



2019

CONSOLIDATED
NON - FINANCIAL
R E P O R T

2019

Isagro S.p.A.

A company directed and coordinated
by Holdisa S.r.l.

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LETTER FROM THE CHAIRMAN

The presentation of this fourth Consolidated Non-Financial Report drives me to again share with you the importance that the relationship between Sustainability and Innovation holds for measuring the socioeconomic impact of our business. We firmly believe that Sustainability, with the noblest of values, and Innovation, an objective and characteristic of our company, have the most significant effects on the economic and social development of Isagro and the success of the corporate development model. Thanks to Sustainable Innovation, the company products are designed with careful consideration of their use, functions and the monetary and environmental costs generated throughout the life cycle of each product, and the company is able to evolve. At such a critical and far from normal time, the value of Sustainability and the objective of Innovation must cooperate even more closely and become fundamental.

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

In 2018, Isagro celebrated its 25th anniversary at the Milan Stock Exchange, where it was listed nearly 17 years ago. Today, I can confirm that Isagro's capacity for innovation is a valuable strength for its sustainable development. Given the current global situation, I would like to highlight the vital importance of agri-food activities.

The search for new solutions for agriculture continues and is increasingly supported by lower environmental impact and increased sustainability. Our present focus is on Biosolutions.

An increasingly prospective representation of the pillar of our corporate development project, Biosolutions have gradually taken on a leading role in Isagro's product portfolio, which believes in a concept of integrated pest management, understood as the synergy between Agrochemicals and Biosolutions, since it strives to preserve and strengthen crops with increasing efficiency with maximum respect for the land. The objective is to help alleviate the food emergencies in vast areas of our planet – now more than ever – 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 greater and more objective awareness of social and environmental topics that have always played a role in guiding all 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, aligned with the principles of transparency and objectiveness, of the impact that our strategic model has on our internal and external setting and how the needs and expectations of the stakeholders influence its development.

Following this approach, the Group Code of Ethics 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.

Environment and Innovation: the Isagro foundation and goal born of Italian creativity for plant health.

Giorgio Basile





1

THE GROUP



343
EMPLOYEES



4
PLANTS
IN ITALY



105.4
MILLION EURO
REVENUE



80
COUNTRIES
DISTRIBUTION NETWORK

ISAGRO, INNOVATION FOR THE HEALTH OF CROPS

WHO WE ARE

Isagro is a Group operating globally in the market of agricultural products with innovative solutions, with low environmental impact, for the protection and nutrition of crops. In 2019, the Isagro business model, which has always been founded on the discovery of new molecules through third-party agreements aimed at developing them for market, was given an important new definition.

Following:

- tougher regulatory framework for organic chemicals and consequent increase in development costs;
- additional incentive towards the concentration of major operators with innovative research (e.g. Bayer-Monsanto and Dow-DuPont mergers);
- a strategic interest of Indian and Chinese generic operators to be equipped with innovative products (external) and take the first steps towards direct presence in innovative research;
- development of a Biosolutions area (solutions using living organisms or their byproducts to combat dam-

aging organisms, limiting their development, or to stimulate crop development by enhancing its performance) with small/medium-sized operators in need of innovative, marketing, registration, and commercial know-how;

Isagro has reviewed its strategy, aiming to promote the untapped wealth of its organic chemical assets, in order to strengthen its presence in copper-based fungicides (inorganic chemistry) and Biosolutions.

Part of this process to change the Isagro business model includes the transfer of the investment in the subsidiary Isagro Asia (active in the synthesis, formulation, and distribution of generic organic chemicals) to PI Industries Ltd. on December 27, 2019.

Therefore, the Group structure at December 31, 2019 was redefined as follows:

GROUP STRUCTURE

December 2019*

- Direct distribution
- Indirect distribution

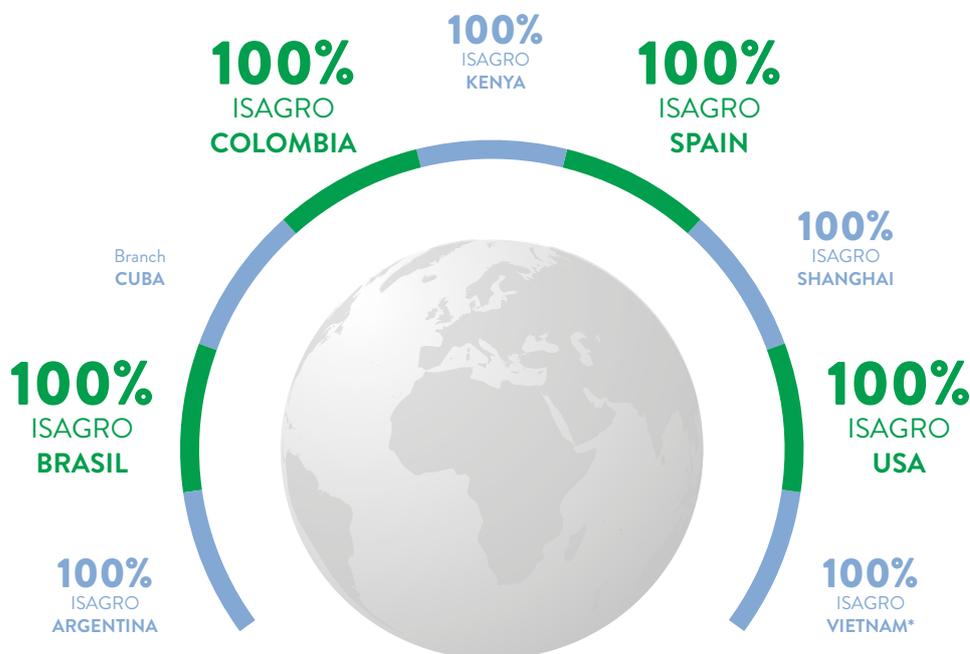


of the Italian company Arterra Bioscience is owned by Isagro

Isagro also operates in:

- AUSTRALIA
- CHILE
- MEXICO
- SOUTH AFRICA

with locally registered companies



*Controlled indirectly by Isagro Singapore in liquidation

The social and environmental data relative to Isagro Asia are only available for the period between January 1, 2019 and September 30, 2019.

OWNERSHIP STRUCTURE

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, 2019, the share capital of Isagro S.p.A. amounted to € 24,961,000, 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

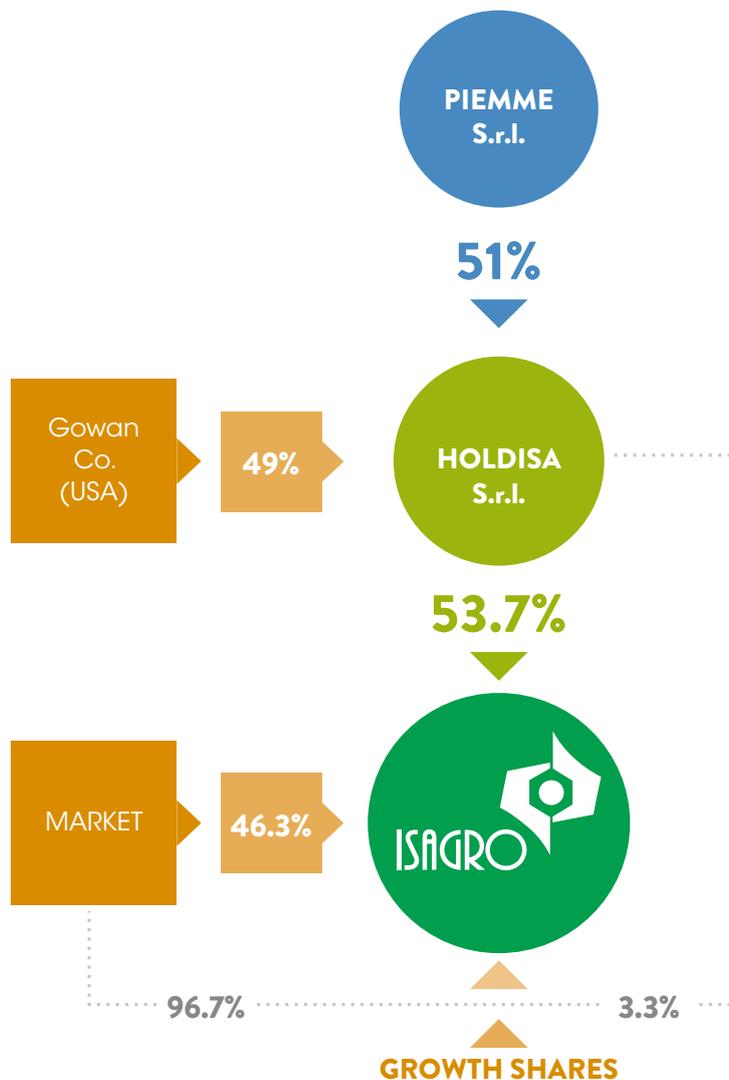
shares, specifically conceived for companies with a parent company, that ensures the non-contestability of business control and, therefore, the continuity of the entrepreneurial project.

The main characteristics of this category of shares are:

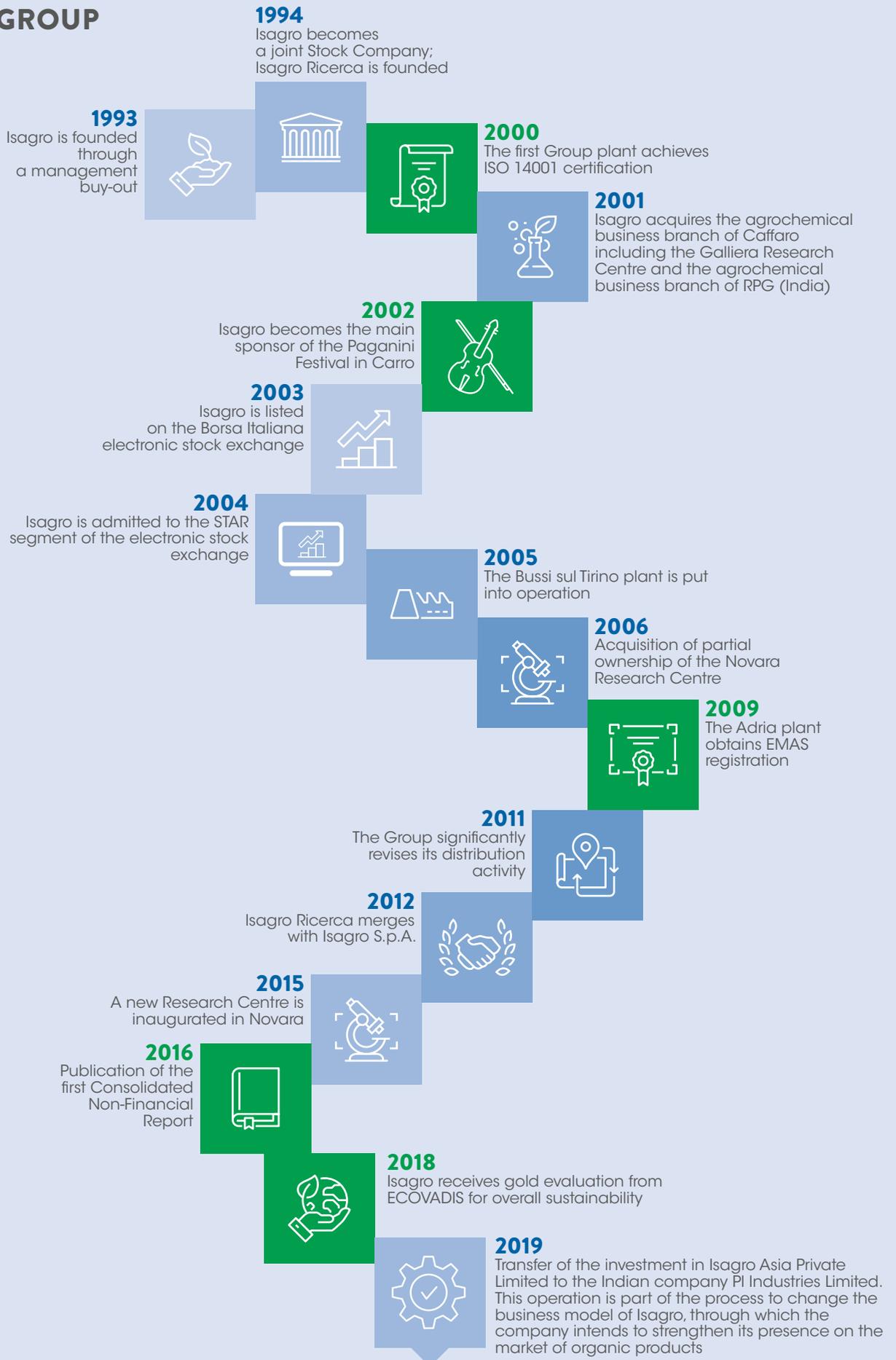
- the absence of voting rights;
- an “extra dividend” with respect to the Ordinary Shares, defined, on a case-by-case basis, by the By-Laws of the issuer (20% in the case of Isagro S.p.A.);
- the automatic conversion into Ordinary Shares at a ratio of 1:1, thereby acquiring full voting rights, when it 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.

CONTROLLING STRUCTURE OF ISAGRO S.p.A.

December 2019



THE HISTORY OF THE GROUP



OUR PRODUCTS AND BIOSOLUTIONS

The Isagro Group operates with two business lines: Agrochemicals and Biosolutions.

AGROCHEMICALS



FUNGICIDES

Fungicides are agrochemicals used to defend crops from pathogenic fungi. They represent a strategic segment for the Group, which has invested to enhance its range of products and acquire market shares. The main markets for fungicides are Brazil, Chile, Paraguay, Italy, the United States, China, France, Spain, Eastern Europe, Russia, the Middle East and Africa, which is becoming a major consumer.



COPPER-BASED FUNGICIDES

Copper-based fungicides represent the core business of Isagro, with a portfolio of formulations made from the three main copper salts: oxychloride, hydroxide and Bordeaux mixture. These products are unique for their broad spectrum of action on the pathogenic fungi target and bacterial diseases. Isagro's strength lies in the bactericidal application in the main geographic areas of interest, for example in South America on citrus fruit (branch canker) and coffee (rust), as well as China and Southeast Asia on bacterial diseases of the tomato plant and main vegetable crops.

Created and developed on high-profitability crops such as vines, pome fruit and stone fruit, copper-based fungicides are developed by Isagro on new targets including

nuts (walnuts, hazelnuts and almonds) and extensive high-profitability crops (sugar beets) with the aim of reaching the target of small-grain cereals (wheat, barley and rye) that have historically seen the application of molecules such as triazoles.

The production cycle in the Adria plant is based on the use of recovered raw material, thereby eliminating the environmental impact linked to the extraction of copper metal from rock. The scrap copper undergoes rigorous sorting and qualitative analyses in order to avoid the presence of polluting metals in the formulations.

The main Isagro proprietary fungicides include: **Airone, Badge, Eminent, Domark, Galileo, Fantic and Stadio.**



INSECTICIDES

Insecticides are agrochemicals used to control insects that damage crops and are classified according to their mechanism of action towards such insects: ingestion, contact or inhalation. They are sold mainly in Europe, particularly in countries in the Mediterranean area, the Middle East, India, Colombia, South Africa and Cuba.

The main Isagro proprietary insecticides include: **Scatto.**



FUMIGANTS

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

The main Isagro proprietary fumigant is **Dominus.**



BIOSOLUTIONS

Since its foundation, Isagro has worked on integrated pest management and invested in fertilization, land processing, weed control and plant protection, assisting key players in the agri-food supply chain (from land to consumer), who care about economic and ecological sustainability, with its Biosolutions.

Biosolutions represent an area of rapid growth globally and include solutions using living organisms or their byproducts to combat damaging organisms by limiting their development or to stimulate crop development by enhancing its performance.

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 productivity and quality or resistance to abiotic stresses.

The main proprietary biostimulants include: **Aminogreen**, **Isagrow Premio**, **Ridox Stim**, **Siapton** and **Vanguard**.



PHEROMONES

Pheromones are synthesis analogues of messenger molecules and are used in traps to monitor the presence of insects or in specific dispensers to limit the proliferation of insects that damage crops. Isagro has been a pioneer in the study of sexual pheromones of insects and uses them in service of various technologies such as defense by means of disorientation, monitoring with specific traps and mass trapping. The use of compostable bioplastic in dispensers which do not require disposal at the end of the season and the design of extremely effective traps are examples of the innovative and sustainability capacity that Isagro offers for eco-friendly agriculture.

The main Isagro proprietary traps and pheromone diffusers include: **Cyma**, **Ecodian CT**, **Ecodian Star** and **Traptest**.



MICROORGANISMS

This category includes agrochemicals based on microorganisms. The main markets for this Group 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.



TRICHODERMA BY ISAGRO

In 2019, Isagro created *Trichoderma by Isagro* for the Italian market. The brand identifies the Isagro and third-party products that use its bio-specialty.

The main Group proprietary products containing microorganisms include: **Biocross Eva**, **Ecofox Life**, **Radix Soil** and **Remedier**.



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, Italy, Spain, and the US.

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.



DISTRIBUTION THROUGH THIRD-PARTY DISTRIBUTION NETWORKS

With regard to the distribution of proprietary products via third-party networks, the marketing strategy varies according to the type of product. In fact, most agrochemical 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.



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.

