INALCA®

SUSTAINABILITY REPORT

2018

Sustainability Report
Inalca 2018

Drafted in accordance
to the international GRI standard
in the option
"*In accordance core*"

INALCA GROUP
Sustainability Report 2018

The previous reports are available online at **www.inalca.it**

Luigi Cremonini
President

Letter from president

Dear members, collaborators and partners,

2018, was an extremely favourable year that permitted us to consolidate livestock production and the relationship with breeders on issues of sustainability, according to a company development model integrated to the entire supply chain.

Our growth is based on processes of social, environmental and economic integration, a path that began in Italy and gradually consolidated to international markets in over 30 years of development. With the Sustainability Report we assemble the stakeholders' requests to adapt and define together the development objectives of our activities in every single country where we operate.

The data in this Report confirm the commitments that we have made for years with stakeholders in reducing environmental impacts, aware that the success of the company depends on the effort to combine economic objectives, which guarantee growth and employment, with a close link to the territory where the company does business.

On these assumptions, the 2018 edition of the Sustainability Report was created in order to align the sustainable development targets with the "***Sustainable Development Goals***" defined globally by the United Nations.

I am therefore pleased to present the 2018 edition, the fifth, of the Sustainability Report and I thank all the collaborators and stakeholders who contributed to this result.

Luigi Cremonini
President

METHODOLOGICAL NOTE

This Sustainability Report, the INALCA Group's fifth, refers to the period 1st January – 31st December 2018, and was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards, hereinafter GRI Standards, issued by the Global Reporting Initiative (GRI), in accordance with the provisions of Standard 101: Foundation, paragraph 3. This document has been prepared in accordance with the "GRI Referenced" method using a set of Standards to account the information contained in the report. The Report is published annually.

The economic-financial data were extracted from the Group's Consolidated Statutory Financial Statements, while the environmental and social data were based on information flows managed in the context of the integrated quality - safety - sustainable development management system and the corporate organisational model pursuant to Legislative Decree 231/2001. The acquisition of data relating to national and foreign subsidiaries was carried out on computer media that allow the traceability of the data produced and the related supervisors.

INALCA intends joining the United Nations' Global Compact; in this report, further contents and indicators have been added to develop a constantly updated communication to internal and external stakeholders on the activities undertaken by the Group and the results achieved.

In drafting the report, INALCA has adopted the following geographical territorial classification of where the Group is present with production plants, logistic infrastructures and commercial offices: **Italy, the European Union, Russia and the Euro-Asian Republics, Africa, other Countries.** The geographical aggregation identifies the macro-regions in which the historical progression of INALCA has developed most according to its business model.

The Report was handled by INALCA's Quality, Environment, Safety and Sustainable Development Department which involved all company functions in the drafting process. In the case of foreign subsidiaries, coordination was managed directly by the senior management of the company concerned.

The perimeter of the companies involved in the Sustainability Report includes both production and food distribution activities, an emerging sector in the Group's business. In the appendix, the Group companies and those included in this Balance are identified by each geographical area. The perimeter of the companies included in this document does therefore not coincide with that of the consolidated financial statements.

1.0
IDENTITY OF THE GROUP

INALCA - ***Castelvetro di Modena plant (MO)***

1.1 THE GROUP'S VALUES AND ROOTS

INALCA's founding principle is identified in **the millenary tradition of Italian agriculture that inspires and supports its development model.** INALCA recognises itself in the heritage of values linked to a **peasant civilisation** and to **the values of social identity that land and food have always constituted for Italy.**

In this scenario, **the company is focused on creating an increasingly integrated and sustainable beef supply chain**, particularly attentive to social contexts, environmental protection and the demands of the agricultural world. These issues have entered directly into the **value chain of the company** and represent its competitive and identity lever.

The success of the company is linked to **the ability to combine efficiency and economic results,** which guarantee growth and employment, with a close link to the territory where the company does its business. Only in this way can hunger **be effectively fought, producing accessible and safe food for all.**

Bonifiche Ferraresi - Jolanda di Savoia (FE)

Marchesina breeding farm - Rosate (MI)

1.2 | OUR HISTORY

Continuous growth since 1963

1963
YEAR OF FOUNDATION

1970 — 1980

1969
EXPANSION OF THE CASTELVETRO PLANT
1,000
head/week

1971
ACQUISITION OF THE CORTICELLA FARM

1976
ACQUISITION OF THE MONTORSI SALUMIFICIO

1980 — 1990

1982
EXPANSION OF THE CASTELVETRO PLANT
3,000
head/week

1985
BURGHY FAST FOOD CHAIN

1986
ACQUISITION OF THE ICAR FACTORY IN RIETI

1990 — 2000

1990
ACQUISITION OF THE MONTANA BRAND

1999
1st MEAT TRACEABILITY SYSTEM

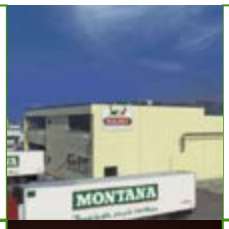
1999
INALCA OPENS IN OSPEDALETTO THE LARGEST EUROPEAN PLANT

2000 — 2010

2002
ACQUISITION OF THE IBIS PLANT IN BUSSETO AND OF A PLANT IN POSTALESIO

2000 — 2010

2004
NEW SLAUGHTERING AND MEAT PROCESSING PLANT IN AVELLINO



2006
INALCA EXPANDS AND CONSOLIDATES PRESENCE IN AFRICA OPENING THE FIRST PLANT IN LUANDA

2009
INALCA IS SELECTED BY MCDONALD'S TO PRODUCE AND SUPPLY HAMBURGERS IN RUSSIA

2009
INALCA ACQUIRES THE CAPO D'ORLANDO (ME) PLANT

2010 — TODAY

2010
IN FEBRUARY INAUGURATED MODERN HAMBURGER PRODUCTION PLANT IN MOSCOW

2012
IF&B, A FUNDAMENTAL COMPANY FOR THE SUPPLY CHAIN OF INTERNATIONAL DISTRIBUTION IS BORN

2013
THE CREMONINI GROUP CELEBRATES 50 YEARS OF INALCA'S FOUNDATION

2014
INAUGURATED INTEGRATED SLAUGHTER AND DEBONING PLANT IN RUSSIA, ORENBURG

2015
INALCA IS THE PROTAGONIST AT EXPO 2015, WITH A LARGE STAND IN THE CIBUS ITALIA PAVILION

2016
INALCA ACQUIRES THE HISTORIC MANZOTIN CANNED MEAT BRAND

Manzotin

2016
ACQUISITION OF UNIPEG, THE SECOND ITALIAN GROUP IN THE BEEF SECTOR

GRUPPO UNIPEG
ASSOFOOD

2017
INALCA AND CDP ANNOUNCE A PROTOCOL OF UNDERSTANDING FOR THE DEVELOPMENT OF THE FOOD INDUSTRY IN ANGOLA

C.N.A.
PECKINALCA

2018
INALCA/MONTANA MEAT AND THE ENVIRONMENT: CALCULATED FOR THE FIRST TIME THE ENVIRONMENTAL IMPACT OF HAMBURGERS IN ITALY

1.3 | THE GROUP IN ITALY

Inalca, with around 5,500 employees, is the absolute leader in Italy and one of the major European players in the beef sector, and is among the leading Italian operators in pork, cured meats & snacks. In addition, the company operates from a leadership position in the distribution of food products abroad with its own distribution platforms in various emerging countries.

In Italy, the industrial structure of the company is made up of **16 plants specialised by type of processing**, **11 of which are dedicated to the processing of beef** (slaughtering, deboning, processing, packaging and distribution) and **5 dedicated to the production of pork, cured meats and snacks.**

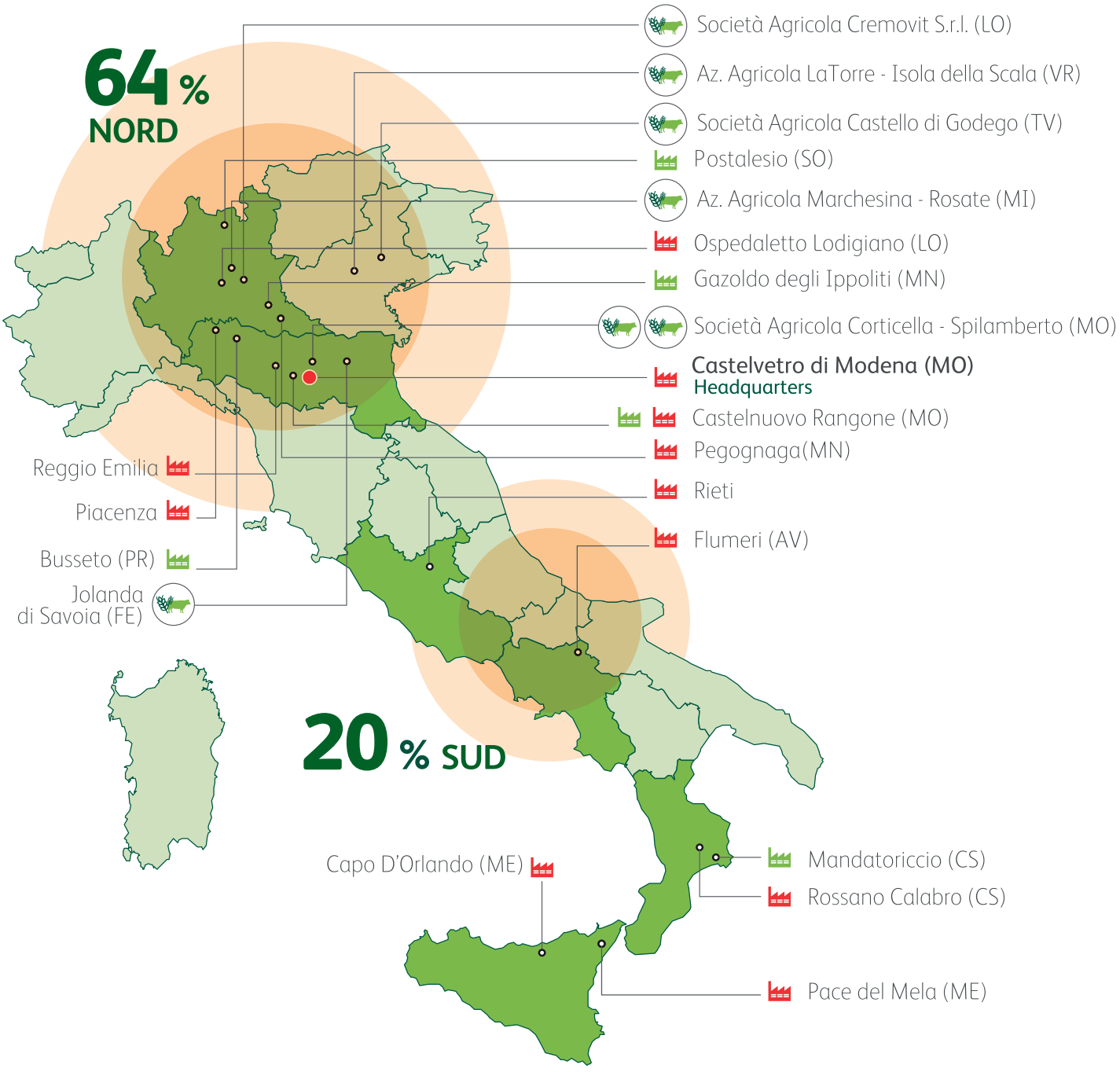
During 2018, the Group strengthened its capacity in the livestock sector by acquiring joint control of the Agricultural Company Castello di Godego S.a.s. located in the municipality with the same name in the province of Treviso and of the Agricultural Company Marchesina S.r.l., based in the municipality of Rosate (MI). In total, the company directly controls 7 livestock farms located in Lombardy, Emilia and Veneto, which manage **180,000 head of cattle per year.**

OUR PLANTS ARE LOCATED IN THE AREAS WHERE

84%

OF THE ITALIAN BOVINE HERITAGE IS CONCENTRATED

Orzinuovi breeding farm - (BS)



Concentration of livestock farms in Italy

11 Beef plants

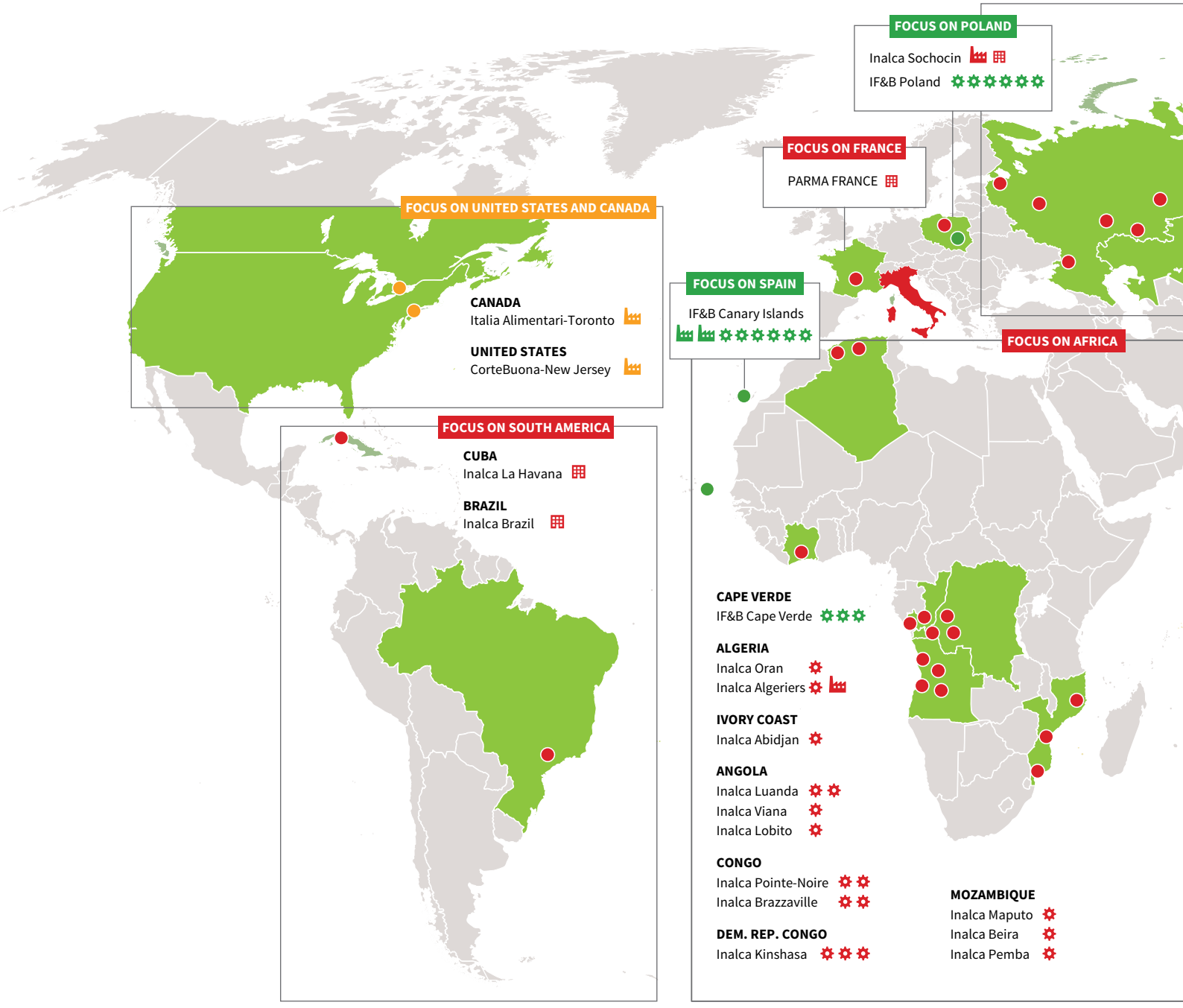
5 Cured meats & snacks plants

7 Farms

1.4 THE GROUP WORLDWIDE

INALCA is present abroad with **9 production plants** in 7 countries: Russia (2), Poland, Algeria, Canada, United States, Canary Islands (2) and Hong Kong. Through its own network of **55 distribution platforms**, Inalca directly manages **25 distribution centres located in Russia** (Moscow, Saint Petersburg, Ekaterinburg, Novosibirsk, Rostov and Samara), in Kazakhstan (Astana, Almaty) **and in Africa** (Algeria, Angola, Congo, Democratic Republic of Congo, Mozambique and Ivory Coast).

The other **30 platforms** of the Inalca Group **are managed by the subsidiary Inalca Food & Beverage (IF&B)**, specialised in the sale and distribution of typical Made in Italy food products around the world.



