

SUSTAINABILITY
REPORT
TWO THOUSAND AND TWELVE







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1.1 SUSTAINABILITY REPORT.

The Sustainability Report has become a Valagro regular feature, an invaluable tool that demonstrates the Company commitment to sustainability.

Providing the company with a socio-environmental reporting system is an appropriate way of communicating the company's values and assessing its socially and environmentally relevant activity.

Valagro, following a consolidated tradition, has published the fifth edition of its Sustainability Report: an ideal way of communicating its most precious value to the community, i.e. acknowledging the need for an implementation of socially responsible behaviour and aiming to create value for the social and natural environment, a belief shared by the entire staff.

A business is a complex organisation in which many different individuals operate, each with their own different interests that may not be strictly connected with the company's activities but have a social or environmental nature, thus effectively becoming values-objectives. This is why the need was felt to divulge the company's results through an appropriate means of communication in order to appreciate its socio-economic transparency and commitment towards the protection of the ecosystem.

The report consists of the following three parts:

- COMPANY IDENTITY;
- RELATION WITH SOCIETY;
- CREATED ADDED-VALUE: PRODUCTION AND DISTRIBUTION.

In this regard Valagro believes that it shouldn't merely own these values-objectives, but clearly explain them in order to define and establish its own identity.

2.1 VALAGRO HISTORY AND WHAT WE DO.

A long story that has been written by both men and women who share values, passion and commitment towards a job that daily experiences stories of success.

Valagro's story has been one of shared values with the territory and the people for over 30 years: ethics, respect for the environment and commitment towards research and innovation. A story of success, embracing ever more countries worldwide, which stands out for the balance between sustainability and economic development. Today there are 320 professionals working for Valagro, in Italy and overseas, either in the Atessa production site or in one of the other 4 production units in Norway and France.

THE FIRST STEPS DOWN AN IMPORTANT ROUTE.

It was 1980 when Valagro began undertaking its first steps towards a story of success, it began by producing and selling fertilisers in the Sangro river valley in Abruzzo. As is currently the case, back in the 80s the tendency

to grow, the natural inclination towards customers and a passion for scientific research were the solid roots with which Valagro established itself on the Italian market.

INTERNATIONAL SUCCESS.

During the 90s Valagro ventures into the European market and later the global one, from the East to Southern America. Demand from the international market led to the establishment of more branches and the acquisition of foreign companies, thus diversifying the product range and expanding the business in several sectors.

INDUSTRIAL DIVERSIFICATION.

Important acquisitions have occurred during the new millennium: organic-nutrients acquired from Nutrecology, an American company specialising in unique fertilisers, algae extracts acquired from Algea and Nordtang, both Norwegian companies, the acquisition of Maxicrop, an English company together with its subsidiary companies in Australia and New Zealand and finally the acquisition of Samabiol, a French company. Valagro operates in more than 80 countries and is known for its quality and has been awarded with the most prestigious international certifications.

A BRIGHT PRESENT.

In order to grow and diversify significant research investments have been called upon, particularly as regards

genomic research and the entire organisational structure has been reorganised into three macro business areas: Farm for agriculture, Garden & Turf for gardening and maintenance of grass turfs, Industrials for industrial sales to national and international businesses. With regard to this last business area, Valagro has commenced a new diversification strategy by producing special ingredients for different areas: animal food, Biostimulants for plants, human nutrition and cosmetics.





2.2
AN AMBITIOUS BUT
ETHICAL MISSION.

A concern for the environment and the people living in it is one of the key expressions of the integrity Valagro has always been striving for.

A deeply-rooted respect for nature in all its forms is the pivot of Valagro's mission: to work with passion and effort in order to create innovative and efficient solutions to safeguard the quality of life and the environment. By applying scientific research to natural resources we can contribute towards increasing human well-being, benefiting his nutrition, habitat and increasing respect for the individual.

Integrity, honesty and respect for people and the environment: these are the values with which Valagro wishes to achieve an ethical management allowing objectives to be achieved in a coherent and motivated fashion, with the ability to challenge one's own ideas and a natural inclination towards teamwork. The company's values become a shared asset that has priority over individual interests of shareholders or managers.



2.3
AN AMBITIOUS
BUT ETHICAL
CHALLENGE.

To increase production using fewer resources: this is the main challenge we face over the next decades: a commitment commencing in the field of agriculture, but involving human and animal nutrition. Key to success lies in a new Con-science, and ideal balance between scientific innovation and respect for human and environmental health. What lies at the heart of Geopower is the idea of enhancing the power of nature and our products and processes: technology based four key stages: access to raw materials, extraction methods, laboratory analyses and know-how.



2.4 THE GROUP'S KEY ACTIVITIES.

Knowing how to innovate is paramount, innovating in three different areas is only possible for a reality such as Valagro.

Valagro offers the maximum level of innovation and efficiency in all fields of intervention by means of excellent products: through Geapower the best raw materials are selected from which all active natural ingredients are extracted. These are fundamental for the preparation of specific products for the nutrition and well-being of humans and animals.

VALAGRO'S THREE BUSINESS DIVISIONS RESPOND TO THE COMMERCIAL CIRCUMSTANCES OF RELEVANT AND TARGET MARKETS:

THE FARM DIVISION, symbolises Valagro's passion for nature and offers farmers a wide range of solutions answering every nutritional demand for their crops.

THE GARDEN & TURF DIVISION, places Valagro's know-how at the service of home gardening and gardening enthusiasts by offering products which are unique on the market for their innovation and technology. Exclusive solutions for the professional care of ornamental plants, grass turfs and flower nurseries.

THE INDUSTRIALS DIVISION, supplies high-quality raw materials to companies operating in a variety of fields. This division also provides consulting for product development and the personalisation of packaging. With the aim of creating new business opportunities this division has the special role of studying innovative applications in the field of natural powders and extracts.

Throughout its activity Valagro has preferred low environmental impact formulas that target particular nutritional requirements:

- **chelated micro-nutrients**, a product with extraordinary chemical properties that represents a cutting-edge solu-



tion for the prevention and cure of micro-nutrient deficiencies;

- **biostimulants**, from vegetable organic extracts are able to optimise a plant's metabolic processes;

- **water-soluble mineral and organo-mineral fertilisers** are excellent products offering total safety.

The search for innovative and efficient solutions for a healthier lifestyle and environment, has led to the development of new ingredients for human and animal consumption. In order to develop extraordinary products, unique raw materials such as *Ascophyllum nodosum* brown algae are processed in our Norwegian factories.

Keeping diversification and business expansion in mind, Valagro has officially entered the cosmetic industry, bringing innovation and quality by means of key ingredients for people's well-being and personal appearance.

2.5 A TRULY GLOBAL PRESENCE.

Self-improvement and constant growth allow Valagro to successfully enter many international markets.

In addition to the subsidiary Valagro has a wide network of specialised distributors strategically located in the most important countries. The latest subsidiary, Valagro Pacific, was opened in 2012 In New Zealand and demonstrates the Group's ability to expand towards new markets.



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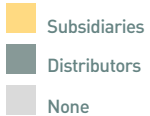
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2.6 THE GROUP'S ORGANISATIONAL STRUCTURE.

