



SUSTAINABILITY
REPORT
2017





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REPORT

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Letter to our stakeholders

Fumagalli Industria Alimentari has always followed the evolutions and changes in our society and the market very closely.

Over the past couple of years, there is no doubt that issues regarding product safety, concerns for the environment and the introduction of new production models have changed the way we do business.

Today, more so than in the past, the concept of the supply chain has assumed greater resonance and there is more and more talk of eco-sustainable production systems.

The very concept of business is undergoing radical change. For years now, Fumagalli's corporate and market policies have focused on values such as respect for the environment, ties with the local area, energy savings and animal welfare throughout its supply chain.

The choices we make are not dictated by contingent market opportunities but reflect our new and different way of doing business.

This is the only way to face the challenges of the future, with sustainability playing the central role in our supply chain. At Fumagalli we firmly believe that by travelling together on our journey of growth, we will confidently be able to meet the demands of our stakeholders.

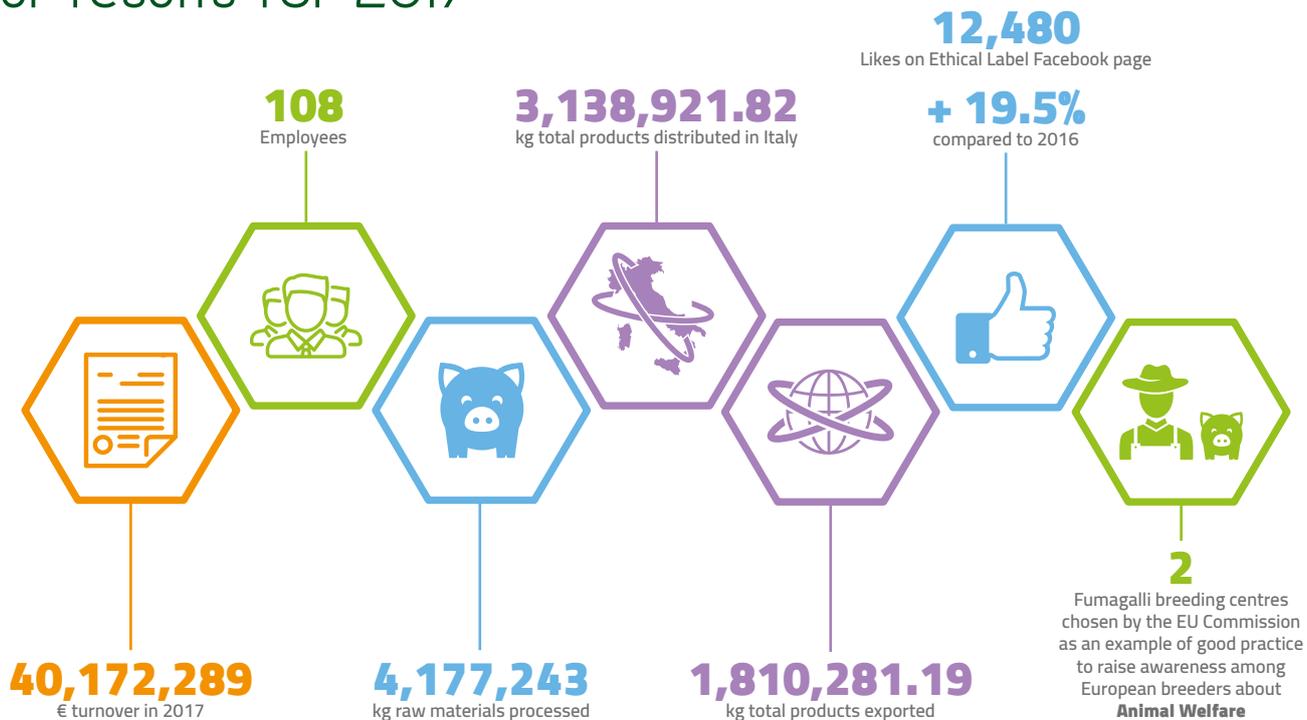
Today many people are asking themselves what we need to do to ensure that the value created by the business world benefits everyone and helps create prosperity and social justice.



Francesco Pizzagalli
CEO



Our results for 2017



Fumagalli stakeholders

Involving our stakeholders is a top priority for us and we show it by investing them all with the same importance.

In 2017 we continued to strengthen ties within the company thanks to “Fumagalli On Board”, our newsletter which is now one year old. It has quickly become a very important in-house tool which allows us to share the latest company news with all our employees.

As mentioned in our previous reports, we also began a project involving our suppliers, providing them with a questionnaire where they could assess their and our social and environmental accountability.

We aim to improve and implement the process every year, publishing the results in our future Sustainability Reports.



Materiality analysis

After careful analysis, carried out in conjunction with management and the working group responsible for the Sustainability Report, we defined the issues which matter most to our company, namely those which are most relevant to assess sustainability and plan strategies.

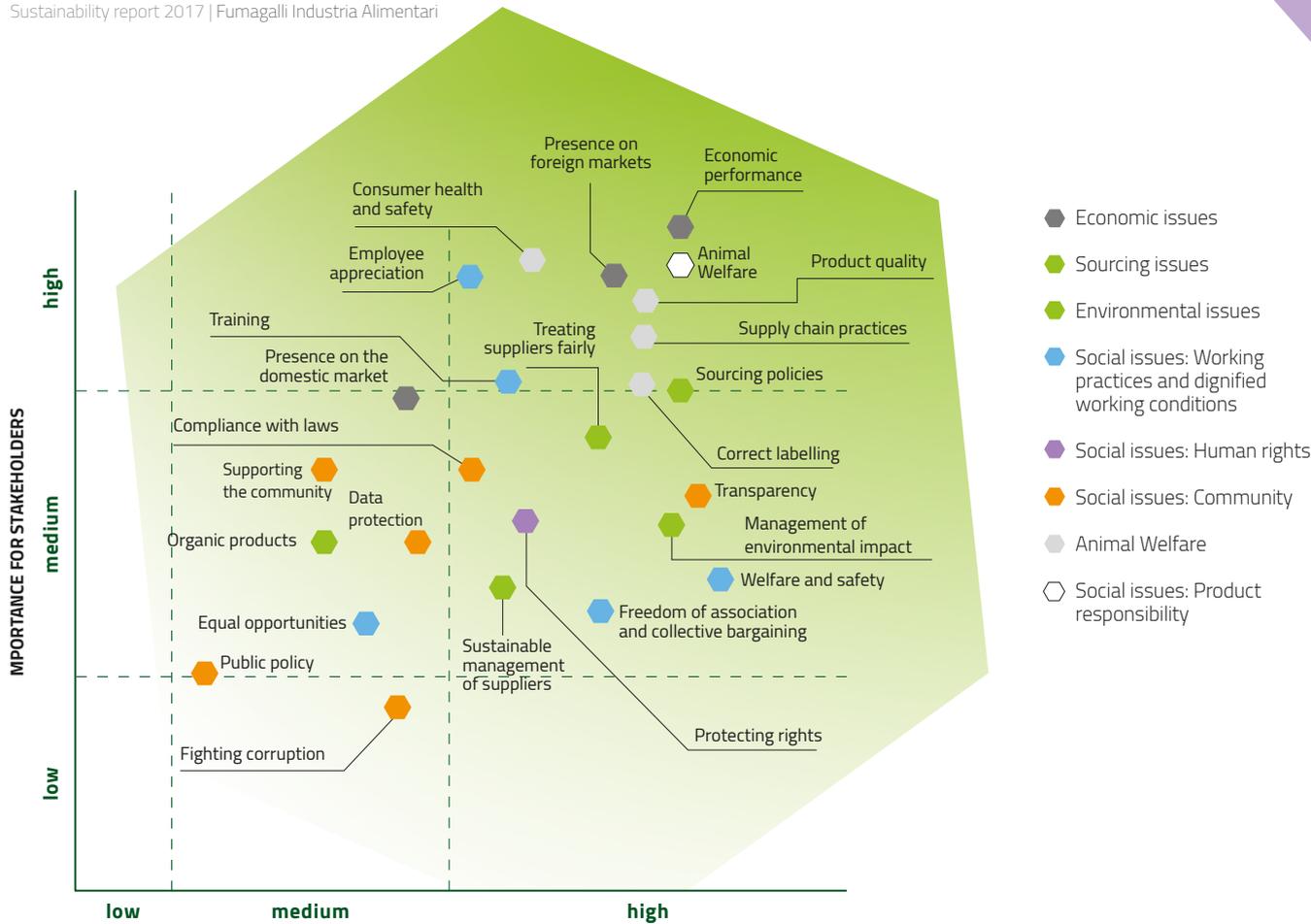
The matrix was drawn up by identifying the “external materiality”, using an approach that would ensure an authoritative and reliable analysis. Management was consulted and all our stakeholders and the repercussions of the company’s work both locally and globally were taken into consideration.

In 2017 there were strategic developments in two issues which led to us upgrading their positioning in the materiality matrix.

The first concerns “organic products”, which Fumagalli has set up a dedicated supply chain for.

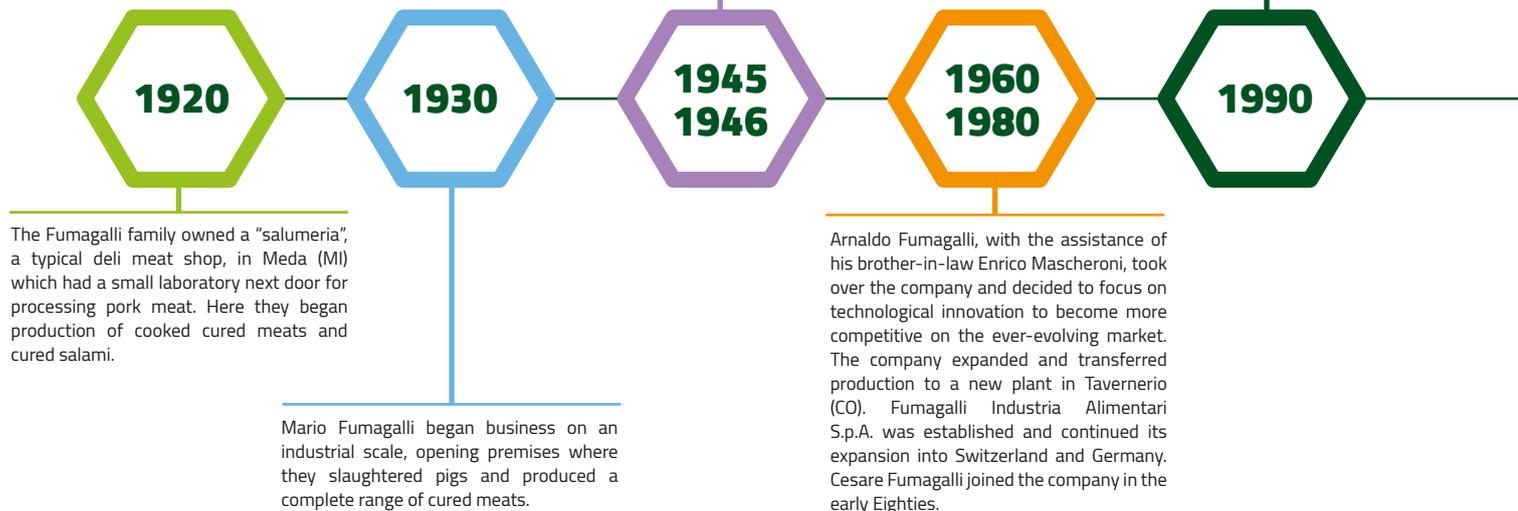
The second issue was the “sustainable management of suppliers” which, thanks to the activities implemented to involve them and perform more controls, has obtained an even higher ranking.





OUR IDENTITY CARD

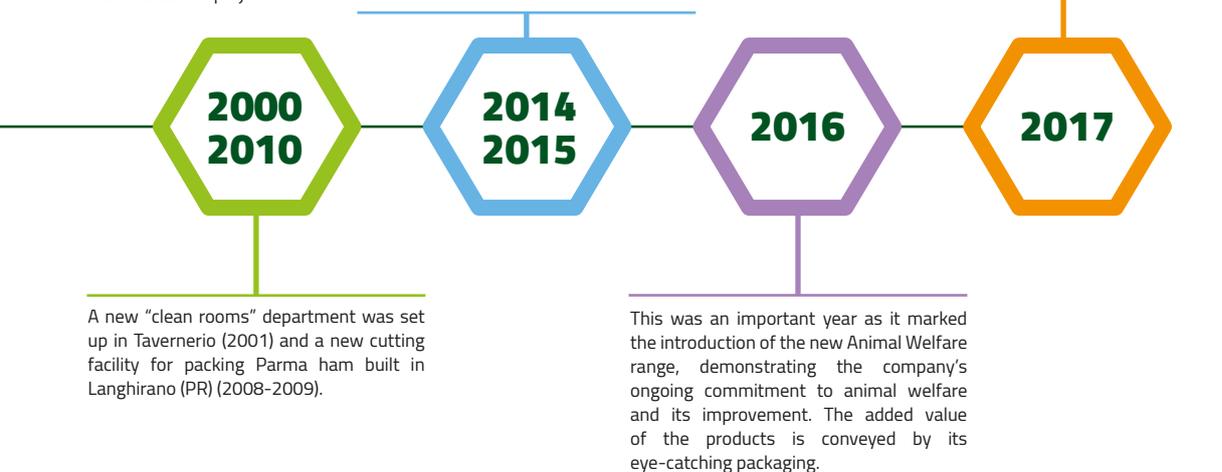
Our history



Over the past couple of years, some of the younger members of the Fumagalli family have joined the company:

- Alberto Mascheroni joined the company in 2005 and is currently Head of the Mass Retail Business in Italy;
- Pietro Pizzagalli, Head of the Nerviano breeding centres since 2003 and Head of Production and Product Quality since 2012 at Fumagalli Industria Alimentari S.p.A.;
- Andrea Fumagalli, after gaining experience abroad, joined the Fumagalli Team in 2014 as Head of the clean rooms, the snack department and the cutting facility in Langhirano;
- Arnaldo Santi joined the company in January 2015 as Marketing and Communications Manager and is in charge of all communications regarding the "Ethical Label" project.

