



SUSTAINABILITY REPORT

2015



INALCA'S SUSTAINABILITY BALANCE SHEET 2015

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

“2015 will be remembered for a long time as the year of the Milan Expo and our Group made an effective contribution to this extraordinary event entirely dedicated to the themes of food and the sustainability of agricultural production.

Inalca, in particular, is ever more engaged in the large dynamics of the world's agribusiness: at Expo, the company was the protagonist of a new model of sustainable production based on the integrated management of the supply chain, wholly made in Italy and replicable in other countries around the world. Indeed, thanks to the complete control of the supply chain, Inalca has been able to forward, in a timely and analytical fashion, its Sustainability Report based on the sharing of values with the farming community. In fact, in our opinion, there can be no sustainable development without a fully functional, economic and ethical integration with the world of primary agricultural production. The data in this Report completely confirms the commitments taken with all stakeholders, who are firmly convinced that the success of the company will depend increasingly on its ability to combine economic objectives, ensuring growth and employment, whilst keeping close ties to the territory where the company carries out its business.

I am therefore proud to present the 2015 edition of Inalca's Sustainability Report, achieved thanks to the efforts of all our employees and stakeholders at all levels and grades, who have until now supported and shared in the development of the company both in Italy and abroad and to whom I extend my most sincere thanks”.

Luigi Cremonini
Chairman

THE FOUR PILLARS OF SUSTAINABILITY

With the drafting of the first Sustainability Balance Sheet, foundations have been laid to govern these issues effectively, providing us with a specific tool that will permit its management in an organic and transparent way, that includes the requests of our stakeholders. Our vision of sustainable development is constituted by the set of our knowledge, activities and business processes that have the essential aim of analysing, controlling and correlating the economic, environmental and social problems that develop in the supply chain. Our commitment is based on the identification of operational measures to reduce these impacts and their progressive alignment with the stakeholders' expectations.

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

SHARING VALUE WITH THE AGRICULTURAL WORLD

Following an integrated approach to the supply chain, INALCA believes that the knowledge and the sharing of the key factors of sustainability in agricultural production represents 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 Balance Sheet, the first of INALCA S.p.A., (hereinafter also INALCA) refers to 2015 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 Balance Sheet, “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 of the data and those responsible. In drafting the budget, 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 Africa.

These are in fact the areas where the Group has implemented its business model according to an historic sequence. In future versions of this report the data produced by domestic and foreign subsidiaries will be gradually structured and standardised in the integrated management system. The Balance Sheet will be published annually. The Balance Sheet was prepared by INALCA’s Quality Safety and Sustainable Development Management Office, that involved all business functions in the process of preparing the report. In the case of foreign subsidiaries, coordination was managed by the senior management of the businesses concerned. In the first draft, the present document interested mainly essentially the production companies of the Group, the most representative in terms of environmental and social-economic impacts on the territory, i.e. companies more important from an industrial perspective, on which are focused the greatest efforts in terms of economic and environmental resources and numerical strength of employees and collaborators. The industrial activities of slaughtering and meat processing are, in fact, the historical roots of the Group, which enabled its development and it is on these that the present document has mostly focused its attention. In the face of the new dynamics of the company’s growth and the progressive integration up and downstream the supply chain, in this 2015 edition, the perimeter of the Report has been extended to subsidiaries which carry out exclusively activities of distribution and retail sales of meat and other foods, such as Guardamiglio S.r.l. and INALCA F & B S.r.l., companies that represent a sector in substantial growth within the Group. In this second edition we have therefore excluded only the companies of the Group with no industrial or logistics infrastructures and which are not significant from the point of view of human and environmental resources. In Tables 1 and 2 the companies included in these financial statements by geographical area and those excluded below are identified respectively.

TABLE 1 - LIST OF GROUP COMPANIES INCLUDED IN THE SUSTAINABILITY BALANCE SHEET

| | Company | Registered Office |
|----------|--|---|
| 1 | ITALY | |
| 1.1 | INALCA Industria Alimentari Carni S.p.A. | Via Spilamberto, 30/C - Castelvetro di Modena (MO) |
| 1.2 | Italia Alimentari S.p.A. | Via Europa, 14 - Busseto (PR) |
| 1.3 | Fiorani & C. S.p.A. | Via Coppalati, 52 - Piacenza (PC) |
| 1.4 | Realbeef S.r.l. | Località Tierzi, Zona Asi - Flumeri (AV) |
| 1.5 | Gescar S.r.l. | Via Spilamberto, 30/C - Castelvetro di Modena (MO) |
| 1.6 | Società Agricola Corticella S.r.l. | Via Corticella, 15 - Spilamberto (MO) |
| 1.7 | Sara S.r.l. | Via Spilamberto, 30/C - Castelvetro di Modena (MO) |
| 1.8 | Guardamiglio S.r.l. | Via Coppalati, 52 - Piacenza (PC) |
| 1.9 | 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 | |
| 3.1 | Marr Russia L.L.c. | Vostochnaya Str., 5 - Odintsovo - Moscow |
| 3.2 | Orenbeef L.L.c. | Pionerskaya Str.2 - Village Cherniy Otrog – Saraktashskiy district - Orenburg |

TABLE 2 - LIST OF COMPANIES EXCLUDED FROM THE SUSTAINABILITY BALANCE SHEET

| | Company | Registered Office |
|----------|-----------------------------|---|
| 1 | ITALY | |
| 1.1 | Salumi d'Emilia S.r.l.* | Via Modena, 53 - Castelvetro di Modena (MO) |
| 1.2 | Capo d'Orlando Carni S.r.l. | Contrada Muscale, 19 - Capo d'Orlando (ME) |
| 1.3 | Bell Carni S.r.l. | Via Eridania, 58 - Stienta (RO) |
| 1.4 | Tecno-Star Due S.r.l. | Via Modena, 53 - Castelvetro di Modena (MO) |
| 2 | AFRICA | |
| 2.1 | Inalca Algeria 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 Rep. of Congo |
| 2.4 | In.al.car. Mocambique | Avenida de Moçambique, Km 9.5, Bairro do Zimpato, Maputo - Mozambique |
| 2.5 | Dispal CI S.a.r.l. | 04 Plateau Boulevard Carde, BP 225 4 Abidjan Ivory Coast |
| 3 | RUSSIA | |
| 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 |
| 4.3 | Zakłady Miesne Soch. S | Al.Jana Pawla ii n.80/51 - Sochocin, Warsaw - Poland |

*Company incorporated through a merger with Italia Alimentari in 06/29/2015

In Attachment 1 all the companies of the Group and relative business sectors are gathered. In Attachment 2 the index of GRI indicators adopted and relative page references have been inserted. In Attachment 3 the specific list of environmental indicators adopted has been inserted.

The principle technical support for the preparation of this Balance Sheet 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”



ONLINE

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



INALCA – The plant of Castelvetro di Modena (MO)

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 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 50% of turnover comes from activities abroad.

INDUSTRIAL, LOGISTIC BRANCHES AND OPERATING OFFICES

In Italy, the Group operates **9** plants, including **6** 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 **22** distribution platforms, **5** production plants in Russia and Africa, as well as **9** IF&B platforms in North and Central America, in Asia, in Australia and **12** sales offices.

The INALCA Group in Italy



Headquarters and Executive offices

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



9
beef plants



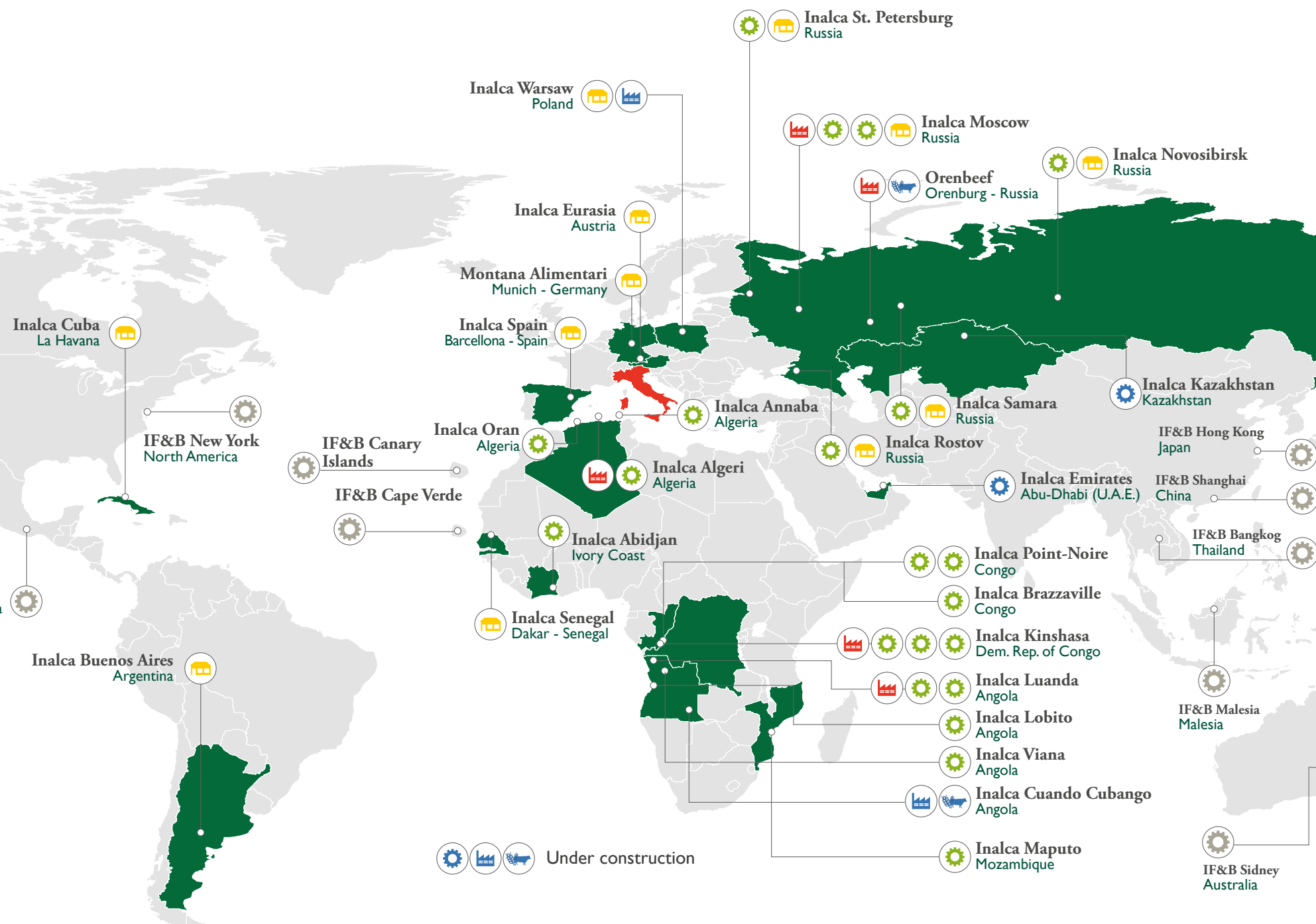
3
cured meats
& snacks plants



3
farms

The INALCA Group worldwide

The Group operates internationally in the distribution of food products and meat production. There are 22 distribution platforms, respectively 6 in Russia and 16 in Africa, and 5 production plants, of which 2 in Russia and 3 in Africa. Through its subsidiary IF&B, Inalca also has 9 food distribution centres located in North and Central America, Australia, and in several Asian countries. INALCA has built an exportable business model, creating an integrated beef industry “in reverse”: firstly the sale and distribution of products is started, then the products are made on site, successively slaughterhouses are built and finally the supply chain is completed with the activities of breeding.



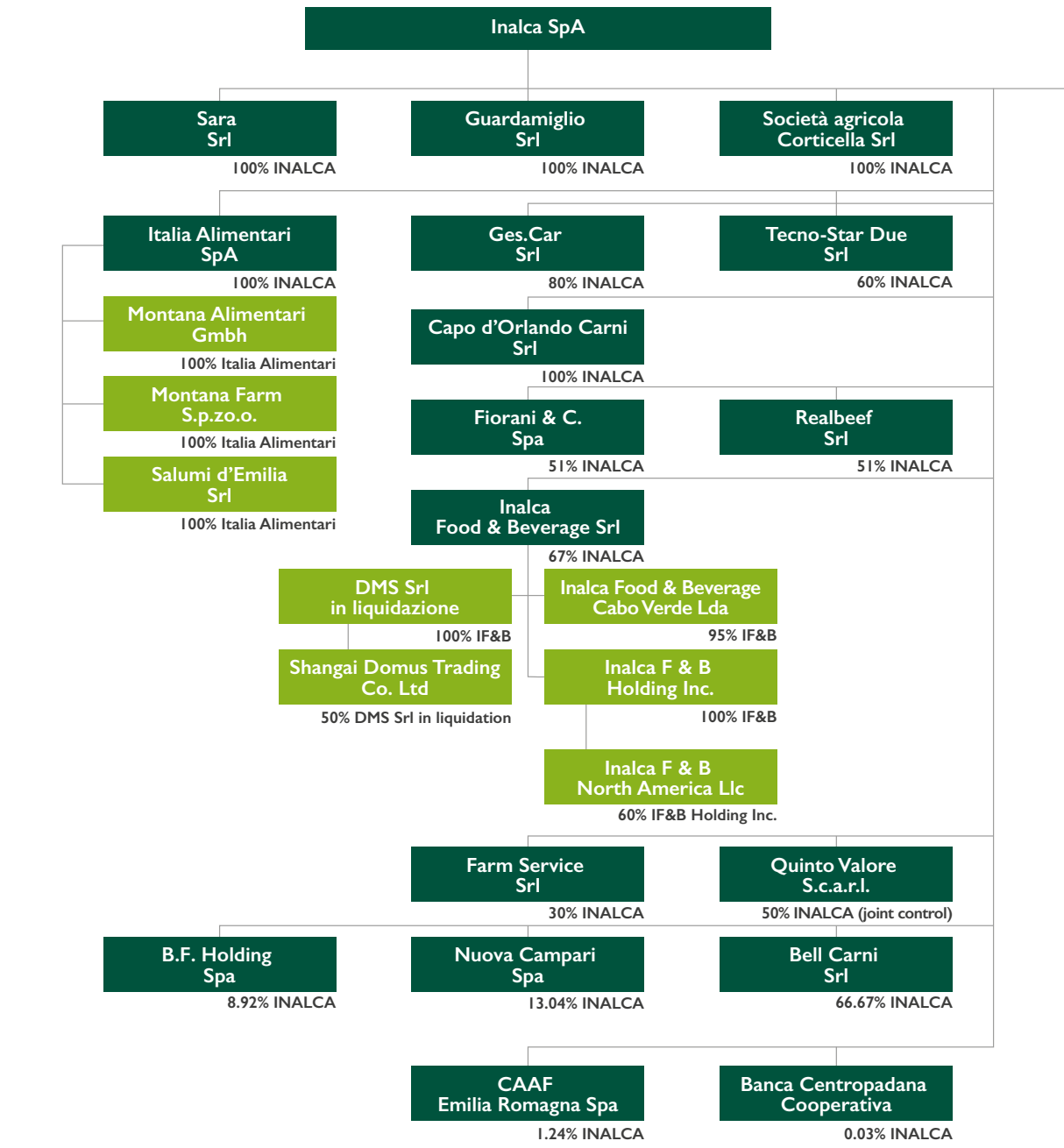
I.3 CORPORATE STRUCTURE

Corporate operations carried out during the business year include:

- The sale of 40% of subsidiary Industria Alimentari de Moçambique to the Namibian society Namsov, owned by the Bidvest Group, representing an important operation to strengthen commercial development in Mozambique, with particular reference to the fishing industry;
- The acquisition of control with 51% of Parma France Group, consolidating the operational capacity of the Group in breeding cattle supply.

During the course of 2015 no other operations have taken place that have changed the Group's structure. INALCA is controlled by Cremonini S.p.A. with 71.6%, while the remaining 28.4% is held by IQ MIIC (IQ Made in Italy Investment Company S.p.A., a SPV company belonging to the Italian Strategic Fund (FSI) and the Sovereign Fund of Qatar.

TABLE 3 - LIST OF INALCA GROUP COMPANIES AT 31.12.2015



INALCA S.P.A.'S COMPANY STRUCTURE



1.4 REFERENCE MARKETS AND DEVELOPMENT PROJECTS



INALCA works in the European community, in many Eurasian countries, Russia, the Middle East and the African continent. In Russia, during 2015, a slaughterhouse and meat processing plant was recently inaugurated, managed by its subsidiary Orenbeef. The establishment is located in the Region of Orenburg, situated on the eastern edge of the European part of Russia, on the border with Kazakhstan (124,000 square kilometres and about 2 million inhabitants) and represents one of the Russian areas with the most agricultural vocation. The facility, which in 2015 achieved a production of over 3,100 tonnes of meat and vaunts a capacity of slaughtering 75,000 head per year, is capable of easily increasing its production capacity, adapting to the expected increase in beef production in the region. In fact the slaughterhouse is the hinge connection between the agricultural world and distribution to consumers, the key to market access for farmers.

The project, therefore, has particular socio-economic relevance for the area, a thrust engine for the development of cattle farming and the rural community of this region. By virtue of the technology involved and its integration in the INALCA supply chain in Russia, the new plant will ensure local farmers the certainty of placement of the animals raised and proper valorisation of their work, according to the model already successfully experimented by INALCA in Italy and in other regions of Europe. 2015 was a year of consolidation for the “Made in Italy” food distribution strategy in the Russian and African markets, where INALCA vaunts a presence of more than twenty years. The dynamics in development of the subsidiary INALCA Food & Beverage S.r.l. (“IF&B”) in international markets such as North and Central America, Asian countries and Australia provide interesting results.



Cattle breeding in Russia

Nationally, development activities of the company have been focused on expansion projects and in the modernisation of the farming sector; launched through the subsidiary Azienda Agricola Corticella S.r.l. and the participated company Bonifiche Ferraresi S.p.A. The construction of the Group's second anaerobic digestion plant at the Corticella S.r.l. farm at Spilamberto (Mo) has in fact been completed and the construction work started for a new centre for cattle breeding in Jolanda di Savoia (Fe) through Bonifiche Ferraresi S.p.A., a company listed on the Italian Stock Exchange. In Poland the construction of a slaughter production plant is in progress. The initiative is intended to integrate the supply chain in this European region with a particular vocation for breeding cattle.

Preliminary studies are also underway for the construction of cattle farms in Africa - Sudan and Cuando Cubango (Angola) - as well as in Russia, in the Orenburg region.

INALCA and the Austrian investment company Knightsbridge Group, through Kaskad International Holding Group, have signed a strategic partnership to jointly develop the activities of food distribution and meat production in the Russian Federation and in the markets of the Eurasian region, particularly Armenia, Azerbaijan, Belarus, Georgia, Ukraine, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan. In execution of the agreement Inalca Eurasia Holdings was created, that will control all the activities currently developed by INALCA in Russia. In completion of the agreement Inalca Eurasia Holdings was created - a subsidiary 60% owned by Inalca (Cremonini Group) and 40% by Knightsbridge Group.

