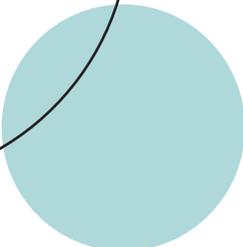


# SUSTAINABILITY REPORT

# 2017

*Fiscal Year:  
1 April 2016 -  
31 March 2017*

— *Alcantara S.p.A.*



# THE CHAIRMAN'S LETTER



Dear Stakeholders,

this year Alcantara S.p.A. has reaffirmed its strong commitment to sustainability and the struggle against climate change, demonstrating that – despite the way the international political situation is unfolding and all the question marks over a sustainable future – the Company still holds steadfastly to the principles indicated by the objectives it has set itself over the last few years.

A strong sign of our consistent efforts to pursue and promote a culture of sustainability, and an integral part of the Company's competitive strategy, is our membership of the **United Nations Global Compact** which reaffirms our determination to continue along the path of responsible management by following the ten principles of Global Compact concerning human rights, employment, the environment and fight against corruption. Those principles have been promoted by Alcantara S.p.A. since 2009 when the Company first achieved Carbon-Neutral status.

For our Company this Sustainability Report certifies that – alongside our other achievements – we have been Carbon-Neutral for eight years now; we have further strengthened our responsible procurement policies monitoring the whole supply chain; we have continued our research and other investments with a view to developing processes and products of biological origin and lower environmental impact and implementing them on an industrial scale; and we have worked out a new **Sustainability Plan for 2017-2020** in keeping with our corporate values, so as to ensure that our strategy fulfils our commitment to sustainability and leads the way in achieving it.

To emphasize our responsible approach to these matters still further, Alcantara S.p.A. has decided to sign up to the **Carbon Disclosure Project (CDP)**, alongside other companies, governments and investors, with the aim of measuring and reporting on its CO<sub>2</sub> emissions. Activities intensifying stakeholder involvement, including our various sustainability-related projects, remain fundamentally important, and we shall be conducting even more such activities with a view to fostering and spreading a real shared culture. In 2016 Alcantara S.p.A. organized and promoted the 3rd International Symposium on Sustainability in Tokyo, in collaboration with Nikkei, the VIU (Venice International University) and Waseda University and with the support of the Society of Global Business. On that occasion we helped, along with international companies, institutions and leading universities, to create a broader vision of sustainability and to promote greater awareness of it.

This Sustainability Report is also an act of transparency and an important opportunity to enhance the main goals of the Company, as we continue – despite economic headwinds – to invest in sustainability: a new **expansion plan** to double overall production capacity, to increase sales and to enhance the value of the brand, in addition to employing more staff.

We firmly believe that sustainability is a necessary factor, and consistent with our long-term objective of increasing the economic and financial value of the Company. It is and will remain a core value of our corporate culture, an important driver of growth and a spur to the development of our business strategy. We are more than ever convinced that sustainability is a value beyond cost: a value for our Company, our brand, our people and our stakeholders. A value for the future.

**Andrea Boragno**  
*Chairman and CEO of Alcantara S.p.A.*

# Introduction



Sustainability Report  
of Alcantara S.p.A.

REFERENCE PERIOD:  
1 April 2016 –  
31 March 2017  
(annual report):  
2017 Fiscal Year.

## REFERENCE GUIDELINES

Sustainability Reporting Guidelines – version G4 of the GRI (Global Reporting Initiative). Based on the current coverage of the indicators associated with the material aspects summarized in the final correlation table, the level of compliance with the GRI-G4 Guidelines is “In accordance – comprehensive”.

## INFORMATION COLLECTION

Social and environmental responsibility data are reported through dedicated information flows and information collection sheets based on the precautionary approach required by the G4 standard and subsequently checked in accordance with a reporting process integrated with the Company management systems.

## FRAME OF REFERENCE

The time frame of reference for the report corresponds with the one for financial reporting by Alcantara S.p.A. The following document refers to two fiscal years, as follows:

- “2016” or the 2016 Fiscal Year refers to the period from 1 April 2015 to 31 March 2016;
- “2017” or the 2017 Fiscal Year refers to the period from 1 April 2016 to 31 March 2017.

## SIGNIFICANT CHANGES

The financial data for the previous year have been recalculated to conform to Directive 34/2013/EU. For additional information, please refer to the Board of Directors Report for 2017 Fiscal Year.

## EXTERNAL AUDIT

This document was externally audited by a third party based on the principles and instructions set forth in the international standard for assurance of non-financial information ISAE 3000 (International Standard on Assurance Engagements 3000) and of IAASB (International Auditing and Assurance Standard Board, an entity directly supported by the IFAC - International Federation of Accountants).

## CONTACTS AND ADDRESSES

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Fax +39 02 5063886  
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Alcantara S.p.A.'s 2017 Sustainability Report may be consulted in interactive format on the dedicated micro-site <http://sustainabilityreport.alcantara.com>

We would like to thank the entire internal work group and all staff involved in the development and production of this 2017 Sustainability Report. Prepared and coordinated by: Alcantara S.p.A.

For further information, contact: [alcantarasustainability@alcantara.com](mailto:alcantarasustainability@alcantara.com)  
All comments and suggestions are welcome.

# SUSTAINABILITY REPORT

# 2017

Fiscal Year:  
1 April 2016 -  
31 March 2017

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## IDENTITY AND RESPONSIBILITY

*Alcantara S.p.A.*  
is an *Italian company* that  
manufactures and markets worldwide the *material*  
under the registered *trademark Alcantara®*,  
result of a unique, proprietary technology

Exclusive and innovative,  
Alcantara® offers an extraordinary combination of  
*feel, beauty* and *functionality*, qualities which,  
together with a *strong ethical and social*  
*commitment*, define a *modern-day lifestyle*:  
the lifestyle of those who want to get the most out of the products they use  
every day in respect of the environment

### *Alcantara®: an innovative material*

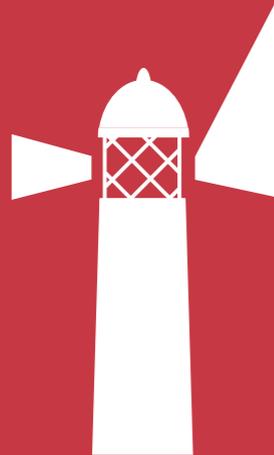
Alcantara S.p.A. constantly invests 3% to 5% of its annual sales in research and development activities. The Research and Development Department of Alcantara S.p.A. is an international centre of excellence and the only structure of its kind in the industry. The technological components behind the manufacturing process of Alcantara® permit continuous improvement in the performance of the material and the production of new products and variants designed specifically for several different fields of application. This enables the Company to consolidate its technological leadership and constantly renew its processes and know-how, keeping an eye on the future. That little ® is of fundamental importance, as it identifies the technology and the advantages of its use, and represents a guarantee against imitations.



NOTE: The indications "2016" and "2017" in this document refer to the 12-month periods 1 April 2015 - 31 March 2016 and 1 April 2016 - 31 March 2017 and correspond to the Fiscal Year of Alcantara S.p.A.

Browse the interactive report on  
[sustainabilityreport.alcantara.com](http://sustainabilityreport.alcantara.com)

## — 1.1 Mission, Values and Strategic Orientation



### Mission

Alcantara S.p.A. operates in the high-end upholstery market; its qualifying elements are the use of sophisticated technology, an exclusive business model, and a brand name recognized at international level.

The values on which Alcantara S.p.A. operates are: fairness, consistency, innovation, and the central role of man and the environment.

For Alcantara S.p.A., sustainability constitutes a fundamental strategic orientation: its sustainability objectives are closely linked to its strategic objectives and stem from the decisions made by top management as an expression of the will to develop a systemic view of this commitment in the various areas and departments of the Company.

All development and investment decisions are integrated with the basic strategic orientation towards sustainability and are consistent with the Company's strategic plan.

## — 1.2 Alcantara S.p.A.'s History

The charme of Alcantara® is the result of a major technological breakthrough, an invention made in 1970 that continues to be unrivalled even today and enables the product to remain unique and at the forefront.

The fundamental stages of the growth of Alcantara S.p.A. are listed here.

- |  |   |
|--|---|
| <p><b>1970</b> invention of Alcantara®: the Japanese scientist Miyoshi Okamoto filed the patent for producing the material;</p>  | <p><b>1972</b> production plant built at Nera Montoro (Italy), still the only plant in the world where Alcantara® is produced; the Company headquarters were instituted in Milan;</p> |
| <p><b>1972</b> agreement with the ANIC Group, subsequently Eni, for the commercial use of the patent (i.e. a joint venture between Eni Group and Toray Group, the provider of the basic technology);</p> | <p><b>1972</b> setting up of ANTOR S.p.A. (acronym of ANIC Toray); 51% ANIC (subsequently Eni) and 49% SOFID (financial company of the Group);</p>                                    |

- |   |  |
|---|--|
| <p><b>1973</b> change of name from ANTOR S.p.A. to IGANTO S.p.A. (acronym of Italia Giappone ANIC Toray) to seal a partnership between the two countries and their companies;</p>                   | <p><b>2011</b> installation of the phyto-treatment system, first collection of finished products sold under the proprietary trademark “Alcantara” and obtainment of product Carbon Neutrality (from cradle to grave);</p>  |
| <p><b>1974</b> sale of its shares, equivalent to 49%, by SOFID to Toray Industries Inc., a company in the Toray Group;</p>  | <p><b>2012</b> installation of the new cogeneration plant, with operations commencing on 1 January 2013;</p>   |
| <p><b>1981</b> the Company name changed to Alcantara S.p.A., with share capital still split between the Eni Group (51%) and the Toray Group (49%);</p>  | <p><b>2013</b> start of a new project aimed at reducing the environmental impact and energy consumption of the production process;</p>   |
| <p><b>1994</b> setting-up of the Applications Development Centre at the plant premises for in-house development of ad hoc solutions and technical application;</p>                                  | <p><b>2014</b> creation of the first web reporting on the dedicated micro-site <a href="http://sustainabilityreport.alcantara.com">sustainabilityreport.alcantara.com</a>, start of Water Footprint analysis, first international Symposium on Sustainability in the global automotive industry;</p> |
| <p><b>1995</b> final transfer of shares from the Eni Group to the Toray Group for a total of 100%; immediately afterwards transfer of 30% of the shares by the Toray Group to the Mitsui Group;</p> | <p><b>2015</b> completion of the first phase (industrial scale test) of the project started in 2013 aimed at further reducing the environmental impact and energy consumption of the production process, start of the research activity on raw materials from renewable sources (bio-based);</p>     |
| <p><b>1998</b> first operation to double the production capacity of the plant;</p>  | <p><b>2016</b> third International Symposium on Sustainability organized in Tokyo, in partnership with Nikkei, VIU (Venice International University), and Waseda University, with the support of the Society of Global Business, on the theme “Sustainability and Corporate Value”.</p>              |
| <p><b>2002</b> completion of the second operation to double the production capacity;</p>  |  |
| <p><b>2009</b> obtainment of Carbon Neutrality (from cradle to gate);</p>   |  |
| <p><b>2010</b> issuance of the first Alcantara S.p.A.'s Sustainability Report;</p>  |  |

*The technological know-how built by Alcantara S.p.A. in more than 40 years enables it to understand and meet the technical and stylistic needs of its customers, developing colours, product variants and new technologies on request, in response to the most complex of briefs.*

## — 1.3 The Company's Structure

Alcantara S.p.A. has two main operational centres in Italy: in Nera Montoro (Terni) and in Milan.

To be more precise:

- the production site and the research centre in Nera Montoro (TR), providing an integrated end-to-end cycle facility. The complex production process is highly automated and divided into several phases;
- the headquarters in Milan, which houses the management, the sales divisions, marketing and communication activities, the administration department, the style department, logistics services and human resources.

### Alcantara S.p.A. Representative Office in China

At the end of 2014, Alcantara S.p.A. opened its representative office in Shanghai, China, with the approval of the holding company Toray Industries Inc. Authorization was obtained from the Chinese authorities on 15 December. The office is responsible for providing sales support in the Chinese market.

On 31 December 2015, the Shanghai office has closed its first year of activity and the first financial year for the purposes of local taxation, operating on solar year basis and audited by Dezan Shira & Associates.

Its second Fiscal Year ended on 31 Dec 2016.

The share capital is made up of ordinary shares worth 1 euro each and at 31 March 2017 the issued and paid-in share capital of Alcantara S.p.A. amounted to € 10,800,000 divided up as indicated below.

COMPANY	NUMBER OF ORDINARY SHARES 2017	% OWNERSHIP
Toray Industries Inc. – Tokyo (holding company)	7,560,000	70%
Mitsui & Co. Ltd. Tokyo – Tokyo	3,240,000	30%
<b>TOTAL SHARES</b>	<b>10,800,000</b>	<b>100%</b>

## — 1.4 Fields of Application of Alcantara®

### AUTOMOTIVE



In the automotive industry, Alcantara® is used to cover the interiors of motor vehicles. Alcantara® ensures maximum comfort for the driver and the passengers due to the unique characteristics of the material (grip, breathability, strength and durability, light weight, softness, colour fastness), transforming the cockpit into a beautiful, elegant or sporty environment depending on the stylistic features chosen. An important aspect of Alcantara S.p.A.'s products is the Company's experience and capability to develop tailor-made solutions. Alcantara® is also increasingly appreciated for being carbon neutral, which does not increment the carbon footprint of the cars in which it is applied.

### INTERIOR, CONTRACT, MARINE & AVIATION



Furniture items covered with Alcantara® (sofas, beds, accessories, etc.) take on a bright, comfortable, soft and seductive appearance. For the interior and contract segment, Alcantara S.p.A. offers a special selection of products containing materials that have been tested and approved.

In the marine sector, the functional characteristics of Alcantara®, together with its resistance to adverse marine conditions, permeability to air and excellent breathability, guarantee extremely comfortable sailing even for the most demanding passengers.

In the aviation industry, Alcantara® ensures comfort, style and elegance, making it the ideal travel companion for interiors of private jets and helicopters but also the aircraft of the world's major airlines.

### FASHION & ACCESSORIES



In the fashion sector, people that choose Alcantara® look for contemporary elegance: modern luxury with attention to detail underlined by the exclusive textures of the material. Alcantara® is a material with infinite possibilities of customization, capable of covering any shape and surface, in conformity with the most rigid industry standards, lending itself to exclusive, tailored solutions to satisfy the technical and design requirements of the most demanding luxury brands.

### CONSUMER ELECTRONICS



In the consumer-electronics sector, Alcantara® is recognized as a precious material with unique characteristics, capable of enhancing the appearance and functionality of the finished product with a high degree of adaptability. Alcantara® has unique, special features compared to other materials, representing combination of high tech and craftsmanship. Made in Italy, one of the strengths of the Alcantara® competitive strategy, is a value, especially in Asia and the USA. Alcantara S.p.A. has developed the skills necessary to offer customers highly customized solutions: “turn-key” projects, from the design of the finished product right up to implementation of the supply chain to produce it.

## — 1.5 Governance Structure

The primary objectives of Alcantara S.p.A. include *knowledge* and *dissemination of respect* for human rights, promoting conduct in keeping with the highest standards, such as the *United Nations Guidelines on Companies and Human Rights* (2011), not only within the Company but also through its supply chain. The policies are implemented through protocols sanctioned in the Company organizational model and *specific official internal communications*. Reporting procedures are in force and governed, also anonymously, by the Social Responsibility Management System certified under Internal Standard SA8000® and may be addressed to the human resources office or to certifying bodies.

Audits and assessments have confirmed conformity to standards and positioning with respect to the most advanced international models.

The governance bodies of Alcantara S.p.A. are the Shareholders' Meeting, the Board of Directors, the Executive Committee and the CEO.

The main supervisory bodies are the Board of Auditors and the Supervisory Board, in accordance with Italian Legislative Decree no. 231/2001. Reconta EY S.p.A. was engaged for the statutory audit of the financial statements for the years 2016, 2017 and 2018.

### BOARD OF DIRECTORS

Andrea Boragno  
*Chairman and CEO*

Michiyuki Nakase  
Toru Kutsuzawa  
Yasuhiro Takagi  
Akihiro Tanabe  
Ryuji Hayashi  
Keinosuke Fukushima

### BOARD OF AUDITORS

Giovanni Primo Quagliano  
*Chairman*

Roberto Spada  
Giuseppe Moretti

Except for the Chairman and CEO, all members of the Board of Directors are independent, non-executive and appointed on the basis of skills and qualifications in line with Alcantara S.p.A.'s orientation towards sustainability.

In detail, the Chairman informs the Board of Directors of decisions with a significant impact on business sustainability and the status of the most significant projects.

As regards risks and opportunities, including strategic and operational environmental, social and governance ones, each year the Board of Directors examines and approves the Annual Risk Assessment and periodically monitors its implementation. Projects with a more significant impact in terms of sustainability are consistent

with the objectives of the Company's strategic plan and are monitored by the "**sustainability work group**", consisting of the main managers of the various Company divisions and coordinated by the Human Resource Organization and System Director in the role of CSR Manager. The sustainability work group has the goal of proposing and carrying out sustainability actions in accordance with the strategic guidelines defined by the Chairman and CEO.

As the Sustainability Report is not currently required by any laws or regulations, it is approved on a voluntary basis by the Chairman of the Board of Directors. Corporate management is therefore supported by a structured system for reporting on business trends and the progress of

the main projects. This also enables incentive and remuneration systems to be applied on the basis of support for and rewarding of merit and the reaching of the targets set, including the environmental and social targets.

Alcantara S.p.A. has not activated any specific communication channels to allow stakeholders to interact directly with the Board of Directors. Nevertheless, the Board of Directors assesses current initiatives and future projects by listening to suggestions made by department managers, the Supervisory Board, employees and representatives of external stakeholders, also through the work of the representative bodies in which it participates (see paragraph "Membership in trade associations") and that of third parties that test the management systems adopted by Alcantara S.p.A.

## SUPERVISORY BOARD

The Supervisory Board consists of three members and has decision-making and supervisory powers to oversee the operation of and compliance with the Organization Model for the prevention of crimes in application of the provisions laid down in Italian legislative decree no. 231/2001 (such as corruption or false statements, the exploitation of workers, and many others) and for the prevention of conduct sanctioned by the Code of Ethics (for example, conflicts of interest). In May 2015, the appointments of the members of the Supervisory Board were renewed till the approval date of the 2017 financial statements.

The Organization Model and the Code of Ethics are closely integrated in such a way as to form a body of internal standards that encourage ethical behaviour and transparency within the Company. Any employee may report suspected violations of the Organization Model and Code of Ethics to the Supervisory Board or to his/her manager.

During 2017 Fiscal Year, the Supervisory Board met continuously and monitored the functioning and compliance of the model. The meetings concerned:

- analysis of the information flows and related documentation submitted by Departments Supervisors;

- overall supervisory activity set forth in the Supervisory Board operating plan of April 2016-March 2017 and results of audits conducted and information collected;
- analysis and feedback of the Supervisory Board's 2016/2017 Annual Report submitted to the Chairman of the Board of Directors and to the Board of Auditors.

Regarding the updating of the Organization Model in 2015, training and informative initiatives were organized in 2017 Fiscal Year for the personnel of the Nera Montoro plant.

The Supervisory Board constantly reports on its activity to the Chairman of the Board of Directors and, periodically, to the Board of Auditors: with regard to this, it informed that no report was received about infringements of the Code of Ethics and of the Organizational Model that could generate responsibility for the Company.

Regarding the anti-corruption policies, the organizational model and risk analysis provide oversight for potential offences and, as further confirmation, **no violation was detected** in the period.

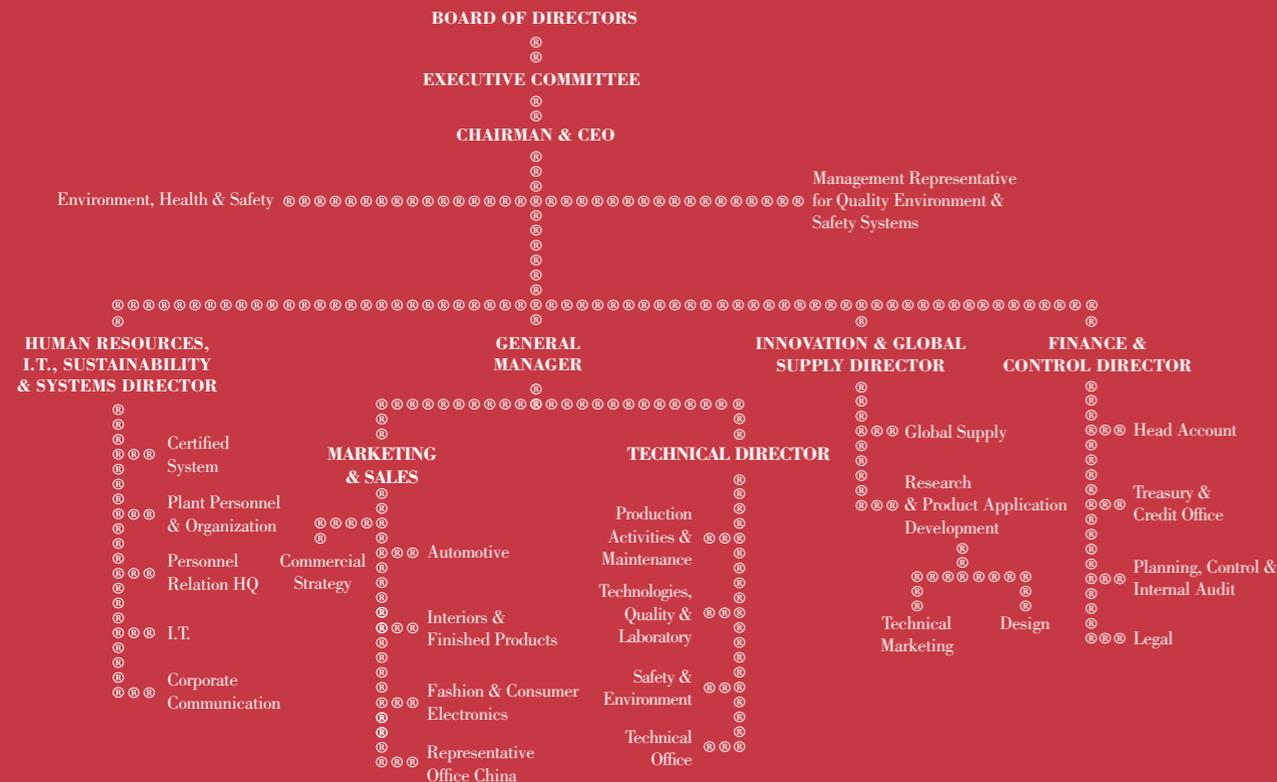
# — 1.6 Operational Structure

The operational structure of Alcantara S.p.A. is based on the integrated management of the Company's processes and is distinguished by the sales divisions that characterize its business.

The production process is extremely complex as it is based on a combination of textile processes (spinning, carding and needle punching), high-precision mechanical processes and dyeing, finishing and nobilitation processes. Considerable efforts are made to develop a flexible production process capable of meeting the needs of the markets in which the Company operates.

Particular importance is given to the Style and Technical Marketing departments, whose tasks are to acquire the needs, critical issues and technical and stylistic expectations of the customers and the reference markets, acting as a link between the technical and sales departments with a view to designing tailor-made solutions.

In order to meet the increasingly complex global market requests and the need to continuously upgrade the offer, a **horizontal operational system** was developed. This system is structured around collaboration between the "interdepartmental teams" described in more detail below.



## INTERDEPARTMENTAL WORK GROUPS

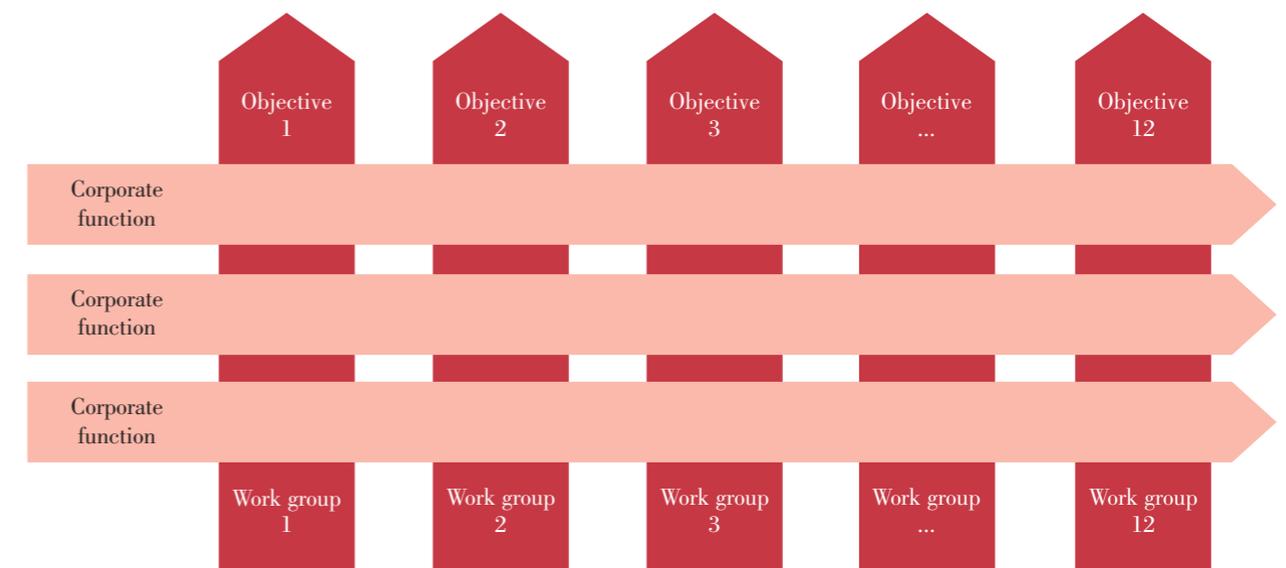
During 2017 Fiscal Year, Alcantara S.p.A. proceeded with the consolidation of team work, updating its objectives and dedicating a working group to each of them. The working groups are structured as follows:

- coordination and control committee: made up of the Chief Executive Officer and top management, directs the group and sets its targets;
- team leader: coordinates the working group;
- team members: express and contribute with their skills and know-how necessary to reach the targets.



During 2017 Fiscal Year, this form of work involved more than 100 people in management and middle management, integrated with the functional and hierarchical structure of the Company and generating major advantages:

- greater focus on the Company's strategic objectives;
- improvement in the "quality of response" and the actions taken;
- increase in engagement and motivation, especially among middle managers;
- improvement of the communication processes, sense of belonging and sharing.



# — 1.7 Risk Management and Sustainability Strategy

Risk management has been greatly developed in recent years due to the increasingly complex and "volatile" context in which organizations operate.

Alcantara S.p.A. gives great importance to the identification and measurement of risk factors and opportunities that affect its business; therefore the definition of the risk level does not concern only financial aspects but also factors of responsible management, so-called "ESG" (Environmental, Social and Governance).

In order to prevent the identified risks, Alcantara S.p.A. has adopted an internal system that lets it identify, measure, manage and monitor the main problems, in line with its sustainable development strategy for each relevant aspect: economic, social and environmental.

In relation to the mitigation of financial risks, please refer to the financial statements and in particular to the management of:

- risks associated with general economic conditions;
- business risk: with the effect of the general economic climate on the Company context, the concentration of sales (70%) in the top ten customers becomes an important factor;
- credit risk: active financial counterparties of the Company are exclusively leading banks, which means a very low associated risk;
- risk of fluctuations in exchange rates.

For additional information on the management of non-financial risk, please see Chapter 2.3 regarding risk avoidance in the supply chain, Chapter 3.5 on health and safety in the workplace, Chapter 6 on policies to prevent and reduce environmental risks and, lastly, since the Sustainability Plan derives from a careful analysis of risks and related opportunities, the following section:

## 2017-2020 SUSTAINABILITY PLAN

Alcantara S.p.A. decided to develop a **new Sustainability Plan** in 2017 Fiscal Year to transform its commitments into practicable actions and quantitative objectives. For Alcantara S.p.A., in fact, sustainability is a distinctive, strategic factor in its business activity, with the ultimate goal of helping create value for all stakeholders.

The plan was prepared starting with the Company strategy, a materiality analysis, **the 17 Sustainable Development Objectives** of the United Nations, and through the involvement of Company management. Alcantara S.p.A. has therefore formulated its commitment for sustainable development in *four areas of action:*



**PLANET**  
Environmental Sustainability



**PEOPLE**  
Social Sustainability



**PROSPERITY**  
Economic Sustainability



**SUSTAINABILITY MANAGEMENT**  
Sustainability Governance

In line with the most advanced international practices in sustainability, Alcantara S.p.A. has formulated a total of **21 specific objectives** for the four areas, to be achieved in the medium term (2020). These tangible commitments are represented as follows:



For each strategic objective, Alcantara S.p.A. has identified consequent actions (or lines of intervention). Most of these actions are described in this document, in the initial part of each chapter, confirming the strong commitment of the Company to openly and transparently communicate its efforts.

## — 1.8 Management Systems

Alcantara S.p.A. has been committed to responsible management for some time now and has adopted a series of certified management systems and control mechanisms in order to:

- create value in a sustainable way together with all its stakeholders;
- interpret the needs of its customers by pursuing the highest quality standards;
- minimize environmental impact;
- develop and control the supply chain;
- communicate with the stakeholders.

Alcantara S.p.A. has obtained and maintains the following international certifications:

SYSTEM CERTIFICATIONS			
STANDARD	TITLE	CERTIFICATION BODY	DATE OF FIRST RELEASE
UNI EN ISO 9001:2008	Quality management system	TÜV SÜD	September 1993
UNI EN ISO 14001:2004	Environmental Management System	TÜV SÜD	May 2000
ISO/TS 16949:2009	Quality management systems for the automotive industry	TÜV SÜD	February 2004
SA8000®	Social Accountability	TÜV SÜD	October 2008
CMS Standard GHG 41 of CARBON NEUTRALITY (PAS 2060)	Offsetting residual Green House Gas emissions	TÜV SÜD	June 2009
BS OHSAS 18001:2007	Occupational Health and Safety management system	TÜV SÜD	April 2013
ISO 50001:2011	Energy management system	Bureau Veritas	February 2017

The top management and the entire staff are responsible for the proper functioning of the quality, safety, environment and social responsibility management systems, which make it possible to identify economic, environmental and social risks and opportunities to achieve customer satisfaction and ensure development compatible with the requirements of all parties concerned.

Alcantara S.p.A. has also obtained authoritative product certifications, audited annually by accredited bodies.

PRODUCT CERTIFICATIONS	
Yachting industry: IMO MED certification in accordance with European Directives 2002/75/EC and 96/98/EC (valid for single brands/families)	Held since 2000
Contract sector: Certification for CPD building products in accordance with European Directive 89/106/EC (valid for single brands/families)	Held since 2011
Oeko-Tex Standard 100 (valid for single brands/families)	Held since 1995

After checking consistency with its own principles, Alcantara S.p.A. endorses the codes of ethics applied by its main customer companies on sustainability issues.

In 2017 Fiscal Year, Alcantara S.p.A. also participated in two important initiatives:

- **Ashoka**, global association of social innovators that operate to find solutions to the most urgent social problems;
- **Global Compact** of the United Nations (UNGC).

## Alcantara S.p.A. joins the United Nations Global Compact

In 2017 Fiscal Year, Alcantara S.p.A. voluntarily joined the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. By joining the UNGC, Alcantara S.p.A. confirms its long-lasting commitment to sustainability and reinforces it by respecting and promoting the **Ten Principles** of the UNGC and by taking strategic actions to contribute to the advancement of global goals, such as the United Nations Sustainable Development Goals.

Alcantara S.p.A. is committed to providing an annual disclosure of its activities and practices regarding the 10 Principles through this document, which also represents its Communication on Progress (CoP).

### The 10 Principles of the United Nations Global Compact

#### Human Rights

##### - PRINCIPLE 1:

Businesses should support and respect the protection of internationally proclaimed human rights; and

##### - PRINCIPLE 2:

make sure that they are not complicit in human rights abuses.

#### Labour

##### - PRINCIPLE 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

##### - PRINCIPLE 4:

the elimination of all forms of forced and compulsory labour;

##### - PRINCIPLE 5:

the effective abolition of child labour; and

##### - PRINCIPLE 6:

the elimination of discrimination in respect of employment and occupation.

#### Environment

##### - PRINCIPLE 7:

Businesses should support a precautionary approach to environmental challenges;

##### - PRINCIPLE 8:

undertake initiatives to promote greater environmental responsibility; and

##### - PRINCIPLE 9:

encourage the development and diffusion of environmentally friendly technologies.

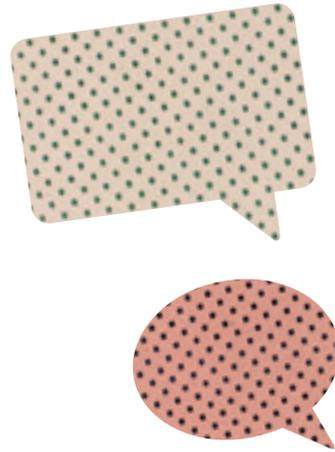
#### Anti-Corruption

##### - PRINCIPLE 10:

Businesses should work against corruption in all its forms, including extortion and bribery.



## — 1.9 Communication with the Stakeholders



Alcantara S.p.A. considers the suggestions and expectations of its main categories of stakeholders: for each of these classes, the Company has identified the most important material issues (i.e. all issues that influence the decisions, actions and performance of an organization and/or its stakeholders), and the communication activities in progress. This mapping was developed following the AA1000SES (Stakeholder Engagement Series) guidelines and applying the principle of materiality laid down in the GRI-G4 guidelines.

The materiality analysis is subjected to an annual review with the involvement of

internal and/or external stakeholders, with a view to both identifying the significant topics and specific aspects related to the organization's social responsibility and determining the most significant topics for all its reference stakeholders.

In addition, the analysis is updated on the basis of an assessment of the expectations that emerge from the numerous channels and tools of communication between Alcantara S.p.A. and its stakeholders: a listening, communication and engagement system that ensures constant interaction between the parties and a monitoring of the progress of all the topics directly or indirectly linked to sustainability.

The main dialogue, consulting and engagement activities of 2017 Fiscal Year were:

STAKEHOLDERS – KEY TOPICS	MAIN ENGAGEMENT ACTIVITIES
<p><b>Customers and consumers</b></p> <ul style="list-style-type: none"> <li>• product uniqueness and brand value;</li> <li>• design, customization and exclusivity;               <ul style="list-style-type: none"> <li>• innovation and research;</li> </ul> </li> <li>• transparency and marketing fairness;</li> <li>• customer's satisfaction, listening, complaint management;               <ul style="list-style-type: none"> <li>• pre-sales and post-sales services;</li> </ul> </li> <li>• appropriate communication and responsible promotional activities;               <ul style="list-style-type: none"> <li>• regulatory and informative compliance (laws on the product) to safeguard the end user;                   <ul style="list-style-type: none"> <li>• packaging and recyclability;</li> </ul> </li> <li>• product and corporate sustainability;                   <ul style="list-style-type: none"> <li>• Carbon Neutrality.</li> </ul> </li> </ul> </li> </ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>• continuity and quality of work;               <ul style="list-style-type: none"> <li>• reputation;</li> <li>• collaboration for research and development activities;</li> </ul> </li> <li>• safety and sustainability as values.</li> </ul> <p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• professional growth and continuous education               <ul style="list-style-type: none"> <li>• meritocracy and delegation;                   <ul style="list-style-type: none"> <li>• job stability;</li> </ul> </li> </ul> </li> <li>• internal climate: collaboration and sharing; of know-how and objectives               <ul style="list-style-type: none"> <li>• remuneration and benefits;                   <ul style="list-style-type: none"> <li>• work-life balance;</li> </ul> </li> </ul> </li> <li>• workplace health and well-being.</li> </ul>	<p><b>Customers and consumers</b></p> <ul style="list-style-type: none"> <li>• organization of meetings with the top management of the Company's main customers, to illustrate the details of Alcantara S.p.A.'s commitment to sustainability;</li> <li>• initiatives to promote and sensitize public opinion on sustainability issues. The most important were: 1) the 3<sup>rd</sup> International Sustainability Symposium, entitled "Sustainability and Corporate Value" 2) association with the United Nations Global Compact (UNGC), where Alcantara S.p.A. as a member undertakes to promote the UNGC Ten Principles (human rights, labor, environment, anti-corruption);</li> <li>• management of social media channels: international (Facebook, Instagram, Twitter, YouTube in English and Japanese) and Chinese (Weibo, Tudou, WeChat);</li> <li>• customer's satisfaction and market analysis;</li> <li>• collaboration in activities carried out by customers (for example, when customers announce or promote a green product/project);</li> <li>• customer care;</li> <li>• pre and post-sales support;</li> <li>• ad hoc visits to the Company's facilities and open days (for school parties and journalists);</li> <li>• direct and active interaction of the Research Centre team with the customer through meetings and/or information activities to customize the offer;</li> <li>• direct contacts for events and trade fairs;</li> <li>• new materials to better communicate sustainability: dedicated multilanguage micro-site, video-graphic, pocket leaflets;</li> <li>• direct emailing to selected contact lists to spread initiatives and collect feedback.</li> </ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>• assessment activities required by the supplier qualification process or by the certified systems;</li> <li>• technical inspections and periodic meetings;</li> <li>• systematic feedback on quality;</li> <li>• collaboration for improvement or innovation.</li> </ul> <p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• internal communication events (safety days, meetings, etc.);</li> <li>• interdepartmental meetings for the sharing of objectives;</li> <li>• working groups on strategic objectives;</li> <li>• periodic house organ as an internal information and sharing tool;</li> <li>• confidential channel and mailbox for Model 231 reporting;</li> <li>• constant monitoring of internal atmosphere and occasional surveys to understand work-life balance needs or other requirements;</li> <li>• team building;</li> <li>• working groups for improving safety;</li> <li>• meetings with trade union representatives;</li> <li>• meetings and relations with local community;</li> <li>• meeting with institutional bodies.</li> </ul>

## STAKEHOLDERS – KEY TOPICS

### Shareholders

- profitability and corporate value;
- safeguarding of reputation;
  - transparency;
- fairness in management.

### Environment

- atmospheric emissions;
  - use of raw materials;
- production process responsibilities;
- conservation and making the most of the environmental heritage - biodiversity;
- investments in environmental protection.

### Community

- allied industries – investments and creation of value in the local area;
- protection of the environment, of quality of life and Carbon Neutrality;
  - respect of human rights;
- transparency and completeness of communication with the press and the community;
- support for research and development, education, art and culture projects.

### Public institutions

- legal compliance;
- administrative and fiscal regularity;
- allied industries – investments and creation of value in the local area.

## MAIN ENGAGEMENT ACTIVITIES

### Shareholders

- meeting and representation at the Board of Directors;
- participation in events and international conferences within the Group;
- engagement in the elaboration and revision of the Code of Ethics
- periodical review of: J-SOX, ERM (Enterprise Risk Management), Security Trade Control, C-MOS (Control Monitoring Online System).

### Environment

- IEA – Integrated Environmental Authorization;
- research at authoritative environmental institutions;
- participation in innovative projects with scientific institutions and related appropriate communication;
- collaboration in audits by competent bodies;
- participation in trade meetings;
- support and collaboration of promotional and publicity activities carried out by customers in favour of the environment.

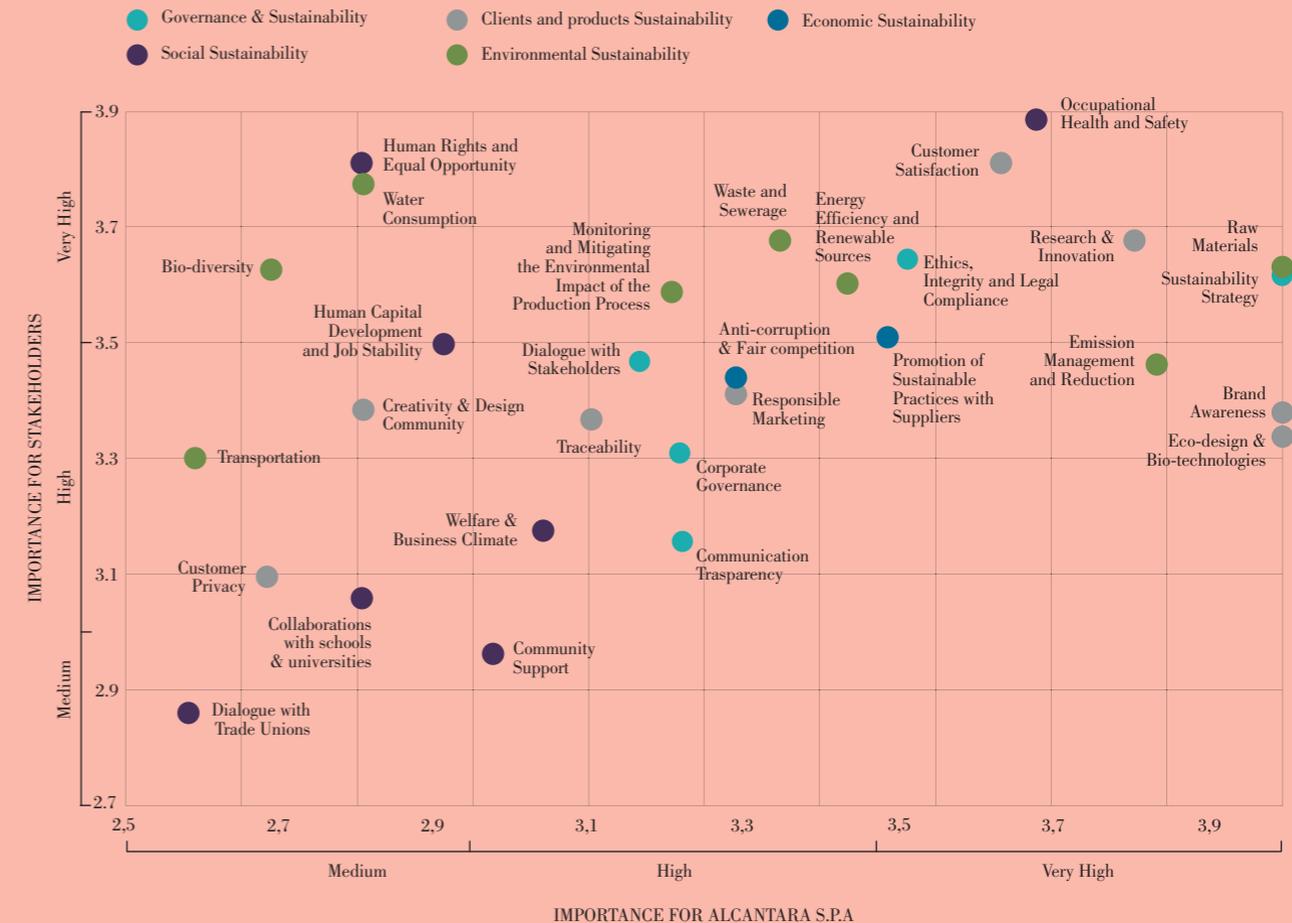
### Community

- collaboration with universities and schools, in Italy and abroad;
- competitions and grants for young designers/artists;
- guided tours of the Company's facilities for the press;
- projects with culture and art institutions;
- participation in conferences and co-organization of events;
- invitations and meetings with local institutions;
- ad hoc communications on Carbon Neutrality;
- international sustainability workshops;
- relationship with designer and the art community;
- participation in Sustainability Symposium with main automotive industry players.

### Public institutions

- collaboration with visits or inspections made by public authorities;
- participation in thematic round tables;
- participation in projects, calls for tenders or institutional research;
- periodic invitations to the main authorities and representatives of the institutions;
- monitoring updates issued by the Italian Accounting Body (OIC);
- periodic reporting to ISTAT, Bank of Italy, Mediobanca and the Lombardy Region.

The following graph shows a summary, and thus a non-exhaustive representation, of the materiality analysis conducted for Alcantara S.p.A. The main social responsibility issues are represented through a matrix whose variables are the economic, environmental and social impacts significant for Alcantara S.p.A. as well as their influence on the stakeholders' decisions. In 2017 Fiscal Year Alcantara S.p.A. also involved its stakeholders through a questionnaire, and the results were used to update the analysis shown below in chart form.



The reporting process confirms the attention that Alcantara S.p.A. constantly pays to the creation of shared value, to the management of the brand and to the reduction of the impact of its processes and production facilities on ecological balance. The Company is also called to satisfy old and new requirements, such as workplace health and safety expectations for its end consumers, innovation, brand management, energy efficiency and reducing environmental impacts, and the adoption of sustainability criteria along the entire production chain and value chain.

Lastly, every material aspect was analyzed based on its consolidation frame of reference within and outside the organization, as shown in the final section of this document.

## ECONOMIC SUSTAINABILITY

*Highlights*

- Over *€ 89 million* in added value created and distributed: *12.1% more* than the previous year

- *€ 28 million* invested, of these *7 million* for *safety, health* and the *environment*

- Investments budgeted for 2018: *over € 54 million*

PROFITABILITY INDEXES	2016	2017
R.O.E.	20.2%	20.1%
R.O.I.	17.4%	17.8%
Margin on sales	15.5%	15.6%

*7 new partner companies* involved in the CSR assessment process along the supply chain of Alcantara S.p.A.



## COMMITMENTS

- patent-box: study on reporting and definition of ruling with the Italian Revenue Agency for the current period and finalization for the next tax years;
- super-depreciation: study and full implementation of reporting for the next fiscal year;
- evaluation of the possibility to join art.9 of the tax delegation, which from 1 January 2017 permits taxpayers to send in electronic way bills and daily fees thus eliminating a number of tax obligations currently mandatory, such as “spesometro”, black list and intrastat. From 1 July 2016, the Italian Revenue Agency will make available to all taxpayers for the generation and transmission of electronic invoices.

## ACHIEVED IN 2017 FISCAL YEAR

- patent-box: on 27 May 2016 a request was filed with the Italian Revenue Agency including all supporting documentation;
- on 17 June 2016 Alcantara S.p.A. received admission to the subjective area of application of the facilitation from the Large Taxpayers office of the Italian Revenue Agency, pending access to the hearing on the ruling;
- definition of the reporting and tax benefits associated with this regulation, which became effective in computing taxes;
- it has not been possible, since the regulation involves a rather stringent use of cash transactions that would have made the transfer of staff.

# 2017-2020 SUSTAINABILITY PLAN PROSPERITY (ECONOMIC SUSTAINABILITY)

## 2020 OBJECTIVE

- improved sustainability in the supply chain;
- continuing investments for sustainability and innovation.

## AREAS OF ACTION

- increase the involvement of suppliers in offering carbon neutral services by reducing their impact and purchasing compensation certificates;
- determine accessibility to the “Fund for Sustainable Growth”, instituted by the Ministry for Economic Development, to finance research and development activities in the sustainability area;
- study the feasibility of access to national and European grants for the major investment plan in order to increase the production capacity of Alcantara S.p.A.
- monitor and select investments relative to Industry 4.0 to gain access to tax benefits and promote the innovation and technological development of Alcantara S.p.A.

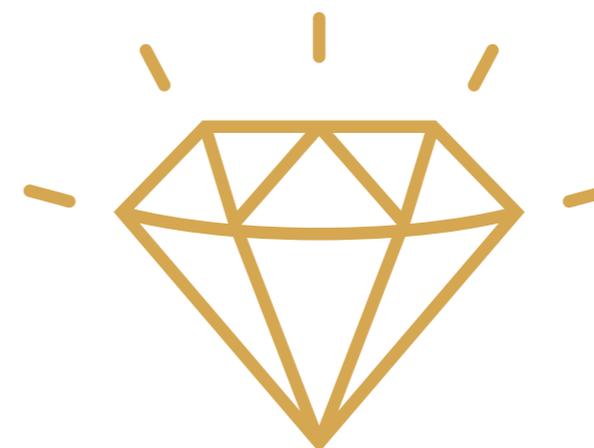
## — 2.1 Economic Indicators and Added Value

Alcantara S.p.A. confirms its *growth trend* of the past few years, demonstrating its ability to combat and *overcome the economic crisis*. In addition to its positive economic and revenue values, Alcantara S.p.A. also managed to maintain the *size of its staff*. The fact should not be underestimated, especially considering the particularly delicate time on the employment front

MAIN ASSETS AND LIABILITIES DATA (€/000)	2016	2017
Current assets	79,063	85,313
Fixed assets	139,769	156,551
<b>TOTAL ASSETS</b>	<b>218,832</b>	<b>241,864</b>
Current liabilities	51,128	55,715
Medium/long-term liabilities	15,948	11,606
<b>TOTAL LIABILITIES</b>	<b>67,076</b>	<b>67,321</b>
Shareholders' capital	151,756	174,543
<b>TOTAL LIABILITIES</b>	<b>218,832</b>	<b>241,864</b>
Net Financial Position	329	(7,928)

Alcantara S.p.A. has no debts represented by debenture stocks and does not possess shares of its own or shares of holding companies.

Its medium/long-term liabilities mainly include € 5,812,000 for loans taken out by Alcantara S.p.A. to supplement its own self-financing capacity and to face the significant investment related to the project for upgrading the production process. This item also includes amounts due for employee severance indemnity and provisions for risks and charges.



## ADDED VALUE

The added value indicated in the next page reclassifies the income statement items but is distinguished in part from the strictest accounting definition because it uses the method proposed by the Study Group for Social Reporting (GBS). The added value calculation reveals Alcantara S.p.A.'s ability to create wealth, in the reference period, to the advantage of some of its main stakeholders, in respect of economic management and the expectations of the stakeholders themselves.

GROSS GLOBAL ADDED VALUE (€/000)	2016	2017	Δ% 2016/17
A) Value of production	168,589	191,318	13.5%
B) Intermediate production costs	88,662	101,795	14.8%
<b>GROSS CHARACTERISTIC ADDED VALUE</b>	<b>79,927</b>	<b>89,523</b>	<b>12.0%</b>
C) Accessory and extraordinary components	262	335	27.9%
<b>GROSS GLOBAL ADDED VALUE</b>	<b>80,189</b>	<b>89,858</b>	<b>12.1%</b>

Please note that, for purposes of a more correct presentation of values, we have reclassified, for the two years indicated, the item “Accessory Components”, which represents part of the Company revenues, transferring it to line A “Value of production”.

For a fair comparison, the previous year was also aligned to the classification of the current year by changing the “Intermediate production costs” from € 88,713,000 to € 88,662,000, with a decrease of € 51,000, which consequently increased the added value by that amount.

The € 51,000 was reported as an increase in added value distributed under the item “Nonpermanent staff”, which thus went from € 2,505,000 to

€ 2,556,000, increasing the total “staff remuneration” by that amount.

The added value calculation and distribution figures express in monetary terms the relationships between the Company and the socio-economic system with which it interacts, with particular reference to some of its main stakeholders:

- **staff:** employee remuneration;
- **public administration:** Government remuneration;
- **financial backers:** remuneration for borrowed capital;
- **shareholders:** remuneration for risk capital;
- **company system:** corporate remuneration;
- **community:** gifts and sponsoring.

DISTRIBUTION OF GROSS GLOBAL CONSOLIDATED VALUE (€/000)	2016	2017	Δ% 2016/17
<b>A) STAFF REMUNERATION</b>	<b>31,847</b>	<b>35,102</b>	<b>10.2%</b>
Permanent staff	29,291	31,984	9.2%
- Wages	20,041	21,943	9.5%
- Social security costs	6,394	6,959	8.8%
- Severance indemnity	1,304	1,542	18.3%
- Other expenses	1,552	1,540	-0.8%
Non-permanent staff	2,556	3,118	22.0%
<b>B) GOVERNMENT REMUNERATION</b>	<b>13,233</b>	<b>14,573</b>	<b>10.1%</b>
Direct and indirect taxes (net of loans and tax credits)	13,353	14,892	11.5%
Loans received by Public Administration	(120)	(319)	165.8%
<b>C) REMUNERATION FOR BORROWED CAPITAL</b>	<b>156</b>	<b>129</b>	<b>-17.3%</b>
Charges for current capital	40	15	-62.5%
Charges for long-term capital	116	114	-1.7%
<b>D) REMUNERATION FOR RISK CAPITAL</b>	<b>6,372</b>	<b>7,290</b>	<b>14.4%</b>
Part of financial year profit distributed	6,372	7,290	14.4%
<b>E) CORPORATE REMUNERATION</b>	<b>28,474</b>	<b>32,626</b>	<b>14.6%</b>
Share of profit allocated to reserves	19,134	21,869	14.3%
Amortization	9,340	10,757	15.2%
<b>F) THE COMMUNITY (GIFTS AND SPONSORING)</b>	<b>107</b>	<b>138</b>	<b>29.0%</b>
<b>GROSS GLOBAL ADDED VALUE</b>	<b>80,189</b>	<b>89,858</b>	<b>12.1%</b>

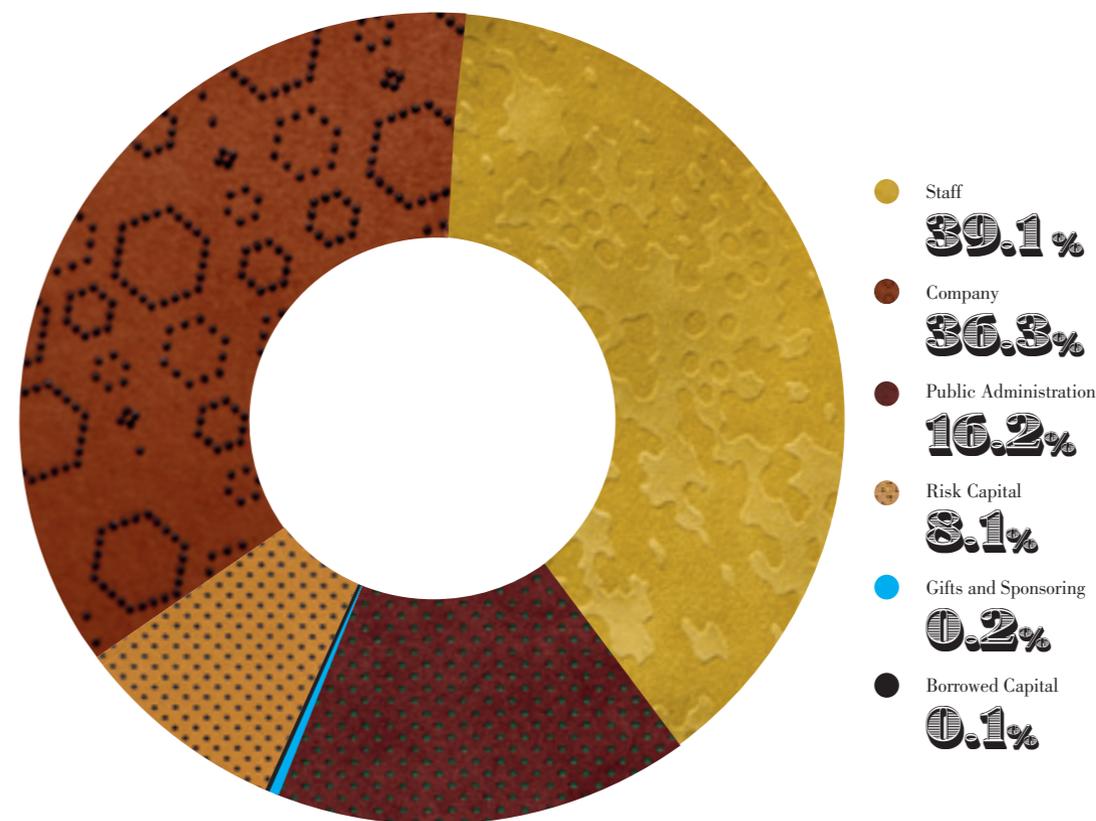
The added value distributed increased by

**12.1%**

with respect to 2016 Fiscal Year.

The distribution of added value includes the new profit of € 29,160,000, 14% more than 2016 Fiscal Year, which was allocated € 7,290,000 as profit for distribution and € 21,869,000 as company remuneration, as per the proposal for profit allocation approved during the shareholders' meeting on 27 June 2017.

DISTRIBUTION OF ADDED VALUE 2017



The portion of added value assigned to permanent and non-permanent staff increased by 10.2% in absolute terms and represents 39.1% of the total gross value added.

At 31 March 2017 the workforce is composed as follows:

LOCATION	Permanent staff	Non permanent staff	Administrators with special duties
Milano (HQ)	99	-	2
Nera Montoro (plant and R&D)	450	37	1
Shanghai (repr. office)	1	2	-
<b>TOTAL</b>	<b>550</b>	<b>39</b>	<b>3</b>

A 36.3% of the added value created in 2017 Fiscal Year was reinvested in the Company; this amount includes the amortization of the investments made in the local area and a portion of retained earnings. Already in 2013, the shareholders' meeting resolved to waive 50% of profits available for distribution in order to self-finance an important investment project to further reduce the environmental impact of processes. The amount allocated to cover investments

was increased by a further 25% as a consequence of a new project aimed to increase production capacity, due to current and prospective market trends. Despite its financial solidity, the Company, as largely expected, found it necessary to take out long-term loans from external lenders to support the important production process upgrade investment. The amount distributed to the Government was € 14,573,000 (16.2% of the total); this amount is the result of the sum of

€ 13,799,000 for direct taxation and € 1,094,000, for indirect taxation, less € 319,000 for loans received and tax credits linked primarily to the contribution for the energy-intensive enterprises and a remaining part of tax credit on investments. The remuneration for risk capital of € 7,290,000 (8.1% of the total added value) is represented by the amount allocated as a dividend of the profit of the period which, as said, represents 25% of available income.

## — 2.2 Investments

The investments made in 2017 Fiscal Year amounted to almost **€ 28 million**.

Of these, € 409,000 concern intangible property assets and € 2,155,000 concern the capitalization of internal costs attributable to the labour cost of staff working in the maintenance department, technical design office and research centre.

The investments are divided into five main areas:

PURCHASES DURING THE FINANCIAL YEAR (€/000)	2016		2017	
		Balance	Forecast	
Plant rationalization, maintenance and quality standards*	7,616	17,163	19,062	
Health, safety and environment*	7,062	6,804	7,053	
Research and development	502	677	955	
Information system, marketing structures and other	728	1,013	800	
New project for environmental improvement	6,191	731	-	
New project to increase production capacity	-	1,831	-	
<b>TOTAL</b>	<b>22,099</b>	<b>28,219</b>	<b>27,870</b>	

(\* "Health, safety and environment" includes only costs for health and safety management and environmental protection. However, in the Directors' Report to the financial statements, those costs are aggregated with costs for energy saving and development projects (which here are included in "Plant rationalization and maintenance and quality standards").

The difference between the amount of investments budgeted and those actually made is primarily the result of a € 1,800,000 appropriation approved by the Board of Directors to increase production capacity.

**Investments for the protection of health, safety and the environment amount € 6,804,000** (24% of total investments) and are generally in line with the expense budget, split as follows:

- **health and safety: € 3,354,000;**
- **environment: € 3,451,000.**

In 2017, the aims of the environmental protection investments were:

- to prevent air pollution (€ 40,000);
- to prevent water pollution (€ 3,386,000);
- to prevent subsoil pollution (€ 25,000).

## INVESTMENT FORECASTS FOR 2018

The investment plan for 2018 Fiscal Year envisages the maintenance of health, safety and environmental commitments for the continuous improvement of the standards achieved, with a particular focus on impacts on the territory and workers' safety.

Among the investments budgeted, in addition to the ordinary ones, two important facts should be pointed out:

- continuation of the three-year investment approved by the Board of Directors on 9 December 2015 and the Executive Committee on 12 December 2016 concerning production flexibility, which will be completed in the next fiscal year with a projected amount of

**€ 5.9  
MILLION**

- approval of an important, ambitious project to increase production capacity to satisfy the constantly growing market demand. This project was authorized initially during the "Keisen meeting" held in Tokyo on 12 January 2017 by the top management of Toray and subsequently ratified by the Board on 10 February 2017.

This investment will be realized in three distinct phases subject to specific approval of feasibility and will involve an estimated expenditure of

**€ 294.6  
MILLION**

against which advances of € 1,800,000 were paid this year, as explained earlier.

INVESTMENT PLAN 01/04/2017-31/03/2018	AMOUNT (€/000)
Plant rationalization, maintenance and quality standards	10,517
Health, safety and environment	4,985
Research and development	592
Information system, marketing structures and other	800
New project for environmental improvement	730
New project to increase production capacity	37,032
<b>TOTAL</b>	<b>54,656</b>

The five-year project to increase production capacity was amply presented during the press conference held on 16 March 2017 at the Nera Montoro plant, where the Chairman and CEO Andrea Boragno illustrated the general lines of the project to both national and local authorities; it was published in the major television stations, newspapers and websites.

The project will have a significant impact not only in economic terms, linked to around € 300,000,000 in investment, and on employment, with an expected increase between 250 and 300 jobs, but

also indirect impact linked to fallout in the area where business revolves around the production plant, located in a geographical area that was been heavily affected by the recent crisis.

This initiative demonstrates that the Company always assesses investment opportunities with objective and social criteria, without considering the possibility of offshoring production to geographical areas where production costs would be considerably lower, giving the area as a whole an important opportunity for redistribution of the added value created.

## — 2.3 Suppliers and Partners

Alcantara S.p.A. procures the materials, products and services needed in its manufacturing processes (production structure at the Nera Montoro facility), the Milan headquarters and distribution processes, according to the various product segments.



In more detail,  
Alcantara S.p.A. imports some special *raw materials*, *semi-processed goods* and *specific machinery/equipment* from Japan (in some cases, the manufacturer is Toray Industries, Inc.). Outsourced technical and maintenance services are provided by local companies (over 74% of services) and outsourced product processing is assigned to specialized third party companies operating in Italy (over 98% of services); these are reliable partners that have decades-long *relationships* with *Alcantara S.p.A.*

During 2017 Fiscal Year, Alcantara S.p.A. maintained its commitment to foster relationships with its suppliers based on the principles of fairness, sustainability, equity and optimization of the global cost, while meeting the highest quality and safety requirements.

The Company has also kept its supplier mapping updated based on criteria such as factors impacting the sustainability risk level associated with the supply (such as geographic area/district in which the supplier operates, information in the public domain, compliance with a Code of Ethics and/or Corporate Social Responsibility programmes, conduct during the supply).

With its suppliers (and sub-suppliers), Alcantara S.p.A. promotes transparent and ethical conduct and responsible management processes in compliance with the principles of environmental protection, the safeguarding of human rights and work standards, and the fight against corruption.

In agreements entered into with suppliers for goods and services, the supplier must make an express commitment to comply with the principles set forth in standard SA8000® and, for the purposes of executing the engagements assigned, to observe the General Part of the Organization Model (pursuant to Italian Legislative Decree 231/2001) and the Alcantara S.p.A.'s Code of Ethics.

In the 2017 Fiscal Year, Alcantara S.p.A. received goods or services from 1,739 suppliers.

SUPPLIERS	2016			2017		
	Number	% of total	% of expenditure	Number	% of total	% of expenditure
Italy	1,470	84%	80%	1,475	85%	79%
Other countries	274	16%	20%	264	15%	21%
<b>TOTAL</b>	<b>1,744</b>	<b>100%</b>	<b>100%</b>	<b>1,739</b>	<b>100%</b>	<b>100%</b>

With specific reference to the geographical location of the suppliers, Alcantara S.p.A. gives priority to suppliers based near the Company sites (provincial or regional). Considering the two Company sites (the management office in Milan and the production plant and research centre in Nera Montoro), there are 693 local suppliers (40% of the total). Most suppliers from outside Europe are located in Japan.

SUPPLIERS	2016			2017		
	Number	% of total	% of expenditure	Number	% of total	% of expenditure
<b>Region of Umbria</b>	<b>231</b>	<b>13%</b>	<b>21%</b>	<b>244</b>	<b>14%</b>	<b>19%</b>
of these in the Province of Terni	188	11%	19%	199	11%	18%
<b>Region of Lombardy</b>	<b>656</b>	<b>38%</b>	<b>32%</b>	<b>679</b>	<b>39%</b>	<b>32%</b>
of these in the Province of Milan	513	29%	28%	494	28%	27%
<b>Other regions and countries</b>	<b>857</b>	<b>49%</b>	<b>47%</b>	<b>816</b>	<b>47%</b>	<b>49%</b>
<b>TOTAL</b>	<b>1,744</b>	<b>100%</b>	<b>100%</b>	<b>1,739</b>	<b>100%</b>	<b>100%</b>



## SUPPLIERS' QUALIFICATION

Alcantara S.p.A. is committed to ensure that suppliers meet all the requirements laid down by corporate procedures for their inclusion on the supplier's list and to promote the improvement of its suppliers' environmental and social responsibility performance (including second party audits). In addition, it encourages its suppliers to implement plans to optimize energy consumption, reduce the use of hazardous materials, reduce emissions, use recycled or reused materials, and maintain optimal waste management.

The satisfaction of these requirements is always ascertained through objective and documentary evidence and, for some equipment categories, also through technical and organizational audits at the suppliers' sites. Audits are conducted at suppliers' sites in order to verify their ability to fulfil the specific requests for supplies and comply with the requirements laid down by the certified management systems (quality, environment, safety, and social responsibility).

Alcantara S.p.A. identifies as strategic the suppliers operating in the following areas:

- machining operations performed on the product;
- contracting and logistical services (technical and maintenance companies operating at the production plant/central office, warehouse management, transport);
- general services (decontamination and/or waste disposal);
- raw materials.

With regard to sustainability, **121** suppliers are considered "priority" due to the fact that the goods and/or services they provide have a mutually significant economic impact and support activities whose effects may influence the assessment made by stakeholders. Of these, **39** are defined "super core" suppliers (in that they work regularly at the Alcantara S.p.A. sites and/or are partners in a production/distribution process) and **82** are defined "core" suppliers (in that they work non-continuously at the Alcantara S.p.A. sites and/or may become partners in a production process and/or are suppliers of important raw materials).

During 2017 Fiscal Year, Alcantara S.p.A. acquired four new priority suppliers that provide product processing services and one priority supplier of raw materials. The new suppliers are part of an evaluation program of Alcantara S.p.A. that considers environmental, social, human rights, and labor criteria, among others.

## New supply chain sustainability approach CSR self-assessment and CO<sub>2</sub> offsetting

During 2017 Fiscal Year, the project was implemented with 7 new partner companies involving a CSR assessment (Corporate Social Responsibility) along the Alcantara S.p.A. supply chain.

This instrument, in the form of a self-assessment/on-site audits, involves filling out a series of assessment sheets and enables Alcantara S.p.A.'s suppliers to create a reference framework concerning the level of risk management and sustainability opportunities, to identify possible actions to improve performance, to sustainably create value, and to reduce environmental impacts as much as possible.

Through this initiative, suppliers are able to meet Alcantara S.p.A.'s sustainability requirements and comply with its socially responsible business model. They are also able to develop better governance and control mechanisms by:

- identifying ethical/social and environmental risks and opportunities;
- understanding the level of management of such aspects;
- identifying what must be done to reach a satisfactory level;
- evaluating and measuring progress over time;
- involving collaborators, also by stimulating internal debate;
- initiating dialogue with other businesses and organizations.

With this assessment of compliance with Alcantara S.p.A.'s socially responsible business model, the supplier will be accredited in line with sustainability standards by the vendor management system.

With the aim to involve suppliers in its Environmental Sustainability model, Alcantara S.p.A. successfully asked and obtained from suppliers of logistic services (transport), according to the criteria established by the Certification Body, the calculation of CO<sub>2</sub> emissions and related offsetting, through the well-established practice of the purchase of offsetting projects.

The amount of CO<sub>2</sub> offset by suppliers corresponds to about 5,000 tons.

For further information on Carbon Neutrality, please refer to Chapter 6.

### CSR ASSESSMENT OF SUPPLIERS

TYPE OF SUPPLY	2016	2017	TOTAL AT 31/03/2017
Product nobilitation processes	3	-	4
Tender and logistics services	6	5	14
Waste disposal services	1	2	3
Raw materials /packaging	-	-	1
<b>TOTAL AUDIT</b>	<b>10</b>	<b>7</b>	<b>22</b>

Alcantara S.p.A. *purchases exclusively* raw materials authorized by the community standards (*REACH*) and subjects every *new raw material* to a *strict assessment* with regard to *its environmental impact* and *safety for consumers* before using it in a production process.

## SA8000® RESPONSIBLE PROCUREMENT

Since 2007 goods and service suppliers have collaborated with Alcantara S.p.A. in maintaining the levels laid down in the SA8000® standard. Alcantara S.p.A. elaborated a schedule of audits conducted on “core” and “super-core” suppliers by qualified experts and the SA8000® manager, with the objective of checking their commitment towards the “social responsibility” standard. Furthermore, the audits aimed at detecting any situations of risk relating to the right to exercise freedom of association and collective bargaining, respect for human rights and forced or child labour. The non-conformities found are classifiable as “minor”. The suppliers were requested to take corrective actions and provide evidence of their implementation.

### NUMBER OF AUDITS SA8000®

TYPE OF SUPPLY	At 31/12/2014	2016	2017	TOTAL AT 31/03/2017
Product nobilitation processes	23	3	4	30
Tender and logistics services	32	2	1	35
Waste disposal services	5	1	-	6
Raw materials/packaging	18	4	-	22
<b>TOTAL AUDITS</b>	<b>78</b>	<b>10</b>	<b>5</b>	<b>93</b>

Within the scope of the three-year audit plan (from 1 January 2014 to 31 March 2017), Alcantara S.p.A. carried out **28 audits** to directly assess supplier fulfilment of requirements. These audits did not reveal any supplier violations of the applicable workplace health and safety or environmental and public health protection legislation, or the international principles to which reference is made in the SA8000® standard, or any social emergency situations (unreported employment, child labour, etc.) justifying suspensions and/or revocations of the contract. None of the suppliers had to be put on “warning status”.

Plans of action were drawn up together with the suppliers for areas identified as having room for improvement. The 2016 figure includes two additional audits (not planned) aimed at directly assessing the implementation of the improvement action plan at the supplier sites.

Based on the audits carried out in the last three years, **23 action plans** were launched (9 plans in 2014 – 9 plans in 2016 Fiscal Year– 5 plans in 2017 Fiscal Year) involving the same number of suppliers (82% of the inspections made were associated with an improvement plan), for a total of 100 findings and relative corrective actions.

### 2014-2017 AUDIT PROGRAMME IMPROVEMENT PLANS

	2014	2016	2017	TOTAL 01/01/2014 - 31/03/2017
Total Audits	13	10	5	28
Total plans (with corrective actions)	9	9	5	23
Total No. of findings	48	36	16	100

## — 2.4 Institutions



Alcantara S.p.A. has established relationships with the Public Institutions based on transparency and collaboration. It has also engaged Universities in projects aimed at developing the relationship between public and private research (for further details see paragraph 5.2)

With regard to the transfer of value to the State and Local Authorities through the payment of direct and indirect taxes and other contributions, the sum of € **14,892,000** paid in 2017 Fiscal Year increased essentially due to IRES (Corporate Income Tax).

FINANCIAL RELATIONS WITH LOCAL AUTHORITIES AND THE STATE (€/000)		
LOCAL AUTHORITIES	2016	2017
IRAP (Regional Business Tax)	1,895	1,944
Waste disposal tax	61	57
Utility taxes and surtax	125	101
ICI/IMU (property tax – part allocated to the Municipality)	191	193
Advertising tax	9	9
Other taxes due	8	15
<b>TOTAL</b>	<b>2,289</b>	<b>2,319</b>
STATE	2016	2017
IRES (Corporate Income Tax)	10,357	11,855
Customs duties	341	342
IMU (property tax – part allocated to the State)	174	174
VAT on gifts	128	142
Capital transfer tax and excise licences	23	15
Other taxes due	41	45
<b>TOTAL</b>	<b>11,064</b>	<b>12,573</b>
<b>PUBLIC ADMINISTRATION TOTAL</b>	<b>13,353</b>	<b>14,892</b>

The table also includes deferred tax assets amounting to € 311,000 in 2017 (€ 836,000 in 2016), of which € 224,000 for IRES (€ 717,000 in 2016) and € 87,000 for IRAP (€ 119,000 in 2016).

## GOVERNMENT FINANCING

In 2017 Fiscal Year, Alcantara S.p.A. continued to monitor mainly national tax relief opportunities, aiming at supporting companies committed to investment projects, research and protection activities of trademarks and patents.

Furthermore, here below are reported the benefits found in the distribution of added value to the Public Administration.



GRANTS AND CONTRIBUTIONS RECEIVED	2016	2017
Contribution to energy-intensive businesses	(60)	(319)
Tax credit investments	(60)	-
Regional bonus for hirings	-	-
<b>TOTAL</b>	<b>(120)</b>	<b>319</b>



TAX BENEFITS

LEGISLATIVE REFERENCE	CHARACTERISTICS
Patent Box (ex art.1, c 37-45 Law of 23 December 2014 n. 190 "Stability Law" (Italian Draft Budgetary Plan), modified by Decree Law of 24 January 2015, n.3, and converted with Law of 24 March 2015, n.33)	Tax relief on income from the intangible assets, so called "intangibles" such as trademarks, patents, models and similar. The Company has directed its efforts to the evaluation of this advantage and applied for participation in the above mentioned procedure, electronically presented on 23 March 2016. On 17 June 2016 the Lombardy Regional Office declared admissible the preliminary settlement request presented by Alcantara S.p.A. The outcome will be available shortly.
Super depreciation (art.1 c 91,92,93, and 94 Law of 28 December 2015 n.208 "Stability Law" (Italian Draft Budgetary Plan)	Bonus concerning tax rules for depreciation, whereby it would be possible to book maxi-depreciation on capital goods investments. The provision is aimed at encouraging investments in new capital goods through a percentage increase of the tax cost of the goods themselves, in order to allow the inclusion of portions of depreciation in the tax period and higher finance lease payments for the purposes of IRES (Corporate Income Tax). During 2017 Fiscal Year, Alcantara S.p.A. conducted an analysis of the investments made in the "facilitated" period, discovering an income tax benefit of € 188,000, which will be utilized over a period of 12 years corresponding to the maximum period of depreciation of the investments.
Extension of super-depreciation and hyper-depreciation Law no. 232 of 11 December 2016, art. 1 (90 -14 ) (annexes A and B)	The law of 11 December 2016 extended the benefit of super-depreciation for the period 1 January 2017 to June 2018, so in coming months Alcantara S.p.A. will conduct studies requiring documentary analysis and verification to determine and acquire the benefit for new assets acquired in the tax period just ended (1 April 2016 - 31 March 2017). At the same time, the law in question introduced a new "hyper-depreciation" provision with application solely to the purchase of assets included in special lists, with specific characteristics of automation in line with the requisites of the national Industry 4.0 plan. Alcantara S.p.A. therefore took prompt action to assess the situation through a special interfunctional working group to study and identify future benefits that may be forthcoming in future years.

## MEMBERSHIP IN TRADE ASSOCIATIONS

Alcantara S.p.A. participates in many associations and/or institutions through its membership fees and direct presence in order to support the Company's representation and use the services provided by the associations.

Alcantara S.p.A. has never paid contributions for political purposes and has no future plans to do so.

LIST OF ASSOCIATIONS OF WHICH ALCANTARA S.P.A. WAS A MEMBER AS AT 31 MARCH 2017

FAI (Italian National Trust)	MITTELMODA
AUSED (Association of users of information systems and technologies)	NATIONAL CHAMBER OF FASHION
ASSOFIBRE	JAPANESE CHAMBER OF COMMERCE
ASSOLOMBARDA	JAPANESE SCHOOL
ASSOUMBRA	ITALIA-JAPAN FOUNDATION
FEDERCHIMICA	UNITED NATIONS GLOBAL COMPACT
IBC (Consumer goods industrial association)	CLINTON GLOBAL FOUNDATION
TEXCLUBTEC	ASHOKA



# SOCIAL SUSTAINABILITY human resources

## Highlights

- **Staff increase of 6.2%**  
(from 518 employees in 2016 to 550 in 2017 Fiscal Year)
- **Over 30,000** total hours of training for employees on quality, safety, environment, IT and other important topics
- **Over 200 hours** of training on ethics, human rights and social responsibility
- **3** years of relevant certification for the health and safety management system in compliance with OHSAS 18001 (2015 to 2018)
- No injuries at the Milan headquarters since 2011
- **Lower gravity** index than in prior years

NOTE: The indications "2016" and "2017" in this document refer to the 12-month periods 1 April 2015 - 31 March 2016 and 1 April 2016 - 31 March 2017 and correspond to the Fiscal Year of Alcantara S.p.A.



Browse the interactive report on [sustainabilityreport.alcantara.com](http://sustainabilityreport.alcantara.com)

# 2017-2020 SUSTAINABILITY PLAN

## PEOPLE SOCIAL SUSTAINABILITY



COMMITMENTS	ACHIEVED IN 2017 FISCAL YEAR
<b>Staff Management</b>	
<ul style="list-style-type: none"> <li>increase the dialogue between the Company and its staff, stimulating the creation of sharing moments based in part on the training program conducted during the year;</li> <li>develop access points to the Company intranet at the Nera Montoro site particularly for plant workers.</li> </ul>	<ul style="list-style-type: none"> <li>sharing of Company objectives increased with periodic meetings of the working groups' task force and through the organization of transverse training opportunities, such as the one for factory master;</li> <li>organized of the working groups' task force at the plant logistics structure and at production to discuss problems at the respective sites;</li> <li>organized working groups to discuss Company strategic objectives;</li> <li>selected Zucchetti software to manage staff and to upgrade the Company's intranet personnel page.</li> </ul>
<b>Health &amp; Safety</b>	
<ul style="list-style-type: none"> <li>no injuries at the Nera Montoro production plant;</li> <li>no injuries at the Milan headquarters;</li> <li>maintainance of OHSAS 18001 certification at both sites;</li> <li>identification of 350 safety proposals and 100 near-missed accidents at Nera Montoro production plant;</li> <li>identification of 10 safety proposals at Milan headquarters.</li> </ul>	<ul style="list-style-type: none"> <li>four accidents in 2017 Fiscal Year at the Nera Montoro plant;</li> <li>no accidents in 2017 Fiscal Year at the Milan headquarters;</li> <li>OHSAS 18001 certification confirmed in 2017 Fiscal Year at the Milan headquarters and the Nera Montoro plant;</li> <li>372 safety proposals and 108 near-accidents presented at the Nera Montoro production plant;</li> <li>6 safety proposals presented at the Milan headquarters.</li> </ul>



2020 OBJECTIVE	AREAS OF ACTION
<ul style="list-style-type: none"> <li>continuous improvement of human resources management;</li> <li>continuous improvement in workers' health and safety.</li> </ul>	<ul style="list-style-type: none"> <li>intensify internal communication, improving the existing instruments such as the Company intranet and develop new ideas and forms of engagement;</li> <li>improve the process for orienting new hires to Company activities;</li> <li>pursue the personnel orientation and professional development program for high-potential individuals;</li> <li>achieve zero accidents at Alcantara S.p.A. and maintain OHSAS 18001 certification;</li> <li>identify 350+ safety proposals and 100+ near-accidents at the Nera Montoro site;</li> <li>identify 10+ safety proposals at the Milan headquarters.</li> </ul>

### — 3.1 Management Policies and Composition

Alcantara S.p.A. considers its staff to be the main resource for achieving its strategic aims and the key factor for business growth and development. A fundamentally important element of the management approach is the assumption of responsibility by employees on all levels, which is expressed through respect of the roles, relationships between employees and their supervisors, and interdepartmental teamwork.

Alcantara S.p.A. pursues the growth and motivation of its staff through:

- communication and sharing of corporate, team and individual objectives;
- control and feedback on the results obtained;
- teamwork and knowledge of Company processes;
- development of training plans aimed at career development on all levels;
- implementation of remuneration

policies that guarantee internal fairness, competitiveness with the market, and recognition of the results achieved.

These strategies are pursued through the definition of annual operating plans, with implementation systematically monitored through Company meetings.

Given the new context imposed by the increased production capacity and sales, it is recommended to upgrade the skills of the staff involved.

## STAFF COMPOSITION AND TURNOVER

The average number of employees recorded during 2017 Fiscal Year was 541, an increase of 52 compared to the average in the previous year. The flexibility of market demand affected the trend in the Company staff: Alcantara S.p.A. continued responding to this need for flexibility with fixed-term contracts and the use of some staff leasing agreements.

With particular reference to the production plant, due to the increase in production capacity, Alcantara S.p.A. gave a concrete response to the needs of the territory employing workers coming from local companies going through a period of crisis, where possible.

A percentage of 78.9% of the staff are on an open-ended contract with an increase of 16 persons compared to the previous year; this is due to the fact that, when market demand is consolidated, the Company tends to stabilize the fixed-term contracts as far as possible. There are still some active apprenticeship contracts but fewer than in the past.

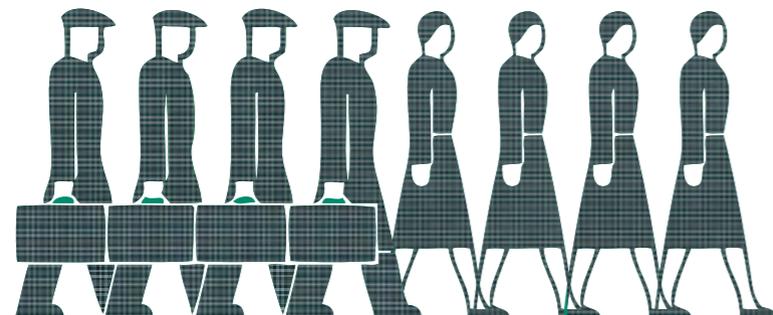
Most of the Company staff live in areas close to their workplace: 92% of the staff at the production plant and research centre in Nera Montoro live in the province of Terni, while 63% of the staff working at the Milan headquarters live in the province of Milan.

Of senior managers (top management) 56% live in the province of Milan, while 100% of the senior managers at Nera Montoro plant live in the province of Terni.

*As  
at 31 March 2017,  
the Alcantara S.p.A. staff  
included 550 units, 94 of them  
working at the Milan headquarters  
and 456 at the Nera Montoro  
production plant and research centre.  
The increase in the  
Company staff as at 31  
March 2017 was 6.2% over  
the previous year.*

STAFF	2016 (31 March)		2017 (31 March)	
	MEN	WOMEN	MEN	WOMEN
Top management	16	1	17	1
Middle management	42	13	41	18
Office workers	71	50	75	58
Manual workers and apprentices	308	17	323	17
<b>TOTAL</b>	<b>437</b>	<b>81</b>	<b>456</b>	<b>94</b>
	<b>518</b>		<b>550</b>	

STAFF	2016		2017	
	MEN	WOMEN	MEN	WOMEN
<b>PERMANENT VS TEMPORARY CONTRACT</b>				
Permanent staff	346	72	355	79
Temporary staff	91	9	101	15
<b>FULL VS PART TIME</b>				
Full-time staff	437	80	456	92
Part-time staff	-	1	-	2



### BREAKDOWN OF STAFF BY ACADEMIC QUALIFICATION

QUALIFICATION	2016	2017
Middle school qualification	59	54
High school diploma	337	350
University degree	122	146
<b>TOTAL</b>	<b>518</b>	<b>550</b>

### BREAKDOWN OF STAFF BY AGE GROUP

AGE	2016	2017
<30 years	71	69
30-50 years	377	408
>50 years	70	73
<b>TOTAL</b>	<b>518</b>	<b>550</b>

The average age at the Milan headquarters and at the production plant and research and development center of Nera Montoro declined slightly from the previous year: 41.08 for the headquarters and 39.7 for the plant.

NEW CONTRACTS	2016		2017	
	Number	Rate	Number	Rate
Men	64	14.6%	38	8.3%
Women	17	21%	20	21.3%
<b>TOTAL</b>	<b>81</b>	<b>15.6%</b>	<b>58</b>	<b>10.5%</b>
TERMINATED CONTRACTS (TURNOVER)*	2016		2017	
	Number	Rate	Number	Rate
Men	32	7.3%	18	3.9%
Women	9	11.1%	6	6.4%
<b>TOTAL</b>	<b>41</b>	<b>7.9%</b>	<b>24</b>	<b>4.4%</b>

\* The figures do not represent the number of employees joining or leaving the Company during the year but the number of movements and thus include cases in which an individual joined and left the Company more than once during the year.

The outward turnover for 2017 Fiscal Year (4.4%) was significantly lower than the previous year. Hiring continues to increase and registers an increment in the number of women, a rate of 21% in line with 2016.

TURNOVER BY REGION	MILAN		NERA MONTORO	
	Number	Rate	Number	Rate
New contracts 2017	18	19.1%	40	8.8%
Terminated contracts 2017	6	6.4%	18	3.9%

Regarding the two principal geographical areas, the Nera Montoro site was the area with the highest number of hires in 2017 Fiscal Year. The Milan headquarters showed the highest percentage level of hires (19.1%) and terminations (6.4%).

TURNOVER BY AGE GROUPS 2017	NEW CONTRACTS		TERMINATED CONTRACTS	
	Number	Rate	Number	Rate
<30 years	16	23.2%	1	1.1%
30-50 years	37	9.1%	11	2.7%
>50 years	5	6.8%	12	16.4%

Most of terminated contracts refer to fixed-term contracts that had expired and to retirements.

## — 3.2 Diversity and Respect for Human Rights

Alcantara S.p.A. is also sensitive to equal opportunities although, since it operates in a production and industrial environment, the number of women is lower than men. The distribution of staff according to gender is characterized by an increase in female staff from 63 in 2013 to 94 in 2017 Fiscal Year.

*The Company has never committed or permitted overt or veiled discrimination in relations with its staff. In support of this approach, Alcantara S.p.A. offers the possibility of informing the Supervisory Board of any cases of conduct that violate the Code of Ethics or reporting any potential risks of this, with the possibility, where necessary, of involving the workers' representative for the SA8000® system.*

In 2017 Fiscal Year, **48 employees** (36 men and 12 women) of the Milan headquarters and the production plant and research and development center of Nera Montoro **took parental leave**, significantly more than the previous year. This leave consisted primarily of mandatory maternity leave and voluntary leave to assist the disabled (Law 104) and paternity leave (mandatory and voluntary). On expiry of their leave, with the only exception of ongoing maternity leaves, all employees returned to work and they were all present as at 31 March 2017.

Alcantara S.p.A. respects the legislation in force also with regard to the inclusion and integration of staff belonging to minority groups. In 2017 Fiscal Year, **8% of employees belonged to these groups.**

MINORITY GROUPS	2016	2017
Number of employees belonging to minority groups	42	44
Minority groups percentage with respect to the total number of employees	8.1%	8.0%



### Social Accountability Project SA8000®

Certification in accordance with the international standard SA8000® (Social Accountability 8000), held by Alcantara S.p.A. since 2008 to maintain a high level of respect for human rights within the Company and along the value chain, represents another sign of responsible management.

All Company staff is informed of and periodically trained on the spirit and principles of this standard through specific training courses and special meetings. All new hires are given specific training together with a folder containing the SA8000® standard's contents and principles.

TRAINING ON HUMAN RIGHTS	NERA MONTORO		MILAN		PERCENTAGE OF TOTAL
	Hours	No. workers involved	Hours	No. workers involved	
2016 Sustainability project and SA8000®	99	67	18.6	44	21.4%
2016 Training on Italian Legislative Decree 231/2001	42.5	73	75.6	50	23.7%
2017 Sustainability project and SA8000®	164.5	53	3.3	5	10.5%
2017 Training on Italian Legislative Decree 231/2001	72.5	76	1	5	14.7%

In 2017 Fiscal Year, Alcantara S.p.A. continued its training program on human rights, sustainability and Legislative Decree 231/01, confirming the Company's commitment to these issues. The change in the hours provided, particularly in the Milan headquarters, was due to the high number of hours and number of employees involved in 2016 Fiscal Year, when a training project was implemented for the Sales Force, Corporate Communication, Technical Marketing departments, with the objective of developing a more effective commercial approach, with sustainability as the key ingredient in the Alcantara® offering to customers.



# SA8000®

## — 3.3 Incentives and Remuneration

Alcantara S.p.A. promotes staff management and motivation through incentive and development policies and measures. To this aim, on a yearly basis, incentives not due by contract, in addition to those resulting from organizational changes and/or automatic contractual provisions, are defined and planned to reward the skills expressed on an individual level.

STAFF INVOLVED IN INCENTIVE INTERVENTIONS		
TYPE OF INCENTIVE OPERATION	2016	2017
M.B.O. (Management By Objective) and lump-sum bonuses	104	84
Pay rise	14	27
Promotion to higher employment level	72	87
<b>TOTAL</b>	<b>190</b>	<b>198</b>

Lump-sum bonuses are paid to staff that make a major contribution or obtain results that go beyond the established targets of significance to the Company. There are also promotions along career development paths and transfers to higher positions.

The Company also has a **variable remuneration system** associated with the achievement of the profit and performance targets set on both an individual and team level. Top management, other managers, and key persons at Alcantara S.p.A. are included in an annual variable target-oriented incentive plan, taking into account their economic, social and environmental performance. The middle management, not included in the variable incentive plan, is assessed on the basis of the responsibilities managed within the scope of the relationship between workers and their supervisors.

Alcantara S.p.A. has adopted a slender and efficient assessment system based on which all employees at every level receive periodic assessments. In particular, all staff employed and working at the production

plant and research centre in Nera Montoro are assessed systematically at every change of position and, in any case, at least once a year. During 2017 Fiscal Year over 95% of production plant staff have been assessed at least once by their supervisors (the value includes some staff under leasing agreements).

Investigating remuneration proportion between genders, the ratio between the average gross annual salary paid to women and the salary paid to men is equal to 0.71 in case of top and middle management (with a difference of -29.35%), 0.96 in case of employees (with a difference of -3.5%) and 1,015 in case of manual workers and apprentices (with a difference of +1.54%).

The salaries paid to new recruits are slightly higher than the minimum laid down by the national contract: +5.43% is average salary paid to new recruits (excluding supervisors) compared to the National Collective Labour Agreement (CCNL) applied without any distinction between genders.

## INDUSTRIAL RELATIONS

All workers are covered by National Collective Labour Agreements (CCNL) for employees in the chemical, chemical/pharmaceutical and chemical fibres industries and the abrasives, lubricants and LPG sectors, which establish the rules and methods for handling trade union relations on the various levels of representation (national, local and corporate).

Alcantara S.p.A.'s objective is to consolidate a positive and constructive system of industrial relations on all levels consistent with the strategic, organizational and cultural developments of the Company and based on maximum transparency and participation.

Alcantara S.p.A. believes that industrial relations and a positive bargaining atmosphere are fundamentally important to support the business process. In particular, the Company holds meetings at which the workers' representatives are informed in advance of Company decisions. At the meetings with the workers' representatives, every effort is made to share these decisions and any alternative proposals are always considered.

The principal topics discussed in 2017 Fiscal Year were:

- analysis of application of the agreement of 21 July 2014, which permitted exceptions to legislative and contractual

provisions on the use of fixed-term and staff-leasing contracts, regarding the number of workers and the maximum duration of these contracts. Confirming the premises and scenarios illustrated in the 2014 agreement, the parties agreed that the exceptions had been positively received by the Company and the workers involved and extended their validity to June 2019;

- definition of the work schedule, on which an agreement was reached, and subsequently an analysis of its application was shared with the trade union representatives, particularly regarding the use of individual entitlements in relation to past, present and future commitments of the Company. The parties agreed on the actions to be taken to prevent potential problems;
- agreement on the analysis of maintenance availability, after which a new agreement was concluded with a different availability calendar, formulated to ensure faster response time and greater recovery of the psycho-physical energy of the workers involved.

Lastly, the agreement on the **productivity bonus** was shared with the trade unions. The bonus, paid to all employers excluding supervisors during the month of May 2016, amounted to 89.6% of the maximum agreed value, following the final reporting of the profit and production results of 2017 Fiscal Year.





## — 3.4 Training and Career Development

Training is systematically included in Alcantara S.p.A.'s strategic plans and is considered an indispensable tool for building, developing and consolidating professional skills and know-how. It is also an important tool and lever to engage and motivate the staff.

On a yearly basis, the HR Department collects training preferences and needs from each department, with clear identification of priorities. These requests compose the general plan that is later approved by the HR Director in line with Company needs and approved budget allocations. The plan is implemented by

the personnel office. The effectiveness of training is evaluated in real time with learning tests (for external classes and HSE) and in the medium-long term by supervisors, who, in the yearly assessment of their team performance, are also called to express an opinion on the effectiveness of the training given to the individuals.

TRAINING SESSIONS	2016	2017
Average hours per capita (man hours)	67	55
Costs (€)	73,000	72,300
Total number of hours of training provided	34,800	30,481
• technical and career development	3,661	6,327
• courses for new hires	26,520	21,325
• quality	67	28
• safety and environment	4,545	2,798
• IT	7	3

The total hours of training are in line with the prior fiscal years; in particular, the increase in hours of technical training and professional development is due to the commitment of Alcantara S.p.A. to the growth of its personnel and especially for new hires during the year.

training initiatives and plans, especially in case of:

- new recruitment;
- transfer to other work positions;
- changes in organization and/or technical/technological innovations that significantly affect the worker's professional profile;
- career development paths.

Staff on all levels are directly involved in



AVERAGE HOURS OF TRAINING GIVEN IN 2017 FISCAL YEAR	NERA MONTORO		MILAN		TOTAL
	Men	Women	Men	Women	
Plant workers	46.5	36.6	-	-	46.2
Apprentices	49.5	260.6	26.7	-	134.7
Office workers	61.5	91	14.8	9.9	47.6
Middle management	29.2	28.1	8.9	14.4	19.8
External *	34.4	40.3	73	-	34.7
Top management	28.3	-	5.5	-	7.7

\* "External" category includes staff employed with leasing agreements or from external companies.

During 2017 Fiscal Year, the training held at the production plant and research centre in Nera Montoro concerned mainly new hires (more than 20,000 hours) and staff involved in career development and professional growth (including operating flexibility). Also significant was the training provided after the installation of new production lines.

Furthermore, there were numerous training courses on the various certified company systems (e.g. ISO 50001, ISO 14000, ISO TS16949, FMEA technique, and introduction to the new IATF).

A training program was initiated for supervisors and technical staff in the production areas regarding Total Productive Maintenance (TPM), which will be further developed next year. Alcantara S.p.A. designed and implemented the Factory Master, a multi-session training program designed for high-potential individuals with a relatively short period of Company orientation. The purpose of the program is to involve and motivate the participants and provide them with specific training on the principal Company processes,

developed by managers of the various areas. Training was also initiated on the Chemical Management System, and that on product safety was increased. The trade union representatives and Company industrial relations officers participated jointly in a training session on industrial relations for productivity and employment, following the guidelines of the category's national labor contract. For SSA training, beyond the one required by law for new machinery, for the transfer of workers, for the orientation of new staff, for updates for RLS (worker safety representatives, RSPP (prevention and protection service officers), ASPP (prevention and protection staff), workers and supervisors, Alcantara S.p.A. provided training on the new Company responsibilities for waste, prevention and protection measures for work at heights, emergency management, and the training and inclusion of new employees in the emergency team.

Some training courses at the plant were dedicated to the use and maintenance of new machinery and equipment, with a focus

on technical and technological aspects as well as safety.

At Milan headquarters, specific training courses were planned on topics such as:

- training for new hires and apprentices;
- training to implement the CRM (Customer Relationship Management) project, which involved all the staff in the sales, technical marketing, administration and finance, and IT areas;
- course on stable organization in China and the USA;
- 81/08 training for new hires and new appointees;
- updating/training of new members of the fire-fighting and first aid teams.

During 2017 Fiscal Year, Alcantara S.p.A. instituted one internship for the Milan headquarters and seven for the Nera Montoro plant (2 graduate internships, 4 internships for upper secondary school students, 1 research contract with the University of Perugia and 2 for students of the Higher Technical Institute of Terni), offering 8 young people the opportunity to experience employment and gain significant training.

further prevention and protection measures fully implemented during the year;

- in 2017 Fiscal Year, working groups were instituted up to the shift level, and Toray questionnaires were administered in all the Toray plants worldwide;
- safety summit and international audits of the Toray Group, with the direct participation of Toray's top management, in 2017 Fiscal Year those activities concerned meetings and exchanges with the Toray plants in France and the UK;
- specific work groups for functional areas in the field of sustainability, management of pressure equipment, hoists, etc.;
- emergency teams with equipment that is not compulsory in accordance with the law (fire engine, ambulance, surgery with daily medical and on-call service 24 hours a day);
- provision of training to the contractors' staff (e.g. DPR177/11 Working in confined spaces, DUVRI risk assessment document etc.);
- activation of a specific service for the rental and industrial laundering of work apparel, involving the supply of work

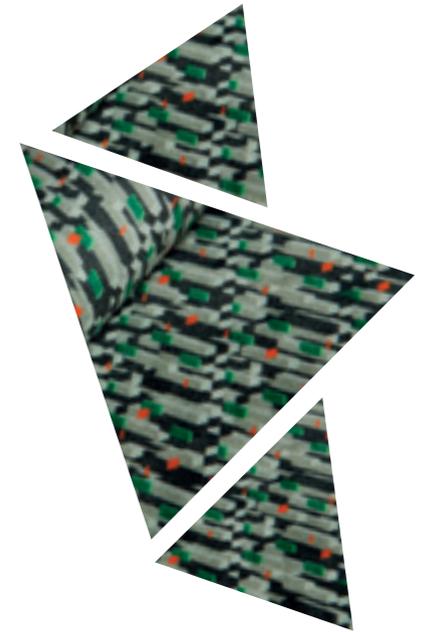
clothes and subsequent periodic pick-up, laundering and delivery to the lockers of individual workers, and replacement of worn clothing;

- supply of hard hats to all staff following the analysis of a "near-miss accident" as proposed by a worker; this hard hat is currently used in all operating areas near machines, plants and other structures to protect heads from injury caused by impacts.

There have been no accidents at the Milan headquarters from 2011 to 2017 Fiscal Year. Charts regarding the frequency and gravity indices are therefore provided only for the Nera Montoro plant.

Accidents are managed in compliance with the procedure "accident reporting and analysis - near-accidents and injuries" (PSSA5.3<sup>o</sup>), included in the SSA management system certified under OHSAS 18001; this procedure complies with D.P.R. no. 1124 of 30 June 1965.

There have been four injuries at the Nera Montoro plant in 2017 Fiscal Year, noted in the accidents register.



## — 3.5 Occupational Health and Safety

Alcantara S.p.A. is committed to and invests in improving the health and safety of everyone, not only of its own staff but also third parties, going well beyond the obligatory provisions laid down by law. Its aim is to reach the "Zero Injuries" objective.

With this commitment the Company has obtained certification of the health and safety management system (OHSAS 18001), renewed in October 2015 until 2018, and positive oversight during 2017 Fiscal Year.

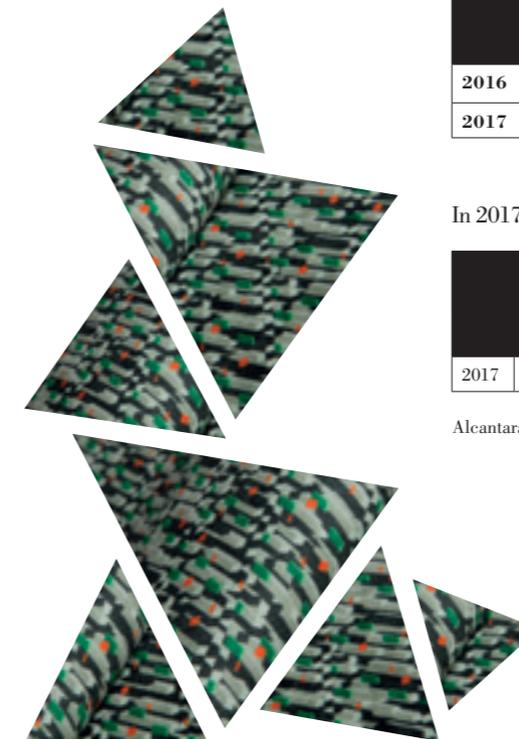
The number of workers directly involved in the system of health and safety-related roles is over 30% of the entire staff.

Alcantara S.p.A. prevents health and safety risks by going well beyond the requirements laid down by the legislation in force, through consolidated measures that help to keep the "health and safety system" dynamic and involve staff on all levels. The most important activities, carried out primarily in the Nera Montoro plant, were:

- safety proposals, safety patrols and safety shift leaders (box at p.51);
- 3Z Project for reducing accidents, complaints and production problems to a minimum;
- safety declaration: increase in staff

awareness of the safety policy;

- health, safety and environment plan (activities involved in the "Zero Injuries" project of the Toray Group) extended to the Milan headquarters from 2017 Fiscal Year;
- disaster prevention plan: supervisory and monitoring activities in the safety and environmental sectors to avoid injuries and environmental pollution, extended to the Milan headquarters from 2017 Fiscal Year;
- analysis of the accidents that took place throughout the Toray Group worldwide to improve measures for preventing accidents and injuries, including environmental (similar accident surveys), by analysing situations similar to those that resulted in accidents in other companies of the Group; in particular, during 2017 Fiscal Year, the analysis looked at risks associated with rotating parts, fire risk, environmental pollution risk, manual load handling and handling by forklift, with identification of



	NUMBER OF INJURIES (WITH ABSENCE)	HOURS WORKED	FREQUENCY INDEX number of injuries/ hours worked x 1,000,000	GRAVITY INDEX Days of absence due to injury/ hours worked x 1,000	OCCUPATIONAL DISEASES RATE Number of cases of occupational disease/ hours worked x 1,000,000
2016	-	734,268	-	0.124	-
2017	4	837,627	4.78	0.104	-

In 2017 Fiscal Year, all the injuries concerned male employees.

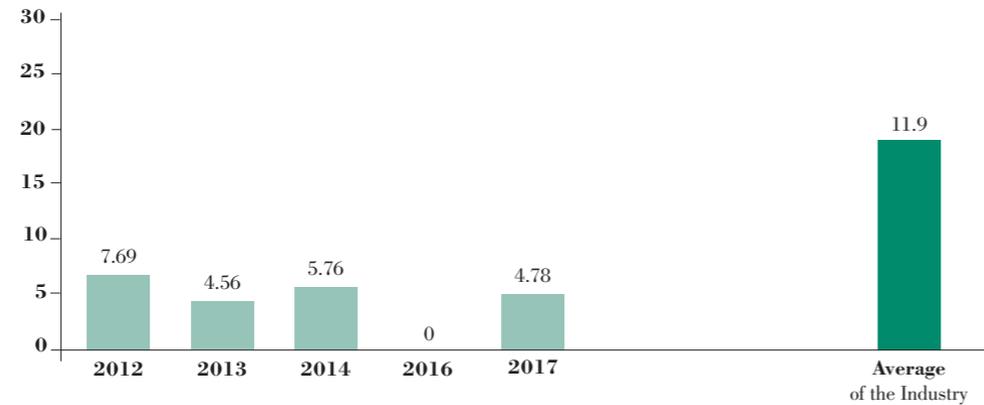
	NUMBER OF INJURIES		HOURS WORKED		FREQUENCY INDEX		GRAVITY INDEX		OCCUPATIONAL DISEASES RATE	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
2017	-	4	80,100	757,526	-	5.28	-	0.104	-	-

Alcantara S.p.A. data are significantly below average industry data (source: Federchimica Responsible Care).

$$FI = \frac{\text{no. injuries} \times 10^6}{\text{hours worked}}$$

### Frequency index\*

(FI – represents the frequency of injuries and indicates the number of injuries per million hours worked)

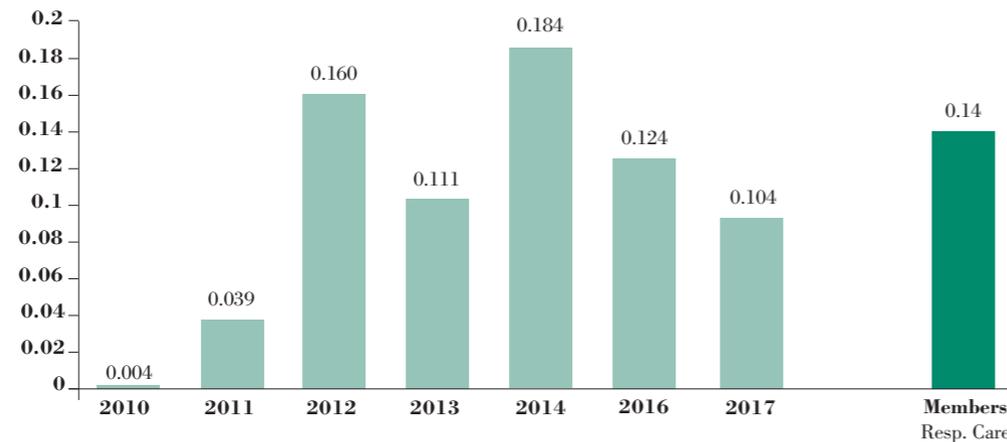


\*Source: 22nd Responsible Care Report, Federchimica  
The total frequency index also includes treatment without loss of fitness for work. The formula used to calculate the accident indexes differ from those proposed by GRI, in that reference is made to one million hours of work as opposed to 200,000.

$$GI = \frac{\text{days lost} \times 10^3}{\text{hours worked}}$$

### Gravity index\*

(GI – indicates the number of days' work lost per thousand hours worked)



\*Source: 22nd Responsible Care Report, Federchimica  
The days lost due to injury are calculated considering the day on which the accident occurred and are counted in calendar days. The formula used to calculate the accident indexes differ from those proposed by GRI, in that they refer to a thousand hours worked as opposed to 200,000.

Lastly, there was one injury involving an outside collaborator, i.e. not an employee of Alcantara S.p.A. but an independent contractor operating in its plant.

The absenteeism rate for Nera Montoro, computed as the ratio of absences from work (excluding vacation time) to total work-days, was **4.7%**: this figure is slightly higher than that of the previous year and an improvement over the national average for industry (7%) (Source: Confindustria survey on the work market – 2012).

## “Zero Injuries” Project



The aim of the “Zero Injuries” project is to identify further room for improvement in safety management and, more specifically, to move towards the “Zero Injuries” target, thus going beyond the requirements laid down by the current legislation. Over 9 years after the beginning of the project (June 2006), a considerable improvement from the technical and operational viewpoints has been recorded due, among other things, to the use of the following tools:

- **safety policy:** every year the holding Company establishes the slogan to be used to investigate health and safety issues;
- **hyari-hatto (incidents):** the holding Company sends all Companies in the Group the reports of the accidents that have happened at Companies all over the world, which allows them to assess any similar situations and take specific preventive and protective measures;
- **EHS audits:** every year, all the plants of the Group in Europe are subjected to EHS (Environmental, Health & Safety) audits by the management of a different plant;
- **safety patrol (employees and middle management) and safety shift leader (shift operators):** weekly or shift-based internal audits. Since 2014, the safety patrol team has included three operators that stood out in the previous year due to the number of safety proposals submitted;
- **safety day (production plant meeting open to everyone) and safety dinner (dinner with management):** collective explanation of the main Company events of the quarter and sharing of the Company’s strategies and projects with the entire staff of the production plant;
- **safety proposals:** practical improvement proposals for health, safety and environmental issues that any worker may propose and for which he is called upon to find an adequate response;
- **accidents and near misses:** reports from employees of potentially hazardous situations that could lead to injuries;
- **work groups:** formation of work groups for specific functional areas with a view to developing the greater participation of staff in the identification, assessment and minimization of health, safety and environmental risks and impacts;
- **safety shift meetings:** meetings for shift workers on safety.

RESULTS OF THE “ZERO INJURIES” PROJECT	ACCIDENTS	NEAR-MISSES	SAFETY PROPOSALS
2016	21	142	369
2017	27	108	372

## — 3.6 Internal Communication

Alcantara S.p.A. pays particular attention to listening and dialogue with employees in order to establish collaborative relationships between individuals, thus increasing the sense of belonging and the spread of the Company values and culture.

The *most significant activities* carried out in **2017** Fiscal Year are:

- constant updating of the Company's *intranet* and *notice boards*;
- twice-yearly publication of the *house organ Inside*, distributed in printed form to all staff as well as to the headquarters and production plant to facilitate exchanges of information and bolster consensus and sense of belonging;
- *internal climate survey*, results measurement and implementation of action plans;
- participation of Alcantara S.p.A. staff in the European annual forum of the Toray Group;
- *“Safety Day”* and *“Safety Dinner”* for the production plant of Nera Montoro.

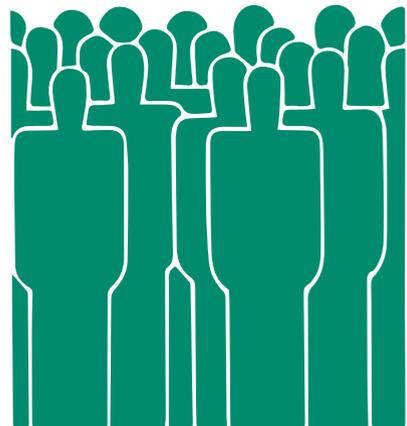


### Staff benefits

Alcantara S.p.A. gives its staff some benefits in addition to the provisions laid down in the Collective Labour Agreement:

- **study grants for the children of employees:** in 2017 Fiscal Year, Alcantara S.p.A. awarded 32 study grants for the children of employees, based on the procedures defined in a specific announcement. The study grants were meant for primary, lower and upper secondary school children, and were awarded by the Chairman and the management during the 2016 Christmas lunch. This gave children and young adults the opportunity to see the workplace and meet the colleagues of their parents;
- **without barriers:** again in 2017 Fiscal Year Alcantara S.p.A. continued the prize “without barriers”, instituted in 2016 Fiscal Year for the children of employees with disabilities. The prizes were awarded along with the scholarship ceremony: the children and their families then joined the management for the Christmas dinner;
- **intercompany crèche:** for the fourth year in a row, the experience of the crèche continues in partnership with two other companies based near the production plant of Nera Montoro. The structure is also open to children of non-employees but resident in the territory. The cost to be borne by the employees is comparable with that of public crèches, while the remaining part is paid by the Company;
- **Company canteen:** the structural costs of the canteen are borne entirely by the Company. Employees pay a small percentage of the cost of each meal (about 11.5%);

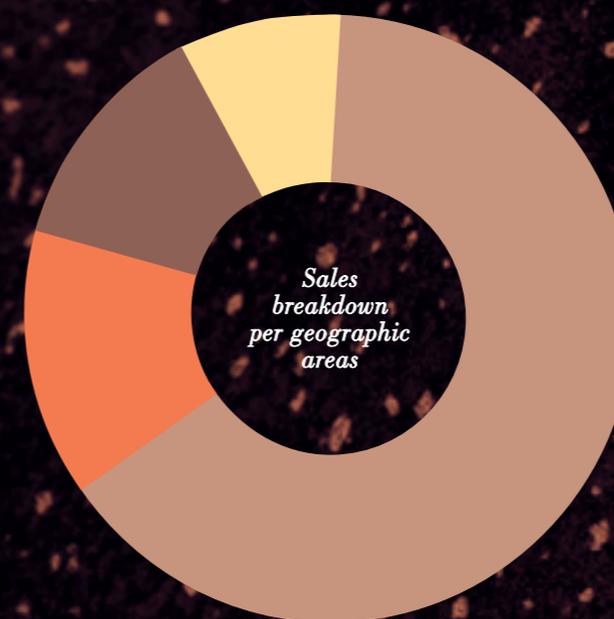
- **occupational and extra-occupational insurance:** in addition to the provisions laid down by INAIL (National Institute for Insurance against Accidents at Work) and in extension to non-work activities, the Company takes out an insurance policy for all members of staff;
- **vida:** by paying a minimal monthly fee, employees may freely join a fund, co-financed largely by Alcantara S.p.A., that refunds the costs of health services;
- **recreational club:** the Company sets aside a yearly amount for the recreational club; the Cral/Dopolavoro Sports and Social Club organizes cultural or sports activities for employees and their families;
- **Company health service:** at the production plant and research and development centre in Nera Montoro, there is a health service operating 24 hours a day, which has an ambulance and a defibrillator;
- **loyalty bonus:** when employees reach 25 years of service, Alcantara S.p.A. awards them a bonus;
- **on-duty allowance:** paid to employees responsible for handling emergencies and to maintenance staff;
- **improvement of common areas and work environments:** in 2017 Fiscal Year the Company continued the maintenance and renovation activities of green areas, and the restyling of some offices and of some common spaces;
- **sharing events:** during 2017 Fiscal Year the staff was involved in several activities and events: on Easter, at the Nera Montoro plant, the Holy Easter Mass was celebrated with the participation of the Bishop of the Diocese of Narni, Terni and Amelia; a Christmas lunch was organized for the entire staff of the plant together with the Company's top management.



SOCIAL SUSTAINABILITY customers

Highlights

- Total *net turnover* in 2017 Fiscal Year: **€ 186.6 million**
- Turnover up **13,7%** in value and **8,7%** in volume
- Sales growth continues outside the EU: **+ 24%** in the *USA* and **+ 37%** in *China*
- Alcantara S.p.A now operates in *five new countries*: Chile, Kuwait, Malaysia, Mongolia and Vietnam



- EU = 60.2%
- China = 17.2%
- Others = 12.5%
- USA = 10%

The Italian market accounts for about 13.9% of EU share, which means 8.4% of global sales.

NOTE: The indications "2016" and "2017" in this document refer to the 12-month periods 1 April 2015 - 31 March 2016 and 1 April 2016 - 31 March 2017 and correspond to the Fiscal Year of Alcantara S.p.A.



Browse the interactive report on [sustainabilityreport.alcantara.com](http://sustainabilityreport.alcantara.com)

**COMMITMENTS**

**ACHIEVED IN 2017 FISCAL YEAR**

**Interiors & Contract, Marine and Aviation**

- to grow in foreign markets through a renovated offer (new collections), capable of making the product appealing not only for the traditional sector of furniture manufacturers but also for designers and architects;
- to expand geographically, especially in Asia and North America;
- to grow in the aviation and marine markets.

- launch of the new “Wanderlust” collection, developed in collaboration with the German designer Sebastian Herkner. Some items have already been included in the Collections;
- significant expansion in markets outside Europe (over 60% more sales than last year), especially in Korea and the USA;
- aviation business grew by 36%. Sales mainly concentrated in the private jet sector, but there is a medium-term plan to introduce Alcantara® on scheduled airlines.

**Automotive**

- to increase the engagement activities of clients regarding Alcantara® (OEM - Original Equipment Manufacturers);
- to increase the brand awareness among final consumers;
- to increase penetration with existing customers and acquire new customers.

- meetings with more than 100 decision-makers during the year to present Alcantara® material;
- over 80 customers interviewed on the Alcantara® brand;
- more than 10 POP communication activities at various customers’ dealerships;
- customers penetration increased by 15% and more than 5 new customers were obtained.

**Fashion & Accessories and Consumer Electronics**

- to monitor and strengthen brand awareness and consolidate the market presence and distribution of Alcantara® finished products;
- to create marketing and communication partnerships with major clients;
- to implement a plan of visits to customers to promote the key factors of Alcantara®’s offer (tailor-made, global brand, Made in Italy, etc.) and to explain sustainability policies.

- outstanding results include winning contracts to work with market-leading companies which have decided to enhance the value of their product by using Alcantara® brand (featuring it on their own packaging, marketing materials and websites);
- excellent results, above all in the consumer electronics sector where Alcantara® has taken an active part in the launch of products made by the world’s best-known names;
- visits to major customers organized over the course of the year to showcase Alcantara® brand and emphasize its distinctive values.

**Quality**

- to improve response times for the delivery of documents related to the development process and the quality of pre-sales and after-sales services.

- a new Product Quality unit has been set up within the Quality and Technologies department, dedicated to the technical handling of after-sales problem reports, product retesting and refurbishing activities and the issuing of the certificates to customers. The aim is to manage after-sales issues more effectively and efficiently;
- a new position was created in the Technical Marketing department to manage Customer Quality matters;
- investment in special software to process PFMEA analysis, with training for Project Design staff.

**Communication, dialogue and customer satisfaction**

- to interact with a wider panel of corporate stakeholders, with particular attention to the Communication, Brand and Marketing functions;
- to create greater synergy between the commercial and product activities, and the related communication aspects;
- to improve response times for the delivery of documents related to the development process and the quality of pre-sales and after-sales services.
- over 45 meetings with 125 representatives of Alcantara S.p.A.’s main customers to explain the trademark’s values and lifestyle, attended by the heads of the Marketing, Colour & Trim, Product Design, PR & Communication, Licensing, Commercial, Buyers, R&D and Sustainability departments;
- a communication tool was developed to support the main customers – i.e. the “A’bout” brochures, customized gadgets, joint public relations and social media activities;
- engagement activities were further developed: on sustainability, through conventions and conferences; in the art fields, for stronger relations with the worldwide design community and museum institutions and in the social community through local initiatives.



# 2017-2020 SUSTAINABILITY PLAN

## PEOPLE SOCIAL SUSTAINABILITY

2020 OBJECTIVE	AREAS OF ACTION
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- enhance Alcantara®'s international communication as a Sustainable Brand for all sectors in which the product is used;
- continuous commitment to high Customer Satisfaction.



AREAS OF ACTION
-----------------

- strengthen the positioning of Alcantara S.p.A. as a totally sustainable Made in Italy Company, intimately connected with the international community of art & design, using new communication tools as well as traditional ones;
- maintain the Company's commitment to its plan for global brand recognition among final consumers as well;
- organize engagement activities on Alcantara S.p.A. both among customers (OEM) and through an enhanced POS presence;
- study new ways of measuring Customer Satisfaction;
- examine the possibility of introducing a system of regular detection and reporting of percentage defects by individual customer as well as by market sector;
- complete transition to the new standard IATF 16949:2016 for Quality Management systems in the automotive industry.

## PLANET ENVIRONMENTAL SUSTAINABILITY

2020 OBJECTIVE	AREAS OF ACTION
----------------	-----------------

- reduction of the environmental impact of the Company's products;
- reduction of the environmental impact of the production processes;
- development of Circular Economy.



AREAS OF ACTION
-----------------

- start introducing on the market a new bio-based product with a high proportion of raw-materials from renewable sources;
- continue the Company's commitment to sourcing renewable inputs for existing processes and developing new products and applications;
- continue to develop and achieve customer approval for new products based on more sustainable production technologies;
- set up a project in partnership with one or more Alcantara S.p.A. customers to consider possible end-of-life reuse of materials.

## PROSPERITY ECONOMIC SUSTAINABILITY

2020 OBJECTIVE	AREAS OF ACTION
----------------	-----------------

- ongoing commitment to high Customer Satisfaction;
- reduction of the environmental impact of the production processes;
- development of Circular Economy.



AREAS OF ACTION
-----------------

- explore the feasibility of introducing new and innovative products, processes and services (for Circular Economy and other benefits);
- set up advanced design activities;
- strengthen the range of custom products created using complex processing technologies, through research into new technology, new suppliers and investment in high-tech plant complex enough to ensure flexibility in production.

## — 4.1 Marketing Policy and Innovation

Alcantara S.p.A. remains committed to its ambitious programme of boosting sales, concentrating on the development of the Asian and American markets as well as the consolidation of the European market. This commercial development activity is directly related to Alcantara S.p.A.'s capital spending programmes which provide for a doubling of the Company's production capacity in the next few years.

### Corporate Press Conference

On 16 March 2017 Alcantara S.p.A. held a press conference at its Nera Montoro production plant to announce its expansion plan involving a significant increase in the Company's production capacity. The development plan calls for an investment of € 300 million over five years in order to double the production capacity of Alcantara S.p.A. At the end of that period turnover is expected to top € 300 million (compared with € 186.6 million in 2016), and the value of the brand should reach € 300 million, compared with the € 100 million estimated by Interbrand in 2015. Staff numbers, too, will rise. The press conference was attended by the following persons, as well as journalists: Claudio de Vincenti, Minister for Territorial Cohesion and the South; Catiuscia Marini, President of the Umbria Regional Government; Francesco De Rebotti, Mayor of Narni; Angela Pagliuca, Prefect of Terni; Umberto Vattani, Ambassador and President of the Venice International University; Giovanna Melandri, President of the MAXXI Foundation (National Museum of the 21st Century Arts, Rome) and many other prominent authorities.

In order to deal with the diversification of its business and the increasing globalization of its markets, Alcantara S.p.A. has continued to reinforce its sales department, consolidating skills and strengthening support functions in its commercial organization.

Furthermore, relationships with established and prospective customers has continued and strengthened based on inter-functional corporate teams. The activities of the sales force in the market have found particularly good support in the capabilities deployed by the Technical Marketing and Design departments. The mix of skills which Alcantara S.p.A. makes available to its customers has given it a competitive edge over other companies within the industry, enabling it not only to meet the market's explicit requirements but also to make suggestions to customers for innovative solutions involving the products' technical functionalities and customization, special processing of materials, aesthetic finishes and creative choices.

The sales activity of Alcantara S.p.A. is guided by the Company's "Points of Engagement", which set out the Company's voluntary commitments and its chosen manner of tackling business: they embody the very essence of its brand positioning. Specifically, the Company's "Points of Engagement" are as follows:

- develop worldwide recognition of the Alcantara® brand, building on its successes to date;
- promote the positioning of the Alcantara® brand as one that understands and encapsulates a contemporary lifestyle centred around the uncompromising search for quality;
- convey the inherent value of Made in Italy, as the epitome of Italian industry's ability to create products using advanced technology yet maintaining craft creativity;
- strengthen the Company's ability to offer its customers highly tailored solutions combining style and technology;
- constantly improve the sustainability of the Company, its business processes and its relationship with the suppliers and other stakeholders, preserving transparency to the utmost and continuously monitoring its own performances;
- strengthen the Company's overall approach to the market, reinforcing its business relations with customers around the world and developing the global communication of Alcantara S.p.A.

### Interbrand

In 2015 Alcantara S.p.A. commissioned Interbrand® to conduct a valuation of the Alcantara® brand.

That value was measured by analysing corporate economic and financial parameters (balance sheets, cash flow, development forecasts) in combination with an analysis of market demand and benchmarking with other brands in the premium segment\*\*.

The results of this research indicated that the value of the Alcantara brand had increased fifteen-fold in nine years and now stood (2015) at € 100 million. Another very important piece of information emerging from the study concerns the brand's strength among end-users (External Brand Strength Score), revealing that Alcantara is to be considered among the world's successful cases of so-called "ingredient brands", i.e. brands capable of increasing the perceived value of the finished products to which they are applied.

In 2017 Fiscal Year Alcantara S.p.A. commissioned Interbrand to assess its brand recognition and brand strength among top managers\*\*\* in some of the Company's main business sectors.

The results show that brand awareness is high and widespread and that the Brand Strength Score of the Alcantara® trademark is even greater than amongst end-consumers.

\*

Interbrand is the world's leading agency in brand consultancy and boasts a network of 29 offices in 22 countries.

\*\*

The interviewed sample is representative of end-users making premium purchases in the world.

\*\*\*

The sample was selected between top managers of the most representative companies in the automotive and consumer electronics industries in Europe, the USA, China and Japan.

## — 4.2 Customers and Markets Served

The main business sectors in which Alcantara S.p.A. operates are:

- Automotive (83%) 🚗
- Interior, Contract, Marine & Aviation (5%) ✈️
- Fashion & Accessories (10%) 👜
- and Consumer Electronics (2%) 🎧

In 2017 Fiscal Year, sales present significant increases both in

**Value**  
+ **13.7%**

**and Volume**  
+ **8.7%**

DESCRIPTION (€/000)	2016	2017	CHANGE VS. PRIOR YEAR
Finished product sales	162,938	185,316	22,378
By-product and different material sales	1,124	1,280	156
<b>TOTAL NET SALES</b>	<b>164,062</b>	<b>186,596</b>	<b>22,534</b>

Sales may be broken down by geographical area as follows:

DESCRIPTION (€/000)	2016	%	2017	%	CHANGE VS. PRIOR YEAR
Italy	13,303	8.1%	15,600	8.3%	2,29
EU	96,940	59.1%	96,814	51.9%	(126)
Extra-EU	53,819	32.8%	74,182	39.8%	20,363
<b>TOTAL NET TURNOVER</b>	<b>164,062</b>	<b>100%</b>	<b>186,596</b>	<b>100%</b>	<b>22,533</b>

The increase in overseas sales is a result of the wider global recognition and appreciation of the Alcantara® brand as an expression of Made in Italy products, meaning that Alcantara S.p.A. now does business in 68 countries around the world.

2017 Fiscal Year confirms the rising trend of the Extra-EU territory's share in total turnover. Here sales again rose sharply, while the Italian territory also showed growth and that of the EU declined slightly.

In the European market the eastern countries – Romania and Slovakia, where turnover increased by € 1,340,000 and € 1,902,000 over last year's figures, respectively – largely made up for falls in the more traditional markets, in particular Spain and Germany where sales declined by € 1,223,000 and € 2,307,000 respectively; Germany still accounts for more sales than any other European country (59% of the EU total).

Outside the EU virtually unchanged proportions of annual turnover went to China (43% vs 44% of last year) and to the USA (25% vs 28% of last year), though the absolute figures rose compared with 2016 by 37% and 24% respectively. There were also significant increases in South Korea, Japan, Morocco and Mexico compared to last year.

This year Alcantara S.p.A. began operations in some new countries: Chile, Kuwait, Malaysia, Mongolia and Vietnam.

BRICS AREA NET SALES (€/000)	2016	2017	CHANGE VS. PRIOR YEAR
Brazil	29	20	(9)
China	23,428	32,054	8,626
Russia	534	571	37
India	3	12	9
South Africa	382	528	146
<b>TOTAL</b>	<b>24,376</b>	<b>33,185</b>	<b>8,809</b>





Alcantara® interiors for Alfa Romeo Giulia Quadrifoglio

## AUTOMOTIVE



Alcantara S.p.A. continued to develop its **key markets** in 2017 Fiscal Year, deploying the bulk of its commercial and **marketing resources** here and achieving increases of **23%** compared to 2016 in the American automotive market and **more than 48%** in the Chinese one.

The corresponding increase in the European market was about **6%**. In the various meetings the Company held with Original Equipment Manufactures in the course of the year, Alcantara S.p.A. introduced the launch of its new **bio-based product** and the aim at launching it on the market in the near future.

### Characteristics of the market

The world car industry is going through a period of major change and evolution. Emerging markets are growing, and market players are going through a gradual process of consolidation and globalization. In particular, 2017 Fiscal Year witnessed the consolidation of the Chinese market, strong growth in the USA market and the first signs of recovery from the crisis in the European market. As far as the market segments are concerned, the sports and luxury sectors have continued to grow in size and profitability. Also on the rise are environment-friendly and sustainable products and solutions: in fact, all automotive manufacturers have proposed increasingly light and low-consumption models and have offered “green” (hybrid or fully electric) power solutions. Some of these models have won growing attention from the public.

### Advantages of Alcantara®

Due to its recognized elegant and sporty design, Alcantara® has managed to seize the opportunities offered by the market in 2017 Fiscal Year. In the car industry, the Alcantara® brand is associated with elegant versions (for example, luxury saloon cars) or sports styling (in high-performance cars). In addition, the light weight of Alcantara® helps car manufacturers reduce the bulk of their cars and thus achieve their performance and energy-saving objectives. Alcantara®’s intrinsic value as a Made in Italy product, its versatility and its adaptability to offer bespoke solutions, permit a high degree of product customization, making the model or version using Alcantara® material highly distinctive. Continuous technical and stylistic research ensures that customers are always offered cutting-edge solutions. Finally, a distinguishing element is the brand itself: the realization of its full potential is an objective shared by Alcantara S.p.A. and top car brands.

### Management approach

The success of Alcantara S.p.A. is based on the following features of its offer:

- the outstanding quality and versatility of the material;
- its flexibility and the extreme customization to satisfy customers’ needs;
- the brand, a byword for extraordinary quality and beauty;
- its Italian character, reflected in the tasteful creativity of its products’ design, and in the marriage of craftsmanship and technology in meeting the customer’s demands;
- its supportive closeness to the design community;
- the sustainability of the Company and of the material.

In the automotive sector Alcantara S.p.A. makes every effort to pass these characteristics on to OEMs and to final consumers. In the case of manufacturers, it achieves this by working with the designers to constantly develop modern new products; its Marketing and Sales departments explain how Alcantara® can be leveraged to increase an automobile’s perceived value, while the senior management shows how Alcantara® can be used as a strategic response to enhance and differentiate the customer’s whole range.

When it comes to the final consumer, Alcantara S.p.A. works with OEMs to foster the perception among car buyers that the quality of an interior in Alcantara® is something quite special.

To further improve this approach, in 2017 Fiscal Year Alcantara S.p.A. conducted an audit among its direct customers (OEMs), interviewing more than 80 Heads of Design, Procurement or Marketing from the world’s major car manufacturers. The findings of this research will be used to improve the Company’s range and its approach to the customer.



## INTERIORS, CONTRACT, MARINE & AVIATION



### Characteristics of the market

Alcantara S.p.A.'s customers in the interiors, contract, marine & aviation sectors are, on the one hand, leading manufacturing companies and, on the other, distributors and publishing companies operating in countries where the market has great potential. The contract market (advertising spaces, hotels, boutiques, etc.) is served both through architecture and design firms and through furniture manufacturers specializing in this field. Marine sector customers are major shipyards and the leading recreational boat builder brands. In order to grow in the aviation market, Alcantara S.p.A. collaborates with design firms, airlines, and manufacturers of seats and other components.

### Advantages of Alcantara®

Brand awareness and the product's aesthetic, sensory and functional features lay the foundation for successful relationships with key European customers. In non-European countries, its strengths include the uniqueness of the tailor-made offering and the values associated with the brand, in particular Made in Italy.

The fact that the material's appearance can be transformed by using special techniques to ennoble its surface while keeping its functional characteristics almost completely the same makes it easier to develop collections that enrich the basic product line and stimulate designers to experiment. In the marine industry, for which Alcantara S.p.A. has developed specific variants for indoor and outdoor applications, Alcantara® is also valued for its breathability, long-lasting colour and resistance to marine and atmospheric elements. Lastly, its light weight and strength are especially valued by the aviation industry, as they allow for considerable savings in terms of weight, consumption and durability.

### Management approach

Alcantara S.p.A. markets directly and through distributors or agents. As part of the direct approach, interdepartmental teams made up of an Account Manager and Design, Research and Communication staff can make visits to key customers.

The new Wanderlust collection designed by Sebastian Herkner was finalized and introduced to the market this year. The official launch was at Deco Off, but there were various previews for the international press beforehand; the first sales have been taking place since mid-2017.

The  
main developments of  
2017 Fiscal Year include:

- a significant *increase in sales* outside Europe, while the European market remained *largely static*;
- continued *growth* in the aviation sector
- major projects for *cruise ships*, especially in the areas most on display (theatres, restaurants and suites) and other contract projects in particular in the *hospitality, retail* and *corporate sectors*



FASHION & ACCESSORIES



In the *fashion sector* Alcantara S.p.A.'s customers are leading European fashion houses in the *luxury segment*. 2017 Fiscal Year saw an *increase in volumes sold*, mainly due to good performance in *accessories* in France and Italy.

Characteristics of the market

The main market is Europe: France in the leading one and Italy continues to be extremely relevant.

Advantages of Alcantara®

Alcantara® is a material with infinite customization options: it can cover any shape or surface in compliance with the strictest industry standards and can be adapted to exclusive customized solutions, satisfying any customer's technical and design requirements. To enhance this inherent characteristic of the material, Alcantara S.p.A. has for many years been developing its capacity to offer exclusive solutions combining style and technology. This approach distinguishes Alcantara® from all its competitors and is exceedingly valued by leading global brands in the high-end segment. In addition to those factors there is the value of the Alcantara® brand itself, which is recognized and appreciated by the leading luxury brands because it adds value to their finished products.

Management approach

- Direct contact with all the main fashion brands & accessories;
- Indirect contact through a network of agents operating in the main markets.

**THE ALCANTARA®  
COLLECTION OF  
FINISHED PRODUCTS**

The Alcantara® collection of finished products continues to pioneer aesthetic research allied to technological innovation and respect for environmental sustainability, leveraging the potential of the material and confirming Alcantara S.p.A. as a favourite partner in the world of fashion and design.

Alcantara S.p.A.'s customers for finished products are Concept Stores and multibrand boutiques which take particular care in selecting the products they sell, particularly in the Japanese market.

Alcantara S.p.A.'s customers especially appreciate the Company's customized offer and the opportunity it gives them to create exclusive limited editions for their stores.

Following last year's encouraging experience, the Alcantara® Concept Store opened again in 2017 Fiscal Year, in the same location but as a permanent store now rather than as a temporary one.





## CONSUMER ELECTRONICS



Customers in the consumer electronics division are the *main global Original Equipment Manufacturers* (OEMs) in the mobile, audio, video and photographic equipment sectors, as well as leading producers of *accessories specific* to this industry. Collaborations with important OEMs began this year, leading to the launch of consumer products under the Alcantara® trademark to enhance the product by raising the brand's profile.

### Characteristics of the market

The market is global. Typically, Alcantara® products are accessories characterized by a high design content or functional components that give electronic products a high aesthetic impact.

### Advantages of Alcantara®

The main advantages of Alcantara® are functional as well as aesthetic.

Due to its versatility the customer's finished product made of Alcantara® can be highly customized and adapted to a wide range of manufacturing techniques.

Alcantara S.p.A.'s investments made to strengthen brand awareness at global level, the "Made in Italy" trademark and the Company's well-known concern for sustainability, all raise the product further in the market's estimation.

### Management approach

Direct contact:

- with all leading OEMs in the sector and specific accessory manufacturers (technical, purchasing, marketing and style departments);
- with system suppliers to develop the project and as support in the use of Alcantara® in their production processes.

## — 4.3 Product Sustainability and Safety

Alcantara® is the first entirely Carbon Neutral product Made in Italy (see chapter 6). The Company takes “Made in Italy” to mean quality, health and safety, respect for human rights and the strictest environmental regulations, cutting-edge technology and focus on style and design.

To satisfy increasingly challenging ethical, social and environmental demands, Alcantara S.p.A. has voluntarily mapped out a pathway for sustainable development; that approach and its results mean that it can offer a safe product that balances social, economic and environmental considerations. In recent years, the Company has made additional investments in this area (see the box at page 76).

Alcantara S.p.A.’s offer has the following particular strengths:

- 2016: first marketing of the material resulting from a project begun in 2013 to further reduce the environmental impact and energy consumption of the production process; completion of the research stage for the creation of a product made of fibre from partially bio-based raw materials;
- 2015: completion of the first phase (industrial-scale testing) of the project begun in 2013 to further reduce energy consumption and the environmental impact of the production process; start of research into raw materials from renewable sources (bio-based);
- 2014: start of operations research for an alternative production process with lower energy consumption and environmental impact;
- steam and electricity have been produced by a high-efficiency (eco-friendly), new-generation CHP plant since 2013;
- Alcantara® has been Carbon Neutral “from cradle to grave” since 2011;
- Alcantara® has been Carbon Neutral “from cradle to gate” since 2009;
- Alcantara® is easy to clean and scratch-proof (easy-care and self-care);
- Alcantara® is available in variants that use up to 25% (by weight) of raw materials from post-consumer recycling;
- the production process uses only raw materials permitted under the strictest EU standards (REACH);
- Alcantara® meets customers’ supply specifications and has the certifications required by the related markets.

Alcantara S.p.A. guarantees for the health and safety of its consumers, and provides accurate information on its products. In particular, the Oeko-Tex label guarantees the absence of health hazards for end users (even when the material comes in direct contact with the skin), in accordance with the international Oeko-Tex Standard 100 (for further details, see paragraph 1.8).

The Company’s procedures require that, before any new product is placed on the market, the specific risks associated with it must be assessed in relation to the customer’s application and the country in which the material is sold. While the technical specifications for a supply are being prepared or contracts are being drawn up, Alcantara S.p.A. gives the customer all the necessary information about its products (composition, washing instructions, ongoing care and maintenance,

characteristics, etc.) and all the training needed to use the material correctly. At the customer’s request or whenever demanded by applicable regulations in the countries of sale, Alcantara S.p.A. carries out tests involving a complex network of highly-specialized international laboratories to prove the product’s characteristics compatible with the strictest international product safety protocols. During 2017 Fiscal Year the senior management reaffirmed the Company’s commitment to eliminating the use of potentially hazardous substances from its production processes; it introduced a Chemical Management System (CMS) to deal with all chemical substances used by Alcantara S.p.A. and to meet the specific requirements of certain customers, mainly in the fashion business, which have signed up to the ZDHC programme (Zero Discharge of Hazardous Chemicals). The CMS is a management system which sits alongside and is fully integrated with the Company’s other management systems, in particular those for Quality (ISO 9001 and ISO TS 16949), for the Environment (ISO 14001) and for Safety (OHSAS 18001), as well as the managerial arrangements for product safety and sustainability.

## — 4.4 Research Centre and New Products

Each year Alcantara S.p.A. invests between 3% and 5% of its turnover in research; it has the only Research Centre in Europe for the development and continuous improvement of its own products and processes. An integral part of that Research Centre is the modern Customer Innovation Centre, a set of structures, technologies and skills made available to customers in order to meet their requirements for product customization.

Through this customer innovation centre, with its in-house prototyping skills, Alcantara S.p.A. can modify the material’s characteristics and provide customers with an immediate response to their requirements by ad hoc solutions specially tailored to each application and an independent capacity for complex manufacturing with a view to offering customers highly customized, very technically products which they cannot find elsewhere in their usual production chains. In developing new products, the Company considers all impacts: social, economic and environmental. The innovations affect the production facilities, the product, the process, procurement, logistics and communication, thus creating an authentic business model.

Product development and customization are carried out under “on demand” principles so as to meet the specific requirements of the Alcantara S.p.A.’s customers and its markets, and at the same time in “on proposal” mode where new solutions are suggested to customers and their creativity is stimulated in the development of collections for their own various markets. The total number of development activities on behalf of customers continued to grow in 2017 Fiscal Year, rising to over 1,000 some 8% above last year’s figure. In particular, there was an increase in activities carried out for the interiors and automotive sectors

and, as in earlier years, a significant proportion of these was designed to support the Company’s globalization plans for the United States, Chinese and Japanese markets.

The aim of these development activities is to create exclusive solutions combining style, technology and functionality so that clients have every facility for customizing their own products.

In this process the Company sees to every step, from style development through technological development up to manufacture and final delivery to the customer. Whenever the usual supply chain is unable to meet the production requirements involved, Alcantara S.p.A. equips itself with the necessary in-house capacity.

Cutting ability was increased during 2017 Fiscal Year and an innovative technology was acquired which can provide template-cut finished products and can centre designs and decorations for the various market sectors, from automobile interiors to clothing trim.

The Company continued its testing, submission for approval and market launching of new products made under its new alternative production process with lower energy consumption and environmental impact (on this, see also the section headed “Investments”).

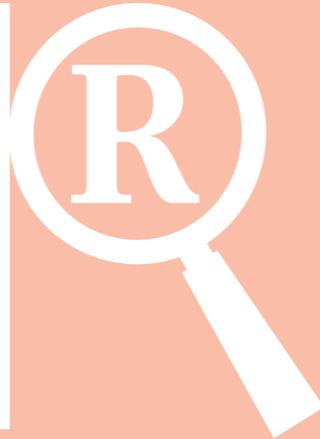


## Sustainable manufacturing innovation

A new project has been launched to optimize the use of inputs from renewable sources: the aim is to develop a product by 2020 whose raw materials are in very large part bio-based and sourced from biomass without conflicting with food production.

For that purpose, Alcantara S.p.A. has engaged in collaboration with some of the leading operators in the bio-based raw materials sector.

A pilot production line has already made an initial range of finished products and the conditions have been put in place for scaling up to industrial production of a product wholly made of fibre from mainly bio-based raw materials. Industrial prototypes are due to be made and presented to customers early in 2018 Fiscal Year.



## — 4.5 Communication, Dialogue and Satisfaction

Communicating the values of the product and the Alcantara® brand is the heart of the Company's collaboration with its customers/partners. The Company's distribution contracts include a section specifically devoted to this topic.

### Alcantara® lifestyle

Alcantara S.p.A. is concentrating its efforts on a corporate event format that involves presenting the entire Company and describing the multiple facets of the brand. Alcantara S.p.A. is increasingly connecting brand communication with the lifestyle concept, meaning the ability to interpret and express needs and trends in the various sectors and industries (automotive, fashion, interior, etc.), which have the common goals of style, elegance and refinement.

Sustainability is a fundamental and integral part of this communication strategy.

In its daily marketing contacts Alcantara S.p.A. seeks to teach the customer and the customer's sales force how to explain the material correctly, using specific tools (Alcantara® vocabulary, colour palettes and technical data sheets, as well as special leaflets, on sustainability for instance). The main forms of communication, used by Alcantara S.p.A. to keep its own customers informed, are participation in events and trade fairs, articles and advertisements in the most important media (local, national and international), its website and its presence on international social media (Chinese and Japanese networks in particular: see also Chapter 5).

### Participation in trade fairs and shows in 2017

As usual, Alcantara S.p.A. took part in all the sector's major international fairs: **car shows from Beijing to Paris, Los Angeles to Detroit, Geneva to New York.** In each case Alcantara S.p.A. is not just an exhibitor but arranges for its own sales, marketing and communication staff to attend press and trade days.



AUTOMOTIVE



FASHION

Alcantara S.p.A. exhibited at the *Milano Unica and Première Vision fairs* (Milan and Paris, February and September)



INTERIOR

Alcantara S.p.A. was an exhibitor at *Aircraft Interiors* (Hamburg, April), the major fair dedicated to aviation interiors; at *Wanted Design* (New York, May), one of the world's leading events for innovations in the field of design; and at *Paris Deco Off* (Paris, January), a festival of events held during *Maison&Objet*, the world's biggest Home Décor trade fair.

Alcantara S.p.A. took part in Milan Design Week 2016 with several special projects: "Alcantara Magic Hotel", a maxi 3D installation designed by Gentucca Bini on show at Corso Como; "Touching Tales. The Alcantara Experience", exhibited at the Palazzo Litta, and "Local Icons. East/West" at the Leonardo da Vinci National Museum of Science and Technology of Milano. Likewise in Cologne – in conjunction with *IMM Cologne* (January), a major German trade fair of interior & design sector – Alcantara S.p.A. set up the "In-formation" project designed by Ross Lovegrove.

The Company's participation in industry trade fairs is very important from a marketing point of view as well as in terms of communication. Indeed, all these occasions do much to raise the profile not only of the products but more particularly of the brand, its values and its positioning. All possible means are deployed to give stakeholders a clear and consistent image of the brand, in which sustainability plays a strategic role, from the set-up of the stands to the informative material, including the literature specially printed for the occasion.

## THE BRAND AWARENESS PROJECT

Various important activities and initiatives were carried out in 2017 Fiscal Year to further strengthen Alcantara® brand awareness in China, Japan and the U.S.A.

### CHINA

- April 2016: Alcantara S.p.A. once again partnered with *CarDesignNight* at the Beijing International Auto Salon; they chose the splendidly artistic setting of the CAFA Museum to present "The World of Alcantara", an exclusive event showing off the brand's values, attended by and inspiring designers from the automotive world.

- January 2017: inauguration of "The King and I" at the Shanghai Gallery of Art. The press office was very busy throughout the year on the Company's most strategic themes, promoted in various ways and with various tools. In total, these activities generated 2,595 editorial items, the equivalent of €2,005,749 (+42.80% on last year).

### JAPAN

- October 2016: Alcantara S.p.A. organized and promoted in Tokyo the third International Symposium on Sustainability, in partnership with Nikkei, Venice International University and Waseda University, with the support of the Society Of Global Business. The theme was "Sustainability and Corporate Value".

- Communication activities came thick and fast, with a particular focus on the automotive sector and on finished products, especially in fashion and accessories.

- The press office was very busy throughout the year on the Company's most strategic themes, promoted in various ways and with various tools. In total, these activities generated 6,416 editorial items, the equivalent of €2,037,122 (+29.90% on last year).

### USA

- November 2016: at the Los Angeles Auto Show Alcantara S.p.A. was the main partner of the 2016 Cinema Italian Style festival, held in the splendid setting of the Egyptian Theatre. Alcantara S.p.A. was also a partner for the 30th Annual American Cinematheque Awards Gala in honour of Ridley Scott.

- The press office was very busy throughout the year on the Company's most strategic topics, promoted in various ways and with different tools. In total, these activities generated 8,817 editorial items, the equivalent of \$ 4,822,200.2 (+37.05% on last year).

## QUALITY AND SATISFACTION MONITORING

Alcantara S.p.A. regards customer satisfaction as extremely important and has developed a method for measuring it through listening projects and feedback analysis mainly carried out by area managers, project managers and staff responsible for the stylistic development of the product.

Two main activities are carried on in this area:

- **technical meetings** with a view to identifying the product or application requirements needed to develop tailor-made solutions;
- **style meetings** to present ideas and materials and then develop tailor-made solutions on the basis of the customer's specific needs.

Dialogue generates continuous improvement in the Company's procedures, interfaces and response times.

Meetings during 2017 Fiscal Year mainly focused on:

- presentation of the Company's "Points of Engagement" in occasion of multi-functional meetings with staff from Communication and Marketing, Products, Design, Procurement and senior management departments;
- presenting the Company's activities in terms of sustainability, and the aims and content of the project for creating products from bio-based raw materials, to representatives of 25 different customers based in the three main continents;
- presenting, as in previous years, the Automotive Concept Book to some 55 styling departments of the principal European, American and Asian OEMs.

### Quality system

Alcantara S.p.A. guarantees the quality of its products through numerous certifications (see paragraph 1.8). From the operational point of view, all aspects of the customer relationship are described in the Quality Manual developed in accordance with the UNI EN ISO 9001:2008 and ISO TS 16949:2009 standards.

Every year, Alcantara S.p.A. conducts a self-assessment (the Customer Satisfaction Review) in which area managers and project managers address the company as the clients' spokespersons. Customer satisfaction is measured through the following three indicators:

- customer service level (on-time shipment) on the finished product;
- number of "not to specification" reports by customers on the finished product;
- overall rating on prototypes (feedback from customers – some OEMs only) supplemented or replaced by a qualitative analysis of customer dissatisfaction events (TGW Analysis – Things Gone Wrong Analysis); this is particularly useful for identifying continuous improvement activities needed for tailor-made offers to the customer.

The customer satisfaction indicators gave the following results in 2017 Fiscal Year:

THE "ON-TIME SHIPMENT" CUSTOMER SERVICE LEVEL INDICATOR  
(% OF TOTAL DELIVERIES ON TIME)

MARKETING ORGANIZATION	2016	2017
<b>TOTAL</b>	<b>99.72%</b>	<b>99.05%</b>
Target	99.00%	99.00%
Fashion	99.36%	98.86%
Interiors	99.54%	99.09%
Automotive	99.72%	99.48%
Shoes & PG	99.94%	99.63%
Consumer Electronics	99.93%	99.44%

Final figures for 2017 Fiscal Year show 99.05% on-time shipment. This figure was on target, and the best result in recent years.

COMPLAINTS RECEIVED AT CUSTOMER SERVICE LEVEL\*  
AS % OF TOTAL METRES SOLD

MARKETING ORGANIZATION	2016	2017
<b>TOTAL</b>	<b>0.32%</b>	<b>0.59%</b>
Fashion	0.63%	0.73%
Interiors	0.50%	0.97%
Shoes & PG	0.11%	-
Automotive	0.23%	0.55%
Consumer Electronics	0.94%	0.78%

\*Metres for which complaints were made as a percentage of the total number of metres sold. The figures include marketing, logistics and technical complaints.

COMPLAINTS AS % OF SALES\* (PROCESSED GOODS)

MARKETING ORGANIZATION	2016	2017
<b>TOTAL</b>	<b>0.09%</b>	<b>0.20%</b>
Fashion	0.07%	0.02%
Interiors	0.10%	0.11%
Automotive	0.08%	0.23%
Consumer Electronics	0.07%	0.09%
Shoes & PG	0.46%	-
Finished Products	3.24%	-

\*shipments complained of, by value as % of sales.

Complaint-related indicators, though in line with the historic average, were higher than last year. Part of the rise can be attributed to quicker and more detailed responses to customer reporting as a result of the organizational changes described above, which have led to the final settlement of some pending disputes and prompt closure of all new complaints without dragging on into the next financial year – when these indicators are expected, therefore, to decrease.

A detailed analysis will in any case be conducted to bring out any points requiring further improvement. Furthermore, Alcantara S.p.A. submits

its quality management system to regular audits by customers and/or system suppliers for OEM customers. Customer feedback (mainly from automotive industry system suppliers) has been positive on the whole; in 2017 Fiscal Year, as in earlier years, supplier's performance ratings were received from a few customers in the automotive sector, and these confirmed the high level of satisfaction.

The Company's production establishment also successfully passed supplier qualification audits under ISO-TS 16949 and VDA 6.3 carried out by direct customers and OEMs.

# SOCIAL SUSTAINABILITY community

## Highlights

- **46 study grants** awarded in 2017 Fiscal Year, of which 14 to the most deserving students from the Municipality of Narni, and 32 to the children of employees
- **3<sup>rd</sup> International Symposium on Sustainability** entitled “Sustainability and Corporate Value” was held in Tokyo and organized by Alcantara S.p.A. in partnership with Nikkei, Venice International University and Waseda University and with the support of the Society of Global Business
- **847,684 visits** to the institutional website [alcantara.com](http://alcantara.com) in 2017 Fiscal Year, **46.27% increase** over the previous year
- **Over € 137,000** dedicated to charitable and community donations
- **300m<sup>2</sup> of exhibition space** through the Concept Store of Alcantara S.p.A. located in the heart of Milan, where talented people from the design community meet to invent the latest solutions for modern living



COMMITMENTS	ACHIEVED IN 2017 FISCAL YEAR
<ul style="list-style-type: none"> <li>• to strengthen and consolidate the communication activities launched in the new two target countries: United Kingdom and Russia;</li> <li>• to recalibrate digital communication activities, evaluating the benefits of opening new channels and platforms;</li> <li>• to intensify internal communication activities by improving the existing tools and developing new ideas and initiatives for engagement;</li> <li>• to continue the Company's stakeholder engagement in Sustainability activities, not least by planning and organizing special conferences and conventions;</li> <li>• to strengthen relationships with Universities in order to identify very promising young graduates to recruit, by participating in Universities' initiatives to encourage graduates' entry into the labour market, and by hosting research associates, PhD students and undergraduates on work experience and internships, so as to bring the academic world closer to the professional world;</li> </ul>	<ul style="list-style-type: none"> <li>• press offices' activities were intensified in order to increase in editorial coverage: press comment up 73.43% in the United Kingdom and 448.71% in Russia;</li> <li>• digital communication activities made use of the institutional website <a href="http://alcantara.com">alcantara.com</a> and of social media platforms, both global and Chinese;</li> <li>• new Korean press office opened on 1 March 2017; new social content created and localized for the various markets;</li> <li>• a survey was carried out to study the working environment and identify any areas which need to be looked at more closely;</li> <li>• the house organ "Inside" continued publication, with the aim of informing all staff about the Company's main activities and events and enhancing their involvement;</li> <li>• the 3<sup>rd</sup> International Symposium dedicated to Sustainability on the theme "Sustainability and Corporate Value", was held in Tokyo on 17 October 2016 in collaboration with Nikkei, VIU (Venice International University) and Waseda University, with the support of the Society of Global Business;</li> <li>• new forms of online communication and web videos of the Company's messages addressed to its main stakeholders;</li> <li>• the most important international social media were used and managed (Facebook, Instagram, Twitter, English and Japanese versions of YouTube) as well as leading Chinese ones (WeChat, Weibo, Tudou);</li> <li>• Alcantara® material took an active part in Microsoft's video for the world launch of the Surface Pro 4 Signature Type Cover: an example of "ingredient branding";</li> <li>• completion of a medium-term study project, the three-year research contract with the Engineering Department of the University of Perugia on "optimizing performance of water-borne polyurethane through the development of nano-composites";</li> <li>• induction training for recent graduates in the Research and Development, Quality and Technology and Technical Marketing departments;</li> <li>• partnership with L.UN.A Libera Università delle Arti of Bologna to hold a workshop on "waste and excellence", to conceive and design instrumental or decorative objects, furnishings and fittings using recycled materials;</li> <li>• sponsorship of PoliDesign's course on "Fashion in Orbit" at Politecnico University of Milan;</li> </ul>
<ul style="list-style-type: none"> <li>• to continue working with High Schools by offering special internships in order to give young people specific professional skills and evaluate possible future recruits.</li> </ul>	<ul style="list-style-type: none"> <li>• sponsorship of a workshop entitled "Between company and boutique: young talents build its future" as part of the Master in Fashion &amp; Design at the Umanitaria Formazione of Milan;</li> <li>• participation in the Careers Day at Perugia University (June 2016);</li> <li>• visit and teaching session for students of Perugia University on the Science for Investigation and Safety course at the Narni campus;</li> <li>• specialist seminar for the Occupational Safety Laboratory's Workshop of Perugia University on "Safety and Work" at the Narni campus;</li> <li>• visit and teaching session for 5th-year Medicine and Surgery undergraduates, as part of their Occupational Medicine course;</li> <li>• visit to the production plant of Alcantara S.p.A. by the Terni schools grouping Istituto Comprensivo A. De Filis, to make a film and provide Alcantara® material for participation in the Made in Italy project promoted by the Ministry of Education, Universities and Research (MIUR);</li> <li>• chemistry lectures given at the Istituto Tecnico Industriale of Terni (Chemistry section);</li> <li>• work experience courses for the Istituto Tecnico Industriale of Terni.</li> </ul>

# 2017-2020 SUSTAINABILITY PLAN



## PEOPLE SOCIAL SUSTAINABILITY

### 2020 OBJECTIVE

### AREAS OF ACTION

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• increase in international communication of Alcantara S.p.A. as “a Sustainable Brand”;</li> <li>• good corporate citizenship;</li> <li>• support and promote culture, aesthetics and the arts;</li> <li>• increase employment opportunities for the young people.</li> </ul> | <ul style="list-style-type: none"> <li>• strengthen and consolidate communication activities already undertaken in the main markets, (in particular China, Japan and the USA) as in new countries (Russia and Korea);</li> <li>• continue stakeholder engagement activities on sustainability, also through planning and organization of special conventions and conferences;</li> <li>• enhance relations with institutions and the financial press;</li> <li>• start a project of engagement with primary and secondary schools to make young people more aware of sustainability issues and better informed about them;</li> <li>• continue the Company’s commitment to organizing and sponsoring cultural and arts events;</li> <li>• strengthen relations with universities by making agreements to identify very promising graduates for recruitment to Alcantara S.p.A.</li> </ul> |
|--|---|

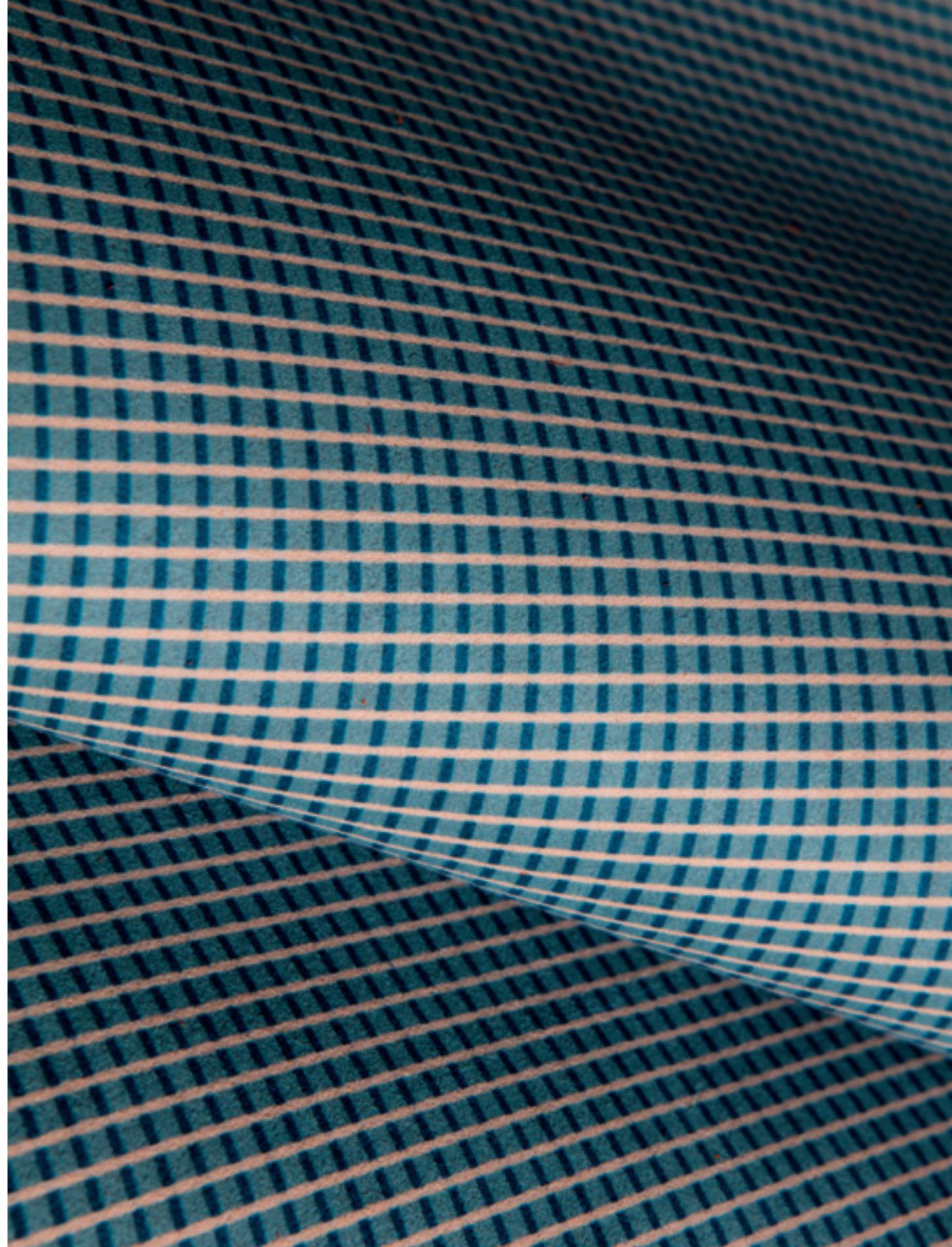
## PLANET ENVIRONMENTAL SUSTAINABILITY



### 2020 OBJECTIVE

### AREAS OF ACTION

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• maintenance of Carbon Neutrality and reduction of the Company’s Carbon Footprint.</li> </ul> | <ul style="list-style-type: none"> <li>• consolidate the Company’s partnerships with outstanding global players on procurement of inputs from renewable sources and on carbon fixing, with a view to continuous research and development of products with less environmental impact and manufacturing processes with lower emissions.</li> </ul> |
|---|--|



## — 5.1 Management of Relations with the Community

Alcantara S.p.A. has always carefully fostered a responsible and continuous dialogue with the community and spread its sensitivity for sustainable business and community development, encouraging neighbouring communities to work together.

The “Community” structure of Alcantara S.p.A. is made up as follows:

- **at the Milan headquarters:** local associations, trade associations, the press and media in general. Alcantara S.p.A. also works closely with academic institutions such as the IED (European Design Institute) and Politecnico University of Milan. Through communication with the end-user, the Company speaks mainly to “design lovers” who choose Alcantara® material to cover the objects they keep close at hand in everyday life, while communication with professionals puts the Company in contact with designers, project leaders, stylists and all those who use Alcantara® in their own creations;
- **at the Production Plant and Research Centre in Nera Montoro:** Alcantara S.p.A. engages in dialogue with various institutions and develops initiatives with a view to supporting the local community. The Company is a major player, deeply rooted in the area and represents a reference point for many workers and families.

Alcantara S.p.A. plays an important part in the lives of many families in the area in which it operates: it is a valuable source of employment, profits and training and in fact creates highly relevant socio-economic income for the suppliers and other companies involved in its activities.

Its indirect economic impact on the provinces of Milan and Terni where the Company’s two centres are located is shown, on the most conservative estimate, to include an indirect income for some 280 people in the territory.

During 2017 Fiscal Year Alcantara S.p.A. has given € 137,741 to the community in the form of donations and contributions.

The money has been spread over six main areas where Alcantara S.p.A. wants to contribute.

PRODUCT CERTIFICATIONS	2017
Membership of associations	61,170
Culture	22,811
Environment	18,049
Social	17,611
Medicine	8,100
Arts	10,000
<b>TOTAL</b>	<b>137,741</b>

### Study grants and communal events

Alcantara S.p.A. demonstrates its sense of corporate citizenship through concrete initiatives:

- **study grants:** in 2017 Fiscal Year Alcantara S.p.A. continued its commitment to education by financing 46 study grants, of which 14 were for deserving High School students from in the Municipality of Narni, and 32 for children of Alcantara S.p.A. employees, chosen according to a nomination procedure;
- **training for schools:** from April 2016 to February 2017 the Nera Montoro production plant hosted 55 students from schools in the area, giving them an opportunity to learn about Alcantara® production process as well as key topics such as safety, the environment and quality;
- **partnerships with charities:** collaboration with local non-profit associations also continued in 2017 Fiscal Year with free donations of material for workshops and labs of various kinds;
- **communal events:** staff were engaged in some community events: Easter Mass was celebrated at the Nera Montoro plant by the Bishop of the diocese; and for the third year in a row a Christmas lunch was organized at the plant for all employees together with the Company’s management;
- **Special Olympics:** in May 2017 Alcantara S.p.A. sponsored the 33<sup>rd</sup> National Summer Special Olympics for Terni and Narni, an initiative which involved 3300 athletes, children and adults with mental disabilities from all over Italy.

In addition to these communities, other communities are also influenced indirectly by local projects for offsetting CO<sub>2</sub> emissions that cannot be otherwise eliminated from the Company’s activities: these projects, coordinated by the United Nations and implemented in the poorest, most disadvantaged and underdeveloped areas of the world, always aim to generate energy from renewable sources, spread cultural awareness of sustainability and improve the social conditions (health, work, education, etc.) of the populations involved. As in earlier years, to offset residual CO<sub>2</sub> emissions in 2017 Fiscal Year, Alcantara S.p.A. financed various projects which, under the protection of the United Nations, help to improve the conditions of the earth or from the economic, social and environmental points of view.



These projects concern the territories of China, Thailand, Laos, India and Mexico (for further details see the description in paragraph 6.5). A summary of the projects supported over the past 8 years is reported below.

2009	HONDURAS hydroelectric	NEW ZEALAND wind	INDIA hydroelectric
2010	TURKEY wind	TAIWAN hydroelectric	INDONESIA geothermal
2011	CHINA hydroelectric	THAILAND biomass	BRAZIL biomass
2012	KENYA production of drinking water	VIETNAM hydroelectric	CHINA biomass
2013	TAIWAN wind	CHILE hydroelectric	GHANA cooking
2014	CHINA hydroelectric	INDIA wind	CHINA solar (two plants)
2016	THAILAND biomass	NEW CALEDONIA wind	UGANDA cooking
	CHINA hydroelectric		

2017

THAILAND biomass	LAOS hydroelectric	MEXICO photovoltaic
INDIA wind	CHINA photovoltaic	TAIWAN photovoltaic



## THE ALCANTARA® BRAND BOOK

Alcantara S.p.A. has created this important communication tool to explain the Company's lifestyle and its multi-faceted world. The material's countless applications, the international events, the brand's commitment to sustainability and its other values are illustrated through the work of the renowned photographer Giovanni Gastel.

## Design and Creativity

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Alcantara S.p.A. takes part in events and activities in various sectors, often providing its partners with furniture for common spaces, bags and gadgets for customers, guests, third-party partners and the press. These initiatives bring benefits through use of the service and sensitivity to sustainable development.

With particular reference to 2017 Fiscal Year, Alcantara S.p.A. intensified its activities and initiatives in the art and design field, extending its collaboration to new artists/designers and to new art and/or culture institutions all round the world.

All this is intended to promote creative experimentation with Alcantara® material, raise brand awareness, enhance the brand's reputation and reach more and more worthwhile international audiences in this area as well as others.



## ALCANTARA® MAGIC HOTEL

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As part of 2016 Design Week, Alcantara S.p.A. celebrated the city of Milan with a “magical” large-scale outdoor installation in the middle of Corso Como, creating a new and unforgettable destination for everyone excited about design.

Alcantara® Magic Hotel featured a number of highly distinctive ingredients: the marriage of 2D and 3D elements achieved by teaming Alcantara® with ultra-high resolution photographic relief printing onto architectural features such as the central balcony and some of the shutters, themselves clad in printed soft Alcantara®.

The result was an astonishing play of optical illusions: though only 2D, the Alcantara® gives the printed photography a vivid and highly realistic 3D effect, further enhanced by the installation's huge scale (about 18m x 12m).



## THE KING AND I

During 2016 Milan Fashion Week, Alcantara S.p.A. had the privilege of arranging a modern take on the mood of a place redolent with history, with a show in Milan's Royal Palace from 20 September to 23 October 2016, a project designed from the outset to be engaging and astounding.

"The King and I" presented works specially created by nine international artists from various parts of the creative world, in a confluence of art, theatre, sound and fashion which produced a whole journey of experimentation around the Alcantara® material and the project's setting: the Apartments of the Prince.

The artists were Maurizio Anzeri, Arthur Arbesser, Paola Besana, Gentucca Bini, Matthew Herbert, Taisuke Koyama, Francesco Simeti, Adrian Wong and Shane Aspegren.

## THE ALCANTARA® CONCEPT STORE

Once again Alcantara® demonstrated its versatility through its Concept Store, a space designed as a home for creativity and a special showcase for previewing trends, innovations, ideas and projects. From fashion to design, from the coolest automobile ideas to avant-garde objects for interiors, the Concept Store designed by the architect Massimo Locatelli with Studio CLS is a whole world spaced in 300 m<sup>2</sup> and located in via Pietro Verri 8, in the beating heart of endlessly inventive Milan.

Talented designers meet here at Alcantara S.p.A. to create the latest lifestyle solutions, with the all-important link to the multi-faceted world of fashion which has always provided Alcantara S.p.A. with inspiration and at the same time with partnership.

A pr plan dedicated to the Concept Store has been in operation place since early 2017, with a special focus on the main fashion and lifestyle magazines.



## ALCANTARA® GOES ON STAGE AT THE TEATRO REGIO WITH A PREMIERE OF “LA BOHÈME”

Alcantara S.p.A., a true ambassador of Italian excellence throughout the world, braved the footlights of the Teatro Regio with the Giacomo Puccini's celebrated opera La Bohème, directed by Àlex Olle of La Fura dels Baus and conducted by Gianandrea Noseda. In these eccentric and mould-breaking surroundings, Alcantara® achieved its finest expression by providing a modern version of the stage curtain which was a great feature of the opera, as well as the sets and the costumes of the principal singers.

Right from the start the audience found itself immersed in the controversial atmosphere of this version of La Bohème, thanks to a 19m x 10m stage curtain designed by the set designer Alfons Flores, which reproduced the opera's most striking scene on Alcantara®.

This artistic context is one in which Alcantara S.p.A. has for many years distinguished itself, working with artists and designers as well as with world-class museums.

La Bohème in particular is one of the fruits of the partnership between Alcantara S.p.A. and the Teatro Regio for a cultural project in the 2016-2017 season.



## ALCANTARA® CELEBRATES CONTEMPORARY ITALIAN CINEMA IN LOS ANGELES

Alcantara S.p.A. was the main partner for two high-profile international events dedicated to the big screen and celebrating Italian excellence and the Country's attitude to creativity in the cradle of the movies, with screenings of Francesco Carrozzini's "Franca: Chaos & Creation" and Gianfranco Rosi's "Fuocoammare" (Fire at Sea), which won the Golden Bear at the Berlin International Film Festival.

For the 12<sup>th</sup> year Cinema Italian Style celebrated contemporary Italian film from 14 to 23 November 2016 in the prestigious setting of Los Angeles' Egyptian Theatre, where over 600 seats were re-covered with Alcantara® in an elegant navy blue.

Alcantara S.p.A. was also a partner for the 30<sup>th</sup> Annual American Cinematheque Awards Gala, held at the Beverly Hilton Hotel in Los Angeles in October in honour of Sir Ridley Scott.



## "IN-FORMATION" BY ROSS LOVEGROVE

For the second year in a row Alcantara S.p.A. celebrated Art and Design at IMM Cologne (from 16 to 22 January 2017) by introducing a special project in partnership with the worldwide recognized British designer Ross Lovegrove. In collaboration with DAMN° Magazine, "In-formation" welcomed an international audience to the fair.

The inspiration behind Ross Lovegrove's project came from a trip some years ago to the historic site of Petra in Jordan, where he was stirred by the rock strata and deposits in and around the site; the formations have stayed vivid in his memory ever since, and "In-formation" is the result of those countless shades of natural colour – evoking the Grand Canyon and other natural wonders – made by a special manner of airbrushing directly onto the material.

## LOCAL ICONS. URBAN LANDSCAPES. NORTH - SOUTH

Eight cities and one journey from global North to South, rich in material from urban landscapes never portrayed before. "Local Icons. Urban Landscapes. North-South" is an exhibition curated by Giulio Cappellini and Domitilla Dardi, in which the creators (Form Us With Love, Great Things to People, Gustavo Martini, Steven Haulenbeek, Marc Thorpe, Liliana Ovalle, Birsell+Seck and Ilkka Suppanen) give their interpretation of eight cities in an imagined dialogue between the world's North and South.

At the MAXXI museum of Rome from 3 to 26 February 2017, "Local Icons. Urban Landscapes. North-South" was the third and final stage of a journey in search of images which define an individual culture's memorable places, reinterpreting them in the light of new designs.

A project for the creative reinterpretation of local icons which captured the soul of Rome in 2015 and a year later contrasted the cultural essence of the metropolis in East and West, now turns its gaze to the cities of the global North and South.



## KEY OF THE SEA BUILT BY THE WAVE: A JOINT PROJECT OF ALCANTARA AND ANDREY BARTENEV

Alcantara S.p.A. and the world-famous artist Andrey Bartenev presented a joint project at RuArts Gallery. The unique exposition of artworks created from Alcantara® material by Andrey Bartenev, a master of synthetic performance, opened in Moscow.

It was Alcantara®, a material with endless potential which can take any shape or colour, that made it possible to bring this artist's extraordinary ideas to life. Thanks to its unique versatility and rich colour palette, Alcantara® has found its place as an integral part of the worldwide creative community.

Pure works of art united by their common theme, the sea "Key of the sea built by the wave" installation and costumes with unusual names: Electro Medusa, Sea-Star Shamrock, Loop of the way Samurai. Andrey Bartenev demonstrated the collection himself as well wearing a spectacular "Fish tales" costume.



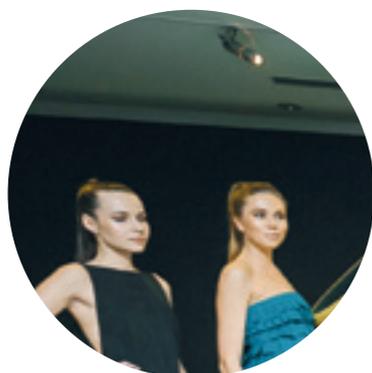
## FANTASY ACCESS CODE. ALCANTARA AND SIX ARTISTS IN THE APARTMENTS OF THE PRINCE

From 28 March to 30 April 2017, Alcantara S.p.A. and the Royal Palace of Milan City Council's Culture Department promoted and produced an exhibition specially designed for the various rooms of the Apartments of the Prince.

"Fantasy Access Code" is the third exhibition project by Alcantara S.p.A. at the Royal Palace, and the second in a cycle curated by Davide Quadrio and Massimo Torrigiani which aims at giving a modern interpretation to these rooms which have such important historical connotations.

The title "Fantasy Access Code" refers to the mechanism of that name described by Gianni Rodari (1920 – 1980) in his little book "The Grammar of Fantasy: An Introduction to the Art of Inventing Stories" (original version published by Einaudi Ragazzi, 1973, tr. Teachers & Writers Collaborative July 1996). The author explains how to build literary texts by setting up a virtuous circle of thoughts, image associations and marvellous sights. In the same way this exhibition is structured as a journey through a cosmology of amazing worlds arising from and directly related to the spaces of the venue, the ten rooms which make up the Apartments of the Prince. The six international artists who were invited to take part in this exhibition are Aki Kondo, Michael Lin, Soundwalk Collective, Georgina Starr, Nanda Vigo and Lorenzo Vitturi. Each of them has contemplated suggestions arising from the place itself, which has acted as an amazing fantasy-creation device and triggered the composition of remarkable works of art, all in Alcantara® material.

The end result is a choral, multi-faceted but unified experience, constructed as a succession of Cabinets of Wonders, giving new life to the Apartments as an inexhaustible reservoir of inspiration.



## — 5.2 University, Research and Sustainability

In 2017 Fiscal Year, the collaboration in the field of university research continued. In particular, a €300,000 medium-term research project (three years) was completed with the Engineering Department of the University of Perugia on the optimization of waterborne polyurethanes through the development of nano-composites.

Specialist work on characterizing new inputs from renewable sources has been done at the Materials Engineering Department of Federico II University of Naples. New collaborative projects on advanced materials, also made from renewable sources, are currently being worked out with the above-mentioned Department and with the Advanced Macromolecules Institute of National Research Council (CNR) of Milan

### *Sustainability and Corporate Value*

As a proof of its commitment to promoting greater awareness of the significance and implications of sustainability, Alcantara S.p.A. organized and promoted its 3<sup>rd</sup> International Symposium on Sustainability in October 2016, in partnership with Nikkei, the VIU (Venice International University) and the Waseda University, with the support of The Society of Global Business.

Titled “Sustainability and Corporate Value” and held on 17<sup>th</sup> October in Tokyo, the Symposium involved more than 20 top-level international speakers coming from prestigious companies and universities discussing sustainability from various different points of view.

Through presentations, keynote speeches and round tables featuring well-known academic personalities, important representatives of major corporations, institutions and NGOs, the Symposium helped to build a shared vision of sustainability.

The discussions were in three sessions: Sustainability, Operational Performance & Corporate Strategy, Sustainability & Brand value, and sustainability & Investor Relations. A mix of western and eastern approaches – managerial, professional and academic experience – drew a contemporary profile of sustainability and proposed interesting ways of dealing with it.

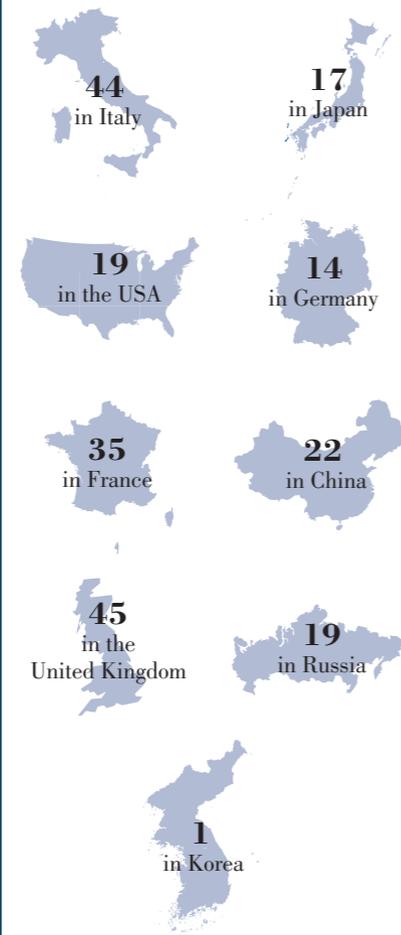
## — 5.3 Media Relations

Alcantara S.p.A. uses the main media to inform its stakeholders about the projects it undertakes and the innovations it has made. The means of communication chosen by Alcantara S.p.A. are mainly printed media (daily newspapers, weekly and monthly magazines on interiors, cars, fashion, and lifestyle in general) and the Web (websites, blogs, etc.).

In 2017 Fiscal Year Alcantara S.p.A. consolidated its collaboration with the four press offices in Italy and the nine overseas (USA, France, Germany, China, Japan, UK and Russia - in Germany and Japan Alcantara S.p.A. relied upon two different press offices, each of them specialized in its field).

In Korea, Alcantara S.p.A. began working on 1 March 2017 with a new press office specialized in corporate public relations.

Through the PR agencies, from 1 April 2016 to 31 March 2017 the Company issued 216 press releases:



The press is monitored periodically through a digital press review service. **Relationships with journalists** are continuously fostered: on the one hand, press releases and press kits are produced for fairs, events and major projects and, on the other, the Company answers enquiries and fulfils requests from journalists for information, interviews and samples of material. In addition, on the most important occasions of communication for the Company and the brand, more specifically targeted activities are organized, such as press days and one-to-one appointments.

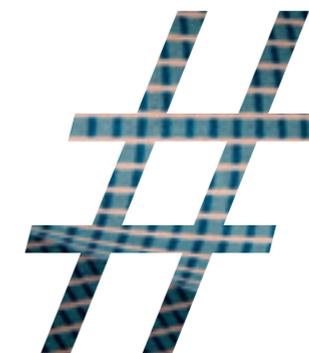
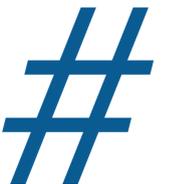
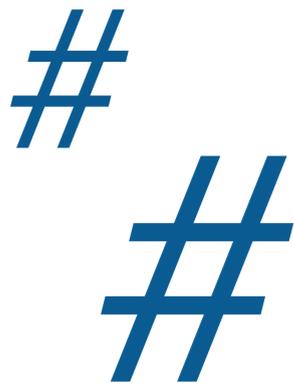
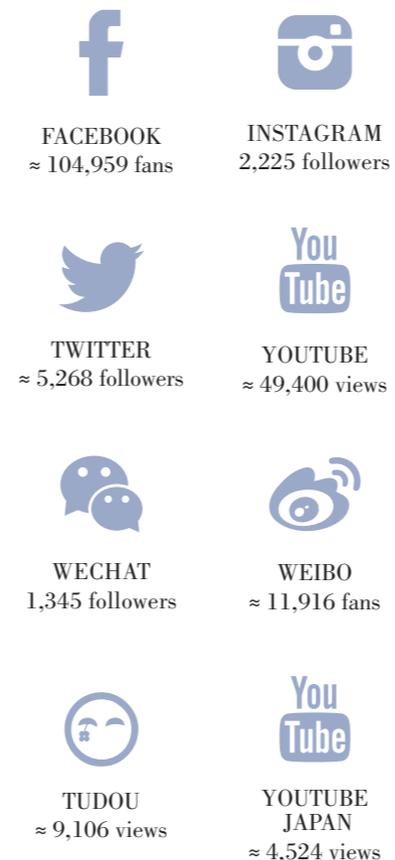
In 2017 Fiscal Year, **five press conferences (Milan, Nera Montoro, Tokyo, Beijing, and Moscow)** were organized, at times together with prestigious partners with whom the Company has been working for some time now, as well as **eleven press trips**, three of them at the production plant and research centre of Nera Montoro, and eight to Alcantara S.p.A. events around the world. The complete set of communication activities resulted in media coverage of more than **21,822 articles** (on-line and off-line) in all the leading newspapers across the world.

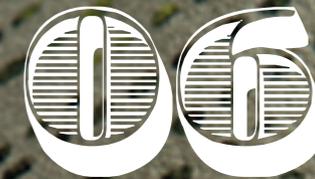
Within the scope of digital communication activities, from 1 April 2016 to 31 March 2017 the [alcantara.com](http://alcantara.com) website received a total of 847,684 visits (+46.27% compared to the previous year) and 676,417 unique visitors (+44% compared to the previous year). Visits and the number of visitors registered a +28.93% increase.

Also on social media, Alcantara S.p.A. implemented and continuously updated its publishing calendar on all its corporate profiles: Facebook, Instagram, Twitter, YouTube (international channel and Japanese channel) and, for China, WeChat, Weibo, and Tudou.



As at 31 March 2017, Alcantara S.p.A.'s social channels boast the following audience figures:





# ENVIRONMENTAL SUSTAINABILITY

## Highlights

- 8<sup>th</sup> year in a row of *Carbon Neutrality* certification
- 6<sup>th</sup> year in a row for *product Carbon Neutrality* certification
- 1<sup>st</sup> year of *ISO 50001 Energy Management Systems* certification
- 75% of *energy requirements* at the Nera Monoro production plant are self-generated through *High-Efficiency Cogeneration*
- *Improvement of Water Footprint* compared to the previous Fiscal Year

70.3 % of *waste* is allocated for recovery through *recycling* and *reuse*

NOTE: The indications "2016" and "2017" in this document refer to the 12-month periods 1 April 2015 - 31 March 2016 and 1 April 2016 - 31 March 2017 and correspond to the Fiscal Year of Alcantara S.p.A.



Browse the interactive report on [sustainabilityreport.alcantara.com](http://sustainabilityreport.alcantara.com)

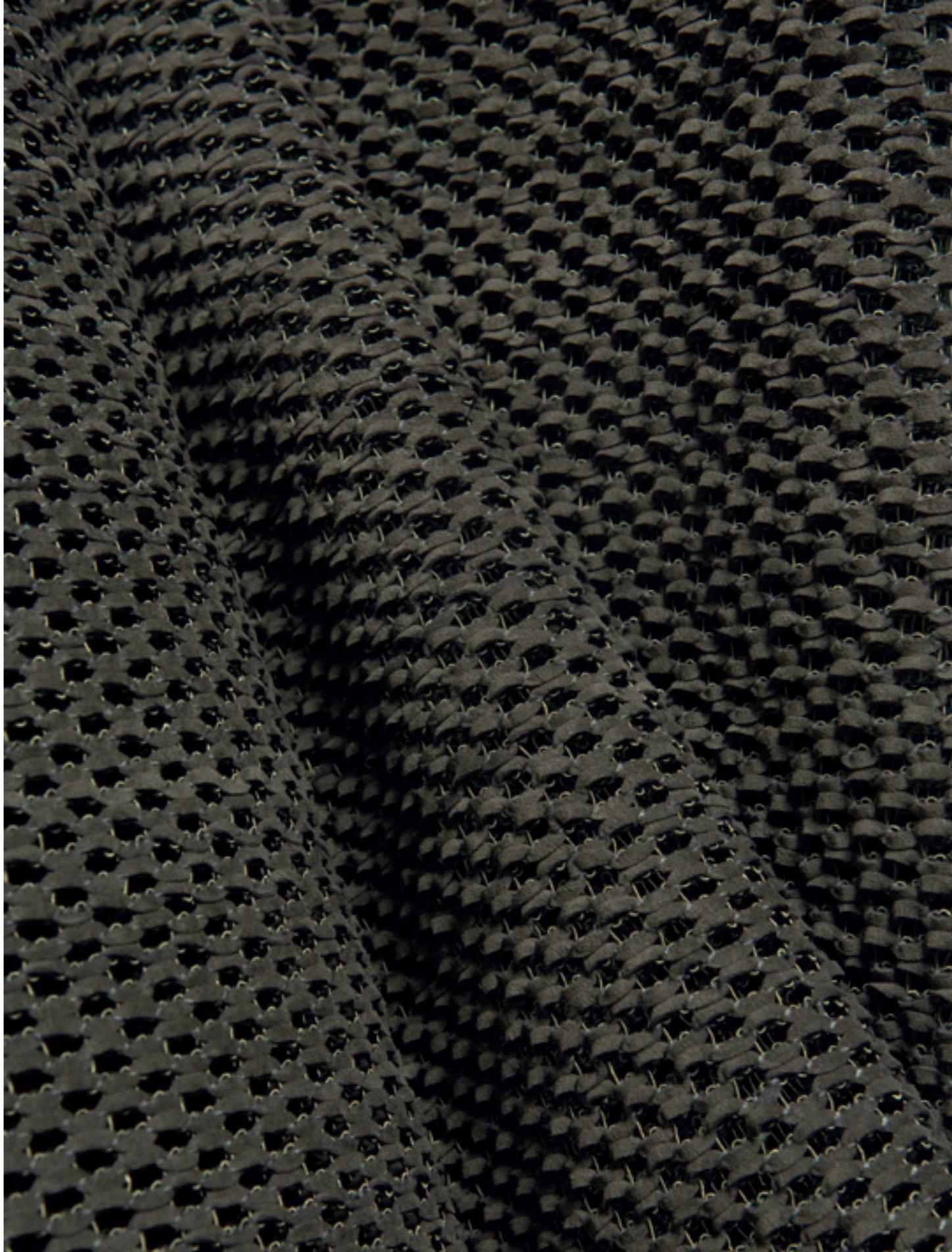
COMMITMENTS	ACHIEVED IN 2017 FISCAL YEAR
-------------	------------------------------

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• project for installation of power factor correction systems located at the production plant;</li> <li>• project for a new air conditioning system at the Greige department;</li> <li>• project to optimize the tertiary section of the Wastewater Treatment System.</li> </ul> | <ul style="list-style-type: none"> <li>• 70% of planned power factor correction systems are now installed and operational. The remaining 30% has been installed and functioning since August;</li> <li>• new air conditioning system purchased for the machine section of the Greige department; the equipment has been assembled and it has been operating since August;</li> <li>• the equipment for optimization of the tertiary section of the Wastewater Treatment System has been purchased and has been fitted; it has been operating since September.</li> </ul> |
|---|--|

## 2017-2020 SUSTAINABILITY PLAN

### PLANET ENVIRONMENTAL SUSTAINABILITY

2020 OBJECTIVE	AREAS OF ACTION
<ul style="list-style-type: none"> <li>• reduction of Energy Consumption;</li> <li>• maintainance of Carbon Neutrality and reduction of Carbon Footprint;</li> <li>• improvement of the Water Footprint;</li> <li>• development of Circular Economy.</li> </ul>	<ul style="list-style-type: none"> <li>• continue with installation of trigeneration plant;</li> <li>• reduce the emissions produced by the Company;</li> <li>• update analysis of the Water Footprint and find ways of reducing it;</li> <li>• identify areas for improvement of production process to reduce water consumption;</li> <li>• study opportunities for reusing waste water;</li> <li>• examine the possibility of producing terephthalic acid as a by-product.</li> </ul>



## — 6.1 Environmental Policy and Management System

Alcantara S.p.A. has a *Safety and Environment Policy* that lays down the principles of action on which all activities, managerial approach and organizational responsibilities are based. The Company actively undertakes to *eliminate or minimize* the impact of its processes and products on the environment through a *series of actions* that concern:

- improving environmental efficiency and minimizing generated environmental impact;
- constant training and briefing on major environmental issues;
- raising awareness outside the Company and explaining its activities.

The following significant awards are testimony to the attention Alcantara S.p.A. pays to environmental issues:

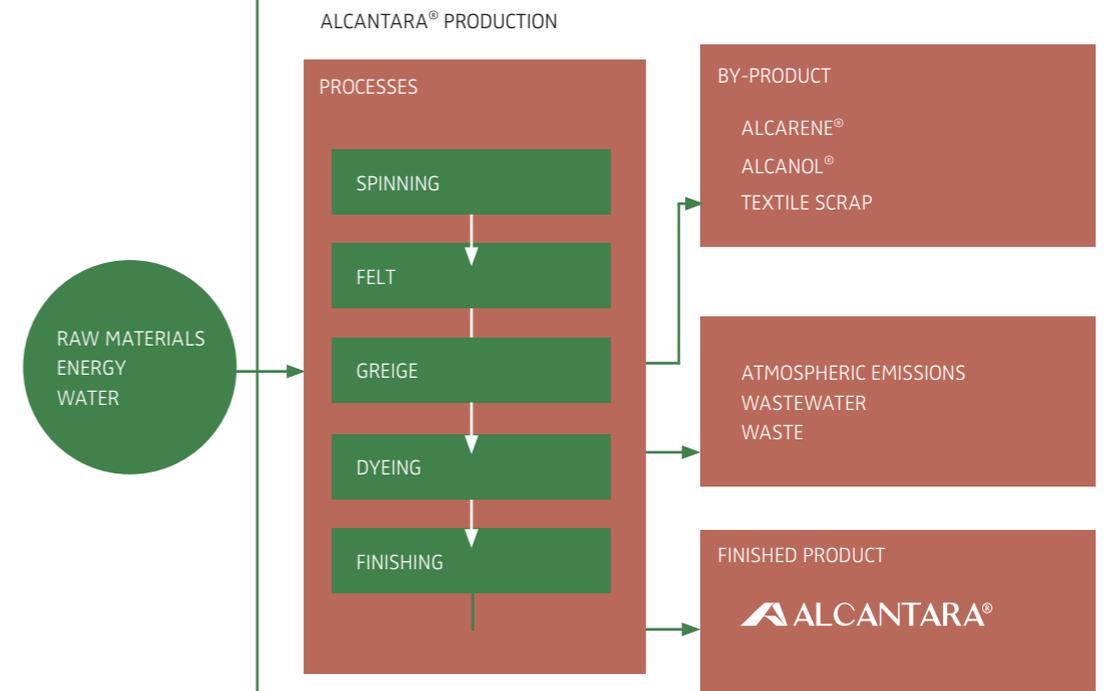
- **since 2000, certification of the Environmental Management System (EMS)** under UNI EN ISO 14001:2004;
- **Integrated Environmental Authorization (IEA)**, renewed in May 2013 and valid until May 2025. Minor amendments to the IEA were submitted and approved in 2015 to take account of improvements due to the long-term project for eliminating hazardous substances from the production process;
- **since 2008, certified Carbon Footprint report;**
- **since 2009, certified Carbon-Neutral status;**
- **since 2014, Water Footprint report;**
- **since 2017, ISO 50001 Energy Management Systems certification.**



## — 6.2 Environmental Impacts

Alcantara S.p.A.'s production process starts with two polymers from which the finished product is obtained through a sequence of stages. The material undergoes various final transformation treatments depending on its intended application.

The diagram below summarizes the process and its main types of environmental impact.



As required under the certified Environmental Management System, Alcantara S.p.A. has identified all significant parameters of environmental interaction for:

- storage and use of chemical products;
- atmospheric emissions;
- wastewater drainage;
- noise pollution;
- waste;
- energy;
- water resources;
- soil and subsoil protection.

These parameters – together with the production processes affecting them – are constantly monitored and assessed as part of the Management Review specified under the system.

## — 6.3 Use of Raw Materials

Alcantara S.p.A.'s production process uses exclusively raw materials authorized by the strictest EU standards.

Potential environmental and safety issues of all new products are assessed in an internal Product Safety procedure that involves all Company departments. The results of these assessments are examined by management before marketing is authorized.

All auxiliary raw materials, such as some of the thermoplastic polymers and sizes used, are treated on-site, recovered and reused in the production cycle or allocated to other industrial uses. In addition, the solvents used in production are regenerated and reused several times in the production process.

MATERIALS USED PER LINEAR METER OF ALCANTARA® PRODUCT	NON-RENEWABLE RESOURCES*	U.M.	2016	2017
Nitrogen		g/m	488.46	<b>560.40</b>
Thermoplastic polymers	X	g/m	852.98	<b>954.84</b>
Colorants and auxiliary agents		g/m	687.28	<b>654.94</b>
Packaging (cardboard, plastic, etc.)		g/m	177.68	<b>174.42</b>
Textile media		g/m	125.80	<b>136.22</b>
Raw materials for polyurethane	X	g/m	254.19	<b>320.11</b>
Glues and sizes	X	g/m	166.37	<b>155.08</b>
Auxiliary post-treatment agents		g/m	111.52	<b>120.20</b>
Solvents	X	g/m	39.11	<b>30.85</b>
Abrasive paper		g/m	2.09	<b>2.66</b>
Steel needles		g/m	0.13	<b>0.20</b>
Stainless steel splitting blades		g/m	0.35	<b>0.34</b>
TAC-TAS oils and chemicals		g/m	95.93	<b>96.35</b>

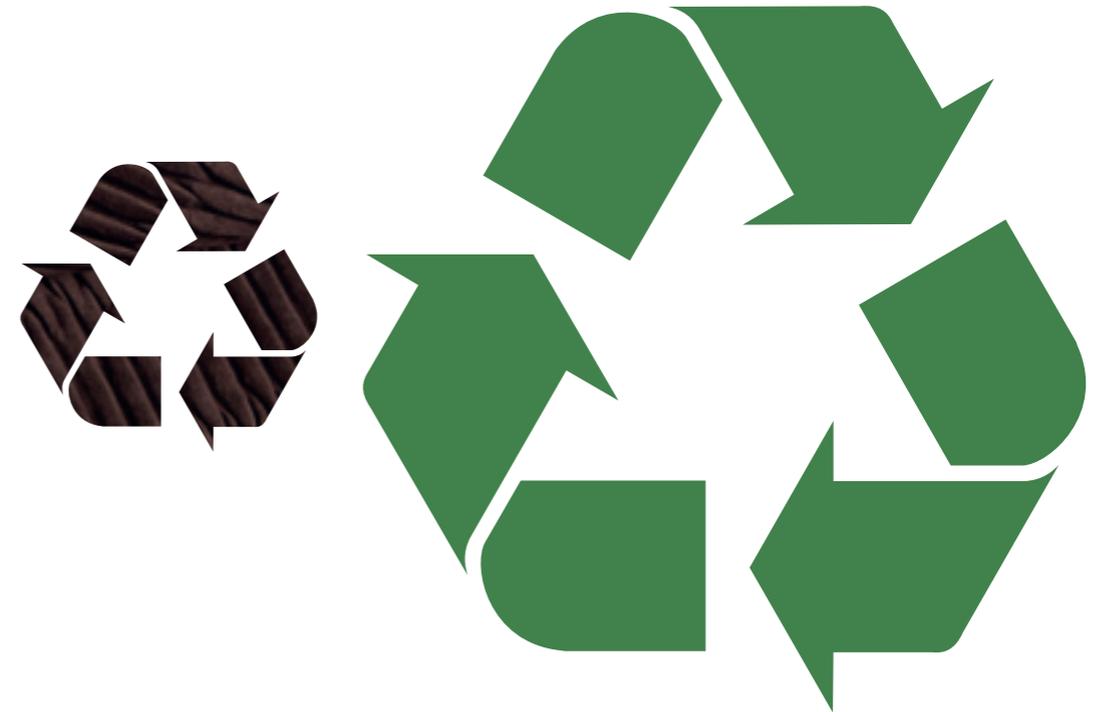
\* resources that do not regenerate in a short time period such as minerals, metals, oil, gas, coal, etc.

Given the **8%** increase in production compared to the previous year, the use of raw materials in the production process has led to an increase in specific raw materials only for four of products and it remained in a stable average with respect to the previous Fiscal Year. There were increases of more than 8% in the use of nitrogen (expanded plant), thermoplastic polymers, abrasive paper and the ingredients for polyurethane, following the introduction of a new production process with lower environmental impact: Alcantara F.A.N.S. (Future Alcantara carbon

Neutral and Sustainable).

Changes in the figures for glues and sizes, solvents and chemicals arise from the stocking of higher or lower quantities of raw materials than last year.

The manufacturing process has two by-products, materials of insufficient quality for the production of Alcantara®, which are therefore sold to other companies as inputs for other industrial processes, yielding third-party companies a corresponding net saving in raw materials.



Those by-products are:

- **Alcarene®**: a thermoplastic polymer for injection moulding;
- **Alcanol®**: a vinyl adhesive for the paper-making industry.

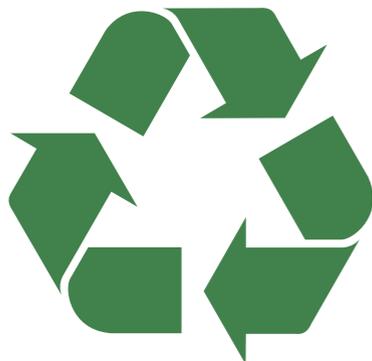
BY-PRODUCTS SOLD*	U.M.	2016	2017
<b>ALCANOL®</b>			
Quantity produced and marketed	Kg	521,753	<b>537,610</b>
Percentage of raw material recovered	%	72.8%	<b>77.2%</b>
<b>ALCARENE®</b>			
Quantity produced and marketed	Kg	989,303	<b>1,209,125</b>
Percentage of raw material recovered	%	64.2%	<b>84.3%</b>
<b>ALK-FILL FI and ALK-FILL FE (textile scrap)</b>			
Quantity produced and marketed	Kg	30,160	<b>31,180</b>
<b>ALK-FILL BUFF (buffing powder)</b>			
Quantity produced and marketed	Kg	11,757	-

\*The percentages shown here are calculated on the quantities of raw material actually used in production.

The amount of Alcanol® produced and sold as a by-product increased by **about 5% in relation to the amount of raw material purchased**. All this could not be put on the market in 2017 Fiscal Year because the Alcanol® used for testing the new production process cannot be used as by-product by the current users. Other by-products (textile scrap and buffing powder) are also generated during the various phases of the process; they are used in other industries instead of virgin raw materials.

The amount of Alcarene® produced and sold as a by-product increased by **20%** in relation to the amount of raw material purchased.

The Company's product portfolio includes a variant of Alcantara® made using 25% by weight of post-consumer recycled raw materials. That variant, used in the automotive industry, particularly for seating, accounts for **0.026%** of the total number of meters processed, bringing the proportion of recycled product to **0.008%** of the total.



## — 6.4 Energy Requirement and Saving

Since 1 January 2013 most of the electricity used by the Company has come from the COFELY gas turbine station at its production plant, recognized by GSE (the Italian power grid) as a High-efficiency Cogeneration (HEC) station.

Currently ongoing project for installation of trigeneration plant consists in comprising an endothermic heat and power generator, a heat recovery boiler and an absorption cooling unit. The plant will produce about 20,000 MWh(e) of power annually, at the same time generating the following, without further energy input:

- 10,000 MWh(t) of steam;
- 8,000 MWh of cooling per year.

For the next three years this plant will allow Alcantara S.p.A to achieve about 1,500 Energy Efficiency Certificates (Titoli di Efficienza Energetica – TEE) per year.

In the marketing and administration departments of the Milan headquarters natural gas is used for heating and electricity for normal office activities, air-conditioning and operation of the thermal power plant.

The production plant in Nera Montoro uses:

- **natural gas** for direct heating and the production of steam at 6 bars, as well as in the canteen;
- **steam** at a pressure of 6 bars provided by the new gas turbine cogeneration plant of the factory;
- **electricity**, mainly used in the production process and almost entirely generated by the new gas turbine cogeneration plant. Power demand peaks exceeding the new plant's capacity were met from the national High Voltage (HV) grid; the Medium Voltage (MV) supply is used only if the HV grid is down or undergoing maintenance. Both supplies come from renewable sources.

Alcantara S.p.A. also monitors fuel consumption for the Company fleet for emissions calculation purposes.

ENERGY CONSUMPTION	U.M.	2016	2017
<b>MILAN</b>			
Natural gas	TJ	1	1.8
Electricity	TJ	2.2	1.7
<b>NERA MONTORO</b>			
Natural gas	TJ	60	67.9
Purchased electricity	TJ	228	261
Steam	TJ	695.7	745.8
<b>OVERALL TOTAL (ALL SOURCES)</b>	<b>TJ</b>	<b>986.8</b>	<b>1078</b>
Total natural gas	TJ	61	69.7
Percentage use of natural gas out of total	TJ	6.20%	6.50%

In 2017 Fiscal Year Alcantara S.p.A.'s energy intensity<sup>1</sup> in relation to turnover was 0.0058 TJ per thousand euros, an improvement compared to 2016 (0.006 TJ/€1000). The change is determined both by the 14% of turnover increase compared to 2016 Fiscal Year and the implemented energy efficiency initiatives.

<sup>1</sup> Energy intensity is the ratio of all energy consumed to turnover (which was €186.6 million in 2017 Fiscal Year)

The reduction in Alcantara S.p.A.'s energy requirement, given the increase in production, is due to its constant commitment to optimizing its manufacturing processes and plants.

The main stages of this have been as follows:

- from 1998 to 2002, total renewal of its plants;
- in 2000 partnership set up with a local manufacturer for the exclusive supply of steam from a cogeneration plant;
- as of 2008 RECS certificates purchased to guarantee the use of energy from renewable sources only;
- in 2010 new capital spending to further reduce the plant's energy consumption still further;
- in 2013 CHP construction completed (see box on the right);
- in 2014 new screw compressor fitted to the Wastewater Treatment System and malfunctioning steam traps replaced; new condensate recovery systems installed with steam propulsion; fluorescent lamps replaced with LED lamps in the dyeing department; reflux ratio lowered on one column of the DMF distillation plant;
- in 2015 environmental temperature was modified in accordance with 74/2003 DPR in the Greige and Fibre departments; replacement of malfunctioning steam traps continued; condensate recovery systems in the DMF distillation department optimized;
- in 2016 various further improvements planned: new power factor correction systems in the production departments, new air conditioning system at the Greige department, optimization of the tertiary section of the Wastewater Treatment System;
- in 2017 a new air conditioning system for the machine section of the Greige department was installed and it has been operating from August onwards, and equipment for optimizing the tertiary section of the Wastewater Treatment System was also purchased and it has been functioning from the end of September.

### MEASURES TO LOWER ENERGY CONSUMPTION IN 2017 FISCAL YEAR

**Heat recovery through re-use of condensates:** this measure involves designing and installing a water/condensate heat exchanger which will save up to 1,400 MWh(t) per year.

**Optimizing steam traps:** all 300 steam traps (condensate discharge units) throughout the Company's production plant were inspected and damaged ones were replaced, saving about 1,400 MWh(t).

**Installation of new power factor correction systems:** this involved designing new power factor correction systems and installing them in the various departments: about 70% of units were replaced, saving about 21,000 MWh/year of reactive and 160 MWh/year of active power.

## COGENERATION PLANT

Following the closure of the third-party thermoelectric power station near the Company's plant which had provided it with steam, Alcantara S.p.A. commissioned Cofely to design, construct and run a cogeneration plant for the supply of electricity and steam. This has been in operation since 2013.

In 2017 Fiscal Year the new plant provided about 207,080 MWh of steam and 46,043,160 MWh of electricity (75% of the Nera Montoro plant's total electricity needs). The Company also applied to the national grid operator GSE for qualification as an Efficient User System (SEU) under new official criteria.

On 18 December 2012, the GSE recognized the plant as a **High-Efficiency Cogeneration (HEC) station**. High-Efficiency Cogeneration has beneficial effects in terms of energy, the environment and cost. By comparison with the separate generation of heat and power, the new plant has reduced energy consumption by about 4,400 tons of oil equivalent per year.

In addition to lower energy consumption the other main factors that have reduced energy costs are:

- high energy efficiency due to the new-generation systems installed;
- cogeneration of about 13 t/h simply recovered (cost-free steam produced from hot exhaust);
- benefits from obtaining "white certificates";
- tax breaks on the natural gas supplied to power stations qualifying as HECs;
- tax relief on electricity due to the SEU system qualification, made possible because the entire gas turbine electricity distribution network is located within the production plant.

In summary, the advantages of this project are:

- a significant reduction of energy bill in energy costs;
- energy independence and a more reliable supply;
- no capital needed for constructing the plant, leaving capital free for the Company's core business.

## — 6.5 GHG Emissions and Carbon Footprint

The yearly “cradle to grave” product life cycle analysis under ISO 14064 and the GHG protocol was conducted again in 2017 Fiscal Year, as it had been conducted each year since 2011. The exercise provides the data for offsetting residual carbon dioxide emissions in accordance with the PAS 2060 standard, generating two reports:

- a report on “Corporate” GHG emissions in accordance with the directives of the UNI ISO 14064-1 and the Corporate Accounting and Reporting Standard of the GHG Protocol. The operational boundary takes in all direct emissions (Scope 1), indirect emissions associated with the generation of all electricity and steam purchased in (Scope 2), and also indirect emissions (Scope 3) not attributable to the product – in particular, those resulting from business trips and commuting of the staff;
- a report on GHG emissions attributable to the product under the directions of the UNI ISO 14064-1 and the Product Life Cycle Accounting and Reporting Standard of the GHG Protocol. The “life cycle” includes services, materials and energy consumption forming part of, accompanying and manufacturing the product.

In particular, this includes:

- “Scope 1” and “Scope 2” emissions associated with the activities of the Nera Montoro production site, taking into account the new gas turbine plant there;
- direct and indirect activities involved in producing and transporting raw materials, outsourced processing of finished product and producing and transporting the finished product to the customer’s gate for the next stage of processing;
- packaging, forming, washing at the industrial user’s site;
- end of life (landfill, incineration, recycling).

In order to ensure that the information the Company produces is always accurate and up to date, Alcantara S.p.A. periodically reviews its modelling of all processes, using the software SimaPro and other tools and applying the latest emissions coefficients.

For the new High-Efficiency Cogeneration station, the impact in terms of CO<sub>2</sub> was considered and offset in accordance with the European Union’s Emissions Trading Scheme (EU ETS) which is designed to cut greenhouse gas emissions in those industries with the greatest impact on climate change.

In fact, the new cogeneration power plant’s emissions fall within the EU-ETS system and are therefore considered as offset on the basis of the PAS 2060 standard (57,273,156 tons of CO<sub>2</sub>). In addition, another **10,724,451 tons of CO<sub>2</sub>** are offset thanks to the electricity grid’s COFER reductions (Certificate of Origin from Certified Renewable Energy Sources), resulting in the **offsetting of a total of 67,997,607 tons of CO<sub>2</sub>**.

The tables below summarize the Company’s carbon dioxide emissions, as certified by TÜV SÜD and expressed in tons of CO<sub>2</sub> equivalent.

“CORPORATE” INVENTORY (TONS OF CO <sub>2</sub> )	2016	2017
<b>SCOPE 1 TOTAL</b> – direct emissions	57,699	61,589
<b>SCOPE 2 TOTAL</b> – indirect emissions associated with the generation of purchased electricity and heat	6,647	12,122
<b>SCOPE 3 TOTAL</b> – indirect emissions	2,185	2,355
“PRODUCT” INVENTORY (TONS OF CO <sub>2</sub> )	2016	2017
<b>SCOPE 1 TOTAL</b> – direct emissions	57,373	61,198
<b>SCOPE 1 TOTAL</b> –net of the electricity and heat offset from Cofely Cogeneration (since 2013 offset via the ETS, paid for by Alcantara S.p.A.)	3,474	3,925
<b>SCOPE 2 TOTAL</b> – indirect emissions associated with the generation of purchased electricity and acquired heating (in brackets = data with COFER offsetting)	6,407 (-70)	11,933 (1,395)
<b>SCOPE 3 TOTAL</b> – indirect emissions	46,081	53,353
<b>TOTAL TONS OF CO<sub>2</sub> EMISSIONS TO BE OFFSET/NEUTRALIZED</b> (=Total Corporate + Scope 3 Product - Offsets) (see paragraph 6.6)	<b>52,140</b>	<b>61,421</b>

Total emissions increased compared with 2016 Fiscal Year, mainly due to the 8% growth in production volumes and to the use of two different production processes to produce Alcantara®. The production of the material through the new process (which in itself has less environmental impact) made the new production lines necessary to operate alongside those of the original process.

This arrangement caused a physiological increase in energy consumption compared to what have been achieved by producing the same volumes with fewer lines.

Regarding the Alcantara® product, in fact, emissions amount to **126,484,688 tons of CO<sub>2</sub>** (net of transport offsets), giving a unit value of **24.22 kg CO<sub>2</sub>** per linear meter, 7% lower than the 22,628 kg CO<sub>2</sub>/m in 2016). Taking the offset provided by green energy and ETS into account, emissions amounted to 58,674 tons of CO<sub>2</sub> equivalent, a unit value of 11.24 kg CO<sub>2</sub> and about 10% increase compared to the previous fiscal year.

Furthermore, the figure for Alcantara S.p.A.’s GHG emissions in 2017 Fiscal Year, calculated as the ratio of direct emissions (Scope 1) to turnover, was around 0.33, which is in line with last fiscal year’s value of 0.35. In the case of indirect emissions (Scope 2) that ratio was 0.06 in 2017, compared with 0.04 in 2016.

The table below gives indicates other polluting atmospheric emissions from the emission points approved under the AIA permit (factory chimneys, hoods, etc.). The figure for SO<sub>2</sub> emissions has been replaced in the table with that for dusts, which gives more meaningful information because of the activation of new emission points at the Greige department and other current projects for cutting dust emissions.

OTHER ATMOSPHERIC EMISSIONS	U.M.	2016	2017
NO <sub>x</sub> nitrogen oxide	Kg	4,972	1,242
Dusts	Kg	1,430	1,251
VOC volatile organic compounds	Kg	7,339	5,305

## "CRADLE TO GRAVE" CO<sub>2</sub> NEUTRALIZATION

As a result of quantification of the emissions in 2017 Fiscal Year at the organization and product level, Alcantara S.p.A. is "Carbon Neutral", that is, it offsets 100% of residual carbon dioxide emissions (those which cannot be eliminated otherwise) attributable to the Company's activities or to the product from the cradle (including all inputs) to the grave (the end of the product's life, including waste management).

All operations are certified by TÜV SÜD; 2017 is the product's sixth year of Carbon Neutrality.

The total emissions to be offset – **61,421 tons of CO<sub>2</sub>** – comprise:

- "Corporate" emissions;
- Scope 3 emissions attributable to the product (since the Scope 1 and Scope 2 emissions attributable to the product are already included in the Corporate inventory);
- emissions from the gas turbine plant (whose impact is offset on the basis of the EU ETS system in accordance with the PAS 2060 standard).

Having measured its emissions in 2017 Fiscal Year (corporate and product), Alcantara S.p.A. is in a position to offset its residual CO<sub>2</sub> emissions by financing six projects under the aegis of the United Nations which help to improve global economic, social and environmental conditions.

Offsetting (neutralization) concerns emissions that **cannot be eliminated any other way** and is done by purchasing credits (Gold Standards) on the voluntary market. This option, which is subject to international regulation under the Kyoto Protocol, consists in removing an amount of CO<sub>2</sub> from the atmosphere equivalent to the amount produced and needing to be neutralized.

Credit-purchasing projects for the 2017 Fiscal Year enabled Alcantara S.p.A. to offset all residual emissions, **a total of 66,302 tons of CO<sub>2</sub> equivalent**. Following the Supplier Involvement project about 7% of credits were purchased by shipping companies to offset CO<sub>2</sub> from their services to Alcantara S.p.A. (for further details refer to Chapter 2.3 "Suppliers and Partners").

The offset certificate purchasing projects, all selected with the aim of contributing more and more significantly to the United Nations Sustainable Development Goals world-wide, are described below.

PROJECT NAME	PROJECT TYPE	COUNTRY	NO. CERTIFICATES	OF WHICH PURCHASED BY SUPPLIERS	%
Chorchaiwat	Biomass	Thailand	7,024	-	11%
Xenamnoy	Small hydro	Laos	4,952	1.080	7%
Aura Solar	Solar PV	Mexico	5,048	3.048	8%
Wind power project in Tamil Nadu	Wind Power	India	17,046	-	26%
Advancing solar power	Solar PV	China	18,070	-	27%
InfraVest Changbin and Taichung bundled Wind Farms project	Solar PV	Taiwan	13,410	-	20%
Others			752	752	1%
<b>TOTAL</b>			<b>66,302</b>	<b>4,880</b>	<b>100%</b>

**THAILAND**  
Chorchaiwat  
wastewater  
treatment and biogas  
utilization project

The project consists in the construction of a wastewater treatment plant with heat generation, implemented at a starch processing plant of Chorchaiwat Industry Co., Ltd. The project has been in operation since June 2007.

The captured biogas is used as fuel in existing heat generating devices in the starch plant replacing fossil fuel, which leads to further CO<sub>2</sub> reductions. Installed capacity of the thermal boiler is 3.9 MWth.

**LAOS**  
Xenamnoy  
small hydro  
project

The project is a small-scale runoff-river plant that generates sustainable electricity in one of the poorest regions of the world. The main socio-economic impact of the project are:

- the plant generates 85,000 MWh per year, providing clean electricity to over 42,000 households;
  - during construction and operation of the plant plenty of job opportunities were provided for local residents;
  - the local transport infrastructure was greatly improved: the project owner constructed a new road leading to the power plant. It is open for public use.
- Besides that, the conditions of several existing roads were improved:
- the project owner implemented a local water supply programme whereby a water well was dug and a water pump provided for the villagers;
  - a new temple was built for religious ceremonies of the local community;
  - the project owner cooperates with the local telecommunication company, providing electricity to the communication station.

Environmental impacts:

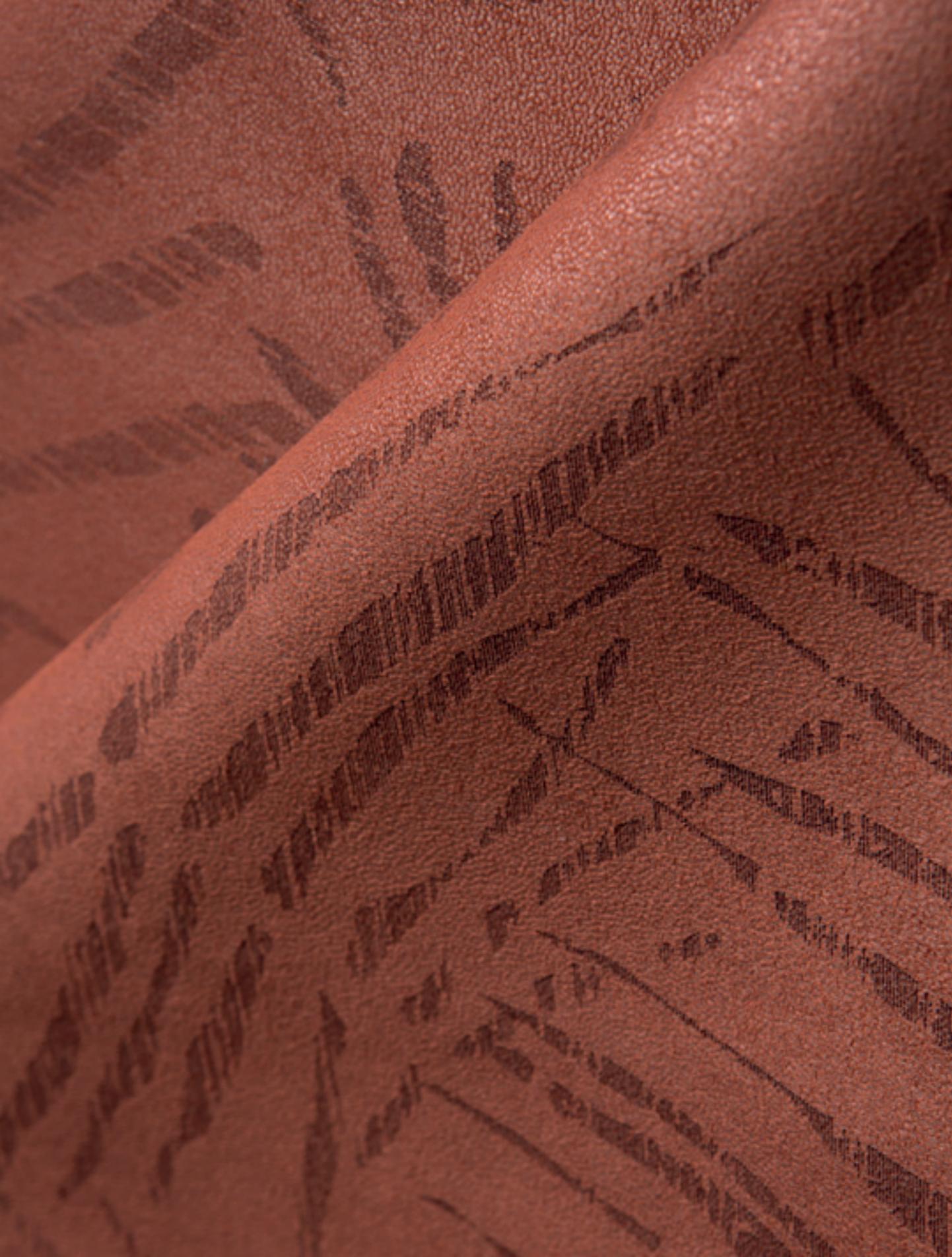
- better air quality due to less use of firewood for domestic use;
- on average 50,000 tons of CO<sub>2</sub> per year are reduced due to displacement of fossil-fuel electricity generation in Laos and Thailand connected power grids.

**MEXICO**  
Aura Solar

Aura Solar I is one of the largest PV solar plant in Latin America and the first private utility-scale project to be developed under the "Iniciativa Aura Solar". Aura Solar I is also the first Latin American renewable energy plant to be registered under the I-REC Code. The solar power plant meets the energy needs of 64,000 people (64% of the population of La Paz) and replaces fossil fuels for electricity production, which for years was the cause of food poisoning and air pollution. Aura Solar I significantly reduces the use of fossil fuels and help mitigate risks related to the logistical transport of hydrocarbons in the delicate ecosystem of the Sea of Cortez, which has been declared a biodiversity heritage site by UNESCO. This solar power plant is an important trigger in the clean energy revolution in Mexico and will contribute to Mexico's target of 35% of energy being provided by renewables by 2026.

**INDIA**  
Wind power  
project in Tamil  
Nadu

The economy of Tamil Nadu, the second largest among India's federal states, has been built on agriculture and manufacturing. With lignite reserves of just under 30 billion tons, growth in Tamil Nadu has been spurred by the combustion of fossil fuels. However, this has also resulted in significant local air and water pollution. Consequently, it is in the state's interests to diversify its energy mix by moving away from fossil fuels to help mitigate pollution, preserve the health of its people, and improve its overall energy security. This project involves an aggregated group of 812 wind turbine generators, located throughout the state of Tamil Nadu and coordinated by the Tamil Nadu Spinning Mills Association. The generators have a combined installed capacity of 460.18 MW resulting in the generation of approximately 817 GWh of electricity per annum. The electricity is fed into the local grid, displacing an equivalent amount of electricity that would have otherwise been generated from fossil fuels.



**CHINA**  
Advancing  
solar power

This project includes the installation of approximately 168,000 pieces of solar cell modules. The total installed capacity is 40.3 MW and it provides 56,000 MWh of electricity to the North-West China Power Grid (NWPG) every year, displacing the power generated predominantly in coal-fired plants. This amount of electricity is enough to supply approximately 40,000 Chinese households for a year. This project generates employment opportunities for professional, skilled and unskilled personnel during the construction, operation and maintenance of the solar plant. Moreover, it creates business opportunities for local stakeholders such as vendors, contractors and suppliers, further supporting the local economy. It increases the regional energy supply, promotes development and enhances social wellbeing.

The project improves local air and water quality by reducing other pollutants such as sulphur dioxide, nitrogen oxides, soot and particles associated with the burning of fossil fuels. It demonstrates and disseminates renewable energy technology. It contributes to resource conservation and the diversification of China's energy mix.



**TAIWAN**  
InfraVest Changbin  
and Taichung  
bundled wind  
farms project

Through this project, two wind parks are contributing to enhancing Taiwan's renewable energy generation, supplying over 86,300 households with clean electricity, while paving the way for the island's sustainable development. Each year, this project prevents over 200,000 tons of GHG from entering the atmosphere. Despite the privilege of a long and windy coastline, Taiwan is still heavily reliant on fossil fuels, which comprise over 75% of the country's total installed electricity capacity.

Shifting towards more sustainable energy sources is vital to the country's national security, economic development and environmental preservation. This pioneering wind project is harnessing Taiwan's abundant wind energy along the coasts close to Changbin and Taichung. The wind farms consist of 65 wind turbines, generating over 300,000 MWh of clean electricity for more than 86,300 households annually. In addition to generating positive impacts on the global climate, this project is engaged in several nature preserving activities such as regular cleaning of beaches from waste and debris, and guided tours to raise awareness about climate change, pollution and other environmental issues. The project has, so far, also planted over 1.76 hectares of trees.

## — 6.6 Water Management and Footprint

The primary water source for the industrial activities carried on at the Nera Montoro production plant and research centre is the Nera river.

The water is used for sanitary purposes, fire-fighting, irrigation and industrial uses in the production plant itself; in particular, it is used for dyeing the finished product. Other minor sources are well water and the municipal water supply. Alcantara S.p.A. is strongly committed to reducing the amount of water drawn from the municipal water supply in view of the ever-increasing consumption of drinking water by local communities and new manufacturing plants in the area.

In 2017 Fiscal Year Alcantara S.p.A. also supplied Engie with the industrial water needed to produce steam, for a total volume of **309,584 m<sup>3</sup>**. The values given in the following table do not include the water managed by the Cofely gas turbine plant.

WATER ABSTRACTION BY SOURCE	U.M.	2016	2017
Nera river via artificial reservoir	m <sup>3</sup>	1,700,282	1,850,786
Nera river direct abstraction	m <sup>3</sup>	-	57,880
Water wells within the plant	m <sup>3</sup>	53,974	121,400
Province of Terni Municipal water supply	m <sup>3</sup>	4,252	4,065
<b>TOTAL WATER ABSTRACTION</b>	<b>m<sup>3</sup></b>	<b>1,758,508</b>	<b>2,034,131</b>

### WATER DISCHARGE BY QUALITY AND DESTINATION

All waste water goes to an internal treatment plant before being discharged. Furthermore, at the production plant there is only one final discharge point; this is downstream of the water treatment system and is authorized and monitored. Before the discharge point into the Nera river

there is one discharge point from the Cofely gas turbine station, authorized by the Province of Terni.

The final waste water discharge point in the Nera river is in the protected area of San Liberato Lake and is managed in accordance with statutory requirements.

WATER DISCHARGE	U.M.	2016	2017
Nera river	m <sup>3</sup>	1,682,103	1,842,931

Specifically, on the basis of the tests carried out by qualified external laboratories (in accordance with the Integrated Environmental Authorization requirements) and sent to the competent authorities, the wastewater quality parameters are well below the current statutory and regulatory limits. Analysis indicate that pollutant values never exceed the prescribed limits, and have indeed improved over the years, remaining at very safe levels at all times; in particular, the acute toxicity tests carried out on the wastewater have always shown levels below the prescribed limits.

The table below indicates average values of the principal pollutants with the greatest environmental impact by comparison with the statutory limits.

QUALITY OF INDUSTRIAL WASTEWATER: MEAN VALUES OF THE MAIN POLLUTANTS												
Parameter	pH	Suspended solids	BOD <sub>5</sub>	COD	Chromium VI	Nitrous nitrogen	NH <sub>4</sub> ammonia nitrogen	Total surfactants	Organic nitrogen compounds	Chlorinated solvents	Escherichia Coli	Acute Toxicity test
Unit of measurement	-	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	UFC/100ml	%
Legal limits for discharge into surface watercourses	5.5 - 9.5	80	40	160	0.2	0.6	15	2	0.1	1	5,000	<=50% tot
Mean value in 2016 test	8.19	5	7.2	30.8	<0.01	<0.01	0.115	0.61	<0.01	<0.01	200	<5% Acceptable
Mean value in 2017 test	8.08	7	8.9	34.4	<0.01	0.41	<0.1	0.4	<0.01	<0.01	140	<5%

### PHYTO-TREATMENT SYSTEM

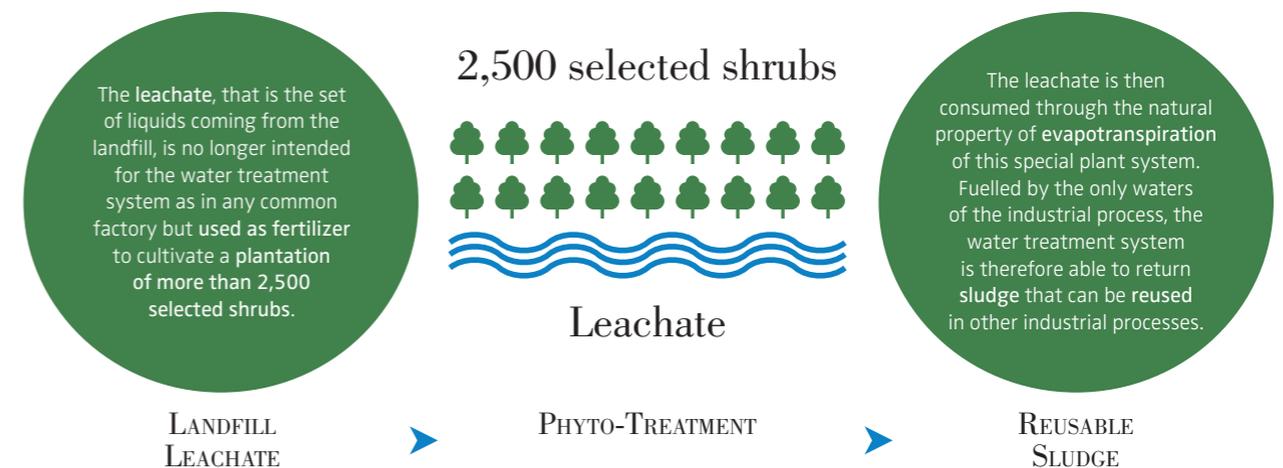
The phyto-treatment system allows the use of plants to reduce or entirely eliminate the seepage of leachate from sludge in the Company's landfill site outside the factory. The function of the plants is to consume the leachate directly on-site, thus avoiding costly transfers of leachate and its post-treatment waste.

The system ensures an overall improvement in the environment of the landfill area, breaks the cycle leading to the production of waste and creates new destinations for the sludge resulting from the water treatment system. In particular, the results obtained include the following:

- covering over the reservoirs on the old landfill site (about 7,000 m<sup>2</sup> restored) by planting more than 2,500 plants to be irrigated by nutrient-rich industrial wastewater;

- reducing the amount of pollutants treated in the water treatment plant and so reducing the resulting treatment products and sludge and improving the wastewater's characteristics.

The phyto-treatment system is based on the natural process through which plants absorb water from the soil and carry large quantities of water from the ground to the atmosphere using solar energy as input.



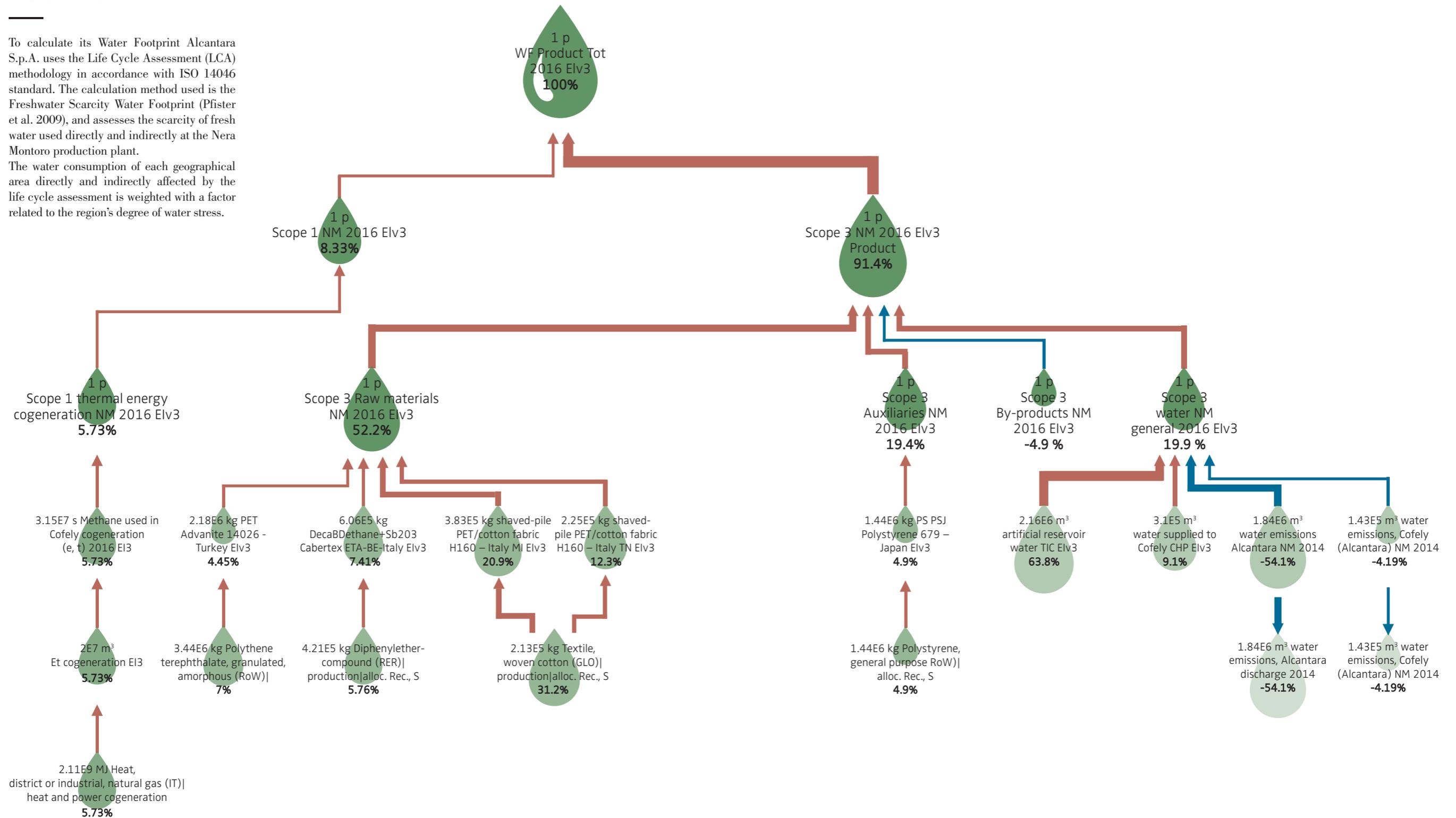
# WATER FOOTPRINT

To calculate its Water Footprint Alcantara S.p.A. uses the Life Cycle Assessment (LCA) methodology in accordance with ISO 14046 standard. The calculation method used is the Freshwater Scarcity Water Footprint (Pfister et al. 2009), and assesses the scarcity of fresh water used directly and indirectly at the Nera Montoro production plant.

The water consumption of each geographical area directly and indirectly affected by the life cycle assessment is weighted with a factor related to the region's degree of water stress.

## 2017 WATER FOOTPRINT CALCULATION:

## CONCEPTUAL DIAGRAM OF MAIN FLOWS



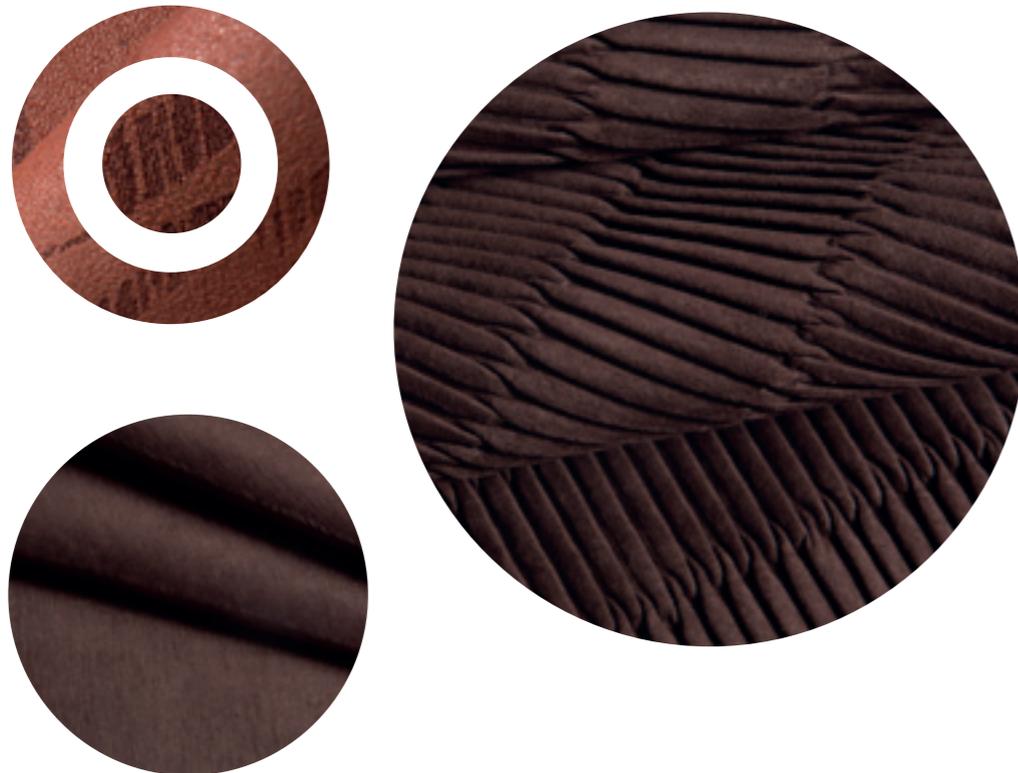
The biggest contributions to the Company's Water Footprint (marked with broader arrows in the above diagram) come from consumed raw materials (52.2%), direct water consumption by Alcantara S.p.A. itself (19.9%) and consumed ancillary materials (19.4%).

The following table details the results of the Freshwater Scarcity Footprint assessments of the last two years. This analysis enables the Company to track the number of m<sup>3</sup> equivalent of water needed to produce Alcantara®, measured in m<sup>2</sup> and kg. In 2017 Fiscal Year, the ratio of water consumption to Alcantara® product was lower compared to 2016 Fiscal Year, confirming the Company's commitment to reducing the impact of its production processes.

WATER SCARCITY FOOTPRINT	Total m <sup>3</sup> eq.		m <sup>3</sup> eq./Kg		m <sup>3</sup> eq./m <sup>2</sup>	
	2016	2017	2016	2017	2016	2017
<b>ALCANTARA® AVERAGE</b>	968,681	928,879	0.44	0.37	0.14	0.13
Alcantara® average (only dyeing process)*	522,325	611,531	0.24	0.24	0.08	0.08
Alcantara® average (excluding dyeing process)**	446,356	317,348	0.20	0.13	0.06	0.04

\*NB: the WF figures published in 2016 Fiscal Year have been recalculated to include the discharge of waste water. Those changes are taken into account in the figures shown in the above table, to make the mode of calculation more meticulous and accurate. Furthermore, the figures shown have been calculated using the Ecoinvent database v3.3, which is a revised version of the one used for the figures in last fiscal year's Sustainability Report.

\*\* To assess the Water Scarcity Footprint of Alcantara® dyeing process, the following items have been evaluated: water consumption, amounting to 75% of calculated consumption in the "product" model; 100% of raw materials relating to the dyeing process; 75% -100 % of chemicals used for water treatment; 50% of power consumption used for water treatment; electric and thermal energy consumption of the dyeing department.



## — 6.7 Waste Management

The waste produced in the course of production consists mainly of sludge from the wastewater treatment systems. This sludge is taken to authorized landfills and if possible destined for re-use in authorized cement works.

Most of the waste produced is non-hazardous. The table below lists the waste generated and disposed of at the Nera Montoro plant, broken down by type and volume (as these are more significant than those generated at the Milan headquarters).

WASTE GENERATED AT THE PRODUCTION PLANT

WASTE	DESCRIPTION	U.M.	2016	2017
Buffing powder	Physiological waste from the buffing process; contains polyester and polyurethane	Kg	768,620	946,418
Hazardous	Waste from the production of flame-proof fabric; by-products containing impurities, empty hazardous substance containers	Kg	2,207,925	2,361,140
Non-hazardous (other than buffing powder)	Non-recoverable production waste, plastic, wood, etc.	Kg	7,697,875	11,556,906
<b>TOTAL</b>		<b>Kg</b>	<b>10,674,420</b>	<b>14,864,464</b>



The increase in waste is due to multiple factors, including the increase in production and the implementation of the new production system.

DESTINATION CODE	DESCRIPTION OF DESTINATION		NON-HAZARDOUS (Kg)	HAZARDOUS (Kg)	TOTAL (Kg)
D9	Physical and chemical treatment producing compounds or mixtures disposed of in accordance with procedures such as evaporation, drying, calcination, etc.		2,567,100	837,180	3,404,280
D15	Preliminary storage before one of the operations listed under D1 to D14		451,892	564,483	1,016,375
<b>TOTAL DISPOSED OF</b>		<b>Kg</b>	<b>3,018,992</b>	<b>1,401,663</b>	<b>4,420,655</b>
		<b>%</b>	<b>20.3</b>	<b>9.4</b>	<b>29.7</b>
R3	Recycling/reclamation of organic substances not used as solvents (including composting and other biological transformation processes)		59,360	-	59,360
R5	Recycling/recovery of other inorganic substances		616,940	-	616,940
R7	Recovery of the products used to capture the pollutants		583,280	-	583,280
R12	Exchange of waste in order to subject it to one of the operations indicated under R1-R11		333,200	-	333,200
R13	Storage of waste pending any of the operations numbered R1 to R12		7,891,552	959,477	8,851,029
<b>TOTAL RECOVERED</b>		<b>Kg</b>	<b>9,484,332</b>	<b>959,477</b>	<b>10,443,809</b>
		<b>%</b>	<b>63.8</b>	<b>6.5</b>	<b>70.3</b>
<b>TOTAL WASTE</b>		<b>Kg</b>	<b>12,503,324</b>	<b>2,361,140</b>	<b>14,864,464</b>
		<b>%</b>	<b>84.1</b>	<b>15.9</b>	<b>100</b>

Lastly, it is confirmed that all waste is sent beyond the borders of Italy.

# GRI-G4

## GRI CONTENT INDEX



Browse the interactive report on [sustainabilityreport.alcantara.com](https://sustainabilityreport.alcantara.com)

The table below contains the information necessary to assess the degree to which the information requirements laid down by the GRI-G4 reporting standard are satisfied. The table is made up of four columns. An asterisk in the fourth column indicates a comment to the requirement or possibly a lack of information: the relative reason is provided in a note below the corresponding indicator. Each aspect disclosed in this document is material for the organization of Alcantara S.p.A. If the aspect is also material outside the organization, the relative stakeholder is provided next to each aspect's name.

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement of the CEO and Chairman regarding the relevance of sustainability for the organization and its strategy		The Chairman's Letter
G4-2	Description of key impacts, risks and opportunities		1.7
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	Name of the organization		Introduction
G4-4	Primary brands, products and/or services		1.4, 4.2
G4-5	Location of the organization's headquarters		1.3
G4-6	Number of countries where the organization operates		1.3, 4.2
G4-7	Nature of ownership and legal form		1.3
G4-8	Markets served		1.4, 4.2
G4-9	Scale of the reporting organization		1.4, 2.1
G4-10	Number of employees by employment contract, region and gender		3.1
G4-11	Percentage of employees covered by collective bargaining agreements <i>Comment: the entire staff is covered by the National labour collective agreement</i>		*
G4-12	Description of the supply chain		2.3
G4-13	Significant changes during the reporting period		Introduction
G4-14	Explanation of the application of the prudential approach <i>Comment: before the introduction into the system of each new product, all applicable requirements are re-examined at dedicated interdepartmental meetings</i>		1.6
G4-15	Economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which endorses		1.8
G4-16	Memberships of associations		2.4

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	List of entities included in the organization's consolidated financial statements and any entity not covered by the report		Introduction
G4-18	Process for defining the report content		Introduction, 1.9
G4-19	List of all the material aspects identified		1.9
G4-20	For each material aspect, indication of the aspect boundary within the organization		1.9
G4-21	For each material aspect, indication of the aspect boundary outside the organization		1.9
G4-22	Explanation of the effect of any restatements of information provided in previous reports		Introduction
G4-23	Significant changes from previous reporting periods		Introduction

<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	List of stakeholder groups engaged by the organization		1.9
G4-25	Basis for identification and selection of stakeholders with whom to engage		1.9
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group		1.9
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns		1.9

<b>REPORT PROFILE</b>			
G4-28	Reporting period		Introduction
G4-29	Date of most recent previous report		Introduction
G4-30	Reporting cycle		Introduction
G4-31	Contact point for questions regarding the report and its contents		Introduction
G4-32	The "in accordance" option the organization has chosen and the GRI content index		Introduction
G4-33	External assurance for the report		Introduction Auditor's Report

<b>GOVERNANCE</b>			
G4-34	Governance structure of the organization		1.5
G4-35	Description of the process for delegating authority for economic, environmental and social topics		1.5
G4-36	Authority for economic, environmental and social topics		1.5
G4-37	Description of the process for consultation between stakeholders and the highest governance body		1.5
G4-38	Composition of the highest governance body		1.5
G4-39	Whether the Chair of the highest governance body is also an executive officer		1.5
G4-40	Description of the nomination and selection processes for the highest governance body		1.5
G4-41	Description of the processes to ensure conflicts of interest are avoided		1.5
G4-42	Highest governance body's role in the development of strategies related to economic, environmental and social impacts		1.5
G4-43	Development of the highest governance body's collective knowledge of economic, environmental and social topics		1.5
G4-44	Evaluation of the highest governance body's performance with respect to economic, environmental and social topics <i>Comment: the policies for the evaluation of the performance are decided by the shareholders' meeting with the ownership of Toray Group</i>		*

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>GOVERNANCE</b>			
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities		1.5, 1.8
G4-46	Highest governance body's role in reviewing the effectiveness of the risk management processes for economic, environmental and social topics		1.5
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities		1.8
G4-48	Body that approves the Sustainability Report		1.5
G4-49	Description of the process for communicating with the highest governance body		1.5
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body <i>Comment: none</i>		1.5
G4-51	Remuneration policies for the highest governance body and senior executives <i>Comment: this information is not publicly disclosed due to confidentiality concerns</i>		*
G4-52	Description of the process for determining remuneration for the highest governance body and senior executives <i>Comment: the information is not publicly disclosed due to confidentiality concerns</i>		*
G4-53	Description of how stakeholders' views are sought and taken into account regarding remuneration <i>Comment: the productivity bonus includes an agreement shared with the trade union representatives</i>		3.3
G4-54	Ratio of the compensation for the organization's highest-paid individual to the median compensation <i>Comment: the information is collected and monitored. It is not publicly disclosed due to confidentiality concerns</i>		*
G4-55	Ratio of percentage increase in compensation for the organization's highest-paid individual to the median increase <i>Comment: the information is collected and monitored. It is not publicly disclosed due to confidentiality concerns</i>		*

<b>ETHICS AND INTEGRITY</b>			
G4-56	Mission, values, social charters and principles		1.1, 1.5
G4-57	Description of the mechanisms for seeking advice on ethical and lawful behaviour		1.5
G4-58	Description of the mechanisms for reporting concerns about unethical or unlawful behaviour		1.5

#### CATEGORY: ECONOMIC

<b>ECONOMIC PERFORMANCE</b>			
DMA			2.1
G4-EC 1	Direct economic value generated and distributed		2.1
G4-EC 2	Financial implications and other risks and opportunities for the organization's activities due to climate change		2.2, 6.5
G4-EC 3	Coverage of the organization's defined benefit plan obligations <i>Comment: obligations undertaken as laid down by law</i>		*
G4-EC 4	Financial assistance received from government		2.4

<b>MARKET PRESENCE</b>			
DMA			3.1
G4-EC 5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		3.3
G4-EC 6	Proportion of senior management hired from the local community at significant locations of operation		3.1

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
INDIRECT ECONOMIC IMPACTS		COMMUNITY	
DMA			5.1
G4-EC 7	Development and impact of infrastructure investments and services provided primarily for public benefit		5.1
G4-EC 8	Significant indirect economic impacts, including the extent of impacts	SUPPLIERS	2.1, 2.3

PROCUREMENT PRACTICES			
DMA			2.3
G4-EC 9	Proportion of spending on local suppliers at significant locations of operation		2.3

CATEGORY: ENVIRONMENT

MATERIALS		SUPPLIERS	
DMA			6.1, 6.3
G4-EN 1	Materials used by weight or volume <i>Comment: the total amount of materials used is not disclosed by absolute value due to confidentiality concerns</i>		6.3
G4-EN 2	Percentage of materials used that are recycled input materials		6.3

ENERGY		SUPPLIERS	
DMA			6.4
G4-EN 3	Energy consumption within the organization		6.4
G4-EN 4	Energy consumption outside of the organization <i>Comment: Alcantara commits to providing the missing information in the future</i>		*
G4-EN 5	Energy intensity		6.4
G4-EN 6	Reduction of energy consumption		6.4
G4-EN 7	Reduction in energy requirements of products and services		6.4

WATER		SUPPLIERS	
DMA			6.6
G4-EN 8	Total water withdrawal by source		6.6
G4-EN 9	Water sources significantly affected by withdrawal of water		6.6
G4-EN 10	Percentage and total volume of water recycled and reused <i>Comment: Alcantara is studying possible ways to reuse and recycle water</i>		*

BIODIVERSITY		SUPPLIERS	
DMA			6.1
G4-EN 11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas <i>Comment: a 20-hectare land portion owned by Alcantara is located inside the SIC area (Site of Community Interest). Although within the propriety area, the lands are located out of the plant's perimeter</i>		*
G4-EN 12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas <i>Comment: no biodiversity studies have been conducted in this topic that is not material</i>		*

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
BIODIVERSITY		SUPPLIERS	
G4-EN 13	Habitats protected or restored <i>Comment: none</i>		*
G4-EN 14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk <i>Comment: not applicable</i>		*

EMISSIONS		SUPPLIERS	
DMA			6.5
G4-EN 15	Direct Green House Gas emissions		6.5
G4-EN 16	Energy indirect Green House Gas emissions		6.5
G4-EN 17	Other indirect Green House Gas emissions		6.5
G4-EN 18	Green House Gas (GHG) emissions intensity		6.5
G4-EN 19	Reduction of Green House Gas emissions		6.5
G4-EN 20	Emissions of ozone-depleting substances (in weight) <i>Comment: Alcantara S.p.A. prevents the risk of emissions of R22 gas through maintenance of all air-conditioning and cooling plants by specialized suppliers; in 2017 Fiscal Year, no leaks of R22 from the equipment occurred</i>		6.5
G4-EN 21	NOx, SOx and other significant air emissions		

EFFLUENTS AND WASTE		SUPPLIERS-COMMUNITY	
DMA			6.6, 6.7
G4-EN 22	Total water discharge by quality and destination		6.6
G4-EN 23	Total weight of waste by type and disposal method		6.7
G4-EN 24	Total number and volume of significant spills <i>Comment: over the past few years there have been no leakages or cases of contamination of the environment</i>		*
G4-EN 25	Hazardous waste		6.7
G4-EN 26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff		6.6

PRODUCTS AND SERVICES		CUSTOMERS	
DMA			4.3
G4-EN 27	Extent of impact mitigation of environmental impacts of products and services		4.4, 6.2
G4-EN 28	Percentage of products sold and their packaging materials that are reclaimed by category		6.3

COMPLIANCE		SUPPLIERS	
DMA			6.1
G4-EN 29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations <i>Comment: no fines or any other sanctions</i>		*

TRANSPORT		SUPPLIERS	
DMA			6.5
G4-EN 30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce		6.5

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>OVERALL</b>			
DMA			2.2
G4-EN 31	Total environmental protection expenditures and investments by type		2.2

SUPPLIER ENVIRONMENTAL ASSESSMENT		SUPPLIERS	
DMA			2.3
G4-EN 32	Percentage of new suppliers that were screened using environmental criteria		2.3
G4-EN 33	Significant actual and potential negative environmental impacts in the supply chain and actions taken		2.3

ENVIRONMENTAL GRIEVANCE MECHANISMS			
DMA			6.1
G4-EN 34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms <i>Comment: none</i>		*

CATEGORY: SOCIAL  
LABOUR PRACTICES AND DECENT WORK

EMPLOYMENT			
DMA			3.1
G4-LA 1	Total number and rates of new employees hires and employee turnover by age group, gender and region		3.1
G4-LA 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		3.6
G4-LA 3	Return to work and retention rates after parental leave		3.2

LABOUR/MANAGEMENT RELATIONS			
DMA			3.3
G4-LA 4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements <i>Comment: no organizational changes necessary to improve the management of business activities are taken without informing the trade union representatives beforehand. The labour agreement imposes a minimum period of notice to the staff in case of changes to the company's operation or organization</i>		*

OCCUPATIONAL HEALTH AND SAFETY			
DMA			3.5
G4-LA 5	Percentage of total workforce represented in formal joint management - worker health and safety committees that help monitor and advise on occupational health and safety programmes <i>Comment: the OHSAS 18001 certification led to the creation of a safety management system. The responsables are those laid down by the Italian legislation</i>		*
G4-LA 6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by region and by gender		3.5
G4-LA 7	Workers with high incidence or high risk of diseases related to their occupation <i>Comment: a register of those who are exposed to cancerous substances has been activated and is managed in accordance with the law</i>		*
G4-LA 8	Health and safety topics covered in formal agreements with trade unions <i>Comment: the productivity bonus will be based on an assessment of the health and safety performance</i>		*

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>TRAINING AND EDUCATION</b>			
DMA			3.4
G4-LA 9	Average hours of training per year per employee by gender and by employee category		3.4
G4-LA 10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings <i>Comment: in light of the breakdown of employee age groups, no specific programmes to manage career endings have been developed</i>		*
G4-LA 11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		3.4

DIVERSITY AND EQUAL OPPORTUNITY			
DMA			3.2
G4-LA 12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity		3.2

EQUAL REMUNERATION FOR WOMEN AND MEN			
DMA			3.3
G4-LA 13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation		3.3

SUPPLIER ASSESSMENT FOR LABOUR PRACTICES		SUPPLIERS	
DMA			2.3
G4-LA 14	Percentage of new suppliers that were screened using labour practices criteria		2.3
G4-LA 15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken		2.3

LABOUR PRACTICE GRIEVANCE MECHANISMS			
DMA			3.1
G4-LA 16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms <i>Comment: none</i>		*

HUMAN RIGHTS

INVESTMENT			
DMA			1.5
G4-HR1	Percentage and total number of significant investment agreements that include human rights clauses or that underwent human rights screening <i>Comment: Alcantara S.p.A. pays constant attention to the respect of human rights but includes no additional clauses to the respect of the Code of Ethics laid down by Model 231; also, due to the lack of investments and contracts at risk</i>		1.5
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		3.2

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>NON-DISCRIMINATION</b>			
DMA			3.2, 3.3
G4-HR3	Total number of incidents of discrimination and corrective actions taken <i>Comment: no incident</i>		*

<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>		<b>SUPPLIERS</b>	
DMA			2.3
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights		2.3

<b>CHILD LABOUR</b>		<b>SUPPLIERS</b>	
DMA			2.3
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour		2.3

<b>FORCED OR COMPULSORY LABOUR</b>		<b>SUPPLIERS</b>	
DMA			2.3
G4-HR6	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour		2.3

<b>SECURITY PRACTICES</b>		<b>SUPPLIERS</b>	
DMA			2.3
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations		*

<b>INDIGENOUS RIGHTS</b>			
DMA			5.1
G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken <i>Comment: no violation</i>		*

<b>ASSESSMENT</b>			
DMA			3.2
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments <i>Comment: Alcantara S.p.A. is committed to respecting all laws and commitments laid down by the trade union agreements signed or any other commitment undertaken by the company concerning human rights. In relation to this, no violation has ever emerged from the inspections made</i>		*

<b>SUPPLIER HUMAN RIGHTS ASSESSMENT</b>		<b>SUPPLIERS</b>	
DMA			2.3
G4-HR10	Percentage of new suppliers that were screened using human rights criteria <i>Comment: all suppliers are monitored in accordance with SA8000®</i>		*
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken		2.3

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>HUMAN RIGHTS GRIEVANCE MECHANISMS</b>			
DMA			1.5
G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms		*

## SOCIETY

<b>LOCAL COMMUNITIES</b>		<b>COMMUNITY</b>	
DMA			5.1
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programmes <i>Comment: 100% operations through environmental assessments and stakeholder engagement activities</i>		1.9, 5.1
G4-S02	Operations with significant actual and potential negative impacts on local communities		5.1, 6.2

<b>ANTI-CORRUPTION</b>			
DMA			1.5
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified <i>Comment: the risk is monitored by the Supervisory Board across the entire organization (100%)</i>		1.5
G4-S04	Communication and training on anti-corruption policies and procedures		1.5
G4-S05	Confirmed incidents of corruption and actions taken <i>Comment: no incidents</i>		*

<b>PUBLIC POLICY</b>			
DMA			2.4
G4-S06	Total value of political contributions by country and recipient/beneficiary <i>Comment: Alcantara S.p.A. has never made contributions to politicians and political parties</i>		*

<b>ANTI-COMPETITIVE BEHAVIOUR</b>			
DMA			1.5
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes <i>Comment: none</i>		*

<b>COMPLIANCE</b>			
DMA			1.5
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations <i>Comment: no fines or sanctions</i>		*

<b>SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</b>		<b>SUPPLIERS</b>	
DMA			2.3
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society		2.3
G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken		2.3

CODE	INDICATOR	ASPECT BOUNDARY	PARAGRAPH
<b>GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>			
DMA			5.1, 5.2
G4-S011	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms		5.1, 5.2

#### PRODUCT RESPONSIBILITY

<b>CUSTOMER HEALTH AND SAFETY</b>			
DMA			4.3
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement		4.3
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle <i>Comment: no incidents occurred</i>		*

<b>PRODUCT AND SERVICE LABELLING</b>			
DMA			4.3
G4-PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		4.3
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling		*
G4-PR5	Results of surveys measuring customer satisfaction		4.5

<b>MARKETING COMMUNICATIONS</b>			
DMA			4.5
G4-PR6	Sale of banned or disputed products <i>Comment: none</i>		*
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship <i>Comment: none</i>		*

<b>CUSTOMER PRIVACY</b>			
DMA			1.5
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data <i>Comment: no complaints received</i>		*

<b>COMPLIANCE</b>			
DMA			1.5
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		*

# COMMUNICATION ON PROGRESS:

## THE CONNECTION BETWEEN GRI-G4 AND THE UNGC PRINCIPLES

CATEGORIES	PRINCIPLES	DESCRIPTION	GRI-G4 INDICATORS
HUMAN RIGHTS	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR2; G4-HR7 G4-HR8; G4-HR9; G4-HR12; G4-S01; G4-S02
	Principle 2	Make sure that they are not complicit in human rights abuses	G4-HR1; G4HR-10 G4-HR11
LABOUR	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11; G4-HR4; G4-LA4
	Principle 4	The elimination of all forms of forced and compulsory labour	G4-HR6
	Principle 5	The effective abolition of child labour	G4-HR5
	Principle 6	The elimination of discrimination in respect of employment and occupation	G4-10; G4-EC5; G4-EC6 G4-LA1; G4-LA3; G4-LA9; G4-LA11; G4-LA12; G4-LA13; G4-HR3
ENVIROMENT	Principle 7	Businesses should support a precautionary approach to environmental challenge	G4-EC2; G4-EN1; G4-EN3; G4-EN8; G4-EN15; G4-EN16; G4-EN17; G4-EN20; G4-EN21; G4-EN27; G4-EN31
	Principle 8	Undertake initiatives to promote greater environmental responsibility	G4-EN1; G4-EN2; G4-EN3; G4-EN5; G4-EN6; G4-EN7; G4-EN8; G4-EN9; G4-EN10; G4-EN11; G4-EN12; G4-EN15; G4-EN16; G4-EN17; G4-EN18; G4-EN19; G4-EN20; G4-EN21; G4-EN22; G4-EN23; G4-EN24; G4-EN25; G4-EN26; G4-EN27; G4-EN28; G4-EN29; G4-EN30; G4-EN31; G4-EN32; G4-EN33; G4-EN34
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies	G4-EN6; G4-EN7; G4-EN19; G4-EN27; G4-EN-31
ANTI-CORRUPTION	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	G4-56; G4-57, G4-58; G4-S03; G4-S04; G4-S05

#### Independent auditors' report on the sustainability report

To the Board of Directors of  
Alcantara S.p.A.

We have performed a limited assurance engagement on the Sustainability Report of Alcantara S.p.A. (the "Company") as of March 31<sup>st</sup>, 2017.

#### Directors' responsibility on the Sustainability Report

The Directors are responsible for the preparation of the Sustainability Report in accordance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by the GRI - Global Reporting Initiative, as stated in the paragraph "Introduction" of the Sustainability Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Alcantara S.p.A.'s objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

#### Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement. These procedures included inquiries, primarily with the Company personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the Sustainability Report consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial data reported in the paragraph "Economic indicators and Added Value" included in the Sustainability Report with those reported in the Financial Statements of the Company as of March 31<sup>st</sup>, 2017, on which another auditor issued the auditors' report (pursuant to the articles 14 and 16 of the Legislative Decree no. 39 of January 27<sup>th</sup>, 2010), dated May 31<sup>st</sup>, 2017;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Company;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:

- interviews and discussions with the management of Alcantara S.p.A. to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
- analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;

- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the Chairman and Chief Executive Officer of Alcantara S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000, and, therefore, do 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.

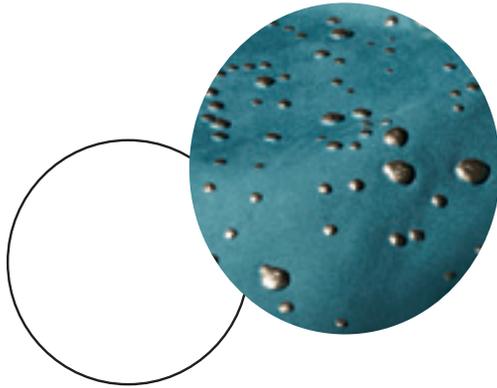
#### Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Alcantara S.p.A. as of March 31<sup>st</sup>, 2017 is not prepared, in all material respects, in accordance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by the GRI - Global Reporting Initiative, as stated in the paragraph "Introduction" of the Sustainability Report.

Milan, September 11<sup>th</sup> 2017

BDO Italia S.p.A.  
  
Simone Del Bianco  
Partner





Browse the interactive report on  
[sustainabilityreport.alcantara.com](http://sustainabilityreport.alcantara.com)

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