FROM THE SOURCE TO THE TABLE AND BEYOND

TAKING CARE OF WATER TO CREATE SHARED VALUE
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LETTER FROM THE CEO

I am delighted and also rather proud to present the Sanpellegrino Group's first report on creating shared value.

This report is the result of all the hard work and commitment that our people have shown over the years as well as contributing energy, ideas and enthusiasm.

The results that we have achieved are today there for everyone to see: the Sanpellegrino Group plays a prominent role in the beverage industry in Italy and exports its products worldwide as a symbol of Italian excellence.

Nowadays, customers, consumers and everyone else that companies come into contact with in their day-to-day business demand increasing commitment from enterprises to exercise their responsibilities in the society in which they operate. We have been a part of the community for almost 120 years because we know that handling a resource that is vital to the life and well-being of people and the planet involves going beyond what we are asked to do, by creating value for everyone.

Our commitment focuses on three key pillars: helping to create healthier generations through proper hydration, for example; involving communities in the development of territories; playing our part in the sustainable management of natural resources. Obviously, taking care of the people who work for us is also very important because without what I call a "great company", based on passion and consistency, none of the objectives we have set would be possible.

We have launched numerous projects which have grown over the years and have had an impact on the community. Here I would like to mention one which has dominated 2016: our Castrocielo plant, which is synonymous with industrial excellence in terms of innovation and sets the standard for our future, as well as environmental excellence and integration with the projects for social and economic development in our territories. The new industrial programmes which we will be involved in over the next few years will move in the same direction and obviously include the new great S.Pellegrino "Flagship Factory".

Finally, I would like to stress that this report represents a part of a process of sharing not only objectives that have been reached, but also goals that we have established for the future and which will guide the way we operate in the next years. It will be a long and complex process but one that I am certain will lead to more value for everyone.

On my behalf and on behalf of all the people at Sanpellegrino with whom I share a sense of pride in the results we have achieved as well as a commitment to reach even more ambitious objectives, I hope that you enjoy reading this report.

A changeover that indicates creating value

"After a long, stimulating period that I have had the pleasure of serving as Chairman and CEO of the Sanpellegrino Group, I am delighted to hand things over to a colleague for whom I have great respect, a professional with whom I have had the pleasure of working over the years. I am confident that at the head of our company Federico will contribute to its growth by continuing to focus on innovation and the central role of consumers and will support Sanpellegrino's commitment to creating shared value for everyone with energy and enthusiasm."

Stefano Agostini, President and CEO

Since 1 July 2017

Federico Sarzi Braga, President and CEO
The Sanpellegrino Group is the leading company in the mineral water and non-alcoholic beverages industry and through its high quality products it has made a name for itself over the years in over 150 countries worldwide. Over 40% of its products are sold outside Europe.

1998
Sanpellegrino became part of the Nestlé Group.

2016
The Sanpellegrino Group had a turnover of 895 million euros and produced 3.7 billion bottles.

Sanpellegrino worldwide

- North America: +9.8% since 2015
- South America: +18.4% since 2015
- Europe: +4.2% since 2015
- Africa: +13.8% since 2015
- Asia and Oceania: +6.7% since 2015

+6.4% overseas sales 2016 up on 2015
COMPANY LEADERSHIP

The Board of Directors

Chairman
Stefano Agostini

Directors
Giuliano Dal Fo
Massimo Ferro

From 1 July 2017 the Sanpellegrino Group Board of Directors consists of:
Federico Sarzi Braga (Chairman)
Chiara Bisconti
Giuliano Dal Fo
Massimo Ferro

The Management Committee

President and CEO
Stefano Agostini

Head of Local Business Unit
Stefano Marini

Head of International Business Unit
Giorgio Mandovi

Head of Finance & Control
Giuliano Dal Fo

Head of Human Resources
Gabriella Carello

Head of Technical Direction
Tim Keller

Head of Supply Chain
Maurizio Sarabone

Head of Lean Market Program
Stefania Montagner

Head of Corporate Affairs
Manuela Kron

President and CEO
Since 1 July 2017
Federico Sarzi Braga
### A LONG HISTORY OF GROWTH AND SUSTAINABILITY

- **1899**: Establishment of the company Sanpellegrino
- **1932**: Launching of Sanpellegrino Aranciata
- **1957**: Acquisition of Acqua Panna
- **1993**: Acquisition of Levissima and Recoaro brands
- **1998**: Joined the Nestlé Group and incorporation of Vera
- **2000**: Restoration and opening of Villa Panna
- **2006**: Start of projects in schools
- **2007**: Start of Levissima glacier project
- **2010**: 1 billion bottles sold of 5 Petrellese mineral water, sparkling drinks and aperitifs
- **2016**: Opening of Smart Factory in Castrocielo and completion of multi-source model

### DISTRIBUTION OF ADDED VALUE

<table>
<thead>
<tr>
<th></th>
<th>2016 (Mln €)</th>
<th>2014 (Mln €)</th>
<th>Variation 2016-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>892.753</td>
<td>809.926</td>
<td>10.25%</td>
</tr>
<tr>
<td>Financial income</td>
<td>12.203</td>
<td>6.898</td>
<td>76.91%</td>
</tr>
<tr>
<td>Other income</td>
<td>6.356</td>
<td>7.599</td>
<td>-16.36%</td>
</tr>
</tbody>
</table>

**ECONOMIC VALUE GENERATED BY GROUP**: 911.312 Mln € (10.54%)

- Operating costs: 652.057 Mln € (8.12%)
- Value redistributed to company personnel: 94.723 Mln € (1.13%)
- Value redistributed to Public Administration: 47.448 Mln € (42.8%)
- Remuneration of loan capital: 1.118 Mln € (-45.46%)
- Remuneration of risk capital: 90.613 Mln € (39.59%)

**ECONOMIC VALUE DISTRIBUTED BY GROUP**: 885.859 Mln € (11.4%)

- Depreciation, amortisation and write-downs: 21.467 Mln € (-19.8%)
- Allocations and reserves: 3.886 Mln € (741.1%)

**ECONOMIC VALUE WITHHELD BY GROUP**: 25.353 Mln € (-6.91%)

The value distributed to the company personnel amounts 14.5% of the operating costs. The value given directly to Public Administration represents over 7% of the operating costs. In 2016 the licensing and bottling fees amounted to EUR 4.4 million.
**OUR BRANDS**

**S.Pellegrino**
The water that represents Italian excellence
*Spring:* SAN PELLEGRINO TERME Bergamo
Symbol of "Made in Italy" and ambassador of Italian excellence abroad.
1 billion bottles sold worldwide in 2016.
Official Water Partner at Expo Milano 2015 and in the Italy Pavilion.

**Acqua Panna**
The taste of Tuscany on tables throughout the world
*Spring:* SCARPERIA Florence
Bottled in a nature reserve covering 1,300 hectares that the Sanpellegrino Group has worked hard to protect.

**Levissima**
The purity of the mountains
*Spring:* CEPINA Sondrio
For years it has been developing projects for the protection of Italian glaciers.
Partner of local institutions in promoting tourism in the Valtellina area. "Valtellina Impresa" brand (2012), as certification of social and local environmental responsibility.

**Nestlé Vera**
For a "healthier" future
*Spring:* SAN GIORGIO IN BOSCO (PD), SANTO STEFANO QUISQUINA (AG), CASTROCIELO (FR).
Symbol of proper hydration for the whole family, with a special focus on children.
Multi-source bottled using several springs through the country to make the most of local resources.

**Sanpellegrino Sparkling Fruit Beverages**
The value of Italian home-grown products
A wide range of beverages with a long history which began in 1932 with the Sanpellegrino Aranciata which contains only 100% "Made in Italy" oranges, the Limonata which uses only Sicilian lemons, and the Chinò which uses only chinotto grown on the slopes of Etna.

**Beltè**
A "natural" lifestyle
Bio Range with no sugar and sweeteners, BioAgricert-certified.
Offers a range with reduced sugar content and products that use naturally-based sweeteners.

**Sanbitter**
The real Italian aperitif
Hallmark of the real Italian aperitif, synonymous with conviviality and high quality.
On our tables since 1961 with the Sanpellegrino Bitter, the first alcohol-free aperitif in Italy. A wide range of aperitifs which is constantly updated and contains ingredients such as fruit and herbs and spices.

**Gingerino**
The strength of naturalness
An aperitif that comes from the Triveneto region and is strongly linked to the area and its traditions.
A symbol of simplicity, tradition, naturalness and quality.

**Acqua Brillante**
Thirst-quenching tradition
An all-Italian tradition based on a historic brand that dates back to 1914 and made according to an old recipe that remains a secret.
A perfect match of modern times and history and a hallmark of thirst-quenching delight.
SUSTAINABILITY: WHAT PEOPLE THINK

“Shared Value is a series of corporate policies and operating practices that enhance the competitive advantage and profitability of a company while simultaneously advancing social and economic conditions in the communities in which it operates.”


Compared with other industrial sectors, the responsibility of companies that produce food and drink is the highest because the need to protect the environment is combined with the need to safeguard health.

Therefore, what do people really expect from a company’s commitment? A noticeable improvement in the consumer’s experience (saving, improved quality of products, increase in the culture of consumption), positive action in the area (improvement in quality of environment, recovery and enhancement of natural resources, artistic heritage and the landscape) and activities that inform and educate.
Research conducted by EMG for Sanpellegrino at the beginning of 2017 has shown that the quality work is very important to consumers followed by the safeguarding of natural resources. The “educational” role that companies must perform for people’s well-being and protection of the environment should be stressed.

### Sustainability: the priorities for Italians

<table>
<thead>
<tr>
<th>Priority</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sure and quality work</td>
<td>45%</td>
</tr>
<tr>
<td>Preserving the environment</td>
<td>44%</td>
</tr>
<tr>
<td>Access to healthy food and drinks</td>
<td>40%</td>
</tr>
<tr>
<td>Information on healthier choices</td>
<td>32%</td>
</tr>
<tr>
<td>Sustainable education level</td>
<td>30%</td>
</tr>
<tr>
<td>Fighting climate change</td>
<td>30%</td>
</tr>
<tr>
<td>Information on nutrition and hydration</td>
<td>28%</td>
</tr>
</tbody>
</table>

### The challenges for companies in the beverage industry

<table>
<thead>
<tr>
<th>Challenge</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting lands and water</td>
<td>23%</td>
</tr>
<tr>
<td>Reducing environmental impact</td>
<td>16%</td>
</tr>
<tr>
<td>Access to drinking water</td>
<td>13%</td>
</tr>
<tr>
<td>Reducing the impact of packaging</td>
<td>12%</td>
</tr>
<tr>
<td>Reducing environmental impact of transport</td>
<td>10%</td>
</tr>
<tr>
<td>Information on proper hydration</td>
<td>7%</td>
</tr>
<tr>
<td>Educating young people in proper hydration</td>
<td>7%</td>
</tr>
<tr>
<td>Promoting the role of mineral water</td>
<td>6%</td>
</tr>
<tr>
<td>Development of local communities</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: EMG research for Sanpellegrino Group, 2017

### What our partners think

Our research confirms that 61% of people-consumers in 2016 are convinced that companies are responsible for improving the quality of the environment and social well-being. Another significant trend is the growing awareness of personal responsibility by consumers who are willing to change lifestyle and consumption patterns to make them more sustainable. The view that dominates is one of a possible “virtuous alliance” between public and private actors which benefits the environment and social well-being.

Paolo Anzalini, Vice President of GfKEurisko
The Nestlé Group has conducted materiality analysis that matches the main responsibilities and actions linked to its own business with the topics of the United Nations’ Sustainable Development Goals.

These are 17 global goals that aim to guarantee the well-being of humanity and the planet, contained in Agenda 2030 - a plan of action signed by 193 member countries of the UN - and based on integrating the three dimensions of sustainable development: environmental, social and economic. They represent common objectives that the countries have undertaken to reach by 2030 on a series of aspects that are important for global development including fighting poverty, eliminating hunger and fighting climate change.

The diagram on the right shows the aspects that are important to the Sanpellegrino Group.

To implement and manage the CSV strategy, Sanpellegrino relies on a structure that has two bodies. The Interdepartmental Team proposes and develops the actions, supplies the set of performance and impact indicators and reports and provides information on the creation of shared value.

The Steering Committee consists of the Managers of the departments that are involved the most: together with the Management Committee, it guarantees strategic alignment with business priorities, the monitoring and control of performance and guarantees the involvement of all the players, both inside and outside the company.
Healthier generations

Our commitment to help create "healthier generations" can be seen in our promotion of proper hydration: this is based on the consumption of water as a basic food, especially for children, and on responsible consumption of drinks containing sugar with the aim of reducing the total calorie intake for everyone. Spreading the principles of proper hydration is an essential part of Sanpellegrino's business which becomes a real responsibility towards consumers and forms the basis of the partnership with the Institutions and other industrial companies in the value chain.

Engaged communities

Focusing on the communities for us means actively involving them in and contributing to co-planning sustainable development.

• As a key player in the area, Sanpellegrino undertakes to be a partner that supports social and economic development as well as safeguarding the environment.

• As a national player, it contributes to growth by creating "extensive networks", partnerships at national level that can offer new perspectives and bring added value to the local dimension.

• As a global player, it supports the development of the local areas and the whole country's economy with a view to promoting "Made in Italy", interpreted as a lifestyle and not just consumption.

Sustainable planet

By working towards sustainability for the planet we want to guarantee that the company contributes to sustainable development with regard to the natural resources available and beginning with the most precious one which is the basis of the Group's business: water. At local level, this can be seen in a series of undertakings.

• Reducing the impact of activities in the value chain as part of the entire life cycle: modernisation of the plants, sustainability of the supply chain, efficiency in the relations with customers on all distribution channels.

• Contributing to protection of the territory: protecting the environment we operate in from the springs to the production plants is the first guarantee of safe operating geared towards future growth.

• Sharing responsibility for the large global challenges from the safeguarding of resources and biodiversity to fighting climate change.

The development of the business model is in the hands of the people who work at Sanpellegrino who with their expertise and passion work hard every day to meet the company's aim of creating shared value.

The company's mission "lives" through its brands which on a daily basis share sustainable principles and practices with consumers.
## OUR AMBITIONS FOR THE FUTURE

Nestlé Waters’s creating shared value programme establishes a series of “ambitions”, i.e. macro-objectives that all companies in different countries must contribute to.

<table>
<thead>
<tr>
<th>OBJECTIVES FOR 2020</th>
<th>COMPANY OBJECTIVES AT INTERNATIONAL LEVEL</th>
<th>SANPELLEGRINO GROUP IN 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributing to the health of future generations</td>
<td>Contributing to providing information on healthy hydration, based on scientific data</td>
<td>Promoting the principle of healthy hydration for everyone, especially through products</td>
</tr>
<tr>
<td></td>
<td>Increasing public awareness of the importance of proper hydration for leading healthier lives and offering nutritionally correct products for every moment of consumption</td>
<td>Reducing added sugar by 10% in all drinks other than water by 2020 (Nestlé Waters)</td>
</tr>
<tr>
<td></td>
<td>Helping 50 million children to lead healthier lives</td>
<td>Reaching 3 million children with messages on healthy hydration with Nestlé Vera</td>
</tr>
<tr>
<td>Getting communities to contribute to development</td>
<td>Being partners who play an active role in the local development of our communities</td>
<td>Developing initiatives and partnerships in our territories to keep the Local Acceptability Index in the highest score range (70-100)</td>
</tr>
<tr>
<td></td>
<td>Improving 30 million livelihoods in communities connected to our business activities</td>
<td>Improving the living conditions of the 120,000 people who live near our sites and helping to keep the LAI in the highest score range (70-100)</td>
</tr>
<tr>
<td></td>
<td>Subjecting all the information regarding our relationship with the communities to external assessment, and publishing them in a transparent manner</td>
<td>Realize a minimum of 2 assessments of the social impact of industrial projects</td>
</tr>
</tbody>
</table>

### Safeguarding and promoting natural resources

| | Developing innovative packaging, with a special focus on BIOC-PET and R-PET |
| | Using our brands to increase awareness and effectiveness of recycling of PET |
| | Protecting water resources through our expertise and activities |
| | Striving for “zero” impact in our operations |

### The Sanpellegrino Group has set itself a series of measurable objectives that enable it to be part of this global commitment.

- Reducing direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% since 2010
- Implementing 10 initiatives to protect and promote water in selected locations
- Promoting awareness of the sustainable use of natural resources among stakeholders along the value chain
- Using 100% energy from renewable sources in the plants (2030)
- Reducing greenhouse gas emissions per tonne of product in every product category to achieve an overall reduction of 35% since 2010
- Zero plant waste taken to landfill
- Reaching 30% of total kilometres travelled using “ecological” means of transport that run on liquefied natural gas (LNG)

### Already achieved

- Safeguarding and promoting natural resources
- Objectives for 2020
- Sanpellegrino Group in 2020
- Nestlé Waters’s creating shared value programme
- Ambitions for the future

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The Sanpellegrino Group has set itself a series of measurable objectives that enable it to be part of this global commitment.
Taking care of our people

We are Sanpellegrino
A shared behaviour model
From the model to our daily way of life
A safe, healthy life for all our people

The people at Sanpellegrino are the heart, driving force and passion of the company. Everything that the Sanpellegrino Group succeeds in doing is the result of their hard work and commitment. This is why the company values their talent and work and helps them integrate the different parts of their lives.

A COMPANY WITH BALANCED AGE GROUPS

- 49% of managers are women
- 51% of managers are men
- 55% are less than 50 years old
- 74% of employees are men
- 26% of employees are women
- 74% of employees are men
- 10% are less than 30 years old
- 15% central functions in Assago
- 6% sales
- 79% plants

People satisfaction
- Professional development within company: over 80% of jobs filled internally
- A high level of company employee satisfaction
- All parameters above national average
- Employee satisfaction
- 74%
- Constantly improving safety performance
- TRIFR* - 56% since 2012
- *Total Recordable Injury Frequency Rate
- A 360 degree company welfare model
- Driving innovation through people

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A SHARED BEHAVIOUR MODEL

At Sanpellegrino we share a behaviour model based on common principles and values which guide us in our relations with colleagues and the external world.

Make a difference
Compete and connect externally
Collaborate internally
Lead to win
Manage for results
Grow talent and team

FROM THE MODEL TO OUR DAILY WAY OF LIFE

What our people have to say

We all have thousands of ideas in mind. If we pool our ideas with others, the result is exponential. Often an idea is conceived in just a few minutes but everything is decided afterwards: it is important to work hard to develop it and make it happen. Sometimes you don’t come up with much at the beginning, but it is important to keep going with the objective that we have set firmly in mind. A good idea is not enough, what counts is transforming it into a result!

Alessandro Aliotta, Intermarket Supply Planner

Acknowledging merit

The Sanpellegrino Group believes in meritocracy and is committed to assigning clear objectives and acknowledging team and individual results. With this aim in mind, bonuses are awarded in addition to the basic salary to reward the contribution that people make to achieving objectives and motivate them in their jobs. From 2017 onwards, an individual development objective has been added to the objectives set for all of us in the Sanpellegrino Group which is considered to be just as important as the performance objectives. This choice is based on an awareness that individual growth and progress is vital to guaranteeing solid, sustainable company development in the long term.
One team, one objective
We do not work vertically at Sanpellegrino by departments, but we develop cross-functional projects that focus on consumer satisfaction. The open space offices also favour collaboration as well as the meetings that the whole company participates in with 4 plenary sessions per year which in 2016 over 1,200 people attended.

To promote sharing, the project “Tutti fuori, tutti dentro” (Everyone out, everyone in) has been created which encourages people to put themselves in the shoes of colleagues from other departments in order to strengthen team spirit and reduce distances. The project involves working in sales for people who work at head office or in the plants and, vice versa, a period in one of the production plants for those who work in sales or at head office.

Collaborating, in my view, means finding the right synergy between several people: sharing skills, know-how, information and resources to reach a common objective. The result of successful collaboration has many sides to it: it produces a higher quality, makes projects easier to work on, improves team efficiency, creates better work environments, and helps organisations to grow and expand. Collaboration means creating a virtuous circle that enables people and the company to grow at an exponential rate.

Luca Zampiero, Industrial Controller

Collaborate internally

Performance
incentive systems
The company is committed to creating value for people through a Total Reward system which does not only consist of monetary benefits.

Variable annual Bonus For employees who do not have an individual incentive scheme. Awarded when predefined, shared objectives are reached that imply also an indirect and collective responsibility.

Sales incentives For sales personnel.

Short term bonus For executives. Awarded to employees who guarantee tangible results based on shared, collective and individual objectives.

Long term incentives For senior management. For long term results.

Variable pay

Work-life environment

Growth

Benefits

Variable pay

Fixed pay

30

EXPERIENCE
by trying a different role

KNOWLEDGE
of new aspects in the company

TEAMWORK
between different functions

GROUP IDENTITY

EVERYONE OUT… FROM 2012 UNTIL NOW
84 people have tried working in sales
6 production sites involved

EVERYONE IN… OVER THE LAST TWO YEARS
63 people have tried working at the plants
Agile working and teleworking are initiatives with which the Sanpellegrino Group undertakes to satisfy both personal needs and professional requirements to benefit both work and people’s individual balance. In 2016 we continued in this direction which led to positive results for operations, people’s satisfaction and the Group’s reputation.

Flexible working

Agile working and teleworking are initiatives with which the Sanpellegrino Group undertakes to satisfy both personal needs and professional requirements to benefit both work and people’s individual balance. In 2016 we continued in this direction which led to positive results for operations, people’s satisfaction and the Group’s reputation.

To manage your career during maternity or paternity leave and know your rights and the administrative steps to be taken.

Nestlé baby food products for babies up to 18 months old which employees can express their opinions on in exchanges with the company.

To help the children of employees, graduates and the unemployed to meet the costs of an English course and work experience in the United Kingdom.

For employees who have to look after a disabled or elderly member of the family: professional home help at special rates, a pilot scheme (at the San Giorgio in Bosco plant with plans for expansion).

In addition to the provisions of the National Contract and regulations, it offers fathers:

- 3 days more paid leave, during the child’s first month of life;
- 2 weeks leave on full pay, during the child’s first 3 years of life.

Subsidies for public transport, special car sharing agreements, car parks for scooters and bicycles, company cars, expecting mothers and the disabled (Assago).

Company nursery and special agreements with external nurseries.

Special terms for health and well-being and with hospitals and clinics, free flu vaccine, sports doctors examination and free gynecological examination/breast screening (Assago), supplementary health care.

To keep your children with you when the schools are closed.

Corporate concierge, cash point, financial advice, company store.

To help the children of employees, graduates and the unemployed to meet the costs of an English course and work experience in the United Kingdom.

For employees who have to look after a disabled or elderly member of the family: professional home help at special rates, a pilot scheme (at the San Giorgio in Bosco plant with plans for expansion).

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To keep your children with you when the schools are closed.

Corporate concierge, cash point, financial advice, company store.
Consumers and costumers are «naturally» at the centre of our thoughts if we want to develop a profitable and sustainable business. To compete and achieve ambitious objectives, it is important to work as a partnership and work with our stakeholders day after day as a single team. For me, this means constantly listening to the needs and point of view of customers, influencers and stakeholders in order to find positive solutions for everyone.

Stefania Cugerone, Area Manager South East Europe

Experience serving new talents

The professionalism of the people at Sanpellegrino is a valuable element not only for the company, but also for the growth of the communities we operate in. To meet their needs and create valuable opportunities outside the large cities as well, we open the doors of our plants and headquarter to students, offering our personnel a leading role.

The “Maestri di mestiere” project and work experience involve the schools located in the areas surrounding the plants. Guided by our professionals, young people discover how the production plants and organisational structure work, both at the production sites and with classroom sessions. Some of them also have the chance to serve a period of training with the company which on some occasions has led to recruitment: an increasing number of students are involved in the work experience to meet the needs of educational training and attract new talent.

The relationship with students also continues through cooperation with the universities. Together with Bocconi University, we collaborate to create aptitude profiles and a member of Human Resources is available for guidance interviews.

In 2016 the rate of participation increased from 92.6% in 2014 to 93%. Compared with the previous edition, 14 out of 15 response categories improved with levels of involvement that were very high on average in all areas. All the data showed a significant improvement over the previous edition and involvement, empowerment, strategy and alignment in particular.

The satisfaction of the Sanpellegrino Group personnel is measured with a global survey conducted every two years. In 2016 125 students took part in lessons in the classroom and at the plant. 19 students have served a period of training at the company. Our plants regularly open their doors to students of varying ages with periodic visits. 500 students visited the company in one year in 2016. 500 students have visited the company during the first 5 months of 2017.
Achieving results by ourselves is not feasible in our environment today. Stopping thinking “I can’t change things”, following the wave of competitiveness and having the humility to accept suggestions and the various opinions of your team, understanding the thoughts of young people who are not yet “contaminated” by social and corporate ways of thinking is the right way to win. Developing a team means looking at things through the eyes of your team members. If you leave them to it, you will soon discover that there are some very talented people among them. Finally, someone with talent is someone who has the courage to make the difference, sometimes and the courage to break with tradition and take the plunge! And the courage to stand out!

Francesca Enderlin, HR Manager
S. Giorgio in Bosco, S. Rosalia plants

Growing together in the company

In our company philosophy and in the training of all those who are a part of the Sanpellegrino Group, great importance is given to the experiential and relational part. To make learning quicker, more effective and efficient we use the “70:20:10” model: people develop above all by learning on the job through practice and interaction with colleagues. To manage everyone’s development needs, the company provides the “Development planner”, a tool designed to focus attention on one’s own skills and identify the relative development actions.

The survey is useful for identifying needs and taking the measures needed to satisfy them: a concrete response to one of the needs identified in 2014 in terms of transparency is represented, for example, by the Total Reward Statement (TRS), a document that is a snapshot of each of our remuneration packages.
Developing leadership

The Sanpellegrino Group has a number of initiatives held with the aim of improving people’s leadership qualities, for example through training courses and discussion.

The real challenge in 2016 was the introduction of emotional training, followed in July by the project on emotional intelligence of which 3 sessions have been held so far.

53% of managers took part in the emotional training.

A development course on the digital world has also begun first with the marketing area – to examine topics such as big data, e-commerce and customer experience – and will be extended to the entire company.

In 2017 the course on emotional intelligence and skills will be intensified to increase self-awareness which is at the base of leadership.

Working together to achieve excellence

In 2010 Sanpellegrino began the process to become a lean enterprise with Nestlé Continuous Excellence: a series of continuous improvement initiatives which has involved all the company departments and become a common way of working.

It is a "journey towards excellence" which focuses on consumers: everything that does not create value for them is eliminated. Involvement of the Sanpellegrino personnel also plays a central role: it is important to have the right people in the right place and a leadership that allows everyone to do their best.

Often the change is not immediate and is concealed in thousands of small things and actions performed every day. That is why it risks not being noticed and appearing to be much less important than it actually is... I find myself more and more often doing this: I take five minutes off doing what is urgent and think about how we used to work six years ago and how we work now; I am often struck by the fact that there is a huge difference and that what we are doing is something important and gratifying, something that leaves a mark. This for me is another way of making the difference...

Marco Vittadini, Market NCE Lean Leader

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A SAFE, HEALTHY LIFE
FOR ALL OUR PEOPLE

The Sanpellegrino Group acts in a coordinated way at all levels, based on the assumption that “safety is non-negotiable and even just one accident is one too many”.

The safety strategy is part of a programme in which the measures for safeguarding employees are integrated with the initiatives for protecting the environment. The aim is to achieve high standards of safety and maintain them through constant monitoring of the performance: an undertaking that regards the direct employees, those in controlled companies and the suppliers of external companies who work on the Sanpellegrino Group sites.

The safety culture is also promoted by involving people. The project “Istanti di vita” is an example and in 2016 involved making a film that promoted the ten basic rules that can save a life both at work and in personal life. In 2017 the film will have been shown to 100% of the people who work in the company through interactive discussion workshops.

The efforts by management, training and communication courses that have directly involved the company personnel and specific projects based on risk analysis have helped to create awareness and leadership that have led, over the past years, to a significant reduction in accidents.

For Sanpellegrino, safety is closely linked to health. This is why, in addition to preventing accidents, Sanpellegrino promotes the well-being of its people outside as well as inside the workplace by encouraging employees to adopt a healthy lifestyle which includes correct nutrition and hydration.

Certification

For the 7 plants (awarded by SGS, confirmed in 2016)

Towards the future together

Promoting creativity and innovation within the company: these are the aims of the project developed with the H-Farm technological incubator which specialises in digital transformation in the company.

A process for developing innovative solutions for the future of Sanpellegrino has been created based on the hackathon format: a marathon event which gives company personnel the chance to work in interdepartmental teams. The aim of the activity is to develop a mentality that is increasingly focused on change and find new solutions to the strategic challenges for transformation of the company which take concrete form as innovative products, services and processes. The team that wins the hackathon is given the chance to take part in a full-immersion programme at the H-FARM campus to work in more detail and implement the most promising project.
From the source to the table
WHERE OUR WATER COMES FROM

There is an inexplicable link between mineral water and the territory it comes from. It is near the springs and in the communities that this resource belongs to that the first step that brings it onto our tables and into people’s daily lives is taken.

What is mineral water

According to regulations, mineral water must have the following requisites.

- Protected underground source
- Original purity and conservation
- Constant level of minerals and trace elements and essential properties
- Bottling at source
- Possible properties favourable to health
- Approval from the Ministry of Health

Legislative Decree 8 October 2011, no. 176

Natural mineral waters are different from drinking waters due to their original purity and conservation and level of minerals, trace elements or other constituents. They must be protected from risks of pollution: to conserve their purity, the law states that they must be bottled at the source which seals all the properties.
they have at the source. All mineral waters are different due to the mineral salts and trace elements they acquire as they flow underground: since their composition is stable and guaranteed, you can simply read the label to know what properties they have.

Mineral water is the product of a unique journey underground. For this reason, the characteristics of every mineral water are the result of the area in which it has its source.

The regulations that protect water

Italian law establishes that, in order to operate, every natural mineral water bottling company must have official authorisation to use one or more sources. This consists of a "mining concession" issued for the areas where the springs are located only to companies that have shown that they are capable of managing the industrial cycle needed to extract, bottle and distribute the water, preserving its original purity, consistency and properties and keeping the balance constant between the catchment (extraction) and reforming of the groundwater. The regulations impose precise measures for protecting the sources which become more severe as you move closer to the catchment area.

The estate where Acqua Panna comes from has a long history. In 1564 a Medici family “property agreement” nominated the territory of Panna as one of those under its domain. The Medicis made this area an uncontaminated hunting reserve. In 1957 the property was bought by the Mentasti family with the Sorgente Panna Company: this led to the establishment of the farm that still characterises this area. The estate is still run according to very strict rules, using controlled, certified organic farming. A nature reserve has also been created to increase the wildlife population. It is home to a number of species: to protect the varied flora and fauna, forest protection measures are taken and the area is constantly monitored.

The Medici Family bought 1300 hectares of land
Nature reserve with protected flora and fauna
THE MINERAL WATER CYCLE

- Condensation: The water vapour condenses and forms clouds.
- Evaporation: evaporation of the water through soil and plants.
- Rainfalls: from 2 weeks to 30,000 years in underground water.
- Runoff: evaporation from oceans transformed into water vapour by heating of the sun.
- Evaporation: water from oceans transformed into water vapour by heating of the sun.

OUR LICENCES

- Type of rocks present: Sanpellegrino Group concessions.
- The Sanpellegrino Group has 6 mining concessions in 5 Italian regions.
A “safe” to protect the springs

For Sanpellegrino protecting water resources goes beyond complying with legal regulations. That is why we implement protective measures that go further than the legal requirements. In the catchment area, the buildings that protect the spring have security doors, the area is monitored by anti-intrusion sensors and CCTV, the accesses to the catchment areas are monitored and safety procedures have been developed in the event of an emergency. The term “safe” is the one we use to describe the spring and the catchment area.

This system is used to extract the mineral water and take it to consumers with the same purity it has at the source.
LEVISSIMA, TAKING CARE OF THE GLACIERS

Since 2007, in collaboration with the University of Milan and local institutions in the Valtellina area, Leviissima has been working on a scientific research project to safeguard glaciers and fight the loss of water caused by melting glaciers. Glacialism is now considered the most reliable indicator of climate change. The research areas, the east side of the Dosdé Glacier and the Forni Glacier are equipped with instruments that measure the energy flows on the surface of the glacier and study the melting intensity and speed. The data collected, satellite images and aerial photographs are then analysed by scientists in a laboratory.

STAGES OF RESEARCH PROJECT

2007
East side of Dosdé Glacier
First weather station

2008
First "geotextile" sheet
Reduces 15,000 litres of water saved

2009
New geotextile to reduce the thermal wave by 50% and protect from ultraviolet rays

2010
Thermometers for studying the permafrost (ice "hidden" in the rock and soil)

2012/
Italian Glaciers Atlas published by the University of Milan in collaboration with EGS-CNR and sponsored by the Italian Glaciological Committee

2012/
Second research site: Forni Glacier

2014
Direct involvement of consumers with #EVERYDAYCLIMBERS bracelet to finance the project

2016
Concrete support
2 permanent automatic weather stations on the Forni Glacier
13 automatic hydrometers
1 drone which since 2014 has been conducting periodic monitoring to quantify the intensity and speed of the changes at the head and on the surface of the glacier

Scientific results
Publication of the Italian Glaciers Atlas: a full list of Italian glaciers had not been compiled since 1989
18 researchers involved
20 top level scientific publications per year

Involve-ment of people
Profits from sale of the Everyday Climbers bracelet to finance the project

The hot climate in recent summers has led to a reduction in the catchment basins that feed the glaciers and therefore in the glacier surfaces and thickness. To improve our knowledge of this phenomenon, we have created an open air laboratory on the east side of the Dosdé Glacier. It also seemed important to create an Atlas of Italian Glaciers to provide a snapshot of their state of health.

Prof. Claudio Smiraglia - Italian representative at the International Glaciological Society
The Sanpellegrino Group establishes a strong link with the areas it operates in.

The bottling of mineral water is something that cannot be delocalised and creates employment and value in the local communities. The Group is also committed to protecting the areas that house the springs in order to preserve the purity of the resource it bottles and plays an active part in the economic and tourist development of the territories where the springs are located.

Through positive interaction between the public and private sectors, Sanpellegrino currently plays an active role in the economic and social life of the areas it operates in. This commitment is made through numerous initiatives supporting the communities which are based on needs indicated by local players in line with corporate strategies and values.

The Sanpellegrino Group implements the Community Relations Process, a methodology based on listening to internal stakeholders and communities to identify expectations, opportunities and develop projects that meet the corporate strategy and the actual needs of the areas.

### Stages of the process

1. **Stakeholders mapping**: this helps to identify and prioritise all the stakeholders
2. **Internal diagnosis**: this involves assessment by the company of the local context it operates in, which reveals risks and opportunities
3. **External diagnosis**: this is the stage that involves listening to the key stakeholders and population and understanding their opinions. External diagnosis leads to an assessment of the “Local Acceptability Index”.
4. **Action plan**: this involves comparing the internal and external view and implementing an action plan.

The Local Acceptability Index (LAI) indicates the opinion expressed by communities on the company in four areas: water resource management, industrial impact, relations with stakeholders and the contribution to local development.

In 2016, the LAI of the Sanpellegrino Group lay in the highest score range (70 - 100).

To carry out the Community Relations Plan, in 2016 1,100 interviews were conducted with the population, 60 interviews with local opinion leaders and an action plan was drawn up for 6 communities.
The Sanpellegrino Group plays an active role in the communities it operates in. Almost 70% of its personnel work in the area and live less than ten kilometres from the production sites. Local supplies are preferred where possible and local activities are sustained on a regular basis.

Support to communities

<table>
<thead>
<tr>
<th>IMPACT AREA</th>
<th>DETAILS</th>
<th>2016 TOTAL (millions of euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local employment</td>
<td></td>
<td>64,484</td>
</tr>
<tr>
<td>Local supplies (excluding utilities)</td>
<td></td>
<td>95,148</td>
</tr>
<tr>
<td>Investments in infrastructures</td>
<td></td>
<td>0,339</td>
</tr>
<tr>
<td>Total supplies and transport</td>
<td></td>
<td>95,487</td>
</tr>
<tr>
<td>Protection of water resources and local environmental protection programmes</td>
<td></td>
<td>0,306</td>
</tr>
<tr>
<td>Contributions to local development</td>
<td>Donations of products</td>
<td>0,590</td>
</tr>
<tr>
<td></td>
<td>Integrated projects for economic development and promotion of the area</td>
<td>0,758</td>
</tr>
<tr>
<td>Total contribution to local development</td>
<td></td>
<td>1,654</td>
</tr>
<tr>
<td>Total value generated on communities net of taxes and licences</td>
<td></td>
<td>161,625</td>
</tr>
</tbody>
</table>

For the value redistributed to Public Administration in taxes and licences, see the table on page 12.
A DAY TO DISCOVER WATER

Promoting a “water culture” means being committed to teaching new generations to use water responsibly. One of the most important occasions for remembering how essential this resource is for us and the planet is 22 March, the date chosen by the United Nations to celebrate World Water Day.

In 2017 Nestlé Vera involved children and their families in entertainment activities in the communities in which its plants are located: San Giorgio in Bosco (PD), Castrocielo (FR) and Santo Stefano Quisquina (AG). Through fun and games, even the youngest members of the groups were able to understand the role of water in our lives and the importance of protecting it for the environment and people’s health.

1,250 people took part in the workshops and 350 were given the chance to visit the Nestlé Vera plant of San Giorgio in Bosco.

PUBLIC AND PRIVATE ACTORS WORKING TOGETHER FOR DEVELOPMENT

In 2015 Sanpellegrino was Official Water Partner at Expo Milano 2015 which was a practical way to promote the territories its products originate from with close collaboration between the public and private sectors. The Sanpellegrino Group has shared its resources and expertise to launch projects promoting tourism in collaboration with the District of Fontium et Mercatorum, a consortium consisting of 17 municipalities, 5 regional bodies and major private stakeholders in the area. This partnership has resulted in a training program as tourist guides for a group of 15 young people as well as an App promoting tourism and a film on the territories of S.Pellegrino and Acqua Panna, shown at Expo in the Piazzetta Acqua S.Pellegrino.

Compared with the previous year, presences have increased by 12% in Valle Brembana and by 22% in the mountain area of Selvino and Aviatico, with a significant increase in foreign tourists (+34%). The joint ventures with the institutions continue to this day.

Once again with the aim of promoting the territory, S.Pellegrino and Acqua Panna are strategic partners in “East Lombardy”, East Lombardy, consisting of areas that extend over the provinces of Bergamo, Brescia, Cremona and Mantova, has received the prestigious title of European Gastronomic Region for 2017. This title has marked the beginnings of collaboration between the institutional partners – the cities of Bergamo, Brescia, Cremona, Mantua, the respective Chambers of Commerce, the Lombardy Region, the University of Bergamo – and 250 businesses in the area to promote the excellence of the food and wine available and the natural and artistic heritage which makes them a great tourist destination.
NEW LIFE TO THE HOME OF LEVISSIMA WITH AN INNOVATIVE PROJECT

Valuing company personnel, safeguarding the environment and the territory: these are the pillars that will guide the renovation work at the place where the Levissima mineral water is bottled.

As the Sanpellegrino Group, one of our main tasks is focusing on people. The employees will therefore not only be the most important group to benefit from our renovation work but also the protagonists we want to involve in the various stages of the project. Another important partner will be the actual territory where the Levissima mineral water comes from and one to which we want to give back richness and value. Indeed, the local administrations, regional associations and the Stelvio National Park will be our constant partners over the next few years.

Stefano Agostini, Chairman and CEO

Levissima will work hard to guarantee more than ever before the well-being of its employees by making the workplace even safer and more comfortable. This can be seen in the rebuilding of the road system to improve safety and in the renovation of the premises and the canteen which will become a flexible environment that can also be used outside meal times. What is more, due to the plant being a sort of “open factory”, it can become one of the tourist attractions in the area and improve people’s knowledge of how water gets from the source to the table.

The work of the researchers from the Department of Glaciology from the University of Milan will also continue with new vigour. They have been collaborating with Levissima to study and protect glaciers. The plant will become to all effects a permanent research lab that will work alongside the Stelvio National Park and increase consumer awareness. Safeguarding the environment will be another essential driver: rebuilding of the plant will optimise the functionality and sustainability of the buildings with a special focus on reducing their impact on the surroundings so that the plant blends into the area.
WHERE OUR PRODUCTS COME FROM

1. **Madone (BG)**
   - Production of flavourings and extracts
   - Year founded: 1991
   - Flavourings for brands Sanpellegrino, Vera, Recoaro, Motta, Perugina

2. **San Pellegrino Terme (BG)**
   - Mineral water, beverages, aperitifs
   - Year founded: 1899
   - Brands: S.Pellegrino mineral water, Sanpellegrino Sparkling Fruit Beverages, Sarlottie

3. **Copina Valdisotto (SO)**
   - Mineral water, preforms
   - Year founded: 1959
   - Brands: Levissima mineral water

4. **San Giorgio in Bosco (PD)**
   - Mineral water, beverages, iced tea, preforms
   - Year founded: 1979
   - Brands: Nestlé Vera “fonte in Bosco” mineral water, Sanpellegrino Sparkling Fruit Beverages, Beltè

5. **Scarperia (FI)**
   - Mineral water
   - Year founded: 1927
   - Brands: Panna mineral water

6. **Santo Stefano Quisquina (AG)**
   - Mineral water
   - Year purchased: 2007
   - Brands: Nestlé Vera “fonte Santa Rosalia” mineral water

7. **Castrocielo (FR)**
   - Mineral water
   - Year founded: 2016
   - Brands: Nestlé Vera “fonte Naturae” mineral water
In 2016 Nestlé Vera opened its new plant in the heart of the Apennines in Castrocielo (Frosinone), in the area that is home to the "Naturae" spring. This completes the multisourcing project of the brand which, by using three sources within the national territory, contributes to the enhancement of local water resources and brings the place for bottling and the place of consumption closer together, guaranteeing a significant reduction in overall environmental impact. The "Naturae" spring joins the already active water sources based in San Giorgio in Bosco (Padova) and Santo Stefano Quisquina (Agrigento): in this way, water reaches the tables of the Italian regions without travelling long distances. Over 95% of Nestlé Vera Naturae distribution happens with fully loaded trucks and direct deliveries, while indirect deliveries only occur within 200km.

**The Castrocielo plant is a real “smart factory” which is perfectly integrated into the territory and is able to reconcile environmental sustainability and economic development.**

Through continuous cooperation with the local institutions, Nestlé Vera is also committed to promoting the best of what the Castrocielo area has to offer to encourage the development of tourism. To do this, it has worked with the Department of Environmental Biology at the University of Rome "La Sapienza" and conducted a survey on the vegetation of Capodacqua Lake to know the state of "health" of the ecosystem.

Nestlé Vera also offers support to the important project promoting the archaeological site of Aquinum with the aim of encouraging development as a strategic resource for growth in the area.

The excavations at the ancient central thermal baths of Aquinum are bringing to light several decorated environments and valuable items: it is the largest public thermal baths unearthed to date in Italy after the imperial baths of Rome. Nestlé Vera’s support – thanks to work with partners such as the University of Salento, the Municipality of Castrocielo and the Archaeological Superintendence – is an essential resource for protecting and promoting the site.

Giuseppe Ceraudo, Associate Professor of Ancient Topography at the Department of Cultural Heritage at the University of Salento
EXCELLENCE IN ENVIRONMENTAL PERFORMANCE

Maximum efficiency

The efficiency of a plant is measured using an Asset Intensity index: a synthetic element behind which there is the optimisation of all the processes, i.e. a company focus on reducing waste and subsequently costs, lower environmental impact and less delivery-related problems as well as improved quality and safety. On a practical level, the aim is to reduce non-productive time and increase the time devoted to production.

Excellent water management

Safeguarding water resources means, first and foremost, optimising their use. Sanpellegrino monitors the water sources by waiting for them to reform and pays a lot of attention to reducing water consumption during the entire life cycle of products.

Energy saving and efficiency in the plants

The energy performance of the Sanpellegrino Group is constantly improving. Since 2011 all the plants have been using 100% electricity acquired from RECS (Renewable Energy Certificate System) renewable sources.

THE VALUE OF OUR RAW MATERIALS

The quality of our drinks depends on the raw materials we use and that is why the selection of suppliers plays a vital role.

The supply chain is managed by bringing together social and environmental sustainability. 100% of our suppliers are assessed with the Ecovadis environmental audit and the SMETA ethical audit based on four pillars: work standards, health and safety, transparency and business ethics, the environment.

The quality and origins of the raw materials we use are obviously very important. All the Sanpellegrino drinks are made from selected ingredients using production processes that preserve the organoleptic properties of the product as far as possible.

In the products sold in Italy the juices are of Italian origin: a way to value the excellent products of the area and "Made in Italy". Sanpellegrino Aranciata, exported throughout the world, has a recipe that uses only 100% Italian oranges. The "Italian Speciality" range is also based on excellent traditional ingredients such as Sicilian lemons, Piedmont peppermint, chinotti grown on the slopes of Etna, myrtle from Sardinia and Sicilian prickly pears.

A sustainable supply chain

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SICILIAN LEMONS
PEPPERMINT
CHINOTTO
MYRTLE
PRICKLY PEAR

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What is behind a bottle?

Packaging plays a very important role: it must protect the purity of the water on its journey from bottling to the table to guarantee the maximum quality. Sanpellegrino aims to combine practicality and safety with reducing environmental impact: this is why we are re-searching innovative technological solutions and promoting the recycling of materials including PET.

An increasingly light PET

The light weighting process means that less PET is used while guaranteeing the same quality and safety.

A “green” bottle for Levissima

Biobottle is a bottle with 30% plant-based plastic that is 100% recyclable and suitable for sparkling drinks. Similar to the classic PET in many ways, this material is light, unbreakable, perfectly hygienic and, if recycled, can be used to create a wide variety of new objects. At present 16% of the 1.5L sparkling format and 100% of the Levissima “La litro” range are made using this innovative packaging.
Recycling awareness for Nestlé Vera begins with the schools: teaching children to recycle plastic and promoting virtuous behaviour in the citizens of the future is “R-Generation - Collect plastic, Sow the seeds of the future” aim. Since 2012, the educational campaign has been involving primary schools in the major Italian cities in collecting plastic bottles for recycling. The schools that collect the most PET receive prizes made of recycled plastic and the children that take part in the project become part of the R-Generation, the generation that cares about recycling and the planet’s future.

Levissima has also been involved in recycling since 2012 with the “lo faccio la differenza” (“I make the difference”) project for the separate collection of PET on the ski slopes. By placing custom-made bins near shelters and lift systems, both the public and local stakeholders are directly involved.
In recent years, the Sanpellegrino Group has implemented technological innovations that have reduced the environmental impact of transport. By using ultralight trailers that increase the number of pallets per trip, the maximum load has been increased and the number of trips reduced as a result. The Sanpellegrino Group also favours rail transport and the company is currently the largest direct customer of Trenitalia for consumer products.

Over the last few years, we have also developed projects based on using vehicles that run on LNG (Liquefied Natural Gas) which due to its reduced emissions is the most environmentally friendly fossil fuel and the third source of energy at global level. It is convenient because it is economically sustainable, is the only alternative to diesel that can at present be technically industrialised and is safe because it is not explosive. In the future, there are plans to extend the project through collaboration with key customers to share the LNG fleet with and to extend sustainable logistics projects to other areas in which the company operates.

The pillars of sustainable logistics

- Production closer to consumers: Nestlé Vera uses several sources within the national territory (multi-source approach) with an estimated 25% reduction in CO2 emissions for transportation.
- Use of rail transport and optimisation of loads.
- Selection of logistics operators who use innovative means of transport.
- Creation of logistics partners to work together to reduce environmental impact.
- Courses for haulage companies that teach them roles on safe, pollution-reducing driving.

<table>
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<th>Our sustainable logistics</th>
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"A water train" is the sustainable transport project that is the result of collaboration between the Sanpellegrino Group and CAMST, a leading name in Italian catering for over 70 years. The initiative, which involves rail transport of Nestlé Veva water, is a real innovation because it uses rail for a journey considered only suitable for lorries because it is so short, approximately 115 km. A result that was made possible thanks to close collaboration between the 5 players involved in the supply chain: the manufacturer, the distributor CAMST and three logistics operators, the Interports of Padua and Bologna and Trenitalia.

"This is an important project for CAMST. A project that strengthens our environmental sustainability project and that we hope can be an example to other companies to encourage the use of rail transport.

Antonio Giovanetti, General Manager of CAMST

The results of the LNG project one year from the start:

-500 lorries on the roads each year

-78% of CO2 released into the atmosphere compared with road transport (665.5 tonnes released)

-74% energy consumption compared with road transport (680,000 MJ consumed)

33% of the fleet to LNG by December

-26% carbon monoxide

-51% nitrogen oxides

-95% particulate

43% transported by train

48% transported using "green means of transport"

2017

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Antonio Giovanetti, General Manager of CAMST

By working together on this project, we have put our trust in an investment that moves exclusively towards safeguarding the environment and implementing a cultural change by replacing the convenient, high performing practice of using diesel with an innovation that requires a great deal of effort, but leads to outstanding results in eco-sustainability.

Matteo Lorenzo De Campo, CEO, Gruppo Maganetti
An increasingly green journey

From 2012 to the present day, the amount of carbon dioxide emitted for each litre of water transported by the Sanpellegrino Group has dropped by 14.8%.

By using the multi-source model, the average distance travelled by Nestlé Vera is 289 KM.

From 2012 to the present day, the amount of carbon dioxide emitted for each litre of water transported by the Sanpellegrino Group has dropped by 14.8%.
All Sanpellegrino Group activities focus on consumer satisfaction, an aim that we pursue by striving to carry out all the actions that guarantee the maximum quality, safety, transparency and well-being.

Listening
To aim at continuous improvement, it is vital to listen to consumers especially when they point out ways of optimising things that meet their needs more effectively.

Italian legislation regulates bottling in a precise way: in addition to this, the Group adopts additional safety measures to guarantee the quality of the product.

The waters are checked every day from a chemical, microbiological and sensorial point of view in compliance with the parameters indicated by the Ministry of Health and the company standards which are often stricter than those established by the law.

The quality of the product is also guaranteed in the logistics stage by IT systems for product “traceability”, hygienic checking of the means of transport and monitoring in the distribution warehouses by the health authorities.

A high quality product must also be a healthy product that helps to spread a healthy lifestyle. In recent years, the Group has worked constantly on nutritional reformulation of its drinks to reduce their sugar content and has achieved impressive results.

Care of product

<table>
<thead>
<tr>
<th>4,000</th>
<th>500</th>
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</thead>
<tbody>
<tr>
<td>quality controls during the production stage per day</td>
<td>quality controls in the laboratory per day</td>
</tr>
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</table>
LESS SUGAR FOR BELTÈ

2014
From 8.2 grams of total sugar per 100ml of product in the “regular” range

2017
To 4.6 grams of total sugar per 100ml of product in the “regular” range

-40% of total sugar in the whole range.

2014
From only two variants with a reduced sugar content in the “Zero” range

2016
To a sugar reduction in the whole range

NEW FORMULAS FOR DRINKS

1994
Average of 10 grams of total sugar per 100 ml of product

2017
Average of 9.3 grams of total sugar per 100 ml of product

1994
9.3 grams of added sugar

2017
7.9 grams of added sugar

1994
12% of orange juice in Aranciata

2016
20% of orange juice in Aranciata

2019
Aim
-10% of total sugar for Sanpellegrino Aranciata

-20% sugar on some of range (4 products)

-10% sugar on some of range (8 products)

Beltè Bio, Beltè Verde, Beltè Nero frutti rossi and The frizzante Sanpellegrino Limone and Pesca are Bioagri-certified organic products.
As a leading company in the sector, Sanpellegrino is aware that its responsibility towards the community does not end when the bottle reaches the tables of its consumers and is not limited to the people that buy its products.

Our Commitment to Citizens

The Sanpellegrino Group is committed to adopting responsible behaviour and generating value not only for its own consumers but also for all the community in its capacity as a major player in the Italian economic and social fabric.

Water is the main component in the human body and is vital to physiological processes. Although proper hydration is generally considered essential to the health of an organism, most people are not well-informed on this subject: for this reason, the Sanpellegrino Group is committed to promoting public debate and providing information on proper hydration in order to reach as many people as possible and families in particular.

Communicate responsibly

Communication with consumers must be correct, transparent, reliable and responsible to allow them to make informed choices. An essential element is the label which is the first source of information on our products.

100% of the labels for our products other than water contain the so-called “Nutritional Compass” which describes in detail all the nutritional characteristics.

We are committed to communicating at all times messages that are correct, true, legally compliant and focused on people’s well-being. To encourage adopting a healthy lifestyle, for example, we promote with families the important role of water as a protagonist in the proper hydration of children.

Sanpellegrino Observatory
A group of experts in different scientific areas which helps to disseminate medical/scientific information on healthy hydration.

Partnership with scientific associations:
- SIPPS: Italian Society of Preventive and Social Pediatrics
- SW: Italian Society of Hygiene
- NF: Nutrition Foundation of Italy
- FEMTEC: World Federation of Hydrotherapy and Climatology

Hydrationlab.it
A website devoted to water and its health benefits.

In 2016 over 700 articles generated on the media

In 2016 over 120,000 reading sessions
With full support of the Sanpellegrino Group, in 2016 the Italian Society of Preventive and Social Paediatrics (SIPPS) developed the first Italian Decalogue on proper hydration for children which has already been presented to 10,000 paediatricians. Nestlé Vera, in particular, is involved in spreading it to parents.

Water is a truly essential nutrient.

A correct children's diet should include and guarantee a proper intake of water and mineral salts.

For proper hydration, essential for children who practice sport, pre-hydration of 90-180 ml (if body weight is <40 kg), or 180-360 ml (if body weight is >40 kg) is recommended before beginning physical activity, while intake of at least 150-240 ml every 20 minutes is recommended during physical activity and, at the end of the sporting activity, water intake of between 220 and 330 ml/kg of weight lost during the physical activity performed.

The quantity and quality of the water consumed by children depends on their age, health, diet and physical activity, as well as on the temperature and humidity level of their environment.

The required water intake in subsequent age groups is as follows: from 6 months to 3 years 600-900 ml/day; in school goers up to about 1100 ml/day; in adolescents 1,500-2,000 ml/day. Soft drinks are not considered a source of water.

Inadequate hydration is associated with reduced mental, physical and emotional health and with reduced performance.

Insufficient water consumption is associated with higher body weight and a greater risk of developing obesity.

Breastfeeding satisfies infants' water requirements. If mother's milk is not available, suitable formulas should be made using minimally mineralised water (dry residue < 50 mg/L) with few trace minerals (dry residue between 50 and 500 mg/L) and a nitrate content of <10 mg/L. After the age of one, mineral or tap water with a dry residue < 1,500 mg/L can be used. For infants and pre-schoolers, the fluoride content of water should be <1.5 mg/L.

In choosing a certain mineral water, the paediatrician and parents must evaluate the following parameters marked on the label: analysis of bacteria and principal environmental contaminants; sodium, potassium, calcium, fluoride, iron, magnesium and bicarbonate content; bottling date, considering that the law provides for consumption preferably within 18 months for water contained in polyethylene containers and within 24 months for water contained in glass bottles.

Healthier generations

Hydration is particularly important for children both because their physical characteristics make them more exposed to the risks of dehydration and because learning to drink when young means they will become more healthy, aware adults.

Parents who ask their children...

<table>
<thead>
<tr>
<th></th>
<th>What they have done throughout the day</th>
<th>58% of children drink less than one litre of water a day</th>
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<tbody>
<tr>
<td></td>
<td>What they have eaten throughout the day</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td>What they have drunk throughout the day</td>
<td>70%</td>
</tr>
</tbody>
</table>

Source: GfK Eurosis research for Sanpellegrino Group, 2016

A survey commissioned in 2016 by Sanpellegrino has revealed that Italian parents know very little about the importance of hydration and the consumption of water by their children.

From 2014 to the present day, almost 2,500 teachers and 130,000 pupils have been involved in the Hydration@School campaign which promotes the benefits of proper hydration for mental and physical well-being.

With the scientific supervision of Mfi NUTRITION FOUNDATION

With the support of Fidia Farmaceutici

1. Water is a truly essential nutrient.
2. A correct children's diet should include and guarantee a proper intake of water and mineral salts.
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4. Newborns and unweaned infants require more water (100-190 ml/kg/day) due to their different body composition, higher turnover of body fluids and more rapid growth compared to older children.
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9. Insufficient water consumption is associated with higher body weight and a greater risk of developing obesity.
10. Inadequate hydration is associated with reduced mental, physical and emotional health and with reduced performance.
Promoting Italy worldwide

Due to close links with their territories of origin and a passion for export, Sanpellegrino Group products play an active part in promoting the value of Italian excellence worldwide.

Since 2014 the Tuscany Region has recognised the Acqua Panna brand as a 100% Tuscan excellence and awarded it the “Tuscany Taste” logo because of its ability to promote the territory both in Italy and abroad. Thanks to its strong bond with the area it originates from, Acqua Panna develops projects that promote Tuscany and the Mugello area in particular with regard to food and wine, culture and tourism.

Chosen as the Official Water Partner at Expo Milano 2015 and the Italy Pavilion, S.Pellegrino is a symbol and ambassador of “Made in Italy” worldwide. A perfect representation of an Italian tradition based on excellence and refinement, it is one of the founder members of the Fondazione Altagamma whose main aim is to promote the Italian industry of excellence and the culture supporting it at international level.

In line with the same aim to promote Italian style, S.Pellegrino has formed a partnership with Camera Nazionale della Moda Italiana (the National Chamber of Italian Fashion) which promotes development of this important economic and cultural resource worldwide. As the Chamber of Fashion’s official water, S.Pellegrino will contribute to advocating Italian style through special projects including the creation of exclusive digital content on the Itineraries of Taste platform.

The Sanpellegrino Group, in its capacity as ambassador of Made in Italy, has also helped to bring companies, institutions, associations and universities together in order to promote collectively the Italian identity and all the values associated with it: creativity, innovation, history, quality and expertise. With this aim in mind, it has proposed various events to discuss opportunities and benefits for the country based on greater cooperation and collaboration between all the players.
INTERNATIONAL DESIGN FOR THE WATER THAT TAKES “MADE IN ITALY” WORLDWIDE

A design project that promotes the territory, improves the quality of work and attracts tourists from all over the world: this will become the historic plant where S.Pellegrino mineral water is bottled before reaching tables in 150 countries. It will be designed by the international architectural studio BIG, headed by the famous Danish starchitect Bjarke Ingels, who won the world contest launched by the Sanpellegrino Group.

Building work will begin in 2018. The foundations of the S.Pellegrino Flagship Factory, the new home of sparkling mineral water, symbol of Made in Italy, will be represented by an innovative, technologically advanced structure which will blend the appearance of the building into the surrounding landscape and will benefit the people who work there and the area where it will be built.

It will be a factory open to the public to relate the essence and origins of a brand that is world famous, by projecting it towards the future, but it will also talk about the history of mineral water. The new plant is part of a virtuous relationship with the local communities which the Sanpellegrino Group has always listened to, supported and cooperated with. The project, which will involve an overall investment of 90 million euros, will benefit the San Pellegrino Terme and Zogno areas and create the conditions for enhancing the tourism industry of Valle Brembana as the source of the mineral water. The idea is to create a very attractive context that combines the various activities at San Pellegrino Terme, such as the thermal and tourist ones.

Right from Lombardy, the heart of the Italian economy, a new way of seeing industry in the Italian and world context has been developed. This project also proves how mineral water can be a sector that is capable of attracting investment in areas with a low industrial presence and promote, through collaboration between private and public players, the territories where the springs are located and benefit the local communities and the entire Region of Lombardy from an economic, tourist, social and employment point of view.

"It is with great excitement that we embark on this collaboration with S.Pellegrino. Rather than imposing a new identity on the existing complex, we propose to grow it out of the complex. Like the mineral water itself – the new S.Pellegrino Factory and Experience Lab will seem to spring from its natural source. We propose to wash away the traditional segregation between front and back of house, and to create a seamless continuity between the environment of production and consumption, and preparation and enjoyment."

Bjarke Ingels, architect
Opportunities for young people

Sanpellegrino supports and promotes young people's talent in various fields through a number of initiatives.

Sanpellegrino Campus makes its contribution to the professional development of Italian undergraduates and recent graduates by rewarding merit, maximising expertise and providing the tools to compete in the world of work. The project supports the diffusion of a culture based on water as an essential resource for health, the environment and the economy.

In 2016 “Sanpellegrino Made in Italy Campus” was launched with the aim of putting the creativity of university students to the test and supporting Made in Italy. The three projects developed so far or in progress have involved: Sanpellegrino Sparkling Fruit Beverages and IED; Acqua Panna-S.Pellegrino and IULM; Cattolica University of Milan and Sanbitèr.

“SANPELLEGRINO CAMPUS AWARD” aimed at undergraduates and recent graduates who have developed work projects and thesis on areas that are social-related to the company with a special focus on health, the environment and economic development.

“SANPELLEGRINO SALES CAMPUS” has improved the competitiveness in the world of work of Italian graduates under the age of 30, with work experiences and a specific, innovative training programme.

“SANPELLEGRINO MEETS UNIVERSITY” makes the Group’s plants and professional are available to teachers and students so that they can see at close hand the activities and opportunities in the world of mineral water.

Sanpellegrino also helps to create opportunities for young people through an Alliance for YOUTH formed in 2014 between the Nestlé Group and its partners in Europe with the aim of creating 100,000 jobs and traineeships in 2 years.

To support the growth of young talent in the design sector and in its capacity as official water at Salone del Mobile (the Milan Furniture Fair), S.Pellegrino has taken part in the celebrations for the 20th anniversary of Salone Satellite, the first event for designers under the age of 35. The opening event represented an occasion for new talents in the world of cooking and design to meet thanks to the participation of Alessandro Rapisarda, S.Pellegrino Young Chef Italy 2016.

A partner in excellent cuisine, S.Pellegrino has been promoting since 2015 the international “S.Pellegrino Young Chef” project for promoting the next generation of talent in the gastronomy field. The event which every year elects the best Young Chef in the World involves some of the most important international chefs who are members of the jury or mentors. In this way, young chefs from all over the world under the age of 30 are given the opportunity to develop their own skills, sustain their professional development and receive international visibility. The third edition takes place from January 2017 to June 2018 and allows the participants from 21 different parts of the world to work for 18 months alongside the Chef Mentor they have been assigned.

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Report written by the Interdepartmental team dedicated to creating shared value of the Sanpellegrino Group, inspired by the requirements proposed by GRI - Global Reporting Initiative (G4 Guidelines). For the consolidated financial data, refer to the Sanpellegrino Group Separate Financial Statement 2016 unless indicated otherwise. Editorial support: MSLGROUP.
Facilitation of process and graphic design: Housatonic.

The photographs show the workgroup writing this Report during the workshop held on March 17, 2017.