In 2015 through Inalca Eurasia, the foundation was laid for an acceleration of the production and distribution activities in Kazakhstan. In fact, a distribution centre of food products in Almaty is being built and land acquired for the construction of a new slaughtering plant on the outskirts of the same city.

In Russia, to complete the production chain of the Orenbeef plant, the company has launched a number of farms and feedlots in the Orenburg region and has also planned the expansion of this activity to the neighbouring regions of Tatarstan and Bashkiria. Inalca Eurasia foresees acquiring land in 2016 next to the Odintsovo industrial complex, with the goal of doubling its distribution activities. Furthermore in an international context, INALCA and Emirates Advanced Investment Group (EAIG), a holding company specialising in investments in the UAE, have signed an important agreement for the development of agribusiness. The aim of the agreement is to establish and operate a joint venture for the marketing of food products of Italian origin, especially in the Foodservice segment - Ho.Re. Ca in the territory of the United Arab Emirates and, more generally, in the other countries of the Cooperation Council of Arab Gulf States (GCC Countries). The first step of the agreement provides for the construction of a distribution platform in the free trade zone (FTZ) in Abu Dhabi for the import and distribution of food, based on the model of similar structures built by INALCA in Russia and in several African states.



Plant in Orenburg

1.5 PRIMARY BRANDS AND PRODUCTS

INALCA produces and markets a full range of beef, fresh and frozen, vacuum packed and in a protective atmosphere, processed and ready, canned meat and meat extracts. More than **500,000** tonnes of meat are processed and commercialised by the company each year, including **100,000** tonnes of hamburgers and **200** million cans.

The reference brands at a national level are MONTANA, MANZOTIN and IBIS and internationally Texana, Bill Beef and Mamma Tina.



over **500,000**
tonnes of meat
processed and
commercialised



100,000
tonnes of
hamburgers



200
million 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 2015 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 Khalid bin Khalifa 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 4** 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, 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 first 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 and Compliance & Legal Affairs.

The decision to carry out the Sustainability Balance Sheet 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.

Being a first edition, the Sustainability Balance Sheet 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 BALANCE SHEET



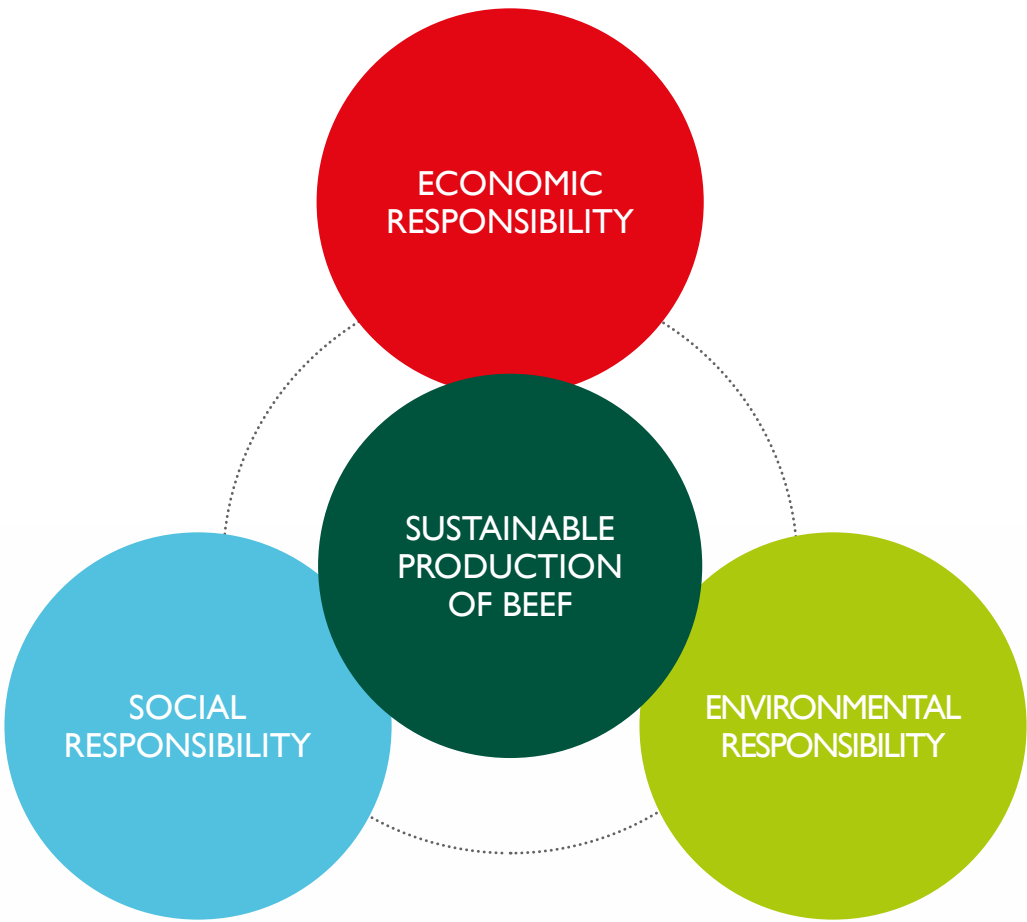
2.3 APPLICATION OF THE PRINCIPLE OF PRECAUTION

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 - (www.unesco.org/education/nfsunesco/pdf/RIO_E.PDF).

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 economic performance of the Group is the main engine of the company's development and on which have been implemented its business models.

Strengthened by its Italian identity, synonymous with quality and food excellence, for over 20 years the company's development was essentially based on the penetration in regions with emerging economies, particularly Russia and Africa. In contrast to the historical process of development in Italy, where the company has realised the integrated supply chain based on a model "Downstream" - also defined as "From Farm to Fork" - abroad the growth followed the opposite direction, "From Fork to Farm". The business model applied to non-European markets, in fact, foresees initially a stable and continuous sale of food to local operators, in a B2B context and mainly in the Ho.Re.Ca and Catering segment, possibly supported by a local sales office.

This first phase is followed by the implementation of logistics and distribution infrastructures, in particular refrigerated deposits, warehouses and transport vehicles. At the end of this second phase, in which the company develops a profound understanding of the markets, the construction of industrial plants follows, dedicated to the production of locally processed products intended for the typical consumption habits of local communities.

After this third phase, which takes about 5-10 years of development, the company produces progressively industrial "Upstream", activities, until primary production, intended as cattle breeding. Industrial development has therefore a model unifying the progressive integration of the supply chain.

At the end of this cycle of development, the company is perfectly integrated in terms of production and definitively inserted in the social context of its market. During the reference period of this report, the company is facing the most advanced stages of its business model in its long-standing regions, i.e. Russia and Africa. The new emerging markets of the Group, in particular the United Arab Emirates and the Eurasian republics are in the early-stage phases of development; currently under construction are logistic infrastructures for the distribution of food in Abu Dhabi (UAE) and Kazakhstan, in addition to a slaughterhouse in Sochocin (Warsaw), Poland.

BREEDING

Breeding represents the last link in the supply chain in which Inalca Eurasia is investing in Russia, being critical to the development and enhancement of local livestock activities and the procurement of raw materials.

Russia has one-tenth of the planet's arable land with a huge production capacity of fodder for animal feed, but requires know-how, technology and investment in the livestock sector. For this reason, in 2015, some feedlots were initiated in Orenburg and in the adjacent regions of Tatarstan and Bashkiria.

3.2 ECONOMIC ENVIRONMENT

During 2015, the macroeconomic scene continued to show signs of discontinuity and market dynamics that were complex and articulated. A recovery, although present, is still moderate and uneven in the contexts where the Group operates. The persistence of a low crude oil price determines the dynamics of a drop in the propensity of consumer spending in economies heavily dependent on this commodity, as in the Republic of Angola which is a key country for the company's development. The current crisis in the oil price has placed the Republic of Angola in financial difficulty and the cash flow out of the country appears difficult.

Maintaining the Russian embargo on food and agricultural exports following the Russian-Ukrainian crisis and the heavy devaluation of the rouble against the Euro have negatively influenced the dynamics of the group's development in this area. The overall framework was partially offset by growth of activities in local currency.

In a national and European Community context, the Group benefited from the ECB's policy of significantly reducing the spreads and from national policies aimed at increasing the spending power and confidence of businesses and households, such as tax incentives on lower fixed employment incomes and in three year tax exemptions for new employees. The meat sector also suffers from the weak economic trend and the high unemployment rate, factors that depress the disposable income of the largest group of consumers as well as the high prices of feed and meat.

INALCA'S ECONOMIC AND FINANCIAL RESULTS

In 2015, the consolidated production value of the Group amounted to € 1,490 million compared to € 1,511 for the year 2014(*), thus registering a decrease of 1.40%. Gross operating profit (EBITDA) amounted to € 112.2 million against € 121.2 million in 2014, a decrease of 7.65%. The result is mainly attributable to Russia, with a decrease in turnover of 17% and in EBITDA of 37%. Between the two years examined the company has suffered the consequences of the average rouble exchange rate against the Euro and a margin dilution of 200 bps, both linked to the crisis that was a result of the embargo, the sharp drop in oil prices and the consequent reduction in purchasing power of the Russian population. The difficulties of the Russian market were compounded by a crisis situation in emerging markets where INALCA is very active, which led to a reduction in exports at the benefit of other lower priced foods such as fish and poultry.

The decline in sales in Russia was partly offset by a good performance in the Italian market, despite the country being generally penalised by the media crisis that struck the red and cured meat sector as a result of the public health alerts disseminated by the WHO and which were uselessly rectified in the following months.

The operating profit (EBIT) amounted to € 60 million compared to € 73 million in 2014, a decrease of over 18%. The result from operations, which amounted to € 39.6 million, down by more than 16% similar to the pre-tax result. The operating result, despite the rebalancing of the financial structure which led to a better debt composition, was affected by the sharp drop in the Angolan Kwanza which, together with the already mentioned difficulties of the rouble, amplify the negative combined effect of exchange rates changes with a net balance of over € 11 million. The result for the year, thanks to tax cuts, turns out to be interesting (+ 24.5%), especially when compared to the international difficulties, which affected the consumption in some key countries for INALCA, such as Russia and Africa in general. The significant decrease in profit attributable to third parties is, once again, the result of the negative Russian performance and in part of the Democratic Republic of Congo.

INALCA's substantial stability is the result of a forward-looking and stable development policy, as well as the investment plans made in recent years, which has led to the creation of industrial clusters of success in every country where the company performs its business activities.

(*) The 2014 comparative figures of this comment relate to the consolidated financial statements originally filed and not to the retroactive restatement IFRS 11 in the following tables 4,5,7.

3.3 CONSOLIDATED FINANCIAL STATEMENT

TABLE 4 - CONSOLIDATED FINANCIAL STATEMENTS ON DECEMBER 31ST, 2015

Income Statement

| (In thousands of Euro) | 31.12.2015 | 31.12.2014* |
|---|-------------|-------------|
| Revenues | 1,456,026 | 1,474,063 |
| relating to related parties | 104,489 | 96,489 |
| Other revenues | 18,937 | 16,414 |
| relating to related parties | 159 | |
| Change in inventories of finished and semi-finished products | 14,397 | 14,606 |
| Capitalisation of internal construction costs | 2,894 | 9,390 |
| Costs for purchases | (1,028,972) | (1,055,237) |
| relating to related parties | (79,071) | 59,046 |
| Other operating costs | (246,092) | (236,763) |
| relating to related parties | | 5,228 |
| Personnel costs | (103,189) | (98,193) |
| Amortisation and depreciation | (37,760) | (39,285) |
| Write-downs and provisions | (14,175) | (8,577) |
| Losses (Reversal) of assets | (37) | 20 |
| Revenues from equity investments | 20 | (149) |
| Financial (Income) / Charges | (20,382) | (25,996) |
| relating to controlled companies | (25) | (325) |
| relating to related parties | (177) | (79) |
| Result before taxes | 39,647 | 47,442 |
| Income taxes | (11,162) | (20,613) |
| Results before minority interests | 28,485 | 26,829 |
| Result attributable to minority interests | (1,689) | (5,307) |
| Results for the period attributable to the Group | 26,796 | 21,522 |

* Retrospective application of IFRS 11 accounting principle with restatement of financial Balance Sheet on 31st December 2014
Consolidated Income Statement according to IAS principles

Financial Statement

TABLE 5 - CONSOLIDATED FINANCIAL STATEMENTS ON DECEMBER 31ST, 2015

Consolidated income statement reclassified with value added

| (In thousands of Euro) | 31.12.2015 | 31.12.2014* | Var. % |
|--|-------------|-------------|---------|
| Total revenues | 1,475,857 | 1,496,866 | (1.40) |
| Changes in inventories of work in progress, semi-finished and finished goods | 14,397 | (14,606) | |
| Value of production | 1,490,254 | 1,511,472 | (1.40) |
| Cost of production | (1,257,064) | (1,292,000) | |
| Value added | 215,190 | 219,472 | (1.95) |
| Personnel costs | (103,189) | (98,192) | |
| Gross operating margin (a) | 112,001 | 121,280 | (7.65) |
| Amortization, depreciation and write-downs | (51,936) | (47,863) | |
| Operating Income (b) | 60,067 | 73,417 | (18.18) |
| Net financial income (charges) | (20,382) | (25,996) | |
| Profit from ordinary activities | 39,685 | 47,421 | (16.31) |
| Net income (charges) from investments | 38 | 21 | |
| Result before taxes | 39,647 | 47,442 | (16.43) |
| Income taxes for the financial year | (11,162) | (20,613) | |
| Result before minority interests | 28,485 | 26,829 | 6.17 |
| (Profit) Loss attributable to minority interests | (1,689) | (5,307) | |
| Net profit attributable to the Group | 26,796 | 21,522 | 24.51 |

* Retroactive application of IFRS 11 accounting principles with restatement of financial Balance Sheet on 31st December 2014

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) | 31.12.2015 | % |
|-------------------------------------|------------------|-------------|
| ITALY | 773,097 | 53.2% |
| EU | 197,192 | 13.6% |
| RUSSIA | 249,400 | 16.95% |
| AFRICA AND OTHER REGIONS OUTSIDE EU | 271,549 | 18.46% |
| TOTAL | 1,454,063 | 100% |

TABLE 7 - DISTRIBUTION OF REVENUES BY PRODUCT CATEGORY

| (In thousands of Euro) | 31.12.2015 | 31.12.2014 | Difference in absolute value | Diff. % |
|-----------------------------------|------------|------------|------------------------------------|------------|
| Italian meat | | | | |
| Total revenues | 1,046,938 | 1,018,482 | 28,456 | 2.79 |
| EBITDA | 63,728 | 67,143 | (3,415) | (5.09) |
| Amortization and depreciation | (33,243) | (27,617) | (5,626) | 20.37 |
| Operative income | 30,485 | 39,526 | (9,041) | (22.87) |
| Foreign meat | | | | |
| Total revenues | 440,018 | 490,335 | (50,317) | (10.26) |
| EBITDA | 39,607 | 46,840 | (7,233) | (15.44) |
| Amortization and depreciation | (11,799) | (12,888) | 1,089 | (8.45) |
| Operative income | 27,807 | 33,952 | (6,145) | (18.10) |
| Intersectorial Adjustments | | | | |
| Total revenues | (132,055) | (129,869) | | |
| EBITDA | | 26 | | |
| Amortization and depreciation | | | | |
| Operative income | 2 | 26 | | |
| Cured meats | | | | |
| Total revenues | 140,627 | 130,546 | 10,081 | 7.72 |
| EBITDA | 8,675 | 7,278 | 1,397 | 19.19 |
| Amortization and depreciation | (6,892) | (7,358) | 466 | (6.33) |
| Operative income | 1,782 | (80) | 1,862 | (2,327.50) |
| Consolidation adjustments | | | | |
| Total revenues | (19,671) | (12,628) | | |
| EBITDA | (9) | (7) | | |
| Amortization and depreciation | | | | |
| Operative income | (9) | (7) | | |
| Total | | | | |
| Total revenues | 1,475,857 | 1,496,866 | (21,009) | (1.40) |
| EBITDA | 112,001 | 121,280 | (9,279) | (7.65) |
| Amortization and depreciation | (51,934) | (47,863) | (4,071) | 8.51 |
| Operative income | 60,067 | 73,417 | (13,350) | (18.18) |

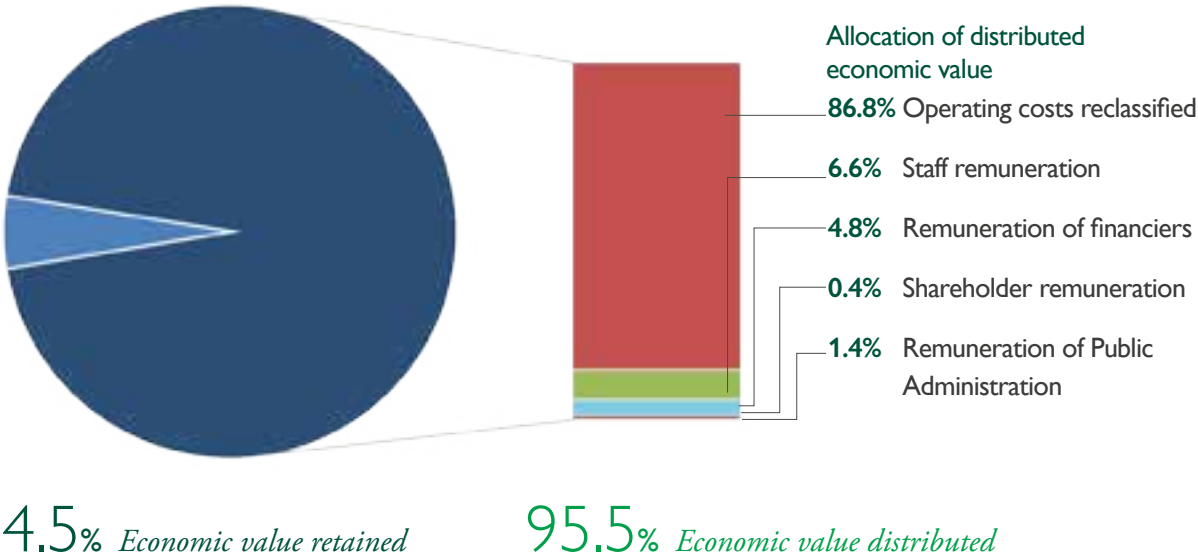
3.5 VALUE GENERATED AND DISTRIBUTED

TABLE 8 - VALUE GENERATED AND DISTRIBUTED

| (In thousands of Euro) | 2013 | 2014 | 2015 |
|--|------------------|------------------|------------------|
| Direct economic value generated | 1,553,113 | 1,514,386 | 1,480,316 |
| Revenues from sales - Finished products | 1,150,592 | 1,082,193 | 1,101,514 |
| Revenues from sales - Goods | 389,089 | 376,247 | (336,240) |
| Revenues from sales - Various | 8,350 | 9,040 | 12,600 |
| Revenue amendments | (15,303) | (12,099) | (10,115) |
| Rental income | 1,867 | 1,866 | 784 |
| Other revenues from operations | 8,147 | 13,816 | 13,004 |
| Other income | 16,082 | 16,414 | 18,937 |
| Change in inventories of finished and semi-finished goods | (10,357) | 14,606 | 14,397 |
| Capitalisation of internal construction costs | 6,242 | 9,390 | 2,894 |
| Exchange gains | (2,250) | 1,890 | (11,754) |
| Financial income | 1 | 0 | 0 |
| Expenses / Income from investments | 802 | 1,003 | 1,854 |
| Expenses / Income from investments | (149) | 20 | (37) |
| Economic value distributed | 1,484,550 | 1,461,295 | 1,399,897 |
| Operating expenses reclassified | 1,331,296 | 1,292,000 | 1,275,064 |
| Cost of goods - raw materials | 698,273 | 654,866 | 669,708 |
| Other purchase costs | 401,057 | 400,371 | 359,264 |
| Cost for services | 217,679 | 221,791 | 227,930 |
| Costs for use of third party assets | 7,410 | 6,938 | 10,486 |
| Other operating expenses | 6,877 | 8,034 | 7,676 |
| Staff remuneration | 98,525 | 98,193 | 103,189 |
| Wages and salaries | 71,625 | 71,100 | 74,879 |
| Social security costs | 21,235 | 21,037 | 21,686 |
| Indemnity | 3,702 | 3,824 | 4,411 |
| Other personnel costs | 1,963 | 2,232 | 2,214 |
| Remuneration of financiers | 28,120 | 28,889 | 10,481 |
| Charges derivatives (Income) Financial charges vs. parent companies (Income) Net financial expenses vs. consolidated companies | 2,114 | 3,517 | 0 |
| Financial expenses | 26,006 | 25,372 | 10,481 |
| Shareholder remuneration | 0 | 21,600 | 0 |
| Remuneration of Public Administration | 26,610 | 20,613 | 11,162 |
| Income taxes | 26,610 | 20,613 | 11,162 |
| Community | 0 | 0 | 0 |
| Economic value retained | 68,563 | 53,091 | 80,419 |
| Amortization and depreciation | 47,953 | 47,862 | 51,934 |
| Profit for the year allocated to reserves | 20,610 | 5,229 | 28,485 |

A COMPANY WITH A HIGH RATE OF ECONOMIC SUSTAINABILITY

ECONOMIC VALUE GENERATED AND DISTRIBUTED DIRECTLY AT 31.12.2015



The value generated and distributed (EVG & D) represents the first basic indicator of the value that the company has created for its stakeholders. In the food sector, due to low value-added production processes, the high incidence of raw materials and personnel in the income statement of the company, the value is transferred abroad is particularly relevant. In other terms, INALCA's corporate activities are of a considerable high rate of economic sustainability, the value distributed outside being particularly high. As the chart shows, the economic value distributed represents 95,5% of the total value generated by INALCA and results substantially unchanged respect to the previous year. The meat chain is therefore among those which transfer most of the value outside, the incidence of the agricultural raw material being particularly high.

