



ANNUAL  
**REPORT 2017**  
ENGLISH VERSION



**Veronesi Holding S.p.A.**



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*This path is not just about  
what we do, it is also about how we do it.”*

## Towards a more sustainable future

2017 was a very positive year thanks to the passion and hard work of over 8,000 employees, and to our ability to satisfy consumer demand quickly and efficiently, often by anticipating people's needs.

We maintained our leadership in the zootechnics and poultry sectors, and consolidated our position in the cold-cuts market, thanks to our ability to innovate in line with market trends.

In this Annual Report we have chosen, for the first time, to tell readers more than just our results: we want people to know exactly how our Group works, about the values that drive it, and our commitment to sustainability in business.

In the pages that follow we recount the Group's main results and the continuous improvement path that involves our entire value chain. This path is not just about "what" we do, it is also about "how" we do it. It is about our ambition to become an increasingly sustainable Group: economically, socially and environmentally.

Founded 60 years ago, thanks to the extraordinary intuition and courage of Apollinare Veronesi, our Group still has the distinctive traits of continuous research and innovation in its DNA. Product and process research and innovation are made possible by our ability to conceive new ideas, to develop them, and transform them into success stories.

Today, we support technological innovation with sizeable investments in our production centers – over €88 million in the last year alone – with the aim of constantly improving the flavor and quality of our products.

This is the beating heart of our company, a heart that will take us forward over the coming years to meet and overcome future challenges with a renewed enthusiasm, and with the passion that has always distinguished us. We are proud to bring excellent, safe products to the tables of millions of Italians, and to many more across the world. Products that have been prepared responsibly along the entire value chain.

Important accomplishments achieved this year include approval from the Magreta di Formigine site to export to the USA, and the authorization to export Negroni Culatello di Zibello D.O.P. to American consumers. This is an important achievement and makes the Veronesi Group the only company allowed to take the "king of Italian cold-cuts" into the States.

In celebrating two important anniversaries, 60 years of Veronesi Mangimi and 50 years of AIA, we would like to express sincere thanks to all the people in the Veronesi Group who, through relentless effort and shared values, have helped us become one of the major food production companies in Italy, and ever more present abroad.

Our goal is to keep growing, and to continue our story of shared passion for Italian quality.





**VERONESI HOLDING S.p.a.**





## BOARD OF DIRECTORS

### CHAIRMAN

MARIO VERONESI

### VICE CHAIRMAN

MARCELLO VERONESI

### DIRECTORS

ANTONIO NICODEMO  
FRANCESCO BALLINI  
TOMMASO VERONESI  
LUIGI FASOLI



## BOARD OF STATUTORY AUDITORS

### CHAIRMAN

MAURO MELANDRI

### STATUTORY AUDITORS

ANDREA CASTELLI  
PRIMO CEPPELLINI

### AUDIT FIRM

DELOITTE&TOUCHE S.P.A.

From left to right in the picture: Tommaso Veronesi, Marcello Veronesi, Antonio Nicodemo, Mario Veronesi, Luigi Fasoli, Francesco Ballini



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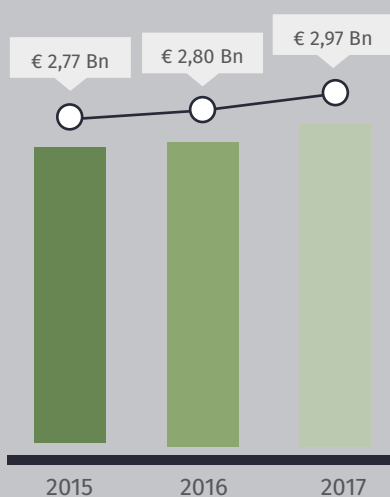
*Example is the most beautiful form of authority.”*



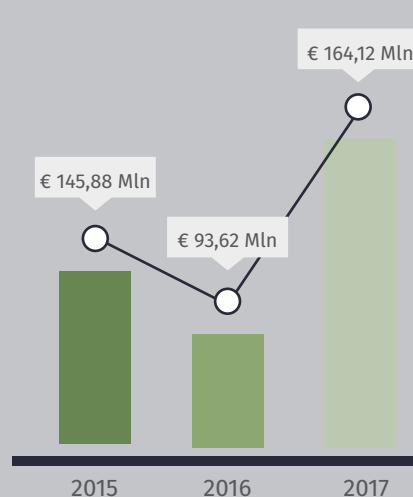
# 02 | THE YEAR IN KEY FIGURES

MAIN ECONOMIC AND FINANCIAL DATA	2017	2016	2015
NET REVENUES	2.976.820.913	2.803.965.347	2.774.342.973
EBITDA	164.118.511	93.629.192	145.888.432
AMORTISATION	81.416.276	81.370.520	80.291.399
NET INCOME	56.687.917	1.693.948	30.397.067
CASH FLOW	138.104.193	83.064.468	110.688.466
INVESTMENTS IN FIX ASSETS	88.183.402	118.395.739	92.020.377
NET FINANCIAL DEBT	382.861.155	413.839.047	405.683.585
NET EQUITY	558.747.064	506.939.832	510.449.630
ROI (EBIT/INVESTED CAPITAL)	4,10%	0,43%	3,43%
NET INCOME/NET EQUITY	10,15%	0,33%	5,95%
NET FINANCIAL DEBT/NET EQUITY	0,69	0,82	0,79
NET FINANCIAL DEBT/EBITDA	2,33	4,42	2,78

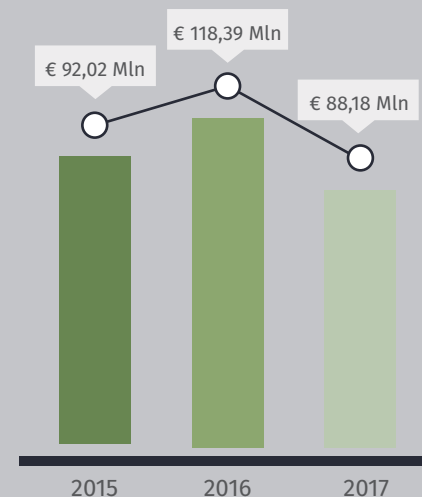
## CONSOLIDATED NET REVENUES



## EBITDA



## PRODUCTIVE INVESTMENTS





“

*Your employer isn't Veronesi. It's the customer”.*

# 03 | IDENTITY AND VALUES: CODE OF ETHICS

The Code of Ethics includes values, principles and rules, the observance of which is fundamental to the Group's reputation and trustworthiness.

Honesty, equality, integrity, security, passion for quality are the principles on which all behaviour and operation are based. Our values define how we do business and the way the Group positive contributes to the communities development.

## COMPANY VALUES AND PRINCIPLES THE FOUNDATION OF VERONESI GROUP'S CODE OF ETHICS

### CONSUMER AT THE CENTER

Satisfying the consumer's needs and expectations is our daily commitment, anticipating and going beyond their desires is our challenge.

### PASSION FOR QUALITY

From field to table, we seek excellence in every phase of production and only choose partners who share our passion.

### INNOVATION

Constant research and an eye for the new have always been our approach to making quality products. We want to continue surprising the market with the best foods from the Italian tradition, while developing products for new tastes.

### TEAM SPIRIT

Employee motivation and growth are key to our success. Respect, trust, honesty and dialogue are the principles from which we draw inspiration to create enthusiasm and a winning team.

### EFFICIENCY

We constantly seek efficiency at every stage of the organizational and productive processes, combining it with continuous attention to the health and safety of our employees. We compare ourselves to the market through the lens of constant improvement.

### SUSTAINABILITY

We have always considered sustainability to be one of the key drivers in our development, as well as an essential responsibility towards future generations. We believe that economic results should go hand in hand with environmental protection and people's overall well-being.

### THE CREATION OF VALUE

Ours is a success story based on the value of our brands and on the heritage of the value chain. We want to continue to be fair in our pursuit of company profits, always respecting the ethics of social and economic relationships.

### ANIMAL WELFARE

We consider respect for animals a primary value. Every day we are committed with thousands of farmers to ensure the animals' health, safeguarding them in a responsible manner.





## TOWARDS CONSUMERS AND CUSTOMERS

### FROM FIELD TO TABLE

We are present in every phase of the production chain and we guarantee tasty, healthy, safe and high quality food.

### SELECTION AND CONTROL

We select and control the best raw materials, working alongside farmers, ensuring the animals are raised in good health and environmental conditions in order to safeguard their welfare.

### STATE-OF-THE-ART FEED

Our feed and products are made with advanced machinery systems, so we can ensure the highest levels of hygiene, safety

and protection of human health.

### RESEARCH AND DEVELOPMENT

All our products are the result of a lengthy phase of research and development, during which strict validation tests are run to carefully ensure that organoleptic and regulatory standards are observed. Monitoring continues throughout the entire production lifecycle.

### ENRICH THE TABLES OF ITALY

We are dedicated to making our products as appetizing as possible, from the style of the packaging to the freshness of the raw materials used in all recipes.

### LOGISTICS

An innovative software and logistics system allows us to deliver products daily throughout Italy and the rest of the world ensuring an uninterrupted cold chain, especially for fresh and very fresh foods (with a 7-10 day expiration date).



**SALES FORCE**

Our sales force assists customers across the country to guarantee them the quality and excellence of our products and services.

**TOP STANDARD**

We are constantly committed to complying with EU regulations and to reaching the highest internationally recognized voluntary certification standards.

**OUR IS A  
COMMITMENT AND  
A CHALLENGE  
REINFORCED  
EVERY DAY BY OUR  
PASSION  
FOR QUALITY.**



**TOWARDS  
OUR PEOPLE**

**PROFESSIONALISM**

Those who work with us represent our most important asset and investment.

By promoting human and professional growth we cultivate the best talents on the market and build our future.

**ENGAGEMENT**

We encourage involvement, dialogue and participation to promote the skills and managerial independence of our people.

**RECOGNITION**

We evaluate professional contributions, value potential, and guarantee appropriate reward systems.

**PROTECTION**

We acknowledge the importance of protecting workers' rights. We encourage personal dialogue between employees and managerial functions, and we foster relationships based on transparency, respect and constructive dialogue with trade unions

**SAFETY**

We use an innovative safety and health management system that involves all our people across all functions



## TOWARDS FARMERS

### TRUST

Our alliance with thousands of Italian farmers is inspired by mutual trust, a common passion for livestock farming and respect for animals, land and people. We work to strengthen this alliance every day.

### DIALOGUE

We keep a continuous dialogue with farmers and share their interests and passions. This helps us find the best ideas and solutions together.

### DEDICATION

We work side by side with farmers, offering dedication and respect, to contribute to their professional growth and the improvement of their expertise.

### SHARING

We share the Group's values and principles with farmers, by involving them in our projects.

## TOWARDS SUPPLIERS

### LOYALTY AND TRANSPARENCY

We structure all supplier relations in a loyal and transparent manner.

### QUALITY FIRST

We select our suppliers from among the main national and international operators, and we constantly seek out the best raw materials, the most advanced technologies and the highest quality products and services.

### DIRECT RELATIONSHIPS

We favor direct relationships, to achieve the best commercial and qualitative conditions.

### COMMON GOALS

We build lasting relationships with our suppliers by using a partnership approach, defining projects together and involving them in our objectives.

### HIGH STANDARDS

We ensure conformity to design specifications and compliance with purchasing standards, creating awareness among our suppliers of the importance of good production practices and compliance with health, safety and environmental legislation

## TOWARDS SHAREHOLDERS

### CORE VALUES

We pursue the same principles and ethical values that inspired the Group's founders.

### VALUABLE CAPITAL

We create value for shareholders by continuously enhancing our brands and with fair remuneration for invested capital.

### FUTURE AND GROWTH

We are ready to grasp opportunities at any time, while always protecting the Group's financial stability.

## TOWARDS THE ENVIRONMENT

### LAND PROTECTION

Protecting the land is a commitment that we translate into concrete action, respecting the territory and using natural resources responsibly.

### DEVELOPMENT PROJECTS

We plan and create development by taking into consideration many environmental and sustainable issues.

### ECO-FUTURE

We always respect and, where possible, anticipate, environmental legislation.

### SUSTAINABLE SPIRIT

We proactively work to strictly limit the environmental impact of our activity.

### WASTE MANAGEMENT

We train and engage our employees on the correct management of waste to prevent pollution and safeguard the environment.

### ENVIRONMENT

We incorporate aspects of environmental and safety systems management in collaboration with public authorities.

### ENVIRONMENTAL CERTIFICATION

To give additional strength and continuity to our efforts to continuously improve, we have initiated an environmental certification program.

## TOWARDS SOCIAL WELFARE

### COMMON WELLBEING

We work conscious of the fact that our company is contributing to the economic growth of our communities, creating wealth, culture and social value.

### SOCIAL ENTREPRENEURS

We work in an enterprising manner, trying to find the right balance between profit and respect for the communities we interact with daily.

### WORK INITIATIVES

We participate in cultural and outreach initiatives, supporting associations and collaborating with schools and universities to foster the professional integration of young people in the world of work.

## AFRICA

- |   |                   |     |                                 |
|---|-------------------|-----|---------------------------------|
| ● | ANGOLA            | ●   | GUINEA                          |
| ● | BENIN             | ●   | CENTRAL AFRICAN<br>REPUBLIC     |
| ● | IVORY COAST       | ●   | DEMOCRATIC<br>REPUBLIC OF CONGO |
| ● | GABON             | ●   | TOGO                            |
| ● | GHANA             | ● ● | SEYCHELLES                      |
| ● | EQUATORIAL GUINEA | ● ● | SUD AFRICA                      |
| ● | NIGERIA           | ●   | TUNISIA                         |

## AMERICHE

- |   |                |   |                    |
|---|----------------|---|--------------------|
| ● | BRASIL         | ● | PANAMA             |
| ● | CANADA         | ● | DOMINICAN REPUBLIC |
| ● | COSTA RICA     | ● | UNITED STATES      |
| ● | GUATEMALA      | ● | URUGUAY            |
| ● | CAYMAN ISLANDS |   |                    |

## ASIA

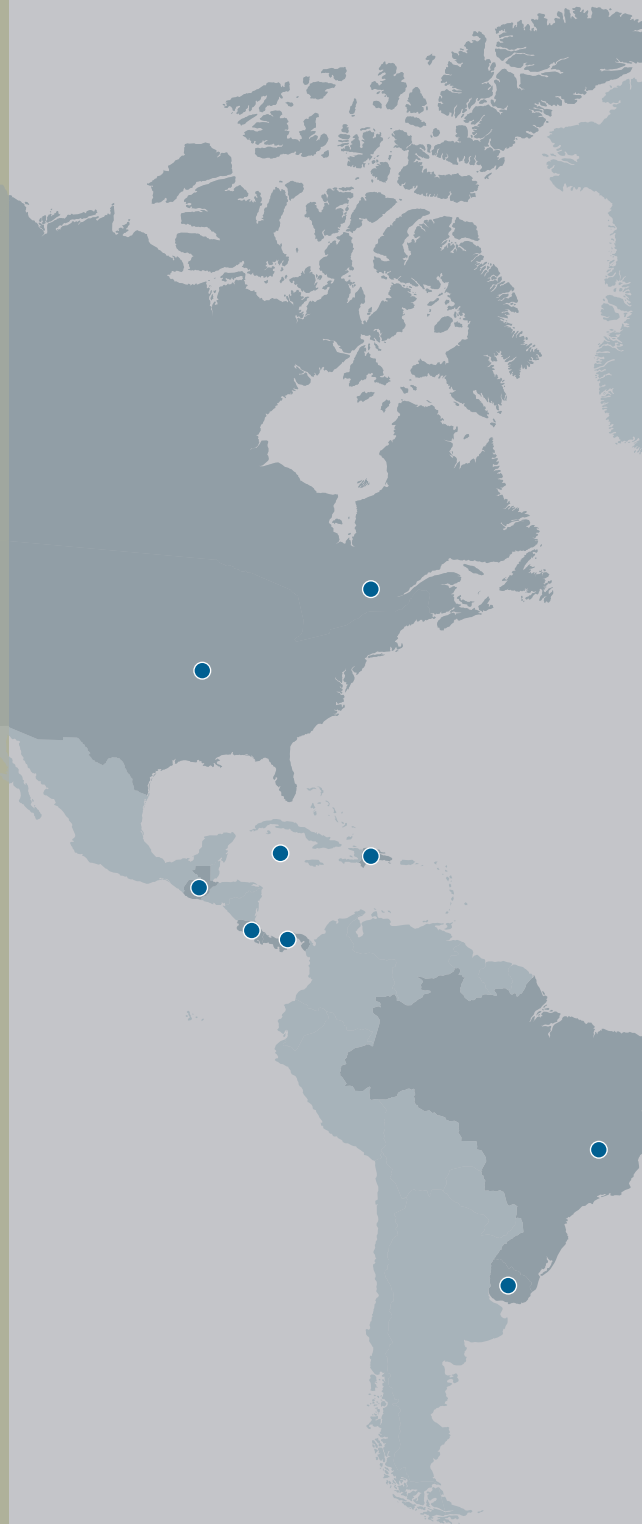
- |     |                           |       |           |
|-----|---------------------------|-------|-----------|
| ●   | SAUDI ARABIA              | ● ● ● | LEBANON   |
| ●   | KOREA                     | ●     | QATAR     |
| ● ● | UNITED ARAB EMIRA-<br>TES | ●     | CHINA     |
| ● ● | JAPAN                     | ●     | SINGAPORE |
| ●   | JORDAN                    | ●     | THAILAND  |
| ● ● | HONG KONG                 | ●     | VIETNAM   |
| ● ● | IRAQ                      |       |           |

