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SUSTAINABILITY PROGRESS REPORT

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## A MESSAGE TO OUR STAKEHOLDERS

With the profound belief that we must aim at strengthening the relationship with our key stakeholders while raising awareness on the social and environmental impacts directly deriving from our activities, we are proud to present our first Sustainability Progress Report. A window on our world, this document confirms our commitment to the United Nations Global Compact initiative we adhered to in January 2020.

The Report is the first step towards a new pathway of social and environmental impact monitoring and awareness, aimed at defining what sustainability means to us and at identifying where to focus our efforts to enhance our performances and generate positive outcomes.

The publication of this Report happens in difficult times. Indeed, from the beginning of 2020 the world has been shaken by COVID-19 pandemic, which hit hardest in the Bergamo's province, Northern Italy where Italcanditi is headquartered. A series of precautionary measures have been taken promptly to limit the risk of contagion and to timely protect our people. The overall severity and forecast concerning the pandemic evolution are currently uncertain and as a consequence we cannot predict how it could impact our activities and stakeholders.

Nonetheless, we can count on strong foundations and management to duly deal with the emergency. A fundamental part of this strength derives from the entry of Investindustrial in Italcanditi from January 2019: it is a significant opportunity to further expand our growth and European footprint, guaranteeing corporate continuity, new resources and opportunity to consolidate the leadership of Italcanditi Vitalfood in its relevant markets.

*Maurizio Goffi, CEO*

# OUR DAS HBOARD

## Skills development

Training courses are mainly focused on health and safety, and aspects related to both quality and operations. As for the latter, each of our departments is in charge of periodically verifying people's skills and competences so as to foster personal and professional development.



## Health and safety

We aim at guaranteeing a safe and healthy working environment through investing not only in training activities but also in the highest-quality equipment. For this reason, we have drafted a dedicated H&S Policy and implemented a Management System.

**8.3**

the rate of recordable work-related injuries

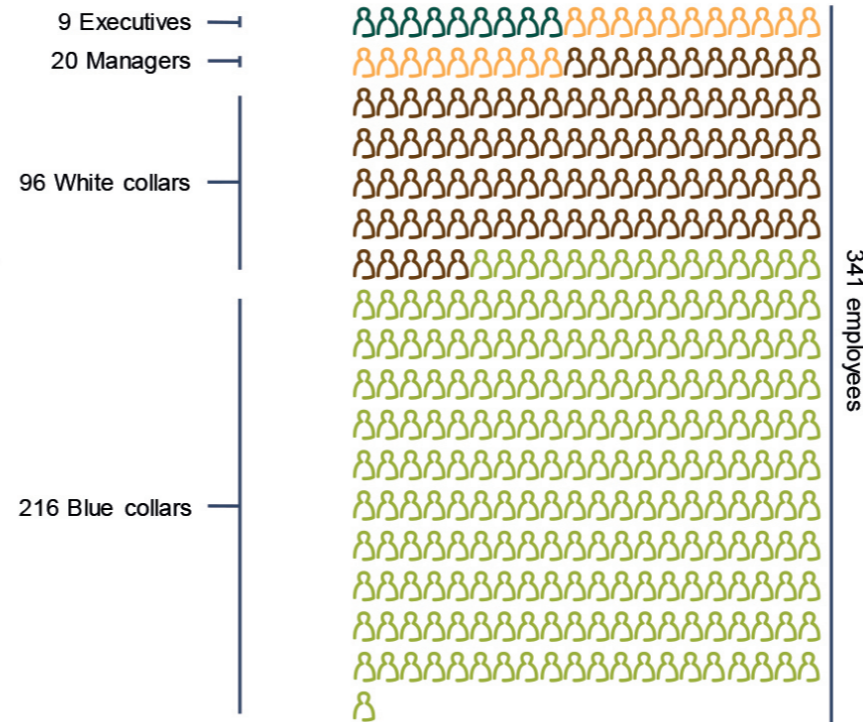
(Number of recordable work-related injuries divided by number of hours worked and multiplied by 200,000)

**161.8**

the lost time injury rate

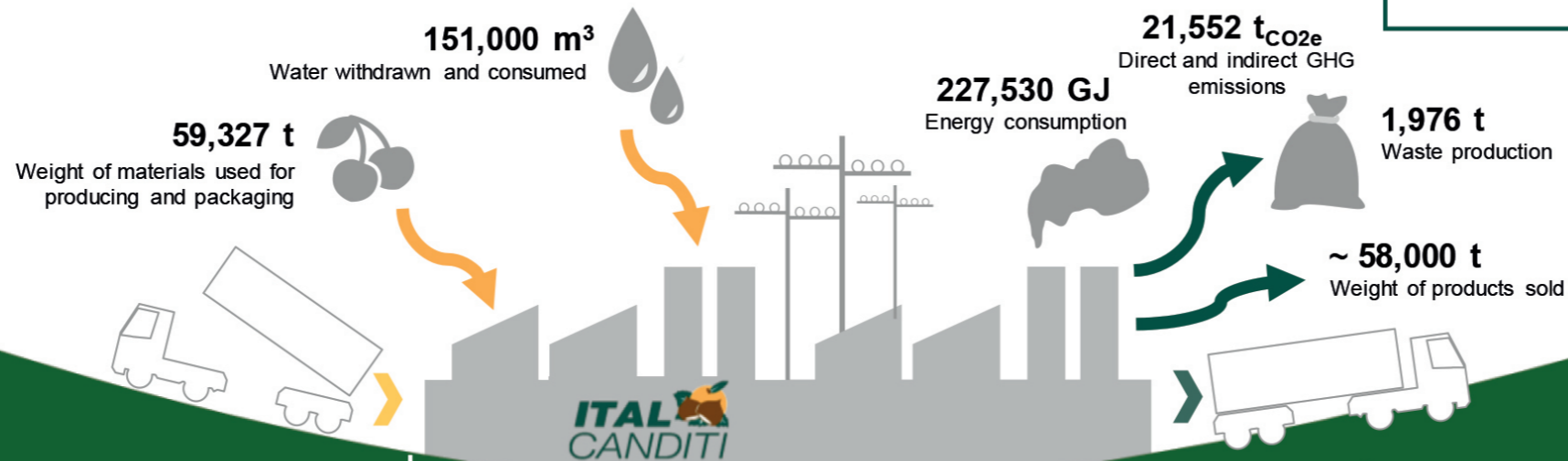
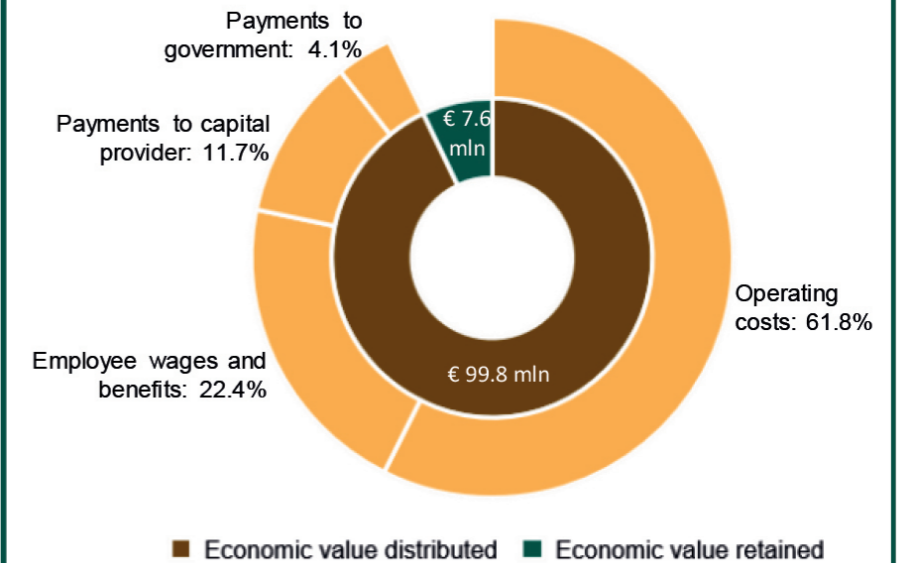
(Number of lost days due to injury divided by number of working hours and multiplied by 200,000)

## Italcanditi in numbers



## Value creation and distribution

Value generation is one of the key impact we have on our stakeholders, from the local community, with which we are closely linked, to our suppliers and clients. In 2019, our economic value generated equaled 107 million euros, thus recording a 3% increase with respect to last year.



## Relationship across supply chain

About 90% of all of our suppliers are located within the European Union. These range from medium-sized companies to multinational corporations specialized in dealing with agricultural processed food products with whom we build long-lasting business relationships.

## Biofuel energy production

Thanks to our two cogeneration power plants, fueled respectively with the biogas produced by the anaerobic digestion process of our water treatment plant and biodiesel, we sold to the grid approximately 4,200 MWh, thus contributing to reduce the carbon intensity of the national energy mix.

## Solar energy production

The photovoltaic panels installed in our facility in Pedrengo allowed to produce as much as 250 MWh of green electricity, entirely consumed internally for production activities.

## Reusable packaging

About 80% of our products are delivered to our clients through reusable steel tanks. Only when smaller quantities are requested by our clients, we use plastic-based solutions specifically designed to reduce food loss and materials consumption.

## Waste recycling and reuse

67% of the total waste produced was sent to recycling or reuse. In particular, composting accounted for 58% of all the waste disposed thus allowing to recover the organic substances from production waste.

## Client centricity

The perfect integration between quality standards and our people's commitment allows for flexibility and rapidity. These are essential elements for delivering customized products able to satisfy all of our clients' needs. We indeed work closely with our client's R&D departments so to match all the technical specification required for their products.

# OUR SUSTAINABILITY PATH

The outcome of a long path that witnessed the active participation of our functions and management, our first Sustainability Progress Report opens with a Dashboard that constitutes the core of the entire document. It aims not only at highlighting data, but also at synthesizing our approach around a selection of key matters that showcase Italcanditi's world best. The Report is then composed by single, vertical chapters that dive into each and every one of the Dashboard's key topics, thus providing both quantitative and qualitative insights.



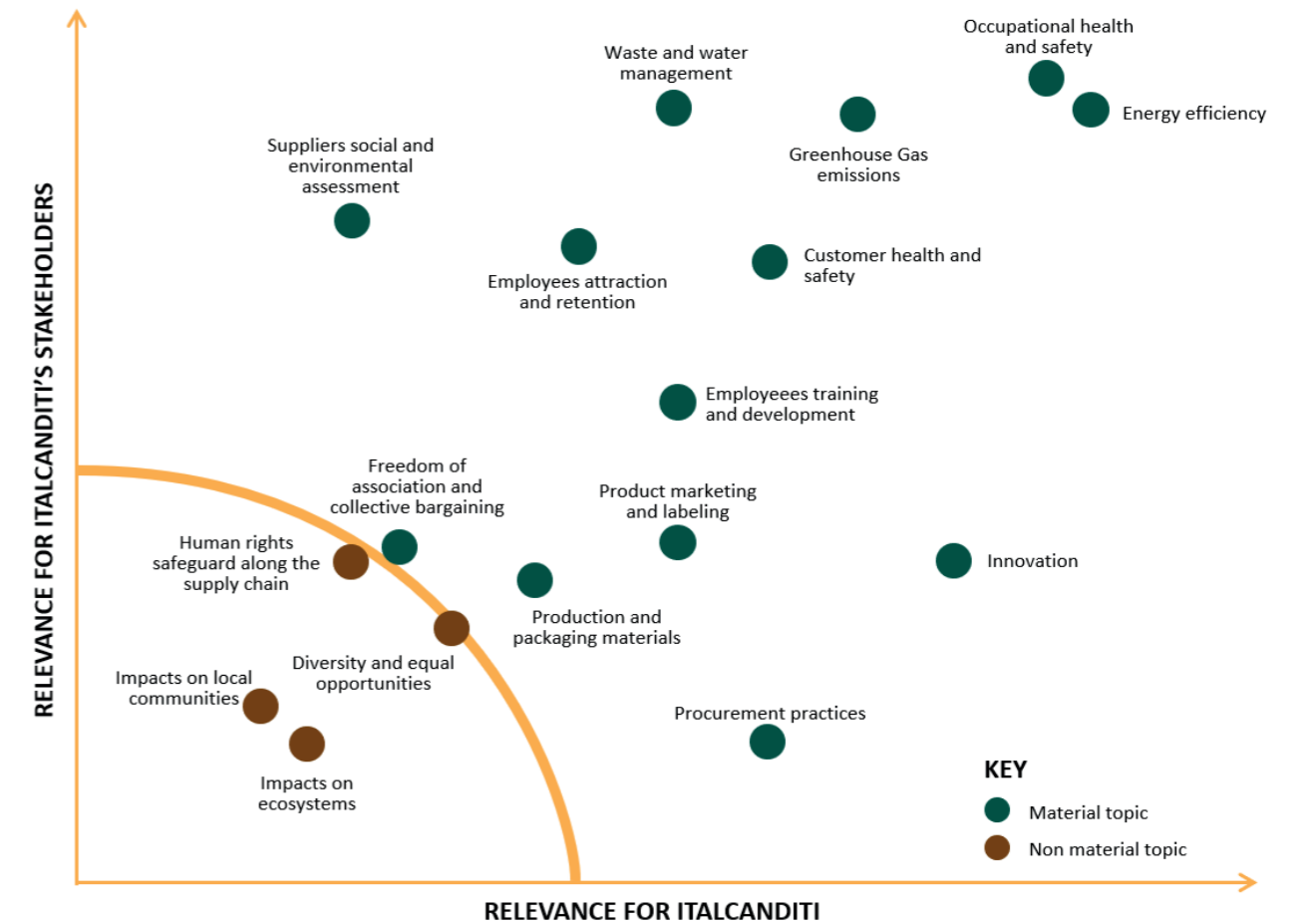
The first step that we made as part of our sustainability commitment has been to support the United Nations Global Compact (UNGC), a voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals. The ten principles address human rights, labor, the environment and anti-corruption. From January 2020, we adhere to the UNGC with signatory engagement tier.

Then, we proceeded to map our key stakeholders, acknowledged as the categories that are most subject to Italcanditi's influence or dependence, in a way to assess where the outcomes of our daily activities unfold. These are located both in the upper (suppliers and carriers), middle (among the others, local communities, banks and investors, and unions), and lower (clients, distributors and final consumers) side of our value chain, as well as within the Company's perimeter (collaborators). Our stakeholders are engaged on a continuous basis with different and specific activities.



Afterwards, a materiality analysis was carried out: during a dedicated workshop with our top management, a context analysis based on GRI Sustainability Reporting Standards and made up of competitors benchmarking, sustainability reporting best practices and global sustainability trends was assessed and discussed. The aim was to map all relevant topics that influence the decisions of the key stakeholders identified and that are relevant for Italcanditi's economic, environmental and social impacts. Thus, the outcome of this process is our first materiality matrix: each of the topics

deemed relevant by both stakeholders and the Company's management are defined as material and constitute the foundations of the reporting exercise. In particular, all the 13 material aspects highlighted are included and described in detail in the present Sustainability Progress Report.

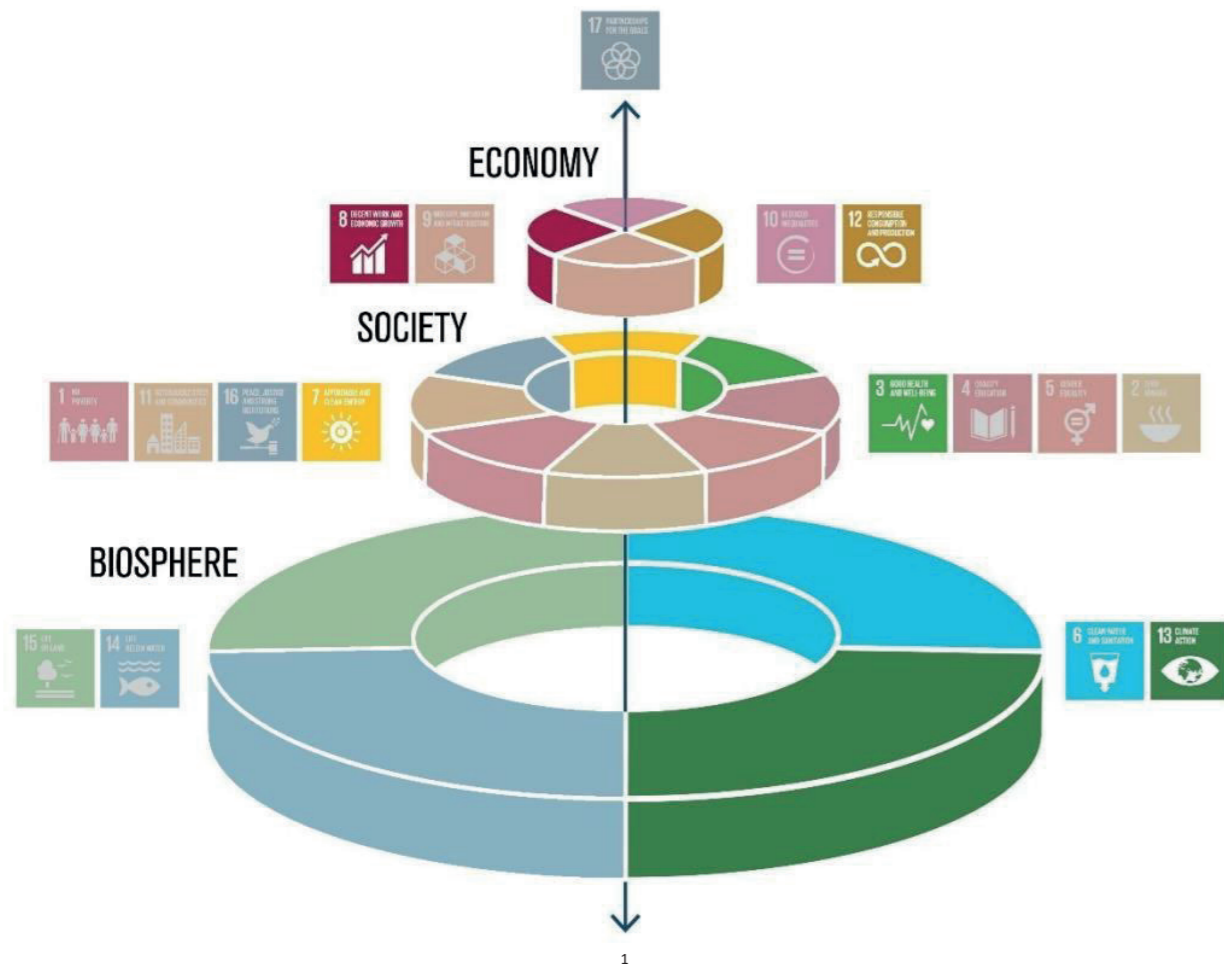


The ones that are positioned in the upper right corner, such as "Occupational health and safety", "Energy efficiency" and "Greenhouse Gas emissions", are acknowledged to be of great importance for both Italcanditi and its stakeholders. On the contrary, those that are positioned in the lower left corner are to be considered relevant but non material topics, and thus are not reported on. During the workshop, "Anti-corruption", "Economic value directly generated and distributed" and "Compliance with applicable laws and regulations" were recognized as preconditions for operating whose responsibility and oversight are an integral part of Italcanditi's daily activities. Consequently, these topics are not included in our materiality matrix, but are nonetheless reported on.

