2021

Sustainability Report

SACCO SYSTEM | FAMILY SPIRIT FOR SUSTAINABILITY

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INTRODUCTION

Letter to Stakeholders

Dear Stakeholders,

Again this year we present to you the Sacco System Sustainability Report, now in its third edition and updated for 2021. It is an important document for us because it sets out, in an organic and comprehensive way, what we are doing for sustainability. We believe that it is important to bring our activities together in one setting, because our choices or actions for sustainability are part of our everyday work and are made almost naturally or unconsciously. But if we do not document or communicate them, we risk fragmentation and loss of evidence of what we are doing and the possibility of generating greater value.

We are therefore producing this report because it can provide a better overview and understanding of the improvements that can be achieved by supporting sustainable practices. The report is also a tool that helps us perform our internal audits and inspections, and demonstrates to our stakeholders, organically and rationally, all the work we have done to foster sustainability.

The year 2021 was very difficult on account of the ongoing COVID pandemic; but we didn't let our momentum flag, despite encountering greater difficulties than ever before. This commitment and determination was reflected in our turnover, which still showed excellent growth. We also marked up some important successes and strengthened our corporate structure: we gained control of Synbiotec and acquired shareholdings in ProBioEtna, both of which began as university spin-offs and have since become leaders in the field of probiotics research and applied science.

The year 2021 saw, above all, the creation of Sacco System Holding: a new corporate structure that will allow us to look ahead and further leverage group synergies to achieve structured and lasting growth internationally in the coming years. This path will see Sacco System become a single brand that manages the entire range of products demanded by our customer companies. We also want to strengthen our global presence and are working to establish offices and subsidiaries in the major world markets, in order to have a direct presence without intermediaries. We will diversify our offer, with a focus on food alternatives, animals, biostimulants and plant protection cultures.

We are trying to develop multiple products that allow the use of less water and chemical treatments for agricultural crops, food-protecting cultures that reduce waste in food resources, micro-organisms that protect the wellbeing and health of humans and which are effective in certain pathologies. This allows us to make use remedies that already exist in nature and are also effective for specific molecules. For us, this is the best possible way to foster sustainable development and the achievement of the 2030 Agenda Goals: doing what we do best: disseminating biotechnological solutions to solve environmental or social problems.

Thank you for being with us again this year.

Sacco System: Family Spirit for Sustainability

Verga Family

Our second sustainability report

Methodological note

Sacco System publishes its third sustainability report, with the aim of communicating its environmental, social and economic performance in full transparency to all its stakeholders, describing the initiatives undertaken and the results achieved in the last year.

The preparation of this document also allows us to monitor the progress of our performance, in order to highlight its critical issues and strengths and consequently modulate our efforts and commitment, to minimise negative impacts and maximise positive ones.

The sustainability report therefore represents for us not only an important tool for communicating and connecting with all our stakeholders, but also a fundamental control dashboard, which we can use to have an overview of our performance and its impact on or contribute to sustainable development.

For the second consecutive year[1], the report is drawn up in accordance with the GRI Standards, Core option. The report shall continue to be published annually.

This publication consists of an introductory section on the Sacco System business network, followed by one relating to the main sustainability goals and then by the three chapters dedicated to the most relevant economic, environmental and social aspects, which characterised the company's business in the year 01.01.2021 - 31.12.2021, making a comparison wherever possible with previous years. These three chapters devote their analysis to the three companies located in Italy: Sacco S.r.l., Caglificio Clerici S.p.A. and Centro Sperimentale del Latte S.r.l. Within these chapters, one can refer to the three companies jointly as Sacco System. At the end of the document, the GRI Content Index indicates which GRI information has been reported on, with an indication of the related SDGs, and will help the reader to find them in the document.

The drafting of the 2021 Report was coordinated by the CSR & Sustainability Manager (who holds a GRI Sustainability Professional certificate), under the supervision of Top Management.

An internal working group confirmed the list of topics covered in the previous reporting period (Figure 1). The stakeholder groups considered in the reporting process are those listed in Figure 2. Sacco System's most important stakeholders are those who provide the fundamental resources for the operational functioning of our companies (employees, co-workers, suppliers) or those who are the direct recipients of our activities (customers). These are followed, in order of importance, by the other parties who may be indirectly affected by our activities (local community, end consumers) or those whose work services are instrumental in Sacco System's activities (research partners, distributors and agents). Finally, we must not forget the other stakeholders we relate to in order to exchange experiences and share resources, values and knowledge (international networks, trade associations, institutions and public administration, third sector entities).

The choice, calculation and interpretation of the indicators as well as the collection, contextualisation and preparation of the necessary data and documents, useful for reporting each topic, involved various company representatives, department managers or similarly expert professional figures. The areas involved were Finance & Control, Procurement, Production, Operations, Logistics, Human Resources, Research & Development,

[1] A simplified set of indicators was used for the first reporting year (2019), as suggested by the local territory research project, promoted by the Como Lecco Chamber of Commerce (see '"Progetto SMART" on page 13)

Scientific, Quality Assurance, Marketing & Communications. The same group then revised the final document, which was finally reviewed and approved by Top Management.

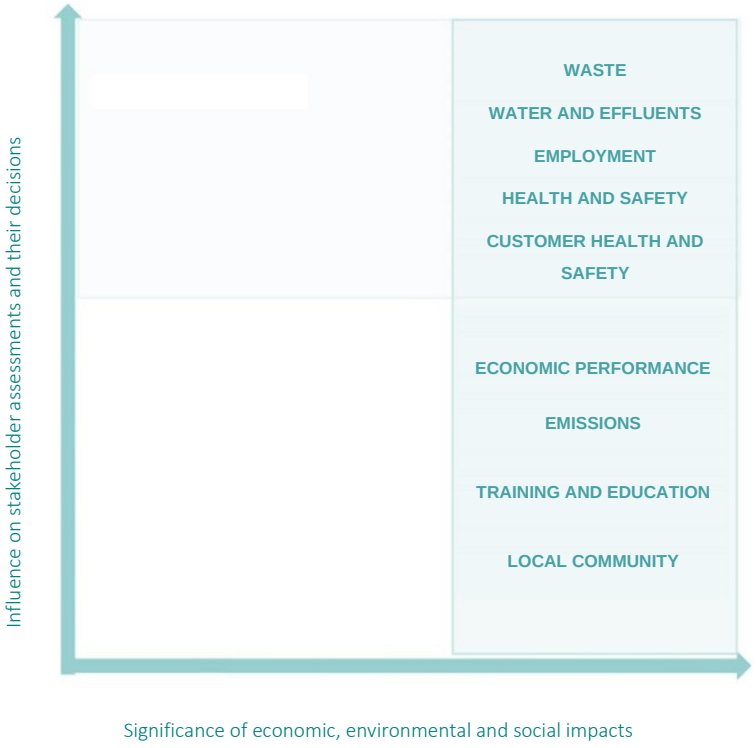

Figure 1 - Representation of material topics

Figure 2 - Map of stakeholders

food

probiotics

agrovet

labware

Welcome to Sacco System

In October 2016, we announced worldwide the creation of Sacco System, a high-innovation Italian network of biotech industries built on almost a century and a half of knowledge and experience.

The union of four companies Caglificio Clerici, Sacco, Centro Sperimentale del Latte and Kemikalia has allowed them to work in synergy and respond to customers faster and more comprehensively by offering innovative solutions in the food, agri and health sectors.

Thanks to everyone's good work, Sacco System is now recognised and valued worldwide by customers, distributors, competitors and journalists. Our products are currently sold in over 110 countries around the world.

Fully satisfied with our performance in the past five years, in June 2021 we announced the creation of Sacco System Holding Srl: a new corporate structure that will allow the Verga family to look ahead, leveraging group synergies to achieve structured and lasting growth internationally in the coming years. This way we can position ourselves on the market with an increasingly strong and recognised brand.

Sacco System Holding owns 100% of Sacco Srl and Centro Sperimentale del Latte Srl and controls 60% of Caglificio Clerici SpA. These are the three companies included in the reporting scope of the Sustainability Report 2021.

The other Sacco System Holding companies are shown in Figure 3 and briefly described in Table 1; they are all included in the consolidated financial statements except for Fitbiomics Inc. and Evolve Biosystem.

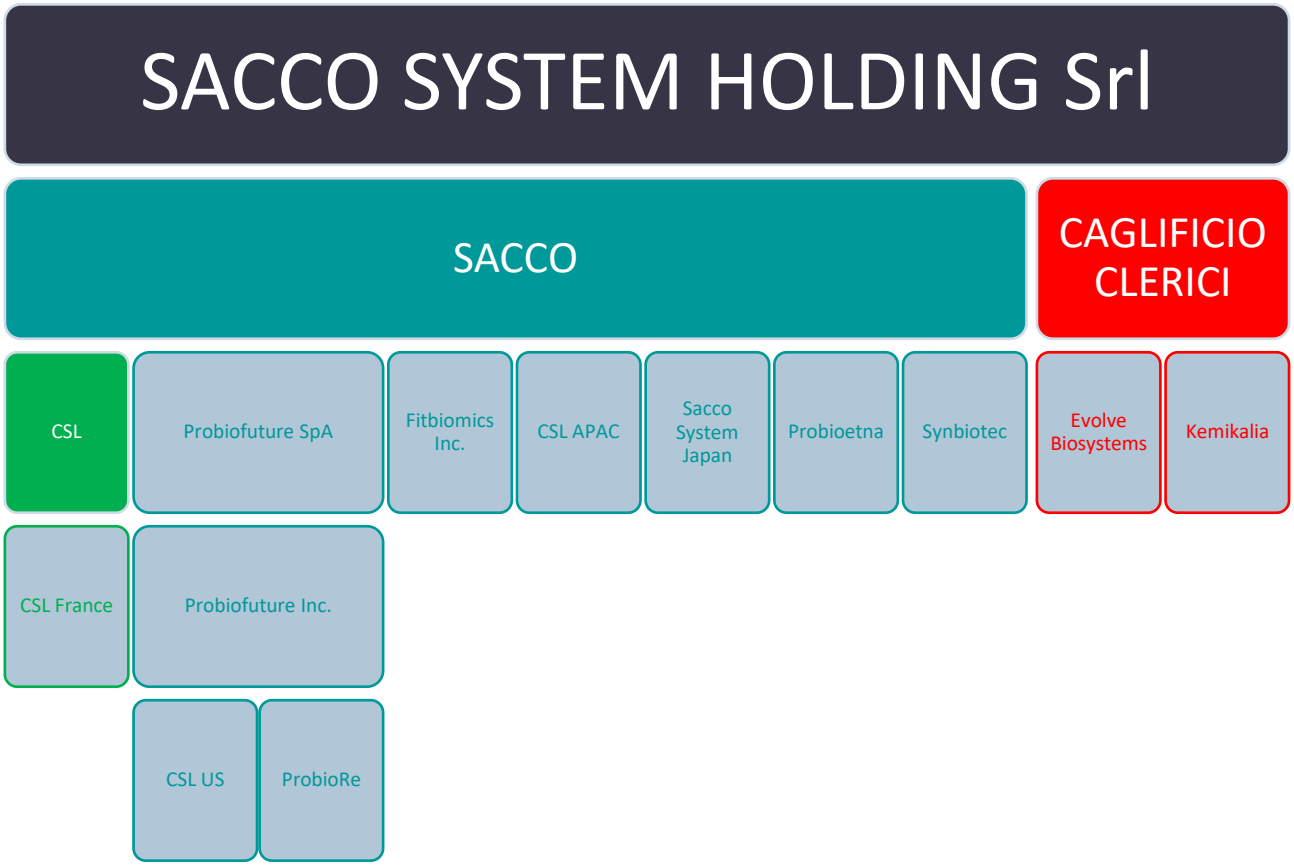

Figure 3 - Corporate structure of Sacco System holding

NAME	Locality	Activities
Sacco Srl	Cadorago, Italy	Administrative offices, production
CAGLIFICIO CLERICI SpA	Cadorago, Italy	Administrative offices, production
Centro Sperimentale del Latte Srl	Zelo Buon Persico, Italy	Administrative offices, production
CSL France sas	Echirolles, France	Administrative and sales offices
Probiofuture SpA **(Probiofuture Inc., CSL US, ProbioRe)**	Milan, Italy Wisconsin, USA	Administration office Administrative offices, production
Fitbiomics Inc.	New York, USA	Administrative offices
CSL APAC PTE LTD	Singapore, SG	Administrative offices
Sacco System Japan	Tokyo, Japan	Administrative offices
Probioetna S.r.l.	Catania, Italy	Administrative offices
Synbiotec Laboratori S.r.l.	Camerino, Italy	Administrative offices, production
Evolve BioSystems Inc.	California, USA	Administrative offices, production
Kemikalia AB	Skurup, Sweden	Administrative offices, production

Table 1 - Companies belonging to Sacco System Holding

Company mission

Our mission is to offer the best products that can produce improvements in food culture and lifestyle. Customised products based on lactic acid bacteria, probiotics and enzymes, resulting from the latest research and experiments, applied to our heritage of food science, health and well-being: this is and will remain the secret of our success. Our company works with life, for life and draws strength from its relationship with employees and co-workers,

Sacco System's most precious resource: we are a family business that believes in offering the next generation a better future and in relaunching the competitiveness of Italian companies.

It is a constant challenge, but it allows us to share our values with our network of stakeholders: direct customers, partners, workers, suppliers and end consumers, with the utmost transparency and honesty. With this in mind, Sacco System is open to dialogue and committed to developing a community of talented professionals, enthusiasts and curious consumers. We put all the skills and experience we have acquired at the disposal of our customers. We are evolving in harmony with nature: we talk about healthier, more natural, practical and "tailor-made" products in a new way.

A family story

The Sacco System story is the story of the Clerici family, now the Verga family. This story about deep commitment to quality and research began in 1872, when Martino Clerici founded Caglificio Clerici in Cadorago, 40 km north of Milan, near Lake Como, and the story still proudly continues today.

A family-run business now in its fifth generation, the company continues to believe in the importance of tradition at the service of quality and research. With a history spanning a century and a half, our excellence in industrial innovation is recognised around the world. Dedication is the silent engine that guides the family in its business choices: commitment to quality, research, development and Italian technology within the company and in the world.

The values of virtuous growth

Sacco System pursues an ambitious mission in its business: to promote virtuous growth in good nutrition, capable of improving the lives of consumers. On its journey towards these goals, Sacco System is committed to three core values, each of which is characterised by sustainability.

FAMILY SPIRIT

a. FAMILY COMPANY: central focus on people and human relationships, both within the company and towards our customers and suppliers, the promotion of respect, care and helpfulness;
b. TRADITION AND EXPERTISE: a history covering almost 150 years, steeped in tradition, shared experiences, qualitative and technological growth of the company in parallel with the market;
c. RELIABILITY: a solid company presence that inspires trust and credibility that turns into consistent high performance, product effectiveness and enhanced results.

CREATIVE INTELLIGENCE

d. RESEARCH AND INNOVATION: the optimal use of lively, dynamic minds, with solid, economic and scientific training, capable of creating an infinite range of new ideas, always one step ahead of trends; a desire to improve, grow and progress in the "food and life" sector via synergy between Research & Development and sales strength, and the investment of part of the annual turnover in research and innovation;
e. CONSTANT TRAINING: specialised preparation of our staff, achieved by means of tailor-made refresher courses with internal and external trainers and collaborations with worldwide research centres and universities.

VERSATILITY

f. FLEXIBILITY AND CUSTOMISATION: the development of made-to-measure projects for our customers, the result of relentless passion and care no matter the scale;
g. CUSTOMER SATISFACTION: constant commitment to achieve or surpass our customers' expectations, seeking to create a stable, ongoing and lasting relationship, based on trust and on successfully meeting their needs and requirements.

Code of Ethics

To maintain our leadership and successfully face the challenges of the global market, we need to continue on our path towards excellence, pursuing employee satisfaction, customer satisfaction and environmental protection.

Quality is our credo and the basis of our acknowledged reliability. Our business is run with economic sensitivity and respect for the law, the environment and occupational health and safety. We plan our activities and check the results in line with the principles of transparency in corporate, administrative and accounting procedures. We base our ethical principles on continuous improvements to health and safety conditions in the workplace and the external environment.

In our Code of Ethics, we state the principles of conduct and behaviour that must govern the activity of every director, senior manager, employee and co-worker of the Company. They absorb all our preparation, intelligence and willing effort in working with passion, enthusiasm and positive energy.

The Code of Ethics of the three companies (Sacco, Caglificio Clerici and CSL) can be downloaded from our website.

Our quality policy and certification

Sacco System is a biotech network geared towards the constant achievement of quality in the agri-food, health & nutrition sector: the companies in our network have always achieved the highest quality standards in terms of safety, ethics and legality in providing products and services.

To achieve this strategic objective, Sacco System relies on a corporate organisation that promotes a culture and sensitivity towards issues of health and safety in the workplace, ongoing training of personnel in hygiene and health matters and production processes that comply with current legislation and are environmentally friendly.

These are the pre-conditions for Sacco System's scientific research, focused on improving health, safety and well-being for the customer and end consumer. The quality and food safety policy, updated in March 2021, can be downloaded from the "Quality" page of the saccosystem.com website.

Confirming its strong commitment to quality, Sacco System has been awarded the main quality-based and religious certificates over the years. Here are the details for each company:

- ISO 9001 (SACCO)
- ISO 22000 (CLERICI, SACCO)
- FSSC 22000 (Food Safety System Certification) (CLERICI, SACCO, CSL)
- KOSHER PRODUCTS (CLERICI, SACCO, CSL)
- HALAL PRODUCTS (CLERICI, SACCO, CSL)
- GMP (Good Manufacturing Practices) AUTHORISATION (SACCO, CSL)
- AUTHORISATION FOR THE MANUFACTURE OF ZOOTECHNICAL ADDITIVES (CSL)

Companies

Caglificio Clerici: family sentiments

Caglificio Clerici is the historic family business: 149 years of passion for quality, research, development and technology, all conducted in Italy but serving the food industry all over the world. Founded in 1872, the Caglificio Clerici has been producing animal rennet and other enzymes for the dairy industry ever since.

