Sogefi Group

Consolidated Non-Financial Statement

In accordance with the Legislative Decree no. 254/2016

Sustainability Report 2017

Table of Contents

Letter to Stakeholders

Monica Mondardini

Laurent Hebenstreit

Dear Stakeholders,

In 2017, Sogefi has continued to make progress in quality and productivity. The positive results in revenues reflects the strong growth in Europe, South America and Asia. Instead, a lower growth is recorded in NAFTA, in line with a general decline in the automotive market.

In particular, in 2017, Sogefi has reported an increase in revenues to € 1,672.4 million, up by 6.2% compared to € 1,574.1 million in 2016, thanks to the positive contribution of all Business Units. Compared to last year, the Suspensions Business Unit has increased its revenues by 7.8%, Filtration by 5.7% and Air & Cooling by 5.0%.

Sogefi aims at improving its strategic position in consolidated and emerging markets through organic growth. Moreover, Sogefi aims at developing innovations and new products that contribute to weight and CO_2 emissions reductions. In coherence with these aims, we are working together with all our employees and suppliers to reduce costs, improve profitability and generate cash flow.

Value creation, which is the main mission recognized and pursued by the Sogefi Group, goes beyond the results of a single year. For us, value creation means to adopt an approach to business that will enable the Group to operate successfully in its target markets and achieve excellence, innovation and performance in a sustainable manner in the common interest of all, present and future, Stakeholders.

Sogefi has therefore embarked upon an important journey towards sustainability with the aim of monitoring and improving the impact – environmental, social and economic - that the various businesses have on the local territory and on the community. Being a leading global supplier in the automotive industry, Sogefi is committed to understanding and reflecting the ongoing changes and challenges in the regulation, with respect to environment and safety standards and to promoting and disseminating the sustainability principles throughout the supply chain.

Sustainability is becoming part of the strategy, culture and day-to-day operations of Sogefi.

The Group has defined a clear framework of operations to pursue relevant thematic areas such as the respect of human rights, health & safety and the environment. Furthermore, changes were made to the Code of Ethics to better highlight existing good practices in the Group that were not being explicitly communicated.

In 2017, the Group successfully launched its first opinion survey involving around 84% of Group's employees. Positive feedback with reference to safety at work and to relationship with senior managers emerged from this first survey. In addition, areas for improvement emerged on which we will work with targeted actions.

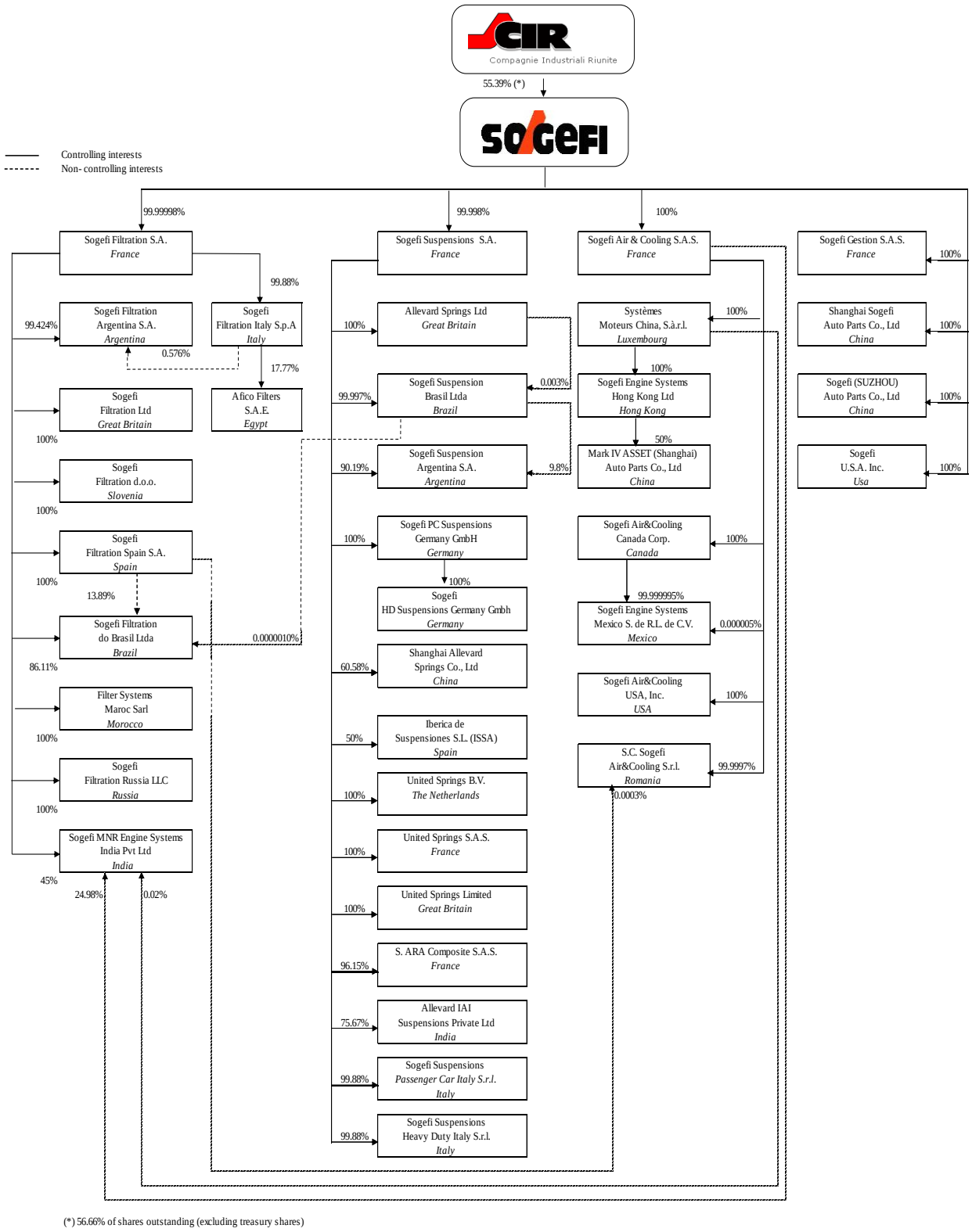
With this Sustainability Report, Sogefi intends to highlight the progresses made towards integrating sustainability in the corporate processes and aims at providing Stakeholders with comprehensive and transparent information about the Group's developments as per sustainability.

The document also represents an opportunity to reflect on our strengths and on the areas where we can improve. We believe that this Report and, more generally, an open and transparent dialogue with all Stakeholders are important elements for the Group's objective of creating long-term value.

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 and to the relations with investors: sustainability@sogefigroup.com

Overview of the Group subsidiaries as consolidated in the report[1]



(*) 56.66% of shares outstanding (excluding treasury shares)

[1] The picture shows all the legal entities consolidated line-by-line among which the following are dormant entities: Systèmes Moteurs China, S.a.r.l. Luxembourg; Sogefi Engine Systems Hong Kong Ltd, Hong Kong; Mark IV ASSET (Shanghai), Auto Parts Co. Ltd China.

Methodology

This document represents the Consolidated Non-financial statement (hereinafter also "NFS" or "Sustainability Report") to fulfill the obligations set out in articles 3 and 4 of Legislative Decree 254/16 (hereinafter also the "Decree ") by Sogefi SpA and the companies consolidated on a line-by-line basis (hereinafter also "Sogefi" or the "Sogefi Group" or the "Group") 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 2017 (from January, 1 to December, 31 2017).

The NFS covers - to the extent necessary to ensure the understanding of the business activity, its trends, performance and related impacts as for 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.

This NFS was prepared in accordance with the legislative decree 254/16 and the "G4 Sustainability Reporting Guidelines" published in 2013 by GRI - Global Reporting Initiative (GRI), according to the "Core" option, taking into consideration the information deemed significant for the Stakeholders and based on the principles set out in the reporting guidelines. The appendix to the document contains the "GRI Content Index", with details of 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 data and information of the NFS refer to all the companies belonging to the Sogefi Group as at 31 December 2017, consolidated on a line-by-line basis (any exceptions, in addition to what is indicated below, is expressly indicated in the text). With reference to changes in the ownership structure or in the size of the Group in 2017, it should be noted that:
- on 27th of April 2017, the company Filter Systems Maroc S.a.r.l was established;
- on 22nd of December 2017 the company Sogefi Filtration Russia was established.

With regard to these companies, the Group considered, to start the consolidation of non-financial information from 1 January 2018 due to the fact that the production plant is still under construction (with regard to Filter Systems Maroc S.a.r.l) and in light of the reduced timeframe from the constitution (with regard to Sogefi Filtration Russia). It should be noted, however, that the aforementioned limitations do not in any way compromise the adequate understanding of business activity.

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

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 2016 reporting period is proposed. Moreover, the document also includes information relating to the previous reporting years which were still applicable as of December 31, 2017.

It is also reported that the data on the intensity of energy consumption and emissions for 2016 have been restated, following a change in the classification of revenues by geographical region.

In addition, in each chapter, are reported methodology for data estimation, weather occurred. The estimates are based on the best information available or on sample.

The Board of Directors of Sogefi S.p.A. approved the NFS on February 26, 2018.

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 Sustainability Report has been published on the 9th of June 2017.

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

1 The Sogefi Group

2017 Highlights

1980 Year of foundation	**3** Business Units
42 Production sites	**20** Countries
€1.7 bn Revenues	**€1.6 bn** Net global economic value
6,921 Number of employees	**4** Research Centers **10** Development Centers
223 Number of patents	**€38.7 m** R&D expenses
-5.0% Reduction of energy intensity (compared to 2016)	**-5.1%** Reduction of GHG emissions intensity (compared to 2016)

1.1 Group profile

Sogefi Group, founded in Italy in 1980, is a multinational Group, global leader in 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. Sogefi designs, develops and produces filtration systems and flexible suspension components, as well as air and cooling systems.

Sogefi S.p.A. has its registered offices in Via Ulisse Barbieri 2, Mantova and its corporate offices in Via Ciovassino 1/a, Milano and in Parc Ariane IV, Avenue du 8 May 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.. Sogefi is present in 4 continents and 20 countries, with 56 locations, of which 42 are production sites, 4 research centres and 10 development centres. It is a market leader in Europe and South America.

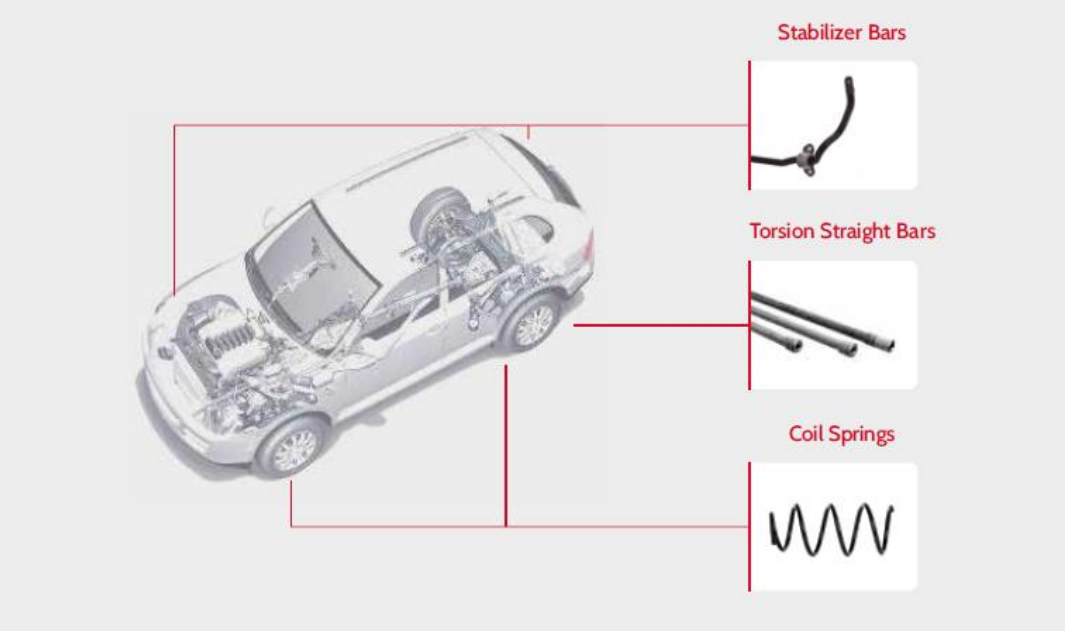
Sogefi is proud to supply most of the world's major passenger car and commercial vehicle manufacturers and to manufacture high performance, advanced technology components.

Sogefi Products

Suspensions

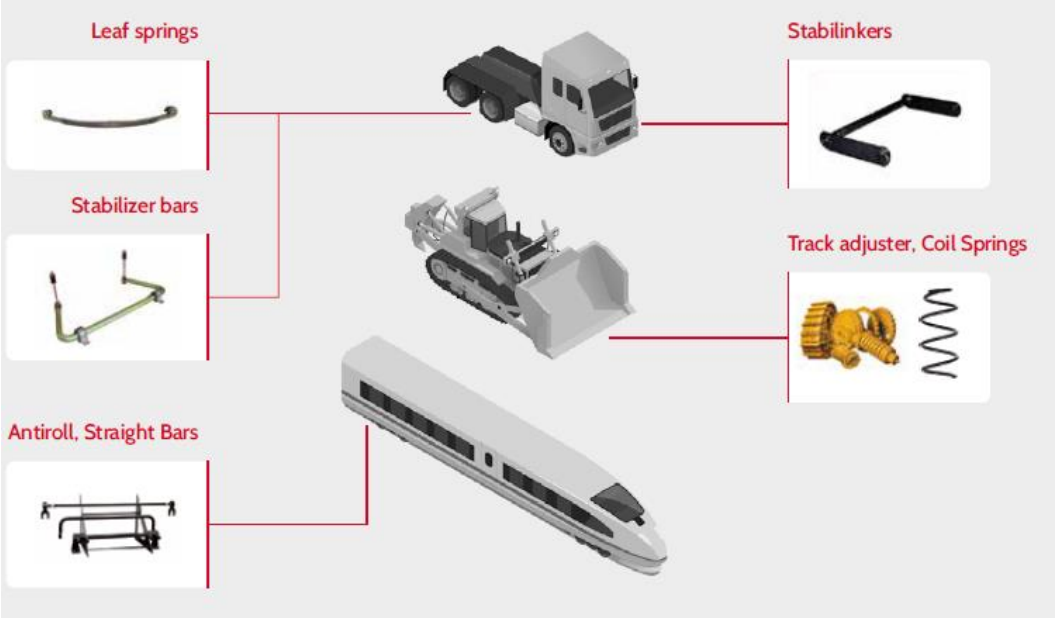
Sogefi's Suspensions Business Unit produces a complete range of products, engineered in close collaboration with automotive manufacturers, including helical springs, stabilizer bars, torsion bars, stabilinker, leaf springs and track tensioners.

Suspensions – Passenger Cars Product Portfolio



These products are designed for use on cars, light and heavy commercial vehicles, earth-moving equipment, armoured vehicles and rolling wagons. Sogefi customers range from automotive and industrial vehicle manufacturers of worldwide renown to major railway vehicle manufacturers.

Suspensions – Heavy duty Product Portfolio



Sogefi has made a significant contribution to the development and improvement in the 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 as a major benefit for vehicle manufacturers).

Other improvements include 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.

COIL SPRINGS

The springs developed by Sogefi may be cold or hot formed according to the initial technical specifications. Springs are designed to optimise 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.

STABILIZER BARS

Sogefi supplies stabilizer bars to most car manufacturers to enhance vehicle comfort and stability. Sogefi develops and manufactures stabilizer bars 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.

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 spring leaves 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.

COMPOSITE COIL SPRINGS

Sogefi Group develops the industry's first coil springs produced with composite material aimed at passenger vehicle and light commercial vehicle suspension applications. The main principle behind Sogefi's innovation is to apply the advantages of composite material – based on fibreglass and epoxy resin – to automotive coil springs.

The Composite Coil Springs are an environmentally friendly innovation: with 40% to 70% less weight, they contribute to a real reduction in fuel consumption compared to traditional steel coil springs. In addition, the production of Composite Coil Springs is three to five times less energy-intensive, at the same time ensuring a drastic reduction in the wastage and use of consumables. To know more about

Coil Springs' environmental impact reduction, please consult paragraph 4.2 'Reducing product environmental impact'.

PRECISION SPRINGS

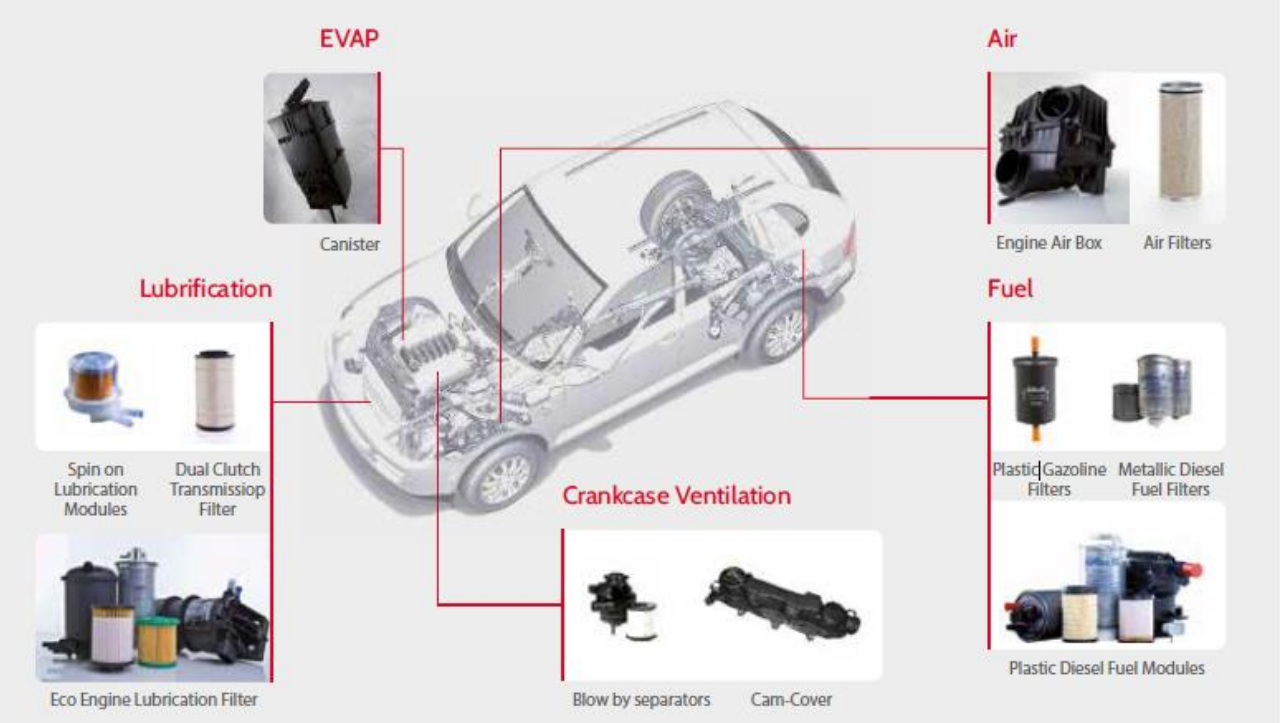
Sogefi is a European leader in the development and manufacture of a wide and diverse range of springs comprising wire forms, flat, extension, torsion and compression springs for applications in a large number of industries: automotive; motorsport; aerospace and defence; electro-mechanical; textile; nuclear power; food packaging; transport; rail; power generation and distribution; oil and gas; marine; flow-control; agriculture; petrochemical; off road; sport and leisure; lighting and medical equipment.

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), according to specific customer's needs. Production is concentrated in 3 plants located in Europe: France, the Netherlands and the UK.

Filtration

Sogefi produces a comprehensive range of filter products including oil, petrol, diesel fuel, air and cabin air filters 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



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

One of Sogefi's most recent innovations is Diesel3Tech™ technology, which employs three filtering layers; considerably improving the protection of modern diesel fuel injection systems.

Moreover, Sogefi has recently started the production of a new engine oil filtration module in which the metal casting has been replaced with plastic. This new technology, which builds on existing ECO designs, achieves higher reliability levels with lower environmental impact thanks to its lighter weight and more eco-friendly raw materials.

ORIGINAL EQUIPMENT

The Original Equipment (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 Sogefi's products for Original Equipment Spares and the Independent Aftermarket are manufactured in accordance with OE standards.

OIL FILTRATION SYSTEMS

The latest engine developments, which aim to comply with ever more stringent emission regulations and reduced fuel consumption, have drastically increased the need for a flexible and informative oil flow management, while the downsizing trend have constrained packaging and bulkiness.

To support OEMs facing these challenges, the Sogefi Oil Filtration Module is an efficient, compact, integrated and expert solution able 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 even carburettors might have been, and generates higher pressure on the fuel supply line.

Sogefi designs and produces petrol fuel filters 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 are today intended to be used globally, and therefore need to be compliant worldwide with each local constraint: 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

In partnership with the Air & Cooling Business Unit, Sogefi Filtration develops, manufactures and delivers complete air filter elements that are specially embossed to maximise 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. Those gases are therefore transferred to the combustion chamber to be burnt one more time. However, in the crankcase blow-by gases become charged with vapours and droplets from the lubrication oil and tend to generate oil films along the duct walls following the gas transit.

This oil is a major contaminant of 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; Oil drain back management.

Aftermarket

Sogefi Aftermarket 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 encompassing passenger cars, trucks, agricultural vehicles, industrial on and off-road systems and equipment.

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 the CoopersFiaam FRAM® and Purflux, brand names. Sogefi Pro is the brand dedicated to commercial vehicle applications.

OIL

The oil filter plays an essential role in the proper operation of an engine because it continually purifies the oil by screening impurities of both external and internal origin, such as abrasive particles caused by normal component wear, dust and combustion residues.

AIR

The function of an air filter is to protect the engine from attack by external contaminants. Depending on its cubic capacity, an engine takes in 200 to 500 cubic meters of air every hour. This contains dust that eventually forms an abrasive paste that threatens the engine's operation. As a result, an air filter must be highly effective.

PETROL

A petrol filter ensures the protection of the carburettor or fuel injection's supply system by eliminating any impurities that the fuel may contain. Located in the fuel system between the fuel pump and the carburettor, the petrol filter screens out any particles larger than 8 micrometers.

DIESEL

In a diesel vehicle, the injection pump and injectors are very sensitive to the presence of water and dust, especially in the new high-pressure injection systems. The main function of the diesel filter is to eliminate any impurities and water contained in the diesel fuel.

CABIN

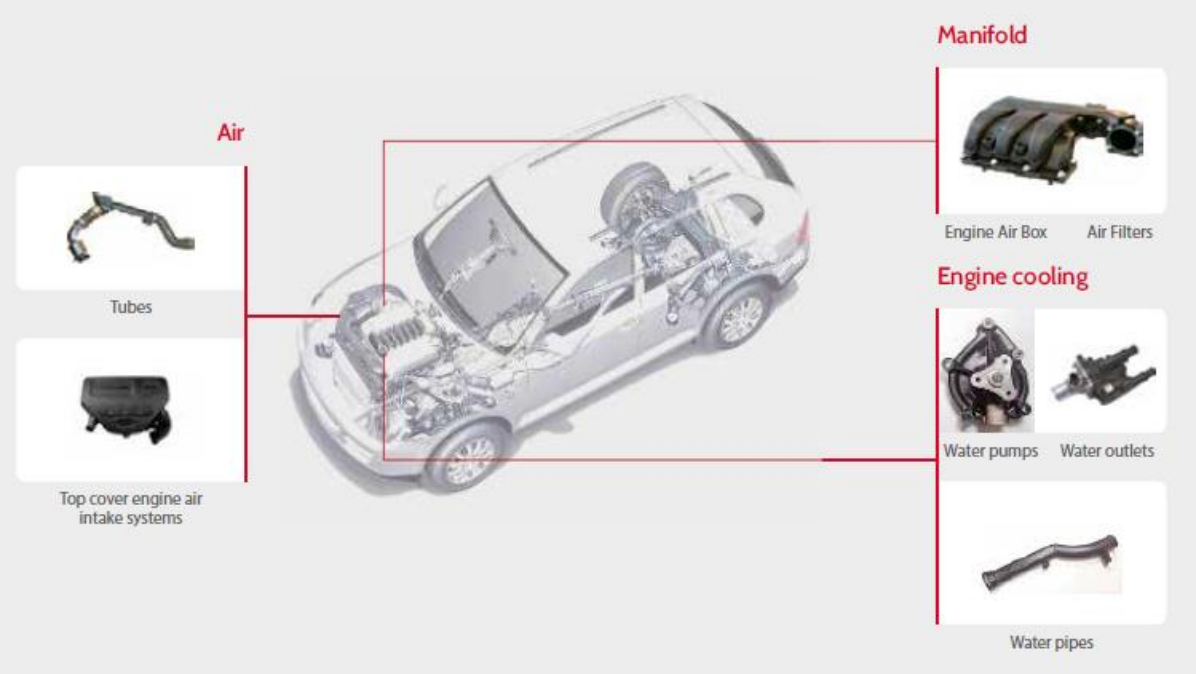
A cabin air filter protects against external pollution as well as any unpleasant smells that may enter the vehicle. There are two types of cabin air filters for passenger compartments: pollen filters and activated carbon filters.

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



INTAKE MANIFOLD SYSTEMS

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. A 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 behaviour and module architecture combined with the control of the best injection moulding 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 engineering teams design tailored solutions compliant with the most severe engine environment 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

moulding and injection moulding, 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 moulding, 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-moulding and infrared welding techniques to comply with the most stringent cleanliness requirements.

THERMOSTAT HOUSINGS & 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 moulding, welding and assembly process skills associated with mechanical and CFD expertise are key points for Sogefi to build optimised 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 on the new Euro6 engines.

For more details about Smart coolant valve environmental impact reduction, please consult paragraph 4.2 ‘Reducing product environmental impact’.

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 aluminium 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% independently 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 CO_2 saving up to 2.5% 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 our Multi-Way Coolant valve in case of complex coolant circuit.

To know more about the Smart flow controlled coolant pump environmental impact reduction, please consult paragraph 4.2 ‘Reducing product environmental impact’.

History of the Group

Sogefi's history as a worldwide leader in the design and manufacture of engine filtration, air management, engine cooling and vehicle suspension components is tied to its commitment to innovation and research for excellence. These distinguishing traits are evident from the initial acquisitions and joint ventures, which were made a few months after the Group was established.

From the very beginning, such actions were triggered by the intention to expand the Group through global strategic acquisitions in the vehicle components sector. Sogefi soon established plants in many countries, many of which are now major global economies. Two examples are Brazil and China, where Sogefi has had a presence since 1991 and 1995 respectively.

In March Sogefi announced the construction of a new factory in Morocco to support growth of the Filtration Business Unit. The plant, built in the free trade zone of Tangier, is the company's first industrial site in Africa

In addition, Sogefi announced in May, a project to start coil spring production for passenger cars in China at the end of 2018. The plant will be operational in the Wujiang district (Shanghai area), where the Group currently manufactures stabilizer bars.

1980
- Sogefi S.P.A. is established in **Mantova**, in northern Italy, with the objective of becoming a major force in the automotive components industry. CIR becomes its controlling shareholder.

1985
- **1,700 employees**
- **€ 53 million revenues**

1986
- Sogefi is listed for the first time on the **Milan stock exchange** at the end of the financial year.

1990
- **> 4,400 employees**
- **€ 295 million revenues**

1996
- Sogefi, becomes an European market leader in suspension components for the automotive industry, through the acquisition of **German companies**, a manufacturing plant in **Brasil** and offices in **Argentina**.

2000
- **> 5,100 employees**
- **€ 674 million revenues**

2001
- Acquisition of the **French Company Filtrauto S.A.**, operating in the filters sector, with manufacturing plants in France, Italy, Spain, UK, Slovenia and Argentina. As a result, Sogefi becomes a leading company in both the replacements market and supply of original equipment filtration systems.

2006
- In **China**, where the company has been present since 1996 in the suspension sector, Sogefi sets up a joint venture to expand its business further within the filtration industry.

2008
- Sogefi acquires a 60% stake in **India** in a joint venture with the **M.N. Ramarao Filters Private (MNR) Group** to enter the indian filters market, specifically for cars and two/three-wheeled vehicles as well as for industrial applications

2010
- **> 6,000 employees**
- **€ 927 million revenues**
- Sogefi expands its presence in **India** by signing a join venture agreement, for a 51% stake, with the **Imperial Auto** group to open a plant in Pune to produce suspension components for local vehicle manufactures.

2011
- **Sogefi celebrates its 30th anniversary.**
- Sogefi acquires **Mark IV Systémes Moteurs Group,** to increase its range of production for engine systems and streghten its position in **North America.**

2015
- Sogefi publishes its first **Sustainability Report.**
- Sogefi decides to expand its presence in North America with the construction of a new plant in **Monterrey (Mexico).**

2016
- **6,801 Employees**
- **€ 1.6 Billion Revenues**

2017
- Sogefi announces the building of a new plant in **Morocco** in 2017 (First in Africa).
- Sogefi launches coil spring production in China for passenger cars, to be operational from the end of 2018.

Associations

Sogefi recognises the strategic importance of associations and adheres 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).

1.2 Ethics, integrity and anti-corruption

The main goal recognised and pursued by the Subsidiaries of the Sogefi Group is the creation of shareholder value. Therefore, their strategies and operations are designed to meet this goal. Sogefi intends to maintain and develop the relationship of trust established with its Stakeholders, and to seek the best balance of interests in the pursuit of its objectives, in full compliance with current legislation and with the principles of honesty, impartiality, reliability, loyalty, fairness, openness and good faith.

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 thus the Sogefi Group endeavours to adopt an approach to business at the forefront of sustainable development in the common interest of all, present and future, Stakeholders.

Sogefi established a Code of Ethics in order to clearly and openly define the set of values referred to by the Group in the pursuit of its objectives. Compliance with the aforementioned Code is essential for the correct functioning, reliability, reputation and image of the Group.

The key principles of this code are as follows:

- 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 Group'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.

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

During 2017, Sogefi has been notified of two market investigations by a local anti-trust authority for suspected anti-competitive behavior. At the time of this document, the investigations are still ongoing. To prevent similar situations from occurring, the Group has issued a document called "Guidelines for discussions / meetings with Competitors" which sets out the appropriate behavior expected from managers and employees when meeting competitors. The distribution of this document has started in 2018.

Sogefi has established the Code of Ethics as a recognition of the importance of ethical behaviour and social responsibility in the pursuit of the Group's objectives. The Group has formally assumed the commitment to promote awareness of the Code of Ethics and of the related corporate procedures among all employees. In fact, a copy of the Code of Ethics is given to new hires. Moreover, Sogefi spreads the Code of Ethics among all its managers and employees through its internal communication system. The Code has been translated into Chinese, Portuguese, Spanish, Slovenian, French, Romanian, English and German, in order to enable all employees to fully understand and comply with the corporate regulations and principles of the Group.

Moreover, in 2016 Sogefi dedicated approximately 9,000 hours of training to introduce and increase knowledge on the Code of Ethics among its employees.

***Managers and employees** received the **Code of Ethics** through a specific message from the CEO. The majority of the plants received it translated in their language when possible*.

In order to encourage the thorough application of the Code of Ethics, as well as constantly monitor its respect, Sogefi has formally approved an internal "Whistle-blowing Procedure", which is shared with new hires and distributed through the internal communication system of the Group to all employees. To enable employees to fully understand its content and mechanism, the procedure has been translated in Chinese, Portuguese, Spanish, Slovenian, French, Romanian, English and German.

The Whistle-blowing Procedure allows any employee of the Group to report any violation or suspected violation of the Code of Ethics or of any other internal norm/ procedure in force in the Group, as well as any violation or suspected violation of 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 events described 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 – also as a matter of urgency – based on the reports received.

In addition to carrying out specific actions based on any reports received through the Whistle-blowing channel, 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, with special reference to the respect of the Sogefi Group Code of Ethics, as well as the completeness, clarity, timeliness and reliability of the communications towards BU/Corporate Management and the full application of any Group procedures/guidelines.

With reference to anti-corruption, Sogefi Group commits in its Code of Ethics to prevent any form of corruption or extortion and to oppose any act of bribery from its subsidiaries and employees. In order to ensure compliance with the Italian Legislative Decree 231/2001, the Board of Directors, in addition to the adoption of the Code of Ethics, 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 subjected to verification of adequacy and, where necessary, updated to guarantee its continuous compliance with the new regulatory changes and the organizational structure.

During 2017, the Group's employees received a specific training on the topic of anti-corruption, amounting to a total of more than 1,000 hours.

In line with Group' objective to continuously enhance its processes, improvements needed and controls to be implemented are under analysis and will be covered in the following years.

1.3 Governance and risk management

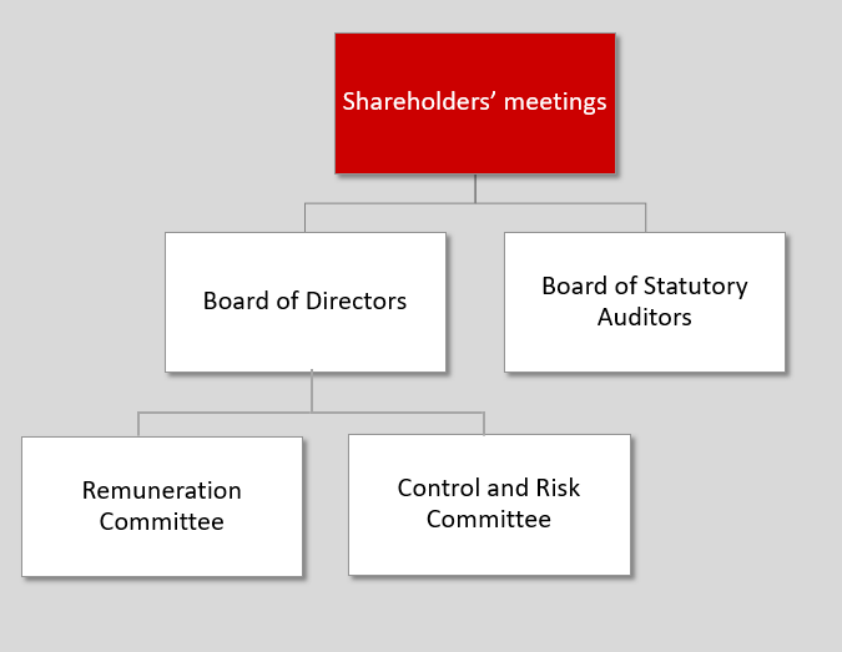
Corporate governance system

'Group subsidiaries create the conditions for the wide-spread and knowledgeable participation of shareholders in the decisions that relate to them, promote the equality and completeness of information, and safeguard their interests'

(from the Group Code of Ethics)

Sogefi's system of corporate governance enables the Group to achieve its strategic objectives ensuring that there is effectiveness, efficiency and correctness towards all Stakeholders. This system is based on principles and criteria expressed in the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana, from 1999 with subsequent updates. For the application of the Code of Conduct the following positions were created: the Executive Director responsible for the internal control system, the Lead Independent Director and the Committees that assist 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.



To ensure transparency and a balanced composition of the Board and to guarantee reaching the objectives of efficiency of the Group's transactions, reliability of the financial disclosures, compliance with the law and regulations and safeguarding the Group's assets, Sogefi S.p.A. has established two internal committees:

- The Appointments and Remuneration Committee
- The Control and Risk Committee

The Board of Directors (in office at the date of publication of this report) was appointed by the General Meeting of the Shareholders on April 27, 2016 – with a term that will end at the Annual General Meeting that will approve the Financial Statements for the year ended December 31, 2018. At the

date of release of this Sustainability Report, the Board of Directors was made up of nine 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, particularly in cases where there could be potential conflict of interest.

Composition of the Board of Directors of Sogefi S.p.A.

Board of Directors				
Name	**Office**	**Executive**	**Non-Executive**	**Independent**
Monica Mondardini	*Chairman*	√		
Laurent Hebenstreit	*Managing Director*	√		
Patrizia Canziani	*Director*		√	√
Rodolfo De Benedetti	*Director*		√	
Roberta Di Vieto	*Director*		√	√
Giovanni Germano	*Director*		√	√
Mauro Melis	*Director*		√	√
Raffaella Pallavicini	*Director*		√	
Paolo Riccardo Rocca	*Director*		√	√

The Board of Directors is characterised by its intense activity. The ordinary Board meetings held during the year in fact outnumber the four meetings held to examine the quarterly results.

Three out of nine Directors are below fifty years old. As for the presence of women (known as the 'female quota'), four out of nine Directors are women representing 44% of the Board.

Sogefi, together with its parent companies, gives its Directors induction on the activities of the Group by involving chief executives in Board of Directors meetings. 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. Also in 2017, the executive directors presented information on the business performance at the meetings of the Board of Directors to examine the accounting practices. Furthermore, in 2017 a specific information session was organized for the Directors and Statutory Auditors, with the support of external consultants. The session focused on "Market Abuse Regulation" and was followed by a debate, which was an opportunity to investigate individual aspects of the topic[2].

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

[2] For further information please refer to the Corporate Governance Report.

Risk Management

The Control and Risk System is the set of rules, procedures and organisational structures aimed at allowing, through an adequate identification, measurement, management and monitoring process of the main risks, a healthy, correct and consistent business management in line with the established goals, as well as at promoting conscious decision-making.

Since 2012, a structured and formalised Enterprise Risk Management ("ERM") process has been implemented within the Group according to the guidelines on risk management introduced by the Italian Stock Exchange Self-Regulatory Code for Listed Companies, to provide greater transparency, disclosure of business risks and to comply with regulatory directives on the adoption of appropriate governance models. The process is aimed at identifying and assessing key Group risks and involves Group's managers at a global level under the coordination of Risk Management Department.

Managers across the Group at a global level identify and evaluate risks, both on a potential and residual basis, in connection with the Group's strategic goals based on a specific 'Risk Model' (hereafter: 'ERM Model') and identify risk mitigation strategies.

More in detail, the 'ERM Model', based on the framework established by The Committee of Sponsoring Organisations of the Treadway Commission (COSO), follows a top-down approach, whereby it is steered by Senior Management and by medium to long-term business objectives and strategies. ERM model, developed in line with internationally recognised models and best practices, allows the Board of Directors and management to consciously evaluate the risk scenarios that could compromise achievement of the strategic objectives and to adopt actions able to anticipate, mitigate or manage significant exposures.

The ERM Model represents the entire risk portfolio of the Group. Risks are divided into two main categories:

- Strategic Business Risks: strictly correlated with the target indicated in the strategic plan of the Group
- Transversal – Cross Business Risks: less correlated with the strategic target because they are sufficiently independent compared to the variations of the strategic activities.

Risks are mapped into 17 clusters to better emphasise significant issues as depicted below:

STRATEGIC BUSINESS RISKS				
MACROECONOMIC & MARKET TREND	CUSTOMERS	COMPETITORS	TECHNOLOGICAL INNOVATION	
SUPPLIERS	OPERATIONS	FINANCE	M&A	PARTENERSHIP/ JOINT VENTURES

TRANSVERSAL – CROSS BUSINESS RISKS			
INFORMATION TECHNOLOGY	HR & ORGANISATION	CORPORATE GOVERNANCE	BUSINESS INTERRUPTION
PLANNING & CONTROL	SUSTAINABILITY	LEGAL & COMPLIANCE	SECURITY

The Chief Risk Officer is responsible for coordinating and collecting information in the Group Risk Report, which is submitted annually to the Risk and Control Committee that assists the Board of Directors in verifying the adequacy of the System.

Therefore, this comprehensive view of the risks allows the Board of Directors to reflect upon the level of the Group's risk appetite, and so identify the risk management strategies to adopt, meaning the assessment of which risks and with what priority it is deemed necessary to improve and optimise mitigation actions or simply to monitor the exposure over time.

Finally, the Sogefi Group ERM process also represents the basis to define the Internal Audit's Action Plan adopting a risk-based approach in line with international best practices. Indeed, the Internal Audit's Action Plan is prepared on an annual basis based on the findings of the assessments performed within the Enterprise Risk Management process, and focuses on those areas that are determined to be associated with higher risk after such ERM assessments.

With regards to non-financial aspects, interventions on the ground in the Group subsidiaries annually identified in the Internal Audit's Action Plan include a series of checks regarding:

· the strict and effective application of ethics, integrity and anti-corruption norms as established by the Group Code of Ethics and the Group Code of Business Conduct.

· the strict and effective application of the Group Policy on Human Rights (for example: appropriate local HR management practices on diversity and equal opportunities, prohibition of child labour etc.)

· with the limit of a non-specialized inquiry, a general review on the effective deployment and on the application of Group policies concerning health and safety conditions in the workplace and the respect for the environment. The support of a specialized and technical verification can be requested when deemed necessary.

Risks related to Sustainability

The Sogefi Group subsidiaries are exposed to a large amount of risks, which are directly linked with business activities.

As one of the fundamental principles of entrepreneurial activity, Sogefi places particular priority on adherence to applicable law and ethical standards. In addition, the Group takes extensive measures in order to ensure risks that may arise in the automotive sector with an impact on the reputation of the Group.

In order to obtain an overall picture, the Risk Management Department collects the information from the individual organisational Business Units. Particularly, in the cluster 'Sustainability', Sogefi has identified the following main risks: ethical/deontological issues, public image & reputation, health & safety and environment.

Sogefi manages this type of risks by carrying out ongoing and systematic evaluations of its exposure to specific risks and reducing or eliminating those considered unacceptable.

Environment, Health & Safety

Particularly relevant in this respect are environment, health and safety risks. these risks are linked to inadequate protection of employee's health and safety, which can lead to serious accidents or work-related illnesses. Environmental risks can result from pollution such as uncontrolled emissions, inadequate waste disposal or the spreading of dangerous substances on the ground and non-compliance with laws and regulations governing the subject.

In regards to health & safety, sogefi pays particular attention to the protection of the health and safety of its employees, both through continuous improvement and development of monitoring systems and through the dissemination of a health and safety culture aiming at raising awareness about risks and promoting responsible behaviour among all employees and consultants.

In regards to environment, the Group strives to make a positive contribution to ecological sustainability in all of its activities, bearing in mind the rights of future generations. Sogefi believes that ensuring respect of the environment is an essential value with respect to its employees, customers and the community in which it operates.

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

To further emphasise this commitment towards the protection of the environment, in 2016 the Holding Company Sogefi S.p.A. approved an Environmental Policy to set out the principles that all the operations of subsidiaries should observe. Under the Policy, the Group commits to pursuing its strategic objectives while keeping in consideration available resources and the best available technologies, so to improve both continuously and progressively its environmental performances. These efforts include, amongst others, the respect of relevant legal regulations in the countries where the Group operates, the early evaluation of Occupational Health and Safety risks to remove or mitigate them, and efforts to prevent pollution and to avoid or remove the use of dangerous substances.

Furthermore, Sogefi implements environmental management systems to better protect the environment and to reduce and control environmental risks and impacts (including the prevention of pollution).

Other specific environmental impact mitigating actions are:

- Improving the energy intensity in all manufacturing plants in order to have a significant energy consumption reduction;
- Increasing the consumption of electricity from renewable sources;
- Reducing greenhouse gas emissions intensity during the production process;
- Increasing recycling and re-use of materials in order to reduce the amount of waste generated by production (especially in countries where the Group foresees an increase of production volumes);
- Improving systems in manufacturing plants to treat better wastewater before discharging it into the natural environment (river, lake, etc.), as well as into the public sewer systems etc.;
- Encouraging the reduction of environmental impact from logistic processes (for examples: by minimizing exceptional transportation as much as possible, increasing the use of returnable container when feasible, standardizing cartons and pallet size to minimize potential waste and stock, etc.).

Risk of product quality/complaints due to non-conformity

In this regard, it is worth drawing attention to the fact that the Sogefi Group considers ongoing quality improvement as a fundamental objective to meet customers' needs. The same focus on quality is placed on the supplier selection and approval process, as well as in the on-going quality control of supplies used in the manufacturing process (raw materials, semi-finished products, etc.), in order to prevent non-conformities in Group products partly or totally due to defective supplies. In correlation with the Group's quality policy, currently 93% of plants are certified ISO TS 16949, while the remaining one have been certified with the updated certification (IATF 16949 2016).

Risks associated with human resource management

The Group acknowledges the key role played by its human resources and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by its Code of Ethics. Working relationships are managed and coordinated in full respect of workers' right and in full acknowledgement of their contribution, with a view to encouraging development and professional growth. Established selection processes, career paths, and incentive schemes are the tools used to make the most of human resources. The Group also uses a system of annual performance appraisals based on a clear definition of shared objectives, which can be measured in numerical, economic, financial, qualitative and individual terms. A variable bonus is paid depending on the degree to which said objectives are achieved.

Risks associated to the management of Information System

The Group manages the risks linked to the potential incompleteness/inadequacy of IT infrastructure and the risks related to the physical and logical safety of systems in terms of protection of confidential data and information by means of specific units at group level. However, the Group places special emphasis on cyber risks, such as online fraud attempts, theft of sensitive data and/or information protected under privacy law. In order to minimize these risks, financial teams are regularly sensitized to these dangers. Furthermore, suitable technical and operational measures are being implemented

and/or upgraded to prevent unauthorized fraudulent access to the different information systems of the Group by third parties, preventing financial losses and loss of sensitive data.

In terms of data protection within the organization, each plant has put in place:

- Malware protection for mailboxes (Microsoft Office/ 365 protection).
- Antivirus protection for Endpoints (Sophos).
- Operating systems regular updates (Microsoft WSUS).
- Access control by Active Directory Groups management.

During 2017, Sogefi Group has not identified any complaint about customer or personal data loss or breach.

1.4 Commitment towards sustainability

The Sogefi Group has embarked upon an important journey towards sustainability with the aim of controlling and improving the impact – environmental, social and economic - 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.

Therefore, sustainability is not only about ensuring long-term financial success, but also comprehending and addressing the major needs of 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, the environment and to the wish of promoting 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 recycling of materials and limiting the production of waste, emissions and dispersions. Concerning human rights, Sogefi is committed to working responsibly, identifying the respect of fundamental human rights as a key element in each business decision.

Stakeholders' Group

Sogefi considers fundamental to develop various forms of dialogue and ongoing interaction with its Stakeholders in order to better respond to their needs, interests and expectations through the establishment of relationships of trust, based on the principles of transparency, openness and listening.

Particularly, 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/dependence and analysing 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 is provided below.

Materiality Analysis

In order to identify sustainability aspects relevant for the Group and its Stakeholders, Sogefi performed a materiality analysis, which resulted in the definition of the topics to report within the Group Sustainability Report.

This analysis, carried out in compliance with the guidelines defined by GRI - Global Reporting Initiative (GRI G4), allows the Group to identify those aspects deemed material, i.e., which have significant impacts for the organisation from the economic, environmental and social perspective and – at the same time – which substantially influence stakeholder assessments and decisions.

In 2015, a mapping process was 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. All participants made a significant contribution to identifying the main impacts that the Group's activities have on the various stages of the value chain.

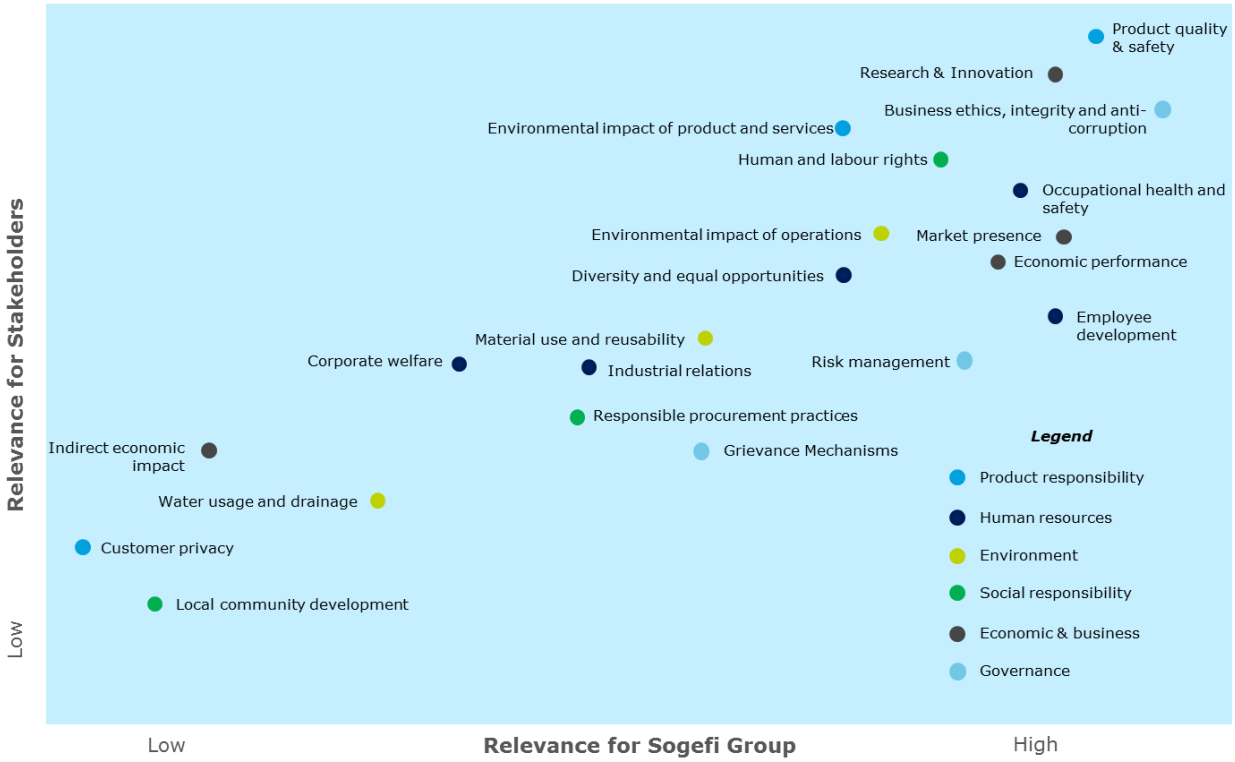
The main issues emerging from the Group's materiality analysis are associated with six main categories: Product Responsibility, Governance, Economic and Business, Human resources, Social responsibility and Environment.

The materiality analysis has been updated in 2017 through a desk analysis, in order to detect any change occurring in the automotive field in terms of impact generated on the Group and its Stakeholders. The analysis took into consideration several reports of competitors and best practices operating in the automotive field, relevant studies and publications and the topics recalled by the Legislative Decree 254/16.

The analysis resulted in the updated version of the materiality matrix, consisting in 21 sustainability-related economic, environmental, social and governance topics, matching their relevance for Sogefi and Stakeholders. The materiality matrix for 2017 has been approved by the *Chief Financial Officer.*

The Group is evaluating the involvement of Stakeholder within the materiality process.

Materiality matrix



Connection between the material aspects, the aspects of the Decree 254/16 and the G4 – Global Reporting Initiative aspects and indicators

Material Aspects (Macro Area)		Material Topic (Sogefi materiality matrix)	Aspetti GRI-G4 - Specific standard disclosure
Topics of the Decree 254/16	**Material Topic Sogefi materiality matrix**		
Social aspects	Product responsibility	Environmental impact of product and services	Product and Services
		Product quality and safety	Customer health and safety, Compliance
		Customer privacy	Customer privacy
Aspects related to human resource management, including health and safety	Human Resources	Corporate Welfare	Training and Education, Diversity and Equal Opportunity, Equal Remuneration
		Industrial Relations	Labour/management relation
		Diversity and equal opportunities	Diversity and Equal Opportunity, Equal Remuneration for Women and Men, Non-discrimination

		Employee Development	Training and Education
		Occupational Health and Safety	Salute e sicurezza sul lavoro
Environmental aspects: - use of energy and water resources - ghg emissions, emission of pollutants in atmosphere	Environment	Water usage and drainage	Water
		Material use and reusability	Materials
		Environmental impact of operations	Energy, Emissions, Effluents and Waste, Transport
Social aspects Respect of human rights	Social Responsibility	Local community development	Indirect economic impact
		Responsible procurement practices	Procurement Practices
		Human and labour rights	Freedom of Association and Collective Bargaining, Non-discrimination
Social aspects	Economic & Business Responsibility	Indirect economic impact	Employment, Indirect economic impact
		Economic performance	Economic Performance
		Market presence	Market Presence
		Research & Innovation	n/a
Fight against active and passive corruption Social aspects Aspects concerning human resource management Respect of human rights Environmental aspects	Governance	Grievance Mechanisms	Environmental Grievance Mechanisms, Labour Practices Grievance Mechanisms, Human Rights Grievance Mechanisms
		Risk Management	
		Business ethics, integrity and anti-corruption	Anti-corruption, Anti-competitive behaviour, Compliance

1.5 Local communities

As a Group with presence in several countries worldwide, Sogefi is committed to investing in the communities in which it has a direct impact. The main objective is that of promoting their social and economic development. For this reason, the Group supports local communities through different

initiatives and also generating awareness among its employees to further strengthen the relationship between Sogefi and the community. Such initiatives can be divided into four major areas:

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

Local community initiatives worldwide		
Education and sports	United Kingdom 	Sogefi UK has a charitable trust set up to support children and older people in activities and community-based initiatives. The plant is involved in the project and provides financial and practical help when needed (labour and equipment). The investment is around 5,000 pounds/year and the intended outcome is to promote the Group and demonstrate its commitment to the community it operates in.
	Argentina 	Sogefi Argentina donated several computers and disused equipment to support local low-income educational institutions with the purpose of strengthening the learning process of the children. The plant also donated sport equipment and gear to the main sport clubs of the community.
	USA 	In 2017, the Filtration Business Unit (Prichard) participated in a sporting event called 'Mountain Games', organized by the Children Hospital to fundraise money.
	The Netherlands 	As part of Sogefi's commitment to local community development, different initiatives were supported by the Hengelo plant in the Netherlands. Sogefi in the Netherlands supports local initiatives aimed at incentivizing young people to undertake studies in the Technical Industry. The goal is to guarantee and promote future employment.
	Germany 	Sogefi Germany sponsored local sports clubs to promote social activities for young adults in the region, where several cultures live together, the plant invests about 25,000 euros/year.
	India 	Sogefi in India has adopted a local rural government primary school close to its plant in Bangalore which, due to poverty, had no facilities for its students. This school, with a total number of 6 classrooms and 8 teachers, holds everyday 220 students. For this reason, Sogefi took the initiative to promote education among children by constructing a classroom with water and required facilities in order to encourage primary education. In 2017, under this project, in the area of Bangalore, the Air & Cooling Business Unit improved computer connectivity, carried out repairs and

Local community initiatives worldwide		
		general maintenance for the school, provided improved sanitary conditions (including new toilets) and water for both drinking and washing.
Health and Research	United Kingdom 	Sogefi UK invested in the development of the local community by supporting charities like the Macmillan Cancer Support, for which employees raised money to help the organization give medical, practical and emotional help to people affected by cancer. The plant also teamed up with Macmillan Cancer, Save the Children Fund and KEY103 Charity to provide toys to young children in the Manchester Area for Christmas.
Solidarity	USA 	Every year at Christmas time, Sogefi USA participates in the Lighthouse of Oakland County 'Adopt-A-Family' program with the aim of supporting the local community. Within the scope of the program, Sogefi adopts a local family (with typically 3-4 children) and, based on their wish list, employees buy and donate items to the family for Christmas. In 2017, 2 local families were adopted (with a total of 6 children) through the Soldiers Angels, a non-profit organization that provides aid and comfort to the men and women of the US army, marines, navy, air force, coast guard, their families and the growing veteran population.
	Argentina 	Sogefi in Argentina, supports various activities as part of their commitment to the local community. In particular, in 2017, the scrap of wooden cartons and pallets are donated to NGOs that work for people with needs.
	China 	In 2017, Sogefi in China donated stationary to the nearby school and unused clothes to poor people. In addition, 49 people attended the blood donation activity.
	Italy 	During 2017, the Filtration Business Unit in Italy joined an initiative to support families in need in Sant'Antonino and concluded an agreement with the city to give the surplus food from the factory canteen to about 20 families. This initiative, which operates five days a week, involves non-perishable, cold and hot foods, as well as bread and fruit. The initiative will be active for a trial period from September to December and will continue into 2018.

Local community initiatives worldwide		
Art and Culture	Brazil 	Sogefi in Brazil supported and sponsored several projects and institutions in the art and culture domain. In particular the ICA project, an institution located in Mogi Mirim with the mission of educating children and teenagers through art. The purpose of making those projects is to stimulate employees' interest in knowing the projects and to take part to it in some way. Sogefi not only wants to contribute through monetary donations but it is hoped that their own volunteers will be offered in the development of these projects.

2 Economic responsibility

2.1 Economic performance

In 2017, Sogefi reported a revenue growth to more than € 1.6 billion (+6.2%). The revenue growth was driven by an increase in all regions and Business Units.

SOGEFI GROUP RESULTS HIGHLIGHTS 2017			
€m	**2016**	**2017**	**2016-17Δ%**
Revenues	1,574.1	1,672.4	6.2%
EBITDA	152.7	165.8	8.6%
Net result	9.3	26.6	186.1%
Net debt (end of period)	299	264.0	-11.7%

EBITDA in 2017 grew by €13.1 million, showing an 8.6% increase compared to 2016. The increase benefited from revenue growth and from the improvement in profitability.

EBIT increased by 10.9 million, from €74.5 million in 2016 to €85.4 million in 2017. The result before taxes and minority interests was a positive € 53.7 million (€ 46.6 million in 2016).

The net result was positive and increased from € 9.3 million to €26.6 million in 2017.

At December 31, 2017 shareholders' equity excluding minority interests amounted to € 189.0 (€ 172.9 million at December 31, 2016).

Net financial debt stood at € 264 million on the 31st of December 2017, registering a €35 million improvement compared to the € 299 million registered on the 31st of December 2016.

SALES BY GEOGRAPHICAL AREA[3]						
€m	**2016**	**2017**	**Reported change**	**Reference market***	**Like for like change****	**Weight based on 2017**
Europe	988.9	1,031.7	4.3%	1.1%	5.0%	61.7%
North America	290.6	296.7	2.1%	-4.0%	3.3%	17.7%
South America	172.2	195.0	13.2%	20.9%	15.1%	11.7%
Asia	135.0	163.2	20.9%	2.7%	23.3%	9.8%
Intercompany	-12.6	-14.3	-13.2%		-	
TOTAL	**1,574.1**	**1,672.4**	**6.2%**	**2.1%**	**7.3%**	

** Passenger cars and LCV production volumes*
***Constant Exchange rate. Source: Sogefi and IHS estimates*

3 The sales by geographical area in 2016 differ from those reported in the Sustainability Report 2016 following a change in the classification of geographical areas. The revenues are now calculated based on "origin geographical area" and not on "destination geographical area".

The revenue growth was driven by significant development in South America (+13.2%) and in Asia (+20.9%) while Europe and North America reported an increase of 4.3% and 2.1% respectively.

SALES BY BUSINESS UNIT				
€m	**2016**	**2017**	**Reported change**	**Like for like change***
Suspensions	562.8	606.8	7.8%	8.9%
Filtration	535.1	565.7	5.7%	7.1%
Air & Cooling	480.2	504	5.0%	5.6%
Intercompany	-4.0	-4.2		-
TOTAL	**1,574.1**	**1,672.4**	**6.2%**	**7.3%**

**Constant Exchange rate*

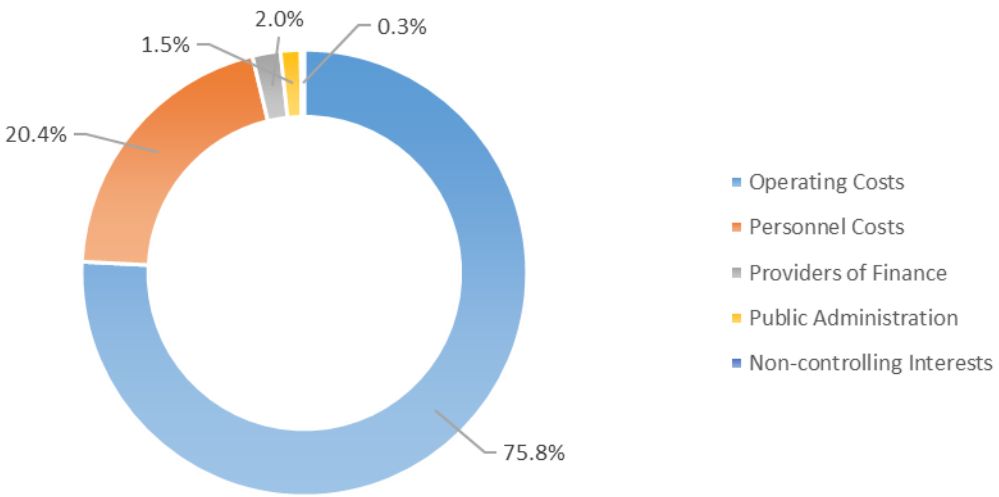
In 2017, all Business Units obtained an increase in revenues: the Suspensions sector reported a revenue growth of 7.8% (+8.9% at constant exchange rates), Filtration reported a 5.7% increase (+7.1% at constant exchange rates) and the Air & Cooling Business Unit reported a 5% sales increase (+5.6% at constant exchange rates).

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 organisation to create value for its Stakeholders.

STATEMENT OF ECONOMIC VALUE OF THE SOGEFI GROUP		
€m	**2016**	**2017**
Sales Revenues	1,574.1	1,672.4
Other gains and losses	-23.5	-21.4
Economic Value generated (gross)	**1,550.6**	**1,651.0**
Depreciation and amortisation	68.8	69.4
Economic Value generated (net)	**1,481.8**	**1,581.6**
Operating costs	1,096.7	1,179.1
Personnel	307.0	317.2
Providers of finance	31.5	31.7
Non-controlling interest	4.7	4.1
Public Administration	32.6	22.9
Economic Value distributed to stakeholders	**1,472.5**	**1,555.0**
Group net result	9.3	26.6
Economic Value retained by the Group	9.3	26.6

31.12.2017 - Economic value distributed to stakeholders (%)



The component **sales revenues** represents Sogefi's revenues from the sale of goods and services. As already stated, Sogefi experienced revenue growth in 2017 sustained by all Business Units and thanks to the positive performance of all regions.

Other gains and losses consist of other non-operating expenses, gain on disposal net exchange losses and losses and gains from equity investments.

The elements described above compose the **Economic Value (gross)** generated by Sogefi Group.

In 2017 gross Economic value amounted to € 1,650.9 million, showing a 6.5% increase compared to 2016.

This value, after the deduction of depreciation and amortisation, is the **net global Economic Value**. In 2017 it amounted to € 1,581.6 million.

The Economic Value generated is broken down as follows:

- **Operating costs** amount to € 1,179.1 million (+7.5% compared to 2016), which are made of 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 75.8% of the total Economic Value distributed by the Group.
- The Economic Value distributed to Group's **personnel** accounts for € 306.1 million. This figure comprises mainly personnel costs in terms of wages, salaries and contributions, pension costs (defined benefit plans and defined contribution plans). The figure also includes restructuring costs. 20.4% of the total Economic Value distributed by the Group is allocated to Personnel.
- The distribution of Economic Value to **finance providers** mainly refers to interests paid in 2017 by the Group on bonds and interests on amounts due to banks. This accounts for approximately € 31.7 million (+0.7% compared to 2016). Providers of finance are the beneficiaries of 2.0% of the total Economic Value distributed by the Group.
- Distribution of Economic Value generated to the **Public Administration**, mainly in the form of income taxes, accounted for € 22.9 million (-29.7% compared to 2016). 1.5% of Group's Economic Value generated in 2016 is allocated to Public Administration.
- Economic Value was also distributed to **non-controlling interests**, accounting for € 4.1 million (-12.8% compared to 2016). This represents 0.3% of Group's Economic Value generated.[4]

In 2017, the Economic Value retained by the Group amounts to € 26.6 million – consisting of the Group Net Result.

[4] At the time of the presentation of the draft of the present report, the Shareholders' Meeting resolution is not yet available for the distribution of dividends to shareholders.

3 Focus on product quality and safety

Product Quality and Safety is directly linked to Sogefi's responsibility of providing products that follow the highest standards by integrating different elements directly affecting Stakeholders: the greatest possible customer benefit, 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.

In 2016, Sogefi established a Group Quality Policy in order to underline its commitment towards sustainability. The Quality Policy includes strong commitments towards:

- The health and safety of customers and personnel
- The satisfaction of clients regarding the quality of products and services
- The continuous improvement of Sogefi quality commitments
- The satisfaction of all stakeholder's needs.

To further emphasize the commitment towards quality and safety of the workplace, in 2016 Sogefi S.p.A. adopted a Health and Safety Policy, which sets out the principles that all operations of the Group should observe.

Both policies can be accessed by all Stakeholders through the Group website. Furthermore employees can also access the policies through the internal communication system (which includes the Group's intranet and billboards located in each plant).

In correlation with the Group's quality policy, all plants[5] are currently certified with the international standards ISO 9001 and ISO TS 16949[6], which define the quality management system requirements for the design and development, production and, when relevant, installation and service of automotive-related products.

[5] The calculation includes 40 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and the Tangier plant (new acquisition of 2017, which building are under construction).

[6] 93% of Sogefi's production sites are certified ISO TS16949 while the remaining sites have been updated to IATF 16949 2016.

International Material Data System (IMDS)

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.

The International Material Data System (IMDS) is an important part of this process. IMDS is a mandatory system used to report the chemical composition of Sogefi's 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 ensure the absence of prohibited materials and calculate the percentage of use per raw material in the finished vehicle.

IMDS is a key element to all Sogefi products, and engineers are in charge of compiling and reviewing all information received from suppliers, in order to ensure that information meets regulations (such as EU REACH) and Customer specific requirements. IMDS declaration approval by customers is necessary to pass the Production Part Approval Process put in place to start production.

In China, the China Automotive Material Data System (CAMDS) has been created to register automotive parts.

Such data management platforms are used by Sogefi also to be compliant with the local regulations of the countries where the product is developed and marketed, following the major 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. One important target in 2018 is to ensure in our supply chain the respect of REACH requirements about candidate list and the upcoming risks of non-registration of substances for the May 2018 Registration deadline.

Increasing focus on quality

Improving product quality and the respect of customers' expectations has always been essential for the Group. The program named 'Back to basics' – launched in the fourth quarter of 2015 – is carried on in order to emphasize the attention towards product quality. The strategic pillars of this new 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)**
Introduction of a new 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 shopfloor to CEO

Quality and performance indicators are reviewed monthly in Executive Committee meetings.

In 2017 the Group introduced new KPIs for quality performances. The new KPIs have been consistently monitored starting from the second quarter of the year. These KPIs are based on a six months rolling monitoring system and are described as follows:

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

In 2017, improvements were achieved by promoting a QRQC mind-set (Quick Response Quality Control), which aims at immediately identifying and analysing issues, and at developing and implementing countermeasures in less than 24 hours. In the case of the occurrence of a quality incident, the meetings are held on the shopfloor to find the root cause of this incidence and ensure its eradication. All necessary functions are part of these meetings (production, logistics, etc).

Other initiatives include the implementation of the software WISE (Web Incident Sharing Experience) in almost all plants of the Group, to sustain PDCA activity (plan-do-check-act) and allow to share ‘Lessons Learned’. Moreover, a Sogefi worldwide competition was held to promote QRQC and to provide opportunities for exchanges on QRQC between plants worldwide.

Also in 2017, the S.E.S (Sogefi Excellence System) was initiated and spread across all plants to improve industrial performance, including quality (customer, suppliers, scraps), by focusing on executing Quality Basics to support daily manufacturing activity.

Products risk assessment

During the quotation phase of new products, Sogefi conducts a Risk Assessment to evaluate the potential risk of new products in relation to their production feasibility, quality, environment and health and safety impacts. The Product Risk Assessment is necessary for the Group to be compliant with national and international standards, laws and regulations set for the matter. The assessment covers the entire product life cycle (from design to recycling) and is reviewed, updated and improved after any eventual product-process incident.

The Group performs a Project Risk Analysis on the products offered, based on five risks factors:

1. Customers' needs analysis
2. Technical specification
3. Assessment of the product quality level
4. Evaluation of possible production delays
5. Safety/Government Regulation

The tool used for risk analysis in product and process design is an industry standard tool called Failure Mode Effects Analysis (FMEA), through which risks and countermeasures are identified and managed. The analysis 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.

The Risk Assessment involves engineering experts and the risk identification allows to set up preventive actions as soon as possible.

Non-compliance management

In 2017, only minor issues were identified during ISO/TS16949 and the ISO 14001 external audits, featuring very limited impacts for interested parties.

Sogefi resolves non-conformities by analysing 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) in order to address the potential risks derived from such gaps, as a means to analyse and treat root causes. The effectiveness of the actions is then evaluated one year later by the external audit body and during regular internal audits. In this way, the risk of recurrence is significantly reduced.

In 2017, all non-compliance issues were reviewed and closed by the certification body.

Conflict minerals

As an automotive manufacturer with operations worldwide, Sogefi is committed to fight against the extraction of natural resources that come from conflict zones. That is why, Sogefi implemented systems to handle the purchasing of conflict minerals and to ensure the fair origin of such materials.

The Group will require new suppliers to disclose whether their products contain conflict minerals such as the 3Ts (tantalum, tin, tungsten) or gold. If that is the case, Suppliers will be required to provide the Conflict Minerals Reporting Template (CFSI), a reporting template developed by the *Conflict-Free Sourcing Initiative* to facilitate the transfer of information through the supply chain regarding mineral country of origin and smelters and refiners being utilized. CFSI are sent to each car manufacturer.

4 Innovation and product responsibility

2017 Highlights

Investment priorities
Increase production capacity
Industrialise new products
Improve processes
Increase productivity

Key market challenges
Reduction of fuel consumption,
Reduction of vehicles' emissions,
Reduction of manufacturing process emissions
Globalisation footprint

4 Research Centers
10 Development Centers
R&D Centres spread in 6 different countries

22
Number of R&D projects marketed

223
Number of patents

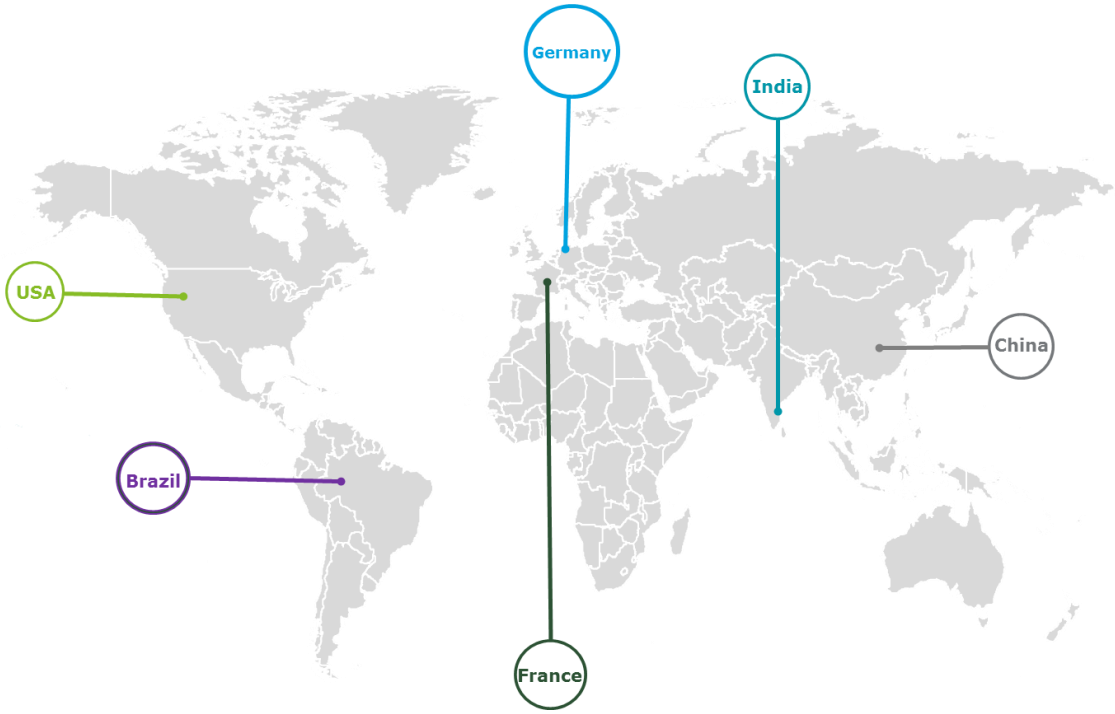
Sogefi R&D Centres – highly specialised teams

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

4.1 Research and innovation

Across its research centres spread around the world, Sogefi pays attention to investments in research and development with the aim of continuously improving its products in terms of lifecycle, effectiveness, size, weight and compatibility with the environment.



The development of new applications 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.

The pollutants emissions are regulated through 'not to exceed' levels, for every vehicle produced. On a regular basis, both the emissions levels and the way these are measured are rendered stricter. Subsequently, test cycles are upgraded to resemble real driving conditions. The Group also undertakes to do some measurements remotely in cars in real driving conditions.

The pollutants that are primarily monitored are Particulate Matter (PM) and Nitrous Oxides (NOx). Both pollutants are mostly concerned with a Diesel engine rather than a Petrol one. The impact on the powertrain of this regulation will mainly be an enrichment of the exhaust line, with more increasingly complex depollution systems, such as the Diesel Particulate Filters (already known) and the Selective Catalytic Reduction, with dosing Urea systems which are spreading on Diesel powertrains.

The impact on Sogefi Filtration products is primarily the rise in Diesel Fuel Injection pressures, which can reach some 2,500 bars in some applications. This has a direct impact on the technologies embedded in Diesel Fuel Filters.

Furthermore, Sogefi is highly committed to the advancement of a global vehicle platform involving significant international collaboration in order to increase the capability for both product development and production. As a matter of fact, the Sogefi Air & Cooling Business Unit has proposed innovative solutions for Plug-in Hybrid Electrics Vehicles (PHEV) and Battery Electric Vehicles (BEV) platforms.

The Group's Research and Development expenses amount to approximately 2.3% of annual revenues. 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.

The Group's R&D centres, located in Brazil, France, Germany, India and the US, and recently in China, are committed to studying and patenting solutions that reduce raw material consumption, waste production, noise, energy consumption and emissions, in order to improve comfort, driving safety and environmental protection.

Moreover, Sogefi Filtration R&D is located in Normandy inside the main plant for production connection and reactivity, and in the Paris area, for customer relationship.

GROUP R&D KPIs	2015	2016	2017	CAGR 15/17
Number of patents	193	216	223	1%
Number of R&D projects going to the validation phase	22	35	89	36%
Number of R&D projects implemented and marketed	15	17	22	9%

KEY DRIVERS TO INNOVATION

- CO_2 and pollutants emissions reduction
- Weight reduction (replacement of metal with plastic)
- Reduction of fuel consumption
- Cost optimization
- Customer satisfaction
- Global manufacturing platforms and standardization
- Addition of mechatronic components for better engine control
- Reactivity
- Reliability, robustness of the product developed
- Integration of functionality in product design
- Product competitiveness (include new products for PHEV or BEV applications, products with higher technical added value)
- Quality: noise suppression and corrosion protection

To sustain an efficient innovation activity responding to the above needs, each business unit implemented a specific organization focused on innovation.

The Sogefi Group defined a specific innovation process as follows:

- 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 in order to develop the solutions that bring major improvements. To optimise resources and energy, experts, designers and suppliers can be involved. A quick prototype concept is then launched in order to confirm calculations and to make first testing evaluations
- Eventually, a full prototype of the innovative components is manufactured in order to validate the global innovation and finally prove the robustness of the innovative solution.

Sogefi teams are thus focusing 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.

Regarding the **Filtration Business Unit**, an extensive Market Intelligence and Customer Needs identification program was implemented. Within the program, systematic benchmarks, competitor follow-ups, consolidation of customer feedbacks, market mappings and market evaluations were constantly applied to all product categories.

This massive sum of data is then compiled and evaluated to build-up the Product Road-Maps, whose goal for each product family is to highlight the impacts on car makers, the impact on engines and vehicles platforms and the impact on our products. Those needs are evaluated against the Group's available technology, versus the technology in development and future needs to be addressed.

Consequently, the major trends and key actions to be taken are highlighted within a summary report, with the aim of improving Sogefi's competitiveness. Furthermore, ideas and feedback are gathered from stakeholders and industry experts through brainstorming workshops that are compiled into a single follow-up file.

Finally, the resulting ideas are developed by the innovation team with the objective of delivering a concept ready-to-use by the design office. To achieve this, the innovation team goes through phases of feasibility, with prototypes realization risk assessment, cost evaluation, potential supplier identification, process preliminary design and proof of concept efficiency among others. Then, when approved by a steering committee, a validation phase is launched, with evaluation of a design close enough to a final product. This would provide assessment on all of the previously mentioned items, and grant a final evaluation before the launch to the design office. Lastly, the Innovation team is in charge of promoting its innovation towards all teams (design, sales, project etc) to successfully launch the innovation on the market.

All advanced development teams (Innovation, Technical Marketing, Industrial Property and Expertise & Research) are committed to provide to Sogefi more sustainable products, able to support our OEMs with CO_2 emission reductions, pollutants emission reduction, worldwide compatibility and clever maintenance for better profitability, better differentiation and better sustainability.

Sogefi Air & Cooling Business Unit involved all its employees in finding new ideas to improve either products, processes, supply chain or organizational objectives. Therefore, in order to focus on

future trend and demand the BU enabled employees in participating in technical colloquiums and external events that permit them to bring inside the Group technology and market information.

Innovation is also introduced into regular product development processes such as designed problems or limitations, which stimulate new evolution procedures; aggressive targets driven by market pressure or new opportunities; disseminations of awareness related to new technologies that can be applied when a new trend or opportunity arises, among others.

Open Innovation approach to R&D

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.

The **Filtration Business Unit** started new collaborations with several companies and institutions. In particular:

- Cooperation to develop recycled products and co-design specific applications to ensure proposal of first-in-market solutions with SOLVAY Engineering Plastics, and cooperation with SOLVAY Special Chemicals under the LIFE Auto Program on the E-SIS®, which allows to deliver some fuel additive in the vehicle fuel circuit, to enhance fuel injection system durability and lower Particulate Filter regeneration temperature;
- Set-up partnership with research institutes like LRCC for calculation on gasket deformation, IFP for investigation on Diesel Fuel composition;
- Establishing relationships with start-ups through the MOVEO network;
- DURAFIP consortium, together with SOLVAY, ARTS, TRELLEBORG, PSA, PROMOLD, ENSTA, BRETAGNE, ARMINES – SITE DE PARIS, ADI, AXS INGENIERIE, e-XSTREAM, CEMEF, LMGC, Montpellier, UCL, TOYOTA, which aims at evaluating the fatigue of fibre reinforced polyamides and the industrial application on structural parts

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 of the collaborations are:

- Mäder for resins & additives and non-conventional curing technologies
- Red Composite for towpregs
- SMTP (Salzgitter Mannesmann Precision Tubes) for new tubes steel grades

Other collaborations of **Suspensions** include studies undertaken with the *French rubber & plastics research & testing laboratory* (LRCCP)* to enhance skills on elastomeric components and with *ACG Industrie* for epoxy paints. Moreover, also during 2017, another important axis on open innovation has been put in place by the Suspensions Business Unit in collaboration with UTC (Université Technolgique de Compiegne) for non-destructive control technology based on acoustic emission (AE).

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

- Exchanges are ongoing with the CEA Tech (Commissariat à l'Energie Atomique et aux Energies Alternatives) for our advanced research programs.

- Focused studies on specific subjects such as thermal exchanges (for ICE, battery systems or fuel cell application) with the FEMTO research* centre (Franche-Comté Electronique, Mécanique, Thermique et Optique).
- Liquid Charge Air Cooler partner involved in the MAGNI Air Intake Manifold innovation (LCAC integration in manifold).
- Development and testing of a new material formulation between Sogefi in the NAFTA region and BASF. The new material has the objective of transmitting pan applications with the potential to significantly reduce the cost of current material.
- 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.

R&D fostering through specialized conferences

In line with its strong focus on research, development and innovation, Sogefi continuously participates in important specialized conferences around the world, such as the *SAE conference*, completely dedicated to the automotive sector and for the creation of an important platform for knowledge-sharing and for reviewing the evolving industry.

R&D experts in **the Filtration Business Unit** participated as speakers at the *2017 SAE World Congress* and at the *2017 SFIP*. In particular, Sogefi presented a fuel filter made out of recycled plastic. R&D 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 *PFA CO_2 reduction*, to forecast Electric Vehicle sales in developed countries based on different scenarios.

For what concerns **Air & Cooling**, Sogefi attended several conferences regarding the development of solutions to lower emissions, including electric powertrains. An example of the conferences attended is the *Aachen Colloquium 2017*, an automotive and engine technology congress that primarily focused on PHEV, BEV and new petrol engines.

Lastly, the **Suspensions division**, regularly participates to the *JEC conference* ("Journées Européenes du Composites), the most well-known event in the world for composite materials and equipment. In fall 2017, the Suspension Business Unit participated in the second Annual Automotive Advanced Suspension Systems Summit, a conference that took place in Munich on the 19th and 20th of October and that focused on the optimization of the spring in the strut module. The participation to the conference enabled relevant exchanges with new potential suppliers and major OEMs, in order to focus on new possible innovation strategies.

4.2 Reducing product environmental impact

Sogefi believes that spreading awareness and respect for the environment amongst employees, customers and local communities is essential to its business. For this reason, 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.

To achieve such a challenging objective, Sogefi's worldwide R&D Centres focus on the development of advanced technologies that minimize environmental and social impacts while boosting system performance and delivering competitive products.

Minimising production processes impact

In order to foster the environmental protection in its approach to business, Sogefi has set up an Environmental Management System to reduce and control risks and impacts (including the prevention of pollution). In particular, currently 95%[7] of Sogefi sites are certified with ISO 14001 standard, 93% of which have been upgraded at ISO 14001 2015 standard certification.

With regard to the responsible sourcing of raw materials, Sogefi is committed to transparently state the composition of substances used and to employ the International Material Data Systems to report all the materials used (for more information on IMDS please consult the Chapter "Focus on quality and safety").

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 and 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 customer approved this process. Otherwise, scraps are sold to specialised companies, which recycle them; similarly, within the Suspensions Business Unit, scrapped process materials are sold to specialised companies to recycle them. For more information on materials used, please consult the paragraph 6.6 'Materials used and reusability'.

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

Sogefi laboratories focus on zero chemical emissions during validation testing and noise attenuators are placed to eliminate disturbance around the testing area. Furthermore, specific systems are set up to extract dangerous vapours emitted during the production phases and trap them, thereby protecting both operators and the environment.

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. For more information on water discharge, please consult paragraph 6.5 'Water discharge'.

[7]The calculation includes 40 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and the Tangier plant (new acquisition of 2017, which building are under construction).

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. During 2017, the identification and qualification of local suppliers increased in order to reduce its environmental impact.

Sogefi commits to reducing its environmental impact at the innovation stage: each solution is evaluated in order to manage, and minimize, this impact.

Lastly, Sogefi in Montreal developed an innovative process, the Direct Laser Welding technology, an improved IR welding technique (lower weight, cleaner parts) which also enables new design solutions for other applications (LCAC, Oil Separator). The project was developed in collaboration with the McGill University of Montreal.

Reducing environmental impacts through products

CO_2 emissions regulations are getting increasingly stringent for most markets. Europe is heading towards the objective of producing 95g CO_2/km by 2020. This will deeply challenge the carmakers to achieve such a demanding target.

The level set-up by the regulation has to be respected to a weighted fleet average. So one OEM can have high CO_2 emission vehicles as long as he also produces low CO_2 emission vehicles to balance the effect.

Weight reduction will therefore be one of the key aspects on which car manufacturers and suppliers will leverage. Sogefi Suspensions Business Unit innovation activity is fully aligned to weight reduction for both coil springs and stabilizer bar lines thanks to development projects on design, materials and innovation processes.

The way to reduce CO_2 emissions include weight saving, turbocharging (downsizing), friction reduction and electrification. For Filtration and Air & Cooling, weight reduction is a key driver for innovation with the introduction and development of solutions that substitute the use of steel and other heavy materials with the lighter plastic. Moreover, for Filtration, also friction reduction through thermal management is essential.

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. 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.

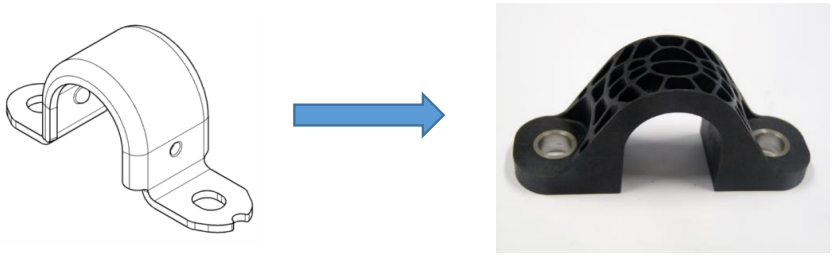
In 2017, Sogefi Air & Cooling Business Unit proposed OEMs solutions for a new generation of vehicles with low to zero emission rates. New products include: cooling battery systems, cooling e-drive systems, water manifolds and distributors for BEV, dual material battery packs, regulation valves and electric 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.

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.

Below some examples of innovations within the Sogefi Group:

Composite Brackets (Suspensions)

In order to satisfy the new trends of the sector, the Suspensions Business Unit developed a new concept of composite brackets with the objective of reaching a higher level of weight saving for the stabilizer bars. This new technology allows to reduce the weight of stabilizer bar accessories by 50%, leading to a saving of around 250g per bar. Another advantage of the technology is the possibility to the bond the bushes both on the bar and on the bracket. The first vehicle using such technology is the new Alpine.



Composite/reinforced fiber glass Coil Spring (Suspensions)

The coil springs industry for mass production applications is currently based on steel and is characterized by high labor intensity and high energy consumption. This context inspired the Suspension Components Business Unit to invest in the development of a completely new and environmentally friendly technology: the first coil springs produced with composite materials.

The characteristics of this innovative product result in the reduction of the environmental impact in terms of:

- Weight reduction: from 40% to 70% lighter,
- Higher durability: no oxidation and elimination of corrosion.

Protection of end coils – "active" pads (Suspensions)

This is an evolution of the traditional pad used between the coil spring and the cup. Thanks to a special design and material, the active pad guarantees a permanent contact between the coil spring and the pad. This is a big advantage compared to the standard version, as with the standard pad some dust or grind might settle between the coil spring and the pad, with the consequence abrasion of the painting and subsequent breakage of the coil spring.

This innovation preserves weight reduction potential, need to improve corrosion resistance between end coils and seats (avoid corrosion wear) through the permanent contact. Additionally, the target is to deliver the "active" pad assembled (clipped or glued) with the seat.

Advantages:

- Immunity to corrosion wear
- Weight reduction vs steel seats
- Optimized supply chain for the customer
- Pad used as additional spring (increase rebound load)

CUSCO water pump (A&C)

Looking for further powertrain efficiency improvements, as required to reach coming regulation levels, it is also necessary to have smart engine thermal management. The objective is to precisely control coolant flows and temperatures, on various engine operating points, in various conditions, for all coolant circuits. In this regard, SOGEFI has developed several new products to propose active thermal management solutions to all OEMs demand.

The last innovation is the CUSCO water pump, which allows flow control of the coolant fluid (from full flow to zero flow), with possibility to adjust flows in intermediate position.

The control system is fully integrated on the pump body and allows to implement our CUSCO solution on existing pump architecture.

CUSCO bell is back: flow inside the engine

CUSCO bell is front: zero flow

CUSCO is driven by a small electric actuator developed by our mechatronic department.

The response time is almost immediate (about 2 seconds), which solves the major drawback of wax valves used for flow control. In terms of reduction of environmental impact, the **complete switch-off during cold start can save about 3% of CO_2 emissions.**

Air Intake Manifold made with polypropylene (A&C)

SOGEFI introduced in the automotive market a new air intake manifold made with polypropylene 30% reinforced glass fiber instead of polyamide 6.
The benefit of polypropylene implementation is not only a cost reduction: even if material cost is lower, the air intake manifold will be lighter.
The process used to mold is the same as a classical polyamide manifold but the energy spent is reduced, due to the melting point of the polypropylene material, lower than polyamide.

Lower density of polypropylene material brings also a strong benefit in term of acoustic emission: noise improvement can be measured thanks to this new material. Polypropylene has also a strong chemical stability compared to polyamide.This cost effective solution brings at the end **weight saving of 20%:** lighter vehicle means **less CO_2 emission.**

SMART COOLANT VALVE

According to a recent direct injection gasoline vehicle test, on a standard NEDC (New European Driving Cycle) test cycle (today in use for European applications), it appears that almost 9% of the total CO_2 emissions of the powertrain are just coming from the fact that the engine, during warm-up, does not operate at its optimal working temperature.

To solve this problem, the Sogefi Group is implementing a thermo-management solution that should allow the engine to work properly, resulting in benefits for fuel consumption and reduction of CO_2 emissions.

The solution has a modular design, consisting in a family of coolant valves (several diameters, several branches, SMART or Dumb), eco-friendly solutions whose benefits are the following:

- For ICE quicker engine warm-up phase
- For electric/ hybrid vehicles, thermal control of the battery pack
- Can be used for more comfort in the vehicle cabin
- Adaptation of flow to the need on each cooling circuit linked to the valve
- If combined to the smart coolant pump, precise control of the coolant flow in the different circuit branches;
- Precise temperature management, including thermal exchange for battery systems or for the electric powertrain.;
- Flexible control strategy using all parameters needed by the OEM;
- Limited Cost;
- Significant reduction of CO_2 emissions for ICE
- Packaging adapted to the request.

SMART FLOW CONTROLLED COOLANT PUMP

Using the same test background descried for the coolant valve Sogefi developed an alternative to optimize the working conditions during warm up.

To solve this problem, the Sogefi Group is implementing a flow controlled solution that should allow the engine to work with the exact quantity of coolant, resulting in benefits for fuel consumption and reduction of CO_2 emissions.

The solution consists in a fully controlled proportional valve associated with a standard coolant pump, an eco-friendly solution whose benefits are the following:

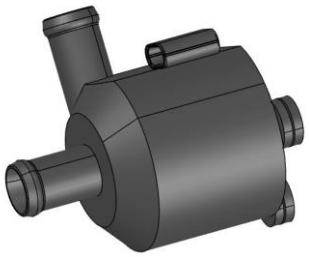
- Optimized cold start performances;
- Optimal energy consumption;
- Precise engine temperature management;
- Flexible control strategy using all parameters needed by the OEM;
- Module advantage;
- Limited Cost, weight and packaging in comparison with electric or clutched pumps;
- Maximum reduction of CO_2 emissions.

ELECTRIC COOLANT PUMPS

In 2017, Sogefi proposed various solutions for battery integration inside the vehicle. From water manifolds (which collect or distribute the coolant for the thermal regulation of all the batteries) to the complete battery pack system, including the thermal exchangers which extract the calories from the batteries to the coolant. All the cooling circuit is also supplied in the system.

Sogefi implemented the electric coolant pumps, a specific impeller design for improved pump efficiency: the device guarantees lower electric consumption for the same performance. Its use also includes battery system cooling and electric powertrain thermal management.

Power around 100W and higher. The device is BLDC driven and has a power supply of 12V, 48V and 360 V.



First plastic diesel fuel filter using 100% recycled polymer
When circular economy meets the automotive industry (Filtration)

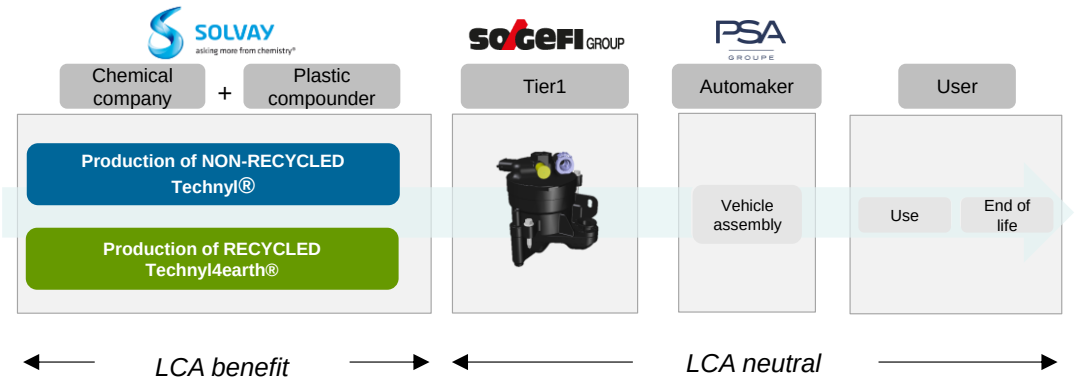
Plastic can help reduce energy consumption and greenhouse gas emissions, especially in automotive applications through metal replacement. Yet, only 30% of plastic is recycled across all industries against a 9% registered in the European automotive industry. Currently, many OEMs are targeting recycled 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.

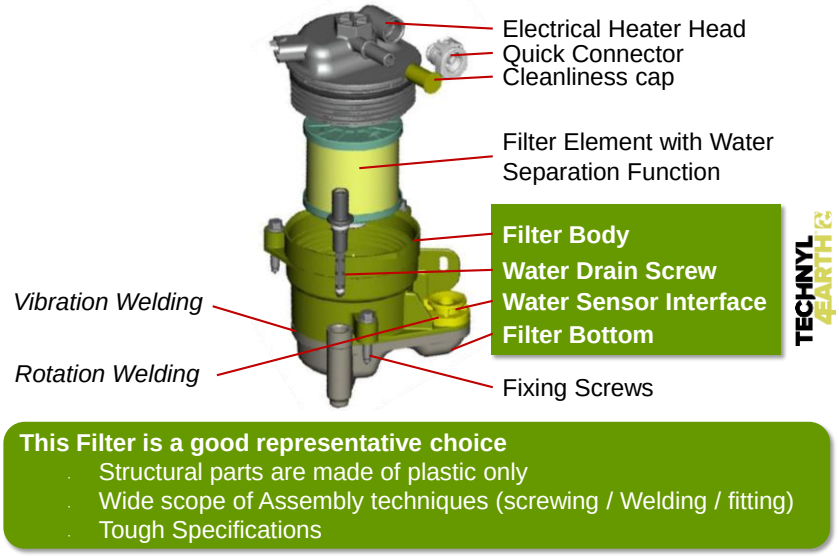
Finally, PSA Group has driven the choice of the tested parts (DV engine 1.6l Euro6b application), homologated the material grade and evaluated the whole validation process.



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 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 latest generation engines.



LIFE AUTO Project (Filtration)

The LIFE AUTO Project is jointly run by SOLVAY and the Filtration Business Unit of Sogefi and is supported by the EU Directorate-General for the Environment's LIFE+ Program. It aims at exploring innovative solutions that reduce the negative environmental impact of diesel engines through alternatives for the fuel filter, additive tank, dosing pump and electric controller, and ensuring that new diesel car fleets remain below the EU CO_2 emissions 2020 target.

Together, Solvay and Sogefi are seeking to identify environmentally friendly alternatives for the fuel filter, additive tank, dosing pump and electric controller in diesel vehicles, as well as coming up with new possibilities for biofuel additives in order to address engine fouling and performance and durability problems. By working alongside car manufacturers with strong shares in the diesel market at both European and global scales, the team is aiming to ensure that new diesel car fleets remain below the EU CO_2 emissions 2020 target.

Ultimately, E-SIS® is grounded in versatility, as all diesel engines have one or two fuel filters that work to protect the engine fuel injection system from solid particulates, gums and water that could be present in the fuel. Furthermore, it can be used for all engines.

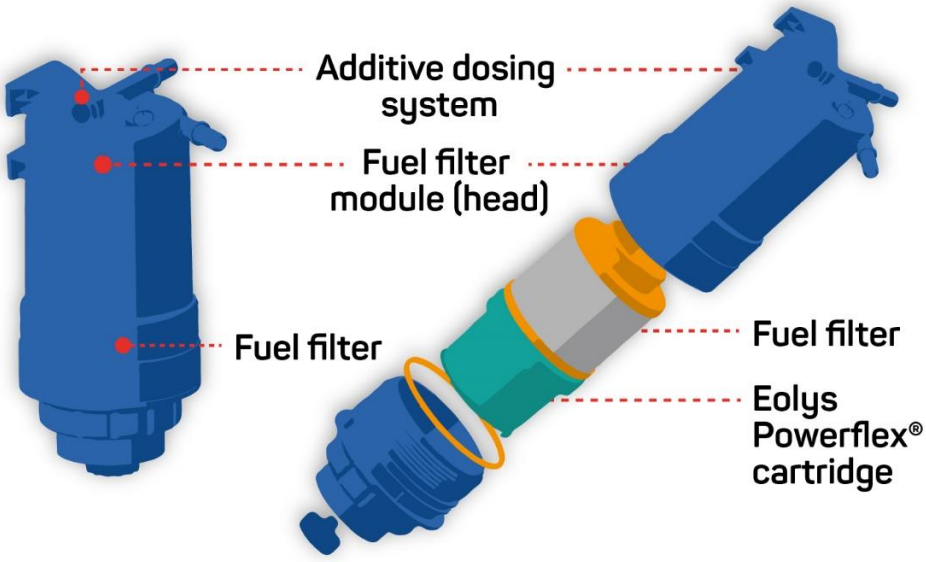
Innovative Solutions

The LIFE AUTO Project focuses on the development of a fuel filter with additive storage and dosing system to address the worldwide diesel market requirements – the Eolys®-simplified injection system (E-SIS®) – as a new dosing system that is fully integrated in the fuel filter perimeter. As a standalone system, E-SIS® works by delivering the fuel additive package into the fuel line and slowly releasing the additive into the fuel stream itself.

Because this technology can also be used in non-DPF applications, it has important implications for developing countries in non-DPF zones, where the addition of a new fuel additive known as EasyFlex® addresses widespread issues with the poor quality of local fuel. The E-SIS® concept is one of simplicity and flexibility, and as such is designed to store the exact amount of fuel additive required to cover the typical fuel filter maintenance interval, and to deliver the quantity of fuel additive required to ensure the vehicle performance.

Fuelling The Future

Going forward, the Solvay and Sogefi team is optimistic that their innovative, flexible and cost-effective E-SIS® concept could be the answer to pervasive problems with the robustness and reliability of particulate filters and high-pressure diesel injection systems. The rapid approach of 2020 could speed up the introduction of this technology to the automotive market, as manufacturers race to ensure their products fall in line with stringent EU requirements. The hope is that the widespread implementation of E-SIS® in the diesel market will reduce CO_2 emissions, contributing to a cleaner environment not just within Europe, but around the world.



5 People in the Sogefi Group

2017 Highlights

Number of employees **6,921**	Share of female employees on total workforce **24.7%**
Injury rate **4.7**	Yearly average training hours per employee **14.5**
Employees covered by collective bargaining **79.2%**	Personnel costs **306.6 €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 health and safety culture aimed at raising awareness about risks and at promoting responsible behaviour among all employees and consultants.

The Group's Human Resources Direction produces a monthly report on work accidents; this is presented and commented every month at the Executive Committee. The message has been reinforced by the Group CEO to the Top Management during the annual convention held in Paris in September, when Safety awards were presented to the plants that did not have any accidents since the beginning of the year. These initiatives have contributed to raise the degree of awareness on health and safety at all levels of the organization and to a decreasing trend on lost time injuries in the last months of the year.

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

In 2017 one fatal injury occurred. The Group has analysed the event and has organized specific training sessions on occupational health and safety with the aim of avoiding similar situation in the future, increasing corporate culture in relation to the matter and to reduce the risk of any inappropriate behaviour by the employees.

Sogefi has continued to improve its health and safety practices during 2017 to strengthen the performance of the entire Group. Some of the most relevant improvements are related to maintaining safe and proper working standards and to the achievement of zero accidents in the year. Likewise, first aid trainings to employees were provided as a means to prevent incidents both at work and at home.

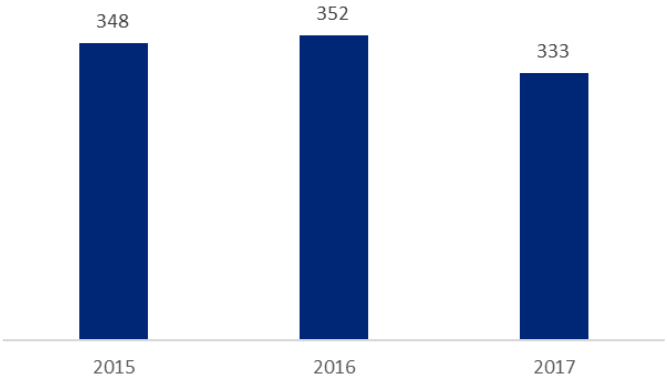
In line with Group' objective to continuously enhance its processes, improvements needed and controls to be implemented are under analysis and will be covered in the following years.

Health and Safety initiatives worldwide	
United Kingdom 	In UK the Suspension Business United created a Monthly Team Brief which was determined to allow employees to report any situation that may adversely affect health and safety at work. The initiatives were highly effective and thus produced a reduction of accidents during the year. The plant is now at more than 800 days without lost time accidents and minor incidents were reduced from 36 in 2016 to 25 in 2017. In 2017, the Suspensions Business Unit focused on fork truck control: a software was applied to control speed to less than 4MPH, operator recognition was installed to gather data on driving performance, automatic disabling of power to the truck on any impact with supervisor notification, an improvement to barriers and pedestrian segregation, and the establishment of a joint initiative between the Fork Truck Provider (SWIE) and the external safety advisory (KEY).
Argentina 	Sogefi in Argentina has weekly meetings hold by the Human Resources Manager with the delegates to resolve any problems that may arise for the plant. During the year 2017, two meetings have been set up with all employees and the person charge as Plant Manager, Production Manager and Human Resource Manager. Moreover, the Suspensions Business Unit uses the QRQC, WCM and QSB tools to follow corrective and preventive actions. Every day in the production meeting the main drawbacks in security issues are discussed, stepped audits are carried out in the plant and trainings and conferences for all employees are regularly organized on the subject. In addition, an ergonomic consultant visits the plant once a month to reduce ergonomic risks.
Spain 	Safety at workplace is always the first point of analysis and discussion in every employees' meeting, which is supported by the Safety Committee representation. In 2017, in the Suspensions Business Unit, the department managers carried out daily security patrols to identify risks and develop a plan to mitigate them. Annual trainings were also provided to all workers on the most relevant risks, raising awareness on occupational health and safety dangers and on the appropriate ways to proceed. The training also included a final examination to test understanding. Additionally, employees were also trained on emergency practices and situations. Lastly, a computer platform has been implemented to coordinate security activities with subcontractors.
Mexico 	The Air & Cooling Business Unit also has monthly health talks, weekly five minutes safety talks, safety talks for each accident or incident that occurs and awareness publications in Safety Boards. Additionally, the Medical Department has developed a series of warm-up exercises for the workers prior to beginning their activities and carries out regular medical check-ups.
France 	Sogefi in France plants prepares welcome trainings adapted to each new employee's function. On the day of arrival, the Human Resources Department holds a meeting during which every new employee received 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. At the end of the welcome meeting, every new entrant and a HR representative jointly signed the general safety instructions sheet. In addition, new entrants were trained by a tutor at their workstations in order to further increase their health and safety at work. In addition, the Filtration Business created a new job position, the BU Health & Safety Director, who manages the plant H&S manager network and shares best practices between them.

Netherlands 	Industrial accidents are taken seriously by Sogefi in the Netherlands, where a “safety awareness week” was prepared in order to make employees more aware of their own safety. For this reason, some flyers, flags, and balloons are disposed in the main areas of the plant, with the aim of attracting employees’ attention. In addition, a workshop has been organized where employees looked at pictures of safety issues in the plant and had to come up with ideas to improve or solve the problem. In 2017, every personnel meeting, which takes place on a monthly basis, has health and safety on its agenda. Additionally, safety devices on the production equipment were re-installed. In terms of Sogefi Safety Basis, the Suspensions Business Unit introduced high visibility vests in logistics, bump caps for maintenance, blue safety lights on the forklift and installed a log out tag out procedure.
Germany 	For Sogefi in Germany, 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. There are also fortnightly meetings to discuss and arrange medium- and long-term actions; the goal is to continue to decrease the number of workplace injuries.
China 	The Suspensions Business Unit and the Air & Cooling Business Unit in Sogefi in China provided respectively 983 hours and 192 hours of Health and Safety-related training to all the employees, generating a decreasing work injury rate during 2017. Moreover, the Business Unit provides an annual physical examination to its employees.
Brazil 	Sogefi Suspension in Brazil defined its health and safety service inside the plant and has developed more than 20 internal procedures informing how to react or prevent accidents of any type. This service is named “SESMT” (Specialized Service on Work Safety and Health) and depends on the number of employees, type of manufacturing, risk level, and other factors. In addition, each week, with the Safety Dialogue program, a manager, coordinator or supervisor talks to a specific function about all the incidents and accidents – if any and including near misses – that have occurred in that area during the year. Employees then have the opportunity to raise any suggestions regarding Health or Safety improvements. These points are subsequently evaluated and inserted in the Layered Audit system, to allow the possibility to monitor how these actions evolve through weekly meetings. Within Filtration Business Unit the Jarinu plant implemented a suggestion box where all the employees were able to drop off their proposals to improve safety. A reward was given to the best proposal after validation by a panel.
India 	In 2017, the Suspension Business Unit organized a training for all shopfloor employees. Thanks to the increased awareness on safety, the number of accidents in Sogefi India decreased from 6 in 2016 to only 1 in 2017.
Canada 	In 2017, The Air & Cooling Business Unit reinforced its Health and Safety culture through the development of a HSE specific logo and the implementation of a poster campaign with a monthly theme in the plant. Moreover it trained all blue-collar employees on specific HSE instances, with a completion of 100%. Lastly, the plant developed and implemented the Arc Flash Protection Policy and procedure to prevent injury shock due to Shock Hazard or Arc Flash by providing the appropriate and necessary PPE and define a standard procedure of work.

In 2017, 333 injuries occurred in the workplace, of which 267 involving men and 66 involving women, with overall decrease compared to 2016 (-5.4%).

Group total number of injuries



OCCUPATIONAL HEALTH AND SAFETY INDICATORS[8]									
	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Injury rate	5.3	3.6	4.9	4.5	5.9	4.9	5.1	3.9	4.8
Lost day rate	146.4	56.7	123.6	67.8	57.5	65.1	69.1	70.6	69.4
Occupational disease rate	0.2	0.9	0.4	0.4	0.6	0.5	0.5	0.8	0.5
Absentee rate	2.7%	1.9%	2.5%	3.6%	5.6%	4.1%	2.1%	2.1%	2.1%

As shown in the table above, in 2016 injury rate remained quite stable, as a consequence of the decrease of injuries year on year. Lost day rate slightly increased compared to 2016, while Occupational disease rate remained stable. Absentee rate of 2017 showed a decrease. The number of total injuries in 2017 within the Group was of 333 of which the 80% is referred to male. The greatest number of accident can be found in Europe (145) and North America (151) while South America and Asia registered a significant lower number of respectively 29 and 8 accidents. The health and safety indicators for geographical area can be found in the annex of this document.

With regard to the American standard OHSAS 18001 (Occupational Health and Safety Assessment), the Group is increasing the number of sites certified (+5% of sites from previous year). The implementation of this international standard helps to manage, control and improve the occupational health and safety performance of the entire Group.

[8] The perimeter of the data in respect to the total workforce of the Group accounts to: injury rate (99.7% in 2015, 99.9% in 2016 and 96.1%% in 2017); lost day rates (99.7% in 2015, 99.9% in 2016 and 94.6% in 2017); occupational disease (99.7% in 2015, 99.9% in 2016 and 89.5% in 2017); absentee rate (97.5% in 2015, 93.6% in 2016 and 93.9% in 2017).
Injury rate: The frequency of injuries relative to the total time worked by the total workforce in the reporting period, multiplied by 200,000 hours worked.
Lost day rate: It is expressed by comparing the total lost days to the total number of hours scheduled to be worked by the workforce in the reporting period, multiplied by 200,000 hours scheduled to be worked.
Occupational disease rate: The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period, multiplied by 200,000 hours worked.
Absentee rate: Refers to a measure of actual absentee days lost expressed as a percentage of total days scheduled to be worked by the workforce for the same period.

Health and Safety Committees

95%[9] of Sogefi's plants are certified ISO 14001, each of them has established a Health and Safety Committee that assesses workers' behaviour concerning safety and makes audits on each business area. Committees are integrated in the Health and Safety management system and contribute to promote a positive health and safety culture, and can contribute to the direct involvement of workers in the improvement of occupational health and safety measures in the workplace. For instance, the health and safety committee of the Air & Cooling Business Unit in Canada, meets every month to review all workplace accidents, follow-up on the prevention program action plan, carry out plant audits and promote a positive Health and Safety culture. In some plants, Trade Union representatives are entitled to cover health and safety issues.

For example, the Suspensions Business Unit in Sogefi Argentina established a safety committee that meets biweekly, and has presented a total of 31 improvement points that were achieved in 2017. This plan is updated and sent quarterly to the Department of Labour in Córdoba. In addition, Sogefi Brazil elects a Safety Committee (CIPA) every year with the objective of preventing actions that may affect the plant's performance. The CIPA committee discussed the main problems raised by them or by their colleagues on a monthly basis. In addition, a Safety and Environment week is planned every year by the SESMT, CIPA, HR and Production teams in order to make employees aware of the risks related to the work environment. Lastly, in Sogefi UK, when the Health and Safety Committees meet on a monthly basis with worker representatives, the minutes and all statistical data are published and posted on the noticed board for all employees to access.

Sogefi in India appointed the Safety committee and the Anti Sexual Harassment committee in order to assure that health and safety aspects are taken into account among the plant. Moreover, different health check-ups (dental, optometry) were held during the year to benefit employees.

[9] The calculation includes 40 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and the Tangier plant (new acquisition of 2017, which building are under construction).

5.2 Characteristics of personnel[10]

In 2017, Sogefi had 6,921 employees worldwide (+1.8% in respect of 2016) spread over 20 countries.

The Group recognises the importance of establishing and maintaining employee relations based on loyalty and mutual trust. Accordingly, the management of employment and consultancy relationships are based on respect for the rights of workers and on the full recognition of their contributions, 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 summarised 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 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 needs oriented training

To further enhance its commitment towards the respect of human rights, in 2016 Sogefi approved a Human Rights Policy, which sets out the principles that all business decisions and operations must uphold. The aim of the policy is to make the respect of human rights an essential requirement in Sogefi's operations, preventing and mitigating potential risks and consequences related to human rights. Furthermore, through this Policy, Sogefi is committed to promoting the respect of human rights throughout its whole value chain.

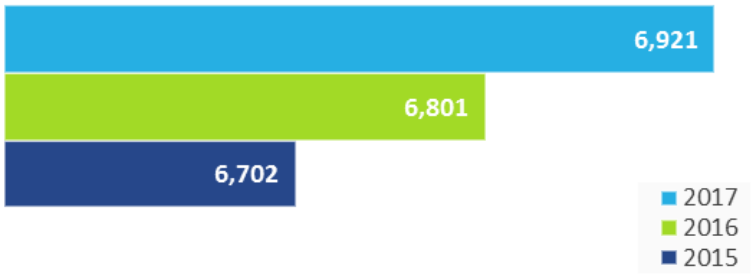
Sogefi is committed to respecting fundamental human rights as protected in key international Conventions, meaning that the Human Rights Policy covers the main principles outlined in international frameworks. Specifically, Sogefi is concerned with the rights that are most vulnerable in the workplace, 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, the Group is aware of the impact that its operations might have at a local level and commits to respecting the rights of the local community. The Group, with the aim of spreading corporate culture on the respect of human rights, provides specific trainings on the matter to its employees and in 2017 the total hours provided amounted to 1,093.

To encourage the application 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 1.2 Ethics, Integrity and Anti-corruption*). Furthermore, Sogefi commits to updating annually stakeholders on key data and other information relating to the respect of human rights.

Moreover, in 2017, the human resources department implemented an information system to improve the management and monitoring of employee development and training. This system will be implemented in 2018.

[10] The data on human resources of 2017 does not include employees of the offices of Filter Systems Maroc S.a.r.l and Sogefi Filtration Russia. For additional information, please refer to "Methodology" chapter.

Group total number of employees



As of December 31 2017, the Sogefi Group counted 6,921 employees (+1.8% compared to 2016). Men made up approximately 75% of the entire Group's population, while women accounted for about 25%.

In order to be able to analyse Sogefi employees' characteristics, the following employment categories have been considered:

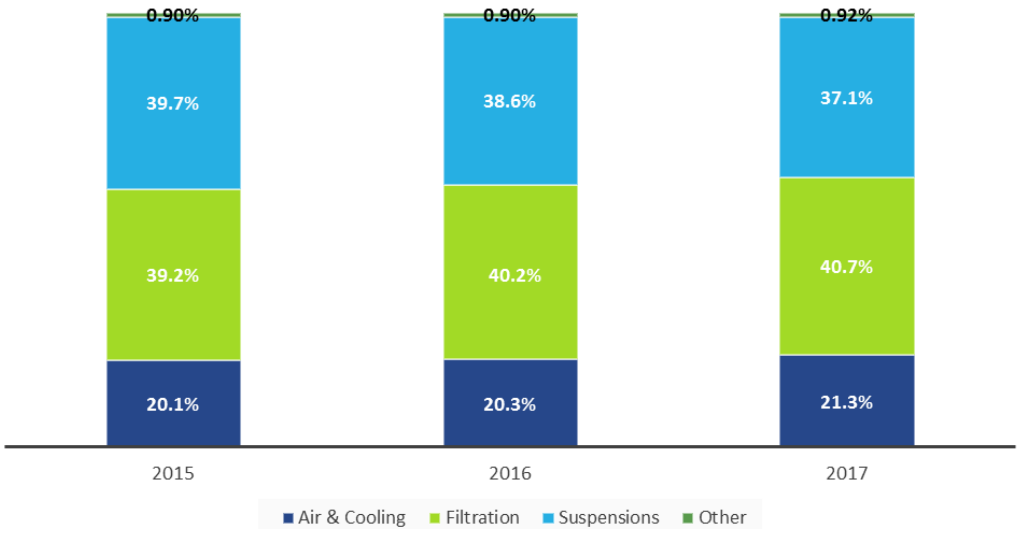
- Management
- Office staff
- Blue collar (direct and indirect workers)

In 2017, Management accounted for 2.2%, Office staff made up 27.5% while Blue collar constituted the majority of employees with 70.3%.

Total number of employees by professional category			
n.	2015	2016	2017
Management	98	106	155
Office staff	1,866	1,874	1,901
Blue collar	4,738	4,821	4,865
TOTAL	6,702	6,801	6,921

With regard to the distribution by Business Unit, 40.7% of Sogefi's population is employed in Filtration, 37.1% works for Suspensions, 21.3% oversees Air & Cooling systems, while the remaining 0.9% represents the Parent company Sogefi S.p.A. and Sogefi Gestion S.A.S.

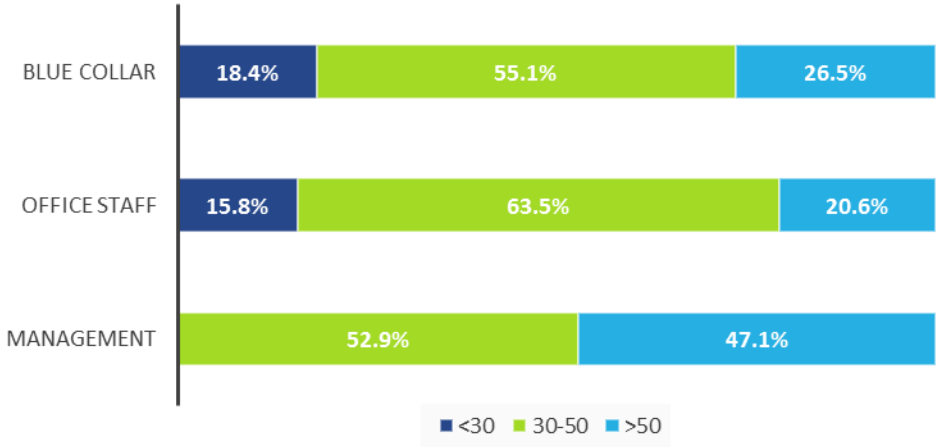
Breakdown of Group employees by business unit (%)



In 2017, the Group recorded an incoming employees' turnover rate of 17.3% and a termination turnover rate of 16.2%.[11] 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.

With regard to age distribution of the Group population, most employees are between 30 and 50 years old (57.4 %). Sogefi features a reasonable percentage of employees that are below 30 of age: in the Blue collar category 18.4% and 15.8% in the Office staff category.

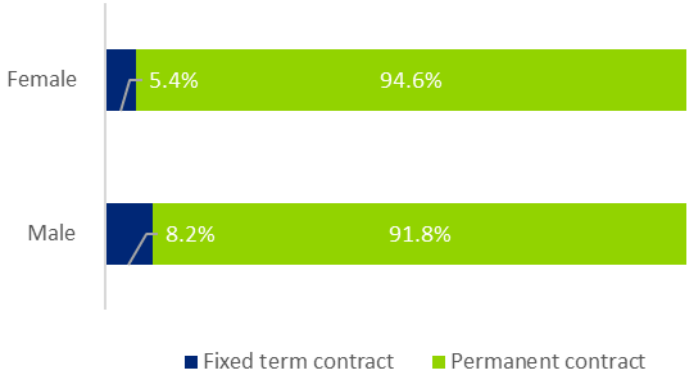
31.12.2017 Breakdown of Group employees by age group and by employment category (%)



To promote stable employment, a high percentage of Group's employees have a permanent contract (92.5 %). 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 focusing on long-term perspectives.

[11] Figures on new hires and terminations by gender and age account for 99.7% (in 2015), 99.9% (in 2016) and 100% (in 2017).

31.12.2017 Group employees by type of employment (fixed term vs permanent contract) (%)



Attracting top talent is a challenge for the Group, as a means of consolidating its market share and supporting the business worldwide. Sogefi understands the importance of attracting new talents and to be regarded as an attractive employer. The Group offers employees of every location worldwide an entry-level wage, which stands above the average for the respective labour market.

Ratio of standard entry level wage compared to local minimum wage			
	2015	2016	2017
Europe	1.1	1.2	1.1
North America	1.9	1.7	1.7
South America	1.3	1.2	1.3
Asia	1.2	1.2	1.1

Employee wellbeing

One of the most important objectives of Sogefi Group is to ensure a work environment where employees can demonstrate their abilities, helping create value in the medium and long term. In order to meet this goal, it is essential for the Group to take care of its people, planning concrete activities to guarantee their welfare and a positive work climate. Moreover, Sogefi Group aims at providing its workers with certain benefits, concerning for example healthcare, parental leave, disability and invalidity coverage, life insurance and so on.

In addition, some plants such as Sogefi Mexico, grants additional benefits to its employees and in 2017 has improved benefits such as health insurance, birth support and foreign coverage for white collar workers and punctuality and transport allowance, and perfect attendance bonus for blue collar employees.

When it comes to employees' welfare both at work and at home, a Welfare Week is held as a means to spread awareness related to body and mental health. Furthermore, Sogefi Brazil monitors every week the absenteeism rate with the aim of understanding whether it is related to common diseases, personal chronic problems, organizational environment or ergonomic issues within a certain area, to further improve the most recurring reasons.

In India, Sogefi Suspension held various employee engagement events across its different plants. Celebrations and festivals in which employees are allowed to decorate their own section, a book store at which senior managers can contribute with books that other employees can use for their knowledge, among others, were organized over the year.

Lastly, to take into account transportation constraints in the region of Paris, a collective agreement concluded in 2017 in the Business Unit Filtration Headquarters allows employees to work from home 4 days per month.

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. Sogefi thus commits to valorize diversity within the workplace, 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 persons to violate the law or the Code of Ethics will not be tolerated, and neither will any conduct or behaviour that offends the moral and personal convictions and preferences of individuals.

Code of Ethics

Sogefi has established the *Code of Ethics* as a recognition of the importance of ethical behavior and social responsibility in the pursuit of the Group's objectives. During 2017, Sogefi spread the Code of Ethics among all its managers, employees and newcomers through its internal communication system.

Some plants have also sent to all employees the translated version of the new Codes of Ethics.

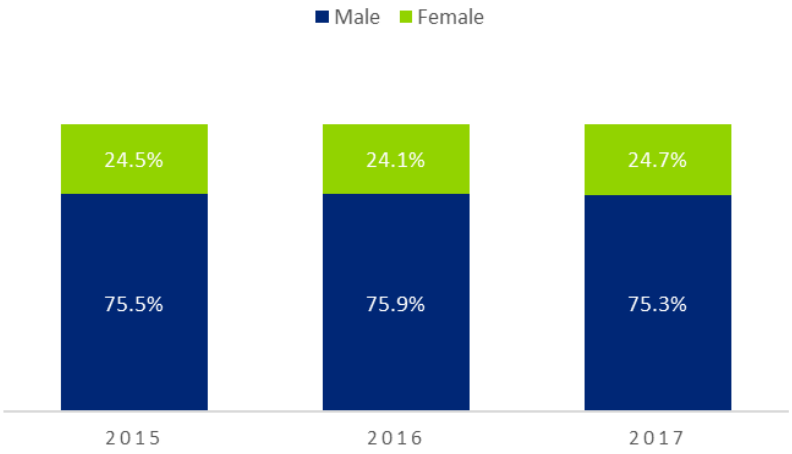
For more information about the Code, please refer to the chapter *"Ethics, integrity and anti-corruption"*

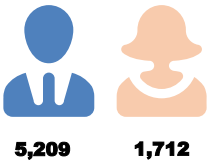
In line with Group' objective to continuously enhance its processes, improvements needed and controls to be implemented are under analysis and will be covered in the following years.

The Group undertakes to avoid all discriminations based on age, sex, sexual habits, state of health, ethnicity, nationality, political opinions and religious creed in all decisions that affect relations with its Stakeholders. For example, the Suspensions Business Unit in Germany has an anti-discrimination law that is compulsory for all stakeholders engaging with the plant: strict adherence is required by employees, customers and suppliers.

Another example of a noteworthy initiative is the creation of a corporate committee by Sogefi Spain for the monitoring and the protection of human and labour rights. Moreover, the Group promotes trainings on human rights for its employees, which in 2017 amounted to 1,093 hours.

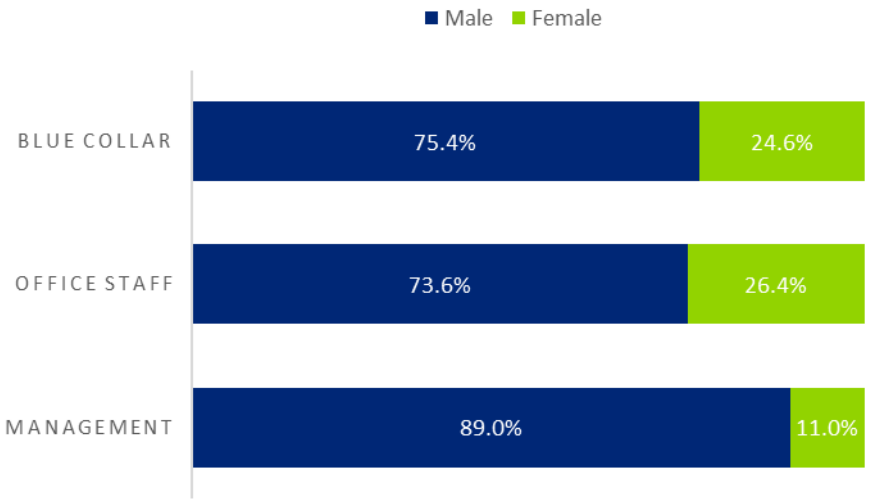
Group employees by gender (%)





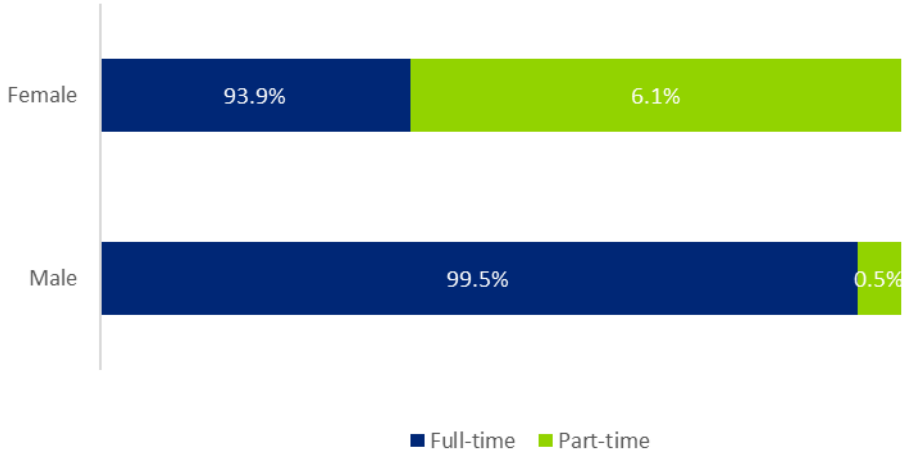
Women make up 24.7% of Sogefi's employees, with the highest percentage among Blue collar and Office staff. Indeed, breakdown of employees by gender reflects specific aspects and tasks that characterize the manufacturing sector and the automotive industry. Overall, the proportion of male and female employees remained stable throughout the years.

31.12.2017 Breakdown of Group employees by employment category by gender (%)



Equal opportunities are offered to employees of both genders, while also promoting concrete initiatives to facilitate work-life balance. Female workers are the ones taking most advantage of flexible working hours, although part time is still limitedly adopted with 6.1% of the female employees having a part time against 0.5% of the male employees.

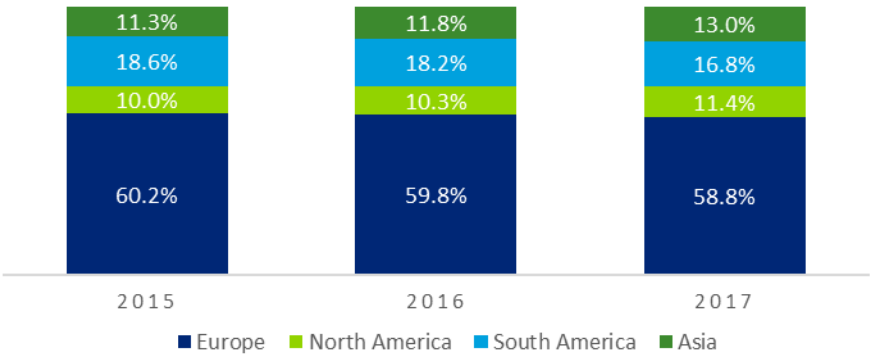
31.12.2017 Group employees by type of employment (full time vs part-time) (%)



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 (58.8%) work in Europe; South America (Brazil and Argentina) hosts 18.8% of Sogefi's population; Asia (namely the manufacturing plants located in China and India) and North America record roughly the same percentage of Group's employees (13% and 11.4% respectively).

31.12.2017 Breakdown of group employees by region (%)



The Group's remuneration policy aims at ensuring a positive competitiveness, in line with the objectives of growth and retention of human resources, as well as at differentiating compensation linked to professional skills, competences and employees' category. In addition to the compensation component, in some cases economic incentives, linked both to individual and corporate objectives, are included, therefore encouraging the spirit of belonging to the Group.

Slight differences can be noticed between the average base salary and remuneration of women to men within the same employee category mainly in South America and Asia. Also for 2017, North American seems to be the region where there is the most balance between women and men average pay. Please visit the Annex for detailed figures within the Group by region.

5.4 Building and strengthening skills[12]

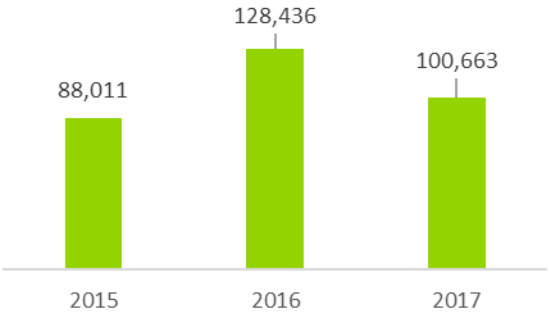
The Group recognises the key value of its human resources and the importance of establishing and maintaining employee relations based on loyalty and mutual trust. Accordingly, the management of employment and consultancy relationships is funded on respect for the rights of workers and full recognition of their contributions with a view to promoting their professional development and growth.

In last years, the number of training hours grew significantly thanks to the hours devoted to **Health and Safety** and the **Code of Ethics**

To build and strengthen skills, the Group organises training activities aimed at increasing employees' managerial and technical skills. In 2017, Sogefi provided around 100,000 hours of training involving all employee categories, corresponding to 14.5 hours of yearly training per employee.

Throughout the entire Group, training activities concerned different aspects of competence in order to provide a multi-disciplinary framework to all employees. Courses are organised to improve technical knowledge and skills (such as Manual Handling training and Forklift training), 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), IT, aspects of Health and Safety, and environmental issues. Other trainings were specifically oriented towards anti-corruption (1,065 hours in 2017) and human rights policies (1,093 hours in 2017). Lastly, specific training activities are also directed towards Management and professionals.

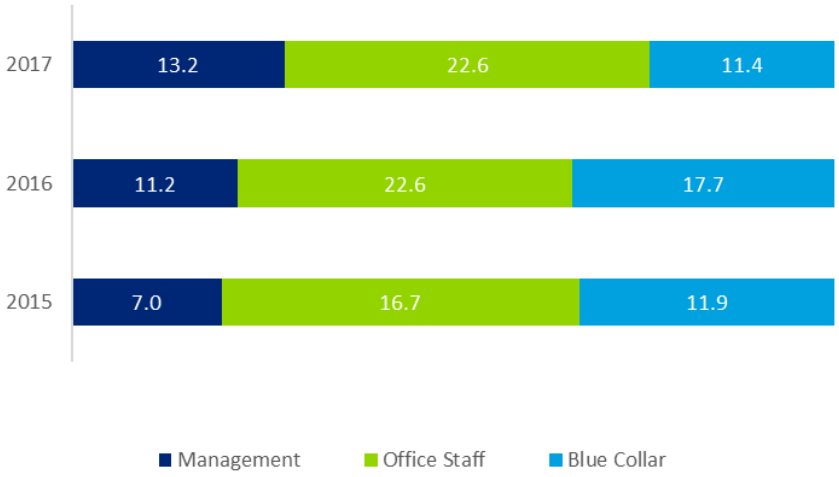
Group total hours of training



Average hours of training per employee (by gender and by employee category)									
	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Manager	6.5	14.0	**7.0**	11.6	7.8	**11.2**	13.7	9.2	**13.2**
Office staff	16.7	16.7	**16.7**	22.9	21.7	**22.6**	23.7	19.5	**22.6**
Blue collar	13.1	8.3	**11.9**	18.2	15.8	**17.7**	12.2	9.1	**11.4**
Total	**14.0**	**10.7**	**13.2**	19.4	17.5	**18.9**	15.3	12.2	**14.5**

[12] The data on total hours of training and average hours of training by gender and employment category accounts to, in respect to the total workforce of the Group, in the following way: 99.7% (in 2015), 99.9% (in 2016) and 92.5% (in 2017).

Average training hours by employee category



Training activities – some examples

Through the entire Group, training activities concern different aspects of competence in order to provide a multi-disciplinary framework to all employees. That is the case of Sogefi Suspension in Argentina, where specific technical trainings were held in 2017. In particular, supervisors and team leaders were supported by experts to develop managerial competences and thus enhance production, maintenance and quality performance. Moreover, employees who have to work in a foreign language were provided with language courses. In 2017 about 55 people were studying a foreign language, which amounts to almost 20% of the staff in the Suspensions Business Unit.

In 2017, the Air & Cooling Business Unit in Mexico continued to develop awareness on Safety through workshops and five minute talks. The plant also had 264 (from a total of more than 2800) hours in Excel training, to improve the productivity of the employees.

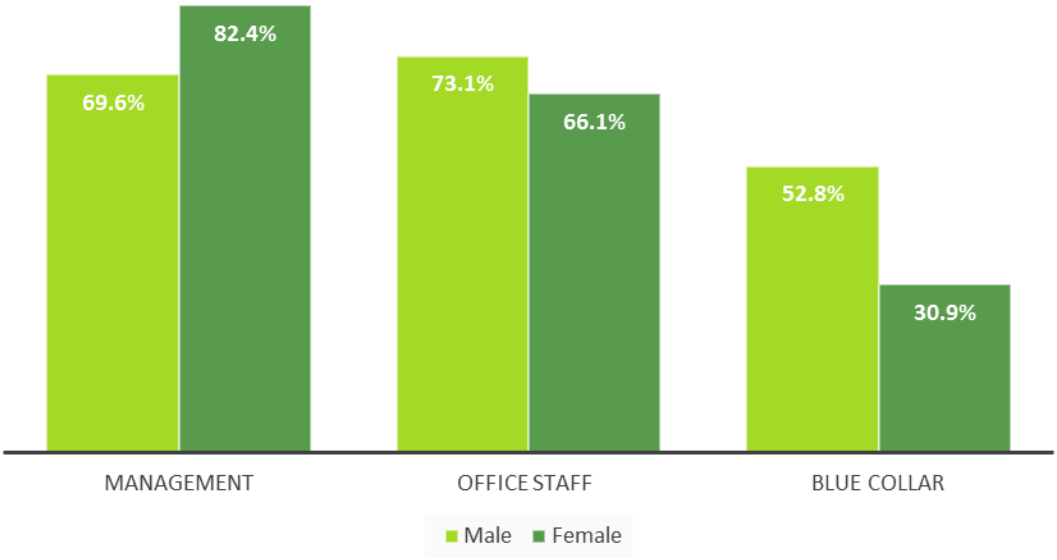
Sogefi Brazil invested in more than 16.000 hours of training, focusing on all types of subjects (around 70 hours/ employee in the year). In addition, the Suspensions Business Unit used the HR net to share the CVs of dismissed employees and indicated open positions in the region. In case of retirement, the plant provided an internal service for psychological support and preparation.

Furthermore, Germany Sogefi created 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 focused on professional and work safety development. Moreover, once a year, a continuing education plan is created. The superiors are asked to make a plan of necessary individual or group trainings for their employees.

Similarly, in Sogefi Suspension UK, every employee has a personal development plan outlining the training completed, the training undertaken and the future trainings identified as required (which is discussed at the annual appraisal). Every department has a Training Matrix to show training needs and attainment; these are updated as training is completed.

Appraise employee performance against common targets can aid the personal development of individual employees and contribute to both skills management and the development of human capital. About 54% of employees receive regular annual performance and career development reviews[13]. In 2016 some subsidiaries of the Group established a process of regular performance and career reviews. Such reviews can include an evaluation by the employee's direct supervisor or peer and may involve the personnel from each Human Resources department.

31.12.2017 Group employees receiving regular performance and career development review by gender and by employee category (%)



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. For example, Sogefi Canada has set up a joint working committee to evaluate the possibility of creating a pre-retirement program that will involve the gradual reduction of working hours per week for blue collar workers. The committee aims at submitting the project to Management by 2018. Instead, 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.

[13] The data on employees receiving regular performance and career development review accounts to, in respect to the total workforce of the Group, in the following way: 99.7% (in 2015), 99.9% (in 2016) and 93.7% (in 2017).

5.5 Industrial relations

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

Overall, 76.4% of the Group's employees are covered by collective bargaining agreements. As the table below shows, 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. In fact, employees' representation at the international locations of Sogefi Group follows local national regulations. In China currently no collective bargaining agreement is in place, but each year a Round Table Meeting for employee representatives and the General Manager is organized.

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). During 2017, there were two meetings with all the employees in charge of the Plant Manager, the Production Manager and the Human Resource Manager. The topics of discussion were: production issues, investments, absenteeism and work plans for 2018.

SHARE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS (%)			
	2015	**2016**	**2017**
Europe	80%	97%	96%
North America	49%	47%	36%
South America	97%	95%	92%
Asia	47%	45%	5%
Group	76%	85%	76%

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. Number of days or weeks of notice may vary according to geographical areas and employee category.

6 Environmental impact of operations

2017 Highlights

-5.0%
Energy Intensity reduction
(compared to 2016)

-5.3%
GHG emission intensity reduction
(compared to 2016)

95%
Group's production sites certified
ISO 14001

80%
of waste is non-hazardous

Responsible sourcing of raw materials using IMDS system

6.1 Respect for the environment

The Group strives to make a positive contribution to ecological sustainability in all of its activities, bearing in mind the rights of future generations. Sogefi believes that ensuring respect for the environment is an essential value that needs to be spread 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 supports public health, in compliance with national and international directives in this area.

To further emphasise this commitment towards the protection of the environment, in 2016 the Sogefi S.p.A. approved an **Environmental Policy**, which sets out the principles that all the operations of subsidiaries should observe.

Furthermore, Sogefi implemented environmental management systems to better protect the environment and to reduce and control environmental risks and impacts (including the prevention of pollution). In particular, 95% of the Sogefi production sites are compliant with ISO 14001 standard, and Sogefi is committed to cover all the production sites with ISO 14001:2015 standard certification by the end of 2018.

95% of Sogefi production sites are compliant with ISO14001 standard

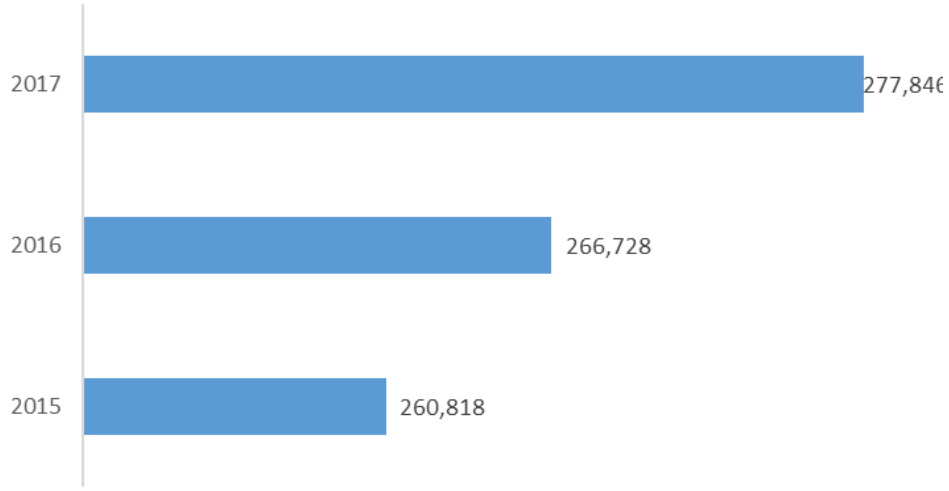
Energy consumption[14]

Sogefi manufacturing plants use the following two types of energy:

- Direct energy (natural gas, gasoline, LPG)
- Indirect energy (electricity)

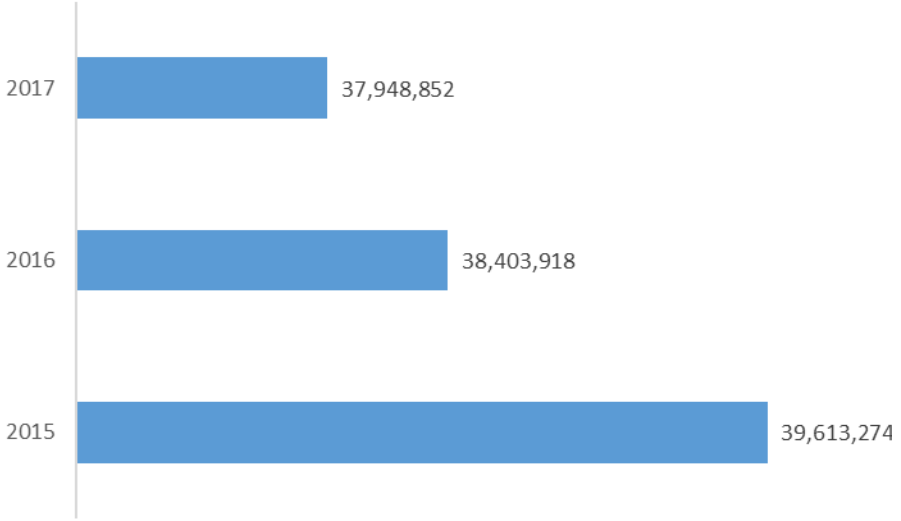
Electricity and natural gas represent the two main sources of energy used by Sogefi's sites. Together, they account for most of the Group's total energy consumption.

Group electricity consumption (MWh)



[14] 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.

Group natural gas consumption (m^3)



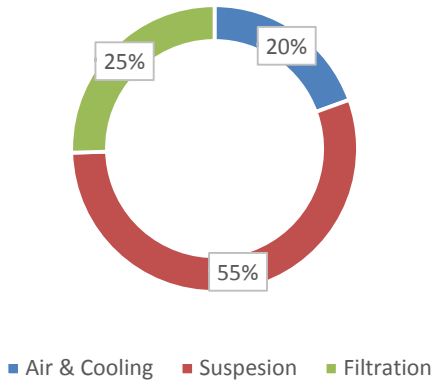
In 2017 the Group consumed roughly 277,800 MWh of electricity (+4.2% compared to 2016) and around 37.9 million cubic meters of natural gas (-1.2% compared to 2016).

Electricity and natural gas consumption by business unit						
	Electricity *[MWh]*			Natural Gas *[m^3]*		
	2015	2016	2017	2015	2016	2017
A&C	46,798	49,494	54,102	612,697	635,462	649,362
Suspensions	152,535	150,173	153,018	36,830,199	35,793,813	35,320,097
Filtration	61,485	67,062	70,726	2,170,378	1,974,643	1,979,394
Group	**260,818**	**266,728**	**277,846**	**39,613,274**	**38,403,918**	**37,948,852**

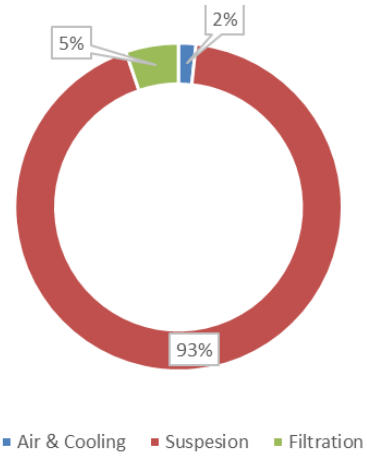
Among the Business Units, in 2017 it is possible to identify the key role of Suspensions in terms of electricity consumption (accounting in 2017 for 55.1% of the Group's total) and natural gas consumption (accounting for 93.1% of the Group's total).

It should be noted the big effort made by Suspensions to reduce the consumption of natural gas with a 1.3% decline, notwithstanding an increase in the activity and a growth in revenues up by 7.3% at constant exchange rates. This is just the first step achieved thanks to the implementation of the energy reduction project implemented by the Business Unit (please refer to the paragraph "Sogefi's Energy Project" for more information).

31.12.2017 Breakdown of electricity consumption per Business Unit



31.12.2017 Breakdown of natural gas consumption per Business Unit



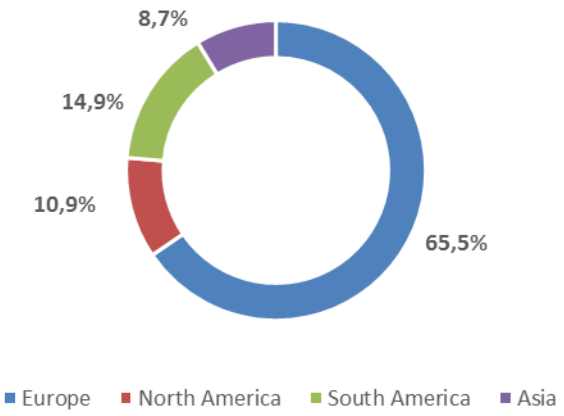
Filtration maintained the consumption of natural gas in 2017 at the same level of the previous year (+0.2% respect 2016) despite the increase of activity with revenues by 7.1% at constant exchange rates. Indeed, the business unit in 2016 has put in place a behavioural action plan for the reduction of natural gas consumption and therefore consumption levels have remained constant throughout 2017.

In line with the electricity consumption pattern of 2015 and 2016, Filtration accounts for 25.5% of the Group's electricity consumption. Air & Cooling represents 19.5% of the Group's electricity consumption.

Electricity and natural gas consumption by region						
	Electricity *[MWh]*			Natural Gas *[m³]*		
	2015	2016	2017	2015	2016	2017
Europe	175,222	178,337	181,886	27,518,224	27,431,702	26,746,938
North America	22,282	25,900	30,271	361,210	370,343	341,567
South America	41,485	41,290	41,408	9,911,148	8,730,996	9,167,295
Asia	21,829	21,202	24,281	1,822,692	1,870,877	1,693,053
Group	**260,818**	**266,728**	**277,846**	**39,613,274**	**38,403,918**	**37,948,852**

The bulk of the electricity consumption is in Europe (65.5% of the Group total consumption), as the majority of Sogefi's manufacturing plants are located in European countries, followed by South America (14.9%), North America (10.9%) and Asia (8.7%) consumption.

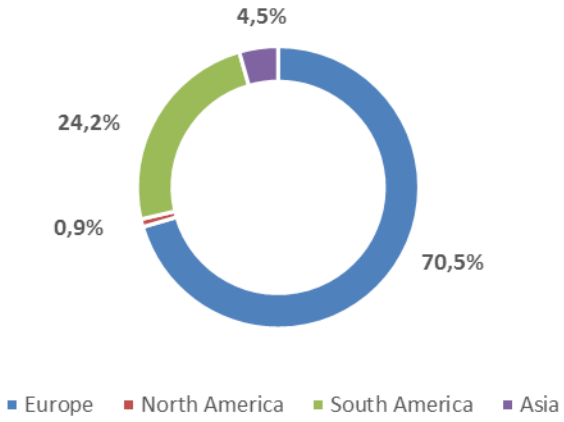
31.12.2017 Breakdown of Group electricity consumption by Region



In 2017, North America recorded an increase of 16.9% on electricity consumption levels compared to 2016. Also in Asia the electricity consumption increased by around 14.5% paired with a revenue increase of 20.9%.

With regard to the other Regions, Europe recorded a 2.0% increase of electricity consumption compared to 2016; South America recorded an increase of 0.3%.

31.12.2017 Breakdown of Group natural gas consumption by Region



With regard to natural gas consumption, also in this case Europe is consuming the majority of natural gas (70.5%), followed by South America (24.2%), Asia (4.5%) and North America with residual volumes (0.9%).

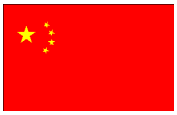
In terms of use of renewable sources, it is worth mentioning that in Sogefi Canada 100% of the electricity consumed comes from clean and renewable sources.

LPG (Liquefied Petroleum Gas), petrol and diesel oil consumption by Sogefi Group is relatively modest compared to electricity and natural gas. In 2017, approximately 2,300,000 cubic meters of LPG were consumed (10.2% more compared to 2016) and around 205,400 litres of diesel oil with a decrease of about 14.8 compared to 2016.

Initiatives towards the reduction of environmental impacts

During 2017, Sogefi worked for raising awareness as the first step towards reducing energy consumption and thus protecting the environment. That is why, employees were incentivized to turn off lights, air-conditioner, computers and equipment when not in use. The result was the increasing common sense of energy saving during working hours.

Results in energy efficiency demonstrate how Sogefi is gradually deploying sustainability practices throughout all its business activities. 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	
India 	Many plants around the world have started to replace conventional fluorescent lights with LED lamps reducing energy consumption in the next years. For instance, Sogefi in India replaced fluorescent plant shop-floor lights and street lights saving electricity consumption and related expenses.
Italy 	The Filtration Business Unit in Italy, in collaboration with ATLAS COPCO, launched a project that aims to replace a fixed flow compressor with one that permits to have a moderated air flow according to needs. The Business Unit also implemented recuperative burners on the heat treatment oven, which led to an overall reduction of natural gas consumption by 5%. LED lights were also implemented to decrease electricity consumption.
China 	Sogefi in China changed all the lights in the workshop to LED lights, maintains constant air-conditioner temperatures and ensures that daily controls are carried out to check electricity usage. Moreover, awareness posters have been distributed in the office to remind people to turn off the lights when they leave. Specifically, the suspension component plant in Wujiang, by replacing conventional fluorescent lights with LED lamps, reduced specific energy consumption from 2,642 Kwh/t in 2016 to 2,291 Kwh/t in 2017.
Spain 	In 2017, Sogefi in Spain, replaced LED lights in its plant, reducing the electricity consumption to 13,780 km/year, estimating an annual saving of 1,340 euros. The same plant also reduced annual consumption of injection process and warehouse by replacing fluorescent LEDs, estimating a saving of 11,103 euros for 2018. Moreover, the Business Unit has reduced compressor starts, from 674,012 Kwh in 2016 to 509,049 Kwh in 2017, saving approximately 24.5%. The same plant has reduced burner potential from 1,285 Kwh/Tm in August 2017 to 1,159 Kwh/Tm in September 2017, saving 7.5%, has changed the lighting in the raw material warehouse and installed clear polycarbonate roofing sheets to take advantage of the sunlight.
Brazil 	In 2017 Sogefi in Brazil, provided training to its employees on energy consumption, increasing awareness on environmental aspects and impacts. In addition, the plant replaced fluorescent lamps with LED lamps, reducing energy consumption by about 15% in relation to its target.

Germany	Sogefi in Germany has installed during 2017 LED lights in the different production area plants in Hagen and Witten, reducing energy consumption. In addition, the Business Unit has installed its own storage for raw materials, instead of using external stock, to reduce transport, energy consumption and CO_2 emissions.

Sogefi's Energy Project

Specific energy consumption reduction projects are being deployed, gradually, in all Sogefi's plants worldwide and in particular for 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. Indeed, the Suspensions Business Unit has an Energy Intensity Index[15] close to 5% on average.

For this reason, in 2014, the Group launched the "Energy Project", a key strategic initiative within the Suspensions Business Unit that 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 (European Directive 2012/27/UE) in all European plants by November 2016.

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
- Electrical Network Quality
- Thermal Processes Efficiency
- Hook Burners Management

[15] Costs of energy over Group's turnover, on a global basis.

- 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.

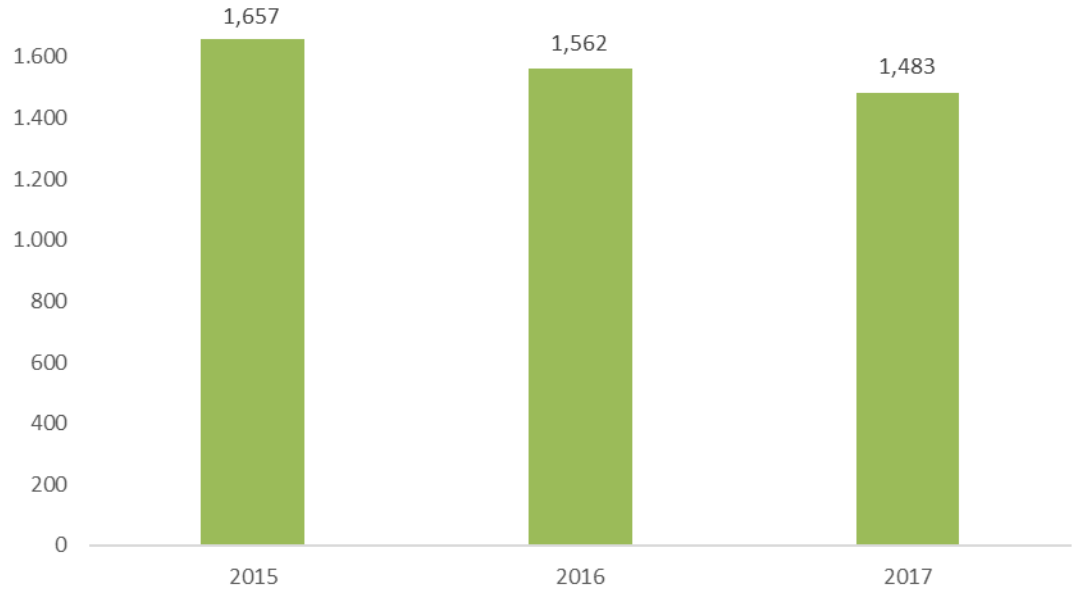
In Sogefi UK, Suspension Business Unit, the installation of the SMART metering was the main initiative to establish the target areas for the 2018 projects. Feasibility studies were also carried out on Polycarbonate roof windows, heat recovery system for Stress Reliving Oven and Bar Furnace. Actions for implementation will take place in 2018 and should deliver approximately £178k of savings with external consultant support (NPOWER).

Energy intensity

Energy intensity is defined as the energy required per unit of activity, output, or any other organisation-specific metric. Intensity ratios are often referred to as normalised environmental impact data. The intensity ratio defines an organisation's energy consumption in the context of an organisation-specific metric. Intensity is calculated by dividing the absolute energy consumption (the numerator) by an organisation-specific metric (the denominator). In Sogefi's case, the denominator chosen to calculate energy intensity is sales revenues[16]. For the numerator, electricity and natural gas consumption are considered.

In 2017, -5.0% Energy consumption per €m of sales revenues compared to 2016

Group energy intensity (GJ/m€)



[16] Sales revenues by Business Unit and by country of origin – inter-Group eliminations are not considered.

In 2017, the Group recorded an improvement of its energy intensity (GJ consumed per million euros sales revenues recorded) recording -5.0% of the energy used per unit of sales revenues.

GJ/m€	*Energy intensity by business unit*				
	2015	**var 15/16**	**2016**	**var 16/17**	**2017**
A&C	470	-10.1%	423	3.3%	437
Suspension	548	-3.3%	3,442	-7.6%	3,178
Filtration	3,702	4.3%	595	-1.4%	587
GROUP	**1,657**	**-5.8%**	**1,562**	**-5.0%**	**1,483**

The improvement of energy efficiency occurred in the Business Units of Suspension and Filtration. In particular, Suspensions experienced a 7.6% reduction in energy consumed per million euros of sales revenues recorded, which is relevant considering that the Business Unit also witnessed an increase in revenues.

GJ/m€	*Energy intensity by region*[17]				
	2015	**var 15/16**	**2016**	**Var 16/17**	**2017**
Europe	1,749	-1.0%	1,731	-24.6%	1,305
North America	390	-5.0%	371	11.2%	412
South America	2,849	-0.3%	2,841	-8.5%	2,598
Asia	1,460	-24.3%	1,106	-15.0%	940
GROUP	1,657	**-5.8%**	**1,562**	**-5.0%**	**1,483**

In 2017, energy efficiency improvements occurred in almost all the regions in which the Group operates.

[17]The sales by geographical area in 2016 differ from those reported in the Sustainability Report 2016 following a change in the classification of geographical areas. The revenues are now calculated based on “origin geographical area” and not on “destination geographical area”.

6.2 Greenhouse Gas emissions (GHG)

Carbon Footprint

Represents the total set of greenhouse gas emissions caused by a system or activity, considering all relevant sources, expressed as carbon dioxide equivalent (CO_2e).

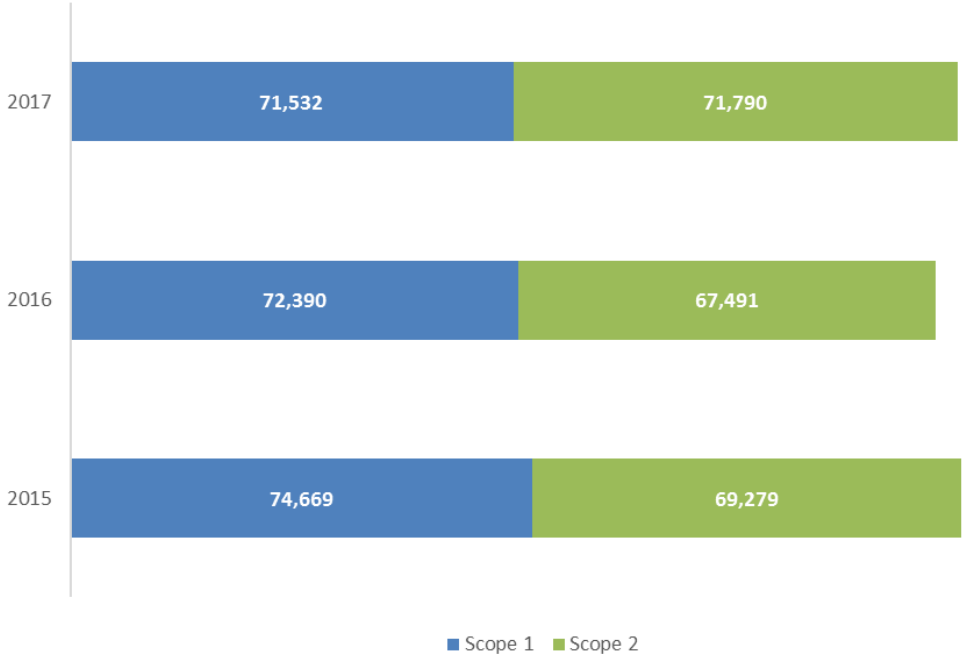
In recent years, Sogefi Group's focus on the consequences of climate change has gradually increased, also considering the raised awareness by car manufacturers. At the same time, higher attention in diminishing the generation of Greenhouse Gas (GHG) emission for the entire manufacturing industry arose 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 categorised into three broad scopes:

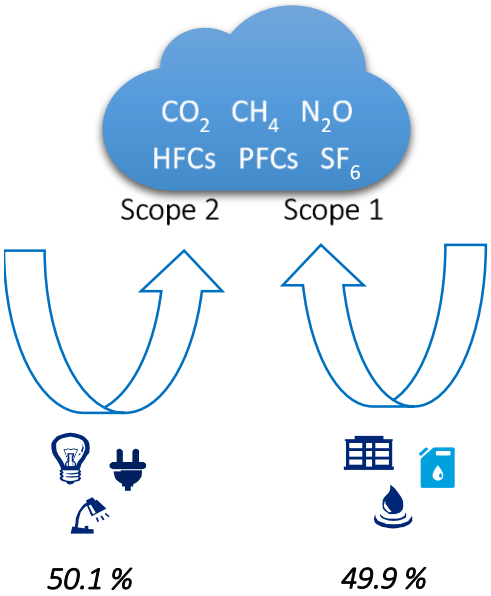
- **Direct (Scope 1) GHG emissions** come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organisation. Direct (Scope 1) GHG emissions include, but are not limited to, the CO_2 emissions from the fuel consumption.
- **Energy Indirect (Scope 2) GHG emissions** result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.
- **Other Indirect (Scope 3) emissions** not included in Scope 2 that occur outside of the organisation, including both upstream and downstream emissions. For 2017 Sogefi Group Sustainability Report, other indirect emissions were not calculated.

Group GHG emissions (ton co_2e)



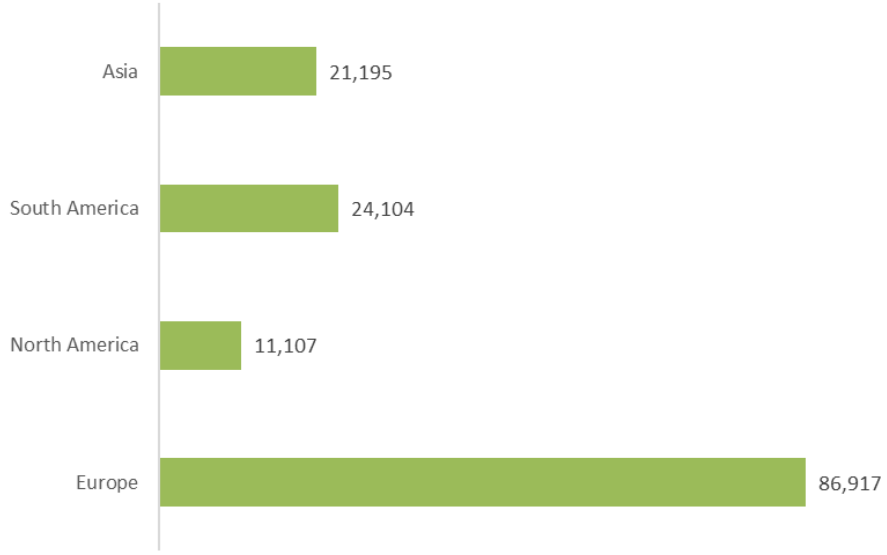
Group GHG emissions					
ton CO_2e	**2015**	**Var 15/16**	**2016**	**Var 16/17**	**2017**
SCOPE 1	74,669	-3.1%	72,390	-1.2%	71,532
SCOPE 2	69,279	-2.6%	67,491	6.4%	71,790
TOTAL	**143,949**	**-2.8%**	**139,881**	**2.5%**	**143,322**

In 2017, Group GHG emissions accounted for 143,322 tons of CO_2e, maintaining the same level of 2016 (+2.5%). Scope 1 emissions are 49.9% of total emissions, Scope 2 emissions account for 50.1%.



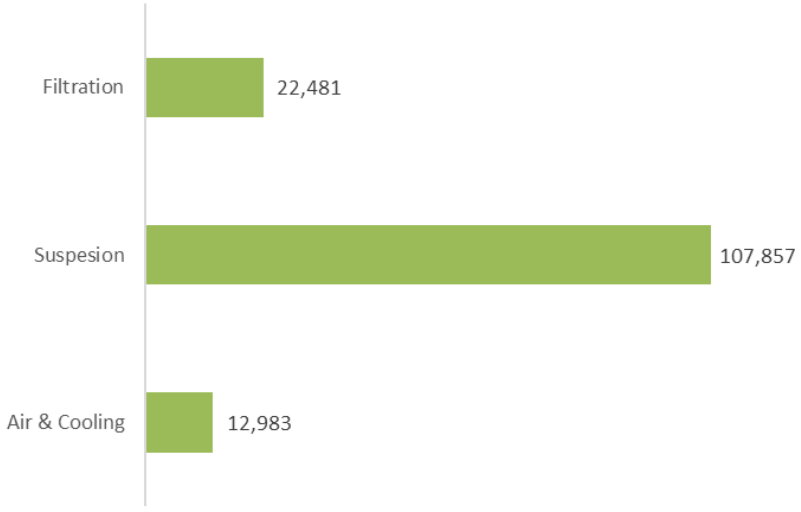
Emissions are calculated based on energy consumption (electricity and natural gas). For 2017, the source of emission factors used for Electricity is the IEA Electricity emission factors (which considers country-specific emission factors). The source of emission factors for natural gas is the WRI Emission 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.

31.12.2017 GHG emissions by Region (ton CO_2e)



Since Direct GHG emissions (Scope 1) are calculated considering the natural gas component, they slightly decreased (-1.2%) compared to 2016, in line with the natural gas consumption trend of the Group. In 2017 Indirect GHG emissions (Scope 2) recorded a 6.4% increase, reflecting the increase in electricity consumption.

31.12.2017 GHG emissions by Business Unit (ton CO2e)

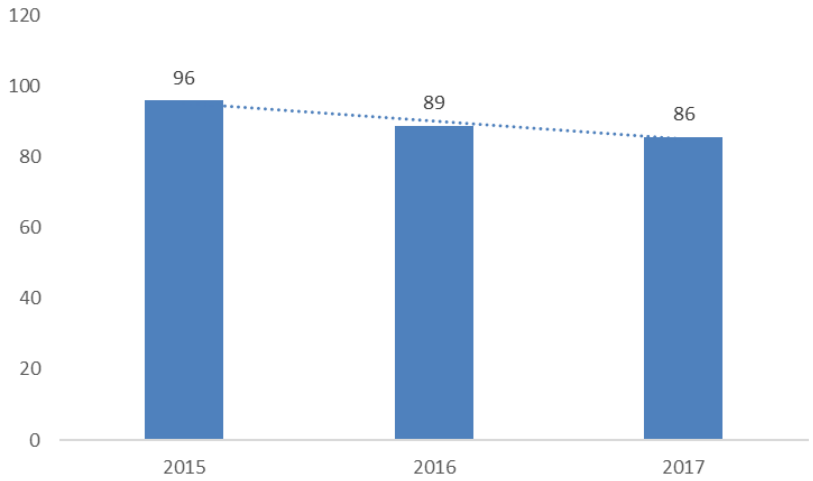


As shown from the charts above, Europe produces the highest volume of CO_2e emissions; Suspensions BU also plays a major role, given its energy intensive operations.

GHG emissions intensity

As for energy intensity, GHG emissions intensity is defined as the GHG emissions per unit of activity, output, or any other organisation-specific metric. Intensity is calculated by dividing the absolute emissions (the numerator) by the organisation-specific metric (the denominator). For Sogefi, the denominator chosen to calculate GHG emissions intensity is Sales revenues. For the numerator, total of Scope 1 and Scope 2 is considered.

Group emission intensity (*ton CO_2e/m€*)



GHG EMISSIONS INTENSITY BY BUSINESS UNIT						
ton CO_2e/m€	**2015**	**var 15/16**	**2016**	**var 16/17**	**2017**	**var 15/17**
A&C	24	-4.2%	23	11.6%	26	6.9%
Suspensions	205	-6.4%	192	-7.6%	178	-13.5%
Filtration	36	5.8%	38	3.5%	40	9.6%
GROUP	**96**	**-7.5%**	**89**	**-3.6%**	**86**	**-10.7%**

In 2017 the Group recorded a reduction of emission intensity (-3.6%) compared to 2016. Results were driven mainly by the Suspensions Business Unit, which recorded a nominal of 14 and tons of CO_2e per one million of sales revenues on a year to year basis.

GHG EMISSIONS INTENSITY BY REGION[18]						
ton CO_2e/m€	**2015**	**var 15/16**	**2016**	**var 16/17**	**2017**	**var 15/17**
Europe	94	-4.8%	89	-5.7%	84	-10.3%
North America	28	12.2%	32	18.7%	37	33.2%
South America	134	0.8%	135	-8.2%	124	-7.5%
Asia	201	-29.1%	142	-8.6%	130	-35.2%
GROUP	**96**	**-7.5%**	**89**	**-3.6%**	**86**	**-10.7%**

[18]The sales by geographical area in 2016 differ from those reported in the Sustainability Report 2016 following a change in the classification of geographical areas. The revenues are now calculated based on "origin geographical area" and not on "destination geographical area".

At the regional level, Asia stands out with a reduction of emission intensity of more than 30% since 2015 (in 2017 this meant -12 tons of CO_2e per one million of sales revenues).

Carbon foot print reduction through more efficient devices

Ensuring availability and accessibility to communication services, as well as providing a flexible collaborative working environment, have become strategic elements for the entire Group. For this reason, during 2017, Sogefi continued the implementation of a **"cloud strategy",** migrating to strategic cloud data centres, an economic and secure way to maintain its software updated.

Applications shared by at least two sites, previously locally hosted, are now systematically migrated to the data centres in the cloud. By the end of 2017, 42 servers were hosted in the Microsoft AZURE Cloud Data Centre, including 15 upgraded or added servers.

With a minimum contractual availability rate of 99.9%, the Cloud ensures an excellent level of operational security, while guaranteeing high levels of confidentiality on site. This strategy has also enabled the Group to reduce its carbon footprint to approximately 300 tons CO_2/year and AZURE is ZERO CO_2 Labelled.

Furthermore, Sogefi continued the replacement of office equipment such as laptops and desktops with more efficient and less energy-consuming devices.

Sogefi's commitment for reducing its carbon footprint goes further. That is why, during 2017, the purchasing and Information Technologies department launched a project aimed at lowering the effect of office printing, starting with French sites.

This initiative aims at standardization, by reducing the number of printing models and devices, at improving privacy and control when printing through the installation of badge readers, also to reduce the amount of paper wasted with direct prints, and lastly at reducing the carbon footprint and costs by negotiating a unique 'page cost'.

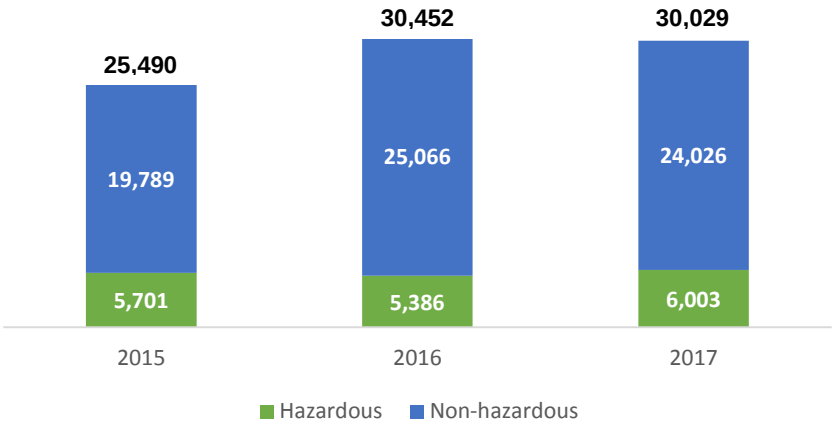
The total number of MFP (102 devices instead of the 117 present in 2016) produced 875,702 printed pages, compared to the 931,101 in 2016. These figures represent a 6% reduction, but 33% was printed as one-sided documents. This means that if 144,428 pages are saved, 3,178 Kwh are saved, which amounts to 2,609 kg of CO_2 saved. Today, in Sogefi France, the printing policy has become the rule thanks to the badge management of the devices.

6.3 Waste management

In Sogefi, the management of waste generated is carried out in order to reduce its amount as much as technically and legally possible, trying to maximise recycling and re-use, to limit incineration of non-recyclable materials, and gradually phase-out landfill disposal.

Each Sogefi's manufacturing plant worldwide 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 colour-coding or another methods, so that it is easily comprehensible and clear to everyone. In 2017, the Group generated and disposed around 30,000 tons of waste (-1.4% compared to 2016). Most of the waste generated by the Group (80%) was classified as non-hazardous.

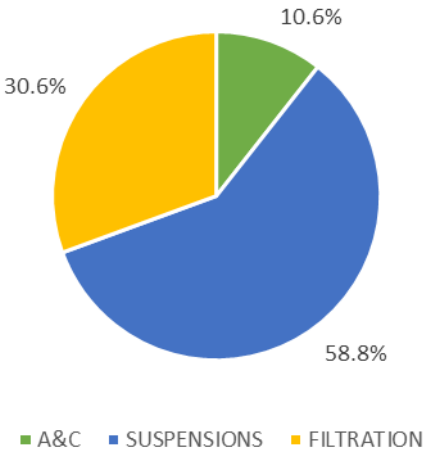
Group waste by type (ton)



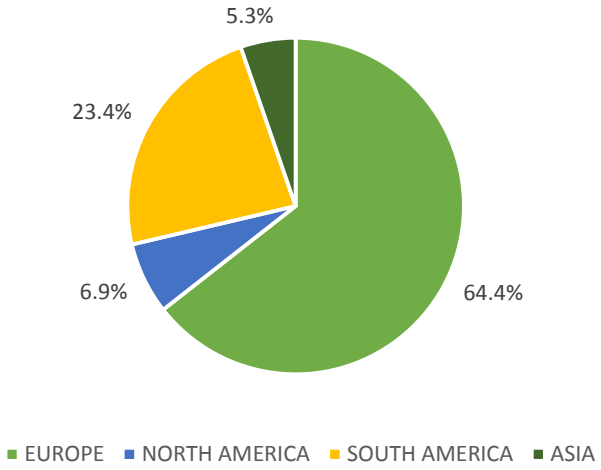
In line with production patterns, the Suspensions Business Unit records also in 2017 the highest volume of waste (58.8% on the overall Group consumption), both in terms of non-hazardous and hazardous (more than 17,600 tons), although the total amount of waste consumed by the BU lowered of about -8.5% in respect to 2016.

In absolute terms, Europe is the region that accounts for most of the volume of waste produced with more than 19,000 tons, as the majority of the manufacturing plants are located in European countries.

31.12.2017 Waste disposed by Business Unit (%)



31.12.2017 Waste disposed by Region (%)



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.

Notable efforts can be identified in France, Mexico and China. France implemented a daily tracking and review of the scraps. Mexico established the 'Hazardous Wastes Collection Route, which separates waste according to its dangerous characteristics to avoid mixing different types of waste and reducing the disposal cost. Lastly, in China there have been a few initiatives. First, all recyclable wastes were recycled through a legal contractor and efforts were made to maintain the equipment and the facility in good conditions, so to reduce the waste generated. Second, a lean project to decrease the quenching waste liquid generation was implemented. This resulted in a decrease in quantities of quenching liquid from 47 tons in 2016 to 37 tons in 2017. Finally, thanks to the setting up of a new device for waste acid recycling use, waste acid decreased from 100 tons in 2016 to 15 tons in 2017.

For the Air & Cooling Business Unit, 37.2% of waste is recycled, 23.8% is recovered (including energy recovery – in form of usable heat, electricity or fuel), 16.8% goes to landfill, and 16.1% is reused. Residual amounts refer to incineration (3.1%) and other disposal methods (3.0%).

In Filtration, 61.3% of waste is recycled, 7.6% is recovered, the rest is disposed through incineration (3.4%), reuse (2.8%), landfill (8.9%), other (15.9%) and residual is managed with other methods (deep well injection and on-site storage). In 2017, Sogefi in Slovenia reduced its production of scrap, reused different materials to reduce consumption and reduced the consumption of release agent, glue and ink. Sogefi in Brazil trained its employees on how to correctly dispose waste, reducing common trash from an average of 1,308kg in 2016 to an average of 712kg.

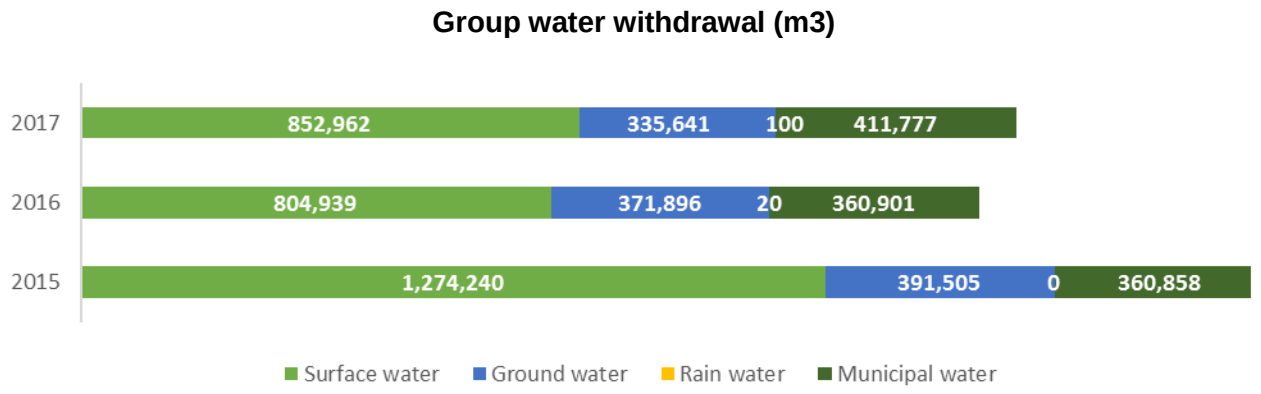
Suspensions Business Unit recycles 42.1% of its waste and reuses 16.2% of it, while 14.9% goes to landfill and 15.0% is disposed in other ways. The remaining amount refers to other methods such as incineration, recovery deep well injection and on-site storage.

6.4 Water consumption

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. For this reason, Sogefi is committed to promptly reduce its water consumption and to effectively manage its water discharges.

Although Sogefi production processes are not water-intensive, the Group continuously works for the reduction of the overall water withdrawal. Some examples of the activities for the reduction of water consumption implemented during 2017 were:

- Environmental trainings to employees as a way to educate them on water conservation behaviours both at work and at home. This included education on the rational use of water in Brazil, which resulted in a reduction of water consumption by 4.8%, from 1.04 litres/ piece in 2016 to 0.99 litres/piece in 2017
- 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)



Group overall water withdrawal in 2017 was around 1,600,400 cubic meters, with an increase of about 4.1% compared to 2016.

The sources from which water is drawn into the organization are mainly surface water (53.3%), ground water (21%), municipal water (25.7%) and residually rainwater.

Sogefi India installed the Effluent Treatment Plant (EPT) to treat the waste water generated by the paint-line and reuse it for gardening purposes. Previously, fresh water was utilized for gardening, so this initiative saved 3,241 m3 of water. The plant is also working on the project of rain water harvesting, to increase the level of ground water. However, India is not the only plant that has established an Effluent Treatment Station. Brazil implemented the same internal initiative, which resulted into the reuse of 2,219,000 litres of water after treatment.

Furthermore, Sogefi UK has increased its water storage from rainwater harvesting. The water collected is then used to dilute effluents from plating processes. The Business Unit's water usage is

tightly managed by having a storage tank on site with a capacity of 17,000 litres, should supply for production processes be required due to a lack of sufficient supply from the local provider.

Suspensions and Air&Cooling withdraw the majority of water (respectively around 53% and 40% each) of the overall Group consumption, while Filtration is accounting for 7% of the Group water withdrawal.

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.

6.5 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. To minimise the impact on the environment and protect the quality of water, some of Sogefi's manufacturing plants in France and Germany use oil separators 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 certain plants (such as in France Marcillac), biological and physic-chemical treatment is also employed prior to final discharge. In China a waste water electric evaporator was installed to replace the former waste water treatment system. The evaporator concentrates industrial waste water, which is then removed as hazardous waste. This 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 2017, the total volume of water discharged by Sogefi's sites was more than 1,360,000 cubic meters, with an overall increase of 0.6% compared to 2016.

Water discharge methods vary according to local regulations and type of activities. 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 44.7% and 50.7% of Group's overall effluents.

Filtration registered a decrease in 2017, in relation to water discharged from the previous year. In particular, Filtration witnessed a relevant decrease of -41.% compared to 2016, the highest among all Business Units.

As part of their environmental management system, the Group's manufacturing plants are equipped to prevent accidental spills into the environment. In 2017, three significant spills occurred in Germany (amounting to 151 litres of oil), Spain (amounting to 3000 litres of oil) and Argentina, all within the Business Unit Suspension. None of the spills were sanctioned.

6.6 Materials used and reusability

The Group uses a variety of materials for its industrial operations, including steel, plastic, paper and rubber. As Sogefi makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products, the Group is partially exposed to price risk. The risk is handled in the best way possible thanks to centralised purchasing in each Business Unit and a policy requiring (for each kind of raw material) various suppliers, operating in different parts of the world. For example, China has increased the quality of the control by reducing no-conformity, scrap and rework, to reduce the use of materials and components.

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 the implementation of a regrind-usage initiative that allows the reuse of plastics in more than one production cycle.

For example, in 2017, Sogefi UK reduced the use of cardboard packaging by switching to re-usable plastic containers, saving approximately 7 tonnes of used packaging compared to 2016. Another example is Sogefi Netherlands, which regularly uses the lowest kg of material for any product, which is done when the RFQ of the customer enters the plant.

Bearing in mind the consequences of its business activities on the environment, these two objectives are systematically taken into account by the R&D teams located worldwide when prototyping new products (please refer to Chapter 4 ‘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. 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. Following the coming into force of the ELV (End of Life Vehicle) EU Directive, all major car manufacturers have developed a joint project and implemented a system known as IMDS (International Material Data System), through which all suppliers of the automotive supply chain are requested to register material data of all components. The Group registers all materials used in the IMDS and its submissions help the automotive industry to prevent the use of hazardous and banned materials in components used.

The REACH European Regulation (Registration, Evaluation, Authorisation and restriction of Chemicals) 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. REACH applies to all chemical substances. For REACH purposes and for eliminating hazardous substances in products, Sogefi lists the substances used in manufacturing its products and those required to operate its facilities to ensure the safety of its operations.

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 material used by Suspension

The main raw material used by Suspensions is steel (in 2017, the amount purchased was a bit lower than 200,000 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 (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.

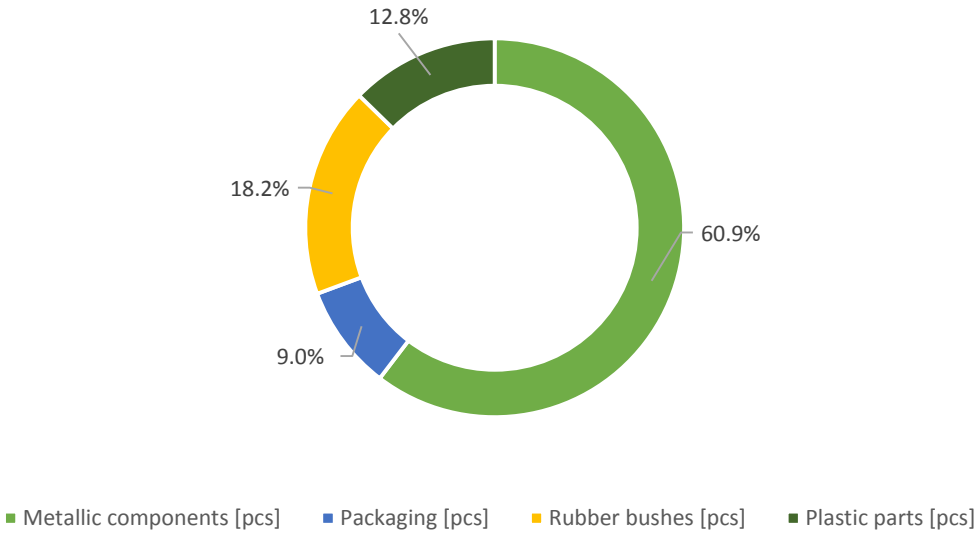
Notable examples of the monitoring of material use by Suspensions Business Units are Sogefi Germany, UK and France. In 2017, Sogefi UK reduced scraps from high point level of >3% to end of year sustained level of 1.6%. In Sogefi UK, the improvement team were all employees using SES analysis and problem solving techniques. In Sogefi France, the plant carries out a daily analysis of scrap per line and section, and has had an annual improvement of the ratio percentage of bars from 0,67 in 2016 to 0,51 in 2017.

Chemical products used by Suspensions mainly refer to two categories: 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 2017, around 1,831 tons of chemical products were used, with a reduction of about 38.9% in respect of previous year.

In 2017, Sogefi Brazil reduced the amount of ink layer in Hyundai Springs and in Jeep Family respectively by 58% and by 35%. Another initiative worthy of note is the installation of a new belt in the washing tank for coil springs to reduce oil sludge in Sogefi Spain.

Semi-manufactured goods or parts used by Suspensions

31.12.2017 Semi-manufactured goods or parts used by Suspensions (% on total pieces bought)



With regard to semi-finished components used by Suspensions, the most common are metallic parts (in 2017, more than 60 million pieces).

Rubber bushes are composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon). In 2017, more than 18.1 million pieces of rubber bushes were used in the BU.

Plastic constitutes another relevant type of material within the semi-manufactured category, accounting for more than 12.8 million pieces used in 2017.

Packaging is mostly cardboard boxes and pallets (in 2017, more than 9 million pieces) as it is required for transportation, it facilitates storage, and it protects products. Please refer to Paragraph 6.7 ‘Impact of logistics and transportation’ for more information on sustainable packaging.

Recycled input materials

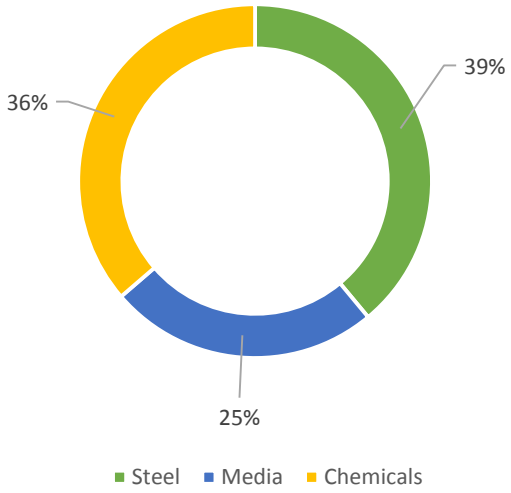
To reduce its environmental footprint, Sogefi puts particular emphasis on the use of recycled input materials. In 2017, around 30% of steel used came from scrap. Europe represents the country that recycle the most (36%) while lower percentages of scrapped steel can be found in Brazil and Argentina (20%).

Filtration

The Filtration Business Unit makes use of different kinds of materials according to the type of filter produced. Steel, Media and Chemicals are the three categories of raw materials used by the Filtration Business Unit. The Filtration Business Unit uses also semi-manufactured materials such as metallic components, rubber and packaging film.

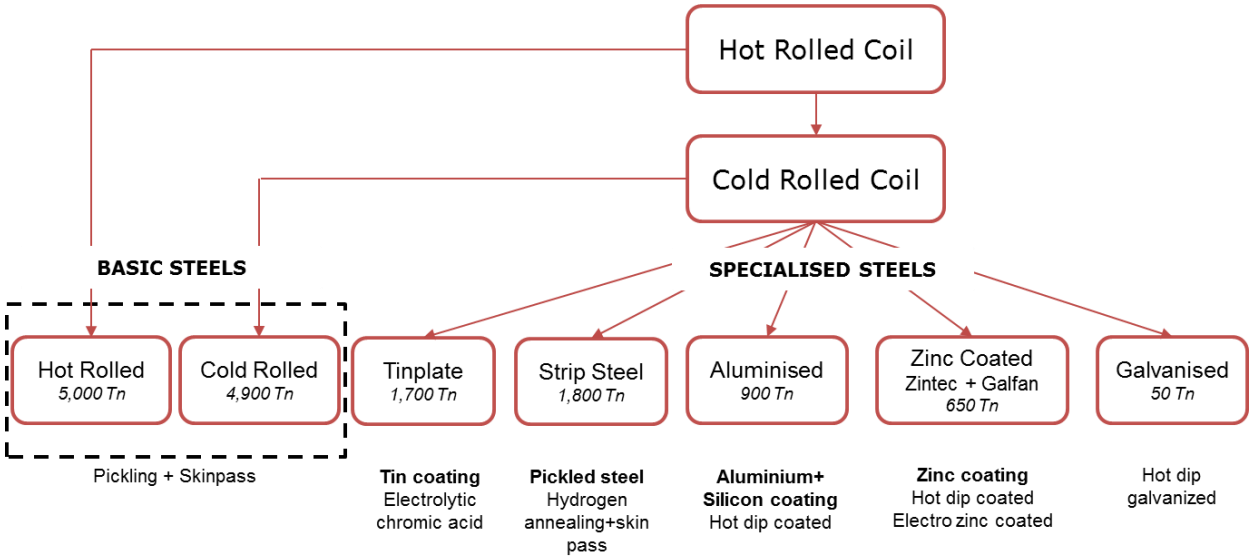
Raw material used by Filtration Business Unit

31.12.2017 Raw materials Filtration[19]



With more than 15,000 tons, **steel** is the most used raw material used by the Filtration Business Unit. The BU makes use of basic steel (hot rolled and cold rolled) mainly for spin-on, while specialised steel such as aluminised, galvanised and zinc coated types are used mainly for petrol filters and other purposes. In 2017, it was estimated that around 20% of the steel used by Filtration for the production of different types of filters came from scrapped steel used for the manufacturing of coils, whilst around 15% of the steel expanded metal and blank sheet came from scrapped materials.

[19] 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.



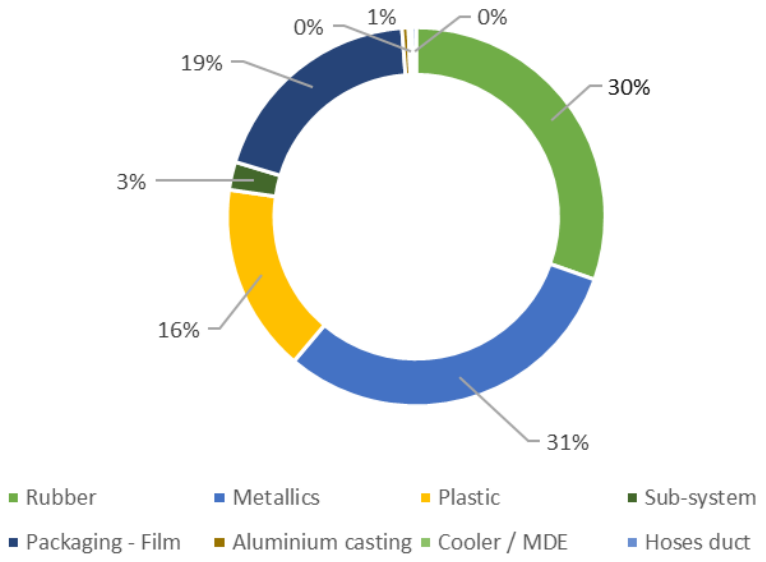
With regard to **chemicals**, in 2017 the Filtration Business Unit made use of more than 14,000 tons of chemicals such as RM, adhesive/glue, activate carbon and miscellaneous. As for the percentage of recycled input materials, it was estimate that 20% of RM chemicals came scrap.

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 2017, the Business Unit utilized more than 6,000 tons of this raw material.

Semi-manufactured goods or parts used by filtration

In 2017, the three most employed semi-manufactured materials by the Filtration Business Unit were metallic components, rubber and packaging film.

31.12.2017 – Semi-manufactured goods or parts used by Filtration (% on total number of pieces bought)



In the Filtration business around 30% of the aluminium casting purchased was coming from recycled input material.

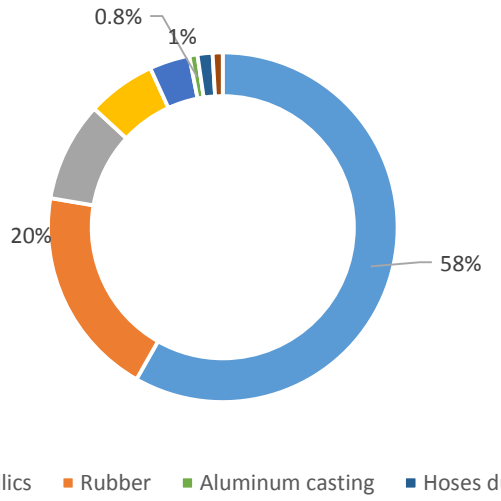
In Slovenia, the Business Unit focused on the optimization of the master production plan to increase production batch sizes and decrease the technical and changeover scrap. In addition, cardboard boxes were recycled and one way packaging, to implement a reusable one, was reduced.

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.

Semi manufactured goods or parts used by Air & Cooling

31.12.2017 Semi-manufactured goods or parts used by A&C[20]



For Air & Cooling, 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 mould plastic parts internally: this process is called 'plastic injection moulding'.

In 2017, metallic, rubber and plastic parts accounted respectively more than 266.8 million pieces (+14.6% compared to 2016), roughly 89.1 million pieces (+14% compared to 2016) and more than 42.1 million pieces (-4% compared to 2016). These three semi-manufactured goods comprise 86.9% of overall Air & Cooling semi-manufactured goods. Sub systems, packaging, aluminium castings, hoses duct and media/pre-filter foam represent the rest (13.1%).

Raw materials used by Air & Cooling

In 2017, more than 23,000 tons of RM Chemicals were used (+14.3% compared to 2016). This volume increase is related with higher volume production.

Associated process materials used by Air & Cooling

In 2017, the Air & Cooling Business Unit used around 350 kg of packaging film material (-22% in respect of 2016) corresponding to around 4,500 meters.

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

6.7 Impact of logistics and transportation

The Group pays particular attention to the impact that Sogefi's logistics and transportation systems have on the environment, from global warming to local smog and noise. Sogefi is committed to reduce the impact of its supply and distribution networks and its environmental footprint.

For this reason, the Group has undertaken efforts to reduce the impact of logistic processes by promoting its commitment throughout the entire supply chain. During 2017, Sogefi strengthened its corporate sustainability mind-set in order to optimize transportation flows and to adopt a more sustainable approach.

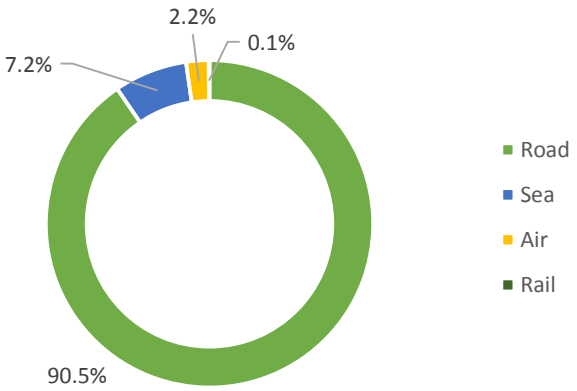
With regard to the type of freight transportation used, the most widely used method of transport by all Business Units is by road (90.5%), followed by sea (7.2%) and air (2.2%). Extensive use of cargo is mainly due to the fact that Sogefi's manufacturing footprint allows it to be located close to customers.

Group – Type of freight transportation			
%	**2015**	**2016**	**2017**
Road	93.6%	97.2%	90.5%
Sea	5.0%	1.2%	7.2%
Air	1.4%	1.3%	2.2%
Rail	0.0%	0.3%	0.1%

Sogefi makes constant efforts to:

- minimize exceptional transportation as much as possible;
- manage fully loaded trucks in order to optimise the capacity of the transport means (this includes allowing the forwarder to load cargos from other companies in order to share a full truck to the same destination;
- consider the use of returnable containers when feasible or required by the customer;
- standardise cartons and pallets size to minimise potential waste and destock;
- use third parties' warehouse located near customers' plants to minimize the risk of shortage and prevent urgent deliveries (urgent truck shipping or air shipping);
- promote the use of electric cars for transportation of heavy pallets around warehouses as a way to reduce CO_2 emissions.
- encourage employees to cycle or take public transportation to work. In case of employees living far away, to provide shuttle buses to minimize travel and mitigate the environmental impact caused from car traffic.

31.12.2017 Group type of freight transportation



GLOBAL TRANSPORTATION PURCHASING APPROACH

In 2017, the Sogefi Group updated its Global Transportation Purchasing Approach, which allows the optimization of logistics and transportation thanks to several regional offices and manufacturing plants. Under this approach, the Group changed its purchasing perimeter in the following ways:

- Through the implementation by the Central Headquarter of transverse standard processes in the Group (composed of three Business Units), with particular attention given to the organization of tenders in Europe, NAFTA, Asia and Mercosur.
- With the reinforcement of targeted quality standards, ISO 9001-2015 validated by Sogefi's Central Dream Panel, that need to be respected by selected Carriers and Logistics service providers.
- Through a commitment in 'logistics' contracts to specific clauses related to ISO 9001-2015 certifications, and the insertion of a Business continuity plan to improve the reliability of subcontracted activities.
- With a reduction in the number of local carriers working with Sogefi plants, allowing the feasibility to implement Sogefi standards locally with carriers selected among the Central Dream Panel.

In 2017, Sogefi Canada implemented the updated Global Transportation Purchasing approach, managing transportation for out-bound and in-bound shipment differently. Out-bound shipment is managed by the customer, with Sogefi providing the client with a shipping schedule to make sure truck capacity is maximized and that the Group is meeting the request of the customer. Moreover, all customer returnable containers used in the manufacturing process are returned via the same route. Instead, transportation routes of inbound shipment of production materials are reviewed at least once a year.

Reduction of environmental impacts through logistics and transportation

Sogefi implemented a centralized purchasing organization for transportation and warehousing in its headquarters in Guyancourt, France. The centralized organization collects data about CO_2 volumes of inbound and outbound flows per manufacturing site every month. This activity report also includes the participation of carriers in the proposal of alternative solutions (by rail, trucks with gas, optimization of transport planning etc) that may engage in a smaller volume of annual CO_2 emissions.

During 2017, Sogefi committed to reduce the use of plastic bags on determined projects in order to save material and costs. Moreover, the Group started reusing wooden pallets (in standard size) from its suppliers and customers as well as involving one more international forwarder with a more competitive price. Sogefi Air & Cooling Business Unit is also trying to standardize the size of expendable cartons and pallets to minimize potential waste and idle stock.

Likewise, Sogefi Filtration Business Unit implemented an automatic stretch wrapper, which eliminates manual effort and prevents potential accidents. The Business Unit is also trying to localize production and is currently buying all plastic raw materials and most of other components from the European market.

Other initiatives were related to incentivizing employees to reuse pallets and carton boxes as much as possible to reduce waste and to incentivizing the use of electric vehicles by putting charging stations at disposal. 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.

In 2017, the Sogefi Group has also focused on maximizing the number of parts in each box: when packages are designed for 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. 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. For example, in China the packaging quantity increased from 120 pieces/box to 240.

In relation to this, Sogefi is also in continuous communication with its customers and suppliers to assure that trucks' capacity is maximized and to facilitate the restitution of returnable containers when feasible. Sogefi Air & Cooling also attempts to reduce exceptional transportation of goods (MPM reduction), for example by recording each taxi.

In Sogefi Mexico, the suppliers have been picked strategically depending on a variety of factors. The strategy consists in relocating as many components as possible to local suppliers, so do 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 form other companies that share the same destination. In case of overseas customers, a full container is shipped once a month to fulfil their 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.

Lastly, specifically in 2017, the Air & Cooling Business Unit has commenced further activities to reduce costs. These include special freight cost reduction, customer logistic claims reduction and continuous improvement to completely solve these, and the deployment of a direct flow and pull system to reduce stock and additional storage.

Reduction of environmental impacts through an optimized packaging system

In order to improve logistics and transport while reducing environmental impacts, Sogefi promoted the use of returnable packaging.

Sogefi's new packaging is a part of the Group's strategy of continuous innovation, which is applied to its products and their distribution. The latest technologies were 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 them will be a removable label.

By optimizing the packaging system, the Group facilitated the logistics for the aftermarket cabin air filters.

The key goal of the project was to create an environmentally friendly product that would optimise 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 defence against physical damage, thanks to the resistance of the material in combination with the sealing process. Moreover, it can mould to the product, the package itself is smaller and lighter than a box.

Connect a mobile and global workforce

In order to reduce the impact of transportation concerning the organisation's workforce (in particular, employees' business travelling), in 2015 Sogefi deployed an innovative Unified Communication Framework, which 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

In 2017, Sogefi continued to improve its communication tools: the introduction of new video conference rooms has significantly increased employees' flexibility throughout the Group.

In 2017 two additional video conference services (in Mexico and Germany) were deployed to reach a total of 41 installed rooms, to reinforce our capacity in communications.

In 2017, the number of conference calls made during the year increased by 20% and the average call time remained constant at 55 minutes: employees are becoming more familiar with the technology and feel more confident to discuss relevant matters remotely.

YEARLY USAGE 2017				
	2015	**2016***	**2017**	**17/16 Δ %**
Calls	6,513	3,972	4,780	20%
Minutes	151,065	217,891	264,046	21%
Minutes – average call time	23	55	55	0%
Estimated average number of participants per call	3	4	4	0%
Estimated number of attendees	19,539	14,564	19,120	31%
MONTHLY USAGE 2017				
Calls per month	542	331	398	20%
Attendees estimated	1,628	1,214	1,592	31%
Minutes per month	12,588	18,158	22,003	21%
*The month of December was estimated				

France is still the country with major usage of these services and this is linked to the fact the majority of employees are located in this country, followed by Canada and Italy (227 calls). Sogefi is constantly promoting the use of the Unified Communication System.

7 Responsible procurement practices

Due to the size and geographical extent of the Group's activities, Sogefi plays a significant role with respect to economic, social and environmental aspects related to the communities and the countries in which it operates. In 2017, Sogefi's Air & Cooling Business Unit has estimated that it engages directly with around 400 suppliers and indirectly with about 1,200. In 2017 the Filtration Business Unit engaged with over 400 suppliers while the Suspensions Business Unit with approximately 390 companies, all of which are located in different countries and regions around the world. In 2017, the estimated monetary value of payments made to suppliers has been respectively 293 million euros for Air & Cooling, 280 million euros for Filtration, and 288 million euros for Suspensions.

As the Group also engages with different types of suppliers (such as manufacturers, distributors and sub-contractors), Sogefi has committed to working responsibly through a business model that identifies sustainability as a key element in every decision and across all its business practices.

In Sogefi, the purchasing procedures are based on a search for maximum competitive advantage, equal opportunities for all suppliers, loyalty and impartiality. 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.

Currently, with regard to the existence of environmental criteria for supplier selection, environmental certification ISO 14001 is part of the Supplier General Information Survey and Supplier initial assessment checklist. The collection of information and assessment is followed on a global basis. Specifically, the Air & Cooling Business Unit, has received more than 250 answers from its suppliers of which roughly 160 are certified ISO 14001.

7.1 Code of Business Conduct

Sogefi aims at promoting and disseminating ethical principles throughout its supply chain. For this reason, in 2016 the Group published a Code of Business Conduct (CBC) to help its business partners comply with the values and principles that guide its activities.

Sogefi Group expects that all suppliers receiving the Code of Business Conduct comply with the indications set out in the Code, as well as with all the applicable laws and regulations. The Code of Business Conduct requires Sogefi's business partners to acknowledge and implement standards with regard to the respect of human rights, business ethics, global working conditions and protection of the environment.

The distribution of the Code of Business Conduct to suppliers began in 2016. In 2017 the Code of Conduct has been sent to almost 300 suppliers by the Air & Cooling Business Unit (of which around 180 have signed it), to more than 400 by the Filtration Business Unit (of which around 100 have signed) and to 180 suppliers by the Suspensions Business Unit (of which approximately 70 were returned signed). It is important to underline that some big supplier companies prefer not to sign the Group's Code of Conduct as they already have a similar document in place.

As of 31 March 2017, the percentage of suppliers who signed the Code of Business Conduct reached 21% of total suppliers active at that date.

7.2 Conflict minerals and suppliers

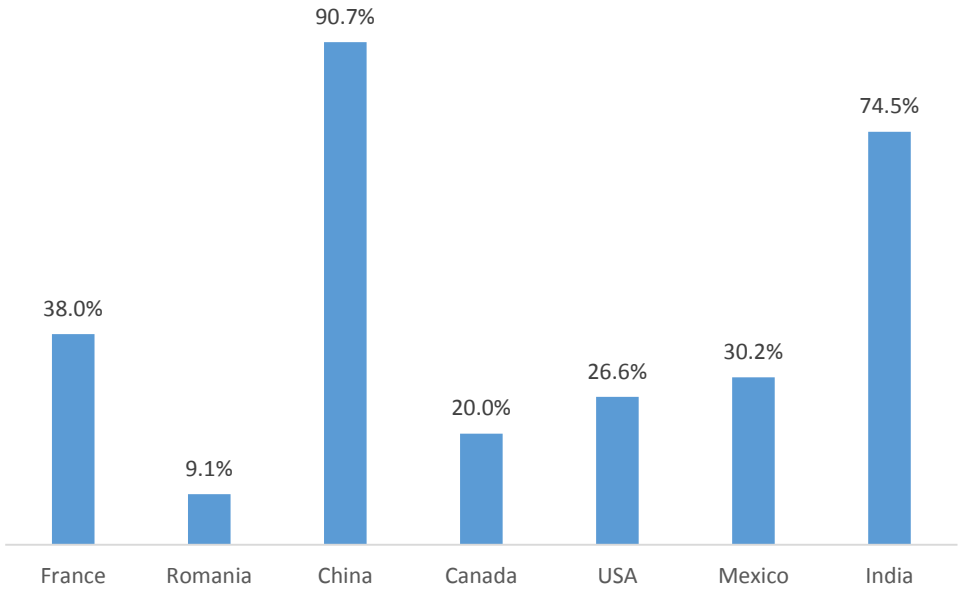
As part of the Group's commitment for fighting the use of conflict materials within its supply chain, Sogefi sends a Conflict Minerals Reporting Template (CMRT) questionnaire to suppliers who may employ tin or gold as raw materials. The questionnaire is then analysed in order to undertake actions in case of conflict (sub-supplier modification, supplier resourcing, etc.)

Moreover, Sogefi included the mineral conflict 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 request for conflict mineral declaration, the Business Unit transfers this request via the Purchasing Department to all suppliers using the product BOM. As a target for 2018, the group will aim at establishing a global process and a specific tool to manage conflict mineral declaration.

7.3 Attention towards local suppliers

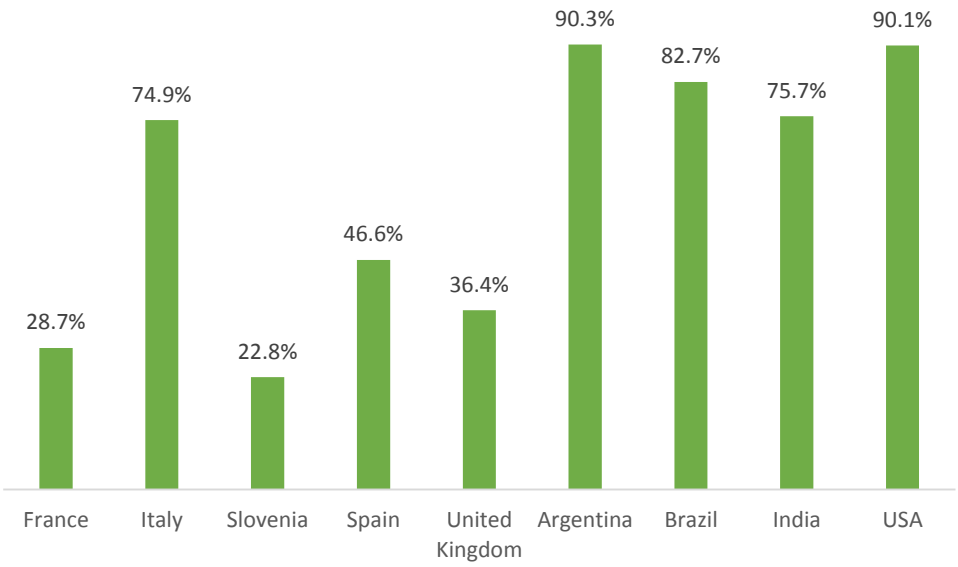
In order to strengthen the bond with the territory, Sogefi makes efforts to give priority to local suppliers[21], contributing to the local economic growth. The table below shows the percentage of the Group's procurement budget spent locally on suppliers, for significant locations of operations.

2017 Percentage of products and services purchased locally - A&C

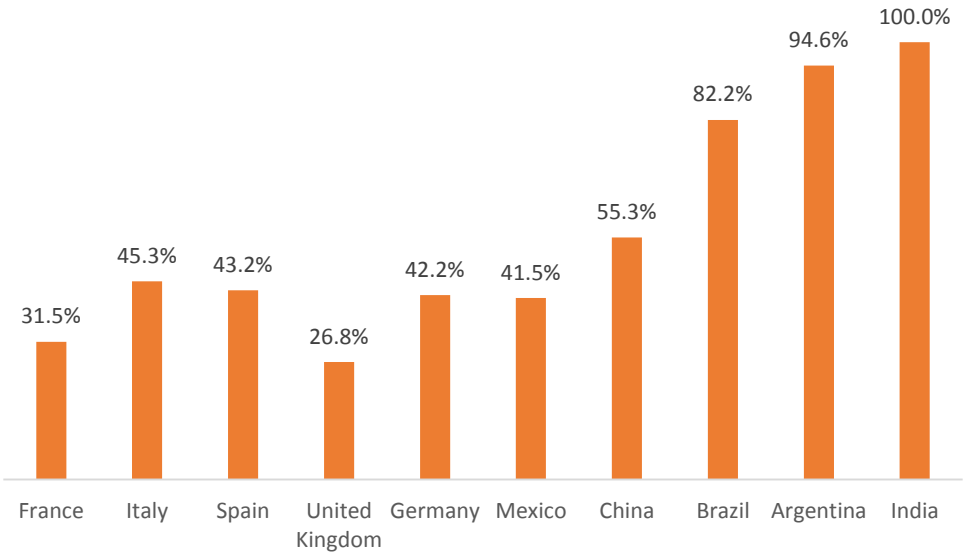


[21] Local suppliers: suppliers of goods and/or services with headquarters in the same country as Sogefi's operations.

2017 Percentage of product and services purchased locally – Filtration



2017 Percentage of product and services purchased locally – Suspensions



Annex

1.1 Human resources[23]

Total workforce									
no. of persons	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees	5,062	1,640	6,702	5,163	1,638	6,801	5,209	1,712	6,921
Supervised workers	641	279	920	541	390	930	873	370	1,243
Total	**5,703**	**1,919**	**7,622**	**5,704**	**2,027**	**7,731**	**6,082**	**2,081**	**8,163**

Breakdown of employees by employee category by gender									
no. of persons	2015			2016					
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	92	6	98	95	11	106	138	17	155
Office staff	1,393	473	1,866	1,386	488	1,874	1,400	501	1,901
Blue collar	3,577	1,161	4,738	3,682	1,139	4,821	3,667	1,198	4,865
Total	**5,062**	**1,640**	**6,702**	**5,163**	**1,638**	**6,801**	**5,205**	**1,716**	**6,571**

Breakdown of employees by gender by Region									
no. of persons	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	2,956	1,076	4,032	2,969	1,096	4,065	2,951	1,118	4,069
North America	456	211	667	521	178	699	580	208	788
South America	1,017	227	1,244	1,009	228	1,237	941	221	1,162
Asia	633	126	759	664	136	800	737	165	902
Total	**5,062**	**1,640**	**6,702**	**5,163**	**1,638**	**6,801**	**5,209**	**1,712**	**6,921**

Breakdown of employees by gender by Business Unit									
no. of persons	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
A&C	909	442	1,350	952	430	1,381	999	475	1,474
Suspensions	2,357	305	2,663	2,324	302	2,625	2,313	253	2,566
Filtration	1,756	873	2,629	1,851	884	2,735	1,857	961	2,818
Other[24]	40	20	60	37	22	59	41	23	64
Total	**5,062**	**1,640**	**6,702**	**5,163**	**1,638**	**6,801**	**5,209**	**1,712**	**6,921**

[23] The 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.
[24]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									
2015									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0	0	42	4	50	2	92	6	98
Office staff	222	77	896	306	275	90	1,393	473	1,866
Blue collar	691	190	2,011	604	875	367	3,577	1,161	4,738
Total	**913**	**267**	**2,949**	**914**	**1,200**	**459**	**5,062**	**1,640**	**6,702**

Breakdown of employees by employee category according to gender and age group									
2016									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0	0	56	6	39	5	95	11	106
Office staff	217	81	885	315	284	92	1,386	488	1,874
Blue collar	679	166	2,103	616	900	357	3,682	1,139	4,821
Total	**896**	**247**	**3,044**	**937**	**1,223**	**454**	**5,163**	**1,638**	**6,801**

Breakdown of employees by employee category according to gender and age group									
2017									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0	0	73	9	65	8	138	17	155
Office staff	225	76	881	327	294	98	1,400	501	1,901
Blue collar	698	198	2,043	638	926	362	3,667	1,198	4,865
Total	**923**	**274**	**2,997**	**974**	**1,285**	**468**	**5,205**	**1,716**	**6,921**

Breakdown of employees according to gender and age group by Business Unit									
2015									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	152	61	620	286	137	95	909	442	1,350
Suspensions	423	57	1,346	172	589	76	2,357	305	2,663
Filtration	336	145	956	442	464	286	1,756	873	2,629
Other	3	4	27	14	10	2	40	20	60
Total	**913**	**267**	**2,949**	**914**	**1,200**	**459**	**5,062**	**1,640**	**6,702**

Breakdown of employees according to gender and age group by Business Unit									
2016									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	159	45	649	292	144	93	952	430	1,381
Suspensions	379	51	1,370	174	575	77	2,324	302	2,625
Filtration	355	150	1,004	455	492	279	1,851	884	2,735
Other	3	1	22	16	12	5	37	22	59
Total	**896**	**247**	**3,044**	**937**	**1,223**	**454**	**5,163**	**1,638**	**6,801**

Breakdown of employees according to gender and age group by Business Unit									
2017									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	156	62	668	296	175	117	999	475	1,473
Suspensions	371	38	1,346	162	597	53	2,314	252	2,566
Filtration	393	173	962	498	497	295	1,852	966	2,818
Other	3	2	22	18	16	3	41	23	64
Total	**923**	**274**	**2,997**	**974**	**1,285**	**468**	**5,205**	**1,716**	**6,921**

Breakdown of employees according to gender and age group by Region									
2015									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	292	85	1,720	604	944	387	2,956	1,076	4,032
North America	101	56	256	106	99	49	456	211	667
South America	228	66	657	140	132	21	1,017	227	1,244
Asia	292	60	316	64	25	2	633	126	759
Total	**913**	**267**	**2,949**	**914**	**1,200**	**459**	**5,062**	**1,640**	**6,702**

Breakdown of employees according to gender and age group by Region									
2016									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	288	74	1,714	635	967	387	2,969	1,096	4,065
North America	114	40	305	94	102	44	521	178	699
South America	201	67	672	141	136	20	1,009	228	1,237
Asia	293	66	353	67	18	3	664	136	800
Total	**896**	**247**	**3,044**	**937**	**1,223**	**454**	**5,163**	**1,638**	**6,801**

Breakdown of employees according to gender and age group by Region									
2017									
no. of persons	**<30**		**30-50**		**>50**		**Total**		**Total**
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	284	90	1,638	627	1,028	402	2950	1,119	4,069
North America	153	57	317	100	110	51	580	208	788
South America	193	65	622	145	123	14	938	224	1,162
Asia	293	62	420	102	24	1	737	165	902
Total	**923**	**274**	**2,997**	**974**	**1,285**	**468**	**5,205**	**1,716**	**6,921**

Employees by type of employment (Fixed term contract vs. Permanent contract)									
no. of persons	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Fixed term	448	113	561	121	21	142	429	92	521
Permanent	4,614	1,527	6,141	5,042	1,617	6,659	4,781	1,620	6,400
Total	**5,062**	**1,640**	**6,702**	**5,163**	**1,638**	**6,801**	**5,209**	**1,712**	**6,921**

Employees by type of employment (Part time vs. Full time)									
no. of persons	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full time	4,602	1,427	6,029	5,000	1,509	6,509	4,950	1,542	6,492
Part time	12	100	112	42	108	150	27	101	128
Total	**4,614**	**1,527**	**6,141**	**5,042**	**1,617**	**6,659**	**4,977**	**1,643**	**6,620**

Percentage of employees covered by collective bargaining agreements by Region									
%	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	82.2	75.6	80.4	97.1	97.6	97.2	95.3	97.0	95.8
North America	54.8	37.9	49.5	48.6	43.3	47.2	50.7	48.6	50.1
South America	98.0	93.0	97.1	95.5	94.7	95.4	80.4	87.8	81.8
Asia	46.1	50.8	46.9	45.0	43.5	44.8	5.4	3.0	5.0
Total	**78.4**	**71.2**	**76.6**	**85.2**	**86.8**	**85.6**	**74.9**	**80.9**	**76.4**

New hires[25]															
no. of persons	2015					2016					2017				
	<30	30-50	>50	Total	Turnover	<30	30-50	>50	Total	Turnover	<30	30-50	>50	Total	Turnover
Male	364	311	38	713	14.1%	300	409	46	755	14.6%	455	383	51	889	17.2%
Female	129	98	19	246	15.0%	93	140	7	240	14.6%	129	164	18	311	18.4%
Total	**493**	**409**	**57**	**959**	**14.3%**	**393**	**549**	**53**	**995**	**14.6%**	**584**	**547**	**69**	**1,200**	**17.5%**

no. of persons	New hires 2017									
	<30		30-50		>50		Total		Turnover	
	M	F	M	F	M	F	M	F	M	F
Europe	109	47	149	81	28	13	286	141	9.8%	12.9%
North America	150	39	62	25	13	5	225	69	38.8%	33.2%
South America	63	16	70	20	9	0	142	36	15.1%	16.3%
Asia	133	27	102	38	1	0	236	65	32.0%	39.4%
Total	**455**	**129**	**383**	**164**	**51**	**18**	**889**	**311**	**17.2%**	**18.4%**

[25] Figures on new hires and terminations by gender and age account for 99.7% (in 2015), 99.9% (in 2016) and 100% (in 2017).

Terminations															
no. of persons	2015					2016					2017				
	<30	30-50	>50	Total	Turnover	<30	30-50	>50	Total	Turnover	<30	30-50	>50	Total	Turnover
Male	190	305	153	648	12.8%	174	353	117	643	12.4%	243	533	135	911	17.6%
Female	85	121	73	279	17.0%	49	120	70	238	14.5%	66	107	39	212	12.6%
Total	**275**	**426**	**226**	**927**	**13.8%**	**223**	**472**	**186**	**881**	**12.9%**	**309**	**640**	**174**	**1,123**	**16.4%**

no. of persons	Terminations 2017									
	<30		30-50		>50		Total		Turnover	
	M	F	M	F	M	F	M	F	M	F
Europe	66	16	287	52	91	29	444	97	15.3%	8.9%
North America	63	14	51	18	11	2	125	34	21.6%	16.3%
South America	37	10	112	22	33	7	182	39	19.3%	17.7%
Asia	77	26	83	15	0	1	160	42	21.7%	25.5%
Total	**243**	**66**	**533**	**107**	**135**	**39**	**911**	**212**	**17.6%**	**12.6%**

	Average basic salary of women to men by employee category, per region[26]			Average remuneration of women to men by employee category, per region[3]		
	2015	2016	2017	2015	2016	2017
Europe						
Management	0.79	0.89	0.44	0.74	0.79	0.48
Office staff	0.76	0.81	0.74	0.74	0.77	0.73
Blue collars	0.87	0.86	0.65	0.85	0.85	0.73
North America						
Management	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*
Office staff	0.81	0.91	0.83	0.85	0.95	0.86
Blue collar	1.01	0.97	0.96	0.99	0.98	0.92
South America						
Management	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*
Office staff	0.66	0.63	0.47	0.66	0.69	0.47
Blue collar	0.79	0.71	0.60	0.78	0.68	0.56
Asia						
Management	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*
Office staff	0.78	0.78	0.76	0.79	0.77	0.77
Blue collar	0.89	0.89	0.55	0.92	0.89	0.61

Total hours of training by employee category by gender[27]									
no. of hours	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	586	84	670	1,081	86	1,167	1,895	156	2,051
Office staff	23,111	7,801	30,913	31,697	10,460	42,157	33,214	9,784	42,998
Blue collar	46,807	9,621	56,429	67,059	18,053	85,112	44,706	10,909	55,615
Total	**70,504**	**17,507**	**88,011**	**99,837**	**28,599**	**128,436**	**79,815**	**20,849**	**100,664**

[26] Not significant, as not enough female employees in the specific employment category are present.
[27] The data on total hours of training and average hours of training by gender and employment category accounts to, in respect to the total workforce of the Group: 99.7% (in 2015), 99.9% (in 2016) and 92.5% (in 2017).

Average hours of training per employee by employee category by gender									
no. of hours	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	6.5	14.0	7.0	11.6	7.8	11.2	13.7	9.2	13.2
Office staff	16.7	16.7	16.7	22.9	21.7	22.6	23.7	19.5	22.6
Blue collar	13.1	8.3	11.9	18.2	15.8	17.7	12.2	9.1	11.4
Total	**14.0**	**10.7**	**13.2**	**19.4**	**17.5**	**18.9**	**15.3**	**12.2**	**14.5**

Employees receiving regular performance and career development reviews[28]						
%	2015		2016		2017	
	Male	Female	Male	Female	Male	Female
Management	41.1	16.7	93.5	81.8	69.6	82.4
Office staff	54.4	50.3	83.7	81.0	73.1	66.1
Blue collar	52.4	21.8	49.7	36.6	52.8	30.9
Total	**54.6**	**32.0**	**59.6**	**50.0**	**58.6**	**41.7**

1.2 Occupational Health and Safety

Occupational Health and Safety indicators[29]									
	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Injury rate	5.3	3.6	4.9	4.5	5.9	4.9	5.09	3.86	4.79
Lost day rate	146.4	56.7	123.6	67.8	57.5	65.1	69.07	70.55	69.45
Occupational disease rate	14.4	14.6	14.5	0.4	0.6	0.5	0.46	0.82	0.55
Absentee rate	2.7%	1.9%	2.5%	3.6%	5.6%	4.1%	2.1%	2.1%	2.1%

Occupational Health and safety indicators															
	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Injury rate	5.2	1.7	4.3	20.5	21.5	20.8	2.6	0.4	2.2	0.7	0.0	0.5	5.1	3.9	4.8
Lost day rate	99.5	86.8	96.0	53.2	132.1	78.6	51.1	17.4	44.5	11.0	0.0	8.7	69.1	70.6	69.4
Occupational disease rate	0.3	1.4	0.6	0.0	0.0	0.0	1.5	0.4	1.3	0.0	0.0	0.0	0.5	0.8	0.5
Absentee rate	2,7%	2,3%	2,6%	5,0%	4,2%	4,7%	0,9%	1,7%	1,1%	0,2%	0,2%	0,2%	2,1%	2,1%	2,1%

[28] The data on employees receiving regular performance and career development review accounts to, in respect to the total workforce of the Group, in the following way: 99.7% (in 2015), 99.9% (in 2016) and 93.7% (in 2017).
[29] The perimeter of the data, in respect to the total workforce of the Group, accounts to: injury rate (99.7% in 2015, 99.9% in 2016 and 96.1% in 2017); lost day rates (99.7% in 2015, 99.9% in 2016 and 94.6% in 2017); occupational disease (99.7% in 2015, 99.9% in 2016 and 89.5% in 2017); absentee rate (97.5% in 2015, 93.6% in 2016 and 93.9% in 2017).

1.3 Environment[30]

Electricity

Electricity consumption by Business Unit						
	2015		2016		2017	
	MWh	*GJ*	*MWh*	*GJ*	*MWh*	*GJ*
A&C	46,798	168,473	49,494	178,177	54,102	194,766
Suspensions	152,535	549,120	150,173	540,617	153,018	550,860
Filtration	61,485	221,345	67,062	241,421	70,726	254,610
Total	**260,818**	**938,938**	**266,728**	**960,214**	**277,846**	**1,000,237**

Electricity consumption by Region						
	2015		2016		2017	
	MWh	*GJ*	*MWh*	*GJ*	*MWh*	*GJ*
Europe	175,222	630,794	178,337	642,007	181,886	654,784
North America	22,282	80,216	25,900	93,239	30,271	108,974
South America	41,485	149,344	41,290	148,643	41,408	149,068
Asia	21,829	78,584	21,202	76,326	24,281	87,411
Total	**260,818**	**938,938**	**266,728**	**960,214**	**277,846**	**1,000,237**

Natural gas

Natural gas consumption by Business Unit						
	2015		2016		2017	
	m^3	*GJ*	*m^3*	*GJ*	*m^3*	*GJ*
A&C	612,697	23,901	635,462	24,789	649,362	25,332
Suspensions	36,830,199	1,436,746	35,793,813	1,396,317	35,320,097	1,377,741
Filtration	2,170,378	84,666	1,974,643	77,031	1,979,394	77,216
Total	**39,613,274**	**1,545,314**	**38,403,918**	**1,498,137**	**37,948,852**	**1,480,385**

Natural gas consumption by Region						
	2015		2016		2017	
	m^3	*GJ*	*m^3*	*GJ*	*m^3*	*GJ*
Europe	27,518,224	1,073,486	27,431,702	1,070,111	26,746,938	1,043,398
North America	361,210	14,091	370,343	14,447	341,567	13,325
South America	9,911,148	386,634	8,730,996	340,596	9,167,295	357,616
Asia	1,822,692	71,103	1,870,877	72,983	1,693,053	66,046
Total	**39,613,274**	**1,545,314**	**38,403,918**	**1,498,137**	**37,948,852**	**1,480,385**

[30] Environmental data (energy and GHG emissions, waste and water discharge) consider the total number of Sogefi Group's manufacturing plants. 2015 figures do not include plants that were closed during 2014 – namely Argentan (France), St Pere (France), Llantrisant (UK), Lieusaint (France), Shanghai SCH (China), while include the manufacturing plant of Atibaia (Brazil) opened during the reporting year. 2016 figures include the new manufacturing plant of Monterrey (Mexico). Figures do not include minor administrative offices that are not relevant for energy consumption. For the conversion to GJ, consider for electricity: 1 kWh = 0.0036 GJ; for natural gas: 1 m^3 = 0.03901 GJ.

Waste

Group waste generation									
ton	2015			2016			2017		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Group	5,701	19,789	**25,490**	5,386	25,066	**30,453**	6,003	24,026	**30,029**

Waste generation by Business Unit									
ton	2015			2016			2017		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
A&C	76	3,188	3,264	104	3,348	3,452	187	3,000	**3,187**
Suspensions	3,940	9,538	13,478	3,942	15,360	19,302	4,102	13,551	**17,653**
Filtration	1,686	7,063	8,749	1,341	6,358	7,700	1,714	7,475	**9,189**
Total	**5,701**	**19,789**	**25,490**	**5,386**	**25,066**	**30,453**	**6,003**	**24,026**	**30,029**

Waste generation by Region									
ton	2015			2016			2017		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Europe	4,772	14,703	19,475	4,225	15,843	20,068	3,998	15,350	19,348
North America	5	1,587	1,592	25	1,925	1,950	21	2,049	2,070
South America	653	2,801	3,454	875	6,203	7,078	1,602	5,418	7,020
Asia	271	698	969	262	1,096	1,357	382	1,209	1,591
Total	**5,701**	**19,789**	**25,490**	**5,386**	**25,066**	**30,453**	**6,003**	**24,026**	**30,029**

Waste by type of disposal			
ton	2017		
	Hazardous	Non-hazardous	Total
Reuse	42	3,583	3,625
Recycling	1,213	13,039	14,252
Composting	0	0	0
Recovery, including energy recovery	489	1,519	2,008
Incineration (mass burn)	607	298	905
Deep well injection	18	71	89
Landfill	690	3,295	3,985
On-site storage	301	657	958
Other	2,644	1,563	4,207
Total	**6,003**	**24,026**	**30,029**

Water discharge[31]

Water discharge by Business Unit												
m^3	2015				2016				2017			
	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total
A&C	1,027,330	13,671	540	1,041,541	545,435	18,938	1,468	565,842	551,451	47,524	11,002	609,977
Suspensions	229,033	273,981	240,520	743,534	473,897	198,546	11,702	684,144,4	236,773	168,913	286,150	691,836
Filtration	102,446	47,568	0	150,014	24,118	15,100	66,868	106,086	44,228	16,181	1,316	61,725
Total	**1,358,809**	**335,220**	**241,060**	**1,935,089**	1,043,450	232,584	80,038	1,356,072	**832,452**	**232,618**	**298,468**	**1,363,538**

Water discharge by Region												
m^3	2015				2016				2017			
	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total
Europe	1,343,295	235,295	241,060	1,819,650	1,021,918	176,883	71,378	1,270,178	832,452	142,775	284,816	1,260,043
North America	0	6,410	0	6,410	0	8,158	1,468	9,627	0	33,997	0	33,997
South America	0	74,400	0	74,400	18,558	13,800	2,200	34,558	0	12,512	13,652	26,164
Asia	15,514	19,115	0	34,629	2,974	33,743	4,992	41,709	0	43,334	0	43,334
Total	**1,358,809**	**335,220**	**241,060**	**1,935,089**	1,043,450	232,584	80,038	1,356,072	**832,452**	**232,618**	**298,468**	1,363,538

Water withdrawal[32]

Water withdrawal by Business Unit															
m^3	2015					2016					2017				
	Surface water	Ground water	Rain water	Municipal water	Total	Surface water	Ground water	Rain water	Municipal water	Total	Surface water	Ground water	Rain water	Municipal water	Total
A&C	1,035,720	2,507	0	44,408	**1,082,635**	550,389	3,883	0	57,687	**611,959**	551,415	3,909	0	89,131	644,455
Suspen-sions	238,520	267,418	0	270,709	**776,647**	254,550	274,754	20	260,566	**789,890**	298,567	265,934	100	283,330	847,931
Filtration	0	121,580	0	45,741	**167,321**	0	93,260	0	42,648	**135,908**	2,980	65,798	0	39,316	108,094
Total	**1,274,240**	**391,505**	**0**	**360,858**	**2,026,603**	**804,939**	**371,896**	**20**	**360,901**	**1,537,757**	**852,962**	**355,641**	**100**	**411,777**	**1,600,480**

Water withdrawal by Region															
m^3	2015					2016					2017				
	Surface water	Ground water	Rain water	Municipal water	Total	Surface water	Ground water	Rain water	Municipal water	Total	Surface water	Ground water	Rain water	Municipal water	Total
Europe	1,274,240	378,368	0	206,833	**1,891,441**	804,939	359,106	20	201,661	**1,365,726**	852,962	320,583	100	213,835	1,387,480
North America	0	0	0	15,776	**15,776**	0	0	0	23,652	**23,652**	0	0	0	51,844	51,844
South America	0	5,555	0	72,772	**78,327**	0	3,375	0	65,495	**68,870**	0	3,966	0	66,807	70,773
Asia	0	7,582	0	65,478	**73,060**	0	9,415	0	70,093	**79,508**	0	11,092	0	79,290	90,382
Total	**1,274,240**	**391,505**	**0**	**360,858**	**2,026,603**	**804,939**	**371,896**	**20**	360,901	**1,537,757**	**852,962**	**335,641**	**100**	**411,777**	**1,600,480**

[31] The data for the Group water discharge for 2016 differs from the one published in the previous Sustainability report as a consequence of an improvement in the data collection process.

[32] The data for the Group water withdrawal for 2015 and 2016 differs from the one published in the previous Sustainability report as a consequence of an improvement in the data collection process.

Materials used

Materials by weight or volume – Filtration Business Unit				
	Unit of measure	**2015**	**2016**	**2017**
RAW MATERIALS				
Steel - Coil	*ton*	17,325	16,236	15,030
Steel - Expanded Metal	*ton*	358	325	340
Steel - Blank sheet	*ton*	95	85	85
Media - Oil/Diesel Filter	*ton*	3,129	2,882	2,899
Media - Foam	*ton*	291	305	362
Media - Air Filter	*ton*	5,014	4,981	5,227
Media - Pre-Filter	*ton*	531	1,257	1,321
Chemicals - RM	*ton*	10,930	11,113	11,731
Chemicals – Adhesive/Glue	*ton*	2,249	1,949	2,016
Chemicals – Activated carbon	*ton*	640	251	410
Chemicals - Miscellaneous	*ton*	274	299	250
SEMI MANUFACTURED GOODS OR PARTS				
Rubber	*pc*	242,597,233	243,617,759	251,711,018
Metallics	*pc*	291,920,596	313,958,051	255,150,058
Plastic	*pc*	90,198,237	113,499,894	133,297,814
Sub-systems	*pc*	14,676,998	23,361,709	19,850,748
Packaging – Film	*pc*	157,226,284	162,258,490	158,385,355
Aluminium casting	*pc*	3,656,893	4,062,911	4,552,283
Cooler - MDE	*pc*	2,506,263	2,854,860	2,367,156
Hoses duct	*pc*	1,139,807	982,649	3,023,386

Materials used by weight or volume – Suspensions Business Unit[33]				
	Unit of measure	**2015**	**2016**	**2017**
RAW MATERIALS				
Steel	*ton*	202,221	216,069	199,741
Chemical products	*ton*	1,286	2,999	1,831
Metallic components	*pcs*	na	50,184,858	60,968,173
	ton	7,771	na	Na
Plastic parts	*Pcs*	na	11,706,587	12,815,429
	ton	2,602	na	na
Packaging	*pcs*	na	7,457,263	9,043,936
	ton	416	na	na
Rubber bushes	*pcs*	na	13,788,935	18,150,272
	ton	598	na	na

[33] Figures for 2014 and 2015 materials used in tons are estimates based on keur of purchased materials.

Materials used by weight or volume – Air & Cooling Business Unit				
	Unit of Measure	**2015**	**2016**	**2017**
RAW MATERIALS				
Chemicals - RM	*ton*	18,991	20,206	23,097
ASSOCIATED PROCESS MATERIALS				
Packaging - Film	*m*	201,212	13,580	350
Packaging - Film	*T*	460	450	4,596
Packaging - Film	m^2	5,790	20	20
SEMI MANUFACTURED GOODS OR PARTS				
Media - Pre-Filter/Foam	*pc*	1,458,380	2,045,528	4,275,313
Rubber	*pc*	73,390,616	78,433,840	89,143,418
Metallics	*pc*	216,117,247	233,528,435	266,821,476
Chemicals - Glue/Oil	*l*	201	220	271
Plastic	*pc*	46,002,649	44,066,554	42,130,569
Sub-system	*pc*	21,588,546	24,392,955	29,050,786
Packaging	*pc*	12,779,963	14,896,000	17,074,729
Aluminium casting	*pc*	7,220,480	3,640,195	3,458,961
Hoses duct	*pc*	5,737,788	6,216,809	6,362,663

GHG Emissions[34] (Greenhouse gas emission)

Greenhouse gas (GHG) emissions			
ton CO_2e	**2015**	**2016**	**2017**
Scope 1 – Direct GHG emissions	74,669	72,390	71,532
Scope 2 – Energy indirect GHG emissions	69,279	67,491	71,790
Total	**143,949**	**139,881**	**143,322**

Greenhouse gas (GHG) emissions by Business Unit			
ton CO_2e	**2015**	**2016**	**2017**
A&C	9,861	11,083	12,983
Suspensions	114,631	108,256	107,857
Filtration	19,456	20,541	22,481
Total	**143,949**	**139,881**	**143,322**

Greenhouse gas (GHG) emissions by Region			
ton CO_2e	**2015**	**2016**	**2017**
Europe	91,474	88,342	86,917
North America	6,797	9,165	11,107
South America	25,126	23,186	24,104
Asia	20,552	19,187	21,195
Total	**143,949**	**139,881**	**143,322**

[34] 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.

Material aspects boundaries

MATERIAL ASPECT	Aspect boundary	
Categories	**Internal**	**External**
ECONOMIC & BUSINESS		
Indirect economic impact	Sogefi	-
Economic performance	Sogefi	-
Market presence	Sogefi	-
Research and Innovation	Sogefi	-
ENVIRONMENTAL		
Material use and reusability	Sogefi	Suppliers
Environmental impact of operations	Sogefi	Suppliers
Water usage and drainage	Sogefi	Suppliers
SOCIAL **Labour practices and decent work**		
Corporate Welfare	Sogefi	-
Industrial relation	Sogefi	-
Diversity and equal opportunity	Sogefi	-
Employee Development	Sogefi	-
Occupational Health and Safety	Sogefi	-
SOCIAL **Social responsibility**		
Local community development	Sogefi	-
Responsible procurement practices	Sogefi	Suppliers
Human and labour rights	Sogefi	Suppliers
SOCIAL **Governance**		
Grievance mechanisms	Sogefi	-
Risk management	Sogefi	-
Business ethics and integrity	Sogefi	-
SOCIAL **Product responsibility**		
Environmental impact of product and services	Sogefi	Suppliers
Product quality and safety	Sogefi	Suppliers
Customer privacy	Sogefi	-

GRI Content Index

The 2017 Sogefi Group Sustainability Report was drafted according to the Global Reporting Initiative G4 Guidelines, 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**
Strategy and analysis		
G4 - 1	Statement from the CEO	4-5
G4 - 2	Key impacts, risks, and opportunities	26-31
Organisational profile		
G4 - 3	Name of the organization	6
G4 - 4	Primary brands, products, and/or services	10-19
G4 - 5	Location of the organization's headquarters	10
G4 - 6	Countries where the organization operates	10
G4 - 7	Nature of ownership and legal form	6; 10; 25-26
G4 - 8	Markets served	10
G4 - 9	Scale of the reporting organization	9; 39; 64
G4 - 10	Workforce characteristics	64; 76; 113-116
G4 - 11	Employees covered by collective bargaining agreements	80; 116
G4 - 12	Organization's supply chain	110-112
G4 - 13	Changes in organization's size, structure, ownership or its supply chain	7-8
G4 - 14	Precautionary approach	26-31
G4 - 15	Externally developed charters, principles or initiatives to which the organization subscribes	23-24; 29-31; 70 ; 82; 110
G4 - 16	Membership in associations or organizations	22
Identified materials aspects and boundaries		
G4 - 17	Entities included in the organization reports	6
G4 - 18	Reporting principles for defining report content	7-8; 33-35
G4 - 19	Material aspects identified in defining report content	33-35
G4 - 20	Material aspects within the organization	33-35 ; 124
G4 - 21	Material aspects outside the organization	33-35 ; 124
G4 - 22	Restatements of information provided in earlier reports	7-8
G4 - 23	Significant changes from previous reporting periods in scope and aspect boundaries	7-8
Stakeholder engagement		
G4 - 24	Stakeholder groups engaged by the organization	32
G4 - 25	Identification and selection of stakeholders to engage	32
G4 - 26	Organization's approach to stakeholder engagement	32
G4 - 27	Key topics collected through stakeholder engagement	32
Report profile		
G4 - 28	Reporting period	7-8
G4 - 29	Date of the last report	7-8
G4 - 30	Reporting cycle	7-8
G4 - 31	Contact point for questions regarding the report	7-8
G4 - 32	GRI Content Index	125- 129
G4 - 33	External assurance	130-132

GENERAL STANDARD DISCLOSURE		
GRI Indicator		**Page**
Governance		
G4 - 34	Governance structure	25-26
Ethics and integrity		
G4 - 56	Organization's values, principles, standards and norms of behaviour	23-24 ; 70 ; 82; 110

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		**Page**	**Reason for omission**
CATEGORY: ECONOMIC			
Material Aspect: Economic Performance			
G4 - DMA	Disclosures on management approach	39-40; Consolidated Financial Report 2017	
G4 - EC1	Direct economic value generated and distributed	41-42	
Material Aspect: Market Presence			
G4 - DMA	Disclosures on management approach	10; 71	
G4 - EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	71	
Material Aspect: Indirect Economic Impact			
G4 - DMA	Disclosures on management approach	36-38 ; 41-42	
G4 - EC8	Significant indirect economic impacts, including the extent of impacts	36-38 ; 41-42	
Material Aspect: Procurement Practices			
G4 - DMA	Disclosures on management approach	110	
G4 - EC9	Proportion of spending on local suppliers at significant locations of operation	111-112	
CATEGORY: ENVIRONMENTAL			
Material Aspect: Materials			
G4 - DMA	Disclosures on management approach	99-104	
G4 - EN1	Materials used by weight or volume	101-104; 122-123	
Material Aspect: Energy			
G4 - DMA	Disclosures on management approach	82-88	
G4 - EN3	Energy consumption within the organization	82-85 ; 119	
G4 - EN5	Energy intensity	88-89	
G4 - EN6	Reduction of energy consumption	87-88	
G4 - EN7	Reductions in energy requirements of products and services	54-63	
Material Aspect: Water			
G4 - DMA	Disclosures on management approach	97-98	
G4 – EN8	Total water withdrawal by source	97; 121	
Material Aspect: Emissions			
G4 - DMA	Disclosures on management approach	90-94	
G4 - EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	91 ; 123	
G4 - EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	91 ; 123	
G4 - EN18	Greenhouse gas (GHG) emissions intensity	93-94	
G4 - EN19	Reduction of greenhouse gas (GHG) emissions	94	
Material Aspect: Effluents and Waste			
G4 - DMA	Disclosures on management approach	95-96 ; 98	

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		Page	Reason for omission
G4 - EN22	Total water discharge by quality and destination	98; 121	
G4 - EN23	Total weight of waste by type and disposal method	95 –96; 120	
G4 - EN24	Total number and volume of significant spills	98	
Material Aspect: Products and Services			
G4 - DMA	Disclosures on management approach	54-63	
G4 - EN27	Extent of impact mitigation of environmental impacts of products and services	54-63	
Material Aspect: Transport			
G4 - DMA	Disclosures on management approach	105-108	
G4 - EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	105-108	
Supplier Environmental Assessment			
G4 - DMA	Disclosures on management approach	110	
G4 - EN32	Percentage of new suppliers that were screened using environmental criteria	110	
Material Aspect: Environmental Grievance Mechanisms			
G4 - DMA	Disclosures on management approach	23-24 ; 29-31	
G4 - EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	In 2017, 5 grievances were filed and addressed through formal grievance mechanisms, all were resolved about environmental impacts.	
CATEGORY: SOCIAL			
LABOUR PRACTICES AND DECENT WORK			
Material Aspect: Employment			
G4 - DMA	Disclosures on management approach	70	
G4 - LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	72; 116-117	
Material Aspect: Labour/Management Relations			
G4 - DMA	Disclosures on management approach	80	
G4 - LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	80	
Material Aspect: Occupational Health and Safety			
G4 - DMA	Disclosures on management approach	65-69	
G4 - LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	68 ; 118; In 2017, one fatal injury occurred.	
Material Aspect: Training and Education			
G4 - DMA	Disclosures on management approach	77-79	
G4 - LA9	Average hours of training per year per employee by gender, and by employee category	77; 118	
G4 - LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	79; 118	
Material Aspect: Diversity and Equal Opportunity			
G4 - DMA	Disclosures on management approach	25-26; 74-76	
G4 - LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age	26; 75-76; 113-115	

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		Page	Reason for omission
	group, minority group membership, and other indicators of diversity		
Material Aspect: Equal Remuneration for Women and Men			
G4 - DMA	Disclosures on management approach	74-76	
G4 - LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	73; 117	
Material Aspect: Labour Practices Grievance Mechanisms			
G4 - DMA	Disclosures on management approach	23-24; 64; 69-70	
G4 - LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	During 2017, around 121 grievances related to labour practices were filed through a formal grievance mechanism, of which 58 were addressed and resolved during the reporting year. These grievances mainly emerged due to the closure of a plant.	
HUMAN RIGHTS			
Material Aspect: Investment			
G4 - DMA	Disclosures on management approach	23-24; 70	
G4-HR2	Total number of hours of employee training on human rights policies and aspects concerning human rights,	74; 77	
Material Aspect: Non-discrimination			
G4 - DMA	Disclosures on management approach	69-70; 74-76	
G4 - HR3	Total number of incidents of discrimination and corrective actions taken	In 2017, there was one incident of discrimination.	
Material Aspect: Human Rights Grievance Mechanisms			
G4 - DMA	Disclosures on management approach	70	
G4 - HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	In 2017, 7 grievances emerged on human rights issues but they were all resolved during the reporting year.	
SOCIETY			
Material Aspect: Anti-corruption			
G4 - DMA	Disclosures on management approach	23-24	
G4 - SO4	Communication and training on anti-corruption policies and procedures	24; 77	
G4 - SO5	Confirmed incidents of corruption and actions taken	No case of corruption emerged during the reporting period	
Material Aspect: Anti-competitive Behaviour			
G4 - DMA	Disclosures on management approach	23-24	
G4 - SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	23; Consolidated Financial Report	
Material Aspect: Compliance			
G4 - DMA	Disclosures on management approach	23-24	

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		**Page**	**Reason for omission**
G4 - SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	In 2017, no fines or non-monetary sanctions for non-compliance with laws and regulations were registered.	
PRODUCT RESPONSIBILITY			
Material Aspect: Customer Health and Safety			
G4 - DMA	Disclosures on management approach	29	
G4 - PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	In 2017, no incidents of non-compliance with regulations and voluntary codes concerning the health and safety of products and services were registered.	
Material Aspect: Customer Privacy			
G4 - DMA	Disclosures on management approach	29-31; 108-109	
G4 – PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2017, no registered complaints regarding breaches of customer privacy or loss of customer data.	
Material Aspect: Compliance			
G4 - DMA	Disclosures on management approach	29-31	
G4 - PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	In 2017, no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services were registered.	

(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 Consob Regulation no. 20267

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

Pursuant to article 3 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 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 26 February 2018 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Sogefi S.p.A. (the "Company") 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 "G4 Sustainability Reporting Guidelines" published in 2013 by GRI - Global Reporting Initiative, "core" option (the "GRI G4 Core Guidelines").

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. KPMG S.p.A. 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 G4 Guidelines. 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 Company'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 companies' 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 Company'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 Company 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 selected procedures to check the correct aggregation of data in the quantitative information;
   - we visited the following subsidiaries and sites:
     - Sogefi Suspensions Passenger Car S.r.l., Italy, Settimo Torinese site
     - Sogefi Filtration Argentina S.A., Argentina, Buenos Aires site
     - Sogefi MNR Filtration India, India, Bangalore site
     - Sogefi (Suzhou) Auto Parts Co. Ltd, China, Wujiang site
     - Shangai Allevard Spring Co. Ltd, China, Shanghai 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.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 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 G4 Core Guidelines.

Other matters

The Group prepared a 2016 sustainability report and has presented the data included therein for comparative purposes in its NFS. That sustainability report was reviewed by other auditors in compliance with ISAE 3000 revised, not pursuant to any legal requirements, who expressed an unqualified conclusion thereon on 9 June 2017.

Milan, 27 March 2018

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit