

CHAPTER 6

“The *goodness* of Pedon products is the result of sustainable growth guided by governance which incorporates ESG issues into decision-making processes and operates with efficiency, transparency and integrity, focusing on the common *good*.”



Marco Rossi
Chief Financial Officer

GOVERNANCE

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HIGHLIGHTS

BOARD OF DIRECTORS AND SUSTAINABILITY COMMITTEE

for a systemic approach to the management of ESG issues

CODE OF ETHICS

and Law 231/2001 Organisational Model

MAXIMUM LEGALITY RATING

DIGITAL TRANSITION PROCESS



MATERIAL TOPICS

Protection of Legality and Anti-corruption

Digital Transformation

SUSTAINABLE DEVELOPMENT GOALS



6.1 Governance

The significant level of complexity shaping the decision-making and management processes of companies today is being driven not only by the new global risk map, but also by the extraordinary acceleration in European regulatory activity for the “*Twin Transition*” of the environmental and digital transformation.

This complexity is impacting businesses, compelling them to evolve their governance mindset and set-ups in order to remain competitive. In this framework, Pedon’s decision to embrace the path of sustainability planning, management and reporting builds on the awareness that sustainability matters and their related risks must now be assessed and incorporated into strategy and management by the corporate governance body.

Pedon **incorporates social and environmental assessments** into its decision-making, promoting **seriousness and transparency in the governance**.

The company is committed to reporting reliably on its governance performance, placing particular emphasis on its **corporate and ethical culture**, based on **integrity and efficiency**.



Pedon adopts a **systemic approach** to governance centred on the **Board of Directors** – the highest governance body tasked with overseeing corporate and **sustainability management**.



6.1

Corporate Governance

Corporate governance encompasses the set of practices, processes and rules for the administration and control of Pedon.

The Company adopts a traditional governance model, consisting of:

BOARD OF DIRECTORS

The board is made up of **five members**, currently all male, including three executive directors, one non-executive director and one director satisfying independence criteria. The board is tasked with the ordinary and extraordinary management of the company, the setting of strategic guidelines and the assessment of the adequacy of the organisational, administrative and accounting frameworks.

BOARD OF STATUTORY AUDITORS

Made up of **five members**, including one woman, the statutory auditors monitor compliance with law and good governance principles.

MANAGEMENT COMMITTEE

The committee is made up of **eight members**, currently six men and two women, representing the key management personnel of the organisation. It plays an executive role, with responsibility for implementing corporate strategy and objectives, according to set budgets, and for tasks approved by the Board of Directors.



Sustainability Governance






ESG governance is organised on a two-tier basis.

BOARD OF DIRECTORS

Sustainability is incorporated into corporate governance through the board's tasks for overseeing medium and long-term business strategies and objectives and the approval of plans and programmes.

STRATEGIC SUSTAINABILITY COMMITTEE

Made up of seven members, currently six men and one woman, the committee is responsible for the efficient governance of ESG issues and the increasingly challenging task of setting objectives and strategies, with the support of the company's management. It plays a supporting role to the Board, with proactive and advisory functions regarding:

-  Examination and assessment of sustainability policies;
-  Oversight of sustainability plans and verification of their consistency with company guidelines;
-  Examination and assessment of initiatives and projects to be submitted for approval by the Board of Directors;
-  Verification of non-financial reporting processes;
-  Oversight of stakeholder engagement activities.

This two-tier approach ensures the efficient and transparent management of ESG impacts, with a clear separation of roles and responsibilities.

6.2 Ethics, Transparency and Integrity

The company's foundational values intertwine in a synergistic way with ethical principles such as loyalty, transparency, fairness and integrity.

For Pedon, business ethics are one of the keys to its success on the market.

The **sharing of its values** lays the fundamental groundwork for Pedon to build strong relationships of trust with all the players with which it interacts.

Code OF Ethics

The Code of Ethics is part of the fundamental framework adopted by Pedon to ensure that the organisation operates efficiently, transparently, responsibly and fairly.

The Code of Ethics (approved by resolution of the Board of Directors on 2 July 2021) sets out the values, guidelines and ethical principles which everyone who works for the Company must follow in the daily management.

The Code of Ethics is published on the company's website (www.pedon.it).

Pedon ensures compliance with applicable laws and regulations in all its operations by implementing a system of internal controls to oversee compliance and prevent any wrongdoing. Monitoring procedures are in place to check that business activities are conducted in accordance with the Code of Ethics.