THE GROUP'S PLANTS

In 2019, the Isagro Group had five production plants, each of which with its own specific features. Four of the plants are in Italy: Adria (RV), Aprilia (LT), Bussi sul Tirino (PE), and Novara (NO). The fifth plant, in Panoli in the state of Gujarat, India, was sold at the end of December 2019 following the sale of the investment in the subsidiary Isagro Asia, as mentioned above.

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 Centre, an experimental testing centre where field tests are performed to determine the biological effectiveness of new active ingredients and formulations. This centre 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 formulation, mixing, packaging and logistics (reception, stocking and shipping) of agrochemicals.

The agrochemical 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 addition to the system adaptation carried out in the past few years, in order to reduce odorous emissions, a number of systems were recently integrated so as to improve the quality of atmospheric emissions. A systematic and specific staff training program was also 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 (sold in December 2019).

The Bussi sul Tirino plant was designed as a lower-emission production unit.

In fact, production requires the recovery and reuse of the solvents and water used during the process, with a low production of waste and water discharge in terms of both quantity and quality of the contaminants present.

Moreover, 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.

Lastly, from 2017, changes were made to the process, heat and energy recovery, and the optimization of the use of water resources, which led to a significant reduction in the consumption of electricity, thermal energy in the form of steam, and industrial water.

NOVARA

Categorized as an Organic Product Unit, this plant is dedicated to producing active ingredients and 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 Centre 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

This plant was sold at the end of December 2019 following the transfer of the fully controlled company Isagro Asia to PI Industries Ltd.

The Panoli plant synthesizes the active ingredients used in different Group products. As part of the agreements relative to the transfer of Isagro Asia, ancillary supply contracts were signed.

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 GROUP'S PLANTS

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 agrochemical products, as well as logistics (reception, stocking and shipping).



BUSSI SUL TIRINO (Pescara)

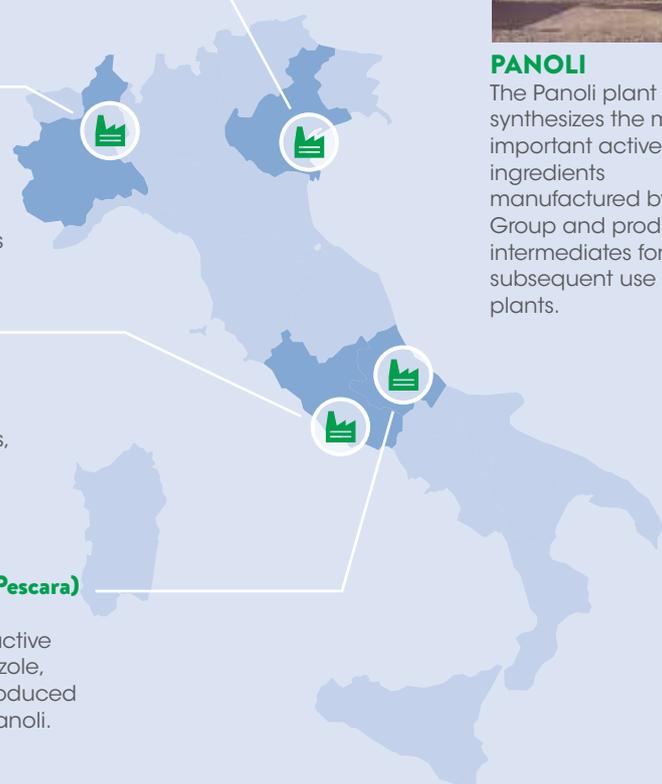
This plant is dedicated to the synthesis of the active ingredient of Tetraconazole, starting from what is produced at the Indian plant in Panoli.

INDIA



PANOLI

The Panoli plant synthesizes the most important active ingredients manufactured by the Group and produces intermediates for subsequent use at other plants.





2

ORGANIZATIONAL STRUCTURE AND CORPORATE VALUES



11

**MEMBERS
BOARD OF
DIRECTORS**



5

**MEMBERS
BOARD OF STATUTORY
AUDITORS**



3

**MEMBERS
SUPERVISORY
BODY**

ETHICS AND INTEGRITY ARE FUNDAMENTAL PRINCIPLES

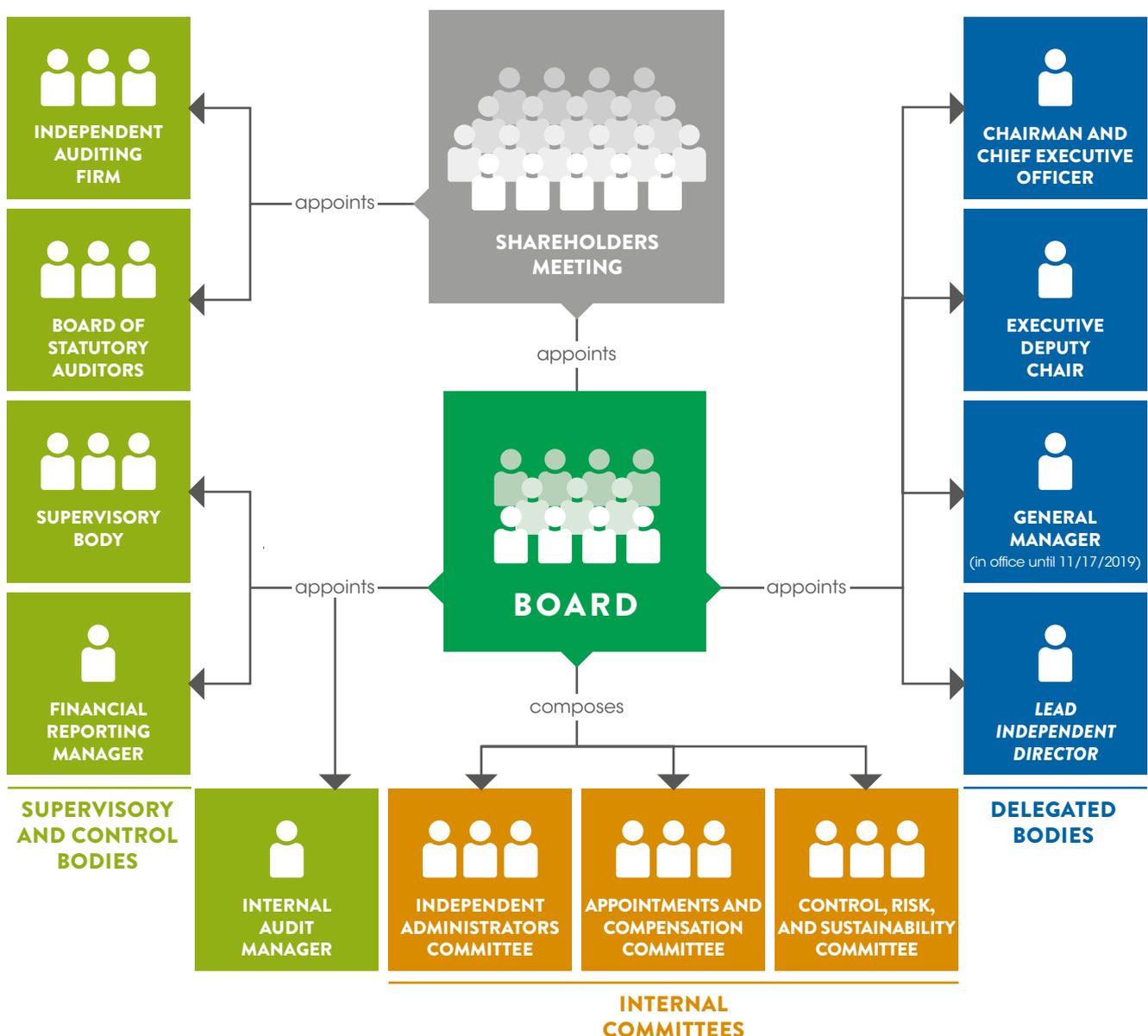
CORPORATE GOVERNANCE MODEL

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 com-

pany 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.

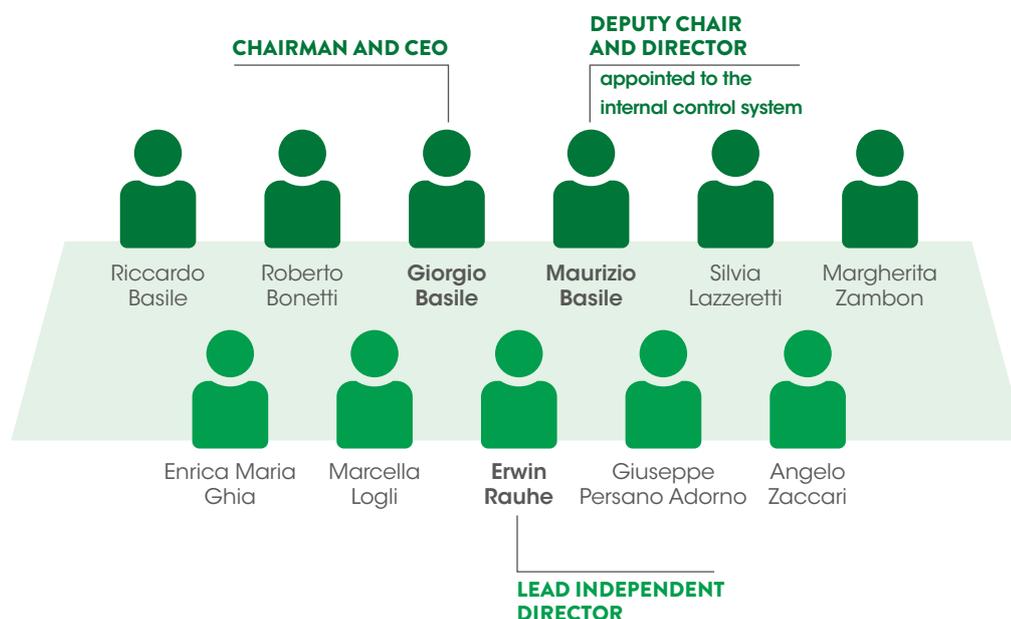
Isagro holds the following goals:

- 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 Shareholders Meeting on 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, a Control, Risk, and Sustainability Committee and an Independent Administrators Committee have been formed (the latter chaired by the Lead Independent Director). The roles, composition and function of the various Committees is defined by specific Regulations, entirely adopting the principles and criteria established by the Borsa Italiana Corporate Governance Code.

BOARD OF DIRECTORS



● Non-Independent Director ● Independent Director

DIRECTORS BY AGE BRACKET AND GENDER AS OF 12/31/2019



30 - 50



51 - 70



≥ 70

● Men ● Women

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 30, 2019, has five members and will remain in office until the Shareholders Meeting called to approve the financial statements for the year ending December 31, 2021.

All members of the Board of Statutory Auditors possess the eligibility, reputation, 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.

Following renewal of the Board of Statutory Auditors, Isagro has organized an induction course, structured in multiple sessions, with the goal of providing all 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

BOARD OF STATUTORY AUDITORS



● Statutory Auditor ● Substitute Auditor

of proper risk management and the relative regulatory framework.

Each newly appointed Auditor is provided with all Codes, Regulations and the Report on Corporate Governance and Ownership Structure.

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.

SUPERVISORY BODY

The Supervisory Body is appointed by the Board of Directors to monitor the effectiveness and observance of the Organization 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 Company, with the assistance of the Internal Audit department, performs a supporting role in verifying correct application of the Organization Model and the Group Code of Ethics (presented in the paragraph “Compliance management system”) and management of reporting of alleged or proven violations¹.

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 the Isagro S.p.A. Corporate Governance system, please see the “Report on Corporate Governance and Ownership Structure at December 31, 2019”, available in the Governance section of the website www.isagro.com.

SUPERVISORY BODY



● External Member ● Internal member

¹ In 2019, four reports were sent to the email address of the Supervisory Body and the whistleblowing channel by an employee from a subsidiary’s commercial department regarding alleged unethical and fraudulent conduct (against the company) on the part of the Sales Zonal Manager. Following the appropriate investigations and interviews conducted locally by a team appointed specifically to ascertain the truth of the accusations, it was found that the majority of the accusations were unsubstantiated and/or personally “retracted” by the whistleblower as “rumors”.

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 Deputy Chair 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” 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 MANAGEMENT PROCESS FOR COMPANY RISKS IS STRUCTURED INTO THE FOLLOWING LOGICAL PHASES:

MAPPING



for **risk identification** through the cataloging and **correlation** of risks with **various internal and external elements** (for example: business units, processes, materiality aspects, etc.).

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** (vulnerability) in the relative time period.

THE FIGURE BELOW SHOWS THE REFERENCE MODEL ADOPTED:

RISK CATEGORY	ENVIRONMENTAL “INEVITABLE IN THE SHORT TERM”	STRATEGIC “CONNECTED TO STRATEGIC OBJECTIVES”
Key word	MONITOR	AWARE
GOALS	 <p>Reduce impact in case of event</p>	 <p>Reduce impact and probability in economic/financial terms</p>
MANAGEMENT MODEL	 <p>Foresee the risk:</p> <ul style="list-style-type: none"> ● planning scenarios ● stress test ● business case, etc. 	 <p>Sharing risks on an interdisciplinary basis:</p> <ul style="list-style-type: none"> ● risk assessment ● definition of risk appetite/tolerance ● KRI control and monitoring ● allocation of resources for mitigating risks and critical events
ROLE OF RISK MANAGER	 <p>Assist strategic teams:</p> <ul style="list-style-type: none"> ● Planning stress tests/scenarios ● Forecasting scenarios 	 <p>Assist strategic teams in defining goals. Operate in a support role/as an independent expert for critical events (including monitoring mitigation plans).</p>

RISK MANAGEMENT

divided according to a reference model consistent with the risk appetite determined in the company's risk policy.



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 criticality**.



Implementation of the management systems provide significant organizational and operational support for the risk management method, the specific and operational nature of which is directly related to risk evaluation. The Deming Cycle (Plan – Do – Check – Act), a fundamental element of the management systems, integrated into the risk-focused approach guarantees that risks are associated with the appropriate prevention, mitigation, and control measures, also with the goal of continuous improvement.

The adopted Organization Model guarantees, regardless of the management approaches considered most adequate, that the relevant information for risk assessments and adequacy checks of the approved sustainability plans is constantly updated.

In this sense, the Risk Manager prepares regular reports to present to top management and in particular to the Control, Risk, and Sustainability Committee.

MAIN RISK FACTORS FOR SUSTAINABILITY

During 2019, the main sustainability risks were identified in reference to the results of the materiality analyses updated during the same year, for integration with the current company risk management methods detailed in the previous paragraph and taking into account an adequate medium/long-term time horizon to consolidate the risks (sustainability risks) and the relative impacts on the organization of Isagro.

From the analysis 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.

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

COMPLIANCE MANAGEMENT SYSTEM

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, approved by the Board of Directors of Isagro S.p.A. on February 25, 2019, 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 has updated and extended to all companies in the Group since 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).



ORGANIZATION, MANAGEMENT, AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/01 (231 MODEL)

The Parent Company has an Organization, Management, and Control Model pursuant to Italian Legislative Decree no. 231/2001. Implemented in 2006 and updated in 2018 (most recent version), the 231 Model aims to prevent and punish any conduct that could be classified as offenses as defined in the Decree. The document, of which the Code of Ethics is an integral part, is designed as a means of protecting the values already agreed within the Company.

The 231 Model is composed of a General Part and various Special Parts. The General Part describes the Company profile, reference legislation, aims, and methods for defining the 231 Model, its recipients, Supervisory Body governance, the disciplinary system, and measures adopted for training, dissemination, and updating. The various Special Parts, regarding specific crimes which are considered as theoretically possible within Isagro based on its business, identify and describe sensitive activities with relative control protocols.

GROUP WHISTLEBLOWING POLICY

The last update to 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 231 Model and in the Code of Ethics.

The Group Whistleblowing Procedure is structured to ensure confidentiality of the whistleblower 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 Code of Ethics or 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 2019, no corruption reports were received (for the other reports received through the channel in question, please see the note included in the paragraph “Supervisory Body”).

PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

The 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’s commitment to continuous 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 the related material issues for more details.

METHODS OF DISTRIBUTION OF CORPORATE PROCEDURES AND POLICIES AND TRAINING PLANS

Distribution of the above corporate procedures and policies 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 231 Model 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 231 Model 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:

OUR CODE OF ETHICS

“ *The Group rejects all forms of discrimination based on age, gender, sexual orientation, 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 the Code of Ethics and the 231 Model, in February 2019 the Isagro Group adopted an Anti-

Corruption Code of Conduct, 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 (as mentioned in the previous paragraph) 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 areas deemed to be sensitive. In 2019, as in last year, there were no Group notifications of reports or disciplinary measures regarding corruption.

MAIN RISK FACTORS AND THEIR MANAGEMENT



MATERIALITY ASPECTS

Corporate Governance

Business integrity and compliance

Human rights



RISK FACTORS

- inadequacy of internally controlled corporate systems for environmental control and monitoring;
- unethical or fraudulent conduct on the part of management and employees.



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. 231/01;
- Group Code of Ethics and Anti-Corruption Code of Conduct;
- Whistleblowing management system;
- Presence of corporate compliance control and supervisory bodies;
- Auditing of the Internal Control System
- Training plans.