Our sustainability commitment also aims at taking action that actively supports the achievement of the 17 United Nations Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015. The SDGs ultimate ambition is indeed to end poverty and other deprivations, develop strategies that improve health and education, reduce inequality and spur economic growth, all while facing climate change and working to preserve marine and land ecosystems. Considering the SDGs we can support through our activities and initiatives, we draw inspiration from the Stockholm Resilience Centre's "wedding cake": the linear, segregated conception of development shifts towards an integrated, multi-level paradigm



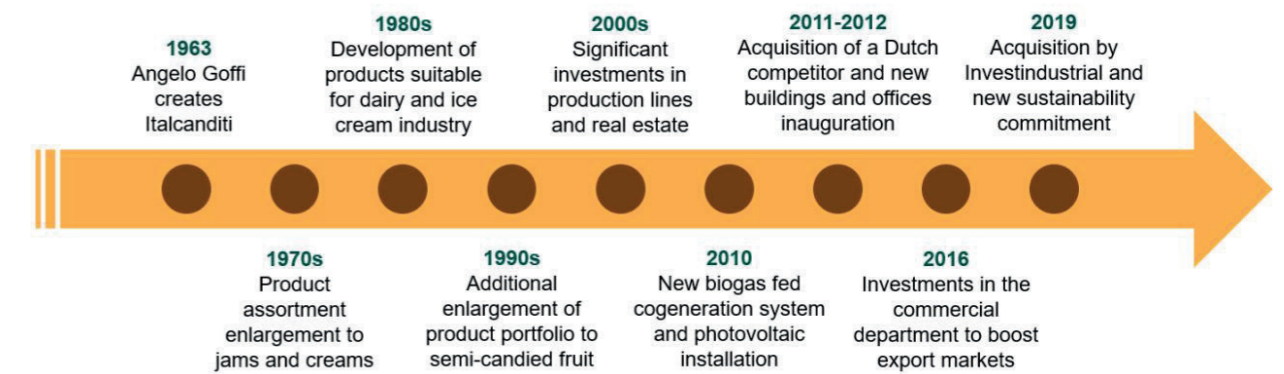
that implies that economies and societies are embedded parts of the biosphere. The model understands the food sector as the one that links all the SDGs together, since all the Goals are directly or indirectly connected to sustainable and healthy food. In particular, we highlighted the six SDGs that are linked to our sustainability initiatives and commitments.



## ABOUT US

Headquartered in Pedrengo (Bergamo, Italy), with a presence in 30 different countries and more than 2,000 clients, Italcanditi S.p.A. can count on a market share of up to 90% in the Italian Bakery industry. Originally founded in 1963 by Angelo Goffi to produce candied fruit and marron glacés, it gradually gained foothold, recording 107 million euros turnover in 2019 and 341 employees. Today Italcanditi, under the brand Vitalfood, is recognized for its unique research and development skills and for the quality and scope of its product portfolio which consists of approximately 6,700 recipes divided into seven main categories: preparations for yoghurt, jams and fruit preparations, hydrated creams, marrons glacés, semi-candied and candied fruit, and salty creams and vegetables.

The tailor-made approach is specifically designed to best address the needs of our clients, divided into two main clusters: industries, for which we develop customized products that provide large scale companies with their desired output and process performance characteristics; and bakers, for which we have drafted ad hoc solutions able to meet their specific requests.



In 2019, Italcanditi was indirectly acquired by a fund managed by Investindustrial, a leading European group of independently management investment, holding and advisory companies.

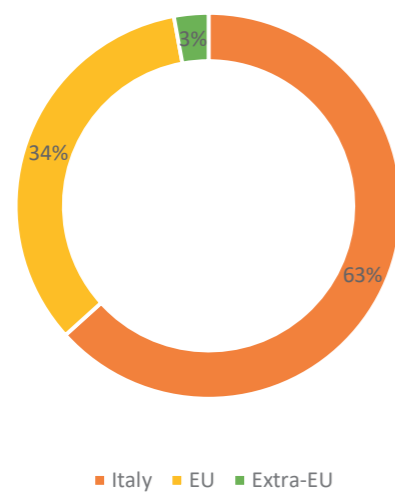
<sup>1</sup> Re-work based on Azote Images for Stockholm Resilience Centre, Stockholm University.

Regarding our value generation, in 2019, our generated economic value amounted to EUR 107 million, thus recording a 3.3% increase with respect to previous year.

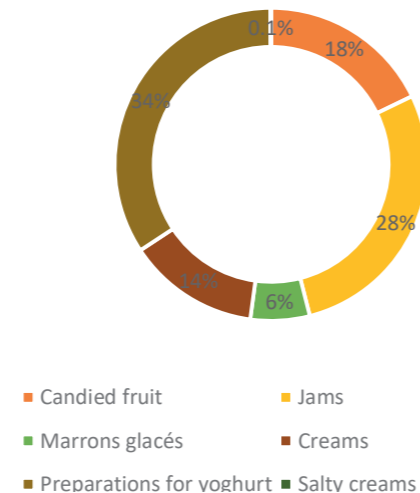
Direct economic value generated and distributed € in thousands	2018	2019
<b>Direct economic value generated</b>	<b>104,047</b>	<b>107,433</b>
<b>Economic value distributed</b>	<b>98,262</b>	<b>99,811</b>
Operating costs	60,944	61,722
Employee wages and benefits	20,329	22,344
Payments to providers of capital	12,038	11,658
Payments to government	4,939	4,077
Community investments	12	10
<b>Economic value retained</b>	<b>5,785</b>	<b>7,622</b>

Revenues by geographic area show that the majority of our business is based in Italy, depending on the largest share on preparations for yoghurt, jams and candied fruit.<sup>2</sup>

Revenues, by geographic area



Revenues, by business line



<sup>2</sup> Revenues by geographic area and business line refer to 2019.

We implemented a control and governance system, based on a Board of Directors that comprises six members – 2 women and 4 men – and which is entrusted with the powers to ensure the ordinary and extraordinary management of the Company.

**Members of the Board**

<b>Chair of the Board</b>	Caverni Mara Anna Rita
<b>Chief Executive Officer</b>	Goffi Maurizio Pieralfredo
<b>Board member</b>	Goffi Patrizia
<b>Board member</b>	Razzano Dante
<b>Board member</b>	Catapano Salvatore
<b>Board member</b>	Romeo Bruno

An independent auditing firm has also been appointed.

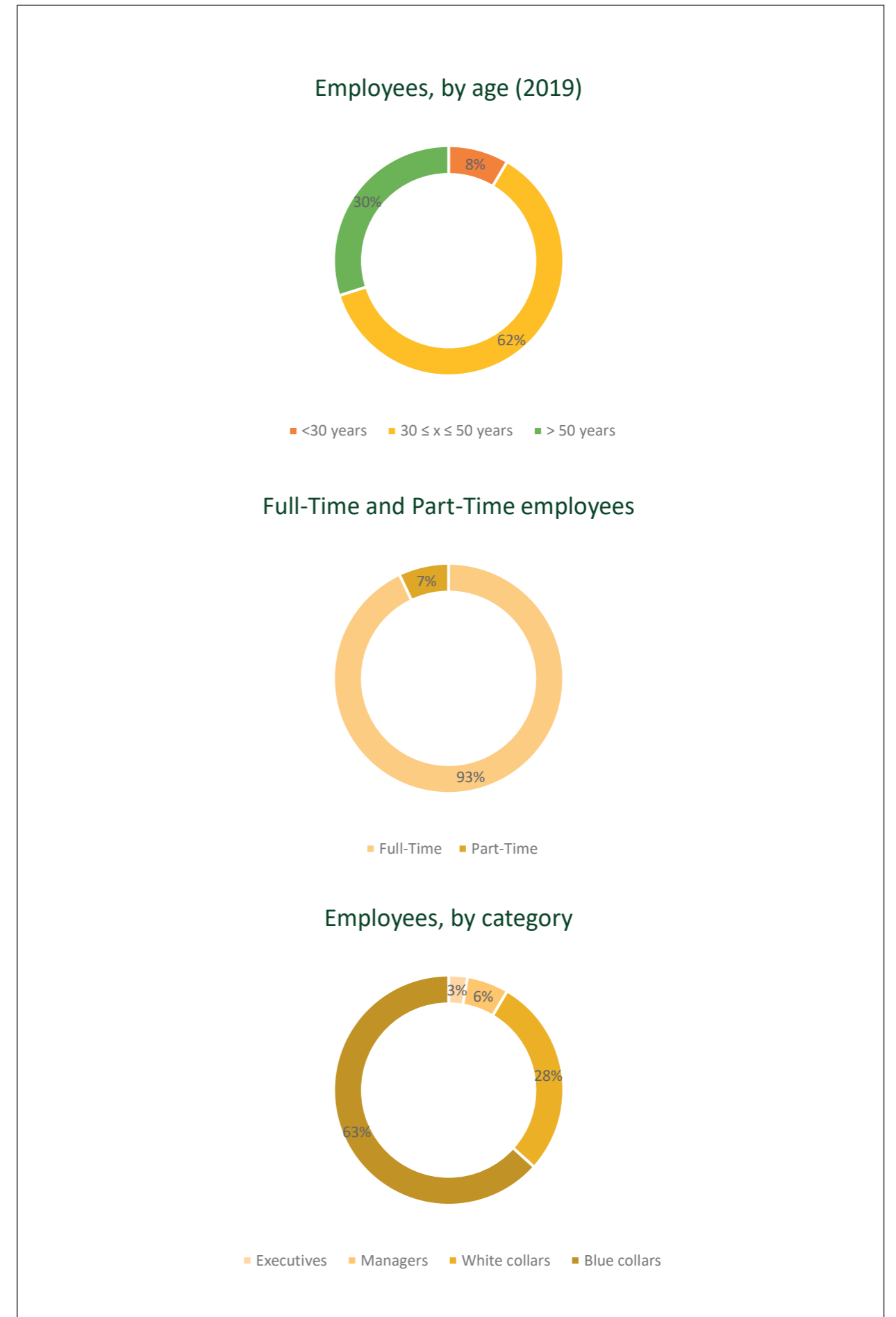
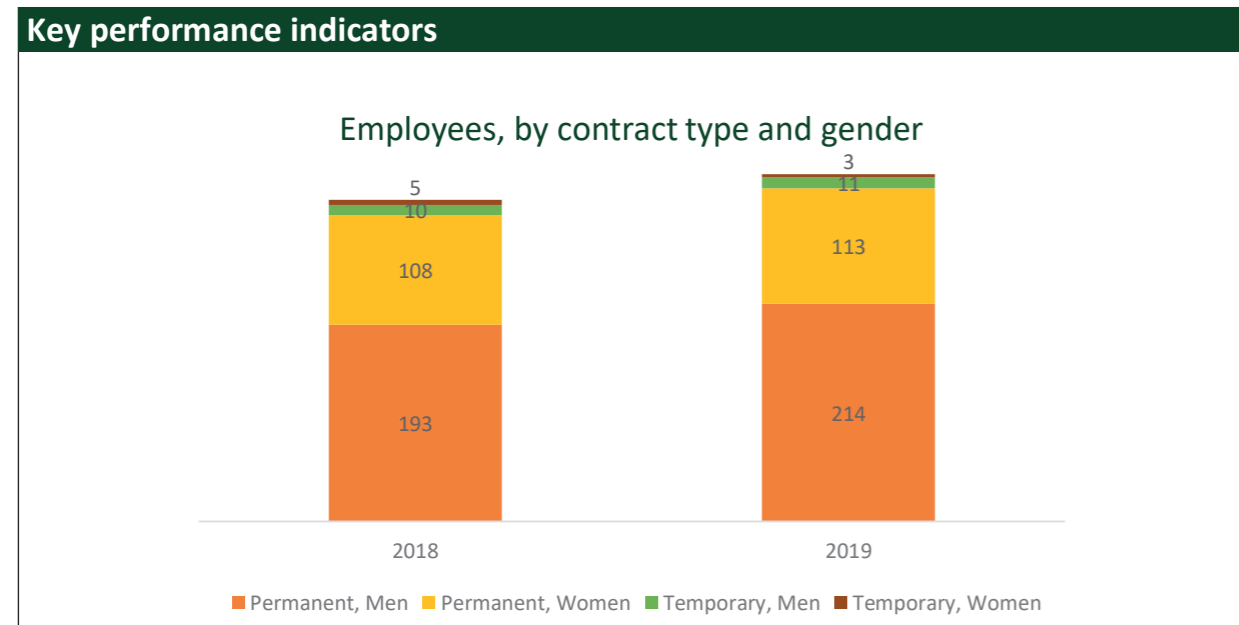
Furthermore, in 2019, Italcanditi S.p.A. started a process for the definition of an Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001. The model approval is expected within the first few months of 2021.