## EUROPA

- |       |                    |       |                 |
|-------|--------------------|-------|-----------------|
| ● ● ● | ALBANIA            | ●     | LUXEMBOURG      |
| ● ● ● | ARMENIA            | ● ● ● | MACEDONIA       |
| ● ● ● | AUSTRIA            | ● ● ● | MALTA           |
| ● ● ● | BELGIUM            | ● ● ● | MONTENEGRO      |
| ● ● ● | BOSNIA HERZEGOVINA | ● ● ● | HOLLAND         |
| ● ● ● | BULGARIA           | ● ● ● | POLAND          |
| ● ● ● | CYPRUS             | ● ● ● | PORTUGAL        |
| ● ● ● | CROATIA            | ● ● ● | SLOVAK REPUBLIC |
| ● ● ● | DENMARK            | ● ● ● | CZECH REPUBLICA |
| ● ● ● | ESTONIA            | ● ● ● | ROMANIA         |
| ● ● ● | FINLAND            | ● ● ● | RUSSIA          |
| ● ● ● | FRANCE             | ● ● ● | SERBIA          |
| ● ● ● | GERMANY            | ● ● ● | SLOVENIA        |
| ● ● ● | GREAT BRITAIN      | ● ● ● | SPAIN           |
| ● ● ● | GRAN CANARIA       | ● ● ● | SWEDEN          |
| ● ● ● | GREECE             | ● ● ● | SWITZERLAND     |
| ● ● ● | IRELAND            | ● ● ● | UKRAINE         |
| ● ● ● | KOSOVO             | ● ● ● | HUNGARY         |
| ● ● ● | LITHUANIA          |       |                 |

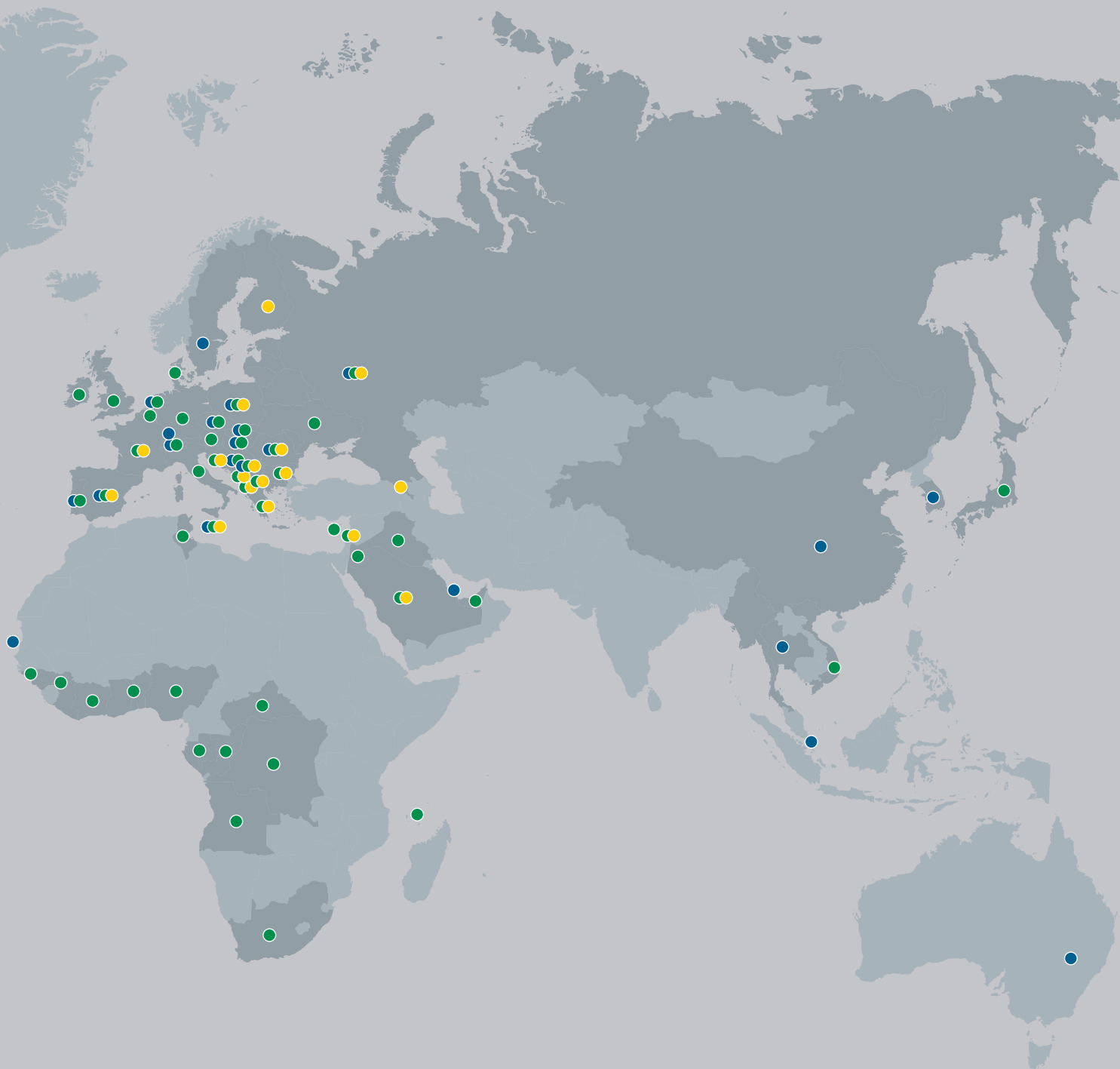
## OCEANIA

- |   |           |
|---|-----------|
| ● | AUSTRALIA |
|---|-----------|





# 04 | EXPORT



- COLD - CUTS EXPORT
- FRESH FOODS EXPORT
- FEED EXPORT



“

*The Veronesi Group is one of the top FMCG groups in Italy.”*

# 05 | MACROECONOMIC SCENARIO

2017 ended with moderately positive results for Fast Moving Consumer Goods. Among foods, Fresh Foods saw the most positive trend.

Consumers proved to be ever more choice-conscious and increasingly open to change. They are willing to spend more money for superior quality, a “clean label” and greater producer transparency, especially regarding the production process.

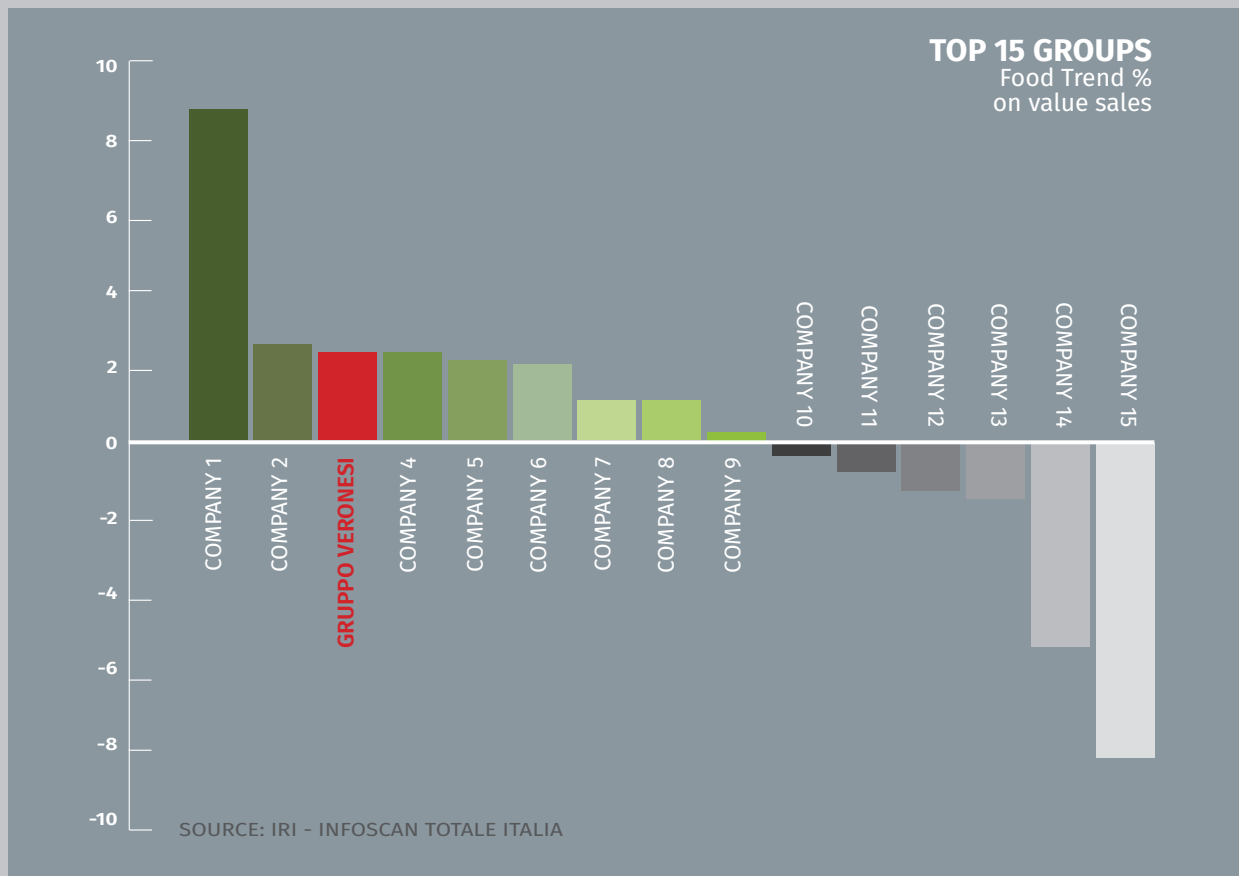
Tradition, modernity and innovation are valued in producers, both in terms of new products and revisiting traditional offerings.

Territorial and Italian origin are values that have become increasingly important in the eyes of consumers.

2017 was characterized by price recovery and a decrease in promotional price pressure. Price increases strengthened short-term

revenue growth and a tendency to increase shopping cart value.

The Veronesi Group stands among the top Italian FMCG groups in terms of value growth, and was ranked 15th among the TOP 25 FMCG companies.





“

*Anticipating people's tastes, creating markets and remaining a leader in our field.”*



# 06 | MARKETS

AIA S.p.A. is the Group company that owns the historic AIA and Negroni food brands.

AIA is the famous name that brands all the Group's fresh meat products, processed fresh meats, processed cooked meats, eggs and egg products. The markets served by the brand are poultry, rabbit, pork, beef and veal, processed meats, eggs and egg products.

AIA was founded in 1968 and has gone on to brand some of the most innovative meat-based products on the Italian market. It has always distinguished itself through innovation, which has led to exponential growth in brand recognition, bringing it to tables across Italy. A recent survey\* shows that the spontaneous recognition of AIA in the fresh meats market is 56%, reaching 100% total awareness.

In other words, all Italians, regardless of their age, know AIA.

The closing results of 2017 in all reference markets were strongly influenced by a rise in prices. Therefore, we witnessed a stable situation in volume terms and an increase in value.



**AIA: THE INDUSTRY LEADER OF FRESH MEATS SECTOR**  
 (\* Ipsos Connect January 2018)



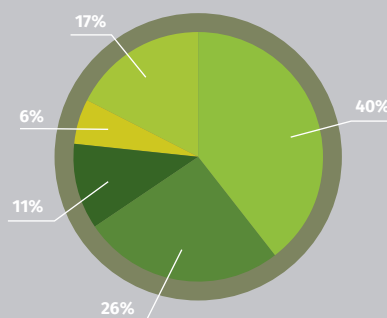


## A STORY OF INNOVATION

### AIA PROCESSED MEATS

#### COOKED BREADED PRODUCTS

AIA consolidated its leadership in the processed breaded cooked meats market with an increase of approximately 1% in both volume and value market share compared to 2016.

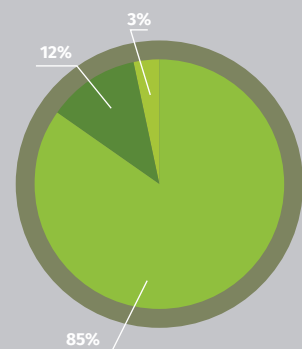


#### COOKED BREADED PRODUCTS

Volume market share

- AIA
- 1<sup>st</sup> COMPETITOR
- 2<sup>nd</sup> COMPETITOR
- 3<sup>rd</sup> COMPETITOR
- OTHERS

Source: IRI - INFOSCAN totale Italia



#### COOKED UN-BREADED PRODUCTS

Volume market share

- AIA
- 1<sup>o</sup> COMPETITOR
- 2<sup>o</sup> COMPETITOR
- 3<sup>o</sup> COMPETITOR
- OTHERS

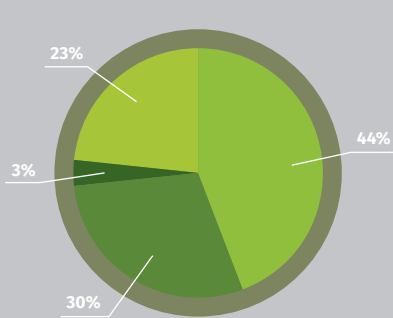


**RAW PROCESSED PRODUCTS AND BON ROLL**

The raw processed meats market suffered (- 3.2% volume) and, despite confirming its leadership, AIA fell by 2.2 volume points. Compared to 2016, the BonRoll share remained stable, with BonRoll

proving to be one of the most popular and widely purchased AIA products. With total awareness standing at 92%, BonRoll is the "roast" of choice for Italians of all ages.

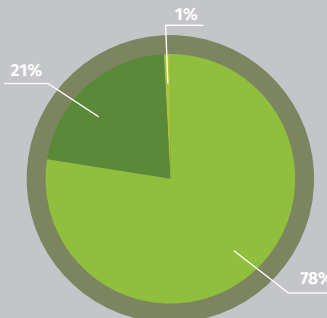
**BON ROLL REMAINS ONE OF THE MOST PURCHASED PRODUCTS**



**RAW PROCESSED MEATS**  
Volume market share

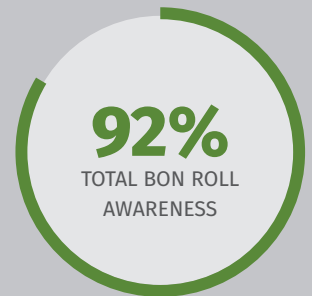
- AIA
- 1° COMPETITOR
- 2° COMPETITOR
- OTHERS

Source: IRI - INFOSCAN totale Italia



**BON ROLL**  
Volume market share

- AIA
- 1° COMPETITOR
- OTHERS





## FRANKFURTERS: WUDY REMAINS MARKET LEADER

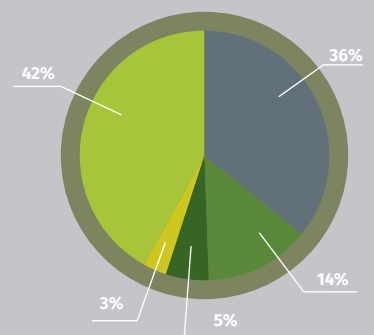
THE MARKET HAS REGAINED STABILITY

After the major downturn that hit the market in the autumn of 2015, causing a 19.4% value decrease, the key indicators stabilized. The Veronesi Group remained category leader with its brands Wudy and Golosino with a market share of 35.8% and an increase of 2 volume percentage points vs. the Italian total.

Ipsos was commissioned to study the awareness of the Group's main brands. It found Wudy to be the country's most loved frankfurter, with 53% of all interviewees claiming to have purchased the product during the previous month. Wudy's popularity was greater in the millennial age group (25-34), showing it

to be an example of modernity innovation, transparency and quality. These features are increasingly requested by the younger age groups. Popularity was also aided by the new claims "milk and lactose free", "gluten free" and "no added MSG" on packaging.

### WUDY'S QUALITY IS IN INCREASING DEMAND AMONG MILLENNIALS



FRANKFURTERS  
Volume market share

- AIA / NEGRONI
- 1<sup>st</sup> COMPETITOR
- 2<sup>nd</sup> COMPETITOR
- 3<sup>rd</sup> COMPETITOR
- OTHERS

Source: IRI - INFOSCAN totale Italia



# NATURALLY **TRANSPARENT**

## AIA AND NEGRONI: COLD-CUT STRATEGIC GUIDELINES

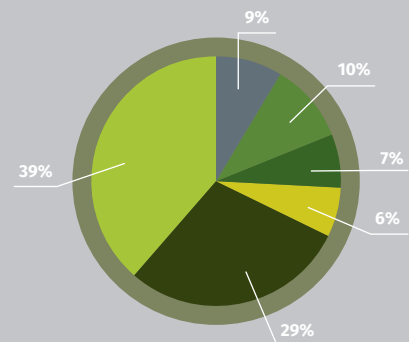
The Veronesi Group confirmed its position as the second player in the cold-cuts market with its Negroni and Aequilibrium brands, with a volume share of 8.8%, behind the leader with 10.2%.

Aequilibrium proved to be the key player for poultry cold-cuts, with 37% market share by volume and growth of 4 percentage points.

