Sogefi Group

Consolidated Non-Financial Statement

In accordance with the Legislative Decree no. 254/2016

Sustainability Report 2019

Table of Contents

Letter to Stakeholders

Dear Stakeholders,

Sogefi, part of the CIR group, is a world leader in the automotive components sector, with innovative products in three business areas: Filtration, Suspensions and Air and Cooling. In 2019 Sogefi posted revenues of € 1.5 billion.

Sogefi's vision is to develop leadership in supporting ride and handling and environmental performances of the vehicles from the concept phase till the end of life, in compliance with the national and international regulations concerning emissions of CO_2, NO_x and fine particles.

Sogefi's strategy focuses on technology to develop with Premium vehicles manufacturers, differentiates Business Units and Product Lines and builds on strengths in Europe to grow in North America and in Asia.

Sogefi's main challenges for the coming 3-5 years is to adapt strategies and priorities with market and customers' expectations in terms of adoption of a low carbon emission approach, improvement of employees' conditions and attention of community's needs, without overlooking the costs reduction assumption.

Sustainability is so part of operational and strategic priorities of the Group and it is a key success factor for the value creation of shareholders and all stakeholders.

This Consolidated Non-Financial Statement highlights the progresses made concerning sustainability and provides Stakeholders with comprehensive and transparent information about the Group's developments. Sogefi continuously improves safety, quality, cost and delivery performances and reduces its environmental impact, by enhancing day-by-day the organization culture and awareness on sustainability topics.

ETHICS and ANTI-CORRUPTION

In 2019, the Code of Ethics (including anti-corruption issues) has been communicated to all employees. As part of the collective responsibility, Sogefi distributes to each employee its whistleblowing procedure: any employee of the Group who is aware of a violation of the rules defined in the Code of Ethics or of a serious offence under the laws of his/her country is informed of how to alert the company's management.

The Group dedicates relevant efforts to these topics reinforcing the internal control system and maintaining a high focus around the local subsidiaries.

SAFETY

Sogefi believes safety to be at the forefront of its priorities and it is investing huge efforts to minimize the risk of accidents. Thanks to the higher attention of the Group to its employees' health and safety, Sogefi registered an extraordinary achievement. Indeed, the rate of work-related injuries with day lost measured at all levels of the organization, in 2019 decreased by 54% to reach 5.9, compared to last year.

ENVIRONMENT

Sogefi is committed to the environment with 93% of its sites ISO 14001:2015 certified. In 2019, the Group reduced its GHG emission intensity by 2.5% in respect to 2018.

Sogefi develops innovations and new products that contribute to weight and CO_2 emissions reductions. In 2019, the Group has been awarded by several car manufacturers to supply innovative components for hybrid, battery electric vehicles and hydrogen fuel cell powered cars.

Sogefi identifies, assesses and monitors any potential environmental, social and economic risks that could impact its various businesses and local communities and improves the existing risk management strategies where needed.

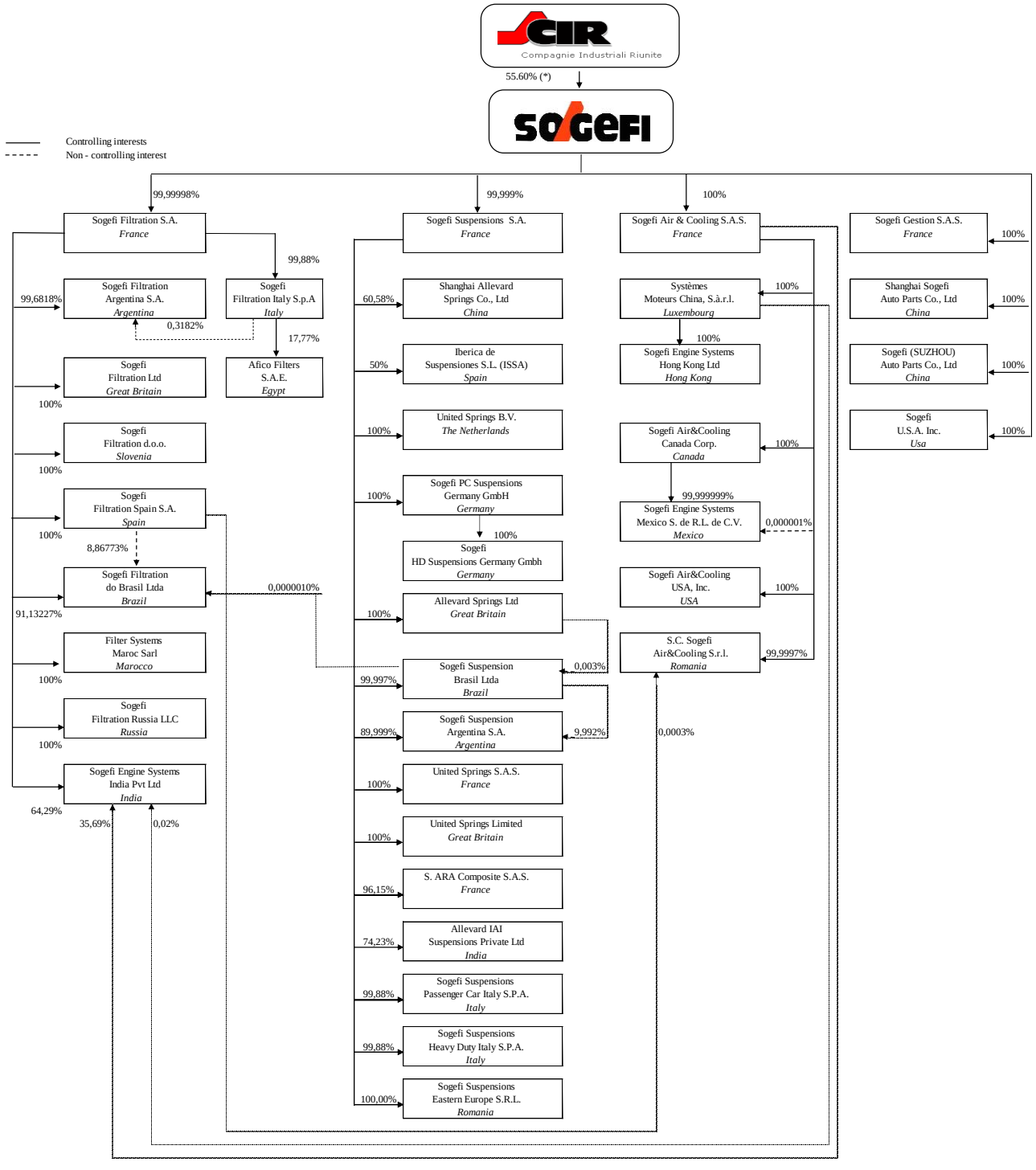
We thank all Stakeholders for their contribution and intend through this report to foster an open and transparent dialogue, supporting the Group's objective of creating long-term value.

CEO and Board Member

Contacts

To request further information about the social responsibility policies of the Sogefi Group and the information contained in the Consolidated Non-Financial Statement, you can write to the following address, dedicated to the social responsibility of the Group: sustainability@sogefigroup.com

Overview of the Group subsidiaries as consolidated in the report



(*) 56.67% of shares outstanding (excluding treasury shares)

Methodology

This document represents the Consolidated Non-Financial Statement (hereinafter also "NFS" or "Sustainability Report") issued by Sogefi S.p.A and the companies consolidated on a line-by-line basis (hereinafter also "Sogefi" or the "Sogefi Group" or the "Group") to fulfill the obligations set out in articles 3 and 4 of Legislative Decree 254/16 (hereinafter also the "Decree ") and has the objective of describing in a transparent manner the initiatives and the main results achieved in terms of sustainability performance during the financial year 2019 (from January, 1 to December, 31 2019).

The NFS covers - to the extent necessary to ensure the understanding of the business activity, its trends, performance and related impacts in terms of environmental, social, personnel-related issues, respect for human rights and the fight against active and passive corruption that are relevant taking into account the Group's activities and characteristics, as illustrated in the materiality matrix included in this document.

The NFS has been prepared in accordance with the Legislative decree 254/16 and the “Global Reporting Standards” defined in 2016 by the Global Reporting Initiative (GRI), according to the option “in accordance – Core”. With regards to the topic-specific Standards GRI 403 (occupational health and safety) and GRI 303 (water and effluents) the most recent version of 2018 was adopted. The appendix to the document contains the "GRI Content Index", which details the contents reported in compliance with the GRI. Furthermore, for the preparation of the document, the Guidelines on non-financial information of the European Commission have been taken into account.

The process of collecting the data and information necessary for the drafting of the NFS involved various functions of the companies of Sogefi Group and was set up according to the principles of balance, comparability, accuracy, timeliness, clarity and reliability expressed by the GRI guidelines.

Regarding the materiality analysis process, it should be noted that in 2020, except if the prolonged emergency Covid-19 will require different plan, Sogefi will engage a selection of key stakeholders (e.g. customers, suppliers and employees).

The data and information of the NFS refer to all the companies belonging to the Sogefi Group at 31 December 2019, consolidated on a line-by-line basis (any exception is expressly indicated in the text). Environmental data and information only take into consideration Sogefi’s production plants since offices are not considered material. The perimeter of the economic-financial data coincides with that of the Sogefi Group's 2019 Consolidated Financial Statement.

With reference to changes in the ownership structure or in the size of the Group in 2019, it should be noted that the plants of Fraize (Sogefi Air&Cooling S.A.S) was sold and the plant of Gravatai (Sogefi Filtration do Brasil Ltda) was closed during the year. With reference to the environmental data in the NFS it should be noted that since both the plants were active during the year (Fraize has been active until April, while Gravatai has been active until October), they have been both included in the environmental data until March and September 2019. With reference to the HR data in this document, the plants are included only for certain indicators (turnover, training, remuneration and health and safety).

It should be noted that in 2019 there were no significant changes relating to the Group's supply chain.

In order to allow the comparability of data and information over time and the assessment of the performance of the Group's business over a period of time, where possible, comparison with the 2018 and 2017 reporting period is proposed.

In addition, in case of any estimation of the data, these are clearly identified and the calculation methodology is reported. These estimates are based on the best information available or on samples of data. Moreover, for reasons of rounding, in some tables and graphs the total of the percentages might differ from 100%.

The Board of Directors of Sogefi S.p.A. approved the NFS 24th of February 2020.

KPMG S.p.A. issues an external assurance ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised principle) on this document. The audit was carried out according to the procedures indicated in the "Report of the Independent Auditing Firm", included in this document.

The Consolidated Non-Financial Statement is published annually. The previous version of the NFS has been published on the 29th of March 2019.

The NFS is also available on the Sogefi website (www.Sogefigroup.com) in the "Sustainability" section.

1 The Sogefi Group

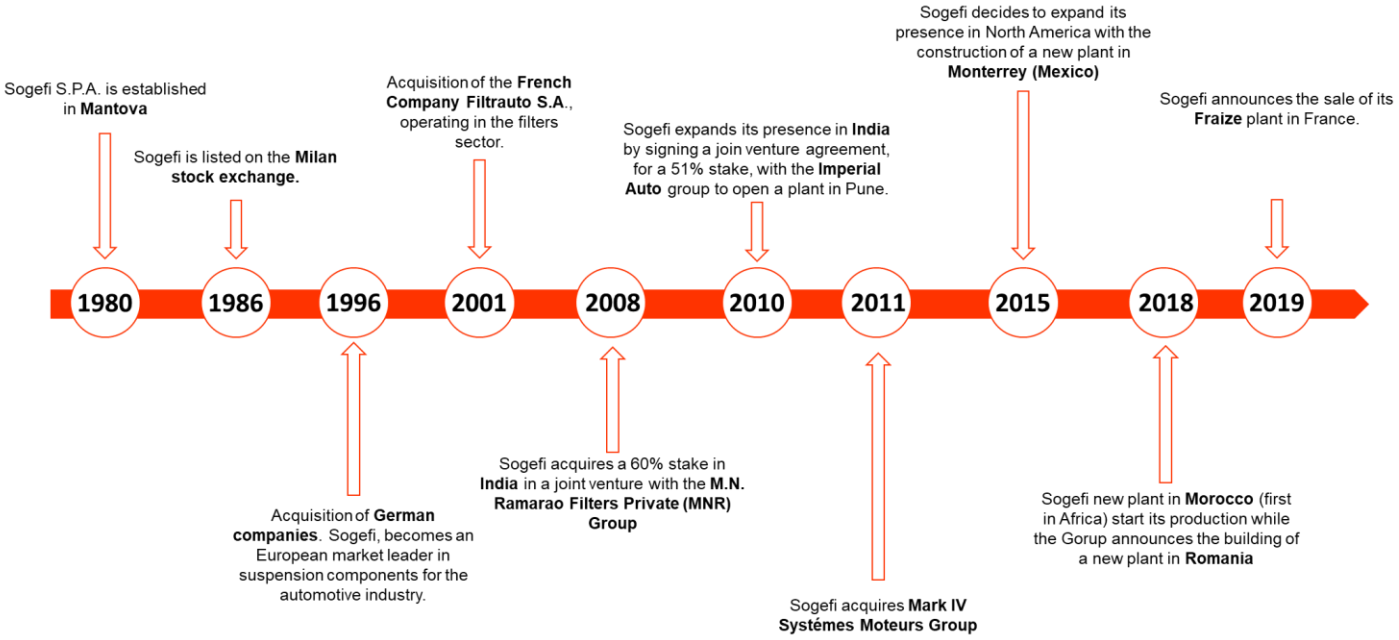
2019 Highlights

1980 Year of Foundation	**3** Business Units
40 Production sites	**20** Countries*
€1.5 bn Revenues	**€1.4 bn** Economic Value distributed to stakeholders
6,818 Number of employees	**4** Research Centers **10** Development Centers
277 Number of family patents	**€39.98 ml** R&D expenditures
- 4.4% Reduction of natural gas consumption (compared to 2018)	**84%** of waste is non-hazardous

*The number of countries refers to Sogefi's global presence.

1.1 Group profile

Sogefi Group, founded in Italy in 1980, is a worldwide leader in the design and manufacture of engine filtration, air management, engine cooling and vehicle suspension components for the automotive original equipment and aftermarket components. The Group is in partnership with the world's major car and commercial three-wheelers and two-wheelers vehicle manufacturers.



The Group has grown mainly through global strategic acquisitions and joint ventures in the vehicle components sector.

Sogefi S.p.A. has its registered offices in Via Ciovassino 1/a, Milano (Italy) and its corporate offices are in Parc Ariane IV, Avenue du 8 Mai 1945, n.7 in Guyancourt (France).

The Sogefi stock has been listed on the Milano Stock Exchange since 1986 and has been traded on the STAR segment since January 2004.

Sogefi S.p.A. is subject to the policy guidance and coordination of its controlling entity CIR – Compagnie Industriali Riunite S.p.A.

At 31st December 2019, Sogefi is present in 4 continents and 20 countries[1] - as represented in the picture below -with 54 locations, of which 40 are production sites, 4 research centres and 10 development centres. It is a market leader in Europe and South America.

In July 2019, Sogefi announced the sale to Özler Plastik of its Fraize plant in France. The main activity of this plant is the production of blow-molded air ducts, being no longer considered as part of the group's core businesses.

[1] The number of countries refers to Sogefi's global presence.

Sogefi is organized in three Business Units, **Suspensions**, **Filtration** and **Air & Cooling**, which operate through a wide product portfolio. A description of the flagship products of each BU is presented below.

Sogefi is proud to supply most of the world's major passenger car and commercial vehicle manufacturers and to manufacture high performance, advanced technology components. The company is tied to its commitment to innovation and research for excellence.

1.1.1 Suspensions

Sogefi's **Suspensions** Business Unit produces a complete range of products, engineered in close collaboration with automotive manufacturers in the 3 main segments: Passenger Cars, Heavy Duty and Precision Springs.

a. Passenger Cars

The passenger cars segment includes products designed to be used on cars, light and heavy commercial vehicles, earth-moving equipment, armored vehicles and rolling wagons. The main customers range from automotive and industrial vehicle manufacturers, renowned worldwide to major railway vehicle manufacturers.

b. Heavy Duty

Sogefi heavy duty segments develops and manufacture a broad variety of springs and spring systems for the Light commercial vehicle industry, the heavy duty truck industry, railway, defense, earth moving and machinery. The main customers are the leader in heavy duty truck, light commercial, railway worldwide and earthmoving. As one of the market leaders, Sogefi is delivering for certain customers a variety of springs systems for the same application or vehicle. Overall, the Group is working with all major OEM´s (Original Equipment Manufacturer) in automotive and railway.

c. Precision Springs

Sogefi is a European leader in the development and manufacture of a wide and diverse range of springs, including wire forms, flat, extension, torsion and compression springs for applications in a large number of industries, such as automotive; aerospace and defense; textile; nuclear power; food packaging; rail; oil and gas; marine; agriculture; petrochemical; off road; lighting and medical equipment, etc.

Products are manufactured both with standard materials (e.g. carbon steel, stainless steel, oil-tempered steel and brass) and special materials (e.g. phosphor bronze, copper alloy, titanium, nimonic, inconel, elgiloy, etc.), according to specific customer's needs. Production is concentrated in 4 plants, 3 located in Europe (i.e. France, the Netherlands and UK) and 1 plant located in China.

Product Portfolio

The BU product portfolio includes the followings:

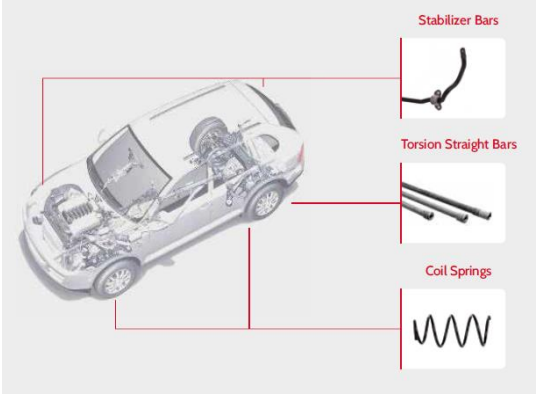
- **Stabilizer Bars**: They are developed and manufactured using both hot and cold bending processes. Bars are designed to optimize weight and reduce bulk while increasing the lifetime of the bar. In accordance with the manufacturer's specifications, Sogefi supplies bare bars or bars fitted with bonded or traditional rubber bushings and connecting brackets, developed to optimize comfort and reduce noise;

- **Coil Springs**: They are designed to optimize weight, cost, bulk, and vehicle comfort and handling through side load control, delivering the reliability and lifespan demanded. The result is a range of helical springs of simple or complex shapes. Springs may be cold or hot formed according to the initial technical specifications;

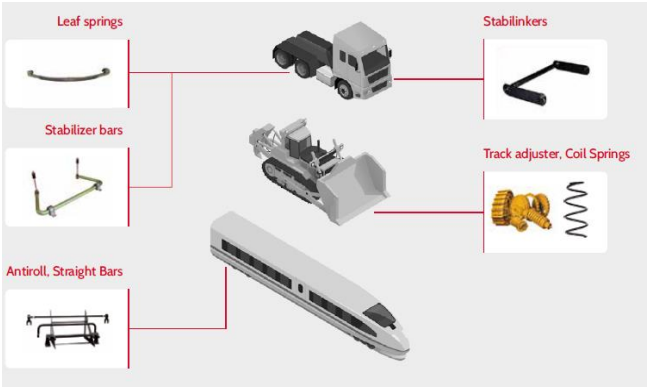
- **Leaf Springs**: Sogefi is a leading manufacturer of parabolic and conventional leaf springs. The wide product range is suitable for all sorts of vehicles, from the lightest utility vehicles to the heaviest trucks, built for long haul or off-road missions. After the rolling and forging operations, the leaf springs are quenched and tempered to achieve the required mechanical properties. They are then shot-peened to increase the fatigue life. Magnetic particle inspection tests are carried out when required.
  Throughout the last decade, Sogefi has developed new parabolic leaf springs to reduce the number of leafs per spring and save cost and weight. Beside this, Sogefi has developed and patented the manufacturing concept to produce a composite leaf spring in one piece including the "eye" for the rubber metal bushing. This development will lead to further weight reduction of heavy-duty trucks;

- **Stabilinker**: The unique, multifunctional component is both a guide element for the axle and a roll stabilizer for the vehicle body; it reduces weight, costs, the number of parts and maintenance. Sogefi is the market leader for Stabilinker.

Suspensions – Passenger Cars Product



Suspensions – Heavy duty Passenger Cars



Sogefi has made a significant contribution to the development and improvement in performance of many suspension components. For instance:

- the use of tubes instead of solid bars in the manufacture of stabilizer bars has achieved considerable weight advantages, reducing fuel consumption;

- the introduction of innovative production processes and dedicated designs, which have enabled the extensive use of lighter helical springs, resulting in better performance in terms of life cycle, corrosion, comfort, silent operation and driving safety;

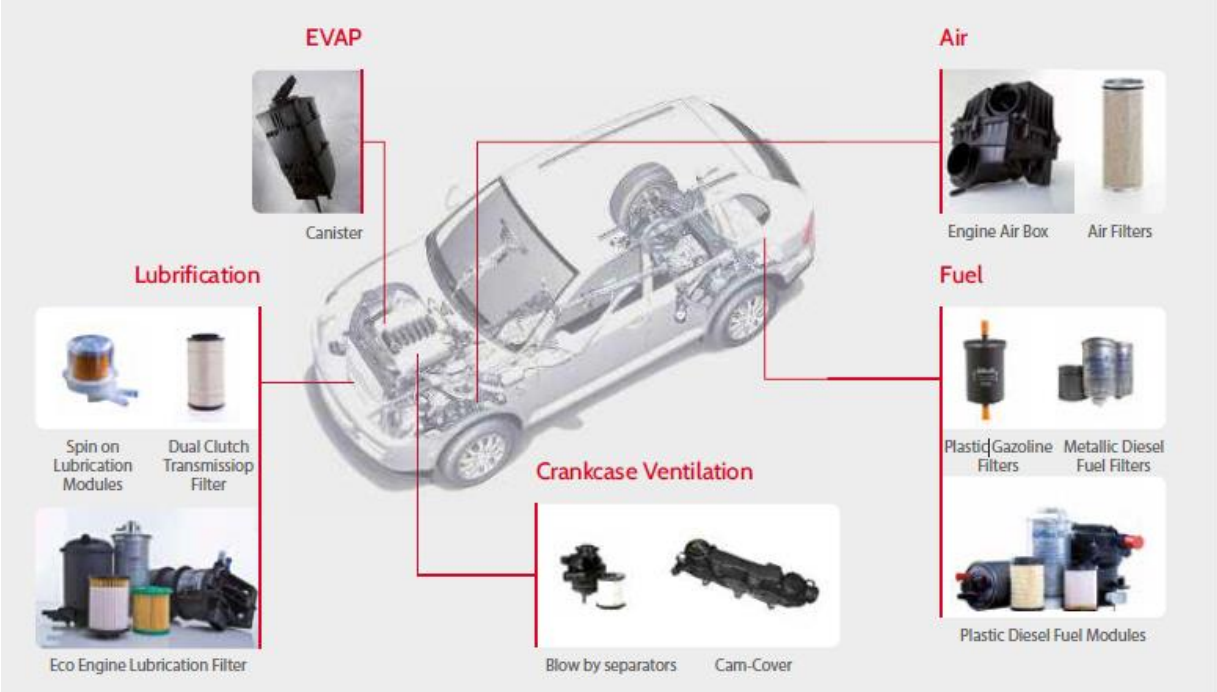
- the industry's first coil springs produced with composite material aimed at passenger vehicle and light commercial vehicle suspension applications. The Composite Coil Springs are an environmentally friendly innovation since, with a reduced weight that ranges from 40% to 70%, they contribute to a real reduction in fuel consumption compared to traditional steel coil springs.

To learn more about the reduction of environmental impacts of products, please consult paragraph "3.2 Sustainable Innovation".

1.1.2. Filtration

Sogefi produces a comprehensive range of filter for the Original Equipment and Original Equipment Spares markets, and the Independent Aftermarket. Moreover, Sogefi manufactures complete filtration modules as 'original equipment' for Original Equipment Manufacturers (OEM) of motorcycles, three-wheelers, cars and heavy-duty vehicles – applications for which the Group has developed extensive expertise.

Filtration Product Portfolio



Product Portfolio

The BU product portfolio includes the followings:

- **Oil Filtration Systems:** the latest engine developments, which aim at complying with the increasingly stringent emission and fuel consumption regulations, have drastically increased the need for a flexible and informative oil flow management, while the downsizing trend has constrained packaging and bulkiness. To support OEMs facing these challenges, the Sogefi Oil Filtration Module is an efficient, compact, integrated and expert solution able is to provide in one kit: Cold Start Solutions, Downsizing Solutions, Weight Saving, Packaging Solutions, and Recyclability;

- **Petrol Fuel Filters:** as fuel efficiency requirements increase with CO_2 emission regulations, the use of direct injection in petrol engines is becoming more common to support downsizing. This technology is much more sensitive to contamination than fuel supply systems like indirect injection or carburetors and generates higher pressure on the fuel supply line.
  Petrol fuel filters are designed and produced with a high level of filtration efficiency, able to protect even the latest generations of petrol fuel supply systems. Both plastic and metal in-line filters are available, as well as in-tank rechargeable and in-tank life filters, depending on customer's needs. All of them can stand the fuel pressures generated by the latest generations of petrol fuel supply systems. The growing use of alternative fuels, such as

ethanol or methanol, brings new challenges for filter durability: Sogefi proposes a complete range of solutions based on plastic fuel filters to support the growing use of alternative fuels;

- **Diesel Fuel Filtration Systems:** driven by emission regulations and CO_2 emission limitations, Diesel fuel injection pressures have never been so high. This makes the whole Fuel Injection System (FIS) even more sensitive to contaminants, but not only. Systems today are intended to be used globally and need to be compliant with local requirements worldwide: cold temperatures, high level of water content, biofuel introduction, severe fuel contaminations, gaseous accumulation in the fuel line, overall quality of the fuel, etc. This is why Sogefi has developed solutions for all of these challenges, to provide efficient, robust and cost-effective Diesel Fuel Conditioning Systems;

- **Air Filtration System:** air filter elements are developed, manufactured and delivered in partnership with the **Air & Cooling** Business Unit. These elements are specially embossed to maximize the filtration surface, complying with the most stringent cleanliness requirements;

- **Cam Covers and Oil Separators:** blow-by gases, accumulated in the crankcase through piston leaks during the combustion process, tend to increase the crankcase pressure and need to be evacuated. These gases are therefore transferred to the combustion chamber, to be burnt one more time. However, in the crankcase, blow-by gases become charged with vapors and droplets from the lubrication oil and, following the transit of gas, tend to generate oil films along the duct walls, contaminating the engine. It generates deposits on the turbocharger compressor, on the charge air cooler and on the intake valves, which seriously affects the durability and performance of these elements. Moreover, oil presence in the combustion chamber can provoke misfiring, especially for direct injection petrol engines. Finally, exhaust after treatment systems are very sensitive to poisoning, partly coming from the lubrication additives which can reduce the performance and durability of catalytic converters and particulate filters. As OEMs are more and more focused on engine durability, efficient solutions to remove the oil from the blow-by gas have become essential. Sogefi designs and produces cam-covers and remote systems for all kinds of oil separation performance needs. Moreover, in addition to the separation function, Sogefi designs and produces parts for all the other functions needed for the plastic cam-cover: PCV valves, by-passes, anti-back flow valves, and oil drain back management.

1.1.2.1 Original Equipment (OE)

The OE filtration modules designed and manufactured by Sogefi offer more than just engine and vehicle protection: they also provide complete fluid management through the complex system integration of valves, sensors, and heating and cooling equipment. All of Sogefi's products for Original Equipment Spares and the Independent Aftermarket are manufactured in accordance with OE standards;

1.1.2.2 Independent After Market

Sogefi Independent After Market, a division of the **Filtration** Business Unit, serves all channels of the independent automotive replacement markets. Products supplied include a comprehensive range of oil, air, fuel and cabin filters to satisfy the servicing needs of a diverse replacement market mainly for passenger cars.

Sogefi's aftermarket products benefit from Sogefi's strong Original Equipment presence as a major global filtration systems supplier. These filtration products for light vehicles are sold by the Sogefi Aftermarket under Purflux, FRAM®, Tecnocar and CoopersFiaam brand names. Sogefi Pro is the brand dedicated to commercial vehicle applications.

Over the years, the Group has introduced major technological innovations in its filtration systems. For instance:

- Diesel3Tech™ technology, which separates water thanks to three filtering layers, improves considerably the protection of modern diesel fuel injection systems;

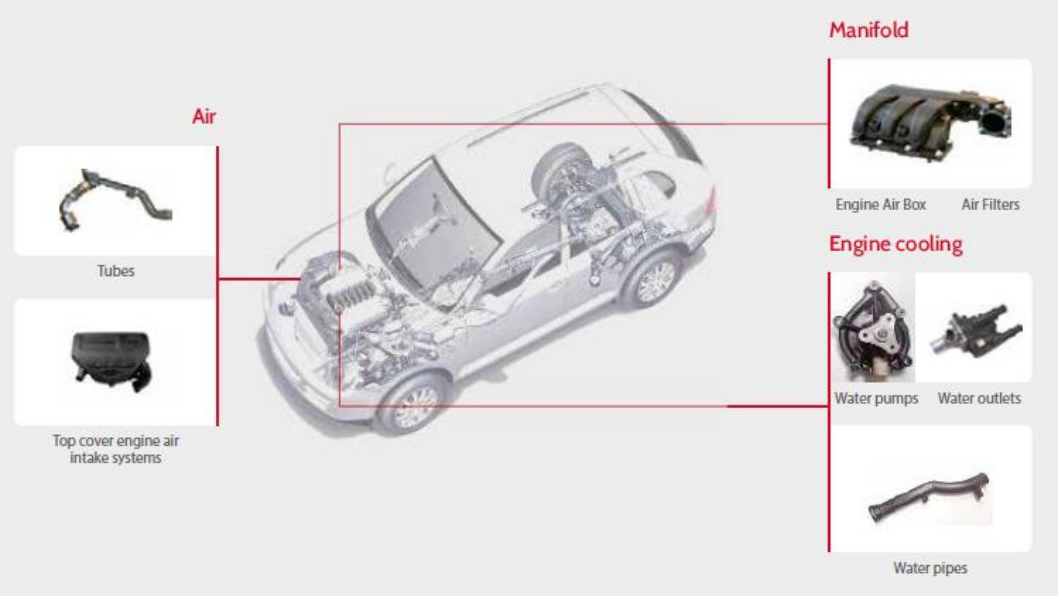
- Cabin3Tech+, one of Sogefi's most recent innovations for Cabin air Filters, consists of 3 layers of media with different functions for high efficiency filtration of fine particles, trapping 98.8% of particles >2.5 microns.

1.1.3 Air & Cooling

Sogefi **Air & Cooling** core business focuses on the engineering and manufacturing of high-tech plastic automotive components, in direct liaison with the engineering offices of car engine manufacturers. The know-how is applied to the supply of sub-systems and complete modules with high added value in the areas of air intake and cooling.

Sogefi's thermoplastic components offer a triple advantage over metal parts: price, weight and CO_2 emissions.

A&C Product Portfolio



Product Portfolio

The BU product portfolio includes the followings:

- **Intake Manifold Systems**: as the automotive market demands more efficient and cleaner engines, Sogefi intake modules fulfil more functions than just the distribution of an equal air quantity per cylinder, in each cycle. They can be equipped with additional dynamic air distribution devices to improve low and medium speed engine torque by runner length selection. Specific attention is given to emission control and enhanced combustion efficiency with active swirl and tumble control system and/or an exhaust gas recirculation nozzle. Engine downsizing has a direct consequence on design: Sogefi **Air & Cooling** provides solutions of high-tech plastic air intake modules with integrated liquid-cooled 'charge air cooler' for the latest generation of turbocharged engines and enhanced dynamic performance.
  The installation space on vehicles is getting smaller and smaller and CO_2 emission regulations require mass reduction. Thanks to its technical expertise in air flow management, mechanical behavior and module architecture combined with the control of the best injection molding and welding processes, Sogefi designs and produces compact and light air intake modules. In addition, Sogefi has developed skills in mechatronics to support the development of the active systems;

- **Charged Air Ducting**: since the first large scale mass production of turbo for internal combustion engines (in the 90's for diesel, in the 2000's for petrol), Sogefi has developed, manufactured and delivered high-temp plastic Turbo outlets in substitution of metal components. Sogefi's engineering teams design tailored solutions, compliant with the most stringent environmental requirements, thanks to an adapted shape, quick-connecting parts, and integrated resonators. The market trends for fuel consumption reduction and increased downsizing enhance the air pressure and temperature conditions at the turbo outlet. Based on its process expertise in blow molding and injection molding, Sogefi provides high-tech plastic solutions withstanding pressure boosts of up to 2.5 bar and temperatures up to 220°C;

- **Air Induction System:** based on the process expertise in blow molding, injection, welding, and filtration (in partnership with the **Filtration** Business Unit) manufacturing and assembly, Sogefi develops, manufactures and delivers complete air intake systems:
  - Dust side ducts, air cleaners and clean side ducts;
  - Compact porous ducts and resonators on Air inlet ducts;
  - Turbo inlet ducts.

  All of these components are produced, mainly by over-molding and infrared welding techniques to comply with the most stringent cleanliness requirements;

- **Thermostat Housing & Ducts:** Sogefi develops and produces solutions for engine temperature management for a wide application range – from small petrol engines to large diesel engines – thanks to a complete portfolio of products, from simple water outlet to smart mechatronic multiway valves, able to control the flow in the different branches of the water circuit from 0 to 100%. Based on its full cooling system knowledge, Sogefi designs and provides the right solution for engine temperature management in line with CO_2 emission reduction, fuel economy and price targets defined by the customer. Glycol-resistant thermoplastic, as well as injection molding, welding and assembly process skills associated with mechanical and CFD expertise are key points for Sogefi to build optimized designs for Housing and Water Pipes. Finer engine thermal management is defined by the automotive manufacturers as one of the key levers to achieve the future European CO_2 emission targets. Among the latest cooling innovations, our technical teams have developed the new Sogefi Smart Multi-Way Coolant valve that contributes up to 2% to fuel saving versus a standard thermostat; this new patented technology entered production in 2013 with the new Euro6 engines;
  For more details about the environmental impact reduction of Smart coolant valves, please consult paragraph "3.2 Sustainable Innovation".