# ITALCANDITI IN NUMBERS

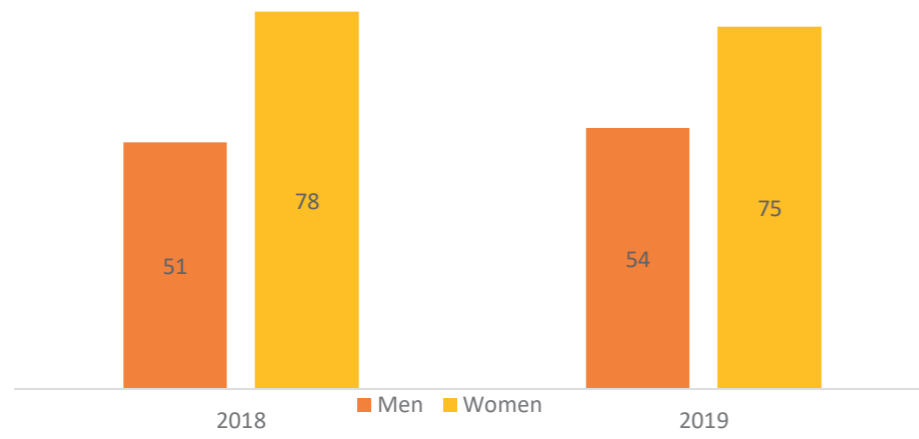
Employees are first and foremost individuals to us. From the outset, we worked towards establishing a relationship that goes beyond mere contractual terms and reflects our organizational structure, typical of family business.

With a workforce of 348 people – 98% of whom are employees and 2% of whom are agency workers – 2019 recorded a growing trend of around 8% with respect to the previous year and in line with our economic growth. Our people are divided on a year-over-year stable share between two thirds of male and one third of female individuals. The gender composition is similarly mirrored as far as contracts are concerned: we have a high preference for permanent (96% share, +9% on a yearly basis) over temporary contracts. Due to our inherent productive, business-to-business nature, employees' categories also show a pyramidal structure, with the highest density in the operational process part and the lowest in the upper, office side.

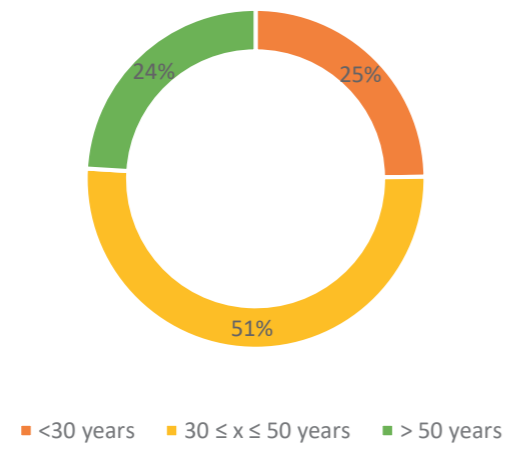
In 2019, we recorded a 38% hiring rate, slightly lower with respect to the previous year, while the turnover rate amounted to 31%. A peculiar trait of our employee structure is seasonality. Indeed, almost all of our product lines are characterized by fluctuations throughout the year, in terms of both food product availability and market demand trends: some lines are tied to festivities such as Easter and Christmas, while others depend on the fruit seasonality. These aspects impact on employee composition, that in peak periods can significantly vary from year-end stability data, amounting to around 410 people from June to November. Thanks to our close and long-lasting relationship with the local community, most of our seasonal workers – employed under temporary, full-time contracts – are the same from one year to the next: we can thus count on trusted and skilled employees to carry out important production tasks with the expertise and flexibility that have always characterized our business model.



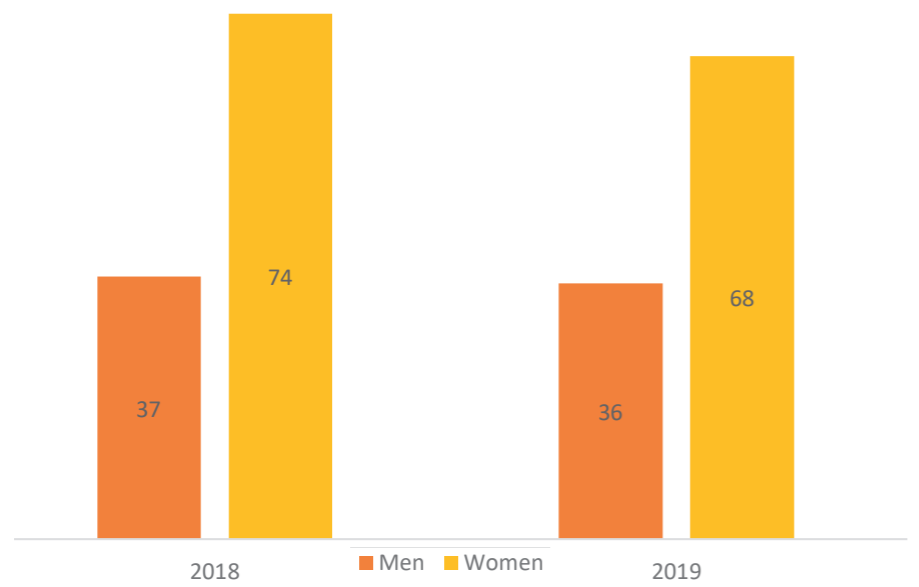
Hires, by gender



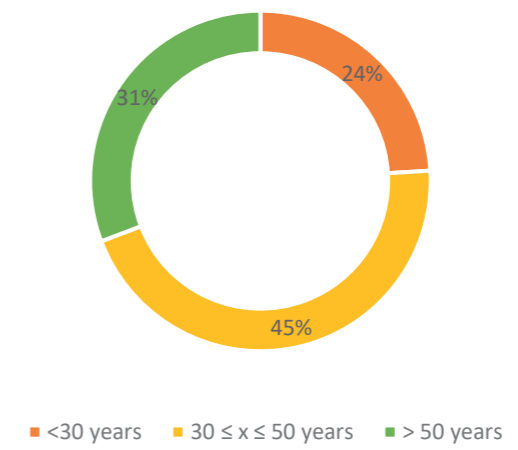
Hires, by age (2019)



Terminations, by gender



Terminations, by age (2019)





## ENHANCING PEOPLE POTENTIAL

The attention to our people is driven by the belief that training and development activities are key enablers for safe and quality processes. Most of the training courses carried out in the two-year reporting period were focused on health and safety topics, and aspects related to both quality and operations.

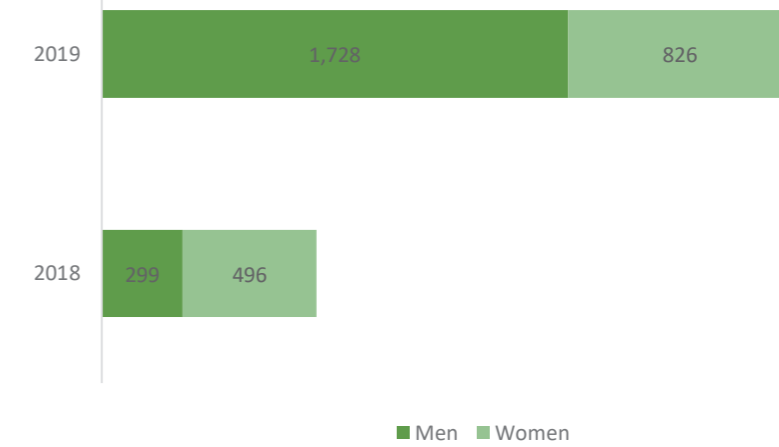
As for the latter, each of our departments is in charge of periodically verifying people's skills and competences so as to foster personal and professional development: to this end, the head of each department is the reference figure that, drawing from their relationship with employees, can best identify strengths and areas for improvement so as to ensure training program efficacy.

