

#SOGREEN SOCADO



**SUSTAINABILITY REPORT
2020 – 2021**



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INTRODUCTION

We are glad to introduce Socado's second Sustainability Report.

Since the beginning of our history, we have always been looking for not only the quality of our products and the pleasure of tasting them, but also the quality of life in the environments in which we work and more generally in the environment that surrounds us.

This credo is embodied into a **continuous search for a positive impact of our work** on personal relationships, on our consumers, customers and suppliers, and on the social and physical environment in which we work.

With this report we want to share the route that Socado has taken with the aim of working with care, having at heart environmental protection, dedication to people and attention to the quality in the choice of raw materials and in the way of working them. Socado aims for continuous and transparent reporting on its sustainability activities and achievements.

During this period, we have experienced several difficulties in transport management: low availability and high costs. We also experienced delays in packaging deliveries, due to the difficulty in finding raw materials (paper, plastic...). Therefore, all these issues increasingly led us to **pay more attention to the waste of resources**.

Furthermore, climate changes we are witnessing and which sometimes put our lives in danger, are certainly an alarm bell that must lead us to greater rationalization of energy consumption and to the use of natural energy.

The information and data reported relate to Socado for the period:

1st July 2020 – 30th June 2021, unless otherwise indicated.

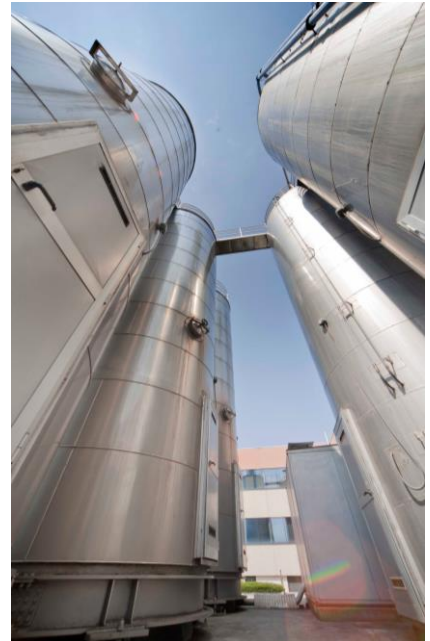


ABOUT SOCADO

Socado is a confectionery food company that has been operating in the world of chocolate since the early '70s.

Its headquarter is in Villafranca di Verona, where, in addition to modern offices, it has several production sites equipped with **ultra-modern, technically advanced facilities** dedicated to the production of a **wide range of products**: pralines in gift boxes and bags, chocolate bars, spreads, semi-finished chocolate based products for the confectionery industry, seasonal products and Easter Eggs.

The **entire production process is carefully followed** in each plant, from the selection and mixing of the best raw materials to the production of the various kinds of creams or chocolate and the final packaging of the product, thus ensuring that Socado produces only and always *The Good Chocolate*.



OUR MISSION:

QUALITY



TECHNOLOGICAL
INNOVATION



FLEXIBILITY



DIVERSIFICATION



in order produce the good chocolate and meet all of our customers' needs,
in Italy and abroad.

OUR SUSTAINABLE COMMITMENT

Sustainability focuses on meeting the needs of the present generation without compromising the ability of future ones to meet their needs.

Sustainable development emphasizes the evolution of human society from the responsible economic point of view, in accordance with the environmental and natural processes.

In society the only constant is change. The transformation and innovation, at the basis of every evolution, has pushed us to interact with different cultural spheres, even apparently distant ones, naturally leading us to grasp and anticipate the spirit of the times. Today this is no longer sufficient: **it is necessary to be actors of change**, with the necessary flexibility to translate the demands of the market and society into concrete actions that guide our way of doing business.

The idea of sustainability is quite straight-forward: a sustainable system is one which survives or persists.

As stated in our past report, **our Sustainability Plan** can be divided in four fields of application:

- Environmental Sustainability
- Social Sustainability
- Sustainability through the Product
- Sustainability through the Packaging

For each field we have identified the path already taken that we want to maintain and our future goals that we want to achieve together with a view to a continuous improvement.



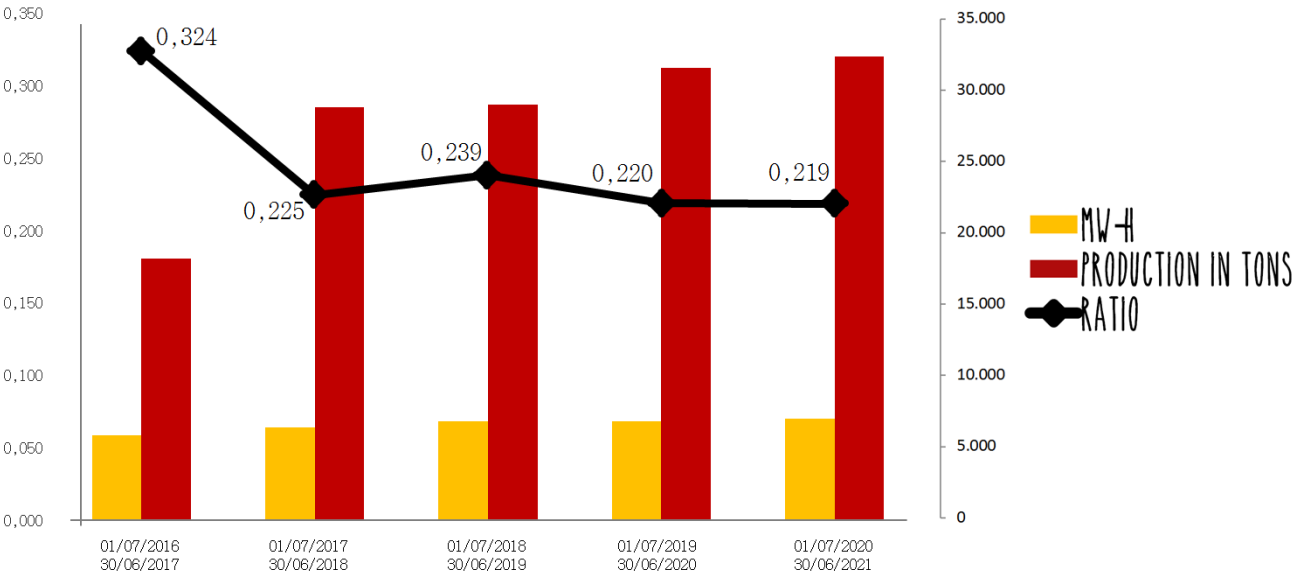
ENVIRONMENTAL SUSTAINABILITY

The Environmental approach is a concept-oriented term that encompasses **pollution control, cleaner production, waste minimization** and involves economic and societal principles and activities in order to contribute to improved industrial performance. We place in the many daily actions aware of their impact on the world around us and that will surround us in the future.



USE OF RESOURCES MONITORING (ENERGY, GAS AND WATER)

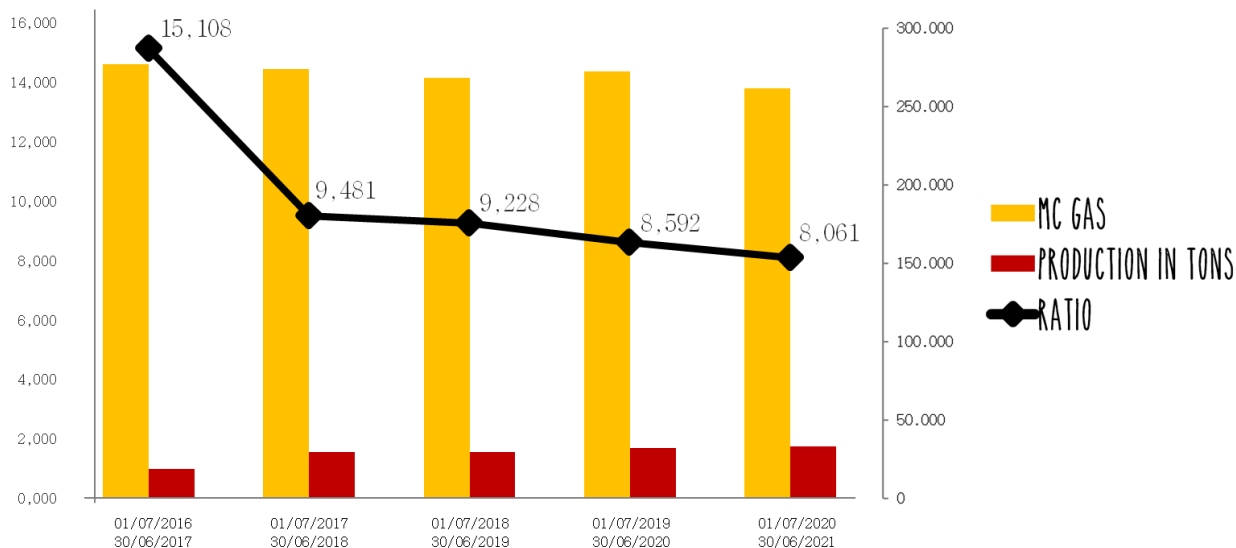
As set out in our previous report, we kept monitored water, energy and methane gas consumptions.



Graphic 1. Electricity Consumption (MW/h) correlated with productions from 01/07/2016 to 30/06/2021

The majority of Socado's energy consumption in production operations stems from heating, cooling and transport. Consequently, our production site focuses on the processes when working on energy efficiently.

As shown in Graphic 1, we reduced our energy consumption compared to 2016.



Graphic 2. Methane Gas Consumption (cubic meters) correlated with productions from 01/07/2016 to 30/06/2021

As with electricity, also for methane gas our goal is to optimize the consumption. Graphic 2 shows the cubic meters of methane gas consumed from 2016 to 2021.

Another valuable resource is water. Efficient use of water and appropriate handling of wastewater are crucial for us.

COME VISIT US, GET YOUR ENERGY REFILL!

We have installed an **electric pump in our internal parking lots** to refuel business cars and to give the possibility to those who come to visit us to refuel their cars.



TRAVEL BY MEANS OF METHANE

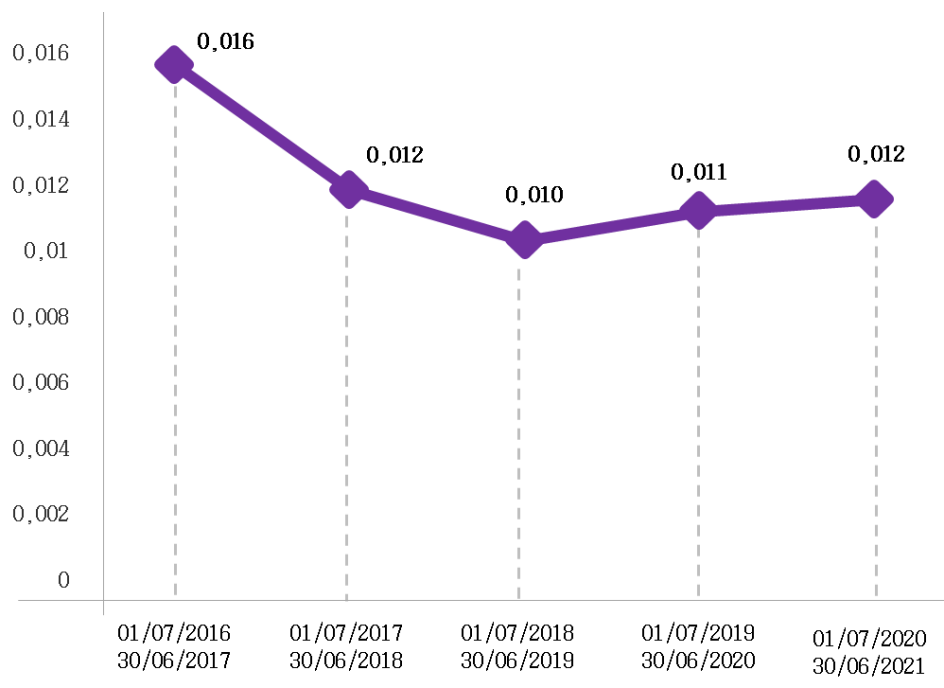
One of the aims we undertook last year, produced the first results. We are making hauliers **more aware of the use of methane**. For now, focus is on national transport with DAP delivery terms.



Graphic 3. Eco-friendly / Non eco-friendly ratio on national transports over the past years

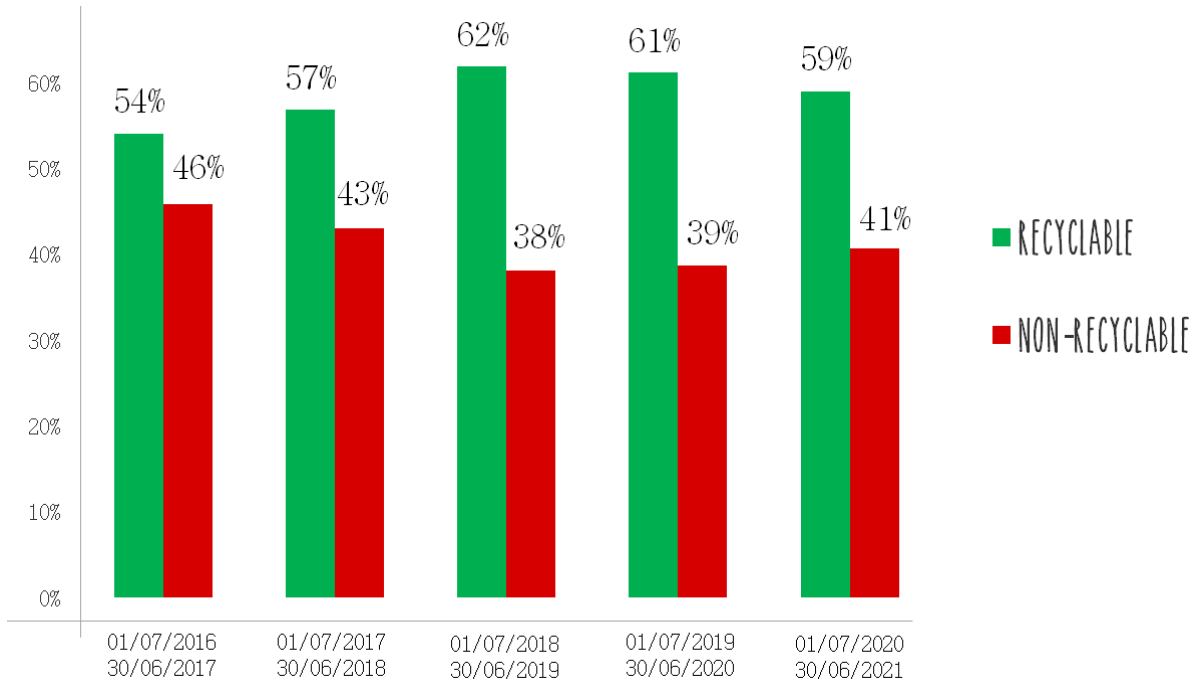
WASTE AND RECYCLING

Waste monitoring has been maintained in order to increasingly reduce waste and to optimize waste sorting in order to give materials a second life.



Graphic 4. Waste Ratio on production (ton) from 01/07/2016 to 30/06/2021

Ratio of tons of waste to tons of production remains constant (Graphic 4), whereas there is a slight increase in non-recyclable material, mainly due to the increase in sludge collection. This situation derives from a greater use of the mould washing room due to a production increase.



Graphic 5. Type of waste (recyclable and not-recyclable) from 01/07/2016 to 30/06/2021

PILLS OF KINDNESS

To promote a correct attitude towards the environment, we have hung some "pills of kindness" on the walls of our facilities (notice boards, break rooms, dining halls, changing rooms, ..):

- 1. Reduction water consumption;
- 2. Do not waste electricity;
- 3. Optimize heating system;
- 4. Recycle to produce less waste;
- 5. Choose with attention products we buy.

Boards with some very simple daily rules to bear in mind at work, at home and wherever we are.

Small actions that, if we all stick to them, can make a great and good difference for the world we live in, as well as improve one's well-being and also bring economic benefits.



ECOLOGICAL LIGHT BULB

The main plant is built in such a way as **to use as much sunlight as possible**: the roof is transparent, in order to take advantage of natural lighting as much as possible and thus to reduce electricity consumption for lighting.



PROJECTS FOR THE FUTURE

This is not yet the end of the journey... there is always room for improvement.

We are putting in place special actions aimed at substitute, where possible, more recyclable materials and/or objects than those we are currently using (coffee paper cups, greener stationery, recycled paper for printing, etc.).

We believe these small actions can help make a difference. It is important to get used to daily habits.

Here are some target we want to fulfil by 2025:

1. To maintain monitoring of water, energy and methane gas consumption in order to intervene, where possible, to reduce the waste of resources;
2. To look at more natural energy sources both for the transport of products and for their production.
3. To build a **photovoltaic system**, in the next five years, in the site that holds production's core: one of our most ambitious projects;
4. To maintain and optimize recycling: minimize waste and differentiate it;
5. To promote the use of methane shuttle "I TRAVEL WITH METHANE" and use of bicycles to move between the neighbouring sites;
6. To promote the use of transport by methane also for foreign travels ;
7. Use of green energy starting from the 01/07/2021 budget. Aim is to contribute and encourage production and use of renewable energy;
8. "Avrò cura di te": a new project with a school, in order to involve also children on the topic of sustainability.



SOCIAL SUSTAINABILITY

Socado' s most important resource is the **people** who work with us.

Socado' s corporate values such as vision, authenticity, passion, collaboration, dynamism and concreteness are the expression of our work ethic and govern the activities and relationships within the company.

Attention to individual is realized with the creation of a **positive work environment**, within which everyone can develop and increase its skills and competences and it's rewarded on the basis of a meritocracy policy.

We were able to achieve the goals we set for ourselves in the previous report, by monitoring the characteristics of the workforce and creating training courses for the staff.

We have maintained the **Smeta 4-Pillars Certification** and we have already planned the renewal for the 2nd half of 2021.

The risk at work was monitored and the incidence of accidents was kept low, thanks to both continuous **maintenance of machinery** and **staff training**.



PERSONNEL COMPOSITION

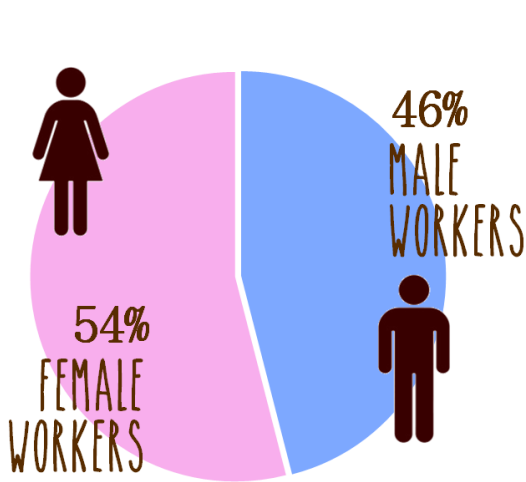
On the 30/06/2021 the number of employees amounts to 172.

The division between Men and Women is well equalized, as shown in Graphic 6, particularly for the “office workers” category.

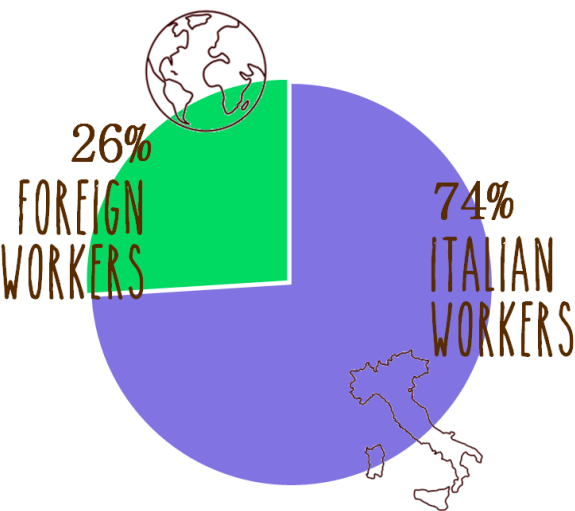
Where as in the “laborers” category the origin of the difference can be traced

back to the different gender representation in jobs.

For example, skilled industrial labour is heavily represented by men (such as maintenance, mechanics, moulders), while packing is represented by women.



Graphic 6. Personnel Composition (Men/Women) on 30/06/2021



Graphic 7. Personnel Composition by nationality on 30/06/2021

We do not tolerate any discrimination against employees or candidates on the grounds of gender, age, religion, political opinion, union affiliation, disability, national or social origin, sexual orientation, ethnicity, colour or any other relevant characteristic. We believe that all people should be treated fairly. It is our policy and practice, therefore, to ensure people

enjoy equal employment opportunities (both employees and candidates). We also support and promote gender diversity and strive for age diversity in which younger and older generations actively collaborate. Foreign personnel increased from 23% to a 26% presence in the company.

GROUP WORKFORCE BY AGE AND GENDER				
AGE GROUP	30/06/2021		30/06/2020	
	% WOMEN	% MEN	% WOMEN	% MEN
< 30	72,0%	28,0%	61,5%	38,5%
30 – 50	51,5%	48,5%	48,9%	51,1%
> 50	50,0%	50,0%	43,5%	56,5%

Graphic 8. Group workforce by age and gender from 30/06/2020 to 30/06/2021

Distribution of employees in different age groups shows an increase in female personnel over the past 2 years. The % of women under 30 is higher than men for the "line quality control" category for which it is representative and for the peculiarity of some productions for which female work skills

are fundamental. While male personnel are employed for "heavier" jobs and for the management of the plants and their repair.

We are investing in hiring young people who are capable of replacing personnel close to retirement.

GROUP WORKFORCE BY AGE AND CATEGORY						
EMPLOYEE CATEGORY	30/06/2021			30/06/2020		
	< 30	30 – 50	> 50	< 30	30 – 50	> 50
EXTERNAL WORKER	10	24	4	13	21	3
WORKER	7	45	30	7	38	33
EMPLOYEE	8	31	8	6	29	8
MIDDLE-SENIOR MANAGER	0	3	2	0	2	2

Graphic 9. Group workforce by age and category from 30/06/2020 to 30/06/2021

GROUP WORKFORCE						
EMPLOYEE CATEGORY	30/06/2021			30/06/2020		
	TOTAL N. EMPLOYEES	% WOMEN	% MEN	TOTAL N. EMPLOYEES	% WOMEN	% MEN
EXTERNAL WORKER	38	57,9%	42,1%	37	51,4%	48,6%
WORKER	82	42,7%	57,3%	78	35,9%	64,1%
EMPLOYEE	47	72,3%	27,7%	43	72,1%	27,9%
MIDDLE-SENIOR MANAGER	5	40,0%	60,0%	4	50,0%	50,0%
TOTAL	172	46,5%	47,7%	162	49,4%	50,6%

Graphic 10. Group workforce from 30/06/2020 to 30/06/2021

ETHICAL CODE

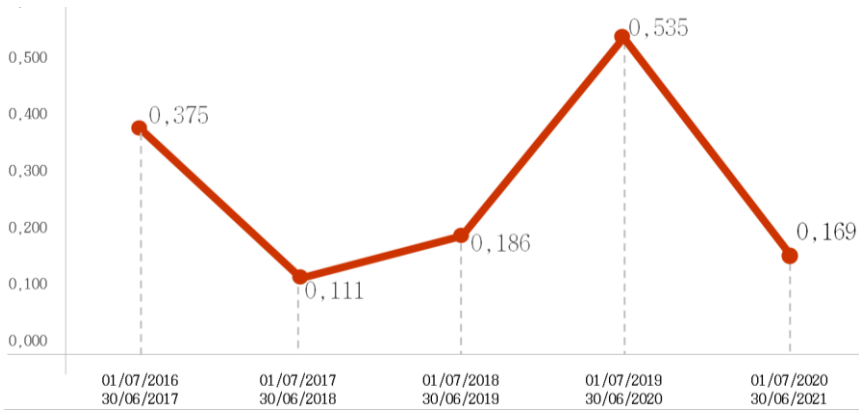
The writing of the Ethical Code states Socado's commitments and ethical responsibilities in the context of the business carried out towards customers and in the context of internal company actions with regard to its Employees and Partners. Therefore, the Code establishes a set of principles whose compliance, by all those to whom it is addressed, is extremely important for the regular functioning and reliability of Socado's image.

In this context, the **adequacy of the working environment, equipment, and the education and training** of employees on this subject are of importance. Considering the wide range of activities carried out, the assessment and management of risks to

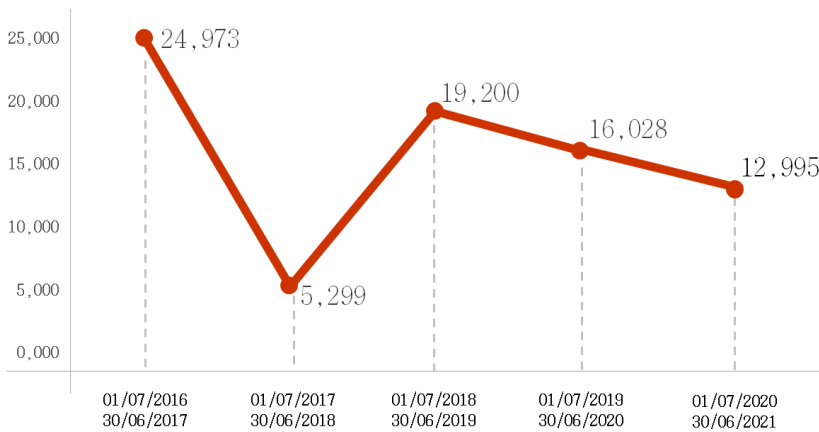
the health and safety of workers is a complex task.

Socado performs **continuous monitoring of activities that may affect the health and safety of workers** through analysis carried out periodically through inspections of the employer, the person responsible for prevention and protection (RSPP), the workers' representative for safety (RLS) and Doctor.

Graphics 11 and 12 show the accident frequency and severity rate from 2016 to 2020-2021. The number of cases is very low (3 per year); therefore, the variability of the graphs is due to these low numbers.



Graphic 11. Accident severity rate (x 1000)

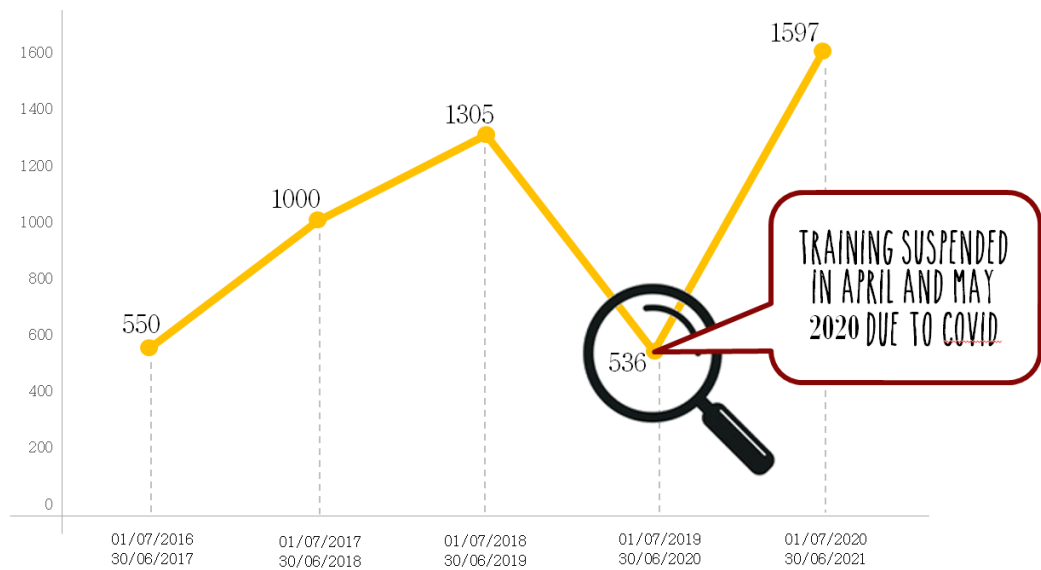


Graphic 12. Accident frequency rate (x million hours worked)

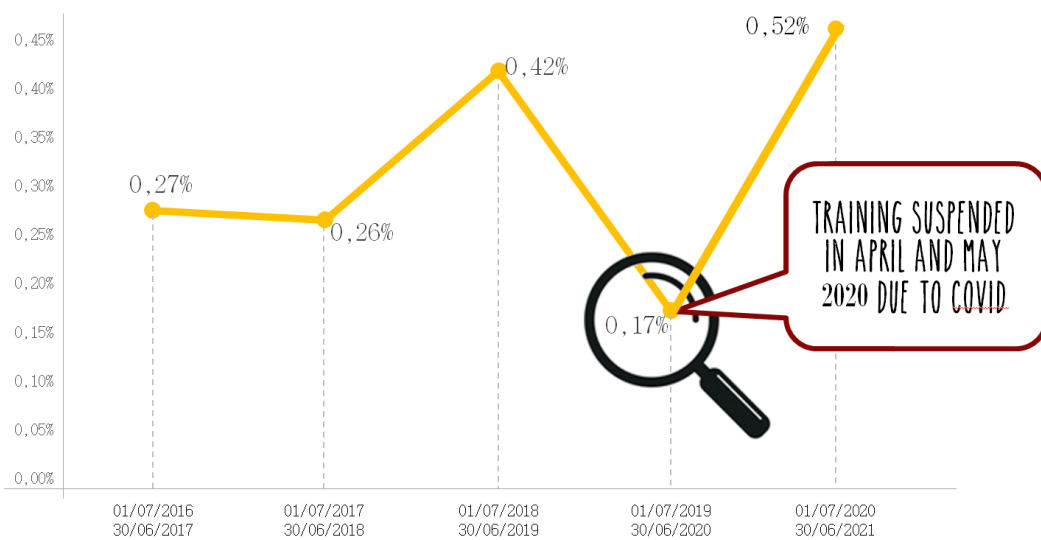
TRAINING OF PERSONNEL

We have been training staff for a long time: it is important to us that every employee is **kept up-to-date and stimulated** in all aspects in order to constantly improve.

Graphic 13 shows the total amount of hours invested in training, while Graphic 14 shows the training hours related to worked hours ratio from 2016 to 2020-2021.



Graphic 13. Training hours from 2016 to 2020-2021



Graphic 14. Training hours to worked hours ratio from 2016 to 2020-2021

Data for the years 16/17 and 17/18 are estimated because we had not yet implemented them in the old system.

We managed to fill in the training gap in 2020/2021 that had been stopped due to the Covid-19 pandemic.

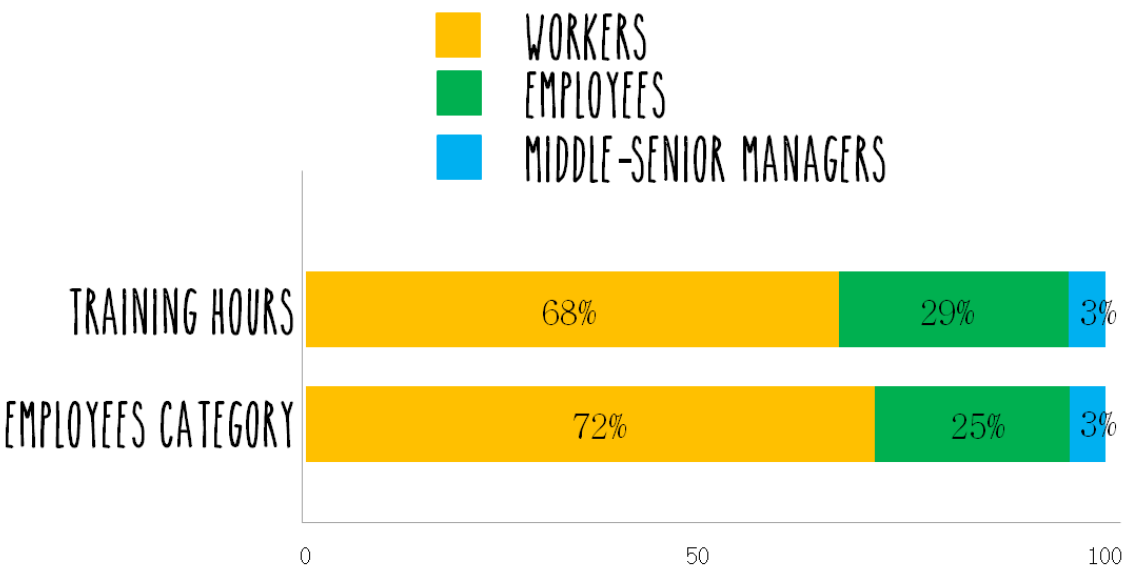
It is also important to evaluate the periodicity of certain training courses (safety at work and food quality courses).

We have activated new training methods - such as **FAD** - also learning from the new rules dictated by the pandemic in progress, which allow a reduction in costs and times.

We have noticed an appreciation of this method also because it allows staff to better organize themselves with regard to participation in the course (not bound to a specific date and time) and to pay more attention to the subject.

We have also noticed advantages due to the fact that these methods allow higher production continuity.

In general, we do not expect remarkable growth trends but rather a constant trend with some slipping between some shifting.



Graphic 15. Comparison between training ratio and employees category on 30/06/2021

IMPROVEMENT TOWARDS PERSONNEL

We have implemented an **IT system** for the delivery of payrolls so employees avoid to go to the office, thus creating a benefit.

Furthermore, this portal allows for timely and fast communication between the company and the personnel.

COVID-19

A **specific Security Committee** is active in Socado, with respect to the Covid-19 risk, made up of the company's supervisor figures.

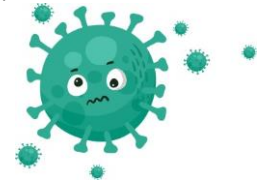
Socado has decided to adopt specific measures, aimed at:

- Prevent the risk of contagion of workers, safeguarding their safety, also in order to ensure the continuation of the activity;
- Act promptly on any cases of infection.

Risk management takes place through a company "organizational system",

described in the specific P.COVID procedure, which integrates the implementation of the "Shared protocol for updating measures to combat and contain the spread of the SARS-Cov-2 virus / Covid-19 in the workplace ", aimed at guaranteeing and preserving the company from possible contagion and defining the responsibilities of all company figures belonging to the safety group, therefore the strategies implemented to protect the company and the workers.

Committee met several times to adapt the company organization to the new rules as determined.



SMETA 4-PILLARS

We have been certified SMETA 4-Pillars for years in support of the above-mentioned responsibility that the company has always brought on the front row. Our will is to maintain this important certification and to undertake improvement plans with the view of new challenges (refer to Personnel Composition chapter).

SMETA is the acronym of "**Sedex Members Ethical Trade Audit**". The 4 pillars are represented by: working conditions, health and safety, work environment and business practices.

An update is planned in the second half of 2021.

NOT JUST SOCADO

For decades **Socado has been supporting non-profit organizations, charities and sports associations** in order to contribute to the welfare of all people, especially the most special.

Our intent is not to continue to support a particular association, but to change beneficiaries every year or over time in order to bring different aids (Banco Alimentare, Save the Children, Lilt, etc.).

In addition, through theatrical activities that are not lacking in Verona, we buy tickets for charity that are intended each time for different associations.

We also collaborate with rest homes in the area and religious institutions by providing free products.

In recent years, we have used products from *Voci e Volti Onlus* to tribute employees and consultants.

PROJECTS FOR THE FUTURE

Socado values are customer focus, entrepreneurship, team spirit, passion and integrity. Socado Ethical Code reflects these values and their belief that the best working environment is one built on **mutual respect and trust**.

We ensure that all our positions are staffed with qualified and motivated employees and that talented candidates are developed internally to fill these positions, whenever possible and reasonable.

We give **great importance to training and development** to acquire and retain high-performing employees.

Here are some targets we want to fulfil by 2025:

1. To maintain monitoring the Socado Group workforce and improve in training employees;
2. We aim to set new targets to further expand training opportunities for our employees in such areas as education about cultural awareness, diversity, and fostering gender diversity;
3. To maintain SMETA 4-Pillars Certification;
4. To maintain monitoring and improve risk management on the health and safety of workers, and the environment in which they work.



SUSTAINABILITY THROUGH THE PRODUCT

Now, more than ever, consumers are looking for **products and brands they can trust**, that offer consistent quality and purposeful vision on sustainability.

Socado takes responsibility for the sustainability issues associated with our supply chain, while recognizing that it requires joint efforts by the industry and respective governments.



SUPPLY CHAIN TRACEABILITY

Traceability is a key factor for ensuring the **transparent and sustainable procurement** of our raw and packaging materials. Traceability involves documenting and linking the production, processing and distribution of food products and ingredients.

We source our materials through a set of approaches with different levels of supply chain traceability:

- 1. Identification of the material and traceability back to its origin;

- 2. Segregation of materials with sustainability characteristics from conventional materials throughout the supply chain;
- 3. Mass balance: Materials with and without sustainability characteristics are separated in bookkeeping but can be physically mixed throughout the supply chain.



SUSTAINABLE SOURCING

Recognizing the important role of our suppliers in our value chain, we expect our suppliers to share our vision and our requirements to support our high **ambitions for sustainable supply chains**.

The process of qualifying and approving a new supplier requires active collaboration between our Quality Assurance (QA), Research and Development (R&D) and Purchasing teams. It is important for us to establish strong relationships and close collaboration with suppliers.

Socado source a wide range of ingredients for our chocolate product, such as dairy, palm oil, hazelnuts, cocoa, sugar, lecithin, vanilla etc.



SUSTAINABLE CERTIFICATIONS

Socado has been **RAINFOREST**, **RSPO** and **FAIRTRADE** certified for years.

Our will is to maintain all the certifications the company has invested in for years. Certifications that aim not only for the quality of the raw

materials used in production but also for the way in which these are obtained, paying particular attention to employees conditions throughout the supply chain.



RAINFOREST is a certification program for sustainable farming of coffee, tea, cocoa and hazelnuts. The program is part of the Rainforest Alliance, an international non-profit organization working **to create a better future for people and nature**.

FAIRTRADE INTERNATIONAL is the international non-profit organisation responsible for the FAIRTRADE® Fairtrade Certification Mark and the leader of the Fairtrade system. Through a global circuit, it aims to **support the**

The criteria of the RAINFOREST Code of Conduct fall into four categories: farm management, farming practices, social and living conditions and environment.

most disadvantaged workers and farmers in developing countries, offering them the opportunity to enter the international trading system under conditions of transparency and fairness in order to improve their working and living conditions.

RSPO (Roundtable on Sustainable Palm Oil) is a non-governmental organisation that, in order to minimise the environmental and social impacts of palm oil cultivation, introduces this sustainability standard consisting of several: social, economic and environmental.

We adopt the following models:

1. "Segregated" (SG): this model ensures that the palm oil used in SG-certified products comes from RSPO-certified sources and is kept separate through the supply chain without mixing with conventional palm ingredients;

Furthermore, we are **HALAL** and **KOSHER** certified: we always pay close attention to the needs of our customers and respect their traditions and customs.

2. "Mass Balance" (MB): this model allows for a blending of sustainable palm oil (SPO) and conventional palm oil (PO) during transport and storage. It provides for administrative control and a final mass balance.

Along with the use of RSPO palm oil, we also review the use of palm oil in our new products and search for alternatives.



DELIGHT THE MARKETPLACE

The **development of a new product** is a key point for us: our R&D team works in synergy with the Marketing and Export Manager in order to create innovative products that **keep up with market trends and meet consumer needs**.

The choice of product is influenced by the ingredients, nutritional values or allergens and increasingly also by sustainability.

Transparent and responsible communication as well as product labelling are therefore very important to Socado. High-quality standards and a commitment to food safety are part of our brand identity.

PROJECTS FOR THE FUTURE

We constantly evaluate our activities to access measures for improvement.

Here are some target we want to fulfil by 2025:

1. To continue to ensure compliance with food regulations and food safety standards required by law and our guidelines;
2. To maintain RAINFOREST-RA, RSPO, FAIRTRADE, HALAL, KOSHER Certifications;
3. To increase the level of transparency in our processes;
4. We will aspire to respond better and more quickly to our consumers and thereby, further enhance the quality of service we deliver to them;
5. Developing new products that reflect market needs;
6. Developing a Fairtrade certified Socado-brand product;
7. We have started a project to calculate the LCA our products (5 years timing). LCA (life cycle assessment) is a method/process for evaluating the effects that a product has on environment over the entire period of life. Our goal is to understand which of our products have the highest environmental impact and to decide how we can reduce it.



SUSTAINABILITY THROUGH THE PACKAGING

We are aware of the sustainability impacts related to packaging materials in our operations and supply chain.

From our point of view, **every packaging we use must protect our chocolate** during transportation, stock and on shelf, in order not to waste the product itself, which would be an unnecessary use of raw materials, energy and manpower.

Packaging needs also to be **attractive**, in order to enhance the product it contains and company's values.

We briefly illustrate various tests performed in order to find solutions regarding **packaging with a lower environmental impact**. We did not focus on a specific line of products but we have extended the tests to more types of items.



PROOFS ON MATERIAL CHANGE

CHOCOLATE BARS LINE

We made a first attempt to **replace** the current **PVC with paper**. This change is significant in terms of production

PRALINES LINE

We have replaced some materials that have not, however, entailed substantial process changes on the production lines. That is, in some items we are gradually **replacing PVC wrapping with PET** one, in others we have eliminated internal paper / aluminium wrapping.

TERCIARY PACKAGING MATERIAL

With the aim of **reducing impact of tertiary packaging**, in particular shrink-wrap for pallets, we performed a test together with a supplier using a shrink-wrap with a lower thickness.

Thickness did not achieve desired target, although it was lighter and more advantageous in terms of sustainability also saving kg of plastic. In fact, there is a risk that a lighter thickness (the test was done with a film of 9 and 12 microns) could make the pallet unstable while maintaining certain technical sealing standards.

At the moment the most reliable remains to be the pre-stretched film in use 23my.

ATTEMPT TO DECREASE PACKAGING THICKNESS

JARS LINE

For the moment, suppliers of glass jars cannot make more lightweight ones. Each glassworks establishes the optimal glass weight according to its own technical production parameters, and this also applies to the oval vase in the two capacities we use. They have been designed considering requests received from the market, ensuring the machinability of the same in terms of yield and of product quality.

PRALINES LINE

We are planning tests to do with other suppliers to reduce the thickness of the aluminium and the aluminium / paper laminated internal wrapping.



MONITORING PACKAGING SUPPLY CHAIN SUPPLIER-SOCADO-CUSTOMER

1. Within the management program We have implemented a **database that collects data on sustainability for packaging**. We are therefore raising awareness among suppliers on this issue.

2. We are trying to use more **packaging made from recycled materials**. Our main carton suppliers already supply us with **FSC certified** cartons even without being branded.

Other suppliers, on the other hand, could supply them with certificates in the face of increases in purchase prices.

3. In turn, we are made aware of the issue by customers who increasingly send us **questionnaires regarding the packaging** of the products we sell and request their technical specifications.

PROJECTS FOR THE FUTURE

We would like to point out that these topics are under evaluation for **the next six years**.

We are planning an activity programme on our packaging, following some key points:

- Research and evaluation of new materials;
- Reduce packaging usage per kg of product;

- Use a mono-material or laminate to increase the percentage of recyclable materials;
- Select new packaging material suppliers close to the factory in order to avoid long transportation distances and the corresponding greenhouse gas emissions.

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