- **Coolant Pump Modules:** Sogefi was among the first suppliers in the world to deliver a thermosetting plastic coolant pump on a high volume series application. This innovative product provides a CO_2 emission reduction thanks to its contribution to weight reduction. The Sogefi coolant pump range also includes a conventional aluminum body coolant pump. Sogefi introduced in the market a Smart flow controlled coolant pump: based on a standard mechanical pump, a piloted proportional valve is associated. This proportional valve controls the outlet flow of the coolant pump from 0 to 100%, independent of the rotation speed of the pump. The main result is a quicker warm up of the coolant and by consequence of the lubrication oil. Depending on the engine and on the type of car, a reduction up to 2.5% of CO_2 was measured on cycles in normalized conditions. The second advantage is that the power consumption of the coolant pump in all conditions is minimized. This solution can be

used independently or combined with the Multi-Way Coolant valve, in case of complex coolant circuit.

To discover more about the environmental impact reduction of Smart flow controlled coolant pump, please consult paragraph "3.2 Sustainable Innovation".

1.2 Commitment towards sustainability

Sogefi Group has embarked on an important journey towards sustainability with the aim of controlling and improving the environmental, social and economic impacts that the various businesses have on the local territory and on the community.

This approach refers to the development of a trusting relationship between the Group and its Stakeholders, with the aim of reconciling all interests involved in compliance with the laws and the principles of honesty, impartiality, reliability, fairness, integrity, transparency and good faith, always without prejudice to full respect for and protection of human life.

Sustainability is not only about ensuring long-term financial success, but about comprehending and addressing the major needs of the Stakeholders that are impacted by the Group's decisions and actions. This is even truer when applied to the automotive sector, as there is a continuous need to understand and reflect the ongoing changes and challenges in the regulations with respect to safety standards and the environment and promote the sustainability principles throughout the supply chain.

Within its business activities, Sogefi focuses its sustainability approach on the reduction of environmental impacts, preventing pollution, monitoring the use of hazardous materials, reducing energy and resource consumption, promoting the reuse and recycle of materials, limiting the production of waste, emissions and dispersions. Concerning human rights, Sogefi is committed to working responsibly, promoting the respect of fundamental human rights as a key element in each business decision.

1.2.1 Sogefi's Stakeholders

Sogefi considers fundamental to develop various forms of dialogue and ongoing interaction with its Stakeholders to respond to their needs, interests and expectations through the establishment of relationships of trust.

In particular, within the dynamic and competitive scenario of the automotive industry, the capacity of anticipating change and identifying emerging trends through stakeholder dialogue enables the Group to generate shared, ongoing value over the long term.

Starting from the features of the automotive sector, the characteristics and the business activities of the Group, Sogefi carried out a detailed analysis of its Stakeholders, identifying their degree of influence and dependence and analyzing the importance that they assign to the specific sustainability issues of their sector and the context in which they work.

A map showing the 12 clusters of Stakeholders identified and a table with the main stakeholder engagement activities are provided below.

Stakeholder's identification and dialogue	
Stakeholder category	**Stakeholder engagement activities**
Public Institutions	• Annual participation to professional organizations (ANFIA in Italy and FIEV in France)
Customer & distributors	• Participation in customer specific events or conventions (e.g. BMW Brexit, Daimler Supplier Award, Volvo Sustainability Day) • Regular meetings at the customers' offices (ca. once a week)

Investors	• Annual meeting:
	  • Full Year and Quarterly results presentations
	  • Borsa Italiana Star Conference in Milan
	  • Borsa Italiana Star Conference in London
	• Roadshows, including one or twice a year in UK, Italy and France

Employees	• CEO communications every quarter • Several times a month: internal news on plants' safety records, new businesses, awards from customers, organization announcements. These communications are available from the Company intranet and the HRIS (the information system used by the Human Resources Function)
University & research	• Annual training sessions • Selection jury participation • Students coaching
Shareholders	• Annual meetings • Publication of statuary documentation
Local communities	• Participation in events to support local communities
Media	• Corporate website + 5 Aftermarket websites + United Springs website • Press releases on new contracts signed (~every 2 months) • Monthly communications in Aftermarket magazines • Twice a year: sponsorship of Automotive magazine events
Environment and NGOs	• Environmental Bureau: regular contacts and discussions along with sites regulatory questions and/or environmental classification
Suppliers and Business partners	• Annual Supplier Day • Regular meetings • Partnerships

1.2.2 Materiality Analysis

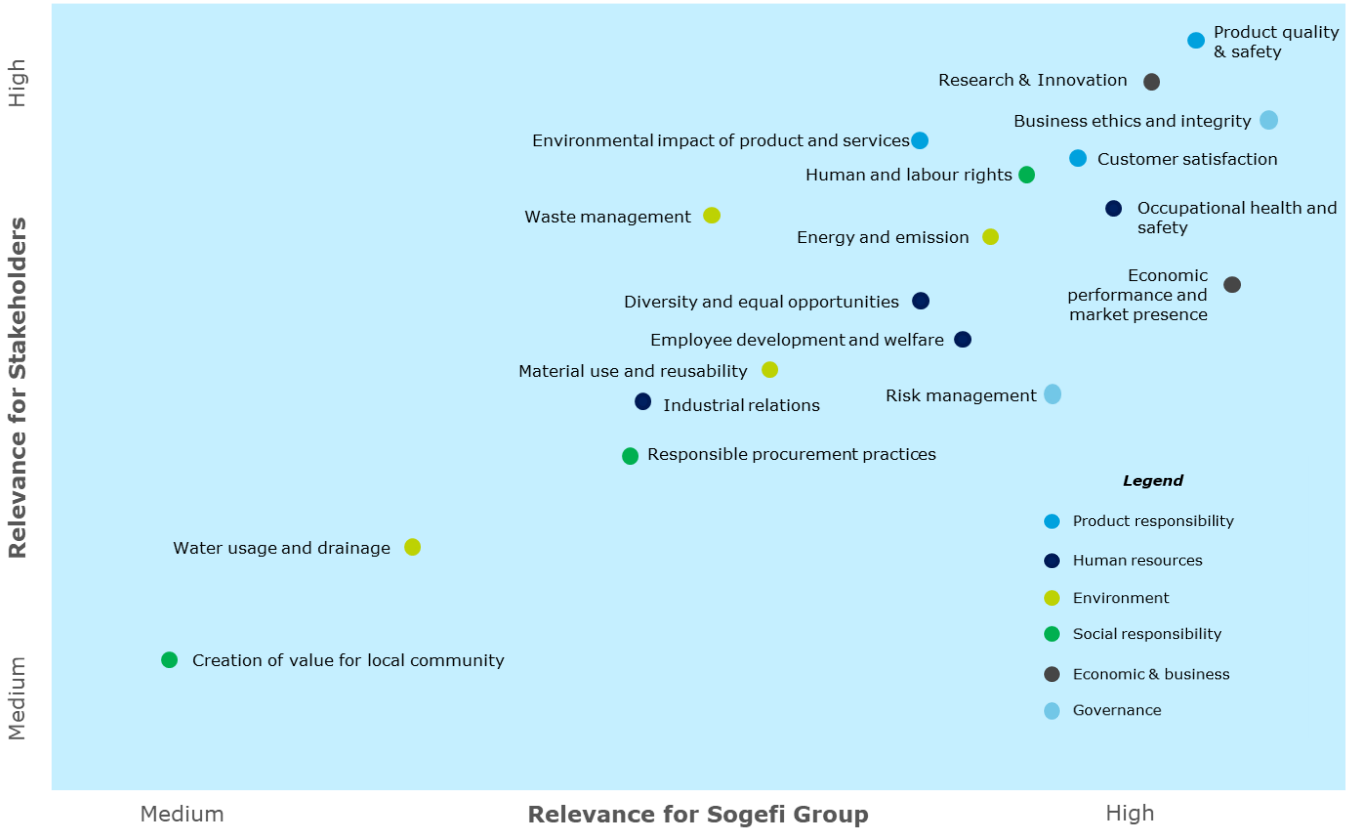
Sogefi's Non-Financial Statement focuses on the topics that have been determined material, which have significant impacts for the organization from an economic, environmental and social standpoint and at the same time, substantially influence stakeholder assessments and decisions.

To identify these material aspects, Sogefi performed a materiality analysis, carried out at the beginning through a mapping process conducted asking several Group representatives to complete a questionnaire and assign a score to a list of different topics, with the final aim of evaluating their relevance for both the Group and its stakeholders.

Afterwards, the materiality analysis was updated thorough a desk analysis and following the involvement of the Top Management, aimed at detecting any change in the automotive field in terms of impact generated by the Group and relevance of the topics for its Stakeholders. The desk analysis was supported by relevant studies and publications, the topics recalled by the Legislative Decree 254/2016 and reports of competitors and best practices in the automotive field.

In 2019, the results of the previous year were confirmed and represented in a materiality matrix consisting in 18 sustainability-related economic, environmental, social and governance topics, associated with 6 macro categories: Product Responsibility, Governance, Economic and Business, Human resources, Social responsibility and Environment were confirmed. The materiality matrix has been approved by the *Chief Executive Officer* and presented, jointly with this Report, to the Risk Control Committee for approval.

Sogefi's Materiality matrix



As reported in the Methofology paragraph, in 2020, Sogefi will engage a selection of key stakeholders (e.g. customers, suppliers and employees) to update the materiality matrix - except if the prolonged emergency Covid-19 will require a plan revision.

1.2.3 Connection between the aspects of the Legislative Decree 254/16, material topics and the GRI Standards – Global Reporting Initiative

Aspects of the Decree 254/16	Topic macro area in Sogefi's materiality matrix	Material topics (materiality matrix Sogefi)	Topic of the GRI Standards
Fight against active and passive corruption	Governance	Risk Management	N.A.
		Business ethics and integrity	Anticorruption; Socio-economic compliance
N.A.	Economic and business	Economic performance and market presence	Economic performance; Market presence
		Research and innovation	N.A.
Social aspects and aspects related to the respect of human rights	Social responsibility	Creation of value for the local community	Local community
		Responsible procurement practices	Socio-economic compliance; Procurement practices
		Human and labour rights	Occupational health and safety; labour and management relations; diversity and equal opportunity; non-discrimination
Environment	Environment	Water usage and drainage	Water and effluents
		Material use and reusability	Material
		Energy and emissions	Energy; emissions
		Waste management	Effluents and waste
Aspects related to human resources and	Human resources	Occupational health and safety	Occupational health and safety
		Industrial relations	Labour and management relations

Aspects of the Decree 254/16	Topic macro area in Sogefi's materiality matrix	Material topics (materiality matrix Sogefi)	Topic of the GRI Standards
to the respect of human rights		Employee development and welfare	Employment; training and education
		Diversity and equal opportunity	Diversity and equal opportunity; non-discrimination
Social aspects	Product responsibility	Environmental impact of product and services	Material; Energy; Emissions
		Customer satisfaction	N.A.
		Product quality and safety	Customer health and safety; socioeconomic compliance

1.2.4 Associations

In addition to its Stakeholders, Sogefi recognizes also the strategic importance of associations, engaging with and adhering to different trade associations in the different geographical areas the Group is exposed to.

The Group adheres to ANFIA (Associazione Nazionale Filiera Industria Automobilistica), CLEPA (European Association of Automotive Suppliers) and to Unione Industriale Torino and Unione Industriale Brescia. In the US it is member of SAE (Society of Automotive Engineers), in France of FIEV (Fédération des Industries des Equipements pour Véhicules). In Germany, Sogefi adheres to VDI (Verein Deutscher Ingenieure), in India to ACMA (Automotive Components Association of India) and CII (Confederation of Indian Industry). In Brazil Sogefi is a member of SINDIPEÇAS (Sindicato das Industrias de Autopeças) and ABRASFILTROS (Associação Brasileira de Filtros). In Mexico, Sogefi adheres to GIES (Grupo de Intercambio de Empresas del Sabinal).

In 2019, **A&C** Business Unit has also participated in the "*Groupement de la plasturgie Automobile*", a professional organization that represents plastics manufacturers, involved in designing and manufacturing components, modules and systems in plastics and composites for the automotive industry. Being a member will allow Sogefi to get information regarding market trends, innovations, market concerns and recent developments in legislation. Sogefi was represented by Philippe Rohmer, head of sales Europe for **A&C** business unit, in the meeting that took place in late 2019, where legislation and market trends were discussed.

1.3 Governance and risk management

1.3.1 Corporate governance system

Sogefi manages its business in accordance with responsible corporate governance principles, geared to sustainable value creation and to achieving its strategic objectives by ensuring effectiveness, efficiency and correctness towards all stakeholders.

The main elements that compose Sogefi's corporate governance are reported in the present chapter; however, full disclosure can be accessed in the Annual Report on Corporate Governance.

The system is based on the principles and criteria expressed in the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana, from 1999 with subsequent updates. In line with the Code of Conduct, the following positions are currently in place: the Executive Director (responsible for the internal control and risk management system), the Lead Independent Director and the Committees within the Board of Directors.

The bodies that form the governance system of Sogefi S.p.A. are the Board of Directors, the Board of Statutory Auditors, the internal Committees and the General Meeting of the Shareholders.

The Board of Directors appointed three internal Committees to ensure transparency, a balanced composition of the Board, guarantee the efficiency of the Group's transactions, compliance with laws and regulations and the safeguarding of the Group's assets. Those are:

- the Appointments and Remuneration Committee;
- the Control and Risk Committee (CRC);
- the Related Party Transactions, whose members coincide with the members of the CRC.

The Board of Directors was appointed by the Annual General Meeting of the Shareholders on April 26, 2019 – with a term that will end at the Annual General Meeting that will approve the Financial Statements for the year ending December 31, 2021.

On December 9, 2019, Mr. Laurent Hebenstreit, resigned from his role of Chief Executive Officer and Director. On the same date, the Board of Directors co-opted in compliance with the art. 2386 of Italian Civil Code, Mr. Mauro Fenzi as Director and appointed the same as new Chief Executive Officer of the Group.

At the date of approval of this Non-Financial Statement, the Board of Directors consisted of eight members, five of whom are independent. The independent Directors therefore constitute a majority of the Board and their number and authoritativeness is sufficient to ensure that their judgment will have a significant weight in the Board's decision-making, contributing to the formulation of balanced decisions, especially in cases where there could be a potential conflict of interest.
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Composition of the Board of Directors of Sogefi S.p.A.

Board of Directors as of 31.12.2019					
Name	**Office**	**Executive**	**Non-Executive**	**Independence TUF**	**Independence Codice Autodisciplina**
Monica Mondardini	*Chairman*	√			
Mauro Fenzi	*CEO*	√			
Rodolfo De Benedetti	*Director*		√		
Patrizia Canziani	*Director*		√	√	√
Roberta Di Vieto	*Director*		√	√	√
Ervino Riccobon	*Director*		√	√	√
Mauro Melis	*Director*		√	√	√
Christian Streiff	*Director*		√	√	√

Three out of eight Directors are below fifty years old. As for the presence of women (female quota), three out of eight Directors are women, representing 38% of the Board.

In relation to the business sector in which the Group operates, the characteristics of the periodic reports of the Board enable the Directors to obtain adequate knowledge of the sector, its business dynamics and their evolution, as well as the regulatory and self-regulatory framework of reference.

The founder of Sogefi, Carlo De Benedetti, today is Honorary Chairman of the Group.

Members of the Board of Directors	
Gender	**31.12.2019**
Men	*62%*
Women	*38%*
Age	**31.12.2019**
<30	*0%*
30-50	*25%*
>50	*75%*

1.3.2 Risk Management

Management of the main business risks pursuant to Legislative Decree 254/2016

In an environment ever more characterized by market instability and the rapid evolution of business dynamics and regulations, careful and effective risk and opportunity management is essential to support an informed decision-making process consistent with strategic and business objectives as well as ensure corporate sustainability and value creation in the medium to long term.

In this regard, as part of the Internal Control and Risk Management System and in accordance with the requirements of the Corporate Governance Code of *Borsa Italiana* to which the Group adheres and the national and international best practices recognized on the market, Sogefi has adopted and implemented a structured and formalized "ERM - Enterprise Risk Management" process, starting from 2012. This process aimed at the identification, evaluation, management and systematic monitoring of the main risks that could compromise the achievement of the Group's strategic and business objectives, as well as the definition of adequate information flows to ensure greater transparency and circulation of information within the organization.

In addition, in line with best practices in terms of corporate governance and risk management, as from January 2019 the Group deemed it appropriate to adopt a Group function headed by a Group Chief Risk Officer, dedicated to risk management and therefore distinct and separate from the Internal Audit function which, until the end of 2018, was also in charge of risk management activities. This decision confirms the Group's growing commitment to an effective implementation of the integrated internal control and risk management system.

On this occasion, the Sogefi Group embarked on a path aimed at the evolution of the traditional risk assessment process, through the design and implementation of a more structured risk management system in line with the most recent best practices in the sector. The ERM framework has been subject to update, in order to strengthen and allow greater customization based on the needs of a growing Group, while maintaining an approach of continuity with the activities carried out in the past.

The result was reflected in the ERM Group Policy, approved by the Board of Directors. It outlines the approach and reference principles underlying the construction of the framework: the governance model of the risk management system, which attributes to each party involved roles and responsibilities, and the operating model that includes the analysis and reporting activities to be performed periodically and the related supporting tools and methodologies to support them.

The ERM process is directed and supervised by the Board of Directors which, in addition to defining the main guidelines, has also identified the main parties:

- The Control and Risk Committee, appointed within the Board of Directors, supports the Board in decisions related to the risk management process and in verifying its adequacy;
- The Chief Executive Officer, as director in charge of the internal control and risk management system, is responsible for the implementation and maintenance of an effective risk management process;
- The Group Chief Risk Officer; coordinates the risk management process, facilitating the identification, assessment, management and monitoring of the main corporate risks and providing methodological support. The Group Chief Risk Officer is also responsible for preparing periodic reports on risk management activities;

- The Group's Top and Senior management is actively involved throughout the process of identifying, analyzing and managing risks following a top-down approach and as the main risk owner.

In line with this approach, the main medium and long-term strategic and economic-financial drivers of the Group guide the identification of risks. The assessment of these risks allows the Board of Directors to understand more consciously the risk scenarios that could compromise the achievement of the defined objectives. The Board is therefore able to evaluate, taking into account the risk appetite, what actions to take and with what priority to prevent, mitigate or manage the main exposures.

In this perspective, an active role of management is fundamental in the risk management process. For this reason, the Group has set up an internal Risk Management Committee, consisting of the first lines of Management and the Internal Audit Director and coordinated by the CRO. The Committee meets periodically and its role is to support the CEO in carrying out the assessments and decisions relating to the ERM system, promoting a structured process of risk identification and analysis, discussing risk management strategies and monitoring their implementation and effectiveness.

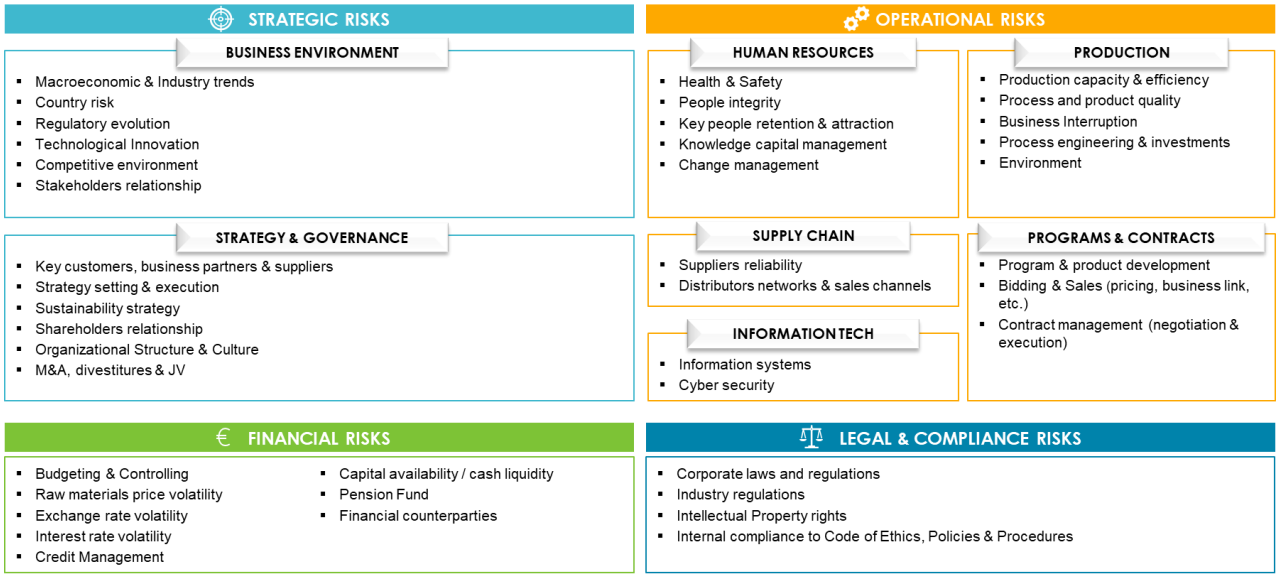
In order to identify all the risks relevant to the Group, the Group's ERM framework aims to analyze and evaluate a wide portfolio of risks, varied by nature and type, in an enterprise-wide perspective. Through this approach, it is therefore possible to identify and manage all those risks connected with not only the economic, but also the environmental and social sustainability of the Group and/or the sustainability of the supply chain.

The Group has chosen to manage these types of risk as an integral part of the ERM model, rather than through an *ad hoc* process, adopting an integrated management of all types of risk. This choice is also reflected in the governance model adopted by the Group: in 2019, responsibility for the sustainability process was entrusted to the Group Chief Risk Officer who therefore also assumed the role of Sustainability Director.

Consistent with this approach, the updated version of the “Risk Model”, in which the risks potentially applicable to the Group's business model are represented, does not consider issues related to sustainability as an area of risk in its own right, but across the four categories into which it is classified:

- **Strategic Risks**, related to the external and business context or to the strategies and governance decisions that can significantly influence the Group's performance and / or the achievement of the defined strategic objectives;
- **Operational Risks**, which can influence the effectiveness / efficiency of business processes, compromising the Group value creation;
- **Financial risks**, related to the management, for example, of exchange rates, interest rates, liquidity, etc.;
- **Legal and Compliance Risks**, relating to non-compliance with applicable laws and regulations, as well as to internal Codes, Policies and Procedures that may lead to legal disputes, financial losses and potential negative effects on the Group's reputation.

Within the above risk categories, further areas are identified in which the main risk events to which the Group could potentially be exposed are described in the Risk Model below:



The ERM operating model requires that risk assessment activities be carried out on an annual basis with the primary objective of identifying and analyzing the priority risks for the Group, with the possibility of carrying out vertical in-depth analysis on further and specific risk issues. Priority risks are managed through the definition of *ad hoc* action plans, and their evolution is periodically monitored.

Finally, the results of the ERM process are used by the Internal Audit function for the preparation of its annual Audit Plan, which therefore assumes a risk-based connotation, in line with best practices, allowing resources to be directed to those areas considered most critical and/or risky. *For further details on the characteristics and functioning of the internal control and risk management system, please refer to the Annual Report on Corporate Governance available on the company website.*

The following are the main risks that the Group could incur in relation to the sustainability aspects considered relevant for the Group itself and its Stakeholders, with evidence of the main management strategies aimed at reducing the potential exposures assessed with the support of the Top and Senior Management. The Sogefi Group manages this type of risks by continuously evaluating its exposure and implementing various actions, aiming in reducing the risks deemed unacceptable, giving priority to compliance with legal provisions and ethical principles.

1.3.3 Sustainability risks

Risks associated with sustainable growth

Given the growing attention to issues of environmental, social and human rights by international institutions (e.g. UN, G7, etc.), governments and investors, in recent years Sogefi has started a path aimed at ensuring a progressive integration of these aspects within its business strategy. The goal is to control and improve the impacts that the various activities, as well as its products, generate on the environment and on the community.

With this in mind, the Sogefi Group is committed to understanding and adapting its business model. Adaptation process must take into consideration the continuous socio-environmental challenges, the ever increasingly stringent regulatory developments (in particular safety and environmental standards such as the restrictions related to pollution in the main inhabited centers, waste production etc.), as well as actively promoting and spreading the principles of sustainability throughout the supply chain.

In addition - on a voluntary basis - the Sogefi Group adheres to initiatives, such as the Carbon Disclosure Project for the measurement and reporting of environmental data and adopts the EcoVadis platform for the attribution of a sustainability rating of its suppliers.

Environmental and climate change related risks

Attention to the environment, together with respect for its employees, customers and local communities, is a shared and essential value for the Group, which contributes to directing strategic and operational choices.

Furthermore, the increasing international attention on effects resulting from the climate change, requires to Groups operating at global level as Sogefi, to evaluate any possible actions that in the medium-long term can be taken to minimize the potential consequences for the business and the ecosystem. At this regard, given the nature of the business of reference, Sogefi identifies as potential risk factors could negatively affect the climate change and the environment, the excessive use of energy deriving from non-renewable sources, emitting polluting gases into the atmosphere, inadequate waste management and disposal of potentially hazardous substances with impacts on soil and subsoil as well as to the inappropriate management of water resources.

Sogefi confirms its commitment through the Environmental Policy, in place since 2016, defining the guiding principles that all Group subsidiaries are required to follow. Part of this Policy is the Group's pursue of clear strategic objectives, taking into account available resources and technologies, in order to progressively improve its environmental performance and related consequences on the climate change.

Furthermore, Sogefi has adopted the International Standard ISO 14001: 2015 as a reference for the definition of the environmental management system, aimed at keeping under control potential risks and consequences of environmental nature. In line with 2018, at December 2019 93%[2] Group sites were ISO 14001:2015 certified.

Additional mitigation actions implemented by the Group, as described in the dedicated sections of that Report, are:

- Reduction of greenhouse gas emissions in the production process;
- Reduction of energy intensity in all production sites in order to achieve a significant decrease in energy consumption and greater efficiency;
- Increased consumption of electricity from renewable sources;
- Increase use of reused and recycled materials in order to reduce the volume of waste generated by production;
- Improvement of wastewater treatment systems in production plants before their dispersion into the environment and public sewage systems;
- Support for the reduction of environmental impacts deriving from logistics processes (for example through the minimization of exceptional transport, increasing the use of reusable containers where possible, standardization of packaging and pallets to minimize potential waste and stocks, etc.).

For further details on the above actions and related targets, please refer to the section dedicated to environmental impacts of this report, "6. Environmental impact of operations".

[2] The calculation includes 40 production sites, excluding Fraize (which was sold in April 2019), Gravatai (which was closed in October 2019) and Saint-Soupplets (which is mainly destined for the manufacturing of prototypes). Bangalore is considered as two different units.

Health and Safety Risks

The Sogefi Group believes it is essential to guarantee its employees working conditions that allow the protection of their health and safety. Therefore, training programs are conducted on a periodic basis to promote and spread a corporate culture on health and safety issues capable of increasing awareness of possible risks, especially within production plants, and promoting virtuous behavior among all employees and collaborators. Furthermore, Sogefi is active in guaranteeing a continuous improvement of the internal control systems and of the infrastructures and professional equipment in order to ensure as much as possible the prevention of accidents, accidents at work and the onset of occupational diseases.

In particular, the Sogefi Group adopts a structured and certified Safety Management System according to the OHSAS 18001:2007 Standard. This certification ensures the adoption and implementation of best practices in health and safety, through a structured and effective management system. As of December 2019, the number of certified sites is 18%[3].

Since 2016, an Occupational Health and Safety Policy has been in force in the Group, which defines the key health and safety principles that each subsidiary is required to adopt and follow. Furthermore, through the “Sogefi Excellence System” (SES), the Health and Safety departments of each business unit periodically monitor a set of KPIs aimed at ensuring full compliance with the Group's standards in terms of health and safety.

Risks related to the quality of products and processes

The Sogefi Group is constantly committed to guaranteeing a high quality standard of its products and considers it essential to manage the risks related to the production and sale of products can be potentially non-compliant with quality standards of the industry and customer expectations. This type of risks could in fact translate into product recall campaigns, compromising the Group's reputation and stability of relations with its customers.

Over the years, various countermeasures have been implemented, allowing the Group to progressively consolidate the control of the processes involved, through regular gate reviews both in the development and in the production phase. All these efforts aim at preventing any potential critical issues and further strengthen processes and mitigation measures. Considering their relevance to Sogefi Group, these types of risks were included among the main priorities of the ERM in 2019.

With the aim to minimize the risk, the Sogefi Group adopted a quality management system in line with the main international best practices, that is the “Sogefi Excellence System” (SES), focused on the improvement of industrial performance, with particular attention to the "Quality Basics" (i.e. Customer, Supplier and Production waste). In addition, specific performance indicators have been defined and adopted at Group level in order to monitor and guarantee compliance with the standards of production activities on a daily basis. An integral part of the SES is the IATF 16949: 2016 certification, which is carried out in continuous quality checks on the entire production process including the supply chain (i.e. raw materials, semi-finished products, etc.), aiming to prevent any

[3] The calculation includes 40 production sites, excluding Fraize (which was sold in April 2019), Gravatai (which was closed in October 2019) and Saint-Soupplets (which is mainly destined for the manufacturing of prototypes). Bangalore is considered as two different units.

non-conformities due to defective products or quality issues. In 2019, 98% of the Group's production plants are IATF 16949: 2016 certified[4].

Finally, the Group has an international insurance program in place to cover any product liability damages for defects or malfunctions.

Risks related to supply chain sustainability

Considering the global presence of the Group and the high number of activities carried out locally by the subsidiaries, Sogefi is exposed to the risk of employing suppliers that do not comply with its standards and its commercial integrity and which could therefore affect the Group's reputation and image.

In this regard, as early as 2016, Sogefi developed the "Code of Business Conduct". Its aim is to promote and disseminate ethical principles along the entire supply chain. The Code, which must be accepted by all suppliers and third parties that cooperate with the Group, is intended to help Sogefi in building and maintaining solid relationships with the suppliers. This way it is ensured that the quality of materials and components purchased are in line with the required standards and any risks associated with the use of unsustainable suppliers are reduced. At the same time respect for human rights, environmental protection, safeguarding of health and safety in the workplace and the fight against corruption are ensured.

To further mitigate the risk, the Sogefi Group continued to strengthen the supplier selection process, setting in place a careful assessment of compliance with its ethical and quality standards. In addition, it periodically monitors the environmental and social performance of its supply chain through periodic audits performed by the purchasing department when needed.

Finally, Sogefi requires its conflict minerals suppliers, to complete and comply with a specific form as part of their Quality Requirement File (QRF).

Risks related to the Group's social responsibility

The Sogefi Group recognizes the fundamental importance of respecting the behaviors dictated by its Code of Ethics and assumes an active role in managing social issues through the establishment of relationships based on mutual trust and loyalty. Nevertheless, operating in more than 20 countries with nearly 7,000 employees and having to cope with different cultures around the world, the Group is theoretically exposed to risks related to social relations with its employees and in the context of commercial operations.

With specific reference to human resources management, the Group intends to ensure fair opportunities in its organizations by improving employee development and welfare, as well as encouraging professional growth and respect for human rights. In particular, the Group adopts clear and transparent selection processes and uses an annual performance evaluation system, guided by the Group's HR function, based on common objectives, which can be measured in quantitative economic-financial, qualitative and individual terms.

In addition, to encourage proper management of issues related to respect for human rights, the Group's Human Rights Policy has been in force since 2016. The document outlines the fundamental

[4] The calculation includes 40 production sites, excluding Fraize (which was sold in April 2019), Gravatai (which was closed in October 2019) and Saint-Soupplets (which is mainly destined for the manufacturing of prototypes). Bangalore is considered as two different units.

principles that must be respected in all operations and commercial decisions, making respect for human rights an essential requirement for the operations of Sogefi and its Business Units.

Risks of violation of Anti-corruption regulations

The fight against corruption is a subject closely monitored by national governments, as demonstrated by the large number of laws and regulations in force on the matter (i.e. French Sapin II legislation, Italian Legislative Decree 231/2001, the Italian Anti-Corruption Law 190/2012, the US Foreign Corrupt Practices Act, the UK Bribery Act, etc.).

Sogefi operates in 20 countries, some of which present a critical Corruption Perception Index (CPI)[5], and through a large number of local counterparts. Based on that structure and business model, the Group could be, theoretically involved in corruption events.

The Group, therefore, aware of the possible consequences that could impact the business and its reputation in case of implication in corrupt events, declares through its Global Code of Ethics that is committed "*to prevent any form of corruption or extortion and to oppose to any acts of extortion. Group companies, directly or indirectly, do not have to offer, promise, give or ask for money or any improper advantage, from or on behalf of any Public Official, supplier, customer, competitor or other third parties, with the intent of corruption. Furthermore, each individual must not accept or offer gifts, meals or entertainment if such behavior could create the impression of improperly influencing the respective business relationship* ".

In addition, periodic training activities are carried out for employees in order to strengthen the Group's culture and awareness of the principles expressed by the Code of Ethics, as well as provide the instructions to be followed to identify and report internally any event potentially attributable to a corrupt practice. In particular, in 2018, around 46% of the employees received training on the Code of Ethics, including anticorruption issues. In this regard, an internal Whistleblowing procedure was approved and adopted at Group level, defining the operating instructions for reporting anonymously any violation or suspected violation of the Code of Ethics or of any other internal company procedure / standard.

In accordance with the Italian Legislative Decree 231/2001, which in the list of crimes also includes the risk-crime of corruption both between public and private subjects, the Board of Directors of Sogefi S.p.A., approved the "Organizational, Management and Control in line with Legislative Decree 231 of 8th June 2001 "(i.e. Organizational Model) which establishes correct and transparent business conduct. This Model is periodically subject to adequacy checks and updates in line with the evolution of the decree itself.

Finally, it should be noted that in 2019, consistently with the Group's attention to the management and prevention of potential corruption risks, Sogefi launched a Compliance Project. The project's aim is to review and strengthen the Group's organizational model of the fight against corruption. The project, which is still in progress, ensures that the Group complies with the requirements laid down by the laws in force, including the Italian Legislative Decrees 254/2016 and 231/2001 and the French Sapin II law. For more information, please refer to the dedicated section of this Report.

[5] The Corruption Perception Index is an index published annually by Transparency International that provides the ranking of countries with respect to perceived levels of corruption, determined by expert evaluations and specific surveys.

Cyber Security Risks

The Group manages the risks associated with fraudulent and unauthorized access by third parties to IT systems, which could lead to the loss and violation of sensitive and confidential data, with consequent financial losses and reputational damage. In 2019, the main cyber security event for the Group involved phishing episodes. Thanks to timely identification by the Security Team, there were no consequences.