For almost 150 years we have been studying and developing technologies that help cheese factories and dairies process milk in the safest, healthiest and most hygienic way. To achieve this goal, we select only the best quality abomasa for the production of our rennet. The delicate and careful extraction of enzymes is the key element in our production, an art handed down through generations. Clerici produces rennet with the same dedication and enthusiasm as in the past but with the new technologies now available to our expert staff.

Sacco: tailor-made innovation

Sacco is the biotech company that has been on the international market since 1934, as a producer and partner in the fields of research, scale up, production and packaging of selected, freeze-dried and frozen microbial cultures, to be used mainly in the dairy and food industries in general. Sacco's expertise and know-how support the food industry in the production of healthier cultured foods, enriched by characteristics appreciated by both customers and end consumers. The Company's strength lies in its Research & Development Group, which is able to produce customised cultures for the individual customer, through validated and guaranteed procedures.

The Labware division is also a distinguishing feature of Sacco. It operates with the aim of providing customers (food industries, test laboratories and research institutes) with products, solutions and a technical advisory service relating to microbiological and chemical controls of raw materials, finished products and working environments.

Centro Sperimentale del Latte: probiotics in science and research

CSL, Centro Sperimentale del Latte, is the Italian company founded in 1948 with the aim of studying and enhancing lactic acid bacteria and other food micro-organisms. Based on the work of its founder Dr. Leo Vesely, the Centro Sperimentale del Latte researches, develops, produces and markets probiotics, live cultures, moulds and yeasts intended for the pharmaceutical, nutraceutical, dairy, food and agri-zootechnic sectors.

The industrial work is flanked by abundant, basic and applied technical-scientific research, which appears in over 300 publications, including experimental works and reviews. The customer has always been the focus of the work of CSL, an ideal partner for the study and development of new products and technologies that meet the needs of the individual client and the market.

Following its acquisition in 2013, together with Sacco it became the Italian benchmark centre for the live cultures sector and represents, in fact, the fourth production force worldwide in the field of bacterial cultures, with a vast collection of isolated microbial strains, selected on the basis of their fermentation and functional characteristics. Our strain collection, one of the richest both inside and outside Europe, now has more than 6000 bacterial strains.

People

Sacco System's most precious resource are its people: every past result has been and every future goal will be the result of the ingenuity, skills, commitment, expertise and sense of belonging that each worker fields in their own functions and responsibilities during their daily work.

The Sacco System network consists, above all, of functional, intertwining human relationships with others, guided by principles of exchange, cooperation and reciprocity. We believe that the involvement of workers through participation, consultation and skills development is fundamental in every company strategy.

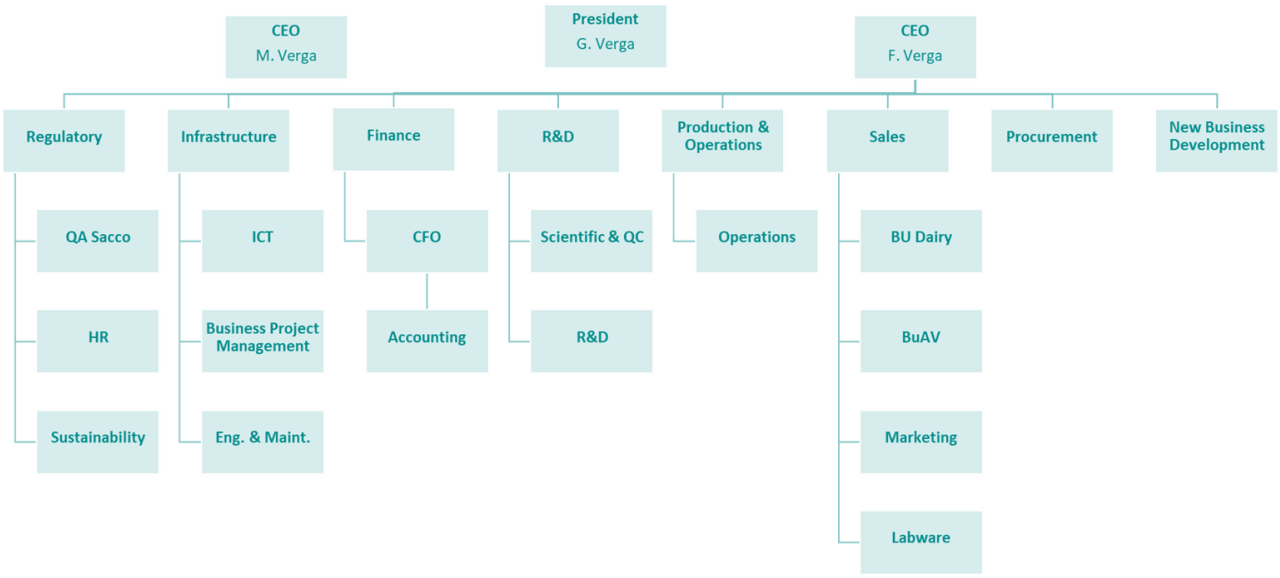

Figure 4 - Sacco organisational chart

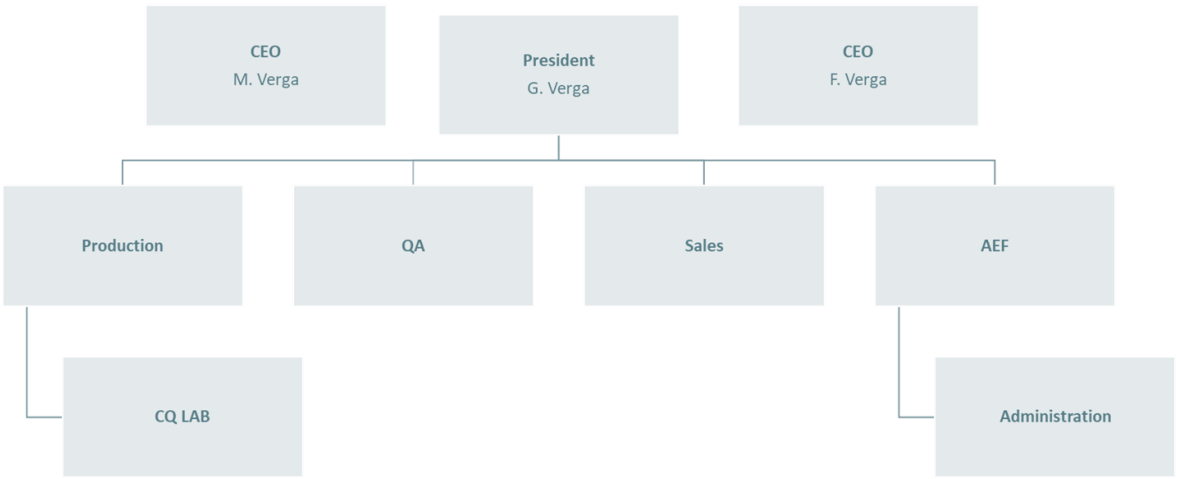

Figure 5 - Caglificio Clerici organisational chart

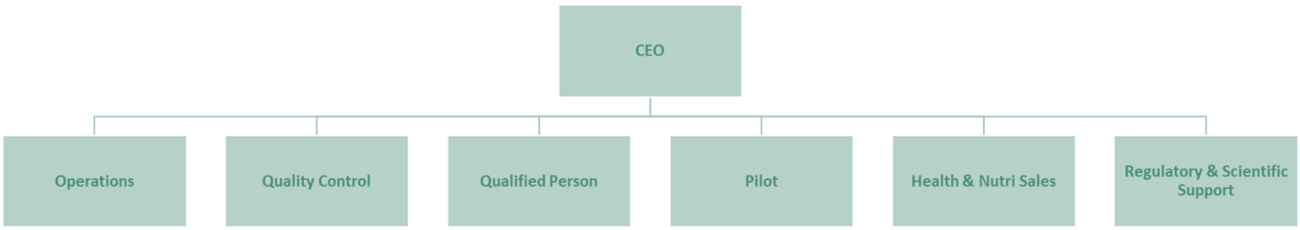

Figure 6 - CSL organisational chart

Partnerships and programs

In everyday life just as in your work life, it is important to have valid allies to help you to achieve your goals. So, Sacco System has chosen to take part in some national and international programs to be stronger in its sustainability strategies.

EcoVadis

Caglificio Clerici and Sacco are assessed on a regular basis by EcoVadis, one of the most important sustainability rating providers in the world. The assessment process includes a detailed analysis by a Group of experts in relation to environmental performance, ethics and issues related to work and human rights.

The work of Caglificio Clerici received recognition and was awarded the EcoVadis Gold Medal in 2020 and 2021. This result places the company in the top 1% of best performing companies assessed by EcoVadis, in terms of sustainability for companies of a similar size in the dairy-product sector.

Sacco also achieved an excellent position, with a score above the sector average for all the elements analysed with the consequent award of a Silver Medal.

Fondazione Sodalitas

Sodalitas is a foundation in existence in Italy since 1995 which offers itself as a reference partner for all those companies that want to make Corporate Social Responsibility and Sustainability a distinctive company feature, integrating them into their business strategies. Sodalitas promotes projects in the fields of Youth and Work, Social Inclusion and Sustainable Territories, and also supports networking between companies and the creation of partnerships with institutions, the third sector, schools, universities and research centres. Fondazione Sodalitas is a national partner of CSR Europe.

Responsible Care

Both companies at the Cadorago production site, Caglificio Clerici and Sacco, participate in "Responsible Care®", the worldwide voluntary programme to promote sustainable development in the chemical industry, managed in Italy by Federchimica. By joining the program, companies undertake to develop their business with paying constant attention towards continuous improvement in safety, health and the environment.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Club Imprese Eccellenti (Club of the Excellent Companies)

OSSERVATORIO PMI
LE ECCELLENZE ITALIANE

The Club is an initiative of Global Strategy, the international Management Consulting and Corporate Finance company that offers itself as a partner to companies in defining and implementing management solutions. The OsservatorioPMI® (SME Observatory) is a project through which Global Strategy identifies the best Italian companies each year on the basis of stringent economic and financial KPIs. The *Club Imprese Eccellenti* brings together the eligible excellent companies and aims to set up a stable, constructive network of these companies that provides thrust and opportunities for meeting, talking and sharing ideas. The Club was formed in May 2016, and to date is made up of about twenty members.

SMART Project

The SMART Project (whose Italian acronym means Sustainable Strategies and Models of Responsible Businesses in the Cross-border Territory), is part of the Italy-Switzerland Interreg European Regional Development Fund engaging companies in Como, Lecco and Ticino. Its overall objective is to characterise the cross-border zone as a production area that makes sustainability a distinctive element in achieving competitive advantage. SMART fields a series of activities and tools for businesses in the areas of research, training, support, communication and promotion of sustainability.

Scientific Partners

In 2021, Sacco System participated in more than 27 projects with universities and research centres all over the world, including:

- 12 in Italy
- 2 in Denmark
- 1 in France
- 2 in Spain
- 2 in Sweden
- 1 in Estonia
- 2 in Ireland
- 1 in Canada
- 1 in Argentina

Associations

The Sacco System companies also subscribe to:

ITALY

OUR COMMITMENT TO SUSTAINABILITY

Sacco System for sustainable development

On 25 September 2015, the United Nations approved the 2030 Agenda for Sustainable Development, the global action program to achieve a better and more sustainable future for all by 2030. This document lists the 17 Sustainable Development Goals or SDGs, which address the great challenges of our time and balance the three dimensions of sustainable development: the economic, social and environmental. The goals aim to stimulate interventions in areas of crucial importance for humanity and the natural world, in terms of People, Planet, Prosperity, Peace and Partnership.

The 2030 Agenda leaves ample space for the role of businesses, identifying different areas of action (such as the circular economy) in which the contribution of the private sector is absolutely crucial, called to act in favour of sustainability starting from its core business.

With our business strategies and the products we offer, in Sacco System we aim to make our contribution to the achievement of these Goals. Our attention to the 17 SDGs of the 2030 Agenda focuses in particular on the following goals.

Goal 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

We are striving to develop increasingly higher levels of productivity, through diversification, technological updating and innovation, with particular attention to sectors with high added value, such as nutrition, pharmaceuticals and agriculture.

We are committed to achieving a double-digit percentage increase in turnover over the next few years but at the same time we are putting our efforts into separating economic growth from environmental impact, progressively improving our efficiency in the use of resources and adopting clean and environmentally friendly technologies.

We are driving scientific research, encouraging creativity and innovation, reinvesting 6% of our turnover in R&D and gradually increasing the number of researchers: more than 30% of newly recruited staff over the last 5 years were hired to work in our laboratories, where we now have nearly 100 full-time researchers and other technical staff.

We reinvest in our company to constantly create new jobs and to improve the health and safety of our workers at all production sites. We have adopted a management model to ensure the best possible health and safety measures in the workplace and prevention from all potential forms of risk. This policy allows us to maintain a low incidence of accidents, with frequency and severity rates well below the national average for the industrial sector.

Goal 2

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

It is estimated that about 1.3 billion tons of food are lost or wasted every year, which corresponds to one third of all food produced in the world: recovering a quarter would be enough to feed all the people who still suffer hunger in the world today. This waste does not only affect food security, it obviously also has negative impacts on natural resources, because it means waste of water, soil, electricity, labour and economic capital, with consequences on climate change as well.

Sustainable Development Goal SDG 2 calls for action against this trend. In particular, Target 2.4 calls on us, by 2030, to ensure sustainable food production systems and to implement resilient agricultural practices that increase productivity and production and help maintain ecosystems. Our biotechnologies applied to agriculture (which we will talk about in the context of Goal 15) and to food can make an effective contribution to achieving this goal.

Our lactic acid bacteria used in food production are able to drive fermentation in a controlled and absolutely safe way, minimising non-conformities during processing and therefore also food losses along the supply chain, maximising yields and obtaining healthy, tasty and superior-quality foods, while preserving their typical, distinguishing characteristics.

Fermentation, leading to food acidification, represents a natural way of protecting food from other adulterations caused by pathogenic micro-organisms that would normally make food unsuitable for human consumption but which do not grow in the low pH conditions. In the past, this natural process, which occurred spontaneously in milk and other foods, allowed them to be kept for quite long periods, thus contributing to food security over thousands of years. Even the coagulation of milk, discovered by chance by collecting milk in bags made from the stomachs of ruminants, allowed our ancestors to preserve that precious food more easily. The “randomness” of these biotechnological processes would therefore look like history from other times: today it would appear unthinkable to allow food to be produced in a totally uncontrolled way, both in terms of quality - that also means health - and quantity. Yet, in certain rural areas in developing countries, where there is limited access to electricity, making the processes of pasteurisation and food preservation via the cold chain extremely difficult if not impossible and where there are sometimes more critical conditions due to local high temperatures and poor sanitation, the use of lactic acid cultures can make a favourable contribution to food security.

For several years Sacco System has been investing in the training of representatives from local populations in Central Africa. They are taught how to use our biotechnologies for milk processing and this dissemination of knowledge, even in the most remote rural communities, could consequently improve their food self-sufficiency and make a contribution to better nutrition, thanks to the improved intake of animal proteins in their diet.

In particular, in 2021, our field work continued in Burkina Faso. Using our technical staff and some locally trained agents, some training activities were carried out in the rural communities, to teach the population, especially women, how to process milk, through the use of enzymes and micro-organisms. The teaching of cheese making and milk processing techniques, through the use of rennet,

live cultures and probiotics, may help populations to improve their means of support, by prolonging food conservation, improving food security, teaching the production of functional foods with benefits to people's health and providing an additional source of income. Since the main target of these activities is the local female population, it will also contribute to improving the condition of women and to fostering their emancipation, providing means of empowerment and giving them greater economic weight.

Goal 12

Ensure sustainable consumption and production patterns

To reinforce the commitment to fight food losses, this goal - and in particular target 12.3 - requires us, by 2030, to halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

In addition to live cultures, there are also other bacteria that can help preserve food and keep it fresh for longer: the so-called “protective cultures”, selected for their ability to delay deterioration in perishable foods due to contaminants - such as yeasts and moulds - using a natural method, without adding preservatives. This means that, with the addition of these cultures, we could have a lower incidence of deteriorated foods, thus reducing waste, or even lengthening the “shelf life” of foods and deferring their “best by” dates.

4PROTECTION
Food Cultures with Protective Effect

The advantages from using these cultures include better product quality in terms of hygiene, health, taste and smell, a reduction in food waste at distribution, retail and consumption levels, because the products stay fresher longer. There is also an economic advantage for producers because the incidence of non-conformities is reduced. Added to this is the “environmental saving” thanks to the better use of natural resources and the consequent avoided emission of CO_2.

In a broader sense, Goal 12 also promotes sustainable production models. This idea fits well with the concept of the circular economy. For us it means optimising production cycles, maximising the productivity of energy resources and the yield of raw materials used, minimising waste, keeping biological and technical materials for as long as possible in the value chain, favouring their revaluation or the reintegration of the biosphere.

For this reason, we have always been working to reduce the environmental impact of our production processes on the local territory and our R&D efforts are continually aimed at optimising processes, to “do more, with less”. We are constantly working on the correct management of chemicals, waste and our by-products; we have embarked on a program to reduce waste and the production of scraps in every business activity through prevention, reduction, recycling and reuse.

Goal 3

Ensure healthy lives and promote well-being for all at all ages

Faced with the global challenges for improving the health and well-being conditions of the entire human population, we propose to be a hub of excellence for studying and producing

probiotics, which can improve people's well-being and combat certain diseases, in a safe and natural way, for a higher quality of life.

Probiotics are those living and vital micro-organisms which, if administered in adequate quantities, confer benefits to the health of their host. They are therefore bacteria which, once ingested, manage to survive the acid barrier in the stomach and reach the intestine and colonise it. In sufficient concentrations, these microbial cultures can improve the well-being of people and prevent or counteract certain diseases, in a safe and natural way, for a better quality of life. Clinical studies have shown their ability to improve various disorders including those of the cardiovascular system, gastrointestinal tract, respiratory tract, skin, mouth and oropharyngeal tract. They can also reduce symptoms in persons with allergies and coeliac disease, strengthen the immune system and improve the performance of athletes and people's well-being in general.

We are putting a lot of effort into achieving this goal, which is why we have forged fruitful collaborations with research institutions and universities in order to study and gain new solutions all the time from the microbiological world to contribute to global health.

Probiotics can also provide surprising solutions in social development processes, as happened with the "Scholar Yogurito, the social probiotic" project, conducted in Argentina from 2008 onwards thanks to the collaboration between the Centro de Referencia para Lactobacilos (CERELACONICET), the Ministerio de Desarrollo Social, Educación, Salud (Gobierno de Tucumán), and the MinCyT (Ministerio de Ciencia, Tecnología e Innovación Productiva de la Nación) and which, since 2014, has also involved Sacco System as a technology partner. This social program began with the development of a probiotic food, in the form of yoghurt, containing the probiotic strain *Lactobacillus rhamnosus* CRL1505: it was shown that it can provide protection against bacterial and viral infections in the intestinal and respiratory tract by stimulating immune responses.

The "Yogurito" social program involves around 350,000 schoolchildren every day in the province of Tucumán and in other provinces and municipalities in Argentina. Thanks to help from the State, it has been made possible to include this probiotic fermented milk in the diet of schoolchildren three times a week: this has led to a significant reduction in gastrointestinal and respiratory infections, not only among the pupils but also in the whole community, thanks to the protective "herd" effect.

This project is a clear example of how probiotics can contribute to improving the quality of life of highly vulnerable populations, living in conditions of poverty, malnutrition and exposure to pollution or infectious diseases, who do not have easy access to medical and hospital care. This application example illustrates the power of probiotics to positively influence the lives of women, men and children along the food chain.

Good news also comes from probiotics as regards a potential cure against the Novel Coronavirus. A strain, developed in our laboratories, called EDP1815, has been included in a therapeutic trial program in the United States.

Goal 15

Protect, restore and promote sustainable use of terrestrial ecosystems

Under Goal 15 for "life on earth", target 15.1 calls on us to ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services. Lactic acid cultures and probiotics for agri-zootechnics can contribute towards achieving this goal, together with target 2.4 mentioned above, in order to increase the productivity and quality of plant and animal production and ensure that it is as healthy as possible, in full respect for the balance of the ecosystem. In addition to these are the biocontrol and biostimulation cultures, which Sacco System has been focusing on recently.

Sacco System firmly believes in the importance of sustainable actions to reduce environmental impact, including through the study and production of natural micro-organisms for use in agriculture and for plant health.

The increasing spread of intensive crops and increasing demand have forced farmers to use massive amounts of synthetic products in order to obtain higher yields. This in turn has led to overuse of the soil and has upset the balance of its ecosystems. A further consequence is major damage to the chemical and physical make-up of soils, possible groundwater contamination and cultivated plants' reduced ability to utilise nutrients.

Sacco System advocates the use of all-natural microbial species, selected on the back of millions of years of evolution, to be specifically associated with agricultural crops. This plant-bacteria association is essential for the well-being and protection of plants. Integrating specific microbial cultures into agriculture will lead to even higher yields in the future, in an environmentally sustainable, natural and healthy way.

Sacco System started its research into plant care and nutrition in June 2018 with four main objectives:

- Develop of a collection of bacteria that can biostimulate plant growth, and/or protect plants from harmful pathogens.
- Establish technical, business and communication relationships with leading plant biostimulation/biocontrol companies and develop new products together.
- Create prototypes for fertilisers and biocontrol agents for agricultural use.
- Offer advice and technical support to companies producing biostimulants and bio-fungicides to improve their portfolios.

The strain collection for application to plants was developed by first studying the relevant scientific literature, followed by in-depth laboratory work to isolate and analyse new bacteria from fertile and agronomically sound soils. This work was optimised through the use of highly advanced techniques, which allowed all the positive properties of the new isolated micro-organisms to be identified and ensured complete biological safety in accordance with the European Commission's development strategies, provided for in the "From Farm to Fork" plan.

True to our distinctive Sacco System spirit of research and innovation, we have boosted our network of collaborations with multiple national and international universities to give our discovery work greater scope and perspective.

As a result, a series of collaborations and contacts have been set up with several leading fertiliser and bio-fungicide companies. We are examining possible product development partnerships with some of these companies, using bacteria from our agri strain collection. Other companies are instead interested in supplying their own fermented strains so that they can step up their scale of production (custom fermentation service).

Having this kind of diverse, multifunctional network is essential if we are to broaden our corporate outreach, and at the same time learn while staying creative and innovative. Our hundred years-plus production experience is thus put to use safeguarding plants, and at the same time emerges enhanced with new knowledge and insights.

Creating new products and developing new designs are essential Research & Development activities in this sector. In addition to selecting in-vitro microorganisms and studying their physiological characteristics, it is essential to carefully evaluate their efficacy in the field. This is done in the company's dedicated facility (in greenhouses and growth chambers) and by relying on industry specialists such as CROs (Contract Research Organisations). These structures are key because they develop prototype proofs of efficacy, and may even prepare the registration dossier and include the best formulation to make the final product more effective. These structures can also function as a business network, connecting Sacco System prototypes with large distributors and vice versa.

Similarly, biotechnology can be applied to animal husbandry and can contribute to the healthiness, productivity and quality of animal production. One example is probiotics for poultry, a natural solution to treat changes in the intestinal flora of chickens and hens. In addition to having a negative impact on the animals' digestive system, vitality and productivity, these changes also affect the quality of the breeding environment and reduce the health-hygiene safety levels in the meat and eggs, with an increase in pathogenic microbial loads.

Restoring the balance of the intestinal microbiota can be obtained naturally, through the administration of indigenous lactic acid bacteria, i.e. selected from the intestine of the chicken. These bacteria naturally improve animal health, production yield and egg quality, thus avoiding the use of antibiotics and other chemicals.

For improvements in the yields of livestock production, and therefore for a further contribution to the goal of the development of resilient agricultural practices thanks to natural solutions, we can also include live cultures for silage, fermented grass for animal feed, which help to guide the right maturation, reducing the loss of dry matter and increasing the nutritional value, reducing the presence of pathogens and producing aromatic substances that are appetising to animals. Silage is thus safer, more palatable and nutritious, improving livestock welfare and animal farming yields.

Goal 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 5

Achieve gender equality

Goal 10

Reduce inequalities

Goal 11

Make cities and human settlements inclusive, safe, resilient and sustainable

Finally, through our company policies and in relations with people and the territory, we make our contribution to sustainable development goals 4, 5, 10 and 11.

- Knowledge sharing: specialised preparation of our staff is achieved by means of tailor-made refresher courses and collaborations with worldwide research centres and universities;
- We guarantee and demand equal treatment between men and women;
- Within our “family spirit” we embrace a varied community made up of over 20 different nationalities;
- We have really strong ties with our territory and with the local community, establishing our activities there, sponsoring local development initiatives and supporting numerous voluntary associations;
- We are constantly working to reduce our impact on the territory in terms of waste, emissions and visual impact;
- Since 2008, as a business community, we have been giving support through regular donations to some of the projects run by *Mani Tese NGO ONLUS* in developing countries, to promote basic education, combat trafficking and modern slavery and educate people about citizens' rights, with particular attention to the condition of children and young women.

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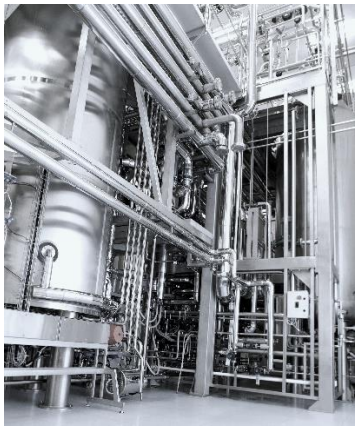
Goals and activities 2021



Structures and systems

Construction on the live cultures production site to supply the North American market was started in Wisconsin (USA) in 2021, with commissioning scheduled for 2023.

In October, CSL France's new premises were opened in Echirolles (F). The space will house administrative offices and a warehouse with +4°C and -18°C storage, with enough storage capacity to support the expected growth in goods volumes over the next ten years.

The Yeasts project is also underway with the construction of a new production plant in Cadorago for cultures aimed at the world market of fermented, alcoholic and non-alcoholic beverages.

Company certificates

To confirm our commitment and level of quality, Sacco, CSL and Caglificio Clerici also maintained the ISO 22000 certification in 2021 and the additional FSSC 22000 requirements; the ISO 9001 certification was maintained for the Labware section of Sacco. The Kosher and Halal religious certifications were also confirmed. Sacco and CSL also have GMP authorisation for pharmaceutical production. CSL has extended its authorisation for the production of zootechnical additives to the new Z2 department.

Research and development

Research and development are a fundamental part of Sacco System's activities: 6% of our turnover is continuously reinvested in research. There are more than 50 active projects each year and almost 30% of Sacco System staff work in the laboratories.

This commitment has allowed us to achieve many important results during the year.

For Dairy:

- 4Choice: selection of micro-organisms for the development of food cultures to be used in the production of dairy alternatives. The project was dedicated mainly to studying the performance of bacterial cultures,

particularly rates of acidification and sensory characteristics, such as structure and reduction of unpleasant aromas.

- 4Protection: development of food cultures for improved shelf life and safety of fermented foods and beverages. We worked in particular on the inhibition of yeasts and moulds, Clostridia, Listeria, Pseudomonas, Gram negatives and spoilage micro-organisms in general (therefore also Gram positives).
- Phage hardening: characterisation of mesophilic mixtures, study of *Lactococcus lactis* film;

For Food:

- Fruit and vegetables: research into improving shelf life and sensory characteristics (maintaining freshness and reducing spoiling); reducing sugars in fruit juices.
- Meat: inhibition of *Listeria monocytogenes*; optimisation of nitrate reductase activity.
- Fish: Inhibition of *Listeria monocytogenes*; increased shelf life of fresh produce.

For Health & Nutrition

- Characterisation of probiotic properties of collected strains; clinical studies to follow the colonisation and persistence of probiotics in the human intestinal tract; determination of mechanisms of action and a focus on pathogen inhibition (using in vitro/animal models) of the intestinal and vaginal tract; development of alternative methods to plate counting (flow cytometry techniques); characterisation of next generation probiotics (obligate anaerobes), with identification of nutritional requirements, resistance to oxidative stress.

The year 2021 also saw the strengthening of the Agro-Vet business unit with Plant Health and Nutrition specialisation, and the launch of a partnership with Landlab, a cutting-edge research group, renowned for development and innovation in the field of sustainable agriculture for over 20 years. Landlab works in nutrition, biostimulation and plant protection, and develops new products, focusing on changes in this sector.

A further development in 2021 was the announcement of Sacco System's strategic partnership with Döhler in the area of plant foods and alternatives to dairy cultures. This partnership will boost the development and success of new products and brands in this dynamic and expanding market segment. Döhler is a global manufacturer, marketer and supplier of natural ingredients for the food and beverage industry: research and development, innovation and close attention to test market trends are some of the core concerns shared by both companies.

Circular economy

In 2021, the full implementation of the system for the recovery of rennet processing waste, which is now treated as a by-product and no longer as waste, has allowed us to reduce the production of waste at Caglificio Clerici almost completely, with an overall company-wide decrease of 92% compared to the previous year.

Optimisation studies continue uninterruptedly, thanks to the synergy between our pilot, biomolecular laboratories and the production plants, which allow us to select new, more resistant and better-performing strains and to continuously improve our production yields, while using the same input.

Dialogue with stakeholders

Communication activities with our stakeholders are extremely important to us, to support and strengthen the relationships of cooperation and trust that nourish and enrich our business relationships.

Launched in October last year, the communication and dissemination project called INgredients continued to move ahead. The initiative aims to raise awareness about the hidden, invisible world of Sacco System ingredients (rennet, cultures and probiotics) and to discover the Italian companies that use these ingredients, through a dedicated site, social media channels, offline and online communications and the involvement of national and international science popularizers and influencers. The community of followers on social media is constantly growing, as are views on the dedicated website.

All these projects were shared with stakeholders through webinars and meetings. Furthermore, a rich editorial plan on the companies' LinkedIn pages and our presence in industry magazines and digital events have allowed us to remain in contact with our stakeholders at all times. A new commercial, "The alphabet of well-being" was created and aired on RAI 1 under the long-running Linea Verde programme.

In November, the company was present with an interactive stand at the Focus Live event at the Museum of Science and Technology in Milan. The aim was to let people find out about rennet, cultures and probiotics through the five senses.

We also continued our "Knowledge sharing" activities with schools and universities to spread scientific knowledge about our ingredients and their contribution to sustainable development. In 2021, we offered input, as a company committed to sustainable development, to two academic courses: the Master's in "Sustainability Management and Communication" at the Alta Scuola per l'Ambiente of the Università Cattolica del Sacro Cuore, and the "Advanced Studies Course in Corporate Social Responsibility" at SUPSI – Scuola Universitaria Professionale della Svizzera Italiana. We contributed to the career orientation meetings for the biotechnology degree course at the University of Milan. We also participated in the "Deploy Your Talents" project for the third consecutive year, in collaboration with VISES, Fondazione Sodalitas and the students from the Vittorio Veneto Senior High School in Lodi. This project aims to promote the study of technical-scientific subjects and overcome the gender stereotypes accompanying them, by building partnerships between schools and businesses. In addition to this, we spoke at the symposium held by the Academy of Agri-Food Tourism Training, as part of the Master's in Smart Management of Wine Tourism. We offered research and laboratory analysis supported to the Liceo Majorana in Rho in the "Mad for science" project. The INgredients project was presented to the students on the Master's in Food & Wine Management at LUMSA University, with discussion not only of its scientific content but also its value as a communication tool.

At Christmas, we gifted employees with INgredients-themed thermal backpacks containing a variety of products made with Sacco System ingredients: cheeses, charcuterie, beer, salmon, chocolate and yoghurt. This way the project's partner companies were also represented.

Awards and merits

Once again this year, Sacco (with CSL) was one of the 800 “Champions” companies according to a survey run by Corriere Economia (the financial supplement of Corriere della Sera) and Italypost. The poll looked at the balance sheets of Italian companies with a turnover between 20 and 120 million and which recorded above-average performance between the years 2013 and 2019. In addition to turnover, the sample selection criteria were: average aggregate growth (CAGR) 2013-2019 of at least 3%, average annual gross industrial profits (EBITDA) over the last three years of at least 8% of turnover, excellent ratings (i.e. between triple B and triple A according to the Mediafinance ratings agency), average NFP/EBITDA ratio of less than 2.5, and a positive operating margin for 2019.

Sacco was also listed as one of the Corriere Economia TOP30 SMEs in the chemical, pharmaceutical and nutraceutical industries, from among companies in the sector with a turnover between 20 and 500 million based on 2013-2019 accounts.

Goals and projects 2022-2025

Structures and systems

In 2022, a biological wastewater treatment plant with MBR (Membrane Biological Reactor) technology and a daily flow rate of 750 m^3 per day will be commissioned at the Zelo Buon Persico production plant. The water will be authorised for discharge into surface water bodies and will therefore be usable for irrigation. Systems will also be implemented to recover part of the effluent for technical use (boilers and evaporation towers, after appropriate treatments). About 3,000 m^3 of water per month shall be recovered in the company's water cycle. In Cadorago, a 1500kW cogeneration plant will be commissioned to reduce our dependence on bought electricity, improve our energy efficiency and also produce hot water for industrial use. A new chamber with adjoining warehouse will be built for Caglificio Clerici, to improve storage capacity and optimise storage processes.

We have a number of plans to expand, adapt and modernise our buildings and production facilities by 2025. Sacco Labware will likely relocate to a new dedicated site in Vertemate (CO), a few kilometres away from the headquarters in Cadorago. Comprising 700 m^2 of office space and 1100 m^2 of warehousing, the structure will optimise logistics and specific business, thus offering staff ample space for their work. There are plans to construct the Z3 three-storey factory in Zelo Buon Persico, housing new production facilities, laboratories and offices. In Cadorago, the P4 building will be erected. This 4,000 m^2 plant will be used for frozen food production, boosting the company's overall output. A further extension of the P1 building is also planned, following the 2015 interventions. The new works will double the size of the quality control laboratories and packaging departments and will also involve a revamp of the existing production facilities, with expanded fermentation and freeze-drying capacity. The upgrade will also include new places for employees to congregate and relax.

Research and development

In 2022 we will collaborate with partners all over the world (Italy, Switzerland, Denmark, France, Holland, Spain, Sweden, Estonia, Ireland, Austria, Canada, Argentina and United Arab Emirates) on a total of 53 projects. We plan to add more in 2023. Below is a description of the main areas of research.

For Dairy:

- 4Protection: extension of shelf life and increased food safety (pathogen inhibition)
- 4Choice: development of cultures for the production of alternative foodstuffs similar to yoghurt (spoonable) and cheese (spreadable and moulded). Extension of shelf life.
- Phages: evolution of lactic acid bacteriophages and development of optimal solutions to ensure successful fermentation
- Development of functional fermented dairy products

For Meat:

- 4Protection: extension of shelf life and increased safety (especially regarding the pathogen *Listeria monocytogenes*)
- NOS: nitrate elimination and maintenance of fermented products' characteristics through the use of bacteria with nitric oxide synthase (NOS) activity

For Fish:

- 4Protection: anti-*Listeria monocytogenes* activity

For Fruit and Vegetables:

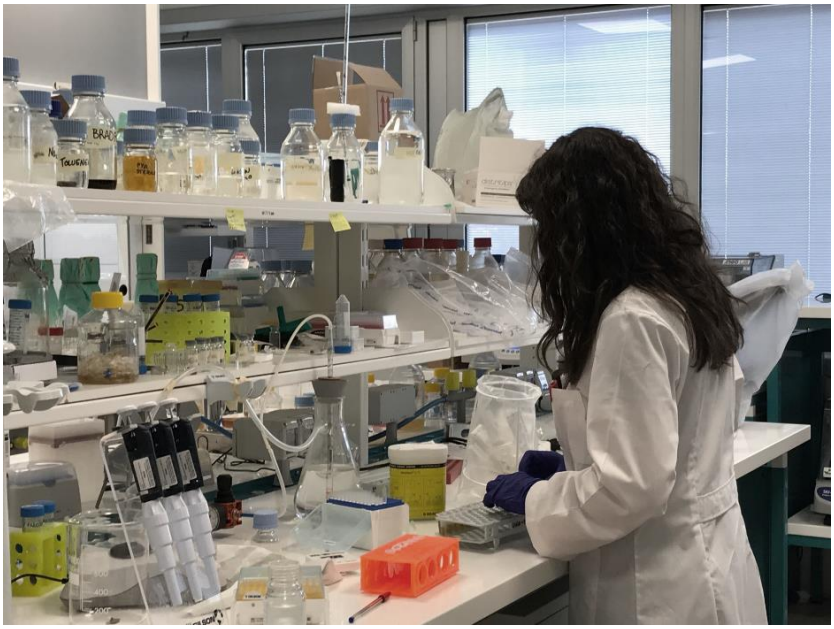
- Improvement of sensory properties and shelf life, development of fermented beverages with and without alcohol.

For Health&Nutrition:

- Characterisation of probiotic activities and action mechanisms of live and post-biotic bacteria.
- Clinical studies in the "female health", "intestinal health" and "post-biotic" fields

For Agro-Vet:

- New products for silage output
- Development of micro-organism based fertilisers
- Promotion of plant growth and health
- Use of eluates as an alternative to chemical fertilisers.



Circular economy

The circular economy projects will continue with increasing commitment and investments, in particular those aimed at innovating production processes for the optimisation of the use of resources and for enhancing the value of our scrap products.

At the beginning of 2022, a new evaporation plant will come into operation at the Cadorago production site. It will allow liquid waste from fermentation processes to be concentrated and stored for reuse in other production cycles.

Studies and tests will continue at Caglificio Clerici for the gradual reduced use of salt in production. The target is a 40% diminution and a consequent reduction in the quantities eliminated with waste water.

Stakeholder engagement

The work of disseminating a culture of cultures will continue, not only with public businesses but also with consumers, in line with our mission “supporting food culture and life”, with various projects concerning the world INgredients, Probiotics and Agrovet. Particular emphasis will be given to scientific dissemination and employer branding with high-school and university students. For internal stakeholders, we will set up initiatives to enhance our “Family Spirit” by getting employees involved and giving them visibility and voice through an internal video shoot. The INgredients Ambassadors Club with expanded with new activities and tasks.

We will once again participate in events in Italy and abroad in order to increase awareness of our brand, our values and our ingredients.

The “Good to know you” project will enhance the visibility of new employees in Italy and worldwide, showcasing not only their professionalism, but also their passions and interests.

In the next two years, we are also planning to get all our stakeholders involved in the updating of the materiality analysis.

Health and safety

We aim to progressively lower the incidence of accidents at work, always keeping our figures below the national averages and moving as close as possible to zero, implementing the necessary preventive and corrective measures and insisting on training and empowering our workers, establishing a climate of collaboration and mutual exchange so as to manage any residual risks effectively.

2021 in numbers

353	employees
€ 119,422,500	Revenues
138	t frozen mixtures
336	t freeze-dried mixtures
1,000	t enzymes
1,013	t growth media
331	t chemical products

ECONOMIC RESPONSIBILITY

The economic value at the service of innovation and people

Economic performance

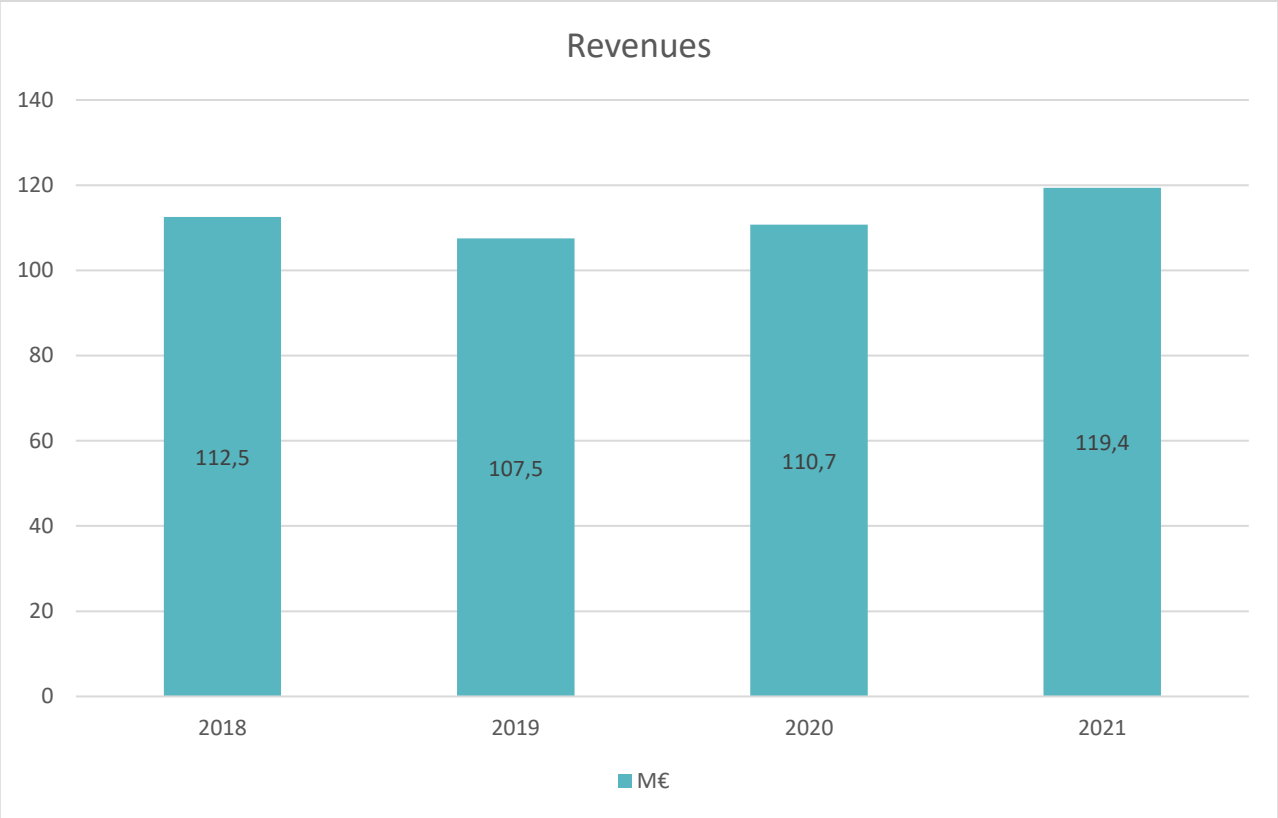
For Sacco System, economic performance represents the prime element when measuring results, through the use of indicators that make it possible to balance the various aspects of company management within the broader perimeter of equity and financial performance. These indicators are defined and agreed at the Management level.

The organisation, represented by the Owners, establishes the priorities, the quantitative and qualitative aims and the methods of implementation and control. Policy is geared to keeping the company intact in all its forms, so that financial resources are used effectively and efficiently to ensure the company's position as a going concern. It defines both individual and collective tasks, responsibilities and objectives. Responsibility in terms of management lies primarily with the Owners, who therefore use the skills of the front-line managers to implement strategy.

Every element in Sacco System contributes to the generation of its economic, equity and financial impacts, because every element of the management generates flows which, in different ways, influence performance. The systems for assessing management effectiveness relate to the monitoring of KPIs and performances, defined individually in the form of MBO (Management By Objectives). The results are commented on by the Owners together with the first-level managers. Then they are disclosed in the general reports and lastly in the financial statements, following the close of the financial year, according to a precise annual calendar.

Sacco System has experienced an extremely positive growth trend in recent years, with double-digit percentage increases in turnover for many years running. 2018 was the first year in which the threshold of € 100 million in revenues was surpassed. 2019 saw a slight decline in turnover, essentially due to a contraction in the foreign market for the probiotics sector, but with consolidation in the other business units. The year 2020 saw a resumption of growth, and the pattern continued in 2021 with revenue of € 119.4 million (+7.8% year-on-year; see Graph 1).

The information on the creation and distribution of economic value provides an indication of the creation of wealth by Sacco System for its stakeholders. The main economic and financial data that is useful for sustainability reporting is shown below (Table 2), drawing on the details published in the statutory financial statements.



Graph 1 – Sacco System revenues in € millions

Economic-financial data	2021
Total assets	€ 344,609,939
Shareholders' Equity	€ 256,168,198
Direct economic value generated **(revenues)**	€ 119,422,523
Economic value distributed (operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments)	€ 84,961,208
Economic value retained	€ 34,461,315
Financial assistance received from the Government (Industry 4.0, Advertising, Research & Development tax credits)	€ 580,027

Table 2 – Sacco System's economic-financial data

Relations with Suppliers

In Sacco System we are aware that the quality and safety of our products are created throughout the supply chain. For this reason, all our suppliers undergo careful selection and controls to verify compliance with our quality and reliability requirements.

For Sacco and CSL, the suppliers of raw materials, media, proteins, microbial cultures, packaging and auxiliary materials for production that come into contact with the products, must have ISO22000, FSSC22000, GMP, BRC or IFS certification; conversely, suppliers of laboratory materials are required to have ISO9001 certification. It is possible to obtain supplier qualified status even in the absence of a valid certification, but only after filling in an in-depth questionnaire, validated by our quality assurance system, by conducting audits and/or by systematic tests on the products supplied. Qualified status is reassessed annually, based on the incidence of any non-conformities and following a documentary check.

In Clerici, for the production of rennet, stomachs are purchased only from slaughterhouses authorised by the health authorities, subjected to systematic veterinary checks to ensure their suitability for human consumption or their classification as category 3 by-products (whose health risk is minimal or non-existent). For other products, such as additives, the purity requirements defined by law must be respected.

Sacco System also has a policy against food fraud and food defence, which all our suppliers must comply with.

The products of the Labware BU marketed by Sacco are selected not only on the basis of their technical characteristics, the market potential and the company's growth objectives, but also based on the quality of the supplier/manufacturer, taking into account certain parameters such as ISO 9001 certification, CE marking, the availability of Safety Data Sheets for articles that require them and the continuity of supplies (guaranteed in many cases by partial or total exclusivity contracts).

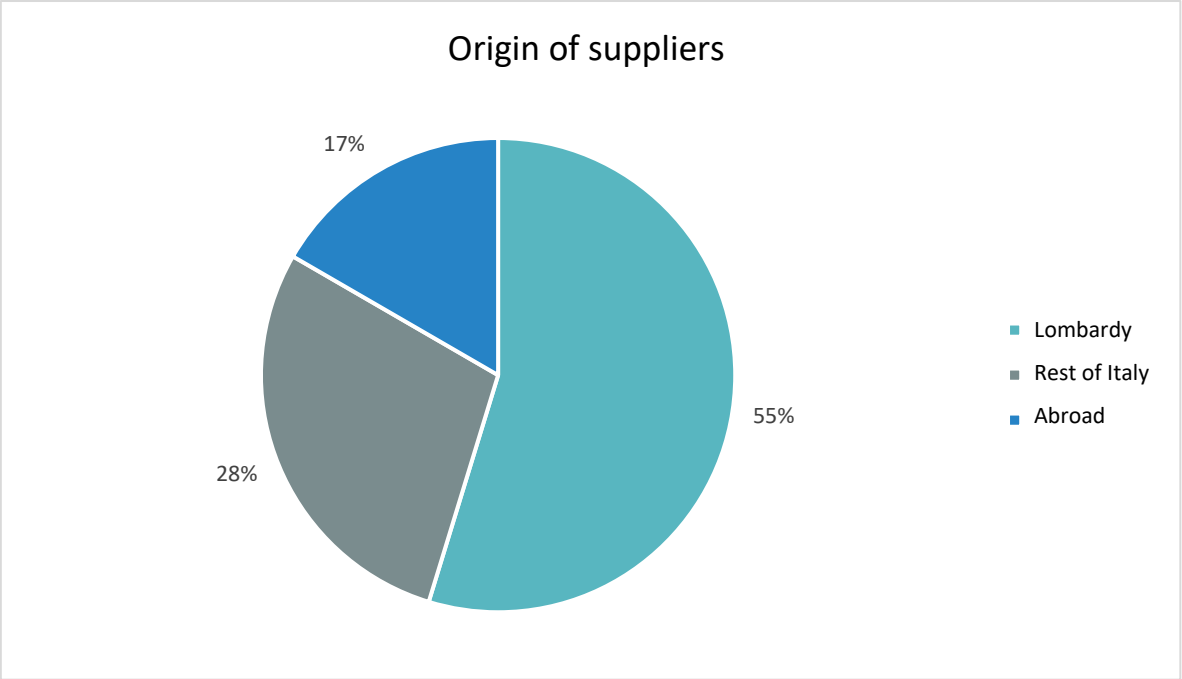
Sacco System has a total of 1,195 different suppliers of services and goods (producers and distributors); 72% are Italian suppliers (in detail, 55% are located in the Lombardy region): almost 70% of all purchases made go to them (Graph 2 and 3).[2]

For the purchase of the raw materials needed for fermentation by Sacco and CSL, the Italian presence is guaranteed by important distributors, whereas the presence of foreign producers is strong, especially those from France, Germany and Switzerland. There is an extremely limited presence of suppliers from outside the EU (only ten companies, accounting for 0.2% of the volume of purchases).

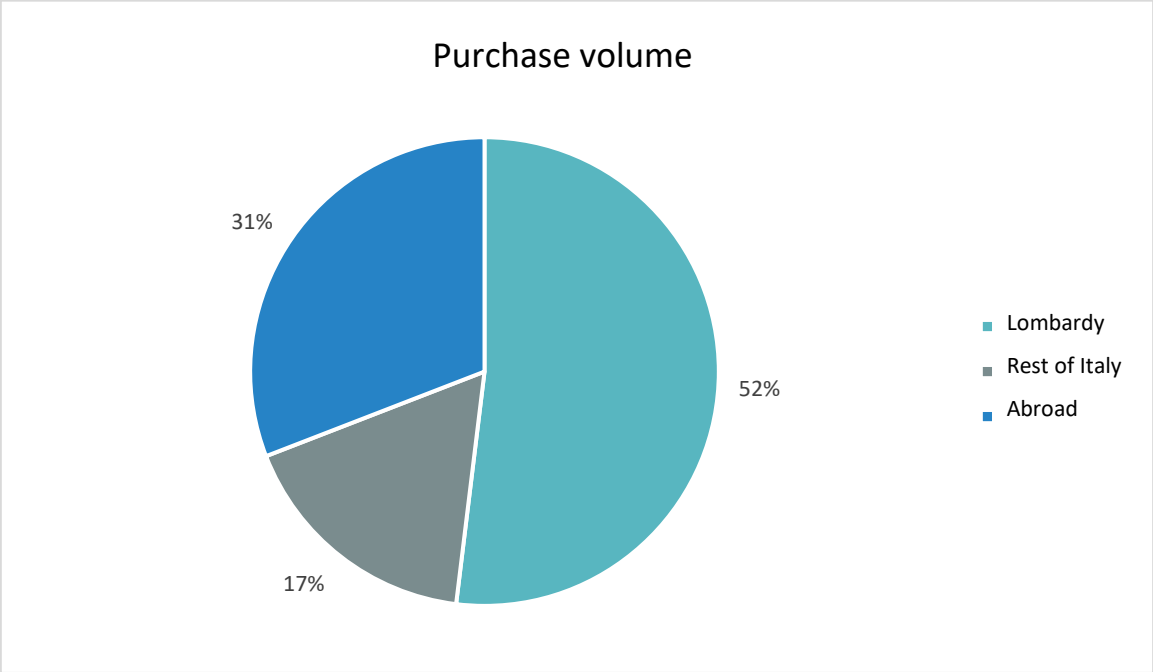
As for packaging, we rely on Italian producers (90%), especially from Lombardy or Emilia Romagna, but the raw materials used to produce the packaging are mainly of foreign origin.

The changes in the supply chain in the year 2021 were necessitated by the search for alternatives to limit the risk of stock-outs, which was also due to the ongoing COVID emergency and scarcity in the raw materials market. Only one replacement occurred due to a non-conformity of the raw material supplied in the previous year.

[2] An improvement in the supplier monitoring system and the implementation of the digitalised RDA (Purchase Requests) system also in Caglificio Clerici means that the number of suppliers in 2021 cannot be compared with the number presented in the 2020 Report. The RDA system built into the management system for each movement allows better monitoring of the supplier situation, specifically by highlighting each movement instead of grouping several movements together in one expense item.



Graph 2 - Breakdown of the number of suppliers based on their geographical origin



Graph 3 - Breakdown of spending on suppliers based on their geographical origin

Compared to 2020, spending on local and national supplies increased by 61% and 91% respectively, whereas there was a 7% decrease for foreign suppliers. The overall increase in spending was caused primarily by the increase in weekly production for most of the year, resulting in a hike in quantities purchased. This ran alongside a sharp rise in purchase costs, packaging and raw materials, from mid-year onwards.

Anti-corruption and conflict of interest

Our stakeholders consider anti-corruption and conflict of interest issues to be particularly relevant.

In compliance with the principles of efficiency, honesty, transparency and fairness in carrying out its business, Sacco System has adopted and implemented a Code of Ethics, which governs the activities of each director, manager, employee and co-worker in the company and which each of them has a duty to respect.

Sacco System prohibits any of its employees or co-workers from accepting or offering money or other forms of benefits with a view to producing advantages for themselves and/or the Company. Every relationship with customers and suppliers must be inspired by the general principles of business ethics.

Every worker in Sacco System, in compliance with the values of honesty and fairness, is also required to avoid any possible conflict of interest, with particular reference to personal interests, between customers and between suppliers and customers. This applies in the event that an employee pursues an interest that is different from the company's mission, takes personal advantage from business opportunities or acts against the fiduciary duties attached to their position. Therefore, all employees must avoid all situations and activities in which a conflict with the interests of the company may arise or which may interfere with an ability to make impartial decisions, in the best interest of the company and in full compliance with the law.

In order to facilitate the reporting of possible violations of these rules by anyone who gains knowledge thereof, a special communication tool has been prepared with the members of the Supervisory Body, who are responsible for full compliance and interpretation of the Code. In the event of a report, they undertake to give a prompt response, without the whistleblower running the risk of any form of retaliation, even indirectly, and will take the necessary corrective and preventive measures to avoid the same kind of episode happening again.

The Code of Ethics is distributed to all Sacco System employees and is publicly available for consultation on the website and to those who request it.

In 2021, there were no episodes of corruption or conflict of interest in the sphere of influence of Sacco System.

ENVIRONMENTAL RESPONSIBILITY

Measure impacts as a first step towards improving environmental performance

Energy

Sacco System's energy consumption is mainly attributable to the operation of its culture production and refrigeration plants. The energy sources used in company activities are: electricity, whose requirements are so far met completely by purchasing from external suppliers, natural gas and automotive fuels (diesel and petrol) for company vehicles (see Table 3 and Graph 4). In 2021, approximately 7,000 kWh were produced by the 5kW photovoltaic plant at Zelo Buon Persico, which was consumed on site entirely.

Approximately 42% of the purchased energy mix is from renewable sources (Graph 5).[3]

Energy consumption	2020	2021	Δ%
Electricity purchased (production sites)	21,945,256 kWh	22,630,361 kWh	+3%
Electricity purchased (automotive refills)	--	2,894 kWh	--
Self-generated electricity (photovoltaic system)	--	7,000 kWh	--
Natural gas	3,113,322 m^3	3,310,942 m^3	+6%
Unleaded petrol	5,385 litres	10,503 litres	+95%
Diesel	72,426 litres	82,996 litres	+15%
Total	**203,213,716 MJ**	**214,146,633 MJ**	**+5%**

Table 3 - Sacco System's Energy consumption in 2021 and conversion to MJ (Sources [4])

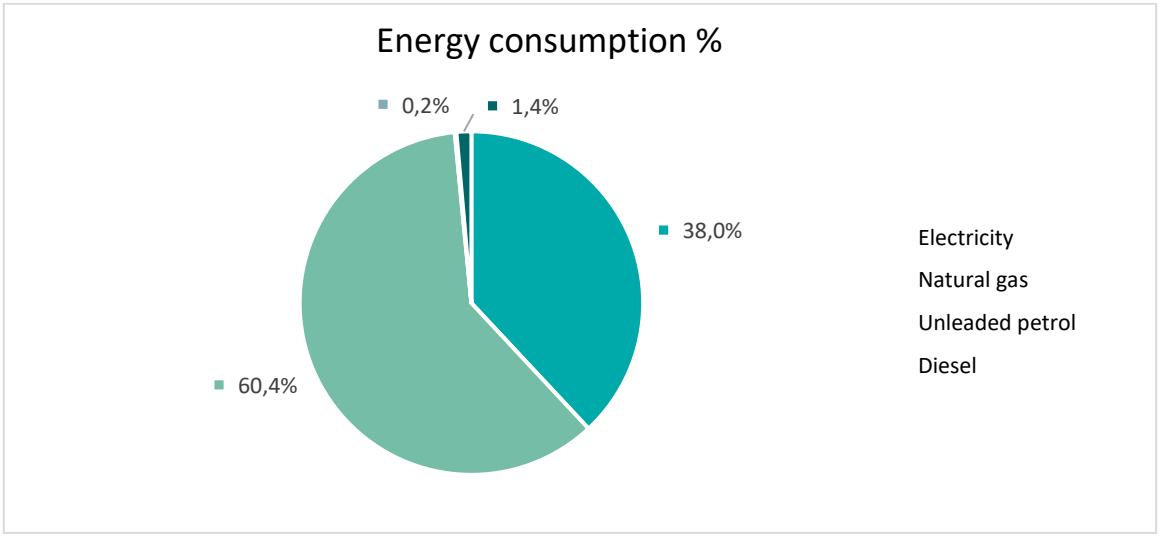
Energy consumption is constantly monitored and initiatives aimed at limiting consumption are taken into consideration, through the introduction of more efficient equipment. The choice of energy suppliers is mediated by trade associations and is mainly guided by commercial considerations.

In 2021, a 1500kW natural gas cogeneration plant was installed at the Cadorago production site, which will be operational in 2022 and will allow us to produce electricity and thermal energy at the same time, fully covering our energy requirements inside the site and considerably improving our energy efficiency. A saving of 1400 TOE (tons of oil equivalent) per year is estimated.

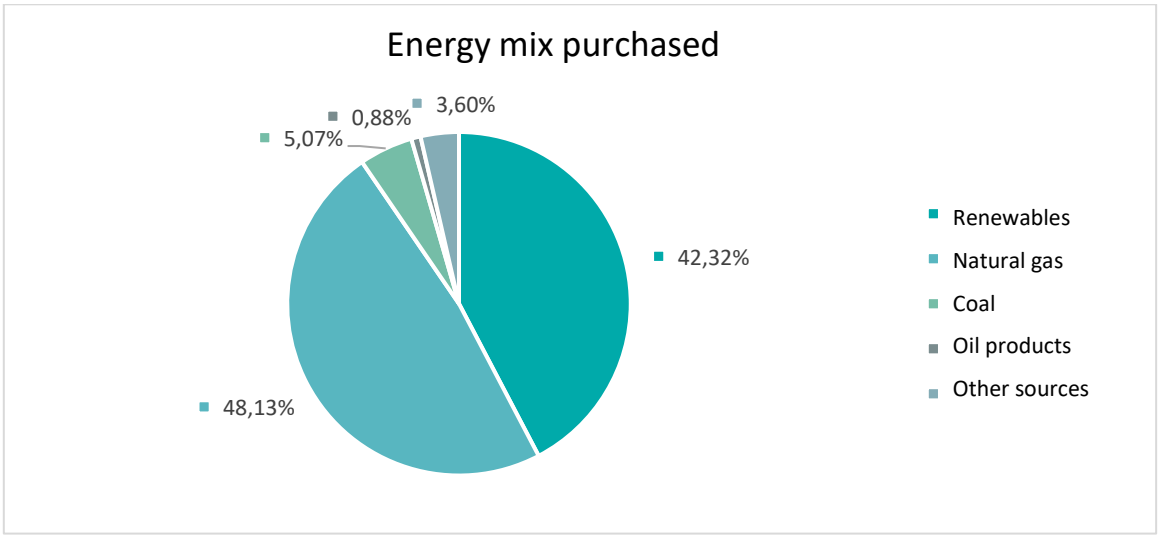
[3] Source: GSE. Composition of the initial national mix used for the production of electricity fed into the Italian electricity system in 2021 (pre-final balance). 15/09/2022. When the drafting of this report was completed, the 2021 figures for the specific supplier were not yet available. As the market-based mix is subject to greater fluctuations from year to year, a location-based approach was preferred.

[4] MJ Equivalence factors/litres of fuel obtained from the Clean Vehicle Directive Dir. 2009/33/EC, as suggested by the Price and Tariff Observatory of the Italian Ministry of Economic Development.
For the conversion into MJ of the cubic metres of natural gas consumed, reference was made to the higher calorific value (PCS) defined by the supplier in the invoice, month by month (weighted average 39.035 MJ/Sm^3 for Sacco; 39.095 MJ/Sm^3 for Clerici; 39.110 MJ/Sm^3 for CSL).

In order to improve our energy efficiency, we are performing an energy audit. In plants we are equipping all new rooms with LED lighting and replacing existing ones. We are also insulating all piping and installing inverters (to date, 40% of all plants.)



Graph 4 - Percentage distribution of energy consumption in 2020



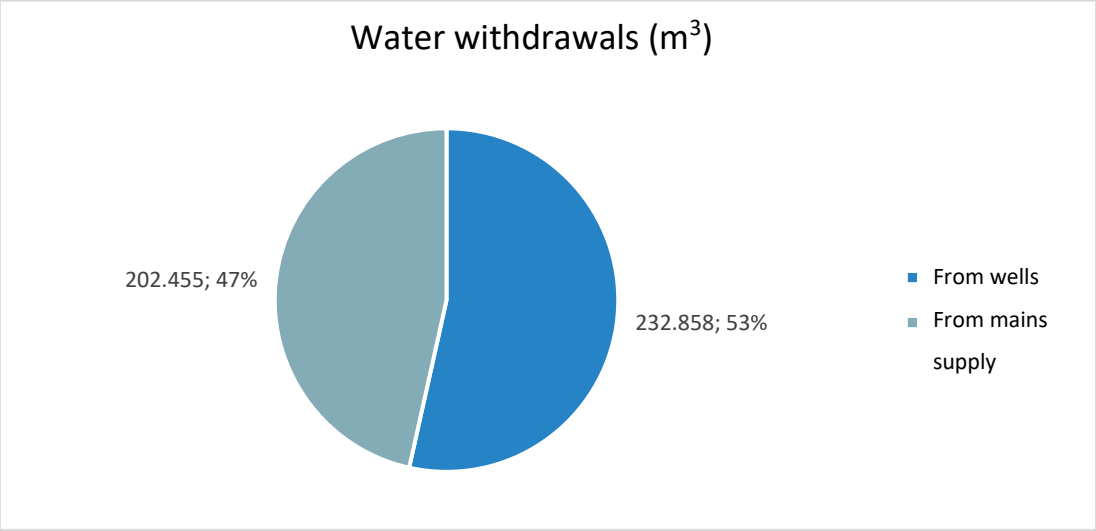
Graph 5 – Composition of the fuel mix relating to electricity purchased in 2021, according to the location-based approach [2]

Water and effluents

Water is a fundamental resource for all Sacco System production processes. It is a primary ingredient in fermentation and is necessary for the operation of machinery, and also to ensure adequate hygiene and cleanliness of systems and equipment.

In our production sites we use both water from the mains and from wells, with a total annual consumption of 435.3 million litres (see Graph 6 and Table 4). No Sacco System production site falls into water-stressed areas.[5] The partial use of water from private wells also reduces the impact on the public mains network.

As with any production process in the food or pharmaceutical industry, measures for water recycling and reuse are extremely difficult to apply, due to the associated high risk of contamination. Nonetheless, certain mechanisms are in place for the recovery and recycling of some process water for mere industrial uses (closed cycle heating/cooling water, recovery of condensate, washing and osmosis waste water).



Graph 6 - Amount of fresh water withdrawals (in m³) according to source

All our waste water undergoes a first physical treatment phase in equalisation tanks, then they are discharged into the sewerage system, in line with the necessary environmental permits in our possession, and finally sent for purification through the consortium plants. Discharge limits are established by law[6] and any exceptions are agreed with the competent local authorities. Compliance with these limits is guaranteed by regular checks by the control bodies or through self-certification. In 2021, no cases of non-conformity were recorded as regards discharge limits.

In 2022, a membrane Biological Reactor (MBR) treatment plant will be commissioned at the CSL production plant in Zelo Buon Persico, which will allow for the treatment of up to 230,000 m³ of waste per year.

[5] *Aqueduct Water Risk Atlas* (https://www.wri.org/applications/aqueduct/water-risk-atlas/) indicates the low-risk area of Cadorago and the low-to-medium risk area of Zelo Buon Persico. The overall water risk measures all water-related risks, aggregating all the indicators selected from the categories Physical quantity, Physical quality, Regulatory and reputational risk. Last viewed 26/09/2022.

[6] Table 3 second column of Annex 5 to the third part of Legislative Decree 152/2006

Water consumption from Sacco System activities, meaning water no longer usable by the ecosystem or by the local community, is given by the residual water contained in our sales products (e.g. liquid rennet, frozen cultures, chemical products in aqueous solution, eluates for feeds) and from that evaporated in production processes. The residual difference between withdrawal and consumption+discharge corresponds to the water used for civil purposes, irrigation or other uses not yet monitored. Finally, the production plants will have tanks for the temporary storage of water, which will then be used in production (see Table 4).[7]

Information on the use of water	2021
Withdrawals	435,313 m^3
Discharges	285,112 m^3
Consumption (water remaining in products or evaporated)	127,140 m^3
Other use (civil uses, irrigation and other unmonitored consumption)	23,061 m^3
Storage	675 m^3

Table 4 - Detail on the use of water resources in 2021

Aspects relating to limiting the consumption of water resources are always taken into consideration in plans to modernise and modify our plants: in Sacco, some new processes are being implemented for the recovery of part of the waste water together with waste liquid processing; for the Zelo site, a purification plant is under construction, capable of limiting the impact of discharges into the mains network, and at the same time recycling systems will be implemented in order to return purified water to the cooling towers and boilers. Furthermore, in CSL, the production eluates (the exhausted broths from fermentation) are already being reused in animal husbandry to feed pigs, a perfect example of circular economy: during 2021, 3,271,220 kg of eluate were thus recovered as formulants for feeds. Finally, at Caglificio Clerici, an important process innovation was implemented during the year, which will save up to 40% of salt in production, much of which used to end up in waste water.

Emissions

Internal greenhouse gas emissions deriving from Sacco System's production activities can be broken down into direct and indirect emissions.

Our direct emissions (Scope 1, according to the GHG Protocol) are those that derive from the combustion in machinery owned or controlled by the company (boilers, burners, but also means of transport such as company cars), or from the losses of HFCs from our refrigeration plants. Conversely, those deriving from the production of electricity imported and consumed by the company are indirect emissions (Scope 2).

Following these definitions, the direct emissions were calculated and converted into equivalent tons of CO_2, tCO_{2eq}, using the tools of the GHG Protocol, for the combustion of natural gas[8] and the consumption of automotive

[7] Compared to 2020, the measurement of evaporated water has been improved, with all and not only some evaporation towers included.

[8] World Resources Institute (2015). GHG Protocol tool for stationary combustion. Version 4.1

fuels[9], and of the GWP-ODP Calculator[10] for F-gases (Table 5), while the estimate of indirect emissions from thermoelectric production was carried out on the basis of the most recent ISPRA coefficients[11] and the latest available data relating to energy mixes (Graph 7).

Although there are no specific policies in place regarding emissions, their reduction remains a sensitive issue for our stakeholders; we also believe it is important to examine more closely how they will be managed and monitored in the future, as we consider our impact as not insignificant.

GHG Direct emissions	2020 (tCO_{2eq})	2021 (tCO_{2eq})	notes
From combustion of natural gas	5,874.19	6,247.06	
From combustion of unleaded petrol	12.23	23.86	
From combustion of diesel	193.84	222.12	
From HFC fugitive emissions	831.92	1,380.63	For 2021: R-507A 79kg, R-407A 60kg, R-404A 212.3kg, R-448A 16kg, R-134A 70.8kg
Total	**6,912.18**	**7,873.67**	

Table 5 - Estimate of direct emissions (Scope 1) of Green House Gases in 2020 and 2021

Compared to 2020, increases were measured in emissions from natural gas combustion (6%), consumption of petrol (95%) and diesel (15%), due to a proportional increase in consumption. Fugitive emissions of HFCs, caused by some breakdowns in refrigeration plants, also increased by 14%.