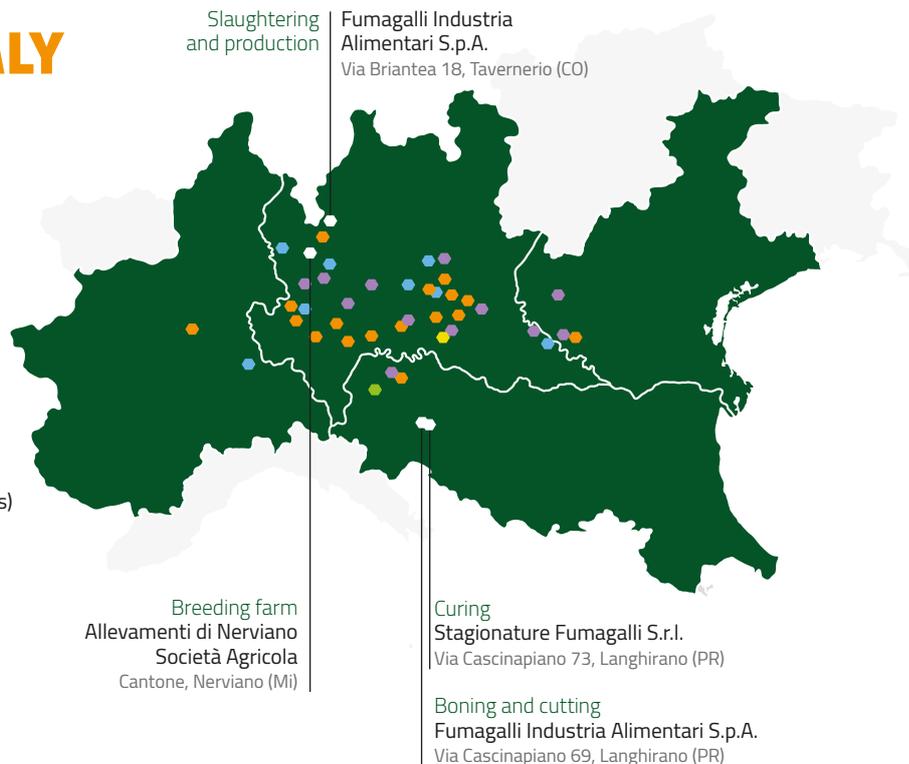
The Fumagalli breeding centres were chosen by the EU Commission as an example of good practice to raise awareness among European breeders about animal welfare. 2017 was also an important year as the Bio Organic range continued to grow and a dedicated organic supply chain was created.



FUMAGALLI IN ITALY

its breeding centres,
production and boning sites

- Breeding farms (genetics and birth centres)
- Organic breeding farms (genetics and birth centres)
- Growth centres
- Organic growth centres
- Fattening centres
- Organic fattening centres



4 COMPANIES

The four companies belonging to the Fumagalli Group today



Allevamenti di Nerviano, breeding centres with headquarters in Nerviano (MI), and other farms in Lombardy, Veneto and Piedmont



Le Fattorie Fumagalli, with headquarters in Nerviano (MI), company which controls all the growth and fattening centres in north Italy



Fumagalli Industria Alimentari S.p.A. headquarters in Tavernerio (CO) and packing centre in Langhirano (PR)



Stagionature Fumagalli S.r.l. with headquarters in Langhirano (PR), so we have a Prosciutto di Parma DOP curing facility in the typical area

International presence

Our company has an annual turnover of over Euro 40 million and exports more than 36% of its products to 21 countries, including Europe, the Far East and North America; it also operates in Italy in the normal trade sector, as well as in the mass retail sector and with retail purchasing consortia.

As regards foreign markets, our exports are destined for retail purchasing consortia in all the countries we supply, except for Russia, Japan and Korea where we also operate in the restaurant and catering sector.

In 2017 we began exporting some sliced products to Brazil and we expanded even more into the Northern European markets.

PRODUCT DISTRIBUTION

values in kg

	2017	2016
Italy	3,138,921.82	3,033,421.23
Abroad	1,810,281.19	1,963,846.2
Total	4,949,203.01	4,997,267.43

21 countries where we operate today

- Belgium
- Brazil
- Canada
- South Korea
- Denmark
- Arab Emirates
- Finland
- France
- Germany
- Japan
- Hong Kong
- United Kingdom
- Iceland
- Italy
- Lebanon
- Norway
- The Netherlands
- Principality of Monaco
- Russia
- Sweden
- Switzerland



ECONOMIC REPONSIBILITY

The importance of creating value

Our turnover in 2017 increased considerably compared to that of 2016, thanks to the implementation of a growth programme for both the Italian and the foreign markets.

It is important to note that these positive results were achieved in a market which was strongly influenced by factors such as the considerable increase in the costs of raw materials (from + 18% to + 25% in the past 18 months due to cuts in processing and production) and the ever-growing popularity of vegan and vegetarian diets.

PRODUCTION VALUE

in kg

REVENUE 2017	2016	2015
40,172,289	38,635,958	34,907,016*

*The 2015 production value has been reclassified according to the taxonomy of 14.11.2016

VALUES

for employees

QUALITY

PRODUCT SAFETY

CORRECTNESS

TRUST

LEGALITY

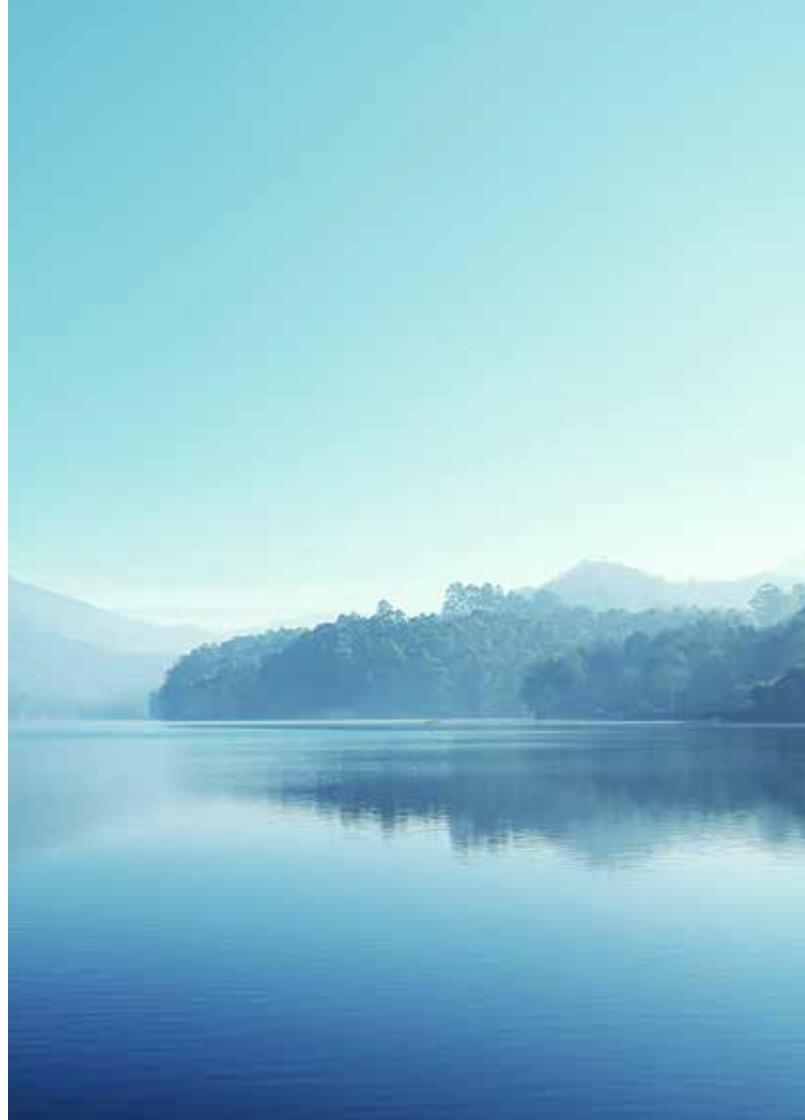
WILLINGNESS TO LISTEN

POSITIVE ATMOSPHERE AND QUALITY OF LIFE

SOCIAL RESPONSIBILITY

MERITOCRACY

TRANSPARENCY



Creating wealth: generated and redistributed value

In the past couple of years, Fumagalli's redistribution of value has been constant and well-balanced and in 2017 the company invested even more in production, as demonstrated by the value of operating costs which rose by over 5%.

Within the scope of our Sustainability Report, and in line with the guidelines used to draw it up, the value generated and redistributed is defined as the difference between revenues and production costs and is not paid out to the company's stakeholders.

In this sense, the production and distribution of value is a tool which helps us understand the company's Financial Statements from the stakeholders' point of view and it gives us information about the economic impact the company produces and its repercussions on the business.

	2017	%	2016	%	2015	%
Economic value generated	40,172,289		38,635,958		34,907,016	
Economic value distributed	40,086,089		38,502,302		37,109,128	
Operating costs	33,762,623	84.22%	31,912,019	82.8%	30,480,497	82%
Salaries and benefits	5,573,456	13.90%	5,754,409	15%	5,892,704	16%
Payments of capital to suppliers	553,464	1.38 %	563,001	1.5%	561,392	1.5%
Payments to public services	58,665	0.15 %	79,694	0.20%	-00	-
Investments in the community*	137,881	0.35 %	193,179	0.50%	174,535	0.50%
Economic value retained	86,200		133,656		-00	

*A value of about 0.50% of the company's revenues destined for donations has been estimated. As we are unable to quantify all the donations of Fumagalli products, this figure may vary.

ENVIRONMENTAL RESPONSIBILITY

Raw materials

The quality of our products and the raw materials we use is guaranteed by the continuous controls we carry out on the supply chain and our compliance to international standards and regulations.

In 2017 we processed 0.5% less meat than the previous year. The ingredients we used are given in more detail in this report: in 2017 water accounted for approximately 32.5% of this value and "flavourings" 1.3%.

RAW MATERIALS PROCESSED

values in kg

	2017	2016	2015
Meat processed	4,177,243.00	4,199,771.47	3,829,333.64
Ingredients	155,158.00	163,562.26	164,300.66
di cui:			
Flavourings	2,092.93	2,118.48	4,553.08
Water	50,481.59	53,012.26	55,003.60

Transportation and logistics

We use external haulier companies to transport incoming raw materials (mainly live pigs from the Allevamenti di Nerviano). All the companies we use guarantee that their transportation is in compliance with the specifications for transporting live pigs, which is part of the handling of animals in the supply chain.

Our products are transported to our end clients' premises using both our own vehicles and haulier companies. All the vehicles are suitable for transporting foodstuffs and have the correct refrigeration temperatures (according to the type of product) and comply with current legislation regarding health and hygiene.

COMPANY FLEET

COMPANY CARS



Fuel
Diesel
Petrol

km 2017
100,000 (Diesel)
30,000 (Petrol)

km 2016
136,000 (Diesel)
25,000 (Petrol)

km 2015
230,000 (Diesel)
40,000 (Petrol)

TRANSPORTATION PIGS

External supplier



Fuel
Diesel

km 2017
33,175

km 2016
31,992

km 2015
34,342

TRANSPORTATION FINISHED PRODUCTS

Fumagalli + external suppliers



Fuel
Diesel

km 2017
50,000

km 2016
48,000

km 2015
50,000

Energy

The thermal energy and part of the electricity we use at the Tavernerio headquarters come from the methane cogenerator which began working in 2016.

At the Langhirano headquarters we use methane boilers for heating and the production processes and electricity from the grid.

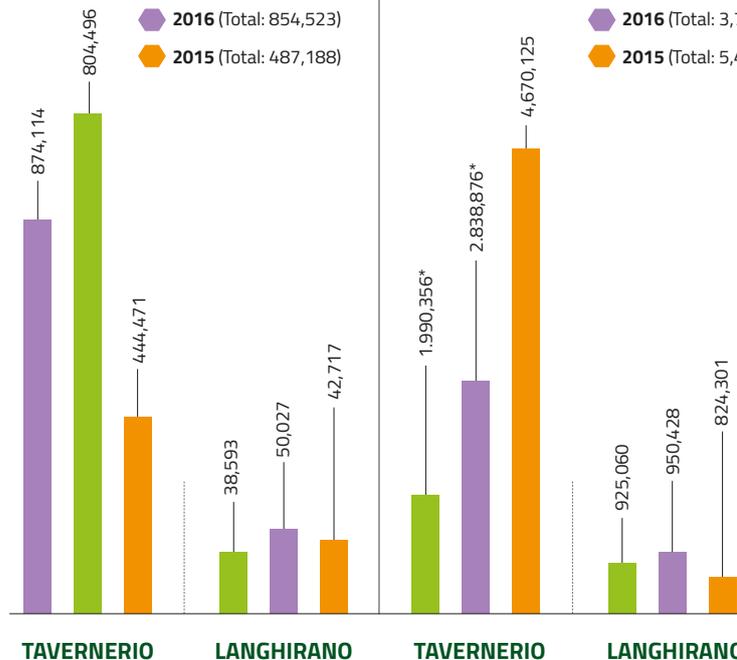
In 2017 our consumption of natural gas rose slightly on the previous year, when the cogenerator at the Tavernerio production facility became fully operational.

Over the next few years an energy efficiency programme will be implemented at the Langhirano production facility.

NATURAL GAS

values in m³

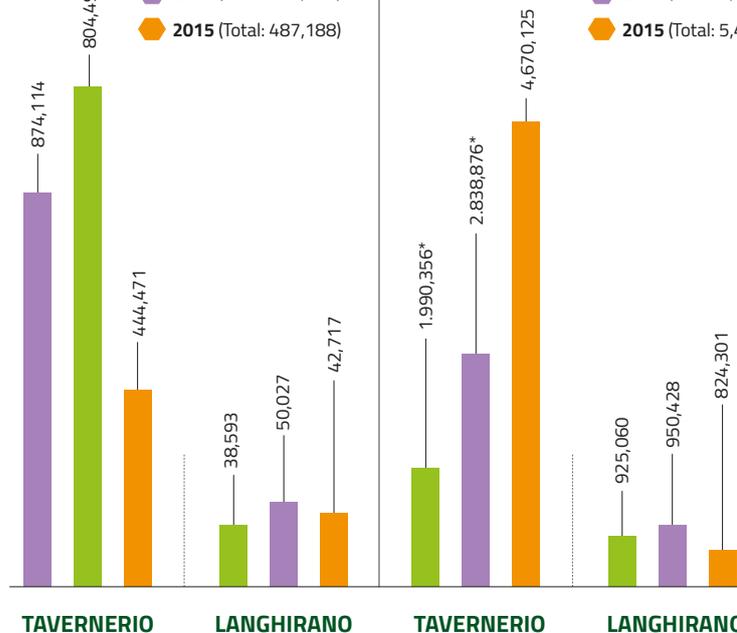
- 2017 (Total: 912,707)
- 2016 (Total: 854,523)
- 2015 (Total: 487,188)



ELECTRICITY

values in kWh

- 2017 (Total: 2,915,416)
- 2016 (Total: 3,789,304)
- 2015 (Total: 5,494,426)



*Consumption net of electricity produced by the cogenerator. More details on electricity consumption are given in the Annex.

Greenhouse gas emissions

In 2017 a total of 2,730 t of CO₂eq were emitted. This figure includes:

- the company's internal direct and indirect emissions;
- the company's external direct emissions generated by the transportation of incoming raw materials.

GHG EMISSIONS

values in tCO₂eq

	2017	2016	2015
DIRECT GHG EMISSIONS - SCOPE 1			
Natural gas	1,693	1,586	899
Transport diesel	61	67	89
Petrol	7	6	10
INDIRECT GDG EMISSIONS - SCOPE 2			
Electricity	942	1,210	1,813
INDIRECT GHG EMISSIONS - SCOPE 3			
Transportation of incoming raw materials	26	25	27
EMISSIONS INTENSITY			
Total emissions/t meat processed	0,654	0,689	0,741

Water

Water is a very important commodity for us, both as an ingredient for our products and an essential resource for our production process.

We use water from the public network at our production facilities.

Our water consumption was higher than in 2016 as we adopted new product processing technologies.

WATER CONSUMPTION

values in m³

CONSUMPTION	2017	2016	2015
Tavernerio (CO)	65,823	46,237	37,358
Langhirano (PR)	6,735*	5,800*	4,436
Total	72,558	52,037	41,794
DISCHARGED INTO SEWERS	2017	2016	2015
Tavernerio (CO)	34,000	42,684	31,498
Langhirano (PR)	5,011*	3,444*	2,721
Total	39,011	46,128	34,219

*Refers to the period January — September.

Waste

Most of the waste we produce comes from processing our products (sludges); it is non-hazardous waste which is disposed of by third parties.

We separate our waste into paper and cardboard, plastic, metals and ferrous materials.

WASTE PRODUCTION

values in kg

DESCRIPTION	2017	2016	2015
SLUDGES	243,480	268,350	281,870
PAPER AND CARDBOARD	29,160	29,000	24,640
PLASTIC	2,090	1,650	-
FLUORESCENT TUBES	70	-	90
IRON AND STEEL	7,330	32,070	12.630
MIXED PACKAGING	126,340	112,720	70,780
WASTE OILS	770	1,042	560
LEAD BATTERIES	-	-	620
NICKEL BATTERIES	-	-	75
DISCARDED EQUIPMENT CONTAINING HAZARDOUS COMPONENTS	-	110	-

CORPORATE RESPONSIBILITY

Our employees

Guaranteeing health and safety in the workplace is one of our main responsibilities. For this reason, we encourage the professional growth of our employees by implementing practices and behaviour aimed at safeguarding these two aspects.



We prefer stable, long-lasting working relationships, so all our employees have permanent, national employment contracts.

2017

Employees as of 31/12 classified by professional category and type of contract

Position	Total	Of whom		Total	Of whom part-time	
		Women	Men		Women	Men
Directors	1	0	1	0	0	0
Officers	9	2	7	1	1	0
White-collar workers	17	10	7	4	3	1
Blue-collar workers	81	16	65	3	0	3
Total	108	28	80	8	4	4

Our suppliers

The Fumagalli Industria Alimentari supply chain is made up almost exclusively of Italian suppliers located in the area near its production facilities (Lombardy and Emilia-Romagna).

All our suppliers of products and services, with the exception of those chosen personally by company management, are assessed to check they conform with mandatory regulations and the quality, legal and safety standards set by Fumagalli.



At the end of 2017 we actively involved our suppliers by asking them to fill in an online questionnaire. The aim was to discover what they thought of our company's position on sustainability and find out how they dealt with the issue of sustainability in their own companies.

We analysed the results of the questionnaire and discovered that the Fumagalli Charter of Values is shared and approved of by our suppliers and that the aspects which have most resonance with them are legality (80%), correctness (76%) and trust (70%).

It also emerged that we need to add the following elements to our list of values:

- Tradition
- Environmental responsibility
- Sustainable development in synergy with all our stakeholders.

OUR CHARTER OF VALUES

shared with our suppliers



IMPORTANCE OF ACTIVITIES

corporate policies regarding social and environmental accountability



Relations with the local communities

Our company has close ties with the local area and has always been mindful of the needs of the community. In fact, it is important to note that the company has never been involved in any activities which have had a significant negative impact on the local communities.

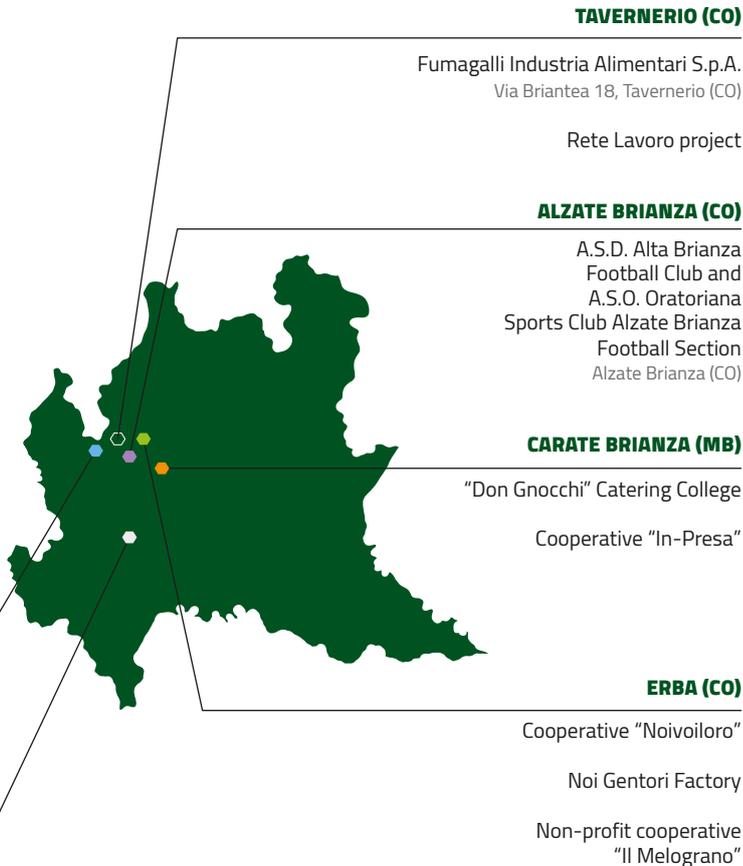
In 2017 we continued to work closely with the Municipality of Tavernerio, local cooperatives and schools.

COMO

Istituto Tecnico Economico
"Caio Plinio"

MILAN

University of Milan



PRODUCT RESPONSIBILITY

Our products



- **BIO ORGANIC**

The range of organic products was widened (bresaola, speck, diced bacon, organic mini Milano salami 200 g, organic sliced salami 50 g).

- **FUMAGALLI SELECTION**

50 g trays of Milano salami and spicy salami pre-sliced at 45° were added to the range

- **LEGGERI SENZA PENSIERI**

A range of low-fat products will be launched. The following products will be available: cooked ham (only 2% fat), dry-cured ham (- 65% fat), Milano salami (- 40% fat), sliced pork loin and pork loin chips (40% protein).



ANIMAL WELFARE

FLAGSHIP PRODUCTS

- **ANIMAL WELFARE**

This range was created in 2016 to reiterate the added value which makes Fumagalli products so unique and convey it more directly to customers

Certifications

Our objective is to continuously improve both customer and consumer satisfaction so we have organised and manage:

- a quality management system based on the principles set out in UNI EN ISO 9001:2015;
- a self-inspection corporate programme based on the HACCP principles, in compliance with current legislation;
- certification with reference to the IFS (International Food Standard) at a level not below its Higher Level with a score > 97%; audits are carried out with the unannounced audit system;
- a food safety management system for sliced products, with reference to UNI EN ISO 22000:05 (Langhirano production facility);
- a production supply chain with reference to UNI EN ISO 22005:07 (Langhirano production facility);
- a control and management system for production with reference to the BRC Global Standard for Food of the different production sites at a level no lower than "grade A" of the standard;
- a range of organic products, in compliance with Regulation (EC) 834/07;
- a range of protected products, in compliance with Regulation (EC) 510/06 (PDO, PGI products).



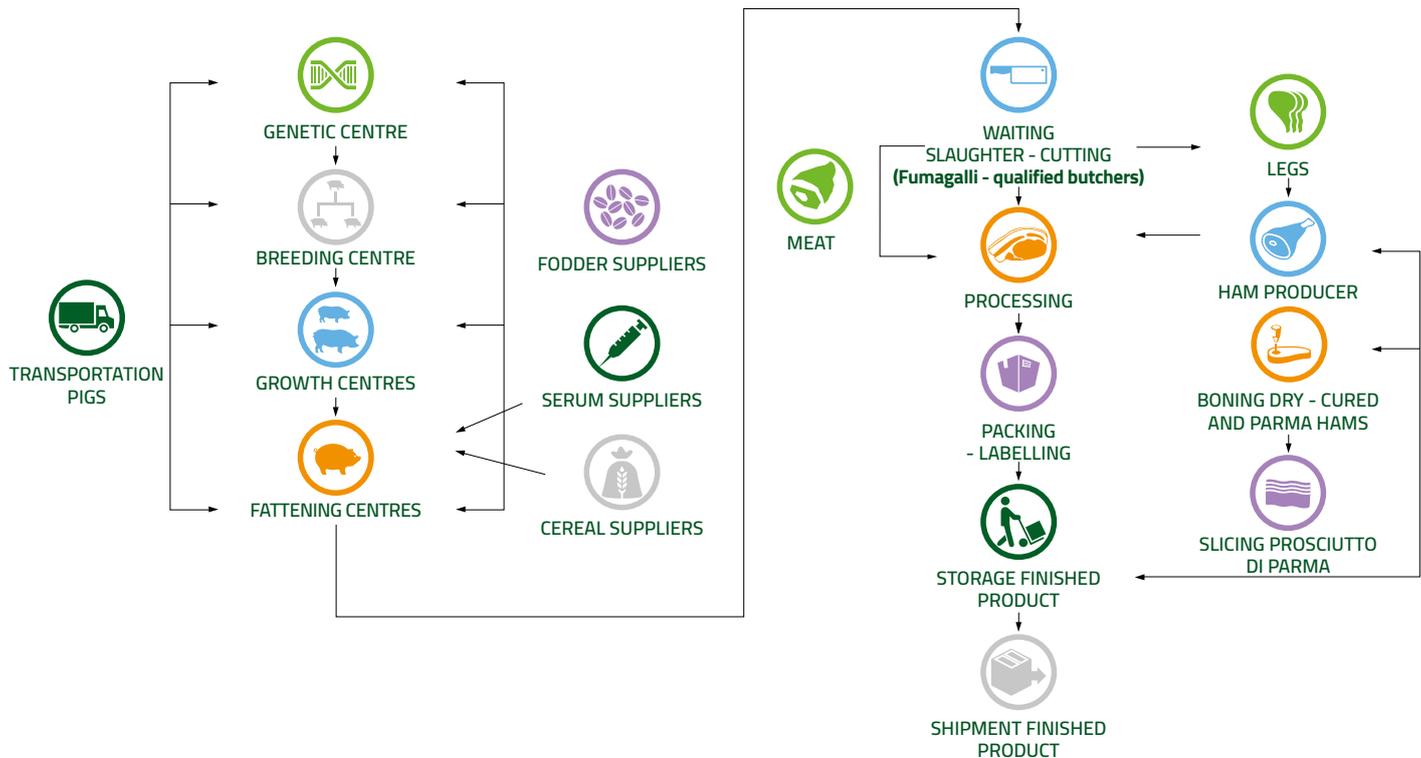
A top quality sustainable supply chain

Fumagalli Industria Alimentari coordinates and controls all the stages in its production process: from breeding to slaughtering, from the transformation of the meat to curing.

This system is one of just a few in Europe: the single system manages and controls all stages of the production process, it is 100% computerised and integrated and guarantees complete transparency of the traceability of products in the **"Fumagalli controlled supply chain"**.

Fumagalli:

- has its own genetic nucleus (breeding and fattening centres),
- monitors its pigs' feed,
- applies the best animal welfare conditions,
- is attentive to issues concerning environmental impact



Our control network

In order to ensure the continuous improvement of our management system and guarantee customer and consumer satisfaction, our products, production facilities and everyone involved in our supply chain are continuously monitored.

HEALTH AND SAFETY ARE GUARANTEED BY

TRACEABILITY

Total traceability of animals' feed

PROTECTION AGAINST DISEASE

The animals are protected against the most harmful diseases (vesicular, Trichinella, etc.) and this enables us to use fewer antibiotics



BIOSECURITY

The breeding farms, for example, are fenced off to keep contamination between the animals to an absolute minimum

We have analysed our Non-Compliances (NC) as we did in our 2016 Sustainability Report, dividing them into:

- NC detected and managed by Fumagalli during production;
- NC attributed to suppliers who failed to comply with the standards agreed upon;
- NC reported by customers in finished products in commerce;
- NC regarding the safety of workers in the workplace;
- NC reported by third-party bodies (vets, certification bodies).

MANAGEMENT OF NON-COMPLIANCES

Type	2017	2016	2015
Production	44	21	81
Suppliers	24	18	31
Customers (complaints and returns)	19	10	24
Worker safety	0	0	13
Third parties	24	37	n.d.
Total	111	86	149

MICROBIOLOGICAL NON-COMPLIANCES

Type	2017	2016	2015
Total	5	6	10
Finished product	0	1	5

FUTURE NON-COMPLIANCE OBJECTIVES



PRODUCTION FACILITY TAVERNERIO



PRODUCTION FACILITY LANGHIRANO

10% reduction	non-compliances reported by customers	30% reduction
10% reduction	non-compliances reported by external control bodies (mandatory and voluntary)	10% reduction
20% reduction	internal non-compliances (failure of workers to observe company standards)	10% reduction
/	ratio between external non-compliances (complaints and returns by customers + non-compliances detected by mandatory and voluntary third-party control bodies) and internal non-compliances (production process + control of suppliers)	Not above 1

Animal welfare



At our breeding centres which we own, or directly control, we guarantee animal welfare, implementing policies which can improve our pigs' lives.

As regards our breeding centres, over the years we have continued to respect the golden rules of Fumagalli's animal welfare:

- 1 - Spaces larger than those required by EEC regulations
- 2 - Bedding in manipulable material
- 3 - Antibiotics only when necessary
- 4 - No mutilation
- 5 - Top quality, controlled diet
- 6 - Total traceability.

Throughout 2017 we worked to improve our standards and meet new animal welfare targets:

- 75% of sows live on straw bedding
- 60% of inseminations occur in pens with freedom of movement
- 28% of farrowing crates are open
- 56% of pigs between 7 and 30 kg grow on straw bedding
- 20% of pigs spend their entire life on straw bedding.

In 2017 growth hormones and promoters continued to be banned from our supply chain and we used 20% fewer antibiotics and anti-inflammatory drugs than in 2016.

Our animal welfare process, which began in 2000, led us to our collaboration with the non-profit association CIWF Onlus in 2014.

In 2015 we received a GOOD PIG Commendation and in 2016 we reached the highest possible standard, winning the GOOD PIG award.

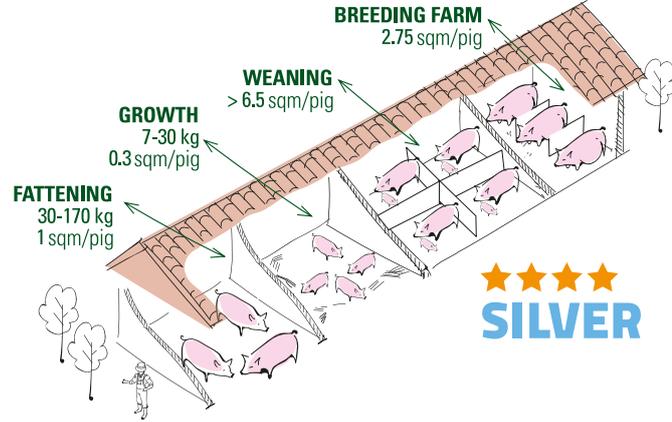
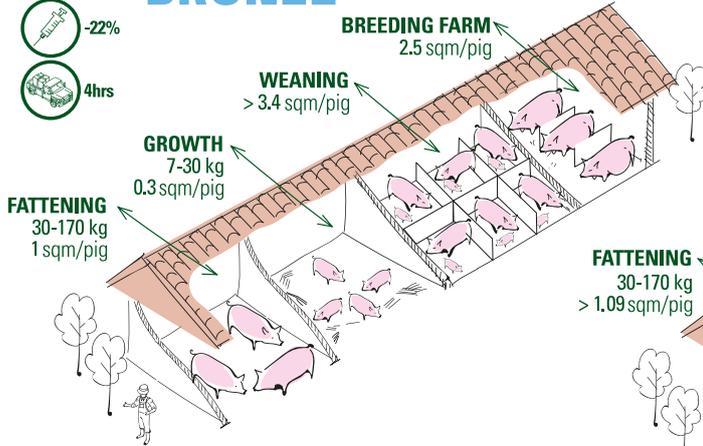
In 2017 two of the company's breeding farms were chosen by the European Commission to make a video illustrating a more ethical way of raising pigs to pig farmers in the EU.



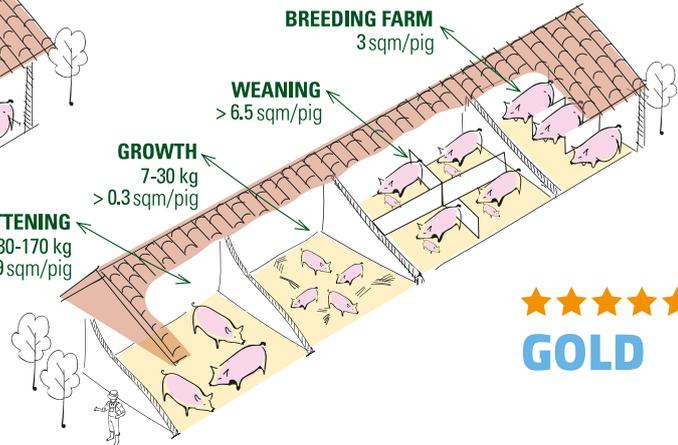
Animal welfare in our breeding centres

-  
-  -22%
-  4hrs

★★★★
BRONZE



★★★★★
SILVER

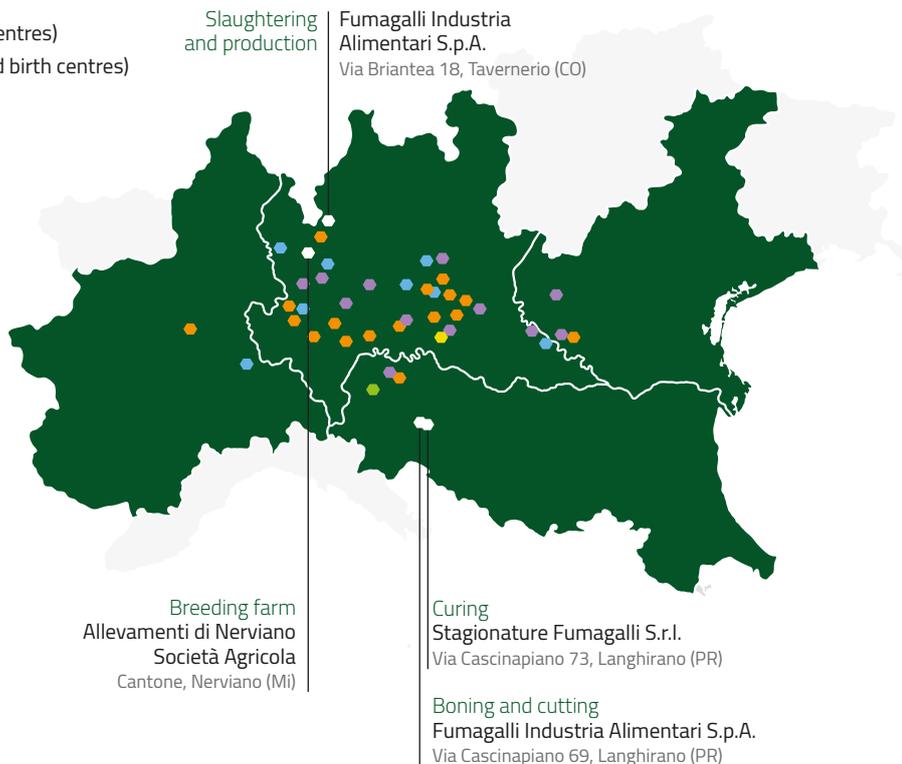


★★★★★★
GOLD

- 
- 
- 
-  25days
-  -22%

- 
- 
- 
-  25days
-  -22%
-  4hrs

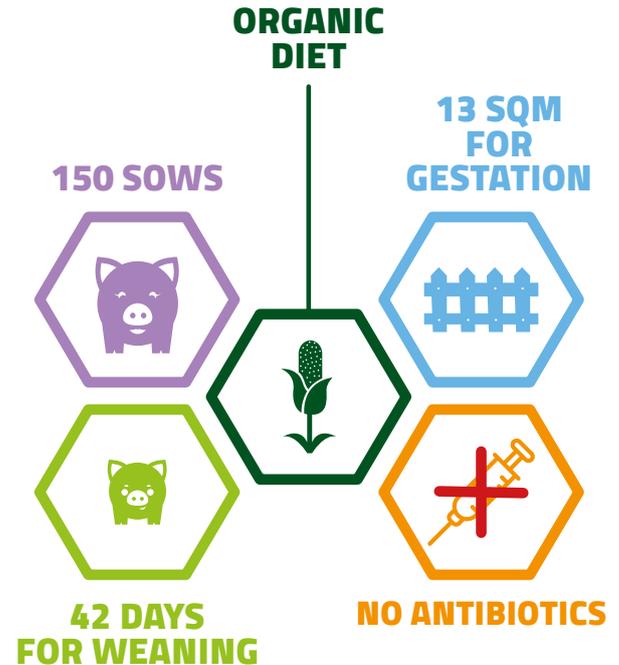
- Breeding farms (genetics and birth centres)
- Organic breeding farms (genetics and birth centres)
- Growth centres
- Organic growth centres
- Fattening centres
- Organic fattening centres



Organic Range

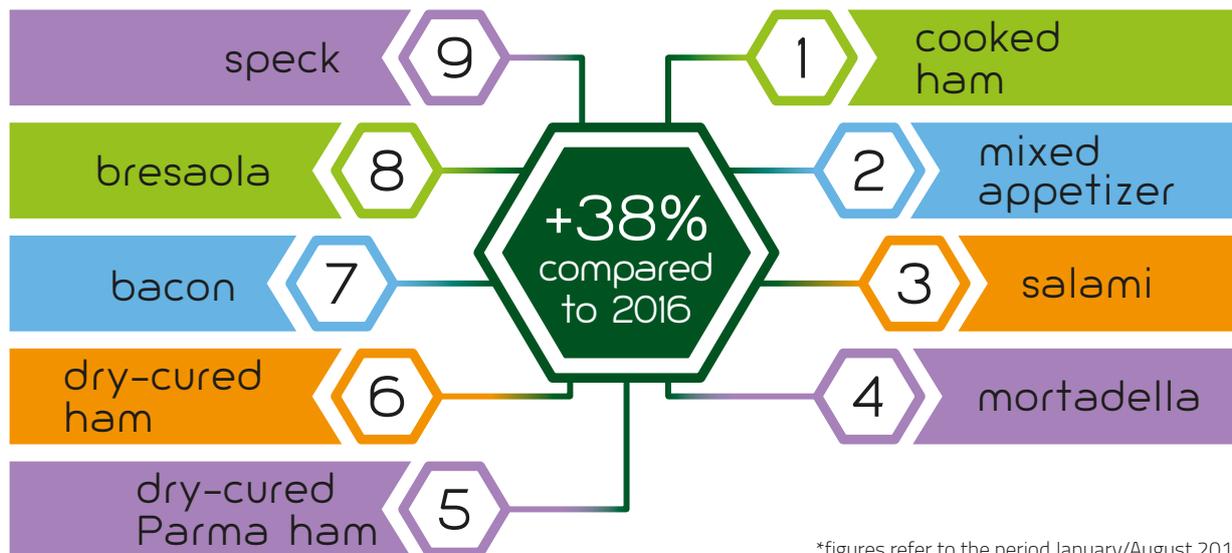
Fumagalli has its own organic breeding farm since August 2017.

Our organic cured meats are certified by Bioagricert, an independent technical certification and control body established in 1984 and recognised by the Ministry for Agriculture and Forestry Policies in 1993 as the authorised body in Italy for the control and certification of organic products.



ORGANIC PRODUCTS

best sellers*

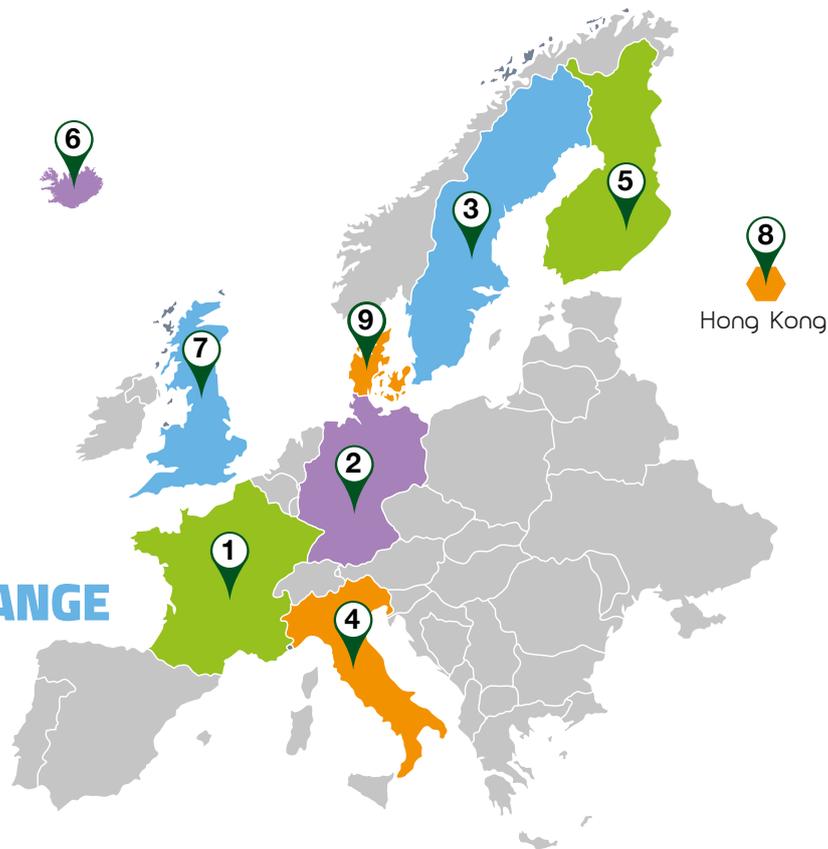


*figures refer to the period January/August 2017

INTERNATIONAL SALES

where we sell most organic products*

- 1 - FRANCE
- 2 - GERMANY
- 3 - SWEDEN
- 4 - ITALY
- 5 - FINLAND
- 6 - ICELAND
- 7 - UNITED KINGDOM
- 8 - HONG KONG
- 9 - DENMARK



PRODUCTION ORGANIC RANGE

values in kg

2017	2016	2015
54,107.52	46,069.74*	39,943.30

*The figure for 2016 has been corrected

Strategic objectives



Layout and graphic design:


immaginate
studio di comunicazione
info@immaginate.com

Methodological support
and texts written by:


AzzeroCO₂
il clima nelle nostre mani
info@azzero2.com



fumagalli