Sogefi Group

Consolidated Non-Financial Statement

In accordance with the Legislative Decree no. 254/2016

Sustainability Report 2018

Table of Contents

Letter to Stakeholders

Monica Mondardini

Laurent Hebenstreit

Dear Stakeholders,

Sogefi, part of the CIR group, is a world leader in the automotive components sector, with innovative products in three business areas: Filtration, Suspensions, and Air and Cooling. In 2018 Sogefi posted revenues of € 1.6 billion.

Sogefi's vision is to develop leadership in supporting Ride and Handling and Environmental performances of the vehicles from the concept phase till the end of life.

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

Sogefi's main challenges for the next year and the coming 3-5 years is to adapt strategies and priorities with customers costs reductions expectations, raw materials prices fluctuations, evolving employees and communities needs while creating value for shareholders and all stakeholders.

Sustainability is part of Sogefi's operational and strategic priorities. Sustainability is a key topic throughout the vehicles life from concept till the end of life in each Business Unit and Product Line. Sogefi's sustainability priorities are regularly updated to integrate direct and indirect effects of new regulations concerning emissions of CO_2, NO_x and fine particles from well to wheel in the different regions of the world.

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

ETHICS and ANTI-CORRUPTION

In 2018, around 50% of the employees received training on the Code of Ethics (including anti-corruption issues). As part of the collective responsibility, since 2018, Sogefi distributes to each employee its whistleblowing procedure: any employee of the Group who is aware of a violation of

the rules defined in the Code of Ethics or of a serious offence under the laws of his/her country is informed of how to alert the company's management.

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

SAFETY

Sogefi believes safety to be at the forefront of its priorities. The Accident Frequency Rate of work-related injuries with day lost is measured at all levels of the organization. In 2018, it decreased by 40% to reach 4.7 in December 2018. More than 50% of our plants reported 0 accident with day lost on six months rolling.

ENVIRONMENT

Sogefi is committed to the environment with 98% of its sites ISO 14001:2015 certified. In 2018, the Group reduced its water discharged by 4% and its natural gas consumption by 3%.

Sogefi develops innovations and new products that contribute to weight and CO_2 emissions reductions. In 2018, the Group has been awarded by several car manufacturers to supply innovative components for hybrid, battery electric vehicles and hydrogen fuel cell powered cars.

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

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

Monica Mondardini

Chairman of the Board of Directors

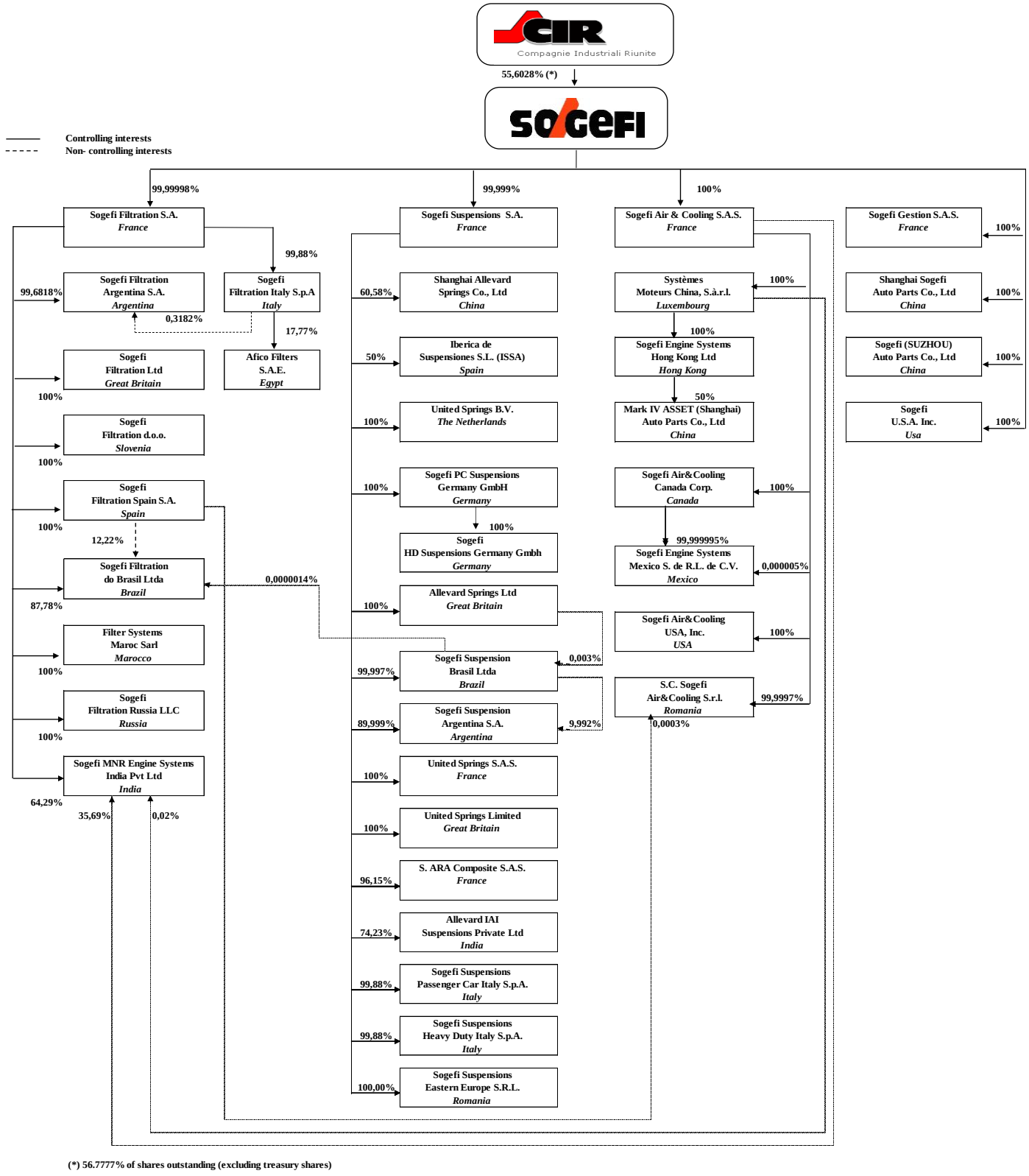
Laurent Hebenstreit

CEO and Board Member

Contacts

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

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



[1] The picture shows all the legal entities 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 2018 (from January, 1 to December, 31 2018).

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.

The NFS is prepared in accordance with the Italian legislative Decree 254/16 and with the GRI Standards: Core option published in 2016 by GRI - Global Reporting Initiative (GRI), 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 2018, consolidated on a line-by-line basis (any exception is expressly indicated in the text). Environmental data and information only take into consideration Sogefi's production plants since offices are not considered material. During the reporting period of the 2018 DNF, there were no significant changes concerning the organization's size, structure, ownership or supply chain.

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 2017 reporting period is proposed.

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

The Board of Directors of Sogefi S.p.A. approved the NFS on 25th of February, 2019.

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

The Consolidated Non-Financial Statement is published annually. The previous version of the NFS has been published on the 27th of March 2018.

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

1 The Sogefi Group

2018 Highlights

1980
Year of foundation

3
Business Units

42
Production sites

23
Countries *

€1.6 bn
Revenues

€1.5 bn
Net global economic value

6,967
Number of employees

4 Research Centers
10 Development Centers

256
Number of patents

€40.3m
R&D expenses

-0.9%
Decrease of energy intensity (compared to 2017)

-3%
Reduction of gas consumption (compared to 2017)

*Countries refer to Sogefi global presence (also including commercial presence)

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 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 23 countries[2], with 55 locations, of which 42 are production sites, 4 research centres and 10 development centres. Sogefi 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.

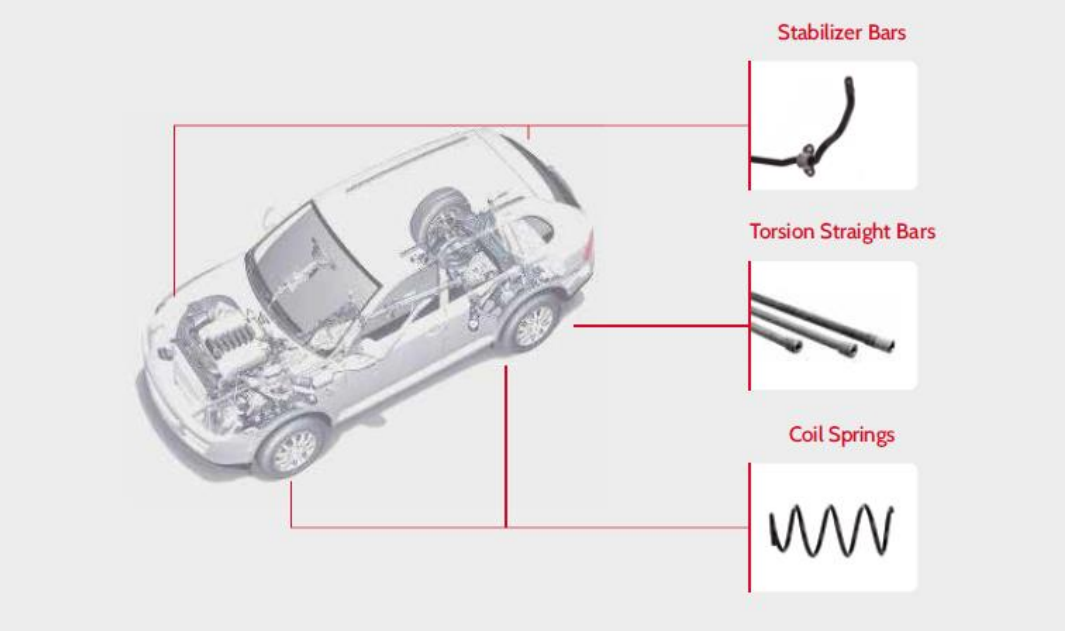
[2] *Countries refer to Sogefi global presence (also including commercial presence)

Sogefi Products

Suspensions

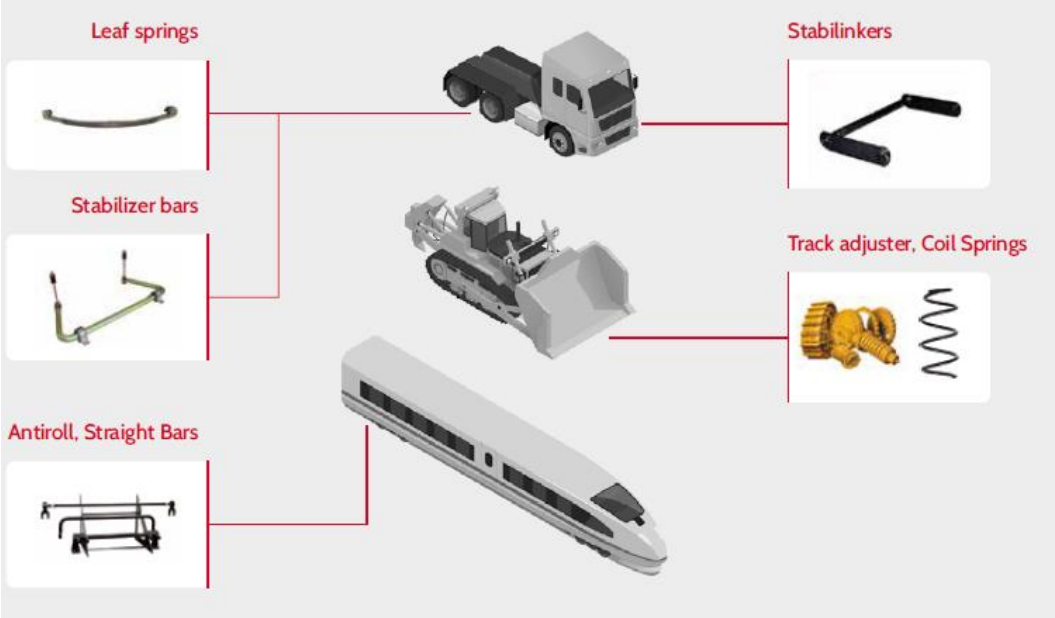
Sogefi's Suspensions Business Unit produces a complete range of products, engineered in close collaboration with automotive manufacturers, including helical springs, stabilizer bars, torsion bars, stabilinker, leaf springs and track tensioners.

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. Customers range from automotive and industrial vehicle manufacturers renowned worldwide to major railway vehicle manufacturers.

Suspensions – Heavy duty Product Portfolio



Sogefi has made a significant contribution to the development and improvement in performance of many suspension components. For instance, the use of tubes instead of solid bars in the manufacture of stabilizer bars has achieved considerable weight advantages (reducing fuel consumption 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 leaf springs are quenched and tempered to achieve the required mechanical properties. They are then shot-peened to increase the fatigue life. Magnetic particle inspection tests are carried out when required.

COMPOSITE COIL SPRINGS

Sogefi Group developed 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 since, with a reduced weight of a range from 40% to 70%, 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 the reduction of environmental impacts of Coil Springs, please consult paragraph 4.2 ‘Reducing product environmental impact’.

PRECISION SPRINGS

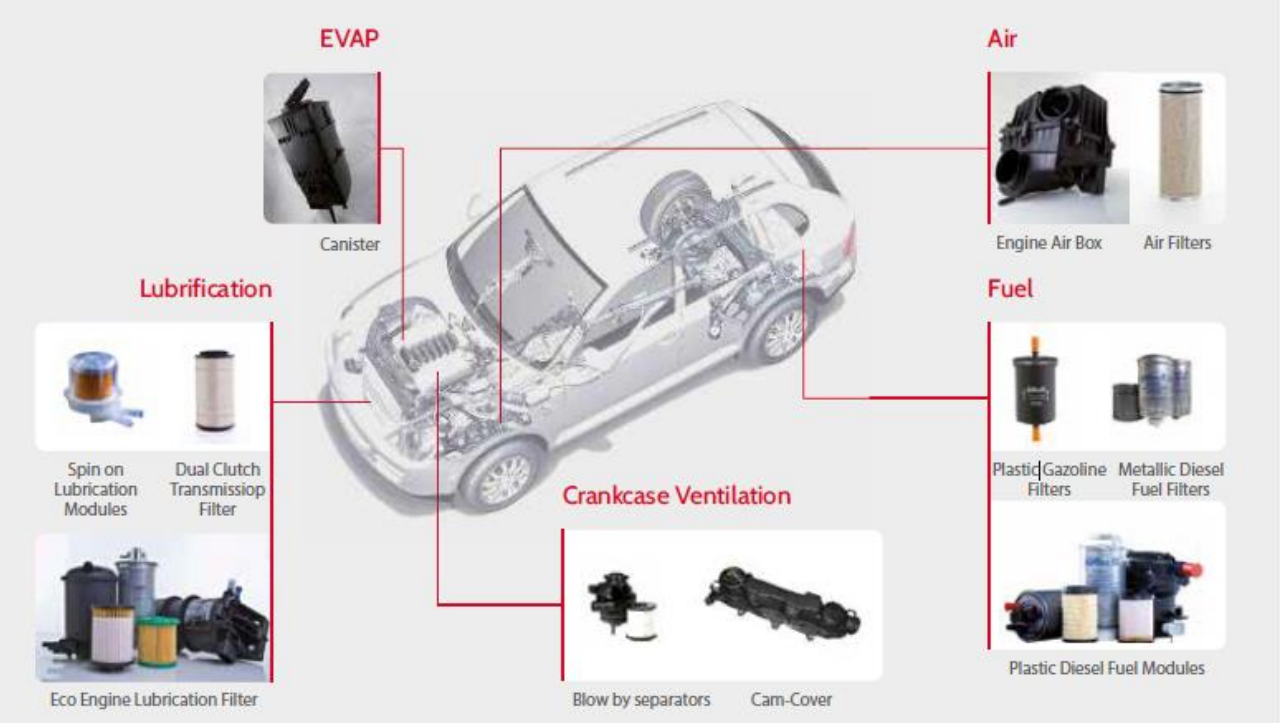
Sogefi is a European leader in the development and manufacture of a wide and diverse range of springs comprising wire forms, flat, extension, torsion and compression springs for applications in a large number of industries: automotive; motorsport; aerospace and defence; electro-mechanical; textile; nuclear 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 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, improving considerably 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 of 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 has constrained packaging and bulkiness.

To support OEMs facing these challenges, the Sogefi Oil Filtration Module is an efficient, compact, integrated and expert solution able is to provide in one kit: Cold Start Solutions, Downsizing Solutions, Weight Saving, Packaging Solutions, and Recyclability.

PETROL FUEL FILTERS

As fuel efficiency requirements increase with CO_2 emission regulations, the use of direct injection in petrol engines is becoming more common, to support downsizing. This technology is much more sensitive to contamination than fuel supply systems like indirect injection or even carburetors 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 maximize the filtration surface, complying with the most stringent cleanliness requirements.

CAM COVERS AND OIL SEPARATORS

Blow-by gases, accumulated in the crankcase through piston leaks during the combustion process, tend to increase the crankcase pressure and need to be evacuated. These gases are therefore transferred to the combustion chamber, to be burnt one more time. However, in the crankcase, blow-by gases become charged with vapors and droplets from the lubrication oil and, following the transit of gas, tend to generate oil films along the duct walls.

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, and oil drain back management.

Independent After Market

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

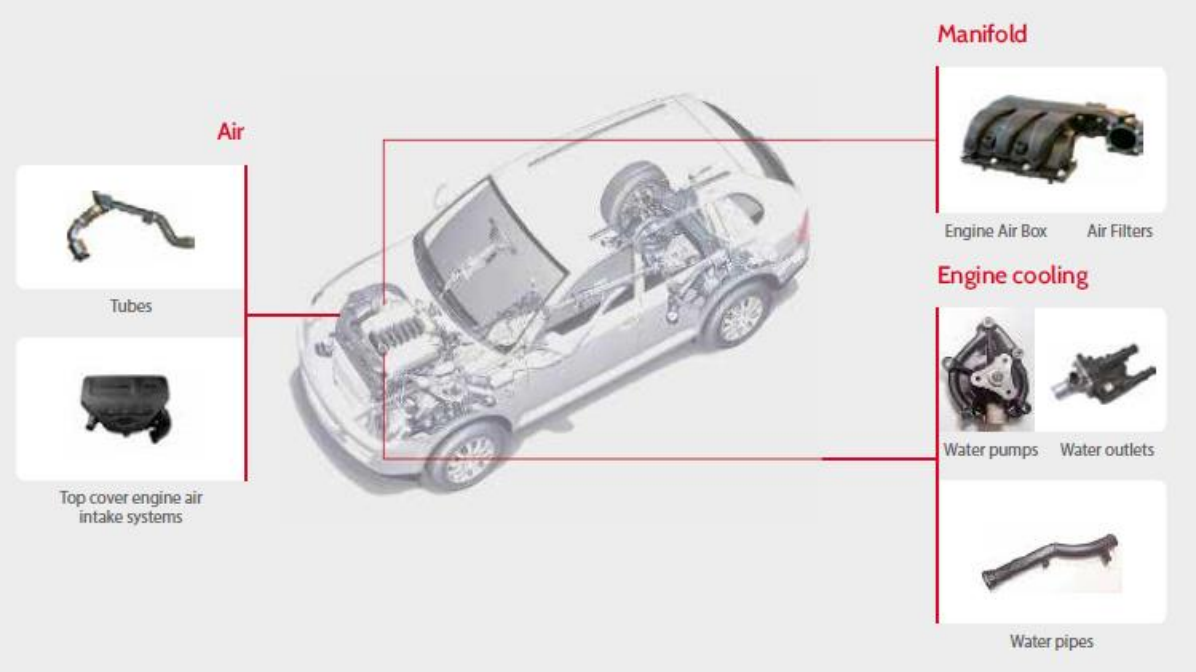
A cabin air filter protects against external pollution as well as any unpleasant smells that may enter the vehicle. There are two types of cabin air filters for passenger compartments: pollen filters and activated carbon filters.

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 behavior and module architecture combined with the control of the best injection molding and welding processes, Sogefi designs and produces compact and light air intake modules. In addition, Sogefi has developed skills in mechatronics to support the development of the active systems.

CHARGED AIR DUCTING

Since the first large scale mass production of turbo for internal combustion engines (in the 90's for diesel, in the 2000's for petrol), Sogefi has developed, manufactured and delivered high-temp plastic Turbo outlets in substitution of metal components.

Sogefi's engineering teams design tailored solutions, compliant with the most stringent environmental requirements, thanks to an adapted shape, quick-connecting parts, and integrated resonators.

The market trends for fuel consumption reduction and increased downsizing enhance the air pressure and temperature conditions at the turbo outlet. Based on its process expertise in blow molding and injection molding, Sogefi provides high-tech plastic solutions withstanding pressure boosts of up to 2.5 bar and temperatures up to 220°C.

AIR INDUCTION SYSTEM

Based on the process expertise in blow molding, injection, welding, and filtration (in partnership with the Filtration Business Unit) manufacturing and assembly, Sogefi develops, manufactures and delivers complete air intake systems:

- Dust side ducts, air cleaners and clean side ducts;
- Compact porous ducts and resonators on Air inlet ducts;
- Turbo inlet ducts.

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

THERMOSTAT 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 molding, welding and assembly process skills associated with mechanical and CFD expertise are key points for Sogefi to build optimized designs for Housing and Water Pipes.

Finer engine thermal management is defined by the automotive manufacturers as one of the key levers to achieve the future European CO_2 emission targets. Among the latest cooling innovations, our technical teams have developed the new Sogefi Smart Multi-Way Coolant valve that contributes up to 2% to fuel saving versus a standard thermostat; this new patented technology entered production in 2013 with the new Euro6 engines.

For more details about the environmental impact reduction of Smart coolant valves, please consult paragraph 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 aluminum body coolant pump.

Sogefi introduced in the market a Smart flow controlled coolant pump: based on a standard mechanical pump, a piloted proportional valve is associated. This proportional valve controls the outlet flow of the coolant pump from 0 to 100%, independent of the rotation speed of the pump. The main result is a quicker warm up of the coolant and by consequence of the lubrication oil. Depending on the engine and on the type of car, a reduction up to 2.5% of CO_2 was measured on cycles in normalized conditions. The second advantage is that the power consumption of the coolant pump in all conditions is minimized.

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

To discover more about the environmental impact reduction of Smart flow controlled coolant pump, please consult paragraph 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 2017, Sogefi announced the construction of a new factory in Morocco to support the growth of the Filtration Business Unit. The plant, built in the free trade zone of Tanger, is the company's first industrial site in Africa. The production process in the plant began in May 2018.

In addition, in November 2018, following the previous announcement in May, Sogefi China began a production of coil springs for passenger cars. This new facility operates in the Wujiang district (Shanghai area), where the Group currently manufactures stabilizer bars.

Lastly, in 2018 Sogefi announced the construction of a new plant in Romania to support the development of the Suspensions Business Unit, this is the second plant of the group in Romania and the third plant in Easter Europe.

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.

2018
- Sogefi announces the building of a new plant in **Romania** in 2018 (2nd plant in Romania and third in Eastern Europe) to be operational by end of 2019. This plant will manufacture stabilization bars and coil spring for passenger cars.

Associations

Sogefi recognizes 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). In Mexico, Sogefi adheres to GIES (Grupo de Intercambio de Empresas del Sabinal).

1.2 Commitment towards sustainability

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

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

Therefore, sustainability is not only about ensuring long-term financial success, but also about 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 and the environment, and promote the sustainability principles throughout the supply chain.

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

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 and dependence and analyzing the importance that they assign to the specific sustainability issues of their sector and the context in which they work. A map showing the 12 clusters of Stakeholders identified and a table with the main stakeholder engagement activities are provided below.

Stakeholder engagement activities	
Stakeholder category	**Stakeholder engagement activities**
Public Institutions	• *Participation to professional organizations (ANFIA in Italy and FIEV in France)*
Customer & distributors	• *Participation in customer specific events or conventions (eg: BMW Brexit, Daimler Supplier Award, Volvo Sustainability Day)* • *Regular meetings at customers (ca. once a week)*

Investors	• *Annual meeting:*
	  • *Full Year and Quarterly results presentations*
	  • *Borsa Italiana Star Conference in Milano*
	  • *Borsa Italiana Star Conference in London*
	• *Roadshow*
	• *One ore twice a year Road Shows in UK, Italy and France*

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

Materiality Analysis

In order to identify the relevant sustainability aspects 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 the GRI - Global Reporting Initiative (GRI Standards), allows the Group to identify those aspects deemed as material, i.e., which have significant impacts for the organization from an economic, environmental and social standpoint and at the same time, substantially influence stakeholder assessments and decisions.

Material topics were first identified in 2015, when 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 of the Group's activities.

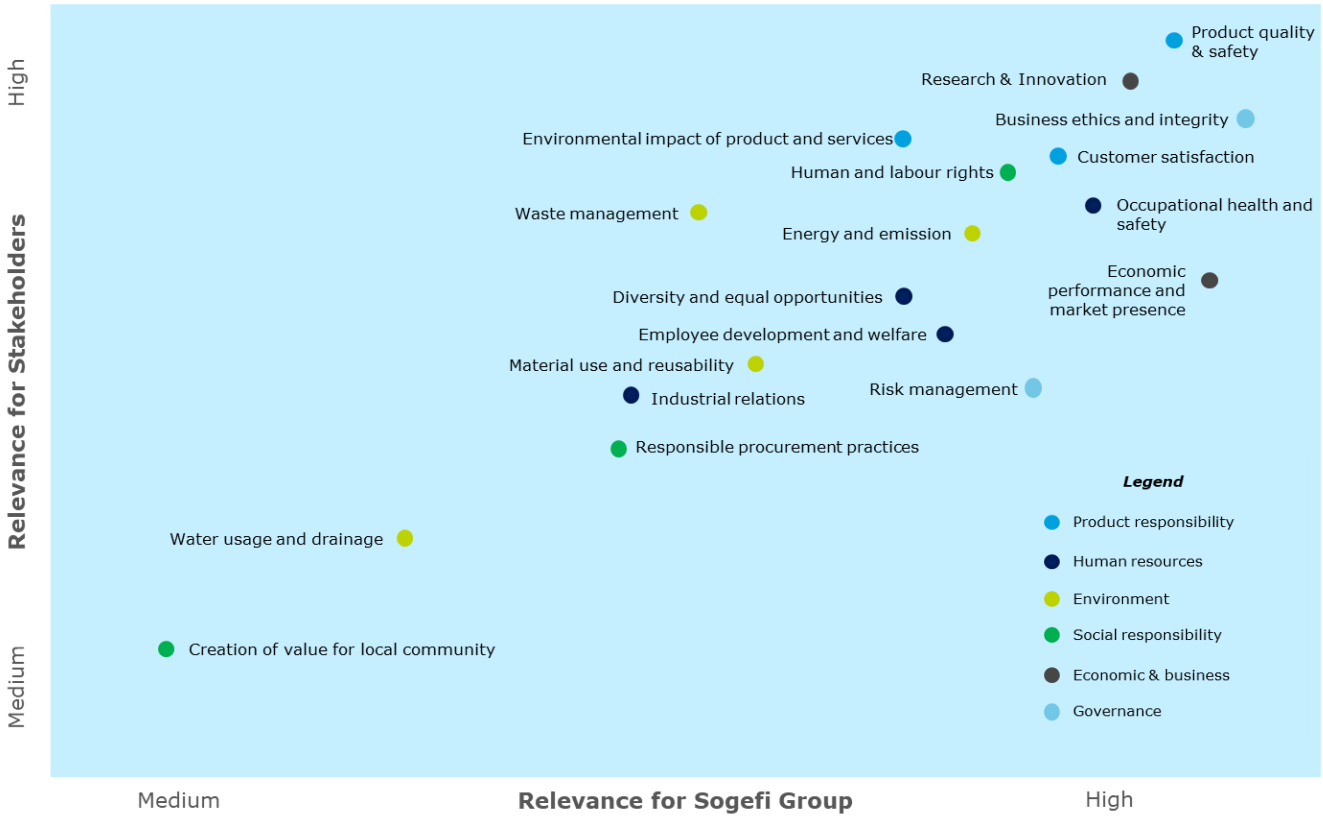
The materiality analysis has been updated in 2018 through a thorough desk analysis, aimed at detecting any change in the automotive field in terms of impact generated by the Group and significance of the topics for its Stakeholders. The analysis took into consideration relevant studies and publications, the topics recalled by the Legislative Decree 254/2016 and reports of competitors and best practices in the automotive field.