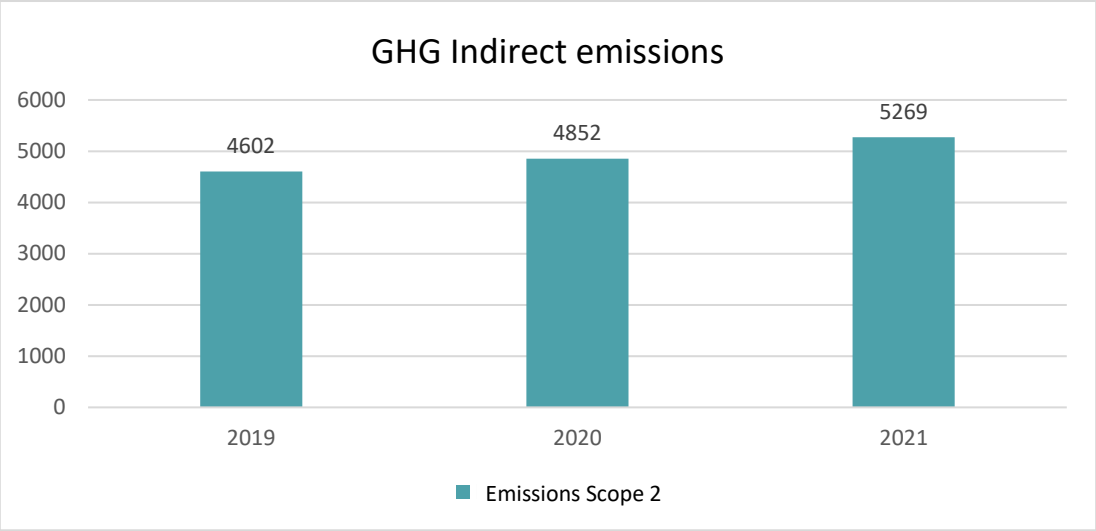
Indirect emissions were calculated using a location-based approach and increased by 9% from 2020, due to an overall increase in the purchase of electricity (+3%) and the altered fuel mix of the electricity fed into the national grid, which unfortunately favoured higher-emission sources (Graph 6).[12]

[9] World Resources Institute (2015). GHG Protocol tool for mobile combustion. Version 2.6

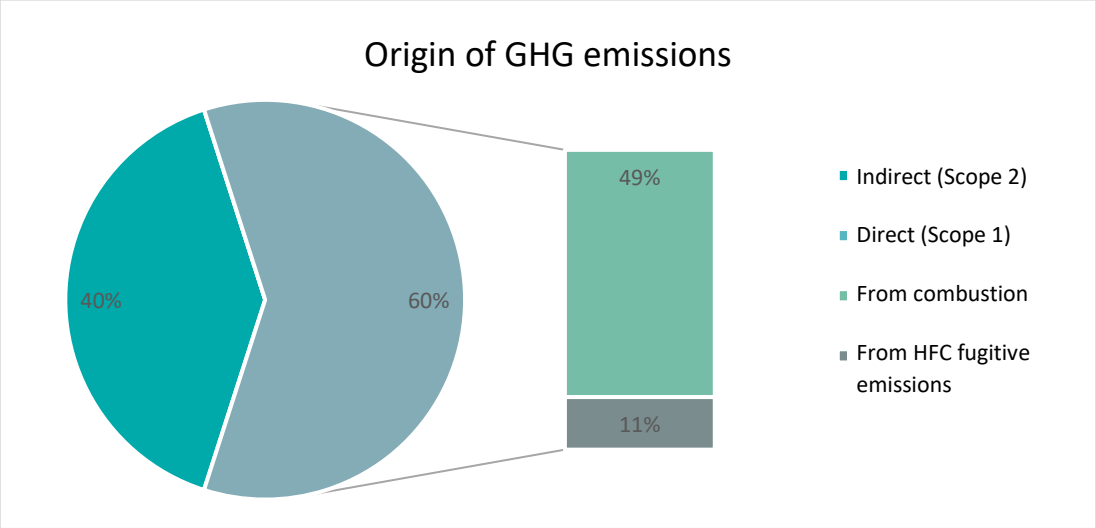
[10] GWP-ODP Calculator https://www.unep.org/ozonaction/resources/gwp-odp-calculator/gwp-odp-calculator

[11] Atmospheric emission factors of greenhouse gases in the national electricity sector and in the main European countries. Edition 2020. no. 317/2020. SINAnet, ISPRA.

[12] Source: GSE. Composition of the initial national mix used for the production of electricity fed into the Italian electricity system in 2020 (final) and 2021 (pre-final). 15/09/2022. When the drafting of this report was completed, the 2021 figures for the specific supplier were not yet available. As the market-based mix is subject to greater fluctuations from year to year, a comparison based on a location-based approach was preferred.
Following the 2020 fuel mix update, the 2020 market-based indirect emissions were corrected from the previous report, from 5313 to 4852 tCO2eq.
Source: Carbon dioxide emission factors from gross thermoelectric production with fuel (coefficients last year available 2019); from: Atmospheric emission factors of greenhouse gases in the national electricity sector and in the main European countries. Edition 2020. no. 317/2020. SINAnet, ISPRA.



Graph 7 - Estimated indirect emissions (Scope 2, in TCO_{2eq}) of greenhouse gases in the last three years, using a location-based approach



Graph 8 - Distribution of greenhouse gas emissions by source of origin

From the production activities of Sacco System, there are no other significant sources of emissions, other than the dust deriving from the mixing and bagging operations of the Caslino al Piano plant, constantly monitored and always well below the legal limits.

The refrigerant gases used in our refrigeration systems are not ODS ("ozone-depleting substances").[13]

[13] Source: GWP-ODP Calculator https://www.unep.org/ozonaction/gwp-odp-calculator

Waste

In Sacco System, waste management is a relevant issue. The variety and complexity of our operations and activities are reflected in a great variability of production scraps and waste. It is essential for us to manage them in compliance with current regulations and to work to try to reduce the environmental impact that derives from them.

The waste management procedure in our production sites is inspired by the "4R theory", which means it is a priority to have a Reduction of waste (intended as prevention at origin), then, with decreasing priority, Reuse, Recycling and energy Recovery. Disposal is only used as a last resort. This integrates well with the circular economy paradigm that we are pursuing in the company, optimising production processes, reducing waste materials, trying to keep materials for as long as possible in the value chain. The waste management system is constantly reviewed with a view to reducing the quantities produced, improving the percentages of differentiation, encouraging recovery and recycling rather than disposal, and ensuring correct handling for the safety of people and the environment. Annually, the quantities produced in relation to company production are assessed, with particular reference to their destination, their dangerousness, and economic impacts.

The flows of inputs, outputs and activities related to waste are exemplified in the Figure 7.

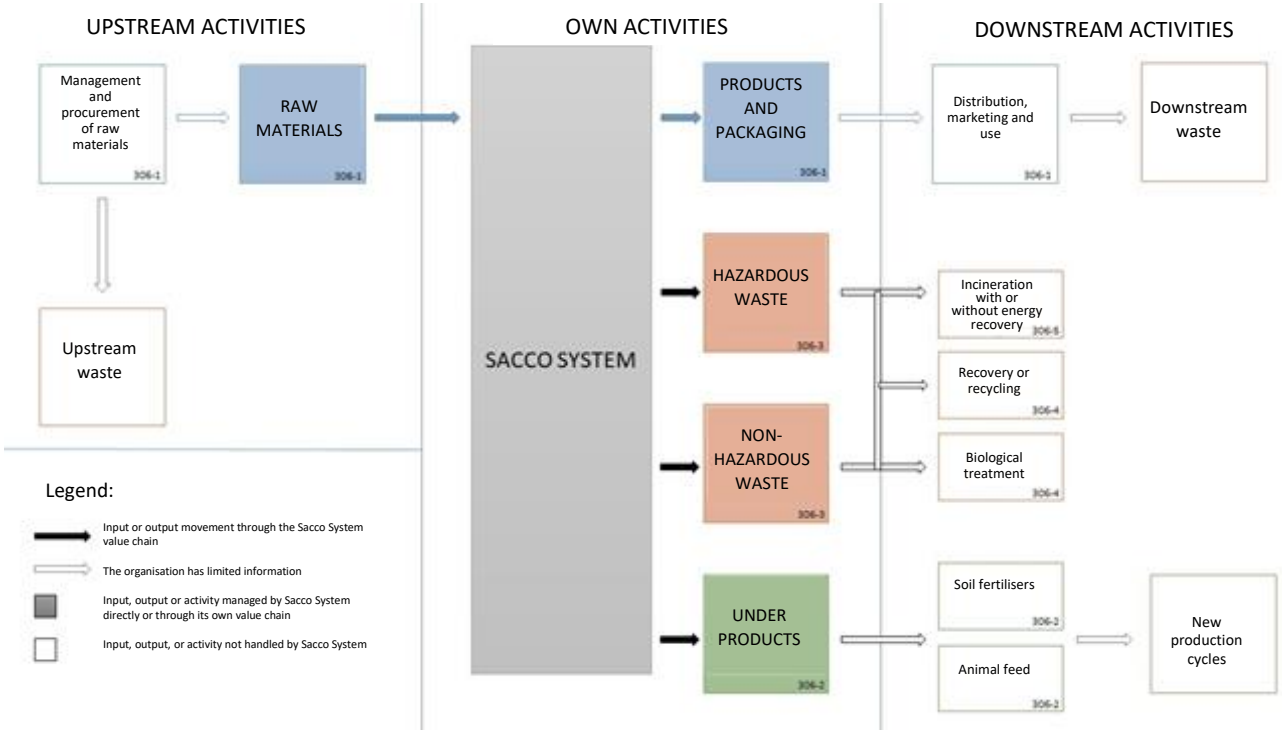


Figure 7 - Process flow for the production of waste and the significant impacts associated with them

Sacco System receives raw materials with the relative packaging from its suppliers; the downstream entities who distribute, trade and use our products will themselves generate waste from our products, essentially consisting of empty packaging. The products themselves, being consumable goods, do not become waste unless they are unusable by the end user (for example, allowing the expiry date to pass).

In the course of its production and laboratory activities, Sacco System directly produces waste, more than two thirds of which is made up of packaging waste (mixed materials, paper and cardboard, plastic, metal); other categories of waste generated ordinarily are sludge from equalisation tanks, waste from laboratory activities,

unusable waste (processing waste, expired or out-of-specification samples), discarded equipment, organic and inorganic waste (see Table 6).

EWC CODES	WASTE DESCRIPTION	2021 (kg)
150106	mixed packaging	108840
150101	paper and cardboard packaging	64680
150102	plastic packaging	37950
020301	sludges from washing, cleaning, peeling, centrifuging and separation	28580
180103*	wastes whose collection and disposal is subject to special requirements in order to prevent infection	17053
020304	(waste unsuitable for consumption or processing)	11490
150104	metallic packaging	9060
020304	(waste unsuitable for consumption or processing)	5300
150110*	packaging containing residues of or contaminated by hazardous substances	1865
170405	iron and steel	1540
160506*	Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	1288
160214	discarded equipment (computers, etc.)	913
130208*	other engine, gear and lubricating oils	480
060203*	ammonium hydroxide	425
160508*	Discarded organic chemicals containing or consisting of hazardous substances	302
020304	(waste unsuitable for consumption or processing)	200
160213*	discarded equipment containing hazardous components	177
080318	waste printing toner (non-hazardous)	95
160211*	discarded equipment containing chlorofluorocarbons, HCFC, HFC	93
160601*	lead batteries	80
160216	components removed from discarded equipment other than those mentioned in 16 02 15	0
160306	non-hazardous organic waste	0
160604	alkaline batteries	0
200307	bulky waste	0
020501	(waste unsuitable for consumption or processing)	0
080201	waste coating powders	0
110106*	acids not otherwise specified	0
160303*	inorganic wastes containing hazardous substances	0
160602*	Ni-Cd batteries	0
160709*	wastes from the cleaning of transport and storage tanks and barrels containing other hazardous substances	0
170603*	other insulation materials consisting of or containing hazardous substances	0
	TOTAL	**290,411**

Table 6 - List of waste sent for recovery or disposal in 2020 (in kg)[14]

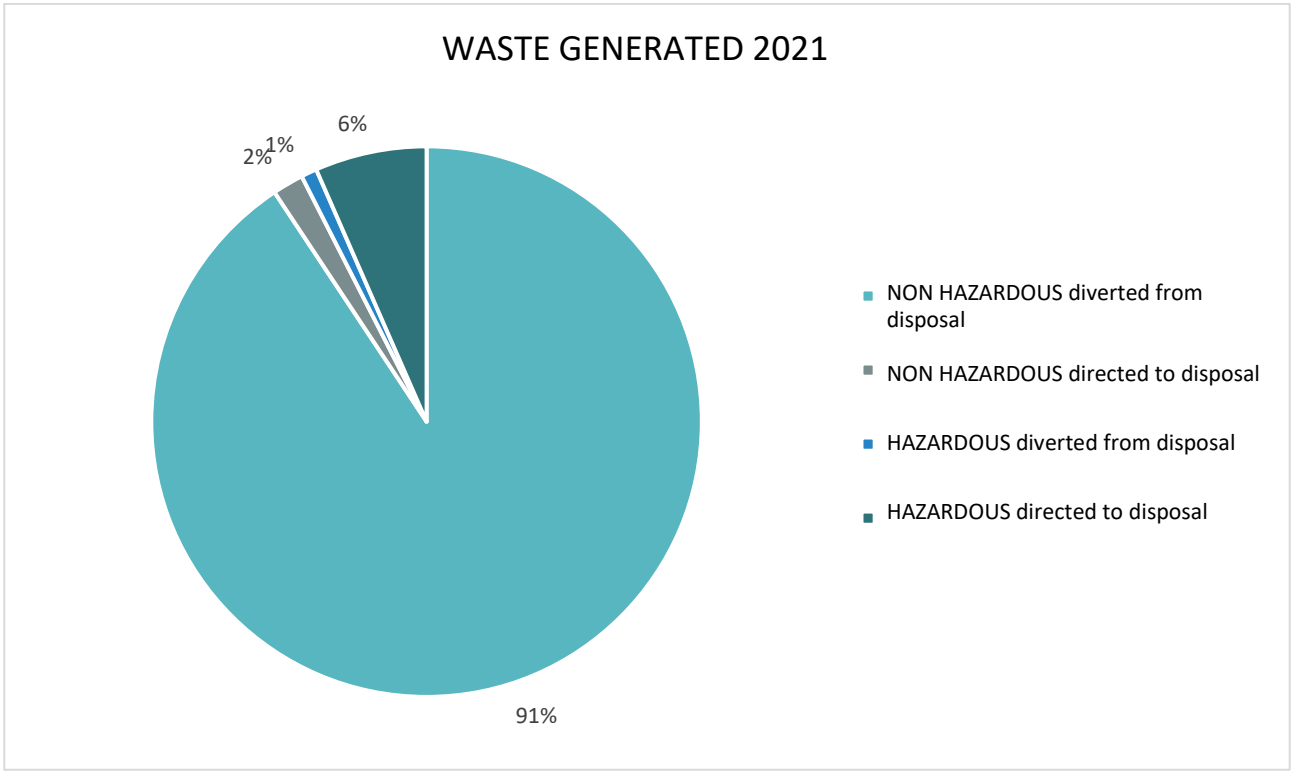
Almost 93% of the waste generated is made up of non-hazardous waste. Regarding their destination, 92% are sent for recycling, recovery or biological treatment; the remaining 8% is directed to disposal: either for incineration

[14] The quantities entrusted to the operator in the reference year are assumed as "produced" waste. For comparison, the list also includes EWC codes that did not move in the reporting year, but which did so in the previous year.

(including with energy recovery) or for chemical-physical treatment (Table 7 and Graph 9). None of our waste is sent to landfills. All waste is entrusted, for their subsequent treatment, to authorised Italian companies, duly registered in the national register of environmental managers.

Waste destination		kg	%
NON-HAZARDOUS WASTE		**268,648**	**92.51%**
of which	Diverted from disposal[15]	263,348	90.68%
of which	Directed to disposal[16]	5,300	1.82%
HAZARDOUS WASTE		**21,763**	**7.49%**
of which	Diverted from disposal[15]	2,695	0.93%
of which	Directed to disposal[16]	19,068	6.57%

Table 7 - Production of hazardous and non-hazardous waste and their final destination



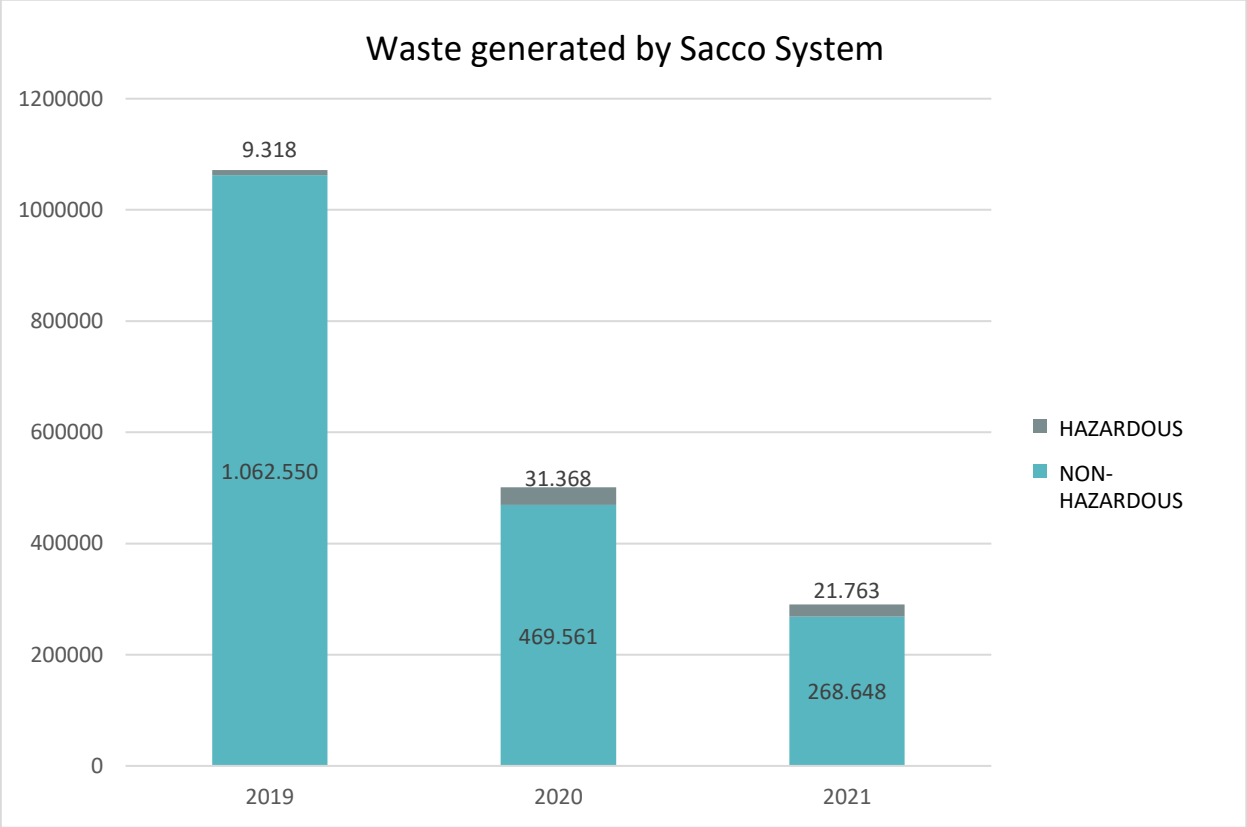
Graph 9 - Percentage distribution of waste produced, broken down according to hazardousness and final destination

In the three-year period 2017-2019, animal rennet processing waste represented 71% of the total waste produced in the Sacco System, with a total of over 2,300t generated. During 2020, their management as animal by-products (SOA) became fully operational, and they were sent to a rendering plant for conversion into fertilisers (Figure 7). This made it possible, in 2021, to manage all rennet waste as animal by-products (SOA). The results of this change in destination had a huge impact on the overall quantity of waste produced: in 2020 there was a 53% reduction in

[15] Waste sent for recycling, recovery or biological treatment.
[16] Waste sent for incineration with or without energy recovery, physical-chemical treatment

waste generated compared to the previous year, a trend that was confirmed in 2021 with a further 42% reduction. (Graph 10). With the full implementation of this system, a 92% reduction of the waste produced by Caglificio Clerici was achieved compared to previous periods.[17]

The total quantity of rennet processing scraps sent to new production processes in 2021 was equal to 832t.



Graph 10 - Comparison of overall waste generation in the Sacco System network in the two-year period 2019-2020 (in kg)

[17] Total waste generated by Caglificio Clerici in 2018 = 887,130 kg; in 2021 = 68,662 kg.

SOCIAL RESPONSIBILITY

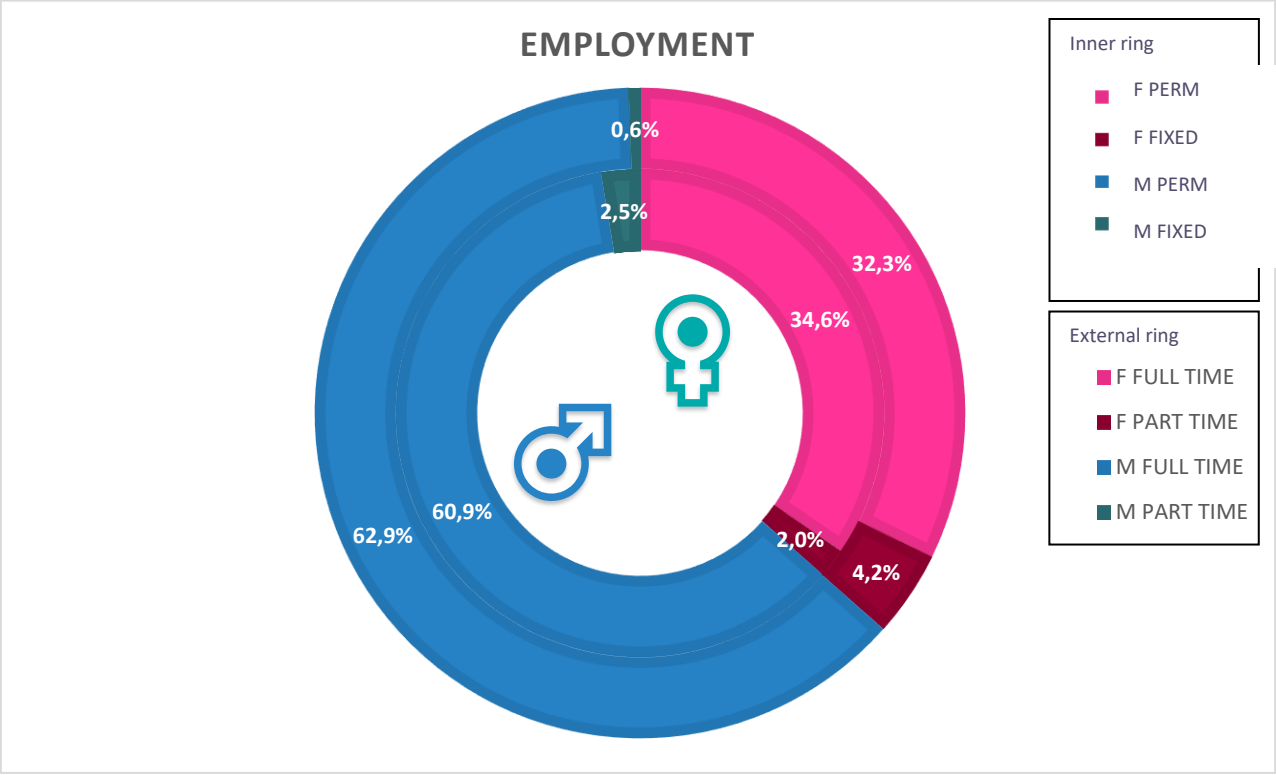
The strength of human relations, pillar of our governance

People are a fundamental resource for Sacco System. The importance of human relationships, the commitment to constantly ensuring a healthy working environment and safety in the workplace and the attention to the well-being and preparation of our workers are fundamental elements in managing our personnel, mirroring that family spirit that is a hallmark of our corporate governance.

Employment

The Sacco System family is constantly growing and developing, as shown by the positive turnover figures and the strong demographic growth recorded in recent years.

Overall, 224 men and 129 women work in Sacco System, from 24 different countries, all covered by collective bargaining agreements (Chemical-Pharmaceutical and Food CCNL).[18] It is noteworthy that 53% of our women are graduates in STEM subjects (Science, Technology, Engineering, Mathematics). Almost all existing contracts are permanent (95.4%) and full-time (95.2%). During 2021, 30 new employees joined the company (+8.5%) and 24 left (-6.8%) (Table 8).



Graph 11 - Breakdown of contract types (permanent or fixed term, inner ring) and hours (full time or part time, external ring), broken down by gender

[18] Data as at 31/12/2021

contract type	PERMANENT	FIXED-TERM	by gender
M	215 (60.9%)	9 (2.6%)	**224 (63.5%)**
F	122 (34.6%)	7 (2.0%)	**129 (36.5%)**
by type	**337 (95.5%)**	**16 (4.6%)**	**353 (100%)**

type of hours	FULL TIME	PART TIME	by gender
M	222 (62.9%)	2 (0.6%)	**224 (63.5%)**
F	114 (32.3%)	15 (4.2%)	**129 (36.5%)**
by type	**336 (95.2%)**	**17 (4.8%)**	**353 (100%)**

HIRINGS	<30	30-50	>50	by gender
M	6 (20.0%)	8 (26.7%)	1 (3.3%)	**15 (50.0%)**
F	3 (10.0%)	11 (36.7%)	1 (3.3%)	**15 (50.0%)**
by age	**9 (30.0%)**	**20 (53.4%)**	**2 (6.6%)**	**30 (100%)**

VOLUNTARY TERMINATIONS	<30	30-50	>50	by gender
M		8 (47.0%)	1 (5.9%)	**9 (52.9%)**
F	1 (5.9%)	7 (41.2%)		**8 (47.1%)**
by age	**1 (5.9%)**	**15 (88.2%)**	**1 (5.9%)**	**17 (100%)**

DISMISSALS	<30	30-50	>50	by gender
M	0	0	0	**0**
F	0	0	0	**0**
by age	**0**	**0**	**0**	**0**

RETIREMENT	<30	30-50	>50	by gender
M	0	0	1 (25%)	**1 (25%)**
F	0	0	3 (75%)	**3 (75%)**
by age	**0**	**0**	**4 (100%)**	**4 (100%)**

DEATHS	<30	30-50	>50	by gender
M	0	0	0	**0**
F	0	0	0	**0**
by age	**0**	**0**	**0**	**0**

Table 8 - Total number and percentage of employees by employment contract type, hires and turnover in 2020, with breakdown of employees by age and gender.

Part-time workers enjoy the same rights and benefits as full-time workers. Sometimes we use temporary workers, especially for short-term replacements in the production and packaging departments; there were 9 of these at

31/12/2021. The following activities are usually outsourced to external companies: cleaning of the premises, care of green spaces, installation, ordinary and extraordinary maintenance of certain plants, equipment and machinery, disinfestation and rodent control service, catering services.

Our company employment policy is based on merit and oriented towards empowering managers regarding employment requirements in line with company objectives. During budget preparation, they should provide a description of the professional figures required and seek the consequent organisational solutions, making use in the first instance of internal resources in their search. Company turnover is monitored by means of targeted interviews with outgoing personnel in order to conduct the necessary in-depth analyses.

The remuneration policy in Sacco System strives to enhance the value of employees by means of adequate remuneration. For non-senior management personnel, salaries are dictated by the National Collective Labour Agreement and their positions are revalued annually; in addition to the fixed remuneration, a Result Bonus is paid annually, calculated on the basis of the achievement of the economic objectives and other departmental objectives. For Caglificio Clerici, evaluation parameters related to environmental aspects have also been included since 2021.

In addition to the social security contributions required by law, Sacco System gives its workers the option of joining supplementary pension schemes (Previndai, Alifond and Fonchim, where the severance indemnity is paid and which 59% of employees have joined) and healthcare schemes (Faschim, FASA and FASI).

Employees are given paid absences provided for by law, the national contracts and supplementary company agreements, such as: marriage leave, parental leave, for the death of family members, etc...

In 2021, 12 out of the 14 eligible women took parental leave (86%) and 3 out of 6 men took parental leave (50%). The rate of return and retention after 12 months is 100%.

Sacco System also offers its workers various services and opportunities to improve their working and family life. With regard to time management, employees are given the opportunity to make use an “hour bank”, that is, giving them the option of converting all or part of their overtime hours into paid leave, to be used when needed. In addition, all “day” workers (non-shift workers) can take advantage of flexible working hours, at the start and end of the day, within time slots established department by department, as well as for the lunch break. Part-time work is granted to male and female workers who have particular family organisation needs, especially mothers with school-age children or those returning from maternity leave.

Employees are offered the opportunity to convert their Result Bonus, through the Easy Welfare Edenred platform, into welfare services in various areas such as family assistance, vouchers, travel, sports and wellness, leisure time, education, health, transport and mobility.

Occupational health and safety

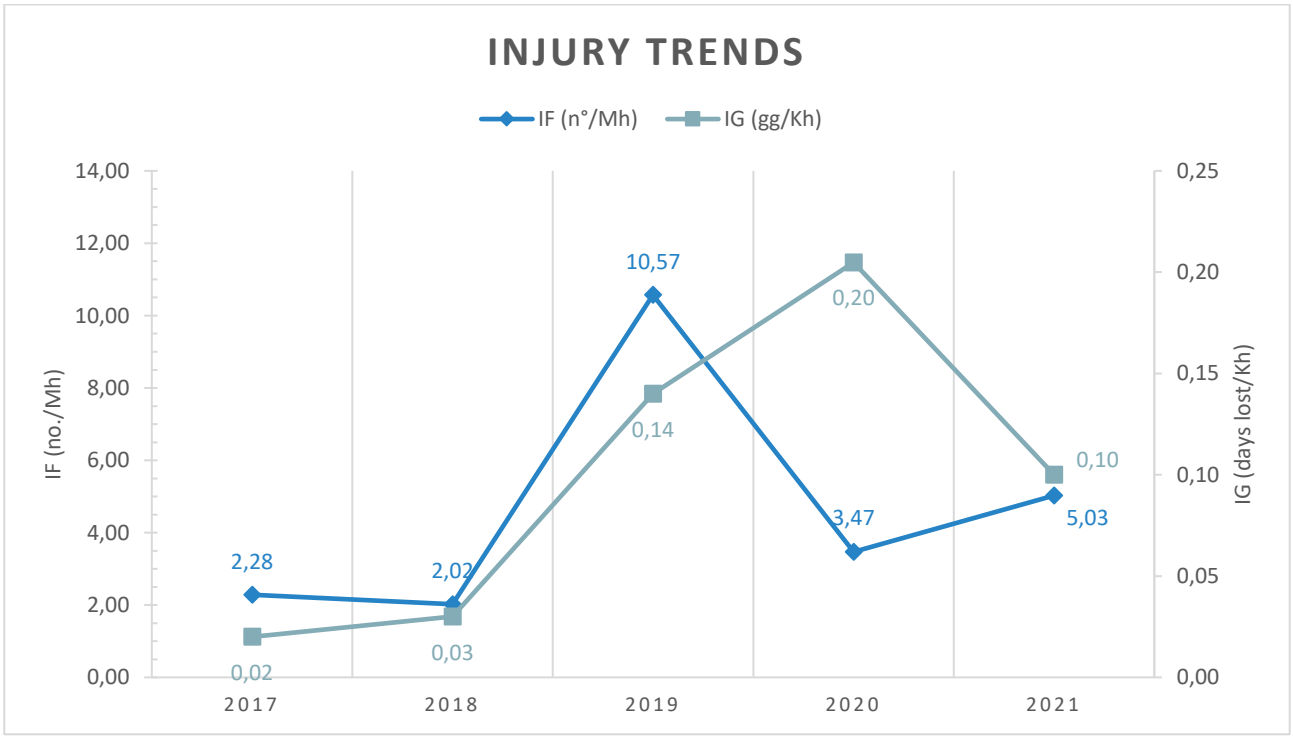
The health and safety of workers in the workplace are essential elements in all Sacco System activities. Decisions on such matters, starting from the moment of their planning, design and technical choices right up to the phase of implementation and execution, are adopted in accordance with the principles and general protection measures provided for by the laws in force, in particular by Italian Legislative Decree no. 81/08, with the primary objective being the protection of the psychophysical integrity of all staff. The Sacco System companies have adopted an

Organisational, Management and Control Model to comply with the dictates of Italian Legislative Decree 231/2001, with a special part relating to health and safety in the workplace, consisting of a structured set of principles, rules, provisions, organisational schemes and related tasks and responsibilities, aimed at preventing, reducing or eliminating the existing risks.

On matters of health and safety, the company organisation envisages a hierarchical structure with the Employer (DL) at the top, who makes use of Senior Managers and Supervisors for implementing and overseeing company policy. The Occupational Health and Safety Management System is chaired by the Head of the Occupational Health and Safety Management System (RSGSSL): he examines the various topics so that the system is implemented and maintained effectively and collaborates in the coordination of the Risk Prevention and Protection Department together with its manager (RSPP). Consultation with workers is guaranteed by the presence of the Workers' Safety Representatives (RLS), elected by them. The Employer also appoints a Company Doctor, who runs the workers' health surveillance program. Finally, there are specially trained workers who make up the fire-fighting, evacuation, emergency and first aid teams.

The existing risks in the company are monitored and assessed so that they can be minimised and controlled, in line with the provisions of the law and using qualified external personnel, as required. Likewise, all workers are given adequate training.

In Sacco System, the incidence of accidents and injuries at work is constantly monitored and managed in order to keep it at the lowest possible levels. For years we have recorded very low rates of frequency (IF = no. of injuries / million hours worked) and severity (IG = days of absence from work due to injury / thousands of hours worked). They are below the national average for manufacturing industry, which records an IF average over the period 2017-2019 of 14.1 (source: INAIL, Graph 12). Clerici and Centro Sperimentale del Latte are continuing their positive streak of 6 and 5 years without injuries, respectively. The calculation always excludes accidents during travel to work (in any case, not occurring in 2021).



Graph 12 - Trends in the frequency and severity of injuries in Sacco System in the 2017-2020 period

The IF index rose slightly due to a further injury compared to 2020 (3 vs. 2), but there was a sharp decrease in the IG index as these were minor injuries lasting only a few days. On the basis of investigations into the causes of accidents and thanks to the “near miss” reports, various corrective and preventive measures have been implemented to prevent their recurrence in the future.

There were no accidents involving workers who are not employees but whose work or workplace is under our control. No occupational diseases were reported for employees or other workers.

If there are any contractors present on company sites, they are given a prepared Single Document for the Assessment of Interference Risks (DUVRI), so that the company can be made aware of the risks for on-site workers and what prevention and protection measures need to be adopted to reduce such risks.

Training and education

Sacco System firmly believes in the importance of adequate training and the personal and professional development of its workers, so as to enhance their expertise. Individual professional development plans and training programs are drawn up with specific reference to each person and are constantly reviewed.

The in-house training activities concern issues relating to health and safety, the training and updating of personnel in relation to quality, hygiene and good manufacturing procedures, and also technical-scientific training. In-house courses are continuously on offer throughout the year in the form of seminars and lessons given by internal staff, experts or university lecturers. Staff may also attend training courses, off-site meetings and conferences, field activities and coaching in their workplace or in the classroom. We also offer courses on soft skills, which aim to develop attitudes and knowledge related to roles in management, planning, leading groups and internationalisation of business activities.

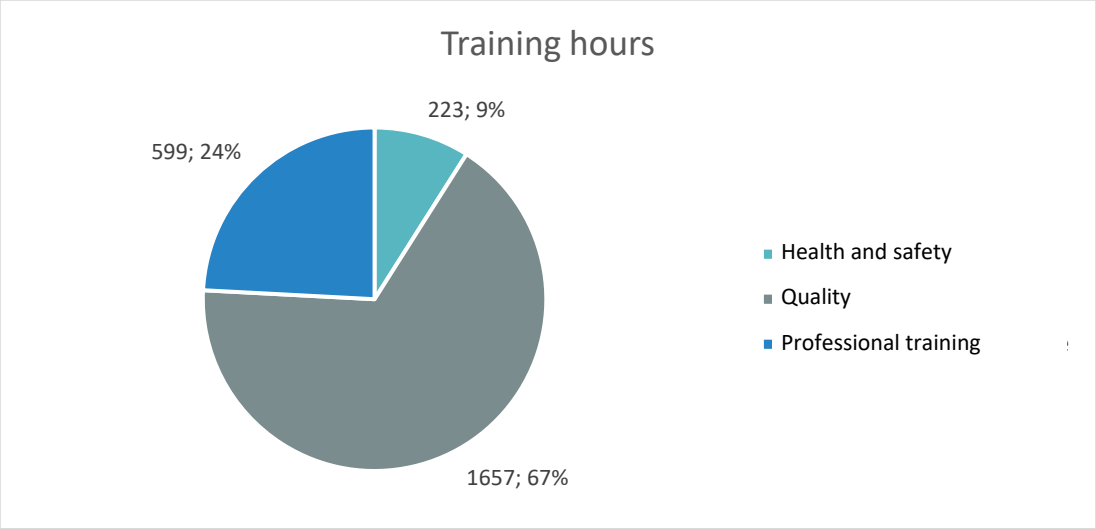
All employees receive an annual performance and professional development assessment. During this meeting, training is planned after collecting information from department managers on the professional growth needs of their workers. These needs are made to fit in with the organisation and company objectives and then a training program is planned for the whole year. The preliminary collection of the general needs and a better planning of costs allows the various functions and people to be involved in the projects in a comprehensive way, creating value and synergies between the various skills and know-how and helps interaction between people belonging to different business functions.

Whichever department they may be joining, the introduction of new resources requires a period of induction, according to specific procedures so that they can be welcomed into the organisation in the best way possible.

Training is similarly conducted in line with plans for professional turnover in a specific role and also in cases of generational change due to retirement.

The effectiveness of this management model is verified through the annual performance evaluation systems, which highlight paths for improvement, the need to develop certain skills or consolidate concepts not yet fully acquired.

A total of 315 employees were involved in training activities in 2021, corresponding to 89% of the total number, with 2,479 hours provided. Of these, two-thirds were spent on training courses relating to the quality system and internal procedures, just under a quarter were put on refresher courses and new skills courses, and the remaining 9% did compulsory or additional health and safety training (Graph 13 and Table 9).



Graph 13 - Breakdown of training hours provided in 2020 by topic

	% of participants over total	Average hours per participant
Manual workers	96%	6.6
Office staff	83%	10.2
Middle managers	62%	7.3
Senior Executives	21%	7.7
Total	**89%**	**8.4**

Table 9 - Participation rate by employee category and average training hours per participant

Local Communities

We have always been a business tied to the territory where the Sacco System family was born, grew up and developed. There are numerous initiatives that we implement and promote every year to strengthen this bond and involve the local community, trying to encourage the creation and distribution of shared value. Furthermore, we support international cooperation projects thanks to partnerships with some NGOs.

During 2021 Sacco System and the Verga family chose to support and participate in numerous initiatives of a sporting, cultural and solidarity nature. There was also strong support for the local community in the most difficult times of the SARS-CoV-2 pandemic.

Sport

Tradition, investment in young people, innovation and research for the well-being of people are some of the values that our company has been promoting for almost 150 years, thanks also to its products. Values shared by the sports clubs we support, which enthusiastically train girls and boys for success, educating them about teamwork and a life of psychophysical well-being and healthy enjoyment.

Sacco is the official sponsor of Legnano Baseball Softball ASD for the senior women's team in A2 and for ASD Saronno Volley for the Serie B men's team. Sacco System also sponsors the four women's cycling teams of the Bike Cadorago sports club and the Sci Club Goggi ASD and APS.

Cultural Initiatives

Our CEO, Martino Verga, is strongly involved in cultural initiatives in the Como area. He is President of the Como section of UCID - Unione Cristiana Imprenditori Dirigenti, the association that brings together entrepreneurs, senior managers and professionals in order to promote and advance the development of high professional morals in society, ensuring effective and fair cooperation among all individuals in an enterprise, placing the person at the

centre of economic activity, promoting respect and solidarity over all forms of discrimination. Mr. Verga is also President of the Fondazione della Comunità Comasca, whose role is to promote a culture of giving and to improve the quality of community life in the province of Como, and President of the Fondazione Nicolò Rusca, which manages the Study Centre with the same name. Its task is to look after, conserve and enhance the wealth of documents and books in the historical archive of the Diocese of Como and of the Bishopric's Seminary Library. In addition, Mr. Martino Verga personally supports the scholarship of the Collegio Universitario Cavalieri del Lavoro.

Ms. Margherita Verga, Sacco System's Engineering & Maintenance Manager, is President of the Santa Maria di Cadorago nursery school, which welcomes 90 children aged 2 to 6 every year, offering families an important educational and support service.

Solidarity

People's well-being also includes the joy of giving and the awareness of being able to help those who are less fortunate.

With this spirit, on the initial initiative of some employees, we have been supporting the "Mani Tese" (Outstretched Hands) NGO since 2008: whatever voluntary donations are given by workers are doubled by the contribution from the Company. Currently, we are supporting the "Safe Children" project at the Damnok Toek Centre in Poipet, Cambodia. It is a place where children and young people who are victims of trafficking and abuse can find hospitality and rehabilitation so as to regain serenity, resume their studies and learn a job, helping them to build a future away from crime.

Sacco System and the Verga family also actively support various voluntary associations in the area: Associazione Banco Alimentare della Lombardia "Danilo Fossati" Onlus, Caritas Parrocchia di Guanzate, Associazione Genitori di Cadorago, Croce Azzurra Cadorago, Parrocchia di Cadorago, Un Sorriso in Più ONLUS, Asilo Infantile S.Maria.

No legal action has ever been brought in relation to the work of the company which had significant negative impacts on the local communities.

Customer health and safety

The reference topic is the food safety of the products sold, when they are used by the direct customer and by the end consumer. Food safety is ensured by controlling the following aspects: exclusive use of food grade raw materials (for all three companies); only for Clerici, purchase of raw materials exclusively from slaughterhouses with health authorisation recognized by the veterinary authorities; for CSL and Sacco, verification of the absolute harmlessness of the strains produced through biomolecular tests.

The three companies are certified under the FSSC 22000 standard, which focuses on food safety.

The companies field the resources and policies necessary to ensure the safety of their products. For this purpose, the companies have planned a self-control system of production processes based on the HACCP standards.

In addition, a Food Defence plan has been developed which allows us to minimise the risk that the products may be deliberately contaminated or adulterated. The companies have implemented a control plan from the raw materials to the packaged product, guaranteeing traceability throughout the production cycle.

Periodically, the companies assess food safety aspects as part of the management system Review. In this context, the assessments cover process performance, complaints, non-conformities, achievement of objectives and aspects of sustainability. These assessments make it possible to identify new improvement objectives for the various company sectors.

The companies have a system of prerequisites and internal procedures relating to production processes designed to prevent the production of non-conforming products that may affect the product health and safety. Control plans have been developed that guarantee the healthiness of the products. All products are checked in order to avoid non-conforming products that may be harmful to health.

Table 10 shows the episodes of non-conformity which could have had an impact on the health and safety of the product, but which were promptly dealt with and resolved so that such impacts did not occur on the user or end consumer.

Non-conformity analysis	
Internal non-conformities (managed in the production phase)	0
Supplier non-conformities (control of incoming materials)	2
Customer non-conformities (returns and complaints)	4
Third-party non-conformities (veterinarian and certification bodies)	3

Table 10 - Analysis of the non-conformities that occurred in 2021 by type of report and occurrence

All Labware products marketed by Sacco have the CE marking (for equipment) and are accompanied by the User Manuals, the Technical and Safety Data Sheets, for those articles that require them.

Annexes

Contact

We are here for you, get in touch! info@saccosystem.com

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Closing date 23/12/2022

GRI & SDGs Content Index

GRI STANDARD	DISCLOSURE	PARAGRAPH	PAGE	Correlated SDGs[19]
GRI 102: General disclosures 2016	102-1 Name of the organisation	Welcome to Sacco System	5	
	102-2 Activities, brands, products, and services	Welcome to Sacco System Additional information on our website https://www.saccosystem.com/	5	
	102-3 Location of headquarters	Welcome to Sacco System Contact	5 54	
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	102-5 Ownership and legal form	Welcome to Sacco System	5	
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	102-8 Information on employees and other workers	Employment	45	
	102-9 Supply chain	Relations with Suppliers	32	
	102-10 Significant changes to the organisation and its supply chain	Welcome to Sacco System People Relations with Suppliers	5 11 32	
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	102-12 External initiatives	Partnerships and programs	12	
	102-13 Membership of associations	Partnerships and programs	12	
	102-14 Statement from senior decision-maker	Letter to Stakeholders	2	
	102-16 Relevant values, principles, standards and norms	The values of virtuous growth Code of Ethics Our quality policy and certification	7 8 9	
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	102-40 List of stakeholder groups	Methodological note	3	
	102-41 Collective bargaining agreements	Employment	45	
	102-42 Identifying and selecting stakeholders	Methodological note	3	
	102-43 Approach to stakeholder engagement	Methodological note	3	
	102-44 Key topics and concerns raised	Material topics	59	
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	102-46 Defining report content and topic boundaries	Methodological note	3	
	102-47 List of material topics	Methodological note	3	
	102-48 Restatements of information	Methodological note Text references	3	
	102-49 Changes in reporting	Methodological note	3	
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[19] Reference source: Linking the SDGs and the GRI Standards. Last updated March 2021

	102-51 Date of most recent report	Methodological note	3	
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	103-2 The management approach and its components	Economic performance	30	
	103-3 Evaluation of the management approach	Economic performance	30	
	201-1 Direct economic value generated and distributed	Economic performance	30	
	201-2 Financial implications and other risks and opportunities due to climate change	*No assessments were made on the impacts, risks and opportunities due to climate change*		
	201-3 Defined benefit plans and other retirement plans	Employment	45	
	201-4 Financial assistance received from government	Economic performance	30	
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	103-3 Evaluation of the management approach	Relations with Suppliers	32	
	204-1 Proportion of spending on local suppliers	Relations with Suppliers	32	
GRI 205: Anti-corruption 2016	103-1 Explanation of the material topic and its boundary	Anti-corruption and conflict of interest	34	
	103-2 The management approach and its components	Anti-corruption and conflict of interest	34	
	103-3 Evaluation of the management approach	Anti-corruption and conflict of interest	34	
	205-1 Operations assessed for risks related to corruption	*No assessments were made on the risks related to corruption*		
	205-2 Communication and training on anti-corruption policies and procedures	Anti-corruption and conflict of interest	34	
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption and conflict of interest	34	
GRI 302: Energy 2016	103-1 Explanation of the material topic and its boundary	Energy	35	
	103-2 The management approach and its components	Energy	35	
	103-3 Evaluation of the management approach	Energy	35	
	302-1 Energy consumption within the organisation	Energy	35	
	302-2 Energy consumption outside of the organisation	*The information needed to make this disclosure is not available*		
	302-3 Energy intensity	*Data is not sufficiently accurate for reliable calculation of the indicator*		
	302-4 Reduction of energy consumption	Energy	35	
	302-5 Reduction in energy requirements of products and services	*Not applicable*		
GRI 303: Water and effluents 2018	103-1 Explanation of the material topic and its boundary	Water and effluents	37	
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	303-1 Interactions with water as a shared resource	Water and effluents	37	

	303-2 Management of water discharge-related impacts	Water and effluents	37	
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GRI 305: Emissions 2016	103-1 Explanation of the material topic and its boundary	Emissions	38	
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	305-3 Other indirect (Scope 3) GHG emissions	*The information needed to make this disclosure is not available*		
	305-4 GHG emissions intensity	*Data is not sufficiently accurate for reliable calculation of the indicator*		
	305-5 Reduction of GHG emissions	Emissions	38	
	305-6 Emissions of ozone-depleting substances (ODS)	Emissions	38	
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GRI 306: Waste 2020	103-1 Explanation of the material topic and its boundary	Waste	41	
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	306-1 Waste generation and significant waste-related impacts	Waste	41	
	306-2 Management of significant waste-related impacts	Waste	41	
	306-3 Waste generated	Waste	41	
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GRI 401: Employment 2016	103-1 Explanation of the material topic and its boundary	Employment	45	
	103-2 The management approach and its components	Employment	45	
	103-3 Evaluation of the management approach	Employment	45	
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	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment	45	
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GRI 403: Occupational health and safety 2018	103-1 Explanation of the material topic and its boundary	Occupational health and safety	47	
	103-2 The management approach and its components	Occupational health and safety	47	
	103-3 Evaluation of the management approach	Occupational health and safety	47	
	403-1 Occupational health and safety management system	Occupational health and safety	47	
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety	47	
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	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety	47	
	403-8 Workers covered by an occupational health and safety management system	Occupational health and safety	47	
	403-9 Work-related injuries	Occupational health and safety	47	
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GRI 404: Training and education 2016	103-1 Explanation of the material topic and its boundary	Training and education	49	
	103-2 The management approach and its components	Training and education	49	
	103-3 Evaluation of the management approach	Training and education	49	
	404-1 Average hours of training per year per employee	Training and education	49	
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GRI 413: Local Communities 2016	103-1 Explanation of the material topic and its boundary	Local Communities	51	
	103-2 The management approach and its components	Local Communities	51	
	103-3 Evaluation of the management approach	*There are no formalised systems for assessing management approach*		
	413-1 Activities involving local community engagement, impact assessments and development programmes	Local Communities Sacco System for sustainable development	51 15	
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GRI 416: Customer health and safety 2016	103-1 Explanation of the material topic and its boundary	Customer health and safety	52	
	103-2 The management approach and its components	Customer health and safety Relations with Suppliers	52 32	
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	416-1 Assessment of health and safety impacts by product and service categories	Customer health and safety	52	
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Material topics

The table below shows the results of the materiality analysis carried out through an on-line questionnaire. Respondents were asked to assign a relevance score (from 0 to 4) for each topic relating to sustainability. The same form was put to the stakeholders, the owners and top management, to highlight any misalignments between the corporate line and the expectations of stakeholders. The answers provided by the various stakeholders were weighted according to the degree of relevance of the category: the resulting topics with the highest score contributed to generating the list of material topics presented in the methodological note.

	ECONOMIC PERFORMANCE	PRESENCE ON THE MARKET	ANTI-CORRUPTION	MANAGEMENT OF PROCUREMENT PRACTICES	MATERIALS	ENERGY	WATER AND EFFLUENTS	BIODIVERSITY	EMISSIONS	WASTE	ENVIRONMENTAL ASSESSMENTS OF SUPPLIERS	EMPLOYMENT (stability and formalisation)	EMPLOYMENT (benefits for employees)	EMPLOYMENT (company welfare)	HEALTH AND SAFETY (injuries and incidents)	HEALTH AND SAFETY (occupational diseases)	HEALTH AND SAFETY (general health and well-being)	TRAINING	DIVERSITY AND EQUAL OPPORTUNITIES (inclusion)	DIVERSITY AND EQUAL OPPORTUNITIES (gender gap)	HUMAN RIGHTS	LOCAL COMMUNITY	PUBLIC POLICY	SOCIAL ASSESSMENT OF SUPPLIERS	PRODUCT RESPONSIBILITY (safety and hygiene)	PRODUCT RESPONSIBILITY (quality)	PRODUCT RESPONSIBILITY (marketing)	PRODUCT RESPONSIBILITY (labelling)	PRIVACY
OWNERS	4.00	3.42	2.83	3.33	2.83	3.00	3.00	2.83	2.33	3.50	2.17	4.00	3.33	3.00	4.00	3.83	3.00	3.50	3.33	3.83	3.00	3.83	2.67	2.33	4.00	4.00	2.83	3.67	2.50
MANAGEMENT	3.93	3.80	3.67	3.47	2.80	3.20	3.53	2.60	3.33	3.60	2.87	3.33	3.47	3.27	3.93	3.33	3.13	3.53	3.60	3.67	3.80	2.60	2.33	3.00	3.73	3.67	3.13	3.53	2.80
EMPLOYEE	3.86	3.76	3.62	3.62	3.44	3.54	3.70	3.35	3.66	3.68	3.26	3.62	3.72	3.28	3.85	3.64	3.59	3.62	3.61	3.71	3.67	2.91	2.50	3.15	3.85	3.90	3.55	3.71	3.29
CUSTOMER	3.60	3.00	3.75	3.64	3.62	3.60	3.75	3.57	3.75	3.72	3.60	3.49	3.40	3.30	3.77	3.64	3.64	3.68	3.58	3.75	3.68	3.23	2.60	3.32	3.77	3.79	3.57	3.68	3.38
DISTRIBUTOR / RETAILER	3.80	3.46	3.72	3.54	3.67	3.52	3.74	3.46	3.63	3.70	3.61	3.67	3.57	3.57	3.80	3.67	3.61	3.72	3.69	3.78	3.76	3.31	2.93	3.35	3.89	3.96	3.85	3.89	3.65
SUPPLIER	3.73	3.20	3.73	3.53	3.53	3.20	3.60	3.60	3.53	3.60	3.40	3.40	3.40	3.40	3.80	3.67	3.60	3.47	3.53	3.80	3.80	3.00	2.47	3.27	3.80	3.93	3.67	3.67	3.53
R&D PARTNER	4.00	3.60	4.00	3.80	3.80	3.80	4.00	3.60	3.80	3.60	3.60	3.80	3.60	3.40	4.00	3.60	3.40	3.60	3.80	3.80	3.80	3.00	2.80	3.80	3.60	3.80	3.40	3.80	3.20
CONSUMER / PRIVATE IND.	3.44	3.33	3.67	3.67	3.78	3.44	3.56	3.78	3.89	4.00	3.56	3.44	3.33	3.33	3.56	3.44	3.44	3.33	3.33	3.33	3.44	3.22	3.00	3.22	3.56	3.67	3.44	3.67	3.00
TRADE ASSOC.	3.25	3.50	3.75	3.75	3.75	4.00	4.00	3.75	3.75	4.00	3.50	3.75	3.25	3.25	4.00	3.75	3.50	3.00	3.25	3.50	3.50	3.25	2.75	3.00	3.50	3.50	3.50	3.75	3.00
LOCAL COMMUNITY	3.63	3.31	4.00	3.75	3.75	3.75	3.88	3.88	3.88	3.88	3.50	3.38	3.38	3.63	3.75	3.38	3.75	4.00	3.88	3.75	3.75	3.63	2.88	3.50	4.00	3.88	3.50	3.75	2.88
NGO	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	4.00	4.00	3.50	4.00	4.00	4.00	4.00	4.00	4.00	3.50	4.00	4.00	4.00	4.00	4.00	3.50