INALCA GROUP

25 PRODUCTION PLANTS

- **16** IN ITALY
  - **11** INALCA
  - **5** ITALIA ALIMENTARI
- **9** WORLDWIDE
  - **4** INALCA
  - **3** IF&B
  - **2** ITALIA ALIMENTARI

55 DISTRIBUTION PLATFORMS

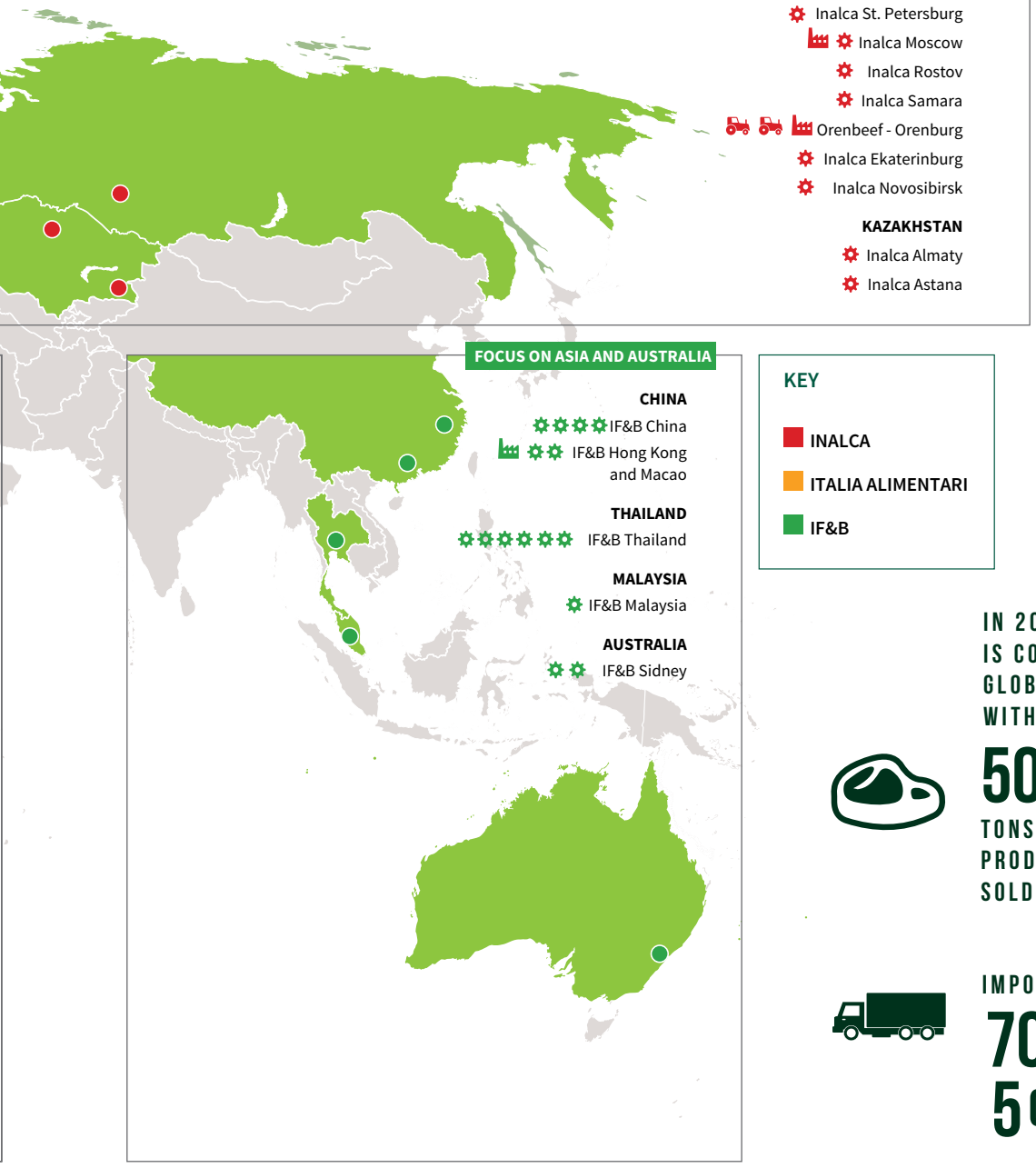
- **55** WORLDWIDE
  - **25** INALCA
  - **30** IF&B

9 FARMS

- **7** IN ITALY
  - INALCA
- **2** WORLDWIDE
  - INALCA

4 COMMERCIAL OFFICES

- **4** WORLDWIDE
  - INALCA



IN 2018 INALCA IS CONFIRMED A GLOBAL PLAYER, WITH MORE THAN

500.000

TONS OF BEEF PRODUCED AND SOLD WORLDWIDE

IMPORTS AND EXPORTS IN

70 COUNTRIES AND **5** CONTINENTS

1.5 CORPORATE GOVERNANCE, CODES OF CONDUCT AND ORGANISATIONAL MODEL

INALCA is controlled by **Cremonini S.p.A. with 71.6%**, while since 2014, the **remaining 28.4% is held by CDP EQUITY (Cassa Depositi e Prestiti Group).** The solidity of family governance effectively characterises the industrial approach aimed at creating value in the long term. This method allows the managerial group, with which the owner shares the definition of growth and development strategies, to plan medium and long-term actions to continue to grow significantly as a global player in the sector. The corporate governance model adopted by the Parent Company provides for the presence of a Board of Directors, chaired by Luigi Cremonini and a Board of Statutory Auditors, chaired by Alberto Baraldi. The broadest powers of strategic direction are attributed to the Board of Directors. The Board of Statutory Auditors is responsible for monitoring compliance with the law and the Articles of Association, compliance with the principles of proper administration and, in particular, the adequacy of the internal control system. The governance bodies are completed by the Supervisory Body, whose Chairman is Marcello Elia, established pursuant to Law 231/2001 and the Internal Audit function. Price Waterhouse Coopers S.p.A. is in charge of auditing the consolidated statutory financial statements. The share capital of INALCA S.p.A. at 31st December 2018 remained unchanged compared to the previous year, equal to 187.0 million Euro.

BOARD OF DIRECTORS

President	LUIGI CREMONINI
CEO	PAOLO BONI
CEO	LUIGI PIO SCORDAMAGLIA
Managing Director	VINCENZO CREMONINI
Managing Director	SERAFINO CREMONINI
Managing Director	GUIDO RIVOLTA
Managing Director	KALIFA KHALID A. AL-THANI

BOARD OF STATUTORY AUDITORS

President	ALBERTO BARALDI
Standing Statutory Auditor	MARIO LUGLI
Standing Statutory Auditor	CLAUDIA MEZZABOTTA

SUPERVISORY BODY

President	MARCELLO ELIA
Internal member	RAFFAELLO CARNÀ
Internal member	GIOVANNI SORLINI

The organisational model established pursuant to Law 231/2001 represents the tool for managing corporate conduct.
A system of procedures and guidelines that intervenes on the most sensitive aspects of business activity, such as corrupt behaviour and correct commercial conduct, relations with public bodies, and entertainment expenses, sponsorships, hiring criteria, selection of suppliers, consultants, external professionals as well as environmental protection and safety at work. The application of the model provides for training activities, internal and external auditing and allows free and anonymous reporting of any non-compliance or negligence in its correct application.
The Supervisory Body, together with the Legal Compliance and HR departments are the functions responsible for evaluating the reports and any corrective actions.

https://www.inalca.it/wp-content/uploads/2020/03/Pieghevole_DLG231_INALCA-2020.pdf

INALCA - ***Ospedaletto Lodigiano plant (LO)***

1.5.1 - RISK MANAGEMENT ACTIVITIES

INALCA has developed a system of analysis, evaluation and mitigation of the main risks associated with the business activity for each geographical area where the company operates. These risks are periodically re-checked within the company.

FINANCIAL RISKS

LOW RISK

Risks related to interest rates

Unexpected interest rate increases can affect borrowing costs in floating rate loans and reduce cash flow. INALCA has adopted medium/long-term debt coverage agreements, constant updating of the value of each transaction and accounting as an integral part of the Group's net financial position.

LOW RISK

Credit risk

Risk deriving from violation or deterioration of the credit quality of customers. In non-EU countries, including Russia, risk management is based on the adoption of very short payment terms. In Italy and the European Union through mandatory direct assignment of the credit level and with credit insurance coverage. The risk is also managed by continuous updating of the economic and financial reliability of the main customers. The credit risk is mitigated by the long and stable duration of commercial relationships and by the reliability of the main customers, in particular large-scale distribution which represents a significant part of the exposure. Adoption of specific credit control processes that include:

- customer reliability analysis based on independent external sources;
- assignment of customised lines of credit at commercial and insurance level;
- constant monitoring of the customer's level of exposure.

The risk is also handled through the timely management of any disputes through devoted internal offices. Furthermore, in the context of the corporate policy of financial diversification, the Group has put in place a sales system that cannot be appealed.

LOW RISK

Currency exchange risk

The Group's internationalisation strategy and the consequent increase in sales in emerging countries outside the Euro area can represent a financial risk in the conversion of currencies. The risk is present above all in the Angolan market due to the difficulties of immediately transferring the currency to the parent company (INALCA), which is the sole supplier of the Angolan subsidiary. The hedging of the cash surplus is not possible, while the risk linked to the inventory can be faced by adjusting sales prices. Currency risk in Russian markets towards suppliers is addressed by linking local transactions to selling prices. All lines of credit are in local currency (Rouble) and are not subject to currency exchange risk. The parent company (INALCA) exclusively manages the currency exchange risk for supplies/sales in currencies other than Euro by hedging transactions related to operations with third parties.

LOW RISK

LOW RISK

Volatility risk of assets

Risk related to the potential lack of financial resources to cover the obligations contained in pre-established agreements and related deadlines. The risk is managed through the optimisation of financial resources to obtain an adequate level of liquidity, based on a combination of short-term lines of credit and medium-long term bank loans. Constant monitoring of current and expected liquidity by the Group's treasury function, which carries out a check based on the budget and multi-year planning. The medium/long-term loan is linked to the achievement of specific financial and economic performance indicators (Ebitda), net debt, equity, financial charges, as defined in specific agreements. These bonds are carefully checked in order not to affect the financial stability of the Group.

RISKS FROM GEOPOLITICAL FACTORS

LOW RISK

The impact from Brexit

The risk to the company could be a possible influence on INALCA's commercial activities, but the UK is not a relevant market (<0.02% of Sales). The management team follows the negotiations closely, to evaluate countermeasures and seize any opportunities. INALCA's food distribution activities could receive a positive effect due to a shortage of food products, especially in the catering and food service sector.

LOW RISK

Earthquakes

The risk is present in Italy, as some plants are present in areas considered to be of seismic risk. The earthquake that occurred in the province of Modena in 2012 did not damage the Castelvetro (MO) plant. A similar situation occurred with the 2016 earthquake that hit the Rieti area, where another Group plant is located. After the seismic events, all the plants were carefully checked and further consolidation measures for the older parts of the plant were undertaken, even in the absence of particular risk situations.

AFRICA - MEDIUM RISK

Government crises

Risk of political turbulence in INALCA's main markets. INALCA's activities are carried out in countries with solid governmental structures and are carried out in the context of strong relationships with government representatives, institutions and local associations. A limited part of the business is conducted in emerging or developing markets; in such cases the general risk is mitigated by the fact that the concentration of activities per single country is low and distributed in more states.

ETHICS AND TRANSPARENCY

MEDIUM RISK

Environmental and worker protection

The main risks are linked to accidents at work and environmental pollution (water, sewage, air, waste). All INALCA plants are duly authorised in compliance with local and, if necessary, Community legislation (AIA - Integrated Environmental Authorisation). BAT (Best Available Technologies) are also systematically applied. The main plants comply with voluntary technical standards on worker and environmental protection (ISO 45001 - ISO 14001).

LOW RISK

Legal compliance

The main risks are linked to sanctions or convictions and consequent financial losses - reputational damage. INALCA has put in place an articulated system of internal procedures, rules of conduct and auditing. The system includes the management of reports and complaints by employees and collaborators.

MEDIUM RISK

Risk of food fraud

The main risks are connected to any acts of sabotage and voluntary use of raw materials that do not comply with the agreed technical specifications. INALCA has implemented a solid control system for the raw materials supplied based on:

- drafting of detailed technical specifications regarding meat raw materials, ingredients, packaging, finished products placed on the market;
- extended analytical control plans;
- audits at suppliers.

LOW RISK

Communication to the consumer

The main risks are related to labelling and consumer communication activities. In this field INALCA adopts the precautionary principle. Each label and communication campaign to the consumer is systematically subjected to an internal authorisation process based on the verification of the legal and transparency requirements and clarity of the information provided. Specific claims and advertising campaigns are subject to voluntary verification by independent third parties.

MEDIUM RISK

Food safety

The main risks are linked to accidents, food crises and emerging food safety problems. INALCA's plants comply with the voluntary technical standards of the sector [(IFS - International Featured Standard (Food)]. To prevent food risks and emerging issues relating to food safety, INALCA actively participates in technological platforms and institutions operating, as well as in the field of food safety, in animal welfare and responsible use of antibiotics, both subjected to great attention by the consumer. INALCA has also developed stable relationships with NGOs operating in this field. INALCA has an accredited internal laboratory in compliance with the ISO 17025 standard capable of verifying the food safety of finished products placed on the market.

1.5.2 - PREVENTION OF FOOD FRAUD

INALCA has published its own **code of commercial conduct** on their website: *www.inalca.it.*
It is a document of fundamental importance which is shared with all offices that have commercial relations with customers and suppliers and is attached to supply contracts becoming a binding part of them.
As part of its supply chain, INALCA has also signed similar **codes of conduct** in the field of social and environmental responsibility and commercial conduct developed by customers and suppliers which constitute the first element in preventing misconduct on the part of Group employees and collaborators.

Not only protection from corrupt behaviour, but from possible commercial fraud: situations which, even in the absence of danger to consumers' health, can lead to a lower product quality than what is declared or expected by the consumer. This is the prevention of commercial fraud, often seen in the media, which entails a loss of trust for the consumer and a loss of reputation for the company. Fraud prevention, together with codes of conduct, are implemented through a complex management system. It has the dual purpose of protecting customers and consumers from these phenomena and protecting the company from possible administrative sanctions that may arise within these contexts.

The management system provides for the prevention and reduction of all possible risks of fraud related to the adulteration and counterfeiting of food ingredients by accidental or intentional causes. It provides for a risk analysis that essentially concerns the characteristics of the ingredients and the markets of origin, any commercial tensions or intense price fluctuations and geopolitical aspects. The control system put in place by the company is based on the precise definition of the technical and qualitative parameters of the products purchased, on analytical controls, traceability requirements, inspection and auditing activities. Based on the risk factors of possible fraud, the company implements measures to reduce and manage it. They are essentially based on careful technical control of the purchased product, including analytical checks.

1.5.3 - COMPANY POLICIES AND CODES OF CONDUCT

INALCA has company policies and codes of conduct in the following sectors:

- Code of ethics;
- Code of commercial conduct;
- Adoption of the principles of the "Modern slavery Act";
- Adoption of EU Reg. 679/2016 (GDPR-Privacy);

- Video surveillance;
- Fraud prevention;
- Management of audits and surprise checks;

- External Social Media Policy Management;
- Internal Social Media Policy Management;
- Internal Social Media Policy for employees/contact persons, department managers involved in the opening and management of Sites and Social Media;

- Quality-Environment-Safety-Social Responsibility Policy;
- Sustainable procurement protection of the Amazon rainforest;
- Good hygiene, health, safety and environmental practices of the plants;
- Quality policy INALCA's laboratory for food safety;

- Good Breeding Practices;
- Animal welfare during transport;;
- Animal welfare at slaughterhouse plants;
- Conscious use of drugs;
- Control of animal welfare from breeding to slaughter;

In the context of fraud prevention and food safety, the INALCA S.p.A laboratory has a key function in controlling these issues. In the case of beef, the determination of the species effected through DNA analysis, which **INALCA systematically carries out in its central laboratory, as well as analyses aimed at searching for residues and contaminants**, are of particular importance. In addition to the technical aspects relating to product control, the supplier approval **process based on shared principles and values in the field of business relations and fraud prevention is also of particular importance.**

www.inalca.it/codice-etico-e-di-condotta-commerciale/

1.6 MANAGEMENT SYSTEMS FOR SUSTAINABLE DEVELOPMENT

The management system implemented by INALCA for the protection of quality, safety and sustainable development complies with the main international voluntary standards on the subject: a common language adopted on an international scale to pursue the best production, environmental and worker protection standards, communication to consumers and stakeholders. Rules and procedures verified by independent controls, confirming the effectiveness of the actions implemented by INALCA in these fields. The adoption of certified systems verified by third parties ensures truthfulness and transparency in the choices regarding product claims and, more generally, the information provided to the consumer in promotional and advertising communication. INALCA adopts the following management systems in the fields of quality, safety and sustainable development.

Table 1 - Sustainability - people, environment, quality and safety shown in the following table.

SAFETY AND PRODUCT RESPONSIBILITY
IFS - INTERNATIONAL FEATURED STANDARD (FOOD)
GENERAL REQUIREMENTS FOR THE COMPETENCE OF TEST LABORATORIES
PRIVATE STANDARDS FOR THE MANAGEMENT OF FOOD SAFETY ELABORATED BY LEADING COMPANIES IN THE MARKET
ISO 9001 - QUALITY MANAGEMENT SYSTEM
EC REGULATION 1760/2000 AND REG.CE 1169/2011 LABELLING OF PRODUCTS AND COMMUNICATION TO THE CONSUMER
VOLUNTARY PRODUCT CLAIMS CERTIFICATIONS (MEAT FROM ITALIAN BREEDING, PDO, PGI)
ISO 22005 - TRACEABILITY SYSTEM IN THE FEED FOOD CHAIN
ORGANIC PRODUCTION CERTIFICATION

ENVIRONMENTAL RESPONSIBILITY
ISO 14001 - ENVIRONMENTAL PROTECTION IN EPD PROCESSES
EPD - ENVIRONMENTAL PRODUCT DECLARATION

SOCIAL RESPONSABILITY
OHSAS 45001 - WORKER HEALTH AND SAFETY
DLGS 231/2001 - ADMINISTRATIVE RESPONSIBILITY OF COMPANIES
PRIVATE CODES OF CONDUCT ADOPTED IN THE SUPPLY CHAIN

ECONOMIC, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY
GUIDELINES GRI STANDARD SUSTAINABILITY REPORTING GUIDELINES SECTOR DISCLOSURES "FOOD PROCESSING" GRI

1.7 | QUALITY SAFETY AND INNOVATION

Food safety is the fundamental pre-requisite on which each phase of the INALCA production and distribution processes rest. In this regard, the company's long presence on strictly regulated markets, such as the **European Union, Russian Federation, USA, Canada and Japan** and the adoption of the main voluntary food safety standards, have allowed INALCA to develop the most modern and advanced hygiene and risk prevention techniques in the food sector and an integrated management system that covers all the Group's production plants. The system as a whole is therefore based on the identification, within each manufacturing process, of the critical control points and provides for the actions necessary for the elimination or reduction to an acceptable level of significant hazards for food safety.

Below are **the principles of food safety** for INALCA adopted at all levels of the supply chain:

Principle 1 - CENTRALITY
An optimal level of food safety is considered a prerequisite for all company productions and is assessed with risk analysis methodologies.

Principle 2 - DEMONSTRABILITY
All business activities and processes that can affect food safety must be managed, monitored and documented, according to a defined hierarchy of references: laws and regulations, international technical standards, specific requirements of the companies that use the company's products.

Principle 3 - GOVERNANCE
The specific figures and the governance system of food security are clearly identified.

Principle 4 - TRANSPARENCY
The information regarding food safety must be clear, understandable and accessible by customers, consumers and supervisory authorities.

Principle 5 - CONTROL
In control criteria, the company uses internal auditing activities, external audits of client companies and, where present, certification audits according to voluntary technical standards and independent international bodies.

The control and accuracy of the information managed in the company's product identification and traceability system is a fundamental element in support of every action taken for quality, food safety and communication to the consumer.
As with food safety, also in the field of labelling and consumer communication, INALCA adopts controls carried out **by independent third parties aimed at verifying the truthfulness**, transparency and accessibility of information regarding products placed on the market.

INALCA - *Traceability system*

1.8 BRANDS AND PRODUCTS

INALCA produces and markets a complete assortment of beef, fresh and frozen, vacuum-packed and in a protective atmosphere, ready-made processed meat, canned meat and meat extracts.
In the cured meat sector, INALCA, through Italia Alimentari, produces a complete range of PDO and PGI, a wide assortment of snacks and sandwiches and specialises in the production of cooked bacon.

THE NUMBERS

180,000
head/year
Livestock Farms

over
500,000
tons/year
of processed and
commercialised
meat

100,000
tons/year of
hamburgers

200,000,000
cans/year

7,000
tons of
bacon/year

30,000,000
snacks/year

100,000,000
pre-sliced
trays/year

over **40,000**
tons of processed
cured meat/year

BRANDS

MONTANA
Manzotin
ibis SALUMI
FIORANI
Salumificio Corte Buona
Montagna
JELLY BEEF
Dorada
Spineno
MONTEX
BEEF PÂTE
TEXANA
Mandriana
Bill Beef
mamma Tina

MONTANA

Manzotin

FIORANI

Montagna

ibis SALUMI

1.9 PEOPLE OF THE GROUP

The overall personnel context is essentially stable in employment: **5,500 employees of which 3,210 in INALCA Italy Group and affiliates and 2,290 in the foreign branches.** In 2018, the Group slightly increased its consistency with regards to staff due to the inclusion of some Polish subsidiaries in the scope of this edition of the Sustainability Report. The following graphs show the indicators adopted:

- Breakdown of personnel by professional classification;
- Breakdown of personnel by gender;
- New employees and their breakdown by age.

In this edition of the sustainability report, the data is therefore fully aligned with the companies indicated in attachment 1. Where present, the INALCA Group applies the national category employment contracts for the sector to which the individual company belongs. They cover 100% of employees in Italy and over 90% of those abroad. Collective sector agreements also contain precise references to the health and safety aspects of workers. Collective bargaining is also applied to workers operating under an outsourcing regime.

1.9.1 - DISTRIBUTION OF INALCA'S STAFF IN ITALY

THE STAFF OF INALCA ITALY IS MADE UP OF **1,182 PEOPLE**

BREAKDOWN OF PERSONNEL BY PROFESSIONAL CLASSIFICATION

FEMALE PRESENCE IN THE WORKFORCE

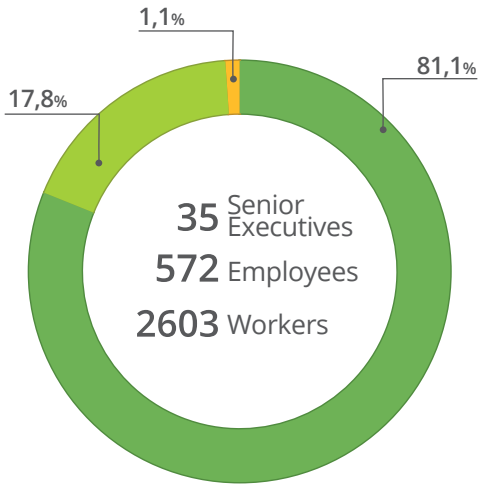
28%
332 Women
850 Men

TOTAL YOUTH

45%
young people under **the age of 30**

THE PERSONNEL OF THE INALCA GROUP IN ITALY AND ITS SUBSIDIARIES
IS MADE UP **3,210 PEOPLE**

BREAKDOWN OF PERSONNEL BY PROFESSIONAL CLASSIFICATION



FEMALE PRESENCE IN THE WORKFORCE

24%
776 Women
2434 Men

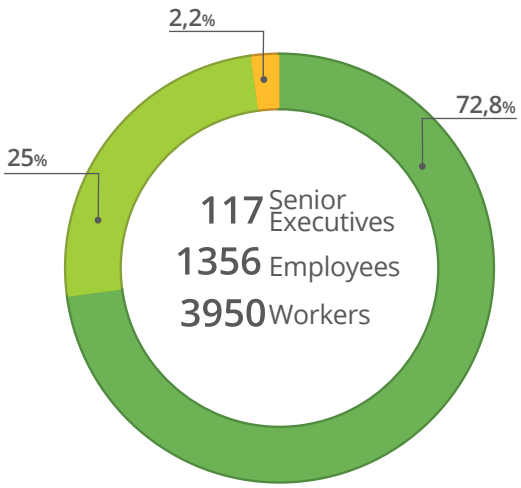
TOTAL YOUTH

33%
young people under **the age of 30**

1.9.2 - DISTRIBUTION OF INALCA STAFF IN ITALY, AFRICA AND RUSSIA

THE PERSONNEL OF THE INALCA GROUP IN ITALY, AFRICA AND RUSSIA
IS MADE UP OF **5,423 PEOPLE**

BREAKDOWN OF PERSONNEL BY PROFESSIONAL CLASSIFICATION



FEMALE PRESENCE IN THE WORKFORCE

27%
1473 Women
3950 Men

TOTAL YOUTH

40%
young people under **the age of 30**

2.0
INALCA IS REPORT: PRINCIPLES AND VALUES

2.1 THE 4 PILLARS OF INALCA'S SUSTAINABILITY

For us, sustainable development is represented by all business activities and processes being put into practice with the aim of constantly improving management and the economic, environmental and social impacts that develop throughout our supply chain. INALCA's commitment is based on the identification of operational interventions aimed at reducing these impacts and their progressive alignment with the expectations of stakeholders and the sustainable development goals (SDGs) adopted by the United Nations. The Sustainability Report therefore represents the tool for synthesis and shared communication, in a transparent and inclusive way, with the various Stakeholders of the company.
INALCA's sustainable development is based on the following 4 pillars, in line with the SDGs 2,3,7,8,9,12,13.

INTEGRATED AND SUSTAINABLE CHAIN

Contrary to the historical development process in Italy, in which the company has implemented the integrated supply chain according to a "Downstream" model - also defined as "**From Farm to Fork**" – abroad the growth path of the production chain follows the opposite direction, "**From Fork to Farm**" - "Upstream".
In these countries, the integration process develops according to a defined and planned sequence: sale of products, (construction of logistical infrastructures for storage and distribution, construction of meat processing plants making ready-to-eat products, production plants for raw materials), up to the creation of bovine livestock farms. A model that has allowed the stable development of the company in the countries where it operates, fully integrated within the territory and local communities (SDGs 8.12).

SHARING VALUE WITH THE AGRICULTURAL WORLD

Based on an integrated supply chain approach, INALCA believes that the knowledge and sharing of the key factors of sustainability with agricultural production represents the first factor for success and long-term growth. For the company, therefore, the foundation of sustainable development is embodied in a progressive functional and economic integration with agricultural activities, based on the exchange and transfer of the best available techniques (SDGs 2, 3, 8,12,13).

CONTROL OF IMPACTS AND CONSUMPTION

The control of consumption and impacts, the use of clean and renewable energy, the commitment to fight climate change, represent challenges that involve citizens, businesses and institutions; INALCA has placed these commitments at the centre of its business activities, promoting best practices for optimising the environmental performance of processes and products throughout the supply chain (SDGs 7, 12,13).

GOVERNANCE AND TRANSPARENCY IN COMPANY PROCESSES

Through the extensive adoption of international technical standards in the fields of quality, safety and social responsibility, INALCA ensures competence, transparency and accessibility to stakeholders and consumers, to grant for increasingly informed and aware food consumption (SDGs 9.12).

INTEGRATED AND SUSTAINABLE CHAIN

SHARING VALUE WITH THE AGRICULTURAL WORLD

CONTROLS OF IMPACTS AND CONSUMPTION

GOVERNANCE AND TRANSPARENCY IN COMPANY PROCESSES

2.2 THE INALCA SUSTAINABLE DEVELOPMENT MODEL

Strengthened by its Italian identity, synonymous with food quality and excellence, INALCA's development abroad was initially based on its penetration in emerging economic regions, in particular the Russian Federation, Eurasian republics and Africa.

Unlike the historical development process in Italy, in which the company has implemented the integrated supply chain according to a "Downstream" model - also defined as "**From Farm to Fork"**, abroad the growth path follows the opposite direction, "**From Fork to Farm**". The business model applied to non-European markets, in fact, initially envisages the stable and continuous sale of food products to local operators, in a B2B context and mainly in the Catering and Ho.re.ca segment, with the support of local commercial offices.

This first phase is followed by the construction of logistic and distribution infrastructures, in particular cold storerooms, warehouses and transport vehicles. The end of this second phase, in which the company develops a profound knowledge of the reference markets, is followed by the construction of industrial plants dedicated to the on-site production of processed products designed for the typical consumption styles of local communities.

After this third phase, the company progressively carries out the "Upstream" industrial activities, up to the transformation and primary production, understood as the slaughter and breeding of cattle. The development model therefore has as its unifying element the progressive integration of the supply chain. At the end of the process, the company is completely integrated from a production point of view and definitively inserted in the local social context. A business model based on a long-term vision and strong territorial integration.

This model has been completed and is undergoing further consolidation in Russia. The next step is the African continent, in particular Angola, where a process of verification and analysis of opportunities is underway.

EVOLUTION OF INALCA'S SUPPLY CHAIN IN ITALY

FROM FARM TO FORK

EVOLUTION OF INALCA'S SUPPLY CHAIN ABROAD

FROM FORK TO FARM

INALCA - ***Deboning room, Castelvetro di Modena (MO)***

2.3 LISTENING TO STAKEHOLDERS AND PRIORITY ANALYSIS

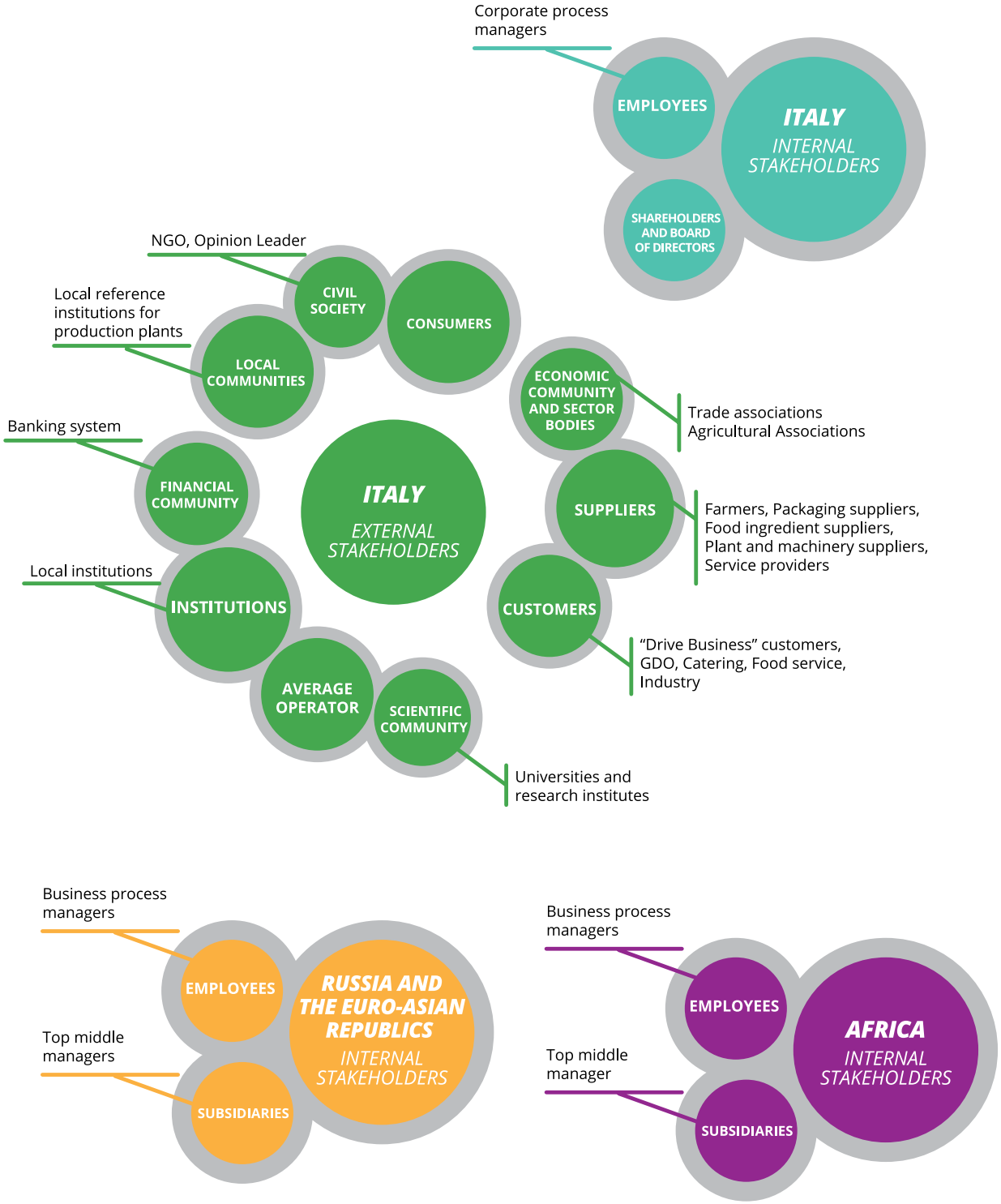
Aware of the complexity of the beef supply chain in the media debate and the evolution of stakeholder sensitivities on the most delicate issues in the meat sector, **INALCA has planned a new priority analysis** (the so-called "materiality analysis") **in order to identify the priorities of the Group's intervention, the issues to be explored and the stakeholder engagement activities to be strengthened.** The analysis of priorities is based on the international standard AA1000 Stakeholder Engagement Standard, which is expected to be completed in 2019-2020. The organised listening to stakeholders on issues of priority interest is the main tool through which the company defines and directs its sustainable development trajectories.
During 2018, the team of stakeholders with whom INALCA dialogued has not changed compared to those in 2017 and is illustrated below. INALCA has started the identification of additional stakeholders and the enlargement of the geographical areas involved in the new dialogue and listening process.

During 2020, INALCA plans to launch an internal communication campaign to inform and involve its community on the activities carried out in relation to the Global Goals. In 2018, INALCA developed specific comparisons with breeders' associations and organisations active in the field of animal welfare. A substantial contribution derives from INALCA's active participation in debates and working groups in the trade and sectoral Associations of which it is a member at national and international level. Among these, particular importance was placed in the participation in technological platforms that deal specifically with sustainability of the bovine sector on a regional and global scale, as well as in agricultural producer organisations and institutional tables for the analysis and evaluation of new regulations. Among these, **GRSB, SAI Platform** and **Coldiretti**, with whom INALCA dialogues and actively participates, are the most authoritative and qualified. The technological platforms are entities that, by aggregating industry leaders, the scientific world and stakeholders, identify guiding values and sustainable production techniques in the beef sector, promoting their adoption at all levels of the supply chain. For the analysis of priority, INALCA has identified the topics to be submitted to its external and internal stakeholders and collected them in a check list. The identification of topics for comparison and discussion with stakeholders was carried out taking into account the **GRI standard** and the knowledge deriving from INALCA's participation in sectoral associations and technological platforms as the technical basis of reference.
The stakeholders involved were identified taking into account the following principles:

- **Influence:** stakeholders who have direct influence on INALCA's decision-making processes;
- **Proximity:** stakeholders with whom INALCA interacts most and directly;
- **Dependence:** stakeholders who depend directly or indirectly on INALCA's activities and its operations in economic or financial terms;
- **Representativeness:** stakeholders who, through the regulation of representation, or by custom, can legitimately be the spokesperson for an instance.

Further references in the dialogue and listening process are constituted by the codes of conduct and sustainable development policies signed by INALCA in the context of its supply chain. After the identification of the topics to be addressed with the stakeholders, individual discussion sessions and focus groups were started, grouping and weighing the results of the discussion in the data collection checklists on a scale of importance with 5 classes, attributed by the stakeholders to each topic.

Table 2 - Stakeholders



2.3.1 - EMPLOYEES, COLLABORATORS AND PARTNERS

While concentrating a strong presence of its staff in Italy, the Group continues to consolidate its presence outside Europe, especially in Africa and Russia. Since its development of the first Italian plant in Castelvetro di Modena, INALCA has been characterised by a multicultural and multi-ethnical presence and a strong capacity for inclusion and integration.

2.3.2 - PRIORITY ANALYSIS

Table 3 - Weighting criteria adopted for the priority analysis.

VALUE	MEANING
0 -1	The topic examined is considered of non-priority importance or, if considered relevant, is in any case correctly and effectively addressed and managed by INALCA.
1 - 2	The topic examined assumes a certain importance, is adequately addressed and managed by INALCA and could be subject to further improvements that are not substantial and not priority.
2 - 3	The examined topic is important, is already addressed by INALCA and can be subject to further improvements.
3 - 4	The topic examined is very important and, despite being addressed by INALCA, needs further improvements or additions.
4 - 5	The topic addressed is extremely important and requires a continuous and constant effort by the company to intercept the expectations of stakeholders.

In the geographical areas of Africa and Russia, the data collection and management of meetings and focus groups has been entrusted to the company and production plant directors abroad, supported by project managers.

The following tables summarise and outline the results of the priority analysis carried out by INALCA. The topics considered material are those which, according to table 3, received a rating of more than 3.5 among the interviewees and appear in the box at the top right. It is on these topics that INALCA has given priority for intervention.

Table 4 - Results of the priority analysis

The result of the process produced the following matrix.

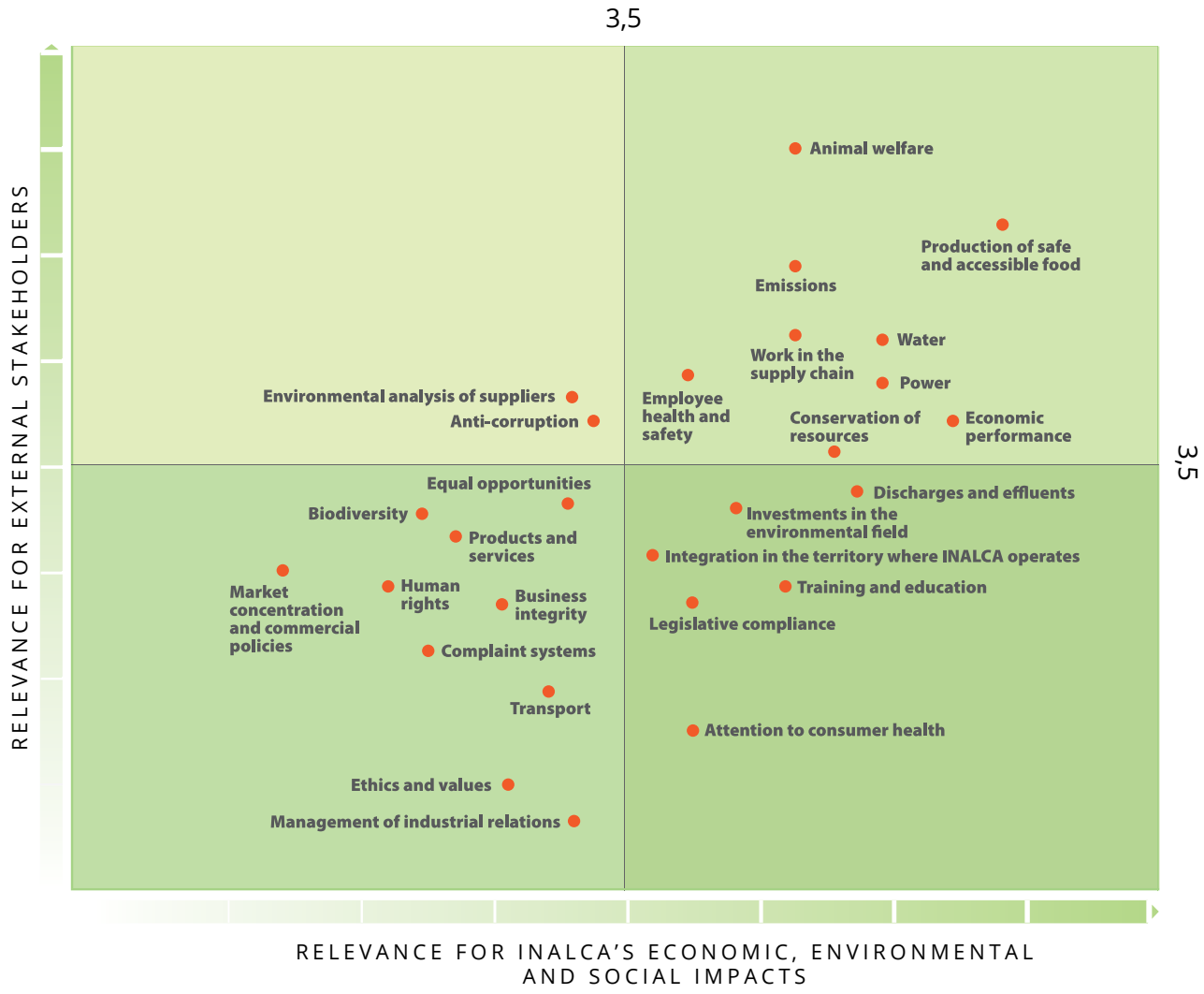


Table 5 - INALCA Group SDGs Objectives

The SDGs objectives that the INALCA Group is developing are positioned in the graph below, which you can see in detail in chapter 3.0. Data collection is underway by which the company in 2019 will prepare a chapter with focus on Africa to analyse the continent's SDGs, useful for directing investments for the near future.

2.3.3 - INALCA AND THE ECONOMIC COMMUNITY

INALCA is an active member of the main international meat producer organisations. The trade associations represent a fundamental element for the acquisition of technical knowledge and regulations regarding the international markets in which the company operates. The complex economic and health regulations of the meat markets, the continuous evolution of sector regulations and the specific peculiarities of each country, in fact require interfacing structures with local institutions, capable of addressing specific problems of producers in compliance with 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 system of exchange between economic operators and institutions.

ASSOCARNI, the main trade association, belonging to the Confindustria circuit.

https://www.assocarni.it

Through Assocarni, INALCA is part of the International Meat Secretariat (IMS), which represents the meat and livestock sector globally and the related European association Clitravi.

https://www.meat-ims.org

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.

https://www.nwmeat.org

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

https://www.natmeat.ru

ASSICA, the Industrial Association of Meat and Cured Meats, is the national trade organisation that, within Confindustria, represents the production of cured meats (processed pork and beef products) and pork slaughtering companies.

https://www.assica.it

Federalimentare represents, protects and promotes the Food and Beverage Industry in Italy, the second manufacturing sector in the country. Federalimentare is committed alongside the institutions in promoting a food model based on safety and quality requirements, guiding entrepreneurial skills to seize the best business opportunities in Italy and abroad by promoting the food excellence of Made in Italy.

https://www.federalimentare.it

2.3.4 - PARTNERSHIP WITH RESEARCH

Production development is closely linked to organic collaborations with universities, research bodies and technological platforms, the most important of which are:

SAI - Sustainable Agriculture Initiative Platform - is the main initiative of the food & beverage industry, which promotes the development of sustainable agriculture around the world. During 2016, INALCA implemented a pilot project for the analysis of sustainability in Italian livestock farms based on the SAI Platform standard called "Farmer Self Assessment" (FSA). The Farmer Self Assessment was conceived for the European context and is expected to be to modified to become adapt for the Italian context. The pilot project, called "Sustainable Breeding", is managed in Italy together with Coldiretti and DQA - Agrifood Quality Department - in the context of the new European ERBS platform.

https://www.saiplatform.org/activities/working-groups/beef/beef-fsa-pilot

GRSB - The Global Roundtable for Sustainable Beef - is a global multi-stakeholder platform developed to advance continuous sustainability improvements across the bovine value chain, through leadership, science, stakeholder engagement and collaboration. Besides defining sustainability principles and practices in the bovine sector, GRSB plays a role in promoting and coordinating the main regional platforms, namely the European, Canadian, US, Brazilian and Australian platforms. In this context INALCA participates in and promotes the improvement of sustainability in the bovine sector on a global, as well as a European scale.

https://grsbeef.org/

CLAN - Agrifood National Cluster - is a multi-stakeholder community that operates at national level to defend and increase the competitiveness of the national agrifood chain in all its components, through the stimulation of innovation, the enhancement of scientific research activities and technology, collaboration between research bodies, companies, institutions and public administration. In this context, INALCA contributed to defining the national research agenda, for the part of sustainability in the agrifood sector.

https://www.clusteragrifood.it/it/

Foodnexus - is a technological platform dedicated to innovation in the food sector. The goal of the project is to build the best European consortium in the food sector, capable of preparing a strong proposal to support the increase in demand for food from a growing population. The platform is developing a European industrial and scientific partnership in the food sector capable of competing in Europe in funding for research and innovation.

https://www.foodnexus.eu/

EIT FOOD - INALCA, together with the University of Bologna and other companies in the region, has launched the participatory project on the EIT Food platform of the European Union. A research and innovation community with the aim of accelerating the transformation of the food sector towards more sustainable production through the aggregation of companies and research institutions.

https://www.eitfood.eu/

Carni Sostenibili - In 2012, a group of operators in the livestock sector, which includes the three main trade associations Assocarni, Assica and Unaitalia, founded Sustainable Meat, an association created with the aim of supporting scientific studies which, in a logic of pre-competitive transparency, led to the launch of the "Sustainable Meat" project and, therefore, of the web portal, as well as the publication of the scientific document "The sustainability of meats and cured meats in Italy" (published by Franco Angeli). The site aims to deal with all the topics related to the world of meat in a transversal way: an unprecedented project in Italy which, with a training approach, aims to contribute to balanced information on health, nutrition and sustainability.

https://www.carnisostenibili.it/

3.0
PATHS AND OBJECTIVES FOR SUSTAINABLE DEVELOPMENT

3.1 - DEFEATING HUNGER

3.2 - HEALTH AND "ONE HEALTH" WELLNESS

3.3 - CLEAN AND ACCESSIBLE ENERGY

3.4 - DECENT WORK AND ECONOMIC GROWTH

3.5 - COMPANIES, INNOVATION AND INFRASTRUCTURE

3.6 - SUSTAINABLE MODELS OF PRODUCTION AND CONSUMPTION

3.7 - FIGHT AGAINST CLIMATE CHANGE

3.1 DEFEATING HUNGER

3.1.1 - INALCA'S COMMITMENT TO SUSTAINABLE AGRICULTURE

SCENARIO

Farming contributes to providing 14% of total calories and 33% of proteins in the human diet, globally. Livestock productions make an important contribution to food security, helping to combat micronutrient deficiencies, ensuring essential proteins, vitamins and minerals. Another vital role connected to the livestock sector is linked to fertilisation which helps to increase **the productivity of crops.** The breeding allows **the transformation of non-edible plant products (86%) for humans, such as fodder, crop residues and agricultural by-products, into proteins with a high biological value.**

"The feed contains edible products or is grown on land that could be used to produce food." This alleged divergence is at the basis of the debate on whether or not animal husbandry is efficient in converting feed into food. In reality the two sectors are not divergent, but **complementary**: the use of chemical fertilisers for agricultural production has in fact led to an impoverishment of the **organic substance of the soils that can only be compensated for with the use of manure and other natural fertilisers of livestock origin.** The abandonment of land has also led to a reduction in the area dedicated to agriculture with a prevalence of single crops on the one hand and abandonment of pastures on the other: agricultural areas that cannot be used other than as pastures for cattle and other ruminants. To strengthen the contribution of the livestock sector and fight hunger, it is necessary to increase efficiency in the use of feed and reduce competition for the use of agricultural resources by favouring the use of food industry by-products and feed non-edible for humans.

Global agricultural production, like all anthropogenic activities, has an impact on the environment, water reserves, soil and biodiversity. On a global level, in fact, it is estimated that 25% of greenhouse gas emissions derive from agricultural production, both in direct and indirect terms, while in more advanced areas from the point of view of food production such as the EU, the incidence is much lower, about 10%, with a decrease of 24% in the period 1990 - 2012. In Italy, according to the most recent Ispra data, the agricultural sector, in terms of $C0_2$ emissions, accounts for 7.1%, below the European average (ISPRA, Italian Greenhouse Gas Inventory 1990-2018).

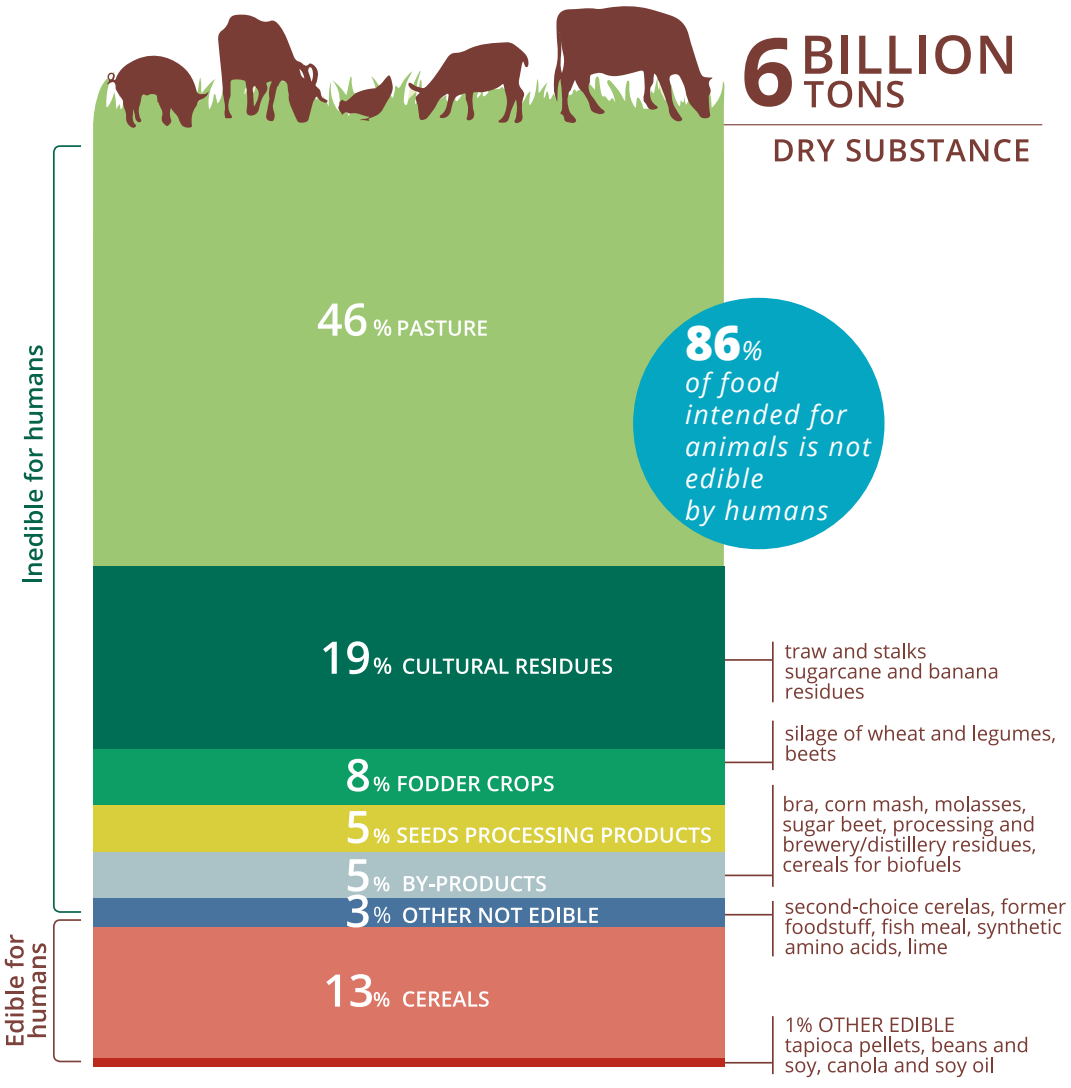
www.eea.europa.eu/it/segnali/segnali-2015/articoli/agricoltura-e-cambiamento-climatico.

Specifically considering livestock productions, we can observe a similar situation: globally they represent about 14.5% of the total emissions produced by man, while in the European context animal productions contribute for 9.1% of the total anthropogenic emissions (European Commission, Joint Research Centre, 2010. Evaluation of the livestock sector's contribution to the EU greenhouse gas emissions (GGELS) - final report). Data even more efficient in Italy, according to Ispra, with a percentage that drops to 5.6% (ISPRA, Italian Greenhouse Gas Inventory 1990-2018).

https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/evaluation-livestock-sectors-contribution-eu-greenhouse-gas-emissions-phase-1-ggels

These are very simple data, which reveal extremely different situations from the point of view of production models: they show how t**he most advanced and technologically and scientifically equipped production systems are able to significantly improve impacts and consumption, while maintaining at the same time high levels of productivity.** While livestock production certainly has an impact on the environment, on the other there is a growing demand for products of animal origin, especially from developing countries, following the increase in population and the improvement of social and economic conditions.

Table 6 - Overall average composition of the ration distributed at livestock farms



Source: FAO, Global Livestock Feed Intake (.fao.org/ag/againfo/home/en/news_archive/photo/2017_Infografica_6billion.jpg)

INALCA'S COMMITMENT

INALCA's challenge to fight hunger therefore focuses on the adoption of sustainable agricultural practices capable of **increasing production while reducing the environmental impact and pressure on natural resources.** The promotion of new models of **livestock production with a high intensity of scientific and technological** knowledge represents the main way to respond to this challenge. It is therefore based on the development model of the **integrated supply chain**, the use of the best scientific and technological knowledge in the agricultural field, the promotion of cases of excellence. In this context, the key element is INALCA's support for **IBF Servizi**: a company born in partnership between **Bonifiche Ferraresi S.p.A. and ISMEA - Institute of Services for the Agrifood Market** - to provide **precision agriculture** services to Italian agricultural companies in order to increase their competitiveness in terms of cost reduction, improvement of product quality and overall environmental impact.

OBJECTIVE

- A further effort in this direction is constituted by the "**Sustainable Breeding**" project of which INALCA is a sponsor: it was born in 2017 from the collaboration between **Inalca, McDonald's Italia, Coldiretti and AIA - Italian Breeders Association** - who shared the vision and planning of a sustainability path within the Italian beef supply chain. The project was inspired by the principles of sustainability of the **SAI Platform** which in 2018 gave rise to **ERBS – the European Roundtable for Beef Sustainability** - a multi-stakeholder platform focused on improving the sustainability of beef in Europe.

The goal of the project is to encourage the adoption and dissemination of sustainable farming practices, strengthening the competitiveness of primary production. Below are the four priority areas of intervention shared at national and European level:

- **ENVIRONMENT**
  Reduction of greenhouse gas emissions;
- **VETERINARY MEDICINAL PRODUCTS**
  Reduction of the consumption of antimicrobial drugs;
- **HEALTH AND WELLBEING OF ANIMALS**
  Improvement of welfare conditions on the farm;
- **FARM MANAGEMENT**
  Improvement of the technical and managerial skills of agricultural entrepreneurs.

The Italian working group has started the selection of the farms and the creation of a software dedicated to data collection on farms to evaluate the current business performance and define activities and improvement objectives in each area of intervention. The project plans to obtain a first representative sample of **400 farms** on which to start the data collection activity. The project is designed to be applied abroad. The application of this pilot scale model is expected in Poland and Angola **by 2025**.

Biogas plant of
Corticella breeding farm (MO)

3.1.2 - REGENERATING FOOD WASTE AND BY-PRODUCTS

SCENARIO

FAO has estimated that around one third of all food produced in the world is lost or wasted every year. A phenomenon that prevents improving food safety and mitigating environmental impacts and the resources used in food systems. Although a high awareness and knowledge of the main environmental implications has been achieved, the effects of waste from this point of view have only recently been carefully analysed. In fact, as well as a threat to food safety, it substantially affects the overall environmental impact of food production, with particular reference to CO_2 emissions. The global volume of waste can be estimated at **1.6 gigatons of "equivalent primary production"**, of which the total waste of the edible parts of the food alone corresponds **to 1.3 gigatons**. This volume can be compared with the total agricultural production (for food and non-food purposes) which corresponds to about **6 gigatons.**

Food waste
3rd SOURCE
of CO_2 emissions in the world

Without considering the GHG (Green House Gas) emissions resulting from the agricultural conversion of land, **the carbon footprint of food produced and not consumed can be estimated at 3.3 gigatons of CO_2 equivalent: in this respect, food waste is classified as the third largest emitter after USA and China.** Globally, the blue water footprint (the direct consumption of surface and deep water) of food waste corresponds to about 250 km^3 equivalent to the annual discharge of the Volga River, or three times the volume of Lake Geneva. **Finally, the food produced but not consumed occupies about 1.4 billion hectares of land: an area close to 30% of that used for the entire world agricultural production.** Although it is difficult to estimate impacts on biodiversity globally, food waste unacceptably worsens the negative effects of monocultures and agricultural expansion into wilderness, creating loss of biodiversity, including mammals, birds, fish, and amphibians.

INALCA'S COMMITMENT

The recovery and enhancement of waste and by-products throughout the supply chain is therefore a pillar in the fight against hunger: **the recovery processes, in addition to generating greater value for the company, contribute to the overall improvement of sustainability in the meat sector.** In addition to attention to recovery processes, which have been underway for decades, the new challenge is aimed at raising the level of enhancement and quality of by-products, **always having as a priority of use their destination for human consumption.** Now the best technologies make it possible to obtain important semi-finished products for human consumption from by-products that are at the moment destined for other supply chains. Even though it is true that all parts of the animal have always been fully recovered in numerous production processes, it is equally true that the part consumed for human nutrition is still too low. A necessary prerequisite for the pursuit of this goal is still in this case the INALCA business model, based on productive integration along the supply chain, which allows efficiency and productivity in recovery processes.

OBJECTIVE

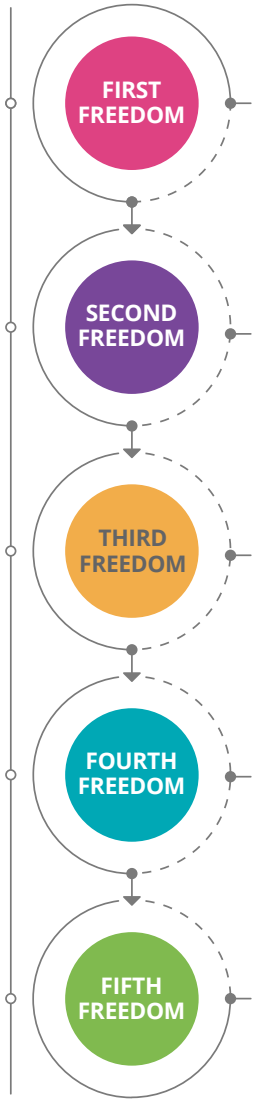
- Inalca aims to open **a new cast fat production plant in Castelvetro di Modena by 2021. The new plant will be based on two lines specialised in the recovery of bones for the production of protein and food tallow.**

3.2 | HEALTH AND "ONE HEALTH" WELLNESS

3.2.1 - ANIMAL WELLNESS

SCENARIO

The control and improvement of animal welfare conditions on farms is an element of growing sensitivity and attention by the part of consumers and stakeholders. Failure to respect animal welfare and the media coverage of animal abuse cases are leading younger consumers to reject the world of animal production and changes in eating habits based on ethical reasons, but which can negatively affect health. INALCA has developed a series of principles, values and operational rules aimed at controlling and measuring the conditions of animal welfare on its farms. The guiding principle is represented by the "**5 FREEDOMS**". The principle of the "Five freedoms" constitutes the basic criterion of inspiration that INALCA has adopted for the breeding phase (Farm Animal Welfare Council 1979).



From hunger, thirst and poor nutrition, guaranteeing the animal access to fresh water and a diet that keeps it in full health.

To have an adequate physical environment; providing the animal with an environment that includes shelter and a comfortable resting area.

From pain, injury, disease, preventing or diagnosing and treating them quickly.

To manifest their own species-specific behavioural characteristics by providing the animal with sufficient space, adequate facilities and the company of animals of its own species.

From fear and discomfort, ensuring conditions and care for the animal that do not involve psychological suffering.

INALCA'S COMMITMENT

Based on these general principles of inspiration, INALCA has developed its own techniques in the field of animal welfare. For the correct management of animal welfare, INALCA makes use of a team of veterinarians who update and develop these rules in the following stages of the supply chain: breeding, transport and slaughter.

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

https://www.inalca.it/it/qualita-e-sostenibilita/sostenibilita-sociale/benessere-animale/

The main criteria established so far to ascertain the welfare of an animal are:

- Absence of hunger;
- Absence of thirst;
- Possibility of accessing a comfortable rest area, with a suitable ambient temperature and possibility of movement;
- Absence of trauma, injury or pain resulting from improper management practices;
- Expression of the typical behaviour of the species, good relationship with humans, absence of negative emotions.

To these are added others, defined as "objective indicators", which are used to judge how the breeding environment is suitable for ensuring full compliance with the conditions of animal welfare: for this purpose, the main structural and technological parameters are therefore taken into consideration that characterise breeding. In fact, the study of animal welfare does not only aim at evaluating behaviour in relation to a more or less hospitable environment, but above all at understanding the way in which animals interpret and live the environment in which they are raised, in the most objective way possible and evaluating all the different factors that can positively or negatively affect animal welfare (dangers and benefits). The concept of well-being is the result of the animal's full adaptation to its environment, the respect for the 5 freedoms, it is therefore the result of positive, satisfying and gratifying experiences capable of producing positive and effective responses of adaptation in the animal.
Animal welfare is communicated to the consumer in a controlled manner through the voluntary system provided for by Regulation (EC) no. 1760/2000 relating to the labelling of beef and beef-based products, which ensures transparency, technical consistency and independent control.

OBJECTIVE

INALCA adopts the CReNBA method developed by the Experimental Livestock Institute of Lombardy and Emilia for the assessment of animal welfare on the farm.

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

INALCA has set up, together with the University of Milan and the CRPA Research Studies Foundation of Reggio Emilia, additional systems for assessing animal welfare in the beef and pork sector:

- **Definition of a new protocol for the assessment of animal welfare in the beef cattle sector by 2019;**
- **Definition of a voluntary scheme for the assessment of welfare in the pork sector by 2020.**

3.2.2 - RESPONSIBLE USE OF ANTIBIOTICS IN BREEDING

SCENARIO

Antibiotics are essential drugs for the health of humans and animals, and their correct use is at the basis of the cure and therefore the well-being of farm animals. Antimicrobial resistance (AMR) is a natural biological phenomenon of adaptation of some microorganisms, which, as a result of genetic mutations or acquisition of resistance genes from other microorganisms, become capable of surviving and growing in the presence of an antimicrobial agent. The antibiotic phenomenon has reached worrying levels due to the uncontrolled use of antibiotics in humans, pets and production animals; it poses a threat to the health of both humans and animals.

INALCA'S COMMITMENT

In order to combat the phenomenon, INALCA has identified some guidelines that it believes are applicable at all levels and in every geographical area in which it operates, first of all the commitment to spreading correct drug use practices. INALCA also promotes the adoption of agricultural practices aimed at reducing the use of antibiotics in quantitative terms, with particular reference to the categories defined as critical in human medicine by the WHO (World Health Organisation).

Regarding the criteria for use, INALCA requires:

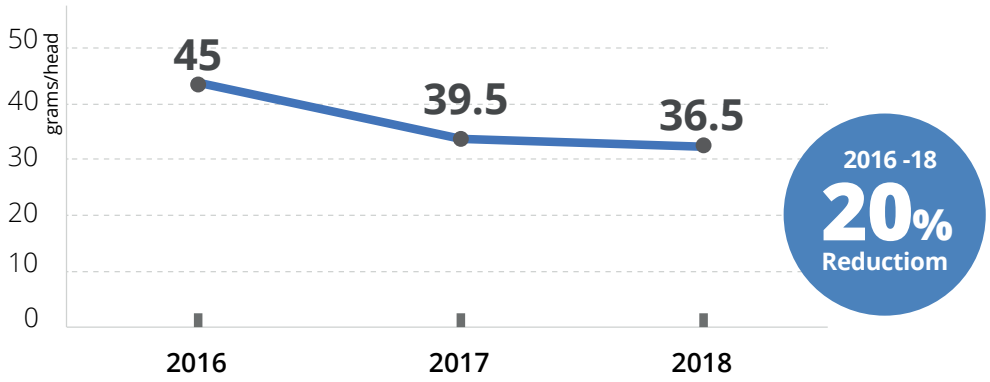
- That the antibiotic and the chosen drug are used exclusively according to the specific indications provided by the pharmaceutical company;
- Are purchased only following a veterinary prescription;
- Are administered in the quantities and times expressly indicated in the dosage of use.

Different methods of use can only be indicated by the company veterinarian. In addition to technical rules and controls, INALCA promotes processes for the transfer of scientific knowledge in farms, cases of excellence and concrete evidence of model farms that have started successful paths in this field. To this end, INALCA considers it important to collaborate with institutions engaged in the search for alternative animal care solutions to antibiotics.

Based on the experience acquired, INALCA has:

- Created production chains in which the absence of antibiotic use of in the last 4 months of breeding is guaranteed. It is the result of a long task of implementing good practices in the use of drugs, professional growth of company management and maintaining high conditions of well-being and biosecurity within the farms;
- The new professional figure of the Company Veterinarian was promoted in supplier farms as a tool to increase the health and safety level of the farms;
- Reduced the use of antibiotics in its supply chain by 20%;
- Vaccination practices started.

Table 7 - Average trend of drug administration grams/head



OBJECTIVE

In this field, INALCA's target, which it intends to pursue through the pilot project **"Sustainable Breeding"**, is aligned with that defined by **the European platform ERBS** on sustainability in the bovine sector which provides:

- **The total use of antibiotics below 10mg/PCU by 2023;**
- **A 50% reduction in the use of critically important antibiotics (HP-CIAs) by 2023.**

Corticella breeding farm (MO)

3.3 | CLEAN AND ACCESSIBLE ENERGY

3.3.1 - FROM DIESEL TO METHANE: INTEGRATED ENERGY NETWORKS

SCENARIO

The production of green energy from manure, through anaerobic digestion processes, represents an alternative to fossil fuels in farms. Anaerobic digestion systems produce biogas which can be used for the production of heat, electricity and, in the future, biomethane for agricultural and transport vehicles. The residual digestate is a fertiliser capable of enriching the agricultural soil with organic matter and reducing the use of chemical fertilisers. Supporting the recovery of manure can therefore significantly contribute to the distribution of renewable energy to a wide range of users and production systems. The production of solar energy makes it possible to significantly increase the production of energy from renewable sources, especially in industrial plants that ensure the self-consumption of all the energy produced. INALCA has developed solar energy production to produce electricity.

INALCA'S COMMITMENT

INALCA has **5 biogas plants**, **2 of the agro-industrial type and 3 agricultural**, indicated below:

ENERGY PRODUCTION FROM RENEWABLE SOURCES AND METHANE COGENERATION

PLANT LOCATION	BUSINESS NAME	PRODUCTION TECHNOLOGY	POWER MW	PRODUCTION 2017 (MWH)	PRODUCTION 2018 (MWH)	ENERGY SOURCE
OSPEDALETTO LODIGIANO (LO)	INALCA S.P.A.	ANAEROBIC DIGESTION	1,0	**5,393**	**5,314**	SLAUGHTERING WASTE
PEGOGNAGA (MN)	INALCA S.P.A.	ANAEROBIC DIGESTION	0,5	**3,186**	**3,412**	SLAUGHTERING WASTE FOOD WASTE
SPILAMBERTO (MO)	SOC.AGRI. CORTICELLA S.R.L.	ANAEROBIC DIGESTION	0,3	**2,544**	**2,529**	LIVESTOCK SEWAGE
ROSATE (MI)	Az. Agr. La Marchesina	ANAEROBIC DIGESTION	1,0	-	**7,719**	LIVESTOCK SEWAGE
ISOLA DELLA SCALA (VR)	Az. Agr. La Torre	ANAEROBIC DIGESTION	1,0	-	**8,037**	LIVESTOCK SEWAGE

In partnership with a leading company in the fertiliser sector, INALCA has launched a project for the enhancement of digestates for quality fertilisers (target 100% digestate production initiated for recovery processes for quality fertilisers). **This product is formulated with about 30% of dried digestate produced by INALCA and 70% with transformed manure.**

The production cycle lasts about 6 months in order to obtain a matrix in equilibrium with the soil, without further fermentations, mould formation or ammonia fumes. Having a high content of organic carbon, it becomes a useful product for preparing the soil for all crops and situations in which the soil requires the addition of organic matter.

OBJECTIVE

- **Enhance 100% of digestates for the production of sustainable and quality fertilisers** through drying processes with recovered thermal energy by 2021;
- **Activate the first biomethane production plant** and a completely sustainable transport chain **by 2023;**
- **Increase by 20% the share of renewable energy** in the company's energy mix **by 2025;**
- **Strengthen international cooperation to facilitate access to clean energy technology and research** including renewable energy, efficiency and advanced energy technologies, by promoting investment in energy infrastructure and clean energy technologies by 2025;
- **Create infrastructures and technologies for the supply of modern and sustainable energy services** in developing countries where INALCA operate**s by 2030.**

Biogas plant - Ospedaletto Lodigiano (LO)

3.4 | DECENT WORK AND ECONOMIC GROWTH

3.4.1 - FAIR WORK

SCENARIO

Where present, the INALCA Group applies national category employment contracts for the sector to which the individual company belongs. They cover 100% of employees in Italy and over 90% of those abroad. Collective sector agreements also contain precise references to the health and safety aspects of workers. Collective bargaining is also applied to workers operating in an outsourcing regime.

INALCA'S COMMITMENT

INALCA wants to contribute in contrasting all forms of labour exploitation, in the agricultural sector in particular, and **guaranteeing stable employment and access to young people**; training, safety and protection of workers are fundamental pillars for their development in full respect of human rights and equal opportunities.

3.4.2 - STAFF TRAINING

INALCA'S COMMITMENT

INALCA carries out systematic training at all company levels. Training is entrusted to expert teams operating in various business areas.
The topics on which the training activities are focused essentially concern:

23,182
HOURS
OF TRAINING

- the insertion of new employees, combining training and educational actions;
- health, occupational safety and environmental protection;
- the hygiene of processing and the principles of quality;
- the ethical principles and codes of conduct adopted as part of the corporate organisational model.

In 2018, 23,182 hours of training were carried out in Italy. Currently this data is collected only in Italy and in some companies of the Group. During 2019, the collection of this data will be extended to other companies included in the scope of this report.

3.4.3 - SAFE AND PROTECTED WORKING ENVIRONMENTS

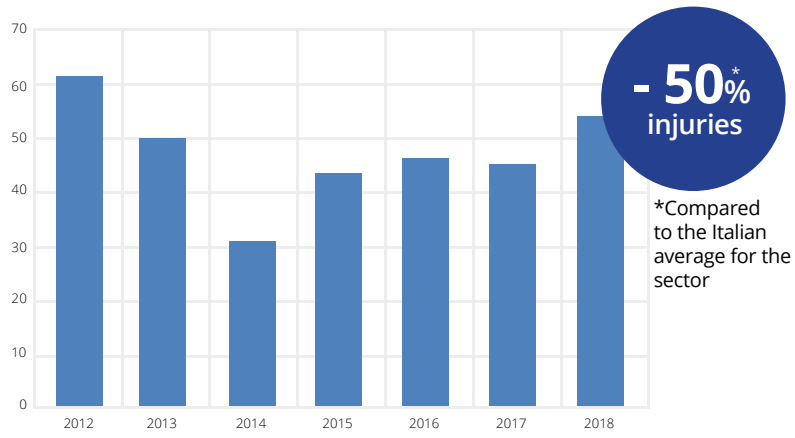
INALCA'S COMMITMENT

INALCA carries out a systematic activity on health and safety at work. INALCA's effort focused **on extending the OHSAS 18001 certification standard to the four INALCA plants in the Italian area.** This result was completed in autumn 2015 with the certification of the Capo d'Orlando (ME) plant, crowning an activity begun in 2013. In 2018, the awards of the newly acquired plants continued with the certification of the Reggio Emilia plant. **In 2019, the certification of all INALCA plants will be completed to the new reference standard: the ISO 45001 standard.** This report provides some table parameters relating to accidents and occupational diseases and the frequency index for the years from 2012 to 2018. The data also includes the newly acquired plants. They therefore cover the following INALCA plants:

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

The trend of the 2018 indicators was stable compared to previous years.

Table 8 – Number of injuries in INALCA plants



OBJECTIVE

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

Within the "**Sustainable Farms**" project, **INALCA and Coldiretti** promote the improvement of working conditions in agriculture. In this context, the European objectives of the ERBS platform were adopted which provide for:

- **Reduction of accidents on the farm by 10%.**
- **Reduction of fatal accidents with objective 0.**

As part of the "**Sustainable Breeding**" project, a working group was therefore set up to monitor the trend of accidents in companies and raise awareness among operators in the sector.

3.5 BUSINESS, INNOVATION AND INFRASTRUCTURE

3.5.1 - NEW HIGH EFFICIENCY INFRASTRUCTURE

SCENARIO

Animal husbandry has always been a crucial sector for the economies of countries thanks to the significant number of people it employs both directly and indirectly through a rich and varied induction represented by the activities of feed production, processing and sale of products.
In particular, the sector of the processing of products of animal origin, records significant growth rates in emerging countries, positioning itself amongst the driving activities of the economy, even if these positive data regard and are generated mainly by large organisations managed on a vast scale, as happens with breeding farms, and does not involve small businesses and producers.
To allow homogeneous and balanced development of the country, adequate investments and policies are required to ensure the involvement of even the smallest producers in this growth process.

INALCA'S COMMITMENT

In this context, INALCA together with **COLDIRETTI** has started a project **to relaunch animal husbandry in southern Italy** which involves farmers in the **regions of Calabria, Sicily and Sardinia**. A model that can also be replicated in Africa and Russia. **The project has as its objective the repopulation of cattle herds in the grazing areas of the south,** that is, in areas traditionally suited to these productions, but subject to a substantial decline in production over recent years. The breeding criteria adopted by INALCA for the production of meat animals includes a **first phase of grazing and a second in protected farms. From birth till about 10-12 months, the animal lives at pasture in an extensive breeding context, then it is transferred to stables where it is fed with a more nutritious and energetic diet.**
To support this livestock model, INALCA **promotes the cow-calf line** in the farms participating in the project. A type of breeding where the calf is born on the same farm where it will carry out the first stages of breeding. In this manner the farmer has to worry not only about leaving the animals to graze but has also to manage the reproduction and restocking of the herd. One can consequently be able to obtain genetic improvement and the selection of breeds in order to produce animals that are as profitable and of high quality as possible, in line with consumer expectations. It is not a negligible aspect, developing the cow-calf line is in fact the starting point for bringing the farm back to its rural dimension, adapting the farming methods and herds to the specific characteristics of the territory. **It means increasing the biodiversity of the various cattle breeds and improving the integration between humans, animals and the environment.** Ultimately it means ennobling beef from a mere food product to the cultural expression of a territory. An integrated supply chain model that allows technology transfer activities for the application of sustainable production techniques, precision agriculture and animal husbandry.
A boost to innovation supported by INALCA's participation in research institutions and active and competent technological platforms in the field of agro-industrial sustainability.

Agricultural systems must in fact have efficient infrastructures capable of valorising livestock production to allow access to the market. **The project puts primary production and subsequent processing into a system to allow small producers to access the most rewarding segments of the market.** To this end, INALCA's effort also focuses on the construction of new production infrastructures and distribution, in all the regions in which it operates.

OBJECTIVE

BUILD A RESILIENT INFRASTRUCTURE AND PROMOTE INNOVATION AND A FAIR, RESPONSIBLE AND SUSTAINABLE INDUSTRIALISATION

- The main objective is to upgrade infrastructure **by 2025 and modernise plants to make them sustainable,** with greater efficiency in the use of resources and greater adoption of clean technologies that respect the environment and industrial processes;

- A further objective **is the strengthening of scientific research by 2025, the promotion of technological and innovation capacities, particularly in developing countries in Russia and Africa.**

Cow-calf line - Orzinuovi breeding farm (BS)

POLAND

2018 is a year of consolidation of INALCA's presence in the European Union. A plant is under construction in Poland, located in the Middle Eastern region of the country, in the municipality of Sochocin, an area with a strong livestock vocation.

Poland is a country characterised by the growth of cattle breeding, in contrast to the rest of the European Union and by strong identity values linked to the agricultural world. The plant will carry out the slaughter of locally produced animals and the related meat processing, including the production of hamburgers for the local market and neighbouring countries.

With this initiative, the Group intends to apply its **integrated and sustainable development model** to the Community market as well: thanks to the slaughterhouse, **INALCA will in fact be able to make long-term direct agreements with breeders, creating a local supply chain.**

This approach represents an important step forward, since Poland is traditionally an agricultural reality, based mostly on commercial intermediaries and less on direct contributions between livestock and processing industry. Thanks to the group's European network, **INALCA will in fact allow breeders the outlet to the highest segments of the market and the optimal positioning of every part of the animal in the local and community market**, including Italy which is a strong consumer of Polish meat, especially in the catering segment.

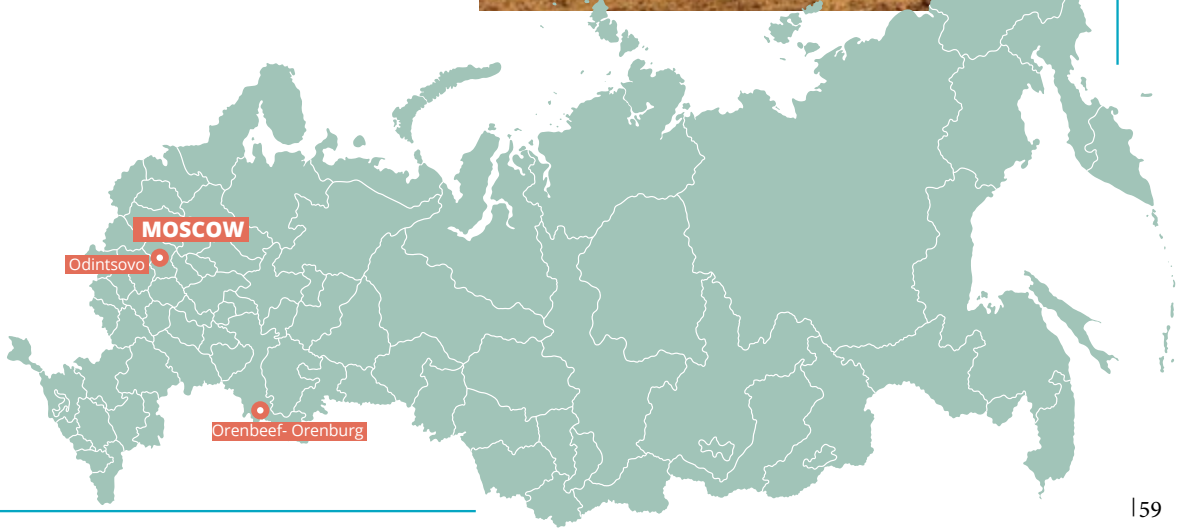
RUSSIA AND THE EURO-ASIAN REPUBLICS

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

Industrial production is organised according to an integrated supply chain that involves two production sites: the first, responsible for the primary activities of slaughtering and cutting, is located in **Orenburg** in the homonymous region with a strong agricultural vocation. In addition to slaughtering, the production of anatomical cuts for local distribution and industrial processing is carried out in the **Odintsovo plant** (Moscow). In this production site, in addition to the aforementioned food storage and distribution activity, **the production of hamburgers and bacon is carried out, destined especially for the catering sector.**

Pork destined for bacon processing, unlike beef, is entirely sourced from local suppliers. The Russian food production system is in fact growing rapidly and this allows INALCA to use an increasing number of local suppliers also for other types of foods than pork, used for distribution as is in the Russian territory and for industrial use. Returning to the bovine sector, INALCA's core business, the productive and commercial integration between the two plants has allowed an increase in the share of locally produced meat, reducing dependence on foreign imports. It is an important result which, in addition to contributing to the development of the territory and the rationalisation of the local agricultural supply chain, represents for INALCA **an element of reliability and support for future initiatives in this country.** In fact, it must not be forgotten that the supply of meat in the Russian Federation is still based on imports, as the country is not completely self-sufficient. Imports are also difficult due to geopolitical events such as the 2014 embargo, which reduced the number of potential exporting countries to the Russian Federation and the related commercial competition; to this must be added the adoption by Russia of health-related non-tariff barriers, which constitute a further obstacle to imports. An overall picture of strong instability, which causes frequent operational difficulties in procurement from abroad and commercial tensions.

In the path of development of a local beef supply chain, **in 2018 the livestock sector was expanded, through the company Agrosakmara**. With this company, the production of Hereford cattle began in the Chelyabinsk region. Similar initiatives are expected to start in 2019 in the Orenburg region, in the provinces of Novosergheivka and Ilek, in Bashkiria, in the province of Issingulova, and in the republic of Tatarstan, in the region of Mamadyš. Also in Bashkiria, in the province of Fëdorovka, the construction of the most important bovine breeding farm is planned.



3.6 SUSTAINABLE MODELS OF PRODUCTION CONSUMPTION

3.6.1 - RESPONSIBLE COMMUNICATION AND CONSUMER AWARENESS

SCENARIO

According to FAO estimates, the demand for products of animal origin is growing globally, mainly due to the fact that in countries where food consumption is increasing, the diet generally includes more quantities of animal products, vegetable oils and sugars. **These three categories of food groups in these countries today represent 29% of total calories, 20% more than thirty years ago**, **with a forecast of 35% growth by 2030**. On the contrary, in industrialised countries this share has been stabilised. Considering the variability of diets at a global level, a growing number of studies argue that a rebalancing of the quotas in diets, through the reduction of those of animal origin, would allow the reaching of nutritional targets contributing to a greater overall efficiency in the food system, with health and environmental benefits. On the other hand, FAO data speak for themselves in terms of waste: at least one third of the food produced is wasted along the supply chain, from field to table. In developing countries, food waste occurs mainly in the processing phase (40%). As far as beef is concerned, the data show that for every kilo of meat produced (globally) about 200 gr. are lost, especially at the end of the supply chain (distribution and consumption). Domestic consumption in fact represents almost 50% of wasted meat. In developing countries, such as in sub-Saharan Africa, the greatest losses occur in the production phase, especially due to poor animal health. Limiting waste, considering regional priorities, would improve efficiency and sustainability.

INALCA'S COMMITMENT

INALCA promotes the balanced consumption of all foods, in line with the nutritional indications provided by the main research bodies and following the principles of the Mediterranean diet. The "**Sustainable Meat**" Association, owned by Assocarni, to which Inalca is associated, in 2018 has published the third report on the sustainability of meat in Italy (Ed. Franco Angeli).

http://carnisostenibili.it/documenti/

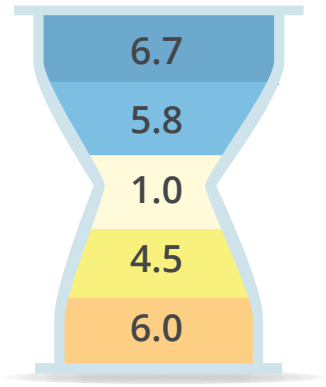
It is a complete and updated document that summarises the state of scientific knowledge and information on the 5 fundamental issues of meat sustainability in the Italian context: **safety, nutrition, environment, economy, food waste**. The report aims to constitute a clear and documented basis for discussion and confrontation of meat producers, without pre-established or intransigent truths. In fact, various organisations and stakeholders with different motivations participate in the debate on the subject of meat: animal welfare and environmental associations, media, which base their criticisms on data and information from different contexts, often from overseas countries and which are not always adaptable to the national context.

OBJECTIVE

GUARANTEE SUSTAINABLE MODELS OF PRODUCTION AND CONSUMPTION

- **By 2030**, extend the sustainable **production model also to the supply chain in Africa** by valorising and locally applying precision agriculture and livestock techniques for an efficient use of natural resources.
- Encourage companies in INALCA's supply chain **to adopt sustainable practices.**
- **By 2030, strengthen responsible communication** in the food sector so that people around the world have relevant information and awareness on the subject of sustainable development and consumption, balanced food lifestyles for both health and the environment.

THE ENVIRONMENTAL HOURGLASS REPRESENTS THE CARBON FOOTPRINT OF FOOD CONSUMED IN A WEEK



TOTAL 24.0 kg CO_2 eq

WEEKLY PORTIONS

- 14 MEAT, FISH, EGGS, LEGUMES, CURED MEAT
- 24 MILK, YOGURT, CHEESE
- 21 DRESSING, OIL, FATS
- 51 BREAD, PASTA, RICE, COOKIES, POTATOES
- 35 FRUIT, VEGETABLES

"The Sustainability of meats and cured meats in Italy" (Ed. Franco Angeli) highlighted how a balanced consumption of meat also constitutes a fundamental contribution to the protection of people's health and does not cause significant impacts to the environment. The publication also highlighted how the real per capita consumption of meat in Italy is substantially aligned with the portions indicated by INRAN (now CREA), according to the most recent consumption data. Starting from all the above assumptions, **the Environmental Hourglass** was born, which graphically shows how eating meat in a balanced way is sustainable for health and the environment.

https://youtu.be/5U0jqAZwR1g

The Environmental Hourglass is based on the consumption frequencies suggested by INRAN (now CREA) in the 2003 guidelines for an adult who takes 2,100 Kcal per day, and the portions indicated by SINU with the 2012 guidelines.

3.6.2 - PLASTIC AND PACKAGING: REDUCTION, RECOVERY AND RIECYCLING

SCENARIO

Packaging plays a fundamental role in food companies, as they protect the product, guarantee its conservation over time, contributing, if well designed, to the fight against food waste, and make it possible to consume it in a place other than that of production. Companies operating in this sector are led to pay close attention to their packaging, both in the design of new packaging solutions and in the constant improvement of the packages already developed, which are increasingly functional and active towards final consumers. The responsible and conscious use of packaging material represents a need strongly felt by stakeholders. **According to recent national market research, those who buy a product are increasingly attentive to the materials with which it is packed, packaged and shipped, favouring brands that use eco-sustainable packaging in their choice.** The growing attention that consumers devote to the issue of recycling and respect for the environment makes it easy to predict that this trend is destined to grow, especially in the younger generations.

https://www.nielsen.com/us/en/insights/article/2015/sustainable-selections-how-socially-responsible-companies-are-turning-a-profit/)

INALCA'S COMMITMENT

INALCA uses various types of packaging: the main ones are made of plastic, paper and cardboard intended for the packaging of fresh and frozen meat, tinplate and aluminium are used instead for canned meat; the goal is to use the least amount of plastic by type of packaging, to favour, where technology permits, recyclable mono-material packaging, to encourage the replacement of secondary disposable packaging with reusable packaging.

90% *of recycled paper for making packaging*

=

4,108 *tons saved*

During 2018, particular attention was paid to the increasingly widespread use of mono-material packaging (trays and mono-PET films, mono-PE films). In 2018 INALCA confirmed its objectives of using recycled paper in its packaging, **reaching values of over 90% of paper obtained from recovery and recycling processes.**

In addition to **reducing the thickness and weight of the packaging**, a second line of development is the progressive **introduction of recycled raw materials** in the composition of the packaging used. During 2018, in the Italian plants of Castelvetro di Modena, Ospedaletto Lodigiano and Rieti, **the use of recycled raw material in paper and cardboard packaging was confirmed at over 90%, around 20% for plastic and over 70% for aluminium and steel.**

20% *recycled plastic for making packaging*

=

280 *tons saved*

70% AL ACC *of aluminium and recycled steel for making packaging*

=

1,704 *tons saved*

The third line of development is **to use materials suitable for promoting recovery and recycling processes downstream of the supply chain:** aluminium and steel for cans, PET for trays and film, PE for film and bags, recycled paper for secondary packaging. The production of packaging is a complex technology and the partnership with the supplier is a fundamental requirement for the pursuit of improvement results. For this purpose, **INALCA adopts a criterion for selecting packaging suppliers based on 3 principles:**

- Technical competence;
- Ability to provide assistance and technological innovation;
- Consolidated experience with large industrial groups.

90%
of paper obtained from recovery and recycling processes

As for the suppliers of ingredients, a qualification and evaluation process is also applied to the packaging suppliers, which involves registration on the new INALCA portal dedicated to suppliers, in to which all the information required is uploaded to be subsequently examined in order to validate or block the supply of each single category of materials on all the Group's plants.

These are fundamental aspects that are carefully evaluated by INALCA. In fact, the packaging is an integral part of the product and is responsible for its protection. Small defects in plastic or metal materials can in fact reduce this level of protection and compromise the safety of the product, so it is essential that the packaging is systematically checked, both during delivery and use.
The packaging process always involves close coupling with a dedicated production technology; therefore, the verification of the suitability and integrity of the materials is not enough, the control must extend to technologies and packaging systems that must adapt perfectly to the packaging adopted.

Also in 2018, there was a growth in packaging defined "**skin**", a vacuum system that is adopted on small packages for the final consumer and which allows the extension of the product's shelf life.
Another innovative solution adopted in the Italian and European context, which confirmed its effectiveness in 2018, is derived from the transport crates made of reusable and recyclable plastic material to replace cardboard packaging. The plastic crates, in addition to the sustainability of the materials used, allow advantages in logistical management compared to traditional corrugated cardboard packaging: in fact, after use they can be folded empty, with volume savings and advantages during transport and storage.
The extensive use of this type of packaging was particularly advantageous in the INALCA plant in Capo d'Orlando (ME), having allowed a cardboard saving of about 100 tons.

OBJECTIVE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

INALCA, PROMOTES PROJECTS TO IMPROVE THE SUSTAINABILITY OF PACKAGING AIMED AT:

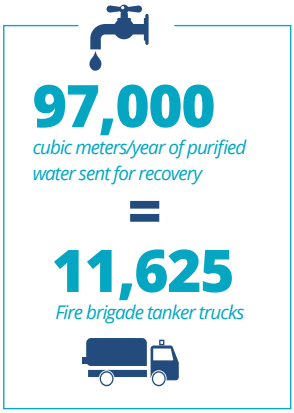
- Reducing the thickness and weight of plastic packaging, both in absolute value and per unit/kg, thus obtaining a reduction in the quantity of materials used;
- Use recycled plastics where permitted: going from 20% to 30% by 2020;
- Encourage the use of mono-material plastic packaging suitable for facilitating the recovery and recycling processes downstream of the supply chain (consumers). Such as, for example, increasing the privileged use where permitted of PET (a light, safe, inert material, which helps to contain carbon dioxide emissions) by about 25% by 2020;
- Use, as secondary packaging, collapsible reusable PP crates, discarding the corrugated cardboard packaging;
- Reduce the weights of cellulose packaging and replace virgin compositions with recycled paper; with the aim of rising to 92% by 2020.

3.6.3 - RECOVERY AND RECYCLING OF WATER

SCENARIO

Water and all the services related to it are fundamental elements for economic growth, citizens' well-being and environmental sustainability. This centrality means that today the issue of water saving and water recovery (recycling) is increasingly felt as a priority by both consumers and businesses as one of the main drivers in the management of companies on the territory.

INALCA'S COMMITMENT



IINALCA, aware of the value of water resources, has been pursuing improvement objectives for some time, both in terms of reducing consumption and increasing recovery and reuse.
For its production sites INALCA does not use water from surface sources, but only groundwater, which offers greater guarantees in terms of quality.

Over 90% of the water supplies are also managed directly by INALCA, both for the phase of withdrawal from the water table and for the distribution, use and purification phase.
The water cycle completely managed by INALCA, ensures a "waste-free" management of the water resource as the distribution network is particularly manned and controlled.
Furthermore, water discharges have a chemical-physical composition that makes them easy to purify, given a balanced relationship between the so-called Chemical oxygen demand (COD) and the Biological oxygen demand (BOD).

OBJECTIVE

- The main INALCA plants are equipped with **modern purification plants** that ensure high purification yields. Furthermore, for the Castelvetro di Modena and Ospedaletto Lodigiano plants, INALCA has for some time set more restrictive discharge limits than those envisaged by the environmental authorisations of the plants.
- In the case of the Italian plant in Ospedaletto Lodigiano, the reduction level has reached 50% of the authorised limit for the COD parameter at unloading. Where sector regulations allow it, INALCA initiates the recovery of the purified process water. In the last three years, INALCA has sent to recovery **approximately 97,000 cubic meters/year of purified water**. In 2018 the indicator was maintained and the company goal is to maintain these levels constant over time.

3.6.4 - REDUCTION, RECOVERY AND RECYCLING OF WASTE

SCENARIO

As with the recovery and recycling of plastics and water, the correct disposal and treatment of waste is one of the major issues in global discussions on environmental sustainability and the circular economy. **Waste represents an enormous opportunity for sustainable growth in terms of reducing the consumption of natural resources and the development and implementation of technologies for material recycling and energy recovery.**
Although it may seem a contradiction, waste currently represents one of the greatest opportunities for the European system for sustainable growth and for our country in particular, which lacks primary resources. **In fact, waste constitutes an enormous reserve of resources** which, if properly managed and exploited, can guarantee a sustainable and continuous supply of materials and energy over the years.

INALCA'S COMMITMENT

99%
of Inalca waste is sent for recovery

130,000
tons of biomass transformed into

1.5 *MW*
of green energy

The Group's plant structure in the management of organic waste, in addition to producing efficiency and energy savings, allows it to address the new and more stringent environmental regulations aimed at discouraging the use of sludge directly in agriculture, favouring more advanced solutions aimed at **biological transformation through biogas or composting techniques**, which ensure greater control of environmental impacts and the elimination of microbial flora potentially harmful to animals and the environment.

Thanks to a careful and scrupulous separate collection activity at its production sites, the waste recovery rate remained constant in 2018, at 99% of the waste produced. Anaerobic digestion with biogas production: since 2018, an additional recently acquired anaerobic digestion plant with a capacity of 1 MW has been operating in Rosate Milanese, located at the La Marchesina farm. This plant is added to that of Spilamberto (Mo) operating at the subsidiary Az. Agr. Corticella, with a power of 0.3 MW and the one located on the Isola della Scala (VR) of the Azienda Agricola La Torre, with a power of 1 MW; three agricultural plants that allow the recovery and energy valorisation of manure from farmed cattle. It is important to emphasise that, unlike other similar plants that are based on potentially food plant matrices such as corn, **INALCA's agricultural plants only use non-food matrices, without entering into competition and subtracting resources from human and animal nutrition.**

At industrial level, two other plants operate: the first at the industrial complex of Pegognaga (Mn) with a capacity of 0.5 MW, the second, with a capacity of 1MW, operating in the Ospedaletto Lodigiano plant.

They allow an increase in the amount of internally **recovered waste, sewage sludge and manure in particular,** while increasing the internal production of energy from renewable sources. **In 2018,** in the new plant structure, **approximately 130,000 tons of biomass per year are destined for energy enhancement.**

INALCA, through its subsidiary **S.A.R.A.**, manages a plant for composting and recovering some types of waste, obtaining products for agriculture. The waste transformed into c**ompost includes the final products obtained from the Group's anaerobic digestion plants.**

The combination of biogas and composting treatments therefore allows **INALCA the complete and integrated management of its waste:** from the production of waste to its complete reuse and regeneration into products for sustainable agriculture.

OBJECTIVE

- **During 2016 S.A.R.A.** obtained the approval of a project for the technological adaptation and expansion of this plant, in order **to improve its environmental management and productivity.** The adaptation of the system will allow the recovery of additional matrices from the agricultural production of the Group and the surrounding urban area, **according to an integrated territorial management model on environmental issues.**
  The completion of the adaptation process is expected during 2020.

3.7 | FIGHT AGAINST CLIMATE CHANGE

3.7.1 - REDUCTION OF THE PRODUCTS' CARBON FOOTPRINT

SCENARIO

In the food sector, climate change, in addition to direct effects on the environment, produces indirect effects especially on production, compromising agricultural yields and animal health. In fact, science increasingly identifies direct correlations between health and the environment according to an approach now called "One Health".

https://www.who.int/news-room/q-a-detail/one-health

INALCA'S COMMITMENT

In addressing the issue of energy and energy efficiency, INALCA intends to provide its contribution to the fight against climate change, a global objective identified by FAO for the period 2015-2030 sanctioned by the international agreements on the Paris Climate (COP21) signed by 195 countries. In the European Union, the agreement became binding on November 4th, 2016. For over 20 years INALCA has focused its efforts on energy efficiency and the production of energy from renewable sources to reduce its greenhouse gas emissions. The company **is now able to self-produce over 99% of its energy needs** in a combination of plants aimed at maximum efficiency in the use of fossil sources and **progressive increase of the share obtained from renewable sources.** The challenges of the next few years arise in the energy transition of biogas plants from the production of electricity to biomethane to make road transport sustainable, entrusting the production of electricity to solar power. As can be inferred from the table below, the Group's electricity production has almost reached 100% of its needs. The share of production based on renewable sources also increased, amounting to 39% of the Group's overall energy needs in Italy.

Inalca self-produces over **99%** *of its energy needs,*

of which **39%** *from renewable sources*

PRODUCTION OF ENERGY FROM RENEWABLE SOURCES AND METHANE COGENERATION

PLANT LOCATION	COMPANY NAME	PRODUCTION TECNOLOGY	MW POWER	PRODUCTION 2017 (MWH)	PRODUCTION 2018 (MWH)	ENERGY SOURCE
OSPEDALETTO LODIGIANO (LO)	INALCA S.p.A.	Anaerobic Digestion	1,0	5,393	5,314	Slaughtering Waste
PEGOGNAGA (MN)	INALCA S.p.A.	Anaerobic Digestion	0,5	3,186	3,412	Slaughter/Food waste
SPILAMBERTO (MO)	Soc. Agricola Corticella	Anaerobic Digestion	0,3	2,544	2,529	Livestock liquids
ROSATE (MI)	Az. Agr. La Marchesina	Anaerobic Digestion	1,0	-	7,950	Livestock liquids
ISOLA DELLA SCALA (VR)	Az. Agr. La Torre	Anaerobic Digestion	1,0	-	8,037	Livestock liquids
PEGOGNAGA (MN)	UNITEA S.R.L.	Endothermal combustion	4,7	32,205	38,131	Cast fats
CAPO D'ORLANDO (ME)	INALCA S.p.A.	Photovoltaic	0,1	165	136	Solar power
ROSATE (MI)	Az. Agr. La Marchesina	Photovoltaic	0,4	-	405	Solar power
PIACENZA	Fiorani & C.	Photovoltaic	0,5	550	486	Solar power
OSPEDALETTO LODIGIANO (LO)	INALCA S.p.A.	Methane cogeneration	3,6	13,205	13,205	Methane
CASTELVETRO (MO)	INALCA S.p.A.	Methane cogeneration	7,7	40,190	40,190	Methane
RIETI	INALCA S.p.A.	Methane cogeneration	1,4	7,164	7,164	Methane
BUSSETO	Italia Alimentari S.p.A.	Methane cogeneration	1,4	-	6,354	Methane

3.7.2 - SOLAR ENERGY AND COGENERATION

INALCA'S COMMITMENT

Reduction of CO_2 emissions

- 60,556

ton/year

Cogeneration systems represent the main tool for INALCA to improve its energy performance. To date, INALCA has **6 natural gas-fired cogeneration engines** located in 4 of its main Italian plants - Castelvetro di Modena (MO), Ospedaletto Lodigiano (LO), Rieti and Busseto (PR) - for a total methane cogeneration power of 14.1 MW. To these are added **2 cogeneration plants using renewable sources** which include the joint participation, together with the TEA Group of Mantua, of **a large plant powered by animal fats** with a power of 4.7 MW, in addition to other 5 biogas plants of the Group powered by sludge purification and manure, for a further 8.5 MW. **The cogeneration technology used by INALCA is therefore based on natural methane, biogas and animal fat** and allows it to be combined with another virtuous technology for the recovery of slaughtering waste and by-products consisting of **anaerobic digestion with the production of biogas**. In fact, the anaerobic digestion process makes it possible to start **the energy recovery of biomass** that cannot be used otherwise, consisting of organic waste, manure and other inedible by-products of slaughter. In addition to cogeneration systems, INALCA is also developing solar energy for 1 MW of power.

OBJECTIVE

13 CLIMATE ACTION

PROMOTE ACTIONS, AT ALL LEVELS, TO FIGHT CLIMATE CHANGE

- **INALCA by 2026,** foresees the completion of the energy **transition towards biomethane of the Group's Biogas plants;**
- **Development of the composting plant in an anaerobic digestion plant.**
- **Enhancement of solar energy production.**

INALCA - Ospedaletto Lodigiano (LO)

4.0
PERFORMANCE AND SUPPLY CHAIN

4.1 ECONOMIC PERFORMANCE

4.1.1 - ECONOMIC RESULTS 2018

INALCA in 2018, confirming the growth trend of recent years, developed a turnover of **2,054.8 million Euro, of which about 40% developed abroad.**

CONSOLIDATED INCOME STATEMENT				
(in thousands of Euro)	YEAR 2017	% Incidence	YEAR 2018	% Incidence
TOTAL REVENUES	1,975,096	100%	**2,054,815**	100%
EBITDA	109,076	5.52%	**118,733**	5.78%
EBIT	52,233	2.64%	**54,224**	2.64%
GROUP NET PROFIT	13,148	0.67%	**16,151**	0.79%
CAPEX	53,460		**91,854**	
NET FINANCIAL POSITION	(328,047)		**(390,359)**	
GROUP SHAREHOLDERS EQUITY	422,595		**414,778**	
NUMBER OF EMPLOYEES	5,368		**5,423**	

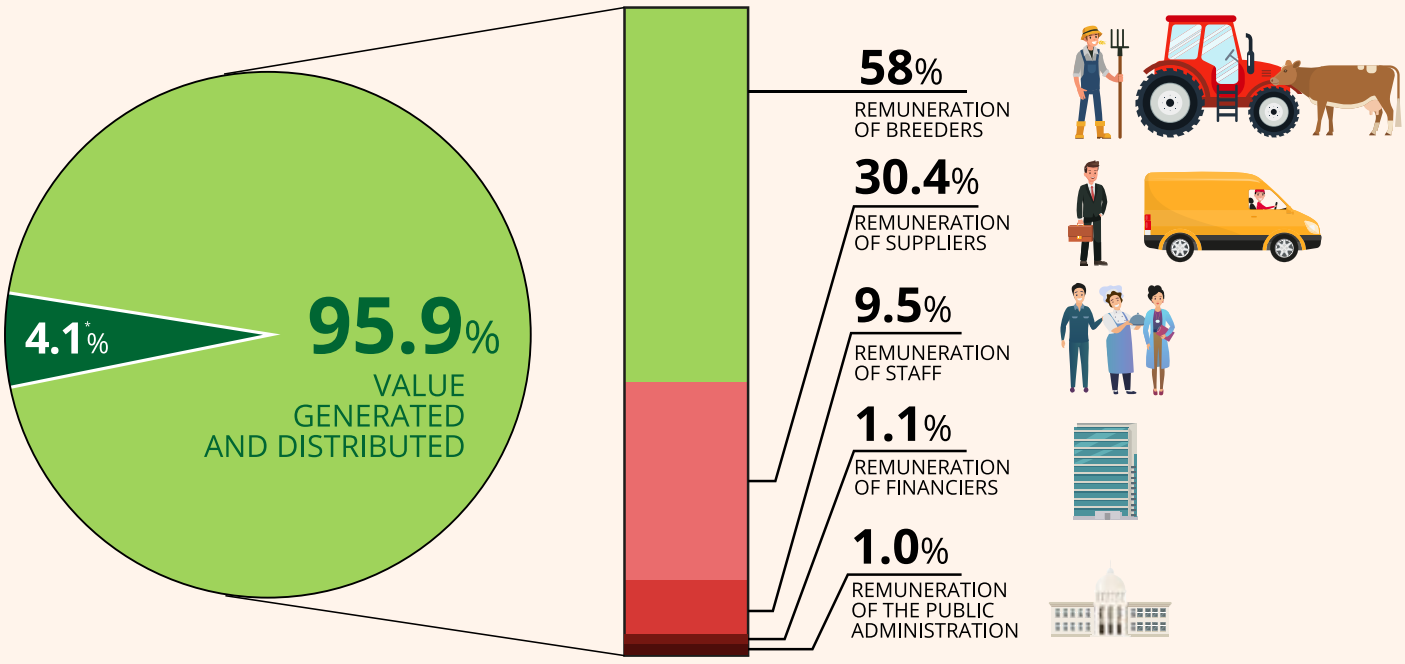
BREAKDOWN OF REVENUES BY GEOGRAPHICAL AREA								
(in thousands of Euro)	12. 31.2015	%	12. 31.2016	%	12. 31.2017	%	12. 31.2018	%
ITALY	773,098	53%	1,033,447	59%	1,218,552	62%	**1,268,801**	**62%**
EU	197,142	14%	226,966	13%	268,251	13%	**299,734**	**15%**
RUSSIA - AND EUROASIAN REPUBLICS (+ KAZAKHISTAN)	204,933	14%	200,435	12%	253,878	13%	**270,436**	**13%**
AFRICA	235,813	16%	217,413	12%	232,272	12%	**206,221**	**10%**
OTHER NON-EU REGIONS	43,024	3%	65,454	4%	2,143	0%	**9,623**	**0%**
TOTAL	1,454,010	100%	1,743,715	100%	1,975,096	100%	**2,054,815**	**100%**

4.1.2 - ECONOMIC VALUE GENERATED AND DISTRIBUTED

The generated and distributed value (EVG&D) represents the first basic indicator of the value that the company has created for its stakeholders. In the food sector, due to the low added value of production processes, the high incidence of raw materials and personnel in the company's income statement, the value transferred externally is particularly significant. In other words, INALCA's business activity is considered to have a high rate of economic sustainability, as the value distributed externally is particularly high. As shown in the graph, **the distributed economic value represents in fact 95.9% of the total value generated by INALCA and is substantially unchanged compared to the previous year.** The meat supply chain is therefore among those that most transfer value to the outside, as the incidence of agricultural raw materials is particularly high.

In the financial year, the value generated by the INALCA Group has substantially increased. The increase is primarily due to the new acquisitions of the group in Italy and the improved performances of the Russian subsidiaries. The value distributed to personnel, suppliers and the public administration is consequently also increased.

Table 9 - Economic value directly generated and distributed in 2018



** Economic value retained 4.1%*

4.2 SUPPLY CHAIN

INALCA's supply chain is wide and articulated, varying according to the type of product and geographical area of production. **The signing by INALCA suppliers of the code of ethics and the code of commercial conduct are essential for the start of the supply relationship.** They constitute the guiding tools for monitoring suppliers with regard to respect for human rights, the environment and labour laws. In the following paragraphs we have described the most relevant issues of our supply chain and the main differences between the various regions in which INALCA operates.

4.2.1 - ANIMAL SUPPLIERS

ITALY - FARMING AND AGRICULTURAL PRACTICES

Italy is characterised by a cattle breeding developed for centuries mainly in stables. In fact, our country does not have large pastures, **but in the Po Valley it has one of the most fertile lands in the world, capable of producing food with high nutritional value.** In fact, over 60% of the national cattle herd is concentrated in this region and it is the area where Inalca's main production plants are located.
The cattle farms that merge into the Inalca chain hail mainly from this fertile land, and are essentially of two types: **dairy cattle farms** (cows) and **beef cattle farms** (young bulls, heifer, calves). Dairy cattle breeding develops entirely in barns and Inalca from this supply chain can count on **over 18,000 Italian farms.** In order to pursue its own supply chain policies, Inalca makes use of the contribution of the agricultural organisations that represent directly this large and fragmented channel. The expression of these agreements is the "**Sustainable farms**" project: developed in partnership with Coldiretti, it represents the main tool for production integration between the milk supply chain (to which these farms refer directly) and that of meat.

In beef breeding farms, the animal is raised on pasture until weaned and then in the barn. From this supply chain Inalca **can count on about 350 controlled farms**, including farms owned by third parties, all subjected to direct controls by INALCA for matters concerning safety, quality and sustainability, with the company's technical staff on site for supervision of every aspect and phase. For Inalca, this supply chain represents a direct supply chain without intermediaries, which covers, on average, 30% of its needs (from 21% to 39% depending on the type of animal, such as detailed in the table below)

RUSSIAN FEDERATION

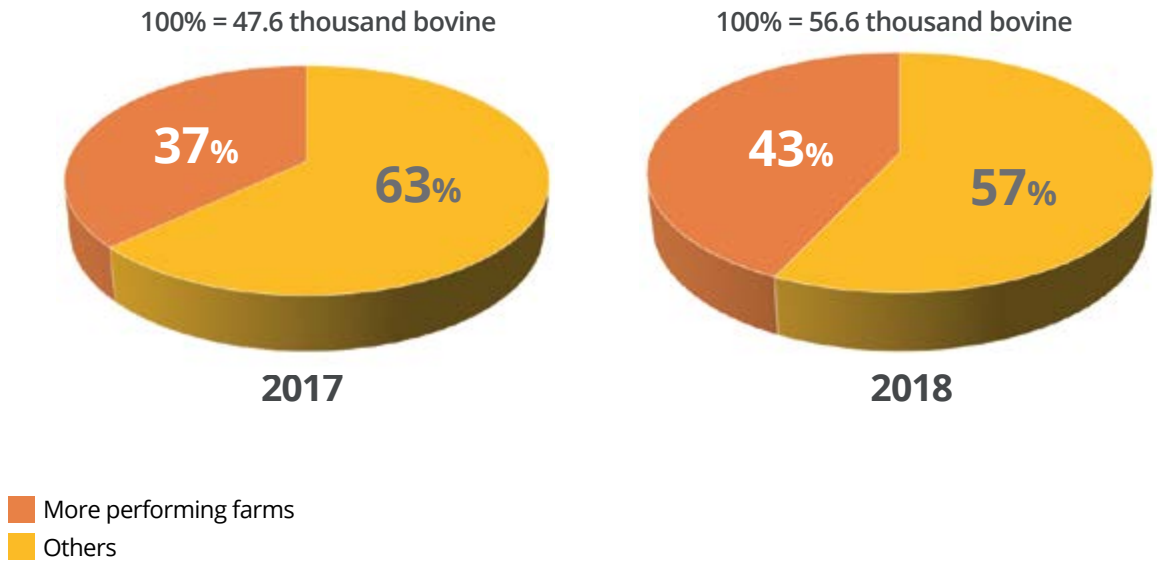
In the Russian Federation, important farming activities have been launched in the context of an integrated

INTEGRATED PRODUCTION OF ANIMALS IN THE 2018 INALCA SUPPLY CHAIN

CATEGORY	TOTAL SLAUGHTERING ITALY	PRODUCTION FROM INALCA SUPPLY CHAIN		
		AZIENDA AGRICOLA S.r.l.	BONIFICHE FERRARESI S.p.A.	%
YOUNG BULLS	133,259	23,949	4,550	21.4%
HEIFER	68,935	23,803	3,435	39.5%
MEAT CALVES WHITE	151,379	44,479	-	29.4%

and sustainable local supply chain. The supply of bovine takes place exclusively through local suppliers; the Orenbeef plant has 57 suppliers, an increase compared to 48 in 2017. In 2018, production of the Group's first herd was started. As shown in the graph below, in 2018 the higher level of qualitative selection led to a higher concentration of supplies in the best performing farms.

Table 10 - Orenbeef suppliers



Corticella breeding farm (MO)

4.2.2 - MEAT SUPPLIERS

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

- For the production of meat intended for industrial processing, such as **canned meat** produced in Italy, **INALCA, in addition to its own slaughtering facilities, also makes use of other small local plants, in order to enhance the national beef supply chain used in a typically Italian product, such as jellied meat.**
- For the production of frozen hamburgers and cuts of meat destined for national and foreign markets, INALCA uses, in addition to meat coming from Italian farms produced by the Group's national plants, also meat obtained from other national and EU suppliers. Over time, solid and consolidated relationships have been built up with these suppliers, which have allowed for a progressive integration and alignment of the voluntary certification systems for food quality and safety in line with Inalca's assessment and qualification systems.
- **For the fine cuts of meat destined for the Ho.re.ca channel, INALCA imports meat from various non-EU countries; they are products obtained from animals of Anglo-Saxon genetics, such as the well-known Angus and Hereford breeds, which are imported fresh.** These are high quality cuts aimed mainly at specialised restaurants, the classic example of which is represented by the USA T-Bone steak, produced in the most important American plants concentrated in the well-known region of the so-called "Corn Belt" in Nebraska (region of the United States rich in corn destined mainly for cattle). To these are added the famous Argentine, Australian and Uruguayan meats with both Grass-Fed lines (literally "grass fed" is the farming system that allows cattle to remain in the pasture for the entire life cycle) and Grain Fed (cereals fed). In this case INALCA carries out an exclusive activity of distribution. The control of this type of supplier focuses not only on food safety aspects, but also on a broader procurement system aimed at defining qualitative parameters and ethical-social commitments, from breeding in feedlots, to processing and labelling methods at the suppliers' factories, up to the checks during the final sale. In addition to control, INALCA's activities support overseas suppliers to align quality standards with the specific regulatory requirements of the destination countries of the products.
- With regards to **the pork sector, in Italy the Group favours national suppliers of fresh meat compliant with the PGI, PDO** (Protected Geographical Indication - Protected Designation of Origin) **requirements required for the production of high quality cured meats intended mainly for the national market.** In the case of other products of pig origin destined for European or non-European commercial circuits, such as bacon, national and EU-sourced meat is used instead. Also for the pork sector, INALCA foresees investments in dedicated plants for greater industrial efficiency and production integration in the supply chain.

4.2.3 - SUPPLIERS OF MATERIALS FOR PACKAGING

INALCA uses various types of packaging: the main ones are made of plastic, paper, cardboard for the packaging of fresh and frozen meats, tinplate and aluminium are used for canned meats. In this field in Italy the Group has over 70 suppliers.

The selection criterion for packaging suppliers is based on 3 principles:

- Technical competence;
- Ability to provide assistance and technological innovation;
- Consolidated experience with large industrial groups.

In order to start supplies, packaging suppliers must register on the new INALCA portal to enter the technical data and information necessary for the validation process, of the supplier itself and of each single category of materials that it delivers to each Group plant. **These are fundamental aspects that are carefully evaluated by INALCA.**
In fact, the packaging is an integral part of the product and is responsible for its protection. **Small defects in plastic or metal materials can in fact reduce this level of protection and compromise the safety of the product, so it is essential that the packaging is systematically checked, both during delivery and use.** The correct packaging process always involves a combination with a dedicated technology; Therefore, the verification of the suitability and integrity of the materials is not enough, the control must extend to the technologies and packaging systems that must perfectly adapt to the purchased packaging.

Also in 2018, there was a growth in the packaging called "**skin**", a vacuum system that is adopted on small packages for the final consumer and which allows to extend the storage times of the product: some of these packs **are completely recyclable in paper**, despite the presence of a PE liner, because the degree of pulping, adhesion and process waste allow it to be placed in plants suitable for treating ordinary quality pulp.

PACKAGING

4.2.4 - SUPPLIERS OF FOOD INGREDIENTS

INALCA uses various types of ingredients in addition to meat. To this end, over 120 suppliers of food ingredients such as flavourings, vegetables, cereal flours are used in Italy. In this case, in addition to the selection of ingredients from local suppliers, easily recognisable by the consumer, t**he selection criteria are based on the company's skills, the food safety management system, the absence of allergens, the presence of certified standards and the technical characteristics of the substances used**. The ability of these suppliers to provide support in corporate innovation projects constitutes a further element of choice and evaluation.

All suppliers of ingredients are systematically subjected to preliminary qualification, those of particular importance also to periodic inspections by INALCA technicians; all suppliers are also subjected to continuous monitoring of the products carried out at each delivery. In order to improve the collection of information, suppliers of food ingredients must also use the dedicated INALCA portal, shared between the purchasing office and the quality office, where all the information necessary for qualification and evaluation of suppliers must be uploaded.

Table 11 - Process of qualification and evaluation of suppliers of food ingredients

ATTACHMENTS
1- LIST OF GROUP COMPANIES AND BUSINESS SECTORS

(●) Indicates the companies included in this Sustainability Report

ITALY			
INALCA INDUSTRIA ALIMENTARI CARNI S.p.A.	Castelvetro di Modena (MO)	Breeding, slaughtering, cutting and processing of meat, food distribution	●
GES.CAR S.r.l	Castelvetro di Modena (MO)	Production services	●
SARA S.r.l	Castelvetro di Modena (MO)	Services in the Energy & Environment sector	●
TECNO-STAR DUE S.r.l.	Formigine (MO)	Engineering and industrial plant engineering	
SOCIETÀ AGRICOLA CORTICELLA S.r.l.	Spilamberto (MO)	Cattle breeding	●
GUARDAMIGLIO S.r.l	Piacenza	Management of retail outlets for fresh products (butchers and delicatessens)	●
ITALIA ALIMENTARI S.p.A.	Busseto (PR)	Production and distribution of Cured meats and Snacks	●
VALTENNA CARNI S.r.l.	Fermo (FM)	Meat processing	
TRANSUMANZA	Mistretta (ME)	Cattle Breeding	
INALCA FOOD & BEVERAGE	Castelvetro di Modena (MO)	Commerce and distribution of food products	●
CIBO SAPIENS	Gazoldo (MN)	Production and distribution of healthy and innovative food products	
REALBEEF S.r.l	Flumeri (AV)	Cattle and sheep slaughtering	●
PARMA SERV S.r.l.	Parma	Livestock trade	
FIORANI & C. S.p.A.	Piacenza	Meat processing and distribution	●
FRIGOMACELLO S.r.l.	Fermo (FM)	Real estate	
UNITEA S.r.l.	Mantova	Energy production from renewable sources	●
A.G.M. S.r.l.	Reggio Emilia	Processing of animal by-products - Inspection control services	
EUROPE			
MONTANA ALIMENTARI GMBH	Germany	Distribution of Cured meats and Snacks	●
ZAKLAD MIESNE SOCH S.p.zo.o.	Poland	Slaughtering and meat processing	
MILLE SAPORI GDANSK	Poland	Commerce and distribution of food products	●
MILLE SAPORI POZNAN	Poland	Commerce and distribution of food products	●
MILLE SAPORI KRAKOW	Poland	Commerce and distribution of food products	●
MILLE SAPORI TRANSPORT	Poland	Logistics	●
INALCA EURASIA GesmbH	Austria	Production, processing and distribution of meat and other food products	
COMMERCIAL ITALIANA DE ALIMENTACION	Canary Islands	Production and distribution of food products	●

EUROPE			
HOTERIA BUTTARELLI S.L.	Canary Islands	Pasta production	●
MILLE SAPORI PLUS sp. Zo.o.	Poland	Trade and distribution of food products	
PARMA FRANCE Sas	France	Livestock trade	
TECALI S.L.	Canary Islands	Dairy production	●
PARMA TURC Sas	France	Livestock trade	
PARMA LACOMBE Sas	France	Livestock trade	
PARMAUBRAC Sas	France	Livestock trade	
RUSSIA			
AGROSAKMARA L.l.c.	Orenburg	Cattle breeding	
ORENBEEF	Orenburg	Slaughtering, processing and distribution of meat and other food products	●
KASKAD TPF	Odinzovo	Real estate	
MARR RUSSIA	Odinzovo	Production, processing and distribution of meat and other food products	●
ASIA			
INALCA F&B MALAYSIA	Malaysia	Holding company	●
INALCA F&B CHINA	Hong Kong	Holding company	●
ZHONGSANI INALCA F&B CO. Ltd	Hong Kong	Distribution of food products	●
TOB BEST	Hong Kong	Dairy production	●
INALCA FOOD SERVE KAZAKISTAN	Kazakhstan	Distribution of food products	
INALCA F&B SHANGAI	Shangai	Distribution of food products	●
INALCA F&B THAILANDIA	Thailand	Distribution of food products	●
BRIGHT VIEW TRADING MACAU Ltd	China	Distribution of food products	●
AFRICA			
INALCA F&B Cabo Verde Lda	Cape Verde	Distribution of food products	●
INALCA ANGOLA L.t.d.a.	Angola	Distribution of food products	●
INALCA ALGERIE S.a r.l.	Algeri	Distribution of food products	●
INALCA BRAZZAVILLE S.a r.l.	Congo	Distribution of food products	●
INALCA KINSHASA S.p.r.l.	Congo	Distribution of food products	●
INETER INALCA ANGOLA Ltda.	Angola	Distribution of food products	●
IN.AL.CAR. MOCAMBIQUE	Mozambique	Distribution of food products	●
INALCA FOODS NIG. Ltd. (in liquidazione)	Nigeria	Distribution of food products	

AFRICA			
SCDAANGOLA S.A.	Angola	Distribution of food products	
DISPAL CÔTE D'IVOIRE	Ivory Coast	Distribution of food products	●
NORTH AMERICA			
INALCA F&B NORTH AMERICA	New York	Distribution of food products	●
INALCA F&B HOLDING	New York	Holding company	
CENTRAL AMERICA			
FRATELLI D'ITALIA	Mexico	Distribution of food products	●
AUSTRALIA			
INALCA F&B QUEENSLAND PTY Ltd	Australia	Distribution of food products	●
ITAUS PTY	Australia	Distribution of food products	●
FRASCO GOURMET PTY	Australia	Distribution of food products	●
MODENA CORPORATION PTY	Australia	Real estate	

2 - LIST OF GRI-G4 INDICATORS

GRI indicator and description		Coverage level	Page
GENERAL INFORMATION			
STRATEGY AND ANALYSIS			
G4-1	Letter from the President	TOTAL	1
ORGANIZATIONAL PROFILE			
G4-3	Organisation's name	TOTAL	6 - 10
G4-4	Main brands, products and/or services	TOTAL	22
G4-5	Headquarters	TOTAL	11
G4-6	Countries of operation	TOTAL	12
G4-7	Corporate and legal structure	TOTAL	14
G4-8	Markets served	TOTAL	12
G4-9	Size of the organisation	TOTAL	14
G4-10	Workforce characteristics	TOTAL	24
G4-11	Employees affected by collective bargaining agreements	TOTAL	54
G4-12	Supply chain of the organisation	TOTAL	72
G4-13	Significant changes in the size, structure, ownership or supply chain of the organisation	TOTAL	14
G4-14	Prudential approach to risk management	TOTAL	16
G4-15	Adoption of external codes and principles in the economic, social and environmental fields	TOTAL	18 - 19
G4-16	Memberships in associations or organisations	TOTAL	38 - 39
MATERIAL ASPECTS IDENTIFIED AND PERIMETER			
G4-17	Entities included in the financial statements	TOTAL	78
G4-18	Principles for defining content	TOTAL	2 - 34
G4-19	Material aspects identified in the definition of the contents	TOTAL	36 - 37
G4-20	Material aspects within the organisation	TOTAL	36 - 37
G4-21	Material aspects external to the organisation	TOTAL	36 - 37
INVOLVEMENT OF STAKEHOLDERS			
G4-24	Groups of stakeholders involved by the organisation	TOTAL	32 - 33
G4-25	Identification and selection of the stakeholders to be involved	TOTAL	32 - 33
G4-26	Approach to stakeholder engagement	TOTAL	32 - 33
G4-27	Key aspects emerged from stakeholder involvement	TOTAL	32 - 33
REPORT PROFILE			
G4-28	Reporting period	TOTAL	2
G4-29	Date of publication of the previous financial statements	OCTOBER 2018	
G4-30	Reporting cycle	TOTAL	2
G4-31	Contact for budget information	TOTAL	87
G4-32	GRI content index	TOTAL	81 - 83

GOVERNANCE

G4-34	Government structure	TOTAL	14

ETHICS AND INTEGRITY

G4-56	Values, principles, standards and rules of conduct of the organisation	TOTAL	6 -18 -19

ECONOMIC CATEGORY

ECONOMIC PERFORMANCE

G4-DMA	Generic disclosure on management methods	TOTAL	30
G4-EC1	Economic value directly generated and distributed	TOTAL	71
G4-EC2	Financial implications and other risks and opportunities associated with climate change	TOTAL	66

INDIRECT ECONOMIC IMPACTS

G4-DMA	Generic disclosure on management methods	TOTAL	30
G4-EC7	Development and impact of investments in infrastructure and services	PARTIAL	56
G4-EC8	Main indirect economic impacts	PARTIAL	30

PURCHASE AND SUPPLY POLICIES

G4-DMA	Generic disclosure on management methods	TOTAL	72

ENVIRONMENT CATEGORY

MATERIALS

G4-DMA	Generic disclosure on management methods	TOTAL	42
G4-EN1	Materials used by weight or volume	TOTAL	62 - 76 - Att. 3
G4-EN2	Materials used that derive from recycled material	PARTIAL	62 - All. 3

ENERGY

G4-DMA	Generic disclosure on management methods	TOTAL	52 - 64
G4-EN3	Direct energy consumption	TOTAL	66

WATER

G4-DMA	Generic disclosure on management methods	TOTAL	64
G4-EN8	Water withdrawal	TOTAL	64 - Att. 3
G4-EN9	Water sources significantly affected by the withdrawal of water	TOTAL	64 - Att. 3
G4-EN10	Recycled and reused water	PARTIAL	64 - Att. 3

EMISSIONS

G4-DMA	Generic disclosure on management methods	TOTAL	52 - 66 - 67
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	TOTAL	Att. 3
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	TOTAL	Att. 3

WASTE AND WASTE

G4-DMA	Generic disclosure on management methods	TOTAL	64 - 65
G4-EN22	Water drains	TOTAL	Att. 3
G4-EN23	Total weight of waste by type and disposal method	TOTAL	Att. 3

G4-EN24	Total number and volume of significant spills	TOTAL	Att. 3
G4-EN25	Hazardous waste transported, imported, exported or treated	TOTAL	Att. 3
G4-EN26	Biodiversity and habitats affected by the organisation's discharges	PARTIAL	Att. 3

COMPLIANCE

G4-DMA	Generic disclosure on management methods	TOTAL	42
G4-EN29	Value of fines and number of penalties for non-compliance with environmental regulations and laws	TOTAL	Att. 3

OVERALL

G4-EN31	Expenses and investments for the protection of the environment	TOTAL	Att. 3

MECHANISMS FOR ENVIRONMENTAL COMPLAINTS

G4-EN34	Complaints on environmental impacts filed, analysed and resolved	TOTAL	Att. 3

SOCIAL CATEGORY

OCCUPATION

G4-LA1	Number and rate of new employees and staff turnover	TOTAL	24 - 25

HEALTH AND SAFETY AT WORK

G4-DMA	Generic disclosure on management methods	TOTALE	55
G4-LA5	Percentage of workers represented on the health and safety committee	PARTIAL	55
G4-LA6	Rate of accidents at work, sickness, lost working days, absenteeism and total number of deaths	PARTIAL	55
G4-LA8	Agreements with trade unions on health and safety	PARTIAL	54

TRAINING AND EDUCATION

G4-LA9	Staff training	PARTIAL	54

DIVERSITY AND EQUAL OPPORTUNITIES

G4-LA12	Composition of the corporate governance bodies and breakdown of staff by diversity indicators	TOTAL	24 - 25

MECHANISMS FOR CLAIMS CONCERNING WORKING CONDITIONS

G4-LA16	Complaints about working conditions filed, analysed and resolved	PARTIAL	24 - 25

LOCAL COMMUNITIES

G4-SO1	Operations involving the local community, impact assessments and development programs	TOTAL	37

ANTI-CORRUPTION

G4-SO3	Transactions assessed on the basis of the risks associated with corruption	PARTIAL	14 -16 17
G4-SO4	Communication and training on anti-corruption policies and procedures	PARTIAL	18 -19

LABELLING OF PRODUCTS AND SERVICES

G4-PR3	Information on products and services	PARTIAL	20

SPECIFIC SECTORS INDICATOR

G4-FP5	Percentage of production from factories with certified food safety management systems (by volume)	PARTIAL	All. 3
G4-FP9	Animals bred or processed by species and genetic type	PARTIAL	All. 3
G4-FP10	Policies and practices relating to physical alterations and the use of anaesthetics on animals	TOTAL	50
G4-FP12	Policies and practices relating to the use of antibiotics, hormones and other treatments on animals	TOTAL	50

3 - LIST OF GRI-G4 INDICATORS

SECTOR CATEGORY SPECIFIC

GRI indicator	Description			u.m.	Group 1	Group 2	Group 3
G4EN1 - G4EN2							
Slaughtered animals	Cows	Tot. Num. of animals slaughtered		-	291,517	291.,517	323,237
		Total dead weight		ton	81,133	81,133	88,641
	Young bulls	Tot. Num. of animals slaughtered		-	148,879	148,879	173,742
		Total dead weight		ton	58,457	58,457	64,216
	Calves	Tot. Num. of animals slaughtered		-	152,377	152,377	152,377
		Total dead weight		ton	22,823	22,823	22,823
	Buffaloes	Tot. Num. of animals slaughtered		-	192	192	192
		Total dead weight		ton	58	58	58
	Total	Tot. Num. of animals slaughtered		-	592,965	592,965	649,548
		Total dead weight		ton	162,471	162,471	175,738
Animals entered into breeding (1)	Cows	Total number of animals entered		-	0	22,480	22,480
	Young bulls	Total number of animals entered		-	0	26,373	26,373
	Calves	Total number of animals entered		-	0	47,613	47,613
	Buffaloes	Total number of animals entered		-	0	0	0
	Total	Total number of animals entered		-	0	96,466	96,466
Purchased Meat: Italy, UE and Extra UE (bovine, pork and chicken)	Fresh with Bone			ton	71,836	97,497	97,497
	Fresh without Bone			ton	29,034	42,135	49,526
	Frozen			ton	7,636	27,269	48,230
	Total			ton	108.,506	166,901	195,253
Feed (1)	Feed			ton	10,850	12,916	12,917
Waste	Incoming waste			ton	44,437	44,437	44,437
Ingredients	Ingredients and additives			ton	3,675	5,470	5,554
Packaging	Paper/Cardboard	Total weight		ton	5,623	46,026	46,920
	Plastic	Total weight		ton	3,077	5,879	6,042
	Plastic crates	Total weight		ton	45	295	320
	Wood	Total weight		ton	1,221	1,222	1,851
	Steel	Total weight		ton	1,837	1,838	1,838
	Aluminium	Total weight		ton	540	770	770
			TOTAL	ton	12,342	56,029	57,741
Chemical substances	Sanitising products			ton	350	377	400
	Chemicals in general			ton	1,187	1,187	1,216
	Chemicals for water treatment			ton	2,369	2,405	2,455
	Oils and lubricants			ton	28	37	42
	Total			ton	3,935	4,007	4,113

GRI indicator			Description	u.m.	Group 1	Group 2	Group 3
G4EN1 - G4EN2 (continue)							
Recycled materials	Paper/Cardboard		% of virgin material	%	42	68	89
			% of recycled material	%	58	32	11
	Plastic		% of virgin material	%	73	91	97
			% of recycled material	%	27	9	3
	Reusable plastic crates		% of virgin material	%	57	29	76
			% of recycled material	%	43	71	24
	Wood		% of virgin material	%	57	11	48
			% of recycled material	%	43	89	42
	Steel		% of virgin material	%	29	14	7
			% of recycled material	%	71	86	93
	Alluminium		% of virgin material	%	29	66	33
			% of recycled material	%	71	34	67
G4EN3							
Fuels	Diesel generator set			[l]	612	2,612	3,025
	Diesel fuel for boiler			[l]	4,000	4,000	68.205
	Diesel fuel for motor vehicles			[l]	196,743	295,423	349,964
	Total diesel			[l]	201,355	302,035	421,194
	Methane gas			[Nm^3]	21,902,991	26,498,656	29,959,743
	LPG			[kg]	860	860	860
Power	Total electricity consumed			[MWh]	129,433	171,904	223,193
	of which		Electricity purchased from the grid	[MWh]	60,218	62,505	48,268
			Self-produced electricity	[MWh]	72,677	30,160	11,243
	Electric Energy. Sold			[MWh]	3,475	3,043	3,043
G4EN8 - G4EN9							
Water	Drawn from the well			[m^3]	2,352,261	2,873,439	3,066,206
	Supplied by aqueduct			[m^3]	106,840	110,144	171,742
	Total			[m^3]	2,459,101	2,983,583	3,237,948
G4EN15 - G4EN16							
Emissions	Scope 1			[t CO_2]	43,554	52,848	59,963
	Scope 2			[t CO_2]	19,594	31,281	39,468
G4EN22							
Water drained	Quantity			[m^3]	2,122,751	2,500,621	2,683,587
	Place of unloading			-		CIS + Sewer	

GRI indicator	Description		u.m.	Group 1	Group 2	Group 3
G4EN23-G4EN24						
Waste	Digestible/Compostable	Quantity	ton	54,536	55,337	55,818
	Non-hazardous packaging	Quantity	ton	2,442	3,872	4,531
	Dangerous packaging	Quantity	ton	9.28	13	324
	Other non-hazardous waste	Quantity	ton	646	1,001	5,578
	Other hazardous waste	Quantity	ton	26	44	191
		Total	ton	57,660	60.,267	66,442
GEN24-GEN26						
Spills	Substance: No spilled substance	Quantity	[m^3]	-	-	-
		Place of Spill	-	-	-	-
GEN29						
Sanctions	For not respecting environmental standards		[€]	0	0	0
GEN31						
Expenses	Waste disposal		[€]	1,283,221	1,319,055	1,511,519
	Emissions treatment		[€]	1,802,573	1,835,094	1,902,716
	14001 certification		[€]	4,200	4,200	8,295
	Total		[€]	3,089,994	3,158,350	3,422,531
GEN34						
NC Environmental	NC issued	Open	-	7	7	7
		Close	-	7	7	7
	NC received (environmental complaints)	Open	-	1	1	1
		Close	-	1	1	1

The groups indicated include the following establishments:

GROUP 1	GROUP 2	GROUP 3
INALCA SPA group plants:	Includes the plants of GROUP 1	Includes the plants of GROUP 2
INALCA S.p.A. - Castelvetro di Modena	FIORANI & C S.p.A.	OOO ORENBEEF
INALCA S.p.A. - Ospedaletto Lodigano	SOCIETÀ AGRICOLA CORTICELLA S.r.l.	OOO MARR RUSSIA
INALCA S.p.A. - Pegognaga	SARA S.r.l.	
INALCA S.p.A. - Reggio Emilia	REALBEEF S.r.l.	
INALCA S.p.A. - Rieti	ITALIA ALIMENTARI S.p.A.	
INALCA S.p.A. - Capo d'Orlando		
INALCA S.p.A. - Castelnuovo Rangone		

SUSTAINABILITY REPORT 2018

INALCA S.p.A.
Share capital
€ 187.017.187 fully deposited

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Business Register
Modena REA 311469

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