

SUSTAINABILITY REPORT







Inalca Sustainability report 2019

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

INALCA GROUP

Sustainability Report 2019

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



Letter from the president

Dear members, collaborators and partners,

faithful to our strategy that we have been pursuing for years, aimed at implementing a sustainable integrated company developmental model along the entire production chain, in 2019 we made important steps forward by increasing our livestock production and strengthening the relationship with the thousands of breeders we work with.

Attention to climate change has represented an important part of the investment strategy for our Group over the last 20 years. We have in fact built, within our agricultural and industrial activities, biogas production plants, industrial cogenerators and photovoltaic systems, achieving concrete results highlighted in this Sustainability Report.

In 2019 we also planned the construction of a network of photovoltaic panels in all the Group's plants, with an installation plan foreseen for the next two years which will allow the company to increase its share of energy from renewable sources.

To make the circularity of our supply chain ever more efficient, in the coming years we will convert biogas plants into bio-methane plants, thanks to agreements with large companies in the renewable energy sector. This is a plan that provides for the production of liquid bio-methane for transport, obtained from the agro-industrial waste from our production cycles: recovery of biomass deriving from agricultural and industrial activities that will be transformed into bio-methane and organic fertilisers. The fuel obtained will be used by our company vehicles for the distribution of products to supermarkets and the fertilisers will be reused in agriculture, thus obtaining a full circularity of the supply chain.

These projects will allow the Group to increase the share of self-produced energy from renewable sources to over 50%.

In this 2019 edition I would also like to point out the implementation of the SDGs analysis on Angola, one of the foreign countries where INALCA has been operating for almost 30 years. This analysis represents a model to better target future investments that the Group will make in Africa and other countries and will allow us to operate ever more effectively alongside Authorities, policy makers and stakeholders.

I am therefore proud to present the sixth edition of Inalca's Sustainability Report, created thanks to the efforts of all employees and the collaboration of all stakeholders at all levels, who have up to now supported and shared the company's development in Italy and abroad and to whom my sincerest thanks go.

Luigi Cremonini President

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METHODOLOGICAL NOTE

This Sustainability Report, the INALCA Group's fifth, refers to the period 1st January – 31st December 2019, and was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards, hereinafter GRI Standards, issued by the Global Reporting Initiative (GRI), in accordance with the provisions of Standard 101: Foundation, paragraph 3. This document has been prepared in accordance with the "GRI Referenced" method using a set of Standards to account the information contained in the report. The Report is published annually.

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

INALCA intends intends to join the United Nations' Global Compact; in this report, further contents and indicators have been added to develop a constantly updated communication to internal and external stakeholders on the activities undertaken by the Group and the results achieved. In drafting the report, INALCA has adopted the following geographical territorial classification of where the Group is present with production plants, logistic infrastructures and commercial offices: **Italy, the European Union, Russia and the Euro-Asian Republics, Africa, other Countries**. The geographical aggregation identifies the macro-regions in which the historical progression of INALCA has developed most according to its business model.

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

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





1.0 IDENTITY OF THE GROUP



1.1 THE GROUP'S VALUES AND ROOTS

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

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

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



Marchesina breeding farm - Rosate (MI)

1.2 OUR HISTORY

Continuous growth since 1963



2000 2010	2004 NEW SLAUGHTERING AND MEAT PROCESSING PLANT IN AVELLINO		2006 INALCA EXPANDS AND CONSOLIDATES PRESENCE IN AFRICA OPENING THE FIRST PLANT IN LUANDA		
	2009 INALCA IS SELECTED BY MCDONALD'S TO PRODUCE AND SUPPLY HAMBURGERS IN RUSSIA		2009 INALCA ACQUIRES THE CAPO D'ORLANDO (ME) PLANT		
2010 TODAY	2010 MODERN HAMBURGER PRODUCTION PLANT IN RUSSIA IN FEBRUARY INAUGURATED		2012 IF&B, A FUNDAMENTAL COMPANY FOR THE SUPPLY CHAIN OF INTERNATIONAL DISTRIBUTION IS BORN		
	2013 THE CREMONINI GROUP CELEBRATES SINCE 50 YEARS OF INALCA'S FOUNDATION		2014 INAUGURATED INTEGRATED SLAUGHTER AND DEBONING PLANT IN RUSSIA, ORENBURG		
2015 INALCA IS THE PROTAGONIST AT EXPO 2015, WITH A LARGE STAND IN THE CIBUS ITALIA PAVILION		2016 INALCA ACQUIRES HISTORIC CANNED MEAT BRAND "MANZOTIN"	Manzotin	2016 ACQUISITION OF UNIPEG, THE SECOND LARGEST ITALIAN GROUP IN THE BEEF SECTOR	
2017 INALCA AND CDP ANNOUNCE A PROTOCOL OF UNDERSTANDING FOR THE DEVELOPMENT OF THE FOOD INDUSTRY IN ANGOLA	C.N.A.	2018 INALCA/MONTANA MEAT AND THE ENVIRONMENT: CALCULATED FOR THE FIRST TIME THE ENVIRONMENTAL IMPACT OF HAMBURGERS IN ITALY	MONTANA BERNA	2019 AGREEMENT WITH THE RUSSIAN SOVEREIGN FUND RDIF FOR THE CONSTRUCTION OF BOVINE FARMING IN RUSSIA	

1.3 THE GROUP IN ITALY

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

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

During 2019, the Group expanded its presence in the livestock sector with the entry of Cremovit S.r.l., a farm specialised in calf breeding located in the province of Lodi. The company, which has over 35,000 barn places per year, represents a further step forward in the strategy of direct control of the entire production chain. In total, the company directly controls 7 farms located in Lombardy, Emilia and Veneto, which manage **180,000 head of cattle per year**.



OUR PLANTS ARE LOCATED IN THE AREAS WHERE **84**% OF THE ITALIAN BOVINE HERITAGE IS CONCENTRATED





1.4 THE GROUP WORLDWIDE

Inalca is present abroad with **8 production plants** in 7 countries: Russia (2), Poland, Algeria, Canada, United States, Canary Islands (2) and Hong Kong. Through its own network of **55 distribution platforms**, Inalca directly manages **25 distribution centres located in Russia** (Moscow, Saint Petersburg, Ekaterinburg, Novosibirsk, Rostov and Samara), in Kazakhstan (Astana, Almaty) and **in Africa** (Algeria, Angola, Congo, Democratic Republic of Congo, Mozambique and Ivory Coast). The other **30 platforms** of the Inalca Group are **managed by the subsidiary Inalca Food & Beverage**, specialised in the sale and distribution of typical Made in Italy food products around the world. As part of agricultural activities in 2019, Inalca accelerated the construction project of its integrated and sustainable beef supply chain in Russia. Thanks to the entry into the capital of the Orenbeef company of the Russian Sovereign Investment Fund RDIF, the construction of modern barns was started to enhance the country's agro-livestock production.







1.5 | CORPORATE GOVERNANCE, CODES OF CONDUCT AND ORGANISATIONAL MODEL

INALCA is controlled by **Cremonini S.p.A. with 71.6%**, while since 2014, the **remaining 28.4%** is held by IQ MADE in Italy Investment Company S.p.A. joint venture equal between Qatar Holding ed il Gruppo Cassa Depositi e Prestiti through CDP Equity S.p.A.. The solidity of family governance effectively characterises the industrial approach aimed at creating value in the long term. This method allows the managerial group, with which the owner shares the definition of growth and development strategies, to plan medium and long-term actions to continue to grow significantly as a global player in the sector. The corporate governance model adopted by the Parent Company provides for the presence of a Board of Directors, chaired by Luigi Cremonini and a Board of Statutory Auditors, chaired by Alberto Baraldi. The broadest powers of strategic direction are attributed to the Board of Directors. The Board of Statutory Auditors is responsible for monitoring compliance with the law and the Articles of Association, compliance with the principles of proper administration and, in particular, the adequacy of the internal control system. The governance bodies are completed by the Supervisory Body, whose Chairman is Marcello Elia, established pursuant to Law 231/2001 and the Internal Audit function. Price Waterhouse Coopers S.p.A. is in charge of auditing the consolidated statutory financial statements. The share capital of INALCA S.p.A. at 31st December 2019 remained unchanged compared to the previous year, equal to 187.0 million Euro.

BOARD OF DIRECTORS

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

COMPLIANCE

Chief Compliance Officer GIOVANNA BARBIERI

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BOARD OF STATUTORY AUDITORS

President ALBERTO BARALDI

Standing Statutory MARIO LUGLI Standing Statutory CLAUDIA MEZZABOTTA

SUPERVISORY BODY

President MARCELLO ELIA Internal member RAFFAELLO CARNÀ Internal member GIOVANNI SORLINI

The organisational model established pursuant to Law 231/2001 represents the tool for managing corporate conduct.

A system of procedures and guidelines that intervenes on the most sensitive aspects of business activity, such as corrupt behaviour and correct commercial conduct, relations with public bodies, and entertainment expenses, sponsorships, hiring criteria, selection of suppliers, consultants, external professionals as well as environmental protection and safety at work. The application of the model provides for training activities, internal and external auditing and allows free and anonymous reporting of any non-compliance or negligence in its correct application.

The Supervisory Body, together with the Legal Compliance and HR departments are the functions responsible for evaluating the reports and any corrective actions.

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



1.5.1 - RISK MANAGEMENT ACTIVITIES

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

FINANCIAL RISKS



LOW RISK

Risks related to interest rates

Unexpected interest rate increases can affect borrowing costs in floating rate loans and reduce cash flow. INALCA has adopted medium/long-

term debt coverage agreements, constant updating of the value of each transaction and accounting as an integral part of the Group's net financial position.



Credit risk

Risk deriving from violation or deterioration of the credit quality of customers. In non-EU countries, including Russia, risk management

is based on the adoption of very short payment terms. In Italy and the European Union through mandatory direct assignment of the credit level and with credit insurance coverage. The risk is also managed by continuous updating of the economic and financial reliability of the main customers. The credit risk is mitigated by the long and stable duration of commercial relationships and by the reliability of the main customers, in particular largescale distribution which represents a significant part of the exposure. Adoption of specific credit control processes that include:

- customer reliability analysis based on independent external sources;
- control of trade credit including through insurance coverage;
- constant monitoring of the customer's level of exposure.

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



Currency exchange risk

The Group's internationalisation strategy and the consequent increase in sales in emerging countries outside the Euro area can represent

a financial risk in the conversion of currencies. The risk is present above all in the Angolan market due to the difficulties of immediately transferring the currency to the parent company (INALCA), which is the sole supplier of the Angolan subsidiary.

LOW RISK

The hedging of the cash surplus is not possible, while the risk linked to the inventory can be faced by adjusting sales prices. Currency risk in Russian markets towards suppliers is addressed by linking local transactions to selling prices. All lines of credit are in local currency (Rouble) and are not subject to currency exchange risk. The parent company (INALCA) exclusively manages the currency exchange risk for supplies/sales in currencies other than Euro by hedging transactions related to operations with third parties.



Volatility risk of assets

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

RISKS FROM GEOPOLITICAL FACTORS

The impact from Brexit

The risk to the company could be a possible influence on INALCA's commercial activities, but the UK is not

a relevant market (<0.02% of Sales). The management team follows the negotiations closely, to evaluate countermeasures and seize any opportunities. INALCA's food distribution activities could receive a positive effect due to a shortage of food products, especially in the catering and food service sector.



Earthquakes

The risk is present in Italy, as some plants are located in areas considered to be of seismic hazard zones. The earthquake that occurred

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

ETHICS AND TRANSPARENCY



RISK

MEDIUM

Environmental and worker protection

The main risks are linked to accidents at work and environmental pollution (water,

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

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LOW RISI

Legal Conformity and Compliance

The main risks are linked to sanctions or convictions and consequent financial losses reputational damage. INALCA, also within the organisational system pursuant to Legislative

Decree 231/2001, has put in place an articulated system of internal procedures, rules of conduct and auditing. The system includes the management of reports and complaints by employees and collaborators.

Risk of food fraud

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

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



Government crises

Risk of political turbulence in INALCA's main markets. INALCA's activities are carried out in countries with solid governmental structures

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



RISK

Communication to the consumer

The main risks are related to labelling and consumer communication activities. In this field INALCA adopts the precautionary principle.

Each label and communication campaign to the consumer is systematically subjected to an internal authorisation process based on the verification of the legal and transparency requirements and clarity of the information provided. Specific claims and advertising campaigns are subject to voluntary verification by independent third parties.



Food safety

The main risks are linked to accidents, food crises and emerging food safety problems. INALCA's plants comply with the voluntary

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

ETHICS AND TRANSPARENCY



Supply interruption

The risk could derive from the interruption of supply of raw materials, packaging, cleaning

products, spare machinery. The company manages risk through an integrated business model and strict control of raw material suppliers with a wide range of interchangeability in the *supply chain*.

LOW RISK

Production interruption

The risk could be related to some factors such as: security breach, equipment or software failure, voluntary sabotage of

products or production lines. The risk is managed through the *Food Defence* policies for the company's alimentary protection, anti-virus systems and anti-spam protection, systematic data backup on tape.



1.5.2 - COMPANY POLICIES AND CODES OF CONDUCT

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

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



Video surveillance;

Code of ethics;

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

- Quality-Environment-Safety-Social Responsibility Policy;
- Sustainable procurement protection of the Amazon rainforest;
- Good hygiene, health, safety and environmental practices of the plants;
- Quality policy INALCA's laboratory for food safety;
- Good Breeding Practices;
- Animal welfare during transport;
- Animal welfare at slaughterhouse plants;
- Conscious use of drugs;
- Control of animal welfare from breeding to slaughter;

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

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

1.6 MANAGEMENT SYSTEMS FOR SUSTAINABLE DEVELOPMENT

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

Table 1 - Sustainability - people, environment, quality and safety.

SAFETY AND PRODUCT RESPONSIBILITY

IFS - INTERNATIONAL FEATURED STANDARD (FOOD)

ISO 17025 - GENERAL REQUIREMENTS FOR THE COMPETENCE OF TEST LABORATORIES

PRIVATE STANDARDS FOR THE MANAGEMENT OF FOOD SAFETY

ISO 9001 - QUALITY MANAGEMENT SYSTEM

ISO 22005 - TRACEABILITY SYSTEM IN THE FEED FOOD CHAIN

ORGANIC PRODUCTION CERTIFICATION

EC REGULATION 1760/2000 LABELLING OF PRODUCTS AND COMMUNICATION TO THE CONSUMER

IDENTIFICATION AND HEALTH MARKS (Official Certification)

HACCP PLAN - HAZARD ANALYSIS AND CRITICAL CONTROLS POINTS

ENVIRONMENTAL RESPONSIBILITY

ISO 14001 - ENVIRONMENTAL PROTECTION IN PROCESSES

EPD - ENVIRONMENTAL PRODUCT DECLARATION

SOCIAL RESPONSABILITY

ISO 45001 - WORKER HEALTH AND SAFETY

DLGS 231/2001 - ADMINISTRATIVE RESPONSIBILITY OF COMPANIES

PRIVATE CODES OF CONDUCT ADOPTED IN THE SUPPLY CHAIN

ECONOMIC, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

GRI STANDARD GUIDELINES SUSTAINABILITY REPORTING



1.7 QUALITY SAFETY AND INNOVATION

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

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

Principle 1 - CENTRALITY

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

Principle 2 - DEMONSTRABILITY

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

Principle 3 - GOVERNANCE

The specific figures and the governance system of food security are clearly identified.

Principle 4 - TRANSPARENCY

Food Safety Information must be accessible and understandable by custormers, consumers and third- party authorities.

Principle 5 - CONTROL

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

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



1.8 | BRANDS AND PRODUCTS

INALCA produces and markets a complete assortment of beef, fresh and frozen, vacuum-packed and in a protective atmosphere, ready-made processed meat, canned meat and meat extracts. In the cured meat sector, INALCA, through Italia Alimentari, produces a complete range of PDO and PGI, a wide assortment of snacks and sandwiches and specialises in the production of cooked bacon. Fiorani e C., 51% controlled by Inalca, produces a complete range of portioned and ready-made beef and pork products.

THE NUMBERS _







MONTANA















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Little







1.9 **PEOPLE OF THE GROUP**

The overall personnel context is essentially stable in employment: **5,500 employees of which 3,210 in INALCA Italy Group and affiliates and 2,290 in the foreign branches**. In 2019, the Group slightly increased its consistency with regards to staff due to the inclusion of some Polish subsidiaries in the scope of this edition of the Sustainability Report. The following graphs show the indicators adopted:

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

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



1.9.1 - DISTRIBUTION OF INALCA'S STAFF IN ITALY









































2.0 INALCA'S REPORT: PRINCIPLES AND VALUES



2.1 THE 4 PILLARS OF INALCA'S SUSTAINABILITY

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

Inalca's sustainable development is based on the following 4 pillars, in line with the SDGs 2,3,7,8,9,12,13.

INTEGRATED AND SUSTAINABLE CHAIN

Contrary to the historical development process in Italy, in which the company has implemented the integrated supply chain according to a "Downstream" model - also defined as "**From Farm to Fork**" – abroad the growth path of the production chain follows the opposite direction, "**From Fork to Farm**" - "**Upstream**".

In these countries, the integration process develops according to a defined and planned sequence: sale of products, (construction of logistical infrastructures for storage and distribution, construction of meat processing plants making ready-to-eat products, production plants for raw materials), up to the creation of bovine livestock farms. A model that has allowed the stable development of the company in the countries where it operates, fully integrated within the territory and local communities (SDGs 8.12).

SHARING VALUE WITH THE AGRICULTURAL WORLD

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

CONTROL OF IMPACTS AND CONSUMPTION

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

GOVERNANCE AND TRANSPARENCY IN COMPANY PROCESSES

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



2.2 THE INALCA SUSTAINABLE DEVELOPMENT MODEL

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

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

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

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

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




2.3 LISTENING TO STAKEHOLDERS AND PRIORITY ANALYSIS

Aware of the complexity of the beef supply chain in the media debate and the evolution of stakeholder sensitivities on the most delicate issues in the meat sector, INALCA has planned a new priority analysis (the so-called "materiality analysis") in order to identify the priorities of the Group's intervention, the issues to explore, and the stakeholders' engagement activities to strengthen. The analysis of priorities is based on the international standard AA1000 Stakeholder Engagement Standard, which is expected to be completed in 2019-2020. The organised listening of stakeholders on issues of priority interest is the main tool through which the company defines and directs its sustainable development trajectories.

Throughout 2019, the team of stakeholders with whom INALCA dialogued has not changed compared to those in 2018 and is illustrated below. INALCA has started the identification of additional stakeholders and the enlargement of the geographical areas involved in the new dialogue and listening process.