The clustered management of training needs is in line with the objective to guarantee the highest levels of quality along the production process, taking advantage of each employee's know-how and competences by heavily relying on training on-the-job. Furthermore, office employees are also offered language and legislative update courses, also provided by local manufacturing and service company associations and neighboring universities, aiming at developing professional skills and fostering employee engagement. In 2019, training hours amounted to 2,554, recording an important increase on an annual basis mainly due to a better monitoring of the courses provided to employees and due to the periodic update on health and safety matters required by law.

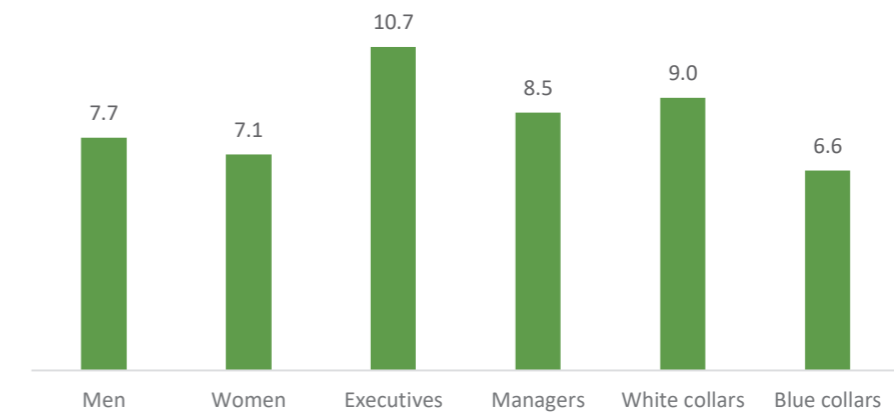
Our close relationship with employees is one of our most valuable assets. Over the years, we have implemented a number of initiatives that are aimed at helping our people with ad hoc measures typical of "family business" approach. All of our employees, regardless of typology and hierarchy, can count on a second level contract that integrates the collective bargaining agreement already in force: one of the main features is a yearly production bonus. Formalized procedures are to be added to established practices and to various initiatives such as Yoga courses during lunch breaks, and tax form assistance, aimed at fostering people's wellbeing through the promotion of an adequate balance between work and private life.

### Key performance indicators

Training hours, by gender



Average training hours, by gender and category (2019)





# THE TASTE OF SUSTAINABILITY



**ITAL**   
**CANDITI**



## HEALTH & SAFETY

In order to guarantee the highest safety standards, we have been relying on a formalized Health & Safety Policy and on the best available technologies both in terms of protective equipment and solutions. As part of our commitment to further strengthen our health and safety culture, in 2019 we started the implementation of a health and safety management system consistent with ISO 45001:2018 standard: our aim is to achieve the third-party certification by 2020.

At the Pedrengo site health and safety topics are directly managed by different functions at all levels of our organizational chart: specific skills and responsibilities over the application of safety procedures are attributed, and regular training sessions are foreseen. Whistleblowing-related repercussions are prevented through specific procedures, and medical examination is integral part of H&S procedures. As required by Italian law, recurrent assessments are carried out in order to update the identification of safety risks so as to put in place all necessary mitigation and prevention efforts. Among the main risks identified are, handling of heavy weights during production phases, manual work, and the use of technical equipment. In 2019, we had just one high-consequence accident related to a broken bone: the injured person will make a full recovery.

Data-driven risk assessment is indeed at the core of our health and safety practices: in full compliance with in-force national and regional regulations, we systematically analyze accident causes through direct consultations with heads of departments, employee representatives and all workers involved. This process allowed to investigate the injuries that occurred in both 2018 and 2019, to identify points of enhancement and to implement mitigation and prevention efforts: training courses specifically aimed at reducing the occurrence of such injuries – mainly related to product spills on the floor and consequent slipping – allowed to increase the synergy between production lines and safety on the job. Furthermore, we installed a touch-screen totem where employees can consult H&S documentation as well as screen looping slides on H&S topics that complement standard communications. The first results of the remediation plan put in place were already visible in the first months of 2020 during which lower injury rates were registered.

Key performance indicators		
	2018	2019
<i>Worked hours</i>	590,131	603,317
<i>Number of recordable work-related injuries</i>	23	25
<i>Number of recordable high-consequence work-related injuries</i>	0	1
<i>Recordable fatalities as a consequence of work-related injuries</i>	0	0
<i>Injury rate*</i>	7.8	8.3
<i>High-consequence injury rate**</i>	0.0	0.3
<i>Lost time injury rate***</i>	171.3	161.8

\* Calculated by the total number of recordable work-related injuries divided by the number of working hours and multiplied by 200,000.  
 \*\* Calculated by the total number of recordable high consequence work-related injuries divided by the number of working hours and multiplied by 200,000.  
 \*\*\* Calculated by the number of lost days due to injury divided by the number of working hours and multiplied by 200,000.

# ENERGY CONSUMPTION

**Building on the awareness that energy consumptions represent one of our most relevant environmental impacts, we have always invested in both optimizing our energy demand and in increasing the share of renewable sources in our energy mix.**

In 2019, our energy consumption amounted to an overall 227,530 GJ, thus recording a stable trend with respect to 2018 data. Natural gas represents the 86% of our energy demand and it is used for both generating heat through traditional boilers and for the production of combined heat and power through our cogeneration and trigeneration plants. In particular, heat is used in different steps of our production processes, from heating and cooking in the oven to fruit candying and from sterilization to pasteurization. The latter is one of the most significant processes in terms of energy consumption since it is based on the application of a combined heat and cooling treatment designed for guaranteeing food safety and preservation.

The simultaneous generation of cooling, heat and power allows us to substantially reduce carbon emissions as well as energy costs. In fact, compared to standard combustion systems, in combined heat and power production less fuel is burned with the same energy output while transmission and distribution losses are avoided thus resulting in increased energy efficiencies and reduced GHG emissions.

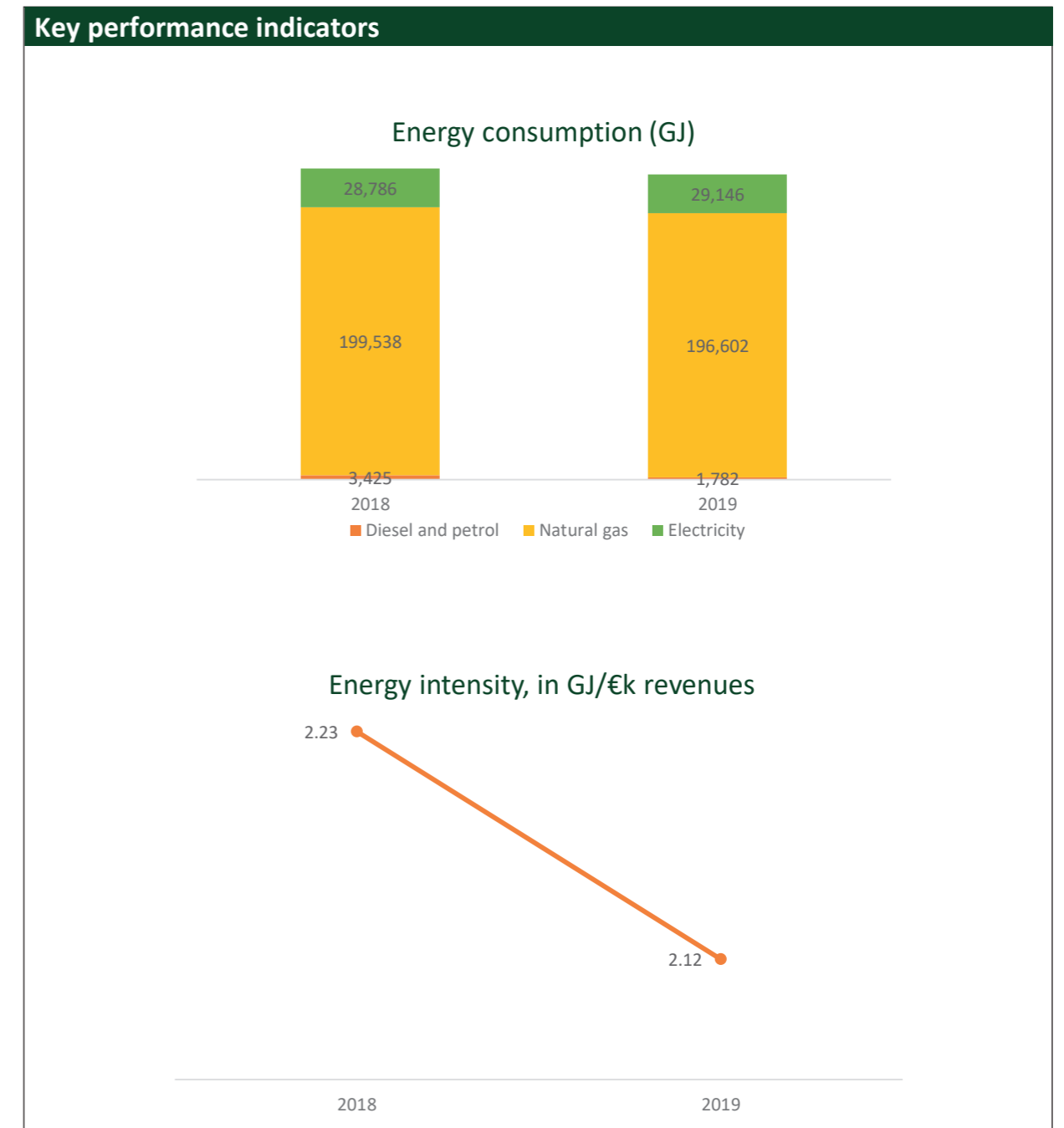
Cogeneration consists of the production of Combined Heat and Power (CHP). The most common cogenerators take advantage of fuel combustion to generate electricity and recover heat. A specific declination of this concept is trigeneration (CCHP, combined cooling, heat and power), which allows to use the thermal energy recovered from combustion to produce cooling energy, or refrigerant fluids for air conditioning and industrial processes.

The energy produced from our natural gas fed trigenerator is entirely consumed: while the electricity covers approximately half of our annual need, heat and cooling are used in our production processes. As for the cogeneration systems, one is fueled by biodiesel – purchased in the form of rapeseed oil – while the other one is fed by biogas, which is produced through the process of anaerobic digestion carried out in our wastewater treatment plant. While the heat generated by the combustion process in our two cogenerators is used internally for production purposes, the power is sold to energy providers: in 2019 only, we produced 4,200,000 kWh of electricity from renewable sources, thus contributing to reducing the carbon intensity of the Italian national energy mix.

Electricity makes up for the remaining 13% of our energy need, while the fuels consumed by our car fleet accounts for less than 1%. As for thermal energy, electricity is used for a multitude of production processes including raw materials and manufactured cooling and refrigeration products. Food preservation is indeed another important source of energy consumption since it requires diverse temperature ranges, from -25°C to +4°C. The renewable energy produced through photovoltaic panels – installed back in 2011 with progressive renovation for newer, more performant solutions

in the pipeline – covers approximately 3% of our electric energy consumption amounting to as much as 250,000 kWh of renewable electricity and equivalent to around 90 tCO<sub>2</sub> of avoided emissions. In the coming years we could evaluate the possibility of expanding the surface area covered by the panels in order to increase our production capacity.

We are committed to increasingly mapping our consumption trends so as to identify areas for improvement and evaluate solutions that can drive high energy efficiency while reducing environmental burdens.





## OUR CARBON FOOTPRINT

As part of our sustainability path, we started monitoring our Greenhouse Gas (GHG) emissions over the two-year period 2018-19. Our carbon footprint includes direct emissions (Scope 1), indirect emissions (Scope 2) from the electricity purchased from the national grid, and other indirect emissions (Scope 3) related to outbound logistics and business travels.

In 2019, direct emissions amounted to 12,947 tCO<sub>2</sub>e. The most part of these comes from the combustion of natural gas for boilers, heating, cogeneration and trigeneration systems (86%), followed by gas refrigerants refills for refrigerating rooms (13%) and our car fleet (1%) composed of both owned and long-term leased vehicles. In order to mitigate the impacts on climate changes arising from refrigerant gas leakages and to increase energy efficiency, we installed a new refrigeration system which makes use of ammonia as refrigerant liquid.

In 2019, indirect energy emissions amounted to 2,817 tCO<sub>2</sub>, accounting for the electricity purchased from the national grid only. The figure is calculated according to two different methodologies: the location-based methodology reflects the average emissions intensity of grids from which energy consumption occurs; in turn, the market-based method reflects the use of contractual instruments – e.g. Guarantees of Origin – to purchase electricity produced from renewable sources, which will thus be excluded from the GHG emissions calculation. The remaining part of the electricity, that as of 2019 equaled the totality of the electricity we purchased, corresponds to the untracked consumption, that is not represented by Guarantees of Origin: this amount is multiplied by a residual mix emission factor.

Finally, other indirect emissions are related to the transportation of sold goods – carried out by ship and trucks – as well as business travels on a much smaller scale. In 2019, the overall other indirect GHG emissions produced were 5,788 tCO<sub>2</sub>e. In the coming years, we are committed to progressively enlarging our Scope 3 emissions both in terms of activity coverage and detail level so as to quantify our climate impact along the entire value chain.

Key performance indicators				
GHG emissions		UoM	2018	2019
<b>Direct emissions (Scope 1)</b>		<b>tCO<sub>2</sub>e</b>	<b>13,775</b>	<b>12,947</b>
Gas refrigerants refills for refrigerating rooms and air conditioning		tCO <sub>2</sub> e	2,192	1,662
Car fleet		tCO <sub>2</sub> e	255	132
Natural gas for boilers, heating, and cogeneration and trigeneration systems		tCO <sub>2</sub> e	11,328	11,153
<b>Indirect emissions (Scope 2) - Location based</b>		<b>tCO<sub>2</sub>e</b>	<b>2,787</b>	<b>2,817</b>
Electricity purchased from the grid - Location based		tCO <sub>2</sub>	2,787	2,817
<b>Indirect emissions (Scope 2) - Market based</b>		<b>tCO<sub>2</sub>e</b>	<b>3,689</b>	<b>3,839</b>
Electricity purchased from the grid - Market based		tCO <sub>2</sub> e	3,689	3,839
<b>Other indirect emissions (Scope 3)</b>		<b>tCO<sub>2</sub>e</b>	<b>6,364</b>	<b>5,788</b>
Transportation of sold goods		tCO <sub>2</sub> e	6,347	5,771
Business travels		tCO <sub>2</sub> e	17	17
<b>Total - Location based</b>		<b>tCO<sub>2</sub>e</b>	<b>22,926</b>	<b>21,552</b>
<b>Total - Market based</b>		<b>tCO<sub>2</sub>e</b>	<b>23,828</b>	<b>22,574</b>

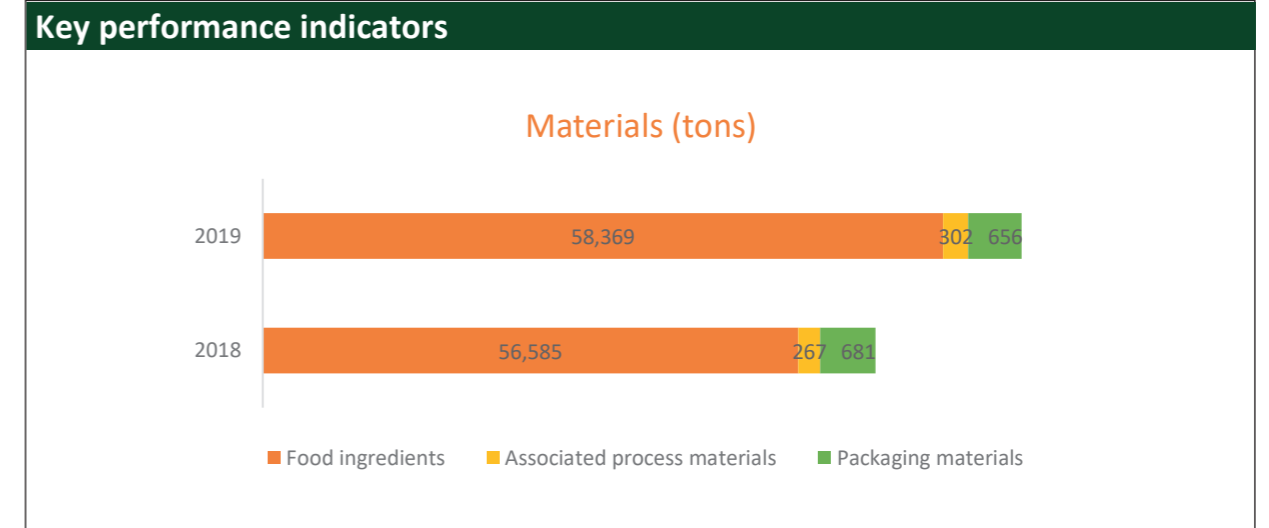
## MATERIALS CONSUMPTION AND SUSTAINABLE PACKAGING

Carefully selected food products and ingredients are the key components of our business model. These are mainly made up of sugar, fruit, milk and other food products and ingredients accounting for 98% of the total weight of purchased materials, followed by packaging materials (1%) and associated process materials (0.5%).

About 80% of our products are indeed sold to clients in owned, reusable steel tanks that, once empty, are returned, sanitized, checked and prepared for another use. The tanks are available in different sizes, offering transportation solutions that range from 400 kilos to 1 ton of product per tank so as to better adapt to all client needs. This allows us to use low amounts of single-use packaging materials such as plastics and cardboard, thus reducing the related impacts on the environment. The remainder of packaging consists in smaller containers that are used only residually according to clients' needs and requests, much preferred by the bakery sector and by buyers that handle smaller quantities of products.

These are mainly composed of plastic buckets and sac-à-poches specifically designed to minimize the risks of product contamination and deterioration while reducing food waste, for instance, with closeable sac-à-poches. Additionally, we introduced recyclable or reusable solutions also for light weights, namely bags in boxes (10 to 1000 kilos) and metal tins (3 to 5 kilos), thus increasing the flexibility of our packaging solutions so as to foster the efficient use of materials and, at the same time, to be able to address all of our clients' requirements.

Customized packaging projects may be carried out starting from special requests from key accounts. In these cases, we support our clients throughout the whole packaging creation process, from technical requirements to graphic studio drafting. Depending on client needs, this kind of project entails the use of various materials and certification schemes, such as Forest Stewardship Council-certified paper and cardboards: FSC certification attests that the pack material is procured from sustainably managed forests that meet environmental and social standards.

