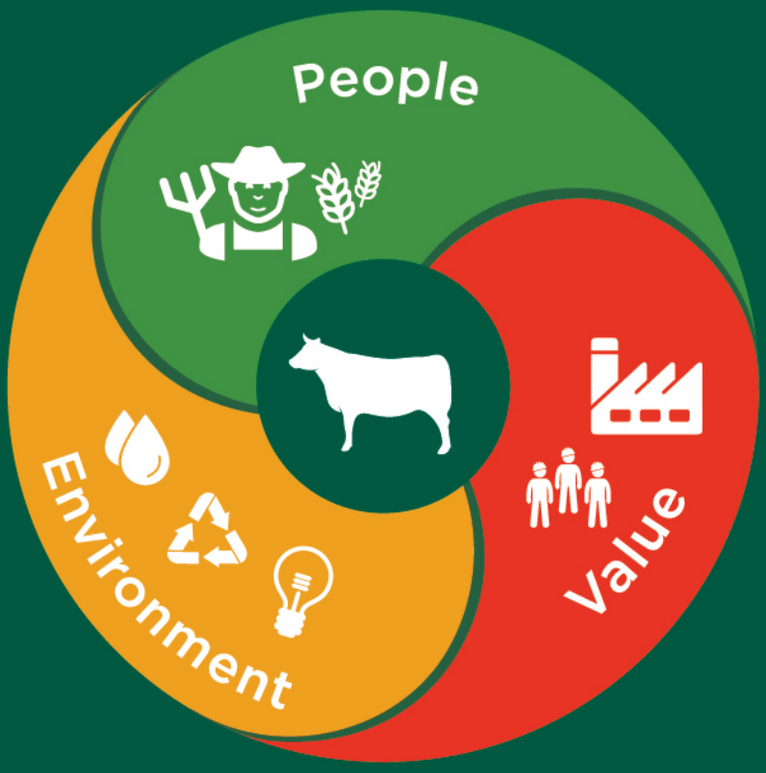
INALCA

SUSTAINABILITY REPORT

2017



INALCA'S SUSTAINABILITY REPORT 2017

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

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"We are all children of the same land".

Luigi Cremonini
Chairman

LETTER FROM THE CHAIRMAN

"2017 has been a year of consolidation for our new industrial structure that has made us the second Italian group in the agri-food sector.

This year we have further consolidated relationships with breeders, the engine of our supply chain, and we have developed a great national plan to relaunch Italian livestock with an inter-professional vision of our business activity, knowing that the strength of Italian food is increasingly more our "know-how" system, rather than the product itself.

Our business model, based on the integrated management of the production chain, grows and strengthens and this edition of the Sustainability Report is the perfect testimony of these facts.

The data of this Report confirms the commitments we have made with stakeholders, conscious that the company's success depends on the effort to combine economic objectives, which ensure growth and employment, with a close link to the territory in which the company manages its activities.

I hope that INALCA's 2017 edition of its Sustainability Report can represent a valid contribution to the debate on environmental impacts of beef production and that it can give a better understanding of the real characteristics of the national bovine supply chain respect to the generic and alarming information often found in the media.

I am, therefore, proud to present the new 2017 edition of INALCA's Sustainability Report, a new step of this company along the path towards sustainability and I thank all the collaborators and stakeholders who contributed to this result".

Luigi Cremonini
Chairman

THE FOUR PILLARS OF SUSTAINABILITY

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

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

SHARING VALUE WITH THE AGRICULTURAL WORLD

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

INTEGRATED AND SUSTAINABLE SUPPLY CHAIN

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

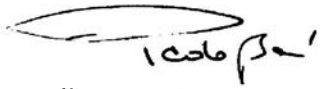
CONTROL OF IMPACTS AND CONSUMPTION

The control of consumption and impacts, the use of clean and renewable energy, commitment to the fight against climate change, represent challenges that involve citizens, businesses and institutions; INALCA has placed these commitments at the centre of its business activity, promoting best practices for performance optimisation of environmental processes and products along the supply chain, in line with the sustainable development goals launched by the UN and the 193 countries that are part of it.

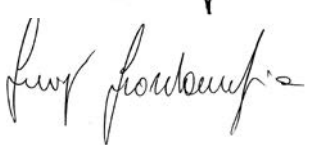
GOVERNANCE AND TRANSPARENCY OF COMPANY PROCESSES

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 allow an increasingly informed and conscious food consumption.

Paolo Boni
CEO INALCA



Luigi Scordamaglia
CEO INALCA




SHARING VALUE WITH THE AGRICULTURAL WORLD
INTEGRATED AND SUSTAINABLE SUPPLY CHAIN
CONTROL OF IMPACTS AND CONSUMPTION
GOVERNANCE AND TRANSPARENCY OF COMPANY PROCESSES

METHODOLOGY

This Sustainability Report, INALCA S.p.A.'s fourth (hereinafter called INALCA), refers to the year 2017 and it was prepared according to the G4 Sustainability Reporting Guidelines - 2013 edition - and the connected document called G4 Sector Disclosures "Food Processing" - 2014 edition; both documents are published by the Global Reporting Initiative (GRI). The financial statements have been prepared with the option "In Accordance - Core". The financial data have been extracted from the Group's Consolidated Financial Statements (in this Sustainability Report the word "Group" refers to all the companies included in INALCA's Consolidated Financial Statements), while environmental and social issues have been based on information flows elaborated in the integrated quality-safety sustainable development management system and INALCA's corporate organisational model.

The acquisition of data relating to domestic and foreign subsidiaries was carried out via IT that enables the traceability of the data produced and the relative responsibilities. In drafting the Report, INALCA adopted the following geographical classification of the territories in which the Group is present with manifacturing, logistics infrastructures and sales offices: **Italy, European Union, Russia and Eurasian Republics, Africa, other countries.** In order to improve data collection and alignment with the economic budget, in the 2017 edition each company was assigned a multi-digit code that identifies, for each company, its geographical area of placement, company name and position in the Group's corporate structure. The geographic aggregation identifies the macro regions and the historical progression of INALCA's development and progressive implementation of its own business model. The Report is published annually.

The Report was edited by INALCA's Quality, Safety and Sustainable Development Department which, during the drafting process, involved all the company functions. In the case of foreign affiliates, coordination was managed directly by the senior management of the company concerned. This document has involved essentially companies of the Group's production sector, which are more representative in terms of the environment and of social-economic impacts on the territory, i.e. the most consistent companies from an industrial point of view, on which the greatest effort is concentrated in terms of economic, environmental and numeric resources of employees and collaborators. The industrial activities of slaughtering and meat processing represent, in fact, the historical roots of the Group which have allowed its development and it is on these factors that the present document has concentrated more attention.

Compared to the previous edition, the perimeter of the companies involved in the Sustainability Report is further expanded to some foreign affiliates operating in the food distribution sector, an emerging sector amongst the activities of the Group. In this fourth edition, only the Group companies without industrial or logistic infrastructures are excluded and those of scarce significance due to the human and environmental resources employed. Tables 1 identify the companies included in this Report by territorial area.

Annex 1 includes all the companies of the Group and their related business sector.
Annex 2 includes the index of adopted GRI G4 indicators and page references from where they were taken.
Annex 3 contains the specific list of the adopted environmental indicators.

The main technical support for the preparation of this Report consists of the following references:
- **G4 Sustainability Reporting Guidelines – "Reporting Principles and Standard Disclosures"**
- **G4 Sustainability Reporting Guidelines – "Implementation Manual"**
- **G4 "Sustainability Topics for sector – What do Stakeholder want to know?"**
- **G4 Sector Disclosures – "Food processing"**

In this edition of the Report, INALCA's principles, values and activities have been integrated further with global goals for sustainable development (SDGs).

ONLINE

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

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

	Company	Office
1	**ITALY**	
1.1	INALCA INDUSTRIA ALIMENTARI CARNI S.p.A.	Via Spilamberto, 30/C - Castelvetro di Modena (MO)
1.2	ITALIA ALIMENTARI S.p.A.	Via Europa, 14 - Busseto (PR)
1.3	FIORANI & C S.p.A.	Via Coppalati, 52 - Piacenza (PC)
1.4	REALBEEF S.r.l.	Località Tierzi, Zona Asi - Flumeri (AV)
1.5	GES.CAR S.r.l.	Via Spilamberto, 30/C - Castelvetro di Modena (MO)
1.6	SOCIETÀ AGRICOLA CORTICELLA S.r.l.	Via Corticella, 15 - Spilamberto (MO)
1.7	SARA S.r.l.	Via Spilamberto, 30/C - Castelvetro di Modena (MO)
1.9	GUARDAMIGLIO S.r.l.	Via Coppalati , 52 - Piacenza (PC)
1.10	INALCA FOOD & BEVERAGE S.r.l.	Via Modena, 53 - Castelvetro di Modena (MO)
1.12	UNITEA S.r.l.	Via Taliercio, 3 - Mantova (MN)
2	**EUROPEAN UNION**	
2.1	MONTANA ALIMENTARI Gmbh	Kirschstrasse 20 - Monaco - Germania
2.3	COMIT COMERCIAL ITALIANA DE ALIMENTACION S.L.	Calle Pérez Galdós, s/n en San Isidro, Granadilla de Abona, Isole Canarie
2.3.1	TECALI S.L.	Camino Real de la Orotava, 215, El Hortigal -La Laguna Snata Cruz de Tenerife -Spagna
2.3.2	HOSTERIA BUTTARELLI S.L.	Calle Herraje s/n Neve 29, Sector P3 Norte Poligono industrial de Arinaga - Aiguimes Las Palmas - Spagna
3	**AFRICA**	
3.1	INTER INALCA (ANGOLA) COMERCIO GERAL, LIMITADA	Lda Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda
3.2	INALCA ANGOLA LIMITADA	Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda
3.3	INALCA BRAZZAVILLE SARL	Avenue Cote Mondaine BP8410 Pointe Noire
3.4	INALCA KINSHASA SPRL	Avenue Poids Lourds n. 935 Ndolo-Commune Gombe Kinshasa
3.5	INALCA ALGERIE SARL	08, Rue Chérif Hamani 16000 Algeri
3.6	DISPAL – CI SARL DISTRIBUTEUR DE PRODUITS ALIMENTAIRES EN CÔTE D'IVOIRE	Bld Carde - 3ème étage Immeuble Les Harmonies 04 B.P. 225 Abidjan 04
3.7	INDUSTRIA ALIMETAIRES CARNES DE MOCAMBIQUE	Av. De Mocambique n. 9400 km 9,5 Bairro do Zimpeto Maputo
3.8	INALCA FOOD & BEVERAGE CAPO VERDE LDA	Rua Amilcar Cabra, 1°Andar do Préio Argos Citade de Santa Maria - Ilha do Sal Capo Verde
4	**RUSSIA E EURASIAN REPUBLICS**	
4.3.1	OOO ORENBEEF	Ul.Pionerskaya, 2 Campagna Cherniy Otrog, Saraktashskiy Reg. 462100
4.3.2	OOO MARR RUSSIA	Ul.Vostochnaia, 5 143000 Odintzovo, Mosca
5	**OTHER COUNTRIES**	
5.1	ITALIA ALIMENTARI CANADA LTD	116, Nuggett Court 00000 - L6t 5a9 Brampton-On- Canada
5.2.1	INALCA FOOD & BEVERAGE NORTH AMERICA LLC	5 West 19th Street, New York, NY 10011 USA
5.3	INALCA FOOD & BEVERAGE (THAILAND) LTD	No.333/2 Moo 9 Tambol Bangpla, Amphur Bangplee, Samutprakarn, 10540 - Thailandia
5.3.1	LONGS ITALY CO LTD	No.333/2 Moo 9 Tambol Bangpla, Amphur Bangplee, Samutprakarn, 10540 - Thailandia
5.5	INALCA FOOD & BEVERAGE HONK KONG LTD	Suite 2301, 23rd Floor, 1-13 Hollywood Road, Chinachem Hollywood Centre, Hong Kong

N.B. The identification number of each individual company, refers to Annex 1, p. 128

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

	Company	Office
5.6	INALCA FOOD & BEVERAGE CHINA HOLDING LTD	Suite 2301, 23rd Floor, 1-13 Hollywood Road, Chinachem Hollywood Centre, Hong Kong
5.6.1	INALCA FOOD & BEVERAGE SHANGHAI CO LTD	Room 2807, No 1277 Dingxi Road, Changning District, Shanghai, P.R.C.
5.6.2	TOP BEST INTERNATIONAL HOLDING LTD	Room 701, Blok 2, 7/F Golden Industrial Building, 16-26 Kwai Tak Street, Kwai Fong, N.T., Hong Kong
5.6.3	ZHONGSHAN INALCA FOOD & BEVERAGE CO. LTD	No. 16-1 A, Tong Xing Rd., Dongsheng Town, Zhongshan, Guangdong, P.R.C.
5.7	FRATELLI D'ITALIA SA DE CV	Calle11sur mza248 late 1 zona 1 Col Ejido sur, local 9 "PalmeirasBusinessCenter" Playa del Carmen, Quintana Roo, cp 77712, Mexico
5.8	ITAUS PTY LTD	in Unit E1A, 35-39 Bourke Road Alexandria NSW 2015, AUSTRALIA
5.9	FRESCO GOURMET PTY LTD	in Unit E1A, 35-39 Bourke Road Alexandria NSW 2015, AUSTRALIA
5.9.1	FABRI FINE ITALIAN FOODS PTY LTD	Unit 2, 51 Riverside Place, Morningside QLD 4170 AUSTRALIA
5.10	INALCA FOOD & BEVERAGE MALAYSIA SDN BHD	151B, Jalan Batu Tiga Lama, Taman Rashna, 41300 Klang, Selangor Malaysia,
5.10.1	BOTTEGA MEDITERRANEA SDN BHD	151B, Jalan Batu Tiga Lama, Taman Rashna, 41300 Klang, Selangor, Malaysia

INALCA - Ospedaletto Lodigiano plant (LO)

INALCA - Orenburg plant (Russia)

INALCA - Castelvetro di Modena plant (MO)

INALCA AND THE GLOBAL CHALLENGES OF SUSTAINABILITY

> ***The activity of an enterprise is a vital element in achieving the goals of sustainable development. Companies can contribute through their activities and everywhere we ask them to evaluate their impacts, set ambitious targets, and communicate the results transparently.***
>
> *Ban Ki-moon, Ex-Secretary-General of the United Nations*

The SDGs represent the main global challenges that UN have identified with the contribution of over 1,500 companies. INALCA has aligned its sustainable development activities to the SDGs, believing it can act on some by giving an active role of support and promotion. Not just institutions, even businesses must act consciously in this field.
Never as today, where people and goods move without boundaries and large institutions struggle to stem new global emergencies, companies must be actively involved in this field.
The activity of enterprise needs to be developed by combining all possible efforts to reduce negative impacts and maximise positive ones on people and the planet.

INALCA is aware of the competitive advantages that this effort produces. The pursuit of global Sustainable Development Goals can in fact:
• redirect investment flows to these challenges as new business opportunities.
• strengthen the value of Corporate Social Responsibility.
• strengthen relationships with stakeholders and policy makers, which are increasingly converging on these international, national and regional challenges, reducing emerging legal risks and, above all, reputations of these companies.
• contributing to the stabilisation of companies and markets.
• to create a common language and a clear and organic context of actions that will help companies to communicate more firmly and effectively with stakeholders on business impacts and company performance.

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

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

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

ONLINE

https://www.globalgoals.org/
http://www.un.org.lb/Library/Assets/The-Sustainable-Development-Goals-Report-2016-Global.pdf


THE GLOBAL GOALS
For sustainable development
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
For more information: www.globalgoals.org

THE 17 SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In the table INALCA has highlighted in bold the SDGs on which it actively applies its own sustainable development policy and which can therefore provide a concrete contribution in the economic, social and environmental fields; in the last column the respective page references are indicated.

	GOAL 1 - End poverty in all its forms everywhere	
	**GOAL 2 - End hunger, achieve food security, improve nutrition and promote sustainable agriculture**	**p. 56/62/64/111**
	**GOAL 3 - Ensure healthy lives and promote well-being for all at all ages**	**p. 97**
	GOAL 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	
	GOAL 5 - Achieve gender equality and empower all women and girls	
	GOAL 6 - Ensure availability and sustainable management of water and sanitation for all	
	**GOAL 7 - Ensure access to affordable, reliable, sustainable and modern energy for all**	**p. 120/121/ 122/123**
	**GOAL 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	**p. 98**

	**GOAL 9 - Build resilient infrastructures, promote inclusive and sustainable industrialisation and foster innovation**	**p. 123/124/ 125/126**
	GOAL 10 - Reduce inequalities within and among countries	
	GOAL 11 - Make cities and human settlements, inclusive, safe, resilient and sustainable	
	**GOAL 12 - Ensure sustainable consumption and production patterns**	**p. 56/58/62**
	**GOAL 13 - Take urgent action to combat climate change and its impacts**	**p. 61/64 115/120**
	GOAL 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development	
	GOAL 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainable forest management, combat desertification, halt and reverse land degradation and halt biodiversity loss	
	GOAL 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels	
	**GOAL 17 - Strengthen the means of implementations and revitalize the global partnership for sustainable development**	**p. 50/53**

ONLINE *www.globalgoals.org*

1. PORTRAIT OF THE GROUP

1.1 PRINCIPLES AND VALUES

The founding principle of INALCA identifies itself in the millennial tradition of Italian agriculture and makes it its reference model for its own development in the global food producing community of the planet.
INALCA recognises itself in the heritage of values related to rural culture and to the social values and identity that the land and food have always constituted for our country.
In this scenario the company is concentrated in the creation of a beef industry that is ever more integrated and sustainable, particularly attentive to social contexts, towards environmental protection and to the requirements of the agricultural world. These themes have become an intricate part of the company's value chain and have become the competitive levers necessary for sustainable development; the company's success depends on its ability to combine economic objectives, ensuring growth and employment, whilst keeping a strong link to the territory where the company carries out its activities.
Only in this way you will be able to meet the future challenge of making food affordable and safe for all.

1.2 COMPANY PROFILE

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

INALCA controls the entire beef production chain from breeding to the finished product, and operates successfully in international markets, which have driven the development of the company in recent years: in fact, approximately 38% of turnover comes from activities abroad. In 2017, following the acquisition of the Unipeg-Assofood group in 2016, the national turnover increased.

INDUSTRIAL, LOGISTIC BRANCHES AND OPERATING OFFICES

In Italy, the Group operates **12** plants, including **9** dedicated to the manufacturing and processing of beef and **3** for the production of cured meats and snacks, as well as **3** farms. Abroad, it is instead present with **27** distribution platforms, **3** production plants, as well as **25** IF&B platforms in USA, Australia, Cape Verde, Thailand, Hong Kong, China, Malaysia, Mexico and the Canary Islands.

The INALCA GROUP in Italy

Headquarters and Executive Offices

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

9
beef plants

3
cured meats & snacks plants

3
farms

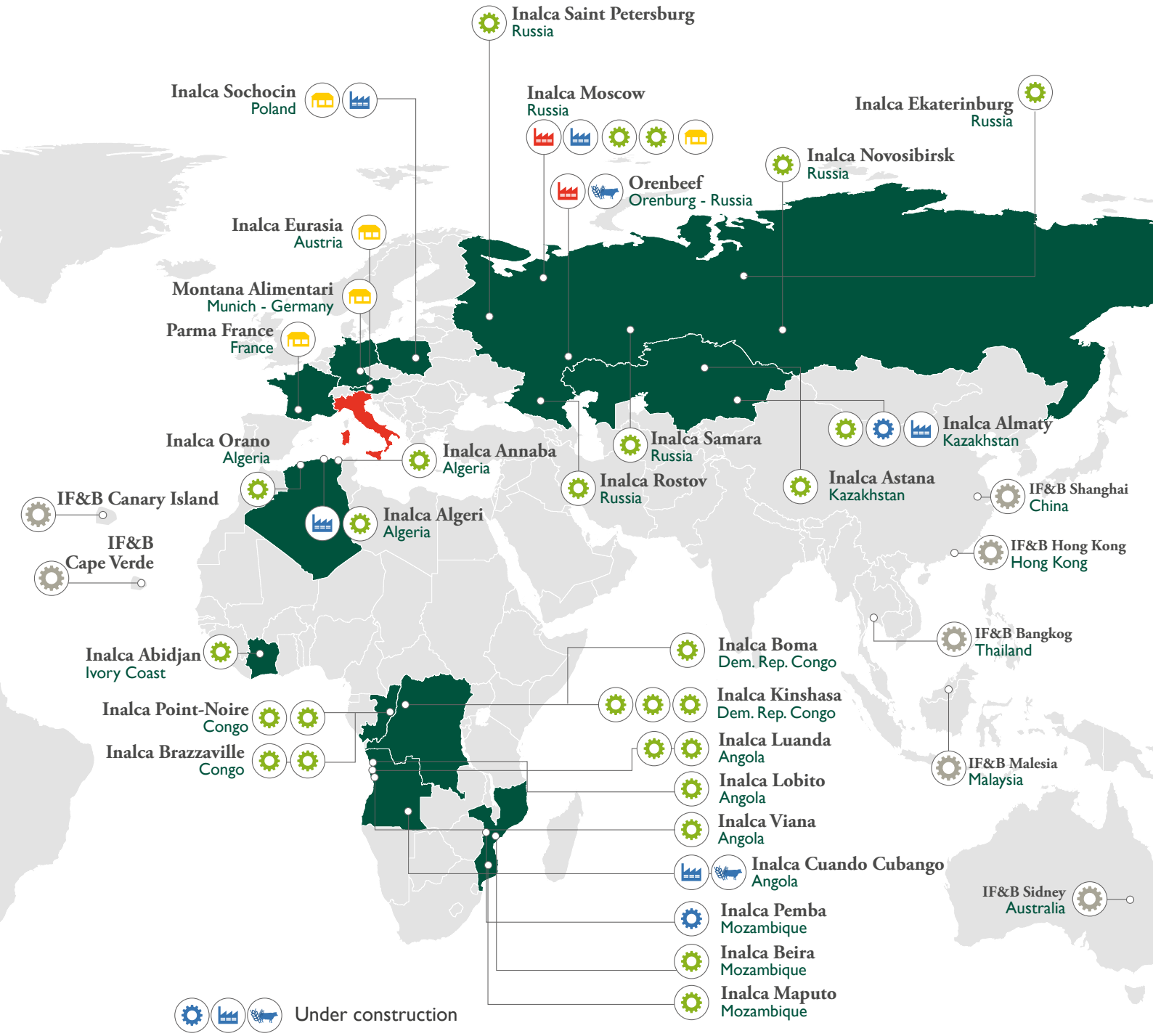
The INALCA Group worldwide

The Group operates internationally in the distribution of food products and meat production. There are 27 distribution platforms, respectively 7 in Russia, 18 in Africa and 2 in Kazakhstan, and 3 production plants, of which 2 in Russia and 1 in Canada. Through its subsidiary IF&B, INALCA has 25 foodstuff distribution centres located in USA, Australia, Cape Verde, Thailand, Hong Kong, China, Malaysia, Mexico and Canary Islands.

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

38%
of turnover comes from activities abroad

INALCA OPERATES IN **70** COUNTRIES WORLDWIDE



27
worldwide distribution platforms

3
production plants in Russia and Canada

7
sales offices

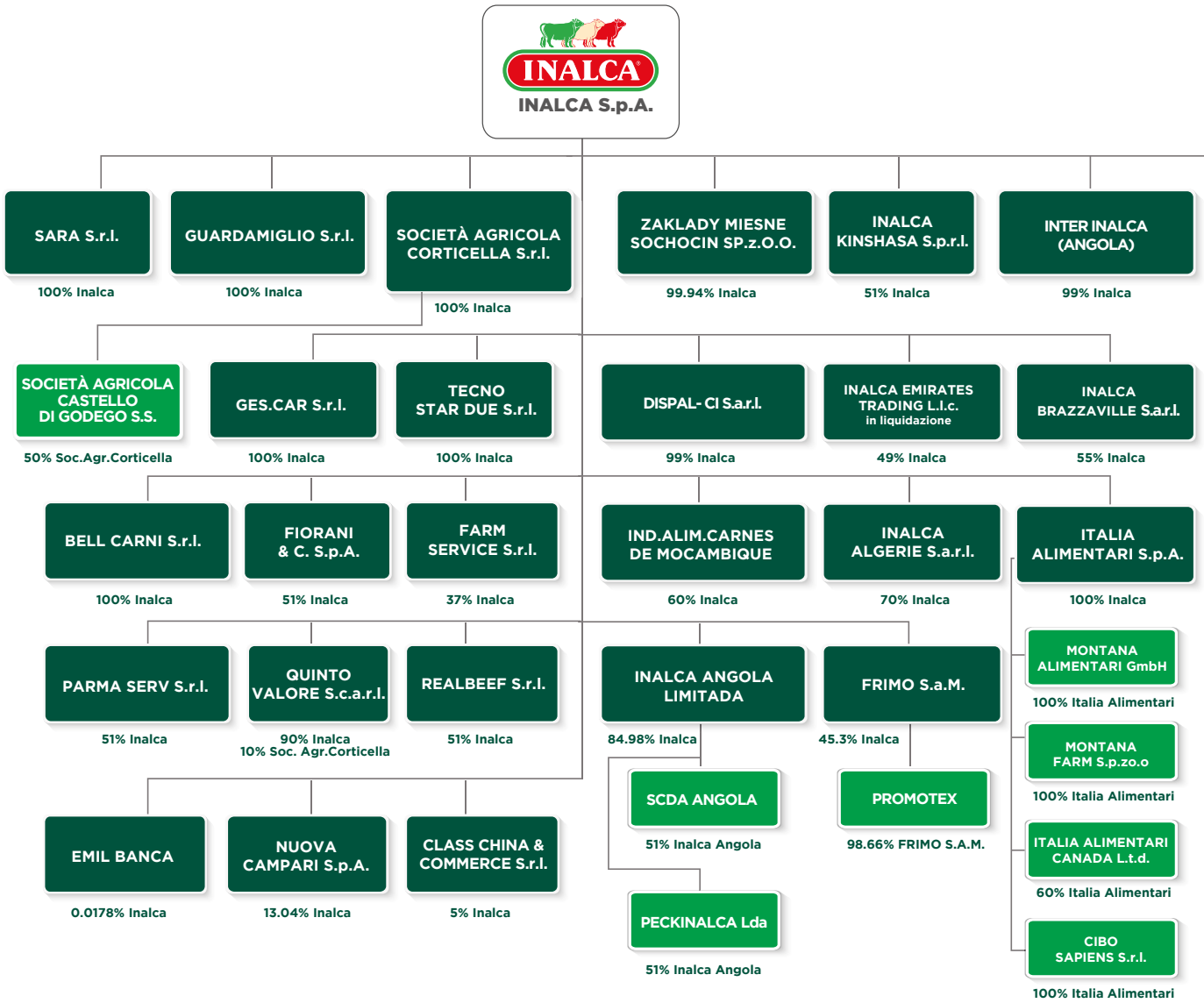
2
farms in Russia and Africa

25
IF&B distribution platforms

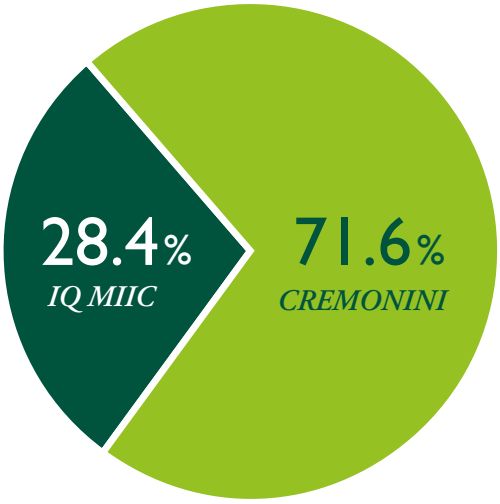
1.3 CORPORATE STRUCTURE

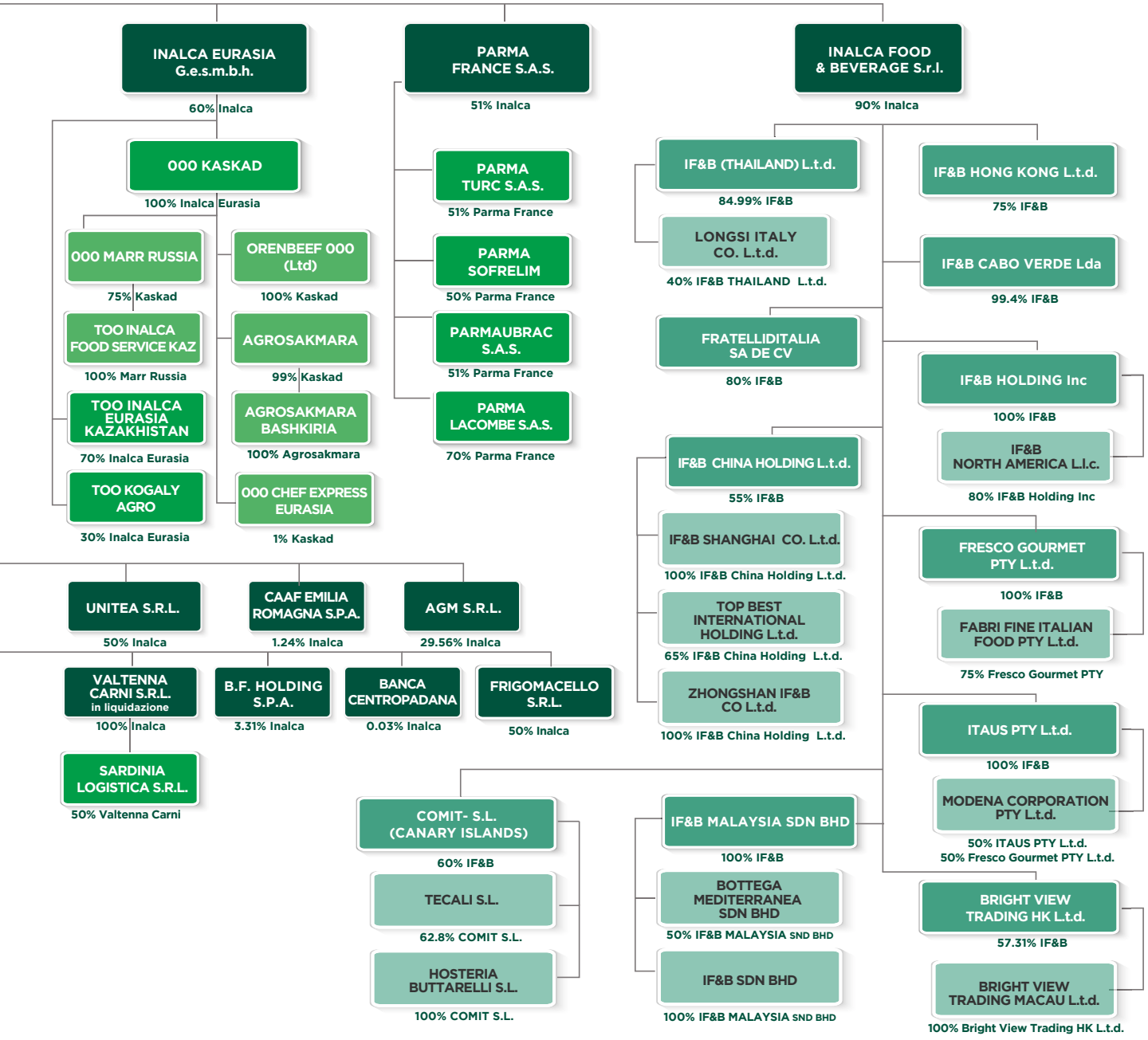
The company's activity in 2017 was based on the industrial reorganisation of recently acquired plants from the former Unipeg Group - Assofood.
Furthermore, in 2017, Inalca Food Beverage, Inalca's subsidiary dedicated to the distribution in the world of Italian foods to the catering industry, had the following companies enter its area of consolidation: Bright View Trading HK Ltd., Inalca Food & Beverage Malaysia Holding SDN BHD (and its subsidiary Inalca Food & Beverage SDN BHD), Inalca Food & Beverage China Holding Ltd. and its subsidiaries.

TABLE 2 - LIST OF INALCA GROUP COMPANIES AT 31.12.2017



INALCA is controlled by Cremonini S.p.A. by 71.6%, while the remaining 28.4% is held by IQ MIIC (IQ Made in Italy Investment Company S.p.A), vehicle company belonging to Italian Strategic Fund (FSI) and Qatar Sovereign Fund.





1.4 REFERENCE MARKETS AND DEVELOPMENT PROJECTS

INALCA exports meat and food products to over 70 countries and operates on a regular basis with logistics or production infrastructures in: **Italy, European Union, Russia and Euro Asiatic Republics, Africa**, in addition to another 10 countries in all continents.

ITALY

In 2017 INALCA continued the process of industrial reorganization of the plants acquired in 2016 from UNIPEG Soc.coop.agricola cooperative group and its subsidiary ASSOFOOD S.p.A., the second Italian operator in the slaughtering and beef processing sector. The operation further consolidated the Group's position of leadership in the domestic market and it also makes INALCA capable of competing with the main European industrial groups of the sector.

In the new productive context INALCA now has a plant dedicated to each category of animal slaughtered: the plant of Ospedaletto Lodigiano (LO) maintains its historic production specialisation in dairy cattle, producing meat intended primarily for industrial transformation. The establishment of Castelvetro (MO) concentrates on bulls and heifer slaughter, whose meat is mainly destined for GDO consumption without undergoing further transformation. The Pegognaga (MN) plant is dedicated to the slaughter of white meat calf, typical Italian product intended for national consumption and export to countries outside Europe. The production specialisations of the INALCA plants have entailed important industrial efficiencies and better logistical organisation.

Furthermore, through its new factory in Castelnuovo Rangone, INALCA consolidates itself on processing fresh products, together with the Piacenza plants, of its subsidiary Fiorani & C, and the Ospedaletto Lodigiano plant. Another step towards production specialisation is the recent assignment to the subsidiary Fiorani & C of the management of the Castelnuovo Rangone plant. This operation will allow important projects of specialisation and production rationalisation also in this category of products. The Piacenza plant will be entirely dedicated to cattle, while that of Castelnuovo Rangone to pork. In this way the group will be able to effectively address the changed purchasing scenarios of national retail chains, aimed at favouring new forms of packaging, in particular the vacuum "skin" system, that performs better than the traditional protective atmosphere systems.

The Reggio Emilia plant was instead made by INALCA as a production and logistics platform entirely dedicated to COOP - Alleanza 3.0 customers, capable of producing semi-finished products for their sales points' butchers and ready-to-eat products.

INALCA - Pegognaga Plant (MN)

As will be better described in §12, the Group through this acquisition has also improved its own environmental performances, as a third anaerobia digestion plant has become a part of the company structure and above all the 50% participation of UNITEA S.r.l.: a company that manages an important electricity and heat production plant from renewable sources. **The new production structure allows in fact to substantially increase the share of green energy produced by the Group in line with the global sustainable development objectives (SDGs) 7 and 13.**

During 2017, INALCA also renewed its commitment in the livestock sector, consolidating the bovine production at its subsidiary Bonifiche Ferraresi S.p.A. Through this modern fattening centre INALCA is now able to implement a major recovery plan of Italian animal husbandry, developing a solely Italian supply line, an alternative to the current one based on using young French animals. The plan will be implemented in close partnership with farmers and agricultural associations and provides support to farmers in the south for the restoration of high-quality meat cows, the realisation of collection centres and first conditioning in animals' places of birth, in particular in Sicily and Sardinia, sending to Ferraresi Bonifiche and other fattening centres located in the northern parts of the country. Through this project therefore the south of Italy will be united in a large national supply chain, dedicated to extensive pasture breeding for the production of young cattle and farms of the Po Valley, which, thanks to the fertility of the land, can complete the fattening cycle with forage of high nutritional value capable of making the most of these animals' genetic potential. INALCA is the productive and commercial engine of this project, ensuring farmers the certainty of systematic animal withdrawal with economic conditions agreed in advance and the placement of the relevant meats in the medium-high segments of the market, thus exploiting the large potential of a 100% Italian supply chain. The operations described above, allow a stronger integration with the agricultural base and open up new possibilities for the implementation of further sustainability projects.

In the cured meats and snack sector, the subsidiary Italia Alimentari S.p.A. has intensified export activities overseas and has carried out a joint venture with an important Canadian company, leader in production and marketing of Italian food products. The objective of JV is to distribute cured meats, obtained from typical delicatessen products imported from Italy, on the market.
Italia Alimentari S.p.A. has also developed, through the subsidiary Cibo Sapiens S.r.l., a line of high health content sandwiches.

Breeding Centre of Jolanda di Savoia (FE)

EUROPEAN UNION

POLAND

Poland, a country with a strong economic and agricultural growth, is an emerging market for the Group, both in terms of animal supply and the outlet of its products. Poland is therefore a very important country in which to build an integrated and sustainable beef chain over the next few years.
During 2016, industrial activities focused on the start-up of the new Polish factory operated by **Zaklady Miesne Sochocin Sp. Zoo** and located in Socochin, a town in Plonsk County, Masovian Governorate, in the middle eastern part of the country, the area of the most livestock vocation.

It is an integrated plant that will slaughter, cut and produce burgers for the local market and neighbouring countries. Through this new manufacturing facility, the Group will also be able to realise an integrated and sustainable supply chain based on modern criteria and principles to protect animal welfare, the environment and an equitable economic balance with the agricultural world, today with a difficult outlet on the market. Currently, the Polish beef production chain is still of a traditional type, mainly based on commercial intermediaries, as opposed to direct partnership agreements, developed over a long term directly by breeders with the processing industry.

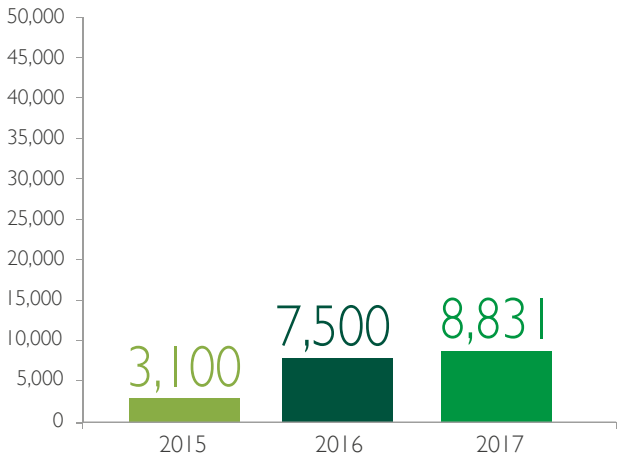
Rendering of new slaughterhouse and meat processing plant in Poland

RUSSIA AND THE EURASIAN REPUBLICS

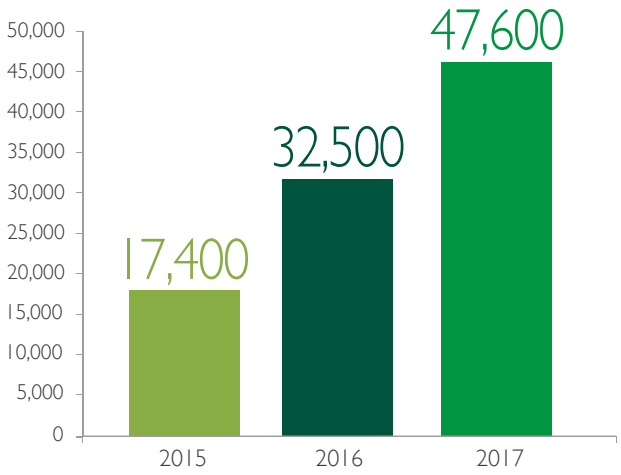
RUSSIAN FEDERATION

In Russia, the slaughtering and processing plant managed by its subsidiary Orenbeef operates at full regime. The plant is based in the Orenburg Region, on the river Ural and is located in the southern limit of the Eastern European part of Russia, on the border with Kazakhstan, in a region of 124,000 square kilometres and about 2 million inhabitants, one of the most agricultural areas of Russia.
The Orenburg plant, with over 8,800 tons of meat produced in 2017, has increased quantities by 15% and increased the number of animals slaughtered by 42%.

TAB. 3A - ORENBEEF - TONS OF PROCESSED BEEF/YEAR



TAB. 3B - ORENBEEF – N° HEADS SLAUGHTERED/YEAR



The plant, which boasts a slaughter capacity of 75,000 animals per year, is the tool to enhance and support the expected bovine population growth in the region. The slaughtering plant in fact constitutes the link between the agricultural world and the distribution to consumers, making it in fact the cornerstone for the realisation of a completely integrated supply chain, from the field to the table. The project therefore covers a particularly socio-economic relevance for the territory, a provider for the development of cattle breeding and the rural community of this region. By virtue of the technology adopted and its integration with the other production and logistic facilities in Russia, the new plant will guarantee local farmers certainty in acquiring the animals and an adequate payment for their work, as according to the model already widely experimented by INALCA in Italy.

An area was also acquired for the expansion of the Odintsovo industrial complex (Moscow), with the aim of doubling local distribution activities.

As will be better explained in § 7.3, to complete the production chain of the Orenburg plant, the company has started the construction of some cattle farms in the Orenburg region and in the neighbouring regions of Tatarstan and Bashkiria.

KAZAKHSTAN

In Kazakhstan, the Group started meat production and food distribution activities. A centre is active for the distribution of food products in the city of Almaty and the construction of a new slaughter plant is planned in the suburbs of the same city.

INALCA - Moscow plant (Russia)

AFRICA

The main activities in this area concern preliminary studies for the construction of cattle breeding in region of Cuando Cubango (Angola).
INALCA, together with some local partners, has started a project to build a large processing and storage centre for wholesale distribution in the Angolan capital of Luanda.

2017 was in general a year of consolidation of the Made in Italy food distribution strategy on Russian and African markets, where INALCA boasts an almost thirty-year presence.

OTHER GEOGRAPHICAL AREAS

During 2017, the Group, through the subsidiary INALCA Food & Beverage S.r.l. ("IF & B"), has consolidated its network of companies operating in the same markets, such as China, USA, Australia, Thailand, Malaysia, Canary Islands, Mexico and Cape Verde. IF & B Italia, by virtue of a commercial agreement with Marr S.p.A. consolidated its strategy of integration within the Group, placing itself as a reference company in internalisation processes, particularly in the distribution and Ho.Re.Ca sectors.
Below is a breakdown of the countries in which IF & B has developed its activities during 2017.

CHINA

Activities are carried out through a Holding Company in Hong Kong: Inalca Food & Beverage China Holding Ltd which controls two local operators, whose food production and distribution activities are constantly growing, with an ever greater territorial coverage.

HONG KONG

Bright View carries out distribution activities throughout the city, using a widespread "delivery" service of three temperatures warehouses.

USA

Activities, mainly in the Retail sector, are carried out through Inalca Food & Beverage North America.

AUSTRALIA

In Australia, the activities are managed by Itaus Pty Ltd in the Ho.Re.Ca sector and Fresco Gourmet Pty Ltd in the retail sector, which have recently opened a large warehouse.

THAILAND

Activities are managed by the subsidiary Inalca Food & Beverage Thailand Ltd, both directly and through a company subsidiary, with a series of logistical infrastructures and in particular 7 warehouses, with activities, such as B2B distribution, including direct resale to the consumer (B2C).

MALAYSIA

Activities are managed by the subsidiary Inalca Food & Beverage Malaysia Sdn Bhd which, through a controlled company, manages a warehouse with a small resale to the public.

CANARY ISLANDS

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

MEXICO

In Mexico, distribution activities are carried out through the local company Fratelliditalia Sa De Cv, which has a warehouse including direct sales to the final consumer.

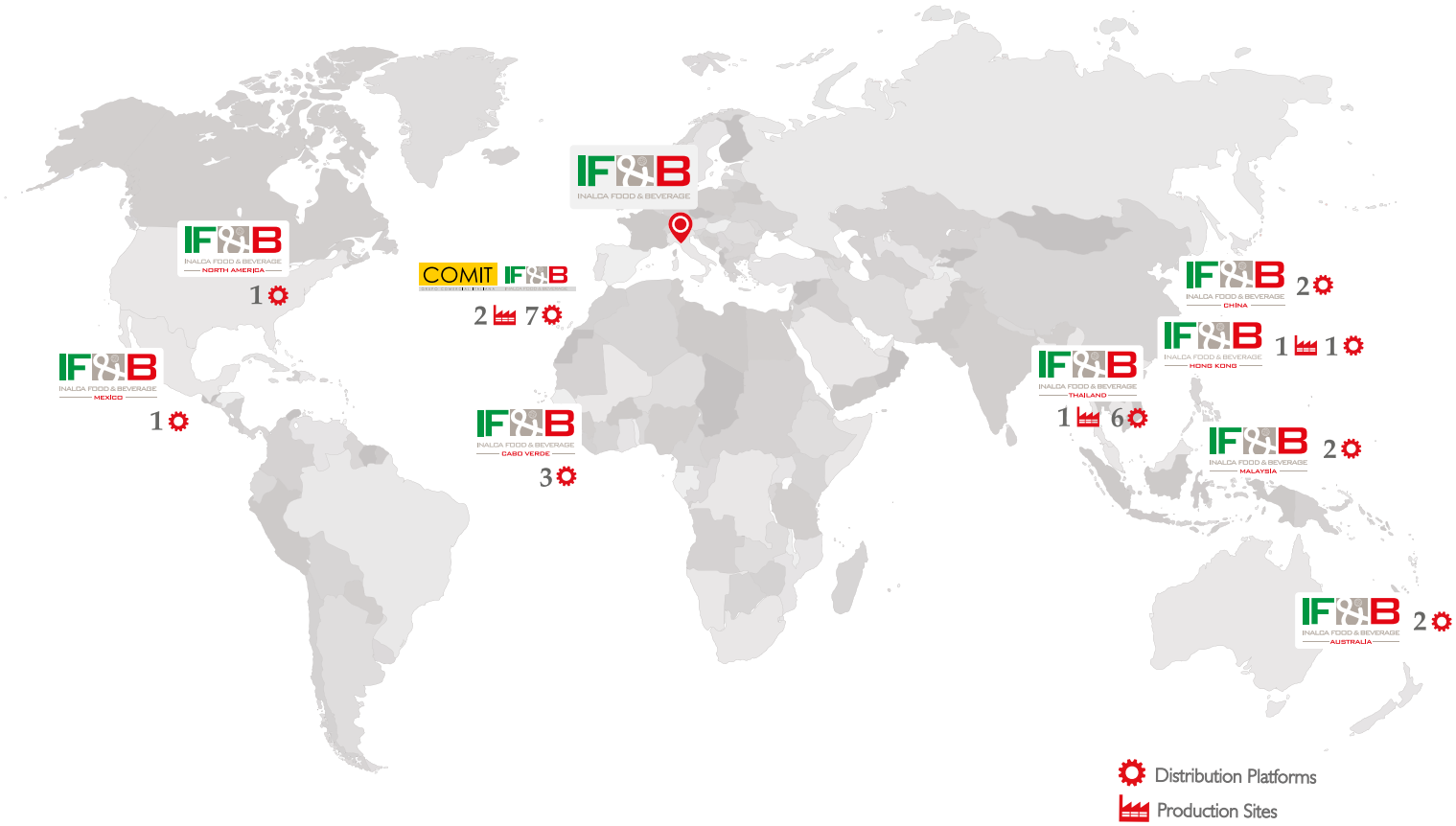
CAPE VERDE

The branch is present on the three main islands of the archipelago, all equipped with warehouses for ambient products, refrigerated and frozen temperatures, which allow to serve business and consumer customers through retail. Thanks to its geographical position synergies with Comit have been implemented.

CANADA

In Canada there is an establishment for slicing cured meats managed by Italia Alimentari Canada Ltd. The establishment allows the production of sliced products with a high service content for the Canadian territory and export to the USA.

OVERVIEW OF INALCA FOOD & BEVERAGE IN THE WORLD



INALCA FOOD & BEVERAGE ACTIVITIES

1.5 PRIMARY BRANDS AND PRODUCTS

INALCA, with more than **5,500** employees, produces and markets a full range of fresh and frozen beef, vacuum packaged in a protective atmosphere, skin pack, ready to eat products, canned meat and meat extracts. There are over **500,000** tonnes of meat processed and marketed every year by the company, of which **100,000** tons of hamburgers and **200** million cans. The brands of reference are Montana, Manzotin, Ibis at national level and Texana, Bill Beef and Mamma Tina internationally.

The company packs about **100,000,000** pre-sliced trays per year, **20,000,000** snacks and sandwiches, processes more than **40,000** tons of cured meats.

more than
5,500
people
employed
by the Group

more than
500,000
tons of processed
and commercialised
meat per year

100,000
tonnes of hamburgers
per year

200,000,000
cans

20,000,000
snacks and sandwiches
per year

100,000,000
pre-sliced trays
per year

More than **40,000**
tons of cured meat
processed
per year

OUR BRANDS


MONTANA
la Trippa
Tradizionale
MONTANA
il Ragù
alla Bolognese
MONTANA
Ragù
alla Bolognese
ibis
PROSCIUTTO PRAGA
ibis
Cuor di Cantina
100% carne italiana
LA CULATTA DI BUSSETO
4
hamburger
MONTANA
MONTANA
Leggera di Pollo
1% grassi
Petto di Pollo grigliato
carne magra in gelatina
MONTANA
4 HAMBURGER
Bio
surgelati
4x100g
100% CARNE DA ALLEVAMENTI ITALIANI
Manzotin
Senza Glutammato • Senza Glutine
Manzotin
MONTANA
4 HAMBURGER
Naturali
MONTANA
MAGRA
senza glutine
gelatina con brodo di carne
senza glutammato
100% CARNE DA ALLEVAMENTI ITALIANI
4x90g
MONTANA
IL PRIMO HAMBURGER ITALIANO CON DICHIARAZIONE AMBIENTALE
EPD

2. GOVERNANCE

2.1 CORPORATE GOVERNANCE

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

The Board of Directors of INALCA on 31st December 2017 is composed of the 7 members identified below:

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

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

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

The Board of Auditors is composed of 3 members:

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

THE BASES OF THE MANAGEMENT SYSTEM

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

The bases of the management system are made by the company's organisational model pursuant to Legislative **Decree 231/2001**, by the rules **OHSAS 18001** in the field of health and safety at work, **ISO 14001** in the environmental sector, **ISO 9001 / IFS** in that of quality and food safety, and finally by the **GRI 4** guidelines for the preparation of the Sustainability Report. From the integrated application of these technical references follows a complex system of rules and internal procedures applied at all levels of the company.

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

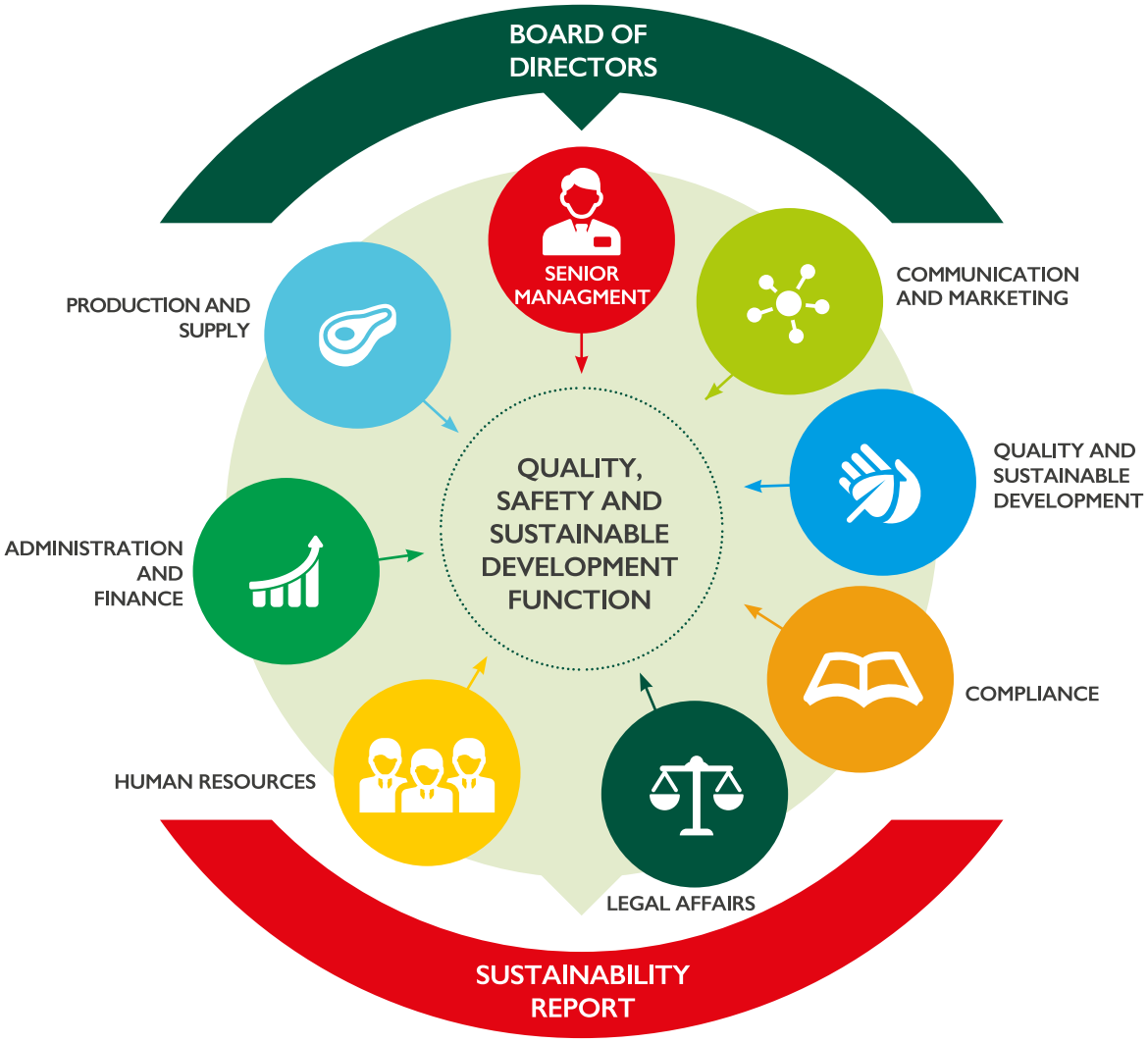
2.2 MANAGEMENT OF SUSTAINABLE DEVELOPMENT

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

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

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

PREPARATION OF THE SUSTAINABILITY REPORT



2.3 APPLICATION OF THE PRINCIPLE OF PRECAUTION

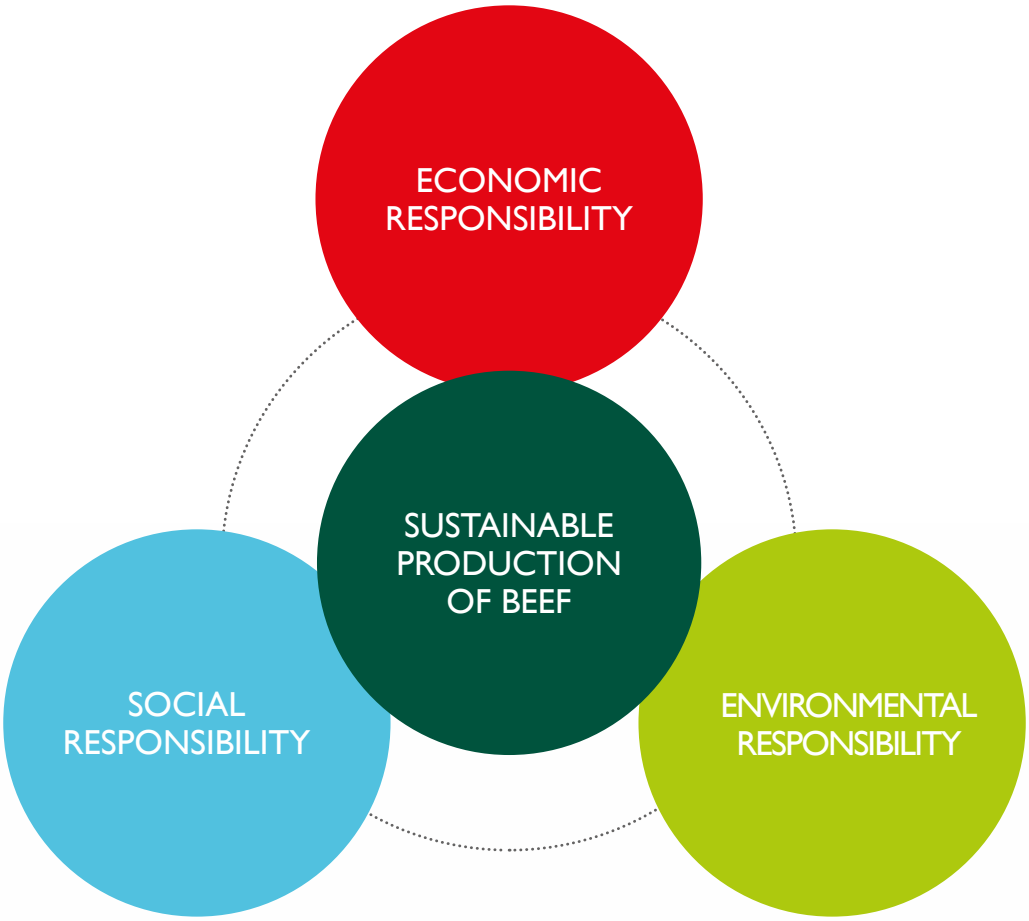
In the management of environmental issues INALCA systematically adopts the principle of precaution in accordance with the rules of the sector in the countries where the company operates and the United Nations Declaration on Environment and Development, 1992 - Principle 15.

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

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

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

THE SUSTAINABILITY MODEL ADOPTED BY INALCA



3. ECONOMIC AND FINANCIAL PERFORMANCE

EVOLUTION OF INALCA'S SUPPLY CHAIN IN ITALY

FROM FARM TO FORK

EVOLUTION OF INALCA'S SUPPLY CHAIN ABROAD

FROM FORK TO FARM

3.1 THE COMPANY MODEL INTEGRATED THROUGHOUT THE ENTIRE SUPPLY CHAIN

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

Strengthened by its Italian identity, synonymous of quality and excellence in food, for over 20 years INALCA's development was initially based on the penetration of emerging economies, particularly the Russian Federation and Africa; today this is extended to the Eurasian Republics, the European Union, USA, Australia, Canada, South East Asia and Italy, where the Group has launched its most important activities during 2016.

Contrary to the historical development process in Italy, where the company built the integrated chain according to a "Downstream" model - also defined as "From Farm to Fork" - abroad the growth path followed the opposite direction, "From Fork to Farm". In fact, the business model applied to non-European markets initially provides stable and continuous sale of food products to local operators, in a B2B context and mainly in the Catering and Ho.re.ca segments, possibly supported by a local sales office.

Following the first stage, logistics and distribution infrastructures are implemented, in particular refrigeration stores, warehouses and transport vehicles. At the end of this second phase, where the company develops profound knowledge of its reference markets, the implementation of industrial plants follows, dedicated to the on-site production of processed products conceived for the typical consumer styles of the local communities.

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

At the end of this journey, the company is fully integrated from a productive point of view and permanently integrated into the social context of its own market. A business model based on a long-term vision and on strong territorial integration.

During the reference period of this report, after a long cycle of development abroad, the company is facing its most important challenges in the European Union: in Italy and France in the field of livestock breeding and processing, in Poland with that of slaughter and transformation.

With the new consolidated industrial setup and the increased business size, the Group will also be able to take on the Community market, according to its own supply chain model with integrated flows of raw materials and finished products in the various countries indicated above. In 2017, in non-EU countries, activities were mainly concentrated in the breeding and distribution sectors.

BREEDING

Breeding is the ring of the supply chain on which INALCA is investing not only in Italy and France, but also in the Russian Federation, this is crucial for the development and enhancement of local animal husbandry and food security.
Russia owns one tenth of the world's cultivable land with an enormous production capacity for animal feed cultivation but needs know-how, technology and investment in the livestock sector.
For this reason, in 2017, several intensive livestock farms (feedlot) are being built in Orenburg and in the neighbouring regions of Tatarstan and Bashkiria.

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

The Ferraresi Bonifiche initiative has a great social value as it represents the missing link to make the livestock system of the central and southern areas of the island economically sustainable for small companies, exclusively local commercial circuits and fragmented by a system of extensive breeding. The feedlot of Bonifiche Ferraresi will in fact allow the constant collection of the heads coming from these territories and their valorisation in the qualified markets of the national GDO, with the effect of supporting agriculture and protecting these areas from being abandoned.

3.2 ECONOMIC CONTEXTS

BEEF SECTOR

The 2017 fiscal year saw once again the Community beef market affected by trends of a rather weak economy and high unemployment rates, factors that depress income available to final consumers.

The per capita consumption of meat still appears slightly in decline; less and cheaper has been bought, preferring sales channels oriented towards savings or promoted products. A sign that the choice was not only made for health or ethical reasons, but also due to a greater propensity toward saving money. In fact, beef is the food richest in nutrients and also amongst the most expensive, therefore the first to suffer consequences.

However, despite this unfavourable general outlook, in 2017, the Italian beef market has shown some signs of recovery, in particular the increase in cattle rearing in Italy (+ 2%), increase of bovine slaughtering (+ 0.8%), a drop in imports (-3%) and an important sign of consolidation for some superior quality meat categories, like the heifer. Signs that the market in Italy is moving towards the research for products with Italian character, thanks also to the rediscovered profitability of breeding farms.

In 2017, there was a growth in all of INALCA's activities, both in the traditional meat with bone, as vacuum packed, in portioned products and by-products.

In 2017, Inalca consolidated its role as a leader in the beef market, settling at a quota of 25% of the national slaughtering market.

Regarding the canned meat market, the company is the first national producer: it produces canned meat for the major Italian private label retail chains, with its Montana brand firmly second in the market, growing by double-digits in a substantially stagnant market, and its Manzotin brand placed third.

The canned meat destined to foreign markets have suffered a decline in volumes due almost entirely to the difficulties of the Angolan market in finding the necessary resources in dollars to pay for the supplies, whilst volumes on the Cuban market were consolidated.

Frozen hamburgers, intended primarily for multinational fast food chains and retail channels, recorded growth of around 12%, thanks to the expansion of Burger King, Mc Donald's and development in the Ho.Re.Ca channel by Marr in Italy and other groups in Europe.
The growth in turnover of the Italian bovine sector has overall recorded a recovery in margins, due mainly to the

effects of the business units acquired, which have obtained the first synergies deriving from the specialisation of plants.

Another step towards specialisation is the assignment to the subsidiary Fiorani & C S.p.A. of the management of the Castelnuovo Rangone plant, in order to concentrate the company's production activities of the Portioned and Processed Business Units under single management.

Lastly, there is an appreciable increase in volumes relating the operations of butchery departments managed by subsidiary Guardamiglio S.r.l and in activities of subsidiary Fiorani & C. S.p.A. logistics and industrial platform.

With regards to foreign operations, there were positive performances for Russian companies, thanks to a consistent increase in slaughter activities in Orenburg and a good performance by Marr Russia, also in recovery: in Russian currency (roubles) business grows by around 12%.

African companies are more in difficulty, with a decline in turnover and margins compared to the past exercise; the Ebitda of the African continent notes a reduction of almost 19 million Euro due to the purchasing power crisis of some African markets, caused by a strong devaluation of some local currencies, the oil price crisis, with consequent negative impacts on exchange rates.

CURED MEATS AND SNACK SECTOR

In 2017, the consumption of cured meats, in contrast with previous years, has registered a timid increase, 2.7% in value and 1.4% in quantity (source: report 7/2018 Ismea on Nielsen data).

The propensity of consumers to search for the "best price" is ever more markedly reconfirmed, has determined the success of the "Discount" formula and pushed the Great Distribution to propose their own "first price" product lines. In 2017, the Great Distribution chains grew by 1.4% (3.2% food discounts) against a decrease of 0.8% in small independent shops (Source: ISTAT "retail sales" press release of 7th February 2018).

Naturally, the change in the distribution structure means an ever increasing shift of volume movement from branded products (which must be increasingly characterised by qualitative excellence and offer innovative proposals in contents and pack) to the so-called "first price" and "private label" products.

Given these factors, the Company has reacted aiming to conclude new contracts and accept the price competition in all sales channels with the goal of saturating its production capacity, enhancing its industrial technological heritage and greater efficiency in structural costs. An aggressive showing on the market achieved good results, both in terms of volumes (increased by 15.9%) and in value scoring + 20%.

The competition is more complex in snack products. In fact, having to do with products of high service content (which obviously takes into account the consumer price) and largely "substitutable" by similar products prepared by the provider or directly by the consumer, the competition also functions through the search for captivating products, with diverse ingredients, not readily available to the consumer, with contents attentive to health trends and dietary needs of certain particular categories of consumers.

However, the company was able to react both commercially and industrially, concluding important contracts with modern and important distribution operators in the dietetic and health sectors as well as proposing new product lines that immediately found market favour. These actions have resulted in volume growth of 19.3% and turnover of 22.7%.

Today the company plays a role of absolute leadership in the bar and Ho.Re.Ca channels, articulating its presence through various distribution systems operating nationwide.

The latest available cured meat sector ranks Italia Alimentari in fifth place in Italy as regards volumes, but it is certainly amongst the leaders in terms of investments and technology. In general, the company is trying to deal with the difficult market situation by strengthening trade relations with foreign countries such as the United Kingdom, France and Japan. With the aim of establishing a direct presence in the North American sub-continent, until now served only through commercial relations, the company has formed a Joint Venture with a leading company in the south of Canada in the production and marketing of Italian food products. The goal of the JV is industrially slicing delicatessen products imported from Italy (through Italia Alimentari) and related marketing in the local GDO channels with the possibility of entering the US market.

INALCA'S ECONOMIC AND FINANCIAL RESULTS

Revenues from the production sector amounted to 1,968.2 million Euro, up on the 1,760.7 of 2016 by 207.5 million EURO. The gross operating margin passes from 119.1 million Euro to 109.1 million with a decrease 10.0 million and the operating result went from 66.4 to 52.3 million Euro down by 14.1 million.

The framework of distrust that had characterised much of 2016, which had already partially dissolved towards the end of the past exercise, has left room for a general climate of optimism that strengthened during 2017 thanks to the confirmation of global growth rates. International geopolitical tensions, fluctuations detected on the currency market and price of oil however, continue to significantly influence the markets in which the sector operates.

In this context, the meat sector recorded growing revenues thanks to the contribution of the Unipeg and Assofood branches acquired on 1st May 2016, the positive results recorded in Russia, the expansion of the distribution of food products to the foodservice resulting from acquisitions carried out by the subsidiary Inalca Food & Beverage S.r.l. and to the positive contribution of the cured meat sector.

Margins were growing in Europe and Russia while in Africa the strong consumption crisis linked particularly to the declining oil price, local currency devaluation, the impossibility of importing chicken meat in Angola and a worsening of the competitive scenario in Congo on the "frozen fish" product have determined a decline in sales and margins, only partly offset by the positive results recorded in Mozambique following the opening of the new distribution platform.

3.3 CONSOLIDATED INCOME STATEMENT

TABLE 4 - CONSOLIDATED FINANCIAL STATEMENTS ON DECEMBER 31ST, 2017

(In thousands of Euro)	31.12.2017	31.12.2016
Revenues	**1,944,698**	**1,743,715**
relating to related parties	96,134	99,097
Other revenues	**23,524**	**17,033**
relating to related parties		
Change in inventories of finished and semi-finished products	**(6,598)**	**(7,976)**
Capitalisation of internal construction costs	**6,874**	**3,278**
Costs for purchases	**(1,398,615)**	**(1,223,170)**
relating to related parties	(20,540)	(46,630)
Other operating costs	**(277,676)**	**(253,949)**
relating to related parties		
Personnel costs	**(183,732)**	**(161,041)**
Amortisation and depreciation	**(46,271)**	**(42,057)**
Write-downs and provisions	**(10,575)**	**(10,691)**
Revenue / (Losses) from equity investments	**490**	**474**
Financial Income / (Charges)	**(19,770)**	**(17,965)**
relating to controlled companies	57	(41)
relating to related parties	(184)	112
Result before taxes	**32,349**	**47,651**
Income taxes	**(17,053)**	**(17,251)**
Results before minority interests	**15,296**	**30,400**
Result attributable to minority interests	**(2,148)**	**(4,946)**
Results for the period attributable to the Group	**13,148**	**25,454**

TABLE 5 - CONSOLIDATED VALUE ADDED STATEMENT ON DECEMBER 31ST, 2017

(In thousands of Euro)	31.12.2017	31.12.2016	Var. %
Total revenues	**1,975,096**	**1,764,026**	**11.97**
Changes in inventories of work in progress, semi-finished and finished goods	(6,598)	(7,976)	
Value of production	**1,968,498**	**1,756,050**	**12.10**
Cost of production	**(1,675,687)**	**(1,475,762)**	
Value added	**292,811**	**280,288**	**4.47**
Personnel costs	(183,732)	(161,042)	
Gross operating margin (a)	**109,079**	**119,246**	**(8.53)**
Amortization, depreciation and write-downs	(56,846)	(52,748)	
Operating Income (b)	**52,233**	**66,498**	**(21.45)**
Net financial income (charges)	(19,770)	(17,965)	
Profit from ordinary activities	**32,463**	**48,533**	**(33.11)**
Net income (charges) from investments	490	474	
Result before taxes	**32,953**	**49,007**	**(32.76)**
Extraordinary income (charges)	(604)	(1,357)	
Income taxes for the financial year	(17,053)	(17,250)	
Result before minority interests	**15,296**	**30,400**	**(49.68)**
(Profit) Loss attributable to minority interests	(2,148)	(4,946)	
Net profit attributable to the Group	**13,148**	**25,454**	**(48.35)**

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

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

3.4 DISTRIBUTION OF REVENUES BY AREA AND PRODUCT CATEGORIES

TABLE 6 - DISTRIBUTION OF REVENUES BY GEOGRAPHIC AREA

(In thousands of Euro)	31.12.2017	%	31.12.2016	%
ITALY	1,218,552	62%	1,033,447	59%
UE	268,251	13%	226,966	13%
RUSSIA	253,878	13%	200,435	11%
AFRICA	232,272	12%	217,413	12%
OTHER REGIONS OUTSIDE EU	2,143	0%	65,454	3%
TOTAL	1,975,096	100%	1,743,715	100%

TABLE 7 - DISTRIBUTION OF REVENUES BY PRODUCT CATEGORY

(In thousands of Euro)	31.12.2017	31.12.2016	Difference	Diff. %
Italian meat				
Total revenues	1,337,723	1,192,642	145,081	12.16
EBITDA	60,193	55,107	5,086	9.23
Amortization and depreciation	(33,033)	(31,957)	(1,076)	3.37
Operative income	27,160	23,150	4,010	17.32
Foreign meat				
Total revenues	568,904	560,622	8,282	1.48
EBITDA	36,369	56,116	(19,747)	(35.19)
Amortization and depreciation	(13,837)	(12,411)	(1,426)	11.49
Operative income	22,532	43,705	(21,173)	(48.45)
Intersectorial Adjustments				
Total revenues	(148,324)	(146,567)		
EBITDA	186	158		
Amortization and depreciation				
Operative income	186	158		
Cured meats				
Total revenues	171,030	141,903	29,127	20.53
EBITDA	10,850	8,384	2,466	29.41
Amortization and depreciation	(7,643)	(7,039)	(604)	8.58
Operative income	3,207	1,346	1,861	138.26
Food & Beverage				
Total revenues	67,734	36,171	31,563	87.26
EBITDA	1,494	(515)	2,009	(390.10)
Amortization and depreciation	(2,333)	(1,341)	(992)	73.97
Operative income	(839)	(1,856)	1,017	(54.80)
Consolidation adjustments				
Total revenues	(21,971)	(20,745)		
EBITDA	(13)	(4)		
Amortization and depreciation				
Operative income	(13)	(5)		
Total				
Total revenues	1,975,096	1,764,026	211,070	11.97
EBITDA	109,079	119,246	(10,167)	(8.53)
Amortization and depreciation	(56,846)	(52,748)	(4,098)	7.77
Operative income	52,233	66,498	(14,265)	(21.45)

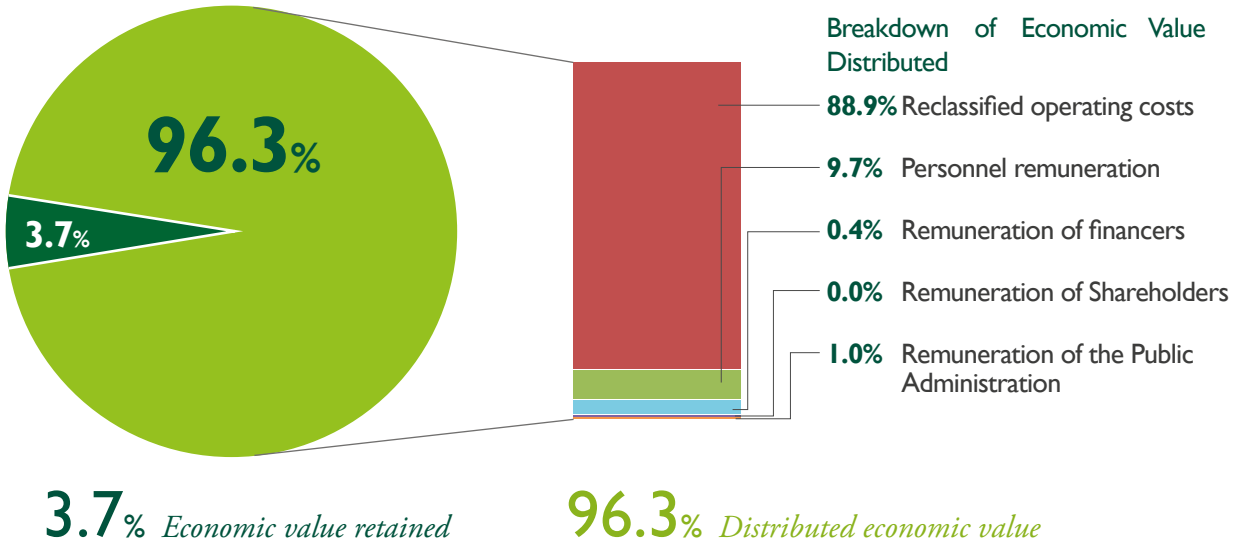
3.5 VALUE GENERATED AND DISTRIBUTED

TABLE 8 - VALUE GENERATED AND DISTRIBUTED

(In thousands of Euro)	2015	2016	2017
Direct economic value generated	**1,480,316**	**1,747,753**	**1,975,510**
Revenues from sales - Finished products	1,101,514	1,362,894	1,553,364
Revenues from sales - Goods	336,240	352,117	346,536
Revenues from sales - Various	12,600	11,034	14,054
Revenue from services	1,932	1,843	2,320
Revenue adjustments	(12,047)	(15,657)	(17,075)
Rental income	784	9	(16)
Other revenues from operations	13,003	31,478	45,516
Other income	18,937	17,033	23,524
Change in inventories of finished and semi-finished goods	14,397	(7,976)	(6,598)
Capitalisation of internal construction costs	2,894	3,278	6,874
Exchange gains (losses)	(11,754)	(10,537)	(14,487)
Derivatives gain	0	0	0
Financial income	1,854	1,765	3,009
Expenses / Income from investments	(37)	474	490
Economic value distributed	**1,399,897**	**1,664,605**	**1,885,120**
Operating expenses reclassified	**1,275,064**	**1,477,119**	**1,676,291**
Cost of goods - raw materials	669,708	841,476	986,334
Other purchase costs	359,264	381,694	412,280
Cost for services	227,930	232,492	251,946
Costs for use of third party assets	10,486	13,224	16,568
Other operating expenses	7,676	8,233	9,162
Staff remuneration	**103,189**	**161,041**	**183,732**
Wages and salaries	74,879	114,320	129,610
Social security costs	21,686	35,083	39,150
Staff severance provisiens	4,411	6,986	7,351
Other personnel costs	2,213	4,652	7,621
Remuneration of financiers	**10,481**	**9,194**	**8,044**
Derivative losses	0	9	366
Financial expenses	10,481	9,185	7,680
Shareholder remuneration	**0**	**0**	**0**
Remuneration of Public Administration	**11,162**	**17,251**	**17,053**
Income taxes	11,162	17,251	17,053
Economic value retained	**80,419**	**83,148**	**72,390**
Amortization and depreciation	51,934	52,748	57,093
Profit for the year allocated to reserves	28,485	30,400	15,297

3.6 A COMPANY WITH A HIGH RATE OF ECONOMIC SUSTAINABILITY

ECONOMIC VALUE GENERATED AND DISTRIBUTED DIRECTLY AT 31.12.2017



3.7% *Economic value retained*

96.3% *Distributed economic value*

The generated and distributed value (EVG & D) represents the first basic indicator of the value that the company has created for its own stakeholders. In the food sector, due to the low added value of production processes, the high incidence levels of raw materials and personnel in the company's income statement, the value transferred outside is particularly relevant. In other words, INALCA's business activity is considered to be at a **high economic sustainability rate**, since the value distributed outside is particularly high. As shown in the graph the distributed economic value, in fact, represents 96.3% 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 transfer the most value outside, since the incidence of agricultural raw materials is particularly high.

During the year, the value generated by the INALCA Group increased substantially. 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 staff, suppliers and the public administration is consequently increased accordingly.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PRINCIPLES AND PRACTICES OF SUPPLY

INALCA privileges, where possible, the purchase of products and raw materials from local suppliers developing with them stable and lasting partnerships based on a "win-win" approach. **The growth of local suppliers determines, in fact, overall more favourable economic benefits in the areas where the Group operates**. A selection of local suppliers is not always possible and depends on the characteristics of the territory. Russia represents an important area, where relationships with local suppliers have developed successfully. Some performance indicators in this sector reported by subsidiaries MARR RUSSIA and ORENBEEF are shown below.

MARR RUSSIA

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

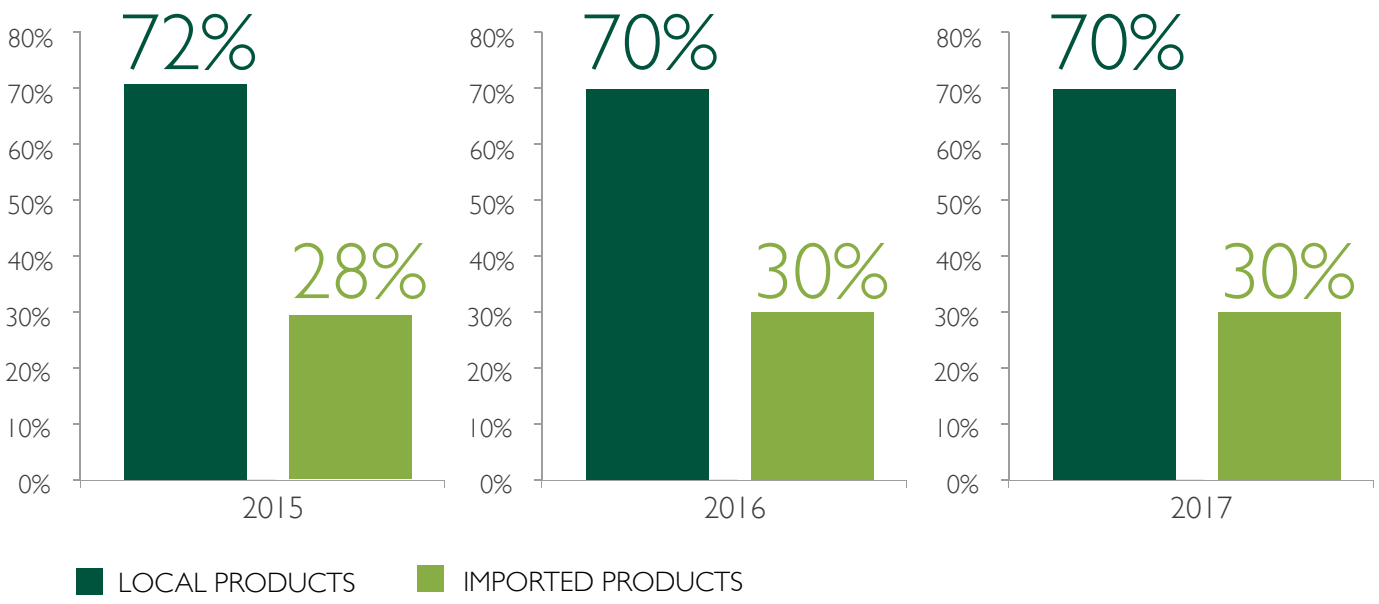
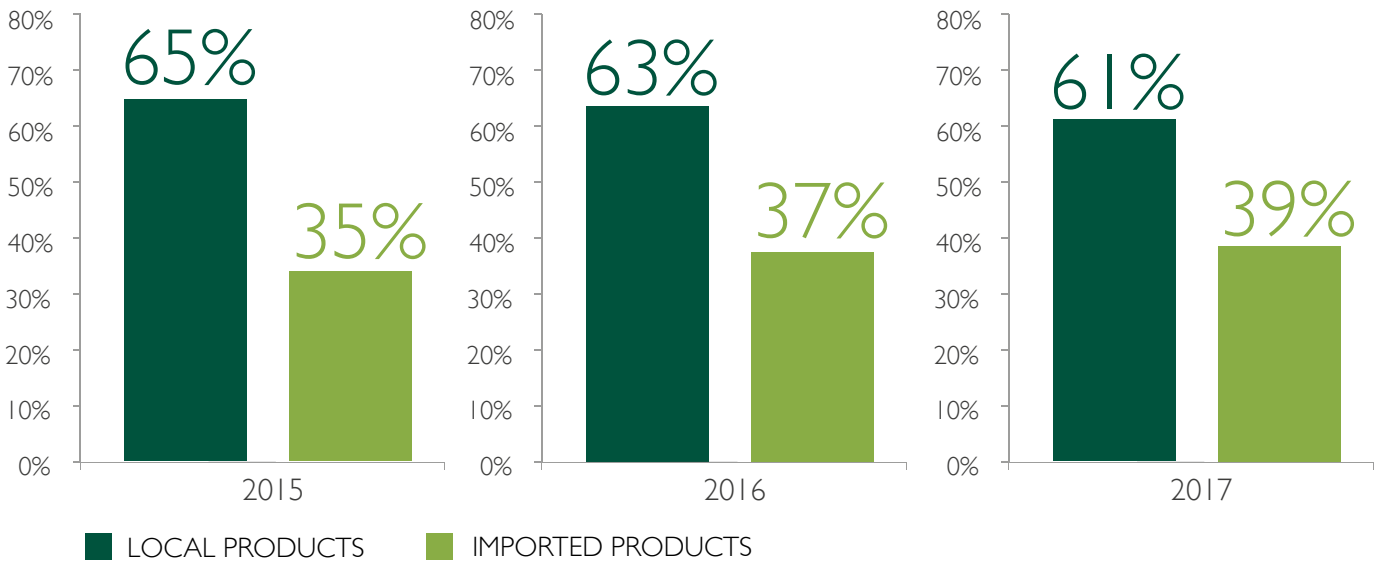
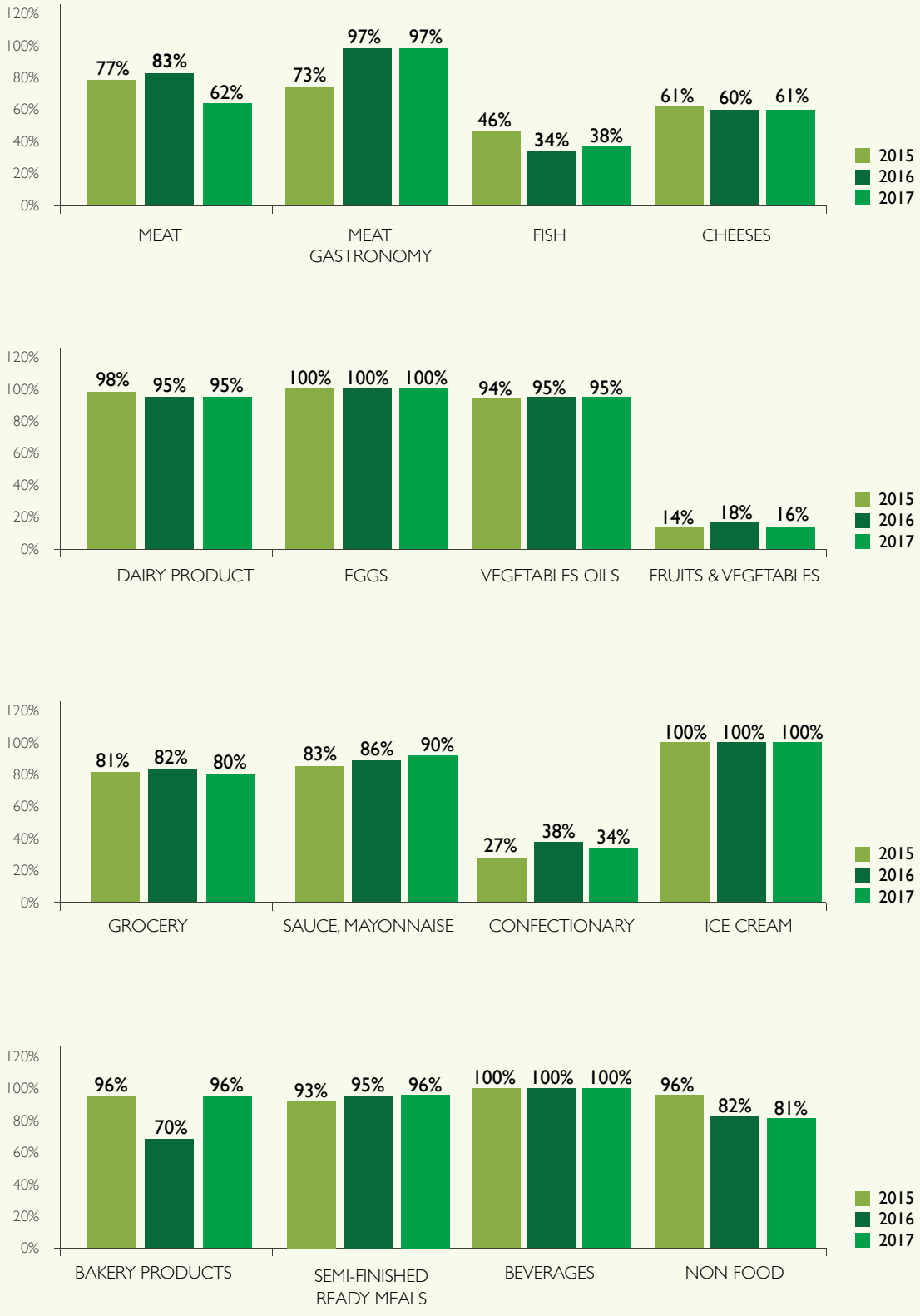


TABLE 10 - SUPPLY OF PRODUCTS FROM NATIONAL AND FOREIGN SUPPLIERS WITH VALUE (%)



The chart below shows the quantitative distribution by product commodity. This chart evidences that in almost all major goods categories there was an increase in the percentage of locally produced goods in 2017; this figure is particularly relevant in the meat sector where INALCA has strengthened its own production chain thanks to the productive consolidation of the Orenburg slaughterhouse, thus reducing the use of imported meat destined for local catering.

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

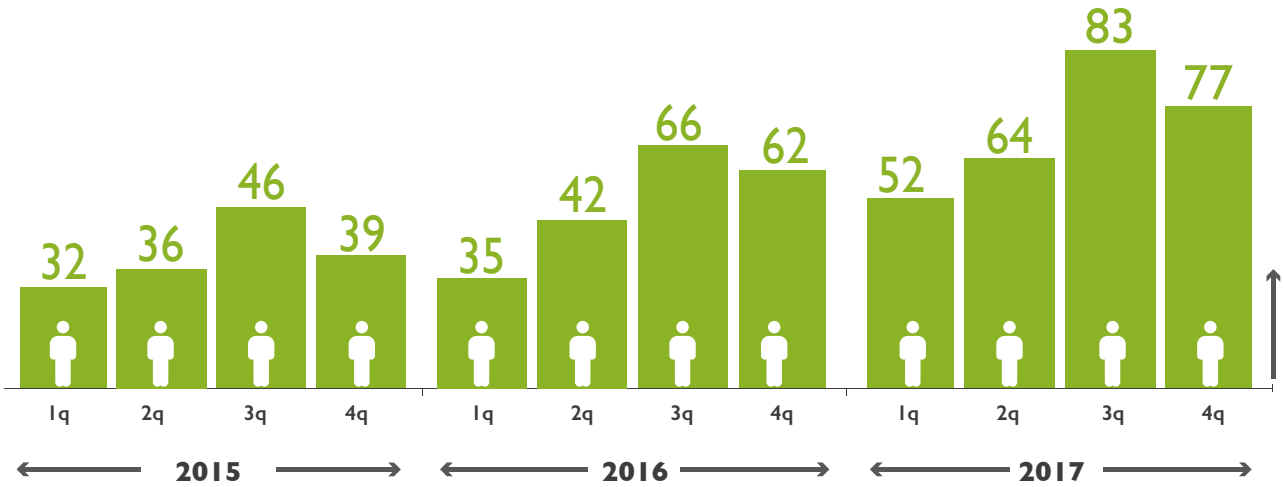


ORENBEEF

In the case of Orenbeef, the supply of bovine animals is carried out exclusively through local suppliers. The following charts show the 2015 - 2017 trends in terms of improvement of the number of suppliers and the quantity of the carcasses obtained.

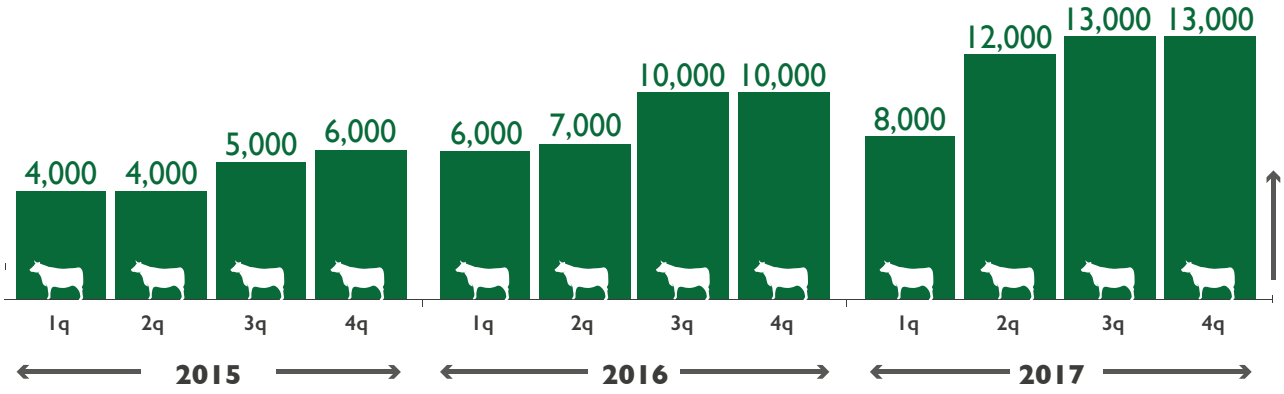
DOUBLED THE NUMBER OF SUPPLIERS SINCE OPENING

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



TRIPLICATED SLAUGHTERING

TABLE 13 - ORENBEEF NUMBER OF CATTLE'S HEADS SLAUGHTERED



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

ORENBEEF - Orenburg plant

3.7 GOVERNMENT GRANTS RECEIVED

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

The quota of deliberate facilitation in favour of the company is 1,624,468 Euro (1,070,077 Euro for credit facilities and 554,391 Euro as contribution to expenditure) of which 1,602,538 Euro for the research project and 21,930 Euro for training activities.
At the time of drafting the present report the tax relief has not yet been paid by the Public Authority.

The contribution has not yet been made due to administrative difficulties that have arisen in some of the companies that are part of the project's planned partnership.

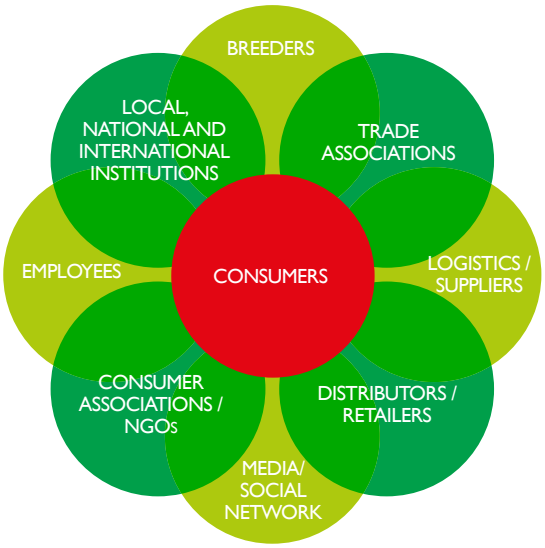
With D.d.s. of 30th September 2016 - n. 9571 EU Reg. 1305/2013 - Rural Development Program 2014-2020 Operation 16.2.01, INALCA was granted to a contribution of € 173,340 for the purpose of the application of a protocol based on high standards of animal welfare in fattening cattle breeds.

ONLINE *www.clusteragrifood.it/it*

4. STAKEHOLDERS

4.1 STAKEHOLDERS OF THE GROUP

This Sustainability Report is the tool for analysis and reflections on the most relevant issues of our own social responsibility, thus identifying the social partners of greater interest and sensitivity to their development policies, sharing objectives and strategies. For the preparation of the present Financial Statements no changes were made to the first draft by internal and external interlocutors implemented with the first exercise and the materiality analysis has not been modified (see Chap. 6.2). With this term is intended the process of identifying themes considered as priority by INALCA's stakeholders.



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

In 2017, INALCA further consolidated its relationship with Coldiretti: Coldiretti, with a million and a half associates, is the leading Agricultural and Farmers Organisation at national and European level. It is one of INALCA's stakeholders, with which it shares the objectives of economic improvement of agricultural activity and increase of its sustainability, as well as its commitment to promoting the transparency of production processes and the prevention of fraud in the agri-food sector.
In 2017, the collaboration focused on the implementation of a national pilot project for the implementation of a Sustainability Assessment Scheme, based on INALCA's experience in the European context of the SAI Platform. The aim of the project is to map out the national situation, to evaluate the possibility of establishing a national scheme for the involvement of breeders in the sector of sustainability, to identify the material arguments and to define improvement practices and measurable indicators.

COLDIRETTI

It is a project to which INALCA and Coldiretti have concentrated important resources, convinced that by this path we can achieve concrete results and generate competitive value for the whole chain.
In 2017, the materiality analysis and the areas of intervention were completed. In 2018, the implementation of a pilot phase on a significant number of breeding farms is scheduled.

EUROPEAN ORGANISATIONS OPERATING IN THE SUSTAINABILITY SECTOR OF BOVINE BREEDING

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

The above organisations are carrying out an activity of comparison and technical alignment with respect to a single European reference standard, represented by SAI Platform, in order to achieve a common work methodology.

Italy, represented by AIA COLDIRETTI and supported by INALCA, is an active part in this process.

4.2 EMPLOYEES, COLLABORATORS AND PARTNERS

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

ONLINE *www.saiplatform.org/activities/working-groups/beef/beef-fsa-pilot*

4.3 INALCA AND THE SCIENTIFIC COMMUNITY FOR STUDY AND RESEARCH

INALCA works organically with the following scientific institutions:

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

The Global Roundtable for Sustainable Beef (GRSB) is a global multi-stakeholder initiative developed to advance continuous improvement of the sustainability of the whole cattle value chain, through leadership, science, the involvement and cooperation of stakeholders.
GRSB, in addition to defining the principles and practices of sustainability in the beef sector plays a role in the promotion and coordination of major regional platforms, namely European, Canadian, American, Brazilian and Australian. In this context INALCA participates in and promotes the improvement of sustainability in the beef sector on a global scale, as well as in Europe.

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

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

ONLINE

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

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

To do this, a group of livestock Associations has since 2012 organised itself to support scientific studies that, in a logic of pre-competitive transparency, have enabled the publication of the study "**The sustainability of meat and cured meats in Italy**", at the start of the project" Sustainable Meats" and thereafter the web portal www.carnisostenibili.it. Born from the communion of intents of the three main associations, Assocarni, Assica and Unaitalia, the site is intended to deal transversally with all the issues related to the world of meat: **an unprecedented project in Italy**, which with a training approach wants to contribute to a balanced information on health, nutrition and sustainability.

4.4 INALCA AND THE ECONOMIC COMMUNITY

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

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

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

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

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

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

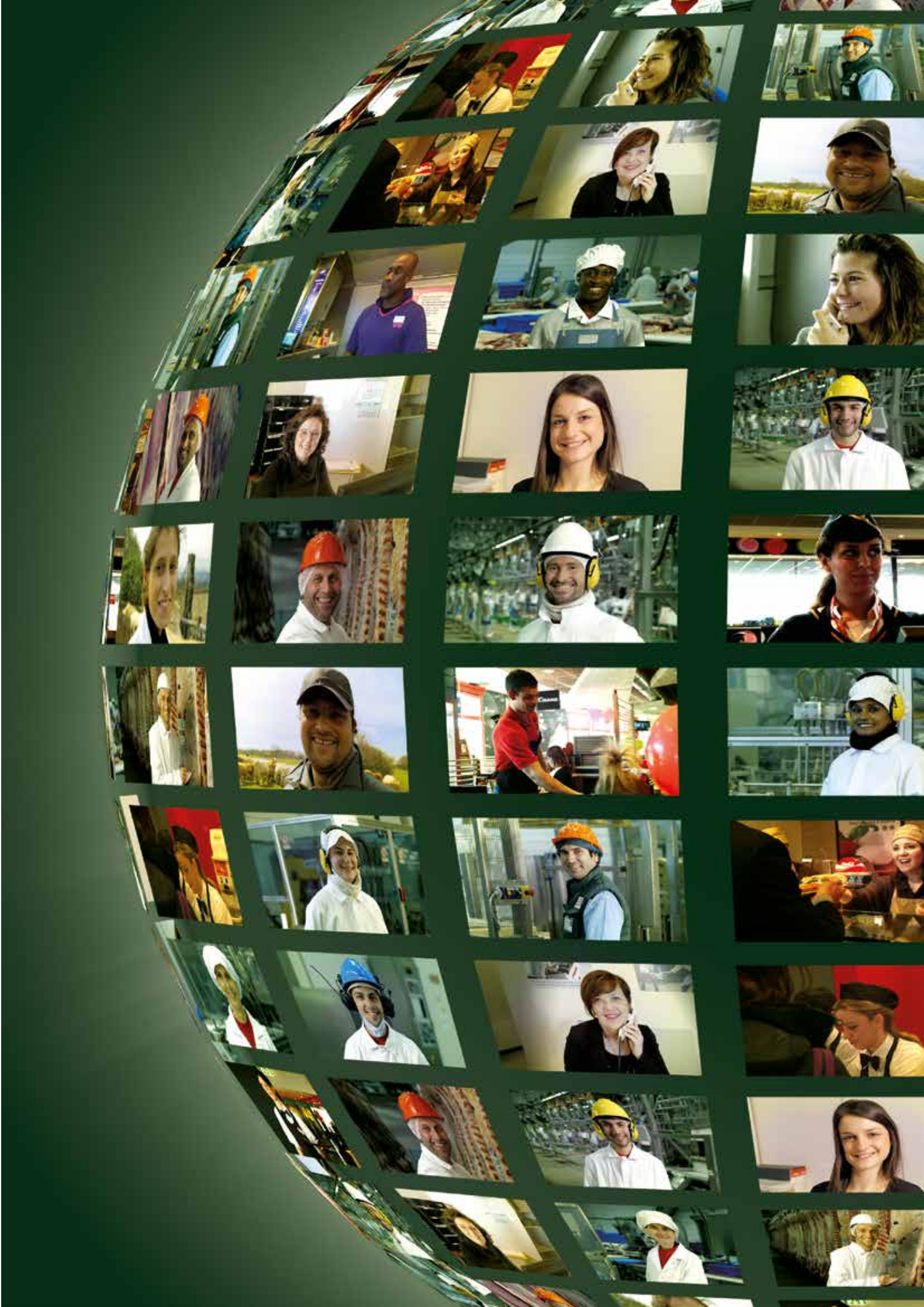
INALCA is a member of the **Russian National Meat Association**, which includes the main meat producers of the entire Russian Federation.

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

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

ONLINE

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



5. THE CHALLENGES OF SUSTAINABILITY

5.1 PROMOTION OF SUSTAINABLE AGRICULTURE

The industry reference is characterised by a complex and globalised supply chain. The critical factors that affect its development and pose a threat in the medium-long term are essentially represented by the progressive reduction and depletion of agricultural areas in developed countries, where production contraction has occurred and a growing demand from developing countries, looking for modernity and well-being, require a greater use of animal proteins, amongst which the bovine is certainly the most valuable. Food production contributes to climate change, reducing water resources, causing soil degradation, and reducing biodiversity. Globally, it is estimated that 25% of greenhouse gas emissions derive from agricultural production, both in direct and indirect terms, through the reduction of forests, whilst in more developed areas such as the EU from the food production point of view, the incidence is lower, about 10%, with a decrease of 24% in the period 1990 - 2012.

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

The challenge facing the food industry is to increase production by reducing the environmental impact and pressure on natural resources, while ensuring healthy and safe products that allow people access to a varied diet that includes a balanced and adequate combination of energy and nutrients to ensure good health.
The promotion of new models of intensive high-tech and scientific livestock production applied in the European Union represents the main route to respond to this challenge, as is shown by a few simple figures above. **It is the Group's main commitment, in line with the global objective 2 of FAO's sustainable development to combat hunger by promoting sustainable agriculture that will enable everyone to access food securely.**

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

ONLINE

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

Man and bovine linked by a millennial bond

Sustainable production techniques provide the first response in relation to security risks in accessing protein sources.

To be effective, the promotion of these techniques must be accompanied by a mindset and culture open to technological innovation focused on the concepts of high productivity and efficiency that INALCA promotes and supports.

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

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

For these reasons, INALCA has launched a strategy in Italy and abroad aimed at building sustainable bovine breeding, which can be a concrete and reproducible example in the various areas in which the company operates. In 2017, through the company Bonifiche Ferraresi S.p.A., the Group consolidated its production of bovine animals coming from its first breeding farm compliant with these criteria, in an agricultural area of Italy with a particular vocation and that over the last decades had undergone a serious phenomenon of abandonment of livestock production.

For more details, refer to Chapter 7.

Bonifiche Ferraresi - Jolanda di Savoia (FE)

5.2 ADDRESSING THE NEW SOCIAL AND ETHICAL ASPECTS OF FOOD CONSUMPTION

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

The ability to differentiate its products even on intangible aspects represents an important competitive lever, which must push the company to better develop its ability to express, in addition to the typical recognition of quality to an Italian product, also social themes of increasing interest to the consumer, such as **belonging to certain local territories and cultures** or respect for workers. Elements regarding personal identity, that influence the styles of food product consumption in the various consumer communities. After years in which, both in Italy and in general in the northern parts of the world, there has been a phenomena of disaffection towards meat consumption and a decline in consumption, in 2017, there was an inversion of the trend. After a season of conflicts, more of an ideological nature than of merit, between supporters and detractors of meat consumption, during the course of 2017, the discussion has increasingly assumed the contours of a civil confrontation, thanks also to specific communications of professional nature, such as the one started by the "Sustainable Meat" project.
A platform supported by INALCA, through its Category Association Assocarni which has as mission the objective and scientifically based dissemination of the benefits of meat consumption and sustainability of the overall sector.
Among the causes that led to this situation in Western societies, various factors played a substantial role: among them, the progressive loss by part of the new urban generations of an organic bond and real knowledge of the agricultural world; unrealistic representation of modern agriculture by the media, often polarised between a reassuring vision of bucolic/nostalgic breeding and an aggressive and shocking animalist version; finally, the absence of any real training policy on agricultural issues, replaced by a spasmodic media attention towards show cooking, the real star of television program listings.

For more details, refer to Chapter 9.

5.3 TRAINING AND EDUCATION FOR AN AWARE FOOD CONSUMPTION

To restore the right value to this important food, a key element of INALCA's sustainability is the promotion of a balanced meat consumption, consistent with the core principles of the Mediterranean diet, as suggested by major science-based food institutions. In this context, INALCA supports concrete activities to improve consumer knowledge, in line with the global goal of sustainable development number 12 compiled by the UN.

Promote the proper consumption of meat in a balanced diet

For more details, refer to Chapter 9.3.

ONLINE *www.carnisostenibili.it*

5.4 FOOD SAFETY

INALCA addresses the issue of food security through a system of rules and procedures whose purpose is to define, manage and control at all levels its standards of the supply chain.
To ensure the technical adequacy of its control systems, INALCA promotes internally and throughout the supply chain the use of voluntary international technical standards.

PRINCIPLES OF FOOD SECURITY FOR INALCA

Principle 1	**CENTRALITY**
	An optimal level of food safety is considered a prerequisite for all farm products and is evaluated using methods of risk analysis.
Principle 2	**DEMONSTRABILITY**
	All activities and business processes that can affect food security must be managed, monitored and documented, according to a defined hierarchy of references: rules and regulations, international technical standards, specific requisites of the companies using the products of the company.
Principle 3	**GOVERNANCE**
	Specific figures and the system of governance of food security are clearly identified and formalised.
Principle 4	**TRANSPARENCY**
	The information on food safety must be clear, comprehensible and accessible to Customers, Consumers and regulatory Authorities.
Principle 5	**CONTROL**
	In the criteria of control, the company uses internal auditing activities, external audits of client companies and, where applicable, audit certifications according to voluntary technical standards and independent international bodies.

For further details, refer to Chapter 9.1.

5.5 ANALYSIS AND IMPROVEMENT OF ANIMAL WELFARE

The theme of animal welfare is strongly regulated by community rules wich, especially in the EU, intervene in detail and strictly in the breeding, transport and slaughter of animals. Today, however, this topic has emerged from the limited scope of the workforce, to become an element of strong attention and sensibility on the part of the consumer. Attention to the theme of animal welfare has gradually consolidated into a set of internal rules and controls, whose proper management is an important factor in leading the consumer and protecting the company's reputation.

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

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

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

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

For further details, refer to Chapter 8.

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

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

5.6 DIALOGUE WITH STAKEHOLDERS

The dialogue held with stakeholders through the engagement tools contained in this sustainability Report allows INALCA to know, investigate and, where possible, acknowledge the requests of its stakeholders. It is a complex process that requires constant commitment and adequate resources. During 2017 the group of stakeholders with whom INALCA dialogued has not changed.
The main stakeholders confronted by INALCA are consumer and producer associations, customers, employees and collaborators, research organisations and non-governmental organizations (NGOs). In 2017, INALCA has further developed the confrontation with breeder associations and organisations active in the field of animal welfare and, above all, has consolidated the relationship with Coldiretti as part of the pilot project aimed at measuring the sustainability issues and defining the first experimental protocol for the evaluation of farms on this topic.

For further details, refer to Chapter 6.

5.7 ENVIRONMENTAL CHALLENGES

INALCA operates in a complex supply chain characterised by significant impacts and consumption. Through the systematic adoption of the best techniques at all levels of the supply chain, INALCA intends to actively contribute to combating climate change, in coherence with the **13th global goal for sustainable development, reducing their carbon footprint production**.
As will be better described in chapter 12, in 2017 the commitment to use renewable energy has continued, thanks to the full use of the UNITEA electricity and heat production plant and the potential represented by the production of bio-methane, which represents the main challenge for the next few years. Not only carbon dioxide reduction, the company's environmental commitment is oriented towards reducing the consumption of raw materials, such as water, waste and packaging.
On the agricultural front, through the adoption of a national sustainability analysis tool elaborated with Coldiretti and SAI Platform, technical solutions are being evaluated to collect data and information on the actual impacts and consumption of the national bovine chain.

Biogas plant, Ospedaletto Lodigiano (LO)

5.8 FIGHTING WASTE ACCORDING TO THE MODEL OF CIRCULAR ECONOMY

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

The recovery and valorisation of waste and by-products throughout the chain is an important commitment of INALCA: recovery processes, in addition to generating greater value for the company, contribute to the overall improvement of sustainability in the meat sector. **In addition to the attention to recovery processes, which have been in place for decades, the new challenge is to raise the level of enhancement and the quality of by-products, the priority being always towards the quality used for human consumption**. The best technologies today allow the obtaining of important semi-finished products for humans from by-products which are now destined to other chains such as livestock, agricultural or pet food. While it is true that all the parts of the animal have always been fully recovered in numerous production processes, it is equally true that the portion which is consumed directly by human consumption is still too low. **It is an important challenge to align with the sustainability objectives 2 and 12 referred to in Chapter 1**. It is INALCA's business model, based on the supply chain's productive integration, which opens up particularly large opportunities in this sector, to orient the recovery and processing of waste and by-products to maximum utilisation, with no more materials that can really be considered as waste.

5.8.2. FIGHTING FOOD WASTE

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

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

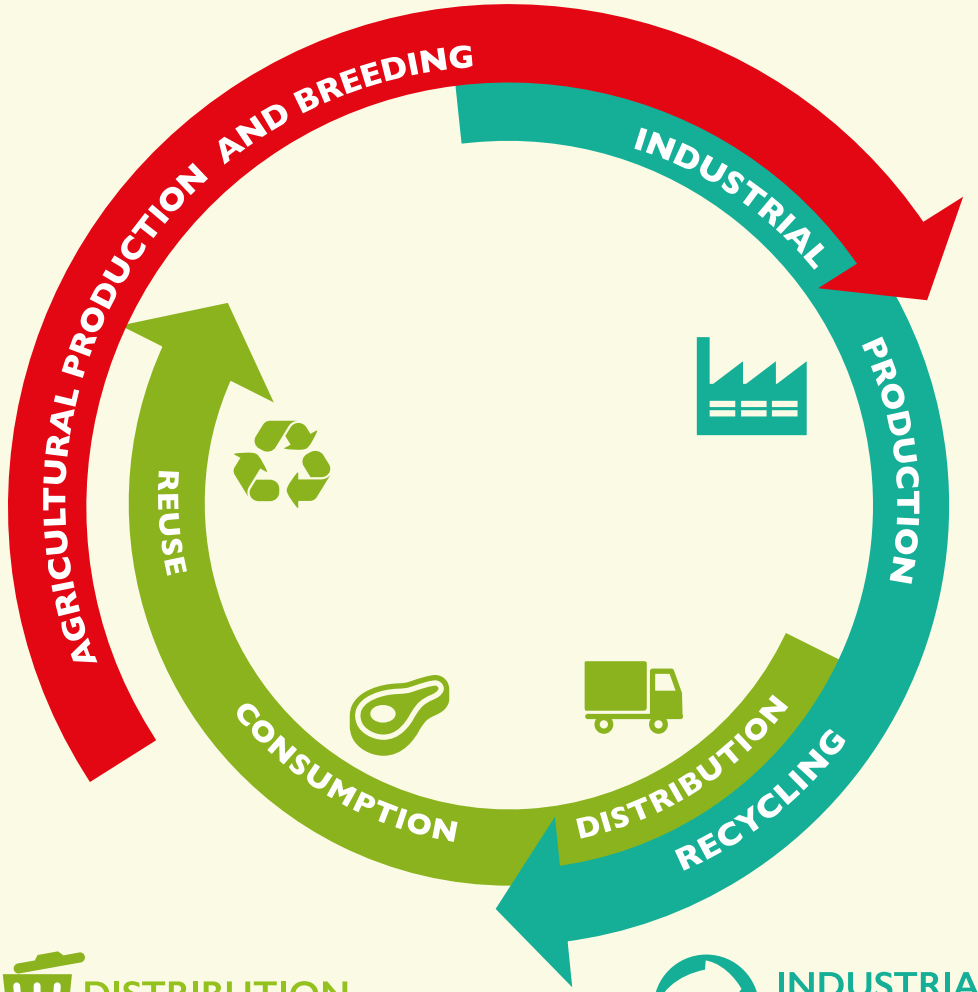
ONLINE

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

"CIRCULAR ECONOMY"
REGENERATING RESOURCES, CREATE ZERO WASTE

AGRICULTURAL PRODUCTION AND BREEDING

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



DISTRIBUTION AND CONSUMPTION

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

INDUSTRIAL PRODUCTION

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

5.9 ACTION GUIDELINES FOR SUSTAINABLE DEVELOPMENT 2017-2020

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

1) ENGAGEMENT OF THE STAKEHOLDERS

Aware of the complexity of the beef chain and the necessity to play as a team, INALCA has identified as its main action the progressive involvement of its stakeholders in the adoption of sustainable development practices, with particular reference to clients, consumers, institutions and above all the agricultural world. To this end, INALCA intends to consolidate and increase organic collaborations with Agricultural Organisations to disseminate the principles and techniques related to sustainability in the livestock sector. During 2017 activities were concentrated on the definition of sustainability in breeding evaluation system in line with European criteria.

2) PROMOTION OF A BALANCED DIET

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

3) REDUCTION OF ENVIRONMENTAL IMPACTS

INALCA has identified the main environmental impacts on which it intends to act with actions in the short and medium term. In particular, the actions are intended to **reduce the carbon footprint of its products** through actions aimed at the supply chain, improving the energy efficiency of fossil fuels, increasing the **quota of energy from renewable sources.**
In order to initiate an objective and transparent interaction with stakeholders on the actual impact and consumption of its products, INALCA has initiated Life Cycle Assessment (LCA) studies and environmental product declarations (EPD) on the most representative products, in line with **Goal 13 of the SDGs**. It plans to conclude in 2018 those relative to frozen hamburgers and canned meat.

4) ADOPTION OF CONTROL INSTRUMENTS FOR THE CORRECTNESS AND INTEGRITY OF BUSINESS RELATIONS AND BUSINESS ACTIVITIES

INALCA has adopted its own code of commercial conduct within the company's organisational model. Through the adoption of its own Code of Ethics and Corporate Organisational Model, INALCA intends to prevent behaviour that does not respect their ethical principles, as well as the laws and regulations concerning the commercial practices and market competition in all the countries where the company operates. These activities are being developed in Russia and Africa.
To this end, INALCA promotes and supports, through its industry associations, the organisations which have as their aim the fight against crime and illegality in the agri-food sector.

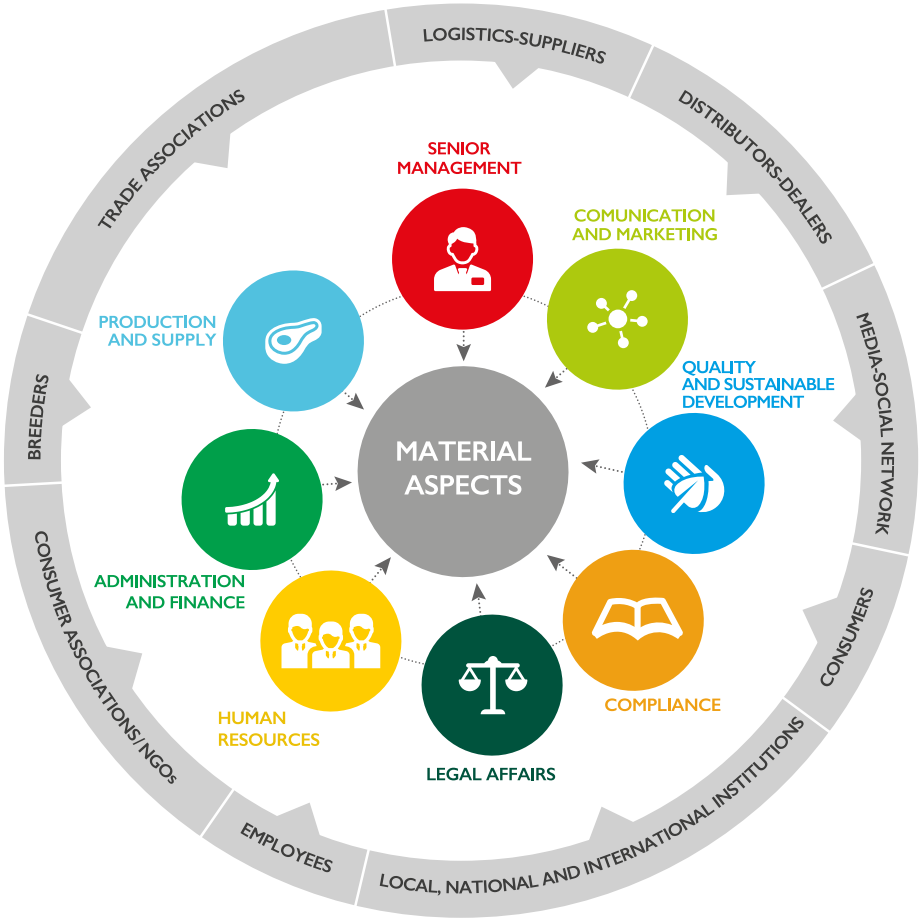
5) DEVELOPMENT OF NEW SUSTAINABLE FOOD PRODUCTS

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

6. STAKEHOLDER ENGAGEMENT, APPLICATION OF MATERIAL ASPECTS

6.1 STAKEHOLDER ENGAGEMENT

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



A further substantial contribution is derived from the active participation of INALCA in discussions and working groups; in trade and sector Associations it is a member at national and international level. Among these, particular importance was placed on the participation in technology platforms that deal specifically with sustainability in the beef sector on a regional and global scale, as well as in organisations of agricultural producers and institutional round-tables on analysis and evaluation of the new regulations.
Among these, **GRSB, SAI Platform** and **Coldiretti**, with whom INALCA has a dialogue and participates actively, are the most authoritative and qualified. Technology platforms are subjects that, by aggregating companies, scientists and stakeholders, identify value guidelines and sustainable production techniques in the field of bovine, promoting the adoption at all levels of the supply chain.
During 2017, INALCA further heightened its confrontation with Coldiretti to outline a national sustainability analysis project aimed at systematically involving breeders and defining actions for improvement.

6.2 METHODOLOGY

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

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

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

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

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

TABLE 14 - WEIGHTING CRITERIA ADOPTED FOR THE ANALYSIS OF MATERIALITY

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

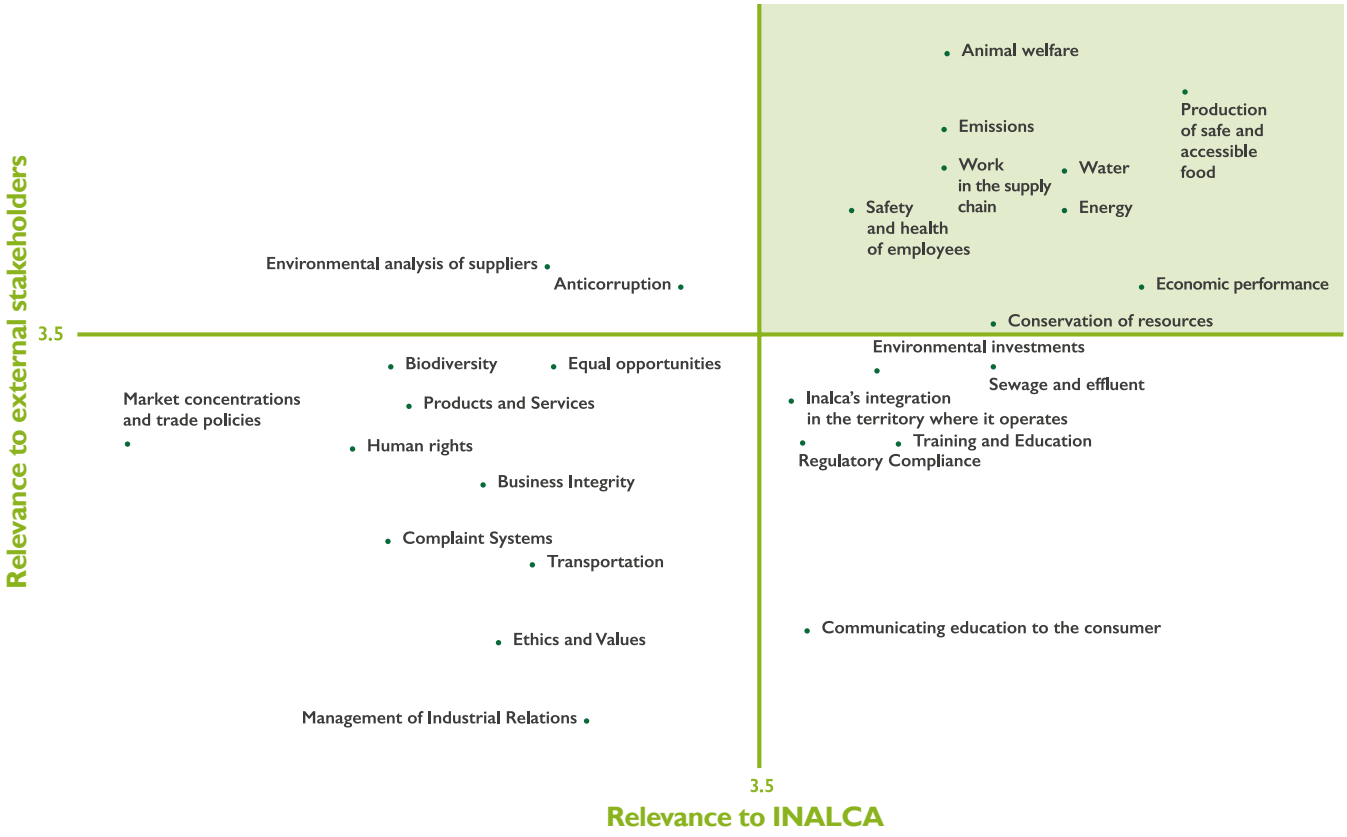
In the areas of Africa and Russia, data collection and management of meetings and focus groups was entrusted to the directors of companies and production plants, supported by the project manager.

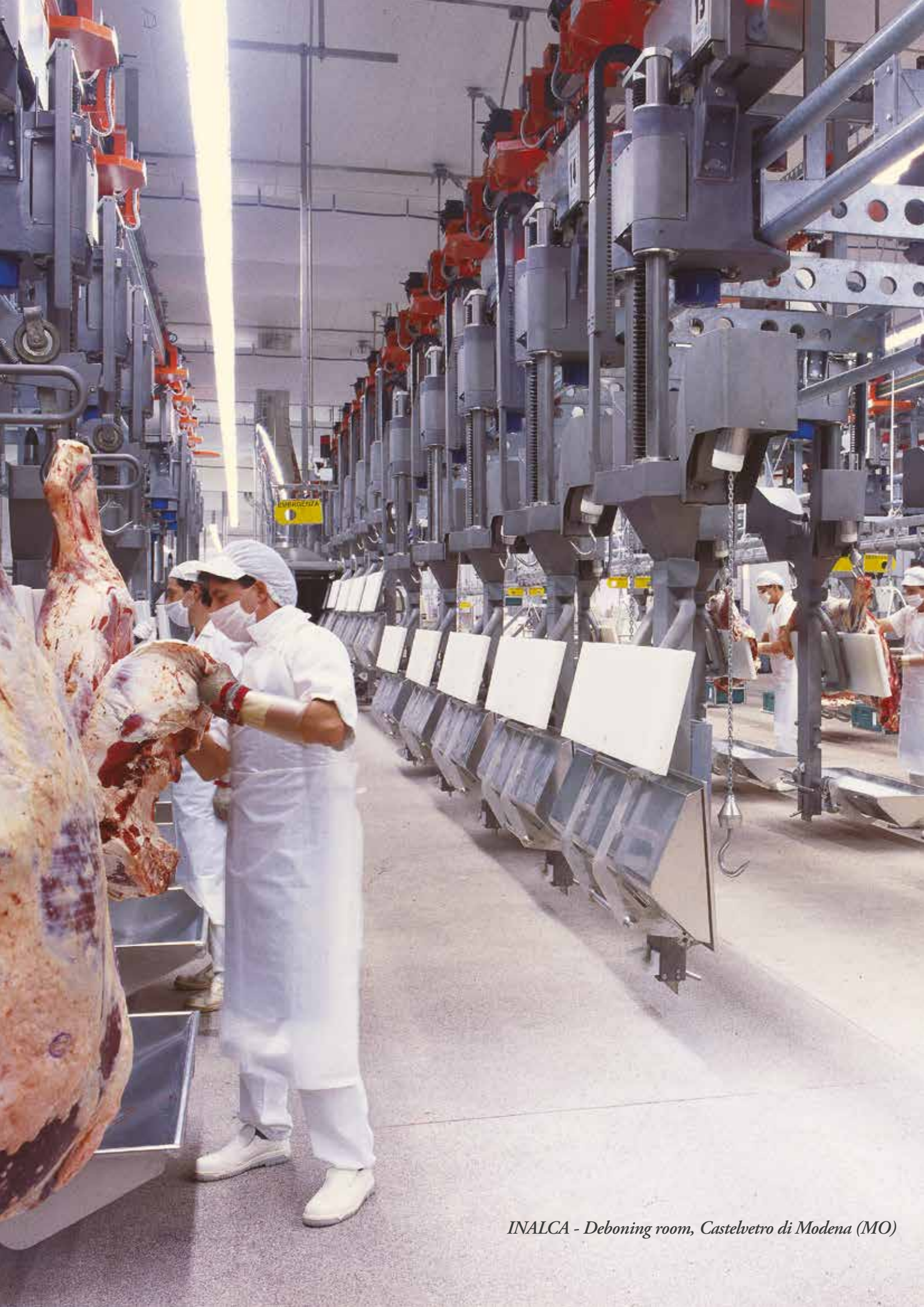
6.3 MATERIALITY MATRIX

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

TABLE 15 - RESULTS OF THE ANALYSIS OF MATERIALITY

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





INALCA - Deboning room, Castelvetro di Modena (MO)

7. SUPPLY CHAIN

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

7.1 ITALY

BREEDING AND AGRICULTURAL PRACTICES

In Italy all the breeding of our suppliers are located in the national territory. Italy is characterised by bovine breeding developed over centuries mainly in barns. Our country does not have in fact large pastures, but has land in the Po valley amongst the most fertile in the world, capable of producing food with high nutritional value. In this region **over 60%** of the national bovine population is concentrated. In the case of dairy cows, breeding is developed mainly in barns. Instead, in the case of animals for meat, breeding in barns follows an earlier stage where the animal grows and is weaned at pasture.
Also in the case of dairy animals, breeding develops in a barn. The Italian breeding model is therefore based on the great nutritional value of the fodder produced in the Po Valley, which allows the production of younger animals than the pasture farm model, typical of the northern European countries which requires longer times for the lower nutritional value of the ration.

The INALCA model envisages the construction of an integrated and sustainable supply chain. All meat farms are checked by the company's technical staff. The INALCA supply chain consists of about 350 controlled farms, including farms in agistment and third parties, all subject to controls by INALCA concerning safety, quality and sustainability aspects.

ITALIAN CATTLE DENSITY BY AREA

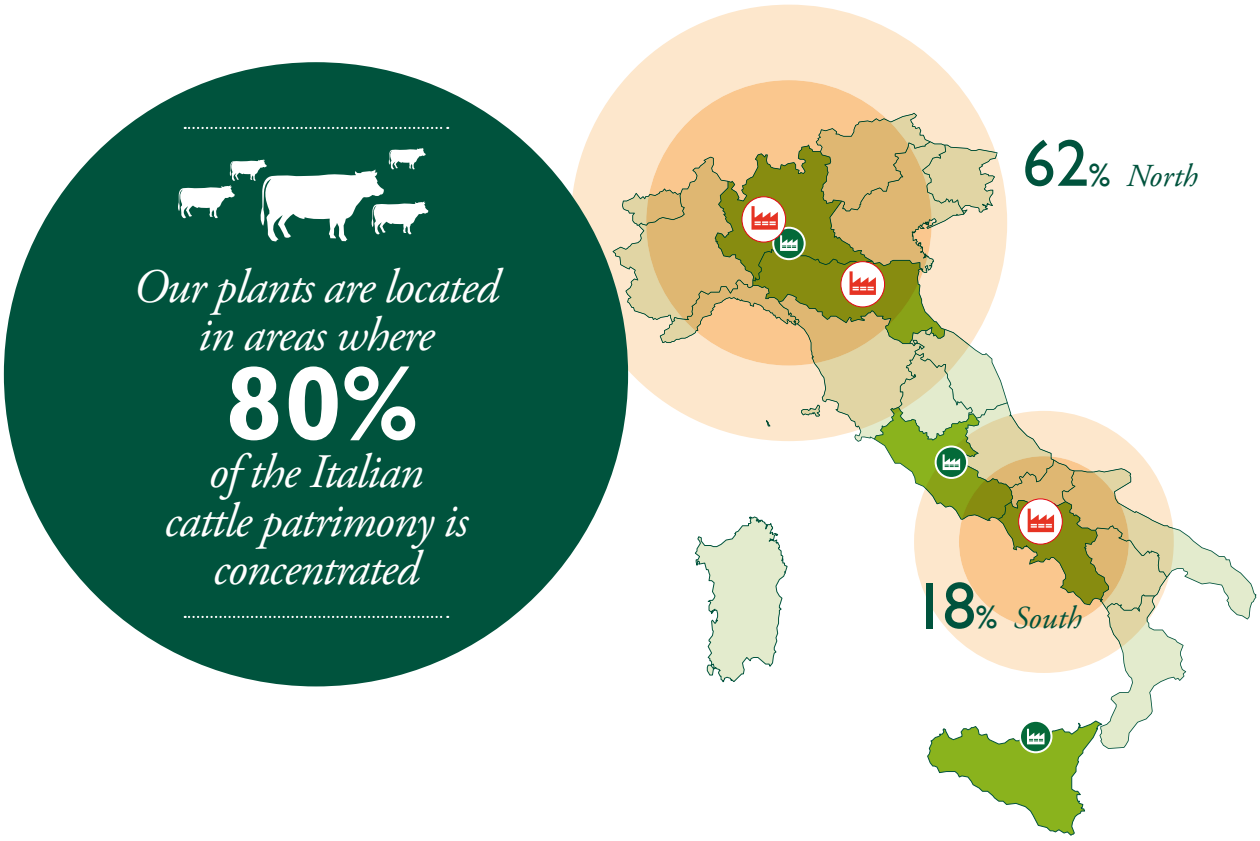


TABLE 16 - INTEGRATED PRODUCTION IN THE INALCA SUPPLY CHAIN

CATEGORY	TOTAL INALCA ITALIAN SLAUGHTER	PRODUCTION FROM INALCA SUPPLY CHAIN		
		Azienda Agr. Corticella S.r.l.	Bonifiche Ferraresi S.p.A.	% of production
YOUNG BULLS	123,459	32,090	1,805	27.5%
HEIFERS	50,133	19,790	913	41.3%
VEALS "WHITE MEAT"	146,049	34,804		23.8%

As far as dairy breeds are concerned, INALCA receives supplies from about 15,000 domestic farms. In this case the first consortium is undertaken by the companies using the milk and by large dairy consortia, like Parmigiano Reggiano and Grana Padano. INALCA has started a focused meat control system that is carried out through agricultural associations, in particular AIA Coldiretti. The project described in § 4.1 will permit a strengthening of safety and sustainability controls as well as greater knowledge and sharing of production and health information about these farms. Sometimes we forget that dairy and meat farms are closely linked, as breeding farms produce, in addition to females for milk production, young bulls for red meat and calves for white meat produced in dedicated farms.

BREEDING IN BARNS OR AT PASTURE?

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

In the event of breeding in barns, the animals have shelter from bad weather and from possible predators, an aspect especially important in the case of young animals or in times of birth. Even the feed is calibrated with more accuracy and modulated according to the specific needs of individual groups and the growth phase. It is a breeding farm that requires nutritional, veterinary and technological knowledge and involves a strong professional competence of the farmer. Finally, **breeding in barns need advanced technologies for the management of manure** which, especially in highly urbanised areas such as the Po valley, **are recovered to produce green energy through the production of biogas, saving fossil fuels.** In the case of breeding at pasture, typical of northern European countries or in America where there is a low-density inhabitation and a large and little fertile agricultural area, the animal is left in the wild for much of its breeding period. In this case, the animal has more freedom of movement, production cycles are longer because less nutritious food is provided by pasture, and there is less possibility of control in the event of illness or any problems arising.

In both breeding systems, practices are in place to improve their sustainability: in the context of intensive farming, the most important experiences concern the reduction in the use of antibiotics, precision farming techniques to reduce water consumption and fertilisers, and energy production techniques from renewable sources.
In the case of pasture farming systems, sustainability practices are mainly based on greater confinement of animals in specific plots and their rotation to allow more effective regeneration of pasture, increase their nutritional value and more effectively control erosion and soil fertility. Today, grazing systems, typical of large green areas, have also launched pathways of sustainability certification to ensure compliance with respect to forests and biodiversity. In fact, over the past years, large areas of cattle production, particularly in South America, have developed grassland production at the expense of forests. Today awareness has grown tremendously in this area and the deforestation process has been put under great attention by institutions and media.
Contrary to what is commonly believed, pasture and confinement systems in Europe are not alternative; they represent two generally integrated and complementary systems, pasture breeding especially for young animals, which are born and grown in the great plains of central Europe, in alpine or hilly areas of central and southern Italy, while confined breeding is aimed at adult animals in the final stages of the production cycle. In fact, one should not think of an ideal breeding type in absolute terms, but must research the optimal combination according to the type of territory, integrating different solutions. It is important to underline that both breeding systems, if correctly carried out, always keep the animal in its proper physiological state and well-being. In this profile, the southern and northern areas of the country are absolutely complementary and must be thought of as a large, unique and integrated livestock system. The next paragraph will clarify this concept better.

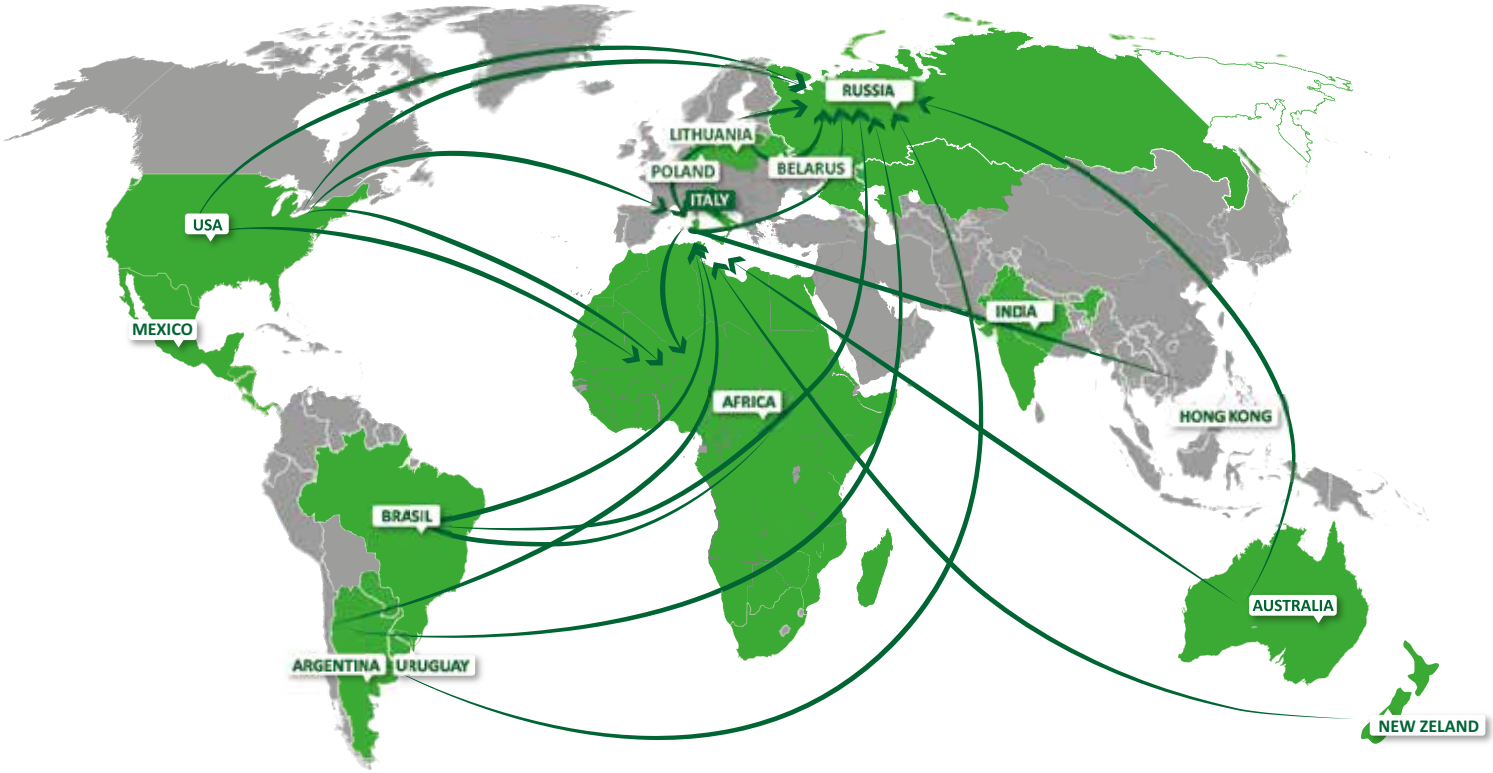
THE ITALIAN MODEL AND THE SUPPORT OF THE CALF-COW LINE

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

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

The calf-cow line is a type of breeding in which the calf is born in the same farm that will carry out the early stages of breeding. In this manner, the breeder does not only have to worry about feeding the animal in only the fattening phase but also has to manage the reproduction and repopulation of the herd. Beyond feed techniques, the breeder must also handle the aspects of genetic improvement, breed selection and weaning of young calves. It is not a negligible aspect, developing the calf-cow line, it is in fact the starting point for bringing the farm back to its rural dimension by adapting the breeding methods and herds to the specific features of the territory. It means increasing the biodiversity of the various breeds and improving the integration of humans, animals and the environment. Ultimately, it means ennobling beef from mere foodstuff to the cultural expression of a territory.
In 2017, INALCA laid the foundations for the revival of Italian livestock breeding on these bases.

MEAT SUPPLIERS



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

INALCA
is a global player.
In 2017 Inalca moved more than
500,000 t
of goods around the world

Selling and buying meat in 70 Countries from 5 Continents

• for meat production destined for industrial processing, such as **canned meat** produced in Italy, INALCA also uses other small local facilities, in addition to its slaughterhouses, for the purpose of enhancing the national cattle industry used in a typically Italian product, such as gelatine meat. This particular type of canned meat is in fact largely consumed in our country.

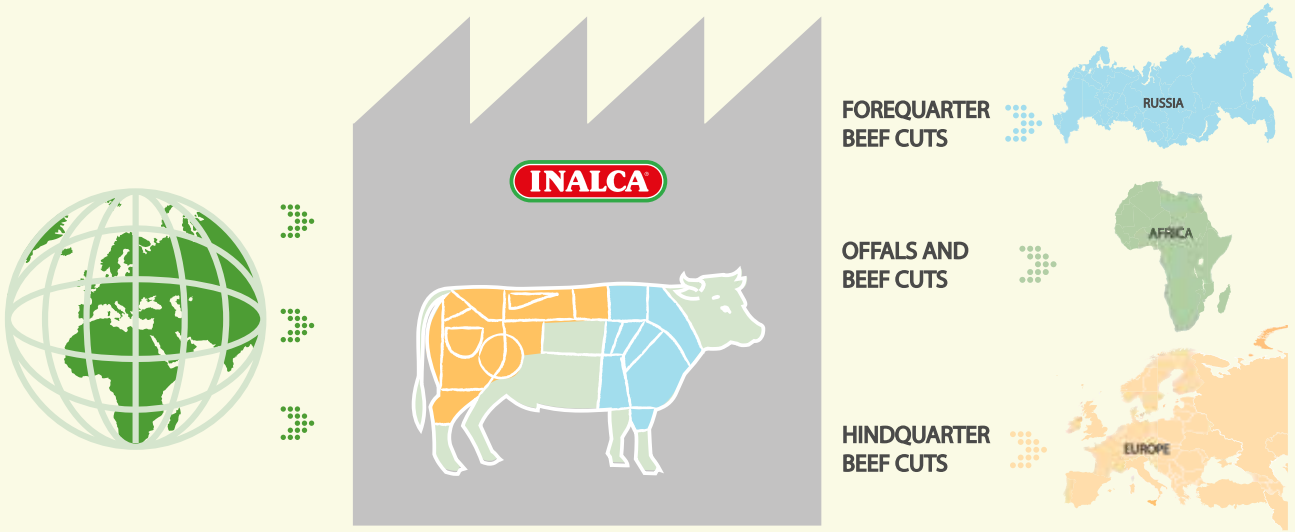
• for the **production of frozen hamburgers and meat cuts for domestic and foreign markets**, INALCA uses, in addition to the meat produced by its Italian Group companies and from national farms, meat obtained from other national and European suppliers.
From this commercial interaction there has been a constant development of relationships with its suppliers, who have progressively been equipped with voluntary certification schemes for food safety and adapted to the INALCA qualification and evaluation process.

• **for fine meats intended** for the HO.RE.CA channel, INALCA imports meat from various non-EU countries; which are products obtained from Anglo-Saxon genetic animals, such as Angus and Hereford breeds, which are imported fresh. These are high quality cuts prevalent in specialised catering, the classic example of which is USA T-Bone steak, produced in the most important American plants concentrated in the well-known region of the so-called "Corn Belt" in Nebraska. These include the famous Argentine, Australian and Uruguay meats with both Grass-Fed and Grain-Fed lines. In this case INALCA performs an activity exclusively of distribution; the control of this type of supplier concerns, alongside food safety aspects, a wider procurement system designed to define qualitative parameters and ethical-social commitments, from breeding in feedlots, to processing and labelling at

the supplier's establishments, up to final sales checks. In addition to control, INALCA's activities support overseas suppliers to align quality standards to the country-specific regulatory requirements of the products.

• **with regards to the pork sector**, in Italy, the Group favours national suppliers of fresh meat compliant to the PGI, PDO (Protected Geographical Indication - Protected Denomination of Origin) requirements necessary for the production of high quality delicatessen destined mainly to the national market. In the case of other products of pork origin destined for European or extra European commercial circuits, such as bacon, national and meat of Community origin are used instead. INALCA also plans to invest in dedicated plants in the pork sector for greater industrial efficiency and production integration in the supply chain.

PRODUCT SUPPLY FLOWS AND PRINCIPAL DESTINATIONS



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

SUPPLIERS OF PACKAGING

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

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

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

In order to initiate supply, the packaging suppliers must register on the new INALCA portal, inserting technical data and information necessary for the supplier's validation process and of that of each single product category it delivers to every Group plant.

These are fundamental aspects that are carefully evaluated by INALCA. In fact, packaging is an integral part of the

product and is responsible for its protection. Small defects in the plastic or metal materials can reduce this level of protection and compromise product safety, so it is imperative that the packaging is systematically verified both at reception and use. The proper packaging process always involves the close coupling with a dedicated technology; it is not enough, therefore, to check the suitability and integrity of the materials, control must extend to the packaging technology and packaging systems that must fit perfectly with the packaging adopted.

Also during 2017, the growth of the packaging called "skin" was seen, a vacuum system that is adopted on small packages for the final consumer and that allows the lengthening of the product's storage times: some of these packs are completely recyclable with paper, despite the presence of a liner in PE, because the degree of pulping, adhesion and waste processing allows its transfer to suitable plants that treat ordinary quality waste. The processes to improve the packaging sustainability developed by INALCA will be taken up more extensively in the environmental section, in paragraph 12.3.

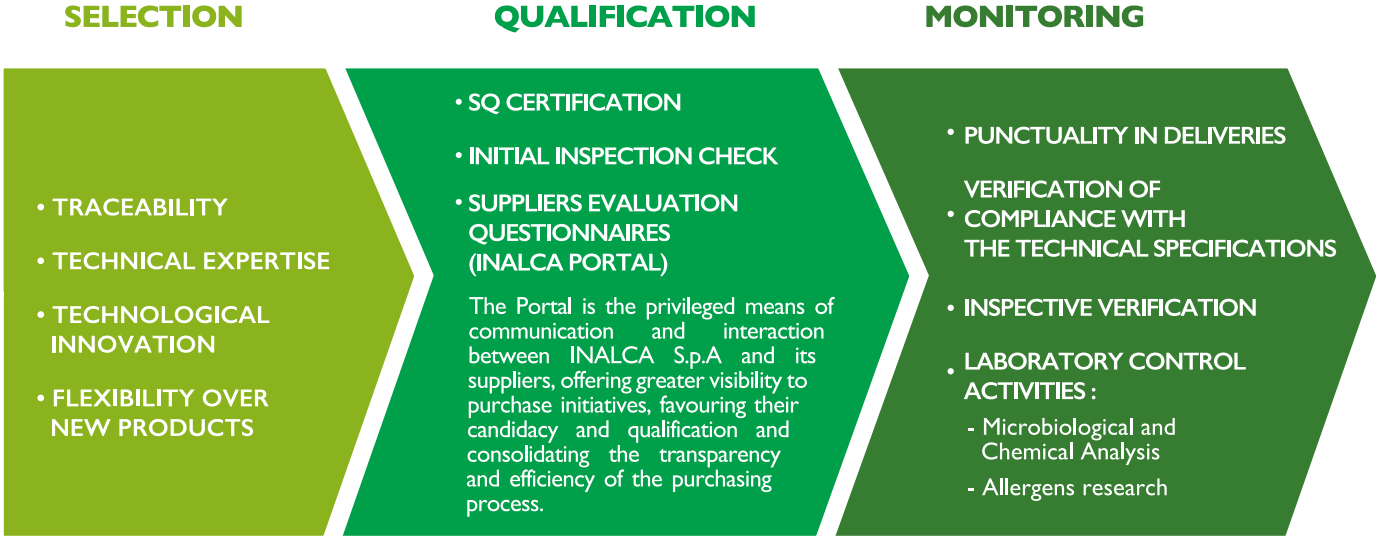
SUPPLIERS OF FOOD INGREDIENTS

INALCA uses various types of ingredients in addition to meat. To this end it makes use of numerous suppliers of food ingredients such as flavourings, vegetables, cereal flours. In this case, in addition to the selection of ingredients from local suppliers, easily recognisable by the consumer, the selection criterion is based on the skills of the company, food safety management systems, absence of allergens, presence of certified standards, and the technical characteristics of the substances used.

The ability of these suppliers to provide support in the company's research and development projects is further element of choice and evaluation.

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

QUALIFICATION PROCESS AND EVALUATION OF FOOD INGREDIENT SUPPLIERS



7.2 EUROPEAN UNION

POLAND

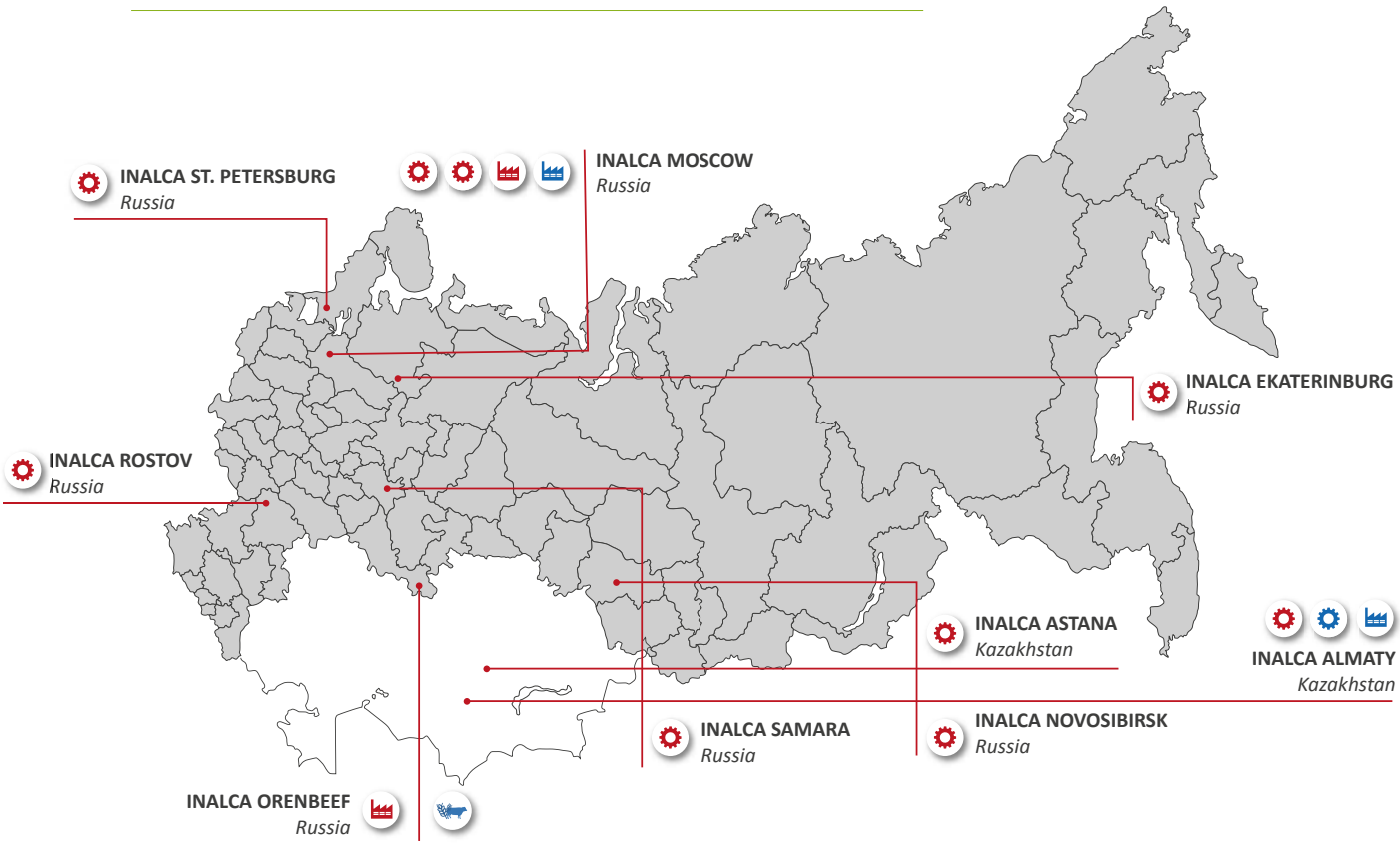
2017 is a year of consolidation of INALCA's presence in the European Union. A plant is under construction in Poland, located in the middle eastern region of the country, in the municipality of Socochin, an area with a strong livestock vocation. Poland is a country characterised by the growth of bovine livestock, in countertendency to the rest of the European Union, with strong identity values related to the agricultural world.

The plant will slaughter animals bred locally and carry out the relative meat processing, including the production of hamburgers for the local market and neighbouring countries. With this initiative, the Group intends also to apply its integrated and sustainable development model to the Community market. Thanks to the slaughter facility, INALCA can in fact make long-term direct agreements with the breeders by creating a **local supply chain.**

This approach represents an important step forward, as Poland has a traditional type of farming, based mainly on commercial intermediaries and less on direct transfers between breeding and the processing industry.

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

7.3 RUSSIA AND THE EURASIAN REPUBLICS



RUSSIAN FEDERATION

In the Russian Federation the Group operates in the sectors of food distribution and industrial production of meat. The distribution activity is carried out through a complex system of logistic platforms and infrastructures which covers most of the country and whose main operational base is located in Odintsovo, in the metropolitan area of Moscow.

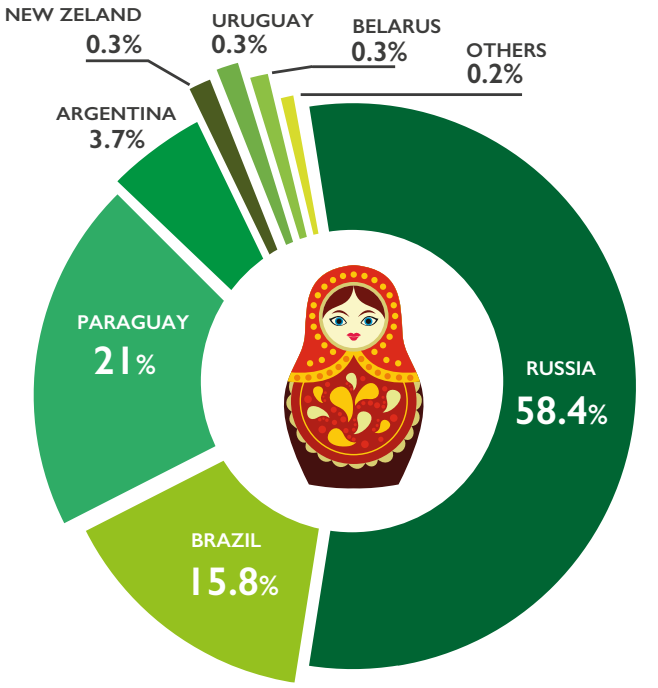
Industrial production is organised according to an integrated supply chain that involves two production sites: the first, dedicated to primary slaughtering and cutting activities, is located in Orenburg in the homonymous region with a strong agricultural vocation; the second, located in Odintsovo, is specialized in the production of hamburgers and bacon.

The Orenburg facility, which in 2017 consolidated its business by increasing turnover by 42% in slaughtering and 15% in meat production, performs, in addition to slaughtering, the production of anatomical cuts for local distribution and industrial processing at the Odintsovo plant. In this latter production site, in addition to the aforementioned production of burgers and bacon mainly aimed at the catering sector, activities of storage and food distribution are carried out. The pork meat intended for bacon, unlike the bovine, is wholly supplied by local suppliers.

Returning to the bovine sector, INALCA's core business, the productive and commercial integration between the two plants has allowed the increase in the share of locally produced meat, reducing the dependence on foreign imports. It is an important result that, besides contributing to the development of the territory and the rationalisation of the local supply chain, represents for INALCA an element of reliability and support for future initiatives in this country. In fact, it should not be forgotten that the supply of meat in the Russian Federation is based still on imports, as the country is not completely self-sufficient. Furthermore, imports result difficult due to geopolitical events such as the embargo, which reduced the number of potential countries exporting towards the Russian Federations and relative commercial competition; to which must be added the Russia's adoption of barriers that are health and non-tariff related, which are a further obstacle to importation. An overall picture of strong instability, which causes frequent operational difficulties in foreign supply and commercial tensions.

In the development of a local beef chain, in 2017, the breeding sector was expanded through Agrosakmara. Through this company, Hereford cattle production began in the region of Celjabinsk. In 2018, similar initiatives are planned to be launched 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 most important cattle breeding construction is expected.

MEAT ORIGIN IN THE RUSSIAN SUPPLY CHAIN



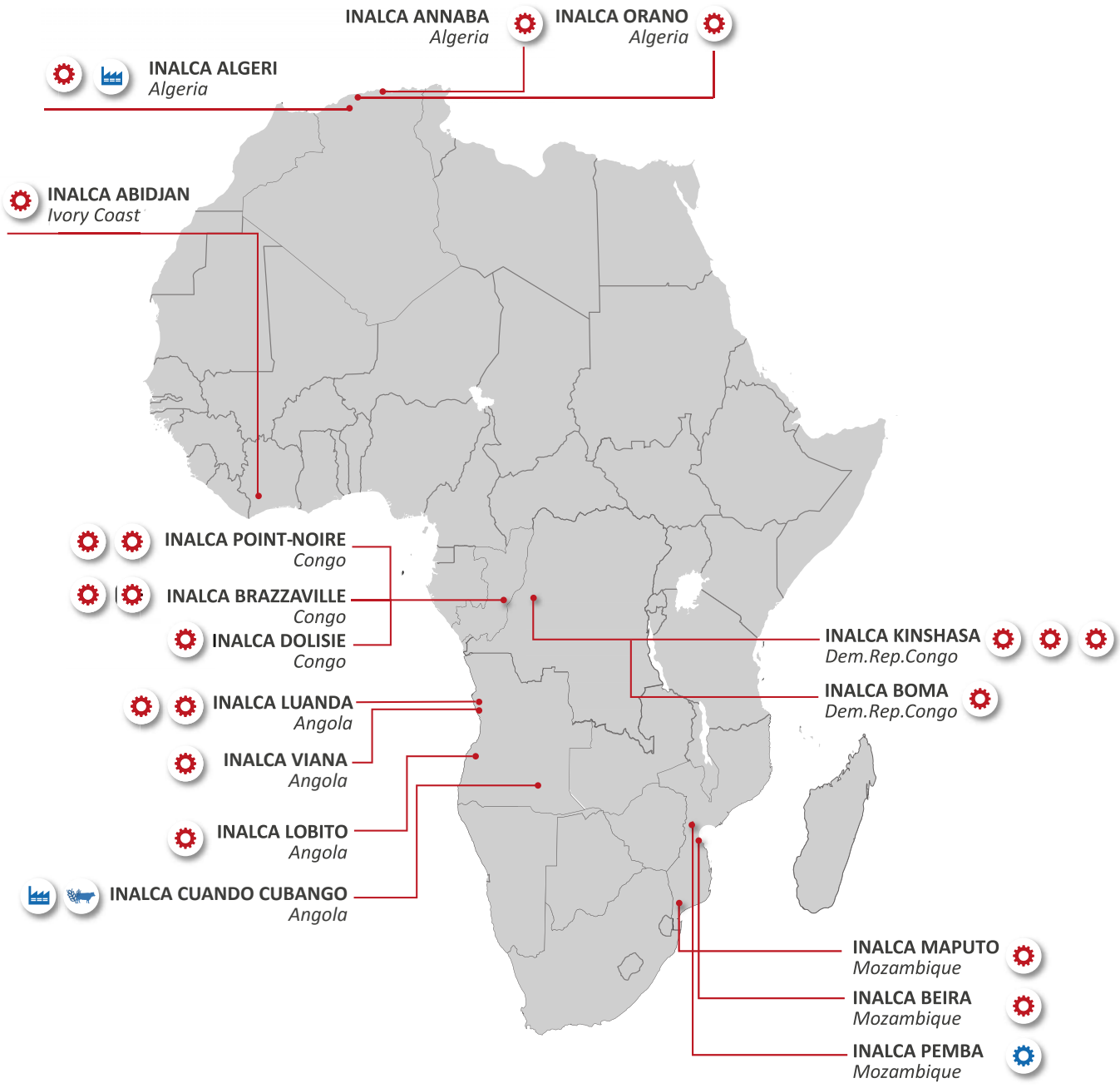
KAZAKHSTAN

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

INALCA – Logistics-distribution Platform Almaty (Kazakhstan)

7.4 AFRICA

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



ANGOLA

Angola is the first country in which the Group's activities in Africa have developed. Group activities in this country are growing despite the financial crisis resulting from the fall in the price of crude oil and the depreciation of local currency. This situation has led to a drop in supplies by competing companies.

In 2017, the Group laid the foundations for two important initiatives that will materialise in the following years: the realisation of a breeding farm with an annex slaughterhouse in the eastern province of Cuando Cubango for the production of meat for the domestic and Sub-Saharan African markets.

The feedlot system allows the collection of young animals from small breeders, ensuring their stable income and access to the market and privileging direct livestock delivery instead of brokering with traders. It is an initiative of strong social value that will enable the revival of lands naturally devoted to animal husbandry and to achieve a complete African meat chain.

The second initiative is the creation of a large distribution platform with related processing, which will cover various types of food commodities both of animal and plant origin and will be carried out in collaboration with the Angolan Government. For this project a 200,000 square meter plot has already been acquired in Kilamba Kiaxi, in the province of Luanda.

ACTIVITIES:

- Distribution and import of products (fresh, frozen and dried)
- Processing and transformation of beef
- The platforms are located in Luanda, Lobito, Viana and Cuando Cubango (under construction)
- In Luanda, INALCA will build an integrated plant for the production of beef, with annexed breeding activity

INALCA Distribution Platform - Luanda (Angola)

CAPACITY

Luanda

Fresh and Frozen Products - 20,000 tons

Dry Products - 15,000 tons

CAPACITY

Lobito

Fresh and Frozen Products - 4,000 tons

Dry Products - 8,000 tons

DEMOCRATIC REPUBBLIC OF CONGO

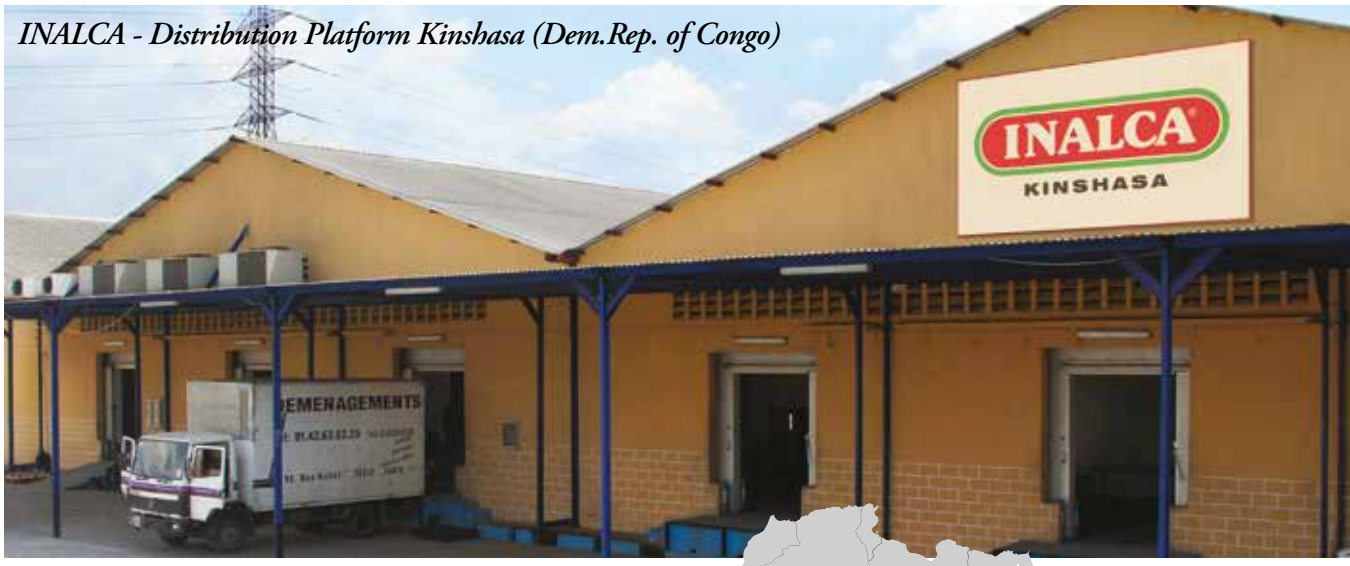
Development activities have concerned Kinshasa headquarters. In Kinshasa, investments were completed in 2016 that concerned the strengthening of the vehicle fleet to manage direct transport of the goods purchased from the port of Matadi to the company's warehouses and possibly also to provide services to third parties. In addition, work was completed in the area of Nathalice in 2017, where one of the company's warehouses is located, with constructions of new offices and employee apartments.

CONGO

Brazzaville has acquired new land to expand its stores in commercially strategic areas of the city and, in the same city and in Pointe Noire, works for the construction of new cold rooms were completed in 2017.

ACTIVITIES:

- Distribution of imported and local food products (fresh, dried and frozen)
- INALCA is a leader in the distribution of fish products
- The platforms are located in Congo, Point Noire and Brazzaville, and in the Democratic Republic of Congo in Kinshasa and Boma



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

CAPACITY

Kinshasa

Fresh and Frozen Products - 20,000 tons

Dry Products - 15,000 tons

CAPACITY

Brazzaville

Fresh and Frozen Products - 4,000 tons

Dry Products - 8,000 tons

ALGERIA

During 2017 there were no substantial interventions in Algeria. Organisational changes have been made, which involve the direct management of the subsidiary, formerly entrusted to a minority shareholder.

ACTIVITIES:

- Distribution of imported and local food products (fresh, dried and frozen)
- Processing and transformation of beef and sheep
- INALCA is involved with the local government for the development of beef production in the country
- The activities are concentrated in Algiers, Oran and Annaba, where Inalca has 3 distribution platforms (the refrigerator in Algiers is the largest in the country).

INALCA - Distribution Platform Algeri (Algeria)

CAPACITY

Algeri

Fresh and Frozen Products - 20,000 tons

MOZAMBIQUE

During 2017, no further works were carried out after the completion, in 2016, of the works concerning the main headquarters of Maputo, including structures and means of transport. The building has become the headquarters of the company and is located in the Zimpeto Trade Centre of Maputo. A cold storage complex is under construction in the city of Beira.

ACTIVITIES:

- Distribution of imported and local food products (fresh, dried and frozen)
- Processing and transformation of meat
- In Mozambique, INALCA has three Distribution Centres located in Maputo, Beira and Pemba

INALCA - Distribution Platform Maputo (Mozambique)

CAPACITY

Maputo

Fresh and Frozen Products - 1,000 tons

Dry Products - 4,000 tons

IVORY COAST

During 2017 no further works were carried out after the realisation, in 2016, of the warehouse refrigerators and connected infrastructures in the port area of the capital.

ACTIVITIES:

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

INALCA - Distribution Platform Abidjan (Ivory Coast)

CAPACITY

Abidjan

Fresh and Frozen Products - 1,000 tons

Dry Products - 4,000 tons

7.5 CLIENTS AND CONSUMERS

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

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

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

BIOLOGICAL PRODUCTION

During 2017, the main Italian INALCA plants obtained the recognition of conformity to the EC Regulation 834/2007 on organic production and labelling of organic products and the portfolio of certified products has expanded. The production of meat complying with this production criterion, confirms its strong growth on national and European territory. The adhesion of INALCA to this particular regime allows the Group to develop increasingly detailed knowledge and skills to start new projects in this field. In the next few years INALCA plans therefore to launch on the market new biological references to respond to growing market demand.

7.6 CODES OF CONDUCT AND PREVENTION OF FOOD FRAUDS

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

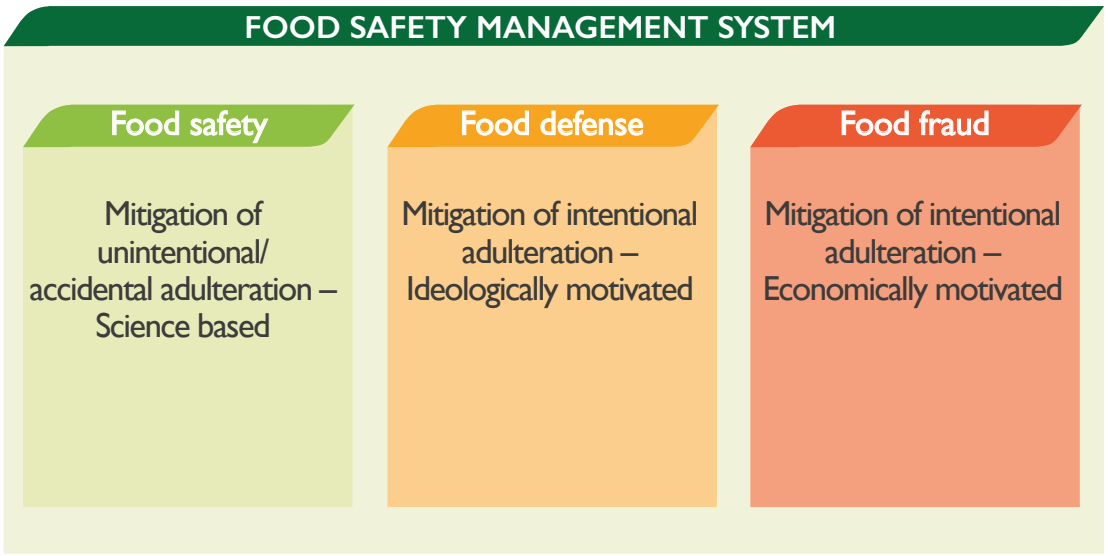
Similar codes of conduct have been developed by the Group in the management of privacy and inspections or controls by Authorities or Institutions.

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

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

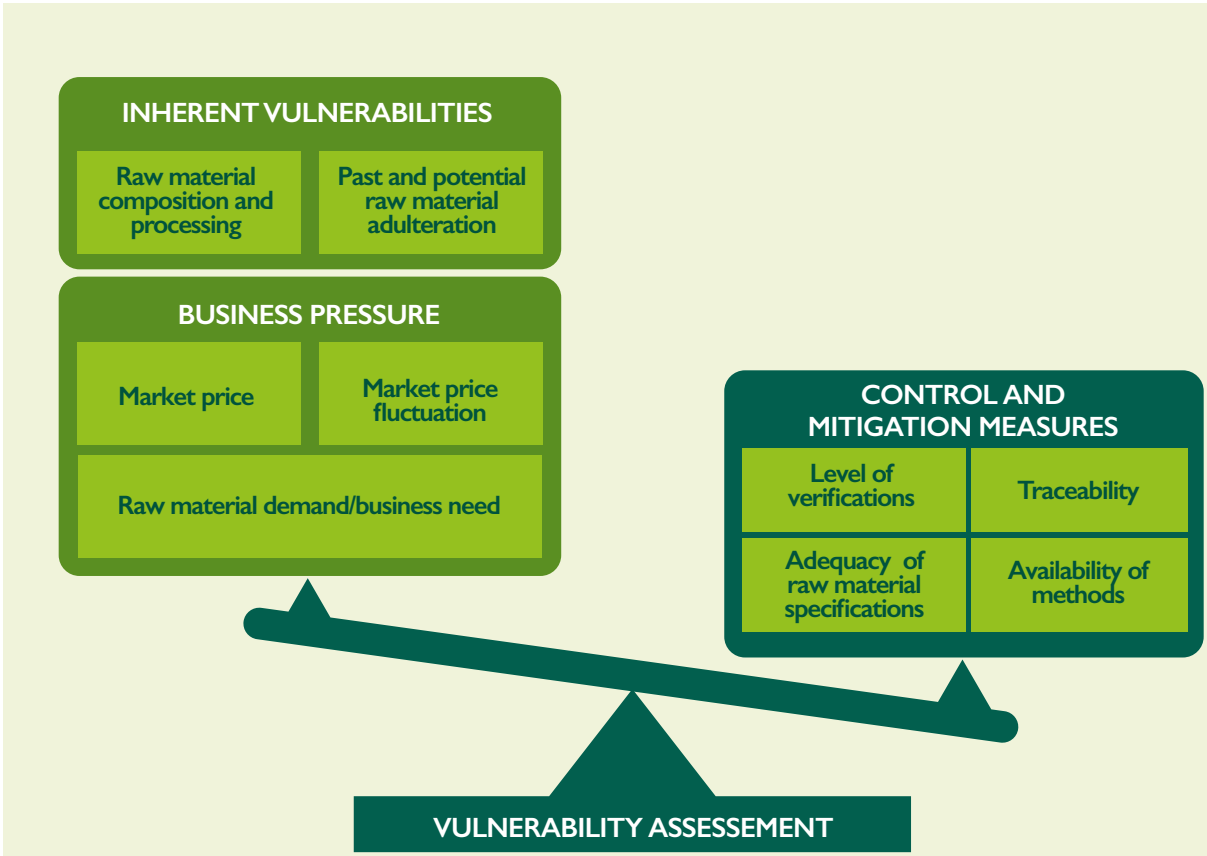
In the Group, fraud prevention, along with the Code of Conduct, is an articulated internal management system within the corporate organisational model. It has the dual purpose of protecting customers and consumers from these phenomena, as well as protecting the company from severe administrative sanctions that may be caused them in these contexts. The management system involves the prevention and reduction of all possible risks of fraud linked to voluntary adulteration of incoming products on all production cycles (live animals, food ingredients, packaging, etc. ...), in the form of substitution, incorrect labelling and counterfeiting of food ingredients by accidental or intentional causes.

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



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

PREVENTION MEASURES FOR FOOD FRAUD

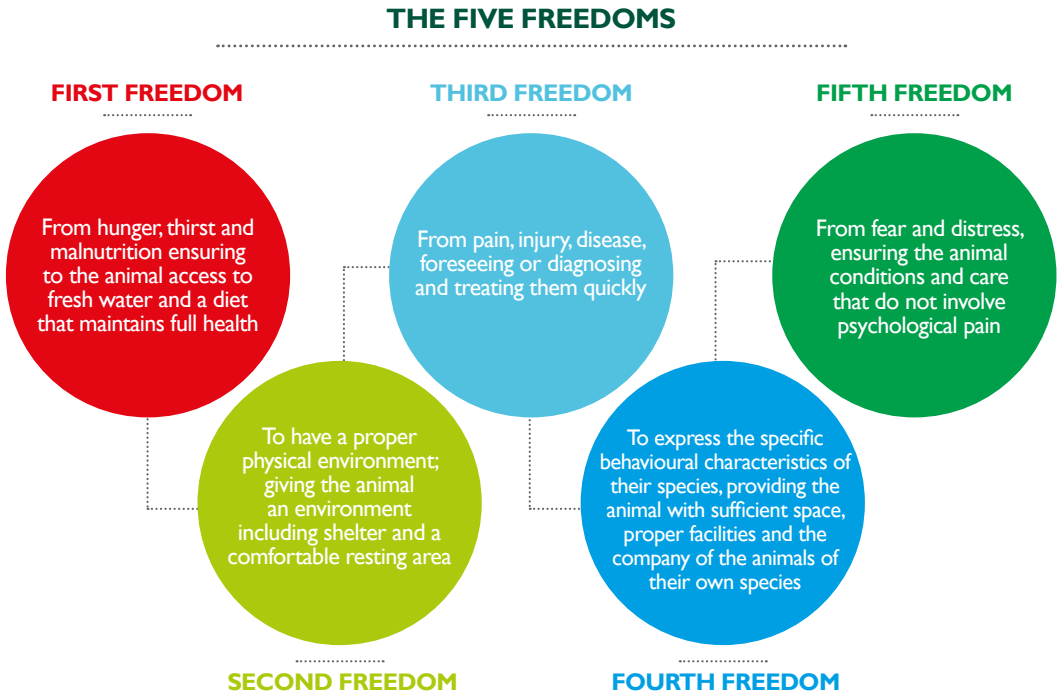


ONLINE *www.inalca.it*

8. ANIMAL WELFARE

8.1 THE FIVE FREEDOMS*

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



Based on these general principles of inspiration, INALCA, in agreement with veterinary experts, scientific platforms, customers and partners particularly sensitive to this issue, developed its own animal welfare techniques.
For the proper management of animal welfare, INALCA employs a team of veterinarians who update and develop these rules at all stages of the supply chain: **breeding, transport and slaughter.**
It is a set of procedures and indicators that constitutes a complete animal welfare management and evaluation system, documented and accessible, that is shared with breeders through its website and training and auditing activities, in conjunction with the agricultural Associations.

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

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

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

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

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

The concept of well-being is the result of the animal's full adaptation to its environment, respect for the 5 freedoms and is therefore the fruit of positive, satisfying and gratifying experiences able to produce positive and effective answers to the animal's adaptation.

To guarantee transparency and objectivity to the consumer, INALCA believes that this information should be subjected to systems that are verified and certified by third parties, analogous to the communication regarding qualitative detail performance of the product. The most reliable instrument of guarantee is the voluntary system required by Regulation (EC) no. 1760/2000 on the labelling of beef and bovine meat products, which has recently added animal welfare to voluntary information and for which remains the obligation to possess a voluntary labelling regulation recognised and controlled by the policies of the Ministry of Agri-food and forestry; INALCA, which has the first voluntary labelling specification recognised in Italy, has included the control of animal welfare among the information that will be communicated to the consumer in a form verified by third parties and above all based on objective, transparent and measurable criteria.

ONLINE

In this context, INALCA adopted the method CReNBA method developed by the Livestock Institute of Lombardy and Emilia for the evaluation of animal welfare in breeding.
www.izsler.it/pls/izs_bs/v3_s2ew_consultazione.mostra_pagina?id_pagina=3610

8.2 RESPONSIBLE USE OF ANTIBIOTICS IN BREEDING

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

It is a complex issue for a company that operates in different geographical areas, each with different systems and regulations on the subject. Even with the knowledge that in this context a unique approach to the problem is not simple to implement, INALCA identified some operational guidelines that it considers applicable at all levels and in all geographical areas in which it operates.
In this regard INALCA is among the first companies to engage in the development of training courses to spread the right concept of antibiotic resistance and teach the correct drug use practices in order to be able to obtain a less and more responsible use of antibiotics. These courses have involved more than 400 operators and technicians who are in close contact with animals daily.

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

Classification of veterinary treatment and their definition:

1) CURATIVE TREATMENTS, DEFINED AS "THERAPY": means the treatment of an animal or group of animals following a clinical diagnosis made by a veterinary surgeon;

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

3) PREVENTIVE TREATMENTS, DEFINED AS "PROPHYLAXIS" means the treatment of one or more animals, before clinical signs of infectious disease in order to prevent the onset of the disease itself.

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

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

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

INALCA believes that the path of improvement in this sector can not be based exclusively on the imposition of technical and field checks, but should be achieved mainly through the adoption of practices of technological transfer aimed at introducing practical solutions for the reduction of animal drugs and the enhancement of "case histories" and real testimonials of model farms that have had success in this field.

To this end, INALCA also retains important collaboration with pharmaceutical companies and institutions engaged in the search for alternative animal care solutions to antibiotics.

At the national level INALCA adopts analysis and evaluation tools on the correct use of antibiotics made available by the Experimental Livestock Institute of Lombardy and Emilia Romagna and in course of further development by the Ministry of Health.

Based on the experience acquired, INALCA has started the formation of dedicated supply chains, in which it is guaranteed the absence of antibiotic use for at least the last 4 months of rearing. It is the result of a long implementation of good drug use practices, professional growth of company management and maintenance of high welfare and biosecurity conditions within the Group's farms.
INALCA pays great attention to the evolution of national legislation on the new professional figure of the Company Veterinarian and their possible role in the context of breeding farms.

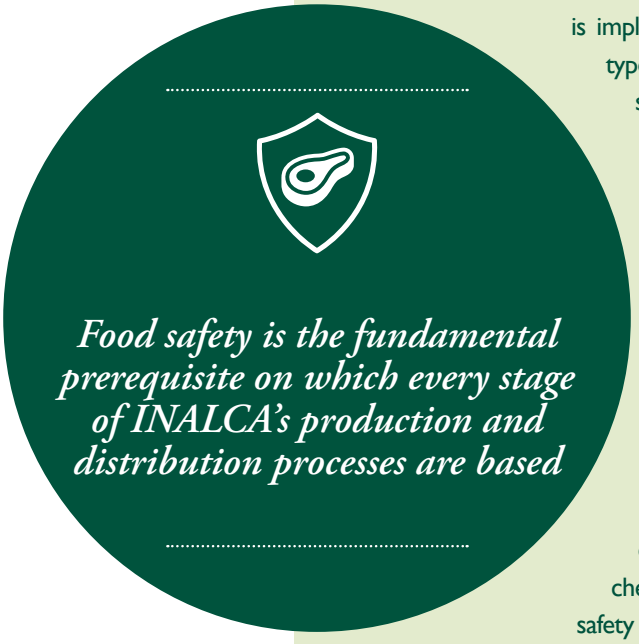
Breeding at Jolanda di Savoia (FE)

9. PRODUCTS AND CONSUMERS

9.1 QUALITY AND FOOD SAFETY

9.1.1 PRINCIPLES AND METHODS

Food safety is the fundamental pre-requisite on which every stage of INALCA's production and distribution process is based. INALCA's long permanence in markets particularly strict in this regard, such as the European Union, Russia, USA, Canada and Japan, and the adoption of the main voluntary standards of food safety, have allowed INALCA to develop over time the most modern and advanced techniques of hygiene and risk prevention in food and an integrated management system that covers all the production plants of the Group.
In 2017, the management standard was further extended to emerging markets in the Far East and South East Asia. The overall system is thus based on the identification, within each work process, of the critical control points and provides the necessary actions to identify, eliminate or reduce to an acceptable level the significant threats to food safety.



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

9.1.2 IDENTIFICATION AND TRACKING SYSTEM

IT 001
1st in the voluntary labelling of beef in Italy (Reg. CE 1760/2000)

As mentioned in § 8.1, the control and accuracy of information managed in the company product identification and traceability system is a fundamental element in support of every action put in place for quality, food safety and consumer communication.
As in food safety, also in the labelling and consumer communication fields, INALCA adopts controls carried out by independent third party entities, aimed at verifying the truthfulness, transparency and accessibility of information concerning products placed on the market.

In 2017, the group identification and traceability system has significantly developed upstream of the productive chain, integrating with the beef breeding of former members and suppliers of the cooperative group UNIPEG-ASSOFOOD acquired in 2016. Through a dedicated IT tool, **much information is acquired on breeding farms, such as production data, type of livestock production, characteristics of the barns, analytical and inspection checks**. Information that is used by INALCA for supplier qualification and evaluation processes; this system is an important management element also for the breeder, who adheres to a quality system such as that assured by INALCA, access to the rewards provided by the Community Agricultural Policy (CAP), in particular national aid, granted in accordance to the EC regulation 1307/2013. For this purpose, the reliability of the system is verified by various monitoring bodies, in particular by the competent institutions on the quality protection of foodstuffs and bodies responsible for awarding prizes. Recently the application of the specification has extended, as well as to the Po Valley farms in Northern Italy, also to extensive farms in the south, in order to trace quality information on a totally Italian bovine supply chain, starting from the birth of the animals, characterised by a "GMO Free" diet.
During 2018, a further adjustment of the data collection system is expected and controls for the "Absence of antibiotic treatments" parameter.

During 2017, the traceability system has developed and integrated, as well as with the agricultural world, with important national distribution chains too that use the INALCA labelling specification to convey information at the sales point about the territoriality of the meat, its qualitative characteristics, the well-being and the productive characteristics of the animals.

9.1.3 ADOPTION OF VOLUNTARY TECHNICAL STANDARDS

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

TABLE 17 - STANDARDS ADOPTED BY INALCA

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

As mentioned in the previous paragraph, the use of certified third-party systems is also extended to support product claims and more generally the adequacy of information provided to the consumer.
In the course of 2017, the process of integration of the Group's Italian new acquisitions into the voluntary standards adopted by INALCA has continued.

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

○ APPLICATION IN PROGRESS

9.2 RESPONSIBLE COMMUNICATION

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

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

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

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

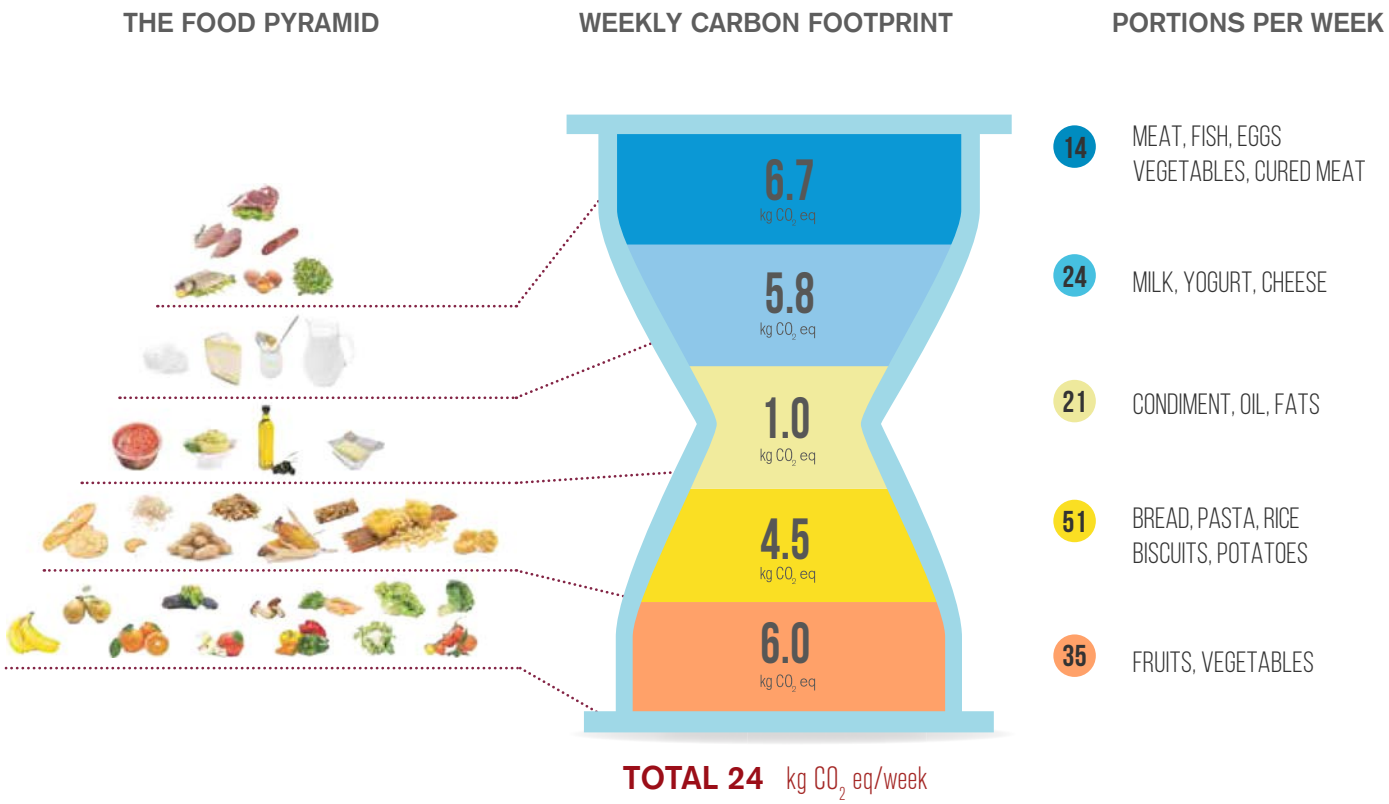
INALCA adopts voluntary certifications to support product claims, with particular reference to the communication on the characteristics of meat placed on the market, on environmental aspects and animal well-being.

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

9.3 PROMOTION OF A BALANCED MEAT CONSUMPTION "THE ENVIRONMENTAL HOURGLASS "

INALCA believes that a responsible product communication can not be exempted from the context of promoting a healthy and balanced consumption, in line with the nutritional indications provided by major research institutions and in compliance with the principles of the Mediterranean diet.
INALCA published through the organisation "Sustainable Meat" the second sustainability report on meat in Italy. It is a complete and updated document that summarises the state of scientific knowledge and information on the 5 fundamental themes of meat sustainability in the Italian context: **safety, nutrition, environment, economy, food waste.** The report seeks to provide a clear and documented basis for discussion and comparison of meat producers without pre-established or uncompromising truths.

Various organisations and stakeholders have been involved in the debate on the theme of meat: animal and environmental associations, media, that are based on criticisms of data and information coming from different contexts, often from countries overseas and which are not always adaptable to the national context.
This report evidences that a balanced meat consumption is also a key contribution to the protection of people's health and does not have significant impacts on the environment. The report also highlighted how the real pro capita consumption of meat in Italy is almost aligned with the portions indicated by INRAN (today CREA), according to the most recent consumption figures, as results from the publication of the book "Real consumption of meat and fish in Italy" (Franco Angeli Edition - 2017).
Leading on from all the aforementioned conditions, the **Environmental Hourglass** was born, showing graphically how eating meat in a balanced way is sustainable for health and the environment.



ONLINE

www.carnisostenibili.it

REPORT 2016 - The Sustainability of Meat and Cured Meats in Italy
http://carnisostenibili.it/wp-content/uploads/2014/10/ITA-FULL-La-sostenibilit%C3%A0-delle-carni-e-dei-salumi-in-Italia-2016-REV-gen-2017.pdf

10. OUR PEOPLE

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

10.1 STAFF BREAKDOWN

In 2017 the Group slightly increased its consistency in terms of staff employed in Italy and abroad.

The following graphs show the indicators used:

- **staff breakdown by professional status;**
- **gender division of staff;**
- **new recruitment and breakdown by age.**

BREAKDOWN OF INALCA'S STAFF IN ITALY

INALCA S.p.A.'s staff in Italy has 1,222 units

Staff breakdown by professional category

Female presence in the workforce

345 Women
877 Men

New Employees 2017

young people under the age of 30 years

39 new employees < 30 years old

12 new employees aged 30-50 years old

7 new employees over > 50 years old

INALCA STAFF DISTRIBUTION IN ITALY (ANNI 2015-2016-2017)

YEAR 2015		YEAR 2016		YEAR 2017	
EXECUTIVES	24	EXECUTIVES	26	EXECUTIVES	27
EMPLOYEES	338	EMPLOYEES	380	EMPLOYEES	396
WORKERS	607	WORKERS	849	WORKERS	799
NUMBER OF WOMEN	265	NUMBER OF WOMEN	365	NUMBER OF WOMEN	345
NUMBER OF MEN	704	NUMBER OF MEN	890	NUMBER OF MEN	877
% WOMEN	27%	% WOMEN	29%	% WOMEN	28%
TOTAL	969	TOTAL	1,255	TOTAL	1,222

New employees 2015		New employees 2016		New employees 2017	
<30 YEARS OLD	16	<30 YEARS OLD	40	<30 YEARS OLD	39
30/50 YEARS OLD	17	30/50 YEARS OLD	34	30/50 YEARS OLD	12
>50 YEARS OLD	4	>50 YEARS OLD	18	>50 YEARS OLD	7
TOTAL	37	TOTAL	92	TOTAL	58
% YOUNG PEOPLE	43%	% YOUNG PEOPLE	43%	% YOUNG PEOPLE	67%

BREAKDOWN OF THE INALCA'S GROUP STAFF IN ITALY (INALCA + ITALIAN CONTROLLED COMPANIES REFERRED TO IN TABLE 1)

The INALCA Group's staff in Italy have 3,377 units

Staff breakdown by professional category

Female presence in the workforce

791 Women
2,586 Men

New Employees 2017

186 new employees < 30 years old

202 new employees aged 30-50 years old

70 new employees over > 50 years old

Below is a comparison table with the previous year.

DISTRIBUTION OF INALCA GROUP STAFF IN ITALY (YEARS 2015 - 2016 - 2017) (INALCA + ITALIAN CONTROLLED COMPANIES REFERRED TO IN TABLE 1)

YEAR 2015		YEAR 2016		YEAR 2017	
EXECUTIVES	33	EXECUTIVES	36	EXECUTIVES	36
EMPLOYEES	545	EMPLOYEES	607	EMPLOYEES	625
WORKERS	2,331	WORKERS	2,598	WORKERS	2,716
NUMBER OF WOMEN	692	NUMBER OF WOMEN	778	NUMBER OF WOMEN	791
NUMBER OF MEN	2,210	NUMBER OF MEN	2,463	NUMBER OF MEN	2,586
% WOMEN	24%	% WOMEN	24%	% WOMEN	23%
TOTAL	2,902	TOTAL	3,241	TOTAL	3,377

New employees 2015		New employees 2016		New employees 2017	
< 30 YEARS OLD	65	< 30 YEARS OLD	151	< 30 YEARS OLD	186
30/50 YEARS OLD	210	30/50 YEARS OLD	253	30/50 YEARS OLD	202
> 50 YEARS OLD	84	> 50 YEARS OLD	76	> 50 YEARS OLD	70
TOTAL	359	TOTAL	480	TOTAL	458
% YOUNG PEOPLE	18%	% YOUNG PEOPLE	31%	% YOUNG PEOPLE	41%

YOUNG PEOPLE IN THE GROUP

The distribution of young people is substantially unchanged compared to the previous year, with a slight improvement in the national context.

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

PRESENCE OF YOUNG PEOPLE 2017	
INALCA ITALY	13%
GROUP IN ITALY	16%
GROUP IN THE WORLD	18%

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

The present edition of the sustainability report also includes the personnel of all African companies referred to in Table 1. From the next edition of the budget, these companies will also be considered in all other aspects of sustainability. This will determine a substantial difference compared to the data collection perimeter of these financial statements.

The INALCA Group's staff in Italy, Africa and Russia consists of 5,332 units

Staff breakdown by professional category

Female presence in the workforce

1,370 Women
3,962 Men

New Employees 2017

349 new employees < 30 years old

431 new employees aged 30-50 years old

83 new employees over > 50 years old

Below is a table of comparison with the previous year

DISTRIBUTION OF INALCA GROUP IN THE WORLD (YEARS 2015 - 2016 - 2017)

YEAR 2015		YEAR 2016		YEAR 2017	
EXECUTIVES	65	EXECUTIVES	99	EXECUTIVES	113
EMPLOYEES	889	EMPLOYEES	1,085	EMPLOYEES	1,218
WORKERS	2,831	WORKERS	3,653	WORKERS	4,001
NUMBER OF WOMEN	692	NUMBER OF WOMEN	1,227	NUMBER OF WOMEN	1,370
NUMBER OF MEN	3,093	NUMBER OF MEN	3,610	NUMBER OF MEN	3,962
% WOMEN	26%	% WOMEN	25%	% WOMEN	26%
TOTAL	3,785	TOTAL	4,837	TOTAL	5,332

New employees 2015		New employees 2016		New employees 2017	
< 30 YEARS OLD	72	< 30 YEARS OLD	312	< 30 YEARS OLD	349
30/50 YEARS OLD	253	30/50 YEARS OLD	474	30/50 YEARS OLD	431
> 50 YEARS OLD	138	> 50 YEARS OLD	123	> 50 YEARS OLD	83
TOTAL	463	TOTAL	909	TOTAL	863
% YOUNG PEOPLE	15%	% YOUNG PEOPLE	34%	% YOUNG PEOPLE	40%

The overall staff context is of substantial employment stability. The overall increase of personnel is connected to the insertion of some African affiliates in the perimeter of this edition of the sustainability report. In this edition of the sustainability report the data is therefore fully integrated and aligned with the companies indicated in Annex 1.

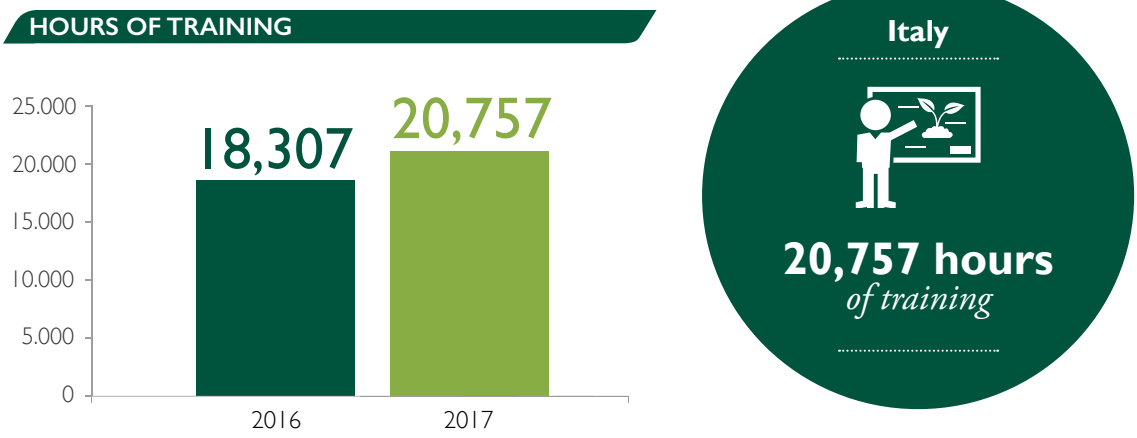
10.2 EMPLOYEES COVERED BY BARGAINING AGREEMENTS

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

10.3 STAFF TRAINING

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

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



In 2017, 20,757 hours of training were held in Italy. Currently this data is collected only in Italy, only by some companies of the Group. During 2018 this data is expected to be collected for other companies included in the perimeter of this report.

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

10.4 HEALTH AND SAFETY

With regards to health and safety, INALCA's efforts focused on extending the OHSAS 18001 certification standard to the four INALCA establishments in Italy. This result was completed in the autumn of 2015 with the certification of the Capo d'Orlando (ME) plant, crowning an activity started in 2013. In 2017 the certification of newly acquired plants has continued regularly with the certification of the Pegognaga (MN) area. In 2018 certification is expected for the Reggio Emilia plant. In the present report some tabular data parameters are provided relative to accidents and occupational diseases and the frequency index for the years 2013 to 2017.
Data also includes newly acquired facilities. They therefore cover the following INALCA establishments:

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

The performance of the 2017 indicators was stable compared to previous years.

TABLE 18 - NUMBER OF ACCIDENTS AT INALCA PLANTS

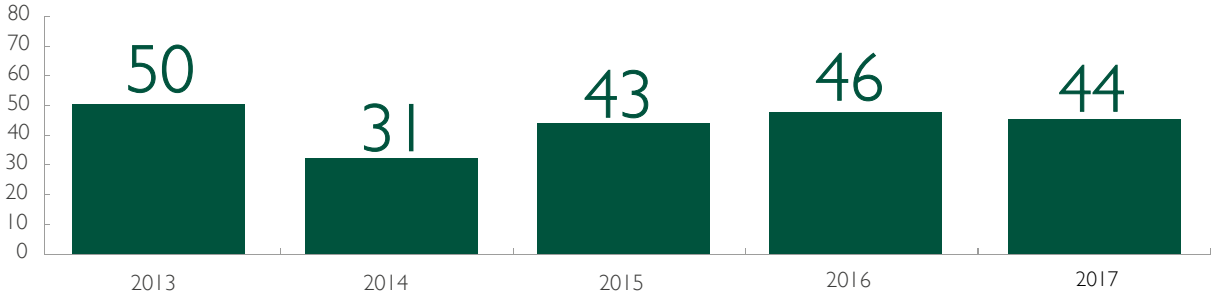
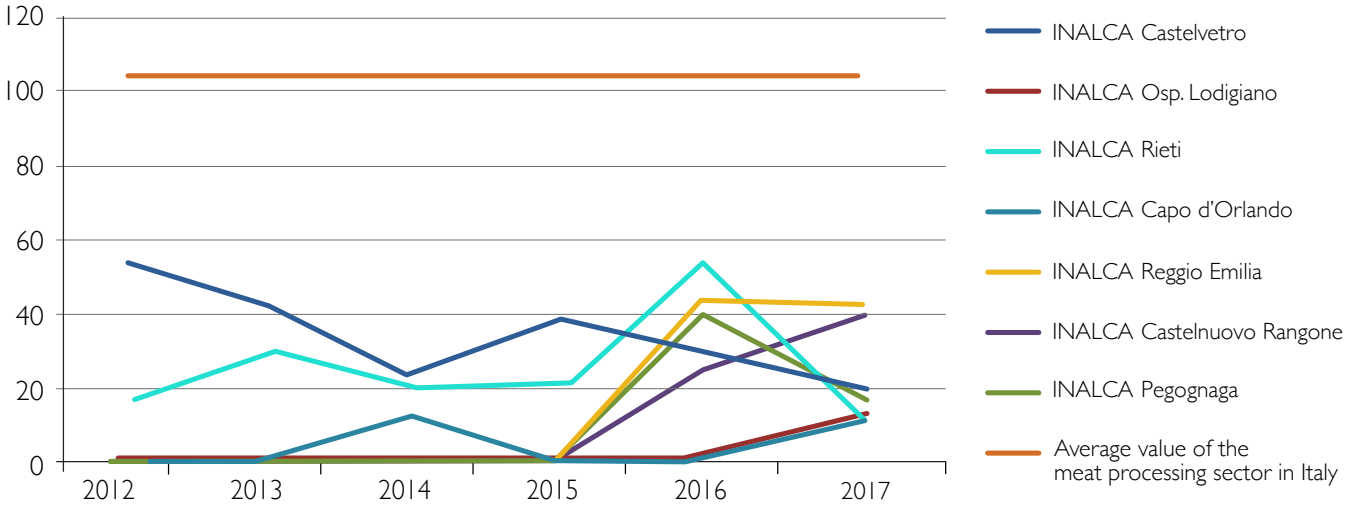


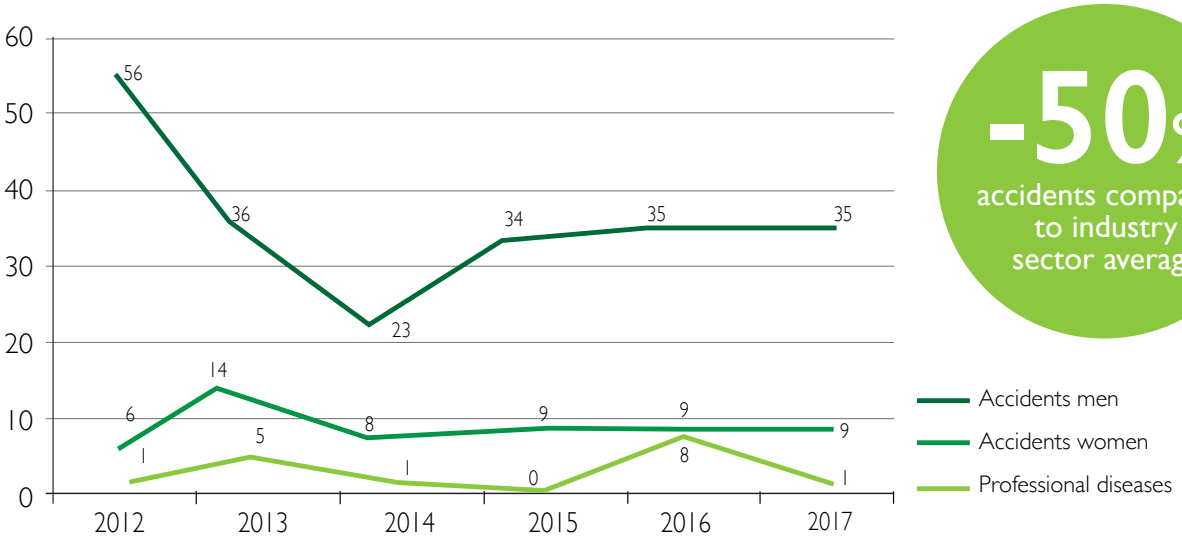
TABLE 19 - BREAKDOWN OF ACCIDENTS FREQUENCY INDEX BY PLANT



The overall trend of the indices for 2017 is stable or with fluctuations considered not significant. However, all indicators remain well below the average of the processing meats sector (orange line).

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

TABLE 20 - PERFORMANCE OF ACCIDENTS AND PROFESSIONAL DISEASES BY GENDER IN INALCA'S ITALIAN PLANTS



-50%
accidents compared to industry sector average

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

ANT - MELANOMA PROJECT

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

11. INALCA AND THE LOCAL COMMUNITIES

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

11.1 ITALY

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

The year 2017 has seen a wide communication activity on these issues, accompanied by a diffusion of the culture of sustainability, in particular the related principles and practices developed in national platforms and international organisations that deal with these issues.

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

In 2017, INALCA also collaborated on the third edition of the Master in Food Industry Management (Mafood) promoted by the University of Parma with the collaboration of the Il Sole 24 Ore Business School.

INALCA supports projects for the integration of young people into the world of work, the most important of which is the "Alliance for Youth" project promoted by Nestlé.

ONLINE

Master in Food Industry Management: ***https://www.cisita.parma.it/graduation-day-mafood/***
Alliance for Youth link: ***bit.ly/1cMk9mZ/***

Inalca collaborates with Master in Food Industry Management (Mafood) - University of Parma

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

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

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

Abroad, INALCA's social commitment is aimed mainly at supporting children and to promote the Italian image and food culture.

11.2 RUSSIAN FEDERATION

In Russia, social activities are essentially aimed at childhood support, in particular with the organisation Ronald McDonald House Charities, the Embassy of Italy, the Burger-King organisation and Linia Zhisn Foundation, the Community of S.Egidio - Russia, the "Mnogamama" Association and the Odinzovo Polyclinic.

Similar activities are carried out by Orenbeef in the Orenburg region, with projects in collaboration with the local church for children in difficulty. Orenbeef is also committed to supporting childhood education, supporting the scholastic construction of a region's school and the children's summer activities.

In 2017, Marr Russia was rewarded by the Moscow Region Parliament for its role in the development of the region.

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

In 2017, the Group's Corporate Social Responsibility activity in Russia continued on similar guidelines, in particular with support for sporting events and charitable initiatives carried out with the Italian Embassy.

ONLINE Orenburg activities: ***http://www.dplsvetoch.ru/***

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

11.3 AFRICA

The support of children, improvement of trade development facilities, promotion of the Italian image and culture are the themes addressed by INALCA's commitment in this area.

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

INALCA supports, in fact, charities with various religious organisations, including mainly the **Apostolic Nunciature** and the **Order of the Salesiani of Don Bosco**. On the secular front, INALCA's commitment is aimed primarily at the **Lwini Foundation, Grupo de Amizade Angola** and **Angolan National Institute for Children of the Ministry of Rehabilitation and Social Welfare.**

INALCA is also supportive of the Italian Embassy in Angola, with projects and initiatives for the development and promotion of Italian culture and image, and the Ministry of Trade with the development of territorial censuses and statistical surveys to improve goods movement in the country.

During 2017, the Group supported the paediatric hospital Kimbondo in the Democratic Republic of Congo.

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

ONLINE

www.fundacaolwini.org
www.cgfmanet.org

12. ENVIRONMENT AND RESOURCES

12.1 INTRODUCTION

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

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

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

In 2017, the sustainability analysis pilot project continued in the farms started together with Coldiretti and the instruments have been defined for an assessment of the national bovine supply chain including the main environmental aspects. This initiative is part of the promotion of sustainable agriculture which represents a global goal launched by FAO to be implemented by 2030 (**Objective 2**). The model of collaboration with the agricultural world under development in the Italian context is in fact a starting point and an experience that can also be of reference for sustainable agriculture abroad, in particularly sensitive environments such as the African context. The ongoing implementation in the Angolan province of Cuando Cubango for the construction of an important breeding centre will be an important milestone in this path.

A clear commitment to address these issues is expressed in the company policy and more precisely in the document called **"INALCA Code of Conduct for Sustainable Development of the Company"**. Consistent with the previous indications, in the assessment of environmental impacts, the Group companies without production infrastructure have been excluded, which carry out only commercial or financial activities and are therefore of little relevance in terms of consumption and environmental impacts. As already shown in Table 17, INALCA adopts environmental management systems in the main production sites: to date in the

Italian plants of Castelvetro di Modena, Ospedaletto Lodigiano, Rieti and the Marr Russia plant in Odintsovo (Moscow) are certified according to ISO 14001. Adjustments are being made to apply this standard to other Group facilities, in particular the Realbeef slaughterhouse in Flumeri (Av). The ISO 14001 and OHSAS 18001 certification was obtained in 2017 for the Orenbeef (Orenburg) plant. The indirect environmental aspects of particular relevance are undoubtedly linked to the improvement of impacts and consumption in cattle breeding, recovery of packaging materials, promotion of energy efficiency and use of renewable sources. Taking into account the main environmental aspects mentioned above, the guidelines on which the company moves for sustainable development are identified in the following diagram.

COMMITMENTS FOR THE ENVIRONMENT

Spreading of good sustainable practices in agriculture and impact analysis

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

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

Purification and recovery of waste water

Improving efficiency and self-production of energy, reducing emissions

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

12.2 AGRICULTURE AND BREEDING

The results of recent studies on food product life cycles (including LCA studies carried out by INALCA), confirm that on average less than 20% of environmental impacts expressed as carbon footprint and water footprint derives from the "process" phase, or from the actual production of the product, compared with more than 70% of impact caused by the production stages of agricultural raw materials. In 2017, data collection concerning the EPD of the MONTANA hamburger was carried out aimed at maintaining EPD certification; this data did not show variations of relevance respect to previous years. The renewal of the aforementioned certification is expected in 2018, using also the new mode of impact allocation named "biophysical allocation", envisaged by the EPD © System adopted by INALCA.

DISTRIBUTION OF ENVIRONMENTAL IMPACTS IN THE HAMBURGER CHAIN

76.6%*	0.1%	15.6%	0.3%	0.3%	6.9%	0.2%
CATTLE BREEDING	PACKAGING PRODUCTION	SLAUGHTER	HAMBURGER PRODUCTION	DISTRIBUTION OF FINISHED PRODUCT	HOME STORAGE	DISPOSAL PRIMARY PACK

BREEDING	PACKAGING AND PRODUCTION	CONSUMPTION
76.6%	16%	7.4%

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

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

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

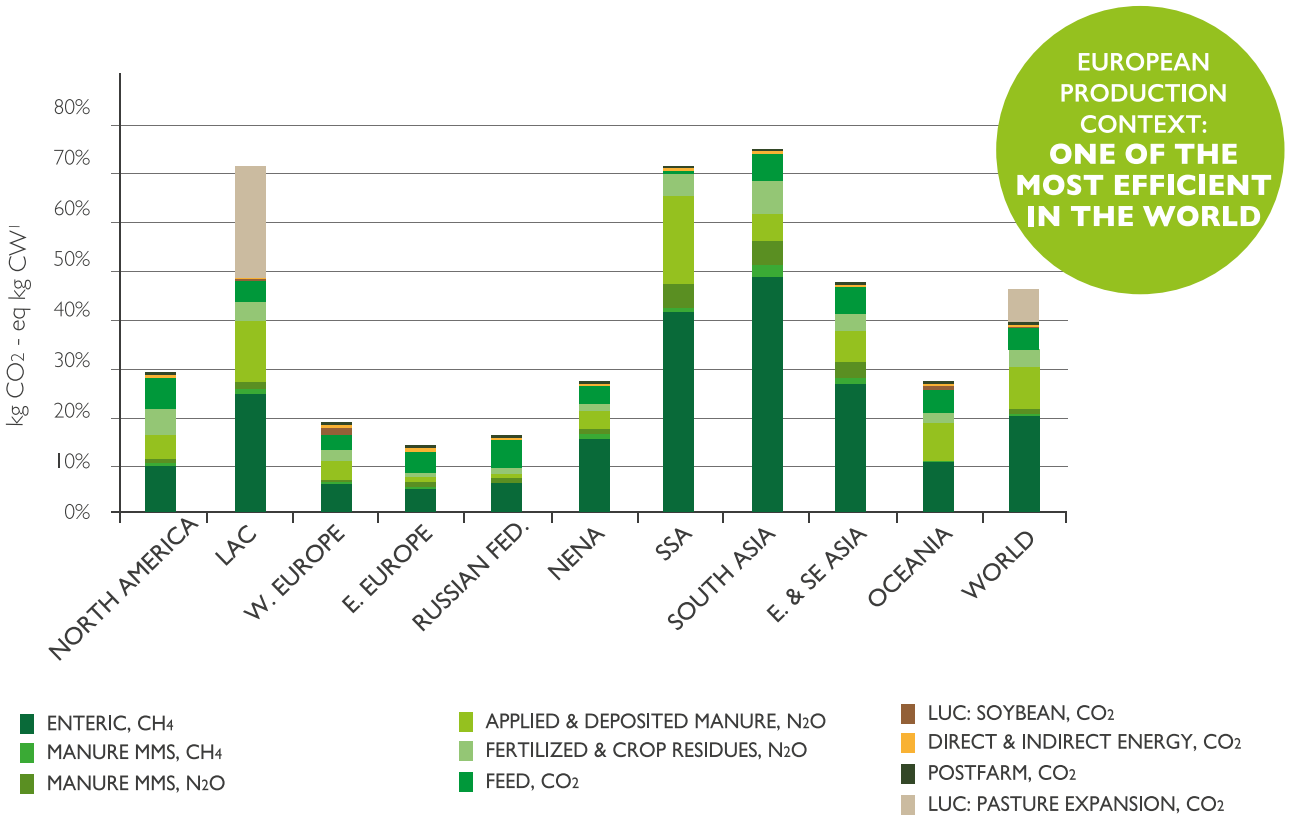
The results of the LCA study on the INALCA brand MONTANA were extremely encouraging: this product, being obtained from animals that, in addition to meat, provided milk during their productive life demonstrates a very good environmental performance, both in the context of the Italian chain and above all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

TABLE 21 - DATA OF ITALIAN IMPACTS AND CONSUMPTION IN THE GLOBAL CONTEXT

	Total	Breeding	Processing
BEEF MEAT (YOUNG BULL AND HEIFER)*			
CARBON FOOTPRINT (KG CO_2EQ)	22.9	19.8	3.1
WATER FOOTPRINT (LITERS)	11,500	10,810	690
MONTANA BEEF BURGER			
CARBON FOOTPRINT (KG CO_2EQ)	9.5	7.3	2.2
WATER FOOTPRINT (LITERS)	540	512.7	27.3
GLOBAL CONTEXT COMPARISON OF SYSTEMS MORE EFFICIENT OR LESS EFFICIENT			
CARBON FOOTPRINT (KG CO_2EQ)**	>70 (South Asia) <20 (Eastern Europe)		
WATER FOOTPRINT (LITERS)***	>19,488 (Brazil) <6,513 (Nederland)		

* Elaborated from "The sustainability of meats and cured meats in Italy" edition 2016
** Source: Tackling climate change through livestock - a global assessment of emissions and mitigation opportunities FAO - 2013.
*** Source: Mekonnen & others - 2010 (cited Sustainability Report of Meat and cured meats in Italy 2016).

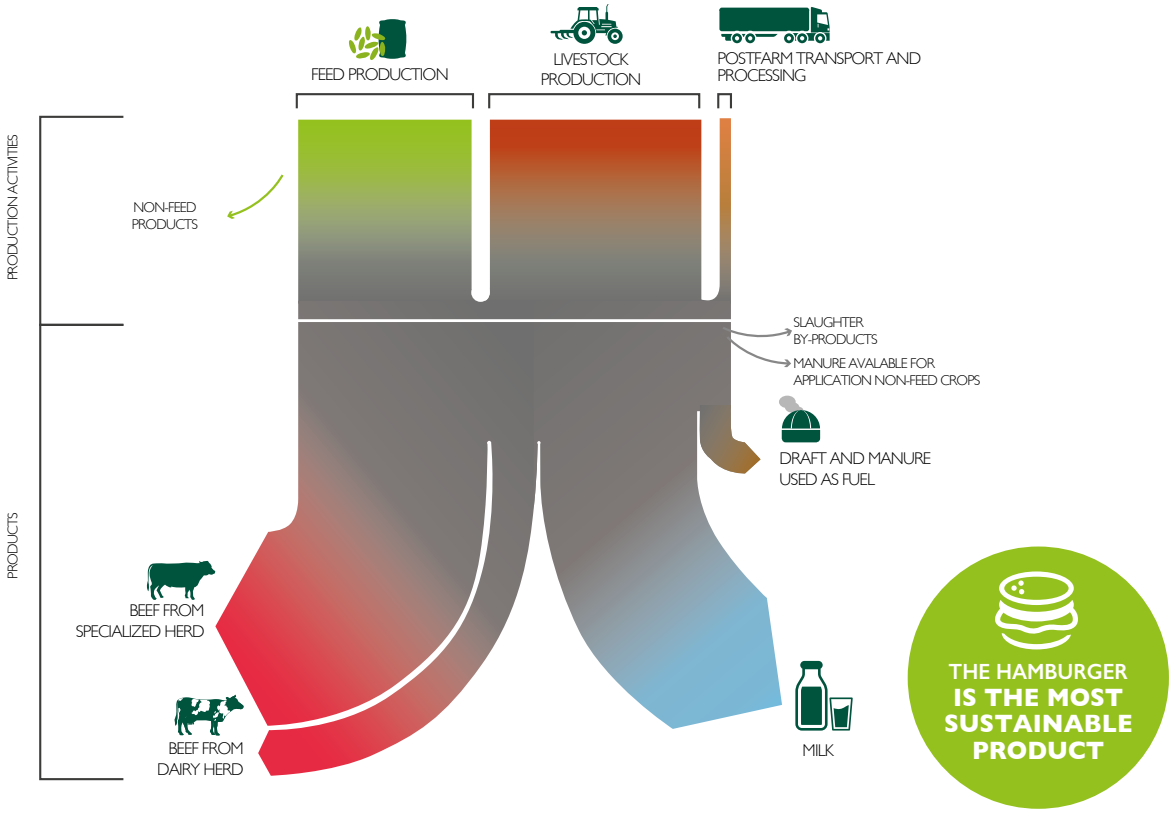
TABLE 22 - CARBON DIOXIDE EMISSION IN CATTLE BREEDING WORLDWIDE



Source: FAO Greenhouse gas emission from ruminant supply chains – A global life cycle assessment tab.11/B

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

TABLE 23 - THE IMPACTS AND COSUMPTION OF THE BEEF AND MILK SUPPLY CHAIN



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

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

13 CLIMATE ACTION

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

12.3 PACKAGING

PACKAGING SUPPLIERS

INALCA uses various types of packaging: the main ones are plastic, paper, cardboard for fresh and frozen meat, tinplate and aluminium are used instead for canned meat.
During 2017, INALCA continued the policy of reducing the amount of packaging used in order to obtain, where possible, a single packing suitable for contact with food compared to the traditional pairing primary packing - secondary packing.

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

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

In 2017, INALCA confirmed its use of recycled paper in its packaging, reaching over 90% of paper obtained by recovery and recycling processes.

Use of
90%
of recycled paper for packaging

In addition to reducing the thickness and the weight of the packaging, which is the first and simplest intervention, a second line of development consists in the progressive introduction of new recycled raw materials in the composition of the packaging used. In 2017, the Italian plants at Castelvetro di Modena, Ospedaletto Lodigiano and Rieti **confirmed the use of recycled raw materials in paper and board packaging of about 90%.**

In the case of canned meat for export, the reduction implemented in 2016 in thickness and weight related to packaging in tinplate and cardboard and maintained in 2017, allowed an overall reduction in the amount of packaging used, respectively, 148 tons of tinplate and 24 tons of cardboard.
The third element of innovation is the use of packaging that allows the final consumer to recycle it. For frozen products, paper and plastic films are used in PE/PP, so recyclable types of packaging can be recycled through the separate collection of paper and plastic.
For canned meat production, INALCA uses aluminium materials such as primary packaging and paper bags as secondary packaging, both of which can be completely recycled by the consumer through separate collection. For fresh and portioned products, the tray is made of PET or PS (polystyrene) and the PET/PE film; even in this case all recyclable materials go through the separate collection of plastic.

Packaging production is a complex technology, so partnership with supplier is essential for the pursuit of improvement results. INALCA adopts a selection criterion of packaging suppliers based on 3 principles:

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

As for the ingredient suppliers, a qualification and evaluation process is also applied for packaging suppliers, that foresees registration on the new INALCA portal dedicated to suppliers, where all required information is uploaded to be subsequently examined in order to validate or block the supply of every single material category to all the plants of the Group.
These are fundamental aspects that are carefully evaluated by INALCA. In fact, packaging is an integral part of the product and is responsible for its protection. Small defects in plastic or metal materials can reduce this level of protection and compromise product safety, so it is imperative that the packaging is systematically verified both at reception and use.

The packaging process always involves the close coupling with a dedicated production technology; it is not enough, then, to check the suitability and integrity of the materials, control must extend to the packaging technology and packaging plants that must fit perfectly with the chosen packaging. Also during 2017 there has been a growth in the packaging called "**skin**", a vacuum system that is adopted on small packages for the final consumer and which allows to **extend the product storage time: some of these packs are completely recyclable with paper**, despite the presence of a PE layer, because the degree of pulping, adhesion and waste process allow their delivery to plants suitable for treating maceration of ordinary quality.
In the case of PET packaging, a 20% share of recycled material of the overall film used was introduced in 2017. In this way the share of recycled PET in the package is increased, allowing a saving of virgin PET.
Another innovative solution adopted in the Italian and European context, which in 2017 confirmed its effectiveness, consists of plastic cases made of reusable and recyclable plastic material replacing cardboard packaging. Plastic cases, in addition to the sustainability of the materials used, allow logistic management advantages in comparison to traditional corrugated cardboard packaging: they can, in fact, after use be folded when empty, with saving in volume and advantages during transport and storage.
The extensive use of this type of packaging has been particularly advantageous in the INALCA plant of Capo d'Orlando (Me), having allowed a cardboard saving of about 100 tons.

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

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

During 2017, particular attention was paid to the increasingly extensive use of mono packaging materials. In these paths of improving packaging sustainability, the partnership with supplier and sharing of common goals are therefore essential elements for achieving concrete results.

12.4 PRODUCTS

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

EPD®

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

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

ONLINE

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

12.5 WATER

INALCA, aware of the value of water resources, has for a long time pursued targets for improvement, both in terms of reducing consumption, and in increasing recovery and reuse. For its production sites INALCA does not use water from surface sources, but only ground water, which offers greater guarantees in terms of quality. Over 90% of the water supply is also run directly by INALCA, both the extraction from **the groundwater phase and the distribution one, use and purification**. The integrated cycle managed entirely by INALCA **ensures a "no waste" management of water resources** because the distribution network is particularly guarded and controlled.

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

Furthermore, the waste water presents a chemical and physical composition that makes it easily purified, thanks to the balanced relationship between the so-called Chemical oxygen demand (COD) and the Biological need of oxygen (BOD). Given the "food" nature of production processes, particularly hazardous substances to the environment, such as heavy metals, are not found in waste water.

The main INALCA plants are equipped with modern sewage plants that ensure a high purifying performance. For Castelvetro di Modena and Ospedaletto Lodigiano plants, INALCA has also been subject to more restrictive discharge limits than those foreseen by the plant's environmental permit. In the case of the Italian establishment of Ospedaletto Lodigiano, the level of reduction has reached 50% of the authorised limit for the discharge COD parameter. When sector regulations allow, INALCA sends the water for purified process recovery. Over the last three years, INALCA has started to recover about 93,000 cubic meters of water per year. In 2017, this indicator has remained essentially unchanged.

93,000
cubic meters per year of wastewater sent for recovery
=
11,625
Fire Fighter tankers

12.6 ENERGY AND EMISSIONS

New and important contributions by INALCA to the fight against climate change in line with the objective 13 of the SDGs.

13 CLIMATE ACTION

In tackling the issue of energy and energy efficiency, INALCA aims to provide its contribution to the fight against climate change, **a global target identified by FAO for the period 2015-2030** and enshrined in major international agreements on the climate in Paris (COP21) signed by 195 countries. In the European Union, the agreement became binding on 4th November 2016. In the food sector, climate change, in addition to direct environmental impacts, has indirect effects mainly on production, compromising agricultural yields and animal health. More and more, in fact, science identifies direct correlations between health and the environment according to a commonly called "One Health" approach.

For more than 20 years INALCA has focused its efforts on energy efficiency; since 1997, in fact, the first methane cogeneration system was installed in the Castelvetro plant in Modena for the combined production of electricity and heat.

In 2017, in the context of the Group's overall energy mix, the acquisition effect was consolidated of the renewable energy cogeneration plant UNITEA S.r.l., which constitutes an important asset that enters into the corporate structure as a result of the acquisition of the UNIPEG ASSOFOOD Group taking place in 2016. In addition to the fat cogeneration plant UNITEA, the effect of the second renewable sources plant acquired at the same time was also consolidated, i.e. the anaerobic digestion facility operating at the Pegognaga (Mn) plant.
The UNITEA cogeneration plant has a power of 5 MW for combined production of electricity and heat and services the needs of the already mentioned adjacent Pegognaga plant; this plant is owned by the company UNITEA S.r.l., owned 50% by INALCA, and is fully powered by renewable sources, in particular animal fats. As will be better seen in the next chapter 12.8, through this cogeneration system it is possible to improve the internal waste recovery process, allowing the direct use in this plant also of non-food fats coming from other establishments of the Group.
The Pegognaga biogas production plant has a capacity of 0.5 MW and produces electric energy and heat.

97% *self-produced energy*

42% *energy from renewables sources*

As can be deduced from the table below, the contribution of this plant to environmental sustainability is extremely important: it makes it possible to increase the share of self-produced energy to almost 100% of own needs, but above all to drastically improve the percentage obtained from renewable energy sources, that passes from about 10% to 42% of its needs.

TABLE 24 - SELF-PRODUCED ENERGY FROM INALCA

PLANT	COMPANY	TECHNOLOGY	POWER MW	PRODUCTION 2016 (MWH)	PRODUCTION 2017 (MWH)	ENERGY SOURCES
OSPEDALETTO LODIGIANO (LO)	INALCA S.p.A.	Anaerobic Digestion	1.00	5,198	5,393	Manure-Sludge-Non edible by-products
PEGOGNAGA (MN)	INALCA S.p.A.	Anaerobic Digestion	0.5	3,061	3,185	Manure-Sludge-Non edible by-products
SPILAMBERTO (MO)	Soc. Agricola Corticella S.r.L.	Anaerobic Digestion	0.3	1,427	2,544	Manure
PEGOGNAGA (MN)	UNITEA S.r.L.	Biomass Cogeneration	5.0	32,759	35,205	Tallow
CAPO D'ORLANDO (ME)	INALCA S.p.A.	Solar Panel	0.1	152	165	Solar Energy
PIACENZA	FIORANI & C.	Solar Panel	0.5	560	550	Solar Energy
OSPEDALETTO LODIGIANO (LO)	INALCA S.p.A.	Cogeneration Methane	3.6	13,395	13,205	Methane
CASTELVETRO (MO)	INALCA S.p.A.	Cogeneration Methane	7.7	41,160	40,190	Methane
RIETI	INALCA S.p.A.	Cogeneration Methane	1.4	7,655	7,164	Methane
		Total	**20.2**			
TOTAL ENERGY SELF-PRODUCTION				**105,367**	**107,602**	
FROM RENEWABLE SOURCE				**43,157**	**47,043**	
% OF GREEN SELF PRODUCTION				**40%**	**42%**	
TOE SAVING*				**14,820**	**14,943**	
CARBON SAVING				**36,416**	**36,800**	
OVERALL ENERGY REQUIREMENTS				**107,072**	**110,862**	
% total self-production				**98%**	**97%**	

**TOE (Tons of Equivalent Oil)*

ONLINE

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

SOLAR POWER AND COGENERATION

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

As well as solar, cogeneration systems represent for INALCA the main tool for improving their energy performance. To date, INALCA **has 6 natural gas-fuelled cogeneration engines** in 4 of its main Italian plants - Castelvetro di Modena (MO), Ospedaletto Lodigiano (LO), Rieti and Busseto (PR) - cogeneration plants for a total of 12,7 MW. To these are added renewable energy sources that include, in addition to the aforementioned UNITEA plant powered by animal fats, another **3 biogas plants,** as well as 2 solar power plants for a further 7.5MW.

The cogeneration technology used by INALCA is therefore based on natural methane, biogas, and animal fat and allows the combination with another virtuous technology for the recovery of scrap and by-products of slaughter consisting of **anaerobic digestion with biogas production**. The anaerobic digestion process allows the **recovery of biomass energy** not valorised otherwise, consisting of organic waste, manure and other non-edible by-products of slaughter.

11,123
MWhe
of self-produced energy from biogas

Cogeneration and biogas are a winning conjunction, rewarded by the national incentive system. Through this plant network, in 2017, the Group obtained incentives (former green certificates) covering the total of biomass energy produced by biomass equal to 70,500 regarding the cited UNITEA plant and the INALCA biogas plant of Ospedaletto Lodigiano to which 4,097 white titles (EET) must be added concerning the cogeneration facilities installed at the Castelvetro (MO) plant. These incentives represent the national instrument for **supporting energy efficiency and renewable energy production.**

For about 10 years, the Group has been promoting and implementing energy efficiency projects at the main production facilities. Thanks to these interventions, in the five-year period from 2013 to 2017, **the INALCA Group obtained approximately 42,000 Energy Efficiency Titles (EET), saving energy for one equivalent of 50,000 TOE (Tons of equivalent oil), corresponding to around 2,100,000 GJ. In 2017, savings in terms of CO2 not emitted amounted to 36,800 tons of CO2, slightly higher than 2016.**

CO_2
36,800
tons / year
of Carbon Dioxide saved
=
51,429
plane trips from Rome to New York

12.7 WASTE

Thanks to a careful and scrupulous waste collection activity in its production sites, in 2017 the rate of waste recovery remained constant at 99% of the waste produced.

ANAEROBIC DIGESTION WITH BIOGAS PRODUCTION

Since 2016, two new anaerobic digestive plants of the Group are active: the first agricultural plant has entered into full regime, managed by its subsidiary Soc. Agr. Corticella with a power of 0.3 MW, which allows the recovery and the energetic valorisation of the manure of the bovines bred. It is important to emphasise that, unlike other similar plants that are based on potentially alimentary plant matrices such as corn, the INALCA agricultural plant uses only non-food matrices without competing and subtracting resources from human food and animal feed. The second plant, located in the industrial complex of Pegognaga (Mn) with a capacity of 0.5 MW, entered the Group's structure due to the acquisition of UNIPEG - ASSOFOOD and it's added to the similar plant located in Ospedaletto Lodigiano, thereby increasing the quota of internally recovered waste while increasing the domestic production of energy from renewable sources. In 2017, with this new plant design, a total of 76,000 metric tons yearly of biomass energy will be devoted to energy valorisation.

99%
of waste products sent for recovery

COMPOSTING

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

The initiation of the first works of adaptation are expected at the end of 2018.

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

FROM BIOGAS TO BIO-METHANE

Thanks to the historical experience acquired in the biogas sector, the Group intends to seize the new challenge in the renewable energy sector: the transition from the production of electricity to bio-methane, the fuel capable of making the industrial transport by road sector sustainable. It is an innovation which requires technological competence, but above all processes of territorial integration between industry and local communities: the production of bio-methane requires the creation of advanced territorial supply chains and efficient recovery of domestic organic waste deriving from separate collection. **A project that extends to the local communities the environmental and social benefits deriving from renewable energy, consistent with objectives 7 and 9 of the SDGs.**

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

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

Some chains are more exposed than others to the waste phenomenon such as fruit and vegetables.
In describing the dynamics related to food waste, it is important to make a basic distinction between two fundamental concepts, "food losses (scraps)" and "food waste (waste)":

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

123 kg
per person / year
Waste per capita in Europe

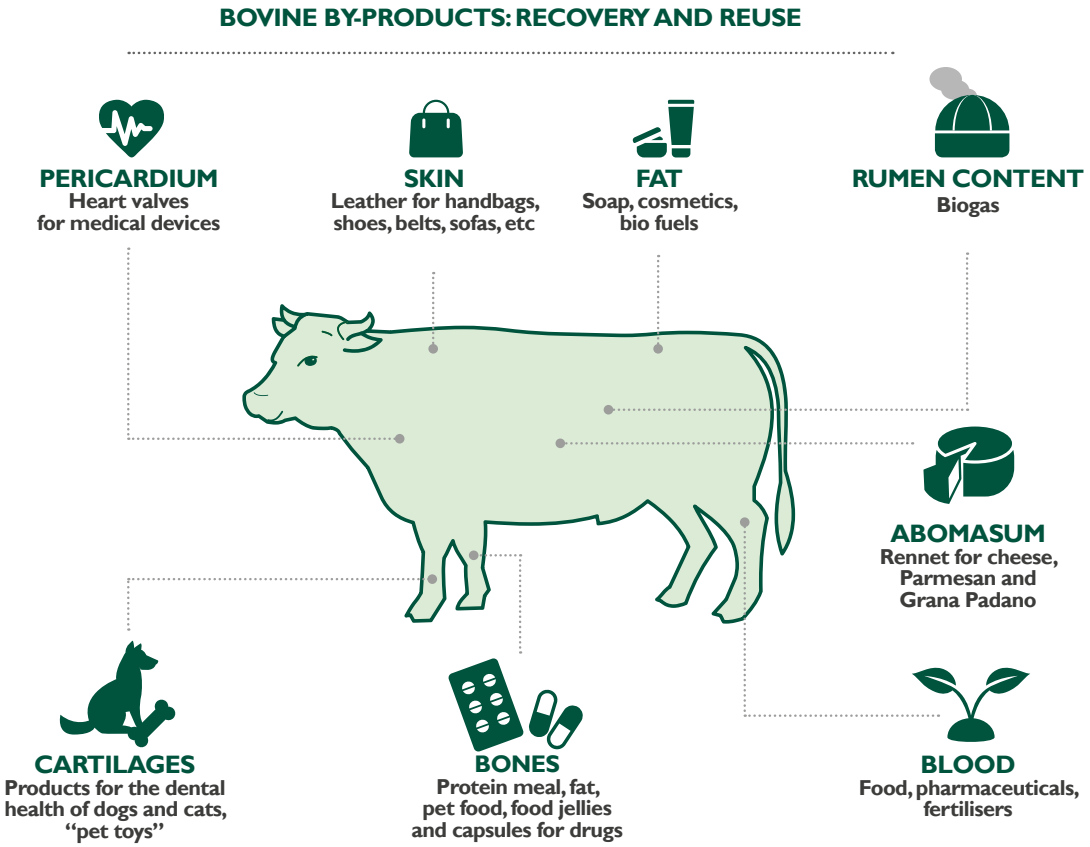
In affluent societies where the "food waste" has reached unsustainable levels, beef is among the most virtuous, both in terms of production and consumption: the reasons for this particular sensitivity must be ascribed to the economic, cultural, social as well as nutritional value attributed to meat from consumers and the possibility been recovered in countless ways, from the field until the kitchen at home.
The production and consumption of meat in fact generates an amount of waste more than halved compared to fruits and vegetables and almost half the waste of the cereal chain (source: www.carnisostenibili.it).

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

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

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

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



12.9 BIODIVERSITY

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

12.10 PLANS FOR THE FUTURE

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

- strengthening its knowledge of the impacts and specific consumption of its production chain under development in Italy, Russia and Africa, especially in relation to the farm;
- studying the impacts and specific consumption resulting from the logistics, made in the main foreign regions in which it operates;
- extension of the EPD certification to the Montana branded canned meat product;
- extension of the use of technical standards and advanced systems of data collection in the field of environment and energy to improve their governance capacity in this sector;
- extension of good environmental practices in its supply chain; (e.g. use of transport companies with large vehicles powered by methane);
- feasibility studies for further plants in the biogas sector, biomethane, composting and photovoltaic;
- development of pilot projects in the packaging industry to reduce the overall amount of materials used and increase the recovery rate.
- reinforcing section of dehydration/drying of the digestate in order to reduce the amount produced at the Ospedaletto Lodigiano plant;
- evaluation of the above activity for the Pegognaga plant.

ATTACHMENTS

1) LIST OF GROUP COMPANIES AND BUSINESS SEGMENTS

	Company business name	Registered office	Business Sector
I	**ITALY**		
1.1	INALCA INDUSTRIA ALIMENTARI CARNI S.p.A.	Via Spilamberto, 30/C - 41014 Castelvetro di Modena (MO)	Cattle breeding, slaughtering, deboning, processing meat and food distribution
1.2	ITALIA ALIMENTARI S.p.A.	Via Europa, 14 43011 Busseto (PR)	Cured meat and snacks
1.2.1	CIBO SAPIENS S.r.l.	Via Marconi 3 - 46040 Gazoldo Degli Ippoliti (MN)	Healthy and innovative food production and distribution
1.3	FIORANI & C S.p.A.	Via Coppalati, 52 29010 Piacenza (PC)	Processing and distribution of meat
1.4	REALBEEF S.r.l.	Zona Industriale ASI 83040 Flumeri (AV)	Cattle and sheep slaughtering
1.5	GES.CAR S.r.l.	Via Spilamberto, 30/C - 41014 Castelvetro di Modena (MO)	Production services
1.6	SOCIETÀ AGRICOLA CORTICELLA S.r.l.	Via Corticella, 15 41057 Spilamberto (MO)	Cattle breeding
1.6.1	SOCIETA' AGRICOLA DI GODEGO S.S.	Via Spilamberto 30/C 41014 Castelvetro (MO)	Cattle breeding
1.7	SARA S.r.l.	Via Spilamberto, 30/C 41014 Castelvetro di Modena (MO)	Energy and environment
1.8	BELL CARNI S.r.l.	Via Eridania, 58 45039 Stienta (RO)	Meat processing and food storage
1.9	GUARDAMIGLIO S.r.l.	Via Coppalati, 52 29010 Piacenza (PC)	Management of fresh products retail outlets (butchers and delicatessens)
1.10	INALCA FOOD & BEVERAGE S.r.l.	Via Modena, 53 - 41014 Castelvetro di Modena (MO)	Trade and food distribution
1.11	VALTENNA CARNI S.r.l.	In liquidazione - Via della Costituente 1 - Fermo (FM)	Meat processing
1.11.1	SARDINIA LOGISTICA S.r.l.	Via Barbagia, 30 - 07026, Olbia, Sassari	Meat transport
1.12	UNITEA S.r.l.	Via Taliercio, 3 46100 Mantova (MN)	Production of renawable energy
1.13	TECNO - STAR DUE S.r.l.	Via Modena, 53 41014 Castelvetro di Modena (MO)	Engineering and industrial plant design
1.14	PARMA SERV S.r.l.	Via Solferino, 11 - 43123 Parma	Cattle trade
1.15	CLASS CHINA & COMMERCE S.r.l.	Via Marco Burigozzo, 5 20122 Milano	Food distribution
1.16	FARM SERVICE S.r.l.	Via Rinaldi, 105 42124 Reggio Emilia	Processing animal by-products
1.17	NUOVA CAMPARI S.p.A.	Via S.Pellegrino, 5 42018 San Martino in Rio (RE)	Processing animal by-products
1.18	QUINTO VALORE S.c.a.r.l.	In liquidazione - Via Due Canali, 13 42124 - Reggio Emilia	Processing animal by-products - control inspection services
1.19	AGM S.r.l.	Via Prato Grande 4 - 42024 Castelnuovo di Sotto (RE)	Processing animal by-products - control inspection services
1.20	BF HOLDING S.p.A.	Via L. Cavicchini, 2 44037 Jolanda di Savoia (FE)	Agricultural and livestock production, Food distribution and sale

	Company business name	Registered office	Business Sector
1.21	EMIL BANCA	via Mazzini, 152 40138 Bologna	Financial services
1.22	BANCA CENTROPADANA COOPERATIVA	Corso Roma, 100 - 26900 Lodi	Financial services
1.23	FRIGO MACELLO S.r.l.	Via della Costituente 1 Fermo (FM)	Real estate
1.24	CAAF EMILIA ROMAGNA S.p.A.	Via Lelio Orsi, 5 42121 Reggio Emilia RE	Fiscal assistance
2	**EUROPEAN UNION**		
2.1	MONTANA ALIMENTARI Gmbh	Kirschstrasse 20 - 80999 Monaco - Germania	Cured meat and snacks production and distribution
2.2	MONTANA FARM S.p.Zo.o.	Via Mazurska,11/6 - 10-510 Olstzyn - Polonia	Cured meat and snacks production and distribution
2.3	COMIT COMERCIAL ITALIANA DE ALIMENTACION S.L.	Calle Pérez Galdós, s/n en San Isidro, Granadilla de Abona, Isole Canarie	Food production and distribution
2.3.1	TECALI S.L.	Camino Real de la Orotava, 215, El Hortigal -La Laguna Snata Cruz de Tenerife -Spagna	Production of dairy products
2.3.2	HOSTERIA BUTTARELLI S.L.	Calle Herraje s/n Neve 29, Sector P3 Norte Poligono industrial de Arinaga 31119 Aiguimes Las Palmas -Spagna	Pasta production
2.4	PARMA FRANCE S.a.s.	13, Rue Claude Chappe-Le Parc de Crecy - 69370 - St Didier Au Mont D'Or	Cattle trade
2.4.1	PARMA LACOMBE S.a.s.	La Tremolière 15600 - St Santin De Maurs	Cattle trade
2.4.2	PARMA TURC S.a.s.	R.N.75 Ambroney 01500 Amberieu En Bugey	Cattle trade
2.4.3	PARMA AUBRAC S.a.s.	Le Bourg 48270 - Malbouzon	Cattle trade
2.4.4	PARMA SOFRELIM S.a.s.	La Valeyrie - 19330 – Saint Germain Les Vergnes	Cattle trade
2.5	ZAKLADI MIESNE SOCHOCIN Sp.Z.o.o	Al.Jana Pawla II n.80/51 00175 - Sochocin,Varsavia	Slaughtering and processing meat
2.6	INALCA EURASIA GesmbH	Seilerstätte, 16 1010 - Vienna	Meat production and food distribution
3	**AFRICA**		
3.1	INTER INALCA (ANGOLA) COMERCIO GERAL, LIMITADA	Lda Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda	Food distribution
3.2	INALCA ANGOLA LIMITADA	Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda	Food distribution
3.2.1	SCDA ANGOLA	Rua e Casa S/N - Bairro do Bondo Cailla, Município do Menongue - Cuando Cubango	Food production and distribution
3.2.2	PECKINALCA LDA	Rua Dom Manuel Nunes Gabriel s/n°, Bairro Palanca, Município do Xilamaba Kiaxi, Luanda	Real estate
3.3	INALCA BRAZZAVILLE SARL	Avenue Cote Mondaine BP8410 Pointe Noire	Food distribution
3.4	INALCA KINSHASA SPRL	Avenue Poids Lourds n. 935 Ndolo-Commune Gombe Kinshasa	Food distribution
3.5	INALCA ALGERIE SARL	08, Rue Chérif Hamani 16000 Algeri	Food distribution

	Company business name	Registered office	Business Sector
3.6	DISPAL – CI SARL DISTRIBUTEUR DE PRODUITS ALIMENTAIRES EN CÔTE D'IVOIRE	Bld Carde - 3ème étage Immeuble Les Harmonies 04 B.P. 225 Abidjan 04	Food distribution
3.7	INDUSTRIA ALIMENTAR CARNES DE MOCAMBIQUE	Av. De Mocambique n. 9400 km 9,5 Bairro do Zimpeto Maputo	Food distribution
3.8	INALCA FOOD & BEVERAGE CAPO VERDE LDA	Rua Amilcar Cabra, 1°Andar do Préio Argos Citade de Santa Maria - Ilha do Sal Capo Verde	Food distribution
4	**RUSSIA & EURASIAN REPUBLICS**		
4.1	TOO KOGALY AGRO LLP	Furmanov Street, 13/195 - Almaty	Production, processing and distribution of meat and other food products
4.2	TOO INALCA EURASIA KAZAKHSTAN LLP	Furmanov Street, 13/195 - Almaty	Production, processing and distribution of meat and other food products
4.3	OOO KASKAD	Vostochnaia,5 143000 Odintzovo, Mosca	Real estate
4.3.1	OOO ORENBEEF	Ul.Pionerskaya, 2 Campagna Cherniy Otrog, Saraktashskiy Reg. 462100	Slaughtering, processing and distribution of meat and other food products
4.3.2	OOO MARR RUSSIA	Ul.Vostochnaia, 5 143000 Odintzovo, Mosca	Production, processing and distribution of meat and other food products
4.3.2.1	TOO INALCA FOOD SERVICE KAZ	Bakmahanova 96/2, Turksib District, Almaty, Kazakhstan	Food distribution
4.3.3	OOO CHEF EXPRESS EURASIA	Vostochnaia,5 143000 Odintzovo, Mosca	Food distribution
4.3.4	AGROSAKMARA	462114, Russia, Orenburg Region, Saraktash District, Cherny Otrog, Dorozhnaya street, 50	Cattle breeding
4.3.4.1	AGROSAKMARA BASHKIRIA	450081, Russia, Republic of Bashkortostan Ufa, Admiral Makarov street, 26, building 2, office 16	Cattle breeding
5	**OTHER COUNTRIES**		
5.1	ITALIA ALIMENTARI CANADA LTD	116, Nuggett Court 00000 - L6t 5a9 Brampton, ON, Canada	Cured meat production and distribution
5.2	IF&B HOLDING INC	1679 South Dupont Highway, Suite 100 Dover, DE, 19901 USA	Holding company
5.2.1	INALCA FOOD & BEVERAGE NORTH AMERICA LLC	5 West 19th Street, New York, NY 10011 USA	Food distribution
5.3	INALCA FOOD & BEVERAGE (THAILAND) LTD	No.333/2 Moo 9 Tambol Bangpla, Amphur Bangplee, Samutprakarn, 10540 - Thailandia	Food distribution
5.3.1	LONGS ITALY CO LTD	No.333/2 Moo 9 Tambol Bangpla, Amphur Bangplee, Samutprakarn, 10540 - Thailandia	Food distribution
5.4	BRIGHT VIEW TRADING HK LTD	Chai Wan, Wah Shing Centre, 5 Fung Yip Street, Hong Kong	Food distribution

	Company business name	Registered office	Business Sector
5.4.1	BRIGHT VIEW TRADING MACAU LTD	Block K, 11th Floor, Macau Chinese Chamber of Commerce Building, 175 Shanghai Street, Macau	Food distribution
5.5	INALCA FOOD & BEVERAGE HONK KONG LTD	Suite 2301, 23rd Floor, 1-13 Hollywood Road, Chinachem Hollywood Centre, Hong Kong	Food distribution
5.6	INALCA FOOD & BEVERAGE CHINA HOLDING LTD	Suite 2301, 23rd Floor, 1-13 Hollywood Road, Chinachem Hollywood Centre, Hong Kong	Holding company
5.6.1	INALCA FOOD & BEVERAGE SHANGHAI CO LTD	Room 2807, No 1277 Dingxi Road, Changning District, Shanghai, P.R.C.	Food distribution
5.6.2	TOP BEST INTERNATIONAL HOLDING LTD	Room 701, Blok 2, 7/F Golden Industrial Building, 16-26 Kwai Tak Street, Kwai Fong, N.T., Hong Kong	Dairy products production
5.6.3	ZHONGSHAN INALCA FOOD & BEVERAGE CO. LTD	No. 16-1 A, Tong Xing Rd., Dongsheng Town, Zhongshan, Guangdong, P.R.C.	Food distribution
5.7	FRATELLI D'ITALIA SA DE CV	Calle11sur mza248 late 1 zona 1 Col Ejido sur, local 9 "PalmeirasBusinessCenter" Playa del Carmen, Quintana Roo, cp 77712, Mexico	Food distribution
5.8	ITAUS PTY LTD	in Unit E1A, 35-39 Bourke Road Alexandria NSW 2015, AUSTRALIA	Food distribution
5.9	FRESCO GOURMET PTY LTD	in Unit E1A, 35-39 Bourke Road Alexandria NSW 2015, AUSTRALIA	Food distribution
5.9.1	FABRI FINE ITALIAN FOODS PTY LTD	Unit 2, 51 Riverside Place, Morningside QLD 4170 AUSTRALIA	Food distribution
5.9.2	MODENA CORPORATION PTY LTD	in Unit E1A, 35-39 Bourke Road Alexandria NSW 2015, AUSTRALIA	Real estate
5.10	INALCA FOOD & BEVERAGE MALAYSIA SDN BHD	151B, Jalan Batu Tiga Lama, Taman Rashna, 41300 Klang, Selangor Malaysia,	Holding company
5.10.1	BOTTEGA MEDITERRANEA SDN BHD	151B, Jalan Batu Tiga Lama, Taman Rashna, 41300 Klang, Selangor, Malaysia	Food distribution
5.10.2	INALCA F&B SDN BHD	151B, Jalan Batu Tiga Lama, Taman Rashna, 41300 Klang, Selangor Malaysia,	Food distribution
5.11	FRIMO S.A.M.	Monaco, 1 rue du Gabian	Food distribution
5.11.1	PROMETEX	Monaco, 1 rue du Gabian	Food distribution

2) LIST OF GRI G4

DMA and indicators		Level of Coverage	Page	External Verification
General standard disclosures				
Strategy and Analysis				
G4-1	Statement by the Chairman and the Managing Director	TOTAL	5-6	
Oganisational profile				
G4-3	Name of the organisation	TOTAL	16	
G4-4	Primary brands, products and/or services	TOTAL	28-29	
G4-5	Headquarters	TOTAL	17	
G4-6	Operating countries	TOTAL	19	
G4-7	Nature of ownership and legal form	TOTAL	20	
G4-8	Markets served	TOTAL	22	
G4-9	Scale of organisation	TOTAL	21	
G4-10	Workforce features	TOTAL	98	
G4-11	Employees covered by bargaining agreements	TOTAL	102	
G4-12	Supply Chain organisation	TOTAL	70-84	
G4-13	Significant changes in the organisation's size, structure, ownership or supply chain	TOTAL	20	
G4-14	Precautionary approach to risk management	TOTAL	32	
G4-15	Adoption of external charters and standards in economic, social and environmental areas	TOTAL	86	
G4-16	Memberships in associations or organisations	TOTAL	52-54	
Identified material aspects and boundaries				
G4-17	Entities included in the Consolidated Financial Statement	TOTAL	9	
G4-18	Process for defining the report contents	TOTAL	8-9, 67	
G4-19	Material aspects identified in the process for defining report contents	TOTAL	68	
G4-20	Material aspects within the organisation	TOTAL	68	
G4-21	Material aspects outside the organisation	TOTAL	68	
G4-22	Restatements respect to previous reports	NOT APPLICABLE		
G4-23	Significant changes in terms of scopes and aspect boundaries in respect to previous reports	NOT APPLICABLE		
Stakeholder engagement				
G4-24	Stakeholder groups engaged by the organisation	TOTAL	50	
G4-25	Identification and selection of stakeholders to be engaged	TOTAL	50	
G4-26	Organisation's approach to stakeholders engagement	TOTAL	68	
G4-27	Key topics and concerns raised through stakeholder engagement	TOTAL	66, 68	
Report Profile				
G4-28	Reporting period	TOTAL	8	
G4-29	Date of previous report's publication	2017 DICEMBER		
G4-30	Cycle of account statements	TOTAL	8	
G4-31	Contacts for information on the report	TOTAL	8	
G4-32	GRI content index	TOTAL	132-138	
G4-33	External Certification	NOT APPLICABLE	This budget is not subject to external review	

DMA and indicators		Level of Coverage	Page	External Verification
General standard disclosures (continued)				
Governance				
G4-34	Governance structure	TOTAL	30	
Ethic and integrity				
G4-56	Values, principles, standards and norms of behaviour of the organisation	TOTAL	16, 86, 94-95	
Standard disclosure				
Category: economic				
Economic performance				
G4-DMA	Generic disclosure on management approach	TOTAL	34	
G4-EC1	Direct economic value generated and distributed	TOTAL	43-44	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	TOTAL	36	
G4-EC3	Coverage of defined benefit plan obligations	ABSENT		
G4-EC4	Financial assistance received from government	TOTAL	49	
Market Presence				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EC5	Ratio of standard level wage by gender, compared to local minimum wage at significant locations of operation	ABSENT		
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	ABSENT		
Indirect economic impacts				
G4-DMA	Generic disclosure on management	PARTIAL	34	
G4-EC7	Development and impact of infrastructure investment and services supported	PARTIAL	34	
G4-EC8	Significant indirect economic impacts	PARTIAL	34	
Procurement practices				
G4-DMA	Generic disclosure on management	TOTAL	70	
G4-EC9	Proportion of spending on local suppliers at significant locations of operations	ABSENT		
G4-FP1	Proportion of purchases from suppliers conform to the corporate procurement policy (by volume)	ABSENT		
G4-FP2	Proportion of purchases occurred according to international standards of responsible production (by volume)	ABSENT		
Category: environmental				
Materials				
G4-DMA	Generic disclosure on management	TOTAL	111	
G4-EN1	Materials used by weight or volume	TOTAL	116 and Attachment 3	
G4-EN2	Percentage of materials used that are recycled input materials	PARTIAL	116 and Attachment 3	
Energy				
G4-DMA	Generic disclosure on management	TOTAL	120-122	
G4-EN3	Direct energy consumption	TOTAL	121 and Attachment 3	
G4-EN4	Outside energy consumption	ABSENT		
G4-EN5	Energy intensity	ABSENT		
G4-EN6	Reduction of energy consumption	ABSENT		
G4-EN7	Reduction of energy requirements of products and services	ABSENT		

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Water				
G4-DMA	Generic disclosure on management	TOTAL	120	
G4-EN8	Water withdrawn	TOTAL	120 and Attachment 3	
G4-EN9	Water sources significantly affected by water withdrawal	TOTAL	120 and Attachment 3	
G4-EN10	Percentage of total volume of water recycled and reused	PARTIAL	120	
Biodiversity				
G4-DMA	Generic disclosure on management	TOTAL	126	
G4-EN11	Operational sites owned, leased, managed to protected areas and areas of high biodiveristy value	ABSENT		
G4-EN12	Description of significant impacts on biodiversity	ABSENT		
G4-EN13	Habitats protected or restored	ABSENT		
G4-EN14	List of species with habitats in activity zones, by risk level of extinction	ABSENT		
Emissions				
G4-DMA	Generic disclosure on management	TOTAL	120-122	
G4-EN15	Direct greenhouse gas emissions (GHG) (Scope 1)	TOTAL	120-122 and Attachment 3	
G4-EN16	Indirect greenhouse gas emissions (GHG) (Scope 2)	TOTAL	120-122 and Attachment 3	
G4-EN17	Other indirect emissions of greenhouse gas (GHG) (Scope 3)	ABSENT		
G4-EN18	Intensity of greenhouse gas emissions (GHG)	ABSENT		
G4-EN19	Reduction of greenhouse gas emissions (GHG)	ABSENT		
G4-EN20	Emissions of ozone - deplenting substances (ODS)	ABSENT		
G4-EN21	Emissions of NO_x, SO_x and other significant air emissions	ABSENT		
Effluent and waste				
G4-DMA	Generic disclosure on management	TOTAL	123	
G4-EN22	Water discharge	TOTAL	120 and Attachment 3	
G4-EN23	Total weight of waste by type and disposal method	TOTAL	123-125 and Attachment 3	
G4-EN24	Total number and volume of significant spills	TOTAL	Attachment 3	
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous	TOTAL	123 and Attachment 3	
G4-EN26	Biodiversity and habitats affected by the organisation's discharge of water	TOTAL	126	
Products and services				
G4-DMA	Generic disclosure on management	TOTAL	111-112	
G4-EN27	Impact mitigation of environmental impacts of products and services	ABSENT		
G4-EN28	Percentage of products sold and relative packaging materials that are reclaimed by category	ABSENT		
Compliance				
G4-DMA	Generic disclosure on management	TOTAL	111	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	TOTAL	Attachment 3	
Transport				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EN30	Environmental impacts of transporting products and other goods	ABSENT		
Overall				
G4-DMA	Generic disclosure on management	ABSENT		
G4-EN31	Environmental protection expenditures and investments	TOTAL	Attachment 3	

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

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

DMA and indicators		Level of Coverage	Page	External Verification
Standard disclosure (continued)				
Sub-category: society				
Local communities				
G4-DMA	Generic disclosure on management	TOTAL	106	
G4-SO1	Operations with implemented local community, engagement, impact assessment and development programs	TOTAL	106-109	
G4-SO2	Operations with significant actual and potencial negative impacts on local communities	ABSENT		
Anti-corruption				
G4-DMA	Generic disclosure on management	PARTIAL	64, 86	
G4-SO3	Operation assessed for risks related to corruption and the significant risks identified	PARTIAL		
G4-SO4	Communication and training on anti-corruption policies and procedures	PARTIAL	64, 86	
G4-SO5	Confirmed incidents of corruption and actions taken	ABSENT		
Public policy				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO6	Value of political contributions	ABSENT		
Healthy and accessible food				
G4-DMA	Generic disclosure on management	TOTAL	92	
Animal welfare				
G4-DMA	Generic disclosure on management	TOTAL	88	
G4-FP9	Animals bred or processed by species	PARTIAL	Attachment 3	
G4-FP10	Policies and practices related to physical alterations and use of anaesthetics on animals	TOTAL	88-90	
G4-FP11	Animals bred or processed by type of housing	ABSENT	The indicator will be developed for animals reared in the next edition of the Report.	
G4-FP12	Policies and practices regarding the use of antibiotics, hormones and other treatments on animals	TOTAL	90	
G4-FP13	Cases of non-compliance with laws and regulations relative to transport and slaughter	ABSENT	The indicator will be developed for animals reared in the next edition of the Report.	
Anticompetitive behaviour				
G4-DMA	Generic disclosure on management	PARTIAL	64-87	
G4-SO7	Legal actions for anticompetitive behaviour, anti-trust and monopoly practices and their outcomes	ABSENT		
Compliance				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO8	Fines and significant sanctions for non-compliance with laws and regulations	ABSENT		
Suppliers assessments for impacts on society				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO9	Evaluation of new suppliers screened usign criteria impacts on society	ABSENT		
G4-SO10	Potencial negative impacts on society in the supply chain and actions taken	ABSENT		
Grievance mechanisms for impacts on society				
G4-DMA	Generic disclosure on management	ABSENT		
G4-SO11	Grievances about impacts on society filed, addressed and resolved	ABSENT		

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

3) LIST OF ENVIRONMENTAL INDICATORS

				INALCA S.p.A.	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN1 - G4EN2						
Animals slaughtered	Cows	Total number of animals slaughtered	-	253,740	277,653	314,345
		Total dead weight	[t]	70,347	76,048	85,059
	Young bulls	Total number of animals slaughtered	-	159,568	164,548	175,467
		Total dead weight	[t]	61,280	62,579	65,045
	Calves	Total number of animals slaughtered	-	146,353	147,201	147,201
		Total dead weight	[t]	21,459	21,490	21,490
	Buffaloes	Total number of animals slaughtered	-	2,505	20,359	20,359
		Total dead weight	[t]	501	5,391	5,391
	Total	Total number of animals slaughtered	-	562,166	609,761	657,372
		Total dead weight	[t]	153,586	165,508	176,985
Animals entering in breeding (1)	Cows	Total number of animals entered	-	0	21,959	21,959
	Young bulls	Total number of animals entered	-	0	30,513	30,513
	Calves	Total number of animals entered	-	0	41,066	41,066
	Buffaloes	Total number of animals entered	-	0	0	0
	Total	Total number of animals entered	-	0	93,538	93,538
Purchased Meat: Italy, UE and Extra UE (bovine, pork and chicken)	Fresh with Bone		[t]	177,076	181,368	181,368
	Fresh Boneless		[t]	55,398	61,641	69,496
	Frozen		[t]	101,984	119,537	144,549
	Total		[t]	334,458	394,157	427,024
Feed (1)	Feed		[t]	0	15,100	15,100
Waste (2)	Waste input		[t]	56,082	76,317	76,317
Ingredients	Ingredients and additives		[t]	3,316	5,171	5,256
Packaging	Paper / Cardboard	Total weight	[t]	5,125	51,314	51,587
		% of recycled material (ren.)	[%]	89	9.07	9.03
		% of virgin material (not ren.)	[%]	11	90.9	91.0
	Plastic	Total weight	[t]	3,009	5,351	5,393
		% of recycled material (ren.)	[%]	20	12.16	12
		% of virgin material (not ren.)	[%]	80	88	88

				INALCA S.p.A.	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN1 - G4EN2 (continued)						
Packaging	Plastic boxes recoverable	Total weight	[t]	9	30	67
		% of recycled material (ren.)	[%]	0	69	31
		% of virgin material (not ren.)	[%]	100	31	69
	Wood	Total weight	[t]	1,620	1,624	1,899
		% of recycled material (ren.)	[%]	0	0.18	0.21
		% of virgin material (not ren.)	[%]	100	99.8	99.8
	Steel	Total weight	[t]	1,443	1,446	1,446
		% of recycled material (ren.)	[%]	0	0.06	0.06
		% of virgin material (not ren.)	[%]	100	99.94	99.94
	Aluminium	Total weight	[t]	720	996	996
		% of recycled material (ren.)	[%]	0	0	0
		% of virgin material (not ren.)	[%]	100	100	100
	Total		[t]	11,927	60,762	61,388
Chemical substances	Products for sanitation		[t]	345	376	395
	Chemicals in general		[t]	1,949	1,955	1,958
	Chemicals for water treatment		[t]	2,451	2,511	2,525
	Oils and lubricants		[t]	85	92	95
	Total		[t]	4,831	4,934	4,973
G4EN3						
Fuels	Diesel generator set		[l]	480	1,949	2,209
	Diesel boiler		[l]	4,000	4,000	44,630
	Diesel fuel		[l]	177,781	308,356	685,724
	Total diesel fuel		[l]	189,818	321,862	740,120
	Natural gas		[Nm^3]	21,197,931	27,274,449	30,484,137
	GPL		[kg]	940	940	940
Energy	Energy consumption	Electricity	[MWh]	122,559	163,120	186,173
		Heat	[MWh]	84,270	114,408	138,531
		Steam	[MWh]	11,832	51,112	51,112
		Cold	[MWh]	1,006	52,903	52,903
		Total energy consumed	[MWh]	219,667	381,543	428,719
	Energy sold		[MWh]	3,001	3,072	3,072
	Energy purchased		[MWh]	58,747	95,968	119,021
G4EN8 - G4EN9						
Water	Pumped from well		[m^3]	2,236,610	2,784,014	3,015,614
	Supplied by aqueduct		[m^3]	126,761	139,662	188,819
	Total		[m^3]	2,363,371	2,923,676	3,204,433

				INALCA S.p.A.	GROUP INALCA ITALY	GROUP INALCA ITALY + RUSSIA
G4EN15 - G4EN16						
Emissions	Scope 1		[t CO_2]	42,139	54,425	61,843
	Scope 2		[t CO_2]	15,702	28,249	36,020
G4EN22						
Discharged water	Quantity		[m^3]	2,177,377	2,577,302	2,785,887
	Place of discharge		-	CIS + Mains	CIS + Mains	CIS + Mains
G4EN23 - G4EN25						
Trash	Digestible / Compostable	Quantity	[t]	63,679	64,646	64,936
	Not dangerous packaging	Quantity	[t]	2,423	4,446	4,446
	Dangerous packaging	Quantity	[t]	5.9	7.7	7.7
	Other non-hazardous waste	Quantity	[t]	835	1,150	5,068
	Other hazardous waste	Quantity	[t]	39	54	56
	Total		[t]	66,981	70,303	74,513
GEN24 - GEN26						
Spills	Substance	Quantity	[m^3]	0	0	0
		Place of spill	-	-	-	-
G4EN29						
Sanctions	Value of fines for non-compliance with environmental standards		[€]	0	0	7,693
G4EN31						
Expenses	Waste Disposal		[€]	1,250,275	1,635,016	1,802,707
	Emission Treatments		[€]	1,939,127	1,973,317	2,171,463
	Certification 14001		[€]	4,200	4,200	13,313
	Total		[€]	3,193,602	3,612,533	3,987,483
G4EN34						
Environmental NC	NC issued	Open	-	5	5	5
		Closed	-	8	8	8
	NC received (environmental claims)	Open	-	1	1	1
		Closed	-	1	1	1

NOTES

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

SUSTAINABILITY REPORT 2017

INALCA S.p.A.

Share Capital
€ 187,017,167 Fully Deposited

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Business Register
Modena REA 311469

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