The analysis resulted in the updated version of the materiality matrix, consisting in 18 sustainability-related economic, environmental, social and governance topics, matching their relevance for Sogefi and Stakeholders. The topics that emerged from the Group's materiality analysis are associated with six main categories: Product Responsibility, Governance, Economic and Business, Human resources, Social responsibility and Environment. More in the specific, in comparison to last year's matrix, some topics have been incorporated: in particular, the topics "economic performance" and "market presence" have been incorporated in the topic "economic performance and market presence", "corporate welfare" and "employee development" in the topic "employee development and welfare", and "local community development" in "creation of value for local community". The topic "Environmental impact of operations" has instead been separated into the topics of "waste management" and "energy and emissions", due to the impact that Sogefi can generate from different perspectives. Moreover, following the transition from the GRI G4 guidelines to the GRI Standards, since the topic "grievance mechanisms" has been deleted from the list of topic specific standard, this topic has been removed from the materiality matrix 2018, as it is now reported in connection to each material topic through the management approach. Lastly, the topic customer privacy has been discontinued as it is now contained in the new topic "customer satisfaction".

The materiality matrix for 2018 has been approved by the *Chief Executive Officer.*

To further improve the process aimed at defining the material topics both for the Group and its Stakeholders, the Group participates in meetings with customers on Sustainability and receives communication from AIAG on the topic. Moreover, in some cases the Group participates in training sessions developed by customers (e-learning about sustainability).

2018 Sogefi Materiality matrix



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

Aspects of the Decree 254/16	Topic macro area in Sogefi's materiality matrix	Material topics (materiality matrix Sogefi)	Topic of the GRI Standards
Fight against active and passive corruption	Governance	Risk Management	N/A
		Business ethics and integrity	Anticorruption; Socio-economic compliance
	Economic and business	Economic performance and market presence	Economic performance; Market presence
		Research and innovation	N/A
Social aspects and aspects related to the respect of human rights	Social responsibility	Creation of value for the local community	Local community
		Responsible procurement practices	Socio-economic compliance; Procurement practices
		Human and labour rights	Occupational health and safety; labour and management relations;

			diversity and equal opportunity; non-discrimination
Environment	Environment	Water usage and drainage	Water and effluents
		Material use and reusability	Material
		Energy and emissions	Energy; emissions
		Waste management	Effluents and waste
Aspects related to human resources and to the respect of human rights	Human resources	Industrial relations	Labour and management relations
		Employee development and welfare	Employment; training and education
		Diversity and equal opportunity	Diversity and equal opportunity; non-discrimination
		Occupational health and safety	Occupational health and safety
Social aspects	Product responsibility	Environmental impact of product and services	Material; Energy; Emissions
		Customer satisfaction	N/A
		Product quality and safety	Customer health and safety; socioeconomic compliance

1.3 Governance and risk management

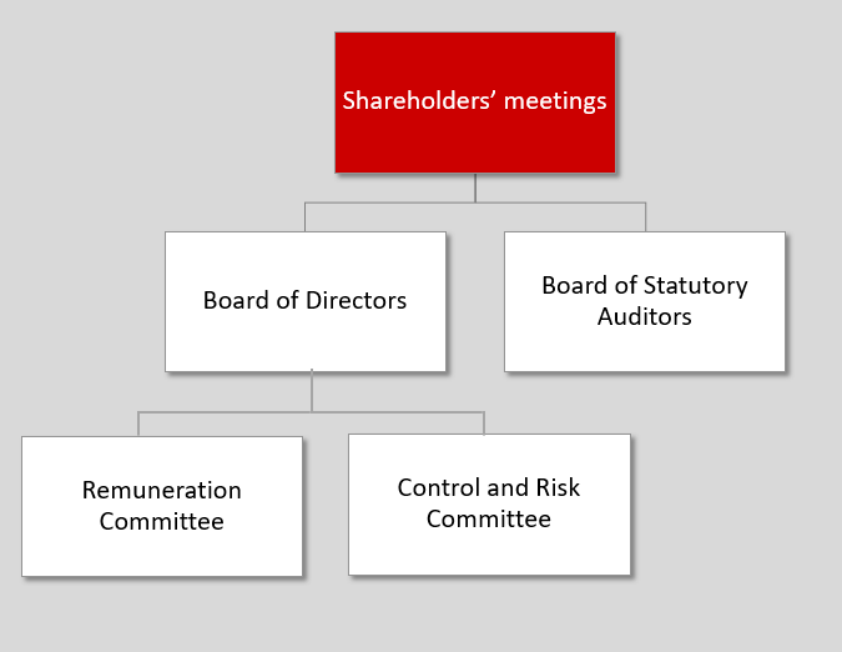
Corporate governance system

'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 approval 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 approval 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**	**Independence as for TUF**	**Independence as for Codice Autodisciplina**
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*		√	√	√

Members of the Board of Directors	
Gender	**31.12.2018**
Men	*56%*
Women	*44%*
Age	
<30	*0%*
30-50	*33%*
>50	*67%*

The Board of Directors is characterized by an 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 younger than fifty years old. As for the presence of women, four out of nine Directors are women, representing 44% of the Board.

Sogefi, together with its parent companies, gives its Directors an 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.

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

Risk Management

The Control and Risk System is the set of rules, procedures and organizational 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.

As part of this system and consistent with the requirements of the Italian Stock Exchange Self-Regulatory Code for Listed Companies to which the Group adheres and the national and international best practices recognized on the market, Sogefi has adopted and implemented, starting from 2012, a structured process and formalized as "ERM - *Enterprise Risk Management*", aimed at identifying, measuring, managing and monitoring the main risks that could compromise the achievement of the Group's strategic and business objectives, as well as the definition of adequate information flows aimed at ensuring greater transparency and circulation of information within the organization.

This process, under the direction of the Board of Directors that approved the main guidelines, is coordinated by the *Group Chief Risk Officer* and provides for the direct and periodic involvement of the Top and Senior Management of the Group, according to a top-down approach.

Risk Management activities, until the end of 2018, were carried out by a single function, which also covered Internal Audit activities. From January 2019, the Group deemed it appropriate, in line with the best practices in corporate governance and risk management, to have a separate Group function led by a new Group Chief Risk Officer, dedicated to risk management and therefore distinct and separate from the Internal Audit function. This decision confirms the Group's growing commitment to effectively implementing the integrated internal control and risk management system.

According to the top-down approach, the identification of risks is addressed by the Group's main medium-long term strategic and economic-financial drivers, the evaluation of which allows the Board of Directors to better understand the risk scenarios that they could compromise the achievement of the defined objectives and therefore assess, taking into account the risk appetite, which actions to adopt and with which priority to prevent, mitigate or manage the main exposures.

The ERM framework aims at analyzing and evaluating a broad portfolio of risks, diversified by nature and type according to the business model applicable to the Group, and represented in the so-called Risk Model, which identifies two main categories of risk:

- Strategic Business Risks: strictly correlated with the strategies and related targets defined in the 3 years business plan of the Group;
- Transversal – Cross Business Risks: related to any operational, financial, legal & compliance areas of risks could affect the business operations and negatively influence the achievement of defined Group targets.

Within the aforementioned risk families, further areas or clusters are identified in which the main risk situations to which the Group could be exposed and represented below are described:

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 the entire ERM process, as well as preparing periodic reports on risk management for the Risk and Control Committee, appointed within the Board of Directors with the aim of supporting the Board in verifying the adequacy of the internal control and risk management 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 optimize 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.

More in detail, the aim of the Internal Audit Interventions carried out on Group Subsidiaries can be focused on a wide range of operational, financial and/or organizational aspects, depending, for example, on specific risk-parameters previously identified, reports received on contingent topics that have occurred, and specific needs indicated by Top Management; with regards to non-financial aspects, Internal Audit on-field interventions on Group Subsidiaries normally 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 the 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 to the compliance with applicable laws and ethical standards. In addition, the Group takes extensive measures to ensure that the risks that may arise in the automotive sector with an impact on the reputation of the Group are properly mitigated.

To obtain the overall picture, the Risk Management Department collects information from the individual organizational Business Units. Particularly, in the cluster 'Risks related to Sustainability', Sogefi identifies the possible risks it might face in connection to the sustainability topics considered relevant both for the Group and its stakeholders. Sogefi manages this type of risks by carrying out ongoing and systematic evaluations of its exposure to specific risks and taking a number of actions aimed to reduce those considered unacceptable, so reinforcing the Group internal control system.

The main risks relevant for sustainability are reported in the following paragraphs with evidence of the key management strategies aimed to reduce the potential Group exposure.

Environmental risk

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

Environmental risks can result from an excessive use of energy coming from non-renewable resources, leading to the increasing pollution and greenhouse gas emissions, inadequate waste disposal, the spreading of dangerous substances on the ground, water management (also in relation to water stress areas) and non-compliance with laws and regulations governing the subject.

In 2016, the Holding Company Sogefi S.p.A. approved an Environmental Policy to set out the principles that all its subsidiaries shall 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.

Furthermore, Sogefi implements a dedicated environmental management system to better protect the environment and to reduce and control related risks and exposures. In order to achieve this objective Sogefi is certifying its production plants through the ISO 14001 standard and as of December 2018 93%[3] of the production sites are compliant with the new ISO 14001:2015 standard certification.

Moreover, other environmental impact mitigating actions developed by the Group are:

- Reducing the energy intensity in all manufacturing plants to have a significant energy consumption reduction and efficiency improvements;
- Increasing the consumption of electricity from renewable sources;

[3] The calculation includes 42 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and considering the Bangalore site as two different units.

- Reducing greenhouse gas emissions intensity during the production process;
- Increasing recycling and re-use of materials 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 (e.g. river, lake, etc.), as well as into the public sewer systems, etc.;
- Encouraging the reduction of environmental impacts from logistic processes (such as 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.).

Details of the aforementioned actions can be found in the chapter Environmental impact of operations.

Moreover, Sogefi is committed to reducing environmental risk exposure through the development of final products that have a decreased need of energy.

Risk related to Health & Safety

These risks are linked to inadequate protection of the employees' health and safety, which can lead to serious accidents or work-related illnesses, especially as a consequence of work within the production plants. In regards to this matter, Sogefi pays particular attention to the protection of the health and safety of its employees, both through continuous improvement of the internal control systems and through the dissemination of a health and safety culture aimed at raising awareness about risks and promoting responsible behaviors among all employees and consultants.

In 2016 Sogefi S.p.A. approved a Policy on Occupational Health and Safety, which sets out the key principles every subsidiary of the Group shall follow. In line with these principles, starting from 2017, the Group has implemented the Sogefi Excellence System (SES) which defines, among other topics, the best practices for creating a safe environment for employees. The Health & Safety departments ensure, through periodic monitoring activities, to be compliant with the SES. Moreover, KPIs at Group level have been defined and are monitored on a six months basis, recording incidents within Sogefi's plants for both employees and supervised workers (additional information can be found in chapter 5.1 Occupational health and safety). The H&S KPIs monitoring is under the responsibility of the BU's H&S department and the Group Industrial Performance for collection and guideline at global level.

In addition, the Group is promoting the certification of production plants with the standard OHSAS 18001 (i.e. Occupational Health and Safety Assessment): the number of sites certified as of December 2018 is 17%[4]. This certification enables to implement best practices in terms of health and safety, also by means of structured management systems.

Risk related to process and product quality issues

[4] The calculation includes 42 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and considering the Bangalore site as two different units.

The risk of producing and commercializing products that are non-compliant with quality industry standards and customers' requirements can lead to different risks for both the company and the end users. In particular, it could lead to the business risk of negatively affecting the relationship with the clients with reputational damages and extra-costs for claims management or the cases of non-compliance, such as in relation to the REACH requirements.

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 customer needs. In 2018, 98%[4] of plants are certified IATF 16949:2016 (the updated certification of the previous ISO TS 16949), ensuring the on-going quality control of the entire manufacturing process including the supply-chain (e.g. raw materials, semi-finished products, etc.), aimed to prevent any non-conformities due to defective products or quality issues. Furthermore, the current processes have been updated and integrated to be aligned to the new requirements introduced by the standard release issued in 2018.

The IATF certification is part of the S.E.S. (Sogefi Excellence System) supported by the Group to improve the industrial performances, focusing on executing Quality Basics (i.e. customer, suppliers, scraps) to ensure daily manufacturing activity in line with the standards.

Moreover, in 2015 a "Back to basics" program was launched to emphasize the attention towards product quality. The strategic pillars of this program are based on the overall quality performance of the Group, involving a specific escalation process as well as dedicated KPIs, leaded by the Group Industrial Performance Department, in collaboration with the involved functions at BU level as needed.

Risk related to supply chain sustainability

The Group carries out business relations with different and various suppliers spread across the world. Sogefi aims at maintaining a solid relationship with its suppliers to improve the quality of the materials and components purchased, in line with the Group required standards, and to reduce risks related to the engagement with non-sustainable suppliers.

Indeed, considering the global presence of Group and the high number of local activities performed by the subsidiaries, the risk of engaging with suppliers that are not compliant with the Group standards in terms of workers health and safety, human rights protection, responsible environmental practices and business integrity theoretically exists. In 2016, Sogefi developed the Code of Business Conduct, aiming at the promotion and dissemination of ethical principles throughout its supply chain that all suppliers and third parties cooperating with the Group shall accept and grant. Through time, Sogefi is requiring all its new suppliers to accept and sign the Group Code of Business Conduct.

Moreover, to fight the use of conflict materials within its supply chain, Sogefi requires its suppliers to fill in and abide by the conflict mineral declaration as part of its Quality Requirement File (QRF). For more information refer to paragraph 7.2.

Risk related to social sustainability of the Group organization

The Group, operating in more than 23 countries[5] with more than 6,950 employees, is theoretically exposed, daily, to risks related to management of social relationships regarding the business operations, facing up different cultures around the world. Despite the Group acknowledges the key role played by social management and the continuous focus to maintain clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by its Code of Ethics,

[5] Countries refer to Sogefi global presence (also including commercial presence)

it is not possible to exclude any risks affecting the Group social responsibilities, its international image and the business operations.

With regards to the human resources, the Group is aimed to ensure equal opportunities among its organization, improving their development and welfare, encouraging development and professional growth and granting the respect of human rights around the world. A clear and transparent selection processes, career paths and incentive schemes are some of the tools used to ensure a proper management of the Group human resources. The Group also uses a system of annual performance appraisals, driven by the Group HR Department, based on a clear definition of shared objectives, which can be measured in numerical, economic, financial, qualitative and individual terms. A variable bonus is granted depending on the degree to which said objectives, agreed annually by the employees with the direct responsible, are achieved.

Furthermore, in 2016, the Human Rights Policy was approved and adopted at Group level, to emphasize Sogefi's commitment to this respect. The Policy sets out the main principles that all business decisions and operations must uphold, making the respect of human rights an essential requirement in Sogefi's operations. Each Business Units, through the HR function, shall grant the compliance with this Policy.

Risk of breach the Anti-corruption legislations

The fight against corruption is a subject of strong attention by national governments, also highlighted by the large number of regulations in force on the matter (e.g. French Sapin II, Italian Legislative Decree 231/2001 and Anti-corruption Law 190/2012, US Foreign Corrupt Practices Act, UK Bribery Act, etc.). Moreover, Sogefi operates within 23 countries[6], some of which with a critical Corruption Perception Index (CPI)[7] and with a large number of local counterparties involvement. Therefore, based on this structure and business model, the Group can be theoretically exposed to corruption risk events.

The Group, aware of the potential consequences could affect the business and its global reputation in case of involvement in corruption events, declares in its Code of Ethics, adopted globally, "*to prevent any form of corruption or extortion and to oppose any act of bribery the Group companies shall not, directly or indirectly, offer, promise, give or demand cash or other any improper advantage to, from, or on behalf of a Public Official, any supplier, customer, competitor or other third parties, with the intention of corruption. Furthermore, each individual shall not accept or offer gifts, meals, or entertainment if such behavior could create the impression of improperly influencing the respective business relationship*".

Moreover, periodical training activities for the employees are performed to improve the Group culture and awareness on the Code of Ethics, providing at the same time the instructions to follow to highlights and internally denounce any events potentially related to corruption practices. With this regards, an internal "Whistle-blowing Procedure" has been approved and adopted at Group level, defining operational instructions to report, in anonymous way, any violation or suspected violation of the Code of Ethics or any other internal norm/ procedure in force in the Group.

In line with the Italian Legislative Decree 231/2001, which also addresses the risk of public and private corruption, the Board of Directors of Sogefi S.p.A. approved the "Organization, Management and Control Model pursuant to Legislative Decree 231 of June 8, 2001" (i.e. Organizational Model)

[6] Countries refer to Sogefi global presence (also including commercial presence).

[7] The Corruption Perception Index is an index published annually by Transparency International which ranks countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys.

that ensures a correct and transparent conduct of corporate activities. The Model is periodically subjected to verification of adequacy and updated in line with the evolution of the Legislative Decree 231/2001.

Finally, focusing on the Group commitment towards the management of potential risk of corruption, Sogefi has launched in 2019 a dedicated Compliance Project, to review and reinforce the Group organization model to fight corruption. The project will enable the Group to cover also the specific requirements of the legislations in force, such as the 254/2016 Decree, the Italian Legislative Decree 231/2001 and the French law SAPIN II.

Risk of Cyber Security

The Group manages the risks linked to unauthorized fraudulent access to information systems by third parties, leading to loss and breach of sensitive and confidential data with consequent financial losses and reputational damages.

To minimize the risks, under the guidance of the Chief Information Officer, suitable technical and operational measures are being implemented and/or upgraded to ensure high level of protection of the Group IT infrastructure.

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.

In addition, in 2018, a Cyber Security Program has been developed, and consequently monitored, by the Chief Information Officer (CIO), with the objective to reinforce the entire structure of cyber security at Group level. The project aims at revising the entire structure, starting from governance until the implementation of instruments that guarantee greater protection from external attacks.

During 2018, Sogefi Group has not identified any complaint about customer or personal data loss or breach.

1.4 Ethics, integrity and anti-corruption

Sogefi goals is 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 endeavors 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, and in addition to the Code of Ethics, 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 this document.

During 2017, Sogefi has been notified of two market investigations by a local anti-trust authority for suspected anti-competitive behavior. The first was settled in November 2018. The settlement of the second case is under discussion with the same authority and is expected to close in 2019.

In 2018, Sogefi was subjected to an audit by the DGCCRF (Direction générale de la concurrence, de consommation et de la repression des fraudes) in Sogefi Filtration S.A. This Authority carried out an investigation to assess whether the company actually applies the LME (Loi de Modernization Economique), with regard to the terms and conditions of payment. At the end of the investigation, the Authority requested the payment of a penalty of € 130,000, an amount set aside in the financial statements at December 31, 2018. The Company is awaiting instructions to proceed with the payment of this penalty. In parallel, the Group has initiated measures to check that all 3 French companies, including Sogefi Filtration S.A., comply with the payment terms indicated by the standard.

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. The Group has formally assumed the commitment to promote awareness of the Code of Ethics and of the related corporate procedures among all employees.

A copy of the Code of Ethics is given to new hires and, through the internal communication system, Sogefi spreads the Code of Ethics among all its managers and employees. The Code has been translated into Chinese, Portuguese, Spanish, Slovenian, French, Romanian, English and German, to enable all employees to fully understand and comply with the corporate regulations and principles of the Group.

***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*.

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 Business Unit and Corporate Management and the full application of any Group procedures/guidelines.

Anti-corruption

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.

The Code of Ethics is communicated throughout the whole Group and employees are regularly training on its content, principles and implications.

In 2019, Sogefi will implement a project to fight corruption that will enable the Group to cover the requirements of the 254/2016 Decree, the Italian Decree 231/2001 and the French law SAPIN II.

The project aims at defining an anti-corruption risk map for corruption and, based on this definition, it will be an indication of the areas of risk and topics to be covered by Sogefi. As a consequence of the risk mapping, a Policy will be deployed defining reporting methods, governance and responsibilities on the topic, accounting controls, disciplinary system, whistleblowing procedures, communication and training, third party evaluation. The Code of Ethics will be updated consequently and it will include all of the new topics required by the new version of the 231 Italian Decree. The project will have a global deployment also through a training pack and communication plan.

Total number and percentage of persons that have received communication of Sogefi's anticorruption policies and procedures	
Board of Directors	**2018**
Members of the Board	9
% of the Board	100%
Employees	
Management	89
% of management	95%
Office staff	1,172
% Office staff	77%
Blue collar	3,242
% Blue collar	79%

Total number and percentage of persons that have received training on anti-corruption	
Board of Directors	**2018**
Members of the Board	0
% of the Board	0%
Employees	
Management	46
% of management	48%
Office staff	608
% Office staff	40%
Blue collar	2,028
% Blue collar	50%

Total number and percentage of business partners that have received communication on anti-corruption	
Business partners	**2018**
Business partners	77
% Business partners	7.5%

Data on the communication of policies and procedures and training on anti-corruption for 2018 mainly refers to training and communication on the Code of Ethics. The Code of Ethics sets out the principle of behavior of the Group and the people working for the Group and on its behalf in relation to the topic of anti-corruption and anti-bribery.

With regards to anti-corruption, the Group will implement a project aimed at reinforcing the coverage and actions of Sogefi against possible issues of corruption. The project will be implemented on different frontiers of action, among which there is a risk mapping of corruption issues, the definition of a governance model, the deployment of communication and training activities and the update of the Group Code of Ethics. For more information please refer to the chapter “Methodology”.

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 by generating awareness among its employees to further strengthen the relationship between Sogefi and the community. As a matter of fact, 38% of Sogefi's plants have implemented local development programs in the communities in which they operate. 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	USA 	In 2018, the Filtration Business Unit (Prichard) sponsored teams of employees to compete in a sporting event called "the Mountain Games", a fundraising initiative of a local Children's Hospital. Moreover, the company has donated money to build a bicycle facility at the elementary school that borders the plant's property, and also bought special glasses for the students to allow them to safely view the 2018 full solar eclipse.
	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 sponsors local sports clubs to promote social activities and welfare for young adults in the region, where several cultures live together, to strengthen the integration of young people in the community and in their professional life. The plant invests about 15000 euros/year.
	Romania 	In 2018 Sogefi Romania started to collaborate with a local high school in a training program. 5 students were trained and were provided with work equipment, a scholarship, transportation and meals for the entire internship period. Furthermore, Sogefi Romania has supported the local community by providing Christmas gifts for local children.

Local community initiatives worldwide		
Health and Research	United Kingdom 	Sogefi UK continued its investment 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 2018, 2 local families were adopted (with a total of 8 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. Every year Sogefi USA participates in fundraising events to support the Ronald McDonald House, an organization that provides support to families with critically ill children, and we join with the local Toyota factory to participate in fundraising for the Special Olympics.
	Argentina 	In 2018, Sogefi Argentina joined the "DAR Group", a nonprofit social organization, which helps homeless families. The plant donates a non-perishable food item every time an employee forgets to register its entrance/exit. Donations were sent and distributed to people in need on a weekly basis. The plant in Córdoba also donates equipment to low-income educational institutions while the scrap of wooden cartons and pallets are donated to NGOs that work for people with needs.
	China 	In 2018, Sogefi in China donated stationary to the nearby school. In addition, 55 people attended the blood donation activity.
	Italy 	During 2018, the Filtration Business Unit in Italy continued to support families in need in Sant'Antonino and neighboring municipalities. The initiative consists in the donation of surplus food from the factory canteen to about 15 families and, in 2018, the company donated a total of 400 meals. This initiative, which operates five days a week, involves non-perishable, cold and hot meals, as well as bread and fruit, and will continue throughout 2019.
	Brazil 	In 2018, Sogefi's Brazilian HR decided to launch a Christmas campaign to support abandoned children by donating them clothing, gifts and food. The initiative was supported by the employees which volunteered to help organize and distribute the items. Moreover, the plant in Mogi Mirim uses tax incentive governmental programs to invest in non-governmental local projects, including: training of childhood public teachers, art education for more than 600 children and music education for 975 people.

2 Economic responsibility

The perimeter of the economic-financial data coincides with that of the Sogefi Group's 2018 Consolidated Financial Statement.

2.1 Economic performance

In 2018, Sogefi reported a decrease in revenues to € 1.6 billion (-1.46%).

SOGEFI GROUP RESULTS HIGHLIGHTS 2017			
€m	**2017**	**2018**	**2017-18Δ%**
Revenues	1647.8	1,623.8	-1.46%
EBITDA	206.9	190	-8.17%
Net result	26.4	14	-46.97%
Net debt (end of period)	264.0	260.5	-1.33%

EBITDA in 2018 decreased by €16.9 million.

EBIT decreased by 23.9 million, from €85.8 million in 2017 to €61.9 million in 2018. The result before taxes and minority interests was a positive € 37.9 million (€ 54.1 million in 2017).

The net result was positive and decreased from € 26.6 million to €14 million in 2018, with a reduction of 47.36%.

Net financial debt stood at € 260 million on 31st of December 2018, registering a €4 million reduction compared to the € 264 million registered on 31st of December 2017.

The Group's total capitalization amounts to € 677 million, in particular € 214 million equity and € 463 million long-term debt. The market cap of Sogefi as of December 28 2018 was of € 176.57 million.

SALES BY GEOGRAPHICAL AREA				
€m	**2017**	**2018**	**Reported change**	**Like for like change****
Europe	1,013.2	997.5	-1.5%	-1.4
North America	296.2	294.7	-0.9%	+5.7
South America	195.2	182	-6.8%	+28
Asia	161.4	160.9	-0.3%	+4.8
Intercompany	-14.2	-11.3	-20.4%	
TOTAL	**1,647.8**	**1,623.8**	**-1.5%**	**+3.2%**

** Passenger cars and LCV production volumes*

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

In 2018, the revenues decreased due to a decrease in revenues in most geographical areas: South America (-6.8%), in Europe (-1.5%), in Asia (-0.3%) while North America reported a decrease in revenues of 0.9%.

SALES BY BUSINESS UNIT				
€m	**2017**	**2018**	**Reported change**	**Like for like change***
Suspensions	609.4	602.6	-1.1%	+4.5%
Filtration	546.4	537.2	-1.7%	+4.1%
Air & Cooling	496.2	486.6	-1.9%	+0.5%
Intercompany	-4.2	-2.6	-38.1%	
TOTAL	**1.647.8**	**1.623.8**	**-1.5%**	**+3.2%**

**Constant Exchange rate*

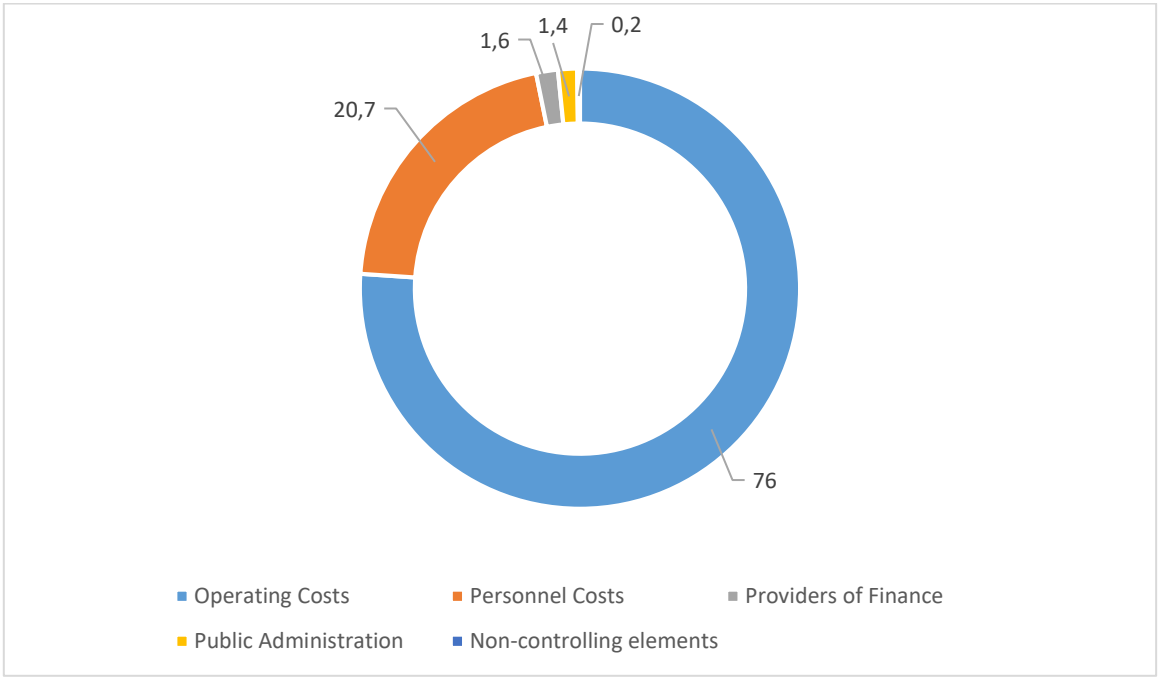
In 2018, all *Business Units* had a decrease in revenues: compared to last year, **Suspensions** have reduced their growth by 1.1% (+4.5% at constant exchange rates), **Filtration** reported a 1.7% decrease (+4.1% at constant exchange rates) and the **Air & Cooling** *Business Unit* reported a 1.9% sales decrease (+0.5% 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 organization to create value for its Stakeholders.

STATEMENT OF ECONOMIC VALUE OF THE SOGEFI GROUP		
€m	**2017**	**2018**
Sales Revenues	1,647.8	1,623.8
Other gains and losses	-21.4	-12.6
Economic Value generated (gross)	**1,626.37**	**1,611.22**
Depreciation and amortisation	110.0	118.1
Economic Value generated (net)	**1,516.42**	**1,493.15**
Operating costs	1,112.8	1,124.7
Personnel	317.8	306.6
Providers of finance	31.7	23.9
Non-controlling interest	4.1	3.3
Public Administration	23.4	20.7
Economic Value distributed to stakeholders	**1,489.82**	**1.479,14**
Group net result	26.6	14.00
Economic Value retained by the Group	26.6	14.00

Economic value distributed to stakeholders in 2018 (%)



The component **sales revenues** represents Sogefi's revenues from the sale of goods and services. As already stated, Sogefi experienced revenue decrease in 2018 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 2018, gross Economic value amounted to € 1,611.2 million, showing a -0.9% decrease compared to 2017.

This value, after the deduction of depreciation and amortization, is the **net global Economic Value**, which in 2018 amounted to € 1,493.15 million.

The Economic Value generated is broken down as follows:

- **Operating costs** amount to € 1,124.7 million (1.1% compared to 2017), 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 76% of the total Economic Value distributed by the Group.
- The Economic Value distributed to Group's **personnel** accounts for € 306.6 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. 20.7% 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 2018 by the Group on bonds and interests on amounts due to banks. This accounts for approximately €23.9 million (-24.5% compared to 2017). Providers of finance are the beneficiaries of 1.6% 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 € 20.7 million (-11.5% compared to 2017). 1.4% of Group's Economic Value generated is allocated to Public Administration.
- Economic Value was also distributed to **non-controlling interests**, accounting for € 3.3 million. This represents 0.2% of Group's Economic Value generated.

In 2018, the Economic Value retained by the Group amounts to € 14 million.

3 Innovation and product responsibility

2018 Highlights

Investment priorities

- Increase production capacity
- Industrialise new products
- Improve processes
- Increase productivity

Key market challenges

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

4 Research Centers

10 Development Centers

R&D Centres spread in 6 different countries

26

Number of R&D projects marketed

256

Number of patents

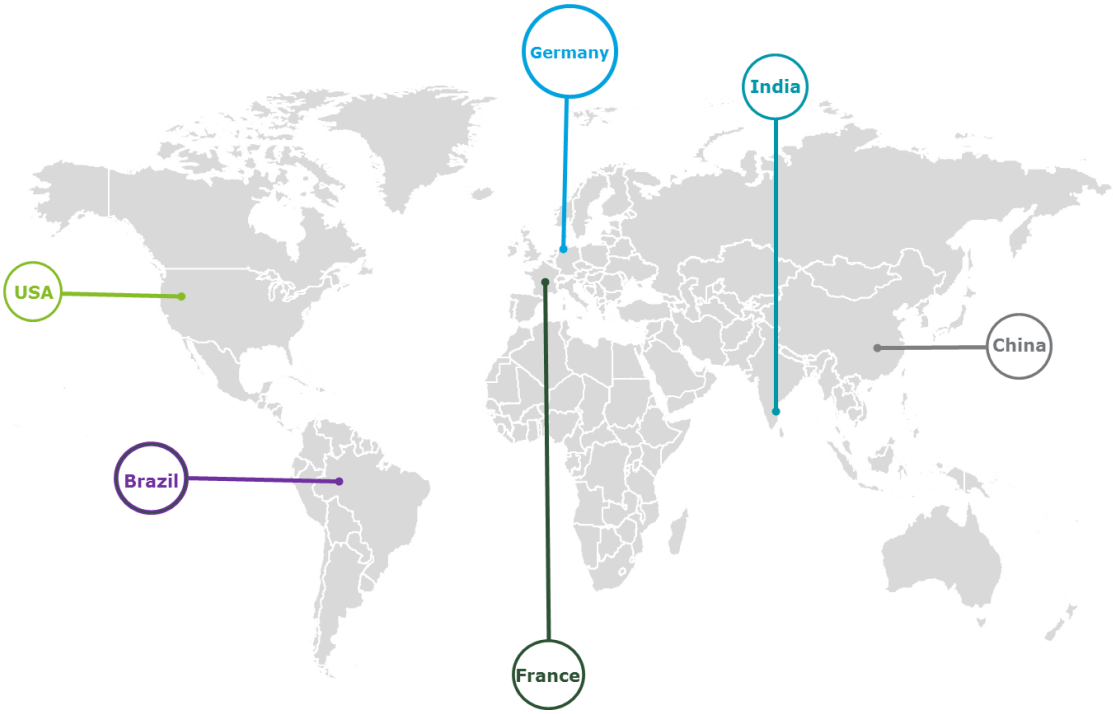
Sogefi R&D Centres – highly specialised teams

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

3.1 Research and innovation strategy

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 for Sogefi products, such as cleanliness of parts delivered, reduction of fuel consumption, reduction of CO_2 emissions, smaller engine size, electrification of cars, and the addition of more mechatronic components are at the core of the Group's strategy.

In 2018, 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, the US, and 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. The **Suspensions** BU R&D center is located in the north of France inside the main production plant for stabilizer bars.

GROUP R&D KPIs	2016	2017	2018	CAGR 16/18
Number of patents	216	223	256	6%
Number of R&D projects going to the validation phase	35	89	24	-12%
Number of R&D projects implemented and marketed	17	22	26	15%

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
- Performance optimization
- Product competitiveness (include new products for PHEV or BEV applications, products with higher technical added value)
- Quality: noise suppression and corrosion protection
- Electrification impact

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 to develop solutions that bring major improvements. To optimize resources and energy, experts, designers and suppliers can be involved. A quick prototype concept is then launched in order to confirm calculations and to make first testing evaluations

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

Sogefi teams 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 Sogefi's 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.

The 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:

- Set-up partnership with research institutes like the LRCCP (Laboratoire de Recherches et de Contrôle du Caoutchouc) for calculation on gasket deformation, the IFP School for investigation on Diesel Fuel composition and private companies like Mecalectro for magnetic system developments;
- Establish relationships with start-ups through the MOVEO network;
- Take part in the 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;
- Co-develop with 2 start-ups for disruptive products with the aim of diversifying the product portfolio.

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;
- Studies undertaken with the *French rubber & plastics research & testing laboratory* to enhance skills on elastomeric components and with *ACG Industrie* for epoxy paints;
- Collaboration with UTC (Université Technolgique de Compiegne) for non-destructive control technology based on acoustic emission (AE).

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

- Exchanges with the CEA Tech (Commissariat à l'Energie Atomique et aux Energies Alternatives) for advanced research programs;
- Studies focused on specific subjects such as thermal exchanges (for ICE, battery systems or fuel cell application) with the FEMTO research center (Franche-Comté Electronique, Mécanique, Thermique et Optique);
- 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;

- Research programs with E-Cube Research laboratory in Strasbourg for mechatronic specific products;
- Partnership with Charge Air Cooler involved in the LCAC integration in the Air Intake Manifold;
- Development of new products for PHEV, BEV and Fuel Cell application (hybrid vehicle) with OEMs or specialist partners.

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 2018 Digimat Conference. In particular, Sogefi presented the results of improved simulation method considering fibers orientation in plastic parts enabling cost and performance optimized designs. 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 Aachen Colloquium, to Geneva and Paris auto shows, and various SIA and FIEV conferences on the rise of electrification and Fuel Cell vehicles.

For what concerns **Air & Cooling**, Sogefi attended several conferences regarding the development of new solutions through new processes and new methodologies for simulation of its products. The Sogefi team was present in October 2018 at the FAKUMA International Congress in Friedrichshafen for future processes exhibition on composite to identify new opportunities to be evaluated internally before proposing them to our customers. The simulation team has been very active in conferences on fatigue of polymer topics, the use of fiber orientation in simulations. Sogefi was also present in the China NEV thermal management summit in October 2018.

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

3.2 Reducing environmental impacts through products

Sogefi believes that spreading awareness and the respect for the environment amongst its 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. Sogefi commits to reducing its environmental impact right from the innovation stage and all along the development of its products: each solution is evaluated to manage, and minimize, potential impacts.

The pollutants emissions are regulated by national and international bodies through 'not to exceed' levels, for every vehicle produced. On a regular basis, regulators ask for strict reductions both in regards to the emissions levels and the way these are measured. For example, EU legislation sets mandatory emission reduction targets for new cars, and these requirements are becoming stricter: from 130 gCO_2/km in 2015 to 95 gCO_2/km in 2020 and a further reduction of 30% will be asked by 2030. Subsequently, test cycles made in Sogefi R&D centres are upgraded to resemble real driving conditions, moreover the Group undertakes to do some measurements remotely in cars in real driving conditions.

The pollutants 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.

Pollutant emission regulations will contribute to dismiss Diesel engines options as cost for depollution systems will continue to rise significantly. Therefore the impact on Sogefi **Filtration** products is primarily the rise in Diesel Fuel Injection pressures, which can reach around 2,500 bars in some applications. This has a direct impact on the technologies embedded in Diesel Fuel Filters.

Consequently, OEMs need now to develop and industrialize urgently a whole range of electrified solutions, from hybridization (mild, full or plug-in) to full electric (battery powered, or hydrogen fuel-cell powered). In addition, the rising trend of autonomous driving generates also significant R&D activities in car makers.

OEMs have then significantly reduced R&D capabilities in traditional Internal Combustion Engines and limit developments to carry-over solution as much as possible.

The consequences for Sogefi are a direct loss of interest from the OEMs to the traditional ICE equipment's, and a direct gain of interest to any technology linked to hybridization, electrification and hydrogen fuel cells systems.

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

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

Furthermore, Sogefi is highly committed to the advancement of a global vehicle platform involving significant international collaboration 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, while the **Suspension** BU integrates Fuel Cells platforms.

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 it 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 2018, 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, components for Fuel Cells applications, dual material battery packs, regulation valves and electric water pumps. Sogefi has strong skills in the field of cooling systems and mechatronic devices: the combination of expertise in both ambits is beneficial for OEMs to develop systems for batteries or e-drive cooling.

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.

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

recycle them; similarly, within the **Suspensions** Business Unit, scrapped process materials are sold to specialized companies to recycle them. 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.

Below some examples of innovations within the Sogefi Group:

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 consequent abrasion of the painting and subsequent breakage of the coil spring.

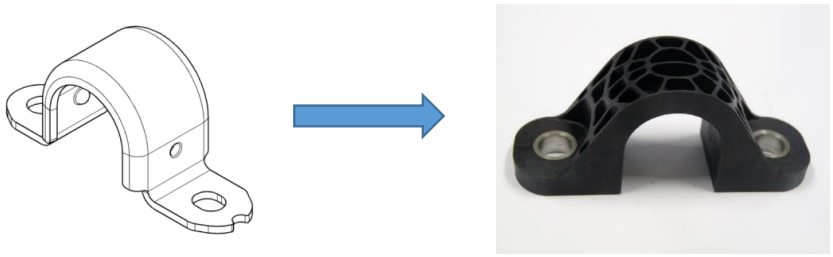
This innovation preserves weight reduction potential, need to improve corrosion resistance between end coils and seats (avoid corrosion wear) through the permanent contact. Additionally, the target is to deliver the “active” pad assembled (clipped or glued) with the seat.

Advantages:

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

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.



Noise reduction (Suspensions):

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

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 a **weight saving of 20%:** lighter vehicle means **less CO_2 emission.**

E COOLANT VALVE

Electrical vehicles are usually built with an architecture comprising the batteries, an electric motor, a charger, an inverter and some high power electrical units that need to evacuate or to recover thermal energy. In addition, one of the main challenge of electric vehicles is to increase the autonomy of vehicles to have at least the same autonomy than conventional internal combustion engine. To achieve this and to optimize the thermal management of the cooling circuit, it is necessary to distribute the thermal energy from-and-to each component with a cooling circuit which is consequently quite complex. Some active components like valves are necessary to manage the thermal regulation of the complete system. Sogefi's standard E-Coolant Valve is an innovative valve with an actuator integrated inside the valve body. 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 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
- 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;
- Packaging adapted to the request.

SMART FLOW CONTROLLED COOLANT PUMP

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

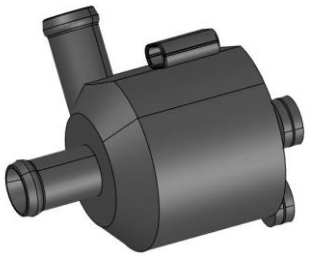
To solve this problem, the Sogefi Group is implementing a flow controlled solution that should allow the engine to work with the exact quantity of coolant, resulting in benefits for fuel consumption and reduction of CO_2 emissions.

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 2018, 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 of 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)

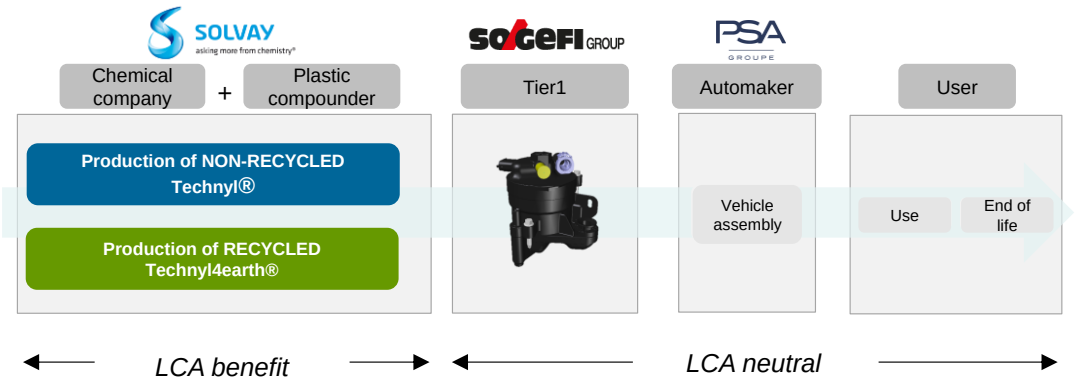
Plastic can help reduce energy consumption and greenhouse gas emissions, especially in automotive applications through metal replacement. Yet, only 30% of plastic is recycled across all industries against a 9% registered in the European automotive industry. Currently, many OEMs are targeting recycled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

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

Active suspension oil filter

With the presence of a 48V hybridization, one can fit new electrical components which could not with conventional 12V architecture. In particular, adaptive suspension systems, controlled with pressurized hydraulic oil, needs to be filtered to ensure proper operation.

E-Motor and power electronics cooling oil filter

Cooling of the electric motor and power electronics is switching on some application from standard coolant (water and glycol mix) to insulating cooling oil. Despite lower thermal exchange capacity, it prevents short circuits and electrical arcs through better insulation and resist better to cold and hot conditions. A filter is also needed here.

E-XLE oil filter

Similar filtration needs as standard transmission lubricating oil, but required on specific hybrid transmissions, on e-Axles. Tesla Model 3 use 2 oil filters per vehicle.

FUEL-CELL AIR FILTER

The air feed in the Fuel Cell stack to provide the O2 needs to be clean from solid contamination, to prevent stack mechanical contamination, but also from gas contamination to prevent stack poisoning. A specific air filter needs to be set-up.

FUEL-CELL COOLANT DE-IONIZER

The coolant used in Fuel Cell systems tend to get ionized over the time, which raise the conductivity of the fluid. This may damage and lower the stack performance. Controlling and maintaining the conductivity of the fluid through a de-ionizing system is key for the system durability.

FUEL-CELL EXHAUST WATER SEPARATOR

Fuel Cell powertrain produce air and water only. But on the exhaust line can be fit a turbine, to support the intake air compressor. This turbine need to be protected from corrosion generated by the exhaust water. This water must be removed accordingly from the exhaust stream.

E-THERMAL BATTERY PACK

With the goal of reducing CO_2 gas emissions, the fall of diesel and the new mobility needs, the development of electric vehicles is at the heart of automakers' strategies. One of the key point of the electric vehicle development is the optimization of the battery life, the charging time and its autonomy. In order to achieve this optimization, the Li-Ion batteries – which are currently the best performances batteries - need to be kept at a range of temperature between approximatively 10°C to 30°C. That means that there are some situations where the batteries need to be cooled down and sometimes heated up. This can be done with a cooling circuit which exchange heat with the batteries in the most efficient way as possible with a competitive cost. Hence, Sogefi developed in 2018 an E-Thermal Battery Pack with several advantages. Firstly, the integration of the coolant circuit into the battery pack. This reduces considerably the number of parts, save space and reduce also the number of sealing interfaces. Secondly, the integration of the cooling plates into the battery pack case optimize the heat transfer between the modules and the coolant circuit. Finally, a leakage management avoids any contact between coolant and modules which is critical for the batteries. It is therefore an innovative battery pack to simplify the way to regulate the modules, minimize the quality risk at a competitive cost.

E-COOLED CELL CARRIER

Different cell technologies are used to build a battery for electrical vehicle. Mainly three Li-Ion cells format are put in competition: pouch cells, prismatic cells and cylindrical cells. All of them need to be thermally regulated to extend as much as possible the vehicle autonomy and to short the charging time. For this purpose, Sogefi developed an innovative E-Cooled Cell Carrier focused on cylindrical cell which is the lowest cost cell format, the highest optimized manufacturing process and the highest cell level volumetric density. This innovative product optimizes the cylindrical cells thermal regulation and simplify the way to mechanically maintain the cells into the module. All of this with a conventional manufacturing process with plastic injection and mechanical assembly, without using complex processes like gluing or UV polymerization.

CLAMP PRE-OPENING FIXTURE

Turbo outlet duct for internal combustion engine usually have a quick connector to assembly the duct to the turbocharger. Such a quick connector comprises a female end on which is mounted a locking ring (usually spring steel). The male end is adapted to fit into the socket and includes an outer groove. During the insertion of the male end, the branches of the locking ring are spaced apart by the force exerted by the male end, then they return to the rest position in the groove of the male end. The force necessary to mount the male end is quite high and may cause some **ergonomic** issue. That is why Sogefi developed an innovative CLAMP PRE-OPENING FIXTURE to guarantee a pre-opening of the clip during an easy assembly. This reduces the effort required for mounting in a significant way.

4 Focus on product quality and safety

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

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

Sogefi approved in 2016 the **Group Quality Policy** which includes strong commitments towards:

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

To further emphasize the commitment towards safety in 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 adhere to.

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**, 98%[8] plants are certified IATF 16949 2016 (the updated certification of the previous ISO TS 16949) and 93%[6] of plants are certified ISO 140001 which define the quality and environmental management system requirements for the design and development, production and, when relevant, installation and service of automotive-related products.

In 2018, only minor issues were identified during the IATF 16949 ISO/TS16949 and the ISO 14001 external audits, featuring very limited impacts for interested parties.

Sogefi resolves non-conformities by analyzing the root causes and undertaking proper corrective actions. In addition, an internal audit process is applied preventively. The non-conformity management process is supervised by the certification body, according to the certification rules (processing steps and response times) to address the potential risks derived from such gaps, as a means to analyze and treating the root causes. The effectiveness of the actions is then evaluated one year later by the external audit body and during regular internal audits. This way, the risk of recurrence is significantly reduced.

In 2018, all non-compliances were reviewed and closed by the certification body.

In 2018, Sogefi Air & Cooling defined a Quality-Safety-Environment Policy to underline its commitment towards sustainability and its ambition to improve its performances in terms of the quality, delivery, competitiveness of its products and the protection of the environment. For example,

[8] The calculation includes 42 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and considering the Bangalore site as two different units.

with regards to research and development, the Business Unit aims at developing innovative products to reduce the CO_2 emissions and fuel consumption of its products and improve their recyclability.

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 of Sogefi's products, and engineers are in charge of compiling and reviewing all information received from suppliers 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 ensure compliance 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 challenge that Sogefi managed in 2018 was to ensure the respect of REACH requirements about candidate list and the risks of non-registration of substances for the May 2018 Registration in the supply chain.

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 – has been carried on to emphasize the attention towards product quality. The strategic pillars of this program are based on verbatim customer perception and overall quality performance of the Group, involving a specific escalation process as well as dedicated KPIs.

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

Application of the Back to Basics program

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

The Group KPIs for quality performances, first introduced in 2017, have been consistently monitored and 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 addition, Customer Satisfaction Report (PPM) is consolidated on a monthly-basis from the customer portal.

Since 2017, improvements were achieved by promoting a Quick Response Quality Control (QRQC) mind-set, which aims at immediately identifying and analyzing 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 shop floor to find the root cause of this incidence and ensure its eradication. All necessary functions are part of these meetings (production, logistics, etc.).

This QRQC implementation allowed improvement of customer quality indicators for the Filtration Business Unit, with the achievement of 891 ppb for Customer Line Returns by end of December 2018, best result ever achieved by the BU, improving by 60% in comparison to the results of December 2017. In addition, there was a reinforcement of the QRQC mind-set in all plants of the BU, with a specific focus on scrap costs reduction, supported by the implementation of a scrap market at plant level. The goal of the scrap market is to make issues visible and to address them on a daily basis.

Furthermore, in 2018 Sogefi's Filtration improvement was based on anticipation, as demonstrated by its commitment to put in place Process Failure Modes and Effects Analysis (PFMEA) reviews on

Genba and the fact that it improved the project launches with the creation of a Project Management Policy integrating Gate Validation Committees and Gate Management Committees to control project launches.

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 to 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-Environment/Government Regulation

Also, the IATF Certification requests a risk-based approach to evaluate the probability of not meeting the expectations of relevant interested parties and to issue a proper action plan.

The tool used for the 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.

Customer satisfaction

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

Indeed, every year, the Key Account Managers, in the **Suspension** Business Unit and in the **Filtration** Business Unit, fill-in an internal self-assessment and take into consideration aspects such

as: Competitiveness, Logistic, Quality, R&D, Prototypes, Innovation and Worldwide implementation. The aim of this survey is to identify Sogefi's position against its competitors with its main customers.

In addition, Sogefi consolidates, directly from its customer portal, the Customer Satisfaction Report (PPM).

Lastly, **Filtration** Aftermarket conducted a Customer Satisfaction Survey, which had as a result an overall satisfaction index of 75%, recommendation of 83.5% and a repurchase intent of 90%. Nothing critical emerged from this survey and the top 5 most important satisfaction criteria for the customers, that show results at or above average, are: quality and products that reported 80% of satisfaction, respect of delivery time that reported 79% of satisfaction, accuracy of deliveries that reported 75% of satisfaction, product range for cars 79% of satisfaction and the relationship with the Sogefi sales representative that reported 79% of satisfaction.

5 People in the Sogefi Group

2018 Highlights

Number of employees **6,967**	Share of female employees on total workforce **26%**
Injuries **-35% vs 2017**	Yearly average training hours per employee **17.1**
Employees covered by collective bargaining **79%**	Personnel costs **310.1 €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 behavior among all employees and consultants.

Health and safety policies and procedures

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

The 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.

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 to this, the Sogefi Excellence System (SES) governs the organization of production and operations, aiming at achieving the best performance levels in terms of quality, cost and delivery in a safe environment for employees. The operational system allows autonomy and empowerment whilst maintaining an appropriate level of control, defining the way Sogefi operates around the world by providing a common work method and language.

The SES's purpose is to eliminate risks at an early stage by running risk assessments within the operations, identifying potential risks and defining the priorities to be addressed. The first step of the SES is to analyze the current situation in the work premises and the adequacy of existing controls, and to identify any gap in terms safety, so to define the right processes to improve performance and eliminate safety hazards, implement changes and lead workshops according to standards and as a final step coach and train the teams on the issue. Part of this process is the management control, which identifies the plant priorities and macro activities for the Plant Improvement Plan (PIP). In this process key performance indicators (KPIs) are defined and plant tours are organized on a daily basis, to give feedback and provide coaching to the employees. The definition of a PIP also helps to pinpoint priorities and align resources and activities with operational plant priorities. Lastly, to evaluate the level of implementation and monitor the level of maturity, a safety core team is established and trained to carry out assessments with the aid of audit checklists in each zone of the plant.

For example, Sogefi Germany, USA and India have all implemented different risk assessments. For all processes on the shop floor, Sogefi Germany has carried out detailed risk assessments. Then, based on these, the plant established counter measures to avoid incidents, and has continued to

review these risks assessments on a yearly basis. In addition, they have implemented an internal environment and security audit, with a visit of the production area and a review of the documents. Sogefi USA has instead implemented a Quick Response Action Plan (QRAP) and its board for every production area, and a procedure to escalate safety or quality risks immediately. The plant tracks the number of accidents near-misses as a management key process indicator (KPI) to encourage all employees to report unsafe conditions, even if an injury has not occurred. Lastly, Sogefi India has the Hazard Identification and Risk Assessment (HIRA) wherein the hazards related to health and safety in all of the plant's activities and processes are identified and where the risk is quantified and controls are put in place.

In relation to this, to ensure organization in production based on the plant size or technologies, Sogefi has a dedicated HSE manager per plant reporting hierarchically to the Plant Manager. Moreover, it aims at having a dedicated SES Specialist for each plant with 100 operators, reporting hierarchically to the Plant Manager and functionally to the Regional SES Senior Specialist. Both the HSE Manager and the SES Specialist are part of the Plant Management Committee.

The SES also has a safety guide which identifies and promotes 10 Safety Basics that employees should follow to avoid health and safety accidents within the plant. This is combined with the distribution of flyers and cards to all visitors in relation to safety in the plant and with external signage and communication giving the general safety rules. Lastly, all new employees are trained in a dedicated training zone.

Health and safety training

Following the "Safety Guide", at each plant a Dojo zone has been implemented. The Dojo space is a room fully dedicated to training on health and safety practices and instruction. The training zone is used for training of visitors and for Sogefi employees and temporary workers. Training goes behind the legislative compliance and Sogefi aims to exhort plants to implement the best practices in terms of regular and frequent training for both the plant managers and every employee.

For example, Sogefi Air and Cooling Canada provides a safety, quality and technical training to all new hires; the program includes training in the Mon Sogefi Dojo (concerning the mission and culture of the Group), training in the Safety Dojo (mandatory PPE, machine safety, emergency plans, circulation within the plant etc.) and a training on standard work. In addition to this training for new employees, current employees have an annual refresh in the Safety dojo and training on standard work when required. Lastly, the plant has implemented 'flash communications', weekly communications by the team leaders to their teams on a variety of subjects, including safety rules. The communications are also transmitted by email to all users and broadcasted on the TV in the cafeteria. This has resulted in a reduction of work-related injuries and in strengthening a culture of accountability and commitment to health and safety in the workplace.

Health and Safety Committees

With regard to the standard OHSAS 18001 (Occupational Health and Safety Assessment), the Group is increasing the number of sites certified and in 2018 17%[9] of Sogefi's plants were certified. The implementation of this international standard helps to manage, control and improve the occupational health and safety performance of the entire Group.

Each of the certified plants, has established a Health and Safety Committee that assesses workers' behavior 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, Sogefi Pune has a Health and Safety Committee which is formed by 50% staff employees and 50% shop floor employees.

The Suspensions Business Unit in Sogefi Argentina has instead established a safety committee formed by the Safety Chief, the Production Manager, the Maintenance Manager and two union delegates who represent the production workers. This committee meets biweekly and presents improvement points to be addressed. 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 discusses 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 CIPA, SESMT, HR and Production teams to make employees aware of the risks related to the work environment.

These committees meet on a regularly basis to discuss issues within the single plants. 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 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. Lastly, in some plants, such as Raffa di Puegnago, Trade Union representatives are entitled to cover health and safety issues.

In terms of employee involvement, plants like Charmes also conduct surveys among employees to improve their working conditions whether in the workshop or the offices.

Sogefi in India appointed the Anti Sexual Harassment Committee and the Internal Complaints Committee to sensitize its employees on the prevention of sexual harassment within the plant; these committees meet at regular intervals and ensure no harassment occurs in the workplace and that all preventive safety measures are in place. Moreover, different health check-ups (dental, optometry) were held during the year to benefit employees.

Following some initiatives developed during the year have are reported:

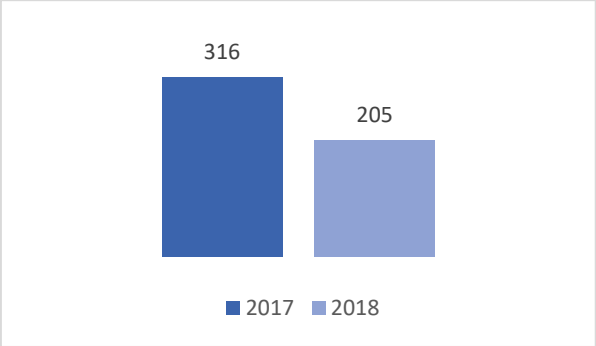
[9] The calculation includes 42 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and considering the Bangalore site as two different units.

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. At the end of 2018 the company had achieved 562 working days without a lost time accident, a standard that has never been met before.
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 2018, 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.

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. Every year the Brazilian plants dedicate an entire week to the prevention of accidents and the environment. The initiative, called SIPATMA (Internal Week of Prevention of Accidents and the Environment) addresses topics such as Health Campaign, Worker Safety, Environmental Prevention and Motivation.
India 	In 2018 Gurgaon, Pune and Bangalore sites decided to dedicate a day, March 4th, and the first week of March to Safety awareness and organized trainings on the importance of Health and Safety precautions for all the employees.
Canada 	In the Air & Cooling business unit, all employees receive a general training on basic Health and Safety topics and procedures. In 2018, the Montreal plant developed and rolled out a 12-month communication plan for health and safety at work. Through weekly flash, via email or on the cafeteria's TV, employees were informed about different HSE topics and the plant was able to reinforce Health and Safety culture. With this initiative, the plant was able to reduce by 86% work–related injuries compared to 2017.
Romania 	Sogefi Romania has set up monthly meetings on Health and Safety with all employees. During these meeting, employees are not only consulted but they are informed and trained on the different health and safety risks they may encounter while performing their job. To improve safety at work, the company has set up a suggestion box for employees' proposals.

In 2018, 205 injuries occurred in the workplace, of which 159 involving men and 46 involving women, with overall decrease of around -35% from 2017. Those data refer to both Sogefi's employees and supervised workers. The injuries in the report follow the categorization used within Sogefi: FR0t, an injury or illness that results in being incapacitated from work for at least one full day. Although, the report does not report Sogefi's rate but follows the GRI requirements for rate calculation. Moreover, given the new requirements of the GRI Standard, work-related injuries and ill-health and hours worked were collected for both employees and external workers, to ensure alignment with internationally-agreed best practices and reflect the development in occupational health and safety management and reporting.

Group total number of injuries



HEALTH AND SAFETY INDICATORS

INJURY INDICATORS FOR EMPLOYEES						
	2017			2018		
	Male	Female	Total	Male	Female	Total
Rate of work-related injuries	3.82	3.02	3.63	2.12	1.67	2.00
Rate of fatalities	0.02	-	0.02	-	-	-
Rate of high-consequence injuries	0.04	-	0.03	-	-	-

INJURY INDICATORS FOR SUPERVISED WORKERS						
	2017			2018		
	Male	Female	Total	Male	Female	Total
Rate of work-related injuries	4.42	3.70	4.23	4.64	3.80	4.41
Rate of fatalities	-	-	-	-	-	-
Rate of high-consequence injuries	-	-	-	-	-	-

OCCUPATIONAL HEALTH INDICATORS FOR EMPLOYEES						
	2017			2018		
	Male	Female	Total	Male	Female	Total
Recordable work-related ill health	22	16	38	41	18	59
n. of fatalities as a result of work-related ill health	-	-	-	-	-	-

OCCUPATIONAL HEALTH INDICATORS FOR SUPERVISED WORKERS						
	2017			2018		
	Male	Female	Total	Male	Female	Total
Recordable work-related ill health	6	4	10	15	4	19
n. of fatalities as a result of work-related ill health	-	-	-	-	-	-

As shown in the table above, in 2018 the rate of work-related injuries decreased for Sogefi's employees while there was an increase for supervised workers. The greatest number of accidents for Sogefi's employees can be found in Europe (67) and North America (27) while South America and Asia registered a significant lower number of respectively 18 and 4 accidents. The similar

patterns is followed by the supervised workers number of injuries for which Europe and North America reports the highest number (respectively 26 and 50). The health and safety indicators for geographical area can be found in the annex of this document.

Following the fatal injury that occurred in 2017, in 2018 Sogefi has paid great attention to health and safety within the plants and has continued to improve its prevention and mitigating practices, so to strengthen the performance of the entire Group. The Group is fully committed to implementing actions to avoid similar situations from occurring again in the future and has been carrying out risk assessments on a regular basis, organizing specific training sessions to increase corporate culture and awareness within all employees. The most relevant improvements are related to maintaining safe and proper working standards and to the achievement of zero accidents in the year. In line with the Group's objective to continuously enhance its processes, improvements needed and controls to be implemented are under analysis and will be covered in the following years.

5.2 Characteristics of personnel

In 2018, Sogefi counts 6,967 employees worldwide, spread over 23 countries[10]; the total workforce increased by 0.3% with respect to 2017, taking into consideration the value of 6,946 employees, which includes also the new sites in Morocco and Russia.

The Group recognizes 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 summarized in the following pillars:

1. **Commitment to respecting human rights** – as stated in the Universal Declaration of Human Rights and in the ILO's Declaration on Fundamental Principles and Rights at Work
2. **Health and work environment** – preserving 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 policy is applicable worldwide and aims at making 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.

This commitment is shown, for example, by the Shanghai and Wuijiang plant in China, where the company has specifically put in place a Child Labour Rescue Control Procedure.

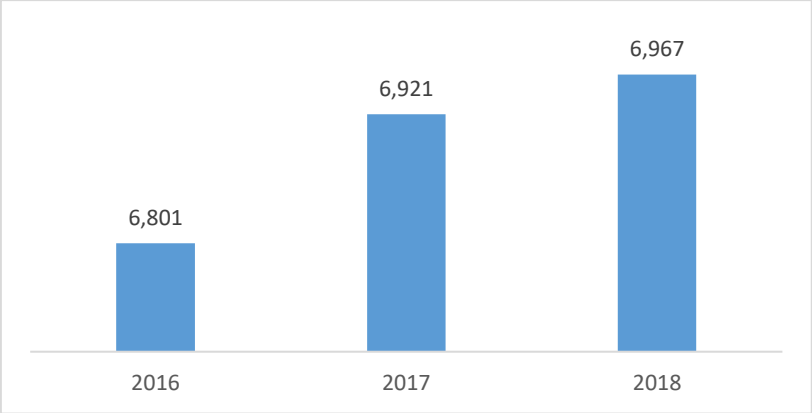
The Group, with the aim of spreading corporate culture on the respect of human rights, provides specific trainings on the matter to its employees and in 2018 the total hours provided amounted to 2,633.

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 the chapter Ethics, Integrity and Anti-corruption). Furthermore, Sogefi commits to

[10] Countries refer to Sogefi global presence (also including commercial presence)

updating annually stakeholders on key data and other information relating to the respect of human rights.

Group total number of employees



As of December 31th 2018, men in Sogefi employees accounted for approximately 74% of the entire Group's population, while women accounted for about 26%.

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

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

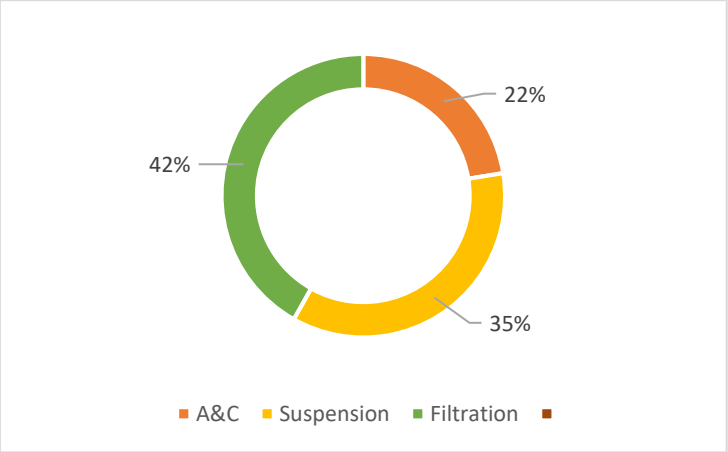
In 2018, Management accounted for around 2%, Office staff made up 29% while Blue collar constituted the majority of employees with 69%.

Total number of employees by professional category				
n.	2016	2017	2018	% on total
Management	106	155	143	2%
Office staff	1,874	1,901	2,035	29%
Blue collar	4,821	4,865	4,789	69%
TOTAL	**6,801**	**6,921**	**6,967**	**100%**

With regard to the distribution by Business Unit, 41.5% of Sogefi's population is employed in Filtration, 35.4% works for Suspensions, 22.1% oversees Air & Cooling systems, while the remaining represents the Parent company Sogefi S.p.A. and Sogefi Gestion S.A.S.

The plants of Bangalore and Gurgaon, India, work in shifts exceeding the legal time limit. To address the issue, the plants are considering to establish a third shift.

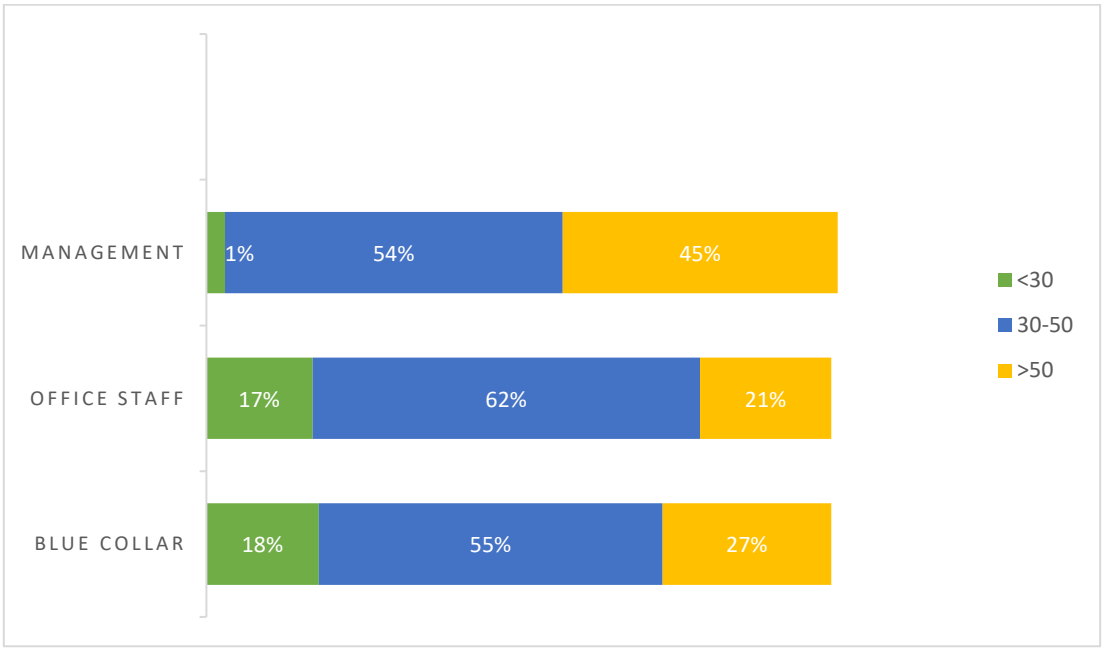
Breakdown of Group employees by business unit (%)



In 2018, the Group recorded an incoming employees' turnover rate of around 16.4% and a termination turnover rate of 16.1%. 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.

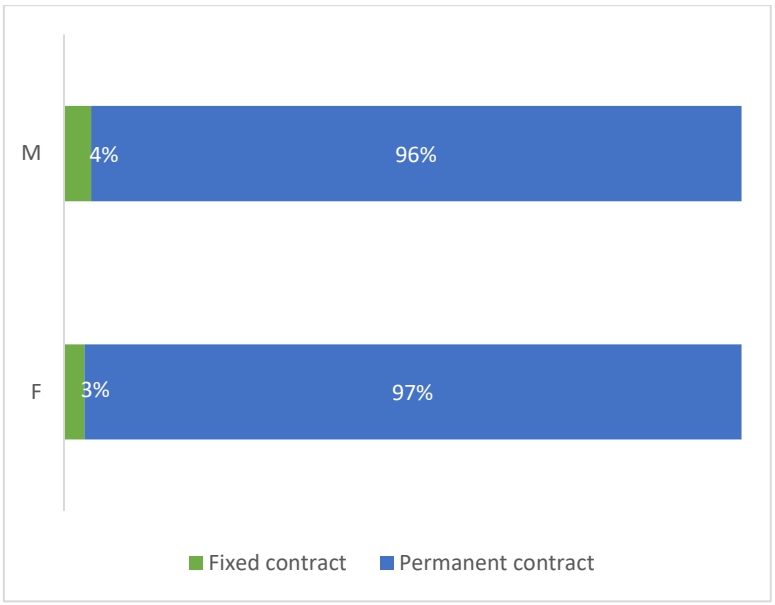
With regard to age distribution of the Group population, most employees are between 30 and 50 years old (57%). Sogefi features a reasonable percentage of employees that are below 30 of age: in the Blue collar category 18% and 17% in the Office staff category.

Breakdown of Group employees by age group and by employment category in 2018 (%)



To promote stable employment, a high percentage of Group's employees have a permanent contract (96%). 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.

Group employees by type of employment (fixed term vs permanent contract) in 2018 (%)



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[11]			
	2016	2017	2018
Europe	1.2	1.1	1.2
North America	1.7	1.7	1.4
South America	1.2	1.3	1.1
Asia	1.2	1.1	1.0

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

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. To meet this goal, it is essential for the Group to take care of its people, planning real and effective activities to guarantee their welfare and a positive work climate. Sogefi aims at providing its workers with certain benefits, concerning for example healthcare, parental leave, disability and invalidity coverage, life insurance, retirement programs and so on.

In addition, some plants such as Sogefi Mexico, grants additional benefits to its employees. For instance, in 2018 health insurance with additional dental coverage and vacation premium was provided to white collar workers and punctuality and transport allowance, perfect attendance bonus, life insurance and funeral expenses for blue collar employees. Sogefi Argentina also has a 24 hour nursery inside the plant for first aid or minor care.

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.

In 2018, the Rochester Hills plant decided to focus on employees' personal health and wellness and set up a voluntary Wellness Challenge. Employees had to reach the target of 7000 steps per day and could compete both individually and in teams. The aim was to encourage employees to adopt a healthy life style and in 12 weeks the participants walked a total of 12,476,064 steps.

Lastly, taking into account transportation constraints, the Guyancourt Filtration plant has signed a collective agreement allowing about 100 employees to work from home up to 2 days per week.

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. Sogefi spread the Code of Ethics among all its managers, employees and newcomers through its internal communication system.

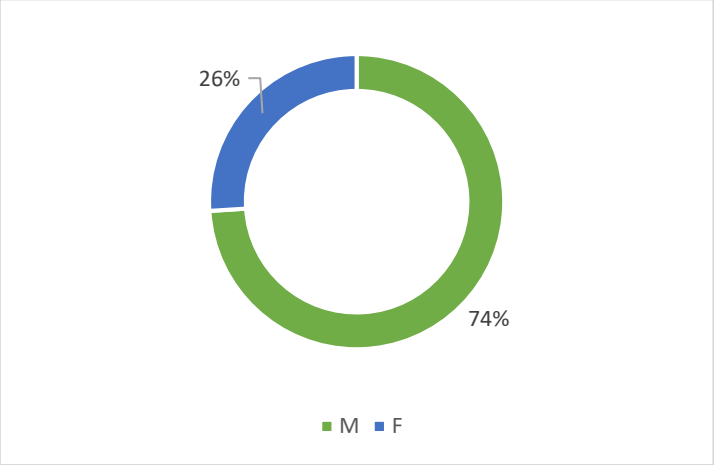
Some plants have also sent to all employees the translated version of the new Codes of Ethics.

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.

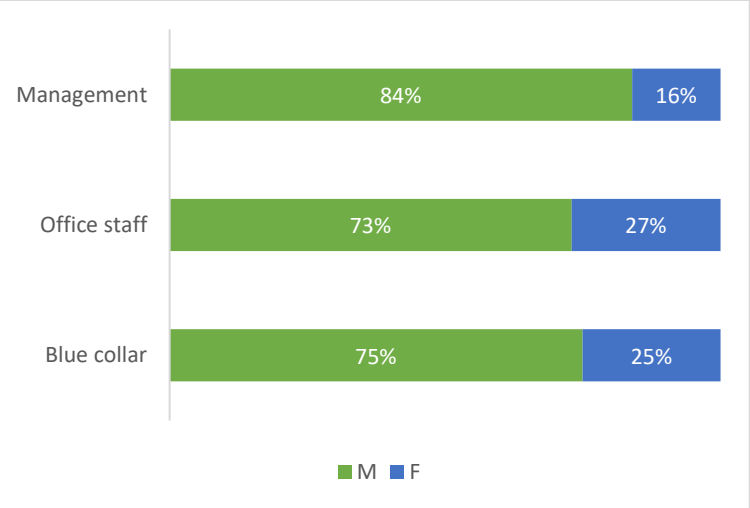
The Group undertakes to avoid all discriminations based on age, sex, sexual habits, state of health, ethnicity, nationality, political opinions and religious creed in all decisions that affect relations with its Stakeholders. For example, the **Suspensions** Business Unit plant in Germany strongly promotes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

Group employees by gender (%)



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

Breakdown of Group employees by employment category by gender in 2018 (%)

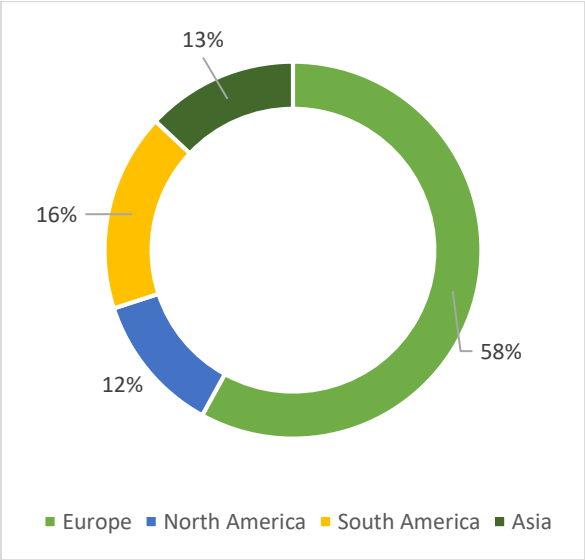


Equal opportunities are offered to employees of both genders, while also promoting concrete initiatives to facilitate work-life balance. Female workers are the ones taking most advantage of flexible working hours, although part time is still limitedly adopted with 1.4% of the female employees having a part time against 0.5% of the male employees.

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%) work in Europe; South America (Brazil and Argentina) hosts 16% 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 (12% and 13% respectively).

Breakdown of group employees by region in 2018 (%)



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. Please visit the Annex for detailed figures within the Group by region.

5.4 Building and strengthening skills

The Group recognizes 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.

Training

To build and strengthen skills, the Group organizes training activities aimed at increasing employees' managerial and technical skills. The Human Resources Department implemented in 2018 an information system to improve the management and monitoring of employee development and talent management, the system is called **HRIS "I care, my HR"**.

In 2018, Sogefi provided more than 119,000 hours of training involving all employee categories, corresponding to around 17 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 organized to improve technical knowledge and skills (such as Manual Handling training, Forklift training, team management, negotiation, teamwork), improving position and function (quality tools (such as Fire Safety and Chemical Spillage training and trainings on the QRQC, the main quality tool used throughout all the BUs), languages (such as English, French and German), new tools (PDCA-FTA), IT, aspects of Health and Safety, and environmental issues. Lastly, specific training activities are also directed towards Management and professionals.

Average hours of training per employee (by gender and by employee category)									
	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Manager	11.6	7.8	**11.2**	13.7	9.2	**13.2**	13.9	16.3	**14.3**
Office staff	22.9	21.7	**22.6**	23.7	19.5	**22.6**	22.4	18.5	**21.4**
Blue collar	18.2	15.8	**17.7**	12.2	9.1	**11.4**	16.3	12.7	**15.4**
Total	19.4	17.5	**18.9**	15.3	12.2	**14.5**	18.0	14.5	**17.1**

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. An example of this approach is the Italian **Filtration** plant in Sant'Antonino which, in 2018, had a total of 3.535 hours of training, of which 1.300 hours were dedicated to health and safety and the remaining were dedicated to improve employees' competences and skills, with English classes, technical training on the job for blue collars and managerial training for most of blue collars to help them to face the company's changes.

For what concerns Sogefi **Suspension** in Argentina, as in 2017, specific technical trainings were carried out also in 2018. In particular, supervisors and team leaders were supported by experts to develop managerial competences and thus enhance production, maintenance and quality performance. Moreover, in 2018, 55 employees (20% of the staff) who work with colleagues abroad, continued their foreign language classes.

In 2018, the **Air & Cooling** Business Unit in Mexico continued to develop awareness on Safety through workshops and five minute talks. In 2018, the plant organized soft skill courses as a part of life purpose and stress management plan. Moreover, they organized the workshop "What happens after the accident?" twice a year, where employees are sensitized on the importance of following safety regulations.

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.

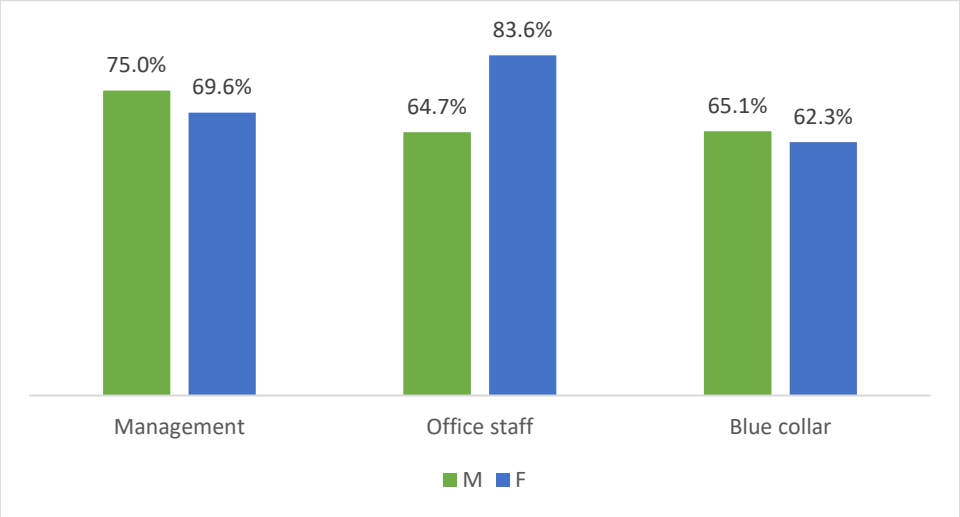
Similarly, in Sogefi **Suspension** UK, every employee has a personal development plan outlining the training completed, the training undertaken and the future trainings identified as required (which is discussed at the annual appraisal). Every department has a Training Matrix to show training needs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

Performance review

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

About 66% of employees receive regular annual performance and career development reviews.

Group employees receiving regular performance and career development review by gender and by employee category in 2018 (%)



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.

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

Instead, 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 has submitted the project to Management in 2018 and the Union will present the project to employees at the beginning of 2019. 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.

5.5 Industrial relations

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

Overall, around 79% 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.

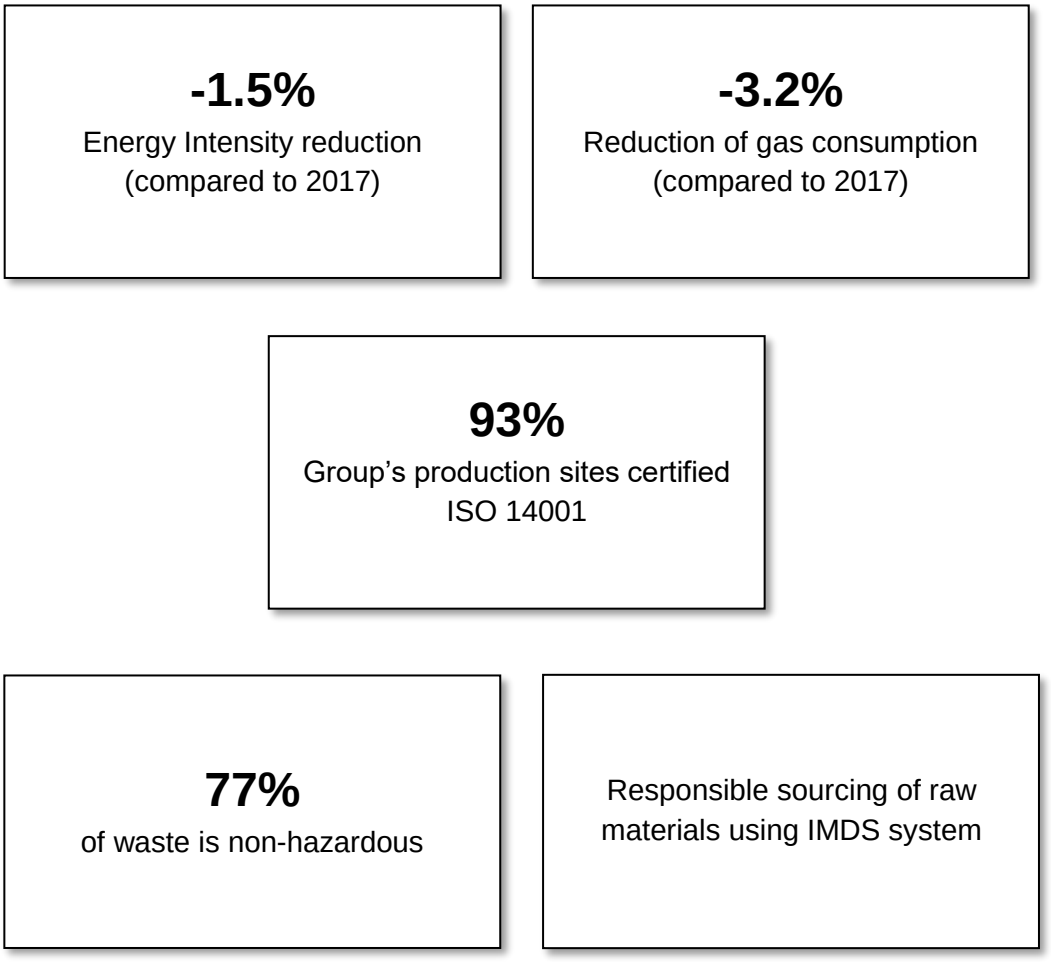
In the **Suspensions** Business Unit in Argentina, the Human Resources Manager holds weekly meetings with the delegates to resolve any problem that may have arisen for the plant. In the same way, when necessary, the plant holds meetings with the *Secretary of the Union Obrera Metalùrgia* (UOM Guild).

Share of employees covered by collective bargaining agreements (%)			
	2016	**2017**	**2018**
Europe	97%	96%	97%
North America	47%	36%	51%
South America	95%	92%	96%
Asia	45%	5%	5%
Group	85%	76%	79%

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

2018 Highlights



6.1 Respect for the environment

The Group strives to make a positive contribution to environmental 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 transmitted among its employees, its customers and the communities in which it operates.

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

To further emphasize 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 the subsidiaries should observe.

To foster the environmental protection in its approach to business, Sogefi set up an Environmental Management System to reduce and control risks and impacts (including the prevention of pollution). In particular, currently 93%[12] of Sogefi's sites are certified with the ISO 14001 standard, in its 2015 version.

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 vapors 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[13].

Energy consumption[14]

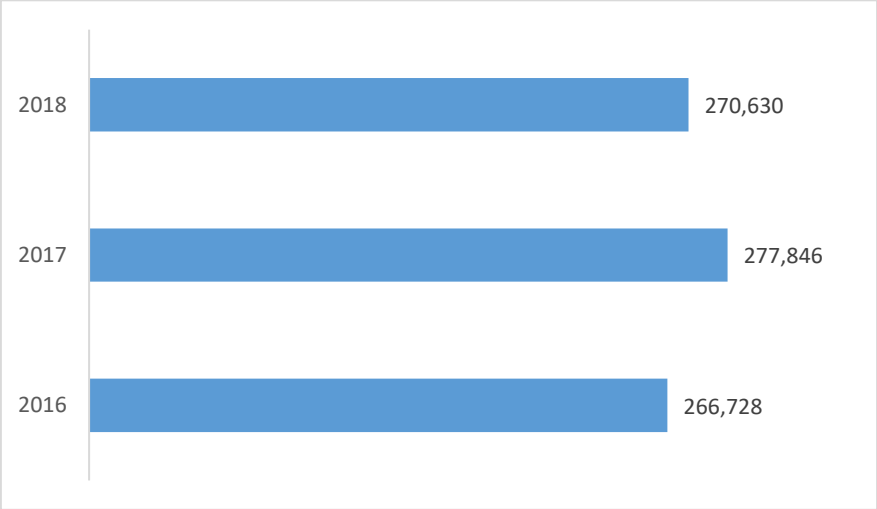
Sogefi manufacturing plants use the following two types of energy:

- Direct energy (natural gas, gasoline, diesel and LPG)[15]
- Indirect energy (electricity)[16]

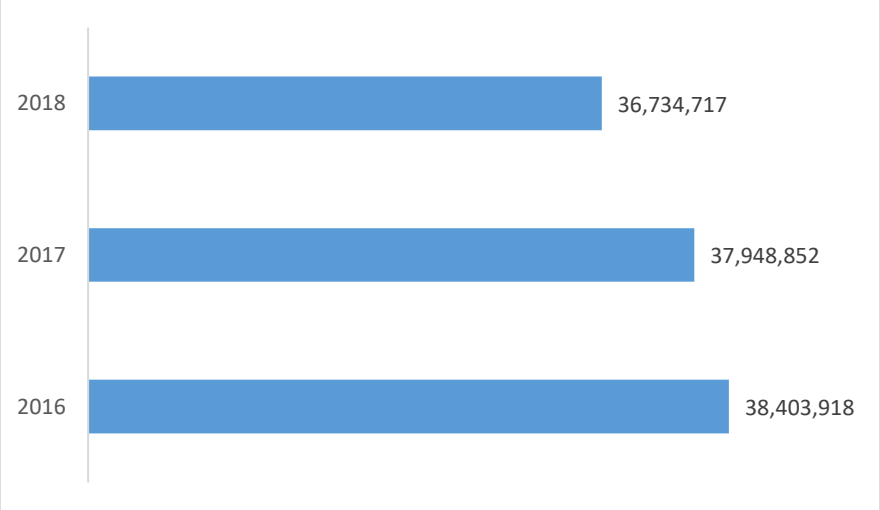
Electricity and natural gas represent the two main sources of energy used by Sogefi's sites. Together, they account for most of the Group's total energy consumption.

[12]The calculation includes 42 production sites, excluding the Saint-Soupplets plant (it is mainly destined for the manufacturing of prototypes) and considering the Bangalore site as two different units.
[13] For more information on water discharge, please consult paragraph 'Water discharge'
[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. The data for 2018 takes into consideration real values of the year consumption.
[15] Gasoline, diesel and LPG consumption are not used for the calculation of the GRI 302-1 and 305-1.
[16] The Group did not resort to purchasing certificates of Guarantee of Origin (GO) for the purchase of electricity produced from renewable sources.

Group electricity consumption (MWh)



Group natural gas consumption (m^3)



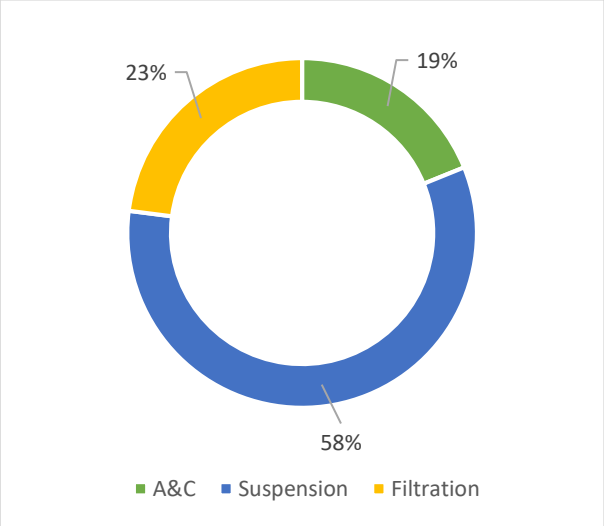
In 2018 the Group consumed roughly 270,630 MWh of electricity (-2.6% compared to 2017) and around 36.7 million cubic meters of natural gas (-3.2% compared to 2017).

Electricity and natural gas consumption by business unit						
	Electricity *[MWh]*			Natural Gas *[m^3]*		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
A&C	49,494	54,102	51,608	635,462	649,362	706,264
Suspensions	150,173	153,018	155,798	35,793,813	35,320,097	34,008,310
Filtration	67,062	70,726	63,224	1,974,643	1,979,394	2,020,143
Group	**266,728**	**277,846**	**270,630**	**38,403,918**	**37,948,852**	**36,734,717**

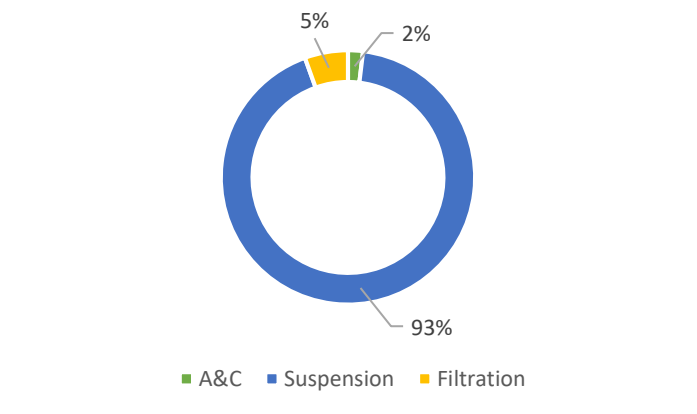
Among the Business Units, in 2018 it is possible to identify the key role of Suspensions in terms of energy consumption, accounting for 58% of the Group's total electricity consumption, 78.4% of the Group's total natural gas consumption and 93% of consumed energy overall.

It should be noted the big effort made by Suspensions to reduce the consumption of natural gas with a 3.7% decrease. 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).

Breakdown of electricity consumption per Business Unit in 2018



Breakdown of natural gas consumption per Business Unit in 2018



In 2018, the Filtration Business Unit increased the consumption of natural gas by 2.1% with respect to 2017.

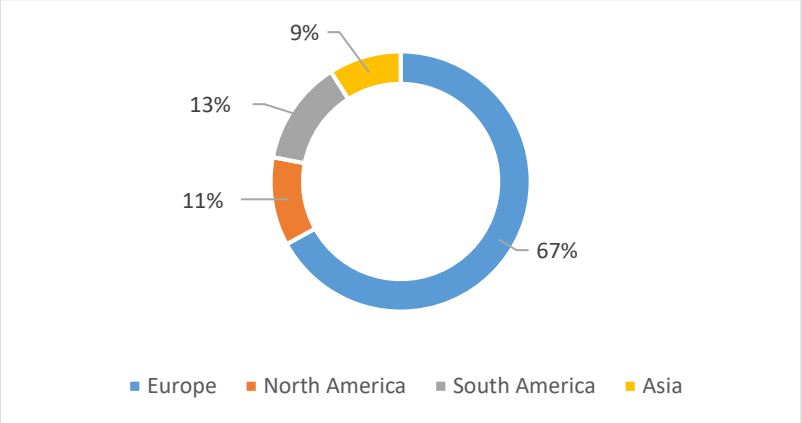
Filtration accounts for 23% of the Group's electricity consumption while Air & Cooling and Suspension account for respectively 19% and 58% of the Group's electricity consumption.

Electricity and natural gas consumption by region

	Electricity *[MWh]*			Natural Gas *[m^3]*		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
Europe	178,337	181,886	180,993	27,431,702	26,746,938	25,401,841
North America	25,900	30,271	29,840	370,343	341,567	496,157
South America	41,290	41,408	36,528	8,730,996	9,167,295	9,211,656
Asia	21,202	24,281	23,269	1,870,877	1,693,053	1,625,063
Group	**266,728**	**277,846**	**270,630**	**38,403,918**	**37,948,852**	**36,734,717**

The bulk of the electricity consumption is in Europe (67% of the Group total consumption), as the majority of Sogefi's manufacturing plants are located in European countries, followed by South America (13%), North America (11%) and Asia (9%).

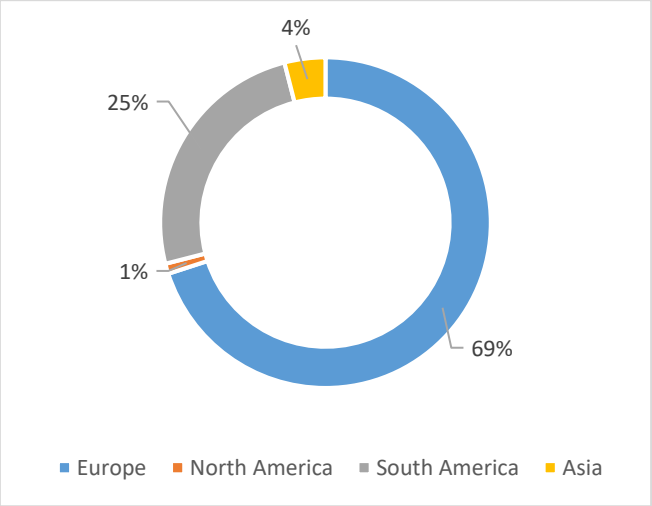
Breakdown of Group electricity consumption by Region in 2018



In 2018, South America registered a reduction of energy consumption respectively of -12%, Europe registered a decrease of -0.5% while Asia registered a reduction of - 4% in respect to 2017.

As for North America, a -1% reduction of energy consumption compared to the previous year was recorded.

Breakdown of Group natural gas consumption by Region in 2018



With regard to natural gas consumption, also in this case Europe is consuming the majority of natural gas (69%), followed by South America (25%), Asia (4%) and North America with residual volumes (1%).

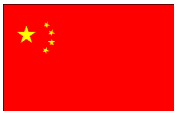
LPG (Liquefied Petroleum Gas), petrol and diesel oil consumption by Sogefi Group is relatively modest compared to electricity and natural gas. In 2018, approximately 2,400,000 cubic meters of LPG were consumed (6.7% more compared to 2017). As for diesel, the Group consumed around 241,000 liters, registering an increase of about 1% compared to 2017.

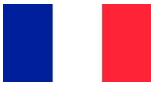
Initiatives towards the reduction of environmental impacts

Sogefi works 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 office lights saving electricity consumption and related expenses.
Italy	The **Filtration** Business Unit in Italy worked on the compressed air leaks on some lines in the plant. The project consisted in the analysis of all the air compressed lines to find eventual leaks and to implement the related maintenance, obtaining a reduction of electricity consumption of 60%. Moreover, the plant in Settimo Torinese has replaced the production windows with automatic system of opening and closing resulting in less energy consumption for production unit heating.

	The same plant has also replaced the compressor and introduced the energy stabilizer to decrease voltage drop as well as to improve machine availability and OEE. The two initiatives lead to less energy 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. In addition, the **Suspension** Business Unit plant in Wujiang in November 2018, has invested in a small air compressor to hold the air pressure to gluing room separated. In this way, the air compressor system for the plant can be stop in free time resulting in 16,896 RMB saved. Moreover, the plan in Shanghai has increased the capacity of current painting rack allowing in this way the plant to paint more bars for the same quantity of diesel. The investment was done on November 2018 and the plant achieved a reduction of -15% diesel consumption.
Spain 	In 2018, in the Cerdanyola plant, the annual consumption of injection process and warehouse has been reduced by replacing fluorescent LEDs, achieving a consumption reduction of 100,170 kWh/year. The plant of Alsasua has completed the LED lighting system assembly area achieving 15,000€ of saving cost in 2018.
Germany 	Sogefi in Germany has installed during 2018 LED lights in the different production area plants in Hagen and Witten, reducing energy consumption. The same plants have also replaced step-by-step electric motors bigger than 50 kW with energy-efficient motors according to IE3 standard to reduce electricity consumption. At last, Hagen plant has expanded the metering structure for electricity and gas for more accurate recording of the consumption. In addition, the plant of Völklingen has renewed the isolation of the detention furnace at the end of the 2017 achieving a reduction of gas consumption, from 1,367 KWh / ton in 2017 to 1,196 KWh / ton in 2018.
Argentina 	Sogefi Argentina has implemented different initiatives aimed at reducing the energy consumption. One of them is the change of Compressor GA75 to fixed flow screw by compressor GA 110 VSD with adjustable flow resulting in monthly savings of 10,083 kWh and 2,693 tCO_{2eq}. Moreover, Sogefi Argentina has changed the gas oven by induction oven for hot punching, resulting in monthly savings of 5,366 kWh and 1.43 tCO_{2eq}. In conclusion, it has installed reading meters of total consumption and leaf spring line in order to control the gas consumption, resulting in a reduction of consumption by 2%.
UK 	The plant in Clydach has installed a new system in metering both Electricity and Gas to monitor every machine process to identify saving opportunities and actions.The project was completed at the end of 2018 and the estimates indicate 530 Kwh/year savings. On December 2018, the same plant has eliminated the tempering Oven (Hot line) by combining tempering with stress relieving oven on Cold line leading to 171,148 Kwh/year savings. In conclusion the plant has installed a roof light panel to allow natural light into the factory reducing the energy consumption on the interior lighting (smart LED). The savings are projected at 50 Kwh/year. The plant of Rochdale has carried different activities with the aim of reducing energy consumption, including the installation of LED Lighting in all offices, the removal of High Temperature Salt Baths from Heat Treatment, the performance of an air leak surveys, the improvement of the running of compressors and of boilers. The plant has improved on its result from 2017 with an average of 272 kWh per £1K of production. In addition its gas usage decreased, moving from 2,410,332 kWh in 2017 to 2,009,524 kWh in 2018.
Netherlands 	The plant of Hengelo has placed a timer on the compressor, in this way it reduces the usage of energy due to the fact that the compressor is only working when needed, also during ghost shift production. Furthermore, the same plant has placed new timers on ovens achieving a reduction in the usage of energy. At last, the plant has replaced conventional lights by LED lights wherever it

	is needed to replace the conventional lights. These 3 measures have made a positive impact on Energy consumption by approximately 20% vs 2017.
France 	The Orbey plant subscribed a "green energy contract", which stated that for each Kwh consumed, the equivalent is reinjected in the network as green energy, in order to reduce its carbon footprint. Moreover, the plant in Revigny has increased the painting line filling rate to 90% to reduce the gas consumption, moving from 80,000 m^3 and 2,920 millions kWh in 2017 to 60,000 m^3 and 2,150 millions kWh in 2018. In conclusion, the plant of Fronville has identified (with a leak locator spray or soapy water) and repaired the compressed air leaks achieving a 19% reduction of air consumption, moving from 5,300 €/month in 2017 to 4,300 €/month in 2018. The same plant has also replaced all the lights in the workshop to LED lights and repaired the oven door, resulting in the reduction of electric consumption.

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[17] 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 which is under discussion for realization in 2019 (in 2016 it was realized only in France).

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:

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

- Energy Monitoring System;
- Loads Management during Non-Productive Time;
- Industrial Lighting;
- Electrical Network Quality;
- Thermal Processes Efficiency;
- Hook Burners Management;
- Compressed Air;
- Fluids Management;
- Government Incentives for Energy Efficiency
- Invoice Optimization.

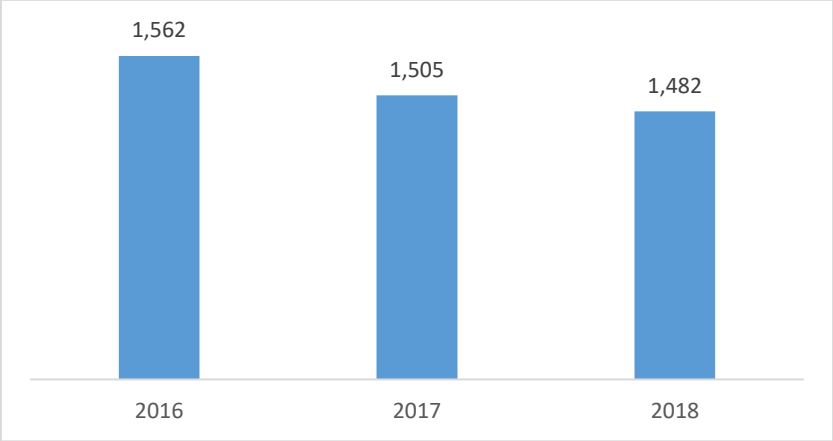
Energy-saving initiatives are evaluated in terms of technical and economic feasibility, and those that satisfy needs and criteria are launched for implementation. Furthermore, Sogefi verifies the expected results in terms of energy savings during subsequent assessments that make possible to validate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

In Sogefi UK, **Suspension** Business Unit, the installation of the SMART metering was the main initiative to establish the target areas for the 2018 projects. Feasibility studies were also carried out on Polycarbonate roof windows, heat recovery system for Stress Reliving Oven and Bar Furnace.

Energy intensity

Energy intensity is defined as the energy required per unit of activity, output, or any other organization-specific metric. Intensity ratios are often referred to as normalized environmental impact data. The intensity ratio defines an organization's energy consumption in the context of an organization-specific metric. Intensity is calculated by dividing the absolute energy consumption (the numerator) by an organization-specific metric (the denominator). In Sogefi's case, the denominator chosen to calculate energy intensity is sales revenues[18]. For the numerator, electricity and natural gas consumption are considered.

Group energy intensity (GJ/m€)



In 2018, the Group recorded a decrease of its energy intensity (GJ consumed per million euros sales revenues recorded) recording a – 1.5% of the energy used per unit of sales revenues.

GJ/m€	*ENERGY INTENSITY BY BUSINESS UNIT*		
	2016	**2017**	**2018**
A&C	423	444	438
Suspension	3,442	3,165	3,132
Filtration	595	607	570
GROUP	**1,562**	**1,505**	**1,482**

The improvement of energy efficiency occurred in the Business Units of Suspension and Filtration. In particular, Filtration experienced a – 6% reduction in energy consumed per million euros of sales revenues recorded.

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

GJ/m€	***ENERGY INTENSITY BY REGION[19]***		
	2016	**2017**	**2018**
Europe	1,731	1,676	1,647
North America	371	419	430
South America	2,841	2,596	2,697
Asia	1,106	951	915
GROUP	**1,562**	**1,505**	**1,482**

[19] Revenues by geographical area in 2016 differ from those reported in the 2016 Sustainability Report following a change in the classification of geographical areas. Revenues are now classified according to the geographical area of "origin" and no longer of "destination".

6.2 Greenhouse Gas emissions (GHG)

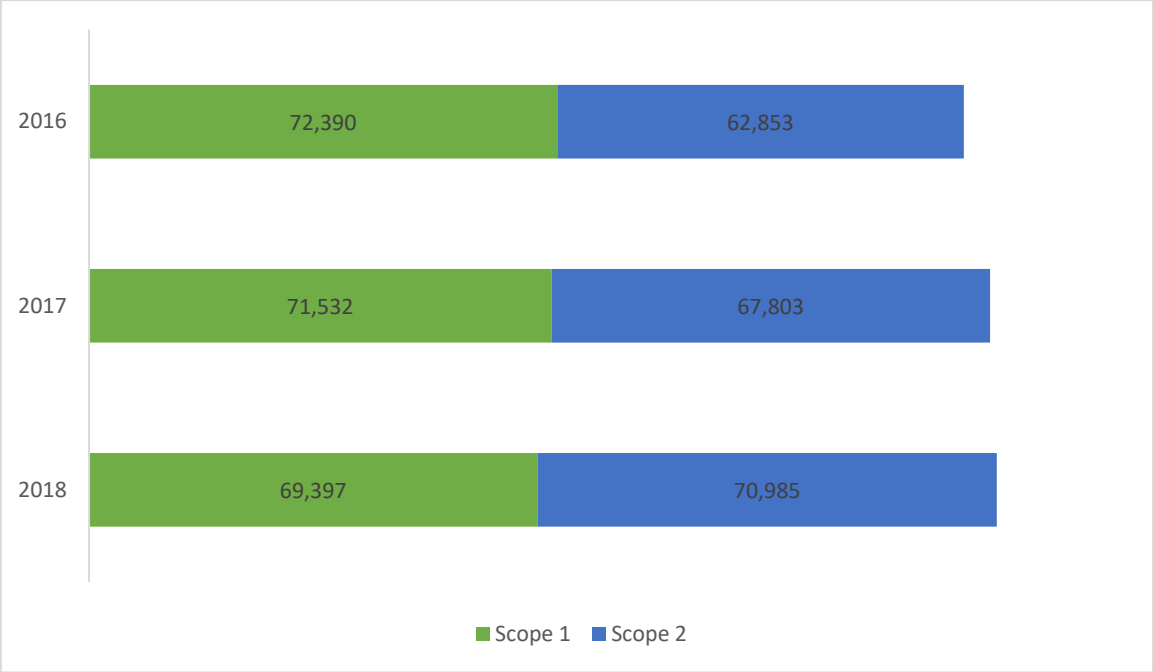
In recent years, Sogefi Group's focus on the consequences of climate change has gradually increased, also considering the raised awareness by car manufacturers. At the same time, higher attention in diminishing the generation of Greenhouse Gas (GHG) emission for the entire manufacturing industry arose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

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

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

- **Direct (Scope 1) GHG emissions** come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organization. Direct (Scope 1) GHG emissions include, but are not limited to, the CO_2 emissions from the fuel consumption.
- **Energy Indirect (Scope 2) GHG emissions** result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization. The reporting standard used (GRI Sustainability Reporting Standards 2016) provides two different approaches for the estimate of Scope 2 emissions: "Location-based" and "Market-based ". The estimate of "Location-based" emissions takes into consideration the conversion factor of energy regarding the country where it was purchased. This approach considers therefore the performance of a national average emission factor related to the specific national energy mix for the production of electricity. The approach "Market-based" uses an emission factor defined on contractual basis with the electricity supplier. Regarding the approach used by Sogefi, the emission factor related to the national residual mix was preferred, due to the lack of specific contractual agreements between the Group companies and the electricity supplier apart from occurrence in which Guarantees of Origin have been purchased.
- **Other Indirect (Scope 3) emissions** not included in Scope 2 that occur outside of the organization, including both upstream and downstream emissions, which are not reported in Sogefi Group Sustainability Report.

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



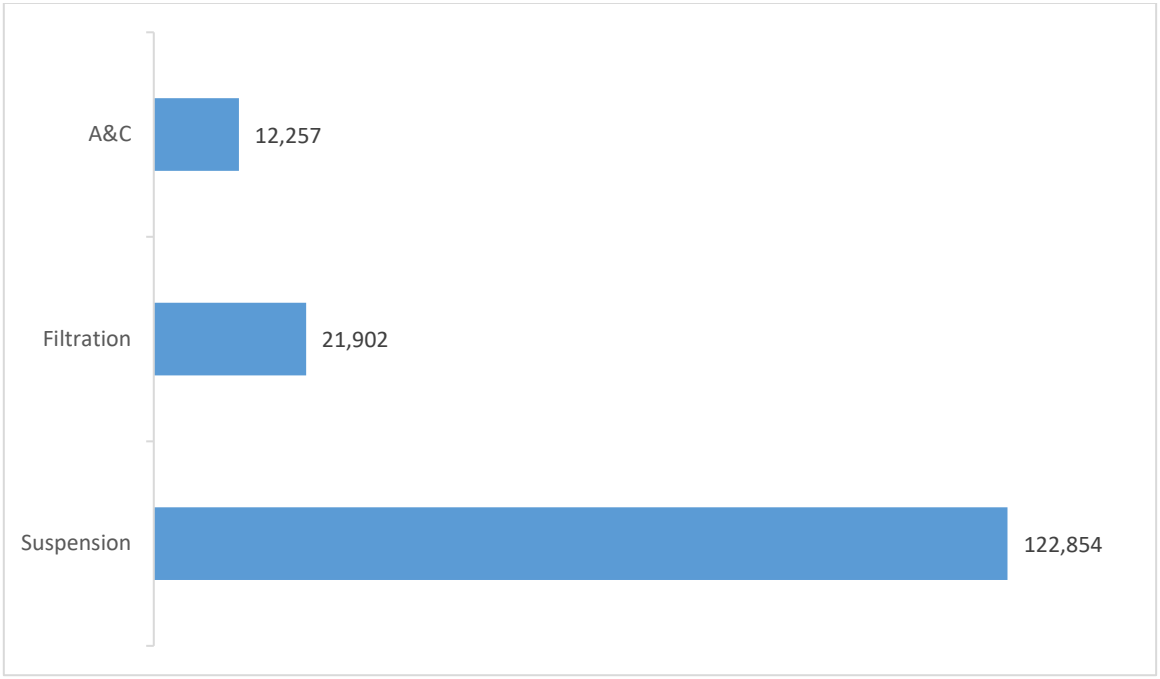
Group GHG emissions[20]			
ton CO2	**2016**	**2017**	**2018**
Scope 1	72,390	71,532	69,397
Scope 2 –location based	62,853	67,803	70,985
Scope 2 – Market based	74,475	81,131	87,617
Total (with location based)	135,243	139,335	140,381
Total (with market based)	146,865	152,663	157,014

In 2018, Group GHG emissions accounted for 140,381 tons of CO_2, following the location-based approach while 157,014 CO_2 with the market based approach. Scope 1 emissions are 49% of total emissions, while Scope 2 emissions account for 51%, following the location-based approach.

Emissions are calculated based on energy consumption (electricity and natural gas. Scope 1 is calculated considering only the natural gas consumption component. Scope 2 is calculated considering only the electricity consumption component. Emission factors have been updated (also for 2016 and 2017 data) in order to have a better year by year comparison. Factors used for electricity consumption are the one of Terna – Confronti Internazionali 2016 for the "Location-Based" emission (Scope 2) and the AIB Residual Mixes for each year for the Market Based emission (Scope 2). For country extra EU, there are no Residual Mix available, therefore Location-Based emission factors are used instead of Market Based (Residual Mix).

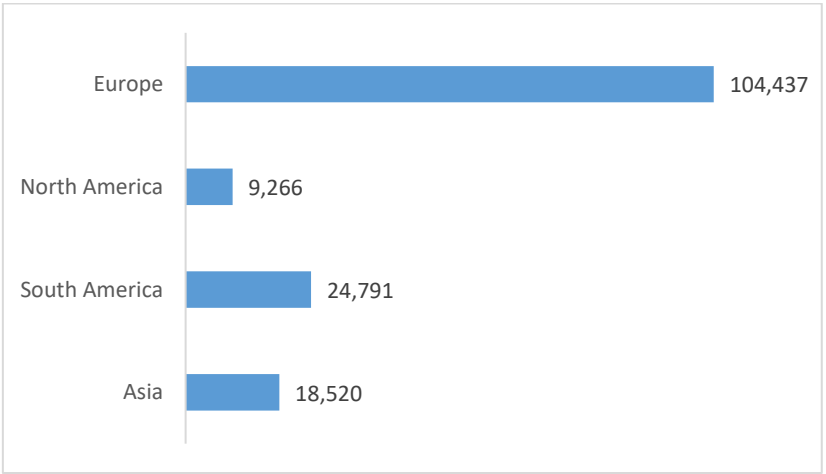
[20] The data for 2016 and 2017, referring to CO_2 emissions from electricity, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2016 and 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

Total GHG emissions Scope 1 and Scope 2 "Market based" by Business Unit (ton CO_2) in 2018



Direct GHG emissions (Scope 1), calculated considering the natural gas component, decreased (-3.0%) compared to 2017, in line with the natural gas consumption trend of the Group. In 2018 Indirect GHG emissions (Scope 2) recorded a 4.7% and 8,0% increase respectively with the "Location-Based" and "Market Based" approach.

Total GHG emissions Scope 1 and Scope 2 "Market Based" by Region (ton CO_2) in 2018

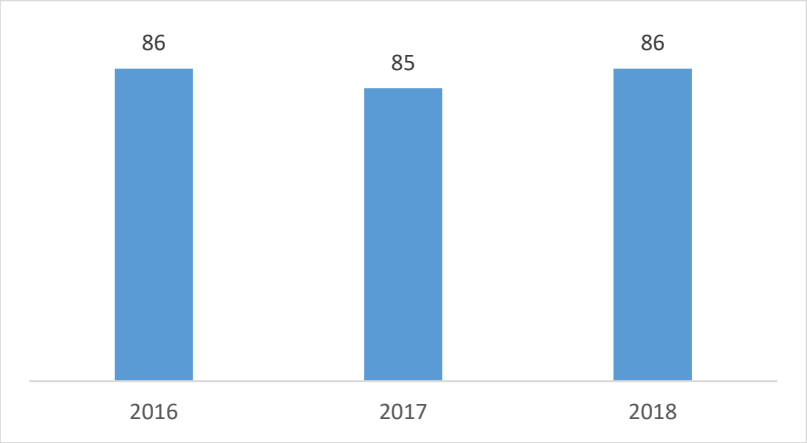


As shown in the above graphs, Europe produces the highest volume of CO_2 emissions; also the **Suspension** Business Unit plays an important role, given its energy-intensive activities.

GHG emissions intensity

As for energy intensity, GHG emissions intensity is defined as the GHG emissions per unit of activity, output, or any other organization-specific metric. Intensity is calculated by dividing the absolute emissions (the numerator) by the organization-specific metric (the denominator). 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_2/m€)*



GHG EMISSIONS INTENSITY Scope 1+ 2 Location based BY BUSINESS UNIT			
ton CO_2/m€	**2016**	**2017**	**2018**
A&C	20	22	24
Suspensions	190	175	181
Filtration	35	40	37
GROUP	**86**	**85**	**86**

GHG EMISSIONS INTENSITY (Market Based) BY BUSINESS UNIT			
ton CO_2/m€	**2016**	**2017**	**2018**
A&C	20	24	25
Suspension	206	192	204
Filtration	40	44	41
GROUP	**93**	**93**	**97**

In 2018 the Group recorded an increase in the intensity of issues with the "Location based" and "Market based" methodology, of + 2.2% and of 4.4% compared to 2017. The increase is mainly due to the increase in emissions for the year.

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based BY REGION[21]			
ton CO_2/m€	**2016**	**2017**	**2018**
Europe	87	84	88
North America	26	31	31

[21] Revenues by geographical area in 2016 differ from those reported in the 2016 Sustainability Report following a change in the classification of geographical areas. Revenues are now classified according to the geographical area of "origin" and no longer "destination".

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based BY REGION[21]			
ton CO_2/m€	**2016**	**2017**	**2018**
South America	140	130	136
Asia	129	124	115
GROUP	**86**	**85**	**86**

GHG EMISSIONS INTENSITY Scope 1+ 2 Market based BY REGION[22]			
ton CO_2/m€	**2016**	**2017**	**2018**
Europe	99	97	105
North America	26	31	31
South America	140	130	136
Asia	129	124	115
GROUP	**93**	**93**	**97**

At regional level, Europe stands out with an increase in emission intensity.

Carbon foot print reduction through more efficient devices

Ensuring availability and accessibility to communication and IT services, as well as providing a flexible collaborative working environment, have become strategic elements for the entire Group. For this reason, during 2018, Sogefi continued the deployment of a “cloud strategy”, for all Core applications (MES-Sherpa, Quality Incident Mgt, etc.) managing these applications and data centres in a more economic and secure way than before.

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 2018, 49 servers were hosted in the *Microsoft Azure Cloud Data Center*, 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, for all 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’.

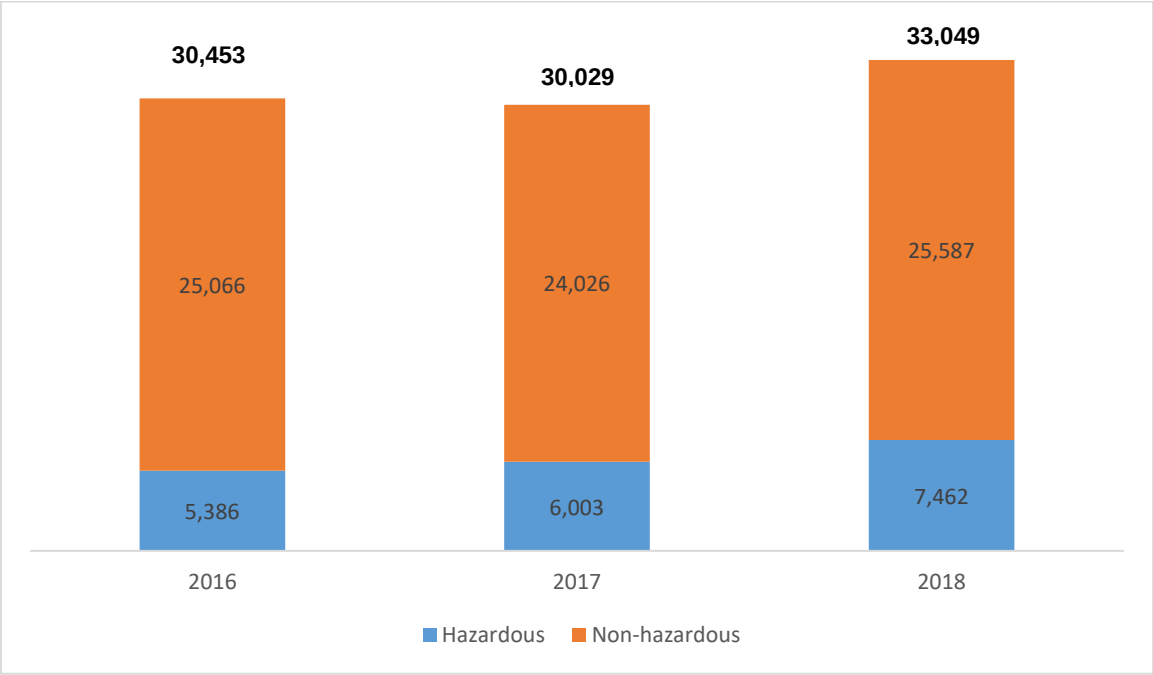
[22] Revenues by geographical area in 2016 differ from those reported in the 2016 Sustainability Report following a change in the classification of geographical areas. Revenues are now classified according to the geographical area of "origin" and no longer "destination".

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 maximize 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 color-coding or another method, so that it is easily comprehensible and clear to everyone. In 2018, the Group generated and disposed around 33,000 tons of waste (an increase of 10% respect to 2017). Most of the waste generated by the Group (77%) was classified as non-hazardous.

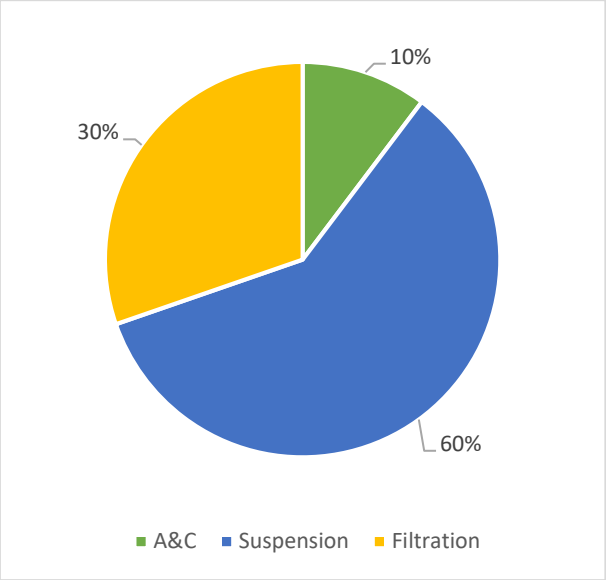
Group waste by type (ton)



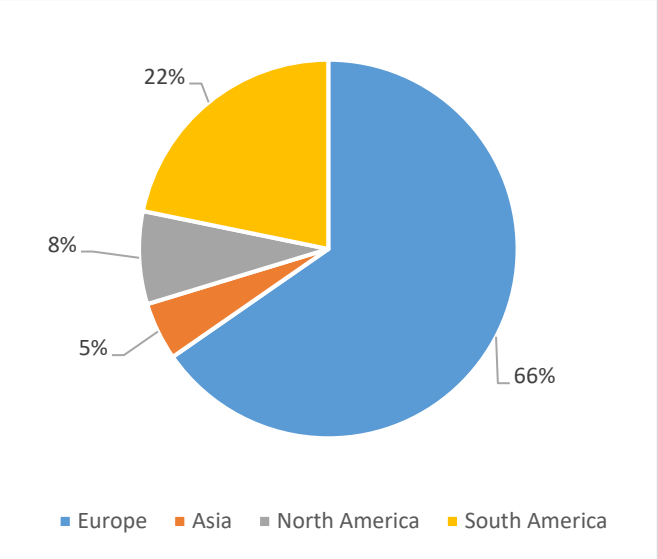
In line with production patterns, the Suspensions Business Unit records also in 2018 the highest volume of waste (59% on the overall Group consumption), both in terms of non-hazardous and hazardous (more than 19,600 tons), with an 11% increase in respect to 2017.

In absolute terms, Europe is the region that accounts for most of the volume of waste produced with more than 21,700 tons, as the majority of the manufacturing plants are located in European countries.

Waste disposed by Business Unit in 2018 (%)



Waste disposed by Region in 2018 (%)



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 as well as changed the treatment of wooden pallets which are sold to a provider for reuse instead of destruction. 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.

For the **Air & Cooling** Business Unit, 42% of waste is recycled, 24% is recovered (including energy recovery – in form of usable heat, electricity or fuel), 27% goes to landfill, and 2% is reused. Residual amounts refer to incineration (1%) and other disposal methods (3.0%).

In the **Filtration** Business Unit, 58% of waste is recycled, 6% is recovered, and the rest is disposed through incineration (6%), reuse (4%) and landfill (27%).

The **Suspensions** Business Unit recycles 44% of its waste and reuses 16% of it, while 20% 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.

In 2018, during an inspection from the Italian Authorities, different kinds of waste (95% older than 10 years) were found under the ground in a green area in the plant of Raffa di Puegnago. All of the waste was removed from June to December 2018 and the plant is waiting for the green light from the Authorities to close the case within end of June 2019.

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. Sogefi is aware of the direct impacts it can have and for this reason commits to reducing its water consumption and to effectively manage its water discharges, paying close attention to the amount withdrawn and consumed and to the quality of its discharges.

Although Sogefi's production processes are not water-intensive, the Group continuously works for the reduction of the overall usage of water. 93% of Sogefi's plants are certified ISO 14001:2015 and abide by its requirements. Specifically in the Suspension Business unit 90% of the plants are certified, in the A&C Business unit 100% of the plants are certified and in the Filtration Business Unit 93% of the plants are certified. The standard ISO 14001 provides a set of standard elements to guide the implementation of an Environmental Management System (EMS) based on the organizational context, needs and expectations. For example, all the environmental aspects and impacts at Sogefi USA are identified based on the SOP-0013 Environmental Aspects, Monitoring and Measurement Procedure, which defines the means by which to monitor and investigate the causes of any nonconformity and establish appropriate corrective and preventive actions. Instead, in Monterrey all issues related to water are reviewed in the Management Review Meetings, meetings where the management can take decision about how to conduct these issues both within the organization and with third parties.

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

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

The A&C Business Unit uses water mainly for sanitary needs and process cooling (exchanger) so the water used is not polluted with heavy metals or high polluting chemical substances. For the

Business Unit, the Environmental FMEA aims at identifying environmental hazards in the daily activities of the plants, including cleaning and maintenance situations, but also in case of emergency situations. Significant environmental impacts are then taken into account in the environmental action plan of the plant and the environmental dashboard is reviewed on a monthly basis. The Environmental FMEA is updated yearly and in case of new equipment, activity or any event such as interested party complaint or situation of emergency. A water reject analysis must be made on some parameters at a defined timeframe defined by the legal requirements or operational permits and the plant must check it complies with the water thresholds. In case of non-compliance, local environmental authorities must be informed and an action plan submitted.

Given that water is a shared resource and that access to freshwater is essential for human life and wellbeing, Sogefi understands and responds to local contexts and is attentive to its local, social and environmental impacts. Some examples of the activities for the reduction of water consumption implemented during 2018 were:

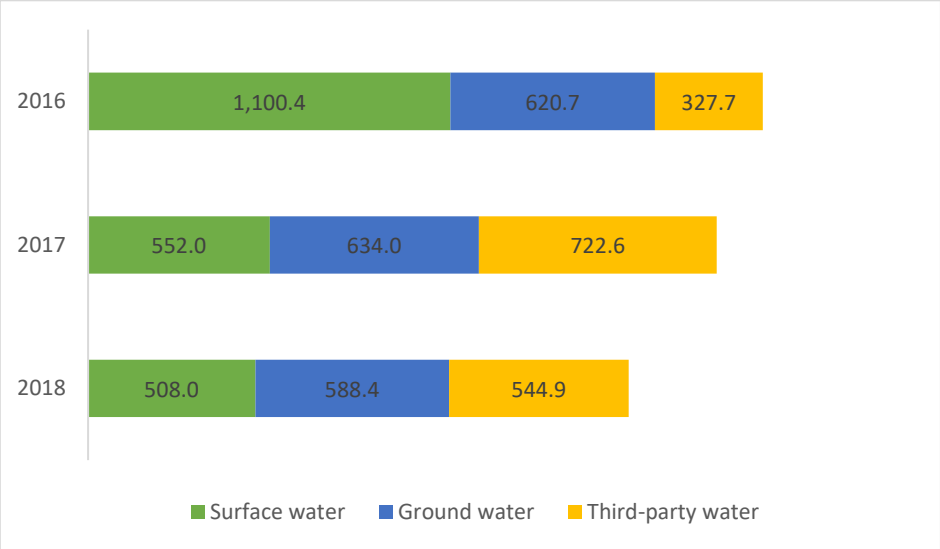
- Environmental trainings and themed weeks as a way to educate employees and their families on water conservation and reduction both at work and at home;
- Continuous monitoring to avoid over flow, leakage and damage of water tanks;
- Reuse of water when feasible;
- Replacement of all water taps with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

In addition to these initiatives, Sogefi is also planning to continuously improve the way water is managed in the Group by setting future goals. For example, amongst other initiatives, some plants are studying the possibility of having an internal water treatment system to reduce their environmental impacts.

Concerning water withdrawal, the majority of the Sogefi's plant uses fresh water, defined as water with concentration of total dissolved solids equal to or below 1,000 mg/L. Sogefi's plants are spread in 20 countries[23] and some of them are operating in water stress areas[24]. To determine areas subjected to water stress the tool Aqueduct developed by the World Resources Institute has been used[25]. The tool provides information about sites located in extremely water scarce areas by comparing the best available water, sanitation, population and biodiversity information on a country and watershed basis. Sites are identified to be in five categories: extreme scarcity, scarcity, stress, sufficient, abundant. Sogefi reports as water withdrawal from water stress areas, plants falling within the extreme scarcity and scarcity category. For more information, please refer to the annex.

[23] Countries refer to Sogefi industrial presence.
[24] The plants considered as being in water stress are the following: Alsasua, Bangalore, Buenos Aires, Cerdanyola, Douai, Gurgaon, Monterrey, Nules, Pune (Filtration and Suspesion), Rochdale, Suzhou (A&C and Suspension), Titesti.
[25] The tool is available online at the website: https://www.wri.org/our-work/project/aqueduct.

Group water withdrawal (ml)[26]



Group overall water withdrawal in 2018 was around 1,641.3 ml, with a decrease of about 14% compared to 2017.

The sources from which water is drawn into the organization are mainly surface water (31%), ground water (36%), municipal water (33%) and residually rainwater.

Suspensions and **Air and Cooling** withdraw the majority of water (respectively around 47.9% and 36.7% each) of the overall Group consumption, while Filtration is accounting for 15.3% 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.

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

[26] The data for 2016 and 2017, referring to water withdrawal, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2016 and 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

To minimize the impact on the environment and protect the quality of water, the following manufacturing plants have implemented measures to adequately manage their discharges. For example, in Rochdale, the effluent discharged is tested every month and a report is sent to the company by the local water provider. This allows the plant, if limits are breached, to immediately resolve the issue. In France and Germany oil separators are used to treat water before discharge. Oil separators serve to protect the environment from pollution by oil: they remove oil from water by retaining it safely until it is removed. In China a waste water electric evaporator was installed to replace the former system. The evaporator concentrates industrial waste water, which is then removed as hazardous waste. 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 2018, the total volume of water discharged by Sogefi's sites was more than 1,280,000 cubic meters, with an overall decrease of 6% compared to 2017.

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 49.8% and 44.2% of Group's overall effluents. However, both Business Units registered a decrease of respectively 8% and 7% compared to 2017.

Filtration registered an increase in 2018, in relation to water discharged from the previous year. In particular, Filtration witnessed an increase of 26% compared to 2017, 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. No spills were registered in 2018. 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.

In Sogefi's plant in Buenos Aires, in March 2017, the Water Government Authority found lead beyond authorized limits in the water discharge. The plant has defined a monitoring program and realized new samples to better understand the real impact. An improvement program will be presented to said authority by April 2019, in order to solve the issue in 2019.

6.6 Materials used and reusability[27]

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, aluminum, cellulose products, the Group is partially exposed to price risk. The risk is handled in the best way possible thanks to centralized 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, Sogefi Netherlands purchases recycled carton boxes and re-uses pallets. The plant of Wuijiang is also a notable example in the passage from reusable plastic packaging to disposable papery packaging material used for 500.000 products in 2018. Another example is Sogefi Mexico, which uses packaging bags to collect the garbage from the lines containers as well as packaging boxes to package special requests.

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

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

Monitoring the use of hazardous substances in the automotive supply chain

The Group monitors the use of hazardous substances in its products. 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.

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

Suspensions

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

Raw material used by Suspension

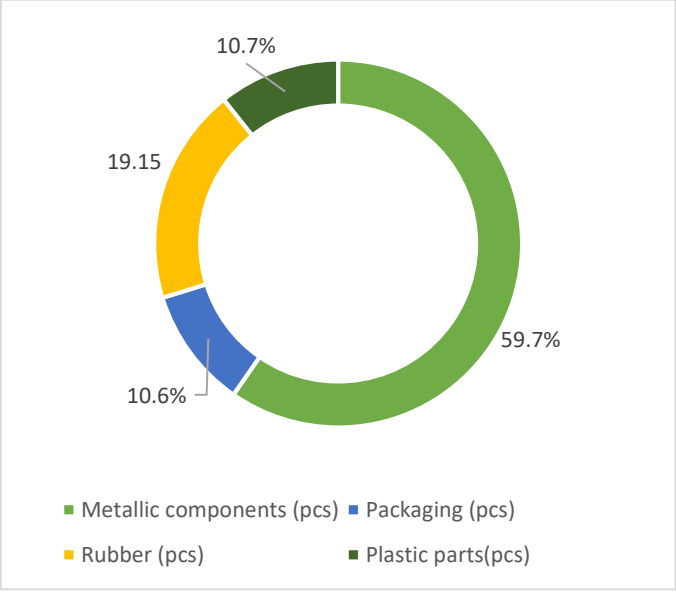
The main raw material used by Suspensions is steel (in 2018, the amount purchased was a bit lower than 200,000 tons). Steel can be made by two different processes using iron ore (together with coke) or scraps, and possibly the two might be mixed. In South America, steel is produced from both iron ore and scraps, in China and India, steel is usually made from iron ore, while in Europe, which can be considered a more mature market, it is mostly made from scraps. Scrap steel is made of recyclable materials left over from product manufacturing and consumption, and recycling of end of life steel made products.

Notable examples of the monitoring of material use by Suspensions Business Units is Sogefi UK that has a scrap reduction plan with a goal to reduce from 1.8% to 1.5% tons of steel.

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 2018, around 2,625 tons of chemical products were used, with an increase of 43.4% with respect to the previous year.

Semi-manufactured goods or parts used by Suspensions

Semi-manufactured goods or parts used by Suspensions (% on total pieces bought) in 2018



With regard to semi-finished components used by **Suspensions**, the most common are metallic components (in 2018, more than 68 million pieces).

Rubber bushes are composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon). In 2018, more than 22 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 12.2 million pieces used in 2018.

Packaging is mostly cardboard boxes and pallets (in 2018, more than 12 million pieces) as it is required for transportation, it facilitates storage, and it protects products.

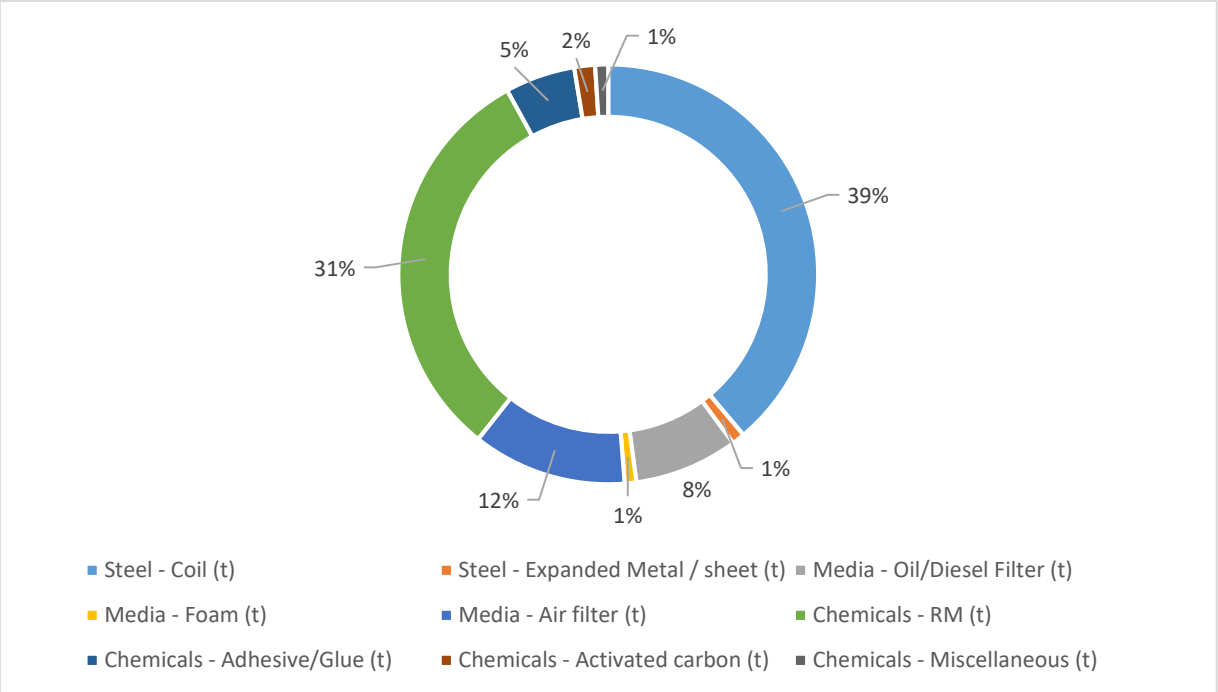
Please refer to Paragraph 'Impact of logistics and transportation' for more information on sustainable packaging.

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.

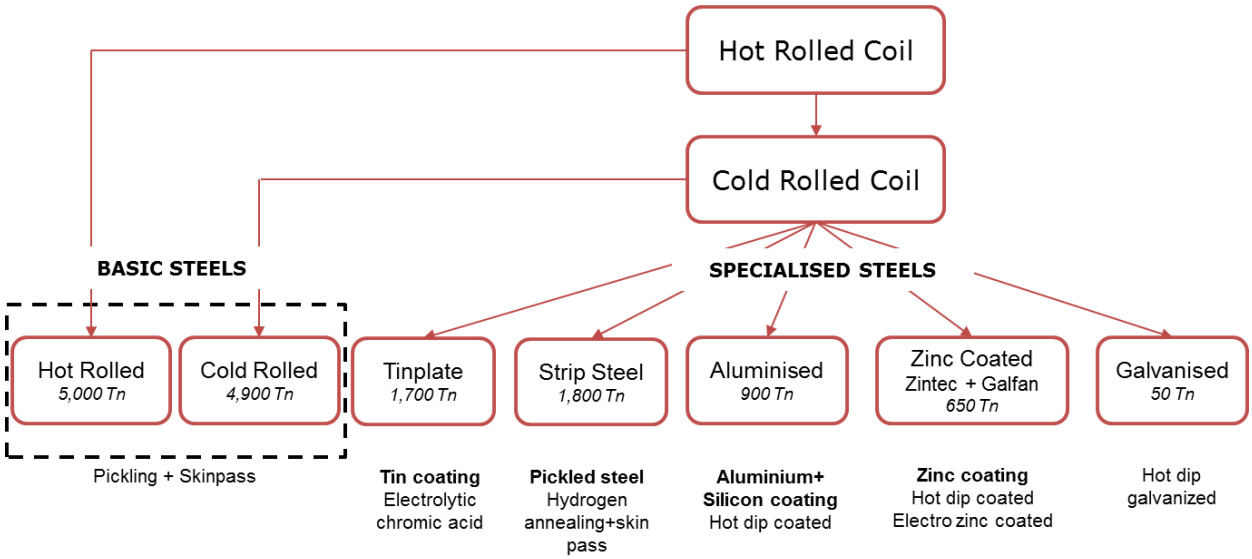
Raw material used by Filtration Business Unit

Raw materials Filtration in 2018[28]



[28] 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 14,420 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 specialized steel such as aluminized, galvanized and zinc coated types are used mainly for petrol filters and other purposes.



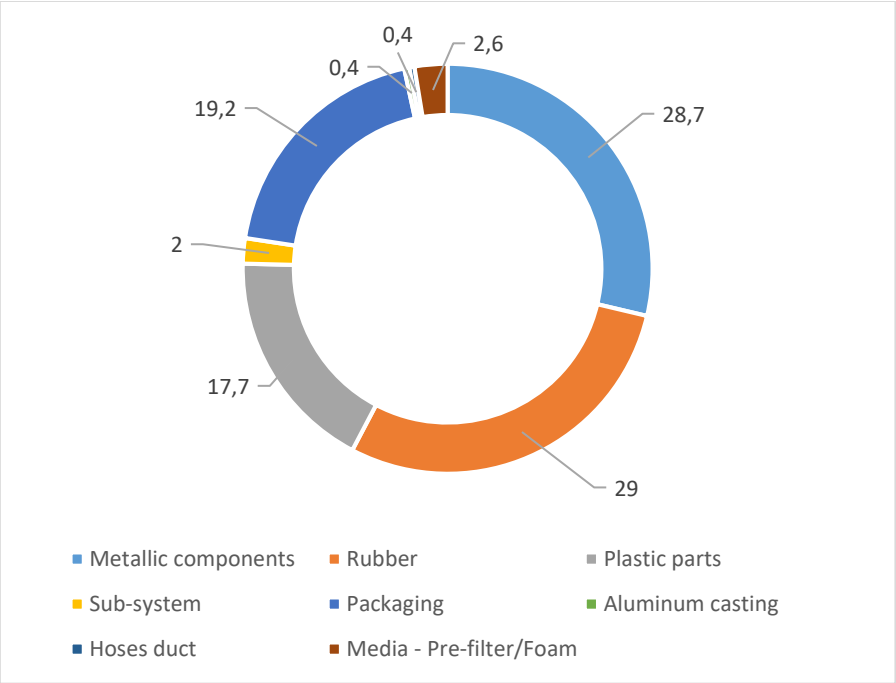
With regard to chemicals, in 2018 the **Filtration** Business Unit made use of more than 14,000 tons of chemicals such as RM, adhesive/glue, activate carbon and miscellaneous. As for the percentage of recycled input materials, it was estimated that 3.6% of RM chemicals came scrap.

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 2018, the Business Unit utilized more than 7,000 tons of this raw material.

Semi-manufactured goods or parts used by filtration

In 2018, the three most employed semi-manufactured materials by the Filtration Business Unit were metallic components, rubber and plastic parts.

Semi-manufactured goods or parts used by Filtration in 2018 (% on total number of pieces bought)



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

Recycled input materials

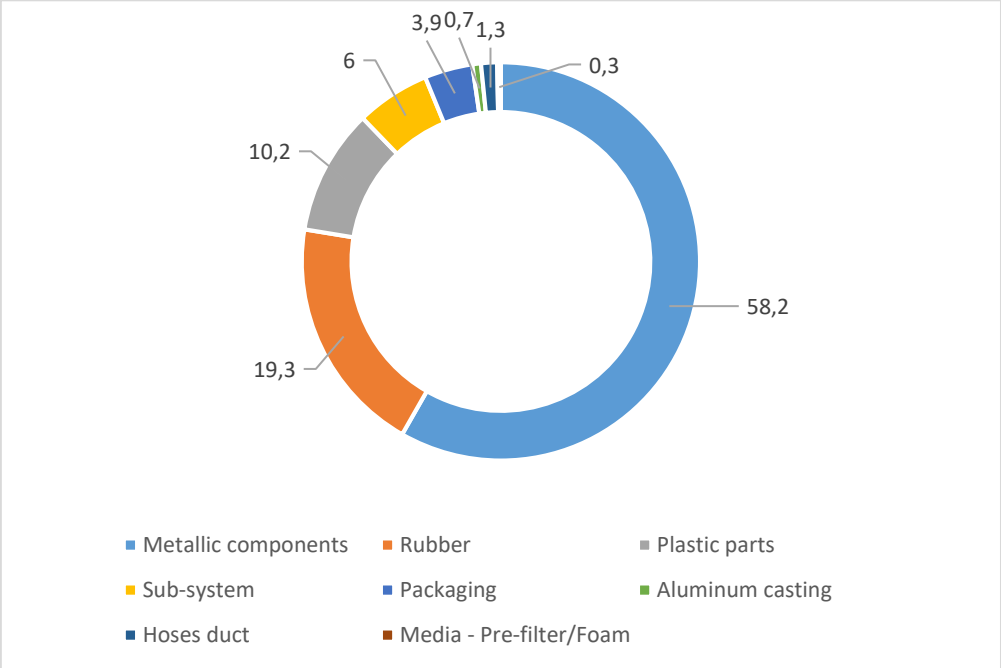
To reduce its environmental footprint, Sogefi puts particular emphasis on the use of recycled input materials. In 2018, the Filtration Business Unit used around 4% of chemicals RM, 10% of metallic components, 5% of plastic parts, 10% of packaging film and 30% of aluminium casting derived from recycled input material.

Air & Cooling

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

Semi manufactured goods or parts used by Air & Cooling

Semi-manufactured goods or parts used by A&C in 2018[29]



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 mold plastic parts internally: this process is called 'plastic injection molding'.

In 2018, metallic, rubber and plastic parts accounted respectively more than 276.3 million pieces (+4% compared to 2017), roughly 91.7 million pieces (+3% compared to 2017) and more than 48.5 million pieces (15% compared to 2017). These three semi-manufactured goods comprise 88% of overall Air & Cooling semi-manufactured goods. Sub systems, packaging, aluminum castings, hoses duct and media/pre-filter foam represent the rest (12%).

Raw materials used by Air & Cooling

In 2018, more than 22,900 tons of RM Chemicals were used (-0.5% compared to 2017).

Associated process materials used by Air & Cooling

In 2018, the Air & Cooling Business Unit used around 495 kg of packaging film material (+41.4% in respect of 2017).

[29] 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 2018, Sogefi continued to strengthen 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 (90.4%), followed by sea (6.6%) and air (3.0%). 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			
%	**2016**	**2017**	**2018**
Road	97.2%	90.5%	90.4%
Sea	1.2%	7.2%	6.6%
Air	1.3%	2.2%	3.0%
Rail	0.3%	0.1%	0.0%

Sogefi makes constant efforts to:

- minimize exceptional transportation as much as possible;
- manage fully loaded trucks in order to optimize 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;
- standardize cartons and pallets size to minimize 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.

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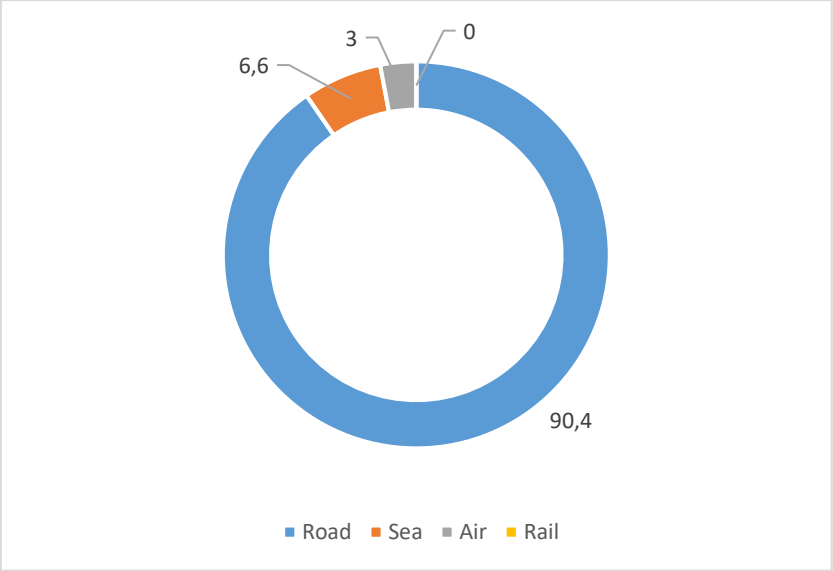
Group type of freight transportation in 2018



GLOBAL TRANSPORTATION PURCHASING APPROACH

In 2018, Sogefi Group updated its Global Transportation Purchasing Approach, which allows the optimization of logistics services and transportation with involvement of several regional offices and manufacturing plants. Under this approach, the Group optimized its purchasing perimeter in the following ways:

• Through the implementation by the Central Headquarter of transverse standard processes in the Group at worldwide level among the different Business Units, with 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;

• Implementation of a Business continuity plan to be respected among existing processes with Carriers and Logistics service providers for improving the reliability of subcontracted transportation and logistics service activities;

• With a reduction in the number of local carriers working with Sogefi plants, allowing the feasibility to implement Sogefi standards locally with carriers selected among the Central Dream Panel.

• Proposal by carriers of "Green shipments" in parallel to standard solutions.

• Opening of a new warehouse in Moscow, optimizing trucks load into Russia and so getting closer to customers implementing a "Milk run pick up"

Reduction of environmental impacts through logistics and transportation

Sogefi has implemented a centralized purchasing and storage organization at 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 providing "Green shipments" solutions (by bi-modal road-rail shipments, trucks with gas, optimization of transport planning, and so on) that may engage the Sogefi Group in smaller annual CO2 volume emissions.

Since late 2018, Sogefi is trying to combine offers from single carriers for destinations with a possible return, in order to decrease empty return trucks. The Process is going to be consolidated by European 2019 RFQ.

In addition, from 2017, Sogefi is committed to reduce the use of plastic bags on determined projects in order to save material and costs and 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, along with its customers, 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.

For cost reduction, Sogefi re-negotiates logistics costs with organization of tenders by geographic area (Europe / NAFTA / Asia / Mercosur) at least once a year with carriers and every three-month period with sea freight forwarders according to volumes, in addition the BU designs new routes to shorten the distance and keeps consolidation strategies between suppliers or customers opened.

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 (improving the quality of the call/video conferences experience).

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 2018, the number of conference calls made during the year decreased by 24% and the average call time is 57 minutes.

Compared to 2017, a global decrease of 24% occurred in terms of calls and an increase of 4% in terms of call duration.

In conclusion, Microsoft Office O365 Cloud solution enabled us to provide Sogefi employees with Outlook the messaging solutions, with SharePoint the file sharing tool and with Skype the Instant Communications tool, that are examples/solutions for a higher level of performance and availability compared with our previous architecture.

In addition to the hours reported in the table below, 41,340 calls through Skype have been made (3,445 per month) for a total of 1,431,732 minutes (119,311 per month).

YEARLY USAGE 2018				
	2016*	**2017**	**2018**	**18/17 Δ %**
Calls	3,972	4,780	3,642	-24%
Minutes	217,891	264,046	199,818	-24%
Minutes – average call time	55	55	57	4%
Estimated average number of participants per call	4	4	n,a	n,a
Estimated number of attendees	14,564	19,120	n,a	n,a
MONTHLY USAGE 2018				
Calls per month	331	398	304	-24%
Attendees estimated	1,214	1,592	n,a	n,a
Minutes per month	18,158	22,003	16,652	-24%
*The month of December was estimated				

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 2018 the **Filtration** Business Unit engaged with around 720 suppliers while the Suspensions Business Unit with approximately 390 companies, all of which are located in different countries and regions around the world. In 2018, the estimated monetary value of payments made to suppliers has been respectively 300 million euros for Air & Cooling, 267 million euros for Filtration, and 295 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.

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").

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. So far, the Code of Conduct has been sent to almost 300 suppliers by the Air & Cooling Business Unit (of which around 250 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 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.

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 analyzed in order to undertake actions in case of conflict (sub-supplier modification, supplier resourcing, etc.)

The Group indeed asks 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.

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.

In 2018, 720 suppliers were identified to be at stake and to be assessed as per the supplier questionnaire.

Sogefi regularly submits Conflict Minerals Reports to customers requiring for it. CMRT may be item for scoring on customer portal and therefore it is deeply and regularly surveyed. The questionnaire has to be filled and signed by the supplier as a way to assure its compliance to non-conflict mineral purchasing. In case of customer requesting for conflict mineral declaration, the Business Unit transfers the request via the Purchasing Department to all suppliers using the product.

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

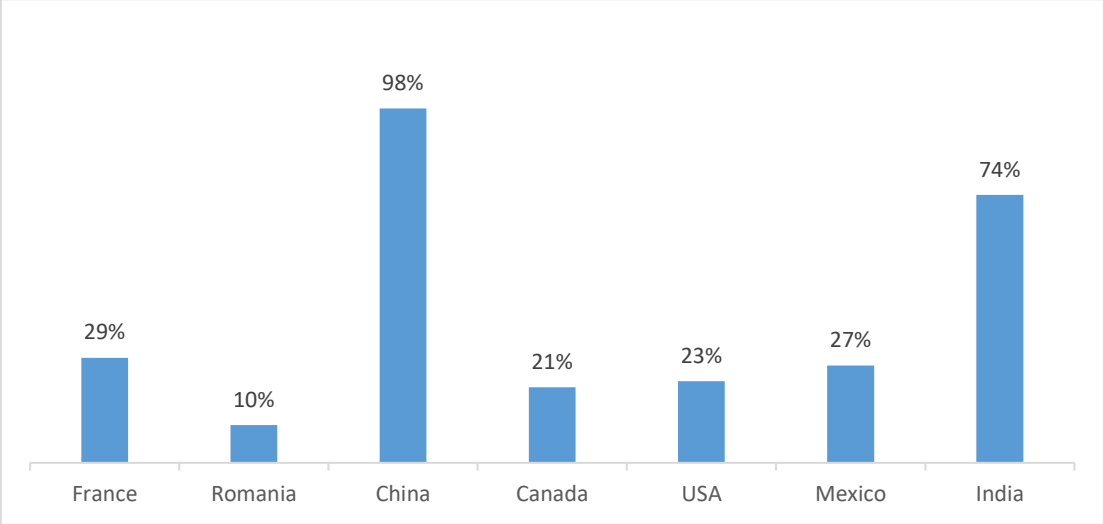
7.3 Attention towards local suppliers

In order to strengthen the bond with the territory, Sogefi makes efforts to give priority to local suppliers[30], contributing to the local economic growth.

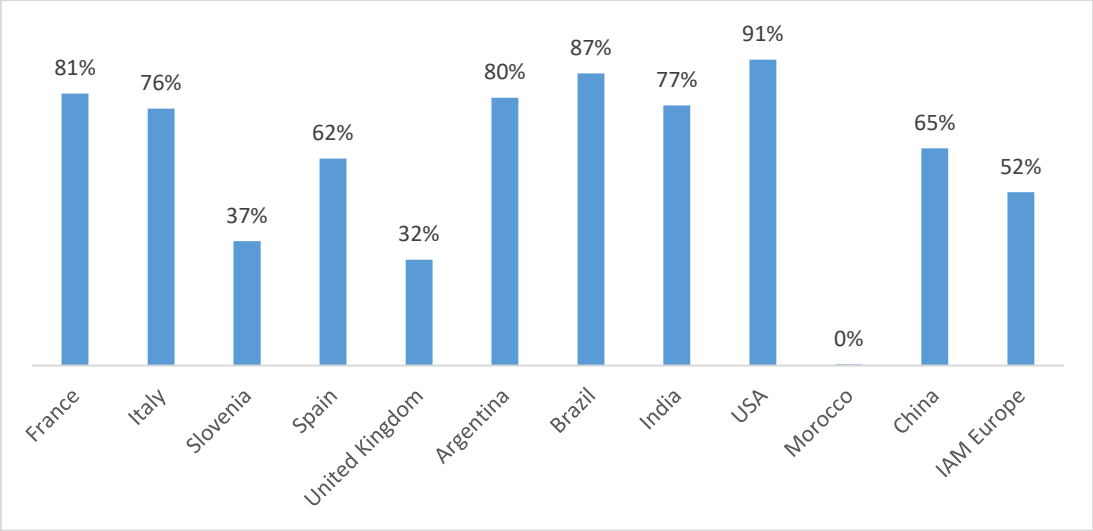
Additionally, Sogefi pays attention to the location of its plants. For this reason, the Group is committed to minimizing the transportation of products by strategically positioning its plants. During 2018, the identification and qualification of local suppliers increased in order to reduce its environmental impact.

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

Percentage of products and services purchased locally 2018 - A&C

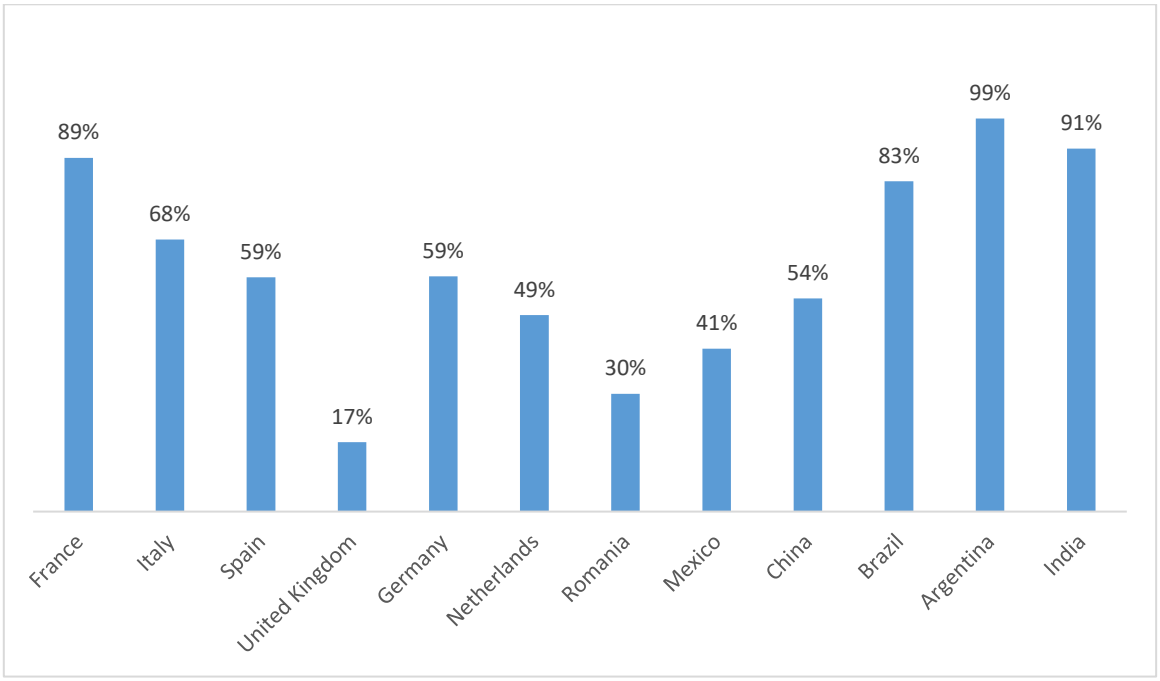


Percentage of product and services purchased locally 2018 – Filtration



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

Percentage of product and services purchased locally 2018 – Suspensions



Annex

1.1 Human resources[31]

Total workforce									
no. of persons	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees	5,163	1,638	6,801	5,209	1,712	6,921	5,187	1,780	6,967
Supervised workers	541	390	930	873	370	1,243	897	429	1,326
Total	**5,704**	**2,027**	**7,731**	**6,082**	**2,081**	**8,163**	**6,084**	**2,209**	**8,293**

Breakdown of employees by employee category by gender									
%	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	1%	0%	2%	2%	0%	2%	2%	0%	2%
Office staff	20%	7%	28%	21%	8%	29%	21%	8%	29%
Blue collar	54%	17%	71%	56%	18%	74%	51%	18%	69%
Total	**76%**	**24%**	**100%**	**79%**	**26%**	**100%**	**74%**	**26%**	**100%**

Breakdown of employees by gender by Region									
%	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	44%	16%	60%	43%	16%	58%	42%	16%	58%
North America	8%	3%	10%	8%	3%	12%	9%	3%	12%
South America	15%	3%	18%	14%	3%	17%	13%	3%	16%
Asia	10%	2%	12%	11%	2%	13%	11%	2%	13%
Total	**76%**	**24%**	**100%**	**75%**	**25%**	**100%**	**74%**	**26%**	**100%**

Breakdown of employees by gender by Business Unit									
%	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
A&C	14%	6%	20%	15%	7%	21%	15%	7%	22%
Suspensions	34%	4%	39%	34%	4%	38%	32%	4%	35%
Filtration	27%	13%	40%	26%	14%	40%	27%	14%	41%
Other[32]	1%	0%	1%	1%	0%	1%	1%	0%	1%
Total	**76%**	**24%**	**100%**	**75%**	**25%**	**100%**	**74%**	**26%**	**100%**

[31] 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.

[32]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									
2016									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0%	0%	1%	0%	1%	0%	1%	0%	3%
Office staff	3%	1%	13%	5%	4%	1%	20%	7%	28%
Blue collar	10%	2%	31%	9%	13%	5%	54%	17%	71%
Total	**13%**	**4%**	**45%**	**14%**	**18%**	**7%**	**76%**	**24%**	**100%**

Breakdown of employees by employee category according to gender and age group									
2017									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0%	0%	1%	0%	1%	0%	2%	0%	2%
Office staff	3%	1%	13%	5%	4%	1%	21%	7%	28%
Blue collar	10%	3%	30%	9%	13%	5%	53%	17%	70%
Total	**13%**	**4%**	**44%**	**14%**	**19%**	**7%**	**75%**	**25%**	**100%**

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

Breakdown of employees according to gender and age group by Business Unit									
2016									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	2%	1%	10%	4%	2%	1%	14%	6%	20%
Suspensions	5%	2%	15%	7%	7%	4%	27%	13%	40%
Filtration	6%	1%	2%	3%	8%	1%	34%	4%	38%
Other	0%	0%	0%	0%	0%	0%	1%	0%	1%
Total	**13%**	**4%**	**45%**	**14%**	**18%**	**7%**	**76%**	**24%**	**100%**

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

Breakdown of employees according to gender and age group by Business Unit									
2018									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
A&C	2%	1%	10%	4%	3%	2%	15%	7%	22%
Suspensions	5%	1%	18%	2%	9%	1%	32%	4%	35%
Filtration	6%	3%	14%	7%	7%	4%	27%	14%	41%
Other	0%	0%	0%	0%	0%	0%	1%	0%	1%
Total	**13%**	**4%**	**43%**	**14%**	**18%**	**7%**	**74%**	**26%**	**100%**

Breakdown of employees according to gender and age group by Region									
2016									
%	<30		30-50		>50		Total		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	4%	1%	25%	9%	14%	6%	44%	16%	60%
North America	2%	1%	4%	1%	1%	1%	8%	3%	10%
South America	3%	1%	10%	2%	2%	0%	15%	3%	18%
Asia	4%	1%	5%	1%	0%	0%	10%	2%	12%
Total	**13%**	**4%**	**45%**	**14%**	**18%**	**7%**	**76%**	**24%**	**100%**

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

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

Employees by type of employment (Fixed term contract vs. Permanent contract)									
no. of persons	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Fixed term	121	21	142	429	92	521	219	49	268
Permanent	5,042	1,617	6,659	4,781	1,620	6,400	4,968	1,731	6,699
Total	**5,163**	**1,638**	**6,801**	**5,209**	**1,712**	**6,921**	**5,187**	**1,780**	**6,967**

Employees by type of employment (Fixed term contract vs permanent contract) by Region in 2018											
No. of persons	Europe		North America		South America		Asia		Total		
	M	F	M	F	M	F	M	F	M	F	TOT
Fixed term	528	313	371	117	0	0	342	116	1,241	546	**1,787**
Permanent	2,386	833	245	114	913	234	402	53	3,946	1,234	**5,180**
Total	**2,914**	**1,146**	**616**	**231**	**913**	**234**	**744**	**169**	**5,187**	**1,780**	**6,967**

Employees by type of employment (Full time vs Part time)									
no. of persons	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full time	5,000	1,509	6,509	4,950	1,542	6,492	5,151	1,680	6,831
Part time	42	108	150	27	101	128	36	100	136
Total	**5,042**	**1,617**	**6,659**	**4,977**	**1,643**	**6,620**	**5,187**	**1,780**	**6,967**

Employees by type of employment (Full time vs Part time) by Region in 2018											
No. of persons	Europe		North America		South America		Asia		Total		
	M	F	M	F	M	F	M	F	M	F	TOT
Full time	2,880	1,049	616	231	913	231	742	169	5,151	1,680	**6,831**
Part time	34	97	0	0	0	3	2	0	36	100	**136**
Total	**2,914**	**1,146**	**616**	**231**	**913**	**234**	**744**	**169**	**5,187**	**1,780**	**6,967**

Percentage of employees covered by collective bargaining agreements by Region									
%	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	97.1	97.6	97.2	95.3	97.0	95.8	96.6	98.2	97.0
North America	48.6	43.3	47.2	50.7	48.6	50.1	52.8	46.3	51.0
South America	95.5	94.7	95.4	80.4	87.8	81.8	97.1	93.8	96.4
Asia	45.0	43.5	44.8	5.4	3.0	5.0	5.5	3.0	5.0
Total	**85.2**	**86.8**	**85.6**	**74.9**	**80.9**	**76.4**	**78.4**	**81.9**	**79.3**

New hires															
no. of persons	2016					2017					2018				
	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%
Male	300	409	46	755	14.6	455	383	51	889	17.2	347	388	64	**799**	15.4
Female	93	140	7	240	14.6	129	164	18	311	18.4	138	182	23	**343**	19.2
Total	**393**	**549**	**53**	**995**	**14.6**	**584**	**547**	**69**	**1,200**	**17.5**	**485**	**570**	**87**	**1,142**	**16.4**

no. of persons	New hires 2018									
	<30		30-50		>50		Total		Turnover	
	M	F	M	F	M	F	M	F	TOT	%
Europe	65	46	167	96	35	11	267	153	420	10.3
North America	136	48	81	39	20	12	237	99	336	39.7
South America	41	15	58	26	7	0	105	41	147	12.8
Asia	105	29	82	21	2	0	189	50	239	26.2
Total	**347**	**138**	**388**	**182**	**64**	**23**	**799**	**343**	1,142	**16.4**

Terminations															
no. of persons	**2016**					**2017**					**2018**				
	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%
Male	174	353	117	643	12.4	243	533	135	911	17.6	232	438	164	834	16.1
Female	49	120	70	238	14.5	66	107	39	212	12.6	81	141	65	287	16.1
Total	**223**	**472**	**186**	**881**	**12.9**	**309**	**640**	**174**	**1,123**	**16.4**	**313**	**579**	**229**	**1,121**	**16.1**

no. of persons	Terminations 2018									
	<30		30-50		>50		Total		Turnover	
	M	F	M	F	M	F	M	F	TOT	%
Europe	36	18	168	69	115	51	319	138	457	11.2
North America	97	39	77	28	20	10	194	77	271	32.0
South America	21	5	89	18	25	4	135	27	162	14.1
Asia	78	19	104	26	4	0	186	45	231	25.3
Total	**232**	**81**	**438**	**141**	**164**	**65**	**834**	**287**	**1.121**	**16.1**

	Average basic salary of women to men by employee category, per region[33]			Average remuneration of women to men by employee category, per region		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
Europe						
Management	0.89	0.44	0.84	0.79	0.48	0.56
Office staff	0.81	0.74	0.79	0.77	0.73	0.80
Blue collars	0.86	0.65	0.50	0.85	0.73	0.38
North America						
Management	*Not significant*	*Not significant*	0.13	*Not significant*	*Not significant*	0.67
Office staff	0.91	0.83	0.78	0.95	0.86	0.80
Blue collar	0.97	0.96	0.95	0.98	0.92	0.95
South America						
Management	*Not significant*	*Not significant*	0.52	*Not significant*	*Not significant*	0.45
Office staff	0.63	0.47	0.53	0.69	0.47	0.55
Blue collar	0.71	0.60	0.55	0.68	0.56	0.56
Asia						

[33] Not significant, as no female employees in the specific employment category are present.

	Average basic salary of women to men by employee category, per region[33]			Average remuneration of women to men by employee category, per region		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
Management	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*	*Not significant*
Office staff	0.78	0.76	0.85	0.77	0.77	0.85
Blue collar	0.89	0.55	0.91	0.89	0.61	1.03

Total hours of training by employee category by gender									
no. of hours	**2016**			**2017**			**2018**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	1,081	86	1,167	1,895	156	2,051	1,672	376	2,048
Office staff	31,697	10,460	42,157	33,214	9,784	42,998	33,463	10,055	43,518
Blue collar	67,059	18,053	85,112	44,706	10,909	55,615	58,050	15,469	73,518
Total	**99,837**	**28,599**	**128,436**	**79,815**	**20,849**	**100,664**	**93,184**	**25,899**	**119,083**

Average hours of training per employee by employee category by gender									
no. of hours	**2016**			**2017**			**2018**		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	11.6	7.8	11.2	13.7	9.2	13.2	13.9	16.3	**15.3**
Office staff	22.9	21.7	22.6	23.7	19.5	22.6	22.4	18.5	**21.4**
Blue collar	18.2	15.8	17.7	12.2	9.1	11.4	16,3	12,7	**14,3**
Total	**19.4**	**17.5**	**18.9**	**15.3**	**12.2**	**14.5**	**18.0**	**14.5**	**17.1**

Employees receiving regular performance and career development reviews						
%	**2016**		**2017**		**2018**	
	Male	Female	Male	Female	Male	Female
Management	93.5	81.8	69.6	82.4	75.0	69.6
Office staff	83.7	81.0	73.1	66.1	64.7	83.6
Blue collar	49.7	36.6	52.8	30.9	65.0	62.3
Total	**59.6**	**50.0**	**58.6**	**41.7**	**65.2**	**68.9**

1.2 Occupational Health and Safety[34]

Work-related injuries – Employees						
number	2017			2018		
	Male	Female	Total	Male	Female	Total
Work-related injury	178	45	**223**	91	25	**116**
of which fatalities	1	0	**1**	0	0	**0**
of which high consequence work-related injuries (excluding fatalities)	2	0	**2**	0	0	**0**

Work-related injuries by Region 2017 – Employees															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related injury	84	13	97	58	31	89	28	1	29	8	0	8	**178**	**45**	**223**
of which fatalities	0	0	0	0	0	0	1	0	1	0	0	0	**1**	**0**	**1**
of which high consequence work-related injuries (excluding fatalities)	0	0	0	2	0	2	0	0	0	0	0	0	**2**	**0**	**2**

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

Work-related injuries – Supervised Workers						
number	2017			2018		
	Male	Female	Total	Male	Female	Total
Work-related injury	71	22	**93**	68	21	**89**
of which fatalities	0	0	**0**	0	0	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	**0**	0	0	**0**

[34] The data for 2016 and 2017, referring to occupational health and safety, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2016 and 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

Work-related injuries by Region 2017 – Supervised Workers															
number	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related injury	21	2	23	43	19	62	7	1	8	0	0	0	**71**	**22**	**93**
of which fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**
of which high consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

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

Temporal data – Hours Worked Employees						
Hours	2017			2018		
	M	F	TOT	M	F	TOT
Europe	4,963,449	1,680,758	**6,644,206**	4,277,758	1,725,501	**6,003,259**
North America	942,103	428,730	**1,370,833**	1,090,595	420,631	**1,511,226**
South America	2,120,380	516,552	**2,636,932**	1,862,669	468,620	**2,331,289**
Asia	1,290,408	350,746	**1,641,154**	1,347,294	386,908	**1,734,202**
Group	9,316,340	2,976,786	**12,293,126**	8,578,316	3,001,659	**11,579,975**

Temporal data – Hours Worked Supervised Workers [35]						
Hours	2017			2018		
	M	F	TOT	M	F	TOT
Europe	867,928	391,902	**1,259,830**	916,630	453,091	**1,369,721**
North America	682,106	232,286	**914,392**	733,055	226,952	**960,006**
South America	480,991	220,425	**701,417**	94,820	41,954	**136,774**
Asia	1,181,062	345,155	**1,526,217**	1,189,513	383,554	**1,573,067**
Group	3,212,087	1,189,769	**4,401,856**	2,934,017	1,105,551	**4,039,568**

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

Work-related ill health by Region 2017 – Employees															
	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related ill health	6	15	21	0	0	0	16	1	17	0	0	0	**22**	**16**	**38**
n.of fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

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

Work-related ill health by Region 2017 – Supervised Workers															
	Europe			North America			South America			Asia			Group		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
Work-related ill health	1	4	5	0	0	0	5	0	5	0	0	0	**6**	**4**	**10**
n. of fatalities	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**

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

1.3 Environment[36]

Electricity

Electricity consumption by Business Unit						
	2016		2017		2018	
	MWh	*GJ*	*MWh*	*GJ*	*MWh*	*GJ*
A&C	49,494	178,177	54,102	194,766	51,608	185,786
Suspensions	150,173	540,617	153,018	550,860	155,798	560,870
Filtration	67,062	241,421	70,726	254,610	63,224	227,605
Total	**266,728**	**960,214**	**277,846**	**1,000,237**	**270,630**	**974,260**

Electricity consumption by Region						
	2016		2017		2018	
	MWh	*GJ*	*MWh*	*GJ*	*MWh*	*GJ*
Europe	178,337	642,007	181,886	654,784	180,993	651,570
North America	25,900	93,239	30,271	108,974	29,840	107,423
South America	41,290	148,643	41,408	149,068	36,528	131,498
Asia	21,202	76,326	24,281	87,411	23,269	83,768
Total	**266,728**	**960,214**	**277,846**	**1,000,237**	**270,630**	**974,260**

Natural gas

Natural gas consumption by Business Unit						
	2016		2017		2018	
	m^3	*GJ*	*m^3*	*GJ*	*m^3*	*GJ*
A&C	635,462	24,789	649,362	25,332	706,264	27,551
Suspensions	35,793,813	1,396,317	35,320,097	1,377,837	34,008,310	1,326,664
Filtration	1,974,643	77,031	1,979,394	77,216	2,020,143	78,806
Total	**38,403,918**	**1,498,137**	**37,948,852**	**1,480,385**	**36,734,717**	**1,433,021**

Natural gas consumption by Region						
	2016		2017		2018	
	m^3	*GJ*	*m^3*	*GJ*	*m^3*	*GJ*
Europe	27,431,702	1,070,111	26,746,938	1,043,398	25,401,841	990,926
North America	370,343	14,447	341,567	13,325	496,157	19,355
South America	8,730,996	340,596	9,167,295	357,616	9,211,656	359,347
Asia	1,870,877	72,983	1,693,053	66,046	1,625,063	63,394
Total	**38,403,918**	**1,498,137**	**37,948,852**	**1,480,385**	**36,734,717**	**1,433,021**

[36] Environmental data (energy and greenhouse gas emissions, waste and water discharges) consider the total number of production facilities of the Sogefi Group. 2016 figures include the new production plant in Monterrey (Mexico). The figures do not include the minor administrative offices that are not relevant for energy consumption. To convert to GJ, consider electricity: 1 kWh = 0.0036 GJ; for natural gas: 1 m3 = 0.03901 GJ.

Waste

Group waste generation									
ton	2016			2017			2018		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Group	5,386	25,066	**30,453**	6,003	24,026	**30,029**	7,462	25,587	**33,049**

Waste generation by Business Unit									
ton	2016			2017			2018		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
A&C	104	3,348	**3,452**	187	3,000	**3,187**	213	3,179	**3,392**
Suspensions	3,942	15,360	**19,302**	4,102	13,551	**17,653**	5,429	14,214	**19,643**
Filtration	1,341	6,358	**7,700**	1,714	7,475	**9,189**	1,820	8,194	**10,014**
Total	**5,386**	**25,066**	**30,453**	**6,003**	**24,026**	**30,029**	**7,462**	**25,587**	**33,049**

Waste generation by Region									
ton	2016			2017			2018		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Europe	4,225	15,843	**20,068**	3,998	15,350	**19,348**	5,797	15,969	**21,766**
North America	25	1,925	**1,950**	21	2,049	**2,070**	259	2,251	**2,510**
South America	875	6,203	**7,078**	1,602	5,418	**7,020**	1,013	6,111	**7,124**
Asia	262	1,096	**1,357**	382	1,209	**1,591**	393	1,256	**1,649**
Total	**5,386**	**25,066**	**30,453**	**6,003**	**24,026**	**30,029**	**7,462**	**25,587**	**33,049**

Waste by type of disposal			
ton	2018		
	Hazardous	Non-hazardous	Total
Reuse	60	3,603	**3,664**
Recycling	544	15,445	**15,989**
Composting	22	33	**55**
Recovery, including energy recovery	607	1,194	**1,801**
Incineration (mass burn)	578	303	**881**
Deep well injection	42	75	**117**
Landfill	3,966	3,520	**7,487**
On-site storage	3	0	**3**
Other	1,639	1,414	**3,053**
Total	**7,462**	**25,587**	**33,049**

Water discharge

Water discharge by Region												
m^3	2016				2017				2018			
	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total
A&C	545,435	18,938	1,468	**565,842**	551,451	47,524	11,002	**609,977**	507,335	46,955	13,068	**567,358**
Suspension	473,897	198,546	11,702	**684,144,4**	236,773	168,913	286,150	**691,835,9**	171,188	136,138	332,531	**639,857**
Filtration	24,118	15,100	66,868	**106,086**	44,228	16,181	1,316	**61,725**	1,387	28,740	47,532	**77,659**
Total	**1,043,450**	**232,584**	**80,038**	**1,356,072**	**832,452**	**232,618**	**298,468**	**1,363,538**	**679,910**	**211,833**	**393,131**	**1,284,874**

Water discharge by Region												
m^3	2016				2017				2018			
	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total	Surface water	Public sewer system	Other	Total
Europe	1,021,918	176,883	71,378	**1,270,178**	832,452	142,775	284,816	**1,260,043**	678,523	128,838	352,362	**1,159,723**
North America	0	8,158	1,468	**9,627**	0	33,997	0	**33,997**	0	33,796	13,068	**46,864**
South America	18,558	13,800	2,200	**34,558**	0	12,512	13,652	**26,164**	1,387	17,160	14,735	**33,282**
Asia	2,974	33,743	4,992	**41,709**	0	43,334	0	**43,334**	0	32,039	12,966	**45,004**
Total	**1,043,450**	**232,584**	**80,038**	**1,356,072**	**832,452**	**232,618**	**298,468**	**1,363,538**	**679,910**	**211,833**	**393,131**	**1,284,874**

Water withdrawal[37]

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

[37] The data for 2016 and 2017, referring to water withdrawal, was restated following the adaptation to the new methodology required by the GRI Standards (adopted in the 2018 DNF) with the aim of being made comparable to the data of 2018. For the 2016 and 2017 data calculated using the old method, please refer to the Group's 2017 Consolidated Non-Financial Statement.

	Freshwater (≤1,000 mg/L Total Dissolved Solids)	699	211
	Other water (>1,000 mg/L Total Dissolved Solids)	24.5	24.5
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + produced water (total) + third-party water (total)	**1,908.6**	**266.8**

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

Materials used

Materials by weight or volume – Filtration Business Unit				
	Unit of measure	**2016**	**2017**	**2018**
RAW MATERIALS				
Steel - Coil	*ton*	16,236	15,030	14,420
Steel - Expanded Metal	*ton*	325	340	371
Steel - Blank sheet	*ton*	85	85	-
Media - Oil/Diesel Filter	*ton*	2,882	2,899	2,971
Media - Foam	*ton*	305	362	328
Media - Air Filter	*ton*	4,981	5,227	4,401
Chemicals - RM	*ton*	11,113	11,731	11,644
Chemicals – Adhesive/Glue	*ton*	1,949	2,016	2,013
Chemicals – Activated carbon	*ton*	251	410	579
Chemicals - Miscellaneous	*ton*	299	250	380
SEMI MANUFACTURED GOODS OR PARTS				
Rubber	*pc*	243,617,759	251,711,018	248,772,124
Media – Pre-filter/foam	*Pc*	8,840,235	16,321,645	21,889,380
Metallics	*pc*	313,958,051	255,150,058	246,241,929
Plastic	*pc*	113,499,894	133,297,814	151,627,084
Sub-systems	*pc*	23,361,709	19,850,748	17,068,409
Packaging – Film	*pc*	162,258,490	158,385,355	164,322,205
Aluminum casting	*pc*	4,062,911	4,552,283	3,624,358
Cooler - MDE	*pc*	2,854,860	2,367,156	2,696,725
Hoses duct	*pc*	982,649	3,023,386	3,190,049

Materials used by weight or volume – Suspensions Business Unit[38]				
	Unit of measure	**2016**	**2017**	**2018**
RAW MATERIALS				
Steel	*ton*	216,069	199,741	195,197
Chemical products	*ton*	2,999	1,831	2,625
Metallic components	*pcs*	50,184,858	60,968,173	68,821,300
Plastic parts	*Pcs*	11,706,587	12,815,429	12,299,838
Packaging	*pcs*	7,457,263	9,043,936	12,195,577
Rubber bushes	*pcs*	13,788,935	18,150,272	22,020,846

[38] The data reported for 2016 for steel and chemical products changed as some discrepancies caused by the unit of measurement were amended.

Materials used by weight or volume – Air & Cooling Business Unit				
	Unit of Measure	**2016**	**2017**	**2018**
RAW MATERIALS				
Chemicals - RM	*ton*	20,206	23,097	22.985
ASSOCIATED PROCESS MATERIALS				
Packaging - Film	*Kg*	450	350	495
Packaging - Film	*m*	13,580	4,596	3.852
Packaging - Film	m^2	20	20	0
SEMI MANUFACTURED GOODS OR PARTS				
Media - Pre-Filter/Foam	*pc*	2,045,528	4,275,313	1,547,050
Rubber	*pc*	78,433,840	89,143,418	91,718,023
Metallics	*pc*	233,528,435	266,821,476	276,319,390
Chemicals - Glue/Oil	*l*	220	271	638
Plastic	*pc*	44,066,554	42,130,569	48,549,639
Sub-system	*pc*	24,392,955	29,050,786	28,489,822
Packaging	*pc*	14,896,000	17,074,729	18,626,592
Aluminum casting	*pc*	3,640,195	3,458,961	3,275,835
Hoses duct	*pc*	6,216,809	6,362,663	6,223,635

GHG Emissions[39] (Greenhouse gas emission)

Greenhouse gas (GHG) emissions			
ton CO_2e	**2016**	**2017**	**2018**
Scope 1 – Direct GHG emissions	72,390	71,532	69,397
Scope 2 – Energy indirect GHG emissions – location based	62,853	67,803	70,985
Scope 2 – Energy indirect GHG emissions – market based	74,475	81,131	15,457
Total – Scope 1+2 Location based	**135,243**	**139,335**	**140,381**
Total – Scope 1+2 Market based	**146,865**	**152,663**	**157,014**

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Location based by Business Unit			
ton CO_2e	**2016**	**2017**	**2018**
A&C	9,474	11,105	11,463
Suspensions	106,810	106,360	109,224
Filtration	18,959	21,869	19,694
Total	**135,243**	**139,335**	**140,381**

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

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Location based by Region			
ton CO_2e	**2016**	**2017**	**2018**
Europe	86,105	84,711	87,804
North America	7,567	9,163	9,266
South America	24,124	25,390	24,791
Asia	17,447	20,071	18,520
Total	**135,243**	**139,335**	**140,381**

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Market based by Business Unit			
ton CO_2e	**2016**	**2017**	**2018**
A&C	9,657	11,725	12,257
Suspensions	116,034	116,842	122,854
Filtration	21,174	24,096	21,902
Total	**146,865**	**152,663**	**157,014**

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Market based by Region			
ton CO_2e	**2016**	**2017**	**2018**
Europe	97,727	98,039	104,437
North America	7,567	9,163	9,266
South America	24,124	25,390	24,791
Asia	17,447	20,071	18,520
Total	**146,865**	**152,663**	**157,014**

Material aspects boundaries

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

GRI Content Index

The 2018 Sogefi Group Sustainability Report was drafted according to the GRI Standards, in accordance with the Core option, The following table below specifies Sogefi's information according to the Group materiality analysis:

GENERAL STANDARD DISCLOSURE		
GRI Indicator		**Page**
Organizational profile		
102 - 1	Name of the organization	6
102 - 2	Primary brands, products, and/or services	10-19
102 - 3	Location of the organization's headquarters	10
102 - 4	Countries where the organization operates	10
102 - 5	Nature of ownership and legal form	6, 10, 28-30
102 - 6	Markets served	10
102 - 7	Scale of the reporting organization	9, 44-45
102 - 8	Workforce characteristics	78-79, 126-129
102 - 9	Organization's supply chain	122-125
102 - 10	Changes in organization's size, structure, ownership or its supply chain	7-8
102 - 11	Precautionary approach	31-37
102 - 12	Externally developed charters, principles or initiatives to which the organization subscribes	28, 31-37
102 - 13	Membership in associations or organizations	22
Strategy and analysis		
102 - 14	Statement from the CEO	4-5
102 - 15	Key impacts, risks, and opportunities	31-37; 54-69
Ethics and integrity		
102 - 16	Organization's values, principles, standards and norms of behavior	38-41
Governance		
102 - 18	Governance structure	28-30
Stakeholder engagement		
102 - 40	Stakeholder groups engaged by the organization	23-25
102 - 41	Employees covered by collective bargaining agreements	88, 129
102 - 42	Identification and selection of stakeholders to engage	23-24
102 - 43	Organization's approach to stakeholder engagement	24-25
102 - 44	Key topics collected through stakeholder engagement	25-27
Reporting practices		
102 - 45	Entities included in the organization reports	6
102 - 46	Reporting principles for defining report content	7-8, 26-27
102 - 47	List of material topics	26-27
102 - 48	Restatements of information provided in earlier reports	7-8
102 - 49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	7-8
102 - 50	Reporting period	7-8
102 - 51	Date of the last report	7-8
102 - 52	Reporting cycle	7-8
102 - 53	Contact point for questions regarding the report	7-8
102 - 54	Claims of reporting in accordance with the GRI Standards	7-8
102 - 55	GRI Content Index	144-148
102 - 56	External assurance	149

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		**Page**	**Reason for omission**
ECONOMIC SERIES			
Material Aspect: Economic Performance (2016)			
103-1	Explanation of the material topic and its Boundary	44-45; 142	
103-2	The management approach and its components	44-45	
103-3	Evaluation of the management approach	44-45	
201-1	Direct economic value generated and distributed	46-47	
Material Aspect: Market Presence (2016)			
103-1	Explanation of the material topic and its Boundary	10-11;80;142	
103-2	The management approach and its components	10-11; 81	
103-3	Evaluation of the management approach	10-11; 81	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	81	
Material Aspect: Procurement Practices (2016)			
103-1	Explanation of the material topic and its Boundary	122-125;142	
103-2	The management approach and its components	122-125	
103-3	Evaluation of the management approach	122-125	
204-1	Proportion of spending on local suppliers	124-125	
Material Aspect: Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary	38;39-41;142	
103-2	The management approach and its components	38; 39-41	
103-3	Evaluation of the management approach	38; 39-41	
205-2	Communication and training on anti-corruption policies and procedures	40-41	
ENVIRONMENTAL SERIES			
Material Aspect: Materials (2016)			
103-1	Explanation of the material topic and its Boundary	33-34; 111; 142	
103-2	The management approach and its components	33-34; 111	
103-3	Evaluation of the management approach	33-34; 111	
301-1	Materials used by weight or volume	111-116;139-140	
Material Aspect: Energy (2016)			
103-1	Explanation of the material topic and its Boundary	33-34; 90; 142	
103-2	The management approach and its components	33-34; 90	
103-3	Evaluation of the management approach	33-34; 90	
302-1	Energy consumption within the organization	91-94; 135	
302-3	Energy intensity	98-99	
302-4	Reduction of energy consumption	94-97	
302-5	Reductions in energy requirements of products and services	54-64; 104	
Material Aspect: Water and effluents (2018)			
103-1	Explanation of the material topic and its Boundary	33-34;107-109; 142	
103-2	The management approach and its components	33-34;107-109	
103-3	Evaluation of the management approach	33-34;107-109	
303-1	Interactions with water as a shared resource	107-109	
303-2	Management of water discharge-related impacts	107-109	

303-3	Total water withdrawal by source	108-109; 137-138	
Material Aspect: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	33-34; 100-102; 142	
103-2	The management approach and its components	33-34; 100-102	
103-3	Evaluation of the management approach	33-34; 100-102	
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	101; 140-141	
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	101; 140-141	
305-4	Greenhouse gas (GHG) emissions intensity	103-104	
305-5	Reduction of greenhouse gas (GHG) emissions	104	
Material Aspect: Effluents and Waste (2016)			
103-1	Explanation of the material topic and its Boundary	33-34;105-106; 109-110;142	
103-2	The management approach and its components	33-34; 105-106; 109-110	
103-3	Evaluation of the management approach	33-34; 105-106; 109-110	
306-1	Water discharge by quality and destination	109-110; 137-138	
306-2	Total weight of waste by type and disposal method	105-106; 136	
306-3	Total number and volume of significant spills	110	
SOCIAL SERIES			
Material Aspect: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	78; 142	
103-2	The management approach and its components	78	
103-3	Evaluation of the management approach	78	
401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	80; 129-130	
Material Aspect: Labour/Management Relations (2016)			
103-1	Explanation of the material topic and its Boundary	88; 142	
103-2	The management approach and its components	88	
103-3	Evaluation of the management approach	88	
402-1	Minimum notice periods regarding operational changes	88	
Material Aspect: Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary	34; 71-77; 142	
103-2	The management approach and its components	34; 71-77	
103-3	Evaluation of the management approach	34; 71-77	
403-1	Occupational health and safety management system	71-72	
403-2	Hazard identification, risk assessment, and incident investigation	71-72	
403-3	Occupational health services	71-72; 74-75	
403-4	Worker participation, consultation, and communication on occupational health and safety	73	
403-5	Worker training on occupational health and safety	72	
403-6	Promotion of worker health	74-75	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71-77	
403-9	Work-related injuries	76-77; 132-133	
403-10	Work-related ill health	134	
Material Aspect: Training and Education (2016)			

103-1	Explanation of the material topic and its Boundary	84-87; 142	
103-2	The management approach and its components	84-87	
103-3	Evaluation of the management approach	84-87	
404-1	Average hours of training per year per employee by gender, and by employee category	85; 128-131	
404-3	Percentage of employees receiving regular performance and career development reviews	86-87; 131	
Material Aspect: Diversity and Equal Opportunity (2016)			
103-1	Explanation of the material topic and its Boundary	78; 82-84; 142	
103-2	The management approach and its components	77; 82-84	
103-3	Evaluation of the management approach	77; 82-84	
405-1	Diversity of governance bodies and employees	28, 82-84, 126-129	
405-2	Ratio of basic salary and remuneration of women to men	130-131	
Material Aspect: Non-discrimination (2016)			
103-1	Explanation of the material topic and its Boundary	82-83;142	
103-2	The management approach and its components	82-83	
103-3	Evaluation of the management approach	82-83	
406-1	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination (emerged through grievance mechanism) has been registered during 2018.	
Material Aspect: Local communities (2016)			
103-1	Explanation of the material topic and its Boundary	41; 142	
103-2	The management approach and its components	41	
103-3	Evaluation of the management approach	41	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	41-42	
Material Aspect: Customer Health and Safety (2016)			
103-1	Explanation of the material topic and its Boundary	65-69; 142	
103-2	The management approach and its components	65-69	
103-3	Evaluation of the management approach	65-69	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2018, no incidents of non-compliance concerning the health and safety impacts of products and services were registered.	
Material Aspect: Socio-economic Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	38-41	
103-2	The management approach and its components	38-41	

103-3	Evaluation of the management approach	38-41	
419-1	Non-compliance with laws and regulations in the social and economic area	In 2018, no significant fines for non-compliance with laws and regulations were registered; Consolidated financial statement	
OTHER MATERIAL ASPECTS			
Material Aspect: Risk Management			
103-1	Explanation of the material topic and its Boundary	31-37; 142	
103-2	The management approach and its components	31-37	
103-3	Evaluation of the management approach	31-37	
Material Aspect: Research and innovation			
103-1	Explanation of the material topic and its Boundary	49-51; 142	
103-2	The management approach and its components	49-51	
103-3	Evaluation of the management approach	49-51	
Material Aspect: Customer satisfaction			
103-1	Explanation of the material topic and its Boundary	68-69; 142	
103-2	The management approach and its components	68-69	
103-3	Evaluation of the management approach	68-69	

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

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

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

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2018 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 25 February 2019 (the "NFS").

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

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

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

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

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

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

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

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

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

4 Gaining an understanding of the following:

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

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

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

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

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

- at parent and subsidiaries level:
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check the correct aggregation of data in the quantitative information;
- we visited the following subsidiaries and sites:
  - Sogefi Suspensions Passenger Car Italy S.p.A., Italy, Settimo Torinese site
  - Sogefi Suspensions Heavy Duty Italy S.p.A., Italy, Puegnago del Garda site
  - Sogefi USA Inc, United States, Prichard site
  - United Springs B.V., the Netherlands, Hengelo site
  - Sogefi Air & Cooling S.A.S., France, Châteauroux site

- S.C. Sogefi Air & Cooling S.r.l., Romania, Titesti site
- Sogefi (Suzhou) Auto Parts Co. Ltd, China, Wujiang site
- Sogefi Filtration do Brasil Ltda, Brazil, Jarinu site
- Sogefi Suspension Brasil Ltda, Brazil, Mogi Mirim site

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

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 consolidated non-financial statement of the Sogefi Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

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, 25 March 2019

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit