



SUSTAINABILITY REPORT

2016





INALCA'S SUSTAINABILITY REPORT 2016

Prepared in accordance to the
International Standard GRI
- Global Reporting Initiative -
version G4 option
“In accordance core”

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“We are all children of the same land”.



Luigi Cremonini
Chairman

LETTER FROM THE CHAIRMAN

“2016 is a turning point for INALCA, and the acquisition of the Unipeg-Assofood Group has made it the undisputed leader in the European beef sector, capable of sustaining global competition. The new industrial layout and the growth forecasts place us amongst the first Italian groups in the agri-food industry.

A great responsibility awaits us: combining competitiveness and efficiency with policies of sustainability applied in the economic, social and environmental fields.

In this journey we must be able to promote the development of the entire meat sector, starting with the breeders, the true real engine of our industry. We must therefore identify new and tighter forms of partnership with our suppliers in an inter-professional vision of business activity, aware that in the food sector, rather than the single company, it is the whole system that wins. It is truly thanks to its business model, based on the integrated management of the production chain, that INALCA has laid the foundations for growth in Italy and abroad and has been able to carry out on a timely and analytical basis its Sustainability Report based on the sharing of value with the agricultural world.

Today, with a stronger industrial structure, we are even more aware that there can not be sustainable development without a fully functional, economical and ethical integration with the world of primary agricultural production.

The data in this Report confirms the commitments we have made with all stakeholders, fully convinced that the success of the company will increasingly depend on its ability to combine economic goals that ensure growth and employment, with close links to the territory in which the company carries out its business.

I am therefore proud to present the 2016 edition of INALCA's Sustainability Report, which has been achieved thanks to the efforts of all our employees and the collaboration of the stakeholders at every level and grade that have supported and shared the development of the company in Italy and abroad and to whom go my sincerest thanks.”

Luigi Cremonini

Chairman



THE FOUR PILLARS OF SUSTAINABILITY

The Sustainability Report represents for INALCA the instrument for shared, transparent and inclusive management of stakeholder issues. Our vision of sustainable development is the complexity of business knowhow, activities and company processes that have as essential end the analysis, control and correlations of the economic, environmental and social impacts that develop in the supply chain. Our commitment is based on the identification of operational interventions designed to reduce these impacts and their gradual alignment with stakeholder expectations.

INALCA's activities in matters of sustainable development are based on four pillars:

SHARING VALUE WITH THE AGRICULTURAL WORLD

Based on an integrated approach to the supply chain, INALCA believes that the knowledge and the sharing of the key factors of sustainability in agricultural production represent the first factor of success and long-term growth. Therefore, for the company, the foundation of sustainable development is realised in a functional and economic progressive integration with agricultural activities, based on the exchange and transfer of the best techniques available.

INTEGRATED AND SUSTAINABLE SUPPLY CHAIN

Our development model foresees integrated productivity in the countries where INALCA operates through an "Upstream" construction of the production chain. The integration process develops according to a defined and planned sequence: sale of products, realisation of logistic infrastructures for storage and distribution, creation of meat transformation plants making products ready for consumption, raw material production factories, up to cattle breeding. A model that has allowed the company's stable development in the countries where it operates, fully integrated with the territory and the local community.


CONTROL OF IMPACTS AND CONSUMPTION

The control of consumption and impacts is a global challenge that involves citizens, businesses and institutions; INALCA has put this commitment at the centre of its business activities, promoting best practices to optimise the environmental performance of processes and products throughout the supply chain.

GOVERNANCE OF COMPANY PROCESSES

Through the extensive use of technical standards in quality, safety and social responsibility, of which this sustainability report constitutes a direct testimony, INALCA plans, manages and controls the business activities of this sector at all levels.

Paolo Boni
CEO INALCA



Luigi Scordamaglia
CEO INALCA





SHARING
VALUE WITH THE
AGRICULTURAL
WORLD



INTEGRATED AND
SUSTAINABLE
SUPPLY CHAIN



CONTROL OF IMPACTS
AND CONSUMPTION



GOVERNANCE OF
COMPANY PROCESSES

METHODOLOGY

The present Sustainability Report, the third of INALCA S.p.A., (hereinafter known also as INALCA) refers to 2016 and has been prepared in accordance with the G4 “Sustainability Reporting Guidelines” - 2013 edition - and the relative document called G4 Sector Disclosures “Food Processing” – 2014 edition; both documents are published by the Global Reporting Initiative (GRI). The statements were made with the option “In Accordance - Core”. The financial data were extracted from the Consolidated Financial Statements of the Group (in this Sustainability Report, “Group” refers to the set of companies included in INALCA’s Consolidated Financial Statements), while environmental and social issues have been based on information flows processed by the integrated quality-safety-environment management system and by INALCA’s corporate organisational model.

The acquisition of data relating to domestic and foreign subsidiaries was performed using computer technology that enables the traceability. In drafting the Report, INALCA adopted the following classification of the geographical areas where the Group is present with manufacturing, logistics infrastructures and sales offices: Italy, European Union, Russia and Eurasian Republics, Africa. These are the areas in which the Group implemented its business model according to a historic sequence. The Report is published annually.

The Report was edited by INALCA’s Quality, Safety and Sustainable Development Department, which involved all corporate functions in the drafting process. In the case of foreign subsidiaries, coordination was managed directly by the Senior Management of the company concerned. This document has essentially concerned the production companies of the Group, which are most representative in terms of the environmental and social-economical impacts on the territory, namely the most industrially-based companies on which are focused the greatest efforts in terms of economic resources, environmental and numerical strength of employees and collaborators. The industrial activities of slaughter and meat-processing are, in fact, the historic roots of the Group’s development and it is on these that the present document has mainly focused its attention.

In this 2016 edition, the Group formation of the companies involved in the Sustainability Report remains unchanged and includes subsidiaries that carry out activities of distribution and retail sales of meat and other foodstuffs, such as Guardamiglio S.r.l. and INALCA F&B S.r.l., companies that represent a sector of substantial growth within the Group. In this third edition, therefore, only companies of the Group with no industrial or logistical infrastructures were excluded and which are not significant from the point of view of the human and environmental resources. In the following Tables 1 and 2, the companies included in this Report are identified by territorial area and those excluded are identified respectively.

In Attachment 1 all the companies of the Group and relative business sectors are gathered. (p.128)

In Attachment 2 the index of GRI indicators adopted and relative page references have been inserted. (p.131)

In Attachment 3 the specific list of environmental indicators adopted has been inserted. (p.138)

The principle technical support for the preparation of this Report consists of the following references:

- G4 Sustainability Reporting Guidelines “Reporting Principles and Standard Disclosures”
- G4 “Sustainability Reporting Guidelines - Implementation Manual”
- G4 “Sustainability Topics for sector” “What do stakeholders want to know?”
- G4 Sector Disclosures - “Food processing”

In this edition of the Report, INALCA has integrated and aligned its principles and values with the global goals for sustainable development.



For information on the contents and preparation methods of this Report the official reference is the External Relations Office of Cremonini S.p.A. : comunicazione@cremonini.com

TABLE 1 - LIST OF GROUP COMPANIES INCLUDED IN THE SUSTAINABILITY REPORT

	Company	Registered Office
1	ITALY	
I.1	INALCA Industria Alimentari Carni S.p.A.	Via Spilamberto, 30/C - Castelvetro di Modena (MO)
I.2	Italia Alimentari S.p.A.	Via Europa, 14 - Busseto (PR)
I.3	Fiorani & C. S.p.A.	Via Coppalati, 52 - Piacenza (PC)
I.4	Realbeef S.r.l.	Località Tierzi, Zona Asi - Flumeri (AV)
I.5	Ges.car. S.r.l.	Via Spilamberto, 30/C - Castelvetro di Modena (MO)
I.6	Società Agricola Corticella S.r.l.	Via Corticella, 15 - Spilamberto (MO)
I.7	Sara S.r.l.	Via Spilamberto, 30/C - Castelvetro di Modena (MO)
I.8	Guardamiglio S.r.l.	Via Coppalati, 52 - Piacenza (PC)
I.9	INALCA F&B S.r.l.	Via Modena, 53 - Castelvetro di Modena (MO)
2	AFRICA	
2.1	InterInalca Angola Lda	Rua Major Kayangulo, 504 - Luanda
2.2	Inalca Angola Lda	Rua Deolinda Rodrigues, 563 - Luanda
3	RUSSIA & EURASIAN REPUBLICS	
3.1	Marr Russia L.l.c.	Vostochnaya Str.5, Odintsovo - Moscow
3.2	Orenbeef L.l.c.	Pionerskaya Str.2 - Village Cherniy Otrog Saraktashkiy district - Orenburg
4	EUROPEAN UNION	
4.1	Inalca Varsavia	Zakłady Miesne Soch. S Al.Jana Pawla ii n.80/51 - Sochocin, Warsaw - Poland

TABLE 2 - LIST OF COMPANIES EXCLUDED FROM THE SUSTAINABILITY REPORT

	Company	Registered Office
1	ITALY	
I.1	Capo d'Orlando Carni S.r.l.	Contrada Muscale, 19 - Capo d'Orlando (ME)
I.2	Bell Carni S.r.l.	Via Eridania, 58 - Stienta (RO)
I.3	Tecno-Star Due S.r.l.	Via Modena, 53 - Castelvetro di Modena (MO)
2	AFRICA	
2.1	Inalca Algerie S.a r.l.	8, Rue Cherif Hamani, Algeri - Algeria
2.2	Inalca Kinshasa S.p.r.l.	11 Eme Rue Limitè 112, Zone Industrielle, Kinshasa Dem. Rep. of Congo
2.3	Inalca Brazzaville S.a r.l.	64, Avenue de France Poto-Poto, Brazzaville Congo
2.4	In.al.car. Mocambique	Avenida de Moçambique, Km 9.5, Bairro do Zimpato, Maputo - Mozambique
2.5	Dispai CI S.a.r.l.	04 Plateau Boulevard Carde, 4 BP 225 Abidijan Ivory Coast
3	RUSSIA & EURASIAN REPUBLICS	
3.1	Kaskad TPF L.l.c.	Vostochnaya str.5, Odintsovo - Moscow
4	EUROPEAN UNION	
4.1	Montana Alimentari GmbH	Kirschstrasse, 20 - Munich - Germany
4.2	Inalca Eurasia Gesmbh	Palais Kinsky, Freyung 4 - Vienna - Austria





INALCA – The plant of Castelvetro di Modena (MO)

INALCA AND THE GLOBAL CHALLENGES OF SUSTAINABILITY

“The activity of an enterprise is a vital element in achieving the goals of sustainable development. Companies can contribute through their activities and everywhere we ask them to evaluate their impacts, set ambitious targets and communicate the results transparently.”

Ban Ki-moon Secretary-General of the United Nations

In this Report, INALCA has developed and aligned its principles and values with the global Sustainable Development Goals (SDGs) for the period 2015-2030 drafted by the UNITED NATIONS, believing that we can participate actively in some of them with support activity and promotion. Not only institutions, but even businesses need to act consciously in this field. ([Http://www.globalgoals.org/](http://www.globalgoals.org/) - (<http://www.un.org.lb/Library/Assets/The-Sustainable-Development-Goals-Report-2016-Global.pdf>)

Never as today, where people and goods move without boundaries and large institutions struggle to stem new global emergencies, companies must be actively involved in this field.

The activity of enterprise needs to be developed by combining all possible efforts to reduce negative impacts and maximise positive ones on people and the planet.

INALCA is aware of the competitive advantages that this effort produces. The pursuit of global Sustainable Development Goals can in fact:

- redirect investment flows to these challenges as new business opportunities.
- strengthen the value of Corporate Social Responsibility.
- strengthen relationships with stakeholders and policy makers, which are increasingly converging on these international, national and regional challenges, reducing emerging legal risks and, above all, reputations of these companies.
- contributing to the stabilisation of companies and markets.
- to create a common language and a clear and organic context of actions that will help companies to communicate more firmly and effectively with stakeholders on business impacts and company performance

INALCA therefore wants to be amongst the companies that can make the difference in addressing the global sustainability challenges and can in turn be favourably influenced, in line with Art. 67 of the United Nations' 2030 Sustainable Development Agenda, approved by all 193 Member States, which is a guiding principle for the Group.

“Private business, investment and innovation activities are the most important driving force for productivity, inclusive of economic growth and the creation of jobs. We know the diversity of the private sector, that ranges from micro-enterprises and cooperatives to multinational corporations. We invite all business sectors to apply their creativity and innovation in addressing the challenges of sustainable development.”



THE GLOBAL GOALS

For sustainable development

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



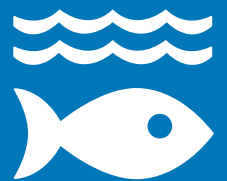
12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



For more information:
www.globalgoals.org





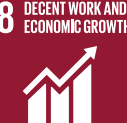
INALCA AND GLOBAL SUSTAINABILITY DEVELOPMENT GOALS (SDGs)










WHAT ARE THE GLOBAL SUSTAINABILITY DEVELOPMENT GOALS (SDGs) AND OVER WHAT TIME FRAME DO THEY NEED TO BE DEVELOPED?

The SDGs have been defined between 2000 and 2015 and constitute the development of the goals initially defined under the Millennium Development Goals (MDGs). They are certainly one of the most effective results of inclusive and synthesised work of the United Nations that has actively involved, among other things, over 1,500 enterprises. SDGs are universally applicable in developed and developing countries and form the basis for operational plans, legislative actions and other political initiatives.

SDGs have put the economics of business activities at the centre as a prerequisite for their continuation.

THE 17 GLOBAL SUSTAINABILITY DEVELOPMENT GOALS (SDGs)

 <p>1 NO POVERTY</p>	<p>GOAL 1: End poverty in all its forms everywhere</p>
 <p>2 ZERO HUNGER</p>	<p>GOAL 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>GOAL 3: Ensure healthy lives and promote well-being for all at all ages</p>
 <p>4 QUALITY EDUCATION</p>	<p>GOAL 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>
 <p>5 GENDER EQUALITY</p>	<p>GOAL 5: Achieve gender equality and empower all women and girls</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>GOAL 6: Ensure availability and sustainable management of water and sanitation for all</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>GOAL 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>GOAL 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	GOAL 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10 REDUCED INEQUALITIES 	GOAL 10: Reduce inequality within and among countries
11 SUSTAINABLE CITIES AND COMMUNITIES 	GOAL 11: Make cities and human settlements inclusive, safe, resilient and sustainable
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	GOAL 12: Ensure sustainable consumption and production patterns
13 CLIMATE ACTION 	GOAL 13: Take urgent action to combat climate change and its impacts
14 LIFE BELOW WATER 	GOAL 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15 LIFE ON LAND 	GOAL 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	GOAL 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17 PARTNERSHIPS FOR THE GOALS 	GOAL 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

In the previous table INALCA identified with different colours and bold characters the SDG's on which it actively implements its sustainable development policy and can therefore make a real contribution in the economic, social and environmental fields.

I. PORTRAIT OF THE GROUP

I.1 PRINCIPLES AND VALUES

The founding principle of INALCA identifies itself in the millennial tradition of Italian agriculture and makes it its reference model for its own development in the global food producing community of the planet. INALCA recognises itself in the heritage of values related to rural culture and to the social values and identity that the land and food have always constituted for our country.

In this scenario the company is concentrated in the creation of a beef industry that is ever more integrated and sustainable, particularly attentive to social contexts, towards environmental protection and to the requirements of the agricultural world. These themes have become an intricate part of the company's value chain and have become the competitive levers necessary for sustainable development; the company's success depends on its ability to combine economic objectives, ensuring growth and employment, whilst keeping a strong link to the territory where the company carries out its activities.

Only in this way you will be able to meet the future challenge of making food affordable and safe for all.

I.2 COMPANY PROFILE

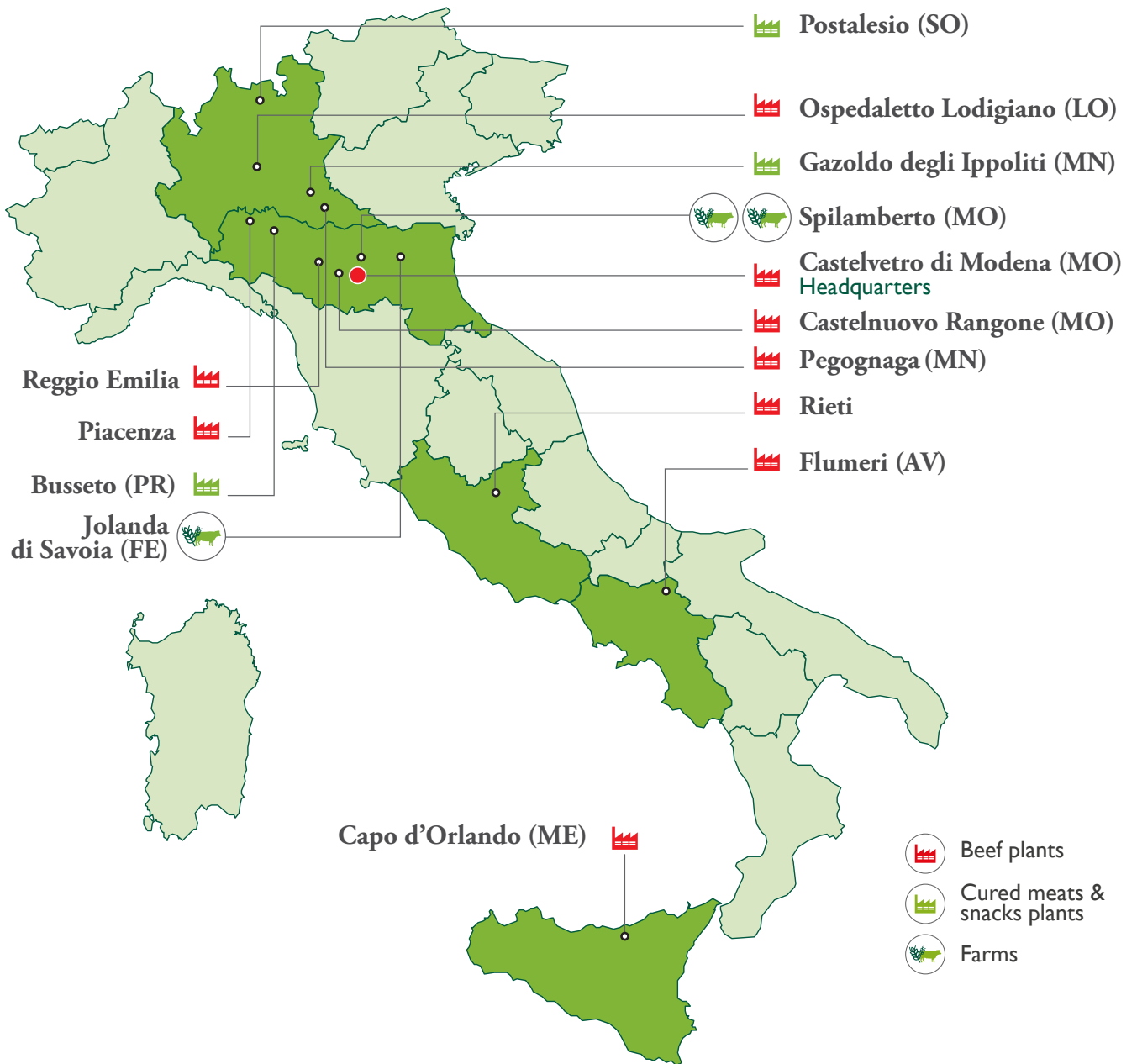
INALCA is the leading private European producer in the beef sector. For years it is committed to building a more sustainable business model, from the activities of breeding to the distribution of food products to the final consumer.

INALCA controls the entire beef production chain from breeding to the finished product, and operates successfully in international markets, which have driven the development of the company in recent years: in fact approximately 50% of turnover comes from activities abroad. In 2016, mainly due to the acquisition of the UNIPEG-Assofood Group, the turnover developed nationally was significantly increased.

INDUSTRIAL, LOGISTIC BRANCHES AND OPERATING OFFICES

In Italy, the Group operates **12** plants, including **9** dedicated to the manufacturing and processing of beef and **3** for the production of cured meats and snacks, as well as **3** farms. Abroad, it is instead present with **26** distribution platforms, **3** production plants in the world, as well as **25** IF&B platforms in USA, Australia, Cape Verde, Thailand, Hong Kong, China, Malaysia, Mexico and the Canary Islands.

The INALCA GROUP in Italy



Headquarters and Executive Offices

The management centre of the Group is located at the same address as its registered office:
 VIA SPILAMBERTO 30/C - 41014 CASTELVETRO DI MODENA (MO) - ITALY



9
beef plants



3
cured meats &
snacks plants



3
farms

The INALCA Group worldwide

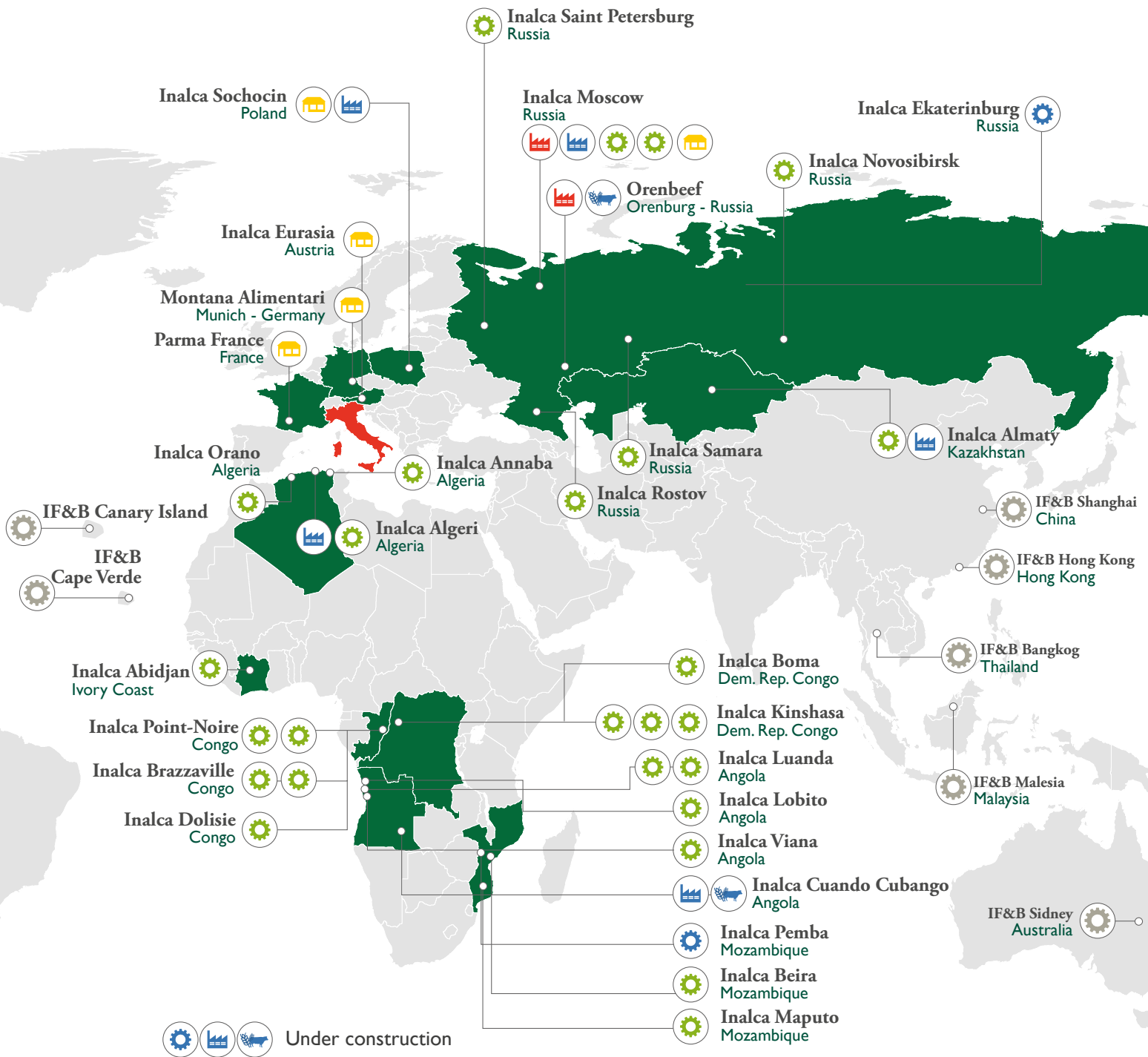
The Group operates internationally in the distribution of food products and meat production.

There are 26 distribution platforms, respectively 6 in Russia and 19 in Africa and 1 in Kazakhstan, and 3 production plants, of which 2 in Russia and 1 in Canada.

Through its subsidiary IF&B, INALCA also has 25 food distribution centres located in USA, Australia, Cape Verde, Thailand, Hong Kong, China, Malaysia, Mexico and Canary Islands.

INALCA has built an exportable business model, creating an integrated beef industry “in reverse”: initiated with the sale and distribution of product, consolidated by making the products on site, then completed with the creation of infrastructures for primary production, namely slaughterhouse and breeding plants.





26
worldwide
distribution
platforms



3
production plants
in Russia and
Canada



7
sales offices



2
farms in Russia
and Africa



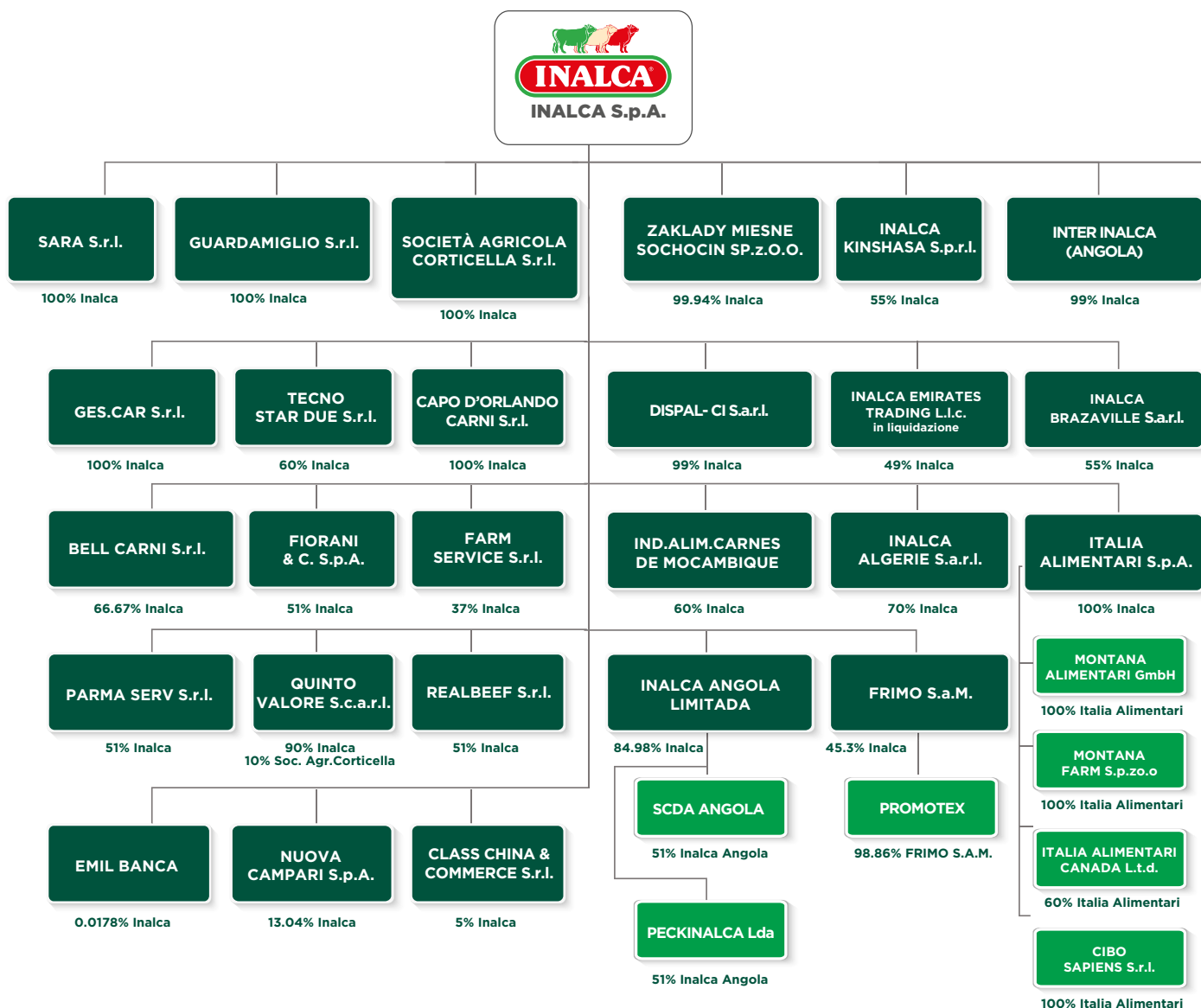
25
IF&B distribution
platforms

1.3 CORPORATE STRUCTURE

Corporate operations carried out during the business year include:

- Acquisition of the industrial branch of the Italian UNIPEG - ASSOFOOD Group including three factories located in Pegognaga (Mn), Castelnuovo Rangone (Mo) and Reggio Emilia, through which the control of Valtenna Carni S.r.l. was acquired and then liquidated.
- INALCA Food & Beverage S.r.l., controlled with 90%, which during 2016 proceeded to acquire some subsidiaries in the Canary Islands and Australia.
- Acquisition of Parma France S.a.s. and Parma Serv S.r.l. (Italy) now controlled at 51%.

TABLE 3 - LIST OF INALCA GROUP COMPANIES AT 31.12.2016

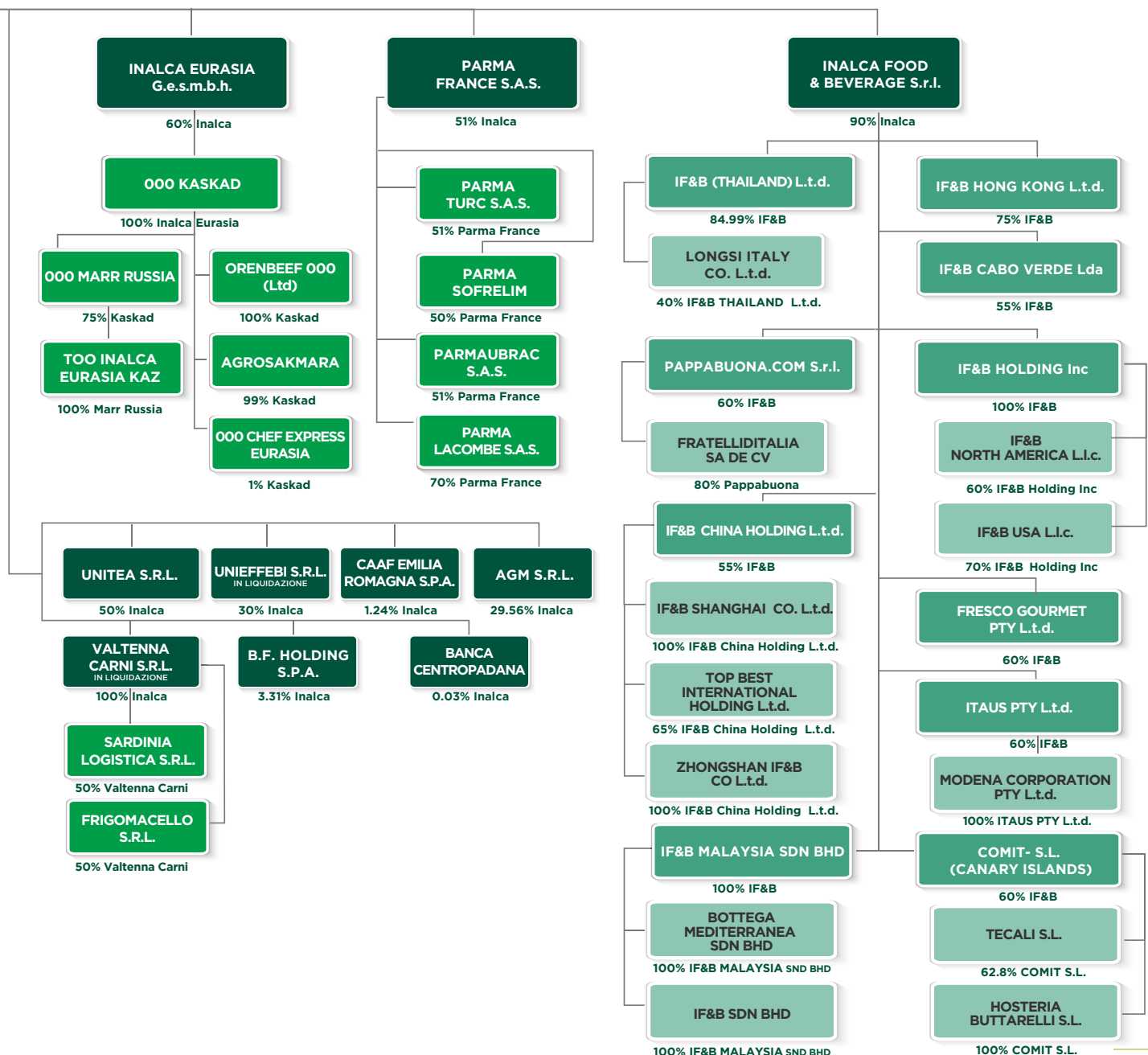
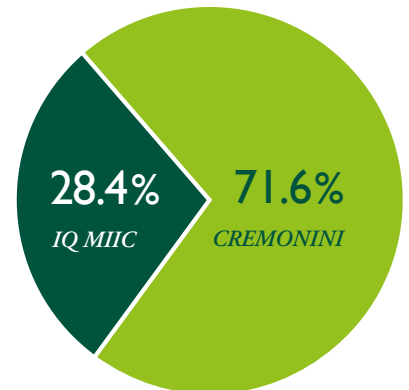


To these are added:

- Acquisition of the control of Ges.Car S.r.l. which since 2015 is 100% controlled.
- Acquisition of the control of Quinto Valore S.c.a.r.l., which is now 100% owned by INALCA with 90% and Soc.Agr.Corticella S.r.l. with 10%.
- The merger by incorporation of the company Salumi d'Emilia S.r.l. into Italia Alimentari S.p.A.
- The realisation of a JV in Canada for the production and distribution of typical Italian delicatessen products.

During the course of 2016 no other operations have taken place that have changed the Group's structure.

INALCA is controlled by Cremonini S.p.A. with 71.6%, participated in with 28.4% of CDP Equity (Cassa Depositi & Prestiti Group) through the vehicle IQ MIIC (IQ Made in Italy Investment Company S.p.A.).



1.4 REFERENCE MARKETS AND DEVELOPMENT PROJECTS

INALCA exports meat and food products to more than 70 countries and operates permanently with logistical or production infrastructures in: **Italy, European Union, Russia, Euro-Asian Republics and Africa.**

2016 has been a particularly intense year for development initiatives, which are described below:

ITALY

In 2016, INALCA acquired the business unit of the UNIPEG cooperative group, and its subsidiary ASSOFOOD S.p.A., the second Italian operator in the slaughtering and beef processing sector. The transaction, worth around 86 million Euro, further consolidated the Group's position of leadership in the domestic market and enables INALCA to compete with the main European industry of the sector. The transaction resulted in the acquisition of 3 new production plants located in the heart of the livestock production area of the country: Pegognaga (MN), Reggio Emilia and Castelnuovo Rangone (MO). The three new plants will operate in an integrated and complementary manner within the Group's industrial complex.

On the slaughtering front, the acquisition of a third slaughterhouse will allow the functional specialisation of each plant by category of animal slaughtered, with obvious industrial efficiencies. In fact, within the new production system, the Ospedaletto Lodigiano (LO) plant maintains its historic production specialty of dairy cattle, producing meat mainly for industrial transformation. The Castelvetro (MO) plant focuses on the slaughter of the bull and heifer, whose meat is mainly intended for GDO consumption, while the new slaughterhouse of Pegognaga (MN) will be specialised in slaughtering white veal calves, typical Italian product for national consumption and export to non-European countries.