3

SUSTAINABILITY



2018

**ISAGRO RECEIVES
GOLD EVALUATION
FROM ECOVADIS
FOR OVERALL
SUSTAINABILITY**



2018

**ISAGRO FARM IS
ESTABLISHED
TO SUPPORT DIGITAL
COMMUNICATION AND
INTEGRATION OF
ITALIAN AGRICULTURE**



2019

**ISAGRO FARM
IS ALSO ACTIVE
ON FACEBOOK**

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 objec-

tives, 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. Following the recent **Gold** evaluation received (in 2018) from *EcoVadis* for overall sustainability, Isagro confirms its participation in the *EcoVadis* program for 2020-2022. As part of this, it continues the implementation of the suggested improvement plan with reference to its sustainability and social responsibility performances.



STAKEHOLDER MAPPING AND DIALOG

Dialog with internal and external stakeholders is an important element in the Isagro Group strategy that considers the innovation of its products in a sustainable growth scenario as essential for growth of the organization. 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, stakeholder mapping has been defined, initially and in continuity with the previous year, through internal analyses with corporate structures assigned to daily management of relationships with the relative categories of stakeholders.

STAKEHOLDERS AND METHODS OF COMMUNICATION



The effectiveness of this dialog is influenced by the adequacy of the methods for stakeholder 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 2019, Isagro participated in the “Enovitis in campo” in Montepulciano (June) and “Futurpera” in Ferrara (November), two national events which have consolidated importance in the sector and become a point of reference for Italian agriculture.

Another opportunity for dialog with external stakeholders took place during the conferences on *Trichoderma by Isagro*, which took place in Bologna and Polignano a Mare (Bari) in November.

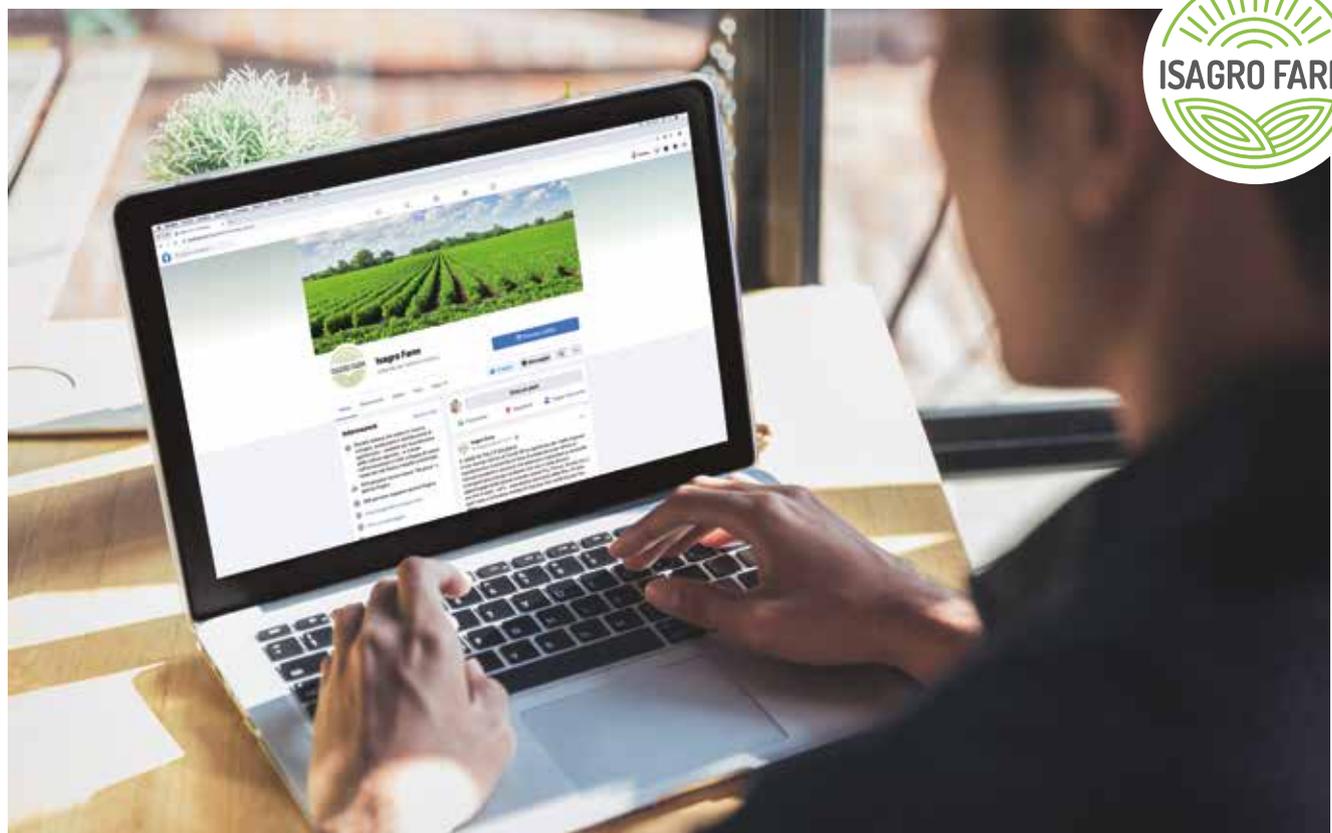
Dialog with the various stakeholders was structured according to specific methods relative to the different type of interlocutors.

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, in support of the direct sales network in Italy, 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 (and Biosolutions since 2019) that represent an 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 internally, supporting growth in individual involvement, and externally, as a tool for developing Isagro’s reputation in Italy and strengthening brand attachment.

Since 2019, Isagro Farm has also been active on Facebook.

Increasing its focus on listening to stakeholders, in 2019, Isagro launched a Stakeholder Engagement process based on sending questionnaires to a sample of its stakeholders, to understand their requirements and expectations and feed this information into its strategies.

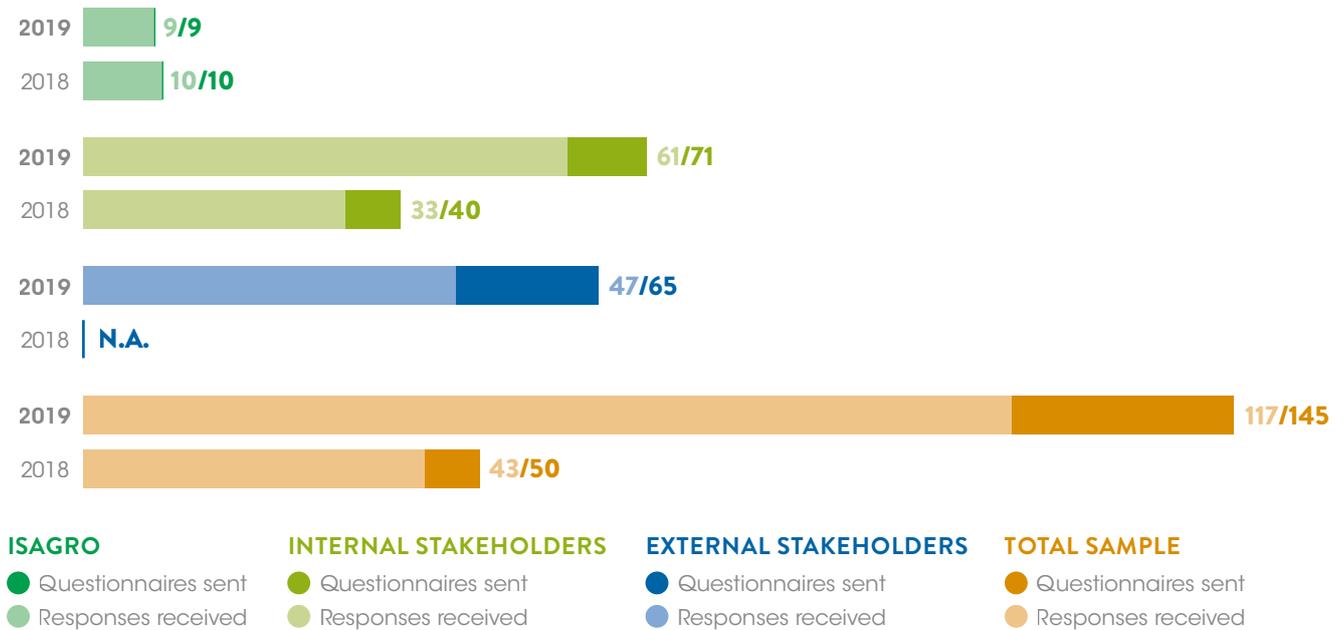


In 2019, Isagro significantly expanded its cross-section of stakeholders, in that:

- it involved 65 external stakeholders distributed across the following categories: suppliers, distributors, trade associations, public administration, agricultural businesses and business alliances.

- it increased the number of employees involved in the process, increasing the questionnaires sent from 40 to 71 thanks to the involvement of top management at the foreign companies, in addition to a higher number of employees at the Parent Company Isagro S.p.A.

QUESTIONNAIRE RESPONSE RATE

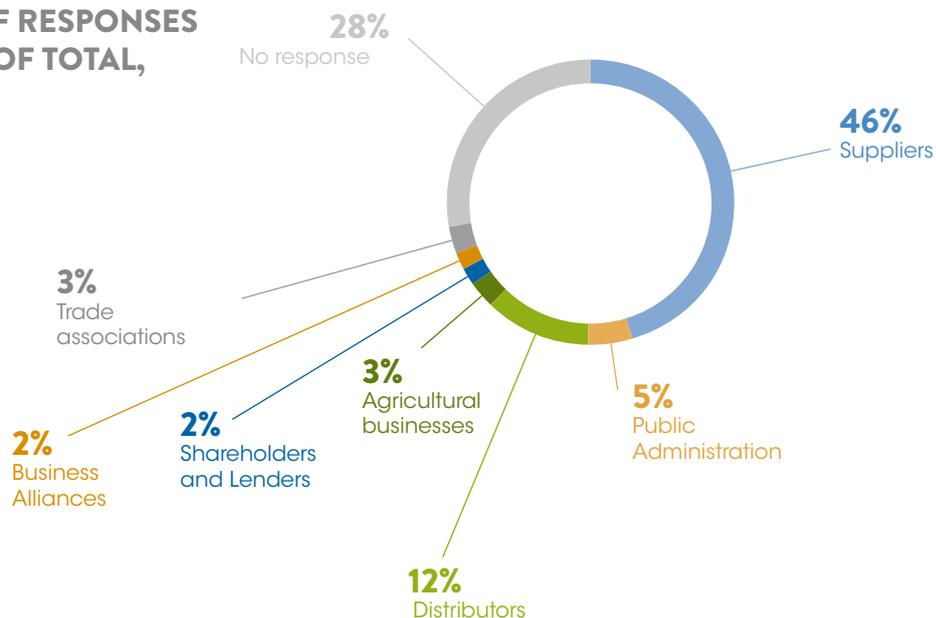


As can be observed, the Company achieved a significant rate of return on the questionnaires sent both internally and externally.

For more details regarding the responses received from the external stakeholders, please see the following figure:

On the basis of the success achieved by the first external Stakeholder Engagement “experiment”, for 2020 the Company is developing new ways to involve stakeholders (workshops, company events, etc.) in addition to new information disclosure initiatives to discuss the results of listening to its stakeholders.

PERCENTAGE OF RESPONSES RECEIVED OUT OF TOTAL, BY CATEGORY



MATERIALITY ANALYSIS

Reporting of non-financial data included in this document is focused on areas that demonstrate the impacts, whether positive or negative, of Isagro’s activities 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, according to the external Stakeholder Engagement activity implemented in 2019.

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 the Isagro Group on the horizontal axis.

Compared to 2018, the main changes involve the exclusion from the matrix of the topics “Relations with institutions” and “Impact on agricultural development”, and the inclusion of a new material aspect, “Supply chain management”. The topic “Use of resources” was extended in 2019, integrating not only the consumption of raw materials, as per the 2018 matrix, but also energy and water consumption.

The following issues have been grouped together:

- Business integrity and compliance (previously divided into Anti-corruption and Compliance);
- Use of resources (previously Consumption of raw materials);
- Human Resources Management (previously Diversity and equal opportunity, Employment level and Training & education);
- Product responsibility (previously Marketing & labeling, Product quality and safety).

MATERIALITY MATRIX



Environmental performance



Economic performance



Social performance

In addition to the topics identified through the materiality analysis described above, in order to ensure comprehension of company activities and product impacts, as required by Italian Legislative Decree no. 254/2016, the topics relative to “Atmospheric emissions” are also re-

ported in this document.

The following table identifies the limits of reporting areas and their reconciliation with GRI standards indicated in the final pages of the document.

MATERIAL ISSUES	SCOPE OF IMPACT		RECONCILIATION WITH GRI TOPIC
	Location	Group involvement	
Corporate Governance	Parent company	Generated by the Group	N.A.
Business integrity & compliance	Group	Generated by the Group	<i>Environmental</i> compliance
			<i>Socioeconomic</i> compliance
			Anti-corruption
			Anti-competitive behavior
Economic performance	Group	Generated by the Group	Economic performance
Human Resources Management	Group	Generated by the Group	Training and education
	Group	Generated by the Group	Diversity and equal opportunity
	Group	Generated by the Group	Employment
Occupational health and safety	Group employees ³	Generated by the Group	Health and safety
Communication and internal transparency	Group	Generated by the Group	N.A.
Product responsibility	Group	Generated by the Group	Consumer health and safety
			<i>Marketing & labeling</i>
Innovation	Group production plants; Universities and research centres	Generated by the Group; Contribution	N.A.
Supply chain management	Group/suppliers and business partners	Generated by the Group; Related to the Group through its trade relations	Procurement practices
			Environmental assessment of suppliers
			Social assessment of suppliers
Use of resources	Group production plants and headquarters	Generated by the Group	Energy
	Group production plants	Generated by the Group	Materials
	Group production plants	Generated by the Group	Water
Waste	Group production plants	Generated by the Group	Waste
Human rights	All Companies within the scope/suppliers and business partners	Generated by the Group; Related to the Group through its trade relations	Child labor
			Forced labor
			Non-discrimination

³ The Group will analyze 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.



4

OUR PEOPLE



343
EMPLOYEES



4800
HOURS
OF TRAINING



98%
PERMANENT
CONTRACTS

THE COMMITMENT OF OUR WOMEN AND MEN

Isagro considers people to be an important asset for creating value and improving company performance. This is why the Group strives to value its employees, not only promoting their development and professional growth, but also supporting a good balance between work and home.

To manage this aspect, there are specific references made in the Isagro Code of Ethics and the topic is organized in a diversified way in the local companies comprising the Group. For example, the management and development of human resources is also covered by specific policies and procedures, such as through a Human Resources Quality Management Procedure at the Parent Company and an Employee Handbook.

The project called “Fit for Our Future” and aimed at identifying possible areas for improvement in the organizational processes across the organization, defined and enhanced approaches and methods that encourage the cooperation and organizational wellbeing of Isagro. Launched in 2018, the project experienced a slowdown in 2019 due to a change in the business model.

The meetings of the High Performance Organization Champions, who were tasked with distributing and promoting the Group values and vision through the corporate population, have been suspended pending the definition of a Group strategy.

Therefore, the mission, vision and values of the Group must be redefined once the new business model is identified.

OUR HUMAN RESOURCES

The actual workforce as at December 31, 2019 of the Isagro Group included 343 employees, as summarized in the following graph.

As of December 31, 2019, the Isagro Group employed **343 people** total, around a 45% decrease over the previous year due to the sale of the Isagro Asia branch, which as of 12/31/2018 employed 277 people (-3% using the same scope).

The Group corporate population is concentrated mainly in Italy (79%), where the production plants are located, while the remaining part (21%) is employed in other Isagro commercial offices, hereinafter grouped under the category “Rest of the world”.

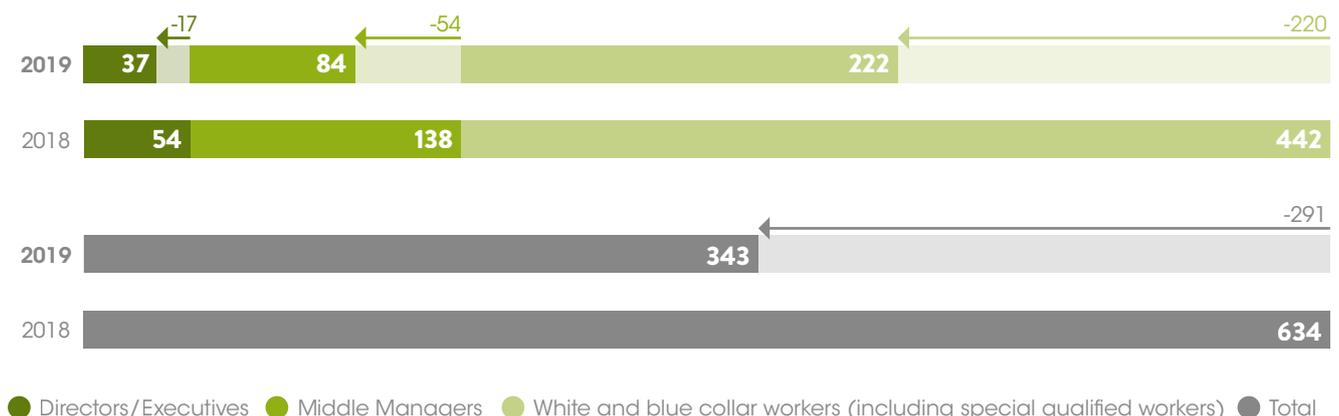
Regarding the workforce as of 12/31/2019, we can highlight the following:

- in Italy, employees left the company mainly for retirement following the entry into force of the “Quota 100” reform, and due to a flow of voluntary terminations generated by a labor market once more offering significant opportunities for growth;
- in the foreign branches, 39 people joined the company, attributable essentially to the expansion of the commercial area of Isagro Colombia.

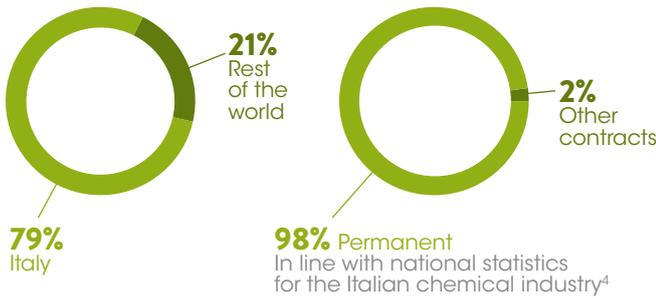
Consistent with 2018, Isagro again confirmed its commitment in 2019 to maintaining lasting and solid employment relationships. In fact, permanent contracts represent 98% of the total.

EMPLOYEE DISTRIBUTION BY ROLE AND LEVEL

Number of employees by role, level, and annual change

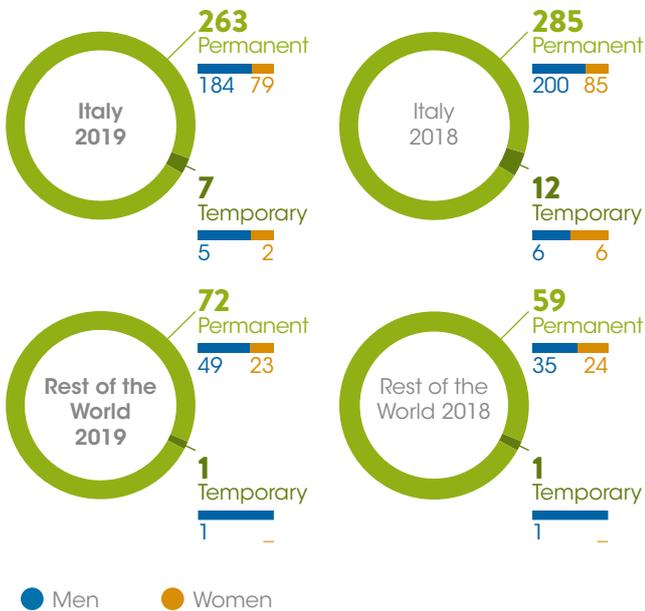


EMPLOYEE DISTRIBUTION BY COUNTRY AND TYPE OF CONTRACT



EMPLOYEE DISTRIBUTION BY CONTRACT

Number of employees by contract and gender (data as of December 31)



In 2019, there were major organizational changes:

- the Project Management Office was created with the objective of analyzing, adjusting and developing the operational processes. This activity communicates across the board with the company areas involved in such processes, redefining roles and responsibilities within them;
- resources already present in the Group were appointed Adria Plant Manager and Bussi sul Tirino Plant Manager;
- following the sale of the subsidiary Isagro Asia, in November the Head of Marketing & Product Management returned to Mumbai after secondment at the Milan site;
- in the 2nd quarter of the year, the General Manager and the Group Director Research, Innovation & Development left the company.

During 2019, 99 new employees joined Isagro (50 of them with seasonal contracts), for a 29% rate of new hires. The termination rate, that is, the ratio between employees leaving the company and the total number of employees as of December 31, was 33%⁵.

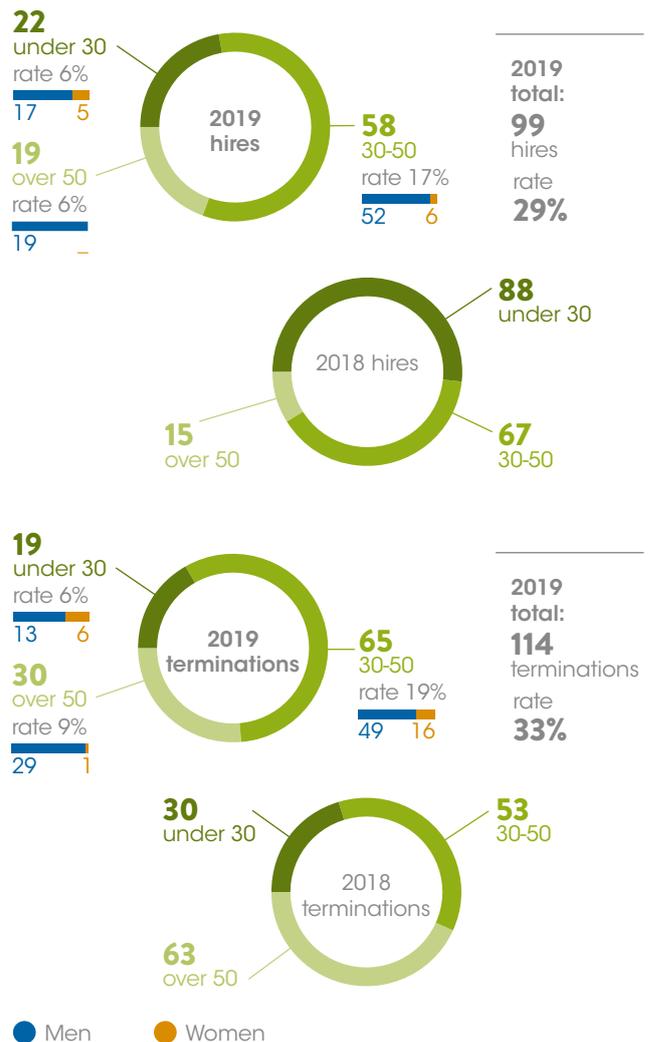
Considering the new-hire rate and termination rate, excluding seasonal labor, the values are 14% and 19%, respectively.

Furthermore, Isagro Asia, sold on December 27, 2019, recorded 27 new hires, around 10% of total company employees, and 25 people left, which is around 9%, in the period between January 1 and September 30, 2019.

During the year, the Group also used the services of an average of 8 collaborators⁶ (self-employed workers, external and temporary collaborators).

NEW HIRES AND EMPLOYEE TURNOVER⁷

Number of employees by age and gender (data as of December 31)



4 Source of benchmark data: Federchimica "Role and Challenges of the Italian Chemicals Industry", 2019.

5 Data regarding turnover includes seasonal labor (specifically, there were 50 incoming and outgoing seasonal employees in 2019).

6 The figure does not include Isagro Asia.

7 The data exclude Isagro Asia and include seasonal employees. The rate indicates the percentage of new hires/terminations of the total employees.

RESOURCE 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 refresher programs for all personnel, including new recruits;
- 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.

tors, the personnel involved, and the qualification levels reached.

During 2019, over 4,800 hours of training⁸ were issued within the Group, 54% of which involved white and blue collar workers, 38% middle managers, and 8% top management. Hours of training were primarily issued in classroom and e-learning sessions, for an average of 13.0 and 16.4 hours per person, for male and female employees respectively (7.3 and 14.9 respectively in 2018⁹). Training focused mainly on:

- Quality, Safety, and the Environment;
- specific technical training for specialized skills.

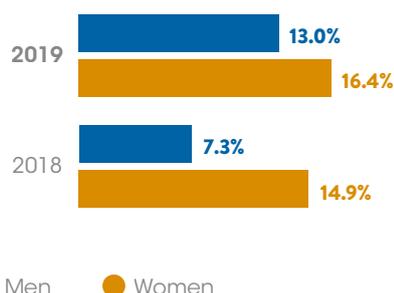
Most of the training concerned Quality, Safety, and the Environment, in compliance with current applicable legislation, which continues to impose an increasing number of required Occupational Health and Safety training activities.

HOURS OF EMPLOYEE TRAINING

Total years



AVERAGE HOURS PER PERSON



HOURS OF TRAINING BY PROFESSIONAL CATEGORY

(data as of December 31)¹⁰

	2019			Total
	Executives	Middle Managers	White and blue collar workers	
Hours - men	275	875	1960	3110
Average	9.2	17.5	12.3	13.0
Hours - women	113	939	651	1703
Average	16.1	27.6	10.3	16.4
Total hours	388	1814	2611	4813
Average	10.5	21.6	11.8	14.0

	2018			Total
	Executives	Middle Managers	White and blue collar workers	
Hours - men	301	855	2561	3717
Average	6.5	8.9	12.1	7.3
Hours - women	228	825	850	1903
Average	28.5	19.6	8.5	14.9
Total hours	529	1680	3411	5620
Average	9.8	12.2	12.0	8.9

⁸ The figure does not include the hours of training of Isagro Asia.

⁹ In 2018, the figure included the hours of training of Isagro Asia, no longer included in 2019.

¹⁰ Isagro Asia, sold on December 27, 2019, issued 158 hours of training to its employees in the period between January 1 and September 30, 2019.

DIVERSITY AND EQUAL OPPORTUNITY

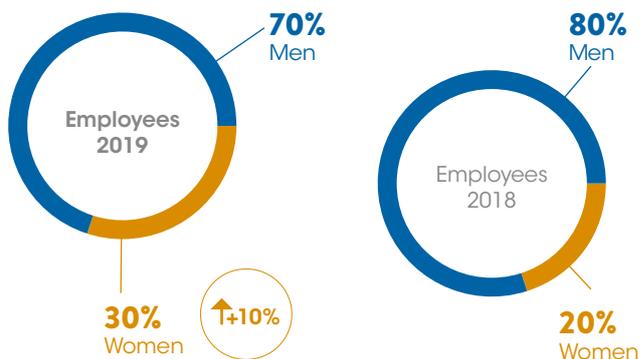
In line with the contents of the Code of Ethics, on the management of human capital, Isagro is committed to ensuring that the work environment favors equal opportunities and develops a culture based on promoting diversity. In confirmation of this commitment, at December 31, 2019, there were 104 women working for the Company, a decrease on the 128 employees in 2018, around 30% of all employees, 7 of whom are directors or executives, a decrease of 1 compared to 2018. There were 239 men working for the company in 2019, a decrease on the 506 in 2018, around 70% of the total.

In 2019 around 65% of the employees were white or blue collar workers consistent with the 2018 data. Middle managers and directors represent 24% and 11% of the total number of employees at December 31, 2019.

Thirteen employees are considered “protected”: 1 director, 3 managers, 6 white-collar workers and 3 blue-collar workers.

EMPLOYEE DISTRIBUTION BY GENDER

(data as of December 31)



EMPLOYEE DISTRIBUTION BY AGE

(data as of December 31)



EMPLOYEES BY ROLE, LEVEL AND GENDER

(data as of December 31)

	2019		Total	2018		Total
Executives	30	7	37	46	8	54
Middle Managers	50	34	84	96	42	138
White and blue collar workers	159	63	222	364	78	442
Total	239	104	343	506	128	634

● Men ● Women

EMPLOYEES BY ROLE, LEVEL AND AGE

(data as of December 31)

	2019			Total	2018			Total
Executives	14	23		37	21	33		54
Middle Managers	1	44	39	84	3	90	45	138
White and blue collar workers	22	124	76	222	68	275	99	442
Total	23	182	138	343	71	386	177	634

● Under 30 ● 30-50 ● Over 50

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.

Towards the end of 2018, to satisfy the request by many employees to bring lunch from home, a room within the offices was completed and furnished, assigned for use as a dining hall by all colleagues at the Milan site when eating during their lunch break.

The room has been equipped with microwave ovens, kettles and refrigerators.

With the objective of creating moments to relax and come together, a foosball table has also been set up in the room for use during the lunch and afternoon breaks.

OTHER INCENTIVES SYSTEMS AND BENEFITS

Isagro staff working at the Milan site can access free parking lots at Caldera Park. All employees (Italy) 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

In 2019, employees again had the opportunity 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 opportunity 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, meetings of different natures are organized so as 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 also represent an occasion to discuss Group results and share forecasts.

TRADE UNION RELATIONS

During 2019, a constructive and collaborative relationship with the Trade Unions was again maintained, allowing for good 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 interacted with the trade unions included:

- sharing and definition of specific agreements on working hours, which adopt all flexibility opportunities offered by the National Labor Contracts. This made it possible to implement at the industrial sites the changes in working hours that became necessary to guarantee the various production requirements and to optimize the overall corporate organization;
- renewal of the agreements on the productivity targets at the industrial sites related to the second-level negotiation on Bonuses;
- the sharing of training and coaching programs for implementation of the generational change and the definition of new multi-functional professional figures.

In December, a national coordination meeting of Trade Union Representatives at all levels (national, regional and site-specific single trade-union representation) was organized at Assolombarda with the Company's Management for an informal disclosure of changes in the company situation and future forecasts.

LOST DAYS DUE TO ACCIDENTS, NUMBER OF ACCIDENTS, SAFETY INDICATORS AND ABSENTEEISM, BY GENDER¹¹

LOST DAYS DUE TO ACCIDENT



ACCIDENT LOCATION AND NUMBER

	2019	Total	2018	Total
In the workplace				
Men	●●●○	3	●●●○	3
Women	○○○○		○○○○	
On the way to work				
Men	○○○○	3	○○○○	1
Women	●●●○		●○○○	
Total				
Men	●●●○	6	●●●○	4
Women	●●●○		●○○○	

INJURY RATE¹²

	2019	Lost day rate ¹³	2018	Lost day rate ¹³
Men	3.02	0.01	2.76	0.09
Women	0.00	0.31	0.00	0.04
Total	2.54	0.06	2.36	0.08

ABSENTEE RATE¹⁴

	2019	2018
Men	1.20%	1.04%
Women	2.46%	2.70%
Total	1.44%	1.31%

● Men ● Women

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 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 Managers of 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 the Seveso-III Directive). The Pano-li plant in Isagro Asia also oversees the matter through OHSAS 18001:2007 certification and the adoption of its own safety manual.

¹¹ In 2019, the scope of information relating to health and safety and the related injury rates was expanded to also include staff at the commercial sites. Furthermore, in the upcoming editions of the NFR, 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. The data have been partially estimated.

¹² Ratio of workplace accidents to hours worked, multiplied by 1,000,000.

¹³ Ratio of lost days due to accident to workable hours, multiplied by 1,000.

¹⁴ Ratio of days of absence to workable hours, multiplied by 100.

To be more specific, the health and safety activities performed by Isagro 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.

No fatal workplace accidents or occupational diseases were reported in 2019.

2019 INJURY RATE



Chemical industries
(average in Italy)



Isagro



In 2019, the injury rate at Isagro was much lower than the average among the Italian industries belonging to the chemical sector (6.8)¹⁵.

2019 LOST DAY RATE



Responsible Care program
companies average



Isagro



In 2019 the lost day rate was lower than the average value among companies in the Responsible Care program (0.16).

MAIN RISK FACTORS AND THEIR MANAGEMENT



MATERIALITY ASPECTS

Occupational health and safety
Human rights
Human resources management
Communication and internal transparency



RISK FACTORS

- Inadequate organizational structure in terms of availability of resources, allocation of know-how, and diversity/equal opportunity;
- Ineffective information flows and communication methods;
- Failure to observe legislative requirements.



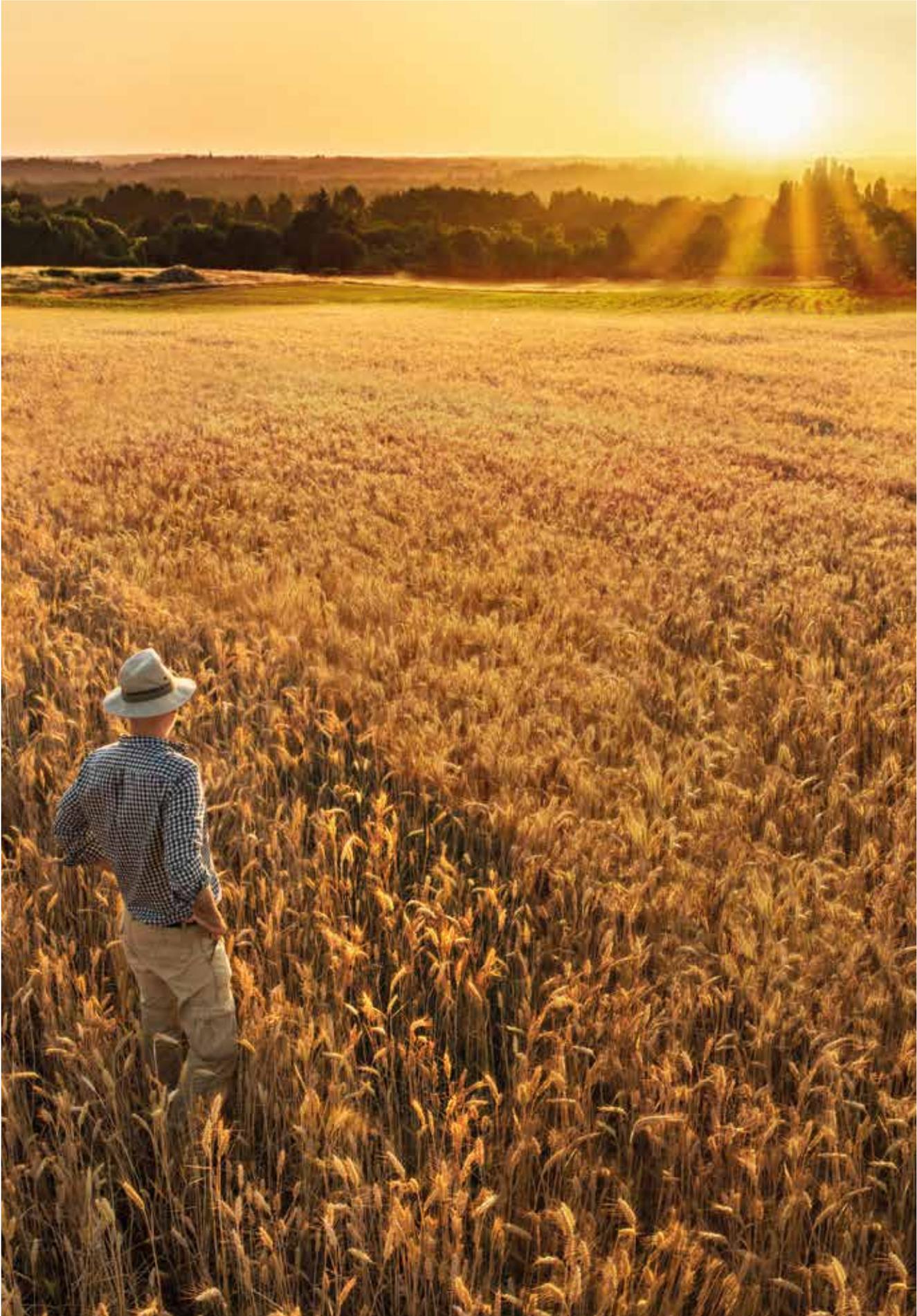
MANAGEMENT METHODS

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. 231/01;
- Group Code of Ethics;
- Information process and communication of updating on relative legislation and regulations;
- Implementation of the Health and Safety Management System according to reference standards pursuant to UNI EN 45001;
- Auditing to verify compliance with regulations;
- Procedure for planning training requirements;
- System for evaluating performance and incentives;
- Project Management Office and High Performance Organization program.

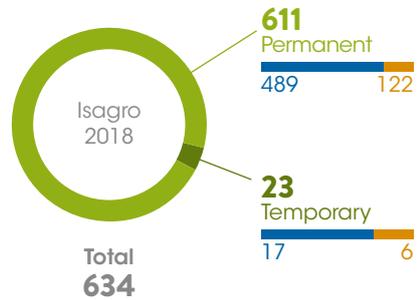
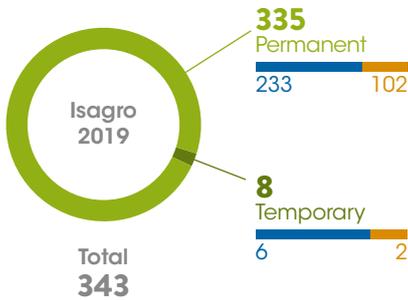
¹⁵ Source of benchmark data: Federchimica. From analysis of the Federchimica Project "Miglioriamo la Sicurezza delle Imprese" (Let's Improve Company Safety), Grosseto, 2017; Federchimica. Responsible Care, 24th Annual Report 2018 (Federchimica comparison data relative to 2017).



ANNEXES

TOTAL NUMBER OF EMPLOYEES BY TYPE OF CONTRACT AND GENDER

TOTAL ISAGRO GROUP (data as of December 31)



● Men ● Women

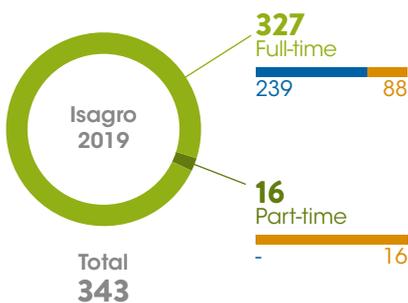
Italy						
	Men		Women		TOTAL	
	2019	2018	2019	2018	2019	2018
Permanent	184	200	79	85	263	285
Temporary	5	6	2	6	7	12
TOTAL	189	206	81	91	270	297

Rest of the world						
	Men		Women		TOTAL	
	2019	2018	2019	2018	2019	2018
Permanent	49	35	23	24	72	59
Temporary	1	1	-	-	1	1
TOTAL	50	36	23	24	73	60

India						
	Men		Women		TOTAL	
	2019	2018	2019	2018	2019	2018
Permanent	n.a.	254	n.a.	13	n.a.	267
Temporary	n.a.	10	n.a.	-	n.a.	10
TOTAL	n.a.	264	n.a.	13	n.a.	277

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE: FULL-TIME AND PART-TIME

TOTAL ISAGRO GROUP (data as of December 31)



● Men ● Women

NUMBER AND RATE OF NEW HIRES AND EMPLOYEE TURNOVER

TOTAL ISAGRO GROUP

	NEW HIRES < 30		30-50		> 50		TOTAL		Rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	17	49	52	100	19	24	88	173	26%	27%
Women	5	7	6	15	0	1	11	23	3%	4%
TOTAL	22	56	58	115	19	25	99	196	29%	31%

	EMPLOYEES TERMINATIONS < 30		30-50		> 50		TOTAL		Rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	13	26	49	90	29	35	91	151	27%	24%
Women	6	5	16	15	1	1	23	21	7%	3%
TOTAL	19	31	65	105	30	36	114	172	33%	27%

ITALY

	NEW HIRES < 30		30-50		> 50		TOTAL		Rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	11	19	36	61	12	16	59	96	17%	15%
Women	1	1	-	8	-	-	1	9	0%	1%
TOTAL	12	20	36	69	12	16	60	105	17%	17%

	EMPLOYEES TERMINATIONS < 30		30-50		> 50		TOTAL		Rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	11	15	40	59	25	23	76	97	22%	15%
Women	2	2	8	9	1	1	11	12	3%	2%
TOTAL	13	17	48	68	26	24	87	109	25%	17%

TYPES OF INJURY, INJURY RATE, LOST DAY RATE, ABSENTEE RATE AND NUMBER OF WORK-RELATED DEATHS

ITALY

	Men		Women		TOTAL	
	2019	2018	2019	2018	2019	2018
Workplace injuries	2	3	-	-	2	3
Injuries on the way to work	-	-	3	1	3	1
Days lost for injuries	9	99	69	8	78	107
Absentee rate	2.44%	2.40%	3.06%	3.14%	2.61	2.61%
Injury rate	4.84	2.76	-	-	3.61	2.36
Lost day rate	0.02	0.09	0.39	0.04	0.12	0.08

 **INDIA**

NEW HIRES	< 30		30-50		> 50		TOTAL		Rate	
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Men	28	33	2		63					10%
Women	3	2	-		5					1%
TOTAL	31	35	2		68					11%

EMPLOYEES TERMINATIONS	< 30		30-50		> 50		TOTAL		Rate	
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Men	11	20	9		40					6%
Women	-	1	-		1					0%
TOTAL	11	21	9		41					6%

Furthermore, Isagro Asia, sold on December 27, 2019, recorded 27 new hires, around 10% of total company employees, and 25 people left, which is around 9%, in the period between January 1 and September 30, 2019.

 **REST OF THE WORLD**

NEW HIRES	< 30		30-50		> 50		TOTAL		Rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	6	2	16	6	7	6	29	14	8%	2%
Women	4	3	6	5	-	1	10	9	3%	1%
TOTAL	10	5	22	11	7	7	39	23	11%	4%

EMPLOYEES TERMINATIONS	< 30		30-50		> 50		TOTAL		Rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	2	-	9	11	4	3	15	14	4%	2%
Women	4	3	8	5	-	-	12	8	3%	1%
TOTAL	6	3	17	16	4	3	27	22	8%	3%

 **INDIA**

 **REST OF THE WORLD**

INDIA			REST OF THE WORLD								
Men		Women		TOTAL		Men		Women		TOTAL	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
-	-	-	-	-	-	1	-	-	-	1	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1.16%	-	1.38%	-	1.23%	-
-	-	-	-	-	-	10.33	-	-	-	7.13	-
-	-	-	-	-	-	-	-	-	-	-	-



5

INNOVATIVE SOLUTIONS



3.1

**MILLION EURO
2019 PARTNERSHIP
REVENUES**



14

**MILLION EURO
SPENDING ON
RESEARCH,
DEVELOPMENT AND
INNOVATION**



54

**NEW SALES
AUTHORIZATIONS
IN 2019**

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's 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:

- a) synthesized molecules
- b) 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. During 2019, Isagro began a project to redefine its business model and decided to focus on growth in copper-based fungicides and Biosolutions, including leveraging the development of organic chemistry assets.



INNOVATIVE RESEARCH

1 R&D Centre and 1 Field Trial Centre (Italy)



DEVELOPMENT

Direct presence in Colombia, Spain, and USA

CHEMICAL SYNTHESIS (active ingredients)

4 production plants in Italy



THE JOURNEY OF ISAGRO PRODUCTS: FROM RESEARCH TO DISTRIBUTION



BUSINESS MODEL

The Isagro business model can be summarized as follows: **Small global player**. In a market like agrochemicals, with an extremely high level of saturation (the top 5 operators represent more than 80% of the global market), Isagro – which operates throughout the value chain – is undoubtedly a smaller player than the other competitors. Nevertheless, it manages to guarantee the presence of its products for customers spread across over 70 countries. In fact, thanks to a proprietary sales network (Brazil, Colombia, Italy, Spain and USA) and to agreements with local distributors, Isagro products are widely found and known in 5 continents.

During 2019, following the changes to the external context involving:

- tougher authorization legislation for synthetic products from organic chemistry;
- further saturation of the reference market;
- development in the Biosolutions sector requiring less capital than the synthetic chemistry sector.

Isagro has reformulated its strategy, seeking to develop its proprietary organic chemistry assets (through medium/long-term agreements with third parties and/or sales) in order to generate the necessary resources for growth in the copper-based fungicides and Biosolutions sectors. In line with this new strategy, at the end of 2019 Isagro sold its investment in Isagro Asia. The disinvestment is part of the process to redefine Isagro’s asset allocation on a global scale.

This business model is in line with the process – begun in 2012 – to sell rights of use to third parties (through medium/long-term contracts) for some products discovered/developed by Isagro.

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

FORMULATIONS

Finished products



INTERNATIONAL MARKETING AND LOCAL DEVELOPMENT

Direct presence in Argentina, Brazil, China, Cuba, Poland, Singapore, and Vietnam
Sales in over 80 countries



DISTRIBUTION

Direct presence in Brazil, Colombia, Italy, Spain, and USA

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 most relevant minority shareholder in Isagro;
- **2018** Isagro and Arysta LifeScience – sister company of Platform Specialty Products – 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;
- **2019** Isagro and AQL (Agroquimicos de Levante) signed a long-term commercial agreement for production and distribution of the AITC product.

INNOVATIVE RESEARCH

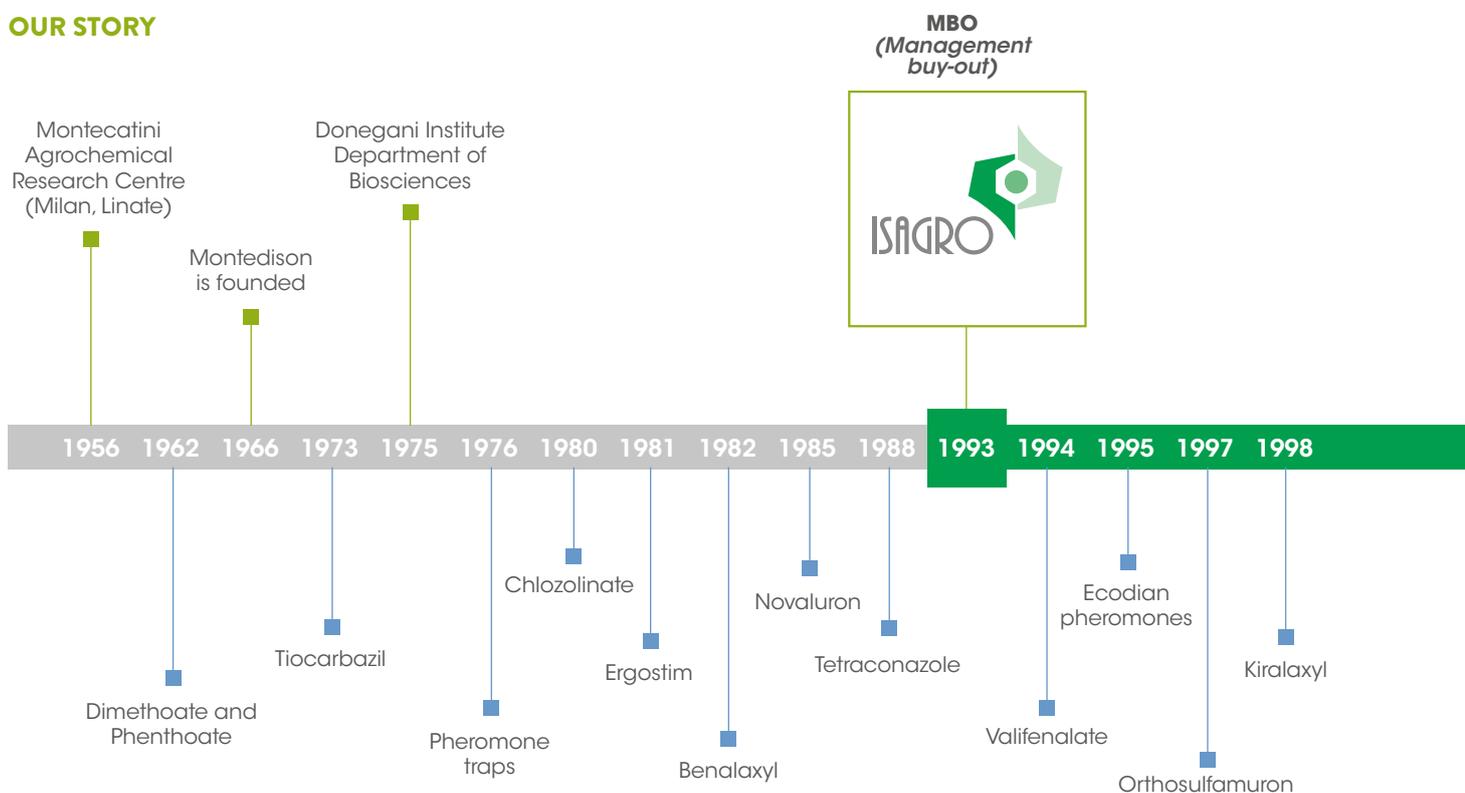
Operating in the crop protection market segment, Isagro aims to develop and innovate products that support agricultural activity, ensuring **constantly improving production**.

Isagro’s 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.

OUR TALENT FOR INVENTION STARTED WAY BACK IN 1956

OUR STORY



PRODUCTS AND INNOVATION

In 2019, Isagro invested around € 14 million in research, understood as a process spanning from discovery to registration, (an increase on the € 12 million of 2018), representing around **13% of turnover**, obtaining **54 new sales authorizations** in many countries around the world (up around 10% on 2018).



WHAT IS CROP PROTECTION?

Crop protection is the science of managing plant diseases and organisms that are harmful to plants. The crop protection sector primarily includes the development of Agrochemicals, such as herbicides (43% of the market), fungicides (29% of the market), and insecticides (25% of the market).



43%
Herbicides

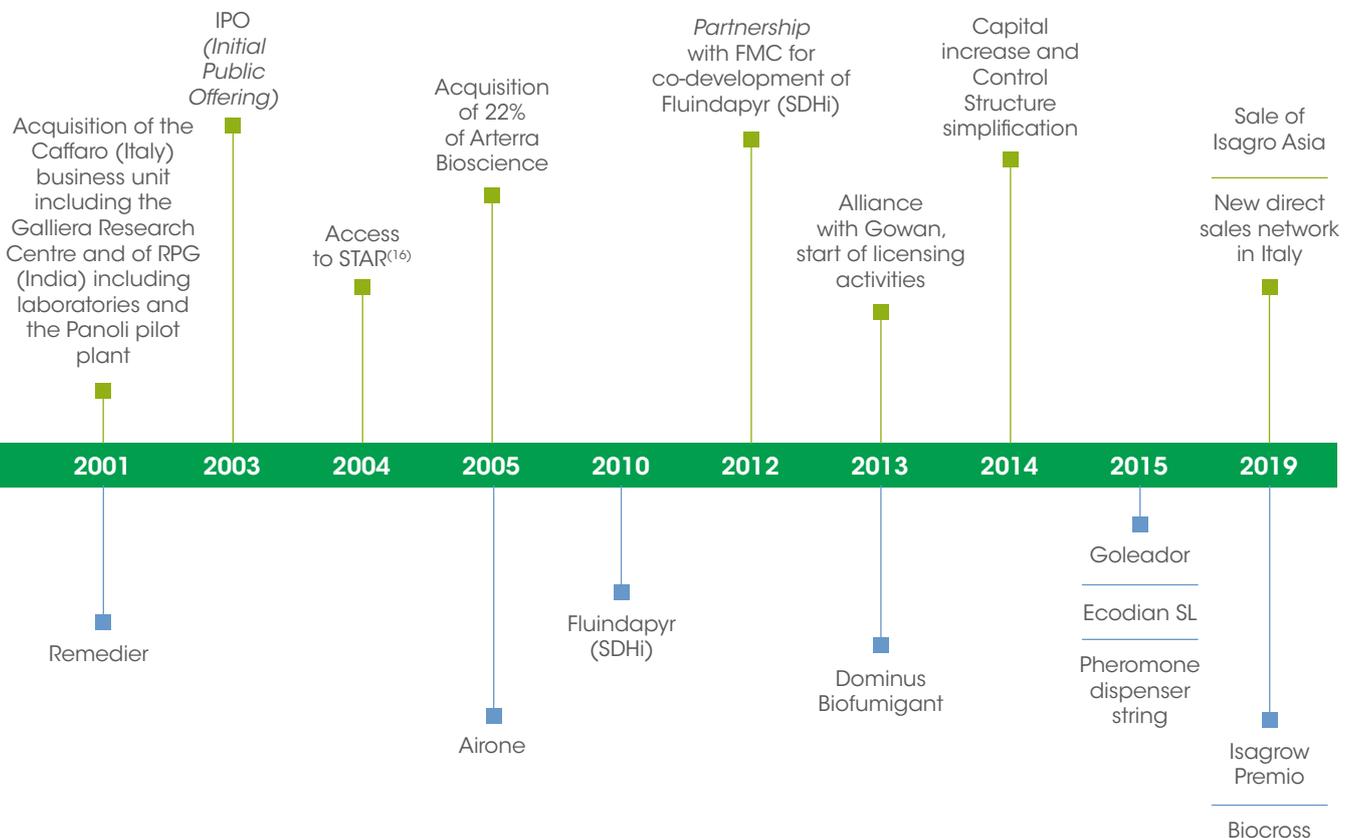


29%
Fungicides



25%
Insecticides

Globally, the crop protection market is worth around \$58 billion (2019 preliminary data). This is a market strongly based on innovation, where originators, that is industries working in molecule discovery, still hold an advantage compared to producers of generic products who are working outside of patent coverage.



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 this regard, in 2019, Isagro created Trichoderma by Isagro for the Italian market. The brand identifies the Isagro and third-party products that use its bio-specialty. The main Group proprietary microorganisms include: **Remedier**, **Radix Soil**, **Biocross Eva** and **Ecofox Life**, which is offered as a new combipacks (two individual packets in one box) containing Ecofox (*Trichoderma*

gamsii and *Trichoderma asperellum*-based formulation) and activator Activite (which enables a faster and more efficient germination of the *Trichoderma* spores and improves product performance). The Isagro pheromones and traps have undergone a graphic restyling of the packaging and brand and are now known by the brand **Isagro Linea Trappole**.



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.

R&D PIPELINE

1st Phase

DISCOVERY/RESEARCH

- New broad spectrum fungicide
- Fungicide with new chemical class
- New herbicide



2nd Phase

PROFILING

- Innovative solutions for copper-based products
- New nematicide



3rd Phase

DEVELOPMENT

- Fluindapyr (SDHI)
- Dominus (*partial*)
- III Generation Biostimulant



REGISTRATION

- Remedler (*extensions*)
- Dominus (*partial*)
- Pheromones
- II Generation Biostimulant



SALES



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 long-term 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 food-stuffs, 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. Within the B2B model, there are sales of formulated products, pure active ingredients and toll manufacturing contracts for formulations.

Some 78% of sales are made through the B2B model, within which the sales of technical products make up 10% and sales of formulation toll manufacturing 2%. The B2C model is responsible for 22% of turnover, partially in Italy, but mostly from the Isagro branches in Brazil, Colombia, Spain, and USA.

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.

MAIN RISK FACTORS AND THEIR MANAGEMENT



MATERIALITY ASPECTS

Product responsibility
Supply chain management
Innovation



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;
- Reputation 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 reputation risks.

Areas are monitored and managed specifically through:

- Information process and communication of 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.



6

THE TERRITORY



113

**MILLION EURO
DIRECT ECONOMIC
VALUE GENERATED**



2019

**RECLAMATION
OF LAND
AT ADRIA PLANT**



2019

**MAIN SPONSOR
OF THE "VILLAGGIO
DELLA SOLIDARIETÀ"
IN ADRIA**

OUR POSITIVE IMPACT ON COMMUNITY

ISAGRO AND THE COMMUNITY

For Isagro, sustainability is a value and a commitment that is reflected in behavior and activities managed efficiently and economically in order to guarantee maximum safety, the protection of health, and the quality of the production process, with full respect for the environment.

In 2019, Isagro's sustainability focus was on the Adria plant, which, as a result of its expertise, organization and type of product, represents one of the strengths of the Isagro strategy. The investments made in recent years for the renewal and expansion of the production lines, in addition to the attention that Isagro has always paid to enhancing the professional skills of its staff, bear witness to this. As part of this, training activities linked to Corporate Social Responsibility continued in the last year with the municipality of Adria. With the same municipality, Isagro has at long last initiated the procedure that will lead in the first half of 2020 to the completion of the reclamation of some land located at the Adria plant. The area that will become available, in addition to optimizing the existing

business spaces, will make it possible to increase current production capacity and deliver new types of production and, consequently, new employment opportunities especially for technical professionals required in terms of industrial development in a context of environmental sustainability. The costs of the reclamation works have been partly borne by the municipality, which will use exclusively the sums arising from the enforcement of a surety policy issued by Caffaro, the owner of the plant until 2001, subsequently transferred to Isagro. This major environmental redevelopment will enable Isagro to use a space on the company site and will create new employment prospects for the territory of Adria.

Sustainability for Isagro also means living well, at the production sites, at the towns where the company operates, on the land that the farmers work to bring good food to tables across the world. This is the spirit with which Isagro, again in collaboration with the municipal administration and the Green Cross of Adria, has become the main sponsor of the "Villaggio della Solidarietà" (Village of Solidarity), dedicated to children's rights.



As part of the various collaborations with the municipality of Adria, Isagro participated in the “Adria di Natale” holiday initiatives by sponsoring the electric train connecting the various commercial points in the town. The train allowed citizens to reduce their vehicle use, again with a view to environmental protection.

Again in 2019, 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.

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 Centre 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.

Lastly, in our commitment toward sustainability, in 2019 we launched a project (to be completed at the start of 2020) involving the replacement of our current printers through the Carbon Neutrality Program promoted by Konica Minolta. The aim of this program is to offset the amount of CO2 emitted into the atmosphere during the use of printing devices through investments in green projects launched and monitored by the climate partner company.

The climate partner will issue the partner companies with a document containing an unequivocal ID through which the progress of the financial project can be followed over time using a portal provided by the climate partner.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

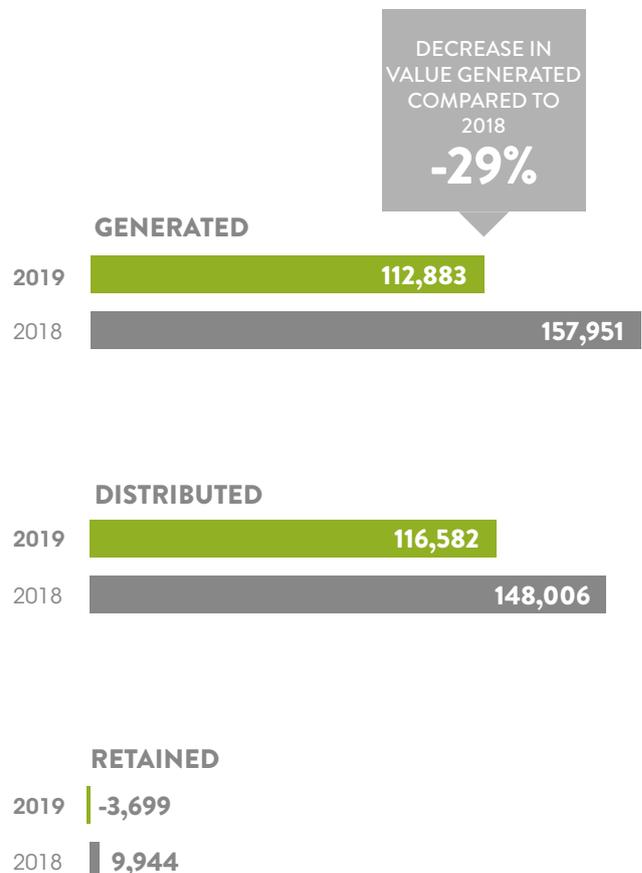
The Isagro Group is actively committed to creating long-term economic value. Once generated, this value is redistributed among all the Group stakeholders.

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, 2019 totaled around € 113 million.

Compared to 2018, the economic value distributed does not include the data of Isagro Asia (whose investment – as explained in detail in chapter 1 “The Group” – was sold on December 27, 2019).

ECONOMIC VALUE GENERATED, DISTRIBUTED, AND HELD

€ thousands



ECONOMIC VALUE DISTRIBUTED AND HELD BY THE GROUP (€ THOUSANDS)

In line with 2018, the majority of the generated value (75%) is distributed to suppliers (as indicated by the items “raw materials and consumables used”, “costs of services”, “other operating costs”), followed by personnel compensation (23%), Public Administration (1%), and finally lenders (1%)

The recent global health crisis caused by COVID-19, declared in March as a global pandemic by the World Health Organization, with the consequent ongoing lockdown in most of the advanced and developing economies, is also likely to have effects on industrial agriculture, and in particular on the agrochemical sector, depending on the duration of the crisis and the effectiveness of the monetary and fiscal policies implemented by the central banks and national governments.

It is estimated that a non-prolonged phase of this crisis, with activities returning to a reduced “new normality” just before summer, and monetary/fiscal policies that lead to a substantial recovery to pre-crisis levels in the next 12-18 months, simultaneously supporting the recovery of employment and disposable income, and in a context of substantial endurance of prices of the main agricultural commodities, may slightly affect industrial agriculture and, as a result, the agrochemicals market. These minor effects may be represented, in terms of supply, by temporary shortages of some production input (especially chemical intermediates and building blocks manufactured in China) and, in terms of demand, by temporary reductions in the purchase flows of agricultural commodities for food and industrial uses, in any case with temporary effects on volumes and prices.

If, on the other hand, the above health crisis were to continue for much longer, in a situation in which the monetary and fiscal policies proved to be inadequate to support the level of income and employment, there could be wider effects on industrial agriculture, with drops in the prices of agricultural commodities and consequent pressure on volumes and prices of higher-content agrochemical products.

The Isagro plants were not subject to lockdown since they fall under an Ateco code forming part of the activities defined as “strategic” by government measures.

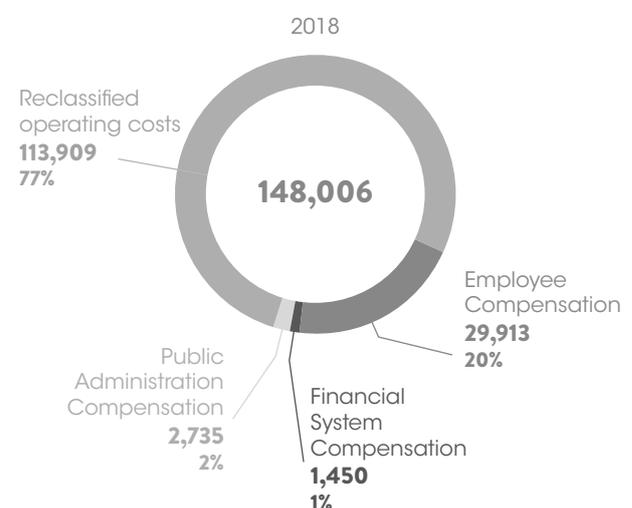
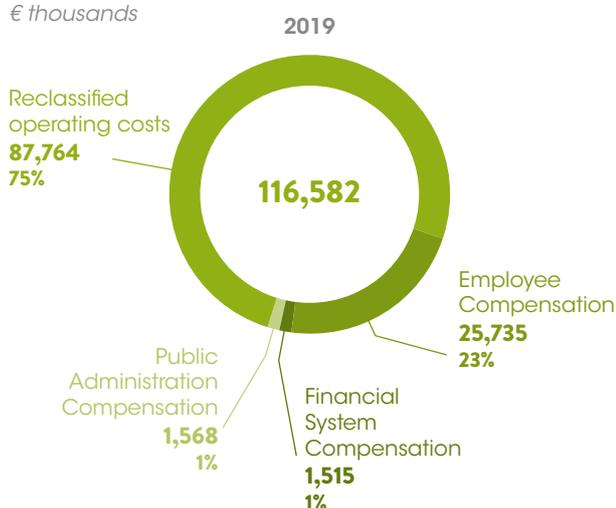
At all Group sites, incentives for employees to work from home have been successful for all functions able to do so, thereby allowing for a significant reduction in staff presence at the office even before this was required by the relative government decrees.

Critical events linked to possible procurement difficulties arising from the closure of production plants of some suppliers (mainly Italian but also foreign) are closely and promptly monitored, as are issues associated with the movement of goods.

As of today, it is nevertheless difficult, including for Isagro, to implement specific provisions given the environment of notable uncertainty. With reference to the topic of going concern, the financial resources generated at the end of 2019 following the sale of Isagro Asia, alongside the bank credit facilities available at December 31, 2019 to the Parent Company Isagro S.p.A., for € 41 million, the facilitated conditions of access to credit and additional extraordinary operations being implemented (sale of the molecule *Fluindapyr*, the closing of which is estimated to take place by September 30) and defined, currently guarantee the bases for going concern.

ECONOMIC VALUE DISTRIBUTED

€ thousands



OUR SUPPLIERS

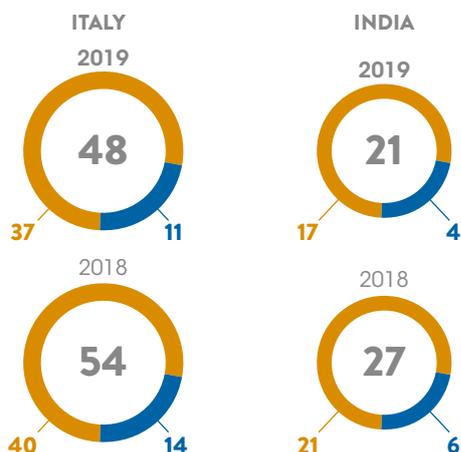
Isagro uses high-quality raw materials and ingredients, including active ingredients and co-formulants conforming to adequate quality specifications. Regarding management of procurement specifically, the Parent Company adopts a specific operating procedure for purchasing (PAMI). In order to avoid supply 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's Model 231. With the same supply conditions, however, Isagro gives priority to suppliers with HSE certifications and/or adopt Responsible Care programs, even if these procedures do not yet imply actual screening of social or environmental criteria. In this respect, over the next two 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 Isagro S.p.A. and Isagro Asia (the latter until December 2019) purchase the most raw materials and can be considered the most important operating sites. In line with the 2018 figures, the majority of procurement spending is focused on suppliers categorized as local.

ANNUAL SPENDING BY SUPPLIER¹⁷

€ thousands

● Local ● Non-local



MAIN RISK FACTORS AND THEIR MANAGEMENT



MATERIALITY ASPECTS

Economic performance
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.



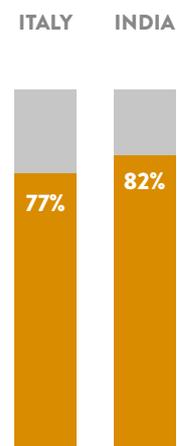
MANAGEMENT METHODS

The management strategy uses an AVOID approach to operational risk and an AWARE approach to strategic aspects.

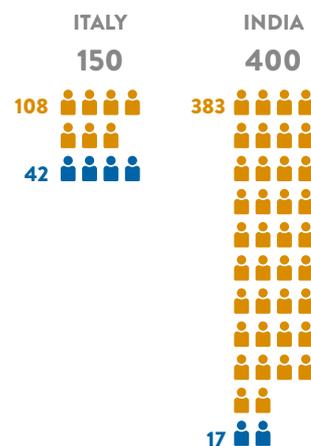
Areas are monitored and managed specifically through:

- 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.

Purchases from local suppliers



Number of suppliers



¹⁷ Figures refer to purchases made with national suppliers of the Italian Company (Isagro S.p.A.) and the Indian Company (Isagro Asia), respectively. The values refer to Isagro Asia for the period between 1/1 and 9/30/2019.





THE ENVIRONMENT, A RESOURCE TO BE PROTECTED



-25%
ENERGY
CONSUMPTION



EMAS
REGISTRATION
FOR THE
ADRIA PLANT



**RESPONSIBLE
CARE**
MEMBERSHIP IN
THE RESPONSIBLE
CARE PROGRAM

OUR AMBITION: TO CONSTANTLY IMPROVE PRODUCTION

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’s 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 (CuCl_2) 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 is 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.

Except in the case of significant changes, for that matter non-remote, to the company’s strategic environment, the organization confirms its commitment to improve its management of environmental aspects by also considering the swift implementation of an ISO 14001:2015 Environmental Management System for all Italian plants. 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

approx. 110 t
of CuCl_2

EoW is



of total raw materials
entering the Adria plant
from 2012 to today

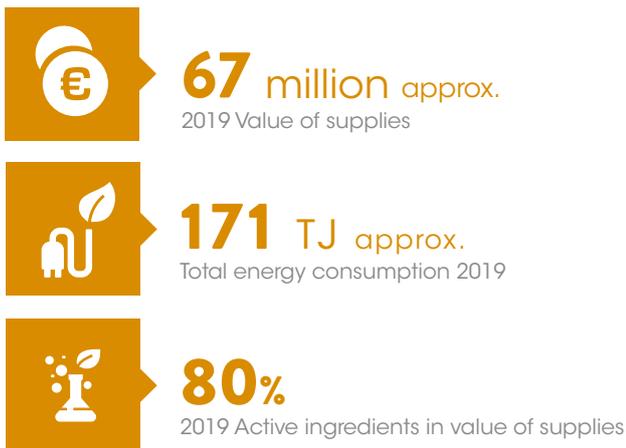
USE OF RAW MATERIALS

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, totaling around € 54 million (80% of the total), while packaging represented around 11% of total spending (slightly more than € 7 million). In total, compared to 2018, in terms of quantity Isagro purchased around 16% fewer raw materials.

Among other things, the change in absolute terms to this item is related to the following factors:

- change in the 2019 production levels;
- change in the selection of products processed;
- significant changes in the purchase prices of some raw materials;
- the 2019 data relative to Isagro Asia refer to the first 9 months of the year only.



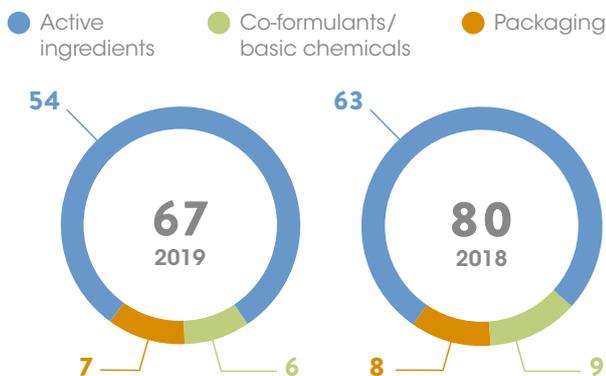
Considering the Italian plants only, the change in absolute terms compared to 2018 is less pronounced and the slight decreases specifically concern active ingredients and co-formulants.

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.



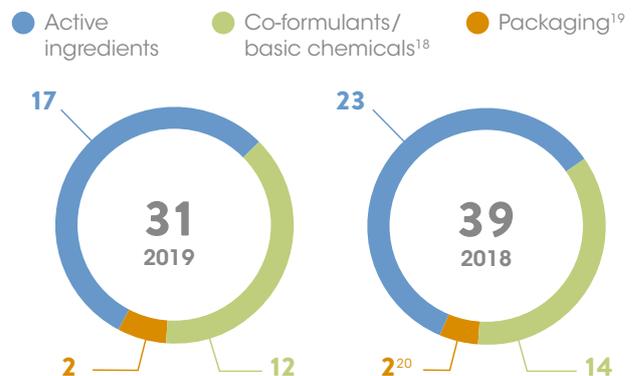
TOTAL EXPENDITURE BY PRODUCT CATEGORY

€ millions



MATERIALS USED BY WEIGHT

Thousand metric tons

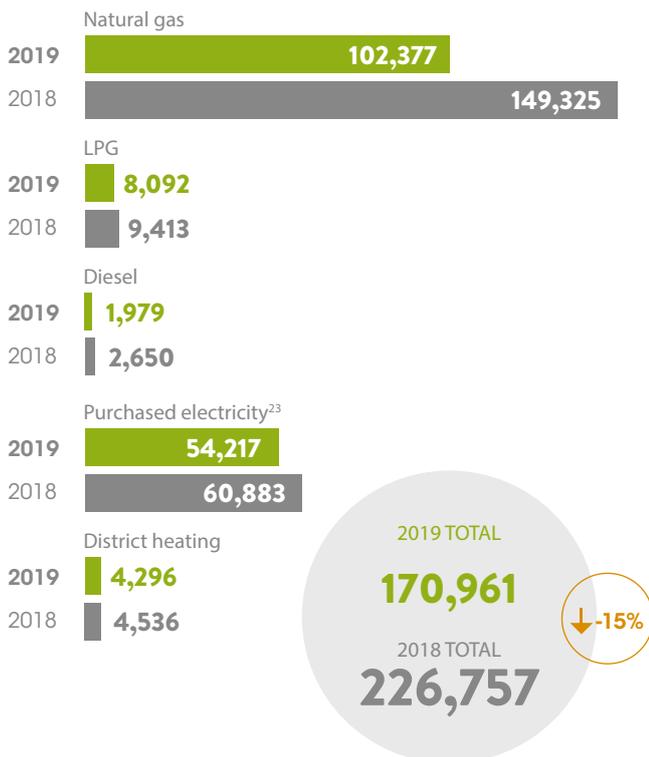


¹⁸ For calculation of the item "Co-formulants/basic chemicals" material data monitored in terms of weight (metric tons) have been considered. Isagro will evaluate the possibility of improving traceability of the data currently available using measurements of volume and number.

¹⁹ For calculation of the item "Packaging" material data monitored in terms of weight (metric tons) have been considered. The figure for packaging has been partially estimated.

²⁰ Following a process of improvement in the reporting system, the figure has been restated. For previously published data, please refer to the 2018 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.com.

ENERGY CONSUMPTION FROM NON-RENEWABLES (GJ)



CO₂ EMISSIONS (tCO₂e)²⁴



SCOPE 1

Greenhouse gas emissions generated directly by Isagro, deriving from plants powered by combustion of fossil fuels.

SCOPE 2

Direct greenhouse gas emissions deriving from generation of electricity purchased by Isagro, as well as from steam used by Isagro through district heating.

Market Based: reflects the average intensity of emissions deriving from electricity specifically selected by the organization. This may be calculated with default emissions factors representing the *residual mix*, or the unmonitored and unclaimed energy and emissions (for Italy), and regional average emission factors (for India).

Location Based: reflects the average intensity of emissions deriving from total national electricity generation.

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 consumption²¹ and, comparing energy consumption to production value, a figure of nearly 1.6 MJ per € 1 turnover is recorded, while other Federchimica companies have recorded values up to three times this amount²².

In line with 2018, the majority of energy consumption is represented by the use of natural gas, around 60% of total consumption in 2019, compared to around 32% for electricity purchased. In general, though, the data show a decreasing trend in energy consumption for all items compared to the previous year. This decrease is due especially to the decrease in production levels in 2019 and to the exclusion of the data for the last quarter of 2019 for Isagro Asia.

However, looking only at Italian production plants, specific consumption in 2019 reached a value of around 4.5 GJ per metric ton of finished product and this value is much lower compared to other companies in the sector. This data bears witness to the continuous efforts by the Isagro production sites to reduce energy consumption. 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 is met via a district heating system that uses superheated steam as a thermal vector. Energy rationalization works carried out in 2018 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 decreasing trend for 2018-2019 compared to previous years in terms of 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 594 GJ from January to September 2019 (796 GJ in 2018), as this is already considered relative to consumption of the primary energy source used for its generation, i.e. oil.

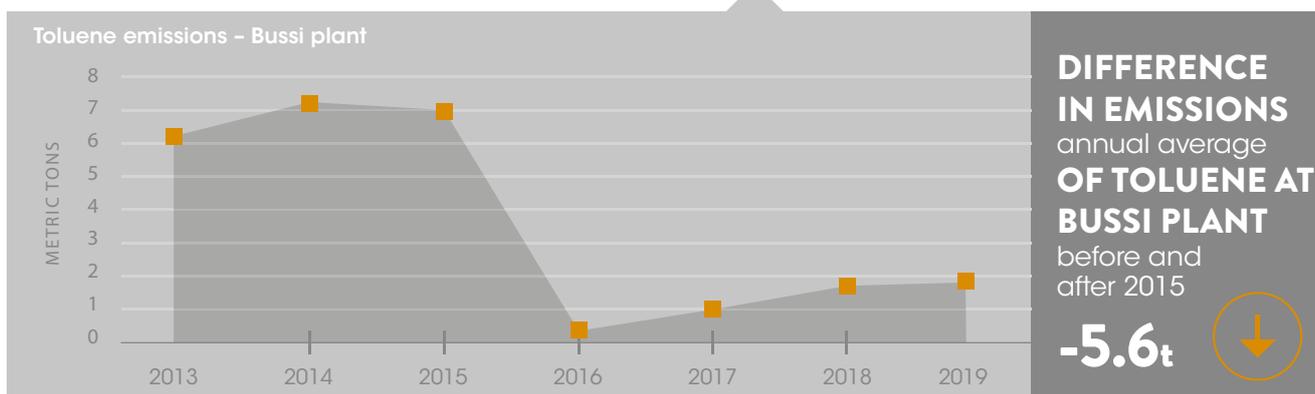
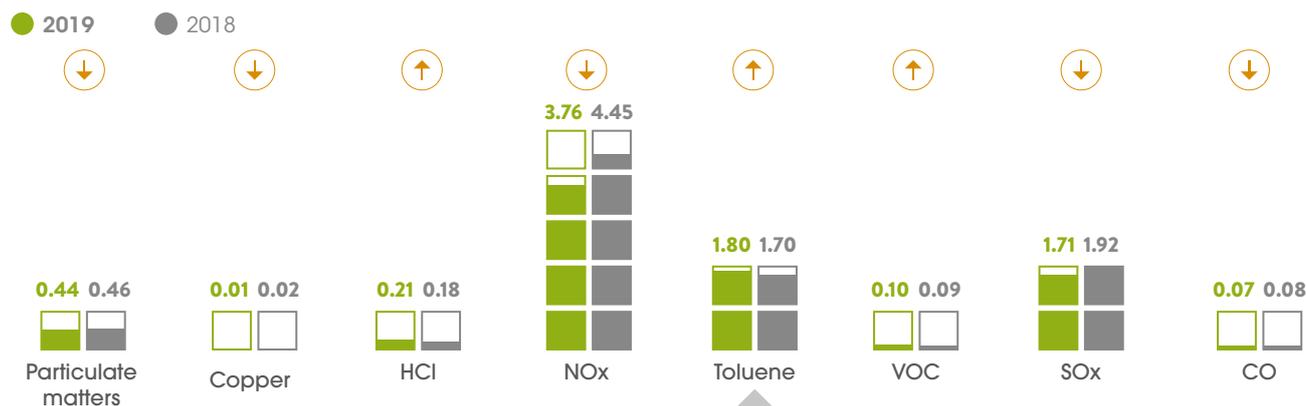
21 Federchimica. The Italian Chemicals Industry, 2017-2018 Report.

22 Figure obtained both for Isagro and for a sample of Federchimica organizations by combining total energy consumption and turnover.

23 The Isagro Group does not purchase Guarantee of Origin certificates for electricity consumed originating from renewable sources.

24 For calculation of emissions, the following emissions factors have been used: Scope 1: Defra - UK Government GHG Conversion Factors for Company Reporting (2018 and 2019); Scope 2 - Market-Based: The Association of Issuing Bodies - the 2018 "Residual Mixes and European Attribute Mix" for Italy (data in CO₂ equivalent) and the 2019 "CO₂ Baseline Database for the Indian Power Sector" prepared by the Ministry of Power - Government of India for India. Figures expressed in metric tons of CO₂, nevertheless the percentage of methane and nitrous oxide has a negligible effect on total greenhouse emissions (CO₂ equivalent), as inferred from the relative technical literature; Scope 2 - Location Based: "International comparison, 2016 and 2017" published by Terna. Figures expressed in metric tons of CO₂, nevertheless the percentage of methane and nitrous oxide has a negligible effect on total greenhouse emissions (CO₂ equivalent), as inferred from the relative technical literature.

OTHER EMISSIONS OF ISAGRO (t)²⁸



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 2.7% of total emissions²⁵, therefore Isagro's contribution in the national emissions scenario should be considered from this perspective.

It has been calculated that, from Isagro activities in 2019²⁶, a total of around 14,500 metric tons of CO_{2e} have been produced.

Considering the Italian plants only, the figure for CO₂ emissions relative to generation of € 1 of turnover is particularly interesting. The average value among companies in the Responsible Care program²⁷ is around 205 t_{CO2}/M€, while Isagro is well below this average, recording a value of around 137 t_{CO2}/M€.

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 adopt 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.

The data regarding other emissions are for all the Italian plants in line with 2018, while the most significant reductions found refer to the data of Isagro Asia, which only include the first nine months of 2019.

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 four years basically reflects production volumes.

²⁵ The chemical industry in 2019 figures.

²⁶ The environmental data from 2019 presented in the chapter include the consumption of Isagro Asia in the period between January 1, 2019 and September 30, 2019.

²⁷ The figure for turnover and total emissions for companies belonging to the Responsible Care program has been drawn from: Federchimica. Responsible Care, 25th Annual Report 2019 (the same applies for data presented in the rest of this chapter).

²⁸ The data do not include the emissions below the detection threshold of the Novara plant, which has had an Integrated Environmental Authorization since January 2018.

MANAGEMENT OF WATER RESOURCES

As set out in the 2018 global report on water resources²⁹ 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 m³, representing approximately 12% of the total used in production industries)³⁰. It seems evident that all chemicals businesses must pay great attention to managing water resources.

In 2018, water consumption was met almost entirely from bodies of surface water (~94%), while use of more scarce and valuable sources was greatly reduced, i.e. municipal water supplies (~2%) and wells (~4%). 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 systems³¹.

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 m³/€, while Isagro is well below this average, recording a value of around 0.014 m³/€. However, given that the data for water consumption are in line with 2018, the Italian plants face the challenge to decrease this trend in 2020.

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 recent years in water withdrawn for the Bussi sul Tirino plant of around 20%, passing from around 3.4 m³ (2017) per kg of finished product to around 2.7 m³/kg in 2019, a figure in line with the previous year. Starting January 2018, the Novara plant has been using a new drainage system that collects all wastewater flows and feeds them into a municipal drain, leading to an increase in wastewater going into the public system compared to previous years.

WATER WITHDRAWAL

Thousands of m³

● Surface water body ● Well ● Municipal water



WATER DISCHARGE³³

Thousands of m³

● Surface water body ● Treatment system ● Sewer



29 UNESCO World Water Assessment Programme (WWAP). *Nature-based solution for water*, 2018.

30 ISTAT. *World Water Day. ISTAT Statistics*, 2016.

31 Federchimica. *Responsible Care, 25th Annual Report 2019*.

32 Following an update to the data after publication, the data for the water withdrawn from bodies of surface water in 2018 relative to the Adria plant has been restated. For previously published data, please refer to the 2018 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.it.

33 For the Italian plants, the wastewater was calculated as water withdrawn (measured) – water consumed (estimated) + rainwater (estimated).

34 Following an update to the data after publication, the data for wastewater flows into bodies of surface water in 2018 relative to the Adria plant has been restated. For previously published data, please refer to the 2018 Consolidated Non-Financial Report available in the Sustainability section of the website www.isagro.com.

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 and the inclusion of Isagro Asia data for the first nine months of the year only, hazardous waste produced by Isagro in 2019 decreased compared to the previous year by around 17%, while non-hazardous waste increased by around 33%. The increase in non-hazardous waste is due especially to the pallets that, in 2018, were considered a processing product of the production sites, whereas with the entry into force of Italian Ministerial Decree no. 246/16, meaning they cannot be reused internally, the pallets must be disposed of and are therefore classed as waste.

Isagro has continued with its efforts to raise awareness, aimed at supporting activities regarding waste, recovery and recycling of materials during industrial processes: around 69% of total hazardous waste is sent for disposal, a figure that drops to 21% for non-hazardous waste, while the majority of non-hazardous waste is sent for recycling, 69% of the total, which is only 20% for hazardous waste. Only non-hazardous waste is sent for composting (4%) and recovery (7%).

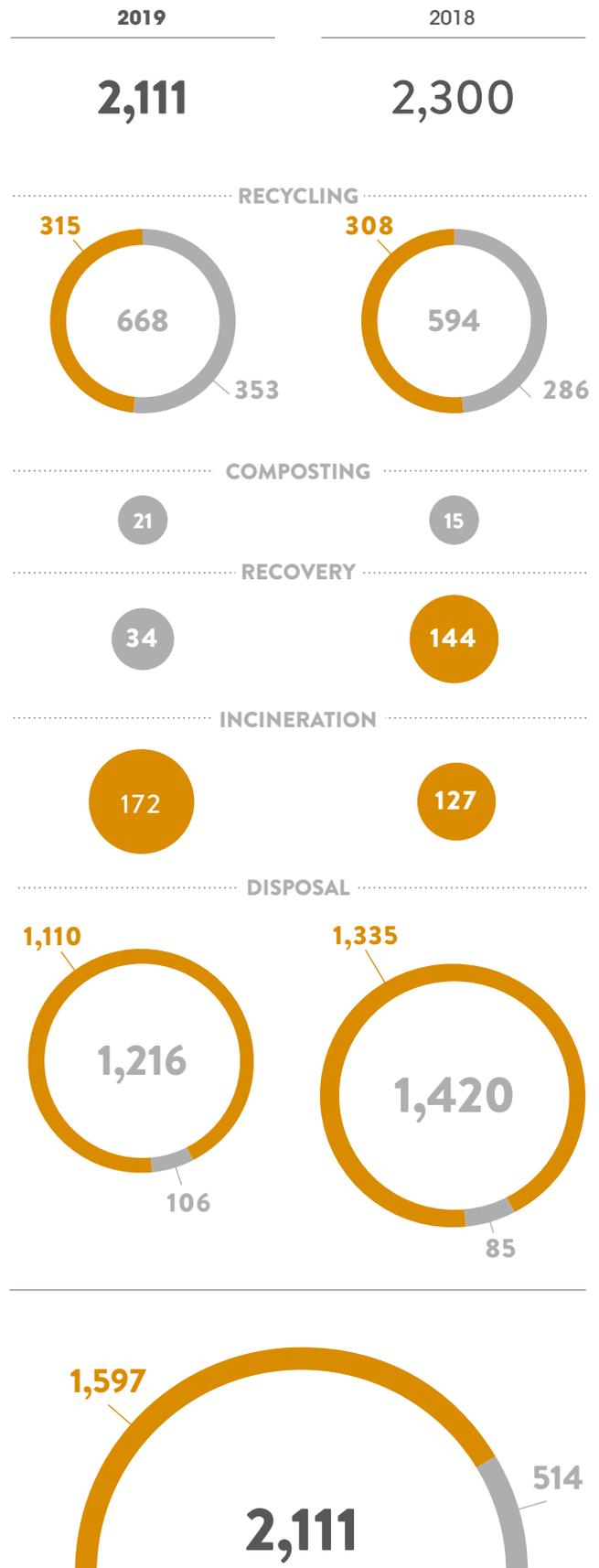
Comparison with the performance of organizations belonging to the Responsible Care program demonstrates that, regarding the figure for waste production relative to generation of € 1 of turnover, the average figure is around 43 metric tons of waste produced per million euro generated, while Isagro is well below this average, recording around 20 t/M€.



WASTE BY DISPOSAL METHOD

Tons

■ Hazardous ■ Non-hazardous



SAFEGUARDING BIODIVERSITY



NOVARA

The Terdoppio Canal, which received the wastewater until 2017, flows into the River Ticino in the district of Cassolnovo, 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.



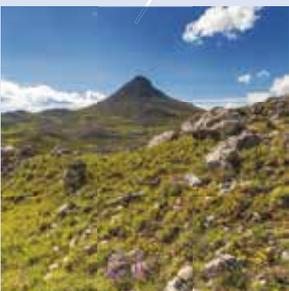
ADRIA (Rovigo)

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.



BUSSI SUL TIRINO (Pescara)

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 La 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.



MAIN RISK FACTORS AND THEIR MANAGEMENT

 MATERIALITY ASPECTS	 RISK FACTORS	 MANAGEMENT TYPE
Use of raw materials, including:	Process inefficiency	AVOID
<ul style="list-style-type: none"> ● Energy consumption 	<ul style="list-style-type: none"> ○ Process inefficiency ○ Product/process quality 	<ul style="list-style-type: none"> ○ AVOID
<ul style="list-style-type: none"> ● Atmospheric emissions 	<ul style="list-style-type: none"> ○ Product/process quality ○ Environmental damages 	<ul style="list-style-type: none"> ○ AVOID with risk appetite null for the aspects related to legislative compliance
<ul style="list-style-type: none"> ● Other atmospheric emissions 	<ul style="list-style-type: none"> ○ Product/process quality ○ Environmental damages ○ Failure to observe contractual and legislative requirements 	<ul style="list-style-type: none"> ○ AVOID with risk appetite null for the aspects related to legislative compliance
<ul style="list-style-type: none"> ● Management of water resources 	<ul style="list-style-type: none"> ○ Process inefficiency ○ Product/process quality ○ Environmental damages 	<ul style="list-style-type: none"> ○ AVOID
<ul style="list-style-type: none"> ● Waste management 	<ul style="list-style-type: none"> ○ Process inefficiency ○ Failure to observe contractual and legislative requirements ○ Product/process quality ○ Environmental damages 	<ul style="list-style-type: none"> ○ AVOID with risk appetite null for the aspects related to legislative compliance



MANAGEMENT METHODS

Areas are monitored and managed through:

- Organization, Management, and Control Model pursuant to Italian Legislative Decree no. 231/2001;
- environmental management systems;
- information and communication procedures of updates on 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.





8

APPENDIX

METHODOLOGICAL NOTE

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 no. 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 an appendix.

The content subject to reporting refers to 2019 (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. Compared to the situation at December 31, 2018, changes have occurred in the consolidation scope due to the transfer of the investment held in Isagro (Asia) Agrochemicals Pvt. to PI Industries, meaning that the former was no longer part of the Isagro Group at December 31, 2019.

The scope of the economic-financial data is the same as for the Isagro Group 2019 Consolidated Financial Statements.

The scope of the social and environmental information reported varies according to the significance of these aspects for the various companies of the Group. The scope of the social information comprises the companies consolidated on a line-by-line basis in the Consolidated Financial Statements³⁵. With reference to the data and information on the environment and 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 social and environmental data relative to Isagro Asia are only available for the period between January 1, 2019 and September 30, 2019.

Other than the sale of Isagro Asia, in 2019, there were no other 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 Report 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 May 6, 2020 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 Report, contact Isagro’s Communication Department (communication@isagro.com).

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

The Isagro Group, which has an international commercial presence, has begun a project to develop the topics held to be material and set out by art. 3 of Italian Legislative Decree no. 254/16, as described below.

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

BUSINESS INTEGRITY AND COMPLIANCE

To ensure business integrity and compliance, the Parent Company Isagro S.p.A. has prepared and regularly updates the Organization and Management Model pursuant to Italian Legislative Decree no. 231/01 and the Group Code of Ethics (the latter distributed to all subsidiaries). Furthermore, as a concrete example of its commitment in this regard, Isagro S.p.A. approved, on February 25, 2019, an Anti-Corruption Code of Conduct, 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.

³⁵ 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, 2019.

Isagro S.p.A. employees are guaranteed continuous training on the Code of Ethics and the Organization and Management Model pursuant to Italian Legislative Decree no. 231/01. During 2020 and 2021, Isagro undertakes to renew training in these areas using e-learning for all employees of Group companies.

HUMAN RESOURCES RELATED TOPICS

The topic of human resources management is covered by the Code of Ethics of the Group and through a Human Resources Management Procedure in place at Isagro S.p.A. Health and safety is monitored through the adoption of dedicated management systems. With reference to the production plants, the matter is overseen through the implementation of internal policies and procedures.

In addition, the possibility 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 Centre is being considered.

Starting from 2019, the Company has implemented a procedure to collect health and safety data from all Group companies. In the past, it was limited to the staff of the companies that manage production plants.

Isagro swiftly launched a series of measures and initiatives to tackle the COVID-19 health emergency and protect the health and safety of its employees. In particular:

- a specific task force was promptly activated, appointed to analyze the associated issues and consequently prepare guidelines, instructions and procedures to manage the emergency;
- information was promptly provided to staff through activation of a structured system to distribute communications to all staff via email;
- urgent instructions were put into effect to manage travel, meetings, and events. Specifically, all international, intercontinental and national business trips were blocked and all internal and external events were suspended;
- staff presence in the office was reduced to manage the health emergency;
- restrictions were introduced for access to offices by suppliers and third parties, and employees were encouraged to work remotely, from home;
- a Company Protocol was signed to regulate the measures to contain the spread of COVID-19 in workplaces, such as implementation of national protocols adopted by social partner organizations before the government.

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. The company is currently involved in a review of its supplier assessment procedure and reserves the right to assess the possibility of including aspects of a social nature and relative to respect for human rights.

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.

During 2020, the Company will assess a possible review of its sustainability policy.

ENVIRONMENT

In 2019, 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, and holds EMAS registration. All other Italian production plants have an internal management system that regulates the environmental aspects. Furthermore, since 2018, Isagro has adopted a Sustainability Policy including environmental commitments such as responsible management and use of resources and reduction of waste.

The Company is assessing, also in consideration of the change to the business model, an extension to the scope of ISO 14001:2015 certification to all production plants of the Group.

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 2019 NFR 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:

1st Phase

IDENTIFICATION OF KEY TOPICS

for Isagro and
its stakeholders



2nd Phase

Prioritizing of
KEY TOPICS
and definition of
MATERIALITY MATRIX



3rd Phase

**VALIDATION OF
MATERIALITY
MATRIX**



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.

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.

Increasing its focus on listening to external stakeholders, in 2019, Isagro launched a stakeholder engagement process based on sending questionnaires to a sample of its stakeholders, to understand their requirements and expectations and feed this information into its strategies.

In 2019, Isagro significantly expanded its cross-section of stakeholders, in that:

- it involved 65 external stakeholders distributed across the following categories: suppliers, distributors, trade associations, public administration, agricultural businesses and business alliances;
- it increased the number of employees involved in the process, increasing the questionnaires sent from 40 to 71 thanks to the involvement of top management at the foreign companies, in addition to a higher number of employees at the Parent Company Isagro S.p.A.

The materiality analysis has been supported by all Isagro top management, which, for continuity with the previous year Non-Financial Report (2018), 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.

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.

ANNEXES

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

■ SUNDRY 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

■ UNIONE CONFCOMMERCIO – AICE

■ UNIONE DEGLI INDUSTRIALI PROVINCIA PESCARA

GRI CONTENT INDEX

GRI Standard	Page no.	Information
GRI 102: General Disclosures 2016		
Organizational profile		
GRI 102-1	88	Name of the organization.
GRI 102-2	11-12	Activities, brands, products, and services.
GRI 102-3	88	Location of headquarters.
GRI 102-4	8, 13-15	Location of operations.
GRI 102-5	9	Ownership and legal form.
GRI 102-6	13, 57	Markets served (including the geographical coverage, fields of activity and type of customers and recipients).
GRI 102-7	8-9, 14-15, 39, 61, 63 Market cap of € 42.8 million at 12/31/2019.	Scale of the organization.
GRI 102-8	39, 47-49	Information on employees and other workers.
GRI 102-9	63	Supply chain
GRI 102-10	76	Significant changes to the organization and its supply chain in the reporting period.
GRI 102-11	73	Precautionary principle or approach.
GRI 102-12	14-15	External initiatives.
GRI 102-13	79	Membership of associations
Strategy		
GRI 102-14	04-05	Statement from senior decision-maker.
Ethics and integrity		
GRI 102-16	24-25, 77-78	Values, principles, standards and norms of conduct.
Governance		
GRI 102-18	18-20	Governance structure.
Stakeholder Engagement		
GRI 102-40	31	List of Stakeholder groups.
GRI 102-41	84% of the Group's employees are covered by collective agreements, corresponding to the employees of Isagro S.p.A., Isagro Brasil Ltda and Isagro España S.L.	Collective bargaining agreements.
GRI 102-42	31, 78	Identifying and selecting stakeholders.
GRI 102-43	32, 78	Approach to stakeholder engagement.
GRI 102-44	34-35	Key topics and concerns raised
Reporting practice		
GRI 102-45	8, 76	Entities included in the organization's consolidated financial statements or equivalent documents.
GRI 102-46	76, 77-78	Defining report content and topic Boundaries.
GRI 102-47	34-35	List of material topics.
GRI 102-48	67, 70	Restatements of information.
GRI 102-49	34-35, 78	Changes in reporting.
GRI 102-50	76	Reporting period.
GRI 102-51	The 2019 Non-Financial Report was published on the www.isagro.com website on June 19, 2020.	Date of most recent report.
GRI 102-52	76	Reporting cycle.

GRI Standard	Page no.	Information
GRI 102: General Disclosures 2016		
GRI 102-53	76	Contact point for questions regarding the report.
GRI 102-54	76	Claims of reporting in accordance with the GRI Standards.
GRI 102-55	80-84	GRI Content Index
GRI 102-56	85-87	External assurance.

GRI Standard	Page no.	Omission	Information
ECONOMIC			
Material topic: ECONOMIC PERFORMANCE			
GRI 103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	61-62		The management approach and its components.
GRI 103-3	61-62		Evaluation of the management approach.
GRI 201: Economic performance 2016			
GRI 201-1	61-62		Direct economic value generated and distributed.
Material topic: SUPPLY CHAIN MANAGEMENT			
GRI 103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	63, 67-68, 77		The management approach and its components.
GRI 103-3	63, 67-68, 24		Evaluation of the management approach.
GRI 204: Procurement practices 2016			
GRI 204-1	63		Proportion of spending on local suppliers.
GRI 308: Supplier Environmental Assessment 2016			
GRI 308-1	In 2019, the new supplier selection process did not include environmental criteria.		New suppliers that were screened using environmental criteria.
GRI 414: Supplier Social Assessment 2016			
GRI 414-1	In 2019, the new supplier selection process did not include social criteria.		New suppliers that were screened using social criteria.
Material topic: BUSINESS INTEGRITY AND COMPLIANCE			
GRI 103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	25, 27, 66, 73, 77		The management approach and its components.
GRI 103-3	27, 65-66		Evaluation of the management approach.
GRI 205: Anti-corruption 2016			
GRI 205-3	27		Number of cases of corruption and action taken.
GRI 206: Anti-competitive Behavior 2016			
GRI 206-1	In 2019, there were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices.		Legal actions for anti-competitive behavior, anti-trust and monopoly practices, and respective outcomes.

GRI Standard	Page no.	Omission	Information
GRI 307: Environmental Compliance 2016			
GRI 307-1	No fines or sanctions were received in 2019 for non-compliance with environmental laws and regulations.		Total monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
GRI 419: Socioeconomic Compliance 2016			
GRI 419-1	In 2019, no significant pecuniary penalties or non-monetary sanctions were received for non-compliance with laws and regulations in the social and economic area.		Non-compliance with laws and regulations in the social and economic area.
ENVIRONMENTAL			
Material topic: USE OF RESOURCES			
GRI 103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	66, 67-68, 68-69, 69, 70, 73, 77		The management approach and its components.
GRI 103-3	67-68		Evaluation of the management approach.
GRI 301: Materials 2016			
GRI 301-1	67		Materials used by weight or volume.
GRI 302: Energy 2016			
GRI 302-1	68-69		Energy consumption within the organization.
GRI 303: Water 2016			
GRI 303-1	70		Interactions with water as a shared resource.
GRI 305: Emissions 2016			
GRI 305-1	69		Direct (scope 1) greenhouse gas emissions
GRI 305-2	69		Energy indirect (Scope 2) GHG emissions.
GRI 305-7	69		NO _x , SO _x and other significant emissions
Material topic: WASTE			
GRI 103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	66, 70-71, 73, 77		The management approach and its components.
GRI 103-3	70-71		Evaluation of the management approach.
GRI 306: Effluents and Waste 2016			
GRI 306-1	70		Water discharge by quality and destination.
GRI 306-2	71		Waste by type and disposal method
SOCIAL			
Material topic: HUMAN RESOURCES MANAGEMENT			
GRI 103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	19-20, 38-39, 40, 41, 45		The management approach and its components.
GRI 103-3	19-20, 38-39, 40, 41		Evaluation of the management approach.
GRI 401: Employment 2016			
GRI 401-1	39, 48-49		New employee hires and employee turnover.

GRI Standard	Page no.	Omission	Information
GRI 404: Training and Education 2016			
GRI 404-1	40		Average hours of training per year per employee.
GRI 405: Diversity and Equal Opportunity 2016			
GRI 405-1	19-20, 41		Diversity of governance bodies and employees.
Material topic: OCCUPATIONAL HEALTH AND SAFETY			
103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	44-45, 76-77		The management approach and its components.
GRI 103-3	44-45		Evaluation of the management approach.
GRI 403: Occupational Health and Safety 2016			
GRI 403-2	44, 49		Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.
Material topic: HUMAN RIGHTS			
103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	26, 27, 77-78		The management approach and its components.
GRI 103-3	26		Evaluation of the management approach.
GRI 406: Non-discrimination 2016			
GRI 406-1	In 2019, no incidents of discrimination were reported.		Incidents of discrimination and corrective actions taken.
GRI 408: Child Labor 2016			
GRI 408-1	26		Operations and suppliers at significant risk for incidents of child labor.
GRI 409: Forced or Compulsory Labor 2016			
GRI 409-1	26		Operations and suppliers at significant risk for incidents of forced labor.
Material topic: PRODUCT RESPONSIBILITY			
103: Management Approach 2016			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	11-12, 56, 57		The management approach and its components.
GRI 103-3	11-12, 56		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 2019.		Incidents of non-compliance concerning the health and safety impacts of products and services.
GRI 417: Marketing and Labeling 2016			
GRI 417-2	During 2019, 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.

GRI Standard	Page no.	Omission	Information
Material topic: INNOVATION			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	55-56, 57		The management approach and its components.
GRI 103-3	55-56		Evaluation of the management approach.
Material topic: CORPORATE GOVERNANCE			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	18-20, 27		The management approach and its components.
GRI 103-3	18-20		Evaluation of the management approach.
Material topic: COMMUNICATION AND INTERNAL TRANSPARENCY			
GRI 103-1	34-35		Explanation of the material topics and their boundaries
GRI 103-2	43, 45		The management approach and its components.
GRI 103-3	43		Evaluation of the management approach.

**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 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, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on May 6, 2020 (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 2016 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 Novara'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 visits on site, 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, 2019 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
May 18, 2020

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

Isagro S.p.A.

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