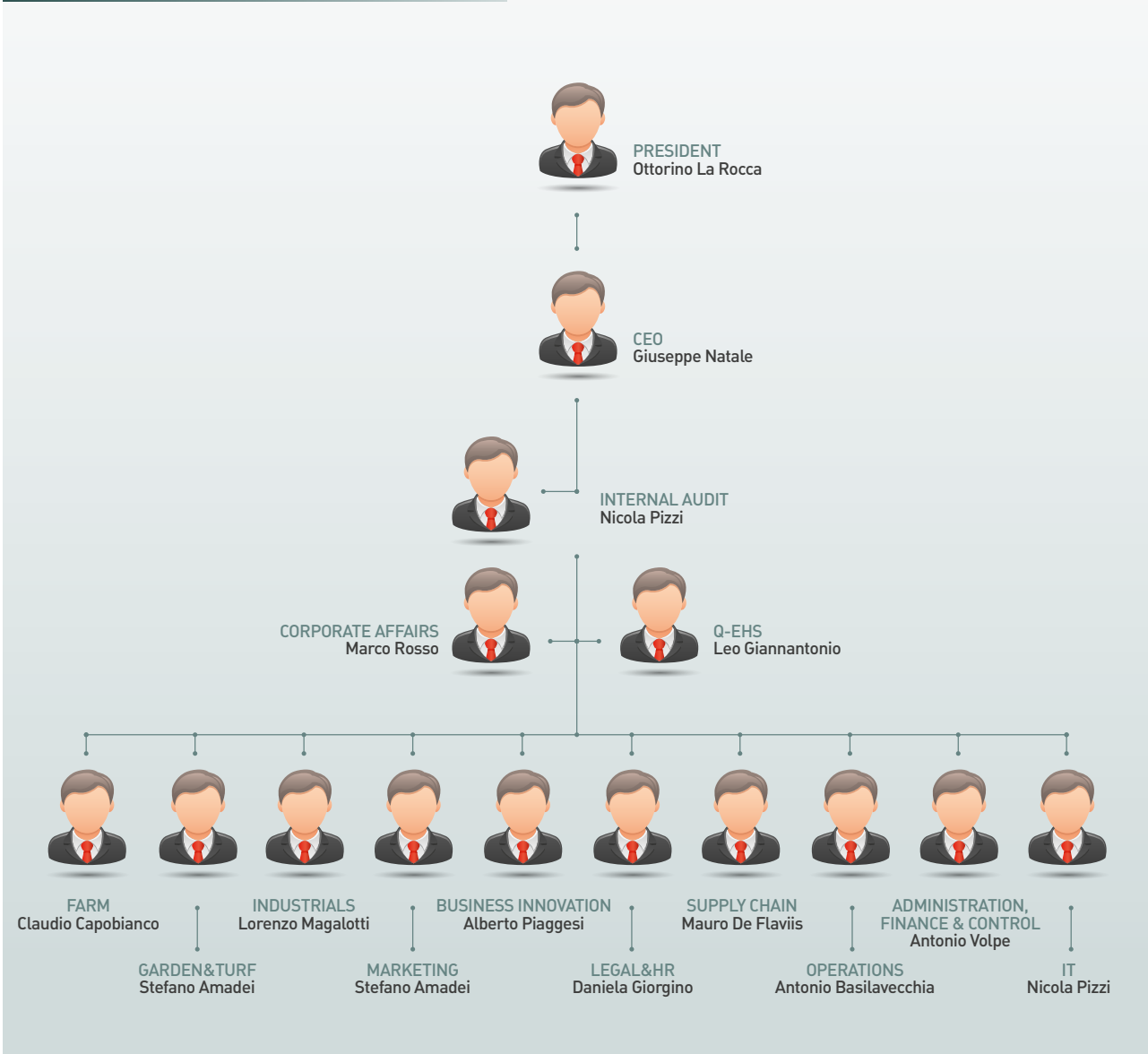
To grow as a group entails a reorganisation that follows a permanently efficient and cutting-edge structure.

In 2012 Valagro revised its organisational structure to tackle the challenges of the global market with more efficiency and precision. The need to preserve different geographical areas to offer innovative solutions and technical know-how to our clients and the decision to operate on markets where 'value can be added', led to significant organisational changes to the FARM Business Area. In 2012, four geographical Clusters, managed by specifically appointed Cluster managers, were created: Europe, IMEA (Italy, the Middle East and Africa), Americas and the Far East. During the same year Valagro Pacific, a new subsidiary company located in Auckland, New Zealand, became part of Valagro: a new step forward is thus taken towards the Group's direct presence on international markets. In 2013 a new business model is shared that guides the organisation of Controlled companies and of indirect distribution. The GARDEN & TURF Business area is increasingly client-orientated, has a renewed image and is more committed towards creating products capable of combining efficiency with respect for the environment. Distribution is increasingly concentrating on merging markets and those with high potential.



In 2011 and 2012, the INDUSTRIALS Business Area (by means of a substantial investment in marketing, education and research) experienced the development of new business leading to the launch of new products in the cosmetic and nutraceutical industry. In 2013 two new business Functions were created: Corporate Affairs and Internal Audit. The first was created to guarantee the Group's representation in decision-making contexts concerning sector regulation and in order to define the Corporate Communication strategy and its implementation. The Internal Audit function was created to ensure risk and process analysis and to verify that activities comply with current legislation and company procedures. In this way a substantial contribution is made towards the constant improvement of the company's internal monitoring system.

VALAGRO ORGANIZATIONAL CHART



3.1 BUSINESS DEVELOPMENT.

Valagro's activities always mean substantial figures relating to available structures and investments made.

The Valagro production unit has a total surface of 49.387 m² and is located in the industrial area of the municipality of Atesa (Ch) and consists of the following:

1 ■ A concrete building for offices and services, consisting of a basement and three other floors above ground-level. Each floor has an area of 309 m².

2 ■ A 2.100 m² prefabricated indoor high-shelf warehouse used to store finished goods. It includes an adjacent 710 m² connecting portico so that goods may be moved in a protective environment