Law 231/2001 Organisational, Management and Control Model

On 2 July 2021, the Board of Directors of Pedon approved an **Organisational, Management and Control Model** in compliance with Legislative Decree 231/2001.* The model provides an essential framework to ensure compliance with current regulations, the prevention of crimes and the promotion of a corporate culture based on ethics and transparency. This document is also published on the company's website.

The model identifies "predicate" crimes that may entail the administrative liability of the entity, including offences against the Public Administration, national assets, public faith, the financial system, individual life and safety, industry and commerce, copyright and the environment.



* Legislative Decree 231 of 8 June 2001, also known more simply as "Law 231", introduced the institute of the administrative liability of entities for crimes committed by their representatives, directors, employees or other persons operating under their control, in their interest or for their benefit. The main objective of Law 231 is to prevent crime by encouraging companies to adopt organisational and management arrangements that promote the culture of legality and fairness.

Whistleblowing

As required by the Law 231/ 2001 Organisational Model, Pedon has set up a **whistleblowing** system, regulated by a specific procedure published on the Company's website. The system enables whistle-blowers to report any illegal or unlawful acts committed by Company employees, which they come to learn of in the context of their work or dealings with the Company itself. The identity of the whistle-blower and the people connected to them is protected, with safeguards in place to prevent any retaliatory action by the company.

Privacy and Cookie Policy

Pedon's commitment to high-level transparency is further evidenced by the **Privacy Policy** and **Cookie Policy** published on the company's website. The Privacy Policy outlines how users' personal data will be processed by the company, while the Cookie Policy provides information on the tracking tools used by the website for specific purposes, such as the collection and storage of information on users' devices through cookies or scripts.

Relations with the Public Authorities

In **2023**, Pedon approved a policy document governing the **management of relations with the Public Administration**. It sets out the responsibilities, operating procedures, record-keeping requirements and information flows involved in relations with government bodies concerning compliance, audits, inspections and controls on the company's activities.

Supervisory Body

The adoption of a Law 231/2001 Organisational, Management and Control Model is a firm statement by the company of its commitment to operating with fairness and transparency in the conduct of business and company activities. Accordingly, Pedon has established a **Supervisory Body** tasked with overseeing the effectiveness, updating of the compliance model and with monitoring the application of the Code of Ethics.

To assist in its tasks, the Supervisory Body keeps a database for the collection and storage of relevant information. The body functions as a board made up of **three members**, currently two men and one woman, of which two members are external and one is internal. The Supervisory Body holds office for a term of three years, and can be reappointed for up to three terms.

Anti-corruption

There were **no confirmed incidents of corruption** in the reporting period among the operations assessed for risks related to corruption. Underscoring once again the company's commitment and sensitivity to the matter, in 2023 Pedon was awarded the **highest legality rating** by the Italian Competition Authority. This prestigious recognition attests to Pedon's ongoing efforts to uphold the highest standards of legality, ethics, commitment and transparency in business management.



DIGITAL TRANSFORMATION

Pedon sees the digital transition as a strategic key for guaranteeing its competitiveness. Its approach is to twin its management with the environmental transition, considering their interconnections and the potential for synergies.

6.3

Digital Transformation

The integration of knowledge, orientation towards innovation and timeliness of adaptation interconnect with each other, giving rise to new growth paradigms in an agile, digital and interconnected environment.

For Pedon, the digital transition is not about reaching a finishing line, but a dynamic path and integrated process driving competitiveness.

The company is making headway in a transition encompassing a number of fronts:

ADOPTION OF DIGITAL SOLUTIONS TO DELIVER THE OBJECTIVES OF:

- Monitoring and managing **infrastructure**
- Optimising activities and seizing new opportunities to boost the **efficiency** and **effectiveness** of operations
- Furthering **sustainable development**

ADVANCED AND PROACTIVE CYBER SECURITY MANAGEMENT

To lay a solid groundwork for the transition and create the mindset needed for better management, Pedon has started up **an extensive training programme**, focused on the use of new technologies and digital tools.

Mes e APS

The most significant digital innovations in the reporting period concerned the adoption of a new **Manufacturing Execution System (MES)** and **Advanced Planning and Scheduling (APS)** system, aimed at improving the ability to manage production operations efficiently and with flexibility.