By means of the new Castelnuovo Rangone plant, INALCA consolidates, on the front of fresh processed products, together with the plants of Piacenza, from the subsidiary Fiorani & C., and the Ospedaletto Lodigiano plant, enabling important specialisation paths and production rationalisation. The group will be able to address effectively the changing purchasing scenarios of the national GDO to favour those types of products with greater service content compared to traditional semi-finished products and, above all, the important innovations underway on packaging systems, evermore oriented towards to the "Skin" vacuum system, compared to the traditional protective atmosphere.



INALCA - Pegognaga Plant (MN)

The Reggio Emilia plant allows INALCA to become a strategic partner for the meat sector with regards to COOP, the largest Italian distribution company, developing logistics and semi-finished products and ready-to-eat products for the main territorial cooperative of this important operator of the national GDO, alliance 3.0.

As will be best described in §12, thanks to this acquisition, the group has substantially improved its environmental sustainability, by introducing into the company structure the third anaerobic digestion plant and, in particular, its 50% stake in UNITEA S.r.l., an important production plant of electricity and heat from renewable sources. The new production system allows to increase substantially the share of green energy produced by the Group.

The acquisition was carried out in a very short time, permitting the financial rescue of a consolidated historical reality of the sector and the maintenance of a territorial community strongly linked to agriculture and livestock farming.

Other important operations concern the agricultural sector: in 2016 the acquisition of the control of Parma France Group became effective, a company active in the marketing of cattle, an important instrument for the integration of the supply chain in the Italian and EU contexts. Also a large breeding farm was completed, in an increasingly integrated vision of our supply chain. This is the modern zoo-technical centre built in Jolanda di Savoia (Fe) through the subsidiary Bonifiche Ferraresi S.p.A., where the stabling of young cattle has already started.

In 2016, on the environmental front, the second anaerobic digestion plant of the subsidiary Azienda Agricola Corticella S.r.l., at the farm of Spilamberto (Mo) entered into full force.

The three operations mentioned above enabled a stronger integration with the agricultural base and opened up new opportunities for the implementation of projects of sustainability.

In the cured meats and snack sector, the subsidiary Italia Alimentari S.p.A. has intensified its export activities abroad and has made a joint venture with an important Canadian company leader in the production and marketing of Italian food products. JV's objective is to market sliced cured meats obtained from typical delicatessen products imported from Italy.



Breeding Centre at Jolanda di Savoia (FE)

POLAND

Poland, a country with a strong economic and agricultural growth, is an emerging market for the Group, both in terms of animal supply and the outlet of its products. Poland is therefore a very important country in which to build an integrated and sustainable beef chain over the next few years.

During 2016, industrial activities focused on the start-up of the new Polish factory operated by **Zakłady Miesne Sochocin Sp. Zoo** and located in Sochocin, a town in Plonsk County, Masovian Governorate, in the middle eastern part of the country, the area of the most livestock vocation.

It is an integrated plant that will slaughter, cut and produce burgers for the local market and neighbouring countries. Through this new manufacturing facility, the Group will also be able to realise an integrated and sustainable supply chain based on modern criteria and principles to protect animal welfare, the environment and an equitable economic balance with the agricultural world, today with a difficult outlet on the market. In fact, the Polish beef sector is currently still of a traditional nature, based mainly on commercial intermediaries that result less advantageous for the breeders than the stipulation of long-term agreements made directly with the processing industry.



Rendering of the new slaughtering and meat processing plant in Poland

RUSSIA AND THE EURASIAN REPUBLICS

In Russia, the meat slaughtering and processing facility operated by its Orenbeef subsidiary has worked at full regime. The plant is located in the Orenburg region on the Ural River and is situated on the eastern border of the European part of Russia, on the border with Kazakhstan, in a region of 124,000 sq km and about 2 million inhabitants, one of the areas in Russia with the most vocation for farming.

The Orenburg plant, with over 7,500 tons of meat produced in 2016, has more than doubled the quantities obtained last year. The plant, which boasts a slaughter capacity of 75,000 head per year, is capable of supporting the expected growth of the region's bovine population.

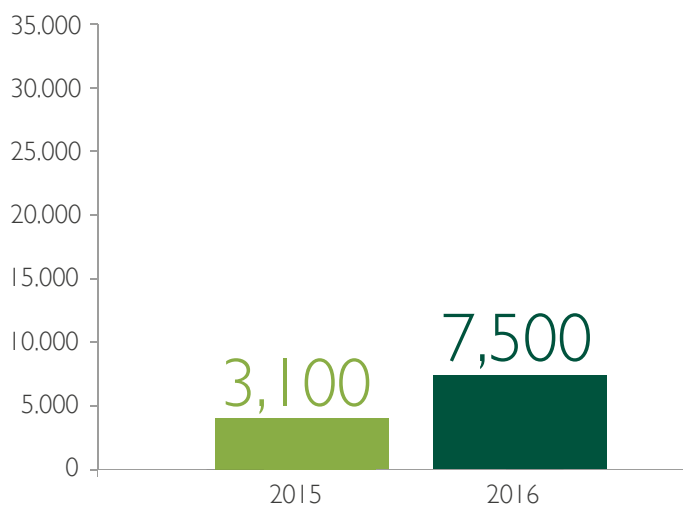
The slaughterhouse is in fact the joining hinge between the agricultural world and consumer distribution, which is in fact the hub for the creation of a complete integrated chain from the field to the table. The project therefore has a particular socio-economic significance for the territory, as a motor for the development of cattle breeding and the rural community of the region. Thanks to the technology adopted and its integration with other production

and logistic facilities in Russia, the new plant will be able to guarantee local farmers the certainty of placing the head of cattle bred and the proper exploitation of their work according to the model already successfully experienced by INALCA in Italy.

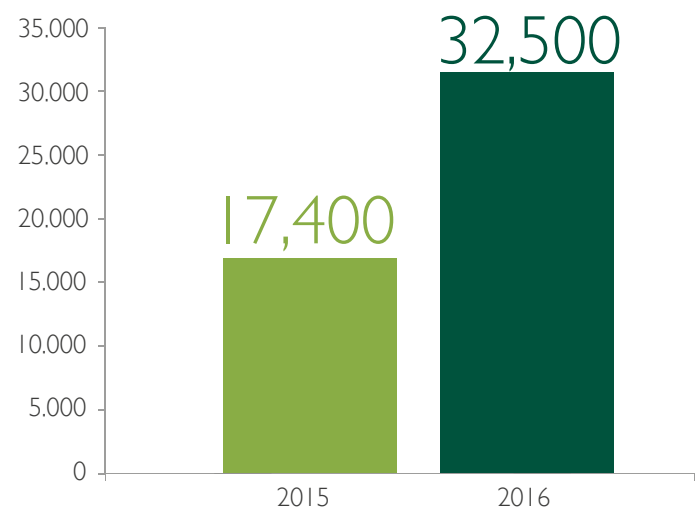
Furthermore an area was purchased to expand the industrial complex of Odintsovo (Moscow), with the aim of doubling local distribution activities.

To complete the Orenburg plant's production chain, the company has begun the construction of a number of animal farms in the Orenburg region and plans to expand this activity even in the neighbouring regions of Tatarstan and Bashkiria.

ORENBEEF - TONNES OF PROCESSED BEEF/YEAR



ORENBEEF - N° HEADS SLAUGHTERED/YEAR



KAZAKHSTAN

In 2016, through Inalca Eurasia, production and distribution activities were initiated in Kazakhstan. In fact, a food distribution centre is under construction in Almaty and the purchase of an area for the construction of a new slaughter facility in the suburbs of the same city.

AFRICA



INALCA - Almaty plant (Kazakhstan)

The main activities in this area are preliminary studies for the realisation of bovine breeding in the Cuando Cubango region (Angola). Furthermore, INALCA sold 15% of Inalca Angola Ltda's capital to two local shareholders; these partners will be involved in major rationalisation and development projects in the country's agri-food sector in successive years.

OTHER GEOGRAPHICAL AREAS

Through the subsidiary INALCA Food & Beverage Inc. ("IF&B"), in 2016, the Group has consolidated its network of operating companies in the markets where the company operates, USA, Cape Verde and Thailand. IF&B has also launched initiatives in new markets such as: Malaysia, Australia, Mexico, Spain - Canary Islands, through the acquisitions of important local operators.

With the acquisition of Marr S.p.A.'s export business, IF&B Italia has consolidated its integration strategy with the Group, becoming a reference company in internalisation processes, particularly in the distribution sector and Ho.Re.Ca. Below are listed the countries where IF&B developed activities during 2016.



CHINA

The activities are carried out through a Holding Company in Hong Kong: Inalca Food & Beverage China Holding Ltd which controls two local operators with food production and distribution activities.

USA

The activities are carried out through Inalca Food & Beverage North America.

AUSTRALIA

In Australia, activities are managed by Itaus Pty Ltd and Fresco Gourmet Pty Ltd, which has food distribution warehouses. A second warehouse is expected to be launched in 2017.

THAILAND

The activities are managed by the subsidiary Inalca Food & Beverage Thailand Ltd, which directly and through a subsidiary company has a number of logistics infrastructures, and in particular 7 warehouses, with activities, apart from B2B distribution, of also resale to the consumer (B2C). During 2016, a meat production plant was also started in the Bangkok area.



MALAYSIA

The activities are managed by the subsidiary Inalca Food & Beverage Malaysia Sdn Bhd, which, through a subsidiary, manages a warehouse with a small resale shop for the public.

CANARIES

In this area IF&B performs food distribution through the local company Comit - Comercial Italiana De Alimentation S.I., which has 7 distribution warehouses. Production of fresh pasta and dairy products is also carried out.

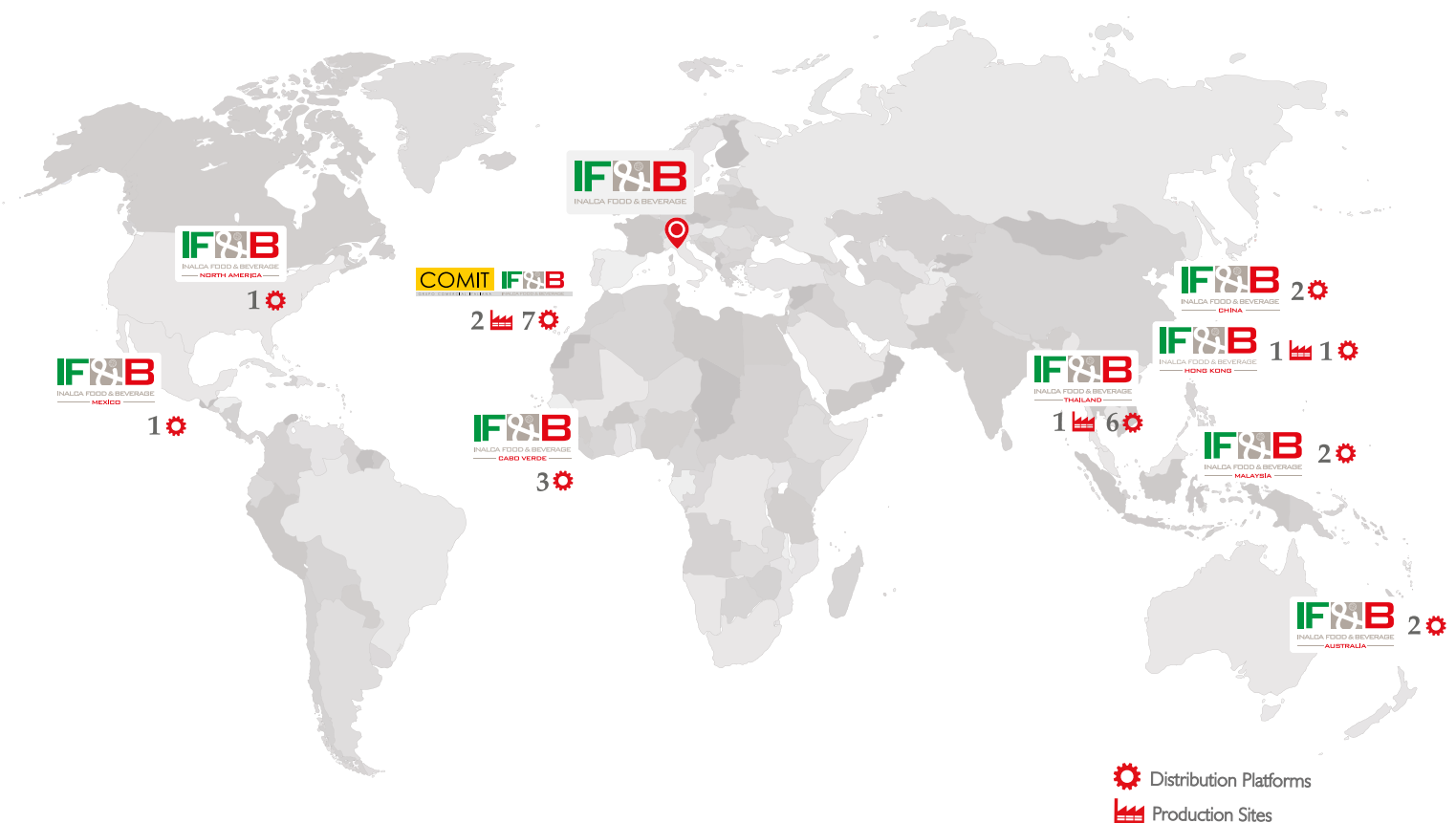
MEXICO

In Mexico, distribution activities are carried out through the local company Fratelliditalia Sa De Cv, which disposes of a warehouse that also sells directly to the final consumer.

CAPEVERDE

The branch is present in the three principal islands of the archipelago, all equipped with warehouses at three temperatures, which permit the servicing of business customers and consumer clients through retail sales. Thanks to its geographical position it will implement synergies with Comit.

OVERVIEW INALCA FOOD & BEVERAGE IN THE WORLD



INALCA FOOD & BEVERAGE ACTIVITIES



1.5 PRIMARY BRANDS AND PRODUCTS

INALCA, with more than **4,800** employees, produces and markets a full range of fresh and frozen beef, vacuum packaged in a protective atmosphere, ready to eat products, canned meat and meat extracts. There are over **500,000** tonnes of meat processed and marketed every year by the company, of which **100,000** tons of burgers and **200** million cans. The brands of reference are Montana, Manzotin, Ibis at national level and Texana, Bill Beef and Mamma Tina internationally.





more than
4,800
people employed
by the Group



more than
500,000
tonnes of processed and
commercialised meat



100,000
tonnes of
hamburgers



200,000,000
cans



2. GOVERNANCE

2.1 CORPORATE GOVERNANCE

The organs of governance are constituted by the Board, by the Supervisory Board and the Board of Auditors.

The Board of Directors of INALCA on 31st December 2016 is composed of the 7 members identified below:

- **Chairman** Luigi Cremonini
- **CEO** Paolo Boni
- **CEO** Luigi Pio Scordamaglia
- **Director** Vincenzo Cremonini
- **Director** Serafino Cremonini
- **Director** Guido Rivolta
- **Director** Khalifa Khalid A.Al-Thani

The Supervisory Board, is collegial in nature and is composed of 3 members:

- **Chairman** Marcello Elia
- **Internal Member** Massimo Mani
- **Internal Member** Giovanni Lugaresi Sorlini

The Board of Auditors is composed of 3 members:

- **Chairman** Alberto Baraldi
- **Statutory auditor** Mario Lugli
- **Statutory auditor** Claudia Mezzabotta

THE BASES OF THE MANAGEMENT SYSTEM

The management system adopted by INALCA for the management of sustainable development is based on the application of voluntary technical standards applied in an integrated manner; the widespread adoption of voluntary standards is a reference founded methodologically and systematically verified by a third parties.

The bases of the management system are made by the company's organisational model pursuant to **Legislative Decree 231/2001**, by the rules **OHSAS 18001** in the field of health and safety at work, **ISO 14001** in the environmental sector, **ISO 9001 / BRC / IFS** in that of quality and food safety, and finally by the **GRI G4** guidelines for the preparation of the Sustainability Report. From the integrated application of these technical references follows a complex system of rules and procedures applied at all levels of the company.

The holding company INALCA S.p.A. provides support to its subsidiaries in the areas of Finance, Corporate, Legal, Tax, Compliance, Quality, Safety and Sustainability. Through the group leader Cremonini S.p.A. in the areas of: Human Resources, Insurance, Information Systems, Corporate and Communications.

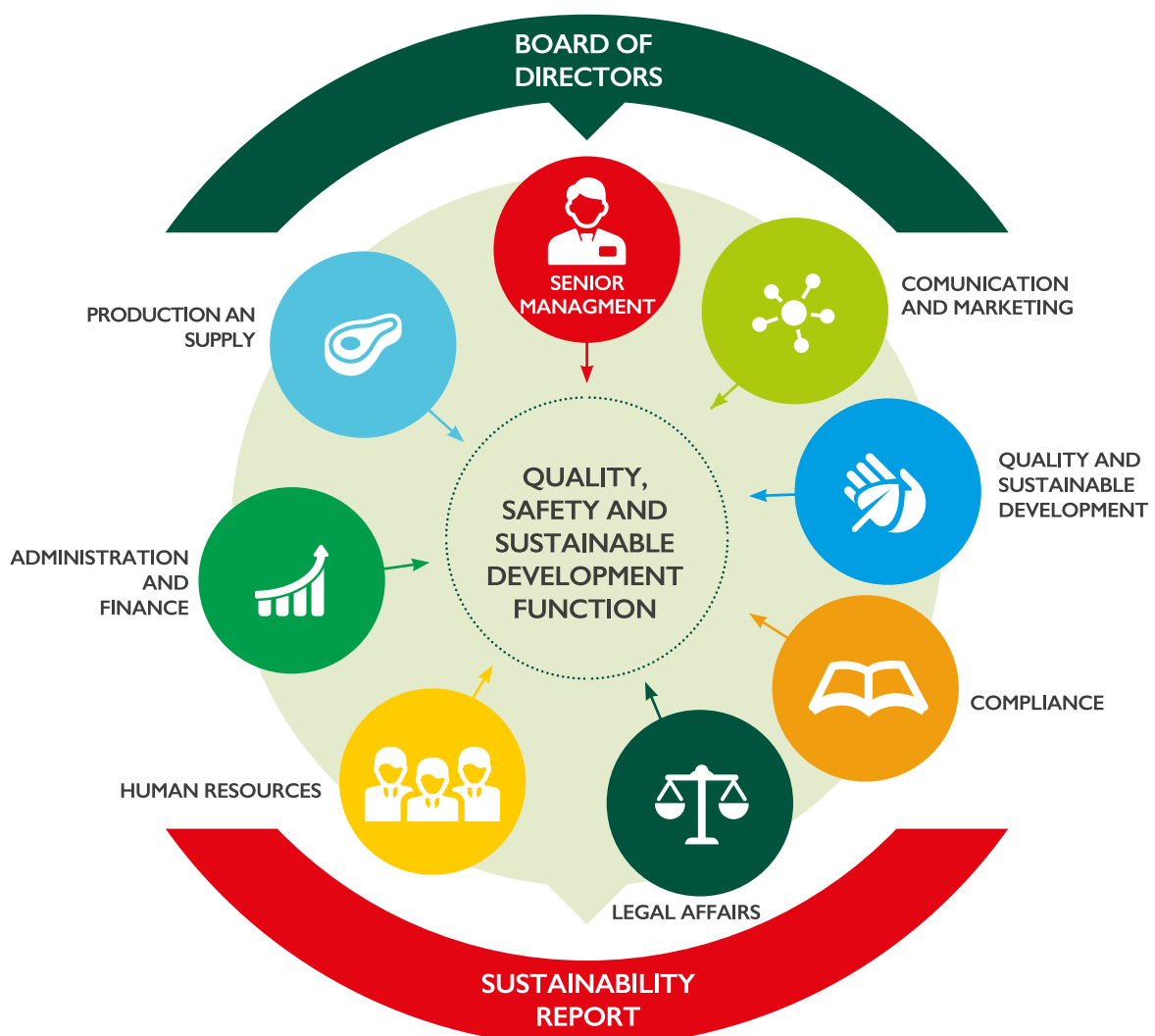
2.2 MANAGEMENT OF SUSTAINABLE DEVELOPMENT

On the basis of the strategic and value guidelines identified by the Board, the Quality, Safety and Sustainable Development function has developed the third edition of the sustainability Report, produced with the active and systematic involvement of the senior management responsible for key business processes, including: Chief Executive Officers, Administration and Finance, Communication and Marketing, Human Resources, Production, Legal Affairs and Compliance.

The decision to carry out the Sustainability Report derives primarily from the capacity that this tool has to plan and manage sustainable development organically in the three main target areas - economic, social and environmental - applying to all levels of the company the general guidelines provided by the authorities and ensuring an adequate flow of information to Senior Management.

The Sustainability Report is also a tool to increase sensitivity and awareness on these issues, building a common and shared understanding of INALCA's approach and a reference to the correct internal and external communication in this field.

PREPARATION OF THE SUSTAINABILITY REPORT



2.3 APPLICATION OF THE PRINCIPLE OF PRECAUTION

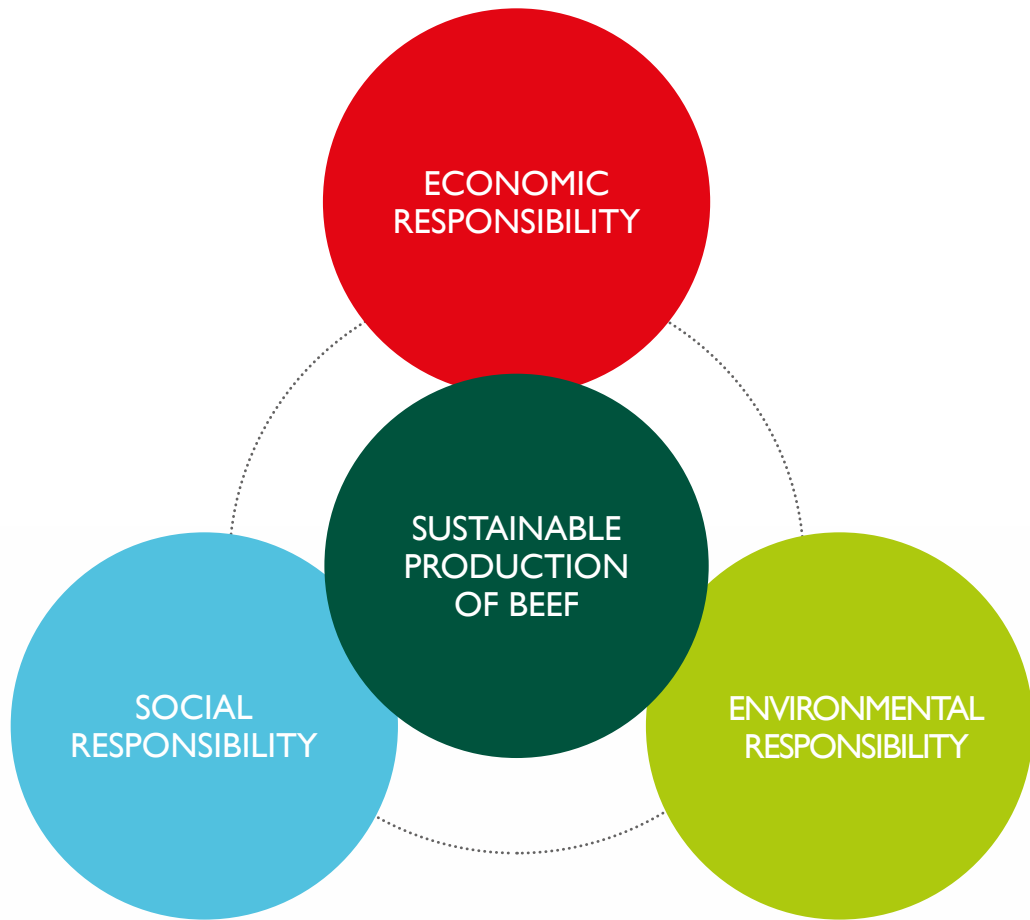
In the management of environmental issues INALCA systematically adopts the principle of precaution in accordance with the rules of the sector in the countries where the company operates and the United Nations Declaration on Environment and Development, 1992 - Principle 15.

The principle of precaution is adopted in the choice of processing technology, with particular reference to **water treatment systems, air, energy production, recovery and use of waste and by-products**. For Environmental Risk Assessment, INALCA adopts the instrument of environmental impact assessment, focusing on technologies known as BAT (Best Available Technologies) identified in the sector's technical standards and in comparisons made with cases of excellence in similar areas of application.

INALCA is also based on the methodology of **Risk Assessment** in defining the criteria of food security through the **HACCP system**.



THE SUSTAINABILITY MODEL ADOPTED BY INALCA



3. ECONOMIC AND FINANCIAL PERFORMANCE

EVOLUTION OF INALCA'S SUPPLY CHAIN IN ITALY

FROM FARM TO FORK



EVOLUTION OF INALCA'S SUPPLY CHAIN ABROAD

FROM FORK TO FARM



3.1 THE COMPANY MODEL INTEGRATED THROUGHOUT THE ENTIRE SUPPLY CHAIN

The Group's economic performance is the main driver of the company's development on which its business models have been implemented. Strengthened by its Italian identity, synonymous of quality and excellence in food, for over 20 years INALCA's development was initially based on the penetration of emerging economies, particularly the Russian Federation and Africa; today this is extended to the Eurasian Republics, the European Union, USA, Australia, Canada, South East Asia and Italy, where the Group has launched its most important activities during 2016. Contrary to the historical development process in Italy, where the company built the integrated chain according to a "Downstream" model - also defined as "From Farm to Fork" - abroad the growth path followed the opposite direction, "From Fork to Farm". In fact, the business model applied to non-European markets initially provides stable and continuous sale of food products to local operators, in a B2B context and mainly in the Catering and Ho.re.ca segments, eventually supported by a local sales office.

Following the first stage, logistics and distribution infrastructures are implemented, in particular refrigeration stores, warehouses and transport vehicles. At the end of this second phase, where the company develops profound knowledge of its reference markets, the implementation of industrial plants follows, dedicated to the on-site production of processed products conceived for the typical consumer styles of the local communities. After this third phase, which takes about 5-10 years of development, the company progressively creates the upstream industrial activities, until to primary production intended as cattle breeding. The development model therefore has as a unifying element the progressive integration of the supply chain. At the end of this journey, the company is fully integrated from a productive point of view and permanently integrated into the social context of its own market. A business model based on a long-term vision and on strong territorial integration.

During the reference period of this report, after a long cycle of development abroad, the company is facing its most important challenges in the European Union: in Italy and France in the field of livestock breeding and processing, in Poland with that of slaughter and transformation. With the new consolidated industrial setup and the increased business size, the group can also face the EU market, according to its own chain model, with integrated supplies of raw materials and finished products in the various countries where the company operates.

BREEDING

Breeding is the ring of the supply chain on which INALCA is investing not only in Italy and France, but also in the Russian Federation, this is crucial for the development and enhancement of local animal husbandry and food security.

Russia owns one tenth of the world's cultivable land with an enormous production capacity for animal feed cultivation but needs knowhow, technology and investment in the livestock sector. For this reason, some intensive rearing (feedlots) in Orenburg and the contiguous regions of Tatarstan and Bashkiria are under construction in 2016.

Breeding plays a fundamental part of INALCA's sustainability, and in this segment of the chain, the Group has concentrated an important part of its resources, sustaining the realisation, through the subsidiary Bonifiche Ferraresi, of the largest and most modern Italian breeding centre, which can enhance the national heritage of beef cattle and in fact making it possible to gain access to the extensive markets of livestock farms located in the southern and island regions of Italy, according to the integrated and sustainable supply chain model already effectively pursued abroad .

The Bonifiche Ferraresi initiative has a great social value as it represents the missing link to enable the livestock system to become economically viable in the southern and island areas, characterised by the small sized businesses, trade circuits that are exclusively local and fragmented and a system of extensive breeding. The Ferraresi Bonifiche feedlot will in fact allow constant collection of head from these territories and their enhancement in the national GDO markets, with the effect of supporting agriculture and protecting these areas from being abandoned.



3.2 ECONOMIC CONTEXTS

BOVINE SECTOR

Also for the whole of 2016, the European Community beef market continued to be affected by a somewhat weak economic performance and high unemployment - factors that depress the income available of the large end-consumer population, as well as by high feed and beef prices.

The pro capita consumption of meat appears therefore rather depressed; the market trends recorded in 2016, while confirming the stability of consumer penetration in Italian households, indicates a decrease in spending of about 7% (about 5% by volume). Definitely less has been bought, but also at a lesser price, a sign that influencing the choice was not just a consumer style looking for healthiness or ethical principles, but rather a greater propensity to save, or even an indigent economical family situation aimed at reducing the noblest items in the food basket. Beef, being one of the most nutritious and most expensive foods, was one of the first to suffer. The Censis report of October 26th, 2016 "Italians at the table: What is changing?" confirms that the decline in consumption, in addition to meat, has involved other foods typical of the good Italian diet, such as fish and fruit, and that this reduction mainly affected the less well-off classes. This is a phenomenon called "Food Social Gap", the new inequality at the table, once typical of other countries, and which is also dangerously emerging in Italy, a country where consumption of quality foods tend to polarise towards richer social classes, and of which beef is the most effective example.

As confirmation of the above, a CENSIS ISMEA survey based on Nielsen data declares that there are over 10 million Italians claiming to have reduced meat consumption compared to the previous year. Flections occur both in red meat and white meats. It is estimated that pig meat sales have fallen by about 8%, while aviary meats, which were the only ones in 2015 to maintain a stable consumption at consolidated levels, evidence a decline of about 5%. As far as the company's products are concerned, the Italian business was positively affected by the acquisition of the product/customer portfolio of the Unipeg Soc.Coop.Agr. and its subsidiary Assofood S.p.A. resulting in strong growth in the traditional bone meat, vacuumed and in portioned products, to which the Castelnuovo Rangone (Mo) plant is entirely dedicated. The same applies to by-products, although in this case the Group experienced a sharp drop in leather prices, mainly influenced by Chinese market trends. However, the company has further expanded its sales channels to cope with the blockade of exports to the Russian market.

With regards to the company's core business products, satisfactory results have been achieved in canned meat, taking also into account the general situation of crisis in this particular market: the **Montana brand** products are



firmly in second place in Italian rankings while the **Manzotin brand**, which was acquired at the beginning of the year, despite advertising stimulus undertaken, did not provide the expected growth results, but showed a substantial share maintenance, contrary to other brands in the industry. Regarding canned meat for the foreign market, these have fallen in volume due mainly to all the difficulties of the Angolan market in finding the necessary dollars to pay for supplies and due to the fall of the Cuban market, the traditional commercial outlet of the Group, also linked to the economic dynamics of this country in its slow transition to a free market. Finally, the **frozen hamburgers** (mainly intended for fast-food multinational chains and the Retail channel) grew by about 4%, in contrast to the past, thanks the expansion of some customers such as Burger King and development in the Ho.re.ca channel (through Marr in Italy and Friday's Group in the Nordic countries).



Trading in high quality cuts remained stable (with rising average prices that offset the drop in volumes); a negative trend is registered in Italy, but offset by strong growth in Europe (particularly the UK).

In spite of growth in turnover, the beef sector in Italy has overall weakened marginally, mainly due to the acquired subsidiaries that were in difficulty and on which the planned synergies still need to be fully developed. Lastly, there is an appreciable increase both in the volumes and in the margins related to the management of the third party slaughtering departments, managed by the subsidiary Guardamiglio S.r.l., as well as in the logistic and industrial platform activities of the subsidiary Fiorani & C. S.p.A. As far as foreign activities are concerned, positive situations for Russian companies are registered, thanks to the Orenburg slaughterhouse operations and the good performance of Marr Russia in strong reprise (now returned to pre-crisis levels). In Russia, in terms of “local currency”, the business grew by about 7%, recording a sharp increase in margins related to the commercialisation and production activities with fast food chains, as a combined effect of better trades, economies in the supplies and productive efficiencies. African subsidiaries are more in difficulty, losing turnover, but overall improving their margins.

CURED MEATS AND SNACK SECTOR

In 2016, the cured meats market recorded generally stable or slightly declining consumption in all product types. Increasing consumer propensity to purchase based on price has further stimulated the particular success of the “discount” formula which, thanks to slim and competitive structures, enables it to become ever more capillary throughout the territory, proposing, at least on “food”, a complete range of quality products, with absolutely competitive prices compared to other forms of the modern distribution. However, the discount channel confirms, after the negative data of last year, substantially flat volumes and turnover in the food sector.

Even the Great Distribution has also continued down the road, already undertaken in recent years, of proposing its own “first price” product lines with its own brands but, nevertheless, downturns in sales volumes are recorded. Changes in the distribution structure have led to the inevitable shift of volumes from branded products (which are increasingly characterised by quality excellence and packaging and content innovation) to so-called “first price” and “private label”.

At raw material level, 2016 was a particular year, characterised by strong price fluctuations. 2016 began with low to medium and substantially stable prices that led the finished products market towards strong competition on sales prices. In the second half of the year, however, there was a hyperbolic price trend of almost all the raw materials with 30% point peaks in three months, which then settled in the last months of 2016; the short-term outlook, however, seems to be that of another increase.

On sales level, there was a strong competition focused almost exclusively on the factor of price, with the affirmation of purchases by auction, which in fact reduced or cancelled the margins of manoeuvre guaranteed by other forms of trading. In this situation, cases of “dumping” are increasingly occurring deleterious for a good functioning of the market, especially in the retail and discount channels.

Given these market constraints, we were only able to partially recover on the sales price the significant increases

of raw materials. In this difficult scenario, thanks also to the competitiveness ensured by its own industrial structure, the Group has been able to compete aggressively on the market, achieving a discreet result at volume level (which grew by almost 1.8 percentage points) and at the same time containing the market's reduced margins.

For **snack products**, the situation is even worse compared to the previous year, due to the nature of the products. These are goods with a high service content (which obviously takes the consumer price into account) and are largely "interchangeable" with similar products prepared by the administrator or directly by the consumer.

However, the Group has been able to react, both at a commercial level, signing major contracts with modern distribution and important operators in **the dietetic and health sectors**, and at an industrial level by offering new product lines with a strong innovative content that meets the public's and customers' taste as well as increasing sales in foreign channels. These actions have led to a 27% growth in volume and 24% growth in turnover.

Even if we talk about a market that has heavily shrunk, today the company plays a role of **absolute leadership** in bar and Ho.re.ca channels, articulating its presence through different distributor systems throughout the country. The industry's competitors generally operate in areas territorially narrower by offering a smaller product range than the one offered by Italia Alimentari. In the GDO channel the competition is stronger by size of the competitors, but it is limited to a small group of operators. Raw materials have had differentiated trends by commodity type. Compared to a substantially stable trend in bread, significant increases in other raw materials were recorded in the second half, especially in fish and dairy products.

The latest cured meats sector ranking has placed **Italia Alimentari** as fifth in Italy regarding volume, but it is certainly among the first in investment and technology. In general, the company is trying to address the difficult market situation by strengthening trade relations with foreign countries such as **UK, France and Japan**. Another commercial objective is to establish a direct presence in the North American sub-continent, so far only served through commercial relations. To this end, Italia Alimentari has formed a joint venture with a leading company in southern Canada in the production and marketing of Italian food products. The objective of JV is the industrial slicing of cured meats products imported from Italy (via Italia Alimentari) and its commercialisation to the local GDO channels with the possibility of entering the US market as well.

INALCA'S ECONOMIC AND FINANCIAL RESULTS

In 2016, the value of consolidated production amounted to 1,756 million Euro compared to 1,490 million in 2015, thus recording a growth of approximately 18%. The gross operating margin (EBITDA) amounts to over 119 million Euro compared to 112 million Euro in 2015, an increase of around 7%.

The result is attributable, in particular, to the contribution resulting from the consolidation of the Group Parmafrance





as of January 1st, 2016 (approximately 144 million Euro turnover and an EBITDA of 2.0 million) and from the acquisition on 1st May 2016 of the branches of Unipeg Soc.Coop.Agr. and its subsidiary Assofood S.p.A. The good performances of Russian companies growing in local currency is also highlighted, but they undergo the strong effect of the devaluation of the exchange, thus closing slightly below parity.

The depreciation of the average exchange Euro-Rouble between the two financial years (from 68.1 to 74.1, highlighting a devaluation of 8%) had a negative effect of about 17 million Euro on turnover. In conjunction with revenue growth, the EBITDA margin also grew (+ 7%, to over 119 million Euro) driven by a strong improvement in foreign activities, both in Russia and Africa (in particular Angola, while for the rest the results have fallen below previsions).

Operating profit (EBIT) stands at almost 67 million Euro compared to 60 in 2015, thus growing about 12%. The result of the characteristic management, which amounts to 49 million Euro, benefits from a fall in financial burdens and increases by almost 22%, despite strong credit losses from Angolan companies. Apart from the characteristic management, a burden of over 1.3 million Euro has been imposed on the extraordinary costs associated with the aforementioned acquisitions.

Taxes increased compared to last year, when benefited largely by the impact of deferred taxes linked to the expected lowering of IRES, but also the effect of higher profits in high taxed countries such as Angola and the accounting of tax closure holdings of major disputes arising in 2015 (transfer price).

The yearly result of over 30 million Euro remains however of broad growth (+ 6.7%).

The significant increase in third party interest earnings is, once again, the consequence of the positive performance of Russia and also Angola. The continuous growth of INALCA is the result of a far-sighted and careful policy of expansion and investments made over the last few years, which led to the realisation of a successful industrial agglomeration in every country where business is made.

3.3 CONSOLIDATED FINANCIAL STATEMENT

TABLE 4 - CONSOLIDATED FINANCIAL STATEMENTS ON DECEMBER 31ST, 2016

(In thousands of Euro)	31.12.2016	31.12.2015
Revenues	1,743,715	1,456,026
relating to related parties	99,097	104,541
Other revenues	17,033	18,937
relating to related parties		159
Change in inventories of finished and semi-finished products	(7,976)	14,397
Capitalisation of internal construction costs	3,278	2,894
Costs for purchases	(1,223,170)	(1,028,972)
relating to related parties	(46,630)	(79,071)
Other operating costs	(253,949)	(246,092)
relating to related parties		
Personnel costs	(161,041)	(103,189)
Amortisation and depreciation	(42,057)	(37,760)
Write-downs and provisions	(10,691)	(14,175)
Revenue / (Losses) from equity investments	474	(37)
Financial Income / (Charges)	(17,965)	(20,382)
relating to controlled companies	(41)	(25)
relating to related parties	112	(177)
Result before taxes	47,651	39,647
Income taxes	(17,251)	(11,162)
Results before minority interests	30,400	28,485
Result attributable to minority interests	(4,946)	(1,689)
Results for the period attributable to the Group	25,454	26,796

Financial Statement

TABLE 5 - CONSOLIDATED FINANCIAL STATEMENT ON DECEMBER 31ST, 2016

Consolidated income statement reclassified with value added

(In thousands of Euro)	31.12.2016	31.12.2015	Var. %
Total revenues	1,764,026	1,475,857	19.53
Changes in inventories of work in progress, semi-finished and finished goods	(7,976)	14,397	
Value of production	1,756,050	1,490,254	17.84
Cost of production	(1,475,762)	(1,275,064)	
Value added	280,288	215,190	30.25
Personnel costs	(161,042)	(103,189)	
Gross operating margin (a)	119,246	112,001	6.47
Amortization, depreciation and write-downs	(52,748)	(51,934)	
Operating Income (b)	66,498	60,067	10.71
Net financial income (charges)	(17,965)	(20,382)	
Profit from ordinary activities	48,533	39,685	22.30
Net income (charges) from investments	474	(38)	
Result before taxes	49,007	39,647	23.61
Extraordinary income (charges)	(1,357)	0	
Income taxes for the financial year	(17,250)	(11,162)	
Result before minority interests	30,400	28,485	6.72
(Profit) Loss attributable to minority interests	(4,946)	(1,689)	
Net profit attributable to the Group	25,454	26,796	(5.01)

a) Gross operating profit (EBITDA): profit/loss gross of the depreciation and amortization of tangible and intangible assets, allocations and write-downs, financial expenses and income and income taxes.

b) Operating profit (EBIT): profit/loss for the year gross of financial charges and income and income taxes.

3.4 DISTRIBUTION OF REVENUES BY AREA AND PRODUCT CATEGORIES

TABLE 6 - DISTRIBUTION OF REVENUES BY GEOGRAPHIC AREA

(In thousands of Euro)	31.12.2016	%	31.12.2015	%
ITALY	1,033,447	59%	773,098	53%
UE	226,966	13%	197,142	14%
RUSSIA	200,435	11%	204,933	14%
AFRICA	217,413	12%	235,813	16%
OTHER REGIONS OUTSIDE EU	65,454	4%	43,024	3%
TOTAL	1,743,715	100%	1,454,010	100%

TABLE 7 - DISTRIBUTION OF REVENUES BY PRODUCT CATEGORY

(In thousands of Euro)	31.12.2016	31.12.2015	Difference	Diff. %
Italian meat				
Total revenues	1,192,642	1,034,521	158,121	15.28
EBITDA	55,107	64,056	(8,949)	(13.97)
Amortization and depreciation	(31,957)	(33,174)	1,217	(3.67)
Operative income	23,150	30,881	(7,731)	(25.03)
Foreign meat				
Total revenues	560,622	435,840	124,782	28.63
EBITDA	56,116	39,327	16,789	42.69
Amortization and depreciation	(12,411)	(11,799)	(612)	5.19
Operative income	43,705	27,528	16,177	58.77
Intersectorial Adjustments				
Total revenues	(146,567)	(127,492)		
EBITDA	158	198		
Amortization and depreciation				
Operative income	158	198		
Cured meats				
Total revenues	141,903	140,626	1,277	0.91
EBITDA	8,384	8,675	(291)	(3.35)
Amortization and depreciation	(7,039)	(6,892)	(147)	2.13
Operative income	1,346	1,783	(437)	(24.51)
Food & Beverage				
Total revenues	36,171	14,211	21,960	154.53
EBITDA	(515)	(246)	(269)	109.35
Amortization and depreciation	(1,341)	(69)	(1,272)	1,843.48
Operative income	(1,856)	(314)	(1,542)	491.08
Consolidation adjustments				
Total revenues	(20,745)	(21,849)		
EBITDA	(4)	(9)		
Amortization and depreciation				
Operative income	(5)	(9)		
Total				
Total revenues	1,764,026	1,475,857	288,169	19.53
EBITDA	119,246	112,001	7,245	6.47
Amortization and depreciation	(52,748)	(51,934)	(814)	1.57
Operative income	66,498	60,067	6,431	10.71

*The column for 2015 has been reclassified to highlight also the company Inalca Food & Beverage

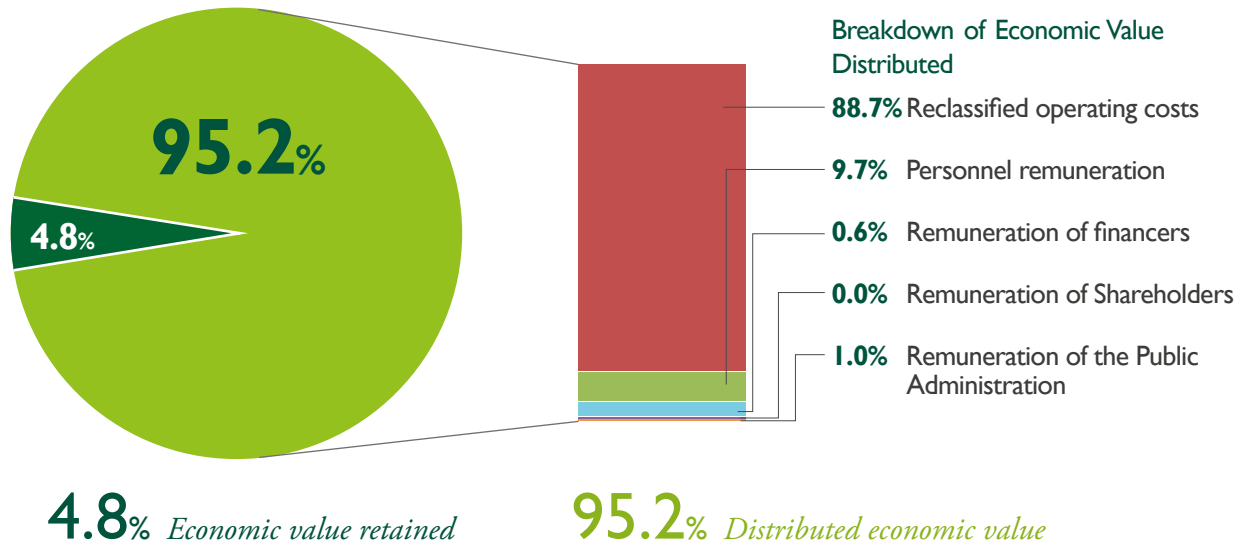
3.5 VALUE GENERATED AND DISTRIBUTED

TABLE 8 - VALUE GENERATED AND DISTRIBUTED

(In thousands of Euro)	2014	2015	2016
Direct economic value generated	1,514,386	1,480,316	1,747,753
Revenues from sales - Finished products	1,082,193	1,101,514	1,362,894
Revenues from sales - Goods	376,247	336,240	352,117
Revenues from sales - Various	9,040	12,600	11,034
Revenue adjustments	(12,099)	(10,115)	(13,817)
Rental income	1,866	784	9
Other revenues from operations	13,816	13,003	31,478
Other income	16,414	18,937	17,033
Change in inventories of finished and semi-finished goods	14,606	14,397	(7,976)
Capitalisation of internal construction costs	9,390	2,894	3,278
Exchange gains (losses)	1,890	(11,754)	(10,537)
Derivatives gain	0	0	0
Financial income	1,003	1,854	1,765
Expenses / Income from investments	20	(37)	474
Economic value distributed	1,461,295	1,399,897	1,664,605
Operating expenses reclassified	1,292,000	1,275,064	1,477,119
Cost of goods - raw materials	654,866	669,708	841,476
Other purchase costs	400,371	359,264	381,694
Cost for services	221,791	227,930	232,492
Costs for use of third party assets	6,938	10,486	13,224
Other operating expenses	8,034	7,676	8,233
Staff remuneration	98,193	103,189	161,041
Wages and salaries	71,100	74,879	114,320
Social security costs	21,037	21,686	35,083
Staff severance provisiens	3,824	4,411	6,986
Other personnel costs	2,232	2,213	4,652
Remuneration of financiers	28,889	10,481	9,194
Derivative losses	3,517	0	9
Financial expenses	25,372	10,481	9,185
Shareholder remuneration	21,600	0	0
Remuneration of Public Administration	20,613	11,162	17,251
Income taxes	20,613	11,162	17,251
Economic value retained	53,091	80,419	83,148
Amortization and depreciation	47,862	51,934	52,748
Profit for the year allocated to reserves	5,229	28,485	30,400

3.6 A COMPANY WITH A HIGH RATE OF ECONOMIC SUSTAINABILITY

ECONOMIC VALUE GENERATED AND DISTRIBUTED DIRECTLY AT 31.12.2016



The generated and distributed value (EVG&D) represents the first basic indicator of the value that the company has created for its stakeholders. Due to the low added value of production processes, the high incidence of raw materials and personnel in the company's income statement, the value transferred externally is particularly significant in the food sector. In other words, INALCA's business activity is considered high in the rate of economic sustainability, as the value distributed externally is particularly high. As shown by the chart, the distributed economic value represents over 95.2% of the total value generated by INALCA and is substantially unchanged from the previous year. The meat chain is therefore one that transfers the most value externally, as the incidence of agricultural raw materials is particularly elevated.

In the year under review, the value generated by the INALCA Group increased substantially. The increase is primarily due to the Group's new acquisitions in Italy and the improved performance of its Russian subsidiaries. The value distributed to staff, suppliers and the public administration also increased as well.

In 2016, the company started collecting data for the development of a new economic indicator foreseen in the GRI (G4-EC9) standard: the percentage of the purchase value of raw materials obtained from local suppliers. The data will be aggregated according to the regions indicated in the methodological note. For the current year the data has not been aggregated for the Russian Federation alone.



MARR RUSSIA



TABLE 9 - SUPPLY OF PRODUCTS FROM NATIONAL AND FOREIGN SUPPLIERS IN QUANTITY (%)

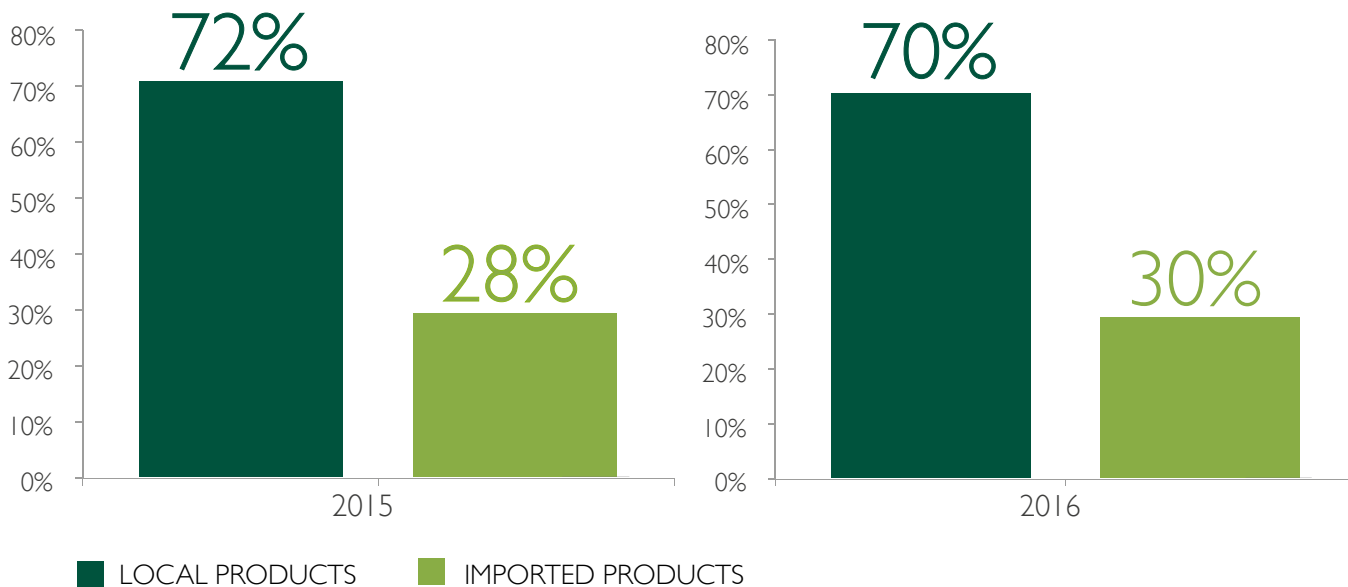
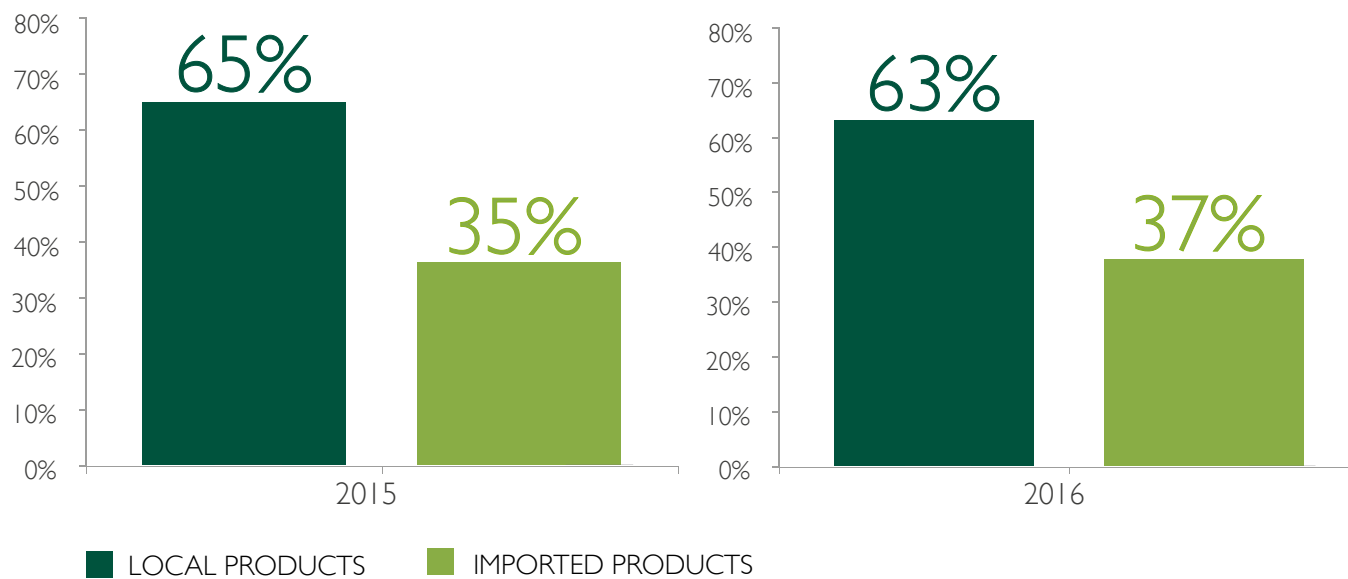
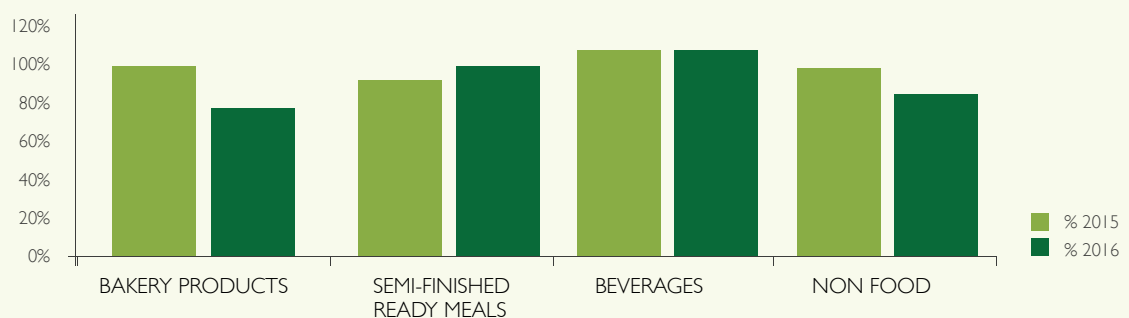
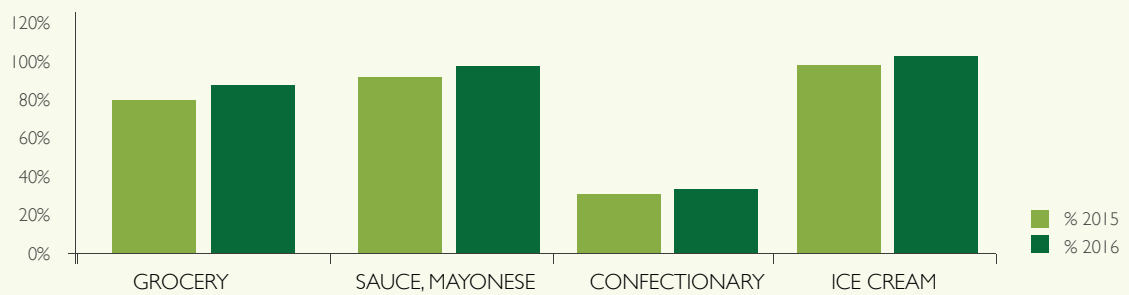
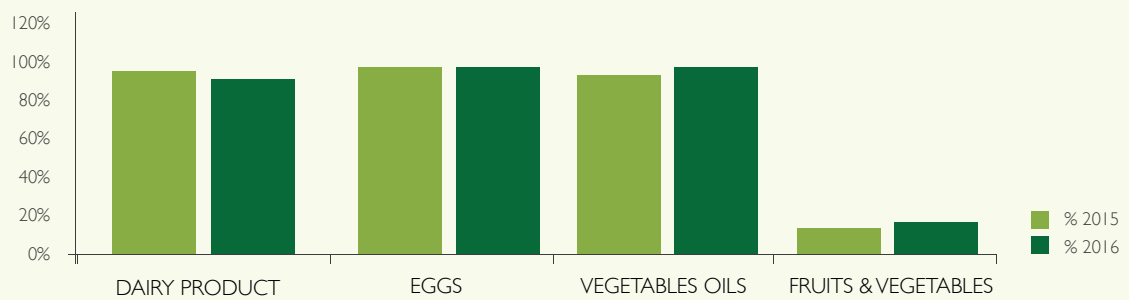
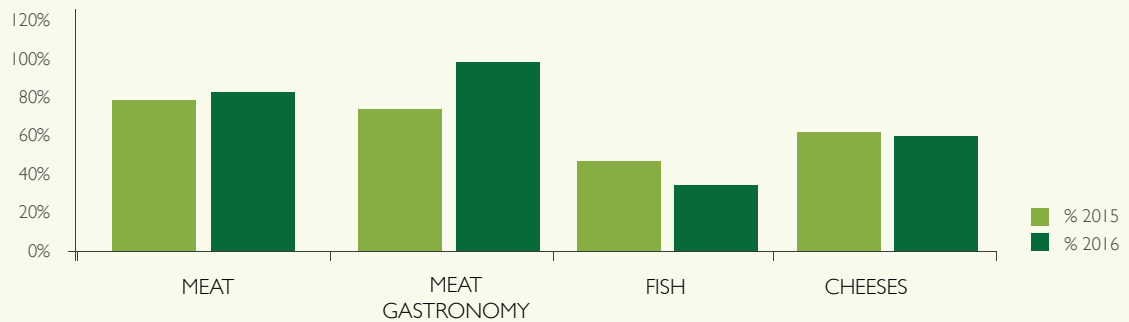


TABLE 10 - SUPPLY OF PRODUCTS FROM NATIONAL AND FOREIGN SUPPLIERS WITH VALUE (%)



The chart below shows the quantitative distribution by product commodity. This chart evidences that in almost all major goods categories there was an increase in the percentage of locally produced goods in 2016; this figure is particularly relevant in the meat sector where INALCA has strengthened its own production chain thanks to the productive consolidation of the Orenburg slaughterhouse, thus reducing the use of imported meat destined to local catering.

TABLE 11 - SALES DISTRIBUTION OF LOCAL PRODUCTS BY TYPE (%)



ORENBEEF

In the case of Orenbief, the supply of cattle animals is carried out exclusively through local suppliers. The following charts show the 2015 - 2016 trends in terms of improvement of the number of suppliers and the quality of the carcasses obtained.



TABLE 12 - ORENBEEF NUMBER OF SUPPLIERS OF CATTLE'S HEADS

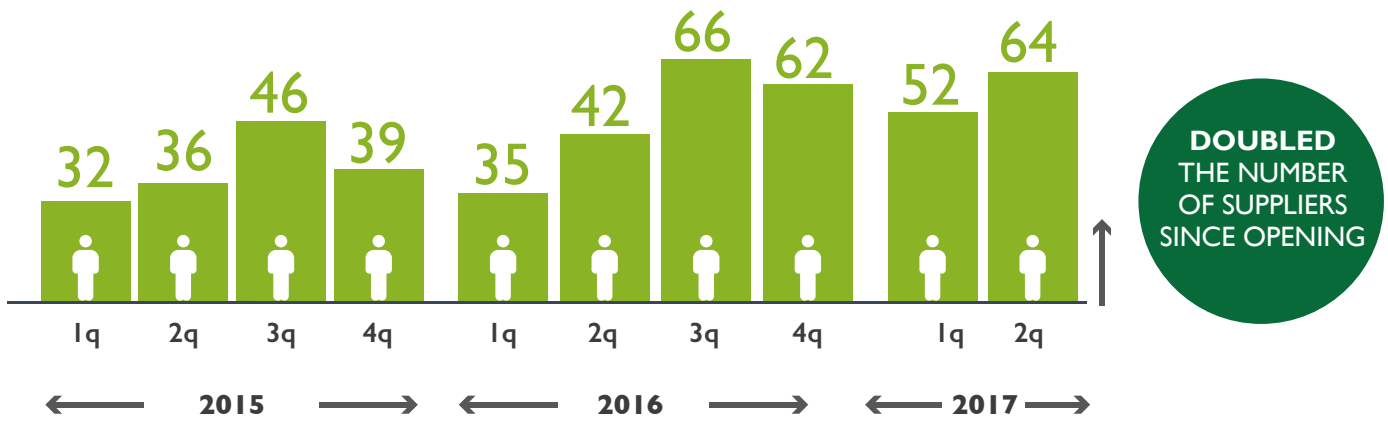
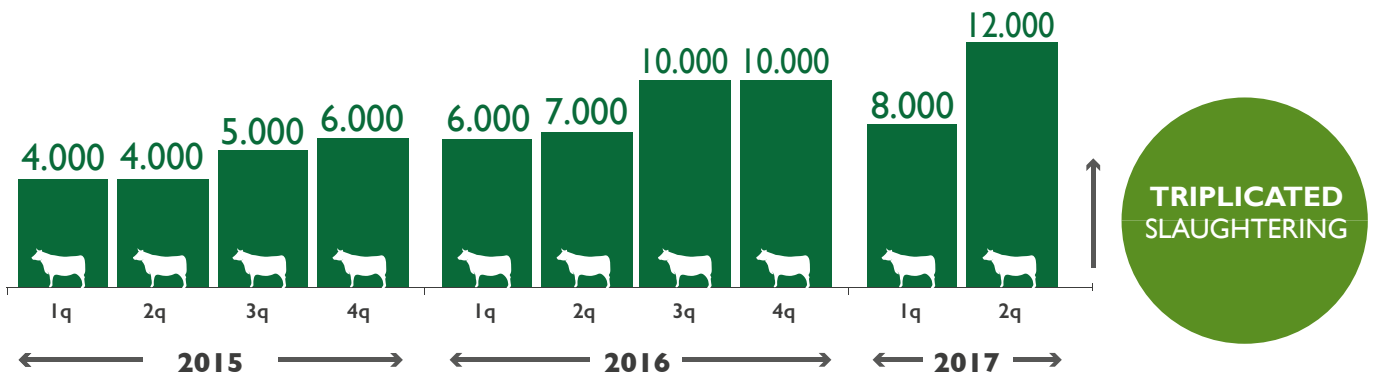


TABLE 13 - ORENBEEF NUMBER OF CATTLE'S HEADS SLAUGHTERED



As evidenced by these charts, the consolidation of the slaughterhouse production has allowed a gradual increase in the number of suppliers in quantitative and, above all, qualitative terms.

ORENBEEF - Orenburg plant

3.7 GOVERNMENT GRANTS RECEIVED

By Decree of the Ministry of Education, University and Research (MIUR) of 14th December 2012, subsequently amended by Decree dated 01.17.2014 n.0000148, INALCA was admitted as the national coordinator for a research project called So.Fi.A. - Sustainability of Food Chains - having as its aim the study for the development of certain types of products and the improvement of energy efficiency of plants with particular reference to the issue of greenhouse gases.

The quota of deliberate facilitation in favour of the company is 1,624,468.19 Euro (1,070,076.71 Euro for credit facilities and 554,391.47 Euro as contribution to expenditure) of which 1,602,538.19 Euro for the research project and 21,930.00 Euro for training activities. At the time of drafting the present report the tax relief has not yet been paid by the Public Authority. The contribution has not yet been made due to administrative difficulties that have arisen in some of the companies that are part of the project's planned partnership.

With D.d.s. September 30th, 2016 - n. 9571 EU Regulation 1305/2013 - Rural Development Program 2014-2020 Operation 16.2.01. INALCA was granted a contribution of 173,340.20 Euro for the purpose of applying a Protocol based on the high standards of animal welfare in fattening cattle breeds.

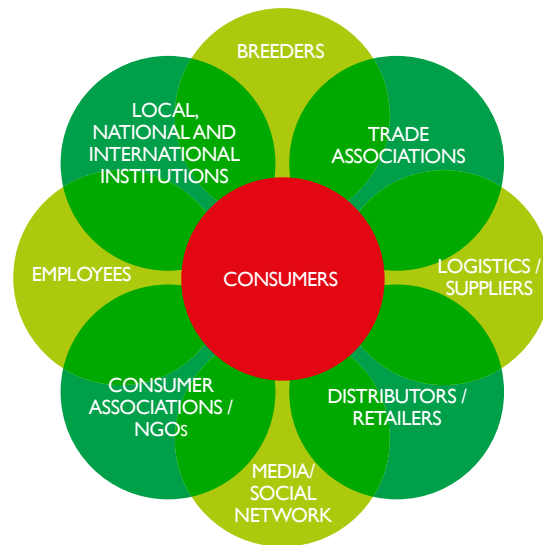


www.clusteragrifood.it/it

4. STAKEHOLDER

4.1 STAKEHOLDERS OF THE GROUP

The Sustainability Report is the instrument for analysis and reflection on the most relevant issues of our social responsibility, thus identifying the social parties of greater interest and sensitivity to our development policies, sharing goals and strategies. No changes have been made to this Report regarding the first mapping of internal and external interlocutors carried out in the first year and no changes have been made to the materiality analysis (see Section 6.2). With this term we mean essentially the identification of concrete and specific themes considered to be a priority by the external context in which the company operates.









INALCA has identified its stakeholders; these include external and internal entities in the organisation of the company, in particular: customers and suppliers of major importance and impact on operational choices, producer and consumer organisations, NGOs in the field of animal welfare, industry experts, category associations, internal collaborators, who, for their particular roles of responsibility they occupy within INALCA, can provide important comments and ideas for reflection.

In 2016, INALCA consolidated its relationship with Coldiretti: Coldiretti, with a million and a half associates, is the leading Agricultural and Farmers Organisation at national and European level. It is one of INALCA's stakeholders, with which it shares the objectives of economic improvement of agricultural activity and increase of its sustainability, as well as its commitment to promoting the transparency of production processes and the prevention of fraud in the agri-food sector. In 2016, the collaboration focused on the implementation of a national pilot project for the implementation of a Sustainability Assessment Scheme, based on INALCA's experience in the European context of the SAI Platform. The aim of the project is to map out the national situation, to evaluate the possibility of establishing a national scheme for the involvement of breeders in the sector of sustainability, to identify the material arguments and to define improvement practices and measurable indicators.



This is a project towards which INALCA and Coldiretti have concentrated important resources, convinced that this path can achieve concrete results and generate competitive value for the supply chain as a whole. During 2017, the materiality analysis and the areas of intervention are expected to be completed. The pilot project includes a sequence of steps whose final objective consists in the realisation of the first national sustainability management scheme in the beef sector, in analogy with those already operating in many European and international countries.

EUROPEAN SCHEMES THAT HAVE DEVELOPED PROJECTS IN THE FIELD OF SUSTAINABILITY IN BEEF PRODUCTION THROUGH “SPONSOR” OR PROMOTOR COMPANIES:

	SCHEMES	COUNTRY
	CHARTE DES BONNES PRATIQUES D'ELEVAGE	FRANCE
	ORIGIN GREEN	IRELAND
	AIA COLDIRETTI (DQA)	ITALY
	QS	GERMANY
	RED TRACTOR	UK
	SFS	POLAND

The individual holders of the schemes, introduced by their respective sponsors, were directly involved at the discussion tables of the SAI Platform, in order to make their own contributions and ensure technical alignment. The first phase, scheduled for 2017, is to carry out benchmarking activities between the existing European standards/schemes and the FSA (Farm Sustainability Assessment) of the SAI Platform, which represents the common technical reference adopted by the various subjects. The benchmark results will then be used to align work methodologies and fill in any shortcomings.

This common path has found an important response in the European context thanks to the establishment of a common work table between the various schemes. Coldiretti's participation in European meetings to promote the important work has, in the presence of other stakeholders in national schemes, made it possible to develop and share the development of the national scheme, aligning it with the best European experiences in the industry.

During 2017 the completion of the materiality analysis and the areas of intervention are expected. To finalise this further step, INALCA and Coldiretti identified common stakeholders, thus identifying the main subjects that could have a particular influence in delineating material themes through which they can then model the national scheme. Numerous breeders will be involved throughout the national territory, as the first interlocutors of the association, as well as the main companies and food industries with which INALCA collaborates on sustainability issues.

4.2 EMPLOYEES, COLLABORATORS AND PARTNERS

While concentrating a strong staff presence in Italy, the Group continues to expand its presence outside Europe, especially in Africa and Russia. Since its growth its first Italian plant in Castelvetro di Modena, INALCA was characterised by a multicultural and multiethnic presence and a strong capacity for inclusiveness and integration. The portrait of the social community that operates within the INALCA Group will be widely illustrated in chapter 10.



4.3 INALCA AND THE SCIENTIFIC COMMUNITY FOR STUDY AND RESEARCH

INALCA works organically with the following scientific institutions:



SAI - The Sustainable Agriculture Initiative Platform is the main initiative of the food & beverage industry, which promotes the development of sustainable agriculture around the world. In 2016, INALCA realised a pilot project for the sustainability analysis of Italian beef farms based on the SAI Platform standard called “Farmer Self Assessment” (FSA). Farmer Self Assessment is designed for the European context and provides for its adaptation to an Italian context. During the project, which will be managed together with AQD - Agro-Food Quality Department - the topics considered material for the national beef chain will be identified and on them will be identified improvement actions and measuring instruments.



The Global Roundtable for Sustainable Beef (GRSB) is a global multi-stakeholder initiative developed to advance continuous improvement of the sustainability of the whole cattle value chain, through leadership, science, the involvement and cooperation of stakeholders.

GRSB, in addition to defining the principles and practices of sustainability in the beef sector plays a role in the promotion and coordination of major regional platforms, namely European, Canadian, American, Brazilian and Australian. In this context INALCA participates in and promotes the improvement of sustainability in the beef sector on a global scale, as well as in Europe.



CLAN - National Agrifood Cluster is a multi-stakeholder community that works to defend and increase the competitiveness of the national food industry in all its components, through the stimulation of innovation, promotion of scientific research and technological innovation, collaboration between research organisations, businesses, institutions and public administration. In this context INALCA has helped define the national research agenda, relative to sustainability in the agrifood sector.



University of Bologna - Department of Labour Medicine, a body particularly specialised in the prevention of accidents and occupational illnesses in industrial environments. INALCA has developed with the University of Bologna an analysis of skeletal muscle pathologies to improve prevention in work environments.



www.saiplatform.org/activities/working-groups/beef/beef-fsa-pilot
www.carnisostenibili.it
www.foodnexus.eu/



Sustainable Meats - The debate on production and consumption of meat involves organisations and stakeholders of various kinds, characterised by different purposes: animalist and/or environmentalist associations, research centres and media. In this context, at least in Italy, the view of meat producers has never been included, but they have felt the need to participate in the debate by providing information, details and objective data to correct, where necessary, certain positions, at times prejudiced if not completely incorrect.

To do this, a group of livestock operators (companies and associations) has since 2012 organised itself to support scientific studies that, in a logic of pre-competitive transparency, have enabled the publication of the study **“The sustainability of meat and cured meats in Italy”**, at the start of the project “Sustainable Meats” and thereafter the web portal.

Born from the communion of intents of the three main associations, Assocarni, Assica and Unaitalia, the site is intended to deal transversally with all the issues related to the world of meat: an unprecedented project in Italy, which with a training approach wants to contribute to a balanced information on health, nutrition and sustainability.



Foodnexus is a technology platform dedicated to the innovation in the food sector. The aim of the project is to build the best European Consortium in the food sector, capable of preparing a strong proposal to support the growing demand for food from an ever increasing population. The platform is developing a European industrial and scientific partnership in the food sector that can compete in Europe in research and innovation funding.



4.4 INALCA AND THE ECONOMIC COMMUNITY

INALCA is an active member of the main international meat producer organisations. Trade associations are a key element for the acquisition of technical knowledge and standards relating to the international markets in which the company operates.

The complex economic and health regulations of meat markets, the continued evolution of the sector's regulations and the specific characteristics of each country, require a structured interface with local institutions, capable of tackling specific problems of producers while respecting the roles and the institutional dialectic.

The purpose of these associations is therefore to strengthen and develop organic Public-Private relations and to establish a transparent and effective interchange between traders and institutions



ASSOCARNI, the main trade association, which belongs to the **Confindustria** circuit.



Through Assocarni, INALCA is part of the International **Meat Secretariat (IMS)**, which represents globally the meat and breeding industry.



In the Russian Federation, INALCA participates in the Russian **North-West Meat Association (NWMA)**, which includes the main producers of meat and agricultural products in the North-West Federal District of the Russian Federation.



INALCA is a member of the **Russian National Meat Association**, which includes the main meat producers of the entire Russian Federation.



ASSICA, the **Industrial Association of Meats and Cured Meats**, is the national category organisation which, within Confindustria, represents the companies producing salami (processed pork and beef products) and swine slaughtering.



Federalimentare represents, protects and promotes the Italian Food and Beverages Industry, the second manufacturing sector in the country. Federalimentare, along with the Institutions, is committed to promoting a food model based on the requirements of safety and quality, orienting entrepreneurial capabilities towards achieving the best business opportunities in Italy and abroad by promoting *Made in Italy* culinary excellences.



www.assocarni.it
www.meat-ims.org

www.natmeat.ru
www.nwmeat.org

www.assica.it
www.federalimentare.it



5. THE CHALLENGES OF SUSTAINABILITY

5.1 PROMOTION OF SUSTAINABLE AGRICULTURE

The industry reference is characterised by a complex and globalised supply chain. The critical factors that affect its development and pose a threat in the medium-long term are essentially represented by the progressive reduction and depletion of agricultural areas in developed countries, where production contraction has occurred and a growing demand from developing countries, looking for modernity and well-being, require a greater use of animal proteins, amongst which the beef is certainly the most valuable.

Food production contributes to climate change, reducing water resources, causing soil degradation, and reducing biodiversity. Globally, it is estimated that 25% of greenhouse gas emissions derive from agricultural production, both in direct and indirect terms, through the reduction of forests, whilst in more developed areas such as the EU from the food production point of view, the incidence is lower, about 10%, with a decrease of 24% in the period 1990 - 2012.

Considering specifically livestock production, we can observe a similar situation: globally they account for about 14.5% of the total of human-produced emissions, while in the European context, animal production accounts for 9.1% of total human emissions. These are very simple data, which hide situations extremely different from the point of view of the production models: here they are used to demonstrate that the most advanced production systems, well equipped technologically and scientifically, are able to significantly improve impacts and consumption, even in a context of high efficiency and productivity. While livestock production certainly has a significant impact on the environment, on the other hand there is a growing demand, especially from developing countries, as a result of the increase in population and the improvement of social and economic conditions.



The challenge facing the food industry is to increase production by reducing the environmental impact and pressure on natural resources, while ensuring healthy and safe products that allow people access to a varied diet that includes a balanced and adequate combination of energy and nutrients to ensure good health.

The promotion of new models of intensive high-tech and scientific livestock production applied in the European Union represents the main route to respond to this challenge, as is shown by a few simple figures above.

It is the Group's main commitment, in line with the global goal 2 of FAO's sustainable development to combat hunger by promoting sustainable agriculture that will enable everyone to access food securely.



INALCA therefore wants to participate actively in the global challenge of increasing protein production for a growing population, as set out in the Global Goal 12 "Responsible Production and Consumption". The imbalance between supply and demand on a global scale, however, has determined in recent years aggressive production policies in environments not always best suited. Thinking about the future in this area means a return to the centre of the issue of sustainability in agricultural production. For INALCA, sustainable agriculture means essentially a more efficient production system, reducing impacts and consumption per unit of production: **produce more with fewer resources.**



www.eea.europa.eu/it/segnali/segnali-2015/articoli/agricoltura-e-cambiamento-climatico
www.globalgoals.org/global-goals/no-hunger
www.bonificheferraresi.it/it/home



*Man and bovine
linked by a
millennial bond*

Sustainable production techniques provide the first response in relation to security risks in accessing protein sources. To be effective, the promotion of these techniques must be accompanied by a mindset and culture open to technological innovation focused on the concepts of high productivity and efficiency that INALCA promotes and supports.

Too often we forget, in fact, that in recent decades numerous innovations in the field of agriculture have been made, which led to a substantial increase in production levels and a simultaneous improvement of animal health, food safety and environmental quality obtained.

In a historic phase of growing urbanisation, and bovine being a product of the earth, to make it more sustainable means rethinking a new rural context for humans, who's civilization has progressed thanks also to this precious animal.

For these reasons, INALCA has launched a strategy for the realisation of sustainable cattle breeding, which can be a concrete and reproducible example in the various areas where the company operates. Through the company Bonifiche Ferraresi S.p.A., during 2016, the Group has completed in the Province of Ferrara the realisation of an important breeding project complying with these criteria, in a particularly well-developed agricultural area of Italy, which over the past few decades has suffered the serious phenomenon of the abandonment of livestock production.

For more details refer to Chapter 7.

Bonifiche Ferraresi - Jolanda di Savoia (FE)



5.2 ADDRESSING THE NEW SOCIAL AND ETHICAL ASPECTS OF FOOD CONSUMPTION

The economic environment in which INALCA moves is that of ever increasingly consumer awareness, sensitive not only to the aspects of food security, which, while important, is only a first starting block, but above all to the aspects of social ethics. In this context, issues of great social sensitivity such as animal welfare, listed in respect of the sensitivities between various religious entities, must be considered a central element capable of influencing significantly styles and consumption choices.

The ability to differentiate one's products is an important competitive tool, which should convince the company to develop ever more its ability to express, in addition to the recognised quality typical of an Italian product, also social issues, which are increasingly important for the consumer, such as **belonging to certain territories and local cultures**. Elements of identity with which to recognise oneself and through which the different consumer communities influence the dynamics of food choice.

In Italy, similarly to other regions of the European Union and the North American continent, there is a phenomenon of disaffection towards meat consumption. These behaviours are often based on ideological assumptions, lacking an adequate scientific base, which deceives the consumer about the presumed greater health and safety of these diets, and which, by finding strong echo in the media, end up generating unfounded criticisms and unjustifiably aggressive attitudes toward the whole meat compartment, from breeders to processing and distribution companies. For this reason INALCA, through its Category Association Assocarni, supports the project **"Sustainable Meats"** aimed at an objective and scientifically based disclosure of the benefits of meat consumption and the overall sustainability of this sector.

Among the causes that have determined this situation in Western societies, various factors have played a significant role: among them, the progressive loss of organic bonds and knowledge of the agricultural world by the new generations due to growing urbanisation, of the non realistic representation of modern agriculture by the media, often polarised between a reassuring view of bucolic/nostalgic breeding and an aggressive and shocking animalistic angle, as well as the absence of a real training policy on agricultural issues, replaced by a spasmodic media attention to show cooking, the real star of TV shows. Another factor playing a role in this process of disenchantment is surely the pursuit of sensationalism and protagonism, rather than the scientific truth of the food management crisis of the last decades.

For more details refer to Chapter 9.

5.3 TRAINING AND EDUCATION FOR A CONSCIOUS FOOD CONSUMPTION

To restore the right value to this important food, a key element of INALCA's sustainability is the promotion of a balanced meat consumption, consistent with the core principles of the Mediterranean diet, as suggested by major science-based food institutions. In this context, INALCA supports concrete activities to improve consumer knowledge.



Promote the correct consumption of meat in a balanced diet

For further details refer to Chapter 9.3.



www.carnisostenibili.it

5.4 FOOD SAFETY

INALCA addresses the issue of food security through a system of rules and procedures whose purpose is to define, manage and control at all levels its standards of the supply chain.

To ensure the technical adequacy of its control systems, INALCA promotes internally and throughout the supply chain the use of voluntary international technical standards.

PRINCIPLES OF FOOD SECURITY FOR INALCA

Principle 1

CENTRALITY

An optimal level of food safety is considered a prerequisite for all farm products and is evaluated using methods of risk analysis.

Principle 2

DEMONSTRABILITY

All activities and business processes that can affect food security must be managed, monitored and documented, according to a defined hierarchy of references: rules and regulations, international technical standards, specific requisites of the companies using the products of the company.

Principle 3

GOVERNANCE

Specific figures and the system of governance of food security are clearly identified and formalised.

Principle 4

TRANSPARENCY

The information on food safety must be clear, comprehensible and accessible to Customers, Consumers and regulatory Authorities.

Principle 5

CONTROL

In the criteria of control the company uses internal auditing activities, external audits of client companies and, where applicable, audit certifications according to voluntary technical standards and independent international bodies.

For further details refer to Chapter 9.1.

5.5 ANALYSIS AND IMPROVEMENT OF ANIMAL WELFARE

The theme of animal welfare is strongly regulated by Community rules which, especially in the European Union, intervene in detail and strictly in the breeding, transport and slaughter of animals.

Today, however, this topic has emerged from the limited scope of the workforce, to become an element of strong attention and sensibility on the part of the consumer. Attention to the theme of animal welfare has gradually consolidated into a set of internal rules and controls, whose proper management is an important factor in leading the consumer and protecting the company's reputation.

INALCA has developed a clear policy in this field, based on operating rules gained from the active participation in technical and scientific round-tables, from their own experience in the sector as well as its collaboration with the major food groups with which INALCA cooperates. The set of rules developed by INALCA adds to the regulatory requirements and expresses an integrated view of the various markets and geographies that have different cultures and sensibilities on this subject.

INALCA adopted the principle of the “five freedoms” as a founding inspiration criteria for its policy in this sector and its commitment to the responsible use of antibiotics.

Nationally INALCA believes that the experiences and the analytical tools developed by the Zoo prophylactic Institute of Brescia in wellbeing and the responsible use of antibiotics in livestock constitute the principal technical reference for addressing this important issue.

An integral part of its commitment in this area is the promotion of responsible antibiotic use, developed through a specific protocol implemented by the company and applied on its farms.

For further details refer to Chapter 8.



Breeding farm Soc. Agr. Corticella, Spilamberto (MO)



www.fao.org/docrep/013/i1907eli1907e00.pdf

5.6 DIALOGUE WITH STAKEHOLDERS

The dialogue held with stakeholders through the engagement tools contained in this sustainability Report allows INALCA to know, investigate and, where possible, acknowledge the requests of its stakeholders. It is a complex process that requires constant commitment and adequate resources. During 2016 the group of stakeholders with whom INALCA dialogued has not changed.

The main stakeholders with which INALCA confronted itself was constituted by consumer and producer associations, customers, employees and collaborators, research bodies and NGOs (Non Governmental Organisations). In 2016, INALCA has further developed the confrontation with breeder associations and organisations active in the field of animal welfare. INALCA also consolidated its relationship with Coldiretti on sustainability issues, launching the first pilot project in Italy on this subject.

For further details refer to Chapter 6.

5.7 ENVIRONMENTAL CHALLENGES



INALCA operates in a complex chain, characterised by significant impacts and consumption. By systematically adopting the best techniques at all levels of the supply chain, INALCA intends to play an active role in fighting climate change, in line with the **13° global goal for sustainable development, reducing its carbon footprint production.**

As will be better described in Chapter 12, 2016 has been an important year from this point of view: through the acquisition of the UNIPEG-ASSOFOOD group, INALCA has greatly improved its energy mix by significantly increasing the share of energy produced from renewable sources. Not only reducing carbon dioxide, the company's environmental commitment is geared towards reducing raw material consumption, such as water, waste and packaging.

On the agricultural front, through the adoption of a national sustainability analysis tool developed with Coldiretti and the SAI Platform, data and information on the actual impacts and consumption of the national beef supply system will be systematically collected and paths for improvement started.

Biogas plant, Ospedaletto Lodigiano (LO)



5.8 FIGHTING WASTE ACCORDING TO THE MODEL OF CIRCULAR ECONOMY

5.8.1. PROMOTION OF RECOVERY PROCESSES OF WASTE AND BY- PRODUCTS

2
ZERO
HUNGER



12
RESPONSIBLE
CONSUMPTION
AND PRODUCTION



The recovery and valorisation of waste and by-products throughout the chain is an important commitment of INALCA: recovery processes, in addition to generating greater value for the company, contribute to the overall improvement of sustainability in the meat sector. **In addition to the attention to recovery processes, which have been in place for decades, the new challenge is to raise the level of enhancement and the quality of by-products, the priority being always towards the quality used for human consumption.** The best technologies today allow the obtaining of important semi-finished products for humans from by-products which are now destined to other chains such as livestock, agricultural or pet food. While it is true that all the parts of the animal have always been fully recovered in numerous production processes, it is equally true that the portion which is consumed directly by human consumption is still too low. **It is an important challenge to align with the sustainability goals 2 and 12 referred to in Chapter 1.**

It is INALCA's business model, based on the supply chain's productive integration, which opens up particularly large opportunities in this sector; to orient the recovery and processing of waste and by-products to maximum utilisation, with no more materials that can really be considered as waste.

5.8.2. FIGHTING FOOD WASTE

In Europe, the fighting food waste is contained in the Commission Communication "The Missing Link - Action Plan of the European Union for the Circular Economy" (COM (2015) 614) of 02/12/2015 which represents a major policy paper on this theme. This is the most important European Union legislative document and legislative approach on the issues of the circular economy and the related Extended Producer Responsibility (EPR). In Italy, consistent with the European context, the first law to combat the phenomenon of food waste was promulgated, Law 18/08/2016 n.166 "Provisions concerning the donation and distribution of food and pharmaceuticals for the purpose of social solidarity and waste limitation".

12
RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Fighting food waste is a major issue where institutions at every level have focused their attention: the fight against food waste represents a global objective of sustainability **(Goal 12 "Responsible Production and Consumption")** - Although meat is a food less subject than others to the phenomenon of food waste, INALCA's commitment in this field is to participate in the national consultation table on the above mentioned legislative package on the circular economy, which deals with the formulation of legislative proposals on waste directives, including waste and food waste, packaging and packaging waste, waste from electrical and electronic equipment and landfills. Supporting the legislator's decisions is particularly important in combating waste: important projects and pathways for recovery and exploitation of waste and by-products find strong obstructions in a legislation that is not yet adequate, which, in classifying them as waste, do not allow a concrete implementation.

INALCA, through its category association, also supports the LIFE-FOOD.WASTE.STAND.UP project designed to create strong consensus and commitment on this theme and to develop innovative ideas and solutions for the prevention and reduction of food waste.



ONLINE

www.globalgoals.org/global-goals/responsible-consumption
www.lifefoodwastestandup.eu/en/il-progetto

**“CIRCULAR ECONOMY”
REGENERATING RESOURCES, CREATE ZERO WASTE**



**AGRICULTURAL
PRODUCTION
AND BREEDING**

- **agricultural waste**
compost production,
co-generation energy
- **manure**
organic fertiliser
production and biogas



**DISTRIBUTION
AND CONSUMPTION**

- **reducing packaging**
at product's expiry date
- **recyclability of packaging**
through recycling



**INDUSTRIAL
PRODUCTION**

- **recycling of industrial waste**
- **co-generation energy from biomass**
derived from waste products
- **compost production**
from production waste
- **transformation of by-products,**
bones and skins for food, pharmaceutical,
animal feed and fertiliser industries

5.9 ACTION GUIDELINES FOR SUSTAINABLE DEVELOPMENT, 2016 - 2020

In this scenario, INALCA has identified the following action guidelines in the short and medium term:

1) ENGAGEMENT OF THE STAKEHOLDERS

Aware of the complexity of the beef chain and the necessity to play as a team, INALCA has identified as its main action the progressive involvement of its stakeholders in the adoption of sustainable development practices, with particular reference to clients, consumers, institutions and above all the agricultural world. To this end, INALCA intends to consolidate and increase organic collaborations with Agricultural Organisations to disseminate the principles and techniques related to sustainability in the livestock sector. During 2016 activities were concentrated on the definition of sustainability in breeding evaluation system in line with European criteria.

2) PROMOTION OF A BALANCED DIET

INALCA believes that the promotion of a balanced and knowledgeable style of consumption, based on the criteria of the Mediterranean diet, represents the central element of its social responsibility. In this sense, INALCA will promote technical roundtables and innovative ways of communication with the aim of educating consumers on the importance of a varied diet and styles of consumption that meet the guidelines of the scientific world.

3) REDUCTION OF ENVIRONMENTAL IMPACTS



INALCA has identified the main environmental impacts on which it intends to act with actions in the short and medium term. In particular the actions are intended to **reduce the carbon footprint of its products** through actions aimed at the supply chain, improving the energy efficiency of fossil fuels, increasing the **quota of energy from renewable sources**. In order to initiate an objective and transparent interaction with stakeholders on the actual impact and consumption of its products, INALCA promotes Life Cycle Assessment (LCA) studies and environmental product declarations (EPD) on its most representative products, **in line with Goal 13 of the SDGs**.

4) ADOPTION OF CONTROL INSTRUMENTS OF CORRECTNESS AND INTEGRITY OF TRADE RELATIONS

INALCA has adopted its code of business conduct within its corporate organisational model. Through the adoption of its Code of Ethics and Corporate Model Organisation, INALCA intends preventing behaviour that does not respect its own ethical principles and the laws and regulations regarding business practices and competition in the markets of all the countries where the company operates. These activities are also being developed in the regions of Russia and Africa.

To this end, INALCA promotes and supports, through trade associations, organisations that have as their purpose the fight against crime and illegality in the food industry.

5) DEVELOPMENT OF NEW SUSTAINABLE FOOD PRODUCTS



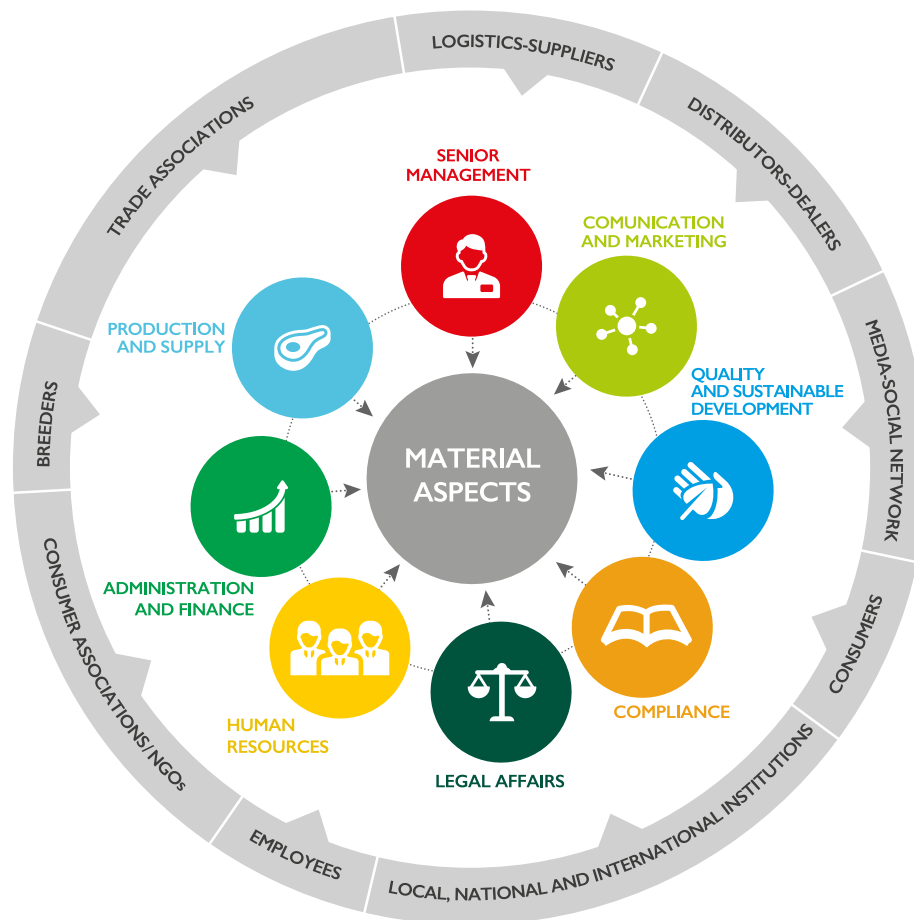
The ethical challenge of increasing food production to meet the steady growth of the world's population, whilst maintaining the balance of the planet's natural resources, is taken up by INALCA, which considers the identification and development of new business processes as a priority to increase the degree of raw material usage for food production, systematically giving priority to food production in comparison with other possible destinations and uses other than that of food proper, **in line with Goal 2 of the SDGs**. In this field, INALCA has launched some research projects aimed at improving the valorisation of noble proteins and other nutrients from their by-products to produce new semi-finished products for the food industry.



6. STAKEHOLDER ENGAGEMENT, APPLICATION OF MATERIAL ASPECTS

6.1 STAKEHOLDER ENGAGEMENT

With regards to the methods of involving stakeholders, INALCA has organised meetings with various external parties, in which were assessed and weighed the main issues related to sustainability in the beef sector, such as: nutrition, product safety, ethical aspects regarding the supply of agricultural raw materials, environmental protection, animal welfare, etc. Internally INALCA has also organised meetings and focus groups on the same themes that collect specific assessments of key people from key business sectors.



A further substantial contribution is derived from the active participation of INALCA in discussions and working groups; in trade and sector Associations it is a member at national and international level. Among these, particular importance was placed on the participation in technology platforms that deal specifically with sustainability in the beef sector on a regional and global scale, as well as in organisations of agricultural producers and institutional round-tables on analysis and evaluation of the new regulations.

Among these, **GRSB, SAI Platform and Coldiretti**, with whom INALCA has a dialogue and participates actively, are the most authoritative and qualified. Technology platforms are subjects that, by aggregating companies, scientists and stakeholders, identify value guidelines and sustainable production techniques in the beef field, promoting the adoption at all levels of the supply chain. During 2016, INALCA further heightened its confrontation with Coldiretti to outline a national sustainability analysis project aimed at systematically involving breeders and defining actions for improvement.

6.2 METHODOLOGY

For the analysis of materiality, INALCA, has identified the subjects to be submitted to its external and internal stakeholders and collected them in a check-list. The identification of the topics for discussion and debate with stakeholders has been made taking into account as a basic technical reference standard GRI G4 (G4 Sustainability Reporting Guidelines “Reporting Principles and Standard Disclosures”, G4 “Sustainability Reporting Guidelines - Implementation Manual”, G4 Sector Disclosures - “Food Processing”), integrated with elements from the participation of INALCA in trade associations and technology platforms.

The stakeholders involved have been identified taking into account the following principles:

- **Influence:** stakeholders who have a direct influence on INALCA’s decision-making
- **Proximity:** stakeholders with which INALCA interacts most frequently and directly
- **Dependency:** stakeholders who depend directly or indirectly from INALCA’s activities and from its economic or financial operations
- **Representation:** stakeholders who through the regulation of representation, or by custom, may legitimately be the spokesperson of a request.

Further elements of reference for the identification of subjects of comparison were INALCA’s principles and values and numerous codes of conduct signed by INALCA within its supply chain (see also paragraph 7.2). Following the identification of topics to discuss with stakeholders, individual sessions of comparison or in focus groups were started and the results of the discussion were grouped in the checklist of data collection, together with an evaluation value scale of 5 classes, attributed by the stakeholder on each topic.

In the following Table 14 the meaning attributed to each value scale is described:

TABLE 14 - WEIGHTING CRITERIA ADOPTED FOR THE ANALYSIS OF MATERIALITY

VALUE	MEANING
0-1	The theme examined is not of priority importance, or, if deemed relevant, it is however properly and effectively addressed and managed by INALCA.
1-2	The theme examined is of some importance, it is adequately addressed and managed by INALCA and could be subject to further non-substantial and non-priority improvements.
2-3	The theme examined is important, it is already addressed by INALCA and may be subject to further improvements.
3-4	The theme examined is very important and, while being tackled by INALCA, requires further improvements or additions.
4-5	The topic is extremely important and requires continuous and constant efforts by the company to intercept the expectations of stakeholders.

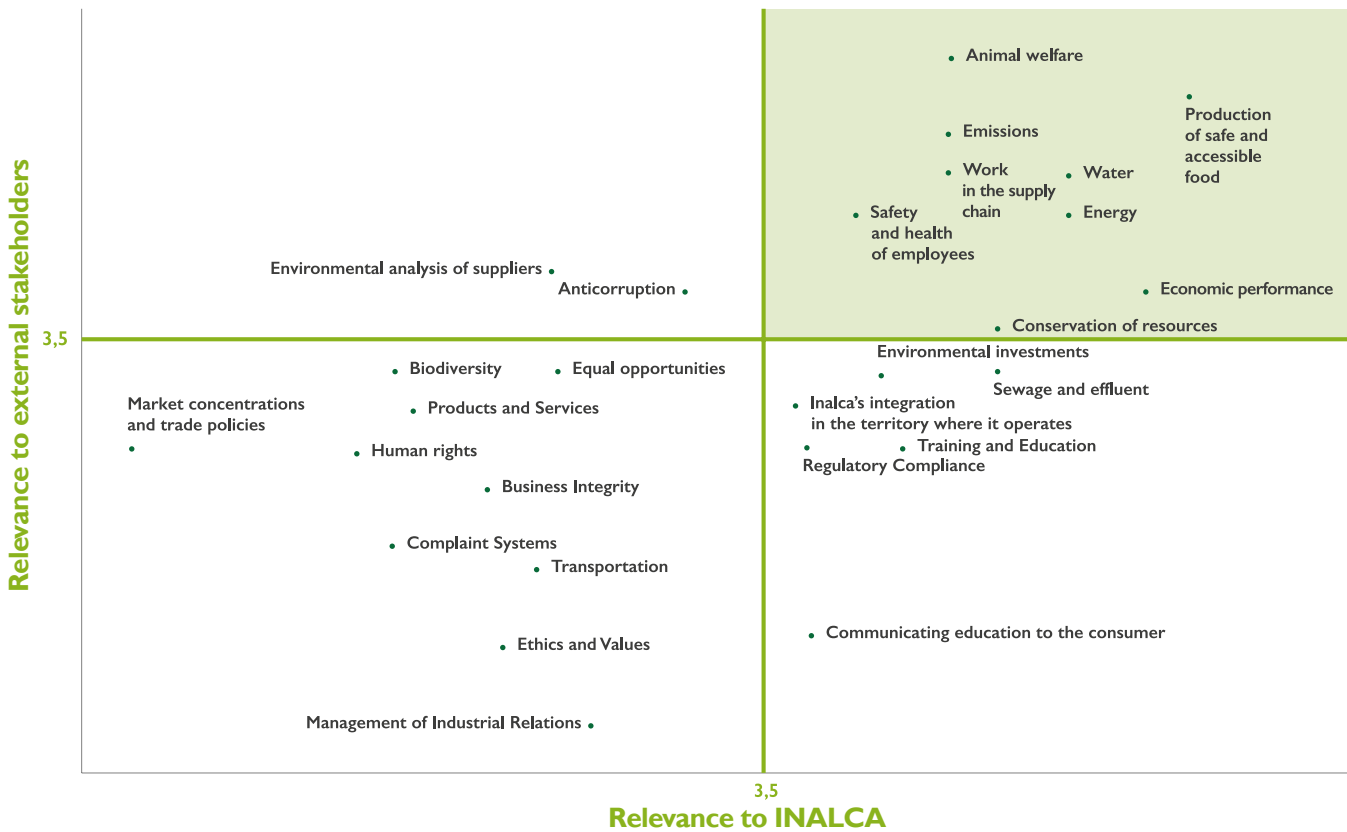
In the areas of Africa and Russia, data collection and management of meetings and focus groups was entrusted to the directors of companies and production plants, supported by the project manager.

6.3 MATERIALITY MATRIX

The following table summarises the results and analysis of materiality carried out by INALCA. The topics considered are the materials which, according to the above Table 14, received a grade greater than 3.5 among the subjects interviewed and appear top right in the box. It is on these issues that INALCA gave priority of intervention.

TABLE 15 - RESULTS OF THE ANALYSIS OF MATERIALITY

Based on the methodology described in the previous paragraph the following materiality matrix has been elaborated.





INALCA - Deboning room, Castelvetro di Modena (MO)

7. SUPPLY CHAIN

INALCA's supply chain is large and articulated, varying depending on the type of product and geographical area of production. In the following paragraphs the major issues of our supply chain and the main differences between the various regions in which INALCA operates are described.

7.1 ITALY

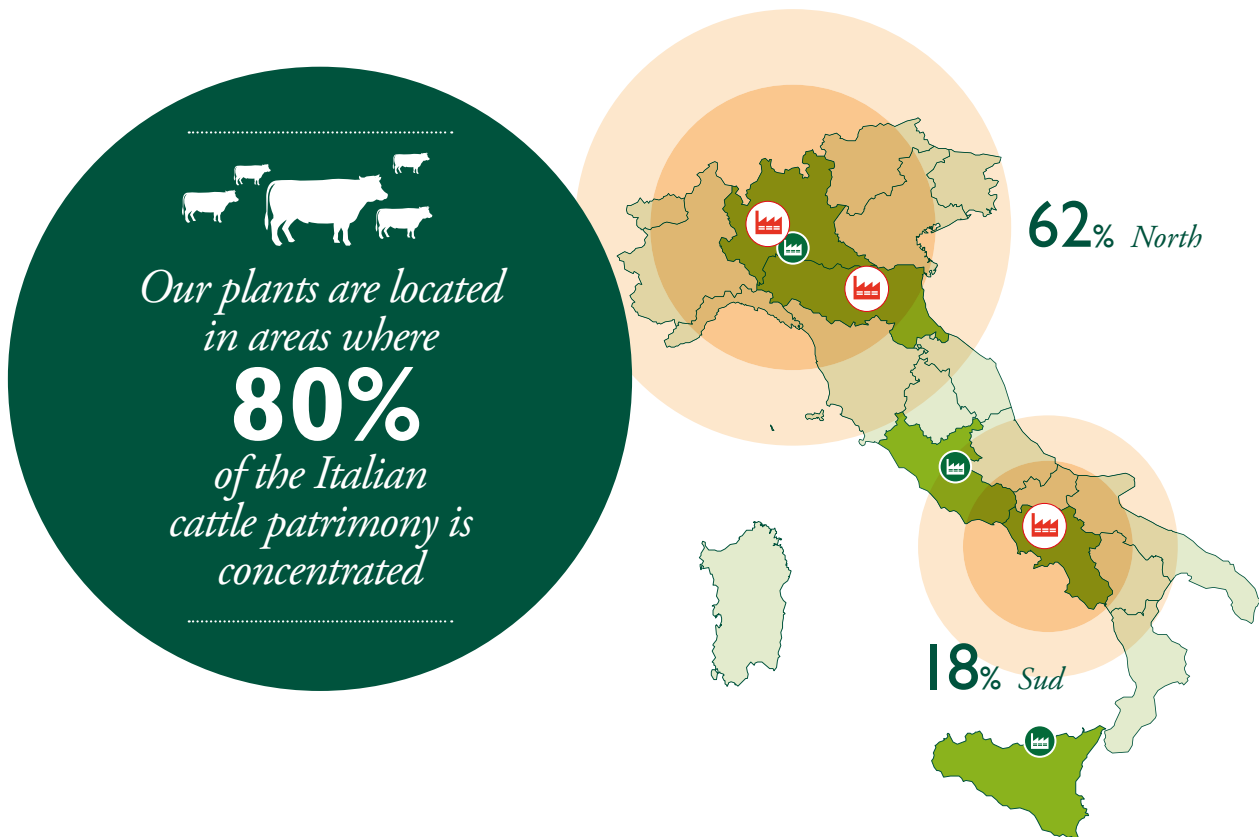
BREEDING AND AGRICULTURAL PRACTICES



In Italy, the breeding of our suppliers are all located in the national territory. Italy is characterised by cattle breeding developed over centuries mainly in barns. Our country does not have in fact large pastures, but has land in the Po valley amongst the most fertile in the world, capable of producing food with high nutritional value. In this region **over 60%** of the national cattle population is concentrated. In the case of dairy cows, breeding is developed mainly in barns. Instead, in the case of animals for meat, breeding in barns follows an earlier stage where the animal grows and is weaned at pasture.

The Italian model of farming is therefore based on the great nutritional value of the feed that it is able to produce and which allows a balanced growth faster than breeding at pasture, typical instead of the northern European countries.

ITALIAN CATTLE DENSITY BY AREA



BREEDING IN BARN OR AT PASTURE?



In the case of breeding in barns, the structure is designed to allow an adequate surface space per animal reared, which allows the animal to move, to lie down and have water and feed at all times.

From the point of view of animal welfare, we can distinguish between breeding in barns and at pasture: the model of breeding in barns respect to breeding at pasture has different characteristics and rules, but they are both appropriate and respond to needs of breeding that derive from the characteristics of farming land and soil fertility. In the case of breeding in barns, the control of the animal is more accurate and timely: in fact the animals are monitored at least twice a day, with the capability of immediately noting problems of various nature associated with, for example, incipient diseases, ailments, or nutritional problems. Immediate action can be taken and, if necessary, separate the animal and shelter it in the infirmary for specialised medical treatment. Furthermore breeding in barns also allows more easily the prevention of infectious diseases to other animals and humans, which is important especially in highly urbanised environments.



In the instance of breeding in barns, the animal is protected from bad weather and any predators, an important aspect especially in the case of young animals or during birth. Even the power supply is calibrated with more precision and modulated according to the specific needs of the individual groups and the growth phase. This type of breeding requires nutritional, veterinary and technological knowledge, which requires important professional expertise by the breeder. Lastly, **cattle breeding in barns requires advanced technologies for the management of manure**, which, especially in areas of high population density such as in the Po Valley, **are recuperated to produce green energy through the production of biogas, saving fossil fuels.** In the case of breeding at pasture, typical of the northern European or American countries with a low population density and which have large yet not fertile agricultural land, the animal is left in the wild for most of its breeding period.

In this case, the animal has more freedom of movement, the production cycles are lengthened, the feeding provided by pasture is less nutritious, and there is less possibility of control in case of illnesses or any kinds of problems. In both farming systems, practices are being carried out to improve their sustainability: in the context of intensive farming, the most important experiences are the reduction of the use of antibiotics, precision farming techniques to reduce the consumption of water and fertilisers, and techniques for producing energy from renewable sources.

In the case of pasture breeding systems, sustainability practices are mainly based on greater confinement of animals in specific plots and on their rotation to allow more efficient regeneration of the pasture, increasing its nutritional value and controlling erosion and the fertility of the land more effectively. Today, pasture systems, typical of countries with large green areas, have also started paths of sustainability certification, aimed at guaranteeing respect for forests and biodiversity. In fact over the past few years, in particular the large South American cattle production areas have encouraged grazing production to the detriment of forests. Today awareness has grown tremendously in this context and the process of deforestation has been put under great observation by institutions and the media.

In Europe, pasture and barns farming systems are rarely exclusive amongst themselves during the animals life cycle as is commonly thought; they are generally integrated and complementary, since pasture is geared mainly towards young animals, which are reared in the great plains of central Europe, or in alpine or hilly areas of central southern Italy, while barns breeding is suitable for adult animals in the final stages of their production cycle. In fact, one should not think of an ideal breeding type in absolute terms, but one must look for the most optimal one according to the type of territory. It is important to underline that both, if correctly carried out, always keep the animal in its proper physiological state and well-being. The next paragraph will clarify this concept better.

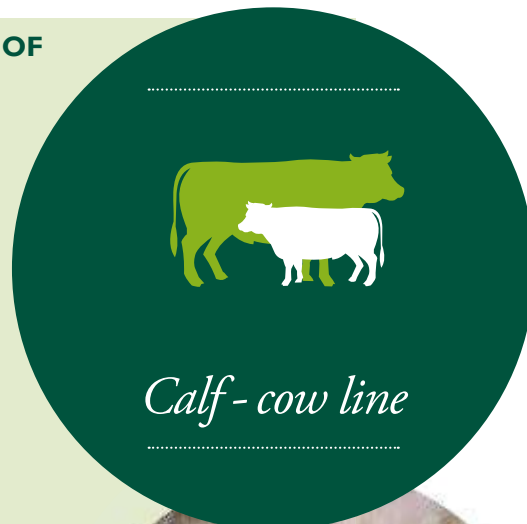
THE ITALIAN MODEL AND THE SUPPORT OF THE CALF-COW LINE

In addition to cattle breeding, INALCA's integrated breeding model for meat production involves a combination of the two systems, that are, a first part where the animal lives grazing in an extensive breeding context and a second where the animal ends its cycle in a stable with a more nutritious and energetic feed respect to the grazing stage.

For this integrated and sustainable production model, however, it is necessary to reintroduce into breeding farms the so-called calf-cow line. What is it about?

The calf-cow line is a type of breeding in which the calf is born in the same farm that will carry out the early stages of breeding. In this manner, the breeder does not only have to worry about feeding the animal in only the fattening phase but also has to manage the reproduction and repopulation of the herd. Beyond feed techniques, the breeder must also handle the aspects of genetic improvement, breed selection and weaning of young calves.

It is not a negligible aspect, developing the calf-cow line, it is in fact the starting point for bringing the farm back to its rural dimension by adapting the breeding methods and herds to the specific features of the territory. It means increasing the biodiversity of the various breeds and improving the integration of humans, animals and the environment. Ultimately, it means ennobling beef from mere foodstuff to the cultural expression of a territory.



MEAT SUPPLIERS



Our meat suppliers have different geographical origins and provide products with different qualitative characteristics depending on the type of animals and breeding systems used. INALCA is a global food business operator and its meat suppliers are also selected in every continent and country with the vocation of exporting this product. Different categories of producers can be identified:

- For meat production destined for industrial processing, such as **canned meat** produced in Italy, INALCA also uses other small local facilities, in addition to its slaughterhouses, for the purpose of enhancing the national cattle industry used in a typically Italian product, such as gelatine meat. This particular type of canned meat is in fact largely consumed in our country.
- For the **production of frozen hamburgers and meat cuts for domestic and foreign markets**, INALCA uses, in addition to the meat produced by its Italian Group companies and from national farms, meat obtained from other national and European suppliers. From this commercial interaction there has been a constant development of relationships with its suppliers, who have progressively been equipped with voluntary certification schemes for food safety and adapted to the INALCA qualification and evaluation process.
- For **meats of a typically international style intended** for the HO.RE.CA channel, INALCA imports meat from various non-EU countries; which are products obtained from Anglo-Saxon genetic animals, such as Angus and Hereford breeds, which are imported fresh. These are high quality cuts prevalent in specialised catering, the classic example of which is USA T-Bone steak, produced in the most important American plants concentrated in the well-known region of the so-called “Corn Belt” in Nebraska. These include the famous Argentine, Australian

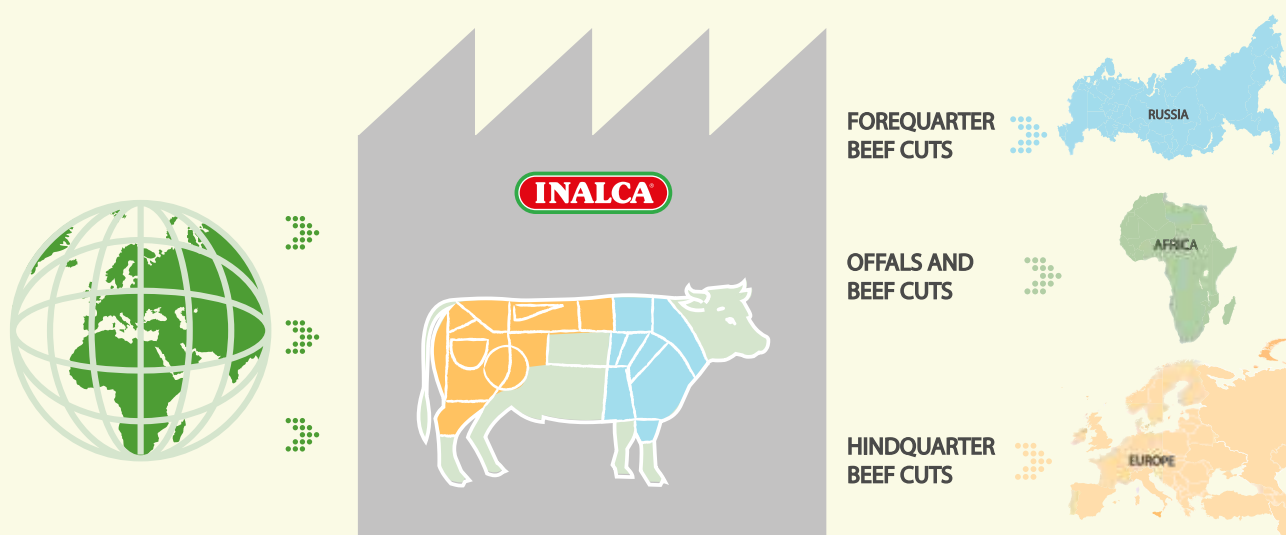
INALCA
is a global player.
In 2016 Inalca moved
more than
500,000 t
of goods
around the world

Selling
and buying meat
in **70** Countries
from **5** Continents

and Uruguay meats with both Grass-Fed and Grain-Fed lines. In this case INALCA performs an activity exclusively of distribution; the control of this type of supplier concerns, alongside food safety aspects, a wider procurement system designed to define qualitative parameters and ethical-social commitments, from feeding to feedlots, to processing and labelling at the supplier's establishments, up to final sales checks. In addition to control, INALCA's activities support overseas suppliers to align quality standards to the country-specific regulatory requirements of the products.

• **As for the pork sector,** the Group in Italy favours domestic suppliers of fresh meat complying with the IGP, DOP (Protected Geographical Indication - Protected Designation of Origin) requirements necessary for the production of high quality charcuterie intended mainly for the domestic market. In the case of other swine meat products destined for European or extra European trade circuits, such as bacon, Community meat is used instead.

PRODUCT SUPPLY FLOWS AND PRINCIPAL DESTINATIONS



INALCA's commercial and industrial organisation allows the purchase of all bovine cuts on a global scale and their specific placement in the markets and segments of choice.

SUPPLIERS OF PACKAGING



INALCA uses various types of packaging: the main ones are made of plastic material, paper, cardboard for the packaging of fresh and frozen meat, tinplate and aluminium used instead for canned meat.

The criterion for selecting suppliers of packaging is based on three principles:

- technical expertise;
- ability to provide assistance and technological innovation;
- proven experience with large industrial groups.

These are fundamental aspects that are carefully evaluated by INALCA. In fact, packaging is an integral part of the product and is responsible for its protection. Small defects in the plastic or metal materials can reduce this level of protection and compromise product safety, so it is imperative that the packaging is systematically verified both at reception and use. The proper packaging process always involves the close coupling with a dedicated technology; it

is not enough, therefore, to check the suitability and integrity of the materials, control must extend to the packaging technology and packaging systems that must fit perfectly with the packaging adopted.

In 2016, the growth of a packaging called “skin” has been introduced, a vacuum system that is adopted on small packages for the final consumer and which allows the extension of product conservation times, thanks to the natural selection of a protective microbial flora.

SUPPLIERS OF FOOD INGREDIENTS



INALCA has many suppliers of ingredients such as aromas, vegetables and flour. In this case, in addition to the selection of ingredients from local suppliers, easily recognisable by the consumer, the selection criterion is based on the safety of the food ingredients used and their effectiveness respect to the qualitative and organoleptic standards of the finished products in which they are used.

The guarantees are in fact the first criterion for selection, with particular reference to the technical consistency of self-control systems, the absence of allergens and the characteristics of the food substances used. The performance of these suppliers in providing support in enterprise research and development projects is also a further element of choice and assessment.

The suppliers of particularly relevant products are inspected by INALCA technicians. In order to improve information gathering and supplier evaluation, INALCA has developed a dedicated web portal. Below is a flow chart that summarises the process of qualifying and evaluating of these suppliers.

QUALIFICATION PROCESS AND EVALUATION OF FOOD INGREDIENT SUPPLIERS



7.2 EUROPEAN UNION

POLAND

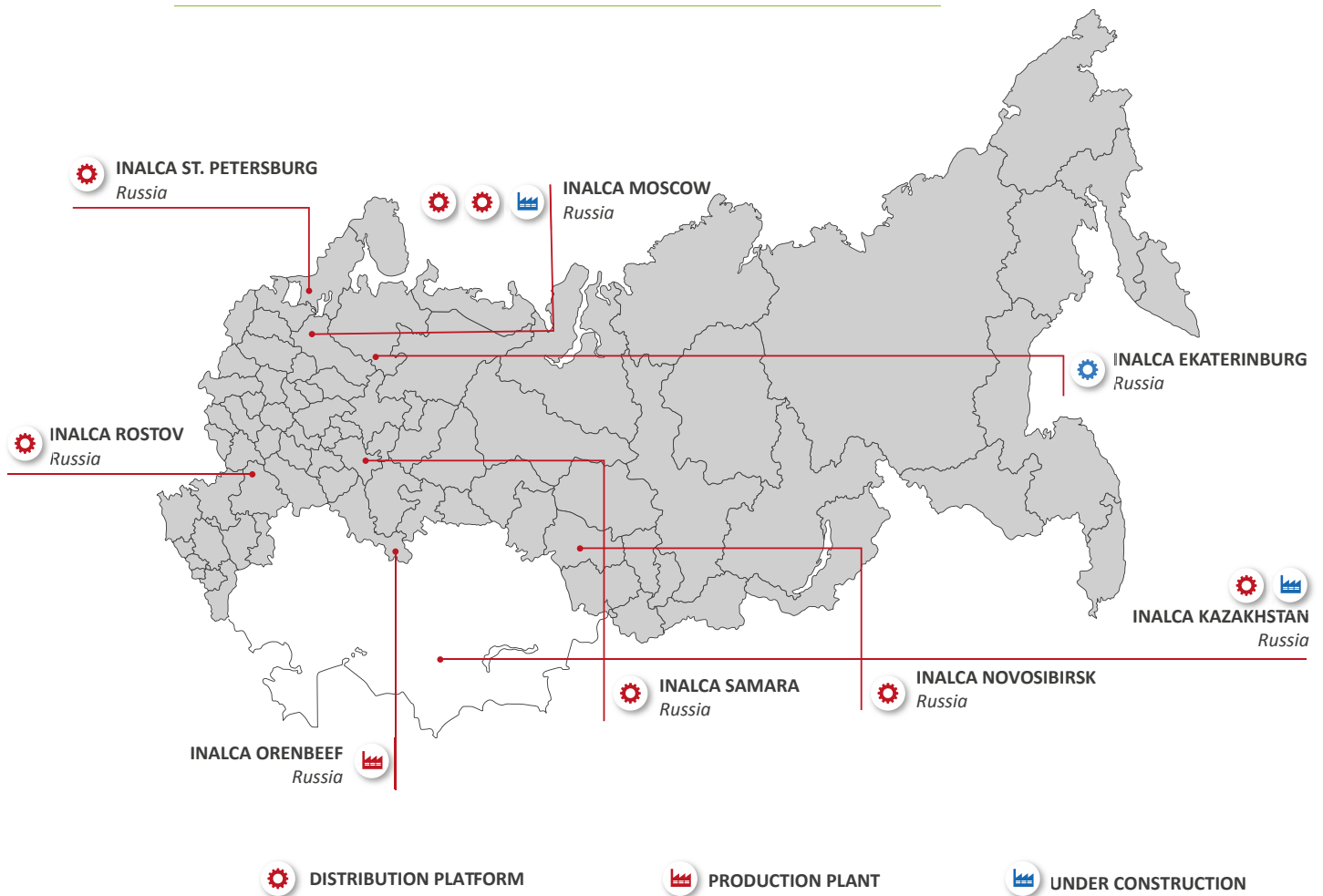
2016 has been an important year for INALCA's presence in the European Union. The first steps were initiated for the establishment of a **plant in Poland in the middle Eastern region - Socochin municipality** - an area with a strong livestock vocation. Poland is a country characterised by an increase in agricultural production, in contrast to the rest of the European Union and with strong values of identity linked to the agricultural world.

The plant will slaughter animals bred locally and carry out the relative meat processing, including the production of hamburgers for the local market and neighbouring countries. With this initiative, the Group intends also to apply its integrated and sustainable development model to the Community market. Thanks to the slaughter facility, INALCA can in fact make long-term direct agreements with the breeders by creating a **local supply chain**. This approach represents an important step forward, as Poland has a traditional type of farming, based mainly on commercial intermediaries and less on direct transfers between breeding and the processing industry.

Thanks to the Group's European network, INALCA will allow breeders to enter the market's highest segments and permit the best placement of every part of the animal in the local and community market, including Italy, which is a strong consumer of Polish beef, especially in the catering sector.



7.3 RUSSIA AND THE EURO-ASIAN REPUBLICS



RUSSIAN FEDERATION

In the Russian Federation, the Group operates in the sectors of food distribution and industrial meat production. The distribution activity is undertaken through an articulated system of platforms and logistic infrastructures that covers most of the country and whose main operating base is located in Odintsovo, in the metropolitan area of Moscow.

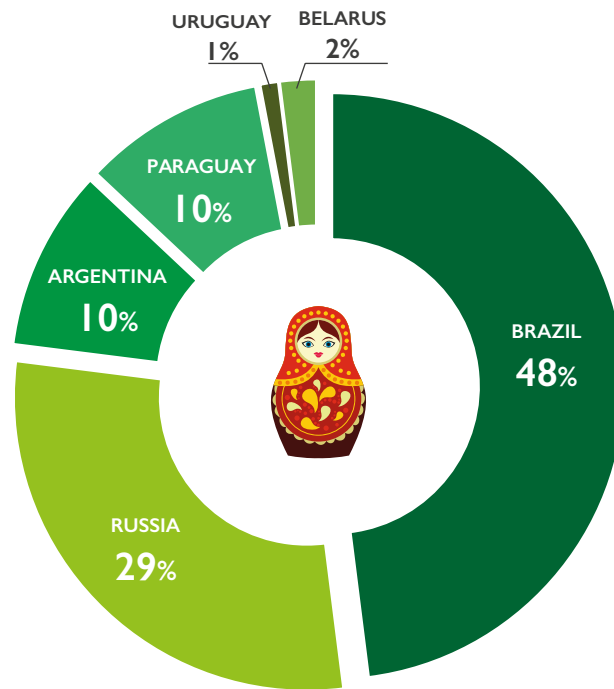
The industrial production is articulated according to an integrated supply chain that involves two productive installations: the first, responsible for primary slaughter operations and sectioning, is located in Orenburg, in the homonymous region that has a strong agricultural vocation. This plant, which entered into full regime in 2016, carries out, as well as slaughtering, the production of anatomical cuts for local distribution and subsequent industrial processing at the second installation, the Odintsovo plant. In fact, in addition to the aforementioned food storage and distribution activity, the industrial production of hamburgers is made here, destined mainly for the catering sector.

The productive and commercial integration between the two plants permitted an increase in locally produced meat, while reducing the dependence on foreign imports. It is an important result that, in addition to contributing to the development of the territory and local communities, represents for the Group an element of reliability for future business activities in this country.

It should not be forgotten that the supply of meat in Russia is still based on imports, as the country is not fully self-sufficient. Imports are also difficult because of geopolitical events, such as the **embargo**, which has reduced the number of potential countries exporting to Russia and relative competitive trade; to which must be added Russia's adoption of healthcare barriers of a non-tariff nature, which create a further obstacle to imports. Overall, a framework of strong instability, which causes frequent operational difficulties in supply from foreign countries and commercial tension.

During 2016, the establishment of Odintsovo, a Bacon production line is in the start-up phase, which will result in a further flow of swine meat and beef supply. On the swine meat front it is expected that the supply will be exclusively from the local market. The Russian production system is growing and this allows INALCA to use a greater number of local suppliers also for different types of meat products and ingredients, used for distribution in the Russian territory and in industrial transformation.

MEAT ORIGIN IN THE RUSSIAN SUPPLY CHAIN



KAZAKHSTAN

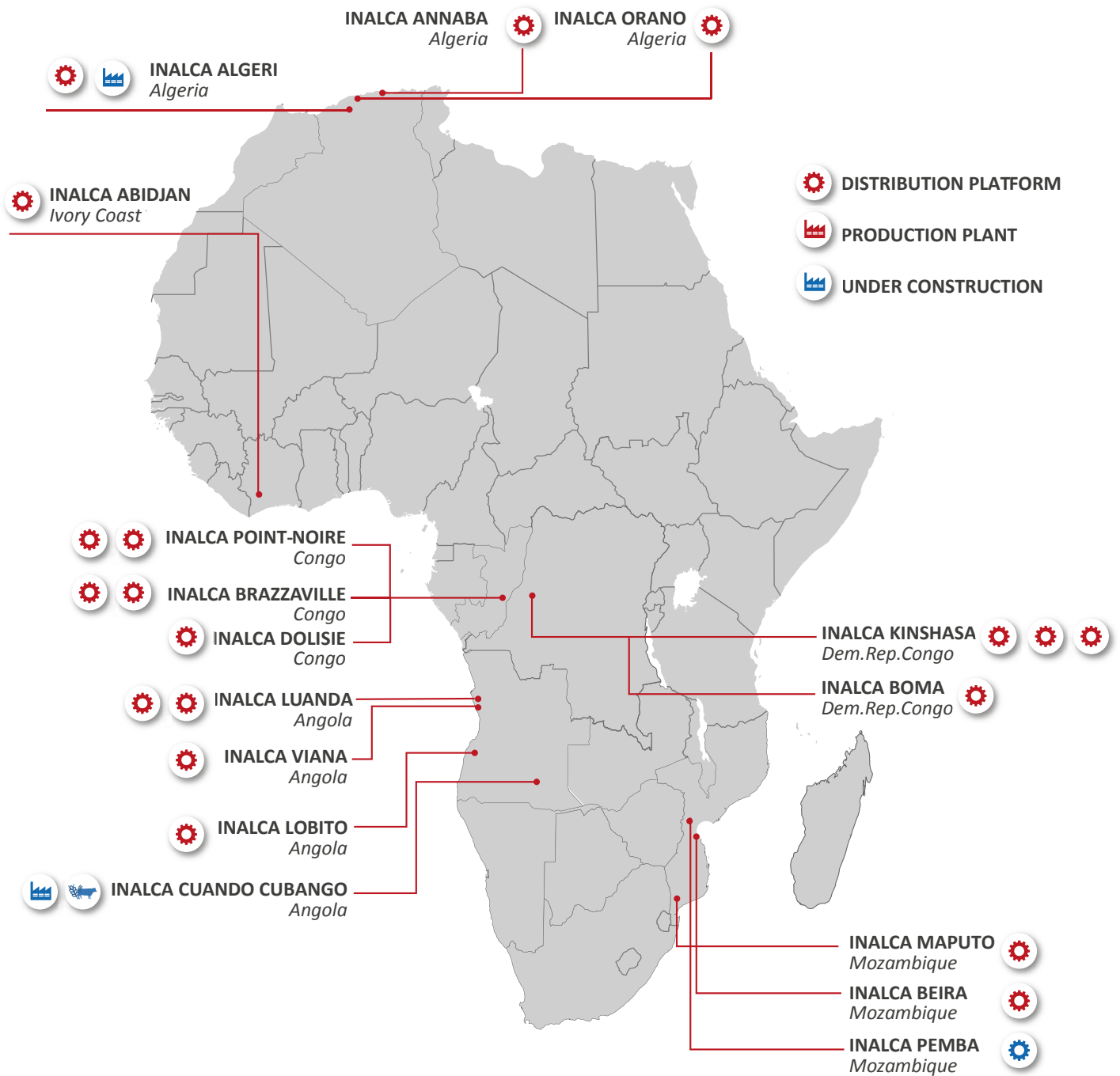
Kazakhstan is an area of strong agricultural vocation, an important exporter of cereals and other vegetable commodities, capable of developing a modern sustainable cattle chain, enhancing its own cereal heritage transformation. Kazakhstan is also the natural export gate to China and can be an important source of food supply for this immense country. The group has created a logistic platform and plans to build a slaughterhouse for domestic consumption and export.

INALCA - Distribution Platform Almaty (Kazakhstan)



7.4 AFRICA

In Africa there is a network of distribution platforms and logistic infrastructures for food distribution in various countries: Angola, Congo, Democratic Republic of Congo, Mozambique, Ivory Coast and Algeria. At present, it is not possible to use permanently local food vendors. The control and selection of food suppliers for the African market is largely based on compliance with the international standards in force in the African continent, in particular *FAO Codex Alimentarius*, and in particular on adherence to INALCA's Code of Conduct.



ANGOLA

Angola is the first country in which the Group’s activities in Africa have developed. Group activities in this country are growing despite the financial crisis resulting from the fall in the price of crude oil and the depreciation of local currency. This situation has led to a drop in supplies by competing companies. In 2016, the Group laid the foundations for two important initiatives that will materialise in the following years: the realisation of a breeding farm with an annex slaughterhouse in the eastern province of Cuando Cubango for the production of meat for the domestic and Sub-Saharan African markets. The feedlot system allows the collection of young animals from small breeders, ensuring their stable income and access to the market and privileging direct livestock delivery instead of brokering with traders. It is an initiative of strong social value that will enable the revival of lands naturally devoted to animal husbandry and to achieve a complete African meat chain.

The second initiative is the creation of a large distribution platform with related processing, which will cover various types of foodstuffs both of animal and plant origin and will be carried out in collaboration with the Angolan Government.

ACTIVITIES:

- Distribution and import of products (Fresh, Frozen and Dried)
- Processing and transformation of beef products
- The platforms are located in Luanda, Lobito and Cuando Cubango (under construction)
- In Luanda, INALCA is building an integrated plant for the production of beef products, with a feedlot for cattle

INALCA - Distribution Platform Luanda (Angola)



CAPACITY

Luanda

Fresh and Frozen Products - 20,000 tons

Dry Products - 15,000 tons

CAPACITY

Lobito

Fresh and Frozen Products - 4,000 tons

Dry Products - 8,000 tons

DEMOCRATIC REPUBLIC OF CONGO

During 2016 the main investments made by Inalca in Kinshasa, concerned the strengthening of the vehicle fleet to manage the transport of goods purchased from Matadi port to the company's warehouses and eventually to provide also services to third parties. There are also work projects in the Nathalice area, where one of the company's warehouses is located, for the construction of new offices and apartments for its employees.

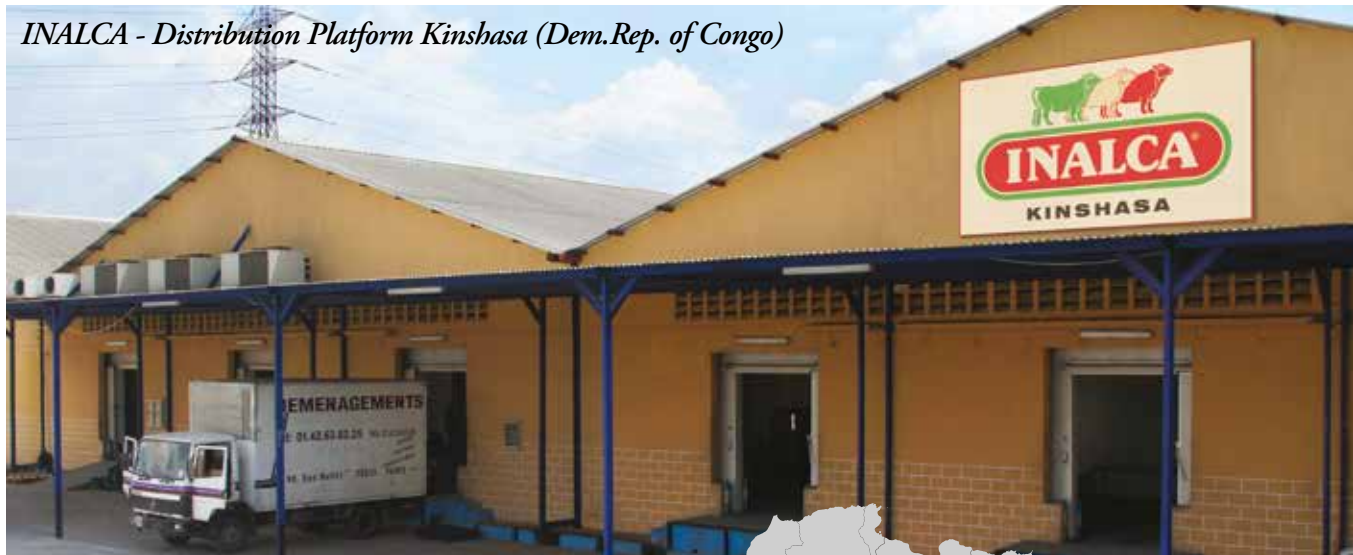
CONGO

In Brazzaville, new land has been acquired to expand retail outlets in commercially strategic areas of the city, and in the same city and at Pointe Noire, work is underway for the construction of new refrigeration cells.

ACTIVITIES:

- Distribution of imported and local food products (Fresh, Frozen and Dried)
- INALCA is leader in the distribution of fish products
- The platforms are located in Congo, Doloise, Point-Noire and Brazzaville and in Democratic Republic of Congo in Kinshasa and Boma

INALCA - Distribution Platform Kinshasa (Dem. Rep. of Congo)



CAPACITY

Kinshasa

Fresh and Frozen Products - 20,000 tons

Dry Products - 15,000 tons

CAPACITY

Brazzaville

Fresh and Frozen Products - 4,000 tons

Dry Products - 8,000 tons



ALGERIA

During 2016 there were no substantial interventions in Algeria. Organisational changes have been made, which involve the direct management of the subsidiary, formerly entrusted to a minority shareholder.

ACTIVITIES:

- Distribution of imported and local food products (Fresh, Frozen and Dried)
- Processing and transformation of beef and sheep products
- INALCA is involved with the local government in developing the production of beef in the country
- Activities are concentrated in Algiers, Oran and Annaba, where Inalca has 3 distribution platforms. The refrigerator in Algiers is the largest in the country

INALCA - Distribution Platform Algeri (Algeria)



CAPACITY
Algeri
Fresh and Frozen Products - 20,000 tons



MOZAMBIQUE

In 2016, the building of Maputo's main office, including facilities and means of transport, were completed. The estate has become the company's registered office and is located in the Zimpeto Trade Centre in Maputo. A complex of cold storage cells is in progress in the city of Beira and a new centre in Pemba.

ACTIVITIES:

- Distribution of imported and local food products (Fresh, Frozen and Dried)
- Processing and transformation of beef
- In Mozambique, INALCA has a Distribution Centre located in Maputo, Beira and Pemba

INALCA - Distribution Platform Maputo (Mozambique)



CAPACITY

Maputo

Fresh and Frozen Products - 1,000 tons

Dry Products - 4,000 tons



IVORY COAST

In Ivory coast, refrigerated warehouses and infrastructures connected to the port area of the capital were built in 2016.

ACTIVITIES:

- Distribution of imported and local food products (Fresh, Frozen and Dried)
- In the Ivory Coast, INALCA has a Distribution Centre located in Abidjan



INALCA - Distribution Platform Abidjan (Ivory Coast)

CAPACITY

Abidjan

Fresh and Frozen Products - 1,000 tons

Dry Products - 4,000 tons



7.5 CLIENTS AND CONSUMERS

INALCA operates at all levels with the largest multinational food chains, as well as with small local operators. In the process of industrial transformation, big customers have enabled the Group's expertise to grow, especially in quality control systems, security and the environmental energy sector.

By working with small customers, linked to both processing and distribution, INALCA has gained greater sensitivity to sustainability issues, particularly to the value of social aspects and the different needs of the territories in which it operates.

There are two separate business identities in the Group: the first is to develop **business-to-business productions with large multinational food groups as global partners on various international markets**. The second is to develop an identity and a system of house brands to become recognisable to the consumer as bearers of values related to Italian food and more generally to the Mediterranean style. It is in this context that the company develops its commitment to the promotion of balanced consumption, which pays attention to properly nutritional aspects with the values of sociality and aggregation typical of our Italian identity.

BIOLOGICAL PRODUCTIONS

In 2016, the main INALCA Italian plants obtained the recognition of compliance with EC Regulation 834/2007 on **organic production and labelling of organic products**. Meat production complying with this production criterion, even if still low, is growing rapidly and is evidence of a strong consumer focus on sustainability issues. INALCA's adherence to this particular regime allows the Group to develop knowledge and skills in this field and to launch any pilot projects of beef production of an organic type. Over the next few years, INALCA will, in the face of specific experiences gained in this method of production, assess the true value of organic production as a real tool for improving the overall sustainability of livestock production, especially on the impact and consumption of agricultural production, that in this regime are not necessarily better than traditional systems.



7.6 CODES OF CONDUCT AND PREVENTION OF FOOD FRAUDS

INALCA has published its Code of Ethics and Business Conduct within the corporate organisational model. It is a vital document that is shared with all offices that have business relations with customers and suppliers and is attached to supplier contracts becoming a binding part of the contract.

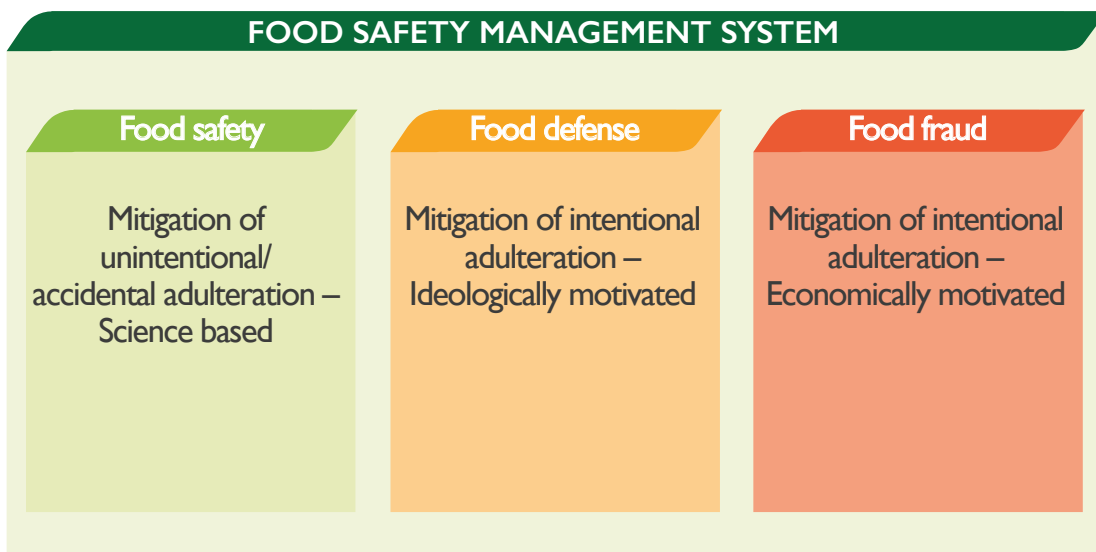
Similar codes of conduct have been developed by the Group in the management of privacy and inspections or controls by Authorities or Institutions.

Within its supply chain, INALCA has also signed similar codes of conduct in the field of social, environmental and commercial conduct developed by customers and suppliers, which are the first element to prevent misconduct by employees and collaborators of the Group .

In this context, more attention is given not only to aspects related to food safety, but above all to the situations which, even if there is no danger to the health of the consumer, can lead to inferior product quality than what is stated or expected from the consumer. This is the prevention of commercial fraud, which is often seen on the media, which leads to loss of trust for the consumer and of reputation for the company.

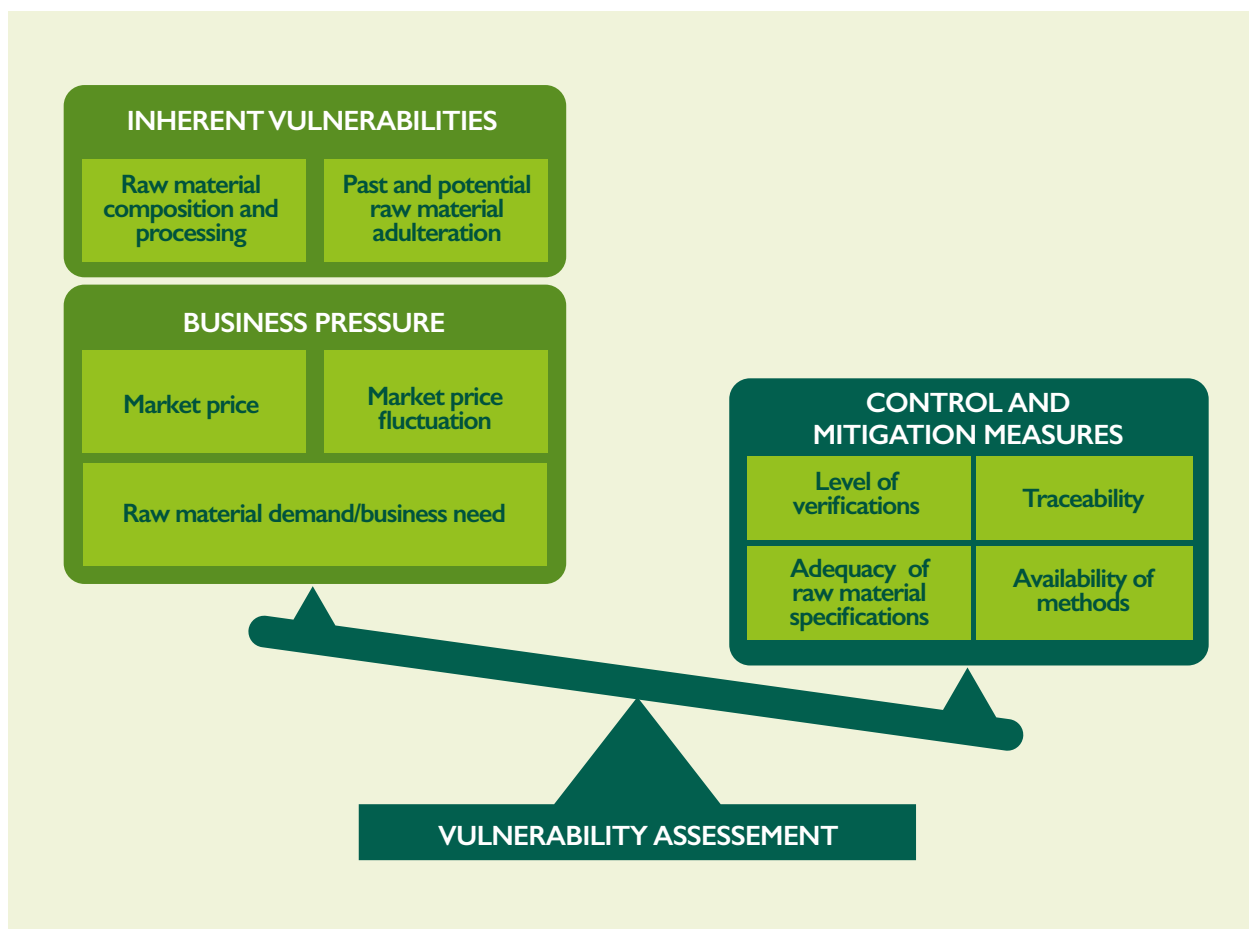
In the Group, fraud prevention, along with the Code of Conduct, is an articulated internal management system within the corporate organisational model. It has the dual purpose of protecting customers and consumers from these phenomena, as well as protecting the company from severe administrative sanctions that may be caused them in these contexts. The management system involves the prevention and reduction of all possible risks of fraud linked to the adulteration of food ingredients by accidental or deliberate causes.

It provides for a vulnerability analysis that essentially focuses on the characteristics of the ingredients and markets of origin, trade tensions or intense price fluctuations and geopolitical aspects. The control system implemented by the company is based on the precise definition of the technical and qualitative parameters of the purchased products, analytical controls, traceability requirements, inspection and auditing activities.



Based on the risk factors of possible fraud, the company employs measures to reduce and manage it. They essentially rely on careful technical regulation of the purchased product, including analytical controls. In the case of beef, for example, it is of particular importance to determine the species by DNA analysis, which INALCA performs systematically in its own laboratory, as well as analyses for the search for residues and contaminants. In addition to the technical aspects of product control, the process of approving the supplier is of particular importance, which must be based on shared principles and values in the field of business relations and the prevention of fraud risk.

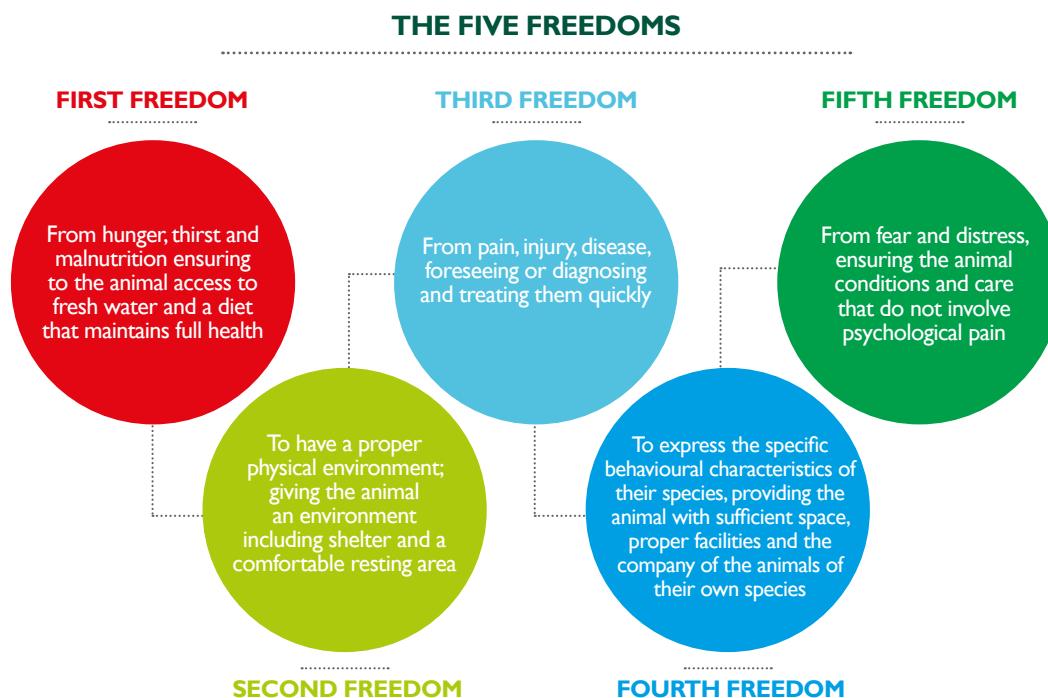
ADEQUATE MITIGATION MEASURES ALLEVIATE VULNERABILITY TO FOOD FRAUD



8. ANIMAL WELFARE

8.1 THE FIVE FREEDOMS*

The principle of the “Five Freedoms” is the basic criterion of inspiration adopted by INALCA for the breeding phase. (*farm Animal Welfare Council 1979)



Based on these general principles of inspiration, INALCA, in agreement with veterinary experts, scientific platforms, customers and partners particularly sensitive to this issue, developed its own animal welfare techniques.

For the proper management of animal welfare, INALCA employs a team of veterinarians who update and develop these rules at all stages of the supply chain: **breeding, transport and slaughter**.

It is a set of procedures and indicators that constitutes a complete animal welfare management and evaluation system, documented and accessible, that is shared with breeders through its website and training and auditing activities, in conjunction with the agricultural Associations .

At national and European level, even in the face of increasing consumer attention, systems of labelling, claim or other means of communication are being developed, with the aim of engaging companies in controlling animal welfare conditions in farms, exceeding already severe binding regulatory requirements.

In general, the main criteria established so far to ascertain the well-being of an animal are:

- no hunger
- no thirst
- the ability to access a comfortable rest area, with a suitable ambient temperature and possibilities of movement
- an absence of trauma, wounds or pain resulting from incorrect management practices
- expression of the typical behaviour of the species, good relationships with man, no negative emotions.

In addition to these others are implemented, defined as “objective indicators”, which are used to judge how much the breeding environment is suitable: for this purpose the structural and technological parameters that characterise the breeding farm are taken into account.

The study of animal welfare does not only aim at evaluating behaviour in relation to a more or less hospitable environments, but above all to understand the way animals interpret and live the environment in which they are bred in the most objective possible way evaluating all the different factors that can affect positively or negatively on animal welfare (dangers and benefits).

In order to guarantee transparency and objectivity to the consumer, INALCA believes that this information must be submitted to systems verified and certified by third parties, similar to the communication regarding particular qualitative product performance. **The most reliable instrument of guarantee is the voluntary labelling system for beef** in accordance with Regulation (EC) No. 1760/2000 on the labelling of beef and beef products which has recently included animal welfare amongst the voluntary information. It is an important step, in that the national control system envisaged by EC regulation 1760/2000 guarantees the correctness, scientific substantiation and control by an independent third party of the information that is provided to the consumer on this sensitive topic.



In this context, INALCA adopted the method CReNBA method developed by the Zooprophyllactic Sperimental Institute of Lombardy and Emilia for the evaluation of animal welfare in breeding.

www.izsler.it/pls/izs_bs/v3_s2ew_consultazione.mostra_pagina?id_pagina=3610

8.2 RESPONSIBLE USE OF ANTIBIOTICS IN BREEDING

Particularly important is the responsible use of veterinary medication. The phenomenon of antibiotic resistance is due to the uncontrolled use of antibiotics in animal production and is a threat to both man and animal health.

It is a complex issue for a company that operates in different geographical areas, each with different systems and regulations on the subject. Even with the knowledge that in this context a unique approach to the problem is not simple to implement, INALCA identified some operational guidelines that it considers applicable at all levels and in all geographical areas in which it operates.

The criteria adopted by INALCA for the responsible use of veterinary medicine are therefore as follows:

Classification of veterinary treatment and their definition:

1) **THERAPY - CURATIVE TREATMENTS:** the treatment of an animal or group of animals following a clinical diagnosis made by a veterinary surgeon;

2) **METAPHYLAXIS - CONTROL TREATMENTS:** the treatments of a group of animals carried out after the clinical diagnosis of the disease and whose purpose is to prevent the spreading to animals in close contact, or who have a considerable risk of contracting, or having already contracted the disease at sub clinical level;

3) **PROPHYLAXIS - PREVENTIVE TREATMENTS:** the treatment of one or more animals, before clinical signs of infectious disease in order to prevent the onset of the disease itself.

Treatments can have only these three objectives and can not in any case be used to increase the growth performance of the animals.

As for the choice of active ingredients, INALCA promotes the adoption of agricultural practices designed to reduce the use of antibiotics, with particular reference to the categories of critical importance in human medicine of the WHO (World Health Organization).

As for the criteria of use, INALCA requires that the antibiotics and the drugs chosen only be used in strict accordance with the specific instructions provided by the pharmaceutical company, be purchased only as a result of veterinary prescription and used in the quantities and times explicitly indicated in the posology; different methods of use may be indicated only by the veterinary of the company.

INALCA believes that the path of improvement in this sector can not be based exclusively on the imposition of technical and field checks, but should be achieved mainly through the adoption of practices of technological transfer aimed at introducing practical solutions for the reduction of animal drugs and the enhancement of “case histories” and real testimonials of model farms that have had success in this field. To this end, INALCA also considers important its collaboration with pharmaceutical companies and institutions involved in the research for alternative animal care solutions to antibiotics.

At national level INALCA intends adopting the tools of analysis and evaluation on the correct use of antibiotics instituted by the Zoo prophylactic Institute of Lombardy and Emilia - Office of Brescia – that allow an effective use in daily breeding practice and facilitate the traceability management of the drug used in qualitative and quantitative terms. INALCA foresees the setting up of pilot projects during 2017.



Feeding at Jolanda di Savoia (FE)

9. PRODUCTS AND CONSUMERS

9.1 QUALITY AND FOOD SAFETY

9.1.1 PRINCIPLES AND METHODS

Food safety is the fundamental pre-requisite on which every stage of INALCA's production and distribution process is based. INALCA's long permanence in markets particularly strict in this regard, such as the European Union, Russia, USA, Canada and Japan, and the adoption of the main voluntary standards of food safety, have allowed INALCA to develop over time the most modern and advanced techniques of hygiene and risk prevention in food and an integrated management system that covers all the production plants of the Group. The overall system is thus based on the identification, within each work process, of the critical control points and provides the necessary actions to identify, eliminate or reduce to an acceptable level the significant threats to food security.



*Food safety
is the fundamental prerequisite
on which every stage of
INALCA's production and
distribution processes are based*

All these measures can be broadly defined as "Self-control", which is implemented through actions of a general and of a special type, enacted through general and particular actions, both systematically applied for the complete and constant control of production activities. "Measures of general nature" are represented by common rules that apply to all the work areas and are related to operator hygiene, premises, equipment, processes and products, as well as checking the applications of these rules. The purpose of these measures is to ensure the maintenance and control of the appropriate hygienic conditions of the operating personnel, processes, products, environments and equipment. The "Measures of a special kind" are defined for each type of production process and aim to identify, evaluate and control the specific dangers of a biological, chemical and physical nature, deemed as significant for the safety of food products. The dangers are evaluated according to standards set by the European legislation, other countries to which the products are destined, or by the WHO/FAO, generally known "Codex Alimentarius". Recently, INALCA's self-control system has been developed acknowledging specifically also the complexity of US regulations, which represent a particularly rigorous system. This effort is needed to address the export, not only to this important country, but also to the other states with a strong demand for meat and whose methods of food safety management are based on this standard of health; they are made up, as well as by the USA, also by Canada and Japan, markets of growing importance for INALCA.

9.1.2 IDENTIFICATION AND TRACKING SYSTEM

As mentioned in § 8.1, the **control and accuracy of the information** managed in the company system of **identification and traceability of products** constitutes a key element to support the effectiveness of any action implemented **for quality, food safety and consumer communication**.

As with all the elements of food security, also in the labelling field and consumer communications, INALCA undergoes external audits in order to verify the truthfulness, transparency and accessibility of all the information relating to products placed on the market.



















In 2016, as a result of the acquisition of the UNIPEG ASSOFOOD Group consisting of a cooperative of bovine breeders, the Group's identification and traceability system was considerably developed upstream of the production chain, integrating with bovine breeding farms already members and suppliers of the Cooperative Group. **Numerous information on the breeding farms, such as productive data, livestock production, stable characteristics, analytical and inspection controls, are obtained by dedicated computer tools.** They are used by INALCA for the processes of qualifying and evaluating the supplier; this system is also an important element of management for the farmer, who, by adhering to a quality system such as that provided by INALCA, adopts the prizes provided for by the Community Agricultural Policy (CAP), in particular to national aids granted under Regulation CE 1307/2013. In this context, the reliability of the system is verified by various control bodies, in particular by the competent institutions for the protection of the quality of food and the bodies responsible for the award of premiums. During 2016, the traceability system was developed and integrated, with the agricultural world, as well as with important domestic distribution chains using the INALCA labelling specifications to reliably certify an increasing number of information on **the territorial nature of meat, their qualitative characteristics, well-being and the productive features of animals.**



9.1.3 ADOPTION OF VOLUNTARY TECHNICAL STANDARDS

The system implemented by INALCA for food quality and safety complies with the major international voluntary standards in this field, a common language adopted at international level which, on the basis of independent controls, confirms the effectiveness of the actions enacted by INALCA in this field.

TABLE 16 - STANDARDS ADOPTED BY INALCA IN QUALITY, SECURITY AND SUSTAINABLE DEVELOPMENT

			INALCA S.p.A.			
			OSPEDALETTO LODIGIANO (LO)	CASTELVETRO di MODENA (MO)	RIETI (RI)	CAPO D'ORLANDO (ME)
SAFETY AND PRODUCT LIABILITY		IFS - INTERNATIONAL FOOD STANDARD	●	●	●	●
		BRITISH RETAIL CONSORTIUM				
		GENERAL REQUIREMENTS FOR TESTING LABORATORIES		●		
		ISO 22000 - MANAGEMENT SYSTEMS FOR FOOD SECURITY				
		PRIVATE STANDARDS FOR FOOD SAFETY MANAGEMENT SYSTEMS DEVELOPED BY MARKET LEADER	●	●	●	
		ISO 9001 - QUALITY MANAGEMENT SYSTEMS	●	●	●	
		EC REGULATION 1760/2000 VOLUNTARY LABELLING OF PRODUCTS AND CONSUMER COMMUNICATION	●	●		●
	 	VOLUNTARY CERTIFICATIONS OF PRODUCT CLAIMS (MEAT FROM ITALIAN BREEDING, DOP E IGP CERTIFICATIONS)	●	●	●	
		EC REGULATION 834/2007 BIOLOGIC PRODUCTS	●	●		
		ISO 22005 - TRACEABILITY IN THE FEED AND FOOD CHAIN	●			
		MARINE STEWARDSHIP COUNCIL STANDARD FOR CHAIN AND CUSTODITY (VERSION 3)				
ENVIRONMENTAL RESPONSIBILITY		ISO 14001 - ENVIRONMENTAL MANAGEMENT SYSTEMS	●	●	●	
		ENVIRONMENTAL PRODUCT DECLARATION	●	●		
SOCIAL RESPONSIBILITY		OHSAS 18001 - WORKER HEALTH AND SAFETY	●	●	●	●
		DECREE 231/2001- ON ADMINISTRATIVE LIABILITY OF COMPANIES	●	●	●	●
		PRIVATE CODES OF CONDUCT ADOPTED IN THE SUPPLY CHAIN	●	●	●	●
ECONOMIC, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY		G4 GUIDELINES SUSTAINABILITY REPORTING GUIDELINES SECTOR DISCLOSURES "FOOD PROCESSING" GRI	●	●	●	●

As mentioned in the previous paragraph, the use of certified third-party systems is also extended to support product claims and more generally the adequacy of information provided to the consumer. In the course of 2016, the process of integration of the Group's Italian new acquisitions into the voluntary standards adopted by INALCA was started.

ITALIA								RUSSIA	
			FIORANI & C	REALBEEF	ITALIA ALIMENTARI			MARR RUSSIA	INALCA
CASTELNUOVO RANGONE (MO)	REGGIO - EMILIA (RE)	PEGOGNAGA (MN)	PIACENZA (PC)	FLUMERI (AV)	POSTALESIO (SO)	GAZOLDO DEGLI IPPOLITI (MN)	BUSSETO (PR)	ODINTSOVO	ORENBURG
●		●	●	●	●	●	●	●	
					●	●	●		
					●	●	●		●
		●		●		●	●	●	●
					●	●	●		
		●	●	●					
					●	●	●		
●		●							
								●	
								●	
			○		○	○	○		
○	○	○			●	●	●		
					●	●	●	●	
○	○	○	●	●	●	●	●	●	●

○ APPLICATION IN PROGRESS

9.2 RESPONSIBLE COMMUNICATION

The processes of defining the labelling of our products, promotional communication and advertising to consumers are verified according to specific procedures involving multiple corporate entities:

1) identification of technical sheets containing the main product information, such as nutritional aspects, characteristics of the raw materials, instructions for storage and use, eventual compliance to special alimentation, as for example those persons with celiac disease;

2) defining the contents of the label, packaging graphics, verification of any commercial claim, shown on the product or its advertising and promotional communication.

The approval of all communication materials is defined in stages, involving sequentially the corporate functions of Marketing, Quality and Legal Affairs. The product subject to communication receives a complete corporate identity card, containing all the information on nutritional aspects, composition, use and, in general, every aspect that is communicated to the consumer.

INALCA adopts systematically nutrition labelling of products and voluntary certification in support of product claims, with particular reference to communication of the origin and source of the meat used, environmental aspects, animal wellbeing.

The labelling and consumer control system is an important element of the commercial fraud prevention system described in § 7.6 above



9.3 PROMOTION OF A BALANCED MEAT CONSUMPTION

“THE ENVIRONMENTAL HOURGLASS “

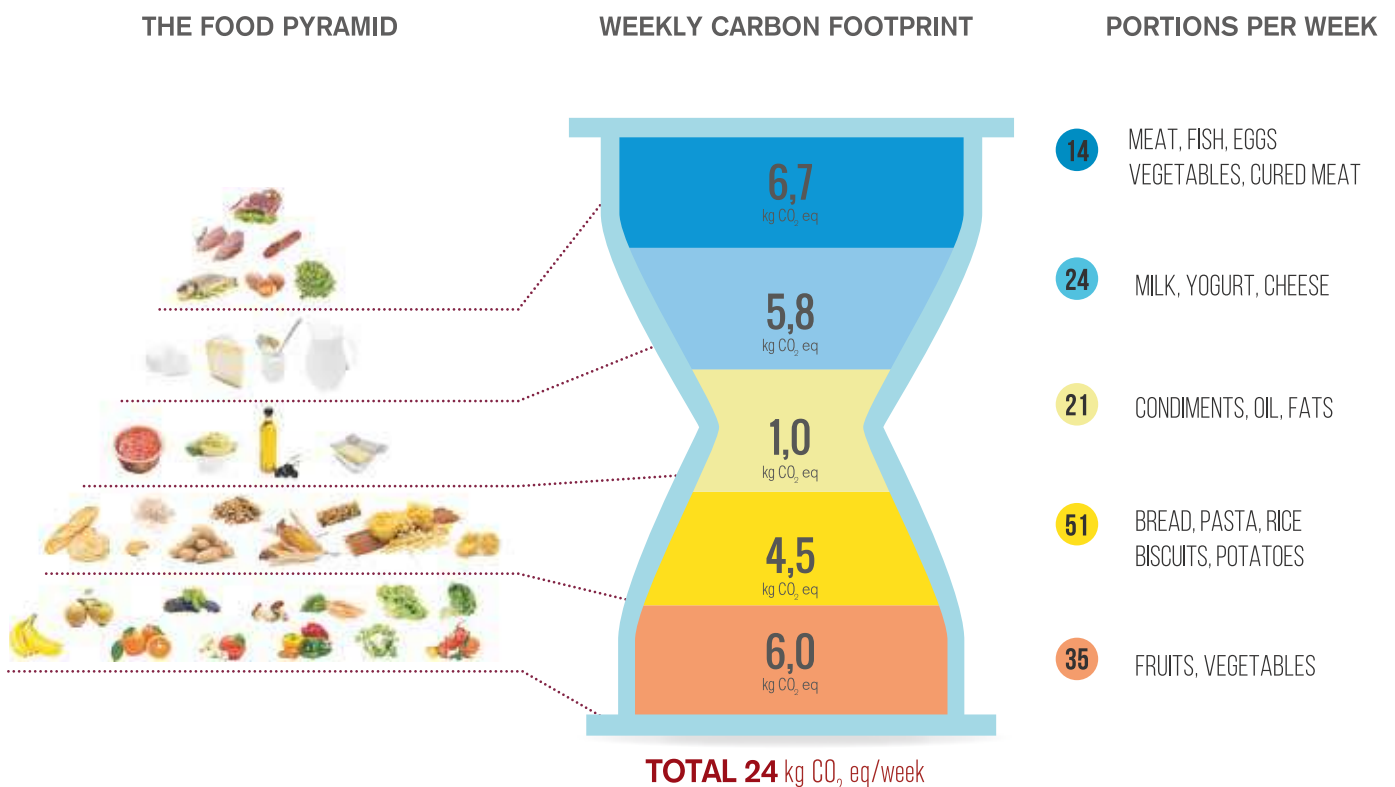
INALCA believes that a responsible product communication can not be exempted from the context of promoting a healthy and balanced consumption, in line with the nutritional indications provided by major research institutions and in compliance with the principles of the Mediterranean diet. INALCA published through the organisation “Sustainable Meat” the second sustainability report on meat in Italy. It is a complete and updated document that summarises the state of scientific knowledge and information on the 5 fundamental themes of meat sustainability in the Italian context: **safety, nutrition, environment, economy, food waste.**



The report seeks to provide a clear and documented basis for discussion and comparison of meat producers without pre-established or uncompromising truths.

Various organisations and stakeholders have been involved in the debate on the theme of meat: animal and environmental associations, media, that are based on criticisms of data and information coming from different contexts, often from countries overseas and which are not always adaptable to the national context. This report evidences that a balanced meat consumption is also a key contribution to the protection of people’s health and does not have significant impacts on the environment. The report also highlighted how the real pro capita consumption of meat in Italy is almost aligned with the portions indicated by CREA, according to the most recent consumption figures, as it results from the publication of the book “The real consumption of meat and fish in Italy “ (Franco Angeli Edition - 2017).

Leading on from all the aforementioned conditions, the **Environmental Hourglass** was born, showing graphically how to eat meat in a balanced diet is sustainable for health and the environment.



 **ONLINE**

www.carnisostenibili.it

On the “Sustainable Meat” website you can view the full report.

<http://carnisostenibili.it/wp-content/uploads/2014/10/ITA-FULL-La-sostenibilit%C3%A0-delle-carni-e-dei-salumi-in-Italia-2016-REV-gen-2017.pdf>

10. OUR PEOPLE

The core value of the INALCA community is primarily the constant search for excellence in food production and distribution for its customers and consumers, the heart of its business. The concept of excellence can not only be understood as excellence in products or service, but it must also extend to social aspects: **integrity and honesty in business relations, market responsibility, respect and equity in relations between colleagues and associates.** The Surveillance Body, established within the Corporate Organisational Model (COM), is the main subject that supports, promotes and monitors the concrete respect of these principles of daily behaviour of employees and collaborators. This same body is also tasked with evaluating any complaints of employees on working conditions and forms of discrimination, and operates on the basis of specific information flows.

10.1 STAFF BREAKDOWN

Also in 2016, the Group significantly increased its consistency in terms of staff employed in Italy and maintained substantially its presence abroad.

The following graphs show the indicators used:

- **staff breakdown by professional category;**
- **gender division of staff;**
- **new employees and breakdown by age.**

BREAKDOWN OF INALCA'S STAFF IN ITALY

INALCA S.p.A.'s staff in Italy has **1,255** units

Staff breakdown by professional category



Female presence in the workforce



365 Women
890 Men

New Employees 2016



young people under the age of 30 years

40 new employees < 30 years old
34 new employees aged 30-50 years old
18 new employees over > 50 years old

INALCA STAFF DISTRIBUTION IN ITALY (YEARS 2015 - 2016)

YEAR 2015		YEAR 2016	
EXECUTIVES	24	EXECUTIVES	26
EMPLOYEES	338	EMPLOYEES	380
WORKERS	607	WORKERS	849
NUMBER OF WOMEN	265	NUMBER OF WOMEN	365
NUMBER OF MEN	704	NUMBER OF MEN	890
% WOMEN	27%	% WOMEN	29%
Total	969	Total	1,255

NEW EMPLOYEES		NEW EMPLOYEES	
<30 ANNI	16	<30 ANNI	40
30/50 ANNI	17	30/50 ANNI	34
>50 ANNI	4	>50 ANNI	18
TOTALE	37	TOTALE	92
% GIOVANI	43%	% GIOVANI	43%

BREAKDOWN OF THE INALCA'S GROUP STAFF IN ITALY
(INALCA + ITALIAN CONTROLLED COMPANIES REFERRED TO IN TABLE I)

The INALCA Group's staff in Italy have **3,241** units

Staff breakdown
by professional categoryFemale presence in
the workforce

778 Women
2,463 Men

New Employees
2016

151 new employees
< 30 years old
253 new employees
aged 30-50 years old
76 new employees
over > 50 years old

Below is a comparison table with the previous year.

DISTRIBUTION OF INALCA GROUP STAFF IN ITALY (YEARS 2015 - 2016) (INALCA + ITALIAN CONTROLLED COMPANIES REFERRED TO IN TABLE 1)

YEAR 2015		YEAR 2016	
EXECUTIVES	33	EXECUTIVES	36
EMPLOYEES	545	EMPLOYEES	607
WORKERS	2,331	WORKERS	2,598
NUMBER OF WOMEN	692	NUMBER OF WOMEN	778
NUMBER OF MEN	2,210	NUMBER OF MEN	2,463
% WOMEN	24%	% WOMEN	24%
Total	2,902	Total	3,241

NEW EMPLOYEES		NEW EMPLOYEES	
< 30 YEARS OLD	65	< 30 YEARS OLD	151
30/50 YEARS OLD	210	30/50 YEARS OLD	253
> 50 YEARS OLD	84	> 50 YEARS OLD	76
TOTAL	359	TOTAL	480
% YOUNG PEOPLE	18%	% YOUNG PEOPLE	31%

During 2016, INALCA acquired the business unit of the UNIPEG - ASSOFOOD Group, which was a very consistent operation from a human resources point of view. The operation involved an increase in the human resources of INALCA of about 340 persons. Regarding the Group acquired, no personnel reduction measures were carried out, which maintained its solidity almost intact.

The acquisition of the business unit of the UNIPEG - ASSOFOOD group was managed in accordance with the trade unions, both at provincial and national levels. In particular, some meetings were planned with the national trade unions in the food sector and others were scheduled for the definition of the Industrial Plan for the relaunch of the plants. The company has in fact made a considerable effort in terms of investments aimed at modernising the plants and their specialisation in production, to optimise efficiency, productivity and competitiveness on the markets. Also noteworthy was a significant increase in employment in other Group companies, in particular Guardamiglio S.r.l. and Inalca Food & Beverage.

YOUNG PEOPLE IN THE GROUP

Similarly to the indication of the % of women in the company population, this edition also adds the same indicator to young people as well.

PRESENCE OF YOUNG PEOPLE 2016	
INALCA ITALY	12%
GROUP IN ITALY	14%
GROUP IN THE WORLD	18%

DISTRIBUTION OF INALCA'S GROUP STAFF IN ITALY, AFRICA AND RUSSIA (INALCA + ALL CONTROLLED COMPANIES IN TABLE 1)

In this edition of the sustainability report, the staff of all the African companies listed in Table 2 have also been included. From the 2017 edition of the report these companies will also be considered in all other aspects of sustainability. This results in a substantial difference with respect to the data collection scope of the previous year.

The INALCA Group's staff in Italy, Africa and Russia consists of **4,837** units

**Staff breakdown
by professional category**



**Female presence in
the workforce**



1,227 Women
3,610 Men

**New Employees
2016**



312 new employees
< 30 years old
474 new employees
aged 30-50 years old
123 new employees
over > 50 years old

Below is a table of comparison with the previous year

DISTRIBUTION OF INALCA GROUP IN ITALY, AFRICA AND RUSSIA (YEARS 2015-2016)

YEAR 2015		YEAR 2016	
EXECUTIVES	65	EXECUTIVES	99
EMPLOYEES	889	EMPLOYEES	1,085
WORKERS	2,831	WORKERS	3,653
NUMBER OF WOMEN	692	NUMBER OF WOMEN	1,227
NUMBER OF MEN	3,093	NUMBER OF MEN	3,610
% WOMEN	26%	% WOMEN	25%
Total	3,785	Total	4,837

NEW EMPLOYEES		NEW EMPLOYEES	
< 30 YEARS OLD	72	< 30 YEARS OLD	312
30/50 YEARS OLD	253	30/50 YEARS OLD	474
> 50 YEARS OLD	138	> 50 YEARS OLD	123
TOTAL	463	TOTAL	909
% YOUNG PEOPLE	15%	% YOUNG PEOPLE	34%

In terms of the Group at a global level, the companies that have shown a substantial increase in employment include the Russian company Orenbeef confirming the final implementation of the production plant.

10.2 EMPLOYEES COVERED BY BARGAINING AGREEMENTS

Where present, the INALCA Group applies the national employment contracts for the membership sector of each individual company. They cover 100% of employees in Italy and over 90% of those abroad. Group collective contracts also contain precise references to the health and safety aspects of workers. Collective contracts are also applied to outsourcing workers.

10.3 STAFF TRAINING

INALCA conducts systematic training activities at all levels of the company. The training is entrusted to various teams of experts working in different business areas. The topics that focus on training activities are essentially:

- the insertion of new recruits, combining training and formation actions;
- health, work safety and environmental protection;
- operational hygiene and the principles of quality;
- ethical principles and codes of conduct adopted within the company's organisational model.



In Italy, 18,307 training hours were undertaken. Currently this data is collected only in Italy, in some companies of the Group. During 2017, it will gradually be extended to other companies included in the scope of this report.

Ceremony for deboning course Diploma, Ospedaletto Lodigiano (LO)





Training course for Russian butchers and deboners, Castelvetro di Modena (MO)

10.4 HEALTH AND SAFETY

With regards to health and safety, INALCA's efforts focused on extending the OHSAS 18001 certification standard to the four INALCA establishments in Italy. This result was completed in the autumn of 2015 with the certification of the Capo d'Orlando (ME) plant, crowning an activity started in 2013. By 2017, the extension of the aforementioned certification is foreseen for the newly acquired Pegognaga (Mn) plant. This report provides some table parameters for injury and occupational illness data and frequency indexes for the years 2012 to 2016. Data also includes newly acquired facilities. They therefore cover the following INALCA establishments:

- Castelvetro (MO)
- Ospedaletto Lodigiano (LO)
- Rieti (RI)
- Capo d'Orlando (ME)
- Castelnuovo Rangone (MO)
- Reggio Emilia (RE)
- Pegognaga (MN)

The performance of the 2016 indicators showed a slight worsening compared to the 2015 figures. It is exclusively attributable to the significant increase in personnel in the newly acquired plants. The analysis of the frequency index (ratio between the number of hours lost due to accidents and the number of hours worked, multiplied by 1,000,000) shows a substantial consistency between the various establishments examined, without significant variations amongst the various plants of the Group. However, all indicators remain well below the average of the meat processing sector (orange line) of over 50% compared to the worst indicator.

TABLE 17 - NUMBER OF ACCIDENTS AT INALCA PLANTS

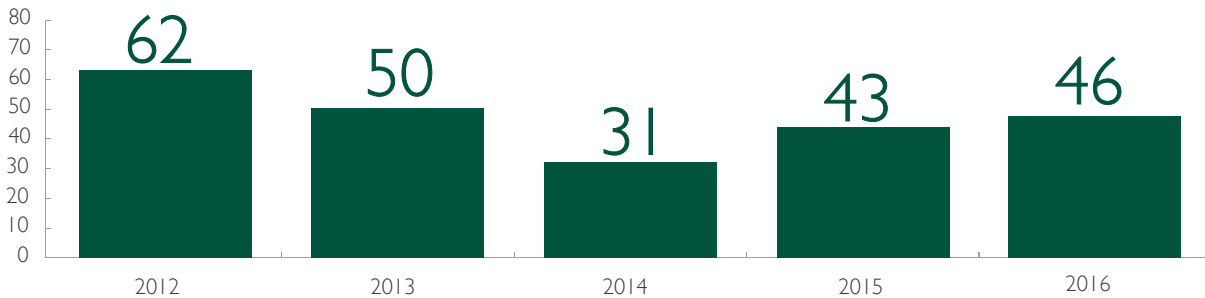
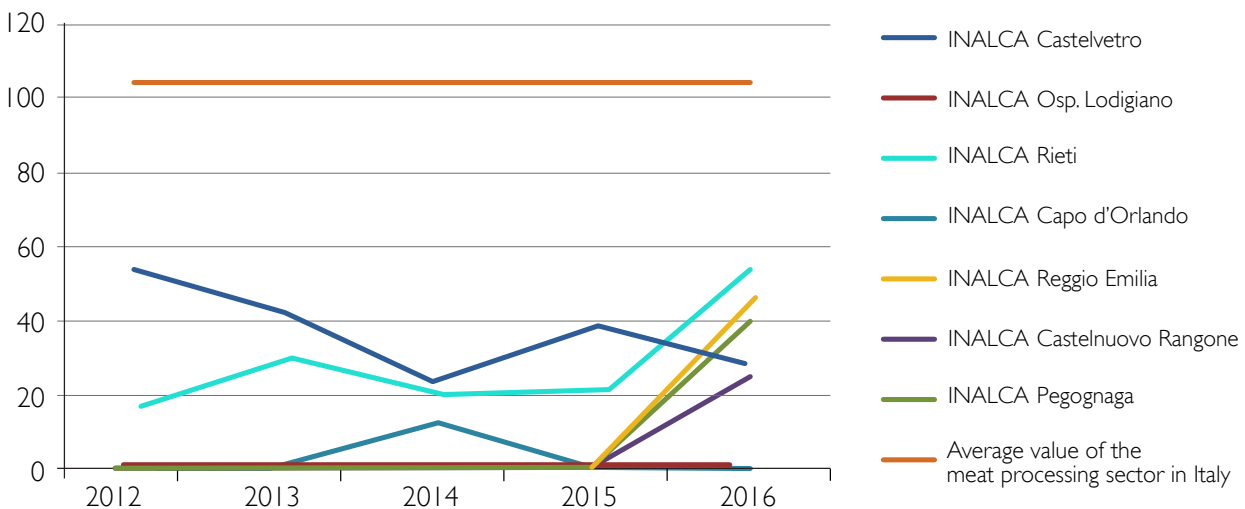
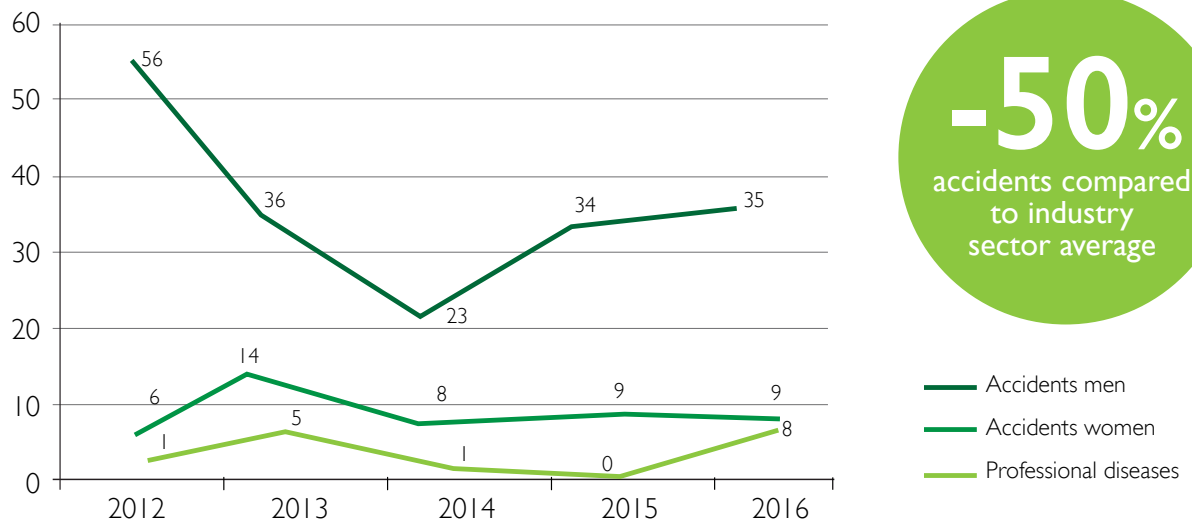


TABLE 18 - BREAKDOWN OF ACCIDENTS FREQUENCY INDEX BY PLANT



Below is the breakdown progress of accidents by gender and the general outlook for occupational illness claims.

TABLE 19 - PERFORMANCE OF ACCIDENTS AND PROFESSIONAL DISEASES BY GENDER IN INALCA'S ITALIAN PLANTS



In this context, in order to contain and where possible improve performance indices in the field of health and safety of workers, INALCA is currently extending the OHSAS 18001 standard to other Group facilities.

SCHELETIC MUSCLE PATHOLOGY PREVENTION PROJECT

INALCA concluded with the University of Bologna a project to analyse the statistical distribution of skeletal muscle disorders within the company population of the Castelvetro plant in Modena. Through detailed clinical analysis of employees, numerous data related to these pathologies were collected. The processing of this data will be taken into account for the overall assessment of the employees' situation, possible areas of improvement and possible organisational solutions to reduce worker exposure to this type of risk.



ANT - MELANOMA PROJECT

INALCA, in collaboration with ANT, joined the "Melanoma" project dedicated to primary prevention and early diagnosis of this disease. The project provides free dermatological visits for INALCA employees. The goal of the project is to provide employees with the appropriate knowledge and awareness about the prevention of skin cancer and to intervene in an precocious manner.



II. INALCA AND LOCAL COMMUNITIES

For INALCA, the economic action in a given territory is identified in the context of social integration. INALCA's business model provides for the progressive realisation of an integrated supply chain that allows a profound assimilation of the local culture and values. In this area INALCA engages its social commitments orientating itself to the peculiarities of the territory in which it operates.

II.1 ITALY

In Italy, like in all the countries with developed economies, the priority for action consists in the promotion of a healthy lifestyle to combat pathologies linked to a sedentary lifestyle and to high-calorie diet, true national emergencies. In this context INALCA acts directly and through "Sustainable Meat" (www.carnisostenibili.it), whose activities are described in Paragraph 9.3.

2016 saw extensive communication activities on these issues, accompanied by a diffusion of the culture of sustainability, in particular its principles and practices developed on the national and international platforms dealing with these issues.

INALCA's Italian production plants are particularly large and complex from a technological point of view, although the beef sector is still characterised by a high incidence of manual labour. It is therefore essential to effectively address the issues of health and safety at work. In this area, special attention is paid to manual labour in order to prevent musculoskeletal disorders. To fill this gap, INALCA supports research in this area with the Department of Occupational Medicine of the University of Bologna. The main purpose of this study is to monitor, through specific clinical investigations, the actual state of health of employees relative to these pathologies, considering possible actions for improvement.



Another important front in which the company, through its industry association, is engaged is the fight against crime and illegality through its participation in the Observatory on Crime in Agriculture and the Agrifood System.





Inalca supports Nestlé's project "Alliance for Youth".



In the Italian context, INALCA supports projects for the inclusion of youth in the workplace, the most important of which is the "Alliance for Youth" project promoted by Nestlé (bit.ly/1cMk9mZ).



For more than 25 years, INALCA has supported the activities of Unicef thanks to the close collaboration with Modena. Over the years, many initiatives have been taken to alleviate the suffering of children in developing countries.



INALCA collaborates continuously with the Food Bank through the donation of food products that the Foundation recovers to combat food waste and redistribution and donation to charitable structures.



INALCA collaborates with the City Angels Association through the donation of canned meat that volunteers are committed to distributing to the homeless and to all those who live in difficult conditions and who need food.

1.1.2 RUSSIAN FEDERATION



In Russia, social activities are essentially aimed at childhood support, in particular with the organisation Ronald McDonald House Charities, the Embassy of Italy, the Burger-King organisation and Linia Zhisn Foundation, the Community of S.Egidio - Russia, the "Mnogamama" Association and the Odinzovo Polyclinic. Similar activities are carried out by Orenbeef in the Orenburg region, with projects in collaboration with the local church for children in difficulty. Orenbeef is also committed to supporting childhood education, supporting the scholastic construction of a region's school and the children's summer activities (<http://www.dplsvetoch.ru/>).



INALCA sponsored several editions of the "Gorky Award" literary competition. Among the most significant are the second edition held at the Puskin Museum in Moscow in 2010, the 5° and 7° edition held at Villa Fersen in Capri in 2013 and 2015 and in Sorrento in 2016.

Also in 2016, the Group's Corporate Social Responsibility in Russia continued on similar lines, in particular with the support of sports events and charity initiatives with the Italian Embassy.



Chernij Otrog's summer camps - Orenburg region (Russia)

11.3 AFRICA

The support of children, improving facilities for the social and economic development are the subjects of INALCA's commitments in this area.

INALCA's social commitment in the African Continent is particularly developed in the Republic of Angola, the first state in which the company established itself, and whose presence is particularly distributed throughout the territory. Social initiatives geared to child support are oriented to religious and secular organisations.



INALCA supports, in fact, charities with various religious organisations, including mainly **the Apostolic Nunciature and the Order of the Salesiani of Don Bosco.**



On the secular front, INALCA's commitment is aimed primarily at the **Lwini Foundation, Grupo de Amizade Angola and Angolan National Institute for Children of the Ministry of Rehabilitation and Social Welfare.**



Grupo de Amizade Angola



Donation of canned meat to the Community of Sant'Egidio, Mozambique



www.fundacaolwini.org
www.cgfmanet.org



12. ENVIRONMENT AND RESOURCES

12.1 INTRODUCTION

Environmental issues for INALCA represent a complex set of knowledge, activities and industrial processes that have as their essential aim the constant monitoring of consumption and environmental impacts along the supply chains, as well as the definition of documented and measurable mitigation measures. The themes of environmental sustainability are managed by a dedicated working group that operates within the company's Quality, Safety, Health and Sustainable Development function.

THE PRINCIPAL ENVIRONMENTAL ASPECTS ON WHICH THE GROUP'S ATTENTION ARE FOCUSED REGARD MAINLY:



In the agri-food and meat sectors in particular, most of the impacts and consumption are generated in the agricultural production phase (over 70%). Therefore, the Group's efforts towards industrial transformation are not enough, they must involve primary production by orienting it towards less impactful production through the adoption of appropriate practices at this level of the production chain. To this end, it is important to collaborate with agricultural associations to develop specific national analysis and data collection projects and to define common paths of improvement.



In 2016, through the launch of a pilot project on Sustainability Analysis launched jointly with Coldiretti, the bases for a national cattle breeding assessment were included, taking into account the main environmental aspects. This initiative is part of the promotion of sustainable agriculture which represents a global goal launched by FAO to be implemented by 2030 (**Goal 2**). The model of collaboration with the agricultural world under development in the Italian context is in fact a starting point and an experience that can also be of reference for sustainable agriculture abroad, in particularly sensitive environments such as the African context. The ongoing implementation in the Angolan province of Cuando Cubango for the construction of an important breeding centre will be an important milestone in this path.

A clear commitment to address these issues is expressed in the company policy and more precisely in the document called **"INALCA Code of Conduct for Sustainable Development of the Company"**. Consistent with the previous indications, in the assessment of environmental impacts, the Group companies without production infrastructure have been excluded, which carry out only commercial or financial activities and are therefore of little relevance in terms of consumption and environmental impacts.

As already shown in Table 16, INALCA adopts environmental management systems in the main production sites: to date in the Italian plants of Castelvetro di Modena, Ospedaletto Lodigiano, Rieti and the Marr Russia plant in Odintsovo (Moscow) are certified according to ISO 14001. Adjustments are being made to apply this standard to other Group facilities, in particular the Realbeef slaughterhouse in Flumeri (Av).

Indirect environmental aspects of particular importance are undoubtedly linked to the improvement of impacts and consumption in cattle breeding, the recovery of packaging materials and the activities of logistics. Taking into account the main environmental aspects mentioned above, the guidelines on which the company moves for sustainable development are identified in the following diagram.

COMMITMENTS FOR THE ENVIRONMENT



Spreading of good practices sustainable in agriculture and impact analysis



Reduction in weight, thickness, use of recycled and recyclable materials



Analysis of the life cycle of products (LCA - Life Cycle Assessment) and EPD



Purification and recovery of waste water



Improving efficiency and self-production of energy, reducing emissions



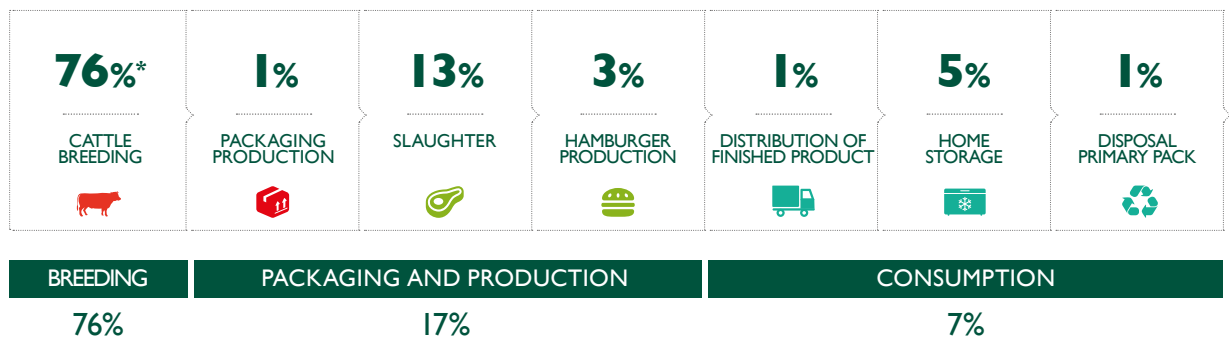
Reduction at source of waste production and maximise re-use of waste and by-products

12.2 AGRICULTURE AND BREEDING

The results of recent studies on food product life cycles (including LCA studies carried out by INALCA), confirm that on average less than 20% of environmental impacts expressed as carbon footprint and water footprint derives from the “process” phase, or from the actual production of the product, compared with more than 70% of impact caused by the production stages of agricultural raw materials. During 2016, the calculations were verified for a typical Italian chain product such as hamburgers and there were no significant variations compared to the previous version.



DISTRIBUTION OF ENVIRONMENTAL IMPACTS IN THE HAMBURGER CHAIN



* The enteric fermentation contributes to 28%, in terms of Global Warming Potential, in the breeding phase.

Based on these conditions, for INALCA the involvement of their breeders in the pursuit of environmental improvement objectives is indispensable. To this end, INALCA participates actively and promotes the use of voluntary standards and best agricultural practices in order to increase the sustainability of the production chain as a whole, while at the same time increasing efficiency and competitiveness.

Specifically, for the analysis of sustainability in farms, INALCA uses the tool developed by the international **SAI PLATFORM (Farmer Self Assessment - FSA)**, to whose drafting are actively participating and the **LCA studies based on the methodology defined by the EPD© System**. These tools will be used to better understand the specificities of the national beef sector and will include an assessment of the major environmental impacts, first of all the assessment of water resources and greenhouse gas emissions, enabling the identification of areas of strength/weakness and the most effective improvement paths.

The results of the LCA study on the INALCA brand MONTANA were extremely encouraging: this product, being obtained from animals that, in addition to meat, provided milk during their productive life demonstrates a very good environmental performance, both in the context of the Italian chain and above all in the global context.

TABLE 20 - DATA OF ITALIAN IMPACTS AND CONSUMPTION IN THE GLOBAL CONTEXT

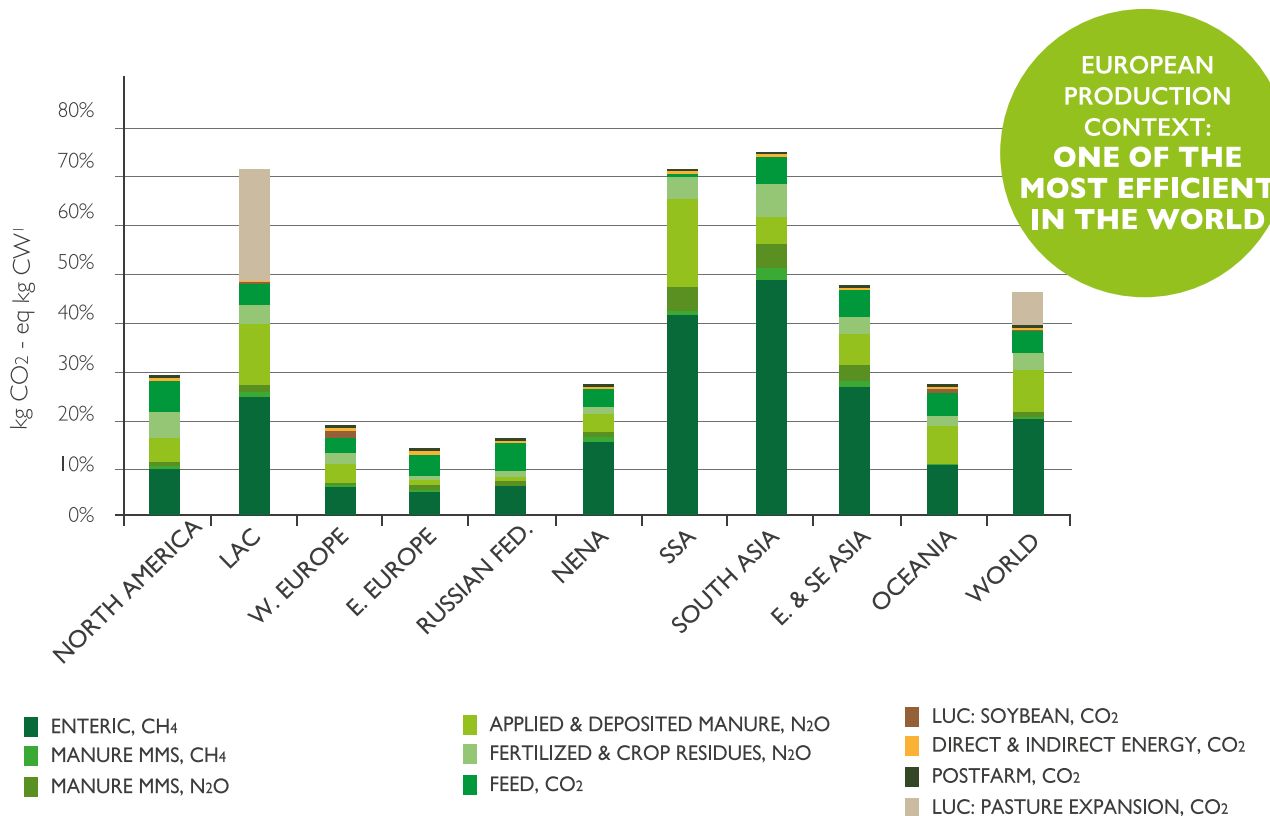
	Total	Breeding	Processing
Beef Meat (young bull and scottona beef)*			
Carbon footprint (kg CO2eq)	22.9	19.8	3.1
Water footprint (litri)	11,500	10,810	690
Montana beef burger			
Carbon footprint (kg CO2eq)	9.5	7.3	2.2
Water footprint (litri)	540	512.7	27.3
Global context comparison of systems more efficient or less efficient			
Carbon footprint (kg CO2eq)**	>70 (South Asia) <20 (Eastern Europe)		
Water footprint (litri)***	>19,488 (Brazil) <6,513 (Nederland)		

* Elaborated from "The sustainability of meats and cold cuts in Italy" edition 2016

** Source: Tackling climate change through livestock - a global assessment of emissions and mitigation opportunities FAO - 2013.

*** Source: Mekonnen & others - 2010 (cited Sustainability Report of Meat and cold cuts in Italy 2016).

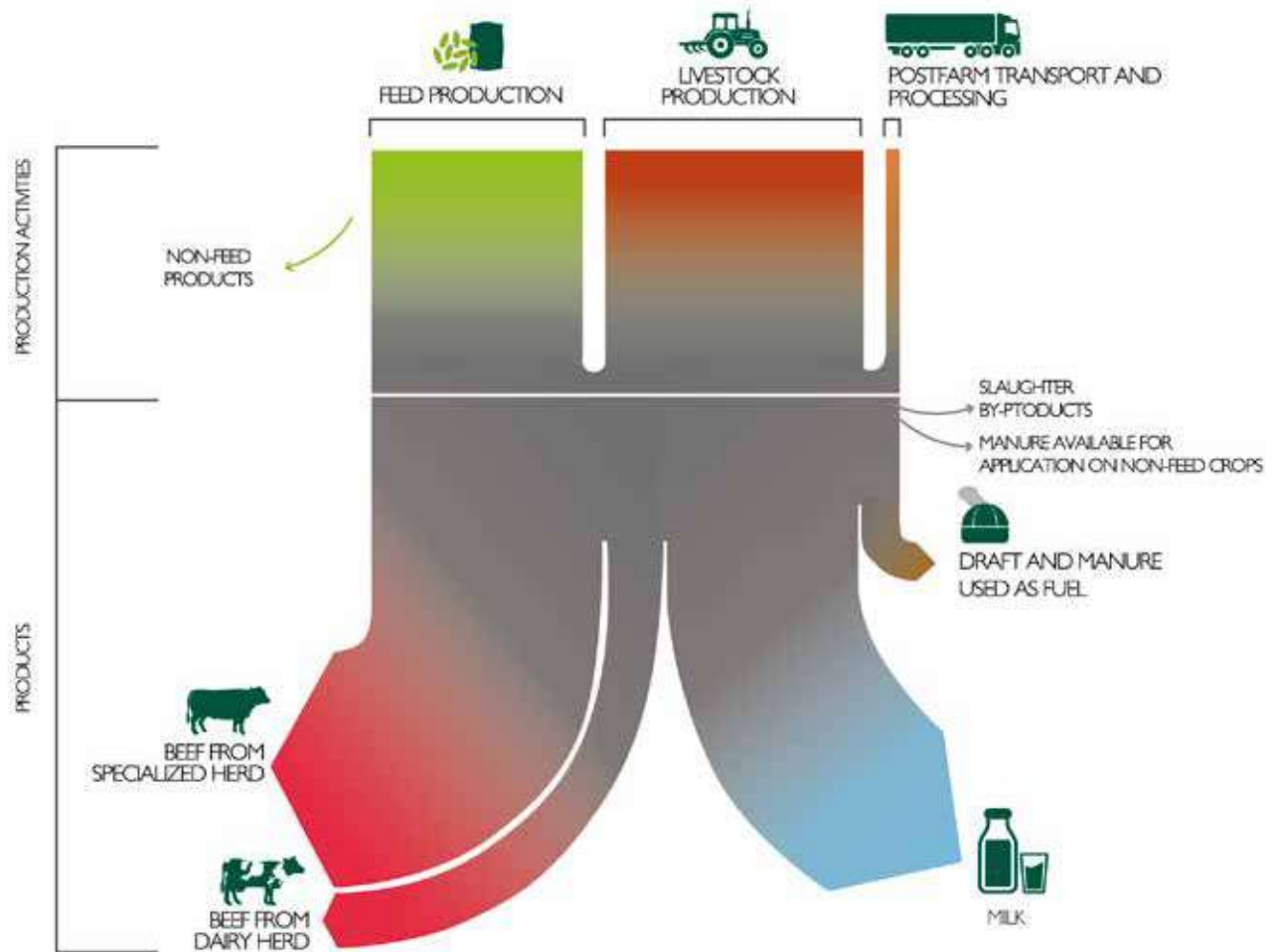
TABLE 21 - CARBON DIOXIDE EMISSION IN CATTLE BREEDING IN THE WORLD



Source: FAO Greenhouse gas emission from ruminant supply chains – A global life cycle assessment tab. I I/B

The table above compares the data on consumption and impact of the beef sector in the global context: it clearly demonstrates how the European **production context is one of the most efficient in the world and above all how the Italian context is in line with it**. In the specific case of the Montana hamburgers, consumption and impacts are particularly low and represent an indisputable indicator of **the efficiency of the Italian intensive system that combines low impacts and consumption with taste and quality**, especially if contextualised in our meat eating styles, absolutely balanced and in line with the principles of the Mediterranean diet.

TABLE 22 - THE IMPACTS AND CONSUMPTION OF THE BEEF AND MILK SUPPLY CHAIN




Source: FAO Greenhouse gas emission from ruminant supply chains –A global life cycle assessment cap.3 - tab.3

The hamburger, a meat with a reduced environmental impact: The table above shows the overall impacts of meat and milk production. It clearly highlights how **the hamburger obtained from Italian dairy cattle is the type of beef with a lower environmental impact**.



13 CLIMATE ACTION



Through these tools, for the first time, consumers are informed about the real impacts of the products they buy, enabling their conscious choices not only towards product quality but also to the principles of environmental sustainability, enabling them to actively contribute to the fight against climate change in line with **Goal 13** of the Global Sustainability Agenda.

12.3 PACKAGING

PACKAGING SUPPLIERS

INALCA uses various types of packaging: the main ones are plastic, paper, cardboard for fresh and frozen meat, tinfoil and aluminium are used instead for canned meat.



In 2016, INALCA continued the policy of reducing the amount of packaging used in order to obtain, where possible, a single packing suitable for contact with food compared to the traditional pairing primary packing - secondary packing.

INALCA, along with its packaging suppliers, promotes further projects to improve the sustainability of packaging aimed at:

- **reducing the weight of packing both in absolute value and per unit/kg of packaged product;**
- **introducing recycled raw materials into the composition of the packaging used;**
- **allow the final consumer to recycle the packaging of the purchased product.**

In 2016, INALCA confirmed its use of recycled paper in its packaging, reaching over 90% of paper obtained by recovery and recycling processes.

Use of
90%
of recycled paper for
packaging

In addition to reducing the thickness and the weight of the packaging, which is the first and simplest intervention, a second line of development consists in the progressive introduction of new recycled raw materials in the composition of the packaging used. In 2016, the Italian plants at Castelvetro di Modena, Ospedaletto Lodigiano and Rieti confirmed the use of recycled raw materials in paper and board packaging of about 90%.

The third element of innovation is the use of packaging that allows the final consumer to recycle at the end of their use. For frozen products, paper and plastic films are used in PE/PP, so recyclable types of packaging can be recycled through the separate collection of paper and plastic.

For canned meat production, INALCA uses aluminium materials such as primary packaging and paper bags as secondary packaging, both of which can be completely recycled by the consumer through separate collection. For fresh and portioned products, the tray is made of PET or PS (polystyrene) and the PET/PE film; even in this case all recyclable materials go through the separate collection of plastic.

The partnership with the packaging material supplier is fundamental to the pursuit of results for improvement: INALCA adopts a selection criterion of packaging suppliers based on 3 principles:

- **technical expertise;**
- **ability to provide technical assistance and innovation;**
- **consolidated experience with large industrial groups.**

As for the ingredient suppliers, a qualification and evaluation process is also applied for packaging suppliers, that foresees registration on the new INALCA portal dedicated to suppliers, where all required information is uploaded to be subsequently examined in order to validate or block the supply of every single material category to all the plants of the Group.

These are fundamental aspects that are carefully evaluated by INALCA. In fact, packaging is an integral part of the product and is responsible for its protection. Small defects in plastic or metal materials can reduce this level of protection and compromise product safety, so it is imperative that the packaging is systematically verified both at reception and use.

The packaging process always involves the close coupling with a dedicated technology; It is not enough, then, to check the suitability and integrity of the materials, control must extend to the packaging technology and packaging that must fit perfectly with the chosen packaging.

During 2016 there has been a growth in the packaging called “skin”, a vacuum system that is adopted on small packages for the final consumer and which allows **to extend the product storage time: some of these packs are completely recyclable with paper**, despite the presence of a PE layer, because the degree of pulping, adhesion, and waste process allow their delivery to plants suitable for treating maceration of ordinary quality.

Another innovative solution adopted in the Italian and European contexts are plastic crates made of reusable and recyclable plastic materials which, in addition to the sustainability of materials, enable advantages in logistics management compared to traditional corrugated cardboard packaging: in fact after use they can be folded when empty, with savings in volume and advantages during transport and storage.



In addition to the choice of innovative systems and materials, the innovation process is essentially based on the following trajectories:

- reducing the thickness of plastic packaging to reduce the amount of materials used;
- use of recycled plastic where permitted;
- use of PET, that is, a lightweight, safe, inert material that contributes to the reduction of carbon dioxide emissions;
- use of mono-material plastic packaging suitable for the recycling and recycling processes downstream of the supply chain;
- use, as secondary packaging, of recyclable reusable plastic crates, disposing of corrugated cardboard packaging;
- reduction in the weight of cellulose packaging and replacement of virgin compositions with recycled paper.

In these paths of improving packaging sustainability, the supplier's partnership and sharing of common goals are therefore essential elements for achieving concrete results.

In the next paragraph 12.10 further developments in this area are mentioned.



12.4 PRODUCTS

In order to have a significant impact on the environmental sustainability of a product it is necessary to know in detail its entire life cycle. For this reason, INALCA uses **LCA techniques (Life Cycle Assessment) and EPD (Environmental Product Declaration)**. The LCA techniques enable companies to gain more knowledge on the impacts and consumption of products placed on the market, whereas the latter aims to permitting correct and transparent communication to consumers for greater environmental awareness of their purchasing decisions.



EPD® The EPD© system is undoubtedly a technical reference amongst the most qualified, objective and verified by third parties, to provide clear and truthful information on the actual impacts and consumption of food products.

INALCA has been launching for a long time projects of Lyfe Cycle Assessment (LCA) projects for the most representative products. The first one concerns the MONTANA branded frozen hamburgers in a 400 g pack (containing 4 hamburgers) and in a 1000 g pack (containing 10 hamburgers). During 2017 an updating of the reference data of its first EPD (Environmental Product Declaration) for hamburgers is expected and an extension to a second core business product of INALCA, namely jellied canned meat branded MONTANA. In Italy, knowledge about the environmental sustainability of meat is being communicated to consumers and stakeholders through information platforms, the most important being “Sustainable Meats” (www.carnisostenibili.it). This subject carries out objective and scientifically based communication on sustainability issues in the meat market, using the opinion of experts and the most recent and qualified scientific productions of the sector.

INALCA Castelvetro - Hamburger Production Line



www.carnisostenibili.it
www.environdec.com/en/Detail/epd711

12.5 WATER

INALCA, aware of the value of water resources, has for a long time pursued targets for improvement, both in terms of reducing consumption, and in increasing recovery and reuse.



Over **90%**
of water supplies are
managed directly by
INALCA

For its production sites INALCA does not use water from surface sources, but only groundwater, which offers greater guarantees in terms of quality. Over 90% of the water supply is also run directly by INALCA, both the extraction from **the groundwater phase, and the phase of distribution, use, and purification.** The integrated cycle **managed entirely by INALCA ensures a “no waste” management of water resources** because the distribution network is particularly guarded and controlled. Furthermore the waste water presents a chemical and physical composition that makes it easily purified, thanks to the balanced relationship between the so-called Chemical oxygen demand (COD) and the Biological need of oxygen (BOD). Given the “food” nature of production processes, particularly hazardous substances to the environment, such as heavy metals, are not found in waste water.

The main INALCA plants are equipped with modern sewage plants that ensure a high purifying performance. For Castelvetro di Modena and Ospedaletto Lodigiano plants, INALCA has also been subject to more restrictive discharge limits than those foreseen by the plant’s environmental permit. In the case of the Italian establishment of Ospedaletto Lodigiano, the level of reduction has reached 50% of the authorised limit for the discharge COD parameter. When sector regulations allow, INALCA sends the water for purified process recovery. Over the last three years, INALCA has started to recover about 90,000 cubic meters of water per year. In 2016, this indicator has improved by 5%, the 2015 value was 88,000 cubic meters per year.

93,000
cubic meters per year
of wastewater sent
for recovery

12.6 ENERGY AND EMISSIONS

A new important contribution from INALCA was made in the fight against climate change in line with Goal 13 of the SDGs.



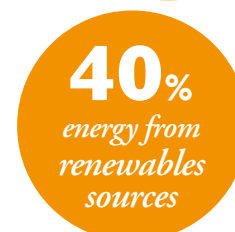
In tackling the issue of energy and energy efficiency, INALCA aims to provide its contribution to the fight against climate change, **a global goal identified by FAO for the period 2015-2030** and enshrined in major international agreements on the climate in Paris (COP21) signed by 195 countries. In the European Union, the agreement became binding on 4th November 2016.

In the food sector, climate change, in addition to direct environmental impacts, has indirect effects mainly on production, compromising agricultural yields and animal health. More and more, in fact, science identifies direct correlations between health and the environment according to a commonly called “One Health” approach. For more than 20 years INALCA has focused its efforts on energy efficiency; since 1997, in fact, the first methane cogeneration system was installed in the Castelvetro plant in Modena for the combined production of electricity and heat.

For INALCA, 2016 is a turning point in the fight against climate change. As part of the acquisition of the UNIPEG ASSOFOOD Group, INALCA has acquired an additional anaerobic digestion facility at the Pegognaga (Mn) plant and above all its participation in a 5 MW for the combined production of heat and electricity, in addition to the needs of the adjacent Pegognaga plant; this plant is owned by UNITEA S.r.l., owned by INALCA at 50%, and is fully fuelled with renewable sources, in particular animal fats.



As can be seen from the table below, the contribution of this plant to environmental sustainability is extremely important: it will in fact increase the share of self-produced energy to almost 98% of its needs, (equivalent to 105.367 MWh) but above all to drastically improve its percentage of renewable sources which ranges from about 5% to 40% of its requirements (43.157 MWh).



As will be better seen in the following Chapter 12.8, the new cogeneration plant will improve its internal waste recovery process, enabling direct use in this plant of non-food fat from the Group's facilities.

TABLE 23 - SELF-PRODUCED ENERGY FROM INALCA

Plant	Company	Tecnology	Power MW	Production 2016 (MWh)	Energy Source
Ospedaletto Lodigiano (LO)	INALCA S.p.A.	Anaerobic Digestion	1.00	5,197.76	Slaughtering non edible by products - Sludge
Pegognaga (MN)	INALCA S.p.A.	Anaerobic Digestion	0.53	3,061.00	Slaughtering non edible by products - Food waste
Spilamberto (MO)	Soc.Agricola Corticella S.r.L.	Anaerobic Digestion	0.30	1,427.31	Manure
Pegognaga (MN)	UNITEA S.r.L.	Biomass Cogeneration	5.00	32,759.48	Tallow
Capo d'Orlando (ME)	INALCA S.p.A.	Solar Panel	0.13	151.50	Solar Energy
Piacenza	FIORANI & C.	Solar Panel	0.52	559.51	Solar Energy
Ospedaletto Lodigiano (LO)	INALCA S.p.A.	Cogeneration Methane	3.60	13,394.80	Methane
Castelvetro (MO)	INALCA S.p.A.	Cogeneration Methane	7.70	41,160.45	Methane
Rieti	INALCA S.p.A.	Cogeneration Methane	1.40	7,655.32	Methane
		Total	20.18		
Total energy self-production				105,367	
From renewable source				43,157	
% of total self production				98%	
% of green self production				40%	
TEP SAVING*				14,820	
CARBON SAVING				36,416	
				ENERGY REQUIREMENTS	107,072

*TEP (Tonnellate Petrolio Equivalente)

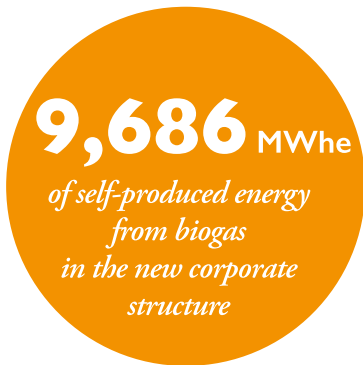


www.globalgoals.org/global-goals/protect-the-planet/
https://ec.europa.eu/climal/policies/international/negotiations/paris_it

SOLAR POWER AND COGENERATION

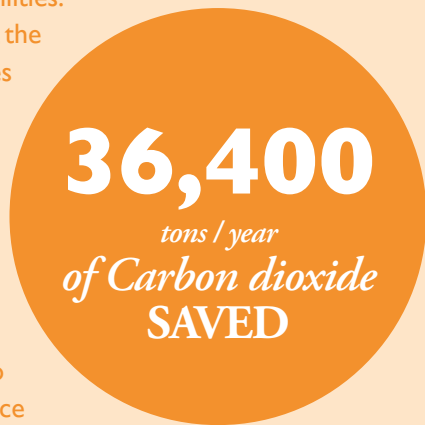
In addition to biomass, INALCA’s commitment to renewable energy sector extends to solar power generation. At present, two photovoltaic plants are active in the plants of the Group for an installed total power of 0.65 MW. It is still not very representative, but will increase in the coming years

Cogeneration systems represent for INALCA the main tool for improving their energy performance. To date, INALCA has **6 natural gas-fuelled cogeneration engines** in 4 of its main Italian plants - Castelvetro di Modena (MO), Ospedaletto Lodigiano (LO), Rieti and Busseto (PR) - cogeneration plants for a total of 12,7 MW. To these are added renewable energy sources that include, in addition to the aforementioned UNITEA plant powered by animal fats, another **3 biogas plants**, for a further 6.8 MW. **The cogeneration technology used by INALCA is therefore based on natural methane, biogas, and animal fat** and allows the combination with another virtuous technology for the recovery of scrap and by-products of slaughter consisting of **anaerobic digestion with biogas production**. The anaerobic digestion process allows the **recovery of biomass energy** not valorised otherwise, consisting of organic waste, manure and other non-edible by-products of slaughter.



Cogeneration and biogas are a winning conjunction, rewarded by the national incentive system. Through this plant network, in 2016, the Group obtained incentives (former green certificates) covering the total of biomass energy, plus **7.500 white certificates** for the UNITEA plant and methane cogeneration in Castelvetro (Mo): these incentives represent the national instrument to support energy efficiency and the production of **energy from renewable sources**.

For about 10 years, the Group also promotes and implements energy efficiency projects carried out at major manufacturing facilities. Thanks to these interventions, in the four-year period 2013-2016, the INALCA Group has obtained about 38,000 Energy Efficiency Titles (EET), saving energy equivalent to about 36,000 TEP (equivalent tons of oil equivalent), corresponding to approximately 1,400,000 GJ. If, in 2015, INALCA’s contribution to climate change was quantifiable in around 7,700 tonnes of carbon dioxide per year not released into the atmosphere, in 2016, thanks to the contribution of the new UNITEA cogeneration system, carbon dioxide savings amounted to about 36,400 tonnes/year of carbon dioxide, drastically improving compared to the previous year. This value takes into account the actual entrance of INALCA into the social structure of this plant on May 1st, 2016. It therefore includes the only May-December period.



12.7 WASTE

Thanks to a careful and scrupulous waste collection activity in its production sites, in 2016 the rate of waste recovery remained constant at 99% of the waste produced.



ANAEROBIC DIGESTION WITH BIOGAS PRODUCTION

Since 2016, two new anaerobic digestive plants of the Group are active: the first agricultural plant has entered into full regime, managed by its subsidiary Az.Agr. Corticella with a power of 0.3 MW, which allows the recovery and the energetic valorisation of the manure of the cattle bred. It is important to emphasise that, unlike other similar plants that are based on potentially alimentary plant matrices such as corn, the INALCA agricultural plant uses only non-food matrices without competing and subtracting resources from human food and animal feed. The second plant, located in the industrial complex of Pegognaga (MN) with a capacity of 0.5 MW, entered the Group's structure due to the acquisition of UNIPEG - ASSOFOOD thereby increasing the quota of internally recovered waste while increasing the domestic production of energy from renewable sources. In 2016, with this new plant design, a total of 68.000 metric tons of biomass yearly energy will be devoted to energy valorisation.

COMPOSTING

Through its subsidiary SARA, INALCA manages a composting plant capable, among other things, of recovering some types of waste by obtaining agricultural products. Among the waste processed into compost are the final products obtained from the anaerobic digestion plants. The combination of biogas and composting treatments therefore allows INALCA the complete and integrated management of its waste: from waste production to its full re-use and regeneration into sustainable agriculture products. During 2016, SARA obtained the approval for a technology upgrade and expansion project for this plant in order to improve its environmental management and productivity. The plant's adaptation will allow the recovery of further matrices from the agricultural production of the Group and the surrounding urban area, according to an integrated model approach on environmental issues.



The Group's plant management system in organic waste management, in addition to producing energy efficiency and energy savings, addresses new and more stringent environmental regulations to disincentive the use of sludge directly in agriculture, focusing on more advanced solutions for biological transformation by means of biogas or composting techniques, which ensure greater control of environmental impacts and the elimination of potentially harmful microbial flora for animals and the environment.

12.8 THE FIGHT AGAINST FOOD WASTE – RECOVERY OF WASTES AND BY PRODUCTS

1.3 billion
tons / year
global food
waste

30%
of world food
production



123 kg
per person / year
Waste in Europe

Waste numbers are impressive: FAO (United Nations Food and Agriculture Organisation) estimated that about 1.3 billion tonnes of potentially-available food for consumption is lost or thrown during the various phases of the food chain, from the cultivation of agricultural products to the leftovers of food already cooked. It is an immense quantity corresponding to approximately one-third of all food production. The wasted quantities are very different and depend strictly on the territorial context, from cultural aspects and from the availability of efficient technologies throughout the chain.

As evidenced by the data presented, some of the chains are more exposed than others to the waste phenomenon such as fruit and vegetables. In describing the dynamics related to food waste, it is important to make a basic distinction between two fundamental concepts, “food losses (scraps)” and “food waste (waste)”:

- **scraps consist of the mass of edible food that is “lost” in the production chain, i.e. during agricultural production, handling and storage, processing and food packaging;**
- **food waste instead represents the amount of food that is not eaten after being placed on the market, i.e., in distribution and domestic consumption.**

In affluent societies where the “food waste” has reached unsustainable levels, beef is among the most virtuous, both in terms of production and consumption: the reasons for this particular sensitivity must be ascribed to the economic, cultural, social as well as nutritional value attributed to meat from consumers and the possibility been recovered in countless ways, from the field until the kitchen at home.

The production and consumption of meat in fact generates an amount of waste more than halved compared to fruits and vegetables and almost half the waste of the cereal chain

The amount of waste generated in the meat production chain is thus lower than other food categories considered (cereals, roots and tubers, fruits and vegetables, fish, milk) and is second only to oil seeds and legumes. INALCA’s contribution to the fight against waste is on two fronts, the first of which is to reduce waste (food losses). INALCA has long developed many recovery channels for some types of waste in various sectors, food, pharmaceuticals, and agriculture.

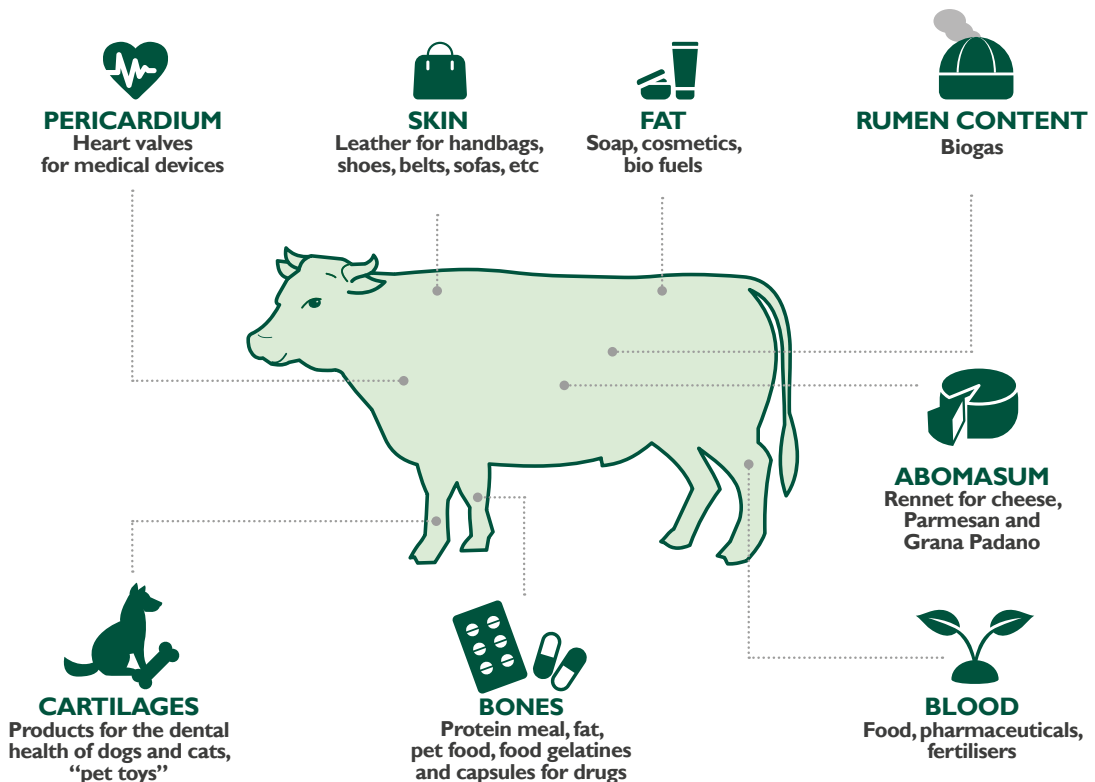


In addition to optimising recovery systems, the heart of the fight against waste is to place the highest percentage of products in the food supply chain. Some parts such as bones and some soft tissues, although eligible for recovery in the food sector from a health point of view, are downgraded to other circuits such as pet food or technical products due to lack of dedicated technology. It is therefore necessary to develop prototype processing plants, mainly of biotechnology, to obtain new food products. Over the last decade, technologies based on enzymatic or bacterial hydrolysis have been greatly developed, providing concrete opportunities for full use in the industry.

To this end, INALCA adheres to national technology cluster “**CLAN**” (National Agrifood Cluster) and the project **SO.FIA** (Sustainability of Italian Agrifood chain) that have the specific purpose of research in this area.

INALCA at a national level participates to the consultation round-tables related to the circular economy package adopted by the European Commission called “**The missing link - the European Union Action Plan for the circular economy**” (COM (2015) 614), accompanied by legislative proposals regarding waste directives, packaging and packaging waste, electrical and electronic equipment waste and landfills. This is the initial orientation document of European Union legislative guidance on the topics of circular economy and the associated Extended Producer Responsibility (ERP). These are important consultation tables to adapt existing legislation, which is often the first obstacle to the application of new industrial technologies.

BOVINE BY-PRODUCTS: RECOVERY AND REUSE



12.9 BIODIVERSITY

From an internal analysis carried out by the company, it is noted that none of INALCA's manufacturing facilities in Italy and abroad is located in protected or high biodiversity areas. Through the adoption of sustainability analysis tools mentioned in § 12.2 above, INALCA provides for an extensive and in-depth analysis of Italian breeding farms for 2017 to improve knowledge of farms located in protected or high biodiversity areas and share possible protection measures.

12.10 PLANS FOR THE FUTURE

In the coming years INALCA has predicted development studies and research in the following areas:

- strengthening its knowledge of the impacts and specific consumption of its production chain under development in Italy, Russia and Africa, especially in relation to the farm;
- studying the impacts and specific consumption resulting from the logistics, made in the main regions in which it operates: Italy, European Union, Russia, Eurasian Republics and Africa;
- extension of the use of technical standards and advanced systems of data collection in the field of environment and energy to improve their governance capacity in this sector;
- extension of good environmental practices in its supply chain;
- feasibility studies for further plants in the biogas sector, biomethane, composting and photovoltaic;
- development of pilot projects in the packaging industry to reduce the overall amount of materials used and increase the recovery rate.



ATTACHMENTS

I) LIST OF GROUP COMPANIES AND BUSINESS SEGMENTS

	Company business name	Registered office	Business Sector
I. Italy and the European Union			
I.1	INALCA INDUSTRIA ALIMENTARI CARNI S.p.A.	Via Spilamberto, 30/C 41014 Castelvetro di Modena (MO) - Italy	Cattle breeding, slaughtering, deboning, processing meat and food distribution
I.2	ITALIA ALIMENTARI S.p.A.	Via Europa, 14 43011 - Busseto (PR) - Italy	Cured meats and snacks production and distribution
I.2.1	MONTANA ALIMENTARI GmbH	Kirschstrasse 20 80999 - Monaco - Germany	
I.3	FIORANI & C S.p.A.	Via Coppalati, 52 29010 - Piacenza (PC) - Italy	Processing and distribution of meat
I.4	REALBEEF S.r.l.	Zona Industriale ASI 83040 - Flumeri (AV) - Italy	Cattle and sheep slaughtering
I.5	GES.CAR. S.r.l.	Via Spilamberto, 30/C - 41014 Castelvetro di Modena (MO) - Italy	Production services
I.6	SOCIETÀ AGRICOLA CORTICELLA S.r.l.	Via Corticella, 15 41057 - Spilamberto (MO) - Italy	Cattle breeding
I.7	SARA S.r.l.	Via Spilamberto, 30/C - 41014 Castelvetro di Modena (MO) - Italy	Energy & Environment
I.8	BELL CARNI S.r.l.	Via Eridania, 58 45039 - Sienta (RO) - Italy	Meat processing and food storage
I.9	GUARDAMIGLIO S.r.l.	Via Coppalati, 52 29010 - Piacenza (PC) - Italy	Management of fresh product retail outlets (butchers and delicatessens)
I.10	CAPO D'ORLANDO CARNI S.r.l.	Strada San Giacomo, 19 98122 - Messina (ME) - Italy	Processing and food storage
I.11	INALCA FOOD & BEVERAGE S.r.l.	Via Modena, 53 - 41014 Castelvetro di Modena (MO) - Italy	Trade and food distribution
I.11.1	INALCA FOOD & BEVERAGE CAPOVERDE LDA	Rua Amilcar Cabra, 1º Andar do Préio Argos Citade de Santa Maria - Ilha do Sal Cape Verde	Food distribution
I.11.2	INALCA F & B HOLDING INC	1679 South Dupont Highway, Suite 100 Dover, DE, 19901 USA	
I.11.3	INALCA F & B NORTH AMERICA LLC	5 West 19th Street, New York, NY 10011 USA	
I.11.4	INALCA FOOD & BEVERAGE THAILAND LTD	THAILAND No.333/2 Moo 9 Tambol Bangpla, Amphur Bangplee, Samutprakran, 10540	
I.11.5	PAPPABUONA S.R.L.	Piacenza (PC), Via Bertolini Donnino n. 29 - Italy	
I.11.6	FRESCO GOURMET PTY LTD	AUSTRALIA - Unit E1A, Alexandria Industrial Estate, 25-29 Bourke Road Alexandria	
I.11.7	ITAUS PTY LTD	AUSTRALIA - Unit E1A, Alexandria Industrial Estate, 25-29 Bourke Road Alexandria	
I.11.8	MODENA CORPORATION LTD	AUSTRALIA - Unit E1A, Alexandria Industrial Estate, 25-29 Bourke Road Alexandria	

	Company business name	Registered office	Business Sector
I.11.9	COMIT – Comercial Italiana de Alimentation S.L.	SPAIN – CANARY ISLAND – Pérez Galdós s/n, San Isidro, Granadilla de Abona, 38611 Santa Cruz de Tenerife	Food distribution
I.11.10	TECALI S.L.	SPAIN – CANARY ISLAND – Camino Real de la Oratova, n. 215, El Hortigal – La Laguna Santa Cruz de Tenerife	Productions of dairy products (mozzarella)
I.11.11	HOSTARIA BUTTARELLI S.L.	SPAIN – CANARY ISLAND – Calle Herraje s/n, Nave 29, Sector P3 Norte Poligono Ind. De Arinaga, Arinaga – 35119 – Agüimes – Las Palmas	Pasta production
I.12	VALTENNA CARNI s.r.l.	In liquidation Via della Costituente 1 Fermo (FM) - Italy	Meat processing
I.13	UNITEA s.r.l.	c/o Pegognaga Plant Via Taliercio n.3 46100 Mantova (MN) - Italy	Meat processing
I.14	TECNO-STAR DUE S.r.l.	Via Modena, 53 - 41014 Castelvetro di Modena (MO) - Italy	Plant and engineering firm of the Group
I.15	PARMA FRANCE S.a.s.	13,Rue Claude Chappe-Le Parc de Crécy - 69370 - St Didier Au Mont D'Or - France	
I.16	PARMA LACOMBE S.a.s.	La Tremolière 15600 - St Santin De Maurs - France	
I.16.1	PARMA TURC S.a.s.	R.N.75 Ambroney 01500 Amberieu En Bugey - France	Cattle trade
I.16.2	PARMA AUBRAC S.a.s.	Le Bourg 48270 - Malbouzon - France	
I.16.3	PARMA SOFRELIM S.a.s.	La Valeyrie - 19330 - Saint Germain Les Vergnes - France	
I.16.4	PARMA SERV S.r.l.	Via Solferino, 11 - 43123 Parma - Italy	
I.17	CLASS CHINA & COMMERCE S.r.l.	Via Marco Burigozzo, 5 20122 - Milano - Italy	Food distribution
I.18	FARM SERVICE S.r.l.	Via Rinaldi, 105 42124 - Reggio Emilia - Italy	Transformation of animal by-products
I.19	NUOVA CAMPARI S.p.A.	Via S.Pellegrino, 5 - 42018 San Martino in Rio (RE) - Italy	
I.20	QUINTO VALORE S.c.a.r.l.	Via Due Canali, 13 42124 - Reggio Emilia - Italy	Processing animal by-products - Control inspection services
I.21	ZAKLADI MIESNE SOCHOCIN Sp.Z.o.o.	Al.Jana Pawla II n.80/51 00175 - Sochocin, Warsaw - Poland	Slaughtering and meat processing

	Company business name	Registered office	Business Sector
2. Africa			
2.1	INTER INALCA (ANGOLA) COMERCIO GERAL, Lda	Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda - Angola	
2.2	INALCA ANGOLA Lda	Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda - Angola	Food distribution
2.3	INALCA BRAZZAVILLE SARL	Avenue Cote Mondaine BP8410 Pointe Noire - Congo	
2.4	INALCA KINSHASA SPRL	Avenue Poids Lourds n. 935 Ndolo-Commune Gombe Kinshasa Dem.Rep of Congo	
2.5	INALCA ALGERIE SARL	08,Rue Chérif Hamani 16000 Algeri - Algeria	Production and Distribution Food
2.6	DISPAL – CI SARL DISTRIBUTEUR DE PRODUITS ALIMENTAIRES EN CÔTE D'IVOIRE	Bld Carde - 3ème étage Immeuble Les Harmonies 04 B.P. 225 Abidjan 04 - Ivory Coast	
2.7	INALCA WEST AFRICA SARL	Hann-Maristes 2, Immeuble Massaer, Bloc D, Nr 20A Dakar - Senegal	Food distribution
2.8	INDUSTRIA ALIMETAIRES CARNES DE MOCAMBIQUE	Av. De Mocambique n. 9400 km 9,5 Bairro do Zimpeto Maputo Mozambique	

3. Russia & Eurasian Republics			
3.1	INALCA EURASIA GesmbH	Seilerstätte, 16 1010 - Vienna - Austria	
3.1.1	OOO KASKAD	UL.Vostochnaia,5 143000 Odintzovo, Moscow - Russia	Production, processing and distribution of meat and other food products
3.1.2	ORENBEEF OOO	Ul.Pionerskaya, 2 Campagna Cherniy Otrog, Saraktashskiy Reg. 462100 - Orenburg - Russia	
3.1.3	OOO MARR RUSSIA	UL.Vostochnaia,5143000 Odintzovo, Moscow - Russia	

2) LIST OF GRI G4

DMA and indicators	Level of Coverage	Page	External Verification
General standard disclosures			
Strategy and Analysis			
G4-1	Statement by the Chairman and the Managing Director	TOTAL	5 - 6
Organisational profile			
G4-3	Name of the organisation	TOTAL	16
G4-4	Primary brands, products and/or services	TOTAL	28
G4-5	Headquarters	TOTAL	17
G4-6	Operating countries	TOTAL	19
G4-7	Nature of ownership and legal form	TOTAL	20
G4-8	Markets served	TOTAL	22
G4-9	Scale of organisation	TOTAL	21
G4-10	Workforce features	TOTAL	98
G4-11	Employees covered by bargaining agreements	TOTAL	102
G4-12	Supply Chain organisation	TOTAL	70-84
G4-13	Significant changes in the organisation's size, structure, ownership or supply chain	TOTAL	20
G4-14	Precautionary approach to risk management	TOTAL	32
G4-15	Adoption of external charters and standards in economic, social and environmental areas	TOTAL	86
G4-16	Memberships in associations or organisations	TOTAL	52-54
Identified material aspects and boundaries			
G4-17	Entities included in the Consolidated Financial Statement	TOTAL	9
G4-18	Process for defining the report contents	TOTAL	8-9, 67
G4-19	Material aspects identified in the process for defining report contents	TOTAL	68
G4-20	Material aspects within the organisation	TOTAL	68
G4-21	Material aspects outside the organisation	TOTAL	68
G4-22	Restatements respect to previous reports	NOT APPLICABLE	
G4-23	Significant changes in terms of scopes and aspect boundaries in respect to previous reports	NOT APPLICABLE	
Stakeholder engagement			
G4-24	Stakeholder groups engaged by the organisation	TOTAL	50
G4-25	Identification and selection of stakeholders to be engaged	TOTAL	50
G4-26	Organisation's approach to stakeholders engagement	TOTAL	68
G4-27	Key topics and concerns raised through stakeholder engagement	TOTAL	66, 68
Report Profile			
G4-28	Reporting period	TOTAL	8
G4-29	Date of previous report's publication	2016 OCTOBER	
G4-30	Cycle of account statements	TOTAL	8
G4-31	Contacts for information on the report	TOTAL	8
G4-32	GRI content index	TOTAL	131-137
G4-33	External Certification	NOT APPLICABLE	This budget is not subject to external review

DMA and indicators		Level of Coverage	Page	External Verification
General standard disclosures (continued)				
Governance				
G4-34	Governance structure	TOTAL	30	
Ethic and integrity				
G4-56	Values, principles, standards and norms of behaviour of the organisation	TOTAL	16, 86, 94-95	
Standard disclosure				
Category: economic				
Economic performance				
G4-DMA	Generic disclosure on management approach	TOTAL	34	
G4-EC1	Direct economic value generated and distributed	TOTAL	43-44	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	TOTAL	36	
G4-EC3	Coverage of defined benefit plan obligations	ABSENT		
G4-EC4	Financial assistance received from government	TOTAL	49	
Market Presence				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EC5	Ratio of standard level wage by gender, compared to local minimum wage at significant locations of operation	ABSENT		
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	ABSENT		
Indirect economic impacts				
G4-DMA	Generic disclosure on management	PARTIAL	34	
G4-EC7	Development and impact of infrastructure investment and services supported	PARTIAL	34	
G4-EC8	Significant indirect economic impacts	PARTIAL	34	
Procurement practices				
G4-DMA	Generic disclosure on management	TOTAL	70	
G4-EC9	Proportion of spending on local suppliers at significant locations of operations	ABSENT		
G4-FP1	Proportion of purchases from suppliers conform to the corporate procurement policy (by volume)	ABSENT		
G4-FP2	Proportion of purchases occurred according to international standards of responsible production (by volume)	ABSENT		
Category: environmental				
Materials				
G4-DMA	Generic disclosure on management	TOTAL	111	
G4-EN1	Materials used by weight or volume	TOTAL	113 and Attachment 3	
G4-EN2	Percentage of materials used that are recycled input materials	PARTIAL	113 and Attachment 3	
Energy				
G4-DMA	Generic disclosure on management	TOTAL	120-122	
G4-EN3	Direct energy consumption	TOTAL	113 and Attachment 3	
G4-EN4	Outside energy consumption	ABSENT		
G4-EN5	Energy intensity	ABSENT		
G4-EN6	Reduction of energy consumption	ABSENT		
G4-EN7	Reduction of energy requirements of products and services	ABSENT		

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Water				
G4-DMA	Generic disclosure on management	TOTAL	120	
G4-EN8	Water withdrawn	TOTAL	120 and Attachment 3	
G4-EN9	Water sources significantly affected by water withdrawal	TOTAL	120 and Attachment 3	
G4-EN10	Percentage of total volume of water recycled and reused	PARTIAL	120	
Biodiversity				
G4-DMA	Generic disclosure on management	TOTAL	126	
G4-EN11	Operational sites owned, leased, managed to protected areas and areas of high biodiversity value outside protected areas	ABSENT		
G4-EN12	Description of significant impacts on biodiversity	ABSENT		
G4-EN13	Habitats protected or restored	ABSENT		
G4-EN14	List of species with habitats in activity zones, by risk level of extinction	ABSENT		
Emissions				
G4-DMA	Generic disclosure on management	TOTAL	120-122	
G4-EN15	Direct greenhouse gas emissions (GHG) (Scope 1)	TOTAL	120-122 and Attachment 3	
G4-EN16	Indirect greenhouse gas emissions (GHG) (Scope 2)	TOTAL	120-122 and Attachment 3	
G4-EN17	Other indirect emissions of greenhouse gas (GHG) (Scope 3)	ABSENT		
G4-EN18	Intensity of greenhouse gas emissions (GHG)	ABSENT		
G4-EN19	Reduction of greenhouse gas emissions (GHG)	ABSENT		
G4-EN20	Emissions of ozone - depleting substances (ODS)	ABSENT		
G4-EN21	Emissions of NO _x , SO _x and other significant air emissions	ABSENT		
Effluent and waste				
G4-DMA	Generic disclosure on management	TOTAL	123	
G4-EN22	Water discharge	TOTAL	120 and Attachment 3	
G4-EN23	Total weight of waste by type and disposal method	TOTAL	123-125 and Attachment 3	
G4-EN24	Total number and volume of significant spills	TOTAL	Attachment 3	
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous	TOTAL	123 and Attachment 3	
G4-EN26	Biodiversity and habitats affected by the organisation's discharge of water	TOTAL	126	
Products and services				
G4-DMA	Generic disclosure on management	TOTAL	111-112	
G4-EN27	Impact mitigation of environmental impacts of products and services	ABSENT		
G4-EN28	Percentage of products sold and relative packaging materials that are reclaimed by category	ABSENT		
Compliance				
G4-DMA	Generic disclosure on management	TOTAL	111	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	TOTAL	Attachment 3	
Transport				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EN30	Environmental impacts of transporting products and other goods	ABSENT		
Overall				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EN31	Environmental protection expenditures and investments	TOTAL	Attachment 3	

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Supplier environmental assessment				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EN32	Percentage of new suppliers screened using environmental criteria	ABSENT		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	ABSENT		
Environmental grievance mechanism				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EN34	Grievance about environmental impacts filed, addressed and resolved	TOTAL	Attachment 3	
Category: social				
Sub-category: labour practices and decent work				
Employment				
G4-DMA	Generic disclosure on management	TOTAL	98	
G4-LA1	Number and rate of new employee hires and employees turnover	TOTAL	98-101	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	ABSENT		
G4-LA3	Return to work and retention rates after parental leave, by gender	ABSENT		
Labor/management relations				
G4-DMA	Generic disclosure on management	ABSENT		
G4-FP3	Percentage of working hours lost to strikes	ABSENT		
G4-LA4	Minimum notice period for operational changes	ABSENT		
Occupational health and safety				
G4-DMA	Generic disclosure on management	TOTAL	104	
G4-LA5	Percentage of employees represented in formal joint management-worker health and safety committees	ABSENT		
G4-LA6	Type and rates of injuries, occupational diseases, lost days absenteeism, and total number of work-related fatalities	PARTIAL	104	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	PARTIAL	100	
Training and education				
G4-DMA	Generic disclosure on management	TOTAL	102	
G4-LA9	Employees training by gender, per year	PARTIAL	102	
G4-LA10	Programs for skills management and career advancement	ABSENT		
G4-LA11	Percentage of employees receiving regular performance and career development reviews	ABSENT		
Diversity and equal opportunities				
G4-DMA	Generic disclosure on management	TOTAL	98	
G4-LA12	Composition of governance bodies and breakdown of employees by diversity indicators	TOTAL	98	
Equal remuneration for men and women				
G4-DMA	Generic disclosure on management	ABSENT		
G4-LA13	Ratio of basic salary and remuneration of women and men by employee categories	ABSENT		
Suppliers assessment for labour practices				
G4-DMA	Generic disclosure on management	ABSENT		
G4-LA14	Percentage of new suppliers screened using labour practices criteria	ABSENT		
G4-LA15	Significant actual and potential negative impact for labour practices in the supply chain and actions taken	ABSENT		

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Labour practices grievance mechanisms				
G4-DMA	Generic disclosure on management	ABSENT		
G4-LA16	Number of grievance about labour practices filed, addresses and resolved	PARTIAL	98	
Sub-category: Human Rights				
Investments				
G4-DMA	Generic disclosure on management	ABSENT		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	ABSENT		
G4-HR2	Employees training on human rights policies concerning aspects of human rights that are relevant to operations	ABSENT		
Non-discrimination				
G4-DMA	Generic disclosure on management	PARTIAL	86, 98	
G4-HR3	Number of incident of discrimination and corrective actions taken	ABSENT		
Freedom of association and collective bargaining				
G4-DMA	Generic disclosure on management	ABSENT		
G4-HR4	Risks to the right to freedom of association and collective bargaining	ABSENT		
Child labour				
G4-DMA	Generic disclosure on management	PARTIAL	86	
G4-HR5	Operations with high risk of child labour	ABSENT		
Forced labour				
G4-DMA	Generic disclosure on management	PARTIAL	86	
G4-HR6	Operations with high risk of forced and compulsory labour	ABSENT		
Security practices				
G4-DMA	Generic disclosure on management	PARTIAL	86	
G4-HR7	Security personnel trained in the organisation's human right policies	ABSENT		
Indigenous rights				
G4-DMA	Generic disclosure on management	ABSENT		
G4-HR8	Violations involving rights of indigenous people and action taken	ABSENT		
Assessment				
G4-DMA	Generic disclosure on management	ABSENT		
G4-HR9	Operations subject to human rights reviews or impact assessments	ABSENT		
Supply human rights assessment				
G4-DMA	Generic disclosure on management	ABSENT		
G4-HR10	New suppliers screened using human rights criteria	ABSENT		
G4-HR11	Significant actual and potential negative human rights impact in the supply chain and actions taken	ABSENT		
Human rights grievance mechanisms				
G4-DMA	Generic disclosure on management	PARTIAL	98	
G4-HR12	Grievances about human rights filed, addresses and resolved	ABSENT		

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Sub-category: society				
Local communities				
G4-DMA	Generic disclosure on management	TOTAL	106	
G4-SO1	Operations with implemented local community, engagement, impact assessment and development programs	TOTAL	106-109	
G4-SO2	Operations with significant actual and potential negative impacts on local communities	ABSENT		
Anti-corruption				
G4-DMA	Generic disclosure on management	PARTIAL	64, 86	
G4-SO3	Operation assessed for risks related to corruption and the significant risks identified	PARTIAL		
G4-SO4	Communication and training on anti-corruption policies and procedures	PARTIAL	64, 86	
G4-SO5	Confirmed incidents of corruption and actions taken	ABSENT		
Public policy				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO6	Value of political contributions	ABSENT		
Healthy and accessible food				
G4-DMA	Generic disclosure on management	TOTAL	92	
Animal welfare				
G4-DMA	Generic disclosure on management	TOTAL	88	
G4-FP9	Animals bred or processed by species	PARTIAL		The data reported in these financial statements refer to animals slaughtered. In the next edition of the Report the indicator will be extended to bred animals.
G4-FP10	Policies and practices related to physical alterations and use of anaesthetics on animals	TOTAL	88-90	
G4-FP11	Animals bred or processed by type of housing	ABSENT		The indicator will be developed for animals reared in the next edition of the Report.
G4-FP12	Policies and practices regarding the use of antibiotics, hormones and other treatments on animals	TOTAL	90	
G4-FP13	Cases of non-compliance with laws and regulations relative to transport and slaughter	ABSENT		The indicator will be developed for animals reared in the next edition of the Report.
Anticompetitive behaviour				
G4-DMA	Generic disclosure on management	PARTIAL	64-87	
G4-SO7	Legal actions for anticompetitive behaviour, anti-trust and monopoly practices and their outcomes	ABSENT		
Compliance				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO8	Fines and significant sanctions for non-compliance with laws and regulations	ABSENT		
Suppliers assessments for impacts on society				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO9	Evaluation of new suppliers screened using criteria impacts on society	ABSENT		
G4-SO10	Potential negative impacts on society in the supply chain and actions taken	ABSENT		
Grievance mechanisms for impacts on society				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO11	Grievances about impacts on society filed, addressed and resolved	ABSENT		

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Sub-category: Product Responsibility				
Customers health and safety				
G4-DMA	Generic disclosure on management	TOTAL	85	
G4-PR1	Products and services categories for which health and safety impacts are assessed for improvement	ABSENT		
G4-PR2	Cases of non-compliance with regulations concerning health and safety impact of products and services during their life cycle	ABSENT		
G4 - FP5	Percentage of production from plants with systems of certificated food safety management (by volume)	PARTIAL	94-95	
G4 - FP6	Percentage of total sales volume of products with low content of saturated fatty acids, trans fat, sodium and sugar	ABSENT		
G4 - FP7	Percentage of total sales volume of products enriched with nutrients (fibre, vitamins, minerals, phytochemicals or functional food additives)	ABSENT		
Product and service labelling				
G4-DMA	Generic disclosure on management	TOTAL	94-95	
G4-PR3	Information on products and services	PARTIAL	94-95	
G4-PR4	Cases of non-compliance with regulations concerning products and services information and labelling	ABSENT		
G4-PR5	Results of surveys measuring customer satisfaction	ABSENT		
Marketing communications				
G4-DMA	Generic disclosure on management	ABSENT		
G4-PR6	Sale of banned or disputed products	ABSENT		
G4-PR7	Cases of non-compliance with regulations concerning marketing communications	ABSENT		
Customer privacy				
G4-DMA	Generic disclosure on management	ABSENT		
G4-PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	ABSENT		
Compliance				
G4-DMA	Generic disclosure on management	PARTIAL	85	
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and the use of products and services	ABSENT		

3) LIST OF ENVIRONMENTAL INDICATORS

				INALCA S.p.A.	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN1 - G4EN2						
Animals slaughtered	Cows	Total number of animals slaughtered	-	212,478	233,631	255,037
		Total dead weight	[t]	58,519	63,596	68,570
	Young bulls	Total number of animals slaughtered	-	125,241	130,743	141,831
		Total dead weight	[t]	48,595	50,002	52,383
	Calves	Total number of animals slaughtered	-	43,601	45,003	45,003
		Total dead weight	[t]	6,242	6,270	6,270
	Buffaloes	Total number of animals slaughtered	-	1,997	19,085	19,085
		Total dead weight	[t]	461	6,988	6,988
	Total	Total number of animals slaughtered	-	383,317	428,462	460,956
		Total dead weight	[t]	113,818	126,856	134,211
Animals entering in breeding (1)	Heifer	Total number of animals entered	-	0	20,840	20,840
	Young bulls	Total number of animals entered	-	0	37,460	37,460
	Calves	Total number of animals entered	-	0	36,123	36,123
	Buffaloes	Total number of animals entered	-	0	0	0
	Total	Total number of animals entered	-	0	94,423	94,423
Meat bought	Fresh with Bone		[t]	46,965	67,606	67,606
	Fresh Boneless		[t]	15,190	30,835	36,505
	Frozen		[t]	5,348	15,130	36,158
	Total		[t]	67,503	113,571	140,269
Feed (1)	Feed		[t]	0	15,190	15,190
Waste (2)	Waste input		[t]	0	13,570	13,570
Ingredients	Ingredients and additives		[t]	2,311	3,726	3,726
Packaging		Total weight	[t]	4,483	37,858	37,971
		Paper / Cardboard	% of recycled material (ren.)	[%]	90	18
		% of virgin material (not ren.)	[%]	10	82	82
	Plastic	Total weight	[t]	1,360	3,338	3,362
		% of recycled material (ren.)	[%]	29	38	38
		% of virgin material (not ren.)	[%]	71	62	62

			INALCA S.p.A.	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA		
G4EN1 - G4EN2 (continued)							
Packaging	Plastic boxes recoverable	Total weight	[t]	2	21	22	
		% of recycled material (ren.)	[%]	0	0	100	
		% of virgin material (not ren.)	[%]	100	100	0	
	Wood	Total weight	[t]	1,226	1,254	1,426	
		% of recycled material (ren.)	[%]	0	0	0	
		% of virgin material (not ren.)	[%]	100	100	100	
	Steel	Total weight	[t]	1,471	1,473	1,473	
		% of recycled material (ren.)	[%]	0	0	0	
		% of virgin material (not ren.)	[%]	100	100	100	
	Aluminium	Total weight	[t]	631	875	875	
		% of recycled material (ren.)	[%]	0	30	30	
		% of virgin material (not ren.)	[%]	100	70	70	
	Total		[t]	9,173	44,816	45,127	
	Chemical substances	Products for sanitation		[t]	317	342	350
		Chemicals in general		[t]	2,029	2,034	2,038
Chemicals for water treatment			[t]	2,074	2,129	2,149	
Oils and lubricants			[t]	22	30	33	
Total			[t]	4,442	4,535	4,570	
G4EN3							
Fuels	Diesel generator set		[l]	505	1,405	1,658	
	Diesel boiler		[l]	2,000	2,000	2,000	
	Diesel fuel		[l]	172,076	349,268	614,366	
	Total diesel fuel		[l]	174,581	352,673	618,024	
	Natural gas		[Nm ³]	19,870,804	25,522,359	28,187,671	
	GPL		[kg]	1,578	1,578	1,578	
Energy	Energy consumption	Electricity	[MWh]	91,205	134,950	156,312	
		Heat	[MWh]	77,180	104,942	124,489	
		Steam	[MWh]	5,500	42,302	42,302	
		Cold	[MWh]	879	48,033	48,033	
		Total energy consumed	[MWh]	174,764	330,227	371,137	
	Energy sold		[MWh]	224	224	224	
	Energy purchased		[MWh]	25,249	58,841	80,204	
G4EN8 - G4EN9							
Water	Pumped from well		[m ³]	1,484,622	1,956,416	2,170,416	
	Supplied by aqueduct		[m ³]	65,508	79,956	124,615	
	Total		[m ³]	1,550,130	2,036,372	2,295,031	

				INALCA S.p.A.	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN15 - G4EN16						
Emissions	Scope 1	[t CO ₂]	44,089	55,614	61,533	
	Scope 2	[t CO ₂]	8,251	19,228	27,093	
G4EN22						
Discharged water	Quantity	[m ³]	1,548,728	1,877,881	2,046,716	
	Place of discharge	-	CIS + Mains	CIS + Mains	CIS + Mains	
G4EN23 - G4EN25						
Trash	Digestible / Compostable	Quantity	[t]	49,376	52,403	54,780
	Not dangerous packaging	Quantity	[t]	1,572	2,754	2,757
	Dangerous packaging	Quantity	[t]	0.6	0.7	0.7
	Other non-hazardous waste	Quantity	[t]	299	971	1,016
	Other hazardous waste	Quantity	[t]	31	46	47
	Total		[t]	51,278	56,174	58,600
GEN24 - GEN26						
Spills	Substance	Quantity	[m ³]	0	0	0
		Place of spill	-	-	-	-
G4EN29						
Sanctions	Value of fines for non-compliance with environmental standards	[€]	0	0	0	
G4EN31						
Expenses	Waste Disposal	[€]	1,021,787	1,377,127	1,476,313	
	Emission Treatments	[€]	2,322,704	2,359,256	2,453,756	
	Certification 14001	[€]	4,200	4,200	4,200	
	Total	[€]	3,348,691	3,740,583	3,934,269	
G4EN34						
Environmental NC	NC issued	Open	-	9	9	9
		Closed (3)	-	8	8	8
	NC received (environmental claims)	Open	-	1	1	1
		Closed	-	1	1	1

NOTES

(1) Only Società Agricola Corticella S.r.l. The data includes farms owned and those with agistment contracts.

(2) Only for SARA S.r.l.

SUSTAINABILITY REPORT 2016

INALCA S.p.A.

Share Capital
€ 187,017,167 Fully Deposited

Tax code 01825020363
VAT 02562260360

Business Register
Modena REA 311469

The drafting and editing of the Sustainability Report was done by:

Quality, Safety and Sustainable Development, INALCA S.p.A
Giovanni Lugaresi Sorlini

*In collaboration with Massimo Mani,
Carlo Bonomi, Mario Rossi, Gianluca Guarino.*

**External Relations Department
Cremonini S.p.A.**
Claudia Cremonini,
Sara Benedetti, Luca Macario

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For contacts and information
External Relations Office
Cremonini S.p.A.
Email: comunicazione@cremonini.com
Tel. +39 059 754627

MONTANA[®]

 **GRUPPO CREMONINI**



Inalca S.p.A.
Via Spilamberto, 30/C
41014 Castelvetro di Modena (MO)
Tel. 059 755111 - Fax 059 75517/9
www.inalca.it

