

## Three line drawings of pendant lights are shown, increasing in size from left to right. Each light has a simple, modern design with a cylindrical top and a wide, shallow bowl-shaped shade. The first light is the smallest, the second is medium-sized, and the third is the largest. They are all suspended by thin vertical lines. In the bottom right corner, there is a small, stylized green plant and a yellow rectangular object, possibly a book or a box.



Aspiag Service S.r.l.  
Despar Nordest

*Each day our customers  
ask us to follow them, not just  
in their life paths.  
In their lifestyle decisions.*

*Despar has always responded  
with a careful assortment  
and a great search  
for quality.*

***Innovation also guides  
our choice of  
private label.***

*Our best answer  
to the community's  
evolution.*

---

#### INTEGRATED REPORT 2016

We want to move ever closer to all Stakeholders through the Integrated Report, giving continuity to our commitment to present the Aspiag Service reality in the most complete, transparent and accessible way.

Enjoy reading it.





MARKET  
SHARE:  
15.61%

+1.27%



DIRECT RETAIL  
STORES:  
**223**

+2.8%



NET  
SALES:  
**1.667**  
billion

+2.6%



NUMBER  
OF CUSTOMERS:  
**72.9**  
million

+4.8%



EMPLOYEES:  
**7,450**

+5.4%



ENERGY  
CONSUMPTION  
(KWH)  
**392**  
thousand LFL

-0.72%

# HIGHLIGHTS 2016



## *Dear Stakeholders,*

In 2016, we witnessed many events that have altered, often totally unexpectedly, the international and national political landscape: from the referendum that approved Britain's exit from the European Union, to the unforeseen election of Donald Trump as President of the United States of America, to the referendum on constitutional reform in Italy, which led to the resignation of Prime Minister Matteo Renzi. As a backdrop to these events, our country was broken in two by the forces of nature, with the earthquake that began on 24 August in Central Italy.

In hindsight, 2016 was a year of uncertainty and complications. A difficult year in which to move, work, grow.

The fragmentary nature of the frame only goes to make me prouder of the painting that our Company has been able to paint over the past 12 months: a picture of stability, security and positive evolution.

During the past year, Aspiag Service's overall turnover grew by 3% on the previous year, confirming the sector's positive growth trend.

Our Company has been busy with an intense development programme over the course of the year: we have opened 25 sales stores, including direct retail stores and affiliated stores, and restructured another 15, for an investment totalling over 100 million euro.

We are market leaders in our trading area, and our store models continue to be a benchmark for those who aim for excellence.

The Spar Austria Group, of which Aspiag Service is part together with the Spar organizations of Austria, Slovenia, Croatia and Hungary, also grew: in 2016 it achieved a turnover of 13.80 billion (+4.8% over the previous year), with 3,076 total sales stores and 77,480 employees.

The solidity of the network we are part of is a further guarantee for our future and will help us to fulfill our commitments successfully, starting with the increase of our market share in Emilia Romagna.

The number of Aspiag Service employees also grew in 2016, going from 7,067 at the end of 2015 to 7,450 twelve months later. But it is not just a question of numbers. What gives stability to an entrepreneurial reality is above all the quality of the people who are part of it.

Guided by a management that has taken ownership of the four key values (employees development, customer focus, innovation and sustainability) that form the focus of our Company's operations, everyone at Aspiag Service, through the assumption of personal responsibility based on individual professional roles, contributed to the Company's good performance in 2016, and made it possible to bring about extraordinary projects, such as the opening of the "most beautiful supermarket in Italy" in the former Cinema Teatro Italia in Venezia, or the opening of our first store in Parma, with Interspar; but also the extraordinary fund-raising for the victims of the earthquake in Central Italy, for which the Italian Croce Rossa and even Pope Francesco, whom we met in the Vatican, sent their thanks.

My personal thanks go to every single person at Aspiag Service for their daily commitment and faith in our organization. To all the other stakeholders in our Company, I introduce these women and these men as our most precious asset, and as the best guarantee for the creation of value over time and for every relationship, activity and mutual collaboration from today onwards.

**RUDOLF STAUDINGER**

Chairman of Aspiag Service S.r.l.



## ABOUT THIS REPORT

### SCOPE

The Integrated Report is an information tool aimed primarily at illustrating how and on what basis the Company creates value in the short, medium and long term, chiefly for its capital providers; it enables the representation, assessment and monitoring, in a systematic, consistent and structured, but also clear and concise way, the set of actions, resources - even of an intangible nature - and results that, while being of strategic relevance to the Company for the purpose of its own efficiency and competitive effectiveness, are not systematically documented and analysed in traditional parameters, measurements and civil reporting.

For a better understanding of the Report, we recommend reading the Methodological Notes [\[p. 94\]](#) which elaborate on the formulation, the references, the scope of reporting and the materiality of the issues analysed.

### REFERENCES USED

- The International Integrated Reporting Framework of the International Integrated Reporting Council
- The G4 guidelines issued by the Global Reporting Initiative, application level: Core
- Civil Law
- The accounting principles issued by the Italian Accounting Board

### DISTRIBUTION

The Integrated Report is submitted to the Board of Directors during presentation of the Financial Statements.



#### PRINTED VERSION

- Paper copies: 200



#### DIGITAL VERSION

- Available on the website [www.despar.it](http://www.despar.it)

### INTERACTIVE LINKS

The interactive links to websites are highlighted in [\[green\]](#).

Internal links are highlighted in [\[blue\]](#).

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**Working Group coordination led by:** Raffaele Trivellato, CFO of Aspiag Service ([raffaele\\_trivellato@despar.it](mailto:raffaele_trivellato@despar.it))

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**38.9%** also believe it is a solution for supporting local development.

The Despar  
**PASSO DOPO**  
**PASSO** products trace  
their quality pathway and  
knowledge of the whole  
supply chain,  
to bring to the table  
**safety** and  
**goodness.**





# INTEGRATED REPORT

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01

## Identity and operating context

Mission, Ambition and Values  
Aspiag Service history  
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Spar Austria  
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# MISSION, AMBITION AND VALUES

## Mission

ASPIAG SERVICE OPERATES IN THE LARGE SCALE DISTRIBUTION SECTOR, WHOLESALING AND RETAILING FOOD AND NON-FOOD PRODUCTS. FOR THIS PURPOSE WE CAN COUNT ON A LARGE AND CONSOLIDATED SYSTEM, CONSISTING OF RETAIL STORES AND SHOPPING CENTRES FOR THE PRODUCTION, MANAGEMENT AND PROMOTION OF PRODUCTS, AS WELL AS THEIR SALE.

## Ambition

OUR OBJECTIVE IS TO BE A LEADER IN THE LARGE-SCALE DISTRIBUTION SECTOR AND IN THE TRADING AREA OF REFERENCE.

## Values

IN ORDER TO ACHIEVE OUR OBJECTIVE, WE REFER TO A COMBINATION OF VALUES, INCLUDING CUSTOMER FOCUS, INNOVATION, EMPLOYEES DEVELOPMENT AND SUSTAINABILITY, IDENTIFIED THROUGH THE INVOLVEMENT OF THE ENTIRE MANAGEMENT TEAM AND PASSED ON TO ALL COLLABORATORS.

THESE VALUES ARE THE EXPRESSION OF AN INTEGRATED THINKING AND ARE THE GUIDING PRINCIPLES OF OUR DAILY ACTIONS, INSPIRING BEHAVIOUR AND DECISIONS AND DEVELOPING A SENSE OF BELONGING AND COMMON IDENTITY IN ORDER TO SHARE OUR ACHIEVEMENTS.

## Values in action

### CUSTOMER FOCUS



Constantly researching the customer's point of view, their demands and needs, in order to direct our work towards a quality service that creates value for the customer.

**+4.8%**  
in Customers

### INNOVATION



Collect and share key information, taking into consideration the complexity and volatility of the operating context, in order to identify development solutions in support of competitive advantage.

**+16.9%**  
in Investments

### EMPLOYEES DEVELOPMENT



Focus on the individual and his/her personal development, inspiring continuous learning with the aim of facilitating accountability and professional autonomy, motivating the achievement of goals and creating a sense of belonging.

**+13.9%**  
in Hours of Training

### SUSTAINABILITY



Create a balanced and lasting relationship between all activities and their economic, social and environmental effects.

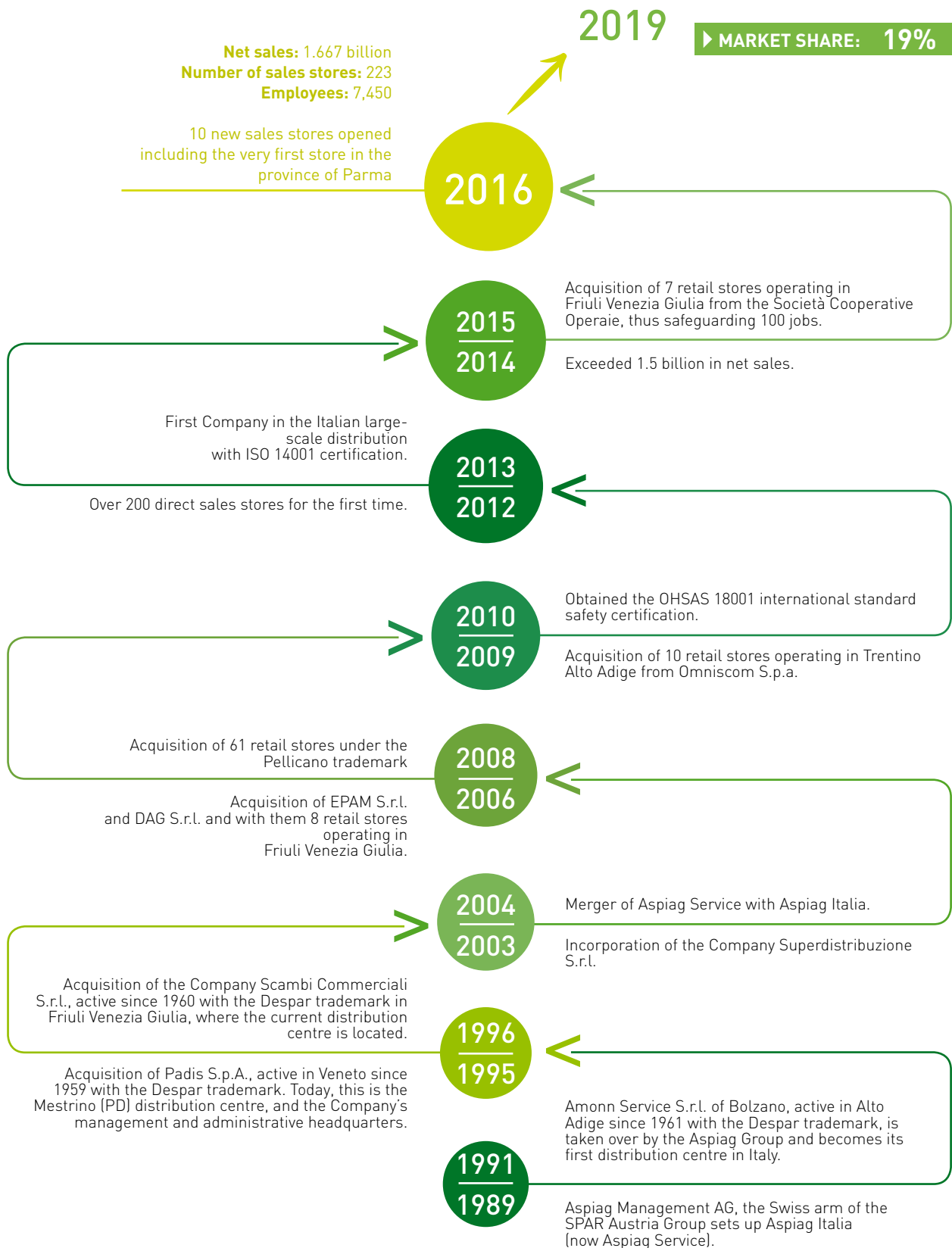
**+2.3%**  
in Distributed Value

**+1.27%** in Market Share

"In pursuit of profit targets, at Despar Nordest, we focus on quality of service, personal appreciation of customers and collaborators, safeguarding their health and protecting the environment."



## ASPIAG SERVICE HISTORY

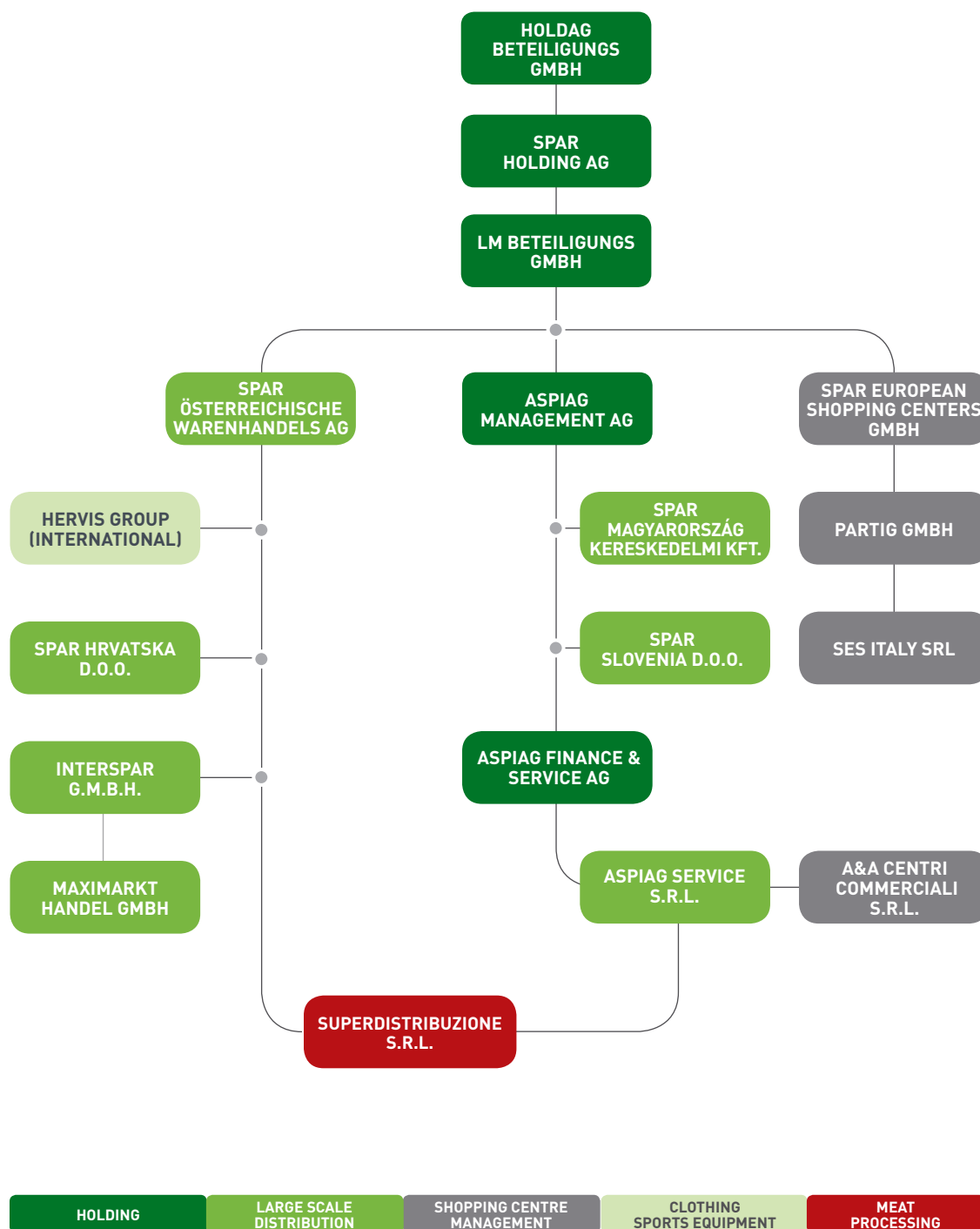




## GROUP OWNERSHIP AND STRUCTURE

The Company is managed and coordinated by the sole shareholder Aspiag Finance & Services AG, which is based in Widnau (Switzerland) and is part of Holdag Beteiligungs GmbH, whose headquarter is in Salzburg.

The ownership of the parent Company Holdag has remained unchanged since 1970. The following diagram highlights the leading companies of the SPAR Austria Group. The colours indicate the various core businesses.





## SPAR AUSTRIA

The acronym 'Aspiag Service' originates from Austria SPAR International AG, the parent Company founded in Austria in the 1950s. Spar Austria is the largest of the SPAR organizations worldwide.

In addition to being market leader on the domestic market, the Spar Group has also established itself in other European markets such as Slovenia, Croatia, Hungary and Italy.

It has also diversified its business to include the management of shopping centres through Spar European Shopping Center (SES) and the sale of sports clothing and equipment through Hervis.

### The Story of Spar Austria

[www.spar.at](http://www.spar.at)

The first Austrian SPAR organization, known as Handelsvereinigung SPAR Tirol/Pinzgau, was founded by Hans F. Reisch in 1954, presented as a medium-sized chain comprising the wholesaler and other affiliated retailers which collaborated for purchasing, marketing, organization and technical aspects. Since 1959 onwards, the brand expanded all over the country and, in the 1970s, SPAR Österreichische Warenhandels AG, namely SPAR Austria, was created from the union of all the affiliates. Even today, the founding families hold managerial positions within the Group.

### 2016 HIGHLIGHTS OF THE SPAR AUSTRIA GROUP

**13.8**

BILLION  
TOTAL  
TURNOVER

**+4.8%**

**77,480**

EMPLOYEES

**+3.4%**

**3,076**

RETAIL STORES

**+2.4%**

**810,000**

SQUARE METRES  
OF COMMERCIAL  
SPACE  
SHOPPING CENTRES

**+1.2%**

**2,410,567**

SQUARE METRES  
OF COMMERCIAL  
SPACE

**+3%**

#### TURNOVER DISTRIBUTION

	SHARE
• Austria	43.91%
• SES Spar European Shopping Centers (Austria, Croatia, Italy, Czech Rep., Slovenia, Hungary)	19.50%
• Italy	14.16%
• Hungary	11.35%
• Slovenia	5.13%
• Croatia	2.60%
• Hervis (Austria, Croatia, Germany, Czech Rep., Romania, Slovenia, Hungary)	3.35%
	<b>100%</b>





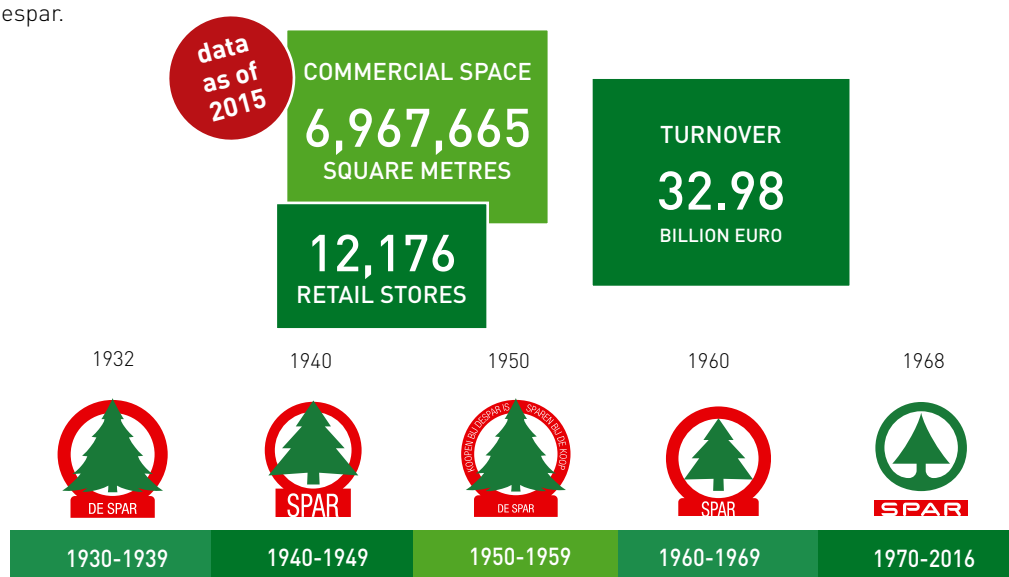
## THE INTERNATIONAL DESPAR BRAND ORIGIN

Internationally, our brand is managed by SPAR International, ([www.spar-international.com](http://www.spar-international.com)) cooperative Society founded in 1932 by Adriaan van Well at Zoetermeer (Netherlands) as the first voluntary union of wholesalers and retailers.

'Spar' is a Dutch word meaning 'fir', hence the choice of the symbol that has characterized the brand since its foundation. The original name of the DESPAR group is an acronym of 'Door Eendrachtig Samenwerken Profiteren Allen Regelmatig' which means 'Everyone benefits equally from harmonious cooperation'.

In the 1950s, the brand name was shortened to SPAR and gained recognition first throughout Europe and then the rest of the world.

Its arrival in Italy is followed by the creation, in 1960, of the SPAR Voluntary Union, which chose to adopt the old brand name of Despar.



## THE DESPAR BRAND IN ITALY

The Despar brand is currently managed in Italy by 6 different independent Shareholders united in the Limited Liability Consortium Despar Italia ([www.desparitalia.it](http://www.desparitalia.it)), based in Casalecchio di Reno (Province of Bologna).

Shareholders can only operate their businesses in a pre-established geographical area, within which they hold a licence to use the Despar brand and manage their distribution centres to supply all direct and indirect sales stores (franchises or affiliates) present in the area.

The Despar Italia consortium carries out institutional tasks, including brand protection, relations with authorities and institutions, direct contact with SPAR International and the development of private label.

Membership of the consortium also entails precise restrictions with which the associate companies must comply, both in the use of retail signs (regulated by specific contracts and clauses), and in the furnishing and outfitting of stores.

Promotional campaigns and collections points are also developed centrally, in terms of guidelines only.





# 02

## Governance

The Governance System  
The Corporate Bodies  
The Governance Tools

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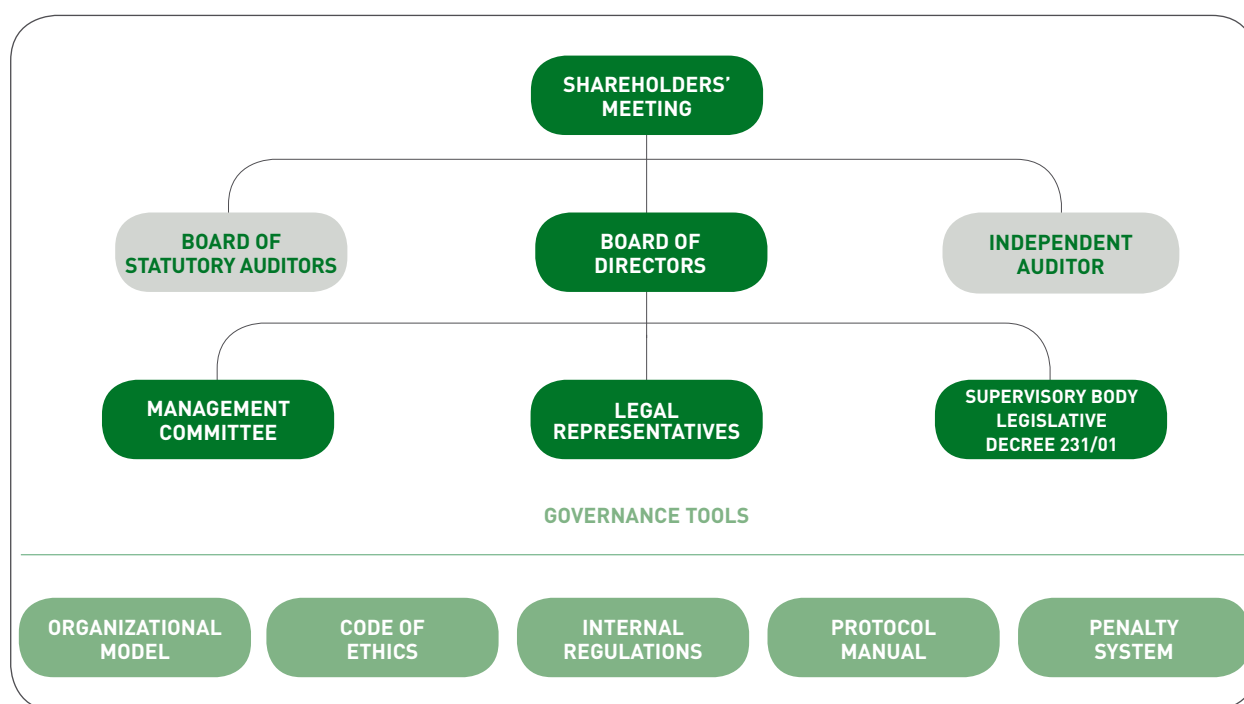
## THE GOVERNANCE SYSTEM

Our corporate governance system is based on certain key principles, such as correct and transparent corporate business management ensured, in part, through the identification of information flows between corporate bodies and efficient internal control and risk management systems.

The corporate governance model involves a hierarchical structure involving several players, at the top of which the Shareholders' Meeting lies.

The Company is run by a Board of Directors (hereinafter referred to as "Board"), supported by a Board of Statutory Auditors. Accounting control is assigned to a leading independent auditing firm.

However, there are no formal workers' committees that have direct contact with the Board, but there are other regional trade unions available for dialogue with Corporate Management.



MEETINGS	2016
Marketing Meeting	1
Inventory Difference Management Committee	3
Retroplanning	8
Sales Committee	9
Executive coordination	23
Management Committee	15
Management Meeting	5
Board of Directors	7

GRI  
LA12

	MEN	WOMEN	TOTAL	BETWEEN 30 AND 50 YEARS OLD	OVER 50 YEARS OLD
Board of Directors	8	-	8	1	7
Management Committee	4	-	4	1	3
Supervisory Body	2	-	2	1	1
Board of Statutory Auditors	4	1	5	2	3
Independent Auditor	2	4	6	6	-
Legal Representatives	38	7	45	25	20



## THE CORPORATE BODIES



### THE SHAREHOLDERS' MEETING



The Shareholders' Meeting, chaired by the Chairman of the Board of Directors (Board) or by another person appointed by the Shareholders' Meeting itself by a simple majority, heads the governance bodies. The Meeting shall have the duties and responsibilities provided by civil and statutory regulations.

### THE BOARD OF DIRECTORS



The Company is run by the Board of Directors ("Board"). The Board has the powers inherent to the Company's ordinary and extraordinary administration, with the exception of those powers reserved for Shareholders. The Board of Directors carries out its duties according to the law, the Company Articles and internal corporate regulations (Organizational Model 231/01, discussed below) and consists of 8 members, of which 5 executives including the Chairman.

The choice to appoint several Managing Directors has not increased the cost of the corporate structure, given that the Directors receive no payment for the role they hold. Furthermore, the subdivision of tasks also ensures that the management is more involved in the dynamics linked to the various business areas.

Among other things, the Board has the task of approving and supervising the Company's economic and financial planning.

The process is based on various stages, including:

- Three-yearly Budget and Business Plan.
- Monitoring of economic and financial management based on the recommendations of the Management Committee.

The Board of Directors' meetings are held in rotation in the different regions of the operating area, promoting the directors' visits to the new retail stores and new areas of expansion and facilitating business relations and relations with local institutions.

### THE BOARD OF STATUTORY AUDITORS AND INDEPENDENT AUDITOR



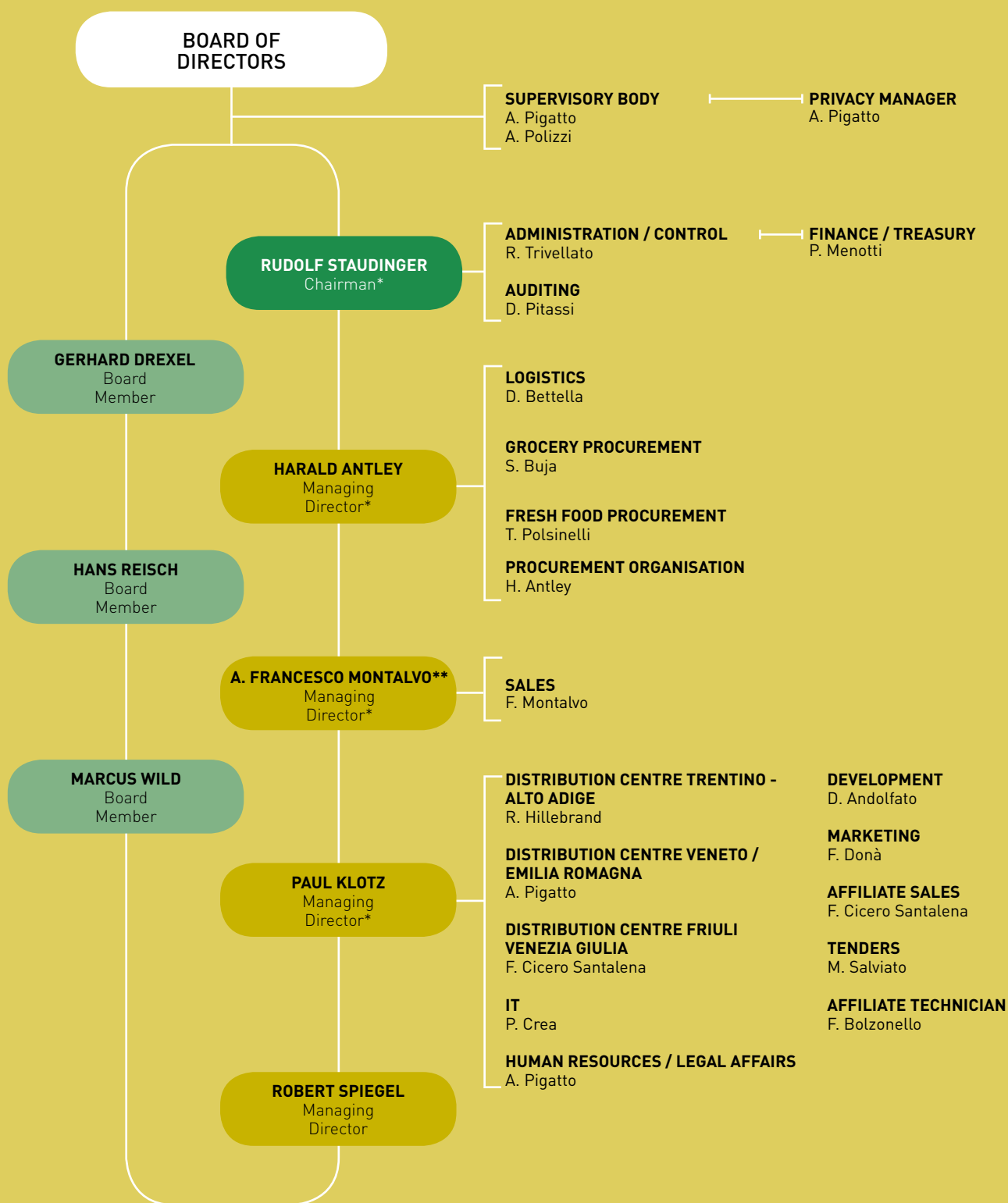
Supporting the Board are the Board of Statutory Auditors and the Independent Auditor, appointed by the Shareholders and, in their respective differences and areas of expertise, with the role of supervising the Company's operation and its structure.

The Board of Statutory Auditors, comprising five members appointed by the Shareholders' Meeting, has a term of office of three financial years until the date of approval of the 2016 financial statements. The Board supervises compliance with the law and of the Company Articles and the correct methods of administration, with particular focus on the organizational, administrative and accounting structure, as well as having management control functions.

With regard to accounting control, Aspiag Service appointed the independent Auditor Ernst & Young S.p.A., also with a term of three financial years expiring with the 2018 Annual General Meeting.



## ORGANIZATION



\* Members of the Management Committee

\*\* As of January 1, 2017, Sales Director Francesco Montalvo was appointed new Managing Director, replacing the previous Director Marino Fineschi who retired.



## THE MANAGEMENT COMMITTEE



The Board institutes bodies for corporate management, operational support, and supervision.

The Management Committee consists of a variable number of members and the Chairman of the Board and all the Managing Directors are part of it by right.

The Board may also appoint other members, who then remain in office for the term established by the Board.

In 2016, the Management Committee consisted of the Chairman Rudolf Staudinger and Managing Directors Harald Antley, Paul Klotz and Marino Fineschi.

The Committee has propositional and preparatory responsibilities and the task of providing technical and managerial support to the Board of Directors:

- annually and by November, it prepares the Company's budget proposal for the following financial year. The budget can be updated (usually half way through the following year) and in May and October forecasts are prepared implementing any corrective action deemed appropriate by management;
- formulates a three-year business plan, which is approved by the Board of Directors in February;
- it informs the Board on the Company's progress during the financial year underway, reporting and commenting on any variation with respect to the budget and the previous period.

These stages and their development can rely on the continuous and effective communication between the various Company management teams, who hold numerous meetings for discussion and sharing. In this way, the progress of corporate management and investment decisions, undertaken more rapidly due to this coordination, can be monitored.

## THE LEGAL REPRESENTATIVES



Legal representatives work to support the activities of the Board and are appointed by the Board itself.

There are currently 45 legal representatives at Aspiag Service, who have been assigned ordinary and extraordinary administrative powers, within the scope of their expertise and in compliance with their assigned mandates.

These legal representatives may appoint others ad acta or ad negotia with a limited mandate.

## SUPERVISORY BODY



In addition, there is a Supervisory Body whose tasks are carried out by the Compliance Office, pursuant to Legislative Decree 231/01, which governs corporate liability for unlawful administrative, implemented in the interest or benefit of the entity.

The Compliance Office, currently comprising two members, one independent, is obliged to provide regular reports of any critical issues within the corporate system regarding the implementation of the Organizational Model and to draft, at the start of every year, an inspection and control plan to be implemented during the year and to submit results to the Board and the Board of Statutory Auditors.

Aspiag Service has set up a specific supervisory body email address for sending reports, suggestions, clarifications, information, etc.: [co\\_aspiagservice@despar.it](mailto:co_aspiagservice@despar.it).

### ECONOMIC AND FINANCIAL PLANNING

2016

Business Plan approval	February
First forecast	May
Revised budget	June
Second forecast	October
Budget approval	November





## THE GOVERNANCE TOOLS

### THE ORGANIZATIONAL MODEL 231/01

In accordance with the provisions of Legislative Decree no. 231/2001 on Administrative liability of entities, Aspiag Service, with the Board resolution of May 4th 2005, voluntarily chose to adopt a 'Company Organization, Management and Control Model' (hereinafter the 'Model'), in the interests of the Company, in order to prevent offences provided in the Decree and its subsequent amendments being committed.

This important act forms part of the overall system of Governance tools, which are relevant to the Company to the same degree as the people who take part in it. Within this system, in addition to the supervisory body and the Model, there are also the corporate Code of Ethics, the internal regulations and the mapping of powers, the internal protocol manual for the prevention of crime and the penalty system.



The Compliance Office plans and carries out training on the Organizational Model and Code of Ethics. A total of 65 employees were trained in 2016.

#### The Code of Ethics

The Code of Ethics most certainly constitutes an important part of the Organizational Model 231/01.

The complete Code of Ethics can be viewed at <http://www.despar.it/it/node/17/codice-etico/>, and is symbolic of the outward and inward corporate attitude "identifying simultaneously all the rights, duties and responsibilities with regard to any representative inside or outside the Company, in order, among other things, to maintain the very highest of standards".

In this way, the Code expresses Aspiag Service's principles of transparency, legality, equality, fairness, the protection of Shareholders and creditors, and professional ethics. The Company's guiding principles are, nonetheless, open to changes and adaptation according to times and regulations. All those who are part of or have a relationship with the Company are required to comply with corporate ethical standards, which are also a condition of contract with regard to suppliers of goods and outside services. Compliance with the Code of Ethics by all parties involved with the Company (directors, representatives, employees, Auditors, suppliers, etc.) ensures the smooth and proper operation of the Company's departments, as well as preventing any irregularities and conflicts of interests.

In line with the principles set out in the Code of Ethics, the Company does not offer direct or indirect contributions, in any whatsoever form, to parties, movements, political and trade union organizations and committees, their members and candidates, unless permitted by specific regulations and in compliance with the principle of transparency.



### INTERNAL REGULATIONS

The internal regulations include the rules governing the Company's operational management by the bodies with administrative and representative powers, their duties and responsibilities and their powers.

The internal regulations are therefore circulated among all new recruits, are posted on all corporate notice Boards, both at the corporate headquarters (including warehouses) and at retail stores and can be consulted on the corporate website.

### THE PROTOCOL MANUAL

The Protocol Manual aims to define and implement internal control mechanisms intended to, on the one hand, plan the Company's decision-making process in activities in which there is the potential risk of committing unlawful acts and, on the other hand, oversee, under the supervision of the Compliance Office, the management of the various departments that manage sensitive activities.

### THE PENALTY SYSTEM

The penalty system has the function of overseeing compliance with the Organizational Model, procedures and conduct.

The violation of the obligations contained therein, even if for the purposes of corporate interest, always constitutes a violation of terms of contract and disciplinary offence.

The Company does not intend, in any case, to pursue any advantage resulting from an offence and therefore, in the event of an unlawful act, it will have to forego any such advantage.

Specific sanctions are foreseen for violations or non-compliance with obligations, duties and/or procedures covered by the Model and its annexes.



# 03

## Business Model

Our business model  
The market  
Supply chain  
Stakeholder engagement  
The risks

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## OUR BUSINESS MODEL

Aspiag Service manages supermarkets with a purely food-based vocation and organizes purchasing of fast-moving consumer goods from merchandise suppliers (branded and non-branded) to resell through their retail stores.

To give the end customer maximum value, we work with a variety of suppliers of goods and services that have predefined standards allowing them to offer high-quality products and a comprehensive choice. We can also count on our distribution system, which, through specific stages, allows us to convey these goods to the various retail stores. The latter are run both directly (Despar, Eurospar and Interspar) and in affiliation (Despar and Eurospar affiliates).

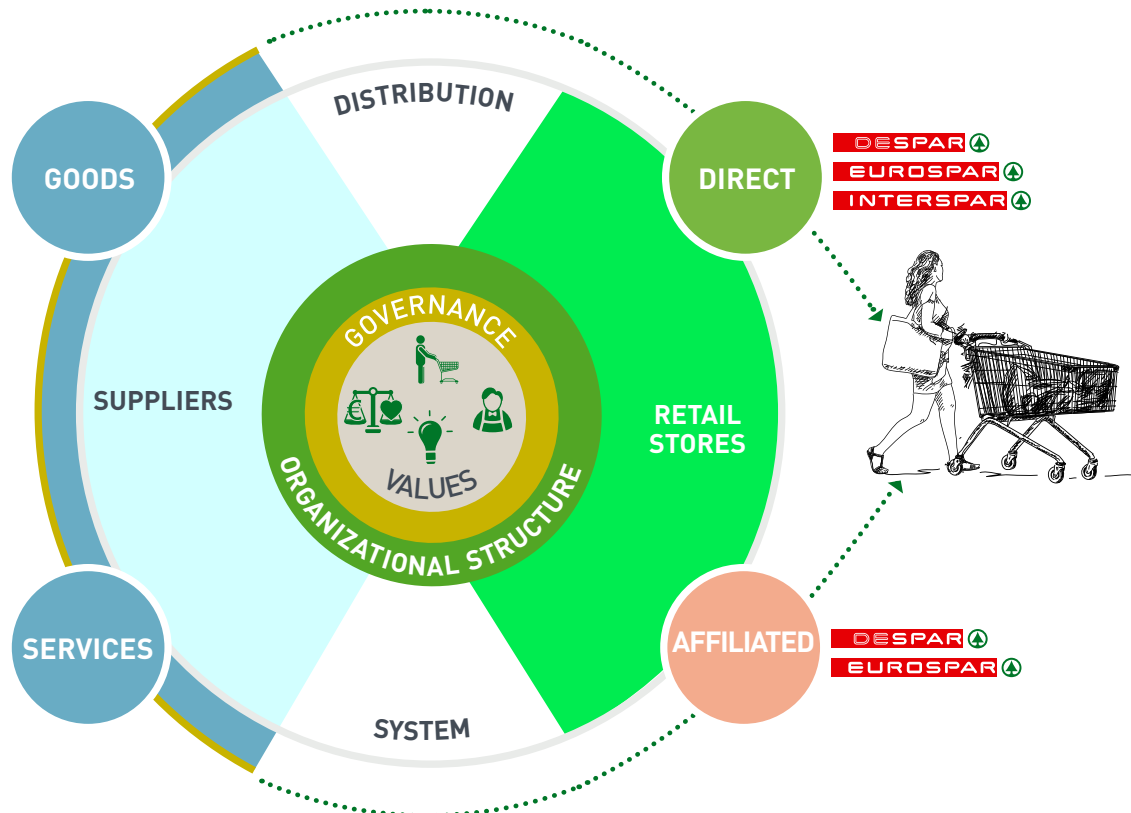
The organizational structure uses the various corporate resources in its internal processes and through the different positions to create value. Aspiag Service is committed to its own territory and therefore is rooted in it through various initiatives and structures. An example for our business model are the three distribution centres

(Ce.Di) in Bolzano, Mestrino (PD) and Udine to which all the direct and affiliated stores of Aspiag Service belong.

The corporate governance system - aligned with national and international best practices - is constantly consolidated in order to manage the complexity of the situations in which the Company operates and the challenges to be faced in implementing a clear and sustainable development strategy.

At the core of the Company are the guiding values that direct the decisions, procedures, and management of the Company itself by projecting it into the future.

From the presentation and analysis of the business model and the various parts that concern it, it will be shown that there are many individuals that are connected to the Company and its activities. This is why, those who are the most significant stakeholders for Aspiag Service and the risks associated with them will be presented at the end of this chapter. In this way, the Company is able to transform its inputs and achieve the strategic goals set by creating value over time.





## THE MARKET

2016 saw a steady but modest economic growth, in an uncertain social and political context, marked by Brexit, the US presidential election, the Italian government's change, the outcome of the referendum, the migration crisis, the employment situation, etc.

In this context, however, the consumer situation has improved, albeit slightly, recording a 1.9% increase in disposable income over the same period in 2015. In 2016, retail sales in the large-scale distribution sector saw an increase of 0.5% over 2015, recording positive variations in both product sectors: +0.4% in non-food and +0.5% in food (source: Istat [Italian national statistical institute]). In large-scale distribution, however, promotional leverage to support sales has become less effective and a fall in sales of 1.23% was recorded, annulling the growth effects from new openings.

Despite the complex general economic and sector situation, Aspiag Service Srl has, however, achieved positive results, recording an increase in pre-tax profit and net income.

Given these and other natural threats to the sector, such as on-line platform competition, high costs and bureaucratic difficulties for expansion, market saturation, we strive to seize the many opportunities offered by the robustness of our Group's results: local development and its support, the offer's structure with local and safe products, digital development, the creation of innovative services for the delivery of goods.

Our trading area extends from Triveneto to Emilia Romagna and the Lombard province of Mantova in line with the mandate obtained from the consortium Despar Italia. In 2016 we also extended the area to include the provinces of Forlì-Cesena, Piacenza and Rimini.

The market within our area of expertise is very fragmented: the potential competitors are about fifty, all with a market share lower than 10.50% (AC Nielsen source).

In the Triveneto area and the province of Ferrara we have a market share of 15.61% (+0.19 compared to 2015). Despite the growing progress of the Discount channel and Company grouping that took place over the year, Aspiag Service has been able to increase its market share by doing better than its direct competitors.

	2016	2015	2014
Market share AC Nielsen (%)	15.61%	15.42%	15.04%

Note: data at 30.06 including the discount channel and referring to Triveneto + Ferrara (no new provinces were considered).

### The Company's core competences

## FOCUS

The Company's functions, people, and competences prepares its future potential and weaknesses. There are many factors to manage and control in a large-scale distribution Company like ours; our strengths, such as integration between functions, waste and cost containment, signs management, innovation and information systems' management, are able to contain the normal weaknesses that a Company can experience. This is why, Aspiag Service aims at and invests in the improvement of what already differentiates it: belonging to a multinational group, an intense development plan that seeks to consolidate existing sales stores and open new ones, the dynamism of its collaborators, innovation in technology and services, customer satisfaction, attention to ethics and social responsibility. All these elements are an integral part of the business model and are already visible in the supply chain stages.



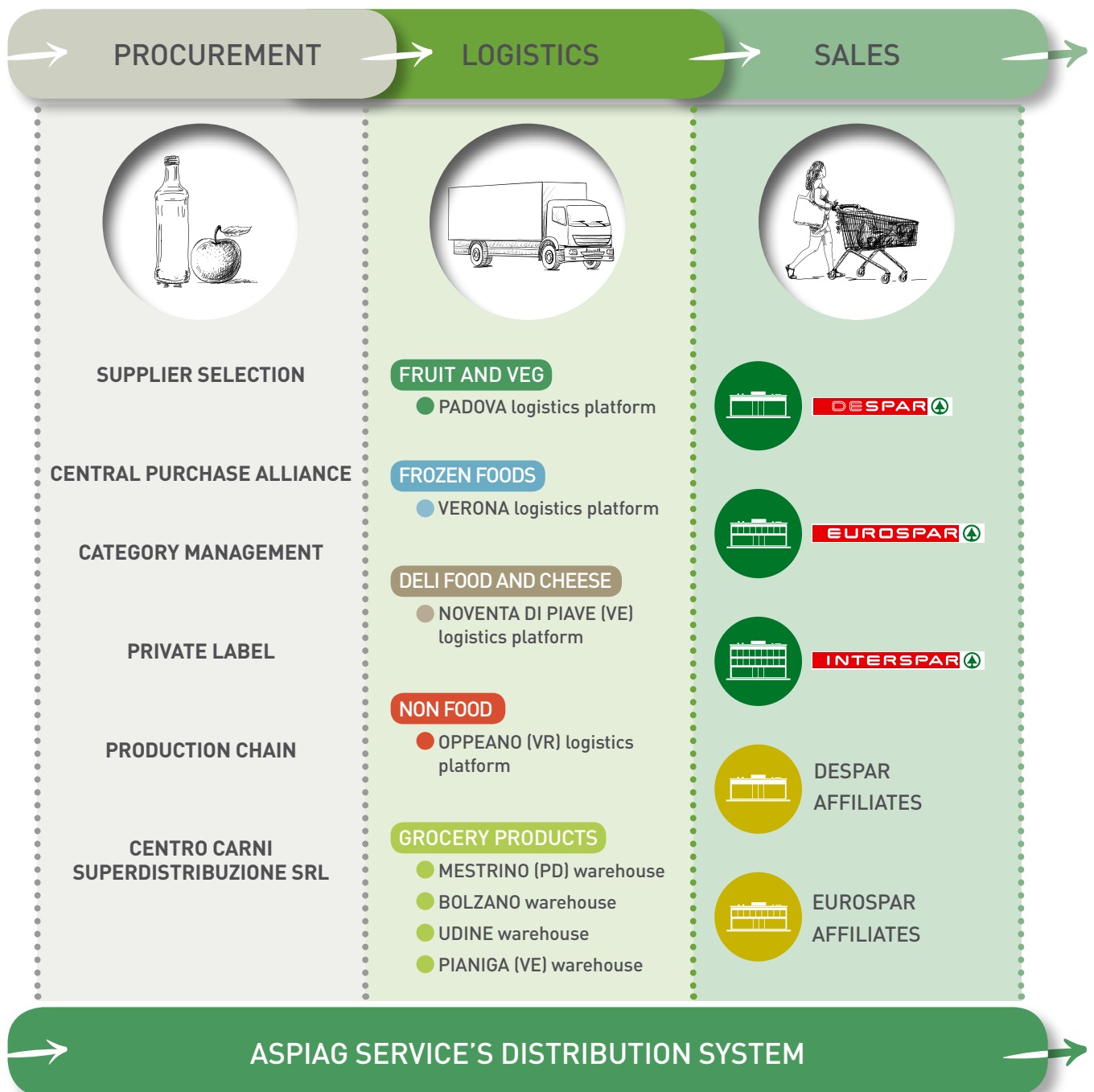
## SUPPLY CHAIN

Aspiag Service's position in the market can be effectively maintained through good supply chain management, which streamlines and speeds up internal processes. The supply chain's operation, divided into 3 stages, is shown below.

To fully understand this complex but dynamic system, involving several external and internal stakeholders,

we will explain and illustrate the various stages of Aspiag Service's distribution system, which includes procurement, logistics and sales.

In turn, these macro areas include specific functions and individuals, whose interaction ensures the chain's operation and the achievement of the objectives set.





## PROCUREMENT

### SUPPLIER SELECTION

Suppliers are carefully selected according to customer-oriented logic, through product quality, pricing, transparency in relationships. Efficient purchasing management is also supported by ad hoc processes and systems for sharing information between the Company and the supplier, which streamlines the flow between purchase orders and delivery of products to the retail store, thus satisfying the customer. To take advantage of reduced waiting times, greater programmability of supplies and discounts due to the simplification of delivery and its concentration in terms of quantity, we are committed to making centralized purchases, in the following ways explained below.

### CENTRAL PURCHASE ALLIANCE

Aspiag Service has become part of ESD ITALIA since 2015, a new purchasing and central office that negotiates annual supply contracts with domestic and global consumer goods industries on behalf of its Shareholders. Apart from us, among them are Acqua e Sapone, Agorà Network, Selex Gruppo Commerciale and Sun. ESD is part of the EMD group, number one in Europe, which holds a 14% market share and operates internationally. EMD alone brings together 500 independent food retailers in 22 countries with 155,000 retail stores. Their main business concerns the drawn up of trade agreements with major European industries.

### CATEGORY MANAGEMENT

In Aspiag Service, we have linked procurement, sales and marketing offices to manage products by category, according to the category management model. In this

way, the categories identified as business units of products perceived as being correlated or replaceable by the consumer, are managed as a profit centre with a different role and importance depending on the sales channel.

The category managers manage the different product categories - each with its own management logic, divided by sales channel - and have product responsibility from the bargaining phase to shelf allocation, maximizing the items' performance and margin.

### PRIVATE LABEL

The private label (<http://www.despar.it/it/prodotti-a-marchio-despar/>) have always been the best way to convey to our customers the Company's values, from convenience to quality, innovation and attention to the environment.

This happens through the offering of several lines/brands that can satisfy multiple and varied needs, each of which lying within a pyramid of needs that, from the bottom up, see the various brands placed in a swell of evolved and good quality services.

The private label assortment covers all categories of goods with over 3,900 products, created exclusively for Despar by the best producers.

The sales impact of private label on turnover is 22%.

This year our sparkling Franciacorta Conte del Doss won a prize for the most innovative products among the European private label in the wine and sparkling wine category.

### "PASSO DOPO PASSO" SUPPLY CHAIN



Aspiag Service can boast several examples of meeting between innovation, high quality products and effective goods management.

Amongst them the Passo dopo Passo, a control programme made of safe rules, informs about the origin of meat, fish, fruit and vegetables thanks to the traceability of the production chain, which guarantees safety and quality on the table.

This attitude is complemented, inter alia, with the choice of treating Passo dopo Passo products, reducing the use of pesticides and chemicals and intensifying controls from production to packaging.

### DESPAR VEGGIE



Aspiag Service aims to satisfy its customers as much as possible and expand their number. This is why it is sensitive to those looking for an alternative to meat and derived products, such as vegetarians and vegans.

Despar Veggie is the line devised for this kind of clientèle who, through their choices, seek a balance between food, environment and man.

The products are carefully made so that they are appealing to everyone, coming in most cases from certified organic farming.

An innovative brand in line with market trends.



## CENTRO CARNI SUPERDISTRIBUZIONE S.R.L.

Centro Carni Superdistribuzione S.r.l. in Bolzano deals with the management of fresh meat for all of Aspiag Service's direct retail stores, for many affiliates and for the countries where we are present with the SPAR brand, and is a good example of virtuous management, quality assurance and innovation.

The Centre fulfils the dual function of production plant and distribution center for red meat (adult bovine, veal, pig) and cooked deli food (mainly hams and mortadella) and the centralisation of its activities (boning, packaging, processing and sale) ensures constant quality in terms of genuineness and food safety.

Just to prove this, the Centro Carni Superdistribuzione can boast:

- ISO 22000: 2005 international certification for food safety and food hygiene management systems;
- OHSAS 18001 international certification on health and safety at work management.

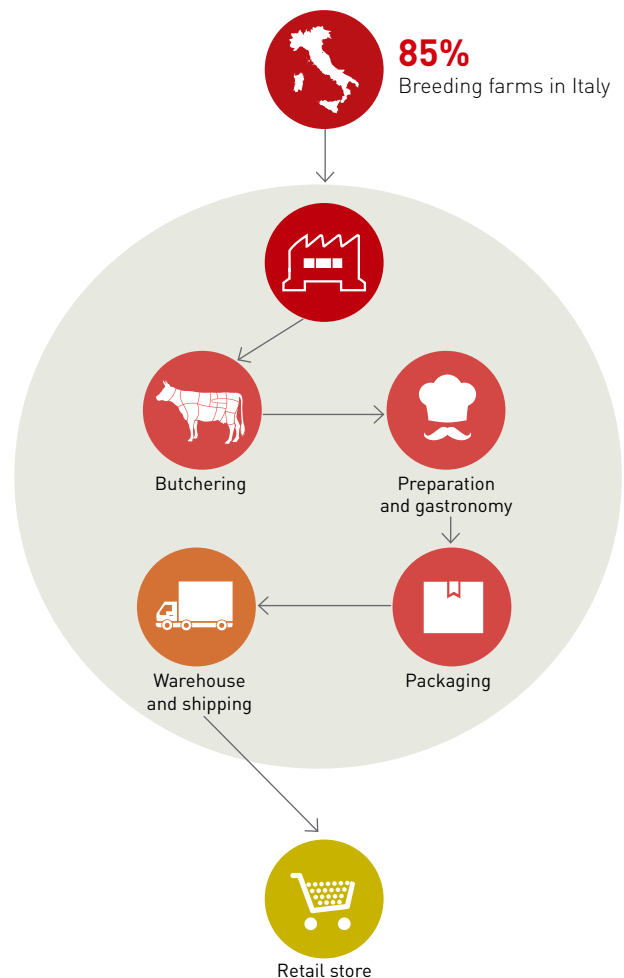
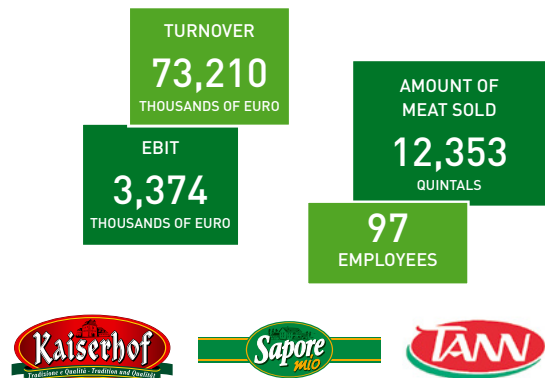
All products marketed by the Centro Carni include a tracking code on each label, through which it is possible to retrace the entire production history, up to the animal's birth and its feeding.

The Centro Carni stands out for its innovative approach and maintaining its set goals.

This is why it focuses on replacing ingredients with potential allergen content with other safer foods; in extending the supply chain value to all categories in the meat sector, highlighting excellence and giving space to organic, sustainable and local production; in supplying industrial products with a home-made touch; in purchasing technologically innovative machinery to integrate with new or existing processes, with the aim of improving quality and service.

Over the next year, we plan to extend the Passo dopo Passo brand to all major fresh meat categories and pursue two classes of objectives: to develop regional and national products to enhance and qualify meat counters with meat specifically from the north east; continue along the road of technological implementation to expand the offer of ready-made products in the light of new food trends and new consumer information and involvement needs.

## 2016 HIGHLIGHTS





## LOGISTICS

Logistics plays a key role in the innovation we pursue and in the desire to meet customer demand based on the trends that have taken shape in recent years.

Aspiag Service's distribution system optimizes logistical flows of goods and performs quality control and monitoring of each stage of the distribution process, ensuring daily freshness and product safety and the steadiness of supply to the retail stores. The distribution system consists of 8 logistics platforms, strategically located in the area and managed with advanced equipment and technologies, plus two specialized suppliers (meat and fish).

The presence of different logistics platforms facilitates containment of the goods' dislocation costs and targeted monitoring of the areas of competence.

We have agreed just-in-time deliveries with some suppliers, which is particularly useful in the case of so-called 'continuous' products. The synergy between the different delivery methods and using suitable technologies allows the supply of goods with special attention to the reduction of the associated costs and the reduction of inventories (important especially for non-food products), still from an efficient shelf filling point of view.

In this regard, we emphasize that shelf availability balances the products' expiry with their requirement by the customer, and at the same time meets the needs of the trend - increasingly widespread - of promotions, which implies efficient inventory management.

The use of 100% reusable and recyclable plastic crates in partial substitution of traditional throw-away cardboard, wood and plastic containers for the transport of fruit and vegetables, is also significant.

Crates are a unique transport system for this type of product in the supply chain, from the producer to the retail store, thus improving the quality, freshness and hygiene of the product with less rejects and waste.

The freshness and quality of the products in the retail store is also guaranteed through rigorous procedures, which involve the withdrawal of the product a few days before its expiration date. These products are then recovered through donations to the local non-profit organization to help people in need and avoid waste.

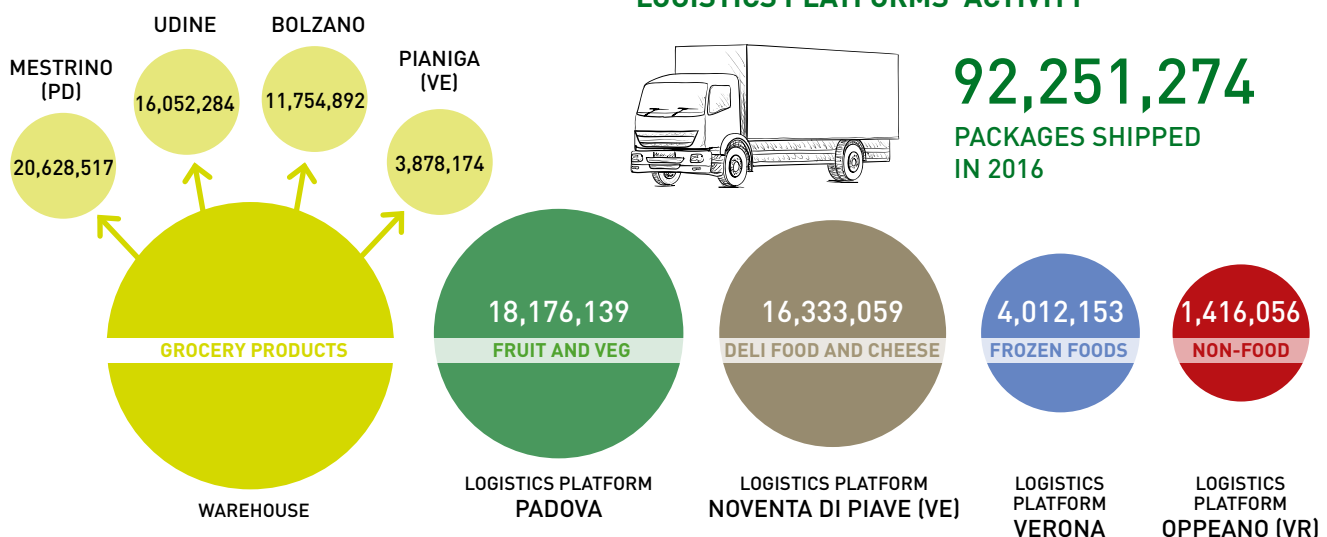
### THE DISTRIBUTION CENTRES

All the direct and affiliated stores of Aspiag Service depend on the three Distribution Centres (Ce.Di.) in Bolzano, Mestrino (PD) and Udine. They have a solid and proven tie with the area, creating a fundamental asset for the Company and an irreplaceable guarantee for consumers.