During 2020, INALCA plans to launch an internal communication campaign to inform and involve its community on the activities carried out in relation to the Global Goals. In 2019, INALCA developed specific comparisons with breeders' associations and organisations active in the field of animal welfare. A substantial contribution derives from INALCA's active participation in debates and working groups in the trade and sectoral Associations of which it is a member at national and international level. Among these, particular importance was placed in the participation in technological platforms that deal specifically with sustainability of the bovine sector on a regional and global scale, as well as in agricultural producer organisations and institutional tables for the analysis and evaluation of new regulations. Among these, GRSB, SAI Platform and Coldiretti, with whom INALCA dialogues and actively participates, are the most authoritative and qualified. The technological platforms are entities that, by aggregating industry leaders, the scientific

world and stakeholders, identify guiding values and sustainable production techniques in the beef sector, promoting their adoption at all levels of the supply chain. For the analysis of materiality, INALCA has identified the topics to be submitted to its external and internal stakeholders and collected them in a check list. The identification of topics for comparison and discussion with stakeholders was carried out taking into account the GRI standard and the knowledge deriving from INALCA's participation in sectoral associations and technological platforms as the technical basis of reference.

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

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





2.3.1 - EMPLOYEES, COLLABORATORS AND PARTNERS

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

2.3.2 - PRIORITY ANALYSIS

Table 3 - Weighting criteria adopted for the priority analysis

VALUE	M E A N I N G
0 -1	The topic examined is considered no prioritary, or if considered relevant, is in any case correctly and effectively addressed and managed by INALCA.
1 - 2	The topic examined assumes a certain importance, is adequately addressed and managed by INALCA and could be subject to further improvements that are not substantial and not priority.
2 - 3	The examined topic is important, has already been addressed by INALCA and can be subject to further improvements.
3 - 4	The topic examined is very important and, despite being addressed by INALCA, needs further improvements or additions.
4 - 5	The topic addressed is extremely important and requires a continuous and constant effort by the company to intercept the expectations of stakeholders.

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

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



Table 4 - Results of the priority analysis

The result of the process produced the following matrix.





3,5

RELEVANCE FOR INALCA'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS



Table 5 - INALCA Group SDGs Objectives and focus on Africa

The SDGs objectives that the INALCA Group is developing are positioned in the graph

RELEVANCE FOR INALCA'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

2.3.3 - INALCA AND THE ECONOMIC COMMUNITY

INALCA is an active member of the main international meat producer organisations. The trade associations represent a fundamental element for the acquisition of technical knowledge and regulations regarding the international markets in which the company operates. The complex economic and health regulations of the meat markets, the continuous evolution of sector regulations and the specific peculiarities of each country, in fact, require interfacing structures with local institutions, capable of addressing specific problems of producers in compliance with the roles and the institutional dialectic. The purpose of these associations is therefore to strengthen and develop organic Public-private relations and to establish a transparent and effective system of exchange between economic operators and institutions.















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

🕀 https://www.assocarni.it

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

https://www.meat-ims.org

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

(A) https://www.nwmeat.org

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

https://www.natmeat.ru

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

https://www.assica.it

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

https://www.federalimentare.it

Filiera Italia is an alliance to protect and represent the true distinctiveness and excellence of the Italian agri-food production. The two priority objectives of the association are the fight against the italian-sounding and the defence and promotion of the Mediterranean Diet.

https://www.filieraitalia.it

2.3.4 - PARTNERSHIP WITH RESEARCH





sustainability.

3.0 PATHS AND OBJECTIVES FOR SUSTAINABLE DEVELOPMENT

	3.1 - DEFEATING HUNGER
GOOD HEALTH AND WELL-BEING	3.2 - HEALTH AND "ONE HEALTH" WELLNESS
AFFORDABLE AND CLEAN ENERGY	3.3 - CLEAN AND ACCESSIBLE ENERGY
DECENT WORK AND ECONOMIC GROWTH	3.4 - DECENT WORK AND ECONOMIC GROWTH
DUSTRY, INNOVATION ND INFRASTRUCTURE	3.5 - COMPANIES, INNOVATION AND INFRASTRUCTURE
RESPONSIBLE CONSUMPTION AND PRODUCTION	3.6 - SUSTAINABLE MODELS OF PRODUCTION AND CONSUMPTION
CLIMATE ACTION	3.7 - FIGHT AGAINST CLIMATE CHANGE

8



3.1 DEFEATING HUNGER



3.1.1 - INALCA'S COMMITMENT TO SUSTAINABLE AGRICULTURE

SCENARIO

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

"The feed contains edible products or is grown on land that could be used to produce food." This alleged divergence is at the basis of the debate on whether or not animal husbandry is efficient in converting feed into food. In reality the two sectors are not divergent, but **complementary**: In fact, the diet of ruminants is based 92% on vegetable parts such as crop residues, grass and hay that are rich in cellulose and are not digestible by humans and which are converted **into proteins with a high biological value**; a percentage that drops to 86% if other animal species are also taken into consideration. On the other hand, the use of organic matter or manure in soil fertilisation is increasingly important to avoid the use of chemical fertilisers which has led to an impoverishment and drying up of soils over recent decades.

The abandonment of land has also led to a reduction in the area dedicated to agriculture with a prevalence of single crops on the one hand and abandonment of pastures on the other: agricultural areas that cannot be used other than as pastures for cattle and other ruminants. To strengthen the contribution of the livestock sector and fight hunger, it is necessary to increase efficiency in the use of feed and reduce competition for the use of agricultural resources by favouring the use of food industry by-products and feed non-edible for humans.

Global agricultural production, like all anthropogenic activities, has an impact on the environment, water reserves, soil and biodiversity. On a global level, in fact, it is estimated that 25% of greenhouse gas emissions derive from agricultural production, both in direct and indirect terms, while in more advanced areas from the point of view of food production such as the EU, the incidence is much lower, about 10%, with a decrease of 24% in the period 1990 - 2012. In Italy, according to the most recent Ispra data, the agricultural sector, in terms of C02 emissions, accounts for 7.1%, below the European average (ISPRA, Italian Greenhouse Gas Inventory 1990-2018).

(R) https://www.eea.europa.eu/signals/signals-2015/articles/agriculture-and-climate-change

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

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

SCENARIO

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



INALCA'S COMMITMENT



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

OBJECTIVE





- A further effort in this direction is constituted by the "Sustainable Breeding" project of which INALCA is a sponsor: it was born in 2017 from the collaboration between Inalca, McDonald's Italia, Coldiretti and AIA - Italian Breeders Association - who shared the vision and planning of a sustainability path within the Italian beef supply chain.
- The project was inspired by the principles of sustainability of the SAI Platform which over the two-year period 2018/2019 gave rise to ERBS – the European Roundtable for Beef Sustainability - a multi-stakeholder platform focused on improving the sustainability of beef in Europe.

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

- ENVIRONMENT
 Reduction of greenhouse gas emissions;
- VETERINARY MEDICINAL PRODUCTS Reduction of the consumption of antimicrobial drugs;
- HEALTH AND WELFARE OF ANIMALS Improvement of welfare conditions on the farm;
- FARM MANAGEMENT

Improvement of the technical and managerial skills of agricultural entrepreneurs.

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



Biogas plant of Corticella breeding farm (MO)

e

3.1.2 - REGENERATING FOOD WASTE AND BY-PRODUCTS

SCENARIO





FAO has estimated that around one third of all food produced in the world is lost or wasted every year. A phenomenon that prevents improving food safety and mitigating environmental impacts and the resources used in food systems. Although a high awareness and knowledge of the main environmental implications has been achieved, the effects of waste from this point of view have only recently been carefully analysed. In fact, as well as a threat to food safety, it substantially affects the overall environmental impact of food production, with particular reference to CO2 emissions. The global volume of waste can be estimated at **1.6 gigatons of "equivalent primary production**", of which the total waste of the edible parts alone is **1.3 gigatons**.

This volume can be compared with the total agricultural production (for food and non-food purposes) which corresponds to about **6 gigatons**.

Without considering the GHG emissions resulting from the agricultural conversion of land, **the carbon footprint of food produced and not consumed can be estimated at 3.3 gigatons of CO2 equivalent: in this respect, food waste is classified as the third largest emitter after USA and China.** Globally, the blue water footprint (the direct consumption of surface and deep water) of food waste corresponds to about 250 km3 equivalent to the annual discharge of the Volga River, or three times the volume of Lake Geneva. Finally, the food produced but not consumed occupies about 1.4 billion hectares of land: an area close to 30% of that used for the entire world agricultural production. Although it is difficult to estimate impacts on biodiversity globally, food waste unacceptably worsens the negative effects of monocultures and agricultural expansion into wilderness, creating loss of biodiversity, including mammals, birds, fish, and amphibians.

INALCA'S COMMITMENT

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

OBJECTIVE



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

3.2 HEALTH AND "ONE HEALTH" WELLNESS



3.2.1 - ANIMAL WELLNESS

SCENARIO

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



INALCA'S COMMITMENT

Based on these general principles of inspiration, INALCA has developed its own techniques in the field of animal welfare. For the correct management of animal welfare, INALCA makes use of a team of veterinarians who update and develop these rules at all stages of the supply chain: breeding, transport and slaughter. It is a set of procedures and indicators that constitutes a complete system of management and evaluation of animal welfare, documented and accessible, which is shared with breeders through its website and activities in the field of training and auditing, in connection with agricultural associations.

🛞 https://www.inalca.it/en/animal-welfare/

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

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

To these are added others, defined as "objective indicators", which are used to judge how the breeding environment is suitable for ensuring full compliance with the conditions of animal welfare: for this purpose, for this purpose, the main structural and technological parameters that characterise breeding, are taken into consideration.