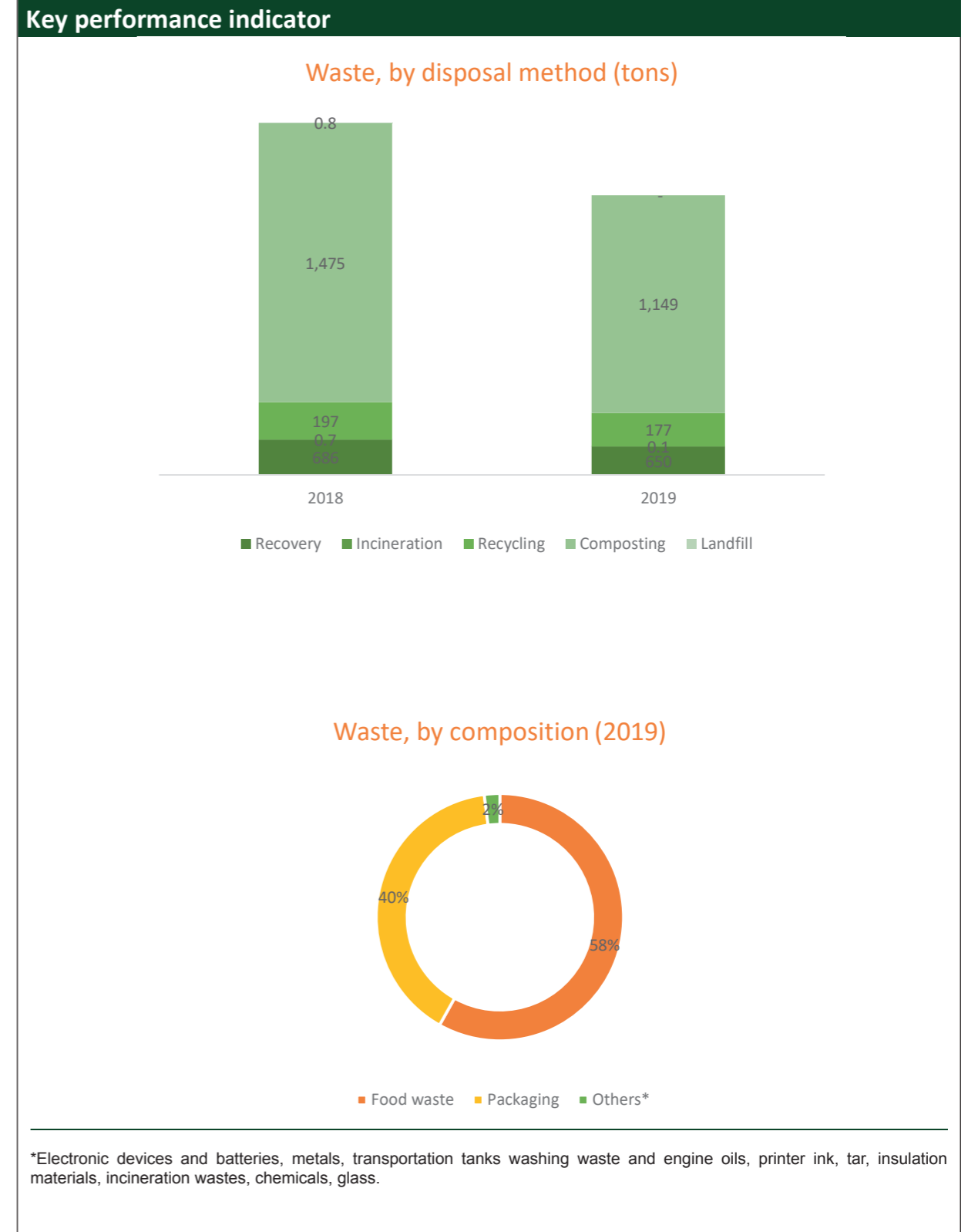


## WASTE AND WATER MANAGEMENT

Responsible waste management is a fundamental aspect of our daily operations. The composition of our waste is divided into two main clusters. On the one hand, we handle the inbound packaging that accompanies the materials we source from our suppliers, the almost totality of which is made up of paper and cardboards. On the other hand, we mainly produce organic wastes that come from food filtering and processing, from the separation of fruit stones and from wastewater treatments. In particular, the difference recorded in the two-year reporting period in the waste volumes is mainly linked to wastes accumulated over previous years, which we decided to send to disposal at one time in 2018.

The efficient use of water resources is indeed another key aspect of our environmental footprint since, in 2019 only, we withdrew 151,000 m<sup>3</sup> used for different purposes along the production process: to produce steam, the majority of which is employed to carry out product pasteurization, for cooling food products, to rinse salt solution-kept food ingredients as well as to wash production systems and reusable steel tanks. For this last use, we have implemented a set of high-pressure pumps that allow for high-quality washing processes while delivering water saving with respect to traditional solutions.

The water used for production purposes is then treated through our two water treatment plants able to treat on average between 30 and 50 m<sup>3</sup> of water per hour. Besides lowering the organic substances present in the wastewater, through the anaerobic digestion process we also produce biogas, collected and burned in the cogeneration plant.



## CLIENT CENTRICITY

**The integration between quality standards and our people's commitment allows for flexibility and speed. These are essential elements for delivering customized products able to satisfy all our clients' needs.**

Client centricity is a fundamental characteristic of our way of both carrying out daily activities and structuring long-term strategies. According to our business partners' input, we select food ingredients and draft ad hoc production manufacturing processes so as to ensure that our output perfectly adheres to the requests outlined. This process starts with the relationship within our supply chain: about 90% of our suppliers are located within the European Union. These range from medium-sized companies to multinational corporations specialized in dealing with agricultural processed food products. Italcanditi selects them according to product specifics and volumes in order to ensure the highest combination of quality and fulfilment of client's demands.

Certifications are also an essential part of the product customization process. Our Quality Department deals with guaranteeing certificates and marks respect during everyday activities: we can count on several certifications recognized in different countries that apply to specific product categories as required by our clients. In particular, for cases of territorial origin denominations, we enroll in consortia and undergo all audits and controls that certify the adherence to labeling requirements. Consortia and origin denominations safeguard the authenticity of a particular food or agricultural product by guaranteeing cultivation, process and/or transportation standards: as a consequence, the procurement of those kinds of products requires detailed terms and procedures to abide by.

Controls are carried out almost totally internally and are focused on application compliance, which means satisfying clients' recipes and requests on the basis of physical and chemical characteristics. Quality checks are thus specifically designed to best fit each product category in its various declinations: controls are carried out on all production phases. These include microbiological tests as well to understand whether the product complies with shipment standards. On the basis of our HACCP plan, we have also drawn up a list of controls according to which different microbiological aspects for each product category are assessed. Quality indexes on all the production lines are regularly monitored and discussed upon with the aim to assess eventual issues, evaluate them and propose mitigation or prevention efforts.

Being business-to-business, our labeling practice depends on clients' requests and indications. It can be described as an internal "cascade" chain of checks, directly deriving from the guidelines issued by the business partner. The closed circle heavily relies on the high degree of transparency and trustworthiness we guarantee regarding the product origin, compositions and allergens. Moreover, a fundamental part concerns process controls, for which we avoid cross-contamination between different products and product ingredients along the lines. This includes highly reliable segregation of processes and storage, and the capacity of washing procedures to eliminate contaminants. To do so, we implemented a barcode-based traceability system that allows to accurately trace the origin of single

solid components with respect to the finished product. Given the sensitivity of the issues of contamination and batch collection, the certifications require minute traceability. In order to guarantee timely response to potential critical situations, we also carry out a crisis management exercise on an annual basis, simulating a product faultiness emergency. In 2018 and 2019, we recorded no non-compliance incidences for product safety and consequent withdrawals, nor any quality non-compliance issues.

Our R&D Department plays a fundamental role in guaranteeing a strong connection between product quality and clients satisfaction. Indeed, four laboratories (fruit stuffing, yoghurt preparations, candied fruit and cream stuffing) are dedicated to engineering customized recipes able to meet the highest production standards. Additionally, an innovation laboratory studies new production methods, new materials and new technologies to be adopted. We also participate in research projects with universities. Since 2017, we have been part of "Food NET" with Bicocca University in Milan, University of Pavia and University of Calabria, a project that aims to explore the field of innovative foods that have nutritional advantages for people over 65 years of age while fostering waste recycling and reuse. Furthermore, we are members of the Experimental Station for the Food Preserving Industry (SSICA), a Research Foundation that carries out applied research and experimental development, technological supervision, analysis and laboratory consultancy, transfer of results, training and other related activities, in favor of companies operating in the agri-food preserving sector.

### Key performance indicators

#### Our certifications

RSPO supply chain Certificate	Sustainable palm oil procurement from certified sources.
Kosher Certificate	Industrial processes and material compliance with Jewish ethical and hygienic health standards.
ISO 22000:2005	Pasteurization and/or sterilization and packaging of products.
IFS Certificate	
FSSC 22000	
BRC Certificate	
IT BIO 007	Organic operations according to the European Union Regulation on organic production and labelling of organic products.
Halal product Certification	Industrial processes and material compliance with Islam ethical and hygienic health standards.
UTZ Certification	Sustainable farming of cocoa.



THE TASTE OF QUALITY

**ITAL**   
CANDITI



## METHODOLOGICAL NOTE

Our first Sustainability Progress Report has been drafted with reference to the GRI Sustainability Reporting Standards. The content of the document reflects the results of the materiality analysis as described in detail in the paragraph “Our sustainability path”.

As a signatory to the United Nations Global Compact (UNGC) Initiative from January 2020, through this Sustainability Progress Report Italcanditi fulfills its commitment to produce a Communication on Progress – a public disclosure outlining its progress in implementing the principles of the UNGC. The UNGC Principles are clearly mapped against the GRI indicators in the GRI Disclosures section. At present, our Report does not directly address the UNGC issues and principles related to Human Rights, since the vast majority of our direct activities and suppliers are located in Europe, where Human Rights are regulated by law. In addition, some of the most important human rights issues related to Italcanditi’s operations, such as the protection of workers’ occupational health and safety, are already included among the “Labor” principles and issues we report on.

### SCOPE OF REPORTING

This document includes a description of initiatives and activities carried out from January, 1<sup>st</sup> to December, 31<sup>st</sup> 2019 as well as the related key performance indicators presented for the 2018-2019 period, where available. The data collection process and the report publication activities are structured on an annual basis. The information refers to Italcanditi S.p.A and includes the Company’s registered Headquarters, located in Via Cavour, 10 – 24066 Pedrengo (Bergamo, Italy).

### TOPIC BOUNDARY

The following table provides the link between our material aspects as they are presented in our Materiality Matrix and the corresponding GRI Standards topics. The scope and any eventual limitation concerning the reporting boundary due to the unavailability of data and information on the external perimeter are duly specified.

Our material topics	GRI material aspects	Aspect Boundary		Limitations of reporting on boundary	
		Within the organization	Outside the organization	Within the organization	Outside the organization
<b>Customer health and safety</b>	Customer health and safety	Italcanditi	Clients	-	Reporting scope not extended to clients
<b>Employees attraction and retention</b>	Employment	Italcanditi	-	-	-
<b>Employees training and development</b>	Training and education	Italcanditi	-	-	-
<b>Energy efficiency</b>	Energy	Italcanditi	Suppliers, clients	-	Reporting scope not extended to suppliers and clients
<b>Freedom of association and collective bargaining</b>	Labor-management relations	Italcanditi	-	-	-
<b>Greenhouse Gas emissions</b>	Emissions	Italcanditi	Suppliers, clients	-	Reporting scope partially extended to clients, not extended to suppliers
<b>Innovation</b>	-	Italcanditi	-	-	-
<b>Occupational health and safety</b>	Occupational health and safety	Italcanditi	Suppliers	-	Reporting scope not extended to suppliers
<b>Procurement practices</b>	Procurement practices	Italcanditi	-	-	-
<b>Product marketing and labeling</b>	Marketing and labeling	Italcanditi	-	-	-
<b>Production and packaging materials</b>	Materials	Italcanditi	Suppliers	-	Reporting scope not extended to suppliers
<b>Suppliers social and environmental assessment</b>	Suppliers environmental assessment	Italcanditi	-	-	-
	Suppliers social assessment	Italcanditi	-	-	-
<b>Waste and water management</b>	Waste	Italcanditi	-	-	-
	Water and effluents	Italcanditi	-	-	-

### QUALITY REPORTING PRINCIPLES

The Sustainability Progress Report is drafted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The document highlights both strengths and weaknesses, as well as potential areas of improvement. The data collection and reporting process are structured in order to ensure comparability and the correct interpretation of information by the key stakeholders interested in our performance evolution. Furthermore, we apply the precautionary principle in all our activities. The present Sustainability Progress Report is not subject to external assurance.

## CALCULATION METHODOLOGIES

The methodologies and assumption used to calculate the performance indicators included in the Report are described below:

- All data related to injuries refer to the Italcanditi's employees, thus excluding contractors. Commuting injuries for which the transportation has not been organized by the Company and first-aid cases are not included;
- The waste composition has been determined on the basis of waste weights as reported in the Environmental Declaration Form (Modello Unico di Dichiarazione Ambientale);
- The energy consumption related to Italcanditi's owned and long-term leased vehicles has been calculated starting from available fuel consumption data. The following table shows the conversion factors that have been used:

Typology	UoM	Source
<i>Fuel density</i>	l/t	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2018, 2019
<i>LCV (Lower Calorific Value)</i>	GJ/t	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2018, 2019

- Greenhouse Gas emissions calculations are carried out based on the principles outlined in the GHG Protocol Corporate Accounting and Reporting Standard.

For the calculation of the amount of emissions avoided thanks to the energy generated by Italcanditi's photovoltaic system, kWh consumption of auto-produced electricity through PV panels has been converted into CO<sub>2</sub> emissions by using the Terna location-based energy mix. Refrigerant gas blends for which a conversion factor was not available was taken from available data provided by suppliers while blend components' Global Warming Potential (GWP) were taken from IPCC Fifth Assessment Report (AR5).

Scope 2 emissions resulting from the consumption of electricity purchased from the national grid are calculated according to two different methodologies: the location-based one reflects the average emissions intensity of grids where the energy consumption occurs; the market-based one reflects the emissions from the electricity source that the Company has purposefully chosen.

Scope 3 emissions estimations include indirect emissions resulting from outbound logistics and business travels by air and train. Outbound logistics by ship distances have been calculated by considering the shipments of sold products from the Pedrengo site to the client's city. Concerning truck transportation of sold goods, available distance and weight data cover around 70% of all shipments.

Our GHG emissions have been calculated as follows:

### GHG EMISSIONS – SCOPE 1

Source	Activity data	Emission factor	GWP
<i>Car fleet</i>	Fuel consumption (gasoline and diesel)	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2018, 2019	CO <sub>2</sub> equivalent has been considered.
<i>Natural gas for boilers, heating, and cogeneration and trigeneration systems</i>	Fuel consumption (Natural gas)	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2018, 2019	CO <sub>2</sub> equivalent has been considered.
<i>Gas refrigerants refills for refrigerating rooms and air conditioning</i>	Leakages (kg)	-	Global Warming Potentials (GWPs) are taken from IPCC Fifth Assessment Report (AR5).

### GHG EMISSIONS – SCOPE 2




Source	Activity data	Emission factor	GWP
<i>Electricity purchased from the national grid – Location-based</i>	Electricity consumption (kWh)	Terna international comparisons on Enerdata figures, 2017, 2018	Only CO <sub>2</sub> emissions have been considered.
<i>Electricity purchased from the national grid – Market-based</i>	Electricity consumption (kWh)	AIB, European Residual Mixes, 2017, 2018	CO <sub>2</sub> equivalent has been considered.




### GHG EMISSIONS – SCOPE 3

Source	Activity data	Emission factor	GWP
<i>Transportation of sold goods</i>	Product shipped (km*ton)	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2018, 2019	CO <sub>2</sub> equivalent has been considered.
<i>Business travels by air</i>	Kilometers	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2018, 2019	CO <sub>2</sub> equivalent has been considered.
<i>Business travels by train</i>	Kilometers	Ferrovie dello Stato, "Rapporto di Sostenibilità", 2017, 2018	Only CO <sub>2</sub> emissions have been considered.





GRI DISCLOSURES

The material of the present Sustainability Progress Report references the following GRI Disclosures. If not otherwise specified, the Disclosures applied have been used in full.

GRI Standard	Disclosure	Notes
GRI 102 – General Disclosures (2016)	102-1 Name of the organization	
	102-2 Activities, brands, products, and services	
	102-3 Location of headquarters	
	102-4 Location of operations	
	102-5 Ownership and legal form	
	102-7 Scale of the organization	
	 102-8 Information on employees and other workers	
	102-9 Supply chain	
	102-10 Significant changes to the organization and its supply chain	No significant changes to the organization's size, structure, or supply chain were recorded in the reporting period.
	102-11 Precautionary Principle or approach	
	102-12 External initiatives	
	 102-14 Statement from senior decision-maker	
	102-18 Governance structure	
	102-40 List of stakeholder groups	
	 102-41 Collective bargaining agreements	
	102-42 Identifying and selecting stakeholders	
	102-46 Defining report content and topic Boundaries	
	102-47 List of material topics	
	102-48 Restatements of information	The 2019 Sustainability Progress Report is the Company's first document of its kind.
	102-49 Changes in reporting	The 2019 Sustainability Progress Report is the Company's first document of its kind.
102-50 Reporting period		
102-51 Date of most recent report	The 2019 Sustainability Progress Report is the Company's first document of its kind.	

	102-52 Reporting cycle	
	102-53 Contact point for questions regarding the report	
	102-56 External assurance	
Economic performance		
GRI 201 – Economic performance (2016)	201-1 Direct economic value generated and distributed	
Procurement practices		
GRI 204 – Procurement practices (2016)	204-1 Proportion of spending on local suppliers	
Materials 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 301 – Materials (2016)	301-1 Materials used by weight or volume	
Energy 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 302 – Energy (2016)	302-1 Energy consumption within the organization	
	302-3 Energy intensity	Energy intensity accounts for the energy consumption within the organization only.
Emissions 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 305 – Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-3 Other indirect (Scope 3) GHG emissions	



Waste 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 306 – Waste (2020)	306-2 Management of significant waste-related impacts	
	306-3 Waste generated	
Supplier environmental assessment 		
GRI 308 – Supplier environmental assessment (2016)	308-1 New suppliers that were screened using environmental criteria	To date, new suppliers are screened using environmental criteria only if required by clients.
Employment 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 401 – Employment (2016)	401-1 New employee hires and employee turnover	
Labor-management relations		
GRI 402 – Labor-management relations (2016)	402-1 Minimum notice periods regarding operational changes	No minimum notice period regarding operational changes is specified.
Occupational Health and Safety 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 403 – Occupational Health and Safety (2018)	403-1 Occupational Health and safety management system	
	403-2 Hazard identification, risk assessment, and incident investigation	
	403-3 Occupational health services	
	403-4 Worker participation, consultation, and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9 Work-related injuries	

Training and education 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 404 – Training and education (2016)	404-1 Average hours of training per year per employee	
Supplier social assessment 		
GRI 414 – Supplier social assessment (2016)	414-1 New suppliers that were screened using social criteria	To date, new suppliers are screened using social criteria only if required by clients.
Customer health and safety 		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 416 – Customer health and safety (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	
Marketing and labeling		
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary	
	103-2 The management approach and its components	
GRI 417 – Marketing and labeling (2016)	417-2 Incidents of non-compliance concerning product and service information and labeling	No incidents of non-compliance concerning product and service information and labeling were recorded in the reporting period.

# CONTENTS

A MESSAGE TO OUR STAKEHOLDERS	3
OUR DASHBOARD	4
OUR SUSTAINABILITY PATH	6
ABOUT US	9
ITALCANDITI IN NUMBERS	12
ENHANCING PEOPLE POTENTIAL	16
HEALTH & SAFETY	20
ENERGY CONSUMPTION	22
OUR CARBON FOOTPRINT	24
MATERIALS CONSUMPTION AND SUSTAINABLE PACKAGING	26
WASTE AND WATER MANAGEMENT	28
CLIENT CENTRICITY	30
METHODOLOGICAL NOTE	34
SCOPE OF REPORTING	34
TOPIC BOUNDARY	34
QUALITY REPORTING PRINCIPLES	35
CALCULATION METHODOLOGIES	36
GRI DISCLOSURES	38



Via Cavour, 10 · 24066 Pedrengo (BG) · ITALIA  
Tel. +39.035.654911 · [italcanditi@italcanditi.it](mailto:italcanditi@italcanditi.it) · [www.italcanditi.it](http://www.italcanditi.it)