Isagro S.p.A.
A company directed and coordinated by Holdisa S.r.l.
THE ENVIRONMENT, A RESOURCE TO BE PROTECTED

Our ambition: to constantly improve production

Use of raw materials
Energy consumption
Atmospheric emissions
Management of water resources
Waste management
Safeguarding biodiversity
Main risk factors and their management

THE TERRITORY

Our positive impact on communities
Economic value generated and distributed
Our suppliers
Isagro in the community
Main risk factors and their management

INNOVATIVE SOLUTIONS

We discover new active ingredients
Innovative research
Impact on agricultural development
Product safety and quality
Marketing and labeling
Relations with institutions
Main risk factors and their management

APPENDIX

Methodological note
Annexes
GRI Content Index
External assurance
Chairman

The presentation of this third Consolidated Non-Financial Report allows me to renew and share my reflection on the relationship between Sustainability and Innovation and how the latter is essentially connected with the former. We are convinced that these noblest of values and metrics used to measure the economic and social effects of our business support greater achievement of economic and social development and the success of the corporate development model. Sustainable innovation is an instrument that enables the company to grow because every one of its products is the result of the careful consideration of its use, functions and the monetary and environmental costs generated throughout its life cycle.

I strongly believe that promoting and maintaining national and international alliances with research institutes, organizations, and technical and non-technical partners has contributed, and shall continue to contribute, to the development of innovative products created to meet the needs of our stakeholders.

In 2018, Isagro celebrated its 25th anniversary, and the event organized at the Milan Stock Exchange gave me the opportunity to share what I believe to be the strengths contributing to Isagro sustainable development. Development that, together with a culture of alliances, generates highly environmentally compatible new products.

This approach is adopted daily in all our activities and, in particular, in the search for new molecules and solutions for agriculture that combine consolidated chemical research and development skills with an increasingly low environmental impact, such as Biosolutions, establishing the frontiers of sustainability. I believe that biosolutions continue to represent a pillar of the Isagro model development project as an adequate expression of integrated pest management, that is, the synergistic union between chemically-produced...
agrochemicals and bioproducts to preserve and strengthen crops, confronting the food emergencies in vast areas of our planet and other serious problems, in the name of health for humans, plants and the environment.

We consider sustainability an essential prerogative to guarantee the stability of an ecosystem, that is, the ability to create well-being and progress, paying increasing attention to the economic, social, environmental and governance impacts in the process. Annual reporting of non-financial data gives us ever-increasing awareness of social and environmental topics that have always played a role in guiding the development of our Group’s business.

The opportunity to fulfill this regulatory requirement therefore allows us to integrate the summary of the indicators of the company’s economic and financial situation with a representation, based on the principles of transparency and objectiveness, of the impacts that our strategic model has on our internal and external setting and how the needs and expectations of the stakeholders influence its development. This approach is also one of the main foundational principles of the Group code of ethics, which identifies maximum protection of the available resources as a top-priority requirement for investment in any business development. Our long-standing membership of the Federchimica Responsible Care program is also a tangible expression of our excellent Sustainability performance. In addition to this, we have achieved a Gold medal in recognition of our EcoVadis CSR (Corporate Social Responsibility) Rating from EcoVadis, an organization that measures the Group environmental performance, labor practices and human rights, corporate ethics, and responsible procurement.
The Group

- **634 Employees**
- **5 Plants**: 4 in Italy and 1 in India
- **80 Countries** in the Distribution Network
- **14 million euro** EBITDA
- **152.8 million euro** Revenue
- **12.3 million euro** Spending on Research, Development and Innovation
ISAGRO
Isagro, innovation for the health of crops

WHO WE ARE
Isagro is a Group operating globally in the agropharmaceuticals and biostimulants market, offering solutions for protection and nutrition of crops and investing in the discovery of new molecules and active ingredients with lower environmental impacts. Its business model is founded on the discovery of new molecules with the goal of commercialization through contracts with third-party developers. The Isagro Group operates with a single business model in the industry of agrochemicals, acting as supplier of innovative products created from its own research and through contracts with third parties that define the assignment of rights for development and monetization of the Group intellectual property. Through this strategy, while limiting its involvement in development, a sector distinguished by high investment requirements and medium-long-term management goals, with time-to-market between 10-12 years, the Group is able to play an active, primary role in initial research, where high-level technical knowledge is required. During the course of its history, Isagro has developed a process of expansion that led in 2018 to its presence in the main world markets, with production plants in Italy and India and companies on all continents, as can be seen from its structure at December 31, 2018:

GROUP STRUCTURE
March 2019*

Isagro also operates in:
• AUSTRALIA
• CHILE
• MEXICO
• SOUTH AFRICA
with locally registered companies

*Bisagro Poland and Bisagro Singapore in liquidation

22% of the Italian company Arterra Bioscience is owned by Isagro
The Ordinary Shares of Isagro S.p.A. have been listed on the Milan Stock Exchange since 2003 and on the STAR - High Requirement Security Segment - since 2004.

As of December 31, 2018, the share capital of Isagro S.p.A. amounted to € 24,961 thousand, fully subscribed and paid up, and comprised 24,549,960 Ordinary Shares and 14,174,919 Growth Shares.

Growth Shares are an innovative category of special shares, specifically conceived for companies with a parent company, that ensures the non-contestability of business control and, therefore, the continuity of the entrepreneurial project.

The main characteristics of this category of shares are:
- the absence of voting rights;
- an “extra dividend” with respect to the Ordinary Shares, defined, on a case-by-case basis, by the By-Laws of the issuer (20% in the case of Isagro S.p.A.);
- the automatic conversion into Ordinary Shares at a ratio of 1:1, thereby acquiring full voting rights, when it becomes financially relevant for the investor to hold Ordinary Shares, or in all cases of loss of control and/or mandatory takeover bid, therefore guaranteeing equal treatment of all investors.

In 2018 the Group defined a new guiding message based on its new business goals. This message represents an entire system of values underlying the Group’s corporate identity, to which all employees must aspire.

**PURPOSE & VISION**
We contribute to the sustainability of agriculture worldwide by delivering diverse, innovative solutions through intensive partnerships across the value chain

**MISSION**
To stand as a global independent originator by generating long-term profitable growth

**PILLARS**
- Diversity
- Innovation
- Partnership
- Hpo

**VALUES**
- Listening
- Courage
- Transparency
- Enjoyment
- Impact
Isagro is founded through a management buy-out.

Isagro becomes a joint Stock Company; Isagro Ricerca is founded.

Isagro acquires the agrochemical business branch of Caffaro including the Galliera Research Center and the agrochemical business branch of RPG (India).

The first Group plant achieves ISO 14001 certification.

Isagro is admitted to the STAR segment of the electronic stock exchange.

The Bussi sul Tirino plant is put into operation.

Acquisition of partial ownership of the Novara Research Center.

The Adria plant obtains EMAS registration.

The Group significantly revises its distribution activity.

Isagro is listed on the Borsa Italiana electronic stock exchange.

Isagro Ricerca merges with Isagro.

Isagro receives gold evaluation from ECOVADIS for overall sustainability.

Launch of the HPO project: establishment of the new Mission.


A new Research Center is inaugurated in Novara.
THE ISAGRO GROUP

OUR PRODUCTS AND BIOSOLUTIONS

The Isagro Group operates with two business lines, both based on Research and Development activities: Agrochemicals and Biosolutions. The Group invests a great deal in Research, Development, and Innovation, with a view to strengthening its markets by producing new molecules and solutions for protecting crops worldwide (see Chapter 5 for further details).

**Agrochemicals**

**FUNGICIDES**
Fungicides are products used to combat pathogenic fungi. They represent a strategic segment for the Group, which has always invested and continues to invest a large part of its resources in Research, Development, and Innovation to ensure their development, with a view to enhancing its range of products and therefore increasing its market shares. Fungicides are sold mainly in Brazil, Italy, United States, France, Spain, Eastern Europe, Russia and the Middle East.

**INSECTICIDES**
Insecticides are used to control insects that damage crops and are classified according to their mechanism of action. They are sold mainly in Europe, India, South Africa and Cuba.

**MICROORGANISMS**
This category includes agrochemicals based on microorganisms. The main markets for this product are currently Italy and Spain. The Group product on the market contains the microorganisms Trichoderma gamsii + Trichoderma asperellum and is manufactured entirely at the Novara plant.

**FUMIGANTS**
Fumigants are a category of agrochemicals that perform their function by ridding the soil of weeds, pathogenic fungi, worms and parasitic insects, therefore ensuring optimal development of the crops subsequently sown or transplanted in it.

**Biosolutions**

Since its foundation, Isagro has worked on integrated pest management. This agronomic defense technique uses alternative methods with reduced environmental impacts, limiting the use of agrochemicals. Biosolutions represent an area of rapid growth globally and include solutions using living organisms or their byproducts to combat damaging organisms, also through the use of industrial processes that artificially reproduce such effects. Pheromone traps for mass trapping and monitoring, pheromone dispensers for sexual disorientation, microorganism-based agrochemicals, and natural biostimulants compose a portfolio of lines dedicated to environmentally sustainable agriculture, in line with EU Directive 128/2009.

**BIOSTIMULANTS**
Biostimulants are products used on all crops and can modify the metabolic and enzymatic processes of plants to improve their productiveness and quality or resistance to biotic and abiotic stresses.

**PHEROMONES**
Pheromones are synthesis analogues of messenger molecules and are used in traps to monitor the presence of insects or in specific dispensers to prevent damage to crops.
OUR CUSTOMERS

The Isagro Group, and particularly the Parent Company, performs market analysis and prepares marketing plans in support of product sales. It develops positioning strategies, examining sales potential and introduction or expansion of certain products or new formulations in specific sectors.

By adopting a hybrid approach to the market, in most countries where the Group operates, the operating model requires the creation of alliances with national and regional distributors, while there are direct sales in Brazil, Colombia, India, Spain, and the USA.

From 2019, the Group has resumed direct distribution in Italy for integrated organic farming solutions.

The types of customers include distributors on a national level, agricultural cooperatives, farming consortia, wholesalers and farmers.

THE GROUP PLANTS

The Isagro Group has five production plants, each of which has its own specific features. Four of the plants are in Italy: Adria (RV), Aprilia (LT), Bussi sul Tirino (PE), and Novara. The fifth plant is in Panoli in the state of Gujarat, India.

All fields of activity at each Isagro Group site are regulated by a Quality Management System whose purpose is to make the work procedures increasingly safe and reliable, guaranteeing continuously high product quality. All of the plants have obtained ISO 9001:2015 certification, which establishes the requirements for implementing a quality management system within an organization.

Isagro research activity involves another site, the Saggio Galliera Center, an experimental testing center where field tests are performed to determine the biological effectiveness of new active ingredients and formulations.

This center is recognized by the Italian Ministry of Agricultural, Food and Forestry Policies for the production of agronomic efficacy data (GEP) and, together with the Department of Environmental Metabolism and Tracing and the Department of Residue Analysis in Novara, is recognized both by the Italian Ministry of Health and the Italian Ministry of Agricultural, Food and Forestry Policies for official tests on agrochemicals residues.

ADRIA

Synthesis and formulation plant, dedicated to the production of copper-based fungicides.

The Group excellence in environmental management is determined through an ISO 14001 certified Environmental Management System and EMAS Registration. An environmental declaration is published periodically and available for download on the website www.isagro.com, under the section Sustainability. The Adria plant regularly sets environmental performance and environmental staff training targets in order to improve its performance. The plant constantly monitors its environmental parameters, which are well below the threshold limit established under the current legislation.

This plant is equipped with technologies for synthesizing the main copper salts and formulating agropharmaceuticals of straight copper or copper mixed with other active ingredients.

The main formulation technologies available at the production site are:
● Wettable powders (WP);
● Water-dispersible granules (WDG);
● Concentrated suspensions (paste) (SC).

**APRILIA**

Plant dedicated to the formulation and packaging of agrochemicals products, as well as logistics (reception, stocking and shipping).

No chemical reactions or synthetic processes are performed at the plant. The active ingredients and co-formulants used for the formulations reach the plant by road transportation.

The agrochemicals products handled are:

- Wettable powders (WP) (also packed in water-soluble packages, both for conventional farming and for organic farming);
- Water-dispersible granules (WDG) (packaging);
- Granular products (GR);
- Solvent-based liquids (EC);
- Concentrated suspensions (paste) (SC);
- Water-based liquids (EW);
- Liquid fertilizers and biostimulants (organic farming).

The plant has an excellent environmental performance, using technologies and resource management systems that enable particularly low levels of environmental impact. In addition to this, an energy diagnosis study has been conducted with a view to optimizing the use of electrical and thermal resources. In 2015, odor abatement components were installed on the system and a systematic and specific staff training program was implemented to reduce the risks in the surrounding environment.

**BUSSI SUL TIRINO**

This plant is dedicated to the synthesis of the active ingredient of Tetraconazole, starting from what is produced at the Indian plant in Panoli. In 2015, the plant received a large investment to build a cryogenic condensation plant that enabled the emission of volatile organic compounds to be reduced significantly and the raw material to be reused.

**NOVARA**

Categorized as a Organic Product Unit, this plant is dedicated to producing formulations using natural microorganisms.

In operation since 2006 and almost entirely free of significant gaseous emissions, the plant can serve both the agricultural and the environmental markets. Since 2015, the plant has been integrated into the New Research Center area, whose mission is to identify new active ingredients, develop products to be registered for commercial purposes and defend the products registered to maintain their commercial utility.

**PANOLI**

The Panoli plant synthesizes the most important active ingredients manufactured by the Group and produces intermediates for subsequent use at other plants. The site also includes the Process Research Center.

Over time, the plant has developed a consolidated environmental management strategy, which is fundamental to numerous projects, such as the “Zero Wastewater Project” for a complete overhaul of the liquid effluent treatment systems. The Corporate Management System is certified under ISO 14001:2015 and OHSAS 18001:2007. Isagro Asia has also obtained accreditation for chemical analyses at the plant in compliance with the ISO/IEC 17025:2005 standard from the National Accreditation Board for Testing and Calibration Laboratories (NABL).
The Panoli plant synthesizes the most important active ingredients manufactured by the Group and produces intermediates for subsequent use at other plants.

**IN ITALY**

**Adria (Rovigo)**
Synthesis and formulation plant, dedicated to the production of copper-based fungicides.

**Novara**
As an Organic Product Unit, this plant is dedicated to the production of formulations using natural microorganisms.

**Aprilia (Latina)**
Plant dedicated to the formulation and packaging of agrochemicals products, as well as logistics (reception, stocking and shipping).

**Bussi sul Tirino (Pescara)**
This plant is dedicated to the synthesis of the active ingredient of Tetraconazole, starting from what is produced at the Indian plant in Panoli.

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**Distribution through the distribution networks of third parties**

With regard to the distribution of proprietary products via the networks of third parties, the marketing strategy varies according to the type of product. In fact, most agrochemicals products owned by the Group are marketed through Partners, distributors belonging to multinational groups and distributors not belonging to multinational groups (or independent distributors). Non-partner distributors are chosen on the basis of the efficiency of the sales organization, the coverage of the area and the presence of a complementary product portfolio with respect to the Group proprietary products.

**Partner distributors**
The partners handle the exclusive or non-exclusive distribution of the Group products in countries in which they are present with their own direct sales organizations, receiving both technical products (i.e. active pharmaceutical ingredients) to be formulated subsequently and packaged locally, and unpackaged formulations to be packaged locally.
The Panoli plant synthesizes the most important active ingredients manufactured by the Group and produces intermediates for subsequent use at other plants.

**Distributors belonging to multinational groups**

Distributors belonging to multinational groups represent an important marketing channel above all for the lines of copper-based products and pyrethroids, in that they guarantee high market shares and therefore greater sales volumes due to their efficient distribution networks and a complete product portfolio.

**Distributors not belonging to multinational groups (or independent distributors)**

These distributors, chosen on the basis of the efficiency of their sales organization, the coverage of the area and the presence of a product portfolio complementary to the Group products, receive from the Group both finished products and unpackaged formulations to be packaged locally, according to the suitability and availability of local structures.
Organizational structure and corporate values
Isagro is aware of the importance of an effective and efficient Corporate Governance system in achieving business objectives and creating sustainable long-term value. Principles, rules and standards that govern decision-making processes and guide business are also useful tools for guaranteeing solid and transparent control and monitoring of company performance.

Isagro has adopted a traditional management and control model, consistent with the provisions of the Borsa Italiana (Corporate Governance Code), which the company has followed since 2003, along with relative best practices. Company management is therefore assigned to the Board of Directors, supervisory duties to the Board of Statutory Auditors, and independent auditing of the accounts, as well as accounting itself, to the Independent Auditing Firm appointed by the Shareholders Meeting. Furthermore, a system of mandates and proxies has been defined, with the aim of guaranteeing the division of roles and powers and to improve regulatory compliance flows and processes. This represents a management, monitoring and supervisory tool under the terms of Italian Legislative Decree no. 231/2001.
SHAREHOLDERS MEETING

The Shareholders Meeting is the Body that defines and expresses the wishes of the shareholders, which are then implemented by the Board of Directors. Among its most important duties, the Shareholders Meeting, composed of Isagro shareholders, selects the Board of Directors and the Board of Statutory Auditors, and approves the Separate Financial Statements and the Consolidated Non-Financial Report.

BOARD OF DIRECTORS (BOD)

The Board of Directors is the Administrative Body responsible for managing the Company, with the exception of those duties assigned to the Shareholders Meeting, and is responsible for strategic and organizational direction of the Group Companies and approving strategic, industrial and financial plans, periodically monitoring performance. It also defines the Group Corporate Governance system and structure.

The BoD is also called to guarantee sustainable medium-long term growth, including among its evaluations all elements that may be significant through an appropriate risk auditing and management system. In order to achieve these objectives, it guarantees maximum transparency in relation to the market and investors, taking into consideration any significant changes in business forecasts and any risk to which the Company is exposed. Among its other responsibilities, it defines the annual Compensation Policy for Directors and Key Management Personnel. This Policy establishes a compensation system with corporate values and consistent with legislation and stakeholder expectations. Within this context, the following goals exist:

- to provide a compensation system, based on the principles of fairness and merit, that is effective not only in attracting new personnel, but also retaining all existing personnel who, based on their high-level professional skills and qualities, achieve successful management and operation within the Company;
- to motivate personnel to achieve increasingly challenging performance goals with the aim of continual improvement through an incentive system.

The current Board of Directors, in office for the three year period of 2018-2020, was designated by the Shareholder’s Meeting on Tuesday, April 24, 2018 and consists of 11 members, with four members to meet gender quotas.

In line with the Corporate Governance Code, within the Board of Directors, an Appointments and Compensation Committee and a Control and Risk Committee have been formed, the name of the latter having been amended via resolution of the Board of May 10, 2018, to the new name Control, Risk, and Sustainability Committee. The roles, composition and function of the various Committees is defined by specific Regulations, entirely adopting the principles and criteria established by the most recent edition of the Borsa Italiana Corporate Governance Code.

Following renewal of corporate appointments, Isagro has organized an induction course, structured in multiple sessions, with the goal of providing all Directors and Auditors with sufficient knowledge of the Company and the sector in which the Group operates, its products, its structure, corporate dynamics and their development, principles of proper risk management and the relative regulatory framework. Each newly appointed Director is provided with all Codes, Regulations and the Report on Corporate Governance and Ownership Structure.

COMPOSITION OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Non-Independent Director</th>
<th>Independent Director</th>
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<tbody>
<tr>
<td>Giorgio BASILE</td>
<td>Maurizio BASILE</td>
</tr>
<tr>
<td>Roberto BONETTI</td>
<td>Silvia LAZZERETTI</td>
</tr>
<tr>
<td>Margherita ZAMBON</td>
<td></td>
</tr>
</tbody>
</table>

Chair and CEO: Roberto BASILE
Deputy Chair*: Enrica Maria GHIA
Lead Independent Director: Marcella LOGLI
Giuseppe PERSANO ADORNO
Erwin RAUHE
Angelo ZACCARI

Directors by age bracket and gender as of December 31, 2018

- Men 30-50: 2
- Men 51-70: 4
- Men > 70: 1
- Women 30-50: 2
- Women 51-70: 2

*and Director appointed to the internal control and risk management system
ADMINISTRATIVE BODY DIVERSITY POLICIES

Isagro believes that the Board must include a combination of professional qualities and broad managerial skills combined with satisfaction of diversity criteria. The Board of Directors currently reflects this principle, with directors of differing ages, genders, and professional backgrounds.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is the independent Body responsible for supervising observance of the law and the Company By-Laws, compliance with principles of proper management and suitability of the organizational, administrative, and accounting structure adopted by the Company. The Board of Statutory Auditors also monitors the efficiency of internal control and auditing systems, independent auditing of annual separate and consolidated accounting and the independence of the Independent Auditing Firm.

The Board of Statutory Auditors, appointed by the Shareholders Meeting on April 28, 2016, has five members and will remain in office until the Shareholders Meeting called to approve the financial statements for the year ending December 31, 2018.

All members of the Board of Statutory Auditors possess the eligibility, reputational, and professional requirements defined by law. Furthermore, the Statutory Auditors are selected from individuals considered independent as defined by the provisions of the Corporate Governance Code.

INDEPENDENT AUDITING FIRM

This is an external body, selected by the Shareholders Meeting, appointed to independently audit the accounts. For financial years 2012 to 2020, this role has been assigned to the Independent Auditing Firm Deloitte & Touche S.p.A.

SUPERVISORY BODY

The Supervisory Body is appointed by the Board of Directors to monitor the effectiveness and observance of the Organizational Model, established in accordance with Italian Legislative Decree no. 231/2001, and to keep it updated. On May 2, 2018, the Board of Directors confirmed the appointment of the Supervisory Body with collegiate structure, ensuring the independence, autonomy, professionalism, and continuity of action required by Italian Legislative Decree no. 231/2001. The Supervisory Body of the Parent Group, with the assistance of the Internal Audit department, performs a supporting role in verifying correct application of the Organizational Model and the Group Code of Ethics (presented in the paragraph “Compliance management system”) and management of reporting of alleged or proven violations.

The Supervisory Body prepares semiannual reports for the Board of Directors on activities performed and evidence found during these activities.

For a more complete disclosure on Isagro S.p.A. Corporate Governance system, please see the “Report on Corporate Governance and Ownership Structure”, available in the Governance section of the web site www.isagro.com.

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1 In 2018, a report was made regarding unethical conduct on the part of a manager belonging to a Group company. With reference to this incident, the Human Resources Department—with appropriate notification to the Supervisory Body—promptly adopted the necessary corrective actions.
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Isagro Group, which operates in a complex market, believes that good risk management is a determining factor in guaranteeing stability and balance over time and maintaining lasting relationships with its stakeholders. In this regard, the Group has adopted an “Internal Control and Risk Management System” aimed at identifying the main risks and events that could compromise Group business and evaluating preventive and mitigating actions (please see the specific paragraph below).

This system involves various parties, including:

- **Board of Directors**

- **Directors Appointed to the Internal Control and Risk Management System**
  
  Responsible for planning, implementation, and management. This duty is assigned to the Executive Vice-President of the Company
  
  RESPONSIBLE FOR identifying key company risks, implementing the risk management guidelines defined by the Board of Directors, and verifying their adequacy

- **Control, Risk, and Sustainability Committee**
  
  RESPONSIBLE FOR supporting the BoD assessments and decisions regarding the Internal Control and Risk Management System and sustainability topics connected to Isagro business performance and the dynamics of its interaction with all stakeholders

- **Risk Manager**
  
  RESPONSIBLE FOR guaranteeing, alongside management, that the main risks affecting Isagro are correctly identified, appropriately measured, managed, monitored, and integrated with business management in line with strategic objectives

- **Internal Audit Manager**
  
  RESPONSIBLE FOR systematically verifying the effectiveness and efficiency of the Internal Control and Risk Management System as a whole and reporting to control bodies

- **Company Departments Responsible for Controls to Ensure the Monitoring and Management of Business Risks**

- **Financial Reporting Manager**

- **Corporate Affairs and Legal Department Managers**

- **Board of Statutory Auditors**

- **Supervisory Body**
  
  According to the provisions of Art. 6 of Italian Legislative Decree no. 231/2001

The internal control and risk management system comprises a set of rules, procedures, and organizational structures which, through a suitable analysis of the main risks, enables sound and fair business management consistent with the predefined objectives.
MANAGING THE MAIN RISK FACTORS

Value creation also feeds on effective risk management, which represents a tool for defining the resilience of Isagro in the face of change and adverse events that may impede the Company from achieving expected targets and results. In this context, for continuous improvement of the internal control and risk management system, Isagro S.p.A. has established the Internal Audit and Risk Management departments.

METHODS FOR RISK MANAGEMENT

Isagro has developed its own strategies and pursued its own objectives using a “risk focused on” approach. This approach is a result of the experience gained in the areas of industrial safety and environmental protection, the research processes for new molecules, their development for application, and the identification of new partnership opportunities with other organizations, among other things.

THE INTEGRATED RISK MANAGEMENT PROCESS IS FOUNDATION ON THE FOLLOWING RISK MODELS:

<table>
<thead>
<tr>
<th>Risk category</th>
<th>Key word</th>
<th>ENVIRONMENTAL “inevitable in the short term”</th>
<th>STRATEGIC “connected to strategic objectives”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>MONITOR</td>
<td>AWARE</td>
</tr>
<tr>
<td>GOALS</td>
<td></td>
<td>REDUCE impact in case of event</td>
<td>REDUCE impact and probability in economic/financial terms</td>
</tr>
<tr>
<td>MANAGEMENT MODEL</td>
<td></td>
<td>FORESEE the risk:</td>
<td>SHARING risks on an interdisciplinary basis:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● planning scenarios</td>
<td>● risk assessment</td>
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<tr>
<td></td>
<td></td>
<td>● stress test</td>
<td>● definition of risk appetite/tolerance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● business case, etc.</td>
<td>● KRI control and monitoring</td>
</tr>
<tr>
<td>ROLE OF RISK MANAGER</td>
<td></td>
<td>Assist strategic teams:</td>
<td>● allocation of resources for mitigating risks and critical events</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● planning stress tests/scenarios</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>● forecasting scenarios</td>
<td></td>
</tr>
</tbody>
</table>

According to Isagro specific business situation,
Isagro has developed its own strategies and pursued its own objectives using a “risk focused on” approach. This approach is a result of the experience gained in the areas of industrial safety and environmental protection, the research processes for new molecules, their development for application, and the identification of new partnership opportunities with other organizations, among other things.

**METHODS FOR RISK MANAGEMENT**

**THE MANAGEMENT PROCESS FOR COMPANY RISKS IS STRUCTURED INTO THE FOLLOWING LOGICAL PHASES:**

1. **Evaluation of THEORETICAL risk**
   - through the information acquired during the mapping phase, TO DETERMINE (primarily from a qualitative perspective)
   - THE SIGNIFICANCE OF THE RISK EFFECTS
     - (material and otherwise)
     - AND THE LIKELIHOOD OF OCCURRENCE
     - in the relative time period

2. **Evaluation of RESIDUAL risk**
   - through QUALITATIVE ANALYSIS of the degrees of implementation and effectiveness of the corporate internal control system in order to RE-EVALUATE THE SIGNIFICANCE OF THE RISK in residual terms, and therefore corresponding TO THE EFFECTIVE DEGREE OF CRITICITY

3. **RISK management**
   - divided into three distinct risk models based on the type and characteristics of the critical aspects defined.
   - Each risk evaluated is then ASSIGNED TO A SPECIFIC MANAGEMENT POLICY

4. **OPERATIONAL**
   - "own company profile"

   **AVOID**
   - AVOID/REDUCE economic/financial impact of an event

   **DEFINE:**
   - corporate mission
   - systems of rules, operational limits, and actions
   - action plan for reducing risk of occurrence
   - monitoring the degree of effectiveness and implementation of the action plan

   Operate as an independent observer in assessing risks and monitoring the mitigation plan

**MAIN RISK FACTORS FOR SUSTAINABILITY**

During 2018, the main sustainability risks were identified specifically in reference to the processes and results of the materiality analyses conducted during the same year, for integration with the current company risk management methods detailed in the previous paragraph and taking into account a medium-long term time horizon for appearance of risk and effective impacts for Isagro.

From the analyses conducted by the Risk Manager, no sustainability risks were identified that are not already managed.

Later in the document, the main risks and relative Monitor, Aware and Avoid management methods are indicated for each element reported.
Isagro considers transparent and ethical conduct essential for proper management of company activities, along with observance of laws and applicable regulations. The Group has implemented a global, integrated compliance system using tools aimed at guaranteeing high ethical standards and the correct implementation of corporate policies, in addition to respect for expectations and aspirations of the various stakeholders.

The Code of Ethics is the main component of this system, but it must be read and interpreted alongside the documents considered essential for the development and dissemination of fundamental Group values, including the Anti-Corruption Code of Conduct and other codes of conduct, policies, procedures, guidelines, and organizational provisions currently in existence. These documents are compliant with the requirements of Italian Legislative Decree no. 254/2016, which defines provision of information regarding policies employed by the company for managing the impacts of its activities in non-financial areas.

The Group employs the following tools to foster a culture of compliance and effective implementation of the rules of conduct developed:

**THE GROUP CODE OF ETHICS (THE CODE OF ETHICS)**

In 2006, Isagro S.p.A. adopted its very own Charter of Values and the Group Code of Ethics (now known simply as the Code of Ethics), which it updated and extended to all companies in the Group in 2011. In 2018, this document was reviewed and updated to align the rules and principles of conduct in existence with changes in the legislation and relative best practices.

The Code of Ethics was designed with a view to establishing common principles applicable to all countries where the Isagro Group operates, in line with the laws and regulations in force in each country. In particular, its purpose is to guarantee observance of the fundamental rights of all collaborators, consistent with the company mission and promoting the development of a common Company culture.

The Code expresses essential principles for conducting business, such as legality, integrity, transparency, diligence, professionalism, confidentiality, social equity, and value of the person. The Code of Ethics of the Group is available in Italian, English, and Spanish on the Company’s website [www.isagro.com](http://www.isagro.com).
GROUP WHISTLEBLOWING POLICY

Updating of the Model included introducing the Group Whistleblowing Policy, aimed at establishing and managing direct communication channels for prompt reporting of any violations and irregularities regarding illegal conduct and/or violations (also alleged) of laws and regulations, principles set out in the Parent Company Model 231 and in the Code of Ethics.

The Group Whistleblowing Procedure is structured to ensure confidentiality of the reporter and information received, as well as to guarantee its validity through verification performed by the Internal Audit Manager, also in order to pursue adequate protection against malicious reports. Based on the Group Whistleblowing Procedure, any violations, conduct, or practices that do not comply with the Anti-Corruption Code of Conduct must be reported through one of the channels offered by the Procedure itself. All stakeholders have the opportunity to report any violations or irregularities to the dedicated email address whistle-isagro@gmail.com. In 2018, no corruption reports were received.

PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

Aim of the Procedure is to ensure the transparency and substantial and procedural correctness of these transactions, where not performed under market conditions, in order to protect the greater interests of the Company. A conflict of interest exists when an interest or personal activity interferes or could interfere with a role in Isagro.

The Procedure contains the rules for identifying, approving, and executing transactions with related parties initiated by the Company, directly or through subsidiaries, in order to ensure the transparency and substantial and procedural correctness of the transactions themselves.

HEALTH, SAFETY, AND ENVIRONMENT POLICY

Isagro commitment to continual improvement regarding occupational health and safety and environmental protection is set out in the principles of the Health, Safety, and Environment Policy. Please refer to the chapters regarding material issues for more details.

METHODS OF DISTRIBUTION AND TRAINING PLANS

Distribution to employees occurs through specific email communications, publications on the company intranet, and/or in hard copy at appropriate locations.

For suppliers, contractors, agents, distributors, consultants, and other stakeholders, contracts requiring the establishment of a commercial relationship or other form of collaboration contain clauses regarding acceptance of the Parent Company Model 231 and Group Code of Ethics.

Additionally, updated versions of the Group Code of Ethics, the Group Whistleblowing Procedure, and the Anti-Corruption Code of Conduct are sent to the Group companies to be approved and adopted by their Management Bodies.
RESPECT FOR HUMAN RIGHTS

In going about its business, the Isagro Group is committed to ensuring that its employees can work in conditions based on respect for essential human rights, international conventions, and current laws. A specific policy will also be defined in order to establish common guidelines.

The Code of Ethics, which includes all Group companies and their employees, managers, directors, and members of the corporate bodies, specifies the commitment to the creation and maintenance of a workplace that protects the dignity of each person, respect for the essential rights of the people, protecting their physical and moral integrity, and guaranteeing equal opportunities.

The Code of Ethics is also extended to all Group activities, both internal or carried out using suppliers, consultants, agents, contractors or subcontractors, or through partnerships. Commercial contracts with suppliers include clauses regarding acceptance of the Model 231 and Code of Ethics.

Under no circumstances will the Group tolerate the use of forced labor or the use of workers recruited forcibly, using force, or blackmail. In this sense, as expressed in the Code of Ethics, “The Group rejects all forms of discrimination based on age, gender, sexual preference, health, race, nationality, cultural background, social status, political opinion, or religious belief. The Group guarantees a safe and healthy workplace for its employees and working conditions that respect individual dignity.”
**ISAGRO AGAINST CORRUPTION**

Aware of the negative effects of corrupt practices on economic and social development in the areas where it operates, the Isagro Group is committed to preventing and working against illegal activity in the performance of its business.

Beyond a simple legal obligation, prevention of corrupt practices represents one of the key principles underlying the actions of the Isagro Group.

A concrete example of its commitment in this regard, in addition to adoption of the Parent Company Model 231, is the Group adoption of an Anti-Corruption Code of Conduct, in addition to the Code of Ethics, aimed at defining an organic set of rules to prevent and work against all corrupt practices and guaranteeing compliance with anti-corruption legislation. The Code of Conduct is approved by the Board of Directors of Isagro S.p.A., and its adoption and implementation is mandatory for all Group companies.

This Code defines the general principles (division of roles, powers of signature, impartiality and absence of conflicts of interest, traceability and archiving, as well as validation of counterparties) to be observed, as well as the principles of conduct to follow for prevention of corrupt practices in the most sensitive areas.

In 2018, as in last year, there were no Group notifications of reports or disciplinary measures regarding corruption.

<table>
<thead>
<tr>
<th>RISK FACTORS</th>
<th>MANAGEMENT METHODS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• inadequacy of internally controlled corporate systems for environmental control and monitoring</td>
<td>The management strategy uses an AVOID approach.</td>
</tr>
<tr>
<td>• unethical or fraudulent conduct on the part of management and employees</td>
<td>Areas are monitored and managed specifically through:</td>
</tr>
<tr>
<td></td>
<td>• Organization, Management and Control Model pursuant to Italian Legislative Decree no. 231/01</td>
</tr>
<tr>
<td></td>
<td>• Group Code of Ethics and Anti-Corruption Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>• Whistleblowing management system</td>
</tr>
<tr>
<td></td>
<td>• Monitoring performed by control and supervisory bodies</td>
</tr>
<tr>
<td></td>
<td>• Auditing of the Internal Control System</td>
</tr>
</tbody>
</table>

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**MAIN RISK FACTORS AND THEIR MANAGEMENT**

<table>
<thead>
<tr>
<th>MATERIALITY ASPECTS</th>
<th>RISK FACTORS</th>
<th>MANAGEMENT METHODS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance</td>
<td>• inadequacy of internally controlled corporate systems for environmental control and monitoring</td>
<td>The management strategy uses an AVOID approach.</td>
</tr>
<tr>
<td>Compliance</td>
<td>• unethical or fraudulent conduct on the part of management and employees</td>
<td>Areas are monitored and managed specifically through:</td>
</tr>
<tr>
<td>Human rights</td>
<td></td>
<td>• Organization, Management and Control Model pursuant to Italian Legislative Decree no. 231/01</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td></td>
<td>• Group Code of Ethics and Anti-Corruption Code of Conduct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Whistleblowing management system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Monitoring performed by control and supervisory bodies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Auditing of the Internal Control System</td>
</tr>
</tbody>
</table>
Sustainability 3

2018
ISAGRO RECEIVES GOLD EVALUATION FROM ECOVADIS FOR OVERALL SUSTAINABILITY

64/100 POINTS

2018
ISAGRO FARM IS ESTABLISHED TO SUPPORT DIGITAL COMMUNICATION AND INTEGRATION OF ITALIAN AGRICULTURE
OUR CONTRIBUTION
to sustainable agriculture worldwide

SUSTAINABILITY FOR THE GROUP

For the Group, sustainability is a value and a commitment that is reflected in behavior and activities managed efficiently and economically so as to guarantee maximum safety, the protection of health, and the quality of the production process, with full respect for the environment. In a world where it has become important to reconcile development with available resources, growth, and the needs of the future generations, the Isagro Group is committed to combating food shortages and problems of nutrition, above all in densely populated countries and those with limited economic resources.

SUSTAINABILITY APPROACH

Isagro has the ambition of creating value by supporting economic development founded on the values of responsibility, integrity, efficiency, innovation, and diversity. Isagro strongly believes that the following are fundamental elements in guaranteeing sustainability of this development over time: a resilient approach to achieving objectives, research and innovation of products and processes, respect for the environment, continual improvement in labor conditions, relationships with local communities and society (institutions, NGOs, and representatives of the public and private sector), respect for the equality of all parties involved, absence of waste in the use of available resources (human, natural and financial resources, intellectual capabilities and time).

ECOVADIS CORPORATE SOCIAL RESPONSIBILITY (CSR) RATING

EcoVadis is an independent platform that uses a unique CSR evaluation methodology, assessing over 50,000 organizations in 190 industrial sectors across 150 countries. In 2018, Isagro received a Gold evaluation from EcoVadis for overall sustainability. More specifically, Isagro achieved an overall score of 64/100. This demonstrates Isagro’s commitment to sustainability policies, regardless of business area. It is important to underline that the average score of small and medium businesses requesting EcoVadis certification is 43/100, 21 points less than Isagro. EcoVadis evaluation is based on four specific areas: environment, labor practices and human rights, corporate ethics, and responsible procurement. Isagro stands out particularly for labor practices and human rights, for which it received a score of 70/100, demonstrating how these aspects are well rooted in Isagro’s management philosophy. For the other three areas, Isagro received a score of 60/100.
STAKEHOLDER MAPPING AND DIALOG

Dialog with internal and external stakeholders is an important element in the Isagro Group strategy that considers the capacity for discovery and building alliances as essential for growth of the organization and innovation of its products in a sustainable growth scenario. Through dialog, it is possible to collect important information on the current context, the requirements to which Isagro may respond, and how to do this while allowing feedback on its activities. For lasting and mutually beneficial dialog, it is necessary to identify the key stakeholders with whom to promote periodic relations. In this regard, stakeholders mapping has been defined through internal analyses with corporate structures assigned to daily management of relationships with the relative categories of stakeholders.
The effectiveness of this dialog is influenced by the adequacy of the methods for stakeholders involvement. Isagro takes an active role in communicating with and informing its stakeholders through various tools and methods. Communications directed towards all external parties are largely carried out through the institutional website www.isagro.com. Specifically, the section entitled "Investor Relations" contains financial information, including press releases, institutional events involving shareholders, stock performance, and financial details. An investor kit has been prepared to support collection of information, which is regularly updated and available for download directly from the website. Another form of communication and interaction with external parties is represented by Isagro participation in sector events and trade fairs, often hosting its own personalized stand. In 2018, Isagro participated in the Fieragricola in Verona (January) and MacFrut in Rimini (May), two national events which have consolidated importance in the sector and become a point of reference for Italian agriculture.

2018 saw an important event held at the Milan Stock Exchange to celebrate Isagro 25th anniversary.

Employees represent key stakeholders in terms of organizational development, and this is why Isagro celebrated 25 years of continual commitment and success with its top management. Events in celebration of the 25th anniversary continued with all employees at several of the Group Italian sites. Isagro wishes to develop dialog with stakeholders focused not simply on communications, but also on listening. This aspect is of increasing importance in the commercial sphere in order to establish relationships with our distributors.

In July 2018, the Italian Isagro community called Isagro Farm² was launched, representing a different form of digital communication and interaction aimed at the Italian agricultural world, for a new concept in agriculture. Isagro Farm was conceived for the Italian market, principally focused on pheromones and traps that represent an

² https://isagrofarm.isagro.com/
important current topic in the world of agriculture, which is increasingly aware of the importance of integrated pest management in the name of sustainability (economic and ecological).

A place like Isagro Farm offers the chance for sharing in a specific area, available both internally, supporting growth in individual involvement, and externally, as a tool for developing Isagro’s reputation in Italy and strengthening brand attachment.

Increasing its focus on listening to stakeholders, for 2019, Isagro plans to develop new methods for stakeholders involvement to understand their requirements and expectations and feed this information into its strategies. For Isagro, sustainability also means creating shared value through developing initiatives and sharing information that meet input from dialog with its stakeholders.

Isagro celebrates 25 years!

This is a very important landmark for us, a dream come true for those that were around a quarter century ago, and then 15 years ago, when after just 10 years, this newcomer in the agrochemicals industry joined hands with Borsa Italiana. This is Isagro. It hasn’t been an easy ride, with difficulties and risks right from the start, with an intelligent and entrepreneurial business spirit, founded on the vision, courage, and risk appetite of a team of managers from Montedison, headed by Giorgio Basile. He is the true father of this mid-sized company (although it would be more correct to say “small” in terms of the size and revenue of its allies and competitors in the sector), that protects plants, and above all prevents illness, by inventing, developing, and marketing agropharmaceutical products that undergo years and years of testing by specialized bodies. Isagro represents true determination, distinguished by honesty and productivity, and a group of people that, beyond being professionals, believed and continue to strongly believe in the organic market, leading the company to include biosolutions alongside its herbicides, fungicides, and insecticides. Isagro’s essence can be expressed in one word: “Discovery” – in the form of scientific research and the co-development of innovative products. At the event organized at the Milan Stock Exchange on September 13 last year, Giorgio Basile recounted and looked back with the guests across these few long years of success and difficulty, results and obstacles, strategies, teamwork, actions, realization of ideas, and above all, support from those who believed in the Company and its people.
MATERIALITY ANALYSIS

Reporting of non-financial data included in this document is focused on areas that demonstrate the impacts, whether positive or negative, of the activities of Isagro on the economic, environmental, and social fabric in the scenarios in which it operates. These aspects generate risk scenarios that must be identified and managed. Evaluation of operational, economic, social, legal and public image impacts consequent to these scenarios is achieved by cross-referencing topics that are strategically significant for Isagro with those that its stakeholders consider of central importance in their relationship with the company. To this end, Isagro has decided to update the materiality analysis generated in previous years, using a different methodological approach compared to the one used for previous reports (please see Methodological Note).

The results of the materiality analysis are presented graphically in the Materiality Matrix, which displays the significance of each material topic for stakeholders on the vertical axis and for Isagro on the horizontal axis (see graph below).

In addition to the topics identified though the materiality analysis described above, in order to ensure comprehension of company activities and product impacts, as required by Italian Legislative Decree 254/2016, the following aspects are also reported in this document: “Sustainable supply chain management”, “Energy”, “Water”, and “Atmospheric emissions”.

The table (see next page) identifies the limits of reporting areas and their reconciliation with GRI standards indicated in the final pages of the document.
<table>
<thead>
<tr>
<th>Area</th>
<th>Material issues</th>
<th>Scope of impact</th>
<th>Reconciliation with GRI topic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Location</td>
<td>Type</td>
</tr>
<tr>
<td>Governance and compliance</td>
<td>Corporate Governance</td>
<td>Parent company</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Compliance</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Anti-corruption</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td>Economic responsibility</td>
<td>Economic performance</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td>Social responsibility - employees</td>
<td>Teaching and training</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Diversity and equal opportunities</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Employment level</td>
<td>Group employees</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Occupational health and safety</td>
<td>Group company employees managing the production plants</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Communication and internal transparency</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td>Social responsibility - product</td>
<td>Product quality and safety</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Innovative research</td>
<td>Group production plants; Universities and research centers</td>
<td>Direct; Contribution</td>
</tr>
<tr>
<td></td>
<td>Innovative research</td>
<td>Group production plants; Universities and research centers</td>
<td>Direct; Contribution</td>
</tr>
<tr>
<td></td>
<td>Impact on agricultural development</td>
<td>Group</td>
<td>Contribution</td>
</tr>
<tr>
<td></td>
<td>Marketing and labeling</td>
<td>Group</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Relations with institutions</td>
<td>Universities, Research Centers, and government institutions</td>
<td>Direct; Contribution</td>
</tr>
<tr>
<td>Social responsibility - suppliers</td>
<td>Sustainable supply chain management</td>
<td>Group/suppliers and business partners</td>
<td>Direct; Indirect</td>
</tr>
<tr>
<td>Environmental responsibility</td>
<td>Energy</td>
<td>Group production plants; Energy suppliers</td>
<td>Direct; Indirect</td>
</tr>
<tr>
<td></td>
<td>Consumption of raw materials</td>
<td>Group production plants</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>Group production plants</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>Emissions</td>
<td>Group production plants; Energy suppliers</td>
<td>Direct; Indirect</td>
</tr>
<tr>
<td></td>
<td>Management of waste from Isagro's business activities</td>
<td>Group production plants</td>
<td>Direct</td>
</tr>
<tr>
<td>Social responsibility - communities</td>
<td>Human rights</td>
<td>All Companies within the scope/suppliers and business partners</td>
<td>Direct; Indirect</td>
</tr>
</tbody>
</table>

3 The reporting areas, in addition to material results, are highlighted in the table.
4 The scope of information relating to health and safety and the related injury rates only includes Group company personnel who manage the production plants (which account for 91% of Group employees) where the major risks in this area have been identified and assessed. Furthermore, the Group will provide additional details regarding the significance of personnel who are not direct employees, in order to collect data from employers of external collaborators and suppliers working on Group sites and/or those under the Group control, evaluating the quality and accuracy of such data, which is outside its direct control.
Our People

- 634 Employees
- More than 5,600 hours of training
- 20% of all employees are women
Isagro considers people to be its most important asset for creating value and improving the company performances. This is why the Group constantly strives to value its employees, not only promoting their development and professional growth, but also supporting a good balance between work and home.

For the management of this aspect, there are specific references made in the Isagro Code of Ethics and the topic is managed in a diversified fashion in the local contexts comprising the Group. For example, the management and development of human resources is also covered by specific policies and procedures, such as, for example, through an HR Quality Management Procedure at the parent company, an Employee Handbook, and a Talent Acquisition Policy in Isagro Asia, and other operating procedures.

At the end of 2017, with the support of a consulting firm, a project aimed at identifying possible areas for improvement in the organizational processes transversal to the organization was launched to define and enhance approaches and methods that encourage cooperation and organizational wellbeing consistent with Isagro’s future business challenges. The Project is called “Fit for Our Future”: the consulting firm defined the methods and rules for the project, while employees were responsible for identifying processes requiring improvement and the solutions. In addition, a survey was performed, prepared and managed by an international Research Center (High Performance Organization – HPO Center), involving all Italian and foreign employees, with the aim of enriching and complementing the evidence that emerged from “Fit for Our Future” and establishing a quantitative starting point for measuring the progress achieved in the corporate organization over time.

The Group Mission, vision and values were then redefined and collected in a “Guiding Message” presented by Management to all workers during the meetings at the end of the year.

To complete this process High Performance Organization Champions were identified at Group level. They will have the task of distributing and promoting the newly defined values throughout corporate population.

**COMMITMENT TO OUR EMPLOYEES**

At December 31, 2018, the Isagro Group employed 634 people total, around a 4% increase over the previous year. The Group corporate population is concentrated mainly in Italy (47%) and India (44%), where the production plants are situated, while the remaining part (9%) is employed in other Isagro commercial offices, hereinafter grouped under the category “Rest of the world”.

Consistent with 2017, Isagro confirmed its commitment to maintaining lasting and solid employment relationships. In fact, permanent contracts represent 96% of the total. During 2018, 196 new employees joined Isagro, for a 31% rate of new hires. The termination rate, that is, the ratio between employees leaving the company and the total number of employees at December 31, was 27%.

**EMPLOYEE DISTRIBUTION BY COUNTRY**

% - as of December 31

- **Italy**: 47%
- **India**: 44%
- **Rest of the world**: 9%

**EMPLOYEE DISTRIBUTION BY CONTRACT**

As of December 31

- **Italy**

- **India**

- **Rest of the world**
  - Permanent: 59 (2018), 58 (2017)
Considering the new-hire rate and termination rate, excluding seasonal labor, the values are 20% and 15%, respectively. During the year, the Group also used the services of an average of 988 collaborators (self-employed workers, external and temporary collaborators), nearly all in India, up 2% over 2017.

RESOURCES DEVELOPMENT AND TALENT MANAGEMENT

To attract talented young people and to promote the recruitment of young graduates, the Isagro Group has always paid particular attention to the university environment, as a collaborating partner, by offering opportunities for internships and theses/dissertations. For Isagro, building knowledge and optimizing specialized technical capabilities of its personnel hold particular importance.

To guarantee ongoing professional development for its employees, as well as allowing them to improve their know-how in terms of quality, health, safety, and environment, Isagro S.p.A. has defined a process targeted at:

- estimating and re-examining the knowledge, experience and capabilities of all personnel;
- organizing and providing specific training and refresh programs for all personnel, including new recruits;

NEW HIRES AND EMPLOYEE TURNOVER

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>HiRes</td>
<td>55</td>
<td>115</td>
</tr>
<tr>
<td>New-hire rate</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>Terminations</td>
<td>63</td>
<td>36</td>
</tr>
<tr>
<td>Employee Turnover</td>
<td>24%</td>
<td>27%</td>
</tr>
</tbody>
</table>

HOURS OF EMPLOYEE TRAINING

**TOTAL YEARS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>HiRes</td>
<td>3,766</td>
<td>5,620</td>
</tr>
<tr>
<td>Average hours by gender</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Average</td>
<td>7.3</td>
<td>14.9</td>
</tr>
</tbody>
</table>

Hours of training by professional category

As of December 31

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>HiRes</td>
<td>529</td>
<td>1,680</td>
</tr>
<tr>
<td>Average hours</td>
<td>9.8</td>
<td>12.2</td>
</tr>
</tbody>
</table>

5 Data regarding turnover includes seasonal labor (specifically, there were 69 incoming and 80 outgoing seasonal employees in 2018).
● training personnel for general and specific emergency tasks and keeping them up-to-date, also through the use of drills and simulations;
● keeping an up-to-date record of the courses, instructors, the personnel involved, and the qualification levels reached.

During 2018, over 5,600 hours of training were issued within the Group (compared to 3,766 hours in 2017), 61% of which involved white and blue collar workers, 30% middle managers, and 9% top management, in line with the 2017 figures. Hours of training were primarily concentrated in classroom and e-learning sessions, for an average of 7.3 and 14.9 hours per person, for male and female employees, respectively (5.7 and 8.1 respectively in 2017). Training focused mainly on:
● Quality, Safety, and the Environment;
● Specific technical training for specialized skills.

Most of the training concerned Quality, Safety, and the Environment, in compliance with current applicable legislation, which continues to impose an increasing number of required Occupational Health and Safety training activities.

DIVERSITY AND EQUAL OPPORTUNITIES

In line with the contents of the Code of Ethics on the management of human capital, Isagro is committed to ensuring that the work environment favors equal opportunities and develops a culture based on promoting diversity. In confirmation of this commitment, at December 31, 2018, there were 128 women working for the Company, around 20% of all employees, 8 of whom are directors or executives, an increase of 2 compared to 2017. In 2018 around 70% of the employees were white or blue collar workers consistent with the 2017 data. Middle managers and directors represent 22% and 8% of the total number of employees at December 31, 2018. Fifteen employees are considered “protected”: 1 director, 3 managers, 10 white-collar workers and 1 blue-collar worker.

6 The increase in training hours is linked to a broadening of training programs by Group companies and also to improvement of the reporting process for training hours, ensuring more complete figures.
7 Source of benchmark data: Federchimica “Role and Challenges of the Italian Chemicals Industry”, 2018
### DISTRIBUTION OF EMPLOYEES BY GENDER

<table>
<thead>
<tr>
<th>Gender</th>
<th>2018</th>
<th>2017</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>364</td>
<td>442</td>
<td>610</td>
</tr>
<tr>
<td>Women</td>
<td>506</td>
<td>484</td>
<td>984</td>
</tr>
</tbody>
</table>

As of December 31, 2018, there were 610 employees, with 364 men and 506 women. The gender distribution is as follows:

- Men: 364 (60%)
- Women: 506 (40%)

### EMPLOYEES BY ROLE, LEVEL, AND AGE

<table>
<thead>
<tr>
<th>Role</th>
<th>Level</th>
<th>Age</th>
<th>2018</th>
<th>2017</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVES</td>
<td></td>
<td></td>
<td>46</td>
<td>54</td>
<td>57</td>
</tr>
<tr>
<td>MIDDLE MANAGERS</td>
<td></td>
<td></td>
<td>96</td>
<td>138</td>
<td>128</td>
</tr>
<tr>
<td>WHITE AND BLUE COLLAR WORKERS</td>
<td></td>
<td></td>
<td>364</td>
<td>442</td>
<td>610</td>
</tr>
</tbody>
</table>

As of December 31, 2018, there were 57 executives, 128 middle managers, and 610 white and blue collar workers. The age distribution is as follows:

- Under 30: 21 (33%)
- 30-50: 90 (45%)
- Over 50: 68 (99%)

The data is consistent with national statistics for the Italian chemical industry.
COMPENSATION POLICIES

Isagro has a differentiated compensation system according to work category, which comprises incentive systems linked to individual and company objectives, as well as the fixed pay component.

The members of the Board of Directors receive a fixed annual salary, the amount of which depends on the commitment required of them. This amount is higher for directors occupying roles of greater responsibility or who are also members of Committees within the Board. The salaries of Executive Directors are determined based on the best practices followed for similar posts by companies in the same sector in which Isagro operates and is made up of a fixed annual component, a variable component, and fringe benefits such as the assignment of company cars and a “Directors & Officers” insurance policy.

All workers have access to the company cafeteria, where present, or receive meal vouchers, the value of which varies according to the workplace.

Other incentives systems and benefits

Isagro personnel working at the Milan site benefit from a free shuttle-bus service connecting Caldera Park to the nearby underground station. Employees also receive a series of discounts at private health facilities and businesses that partner with the Group, primarily in the Milan area, but often distributed across Italy.

Bonuses

To increase the sense of corporate pride, Isagro offers the following long-standing corporate bonuses:

● loyalty bonus, recognizing employees who have been with the Group for 10 years;
● long-service bonus, recognizing employees who have been with Isagro or other companies participating in the plan for 25 years in total. Bonuses are awarded during the first quarter of the year following the year in which the employee becomes eligible.

WELFARE
Since 2018, employees have the right to choose to allocate all or a portion of the participation bonus to company welfare services, such as reimbursement of school fees, reimbursement for the purchase of school books, reimbursement for assistance for elderly family members or those who are not self-sufficient. Furthermore, employees have the right to deposit their bonus into their complementary pension fund (FONCHIM).

COMMUNICATION AND INTERNAL TRANSPARENCY
Internal communication plays a fundamental role in the process of valuing human resources, as it promotes the sharing of values, strategies, and goals. Networked distribution of notices and organizational communications establishes a constant flow of information from management to all personnel. On this basis, regular meetings of different natures are organized to create a culture of sharing and collaboration between colleagues, allowing integration and dialog regarding professional knowledge and skills, with the goal of improving performance quality.

This is coupled with the monthly publication of IsaSales* for all Group employees, the most significant press releases, and distribution of the Consolidated Non-Financial Report.
Annual meetings at each production site represent an occasion to discuss Group results and share forecasts.

TRADE UNION RELATIONS
The Group maintains a constructive and collaborative relationship with trade unions, which has enabled it to obtain excellent results in the management of Industrial Relations. The percentage of employees covered by a collective agreement is 100% at the Group’s Italian, Spanish, and Brazilian plants. The main activities in which the Isagro Group management has interacted with the trade unions concern:

● sharing and developing specific working hour agreements, which include all the flexible features offered by the National Labor Contracts and have allowed for the implementation of all the changes in working hours required to meet the various production needs and the streamlining of the corporate organization, mainly at the industrial sites;
● renewal of the agreements on the productivity targets at the industrial sites related to the second-level negotiation on Bonuses.

*newsletter providing updates on progress of sales and main commercial events
OCCUPATIONAL HEALTH AND SAFETY

Isagro confirms its maximum effort to ensure occupational health and safety as a fundamental element and indispensable value for the Group.

In fulfillment of the requirements set forth by occupational health and safety legislation, Isagro makes investments that the employers of each production plant consider to be necessary to guarantee the safe and responsible management of the production processes and a safe environment for the workers. These investments are proposed at the beginning of every year, following assessments made by the Health and Safety Departments in collaboration with the Employers and Technical department managers. If a need arises to make further investments not included in the budget during the year, they are made in any case.

Additionally, each of the Group plants is regulated by a Safety Management System, whose purpose is to make the work procedures safer and more reliable. In particular, the Adria and Aprilia plants implement specific Safety Management Systems that fulfill a legal obligation imposed by the fact that the two sites fall under the “Seveso Directive” (that is, Italian Legislative Decree no. 105/2015, which is the Italian iteration of the European Directive known as “Seveso-III Directive”). The Panoli plant in Isagro Asia also oversees the matter through OHSAS 18001:2007 certification and the adoption of its own safety manual.

8 The scope of information relating to health and safety and the related injury rates only include employees of the Group companies who manage the production plants (which account for 91% of Group employees), where the major risks in this area have been identified and assessed. Furthermore, the Group will provide additional details regarding the significance of personnel who are not direct employees, in order to collect data from employers of external collaborators and suppliers working on Group sites and/or those under the control of the Group, evaluating the quality and accuracy of such data, which is outside its direct control.

9 Following a process of improvement in the reporting system, 2017 health and safety data has been represented to include days lost due to accidents that occurred in 2017 but were closed in 2018. For previously published data, please refer to the 2017 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.com
To be more specific, the health and safety activities performed by Isagro in 2018 concerned:
- employee training and awareness activities and training on workplace safety issues;
- monitoring of the principal indices for work accidents;
- improvements in safety conditions, adaptation of the production sites, and adoption of the best available technologies;
- updating the specific risk assessment documents, where required, to maintain adequate risk assessment in line with evolving situations and changes made to the production processes;
- specific audits at the sites for monitoring the practical application of the safety and environmental requirements in accordance with current legislation.

In Italy, specifically, regular coordination meetings are held on health and safety issues, mainly locally at the various production sites. Additionally, at the Indian plant, the Health and Safety Committees meet up periodically during the year.

In line with average for companies belonging to the Responsible Care program (0.16)
### ANNEXES

**TOTAL NUMBER OF EMPLOYEES BY TYPE OF CONTRACT AND GENDER**

#### TOTAL ISAGRO GROUP

**as of December 31, 2018**

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>506</td>
<td>128</td>
<td>634</td>
</tr>
<tr>
<td>Temporary</td>
<td>489</td>
<td>17</td>
<td>611</td>
</tr>
<tr>
<td>固定合同</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>永久合同</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>634</td>
<td>19</td>
<td>653</td>
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</table>

**as of December 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>484</td>
<td>126</td>
<td>610</td>
</tr>
<tr>
<td>Temporary</td>
<td>465</td>
<td>19</td>
<td>585</td>
</tr>
<tr>
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<tr>
<td>永久合同</td>
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<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>610</td>
<td>25</td>
<td>635</td>
</tr>
</tbody>
</table>

#### Italy

- **2018**
  - Men: 200
  - Women: 85
  - TOTAL: 285
- **2017**
  - Men: 185
  - Women: 88
  - TOTAL: 273

#### Rest of the world

- **2018**
  - Men: 35
  - Women: 1
  - TOTAL: 36
- **2017**
  - Men: 35
  - Women: -
  - TOTAL: 35

#### India

- **2018**
  - Men: 254
  - Women: 10
  - TOTAL: 264
- **2017**
  - Men: 242
  - Women: -
  - TOTAL: 242

### TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE (FULL-TIME AND PART-TIME)

#### TOTAL ISAGRO GROUP

**as of December 31, 2018**

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
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<tr>
<td>Part-time</td>
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<td>111</td>
<td>616</td>
</tr>
<tr>
<td>TOTAL</td>
<td>611</td>
<td>18</td>
<td>629</td>
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</table>

**as of December 31, 2017**

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</tr>
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<tbody>
<tr>
<td>Full-time</td>
<td>484</td>
<td>126</td>
<td>610</td>
</tr>
<tr>
<td>Part-time</td>
<td>482</td>
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<tr>
<td>TOTAL</td>
<td>611</td>
<td>15</td>
<td>626</td>
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### Total Isagro Group

#### New Hires

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<tr>
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<th>Rate 2017</th>
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<tbody>
<tr>
<td><strong>Men</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>49</td>
<td>100</td>
<td>24</td>
<td>173</td>
<td>27%</td>
<td>20%</td>
</tr>
<tr>
<td>2017</td>
<td>52</td>
<td>97</td>
<td>14</td>
<td>163</td>
<td></td>
<td></td>
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<tr>
<td><strong>Women</strong></td>
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</tr>
<tr>
<td>2018</td>
<td>7</td>
<td>15</td>
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<td>23</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>2017</td>
<td>8</td>
<td>13</td>
<td>2</td>
<td>23</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>56</td>
<td>115</td>
<td>25</td>
<td>196</td>
<td>31%</td>
<td>22%</td>
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#### Employees Leaving

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<tr>
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<th>Rate 2017</th>
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<tbody>
<tr>
<td><strong>Men</strong></td>
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<td>2018</td>
<td>26</td>
<td>90</td>
<td>35</td>
<td>151</td>
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<td>22%</td>
</tr>
<tr>
<td>2017</td>
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<td>98</td>
<td>36</td>
<td>167</td>
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<td><strong>Women</strong></td>
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<tr>
<td>2018</td>
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<td>21</td>
<td>3%</td>
<td>2%</td>
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<td>2017</td>
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<td>17</td>
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<td>27</td>
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<td>31</td>
<td>105</td>
<td>36</td>
<td>172</td>
<td>27%</td>
<td>24%</td>
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</table>

### Italy

#### New Hires

<table>
<thead>
<tr>
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<th>Rate 2018</th>
<th>Rate 2017</th>
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<td><strong>Men</strong></td>
<td></td>
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</tr>
<tr>
<td>2018</td>
<td>19</td>
<td>61</td>
<td>16</td>
<td>96</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>2017</td>
<td>28</td>
<td>90</td>
<td>17</td>
<td>135</td>
<td></td>
<td></td>
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<td>10</td>
<td>6</td>
<td>20</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>20</td>
<td>69</td>
<td>20</td>
<td>105</td>
<td>17%</td>
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#### Employees Leaving

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<th>Rate 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Men</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>15</td>
<td>59</td>
<td>23</td>
<td>97</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>2017</td>
<td>23</td>
<td>82</td>
<td>20</td>
<td>125</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
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<td>12</td>
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<td>10</td>
<td>3</td>
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<tr>
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<td>17</td>
<td>68</td>
<td>24</td>
<td>109</td>
<td>17%</td>
<td>6%</td>
</tr>
</tbody>
</table>

### Type of Injuries, Injury Rate, Lost Day Rate, Absentee Rate, and Number of Work-Related Deaths

#### Italy

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace accidents</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Commuting accidents</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lost days for injuries</td>
<td>99</td>
<td>8</td>
<td>107</td>
</tr>
<tr>
<td>Absentee rate</td>
<td>2.40%</td>
<td>3.14%</td>
<td>2.61%</td>
</tr>
<tr>
<td>Injury</td>
<td>2.76</td>
<td>6.67</td>
<td>2.36</td>
</tr>
<tr>
<td>Lost day rate</td>
<td>0.09</td>
<td>0.05</td>
<td>0.08</td>
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## NEW HIRES

<table>
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<td>33</td>
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<td>63</td>
<td>10%</td>
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</tr>
<tr>
<td>Women</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>10</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>31</td>
<td>35</td>
<td>7</td>
<td>73</td>
<td>11%</td>
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</table>

## EMPLOYEES LEAVING

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<tr>
<th></th>
<th>&lt; 30</th>
<th>30-50</th>
<th>&gt; 50</th>
<th>TOTAL</th>
<th>Rate</th>
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<tbody>
<tr>
<td>Men</td>
<td>11</td>
<td>20</td>
<td>9</td>
<td>40</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Women</td>
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<td>-</td>
<td>1</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11</td>
<td>21</td>
<td>9</td>
<td>41</td>
<td>6%</td>
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</table>

## REST OF THE WORLD

### NEW HIRES

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<tr>
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<tr>
<td>Men</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>14</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Women</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>9</td>
<td>1%</td>
<td>1%</td>
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<td>TOTAL</td>
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<td>11</td>
<td>7</td>
<td>23</td>
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<td>2%</td>
</tr>
</tbody>
</table>

### EMPLOYEES LEAVING

<table>
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<tr>
<th></th>
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<td>11</td>
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<td>2%</td>
</tr>
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<td>Women</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>8</td>
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<td>0%</td>
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<td>3</td>
<td>16</td>
<td>3</td>
<td>22</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

### INDIA

**Men**

- Lost days for injuries: 3 (2018), 2 (2017)
- Absentee rate: 0.2 (2018)
- Injury: 3 (2018)
- Lost day rate: -

**Women**

- Lost days for injuries: -
- Absentee rate: 0 (2018)
- Injury: -
- Lost day rate: -

**TOTAL**

- Lost days for injuries: 7 (2018), 6 (2017)
- Absentee rate: 0.2 (2018), 0.2 (2017)
- Lost day rate: -

*Following a process of improvement in the reporting system, 2017 health and safety data has been represented to include days lost due to accidents that occurred in 2017 but were closed in 2018. For previously published data, please refer to the 2017 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.it.*
Innovative solutions

- 7.5 million euro 2018 partnership revenues
- 49 new sales authorizations in 2018
- 12.3 million euro R&D spending
- NEW COMMERCIAL AGREEMENT WITH ARYSTA LIFESCIENCE
WE DISCOVER
new active ingredients

Isagro has a strong research and development focus. Research not only feeds on in-depth knowledge and skills, but also on creativity. There is a solid basis for Isagro slogan “Italian Creativity for Plant Health”. The richest area of Isagro activities, representing a strength where the creativity of its researchers comes to the fore, is its capacity for Discovery & Innovation:

- it invents new molecules;
- it applies new business development models based on early partnership with third parties, perfectly aligned with its culture of partnership;
- it promotes and employs new financial instruments, such as “Growth Shares”.

Isagro innovative research is focused on two different areas:

- synthesized molecules
- Biosolutions

These solutions are proposed as integrated products, commercialized globally, with retail sales managed in partnership with other qualified parties, and directly by Isagro in selected countries.

Adopting an innovative strategic model for companies founded on research, Isagro has therefore decided to promote new chemically based molecules through medium-long term agreements with third parties for relative development and commercial usage rights.
BUSINESS MODEL

The Isagro business model can be summarized in this way:

GLOBAL INDEPENDENT ORIGINATOR

GLOBAL

Drawing value from inventions must occur at a GLOBAL LEVEL, considering the high level of annual investment in RESEARCH AND DEVELOPMENT, the TIME-TO-MARKET associated with the INVENTION AND DEVELOPMENT OF NEW MOLECULES, and the limited size of the domestic market.

INDEPENDENT

Isagro operates a CONTROL STRUCTURE that guarantees OPERATIONAL INDEPENDENCE FROM LARGE OPERATORS and allows it to rely principally on distribution channels represented by the 20% of the market not COVERED BY THESE LARGE OPERATORS, which is valued at over $10 BILLION.

ORIGINATOR

Isagro is an “originator” because its approach is based on the INVENTION OF NEW MOLECULES, drawing value from its intellectual property, also through third-party agreements, thus overcoming its smaller size compared to other originators. “Originator” is a key word that includes DOUBLE INNOVATION, through in-house research and through the business model.

DISTRIBUTION

Direct presences in Brazil, Colombia, India, Spain and USA.

FORMULATIONS

Finished products

INTERNATIONAL MARKETING AND LOCAL DEVELOPMENT

Direct presence in Argentina, Brazil, China, Cuba, Poland, Singapore and Vietnam. Sales in over 80 countries.
In 2012, this business model inaugurated a period of alliances and sharing, for mitigation of risks associated with the discovery and development of new molecules that is long and costly.

Agreements define identification of market operators that complement Isagro or sit along the value chain of the business or in individual points of the value chain. This allows Isagro to “sell” a portion of the value to other parties, at the same time operating with greater stability, in the knowledge that it does not have to bear operational costs alone.

- 2012 Agreement with US company FMC for co-development of the new broad spectrum fungicide Fluindapyr, belonging to the SDHi class (Succinate dehydrogenase inhibitors)
- 2013 Industrial partnership agreement with the US Group Gowan, which became the biggest minority shareholder in Isagro
- 2018 Isagro and Arysta LifeScience signed a long-term commercial agreement for distribution of compounds based on the fungicide Fluindapyr owned by Isagro for use in Brazil on soy and other extensive crops. At the root of this agreement was the need to increase yield from extensive crops given the progressive reduction of land available for agriculture.

**OUR TALENT FOR INVENTION STARTED WAY BACK IN 1956**

**Our story**

- **1956** Montecatini Agrochemical Research Center (Milan, Linate)
- **1956** Montedison is founded
- **1975** Donegani Institute Department of Biosciences

**Research and innovation**

- **1962** Dimethoate and Phenthoate
- **1973** Tiocarbazil
- **1980** Chlozolinate
- **1982** Benalaxyl
- **1976** Pheromone traps
- **1981** Ergostim
- **1985** Novaluron
- **1988** Tetraconazole

**INNOVATIVE RESEARCH**

Operating in the crop protection market segment, Isagro aims to develop and innovate products that support agricultural activity, ensuring **constantly improving production**.

Isagro capacity of invention goes back a long way, passed down from the Montedison culture and capitalizing on strong Italian research abilities.

Before reaching its current approach, ensuring adequate capitalization of its inventions primarily through assignment of rights to third parties, Isagro went through two previous phases. Initially, from 1993 to 2005, the strategy used was that of an alliance with more advanced companies in the field of research, generating scale economies and obtaining new abilities. During a second phase, from 2006 to 2012, Isagro focused on autonomous development of new molecules, while at the same time using third parties for commercialization of its products across many of the markets covered.
Today, Isagro is a one-of-a-kind company operating on a global level in the crop protection market, with an independent activity of innovative research, thanks to the New Novara Research Center, the Process Research Center at the Indian Panoli plant and the Experimental Station for the field tests in Galliera, which have around 100 R&D employees (around 15% of total personnel).

In 2018, Isagro invested around € 12 million in research, understood as a process spanning from discovery to registration, (in line with the € 13 million of 2017 and € 14 million of 2016), representing around 10% of turnover, obtaining 49 new sales authorizations in many Countries around the world (up around 48% on 2017).
The current Isagro R&D pipeline is primarily focused on new series of broad spectrum fungicides (in addition to that belonging to the SDHi class, the development of which started in 2012), new candidates against soil parasites (a new product line has been definitively confirmed with the new “nematicide” molecule), and a new series of herbicides for arable crops. Furthermore, studies continue for the identification of new copper-based formulations capable of acting at a lower dosage and with a broader spectrum than those already on the market. Finally, assessment continues of new products with biostimulant action, alone or in combination with other molecules.

In coming years, Isagro innovative research will be increasingly focused on solutions which are highly environmentally compatible, performing chemical research to anticipate possible increased request for guarantees from regulatory bodies and paying special attention to the natural origin of materials through research of natural origin.

**IMPACT ON AGRICULTURAL DEVELOPMENT**

800 million people do not have access to sufficient food because, despite significant developments in supply (see graph at top of the next page), demand is growing faster due to growth in global population (see first graph, below), on course to exceed 9 billion people in the next thirty years (see second graph, below). This leads to an inevitable reduction in land available for cultivation per capita (see third graph, below).

### WORLD POPULATION

<table>
<thead>
<tr>
<th>Billions of people</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.8</td>
<td>1750</td>
</tr>
<tr>
<td>1.3</td>
<td>1850</td>
</tr>
<tr>
<td>2.5</td>
<td>1950</td>
</tr>
<tr>
<td>7.3</td>
<td>2015</td>
</tr>
<tr>
<td>8.5</td>
<td>2030</td>
</tr>
<tr>
<td>9.7</td>
<td>2050</td>
</tr>
</tbody>
</table>

### ESTIMATED GROWTH IN WORLD POPULATION

<table>
<thead>
<tr>
<th>Billions of people</th>
<th>2015</th>
<th>2025</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.400</td>
<td>2,500</td>
<td>1,900</td>
<td>1,600</td>
</tr>
</tbody>
</table>

14 Generated using ONU, FAO and World Bank data.
In this scenario, the role of crop protection is essential, as it can reduce the loss of crops from causes such as plant disease, insects, or pathogenic agents, therefore contributing to an increase in agricultural productivity to bridge the current gap between supply and demand of agricultural foodstuffs.

A detailed look at how Isagro intends to achieve this goal reveals that it is the leading Italian producer of copper-based products used in the farming of fruits, vines, and vegetables, and fundamental both for defense of integrated agricultural production and biological defense. Isagro supplies the fungicide tetraconazole, used in the integrated defense approach, in various formulations that is used in many fruit and vegetable crops and field crops, due to its multifunctional nature. Finally, the bio-solutions chain is composed of 4 categories: a) traps for monitoring and capturing insects; b) pheromones for pest management through disorientation; c) products for biocontrol of fungi; d) biostimulants that offer physiological efficiency both in terms of plant development and production, supporting quality and prevention of environmental stress.

PRODUCT SAFETY AND QUALITY

Quality and safety are two of the fundamental characteristics of Isagro products, which it holds as essential for the health and safety not only of farmers, but also consumers.

In this context, research and the regulatory world always run parallel: the study of new products always requires appropriate analysis and assessment of compliance at every stage. Specifically, following the food chain, short, medium and longterm toxicology studies are first performed to evaluate the effects of new products (gene editing, carcinogenic effects), through both direct exposure and assumption (ingestion, skin absorption), which represents investigation into farmer safety. Secondly, the nutritional impacts for both humans and animals are evaluated, analyzing the transformed products and product residues in foodstuffs, which is therefore focused on consumer safety. Meanwhile, another branch is concerned with product safety with regard to the environment. In this case, the
following are analyzed: insect species to be protected, impact on living things on the land, and impacts on waters, both on the surface and underground. Specifically, residues on the land are analyzed (from both the individual molecule and metabolites produced in the ground).

MARKETING AND LABELING

The marketing model of Isagro is focused on fully meeting the needs of its customers. The current sales channels are based on both the Business-to-Business (B2B) and the Business-to-Consumer (B2C) models. 54% of products are sold B2B, 37% B2C, and the remaining 9% through technical sales. The main portion of the B2B market is represented by Europe, while the B2C market is mainly in India.

Labeling has an important role in the sales authorization process for a product and in the sales process itself. While it is essential to guarantee that the label printed on the product is identical to that included in the authorization dossier, to avoid fines or, in extreme cases, withdrawal of the sales authorization, it is also important that the label contains the information required by the consumer. It should be noted that, in the B2B market, the product uses the label of the Company that purchases the product from Isagro, while in the B2C market, it is printed directly with the Isagro label.

RELATIONS WITH INSTITUTIONS

Isagro has active relationships with national and international regulatory institutions. Specifically, institutional stakeholders are represented by the Authorities responsible for issuing sales authorizations. The relationships range from formal channels regarding submission of formulation dossiers to periodic update meetings, as occurs with the Italian Ministry of Health, or through local consultants of the Local Authorities responsible at international level.

At the European level, once the authorization has been received from the EU, Isagro must obtain registration in the individual Member States where it will sell its products; therefore, it also interacts with the Regulatory Authorities of the individual States.

Isagro builds relationships not only with legislating bodies, but also with those performing assessment: in Italy, the Ministry of Health coordinates and assigns registrations, but the risk and benefit assessments for an individual authorization are performed by appointed bodies such as Universities, the Istituto Superiore di Sanità (National Health Institute), etc. Once the product has been registered in Italy, each Regional Authority establishes parameters for addition of the product within the Regional Guidelines, therefore institutional and diplomatic relations with regional bodies are also key.

The procedure for submission of a dossier regarding registration of a new active ingredient has a cost of around € 50 million. In addition, every ten years, the authorizations issued must be renewed. So it is clear why a close network of relationships with regulatory institutions is fundamental for Isagro business.

Monitoring observance of legal parameters (check on residues in foodstuffs, verification of correspondence between labeling on product and that published with the Ministry of Health, etc.) represent another branch of institutional relationships that Isagro must maintain. In Italy, the body responsible for such checks (with which Isagro therefore interacts) is the Italian Military Police Health Protection Arm (NAS).

Outside the scope of institutional relations, Isagro has dialog with numerous sector representatives and associ-
ations (including Assolombarda, Federchimica, Agrofarma, Centro Studi Grande Milano, and CINEAS – Consorzio founded by Politecnico di Milano university, for development of a risk management culture).

In terms of innovative research, Isagro interfaces with leading Italian universities in the sector of agronomics, protection of plants and organic chemistry. These are shared collaboration and research relationships giving rise to internships, pre-graduation placements, and training days organized together with departments of the various universities, allowing students to visit the New Novara Research Center. Isagro also collaborates with Technical Research and Regional Technical Support Institutions.

**MAIN RISK FACTORS AND THEIR MANAGEMENT**

**MATERIALITY ASPECTS**
- Innovative Research
- Impact on agricultural development
- Quality and Safety of the Product
- Marketing and labeling
- Relations with institutions

**RISK FACTORS**
- definition of weak development strategies and changes in reference scenarios
- inability to develop products/services and meet expectations and requirements of reference markets
- reputational risks

**MANAGEMENT METHODS**

Strategically important risks are approached using AWARE management criteria, while operational risks are approached using an AVOID strategy. A MONITOR management approach is used for reputational risks. Areas are monitored and managed specifically through:
- Information process and communication updating on relative legislation and regulations
- Group Code of Ethics and Organization, Management and Control Model pursuant to Italian Legislative Decree no. 231/01
- Implementation of a Quality Management System according to standards pursuant to UNI EN 9001:2015
- Insurance programs for product liability
- Product quality control plans
- Internal committees for planning and monitoring Research and Development activities
The Territory

- 4% increase in generated value
- Over 70% purchases from local suppliers
- ISAGRO ASIA educational activity in the Panoli area
### OUR POSITIVE IMPACT

**on community**

### ECONOMIC VALUE GENERATED AND DISTRIBUTED

The Isagro Group is actively committed to creating long-term economic value. Once generated, this value is redistributed among all the Group stakeholders.

The economic value generated and distributed during the year is explained in a reclassified Income Statement in the Consolidated Financial Statements of Isagro S.p.A. The net global added value of the Group as at December 31, 2018, totaled over **€ 157 million**.

In line with 2017, the majority of the generated value (77%) is distributed to suppliers (as indicated by the items “raw materials and consumables used”, “costs of services”, “other operating costs”), followed by personnel compensation (20%) and Public Administration (2%). The remaining portion (approximately € 1.4 million) of value generated is distributed to the financial system, while the amount retained by the company came to 7% of the value generated (nearly € 10 million).

<table>
<thead>
<tr>
<th>€ thousands</th>
<th>2018</th>
<th>2017</th>
<th>Increase in Value Generated Compared to 2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERATED</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>157,951</td>
<td>151,354</td>
<td></td>
</tr>
<tr>
<td><strong>DISTRIBUTED</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>148,006</td>
<td>141,453</td>
<td></td>
</tr>
<tr>
<td><strong>HELD</strong></td>
<td></td>
<td>9,944</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9,901</td>
<td></td>
</tr>
</tbody>
</table>

The increase in value generated compared to 2017 is 4%.
15 Following a process of improvement in the reporting system, the 2017 figure has been restated, re-allocating the individual items composing Financial Income/(Charges).
For previously published data, please refer to the 2017 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.com

OUR SUPPLIERS

Isagro uses high-quality raw materials and ingredients, including active ingredients and co-formulants conforming to adequate quality specifications. Regarding management of procurement, the Parent Company adopts a specific operating procedure for purchasing (PAMI). In order to avoid supply problems, with a consequent increase in purchasing costs, Isagro continually selects new suppliers with a view to identifying a larger number of procurement sources and thus stimulating competition between them. Specifically, Isagro implements certification of new suppliers on the basis of criteria of reliability and, for those with which it establishes a multi-year supply contract, clauses are included safeguarding observance of the Parent Group Model 231. With the same supply conditions, however, Isagro gives priority to suppliers that have HSE certifications and/or adopt Responsible Care programs, even if these procedures do not imply actual screening of social or environmental criteria. In this respect, over the next three years the current supplier assessment procedure will be extended to include social aspects and, in particular, aspects relative to respect for human rights. The origin of the purchases
is particularly important. Where possible, it purchases locally so as to create value for the local communities where Isagro operates. The data is significant considering that the two companies Isagro S.p.A. and Isagro Asia are those that purchase the most raw materials and can be considered the most significant operating sites. In line with 2017 figures, the majority of procurement spending is focused on suppliers categorized as local.

**ISAGRO AND THE COMMUNITY**

Again in 2018, Isagro was the main sponsor of the Paganini Festival in Carro, place of origin of Niccolò Paganini’s ancestors and where the Società dei Concerti di La Spezia has coordinated the event since 2002 in collaboration with the Municipality of Carro, the local tourist office, other participating municipalities, the ‘Amici di Paganini’ association, and some sponsors. The initiative dedicated to Paganini’s musical virtuosity today takes place not only across 14 different locations in the La Spezia municipality, but also across the rest of Italy and Europe.

Niccolò Paganini—universally recognized as the greatest violinist of all time—performed in London on a European tour that began in 1828, pioneering Europe as an area of expansion for his music. He was a genuine Europhile, strongly against any political or social barrier. This is the origin of the “European Paganini Route”, an event of extremely high intrinsic value, promoted and supported by Isagro with the goal of promoting Italian culture globally.

Again in the context of strengthening its territorial presence, Isagro Asia has participated in initiatives in the urban area around its Panoli plant aimed at promoting educational activities in primary schools, distributing kits of school materials. Other maintenance initiatives have been implemented in certain schools (construction of roofing) and two fountains offering filtered water have been donated. Furthermore, Isagro has been involved, through Federchimica, in the 2018 Associate Programme of the OPCW (Organization for the Prohibition of Chemical Weapons). This program saw the taking on and training of two newly graduated technicians, one from Iraq and the other from Zimbabwe, who followed a training course at our New Novara Research Center and at the Adria and Aprilia production sites, with the goal of understanding how a chemical product is born, how it is produced, and which aspects are most important for safe handling of chemical substances.

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16 Figures refer to purchases made with national suppliers of the Italian Company (Isagro S.p.A.) and the Indian Company (Isagro Asia), respectively.
### MAIN RISK FACTORS AND THEIR MANAGEMENT

#### MATERIALITY ASPECTS

- **Economic performance**
- **Sustainable supply chain management**

#### RISK FACTORS

- Lack of a clear shared strategy and inadequate planning
- Inadequate supplier selection and certification process, as well as incomplete formalization of contracts
- Business interruption

#### MANAGEMENT METHODS

The management strategy uses an AVOID approach for operational risk and an AWARE approach for strategic aspects. Areas are monitored and managed specifically through:

- Organization, Management, and Control Model pursuant to Italian Legislative Decree no. 231/01
- Group Code of Ethics
- Insurance coverage for protection against risks connected with unplanned business interruptions
- Continuing the process of certifying new suppliers and supplier diversification
The Environment, a resource to be protected

- 226,757 GJ 2018 ENERGY CONSUMPTION
- 18,208 tCO₂e EMISSIONS
- ISO 14001 CERTIFICATION FOR ADRIA AND PANOLI PLANTS AND EMAS REGISTRATION FOR ADRIA PLANT
- MEMBERSHIP IN THE RESPONSIBLE CARE PROGRAM
Our ambition:

TO PRODUCE ALWAYS BETTER

For Isagro, environmental sustainability is a value, a genuine investment for industrial development, and it plays a primary role not only in terms of production processes, but also strictly in terms of the impacts of its products on the environment. This is why Isagro is constantly committed to the challenge of combining development of new molecules with promotion of the environment as a “distinctive aspect” of the territory, guaranteeing the protection and renewal of natural resources and assets. This commitment to environmental challenges is demonstrated by the adoption of a new environmental risk management protocol, structured in various phases. These include monitoring of emissions, waste, and water and energy consumption, innovation of systems to reduce pollution and regular analysis of production flows. This protocol has led to implementation of numerous projects targeted at reducing environmental impacts, one of the most notable regarding waste management, underlining Isagro contribution to development of a circular economy. In fact, at the Adria plant, part of the raw material derives from reuse of end-of-waste (EoW) certified scrap copper and recovery of copper chloride waste (CuCl₂) from the printed circuits industry, which is corrosive and toxic to marine life.

RESPONSIBLE CARE PROGRAM

Isagro is a member of the Responsible Care program, a voluntary program with the objective of guiding its member companies towards a sustainable development model of the world chemical industry, through guidelines, performance indicators and checking and monitoring of performance. By joining the program, the companies can monitor and improve their health, safety and environmental performance. In Italy, it is managed by Federchimica and sees participation of over 150 companies.

ENVIRONMENTAL MANAGEMENT SYSTEM

Isagro S.p.A. and Isagro Asia are equipped with a specific Environmental Management System to allow control of every aspect of environmental impacts and to promote continuous improvement in performance, also through a risk-based approach.

This system is currently ISO 14001:2015 certified by a third-party organization for the Adria plant, also holding EMAS Registration, and the Panoli plant.

To promote its commitment to improved management of environmental aspects, both in terms of protecting the environment from pollution and the sustainable use of resources, Isagro intends to obtain ISO 14001:2015 certification for the management systems of all plants by 2020.

Data and information regarding the environment and supply chain indicated in this chapter only cover production plants, excluding commercial offices as these are held to be irrelevant in guaranteeing understanding of business activity.

From 2012 to today, THE ADRIA PLANT has employed and reused around 100 t of CuCl₂

30% of total raw materials entering the Adria plant from 2012 to today is EoW
USE OF RAW MATERIALS

Isagro uses high-quality raw materials and ingredients, including Active Ingredients and co-formulants conforming to adequate quality specifications.

Specifically, in line with the previous year, the most significant item is represented by purchase of Active Ingredients (also the main component in terms of quantity of raw materials purchased), totaling around € 63 million (79% of the total), while packaging represented around 10% of total spending. Overall, compared to 2017, Isagro purchased 6% greater quantity of raw materials, following an increase in production in 2018 against 2017.

Among purchases of active ingredients, one of the main items is the purchase of copper metal, the price of which fluctuates significantly during the year, with a direct influence on the cost of the product for the end customer. To guarantee efficient management of copper purchases, and greater uniformity of material used in production, Isagro has established relationships with a handful of suppliers, primarily in Europe. The supply contracts established have less than yearly duration, in order to fix prices for subsequent deliveries and reduce the impact of price fluctuations.

ENERGY CONSUMPTION

In terms of managing its operations, Isagro does not have particularly heavy energy consumption. Energy consumption for the chemicals industry in Italy represents just 8% of total final consumption and, comparing energy consumption to production value, a figure of nearly 1.5 MJ per € 1 turnover is recorded, while other Federchimica companies have recorded values up to twice this amount.

In line with 2017, the majority of energy consumption is represented by the use of natural gas, around 66% of total consumption in 2018, compared to around 27% for electricity purchased.

Total energy consumption in 2018 saw an increase compared to the previous year, primarily due to reduced production activity in 2017. However, looking only at Italian production plants, specific consumption in 2018 reached a value of around 358 GJ per metric ton of finished product, down by around 34% compared to 2017. A significant contribution to achievement of this goal was certainly provided by the Bussi sul Tirino plant. The main energy demand for this plant is represented by thermal energy required for the production department and this

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17 Following improvement of the reporting system, the items “Technical Services” and “Other” are not considered here, and therefore the 2017 data have been represented regarding the use of raw materials. For previously published data, please refer to the 2017 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.it
18 For calculation of the item “Co-formulants/basic chemicals” material data monitored in terms of weight (metric tons) has been considered. Isagro will evaluate the possibility of improving traceability of the data currently available using measurements of volume and number.
19 For calculation of the item “Packaging” material data monitored in terms of weight (metric tons) has been considered. Isagro will evaluate the possibility of improving traceability of the data currently available using measurements of length and number.
21 Figure obtained both for Isagro and for a sample of Federchimica organizations by combining total energy consumption and turnover.
is met via a district heating system that uses superheated steam as a thermal vector. Energy rationalization works have allowed use of the residual energy content of steam released by the production cycle to pre-heat certain elements of process equipment: together with various smaller changes to increase energy efficiency of other machinery, this has allowed a decrease of around 5% and 23% in the specific energy demand (per metric ton of product) and thermal and electrical demand, respectively.

It is noted that calculation of total energy consumption does not include electricity generated on site at the Panoli plant, which totals 796 GJ annually (696 GJ in 2017), as this is already considered relative to consumption of the primary energy source used for its generation, i.e. oil.

**ATMOSPHERIC EMISSIONS**

The topic of atmospheric emissions is closely tied to that of energy: the chemicals industry has a minimal impact on greenhouse gas emissions in Italy, representing only 3.1% of total emissions, therefore the contribution of Isagro in the national emissions scenario should be considered from this perspective.

It has been calculated that, from Isagro activities in 2018, a total of around 18,208 metric tons of CO₂ have been produced, representing an increase on previous years, and reflecting the overall trend in energy demand. The figure for CO₂ emissions relative to generation of € 1

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22 The conversion, from measurements of volume or mass to Joule, for natural gas, oil, and LPG has been performed in line with “Defra - UK Government GHG Conversion Factors for Company Reporting” 2017 and 2018. Provision of superheated steam at a pressure of 330 kPa and a temperature of 145°C has been considered for district heating, while it has been assumed that it is discharged under ambient conditions (P = 101.325 kPa and T = 24°C).


24 Following improvements in the reporting system, the source of emissions factors relative to Scope 1 has been updated, in order to obtain data in CO₂ equivalent, and the source of the emissions factor relative to Scope 2 - Location Based of Isagro Asia has been updated with a specific emissions factor for India. For the purposes of comparison, 2017 data has therefore been represented. For previously published data, please refer to the 2017 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.com
of turnover is particularly interesting. The average value among companies in the Responsible Care program is around 200 tCO₂/M€, while Isagro is well below this average, recording a value of around 119 tCO₂/M€.

Furthermore, the plants of Adria and Bussi sul Tirino are subject to Integrated Environmental Authorization (AIA), whereby they comply with the standards of Pollution Prevention and Control set by the European Union (European Directive 2010/75/EU). The plants of Novara and Aprilia have recently adopted the single environmental authorization (AUA), which synthesizes several environmental authorizations required by the sector. Atmospheric emissions of gases contributing to climate change are therefore exclusively governed in accordance with the limits set by applicable regulatory provisions in the countries where Isagro operates.

Toluene, which is a neurotoxin, is one of the most widespread atmospheric pollutants and is generated by the tetraconazole production process performed at the Bussi sul Tirino plant.

In 2015, Isagro made a decision to use sustainable technology, with installation of a toluene cryogenic abatement system, allowing its recovery from the synthesis process and reuse as a raw material, leading to a drastic reduction in relative emissions. The trend over the last three years basically reflects production volumes.
WATER RESOURCES
MANAGEMENT

As set out in the 2018 global report on water resources\textsuperscript{29} published by UNESCO and the UN Water Program, around 5 billion people may lack regular access to water by 2050. In this context, the chemical industry has very high water requirements, as the Italian production sector with the highest water consumption (around 681 million m\textsuperscript{3}, representing over 12\% of the total used in production industries)\textsuperscript{30}. It seems evident that all chemicals businesses must pay great attention to management of water resources.

In 2017, water consumption was met almost entirely from bodies of surface water (~93\%), while use of more scarce and valuable sources was greatly reduced, i.e. water supply systems (~3\%) and wells (~4\%)\textsuperscript{31}. These data are aligned with the organizations belonging to the Responsible Care program, for which the main sources were split between 87.4\% from bodies of surface water, 11.7\% from wells and 0.9\% from water supply systems\textsuperscript{32}. The figure for average water consumption relative to generation of € 1 of turnover is particularly interesting: the average value among organizations in the Responsible Care program is around 0.04 m\textsuperscript{3}/€, while Isagro is well below this average, recording a value of around 0.007 m\textsuperscript{3}/€.

In the context of work to secure the aquifer, together with a process of environmental reclamation at Bussi sul Tirino plant, a pump and treat system was activated. Water drawn from the aquifer is filtered and used in the production cycle for washing the TFE/HCl azeotropic mixture, partially substituting industrial water. This allowed a specific reduction in water withdrawn for the Bussi sul Tirino plant of around 34\% compared to 2017, passing from around 3.4\textsuperscript{3} per kg of finished product to around 2.3 m\textsuperscript{3}/kg.

One of the most significant actions for Isagro in the context of water consumption is recycling of water in various phases of its production processes, as occurs at the Aprilia, Adria and Panoli plants. Considering all production sites, Isagro recycles around 3\% of water used.

From January 2018, Novara plant has been using a new drainage system that collects all wastewater flows and

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\textsuperscript{31} A portion of the quantities of water consumed derives from collection of rainwater, the amounts of which are currently not monitored. Corresponding waste amounts to over 66,300 m\textsuperscript{3} for 2018.
\textsuperscript{32} Federchimica. Responsible Care, 24\textsuperscript{th} Annual Report 2018.
\textsuperscript{33} The figure does not include rainwater as there is currently no system in place to monitor quantities collected.
\textsuperscript{34} For the Bussi, Novara and Galliera sites, this figure was estimated as equal to the total amount of water withdrawn. For the Aprilia plant, initial rainwater was not considered within wastewater, while for the Adria plant wastewater was calculated as the difference between water withdrawn (measured) and water consumed (estimated).
\textsuperscript{35} During 2018, there was a change in the destination of wastewater drainage at the Novara plant, from surface water to drain, with connection to the public drains.
feeds them into a municipal drain, leading to an increase in wastewater going into the public system compared to previous years.

**WASTE MANAGEMENT**

Greater efficiency in the use of raw materials during production processes is reflected in a decrease in both costs and waste, with consequent benefits for the business and the environment. Following the trend in production volumes, Isagro’s waste production in 2018 increased compared to the previous year. However, looking only at Italian plants, the production process was more efficient, with around 3.3 kg of waste generated per kg of finished product, against a figure of around 4 kg waste/kg finished product in the previous year.

Isagro has continued with its efforts to raise awareness, aimed at supporting activities regarding waste, recovery and recycling of materials during industrial processes: around 70% of total hazardous waste is sent for disposal, a figure that drops to 22% for non-hazardous waste, while the majority of non-hazardous waste is sent for recycling, 74% of the total, which is only 16% for hazardous waste. Only non-hazardous waste is sent for composting, representing around 4% of total non-hazardous waste.

The performance achieved by **Bussi sul Tirino plant was particularly positive, with a reduction of around 20% in specific waste production compared to 2017**, passing from around 0.29 kg of waste produced per kg of finished product to 0.23 kg. This was primarily due to initiatives to optimize the production cycle that allowed better use of raw materials.

Comparison with the performance of organizations belonging to the Responsible Care program demonstrates that, regarding the figure for waste production relative to generation of €1 of turnover, the average figure is around 43 metric tons of waste produced per million euro generated, while Isagro is well below this average, recording around 11 t/M€.
The management strategy uses an AVOID approach. Areas are monitored and managed specifically through:

- Organization, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001
- Implementation of the Environmental Management System according to reference standards pursuant to UNI EN 14001:2015 and EMAS Regulation
- Information process and communication of updates on relative regulations
- Monitoring performance of processes and corrective actions for changes to reference standards
- Periodic auditing of probability and impact mitigation systems
- Insurance coverage for transfer of damages subject to liability actions

Consumption of raw materials

Atmospheric emissions

Water

Business waste management

RISK FACTORS

- process inefficiency
- failure to comply with legislative requirements

The Terdoppio Canal, which received the wastewater until 2017, flows into the River Ticino in the district of Cassolno-vo, a municipality located inside "Ticino Park". Activation of the new discharge into the public drains for all wastewater from the plant has eliminated the risk of polluting the Park.

The plant is located inside the southern border of the Gran Sasso National Park. About 10 km downstream of the plant is the "Alanno Dam" Regional Nature Reserve, which is located on the site of Community Importance called Lago Maiella (SIC IT7140203), and it is also a Special Protection Area (SPA IT7140129). The area lies between the Pescara river and the Alanno Dam, a reservoir almost completely underground and occupied by the Cannuccia di Palude reed-bed, partially destroyed by a fire in 2011. The risk for Isagro concerns its wastewater, which goes into the Pescara river. In relation to this, as the finished product is classified as harmful to the environment, the company has implemented a management system that reduces minimizes the risk of spillage through the installation of containment basins for the storage tanks and a double final containment basin into which all the water coming from the plant flows.
The plant is located in the municipality of Adria, within the Veneto region’s Po Delta Park instituted through Regional law no. 36 of September 8, 1997. There is also a landscape protection area covering a 150-meter strip along the Bianco Canal in accordance with Art. 142, letters c-d of Italian Legislative Decree no. 42/2004.

RISK FACTORS
- process inefficiency
- failure to comply with legislative requirements

MANAGEMENT METHODS
The management strategy uses an AVOID approach. Areas are monitored and managed specifically through:
- Organization, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001
- Implementation of the Environmental Management System according to reference standards pursuant to UNI EN 14001:2015 and EMAS Regulation
- Information process and communication of updates on relative regulations
- Monitoring performance of processes and corrective actions for changes to reference standards
- Periodic auditing of probability and impact mitigation systems
- Insurance coverage for transfer of damages subject to liability actions

MATERIALITY ASPECTS
Consumption of raw materials
Energy
Atmospheric emissions
Water
Business waste management

MAIN RISK FACTORS AND THEIR MANAGEMENT
Appendix 8
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REPORTING METHODOLOGY

Isagro S.p.A. (hereinafter the “Isagro Group” or the “Group”) Consolidated Non-Financial Report (NFR) is the document used to describe the initiatives and main sustainability performance results obtained by the Group, represented by Isagro S.p.A. and its subsidiaries.

The Report has been prepared pursuant to Italian Legislative Decree 254/2016 (hereinafter the “Decree”) and in compliance with art. 5, is separate from the Management’ Report. The document offers reporting, to the degree required to ensure understanding of business activity, progress, results and impacts generated in relation to the areas held to be significant and defined by art. 3 of the Decree and is prepared in compliance with “Global Reporting Initiative Sustainability Reporting Standards” defined in 2016 by the Global Reporting Initiative (GRI), in line with the option “in accordance - Core”. The table of GRI indicators reported is included as appendix.

The content subject to reporting refers to 2018 (from January 1 to December 31) and has been selected on the basis of the results of the materiality analysis, used to identify areas of significance in terms of economic, social and environmental impacts of Isagro and its stakeholders.

The scope of the economic-financial data is the same as for the Isagro Group 2018 Consolidated Financial Statements. The scope of the social information comprises the companies belonging to the Isagro Group at December 31, 2018 fully consolidated in the Group Consolidated Financial Statements.

Please note that for the data and information on the environment and in relation to the supply chain, the scope includes only production plants and excludes commercial offices, as these were considered to be irrelevant in guaranteeing understanding of business activity. The scope of information relating to health and safety and the related injury rates only includes staff of the Group companies that manage the production plants, where the major risks in this area have been identified and assessed (around 91% of Group employees).

In 2018, there were no significant changes to the Group size, organizational structure, ownership structure and supply chain.

In order to allow the data to be compared in time and to assess the trend of activities of the Group, a comparison with the previous year is provided. Representation of comparison data previously published is clearly indicated as such. Additionally, in order to ensure the correct representation of the company performance and guarantee the reliability of the data, the use of estimations was avoided as much as possible and, where present, they are duly reported.

The Consolidated Non-Financial Statement is published annually. This edition has been submitted for examination by the Control, Risk, and Sustainability Committee and approval of the Isagro S.p.A. Board of Directors on March 13, 2019 and is further subject to “limited assurance engagement” (according to criteria indicated by the Revised ISAE 3000 standard) by Deloitte & Touche S.p.A.

For all information concerning the Non-Financial Statement, contact Isagro’s Communication Dept. (communication@isagro.com)

The Non-Financial Statement is also available to view in the Sustainability section of the Isagro site.

Isagro Group, which has an international presence, with production plants located in Italy and India and various commercial sites worldwide, has embarked on a development path under the scope of the topics considered relevant and pursuant to Art. 3 of Italian Legislative Decree no. 254/16, as described below.

Specifically, it is noted that during 2018 Isagro established a Sustainability Policy.

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36 For a list of companies consolidated on a line-by-line basis, reference is made to the paragraph “The Isagro Group Companies” of the Notes to the Consolidated Financial Statements of Isagro S.p.A. as at December 31, 2018.

37 This code substitutes the compliance program declared in the 2017 Non-Financial Report
Anti-corruption

With reference to the fight against active and passive corruption, the Parent Company Isagro S.p.A. oversees the matter as part of the Organization and Management Model pursuant to Italian Legislative Decree no. 231/01 and the Group Code of Ethics (the latter distributed to all Group companies).

Furthermore, as a concrete example of its commitment in this regard, Isagro S.p.A. approved, February 25, 2019, an Anti-Corruption Code of Conduct further to the Code of Ethics, aimed at defining an organic set of rules to prevent and work against all corrupt practices and guaranteeing compliance with anti-corruption legislation. This Code is also distributed to all Group companies.

Currently Isagro S.p.A. employees are provided with training on the Code of Ethics and the Organization and Management Model pursuant to Italian Legislative Decree no. 231/01. Between 2019 and 2020, Isagro undertakes to renew training in such contexts using e-learning for all employees of Group companies.

Human Resources related topics


The matter of health and safety is overseen by means of the adoption of dedicated management systems, in particular the plant of Panoli (Isagro Asia) is equipped with a management system certified under the terms of OHSAS 18001:2007 and adopts a specific Safety Manual. With reference to the other production plants, the matter is overseen through the implementation of internal policies and procedures.

By March 2021, Isagro Asia will proceed with certification of its own Health and Safety Management System under the terms of standard ISO 45001:2018.

Furthermore, a reporting system is under completion that will allow the collection of accident data from all Group companies.

In addition, the possibility is being considered of extending certification, according to the latest standards, of the Occupational Health and Safety Management Systems, to include Italian production plants and the New Research Center.

Social topics

Topics relating to product quality and safety and research and development, are crucially important to the Group and are overseen through certified management systems, such as the UNI EN ISO 9001:2015 quality certification adopted by the companies.

With specific reference to the supply chain, Isagro S.p.A. adopts an operating purchasing procedure (PAMI) and has developed a specific supplier selection policy.

Updating is underway of the current supplier assessment procedure that will include social and human rights aspects by 2020.

Human rights

In relation to protection of human rights, all Group companies adopt the Code of Ethics, which expressly defines the commitment towards the creation and maintenance of a workplace that protects the dignity of each person, and the commitment to observance of the essential rights of people, protecting their physical and moral integrity and guaranteeing equal opportunities.

Furthermore, by 2020, a specific policy will also be defined in order to establish Group-wide guidelines.

Environment

In 2018, the Group’s commitment to managing and reducing the impact of its business on the environment, continued. Please note that the production plant of Adria is equipped with a management system certified under the terms of standard UNI EN ISO 14001, as is the plant of Panoli. The Adria plant also has EMAS registration. All other Italian production plants have an internal management system that regulates the environmental aspects. Furthermore, during 2018, a Sustainability Policy was adopted including environmental commitments such as responsible management and use of resources and reduction of waste.

By the end of 2020, the scope of ISO 14001:2015 certification will be extended to include all Group production plants.

The Company believes that the activities planned for improved awareness of operational context (internal and external), including stakeholder engagement and informed management of health, safety and environment issues, will support definition of a sustainability plan with medium and long term goals.
MATERIALITY ANALYSIS METHODOLOGY

The materiality analysis process underlying the 2018 NFS has been defined on the basis of reference methodologies supplied by the GRI standards. The analysis was conducted by the internal coordination team for the process, with involvement of top management and support of an external consulting company. The analysis includes three phases, respectively:

1. IDENTIFICATION OF KEY TOPICS for Isagro and its stakeholders
   - The process has been developed through an initial analysis of internal and external documentary sources, supporting identification of potentially key topics for Isagro (in terms of goals, strategies and management systems) and external context. Through involvement of managers of all units and business areas, a list of potentially key topics has been validated, and information has been collected, for topics of importance for each unit, regarding priorities in company strategy, the current management approach, main risks and impacts and possible emerging legislative stimuli.

2. Prioritizing of KEY TOPICS and definition of MATERIALITY MATRIX
   - To draw up a scale of priority for each topic, both Isagro’s interests in relation to company goals and strategies, and those of stakeholders in terms of their expectations and needs, have been considered. In both cases, the topics are assessed using a scale from 1 to 10, where 1 indicates low importance attributed by company strategies or stakeholders to the topic and 10 indicated maximum importance. This assessment is performed using online questionnaires. The materiality analysis has been supported by all Isagro top management, which, for continuity with the previous year Non-Financial Statement (2017), have considered all topics as “material” that have a score of 7/10 or higher both for the company and its stakeholders. These topics have therefore been reported in this document.

   - In addition, as this document is prepared in compliance with Italian Legislative Decree no. 254/2016, certain additional topics have also been reported, as explained in Chapter 2.

3. VALIDATION OF MATERIALITY MATRIX
   - The materiality matrix has been shared with internal company units and the Control, Risk, and Sustainability Committee, and validated by the Board of Directors of Isagro S.p.A.

Identification of key topics for Isagro and its stakeholders

Prioritizing of key topics and definition of materiality matrix

Validation of materiality matrix
List of national or international associations/organizations to which Isagro S.p.A. belongs:

- AGROFARMA
- A.I.G.I.-ASSOCIAZIONE ITALIANA GIURISTI DI IMPRESA
- AIMAN - ASSOCIAZIONE ITALIANA MANUTENZIONE
- AIRI ASSOC.ITAL.RICERCA INDUSTRIALE
- AIRPLUS INTERNATIONAL SRL
- SIPAV-SOCIETA’ ITALIANA DI PATOLOGIA VEGETALE
- AITI-ASSOCIAZIONE ITALIANA TESORIERI
- AMERICAN CHAMBER OF COMMERCE IN ITALY
- ANRA-ASSOCIAZIONE NAZIONALE DEI RISK MANAGER
- ASPEN INSTITUTE ITALIA
- ASSOCIAZIONE INDUSTRIALI DI NOVARA
- NEDCOMMUNITY - AMMINISTRATORI NON ESECUTIVI ED ORDINE INTERPROVINCIALE CHIMICI DELLA LOMBARDIA
- ASSOCIAZIONE ITALIANA DELLE AZIENDE FAMILIARI
- ASSOCIAZIONE ITALIANA INTERNAL AUDITORS
- ASSOCIAZIONE ITALIANA POLITICHE INDUSTRIALI
- ASSOLOMBARDA
- ASSONIME
- AUTORITÀ GARANTE DELLA CONCORRENZA
- CINEAS
- CONFINDUSTRIA VENEZIA
- CONSIGLIO DELL’ORDINE DEI CONSULENTI
- CONSIGLIO NAZIONALE DEI CHIMICI
- ITALIA ASEAN
- CONSORZIO IBIS
- EUROPEAN BIOSTIMULANTS INDUSTRY COUNCIL (EBIC)
- FEDERCHIMICA
- SUNDY SUPPLIERS
- EUROPEAN PATENT INSTITUTE
- ISVI - ISTITUTO PER I VALORI D’IMPRESA
- G.R.I.F.A. GRUPPO DI RICERCA IT. FITOF. E AMB.
- CENTRO STUDI GRANDE MILANO
- IBC ASSOCIAZIONE INDUSTRIE BENI CONSUMO
- LOMBARDY GREEN CHEMISTRY ASSOCIATION
- IBMA AISBL
- PREVIASS II
- RESEARCH QUALITY ASSOCIATION LTD
- SOCIETA’ DEL GIARDINO
- THE RULING COMPANIES ASSOCIATION
- UNINDUSTRIA LATINA
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<td>NOx, SOx and other significant emissions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material topic: EFFLUENTS AND WASTE</th>
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<tbody>
<tr>
<td>GRI 103 – Management approach 2016</td>
<td></td>
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<tr>
<td>GRI 103-1 34</td>
<td>Explanation of the material topics and their boundaries</td>
</tr>
<tr>
<td>GRI 103-2 68, 73, 74, 79, 80</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103-3 73, 74</td>
<td>Evaluation of the management approach</td>
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<tr>
<td>GRI 306: Effluents and waste 2016</td>
<td></td>
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<tr>
<td>GRI 306-1 73</td>
<td>Water discharge by quality and destination</td>
</tr>
<tr>
<td>GRI 306-2 73, 74</td>
<td>Waste by type and disposal method</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Material topic: ENVIRONMENTAL COMPLIANCE</th>
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<tbody>
<tr>
<td>GRI 103 – Management approach 2016</td>
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<tr>
<td>GRI 103-1 34</td>
<td>Explanation of the material topics and their boundaries</td>
</tr>
<tr>
<td>GRI 103-2 24, 25, 68, 75, 79, 80</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103-3 68</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 307: Environmental Compliance 2016</td>
<td></td>
</tr>
<tr>
<td>GRI 307-1</td>
<td>No fines or sanctions were received in 2018 for non-compliance with environmental laws and regulations</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Material topic: ENVIRONMENTAL ASSESSMENT OF SUPPLIERS</th>
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</thead>
<tbody>
<tr>
<td>GRI 103 – Management approach 2016</td>
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</tbody>
</table>
### GRI 103-1 34 Explanation of the material topics and their boundaries
### GRI 103-2 63 - 65, 79 The management approach and its components
### GRI 103-3 63, 64 Evaluation of the management approach
### GRI 308: Supplier Environmental Assessment 2016

During 2018, the new supplier selection process did not consider environmental criteria.

New suppliers that were screened using environmental criteria.

<table>
<thead>
<tr>
<th>SOCIAL</th>
<th>Material topic: EMPLOYMENT</th>
<th>GRI 103 – Management approach 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 103-1 34 Explanation of the material topics and their boundaries</td>
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<tr>
<td>GRI 103-2 38, 39, 45 The management approach and its components</td>
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<tr>
<td>GRI 103-3 38, 39 Evaluation of the management approach</td>
<td></td>
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<tr>
<td>GRI 401: Employment 2016</td>
<td></td>
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<tr>
<td>GRI 401-1 38, 39, 48, 49 New employee hires and employee turnover</td>
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<thead>
<tr>
<th>Material topic: HEALTH AND SAFETY</th>
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<tbody>
<tr>
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<tr>
<td>GRI 103-2 44, 45, 79 The management approach and its components</td>
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<tr>
<td>GRI 103-3 44, 45 Evaluation of the management approach</td>
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<tr>
<td>GRI 403: – Occupational health and safety 2016</td>
<td></td>
</tr>
<tr>
<td>GRI 403-2 44, 48, 49 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</td>
<td></td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Material topic: TEACHING AND TRAINING</th>
<th>GRI 103 – Management approach 2016</th>
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<tbody>
<tr>
<td>GRI 103-1 34 Explanation of the material topics and their boundaries</td>
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</tr>
<tr>
<td>GRI 103-2 39, 40, 45 The management approach and its components</td>
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<tr>
<td>GRI 103-3 39, 40 Evaluation of the management approach</td>
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<tr>
<td>GRI 404: – Training and education 2016</td>
<td></td>
</tr>
<tr>
<td>GRI 404-1 39 Average hours of training per year per employee</td>
<td></td>
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</tbody>
</table>

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<tr>
<th>Material topic: DIVERSITY AND EQUAL OPPORTUNITIES</th>
<th>GRI 103 – Management approach 2016</th>
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<tbody>
<tr>
<td>GRI 103-1 34 Explanation of the material topics and their boundaries</td>
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<tr>
<td>GRI 103-2 40, 41, 45 The management approach and its components</td>
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<tr>
<td>GRI 103-3 40, 41 Evaluation of the management approach</td>
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<tr>
<td>GRI 405: – Diversity and equal opportunities 2016</td>
<td></td>
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<tr>
<td>GRI 405-1 19, 40, 41, 47 Diversity of governance bodies and employees</td>
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<tr>
<th>Material topic: CHILD LABOR</th>
<th>GRI 103 – Management approach 2016</th>
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<tbody>
<tr>
<td>GRI 103-1 34 Explanation of the material topics and their boundaries</td>
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</tr>
<tr>
<td>GRI 103-2 26, 27, 79 The management approach and its components</td>
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<td>GRI 103-3</td>
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<tr>
<td>GRI 408: – Child labor 2016</td>
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<tr>
<td>GRI 408-1</td>
<td>26</td>
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</tbody>
</table>

**Material topic: FORCED LABOR**

| GRI 103 – Management approach 2016 |  |
| GRI 103-1 | 34 | Explanation of the material topics and their boundaries |
| GRI 103-2 | 63 - 65, 79 | The management approach and its components |
| GRI 103-3 | 63, 64 | Evaluation of the management approach |

| GRI 409: – Forced or compulsory labor 2016 |  |
| GRI 409-1 | 26 | Operations and suppliers at significant risk for incidents of forced labor |

**Material topic: SOCIAL ASSESSMENT OF SUPPLIERS**

| GRI 103 – Management approach 2016 |  |
| GRI 103-1 | 34 | Explanation of the material topics and their boundaries |
| GRI 103-2 | 11, 57, 58 | The management approach and its components |
| GRI 103-3 | 11, 57, 58 | Evaluation of the management approach |

| GRI 414: – Supplier social assessment 2016 |  |
| GRI 414-1 | In 2018, the new supplier selection process did not consider social criteria. | New suppliers that were screened using social criteria |

**Material topic: CONSUMER HEALTH AND SAFETY**

| GRI 103 – Management approach 2016 |  |
| GRI 103-1 | 34 | Explanation of the material topics and their boundaries |
| GRI 103-2 | 11, 57, 58 | The management approach and its components |
| GRI 103-3 | 11, 57, 58 | Evaluation of the management approach |

| GRI 416: – Customer health and safety 2016 |  |
| GRI 416-2 | No cases of non-compliance with product health and safety laws and regulations were recorded in 2018. | Incidents of non-compliance concerning the health and safety impacts of products and services |

**Material topic: MARKETING AND LABELING**

| GRI 103 – Management approach 2016 |  |
| GRI 103-1 | 34 | Explanation of the material topics and their boundaries |
| GRI 103-2 | 11, 58 | The management approach and its components |
| GRI 103-3 | 58 | Evaluation of the management approach |

| GRI 417 – Marketing and labeling 2016 |  |
| GRI 417-2 | During 2018, no instances of non-compliance were identified regarding information and labeling of products and services. | Incidents of non-compliance concerning product and service information and labeling |

**Material topic: SOCIAL-ECONOMIC COMPLIANCE**

| GRI 103 – Management approach 2016 |  |
| GRI 103-1 | 34 | Explanation of the material topics and their boundaries |
| GRI 103-2 | 24, 25, 27 | The management approach and its components |
| GRI 103-3 | 24, 25 | Evaluation of the management approach |

| GRI 419: – Socioeconomic compliance 2016 |  |

In November 2016, the company received two fines from the Italian Ministry of Agricultural, Food, and Forestry Policies ("MIFAP"), with a value of between 50 and 200 thousand euro each for some batches of copper-based products sold for organic crops. Isagro S.p.A. requested and obtained a counteranalysis (conducted at the end of April 2017). Thereafter, MIFAP notified two notices of assessment and administrative seizure, one on 05/29/2017 in connection with 1,332 sacks, each weighing 1 kg, of phytosanitary product "Cupro Isagro WG" and the other on 06/20/2017 relative to 10,080 sacks, each weighing 1 kg, of phytosanitary product "Cuprocaffaro Micro". On July 11, 2017, the Company appealed against these measures in its own defense briefs in accordance with Art. 18 of Italian Law no. 689/1981 and requested a hearing, challenging in both fact and law and also asking for the release from seizure of the goods considered to be non-compliant. In failing to receive a response on the matter within the legal terms by the competent body, Isagro S.p.A. notified a request for release from seizure. Thereafter, on September 7, 2017, the Company was served note prot. no. 0011614 adopted by MIFAP concerning the “transmission of the results of the review of the analysis relative to the sample of phytosanitary product CUPROCAFFARO MICRO. On October 6, 2017, the Company submitted its defense briefs against this report, in accordance with Art. 18 of Italian Law no. 689/1981 and requested a hearing, asking, among others, for the application of a single fine ranging between € 1,000 and € 20,000. Following Isagro's hearing regarding the dispute communicated on July 11, 2017, on March 28, 2018, the Ministry, almost entirely accepting Isagro's appeals, applied a single fine of € 2,000 to company, considering that the fact underlying the first two fines represented a single event of minor significance. The Company therefore obtained release of the goods seized and sealed. Isagro is currently awaiting a response from the Municipal Police of Adria regarding the third fine, imposed for the same production line as the first two.
INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREES NOS. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018

To the Board of Directors of Isagro S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Isagro S.p.A. and its subsidiaries (hereinafter "Isagro Group" or "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2019 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2015 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
Auditor’s responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the “International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (hereinafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group’s activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.

2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.

3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Isagro Group.

4. Understanding of the following matters:

   - business management model of the Group’s activities, with reference to the management of the topics specified by article 3 of the Decree;
   - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
   - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Isagro S.p.A. and with the employees of the subsidiary Isagro (Asia) Agrochemicals Pvt Ltd and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.
In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;

- for the following company and sites, Milan Headquarters, Adria's production site and Aprilia's production site of Isagro S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Isagro Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
March 29, 2019

This report has been translated into the English language solely for the convenience of international readers.