It is noteworthy that poultry was the only cold-cut market category to have a leading brand and not a private label as market leader.

Negroni cold-cuts closed the year with volume growth of 5.7%, thanks to target activities to support the “Stella” range, as well as to the increase in distribution of “Essenza” cold-cut range, launched in 2016 and icon of Negroni brand's quality.

The diced segment inside the self-service cold-cuts market closed with 4% volume growth over the previous year. Following market trends, the Negroni brand is the main player in the competitive arena with a market share volume exceeding 17%. This rank was maintained thanks to distribution assurance and positive performance in the Specialità segment, such as Negroni “I Petali” Negroni range which grew 18.7%.



**COLD-CUTS**  
Volume market share

- AIA/NEGRONI
- 1<sup>st</sup> COMPETITOR
- 2<sup>nd</sup> COMPETITOR
- 3<sup>rd</sup> COMPETITOR
- PL
- OTHERS

Fonte: IRI - INFOSCAN totale Italia





## EGGS: A FUTURE FULL OF INNOVATION

### ECO-SUSTAINABLE PACKAGING AND ANTIBIOTIC-FREE EGGS

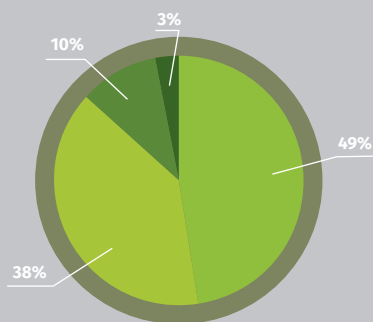
The egg market is now worth €580 million and has undergone radical change during the last few years, from a prevalence of cage-reared hens to a majority of barn, organic and free-range hens.

AIA was also the first Italian player in the "brik" carton segment, with packs of shelled eggs (mixed, whites, yolk) for consumers and professional channel.

The Group is the second player in the market.

The use of wood pulp packs, a project started in 2016, has been extended to almost the entire AIA branded offer. Wood pulp can be recycled with paper.

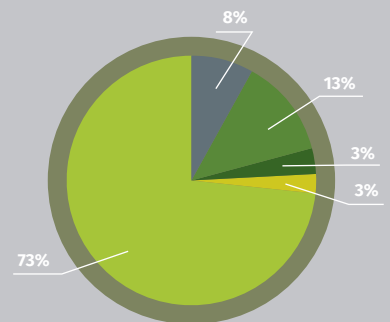
Along with the latest "antibiotic-free eggs" laid by hens raised without antibiotics, there are "Aequilibrium" eggs enriched with omega 3, "free-range" eggs, "organic" eggs and "yellow-dough" eggs, all of Italian origin and guaranteed by the AIA brand.



**EGG MARKET**  
Volume market share

- BARN
- CAGED
- ORGANIC
- FREE RANGE

Source: IRI - INFOSCAN totale Italia



**EGGS**  
Volume market share

- GRUPPO VERONESI
- 1<sup>st</sup> COMPETITOR
- 2<sup>nd</sup> COMPETITOR
- 3<sup>rd</sup> COMPETITOR
- OTHERS

## NEGRONI: THE FIRST CULATELLO TO LAND IN NEW YORK

“MADE IN ITALY” IS THE NEGRONI BRAND’S KEY TO SUCCESS IN INTERNATIONAL MARKETS

2017 closed positively despite issues linked to raw material costs that affected the beginning of the year.

EU partners, first and foremost Germany, France and the UK, remain top markets. Foreign consumers are increasingly receptive to quality and gourmet products, that are perfectly represented by the Negroni brand, thanks to the marriage of tradition and high-level service.

In 2017, the Negroni brand confirmed its role as the crown-jewel of Italian cold-cuts, being

the first to export Culatello di Zibello DOP to the United States. In November 2017, The New York Times announced the arrival of Culatello di Zibello DOP, “the king” of Italian cold-cuts, with an article entitled “When You Need to Impress Your Italian Relatives”. It is gourmet excellence intended for all food lovers and branded by Negroni. After obtaining the required certifications, the historic “Star brand” was given the green light by the Department of Agriculture to export Culatello to the U.S. (becoming the first brand ever to do so).

Americans can now taste the

sweet yet bold flavor of this cold-cut, an Italian specialty with a history and philosophy that goes back centuries. Negroni represents the Veronesi Group's commitment to guaranteeing high-quality standards, combining local tradition with modern production techniques, all aimed at putting a top-of-the-line delight on the market.







“

*It's not enough to claim to be a gentleman. You must be one.”*

## PRODUCTION SITES

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CASELLE DI SOMMACAMPAGNA (VR)  
CORREGGIO (RE), CREMONA,  
MAGRETA DI FORMIGINE (MO),  
NOGAROLE ROCCA (VR),  
SAN DANIELE DEL FRIULI 1 E 2 (UD),  
SAN GIORGIO IN BOSCO (PD),  
SANTA MARIA DI ZEVIO (VR),  
SAN MARTINO BUON ALBERGO (VR),  
SAN MICHELE EXTRA (VR),  
TIZZANO VAL PARMA (PR),  
VAZZOLA (TV), VILLAFRANCA (VR),  
VILLAGANZERLA (VI), ZIBELLO (PR)





# 07 | FOOD

## MARKET TRENDS

### THE NEW CONCEPT OF "SUSTAINABILITY"

Consumers today pay more and more attention to the concept of sustainability, which includes various topics that are deeply felt. Modern sustainability means transparency, naturalness and safety, values that consumers seek in their food, which is seen as a primary

source of health. Italians pay increasing attention to the individual ingredients in the food products they purchase. In fact, 71% stated that they prefer producers and distributors who apply maximum transparency standards to the origin and production processes

of their products (Nielsen 2016). People are willing to pay higher prices for products that respect high environmental and, especially, animal welfare standards (Euromonitor 2017).

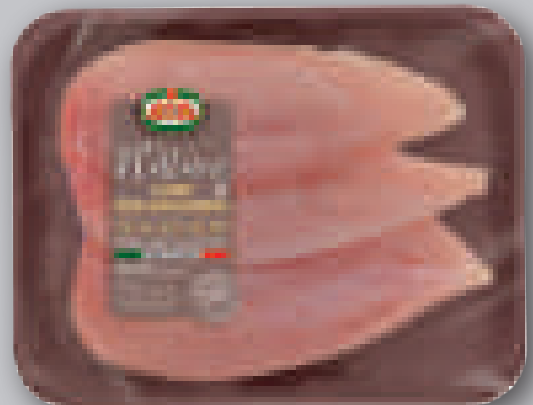
## AIA'S RESPONSE TO MARKET TRENDS

The Veronesi Group has always paid great attention to sustainability. It is a central asset and a key value that guides the work of everyone involved in the value chain. The importance of this value is reflected in the Group's initiatives to expand its range of products to satisfy people's growing expectations regarding naturalness. The AIA brand launched the "Oro Natura" line in the poultry and egg markets and the "Più Libero" line in the rabbit market.

### AIA ORO NATURA: ANTIBIOTIC FREE CHICKEN

AIA has devoted some of its farms to the "Oro Natura" project. The exceptionally high standard of animal welfare in these farms allows farmers to rear chickens without the use of antibiotics. The chickens also have more space to move around compared to standard farms. They are fed with NON-GMO vegetable feed.

Natural elements such as wood chips and bales of hay are placed in their environment to encourage them to exhibit all the behavioral traits of their species. "Oro Natura" offers consumers classic meat cuts such as filets, slices, drumsticks and whole chickens, along with three processed products: chicken-burgers, minced meat and spiced thighs.





#### **AIA ORO NATURA: ANTIBIOTIC-FREE EGGS**

AIA has devoted some of its egg-laying hen farms to the "Antibiotic-Free" project. Antibiotic-free eggs are laid exclusively by cage-free hens nourished with vegetable feed and are 100% Italian from AIA's monitored production chain. The eggs are currently available in 6-egg and 4-egg formats with "fresh" and "extra fresh" alternatives. All eggs are sold in wood pulp packages.

#### **AIA CAGE-FREE RABBIT**

The project became operational in 2017 thanks to a commitment that started in 2013. After redesigning some of the farms, it is now possible to have rabbits reared in groups of 20 to 30 in large fenced-in areas (parks) where they are free to move, jump, stand on their hind legs and exhibit all of the behavioral traits of their species.

The rabbits are exclusively nourished with NON-GMO vegetable feed. The value of this project has been acknowledged by animal welfare NGOs.





## NEGRONI CUTTING COUNTER

Deli-counter cured meats have always been a priority for Negroni. The year closed with 3% growth in turnover, a particularly positive performance. The most notable increases were in cooked and cured ham, for which raw material quality and the production chain are important distinctive elements in the traditional channels.



2017 was characterized by the launch of Cotto al Naturale Negroni and of Gran Cotto Negroni, two distinctive and unique specialties.

The first was created after exhaustive research aimed at meeting new food requirements in terms of innovation and quality of ingredients. It is a slowly steamed 100% Italian selected leg, with a delicate and natural taste and no added chemical preservatives. Rather, special plant extracts are used to ensure good product conservation.

The Gran Cotto Negroni is an artisan specialty, exclusively created with the finest part of Italian pork leg, the same that, after removing the rind, can be used to make seasoned Culatello. It is a ham cooked with essential ingredients, characterized by an unmistakable aroma combined with a harmonious flavor and a distinctive soft texture.



### PROJECTS DEVOTED TO REDUCING INGREDIENTS

AIA has anticipated people's needs for quality and transparency by starting an ingredient-reducing project on two of its most important brands: Wudy and Aequilibrium

#### AIA WUDY

2016 saw the elimination of one of Wudy's ever-present ingredients: monosodium glutamate (MSG), an additive that can be found among the ingredients of many foods. Today, Wudy can boast claims such as "no added MSG", "milk and lactose free", "gluten free" and the all-important claim "chicken and turkey from Italian farms" on all of its packs.



#### AIA AEQUILIBRIUM

Aequilibrium, the leading brand in the poultry cold-cut department, also followed the "free from" trend, offering the most health-conscious customers a cleaner list of ingredients. The ingredient simplification process for this brand began during the transfer of the poultry cold-cut production site to Correggio in 2017. The ingredients that were cut were: added sugars, acidity regulators and MSG. Exhaustive cross-contaminant control has also been put in place, making Aequilibrium gluten, milk and dairy free. The claims "gluten free", "no added MSG" and "milk and dairy free" can now be read on the packs of all the poultry cold-cuts.



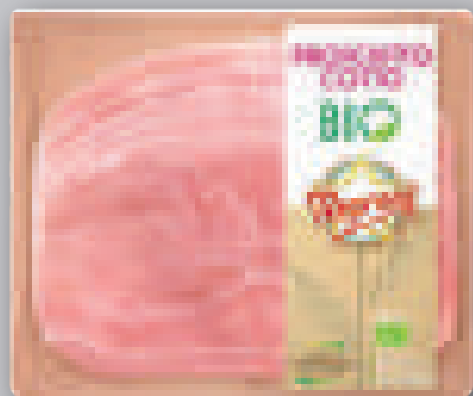




### NEGRONI ORGANIC COLD-CUTS

At the end of 2017, in response to market trends, Negroni introduced its new range of Organic Cold-Cuts, which includes four different products: Cooked Ham, Rustic Salami, Bresaola of the Alps and Mortadella. This range was inspired by respect for nature and a constant search for quality.

Every phase of the production process is supervised and certified by control units, to take care of the environment and to safeguard land and resources. Products are prepared with basic ingredients that are allergen, MSG and gluten free, and their innovative packaging is 100% recyclable.





“

*In one way or another, everybody loves AIA's products.  
AIA: Italy's greatest kitchen”.*

# 08 | COMMUNICATION

## AIA: GAME ON!

2017 ended with the launch of AIA's new communication campaign. By putting together 2 important media trends, "recipes" and "challenges", we found a new creative concept: The "Cooks of Italy" challenge.

AIA is Italy's greatest kitchen because all Italian kitchens are part of it. That is why the kitchen is where the challenge is set. Pairs of amateur cooks compete with each other in preparing different recipes using AIA's historic brands: BonRoll, Viennese, Milanese, Wudy and Aequilibrium.

AIA brings the joy of cooking new and tasty dishes to every home. It conveys the joy of expressing your creativity and sharing it with others, knowing that what you are putting on the table is high quality because it comes from the AIA production chain, which is short, supervised and 100% Italian. For the first time, we see the consumer talking about the

product, explaining its features and giving advice on how to cook it. Thanks to the duel format, AIA can present its products under multiple aspects. It is a challenge with no winners that ends with the two competitors' tables being joined under the company's historic slogan: "Se c'è AIA, c'è gioia" ("Where there's AIA, there's joy").

AIA's choice was driven by the need to use a cross-media communication platform, using the core target's two most important channels: TV commercials and engaging, informative action on social media. It appeals on a one-to-one level, with Chiara Maci as the

brand's web ambassador. TV communication, the aiafood.it website and social media all use specifically tailored photo and video content. Latest trend formats are used on social media, including live-streaming with Chiara Maci challenging influential Italian food-bloggers. The format, full of clever and lively banter between skillful Italian cooks in a fast-paced exchange, is also well-suited to radio, and is currently aired on the main national stations.

## THE NEGRONI "STELLE"

Negroni's positive performance in free service was supported by TV advertising campaigns, in the summer and towards the end of the year. In the campaign, a cold-cut range and diced meat were the protagonists of two different ads in which the unmistakable jingle "le stelle sono tante" ("there are so many stars") and product-focused storytelling supported the campaign slogan "Se è Negroni si sente" ("You can taste it's Negroni").

The positive results were also supported by a TV advertising campaign focused on the Italian origin of Negroni's Prosciutto Cotto and on the new "Gran Cotto". In 2017 the ad ran from April to November in a 10-second format using Giancarlo Giannini's warm and authoritative voice to identify Negroni as the 100% Italian Prosciutto Cotto brand.







“

*The Veronesi Group is one of the biggest animal feed producers: 1st in Italy, 8th in Europe, 35th in the world”.*

## **PRODUCTION SITES**

### **FEED MILLS**

ACQUANEGRA CREMONESE (CR),  
FOSSANO (CN),  
OSPEDALETTO EUGANEO (PD),  
PUTIGNANO (BA),  
QUINTO DI VALPANTENA (VR),  
SAN PIETRO IN GU (PD),  
SAN POLO DI TORRILE (PR).





# 09 | AGRO- ZOOTECHNICS

## 2017

### THE IDEAL YEAR

2017 appeared to be the ideal year for feed and livestock farming, with sustainable costs on the one hand and lively markets on the other. There were no specific secrets or strategies behind this trend, simply the age-old law of supply and demand, the economic rule stating that the meeting point of two forces determines the price balance.

Behind the especially high prices in the pig market was an increase in demand from Chinese buyers eager to make up for insufficient domestic production. Egg prices were particularly rewarding due

to lower supply caused by many farms closing for renovation. The decision taken by a number of rabbit farmers to close their businesses also allowed this sector to improve towards the end of the year. Finally, even cattle benefited from a positive 2017, for both milk and meat.

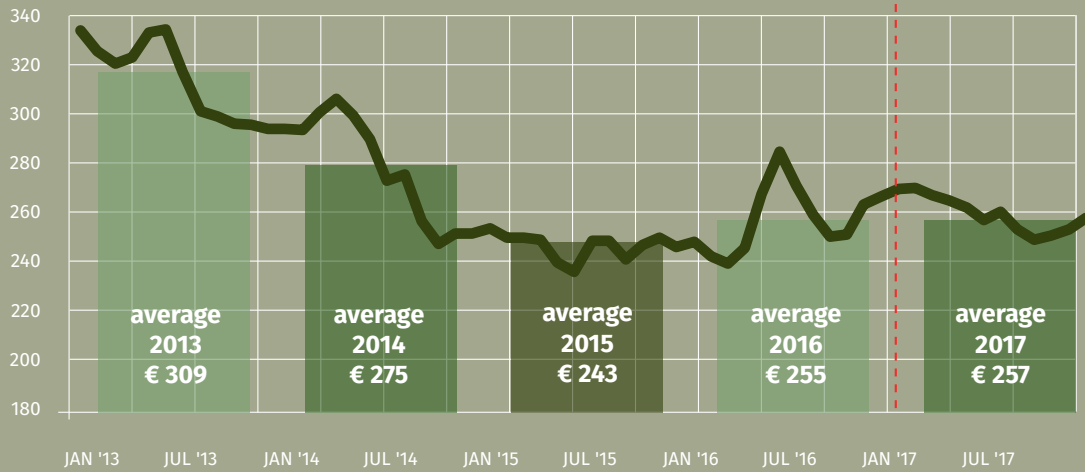
On the other hand, the world of agricultural commodities experienced another relatively quiet year, with few IVMP - Indice Veronesi Materie Prime (Veronesi Raw Materials Index) fluctuations. In general, things ended at the same level as 2016.

Behind this trend was abundant worldwide production satisfying ever-growing demand.