In order to minimize the risks, under the guidance of the Chief Information Officer (CIO), adequate technical and operational measures are being implemented and / or updated to ensure high levels of protection of the Group's IT infrastructure. In continuity with the Cyber Security Program launched in 2018 and with the aim of strengthening the cyber security system, during 2019 the Sogefi Group:

- appointed a Group Security Officer, who reports to the Group CIO, responsible for managing daily security activities and the preparation of security tools. In addition, in 2019, the IT team was expanded through the creation of two new positions focused on system and network security;
- adopted various policies and procedures based on the international standard ISO / IEC 27001-27002.These include the setup of the IT security organization and in particular the definition of key roles and responsibilities, the main rules for using the internet and IT equipment, access control, etc. In addition, a set of performance indicators was defined - such as protection against malware, user registration, back-up and network services - in order to verify the effectiveness of the policies and procedures adopted;
- carried out daily monitoring of suspicious activities, which led to the adoption of more than a hundred management acts. In addition, the adoption of Office 365 has made it possible to block numerous attacks;
- launched a periodic communication campaign aimed at increasing awareness on security issues by sharing best practices with all users to avoid incurring a cyber attack.

1.4 Ethics, integrity and anti-corruption

Being a leading global supplier of original parts for the automotive industry, Sogefi Group is committed to achieving excellence, innovation and performance in a sustainable manner. In the automotive sector, people and the environment are the most important resources, and the Group endeavors to adopt a business approach that is at the forefront of sustainable development in the common interest of all, current and future, Stakeholders.

Sogefi adopted a Code of Ethics to define the set of values followed by the Group in the pursuit of its objectives. Compliance with this Code is essential for the correct functioning, reliability, reputation and image of the Group.

The key principles of this Code are:

- Fairness in developing and carrying out business practices;
- Recognition of the importance of the individual;
- The maintenance and the development of mutual trust with the company's Stakeholders;
- Respect of the environment.

All employees of the Group and all those who cooperate with the Group subsidiaries should acknowledge and share the principles established in the Code.

For this reason, Sogefi promotes awareness of the Code of Ethics and of the related corporate procedures among all employees: a copy of the Code of Ethics is given to new hires and the document is disseminated through the internal communication system. Lastly, the Code has been translated in all key languages to enable all employees to fully understand and comply with the corporate regulations and principles of the Group. In addition, the Code is communicated to business partners prior to the establishment of the business relationship.

To encourage the thorough application of the Code of Ethics and constantly monitor its respect, Sogefi has formally approved a Group "Whistleblowing Procedure", translated in Chinese, Portuguese, Spanish, Slovenian, French, Romanian, English and German to facilitate the full comprehension of the content at local level, similarly done for the Code of Ethics.

The Whistleblowing Procedure allows any employee of the Group to report a violation or suspected violation of the Code of Ethics, of any other internal norm or procedure in force in the Group, of the laws applicable in each country or any act that may cause severe harm to the company or to the public interest. Once the nature and importance of the claims received are evaluated, Sogefi may initiate an internal investigation with the support of the Corporate Internal Audit, which may also integrate its annual Audit Plan with specific interventions based on the reports received.

In addition, the Corporate Internal Audit regularly performs (during the execution of each Internal Audit intervention envisaged by its annual Audit Plan on the Group's subsidiaries) an overall evaluation of the local management's accountability, reliability and integrity, also with respect to the respect of the Code of Ethics and the quality of the communications towards BU/Corporate Management.

Lastly, to better define its operating framework, Sogefi has also implemented specific policies concerning the respect of human rights, health and safety in the workplace and the respect for the environment. These policies are visible on the corporate website as well as on the Group intranet and are further detailed in this document.

During 2017, Sogefi has been notified of two market investigations by a local anti-trust authority for suspected anti-competitive behavior. Both cases were settled in 2019.

In 2018, Sogefi was subjected to an audit by the agency which regulates competition (DGCCR[6]) in Sogefi Filtration S.A. This Authority carried out an investigation to assess whether the company actually applies the *Loi de Modernization Economique* (LME), with regard to the terms and conditions of payment. At the end of the investigation, the Authority requested the payment of a penalty of €130,000 which has been paid in 2019. In parallel, the Group has initiated measures to check that all three French companies, including Sogefi Filtration S.A., comply with the payment terms indicated by the standard.

In 2019, no relevant investigations from the Authorities have been noted.

1.4.1 Anti-corruption

The Group Code of Ethics clearly and affirmatively states Sogefi's commitment to preventing any form of corruption or extortion and to oppose any act of bribery from its subsidiaries and employees.

In addition to the adoption of the Code of Ethics, to ensure compliance with the Italian Legislative Decree 231/2001, the Board of Directors created on February 26, 2004 the Supervisory Body and approved the "Organization, Management and Control Model pursuant to Legislative Decree 231 of June 8, 2001" (Organizational Model). The aim is to ensure a correct and transparent conduct of corporate activities. The Model is periodically subject to a verification of adequacy and, where necessary, updated to guarantee its continuous compliance with the new regulatory changes and the organizational structure.

In 2019, the Group, in line with the key anti-corruption legislations such as the 254/2016 Italian legislative Decree, the Italian legislative Decree 231/2001 and the French law SAPIN II, launched a dedicated project to fight corruption by reinforcing the internal control system able to prevent any possible issues of corruption. The project started with the risk mapping of any corruption events that can theoretically occur based on the business operations. The activities involved the key BU and Group managers through dedicated interviews. Then the activities have been focused on the definition of the Group governance model, the deployment of global communication and training activities, the update of the Group Code of Ethics and of other Group policies where needed (e.g. whistleblowing procedures, third party evaluation, etc.).

According to the above-mentioned project and to strengthen the Group's awareness on the anticorruption requirements, during 2019, Sogefi communicated to all its employees the applicable policies and procedures, mainly referring to the Code of Ethics. In 2019, no actual training on the Code of Ethics has been provided to employees.

[6] Directorate General for Competition, Consumer Affairs and Fraud Prevention.

1.5 Local communities

As a Group with presence in several countries worldwide, Sogefi is committed to support the communities in which it has a direct impact, by promoting and investing in their social and economic development. For this reason, the Group supports local communities through different initiatives and by fgenerating awareness among its employees to further enrich and strengthen the relationship between Sogefi and the local communities. As a matter of fact, the 46% of Sogefi's plants has implemented local development programs in the local communities in which they operate. Such initiatives can be divided in the following three major areas, and the main activities in favor of local communities performed in 2019 are reported in the table below:

- education and sports;
- health and research;
- solidarity.

2019 Local community initiatives worldwide

Education and sports	Romania 	Based on collaboration launched last year with a local high school, in 2019, 9 students were trained and were provided with work equipment, a scholarship, and transportation and meals for the entire internship period. Furthermore, Sogefi Romania has supported the local community by donating Christmas gifts for local children.
	Brazil 	The **Filtration** plant in Jarinu - São Paulo launched an environmental project with the aim of increasing the awareness of employees and their families related to the environmental protection, waste and respect for life. The initiative encouraged them to record some actions made to protect the environment with photos. With the collection of all the materials was created an exhibition with a contest awarding the best action in favor of environmental protection.
	Netherlands 	The Suspension plant in Hengelo supported and organized an initiative named "Twenty goes techno" aimed at bringing college students closer to the technical companies operating in the area. In addition, the plant is committed to the fight against bullying, supporting anti-bullying projects at local schools and sport clubs.
Health and Research	Mexico 	The Suspension plan in Monterrey has taken part in a program to support a local "Anti-Cancer" association. The initiative consisted of employees' donation of bottle caps which were delivered to the association at the end of the year. All the caps collected were employed to pay for medical treatments and other supportive activities.
	Argentina 	The **Filtration** BU financially supported the Garrahan Hospital, the Pediatric Hospital Comprehensive Medical Care Service for the Community "Professor Dr. Juan Pedro Garrahan", an Argentine public hospital specialized in highly complex child health. It is the highest reference for child public health in South American.

2019 Local community initiatives worldwide

Solidarity

Argentina

The HR Department participated to the Garrahan Foundation Recycling and Environment Program, including the Paper Recycling Program, the Plastic Tapitas Recycling Program and the Bronze Key Recycling Program. The proceeds obtained through recycling of various materials supported the Casa Garrahan, which hosts low-income children living more than 100 kilometers away from Buenos Aires that are in outpatient treatment at one of the pediatric hospitals in the city. Furthermore, the proceeds supported the purchasing of advanced technology medical equipment and supplies as well as the repairing of high complexity equipment and training of the health team responsible for assisting future patients throughout the country.

Brazil

The **Filtration** plant in Jarinu - São Paulo carried on its Christmas campaign, the Tree of Good launched in 2017, supporting abandoned children by donating them clothing, gifts and food. The aim of the initiative is to promote teamwork and solidarity reaching the needy local communities. The initiative was supported by the employees, which volunteered to help organize and distribute the items.

Moreover, the plant in Mogi Mirim uses tax incentive governmental programs to invest in non-governmental local projects, including the support to children of the poorest local communities and to kindergarten teachers in public schools. In 2019, the amount already donated is around €38,500.

France

The Suspension plant in Guyancourt supported the association "Love in the box" with the aim of preparing and donating boxes wrapped in gift-paper containing basics products (shampoo and toothpaste) and presents (books and games) for children.

2 Economic responsibility

The perimeter of the economic-financial data coincides with that of the Sogefi Group's 2019 Consolidated Financial Statement. The economic data for 2018 was revised compared to the data published in the 2018 NFS and Consolidated Financial Statement due to the sale of a plant in Fraize, which was finalized during the course of the year.

2.1 Economic performance

In 2019, Sogefi registered € 1,519.25 million in revenues (-3.3% compared to 2018).

The decrease is generally reflected in all geographical areas: firstly, in South America (-11.8%), followed by Asia (-6.8%), North America (-2.1%) and Europe (-1.7%). The business unites mainly affected by the revenues reduction are **Suspensions** and **Air & Cooling**, respectively with a decrease of 8.8% (-5.6% at constant exchange rates), and 1.7% decrease (-3.5% at constant exchange rates). On the contrary, **Filtration** Business Unit reported a 1.7% sales increase (+2.7% at constant exchange rates).

Sogefi Group results - Highlights (in €m)			
€m	**2018**	**2019**	**2018-19Δ%**
Revenues	1,570.7	1,519.2	-3.3%
EBITDA	176.1	174.3	-1.0%
Net result	14.0	3.2	-77.1%
Net debt (end of period)	260.5	318.9	22.4%

Group Sales by Geographical area				
€m	**2018**	**2019**	**Reported change**	**Like for like change****
Europe	944.5	928.7	-1.7%	-1.7%
North America	294.7	288.7	-2.1%	-6.3%
South America	182.0	160.6	-11.8%	8.1%
Asia	160.9	149.9	-6.8%	-8.2%
Intercompany	-11.4	-8.7	-23.5%	
TOTAL	**1,570.7**	**1,519.2**	**-3.3%**	**-2.2%**

** Passenger cars and LCV production volumes*

***Constant Exchange rate. Source: Sogefi and IHS estimates*

Group Sales by Business Unit				
€m	**2018**	**2019**	**Reported change**	**Like for like change***
Suspension	602.6	549.7	- 8.8%	-5.6%
Filtration	537.2	546.4	1.7%	2.7%
Air & Cooling	433.5	426.1	- 1.7%	-3.5%
Intercompany	-2.6	-3.0	16.8%	
TOTAL	**1,570.7**	**1,519.2**	**- 3.3%**	**-2.2%**

**Constant Exchange rate*

EBITDA in 2019 decreased by - 1% compared to 2018.

EBIT is around € 39.6 million in 2019 in respect to € 60.1 million in 2018. The result before taxes and minority interests was a positive € 15.9 million (€ 36.2 million in 2018).

The net result was positive but decreased from € 14.01 million to € 3.2 million in 2019, with a reduction of 77.1%.

Net financial debt stood at € 318.9 million on 31st of December 2019, registering an increase compared to the € 260.5 million on 31st of December 2018 due to adoption of IFRS16.

The Group's total capitalization amounts to € 526.6 million, of which € 207.7 million equity and € 318.9 million long-term debt. The market cap of Sogefi as of 31st of December 2019 was € 191.9 million.

2.2 Economic Value generated and distributed

The statement of Economic Value is a reclassification of the Consolidated Income Statement and represents the wealth generated and redistributed by the Sogefi Group to all its Stakeholders. In particular, this statement presents the financial performance of operations, the wealth distributed to parties deemed to be Stakeholders for the Group or the ability of the organization to create value for its Stakeholders.

Statement of Economic value of Sogefi Group		
€m	**2018**	**2019**
Sales Revenues	1,570.7	1,519.2
Other gains and losses	-7.7	-17.8
Economic Value generated (gross)	**1,563.0**	**1,501.4**
Depreciation and amortization	110.6	124.0
Economic Value generated (net)	**1,452.4**	**1,377.4**
Operating costs	1,086.1	1,035.7
Personnel	306.1	302.0
Providers of finance	23.9	23.8
Non-controlling interest	3.3	3.0
Public Administration	20.0	13.7
Gain and loss from discounted operations[7]	-1.1	-4.0
Economic Value distributed to stakeholders	**1,438.3**	**1,374.2**
Group net result	14.1	3.2
Economic Value retained by the Group	14.1	3.2

In 2019, gross Economic value generated amounted to € 1,501.4 million, showing a -4% decrease compared to 2018. It is composed by sales revenues representing the sale of goods and services, and other gains and losses consisting of other non-operating expenses, gain on disposal net, exchange losses and losses and gains from equity investments.

This value, after the deduction of depreciation and amortization, is the net global Economic Value, which in 2019 amounted to € 1,377.4 of which € 3.2 million retained by the Group.

The distribution of the Economic value is allocated as follows:

- Operating costs amount to € 1,035.7 million (-4.6% compared to 2018), representing 75.4% of distributed Economic value. They include manufacturing and R&D overheads, distribution and sales fixed expenses and administrative and general expenses, as well as the cost of goods sold. Operating costs represent 75.4% of the total Economic Value distributed by the Group.
- Group's personnel amounts to € 302.0 million representing around 22% of distributed Economic Value, and including mainly personnel costs in terms of wages, salaries and contributions, pension costs (defined benefit plans and defined contribution plans) and restructuring costs.
- Finance Providers amounts to approximately €23.8 million (-0.5% compared to 2018), representing around 1.7% of distributed Economic Value. The finance providers mainly refer to interests paid in 2019 by the Group on bonds and interests on amounts due to banks.
- Public Administration mainly in terms of income taxes, amounts to € 13.7 million (-31.7%

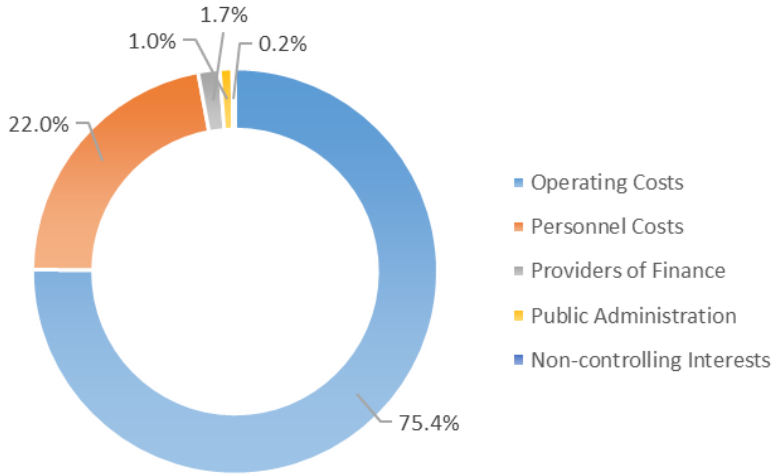
[7] The values for the 2018 financial year, relating to "Assets held for sale", have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

compared to 2018), representing 1.0% of distributed Economic Value.

- Non-controlling interest amounts to € 3.0 million, representing 0.2% of distributed Economic Value.

In 2019, the Economic Value retained by the Group amounts to € 3.2 million.

Economic value distributed to stakeholders in 2019 (%)



3 Innovation and product responsibility

2019 Highlights

Investment priorities

- New opening of plants aimed at maintaining competitiveness
- Increase production capacity and productivity
- Industrialise new products
- Improve processes

Key market challenges

- Electrification
- Reduction of fuel consumption and vehicles' emissions
- Reduction of manufacturing process emissions
- Globalisation footprint
- Weight reduction
- Performance improvement

4 Research Centers

10 Development Centers

R&D Centres spread in **6** different countries

Sogefi R&D Centres – highly specialised teams

Sogefi Research and Development Centres are characterised by the presence of several professionals taking care of different steps of the innovation process:

Technical marketing teams, innovation teams, patent teams, laboratory specialists, product engineering teams, testing and laboratory teams, designer specialists, prototyping teams and simulation teams

21

Number of R&D projects marketed

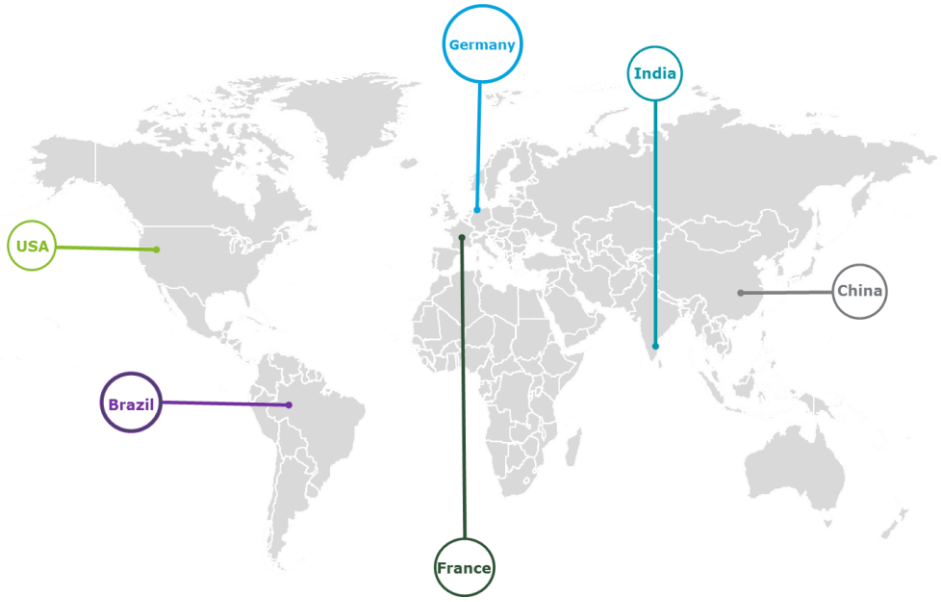
277

Number of family patents

3.1 Research and innovation strategy

The Group's focus on Research &Development is crucial to improve products performances and deliver a high quality to its clients. The aim of Sogefi's R&D teams is to meet the expectations of global clients by finding improved technical, economic and environmental sustainable solutions through ongoing innovation.

Centers are located all around the world, in Brazil, France, Germany, India, the US and China, amounting to a total of 6 centers. The global presence enables the Group to guarantee research and development activities in each market where it operates.



In 2019, the Group's Research and Development expenses amounted to approximately 2.6% of annual revenues. Sogefi's investments in research and development aim at continuously improving products in terms of lifecycle, effectiveness, size, weight and compatibility with the environment.

GROUP R&D KPIs	2017	2018	2019	CAGR 17/19
Number of family patents	223	256	277	7%
Number of papers	3	1	1	-31%
Number of R&D conferences/events organized and/or attended as guest	14	16	29	27%
Number of R&D projects going to the validation phase	89	24	24	-35%
Number of R&D projects implemented and marketed	22	26	21	-2%

As presented in the figures above, the number of family patents increased by 7% compared to 2018.

In addition, the number of R&D conferences and events organized and/or attended as guest by the Group raised by 27%, reflecting the increasing attention of the Group on innovation.

In addition, in 2019, 6,312 working hours were dedicated to R&D training, a high increase compared to the 2,644 hours provided in 2018, demonstrating the Group's commitment to improving the employees' *know-how.*

The approach to innovation

Important areas of focus for Sogefi's research and development include the following:

KEY DRIVERS TO INNOVATION

- New products for E-mobility vehicles
- Reduction of CO_2 and pollutants emissions
- Weight reduction
- Reduction of fuel consumption on I.C. engines
- Recyclability of materials
- Customer satisfaction (incl. products reliability and robustness), market coverage and reactivity
- Integration of functionality in product design, including addition of mechatronic components for better control of performance
- Cost and Performance optimization, to face up also to the global manufacturing platforms and standardization trend
- Quality: noise suppression and corrosion protection
- Electrification impact
- New products for BEV, PHEV & FC applications

To sustain an efficient innovation activity based on the key drivers to innovation, Sogefi Group has defined a specific innovation process:

- First, a screening is accomplished to evaluate the potential of the new concepts in terms of both technical performance and competitiveness. This can be done also with the help of external laboratories or universities, leveraging on their specific technical skills;
- Subsequently, a development phase is carried out to develop solutions that bring major improvements. To optimize resources and energy, experts, designers and suppliers can be involved. A quick prototype concept is then launched to confirm calculations and to make first testing evaluations;

- Eventually, a full prototype of the innovative components is manufactured to validate the global innovation and finally prove the robustness of the innovative solution.

Sogefi teams thus focus on future trends and demands and thanks to their participation in technical colloquiums and external events, are bringing inside the Group information about technology and market innovation.

Sogefi Group involves all its employees in finding new ideas to improve products, processes, supply chain or organizational objectives.

In particular, the **Filtration** Business Unit implemented an extensive Market Intelligence and Customer Needs identification program focused on systematic benchmarks, competitor follow-ups, consolidation of customer feedbacks, market mappings and market evaluations for all product categories. The data received is then evaluated to build product road maps, whose goal for each product family is to highlight the impacts on carmakers, on engines and vehicles platforms and the impact on Sogefi's products. These needs are then evaluated against the Group's available technology and the technology under development and future needs to be addressed, so to improve Sogefi's competitiveness.

Open innovation

To develop new products or improve existing technologies, each Business Unit has established all over the world strong collaborations with private companies, laboratories or research centres.

With regard to the **Air & Cooling** Business Unit, examples of open innovation are related to:

- Studies focused on thermal exchanges (for ICE, battery systems or fuel cell application) with the FEMTO research center (*Franche-Comté Electronique, Mécanique, Thermique et Optique*). These studies allow Sogefi to simulate in moving conditions the performance of a Liquid Charge Air Cooler (LCAC) inside an air intake manifold;
- Research activities through thesis in partnership with ICube laboratory, part of CNRS, located in Strasbourg, France. The main focus is optimization of brushless motors for electric water pump and the way to drive them securely through the power unit on the electronic card onboard;
- Collaboration with Hager group on synthetic material dedicated for electric application;
- Development and testing of a new material formulation between Sogefi in NA region and AKRO. The new material has the objective for transmission pan applications to significantly improve the process stability, reducing the scrap and improving the part's performance;
- Development of new products for PHEV or BEV application (hybrid vehicle);
- Development and testing of new plastic materials between Sogefi and Solvay, with higher coolant resistance than the ones currently available on the market;
- Development and testing of new plastic materials between Sogefi and DSM, focusing on higher stiffness and lower weight than the ones currently available on the market, opening new possibilities and allowing the replacement of metal parts;
- Partnership with Charge Air Cooler involved in the LCAC integration in the Air Intake Manifold;
- Development of new products for PHEV, BEV and Fuel Cell application (hybrid vehicle) with OEMs or specialist partners.

The **Filtration** Business Unit collaborates with several companies and institutions by:

- Participating in the THERMOFIP consortium alongside ten partners, which aims at evaluating the ageing behavior of fiber reinforced polyamides PA66 in presence of a water/glycol;
- Setting-up partnerships with research and private companies for bio-Fuel and oils evolutions.
- Establishing relationships with start-ups through the MOVEO network;
- Taking part in the DURAFIP consortium, which aims at evaluating the fatigue of fiber reinforced polyamides and the industrial application on structural parts;
- Co-developing with 2 start-ups for disruptive products, with the aim of diversifying the product portfolio;
- Advancing studies and/or the development of new products for air purification and fuel cell with OEMs, Tier1, or Specialized companies.

Lastly, Sogefi **Suspensions** continues to establish strong collaborations with public and private companies, laboratories or research centres mainly for the development of the composite technology. Some examples are:

- *Mäder* for resins & additives and non-conventional curing technologies;
- Red Composite for towpregs;
- SMTP (*Salzgitter Mannesmann Precision Tubes*) for new tubes steel grades;
- Studies with the *French Rubber & Plastics Research and Testing laboratory* to enhance skills on elastomeric components and with *ACG Industrie* for epoxy paints;
- Collaboration with UTC (*Université Technolgique de Compiegne*) for non-destructive control technology based on acoustic emission (AE).

R&D fostering through specialized conferences

In line with its strong focus on research, development and innovation, Sogefi participates in important specialized conferences dedicated to the automotive sector and for the creation of an important platform for knowledge sharing and for reviewing the evolving industry. Thanks to its participation in numerous conferences, the Group demonstrates its high interest and dedicates both time and resources to the development of new trends, becoming fully involved in these developments.

In 2019, R&D experts in the **Filtration** Business Unit participated in numerous conferences (15) such as the IHS New Year briefing in Frankfurt, the HIS presentation in Paris and the Geneva motor show. Experts were also invited to numerous conferences related to innovation to improve the understanding of the new trends in the sector. For example, Sogefi participated in the Colloquium on Natural Fibers and Polymers (Troyes, France), AVL thermal management conference, CNAM conference for electrification, air quality and hydrogen and various SIA and PFA conferences on the rise of electrification and Fuel Cell vehicles. Sogefi **Filtration** also participates in various ISO committees.

For what concerns **Air & Cooling**, Sogefi attended 13 conferences regarding the development of new solutions through new processes and methodologies for simulation of its products. The Sogefi team was present at events held in Europe such as the “Fuel cell and hydrogen infrastructure” in Strasbourg, the Annual international conference for Thermal management for EV/HEV in Berlin and the CoilTech event, specialized for producers of electric motors and components in Pordenone.

Experts also attended conferences in Shanghai, China (China Vehicle Thermal Management Innovation Summit and China NEV Thermal Management Summit) and North America (Akro Tech Day, EV Thermal Management).

Lastly, the **Suspensions** BU regularly participates to the *JEC conference* (*Journées Européennes du Composites*), the most well-known event in the world for composite materials and equipment.

Prize and awards

Sogefi's approach to research and development can be depicted in the prizes and awards the Group has received in 2019.

On October 15, 2019, in Paris Sogefi was awarded with a Gold Trophy from Equip Auto International Grands Prix for Automotive Innovation in the Original Equipment Category, for its world-first fully recycled plastic fuel filter. With this plastic fuel filter made of fully recycled polyamide 6.6, which allows a reduction of 483 tons of CO_2 emissions per year, Sogefi **Filtration** demonstrates that circular economy is possible in the automotive industry.

In addition, Sogefi China was awarded the first prize for design capability for gearbox products. This award confirms the strong capabilities of the Group to develop "green design" products characterized by the use of plastic only for the main body, reduced weight, the sensitive bypass valve to reduce cool condition working risk, stable drain service valve design to avoid the dirty oil flow to system, etc.

3.2 Sustainable Innovation

The Group is committed to meeting the needs of its customers and to creating value for its Stakeholders, whilst reducing its environmental impact and complying with relevant regulations. For this reason, innovation is also introduced into regular product development processes, which stimulate new evolution procedures, aggressive targets driven by market pressure or new opportunities, and disseminations of awareness related to new technologies that can be applied when a new trend or opportunity arises.

Sogefi is focused on developing and patenting solutions that reduce raw material consumption, waste production, noise, energy consumption and emissions to improve comfort, driving safety and environmental protection. The development of new applications for Sogefi products, such as cleanliness of parts delivered, reduction of fuel consumption, reduction of CO_2 emissions, smaller engine size, electrification of cars, and the addition of more mechatronic components are at the core of the Group's strategy.

To achieve these challenging objectives, Sogefi is focused to reducing its environmental impact from the innovation stage and all along the development of its products: each solution is evaluated to manage, and minimize, potential impacts.

Reducing product emissions

The pollutants emissions are regulated by national and international bodies through 'not to exceed' levels for every vehicle produced. The key pollutants to take under controls are the Particulate Matter (PM) and Nitrous Oxides (NOx), both mostly concerned with a Diesel engine. To ensure the compliance with the legal requirements test cycles in Sogefi R&D centres have been upgraded to resemble real driving conditions and measuring the related emission levels.

Since the emission regulations are aimed to dismiss the diesel engines options, the OEMs, need to develop and industrialize urgently a whole range of electrified solutions, from hybridization (mild, full or plug-in) to full electric (battery powered, or hydrogen fuel cell powered). In addition, the rising trend of autonomous driving generates also significant R&D activities in carmakers. Therefore, Sogefi needs to focus its R&D efforts developing any technology linked to hybridization, electrification and hydrogen fuel cells systems instead of the traditional ICE equipment.

All of the Business Units, each for its own product category, are developing new solutions for the new generation of vehicles, all aimed at reducing emissions and oriented by the drivers previously mentioned. Among these, the most representative are reported in the red boxes below, demonstrating what mentioned in the text.

Sogefi **Air & Cooling** Business Unit continues to propose OEMs solutions for a new generation of vehicles with low to zero emission rates, including: cooling battery systems, optimized cooling plates, cooling e-drive systems, Flow Distribution Unit and Flow Control Unit for BEVs, components for Fuel Cells applications, dual material battery packs, regulation valves and electric water pumps. Sogefi has strong skills in the field of cooling systems and mechatronic devices: the combination of expertise in both ambits is beneficial for OEMs to develop systems for batteries or e-drive cooling.

An example of the BU's products is the CO2/H20 cabin air purifier reported below:

CO2/H20 Cabin Air Purifier:

This new product is in advanced development stage with a start-up. Aiming to allow the full recycling of vehicle cabin air with safe CO_2 and moisture levels (prevention of window fogging) for passengers.

This “air purifier” helps to reduce energy consumption from HVAC system, leading to increased vehicle range on BEV / Hybrid vehicles; it also improves air quality through multi-pass filtration effect and filtration of unhealthy gases such as NOx and SOx, compared to traditional cabin air filters. To achieve this, the product uses a sorbent originally developed at the European Space Agency to recirculate air inside of spacecraft.

For Sogefi **Filtration**, Hybrid vehicles will require many hydraulic circuits like suspension, transmission, engine cooling which need oil filtration. Hydrogen Fuel Cell vehicles also need air filtration with specific gas capitation capabilities. Stack coolant need to maintain its conductivity to a safe level to prevent short cuts, and exhaust need water separation to protect the turbine. An example is the fuel cell filtration portfolio:

FUEL CELL FILTRATION PORTFOLIO:

Sogefi Filtration is developing an extensive portfolio to address newly developed technical needs for filtration/de-ionization/water-air separation linked to the development of fuel cell vehicles.

- **Fuel cell air cathode filter**: oxygen supply in the fuel cells needs to be clear of solid contamination and gas contamination to prevent poisoning of the stacks;
- **Fuel cell coolant de-ionizer**: the coolant used in the Fuel Cell tends to get ionized during its lifetime, this increases its conductivity and may affect the stack performances;
- **Fuel cell exhaust water separator**: Fuel Cell powertrain by-products are air and water only. A turbine can be fitted in the exhaust line to support the intake air compressor. This turbine needs to be protected from corrosion generated by the exhaust water. This water must be removed accordingly from the exhaust stream.

Concerning the **Suspensions** BU, Sogefi is continuously monitoring the possible impacts of the vehicles electrification. The main change affecting the suspension product lines will be a weight increase of the coil springs. The same trend will have a more limited impact on the stabilizer bars.

Other solutions to reduce CO_2 emissions for powertrain include a better management of the engine warm-up phase, solutions towards an optimal thermal management and combustion efficiency increase with, in particular, development of water injection for premium gasoline engines. Moreover, a diesel engine is more CO_2 efficient than a gasoline powertrain, but once hybridized, a gasoline engine achieves the same CO_2 performance. This means that pure electric vehicles provide an excellent way to decrease CO_2 targets, as they account for 0g CO_2/km.

Furthermore, Sogefi continuously works on reducing car noise through innovative noise attenuation systems. For this reason, the Group has developed a new brand of acoustic devices, the LPA Step2 (Low Packaging Attenuator Generation 2), which aims at ensuring optimal performances with no additional materials and no impact on the packaging. In addition, LPA Step2 complies with customer requirement on engine tests, saving significantly volume, mass and cost compared to resonators. For example:

Noise reduction:

The increased comfort request coupled with the electrification trend, leads the Suspensions BU to innovate on noise risks evaluation on stabilizer bars. 2018 marked the introduction of a new technology for noise detection, which enables the suppression of this risk in the design phase and increases Sogefi’s market position in regard of the competition.

Innovation in raw material usage

When fostering innovation to improve products, Sogefi also focuses on innovation in raw material usage, with particular reference to weight reduction and recyclability. As the Group is committed to evaluating and improving the impact of its products throughout the entire life cycle, it searches for the best solutions to innovate its products and process.

For this reason, in addition to the reduction of product emissions, another aspect to be taken into consideration is weight reduction, one of the key characteristics on which car manufacturers and suppliers will leverage. Weight reduction affects the products of Sogefi Group and, although the impact occurs differently, the solutions lies in reviewing the design, where possible in reducing the size of the products and replacing steel with other materials. Ultimately, a lower weight directly affects the amount of emissions.

Moreover, during project development phases, the Group looks carefully at the recyclability of products when end-of-life occurs. For example, the main activity of the **Air & Cooling** Business Unit is to transform thermoplastic raw material into automotive products and special attention is placed on avoiding the use of bi-material solutions, which does not ensure easy recycling. To avoid unnecessary waste and to reduce the environmental impact, raw plastic materials coming from scrap are for some non-critical parts blended into original raw materials when validation is successful and customers approved this process. Otherwise, scraps are sold to specialized companies, which recycle them. Similarly, within the **Suspensions** Business Unit, scrapped process materials are sold to specialized companies to recycle them.

The products below represent some of the innovations that have been embarked by the Group in 2019. *For more information on materials used, please consult the paragraph "6.6 Materials used and reusability".*

First plastic diesel fuel filter using 100% recycled polymer (Filtration)

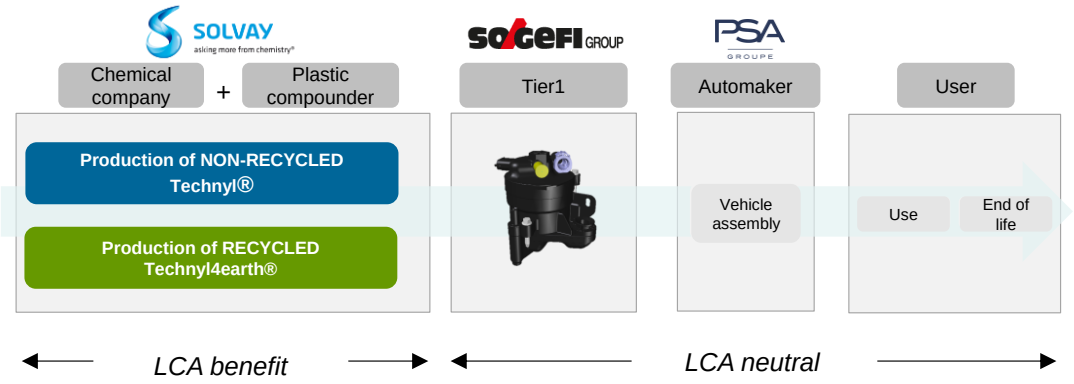
Plastic can help reduce energy consumption and greenhouse gas emissions, especially in automotive applications through metal replacement. Yet, only 30% of plastic is recycled across all industries against a 9% registered in the European automotive industry. Currently, many OEMs are targeting recycled contents of +20% by 2020, considering the EU Directive regarding End-Of-Life Vehicles that aims to reduce the amount of waste from vehicles when they are finally scrapped.

