

### CHAPTER 3

“Responsible procurement means sourcing raw materials from the places they grow best, to guarantee the *goodness* of our products and the *good* of the community. Pedon carefully selects only the best, throughout the world.”



**Giada Nichele**  
Category Specialist

# RAW MATERIALS

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**Strategic  
Raw Materials**

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# 40%

of our grains, legumes and oilseeds are  
**ITALIAN GROWN**

## SOCIAL AND ENVIRONMENTAL CRITERIA

for screening suppliers

## A GLOBAL SUPPLY CHAIN

## SMETA CERTIFICATION



### MATERIAL TOPICS

Procurement of Raw Materials

### SUSTAINABLE DEVELOPMENT GOALS



# 3.1

## Strategic Raw Materials

Food ingredients are our raw materials and essential factors of production. As a food company, they are the fundamental basis of Pedon’s business, **the primary ingredient for the creation of our distinctive products.**

Legumes, grains and oilseeds are fruits of the earth but also the roots from which Pedon’s history has grown. They are strategic raw materials for us and the focus of the company’s in-depth know-how and recognised expertise.

All of Pedon’s key products are based on these fundamental materials. Over time, we have added other ingredients to our recipes, such as spices and vegetables, to enhance the flavour of our products and open the doors of new markets and business opportunities.

### Strategic raw materials\* FY 2023/2024

Pedon sources its legumes, grains and oilseeds from a total of 59 suppliers, of which 37% (21) are in Italy. This equates to a total expenditure of €23,036,676, of which €7,678,292 goes to Italian suppliers.

**59**  
TOTAL  
SUPPLIERS

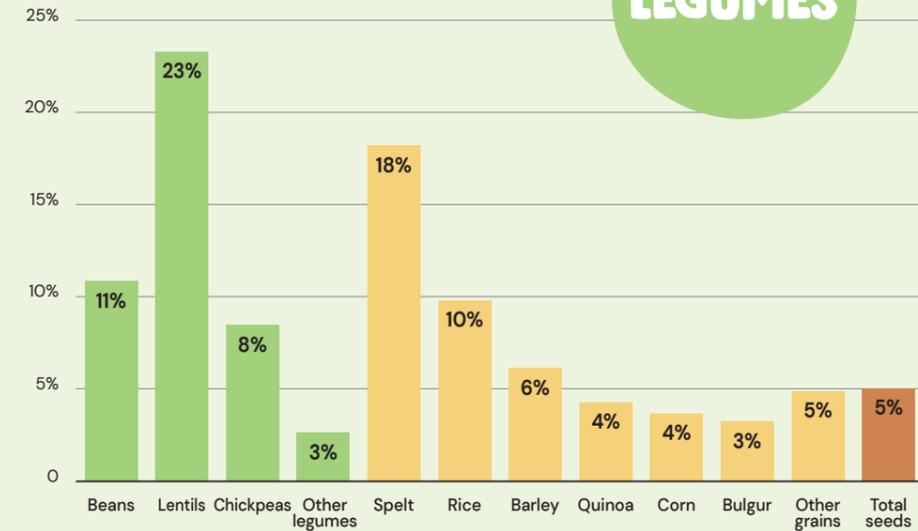
**37%**  
ITALIAN  
SUPPLIERS

\* Figures exclude raw materials used in products supplied by co-packers.

GRAINS

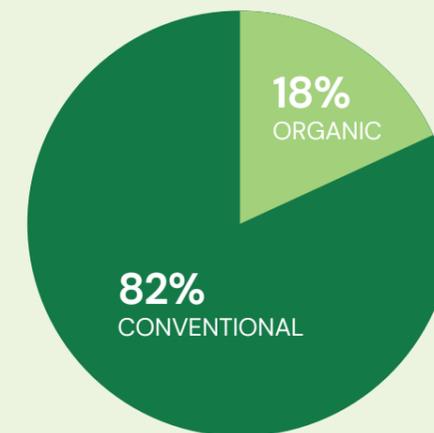
OILSEEDS

LEGUMES



**Breakdown of raw materials by type (%)  
FY 2023/2024**

The breakdown of raw materials purchased in FY 2023/2024 shows an even balance between legumes and grains, with oilseeds making up 5% of the total. Spelt and lentils accounted for the biggest share of raw materials, making up 40% of total purchases.



**Breakdown of raw materials by organic and conventional farming (%)**

To show Pedon’s commitment to supporting unconventional farming methods, 18% of the strategic raw materials purchases are from organic farming.

## 3.2 Our Global Supply Network

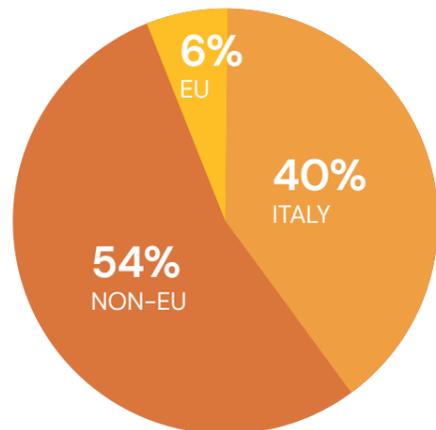
Biodiversity and suitability are the principles underlying Pedon’s agricultural supply network, which extends **globally** to embrace varieties and crops from all continents.

**Biodiversity** is defined by the UN Convention on Biological Diversity as “the variability among living organisms from all ecosystems and the ecological complexes of which they are part.” It means respecting and protecting ecosystems and their natural cycles, choosing sustainable crops for the lands and communities of origin and supporting sustainable farming practices.

**Geographical suitability** is the second key element shaping the reach of Pedon’s supply chain. This means choosing crops farmed in areas suitable for their growth, where the soil and climatic conditions naturally produce yields and qualitative characteristics without the need for excessive technical interventions.

### Breakdown of raw materials by geographical area FY 2023/2024

Reflecting our global approach to procurement, 40% of the legumes, grains and oilseeds we purchase are of Italian origin, while the remaining 60% are mainly of non-European Union origin.



## 3.2

Our Global Supply Network

## Italian Grains



Italy's geography makes it particularly suited to grain farming.

Spelt especially has a strong link to our territory, especially in Central Italy. Barley also comes from that same area, while for rice, ideal climatic conditions are found in Piedmont.

## Italian Legumes



Typical lentil varieties are linked to Umbria and Puglia, with chickpeas also farmed widely in Puglia.

Beans are typically sourced from Piedmont, especially cranberry beans.

3.3

# SUPPLY CHAIN MANAGEMENT



**TRACEABILITY**



**TRANSPARENCY**



**SUSTAINABILITY**



3.3

Supply Chain Management

# Supply Chain Management

Pedon makes use of a great number of types and varieties of legumes, grains and oilseeds – as many as **89 different raw materials** in the last reporting year. That calls for a great and complex effort by Pedon in managing its supply chain, without relying systematically on traders.

This hands-on approach has been built up by Pedon progressively over time, starting with the raw materials used most intensively and those with a high risk profile. It aims to ensure our **guarantee of quality**, as well as economic, environmental and social sustainability.

Pedon’s supply chain management is based on three key principles:

- 

• **Traceability** of raw ingredients throughout the entire production process;
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• Supplier relationships built on **transparency, dialogue** and **fairness**;
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• Economic, social and environmental **sustainability**.

Supplier relationships are forged as long-term partnerships. As such, they are built over a number of key stages, involving screening and accreditation, monitoring and control and the mutual exchange of know-how.

**Suppliers are screened according to geographical, environmental and social criteria, in a process managed through the “accreditation and validation” document.**

|   |   |
|---|---|
|    | <p><b>GEOGRAPHICAL</b></p> <p>Areas that do not offer sufficient guarantees in terms of continuity of supply and compliance with health, safety and ethical-social standards are excluded.</p>  |
|  | <p><b>ENVIRONMENTAL</b></p> <p>Suppliers are assessed for certifications and the presence of dedicated figures specialised in environmental risk management.</p>  |
|  | <p><b>SOCIAL</b></p> <p>Assessment criteria include the possession of ethical certifications, compliance with standards such as SA8000, registration with Sedex or BSCI and compliance with the principles of the Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.</p> |

### 3.3

Supply Chain Management

Pedon promotes the validation and ongoing **monitoring of suppliers** not only in connection with economic aspects, production standards and service levels, but also according to criteria of quality excellence, respect for human rights and environmental protection, encouraging objectives and improvement programmes throughout the supply chain.

The set standard is required to be maintained through progressive controls on the supply chain. **On-site audits** are carried out annually on a sample of suppliers by the Purchasing and Supply Chain Department in concert with the Quality Assurance Department to verify:

- **FARM MANAGEMENT:** checks on agricultural practices, soil and crop management, the use of fertilizers and compliance with health and safety standards;
- **SOCIAL SUSTAINABILITY:** checks on respect for human rights and working conditions;
- **ENVIRONMENTAL SUSTAINABILITY:** checks on pesticide use, energy consumption, water consumption and the proper disposal of liquid and solid waste.

On-site audits are also an opportunity to promote the transfer of know-how, to improve the efficiency and effectiveness of farming practices. Relationships with suppliers are based

on reciprocity, involving the sharing of skills and knowledge, where the ultimate goal is the economic, social and environmental sustainability of supply.



## Ethical and Responsible Procurement. SMETA Ethical Audit

Pedon’s approach and commitment is demonstrated by the **positive assessment** it received in the Sedex Members Ethical Trade Audit – **SMETA** – carried out during the reporting period on the company’s **social, ethical, health and safety and environmental standards**.

The audit is a requirement for accreditation as a member of the Supplier Ethical Data Exchange –Sedex, a non-profit organization that promotes global ethical trade and improvement in the socio-economic and environmental performance of companies in business practices and supply chains.

Sedex is the largest platform in Europe that collects and processes data on ethical supply chain standards. The audit does not issue any type of certification, but is carried out by a third party assurer to verify compliance with requirements throughout global supply chains.

#### THE BENEFITS FOR PEDON INCLUDE:

-  Improved social performance throughout the supply chain
-  Careful management of suppliers
-  Reduced risk of the duplication of audits
-  Reduced risk associated with ethical aspects
-  Use of a global procedure entailing full transparency

**Sedex** | Member