In fact, the study of animal welfare does not only aim at evaluating behaviour in relation to a more or less hospitable environment, but above all at understanding the way in which animals interpret and live the environment in which they are raised, in the most objective way possible and evaluating all the different factors that can positively or negatively affect animal welfare (dangers and benefits). The concept of welfare is the result of the animal's full adaptation to its environment, the respect for the 5 freedoms, it is therefore the result of positive, satisfying and gratifying experiences capable of producing positive and effective responses of adaptation in the animal. Animal welfare is communicated to the consumer in a controlled manner through the voluntary system provided for by Regulation (EC) no. 1760/2000 relating to the labelling of beef and beef-based products, which ensures transparency, technical consistency and independent control. Inalca has achieved the goal set for 2019 and has defined a new protocol for the assessment of animal welfare in the beef sector, which will be published in 2020 as the "Good Breeder's Manual".

OBJECTIVE



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

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

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

- Definition of a new protocol for the assessment of welfare in the pig sector by 2020.
- Publication of the new Breeder's Best practices manual;

3.2.2 - RESPONSIBLE USE OF ANTIBIOTICS IN BREEDING

SCENARIO

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

INALCA'S COMMITMENT

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

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

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

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



OBJECTIVE



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

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



3.3 CLEAN AND ACCESSIBLE ENERGY



3.3.1 - FROM DIESEL TO METHANE: INTEGRATED ENERGY NETWORKS

SCENARIO

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

INALCA'S COMMITMENT

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

ENERGY PRODUCTION FROM RENEWABLE SOURCES AND METHANE COGENERATION								
PLANT LOCATION	BUSINESS NAME	PRODUCTION TECHNOLOGY	POWER MW	PRODUCTION 2017 (MWH)	PRODUCTION 2018 (MWH)	PRODUCTION 2019 (MWH)	ENERGY SOURCE	
OSPEDALETTO LODIGIANO (LO)	INALCA S.P.A.	ANAEROBIC DIGESTION	1,0	5,393	5,314	6,234	SLAUGHTERING WASTE	
PEGOGNAGA (MN)	INALCA S.P.A.	ANAEROBIC DIGESTION	0,5	3,186	3,412	3,890	SLAUGHTERING WASTE FOOD WASTE	
SPILAMBERTO (MO)	SOC.AGRI. CORTICELLA S.R.L.	ANAEROBIC DIGESTION	0,3	2,544	2,529	2,312	LIVESTOCK SEWAGE	
ROSATE (MI)	Az. Agr. La Marchesina	ANAEROBIC DIGESTION	1,0	-	7,950	7,970	LIVESTOCK SEWAGE	
ISOLA DELLA SCALA (VR)	Az. Agr. La Torre	ANAEROBIC DIGESTION	1,0	-	-	8,660	LIVESTOCK SEWAGE	
ISOLA DELLA SCALA (VR)	CA BIANCA 30%	ANAEROBIC DIGESTION	1,0	-	-	2,561	LIVESTOCK SEWAGE	
CAPO D'ORLANDO (ME)	INALCA S.P.A.	PHOTOVOLTAIC	0,1	165	136	112	SOLAR POWER	
ROSATE (MI)	Az. Agr. La Marchesina	PHOTOVOLTAIC	0,4	-	405	420	SOLAR POWER	
PIACENZA	FIORANI & C.	PHOTOVOLTAIC	0,5	550	486	524	SOLAR POWER	

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

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

OBJECTIVE



- Enhance 100% of digestates for the production of sustainable and quality fertilisers through drying processes with recovered thermal energy by 2022;
- Activate the first bio-methane production plant and a completely sustainable transport chain by 2022;
- Increase by 20% the share of renewable energy in the company's energy mix by 2025;
- Strengthen international cooperation to facilitate access to clean energy technology and research including renewable energy, efficiency and advanced energy technologies, by promoting investment in energy infrastructure and clean energy technologies by 2025;
- Create infrastructures and technologies for the supply of modern and sustainable energy services in developing countries where INALCA operates by 2030;



3.4 DECENT WORK AND ECONOMIC GROWTH



3.4.1 - FAIR WORK

SCENARIO

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

INALCA'S COMMITMENT

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

3.4.2 - STAFF TRAINING



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



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

In 2019, 19,810 hours of training were carried out in Italy. Currently this data is collected only in Italy and in some companies of the Group. During 2020, the collection of this data will be extended to other companies included in the scope of this report.



3.4.3 - SAFE AND PROTECTED WORKING ENVIRONMENTS



INALCA carries out systematic activity on health and safety at work. INALCA's efforts focused **on extending the ISO 45001 certification standard to all INALCA plants in the Italian area. In fact, during 2019 this certification and adaptation to the new reference standard was completed**. This report provides some chart parameters relating to accidents and occupational diseases and the frequency index for the years from 2013 to 2019. The data also includes the newly acquired plants.

They therefore cover the following INALCA plants:

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

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

Table 8 – Number of injuries in INALCA plants



OBJECTIVE



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

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



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

3.5 BUSINESS, INNOVATION AND INFRASTRUCTURE



3.5.1 - HIGH-EFFICIENCY INFRASTRUCTURE

SCENARIO

A significant number of people depend on the livestock sector, also through the jobs guaranteed by sectors associated with it such as the production of feed, processing and sales. The processing of animal products is one of the fastest growing sectors in emerging economies but mainly involves large-scale farms, excluding small producers. Market access by small producers should be guaranteed by adequate investments and policies in developing countries.

INALCA'S COMMITMENT



In this context, INALCA together with **COLDIRETTI** has started a project to **relaunch animal husbandry in southern Italy** which involves farmers in the **regions of Calabria**, **Sicily and Sardinia**. A model that can also be replicated in Africa and Russia. The project has as its objective the repopulation of cattle herds in the grazing areas of the south, that is, in areas traditionally suited to these productions, but subject to a substantial decline in production over recent years. The breeding criteria adopted by INALCA for the production of meat animals includes a first phase of grazing and a second in protected farms. From birth till about 10-12 months, the animal lives at pasture in an extensive breeding context, then it is transferred to stables where it is fed with a more nutritious and energetic diet.

To support this livestock model, INALCA promotes the cow-calf line in the farms participating in the project. A type of breeding where the calf is born on the same farm where it will carry out the first stages of breeding. In this manner the farmer has to worry not only about leaving the animals to graze but has also to manage the reproduction and restocking of the herd. One can consequently be able to obtain genetic improvement and the selection of breeds in order to produce animals that are as profitable and of high quality as possible, in line with consumer expectations. It is not a negligible aspect, developing the cow-calf line is in fact the starting point for bringing the farm back to its rural dimension, adapting the farming methods and herds to the specific characteristics of the territory. **It means increasing the biodiversity of the various cattle breeds and improving the integration between humans, animals and the environment.** Ultimately it means ennobling beef from a mere food product to the cultural expression of a territory.

An integrated supply chain model that allows technology transfer activities for the application of sustainable production techniques, precision agriculture and animal husbandry.

A boost to innovation supported by INALCA's participation in research institutions and active and competent technological platforms in the field of agro-industrial sustainability.

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

OBJECTIVE



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

- The main objective is to upgrade infrastructure by 2025 and modernise plants to make them sustainable, with greater efficiency in the use of resources and greater adoption of clean technologies that respect the environment and industrial processes;
- A further objective is the strengthening of scientific research by 2025, the promotion of technological and innovation capacities, particularly in developing countries.



POLAND

In 2019 INALCA continued to pursue expansion projects in the country.

A plant is under construction in Poland, located in the Middle Eastern region of the country, in the municipality of Sochocin, an area with a strong livestock vocation.

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

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

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

/ARSAW

RUSSIA AND THE EURO-ASIAN REPUBLICS

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

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

Pork destined for bacon processing, unlike beef, is entirely sourced from local suppliers. The Russian food production system is in fact growing rapidly and this allows INALCA to use an increasing number of local suppliers also for other types of foods besides pork, used for distribution as is in the Russian territory and for

MOSCOW

industrial use. Returning to the bovine sector, INALCA's core business, the productive and commercial integration between the two plants has allowed an increase in the share of locally produced meat, reducing dependence on foreign imports. It is an important result which, in addition to contributing to the development of the territory and the rationalisation of the local agricultural supply chain, represents for INALCA an element of reliability and support for future initiatives in this country. In fact, it must not be forgotten that the supply of meat in the Russian Federation is still based on imports, as the country is not completely self-sufficient. Imports are also difficult due to geopolitical events such as the 2014 embargo, which reduced the number of potential exporting countries to the Russian Federation and the related commercial competition; to this must be added the adoption by Russia of health-related nontariff barriers, which constitute a further obstacle to imports. An overall picture of strong instability, which causes frequent operational difficulties in procurement from abroad and commercial tensions. During the development of the local beef supply chain through the company Agrosakmara, the livestock sector in the area has been expanded. Through this company, the production of Hereford cattle was initially started in the Chelyabinsk region, to then implement the launch of similar initiatives both in the Orenburg region and in Tatarstan, in particular in the provinces of Sol-Ilesk, Saraktash, Piervamaika, Sharlik, Novoorsk, Buinsk and Kukmor. The construction of one of the most important feedlots in the Republic of Bashkortostan (or Bashkiria) is also planned.

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3.6 SUSTAINABLE MODELS OF PRODUCTION AND CONSUMPTION



3.6.1 - RESPONSIBLE COMMUNICATION AND CONSUMER AWARENESS

SCENARIO

According to FAO estimates, the demand for products of animal origin is growing; in countries where food consumption is increasing, the diet generally includes more animal products, vegetable oils and sugars. **These three food groups now make up 29% of total calories in developing countries, 20% more than thirty years ago**. This share is expected to increase to 35% by 2030, while it has stabilised in industrialised countries. A growing number of studies claim that reducing the proportion of animal-based foods in the diet could have health and environmental benefits. Also bearing in mind the variability of dietary regimes at a global level, a rebalancing of quotas to reach nutritional targets could contribute to greater global efficiency in the food system. At least one third of the food produced is wasted from farm to table. For every pound of meat produced globally, about 200 grams are lost, especially at the end of the supply chain (distribution and consumption).

Domestic consumption accounts for nearly 50% of wasted meat. In developing countries, food waste occurs mainly in the processing phase (40%). In the case of meat, the greatest losses occur in the production phase, especially in sub-Saharan Africa due to poor animal health. Limiting waste, considering regional priorities, would improve efficiency and sustainability.

INALCA'S COMMITMENT

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

https://www.carnisostenibili.it/en/

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

OBJECTIVE

GUARANTEEING SUSTAINABLE MODELS OF PRODUCTION AND CONSUMPTION



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

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



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

https://youtu.be/5U0jqAZwR1g

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



3.6.2 - PLASTIC AND PACKAGING: REDUCTION, RECOVERY AND RECYCLING

SCENARIO

The responsible and conscious use of packaging material represents a need strongly felt by stakeholders and consumers as well as a commitment undertaken by INALCA in the context of its supply chain. According to recent national market research, those who buy a product are increasingly attentive to the materials with which it is packed, packaged and shipped, favouring brands that use eco-sustainable packaging in their choice. The growing attention that consumers devote to the issue of recycling and respect for the environment makes it easy to predict that this trend is destined to grow, especially in the younger generations.

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

INALCA'S COMMITMENT







tons saved

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

During 2019, particular attention was paid to the increasingly widespread use of mono-material packaging (trays and mono-PET films, mono-PE films). In 2019, the percentage of recycled paper increased slightly, compared to 2018, in clusters and in some die cuts.

In addition to reducing the thickness and weight of the packaging, a second line of development is the progressive introduction of recycled raw materials in the composition of the packaging used. During 2019, in the Italian plants of Castelvetro di Modena, Ospedaletto Lodigiano and Rieti, the use of recycled raw material in paper and cardboard packaging was confirmed for over 90%, about 35% for plastic, over 50% for aluminium and steel. In 2019, the percentage of recycled plastic increased from 20% to 35% thanks to the use of specific materials for ATM and some films for thermoforming. The percentage of recycled aluminium and steel, on the other hand, fell by about 10 percentage points due to the change of some packaging suppliers who use different percentages of recycled material compared to the previous ones, but have increased supply performance.

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

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

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

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

The packaging process always involves close coupling with a dedicated production technology; therefore, the verification of the suitability and integrity of the materials is not enough, the control must extend to technologies and packaging systems that must adapt perfectly to the packaging adopted.

OBJECTIVE



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

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





3.6.3 - RECOVERY AND RECYCLING OF WATER

SCENARIO

Water and all the services related to it are fundamental elements for economic growth, citizen's wellbeing and environmental sustainability. Consumer attention to water saving and water recovery is increasing and water recycling must be one of the main drivers in the management of companies on the territory.

INALCA'S COMMITMENT

p5, **1**2 **95**, **1**2 *cubic meters/year of purified water sent for recovery* **12**, **000** *Fire brigade tanker trucks* INALCA, aware of the value of water resources, has been pursuing improvement objectives for some time, both in terms of reducing consumption and increasing recovery and reuse.

For its production sites INALCA does not use water from surface sources, but only groundwater, which offers greater guarantees in terms of quality.

Over 90% of the water supplies are also managed directly by INALCA, both for the phase of withdrawal from the water table and for the distribution, use and purification phase.

The water cycle completely managed by INALCA, ensures a "waste-free" management of the water resource as the distribution network is particularly manned and controlled. Furthermore, water discharges have a chemical-physical composition that makes them easy to purify, given a balanced relationship between the so-called Chemical oxygen demand (COD) and the Biological oxygen demand (BOD).

OBJECTIVE



- The main INALCA plants are equipped with modern purification plants that ensure high purification yields. Furthermore, for the Castelvetro di Modena and Ospedaletto Lodigiano plants, INALCA has for some time set more restrictive discharge limits than those envisaged by the environmental authorisations of the plants.
- In the case of the Italian plant in Ospedaletto Lodigiano, the reduction level has reached 50% of the authorised limit for the COD parameter at unloading. Where sector regulations allow it, INALCA initiates the recovery of the purified process water. In the last three years, INALCA has sent to recovery approximately 95,126 cubic meters/year of purified water. In 2019 the indicator was maintained and the company goal is to maintain these levels constant over time.

3.6.4 - REDUCTION, RECOVERY AND RECYCLING OF WASTE

SCENARIO

As with the recovery and recycling of plastics and water, the correct disposal and treatment of waste is one of the major issues in global discussions on environmental sustainability and the circular economy. Waste represents an enormous opportunity for sustainable growth in terms of reducing the consumption of natural resources and the development and implementation of technologies for material recycling and energy recovery.

Although it may seem a contradiction, waste currently represents one of the greatest opportunities for the European system for sustainable growth and for our country in particular, which lacks primary resources. **In fact, waste constitutes an enormous reserve of resources** which, if properly managed and exploited, can guarantee a sustainable and continuous supply of materials and energy over the years.

INALCA'S COMMITMENT





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

Thanks to a careful and scrupulous separate collection activity at its production sites, the waste recovery rate remained constant in 2019, at 99% of the waste produced. Anaerobic digestion with biogas production: the active plants are in Rosate Milanese with a capacity of 1 MW, located at the La Marchesina farm; the one in Spilamberto (Mo) operating at the subsidiary Az. Agr. Corticella, with a power of 0.3 MW, those located in Isola della Scala (VR) of the Azienda Agricola La Torre, with a power of 1 MW, and those of the Azienda Agricola Cà Bianca with a power of 1MW. These four agricultural plants allow the recovery and energy valorisation of manure from farmed cattle.

It is important to emphasise that, unlike other similar plants that are based on potential food plant matrices such as corn, **INALCA's agricultural plants only use non-food matrices, without entering into competition and subtracting resources from human and animal nutrition**.

At an industrial level, two other plants operate: the first at the industrial complex of Pegognaga (MN) with a capacity of 0.5 MW, the second, with a capacity of 1MW, operating in the Ospedaletto Lodigiano plant. They allow an increase in the amount of **internally recovered waste**, **sewage sludge and manure** in particular, while increasing the internal production of energy from renewable sources In 2019, a total of about **146,000 tons of biomass per year were destined for energy valorisation**.



Composting: INALCA, through its subsidiary **S.A.R.A.**, manages a plant for **composting and recovering some types of waste, obtaining products for agriculture**. The waste transformed into compost includes the final products obtained from the Group's anaerobic digestion plants. The combination of biogas and composting treatments therefore allows **INALCA the complete and integrated management of its waste**: from the production of waste to its complete reuse and regeneration into products for sustainable agriculture.

OBJECTIVE



- During 2016 S.A.R.A. obtained the approval of a project for the technological adaptation and expansion of this plant, in order to improve its environmental management and productivity. The adaptation of the system will allow the recovery of additional matrices from the agricultural production of the Group and the surrounding urban area, according to an integrated territorial management model on environmental issues..
- The completion of the adaptation process is expected **throughout 2020**.
- An agreement is foreseen in 2020 between the Cremonini Group and the Enel Group for the construction of photovoltaic systems for Inalca's most important Italian production sites and for two Chef Express service areas.

3.7 FIGHT AGAINST CLIMATE CHANGE



3.7.1 - REDUCTION OF THE PRODUCTS' CARBON FOOTPRINT

SCENARIO

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

INALCA'S COMMITMENT



In addressing the issue of energy and energy efficiency, INALCA intends to provide its contribution to the fight against climate change, a global objective identified by FAO for the period 2015-2030 sanctioned by the international agreements on the Paris Climate (COP21) signed by 195 countries. In the European Union, the agreement became binding on November 4th, 2016. For over 20 years INALCA has focused its efforts on energy efficiency and the production of energy from renewable sources to reduce its greenhouse gas emissions. The company is now **able to self-produce over 99% of its energy needs** in a combination of plants aimed at maximum efficiency in the use of fossil sources and **progressive increase of the share obtained from renewable sources**. The challenges of the next few years arise in the energy transition of biogas plants from the production of electricity to solar power. As can be inferred from the table below, the Group's electricity production has almost reached 100% of its needs. The share of production based on renewable sources also increased, amounting to 50% of the Group's overall energy needs in Italy.

PRODUCTION OF ENERGY FROM RENEWABLE SOURCES AND METHANE COGENERATION							
PLANT LOCATION	COMPANY NAME	PRODUCTION TECHNOLOGY	MW POWER	PRODUCTION 2017 (MWH)	PRODUCTION 2018 (MWH)	PRODUCTION 2019 (MWH)	ENERGY SOURCE
OSPEDALETTO LODIGIANO (LO)	INALCA S.p.A.	Anaerobic Digestion	1,0	5,393	5,314	6,234	Slaughtering waste
PEGOGNAGA (MN)	INALCA S.p.A.	Anaerobic Digestion	0,5	3,186	3,412	3,890	Slaughter/food waste
SPILAMBERTO (MO)	Soc. Agricola Corticella	Anaerobic Digestion	0,3	2,544	2,529	2,312	Livestock liquids
ROSATE (MI)	Az. Agr. La Marchesina	Anaerobic Digestion	1,0	-	7,950	7,970	Livestock liquids
ISOLA DELLA SCALA (VR)	Az. Agr. La Torre	Anaerobic Digestion	1,0	-	8,037	8,660	Livestock liquids
ISOLA DELLA SCALA (VR)	CA BIANCA 30%	Anaerobic Digestion	1,0	-	38,131	2,561	Livestock liquids
CAPO D'ORLANDO (ME)	INALCA S.p.A.	Photovoltaic	0,1	165	136	112	Solar power
ROSATE (MI)	Az. Agr. La Marchesina	Photovoltaic	0,4	-	405	420	Solar power
PIACENZA	Fiorani & C.	Photovoltaic	0,5	550	486	524	Solar power
OSPEDALETTO LODIGIANO (LO)	INALCA S.p.A.	Methane cogeneration	3,6	13,205	13,684	15,289	Methane
SPILAMBERTO (MO)	INALCA S.p.A.	Methane cogeneration	7,7	40,190	43,432	40,920	Methane
RIETI	INALCA S.p.A.	Methane cogeneration	1,4	7,164	7,009	7,599	Methane
BUSSETO	Italia Alimentari S.p.A.	Methane cogeneration	1,4	-	6,354	7,452	Methane
PEGOGNAGA (MN)	UNITEA S.r.l.	Endothermal combustion	4,8	32,205	38,131	31,952	Cast fats

3.7.2 - SOLAR ENERGY AND COGENERATION

INALCA'S COMMITMENT



JU% from renewable sources



Cogeneration systems represent the main tool for INALCA to improve its energy performance. To date, INALCA has **6 natural gas-fired cogeneration engines** located in 4 of its main Italian plants – two at Castelvetro di Modena (MO), two at Ospedaletto Lodigiano (LO), Rieti e Busseto (PR) – for a total methane cogeneration power of 14.1 MW. To these are added **2 cogeneration plants** using renewable sources which include the joint participation, together with the TEA Group of Mantua, of **a large plant powered by animal fats** with a power of 4.7 MW, in addition to other **6 biogas plants** of the Group powered by sludge purification and manure, for a further 4.8 MW. **The cogeneration technology used by INALCA is therefore based on natural methane, biogas and animal fat** and allows it to be combined with another virtuous technology for the recovery of slaughtering waste and by-products consisting of **anaerobic digestion with the production of biogas**.

In fact, the anaerobic digestion process makes it possible to start the **energy recovery of biomass** that cannot be used otherwise, consisting of organic waste, manure and other inedible by-products of slaughter. In addition to cogeneration systems, INALCA is also developing solar energy for 1 MW of power.



OBJECTIVE



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

PROMOTE ACTIONS, AT ALL LEVELS, TO FIGHT CLIMATE CHANGE

Enhancement of solar energy production.
This chapter was drawn up with the technical support of the Bocconi University SDA - "*Public Management and Policy*" Department. A special thanks to Prof. Francesco Bertolini and to Dr. Ilaria Bergamaschini for writing the texts and researching sources and data.

4.0 FOCUS AFRICA



Luigi Cremonini - Kamabatela, Angola

4.1 THE INALCA MODEL IN ANGOLA

INALCA's commitment to the SDGs finds its maximum effort in Angola, one of the foreign countries in which INALCA has been operating for almost 30 years. In terms of SDGs rating, Angola ranks among the last places in the ranking (149 out of 162). In the 2019 report, no African country has achieved a satisfactory score for SDG 2 (zero hunger), SDG 3 (good health and well-being), SDG 4 (quality education), SDG 5 (gender equality), SDG 6, (clean water and sanitation) SDG 8 (decent work and economic growth), SDG 9 (industry) 10 (inequality) SDG 11 (sustainable cities and communities), SDG 14 (life below water), SDG 16 (peace, justice and strong institutions). For this reason, INALCA's commitment in Angola takes on even greater significance; **the investments that the group is making in this country represent an innovative and interesting model because they allow us to understand how they can affect the goals, beginning a path that can become a model for other foreign investments in the country or in other African countries. INALCA therefore proposes itself as a promoter of more sustainable development models, even more fundamental models in areas of the world where many economic, social and environmental parameters require important efforts to bring them to acceptable levels.**



FAO has identified the following long-term priorities for Angola:

- Increase food security and support the growth and competitiveness of the agricultural sector, also addressing the problem of the lack of formal social protection;
- Improve the coordination and sustainable management of natural resources;
- Strengthen the resilience and the ability of small producers and fishermen to adapt to the impact of climate change, with particular attention to strengthening the capacity of institutions to anticipate and coordinate the management of the impacts of climate change on production systems and on general food and nutritional security.

The SDGs objectives for Angola have been identified in the context of a general lack of an organic monitoring and data collection system, as well as a variability of sources and methodologies. Rather than characterising the real situation of the country in a specific way, the indicators reported therefore want to represent a methodological starting point for identifying reference parameters capable of positioning Inalca's activities in Angola. **INALCA has nevertheless adopted the FAO objectives for Angola and believes that its development model is fully aligned with the general expectations of the country.**



1 Poverty

DEFEATING POVERTY

In Angola, the third country in sub-Saharan Africa by GDP after Nigeria and South Africa (World Bank 2017), 42% of the population still lives below the poverty line of 3.2 dollars a day (SDG Dashboard 2019). The country's economy is closely linked to oil: the sector accounts for a third of GDP and more than 90% of exports (World Bank 2019), but 85% of employment is in the agricultural sector (Angola Country: Strategic Information and Developments, International Business Publications, USA 2013).

MINIMUM WAGE FOR THE PRIVATE SECTOR (Minister of Public Administration, Labour and Social Security, Angola 2019)

USD 67.5 per month (agricolture);

USD 62.8 per month (trade and manufacturing);

USD 102 per month (mining industry);

ANGOLA AVERAGE WAGE

USD 617 (Salary Explorer 2019);

INALCA ANGOLA EMPLOYEES AVERAGE WAGE (not considering expats)

USD 617 (Salary Explorer 2019)

EMPLOYEES (White collar workers) - per month net 850 USD; WORKERS (Blue collar workers) - per month net 500 USD;





DEFEATING HUNGER

In Angola, agriculture accounts for less than 10% of GDP, a situation that forces the country to import a large part of its food despite being among the top five with the greatest agricultural potential in the world. Angola possesses 58 million hectares of arable land, the equivalent of the area of a country larger than France (FAO, Macahub).

23.9% of the population does not get an adequate amount of calories from food to lead a healthy and active life (*Prevalence of undernourishment - Sustainable development report 2019. Average figure for sub-Saharan Africa: 22.8*).

The value of food imports into Angola for the past 3 years (2016-2018) is USD 8.6 billion (National Bank of Angola). In 2018, through its logistical infrastructures (4 distribution centres located in Luanda, Viana and Lobito), **INALCA placed 10,455 tons of food products on the Angolan market including meat, fish, milk, oil, pasta, preserves, etc. In the coming years, the company intends to develop an integrated and sustainable supply chain that will allow a significant increase in local production of meat and other foodstuffs.** A further development objective of INALCA for the production of meat is to create breeding centres and an industrial slaughtering and processing structure, which will be able to contribute in a fundamental way to the revival of local animal husbandry, similarly to what has already been implemented by INALCA in Russia and Italy.

The development model in the next few years also includes the construction of a new food processing and distribution centre in the capital Luanda (CNA National Agro-food Centre). INALCA's future commitment in Angola is to encourage internal self-sufficiency, concentrating its efforts in the agricultural production, livestock and processing phases, as well as for the development of the distribution network, infrastructure and refrigeration systems.



HEALTH AND WELLNESS

Angola still has some of the worst health indicators in the world today, particularly in the field of maternal and child health (*WHO*).

Infant mortality (under 5 years old) is equal to 81.1 per 1000 live births (75.5 being the average of the sub-Saharan region) (target 25) (*WHO, SDGs Dashboard 2019*). Maternal mortality rate: 447 per 100,000 live births (target 70) (*WHO, SDGs Dashboard*). Universal health coverage (UHC) (measured on a scale of 0 to 100 as access to the preventive, curative, rehabilitative and palliative health services needed, of sufficient quality to be effective,) is 43.2 (*WHO, SDGs Dashboard*).

Population without access to basic medical services (WHO): 57%.

100% of INALCA workers have access to medical insurance/private care/dedicated services in terms of health and prevention.

The logistics and distribution network created by Inalca in Angola allows access to safe foods, with better guarantee from a health and quality point of view.





INCLUSIVE AND EQUALITY EDUCATION

Almost 70% of the Angolan population is under 24 years old. 25% of children aged 6 to 11 do not attend school, rising to 40% in rural areas (Education Policy Data Centre 2018).

Literate population (15+): 80% of men and 53% of women (EPDC, Angolan National Education Profile 2018). The secondary education completion rate is lower: 20.9%.

INALCA's projects for the construction of agricultural, industrial and logistic infrastructures require a strong commitment to training activities. INALCA provided specialised training activities in 2018 to its employees (men/women):

60% of the company population participated in various training activities corresponding to an amount of 20 hours per employee. The percentage of employees who have attended training courses (men/women) is 40% of men and 60% of women. **30% of INALCA employees in Angola have primary education, 40% secondary, 30% tertiary.**





DECENT WORK AND ECONOMIC GROWTH

In Angola, **only 29% of adults** (15+) **have a bank account or other financial institutions**, or are paid with a mobile payment service (SDG Dashboard 2019). The unemployment rate in Angola is slightly higher than in the sub-Saharan region (7.3 vs 6.1, World Bank 2018).

In Angola, INALCA's 250 employees have regular employment contracts and 100% of these have bank accounts or similar. The business model developed in the country therefore helps to improve the working conditions of the population by contributing to the economic stability of its employees

FAIR WORK IN AGRICULTURE

The livestock sector accounts for 40% of agricultural GDP and is one of the fastest growing sectors in developing countries (+ 2.5% per year, in the last twenty years). It is therefore a key sector for increasing global economic growth, through training, technological improvement and innovation, not only in the production phase but throughout the supply chain.

In Angola, child labour in the sector is more widespread in animal care and pastoralism, where children are involved from the age of 5-7 with serious consequences in terms of education and health risks (Livestock and SDGs FAO). Governments must therefore work with producer organisations, communities and the private sector to limit child activities and to reduce risks for all workers.

http://www.livestockdialogue.org/

In all the countries where it operates, **INALCA protects labour rights, does not resort to any form of child labour and promotes a healthy** and safe working environment for all workers and at all levels of the supply chain, from agricultural production to processing and distribution of products.







10 REDUCED INEQUALITIES

GENDER EQUALITY AND EQUAL OPPORTUNITIES

It has been estimated that in Angola, despite substantial gender parity in terms of the workforce, there is the most significant gender pay gap in the world *(Business Insider 2017, Global Gender Gap Report 2016):*

WOMEN/MEN RATIO (Workforce=0.94 (SDG Dashboard 20

estimated salary (US\$, PPP) = 0.59 (Word Economic Forum 2016)

equity wage for similar jobs (survey) = 0.40 (Word Economic Forum 2016)

The indicators in the table show that the number of working women is the same as that of men but women receive almost half the wages paid to men.

The female labour force of INALCA, for the same category, receives the same salary as that of males. The percentage of women employed by INALCA in Angola corresponds to 40% out of the total, a figure in line with the country's average, where the female workforce, expressed as a percentage of the total workforce, is 50% (World Bank).





AVAILABILITY AND MANAGEMENT OF WATER RESOURCES

Angola is a country rich in water resources but despite this only **49%** of the population has access to basic services of drinking water (SDG Dashboard 2019). The mortality rate of children under 5 in Angola is among the highest in the world (81.1 per 1000); about 10% of deaths under the age of 5 are caused by diarrhoea, often due to water contamination (*Unicef* 2019, Europeaid European Union 2015).

The current water consumption of INALCA in Angola is irrelevant, about 45,000 litres/year (used for washing vehicles and premises), reflecting the attention that the company pays to this important resource.





INNOVATION AND INFRASTRUCTURE SUSTAINABLE CITIES AND COMMUNITIES

The distribution of Angola's infrastructure networks largely follows the distribution model of the population and natural resources, with a greater density of transport, energy and ICT infrastructures along the western half of the country. The road network is quite extensive, with better conditions in the western areas. There are numerous deficits at the national electricity grid level, there are in fact numerous isolated power systems, with minimal local transmission links, although a supporting structure is provided. Angola's optical fibre is already much more developed than its electricity grid, connecting all the major cities on the western side of the country (Angola country report, World Bank 2011). In Angola, the "Logistics performance Index", which indexes the quality of infrastructure for trade and transport (from 1 = low to 5 = high) was calculated in 2019 at 1.9 (SDGs Dashboard 2019). In Italy the same indicator is estimated at 3.9 and in South Africa 3.2. INALCA already operates in the country with 4 modern distribution centres, with their own vehicles that serve the local Horeca market. The management model applied in Italy in the distribution centres was in fact replicated in Angola. The creation of an agrifood hub in Angola could have significant effects in terms of creating an efficient logistics chain for the supply of food products as well as a cold chain that guarantees the safety of food products, consistent with objectives 9 and 11



Kamabatela, Angola

5.0 PERFORMANCE AND SUPPLY CHAIN



5.1 ECONOMIC PERFORMANCE

5.1.1 - ECONOMIC RESULT 2019

INALCA in 2019, confirming the growth trend of recent years, **developed a turnover of 2,247 million Euro**, **of which about 40% developed abroad**.

CONSOLIDATED INCOME STATEMENT						
(in thousands of Euro)	YEAR 2107	% Incidence	YEAR 2108	% Incidence	YEAR 2109	% Incidence
TOTAL REVENUES	1,975,096	100%	2,054,815	100%	2,246,951	100%
EBITDA	109,076	5.52%	118,733	5.78%	145,879*	6.49%
EBIT	52,233	2.64%	54,224	2.64%	74,661*	3.32%
GROUP NET PROFIT	13,148	0.67%	16,151	0.79%	19,149*	0.85%
CAPEX	53,460		91,854		92,249	
NET FINANCIAL POSITION	(328,047)		(390,359)		(418,644)*	
GROUP SHAREHOLDERS EQUITY	422,595		414,778		443,580	
NUMBER OF EMPLOYEES	5,368		5,496		5,677	

* Includes IFRS 16 adoption effects

BREAKDOWN OF REVENUES BY GEOGRAPHICAL AREA				
(in thousands of Euro)	12. 31.2017 %	12. 31.2018 %	12. 31.2019 %	
ITALY	1,218,552 62%	1,268,801 62%	1.395.188 62%	
EUROPEAN UNION	268,251 13%	299,734 15%	271.023 12%	
EU - RUSSIA - AND EUROASIAN REPUBLICS (+ KAZAKHISTAN)	253,878 13%	270,436 13%	314.027 14%	
AFRICA	232,272 12%	206,221 10%	166.620 7%	
OTHER NON-EU REGIONS	2,143 0%	9,623 0%	100.093 5%	
TOTALE	1,975,096 100%	2,054,815 100%	2.246.951 100%	

5.1.2 - ECONOMIC VALUE GENERATED AND DISTRIBUTED

The generated and distributed value (EVG&D) represents the first basic indicator of the value that the company has created for its stakeholders. In the food sector, due to the low added value of production processes, the high incidence of raw materials and personnel in the company's income statement, the value transferred externally is particularly significant. In other words, INALCA's business activity is considered to have a high rate of economic sustainability, as the value distributed externally is particularly high. As shown in the graph, **the distributed economic value represents in fact 95.6% of the total value generated by INALCA.** The meat supply chain is therefore among those that transfer value to the outside the most, ad the incidence of agricultural raw materials is particularly high.

In the financial year 2019, the value generated by the Inalca Group remained at the levels of the previous year, just as the value distributed to farmers, staff, suppliers, public administration and the financial world remained stable.



Table 10 - Economic value directly generated and distributed in 2019

^{*} Economic value retained 4.4%

5.2 SUPPLY CHAIN

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

5.2.1 - HEAD OF CATTLE SUPPLIERS INALCA'S FARMING AND AGRICULTURAL PRACTICES IN ITALY

Italy is characterised by cattle breeding developed mainly in stables. In fact, **our country does not have large pastures, but in the Po Valley it has one of the most fertile lands in the world**, capable of producing food with high nutritional value. In fact, over 60% of the national cattle herd is concentrated in this region and it is the area where Inalca's main production plants are located.

The cattle farms that merge into the Inalca chain hail mainly from this fertile land, and are essentially of two types: **dairy cattle farms** (cows) and **beef cattle farms** (calves, heifer, calves).

Dairy cattle breeding develops entirely in barns and Inalca from this supply chain can count on **over 18,000 Italian farms**. In order to pursue its own supply chain policies, Inalca makes use of the contribution of the agricultural organisations that represent directly this large and fragmented channel. The expression of these agreements is the **"Sustainable farms" project: developed in partnership with Coldiretti, it represents the main tool for production integration between the milk supply chain (to which these farms refer directly) and that of meat.**

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

CATEGORY	TOTAL SLAUGHTERING ITALY		PRODUCTION FROM INALCA SUPPLY CHAIN				
		AZ. AGRICOLA CORTICELLA s.r.I.	BONIFICHE FERRARESI s.p.A.	LA TORRE SOC.COOP	MARCHESINA	CREMOVIT	%
BULLOCKS	138,358	28,498	5,002	1,697	3,787	341	28.4%
HEIFER	73,255	19,171	2.,759	6,754	1,793	-	41.6%
MEAT CALVES WHITE	166,172	26,219	-	-	-	12,863	15.8%

INTEGRATED PRODUCTION OF ANIMALS IN THE 2019 INALCA SUPPLY CHAIN

RUSSIAN FEDERATION

In the Russian Federation, important farming activities have been launched in the context of an integrated and sustainable local supply chain. The supply of bovine takes place exclusively through local suppliers; the Orenbeef plant has 376 suppliers, an increase compared to 210 in 2018. In 2019, production of the Group's first herd was started. As shown in the graph below, in 2019 the higher level of qualitative selection led to a higher concentration of supplies in the best performing farms.





5.2.2 - MEAT SUPPLIERS

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

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



ITALY

In the **INALCA supply chain there are about 600 meat suppliers, including large globalised producers, as well as small local producers.** A network of companies that allows the support of the Group's industrial activities, the development of projects with a strong territorial value, as well as the management of large globalised flows of high quality meat distribution for the Horeca, Food Service and supply of the Russian market.



Table 12 Inalca's meat supply 2019

RUSSIAN FEDERATION ORIGIN OF MEAT IN THE RUSSIAN CHAIN

For industrial production in the Russian Federation there is a complete integrated supply chain that includes farms, production and logistical structures. In 2019, local production, including the Orenbeef Group plant, **supported 56% of demand.**



5.2.3 - SUPPLIERS OF MATERIALS FOR PACKAGING

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

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

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

In order to start supplies, packaging suppliers must register on the new INALCA portal to enter the technical data and information necessary for the validation process, of the supplier itself and of each single category of materials that it delivers to each Group plant. **These are fundamental aspects that are carefully evaluated by INALCA**.

In fact, the packaging is an integral part of the product and is responsible for its protection. **Small defects in plastic or metal materials can in fact reduce this level of protection and compromise the safety of the product, so it is essential that the packaging is systematically checked, both during delivery and use.** The correct packaging process always involves a combination with a dedicated technology; Therefore, the verification of the suitability and integrity of the materials is not enough, the control must extend to the technologies and packaging systems that must perfectly adapt to the purchased packaging.

5.2.4 - SUPPLIERS OF FOOD INGREDIENTS

INALCA uses various types of ingredients in addition to meat. To this end, over 150 suppliers of food ingredients such as flavourings, vegetables, cereal flours are used in Italy. In this case, in addition to the selection of ingredients from local suppliers, easily recognisable by the consumer, **the selection criteria are based on the company's skills, the food safety management system, the absence of allergens, the presence of certified standards and the technical characteristics of the substances used.** The ability of these suppliers to provide support in corporate innovation projects constitutes a further element of choice and evaluation.

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

The company policy on the selection of suppliers of subsidiary material has a clear focus on national procurement. Inalca in fact prefers local suppliers, situated in the territories adjacent to its production plants.

This has allowed the company over the years to have an increasingly integrated supply chain as well as a consolidated loyalty and historicity of its suppliers. **More than 50% of the suppliers of subsidiary material are located between Emilia Romagna and Lombardy, regions where the two main and historic plants of the group are located.** The territorial proximity of INALCA and its suppliers allows the sharing of best practices and technological innovation for continuous industrial and supply chain improvement.



Table 13 - Geolocation of suppliers of subsidiary materials

ATTACHMENTS 1- LIST OF GROUP COMPANIES AND BUSINESS SECTORS

(•) Indicates the companies included in this Sustainability Report

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

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

AFRICA			
SCDAANGOLA S.A.	Angola	Distribution of food products	
DISPAL CÔTE D'IVOIRE	Costa d'Avorio	Distribution of food products	•
NORTH AMERICA			
INALCA F&B NORTH AMERICA	New York	Distribution of food products	٠
INALCA F&B HOLDING	New York	Holding company	
CENTRAL AMERICA			
FRATELLI D'ITALIA	Messico	Distribution of food products	•
AUSTRALIA			
INALCA F&B QUEENSLAND PTY Ltd	Australia	Distribution of food products	٠
ITAUS PTY	Australia	Distribution of food products	٠
FRASCO GOURMET PTY	Australia	Distribution of food products	•
MODENA CORPORATION PTY	Australia	Real estate	

2 - LIST OF INDICATORS GRI-STANDARS DISCUSSED

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3 - LIST OF GRI 300-STANDARDS INDICATORS

ENVIRONMENT CATEGORY

GRI indicator Description			u.m.	Group 1*	Group 2*	Group 3*	
GRI 301 MATERIALS							
GRI 301-1 Materia	ls used b	by weight or volu	me				
Slaughtered animals		Cows	Tot. number of animals slaughtered	-	216,190	242,824	281,648
			Total dead weight	ton	60,084	66,601	75,720
		Young bulls	Tot. number of animals slaughtered	-	215,623	221,224	242,850
			Total dead weight	ton	78,534	79,891	84,887
		Veals	Tot. number of animals slaughtered	-	166,330	202,296	202,296
			Total dead weight	ton	25,061	25,2942	25,942
		Buffaloes	Tot. number of animals slaughtered	-	0	20,077	20,077
			Total dead weight	ton	0	5,346	5,0346
			Tot. number of animals slaughtered	-	598,143	658,421	746,871
			TOTAL dead weight	ton	163,678	177,781	191,896
		Cows	Total number of animals entered	-	0	18,653	18,653
		Young bulls	Total number of animals entered	-	0	27,250	27,250
Animals entered into breeding		Veals	Total number of animals entered	-	0	29,870	29,870
0		Buffaloes	Total number of animals entered	-	0	0	0
			TOTAL	-	0	75,773	75,773
		Fresh with Bor	e	ton	70,081	107,154	107,154
Purchased Meat:	E1 1	Fresh without	Bone	ton	16,400	33,659	33,667
(beef, pork and chic	:ken)	Frozen		ton	7,408	27,759	27,783
			TOTAL	ton	93,890	168,573	168,605
Feed TOTAL				ton	0	21,024	21,024
Ingredients and ac	dditives		TOTAL	ton	2,778	5,252	5,424
Рар		er/Cardboard	Total weight	ton	4,458	9,243	10,709
	Plast	Plastic Total weight			2,180	5,566	5,890
Packaging	Plast	Plastic crates Total weight			6	1,398	1,404
	Woo	Wood Total weight			1,538	1,548	2,479
	Steel	Steel Total weig			1,808	1,812	1,812
	Alum	Aluminium Total weigh			749	1,015	1,015
			TOTAL	ton	10,739	20,582	23,307
	Sanit	Sanitising products			334	472	515
Chemical substances	Cher	Chemicals in general			2,037	2,682	2,710
	Cher	Chemicals for water treatment			1,604	1,649	1,713
	Oils	and lubricants		ton	34	230	280
			TOTAL	ton	4,009	5,032	5,218

GRI indicator		Description	u.m.	Group 1*	Group 2*	Group 3*	
GRI 301-2 Materi	als used that come	from recycling					
	Paper/Cardboard	% of virgin matter	%	48	57	79	
Recycled materials		% of recycled material	%	52	43	21	
	Plastic	% of virgin matter	%	76	85	92	
		% of recycled material	%	24	15	8	
	Cassette di plastica Wood	% of virgin matter	%	100	100	100	
		% of recycled material	%	0	0	0	
		% of virgin matter	%	50	25	67	
		% of recycled material	%	50	75	33	
	Steel	% of virgin matter	%	53	2	28	
		% of recycled material	%	47	98	72	
	Aluminium	% of virgin matter	%	100	0	0	
		% of recycled material	%	0	0	0	
GRI 302 POWER							
GRI 302-1 Energy co	nsumed within the org	ganization					
	Diesel fuel	I	37,675	193,961	2.,884,181		
Fuels from sources non-renewable	Methane gas	Nm³	21,056,715	28,259,004	29,294,727		
	LPG	kg	1,220	1,220	1,220		
Fuels from sources	Biogas	Nm³	3,905,127	5,071,531	5,071,531		
renewable	Solar Energy	MWh	127	651	651		
		TOTAL consumed	MWh	117,687	236,023	263,641	
Electric operav	purchase of which	ed from the network	MWh	48,295	157,333	184,951	
	self-prod	uced	MWh	73,685	114,023	114,023	
		TOTAL solo			35,333	35,333	
GRI 303 WATER R	ESOURCES						
GRI 303-1 Interaction with the water resource							
	Drawn from the we	m³	2,387,804	2,928,965	3,132,065		
Water	Supplied by aqued	m³	26,808	151,749	223,771		
	· · · · · · · · · · · · · · · · · · ·	TOTAL	m ³	2,414,612	3,080,714	3,355,836	
GRI 305 EMISSIOI	NS						
GRI 305-1 DIRECT G	HG EMISSIONS						
SCOPE 1			ton CO₂eq	6,910	4,147	4,375	
GRI 305-2 NDIRECT EMISSIONS OF GHG FROM ENERGY CONSUMPTION							
SCOPE 2			ton CO ₂ eq	2,618	3,279	8,358	

GRI Indicators	Descript	tion	u.m.	Group 1*	Group 2*	Group 3*	
GRI 306 - WATER DRAINS AND WASTE							
GRI 306 -1 Water discharge by quantity and destination							
Water drained	Quantity		m³	2,186,676	2,657,623	2,843,648	
	Place of unloading				CIS and / or	Sewer	
GRI 306 - 2 WASTI	E BY TYPE AND DISPOSAL	METHOD					
Waste produced in T	OTAL		ton	55,868	59,740	65,779	
of which			-	-	-	-	
Non-hazardous wast	e (NP)		ton	55,823	59,672	65,690	
Non-hazardous perce	entage of the total product		%	99.92	99.89	99.86	
Hazardous waste			ton	45	68	89	
Percentage dangerou	us on the total product		%	0,08	0.11	0.14	
Digestible / Compost	able		ton	53,019	54,219	54,419	
Packaging			ton	2,158	4,060	4,847	
Other (no packaging compostable)	and no digestible /		ton	698	1,467	6,519	
Recovered waste (R) TOTAL			ton	55,738	59,172	59,763	
Percentage of total w	vaste produced		%	99.77	99.05	90.85	
Waste / biomass ente	ering the recovery plants		ton	62,483	70,178	70,178	
GRI 306 - 3 SIGNIFICANT SPILLS							
Substance	Place of unloading		-	-	-	-	
	Quantity		m3	0	0	0	
GRI 307 ENVIRONMENTAL COMPLIANCE							
GRI 307-1 Non-compliance with environmental laws and regulations							
NC Environmental	NC Open	sued	١	2	2	2	
	Re	eceived	\ 	0	0	3	
	NC Closed	sued	\ \	2	2	2	
Sanctions			€	-	-		
			-				

(*) The groups indicated include the following establishments:

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

SUSTAINABILITY REPORT 2019

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