3.6 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.



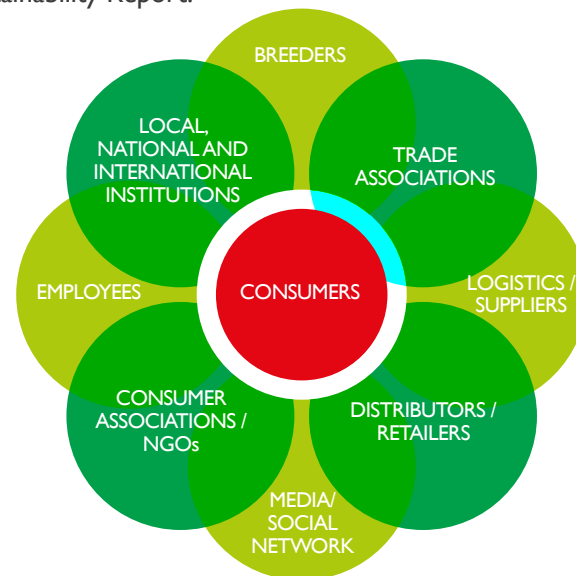
<http://bit.ly/IQ3823j>



4. STAKEHOLDERS

4.1 STAKEHOLDERS OF THE GROUP

Our sustainability Report represents the tool for analysis and reflection on the most relevant issues of social responsibility, thus identifying the parties involved and sharing the goals and policies. For the preparation of this report a preliminary identification of internal and external stakeholders was made, the so-called stakeholder mapping, and with it the first **materiality analysis** was developed (see Par. 6.2). This term means essentially identifying concrete and specific issues identified as priorities by the external environment in which the company operates. From these comparisons INALCA identified trajectories and priorities for action evidenced in its sustainability Report.



The company has identified its stakeholders; amongst these external and internal subjects were included in INALCA's organisation, in particular: customers and suppliers of major importance and impact in the operational decisions of the company, producer and consumer organisations and NGOs (Non Governmental Organisations) in the field of animal welfare, industry experts, internal employees who, due to specific roles of responsibility held within INALCA, can provide important feedback and insights.

Coldiretti, with one and a half million members, is the largest Organisation of agricultural entrepreneurs at Italian and European level. It is one of INALCA's stakeholders of reference with which it shares the objectives of valorisation and development of agricultural businesses and activities, as well as an active commitment in supporting the right to inform and the conscious choice of the consumer, with particular reference to transparency in productive processes, certification of agribusiness products and fraud prevention in the food industry.



Thanks also to the impulse of EXPO, 2015 has been the reference year for the elaboration of tools for the analysis of sustainability levels in the supply chain, with particular reference to the involvement of the agricultural world.

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 - Sustainable Agriculture Initiative Platform is the leading initiative of the food and beverage industry which promotes the development of sustainable agriculture worldwide. During 2015 INALCA actively participated in the realisation of an objective and concrete instrument for the analysis and measurement of cattle sustainability called "Farmer Self Assessment" (FSA), which is expected to be applied on an experimental basis during 2016. The Farmer Self Assessment was conceived as a motor of improving inroads applicable to farms in the sustainability sector and as a tool to assess eventual incentive systems for farmers who commit themselves fully in this area.



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 Occupational Medicine, is a body particularly specialised in the techniques of prevention of occupational accidents and diseases in industrial environments. INALCA developed with the University of Bologna an analysis on musculoskeletal diseases designed to improve prevention at the workplace.



Angolan Order of Veterinarians

In Africa INALCA supports rural development projects in partnership with the Order of Angolan Veterinarians.



Foodnexus is a technology platform dedicated to innovation in the food industry. The goal of the project is to build the best European Consortium in the food industry, capable of preparing a strong proposal to support the increased demand for food from a growing population. During 2015, the consortium was formally established with the registered name Foodnexus, incorporating and developing the previous experience acquired previously with Foodbest. The consortium is currently preparing its application at Community level, in particular with the EIT - European Institute of Technology - as an independent entity recognised in the field of research and innovation in the agrifood sector. The outcome of this action is expected in 2016.

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.



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.



ASSICA, Industrial Association of Meat and Cured Meats, is the national trade association that, as part of Confindustria, represents cured meats production companies (processed products of pork and beef) and swine slaughter.



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



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



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.



IN RETE

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 reference sector is characterised by a complex and globalised supply chain. The critical factors that influence the development and pose a threat in the medium to long term are essentially represented by the progressive reduction and impoverishment of the agricultural areas of developed countries, where there has been a decline in production, and a growing demand from developing countries which, nearing modernity and well-being, require a greater consumption of animal protein among which bovine is certainly the most precious. Food production contributes to climate change, the reduction of water resources, land degradation and a loss of biodiversity. Globally it is estimated that 25% of greenhouse gas emissions result from agricultural production both directly and indirectly through the reduction of forests. In an European context, livestock production accounts for 9.1% of total emissions. The challenge the food industry is therefore facing is that of increasing production whilst reducing the environmental impact and the pressure on natural resources, ensuring healthy and safe products that allow people access to a varied diet, which contains a balanced and adequate combination of energy and nutrients to guarantee good health.

Promoting new livestock production models, highly intensive in scientific and technological know-how, is the best way for the European Union to respond to this challenge; it is not unreasonable to assume that the ability, or not, to address this major issue in a united and unanimous way will have consequences on the future development of the territories and the urban landscape that surrounds us.



INALCA therefore wants to participate actively in the global challenge of increasing protein production for a growing population. 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.

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 launched a strategy aimed at achieving sustainable bovine farms, they can represent a concrete example and are reproducible in different areas where the company operates. For more details, see chapter 7.



5.2 NEW ETHICAL AND SOCIAL ASPECTS OF 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, like in other regions of the European Union, we are witnessing a phenomenon of disaffection towards the consumption of meat. This behaviour, often based on ideological assumptions on an alleged better health and safety of these diets without any adequate scientific foundation, and which finds extensive media coverage results in groundless criticism and unjustified aggressive attitudes towards the entire meat sector; from farmers up to processing and distribution companies. For this reason, INALCA, through Assocarni, its Professional Category Association, supports the project "Sustainable Meat" (<http://carnisostenibili.it/en>) aimed at disclosing objective and scientifically founded information on the benefits of meat consumption and the overall sustainability of the sector.

For more details, see chapter 9.

5.3 PROMOTION OF CONSUMER AWARENESS

INALCA's key element of sustainability is the promotion of a balanced consumption of meat, consistent with the fundamental principles of the Mediterranean diet, as suggested by leading scientific food institutions. In this context, INALCA has launched a series of concrete activities to improve consumer awareness.

For more details, see paragraph 9.3



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.

The founding principles of its policy in this area are listed below:

| | |
|--|-----------------|
| Principle 1 | CENTRALITY |
| An optimal level of food safety is considered a prerequisite for all company 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 more details, see paragraph 9.1.

5.5 ANIMAL WELFARE

The issue of animal welfare is highly regulated by Community rules which intervene strongly and in detail in the stages of breeding, transport and slaughter. Today, however, this aspect is no longer restricted only to specialists, but becomes a substantial element of the ethical and valuable heritage of the company. The ability to provide a clear and common approach to this problem constitutes therefore a necessary factor of leadership towards the consumer. 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.

For more details, see chapter 8.



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

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 2015 the group of stakeholders with whom INALCA dialogued has not changed.

The main stakeholders with which INALCA measures itself consist of associations of consumers and producers, customers, employees and partners, research organizations and NGOs (Non Governmental Organisations). In 2015, INALCA has further developed comparisons between breeders' associations and organisations active in the field of animal welfare.

For more details, see chapter 6.

5.7 ENVIRONMENTAL CHALLENGES

The complexity of the social issues that underlie this subject requires from INALCA a strong response capability on strictly environmental issues, especially the reduction of carbon dioxide emissions, the consumption of raw materials, such as water and energy, and proper management of agricultural soil.

In this direction INALCA initiated projects internally and throughout the supply chain to promote energy efficiency and renewable sources, and transfer upstream the practices for sustainable agriculture.

For more details, see chapter 12.

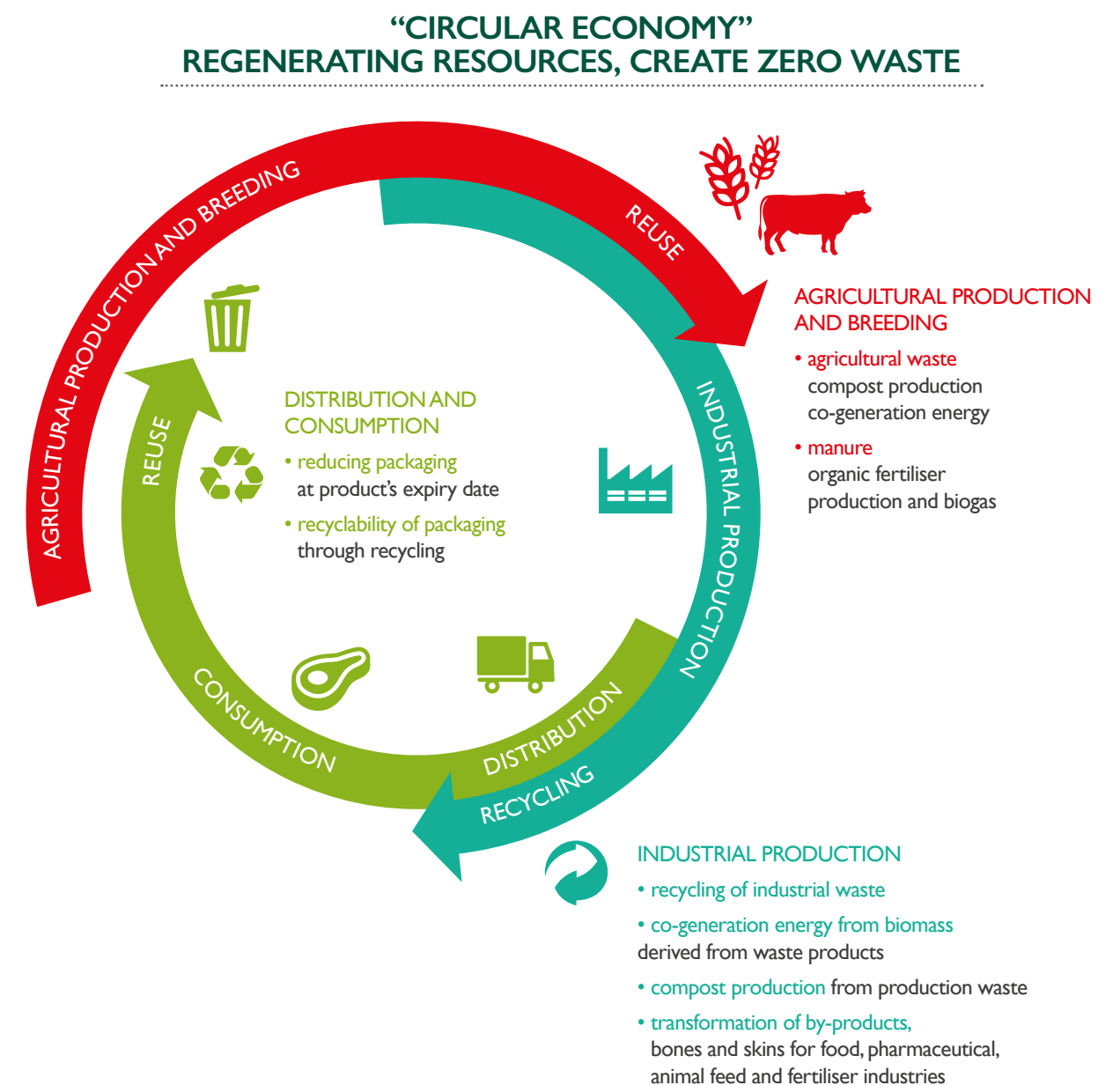


5.8 ADOPTION OF WASTE RECOVERY PROCESSES ACCORDING TO THE CRITERIA OF CIRCULAR ECONOMY

Based on the principles of circular economy we believe that the recovery and valorisation of waste and by-products throughout the supply chain, as well as generating more value for the company, contribute to the overall improvement of sustainability in the beef sector.

INALCA's business model, based on integrating production throughout the supply chain, opens to particularly large possibilities in this field, up to guiding the company's processes towards the complete recovery and transformation of waste and by-products, without any material being regarded as waste. Nationally, INALCA participates in the consultation table relative to the legislative package on circular economics issued by the European Commission called "The missing link - an European Union Action Plan for circular economy" (COM (2015) 614), accompanied by legislative proposals regarding waste directives, packaging and packaging waste, electrical and electronic equipment waste, 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).

The issue of recovering waste and by-products is illustrated in paragraph 12.8.



5.9 ACTION GUIDELINES FOR SUSTAINABLE DEVELOPMENT, 2015-2020

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

1) STAKEHOLDER INVOLVEMENT

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.

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).

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 (www.inalca.it). Through the adoption of its code and related control procedures, 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 increase of the world population, while keeping in balance the natural resources of the planet, is upheld by INALCA, which considers a priority the identification and development of new business processes that will increase the level of use of raw material for the production of food, systematically favouring food production over other possible destinations and uses other than that of alimentation. In this field, INALCA initiated research projects aimed at improving the exploitation of proteins and other nutrients from by-products, to produce new semi finished products for the food, pharmaceutical and animal feed industries.

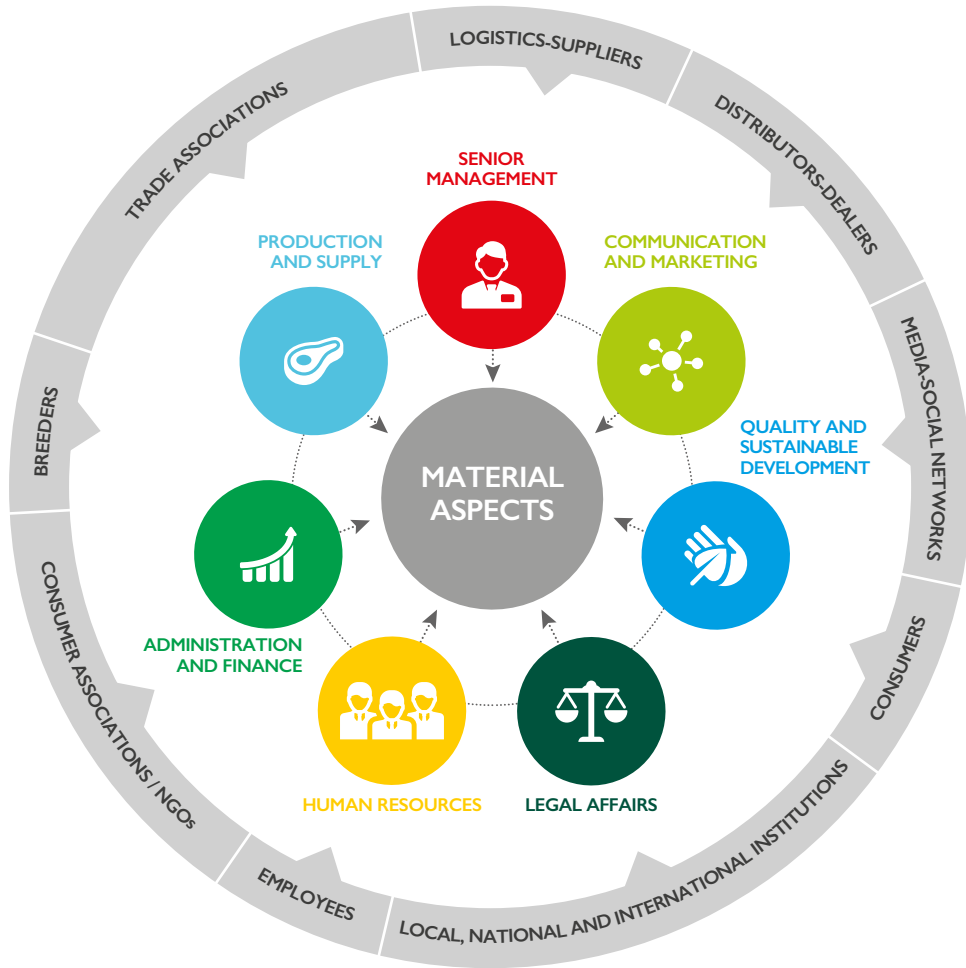


Deboning room, Castelvetro di Modena (MO)

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 which INALCA 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 field of bovine, promoting the adoption at all levels of the supply chain. INALCA during 2015 has not activated new comparative roundtables with stakeholders and as a result this chapter has not been modified from the previous edition.

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 9 the meaning attributed to each value scale is described:

TABLE 9 - WEIGHTING CRITERIA ADOPTED FOR THE ANALYSIS OF MATERIALITY

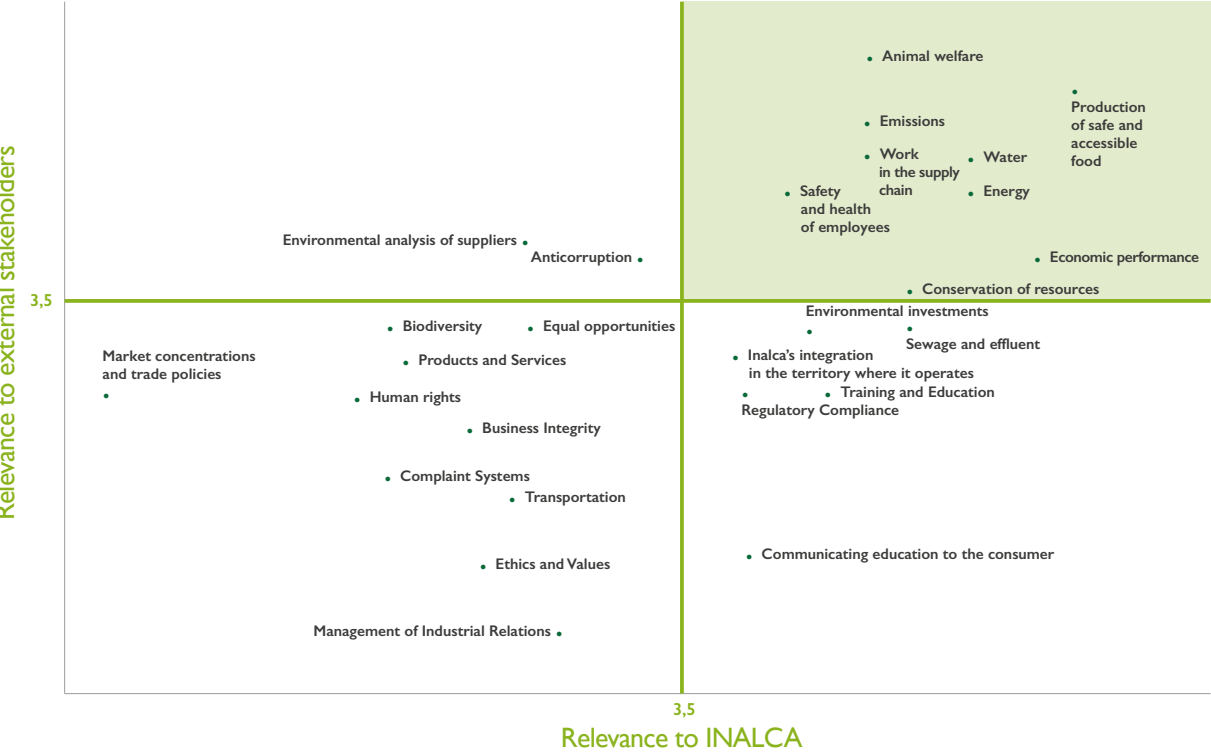
| Value | Meaning |
|-------|---|
| 0-1 | The theme examined is not of priority importance, or, if deemed relevant, it is however properly and effectively addressed and managed by INALCA. |
| 1-2 | The theme examined is of some importance, it is adequately addressed and managed by INALCA and could be 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 9, 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 10 - RESULTS OF THE ANALYSIS OF MATERIALITY
Based on the methodology described in the previous paragraph the following materiality matrix has been elaborated.



Vacuum packing line,
Castelvetro di Modena (MO)

7. SUPPLY CHAIN

7.1 DESCRIPTION OF THE 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.

ITALY

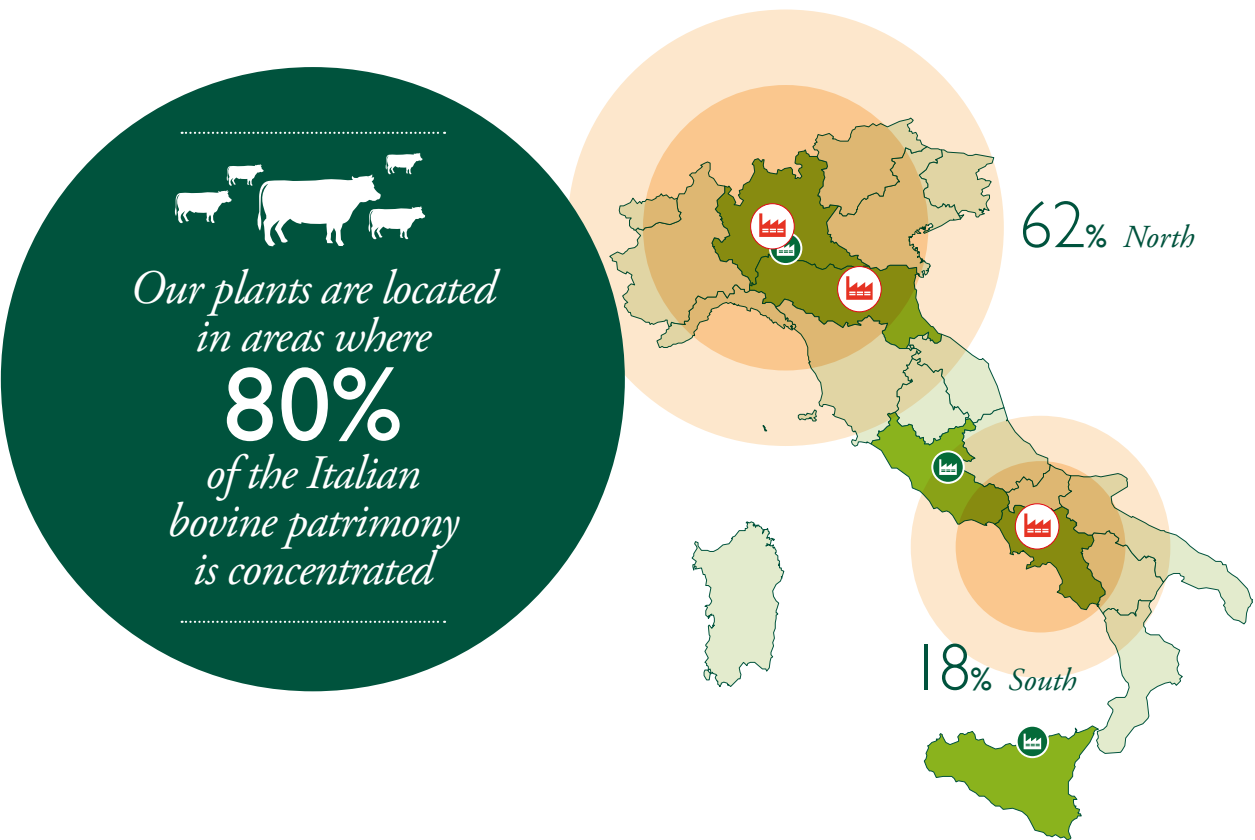
BREEDING AND AGRICULTURAL PRACTICES



Our farms are located in Italy. Italy is characterised by bovine 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 bovine 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 BOVINE DENSITY BY AREA



Breeding in barns 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 at all times water and feed. 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 event of breeding in barns, the animals have shelter from bad weather and from eventual predators, an aspect especially important in the case of young animals or in times of childbirth. Even the feed is calibrated with more accuracy and modulated depending on the specific needs of individual groups and the growth phase. It is a breeding farm that requires nutritional knowledge, veterinary technology and involves a strong professional competence of the farmer. Finally, the breeding barns need advanced technologies for the management of manure which, especially in highly urbanised areas such as the Po valley, are recovered to produce green energy through the production of biogas, saving fossil fuels. In the case of breeding at pasture, typical of northern European countries or in America where there is a low-density inhabitation and a large agricultural area, the animal is left in the wild for much of its breeding period. In this case, the animal has more freedom of movement, production cycles are longer because less nutritious food is provided by pasture, and there is less possibility of control in the event of illness or whatever problems arising. Also, in breeding by grazing research plans have been initiated for the improvement of sustainability: based mainly on the increased confinement of animals in specific plots and their rotation to allow a more effective regeneration of pasture, increasing their nutritional value and controlling more effectively the erosion and fertility of the soil. The grazing and confined livestock systems are hardly exclusive during the life cycle of the animals; they are generally integrated and complementary to each other, as livestock grazing is addressed especially to young animals, while confinement towards adult animals. It is important to note that both, if properly carried out, keep the animal always in its proper physiological status of wellbeing. The next section will clarify this concept.

In addition to breeding in barns, the integrated supply chain model adopted by INALCA for the production of animals for meat also involves a combination of the two systems, namely a first part in which the animal lives at pasture in a context of extensive farming and a second where the animal ends its cycle in the barn with a more nutritious and energetic type of feed than at pasture.

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

The cow calf line is a type of farm where the calf was born in the same farm where it will make the later stages of its breeding. It is not a negligible aspect, it in fact constitutes the initial element to restore the farm to its rural dimension, capable of developing methods of breeding closer to the specific characteristics of the territory from a social, environmental and climatic point of view, where technical specifications of adaptation are progressively developed. In this way the variety of animals and biodiversity is preserved better and, along with it, the integration between mankind, animals and the environment.



SUPPLIERS OF MEAT



Similar to breeding farms, also our suppliers of meat have different backgrounds and characteristics depending on the type of animals they breed and thus the intended use of the meat. We can identify three different categories:

- For meat production destined for industrial processing, such as canned meat produced in Italy, INALCA, in addition to its own slaughter facilities makes also use of other national domestic plants, small in size, in a logic of valorisation of the domestic beef industry leading to a typically Italian product, such as jellied meat that is consumed mainly in our country.
- For the production of frozen hamburgers and meat cuts produced in Italy and destined for various foreign markets, INALCA uses in addition to meat from our national herds, also meat obtained from Community facilities, especially in the event that the product is intended for these countries.
- For the production of a typically international product, of Anglo-Saxon culture and intended mainly for catering specialists, INALCA distributes typical American meats, such as the T-Bone steak, produced in the most important foreign plants that specialise in these products, the same which supply the big restaurants in the US or Australia. In this case, however, INALCA manages only distribution tasks without any industrial processing.

With regards the pig sector, the Group favours domestic suppliers of meat linked to products with a geographical indication or protected designation (PGI, PDO) destined mainly for the domestic market.

In the case of other products of pork origin destined for commercial channels in Europe or outside Europe, such as bacon, Community meat is used instead.

SUPPLIERS OF FOOD INGREDIENTS



INALCA also uses numerous suppliers of ingredients such as herbs, vegetables and flour. In this case, more than by a principle of proximity, the selection criterion is based on the effectiveness of food ingredient respect to the quality and organoleptic standard envisaged by INALCA for each product marketed.

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.**

The innovation process is developed mainly in the following areas:

- **reduction of the thickness of the plastic packaging to reduce the amount of materials used;**
- **use of recycled plastics where permitted;**
- **use of PET, namely a lightweight material, safe, inert, which helps to contain the emissions of carbon dioxide;**
- **use of single material plastic packaging to promote the recovery and recycling processes downstream the supply chain;**
- **use of secondary packaging in reusable cellulose, abandoning corrugated cardboard;**
- **reduction of the weight of cellulose packaging and replacing virgin compositions with recycled paper.**

In these areas of improving the sustainability of packaging materials, the partnership of the provider and the sharing of common goals are essential to the achievement of concrete results.

RUSSIA

The availability of meat for the hamburger production in the Russian Federation, carried out at the plant in Odintsovo (Moscow) by the subsidiary Marr Russia, is still not sufficient from local sources, and suppliers are used from different Eurasian countries or America. The initiation of the slaughtering and meat processing plant, opened in the city of Orenburg, has created an increase in the share of the domestic product as well as the realisation of a local integrated supply chain, as is already carried out in Italy. Consequently to the rapid growth of the Russian production system, INALCA uses, where possible, also local suppliers for some types of ingredients different than meat, used both in industrial processing and for the distribution as such in the Russian territory.



Plant of Odintsovo - Moscow (Russia)

AFRICA

In Africa, instead, it is currently not possible to use local food suppliers. The activities for selecting suppliers are based largely on compliance with international standards in force in the African continent, FAO - Codex Alimentarius in particular, and above all on compliance with the INALCA values of business conduct. Likewise, as already developed in the Russian market, including the African context - in particular in the Republic of Angola - the planned construction of a breeding farm and a slaughterhouse will permit the launch of a significant local meat production.



INALCA plant - Luanda (Angola)

CUSTOMERS AND CONSUMERS

INALCA operates at all levels with the biggest multinational food chains, as well as with the small local operators. In industrial processing big customers have allowed an increase in the Group's expertise, especially in the systems of quality control, safety and in the environmental energy sector.

Working with small customers, related to both the activities of transformation and distribution, INALCA has instead gained a greater sensitivity to issues of sustainability, in particular the value of social aspects and the various needs of the territory in which it operates.

In this context, during 2015, the INALCA facilities have initiated the formal procedures for compliance recognition to Regulation Reg. 834/2007 on organic production and labelling of organic products. The production of meat conforming to this production criteria is still limited and the effective capability of this tool to improve the sustainability of production is still uncertain. INALCA's membership to this scheme assumes an experimental significance at the moment, needed to develop knowledge and skills in this field and initiate pilot projects. INALCA will only in later years, after specific experience of this production method, assess the actual worth of organic production as a real tool for the improvement of the overall sustainability of livestock production.

7.2 CODES OF CONDUCT

INALCA published its code of ethics and business conduct within the company's corporate organisational model (www.inalca.it).

INALCA has also signed similar codes of conduct within its supply chain in the field of social and environmental responsibility, and business conduct.

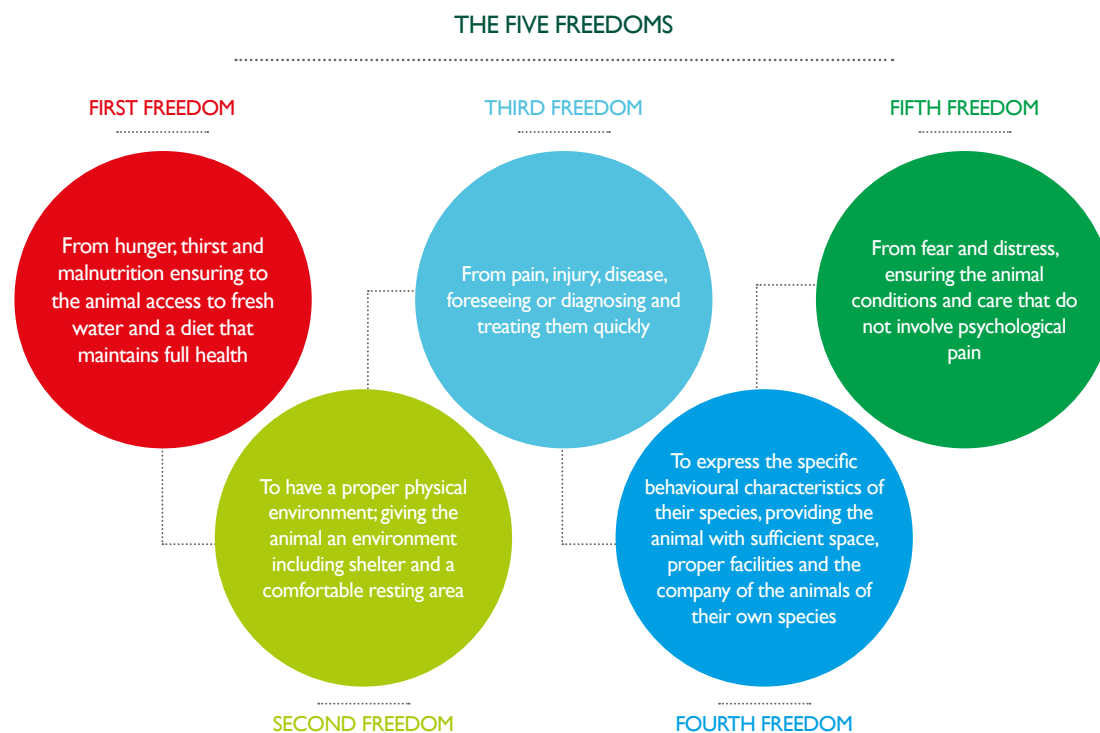
Systematic inspection activities are carried out internally and externally to ensure compliance with the principles contained in these documents.



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.



Based on these general principles of inspiration, INALCA, according to veterinary experts, technological platforms, customers and partners particularly sensitive to this issue, has developed its own techniques in the field of animal welfare. For the proper management of animal welfare, INALCA employs a team of veterinarians, which updates and develops these rules at all stages of the supply chain: farming, transport and slaughter.

It is a set of rules which constitutes a comprehensive management system for animal welfare, documented and accessible, which is shared with the farmers through their own website and by training and auditing fieldwork activities, in connection with agricultural Associations. In Italy and Europe, in the face of growing consumer attention in this field, labelling and claim systems, or other communication tools relating to the commitment of companies to control animal welfare conditions on farms are being developed, surpassing the already strict mandatory regulation requirements. To ensure transparency and objectivity to the consumer, INALCA believes that this information should be submitted to verified systems and certified by third parties, like communications on the special qualitative performances of products. The most reliable warranty tool is the voluntary system established by Regulation (EC) No. 1760/2000 regarding the labelling of beef and beef-based products, which have recently included animal welfare among the voluntary information and for which it remains an obligation to hold a voluntary labelling procedural guideline approved and supervised by the Ministry of Agriculture Agrifood and Forestry; INALCA, which possesses the first regulated voluntary labelling procedural guideline recognised in Italy, plans to insert animal welfare control in the information to be communicated to the consumer in a form verified by third parties and above all based on objective, transparent and measurable criteria



ONLINE

In this context INALCA has developed its own management criteria on animal wellbeing during breeding, available on its website at the following address: bit.ly/1FD6FBn

8.2 RESPONSIBLE USE OF ANTIBIOTICS IN BREEDING

One aspect of particular importance is the responsible use of veterinarian drugs. The phenomenon of antibiotic resistance due to uncontrolled use of antibiotics in livestock is in fact a threat to health, both for human and animals.

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) curative treatments, defined as “Therapy”: means the treatment of an animal or group of animals following a clinical diagnosis made by a veterinary surgeon;
- 2) control treatments, defined as “Metaphylaxis”: 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) preventive treatments, defined as “Prophylaxis” means 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 be registered specifically for the bovine species, 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 testimonials of model farms that have had success in this field.

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 2016.



ONLINE

WHO: bit.ly/1Ow9GJU

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.



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, by Canada, the Pan-American continent in general, and Japan, markets of important growth for INALCA.

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.

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.













9.1.3 ADOPTION OF VOLUNTARY TECHNICAL STANDARDS

The system used by INALCA for quality and food safety is in compliance with the main international voluntary standards, a real common language adopted on an international scale, which based on independent audits, confirms the effectiveness of INALCA’s actions in this field.

As mentioned in the previous paragraph, the use of certified systems verified by third parties will also be extended to support product claims and, more in general, the suitability of the information provided to the consumer.

TABLE II
STANDARDS ADOPTED BY INALCA IN QUALITY, SAFETY AND SUSTAINABLE DEVELOPMENT

| STANDARD SPECIFICATIONS | | | | ITALY | | | | | | | | | RUSSIA | |
|---|--|--|---|----------------------------|----------------------------|-------|---------------------|-------------|--------------|-------------------|-----------------------------|--------------|-----------|----------|
| | | | | INALCA | | | | FIORANI & C | REALBEEF | ITALIA ALIMENTARI | | | MARR RU | INALCA |
| Thematic area | Title | Technical standard | | Ospedaletto Lodigiano (LO) | Castelvetro di Modena (MO) | Rieti | Capo d'Orlando (ME) | Piacenza | Flumeri (AV) | Postalesio (SO) | Gazoldo degli Ippoliti (MN) | Busseto (PR) | Odintsovo | Orenburg |
| SAFETY AND PRODUCT LIABILITY | International Food Standard | IFS |  | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | |
| | General requirements for testing laboratories | ISO / IEC 17025 |  | | ● | | | | | | | | | |
| | Management systems for food security | ISO 22000 | | | | | | | | | | | | ● |
| | Food safety management systems developed by market leader | Private Standards |  | ● | ● | | | | | | ● | ● | ● | ● |
| | Quality Management Systems | UNI EN ISO 9001 |  | ● | ● | ● | | | | ● | ● | ● | | |
| | Voluntary labelling of products and consumer communication | EC Regulation 1760/2000 |  | ● | ● | | ● | ● | ● | | | | | |
| | Product Claims | Voluntary Certifications |  | ● | ● | ● | | | | | | | | |
| ENVIRONMENTAL RESPONSIBILITY | Environmental Management Systems | ISO 14001 |  | ● | ● | ● | | | | | | | ● | |
| | Environmental Product Declaration | EPD® |  | ● | ● | | | | | | | | | |
| SOCIAL RESPONSIBILITY | Worker health and safety | OHSAS 18001 | | ● | ● | ● | ● | ○ | | ○ | ○ | ○ | | |
| | Organisational model for the prevention of improper conduct | Decree 231/2001 on administrative liability of companies |  | ● | ● | ● | ● | | | ● | ● | ● | | |
| | Codes of conduct drawn up by leading companies in the market | External voluntary codes of ethical conduct | | ● | ● | ● | ● | ● | | ● | ● | ● | ● | |
| ECONOMIC, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY | Sustainability | G4 Guidelines Sustainability Reporting Guidelines Sector Disclosures “Food Processing” GRI |  | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |

○ 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, 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.

Anticipating a path already started by the main food laws, 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.



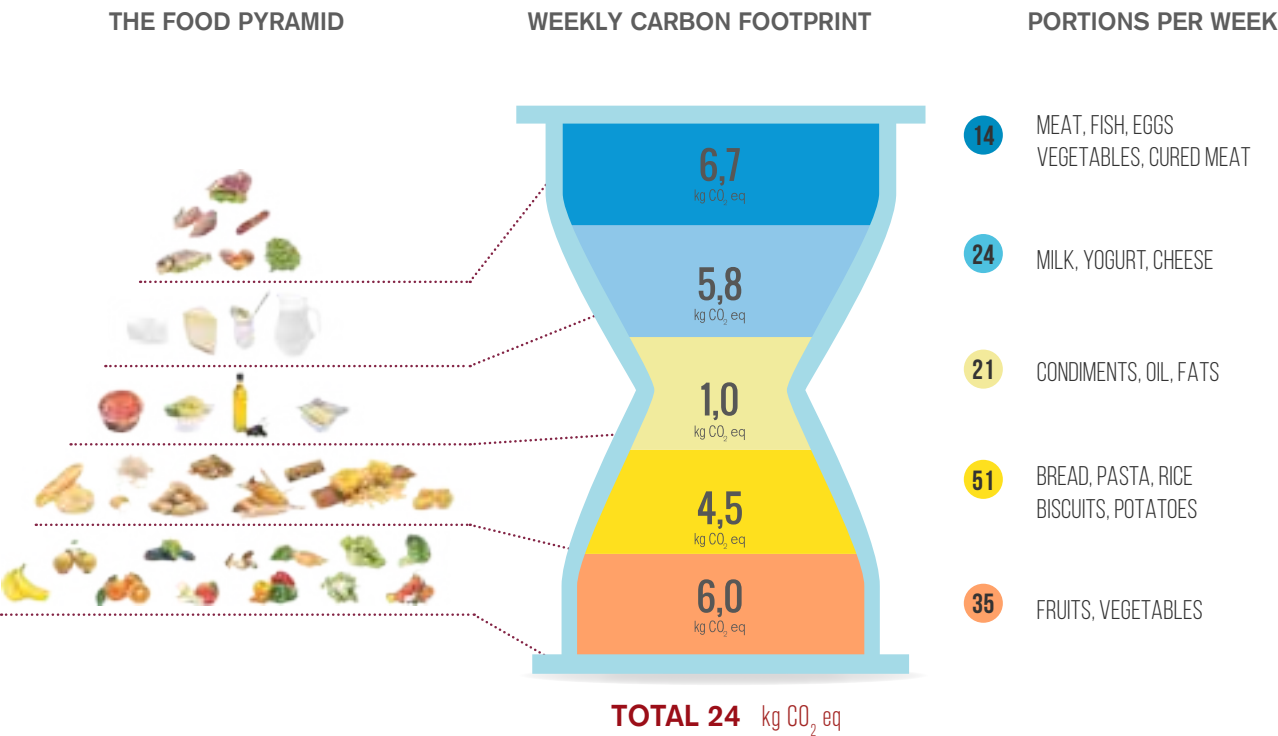
9.3 PROMOTION OF A BALANCED CONSUMPTION
“THE ENVIRONMENTAL HOURGLASS “

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 has shared with its Professional Association, the promotion of the first report on meat sustainability in Italy. This report has evidenced that a balanced consumption of meat also constitutes a major contribution to the protection of human health and does not cause significant environmental impacts. The report also showed that the real consumption per capita of meat in Italy is almost aligned with the portions indicated by INRAN (today CREA), according to the latest consumer data.

Deriving from all the suppositions mentioned above the Environmental Hourglass was born, showing graphically how consuming meat in a balanced fashion is sustainable for health and the environment.

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



www.carnisostenibili.it



10. OUR PEOPLE

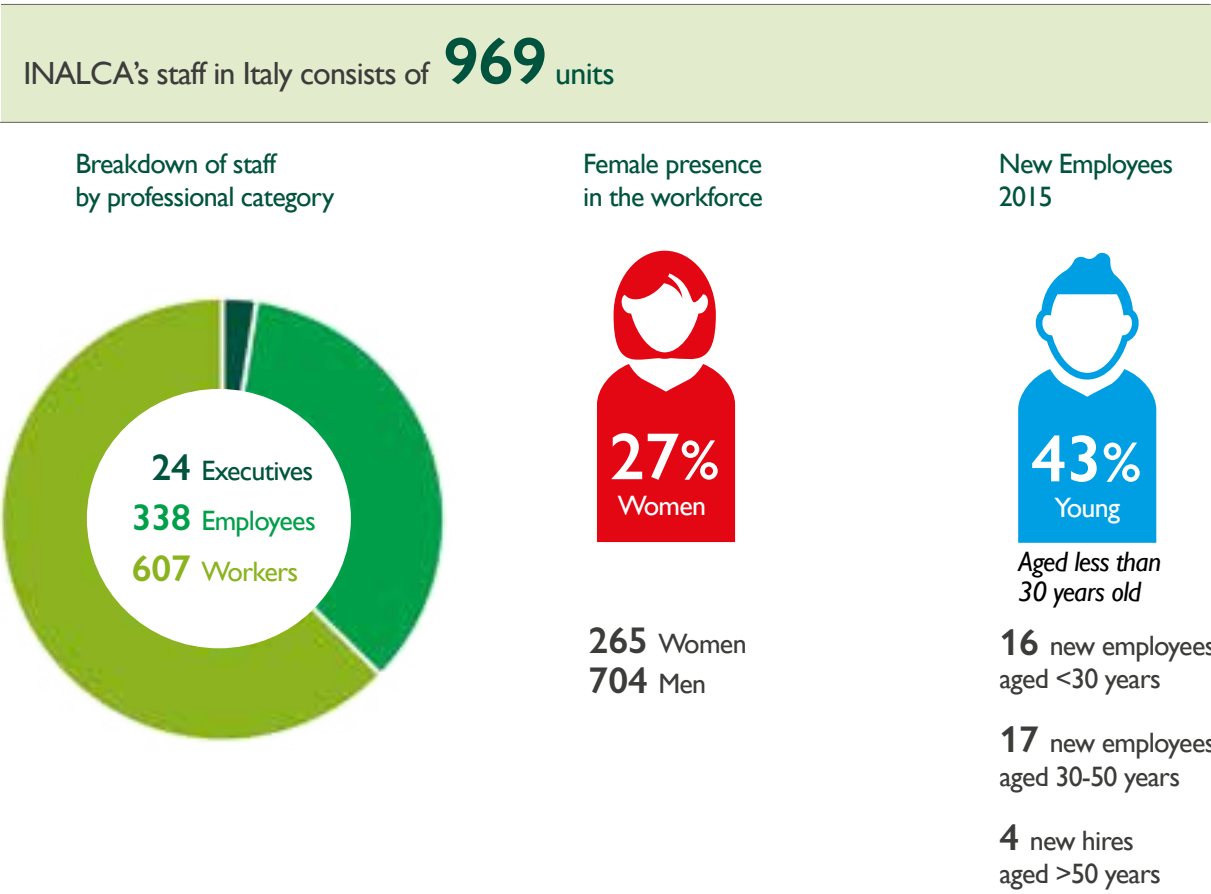
The core value that identifies the INALCA community is made up primarily from the constant search for excellence in food production and distribution for its clients and consumers, which is the heart of its business activities. The concept of excellence should not be intended only as an excellent product or service, but be extended to the social aspects: Integrity and correctness in business dealings, Responsibility to the market, Respect and Fairness in colleague and collaborator relationships. The Supervisory Board, established under the corporate organisational model, is the main subject that supports, promotes and monitors concrete compliance with these principles of daily conduct of employees and collaborators. This same body is also responsible for the evaluation of any complaints from employees about working conditions and forms of discrimination, and operates on the basis of specific information flows.

10.1 STAFF BREAKDOWN

During 2015, the Group has significantly increased its consistency in terms of staff employed in Italy and has maintained broadly unchanged its presence abroad.

- The following charts show the indicators adopted:
- breakdown of staff by professional category;
 - breakdown by genre;
 - new employees and their breakdown by age.

BREAKDOWN OF INALCA'S STAFF IN ITALY



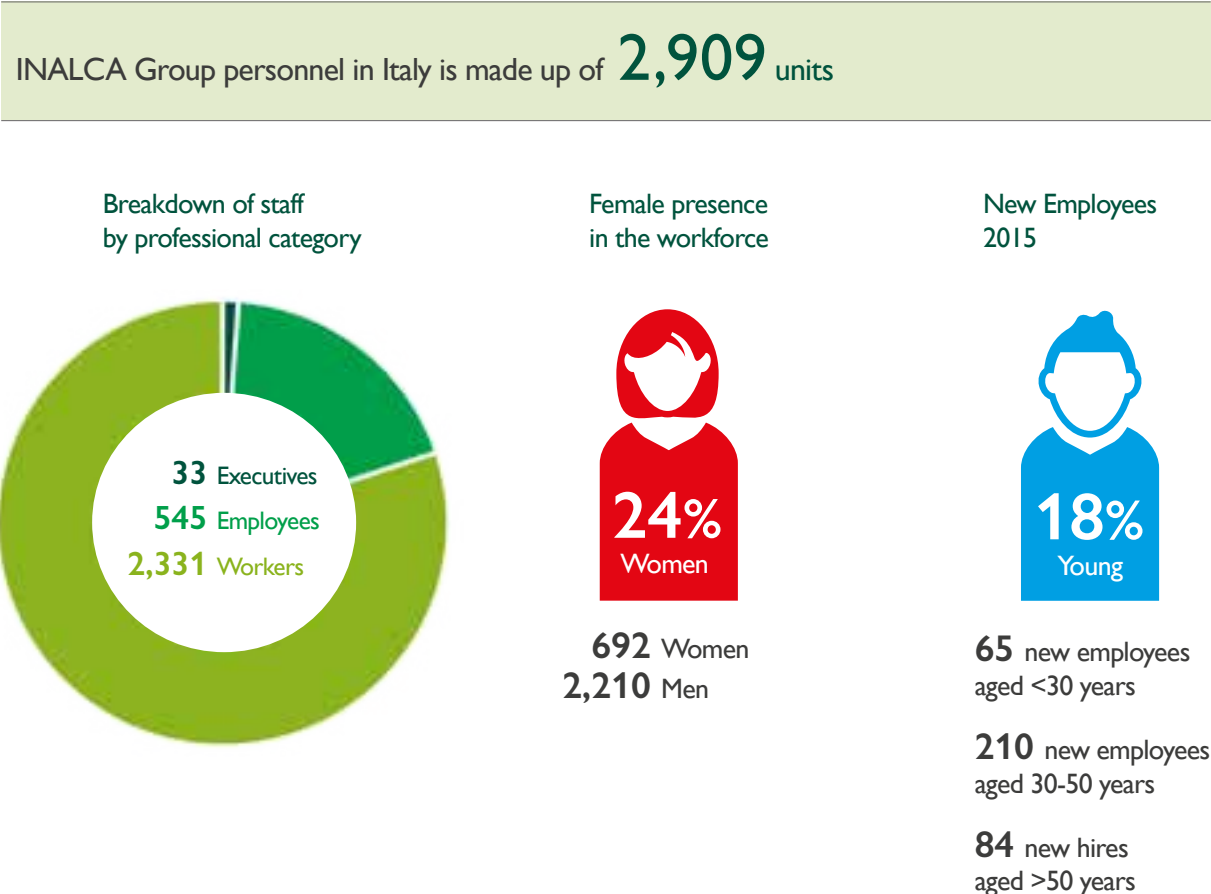
The following table illustrates the comparison with the previous year.

INALCA STAFF DISTRIBUTION (YEARS 2014-2015)

| YEAR 2014 | | YEAR 2015 | |
|------------|-----|------------|-----|
| EXECUTIVES | 24 | EXECUTIVES | 24 |
| EMPLOYEES | 329 | EMPLOYEES | 338 |
| WORKERS | 638 | WORKERS | 607 |
| WOMEN | 276 | WOMEN | 265 |
| MEN | 715 | MEN | 704 |
| % WOMEN | 28% | % WOMEN | 27% |

| NEW EMPLOYEES | | NEW EMPLOYEES | |
|---------------|-----|---------------|-----|
| <30 YEARS | 18 | <30 YEARS | 16 |
| 30/50 YEARS | 8 | 30/50 YEARS | 17 |
| >50 YEARS | 0 | >50 YEARS | 4 |
| TOTAL | 26 | TOTAL | 37 |
| % YOUNG | 69% | % YOUNG | 43% |

BREAKDOWN OF THE INALCA GROUP STAFF IN ITALY (INALCA + ITALIAN SUBSIDIARIES REFERRED TO IN TABLE 1)



The following table illustrates the comparison with the previous year.

DISTRIBUTION OF INALCA GROUP IN ITALY (YEARS 2014-2015)

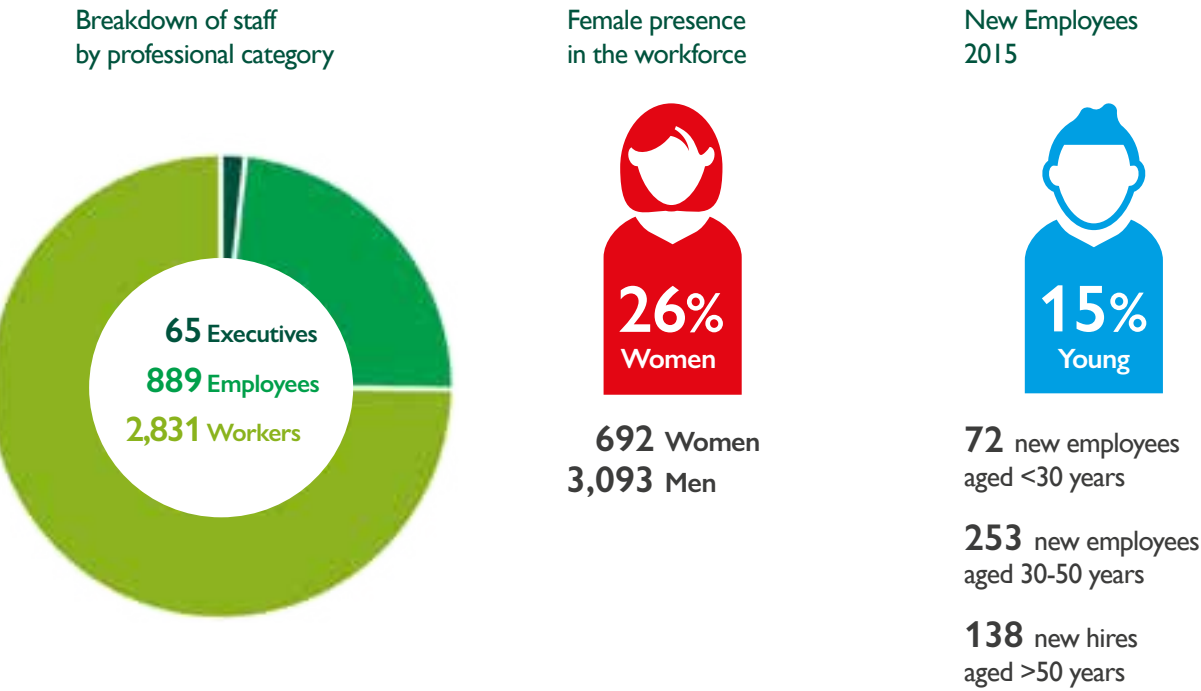
| YEAR 2014 | | YEAR 2015 | |
|------------|-------|------------|-------|
| EXECUTIVES | 40 | EXECUTIVES | 33 |
| EMPLOYEES | 480 | EMPLOYEES | 545 |
| WORKERS | 989 | WORKERS | 2,331 |
| WOMEN | 424 | WOMEN | 692 |
| MEN | 1,085 | MEN | 2,210 |
| % WOMEN | 28% | % WOMEN | 24% |

| NEW EMPLOYEES | | NEW EMPLOYEES | |
|---------------|-----|---------------|-----|
| <30 YEARS | 31 | <30 YEARS | 65 |
| 30/50 YEARS | 17 | 30/50 YEARS | 210 |
| >50 YEARS | 2 | >50 YEARS | 84 |
| TOTAL | 50 | TOTAL | 359 |
| % YOUNG | 62% | % YOUNG | 18% |

To make the figure for new employees in 2015 comparable with that of the previous year, INALCA and subsidiaries relevant to these financial statements have been included, with the exception of the company Gescar, which undertook a significant extraordinary operation described later in § 10.2.

BREAKDOWN OF THE INALCA GROUP STAFF IN ITALY, AFRICA AND RUSSIA (INALCA + ALL SUBSIDIARIES IN TABLE 1)

INALCA Group personnel in Italy,Africa and Russia is made up of **3,785** units



The following table illustrates the comparison with the previous year.

BREAKDOWN OF THE INALCA GROUP STAFF IN ITALY, AFRICA AND RUSSIA (YEARS 2014-2015)

| YEAR 2014 | | YEAR 2015 | |
|------------|-------|------------|-------|
| EXECUTIVES | 69 | EXECUTIVES | 65 |
| EMPLOYEES | 779 | EMPLOYEES | 889 |
| WORKERS | 1,378 | WORKERS | 2,831 |
| WOMEN | 694 | WOMEN | 692 |
| MEN | 1,532 | MEN | 3,093 |
| % WOMEN | 31% | % WOMEN | 26% |

| NEW EMPLOYEES | | NEW EMPLOYEES | |
|---------------|-----|---------------|-----|
| <30 YEARS | 41 | <30 YEARS | 72 |
| 30/50 YEARS | 27 | 30/50 YEARS | 253 |
| >50 YEARS | 4 | >50 YEARS | 138 |
| TOTAL | 72 | TOTAL | 463 |
| % YOUNG | 57% | % YOUNG | 15% |

The comparison with the previous year highlights a significant increase in recruitment in Italy made by the Group, both by INALCA, and especially by certain subsidiaries, including Guardamiglio S.r.l which has made the greatest contribution. To this we must add the important task of internalisation of the group of employees in the subsidiary GES.CAR Srl, described next in §10.2.

10.2 EMPLOYEES COVERED BY BARGAINING AGREEMENTS

Where present, the INALCA Group applies national trade employment contracts for each sector of the individual company. According to data collected in this first Balance Sheet, they cover 100% of employees in Italy and more than 90% of those abroad. The collective trade contracts contain specific references also to the health and safety of workers. Collective contracts are also applied to workers who operate under outsourcing.

Certainly the internalisation of such a large number of people represents the operation of most importance from a social perspective and a concrete testimony of the Group's commitment of providing workers with a more stable and secure situation from an occupational point of view, allowing their settlement and integration in the territories where the company operates.

10.3 PERSONNEL TRAINING

INALCA carries out systematic training at all levels of the company. The training is carried out by experienced teams operating in different business areas. The topics which the training activities focus on concern mainly:

- entering new employees, combining training and education;
- health and safety;
- work hygiene and principles of quality;
- ethical principles and codes of conduct adopted under the corporate organisational model.



Italy: In Italy 19,617 hours of training have been developed, a significant increase compared to the 11,248 hours of training of the previous year. The increase of the training is linked mainly to new employees entering into the company and the development of more substantial programs in the health and safety sector.



Presentation of the diplomas of the deboning course, Ospedaletto Lodigiano (LO)



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

10.4 HEALTH AND SAFETY

In health and safety matters INALCA's efforts have focused on extending the OHSAS 18001 certification standards on the four Italian INALCA plants. This achievement was completed in Autumn 2015 with the certification of the Capo d'Orlando (ME) plant, crowning an activity began in 2013. Thanks to the more improved and extensive data collection system that the standard OHSAS 18001 allows, this budget will provide some new tabular parameters related to the data of accidents and occupational illnesses and the frequency index for the years 2012 to 2015 concerning the INALCA facilities of Castelvetro, Ospedaletto Lodigiano, Rieti and Capo d'Orlando (LO). In this edition, the Italian subsidiary GES.CAR. S.r.l. is also inserted in the perimeter in order to provide an indication of the performance of the main evaluation parameters according to the uniformly handled Italian data. GES.CAR. S.r.l., with the significant employments made by this company by the end of 2015, shows the Group's attention to these issues will become increasingly more important.

The trend of the 2015 indicators resulted in a slight deterioration compared to 2014. However, 2014 represented an exceptional year, where the indicators were favourably influenced by their downgrade by the competent bodies (INAIL- INPS) from injuries to simple illnesses. The trend remains positive if evaluated on an historical series of more extended data including the period 2012-2015.

For all indicators, even for those more specific on health and safety not reported in these financial statements, their overall analysis and statistical evaluation have been undertaken by polynomial curve that demonstrates the maintaining of a ameliorative trend, confirmed also by the relevant estimates for 2016.

TABLE 12 - ACCIDENTS AT INALCA'S CASTELVETRO DI MODENA AND GES.CAR S.R.L. PLANTS

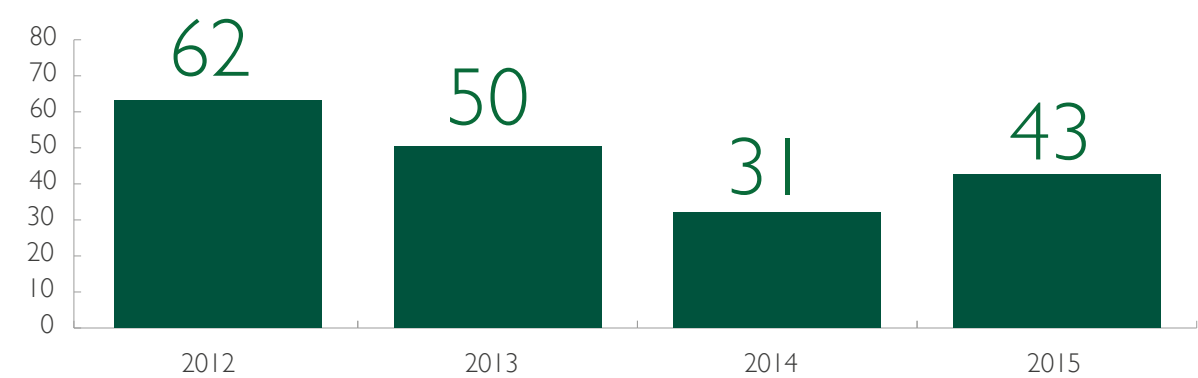
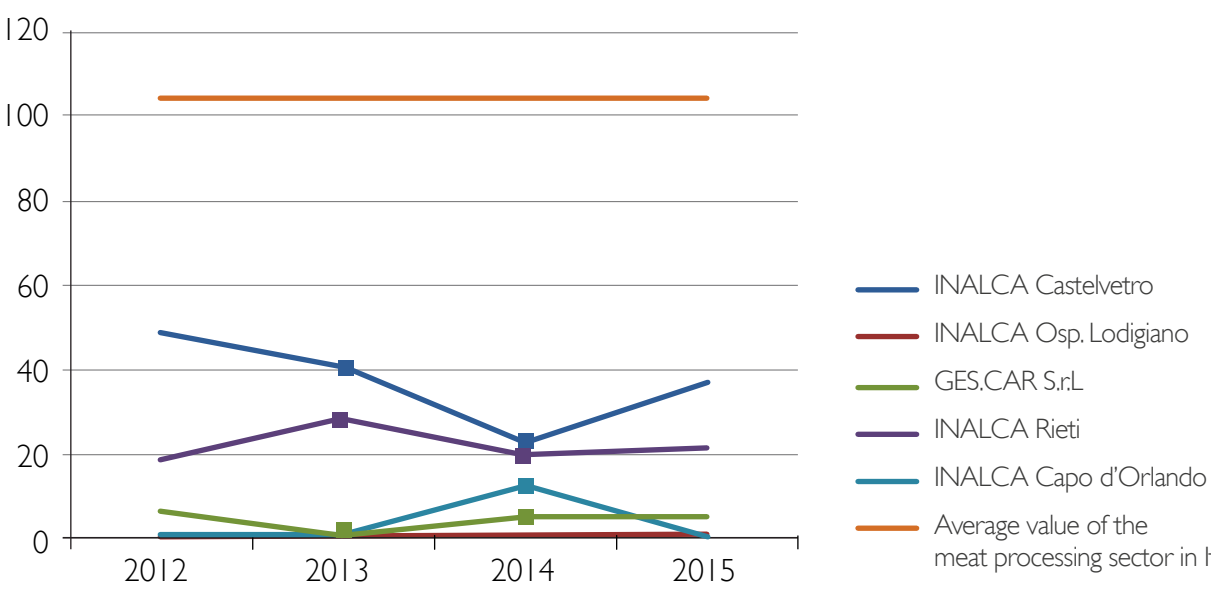


TABELLA 13 – ACCIDENT TRENDS AND PROFESSIONALS DESEASES AT INALCA'S CASTELVETRO DI MODENA AND GES.CAR PLANTS.



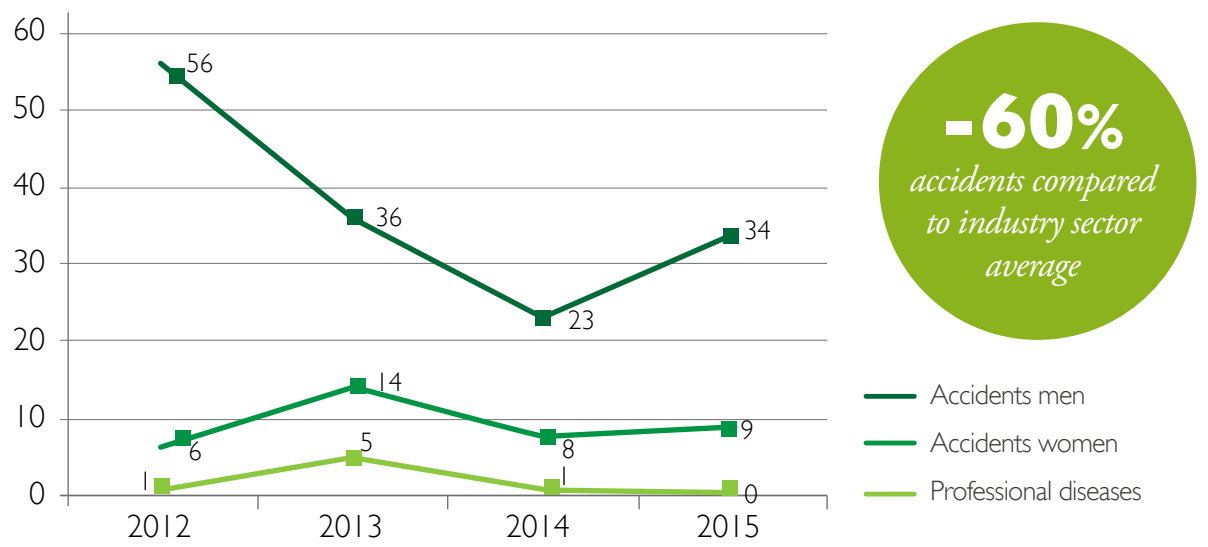
The frequency index analysis (ratio of the number lost to accidents and the number of hours worked, multiplied by 1 million) evidences a substantial consistency between the various facilities surveyed, for both GES.CAR. and INALCA, without relevant fluctuations between the various plants of the Group. The finding is important because it highlights a uniform situation throughout the whole Group, reflecting the ongoing effort to harmonise ever more efficient procedures implemented in the field of health and safety.

All indicators remain well below the average of the meat processing sector (orange line) by over 60% compared to the worst indicator.

It is important to note the ameliorative trend towards occupational illnesses recognised by the competent authority (INAIL). It is a matter of particular importance because it concerns an issue of particular sensitivity and relevance to the meat industry. The prevention of musculoskeletal disorders are in fact seen as a priority in the company's efforts in the field of health and safety.

The following table shows injury statistics (divided by men and women) and the development of occupational illnesses that highlight the achievement of the value 0 in the year 2015, a figure of absolute excellence in this sector.

TABLE 14 - PERFORMANCE OF ACCIDENTS AND OCCUPATIONAL ILLNESSES FOR INALCA AND GES.CAR. PLANTS IN ITALY



In this context, the effort to contain and where possible improve the performance indicators in the field of health and safety of workers, INALCA has ongoing the further extension of the OHSAS 18001 standards to the other Group facilities.

| Number of accidents / Number of hours worked x 1.000.000 * | 2012 | 2013 | 2014 | 2015 |
|--|------|------|------|------|
| Inalca Castelvetro | 49.3 | 41 | 22.7 | 36.5 |
| Inalca Ospedaletto Lodigiano | 0 | 1 | 0 | 0 |
| Ges. Car | 6 | 1 | 5 | 5 |
| Inalca Rieti | 18.4 | 28.2 | 20.0 | 21.3 |
| Inalca Capo d'Orlando | 0 | 0 | 11.7 | 0 |
| Average sector value | 104 | 104 | 104 | 104 |

(*) without ongoing accidents and occupational pathologies



PREVENTION OF SKELETAL MUSCLE PATHOLOGIES PROJECT

INALCA has begun a project with the University of Bologna to analyse within the workforce of the plant in Castelvetro di Modena the statistical distribution of musculoskeletal disorders. As a result of detailed clinical analysis of the employees, extensive data is collected relative to these pathologies. The elaboration of this data permits an overall assessment of the employees' situation, potential areas for improvement and possible organisational solutions to reduce workers' exposure to this types of risk. On the basis of the first results of the application of the project, INALCA initiated the preliminary feasibility study for the effective implementation of possible improvements in the work organisation of the company.



ANT - MELANOMA PROJECT

INALCA in partnership with ANT, has endorsed the "Melanoma" project dedicated to primary prevention and early diagnosis of this disease. The project foresees free dermatological examinations for INALCA's employees. The project's goal is to provide employees with appropriate knowledge and awareness about skin cancer prevention and early intervention.

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.

2015, in conjunction with EXPO, saw a broad activity of communication on these subjects, accompanied by a spreading of the culture of sustainability, in particular the relevant principles and practices developed in national and international platforms that deal 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 is engaged, through its industry association, is the fight against crime and illegality through its participation in the Observatory on Crime in Agriculture and the Agrifood System.



As part of its supply chain INALCA supports projects of integration of young people into the world of work, as for example the project "Alliance for Youth" sponsored by Nestlé (bit.ly/1cMk9mZ).



For over 25 years, INALCA has been supporting UNICEF's activities thanks to a close collaboration with its Modena headquarters. Over the years there have been many supported initiatives aimed at alleviating the suffering of children in developing countries, in particular through important projects in Congo and, recently, for refugee children from Syria.



INALCA collaborates continuously with the Food Bank, with food donations that the Foundation recuperates to fight food waste and for the redistribution and donation to charitable organisations.



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

Abroad, INALCA's social commitment is mainly directed to child support programmes adding to the promotion of the Italian food culture. INALCA collaborated towards the creation of the new headquarters in Vignola of the National Association of Public Assistance (ANPAS), a centre for various volunteer activities developed throughout Italy. INALCA has contributed to the construction of the new headquarters in Vignola of the Italian Blood Volunteers Association (AVIS), an association heavily involved in the organisation of all those who want to donate blood.



II.2 RUSSIAN FEDERATION

In Russia, social activities are primarily aimed at supporting children, in particular with the Ronald McDonald House Charities organisation.



INALCA, through its subsidiary MARR Russia, received the National Award "Hospitality", a non-profit prize awarded by the federation of restaurant and hoteliers (CDF) and by the PIR project, as "Best caterer" for the contribution to the development of the food industry and hospitality in Russia.



INALCA sponsored various editions of the literary contest "Gorky Prize". Among the most significant were the second edition held at the Pushkin Museum in Moscow in 2010, and the fifth edition held at the Villa Fersen in Capri in 2013 and in 2015.



On the occasion of INALCA's 50th Anniversary, the Russian Deputy Minister of Agriculture, Ilya Shestakov, awarded President Cav. Luigi Cremonini with an important decoration of the Russian Government by handing over a "SILVER MEDAL" with merit "for the significant contribution that INALCA gave to agricultural development in the zootechnical field of the Russian Federation" (Pictured: Rome, Deputy Minister of Agriculture Ilya Shestakov and Luigi Cremonini).

In 2015, the activity of Corporate Social Responsibility of the Group in Russia also continued on similar lines, in particular with the support of sporting events and charitable initiatives carried out with the Italian Embassy.



Nestlé "Alliance for Youth": bit.ly/1cMk9mZ

11.3 AFRICA

The support of children, improving facilities for the development of trade and the promotion of the Italian image and culture 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 Salesians 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.



INALCA's support is also addressed to the Italian Embassy of Angola, with projects and initiatives for the development and promotion of Italian culture and image, and the Ministry of Commerce for the development of censuses and statistic surveys of the territory to improve the movement of goods in the country.

During 2015 the group has supported secular and religious institutions engaged in supporting children, particularly the Franciscan Communities in Luanda, the Italian Embassy in Angola and the Lwini Foundation.



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



www.fundacaolwini.org
www.cgfmanet.org



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

12. ENVIRONMENT AND RESOURCES

12.1 INTRODUCTION

For INALCA, sustainable development is an entirety of knowledge, industrial activities and processes that have the essential purpose of constantly monitoring consumption and environmental impacts resulting from its production processes and the definition of the actions aimed at reducing them in a documented and measurable manner. The sustainability issues are handled by a working group that operates under the corporate function for Quality, Safety Health and Sustainable Development.

The direct environmental aspects of primary importance that characterise INALCA's activities are developed along the supply chain and focus in particular on agricultural production levels and industrial processing, they regard mainly:



A clear commitment to control these aspects are expressed in the company's policy and more specifically in the document entitled "INALCA Code of Conduct for sustainable development of the enterprise". Coherent with the indications of the premise, in this chapter the companies of the Group without production facilities, which act solely commercially or financially, that have little relevance in terms of consumption and environmental impacts, are excluded. As highlighted in Table 11, for a decade INALCA has adopted environmental management systems in its main production plants: today the plants of Castelvetro di Modena, Ospedaletto Lodigiano, Rieti and Marr Russia's plant in Odintsovo (Moscow) are certified according to ISO 14001 standards.

Indirect environmental aspects of particular importance are undoubtedly linked to the improvement of impacts and consumption in bovine 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

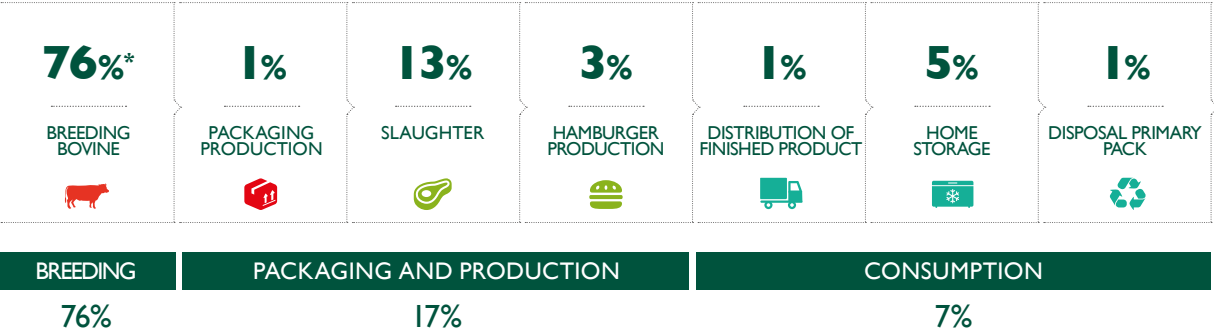


12.2 AGRICULTURE AND BREEDING

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 foot print* 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.



BREAKDOWN 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 this data, for INALCA it is an indispensable condition the involvement of its breeders in pursuing these objectives. To this end, INALCA actively participates and promotes the use of voluntary standards and good agricultural practices in order to increase the level of sustainability of the production chain as a whole, while increasing efficiency and competitiveness.

In concrete terms, for the analysis of sustainability in farms, INALCA uses the tools developed by the international platform SAI PLATFORM, to which it is actively participating in the editing. These tools include the assessment of water resources and greenhouse gas emissions and allow the identification of areas of strengths and weaknesses and the identification of the most effective paths for improvement.

12.3 PACKAGING



Since 2010 INALCA has developed projects aimed at:

- reducing the weight of packaging both in absolute terms and per unit/kg of packed product;
- introducing recycled raw materials in the composition of packaging used;
- permitting the final consumer to recycle the packaging of the purchased product.

During 2015, INALCA continued its policy of reducing packaging, in order to obtain a single package suitable for food contact, compared to the traditional primary-secondary pairing packaging.

Use of
90%
of recycled paper
for making the
packaging

A second line of development is made by the progressive introduction of recycled raw materials in the composition of the packaging used. During 2015, the confirmed use of recycled raw materials in the paper and cardboard packaging in the Italian plants of Castelvetro di Modena, Ospedaletto Lodigiano and Rieti, was approximately 90%.

The third element of innovation is the use of packaging which can be recycled by the final consumer at the end of its use. For frozen products paper cartons and plastic films PE/PP are used, which are entirely recyclable through recycling of paper and plastic.

For the production of canned meat, INALCA uses aluminium materials as primary packaging and paper as secondary packaging for the cases, both completely recovered from the consumer through recycling. For portioned and fresh processed products the tray is in PET or PS and PT/PE film; also in this case all materials are recyclable through the collection of plastic.

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 at permitting correct and transparent communication to consumers for greater environmental awareness of their purchasing decisions.



EPD[®]

The EPD system is undoubtedly among the most qualified technical references, objective and verified by third parties, providing clear and truthful information on actual impacts and food consumption.

INALCA has long ago launched projects of Life Cycle Assessment (LCA) on its most representative products. Thanks to this study, INALCA in 2015 recently published its first EPD (Environmental Product Declaration) for two important commercial references: hamburgers frozen in packs of 400 g (containing 4 burgers) and in packs of 1000 g (containing 10 burgers).

In Italy, the knowledge on the environmental sustainability of meat is communicated to the consumers and stakeholders through “Sustainable Meat” (www.carnisostenibili.it). This entity conducts an objective and scientifically founded communication on sustainability issues in the meat market, making use of expert advice and most recent and qualified scientific production of the sector.



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 ground water, 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. This integrated cycle management 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.

INALCA's main plants are equipped with modern water treatment facilities which ensure a high purification performance. Moreover, for the plants of Castelvetro di Modena and Ospedaletto Lodigiano, INALCA has long since fixed more restrictive discharge limits than those required by environmental industry authorisations. In the case of the Italian plant of Ospedaletto Lodigiano, the level of reduction reached 50% of the authorised COD parameter limit for drains. Where industry regulations permit it, INALCA recovers the water by processes of purification. In 2015, this indicator has improved by 7%, with the 2014 value being 82,000 cubic meters per year.

88,000
cubic meters
of treated water
recycled

12.6 ENERGY AND EMISSIONS

The issue of energy and energy efficiency is closely related to climate change and INALCA intends to participate in this challenge in the broader context of the important international climate agreements. Aware of how these events will affect the food chain and the primary sector in particular, INALCA has been concentrating its efforts on energy efficiency since the mid-90s, the period in which the first co-generator was installed inside the Castelvetro di Modena plant.



6 million
euro
investment for the
anaerobic digestion
system

5,481
MWhe
of self-produced energy
from biogas

Climate change not only has direct environmental effects, but mainly indirect effects on agricultural production, in fact, it affects aspects of production efficiency and above all the health of animals. Evermore often the scientific world identifies direct correlations between health and environment according to an approach called today “One Health”. For INALCA, cogeneration systems are a tool for competitiveness and at the same time a commitment to the theme of efficient power generation. To date, INALCA has introduced in four of its main Italian plants - Castelvetro di Modena (MO), Ospedaletto Lodigiano (LO), Rieti and Busseto (PR) – co-generation machines for a total of 6 machines fuelled by natural gas.

In 2010, thanks to an investment of 6 million Euro, INALCA launched an anaerobic digestion system at the Ospedaletto Lodigiano plant, with concurrent installation of an engine powered by biogas cogeneration. This engine is flanked to two engines fuelled by natural gas, constituting an interesting example of functional integration between cogeneration and bio-cogeneration in the food industry.

The anaerobic digestion system is used to start the recovery of biomass energy (waste and by-products of slaughter) otherwise not exploitable.

In 2015, the use of biogas produced by the aforementioned plant permitted the production of 5,481 MWhe, equal to 17.1% of the Ospedaletto Lodigiano plant's electricity needs. The oscillation of the data, slightly lower than the previous year, was largely due to the different slaughtering mix of the group's plants, which generated less waste intended for energy recovery through biogas.

In 2015, INALCA installed in the Castelvetro di Modena plant a new co-generation unit to replace the first engine installed in the '90s. This engine is characterised by a higher overall performance than the previous one. INALCA is expecting to receive for this engine CAR (High-efficiency cogeneration) recognition by the competent Authority (GSE). This engine is flanked by a previous engine started in 2014, also replacing another installed in the 90's, and that has already obtained CAR recognition on behalf of the competent Authority (GSE).

Thanks therefore to the significant investments made in the field of co-generation plants in Castelvetro di Modena, Ospedaletto Lodigiano, Rieti and Busseto, INALCA self-produces about 70% of the total of its electricity needs.

70%
of energy needs
self-produced
from biomass and
cogeneration

-7,700
tonnes
of carbon dioxide
per year

For approximately 10 years INALCA, directly or through its subsidiary SARA (in the quality of ESCO - Energy Saving Company Group), promotes and implements energy efficiency projects at its major production facilities. Since the beginning of this activity, the INALCA Group has received approximately 31,000 Energy Efficiency Certificates (EEC), the energy saving equivalent of 22,000 TOE (tonnes of oil equivalent), corresponding to about 790,000 GJ. Thanks to these measures in the last three years the contribution of INALCA to climate change is estimated at around 7,700 tonnes per year of carbon dioxide not released into the atmosphere. The figure is therefore a substantial improvement compared to the previous three-year period quoted in the 2014 sustainability Report, which amounted to 5,700 tonnes per year of carbon dioxide not released into the atmosphere.

In 2015, moreover, INALCA initiated the energy audit plan of the principle plants of the Group, conducted according to UNI CEI EN 16247, i.e. the INALCA Italian production sites of Castelvetro di Modena (MO), Ospedaletto Lodigiano (LO) and Rieti.

12.7 WASTE

Where possible INALCA promotes the reduction at the source of waste production and their maximum recovery and reuse. INALCA, for many years, thanks to a careful and scrupulous recycling at their production plants recuperates 99% of its waste. Regarding the recovery of waste, of particular importance in recent years, have surely been the following two activities:

99%
of waste sent
for recycling



- In 2010, the activation of the aforementioned anaerobic digestion system at the plant in Ospedaletto Lodigiano took place. Thanks to this system 47,000 tonnes a year of sewage sludge from the main Italian plants are sent for recovery through anaerobic digestion and biogas production. Into this system the manure and barn waste from beef slaughter plants of Castelvetro di Modena and Ospedaletto Lodigiano are also introduced.

Importantly, unlike other similar plants that rely on vegetable matrices that are potentially food, such as corn, INALCA's plant uses only non-food matrices, without subtracting resources away from human and animal consumption.

- Through its subsidiary SARA, INALCA manages a composting plant capable, among other functions, of carrying out the recycling of some types of waste and obtaining products for agriculture. Among the waste processed into compost are digestive material derived from the anaerobic digestion plant. The combination of the treatment of biogas and composting allows INALCA the complete and integrated management of their waste from the production of the waste until its complete reuse.

- During 2015, SARA has submitted to the Authority a project of technological upgrade and expansion of this facility in order to improve environmental management and efficiency. The adaptation of the system will allow the recovery of similar matrices from the Group's agricultural production and the surrounding urban area, in an integrated approach model on environmental issues.

- Also in 2015, the Group through its subsidiary Az.Agr. Corticella, finished the construction of the second biogas production plant of 0.3 MW power and foresees it starting to operate in the first half of 2016. The installation of this system, as well as contributing to carbon reductions, opens new possibilities in the production processes of bio-fertilisers for agricultural use.

INALCA has also signed with the municipality of Castelvetro di Modena (MO) and the company of territorial waste management an important agreement to develop a better separation and differentiation of the company's waste. The agreement covers the management of waste that can be assimilated to urban waste from offices, canteens and other non-production premises that are collected and differentiated in special containers to be sent for recycling.

The waste targets for this project are:



- Paper and cardboard
- Batteries
- Plastic
- Toners for photocopiers and printers
- Urban wet waste
- Mobile phones and accessories

12.8 RECOVERY OF WASTE AND BY-PRODUCTS

The meat sector is the most virtuous in the field of waste compared to other food chains (e.g. fruit and vegetables). The FAO (Food and Agriculture Organization) estimates that about 1.3 billion tons of food potentially available for consumption is discarded and thrown away during the various stages of the food chain, from the cultivation of agricultural products to leftover food already cooked. The amount wasted is very linked to territorial contexts, cultural aspects and also on the availability of efficient technologies throughout the supply chain.

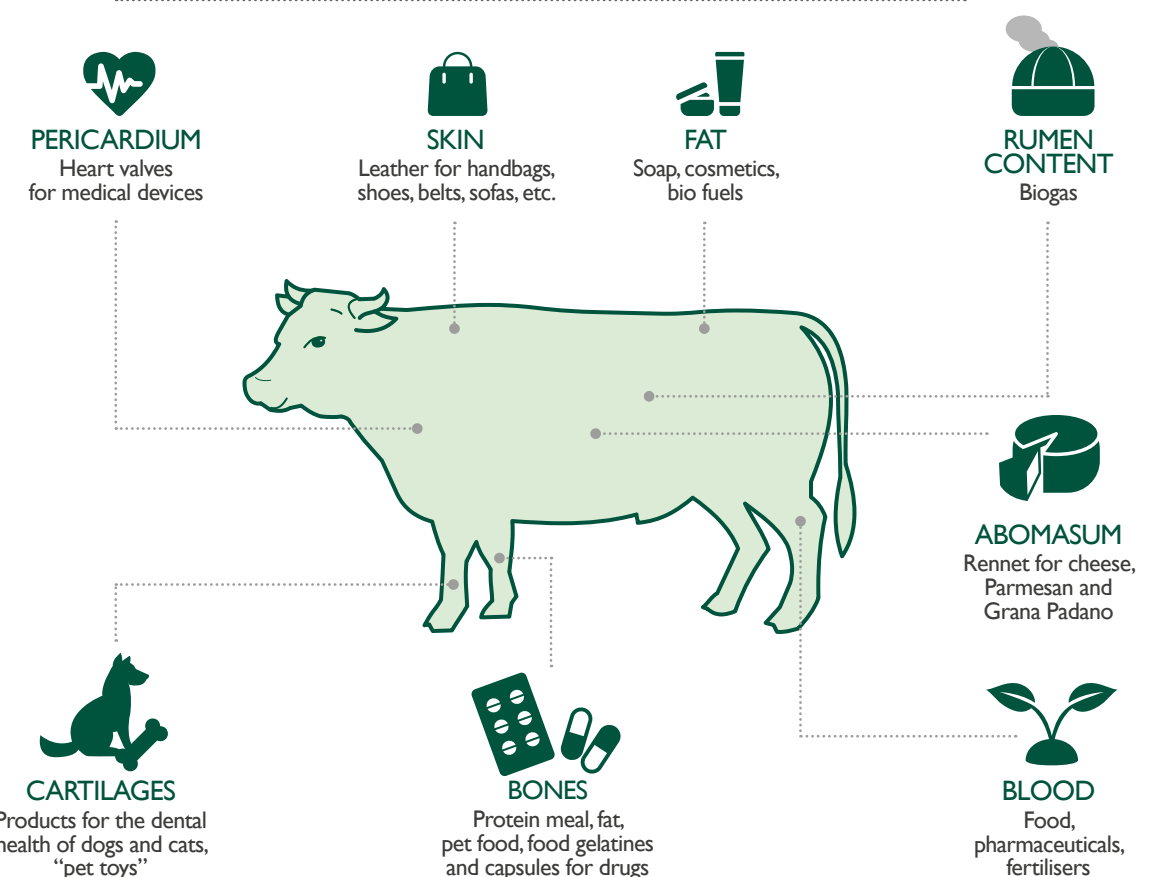
In describing the dynamics related to food waste, it is important to make a basic distinction between two fundamental concepts, "food losses (scraps)" and "food waste (waste)":

- 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 of being 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. (Source: www.carnisostenibili.it)

BOVINE BY-PRODUCTS: RECOVERY AND REUSE



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 focuses its efforts in the area of waste reduction (food losses): in fact, the company has developed a number of projects for the reduction of food waste and its valorisation. Through innovative technologies it is developing prototype systems for the transformation of bones and skin into products for pharmaceutical, food and animal feed industries.

To this end, INALCA adheres to national technology cluster “CLAN” (National Agrifood Cluster) and the project SO.FI.A (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).

12.9 BIODIVERSITY

An internal analysis done by the company points out that none of the INALCA plants is located within protected areas of high biodiversity. Through the adoption of sustainability analysis tools mentioned in § 12.2, INALCA foresees for 2016 an extended and profound analysis of Italian breeding farms to assess any priority topics in this field, specific to Italian situation and possible subjects of intervention.

12.10 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: Europe, Russia 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; biogas, 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) | Cattle breeding, slaughtering, deboning, processing meat and food distribution |
| I.2 | ITALIA ALIMENTARI S.p.A. | Via Europa, 14 43011 - Busseto (PR) | Cured meats and snacks production and distribution |
| I.2.1 | MONTANA ALIMENTARI Gmbh | Kirschstrasse 20 80999 - Munich - Germany | |
| I.2.2 | MONTANA FARM S.p.Zo.o. | Via Mazurska, 11/6 - 10-510 Olsztyn - Poland | |
| I.2.3 | SALUMI D'EMILIA S.r.l.* | Via per Modena, 53 41014 - Castelvetro di Modena (MO) | |
| I.3 | FIORANI & C S.p.A. | Via Coppalati, 52 29010 - Piacenza (PC) | Processing and distribution of meat |
| I.4 | REALBEEF S.r.l. | Zona Industriale ASI 83040 - Flumeri (AV) | Cattle and sheep slaughtering |
| I.5 | GES.CAR S.r.l. | Via Spilamberto, 30/C 41014 - Castelvetro di Modena (MO) | Production services |
| I.6 | SOCIETÀ AGRICOLA CORTICELLA S.r.l. | Via Corticella, 15 41057 - Spilamberto (MO) | Cattle breeding |
| I.7 | SARA S.r.l. | Via Spilamberto, 30/C 41014 - Castelvetro di Modena (MO) | Energy & Environment |
| I.8 | BELL CARNI S.r.l. | Via Eridania, 58 45039 - Stienta (RO) | Meat processing and food storage |
| I.9 | GUARDAMIGLIO S.r.l. | Via Coppalati, 52 29010 - Piacenza (PC) | 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) | Processing and food storage |
| I.11 | INALCA FOOD & BEVERAGE S.r.l. | Via Modena, 53 41014 - Castelvetro di Modena (MO) | Food distribution |
| I.11.1 | INALCA FOOD & BEVERAGE CAPEVERDE LDA | Rua Amilcar Cabra, 1°Andar do Préio Argos Citade de Santa Maria - Ilha do Sal Capo Verde | |
| 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 | DMS S.r.l. in liquidation | Via Spilamberto, 30/C 41014 - Castelvetro di Modena (MO) | |
| I.12 | SHANGAI DOMUS TRADING CO LTD | Block GH, 31st Floor, Jiali Building, NO.2 Lane 1228 West Yan'an Road Cgangning District Shanghai 200052, China | Plant and engineering firm of the Group |
| I.13 | TECNO-STAR DUE S.r.l. | Via Modena, 53 41014 - Castelvetro di Modena (MO) | |

* Company incorporated through a merger with Italia Alimentari in 06/29/2015.

| Company business name | | Registered office | Business Sector |
|---|--|---|---|
| I. Italy and the European Union (continued) | | | |
| I.14 | FRIMO SAM | Le Thalès Rue du Gabian, 1 980000 - Montecarlo (Princ. Monaco) | Trade of food products |
| I.14.1 | PROMETEX | Le Thalès Rue du Gabian, 1 980000 - Montecarlo (Princ. Monaco) | |
| I.15 | PARMA FRANCE S.a.s. | 13,Rue Claude Chappe-Le Parc de Crécy - 69370 - St Didier Au Mont D'Or - France | Cattle trade |
| 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 | |
| I.16.2 | PARMA AUBRAC S.a.s. | Le Bourg 48270 - Malbouzon - France | |
| I.16.3 | PARMA SOFRELM S.a.s. | La Valeyrie - 19330 - Saint Germain Les Vergnes - France | Food distribution |
| I.17 | CLASS CHINA & COMMERCE S.r.l. | Via Marco Burigozzo, 5 20122 - Milano | |
| I.18 | FARM SERVICE S.r.l. | Via Rinaldi, 105 42124 - Reggio Emilia | Transformation of animal by-products |
| I.19 | NUOVA CAMPARI S.p.A. | Via S.Pellegrino, 5 42018 - San Martino in Rio (RE) | |
| I.20 | QUINTO VALORE S.c.a.r.l. | Via Due Canali, 13 42124 - Reggio Emilia | 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 |
| I.22 | BF HOLDING S.p.A. | Via Manin, 23 - 20121 Milano | Agriculture and cattle breeding |
| I.23 | CAAF EMILIA ROMAGNA S.p.A. | Via San Domenico, 4 40124 - Bologna | Fiscal services |
| I.24 | BANCA CENTROPADANA COOPERATIVA | Piazza IV Novembre, 11 26862 - Guardamiglio (LO) | Financial services |
| 2.Africa | | | |
| 2.1 | INTER INALCA (ANGOLA) COMERCIO GERAL, Lda | Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kixai, Luanda - Angola | Distribution food products |
| 2.2 | INALCA ANGOLA Lda | Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kixai, Luanda - Angola | |
| 2.3 | INALCA BRAZZAVILLE SARL | Avenue Cote Mondaïne BP8410 Pointe Noire Republic of the Congo | |
| 2.4 | INALCA KINSHASA SPRL | Avenue Poids Lourds n. 935 Ndolo-Commune Gombe Kinshasa - Democratic Republic of Congo | Production and distribution of food products |
| 2.5 | INALCA ALGERIE SARL | 08,Rue Chérif Hamani 16000 Algeri - Algeria | |
| 2.6 | DISPAL – CI SARL DISTRIBUTEUR DE PRODUITS ALIMENTAIRES EN CÔTE D'IVOIRE | Bld Carde - 3rd floor Immeuble Les Harmonies 04 BP 225 Abidjan 04 Ivory Coast | |
| 2.7 | INALCA WEST AFRICA SARL | Hann-Maristes 2, Immeuble Massaer, Bloc D, No. 20A Dakar - Senegal | Distribution food products |

| | Company business name | Registered office | Business Sector |
|----------------------------------|--|---|---|
| 2.Africa (continued) | | | |
| 2.8 | INDUSTRIA ALIMETAIRES CARNES DE MOCAMBIQUE | Av. De Mocambique n. 9400 km 9.5 Bairro do Zimpeto Maputo Mozambique | Distribution food products |
| 3. Russia and Eurasian Republics | | | |
| 3.1 | INALCA EURASIA GesmbH | Seilerstätte, 16 1010 - Vienna - Austria | Production, processing and distribution of meat and other food products |
| 3.1.1 | OOO KASKAD | UL.Vostochnaia,5 143000 Odintzovo, Moscow - Russia | |
| 3.1.2 | ORENBEEF OOO | Ul.Pionerskaya, 2 Campagna Cherniy Otrog, Saraktashskiy Reg. 462100 - Orenburg - Russia | |
| 3.1.3 | OOO MARR RUSSIA | UL.Vostochnaia,5 143000 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 | 12 | |
| G4-4 | Primary brands, products and/or services | TOTAL | 20 | |
| G4-5 | Headquarters | TOTAL | 13 | |
| G4-6 | Operating countries | TOTAL | 15 | |
| G4-7 | Nature of ownership and legal form | TOTAL | 16 | |
| G4-8 | Markets served | TOTAL | 18 | |
| G4-9 | Scale of organisation | TOTAL | 17 | |
| G4-10 | Workforce features | TOTAL | 64 | |
| G4-11 | Employees covered by bargaining agreements | TOTAL | 68 | |
| G4-12 | Supply Chain organisation | TOTAL | 50-53 | |
| G4-13 | Significant changes in the organisation's size, structure, ownership or supply chain | TOTAL | 16 | |
| G4-14 | Precautionary approach to risk management | TOTAL | 24 | |
| G4-15 | Adoption of external charters and standards in economic, social and environmental areas | TOTAL | 54 | |
| G4-16 | Memberships in associations or organisations | TOTAL | 35-36 | |
| Identified material aspects and boundaries | | | | |
| G4-17 | Entities included in the Consolidated Financial Statement | TOTAL | 8 | |
| G4-18 | Process for defining the report contents | TOTAL | 8-9, 47 | |
| G4-19 | Material aspects identified in the process for defining report contents | TOTAL | 48 | |
| G4-20 | Material aspects within the organisation | TOTAL | 48 | |
| G4-21 | Material aspects outside the organisation | TOTAL | 48 | |
| 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 | 34 | |
| G4-25 | Identification and selection of stakeholders to be engaged | TOTAL | 34 | |
| G4-26 | Organisation's approach to stakeholders engagement | TOTAL | 48 | |
| G4-27 | Key topics and concerns raised through stakeholder engagement | TOTAL | 46, 48 | |
| Report Profile | | | | |
| G4-28 | Reporting period | TOTAL | 8 | |
| G4-29 | Date of previous report's publication | NOT APPLICABLE | | |
| G4-30 | Cycle of account statements | TOTAL | 8 | |
| G4-31 | Contacts for information on the report | TOTAL | 8 | |
| G4-32 | GRI content index | TOTAL | 91-97 | |
| 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 | 22 | |
| Ethic and integrity | | | | |
| G4-56 | Values, principles, standards and norms of behaviour of the organisation | TOTAL | 12, 54, 60-61 | |
| Standard disclosure | | | | |
| Category: economic | | | | |
| Economic performance | | | | |
| G4-DMA | Generic disclosure on management approach | TOTAL | 26 | |
| G4-EC1 | Direct economic value generated and distributed | TOTAL | 31-32 | |
| G4-EC2 | Financial implications and other risks and opportunities for the organisation's activities due to climate change | TOTAL | 27 | |
| G4-EC3 | Coverage of defined benefit plan obligations | ABSENT | | |
| G4-EC4 | Financial assistance received from government | TOTAL | 32 | |
| 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 | 26 | |
| G4-EC7 | Development and impact of infrastructure investment and services supported | PARTIAL | 26 | |
| G4-EC8 | Significant indirect economic impacts | PARTIAL | 26 | |
| Procurement practices | | | | |
| G4-DMA | Generic disclosure on management | TOTAL | 50 | |
| 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 | 78 | |
| G4-EN1 | Materials used by weight or volume | TOTAL | 80 and Attachment 3 | |
| G4-EN2 | Percentage of materials used that are recycled input materials | PARTIAL | 80 and Attachment 3 | |
| Energy | | | | |
| G4-DMA | Generic disclosure on management | TOTAL | 82-83 | |
| G4-EN3 | Direct energy consumption | TOTAL | 80 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 | 82 | |
| G4-EN8 | Water withdrawn | TOTAL | 82 and Attachment 3 | |
| G4-EN9 | Water sources significantly affected by water withdrawal | TOTAL | 82 and Attachment 3 | |
| G4-EN10 | Percentage of total volume of water recycled and reused | PARTIAL | 82 | |
| Biodiversity | | | | |
| G4-DMA | Generic disclosure on management | TOTAL | 86 | |
| 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 | 82-83 | |
| G4-EN15 | Direct greenhouse gas emissions (GHG) (Scope 1) | TOTAL | 82-83 and Attachment 3 | |
| G4-EN16 | Indirect greenhouse gas emissions (GHG) (Scope 2) | TOTAL | 82-83 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 | 84 | |
| G4-EN22 | Water discharge | TOTAL | 82 and Attachment 3 | |
| G4-EN23 | Total weight of waste by type and disposal method | TOTAL | 84-86 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 | 84 and Attachment 3 | |
| G4-EN26 | Biodiversity and habitats affected by the organisation's discharge of water | TOTAL | 86 | |
| Products and services | | | | |
| G4-DMA | Generic disclosure on management | TOTAL | 78-81 | |
| 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 | 78 | |
| 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 | 64 | |
| G4-LA1 | Number and rate of new employee hires and employees turnover | TOTAL | 64-67 | |
| 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 | 70 | |
| G4-LA5 | Percentage of employees represented in formal joint management-worker health and safety committees | PARTIAL | 70 | |
| G4-LA6 | Type and rates of injuries, occupational diseases, lost days absenteeism, and total number of work-related fatalities | PARTIAL | 70, Our internal data collection system will be further developed in order to report the precise indicators in the 2016 Balance Sheet | |
| G4-LA8 | Health and safety topics covered in formal agreements with trade unions | PARTIAL | 70 | |
| Training and education | | | | |
| G4-DMA | Generic disclosure on management | TOTAL | 54 | |
| G4-LA9 | Employees training by gender, per year | PARTIAL | 54 | |
| 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 | 68 | |
| G4-LA12 | Composition of governance bodies and breakdown of employees by diversity indicators | TOTAL | 68 | |
| 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 usign labour practices criteria | ABSENT | | |
| G4-LA15 | Significant actual and potencial 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 | 64 | |
| 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 polices concerning aspects of human rights that are relevant to operations | ABSENT | | |
| Non-discrimination | | | | |
| G4-DMA | Generic disclosure on management | PARTIAL | 54-64 | |
| 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 | 54 | |
| G4-HR5 | Operations with high risk of child labour | ABSENT | | |
| Forced labour | | | | |
| G4-DMA | Generic disclosure on management | PARTIAL | 54 | |
| G4-HR6 | Operations with high risk of forced and compulsory labour | ABSENT | | |
| Security practices | | | | |
| G4-DMA | Generic disclosure on management | PARTIAL | 54 | |
| 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 potencial negative human rights impact in the supply chain and actions taken | ABSENT | | |
| Human rights grievance mechanisms | | | | |
| G4-DMA | Generic disclosure on management | PARTIAL | 64 | |
| 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 | 74 | |
| G4-SO1 | Operations with implemented local community, engagement, impact assessment and development programs | TOTAL | 74-76 | |
| G4-SO2 | Operations with significant actual and potencial negative impacts on local communities | ABSENT | | |
| Anti-corruption | | | | |
| G4-DMA | Generic disclosure on management | PARTIAL | 44 | |
| G4-SO3 | Operation assessed for risks related to corruption and the significant risks identified | ABSENT | | |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | PARTIAL | 44 | |
| 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 | 58 | |
| Animal welfare | | | | |
| G4-DMA | Generic disclosure on management | TOTAL | 56 | |
| G4-FP9 | Animals bred or processed by species | ABSENT | | |
| G4-FP10 | Policies and practices related to physical alterations and use of anaesthetics on animals | TOTAL | 56-57 | |
| G4-FP11 | Animals bred or processed by type of housing | ABSENT | | |
| G4-FP12 | Policies and practices regarding the use of antibiotics, hormones and other treatments on animals | TOTAL | 57 | |
| G4-FP13 | Cases of non-compliance with laws and regulations relative to transport and slaughter | ABSENT | | |
| Anticompetitive behaviour | | | | |
| G4-DMA | Generic disclosure on management | PARTIAL | 44-54 | |
| 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 usign criteria impacts on society | ABSENT | | |
| G4-SO10 | Potencial 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 | 54 | |
| 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 | | |
| FPSS - FP5 | Percentage of production from plants with systems of certificated food safety management (by volume) | PARTIAL | 60-61 | |
| FPSS - FP6 | Percentage of total sales volume of products with low content of saturated fatty acids, trans fat, sodium and sugar | ABSENT | | |
| FPSS - 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 | 62 | |
| G4-PR3 | Information on products and services | PARTIAL | 62 | |
| G4-PR4 | Cases of non-compliance with regulations concerning products and services information and labelling | ABSENT | | |
| G4-PR5 | Results of surveys misuring 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 managemen | 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 | 54 | |
| 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 SPA | GROUP INALCA ITALY | GROUP INALCA ITALY + RUSSIA |
|----------------------------------|---------------------------|-------------------------------------|-----|------------|--------------------|-----------------------------|
| G4EN1 - G4EN2 | | | | | | |
| Animals slaughtered | Cows | Total number of animals slaughtered | - | 195,093 | 211,460 | 232,636 |
| | | Total dead weight | [t] | 53,453 | 59,680 | 65,301 |
| | Young bulls | Total number of animals slaughtered | - | 91,802 | 99,742 | 105,930 |
| | | Total dead weight | [t] | 36,657 | 38,823 | 41,541 |
| | Calves | Total number of animals slaughtered | - | 95,173 | 110,168 | 110,168 |
| | | Total dead weight | [t] | 13,352 | 14,846 | 14,846 |
| | Buffaloes | Total number of animals slaughtered | - | 1,729 | 21,376 | 21,376 |
| | | Total dead weight | [t] | 385 | 5,493 | 5,493 |
| | Total | Total number of animals slaughtered | - | 383,797 | 452,746 | 470,110 |
| | | Total dead weight | [t] | 103,847 | 118,843 | 127,182 |
| Animals entering in breeding (1) | Heifer | Total number of animals entered | - | 0 | 14,694 | 14,694 |
| | Young bulls | Total number of animals entered | - | 0 | 31,705 | 31,705 |
| | Calves | Total number of animals entered | - | 0 | 37,053 | 37,053 |
| | Buffaloes | Total number of animals entered | - | 0 | 0 | 0 |
| | Total | Total number of animals entered | - | 0 | 83,452 | 83,452 |
| | | | | | | |
| Meat bought | Fresh with Bone | | [t] | 48,273 | 66,042 | 66,042 |
| | | | [t] | 15,970 | 31,015 | 31,746 |
| | Frozen | | [t] | 3,027 | 12,889 | 33,140 |
| | Total | | [t] | 67,270 | 109,946 | 130,928 |
| | | | | | | |
| Feed (1) | Feed | | [t] | 0 | 15,210 | 15,210 |
| Waste (2) | Waste input | | [t] | 0 | 19,718 | 19,718 |
| Ingredients | Ingredients and additives | | [t] | 2,912 | 4,208 | 4,482 |
| Packaging | Paper / Cardboard | Total weight | [t] | 4,777 | 36,410 | 37,210 |
| | | % of recycled material (ren.) | [%] | 87 | 44 | 44 |
| | | % of virgin material (not ren.) | [%] | 13 | 56 | 56 |
| | | | | | | |
| | Plastic | Total weight | [t] | 1,421 | 3,520 | 3,632 |
| | | % of recycled material (ren.) | [%] | 33 | 47 | 47 |
| | | % of virgin material (not ren.) | [%] | 67 | 53 | 53 |
| | | | | | | |

| | | | | INALCA SPA | GROUP INALCA ITALY | GROUP INALCA ITALY + RUSSIA | |
|-------------------------------|---------------------------|---------------------------------|-------|------------|--------------------|-----------------------------|-------|
| G4EN1 - G4EN2 (continued) | | | | | | | |
| Packaging | Plastic boxes recoverable | Total weight | [t] | 28 | 28 | 121 | |
| | | % of recycled material (ren.) | [%] | 0 | 0 | 0 | |
| | | % of virgin material (not ren.) | [%] | 100 | 100 | 100 | |
| | Wood | Total weight | [t] | 1,477 | 1,529 | 2,504 | |
| | | % of recycled material (ren.) | [%] | 0 | 0 | 0 | |
| | | % of virgin material (not ren.) | [%] | 100 | 100 | 100 | |
| | Steel | Total weight | [t] | 1,758 | 1,761 | 1,761 | |
| | | % of recycled material (ren.) | [%] | 0 | 0 | 0 | |
| | | % of virgin material (not ren.) | [%] | 100 | 100 | 100 | |
| | Aluminium | Total weight | [t] | 1,011 | 1,183 | 1,183 | |
| | | % of recycled material (ren.) | [%] | 0 | 9 | 9 | |
| | | % of virgin material (not ren.) | [%] | 100 | 91 | 91 | |
| | Total | | [t] | 10,471 | 44,426 | 46,407 | |
| | Chemical substances | Products for sanitation | | [t] | 368 | 400 | 412 |
| | | Chemicals in general | | [t] | 1,972 | 1,979 | 1,988 |
| Chemicals for water treatment | | [t] | 1,536 | 1,592 | 1,612 | | |
| Oils and lubricants | | [t] | 20 | 28 | 30 | | |
| Total | | [t] | 3,895 | 3,998 | 4,042 | | |
| G4EN3 | | | | | | | |
| Fuels | Diesel generator set | | [l] | 445 | 1,445 | 12,797 | |
| | Diesel boiler | | [l] | 900 | 900 | 164,377 | |
| | Diesel fuel | | [l] | 166,411 | 358,309 | 359,082 | |
| | Total diesel fuel | | [l] | 167,756 | 360,654 | 536,256 | |
| | Natural gas | | [Nm³] | 17,635,512 | 22,630,798 | 24,634,872 | |
| | GPL | | [kg] | 620 | 620 | 620 | |
| Energy | Energy consumption | Electricity | [MWh] | 91,585 | 127,903 | 146,977 | |
| | | Heat | [MWh] | 33,945 | 60,595 | 74,264 | |
| | | Steam | [MWh] | 4,342 | 38,945 | 38,945 | |
| | | Cold | [MWh] | 21,002 | 66,363 | 66,363 | |
| | | Total energy consumed | [MWh] | 150,874 | 293,806 | 326,549 | |
| | Energy sold | | [MWh] | 205 | 257 | 257 | |
| | Energy purchased | | [MWh] | 37,312 | 71,326 | 90,400 | |
| G4EN8 - G4EN9 | | | | | | | |
| Water | Pumped from well | | [m³] | 1,485,807 | 1,965,031 | 2,092,618 | |
| | Supplied by aqueduct | | [m³] | 67,617 | 80,047 | 122,443 | |
| | Total | | [m³] | 1,553,424 | 2,045,078 | 2,215,061 | |

| | | | | INALCA SPA | GROUP INALCA ITALY | GROUP INALCA ITALY + RUSSIA |
|------------------|--|------------|----------------------|-------------|--------------------------|--------------------------------------|
| G4EN15 - G4EN16 | | | | | | |
| Emissions | Scope 1 | | [t CO ₂] | 36,803 | 47,085 | 51,471 |
| | Scope 2 | | [t CO ₂] | 12,193 | 23,308 | 31,643 |
| G4EN22 | | | | | | |
| Discharged water | Quantity | | [m ³] | 1,565,066 | 1,894,113 | 2,001,792 |
| | Place of discharge | | - | CIS + Mains | CIS + Mains | CIS + Mains |
| G4EN23 - G4EN25 | | | | | | |
| Trash | Digestible / Compostable | Quantity | [t] | 44,791 | 48,721 | 49,749 |
| | Not dangerous packaging | Quantity | [t] | 1,521 | 2,713 | 2,737 |
| | Dangerous packaging | Quantity | [t] | 0.2 | 0.3 | 0.3 |
| | Other non-hazardous waste | Quantity | [t] | 514 | 1,238 | 1,253 |
| | Other hazardous waste | Quantity | [t] | 47 | 55 | 58 |
| | Total | | [t] | 46,874 | 52,727 | 53,797 |
| GEN24 - GEN26 | | | | | | |
| Spills | Substance | Quantity | [m ³] | 36 | 36 | 36 |
| | Place of spill | | - | - | - | - |
| G4EN29 | | | | | | |
| Sanctions | Value of fines for non-compliance with environmental standards | | [€] | 0 | 0 | 1,475 |
| G4EN31 | | | | | | |
| Expenses | Waste Disposal | | [€] | 911,088 | 1,279,102 | 1,327,631 |
| | Emission Treatments | | [€] | 1,900,556 | 1,937,528 | 2,000,294 |
| | Certification 14001 | | [€] | 4,200 | 4,200 | 4,200 |
| | Total | | [€] | 2,815,844 | 3,177,330 | 3,288,626 |
| G4EN34 | | | | | | |
| Environmental NC | NC issued | Open | - | 11 | 11 | 11 |
| | | Closed (3) | - | 11 | 11 | 11 |
| | NC received (environmental claims) | Open | - | 1 | 4 | 5 |
| | | Closed | - | 1 | 4 | 5 |
| | | | | | | |
| | | | | | | |

NOTES

- (1) Only Società Agricola Corticella S.r.l. The data includes farms owned and those with agistment contracts.
Amendment 2014 data : 77,356 head entered breeding instead of 48,149.
- (2) Only for SARA S.r.l.

SUSTAINABILITY REPORT 2015

INALCA S.p.A.
Share Capital
€ 187,017,167 Fully Deposited
Tax code 01825020363
VAT 02562260360
Business Register
Modena REA 311469

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