INALCA

SUSTAINABILITY REPORT

2014


MONTANA®
GRUPPO CREMONINI

INALCA'S SUSTAINABILITY REPORT 2014

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

"It is with pride that we present INALCA's first Sustainability Report the very year of Expo 2015, where the great themes of food security and environmental sustainability have emerged in their centrality. With the understanding that in 2050 the inhabitants of the Earth will reach 9 billion, our efforts continue to be those of producing ever better, with less resources.

For over 50 years we continue to innovate the meat industry, with constant investments in infrastructure, technology, research and development, systematically improving production processes and products. In this new scenario, our efforts have been concentrated on the construction of an increasingly integrated and sustainable beef industry, particularly attentive to the social contexts, environmental protection and to the needs of the agricultural world.

Today, more than ever, we are aware that these issues have entered directly in the value chain and constitute competitive levers necessary for the sustainable development of the company; we are also convinced that the company's success will depend on its ability to combine economic objectives, ensuring growth and employment, with strong links to the territory in which the company carries out its business.

I therefore thank the employees and stakeholders at all levels, who have supported and shared the company's development so far and hope to find ever more allies for the adoption of sustainable development practices in the many countries where we operate. Only in this way we can meet the challenge of the future in making food accessible and safe for everyone."

Luigi Cremonini
Chairman

THE FOUR PILLARS OF SUSTAINABILITY

With the drafting of the first Sustainability Report 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 community.

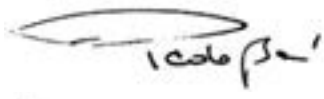
CONTROL OF IMPACTS AND CONSUMPTION

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

GOVERNANCE OF COMPANY PROCESSES

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

Paolo Boni
CEO INALCA



Luigi Scordamaglia
CEO INALCA

SHARING VALUE WITH THE AGRICULTURAL WORLD

INTEGRATED AND SUSTAINABLE SUPPLY CHAIN

CONTROL OF IMPACTS AND CONSUMPTION

GOVERNANCE OF COMPANY PROCESSES

METHODOLOGY

The present Sustainability Report, the first of INALCA S.p.A., (hereinafter also INALCA) refers to 2014 and has been prepared in accordance with the G4 "Sustainability Reporting Guidelines" - 2013 edition - and the relative document called G4 Sector Disclosures "Food Processing" – 2014 edition; both documents are published by the Global Reporting Initiative (GRI). The statements were made with the option "In Accordance - Core". The financial data were extracted from the Consolidated Financial Statements of the Group (in this Sustainability Report, "Group" refers to the set of companies included in INALCA's Consolidated Financial Statements), while environmental and social issues have been based on information flows processed by the integrated quality-safety-environment management system and by INALCA's corporate organisational model. The acquisition of data relating to domestic and foreign subsidiaries was performed using computer technology that enables the traceability 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 Report will be published annually. The Report 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 successive updates the perimeter of the Report will be gradually expanded to a growing number of subsidiary companies by integrating the activities of food distribution and breeding that represent the emerging areas of the Group. In this first edition, with regard to social and environmental issues, companies of the Group with no industrial infrastructure, or conducting exclusively commercial or financial activities, or lacking significance in terms of human and environmental resources used, were therefore excluded. In Tables 1 and 2 below, the companies included in these financial statements for each geographical area and those excluded are identified respectively.

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

	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)
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

TABLE 2 - LIST OF COMPANIES EXCLUDED FROM THE SUSTAINABILITY REPORT

	Company	Registered Office
1	**ITALY**	
1.1	Guardamiglio S.r.l.	Via Coppalati, 52 - Piacenza (PC)
1.2	Salumi d'Emilia S.r.l.	Via Modena, 53 - Castelvetro di Modena (MO)
1.3	Capo d'Orlando Carni S.r.l.	Contrada Muscale, 19 - Capo d'Orlando (ME)
1.4	Inalca Food & Beverage S.r.l.	Via Modena, 53 - Castelvetro di Modena (MO)
1.5	Bell Carni S.r.l.	Via Eridania, 58 - Stienta (RO)
1.6	Tecno-Star Due S.r.l.	Via Modena, 53 - Castelvetro di Modena (MO)
2	**AFRICA**	
2.1	Inalca Algerie S.a r.l.	8, Rue Cherif Hamani, Algeri - Algeria
2.2	Inalca Kinshasa S.p.r.l.	11Eme 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 Abidijan Ivory Coast
3	**RUSSIA**	
3.1	Orenbeef L.l.c.	Pionerskaya Str.2 - Village Cherniy Otrog - Saraktashskiy district - Orenburg
3.2	Kaskad TPF L.l.c.	Vostochnaya str.5, Odintsovo - Moscow
4	**OTHER GEOGRAPHIC AREAS**	
4.1	Montana Alimentari Gmbh	Kirschstrasse, 20 - Munich - Germany
4.2	Inalca Eurasia Gesmbh	Palais Kinsky, Freyung 4 - Vienna - Austria
4.3	Zaklady Miesne Soch. S	Al.Jana Pawla ii n.80/51 - Sochocin, Warsaw - Poland

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 Report consists of the following references:
- **G4 Sustainability Reporting Guidelines "Reporting Principles and Standard Disclosures"**
- **G4 "Sustainability Reporting Guidelines - Implementation Manual"**
- **G4 "Sustainability Topics for sector" What do stakeholders want to know?"**
- **G4 Sector Disclosures - "Food processing"**

ONLINE

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

INALCA – The plant of Castelvetro di Modena (MO)

1. PORTRAIT OF THE GROUP

1.1 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. Cultural affiliations that drive us to preservation and dissemination of traditional values which at the same time promotes innovation, thanks to which agriculture over time has been able to improve the quality, safety and profitability of its products.

1.2 COMPANY PROFILE

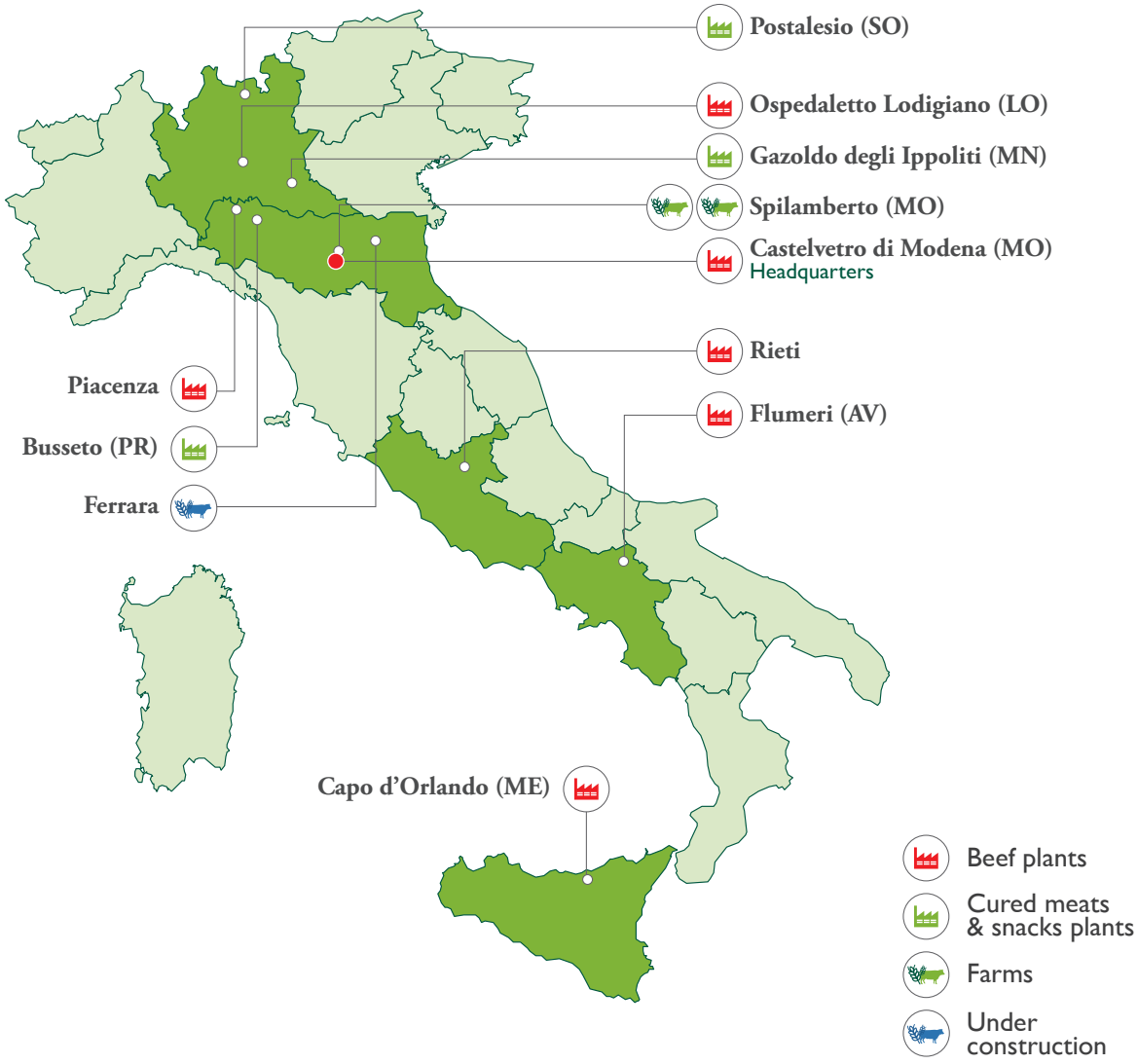
INALCA is the leading private European producer in the beef sector. For years it is committed to building a more sustainable business model, from the activities of breeding to the distribution of food products to the final consumer.

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 **2** farms. Abroad, it is instead present with **21** distribution platforms, **5** production plants in Russia and Africa, 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

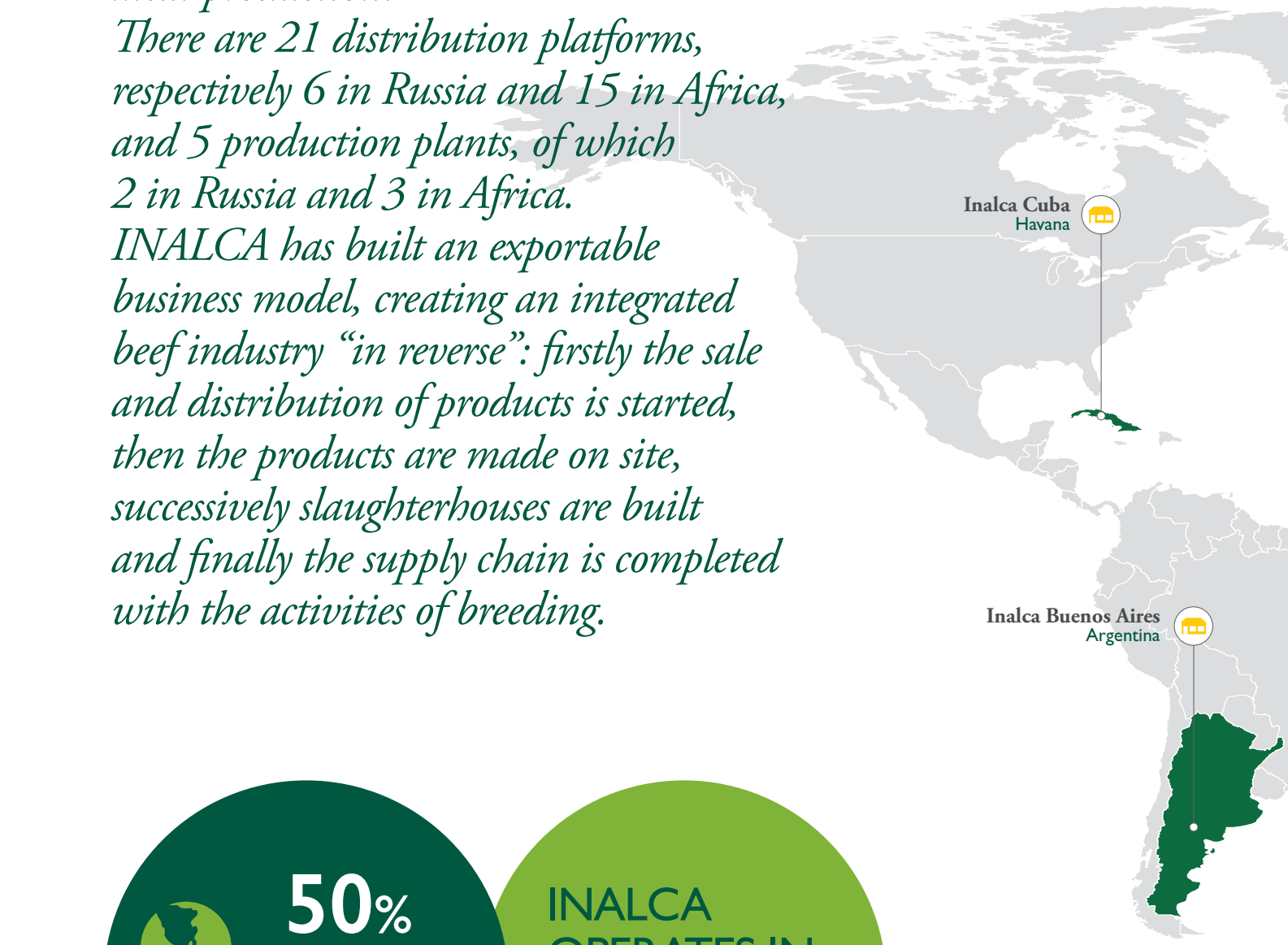
6
beef plants

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 21 distribution platforms, respectively 6 in Russia and 15 in Africa, and 5 production plants, of which 2 in Russia and 3 in Africa.
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.



50%
of turnover comes from activities abroad

INALCA OPERATES IN **70** COUNTRIES WORLDWIDE

21
distribution platforms in Russia and Africa

5
production plants in Russia and Africa

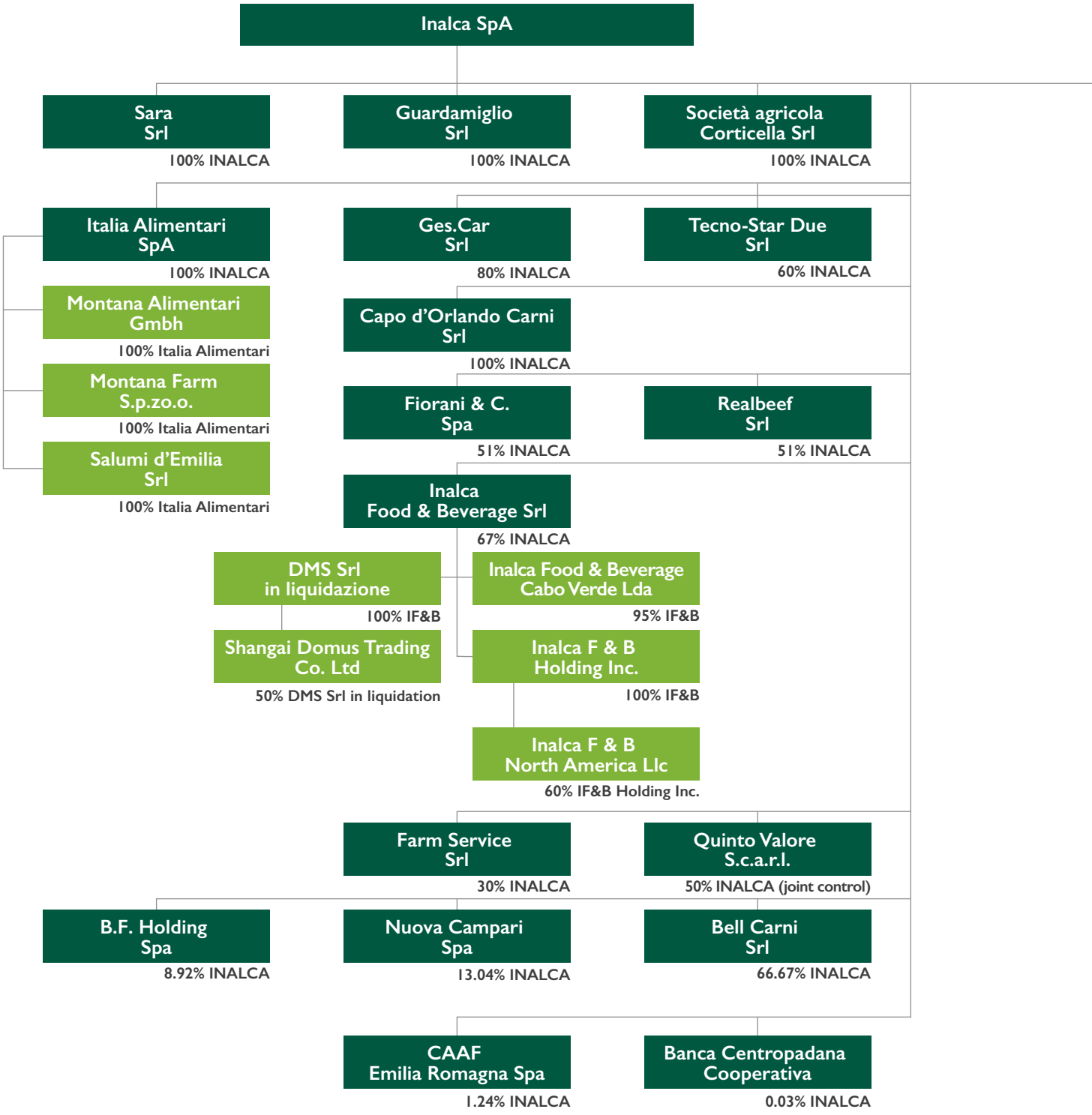
12
sales offices

2
farms in Russia and Africa

1.3 CORPORATE STRUCTURE

INALCA, controlled by Cremonini S.p.A., celebrated 50 years of activity in 2013 and today is the absolute leader in Italy and one of the largest European operators in the beef sector. During 2014 an important operation was concluded, which led to the purchase of the company's capital, with a share of 28.4%, by the Italian Strategic Fund and the Sovereign Fund of Qatar, who invested equal shares through a company called IQ MIIC (IQ Made in Italy Investment Company S.p.A.).

TABLE 3 - LIST OF INALCA GROUP COMPANIES AT 31.12.2014



INALCA S.P.A.'S COMPANY STRUCTURE

71.6% *Cremonini S.p.A.*

28.4% *IQ MIIC*

- Inalca Brazzaville Sarl — 55% INALCA
- Inalca Kinshasa Sprl — 55% INALCA
- Zaklady Miesne Sochocin Sp. Z.o.o. — 90% INALCA
- Inalca Eurasia — 60% INALCA
  - OOO kaskad — 100% Inalca Eurasia
    - Orenbeef OOO Ltd — 100% Kaskad
  - OOO Marr Russia — 75% Kaskad
- Inalca Angola Lda — 99.9% INALCA
- Inter Inalca (Angola) Comercio Geral, Lda — 99% INALCA
- Frimo S.A.M. — 45.3% INALCA
  - PROMETEX — 98.67% FRIMO
- Distributeur de Produits Alimentaires en Cote d'Ivoire - Dispal-Ci Sarl — 99% INALCA
- Ind. Alim. Carnes de Mocambique — 100% INALCA
- Inalca West Africa Sarl — 90% INALCA
- Inalca Algerie Sarl — 70% INALCA
- Parma France Sas — 30.4% INALCA
  - Parma Lacombe Sas — 70% Parma France
    - Parmaubrac Sas — 51% Parma France
  - Parma Turc Sas — 51% Parma France
  - Parma Sofrelim — 50% Parma France
- Class China & Commerce Srl — 5% INALCA

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, 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 will initially have an expected production of 50,000 heads per year, but is capable of increasing its production capacity to easily adapt to expected future increase of bovine breeding 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 angine 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.

24th October, 2014 - Inauguration of the Orenburg plant

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. The company, 60% controlled by INALCA, has a 40% participation with Kaskad International (Knightsbridge Group). The Knightsbridge Group's investment was 60 million Euro.

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.

In Italy, further developments are aimed at consolidation projects for breeding, both through its subsidiary **Azienda Agricola Corticella S.r.l.** and through the participated company **Bonifiche Ferraresi S.p.a.**

In **Poland** there are plans to build a slaughter production plant. The initiative is intended to integrate the supply chain in this part of Europe which is particularly suited to cattle breeding.

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

Plant in Orenburg

1.5 PRIMARY BRANDS AND PRODUCTS

INALCA, with over **2,200** employees, 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.

PRODUCTS AND BRANDS

INALCA · CORTE BUONA · MONTANA POWER · BEEF PÂTE MANZARDI · Hamby · ITALIA ALIMENTARI · MONTEX

more than 2,200
people working for the Group

over 500,000
tonnes of meat processed and commercialised

100,000
tonnes of hamburgers

200
million cans

MONTANA · Tina · JELLY BEEF · Dorada · IF&B · Mandriana · BILL BEEF · ibis

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 2014 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 Giosuè De Nigris**

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 prevention and safety, **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

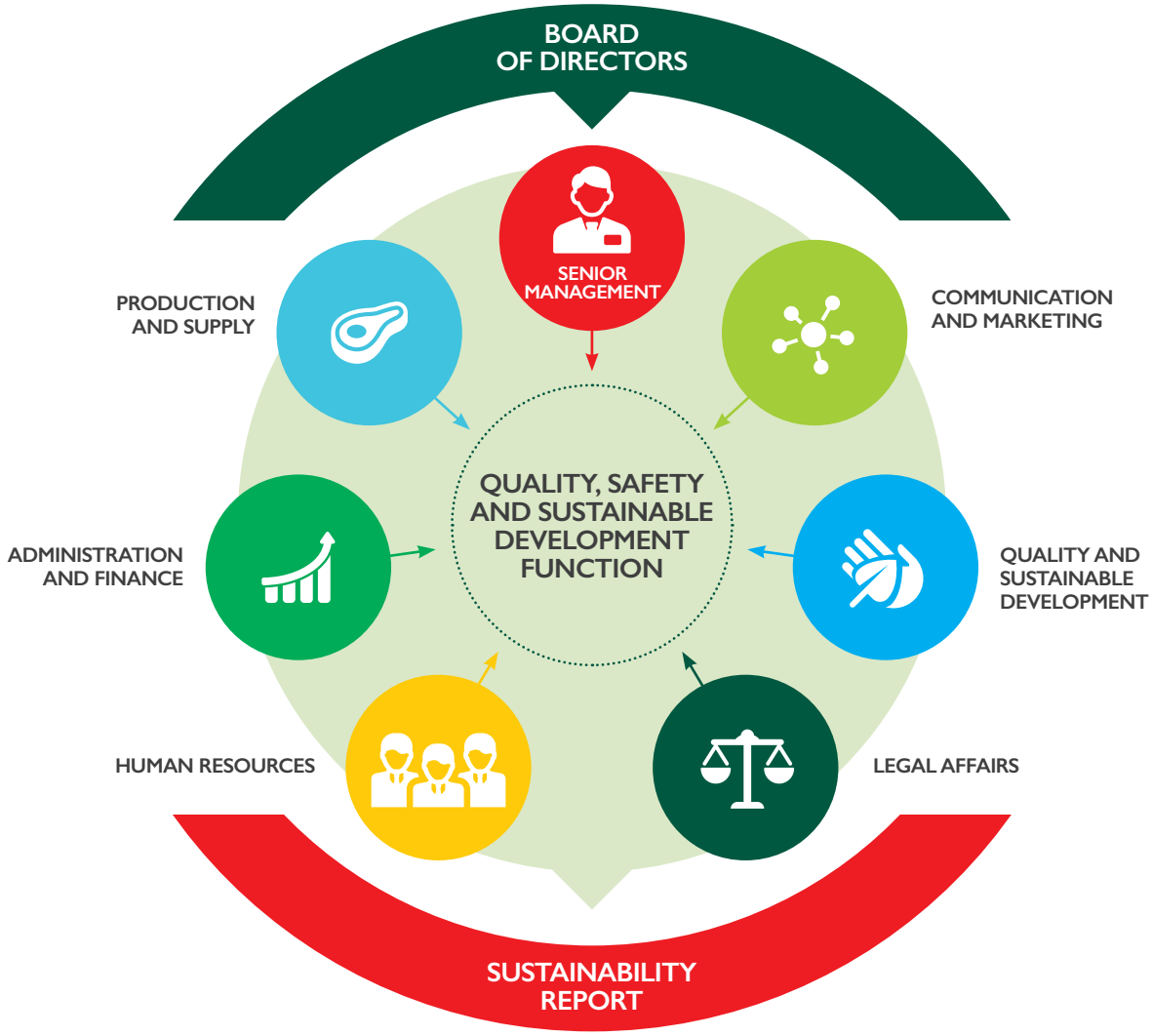
On the basis of the strategic and value guidelines identified by the Board, the Quality, Safety and Sustainable Development function has developed the first edition of the sustainability report, produced with the active and systematic involvement of the senior management responsible for key business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

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

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

Based on the first report the first annual operating plan on the different levels of intervention is foreseen.

PREPARATION OF THE SUSTAINABILITY REPORT



2.3 APPLICATION OF THE PRINCIPLE OF PRECAUTION

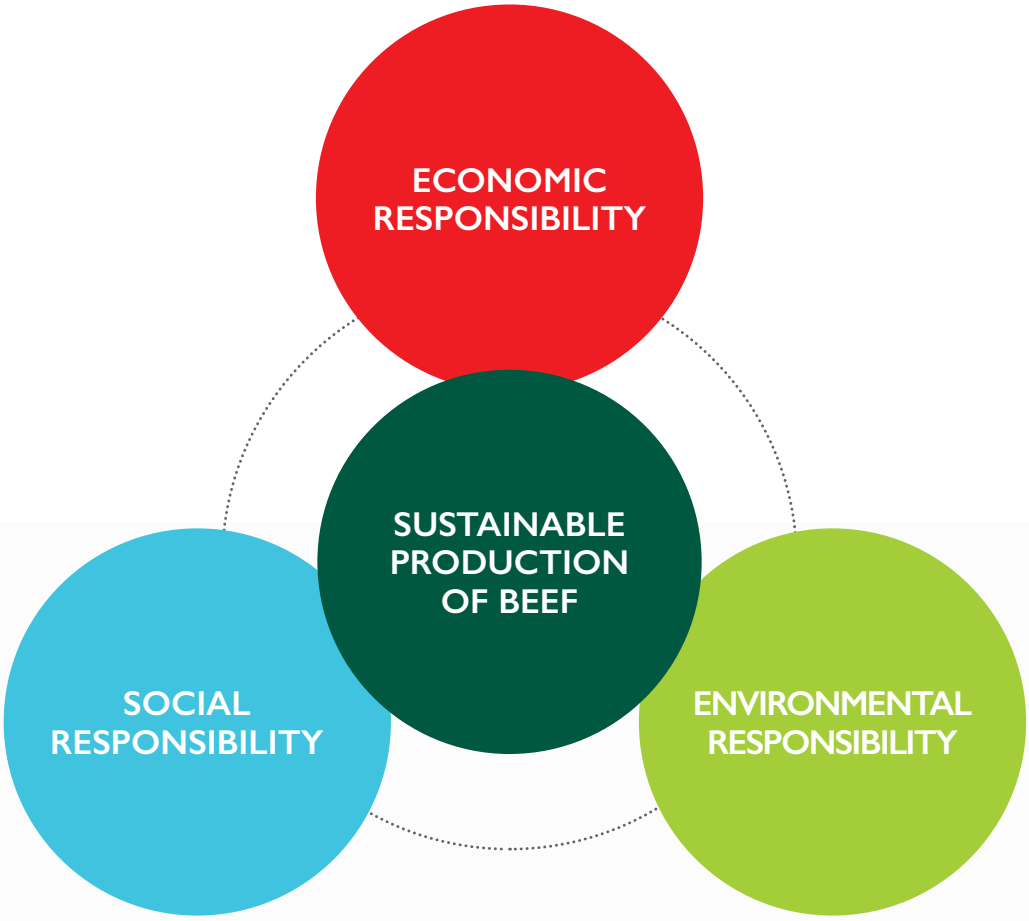
In the management of environmental issues INALCA systematically adopts the principle of precaution in accordance with the rules of the sector in the countries where the company operates and the United Nations Declaration on Environment and Development, 1992 - Principle 15 - (www.unesco.org /education/nfsunesco/pdf/RIO_E.PDF).

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.**

ONLINE **www.unesco.org/education/nfsunesco/pdf/RIO_E.PDF**

THE SUSTAINABILITY MODEL ADOPTED BY INALCA



3. ECONOMIC AND FINANCIAL PERFORMANCE

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.

EVOLUTION OF INALCA'S SUPPLY CHAIN IN ITALY

FROM FARM TO FORK

EVOLUTION OF INALCA'S SUPPLY CHAIN ABROAD

FROM FORK TO FARM

3.2 ECONOMIC ENVIRONMENT

The past year has been once again a difficult time for the economy, both Italian and European. The analysts who believed that the conclusion of this systemic crisis cycle 2008 – 2013 was due, in 2014 were proven wrong and moved the date further forward in this difficult period. The events of 2014, marked by the Russian-Ukraine crisis, international terrorism, instability in the Middle East and finally the sharp fall in oil prices in international markets, have further worsened the economic situation and definitely dismissed the prospects for recovery in the Euro area. The export ban in Russia has mostly affected the agricultural sector, and today, after almost a year, there is still no hypothesis outlined to unlock the situation.

Equally important from the strategic point of view are the dynamics of the developing countries where the company has invested, such as the Republic of Angola: the current oil price crisis has placed the country in financial difficulty and the money flow coming out of the country appears very difficult, problems that are considered temporary but that slow down trade flows.

INALCA'S ECONOMIC AND FINANCIAL RESULTS

In 2014, the consolidated production value of the Group amounted to 1,511 million Euro, compared to 1,554 million in 2013 (*), thus recording a decrease of 2.78%. Gross operating profit (EBITDA) amounted to 121.3 million Euro versus 124.9 million Euro in 2013, a decrease of nearly 2.90% for the first time after several positive years. The result is essentially due to lower margins on foreign activities, mainly due to the following causes:

- the violent Russian crisis in which featured a rapid devaluation of the rouble by more than 30%, generating a reduction of over 4.5 million Euro compared to the application of the average rouble's exchange rate the previous year;
- the steady decline in oil prices, which led to the consequent crisis in many producing countries, such as Angola, where there has been a slight reduction in the margins achieved.

The increase in gross profit of approximately 30% compared to the previous year is due to a reduction in net debt and the lesser impact of financial costs, thanks to the reduction of the spread; likewise a decrease in the tax burden is noted.

The aforementioned decrease in taxes is essentially due to two different factors:
- the tax burden in Angola decreased due to the reduction in the local quota from 35% to 30%;
- in the previous year, INALCA recorded the provision of dividends collection from Inalca Angola, which led to the recording of taxation in Italy at the full rate, for a total of over 6 million Euro (profits not taxed in the African country).

Dividends are not expected at the end of this year. The increase in expected third-party profit is the consequence of the Russian partnership and the total consolidation of Fiorani & C. S.p.A., 51% owned. **The result for the financial year, taking into account the difficulties described above, is very interesting when the international context is considered, once again heavily afflicted by the economic crisis which affected in particular the consumption in some countries of reference like Russia and the African continent in general.** Even the food industry, a stable economic sector per excellence, both for consumption and for results, has started being penalised during the last financial year in terms of consumption and consequently reduced its margins.

INALCA's successes are due to a far-sighted policy of expansion and investments made over the last few years, a plan that has led to the creation of a successful industrial agglomerate in every country where business activities are performed.

(*) The comparative figures from 2013 used in this comment are relative to the Consolidated Financial Statement originally filed and not to the restatement in IFRS 11 retroactive application of the following Tables 4, 5 & 7.

3.3 CONSOLIDATED FINANCIAL STATEMENT

TABLE 4 - CONSOLIDATED FINANCIAL STATEMENTS ON DECEMBER 31ST, 2014

Income Statement

(In thousands of Euro)	31.12.2014	31.12.2013*
Revenues	**1,471,063**	**1,518,590**
relating to related parties	96,489	67,370
Other revenues	**16,414**	**16,351**
relating to related parties		41
Change in inventories of finished and semi-finished products	**14,606**	**(10,586)**
Capitalisation of internal construction costs	**9,390**	**6,236**
Costs for purchases	**(1,055,237)**	**(1,085,495)**
relating to related parties	59,046	593
Other operating costs	**(236,763)**	**(223,223)**
relating to related parties	5,228	40,889
Personnel costs	**(98,193)**	**(97,907)**
Amortisation and depreciation	**(39,285)**	**(41,047)**
Write-downs and provisions	**(8,577)**	**(6,383)**
Losses (Reversal) of assets		
Revenues from equity investments	**20**	**(149)**
Financial (Income) / Charges	**(25,996)**	**(29,555)**
relating to controlled companies	(325)	524
relating to related parties	(79)	21
Result before taxes	**47,442**	**46,832**
Income taxes	**(20,613)**	**(26,453)**
relating to related parties		
Results before minority interests	**26,829**	**20,379**
Result attributable to minority interests	**(5,307)**	**(3,712)**
Results for the period attributable to the Group	**21,522**	**16,667**

** Retrospective application of IFRS 11 accounting principle with restatement of financial statement on 31st December 2013*
Consolidated Income Statement according to IAS principles

TABLE 5 - CONSOLIDATED FINANCIAL STATEMENTS ON DECEMBER 31ST, 2014

Consolidated income statement reclassified with value added

(In thousands of Euro)	31.12.2014	31.12.2013*	Var. %
Total revenues	**1,496,866**	**1,541,176**	**(2.88)**
Changes in inventories of work in progress, semi-finished and finished goods	14,606	(10,586)	
Value of production	**1,511,472**	**1,530,590**	**(1.25)**
Cost of production	**(1,292,000)**	(1,308,718)	
Value added	**219,472**	**221,872**	**(1.08)**
Personnel costs	(98,192)	(97,907)	
Gross operating margin (a)	**121,280**	**123,965**	**(2.17)**
Amortization, depreciation and write-downs	(47,863)	(47,430)	
Operating Income (b)	**73,417**	**76,535**	**(4.07)**
Net financial income (charges)	(25,996)	(29,554)	
Profit from ordinary activities	**47,421**	**46,981**	**0.94**
Net income (charges) from investments	21	(149)	
Result before taxes	**47,442**	**46,832**	**1.30**
Income taxes for the financial year	(20,613)	(26,453)	
Result before minority interests	**26,829**	**20,379**	**31.65**
(Profit) Loss attributable to minority interests	(5,307)	(3,712)	
Net profit attributable to the Group	**21,522**	**16,667**	**29.13**

** Retroactive application of IFRS 11 accounting principles with restatement of financial statement on 31st December 2013*

a) Gross operating profit (EBITDA): profit/loss gross of the depreciation and amortization of tangible and intagible 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)	31.12.2014	%
ITALY	738,791	50.22%
EU	211,323	14.37%
RUSSIA	249,400	16.95%
AFRICA AND OTHER REGIONS OUTSIDE EU	271,549	18.46%
TOTAL	1,471,063	100%

TABLE 7 - DISTRIBUTION OF REVENUES BY PRODUCT CATEGORY

(In thousands of Euro)	31.12.2014	31.12.2013*	Difference in absolute value	Diff. %
Italian meat				
Total revenues	1,018,482	1,048,844	(30,362)	(2.89)
EBITDA	67,143	60,740	6,403	10.54
Amortization and depreciation	(27,617)	(26,544)	(1,073)	4.04
Operative income	39,526	34,196	5,330	15.59
Foreign meat				
Total revenues	490,335	518,321	(27,986)	(5.40)
EBITDA	46,840	52,409	(5,569)	(10.63)
Amortization and depreciation	(12,888)	(13,039)	151	(1.16)
Operative income	33,952	39,370	(5,418)	(13.76)
Intersectorial Adjustments				
Total revenues	(129,869)	(154,427)		
EBITDA	26	313		
Amortization and depreciation				
Operative income	26	313		
Cured meats				
Total revenues	130,546	140,034	(9,488)	(6.78)
EBITDA	7,278	10,516	(3,238)	(30.79)
Amortization and depreciation	(7,358)	(7,847)	489	(6.23)
Operative income	(80)	2,670	(2,750)	(103.00)
Consolidation adjustments				
Total revenues	(12,628)	(11,596)		
EBITDA	(7)	(13)		
Amortization and depreciation				
Operative income	(7)	(13)		
Total				
Total revenues	1,496,866	1,541,176	(44,310)	(2.88)
EBITDA	121,280	123,965	(2,685)	(2.17)
Amortization and depreciation	(47,863)	(47,430)	(433)	0.91
Operative income	73,417	76,536	(3,119)	(4.08)

** Retrospective application of IFRS 11 accounting principles with restatement of financial statement on 31st December 2013.*

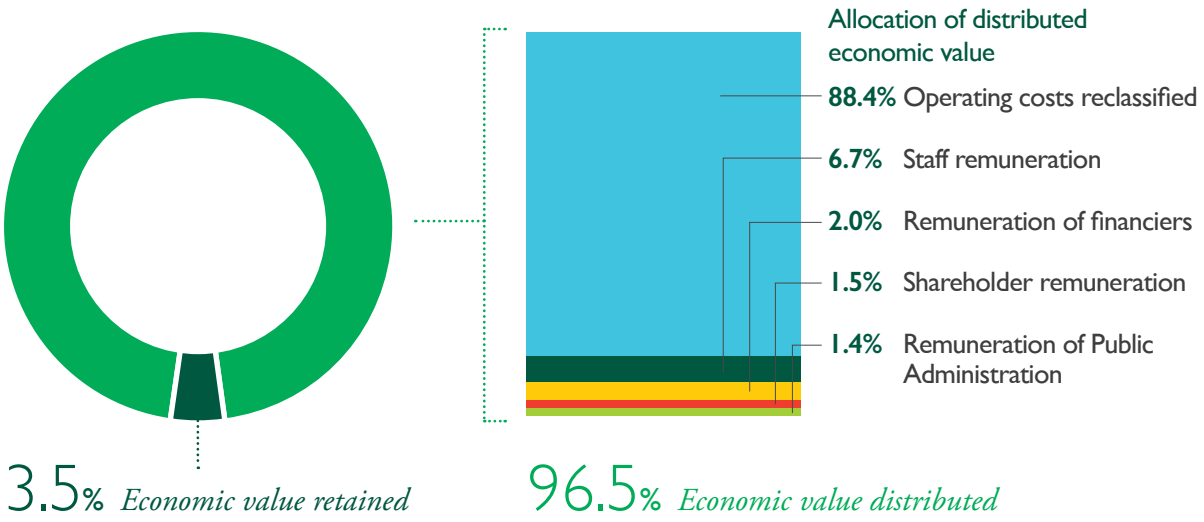
3.5 VALUE GENERATED AND DISTRIBUTED

TABLE 8 - VALUE GENERATED AND DISTRIBUTED

(In thousands of Euro)	31.12.2014
Direct economic value generated	**1,514,386**
Revenues from sales - Finished products	1,082,193
Revenues from sales - Goods	376,247
Revenues from sales - Various	9,040
Revenue amendments	(12,099)
Rental income	1,866
Other revenues from operations	13,816
Other income	16,414
Change in inventories of finished and semi-finished goods	14,606
Capitalisation of internal construction costs	9,390
Exchange gains	1,890
Financial income	1,003
Expenses / Income from investments	20
Economic value distributed	**1,461,295**
Operating expenses reclassified	**1,292,000**
Cost of goods - raw materials	654,866
Other purchase costs	400,371
Cost for services	221,791
Costs for use of third party assets	6,938
Other operating expenses	8,034
Staff remuneration	**98,193**
Wages and salaries	71,100
Social security costs	21,037
Indemnity	3,824
Other personnel costs	2,232
Remuneration of financiers	**28,889**
Charges derivatives	3,517
Financial expenses	25,372
Shareholder remuneration	**21,600**
Dividends paid	21,600
Remuneration of Public Administration	**20,613**
Income taxes	20,613
Economic value retained	**53,091**
Amortization and depreciation	47,862
Profit for the year allocated to reserves	5,229

A COMPANY WITH A HIGH RATE OF ECONOMIC SUSTAINABILITY

ECONOMIC VALUE GENERATED AND DISTRIBUTED DIRECTLY AT 31.12.2014



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 over 96% of the total value generated by INALCA. 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.

ONLINE http://bit.ly/1Q3823j


7638

4. STAKEHOLDERS

4.1 STAKEHOLDERS OF THE GROUP

In drafting its first Report, INALCA initiated discussions on the most relevant issues of its 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 of its first 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.

4.2 EMPLOYEES, COLLABORATORS AND PARTNERS

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.

COLDIRETTI

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.

Global Agenda for Sustainable Livestock is a partnership between all stakeholders in the livestock sector, committed to a sustainable development of the 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.

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

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.

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.

4.4 INALCA AND THE ECONOMIC COMMUNITY

Foodbest 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.

ONLINE www.omva.loneus.biz

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.

ONLINE

www.assocarni.it
www.meat-ims.org
www.natmeat.ru
www.nwmeat.org
www.assica.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.

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 and social belonging which, in the various communities of consumers, influences the dynamics of food choice.

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.

Promote the correct consumption of meat in a balanced diet

Cave graffiti

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 and collaboration with the major food groups with which INALCA collaborates. 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.

For more details, see chapter 8.

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

ONLINE

www.fao.org/docrep/013/i1907e/i1907e00.pdf

5.6 DIALOGUE WITH STAKEHOLDERS

INALCA's decision to create the first Sustainability Report was born from the company's need to investigate further the requests of its stakeholders.

To prepare its first Report INALCA coordinated actively with its stakeholders: consumer and manufacturer associations, customers, employees and partners, research institutions and NGOs.

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.

Biogas plant, Ospedaletto Lodigiano (LO)

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 irrecoverable.

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

"CIRCULAR ECONOMY" REGENERATING RESOURCES, CREATE ZERO WASTE

AGRICULTURAL PRODUCTION AND BREEDING

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

DISTRIBUTION AND CONSUMPTION

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

INDUSTRIAL PRODUCTION

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

5.9 ACTION GUIDELINES FOR SUSTAINABLE DEVELOPMENT, 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

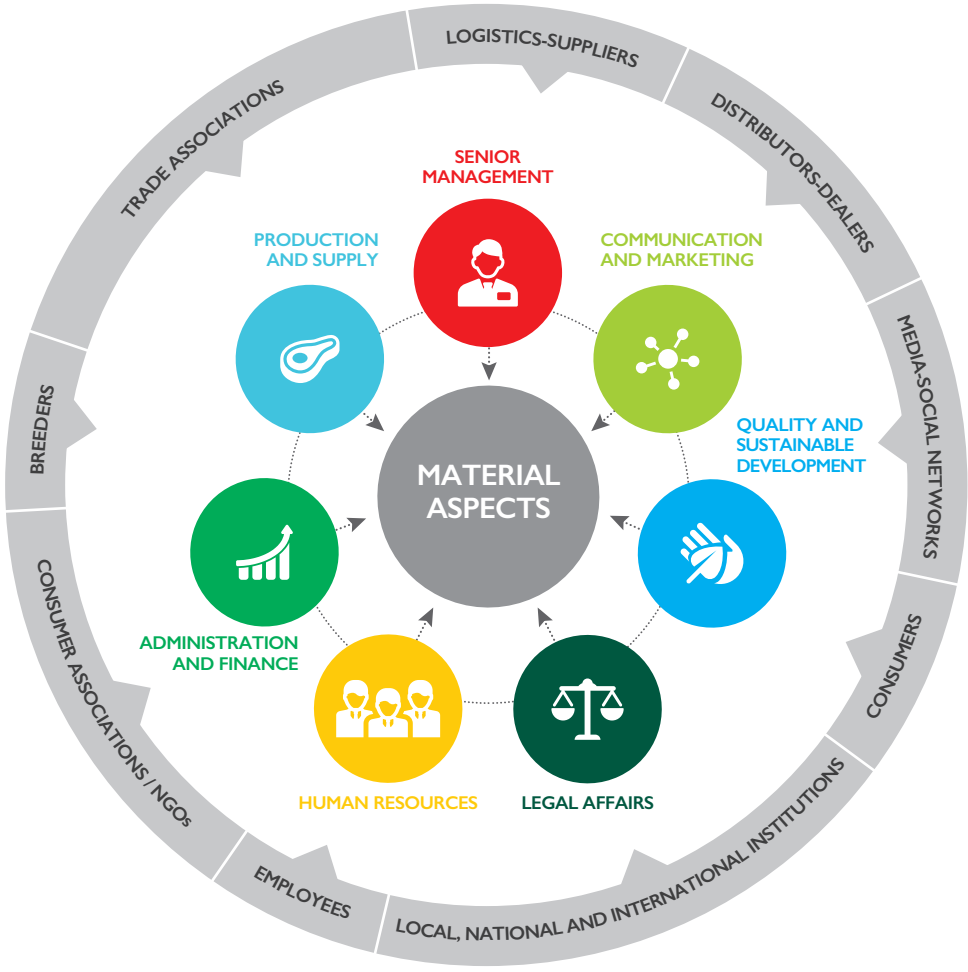
The ethical challenge of increasing food production to meet the steady increase of the world population, while keeping in balance the natural resources of the planet, is upheld by INALCA, which considers a priority the identification and development of new business processes that will increase the level 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.

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.

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.**

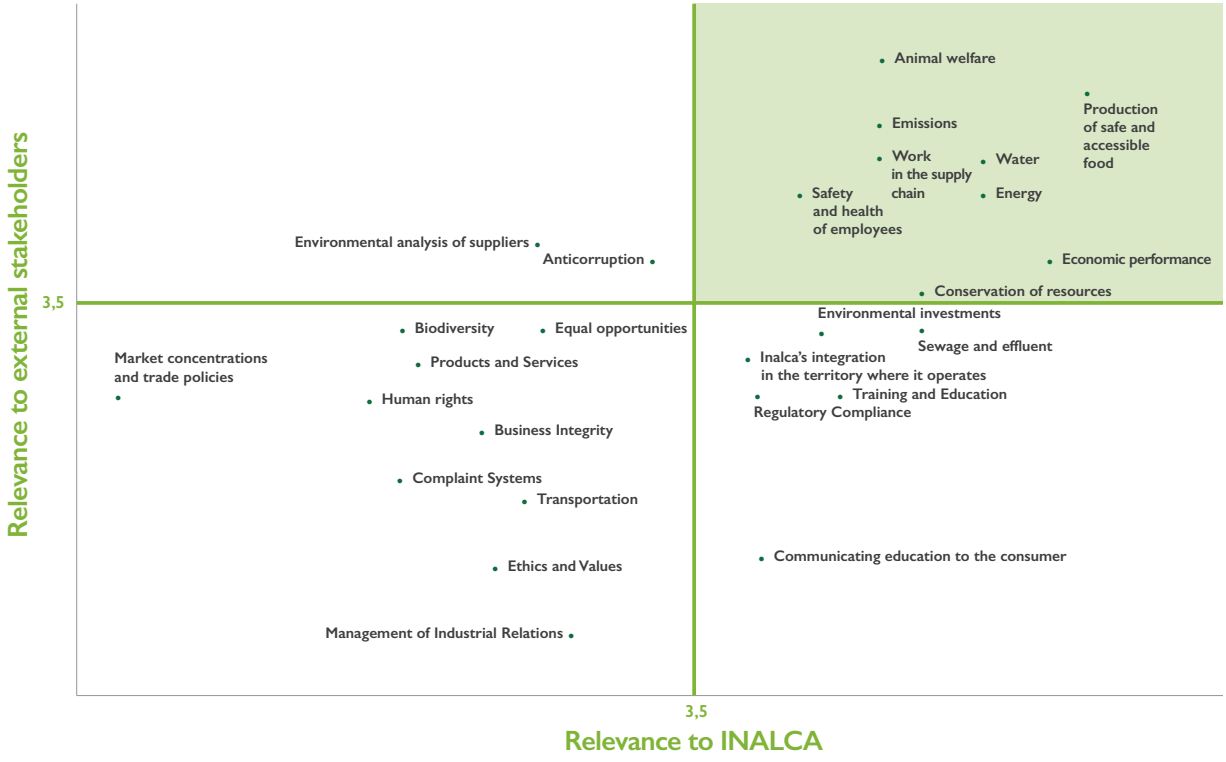
In the areas of Africa and Russia, data collection and management of meetings and focus groups was entrusted to the directors of companies and production plants, supported by the project manager.

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

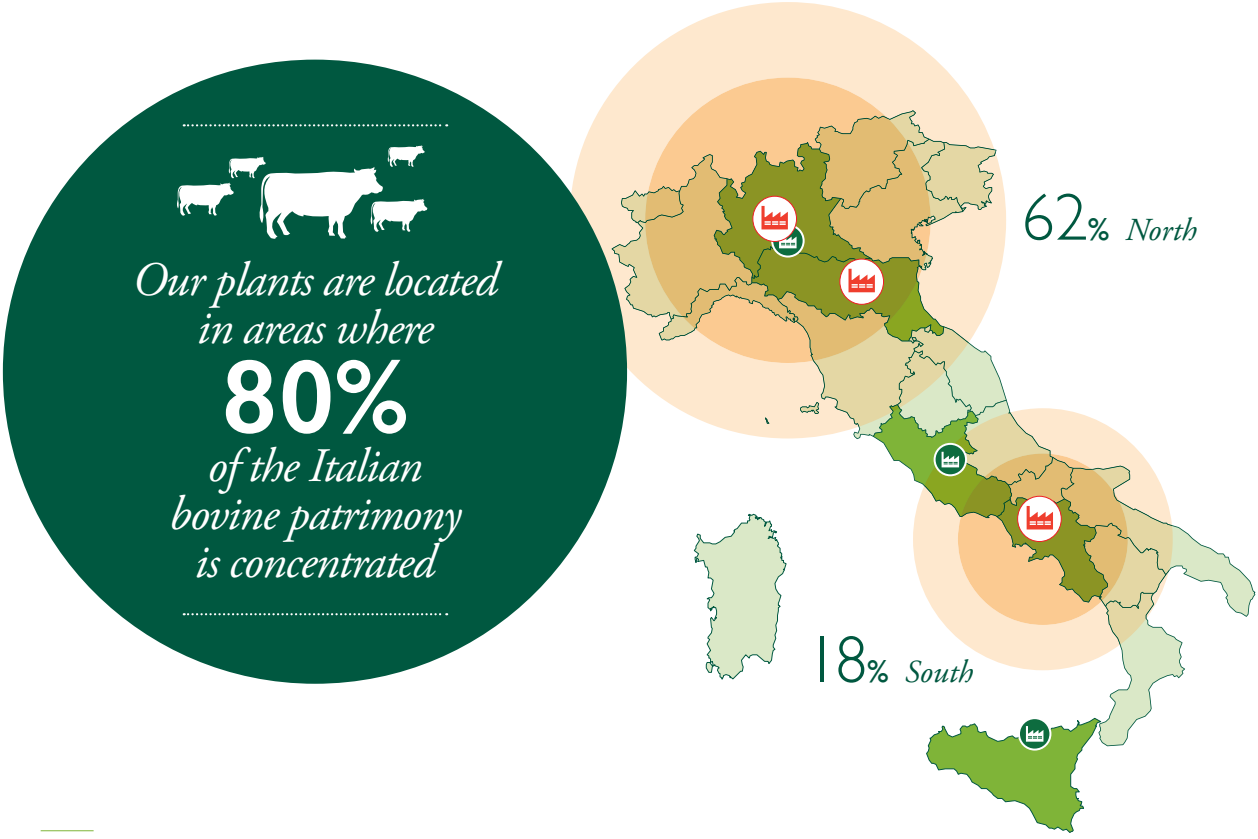
INALCA's supply chain is large and articulated, varying depending on the type of product and geographical area of production. In the following paragraphs the major issues of our supply chain and the main differences between the various regions in which INALCA operates are described.

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 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 control in the event of illness or whatever problems arise.

In addition to breeding in barns, the integrated supply chain model adopted by INALCA for the production of animals for meat 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 may seem a negligible aspect, but it is however the starting element to bring the farm back to its rural dimension and implement a type of animal husbandry where animals develop at best the specific characteristics to adapt to a given territory.

Cow Calf Line

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 Italian 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 produced in Italy but destined to various foreign markets, INALCA uses, as well as meat from national breeding, also meat from European plants, especially if the product is intended for the Community Market.

- 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

In addition to meat, INALCA uses suppliers of ingredients other than meat 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:
- **Plastic: reduction of thickness, use of recycled plastics, gradual introduction of PET, which is lightweight, safe, inert, and which contributes to reducing carbon dioxide emissions;**
- **Paper: reduction of weights 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. Thanks to the opening of a slaughter and meat processing plant opened in the city of Orenburg, INALCA in the Russian Federation will soon adopt an integrated local supply chain, as already done in Italy. Consequently to the rapid growth of the Russian productive system, INALCA uses, wherever possible, local suppliers both for certain types of ingredients used in industrial processing and for products intended for distribution.

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.


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. It is also in this interest that the Group has undertaken its first Sustainability Report.

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.

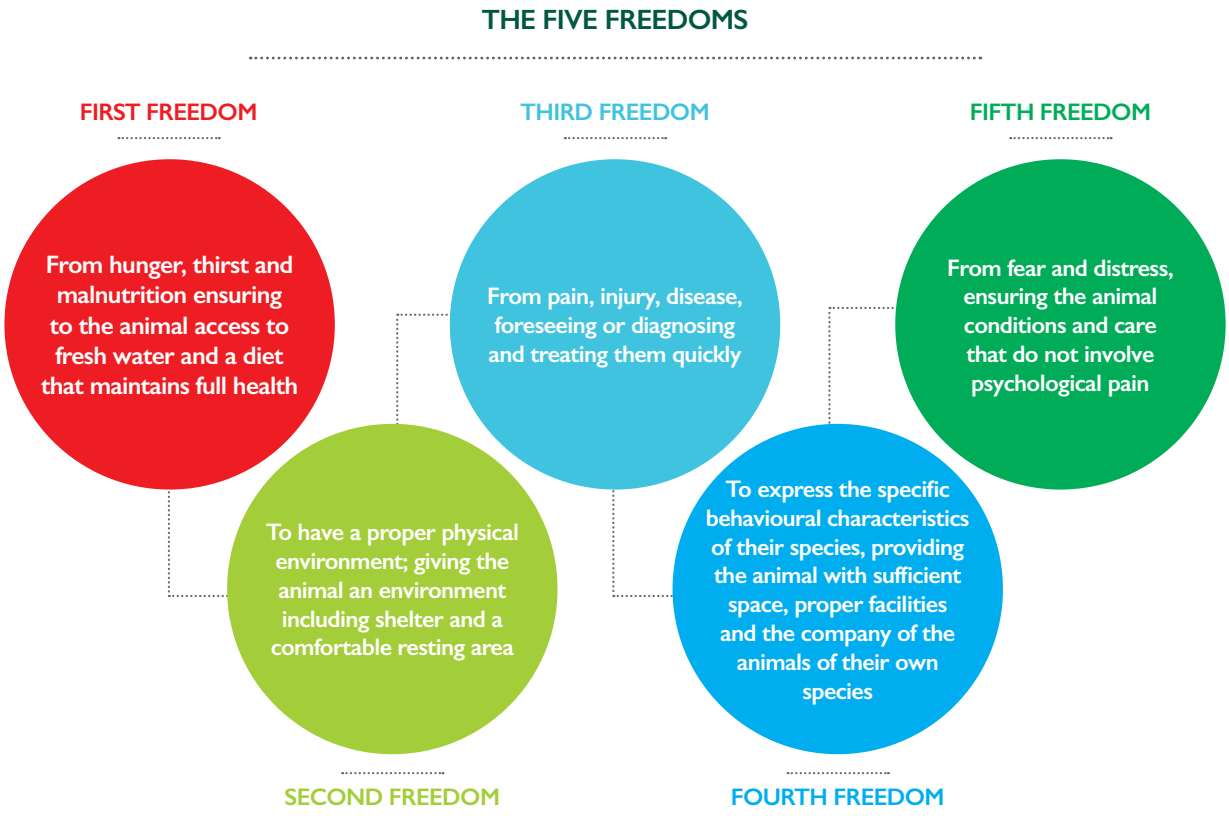
Systematic inspection activities are carried out internally and externally to ensure compliance with the principles contained in these documents.

ONLINE **www.inalca.it**

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.
This set of rules and procedures constitutes a comprehensive management system for animal welfare, documented and accessible, which is shared with the farmers through their own website and training and auditing fieldwork activities, in connection with agricultural Associations.

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.

To this end, INALCA also considers it important to collaborate with pharmaceutical companies engaged in finding solutions for animal care that are alternatives to antibiotics.

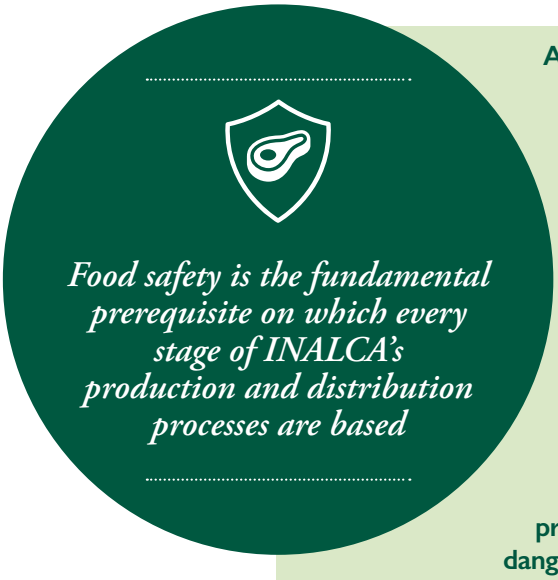
ONLINE **WHO: bit.ly/1Ow9GJU**

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.



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".

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

The effectiveness and accuracy of the information managed in the company system of identification and traceability of products constitutes a key element to deliver effectiveness to any action implemented for quality, food safety and consumer communication.
As with all the elements of food security, INALCA in this field also 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

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

STANDARD SPECIFICATIONS		
Thematic area	**Title**	**Technical standard**
SAFETY AND PRODUCT LIABILITY	International Food Standard	**IFS**
	British Retail Consortium	**BRC**
	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**

the effectiveness of INALCA's actions in this field. The use of certified systems verified by third parties will also be extended to support product claims.

	ITALY									RUSSIA	
	INALCA				FIORANI & C	REALBEEF	ITALIA ALIMENTARI			MARR RU	INALCA
	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
IFS			●	○	○		●	●	●	●	
	●	●				●	●	●	●		
ACCREDIA		●									
											○
SGS	●	●						●	●	●	○
ISO 9001	●	●	●				●	●	●		
SGS	●	●		●	●	●					
SGS	●	●	●								
SGS	●	●	●							●	
EPD®	●	●									
SGS	●	●	●	●							
	●	●	●	●			●	●	●		
	●	●	●	●	●		●	●	●	●	
Global Reporting Initiative	●	●	●	●	●	●	●	●	●	●	○

○○○ 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.

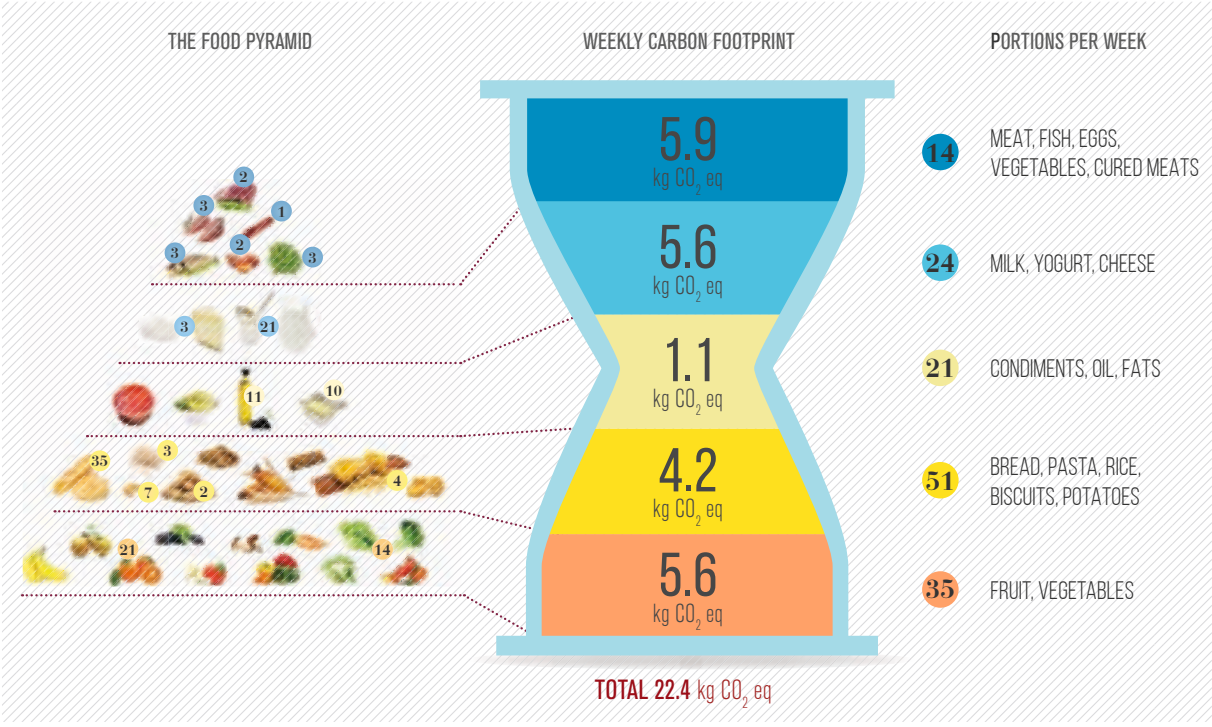
Anticipating a path already started by the main food laws, INALCA adopts systematically nutrition labelling of products and voluntary certification in support of product claims, with particular reference to communication of the origin and source of the meat used.

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.



IN RETE 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

While maintaining a leading presence in Italy in terms of personnel and production activity, INALCA continues to increase 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

INALCA's staff in Italy consists of 991 units

Breakdown of staff by professional category

Female presence in the workforce

276 Women
715 Men

New Employees 2014

18 new employees aged <30 years
8 new employees aged 30-50 years
0 new hires aged >50 years

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

INALCA Group personnel in Italy is made up of **1,509** units

Breakdown of staff by professional category

Female presence in the workforce

424 Women
1,085 Men

New Employees 2014

31 new employees aged <30 years
17 new employees aged 30-50 years
2 new employees aged >50 years

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 **2,226** units

Breakdown of staff by professional category

Female presence in the workforce

694 Women
1,532 Men

New Employees 2014

41 new employees aged <30 years
27 new employees aged 30-50 years
4 new employees aged >50 years

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 Report, 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.

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

11,248 hours
of company training in 2014

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 the area of health and safety INALCA's efforts have focused on the containment of injuries. Thanks to the application of the OHSAS 18001 standard, the plant in Castelvetro di Modena, the most complex and where the standard was applied on a priority basis, accidents were reduced by 65% in the four years from 2011 to 2014.

TABLE 12 - ACCIDENTS AT INALCA'S CASTELVETRO DI MODENA PLANT

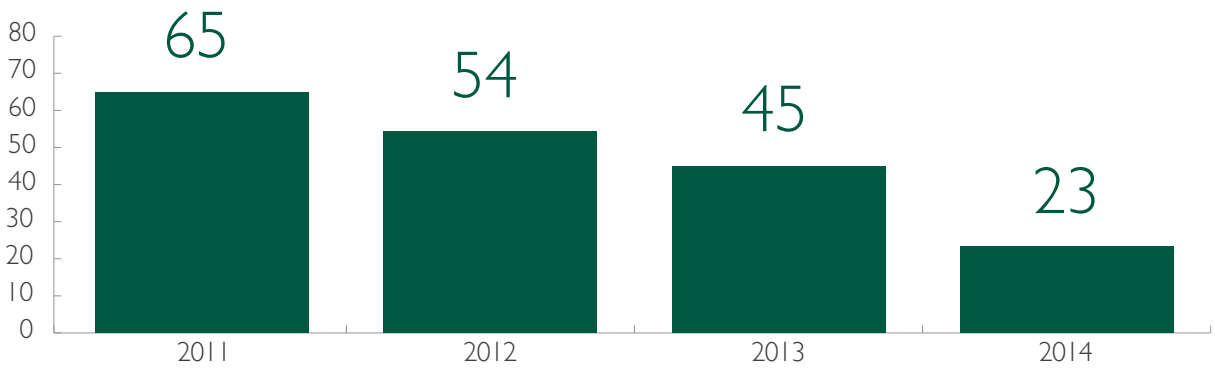
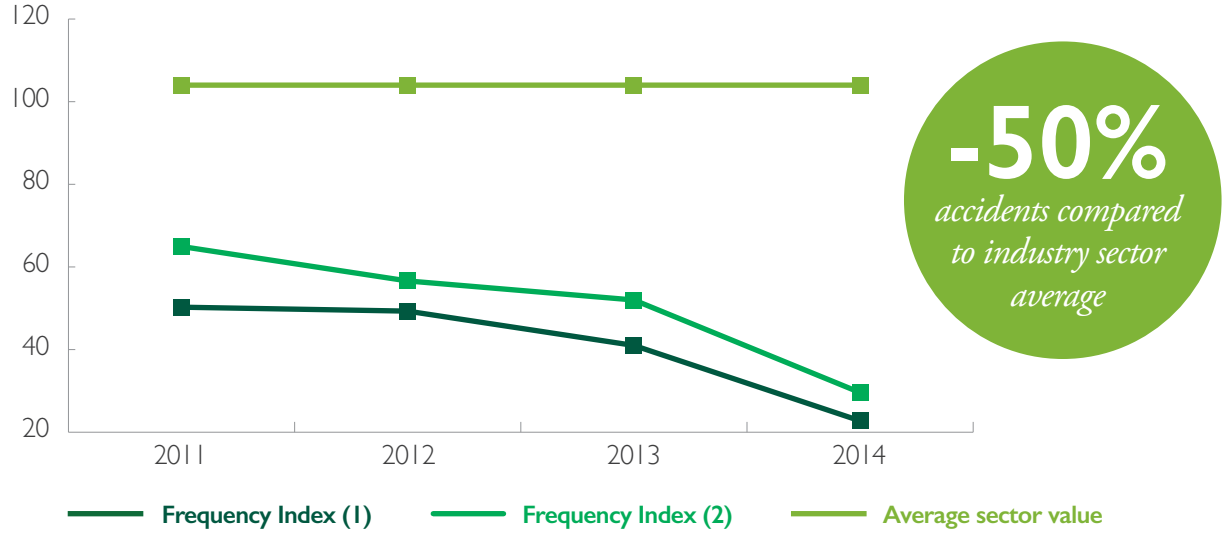


TABLE 13 – ACCIDENT TRENDS AT INALCA'S CASTELVETRO DI MODENA PLANT

Number of accidents / number of hours worked x 1,000,000	2011	2012	2013	2014
Frequency Index (1)	50.26	49.31	41	22.75
Frequency Index (2)	64.96	56.62	52	29.6
Average sector value	104	104	104	104

(1) without ongoing accidents and occupational pathologies
(2) with ongoing accidents and occupational pathologies



Given the encouraging results of this experience, INALCA continues its extension of the OHSAS 18001 standard to other plants of the Group.

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.

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.

11. 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.

11.1 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 Paragrap 9.3.

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 and to the promotion of the Italian food culture.

11.2 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 snd 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.

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**).

ONLINE

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.

Grupo de Amizade Angola

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.

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

ONLINE

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 and Sustainable Development.

Direct environmental aspects of primary importance characterising INALCA's activities are undoubtedly related to the *supply chain* and industrial activities, in particular:

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." In this chapter companies of the Group without production facilities, which act solely commercially or financially, or of 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 direct and indirect environmental aspects of major importance above, the lines 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 about 70/80% of impact caused by the production stages of agricultural raw materials.

BREAKDOWN OF ENVIRONMENTAL IMPACTS IN THE HAMBURGER CHAIN

76%*	1%	13%	3%	1%	5%	1%
BREEDING BOVINE	PACKAGING PRODUCTION	SLAUGHTER	HAMBURGER PRODUCTION	DISTRIBUTION OF FINISHED PRODUCT	HOME STORAGE	DISPOSAL PRIMARY PACK

BREEDING	PACKAGING AND PRODUCTION	CONSUMPTION
76%	17%	7%

* ***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 the emission of greenhouse gases.

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.**

In the course of 2014, on some meat packaging lines, INALCA has eliminated the primary packaging used previously, transforming the secondary packaging to make it suitable for contact with the food. This modification has allowed a weight reduction by about 20% compared to the previous figure.

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. In 2014 in the Italian plants of Castelvetro di Modena, Ospedaletto Lodigiano and Rieti, the percentage of recycled raw material in packaging paper and cardboard has reached 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 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.

ONLINE **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 very 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. Over the past three years, INALCA has recuperated about 82,000 cubic meters per year of purified water.

82,000
cubic meters
of treated water recycled

12.6 ENERGY AND EMISSIONS

The issue of energy and energy efficiency is closely related to climate change. 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.

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) - cogeneration 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 2014 the use of the biogas produced by the system permitted a production of 6,432 MWhe (Megawatt-hour of electricity), 20.3% of the electricity needs of the Ospedaletto Lodigiano plant.**
In 2014, INALCA installed in the Castelvetro di Modena plant a new cogeneration unit to replace the first machine installed in the 90s. This machine is characterised by an overall yield higher than the previous one. For this machine INALCA is about to receive from the competent authority (GSE) a CAR (High-efficiency cogeneration) certification.
Thanks therefore to the significant investments made in the field of cogeneration plants in Castelvetro di Modena, Ospedaletto Lodigiano, Rieti and Busseto, **INALCA self-produces about 70% of the total of its electricity needs.**

6 million
Euro
investment for the anaerobic digestion system

6,432
MWhe
of self-produced energy from biogas

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

Since 8 years, through its subsidiary SARA, INALCA has also formed an Energy Saving Company (ESCO) through which it promotes and implements energy efficiency projects effected at major manufacturing plants. From the beginning of the ESCO activities (2007), **INALCA Group has obtained 30,000 Energy Efficiency Certificates (TEE), saving energy for an equivalent of 17,000 TOE (tonnes of oil equivalent), corresponding to approximately 700,000 GJ.** Thanks to these measures, the contribution of INALCA to climate change is estimated at approximately 5,700 tons of carbon dioxide not emitted into the atmosphere in a year.

In 2015, INALCA will also initiate the energy auditing plan of the Group's plants, conducted according to UNI CEI EN 16247. It is expected to start in the main plants of the Group, i.e. the INALCA Italian production sites of Castelvetro di Modena (MO), Ospedaletto Lodigiano (LO) and Rieti.

Cogenerator, Castelvetro di Modena (MO)

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.**

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

Biogas plant, Ospedaletto Lodigiano (LO)

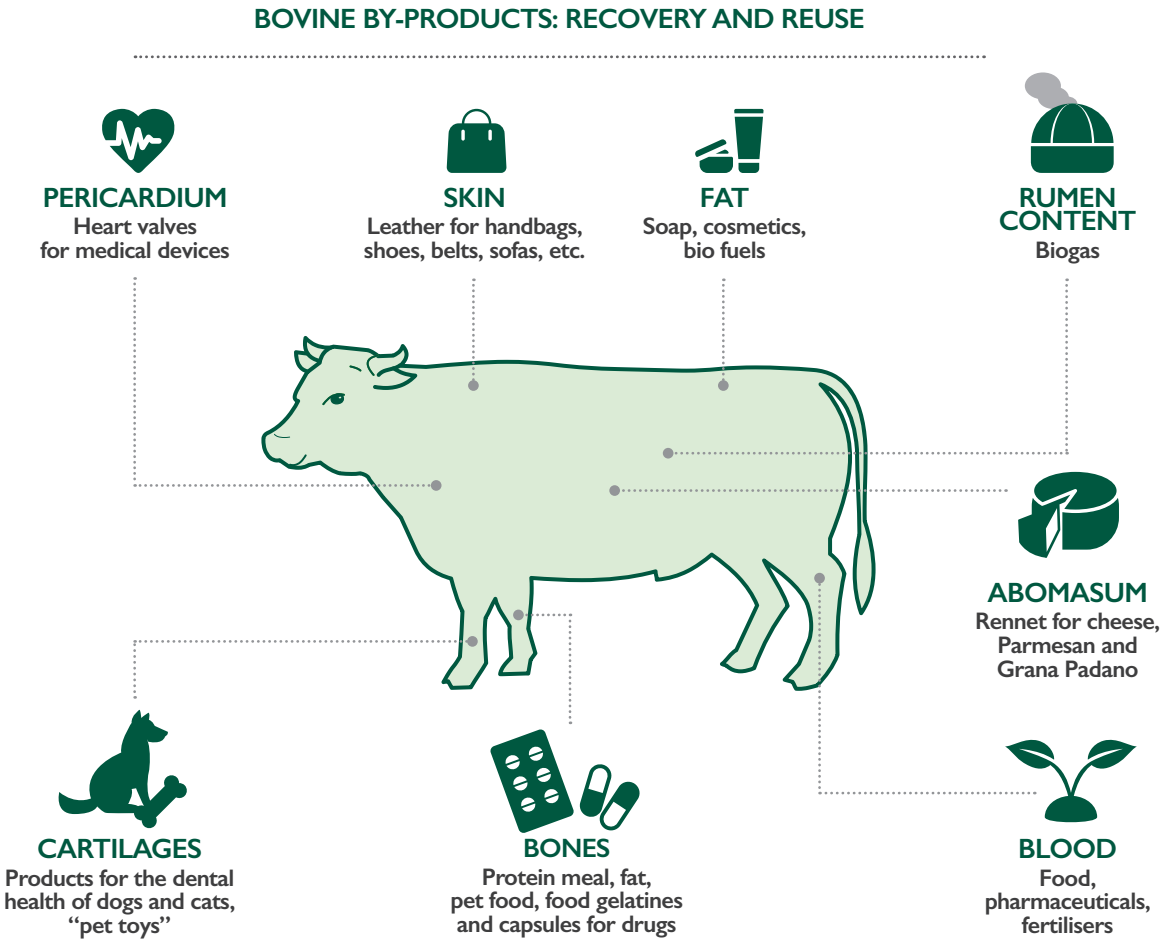
12.8 RECOVERY OF WASTE AND BY-PRODUCTS

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 been recovered in countless ways, from the field until the kitchen at home.
The production and consumption of meat in fact generates an amount of waste more than halved compared to fruits and vegetables and almost half the waste of the cereal chain. (Source: www.carnisostenibili.it)



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.

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.

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;**
- **development of additional systems in the field of biogas, photovoltaic and more efficient lighting;**
- **development of pilot projects in the packaging industry to reduce the overall amount of materials used and increase the recovery rate.**

ATTACHMENTS

1) LIST OF GROUP COMPANIES AND BUSINESS SEGMENTS

	Company business name	Registered office	Business Sector
1. Italy and the European Union			
1.1	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
1.2	ITALIA ALIMENTARI S.p.A.	Via Europa, 14 43011 - Busseto (PR)	Cured meats and snacks production and distribution
1.2.1	MONTANA ALIMENTARI Gmbh	Kirschstrasse 20 80999 - Munich - Germany	
1.2.2	MONTANA FARM S.p.Zo.o.	Via Mazurska,11/6 - 10-510 Olstzyn - Poland	
1.2.3	SALUMI D'EMILIA S.r.l.	Via per Modena, 53 41014 - Castelvetro di Modena (MO)	
1.3	FIORANI & C S.p.A.	Via Coppalati, 52 29010 - Piacenza (PC)	Processing and distribution of meat
1.4	REALBEEF S.r.l.	Zona Industriale ASI 83040 - Flumeri (AV)	Cattle and sheep slaugthering
1.5	GES.CAR S.r.l.	Via Spilamberto, 30/C 41014 - Castelvetro di Modena (MO)	Production services
1.6	SOCIETÀ AGRICOLA CORTICELLA S.r.l.	Via Corticella, 15 41057 - Spilamberto (MO)	Cattle breeding
1.7	SARA S.r.l.	Via Spilamberto, 30/C 41014 - Castelvetro di Modena (MO)	Energy & Environment
1.8	BELL CARNI S.r.l.	Via Eridania, 58 45039 - Stienta (RO)	Meat processing and food storage
1.9	GUARDAMIGLIO S.r.l.	Via Coppalati, 52 29010 - Piacenza (PC)	Management of fresh product retail outlets (butchers and delicatessens)
1.10	CAPO D'ORLANDO CARNI S.r.l.	Strada San Giacomo, 19 98122 - Messina (ME)	Processing and food storage
1.11	INALCA FOOD & BEVERAGE S.r.l.	Via Modena, 53 41014 - Castelvetro di Modena (MO)	Trade and food distribution
1.11.1	INALCA FOOD & BEVERAGE CAPE VERDE LDA	Rua Amilcar Cabra, 1°Andar do Préio Argos Citade de Santa Maria - Ilha do Sal Capo Verde	Food distribution
1.11.2	INALCA F & B HOLDING INC	1679 South Dupont Highway, Suite 100 Dover, DE, 19901 USA	
1.11.3	INALCA F & B NORTH AMERICA LLC	5 West 19th Street, New York, NY 10011 USA	
1.11.4	DMS S.r.l. in liquidation	Via Spilamberto, 30/C 41014 - Castelvetro di Modena (MO)	
1.12	SHANGAI DOMUS TRADING CO LTD	Block GH, 31st Floor, Jiali Building, NO.2 Lane 1228 West Yan'an Road Cgangning District Shanghai 200052, China	
1.13	TECNO-STAR DUE S.r.l.	Via Modena, 53 41014 - Castelvetro di Modena (MO)	Plant and engineering firm of the Group

	Company business name	Registered office	Business Sector
1. Italy and the European Union (continued)			
1.14	FRIMO SAM	Le Thalès Rue du Gabian, 1 980000 - Montecarlo (Princ. Monaco)	Trade of food products
1.14.1	PROMETEX	Le Thalès Rue du Gabian, 1 980000 - Montecarlo (Princ. Monaco)	
1.15	PARMA FRANCE S.a.s.	13,Rue Claude Chappe-Le Parc de Crécy - 69370 - St Didier Au Mont D'Or - France	Cattle trade
1.16	PARMA LACOMBE S.a.s.	La Tremolière 15600 - St Santin De Maurs - France	
1.16.1	PARMA TURC S.a.s.	R.N.75 Ambroney 01500 Amberieu En Bugey - France	
1.16.2	PARMA AUBRAC S.a.s.	Le Bourg 48270 - Malbouzon - France	
1.16.3	PARMA SOFRELIM S.a.s.	La Valeyrie - 19330 - Saint Germain Les Vergnes - France	
1.17	CLASS CHINA & COMMERCE S.r.l.	Via Marco Burigozzo, 5 20122 - Milano	Food distribution
1.18	FARM SERVICE S.r.l.	Via Rinaldi, 105 42124 - Reggio Emilia	Transformation of animal by-products
1.19	NUOVA CAMPARI S.p.A.	Via S.Pellegrino, 5 42018 - San Martino in Rio (RE)	
1.20	QUINTO VALORE S.c.a.r.l.	Via Due Canali, 13 42124 - Reggio Emilia	Processing animal by-products - Control inspection services
1.21	ZAKLADI MIESNE SOCHOCIN Sp.Z.o.o.	Al.Jana Pawla II n.80/51 00175 - Sochocin, Warsaw - Poland	Slaughtering and meat processing
1.22	BF HOLDING S.p.A.	Via Manin, 23 - 20121 Milano	Agriculture and cattle breeding
1.23	CAAF EMILIA ROMAGNA S.p.A.	Via San Domenico, 4 40124 - Bologna	Fiscal services
1.24	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 Kiaxi, Luanda - Angola	Distribution food products
2.2	INALCA ANGOLA Lda	Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda - Angola	
2.3	INALCA BRAZZAVILLE SARL	Avenue Cote Mondaine 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	
2.5	INALCA ALGERIE SARL	08,Rue Chérif Hamani 16000 Algeri - Algeria	Production and distribution of food products
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	Distribution food products
2.7	INALCA WEST AFRICA SARL	Hann-Maristes 2, Immeuble Massaer, Bloc D, No. 20A Dakar - Senegal	

	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	000 MARR RUSSIA	UL.Vostochnaia,5143000 Odintzovo, Moscow - Russia	

2) LIST OF GRI G4

DMA and indicators		Level of Coverage	Page	External Verification
General standard disclosures				
Strategy and Analysis				
G4-1	Statement by the Chairman and the Managing Director	TOTAL	5 - 6	
Oganisational 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	66	
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	87-93	
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	74	
G4-EN1	Materials used by weight or volume	TOTAL	76 and Attachment 3	
G4-EN2	Percentage of materials used that are recycled input materials	PARTIAL	76 and Attachment 3	
Energy				
G4-DMA	Generic disclosure on management	TOTAL	78-79	
G4-EN3	Direct energy consumption	TOTAL	79 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	78	
G4-EN8	Water withdrawn	TOTAL	78 and Attachment 3	
G4-EN9	Water sources significantly affected by water withdrawal	TOTAL	78 and Attachment 3	
G4-EN10	Percentage of total volume of water recycled and reused	PARTIAL	78	
Biodiversity				
G4-DMA	Generic disclosure on management	TOTAL	82	
G4-EN11	Operational sites owned, leased, managed to protected areas and areas of high biodiveristy 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	78-79	
G4-EN15	Direct greenhouse gas emissions (GHG) (Scope 1)	TOTAL	78-79 and Attachment 3	
G4-EN16	Indirect greenhouse gas emissions (GHG) (Scope 2)	TOTAL	78-79 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 - deplenting 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	80	
G4-EN22	Water discharge	TOTAL	78 and Attachment 3	
G4-EN23	Total weight of waste by type and disposal method	TOTAL	80-82 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	Attachment 3	
G4-EN26	Biodiversity and habitats affected by the organisation's discharge of water	TOTAL	82	
Products and services				
G4-DMA	Generic disclosure on management	TOTALE	74-77	
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	74	
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	64-65	
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	68	
G4-LA5	Percentage of employees represented in formal joint management-worker health and safety committees	PARTIAL	68	
G4-LA6	Type and rates of injuries, occupational diseases, lost days absenteeism, and total number of work-related fatalities	PARTIAL	68, Our internal data collection system will be further developed in order to report the precise indicators in the 2016 Report	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	PARTIAL	68	
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	66	
G4-LA12	Composition of governance bodies and breakdown of employees by diversity indicators	TOTAL	66	
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 incluse 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	70	
G4-SO1	Operations with implemented local community, engagement, impact assessment and development programs	TOTAL	70-72	
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	61-62	
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	-	191,809	211,249	211,249
		Total dead weight	[t]	52,223	55,956	55,956
	Young bulls	Total number of animals slaughtered	-	106,101	110,071	110,071
		Total dead weight	[t]	40,385	41,147	41,147
	Calves	Total number of animals slaughtered	-	99,321	102,342	102,342
		Total dead weight	[t]	13,644	14,224	14,224
	Buffaloes	Total number of animals slaughtered	-	2,346	39,226	39,226
		Total dead weight	[t]	663	7,745	7,745
	Total	Total number of animals slaughtered	-	399,577	462,888	462,888
		Total dead weight	[t]	106,915	119,072	119,072
Animals entering in breeding (1)	Heifer	Total number of animals entered	-	0	7,632	7,632
	Young bulls	Total number of animals entered	-	0	21,592	21,592
	Calves	Total number of animals entered	-	0	18,925	18,925
	Buffaloes	Total number of animals entered	-	0	0	0
	Total	Total number of animals entered	-	0	48,149	48,149
Meat bought	Fresh with Bone		[t]	38,114	39,729	39,734
	Fresh Boneless		[t]	16,749	29,254	32,954
	Frozen		[t]	17,412	26,523	55,623
	Total		[t]	72,275	95,506	128,311
Feed (1)	Feed		[t]	0	35,711	35,711
Waste (2)	Waste input		[t]	0	15,900	15,900
Ingredients	Ingredients and additives		[t]	2,889	3,475	3,749
Packaging	Paper / Cardboard	Total weight	[t]	16,675	17,416	18,248
		% of recycled material (ren.)	[%]	93	93	93
		% of virgin material (not ren.)	[%]	7	7	7
	Plastic	Total weight	[t]	1,625	2,320	2,455
		% of recycled material (ren.)	[%]	28	40	40
		% of virgin material (not ren.)	[%]	72	60	60

				INALCA SPA	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN1 - G4EN2 (continued)						
Packaging	Plastic boxes recoverable	Total weight	[t]	22	122	138
		% of recycled material (ren.)	[%]	0	0	0
		% of virgin material (not ren.)	[%]	100	100	100
	Wood	Total weight	[t]	1,333	1,433	2,792
		% of recycled material (ren.)	[%]	0	3	3
		% of virgin material (not ren.)	[%]	100	97	97
	Steel	Total weight	[t]	2,357	2,457	2,457
		% of recycled material (ren.)	[%]	0	0	0
		% of virgin material (not ren.)	[%]	100	100	100
	Aluminium	Total weight	[t]	6,591	6,641	6,641
		% of recycled material (ren.)	[%]	0	0	0
		% of virgin material (not ren.)	[%]	100	100	100
	Total		[t]	28,603	30,389	32,731
Chemical substances	Products for sanitation		[t]	293	371	385
	Chemicals in general		[t]	0	0	0
	Chemicals for water treatment		[t]	882	943	946
	Oils and lubricants		[t]	28	38	39
	Total		[t]	1,203	1,352	1,370
G4EN3						
Fuels	Diesel generator set		[l]	1,022	1,022	1,022
	Diesel boiler		[l]	1,800	1,800	1,800
	Diesel fuel		[l]	173,760	631,660	631,660
	Total diesel fuel		[l]	176,582	634,482	634,482
	Natural gas		[Nm³]	18,179,939	21,785,824	22,574,527
	GPL		[kg]	624	4.124	4.124
Energy	Energy consumption	Electricity	[MWh]	91,908	123,565	137,355
		Heat	[MWh]	33,055	47,342	47,342
		Steam	[MWh]	0	18.915	18.915
		Cold	[MWh]	20,819	60,195	60,195
		Total energy consumed	[MWh]	145,782	250,018	263,807
	Energy sold		[MWh]	185	664	664
	Energy purchased		[MWh]	41,651	71,004	84,793
G4EN8 - G4EN9						
Water	Pumped from well		[m³]	1,486,273	1,930,593	1,930,593
	Supplied by aqueduct		[m³]	18,818	140,609	181,103
	Total		[m³]	1,505,091	2,071,202	2,111,696

				INALCA SPA	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN15 - G4EN16						
Emissions	Scope 1		[t CO_2]	36,030	44,315	45,858
	Scope 2		[t CO_2]	13,611	23,203	29,228
G4EN22						
Discharged water	Quantity		[m^3]	1,312,982	1,670,951	1,696,356
	Place of discharge		-	CIS + Mains	CIS + Mains	CIS + Mains
G4EN23 - G4EN25						
Trash	Digestible / Compostable	Quantity	[t]	50,999	55,200	55,200
	Not dangerous packaging	Quantity	[t]	1,685	2,556	2,558
	Dangerous packaging	Quantity	[t]	0.7	3.4	3.4
	Other non-hazardous waste	Quantity	[t]	232	1,246	1,246
	Other hazardous waste	Quantity	[t]	23	31	32
	Total		[t]	52,940	59,037	59,040
GEN24 - GEN26						
Spills	Substance	Quantity	[m^3]	0	0	0
		Place of spill	-	-	-	-
G4EN29						
Sanctions	Value of fines for non-compliance with environmental standards		[€]	0	0	0
G4EN31						
Expenses	Waste Disposal		[€]	1,036,370	1,484,087	1,510,536
	Emission Treatments		[€]	1,954,092	2,323,241	2,323,241
	Certification 14001		[€]	4,200	4,200	9,216
	Total		[€]	2,994,662	3,811,528	3,842,993
G4EN34						
Environmental NC	NC issued	Open	-	5	5	5
		Closed (3)	-	7	7	7
	NC received (environmental claims)	Open	-	1	1	1
		Closed	-	1	1	1

NOTES

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

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

(3) Of which 2 relative to 2013

SUSTAINABILITY REPORT 2014

INALCA S.p.A.

Share Capital
€ 187,017,167 Fully Deposited

Tax code 01825020363
VAT 02562260360

Business Register
Modena REA 311469

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

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

In collaboration with Massimo Mani, Carlo Bonomi, Mario Rossi, Gianluca Guarino, Giulia Ambrosini

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

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

Inalca S.p.A.
Via Spilamberto, 30/C
41014 Castelvetro di Modena (MO)
Tel. +39 059 755111 - Fax +39 059 755517/9
www.inalca.it