees compared to their female counterparts.** This is because the majority of male employees are at management level, with considerable seniority and full-time positions, as illustrated by the table of employees on pg. 18.

This has also had an impact on the **pay gap** between the maximum and minimum salary for the same number of hours, raising it from **3.40** to **3.65**.



TARGET 5.5



TARGET 8.2, 8.3, 8.5

FOCUS ON SUSTAINABILITY - GOALS

1. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 50%</div>	<p><i>Respect the start and end times for meetings, clearly defining the programme and observing it.</i></p> <p><i>Punctuality data for meetings was only recorded until 30.06.2019.</i></p>	<p><i>Employees and Managers. Participants at meetings (partners, collaborators).</i></p>
2. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 100%</div>	<p><i>Maintain regularity and twice-yearly frequency of one-to-one meetings.</i></p> <p><i>Over the course of the year, all employees had meetings with the owners as well as with Schwabe Management in its bid to get to know collaborators with a view to workforce reorganisation.</i></p>	<p><i>Employees and Managers.</i></p>
3. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 50%</div>	<p><i>Extend the use of IT tools to more people to optimise work flow, sharing and transparency and to reduce the number of emails.</i></p> <p><i>Use of shared folders on the company server and on the Cloud. The IT platform made available by the parent company simplifies the sharing of documents and calendars.</i></p> <p><i>The increase in the number of people involved in company processes has also had an impact on the email system.</i></p>	<p><i>Employees and Managers.</i></p>
4. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 100%</div>	<p><i>Develop the "Welfare Project" supported by European funds.</i></p> <p><i>Activation and recognition of 50% of amount available.</i></p> <p><i>100% of employees took advantage of the welfare projects: travel, gym use, children's</i></p>	<p><i>Employees; Managers.</i></p>

HERE'S ANOTHER WAY TO PLAN HEALTH



THE CULTURE OF WELLBEING

We generate wellness through our products and we disseminate the culture of a healthy lifestyle.

We plan health by targeting the following points:

1. Innovative and original formulation, in compliance with regulations, effective and safe
2. Raw materials carefully selected from Italian, European and North American sources
3. Economic accessibility through a price suited to the target market
4. Absence of allergens such as gluten and lactose
5. Creation of low environmental impact, reusable packaging which preserves product integrity for the duration
6. Management of warehouse logistics and optimum transportation, storage and safety of products
7. Communication with the consumer



We have established a structured quality management system based on procedures that establish the company's principle strategic activities, such as the **selection and qualification of suppliers**, key stakeholders for guaranteeing the quality of our products.

The selection parameters for suppliers evaluate production quality and capability, geographical area, regulatory compliance and the integrity of their working practices. We are committed to maintaining the highest product quality standards and to improving them where possible or necessary.

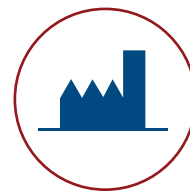
The QP logo that we use in our communications and on packages is intended to represent what Quality means to us in practical terms.

The administrators together with the technical director are responsible for managing these topics. In the following pages, we describe the actions, projects undertaken and goals for improvement over the next three years.

TOTAL RESPONSIBILITY TOWARD USERS

We have **sole responsibility** for the product at every stage of the distribution chain, all the way to the end consumer:

- ➔ As a **Legal Manufacturer** of medical devices: TG1 Occhi, Intinorm, Candinorm Ovuli, Candinorm Lavanda.
- ➔ As an **FBO** (Food Business Operator) for dietary supplements.



EFFICACY AND SAFETY: THE BENCHMARKS OF QUALITY

> RESEARCH AND DEVELOPMENT (R&D).

Product formulation starts from evaluation of market needs expressed through company strategy and involves the study and development of a formula, plus evaluation of the technical and regulatory feasibility. Feasibility studies are conducted to verify actual producibility.



R&D.

1. Research project with the University of Bologna on the efficacy of **essential oils of Italian origin for healthy gut and vaginal microbiota**. The research project, launched at the end of 2016, was extended in 2019 with an additional research grant of **€ 18,000** and an investment of **€ 11,000** to complete the clinical trial stage (in humans). The product launch is expected for 2020.
2. The development project for Progeplus®, an innovative raw material which is the exclusive property of Pegaso, has enabled the development and launch of 3 formulas (Progenorm, Estronorm PRO and Estronorm RELAX) for women's health.

> PRODUCTION SUPPLY CHAIN.

Production takes place within structures authorised by the Italian Ministry of Health, where **controls and tests are conducted both during production** (in progress) **and at later stages**. An analysis **certificate is issued for each batch**, this certificate contains essential information for verification of compliance.

The **stability of each product** is also verified through specific analyses that verify the technical characteristics over the duration of product life (period of validity). For this reason, relationships with suppliers, which are formal agreements, are developed based on specific manufacturing expertise and on collaboration on new projects.

> RAW MATERIALS.

The choice of raw materials is paramount for obtaining **original** and **innovative products** compared to the existing market offering. Originality consists in conducting studies on the safety and efficacy of the raw materials.



For our products, we have selected some **raw materials that have been patented** by the producers for their originality in terms of production method, bioavailability and proven efficacy demonstrated by clinical trials.

Vitashine D3®, Meriva™, Brassicare™, Mucosave™, Ultramag™, probiotic strains (L. helveticus R-52, L. acidophilus LA-14) are used in some formulas.

> PACKAGING FOR PRODUCT INTEGRITY.

We select product packaging so that it is suitable for:

- ➔ Maintaining the characteristics of raw materials.
- ➔ Guaranteeing optimum storage for the full period of validity stated on the package.
- ➔ Protecting every single capsule and product efficacy against external agents (humidity, etc).
- ➔ Optimising production costs.