To address this challenge, PSA Group, Solvay and Sogefi have teamed-up to produce the first Plastic Diesel Fuel Filter fully made of recycled polyamide 66, ready for mass-production.

This has been achieved by using the brand new plastic compound developed by Solvay Engineering Plastics. This material is 100% recycled from airbag wastes, providing a premium material able to stand demanding applications requirements supplied through circular economy, which is quite unusual in automotive industry yet.

Sogefi has used this material through its existing plastic injection process, and tested the parts on extensive bench validation tests. It confirmed that this material is fully compatible with standard injection process, and that all the tests have been passed successfully.

Finally, PSA Group has driven the choice of the tested parts (DV engine 1.6l Euro6b application), homologated the material grade and evaluated the whole validation process.



A Life Cycle Analysis has been conducted also, demonstrating the benefits.

Using Solvay elements to evaluate LCA benefits, it has been observed that one year production of DV6 filter could save the equivalent of 483 tons of CO_2e, representing a saving of 32% compared to a traditional filter.

It has been therefore demonstrated that circular economy and substantial benefits for the environment could be introduced up to serious and demanding applications, required by engines of the latest generation.

Transmission Filtration module with cooler:

The concept integrates several functions (plastic housing, thread cover, efficient media filter, by pass, drain valve) in a complete system thus allowing to reduce weight, offering good thermal and filtration performances and allowing easy maintenance operation for cost benefits.

Flow Distribution Unit

The Flow Distribution Unit's function is to distribute coolant to those parts of the electric vehicle that require a cooling solution such as: e-motors, power units, batteries and heat exchangers.

The major benefit is that the FDU is one single part used, enabling the suppression of components and connections. It allows a high number of distribution channels with a high level of complexity and weight reduction is achieved, which is a vital part in the effort of extending an electric vehicles range. Furthermore, it offers an ease of assembly in the manufacturing process of the vehicle in comparison to other solutions (suppression of hoses, collars etc.), hand in hand with cost reduction.

Likewise, thanks to recent developments made with suppliers, some recycled plastic grades can now be used as premium components and Sogefi is committed to increasing their use as much as possible.

4 Focus on the quality and safety of products

Product quality and safety are directly linked to Sogefi's responsibility of providing products that meet the highest standards, including the new standard IATF 16949, by integrating different elements directly affecting Stakeholders: customer benefit and expectations, the highest safety standards and the maximum environmental compatibility.

Sogefi has always focused on quality enhancement, cost and lead-time reductions, by eradicating non-conformities and through continuous improvement.

Sogefi's Group Quality Policy includes strong commitments towards the:

- health and safety of customers;
- compliance with legal, ethical, social and customer requirements;
- satisfaction of customers regarding the quality of products and services;
- satisfaction of all stakeholders' needs;
- continuous improvement of quality and environment performance.

In 2019, in line with the Group Policy, Sogefi **Air & Cooling** reviewed its Quality-Safety-Environment Policy applicable to its facilities, to underline its commitment towards sustainability and its ambition to improve its performances in terms of the quality, delivery, competitiveness of its products and the protection of the environment. For example, concerning research and development, the Business Unit aims at developing innovative products to reduce the CO_2 emissions and fuel consumption of its products and improve their recyclability.

As part of the Group's Quality approach, Central Functions (so called Remotes Functions) and 98% of the plants are certified IATF 16949 2016 and 93% of the plants are certified ISO 14001:2015[8], which define the quality and environmental management system requirements for the design and development, production and, where relevant, the installation and service of automotive-related products.

Data Management System

International quality standards for product development and manufacturing are of growing relevance and carmakers require their suppliers to go through a risk identification and mitigation process. This process improves the communication between the customer and the supplier by providing a clearer understanding of carmakers' requirements.

To store data in an organized manner, Sogefi uses data management platforms and systems such as:

- The International Material Data System (IMDS) for the Global Automotive Industry, a global system used by almost all OEMs manufactures in the world to report the chemical composition of their products. The system is also completed by suppliers and data is assembled into a report package that is made available to carmakers, allowing them to

[8] The calculation includes 40 production sites, excluding Fraize (which was sold in April 2019), Gravatai (which was closed in October 2019) and Saint-Soupplets (which is mainly destined for the manufacturing of prototypes). Bangalore is considered as two different units.

ensure the absence of prohibited materials and calculate the percentage of use per raw material in the finished vehicle. Sogefi's engineers compile and review all of the information received from suppliers to ensure that it meets regulations (such as EU REACH) and customer specific requirements. The IMDS declaration must be approved by customers to pass the Production Part Approval Process, necessary to start the mass production. Furthermore, the facilities declaring the IMDS can be subject to third party audit to confirm the compliance with recognized certifications;

- The China Automotive Material Data System (CAMDS) created in China to register automotive parts. This data management platform for the automotive industry was introduced to comply with recycling- and reuse requirements for automotive products in China. Just like the IMDS, it is a material data system.

These data management platforms used by Sogefi ensure compliance with the local regulations of the countries where the product is developed and marketed, and follow the requirements related to the European directive 2000/53/CE, REACH regulation 1907/2006/CE annex XIV, REACH article 33, conflict minerals (CFSI) and customer specific requirements.

4.1 Project risk assessment

According to the industry standard framework called Failure Mode Effects Analysis (FMEA), during the quotation phase of a project, Sogefi conducts a risk assessment to evaluate the potential risks that could occur in relation to the new product, its design, development and production feasibility but also with regards to any potential quality, environment and health and safety impacts arising from the project itself.

The assessment covers the entire product life cycle: it starts from the initial concept phase, follows the entire project management and product design cycles and is maintained up to date during mass production to serve as a knowledge base for future developments. Finally, it is reviewed, updated and improved after any potential product-process incident and change request.

The process, in line with the best practices recognized by the international certifications (e.g. IATF), ensures a preliminary comprehension of the potential exposure of the Group to develop, in a timely manner, the proper mitigation actions and guarantee compliance with applicable national and international standards, laws and regulations set for the matter.

The above-mentioned Project risk assessment is based on five risks factors:

1. Customers' needs
2. Technical specification
3. Product quality needs
4. Safety-Environment/Government Regulation
5. Evaluation of possible production delays

The risk assessment involves engineering experts and the risk approach on cost, quality and timing is focused by identifying any potential criticalities and issuing preventive actions and processes to ensure the smooth launch of new productions.

If any nonconformities arise, Sogefi starts a resolution process. The first step consists in analyzing the root causes and undertaking proper corrective actions; in addition, an internal audit process is applied preventively. The non-conformity management process is supervised by the certification body, according to the certification rules (processing steps and response times) to address the potential risks derived from such gaps, as a means to analyze and address the root causes. The effectiveness of the actions is then evaluated one year later by the external audit body and during regular internal audits. This procedure is aimed to minimize the risk of recurrence.

4.2 Monitoring quality performances

Improving product quality and the respect of customers' expectations has always been essential for the Group as demonstrated by such key programs ongoing.

Firstly, the **Sogefi Excellence System** (SES) – launched in 2017 – emphasizes the attention towards product quality and other operational excellences. The strategic pillars of this program are based on customer perception and the overall quality performance of the Group, involving a specific escalation process as well as dedicated KPIs.

The quality KPIs are collected and reviewed on a monthly basis and key results are discussed during the Executive Committee meetings involving the key senior management (e.g. Operations, HR, Sale, Quality, R&D, Purchasing, etc.). These include:

Customer Line Return – PPB (6 MR)	Identifies the parts rejected by all OEM/OES customers
Customer Claim Rate – IPB (6 MR)	Identifies the claims received by OEM/OES customers
Scrap of Total Product Sales - % (M)	Identifies the products, parts or sub-assemblies discarded and listed for non-compliance at each step of the production process

Moreover, the Sogefi Quality Improvement Strategy is carried out to emphasize the attention towards product quality. The strategic pillars of this program are based on verbatim customer perception and overall quality performance of the Group, involving a specific escalation process as well as dedicated KPIs.

Plants are constantly committed to working towards the achievement of these customer oriented KPIs, with the involvement of all levels, from top management to Blue collar, which will be committed via defined targets.

Application of the Back to Basics program

Quick **R**esponse **Q**uality **C**ontrol **(QRQC)**

A suite of quality tools and training aimed at delivering a data-oriented mindset at all Group levels:

- Increase detection and reactivity for customer claims
- Standardize problem-solving process
- Best practices/lessons learned sharing
- Increased involvement of top management
- Single method from shop floor to CEO

The above-mentioned QRQC is aimed at immediately identifying and analyzing issues, and at developing and implementing countermeasures in less than 24 hours. In case of a quality incident, dedicated meetings are held on the shop floor to identify the main root causes and define the proper action plan. All necessary functions are part of these meetings (production, logistics, etc.).

The QRQC implementation allowed significant improvement of customer quality indicators for the **Filtration** Business Unit that achieved the best result of 888 PPB for Customer Line Returns by end of December 2019 and confirming the robustness of activities implemented in 2018. In addition, there was a reinforcement of the QRQC mind-set in all plants of the BU, with a specific focus on scrap costs reduction, supported by the implementation of a scrap market at plant level. The goal of the scrap market is to make issues visible and to address them on a daily basis.

Finally, a Customer Satisfaction Report is prepared and consolidated on a monthly-basis from the customer portal, which contains several KPIs defined for each customer.

4.3 Customer satisfaction

In addition to attention on product quality, Sogefi develops a survey directed to its customers to address their needs and fulfill at the best their expectation.

In 2019, **Air & Cooling** BU engaged in various customer audits and assessments, especially in the development and launch phases. All of these had a positive feedback from customers.

Indeed, every year, the Key Account Managers, in the Suspension Business Unit and in the **Filtration** Business Unit, fill-in an internal self-assessment and take into consideration aspects such as: Competitiveness, Logistic, Quality, R&D, Prototypes, Innovation and Worldwide implementation. The aim of this survey is to identify Sogefi's position against its competitors with its main customers.

5 People in the Sogefi Group

2019 Highlights

Number of employees **6,818**	Share of female employees on total workforce **26%**
Injuries **-54% vs 2018**	Yearly average training hours per employee **22.9**
Employees covered by collective bargaining **84%**	Personnel costs **302 €m**

5.1 Occupational health and safety

Sogefi pays particular attention to the protection of the health and safety of its employees, both through the continuous improvement and development of monitoring systems and through the dissemination of a culture of health and safety aimed at raising awareness about risks and at promoting responsible behavior among all employees and external workers who work on Sogefi premises.

Health and safety policies and procedures

The Parent Company Sogefi S.p.A. approved a Policy on Occupational Health and Safety, which sets out the principles that all Group operations should observe, and the Health & Safety management system. Special emphasis is placed on monitoring the risk of accidents, which is a pillar of the operating approach 'Kaizen Way' adopted at all production plants across the world.

The Group Policy outlines the basic principles Sogefi is committed to in order to prevent accidents and injuries in the workplace. Under the Policy, Sogefi commits to spreading the culture of accident prevention and risk awareness at the different levels of business practices, at ensuring the personal security of its employees and supervised workers, at minimizing the health and safety risks in all facilities and at focusing on quality enhancement, cost and lead time reductions. It provides a framework for the establishment of targets and action plans in relation to occupational health and safety in the workplace.

With regard to the OHSAS 18001: 2007 certification (Occupational Health and Safety Assessment), the number of certified plants in the Group is 18%[9] of Sogefi's plants, in line with 2018. The implementation of this international standard helps to manage, control and improve the occupational health and safety performance of the entire Group.

In terms of a management system, the Sogefi Excellence System (SES) has been developed to govern the organization of production and Sogefi's facilities, aiming at achieving the best performance levels in terms of quality, cost and delivery in a safe environment for employees and supervised workers. The operational system allows autonomy and empowerment whilst maintaining an appropriate level of control, defining the way Sogefi operates around the world by providing a common work method and language.

The purpose of the SES is to eliminate risks at an early stage by running risk assessments within the operations, identifying potential risks and defining the priorities to be addressed. The first step of the SES is to analyze the current situation in the work premises and the adequacy of existing controls, and to identify any gap in terms of safety, so to define the right processes to improve performance and eliminate safety hazards, implement changes and lead workshops according to standards and as a final step coach and train the teams on the issue.

Part of SES process is also management control, which identifies the plant priorities and macro activities for the Plant Improvement Plan (PIP). In this process, key performance indicators (KPIs) are defined and plant tours are organized on a daily basis to give feedback and provide coaching to the employees. The definition of a PIP also helps to pinpoint priorities and align resources and activities with operational plant priorities. Lastly, to evaluate the level of implementation and monitor

[9] The calculation includes 40 production sites, excluding Fraize (which was sold in April 2019), Gravatai (which was closed in October 2019) and Saint-Soupplets (which is mainly destined for the manufacturing of prototypes). Bangalore is considered as two different units.

the level of maturity, a safety core team is established and trained to carry out assessments with the aid of audit checklists in each area of the plant.

In relation to this, to ensure organization in production, based on the plant size or technologies, Sogefi has a dedicated HSE manager per plant reporting hierarchically to the Plant Manager. Moreover, it aims at having a dedicated SES Specialist for each plant with more than 100 blue collars, reporting hierarchically to the Plant Manager and functionally to the Regional SES Senior Specialist. Both the HSE Manager and the SES Specialist are part of the Plant Management Committee. The SES also has a safety guide which identifies and promotes 10 Safety Basics that employees should follow to avoid health and safety accidents within the plant. This is combined with the distribution of flyers to all visitors in relation to safety rules to be followed in the plant and with external signage and communication giving the general safety rules. Lastly, all new employees are trained in a dedicated training zone.

The Group Human Resources Direction produces a monthly report on work accidents; this is presented and commented every month at the Executive Committee[10] in order to evaluate the timely activation of countermeasures if any.

During 2020, the Group, through the Human Resources Function, in light of the measures taken by the Italian government to tackle the COVID-19 emergency (i.e. coronavirus), including the closure of all schools and what deemed as unnecessary business departments, and which are also being implemented by other countries around the world, implements day by day all of the necessary measures to guarantee and protect the health of its employees (e.g. Smart working, distribution of appropriate personal protective equipment, etc.). The evolution of the situation is constantly monitored in order to promptly adapt the aforementioned measures, minimizing the social and economic effects on the Group.

Health and safety training

Following the “Safety Guide”, a Dojo zone, a room fully dedicated to training on health and safety practices and instructions, has been set-up in every production plant. The zone is used to train visitors as well as Sogefi employees and external workers. The training goes beyond legislative compliance, as Sogefi aims at influencing plants to implement best practices in terms of regular and frequent training, for both plant managers and every employee.

Health and Safety Committees

Each of the certified plants, has established a Health and Safety Committee to assess workers’ behavior concerning safety and perform audits on each business area. Depending on the plant, these health and safety committees are composed only by workers (for example 50% staff employees and 50% shop floor employees), production managers, maintenance managers, safety chiefs, workers representatives, union delegates or a combination of all.

Committees are integrated in the health and safety management system and contribute to the promotion of a positive health and safety culture, also through the direct involvement of workers in the improvement of health and safety measures in the workplace. These committees meet on a regularly basis to discuss issues within the single plants.

Moreover, Sogefi in India appointed the Anti Sexual Harassment Committee and the Internal Complaints Committee to sensitize its employees on the prevention of sexual harassment within the

[10] The Executive Committee is composed by the key senior management.

plant; the committee meets at regular intervals and ensure no harassment occurs in the workplace and that all preventive safety measures are in place.

Health and Safety Initiatives

During 2019, Sogefi developed a variety of initiatives, some of which are provided in the table below:

Health and Safety initiatives worldwide

Spain

In Sogefi Spain, all work positions are evaluated in a risk assessment by an external company specialized in prevention and reviewed on a constant basis. In combination to this, the plant has developed a format called “Risk Report” to inform about any risk that has emerged through the team leader and the supervisor during daily meetings.
The plant has also put in place a suggestion mailbox and a corporate compliance reporting mailbox, which are both anonymous and allow workers to report any health and safety issue within the plant.

France

In France, Sogefi plants prepare welcome trainings adapted to each new employee’s function. Every new employee receives a “welcome booklet” with the aim of introducing topics such as road safety, safety at the workplace and fire risk, as a way to prepare them for their new job.

Germany

Sogefi in Germany, for all processes on the shop floor, carries out detailed risk assessments, and, based on the results and risks that emerge, the plant establishes counter measures to avoid incidents; these risks assessments are reviewed on an annual basis. In addition, they have implemented an internal environment and security audit, with a visit of the production area and a review of the documents.
Moreover, safety issues are part of the daily early morning production meeting, where injuries are discussed in order to undertake actions that will eliminate potential risks and hazards. The standard procedure consists in filling in a safety red alert form in case of an injury with the aim of reducing the probability of similar incidents in the future; this statistical document is followed and reviewed for accidents with and without absenteeism. The goal is to continue to decrease the number of workplace injuries.

Brazil

Every year, Sogefi Suspension in Brazil promotes the Welfare Week for employees and their families, where, for example, lectures on health topics are organized and health check-ups such as dental care and/or diabetes are provided.
In addition, the Brazilian plants also dedicate an entire week to the prevention of accidents and the respect of the environment. The initiative, called SIPATMA (Internal Week of Prevention of Accidents and the Environment) addresses topics such as Health Campaign, Worker Safety, Environmental Prevention and Motivation. In all plants, situations that may pose a safety risk can be reported by employees through the ‘safety first’ card.

United States

Sogefi USA has implemented a Quick Response Action Plan (QRAP) and its board for every production area, and a procedure to escalate safety or quality risks immediately. The plant tracks the number of accidents near-misses as a management key process indicator (KPI) to encourage all employees to report unsafe conditions, even if an injury has not occurred.
In Rochester Hill, all employees are required to sign off that they received the Employee Handbook, which contains a chapter on Workplace Safety that covers topics such as safety equipment, violence in the workplace and substance abuse. Moreover, the plant has an open-door policy, which states that any employee is allowed and welcome to speak to any manager about anything work-related, including health and safety hazards.

Canada

The **Air & Cooling** business unit qualified, through a training provided by an external partner, a number of first responders to provide first assistance to personnel that could be injured in the plant. Through weekly flashes, via email or on the cafeteria's TV, employees are informed about different HSE topics, reinforcing the Health and Safety culture.

Romania

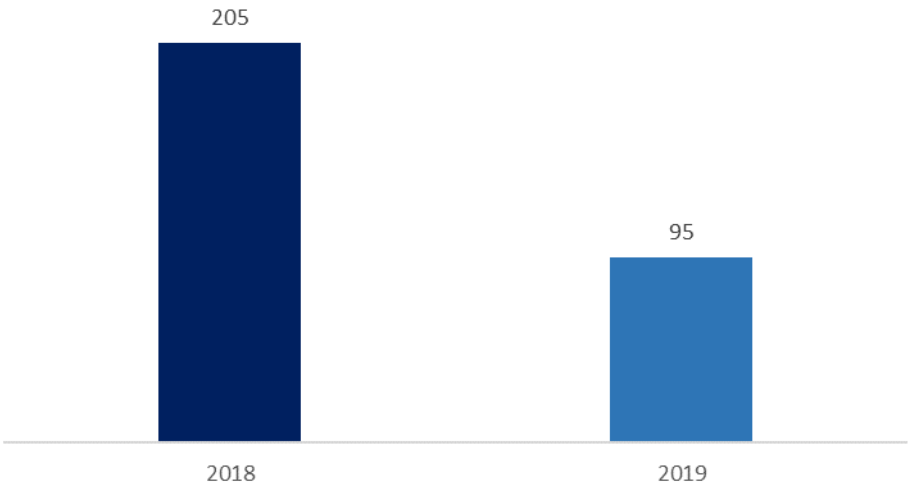
Sogefi Romania has set up monthly meetings with all employee, during which employees are consulted, informed and trained on the different health and safety risks they may encounter while performing their job. To improve safety at work, the company has set up a suggestion box for employees' proposals.

Annual trainings were provided to all workers on the most relevant risks, trained on emergency situations practices, using extinguishers and hydrants in case of fire, how to react during and after the earthquake. New employees receive training and a welcome book and, at the end of the integration period, they must pass a test on what learned; in case employees do not pass the test, they will be retrained.

In 2019, 95 injuries occurred in the workplace, of which 76 involving men and 19 involving women, with an overall decrease of -54% from 2018. The data refers to Sogefi's employees and supervised workers. Thanks to the higher attention of the Group to its employees and supervised workers' health and safety, Sogefi registered this extraordinary reduction.

The injuries in the present Report follow the same categorization used in Sogefi SES system with regards of the defined KPIs, an injury or illness that results in being incapacitated from work for at least one full day. However, the Report does not present Sogefi's SES rate but follows the GRI requirements for rate calculation. Given the requirements of the GRI Standard, work-related injuries, ill-health and hours worked were collected for both employees and external workers, so to ensure alignment with internationally-agreed best practices and reflect the development in occupational health and safety management and reporting.

Group total number of injuries



Health and safety indicators

The values referring to the rate of work-related injuries in 2019 NFS have been calculated with a multiplier of 1,000,000 while in 2018 the multiplier used was 200,000. If the values for 2018 would be calculated with the same multiplier, the total rate for employees would amount to 10. Thus, compared to 2018, in 2019 the rate of work-related injuries decreased for Sogefi's employees while there was an increase for supervised workers.

Injury indicators for employees						
	2018			2019		
	Male	Female	Total	Male	Female	Total
Rate of work-related injuries	10.6	8.3	10	6.3	5	5.9
Rate of fatalities	-	-	-	-	-	-
Rate of high-consequence injuries	-	-	-	0.1	-	0.1

Injury indicators for supervised workers						
	2018			2019		
	Male	Female	Total	Male	Female	Total
Rate of work-related injuries	23.2	19	22	18.1	4.3	14.1
Rate of fatalities	-	-	-	-	-	-
Rate of high-consequence injuries	-	-	-	0.6	1.4	0.9

Occupational health indicators for employees						
	2018			2019		
	Male	Female	Total	Male	Female	Total
Recordable work-related ill health	41	18	59	31	12	43
n. of fatalities as a result of work-related ill health	-	-	-	-	-	-

Occupational health indicators for supervised workers						
	2018			2019		
	Male	Female	Total	Male	Female	Total
Recordable work-related ill health	15	4	19	-	1	1
n. of fatalities as a result of work-related ill health	-	-	-	-	-	-

The greatest number of accidents for Sogefi's employees can be found in Europe (51), while South America, North America and Asia registered a significantly lower number of respectively 6, 4 and 1 accident. Similar patterns are visible by the supervised workers number of injuries for which Europe reports the highest number (31). The health and safety indicators for geographical area can be found in the annex of this document.

Sogefi pays great attention to health and safety within the plants and has continued to improve its prevention and mitigating practices, so to strengthen the performance of the entire Group. The Group is fully committed to implementing actions to avoid fatal injuries from occurring in the future and has been carrying out risk assessments on a regular basis, organizing specific training sessions to increase corporate culture and awareness within all employees. The most relevant improvements

are related to maintaining proper working standards and to the achievement of zero accidents in the year. In line with the Group's objective to continuously enhance its processes, improvements needed and controls to be implemented are under analysis and will be covered in the following years.

5.2 Characteristics of the personnel

The Group recognizes the importance of establishing and maintaining relations based on loyalty and mutual trust with its employees. Accordingly, the management of employment and consultancy relationships is based on the respect of the rights of the workers and on the full recognition of their fundamental contribution, promoting their professional development and growth.

People are Sogefi's main success factor: the contribution of each single employee to the Group's growth has allowed the Group to achieve international leadership over the years.

Sogefi Human Resources' approach can be summarized in the following pillars:

1. **Commitment to respecting human rights** – as stated in the Universal Declaration of Human Rights and in the ILO's Declaration on Fundamental Principles and Rights at Work;
2. **Health and work environment** – preserving the health and safety of employees by promoting personal responsibility and an appropriate work environment;
3. **Training and development** – fostering employees' skills by providing an adequate number of training hours per year and offering employees' specific needs-oriented training.

To further enhance its commitment towards the respect of human rights, Sogefi defined a Human Rights Policy, which, by covering the main principles outlined in international frameworks, sets out the principles that all business decisions and operations must uphold. Being applicable worldwide, the Policy aims at making the respect of human rights an essential requirement in Sogefi's operations and at preventing and mitigating potential risks and consequences related to human rights. More specifically, Sogefi is concerned with the rights that are most vulnerable in the workplace, such as the elimination of all forms of forced, compulsory and child labour, the elimination of discrimination and harassment, the respect of employment and occupation, freedom of association and the right to collective bargaining, and occupational health and safety. Moreover, since the Group is aware of the impact that its operations might have at a local level and is committed to respecting the rights of the local communities in the locations where the Group operates, through this Policy, Sogefi commits to promoting the respect of human rights throughout its entire value chain.

This commitment towards the respect of human rights can be perceived, for example, through the Shanghai and Wuijiang plants in China, where a Child Labour Rescue Control Procedure has been specifically put in place or by the example of the Tredegar plant, which, through its annual Anti-Slavery and Human Trafficking Statement, ensures the adoption of an ethical conduct throughout its entire business relationships.

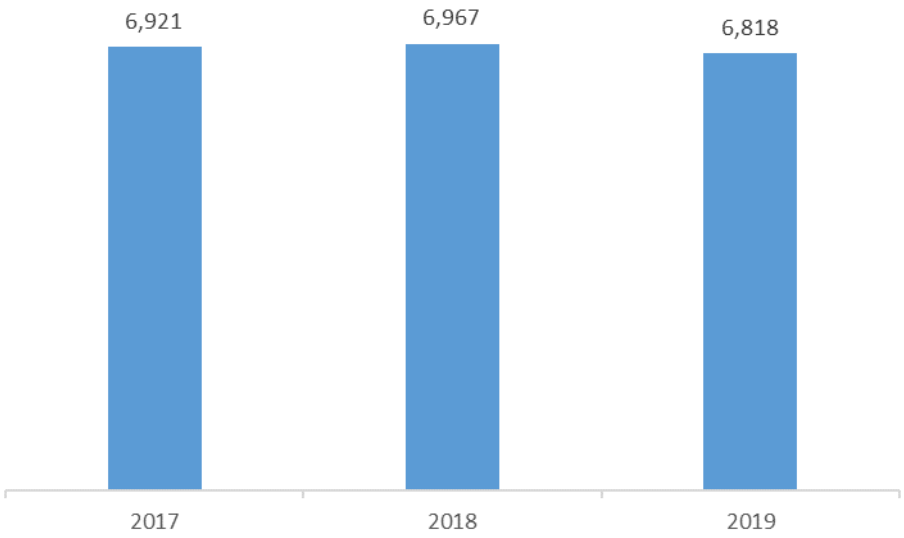
The Group, with the aim of spreading a corporate culture based on the respect of human rights, provides specific trainings on the matter to its employees and, in 2019, the total hours provided amounted to 2,429.

To encourage the achievement of the commitments made, the Group has identified a Supervisory Body, which, in turn, has set up a process to monitor the respect of human rights, report any violation of the policy and propose or apply suitable sanctions where necessary (*please refer to reporting mechanisms in the chapter Ethics, Integrity and Anti-corruption*). Lastly, Sogefi commits to updating annually stakeholders on key data and other information relating to the respect of human rights.

THE WORKFORCE

In 2019, Sogefi counts 6,818 employees worldwide[11], spread over 20 countries[12]. The total workforce decreased by 2.2% with respect to 2018. The decrease is caused by a drop in the activity and the sale of the plant of Fraize which employed 127 people at December 31, 2019. Furthermore, in 2019 incoming employees' turnover rate is around 18.5% for men and 21.9% for women, and the 2019 termination turnover rate is of 16.8% for men and 18.1% for women. *For more detailed figures related to Group's new hires and terminations according to gender and age, please consult the Annex related to human resources*.

Group total number of employees



As of December 31th 2019, men in Sogefi employees accounted for approximately 74% of the entire Group's population, while women accounted for about 26%. The amount of women in management positions were 14%.

In order to be able to analyze Sogefi entire population's characteristics, the following employment categories have been considered:

- Management
- Office staff
- Blue collar (direct and indirect)

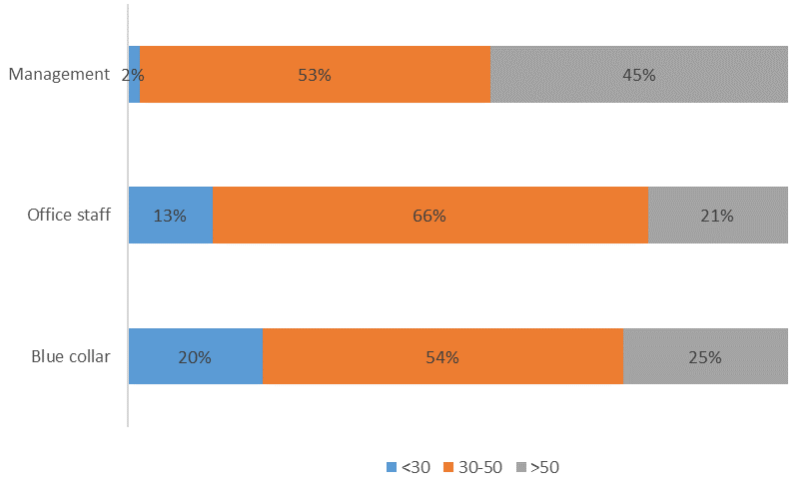
In 2019, blue collars constituted the majority of employees with 71%, followed by 27% of Office staff and 2% of Management.

[11] The number of employees reflects the total number of employees under direct control of Sogefi. In the rest of the document this number lowers to 6,811 as it does not include the plant of Sogefi Suspensions Eastern Europe S.R.L. (Romania) which is under construction and counts 7 people at the end of the reporting period (31.12.2019).
[12] The number of countries refers to Sogefi's global presence.

For all professional categories, the age of employees is mainly concentrated in the range between 30 and 50 years old (57% on total employees' number). Young employees (<30) are 20% in blue collar and 13% in the office staff categories, while only 2% holds management positions.

Total number of employees by professional category				
n.	**2017**	**2018**	**2019**	**% on total**
Management	155	143	111	2%
Office staff	1,901	2,035	1,814	27%
Blue collar	4,865	4,789	4,886	71%
TOTAL	**6,921**	**6,967**	**6,811**	100%

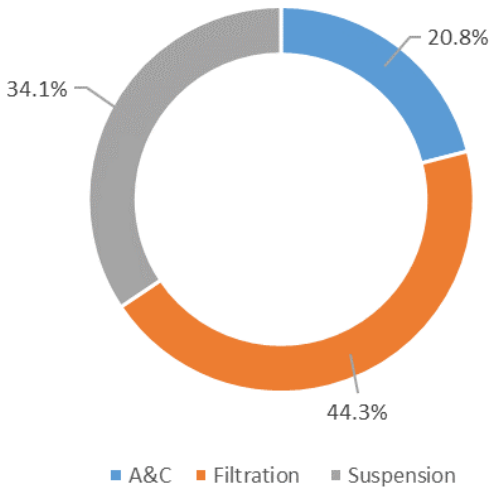
Breakdown of Group employees by age group and by employment category (%)



With regard to the distribution by Business Unit, 44.3% of Sogefi's population is employed in **Filtration**, 34.1% in **Suspensions**, 20.8% in **Air & Cooling**, while the remaining represents the Parent Company Sogefi S.p.A. and Sogefi Gestion S.A.S.

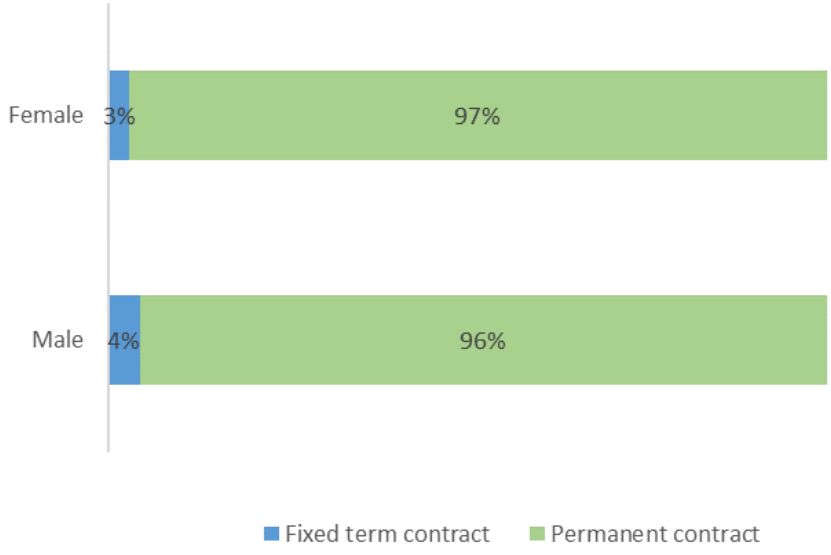
Lastly, it should be noted that last year, the plants of Bangalore and Gurgaon, in India, registered a total annual hour worked value that exceeded the legal time limit. In this regard, in 2019, a third shift was established, through which the annual hours are guaranteed for all workers, with the exception of a minimal part of workers in Bangalore for whom the action is delegated to the reorganization of an operating unit – ongoing at the date of this Report.

Breakdown of Group employees by business unit (%)



In terms of type of employment, a high percentage of Group's employees have a permanent contract (96% on the total). Besides considering it as a tool to foster motivation, the preference of entering into permanent contracts shows the commitment of the Group to establishing long-standing relationships with its employees by focusing on long-term perspectives.

Group employees by type of employment (fixed term vs permanent contract) (%)



Furthermore, the Group, with the aim of ensuring a positive growth and retention of human resources in line with market competitiveness, has adopted a Remuneration Policy defining the key principles to set the salary compensation based on professional skills, competences and employee category. Then, economic incentives, linked both to individual and corporate objectives, are assigned to such employees, therefore encouraging the spirit of belonging to the Group.

Finally, Sogefi understands the importance of attracting new talents and to be regarded as an attractive employer in the marketplace. For this reason, the Group offers employees of every location worldwide an entry-level wage, which stands above the average for the respective labour market.