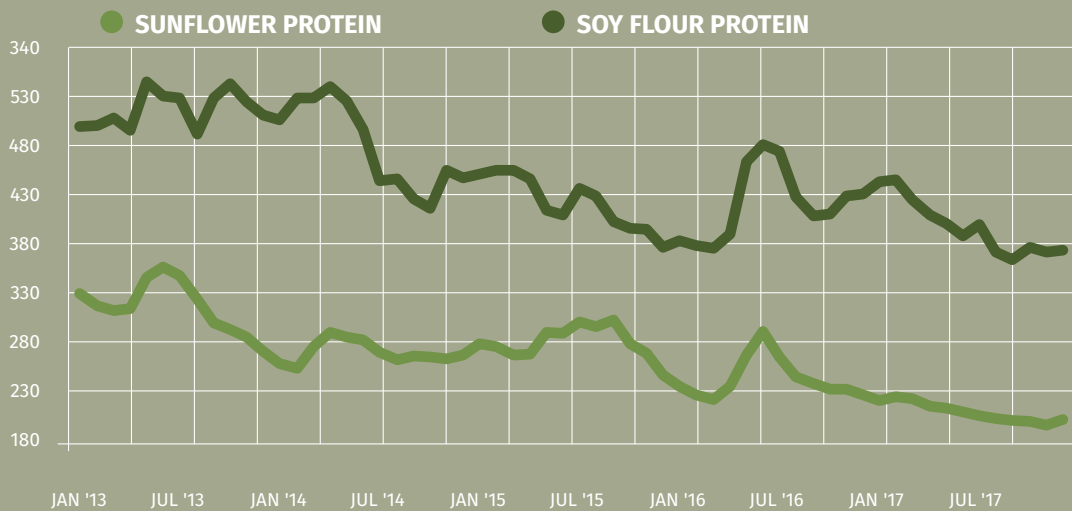
Also notable was the fact that the Euro strengthened against the US Dollar. The rate moved throughout 2017, from 1.05 in January to 1.23 in December. This contributed to the downward trend in the first part of the year and reduced the upward trend in the second part of the year. It is clear that without such movement the impact of soy flour costs and, more generally, of imported goods, would have been very different.



**VERONESI RAW MATERIALS INDEX - Prices in €/ton**



**MILAN PROTEIN PRICE LIST - Prices in €/ton**



Finally, during the last quarter of 2017, a series of extraordinary events generated a rise in vitamin prices in response to reduced product availability worldwide, with particularly sharp impact on some groups.

Experts estimate that the situation regarding these micro-nutrients will return to normal in the second semester of 2018. The first part of the current year has seen price strengthening for soy and cereals, but again, the average 2018 listing should not excessively distance itself from

the last two years thus giving farmers some peace of mind. Veronesi affirmed its leadership position in 2017, despite having slightly lower production

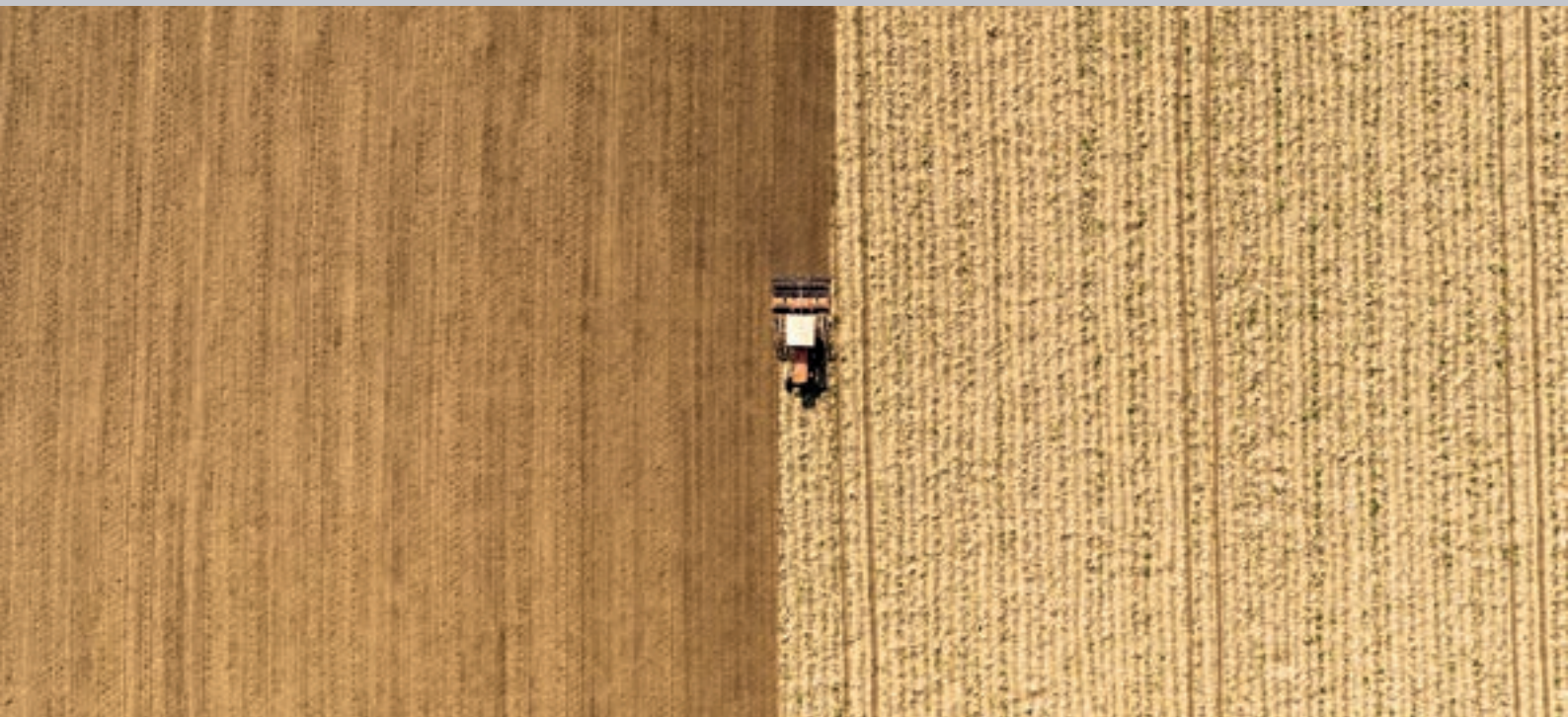
## 2017 VERONESI CONFIRMED ITS LEADERSHIP

compared to the previous year. Results consolidated

at a slightly below 3.2 million tons. Having fewer animals in the farms means there are fewer mouths to feed and therefore less feed production.

This occurs when the professionalism of our internal and external technicians improves production efficiency, bringing the I.C.A. - *indici di conversione alimentare* (food conversion index) to results that were unthinkable just a few years ago.

These results show the benefits of our production process to



all those players in the value chain who choose Veronesi feed because it has been tested on thousands, even millions of animals in the Veronesi Group.

It is also thanks to the experience we provide to customers that the Veronesi brand is a leader in every area in which it competes, with global market share surpassing 25%. Veronesi holds first position for free market sales, with an advantage of over four percentage points compared to its

closest competitor. From dairy cows to beef cattle, from swine to poultry, from rabbits to fresh or salt water fish, there is no livestock sector in which Veronesi is not a protagonist, guaranteeing farmers constant support in approaching target markets as well as help with managing their businesses, from defining the most balanced feed ration to the most modern approaches required by the market. We provide them with experts in every area.

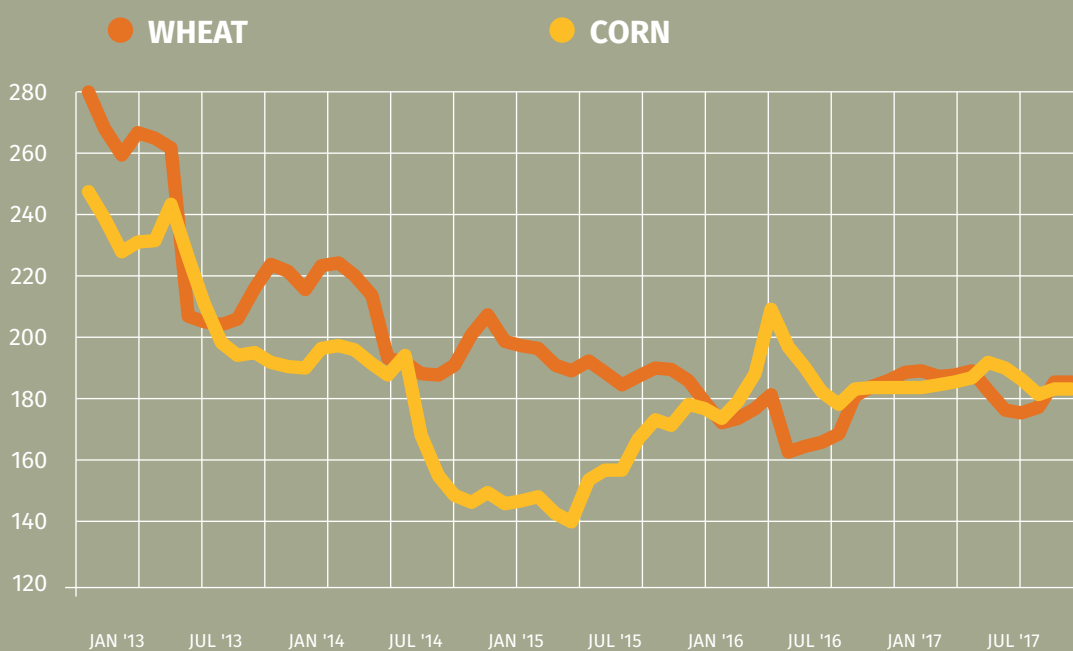
Over the years this spirit has increased the presence our brand abroad, from Italy's neighboring countries to Eastern Europe and North Africa. Revenues, now far exceeding 20 million euros, is constantly growing thanks to consolidated partnerships in both the marine and fresh water aquaculture areas, and to the development of feed lines for rural animals.

As well as fish food, it is increasingly common to find





**MILAN CEREAL PRICE LIST** - Prices in €/ton





VERONESI brand chicken feed for laying hens or ruminants stocked by European retailers. The market for sales is becoming ever more international, just like the raw materials market. Efficient logistics management of incoming and outgoing merchandise is becoming strategically more important, as are service quality, respect for the environment and sustainable forms of transport.

That is why one third of the raw materials used on our production sites, currently over one million tons, is no longer transported by road, but by train or by sea from north to south on a route known as the Sea Highway. 2017 saw increased use of the so-called heavy train thanks to collaboration with one of the world's main railway carriers.

These heavy trains display personalized yellow and blue wagons, so the Veronesi brand can be seen across Europe.

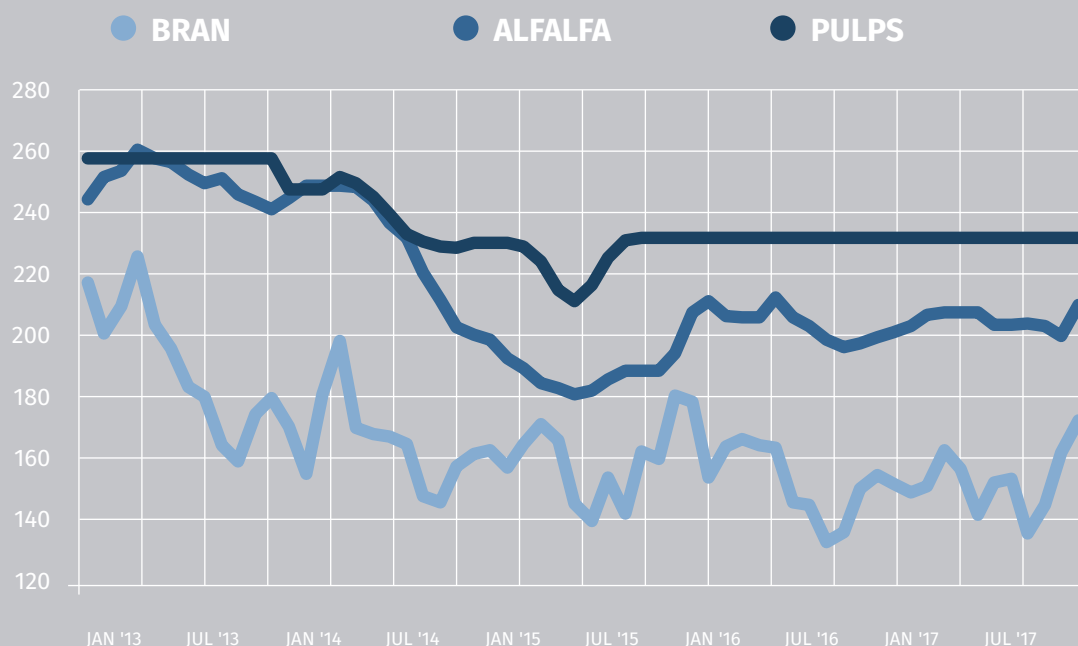
However, the reduction of our environmental impact year on year does not stop at the use of alternative means of transport. We have also focused our attention on trucks, a means of transportation that we cannot fully give up in order to reach our customers.

A test phase has begun using methane fueled vehicles. The aim is to evaluate their performance, knowing they reduce nitrogen oxide emissions by 70%, particle (PM) emissions by 99% and CO<sup>2</sup> by 15% compared to their diesel equivalents. Our objective is to achieve a reduction of over 20 million kg of CO<sup>2</sup>.

## EFFICIENT AND SUSTAINABLE LOGISTIC MANAGEMENT



### MILAN CO-PRODUCT PRICE LIST - Prices in €/ton





“

*Distribution enables products to reach all Italian points of sale within a few hours of production”.*

# 10 | LOGISTICS AND DISTRIBUTION NETWORK



## DISTRIBUTION PLATFORMS

SAN MARTINO, QUADRANTE EUROPA (VR), CASELLE (VR), ISOLA RIZZA (VR), NOGAROLE (VR), MAGRETA (MO)

## DISTRIBUTION CENTRES MANAGED DIRECTLY

CEDI ROMA, CEDI TERMOLI, CEDI NOLA, CEDI BARI, CEDI CATANIA, CEDI OLBIA

## TRANSIT POINTS

TP IMPERIA, TP TORINO, TP COMO, TP CASTELLETTO TICINO, TP TRENTO, TP TRENTO BERTI, TP BOLZANO, TP UDINE, TP TRIESTE, TP FORLÌ,

TP FROSINONE, TP ATENA LUCANA, TP TARANTO, TP CASTROVILLARI, TP LAMEZIA TERME, TP LOCRI, TP PALERMO, TP AGRIGENTO, TP RAGUSA, TP CAGLIARI

TP MILANO, TP CREMONA, TP VERONA, TP VICENZA, TP TREVISO, TP GENOVA, TP MAGRETA, TP FIRENZE, TP ASSISI, TP CIVITANOVA MARCHE, TP LECCE



“

*Trust, respect and reputation are at the core of a transparent, constructive dialogue with stakeholders”.*



# 11 | SUSTAINABILITY

The Group is conscious of the important role it plays in the community in which it operates and which it is part of. Consequently it is committed to create shared value for stakeholders and for society in a long-term perspective.

## GROUP STAKEHOLDERS AND MATERIALITY ANALISYS

The Veronesi Group recognized the importance of building a transparent and constructive dialogue with all those who participate in the life of the organization.

The Group shall in pursuing its business purpose, aim for long-term, sustainable value creation. With this in mind, the Group has conducted a materiality analysis aimed at identifying the major

areas of interest both for business development and value creation for company's stakeholders.





## MATERIALITY ANALYSIS

To identify the issues that matter most to our business and our stakeholders, and to better support our strategic decision-making, we have conducted a formal materiality analysis.

The project initially start identifying a list of possible topics for evaluation on the basis of

- a Veronesi Group impact Analysis
- a benchmark on market peers
- guidelines and reporting standards

The identified issues are placed in a matrix that displays their position relative to the degree of stakeholder interest and potential business impact.







“

*We are present in every phase of the production process and can guarantee healthy, safe, foods of great quality.”*



# A QUALITY INTEGRATED VALUE CHAIN

One of the competitive advantages of the Veronesi Group is having complete control over the supply chain. Thanks to wide experience, the Group directly manages quality in all of the production steps, from the selection of raw materials to the distribution of the product. From field to table, the Group works using a quality management system that calls

for meticulous supervision and enables complete product traceability. This allows us to achieve very high levels of food safety and continuously improving standards. At the same time, it allows the Group to identify all important supply chain activities. In fact, it is possible to trace the life story of every single product.



## ANIMAL HUSBANDRY

Feed production follows a quality management system developed according to 9001/2015 ISO legislation. It is at the base of all activities and guides policies to ensure food quality and safety at the first stage of the integrated supply chain.

The system provides clear guidelines engaging all company functions and expands to cover the context in which the company operates. It influences production in various ways from a sustainability point of view. Different elements such as climate change, raw material availability and eating habits are

evaluated and the needs of all relevant parties are considered.

### FEED QUALITY

- **400.000 SAMPLINGS** per year of raw materials, finished products and process
- **252.000 PARAMETERS** measured per year
- **20 PEOPLE** dedicated to quality control
- **ELEVATED** plant automation



Everything starts with the purchase of raw materials, which are checked before being blended and packaged in our plants. The inspections begin upstream and involve suppliers in specific audit activities, including:

- sampling cereal storage warehouses
- observing quality, health and safety standards when loading and unloading trains and ships
- checking conformity of the purchased lots with the specifics outlined in supply contracts and food safety standards.

Raw materials have to be validated by internal laboratories even before they are unloaded, to check they meet contract guidelines regarding protein, starch and fibre content. Only those respecting the standards are then admitted for production.

Finally, during the production process, many inspections are carried out:

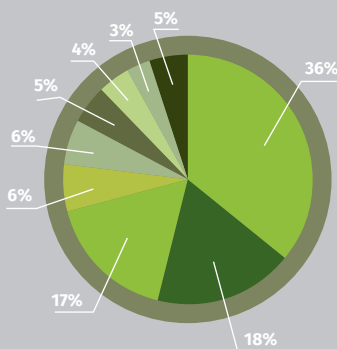
- on the line: physical aspects of the products, thanks to activities such as automatically weighing ingredients or temperature measurements

- in the laboratory: with constant sampling and analysis based on strict programming.

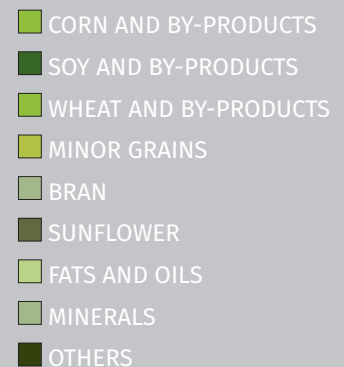
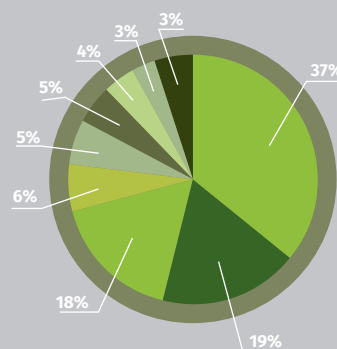
Animal husbandry quality control is especially important to guarantee the correct nutritional intake of the feed. Recipe formulation is studied by specialized animal nutritionists. There is, in fact, a "balanced diet" for animals that is developed based on age, species and type of rearing.

## % DISTRIBUTION OF THE MAIN RAW MATERIALS IN THE ANIMAL HUSBANDRY AREA

2017

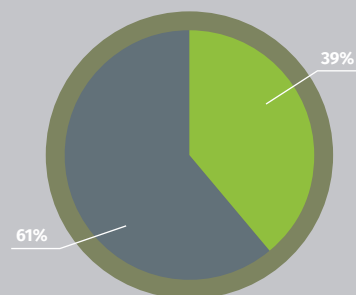


2016

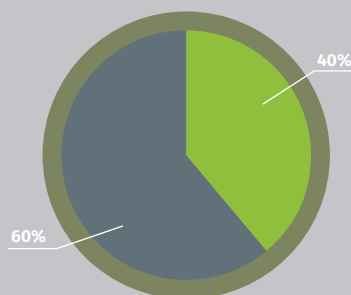


## SOURCING OF RAW MATERIALS PURCHASED BY THE GROUP

2017



2016



94% of raw materials come from certified suppliers, who adhere to high standards in food quality and safety, the basic criteria necessary to work with the Group.

Feed is sent to the supply chain farms or sold in the market in Italy and in 20 countries abroad under the Veronesi brand (founded in 1958).

The Group is now one of the largest European animal feed producers: 1<sup>st</sup> in Italy, 8<sup>th</sup> in Europe and 35<sup>th</sup> in the world. Beyond the products for animal husbandry, it is also present in other fields, most importantly Italian and international aquaculture, producing high-value feed for both fresh and salt-water fish.

## THE DTP 112

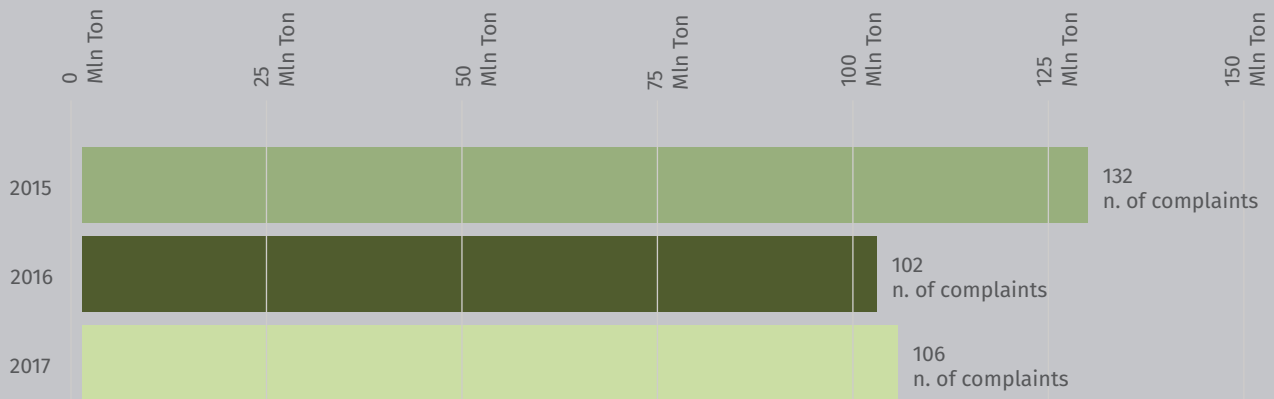
### SOY AND CORN SUSTAINABILITY

The Group, in partnership with the CSQA Certification Authority, developed a specific Technical and Productive Sustainability Regulation Protocol - DTP 112 - that defines buying standards for raw materials used to make animal feed. DTP 112 is based on the 3 fundamental pillars of sustainability: economic, social and environmental.

The standard considers 3 different indicators

that specifically monitor the sustainability of source cultivations, the absence of GMOs, the management of contaminants, traceability, workplace safety, work contracts and fair price acknowledgment for farmers. Overall, approx 10% of purchased raw material volume is certified according to DTP 112, in particular, 15% of corn volume and 20% of soy.

## CUSTOMER SATISFACTION AND CUSTOMER RELATIONS



### NUMBER OF COMPLAINTS RECORDED PER MILLION TONS PRODUCED.

The information shown in the graph confirms a continuous improvement to 2016. Over the last 2 years the result has been consolidated and the principal areas of complaints were:

- the physical aspect of the feed (color, particle size and presence of dust)
- the delivery to the farm (delivery failures, unloading errors, disruption during unloading operations)
- Palatability of the animal feed

The Group aims to reduce the number of complaints even further in 2018.

## INNOVATION IN THE SUPPLY CHAIN

In order to guarantee increasingly greater transparency and traceability of raw materials, the Group is developing a specific identification system for raw materials. Using a bar code (GTIN) the new system will

give a unique code to the supplier and the product and additional information regarding the batch and storage life.

## HATCHERIES

The group's hatcheries work with constant and careful control of humidity, temperature and ventilation parameters, and in

full compliance with hygiene, health and animal welfare requirements.

## 79 TECNICANS FOR MORE SUSTAINABLE FARMS

## FARMS

Farms are mostly found in the Po Valley (plus a few southern Italian areas dedicated to special projects).

The Group can count on a team of 79 technicians working together with farmers to make livestock farming increasingly sustainable. Daily contact between technicians, farmers and veterinarians constantly improves our results. They achieve high standards and important goals such as continuous reduction in the use of veterinary drugs for therapeutic reasons.

The Veronesi Group has always been involved with farmers in training and collaborative activities and specific targeted initiatives. One of these is the prize for "Best Farmer of the Year", started thanks to the collaboration with Unitalia and Altroconsumo. 3 Veronesi Group farmers have won awards in the categories of environmental sustainability and farm animal welfare.





## ANIMAL WELFARE **ACCORDING TO VERONESI**

Animal welfare is at the core of the Veronesi Group and one of the key values for the company. The Group works with thousands of farmers every day to ensure the health of animals by keeping them in a responsible way and respecting them at every stage of their life.

The company's commitment and the farmers' passion over the years have made it possible to achieve high levels of animal welfare, from farming onwards. The Veronesi Group has always considered the research and application of the highest biosecurity standards to be a crucial aspect of farming.

For this reason professional and dedicated roles were created to manage animal welfare across specific farming and production phases.

### **THE VERONESI GROUP RECOGNIZES THE “5 FREEDOMS”:**

- the freedom to feed themselves properly and always be able to satisfy their hunger and thirst
- the freedom to have an appropriate physical environment
- the freedom to have proper care in case of disease
- the freedom to live in conditions without stress or fear
- the freedom to express behavior typical of their species



## SUSTAINABILITY IN THE POULTRY SUPPLY CHAIN

The Group is involved in the continuous reduction of veterinary drugs for therapeutic purposes in the production of chickens and turkeys, and adheres to the National Plan for Drug Reduction in partnership with Unaitalia and the Ministry of Health. For over 50 years our chickens have lived cage-free, growing naturally without the use of grow promoting substances.

### TIERWOHL INITIATIVE

This initiative started in collaboration with the QS certification standard and German retailers to improve farm animal welfare. Compared to the QS certification, its distinctive elements are greater space for

animals and the presence of distraction materials in the farms. Welfare indicators are audited directly at the farm and the production plant.

### “ORO NATURA” CHICKEN

In 2017, the Group devoted some of its farms to the "Oro Natura" project, which meets the demands of sustainability and animal welfare-conscious consumers. In All “Oro Natura” farms chickens:

- are “antibiotic-free” (reared without the use of antibiotics)
- are nourished with NON-GMO vegetable feed
- have a greater surface to move around in, are reared at lower stocking density
- have natural light
- can interact with environmental elements such as bales of hay or straw
- are ground-reared in contact with straw and wood chips
- are part of a 100% Italian supply chain.

All of these conditions are certified according to the guidelines approved by the Ministry of Agriculture, Food and Forestry.



## SUSTAINABILITY IN THE SWINE SUPPLY CHAIN

### CERTIFICATION OF 2 AIA VALUE CHAINS

In 2017, Veronesi Group obtained two CSQA certifications "Suino Italiano Filiera Benessere in allevamento ed uso responsabile del farmaco" (Italian swine supply chain welfare on farms and responsible drug use) and "Suino Allevato senza uso di antibiotici negli ultimi 120 giorni" (pigs reared without any use of antibiotics in the last 120 days).

The procedural guidelines for the "Filiera Benessere" certification outline some entirely optional requisites that go beyond laws and mandatory standards, such as: free sow gestation, natural lighting, ban on tooth clipping, fully loose or hay-covered flooring, completely full or completely empty pens to eliminate sanitary issues between different groups of animals on the same farm. For the latter certification, drug use is banned for the last 120 days of life.

### WEANING ON HAY

Thanks to this project, some farms are characterized by complete, uniform flooring covered by a layer of hay. As well as hay, piglets can enjoy other materials to play with and manipulate to distract themselves. They can exhibit their species' natural group dynamics thanks to the added benefit of reduced stocking density.

### OPEN DELIVERY ROOMS

The Group has arranged some "delivery rooms" where farrowing sows and piglets have more space. The aim is to guarantee more active contact between piglets and their mothers, in full respect of the animal's behavioral traits.







## ANIMAL WELFARE IN **TRANSPORTATION**

Attention to animal welfare is not only limited to farming, it also concerns all activities related to loading, transporting and unloading the animals at the slaughterhouse.

Live transportation of animals is minimised wherever possible; animals have been transported with an average travelling time of 4 hours.

The Veronesi Group has adopted various operational and monitoring procedures including:

- loading of chickens, turkeys and swine
- evaluating animal welfare during transportation by adopting procedures and guidelines
- monitoring animals during transportation.

## EXCELLENCE IN PRODUCT PROCESSING

The Group has 16 factories specialized in processing fresh meats, raw processed meats, cooked processed meats, cured meats and cold cuts, eggs and egg-based products.

All the production plants use advanced technologies thanks to

continuous investments that have allowed the Group's products to reach the highest food quality and safety levels.

Technology combined with employees know-how and expertise has led to meeting the highest processing and packaging

standards. The careful selection of swine meat by the Group is the foundation for obtaining the best traditional Italian cold-cuts, prepared at the plants in Daniel, Zibello, Cremona and Tizzano Val di Parma.

## QUALITY IN PRODUCT PROCESSING

- 130,000 tests per year of raw materials, finished products and procedures
- 345,350 analytical parameters per year
- 60 people devoted to quality supervision
- more than 50 supplier audits
- 1077 requests managed by Customer Services

The Group has adopted the HACCP tool (Hazard Analysis Critical Control Point) in the food production area, in accordance with Codex Alimentarius requirements, thereby accepting the suggestions outlined by the European Food Product Hygiene Regulation.

This method was inserted into the pre-existing quality management system to guarantee maximum food production process safety.

Many procedures in the system have been approved, regarding various aspects from cleaning and sanitization to plant maintenance to personnel training to raw materials

and final product assessment.

The Veronesi Quality Management System was inspired by the "Deming Cycle", the "Plan-Do- Check-Act" axiom and the principle of continuous improvement. Therefore, a significant part of the business model is devoted to constant checks of the system itself by using a centralized and dedicated function of "quality assurance" along with a capillary "quality control" system present at all production sites.

Before reaching the consumer's table, products are subject to organoleptic and shelf-life tests: another important activity that

## TRANSPARENCY AND DIALOGUE WITH EXTERNAL STAKEHOLDERS

Every year, the Veronesi factories are visited by different stakeholders for commercial and assessment purposes. In 2017, there were 151 visits over a total of 186 days.

aims to objectively ensure product excellence and verify recipe improvements.

## INTERNAL PANEL TESTS

During the course of 2017, 28 panel tests were carried out on different recipes by appropriately trained judges.

1 (EC) Regulation No 852/2004 of the European Parliament and Council of April 29th 2004 on food hygiene.

2 The Deming Cycle is a management method divided into four stages, used for the supervision and continuous improvement of process and product quality. The stages are: 1) Plan: planning before starting; 2) Do: do what has been decided; 3) Check; assess results; 4) Act: standardize and repeat a new cycle, with the aim to constantly improve.

## CUSTOMER SERVICE

The Group has an active dedicated Customer Service in order to manage all consumer and client questions effectively. The requests received are shared

internally and analyzed by involving internal teams in order to give timely and right answers. The reports are recorded in a periodical statement and

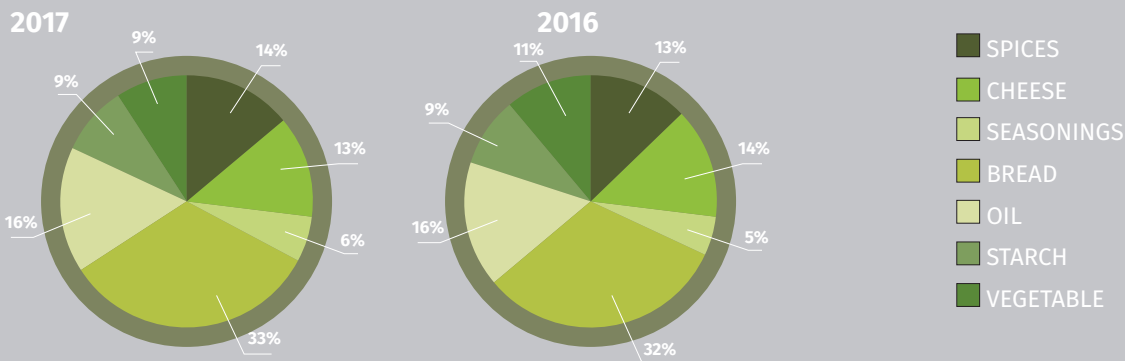
considered an important indicator of quality, constant improvement of client and consumer satisfaction.

## SAFETY AND TRACEABILITY: INGREDIENTS AND OTHER RAW MATERIALS

The Group buys different ingredients to prepare processed products, favoring Italian products whenever possible. Oil and vegetables, especially, are 100% Italian.

To the benefit of consumers' health and safety, the Group has always been involved in audit and supervision activities of ingredient suppliers, choosing those suppliers who are able to ensure the highest quality standards.

## % DISTRIBUTION OF MAIN INGREDIENTS PURCHASED



## RAW MATERIAL PACKAGING

The Group is committed to reduce its environmental impact by paying particular attention to the materials used for packaging. The main raw materials purchased for packaging are paper and plastic.

Paper constitutes 70%, while plastic constitutes the remaining 30%. The Group favors the use of recycled materials whenever possible, while also observing all current legislation regarding food packaging.

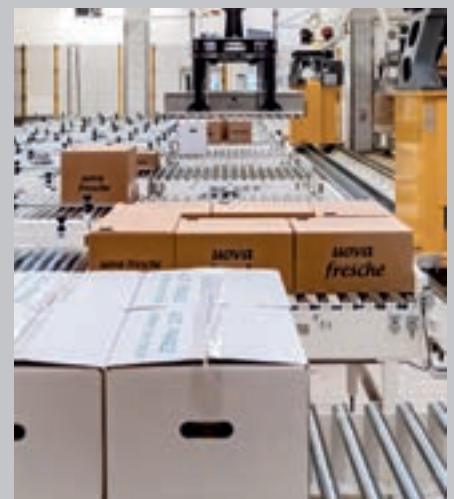
No recycled materials are used for packaging that comes into contact with food, while recycled materials are selected for external packaging (mainly cartons).



39,1 NON-RECYCLED  
60,9 RECYCLED



96,4 NON-RECYCLED  
3,60 RECYCLED



## MAIN CERTIFICATIONS

To additionally guarantee the validity of its internal quality management systems, the Group has voluntarily participated in one of the most important quality certification schemes, which is organized by internationally recognized independent external institutions.

Cold-cut factories producing high value products for export have also obtained authorization from official control agencies in countries requiring production standards in addition to and/or different from those established in the European Union, for example, the United States, Canada, Japan, the Russian Federation and the People's Republic of China.

### CERTIFICATIONS

ISO	<ul style="list-style-type: none"> <li>● Food and feed supply chain traceability system: ISO 22005:2008 Certified</li> <li>● Quality Management System: ISO 9001:2015 Certified</li> <li>● Food safety/HACCP ISO 22000:2005 Certified</li> <li>● Product traceability: ISO 22005 Certified</li> </ul>
VLOG OHNE GENTECHNIK	<ul style="list-style-type: none"> <li>● GMO-free diet</li> </ul>
OTHER PRODUCT CERTIFICATIONS	<ul style="list-style-type: none"> <li>● Organic Farming product certification</li> <li>● Halal certification</li> <li>● "Spiga Barrata" Certification from the Italian Poultry Association</li> <li>● Poultry Meat Labelling Regulations</li> </ul>



German QS



VLOG "ohne Gentechnik" Standard



Global Gap



ASC



ISO 14001



BRC  
Global Standard for Food Safety



TIERWOHL



SEDEX  
(SMETA)





## LOGISTICS

Product distribution is handled using a modern 1,200 road vehicle fleet able to reach Italian and foreign points of sale in just a few hours. Distribution is capillary and products are in all Italian stores just a few hours after production.

To guarantee the consumer maximum freshness, 18,000 deliveries are carried out every day in total respect of the cold chain. Each day, 4,877 locations are reached across Italy and abroad within a 1,200 km radius, covering about 230,000 km total. The Group is constantly working to optimize cargo and routing.

Thanks to effective and efficient management of the logistic supply chain, vehicle saturation has improved by 6% in the last three years.

A key point of strength are the 38 distribution centers spread across the country. All served at least once daily, and in some cases multiple times, from 6 central platforms





## THE GROUP'S LAB NETWORK

The Group can count on a system of fully owned, advanced laboratories that are interconnected and able to exchange samples, information and test results.

Every feed production plant can count on a quality laboratory to carry out numerous raw material approval controls, check processes and finished product output. Samples are collected to be sent to central internal labs or to external bodies for more complex analyses. The Group has invested in two important internal analysis and research hubs:

- the central lab for food microbiology and diagnostics, accredited and equipped to carry out all microbiological analyses required to guarantee food safety and product excellence. The diagnostics department also monitors and verifies that all the parameters guaranteeing high animal health and welfare standards are met.
- the recently built chemistry lab, able to carry out a series of wet and instrumental chemical analyses with the most modern analytical techniques available.

The Group also has a specific internal unique integrated application system that records the results of all chemical analyses (including those carried out by external labs). This makes all results easily available to all operators who have been granted access



“

*We create value through the continuous improvement of the value of our brands.”*



# ECONOMIC SUSTAINABILITY

## ECONOMIC VALUE GENERATED AND DISTRIBUTED

The creation and distribution of value to stakeholders is one of Veronesi Group's constant commitments.

This economic value represents the wealth produced by the Group, which is distributed and divided among stakeholders in the following way: reclassified

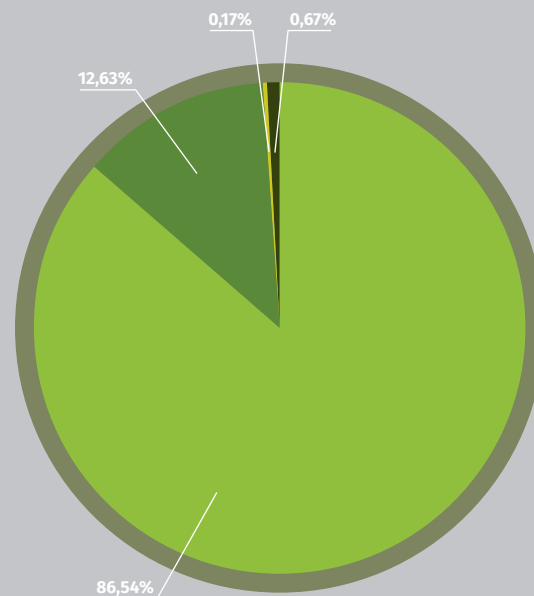
operational costs (mainly purchases of raw materials and services), personnel payments (direct remuneration i.e. salaries, paychecks and severance pay, and indirect remuneration i.e. social security contributions), investor payments (interest), shareholder payments (dividends) Public

Administration payments (sum of taxes paid).

The Group's withheld value is the bottom line net of the earnings distributed to shareholders.

## ECONOMIC VALUE GENERATED AND DISTRIBUTED

- RECLASSIFIED OPERATIONAL COSTS
- PERSONNEL
- INVESTOR PAYMENTS
- PUBLIC ADMINISTRATION PAYMENTS



The Economic value generated and distributed by the Group was created on the basis of the items presented in the income statement.

The Economic value generated and distributed by the Veronesi Group in 2017, net of reclassified costs, amounted to approx €

2,857,500,000 a 3% growth on the previous year.

The biggest portion of this value is represented by reclassified operational costs at a total of approx € 2,472,598,000, followed by personnel payments at (€ 360,851,000). The Public Administration payment

amounted to approx €19,145,000 while investor payments amounted to € 4,732,000. The Group's withheld value was approx. € 145,019,000.





“

*Care for the environment and responsible use  
of natural resources.*

# ENVIRONMENTAL SUSTAINABILITY

## ENVIRONMENTAL IMPACT MANAGEMENT <sup>5</sup>

The Veronesi Group has always respected the environment and used natural resources in a responsible way. These commitments are translated into a constant search for efficiency throughout the organization and its productive processes, while never overlooking the health and safety of the Group's people. The production chain's environmental performance, energy consumption and efficiency are constantly monitored and supervised.

The Group's commitment on these issues was formalized in the Code of Ethics, which has a specific section dedicated to the environment and its key aspects. To give additional strength and continuity to the efforts invested

in environmental impact management and continuous improvement, the Group entered the ISO 14001 Environmental Management System certification program.

The San Martino Buon Albergo (VR) factory was certified in 2011, Nogarole Rocca (VR) in 2014, and the Sommacampagna and Magreta operating units obtained the Environmental Management System certification in 2015.

In 2017, all production sites passed audits carried out by an independent external institution and obtained the certification of conformity with the conditions of the 2015 UNI EN ISO 14001 regulation. For this updated certification, the Group reduced the environmental impact resulting from production processes by sorting waste, making technological improvements benefitting the environment, and using biomass to create green energy from production waste.

Transition to the new version of the regulation also entailed introducing a global vision of the system and an extension of

it that addressed monitoring and managing relations with all interested parties, and prepared for increased collaboration with authorities and institutions, developing partnerships with goods and services suppliers who share the Group's goals, and implementing a tangible team spirit among all the parties involved.

**2**

PHOTOVOLTAIC INSTALLATIONS

**5.000**

GREEN CERTIFICATES

**28.000**

WHITE CERTIFICATES

**- 9.500 ton**

OF CO<sub>2</sub> PRODUCED



<sup>5</sup> The scope of environmental impact covers all the Group's production sites (feed mills, agricultural holdings, hatcheries, slaughterhouses, cured meat factories and food processing facilities).

## PROJECT AWARD

### COOP INSIEME PER UN FUTURO SOSTENIBILE

AIA works together with Italian and European retailers in order to share know-how and sustainable best practices. With this aim, in 2017 the brand received an award from Coop Italia for the project "Coop insieme per un futuro sostenibile", aimed at creating awareness of sustainability issues among suppliers.

The initiative began in 2006 with a focus on CO2 emissions, and later expanded to include other topics related to sustainability: energy, water consumption, waste, use of recycled materials, certification, waste reduction, etc.

In the 2017 edition, AIA was ranked first out of more than 300 companies in the "very fresh meats" category for activities connected to these topics. Its strength to be a supply chain that supervises every step from farming to factories, while also monitoring consumption, heat recovery, mud waste reduction, all to save fuel.





## ENERGY CONSUMPTION

Energy consumption and efficiency are constantly monitored in the whole value chain. During 2017, the Group's total energy consumption amounted to 3,319 TJ<sup>5</sup>, slightly higher (+1%) than the previous year.

This consumption is mostly direct (fuel and biogas used to power boilers) for a total of 1,918 TJ, slightly higher (+3%) than 2016. The remainder is indirect (electricity) for a total of 1,402 TJ (-1% compared to 2016).

The main components of this consumption are: 50% natural gas (1,818 TJ); 40% electricity (1,402 TJ) and the remaining 10% from co-generated biogas (408 TJ).

The two main emission sources are consistent with the previous year, with only minimal deviation due to a decrease in the use of electricity (-1%) and an increase of natural gas (+2%). Lastly, a significant change (+68%) occurred regarding biogas production from cogenerators compared to 2016. The Veronesi Group is constantly implementing new energy efficiency schemes throughout the chain.

The Group pays great attention to refrigeration, which is crucial for product conservation.

In general, the Group has optimized the use of energy on the basis of specific needs.

The most significant actions addressed product creation, well-water extraction, compressed air production and artificial lighting. There have also been many actions taken regarding feed, including high-efficiency boiler installation for steam production and the introduction of roll pressing systems that create less waste and noise pollution and are less energy-consuming compared to traditional mincing systems.







## ENERGY SAVING PROJECTS

The Group has been participating in the White Certification / TEE Efficient Energy system since 2006, when it presented its first energy efficiency project.

Since then, the Group has presented a total of 14 projects, 11 of which were approved for the issue of TEE certificates. Overall, the organization has obtained approx

28,000 white certificates since 2006. Here below are some of the most significant energy efficiency projects.

### THE CENTRAL REFRIGERATION PLANT AT THE MAGRETA SITE

This central refrigeration plant provides the right temperatures for production departments, where maintaining certain temperatures is required by law, and for appliances such as the rapid cooling tunnel and the refrigeration cells.

The efficiency project modified technical and structural components of the plant, for example, by rearranging the structure on multiple floors, installing a new compressor, new heat exchangers, a new group of pumps, inverters, new

management software, etc. So far this has resulted in achieving 6,014 "Energy Efficient Titles".

## ANAEROBIC DIGESTION BIOGAS PRODUCTION IMPLANTS

Anaerobic digestion plants, which produce biogas from production waste, are very important for optimizing the use of energy resources. Biogas produces electricity through endothermic engine combustion. At the moment, the Veronesi Group is using 4 of these plants.

The poultry slaughterhouses and factories produce organic waste liquids with significant organic content levels during the production processes. This content, once separated from the other waste liquids, is sent to a digestion plant. Anaerobic digestion is the process by which a bacterial colony (active anaerobic mud) creates a stable system able to transform the organic substance into methane, carbon dioxide and water.

The creation of a biological treatment plant with a digestion annex allows for efficient poultry waste liquid treatment systems to be used. This optimal purification process drastically reduces excess sludge because a biomass of proteins and fats from poultry processing is introduced into the treatment plant. The biogas produced by the digestion plant is then used to produce thermic energy in the form of hot water inside a boiler, that also functions on natural gas. The hot water produced is mainly used in the production process and, to a lesser extent, for heating.

These plants decrease natural gas consumption and CO2 emissions. In fact, as they come from a renewable source, biogas correlates to a zero emission factor.



### THE BIOGAS PRODUCTION PLANT AT NOGAROLE ROCCA

One of the biogas plants is in the poultry slaughterhouse in Nogarole Rocca (Verona). This plant produces 14% more

energy than is required to run the factory, so part of the energy produced is sold to the national grid.

This plant has earned the company 5,227 “Energy Efficient Titles”.

# GHGs EMISSIONS

In 2017 the Veronesi Group produced the equivalent of 248,454 tons of CO2 derived from natural gas, electricity and combustibles. This was in line with 2016, with a very slight increase of approx +0.3%.

Direct emissions (Scope 1), meaning the emissions from natural gas consumption, were 111,521 CO2 tons in 2017, only slightly higher than 2016 (+2%). Indirect emissions (Scope 2) from acquired electricity were 136,934

CO2 tons equivalent using the "location-based" method, and 183,456 tons equivalent using the "market-based" method.

## DIRECT EMISSIONS, SCOPE 1, AND INDIRECT EMISSIONS, SCOPE 2 (IN CO2EQ TONS)



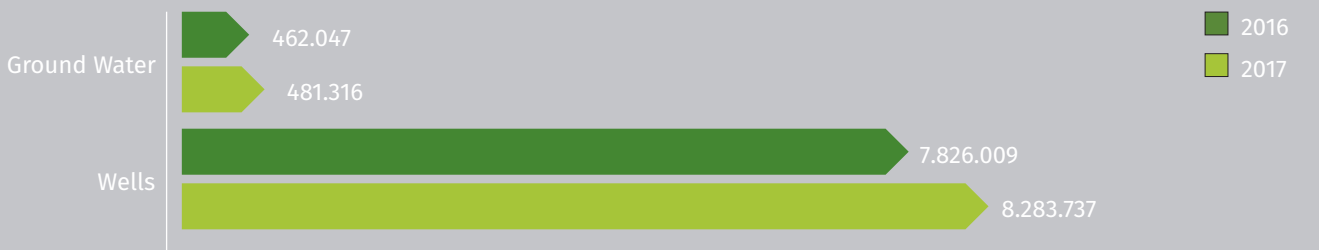
# WATER CONSUMPTION AND DISCHARGE

The Group's actions also include an efficient use of water resources, aiming to reduce consumption, minimize waste and employ used water recirculation

systems wherever possible. In 2017 total water withdrawals amounted to 8,765,053 m3, mainly drawn from the public ground water and wells. Overall water

consumption increased by 6% from 2016 to 2017 due to an unusually hot summer.

## WATER CONSUMPTION COMPARISON (CUBIC METERS)

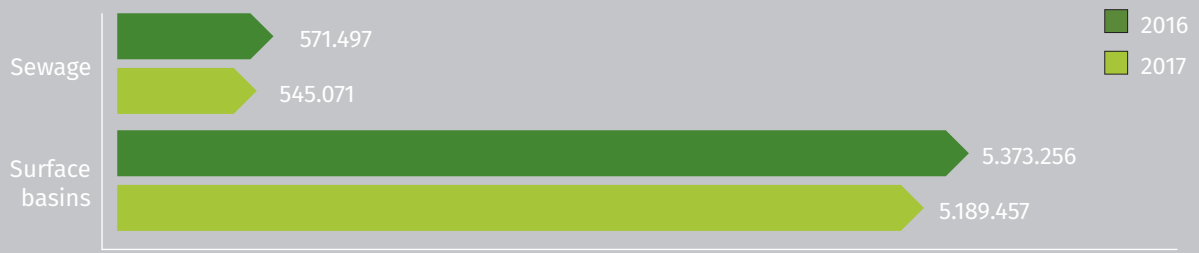


The Group strives to apply the most advanced waste water management techniques. Constant maintenance and regular analyses are carried out in the purification plants to test the quality of waste water.

All waste waters are discharged into sewers or surface water sources (e.g. lakes, rivers) after adequate treatment bringing the chemical, physical and biological levels of the water within norms established by current legislation

(Legislative Decree 152/06). The total discharge recorded in 2017 amounted to 5,734,528 m3, a decrease of -4% compared with 2016.

## WATER DISCHARGES (CUBIC METERS)

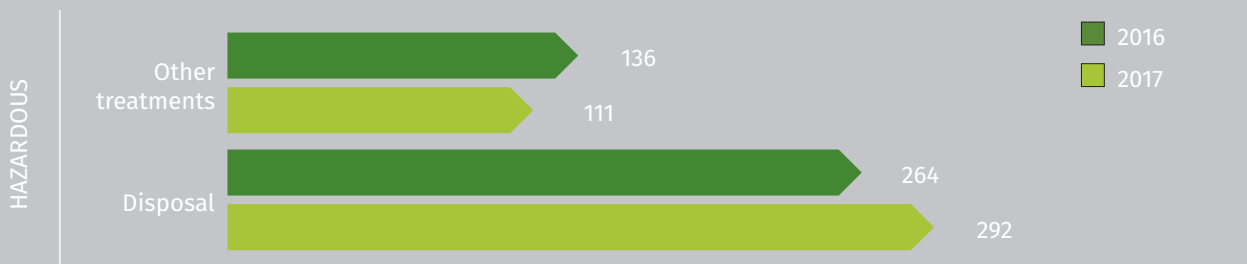


## WASTE AND BYPRODUCT MANAGEMENT

The Veronesi Group pays close attention to waste disposal management and employs methods in accordance with legislation and the commitment made in the ISO 14001:2015 environmental management system. In 2017 the total waste

produced amounted to 42,461 tons, 99% of which were non-hazardous. Part of this non-hazardous waste was sent for disposal (3,700 tons), while most of it (38.761 tons) underwent other types of treatment, such as recycling,

composting and recovery. The hazardous waste, 1% in total, was carefully handled in accordance with applicable legislation.







## BY-PRODUCTS OF ANIMAL ORIGIN

The Group pays special attention to the responsible management of by-products of animal origin generated during the product processing phases (SOA). The Group scrupulously complies with these requirements and makes an effort to reduce and reutilize them in various ways.

First and foremost, by treating them and then transforming them into animal protein meal and fats used in feed.

As shown in the energy section, part of the organic meat-processing waste is sent to anaerobic digestion plants to produce biogas, which is later

used for energy production. The quantities of reused animal originated by-products are divided into Cat.2 and Cat.3 and shown below.

Byproducts (Ton)	2017 animal originated by-products		2016 animal originated by-products	
	Cat. 2	Cat. 3	Cat. 2	Cat. 3
Total by-product	12.034,2	349.214,2	9.931,6	370.718,3
Of which achieved		86.606.730		84.872.050





## PROTECTING **BIODIVERSITY**

Veronesi Group acknowledges the importance of biodiversity both for the current global ecosystem and also for future generations. Therefore, it acts to protect aquatic, terrestrial and marine ecosystems, and the ecological network as a whole.

An internal analysis revealed that none of the company's plants are situated within protected or highly biodiverse areas. The only reported cases of protected areas close to the plants are shown in the annexes to this document.

The Group carefully monitors its potential impact on the land and on biodiversity, and pays particular attention to the sites closest to sensitive areas.



“

*I would like my employees to say they are proud to work at Veronesi because it is a place where everyone works well.*

# SOCIAL SUSTAINABILITY

## PEOPLE

Human Resources plays a key role for the Group by recognizing people's strengths and abilities, and by enhancing them. The central role of people is crucial in all stages of the supply chain, from farming to production to the final logistics stage. People represent the true value of the Group: passionate professionals who focus their work on achieving the best quality have made Veronesi Group one of the leading Italian food industry players. The Group actively implements policies that enhance the contribution of every single employee, developing potential and skills that can create value to

the organization. All employees are covered by collective labour agreements. The following collective contracts have been implemented: CCNL Industria Alimentare (Food Industry National Collective Agreement) - CCNL Impiegati Agricoli (Agricultural Workers National Collective Agreement) - CCNL Operai Agricoli (Farm Workers National Collective Agreement). All of the Group's companies respect minimum notice periods for significant changes to operational activities in compliance with current legislation and the respective collective contracts.

**8.012**

EMPLOYEES UP TO 31/12 2017

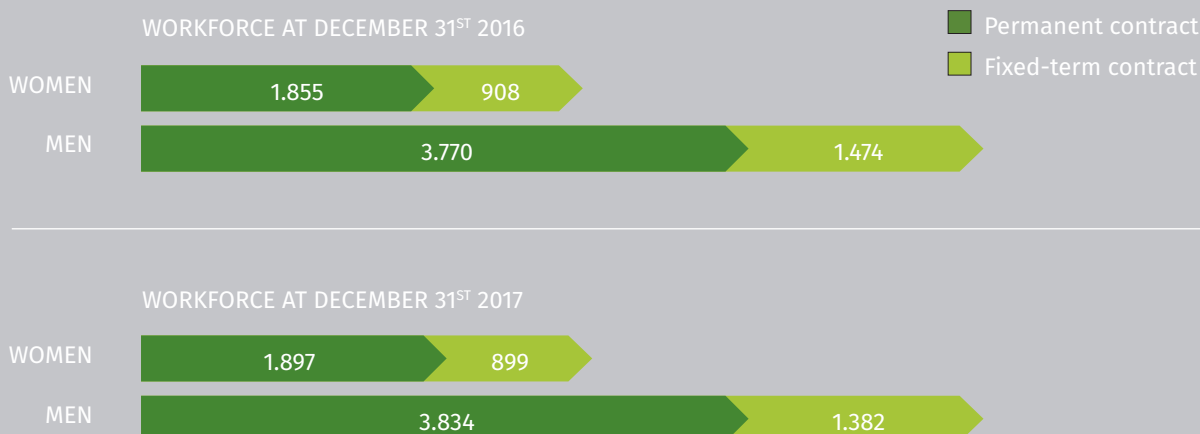
**1.253**

UNDER 30 EMPLOYED IN 2017

**75**

NATIONALITIES REPRESENTED IN THE GROUP

**AT DECEMBER 31ST, 2017, THE TOTAL WORKFORCE OF THE GROUP WAS 8,012 EMPLOYEES, IN LINE WITH 2016 (8,001).**



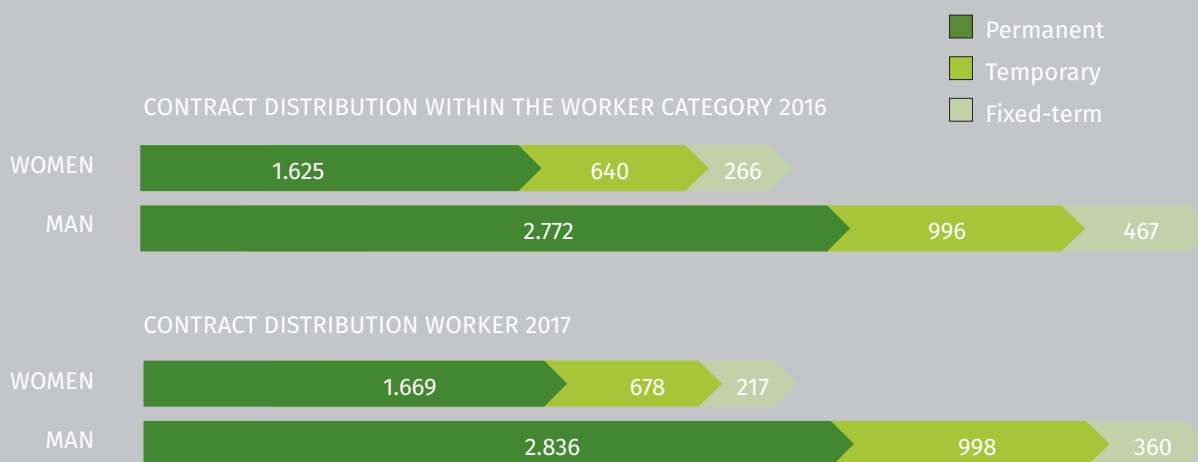
As proof of the Group's willingness to create strong and long-lasting professional relationships, in 2017, more than 70% of the workforce was made up of employees with

permanent contracts. Regarding professional categories, most employees (6,758) fell under the workers category, of which 1,676 (approx 20%) belonged to

the "temporary" category, which is a typical contract formula for this specific category in Italy.



## CONTRACT DISTRIBUTION WITHIN THE "WORKER" CATEGORY



Staff turnover within the Group in 2017 stood at 59 new employees vs. 197 leavers.

The difference between entering and exiting employees was negative, despite a growth in the

permanent contract employee workforce.

ENTERING	2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Man	27	19	4	50	33	32	2	67
Woman	5	4		9	5	2	1	8
<b>Total</b>	<b>32</b>	<b>23</b>	<b>4</b>	<b>59</b>	<b>38</b>	<b>34</b>	<b>3</b>	<b>75</b>

EXITING	2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Man	11	48	91	150	10	38	98	146
Woman	3	15	29	47	4	28	33	65
<b>Total</b>	<b>14</b>	<b>63</b>	<b>120</b>	<b>197</b>	<b>14</b>	<b>66</b>	<b>131</b>	<b>211</b>

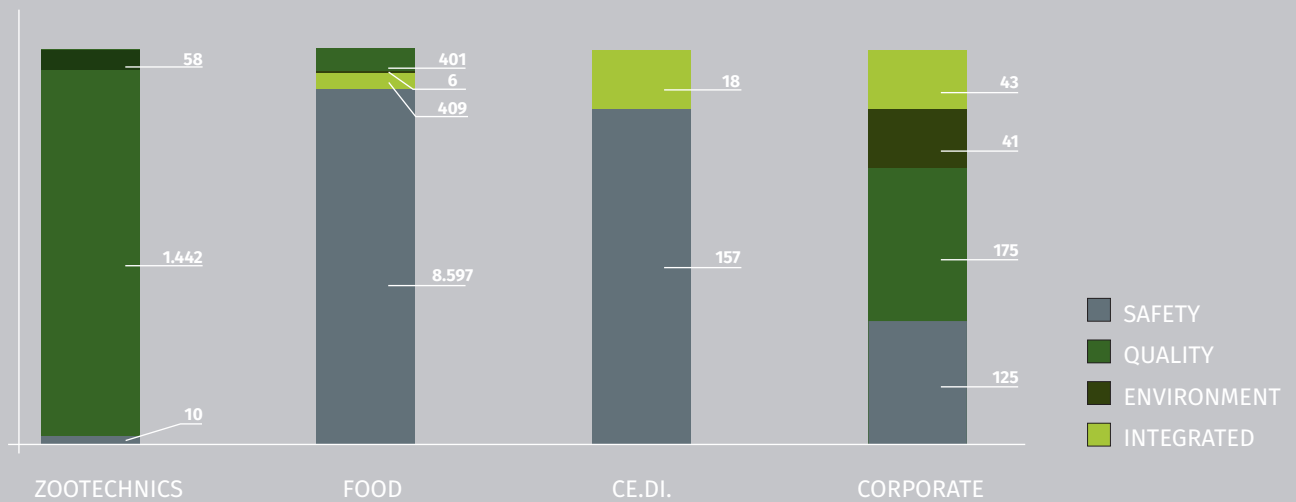
## PEOPLE DEVELOPMENT AND TALENT MANAGEMENT

The Veronesi Group acknowledges the importance of developing and training its employees through

specific activities. Approximately 13,365 training hours were provided in 2017.

**13,365**  
HOURS OF TRAINING

<sup>6</sup> "Temporary" contract categories are not calculated in the turnover.



Respect, recognition and developing the talent of people are priorities for the Group.

That is why specific training courses for every company function and activity are

developed each year. Above is a summary of the most significant training initiatives of 2017.

### JOBS FOR THE FUTURE

Today it is difficult to find people with the expertise required to work in the Veronesi Group supply chain. The specificity of the sector requires specific training. Some jobs are key to ensuring increasingly advanced management within the supply

chain. The requisite skills are evolving and are sometimes unavailable in the marketplace. In order to manage the generational turnover that will involve some key figures, the Group launched the "Feed The Future" project, offering internal

Master courses devoted to young people just starting out. The goal of these courses is to train young professionals in the skills that are essential to the Group.

### IN 2017 THE MASTERS INVOLVED 16 GRADUATES. TECHNICIANS AND VETERINARIANS WERE THE MAIN FOCUS.

#### DAIRY MASTER

This Master course is dedicated to the commercial techniques of dairy cows-nutrition. 2 months' theoretical classroom training and 4 months in-field training provided a crucial grounding to 6 employees.

#### VET FARM

This 1-year course entails classroom experience with continuous support from the Group's expert-level technicians plus 6 months' in-field training alongside Group technicians. It provided training to 7 Group employees.on-field activities.



#### FARM LEADERS

The "Farm Leader" course is a negotiation course, developed in collaboration with a leading advisory company. It involved 79 technical area employees who supported 2000+ farmers upstream in the supply chain.

This 1-week course involves theory, simulations and group projects, and is aimed at developing the negotiation skills needed to create virtuous and productive relationships with farmers.

It covers a wide range of aspects involved in farming management, (e.g. farm animal welfare, nutrition, sustainability).

## INCENTIVES AND COMPENSATION

In order to attract, motivate and retain talented and skilled resources, the Veronesi Group reviews its compensation policy annually. This includes fixed and variable remuneration systems.

### THE COMPENSATION PACKAGE FOR MANAGERS WITH STRATEGIC RESPONSIBILITIES IS COMPOSED OF:

- a gross fixed annual component
- an annual variable component based on results.

## COMPANY WELFARE

To guarantee employees the highest degree of flexibility and a good work-life balance, Veronesi Group put in place different concrete initiatives. These allow people to balance family needs and work. An example is the increase in part-time contracts which benefited 369 individuals in 2017.



## WELFARE PLAN

The core of the variable contractual bonus changed in 2017. Two new important features were introduced.

### 1.

Along with more common objectives, new parameters were introduced to encourage greater participation in efforts to achieve ever higher standards of safety in the workplace, and in sustainability strategies/activities;

### 2.

As part of their contract renewal, the approximately 5,000 employees in the poultry sector saw the implementation of the Welfare Plan. The plan provides the option to convert the bonus amount tax-free (all or only a percentage) into a small personal “pot”. This benefits employees as it gives them greater spending power to purchase goods and services tailored to their individual needs. They can choose from among many opportunities, via an online platform, varying from healthcare to education to supplementary pension contributions to free-time activities. This concrete family budget boost was designed in partnership with Confindustria Verona.



## EMPLOYEE HEALTH AND SAFETY

The Group considers the protection of its employees' health and safety to be not negotiable. It not only respects specific legislation in this area,

but also goes further and has implemented effective action aimed at continuously improving working conditions. The Group has developed

a specific Safety Policy implementing effective accident prevention and safety management for its employees.

## INJURY RATE AND LOST DAY RATE

	2017			2016		
	Man	Woman	Total	Man	Woman	Total
Injury rate <sup>7</sup>	0,6	0,9	0,7	0,6	0,9	0,7
Lost Day index <sup>8</sup>	32,8	42,1	35,9	37,1	39,3	37,8

Data regarding the injury rate and lost day rate show both values to be at contained levels thanks to the continuous investment in activities to raise safety awareness.

## ABSENTEEISM RATE

	2017			2016		
	Man	Woman	Total	Man	Woman	Total
Absenteeism rate <sup>9</sup>	3,5	5,7	4,2	3,4	5,5	4,2

The value recorded in 2017 for absenteeism remained stable compared with the previous year.

The workers' safety representatives are periodically involved in workplace injury risk assessments. Also, every worker receives continuous, comprehensive information and training on safety, accident prevention and professional illness prevention.



<sup>7</sup> The injury rate was calculated using the following formula: (injuries in the workplace/hours worked)\*1,000,000.

<sup>8</sup> The severity index was calculated by using the following formula: (days missed due to accidents/workable hours)\*1,000.

<sup>9</sup> The absenteeism rate was calculated by using the following formula: (days of absence/workable days)%.



## HEALTH AND SAFETY TRAINING IN THE WORKPLACE

### HEALTH AND PREVENTION. PHYSICAL EDUCATION IN THE WORKPLACE

For the first time in 2017 the Group introduced two voluntary health and wellness education courses within the context of the safety project.

These two courses were specifically designed to create awareness of the importance of physical activity in improving one's lifestyle and wellbeing, with special attention on activities requiring manual skills, repetitive movements and physical exertion. The first course involves the San Martino Buon Albergo factory and was

created in partnership with the University of Padua's GYM HUB: a start-up created by researchers in occupational medicine and physical education sciences.

The course was divided into two sessions and administered to groups of 10. The aim is to educate workers about improved physical wellbeing using exercises designed to prevent problems caused by repetitive movements. The second course involved employees suffering from joint complaints.

They were taught specific activities to improve their physical condition. The project involved the Santa Maria di Zevio plant.



## “LAVOROSICURO” PROJECT - SAFETY AMBASSADORS

Since 2007, the Veronesi Group food plants has been involved in “LavoroSicuro”, the project carried out by the Veneto Region in partnership with INAIL Veneto. The focus is on prevention and safety awareness in the workplace. Department heads and leading figures have been given an active role in workplace safety and protection training. In 2017, the project was expanded into the Lombardy Region in partnership with INAIL Lombardia. The project arose from the

awareness that training alone is not enough. Constant supervision is needed to protect the safety of the people working in the Group's plants on a daily basis. In compliance with UNI-INAIL Guidelines, the audits include conformity inspections and implementation pattern monitoring of the Health and Safety in the Workplace Management System, through use of the "Lavorosicuro" (Safe Work) guidance application (2011 edition). In 2017, the inspection was voluntarily

expanded to cover environmental management aspects, in particular at the sites that had not yet been certified ISO 14001.

# 12 | ANNEXES

## GROUP STAKEHOLDERS AND MATERIALITY ANALYSIS

Material topics	Area	Perimeter		
		Where impact occurs	Type of impact	GRI Topic Reconciliation
Health and safety in the workplace	Responsibility towards employees	Group	Direct	403 – Occupational Health and Safety
Product safety, traceability and quality	Product responsibility	Group	Direct/Indirect	
Animal welfare	Product responsibility	Group	Direct	
Nutrition, Health and Wellness	Product responsibility	Group	Direct/Indirect	
Market presence and indirect economic impact	Economic responsibility	Group	Indirect	202 – Market presence
Ethics and responsible business practice	Governance and Compliance	Group	Direct	307 - Environmental Compliance 419 - Socio Economic Compliance
Working Conditions and Human Rights	Responsibility towards the community	Group; Suppliers	Direct/Indirect	
Management of environmental impact	Environmental responsibility	Group	Direct	302 - Energy 303 - Water 304 - Biodiversity 305 - Emissions 306 - Effluents and waste
Customer satisfaction	Product responsibility	Group	Direct	
Economic performance	Economic responsibility	Group	Direct	201 - Economic performance
Responsible marketing and product labelling	Product responsibility	Group	Direct	
Corporate governance	Governance and Compliance	Group	Direct	
Sustainable management of the supply chain	Responsibility towards suppliers	Group; Suppliers; Farmers	Direct/Indirect	204 - Procurement practices
Development and protection of human capital	Responsibility towards employees	Group	Direct	401 - Employment 402 - Labor/ Management relations 405 - Diversity and Equal Opportunity



# AN INTEGRATED AND QUALITY SUPPLY CHAIN

## THE MAIN CONSORTIUMS

PROSCIUTTO DI SAN DANIELE CONSORTIUM



PROSCIUTTO DI PARMA DOP CONSORTIUM



ZAMPONE MO COTECHINO CONSORTIUM



MORTADELLA BOLOGNA CONSORTIUM



CACCIATORE ITALIANO CONSORTIUM



CULATELLO DI ZIBELLO DOP CONSORTIUM



SALAME CREMONA IGP CONSORTIUM



## ANNEXES – ECONOMIC SUSTAINABILITY

### GRI 201-1 STATEMENT OF ECONOMIC VALUE GENERATED AND DISTRIBUTED

#### PROSPECT OF GENERATED VALUE

##### DETERMINATION OF GENERATED VALUE (IN THOUSANDS OF EUROS)

2017

Direct economic value generated	3.002.345
Distributed economic value	2.857.325

##### DISTRIBUTION OF GENERATED VALUE (IN THOUSANDS OF EUROS)

2017

Reclassified operating costs	2.472.598
Staff remuneration	360.851
Lenders remuneration	4.732
Shareholders remuneration <sup>10</sup>	0
Public Administration remuneration	19.145

<sup>10</sup> The shareholders remuneration corresponds to the allocation of the economic result of Veronesi S.p.A. to a dividend that the Board of Directors will propose to the Shareholders Meeting which may be subject to subsequent changes based on the Shareholders' Meeting resolution.

## GRI 202-1 RATIO OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

### STANDARD ENTRY LEVEL WAGE IN RELATION TO MINIMUM WAGE BY GENDER

Newly	at 31 December 2017		to 31 December 2016	
	Men	Women	Men	Women
Ratio between local minimum gross wage allowed by national law and entry level wage.	1	1	1	1

## ANNEXES – ENVIRONMENTAL SUSTAINABILITY

### ENERGY CONSUMPTION

#### GRI 305-1; 305-2 DIRECT AND INDIRECT CONSUMPTION

##### TOTAL ENERGY CONSUMPTION TJ

Energy consumption		2016	2017
Direct	Fuels, ETS Boilers	1.859	1.918
Indirect	Electricity	1.414	1.402
Total energy consumption		3.273	3.320

#### GRI 302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION

##### ENERGY CONSUMPTION BY TYPE OF SOURCE TJ

	2016	2017
Natural gas	1.786	1.818
Gasoline	24	25
LPG	14	14
Combustion oil	3	3
Electricity	1.414	1.402
Biogas		
Digester boiler	0,1	1,7
ETS boilers	20	37
ETS cogenerator	243	408
Torch	12	20

##### “LOCATION BASED” ELECTRICITY EMISSION FACTORS

Country	kg CO <sub>2</sub> /kWh	Fonte
Italy	0,3516	DEFRA 2017

##### “MARKET BASED” ELECTRICITY EMISSION FACTORS

Country	kg CO <sub>2</sub> /kWh	
Italy	0,471	AIB - 2016 European Residual Mix

##### NATURAL GAS EMISSION FACTORS

Country	kg CO <sub>2</sub> /m <sup>3</sup>	Fonte
Italy	2,097	Ministry of Environment 2017

## DIESEL EMISSION FACTORS

Country	kg CO <sub>2</sub> /t	Fonte
Italy	3470,3	DEFRA 2017

## LPG EMISSION FACTORS

Country	kg CO <sub>2</sub> /l	Fonte
Italy	1,508	DEFRA 2017

## COMBUSTION OIL EMISSION FACTORS

Country	kg CO <sub>2</sub> /t	Fonte
Italy	3165,41	DEFRA 2017

## BIOGAS EMISSION FACTORS

Country	kg CO <sub>2</sub> /GJ	Fonte
Italy	0,10985	DEFRA 2017

## WATER CONSUMPTION

### GRI 303-1 WATER WITHDRAWAL BY SOURCE

Water withdrawn (m3)	2017	2016
Wells	8.283.737	7.826.009
Ground Water	481.316	462.047
Total water consumption	8.765.053	8.288.056

## WASTE AND WATER DISPOSAL MANAGEMENT

### GRI-306-2 WASTE BY TYPE AND DISPOSAL METHODS

WASTE DISPOSAL METHOD (t/year)	2017			2016		
	Dangerous	non Dangerous	TOTAL	Dangerous	non Dangerous	TOTAL
Disposal	292	3.409	3.701	264	3.298	3.562
Other treatments	111	38.650	38.761	136	40.935	41.071
Total	403	42.059	42.462	400	44.233	44.633

MANAGEMENT OF WATER DISCHARGE (M3)	2017	2016
Surface	5.189.457	5.373.256
Sewer	545.071	571.497
Total water discharged	5.734.528	5.944.753

## PROTECTION OF BIODIVERSITY

### GRI 304-1 GROUP SITES CLOSE TO AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS

#### MAIN SITES WITH HIGH BIODIVERSITY VALUE ADJACENT TO THE GROUP SITES OWNED

##### VENETO

San Martino Buon Albergo	Adige river between Verona East and Badia Polesine	2.45 km
Villaganzerla	Colli Berici	from the nearest point of the river
Zevio	Adige river between Verona East and Badia Polesine	1.2 from the nearest border
	Sguazzo di Rivalunga	1.77 km
	Grave and wetlands of the Brenta	from the nearest point of the river

##### EMILIA ROMAGNA

Magreta	Colombarone	0.50 km from the bight of the river
Zibello	Golena del Po near Zibello	1.50 km 1 km from the river
	Bosco Ronchetti	2,20 km
	Bosco Ronchetti Regional Reserve	2 km

##### FRIULI VENEZIA GIULIA

San Daniele del Friuli Stabilimento SD2	Greto del Tagliamento	3 km 2.5 km from the bight of the river
Stabilimento SD1	Ragogna Lake	3 km

#### VERONESI – ANIMAL FEED

##### VENETO

Ospedaletto Euganeo	Le Vallette	2 km
S. Pietro in Gu	Bosco di Dueville and closeby springs	2,70 km from the Tesina river
Quinto di Valpantena	Val Galina e Progno Borago	2,40 km

##### LOMBARDY

Acquanegra Cremonese	Morta di Pizzighettone	2.12 km from the bight of the Adda river
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##### EMILIA ROMAGNA

San Polo di Torrile	Areas of the "Risorgive di Viarolo", Bacini di Torrile, Fascia Golenale del Po	1,13 km
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#### FARMS - SOCIETÀ AGRICOLA LA PELLEGRINA

##### VENETO

San Michele Extra	Adige river between Verona East and Badia Polesine	2.45 km nearest point of the river
S. Pietro in Gu	Bosco di Dueville and closeby springs	.70 km from the Tesina river
Bes Società Agricola La Pellegrina Spa	Fontane di Nogarè	2.40 km 1.60 km from the Piave river



**LOMBARDY**

Morengo	Fontanile Brancaleone	2,28 km
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## HATCHERIES

**VENETO**

Ponte di Castegnero VI	Colli Berici	1.0 km from the nearest border
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# ANNEXES - SOCIAL SUSTAINABILITY

## THE PEOPLE OF THE VERONESI GROUP

### GRI 102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

## NUMBER OF EMPLOYEES (HEADCOUNT) BY PROFESSIONAL CATEGORY AND GENDER

Professional category	2017			2016		
	Men	Women	Total	Men	Women	Total
Executives	69	2	71	74	2	76
Managers	60	3	63	59	3	62
Employees	893	227	1.120	876	227	1.103
Workers on:			-			-
permanent contract	2.836	1.669	4.505	2.772	1.625	4.397
temporary	998	678	1.676	996	640	1.636
fixed term contract	360	217	577	467	266	733
Total	5.216	2.796	8.012	5.244	2.763	8.007

## TOTAL NUMBER OF EMPLOYEES (HEADCOUNT) BROKEN DOWN FOR FULL-TIME AND PART-TIME

Full Time / Part Time	At 31 december 2017			At 31 december 2016		
	Men	Women	Total	Men	Women	Total
Full-time	5.197	2.446	7.643	5.216	2.430	7.646
Part-time	19	350	369	28	333	361
Total	5.216	2.796	8.012	5.244	2.763	8.007

### GRI 401-1 NEW HIRINGS AND EMPLOYEE TURNOVER

IN (including the "temporary-workers" category)

	2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Men	834	836	216	1.886	821	811	208	1.840
Woman	419	629	211	1.259	363	592	208	1.163
Total	1.253	1.465	427	3.145	1.184	1.403	416	3.003

OUT (including the "temporary-workers" category)

	2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Man	395	349	183	927	253	249	145	647
Woman	206	278	135	619	132	223	103	458
Total	601	627	318	1.546	385	472	248	1.105

### GRI 102-41 COLLECTIVE BARGAINING AGREEMENTS

PERCENTAGE OF TOTAL EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

	at 31 December 2017	at 31 December 2016
Group percentage	100%	100%

### GRI 403-2 ACCIDENTS - HEALTH AND SAFETY AT WORK

DAYS LOST DUE TO INJURIES

No. days	at 31 December 2017			at 31 December 2016		
	Man	Women	Total	Man	Women	Total
Days lost due to injuries	5.878	4.848	10.726	5.916	4.902	10.818

TYPE OF ACCIDENTS

No. of cases	at 31 December 2017			at 31 December 2016		
	Man	Women	Total	Man	Women	Total
Accidents on the job	250	160	410	278	148	426
Commuting accidents	15	9	24	23	9	32

## NOTES ON METHODOLOGY

This section on Sustainability aims to report clearly and transparently the performance of the Veronesi Group with respect to the issues of economic, environmental and social sustainability, for the financial year 2017, and has been prepared to the extent necessary to fully describe the activity of the company, its performance and results and the impact generated

The definition of the aspects relevant to the Veronesi Group and its stakeholders was the result of materiality analysis, a structured process that strictly follows the guidelines of the Global Reporting Initiative - GRI. In particular, the definition of the aspects relevant to the Group and its Stakeholders took place on the basis of a structured materiality analysis process, which also included a comparison of the material topics with industry best practices, described in the paragraph "Stakeholders of the Group and materiality analysis".

This section on Sustainability has been prepared in accordance with the new "GRI Sustainability Reporting Standards" (2016) published by the Global Reporting Initiative (GRI), according to the "GRI-Referenced" approach.

Based on this premise, and taking into account the approaches drawn up by the new Standards, the document therefore refers to the indicators in the GRI Content Index shown in this document.

The scope of the report/reporting boundary is the same as in the Group's Consolidated Financial Statements; any limitations on its scope relating to individual topics or indicators are set out in the relevant paragraphs.

To ensure the reliability of the data, the use of estimates has been limited as far as possible. Where present, they have been pointed out and are based on the best available methodologies.

The data relating to previous years, where available, have been reported only for comparative purposes. This section is an integral part of the Group's Annual Report, which is published annually on the Veronesi Group website [www.gruppooveronesi.it](http://www.gruppooveronesi.it); for more information you can write to [aia@aia-spa.it](mailto:aia@aia-spa.it)

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## SPECIFIC STANDARD DISCLOSURE CATEGORY: ECONOMIC

### ECONOMIC PERFORMANCE

#### Management approach

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103-2	The management approach and its components	17;61	



103-3	Evaluation of the management approach	17;61	
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## MARKET PRESENCE

### Management approach

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### Management approach

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### ENERGY

### Management approach

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103-2	The management approach and its components	63	
103-3	Evaluation of the management approach	63	
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### WATER

### Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	63	
103-3	Evaluation of the management approach.	63	
303-1	Water withdrawal by source.	63;68	

### BIODIVERSITY

### Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	The Group carefully monitors its potential impacts on the territory and on biodiversity; none of the factories is located within protected areas or high biodiversity value; there are only cases of protected areas near the factories, reported in the annex of this document.	
103-3	Evaluation of the management approach	63	
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## EMISSIONS

### Management approach

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### Management approach

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## ENVIRONMENTAL AND COMPLIANCE

### Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	63	
103-3	Evaluation of the management approach	63	
307-1	Non-compliance with environmental laws and regulations	There are no fines and/or non-monetary sanctions for non-compliance with environmental laws and/or regulations	

## CATEGORY: SOCIAL

### EMPLOYMENT

#### Management approach

103-1	Explanation of the material topics and its boundary	80	
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### LABOR/MANAGEMENT RELATIONS

#### Management approach

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### HEALTH AND SAFETY ON THE WORKPLACE

#### Management approach

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## DIVERSITY AND EQUAL OPPORTUNITIES

### Management approach

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103-2	The management approach and its components	73	
103-3	Evaluation of the management approach.	73	
405-1	Diversity of governance bodies and employees	74;85	

## SOCIO-ECONOMIC COMPLIANCE

### Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	61	
103-3	Evaluation of the management approach	61	
419-1	Non-compliance with laws and regulations in the social and economic area	There are no fines and/or non-monetary sanctions for non-compliance with laws and/or regulations	

## PRODUCT SAFETY AND TRACEABILITY

### Management approach

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103-2	The management approach and its components	47-59	
103-3	Evaluation of the management approach	47-59	

## ANIMAL WELFARE

### Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	51-54	
103-3	Evaluation of the management approach	51-54	

## NUTRITION AND WELL-BEING

### Management approach

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103-3	Evaluation of the management approach	27-28	

## WORKING CONDITIONS AND HUMAN RIGHTS

### Management approach

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103-2	The management approach and its components	73-77	
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## CUSTOMER SATISFACTION

### Management approach

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103-2	The management approach and its components	47-49	
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**RESPONSIBLE MARKETING AND LABELLING OF PRODUCTS**

## Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	47-59	
103-3	Evaluation of the management approach	47-59	

**SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN**

## Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	47-59	
103-3	Evaluation of the management approach	47-59	

**CORPORATE GOVERNANCE**

## Management approach

103-1	Explanation of the material topics and its boundary	80	
103-2	The management approach and its components	4-5	
103-3	Evaluation of the management approach	4-5	



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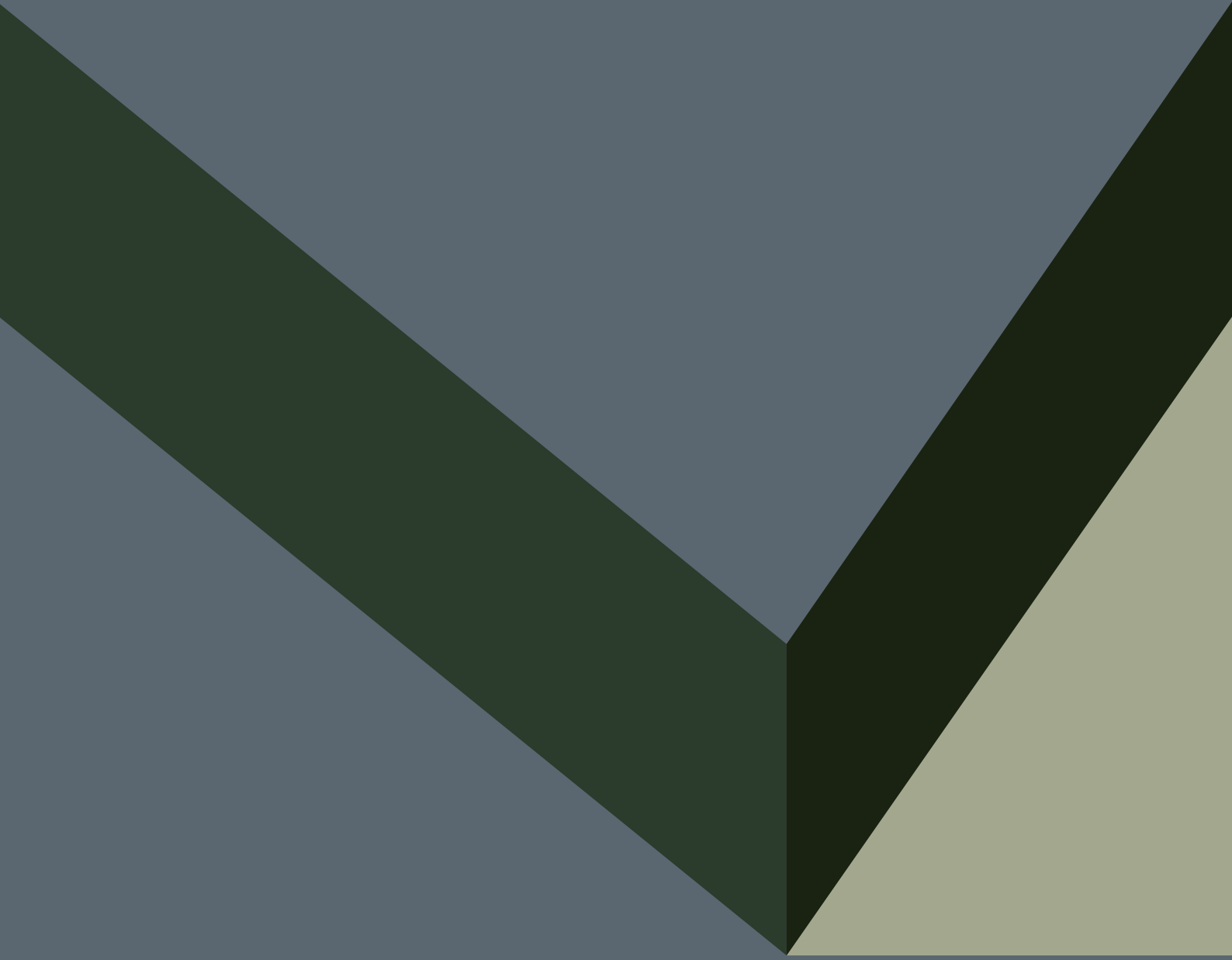
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