The release of the **MES** has covered all packaging areas, the accurate accounting of OEE data to monitor efficiency and the optimisation of material management, including automatic feeds by palletisers. These innovations have made the production process more fluid and efficient.

The roll-out of the **APS** solution has instead introduced a detailed planning system for finished products and raw materials, together with the scheduling of work orders.

This has greatly improved the accuracy and efficiency of planning, allowing for better resource management and the fairer distribution of products.

In both cases, the aim was to optimise operations, minimising downtime, improving overall efficiency and reducing operating costs. Thanks to these implementations, Pedon is now better equipped to face future challenges and seize growth opportunities on the market.

Cyber Security

Business continuity is a key priority which increasingly depends on information systems. After a series of investments made with a view to improving reliability and disaster *recovery* capacity, Pedon has now turned its sights on cyber security.

The main projects completed or in progress over the reporting period included the drafting of procedures for all activities carried out, the creation of a log records and the delivery of **training** to employees for the protection of systems and sensitive data.

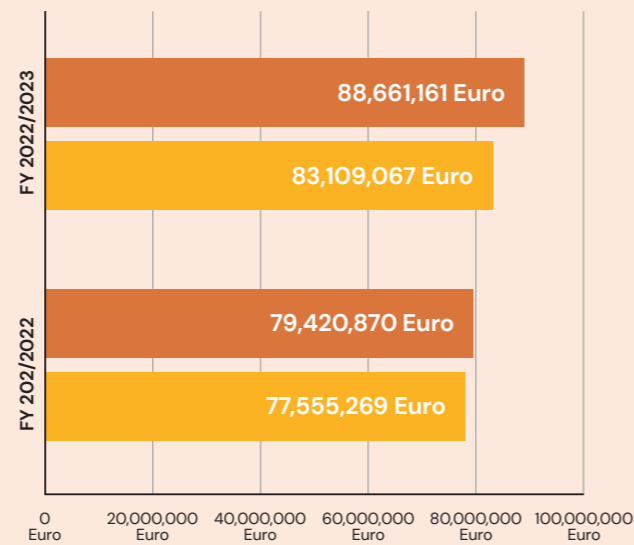
6.4 Creating Value for Sustainable Growth

The disclosure of economic value generated and distributed highlights the relationship between financial reporting and sustainability reporting.

It shows **how and to what extent the wealth generated by Pedon has been distributed to its main categories of stakeholders** or retained as economic value reinvested in the company at the end of the year.

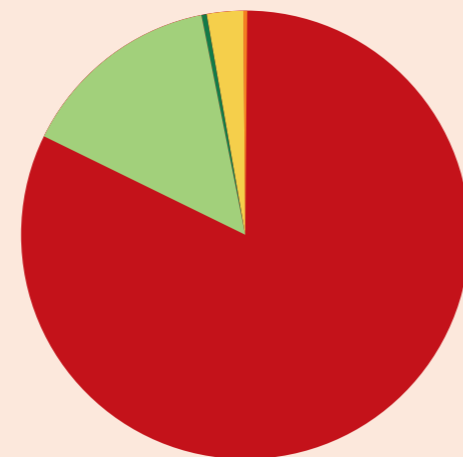
Figures for FY 2023/2024 are not yet available. The financial statements for the year will be approved by the Company's governance body only after the publication of this report.

- Economic value generated
- Economic value distributed



Breakdown of economic value distributed FY 2022/2023

The economic value generated by Pedon amounted to **€88,661,161**, up by **10%** year-on-year (€79,420,870). The increase was in line with the post-pandemic economic recovery witnessed in the financial year across Italy and Europe. As much as **94%** of total economic value generated was redistributed to stakeholders, while the remaining **6%**, amounting to **€5,552,094**, was retained.



Total distributed economic value amounted to **€83,109,067**. Of that figure, 82% was distributed through the coverage of operating costs, while about 15% was distributed to employees through wages and benefits.

- Coverage of operating costs
- Employee wages and benefits
- Payments to government agencies
- Payments to capital providers
- Investments in the community

Membership Associations

Pedon is a member of various sector and industry associations. The company's **membership strategy** is based on the desire to consolidate its market position, improve the sustainability of the production chain and promote awareness of healthy and sustainable nutrition.

Membership of associations gives Pedon decision-making power and influence in the market, allowing it to play an active role in common initiatives, benefit from operational synergies and expand its network and partnerships.