Ratios of standard entry level wage by gender compared to local minimum wage (2019)

Ratio of standard entry level wage compared to local minimum wage[13]			
	2017	**2018**	**2019**
Europe	1.1	1.2	1.1
North America	1.7	1.4	1.5
South America	1.3	1.1	1.5
Asia	1.1	1.0	1.3

Employee wellbeing and benefits

The Group promotes a healthy work environment where employees can demonstrate their abilities, helping create value in the medium and long term. To meet this goal, it is essential for the Group to take care of its people, planning concrete and effective activities to guarantee their welfare and a positive work climate. For this reason, Sogefi provides its workers with certain benefits, concerning for example healthcare, parental leave, disability and invalidity coverage, life insurance, retirement programs and so on. Sogefi offers benefits to help employees balance their personal and professional lives, and to promote their welfare not only at work but also at home.

[13] The ratio of standard entry level wage compared to local minimum wage was calculated through an average of the values from each plant in the relevant regions.

Wellbeing initiatives worldwide

Brazil

In 2019, Mogi Mirim provided financial aid to learn languages, for education and to buy school books to its employees.

Another example of a noteworthy is the initiative launched by the Brazilian plant of Jarinù that in 2019 trained all of its employees on topics such as harassment, criminal responsibility and disciplinary measures.

Argentina

Sogefi Argentina built an internal canteen providing to employees a free catering service.

Slovenia

Sogefi **Filtration** in Slovenia, in addition to providing free vaccinations against seasonal flues or the possibility to get personalized diet programs with a nutritionist, covers entry fees for local marathons and sports events through sponsorships.

UK

In the plant in Rochester, the company provides employee access to a medical insurance, covering part of the cost for non-occupational expenses. In addition, if employees are not using tobacco products, the insurance company offers a reduction of the cost of their medical insurance

Spain

The **Suspensions** Business Unit plant in Spain has developed a men and women equality plan for the period 2019 to 2024.

5.3 Diversity and equal opportunities

The Group promotes respect for the physical and cultural integrity of each individual in conformity with the UN's Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. The Group declares its commitment towards the elimination of any type of discrimination in its Human Rights Policy and the enrichment of diversity within the workplace. The Group commits to eliminate discrimination and to ensure equality in access to training and education.

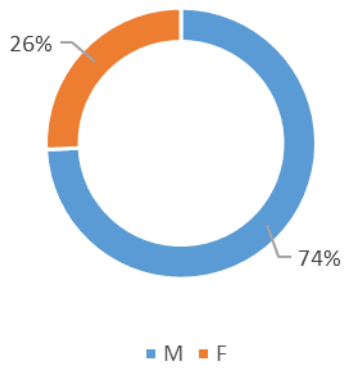
Working conditions that respect the dignity of individuals are guaranteed, as is the safety of the working environment. Requests or threats designed to induce the violation of the law or the Code of Ethics will not be tolerated, and neither will any conduct or behavior that offends the moral and personal convictions and preferences of individuals.

Sogefi has adopted the Code of Ethics as a recognition of the importance of ethical behavior and the social responsibility the Group assumes in the pursuit of its objectives. Sogefi shared the Code of Ethics with all its managers, employees and newcomers through the internal communication system. Some plants, such as Settimo Torinese, Tangier and Buenos Aires, have also sent to all employees the translated version of the document. *For more information about the Code, please refer to the chapter "Ethics, integrity and anti-corruption".*

The Group is committed to avoid all discriminations based on age, sex, sexual habits, health, ethnicity, nationality, political opinions and religious creed in all decisions that affect relations with its Stakeholders.

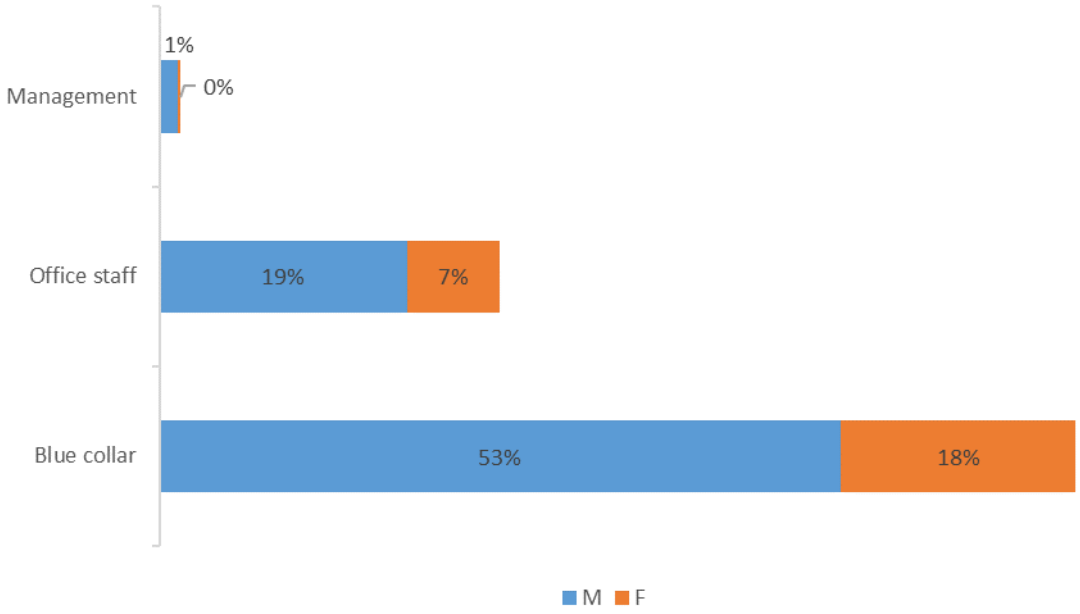
Sogefi strives to ensure equal opportunities for its employees. Several initiatives have been developed at plant level to foster a diverse and inclusive work environment.

Breakdown of Group employees by gender (%)



Women make up 26% of Sogefi's employees, with the highest percentage among Blue collar. The breakdown of employees by gender reflects specific aspects and tasks that characterize the manufacturing sector and the automotive industry. Overall, the proportion of male and female employees has remained stable throughout the years.

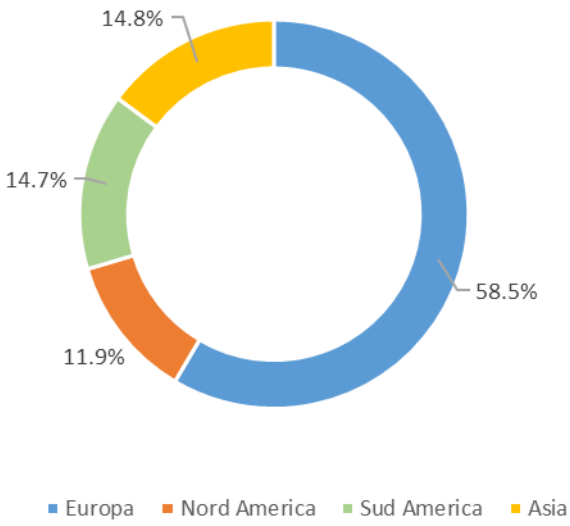
Breakdown of Group employees by employment category by gender in 2019 (%)



The integration of different cultures, experiences, habits and languages is a core value for Sogefi, an intrinsic approach that has enabled it to broaden and consolidate its presence worldwide.

Regarding the distribution by geographical areas of the Sogefi workforce, most employees (58.5%) work in Europe; South America (Brazil and Argentina) hosts 14.7% of Sogefi's population; Asia (namely the manufacturing plants located in China and India) and North America record 14.8% and 11.9% respectively.

Breakdown of group employees by region in 2019 (%)



5.4 Building and strengthening skills

Training

To build and strengthen employees' competences, the Group organizes training activities aimed at increasing managerial and technical skills. The Human Resources Department uses an information system called HRIS "I care, my HR", firstly implemented in 2019, to improve the management and monitoring of employee development and talent management.

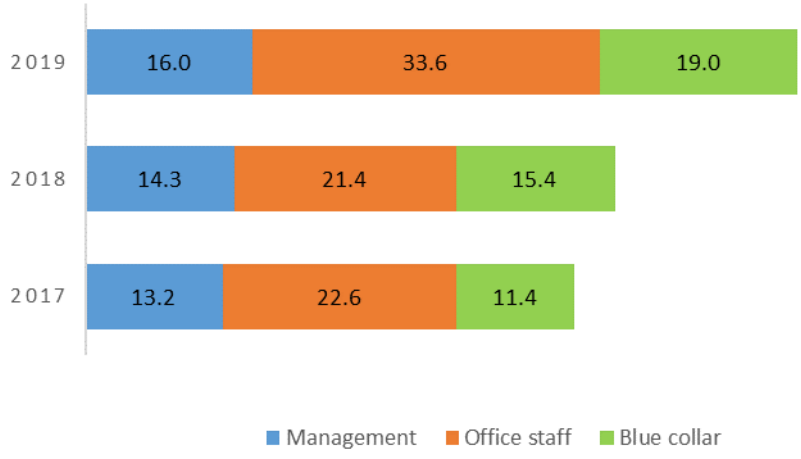
In 2019, Sogefi provided more than 155,800 hours of training involving all employee categories, corresponding to around 22.9 hours of yearly training per employee.

Throughout the entire Group, training activities concerned different aspects of competence to provide a multi-disciplinary knowledge to all employees. Courses are organized to improve technical knowledge and skills (such as Manual Handling training, Forklift training, team management, negotiation, teamwork), position and function quality tools (such as Fire Safety and Chemical Spillage training and trainings on the QRQC, the main quality tool used throughout all the BUs), languages (such as English, French and German), new tools (PDCA-FTA), IT, health and safety, and environmental issues.

Average hours of training per employee (by gender and by employee category)									
	2017			2018			2019		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Managers	13.7	9.2	**13.2**	13.9	16.3	**14.3**	15.6	18.5	**16.0**
Office staff	23.7	19.5	**22.6**	22.4	18.5	**21.4**	35.6	28.2	**33.6**
Blue collar	12.2	9.1	**11.4**	16.3	12.7	**15.4**	18.7	20.0	**19.0**
Total	**15.3**	**12.2**	**14.5**	**18.0**	**14.5**	**17.1**	**23.1**	**22.3**	**22.9**

Some plants review, on an annual basis, an education plan for the company, defining what trainings are necessary based on individual or collective needs.

Average training hours by employee category



Training initiatives worldwide

Italy

In 2019, the Italian **Filtration** plant in Sant'Antonino provided a total of 5,200 hours of training, of which 500 hours related to health and safety. The remaining were dedicated to improve employees' competences and skills with English classes, technical training on the job for blue collars and managerial training for both white and blue collars to help them face company changes.

United States

In Sogefi USA in Prichard, in 2019 the training focused on certify three people as internal auditors for the ISO 14001:2015 and the IAFT certifications and four employees with HSE skills such as crane users and forklift drivers.

Germany

Sogefi Germany, based on its education plan, develops external or in-house trainings, internal trainings, trainings on the jobs with topics covering all employee needs. In line with the nature of the Group, the trainings focus on professional and work safety development.

UK

Sogefi Suspension UK, every employee has a personal development plan, discussed at the annual appraisal, outlining the training completed, the training undertaken and the future trainings identified as required. Every department has a Training Matrix to show training needs and attainment of each employee, updated as training is completed.

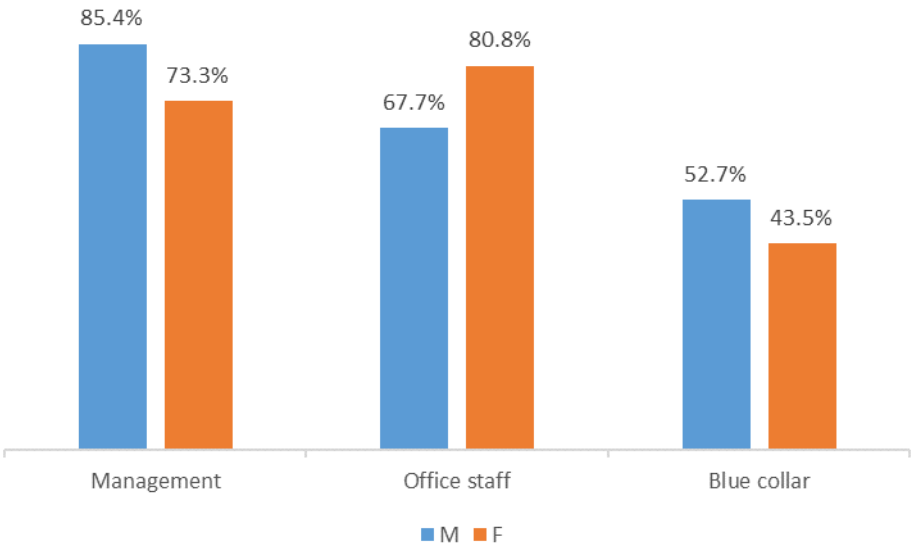
Performance review

Evaluating employee performance against corporate common targets can aid the personal development of individuals and contribute to both skills management and the development of human capital.

A structured performance review system has been implemented around the company for Managers and Office staff through IS (System Icare) and locally for workers of each plant. These reviews can include an evaluation by the employee's direct supervisor or peer and, may involve the personnel from each Human Resources department.

About 56% of employees receive regular annual performance and career development reviews.

Group employees receiving regular performance and career development review by gender and by employee category in 2019 (%)



Furthermore, most of Sogefi plants commit to providing transition assistance programs to facilitate continued employability and the management of career endings resulting from either retirement or termination of employment, demonstrating the Group's attention to its employee's wellbeing.

With regards to career ending resulting from the termination of employment, most of the times, the end-of-employment agreement includes support by an external professional to update the employee's resume, job search on the market, career orientation and so on.

The plant in Mogi Mirim, Brazil, has introduced a support from an outsourced psychologic company to interview and guide employees during the retirement process. Instead, for employees who would like to continue their professional carrier in a consultancy service, the plant puts them in contact with accountancy companies, so that they can have an overview of this process. While for those dismissed for economic reasons, the plant shares their CV with a local HR group.

Lastly, Sogefi Canada has set up a pre-retirement program in 2019 that involves the gradual reduction of working hours per week for blue collar workers.

5.5 Connecting a mobile and global workforce

To improve working condition and employees' flexibility, in particular regarding the need for business travels, since 2015 Sogefi has been using an innovative Unified Communication Framework which allows employees to communicate effectively without the need to leave the office where they usually work. This system includes several elements:

1) Videoconference rooms
2) Skype for business installed in every PC
3) Intercall in order to use mobile/deskphone

The framework allows Sogefi to use communication as a strategic asset by reducing the need of business trips and raising the quality of the conferences (improving the quality of the call/video conferences experience).

Since 2015, the usage of unified communications has been growing every year.

The Microsoft Office O365 Cloud solution, compared to the previous architecture, allowed Sogefi to provide its employees with solutions for a higher level of performance and increased availability. For example, through Outlook they were provided with messaging solutions, with SharePoint the file sharing tools and with Skype instant communications tools.

Sogefi is currently working to introduce Microsoft Teams to replace Skype in 2020. This new tool will enhance the remote teamwork capabilities.

As the table below shows, in 2019, 129,784 calls through Skype have been made (10,815 per month) for a total of 1,335,640 minutes (111,303 per month). This is tied to the global decrease of 18% occurred in terms of calls and duration of calls in minutes in video conference rooms.

Integrated communication systems KPI								
	2018				**2018**			
	Video conference Room		**Skype**		**Video conference Room**		**Skype**	
	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly
Calls	3,642	304	41,340	3,445	3,696	308	129,784	10,815
Minutes	199,818	16,652	1,431,732	119,311	235,420	19,618	1,335,640	111,303
Average call time (in minutes)	57		35	35	10	10	63	63
Estimated Average number of participants per call	-	-	2	2	n/a	n/a	3	3
Estimated number of attendees	-	-	75,792	6,316	n/a	n/a	45,532	3,794

5.6 Industrial relations

Sogefi recognizes the importance of industrial relations, as they promote co-operation and ensure the proper conduction of business.

The Group respects and operates in conformity with the labour laws in the countries in which it operates; employees' representation at the international locations of Sogefi Group follows local national regulations.

For this reason, as the table below demonstrates, the share of Group's employees covered by collective bargaining can vary substantially among geographical areas, mainly because of each country's Trade Union history and tradition. Overall, around 84% of the Group's employees are covered by collective bargaining agreements.

In the **Suspensions** Business Unit in Argentina, the Human Resources Manager holds weekly meetings with the delegates to resolve any problem that may have arisen for the plant. In the same way, when necessary, the plant holds meetings with the *Secretary of the Union Obrera Metalùrgia* (UOM Guild).

In the plant in Prichard, all managerial employees have been trained on US laws relating to an employee's right to seek union representation by a specialized law firm, including techniques to avoid inhibiting this employee right.

Share of employees covered by collective bargaining agreements (%)			
	2017	**2018**	**2019**
Europe	96%	97%	98%
North America	36%	51%	43%
South America	92%	96%	96%
Asia	5%	5%	50%
Group	**76%**	**79%**	**84%**

Regarding Asia, the increase in the percentage of employees covered by collective bargaining agreements, from 5% in 2018 to 50% in 2019, is mainly due to the introduction in India of new collective bargaining agreements – that did not previously exist – which were finalized during the year for local employees. Moreover, in 2019, 8% of Chinese employees are now covered by a new collective bargaining agreement defined during the year. Furthermore, in line with the previous years, an annual roundtable with the representatives of all employees and the Managing Director is arranged to discuss the main labour topics in held in China.

According to collective bargaining agreements and labour laws in place in every country of Sogefi's operations, a notice period is typically provided to employees prior to operational changes; the number of days or weeks of notice may vary according to geographical areas and employee category.

In 2019, 72 grievances with reference to labour and human rights were filed, of which 58 were addressed and 14 were resolved during the reporting period, significantly increased compared to 2018 due to the increasing attention of the Group to enhance and improve the accuracy of the data and disclosure in the NFS.

6 Environmental impact of operations

2019 Highlights

-0.3%
GHG intensity (location based) reduction (compared to 2018)

-4.4%
Reduction of natural gas consumption (compared to 2018)

84%
of waste is non-hazardous

93%
Group's production sites certified ISO 14001:2015

6.1 Respect for the environment

The Group strives to make a positive contribution to environmental sustainability in all of its activities, bearing always in mind the rights of future generations. Sogefi believes that ensuring respect for the environment is an essential value that needs to be transmitted among its employees, its customers and the communities in which it operates.

The strategies and operations of the Group subsidiaries are based on the principle of sustainable development, with ongoing attention to ensuring that business is carried out in a way that respects the environment and the public health, in compliance with national and international directives in the sector in which Sogefi operates.

To emphasize Group commitment towards the protection of the environment, Sogefi adopted an Environmental Policy, approved for the first time in 2016, which sets out the principles that all the operations implemented by the subsidiaries must observe.

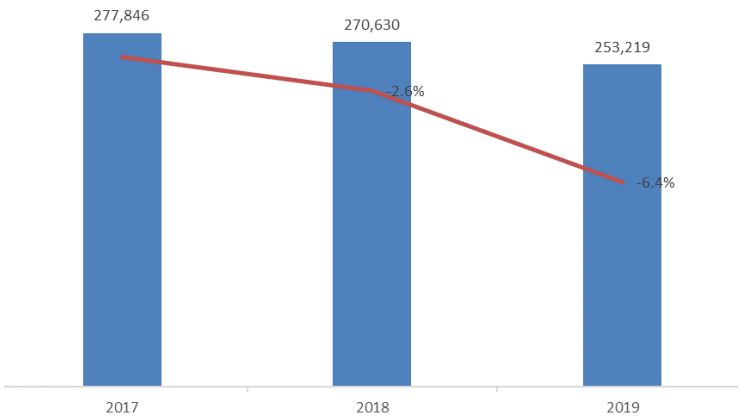
In addition, Sogefi has developed and implemented - in line with the international environmental standard ISO 14001:2015 - an Environmental Management System (EMS) to reduce and control risks and impacts (including the prevention of pollution) on the environment connected to its business activities. Thanks to that, 93%[14] of Sogefi's sites is certified ISO 14001:2015.

Energy consumption[15]

Sogefi manufacturing plants use direct energy (natural gas, gasoline, diesel and LPG)[16] and indirect energy (electricity)[17].

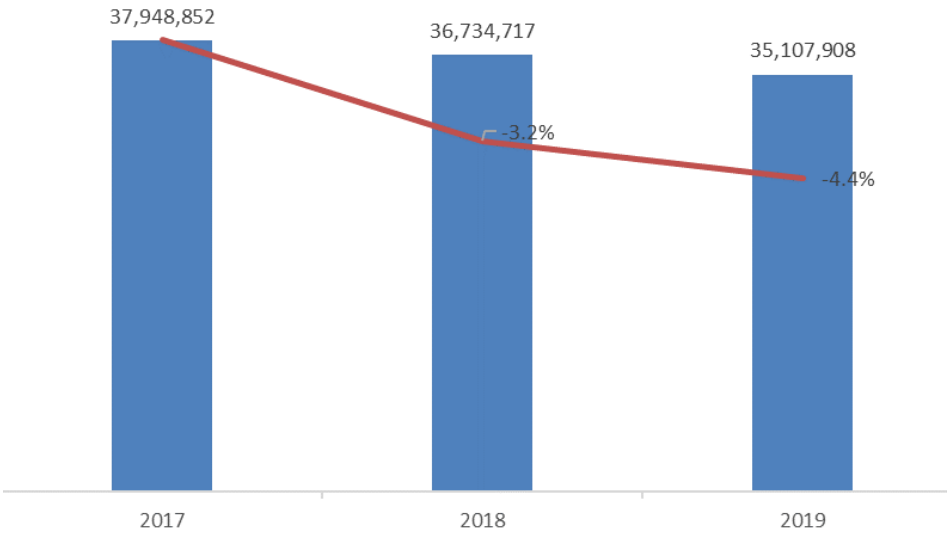
Electricity and natural gas represent the two main sources of energy used by Sogefi's sites and account for most of the Group's total energy consumption, while gasoline, diesel and LPG are used for forklifts and car fleet.

Group electricity consumption (MWh)



[14] The calculation includes 40 production sites, excluding Fraize (which was sold in April 2019), Gravatai (which was closed in October 2019) and Saint-Soupplets (which is mainly destined for the manufacturing of prototypes). Bangalore is considered as two different units.
[15] Data on energy consumption for 2017 are based on actual data until September and on estimation for the last three months of the year. Estimation have been done based on last year consumption or on production quantities, depending on data trustworthiness. The data for 2018 and 2019 take into consideration real values of the year consumption.
[16] Gasoline, diesel and LPG consumption are not used for the calculation of the GRI 302-1 and 305-1.
[17] The Group did not resort to purchasing certificates of Guarantee of Origin (GO) for the purchase of electricity produced from renewable sources.

Group natural gas consumption (m^3)



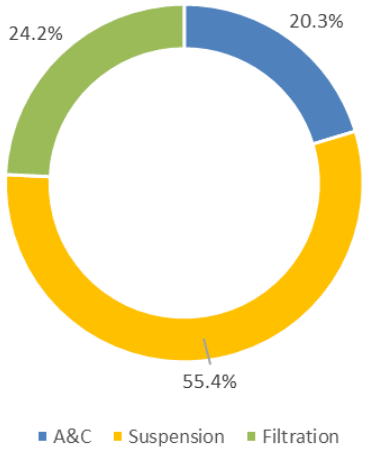
In 2019 the Group consumed roughly 253,219 MWh of electricity, around -6.4% compared to 2018 and about -4.4% of natural gas consumption (i.e. totaling for around 35.1 million cubic meters). The variation is the result of company's continuous effort to implement concrete actions for the reduction of electricity consumption at Group level.

ENERGY CONSUMPTION BY BUSINESS UNIT

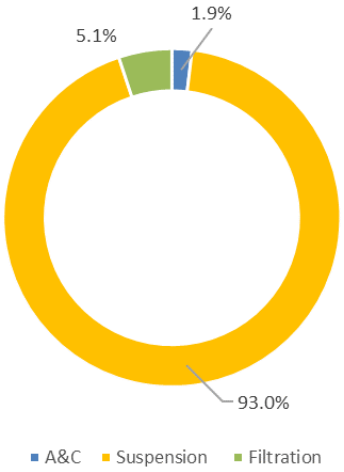
Electricity and natural gas consumption by business unit						
	Electricity *[MWh]*			Natural Gas *[m^3]*		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
A&C	54,102	51,608	51,482	649,362	706,264	673,284
Suspensions	153,018	155,798	140,335	35,320,097	34,008,310	32,645,381
Filtration	70,726	63,224	61,402	1,979,394	2,020,143	1,789,243
Group	**277,846**	**270,630**	**253,219**	**37,948,852**	**36,734,717**	**35,107,908**

Within the Group, the **Suspensions** BU, consumes 78% of energy overall, gas and electricity, of which 55.4% of Group's total electricity consumption and 93% of the Group's total natural gas consumption. However, the energy consumption of the business unit has decreased by 8% compared to 2017, moreover the gas consumption has been reduced by 7.6% from 2017 to 2019.

Breakdown of electricity consumption per Business Unit in 2019



Breakdown of natural gas consumption per Business Unit in 2019



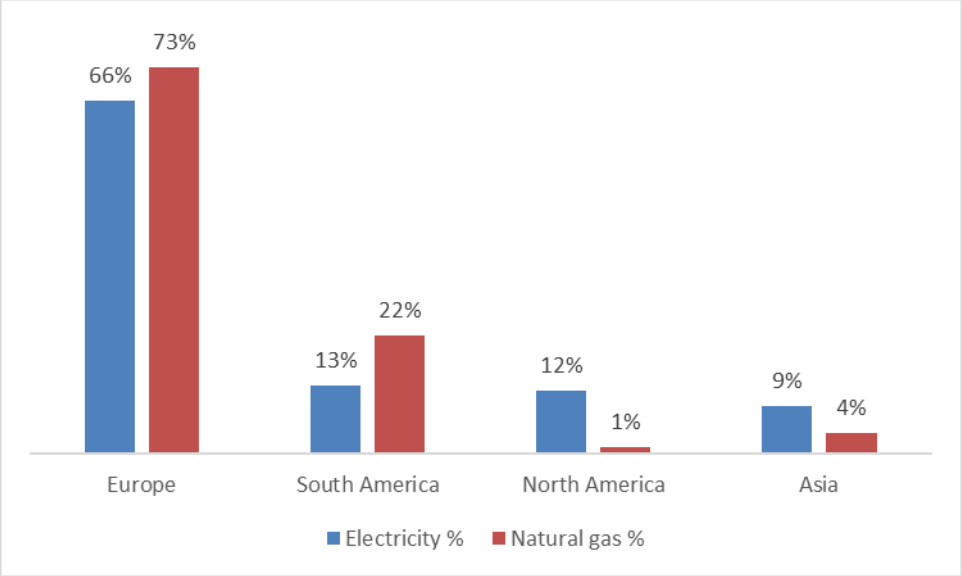
In regard to the **other Business Units**, their consumption of electricity remained stable from 2018 while consumption of natural gas decreased by around 4.7% in **A&C** and 11.4% in **Filtration**.

ENERGY CONSUMPTION BY REGION

Electricity and natural gas consumption by region						
	Electricity *[MWh]*			Natural Gas *[m³]*		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
Europe	181,886	180,993	168,261	26,746,938	25,401,841	25,516,697
North America	30,271	29,840	30,130	341,567	496,157	420,222
South America	41,408	36,528	32,316	9,167,295	9,211,656	7,787,706
Asia	24,281	23,269	22,512	1,693,053	1,625,063	1,383,283
Group	**277,846**	**270,630**	**253,219**	**37,948,852**	**36,734,717**	**35,107,908**

Regarding the electricity consumption the figures underline that the bulk of the electricity consumption is in Europe (around 66% of the Group total consumption), as the majority of Sogefi's manufacturing plants are located in European countries, followed by South America (13%), North America (12%) and Asia (9%).

2019 Group Energy consumption by Region (electricity and natural gas)



With regard to natural gas consumption, also in this case Europe is consuming the majority of natural gas (73%), followed by South America (22%), Asia (4%) and North America with residual volumes (1%).

LPG (Liquefied Petroleum Gas), petrol and diesel oil consumption by Sogefi Group is relatively modest compared to electricity and natural gas. In 2019, approximately 1,620,109 cubic meters of LPG were consumed while, for diesel, the Group consumed around 216,680 liters and it consumed 11,936 liters of gasoline [18]. All those consumptions are totaling for about 183,618 GJ[19].

Energy intensity

Energy intensity is defined as the energy required per unit of activity, output, or any other organization-specific metric. Intensity ratios are often referred to as normalized environmental impact data. The intensity ratio defines an organization's energy consumption in the context of an organization-specific metric. Intensity is calculated by dividing the absolute energy consumption (the numerator) by an organization-specific metric (the denominator). Sogefi calculates the energy intensity taking into account electricity and natural gas consumption (i.e. numerator) on sales revenues (i.e. denominator)[20].

In 2019, the Group increase of its energy intensity (GJ consumed per million euros sales revenues) of about 2.5% of the energy used per unit of sales revenues.

GJ/m€	***ENERGY INTENSITY BY BUSINESS UNIT***		
	2017	**2018**	**2019**
A&C	444	438	497
Suspension	3,165	3,132	3,236
Filtration	607	570	532
GROUP	**1,505**	**1,482**	**1,501**

[18] Consumption of LPG, diesel and petrol are not included in Group energy in GJ and Scope 1 calculation.
[19] Conversion factors source: FIRE, Linee guida Energy Manager 2018
[20] Sales revenues by Business Unit and by country of origin – inter-Group eliminations are not considered.

GJ/m€	*ENERGY INTENSITY BY REGION*[21]		
	2017	**2018**	**2019**
Europe	1,676	1,647	1,724
North America	419	430	432
South America	2,596	2,697	2,616
Asia	951	915	901
GROUP	**1,505**	**1,482**	**1,502**

Initiatives towards the reduction of energy consumption

Sogefi works for raising awareness as the first step towards reducing energy consumption and thus protecting the environment. Therefore, employees were incentivized to consume energy efficiently, for example turning off lights, air-conditioner, computers and equipment when not in use. The result was the increasing common sense of energy saving during working hours. Moreover, the Group implemented various projects, such the lamp replacing by LED and magnetic lamps and the implementation on compressors hunting leaks campaigns, leading to energy savings.

Specific energy consumption reduction projects are being deployed, gradually, in all Sogefi's plants worldwide. The box below describes a few examples of energy consumption reduction projects put in place in manufacturing plants spread all over the world.

Group Environmental initiatives

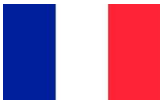
Italy

At Sant' Antonino plant, the **Filtration** BU worked on tracking leaks in the compressed air system. The project consisted in the analysis of all the air compressed lines to find any potential leaks and to implement the related maintenance, obtaining a reduction of electricity consumption of 4.554 GJ.

Argentina

Sogefi Argentina, in the context of the international certification ISO 14001:2015 implementation, the local organization set the target to reduce the energy intensity KPIs to 1.44 GJ/produced ton (electricity) and 11.88 GJ /produced ton (gas consumption) by 2020. For the year 2019, these goals were already surpassed by 10% and 6% respectively.

France



In French sites of Orbey and Chateauroux there was an improvement in the compressed air systems with the implementation of variable speed compressors. In particular, in Orbey, a heat recovery system on the compressed air system resulted in a 5% reduction of KWh consumed. A heat recovery system was implemented also on the cooling system of Chateauroux. The cooling system was changed with a new one that has the ability to balance cooling needs according to the environment temperature.

Romania

A new, variable airflow compressor was put into operation in the Titesti site, allowing a 30% reduction in electricity consumption per year. In a 5-year period, all costs for the new compressor (purchase, installation, maintenance, electricity) will be 25% lower than the respective costs of the previous compressor.

[21] Since 2018, revenues are classified according to the geographical area of "origin" instead of "destination".

Furthermore, the elimination of leaks in the compressed air system resulted in a 2% reduction in electricity consumption.

USA

The plant in Prichard was the first to implement a breakthrough in production activities. Instead of producing compressed air through the use of own operated compressors, compressed air was bought from a subcontractor in units (Wh/m^3), saving 816.984 KWh of energy consumption.

Morocco

The newest Sogefi **Filtration** plant, established in Tangiers, started its operations with a compressed air leak monitoring system in place, resulting in 2.941 GJ in savings.

Energy Project for Suspension

The **Suspensions** Business Unit, which utilizes an asset-intensive manufacturing process based on plastic deformation of metal and surface treatment with a consequent high energy consumption (it has an Energy Intensity Index[22] close to 3% on average), launched the "Energy Project", a key strategic initiative. The initiative aims at increasing energy efficiency and therefore at reducing the environmental impact of the manufacturing process, as well as the overall energy expenditure.

The specific targets of the Energy Project are:

- Cut of total cost of energy (-2.6 million euro between 2015 and 2019);
- Reduction of the Energy Intensity Index;
- Increase and spread throughout the Group the awareness and know-how on Energy Efficiency (for example Sogefi Brazil aims at establishing an Environment Week);
- Identification of KPIs and target setting for closing the gap between the different production sites
- Coordination and completion of the mandatory Energy Audits (in line with the European Directive 2012/27/UE) in all European plants.

The Energy Project is managed at the Business Unit level and deployed locally through continuous assessments on site carried out by local teams and supported by central functions. The project is sponsored by the Group's Top Management, which allocates capital investment in energy-saving actions proposed by both local teams and central functions. In this sense, different energy-efficiency areas of interest were defined by assessing various production sites in order to find room for improvement.

Defined areas of interest for improving energy efficiency include:

- Energy Monitoring System;
- Loads Management during Non-Productive Time;
- Industrial Lighting;

[22] Costs of energy over Group's turnover, on a global basis. This Energy Intensity Index differs from the ratio that will be found in the previous pages.

- Electrical Network Quality;
- Thermal Processes Efficiency;
- Hook Burners Management;
- Compressed Air;
- Fluids Management;
- Government Incentives for Energy Efficiency;
- Invoice Optimization.

Energy-saving initiatives are evaluated in terms of technical and economic feasibility, and those that satisfy needs and criteria are launched for implementation. Furthermore, Sogefi verifies the expected results in terms of energy savings during subsequent assessments that make possible to validate each specific action.

In Sogefi UK, **Suspension** Business Unit, the installation of the SMART metering was the main initiative to establish the target areas for the 2018 projects; in 2019 this goal was achieved.

6.2 Greenhouse Gas emissions (GHG)

In recent years, Sogefi Group's focus on the consequences of climate change has gradually increased, also considering the raised awareness by car manufacturers. At the same time, higher attention in diminishing the generation of Greenhouse Gas (GHG) emission for the entire manufacturing industry arose from national and international arenas through a combination of a stricter legal framework and concessions to facilitate GHG reduction levels.