> CONTROL AND QUALITY ASSURANCE.

We have established a **quality control system** (routine and random analyses, self-inspections) and a system of procedures that establish how to guarantee and implement quality.

To do this, all internal and external personnel, according to their roles, are trained and updated on the basic quality principles for systems and products.

The **monitoring system** for incoming goods, detects any discrepancies and missing items by cross-referencing contents listed on individual packages, providing a **summary and photographic documentation** of any packages, pallets, damaged items in order to verify the causes and implement suitable corrective measures.

> MONITORING ACTIVITIES.

This is done in a structured way for medical devices (strictly governed business, post-market monitoring) and for dietary supplements. It is done **passively** - i.e. through collection of customer feedback using **special forms** - and **actively** (for medical devices) through interviews **with trade and physicians** using online questionnaires and telephone calls.



TARGET 12.4, 12.5

> PRODUCT ACCESSIBILITY.

Our **price policy is aimed at sustainability** to make high-quality products accessible to the greatest number of people possible. One example of this is the introduction of larger size packs, in keeping with the policy of offering products at sustainable prices.



TARGET 3.8

> LOGISTICS AND TRANSPORTATION.

Logistics **guarantees the proper storage of the product at every step in the supply chain** (from the production site to the retail outlet and the final consumer). The controlled temperature is kept between 8-25°C while more heat-sensitive products are stored in **cold rooms** at a temperature of 2-8°C, pursuant to art. 16, paragraph 1, of [Italian] Presidential Decree of 27 January 2012, no. 43.

In summer months (April - September) to protect **heat - sensitive products**, we have introduced controlled-temperature transportation (8-25°C).



> CLINICAL TRIALS.

Clinical studies on final products (in humans) enable the gathering of evidence on product efficacy and lead to the publication of trial results in specialist scientific journals, which is a **valuable and irreplaceable tool in our relationship with healthcare operators**.

> COMPLAINTS-CUSTOMER SATISFACTION.

Checks introduced on packs containing glass vials and on package filling materials have led to a further reduction in the number of complaints compared to 2018. The percentage of complaints, considering the number of pieces sold, is very low.

% complaints
2019
0.063%

PRODUCT TYPE	CAUSE	NUMBER OF PRODUCTS DISPUTED AND REPLACED	2018
DIETARY SUPPLEMENTS	TRANSPORTATION	160	
DIETARY SUPPLEMENTS	OTHER CAUSES	175	
MEDICAL DEVICES	TRANSPORTATION		
MEDICAL DEVICES	OTHER CAUSES	9	
MEDICAL DEVICES	MISSING/DAMAGED IN TRANSIT	56	
TOTAL		400	519

> LEGAL COMPLIANCE AND ADHERENCE TO SAFETY STANDARDS.

All our products **must demonstrate adherence to safety regulations** to obtain production authorisation. Products **are periodically subjected to evaluations for improvement** to maintain current safety standards. **We have not had any penalties or negative reports, nor have there been any cases of non-compliance with voluntary codes of conduct.** In particular, we have not recorded any instances of non-compliance for which we were responsible, incidents due to incorrect labelling, incidents occurring in the period prior to the reporting period, nor withdrawal of products due to non-compliance. To date, **we have not had any administrative or criminal** sanctions regarding misleading advertising and marketing, commercial promotions or sponsorships.

FOCUS ON SUSTAINABILITY - GOALS

1. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 0%</div>	<p>Include "Made in Italy" on products where possible.</p> <p>In the absence of national legislation, the goal was not pursued as it was not achievable.</p>	<p>Employees; Suppliers; Trade clients and final consumers.</p>
2. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 10%</div>	<p>Reduction in production material waste (packaging and raw materials) and on marketing material, both in quantitative and economic terms.</p> <p>Production material: attention is unwavering and planning allows optimisation of pouches and raw materials. One raw material was tested again in order to confirm its complete safety for reuse.</p> <p>Communication material: the transfer from external logistics to the Schwabe warehouse resulted in the elimination of some materials that will not be used due to a change of logo and new corporate strategies.</p>	<p>The environment; Local community; Suppliers; Employees; Managers.</p>
3. TARGET	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 0%</div>	<p>To produce content on "how a product is developed" using the storytelling technique.</p> <p>No content on how a product is developed was produced using the storytelling method.</p>	<p>Employees; Marketing suppliers (agency, graphic artist); Final consumers; Trade clients.</p>

HERE'S ANOTHER WAY TO PROMOTE HEALTH



PROMOTION AND EDUCATION

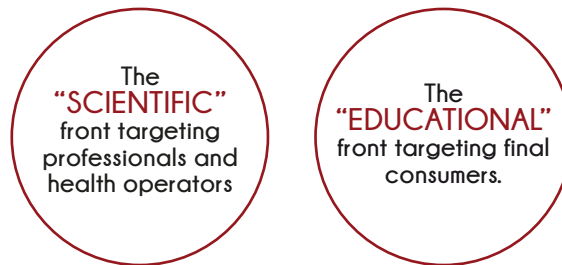
Our commitment to promoting wellbeing manifests itself not only through our products but also through sharing and growing our culture of **“Here's another way to wellbeing”**, a way that starts with taking responsibility for our own health and self-awareness.



TARGET 3.8

We consider this activity to be strategic because by **expanding the culture** and **knowledge of health-related topics**, we automatically boost **the ability of all those in the supply chain** downstream (physicians, trade, consumers) to make informed choices, which increases interest in the product and in turn expands the market. Offering a **quality product** also means investing in quality communications.

Promotion focuses on two fronts:



These actions are both strategic and all about sustainability for us **because they offer content and value that goes beyond the product**, for the good of the user.

Building valuable relationships with **Universities** and **Academic Institutions** is essential for our sector, because it leverages innovation and boosts the company's standing. Although we do not have a written policy for management of relations with scientific and academic partners, we devote time and resources to maintaining these initiatives, which fall under the remit of our **Scientific Division and Marketing Division**.

SCIENTIFIC PROMOTION



Collaboration with universities and academia

In the context of this collaboration, applied in vitro and clinical research projects are evaluated and supported. In addition, scientific content is proposed in post-graduate, professional masters and conference contexts, in Italy and other countries.

Number of speakers 1 Italy 1 Other countries 1	Number of hours 50 Italy 36 Other countries 14	Total speaker cost € 2450 Italy € 1,750 Other countries € 700
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Total company investment

> CLINICAL TRIALS.

In vitro and clinical research projects allow verification of product safety and efficacy as well as product fields of use.

A second clinical trial was conducted on the product Regolipid to study the effects of gluco-lipid regulation in menopausal women. The findings were published in a scientific journal and used in promotion activities to Physicians and Pharmacists.

“EDUCATIONAL” INFORMATION

Educational information regards the production of:

- > **QUICK GUIDES:** small pocket guides for final consumers.
- > **USER PROTOCOLS:** which give advice on **practical use of products** for specific situations (e.g. protocols for winter ailments, for holidays and travel).
- > **ONLINE MAGAZINE:** with articles that expand on a range of **health topics** with a simple, thorough approach.



“EDUCATIONAL” INFORMATION

Educational information regards the production of:

- > **PERSONALISED ONLINE CONSULTATION:** **free service** for users whereby the scientific staff reply to consumers' questions with personalised advice for product use. The consultation is promoted on the **Facebook page** and through DEMs. In 2019, requests for consultations increased compared to figures for 2018.



2019
@ 673
CONSULTATION
REPLIES



> DIRECT E-MAIL MARKETING:

- ➔ company **Clients, Trade and Physicians** are sent technical and scientific information on products (new products, discontinued lines, changes to formulas) every two or three months through the newsletter, called **PEGASO INFORMA**.
- ➔ we send **Store Users** a **DEM each month**, outlining the magazine articles and promoting special offers.



- ## > SOCIAL:
- we keep in touch with users through our Facebook and Instagram pages, with user interactions and comments driving a good level of interest. The **monthly column dedicated to sustainability** proposes the various topics featured in the report.



PoS DISPLAY MATERIAL

The Schwabe sales network positioned two Pegaso products in pharmacies (AxiMagnesio and the Candinorm range) with PoS display and information materials. Expenditure for printed material was **higher** than in 2018, as highlighted in the chapter “Here’s another way to take care of the environment”



> COUNTERTOP DISPLAY.

> PRODUCT LEAFLETS AND WINDOW SIGNS.

PRIVACY

In the reporting period **no complaints and/or cases of non-compliance regarding client privacy were received**, either from external parties, or from regulators. The company did not record any data thefts or losses.

Processes for the handling and use of the personal data of Pegaso contacts were developed over time in compliance with current legislation and are managed with **secure IT hardware and software infrastructures**. Using digital tools, users can unsubscribe from DEMs.

LABELLING AND TRANSPARENCY

The internal procedures on safety information and labels are based on current regulations.

Information on **correct disposal of packaging** facilitates users in the separation of waste materials.

Products bearing the “Gluten-Free” icon on the package are suitable for use by individuals with coeliac disease.

No products are being evaluated for adherence to this procedure: **all products are compliant with the procedure.**



DATA SHOWN ON THE LABEL	YES	NO
The origin of product ingredients or service components	<input type="radio"/>	<input checked="" type="radio"/>
Content, in particular for substances that can have an environmental or social impact	<input checked="" type="radio"/>	<input type="radio"/>
Name of the product	<input checked="" type="radio"/>	<input type="radio"/>
Safe use and recommended daily dosage	<input checked="" type="radio"/>	<input type="radio"/>
Ingredients in decreasing order	<input checked="" type="radio"/>	<input type="radio"/>
Inclusion of the specification: dietary supplement	<input checked="" type="radio"/>	<input type="radio"/>
Storage	<input checked="" type="radio"/>	<input type="radio"/>
Warning to keep out of reach of children under three years of age	<input checked="" type="radio"/>	<input type="radio"/>
Warnings about use for particular age groups or times of life	<input checked="" type="radio"/>	<input type="radio"/>
Quantity of main nutritional ingredients and RDA	<input checked="" type="radio"/>	<input type="radio"/>
Pharmaceutical form	<input checked="" type="radio"/>	<input type="radio"/>
Net weight	<input checked="" type="radio"/>	<input type="radio"/>
Producer, packager, distributor and brand owner data	<input checked="" type="radio"/>	<input type="radio"/>
Batch and expiration	<input checked="" type="radio"/>	<input type="radio"/>
Bar code	<input checked="" type="radio"/>	<input type="radio"/>
Disposal icons for materials used in the packaging	<input checked="" type="radio"/>	<input type="radio"/>

FOCUS ON SUSTAINABILITY - GOALS

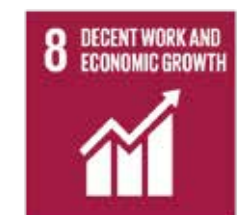
1. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 80%</div>	<p>Implementing product web sheets with information on the product benefits (unique selling points), clinical trials, awards.</p> <p>In 2018, a review of the product web sheets was carried out, linking them to articles in the Magazine, to Erbario (Facebook column), Video tutorials, Clinical trials. The information given on product web sheets is thus kept under review and is updated in accordance with changes to products.</p>	<p>Employees; Partners involved in marketing on the website; Agents; Final consumers; Trade clients.</p>
2. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<div>2017 2019</div> <div>LEVEL REACHED 100%</div>	<p>Prepare suitable tools for the collection and sharing of the data needed to draft the sustainability report; launch the data management and monitoring process.</p> <p>The gathering of data through shared folders on the server enabled better management of information during the drafting of the report. With monthly meetings, the sustainability committee worked quickly to draft the report, communicating and requesting final data in a timely manner.</p>	<p>Employees; Supporters group; Collaborators involved.</p>
3. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 100%</div>	<p>Plan and implement a marketing plan for corporate sustainability.</p> <p>Monthly planning for the Facebook page has always included a regular column dedicated to sustainability that promotes the topics covered in the report.</p>	<p>Employees and Partners involved in sustainability communication activities; Final consumers and Trade clients and in general all those who read material published by Pegaso (in-house and external to the company).</p>

HERE'S ANOTHER WAY TO GENERATE WEALTH

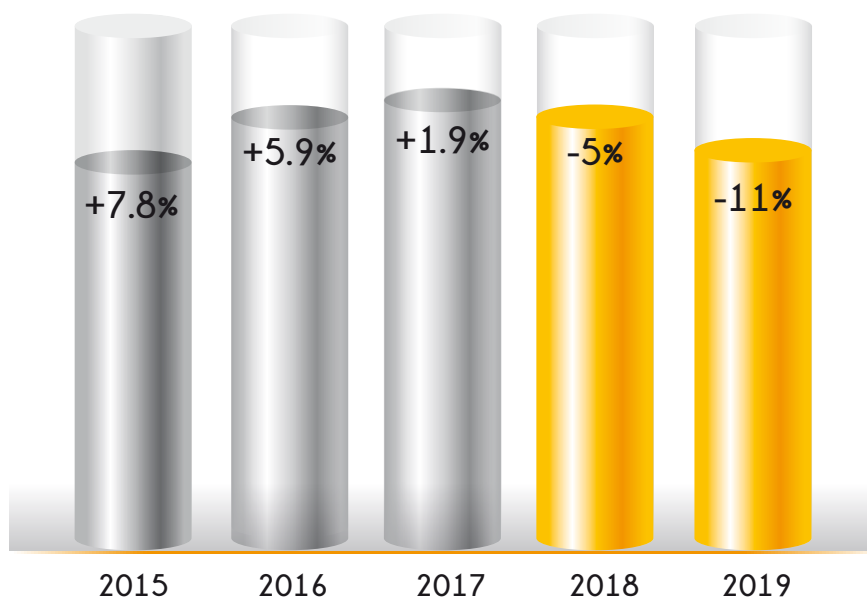


WE GENERATE AND DISTRIBUTE A RESPONSIBLE VALUE

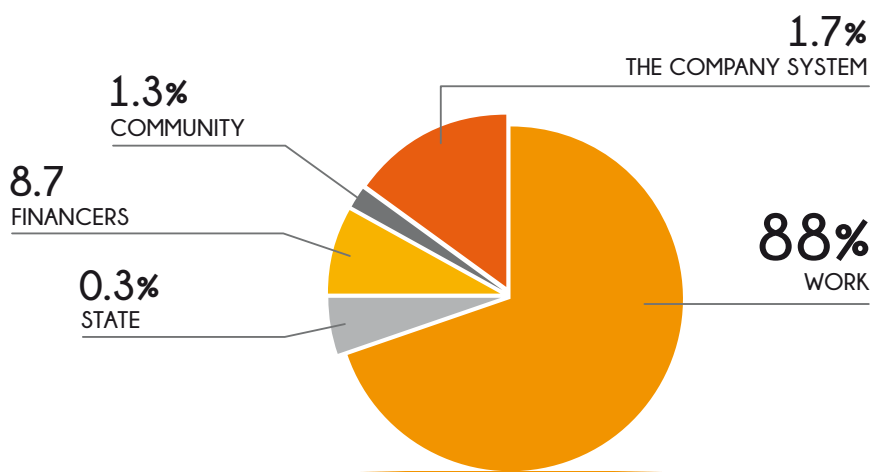
In 2019 we created value through the production and sale of products, and this value is distributed primarily in Italy. Compared to 2018, **overall revenues were down by 11.7%** following changes made to the commercial structure, the termination of a number of agency contracts for representatives, changes to our medical target group and updated marketing strategies for products with the new Schwabe Pharma management.



TARGET 8.2, 8.3, 8.5



Revenue trend last four years



Distribution of value created in regard to the value added product

Our economic performance in 2019 contributed to the **local** and **Italian economy** through:

- ➔ Salaries for workers who receive **22%** of revenues.
- ➔ Remuneration for agents and collaborators who receive **15%** of revenues.
- ➔ Acquisition of goods and services **97%** from Italian suppliers.
- ➔ Investment and collaboration with local bodies, **1.3%**.

In processes that generate and distribute wealth, we also evaluate the **company system**, safeguarding the structure in order to maintain the company's economic impact on the surrounding area

INNOVATION AND DEVELOPMENT



In 2019, compared to the three year period 2012-2014, we **reduced investment in R&D** nonetheless receiving a tax credit, for a total of **40,284 €** for:

- ➔ Activities aimed at creating innovative solutions, expansion and improvements to the range of products in **nutraceutical sectors** and in **medical devices** such as:
 - ...▶ Clinical trial on new applications in the nutraceutical area (RegoLipid for post-menopause).
 - ...▶ Research projects into innovative and exclusive nutraceutical raw materials for management of iron deficiency.
 - ...▶ Research projects into innovative nutraceutical raw materials (ProgePlus®).
 - ...▶ Research projects on essential oil preparations for innovative applications.
 - ...▶ Research projects into innovative medical devices.

WE GENERATE LOCAL VALUE



TARGET 8.2, 8.3, 8.5

We generate **value**, from the **start of the supply chain through to** the consumer, creating wealth which is distributed locally and which expands nationally and, in part, internationally.

Our policy embraces respect and responsibility towards the surrounding area, without forgetting national and international collaborations, part of our commitment to an outward-looking approach.

In 2019 some outreach activities, like sponsorships and participation in local events and activities, were suspended in order to prioritise internal activities and the reorganisation of departments in preparation for the merger with Schwabe Pharma Italia.

22%

of revenues
workers

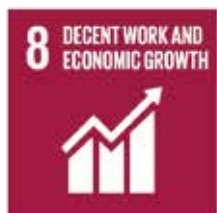
> **EMPLOYEES.** We pay our employees with salaries in compliance with the national collective bargaining agreement for commerce (CCNL).

Through salaries, economic value is distributed locally, given that our administrators and employees are from the local community in the Province of Verona, with the exception of the Scientific Information Director.

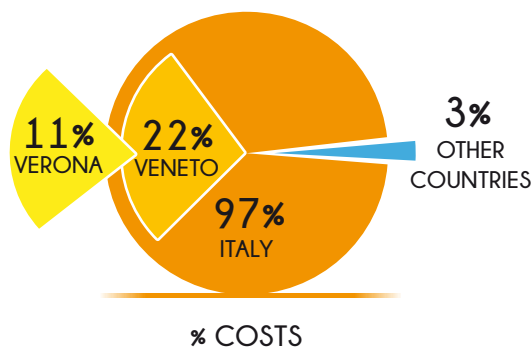
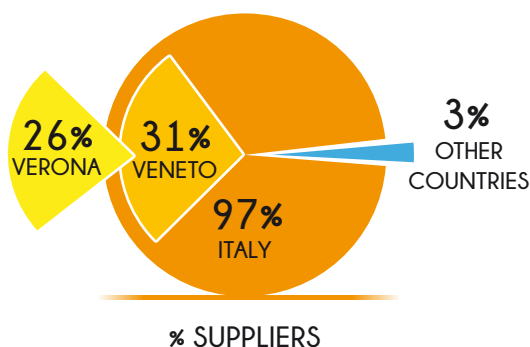
> **AGENTS-MEDICAL REPRESENTATIVES.** We distribute wealth on a local level and throughout Italy, the geographical area our sales network is responsible for.

> **SUPPLIERS.** We consider costs towards suppliers to be part of the distribution of value, selecting qualified partners, with whom we establish human and professional relationships.

We favour Italian and local suppliers as a matter of environmental sustainability and optimisation of shipping/transportation costs, and in a bid to do our utmost for the local area. We work with international suppliers of excellent standing.



TARGET 8.2, 8.3, 8.5



Division of supplier costs by geographical area

Subdivision by type of supplier by geographic area compared to costs 2019

TYPE OF SUPPLIER	TOTAL % COSTS ITALY - OTHER COUNTRIES	OF WHICH % VENETO	OF WHICH % VERONA
THIRD PARTIES	19%	7%	0%
AGENTS	24%	3%	1%
LOGISTICS SERVICES	8%	1%	1%
RAW MATERIALS	9%	0%	0%
PRINTED MATERIALS	4%	4%	3%

FOCUS ON SUSTAINABILITY - GOALS

1. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<div>2019</div> <div>LEVEL REACHED 0%</div>	<p><i>Increase investment in R&D by 20% compared to previous years.</i></p> <p><i>Over the course of 2019, investment in R&D amounted to € 226,206.87, with a decrease compared to the previous year.</i></p>	<p><i>Partners involved in R&D projects (universities, research bodies, third parties); employees and collaborators involved in the projects (technical director, marketing staff, product specialist); trade clients and final consumers.</i></p>

HERE'S ANOTHER WAY TO TAKE CARE OF THE ENVIRONMENT



NATURALLY RESPONSIBLE

We are a manufacturing company, although we outsource actual production of our products to third parties.

This means designing them, formulating them, selecting the raw materials and defining quality criteria with our production partners.

We also define positioning, marketing and communication strategies.

These actions have a relatively low environmental impact compared to enterprises that develop the production process.

The pharmaceutical structures used for production follow specific environmental certifications, however awareness of the wider topic of sustainability remains limited, so it is difficult to collect data and measure the impacts of our production.

We know that the materials used for packaging have an effect on the health of final users and on the environment; they ensure the **quality** and the **efficacy of the product itself**.

In this report, we evaluate the impact of the supply chain and the company headquarters in line with the **values of respect and responsibility for the environment**, focussing on:

- ➔ Renewable energy and reduced consumption.
- ➔ Recyclable materials.
- ➔ Reduction in the amounts used for containers, packaging and paper information products.
- ➔ Water and waste management.
- ➔ Legal compliance.
- ➔ Good company practices.

Outlined below are the activities and projects undertaken for each topic and the goals for tangible improvement for the next three year reporting period.

MATERIALS

We consider finished products, packaging, stationery. Our products are made from **plant extracts** in various forms and other organic substances, all ingredients of exceptional quality and efficacy. We choose packaging that safeguards the **nature of the product** in order to guarantee product integrity. We produce dietary supplements **made using substances available in nature, therefore raw materials cannot come from recycled sources**.



TARGET 3.8



TARGET 12.4, 12.5



> CONTAINERS AND PACKAGING.

The **packaging** used does not come from recycled materials but is, for the most part, recyclable as long as it guarantees the safety and proper storage of the product.

We have chosen to use **paper from FSC certified forests** for all disclosure and information material supporting our communications.

Suppliers used are therefore certified to guarantee continuity in the FSC chain.

The materials used in our offices are not from recycled sources.

We use materials like glass, PE plastic (guaranteed BPA free) and **cardboard**, some of which comes from non-recycled renewable sources. Our packaging is made from recyclable, easily separated materials.

Blister packs are not recyclable, as they are bonded, and are used for tablets or capsules that are particularly sensitive to external atmospheric conditions, to ensure optimal product storage. Aluminium blister packs are currently not economically sustainable.

For secondary packaging (shipping of finished product) we optimise recyclable materials such as cardboard, biodegradable packing peanuts, Airplus air pillows and polypropylene adhesive tape.

In the last three months the company sold Schwabe products whose packaging materials are not reported and whose containers will be included in the next 2020 report.



SECONDARY PACKAGING	MATERIALS	RENEWABLE/ NON RENEWABLE	RECYCLED/ NON-RECYCLED	ORIGIN
LABELS	POLYPROPYLENE - COATED PAPER	NON RENEWABLE	NON-RECYCLED	N.A.
GLASS CONTAINER	GLASS	NON RENEWABLE	NON-RECYCLED	ITALY - EU
PLASTIC CONTAINER - BOTTLE	POLYETHYLENE BPA-FREE	NON RENEWABLE	NON-RECYCLED	EU
PAPER CONTAINER - POUCH	CARDBOARD	RENEWABLE	NON-RECYCLED	N.A.
DISPLAY CONTAINER	CARDBOARD	RENEWABLE	NON-RECYCLED	N.A.
PACKING PEANUTS	BIODEGRADABLE, COMPOSTABLE POLYSTYRENE (EPS) FROM CORN STARCH	RENEWABLE	RECYCLED	GERMANY
AIRPLUS AIR PILLOWS	POLYETHYLENE	NON RENEWABLE	NON-RECYCLED	GERMANY
CARDBOARD PACKAGES	PURE CELLULOSE	NON RENEWABLE	50% RECYCLED	ITALY
BLISTER	PLASTIC + ALUMINIUM	NON RENEWABLE	NON-RECYCLED	N.A.
BUBBLEWRAP BAGS	POLYETHYLENE	NON RENEWABLE	RECYCLED	ITALY
STRAWS	PLASTIC	NON RENEWABLE	NON-RECYCLED	N.A.

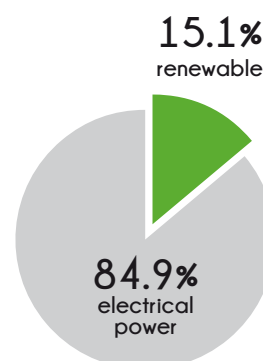
SECONDARY PACKAGING	MATERIALS	RENEWABLE/ NON RENEWABLE	RECYCLED/ NON-RECYCLED	ORIGIN
GLASS VIALS	GLASS	NON RENEWABLE	NON-RECYCLED	ITALY - EU
SINGLE-USE SACHETS	BONDED MATERIAL: POLYETHYLENE - ALUMINIUM-POLYESTER OR PAPER/ALUMINIUM/ POLYETHYLENE	NON RENEWABLE	NON-RECYCLED	N.A.
ADHESIVE TAPE	PROPYLENE	NON RENEWABLE	NON-RECYCLED	ITALY
VIAL TRAY	PLASTIC - CARDBOARD	NON RENEWABLE	NON-RECYCLED	N.A.

ENERGY

Reported data refers to the company headquarters and not to production, entrusted to third parties. The installation of photovoltaic panels and power optimisers allows the company to produce renewable electrical power that meets part of the facility's energy requirement.



CONSUMPTION 2019	QUANTITY	% kWh COMPARED TO 2018
NON RENEWABLE	74,940 kWh	-7.1%
ENERGY PRODUCED AND CONSUMED BY PEGASO SOLAR PANELS	13,340 kWh	-4.4%
TOTAL	88,280 kWh	-6.72%



Non-renewable

Our **total energy consumption was 6.7%** lower than last year. We deemed it appropriate to measure consumption only, as costs fluctuate on the free market. We conducted an **analysis of energy intensity** in 2019, namely how many kWh were used for:

ENERGY INTENSITY ANALYSIS	VARIABLES	kWh 2019	% COMPARED TO 2018
A m ² OF COMPANY HEADQUARTERS	SIZE (surface ²)	88,280 / 997 = 88,6	-0.07%
PER EMPLOYEE	NUMBER OF FULL-TIME WORKERS	88,280 / 21 = 4,204	*
COMPARED TO REVENUES	MONETARY UNIT (revenues, sales)	88,280 / 5,882,818 = 0,02	+0.5%

*Data not comparable with 2018 due to change in number of workers counted.

WATER

We use **100% water from public sources** primarily for office utilities and sanitation and to water the garden around the company premises; we therefore use a limited amount of water and do not impact any source in particular. Nonetheless, we do monitor consumption and the factors that influence it, in a bid to remain mindful of our impact.



TARGET 12.4, 12.5

When we originally built the headquarters, **we had the foresight to install a softener** for the water supply, which operates constantly, removing calcium from the water. Maintenance is simple and requires the use of salt only. The only pipes excluded are those for watering the garden.

As we do not use water for production processes but for sanitation only, waste water is not recycled nor is it reused or metered.

CONSUMPTION 2019	QUANTITY m ³	% 2018	COST €	% 2018
WATER	1662	+213.6%	1,723.25	+44.5%

The table shows an annual increase in the amount, attributable to various factors:

- ➔ Increased workforce at headquarters.
- ➔ Increased washing of cups and crockery due to introduction of company canteen service.

For 2020, we have decided to base reporting directly on the water meter reading, as the water utility bill lacks transparency due to the inclusion of adjustments and rebates.

WASTE

The number of pieces handled saw a **reduction of 5.88%** due to a drop in sales as well as a further increase in the number of sales of larger size packs; the latter improved the ratio between volume handled and net weight of product.



TARGET 12.4, 12.5

We can report a **further downward trend in the volume and weight of waste handled**. From analysis of these data, it is clear that the high-impact elements which we **can work on** are those related to **packaging** and the **waste** generated by the latter, and this prompts even greater care in the choices we make.

We attribute paramount importance to **optimum storage** of products and their **stability** and this is reflected in our choice of glass, for example: a material which impacts the overall weight but which is fully recyclable.

GENERAL WEIGHT OF WASTE	2019	2018	% VARIATION COMPARED TO 2018
ITEMS SOLD	591,599	625,611	-5.44%
FREE SAMPLES	35,367	40,517	-12.71%
TOTAL ITEMS	626,966	666,128	-5.88%
AVERAGE PACKAGE VOLUME cm ³	355 cm ³	350 cm ³	+1.43%
VOLUME HANDLED m ³	223 m ³	233 m ³	-4.53%
AVERAGE NET WEIGHT PACKAGING g	54 g	50 g	+8.50%
NET WEIGHT HANDLED Kg	33,583 kg	33,153 kg	+1.30%
AVERAGE GROSS WEIGHT OF PRODUCT g	105 g	102 g	+2.89%
GROSS WEIGHT OF PACKAGING HANDLED Kg	65,925 kg	68,073 kg	-3.16%
WEIGHT OF WASTE Kg	32,342 kg	34,921 kg	-7.39%

> LARGER SIZE PACKAGES: AN ADVANTAGE FOR USERS AND FOR THE ENVIRONMENT.

The sustainability process brought to the fore the issue of waste generated by products and highlighted the high percentage of the impact of packs against their net content. As a result of this, over the years we have responded by creating **larger size packs** or using **lighter** and **more eco-friendly materials**.

- ➔ In **2019** we brought to market larger size packs of AxiMagnesio powder (180g tub), Enzitime (pack of 48 tablets), PegaStress (pack of 28 sachets).

We guarantee product quality and help the consumer dispose of the containers, using **jars** and **vials in glass**, **pouches in paper** and recycled plastic **accessories**.



WASTE DISPOSAL

Outsourcing production to third parties, our waste production is limited to non-manufacturing activities, however we constantly monitor waste from our headquarters and warehouse.

We collect and analyse data relating to product disposal to optimise stock rotation and avoid unnecessary destruction.

The goal is to reduce the impact on the environment and reduce waste.

> EXTERNAL RESPONSIBILITY.

For disposal of expired, unsellable or damaged products, we work with certified bodies using **a certified disposal procedure**: the logistics provider sends us a certificate for the waste disposal in compliance with regulations.

WASTE DISPOSAL	QUANTITY
CERTIFIED WASTE DISPOSAL	Waste disposal = 5.584 items Printed information materials, merchandising = 101.985 items Semi-finished goods = 0
SPECIAL WASTE FROM HQ	Exceptional disposal of electrical materials and obsolete computer monitors weighing a total of 230 kg by a certified body.

> INTERNAL RESPONSIBILITY.

The type of waste produced by the headquarters does not involve hazardous substances but separated materials. We recorded an increase in organic waste attributable to the introduction of fruit under the project "Here's another way to wellbeing at work". The use of glasses for drinking favoured a reduction in plastic waste. There was a slight increase in dry waste and waste paper. As a result of the products and paper materials warehouse being relocated to Egna, and the new method of management of these products, large numbers of charts, brochures and guides were disposed of.

WASTE DISPOSAL	QUANTITY
HAZARDOUS WASTE	Kg 0
HEADQUARTERS WASTE	100% of waste from headquarters is destined for separated waste collection: for recycling, composting or organic, unsorted or dry, plastic and paper. wet = per year 0.56 m ³ plastic = per year 6.30 m ³ dry = per year 6.30 m ³ paper = per year 8.65 m ³

> CONTINUOUS COMMITMENT.

We undertake each year to reduce the quantity of unsold or expired products through:

Planning production through internal strategies and careful sales analysis.

Promotional activity directed at trade to facilitate the output of items nearing their expiration date and the redistribution of products returned to headquarters due to problems with delivery, to employees and their families, voluntary and non-profit associations.

GOOD ENVIRONMENTAL PRACTICES

> COMPLIANCE WITH THE LAW AND ENVIRONMENTAL REGULATIONS.

The new means of communication introduced for talks with physicians involves the use of **electronic visuals** and an **iPad**. This has reduced the volume of physical printed material for this area of trade. Promotional activities at points of sale require the production of printed materials aimed at consumers. We use **Skype** video calls between external collaborators and also between colleagues at the two sites (Egna and Verona) to keep business running smoothly and reduce travel times and costs.

Integration activities between Pegaso and Schwabe colleagues increased travel between the two premises, with the introduction of car sharing and car pooling mobility solutions. For Schwabe employees who live in other Italian regions, the Verona plant allows the partial reduction of car travel time.



PAPER MATERIAL

In 2019 printed material increased by 55%, because new information material was printed. We have identified a two-year pattern of increase and reduction in printed materials, dictated by fluctuations in requirement and in existing stock.

CATEGORY OF MATERIALS	TYPE OF MATERIALS	ORIGIN	TOTAL COST
SCIENTIFIC DISCLOSURE MATERIALS	CHARTS • PHARMACY PRODUCT & PRICE LISTS • FOLDERS • STUDIES • PROTOCOLS • LARGE SHOPPERS • MEMOS • POST ITS		17,010
SALES OUTLETS MATERIALS	DISPLAYS • DANGLERS • CROWNERS • WINDOW SIGNS • SMALL SHOPPERS		32,226
CONSUMER MATERIALS	LEAFLETS • BRIEF GUIDES • MERCHANDISING		6,463
TOTAL			55,799

We made communication materials (display solutions and window signs) for points of sale for the launch of the new products Linea Estronorm and Linea AxiMagnesio for both the Pegaso and Schwabe commercial networks.



FOCUS ON SUSTAINABILITY - GOALS

1. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<p>2019</p> <p>LEVEL REACHED 90%</p> <p><i>Providing incentives for employees to use their own cups or glasses to reduce the use and disposal of plastic.</i></p>	<p><i>The use of disposable items has been limited to the automatic drinks dispenser. Proper cups and glasses are used for both meetings and personal use.</i></p>	<p><i>Environment; Employees.</i></p>
2. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<p>2017 2019</p> <p>LEVEL REACHED 0%</p> <p><i>Developing practical suggestions and advice through social media (Facebook and Dem) to promote creative reuse of plastic containers for some products among consumers.</i></p>	<p><i>Also in 2019 this goal was not pursued.</i></p>	<p><i>Employees; Final consumers and Trade.</i></p>
3. GOAL	HOW IT WAS ACHIEVED	IMPACT ON
<p>2017 2019</p> <p>LEVEL REACHED 0%</p> <p><i>Participation in sports events compliant with environmental sustainability regulations and criteria (e.g. Eco races).</i></p>	<p><i>Goal not achievable also due to termination of activities linked to sport.</i></p>	<p><i>; Environment; Employees and Collaborators involved; Sport providers; Sports people.</i></p>

METHODOLOGY



We tasked the in-house technical committee dedicated to sustainability, the “**Supporters Group**”, with the reporting process. The process followed last year, and still valid for 2019, is as follows:

- ➔ **Identification**, together with the owners, of the categories of **stakeholders** and definition of who should be involved in the report.
- ➔ **Involvement** through on-line questionnaires, of key stakeholders to reveal their concerns and interest in sustainability topics.
- ➔ **Cross-reference information** raised by the questionnaire with an evaluation of Pegaso's impacts (positive and negative) and the topics brought up by stakeholders, to define the materiality of topics, associating them where possible to topics proposed by GRI STANDARDS.
- ➔ **Definition of material topics** for the three-year reporting period 2016-2019; the Sustainability Technical Committee has chosen or created the indicators for every material topic.
- ➔ **Collection and processing** of data through special meetings, emails and phone calls.
- ➔ **Interim Meetings** with administrators and the Supporters Group.
- ➔ **Drafting of the sustainability report and presentation** to the stakeholders, on-line and paper publication, dissemination through a marketing plan.

The **principles** that regard reporting content have been applied during the entire reporting process, in particular:

INVOLVEMENT OF STAKEHOLDERS.

This has been practised since the beginning and during the reporting process, especially through on-line questionnaires.

MATERIALITY.

As explained in the previous points, this has been applied through the combination of concerns and topics raised by on-line questionnaires for every category of stakeholder with the evaluation of economic, environmental and social impacts, associating definitive topics with the topics proposed by GRI STANDARDS.

SUSTAINABILITY CONTEXT.

Every topic selected is considered in Pegaso's economic, social and environmental context.

COMPLETENESS.

All selected topics and respective indicators have been addressed completely; where this has not been possible, an explanation is offered for the incompleteness, reiterating the company's commitment to complete them in the future.

The “**Supporters Group**” has endeavoured to include evaluation of the management of each topic (management approach) throughout the 2019 sustainability report, particularly in the introductory paragraphs of each chapter. This has been done **through feedback collected by internal stakeholders** and the support of **consultants specialising in sustainability**. The management approach declared in 2016 has a validity of three years, indeed no substantial changes were made during the three-year reporting period.

NOTE

Pag. 57 “Energy”:

- The unit of measurement is in kWh rather than Joules for company convention.
- No conversion to Joule was made, because kWh is the most comprehensible unit of measurement for company stakeholders.
- The method of measurement of consumption is the following:
 - for non-renewable energy, the data is taken from the utility bill; for 2020, readings will be taken directly from the meter
 - for renewable energy, the measurement is taken directly from the photovoltaic panels.

- The method selected was to compare total annual energy consumption over the years. There were no assumptions in particular.
- As regards analysis of the energy intensity, a variation was made to the parameter for calculating the number of workers, considering the total number of full-time workers and 70% of workers with part-time contracts. Consequently, the data for comparison with 2018 was not given.

Pg. 58 “Water”:

- As regards water, the calculations do not include any assumptions and measurements of consumption are based directly on the utility bill.

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1.

OMISSIONS

Currently omitted because the company is not able at present to define this principle in its corporate context.

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