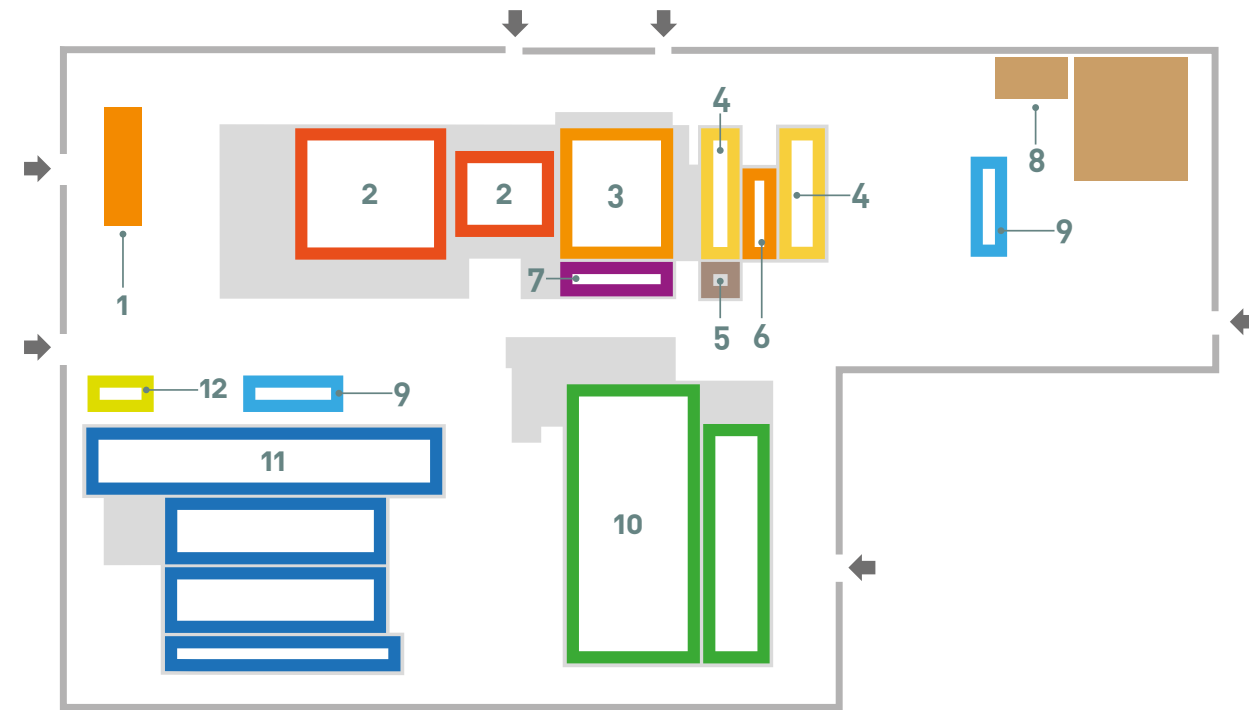
3 ■ A 1.514 m² indoor liquid production facility producing

special liquid fertilisers called "biostimulants" that are made by extracting the active ingredients contained in natural plant and mineral substances.

4 ■ Multipurpose facility for chemical synthesis: a 369 m² metal industrial building used as a multipurpose facility to produce synthetic fertilisers. An adjacent 240 m² shelter connects this building with the department in point 3 and a storage tank with a capacity of 437 m³.

5 ■ Facility for the recovery of reusable solvents: a metal industrial building containing industrial equipment to recover and recycle substances used to produce plant extracts ("multipurpose" facility), consisting of a ground-level floor and two floors above ground-level: 80 m² per floor.

6 ■ A multipurpose facility/extraction area, including a multifunction centre for the production of a wide range of goods such as plant extracts, fluid paste and chelated molecules. Production relies on several extraction technologies known as "physical" (occurring under specific pressure and temperature conditions), "chemical" (specific reagents and pH conditions), "chemical-physical" (using specific natural solvents), "enzymatic" (that uses specific proteinic substances to extract particularly delicate active ingredients). This area consists of a 125 m² ground level floor and a first floor with the same surface area.



7 ■ "Business Innovation" laboratory and offices with an overall surface of 420 m², 280 m² for the laboratory and 140 m² for the offices.

8 ■ Greenhouse with a total surface of 1.273 m² divided as follows: 218 m² is a metal and glass structure, 55 m² is a growing room and 1.000 m² is a field for experimental purposes.

9 ■ Container and material storage and servicing with a total surface area of 250 m².

10 ■ Solids facility: a prefabricated industrial building used to produce solid fertilisers (granular, microgranular and water-soluble) and to store raw materials and fin-

ished goods with a total covered surface of 4.125 m².

11 ■ 4 metal industrial building structures, used as warehouses to store packaged, semi-finished and finished goods. These buildings include a small annexed office building (a recent acquisition) and overall occupy a surface area of 4.900 m².

12 ■ Transformer substation and several other structures for the services of the production unit of approximately 170 m².

Fixed and mobile shelters and metal roof structures are also part of the production unit, occupying a total surface area of approximately 4.000 m².



FROM 2011 TO THE FIRST SEMESTER OF 2013 THE COMPANY HAS MADE THE FOLLOWING KEY INVESTMENTS:

■ **An additional reactor has been installed in the “multipurpose” facility.**

In order to respond to increasing market demand, the reactor section has been improved. Following this improvement several kinds of products may be synthesised, extracted and dried. The work involved improving the building’s structure (new loading rack and strengthening of the metal structure) in order to accommodate the new reactor.

■ **Installation of a new storage tank for raw materials for the “multipurpose” facility.**

This intervention included the installation of another storage tank for one of the strategic reagents for the “multipurpose” facility. Storage capacity has been increased

from 8 to 24 m³ to minimise the risks associated with possible problems relating to supply.

■ **Improvement of raw material storage for the liquid production facility.**

The increase in production recorded over the last years has led to the need to improve the quantity of raw materials that can be received and stored, particularly those supplied by tanker trucks. Three external 30 m³ fibreglass tanks have been provided for.

■ **Two new rainwater harvesting systems constructed.**

This project ensures compliance with Regional Law No. 31 of 29/7/2010 concerning rainfall. To this end, a system to collect and channel preliminary rainfall on the solid fertiliser production area has been provided for. The intervention consisted of the creation of a collection tank for the “first four millimeters” of rain and a combined automatic management system to channel rainfall into public sewers. A further tank has been installed in the “biostimulants” facility to collect rainfall in this area to be used for production processes.

■ **Construction of a new growing room and agronomic laboratories.**

This investment has answered the need to improve the equipment necessary for internal agronomic research. For this purpose a “Plant growth chamber” has been installed including a new “In Vitro Lab” growing room containing a sterile extractor fan and the relevant machinery for a “plant-biological” laboratory.

■ **Construction of a new CED area.**

This investment has responded to the need to increase the reliability and security of the company’s IT system. This was achieved by constructing a new CED area in which the Valagro server backups are installed.

MAIN INVESTMENTS IN 2013 AND FORECAST FOR 2014/15

A NEW MULTIPURPOSE FACILITY FOR THE PRODUCTION OF FLUID PASTES AND NATURAL EXTRACTS.

This project aims to develop new fluid pastes and increase the range of natural extracts.

DETAILED DESIGN AND CONSTRUCTION OF A NEW CO-GENERATION PLAN.

This project aims to simultaneously produce electricity and usable heat within an integrated cascade system. Cogeneration uses the same fuel for two different purposes for a more efficient and rational use of primary energy. This will lead to economic savings and global benefits in terms of atmospheric emissions. The cogeneration plant will consist of gas microturbines which in turn will fully integrate with existing drying processes. The cogeneration plant will be designed using the best available technologies to achieve a highly efficient cogeneration process.

Total Valagro SpA investments to be made during the 2nd semester of 2013 and forecast for 2014-2015: € 2,000,000

DETAILED DESIGN AND CONSTRUCTION OF A NEW PRODUCTION UNIT IN BRAZIL

In the 1st semester of 2013 a preliminary design for the construction of the production unit was drawn up. During the 2nd semester of 2013 the detailed design will be assigned in order to complete the construction of the production unit by 2014.

Total Valagro Group investments to be made in the 2nd semester of 2013 and forecast for 2014/15: €8,000,000

■ **Expansion of the Business Innovation offices.**

A new area (approximately 120 m²) has been allocated for Business Innovation offices. This new area has been conceived of using the best technologies in terms of the materials used and energy efficiency.

■ **Preliminary designs.**

In order to support expected business growth over the next years three important preliminary designs have been developed:

- a new production unit in Brazil;
- an architectural restyling of the production unit in Atessa;
- a cogeneration plant with the aim of rationalising energy consumption.

Total Valagro SpA investments in 2011-2012 and the 1st semester of 2013: € 3,000,000

CONSTRUCTION OF A PRODUCTION UNIT PRODUCING PHYTO COMPLEX FOR HUMAN CONSUMPTION AND COSMETICS.

A new production unit in the Bronnoysund area has recently become operative. It produces food and cosmetic goods from fresh algae which is collected from the sea located in front of the production unit premises. These products represent the development of Valagro’s new lines of business. The production unit has been constructed in compliance with HAACP criteria and is capable of producing 1,000 tonnes of Phyto Complex

Total Valagro Group investments in 2011-2012 and the 1st semester of 2013: € 3,500,000



3.2 COMMUNITY AND TERRITORY.

Valagro's environmental commitment also naturally touches upon society supporting and promoting useful projects and initiatives for people's lives and the community

Many of the projects implemented by Valagro demonstrate the company's attention towards the community and territory. The Green Think! Project is an example. The project was designed in 2012 and implemented in 2013. It concentrates on respect for the environment, territory and the people who currently inhabit it and who will be living in it in the future, it also aims to raise its personnel's awareness so that they perform every day actions coherently with these values.

When exemplary behavior is encouraged, a positive influence is experienced in the company and on the territory: starting with small changes in the way we look at the surrounding environment we create a culture of awareness and respect for that which have around us.

With the objective of undertaking an increasingly open and transparent dialogue with relevant communities, in 2011 (International Year of Chemistry), Valagro adhered to the Federchimica Open day project that was initially developed in 1987. The project opens the production unit, laboratories and agronomic experimentation area to the public.

This project has allowed Valagro to come into direct contact with the community, showing the processes, products, waste and emission treatments as well as highlighting the chemical industry's progress in terms of health, safety and the environment. Approximately 1,000 people visited the production units including students and political representatives.



OPEN DAY

Investments (Marketing and Q-EHS): € 78,000.00

The Federchimica Open day opened production units to the public and was a key strategic initiative for Valagro's most precious principles such as transparency, sensitivity and awareness towards the market and its customers. These values must be continuously and decisively promoted in order to strengthen the credibility, reliability and trust among businesses, opinion leaders and local communities.



WATER DISPENSER

Our objective is to reduce the use of plastic water bottles by installing an automatic water dispenser for still or sparkling water.

Water is one of the planet's most precious resources and the origin of life. 60% of the human body is water. Water aids digestion, contains mineral salts and creates an ideal environment for metabolic exchanges and helps transport nutrients and waste products. We care for our health and also for the health of the environment. Using this dispenser is cheaper and reduces the use of plastic: local water is better from an environmental perspective and less expensive.



Valagro's active participation to local community life is evident when one considers the contributions made towards numerous sport, cultural and social associations (approximately € 82,000 during 2011/2012) and the donations made towards meritorious organizations (approximately € 48,000 during 2011/2012).

The company's participation in the "Territorio Abruzzo" event is an example of this commitment : by means of a voluntary contribution to the Industriale Adriatica Aria Foundation, Valagro supported its artistic project. The project emotionally involved the community through the universal language of art and promoted the analysis and narration of the "Territorio Abruzzo" which was interpreted by national and international students and artists.

3.3 HUMAN RESOURCES.

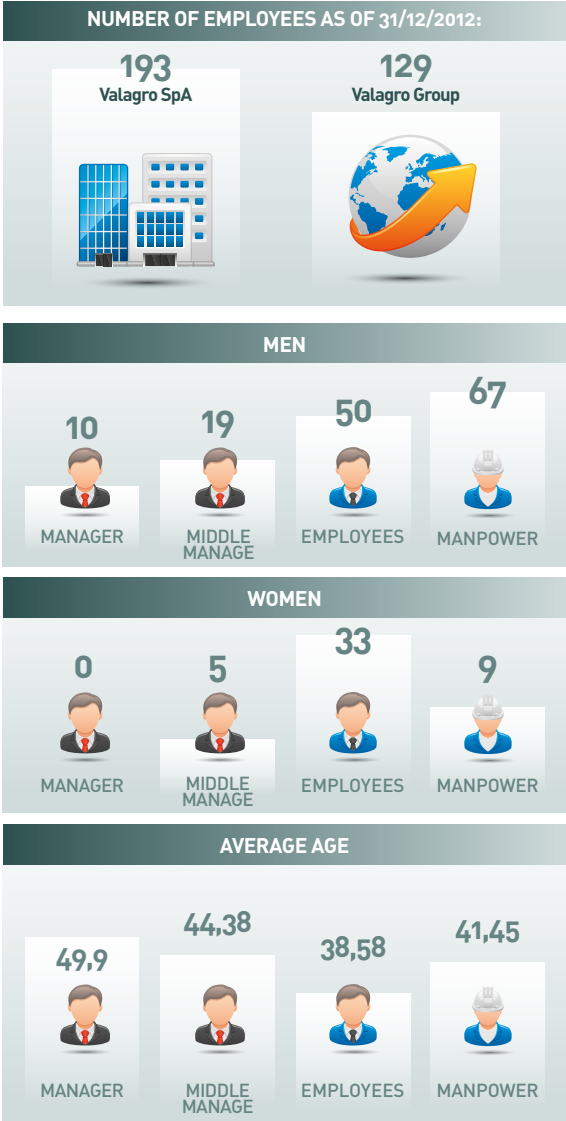
Valagro has always been aware of the importance of its employees and for this reason it constantly invests in training them aiming to create a shared system of values.

A successful international Group constantly requires people who are able to perform their job with the appropriate competences, professionalism, enthusiasm and passion. Valagro's requisites for those wanting to become a part of the Group and the qualities encouraged amongst current employees are: positive thinking, listening skills, customer orientation, problem solving skills and a genuine interest towards sharing.

The Human Resources department is engaged in searching for, supporting and developing the Group's most precious resource: People. When a new employee is needed the most important challenge is to identify a person capable of expressing the company's values, fueling business with a positive and innovative approach and developing professionally within a multicultural environment. Valagro is well aware of the great opportunities it has to offer tal-

ented individuals, for this reason HR projects for 2012-2013 and those for the following years include the development of increasingly efficient communication with the labour market. The objective is to promote the image of best employer company, in which valuing people meets a positive working environment – a great place to work.

Development of cross-cutting competences which are consistent with business objectives and supported by training. In this regard in addition to the necessary technical, linguistic, safety and specialized training, Valagro continuously invests in a training that may positively influence behavior and a managerial approach that is shared on a global level. Special courses developing leadership by means of coaching and classes have led to an increased awareness of Managers and a sharing of operational tools for the personnel management and development.



The growth of Middle Management is one of the most strategic results for Valagro's present and future: not only great specialists but also leaders capable of creating a team, transmitting energy and social intelligence, leading collaborators towards increasing their performance efficiency and valuing their potentiality.

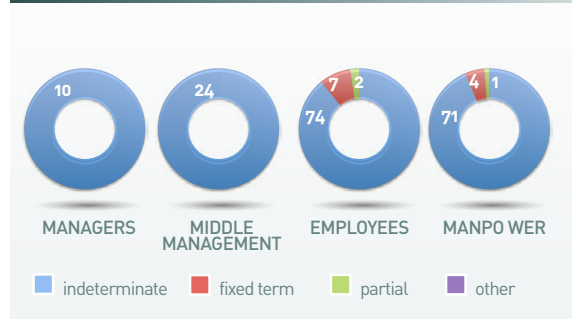
Significant focus is placed on training new employees: it is paramount that they receive the necessary information to understand the company, the position they hold and have the necessary tools to start working efficiently. Induction Plans, targeting the organizational role, are hence an important part of entering the company either at Headquarters or in one of the Controlled companies.

The Corporate department has a special regard for Controlled companies: the complete integration with the Group and the creation of a Group with a sole challenge, rely on the roles and responsibilities being properly set out and on sharing People management tools, on searching for and selecting potential employees and defining the appropriate professional training, monitoring and development.

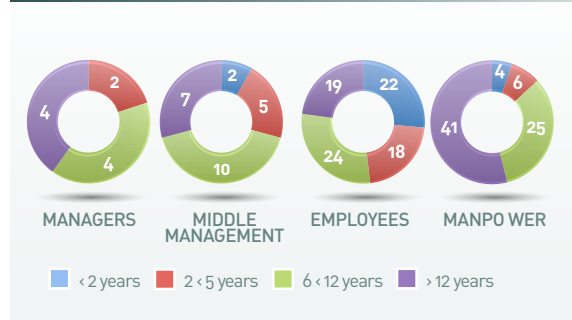
The HR department is oriented towards providing more support to controlled companies in terms of tools and "internal consulting", to provide an increasingly solid and global organizational structure.

The most important acknowledgement is that all the challenges the international market may provide our Group with can only be faced thanks to People expressing the excellences that the company has always been building and continues to develop and support.

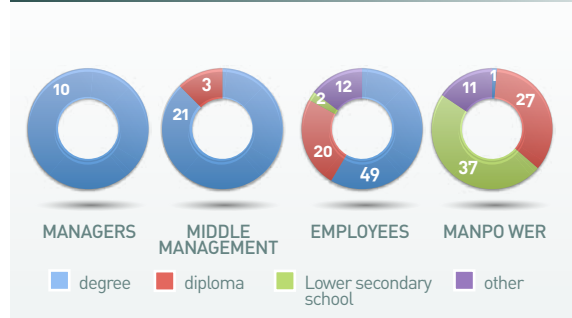
CONTRACTUAL STATUS *



OCCUPATIONAL OLD-AGE*



QUALIFICATIONS*

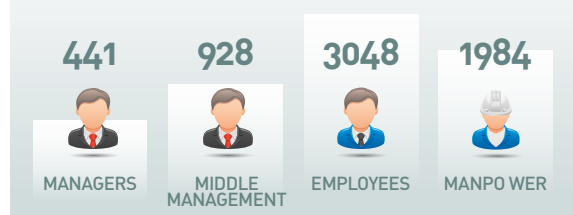


TRAINING HOURS

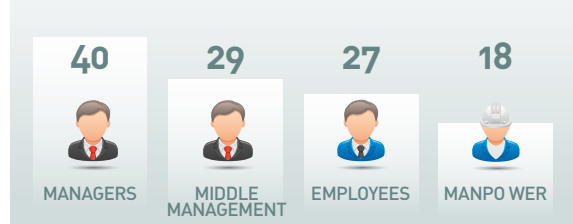
TOTAL TRAINING HOURS PROVIDED BY VALAGRO 2012: **7480**

- 1079 provided to interns, temporary staff and Personnel working in controlled companies;
- 6401 provided to managers, middle-management, employees and manpower: see table.

TRAINING HOURS BASED ON QUALIFICATION (hrs) *



AVERAGE TRAINING HOURS BASED ON QUALIFICATION*



TOTAL VALAGRO INVESTMENT FOR TRAINING IN 2012:

€ **380.218** (direct and indirect costs)

* Valagro Spa Data on 31/12/2012



3.4.1 QUALITY, ENVIRONMENT AND SAFETY POLICIES.

Valagro believes it is important to continuously improve quality, environmental performance and the services and safety of production units.

The main objective of Valagro policies, which are applied in all its business environments and acknowledged by internal and external staff, is to satisfy customer demands in compliance with current legislation while committing to the constant improvement of the quality of environmental performances and of the services and safety of products and production units.

11 POINTS TO UNDERSTAND VALAGRO'S COMMITMENT TO THE ENVIRONMENT, QUALITY AND SAFETY:

- **Constantly improve the company's activity** by promoting and implementing an efficient and well-defined environmental management system shared at all levels with-

in the organisation.

- **Fight the use of drugs and alcohol**, and any form of discrimination towards sex, culture, religion or nationality.
- **Develop the professional skills of the personnel** working at every level or position through training programmes concentrating on the quality system, laws concerning the environment and safety issues.
- **Continuously improve policies, programmes and behaviour towards environmental, quality and safety issues:** starting from current legislation this will concentrate on technical progress, scientific knowledge,

community expectations and the participation in specific environmental programmes such as the Federchimica "Responsible Care" programme.

- **Keep the explicit and implicit needs and expectations of customers in mind**, answering any complaints or suggestions in a clear and efficient manner following the best customer satisfaction principles.
- **Systematically check production units**, using the guarantee measures by ensuring the quality of products and safeguarding the health of employees.
- **Always keep in mind set objectives and targets** in order to ensure their achievement.
- **Ensure that no activity undertaken by the company may cause risks for the safety and health** of employees and external communities. This includes the implementation of preventive means.
- **Not cause the pollution of the ground, subsoil and underground waters.** Reduce and minimise emissions, waste and consumption.
- **Welcome external communities** by providing information, allowing the production unit to be visited and keeping environmental issues raised by external communities and competent authorities into due consideration.
- **Minimise the risk of significant accidents**, by acting on the combination between probability of occurrence and the severity of its effects.

The quality, environment and safety system is a fundamental tool to face any kind of issue. With everyone's commitment it will become an absolute excellence for customer satisfaction, reduction of pollution and compliance with safety laws.



REPORTING AN ACCIDENT

Accident reports have risen from 20 in 2009 to an average of 60 over the last 3 years, This has led to a greater involvement of personnel towards company issues

- The trend of accident reports has become constant when compared to (2009/2010).

3.4.2 THE INTEGRATED MANAGEMENT SYSTEMS CERTIFICATION.

The search for quality at every level ensures that Valagro is certified according to the best international regulations.

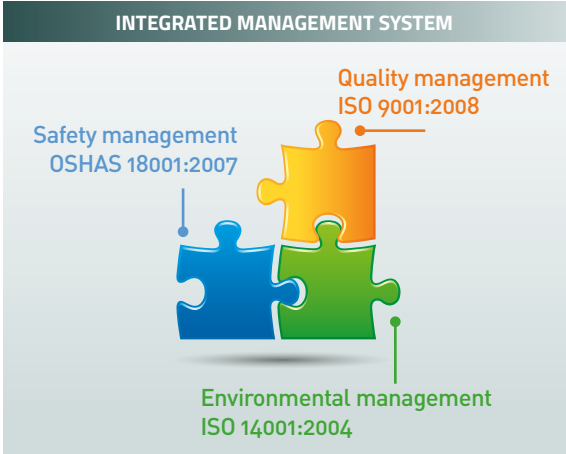
Commitment towards major issues such as safety at work, environmental pollution and international competitiveness, has allowed Valagro to achieve the best international certifications. An objective that demonstrates how the company has adopted a global improvement system based on important values which are directly integrated in the organisation: the safety and well-being of employees, product and process quality and respect for the environment.

CURRENTLY THE INTEGRATED MANAGEMENT SYSTEM HAS BEEN AWARDED THE FOLLOWING CERTIFICATIONS:

- environmental management ISO 14001:2004, since September 1999;
- quality management ISO 9001:2008, since December 2001;
- safety management OSHAS 18001:2007, since January 2007.

THE INTEGRATED MANAGEMENT SYSTEM ALLOWS THE COMPANY TO:

- improve the awareness of employees' at all levels to prevent emergency situations;
- have an organised structure to continuously follow the issues connected to quality, the environment and safety (waste, atmospheric emissions, technological waste water, claims, injuries, near misses etc.) and relevant legal deadlines;
- to have environmental and safety programmes in order to comply with the limits set by law and to respect strict internal limits set by Valagro, concerning atmospheric emissions and water waste for example.



VALAGRO IS PART OF:

- The Institute for the Control of Fertilizer Quality (ICFQ): the institute was established by Assofertilizzanti and promotes yearly monitoring of specific fertilizer categories in order to verify their compliance with current legislation. A dedicated quality stamp acknowledges these qualities and it may only be used by adhering and certified companies;
- Federchimica "Responsible Care" programme: a demonstration of the commitment of the company towards the development of an activity that is aware of issues concerning health, safety and environmental protection.



Responsible Care
L'impegno dell'industria chimica per l'ambiente, la sicurezza, la salute





3.4.3 THE Q-EHS PROGRAMME.

The environmental performances are the best evidence of Valagro's commitment to global sustainability.

Valagro has the latest production units, a result of continuous investments made for technology guaranteeing extremely high levels of quality and safety while respecting the environment. Q-EHS system objectives have been defined within the long-term plans that are currently still being developed.

The company is focusing on the following issues:

- continuously satisfying customer needs by perfecting relevant services;
- cutting energetic consumption;
- recovering materials and energy;
- developing the professional skills of employees at every level and position through training and educational

programmes;

- **systematic plant control** through the use of the most effective measures with the aim of guaranteeing product quality and operator health and safety;

- **the implementation of preventative procedures** to ensure that no activity undertaken by the company is a risk to the health and safety of its employees or external communities.

Q-EHS ENVIRONMENTAL PERFORMANCE

INDICATORS
Environmental performance indicator charts and a table with the data from the last 3 years follows.

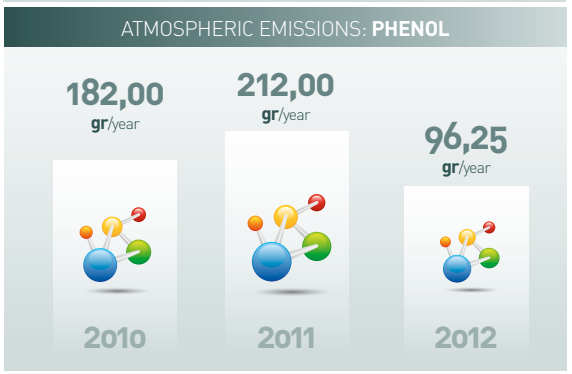
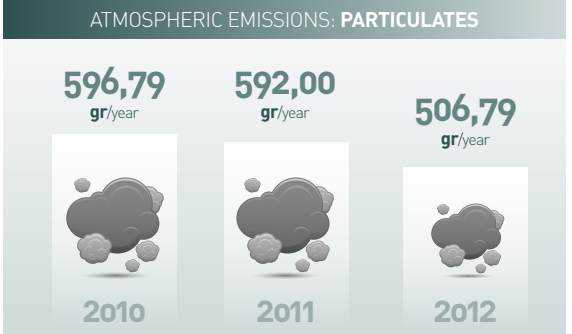
| RAW AND FINISHED MATERIALS | | | |
|----------------------------------|--------|--------|--------|
| | 2010 | 2011 | 2012 |
| Raw materials (tonnes/year) | 24.951 | 28.324 | 23.848 |
| Finished materials (tonnes/year) | 26.863 | 30.164 | 25.006 |

| ENERGY CONSUMPTION | | | |
|---|-----------|-----------|-----------|
| | 2010 | 2011 | 2012 |
| Industrial and potable water (m ³ /year) | 27.708 | 26.906 | 29.353 |
| Nitrogen (m ³ /year) | 496 | 458 | 640 |
| Total electrical energy (Kw) | 3.897.829 | 4.040.000 | 4.067.000 |
| Electrical energy purchased (Kw) | 3.897.829 | 3.557.000 | 3.571.000 |
| Photovoltaic electrical energy (Kw) | - | 483.000 | 496.000 |
| Methane gas (m ³ /year) | 1.287.379 | 1.393.528 | 1.570.121 |
| Diesel (tonnes/year) | 48 | 38 | 29 |

| UTILITIES INDEX | | | |
|---|-------|-------|-------|
| | 2010 | 2011 | 2012 |
| Electrical energy (Kw/tonne of fin. prod.) | 145,1 | 134,0 | 162,4 |
| Methane gas (Kw/tonne of fin. prod.) | 47,9 | 46,2 | 62,8 |
| Water (m ³ /tonne of fin. prod.) | 1,03 | 0,89 | 1,17 |

| EMISSIONS INDEX | | | |
|--|-------|-------|-------|
| | 2010 | 2011 | 2012 |
| Atmospheric emissions (Kg/t of fin. prod.) | 0,068 | 0,074 | 0,205 |
| COD (Kg/tonne of finished product) | 0,041 | 0,035 | 0,026 |
| Purified water (m ³ /tonne.) | 0,117 | 0,112 | 0,087 |

| ATMOSPHERIC EMISSIONS | | | |
|-----------------------------|-----------------|-----------------|-----------------|
| | 2010 | 2011 | 2012 |
| Particulate (Kg/tonne.) | 596,79 | 592,00 | 506,79 |
| Manganese(Kg/year) | 2,16 | 4,76 | 5,02 |
| Copper (Kg/year) | 1,86 | 1,58 | 3,66 |
| Phenol (Kg/year) | 182,00 | 212,00 | 96,25 |
| Isobutyl Acetate (Kg/year) | 880,00 | 940,00 | 4.048,38 |
| Isobutyl Alcohol (Kg/year) | 171,65 | 485,00 | 472,03 |
| Total emissions (Kg) | 1.834,46 | 2.235,34 | 5.132,13 |



Utilities During the last year the consumption rate of electricity for each tonne of finished goods increased. This is mainly due to a variation in the production mix for reasons linked to the market. For the same reasons methane has also experienced a rate increase. Conversely, water consumption has been constant over the last three years, approximately 1 m³/tonne PF.

Emissions In 2012 the index of water sent to the treatment facility for purification purposes has been reduced by 30% compared to previous years, with an improvement of COD values. Atmospheric emissions are highly dependant on the production mix of chelate and other goods, the variation was experienced during the previous year and is due to an increased production of chelates.

HAZARDOUS & NON-HAZARDOUS WASTE

| | 2010 | 2011 | 2012 |
|--------------------------------|-------|-------|-------|
| Non-hazardous waste (kg/tonne) | 10,7 | 8,8 | 12,1 |
| Hazardous waste (kg/tonne) | 0,714 | 0,602 | 0,727 |

HAZARDOUS WASTE



NON-HAZARDOUS WASTE



RECYCLED WASTE IN DETAIL:

PAPER/CARBOARD



RECYCLED WASTE IN DETAIL: PLASTIC



RECYCLED WASTE IN DETAIL: OTHER WASTE



RECYCLED WASTE IN DETAIL: IRON/STEEL



SAFETY

WORKERS EXPOSED INDEX/No. OF INJURIES

| | 2010 | 2011 | 2012 |
|-----------------|------|------|------|
| Workers exposed | 178 | 195 | 203 |
| Injuries > 3gg | 2 | 0 | 4 |

FREQUENCY AND SEVERITY INDEX

| | 2010 | 2011 | 2012 | med. Valagro | med. Fed. chimica |
|-----------------|------|-------|-------|--------------|-------------------|
| Frequency index | 5,95 | 0 | 11,77 | 5,9 | 5,80 |
| Severity index | 0,23 | 0,098 | 0,35 | 0,22 | 0,21 |

INFORTUNI



As far as safety is concerned Valagro has chosen to apply a greater control policy by raising the awareness of workers by involving them more in company decisions and with educational programmes concerning health and safety. During the previous 3-year-period the following values were recorded IF=15,05 and IG=0,38, while in the last 3-year-period values recorded were IF=5,2 e IG= 0,21. These last values correspond to the average chemical industry 3-year values. Injuries occurring while travelling to work were not considered.

Waste From the chart one can see that the annual production of hazardous waste represents 6% of the total, demonstrating that the company's indirect impact on the environment is relatively small. 92% of the non-hazardous waste is sent to be recycled.

3.5 RESEARCH & DEVELOPMENT.

Company success and innovation entail continuous and substantial investments in research and development like those implemented by Valagro.

RESEARCH STRATEGIES AND POLICIES

Valagro research and development aim to satisfy the nutritional needs and requirements of people, animals and a wide variety of crops worldwide. The mixture of ingredients that go to make Valagro products are the result of a process allowing biologically-active matrices to be achieved and is based on Geapower, an extraordinary technology consisting of four specific processes:

- access to raw materials;
- extraction methods;
- analysis strategies;
- know-how.

Access to raw materials

Achieving excellence in accessing raw materials entails knowing that which can be obtained from plants and when is the best moment to obtain them. Valagro considers nature as a mine and the material originating from plants can be subject to qualitative and quantitative variations in the components contained based on the surrounding environment and seasonal conditions.

Extraction methods

Continuous investment towards the relevant detailed scientific literature research and study, coupled with a rooted experience in the sector allow plant material to be processed by means of several extraction techniques: acid, basic, enzymatic, specific for families of active ingredients. This step is necessary to achieve specific active substances or ad hoc combinations of molecules depending on the compound to be obtained. Plant substances are numerous and each of them has a physiological role which is specific within the metabolism. Active ingredients extracted from plants can also be used in the new sectors in which the company operates: Feed, Food and Cosmetics. In each of these sectors Valagro is especially committed to exploring the beneficial nutritional potentialities of *Ascophyllum nodosum* algae, an extraordinary element that is collected and processed by the Algea company, by means of an entirely eco-sustainable process that aims to preserve the unique qualities of this precious resource.



Analysis strategies

Achieving a plant extract is only the first step of the process: the extract contains a complex pool of several substances that need to be separated from each other in order to classify them and calculate their quantity. The separation process is performed by means of chromatographic techniques such as gas and liquid chromatography.

Once this step has been completed it is possible to quantify and qualify a given extract and thus understand what the single components are that it contains together with their relative quantities and physiological effects on plants, animals and humans. Once that stage has been completed extracts are then combined on the basis of the

desired action of the compound to be tested together with the target sector.

Our chemistry laboratory boasts 12 cutting-edge analytic tools totalling investments of €500,000 over the last three years. Approximately 30 prototypes are created on average each year for an average of 10 projects. The prototypes created in the laboratory and developed for agriculture are then handed over for agronomic experimentation. This step allows Valagro experts to test the compound's efficiency directly on the fields and in the greenhouse. Agronomic experimentation is structured in three operational levels:



■ **First level** - screening test: first testing stage of the prototype; these tests have the objective of assessing the efficiency of the compounds and their application methods: timing and quantities.

■ **Second level** - random sample tests: the compounds' efficiency is tested by collecting random area-samples that are placed according to suitable criteria to tackle the "heterogeneous" effect in space.

■ **Third level** - development tests: once the agronomic characteristics are known, the product undergoes a series of tests on experimental areas on several farms.

An example of first-level analysis are those performed in the "In vitro Lab" a true laboratory in which many tests are carried out on numerous seedlings (reaching 500 per test) which are cultivated in totally sterile in vitro conditions. Under these conditions preliminary screening occurs more quickly and studies aimed at eliminating the influence of environmental parameters are easier to perform. Further screening is performed in two additional growing rooms. One of these rooms, which has a surface area of 12m², is extremely modern and was installed in 2013. 4 simultaneous tests can be carried out in this room.

In this room computerised software can automatically manage environmental parameters such as temperature, humidity and photoperiod. In the structure containing the new growing room a laboratory for analysis has been built in which operators can perform the most diverse quantitative and qualitative analyses.

The entire structure includes an In vitro Lab, a new growing room and a laboratory for analyses and has a total surface of 80 m², for a total investment of €200,000.

Agronomic tests continue in open air fields and in greenhouses, air-conditioned or not, based on seasonal requirements.



Experimentation in fields and in the greenhouses are undertaken in several geographical areas in Italy and at all worldwide associates. The process is managed by 10 "Technical Managers" from different areas, in order to test the product's efficiency under different environments. 150 agronomic tests are carried out annually for an average investment of €150,000.

As far as the compounds for Food, Cosmetic and Feed experiments have been undertaken with specialised structures, veterinary ones for animal food and clinical divisions for food for human consumption and cosmetics. In this way the compounds are thoroughly tested and a complete analysis of the effects of the compound on human and animal physiology is ensured.

Know-how

Mixing the best active ingredients exploiting their synergism to ensure the product's maximum efficiency. To achieve such results the best procedure is to consider all information provided by the chemical, biological and experimental analyses together with the 41 know-how acquired through years of experience studying plant physiology and the studies of specialised veterinary and clinical centres.



INVESTMENTS AND ACTIVITIES FOR THE FUTURE

Valagro boasts more than 25 collaboration contracts with Research and Experiment organisations worldwide. These include organisations dealing with “omic” sciences: genomic with the Scuola Superiore Sant’Anna in Pisa and the French research centre INRA of Anger, and “phenomic” with the Agrobios centre in Metaponto (MT). Through this kind of research, biological characteristics of products and raw materials may be reproduced. With the “phenomic” approach 3,000 plants can be analysed on a daily basis.

Among our new collaboration projects, several are oriented towards the small and large-scale production of specific active metabolites which are produced by beneficial microorganisms. Our company is also directly involved in “HarvestPlus”, a worldwide project focusing on “bio-strengthening” cultivations, i.e. providing a micronutrient enrichment capable of improving the quality of life for millions of people requiring better nutrition.

The creation of the Valagro International Advisory Board (IAB) in 2012 is of high significance. It consists of a scientific committee including renowned professors – capable of providing strategic consulting on current macro-trends with a particular focus being placed on the latest technologies of the sector the company operates in.

Topics the IAB focuses on include:

- Climate change and its impact on agriculture;
- Genetic Engineering for agriculture and food;
- Plant physiology;
- Microbiology / bio-control;
- Macro-economic trends;
- Ground science;
- Nutraceuticals.

By collaborating with organisations of excellence and using our internal competences, we are committed each and every day towards cutting-edge research and the development of the active ingredients produced by that which is a renewable source of new products: nature.





Valagro's true objective is not to satisfy the customer's needs, but to exceed them with products of excellence.



The customer is the objective behind every Valagro activity, the focus of every goal is orientated towards customer satisfaction. Even the innovation and research behind each and every Valagro product is orientated towards the satisfaction of the market and customer needs.

For Valagro eco-sustainability, i.e. full respect for human health and the environment, has always played a fundamental part both in the creation of its products and during their growth and development cycles. This has allowed us to provide technological solutions with a high added value content bringing an innovative contribution to our customers' activities. Focusing on the customer involves every business department, particularly marketing and sales.

New professional roles have been introduced to coordinate the range of activities on the territory increasing the company's presence on potential markets and business opportunities on an international level. In terms of customer services, Valagro has diversified them based on the different needs: multicultural, global online and offline communication strategies, customer support for commercial and technical issues, logistics capable of responding to high qualitative standards and customer expectations.

4.1 CREATION AND DISTRIBUTION OF VALUE.

Ensuring the maximum possible value for stakeholders has always been a priority for Valagro.

Over the years Valagro has distributed increased added value to all its stakeholders. This has been preserved by means of consistent and responsible complex company strategies by management that provides a plan insuring risks connected to the company's activity. As far as the medium and long-term development plans are concerned it is a consolidated practice for management to discuss them with the financial world working side by side with the company for business. This confirms a constant search for synergies with those who have always been considered irreplaceable partners for the creation of value. Insurance costs for the 2012 financial year were equal to €480,000 and covered, in addition to that which must be insured according to law, the following:

- third party liability for products;
- third party liability towards third parties within the company and towards all Valagro personnel;

- fire and theft;
- damages arising from the interruption of business;
- direct: machinery/facility failures;
- indirect: gross contribution loss;
- transport of goods;
- directors' and employee injury and illness;
- commercial credit risk.

During the customary end-of-year meeting, net and provisional results are illustrated to employees to encourage maximum participation of this important class of stakeholders for the creation of value.



4.2 PROSPECTUS FOR DETERMINING ADDED VALUE.

| TOTAL ADDED VALUE | | |
|--|-------------|-------------|
| | 2012 | 2011 |
| A) Production Value | | |
| Net turnover | | |
| Net turnover Italy | 17,471,430 | 17,101,148 |
| Net turnover Outside Italy | 39,313,108 | 42,639,440 |
| Adjustment to sales | -687,384 | -644,381 |
| Variations in stock currently being produced, semi-finished and finished goods (and goods) | 1,614,335 | 976,617 |
| Other profits and | 1,327,880 | 1,626,085 |
| Typical production turnover | 59,039,368 | 61,698,909 |
| B) External production costs | | |
| | -38,799,384 | -40,603,893 |
| Characteristic gross added value (A_B) | | |
| | 20,239,985 | 21,095,016 |
| C) Componenti accessori e straordinari | | |
| +/- Balance of non-core | | |
| Non-core | 469,747 | 469,288 |
| Non-core costs | - 196,238 | -173,632 |
| +/- Balance of non-core | | |
| Unforeseen profits | 1,821,337 | 870,918 |
| Unforeseen costs | -432,347 | -234,147 |
| Net global added value | | |
| | 21,902,484 | 22,027,443 |

4.3 PROSPECTUS FOR THE DISTRIBUTION OF ADDED VALUE.

| DISTRIBUTION OF ADDED VALUE | | | | |
|---|------------|--------|------------|--------|
| | 2012 | | 2011 | |
| A) Employee wages | | | | |
| | 11,114,112 | 50.7% | 10,815,254 | 49.1% |
| Employees | 11,114,112 | | 10,815,254 | |
| B) Remuneration of Public Administration | | | | |
| | 1,699,863 | 7.8% | 2,792,848 | 12.7% |
| Direct taxes | 1,459,164 | 7.8% | 2,568,703 | |
| Indirect taxes | 240,699 | | 224,145 | |
| Contributions for operating expenses (cancel the relevant line) | | | | |
| C) Remuneration of credit capital | | | | |
| | 1,152,564 | 5.3% | 1,012,285 | 4.6% |
| Short term capital fees | 818,234.92 | | 576,448.22 | |
| Long term capital fees | 334,329.07 | | 435,836.88 | |
| D) Remuneration of risk capital | | | | |
| | 1,000,000 | 4.6% | - | 0.0% |
| Distributed dividends | 1,000,000 | | | |
| E) Company remuneration | | | | |
| | 6,814,624 | 31.1% | 7,33,406 | 33.3% |
| F) Donations | | | | |
| | 121,322 | 0.6% | 73,650 | 0.3% |
| External contributions | 121,322 | | 73,650 | |
| Net global added value | | | | |
| | 21,902,484 | 100.0% | 22,027,443 | 100.0% |



5.1 PERSPECTIVES AND STRATEGIES FOR DEVELOPMENT.

The future is the result of what is built today, for this reason Valagro strategically plans in detail its road to growth.

In the future like in the present, the objectives that will guide Valagro's activities will be directed towards creating added value for those holding interest with the company, in a framework of more responsible and sustainable management:

- **consolidate customer-centred culture** by offering efficient solutions by listening to the customers' real needs;
- **promote the role of training and internal networking** to increase personnel participation and sense of belonging;
- **develop and support open and constant dialogue with all holders of interest with the company**, in order to satisfy the most demanding requests for more specific information;



- **continue to commit towards the safety of our workers**, protection of the environment and the achievement of high quality standards;
- **strengthen support for the territory and community**;
- **continue the path towards diversification** to concentrate more heavily on health, nutrition, well-being and beauty.



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