**The Mestrino Ce.Di** is the management and administrative centre for all the group's business and operational base for Veneto and Emilia Romagna.

**The Bolzano Ce.Di**, the Company's first distribution centre, is its head office and manages the Trentino Alto Adige commercial activities.

**The Udine Ce.Di** is in charge for Friuli Venezia Giulia's commercial activities.





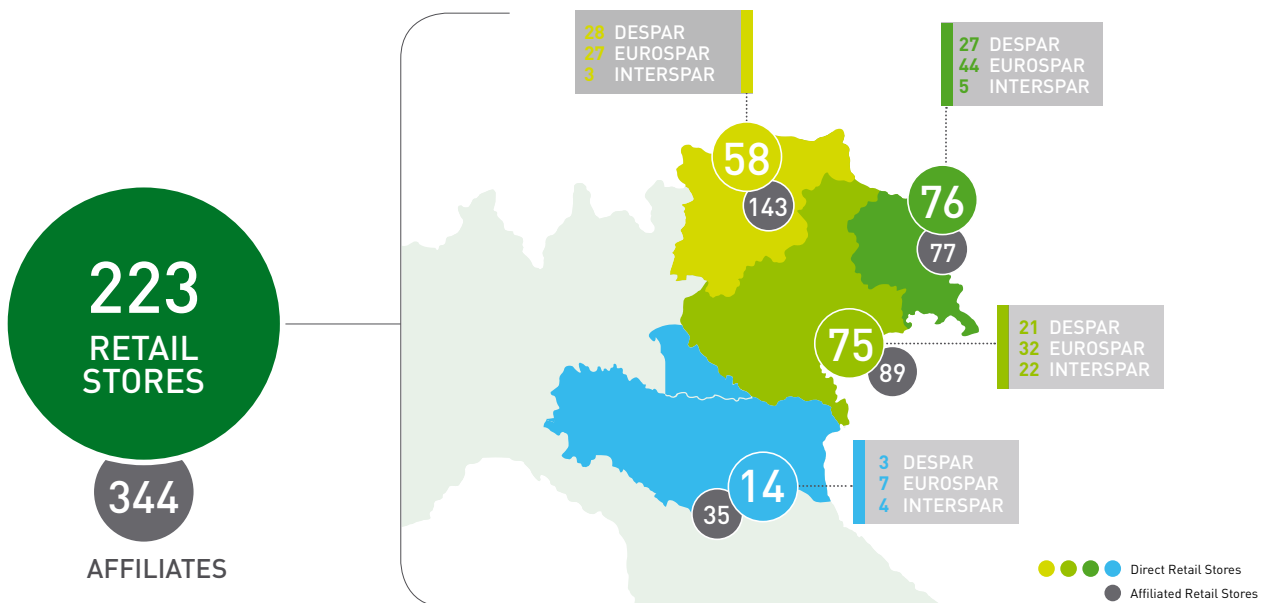
## SALES



The management of the numerous Aspiag Service retail stores is divided into two channels:

- directly of 223 Despar, Eurospar and Interspar stores, for which we are responsible for the entire chain and all the necessary sales structure;
- affiliation of 344 stores (Despar affiliates and Eurospar affiliates) to which, via contract, we wholesale goods and offer services. The Company remains the owner of the sign granted to the associate, which receives technical know-how and makes use of all commercial and marketing policies. Affiliates in particular bring about added value to what the Company is, establishing themselves between being part of the brand, dedication to work and appreciation of its area.

Aspiag Service retail stores are structured with three signs, depending on the size and the offer, to give customers a greater choice and to meet their needs.



### DESPAR

True to its original identity, the Despar sign identifies neighbourhood supermarkets (100-800 square metres) having an assortment of products geared mainly to daily shopping and specialized in fresh products, that combine professionalism and convenience within a typically informal space.

The **Premium** and Despar **Express** lines best blend our offer with the habits of those who are looking for high quality environments and products or that have little time for shopping.

### EUROSAPAR

Created in the 1970s, the Eurospar sign identifies medium-sized retail stores (801-2499 square metres) that serve a wider urban area with different consumption needs. A retail store intended for weekly or fortnightly shopping, able to offer a wide assortment of fresh and longer lasting food products as well as non-food products and some basic services.

### INTERSPAR

The Interspar sign identifies the larger retail stores. They feature a selection of fresh food products, a wide range of non-food products and services, ranging from electronics to gardening, to household appliances.

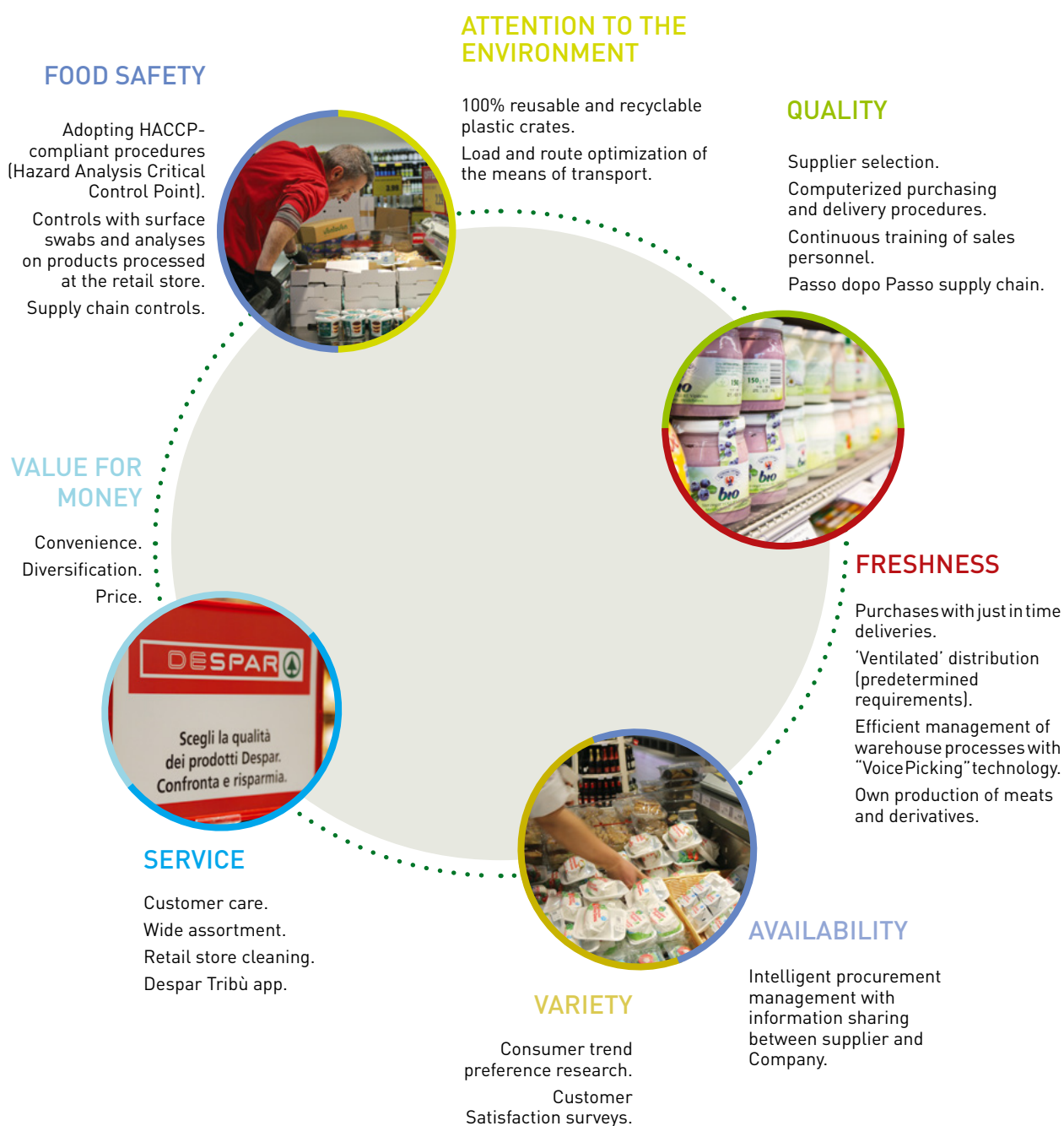


## THE SUPPLY CHAIN'S ADDED VALUE

The entire Supply Chain system, in its individual parts as well as in its ergonomic and state-of-the-art operation, adds value for both suppliers and customers.

Both in the short and long term there are many values that suppliers and customers can enjoy:

- the development of valuable synergies
- the chance to integrate risk management
- cost containment
- environmental impact reduction and quality care.





# STAKEHOLDER ENGAGEMENT

TYPE OF STAKEHOLDER	DESCRIPTION	THE ENGAGEMENT MODE
CUSTOMERS	END CONSUMERS Final recipients who satisfy their needs with the purchase at the retail stores.	<ul style="list-style-type: none"> <li>• Directly at the sales store, with the Despar Tribù App, advertising monitors, internal radios, beacons.</li> <li>• Through websites, blogs, social media, email (info@despar.it) and radio.</li> <li>• With regular market surveys and by outside companies.</li> <li>• Tasting courses</li> </ul>
	AFFILIATES Small, local business to whom we supply goods, services and support.	
SUPPLIERS	Commercial partners with whom we collaborate in a mutual interest, to satisfy the end customer. We rely on the central purchase alliance for the coordination of activities related to the suppliers of goods.	<ul style="list-style-type: none"> <li>• Comparison between the category manager and the individual supplier during which the main marketing actions to be taken are also shared.</li> <li>• Analysis of surveys conducted on a representative sample of the major companies</li> <li>• The initiative 'Sapori del nostro territorio'</li> </ul>
EMPLOYEES	Fundamental Company resource, who enables the achievement of objectives through their professionalism, competence and well-being.	<ul style="list-style-type: none"> <li>• Biennial internal Company climate surveys to check the quality of the work environment and to understand the needs of the various employees.</li> <li>• The 'InDespar' house organ, which has been published since 1996, updates the staff on all activities carried out and ongoing, raising their interest and getting them emotionally and actively involved towards the Company and its values.</li> </ul>
BANKS	Financial partners to whom we turn for financial and economic support.	<ul style="list-style-type: none"> <li>• Periodic meetings at the Company.</li> <li>• Annual press conference for the presentation of Company data.</li> </ul>
OTHERS	PUBLIC ADMINISTRATION Monitors the activities carried out and is the reference for major licensing procedures.	<ul style="list-style-type: none"> <li>• Periodic meetings of regional authorities.</li> </ul>
	REPRESENTATIVE ASSOCIATIONS Comparative and support tools in the analysis of the peculiarities of large scale distribution. The representatives are divided into trade unions and trade associations.	<ul style="list-style-type: none"> <li>• Obligatory and periodic exchange and sharing of information.</li> <li>• Relationships with Federdistribuzione (Federation of large scale distributors) on analysis and support.</li> </ul>
	COMPETITORS They are a constantly monitored benchmark, as they can positively or negatively affect the market and therefore our own results.	<ul style="list-style-type: none"> <li>• Contacts via Federdistribuzione.</li> </ul>
	COLLECTIVITY Realities we interact with, not directly related to an individual, who are influenced by the effects of opening a sales store, mitigated through the involvement of people and the provision of additional services, to build a value-added resource.	<ul style="list-style-type: none"> <li>• Web and press monitoring.</li> <li>• Activities with schools.</li> </ul>
	UNIVERSITIES Universities of the trading area with which Aspiag Service interacts and collaborates for comparisons and mutual improvement.	<ul style="list-style-type: none"> <li>• Curricular and Extra Curricular internships start.</li> <li>• Academic meetings.</li> <li>• Development of relevant topics through working groups.</li> </ul>



## THE RISKS

Doing our business we are exposed to both the risks associated with the external macroeconomic system and the risks arising from strategic choices within the Company, which can affect the creation of value over time.

In particular, we have to deal with a vast and constantly evolving regulatory framework characterized by a system of laws and regulations whose violation can result in heavy administrative and criminal fines.

To handle this within the Company there is extensive management of regulatory compliance, which is the responsibility of each function manager.

The directors, assisted by the Compliance Office's supervisory body, continuously monitor the risk factors in order to identify and prevent events that may adversely affect the corporate business and ensure greater constancy in the pursuit of objectives.

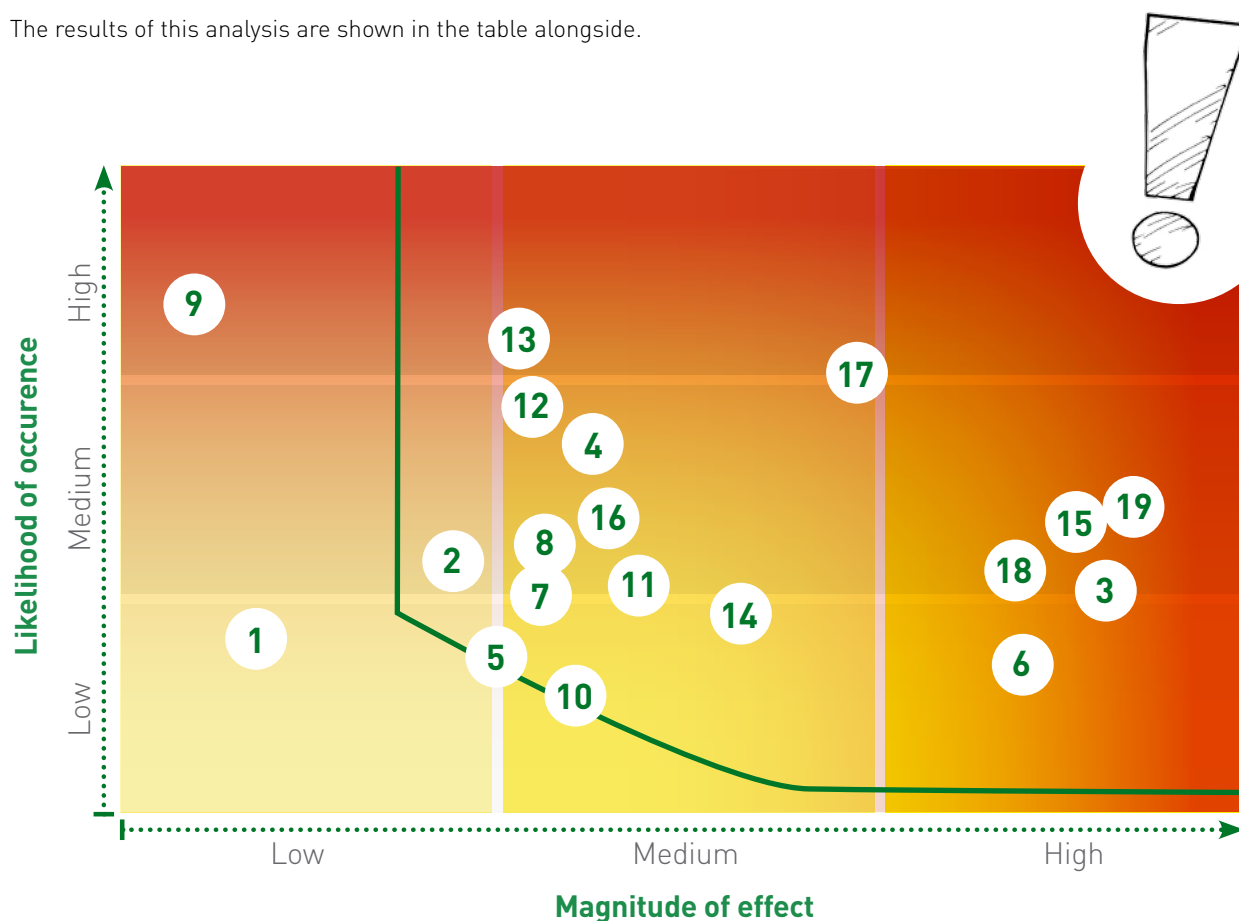
Both external risks have been outlined, including all those arising outside the Company, and internal ones, originating from the model of our structure and our specific features.

For each type of risk, the likelihood of occurrence of the event has been identified, also taking into account the measures taken to mitigate it, and the assessment of the potential impact on value creation for the Company.

Thanks to mapping, we are able to identify preventive initiatives and actions to limit the impact of different risk factors by leveraging internal synergies and external development opportunities.

The analysis of the relevance of the effects related to each issue relative to the areas of risk, such as the value of future market access and stakeholder opinion, the impact of new technologies and expertise on commercial management, the effect of monetary resources of the current and future financial years and the consequence of a regulatory issue, has provided guidance in selecting more significant, financial and non-financial indicators aimed at monitoring risks, achievements and future outlook.

The results of this analysis are shown in the table alongside.





RISK	STAKEHOLDER	MEASURES FOR MITIGATING THE RISK	INDICATOR
<b>Risk class: COMPLIANCE</b>			
<b>1 Environmental</b>	Collectivity	<ul style="list-style-type: none"> <li>Internal procedure for environmental management</li> <li>ISO:14001 certification obtained</li> <li>Organizational Model Legislative Decree 231/01</li> </ul>	<ul style="list-style-type: none"> <li>Monetary and non-monetary fines</li> <li>Consumption and emissions</li> <li>Waste disposal</li> <li>Expenditure on environmental protection</li> </ul>
	Company		
<b>2 Privacy</b>	Customers	<ul style="list-style-type: none"> <li>Privacy Data controller</li> </ul>	<ul style="list-style-type: none"> <li>Annual report by the Privacy Manager</li> </ul>
	Employees		
	Suppliers		
<b>3 Food Safety</b>	Customers	<ul style="list-style-type: none"> <li>Selection and careful management of reference suppliers</li> <li>Monitoring the quality of supplies, goods and customer service</li> <li>Presence of an internal Food Safety office</li> <li>Mapping the corporate supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Quality analysis and control</li> <li>Fines for incorrect information and product labelling, expired goods, incorrect fridge temperature</li> </ul>
<b>4 Compliance in outsourcing</b>	Suppliers	<ul style="list-style-type: none"> <li>Obtaining documentation attesting the regularity of social security and insurance contributions of contractors</li> </ul>	<ul style="list-style-type: none"> <li>Number of disputes with contracting Companies</li> </ul>
<b>5 Reporting</b>	Public Administration	<ul style="list-style-type: none"> <li>Supervision by the Board of Auditors and the Independent Auditor</li> </ul>	<ul style="list-style-type: none"> <li>Independent Auditor and Board of Statutory Auditor's report</li> </ul>
<b>6 Regulations</b>	Public Administration	<ul style="list-style-type: none"> <li>Upgrading and training</li> <li>Presence of an internal legal office</li> <li>Frequent relations with lawyers and consultants</li> </ul>	<ul style="list-style-type: none"> <li>Fines for non-compliance with Laws and regulations</li> <li>C.O.'s annual report</li> </ul>
<b>7 Safety at work</b>	Employees	<ul style="list-style-type: none"> <li>OHSAS 18001 Corporate Safety System Certification</li> <li>Ad hoc training of employees on safety in the workplace</li> <li>Managers' inspections</li> <li>Stipulation of ad hoc insurance contracts</li> </ul>	<ul style="list-style-type: none"> <li>Injury Frequency Rate</li> <li>No. of injuries in the workplace</li> <li>Absenteeism rate</li> </ul>
<b>Risk class: FINANCIAL</b>			
<b>8 Receivables from affiliates</b>	Affiliates	<ul style="list-style-type: none"> <li>Assessment of the customer when stipulating a new contract and request for collateral guarantee for the supply</li> <li>Constant monitoring of receivables, monthly estimate of the allowance for doubtful account</li> </ul>	<ul style="list-style-type: none"> <li>Average net sales per affiliate</li> <li>Allowance for doubtful account tendency</li> </ul>
<b>9 Receivables from end consumers</b>	Customers	<ul style="list-style-type: none"> <li>Takings from sales are immediate</li> </ul>	<ul style="list-style-type: none"> <li>Cash differences</li> <li>Average receipt</li> </ul>
<b>10 Liquidity</b>	Banks	<ul style="list-style-type: none"> <li>Periodic evaluation by the management of the financial and economic equilibrium (liquidity generated and financial need)</li> </ul>	<ul style="list-style-type: none"> <li>Use of credit lines</li> </ul>
<b>11 Rate</b>	Banks	<ul style="list-style-type: none"> <li>Hedging transactions with derivative instruments</li> <li>Number of significant banks for diversification purposes</li> </ul>	<ul style="list-style-type: none"> <li>% fixed rate debt and</li> <li>% variable rate debt</li> </ul>
<b>Risk class: OPERATION</b>			
<b>12 Technological IT</b>	Company	<ul style="list-style-type: none"> <li>Best management of information systems</li> <li>Technological innovation</li> <li>Careful selection of hardware and systems suppliers and consultants</li> <li>Widespread installation of the ERP system</li> <li>Back up measures - disaster recovery</li> </ul>	<ul style="list-style-type: none"> <li>Costs for innovation / maintenance of IT systems</li> </ul>
<b>13 Strategic / Commercial</b>	Company	<ul style="list-style-type: none"> <li>Analysis of offer alignment with market demand</li> <li>Monitoring the costs incurred for commercial policy over the results obtained in terms of new customer acquisition and keeping loyal customers</li> </ul>	<ul style="list-style-type: none"> <li>Market share performance</li> <li>Commercial costs</li> </ul>
<b>14 Efficient Human Resources</b>	Company	<ul style="list-style-type: none"> <li>Ad hoc training</li> <li>Resorting to separation of tasks</li> <li>Behaviour based on the Code of Ethics</li> <li>Suitable in recruiting</li> <li>Internships start and academic meetings</li> </ul>	<ul style="list-style-type: none"> <li>No. of training hours provided</li> <li>Men-women salary ratio</li> <li>Absenteeism rate</li> <li>Employee turnover</li> </ul>
<b>Risk class: MARKET</b>			
<b>15 Price</b>	Customers	<ul style="list-style-type: none"> <li>Stakeholding in the Central Purchase Alliances</li> <li>Careful selection of suppliers with better value for money</li> <li>Marketing and development activities to cope with competition</li> </ul>	<ul style="list-style-type: none"> <li>Market survey on Corporate Image</li> <li>Customer satisfaction</li> <li>Market share trend</li> </ul>
	Suppliers		
	Competitors		
<b>16 Asset evaluation</b>	Company	<ul style="list-style-type: none"> <li>Periodic impairment analysis</li> </ul>	<ul style="list-style-type: none"> <li>Write-down of fixed assets</li> </ul>
<b>17 Theft</b>	Company	<ul style="list-style-type: none"> <li>Investments in anti-theft devices, internal / surveillance service</li> </ul>	<ul style="list-style-type: none"> <li>Inventory Difference Management Committee</li> </ul>
<b>18 Fraud</b>	Company	<ul style="list-style-type: none"> <li>Adoption of the Organizational Model (of Legislative Decree 231/2001)</li> <li>Establishment of the Supervisory Body (CO)</li> </ul>	<ul style="list-style-type: none"> <li>CO's annual report</li> </ul>
<b>19 Reputational</b>	Company	<ul style="list-style-type: none"> <li>Monitoring the quality of supplies, goods and customer service</li> <li>Continuous technological and process innovation to increase the efficiency of the offer</li> </ul>	<ul style="list-style-type: none"> <li>Market survey on Corporate Image</li> <li>Customer satisfaction</li> <li>Market share trend</li> </ul>
	Collectivity		
	Competitors		

# 04

## Strategy and Performance

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## STRATEGIC ORIENTATION

The primary strategic objective for Aspiag Service is to increase market share, a goal that ensures growth, brand recognition, Company quality and of its offer. To achieve this strategic goal, our business is geared to five functional objectives: generation of financial resources, new openings and renovations, customer satisfaction, appreciation of collaborators, attention to the environment and the territory.

These goals influence corporate decisions and actions in a changing economic environment, stimulating the discovery of the best innovative solutions and the appreciation of all types of resources (environmental, human, technological).

The policy adopted for achieving the five functional objectives is based primarily on all corporate conduct that derives from our values and which has a common denominator for sustainable economic and social development.

Sustainability is in fact a value and an important feature within our goals, which are achieved through the following two groups of actions:

- external actions such as attention to the market, consumers and the local community, the choice of suitable economic partners, the supply chain, and sensitivity towards the environment;
- internal actions such as innovation, consumer safety, health and safety at work, the management of human resources, natural resources and environmental impacts.

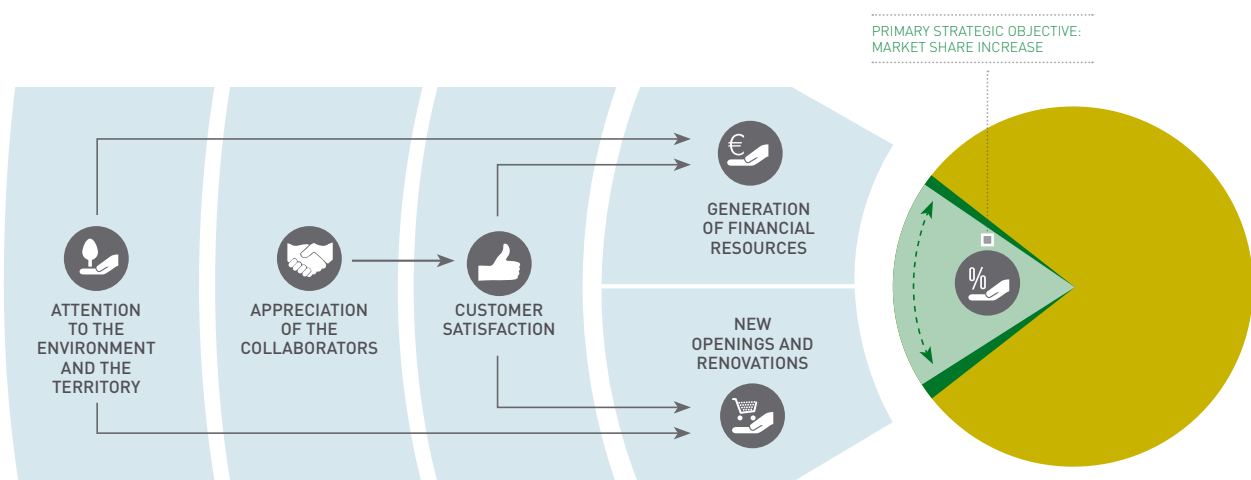
The objectives are interdependent on each other: each objective is linked to the others and the primary one of

increasing the market share, influencing the other goals and being influenced by them.

Aspiag Service roots can only sink into the area in which it resides and from where it finds the resources for its business, both in economic and social terms. It is from here that the employees are selected and trained, and who are followed and valued for their professional growth and for delivering better customer service, increasing the quality and quantity of products and services offered. Customer satisfaction involves generating new financial resources and the need to open new sales stores or to modernize existing ones, thus keeping pace with customer needs and innovation. This expansion will be reflected in an increase in market share. This strategic orientation seeks to differentiate our Company from competitors: the market often tends to compete on the lowest price front, while at Aspiag Service we also pursue a high quality level in all the initiatives and offers introduced.

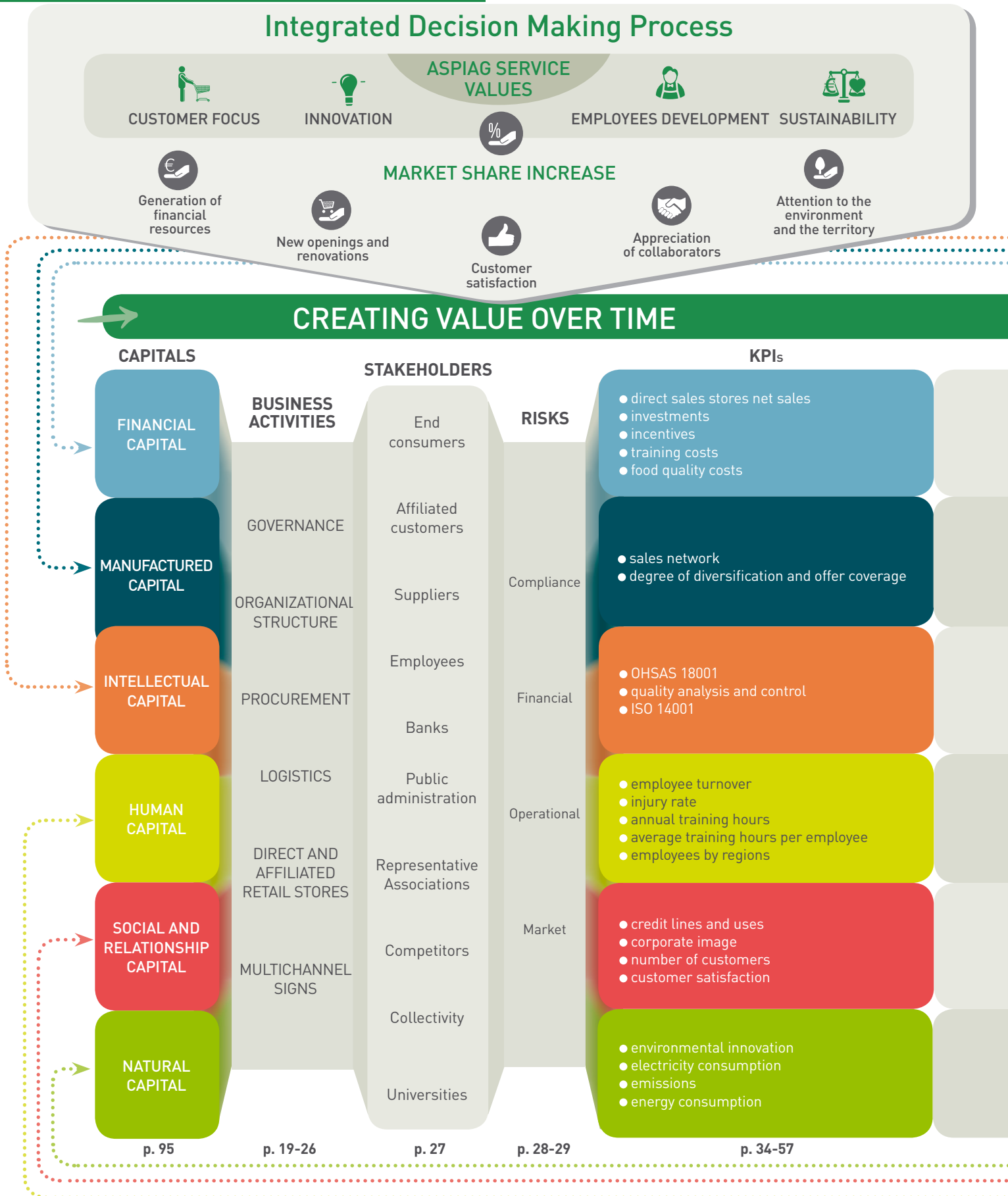
This way, we provide outstanding added value to the community, which can both find good value for money and have their loyalty secured, and rely on the existence of small neighbourhood stores that our logistics can supply, thus pursuing a non-secondary social role. In this way the competitive advantage is also improved.

Through this proactive attitude and distinctive wealth of ideas, Aspiag Service also aims to become a comprehensive innovation leader, taking on the role of trend-setter in store design, product range, presentation, and marketing.



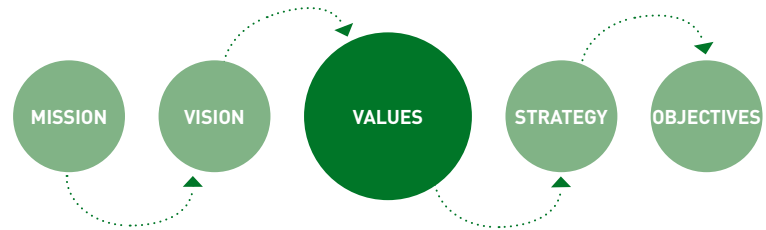


## THE VALUE CREATION PROCESS





The value creation process starts with the corporate mission that defines our purpose as a Company, to move on to the vision, which indicates the ultimate goal we want to achieve. Our values guide our actions and conduct, outlining the strategy that will help us achieve our objectives.



They particularly help us to:

- guarantee our customers the constant availability of high quality products and services;
- renew and innovate, to maintain and increase the competitiveness of our business;
- increase our employees' professionalism in a serene and productive working climate;
- be sustainable, helping to improve the economic and social conditions of the stakeholders and the environment in which we operate.

Our value creation process goes beyond the simple input-outcome model, as integrated thinking alone connects the strategy and corporate values to the value creation over time.

Firstly, we find the decision-making process, consisting of values and objectives.

From the outside, we draw upon the funds needed to develop the business, the retail stores, goods, human resources, natural resources and know-how acquired over time. The organizational structure uses these resources in their internal processes differently depending on the functions involved in the business.

The capitals that the Company uses are: financial, manufactured, intellectual, human, social and relationship and natural, and better explained in the methodological notes.

They are the fuel for the business model, which is made up of activities included in the "business activities" column. The Company reports to different types of stakeholders during its activities, and therefore must also face different types of risk.

At the end of the process, the Company obtains corporate KPIs, subdivided according to the capital logic.

To categorize them, they will be both traditional financial performance and non-financial (or rather pre-financial) ones.

The direct impact of KPIs are financial and non-financial outcomes, recorded in the reference period.

For Aspiag Service value creation is structured and includes many elements, but is presented in a coherent and linear way with respect to the decision-making process within the Company and in every corporate area.

## OUTCOMES

Financial solidity  
Efficient corporate governance  
Social and environmental impacts of the retail stores  
Reduction of food waste

Development of commercial network  
Multichannel sales stores  
Innovation in offer and services

Product quality  
Compliance with voluntary standards

Job creation  
Employees' training  
Employees' health and safety  
Employees' satisfaction

Customer satisfaction  
Company reputation

Sustainable commitment towards the community and the area  
Reduction of environmental impact in the supply chain

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## GENERATION OF FINANCIAL RESOURCES

Financial solidity is at the heart of the path undertaken by the Company towards sustainable development, meant primarily as economic sustainability, with the satisfaction of capital providers and as a condition for staying on the market, then as social sustainability, satisfying the expectations of Stakeholders both internal and external to the Company in terms of living conditions and lifestyles, and finally as environmental sustainability, such as efficient management of natural resources, minimizing the environmental impact of the corporate activities. With financial stability it is possible to reach the set goals and trigger a virtuous circle between production and investment. In fact, Aspiag Service reinvests all its profits into corporate development instead of distributing it among the Shareholders, and receives from the group, which has its own financial leverage, the necessary support for development. Operational activity offers results, which in turn constitute resources for the Company.



### FOCUS

#### The Business International award

Our commitment to integrated reporting and communication on economic and financial issues was rewarded this year at the Business International Finance Award, where Aspiag Service took the award in the category 'Financial Statements, Integrated Reporting and Communication' conferred by professors Franco Amigoni and Maurizio Dallochio, of the respective Scientific Committee. This event is a sign of the effectiveness and continuity in our way of communicating our economic performance.

## Value creation in action



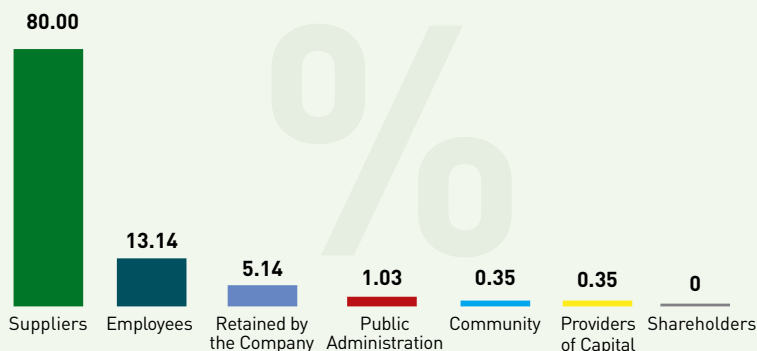
### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2016	2015	2014
<b>Direct economic value generated</b>	<b>1,835,526,880</b>	<b>1,793,622,133</b>	<b>1,721,701,025</b>
a) Income	1,835,526,880	1,793,622,133	1,721,701,025
<b>Economic value distributed</b>			
b) Operating costs	1,468,354,268	1,440,297,324	1,397,766,131
c) Employee wages	241,208,924	229,419,629	218,557,811
d) Payments to capital providers	6,358,766	7,321,299	9,138,993
e) Payments to the Public Administration	18,939,715	20,240,342	16,696,736
f) Investments in the community	6,383,301	5,031,477	3,302,292
g) Dividends to Shareholders	0	0	0
<b>Economic value distributed</b>	<b>1,741,244,976</b>	<b>1,702,310,071</b>	<b>1,645,461,964</b>
<b>Economic value retained</b>	<b>94,281,904</b>	<b>91,312,062</b>	<b>76,239,061</b>

Note: all values shown in the table are expressed in Euro.

### DISTRIBUTION OF THE ECONOMIC VALUE

The Company continues its economic value generated growth trend, so that the economic value distributed also grew, which is of greater interest to the Company's suppliers and employees.





## Value creation in action



### ADJUSTED PROFIT FOR YEAR

2016	2015	2014
19,949,401	17,097,432	5,473,960

Note: The profit shown is adjusted by the extraordinary item.

### EBITDA %

2016	2015	2014
6.43%	6.53%	5.61%

### CASH FLOW

2016	2015	2014
91,414,175	91,787,670	71,791,992



### CREDIT LINES AND USES (€)

	2016	2015	2014
Credit lines	433,363,789	443,440,646	464,270,524
Uses	162,570,396	125,968,810	146,076,948
% of credit lines	37.51%	28.41%	31.46%



### DIRECT RETAIL STORES NET SALES (€)

	2016	2015	2014
Despar	209,896,580	199,858,035	191,718,566
Eurospar	640,367,386	608,023,478	567,229,298
Interspar	593,012,039	593,545,247	573,912,154
<b>Total</b>	<b>1,443,276,005</b>	<b>1,401,426,760</b>	<b>1,332,860,017</b>

Note: Data for 2015 and 2014 have been recalculated to make them consistent with 2016 data following management reclassifications.



### NET SALES TO AFFILIATES (€)

	2016	2015	2014
Net sales to affiliates	217,791,849	219,439,270	214,488,356
Average net sales per affiliate	633,116	636,056	619,909



### AVERAGE RECEIPT (€)

	2016	2015	2014
Despar	11.75	11.88	11.83
Eurospar	18.87	19.09	19.11
Interspar	28.06	28.35	28.82

Note: Data for 2015 and 2014 have been recalculated to make them consistent with 2016 data following management reclassifications.

In 2016, the Company recorded results in line with the previous year. Although there was a decrease in average spending, the positive trend of the recent years has continued. Sales from direct retail stores increased by 3%, mainly thanks to new openings. Instead, a drop in sales to affiliates was recorded as a result of the difficulties encountered by small-size shops. Having had to seize development opportunities, since the cash flow generated was not sufficient to cover the investments made, the Company resorted to funding, made possible, however, by the high amount of credit lines available, in confirmation of the Company's solidity.



We have for years invested and believed in **INTEGRATED REPORT** as an effective and complete communication system of the Company's identity, performance and value both internally and externally.

FINANCIAL SOLIDITY

COMPANY REPUTATION

COMPLIANCE WITH VOLUNTARY STANDARDS



## NEW OPENINGS AND RENOVATIONS



Innovation is a key element in building an effective strategy for the Company's success. That is why we focus our efforts more on the retail stores that are a meeting place between the Company and its customers.

### DIRECT RETAIL STORES

10 NEW OPENINGS      8 RENOVATIONS AND MODERNIZATION

### AFFILIATED RETAIL STORES

15 NEW OPENINGS      7 RENOVATIONS AND MODERNIZATION

Aspiag Service's retail stores are built or renovated to always be on the cutting edge with state-of-the-art technology and sustainability. This attitude allows on the one hand to provide the end customer with an orderly, clean, modern and technologically supported space, and on the other hand to be in harmony with the environment and the area. Over the years, new equipment (new product displays) and specific space management systems have been developed to optimize product placement in the retail store and facilitate customer purchasing and work experience for suppliers. In fact, energy choices, emissions, and certifications converge in the sustainable business objective both economically and environmentally.

**Illumination:** we are increasingly resorting to renewable energy sources such as photovoltaic, solar and heat and energy recovery. New LED lighting concepts and state-of-the-art systems were already introduced a few years ago.

**Heating and air conditioning:** to optimize environmental impacts in winter and summer, technologies have been adopted that modulate heating and air conditioning systems according to the temperature and air quality parameters within the retail stores. Still from an energy-optimizing viewpoint, glass shading systems to minimize

air conditioning, extraction of high-efficiency cooking vapours and the recovery of rainwater for its use in bathrooms or for irrigation, have been designed.

**Methane gas:** the heat generated by the refrigeration systems is re-used to heat the water for sanitary use and made it possible to open stores without a thermal power plant.

**Polluting emissions in the atmosphere:** the new Aspiag Service buildings are in Class A (now in A3). The adoption of heat pumps and the use of a geothermal system in lieu of the traditional thermal power plant have allowed us not just to reduce energy consumption and simplify the systems but also to lower polluting emissions into the atmosphere. CO<sub>2</sub> sensors for air quality manage its internal renewal. Furthermore, from January 1, 2014, only certified green energy is used, produced from renewable sources.

**Cold chain:** this is the most relevant sector in terms of electrical consumption. The Company is committed to several areas of intervention:

- 1) the efficiency of refrigerator units, with systems that reduce the use of greenhouse gases, and power plants;
- 2) the implementation of new systems that use CO<sub>2</sub> gas thus allowing savings in costs and the total elimination of ozone harmful gasses;
- 3) E.S.I.F. (Energy Saving Impianti Frigo) 'Refrigerating Systems' Energy Saving' designed to optimize the refrigeration plant's consumption through constant monitoring of the environmental parameters and refrigeration requirements needed by the refrigerator units;
- 4) the addition of doors for the refrigerator units.

Innovation is not just an important value for the Company, but also a strategic role in terms of competitive advantage: for this reason, innovative proposals, from employees, as well as from the outside, are valued and stimulated both for the professional growth of everyone and for corporate growth.



## Value creation in action



INVESTMENTS (€)	2016	2015	2014
New openings	27,367,430	35,655,128	44,337,040
Renovations	14,331,852	19,686,461	15,897,014
Investments in the upcoming opening of retail stores	35,793,517	16,724,435	7,470,061
Other types of investment*	29,285,174	19,288,615	11,451,283
<b>Investments in the development of retail stores</b>	<b>106,777,972</b>	<b>91,354,640</b>	<b>79,155,398</b>
* of which costs for innovation and maintenance of IT systems	3,142,305	1,930,203	3,087,689



SALES NETWORK	2016	2015	2014
Despar	79	78	75
Eurospar	110	106	101
Interspar	34	33	33
<b>Total</b>	<b>223</b>	<b>217</b>	<b>209</b>
Number of Affiliated Stores	344	345	346
<b>Total</b>	<b>567</b>	<b>562</b>	<b>555</b>



ENVIRONMENTAL INNOVATION	2016	2015	2014
Number of LED lit sales stores	<b>85</b>	<b>69</b>	<b>38</b>



NEW RECRUITS IN THE NEW RETAIL STORES	2016	2015	2014
New recruits in the new retail stores (headcount)	302	260	353

In 2016 we continued the growth policy that has always characterized the Company, further increasing the amount of investments made. This has led to an increase in sales network of 10 more direct sales stores and 15 affiliated retail stores, but above all laid the foundations for future openings. It is common practice in investments and Company renovations (8 direct sales stores and 7 affiliated retail stores renovated and modernized), to look for the best technological solutions that allow significant energy savings both in terms of emissions and costs.

The progressive rationalization and modernization of retail stores makes it unavoidable, on the one hand, to close/sell outdated and less performing stores, and on the other, the constant search for new openings for better customer service and capillary coverage of the area. As of December 31, 2016, 85 retail stores and the Mestrino (PD) logistics warehouse use full-led technology, resulting in reduced emissions and associated costs, highlighting the Company's commitment in the pursuit of continuous innovation.

Continuous corporate growth also has positive effects on employment in the area with 302 new jobs created following new openings.

### DEVELOPMENT OF COMMERCIAL NETWORK MULTICHANNEL SALES STORES

### JOB CREATION

### FINANCIAL SOLIDITY

### SUSTAINABLE COMMITMENT TOWARDS THE COMMUNITY AND THE AREA



## SOCIAL AND ECONOMIC CONTRIBUTION OF BUSINESS ACTIVITIES IN THE TRADING AREA

In 2016, the Company conducted an assessment of the economic and social impacts associated with its business activities within the regions of its trading areas. These impacts were measured in terms of job placements, GDP contribution and tax contribution through a national and regional data-based economic and statistical model and on purchasing data. In order to consider business activities as a whole, the analysis also includes an estimate of the impacts associated with the affiliated sales network.

This methodology is based on input-output tables that identify sectorial interdependencies (both internal and external) of an economic system and allow the value generated to be measured for each euro spent by an organization for carrying out its activities. In fact, where there are the Company's expenditure items (demand), many economic sectors (offer) are activated which, in turn, trigger additional demand, generating an infinite multiplier effect.

The analysis responds to Aspiag Service's willingness to provide a broader account of its economic, social and environmental impacts generated directly in the reference area not just by business activities (direct impacts), but also extended to those that are activated along the whole supply chain (first level) through the purchase of goods and services necessary for their business activity (indirect impact) and those generated by the wealth put into the economic system by those employed directly and indirectly through end consumption expenditure (induced impact).

### DIRECT IMPACTS

- Number of Aspiag Service's and its affiliates direct employees.
- Added value generated directly by Aspiag Service and its affiliates.
- Social security contributions and taxes paid by Aspiag Service and its affiliates.

### INDIRECT IMPACTS

- Number of jobs activated from the purchase of goods and services by Aspiag Service and its Affiliates in the trading area regions.
- Added value generated by sectors activated by the purchase of goods and services by Aspiag Service and its Affiliates in the trading area regions.
- Tax and social contributions on earned income paid by the sectors activated by the purchase of goods and services by Aspiag Service and its Affiliates in the trading area regions.

### INDUCED IMPACTS

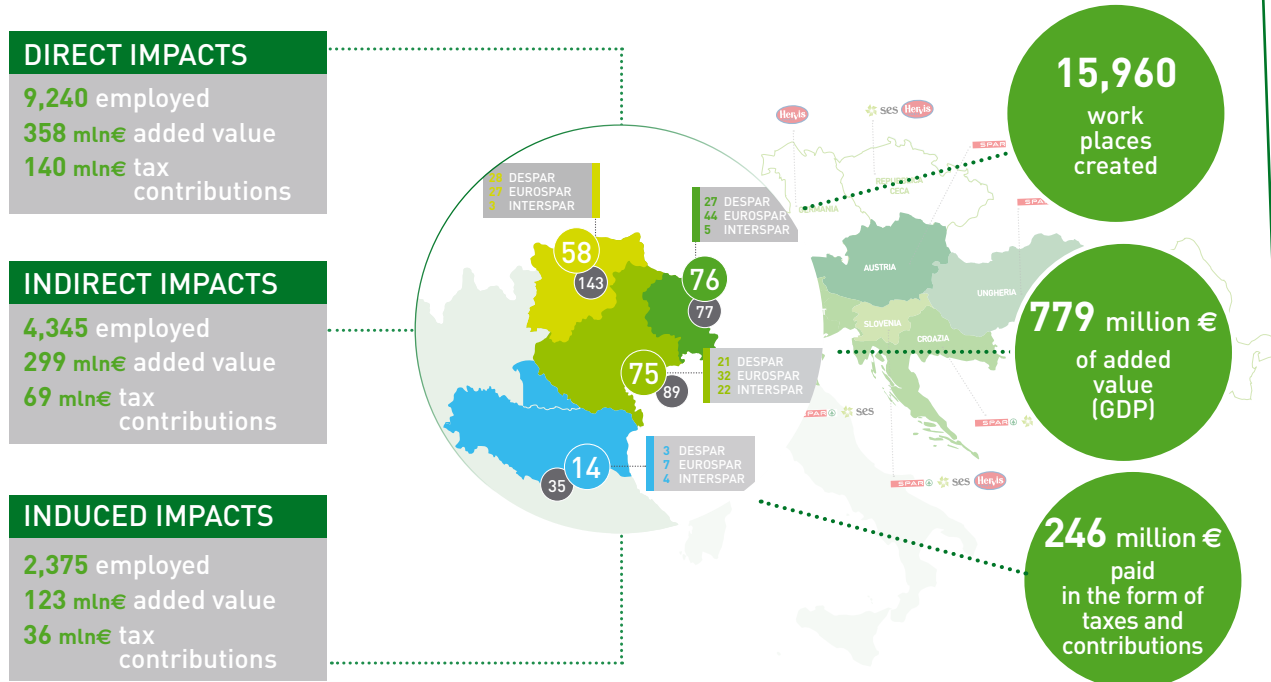
- Number of jobs activated by end consumption of direct and indirect employees.
- Added value generated in the economic sectors activated by the wealth distributed by those employed directly and indirectly through end consumption expenditure.
- Tax and social contributions on earned income paid by the sectors activated by the wealth distributed by those employed directly and indirectly through end consumption expenditure.

From the analysis of the 2016 purchase items of Aspiag Service and its Affiliates from suppliers in the trading area (approximately 893 million €), it appears that the sector in which the Company has a greater impact on spending is food and beverage production (50%), followed by wholesale (16%) mainly of shelf-bound goods (both food and household/personal care), construction (7 %), Real estate (6%), logistics (5%), electricity and water supply (4%) and other sectors (12%).

Through its business activities, Aspiag Service and its affiliate network have activated around 15,960 jobs in 2016, contributing 779 million € to GDP and paying taxes and social security contributions of approximately 246 million € in the trading area regions.



## The extended value of Aspiag Service



In terms of impact on employment, around 15,960 jobs have been activated in the trading area regions. Of these:

- 9,240 are direct employees of Aspiag Service and its affiliated retail stores;
- 4,345 are the jobs activated through the purchase of goods and services needed for its business;
- 2,375 are the jobs activated through the wealth spread into the economic system for end consumption by those employed directly and indirectly.

In terms of GDP contribution, in 2016 Aspiag Service and its sales network run by affiliates generated about 779 million € of added value:

- directly: 358 million €;
- through purchases from suppliers operating in the trading area: 299 million €;
- through expenditure for end consumption by those employed and activated directly and indirectly: 123 million €.

Lastly, Aspiag Service contributed to the Italian tax system in 2016 for a total of 246 million € split as follows:

- direct contribution: income taxes (IRAP and employees' income tax), employer and employee's social security contributions and indirect taxes (140 million €);
- indirect contribution: employer and employees' social security contributions and employees' income tax paid according to the job positions activated along the supply chain through purchases from suppliers operating in the trading area (69 million €);
- induced contribution: employer and employees' social security contributions and employees' income tax paid according to the job positions activated through the expenditure for end consumption by those employed directly and indirectly (36 million €).

**The methodological approach to the impact assessment model as well as the consistency of the assumptions adopted have been subject to EY's analysis and validation.**



# CUSTOMER SATISFACTION



## OFFER

The offer of products and services is diversified, in order to improve its recognition and to satisfy as much as possible the variety of our customers' demand which is achieved through multichanneling (two forms of distribution and three signs).

The assortment is qualified according to the retail store format, the type of area, the attention to those looking for

functional-healthy products or those who are intolerant and guaranteeing different price bands to safeguard the customers' purchasing power.

But in addition to saving, more and more customers base their choice on the sustainability of products such as low environmental impact, recyclable or reusable products that are known for their production methods or origin.

For this reason, sustainability, taken broadly, increasingly serves as a driver for purchase, therefore it has to be supported.

## Value creation in action



### DEGREE OF DIVERSIFICATION AND OFFER COVERAGE

	2016	2015	2014
Despar	14,318	13,563	12,365
Eurospar	25,267	24,363	22,116
Interspar	42,665	41,402	37,979

Note: The average number of references in the sales stores by sign.



### ASSORTMENT CHOICE

	2016	2015	2014
	8.60	8.56	8.34

Note: The ratings are placed on a scale from 1 (not satisfied) to 10 (very satisfied).



### NUMBER OF CUSTOMERS

	2016	2015	2014
Despar	17,862,384	16,819,130	16,211,759
Eurospar	33,944,495	31,853,107	29,681,252
Interspar	21,135,324	20,937,980	19,913,613
<b>Total</b>	<b>72,942,203</b>	<b>69,610,217</b>	<b>65,806,624</b>

The constant increase of the assortment available in all our Company formats continued also throughout 2016. This choice was rewarded by our constantly increasing consumers, who appreciate it as one of our strengths.

The number of customers, according to the number of receipts issued, exceeded 70 million over the year.





## FOOD SAFETY



Food safety is of primary importance, ensured by a preventive definition of the goods' requirements (structural and managerial) and by a careful selection of qualified suppliers from which the highest quality is demanded with respect to hygiene standards, production, handling and food preservation and to the distribution chain. The freshness of the products is safeguarded through rapid procurement and distribution and the most advanced equipment for their preservation. We operate under HACCP-based procedures and invest in training both our employees and our suppliers.

Marketed products can be tracked through all distribution phases, as required by art. 18 of the European Directive 178/02.

The entire internal production of the butcher's department (minced and ready-to-cook meat) is controlled in the fresh products departments by microbiological analysis and superficial swabs on cutting boards, knives and equipment such as slicers, pliers and cutting pliers.

Since 2016, the result of the fight against vermin is available online, as well as the remote management service of the refrigeration equipment in the sales subsidiaries, which consists of remote access to read and check the storage temperatures of refrigeration systems in all sales units.



## Value creation in action



### QUALITY ANALYSIS AND CONTROL

Type of control	2016			2015			2014		
	Samples analysed	Non compliant	% Non compliant	Samples analysed	Non compliant	% Non compliant	Samples analysed	Non compliant	% Non compliant
Product analyses	568	89	16%	587	54	9%	522	58	11%
Superficial swabs	2,274	209	9%	2,198	393	18%	1,845	151	8%
<b>Total</b>	<b>2,842</b>	<b>298</b>		<b>2,785</b>	<b>447</b>		<b>2,367</b>	<b>209</b>	



### CURRENT EXPENSES FOR FOOD QUALITY (€)

	2016	2015	2014
External	153,912	146,690	146,096
Internal	242,078	164,467	144,141
<b>Total</b>	<b>395,991</b>	<b>311,157</b>	<b>290,237</b>



### FINES REGARDING THE SUPPLY AND USE OF PRODUCTS AND SERVICES

	2016	2015	2014
Monetary value of the fines (€)	27,411	68,586	36,406
No. of fines	15	17	19

Note: fines regarding the supply and use of products and services refer to missing or incorrect information and labelling of the products being sold (related to ingredients, prices, unit of measurement, origin, etc.), expired goods, incorrect refrigerator temperatures

The Company's good result with regard to food safety was achieved through internal processes and procedures, confirmed by the low number and value of the fines received, which were insignificant if we consider the high number of retail stores managed. The number of analyses carried out is in line with the previous year.

The non-conformities indicated are mainly related to voluntary evaluation parameters that the Company has decided to make more stringent with respect to the current regulations.



PRODUCT QUALITY

EFFICIENT CORPORATE GOVERNANCE



## COMMUNICATION



In order to maintain constant contact with the customers and to better know their needs, the Company has set up a solid, frequent and multi-level dialogue with external users. This consolidated practice of communication takes place both through traditional channels such as local TV, radio, periodicals, newspapers and advertising posters, and through more modern channels such as internet sites, blogs and social media (Facebook, Twitter, Instagram) that are strategic marketing tools today. By taking care of sustainability, putting trust in innovative products and promoting good consumption habits and correct lifestyle, we can serve as intermediaries between those who produce and who consume. The Company's most important portals, full of contacts, tips and information for the consumer, are listed next.

**DESPAR.IT** – is the Company's website. It has an average of 174,384 monthly visits and 1,263,830 pages viewed per month. The site always allows to be updated on the Company's promotional activities, offers and important Corporate Social Responsibility initiatives.

### CASADIVITA.DESPAR.IT

Is the Despar Nordest blog created in 2010, as well as being an appendix to the quarterly DiVita Magazine, devoted to healthy nutrition. Inside there are recipes, tips, ingredients, typical and seasonal products, all topics dealt with depth to convey information about the principles of a healthy and correct lifestyle.

### FACEBOOK.COM/DESPARNORDEST

Is an important source of contact between Aspiag Service and consumers which, together with other social media, sets itself up as a real form of online customer care. The business page created on Facebook engages users daily in specific business initiatives or institutional communications.

## Value creation in action



### CORPORATE IMAGE

2016

2015

2014

8.29

8.24

8.17



### CUSTOMER SATISFACTION

2016

2015

2014

Despar

8.32

8.28

8.16

Eurospar

8.44

8.42

8.24

Interspar

8.78

8.48

8.36

Chain

8.48

8.38

8.24

Note: the ratings are placed on a scale from 1 (not satisfied) to 10 (very satisfied).  
The rating assigned to the chain does not represent the average of the ratings obtained from the individual signs.



### PRESS AND WEB CORPORATE IMAGE

2016

2015

2014

number of Aspiag Service quotes

1,569

1,558

1,616

daily average

4.29

4.27

4.43

positive tone

43%

34%

43%

neutral tone

50%

58%

54%

negative tone

7%

8%

3%

The Company's success is reflected in these improved indicators. Customer satisfaction, consequence of innovative products and services, and the perceived image, based on our distinctive skills, confirm our good corporate reputation, thus strengthening our presence and rewarding our commitment.



**CUSTOMER SATISFACTION  
COMPANY REPUTATION**



## DESPAR TRIBÙ

Despar Tribù is the digital community that adds value to the relationship with our customers. The app allows the collection of Punti Cuore to get shopping discounts quickly and sustainably.



Registered users  
**141,668**



Average bill  
with loyalty tribù  
**€ 70.03**



Monthly product  
listing on the  
shopping list  
**34,238**



Downloaded  
shopping  
coupons  
**155,354**



Coupon  
redemption  
**91%**



Monthly scans of  
QR codes  
**60,201**

For digital literacy we have created the **DIGITAL meet** festival, in collaboration with the Foundation Comunica, to learn how to use a smartphone and apps. The meetings took place in the retail stores.

This year we were the winners of the **SMAU Innovation Award** for our App Despar Tribù, which, by focusing on digital promotions, greatly reduces the use of paper for flyers and allows to speed up the offers' utilization.

## CASADIVITA

### DiVita Magazine



**4**  
Issues per year

**315,000**  
Number of copies

**5,000**  
Copies of the recipe book  
"100 modi di dire verdura"  
["100 ways of saying greens"]

### Casadivita



**300**  
published articles

**821,209**  
total visits

**1,513,716**  
pages seen

## PET FRIENDLY

Aspiag Service's commitment to the environment and animals with various pet-friendly initiatives continued in 2016, in collaboration with the Federazione Italiana Associazione Difesa Animali e Ambiente in addition to initiatives for the fight against strays and animal feed collection at various sales stores throughout the area, it is possible to shop with one's proper dog, thanks to the special fabric bags available in sales stores to put into the shopping cart for one's own animal.





## APPRECIATION OF COLLABORATORS

One of Aspiag Service's pillars of its general attitude and strategy for building a solid foundation is the appreciation of the 7,450 employees, which represent the Company's true competitive advantage and high quality.

EMPLOYEES	2016			2015			2014		
	Average headcount	Headcount	FTE	Average headcount	Headcount	FTE	Average headcount	Headcount	FTE
Women	4,704	4,815	3,674	4,537	4,629	3,539	4,430	4,485	3,413
Men	2,538	2,635	2,473	2,344	2,438	2,310	2,222	2,252	2,139
<b>Total</b>	<b>7,242</b>	<b>7,450</b>	<b>6,147</b>	<b>6,881</b>	<b>7,067</b>	<b>5,849</b>	<b>6,652</b>	<b>6,737</b>	<b>5,552</b>

FTE: "Full Time Equivalent". Corresponds to the equivalent number of full-time employees.

Headcount: Number of employees at the end of the year.

Average headcount: average number of employees in place at the end of the month (pursuant to article 2427 of the Italian Civil Code).

GRI  
G4-10

## EMPLOYEE RECRUITMENT

Recruiting is carried out directly by the Human Resources Department regarding the Headquarters and Logistics.

The Human Resources Management is responsible for the guidelines (recruitment policies) and training of Sales Area Managers who directly deal with the selection of sales staff.

Aspiag Service's aim is to look for talent with characteristics in line with corporate values in order to gain a source of content and knowledge.

We use both traditional and innovative systems in the recruitment process, such as speed interviews and assessment center.

Experience in the Company, both at the headquarters and at the sales stores, may come about through employment contracts or training internships, which also encourages the inclusion of young students and graduates.

For this reason, Aspiag Service collaborates with several institutions, such as Italian and foreign universities or high schools, participating in job days, recruiting events or employer branding. These activities allow collaboration with resources that have a sense of initiative and enthusiasm and who want their potential to stand out in the area most suited to their attitudes and abilities.

In some cases, collaboration results in projects that allow the drafting of a thesis.

## Value creation in action



### INTERNSHIPS

internships with graduands/graduates

internships with high school graduates

internships with high school students

#### Total internships undertaken

with Italian universities

with foreign universities

with high schools

with other institutions

number of interns who prepare their thesis with Aspiag Service srl

	2016	2015
internships with graduands/graduates	50	48
internships with high school graduates	2	6
internships with high school students	2	1
<b>Total internships undertaken</b>	<b>54</b>	<b>55</b>
with Italian universities	47	42
with foreign universities	1	0
with high schools	2	1
with other institutions	4	12
number of interns who prepare their thesis with Aspiag Service srl	9	10

Internship training courses have an average duration of more than 6 months, and over the last three years, one trainee in three received a contractual proposal, sign of the Company will not to discard the wealth of education and relationship created during the internship.



COMPANY REPUTATION



## TALENT HUNTING AWARD

Aspiag Service has won three awards from the University of Padova on the occasion of the first edition of the "Best Talent Hunter" event. Through its Stage & Career service, the University rewards companies that in the last academic year were particularly active in promoting job placement policies for students and graduates from the University of Padova.

Despar Nordest received the award in three categories: best Company for the number of internships in 2016, best Company for job placement after internship, and best Company for the quality of its tutoring. It is the only large scale distribution Company awarded for its commitment with three different certificates of merit.

In this way, as in others, Aspiag Service remains faithful to its commitment for the quality of work and its collaborators, encouraging and cultivating young talent within the Company.





## EMPLOYEES MANAGEMENT

Aspiag Service's collective bargaining contract is divided into 4 types that govern respectively the employment relationship between the employees of Veneto and Emilia Romagna, Friuli Venezia Giulia, autonomous province of Trento and Bolzano branches. These collective bargaining agreements have a very similar regulatory structure and differ only in relation to certain area specificities, harmonization with provincial norms and pre-existing practices.



During 2016, all corporate employment contracts that expired in 2013 and 2014 remained in force, as well as 2nd level collective bargaining contracts remaining valid, something unique among large scale distribution companies.

The Company also aimed to transform all employment contracts into permanent contracts.

Fixed-term contracts account for about 13% of the total workforce, however, they are physiological given the growth of employees in recent years.

Human Resources Management has continued with the development of trade union assistance to branches, providing for joint meetings to reach an understanding with the unions that are functional to the new work organization resulting from liberalization in opening hours.



These activities, together with others for prevention and formation described below:

- prevention activities: proper application of employment law, comparison and dialogue at both individual and collective level (branch, area);
- training activities: addressing the roles of responsibility for proper employees management; have allowed a good workmanship, maintaining a low level of conflict, with a limited number of legal disputes (4 new cases in the year and 22 out-of-court settlements) when compared to the number of collaborators.



### Employee subdivision by contract (average employment)

	2016	2015	2014
permanent	6,283	6,210	6,204
of which women	4,163	4,142	4,148
fixed-term	959	671	448
of which women	540	395	282
<b>Total</b>	<b>7,242</b>	<b>6,881</b>	<b>6,652</b>
of which women	4,703	4,537	4,430



### Employee subdivision by professional qualification and gender (average headcount)

	2016	2015	2014
Executives	17	19	20
of which women	0	0	0
Middle management	84	77	77
of which women	11	10	9
Employees	7,141	6,785	6,555
of which women	4,693	4,527	4,421
<b>Total</b>	<b>7,242</b>	<b>6,881</b>	<b>6,652</b>
of which women	4,704	4,537	4,430



With regard to significant organizational changes, the law explicitly provides specific Company obligations for preventive union consultation in Company transfers referred to art. 2112 of the Italian Civil Code.

As of December 31, 2016, there were no legal or other actions regarding anti-competitive conduct, antitrust violations or monopoly violations.



To further validate our employees, we have a reward system that includes collective rewards resulting from the collective bargaining contract, open to all sales personnel upon achieving hourly productivity results, containment of inventory differences, the economic result of the store they belong to.



The M.B.O. (Management By Objectives) serves to increase business performance according to the resources available. This is a system dedicated to managerial staff and those with commercial responsibility, based on alignment between the personal objectives of management and corporate objectives. Objectives associated with a discretionary assessment of organizational behaviour are not expected.



## Value creation in action



### WORKPLACE COST (€)

	2016	2015	2014
Headquarters	37,883,420	35,454,377	34,964,363
Direct retail stores	202,802,831	193,411,960	183,217,423
<b>Total</b>	<b>240,686,251</b>	<b>228,866,337</b>	<b>218,181,786</b>

Note: Employees listed under the headquarters item include offices and logistics



### FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS

	2016	2015	2014
Monetary value of the fines (€)	49,271	55,261	36,733
Number of non-monetary fines	0	0	0

Note: fines refer to INAIL (National Institute for Insurance against Accidents at Work) inspections, late notice of termination of employment, breach in lack of employees' rest, lack of hygienic conditions in the sales stores, voluntary corrections to loyalty programmes, unlawful extensions, delayed payment of withholding tax and Registration tax, occupation of public land.



### EMPLOYEES TURNOVER (%)

	2016	2015	2014
Incoming turnover (Permanent incoming/average headcount)	3.04%	5.20%	2.60%
Outgoing turnover (Permanent outgoing/average headcount)	2.76%	3.27%	2.53%
<b>Total</b> (permanent incomings and outgoings)	<b>5.80%</b>	<b>8.47%</b>	<b>5.13%</b>



### INCENTIVES (€)

	2016	2015	2014
Company supplement	2,336,302	2,360,928	1,298,649
MBO	3,143,262	3,503,518	2,156,830
<b>Total</b>	<b>5,479,564</b>	<b>5,864,446</b>	<b>3,455,479</b>
Incidence of incentives on labour costs (%)	2.28%	2.56%	1.58%
Number of employees who have received a bonus	5,434	4,973	4,328

Personnel movement during the year led to an increase in the number of people employed (+361 average headcount) resulting in an increase in labour costs. The number of employees receiving a bonus in 2016 also increased. The turnover remained physiological, confirming the Company's ability to keep its collaborators.



GRI  
G4-S08

GRI  
G4-LA1

## HEALTH PROJECT

The project supports employees' well-being by providing information on the benefits of the contractual health policy and by encouraging controls, specialist visits, care and maternity, supporting costs and increasing agreements with healthcare facilities. Today there are more than 50 contracted facilities spread out in Triveneto. All the necessary information on the project is available on the corporate website.

Health Project	2016	2015	2014
Number of services rendered	4,627	1,878	1,080
Employees savings (€)	510,650	290,250	194,400



## Work life balance

The Company allows extensive use of part time schedules, ensuring the quality of the work environment and facilitating the reconciliation of work and life time, especially for women.

Safeguarding a better Work-Life Balance is confirmed by the choice of employees to return to their jobs at the end of parental leave.

### Number of part-time employees (average headcount)

	2016	2015	2014
Employees with a part-time contract	2,902	2,774	2,647
of which women	2,590	2,511	2,432
% Employees with a part-time contract	40.07%	40.32%	39.80%
of which women	35.76%	36.50%	36.55%

### PARENTAL LEAVE

#### Employees who return to work after parental leave (headcount)

	2016		2015		2014	
	no. men	no. women	no. men	no. women	no. men	no. women
Employees with a right to parental leave	441	976	347	675	377	710
Employees who take parental leave	19	280	12	208	11	209
Employees that have ended parental leave in the current year	15	197	8	146	8	157
Employees that return to work after parental leave	15	195	8	144	8	157

Note: The right was taken from the knowledge of the children's date of birth and without taking into account the possible use by the spouse.

## Equal opportunities

Considering it a key step for its development, corporate policy is committed to support equal opportunities between men and women, whose basic salaries are almost equal both in the headquarters and in the warehouse. Aspiag Service also collaborates with SIL - Servizi Integrazione Lavorativa (Work Integration Services) - to promote social and work integration projects and paths for people with disabilities and/or who are disadvantaged.

#### Man-woman salary ratio by location of operation

	2016	2015	2014
IN THE SALES STORES			
Employees	89.64%	90.69%	90.35%
IN THE HEADQUARTERS AND WAREHOUSE			
Middle management	112.20%	106.52%	92.10%
Employees	90.33%	91.17%	92.78%

#### Employees belonging to protected and disabled categories (average headcount)

	2016	OF WHICH WOMEN	2015	OF WHICH WOMEN	2014	OF WHICH WOMEN
Executives	0	0	0	0	0	0
Middle management	1	0	1	0	1	0
Employees	341	213	330	205	318	196
<b>Total</b>	<b>342</b>	<b>213</b>	<b>331</b>	<b>205</b>	<b>319</b>	<b>196</b>

#### Financial assistance received from the public administration

	2016	2015	2014
Contributions for the disabled /female employment / apprentice training	3,364	10,560	69,511

Note: all values shown in the table are expressed in Euro.



## SAFETY AT WORK

Aspiag Service has the primary task of ensuring the balance between achieving corporate goals and the need to safeguard people's health by providing security for their employees, customers and third parties in general, preventing injuries and mitigating any damage from them.

In addition, safety committees are active in the Company consisting of 17 workers' safety representatives, a prevention and protection manager, and 6 in charge of the protection and prevention service.

### Value creation in action



#### INJURY RATE AT WORK

	2016	2015	2014
No. of injuries	252	245	254
of which women	160	161	170
of which men	92	84	84
No. of days off work	5,328	5,320	5,307
<b>Injury rate</b>	<b>5.31</b>	<b>5.49</b>	<b>5.96</b>
<b>Severity index</b>	<b>21</b>	<b>22</b>	<b>21</b>
<b>Days lost over worked hours</b>	<b>112.0</b>	<b>107.69</b>	<b>112.22</b>
<b>No. of complaints for professional illnesses</b>	<b>15</b>	<b>16</b>	<b>18</b>

Note: Injury rate = (No. of injuries/ worked hours) X200,000

Days lost over worked hours = (Number of days off work/worked hours) X200,000

Worked hours = No. of worked hours by time card

Severity index = (Number of days off work/Injuries)



#### ABSENTEEISM RATE

	2016	2015	2014
% hours of illness/ ordinary gross workable hours	3.05%	3.17%	3.12%
% injury hours/ ordinary gross workable hours	0.34%	0.35%	0.37%
<b>Total incidence %</b>	<b>3.39%</b>	<b>3.52%</b>	<b>3.49%</b>

Process activities carried out on this front allowed a diminishing index of injury and absenteeism rate in the Company to be reached over the medium to long term.



In March 2016 we obtained a three-year renewal of **OHSAS 18001** certification.

More can be learnt about the certification and its background in our Company at the following link (<http://www.despar.it/it/node/23/sicurezza-sul-lavoro/>).

EMPLOYEES' HEALTH  
AND SAFETY

COMPLIANCE WITH  
VOLUNTARY STANDARDS

GRI  
64-LA6



## TRAINING AND DEVELOPMENT

The desire of offering high standards of quality is also based on the ever-increasing commitment dedicated to the professional growth of employees. A commitment that is expressed through training, specialization and constant updating activities, considered as fundamental elements for increasing know-how and participation in the culture and values of the Company.

More generally, the employee development strategy aims at the following objectives:

- building a shared corporate organizational and managerial culture;
- build internal know-how and create future managers;
- link training to business objectives (present and future).

For these purposes, corporate values have been shared, the Performance Management process has been designed and developed, a shared Job Description

model structured and then put into practice for the roles of responsibility, the Trainee Store Manager project realized, a training catalogue designed and shared for the on-site managerial roles, consisting of training courses created in line with the identified values and, lastly, e-learning training developed.

In addition to the attention paid to all corporate areas and to their safety, we consider the issue of customer service training to be of great value.

A substantial number of hours of classroom training in business for both collaborators and newcomers is expected. In addition, we deliver training through e-learning platforms, which enables retail stores collaborators to be effectively trained within their workplace, thus speeding up learning methods and times, and without too much impact on work organization.

### Performance management

Performance Management began in 2016 along with executives and managers who identified Aspiag Service's values and objectives, in line with corporate culture.

This project of assessment and development of people is nothing more than an integrated management system whose purpose is to map the competences present in the Company and that sees managers and collaborators in close contact for the definition and attainment of the preset objectives as well as their supervision. The collaborator's conduct, attitudes and results lay the foundation for their validation and result in professional development.

### Trainee Store Manager project

The Trainee Store Manager project is an annual 912 hour training programme, both in the classroom and at the sales stores, involving many business areas, and whose aim is the training for those who wish to be a future store manager. After obtaining the title of Trainee Store Manager, the programme provides for operational and working support stages in intermediate roles and at the end of which, it will be possible for those selected to become Store Managers.



## Value creation in action



TRAINING COSTS (€)	2016	2015	2014
External (for teachers and learning material)	611,725	663,873	586,071
Inside the Company	1,054,352	927,358	712,229
<b>Total</b>	<b>1,666,077</b>	<b>1,591,231</b>	<b>1,298,300</b>
Average training cost of full-time employee (FTE)	271.04	272.05	233.84



ANNUAL TRAINING HOURS	2016	OF WHICH WOMEN	2015	OF WHICH WOMEN	2014	OF WHICH WOMEN
Executives	332	-	416	-	743	-
Middle management	1,050	191	840	239	1,986	390
Employees	69,955	36,705	61,361	34,746	45,623	26,022
<b>Total</b>	<b>71,336</b>	<b>36,896</b>	<b>62,617</b>	<b>34,985</b>	<b>48,352</b>	<b>26,412</b>

GRI  
G4-LA9



AVERAGE TRAINING HOURS PER EMPLOYEE	2016	OF WHICH WOMEN	2015	OF WHICH WOMEN	2014	OF WHICH WOMEN
Executives	18.42	-	21.89	-	41.26	-
Middle management	12.35	17.40	10.63	21.74	26.48	43.29
Employees	9.52	7.64	8.80	7.52	6.87	5.81
<b>Total</b>	<b>9.58</b>	<b>7.66</b>	<b>8.86</b>	<b>7.56</b>	<b>7.18</b>	<b>5.89</b>

GRI  
G4-LA9

Note: In the ratio of 'average training hours per employee', employees are expressed in headcount.



CORPORATE CLIMATE SURVEY	2016		2014		2012	
	Online	Paper	Online	Paper	Online	Paper
Percentage of participation in the survey	91%	71%	92%	70%	85%	69%
Company recommendation to others as an employer	81%		85%		83%	
Management performance from the point of view of collaborators	64%		65%		60%	
Employee training from the point of view of collaborators	65%		64%		59%	

The Company's willingness to have an increasingly prepared staff is demonstrated by the considerable increase both in terms of hours and costs that the Company invests in supporting its employees training.

The average annual training hours for each trained employee grew compared to 2015 as well as the number of employees trained. The increase over the year was mainly due to the increased use of the e-learning tool for training at the retail stores. The good result of the corporate climate survey is in line with previous years.

EMPLOYEES' TRAINING

EFFICIENT CORPORATE GOVERNANCE



## ATTENTION TO THE ENVIRONMENT AND TO THE TERRITORY



Aspiag Service is increasingly focused on thinking about its business in terms of 'corporate social integration', understood as the desire of establishing a path that involves the Company and all its stakeholders towards a virtuous circle that can create value in a shared way. In particular, the value of sustainability is seen as an integral part of the Company's policy and strategy, resulting in the involvement of both senior management and all collaborators in managing in this way the business.

### ENVIRONMENT

Aspiag Service's environmental policy, signed by the Managing Directors and viewable on the link [www.despar.it/it/node/30/politica-ambientale/](http://www.despar.it/it/node/30/politica-ambientale/), concerns the relationship between the corporate structure and the nature that surrounds the Company and requires respect and compliance through practices that guide procedures, decisions and performance in a way that is environmentally sustainable.

Thanks to our activity in this field we were the first Italian large scale distribution Company to obtain ISO 14001: 2004 certification, which we are progressively extending to the entire corporate network.

Other signs of our environmental commitment are the Company's decision to use only certified green energy, that is produced from renewable sources, and the use of plastic containers for the transportation of fruit and vegetables that can be completely reused and recycled.

The architectural recovery of historic sites is also part

of our environmental policy, as the Company's attention to environmental and social issues is centered in their renovation and modernization. Periodically renovating our spaces is a sign of our willingness to offer our customers a convenient, functional and comfortable shopping space without invasively generating social and environmental impacts.

For this reason, in addition to all the innovations mentioned above, we aim to eliminate any inconvenience to access, every architectural barrier, unsuitable or unpleasant structures. Among the upgrade and renovations of historic buildings we cite:

- Interspar in Parma: upgrading former Bormioli industrial area, with an A3-class energy performance certified sales stores;
- Despar at Rialto in Venezia: first opening in the historic centre of Venezia, which saw a modern restoration of the historic building in which the retail store is located;
- Despar in Venezia, former Teatro Italia: interior conservation renovation of frescoes and the neo-gothic palace's structure, saving it from decay;
- Interspar at Corso del Popolo in Mestre: redevelopment of a former ACTV (Municipal Agency for Public Transport) depot;
- Interspar in Mestrino (PD): reclamation and upgrading of the former road transportation Company Maritan & Borgato's area;
- Eurospar Premium of via Mancini in Trento: renovation of the Nogarola / Guarienti palace, recovering the abundant and valuable artistic heritage contained therein;
- Interspar former Saimp Area in Padova: redevelopment of an abandoned and unstable industrial area, with the recovery of the bas-relief in the main factory door.

### Despar in the former cinema Teatro Italia

2016 saw the innovative opening of the Despar store in the former Cinema Teatro Italia in Venezia. The early 20th century building has been recovered and reopened after total abandonment, but kept in its liberty style and with every artistic and architectural feature. The building, which now has 41 employees, has been transformed into a state-of-the-art sales store both in terms of aesthetics and consumption, in line with Aspiag Service's environmental policy and with the need to respect the palace's peculiarities. For this reason, the supermarket fitting, lighting, installations and decorations were supervised and approved by the Sovrintendenza delle

Belle Arti, in order to guarantee their mutual coexistence. The shelves are positioned at a lower visual access to the frescoes, as well as for ease of use and the fridge units have doors to limit temperature and humidity dispersion that would damage the frescoes and the rooms.

All measures ideated were conceived in a perspective of functional progress and beauty.





## Value creation in action

GRI  
G4-EN3



### DIRECT ENERGY CONSUMPTION (GJ)

	2016	2015	2014
Direct energy consumption from purchased natural gas (GJ)	88,664.59	85,401.77	68,836.90
Direct energy consumption from purchased diesel for heating (GJ)	5,184.60	5,968.40	7,339.37
Direct energy consumption from purchased diesel and petrol for automotive use (GJ)	11,198.52	11,398.73	12,496.01
<b>Total</b>	<b>105,047.71</b>	<b>102,768.90</b>	<b>88,672.28</b>

GRI  
G4-EN3



### INDIRECT ENERGY CONSUMPTION (GJ)

	2016	2015	2014
Indirect energy consumption from purchased electricity	567,359.51	558,303.46	534,105.50
Indirect energy consumption from purchased thermal energy - District heating	22,895.18	19,864.44	18,076.78
<b>Total</b>	<b>590,254.69</b>	<b>578,167.90</b>	<b>552,182.28</b>

GRI  
G4-EN15



### DIRECT GREENHOUSE GASES EMISSIONS (T OF CO<sub>2</sub> EA)

Classification	Source	2016	2015	2014
Direct emissions (Scope 1)	Natural Gas for heating	4,970.26	4,820.68	3,866.22
	Diesel for heating	385.47	443.74	545.67
	Diesel and petrol for the Company fleet	831.68	846.55	928.04
	Release of refrigerant gasses	39,402.05	47,096.85	41,766.61
<b>Total</b>		<b>45,589.47</b>	<b>53,207.82</b>	<b>47,106.55</b>

GRI  
G4-EN16



### INDIRECT GREENHOUSE GASES EMISSIONS (T OF CO<sub>2</sub> EA)

Classification	Source	2016	2015	2014
Indirect energy emissions (Scope 2)	Electricity	3,803.97	3,767.45	3,611.71
	Heat from District heating	1,608.04	1,395.17	1,269.11
<b>Total</b>		<b>5,412.01</b>	<b>5,162.62</b>	<b>4,880.81</b>

GJ = Gigajoule

Note: The calculation methods are explained at the bottom of the GRI-G4 Table.

From 2015, we also report on direct emissions of greenhouse gases due to leakage/release of refrigerant gasses.

GRI  
G4-EN5



### ELECTRICITY CONSUMPTION (KWH)

	2016	2015	2014
Total consumption	157,599,863.65	154,760,222.93	148,362,639.00
LFL consumption in the retail stores	135,976,001.00	136,957,881.43	136,842,368.00
LFL average daily consumption	392,549.52	395,080.05	399,829.74
Reduction in average daily consumption	0.72%	1.19%	2.98%

GRI  
G4-EN6



Note: The consumption shown was calculated on an LFL, like for like, population over the 3-year reporting period. Since the population is not homogeneous from one year to the next, the data for previous years differs from those published in the previous reports.

Corporate choices in terms of energy efficiency investments are reflected in the indicator values, which show how our energy consumption is steadily decreasing over recent years, for the same sales areas.



This downswing, calculated on the average daily consumption of the last two years, is 0.72% LFL, with a saving of 150,719 Euro LFL.

The resulting CO<sub>2</sub> emissions, with the same sales area and opening days, are further diminishing.

Given our choice to use only electricity from renewable sources with a Guarantee of Origin certificate since 2014, indirect greenhouse gas emissions in the last two years are attributable just to the district heating heat value and the network losses associated with energy procurement.

CONTINUES



## FOLLOWS

GRI  
G4-EN23**WASTE PRODUCED (T)**

	2016	2015	2014
Non-hazardous waste			
1) F.O.R.S.U. (Frazione Organica del Rifiuto Solido Urbano) [TN:organic component of municipal solid waste]	14,070.81	13,841.34	12,836.70
2) R.S.U. (Frazione indifferenziata del Rifiuto Solido Urbano) [TN:unsorted component of municipal solid waste]	9,912.97	9,911.05	9,346.61
3) Cardboard	11,603.06	11,340.08	11,229.88
4) Mixed packaging	4,944.52	4,316.88	4,222.53
5) Hazardous Waste	1.51	2.96	2.47
<b>Total</b>	<b>40,532.87</b>	<b>39,412.31</b>	<b>37,638.19</b>
Percentage of waste recycled	75.54%	74.85%	75.17%
Production/sales surface area (t/square metres)	0.15	0.15	0.14

Note: The calculation methods are explained at the bottom of the GRI-G4 Table.

**Method of disposal:**

Items referred to points 1) and 2) public service waste collection - composting; landfill/incinerator.

Item referred to in point 3), 4), 5) authorized private disposal companies - composting - recycling.

Item 4 covers polyethylene, wood, glass, iron and steel, spent vegetable food oil, waste unusable for consumption or processing and by-products of animal origin

GRI  
G4-EN1**WEIGHT OF THE PACKAGING MATERIALS USED**

	2016	2015	2014
Material weight (carrier bags, packaging material) (kg)	1,784,051	2,162,112	1,863,496
Material cost (carrier bags, packaging materials) (€)	8,425,360	8,175,592	8,081,537
Impact of cost on turnover (%)	0.58%	0.58%	0.61%

GRI  
G4-EN31**EXPENDITURES ON ENVIRONMENTAL PROTECTION (€)**

	2016	2015	2014
Reclamation costs	0	0	401,680
Expenses for waste treatment and disposal and environmental management costs	4,865,038	4,751,947	4,646,526
<b>Total</b>	<b>4,865,038</b>	<b>4,751,947</b>	<b>5,048,206</b>

GRI  
G4-EN29**FINES FOR NON-COMPLIANCE WITH REGULATIONS AND LAWS REGARDING THE ENVIRONMENT**

	2016	2015	2014
Monetary value of the fines (€)	118	200	170
Number of non-monetary fines	0	0	0

GRI  
G4-EC7**INVESTMENTS IN INFRASTRUCTURE**

	2016	2015	2014
	<b>3,625,534.78</b>	<b>1,456,250.05</b>	<b>2,846,146.83</b>

The indicators on waste disposal remain nearly in line with the previous years', proof of the Company's concern for the environment. In 2016 there were next to no fines for failure to comply with environmental regulations and laws, and were mainly related to the incorrect display of waste containers at retail stores.

Within the investments, the Company also pays particular attention to the improvement of the aspects related to the presence of the retail stores as a benefit to the local community and the surrounding area. These investments mainly show up in improvements to the local road network or the creation of community facilities such those for the elderly, music halls, etc.



In 2016, a further 5 retail stores received **ISO14001** certification. Therefore, to date, 18 retail stores have been certified as well as the headquarters in Udine and Mestrino.

**SOCIAL AND ENVIRONMENTAL  
IMPACTS OF THE RETAIL STORES**

**REDUCTION OF ENVIRONMENTAL  
IMPACTS IN THE SUPPLY CHAIN**

**COMPLIANCE WITH VOLUNTARY  
STANDARDS**








## TERRITORY



Our policy is to pursue corporate social responsibility activities to satisfactorily address local communities. This is why we have a number of projects and initiatives that involve and help those who are part of the area we operate in. The Company has always and voluntarily committed itself to the Corporate Social Responsibility (CSR), supporting activities such as fundraising for natural disasters, research support, support for associations that support paediatric departments in hospitals, sponsorship of sports activities and town events, collaboration with several non-profit organizations or associations for the sale of edible but no longer marketable goods, food education programmes with schools. These themes and activities also include the involvement and training of our collaborators, thus creating a widespread conscience.

### Value creation in action

		2016	2015	2014
VALUE OF SPONSORSHIPS(€)		655,332	561,892	498,155
		2016	2015	2014
NUMBER OF SPONSORED EVENTS		117	102	94
		2016	2015	2014
FOOD DONATED (€)		5,390,027	4,158,549	2,459,389
	EMPLOYEES BY REGIONS (FTE)	2016	2015	2014
	Emilia Romagna (+ province of Mantova)	465	392	348.82
	Friuli Venezia Giulia	1,681	1,585	1,391
	Trentino - Alto Adige	1,365	1,344	1,341
	Veneto	2,636	2,528	2,472
	<b>Total</b>	<b>6,147</b>	<b>5,849</b>	<b>5,552</b>
		2016	2015	2014
INDIRECT TAXES (€)		71,051,679	67,251,787	62,590,549

GRI  
G4-10

Sponsorships are part of our social marketing activities. In some cases these are activities in support of amateur and non-amateur sports teams, with particular attention to the world of young people and families. On the other hand, in some cases, these are real planning activities aimed at raising awareness of the communities, and in particular the schools, on issues and aspects of safeguarding the well-being of people, communities and local areas. Corporate activity generates significant benefits in the markets where it operates through the creation of new employment.

In addition to the taxes paid directly, the Public Administration indirectly collects taxes such as VAT and payments made as a tax substitute for wages paid to its employees.

This constitutes a further Public Administration salary.

SOCIAL AND ENVIRONMENTAL  
IMPACTS OF THE RETAIL STORES  
REDUCTION OF FOOD WASTE

JOB CREATION

COMPANY REPUTATION



## LE BUONE ABITUDINI

Le Buone Abitudini is a prevention path supported by Despar for the community, directed to primary school teachers and pupils. The project is based on the desire to break that barrier that prevents knowledge from becoming a daily routine, thus becoming a good habit for us.

In evidence of this initiative's success is the fact that this year's Le Buone Abitudini celebrated its tenth edition, with a two-week event in Vicenza.

2015/2016



52	EDUCATIONAL INSTITUTES	250	TEACHERS
36	MUNICIPALITIES	6,532	CHILDREN

## THE DESPAR FESTIVAL

The Despar Festival was the event with which the Company was able to put into practice and showcase its corporate values and its commitment to CSR. The festival was organized in March in the centre of Padova and, in the space of a week it focused attention on the people, good food, the territory and the environment, witnessed several workshops, tasting courses and the involvement of schools, to support the value of quality and health from a small age. The experiential tunnel set up in one part of the exhibition reconciled values, products, and communication, providing video support and explaining the pillars on which the initiative is based.

The validation of food and local realities took place through our Saponi del Nostro Territorio initiative, which, within the Despar Festival, narrated the small reality of local producers in Veneto who find space within Despar's broader offer offering their own excellent products.

## 2016 FUNDRAISING

€ 82,024

Donated to local area associations

€ 329,098

Donated to the Croce Rossa Italiana

€ 100,000

Donated to UNICEF

## FOOD DONATED IN 2016

€ 5.4 million

food donated to avoid wasting

200

local non-profit organizations

1,800,000

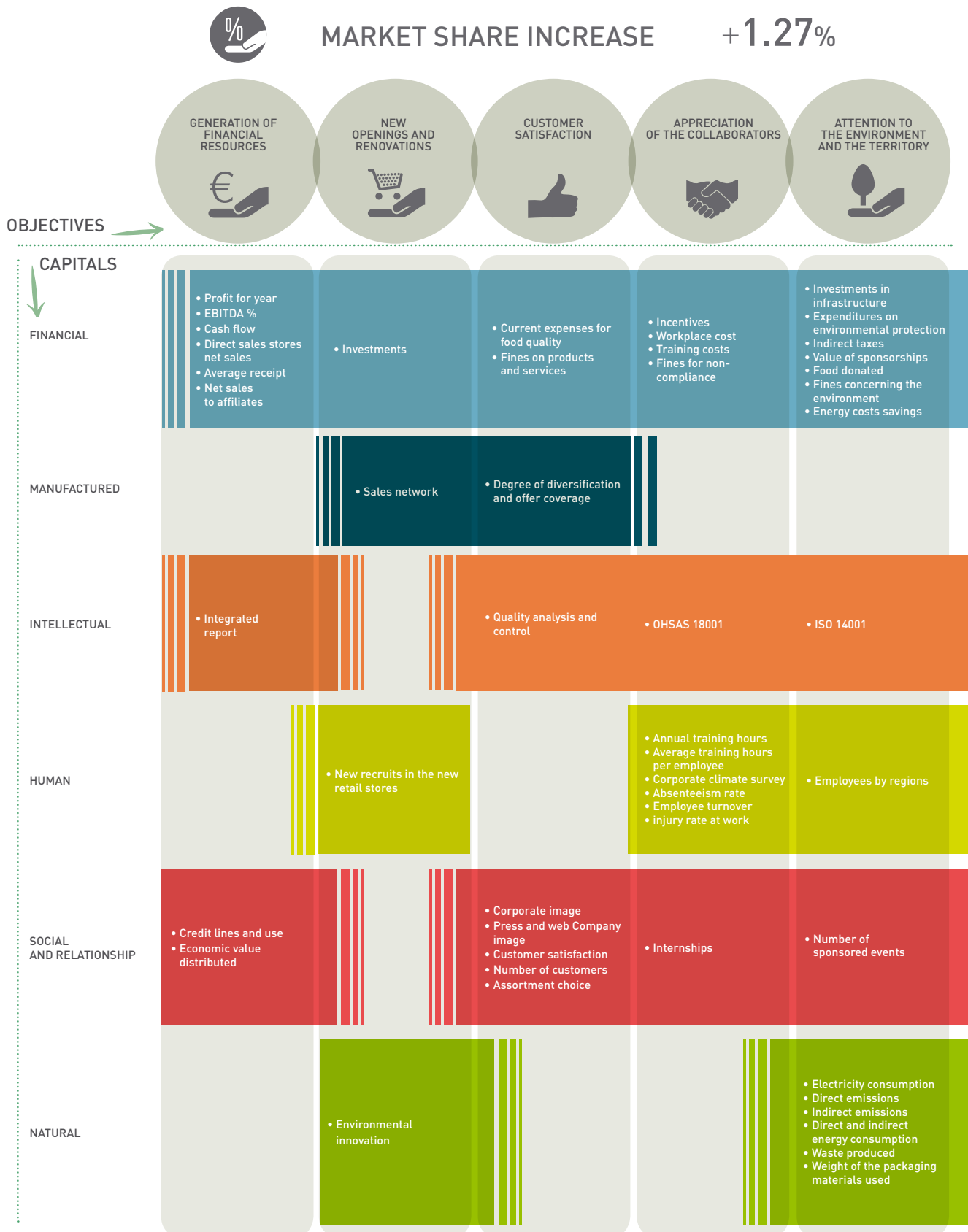
Meals donated to the needy

1,764

Waste disposal bins avoided



# CONNECTIVITY OF INFORMATION



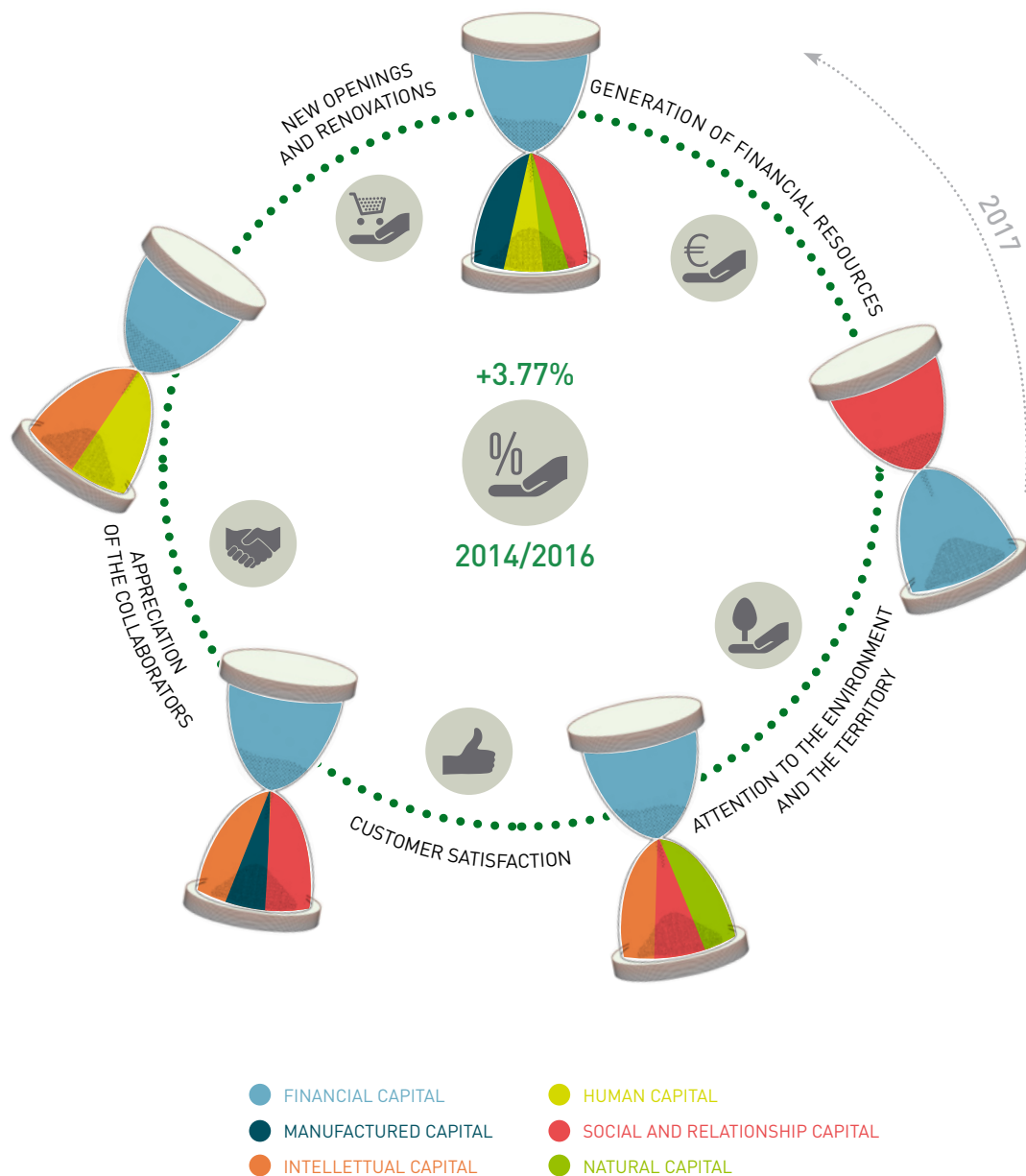


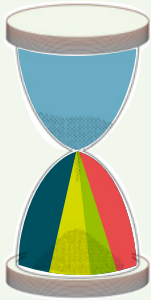
## TRADE OFFS BETWEEN CAPITALS

A new perspective on value creation is proposed through the portrayal of major trade offs between generated, transformed or absorbed capitals over time. Value creation (such as its destruction) can in fact be better understood as a change in capital value over time, since each output capital is the result of the transformation of the same capital into inputs realized through the use of one or more of the other capitals.

We describe below the complex interdependencies between capitals, highlighting the main impacts on the capital stocks used in the value creation process over the period 2014/2016. In this way, trade offs are linked to value creation and, thanks to the temporal aspect that characterizes them, they introduce the chapter on future outlook.

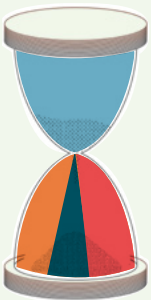
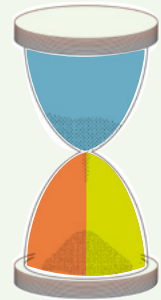
The qualitative and quantitative analysis of the actions undertaken on each capital was carried out by reclassifying the average data for the three years in question, extrapolated from the tables in this chapter "Strategy and Performance".





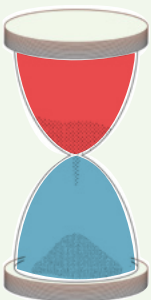
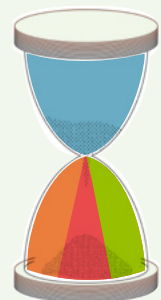
Financial capital generated by good cash flow performance (€ 255 million) over the three-year period allowed investments in core corporate business, that is in renovations and new openings (€ 277 million). This has led to significant human, manufactured, social and environmental performance, marking a rise in the number of recruits by 915 units, 30 new retail stores, € 433 million of credit lines and technology and environmental innovation (such as Led lighting systems in 85 retail stores).

This growth in the sales network has allowed to validate collaborators by investing in training, whose costs for the three year period amount to € 4.6 million, in incentives amounting to € 14.8 million, thereby transforming the financial into human and intellectual capital. In fact, the returns happened on the number of training hours (182,306), the low outgoing turnover (2.76%) and absenteeism rate (3.39%), and the maintenance of the OHSAS 18001 procedure. These positive measures have led to a good corporate climate, as witnessed by high online participation in the relative survey (91%). Trained collaborators have been able to better meet customer needs, which is the basis for corporate economic growth.



Quality, assortment and multi-channelling have contributed to customer satisfaction. The relative controls for a careful product analysis (7,994 samples analysed) and an assortment extension of 26,716 subdivided and distributed through sign multichannelling, absorbed financial capital amounting to € 1 million to the benefit of manufactured and intellectual capitals. The pursuit of these goals has yielded results such as an 8.48 rating out of 10 in customer satisfaction, increasing social and relationship capital.

Attention to the environment and the territory is witnessed by numerous investments, such as the € 14.6 million in environmental spending, € 7.9 million in infrastructure, € 12 million in food donations, € 1.7 million in sponsorships, as well as the payment of € 201 million in public administration taxes, allowing the transformation of the various capitals and get returns in intellectual capital, such as the ISO 14001 applied to an increasing number of retail stores, in social capital, leading to 313 sponsorships and, obviously, in natural capital, which saw an increase in waste recycling (+ 0,49%) and a reduction in emissions and consumption (-2,26% and -1,90% respectively), also taking into consideration new openings.



The financial capital absorbed over these three years has allowed the market share to increase of 3,77% and helped to improve the corporate image (rating of 8.29 out of 10). This is because in pursuit of the different strategic objectives, Aspiag Service has reported to multiple stakeholders, thus increasing social capital, distributing an economic value amounting to € 5,089 million over the three-year period. All this has allowed an increase in sales of 7.35% and saving costs for 1 million, generating financial resources to be reallocated.

In fact, as we will see in the continuation, we will continue to have a substantial investment policy, even trying to grasp opportunities for corporate growth through Company acquisitions. In this sense, our Company shows to be prepared for a future oriented transparent disclosure.

ZIEHEN - TIRARE

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05

Future outlook



## FUTURE OUTLOOK

Monetary and financial conditions will remain favourable for the next three years in the Euro zone. In Italy, economic policies should remain expansive and contribute to support economic activity.

Slow inflation growth is also expected (0.9% in 2017, 1.2% in 2018 and 1.5% in 2019).

Strengthening employment would be stimulated mainly by continued growth. However, the price dynamics would be contained by the moderate labour cost trend and the acceleration of wages is only expected for the last part of the forecast horizon.

These prospects reinforce the assumption of Italy's growth: on average, GDP will grow by 0,9% next year and by 1,1% in 2018 and 2019.

The growth rate in consumption would be in line with that of the product, sustained by the expansion of employment and available income.

Despite persistent signs and expectations of recovery, the 2017 forecasts for large scale distribution's performance in our country show a slowdown in purchasing power due to the advent of a new inflationary phase; IRI estimates a slight growth both in terms of expenditure and in terms of volumes purchased.

Regarding spending behaviours, food sector market analyses for 2017 show that the growing attention to health and personal well-being is increasing the consumer's tendency in preferring healthier and more genuine foods; furthermore, increasingly hectic lifestyles are reinforcing the tendency towards fresh products purchasing, which take less time to prepare. In Nielsen's survey at the beginning of the year, ready-made meals confirm this trend and are at the forefront of the category trend with a change in value of + 26% over the same period of the previous year. Another aspect related to consumer behaviour concerns online purchases: this channel will become increasingly important even for food, and the forecast for 2017 gives the sector a 30% growth (source: Consorzio Netcomm).

If there was an improvement in household spending capacity in 2016, the consumer confidence climate in early 2017, as Istat points out, shows a worsening of family ratings and expectations regarding the country's situation; this data was confirmed by a recent Confcommercio-Censis report, which confirms political-economic uncertainty against trust, available household income, inflationary recovery. Federdistribuzione also emphasizes that rising prices, in a context of weak consumption, could dramatically affect growth in 2017, by undermining it.

The first signs of inflation recovery noted by ISTAT in December are confirmed by the most recent 2017 consumer price surveys: in February the NIC (the national consumer price index for the whole community) recorded an increase of 1,6% over the same period of the previous year, higher than in the last four years, with a significant acceleration in food and energy.

Despite the uncertain economic climate with regard to large scale distribution sales, Nielsen's figures recorded a good beginning of the year (+ 2,9% in January compared to the same period of the previous year), but the consolidation of this positive performance, in the months to come, seems far from predictable.

Market difficulties, together with the entry of new, strong competitors such as Aldi and DM onto the market, will lead to even stronger, and therefore greater, competition, resulting in difficulties for smaller competitors. This competition will also influence suppliers, with increasing pressure on the margin and therefore a probable difficulty for smaller suppliers and a preference for industrial-sized entities.



## Market share increase

In this context, Aspiag Service believes that it can further increase sales thanks to the expansion of its sales network in the current year, a forecast that was confirmed by comparing January 2017 sales with the same month in 2016. Our expansion strategy, coupled with the steady increase in sales, is also confirmed in planning the three-year period 2017-2019, with the ultimate goal of attaining 19% (18% if the discount channel is included) of the reference market share in 2019.



## Generation of financial resources and new openings and renovations

Despite the described economic scenario, we believe we can improve our performance in 2017 without carrying out any changes in Governance, Business Model, and Corporate strategies that will remain geared towards developing the sales network and improving the efficiency in the costs structure.

The solidity of the network we are part of is a further guarantee for our future and will help us to face up to our commitments in coming years, starting with increasing our presence in Emilia Romagna. We will continue to make significant investments aimed at increasing our presence on the market with a particular focus on the long-term growth in Emilia Romagna, as well as in renovating and making existing retail stores more efficient in the areas already covered. 6 new direct stores and 15 affiliated stores openings are planned for 2017, in an attempt to grasp, if deemed appropriate, any growth opportunities for external lines offered by the market which are unpredictable at present. Support for the affiliate sales network will be increased over the three-year period, supporting it in renovating and expanding their retail stores to make them more suited to addressing the current market difficulties. Important investments will also be made in the short to medium term for the renovation and modernization of our logistics network, so that we can efficiently serve the anticipated growth.

- FINANCIAL
- MANUFACTURED
- INTELLECTUAL
- HUMAN
- SOCIAL AND RELATIONSHIP
- NATURAL

GROWTH FORECASTS FOR THE NEXT 3 YEARS	2017	2018	2019
VAT net sales	5,05%	6,78%	7,72%
LFL VAT net sales	1,04%	1,41%	1,21%
EBTDA	1,49%	2,87%	8,41%
Investments (in millions of Euro)	147.9	182.9	163.0

Note:

sales forecasts are considered to be reliable based on the typical time span necessary for one-year investments to generate net sales, due to the long administrative time required for new stores to start operating. The EBTDA and investment results outlined here are linked to achieving Company revenue targets.



## Customer Satisfaction

Appropriate marketing policies will support the achievement of these goals, which will be able to increase convenience communication, support new market trends in terms of consumption and, more generally, improve customer experience communication, with particular focus on the digital world.

We will also focus on new market trends by adjusting our offer according to new consumer trends: health products, vegan products, ready-to-eat products, premium products, and in particular developing our own private label.

In order to keep the customer at the heart of the Company, we intend to develop several initiatives such as 'Book and withdraw' (currently only open to employees), or collecting points with the smartphone through the QR code.

Another key point is food safety: we aim to implement hygiene control at the retail stores by using new technologies. We also intend to increase the frequency of visits accompanied by a special check-list, at the retail stores.

A series of internal studies will be carried out in 2017, on the commercial life of pre-packaged products in the store. In this regard, in collaboration with a world leader in quality certification, a joint study on commercial life will be launched, simulating the real situation experienced in our stores at a laboratory set up ad hoc in Milan.

FINANCIAL  
MANUFACTURED  
INTELLECTUAL  
SOCIAL AND RELATIONSHIP



## Appreciation of collaborators

We will extend e-learning to the entire sales network, especially with regard to workplace safety.

We also plan to elaborate and share a corporate leadership model.

Other important projects regard the improvement and maintenance of the Performance Management project and the Trainee Store Manager project, for the selection and preparation of future Store Managers.

FINANCIAL  
INTELLECTUAL  
HUMAN  
SOCIAL AND RELATIONSHIP



## Attention to the environment and to the territory

We aim to increase environmental commitment for 2017, by extending ISO 14001 certifications to 5 more sales stores (2 in Vicenza, 1 in Verona, 1 in Parma and 1 in Venezia), reducing energy consumption thanks to the introduction of closure of the fridge units with suitable windows and contributing to employment in the trading area.

FINANCIAL  
INTELLECTUAL  
HUMAN  
SOCIAL AND RELATIONSHIP  
NATURAL

Vegetarians  
and vegans  
in 2016 amounted to  
**7.6%** of the population.  
Vegans grew  
and reached a  
**3%** share.

Sales  
of organic products  
increased in 2016  
by **20%**, confirming  
the Italians' increasing  
awareness for their health  
through food.

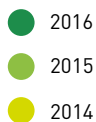
Despar,  
with its private label  
**BIO\_LOGICO**, **VITAL**  
and **VÈGGIE** lines, offers  
a wide choice of organic,  
functional, vegan and  
vegetarian products.





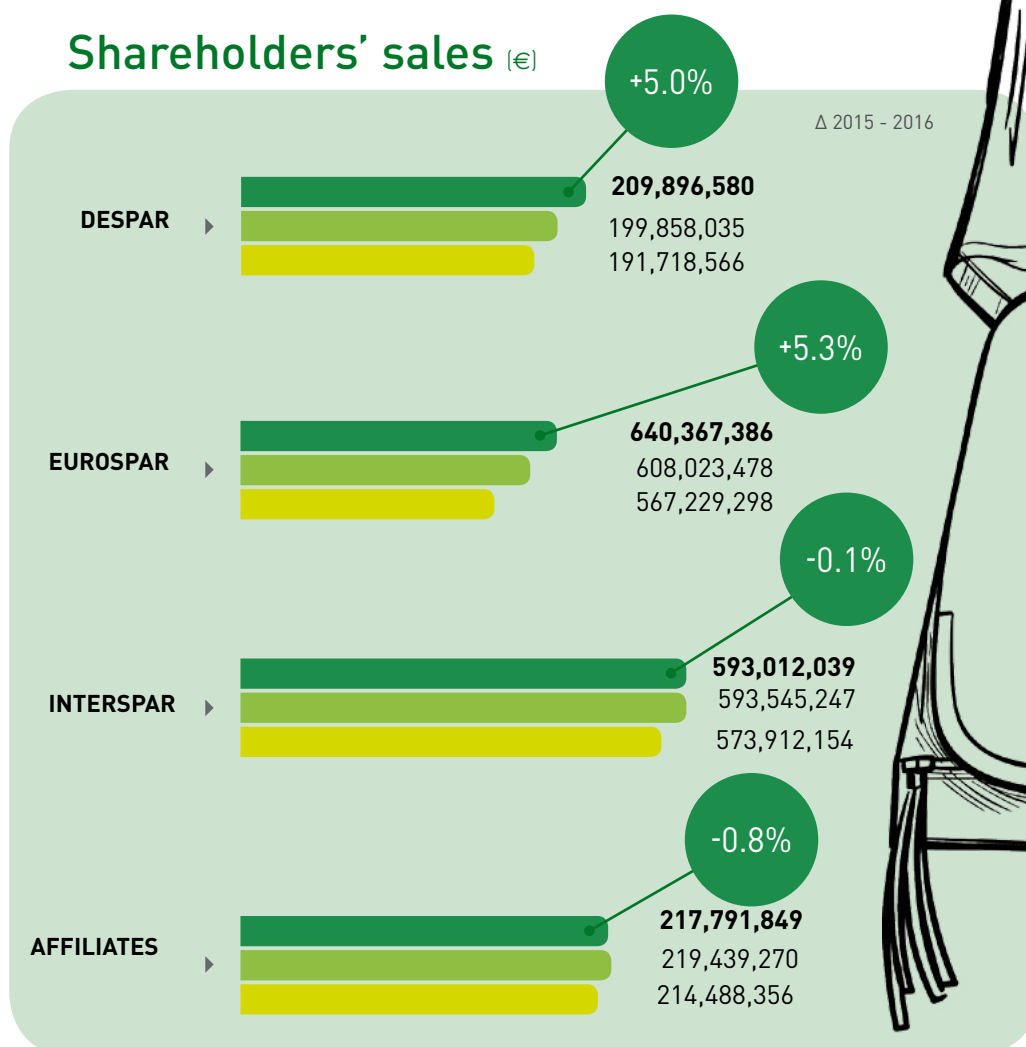
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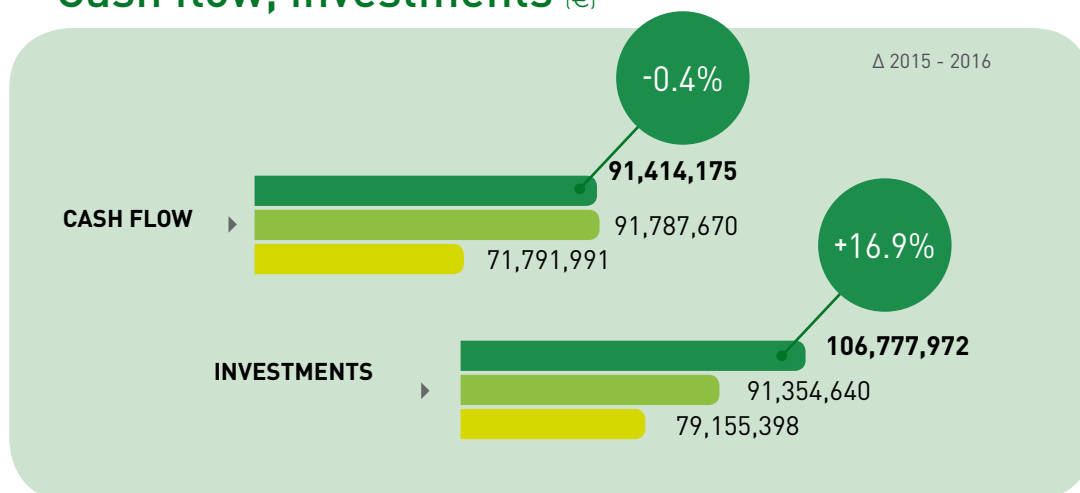


## PERFORMANCE OVERVIEW

### Shareholders' sales (€)

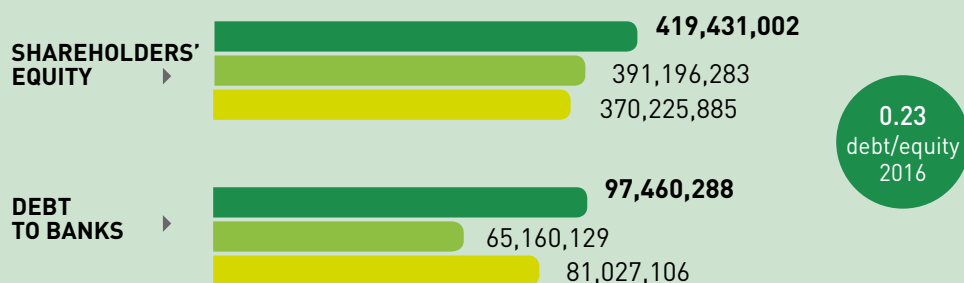


### Cash flow, investments (€)

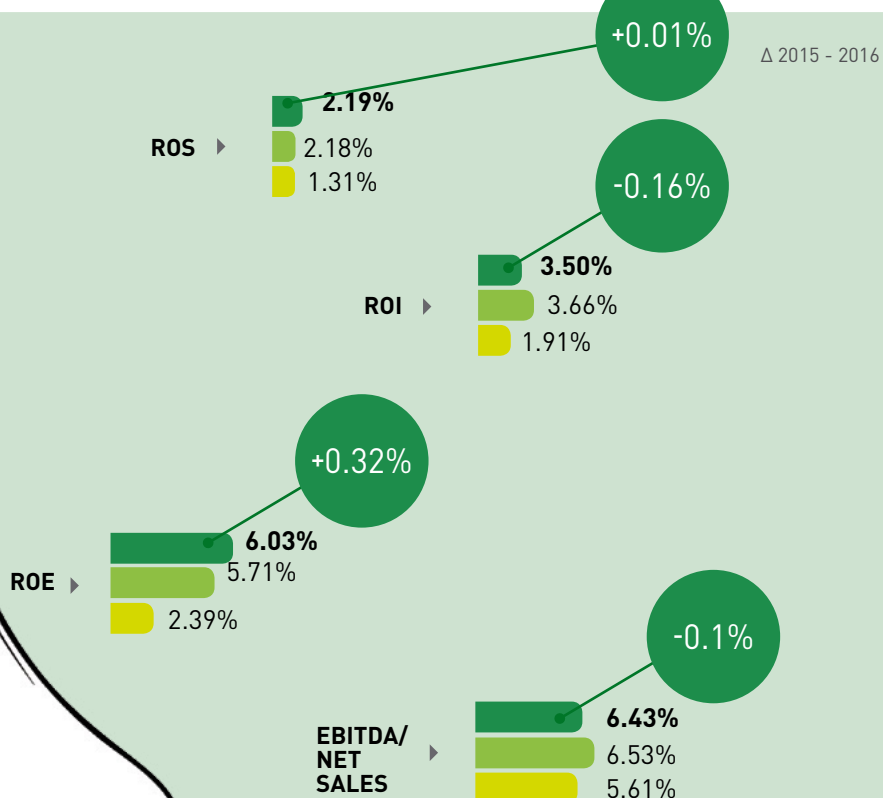




## Shareholders' equity and banking debt (€)



## ROS, ROI, ROE (%)



FINANCIAL STATEMENTS AT 31/12/2016 [www.despar.it/it/bilancio-esercizio-2016/](http://www.despar.it/it/bilancio-esercizio-2016/)

## Balance sheet

ASSETS	31/12/2016	31/12/2015
<b>A) Subscribed capital unpaid</b>		
Called	0	0
To be called	0	0
<b>Total subscribed capital unpaid (A)</b>	<b>0</b>	<b>0</b>
<b>B) Fixed assets</b>		
<b>I - Intangible fixed assets</b>		
1) start up and expansion costs	0	0
2) research costs	0	0
3) industrial patents and intellectual property rights	2,252,408	3,320,198
4) concessions, licenses, trademarks and similar rights	2,138,871	2,724,508
5) goodwill	16,261,123	25,132,755
6) assets in progress and advances	5,677,750	4,803,834
7) other	66,876,151	73,090,525
<b>Total intangible fixed assets</b>	<b>93,206,303</b>	<b>109,071,820</b>
<b>II - Tangible fixed assets</b>		
1) land and buildings	445,235,009	410,754,360
2) plant and machinery	67,781,057	66,863,796
3) industrial and commercial equipment	22,742,979	24,412,387
4) other assets	8,754,616	9,397,009
5) assets in progress and advances	47,118,774	28,171,277
<b>Total tangible fixed assets</b>	<b>591,632,435</b>	<b>539,598,829</b>
<b>III - Financial fixed assets</b>		
<b>1) equity investments</b>		
a) subsidiaries	0	0
b) associated companies	85,864,082	80,384,658
c) parent companies	0	0
d) under control of parent companies	0	0
d-bis) other companies	260,253	260,253
<b>Total equity investments</b>	<b>86,124,335</b>	<b>80,644,911</b>
<b>2) Receivables due from</b>		
a) subsidiaries		
due within the following year	0	0
due beyond the following years	0	0
<b>Total receivables due from subsidiaries</b>	<b>0</b>	<b>0</b>
b) associated companies		
due within the following year	0	0
due beyond the following years	0	0
<b>Total receivables due from associated companies</b>	<b>0</b>	<b>0</b>
c) parent companies		
due within the following year	0	0
due beyond the following year	0	0
<b>Total receivables due from parent companies</b>	<b>0</b>	<b>0</b>

FOLLOWS



## CONTINUES: BALANCE SHEET

ASSETS	31/12/2016	31/12/2015
d) under control of parent companies		
due within the following year	0	0
due beyond the following year	0	0
<b>Total receivables due from companies under control of parent companies</b>	<b>0</b>	<b>0</b>
d-bis) others		
due within the following year	11,150	6,000
due beyond the following year	170,723	169,644
<b>Total receivables due from third parties</b>	<b>181,873</b>	<b>175,644</b>
<b>Total receivables</b>	<b>181,873</b>	<b>175,644</b>
<b>3) other securities</b>	<b>0</b>	<b>0</b>
<b>4) positive derivatives instruments</b>	<b>0</b>	<b>0</b>
<b>Total financial fixed assets</b>	<b>86,306,208</b>	<b>80,820,555</b>
<b>Total fixed assets (B)</b>	<b>771,144,947</b>	<b>729,491,204</b>
<b>C) Current assets</b>		
<b>I - Inventories</b>		
1) raw, ancillary and consumable materials	2,829,196	4,396,904
2) work in progress and semi-finished products	0	0
3) contract work in progress	0	0
4) finished products and goods for resale	128,336,285	121,208,667
5) advances	0	0
<b>Total inventories</b>	<b>131,165,481</b>	<b>125,605,571</b>
Fixed assets available for sale	0	0
<b>II - Receivables</b>		
<b>1) trade receivable</b>		
due within the following year	105,701,392	113,715,368
due beyond the following year	1,948,683	1,382,419
<b>Total trade receivables</b>	<b>107,650,075</b>	<b>115,097,787</b>
<b>2) due from subsidiaries</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total receivables due from subsidiaries</b>	<b>0</b>	<b>0</b>
<b>3) due from associated companies</b>		
due within the following year	455,038	500,009
due beyond the following year	0	0
<b>Total receivables due from associated companies</b>	<b>455,038</b>	<b>500,009</b>
<b>4) due from parent companies</b>		
due within the following year	0	84,333
due beyond the following year	0	0
<b>Total receivables due from parent companies</b>	<b>0</b>	<b>84,333</b>



## CONTINUES: BALANCE SHEET

ASSETS	31/12/2016	31/12/2015
<b>5) due from companies under control of parent companies</b>		
due within the following year	454,657	555,487
due beyond the following year	0	0
<b>Total receivables due from companies under control of parent companies</b>	<b>454,657</b>	<b>555,487</b>
<b>5-bis) tax receivables</b>		
due within the following year	3,436,125	2,692,704
due beyond the following year	2,905	2,904
<b>Total tax receivables</b>	<b>3,439,030</b>	<b>2,695,608</b>
<b>5-ter) deferred tax assets</b>	<b>22,970,074</b>	<b>20,187,706</b>
<b>5-quater) due from others</b>		
due within the following year	24,098,356	25,303,246
due beyond the following year	10,258,385	10,567,061
<b>Total receivables due from others</b>	<b>34,356,741</b>	<b>35,870,307</b>
<b>Total receivables</b>	<b>169,325,615</b>	<b>174,991,237</b>
<b>III - Current financial assets</b>		
1) investments in subsidiaries	0	0
2) investments in associated companies	0	0
3) investments in parent companies	0	0
3-bis) investments in companies under control of parent companies	0	0
4) other investments	0	0
5) positive derivative instruments	0	0
6) other securities	0	0
7) financial assets for cash pooling	0	0
<b>Total current financial assets</b>	<b>0</b>	<b>0</b>
<b>IV - Cash and cash equivalents</b>		
1) bank and post office deposits	29,209,012	23,350,652
2) cheques	0	0
3) cash on hand	2,773,297	2,359,363
<b>Total cash and cash equivalents</b>	<b>31,982,309</b>	<b>25,710,015</b>
<b>Total current assets (C)</b>	<b>332,473,405</b>	<b>326,306,823</b>
<b>D) Accrued income and prepayments</b>	<b>9,493,136</b>	<b>10,553,624</b>
<b>TOTAL ASSETS</b>	<b>1,113,111,488</b>	<b>1,066,351,651</b>

FOLLOWS



## CONTINUES: BALANCE SHEET

LIABILITIES	31/12/2016	31/12/2015
<b>A) Shareholders' equity</b>		
I - Share capital	79,320,000	79,320,000
II - Share premium reserve	13,590,000	13,590,000
III - Revaluation reserve	100,331,305	100,331,305
IV - Legal reserve	10,147,497	9,090,143
Reserve for revaluation of stakeholding	12,227,028	6,806,626
Various other reserves	875,535	913,181
<b>Total other reserves</b>	<b>13,102,563</b>	<b>7,719,807</b>
VII - Cash flow hedge reserve	(184.373)	(176.687)
VIII - Retained earnings (accumulated losses)	179,288,581	160,174,630
IX - Net profit (loss) for the year	23,835,429	21,147,085
X - Negative reserve for purchase of own shares	0	0
<b>Total Shareholders' equity (A)</b>	<b>419,431,002</b>	<b>391,196,283</b>
<b>B) Provisions for risks and charges</b>		
1) pensions and similar commitments	0	0
2) taxation, including deferred taxes	341,566	341,566
3) negative derivative instruments	242,596	232,483
4) other	16,111,488	14,708,808
<b>Total provisions for risks and charges (B)</b>	<b>16,695,650</b>	<b>15,282,857</b>
<b>C) Employee severance indemnities (TFR)</b>	<b>30,655,163</b>	<b>32,193,788</b>
<b>D) Payables</b>		
<b>1) bonds</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total bonds</b>	<b>0</b>	<b>0</b>
<b>2) convertible bonds</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total convertible bonds</b>	<b>0</b>	<b>0</b>
<b>3) due for shareholder loans</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total payables due for shareholder loans</b>	<b>0</b>	<b>0</b>

FOLLOWS



## CONTINUES: BALANCE SHEET

LIABILITIES	31/12/2016	31/12/2015
<b>4) due to banks</b>		
due within the following year	96,034,699	47,154,270
due beyond the following year	25,125,000	33,175,000
<b>Total payables due to banks</b>	<b>121,159,699</b>	<b>80,329,270</b>
<b>5) due to other lenders</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total payables due to lenders</b>	<b>0</b>	<b>0</b>
<b>6) advances</b>		
due within the following year	250,000	0
due beyond the following year	0	0
<b>Total advances</b>	<b>250,000</b>	<b>0</b>
<b>7) trade payables</b>		
due within the following year	242,502,067	247,676,408
due beyond the following year	1,016,896	778,956
<b>Total trade payables</b>	<b>243,518,963</b>	<b>248,455,364</b>
<b>8) payables represented by negotiable instruments</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total payables represented by negotiable instruments</b>	<b>0</b>	<b>0</b>
<b>9) due to subsidiaries</b>		
due within the following year	0	0
due beyond the following year	0	0
<b>Total payables due to subsidiaries</b>	<b>0</b>	<b>0</b>
<b>10) due to associated companies</b>		
due within the following year	6,872,999	18,720,458
due beyond the following year	0	0
<b>Total payables due to associated companies</b>	<b>6,872,999</b>	<b>18,720,458</b>
<b>11) due to parent companies</b>		
due within the following year	795	818
due beyond the following year	120,000,000	120,000,000
<b>Total payables due to parent companies</b>	<b>120,000,795</b>	<b>120,000,818</b>
<b>11 bis) due to companies under control of parent companies</b>		
due within the following year	1,523,765	836,504
due beyond the following year	100,000,000	100,000,000
<b>Total payables due to companies under control of parent companies</b>	<b>101,523,765</b>	<b>100,836,504</b>
<b>12) tax payables</b>		
due within the following year	6,402,309	14,281,718
due beyond the following year	0	0
<b>Total tax payables</b>	<b>6,402,309</b>	<b>14,281,718</b>

FOLLOWS



## CONTINUES: BALANCE SHEET

LIABILITIES	31/12/2016	31/12/2015
<b>13) social security payables</b>		
due within the following year	10,859,471	10,566,798
due beyond the following year	0	0
<b>Total social security payables</b>	<b>10,859,471</b>	<b>10,566,798</b>
<b>14) other payables</b>		
due within the following year	25,851,700	24,821,612
due beyond the following year	1,633,663	1,667,438
<b>Total other payables</b>	<b>27,485,363</b>	<b>26,489,050</b>
<b>Total payables (D)</b>	<b>638,073,364</b>	<b>619,679,980</b>
<b>E) Accrued liabilities and deferred income</b>	<b>8,256,309</b>	<b>7,998,743</b>
<b>TOTALE LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,113,111,488</b>	<b>1,066,351,651</b>



## Income statement

INCOME STATEMENT	31/12/2016	31/12/2015
<b>A) Value of production:</b>		
1) revenues from sales and services	1,797,879,852	1,757,964,979
2) change in inventories	0	0
3) change in contract work in progress	0	0
4) increases in internally generated fixed assets	0	0
5) other revenues and income		
operating grants	712,652	355,607
other	33,323,458	31,737,177
<b>Total other revenues and income</b>	<b>34,036,110</b>	<b>32,092,784</b>
<b>Total value of production</b>	<b>1,831,915,962</b>	<b>1,790,057,763</b>
<b>B) Cost of production:</b>		
6) raw, ancillary and consumable materials and goods for resale	1,280,631,169	1,255,246,748
7) services	133,853,600	129,886,816
8) use of third party assets	54,487,651	54,193,809
9) payroll and related costs:		
a) wages and salaries	168,751,124	160,373,024
b) social security contribution	51,062,635	49,056,811
c) employee severance indemnities	9,103,897	8,700,748
d) pensions and similar commitments	2,796,033	2,582,312
e) other costs	8,972,562	8,153,443
<b>Total payroll and related costs</b>	<b>240,686,251</b>	<b>228,866,338</b>
10) amortization, depreciation and write-downs:		
a) amortization of intangible fixed assets	13,901,363	14,520,513
b) depreciation of tangible fixed assets	38,873,008	37,425,951
c) employee severance indemnities	17,835,511	18,525,376
d) write-down of receivables included among current assets	237,294	2,374,849
<b>Total amortization, depreciation and write-downs</b>	<b>70,847,176</b>	<b>72,846,689</b>
11) changes in inventories	(5.559.910)	(2.592.189)
12) provisions for risks	1,721,634	1,315,938
13) other provisions	759,267	576,933
14) other operating expenses	18,070,736	14,979,771
<b>Total cost of production</b>	<b>1,795,497,573</b>	<b>1,755,320,853</b>
<b>Difference between value and cost of production (A - B)</b>	<b>36,418,389</b>	<b>34,736,910</b>
<b>C) Financial income and expense:</b>		
<b>15) income from equity investments</b>		
subsidiaries	0	0
associated companies	0	14,300
parent companies	0	0
companies under control of parent companies	0	0
other	0	0
<b>Total income from equity investments</b>	<b>0</b>	<b>14,300</b>

FOLLOWS



## CONTINUES: INCOME STATEMENT

INCOME STATEMENT	31/12/2016	31/12/2015
<b>16) other financial income:</b>		
a) from receivables held as fixed assets		
subsidiaries	0	0
associated companies	0	0
parent companies	0	0
companies under control of parent companies	0	0
other	189	514
<b>Total financial incomes to receivables held as fixed assets</b>	<b>189</b>	<b>514</b>
b) from securities held as fixed assets not representing equity investments	0	0
c) from securities included among current assets not representing equity investments	0	0
d) income other than the above		
subsidiaries	0	0
associated companies	465	0
parent companies	0	0
companies under control of parent companies	0	0
others	275,952	175,158
<b>Total income other than the above</b>	<b>276,417</b>	<b>175,158</b>
<b>Total other financial income</b>	<b>276,606</b>	<b>175,672</b>
<b>17) interest and other financial expense</b>		
subsidiaries	0	0
associated companies	79,003	138,237
parent companies	3,050,000	1,686,667
companies under control of parent companies	0	0
others	3,506,369	5,671,855
<b>Total interest and other financial expense</b>	<b>6,635,372</b>	<b>7,496,759</b>
<b>17-bis) exchange gains and losses</b>	<b>0</b>	<b>0</b>
<b>Total financial income and expense (15 + 16 -17 + - 17-bis)</b>	<b>(6.358.766)</b>	<b>(7.306.787)</b>
<b>D) Adjustments to financial assets:</b>		
<b>18) revaluations:</b>		
a) equity investments	3,610,918	3,551,896
b) financial fixed assets not representing equity investments	0	0
c) securities included among current assets not representing equity investments	0	0
d) derivative instruments of financial assets for cash pooling management	0	0
<b>Total revaluations</b>	<b>3,610,918</b>	<b>3,551,896</b>

FOLLOWS



## CONTINUES: INCOME STATEMENT

INCOME STATEMENT	31/12/2016	31/12/2015
<b>19) write-downs:</b>		
a) equity investments	0	0
b) financial fixed assets not representing equity investment	0	0
c) securities included among current assets not representing equity investments	0	0
d) derivative instruments	0	0
of financial assets for cash pooling management	0	0
<b>Total write-downs</b>	<b>0</b>	<b>0</b>
<b>Total adjustments to financial assets (18-19)</b>	<b>3,610,918</b>	<b>3,551,896</b>
<b>EBIT (A-B+-C+-D+-E)</b>	<b>33,670,541</b>	<b>30,982,019</b>
<b>20) income taxes for the year</b>		
current taxes	12,890,162	14,488,597
taxes related to previous year	(275.110)	(495.931)
deferred tax assets and liabilities	(2.779.940)	(4.157.732)
income (expense) arising from adoption of the tax consolidation transparency	0	0
<b>Total income taxes for the year</b>	<b>9,835,112</b>	<b>9,834,934</b>
<b>21) net profit (loss) for the year</b>	<b>23,835,429</b>	<b>21,147,085</b>



## Cash flow statement

CASH FLOW STATEMENT	2016	2015
<b>EAT (Earning after taxes)</b>	<b>23,835,429</b>	<b>21,147,085</b>
Current and deferred taxes	9,835,110	9,834,935
Financial expenses/(Financial incomes)	6,635,372	7,306,787
(Gain)/losses arising from the sale of assets	(116.362)	0
<b>1. Earning/(Loss) before taxes, interests, dividends, capital gains/losses from sale</b>	<b>40,189,549</b>	<b>38,288,807</b>
Corrections for monetary elements without counterpart in net working capital		
Provisions for risks	5,514,228	23,761,518
Amortizations and depreciations	52,774,371	51,946,464
Write-down for permanent losses	17,835,511	18,525,376
Other corrections	(3.610.918)	(912.285)
<b>2. Cash flow before net working capital variations</b>	<b>112,702,741</b>	<b>131,609,880</b>
Decrease/(Increase) of inventories	(5.559.910)	(2.592.189)
Decrease/(Increase) of current trade receivables	7,210,418	1,037,082
Increase/(Decrease) of current trade payables	(4.936.401)	(12.133.343)
Decrease/(Increase) of accrued income and prepayments	1,060,488	765,854
Increase/(Decrease) of accrued liabilities and deferred income	257,566	(82.381)
Other variations	(7.877.537)	12,589,510
<b>3. Cash flow after net working capital variations</b>	<b>102,857,365</b>	<b>131,194,413</b>
Other adjustments		
Collected/(paid) interests	(6.635.372)	(7.306.787)
(Current taxes paid)	(21.237.882)	(5.298.205)
Collected dividends	2,538,469	2,734,206
Use of provisions	(5.412.879)	(17.700.990)
<b>Cash flow from operating activities (A)</b>	<b>72,109,701</b>	<b>103,622,637</b>
<b>Cash flow from investment activities</b>		
Purchase of intangible and tangible assets	(107.499.472)	(92.259.782)
Sale of intangible and tangible assets	837,865	905,141
Financial fixed assets	(6.229)	(27.377)
<b>Cash flow by investment activities (B)</b>	<b>(106.667.836)</b>	<b>(91.382.018)</b>
<b>Cash flow from financial activities</b>		
Increase (decrease) in short-term payables to banks	(1.119.571)	(1.067.323)
Taking out loans	50,000,000	11,950,000
Loan repayments	(8.050.000)	(26.125.000)
Capital increase paid	0	0
Dividends (and dividend advances) paid	0	0
<b>Cash flow by financial activities (C)</b>	<b>40,830,429</b>	<b>(15.242.323)</b>
<b>Increase (decrease) in cash flow (A ± B ± C)</b>	<b>6,272,294</b>	<b>(3.001.704)</b>
Net cash and banks receivable (payable) - beginning of year	25,710,015	28,711,719
Net cash and banks receivable (payable) - year end	31,982,309	25,710,015

Bolzano, 20 March 2017

The Chairman of the Board of Directors  
Mag. Rudolf Andreas Staudinger

## **Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)**

To the Quotaholders of  
Aspiag Service S.r.l.

### **Report on the financial statements**

We have audited the financial statements of Aspiag Service S.r.l., which comprise the balance sheet as at December 31, 2016, the income statement and the statement of cash flows for the year then ended, and the explanatory notes.

### **Directors' responsibility for the financial statements**

The Directors of Aspiag Service S.r.l. are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Aspiag Service S.r.l. as at December 31, 2016, of its financial performance and cash flows for the year then ended in accordance with the Italian law.

## **Report on other legal and regulatory requirements**

### **Opinion on the consistency of the Report on Operations with the financial statements**

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by the law, on the consistency of the Report on Operations with the financial statements. The Directors of Aspiag Service S.r.l. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on Operations is consistent with the financial statements of Aspiag Service S.r.l. as at December 31, 2016.

Verona, April 10 2017

EY S.p.A.

Signed by: Ilaria Faedo, partner

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

**47%**  
of Italians  
are worried about  
waste disposal  
and **42%** are sensitive  
towards pollution  
of water.

**VERDE VERA**  
is Despar's natural  
line of cosmetics for skin  
wellness and environment  
wellbeing.  
More than 98% of the  
ingredients are of  
natural origin.

**GEMMA VERDE**  
is Despar's detergents  
line **effective** and  
safe for personal and  
environmental wellbeing,  
with a production cycle  
that has a **very low**  
environmental  
impact.





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PROFILE DISCLOSURE G4 CORE	TRANSLATION	SECTION OF THE INTEGRATED REPORT	REFERENCE ON PAGE INTEGRATED REPORT	NOTES / OMISSIONS
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<b>Strategy and Analysis</b>				
G4-1	Declaration by the highest decision-making authority (e.g. CEO, chairman or equivalent position) on the importance of sustainability for the organization and its strategy	Letter from the Chairman	1	
<b>Organizational profile</b>				
G4-3	Organization's name	Identity and operating context	7	
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G4-8	Markets served (including geographic analysis, sectors served, type of customer and beneficiaries)	Business Model	20, 25	
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G4-15	Subscription to or adoption of codes of conduct, principles and social statutes developed by external bodies/associations related to economic, social and environmental performance	Governance Strategy and Performance	17 49-52	
G4-16	Membership of associations (e.g. trade associations) and national or international organizations	Business Model	27	
<b>Identified material aspects and boundaries</b>				
G4-17	The organization's operational structure, including major divisions, operating companies, subsidiaries and joint ventures	Identity and operating context	9	
G4-18	Process for defining the content of the report and the scope of material aspects	Methodological Notes	94-97	



PROFILE DISCLOSURE G4 CORE	TRANSLATION	SECTION OF THE INTEGRATED REPORT	REFERENCE ON PAGE INTEGRATED REPORT	NOTES / OMISSIONS
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<b>Report profile</b>				
G4-28	Reporting period of the information provided (e.g. fiscal year, calendar year)	Methodological Notes	94-97	
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G4-30	Reporting periodicity (annual, two-yearly, etc.)	Methodological Notes	94-97	
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G4-34	The organization's governance structure, including committees responding directly to the highest governing body responsible for specific tasks such as strategy definition, or organizational control	Governance	13-17	
<b>Ethics and integrity</b>				
G4-56	Mission, Values, Code of Conduct, Principles for Economic, Environmental and Social Performance of the Organization Internally Developed and the Status of Their Application	Identity and operating context Governance	7 17	



PROFILE DISCLOSURE G4 CORE	TRANSLATION	SECTION OF THE INTEGRATED REPORT	REFERENCE ON PAGE INTEGRATED REPORT	NOTES / OMISSIONS
<b>DISCLOSURE ON MANAGEMENT APPROACH</b>				
<b>SPECIFIC STANDARD DISCLOSURE</b>				
<b>CATEGORY: ECONOMIC</b>				
<b>Economic performance</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	34, 48, 52-55	
G4-EC1	Direct economic value generated and distributed	Strategy and Performance	34	
G4-EC4	Financial assistance received from the public administration	Strategy and Performance	48	
<b>Indirect economic impacts</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	52-54	
G4-EC7	Development and Impact of Investment in Infrastructure and supported services	Strategy and Performance	54	Some details about the indicator are not currently available. Aspiag Service undertakes, over the next few years, to collect the data needed to cover the indicator.
<b>CATEGORY: ENVIRONMENT</b>				
<b>Materials</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	52-54	
G4-EN1	Materials used by weight and volume	Strategy and Performance	54	Indicator information is not available except for the consumption of food packaging materials and shoppers Aspiag Service undertakes, over the next few years, to collect the data needed to cover the indicator.
<b>Energy</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	36, 52-54	
G4-EN3	Energy consumption within the organization	Strategy and Performance	53	
G4-EN5	Energy intensity	Strategy and Performance	53	
G4-EN6	Reduction in energy consumption	Strategy and Performance	53	
<b>Emissions</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	36, 52-54	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Strategy and Performance	53	See note 1 for the method of calculation.
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	Strategy and Performance	53	See note 2 for the method of calculation.



PROFILE DISCLOSURE G4 CORE	TRANSLATION	SECTION OF THE INTEGRATED REPORT	REFERENCE ON PAGE INTEGRATED REPORT	NOTES / OMISSIONS
<b>Effluents and waste</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	52-54	
G4-EN23	Total waste weight by type and by disposal methods	Strategy and Performance	54	See note 3 for the method of calculation.
<b>Compliance</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Business Model Strategy and Performance	28-29 54	
G4-EN29	Monetary value of significant fines and total number of non-monetary fines for non-compliance with environmental laws or regulations	Strategy and Performance	54	
<b>Overall</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	36, 50, 52, 53	
G4-EN31	Total expenditure and investment for environmental protection by type	Strategy and Performance	54	
<b>CATEGORY: SOCIAL</b>				
<b>SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK</b>				
<b>Employment</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-LA1	Total number and percentage of new employees recruited and turnover in the reference period by age, gender and geographical area	Strategy and Performance	47	
G4-LA3	Return to work and retention rates of continuation after parental leave by gender	Strategy and Performance	48	The indicator does not currently report the percentage of current employees after 12 months from parental leave. Aspiag Service is committed, over the next few years, to collect the data needed to cover the indicator.
<b>Labour/management relationships</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-LA4	Minimum notice period for organizational changes including those specified in collective bargaining contracts	Strategy and Performance	46	
<b>Occupational health and safety</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender	Strategy and Performance	49	
<b>Education and training</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-LA9	Average annual training hours per employee, broken down by gender and by employee category	Strategy and Performance	51	



PROFILE DISCLOSURE G4 CORE	TRANSLATION	SECTION OF THE INTEGRATED REPORT	REFERENCE ON PAGE INTEGRATED REPORT	NOTES / OMISSIONS
<b>Diversity and equal opportunities</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Governance Strategy and Performance	13 46-51	
G4-LA12	Composition of corporate governance bodies and breakdown of employees by category based on gender, age, belonging to protected categories and other indicators of diversity	Governance Strategy and Performance	13 48	
<b>Equal remuneration for men and women</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Strategy and Performance	48	
<b>Occupational grievance procedure</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-LA16	Number of grievances about work practices submitted, addressed and solved through formal grievance mechanism	Strategy and Performance	46	
<b>SUB-CATEGORY: HUMAN RIGHTS</b>				
<b>Non-discrimination</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-HR3	Number of episodes related to discriminatory practices and actions taken	Strategy and Performance	46	
<b>SUB-CATEGORY: SOCIETY</b>				
<b>Anti-corruption</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Governance	17	
G4-S04	Communication and training on anti-corruption policies and procedures	Governance	17	Some details about the indicator are not currently available. Aspiag Service is committed, over the next few years, to collect the data needed to cover the indicator.
<b>Public policy</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Governance	17	
G4-S06	Political contributions by country and recipient	Governance	17	
<b>Anti-competitive behaviour</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-S07	Legal actions for anti-competitive behavior, anti-trust and monopolistic practices and related judgements	Strategy and Performance	46	
<b>Compliance</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	46-51	
G4-S08	Monetary value of significant fines and total number of non-monetary fines for non-compliance with laws or regulations	Strategy and Performance	47	



PROFILE DISCLOSURE G4 CORE	TRANSLATION	SECTION OF THE INTEGRATED REPORT	REFERENCE ON PAGE INTEGRATED REPORT	NOTES / OMISSIONS
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>				
<b>Consumer health and safety</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	41	
G4-PR1	Percentage of significant products and services for which the health and safety implications are assessed for improvement	Strategy and Performance	41	
<b>Product and service labelling</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	40-43	
G4-PR5	Customer satisfaction survey results	Strategy and Performance	42	
<b>Compliance</b>				
DMA	Material issues, their impacts, management method, evaluation of the management approach	Strategy and Performance	41	
G4-PR9	Monetary value of significant fines for non-compliance with laws or regulations concerning the supply and use of products and services	Strategy and Performance	41	

**NOTES**

1 The main energy sources used for business in Company premises are natural gas and electricity. There are also district heating systems in some branches, while some retail stores are still heated by diesel (situations more frequent in most isolated realities and where methane gas does not arrive). The Company has a substantial fleet fuelled almost entirely by diesel and consisting mostly (more than 80%) of cars assigned to employees and with a smaller share of cars in the pool. Assigned Company cars are also used by employees for private movements and, for this reason, to account for fuel consumption and their emissions, a use factor of 70% of actual consumption is assumed.

- All values shown in the table are expressed in tonnes of CO<sub>2</sub> equivalent.

- Aspiag Service's climate-changing emission scope covers most of the direct emissions (Scope 1), derived from natural gas and diesel fuel used for heating buildings, and diesel and petrol for the fleet; to date the refrigerants are not recorded;

- The following gases are taken into consideration for greenhouse gas emissions: CO<sub>2</sub> (carbon dioxide), CH<sub>4</sub> (methane), N<sub>2</sub>O (nitrogen oxide). GWPs (Global Warming Potential) are assumed to be 1 (CO<sub>2</sub>), 25 (CH<sub>4</sub>) and 298 (N<sub>2</sub>O) according to the IPCC 4th AR Technical Summary (lifetime = 100 years).

The emission factors used originate from the National Standard Parameters Table produced by the Ministry of the Environment. In the case of electricity alone, the emission factor provided by Terna has been used. For the calculation of district heating emissions, not knowing the fuels or the individual technologies used by the heat suppliers, a heat production from natural gas-fired boilers with an efficiency of 80% was assumed (conservative assumption).

2 The main energy sources used for business in Company premises are natural gas and electricity. There are also district heating systems in some branches, while some retail stores are still heated by diesel (situations more frequent in most isolated realities and where methane gas does not arrive). The Company has a substantial fleet fuelled almost entirely by diesel and consisting mostly (more than 80%) of cars assigned to employees and with a smaller share of cars in the pool. Assigned Company cars are also used by employees for private movements and, for this reason, to account for fuel consumption and their emissions, a use factor of 70% of actual consumption is assumed.

- All values shown in the table are expressed in tonnes of CO<sub>2</sub> equivalent.

- Aspiag Service's climate-changing emission scope covers all indirect energy emissions (Scope 2), derived from the purchase of electricity and heat for district heating;

- The following gases are taken into consideration for greenhouse gas emissions: CO<sub>2</sub> (carbon dioxide), CH<sub>4</sub> (methane), N<sub>2</sub>O (nitrogen oxide). GWPs (Global Warming Potential) are assumed to be 1 (CO<sub>2</sub>), 25 (CH<sub>4</sub>) and 298 (N<sub>2</sub>O) according to the IPCC 4th AR Technical Summary (lifetime = 100 years).

The emission factors used originate from the National Standard Parameters Table produced by the Ministry of the Environment. In the case of electricity alone, the emission factor provided by Terna has been used. For the calculation of district heating emissions, not knowing the fuels or the individual technologies used by the heat suppliers, a heat production from natural gas-fired boilers with an efficiency of 80% was assumed (conservative assumption).

3 Aspiag Service manages the separate collection of its waste at all retail stores. This is mainly for packaging in paper, cardboard, plastic, wood and glass, mixed packaging, hazardous waste, FORSU (TN: organic component of municipal solid waste) and RSU (TN: unsorted component of municipal solid waste). Because separate collection uses the municipal companies' disposal channels that do not detect what is produced by each user but just the total quantity taken, the data on the dry and wet fraction are calculated empirically using:

- the number of weekly collections;
- the number of dumpsters/bins in use;
- a filling coefficient of the dumpsters/bins.

In cases where the reference municipalities do not collect certain types of waste, the Company relies on private disposers. For RSU collection containers (average volume of 1100 l), an average filling load of 88 kg was assumed; for the FORSU collection bins (average volume of 240 l), an average fill weight of 120 kg was assumed.

## **Independent auditors' report on data and information included in the "2016 Integrated Report" and referenced in the "GRI-G4 Information and Indicator Table" (Translation from the original Italian text)**

To the Board of Directors of  
Aspiag Service S.r.l.

We have carried out a limited assurance engagement of data and information included into the "2016 Integrated Report" of Aspiag Service S.r.l. (hereinafter also "Aspiag Service") referenced in the "GRI-G4 Information and Indicator Table" (hereinafter also "GRI disclosure of the 2016 Integrated Report") as of 31<sup>st</sup> December 2016.

### **Directors' responsibility on the GRI disclosure of the 2016 Integrated Report**

The Directors are responsible for the preparation of the GRI disclosure of the 2016 Integrated Report in accordance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by GRI - Global Reporting Initiative that are detailed in the paragraph "Methodological Notes" of the 2016 Integrated Report, as well as for that part of internal control that they consider necessary in order to allow the preparation of a GRI disclosure of the 2016 Integrated Report that is free from material misstatements, even caused by frauds or unintentional behaviours or events. The Directors are also responsible for defining commitments of Aspiag Service S.r.l. regarding the sustainability performance and for the reporting of the results achieved, as well as for the identification of the stakeholders and of the significant matters to report.

### **Auditors' responsibility**

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for the engagements that consist in a limited assurance. This principle requires the respect of relevant ethical principles, including those related to independence, as well as the planning and the execution of our work in order to obtain a limited assurance that the GRI disclosure of the 2016 Integrated Report is free from material misstatements. These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the GRI disclosure of the 2016 Integrated Report, document analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

The procedures performed on the GRI disclosure of the 2016 Integrated Report were related to the compliance with the principles for defining report content and quality, as articulated in the "G4 Sustainability Reporting Guidelines", and are summarised below:

- a. comparison of economic and financial data and information included in the GRI disclosure of the 2016 Integrated Report with those included in Aspiag Service's financial statements as of 31<sup>st</sup> December 2016 on which we issued our audit report, pursuant to art. 14 of Legislative Decree n. 39 dated 27<sup>th</sup> January 2010, on the 10<sup>th</sup> April 2017;
- b. analysis, through interviews, of the governance system and management process of the issues related to the sustainable development regarding Aspiag Service's strategy and operations;
- c. analysis of the process relating to the definition of material aspects included in the GRI disclosure of the 2016 Integrated Report, with reference to the criteria applied to identify priorities for the different stakeholders categories and to the internal validation of the process outcomes;
- d. analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the GRI disclosure of the 2016 Integrated Report. In particular, we have carried out the following procedures:
  - interviews and discussions with personnel of the Management of Aspiag Service S.r.l., to obtain an understanding about the information, accounting and reporting systems in use for the preparation of the GRI disclosure of the 2016 Integrated Report, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the GRI disclosure of the 2016 Integrated Report;
  - analysis on a sample basis of the documentation supporting the compilation of the GRI disclosure of the 2016 Integrated Report, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct processing of data and information in relation to the objectives described in the GRI disclosure of the 2016 Integrated Report;
- e. analysis of the compliance and internal consistency of the qualitative information included in the GRI disclosure of the 2016 Integrated Report to the guidelines identified in paragraph "Directors' responsibility on the GRI disclosure of the 2016 Integrated Report" of the present report;
- f. analysis of the process relating to stakeholders engagement, with reference to procedures applied, through review of minutes or any other existing documentation relating to the main topics arisen from discussions with them;
- g. obtaining of the representation letter, signed by the legal representative of Aspiag Service S.r.l., relating to the compliance of the GRI disclosure of the 2016 Integrated Report with the guidelines indicated in paragraph "Directors' responsibility on the GRI disclosure of the 2016 Integrated Report", as well as to the reliability and completeness of the information and data presented in the GRI disclosure of the 2016 Integrated Report.

Our engagement is less in scope than a reasonable assurance engagement in accordance with ISAE 3000 and, as consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.



## Conclusion

Based on our work, nothing has come to our attention that causes us to believe that data and information included into the "2016 Integrated Report" of Aspiag Service S.r.l. referenced in the "GRI-G4 Information and Indicator Table" as of 31<sup>st</sup> December 2016 is not in compliance, in all material aspects, with the guidelines "G4 Sustainability Reporting Guidelines" issued in 2013 by the GRI - Global Reporting Initiative, as stated in the paragraph "Methodological Notes" of the 2016 Integrated Report.

Verona, 19<sup>th</sup> April 2017

EY S.p.A.

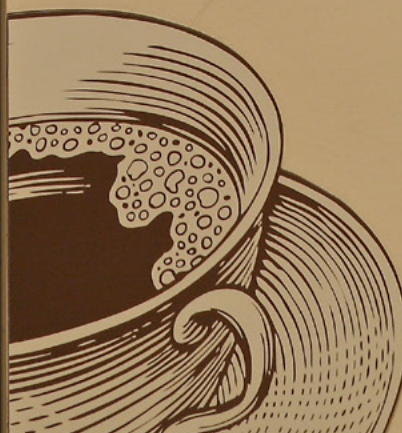
Signed by: Ilaria Faedo, Partner

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



# Caffè & Co.

PER IL BUONGIORNO



Italy is the **first**  
**country** by number of  
**Dop, Igp** and **Stg**  
awarded by the European  
Union. Acknowledged quality  
agri-food products  
amount to **269.**

Despar  
offers the **PREMIUM**  
line for lovers of good  
food and those who want  
to discover regional  
traditions:  
100 products in the name  
of **excellence.**





# METHODOLOGICAL NOTES

Methodological Notes

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## METHODOLOGICAL NOTES

This chapter explains in detail the reasons and methods used to describe Aspiag Service's operations through an instrument such as the Integrated Report, which is increasingly widespread and used to represent and divulge how a Company creates value over time for their stakeholders.

Therefore, the Integrated Report allows for the coherent and concise representation, evaluation, monitoring of actions and resources of tangible and intangible nature and of strategic importance for Aspiag Service, more complete compared to statutory reports.

Therefore, we rely on standards that make the explanation and connection of all the necessary information clear and exhaustive, in particular:

- the International Integrated Reporting <IR> Framework as published by the International Integrated Reporting Council (IIRC)
- the G4 Guidelines by the Global Reporting Initiative (GRI, application level: in accordance – Core Option)
- the Civil Law
- the accounting principles issued by the Italian Accounting Board (OIC).

The International <IR> Framework by IIRC is an important reference document: Aspiag Service is IIRC compliant, following both the 7 guiding principles and the 9 content elements. The former translate into the connectivity and materiality matrices, as well as in the generic form of the Report inspired by completeness and conciseness; the latter are reflected in the 5 chapters into which the Report is divided:

- Identity and operating context
- Governance
- Business Model
- Strategy and Performance
- Future outlook

Through this methodology, which also includes the reporting of non-financial outputs, we also comply with the provisions of the European Directive on the 'Disclosure of Non-Financial Information', which has been implemented in Italy by means of Legislative Decree 254 of 30/12/2016, although not formally required.

In this framework, the business model, corporate values, strategy pursued and a renewed concept of value are just as important in this document.

The value creation process is based on six types of capital as input, which the Company modifies, increases, consumes or uses and are described next.

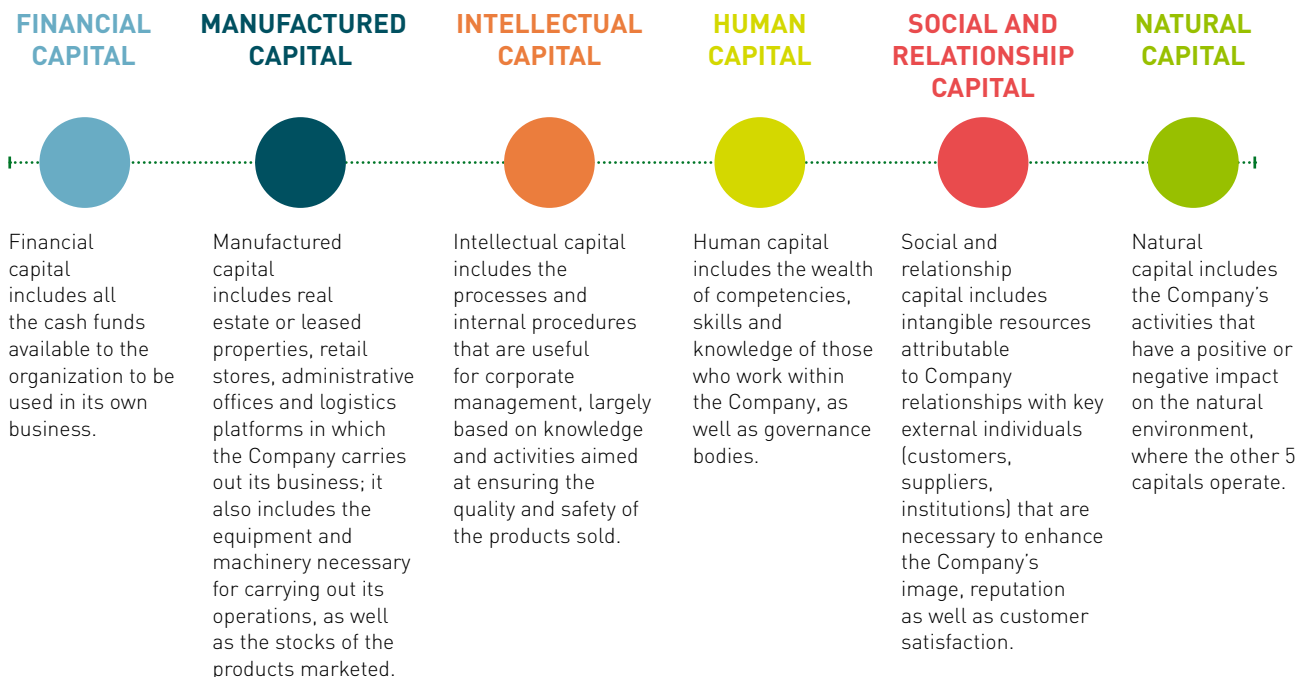
The different concepts of capital within the document are always marked with the same colour, so that they are immediately recognizable to the reader.

The Company's strategic objectives are defined by one of fundamental nature (market share increase) and five functional ones in order to pursue the first (generation of financial resources, new openings and renovations, customer satisfaction, appreciation of collaborators, attention to the environment and the territory).

Each of these six objectives is marked with a specific graphic icon in the document, to facilitate recognition. These icons associated with KPIs connected to the value creation process take on the colour of the capital that is affected by these processes and help identify whether, and to what extent, the objective indicated by the icon has been reached.

To achieve these strategic objectives, the Company employs differently the capitals described above, which are different from each other but which 'cooperate' in an interconnected way through the organizational structure and the governance system to give substance to the value creation processes.

Based on the capital owned, our Company acquires different types of input and puts in place targeted management actions, from which it obtains a variety of outputs/KPIs and outcomes that shape the results of its corporate strategy. The cooperation of these resources - which increase, decrease and transform - is the solid starting point to achieve the five functional objectives already described and, therefore, the primary objective of increasing market share.



Outputs/KPIs are the goods and services generated by the Company as well as the direct effects (not infrequently of a 'physical' nature) of the business operations, while the outcomes are the effects ensuing from them in a financial, manufactured, intellectual, human, social and relationship and natural capital sense, and whose impact is often reflected on the strategic and organizational aspects. Therefore, they show the Company's progress and to what degree it has achieved the objectives and are expressed either in economic size or qualitatively. All outputs/KPIs are shown and commented on in a logical economic-business sequence, in order to appreciate the development of the Company's broadest value creation story and its prospects over the medium to long term.

Each of them is entered in the 'connectivity matrix' and is located at the intersections between capitals and strategic objectives based on the main connotation given by the capitals that comprise it and the purpose for which they are used.

The outcomes are identified in the consequences (positive or negative, external or internal to the organization) of the six capitals, originating from the Company's activities and outputs.

These outcomes are reflected in the Company's strategic and organizational choices.

Such outcomes are also coloured according to the logic of the capitals that dominate the value creation and represent Aspiag Service's material issues.

In order to provide a more complete narration on value creation, an innovative representation of the main trade off of the capital stocks' value is proposed, which are

increased, reduced, transformed over time by corporate activities and outputs. The complex variations in capital over time are illustrated through the use of comprehensive infographics showing the various combinations and explaining the interdependencies that have influenced the value creation. The use of the hourglass image clearly shows the transformation of capitals over time.

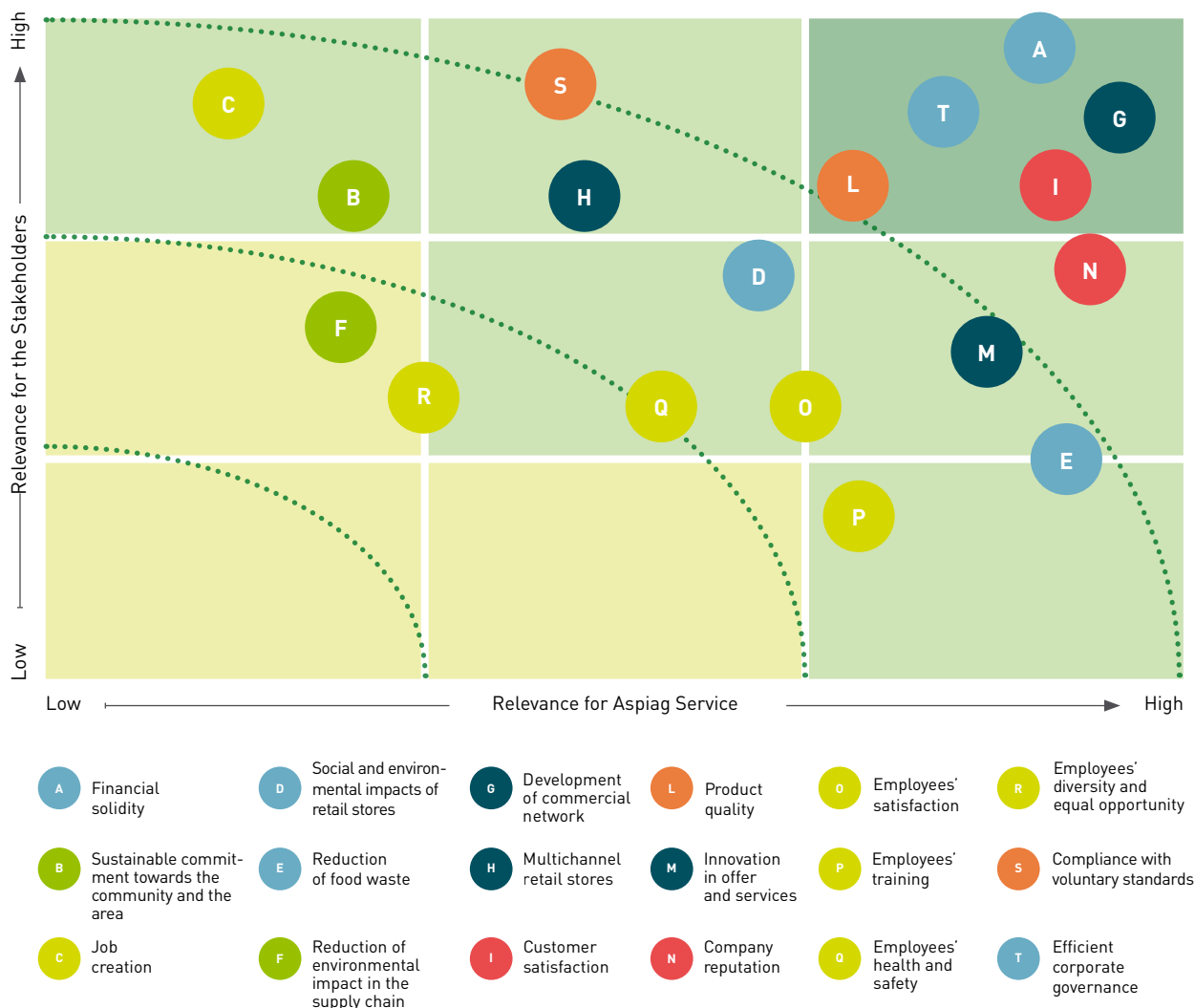
The integrated report is the culmination of integrated thinking, which in the case of Aspiag Service is the continuous line that crosses all the report's contents, or all of the corporate parts, and connects them in view of value creation. This shared decision process is not arbitrary or casual, but goes towards enhancing those connections that are already present among the various departments, and that should be stimulated in their interaction so that the result of the department and the whole Company is maximized. Therefore, on the one hand, it's a cultural choice and, on the other, a natural evolution of the way in which the Company is working towards the collaboration and enhancement of all its aspects. For this reason, one of the most important symbols of integrated thinking, besides the value creation process, is the concept of connectivity represented through the 'connectivity matrix', which shows the outputs resulting from interactions between capitals and corporate objectives through the personnel and corporate structure. Without this interconnected network and the awareness of achieving objectives, many of the results actually achieved would not be possible or would be underestimated even in view of strategic corporate choices.

The reporting boundary used in the Integrated Report refers to Aspiag Service Company S.r.L.



The report also contains the information required by the G4 Guidelines issued by the Global Reporting Initiative. The GRI indicators are specifically marked within the document and summarized in a connecting synoptic table inserted in this document.

To intersect the stakeholder data and their needs together with the corporate strategies, we have made a materiality matrix (in the figure), which offers the lines within which we work on issues that are more relevant to the Company and so are organized according to priority.



The amplitude and depth of reporting the topics covered reflect the results of the materiality analysis carried out according to a specific methodology, which is updated periodically.

The results from the materiality analysis were associated with the list of aspects defined in the GRI-G4 Guidelines, selecting the topics that best represent them.

The list of material aspects is given in the following table, which specifies the boundary for reporting the aspect and any reporting constraints related to the aspect's boundary.

The GRI information has been audited by an independent Company whose limited audit report is available in this document.



MATERIAL ASPECTS		BOUNDARY AND LIMITATION OF THE ASPECT
GRI aspect	ECONOMIC IMPACTS	
	<b>Economic performance</b>	Aspiag Service
	<b>Indirect economic impacts</b>	Aspiag Service
GRI aspect	ENVIRONMENTAL IMPACTS	
	<b>Materials</b>	Aspiag Service
	<b>Energy</b>	Aspiag Service, supply chain. Reporting does not extend to the supply chain.
	<b>Emissions</b>	Aspiag Service, supply chain. Reporting does not extend to the supply chain.
	<b>Effluents and waste</b>	Aspiag Service
	<b>Compliance</b>	Aspiag Service
	<b>Total</b>	Aspiag Service
GRI aspect	SOCIAL IMPACTS	
<b>Labor practices and decent work</b>	<b>Employment</b>	Aspiag Service
	<b>Labour/management relationships</b>	Aspiag Service
	<b>Occupational health and safety</b>	Aspiag Service, external Cooperatives. Reporting does not extend to external cooperatives.
	<b>Education and training</b>	Aspiag Service
	<b>Diversity and equal opportunities</b>	Aspiag Service
	<b>Equal remuneration for men and women</b>	Aspiag Service
	<b>Occupational grievance procedure</b>	Aspiag Service
<b>Human Rights</b>	<b>Non-discrimination</b>	Aspiag Service
<b>Society</b>	<b>Anti-corruption</b>	Aspiag Service
	<b>Public policy</b>	Aspiag Service
	<b>Anti-competitive behaviour</b>	Aspiag Service
	<b>Compliance</b>	Aspiag Service
<b>Product responsibility</b>	<b>Product and service labelling</b>	Aspiag Service
	<b>Consumers' health and safety</b>	Aspiag Service
	<b>Compliance</b>	Aspiag Service

The data reported in the 2016 Integrated Report are compared with those for the 2015 and 2014 periods, and were put together with the aim of representing a clear and balanced picture of the Company's actions and features, and facilitating the reader's understanding and interpretation. Non-financial information was prepared by the various corporate department heads and the corporate information system, and is mostly the result of analyses performed by specific working groups.

Additional sources of information, for example regarding the market, are provided in the respective presentation tables. The methodologies used to calculate the Integrated Report's various indicators and any changes

with respect to the previously published Report are, where necessary, explained in the footnote of the indicator.

This Report includes an extract from the economical and financial information in its strict sense, which is incorporated in the Financial Statements and the Cash Flow Statement.

The full Financial Statements are available at: <http://www.despar.it/it/bilancio-esercizio-2016/>.

The document is completed with a glossary of the terms used.

Nearly half  
of Italians live with  
a pet **(43.3%)**  
and in 2 out of 10 cases  
there's more  
than one.

Despar  
with its lines  
**SCOTTY** and  
**MOLLY**  
for cats and dogs  
offers a range of  
36 private label products.





# GLOSSARY

Glossary

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## GLOSSARY

### ASSESSMENT CENTER

Is an assessment technique that, thanks to a simulated context and various tools, allows a candidate's attitudes, skills, personality characteristics and knowledge to be observed.

### BUILDING AUTOMATION

Integration of technological systems within a building to be able to supervise and control them through dedicated interfaces.

### CENTRAL PURCHASE ALLIANCE

The central purchase alliance is an organization that has as its primary objective the supplier contract management (invoicing conditions and off-invoice services) and the product catalogue. In this type of office, managed processes are confined to the definition, according to which industry, of buying conditions of products and indirect revenues.

### CLUSTER

Measurement unit used to measure and catalogue the assortments.

### ADHERENCE

This expression indicates the Company's adherence to a system of rules of different origin: legislative provisions, best practices, business procedures. Compliance is a process, a corporate function, indispensable for companies, especially if they are large or engage in activities subject to multiple rules.

### CORE BUSINESS

Main business amongst those carried out by a diversified Company.

### CUSTOMER CARE

Service provided by a Company to its customers by taking care of customer satisfaction, registering complaints, answering their questions.

### CUSTOMER EXPERIENCE

Customer Experience is the inner and subjective reaction of the customer with direct or indirect contact with the Company.

### CUSTOMER SATISFACTION

A set of research methods and models based on social research to detect the degree of customer satisfaction as a measure of the quality of a product or service. Customer satisfaction is their perception of having spent their resources well, having obtained the maximum possible in proportion to their expectations.

### E-LEARNING

A learning system that is used through an online link with a dedicated site.

### FRANCHISING

A system of collaboration between who offers goods or services (a franchisor) and a distributor (franchisee), based on a contract whereby the first party gives the second the right (franchise) to exploit patents, trademarks, name and sign, under certain conditions and upon payment of a set amount.

### GLOBAL REPORTING INITIATIVE (GRI)

Independent international association that aims to develop and disseminate guidelines to report the three elements of sustainability properly: economy, environment and society.

### HACCP (Hazard Analysis and Critical Control Points)

Is a protocol aimed at preventing the dangers of food contamination. It is based on monitoring food processing phases where a biological or chemical or physical hazard may be present. Its purpose is to identify and analyse dangers and to develop suitable control systems.

### INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC)

International committee which aims to create a comprehensive framework that combines financial, environmental, social and governance information in a clear, concise and comparable way, capable of responding to the complexity of the current socio-economic context by consistently integrating the different reporting models.



### JOB DESCRIPTION

This term defines a tool for describing and assessing a job position, even on a high level, able to show the tasks, the position in the corporate hierarchy, relationships with other functions, career prospects, thus providing the employee with a clear insight on their role and position.

### KEY PERFORMANCE INDICATORS (KPI)

These are indicators expressed in numbers that are significant for value creation and should provide evidence of the performance trends over time.

### LEGISLATIVE DECREE 231/2001

Legislative Decree of 8 June 2001 introduced a system of administrative responsibility, but in fact of Companies' criminal liability for crimes against the Public Administration (corruption, bribery, etc.) or for corporate crimes (e.g. false accounting) made by employees, executives or directors in the interest or benefit of the Company.

### LIKE FOR LIKE (LFL)

Means comparable data from one year to another without taking into account variations due to acquisitions, dismissals or extraordinary events.

### MISSION

Defines the Company's identity and its business.

### NON-FOOD

Non-food products, classified in two categories by the Company:

- **Non-Food 1:** hygiene, personal care and early childhood products, natural diet products and supplements, medicines (OTC, SP), washing powder, detergents and cleaning accessories, toilet paper and kitchen paper, handkerchiefs and paper napkins, dispensers and insecticides;
- **Non-Food 2:** products classified as heavy bazaar (IT, telephony, audio/video products and accessories, home appliances, photo, video games, books and newspapers), light bazaar for DIY and leisure (DIY, gardening, sports, toys, stationery, car accessories) and textiles (clothing, footwear, leather goods, household goods).

### OHSAS 18001:2007 – OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SERIE

An international standard that sets out the requirements that a management system must possess to protect the health and safety of workers.

### PRIVATE LABEL

These are products or services that are usually manufactured or supplied by third party Companies and sold under the trademark of the Company that sells or offers the product or service (in this case Aspiag Service). As these products are not subject to the brand-specific marketing cost, the consumer can buy a product of a similar quality to the branded one but at a lower cost.

### SPEED INTERVIEW

The speed interview consists of a quick job interview, lasting about 5 minutes, based on few targeted questions and short answers, which allows for a candidate's first assessment to be made quickly.

### TRADE OFF

Indicates the interdependencies between capitals, that is the trend of the six capitals generated, absorbed or transformed, in order to calculate the net impact on the capital stock.

### UNI EN ISO14001:2004

Is an international standard that defines how to set up an environmental management system (EMS). It is therefore a certified environmental management standard (SGA) that sets the management system requirements for any Company and is part of the ISO14000 series. The acquisition of this certification indicates that the Company has a sound environmental management system that monitors the environmental impacts of its activities and continuously searches for improvement in a consistent, effective and sustainable way.

### VISION

Our vision includes the set of values, competitive orientation, organizational ideologies, and the future idea that the Company has for itself in the short, medium and long term.



**RAFFAELE TRIVELLATO**  
CFO - Aspiag Service S.r.L.

## *Letter from the CFO*

At the end of an initial cycle of implementation of innovative reporting, such as ours, I feel the need to make some general reflections on the experience, the people involved, the outlook and potential for the future.

When we started along this path at the end of 2011, we were convinced of the need to improve our outgoing reporting to better represent the Company, its resources and capacity, its processes.

Although not quoted and despite the fact that we already drafted a complete statutory Financial statements together with a full Management Report, we believed that many aspects and significant information were still missing that would enable the stakeholders to better understand its solidity, its innovation and attention to the environment and to the territories in which it operates and, ultimately, the reasons behind its leadership in the reference market.

Our intense work and enthusiasm have enabled us to produce a report that aims to correlate the most significant financial and non-financial data in the light of the strategy pursued and that considers even intangible resources to be an integral part of corporate performance.

This has enabled – and enables – us to represent all of the strategically important Company actions, resources and results and, therefore, both economic and socio-environmental, with the awareness that the value created derives from relationships with other entities, such as employees, suppliers, customers, banks, public administration, representative organisations, universities, the local area, and is influenced by the external environment that includes economic conditions, technological changes, social issues, etc.

We understand that the value creation process is a cycle in which capitals – increased, reduced, transformed through business activities and output – at the end of the period, become the capitals available for the Business Model in the following period and that the contribution of intangible capital to creating value – previously completely absent due to the centrality of the economic and financial dimension – is now increasingly important.

This is often highlighted by the divergence between the Company's book value and corresponding market value. It may be that two companies operating in the same business sector – with the same size, number of retail stores and number

of employees and with identical technology/equipment – achieve different results in terms of turnover and profit and this is largely attributable to intangible capital, the different quality of the capitals interacting within the Company.

So we arrive at this 2016 Integrated Report, which is not only fully compliant with the International Framework of the IIRC but, in its conciseness, also indicates significant additional effort in terms of improving the depth and breadth of the corporate image and the effectiveness of its communication, presenting itself – I believe – as one of the most advanced and sophisticated products in this field.

Numerous people within the Company have contributed to achieve this result, to whom I express my heartfelt gratitude.

I trust that the Integrated Report has been a significant opportunity for their professional growth and collaboration with colleagues of other business departments and with different areas of expertise because, though it is true that the Integrated Report helps stakeholders to understand how the Company creates value, it is also true that it constitutes an important internal tool of knowledge and communication that helps to improve and integrate the Company way of thinking.

Indeed, integrated reporting, is a communication tool that also becomes the process through which our Company coordinates its internal units, adjusts the tools used to report the created value and conveys its decision-making information.

At this point – and with an eye on the future – I believe the experience of the Integrated Report, on the one hand, should be increasingly consolidated and shared within the organization and, on the other and, should be reflected and assimilated by the management control and strategic management systems, in order to enhance the variables and information based on which business action is guided, monitored and adjusted towards the achievement of established strategic goals.

Along this path, we have learned a lot about organizational, personal and professional aspects of our Company, its ecosystem and its capacity to generate value. Above all, we have learned that improving corporate image and transparency is itself a transversal and integrated factor of value creation.



“Our Integrated Report is expression of a new Company culture and goes in the direction of overcoming the lack of balance between information available to the Company’s management and what is communicated to the stakeholders, without any fear of publicly disclosing information that could provide advantage to competitors.”

THE TRANSPARENCY  
OF QUALITY,  
THE QUALITY OF VALUE,  
THE VALUE  
OF TRANSPARENCY.

**ASPIAG SERVICE S.R.L.**

**Headquarters**

Via Bruno Buozzi, 30 - 39100 Bolzano

**[www.despar.it](http://www.despar.it)**

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HEADQUARTER: Bolzano.

SHARE CAPITAL: Euro 79,320,000.00 fully paid up.



Aspiag Service S.r.l.  
Despar Nordest