To raise awareness on the environmental impact of its operations, Sogefi quantifies the greenhouse gas emissions related to its business activities. Carbon Footprint assessment is gaining relevance within the Group, as Sogefi is committed to improving the manufacturing processes with focus on the reduction of GHG emissions that are causing climate change (with special attention to CO_2 emissions on products as well as on engines).

In fact, Greenhouse GHG emissions are a major contributor to climate change and are governed by the UN 'United Nations Framework Convention on Climate Change', the subsequent UN 'Kyoto Protocol' and the Paris Agreement. GHG emissions are categorized into three broad scopes:

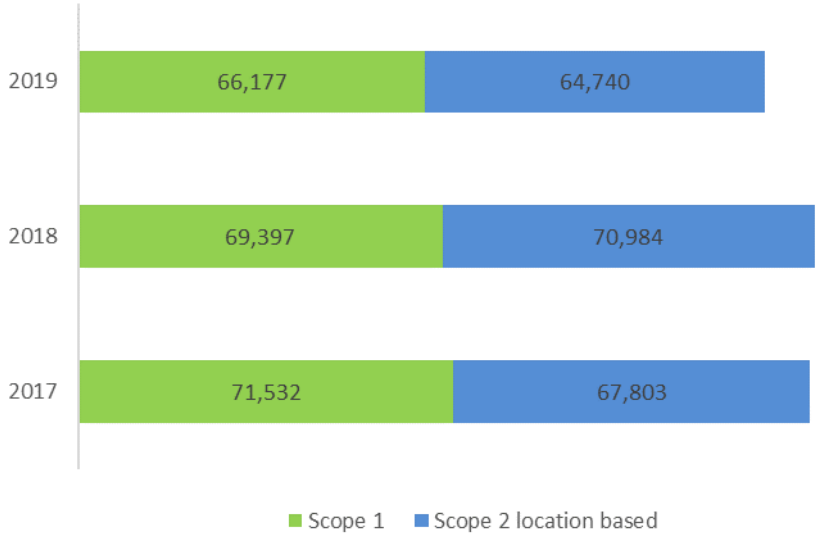
- **Direct (Scope 1) GHG emissions** come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organization. Direct (Scope 1) GHG emissions include, but are not limited to, the CO_2 emissions from the fuel consumption.
- **Energy Indirect (Scope 2) GHG emissions** result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization. The reporting standard used (i.e. GRI Sustainability Reporting Standards 2016) provides two different approaches for the estimate of Scope 2 emissions: "Location-based" and "Market-based ". The estimate of "Location-based" emissions takes into consideration the conversion factor of energy regarding the country where it was purchased. This approach considers therefore the performance of a national average emission factor related to the specific national energy mix for the production of electricity. The approach "Market-based" uses an emission factor

defined on contractual basis with the electricity supplier. Regarding the approach used by Sogefi, the emission factor related to the national residual mix was preferred, due to the lack of specific contractual agreements between the Group companies and the electricity supplier.

- **Other Indirect (Scope 3) emissions** not included in Scope 2 that occur outside of the organization, including both upstream and downstream emissions. In Sogefi, data on Scope 3 are related only to transportation and distribution for services directly managed by the Group. The indirect emissions have been calculated and reported by Sogefi for the first time in 2019.

GHG FROM ENERGY CONSUMPTION INTERNAL TO THE ORGANIZATION (SCOPE 1 AND SCOPE 2)

Group GHG emissions – Scope 1 and Scope 2 "Location-based" (ton CO_2)



Group GHG emissions[23]			
ton CO_2	**2017**	**2018**	**2019**
Scope 1	71,532	69,397	66,177
Scope 2 – Location based	67,803	70,984	64,740
Scope 2 – Market based	81,131	87,617	76,410
TOTAL (with Location based)	139,335	140,381	130,917
TOTAL (with Market based)	152,663	157,014	142,587

In 2019, Group GHG emissions accounted for 130,917 tons of CO_2, following the location-based approach while 142,587 CO_2 with the market based approach. Scope 1 emissions are 51% of total

[23] The data for 2017, referring to CO_2 emissions from electricity, was restated in 2018 following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

emissions, while Scope 2 emissions account for the remaining 49%, following the location-based approach.

Direct GHG emissions (Scope 1) decreased by 4.6% compared to 2018, in line with the natural gas consumption trend of the Group. In 2019 Indirect GHG emissions (Scope 2) recorded an 8.8% and 12.8% decrease respectively with the “Location based” and “Market based” approach.

In line with the energy consumption values, Europe produces the highest volume of CO_2 emissions; also, the Suspension Business Unit plays an important role, given its energy-intensive activities.

Emissions are calculated based on energy consumption: Scope 1 is calculated considering only the natural gas consumption component; Scope 2 is calculated considering only the electricity consumption component. In order to calculate the CO_2 emission, the factors used are: “Terna – Confronti Internazionali” for Scope 2 “Location based” emission; “AIB Residual Mixes” Scope 2 “Market based” emission (Scope 2) for European countries. For country extra EU, there are no Residual Mix factors available, therefore” Location based” emission factors (i.e. Terna – Confronti Internazionali) are used instead of “Market based” (i.e. Residual Mix). Each year factors are updated accordingly to the annual updated issued by the different organizations.

GHG emissions intensity

As for energy intensity, GHG emissions intensity is defined as the GHG emissions per unit of activity, output, or any other organization-specific metric. Intensity is calculated by dividing the absolute emissions (the numerator) by the organization-specific metric (the denominator). Sogefi calculates the GHG emissions intensity taking into accounts the total value of Scope 1 and Scope 2 (i.e. numerator) on Sales revenues (i.e. denominator).

In 2019, compared to 2018, the GHG emissions intensity of the Group is stable considering the "Location based" methodology (0.3%) and results reduced of 2.9% applying the "Market based" approach.

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based by BUSINESS UNIT			
ton CO_2/m€	**2017**	**2018**	**2019**
A&C	22	24	27
Suspensions	175	181	182
Filtration	40	37	35
GROUP	**85**	**86**	**86**

GHG EMISSIONS INTENSITY Scope 1+ 2 Market Based by BUSINESS UNIT			
ton CO_2/m€	**2017**	**2018**	**2019**
A&C	24	25	28
Suspension	192	204	199
Filtration	44	41	39
GROUP	**93**	**97**	**94**

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based by REGION			
ton CO_2/m€	**2017**	**2018**	**2019**
Europe	84	88	90
North America	31	31	31

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based by REGION			
ton CO_2/m€	**2017**	**2018**	**2019**
South America	130	136	130
Asia	124	115	117
GROUP	**85**	**86**	**86**

GHG EMISSIONS INTENSITY Scope 1+ 2 Market based by REGION			
ton CO_2/m€	**2017**	**2018**	**2019**
Europe	97	105	103
North America	31	31	31
South America	130	136	130
Asia	124	115	117
GROUP	**93**	**97**	**94**

GHG FROM ENERGY CONSUMPTION EXTERNAL TO THE ORGANIZATION (SCOPE 3)

To identify as many opportunities as possible to reduce its impact on the environment, Sogefi monitors the Scope 3 emissions from its supply chain. Indirect GHG emissions (Scope 3) are emissions that occur from outside of the organization, including both upstream and downstream emissions.

Sogefi has procedures to follow with daily, weekly and monthly deadlines in order to achieve its strategic objectives. For example, special freight such as taxi and air freight are tracked and consolidated on a daily basis.

Sogefi's indirect GHG emissions (Scope 3) comprise emissions generated by trucks, cargo ships and freight flights used for product delivery and company business needs such as employee travel by both domestic and intercontinental flight.

The Group monitors and controls data on the kilometers traveled by trucks in the movement of goods. These data were used to calculate the scope 3 emissions which in 2019 stood at around 6,160.52 tCO_{2eq}[24].

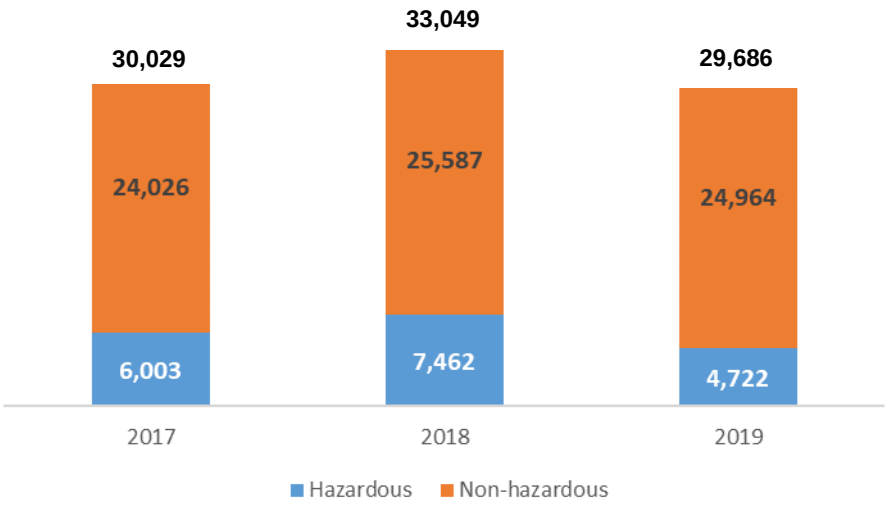
[24] For the calculation of the emissions, DEFRA 2019 was used and in particular the factor for HGV rigid transports with a laden of 50%.

6.3 Waste management

In Sogefi, the management of waste generated is carried out in order to reduce the amount produced, trying to maximize recycling and re-use, to limit incineration of non-recyclable materials, and gradually phase-out landfill disposal.

Each Sogefi's manufacturing plant keeps track of individual waste flows and categorizes waste as hazardous and non-hazardous according to country-specific regulations. Moreover, in most plants, trash bins are separated clearly, either by color-coding or other method. In 2019, the Group generated and disposed around 29,700 tons of waste (a decrease of -10% compared to 2018), mainly classified as non-hazardous (84%).

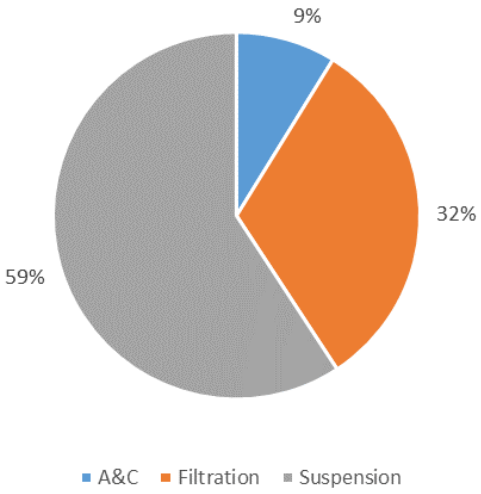
Group waste by type (ton)



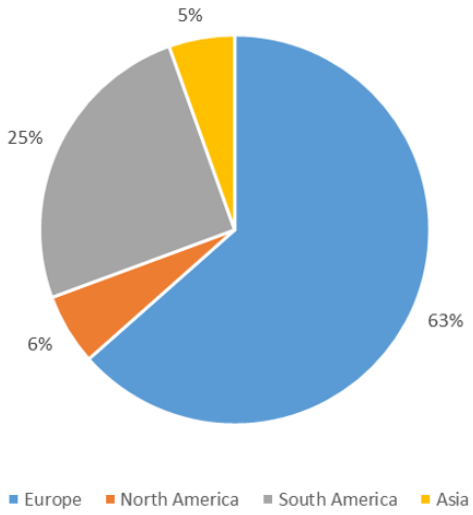
In line with production patterns, the **Suspensions** Business Unit records also in 2019 the highest volume of waste generated (59% on the overall Group production), both in terms of non-hazardous and hazardous (more than 17,500 tons), with a 10% decrease in respect to 2018.

In absolute terms, Europe is the region that accounts for most of the volume of waste produced with more than 18,800 tons, as the majority of the manufacturing plants are located in European countries.

Waste disposed by Business Unit in 2019 (%)



Waste disposed by Region in 2019 (%)



In the Sogefi Group, each manufacturing plant is required to make efforts to find sustainable solutions (recycling, recovery) to treat waste, in order to improve the proportion of waste recovered. The main disposal method for non-hazardous waste is recycling, confirming the commitment of the Group towards sustainability.

The **Suspensions** Business Unit recycles 38% of its waste and reuses 29% of it, while 9% goes to landfill and 15% is disposed in other ways. The remaining amount refers to other methods such as incineration, recovery, deep well injection and on-site storage.

Notable efforts can be found in the **Suspension** Business Unit where various projects were implemented:

- In France, the Fronville plant implemented a selective sorting method for recycling waste that resulted in a reduction of 1 ton;
- In Argentina the production of water-oil mixture is reduced by 73% thanks to the implementation of an in-house separation process. At the same time, efforts were also made

in reducing hazardous waste: in two years, dangerous solid waste was by 65.8% and hazardous liquid waste by 75.4%. The goal set by the Argentina Suspension plant is to reduce by 100% hazardous liquid waste production by 2020;
- In Mexico, it has established the "Hazardous Wastes Collection Route", which separates waste according to its level of danger to avoid mixing different types of waste and thus reducing the disposal cost. This effort resulted in 97% reduction of landfill waste in 2019.

For the **Air & Cooling** Business Unit, 51% of waste is recycled, 13% is recovered (including energy recovery – in form of heat, electricity or fuel), 13% goes to landfill, and 18% is reused. Residual amounts refer to incineration (1%) and other disposal methods (5%). Furthermore, new initiatives have been launched in 2019 to achieve important results regarding waste reduction and reuse of materials, following reported:
- In France, at Orbey plant, a new line of recycling for plastics was implemented instead of the previously incineration disposal method. From April 2019, 30 tons of plastics were recycled, representing a savings of 25% in costs.
- in Mexico, at Monterrey plant, it has been intensified efforts to reduce waste disposed to landfills: close monitoring of monthly comparisons between landfill waste and recycled materials and careful in-plant separation of recyclable materials resulted in a 97% reduction of landfill waste disposal.

In the **Filtration** Business Unit, 68% of waste is recycled, 7% is recovered, and the rest is disposed through incineration (14%), reuse (5%) and landfill (5%). Intensive and continuous efforts are made to reduce waste production, for examples the plant of Tangier in Morocco recycled 100% of its waste.

Finally, with regard to the **Suspensions** plant in Raffa di Puegnago, waste management issue has been identified some years ago by the Italian environmental agency. It has been closed technically in 2018 and then on a legal point of view on February 4th, 2020. The issue concerned the discovery of different kinds of waste under the ground in a green area by the Italian Authorities. The waste was removed from June to December 2018.

6.4 Water management

Clean water and sanitation are worldwide challenges that need to be addressed in order to guarantee access to safe and affordable drinking water for future generations. Sogefi is aware of the direct impacts it can have and for this reason commits to reducing its water consumption and to effectively manage its water discharges, paying close attention to the amount withdrawn and consumed and to the quality of its discharges.

Although Sogefi's production processes are not water-intensive, the Group continuously works for the reduction of the overall usage of water. Part of the effort is demonstrated by the number of sites certified ISO 14001:2015 that are globally 93% in 2019, of which 100% of **A&C** plants, 95% of **Suspensions** and 93% of **Filtration**. The standard ISO 14001:2015 provides a set of standards to guide the implementation of an Environmental Management System (EMS) based on the organizational context, needs and expectations of the Group.

In addition to the certification system, some plants have additional systems and procedures in place to monitor water issues. In Monterrey all issues related to water are reviewed in the Management Review meetings, where the management can take decision about how to conduct these issues both within the organization and with third parties.

Moreover, the plants in the **Filtration** and **A&C** Business Unit that are certified ISO 14001:2015 also adopted an Environmental FMEA (Failure Mode and Effects Analysis) as methodology to identify environmental hazards and prevent pollution. The methodology aims at identifying significant aspects and impacts in relation to the environment, which also includes water.

In the **Filtration** Business Unit, for the sites at water risk[25], the entity of the risk and other information about the use and withdrawal of water are assessed, and environmental scorecards are put in place and reviewed on a monthly basis, making available figures about withdrawal, consumption and discharge schemes. Water related impacts are addressed through an assessment of the level of legal compliance. If, as a consequence, some sites are labelled as being 'environmentally sensitive', then specific thresholds are integrated in the permits.

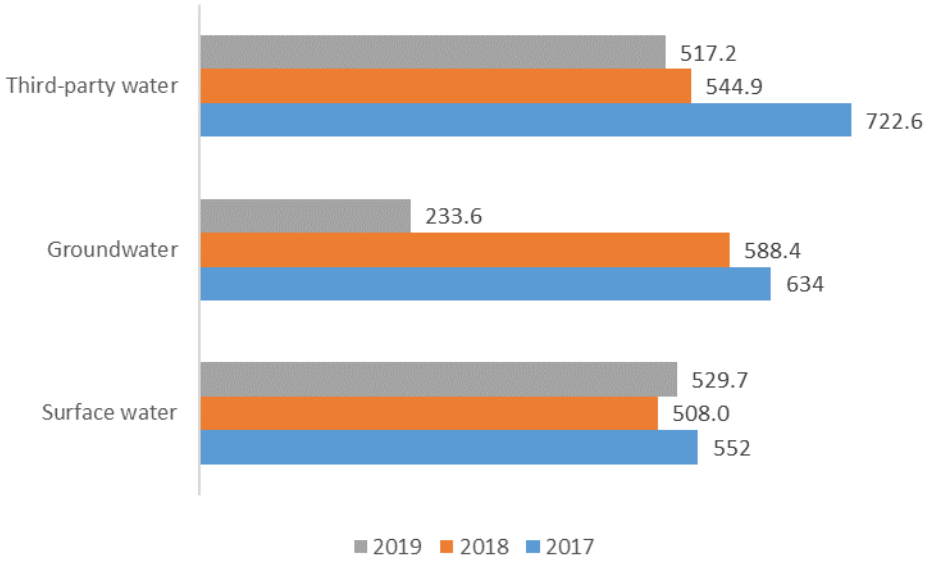
The **A&C** Business Unit uses water mainly for sanitary needs and process cooling (exchanger), so the water used is not polluted with heavy metals or high polluting chemical substances. Through the Environmental FMEA, any potential environmental hazards are identified in the daily activities of the plants, including cleaning and maintenance situations, and also in case of emergency situations. Significant environmental impacts are then taken into account in the environmental action plan of the plant and the environmental dashboard is reviewed on a monthly basis. The Environmental FMEA is updated yearly and in case of new equipment, activity or any event such as interested party complaint or situation of emergency. Furthermore, a water reject analysis must be made on some parameters at a defined timeframe defined by the legal requirements or operational permits and the plant must check it complies with the water thresholds. In case of non-compliance, local environmental authorities must be informed and an action plan submitted.

WATER WITHDRAWAL

Concerning water withdrawal, the majority of the Sogefi's plant uses fresh water, defined as water with concentration of total dissolved solids equal to or below 1,000 mg/L. Sogefi's plants are spread in 20 countries[26] and some of them are operating in water stress areas, in 2019 the plants considered at risk are 11[27]. To determine areas subjected to water stress the tool Aqueduct developed by the World Resources Institute has been used[28]. The tool provides information about sites located in extremely water scarce areas by comparing the best available water, sanitation, population and biodiversity information on a country and watershed basis. Sites are identified to be in five categories: extreme scarcity, scarcity, stress, sufficient, abundant. Sogefi reports as water withdrawal from water stress areas, plants falling within the extreme scarcity and scarcity category. In 2019, the analysis through the Aqueduct tool has been updated. *For more information, please refer to the annex.*

[25] Sites considered at water risk are the ones identified with the Aqueduct analysis, reported at next paragraph "water wirhdrawal".
[26] Countries refer to Sogefi's industrial presence.
[27] The plants considered in 2019 as being at a risk of water stress are: Bangalore, Cerdanyola, Douai, Gurgaon, Monterrey, Tanger, Pune, Suzhou, Titesti, while in 2018 these were: Alsasua, Bangalore, Buenos Aires, Cerdanyola, Douai, Gurgaon, Monterrey, Nules, Pune (Filtration and Suspension), Rochdale, Suzhou (A&C and Suspension), Titesti.
[28] The tool is available online at the website: https://www.wri.org/our-work/project/aqueduct.

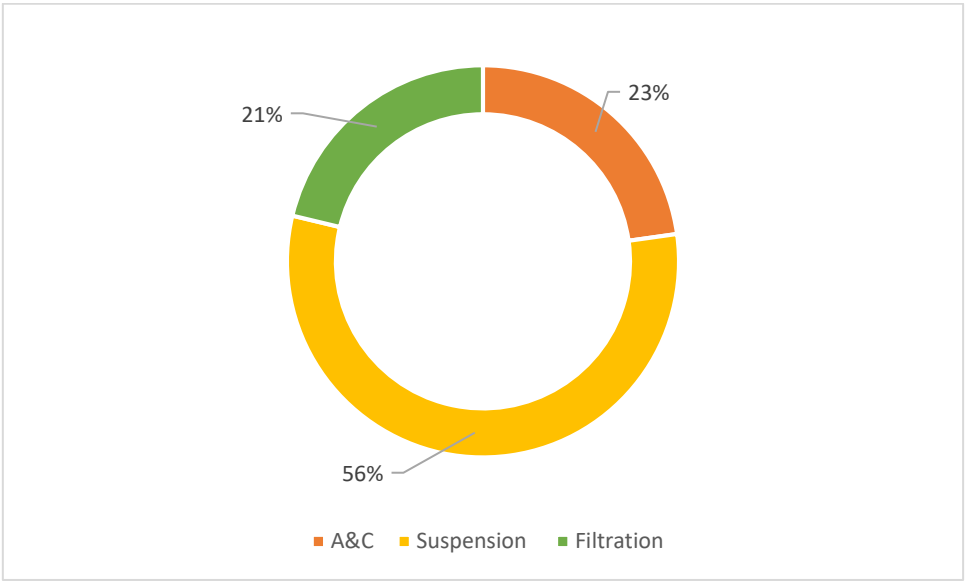
Group water withdrawal (ml)[29]



Group overall water withdrawal in 2019 was around 1,280.5 ml, with a decrease of about 22% compared to 2018. The decrease testifies the great effort posed by the Group in reducing its environmental impact. The sources from which water is drawn into the organization are mainly surface water (41.4%), ground water (18.2%), and municipal water (40.4%).

Suspensions and **Air and Cooling** withdraw the majority of water (respectively around 56% and 23% each) of the overall Group consumption, while **Filtration** is accounting for 21% of the Group water withdrawal.

Water withdrawal by business unit 2019 (%)



[29] The data for 2017, referring to water withdrawal, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of allowing comparability with the data of 2018. For 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

For what concerns regional activities, Europe plays a crucial role for most of the water consumption of the Group, as a result of the presence of the majority of production plants in the Region. Manufacturing plants located in North and South America exclusively use municipal water as their only source of supply.

WATER DISCHARGE

For what concerns water discharge, Sogefi Group's activities do not generate highly pollutant effluents. However, when necessary and required by local regulations, manufacturing plants install systems to treat wastewater before discharging it into the natural environment or the public system.

Water discharge methods vary according to local regulations and type of activities. Sogefi does not currently define minimum standards or goals regarding water discharge, however, all sites must comply with local environmental regulation and water discharge permits requested by local environment agencies, regardless of the country of location. In addition, sites must comply with the both water consumption and water discharge requirements defined with the town hall where the sites are located.

To minimize the impact on the environment and protect the quality of water, the following manufacturing plants have implemented measures to adequately manage their discharges. For example, in Rochdale plant, the effluent discharged is tested every month and a report is sent to the company by the local water provider. This allows the plant, if limits are breached, to immediately resolve the issue. In 2019, no breaches were recorded. In France and Germany oil separators are used to treat water before discharge. Oil separators serve to protect the environment from pollution by oil: they remove oil from water by retaining it safely until it is removed. In addition, the discharged wastewater in the German factories Hagen and Witten is checked every six months for harmful substances by an independent laboratory. In China a waste water electric evaporator was installed to replace the former system. The evaporator concentrates industrial waste water, which is then removed as hazardous waste. The installation of a waste water electric evaporator contributed to the elimination of industrial waste water discharge in the plant since July 2017. Moreover, the waste water evaporator can generate distilled water which can be reused for surface treatment in the painting-line.

In 2019, the total volume of water discharged by Sogefi's sites was more than 862 Megaliters, with an overall decrease of 33% compared to 2018.

Overall, water can be discharged into surface water, into the public sewer systems or into other destinations. In line with previous years' water discharge, the two Business Units which account for the highest volume are **Suspensions** and **Air & Cooling**, respectively accounting for 62% and 29% of Group's overall effluents. However, both Business Units registered a decrease of respectively 17% and 55% compared to 2018. Moreover, **Filtration** registered a 3% decrease in 2019, in relation to water discharged from the previous year.

As part of their environmental management system, the Group's manufacturing plants are equipped to prevent accidental spills into the environment. No spills were registered in 2019.

In Sogefi's plant in Buenos Aires, a specific water prevention program has been defined in order to monitor the water discharge in order to mitigate and solve the issue noted by the Water Government Authority in 2017, with regard to the quality of the water discharged. The program has been also presented to the Authority.

In some plants, water is processed before being sent back to nature. In others, water used in production processes is in closed loop allowing Sogefi to strictly monitor thermal exchanges between

the internal cooling system and the external water used: any increase in water temperature is managed in accordance with environmental authorities in order to avoid any impact on wildlife and flora.

INITIATIVES TO REDUCE WATER WITHDRAWAL AND DISCHARGE

Given that water is a shared resource and that access to freshwater is essential for human life and wellbeing, Sogefi is committed to respond to local contexts and pays great attention to its social and environmental impacts. Some examples of the activities for the reduction of water consumption implemented during 2019 were:

- Continuous monitoring to avoid over flow, leakage and damage of water tanks;
- Reuse of water when feasible;
- Replacement of all water taps with new ones to decrease water consumption
- Display of signs on all water taps to improve awareness to save water (close water taps after use)
- New washroom in production has restricted water flow to reduce usage;
- Environmental trainings and themed weeks as a way to educate employees and their families on water conservation and reduction both at work and at home.

In addition to these initiatives, Sogefi is also planning to continuously improve the way water is managed in the Group by setting future goals. For example, amongst other initiatives, at Sant'Antonino plant the management is studying the possibility of having an internal water treatment system to reduce their environmental impacts, while in South America they are studying the efficiency of their cooling tower for cooling systems in closed loop.

Furthermore, water repurposing initiatives allowed the business unit to achieve lower water consumption in Argentina (Buenos Aires), where grey water coming from the treatment plant was used for gardening instead of employing fresh water. This initiative was also implemented by the **Suspensions** plant in Fronville (France) enabling the reduction of fresh water consumption by 13 Ml through reusing treated water for non-production processes. In 2019, the plant of Marcillac implemented a new project that required the use of 10 Ml of water. In order to maintain the water footprint consumption stable and anticipate any on potential water use restriction during summer from local authority, the plant decided to source the additional water needed from third-party (municipal) water instead of ground water, although this solution is deemed to be more expensive.

Furthermore, a new wastewater treatment facility was launched in 2019 for the plant of Sant'Antonino (Italy) which will enable, within 2020, the site to reuse water at least once (essentially cutting water consumption in half) and then safely discharging it in the sewer system.

WATER CONSUMPTION

All the efforts made by the Group in reducing the withdrawal of water results in a decrease in water consumption. Water consumption measures water used by an organization such that it is no longer available; thus monitoring the volume of water consumed can help the company to understand the overall scale of its impact due to water withdrawal on downstream water availability.

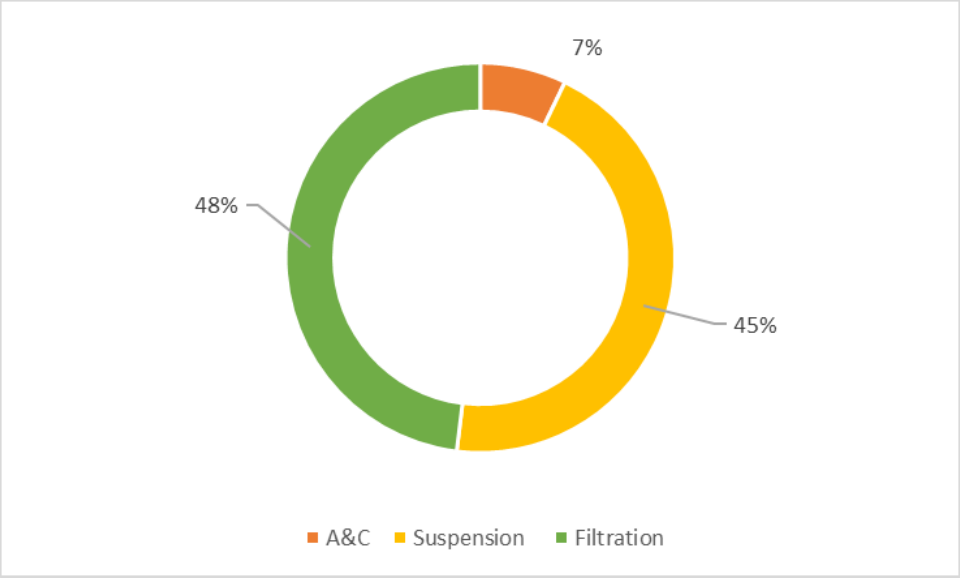
Water consumption is calculated as water withdrawal minus the amount of water discharge. With the aim to improve the disclosure related to the Group's environmental impact, the indicator has been

reported in the present document for the first time in 2019, and to make it comparable with previous year's performance, also 2018 data have been calculated.

Water consumption (megaliters Ml)			
	2019		
Ml	**Areas with no risk of water stress**	**Areas with water stress**	**Total**
Europe	107	46.1	153.1
North America	194.5	5.7	200.2
South America	25.1	-	25.1
Asia	3.9	35.6	39.5
GROUP	**330.5**	**87.5**	**417.9**

Water consumption (megaliters Ml)			
	2018		
Ml	**Areas with no risk of water stress**	**Areas with water stress**	**Total**
Europe	73.4	55	128.4
North America	149.5	1.4	150.8
South America	34.5	-	34.5
Asia	-	42.7	42.7
GROUP	**257.4**	**99**	**356.4**

Water consumption by Business Unit 2019 (%)



6.5 Materials used and reusability[30]

The Group uses a variety of materials for its industrial operations, including steel, plastic, paper, rubber, aluminum and cellulose products, for which the related price may be volatile, exposing the Group to an extra-costs and margins loss. Therefore, in order to mitigate this risk, the Sogefi Group is pursuing two objectives for improvement in terms of material use and reusability:

1. Limit the consumption of raw material;
2. Use recyclable and recycled materials.

To achieve these two objectives, Sogefi implemented the reuse of scrapped materials (such as steel and plastic) and a regrind-usage initiative that allows the reuse of plastics in more than one production cycle.

Bearing in mind the consequences of its business activities on the environment, the two objectives of the Group are systematically taken into account by the R&D teams located worldwide when prototyping new products (*please refer to 'Innovation and product responsibility' for more information*).

Since material consumption is directly related to Group's overall operating costs, Sogefi monitors material use in order to provide its contribution to the conservation of global resources and pursue the effort to reduce material intensity. A notable example is provided by the plant of Nules, which achieved 20,000 euro of savings due to the reduction of product plastic packaging as well as 24,000 euro of savings due to painting dispersion reduction. *Please consult the Annex for the volume of materials used by each Business Unit.*

Monitoring the use of hazardous substances in the automotive supply chain

The Group monitors the use of hazardous substances in its products through the following activities:

- The material data of all components used by the Group are registered in a system known as IMDS (International Material Data System), developed by the major car manufacturers to help the automotive industry to monitor the material used in the supply chain and prevent the use of hazardous and banned materials in components used, following the coming into force of the ELV (End of Life Vehicle) EU Directive.
- The substances used in manufacturing the group products and those required to operate its facilities to ensure the safety of its operations are tracked and monitored, in compliance with the REACH European Regulation (Registration, Evaluation, Authorisation and restriction of Chemicals). That Regulation aims at increasing knowledge on the properties of chemical substances manufactured or marketed in the EU, in order to contain the risks related to them and, when necessary, restrict or ban their use.

[30] All materials used by Sogefi can be classified as being non-renewable.

Suspensions

The **Suspensions** Business Unit uses different kinds of materials: the most relevant is steel, but also metallic components and rubber bushes, mostly for the production of coil springs, leaf springs, anti-roll bar for passenger cars, heavy-duty vehicles, etc. Other materials utilized include scrap, wood and carton.

Raw materials

The main raw material used by **Suspensions** is steel (in 2019, the amount purchased was 170,878 tons). Steel can be made by two different processes using iron ore (together with coke) or scraps, and possibly the two might be mixed. In South America, steel is produced from both iron ore and scraps, in China and India, steel is usually made from iron ore, while in Europe, which can be considered a more mature market, it is mostly made from scraps. Scrap steel is made of recyclable materials left over from product manufacturing and consumption, and recycling of end of life steel made products.

Notable examples of the monitoring of material use by **Suspensions** Business Units is Sogefi UK that developed a scrap reduction plan with a goal to reduce from 1.8% to 1.5% tons of steel and Sogefi Mexico that was able to cut scrap products in half (from 4% 2018 to 2% 2019) by carefully reassessing production processes.

Furthermore, the business unit use two types of chemical products: rubber and painting. Rubber is composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon). Painting is made essentially from mineral sources: 55% epoxy resin (from petroleum), 45% carbon, and other mineral fillers. In 2019, around 1,984 tons of chemical products were used, a decrease of 25% with respect to the previous year.

Semi-manufactured goods or parts

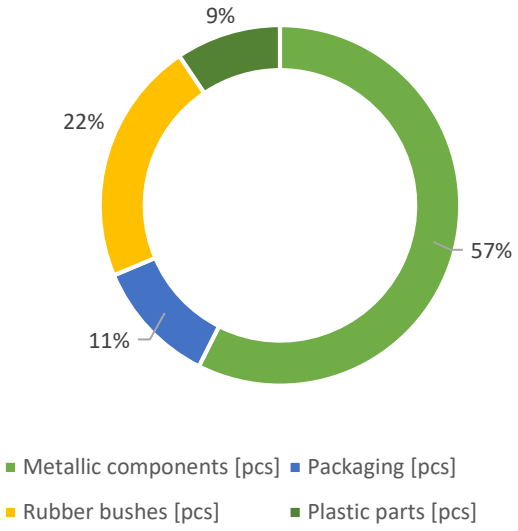
In addition to raw materials, the **Suspensions** Business Unit uses semi-manufactured goods or parts, which include all forms of materials and components other than raw materials that are part of the final product.

Within the semi-manufactured components used by the **Suspensions**, the most common are metallic components (in 2019, more than 64 million pieces representing 57% of total), followed by rubber, packaging and plastic parts.

Rubber bushes are composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon). In 2019, more than 24 million pieces of rubber bushes were used in the BU.

Packaging is mostly cardboard boxes and pallets (in 2019, more than 12.5 million pieces) as it is required for transportation, it facilitates storage, and it protects products. *Please refer to Paragraph 'Impact of logistics and transportation' for more information on sustainable packaging.*

Semi-manufactured goods or parts used by Suspensions (% on total pieces bought) in 2019

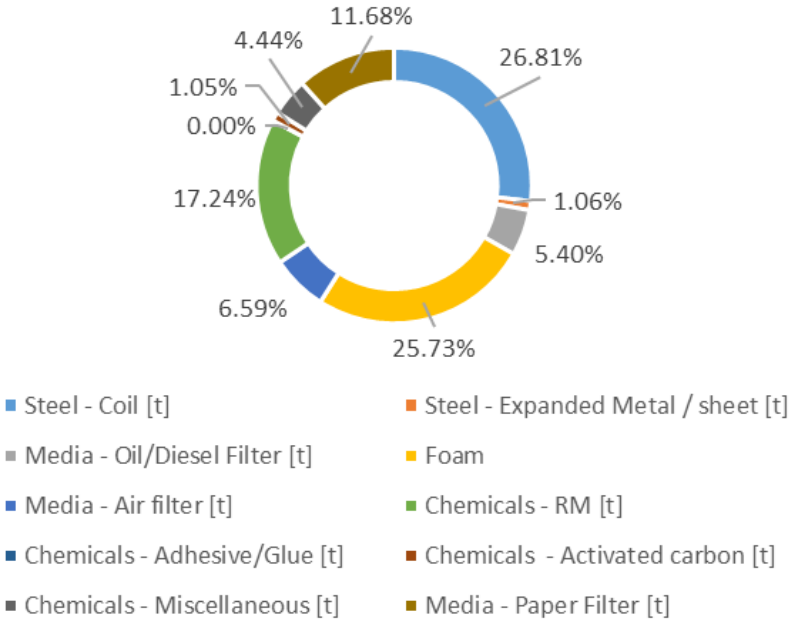


Filtration

The **Filtration** Business Unit makes use of different kinds of materials according to the type of filter produced: Steel, Media and Chemicals in raw materials category and metallic components, rubber and packaging film as semi-manufactured materials.

Raw material

Raw materials Filtration in 2019[31]



[31] The chart above depicts raw materials used by the Filtration BU expressed as percentage of total volume of raw materials used by the BU in tons.

Steel and **foam**, with respectively 13,778 tons and 13,221 tons, are the most used raw materials used by the **Filtration** Business Unit The BU makes use of basic steel (hot rolled and cold rolled) mainly for spin-on, while specialized steel such as aluminized, galvanized and zinc coated types are used mainly for petrol filters and other purposes.

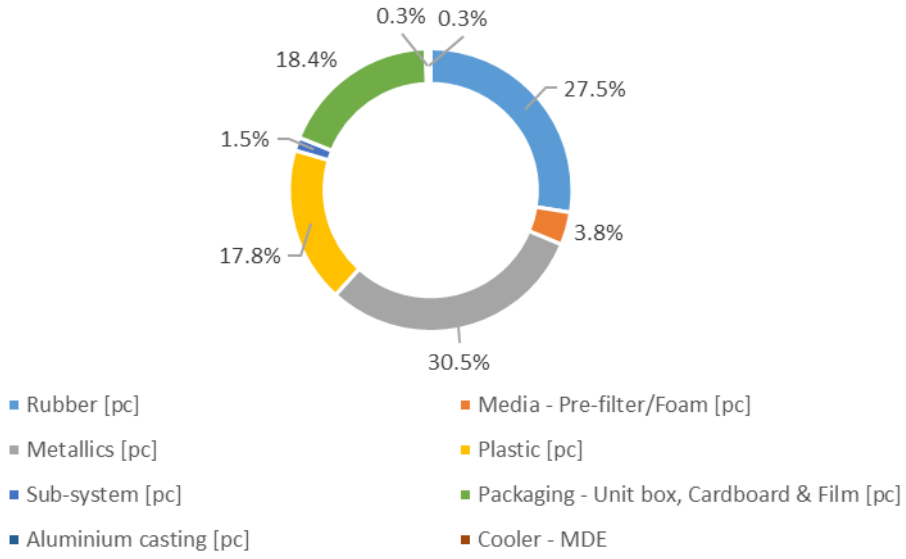
With regard to chemicals, in 2019 the **Filtration** Business Unit made use of more than 11,600 tons of chemicals such as RM, adhesive/glue, activate carbon and miscellaneous. As for the percentage of recycled input materials, it was estimated that 5% of raw material chemicals came scrap.

The use of **media** changes accordingly to the level of the filtration specifications requested by customers for the various applications (oil/diesel filter, air filter or pre-filter). In 2019, the Business Unit utilized more than 6,000 tons of this raw material.

Semi-manufactured goods or parts

In 2019, the three most employed semi-manufactured materials by the **Filtration** Business Unit are metallic components, rubber and plastic parts.

Semi-manufactured goods or parts used by Filtration in 2019 (% on total number of pieces bought)



Recycled input materials

To reduce its environmental footprint, Sogefi puts particular emphasis on the use of recycled input materials. In 2019, the Filtration Business Unit used around 5% of chemicals, 45% of packaging and 33% of aluminium casting derived from recycled input material.

Air & Cooling

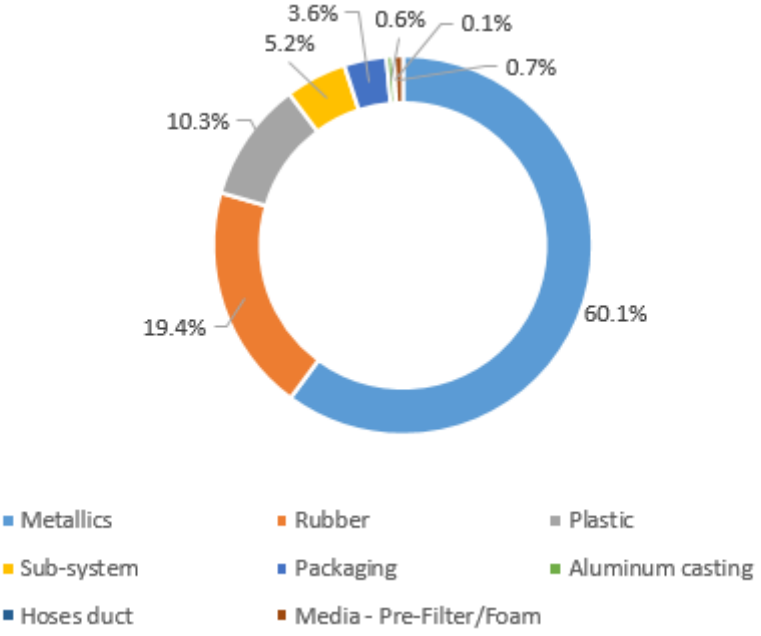
In the **Air & Cooling** Business Unit, raw materials, associated process materials and semi-manufactured goods or parts are used for the production of air intakes, manifolds and cooling systems.

Raw materials

In 2019, more than 22,000 tons of Chemicals were used with a reduction of 4% compared to 2018.

Semi manufactured goods or parts

Semi-manufactured goods or parts used by A&C in 2019[32]



For **A&C**, semi-manufactured category is mostly comprised of metallic parts used for the production of oil/petrol filters, rubber and plastic parts. Plastic is needed for the injection of plastic granulate to mold plastic parts internally: this process is called ‘plastic injection molding’.

In 2019, all sites re-grinded plastic scraps in order to reuse plastic materials in the production process. For example, the **A&C** plant in Monterrey reduced resins purchasing by 15% through grinding scrap plastic parts and reinserting in the process all possible plastic resins. In 2019, the plant reused the 90% of scrap plastic parts.

Furthermore, various initiatives with the aim of reducing material consumption were implemented. For instance, in Titesti (Romania), the reorganization of packaging resulted in the reduction of packaging materials and components used. In addition, in Gurgaon (India), several optimization actions were implemented regarding the use of returnable packaging, optimal use of consumable items, reuse of polybags and packaging material savings.

In 2019, metallic, rubber and plastic parts accounted respectively more than 280.8 million pieces (+2% compared to 2018), roughly 90.5 million pieces (-1% compared to 2018) and more than 48

[32] The chart above depicts semi-manufactured good or parts expressed as percentage of total number of pieces purchased (excluding chemicals-glue/oil).

million pieces (-1% compared to 2018). These three semi-manufactured goods comprise 89.8% of overall **Air & Cooling** semi-manufactured goods. Sub systems, packaging, aluminum castings, hoses duct and media/pre-filter foam represent the rest (10.2%).

Associated process materials

In 2019, the **Air & Cooling** Business Unit used around 764 kg of packaging film material (+54% in respect of 2018).

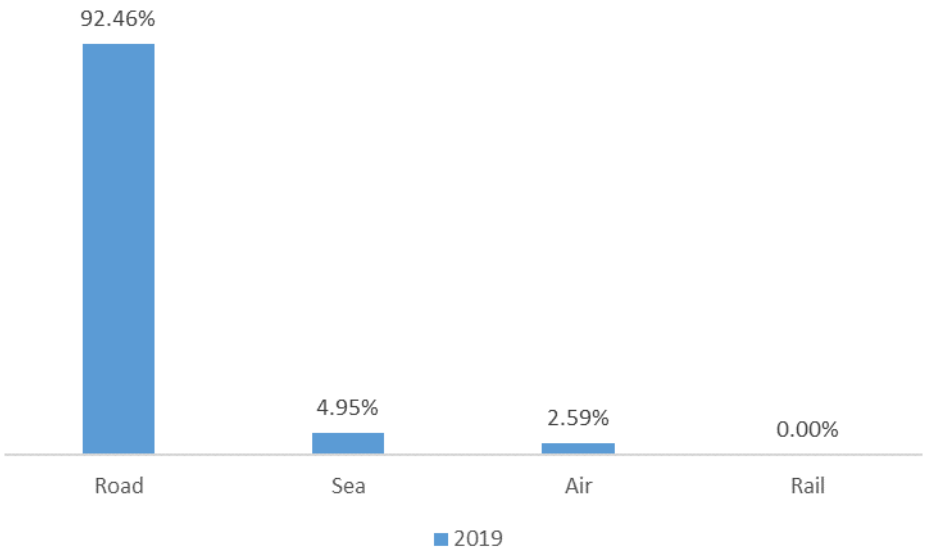
6.6 Impact of logistics and transportation

In the automotive sector, where the efficiency and the reliability of the supply chain are a fundamental requirement for customers, the management of the logistics flows is a key process for companies like Sogefi that operate in multiple locations around the world, and therefore represents a critical factor for success and competitiveness.

In Sogefi, considering the proximity to the customers' plants, the cargo is the most widely used method of transport for all Business Units (92.46%), followed by sea (4.95%) and air (2.59%).

While the Group spend on transportation by cargo by road increased, transport by air and rail remains the lowest percentage of spend and the values remain in line with 2018.

Percentage of transportation by spend



Given the high percentage of transportation that occurs by road, the Group is committed to paying attention to the impact that is logistics and transportation systems have on the environment, from global warming to local smog and noise. In this regard, Sogefi is committed to optimize the transportation flows and promote a more sustainable approach along the entire supply chain.

In particular, the Group has adopted a **Global Purchasing approach**, which allows for the optimization of the logistics services and transportation with the involvement of several regional offices and manufacturing plants.

Under this approach, the Group has optimized its purchasing perimeter in the following ways:

- Through the implementation by the Central Headquarter of transverse standard processes in the Group at worldwide level among the different Business Units;
- With the reinforcement of targeted quality standards, ISO 9001:2015 validated for Sogefi Group Central Panel of “Carriers & Logistic service providers”;
- Through a commitment in ‘logistics’ contracts to specific clauses related to ISO 9001:2015 certifications, only regarding the Business Unit **Filtration**;
- With the implementation of a Business continuity plan to be respected among existing processes with Carriers and Logistics service providers for improving the reliability of subcontracted transportation and logistics service activities;
- With a reduction in the number of local carriers working with Sogefi plants, allowing the implementation of Sogefi standards with carriers selected among the Central Dream Panel;
- Proposal by carriers of “Green shipments”, by bi-modal road-rail shipments, trucks with gas, optimization of transport planning, and so on) that may lead to smaller annual CO_2 volume emissions, instead of standard solutions.

In addition, Sogefi **Filtration** started a **Supply Chain Transformation Plan** in 2019 to optimize all flows. This transformation is based on 3 pillars:

- Improve warehouse footprint: reduce global transportation distances by having the warehouse nearer to suppliers and customers. In 2019, this resulted in a new warehouse location in UK and Poland;
- Optimize road transportation: usage of FTL (Full Truck Load) is now a policy and daily tracking of LTL (Less than Truck Load) and Express shipment have resulted in an increase of FTL usage in 2019. In addition, an initiative of milk-run implementation will start in 2020;
- Reduce environmental impact of logistics: the Global Logistic Standard has been written to standardize the logistic standards. This standard emphasizes usage of electrical vehicle in all warehouses and promotes usage of returnable package on logistic flows.

Finally, Sogefi is committed to promote at Group level the further initiatives to minimize the impact of logistics flow on the environment.

One of the initiatives is connected to the promotion of usage of **returnable packaging** when feasible or required by the customer. Sogefi’s packaging is a part of the Group’s strategy of continuous innovation, which is applied to its products and their distribution. The latest technologies are included in the design of this particular solution: each package bears a QR code to give the user immediate access to online fitting instructions, which are also included inside in printed format. In addition, key specifications such as serial number and barcode are clearly displayed on both sides, one of which is a removable label.

By optimizing the packaging system, the Group facilitates the logistics for the Aftermarket cabin air filters. The key goal is to create environmentally friendly products to optimize logistical work for all parties involved. The innovative packaging for Sogefi cabin air filters is made entirely of transparent, 100% recyclable polypropylene plastic, 50 micron thick. The same material is used for the label that allows a quicker and more efficient recycling process. Unlike the usual cardboard box, the material hermetically seals the product, offering full protection from dust and humidity, which are two major risks to cabin air filters. Despite its flexibility, the plastic wrapping serves as an excellent defense against physical damage, thanks to the resistance of the material in combination with the sealing

process. Moreover, it can mould to the product, meaning that the package itself is smaller and lighter than a box.

Other initiatives were related to incentivizing employees to reuse pallets and carton boxes as much as possible to reduce waste.

In addition to this, Sogefi Suspension has developed the concept of final assembly of accessories on the stabilizer bar when close to the final customer. A first example is an advance warehouse in Romania to supply HJD project to Dacia; the same concept has been proposed for Morocco and in China.

Additionally, the Group aims to optimize the flows and number of trucks on the road in order to minimize potential waste and destock by, for example, using half and mini pallets or standardizing cartons and pallets size. Indeed, the Group, along with its customers, focuses on maximizing the number of parts in each box: when designing the packages of finished goods, the aim is to fit as many goods as possible in each unit of package while still guaranteeing the maximum protection of the product. For instance, Sogefi **Air & Cooling** analyses the local requirements of every new customer business and project, with the aim of optimizing the packaging and number of parts per box. This initiative reduces or eliminates unnecessary stuffing (such as plastic material) inside the boxes and increases the quantity of products in each shipment, reducing shipping costs.
Another example relates to Sogefi **Filtration** which supply chain specifications were shared with all suppliers to optimize packing and palletization, resulting in packaging optimization up to 30% in US Plant.

Since September 2019, Milkrun trucks in the east of France with crossdocking near Colmar to Titesti aim at maximizing the number of parts in the truck volume and to reduce the number of trucks in the incoming area. With the purchasing team, Sogefi **Air & Cooling** analyzes two other improvements for 2020:

- Add news flows of suppliers with crossdocking;
- Studies to add the flows to Sogefi plant with the same Titesti's suppliers.

Likewise, the **Filtration** Business Unit is implementing different initiatives:

- implement an automatic stretch wrapper, which eliminates manual effort and prevents potential accidents.
- Define an action plant to buy all plastic raw materials and most of other components from the European market;
- use third parties' warehouse located near customers' plants to minimize the risk of shortage and prevent urgent deliveries (urgent truck shipping or air shipping);
- reinternalize external plant warehouses has been launched. In 2019, the **Filtration** Business Unit reinternalized three warehouses (Tredegar, Medvode, Tangier) and, in 2020, other two warehouses will be reinternalized (Vire and Bangalore). Thus, at the end of 2020, five external warehouses will be operated internally resulting in the suppression of transportation flow between warehouses and plants and consequently environmental impacts linked to these daily transfers;
- use only transport companies with environmental certificates, such as ISO 14001:2015 and, as done by the **Air & Cooling** Business Unit, choose the best organization for each customer flow through the MIFD (Material and Information Flow Diagram) tool;

- Sogefi Mexico: relocate as many components as possible to local suppliers, so to reduce the distance with the Business Unit. With the suppliers located in the US, Sogefi Mexico maximizes space in trucks to avoid extra journeys and considers adequate alternative transportation when a full truck load is not required. For cargos from oversea suppliers (Europe and China), vessel transportation is used, and a consolidation warehouse is used to store the material until the container has reached capacity. When this is not the case, Sogefi allows other forwarders to put material from other companies that share the same destination. In case of overseas customers, a full container is shipped once a month to fulfil the demand for the month. For cost reduction, Sogefi Mexico re-negotiates logistics cost with carriers and forwarders every six months according to volume, designs new routes to shorten the distance and keeps consolidation strategies between suppliers or customers open.

7 Responsible procurement practices

Due to the size and geographical extent of the Group's activities, Sogefi plays a significant role with respect to the economic, social and environmental aspects related to the communities and the countries in which it operates.

In Sogefi, purchasing procedures are based on the search for maximum competitive advantage, equal opportunities for all suppliers, loyalty and impartiality. The Group implements strategies to manage responsibly its procurement practices and related risks, ranging from the Code of Business Conduct to the Supplier Initial Assessment Checklist.

The choice of suppliers and the determination of purchasing conditions are based on an objective evaluation of quality, price and ability to supply and guarantee services of the required level.

The Group engages with different suppliers, ranging from direct material suppliers to indirect suppliers[33]; taking into consideration all business units, the Group engages with more than 1,500 suppliers worldwide.

As the Group engages with different types of suppliers and is committed to promote and work with a sustainable supply chain, Sogefi - through the Purchasing Departments of each Business Unit - requires new and existing suppliers to sign and accept the Group Code of Business Conduct (as described in the paragraph below) and Sogefi's General Purchasing Conditions. Moreover, the environmental certification ISO 14001:2015 is currently part of the Supplier General Information Survey and Supplier Initial Assessment Checklist requested to the suppliers during the selection process and evaluated as factor to cooperate with the Group.

Finally, the responsible selection of suppliers also includes the sourcing of raw materials, aspect demonstrated by Sogefi's commitment to disclosing the composition of the substances it uses and the use of the International Material Data System to report all of the materials used. Sogefi thus tracks the composition of the materials and components in its product, requiring its suppliers to and ensuring that the material used adhere to the relevant norms (*for more information on IMDS please consult the Chapter Focus on the quality and safety of products*).

The collection of information and assessment is monitored on a global basis.

7.1 Code of Business Conduct

Sogefi aims at promoting and disseminating ethical principles, formalized in the Group Code of Business Conduct (CBC), published for the first time in 2016, throughout its entire supply chain.

Sogefi Group expects all suppliers and business partners receiving the CBC to comply with the indications set out in it, as well as with all the applicable laws and regulations, with regard to the respect of human rights, business ethics, global working conditions and protection of the environment.

In line with last year, the CBC been sent to more than 1,000 suppliers (almost 300 suppliers by **Air & Cooling**, more than 400 by **Filtration** and 314 by Suspension) of which 46% have returned it signed.

[33] Examples of suppliers can include, but are not limited to: broker, consultant, contractor, distributors, franchisee or licensee, home workers, Independent contractors, manufacturer, Primary producer, Sub-contractor, Wholesalers.

7.2 Conflict minerals and suppliers

As an automotive manufacturer with operations worldwide, Sogefi is committed to fight against the extraction of natural resources that come from conflict zones. These are known as conflict minerals and come from or are extracted in many different locations around the world, including the Democratic Republic of Congo. In some case, these directly or indirect benefit armed groups.

For this reason, Sogefi implemented systems to handle the purchasing of conflict minerals (such as the tantalum, tin, tungsten and gold) and to ensure the fair origin of such materials.

The Group asks new suppliers to disclose whether their products contain conflict minerals and, if that is the case, requires them to provide the Conflict Minerals Reporting Template, a reporting template developed by the Conflict-Free Sourcing Initiative to facilitate the transfer of information in the supply chain on the country of origin of the mineral and smelters and refiners used.

As part of the Group's commitment for fighting the use of conflict materials, these CMRT templates are sent to each car manufacturer and subsequently sent to all suppliers who may employ conflict minerals as raw materials. The templates are then verified so to undertake any required action (sub-supplier modification, supplier resourcing, etc.)

Moreover, Sogefi included the Conflict Mineral Declaration as part of its Quality Requirement File (QRF) during the RFQ phase. This document has to be agreed and signed by the supplier as a way to assure its compliance. In case of customer requests, the Conflict Mineral Declaration, the Business Unit transfers this request via the Purchasing Department to all suppliers using the product BOM (bills of materials showing the list of raw materials, components and assemblies required for a product).

As a goal for 2019, the Group intends to establish a global process and a tool to manage the declaration on conflict minerals.

7.3 Attention towards local suppliers

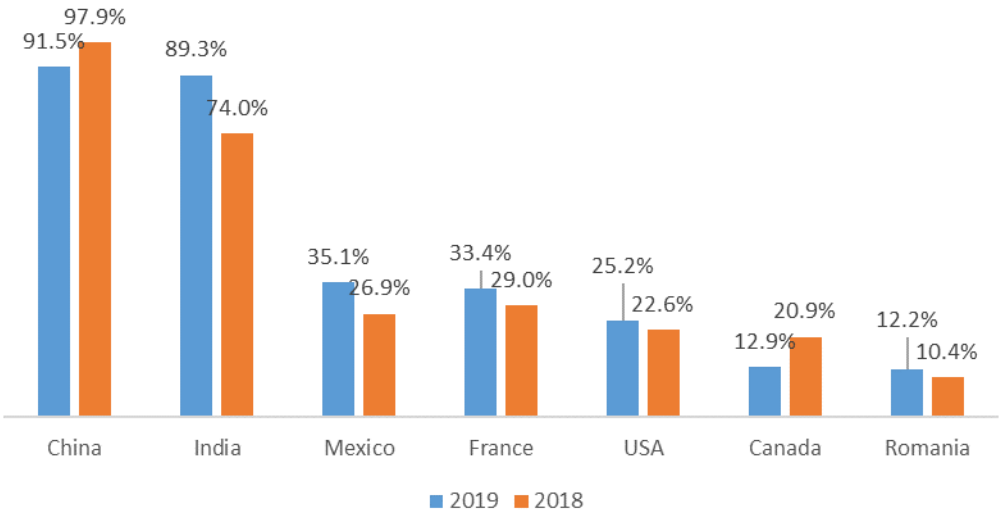
To strengthen the bond with the territory, Sogefi makes an effort to give priority to local suppliers[34], contributing to the local economic growth. Sogefi in fact supports local suppliers, aiming at indirectly attracting additional investment to the local economy and maintaining community relations.

Additionally, Sogefi pays attention to the location of its plants. For this reason, the Group is committed to minimizing the transportation of products by strategically positioning its plants.

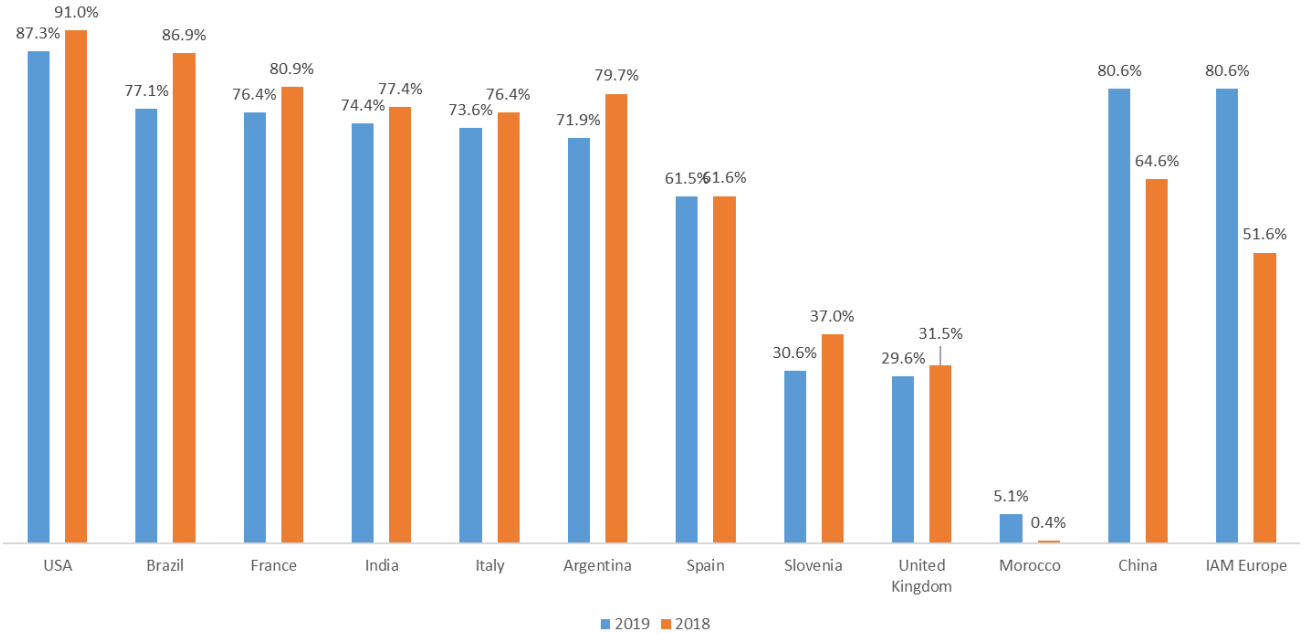
The table below shows the percentage of the Group's procurement budget spent locally on suppliers, for significant locations of operations.

[34] Local suppliers: suppliers of goods and/or services with headquarters in the same country as Sogefi's operations.

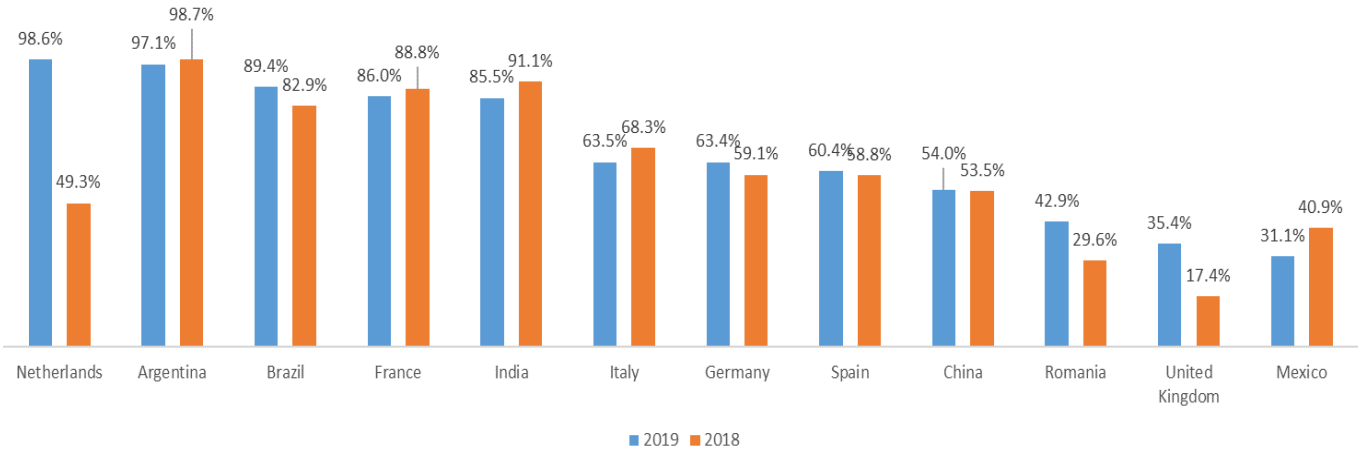
Percentage of products and services purchased locally 2019 - A&C



Percentage of product and services purchased locally 2019 – Filtration



Percentage of product and services purchased locally 2019 – Suspensions



Annex

Human resources[35]

Total workforce									
no. of persons	***2017***			***2018***			***2019***		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees	5,209	1,712	6,921	5,187	1,780	6,967	5,054	1,757	6,811
Supervised workers	873	370	1,243	897	429	1,326	984	227	1,211
Total	**6,082**	**2,081**	**8,163**	**6,084**	**2,209**	**8,293**	**6,038**	**1,984**	**8,022**

Breakdown of employees by employee category by gender									
%	***2017***			***2018***			***2019***		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	2%	0%	2%	2%	0%	2%	1%	0.22%	2%
Office staff	21%	8%	29%	21%	8%	29%	19%	7%	27%
Blue collar	56%	18%	74%	51%	18%	69%	54%	18%	72%
Total	**79%**	**26%**	**100%**	**74%**	**26%**	**100%**	**74%**	**26%**	**100%**

Breakdown of employees by employee category by Region									
%	***2017***			***2018***			***2019***		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	43%	16%	58%	42%	16%	58%	41%	17%	59%
North America	8%	3%	12%	9%	3%	12%	9%	3%	12%
South America	14%	3%	17%	13%	3%	16%	12%	3%	15%
Asia	11%	2%	13%	11%	2%	13%	13%	2%	15%
Total	**75%**	**25%**	**100%**	**74%**	**26%**	**100%**	**74%**	**26%**	**100%**

Breakdown of employees by gender and Business Unit									
%	***2017***			***2018***			***2019***		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
A&C	15%	7%	21%	15%	7%	22%	14%	7%	21%
Suspensions	34%	4%	38%	32%	4%	35%	30%	4%	34%
Filtration	26%	14%	40%	27%	14%	41%	30%	15%	44%
Other[36]	1%	0%	1%	1%	0%	1%	0%	0%	1%
Total	**75%**	**25%**	**100%**	**74%**	**26%**	**100%**	**74%**	**26%**	**100%**

[35] Data on human resources of 2017 does not include employees in the new plants and offices of Filter Systems Maroc S.a.r.l and Sogefi Filtration Russia, as they have only been included in the consolidation perimeter at the end of 2017. Data on human resources of 2019, does not include the plant of Sogefi Suspensions Eastern Europe S.R.L. (Romania) which is under construction and counts 7 people at the end of the reporting period (31.12.2019).

[36] The category 'Other' refers to the Sogefi S.p.A. and Sogefi Gestion S.A.S.

Breakdown of employees by employee category according to gender and age group									
2017									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0%	0%	1%	0%	1%	0%	2%	0%	2%
Office staff	3%	1%	13%	5%	4%	1%	21%	7%	28%
Blue collar	10%	3%	30%	9%	13%	5%	54%	17%	70%
Total	**13%**	**4%**	**44%**	**14%**	**19%**	**7%**	**75%**	**25%**	**100%**

Breakdown of employees by employee category according to gender and age group									
2018									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0%	0%	1%	0%	1%	0%	2%	0%	2%
Office staff	3%	1%	13%	5%	4%	2%	21%	8%	29%
Blue collar	10%	3%	28%	9%	13%	5%	51%	18%	69%
Total	**13%**	**4%**	**43%**	**14%**	**18%**	**7%**	**74%**	**26%**	**100%**

Breakdown of employees by employee category according to gender and age group									
2019									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0%	0%	1%	0%	1%	0%	1%	0%	2%
Office staff	2%	1%	13%	5%	4%	1%	19%	7%	27%
Blue collar	11%	4%	30%	9%	13%	5%	53%	18%	72%
Total	**13%**	**5%**	**43%**	**14%**	**18%**	**6%**	**74%**	**26%**	**100%**

Breakdown of employees according to gender and age group by Business Unit									
2017									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	2%	1%	10%	4%	3%	2%	14%	7%	21%
Suspensions	5%	1%	19%	2%	9%	1%	33%	4%	37%
Filtration	6%	2%	14%	7%	7%	4%	27%	14%	41%
Other	0%	0%	0%	0%	0%	0%	1%	0%	1%
Total	**13%**	**4%**	**43%**	**14%**	**19%**	**7%**	**75%**	**25%**	**100%**

Breakdown of employees according to gender and age group by Business Unit									
2018									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	2%	1%	10%	4%	3%	2%	15%	7%	22%
Suspensions	5%	1%	18%	2%	9%	1%	32%	4%	35%
Filtration	6%	3%	14%	7%	7%	4%	27%	14%	41%

Breakdown of employees according to gender and age group by Business Unit									
2018									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Other	0%	0%	0%	0%	0%	0%	1%	0%	1%
Total	**13%**	**4%**	**43%**	**14%**	**18%**	**7%**	**74%**	**26%**	**100%**

Breakdown of employees according to gender and age group by Business Unit									
2019									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	2.8%	1.1%	9.0%	3.9%	2.5%	1.5%	**14%**	**7%**	**21%**
Suspensions	2.8%	0.6%	19.1%	2.4%	8.5%	0.7%	**30%**	**4%**	**34%**
Filtration	7.4%	3.5%	14.8%	7.7%	6.9%	4.0%	**29%**	**15%**	**44%**
Other	0.0%	0.0%	0.3%	0.3%	0.1%	0.1%	**0%**	**0%**	**1%**
Total	**12.9%**	**5.2%**	**43.2%**	**14.3%**	**18.1%**	**6.3%**	**74%**	**26%**	**100%**

Breakdown of employees according to gender and age group by Region									
2017									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	4%	1%	24%	9%	15%	6%	42%	16%	59%
North America	2%	1%	5%	1%	2%	1%	9%	3%	11%
South America	3%	1%	9%	2%	2%	0%	14%	3%	17%
Asia	4%	1%	6%	1%	0%	0%	11%	2%	13%
Total	**13%**	**4%**	**43%**	**14%**	**19%**	**7%**	**74%**	**26%**	**100%**

Breakdown of employees according to gender and age group by Region									
2018									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	4%	2%	23%	9%	15%	6%	42%	16%	58%
North America	2%	1%	5%	1%	2%	1%	9%	3%	12%
South America	3%	1%	9%	2%	2%	0%	13%	3%	16%
Asia	4%	1%	7%	2%	0%	0%	11%	2%	13%
Total	**13%**	**4%**	**43%**	**14%**	**18%**	**7%**	**74%**	**26%**	**100%**

Breakdown of employees according to gender and age group by Region									
2019									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	4%	3%	22%	9%	14%	5%	**41%**	**17%**	**59%**
North America	2%	1%	5%	1%	2%	1%	**9%**	**3%**	**12%**
South America	2%	1%	9%	2%	2%	0.1%	**12%**	**3%**	**15%**
Asia	5%	1%	8%	2%	0.5%	0.01%	**13%**	**2%**	**15%**

Total	**13%**	**5%**	**43%**	**14%**	**18%**	**6%**	**74%**	**26%**	**100%**

Employees by type of employment (Fixed term contract vs. Permanent contract)									
no. of persons	**2017**			**2018**			**2019**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Fixed term	429	92	521	219	49	268	220	51	271
Permanent	4,781	1,620	6,400	4,968	1,731	6,699	4,834	1,706	6,540
Total	**5,209**	**1,712**	**6,921**	**5,187**	**1,780**	**6,967**	**5,054**	**1,757**	**6,811**

Employees by type of employment (Fixed term contract vs permanent contract) by Region in 2019											
No. of persons	Europe		North America		South America		Asia		Total		
	M	F	M	F	M	F	M	F	M	F	TOT
Fixed term	220	51	0	0	0	0	0	0	220	51	271
Permanent	2,580	1,134	593	220	805	197	856	155	4,834	1,706	6,540
Total	**2,800**	**1,185**	**593**	**220**	**805**	**197**	**856**	**155**	**5,054**	**1,757**	**6,811**

Employees by type of employment (Full time vs Part time)									
no. of persons	**2017**			**2018**			**2019**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full time	4,950	1,542	6,492	5,151	1,680	6,831	5,025	1,675	6,700
Part time	27	101	128	36	100	136	29	82	111
Total	**4,977**	**1,643**	**6,620**	**5,187**	**1,780**	**6,967**	**5,054**	**1,757**	**6,811**

Employees by type of employment (Full time vs Part time) by Region in 2019											
No. of persons	Europe		North America		South America		Asia		Total		
	M	F	M	F	M	F	M	F	M	F	TOT
Full time	2,772	1,104	593	220	805	196	855	155	5,025	1,675	6,700
Part time	28	81	0	0	0	1	1	0	29	82	111
Total	**2,800**	**1,185**	**593**	**220**	**805**	**197**	**856**	**155**	**5,054**	**1,757**	**6,811**

Percentage of employees covered by collective bargaining agreements by Region									
%	**2017**			**2018**			**2019**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	95.3	97.0	95.8	96.6	98.2	97.0	97.4%	98.2%	97.6%
North America	50.7	48.6	50.1	52.8	46.3	51.0	45.4%	38.2%	43.4%
South America	80.4	87.8	81.8	97.1	93.8	96.4	95.8%	96.4%	95.9%
Asia	5.4	3.0	5.0	5.5	3.0	5.0	53.9%	31.0%	50.3%
Total	**74.9**	**80.9**	**76.4**	**78.4**	**81.9**	**79.3**	**83.7%**	**84.6%**	**83.9%**

New hires															
no. of persons	**2017**					**2018**					**2019**				
	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%
Male	455	383	51	**889**	17.2	347	388	64	**799**	15.4	425	424	86	**935**	18.5
Female	129	164	18	**311**	18.4	138	182	23	**343**	19.2	177	184	23	**384**	21.9
Total	**584**	**547**	**69**	**1,200**	**17.5**	**485**	**570**	**87**	**1,142**	**16.4**	**602**	**608**	**109**	**1.319**	**19.4**

New hires 2019, by region										
no. of persons	<30		30-50		>50		Total		Turnover	
	M	F	M	F	M	F	M	F	M	F
Europe	169	128	241	117	72	20	482	265	17%	22%
North America	67	22	51	25	9	3	127	50	21%	23%
South America	17	10	44	10	1	0	62	20	8%	10%
Asia	172	17	88	32	4	0	264	49	31%	32%
Total	**425**	**177**	**424**	**184**	**86**	**23**	**935**	**384**	**18%**	**22%**

Terminations															
no. of persons	**2017**					**2018**					**2019**				
	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%
Male	243	533	135	**911**	17.6	232	438	164	**834**	16.1	267	408	172	847	16.8
Female	66	107	39	**212**	12.6	81	141	65	**287**	16.1	89	156	72	317	18.1
Total	**309**	**640**	**174**	**1,123**	**16.4**	**313**	**579**	**229**	**1,121**	**16.1**	**356**	**564**	**244**	**1.164**	**17.1**

Terminations 2019, by region										
no. of persons	<30		30-50		>50		Total		Turnover	
	M	F	M	F	M	F	M	F	M	F
Europe	99	38	189	62	119	57	407	157	15%	13%
North America	82	32	64	27	15	13	161	72	27%	33%
South America	46	13	87	42	34	2	167	57	21%	29%
Asia	40	6	68	25	4	0	112	31	13%	20%
Total	**267**	**89**	**408**	**156**	**172**	**72**	**847**	**317**	**17%**	**18%**

	Average basic salary of women to men by employee category, per region[37]			**Average remuneration of women to men by employee category, per region**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
Europe						
Management	0.44	0.84	0.91	0.48	0.56	0.91
Office staff	0.74	0.79	0.80	0.73	0.80	0.80

[37] Not significant has been reported when there is no female employees in the specific employment category.

	Average basic salary of women to men by employee category, per region[37]			Average remuneration of women to men by employee category, per region		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
Blue collars	0.65	0.50	0.90	0.73	0.38	0.90
North America						
Management	*Not significant*	0.13	0.67	*Not significant*	0.67	0.55
Office staff	0.83	0.78	0.74	0.86	0.80	0.63
Blue collar	0.96	0.95	0.82	0.92	0.95	0.80
South America						
Management	*Not significant*	0.52	0.03	*Not significant*	0.45	0.04
Office staff	0.47	0.53	0.64	0.47	0.55	0.62
Blue collar	0.60	0.55	0.65	0.56	0.56	0.63
Asia						
Management	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*
Office staff	0.76	0.85	0.66	0.77	0.85	0.45
Blue collar	0.55	0.91	0.89	0.61	1.03	0.89

Total hours of training by employee category by gender									
no. of hours	**2017**			**2018**			**2019**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	1,895	156	**2,051**	1,672	376	**2,048**	1,499	278	1,777
Office staff	33,214	9,784	**42,998**	33,463	10,055	**43,518**	47,096	13,874	60,969
Blue collar	44,706	10,909	**55,615**	58,050	15,469	**73,518**	68,045	25,009	93,054
Total	**79,815**	**20,849**	**100,664**	**93,184**	**25,899**	**119,083**	**116,640**	**39,160**	**155,801**

Average hours of training per employee by employee category by gender									
no. of hours	**2017**			**2018**			**2019**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	13.7	9.2	**13.2**	13.9	16.3	**15.3**	15.6	18.5	**16.0**
Office staff	23.7	19.5	**22.6**	22.4	18.5	**21.4**	35.6	28.2	**33.6**
Blue collar	12.2	9.1	**11.4**	16,3	12,7	**14,3**	18.7	20.0	**19.0**
Total	**15.3**	**12.2**	**14.5**	**18.0**	**14.5**	**17.1**	**23.1**	**22.3**	**22.9**

Employees receiving regular performance and career development reviews						
%	**2017**		**2018**		**2019**	
	Male	Female	Male	Female	Male	Female
Management	69.6	82.4	75.0	69.6	85.4	73.3
Office staff	73.1	66.1	64.7	83.6	67.7	80.8
Blue collar	52.8	30.9	65.0	62.3	52.7	43.5
Total	**58.6**	**41.7**	**65.2**	**68.9**	**57.2**	**54.2**

Occupational Health and Safety[38]

Work-related injuries – Employees						
number	2018			2019		
	Male	Female	Total	Male	Female	Total
Work-related injury	91	25	**116**	46	16	**62**
of which fatalities	0	0	**0**	0	0	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	**0**	1	0	**1**

Work-related injuries by Region 2018 – Employees															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related injury	55	12	67	16	11	27	18	0	18	2	2	4	**91**	**25**	**116**
of which fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

Work-related injuries by Region 2019 – Employees															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related injury	37	14	51	2	2	4	6	0	6	1	0	1	**46**	**16**	**62**
of which fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	1	0	1	0	0	0	**1**	**0**	**1**

Work-related injuries – Supervised Workers						
number	2018			2019		
	Male	Female	Total	Male	Female	Total
Work-related injury	68	21	**89**	30	3	**33**
of which fatalities	0	0	**0**	0	0	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	**0**	1	1	**2**

[38] The data for 2017, referring to occupational health and safety, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

Work-related injuries by Region 2018 – Supervised Workers															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related injury	20	6	26	36	14	50	4	0	4	8	1	9	**68**	**21**	**89**
of which fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

Work-related injuries by Region 2019 – Supervised Workers															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related injury	29	2	31	0	1	1	0	0	0	1	0	1	**30**	**3**	**33**
of which fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	0	0	1	1	0	0	0	1	0	1	**1**	**1**	**2**

Temporal data – Hours Worked Employees						
Hours	2018			2019		
	M	F	TOT	M	F	TOT
Europe	4,277,758	1,725,501	**6,003,259**	4,488,815	1,947,747	**6,436,563**
North America	1,090,595	420,631	**1,511,226**	1,218,928	449,499	**1,668,427**
South America	1,862,669	468,620	**2,331,289**	854,476	411,815	**1,266,291**
Asia	1,347,294	386,908	**1,734,202**	777,534	416,141	**1,193,675**
Group	8,578,316	3,001,659	**11,579,975**	7,339,753	3,225,202	**10,564,956**

Temporal data – Hours Worked Supervised Workers [39]						
Hours	2018			2019		
	M	F	TOT	M	F	TOT
Europe	916,630	453,091	**1,369,721**	837,849	617,881	**1,455,731**
North America	733,055	226,952	**960,006**	255,62	66,603	**322,245**
South America	94,820	41,954	**136,774**	11,894	6,637	**18,531**
Asia	1,189,513	383,554	**1,573,067**	548,618	0	**548,618**
Group	2,934,017	1,105,551	**4,039,568**	**1,654,003**	**691,122**	**2,345,125**

Work-related ill health by Region 2018 – Employees															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related ill health	13	5	18	13	11	24	15	2	17	0	0	0	**41**	**18**	**59**
n.of fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

Work-related ill health by Region 2019 – Employees															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related ill health	14	11	25	0	1	1	17	0	17	0	0	0	**31**	**12**	**43**
n. of fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

Work-related ill health by Region 2018 – Supervised Workers															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related ill health	11	4	15	0	0	0	4	0	4	0	0	0	**15**	**4**	**19**
n. of fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

[39] For 2018 and 2019, some supervised worker left the company before December 31st 2018 and December 31st 2019, thus is not counted in the total workforce. However, their hours worked are.

Work-related ill health by Region 2019 – Supervised Workers															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related ill health	0	1	1	0	0	0	0	0	0	0	0	0	**0**	**1**	**1**
n. of fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

Environment[40]

Electricity

Electricity consumption by Business Unit						
	2017		2018		2019	
	MWh	*GJ*	*MWh*	*GJ*	*MWh*	*GJ*
A&C	54,102	194,766	51,608	185,786	51,482	185,334
Suspensions	153,018	550,860	155,798	560,870	140,335	505,200
Filtration	70,726	254,610	63,224	227,605	61,402	221,046
Total	**277,846**	**1,000,237**	**270,630**	**974,260**	**253,219**	**911,580**

Electricity consumption by Region						
	2017		2018		2019	
	MWh	*GJ*	*MWh*	*GJ*	*MWh*	*GJ*
Europe	181,886	654,784	180,993	651,570	168,261	605,734
North America	30,271	108,974	29,840	107,423	30,130	108,466
South America	41,408	149,068	36,528	131,498	32,216	116,339
Asia	24,281	87,411	23,269	83,768	22,512	81,041
Total	**277,846**	**1,000,237**	**270,630**	**974,260**	**253,219**	**911,580**

Natural gas

Natural gas consumption by Business Unit						
	2017		2018		2019	
	m^3	*GJ*	m^3	*GJ*	m^3	*GJ*
A&C	649,362	25,332	706,264	27,551	673,284	26,265
Suspensions	35,320,097	1,377,837	34,008,310	1,326,664	32,645,381	1.273,496
Filtration	1,979,394	77,216	2,020,143	78,806	1,789,243	69,799
Total	**37,948,852**	**1,480,385**	**36,734,717**	**1,433,021**	**35,107,908**	**1,369,560**

[40] Environmental data (energy and greenhouse gas emissions, waste and water discharges) consider the total number of production facilities of the Sogefi Group. The figures do not include the minor administrative offices that are not relevant for energy consumption. To convert to GJ, consider electricity: 1 kWh = 0.0036 GJ; for natural gas: 1 m3 = 0.03901 GJ.

Natural gas consumption by Region						
	2017		2018		2019	
	m^3	GJ	m^3	GJ	m^3	GJ
Europe	26,746,938	1,043,398	25,401,841	990,926	25,516,697	995,407
North America	341,567	13,325	496,157	19,355	420,222	16,393
South America	9,167,295	357,616	9,211,656	359,347	7,787,706	303,798
Asia	1,693,053	66,046	1,625,063	63,394	1,383,283	53,962
Total	**37,948,852**	**1,480,385**	**36,734,717**	**1,433,021**	**35,107,908**	**1,369,560**

Waste

Group waste generation									
ton	2017			2018			2019		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Group	6,003	24,026	**30,029**	7,462	25,587	**33,049**	4,722	24,294	**29,686**

Waste generation by Business Unit									
ton	2017			2018			2019		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
A&C	187	3,000	**3,187**	213	3,179	**3,392**	135	2,479	**2,615**
Suspensions	4,102	13,551	**17,653**	5,429	14,214	**19,643**	1,187	8,299	**9,486**
Filtration	1,714	7,475	**9,189**	1,820	8,194	**10,014**	3,400	14,186	**17,586**
Total	**6,003**	**24,026**	**30,029**	**7,462**	**25,587**	**33,049**	**4,722**	**24,964**	**29,686**

Waste generation by Region									
ton	2017			2018			2019		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Europe	3,998	15,350	**19,348**	5,797	15,969	**21,766**	3,428	15,414	**18,841**
North America	21	2,049	**2,070**	259	2,251	**2,510**	39	1,712	**1,751**
South America	1,602	5,418	**7,020**	1,013	6,111	**7,124**	759	6,713	**7,472**
Asia	382	1,209	**1,591**	393	1,256	**1,649**	497	1,125	**1,622**
Total	**6,003**	**24,026**	**30,029**	**7,462**	**25,587**	**33,049**	**4,722**	**24,964**	**29,686**

Waste by type of disposal			
ton	2019		
	Hazardous	Non-hazardous	Total
Reuse	509	5,470	**5,978**
Recycling	557	13,948	**14,505**
Composting	0	10	**10**
Recovery, including energy recovery	485	1,737	**2,223**
Incineration	758	1,034	**1,792**
Deep well injection	0	0	**0**

Waste by type of disposal			
Landfill	770	1,601	**2,370**
On-site storage	7	0	**7**
Other	1,637	1,164	**2,800**
Total	**4,722**	**24,964**	**29,686**

Water withdrawal[41]

Water withdrawal 2017			
Ml		**Total water withdrawal**	**Water withdrawal from water stressed areas**
Water withdrawal by source	**Surface water**		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	552	1
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Groundwater		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	328.5	30.3
	Other water (>1,000 mg/L Total Dissolved Solids)	305.5	-
	Sea water	-	-
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Produced water	-	-
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Third-party water		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	699	211
	Other water (>1,000 mg/L Total Dissolved Solids)	24.5	24.5
Total water withdrawal	Surface water (total) + groundwater (total) +	**1,908.6**	**266.8**

[41] The data for 2017, referring to water withdrawal, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

	seawater (total) + produced water (total) + third-party water (total)		

Water withdrawal 2018			
Ml		**Total water withdrawal**	**Water withdrawal from water stressed areas**
Water withdrawal by source	**Surface water**		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	508	1
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Groundwater		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	243.0	23.9
	Other water (>1,000 mg/L Total Dissolved Solids)	345.4	-
	Sea water	-	-
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Produced water	-	-
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Third-party water		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	526.9	194.7
	Other water (>1,000 mg/L Total Dissolved Solids)	18	18
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + produced water (total) + third-party water (total)	**1,641.3**	**237.6**

Water withdrawal 2019			
Ml		**Total water withdrawal**	**Water withdrawal from water stressed areas**
Water withdrawal by source	**Surface water**		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	232.4	-
	Other water (>1,000 mg/L Total Dissolved Solids)	297.3	-
	Groundwater		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	180.5	22.3
	Other water (>1,000 mg/L Total Dissolved Solids)	53.1	3.4
	Sea water		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Produced water		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-
	Other water (>1,000 mg/L Total Dissolved Solids)	-	-
	Third-party water		
	Freshwater (≤1,000 mg/L Total Dissolved Solids)	503.2	137.4
	Other water (>1,000 mg/L Total Dissolved Solids)	14	14
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + produced water (total) + third-party water (total)	**1,280.5**	**177**

Water discharge

The methodology for reporting on water discharge has been modified. In 2018 NFS, the Group reported water discharge following the GRI 306-1 while, in 2019 the disclosure has been done following the GRI 303-4. Water discharge for 2018 therefore has been reviewed following the new methodology, although the amount is the same published in 2018 NFS. The GRI 303-4 required to define the quality of water discharged and if the area is at risk of water stress. *Water stress is defined by the Aqueduct tool, for more information please refer to the chapter "6.4 Water management*".

Water discharge by Region				
Ml	2017			
	Surface water	Public sewer system	Other	Total
Europe	832.5	142.7	284.8	**1,260.0**
North America	0	33.9	0	**33.9**
South America	0	12.6	13.6	**26.2**
Asia	0	43.3	0	**43.3**
Total	**832.5**	**232.5**	**298.4**	**1,363.4**

Water discharge by Business Unit				
Ml	2017			
	Surface water	Public sewer system	Other	Total
A&C	551.5	47.5	11.0	**610.0**
Suspension	236.8	168.9	286.1	**691.8**
Filtration	44.2	16.1	1.3	**61.6**
Total	**832.5**	**232.5**	**298.4**	**1,363.4**

Water discharge 2018			
Ml		**Total water discharge**	**Water discharge from water stressed areas**
Water discharge by destination	Surface water	864.4	2.1
	Groundwater	139.4	2.3
	Sea water	-	
	Third-party water (total)	281	134.1
	Third-party water sent for use to other organizations	-	-
Water discharge by freshwater and other water	Freshwater (≤1,000 mg/L Total Dissolved Solids)	904.9	112.9
	Other water (>1,000 mg/L Total Dissolved Solids)	380	26
Total water discharge		**1,284.9**	**138.5**

Water discharge 2019			
Ml		**Total water discharge**	**Water discharge from water stressed areas**
Water discharge by destination	Surface water	533.9	-
	Groundwater	94.5	3.4
	Sea water	-	-
	Third-party water (total)	234.14	86.2
	Third-party water sent for use to other organizations	-	-

Water discharge 2019			
Water discharge by freshwater and other water	Freshwater (≤1,000 mg/L Total Dissolved Solids)	525.3	51.9
	Other water (>1,000 mg/L Total Dissolved Solids)	337	38
Total water discharge		862.5	89.55

Water Consumption

Water discharge 2018			
		Total water consumption	**Water consumption from water stressed areas**
Water consumption	Total water consumption	356.4	99
	Change in water storage, if water storage has been identified as having a significant water-related impact	34,512	-

Water discharge 2019			
		Total water consumption	**Water consumption from water stressed areas**
Water consumption	Total water consumption	417.9	87.5
	Change in water storage, if water storage has been identified as having a significant water-related impact	35,546	31,307

Materials used

Materials by weight or volume – Filtration Business Unit				
	Unit of measure	**2017**	**2018**	**2019**
RAW MATERIALS				
Steel - Coil	*ton*	15,030	14,420	13,778
Steel - Expanded Metal	*ton*	340	371	546
Steel - Blank sheet	*ton*	85	-	-
Media - Oil/Diesel Filter	*ton*	2,899	2,971	2,776
Media - Foam	*ton*	362	328	13,221
Media - Air Filter	*ton*	5,227	4,401	3,385
Chemicals - RM	*ton*	11,731	11,644	8,858
Chemicals – Adhesive/Glue	*ton*	2,016	2,013	0
Chemicals – Activated carbon	*ton*	410	579	540
Chemicals - Miscellaneous	*ton*	250	380	2,279
Media - Paper Filter	*ton*	-	-	6,002

Materials by weight or volume – Filtration Business Unit				
SEMI MANUFACTURED GOODS OR PARTS				
Rubber	*pc*	251,711,018	248,772,124	232,608,914
Media – Pre-filter/foam	*pc*	16,321,645	21,889,380	31,686,987
Metallics	*pc*	255,150,058	246,241,929	257,365,597
Plastic	*pc*	133,297,814	151,627,084	150,263,757
Sub-systems	*pc*	19,850,748	17,068,409	12,819,211
Packaging – Film	*pc*	158,385,355	164,322,205	155,065,157
Aluminum casting	*pc*	4,552,283	3,624,358	2,379,284
Cooler - MDE	*pc*	2,367,156	2,696,725	2,622,871
Hoses duct	*pc*	3,023,386	3,190,049	0

Materials used by weight or volume – Suspensions Business Unit				
	Unit of measure	**2017**	**2018**	**2019**
RAW MATERIALS				
Steel	*ton*	199,741	195,197	170,878
Chemical products	*ton*	1,831	2,625	1,984
Associated process materials				
Shot peening	*ton*	-	2,141	1,414
Oils & Lubricants	*ton*	-	27	100
SEMI-MANUFACTURED GOODS OR PARTS				
Metallic components	*pcs*	60,968,173	68,821,300	64,334,924
Plastic parts	*Pcs*	12,815,429	12,299,838	10,567,057
Packaging	*pcs*	9,043,936	12,195,577	12,571,816
Rubber bushes	*pcs*	18,150,272	22,020,846	24,544,373

Materials used by weight or volume – Air & Cooling Business Unit				
	Unit of Measure	**2017**	**2018**	**2019**
RAW MATERIALS				
Chemicals - RM	*ton*	23,097	22,985	22,077
ASSOCIATED PROCESS MATERIALS				
Packaging - Film	*Kg*	350	495	764
Packaging - Film	*m*	4,596	3,852	0
Packaging - Film	m^2	20	0	0
Packaging - Film	*pc*	-	0	286,800
SEMI MANUFACTURED GOODS OR PARTS				
Media - Oil/ Gasole filter	*t*	-	-	297
Media - Pre-Filter/Foam	*pc*	4,275,313	1,547,050	3,469,330
Media - Pre-Filter/Foam	*m2*	-	-	1,580
Rubber	*pc*	89,143,418	91,718,023	90,585,515
Metallics	*pc*	266,821,476	276,319,390	280,887,057
Chemicals - Glue/Oil	*l*	271	638	0
Chemicals - Glue/oil	*Kg*	-	-	29,182
Plastic	*pc*	42,130,569	48,549,639	48,002,800

Materials used by weight or volume – Air & Cooling Business Unit				
Sub-system	*pc*	29,050,786	28,489,822	24,445,523
Packaging	*pc*	17,074,729	18,626,592	16,921,020
Aluminum casting	*pc*	3,458,961	3,275,835	2,572,668
Hoses duct	*pc*	6,362,663	6,223,635	460,453

GHG Emissions[42] (Greenhouse gas emission)

Greenhouse gas (GHG) emissions			
ton CO_2	**2017**	**2018**	**2019**
Scope 1 – Direct GHG emissions	71,532	69,397	66,177
Scope 2 – Energy indirect GHG emissions – location based	67,803	70,985	64,740
Scope 2 – Energy indirect GHG emissions – market based	81,131	87,616	76,410
Total – Scope 1+2 Location based	**139,335**	**140,381**	**130,917**
Total – Scope 1+2 Market based	**152,663**	**157,014**	**142,587**

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Location based by Business Unit			
ton CO_2	**2017**	**2018**	**2019**
A&C	11,105	11,463	11,694
Suspensions	106,360	109,224	99,893
Filtration	21,869	19,694	19,330
Total	**139,335**	**140,381**	**130,917**

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Location based by Region			
ton CO_2	**2017**	**2018**	**2019**
Europe	84,711	87,804	83,624
North America	9,163	9,266	8,875
South America	25,390	24,791	20,878
Asia	20,071	18,520	17,540
Total	**139,335**	**140,381**	**130,917**

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Market based by Business Unit			
ton CO_2	**2017**	**2018**	**2019**
A&C	11,725	12,257	11,760
Suspensions	116,842	122,854	109,347
Filtration	24,096	21,902	21,480
Total	**152,663**	**157,014**	**142,587**

[42] The source of emission factors for Electricity is the IEA Electricity emission factors. The source of emission factors for natural gas is the WRI Emission Factors from Cross Sector Tools (March 2017). Scope 1 is calculated considering only the natural gas consumption component. Scope 2 is calculated considering only the electricity consumption component. The values for 2016 and 2017 were revised accordingly.

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Market based by Region			
ton CO_2	**2017**	**2018**	**2019**
Europe	98,039	104,437	95,295
North America	9,163	9,266	8,874
South America	25,390	24,791	20,878
Asia	20,071	18,520	17,540
Total	**152,663**	**157,014**	**142,587**

Material aspects boundaries

MATERIAL TOPICS	TOPIC BOUNDARY		TYPE OF IMPACT
Categories	**Internal**	**External**	
ECONOMIC & BUSINESS			
Research and Innovation	Sogefi	Business partners, University & Research	Caused by the organization
Economic performance and Market Presence	Sogefi		Caused by the organization
ENVIRONMENTAL			
Energy and emissions	Sogefi		Caused by the organization and directly linked to its activities
Waste management	Sogefi		Caused by the organization and directly linked to its activities
Material use and reusability	Sogefi		Caused by the organization
Water usage and drainage	Sogefi		Caused by the organization and directly linked to its activities
HUMAN RESOURCES			
Occupational Health and Safety	Sogefi	Supervised workers	Caused by the organization and directly linked to its activities
Diversity and equal opportunity	Sogefi		Caused by the organization
Employee development and welfare	Sogefi		Caused by the organization
Industrial relations	Sogefi		Caused by the organization
SOCIAL RESPONSIBILITY			
Human and labour rights	Sogefi	Suppliers	Caused by the organization and directly linked to its activities
Responsible procurement practices	Sogefi	Suppliers	Caused by the organization and directly linked to its activities
Creation of value for local community	Sogefi	Local communities	Caused by the organization
GOVERNANCE			
Business ethics & integrity	Sogefi		Caused by the organization
Risk Management	Sogefi		Caused by the organization
PRODUCT RESPONSIBILITY			
Product quality and safety	Sogefi	Customers & Distributors	Caused by the organization and directly linked to its activities
Environmental impact of product and services	Sogefi		Caused by the organization and directly linked to its activities
Customer satisfaction	Sogefi	Customers	Caused by the organization and directly linked to its activities

GRI Content Index

The 2019 Sogefi Group Non-Financial Disclosure was drafted according to the GRI Standards, in accordance with the Core option, the following table below specifies Sogefi's information according to the Group materiality analysis:

GENERAL STANDARD DISCLOSURE		
GRI Indicator		**Page**
Organizational profile		
102 - 1	Name of the organization	10
102 - 2	Primary brands, products, and/or services	12-20
102 - 3	Location of the organization's headquarters	10-11
102 - 4	Countries where the organization operates	10-11
102 - 5	Nature of ownership and legal form	10, 26-27
102 - 6	Markets served	10-20
102 - 7	Scale of the reporting organization	9, 40-41
102 - 8	Workforce characteristics	68-70, 114,117
102 - 9	Organization's supply chain	110-113
102 - 10	Changes in organization's size, structure, ownership or its supply chain	7-8
102 - 11	Precautionary approach	28-35
102 - 12	Externally developed charters, principles or initiatives to which the organization subscribes	25, 26, 28, 38-39
102 - 13	Membership in associations or organizations	25
Strategy and analysis		
102 - 14	Statement from the CEO	4-5
102 - 15	Key impacts, risks, and opportunities	28-35, 50-59, 133
Ethics and integrity		
102 - 16	Organization's values, principles, standards and norms of behavior	36-37
Governance		
102 - 18	Governance structure	26-27
Stakeholder engagement		
102 - 40	Stakeholder groups engaged by the organization	21-22
102 - 41	Employees covered by collective bargaining agreements	79, 117
102 - 42	Identification and selection of stakeholders to engage	21
102 - 43	Organization's approach to stakeholder engagement	22
102 - 44	Key topics collected through stakeholder engagement	23-25
Reporting practices		
102 - 45	Entities included in the organization reports	7-8
102 - 46	Reporting principles for defining report content	7-8, 23-25
102 - 47	List of material topics	24-25, 133
102 - 48	Restatements of information provided in earlier reports	7-8
102 - 49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	7-8
102 - 50	Reporting period	7-8
102 - 51	Date of the last report	7-8
102 - 52	Reporting cycle	7-8

102 - 53	Contact point for questions regarding the report	7-8
102 - 54	Claims of reporting in accordance with the GRI Standards	7
102 - 55	GRI Content Index	134-138
102 - 56	External assurance	139

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		**Page**	**Reason for omission**
ECONOMIC SERIES			
Material Aspect: Economic Performance (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	40-41	
103-3	Evaluation of the management approach	40-41	
201-1	Direct economic value generated and distributed	42-43	
Material Aspect: Market Presence (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	70	
103-3	Evaluation of the management approach	70	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	71	
Material Aspect: Procurement Practices (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	110,111	
103-3	Evaluation of the management approach	110,111	
204-1	Proportion of spending on local suppliers	112,113	
Material Aspect: Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	36-37	
103-3	Evaluation of the management approach	36-37	
205-2	Communication and training on anti-corruption policies and procedures	37	
ENVIRONMENTAL SERIES			
Material Aspect: Materials (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	30-31, 81, 101	
103-3	Evaluation of the management approach	30-31, 81, 101	
301-1	Materials used by weight or volume	102-106, 129-131	
Material Aspect: Energy (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	30-31, 81, 85-87	
103-3	Evaluation of the management approach	30-31, 81, 85-87	
302-1	Energy consumption within the organization	81-84, 123	
302-3	Energy intensity	84-85	
302-4	Reduction of energy consumption	81-82	
302-5	Reductions in energy requirements of products and services	50-54	
Material Aspect: Water and effluents (2018)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	30-31, 81, 95-99	

103-3	Evaluation of the management approach	30-31, 81, 95-99	
303-1	Interactions with water as a shared resource	95-99	
303-2	Management of water discharge-related impacts	95,97-98	
303-3	Total water withdrawal by source	96-97, 125-127	
303-4	Water discharge[43]	98, 128-129	
303-5	Water consumption	99-100, 129	
Material Aspect: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	30-31, 81, 88-91	
103-3	Evaluation of the management approach	30-31, 81, 88-91	
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	88-90, 131-132	
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	88-90, 131-132	
305-3	Other indirect GHG emissions (Scope 3)	91	
305-4	Greenhouse gas (GHG) emissions intensity	90	
305-5	Reduction of greenhouse gas (GHG) emissions	89	
Material Aspect: Effluents and Waste (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	30-31, 81, 92-94, 97-99	
103-3	Evaluation of the management approach	30-31, 81, 92-94, 97-99	
306-2	Total weight of waste by type and disposal method	92-93, 124	
306-3	Total number and volume of significant spills	98	
SOCIAL SERIES			
Material Aspect: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	67	
103-3	Evaluation of the management approach	67	
401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	68, 118	
Material Aspect: Labour/Management Relations (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	79	
103-3	Evaluation of the management approach	79	
402-1	Minimum notice periods regarding operational changes	79	
Material Aspect: Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	61-66	
103-3	Evaluation of the management approach	61-66	
403-1	Occupational health and safety management system	61-63	
403-2	Hazard identification, risk assessment, and incident investigation	32, 61-62	
403-3	Occupational health services	61-64	
403-4	Worker participation, consultation, and communication on occupational health and safety	62-64	
403-5	Worker training on occupational health and safety	62-64	
403-6	Promotion of worker health	62-64	

[43] The GRI 303-4 replaces the 306-1 for water discharge.

403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	61-66	
403-9	Work-related injuries	65-66, 120-122	
403-10	Work-related ill health	122	
Material Aspect: Training and Education (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	67, 75-77	
103-3	Evaluation of the management approach	67, 75-77	
404-1	Average hours of training per year per employee by gender, and by employee category	75, 119	
404-3	Percentage of employees receiving regular performance and career development reviews	76, 119	
Material Aspect: Diversity and Equal Opportunity (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	67, 73-74	
103-3	Evaluation of the management approach	67, 73-74	
405-1	Diversity of governance bodies and employees	27, 73-74, 114-116	
405-2	Ratio of basic salary and remuneration of women to men	118-119	
Material Aspect: Non-discrimination (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	67, 73-74	
103-3	Evaluation of the management approach	67, 73-74	
406-1	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination (emerged through grievance mechanism) has been registered during 2019.	
Material Aspect: Local communities (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	38	
103-3	Evaluation of the management approach	38	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	38	
Material Aspect: Customer Health and Safety (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	55-59	
103-3	Evaluation of the management approach	55-59	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance concerning the health and safety impacts of products and	

		services have been registered in 2019.	
Material Aspect: Socio-economic Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	36-37	
103-3	Evaluation of the management approach	36-37	
419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines for non-compliance with laws and regulations have been registered in 2019.	
OTHER MATERIAL ASPECTS			
Material Aspect: Risk Management			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	28-35	
103-3	Evaluation of the management approach	28-35	
Material Aspect: Research and innovation			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	45-49	
103-3	Evaluation of the management approach	45-49	
Material Aspect: Customer satisfaction			
103-1	Explanation of the material topic and its Boundary	23, 24-25, 133	
103-2	The management approach and its components	59	
103-3	Evaluation of the management approach	59	

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Sogefi S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2019 consolidated non-financial statement of the Sogefi Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 24 February 2020 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Sogefi S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

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

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

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

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's and its subsidiaries' personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4 Gaining an understanding of the following:

- the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of the subsidiaries Sogefi Gestion S.A.S., Sogefi Suspensions S.A., Sogefi Filtration S.A. and Sogefi Air & Cooling S.A.S. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level:
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check the correct aggregation of data in the quantitative information;
- we visited the following subsidiaries and sites:
  - Sogefi Filtration Italy S.p.A., Italy, Sant'Antonino di Susa site
  - Sogefi USA Inc, United States, Prichard site
  - United Springs B.V., the Netherlands, Hengelo site

which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 consolidated non-financial statement of the Sogefi Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Milan, 29 March 2020

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit