



10th ANNIVERSARY OF CARBON NEUTRALITY STATUS

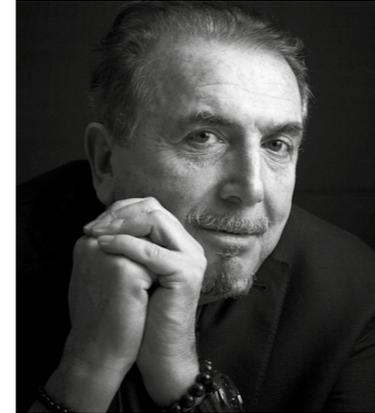
SUSTAINABILITY
REPORT

2019

Fiscal Year:
1 April 2018
31 March 2019

10th edition

ALCANTARA



THE CHAIRMAN'S LETTER

Dear Stakeholders,

With the release of the 10th edition of our Sustainability Report, we wish to highlight the fact that our Company has been Carbon Neutral continuously for the past ten years. Indeed, Alcantara is the first Italian Company and among the few in the world to achieve this status. This accomplishment is the result of the decisions we have taken and the activities we have planned and implemented in the field of sustainability in line with development guidelines that we will continue to follow in the future.

I wish to underline that we take this important outcome as a new starting point and not as an arrival point. We are aware of having understood the Paris Accords on Global Warming, which are only strengthened by the continuing calls to action from the scientific community, and our pioneering sensitivity to this has been highlighted 10 years ago.

The key elements in Alcantara's commitment to all stakeholders may be summed up as follows:

- **Carbon Neutrality.** As a clear, self-determined and direct action to fight climate change and speed up the process of decarbonizing the economy, every metre of material produced and marketed by Alcantara has a net CO₂ emissions balance of zero.

- **Full Life Cycle Assessment.** Alcantara measures its footprint in a cradle-to-grave approach. This best practice is a mark of excellence, which includes monitoring the raw materials production phase.

- **Responsible Procurement.** Alcantara has been monitoring its own supply chain since 2007 to increase awareness of and commitment to the principles of sustainability. Our Company asks its suppliers and partners to respect the universal principles of human rights, labour standards, environmental protection and fight against corruption. Specifically, regarding the issue of climate change, supplies procured via our "core" and "supercore" suppliers have a zero CO₂ emissions balance. We will continue to expand our responsible procurement policy, gradually expanding the number of partners involved.

- **Corporate Citizenship.** Alcantara pursues development and profitability with a focus on respecting and ensuring social, economic and environmental balance. Our Sustainability Report includes a description of our participation in UN-patronized international offset projects. These initiatives aim to expand the use of renewable energy resources and to improve the health and social conditions of people in the poorest and most disadvantaged areas of the world while offsetting all CO₂ emissions produced.

- **Stakeholder Engagement.** For the purpose of fostering and spreading a genuinely shared culture, the direct engagement of principal stakeholders is of the utmost importance for us. To this end, we have spearheaded a number of fully non-profit initiatives, including the organization of the International Symposium on Sustainability.

This annual event -that in 2019 marked the 5th edition- is an important occasion for awareness-raising, dialogue among experts in different business sectors (business managers, entrepreneurs, policymakers, academics, scientists, representatives of the financial world, etc.) and cross-fertilization in issues of decarbonization and climate change.

- **Continuous Improvement.** Alcantara has implemented a five-year plan to expand its production facility (2017-2022) which will increase employment while reducing environmental impact. Our Company is also committed to progressively maximizing the use of bio-based raw materials (that are not food-chain antagonists) in its production process. The Alcantara product portfolio includes materials that contain recycled raw materials. Lastly, we are engaged in research into end-of-lifecycle product recycling.

- **Voluntary open involvement.** Alcantara confirms its participation in the United Nations Global Compact (UNGC) and in the Global Compact Network Italy Foundation (GCNI), underlining its long-term commitment to responsible management, respecting and promoting the ten UNGC principles and undertaking actions aligned with the United Nations Sustainable Development Goals (UN SDGs). The Company also confirms -among other initiatives- its participation in the Carbon Disclosure Project (CDP).

This 10th edition of our Sustainability Report includes information on all the initiatives we have undertaken and represents an act of transparency for the Company since we voluntarily disclose what we do and what our future plans are.

Firmly believing sustainability is a necessary factor that is consistent with our long-term objective of increasing the economic and financial value of the Company, it remains a core value in our corporate culture, an important growth driver and a spur to developing our business strategy.

Now, more than ever, we are 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.



Methodology



Sustainability Report
of Alcantara S.p.A.

PERIOD
OF REFERENCE
1 April 2018 -
31 March 2019
(annual report):
Fiscal Year 2019.

REFERENCE GUIDELINES

The Sustainability Reporting Standards of the Global Reporting Initiative (GRI). Based on current coverage of the indicators linked to the material aspects summarized in the final correlation table, the level of conformity with the GRI standards is 'In accordance - comprehensive'.

INFORMATION COLLECTION

Social and environmental responsibility data are provided in dedicated flow diagrams and fact sheets. The information in these respects the precautionary approach required by the standards and is subsequently verified according to a reporting process that is integrated with Company management systems.

FRAME OF REFERENCE

The reference period for the report corresponds to the financial reporting period of Alcantara S.p.A. This document refers to two Fiscal Years:

- "FY 2018" or "Fiscal Year 2018" refers to the period from 1 April 2017 to 31 March 2018;
- "FY 2019" or "Fiscal Year 2019" refers to the period from 1 April 2018 to 31 March 2019.

SIGNIFICANT CHANGES

As of FY 2018, the Sustainability Report constitutes a consolidated non-financial statement pursuant to Legislative Decree 254/2016 and contains information on environmental, social, employees, human rights and anti-corruption themes useful for understanding the Group's activities, performance, results and impact.

EXTERNAL AUDIT

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

CONTACT DETAILS

Alcantara S.p.A.
Via Mecenate, 86
20138 Milan
Telephone +39 02 580301
www.alcantara.com



Alcantara S.p.A.'s 2019 Sustainability Report may be consulted in interactive format on the dedicated micro-site
<https://sustainabilityreport.alcantara.com>

We would like to thank the entire internal work group and all staff involved in the development and production of this 2019 Sustainability Report. Prepared and coordinated by: Alcantara S.p.A.

For further information, contact: alcantarasustainability@alcantara.com
All comments and suggestions are welcome.

SUSTAINABILITY REPORT

2019

Fiscal Year:
1 April 2018
31 March 2019

10th edition

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IDENTITY
AND
RESPONSIBILITY



10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

 Browse the interactive report on
sustainabilityreport.alcantara.com

1.1 Mission, Values and Strategic Orientation



MISSION

Alcantara S.p.A. operates in the premium upholstery market. The Company stands out for continuous innovation, a unique business model in which technology is used to create solutions of high aesthetic value, and an internationally recognized brand. Alcantara S.p.A. competes on the global market and bases its business model on a long-term vision that focusses on values of quality, research, service, accuracy, consistency, people-centricity, respect for the environment, and sustainable choices. Sustainability is a crucial strategic focus for Alcantara S.p.A. Its aims in this field are closely linked to its business aims. They arise from decisions taken at the top of the Company and are a key element of its positioning and commitment towards the market and its stakeholders in

general. All Alcantara S.p.A.'s development and investment choices are linked to its focus on sustainability and are consistent with its strategic plan. By sustainability, Alcantara S.p.A. means development that satisfies current needs without compromising the ability of future generations to do the same, in accordance with the UN's Sustainable Development Goals (SDGs). Alcantara S.p.A. adheres to the Global Compact in 2017 and is committed to helping reach the goals defined at the Paris Agreement (COP 21) in 2015, in terms of reducing CO₂ emissions. It also promotes the spread and increase of knowledge on sustainability and good practices linked to it. It has done so by organizing symposia on sustainability and decarbonization for the last five years.

Alcantara S.p.A. bases its business activities on its five **points of engagement**:

- Global brand;
- Sustainability;
- Made in Italy;
- Tailor-made approach;
- Art, design and creativity.

For Alcantara S.p.A., sustainability means creating shared value, that is to say identifying and assessing integrated actions that create value not only for the Company but for its various stakeholders: clients, suppliers, employees, shareholders, society and so on. Alcantara S.p.A. splits sustainability into environmental, social and economic dimensions. Every investment decision is consistent with the Company's strategic plan. All the different Company areas and functions make an integrated contribution to carrying out actions based on the decisions taken.

Alcantara S.p.A.'s commitment to sustainability is constant and always growing. It has identified sustainability as a key factor in diversification and competitive advantage.

1.2 Alcantara S.p.A.'s History

Alcantara®'s story began in 1970 with a real technological breakthrough. The invention is still unmatched today, which is why the product has remained cutting-edge and unique over time.

Below are the main steps on Alcantara S.p.A.'s development pathway:

- 1970** invention of Alcantara®, Japanese scientist Miyoshi Okamoto filed the patent for the production of the material;
- 1972** agreement with the ANIC Group and later Eni for commercial use of the patent (joint venture between the Eni Group and the Toray Group, a basic technology provider);
- 1972** establishment of ANTOR S.p.A. (an acronym of ANIC Toray): 51% ANIC (later ENI) and 49% SOFID (the Group's financial company);
- 1972** production plant built in Nera Montoro, still today the only Alcantara® production site in the world, and Company headquarters established in Milan;
- 1973** ANTOR S.p.A. changes its name and becomes IGANTO S.p.A. (an acronym of Italia Giappone ANIC Toray), sealing the partnership between two companies and their respective countries;
- 1974** SOFID sells its share capital, of 49%, to Toray Industries Inc. of the Toray Group;
- 1981** IGANTO S.p.A. becomes Alcantara S.p.A., with share capital divided between the Eni Group (51%) and the Toray Group (49%);
- 1994** setting-up of the Applications Development Centre at the plant premises, dedicated to in-house development of ad hoc solutions and technical applications;

1995 definitive share transfer from the Eni Group to the Toray Group for a total of 100%. Soon after, the Toray Group sells 30% to the Mitsui Group;

1998 first operation to double production capacity at the plant;

2000 launch of the first style diversification actions, the earliest incarnation of the Style Office;

2002 completion of second operation to double production capacity;

2009 obtainment of Carbon Neutrality certification (from cradle to gate) and the first Sustainability Report by Alcantara S.p.A.;

2011 installation of the phyto treatment system. First collection of finished products under the proprietary trademark "A'alcantara" brand. "Cradle-to-grave" Carbon Neutrality certification for products;

2012 launch of operations at new cogeneration plant, started from January 1st 2013;

2013 new project to reduce the environmental impact and energy consumption of the production process;

2014 first web reporting on dedicated micro-site <https://sustainability.alcantara.com>. Launch of water footprint analysis and first International Symposium organized with Venice International University (VIU) and dedicated to sustainability in the global automotive industry entitled "Sustainability and the new Automotive Value Chain";

2015 completion of the first phase (industrial scale test) of the project began in 2013 to further reduce the environmental impact and energy consumption of the production process. Beginning of research into raw materials from renewable sources (bio-based). Second international Symposium on Sustainability on the theme "The Automotive Ecosystem on

the Global Road to Sustainability. The Asian Perspective";

2016 third International Symposium on Sustainability, organized in Tokyo in partnership with Nikkei, VIU and Waseda University, with support from the Society of Global Business, on the theme of "Sustainability and Corporate Value";

2017 announcement of the Increase Alcantara Capacity Installed (IACI) project, an expansion plan to double the Company's production capacity within five years;

2018 4th International Symposium on Sustainability with VIU on the theme of "Coping with Climate: Global Warming and Decarbonization";

2019 IACI "Start Up" event organized to celebrate the launch of a new production plant that will reduce the environmental and energy impact of the production process;

2019 5th International Symposium on Sustainability in partnership with VIU, with support from the World Bank Group's Connect4Climate global partnership program, on the theme of "Climate HOW: How to Engage Society and Deploy Decarbonization";

2019 Alcantara S.p.A. confirmed its commitment to the CDP, which it has subscribed to since 2014 as an FCA supplier. Alcantara S.p.A. was first invited to take part in 2017, by VW;

2019 10th Anniversary of the Carbon Neutrality Status and 10th edition of the Alcantara Sustainability Report.

Points of Engagement

Sustainability

1.3 The Company's Structure



The share capital is made up of ordinary shares, each worth €1. As at 31 March 2019, the share capital subscribed and paid-up by Alcantara S.p.A. was equal to €10,800,000 and is broken down as follows.

COMPANY	NUMBER OF ORDINARY SHARES FY 2019	% OWNERSHIP
Toray Industries Inc. – Tokyo (holding company)	7,560,000	70
Mitsui & Co. Ltd. Tokyo – Tokyo	3,240,000	30
TOTAL SHARES	10,800,000	100

1.4 Application fields of Alcantara®



Thanks to its unique characteristics – grip, breathability, resistance, longevity, lightness, softness and resistance of colour to light – Alcantara® is greatly appreciated in the automotive industry, because it provides drivers and passengers with maximum comfort. An important aspect of Alcantara S.p.A.'s offer lies in its experience and ability to develop tailor-made solutions, whether elegant or sporty, based on the styles chosen. Alcantara S.p.A.'s Carbon Neutrality is another advantage. It makes no contribution to the carbon footprint of cars it is used in.



In fashion, those who choose Alcantara® are looking for contemporary elegance. Alcantara® is a modern luxury material, made with attention to detail and characterized by exclusive textures. Alcantara® has infinite possibilities for customization. It can cover any shape or surface, respects the strictest industry standards, allows for exclusive custom solutions, and meets the technical and style requirements of the most demanding luxury brands.



In the consumer electronics sector, Alcantara® is recognized as a luxury material with unique characteristics, that can improve the look and performance of a finished product thanks to its high adaptability to even very specific applications.

Alcantara® has unique elements compared to other materials used until now, which look high-tech but are cold and metallic to touch.

The combination between high-tech and classic 'Made in Italy' artisanship is one of the strong points of Alcantara®'s competitive strategy and is especially valuable in Asia and the United States.

Alcantara S.p.A. has developed its expertise over the years in order to offer highly personalized solutions to customers in the sector. It carries out turnkey projects that begin with product design and end with implementing the supply chain for realizing the finished product.



When furniture is dressed in Alcantara®, it takes on bright, comforting, soft and seductive tones, whether used on sofas, beds or furnishings.

For the interior design and contract sectors, Alcantara S.p.A. offers a range of special products using tested and approved materials. In the marine sector, Alcantara®'s functional characteristics, resistance to the elements at sea, permeability to air and excellent breathability guarantee pleasant journeys even for the most demanding passengers. In the aviation sector, Alcantara®'s comfort, lightness, style and elegance make it the perfect travel companion, whether on private jets and helicopters or on large airlines.

1.5 Governance Structure

BOARD OF DIRECTORS

Andrea Boragno
Chairman and CEO

Takashi Kato
Katsuhiko Ando
Yasuhiro Takagi
Makoto Ito
Masao Hayashi
Tetsuya Ito

BOARD OF STATUTORY AUDITORS

Giovanni Primo Quagliano
Chairman

Roberto Spada
Giuseppe Moretti

Alcantara S.p.A.'s governing bodies are its Shareholders' Meeting, Board of Directors, Executive Committee and CEO. The main supervisory bodies are the Board of Statutory Auditors and the Supervisory Body, pursuant to Legislative Decree 231/2001¹. With the exception of the Chairman and CEO, the members of the Board of Directors are all independent, non-executive and appointed based on expertise and qualifications, in line with Alcantara S.p.A.'s focus on sustainability.

¹ Reconta EY S.p.A. was appointed to audit the financial statements for the years 2019, 2020, 2021.

SUSTAINABILITY PROJECTS

The Chairman informs the Board of Directors of decisions with a considerable impact on the sustainability of the business and on the progress of the most significant projects. Projects with the greatest sustainability impact are consistent with the goals of the Company's strategic plan and are monitored by the **sustainability work group**, comprising the main managers of the various divisions and coordinated by the Head of Human Resource, Organization and Systems in his role as CSR Director. The goal of the sustainability work group is to propose and implement sustainability actions as part of the strategic lines set by the Chairman and CEO.

The Board of Directors examines and approves the **Annual Risk Assessment** every year; periodically monitoring its implementation to assess and manage strategic, operating, environmental, social and governance risks.

RISK ASSESSMENT

SUSTAINABILITY REPORT

The Sustainability Report is **approved voluntarily** by the Chairman of the Board of Directors as they are not bound to do so by any law or regulation. The Company's management is therefore supported by a structured reporting system on business performance and the progress of key projects. This allows for proper systems of incentivization and remuneration, with a view to supporting and rewarding talent, according to how far predetermined goals are achieved, including environmental and social ones.

Although there are no specific channels of communication for stakeholders to communicate directly with the Board of Directors, current initiatives and future projects will be assessed by listening to the suggestions of the different heads of departments, the Supervisory Body, employees and representatives of external stakeholders. This will be done in part through the representative bodies that it is involved in and third parties that will assess Alcantara S.p.A.'s management systems.

In the Fiscal Year 2019, Alcantara S.p.A. adapted to the new EU regulation on personal data processing (GDPR).

Therefore:

- the organizational chart and privacy control body were created;
- records of processing were made, with related periods for keeping data;
- risk analysis and data protection impact analysis (DPIA) was done for at-risk processing;
- notices were sent to clients, suppliers, guests, employees and candidates;
- external data processors and persons responsible for processing were nominated;
- the policies for using the IT systems and for data breaches and retention were revised;
- continuous training was provided on the GDPR and on security awareness.

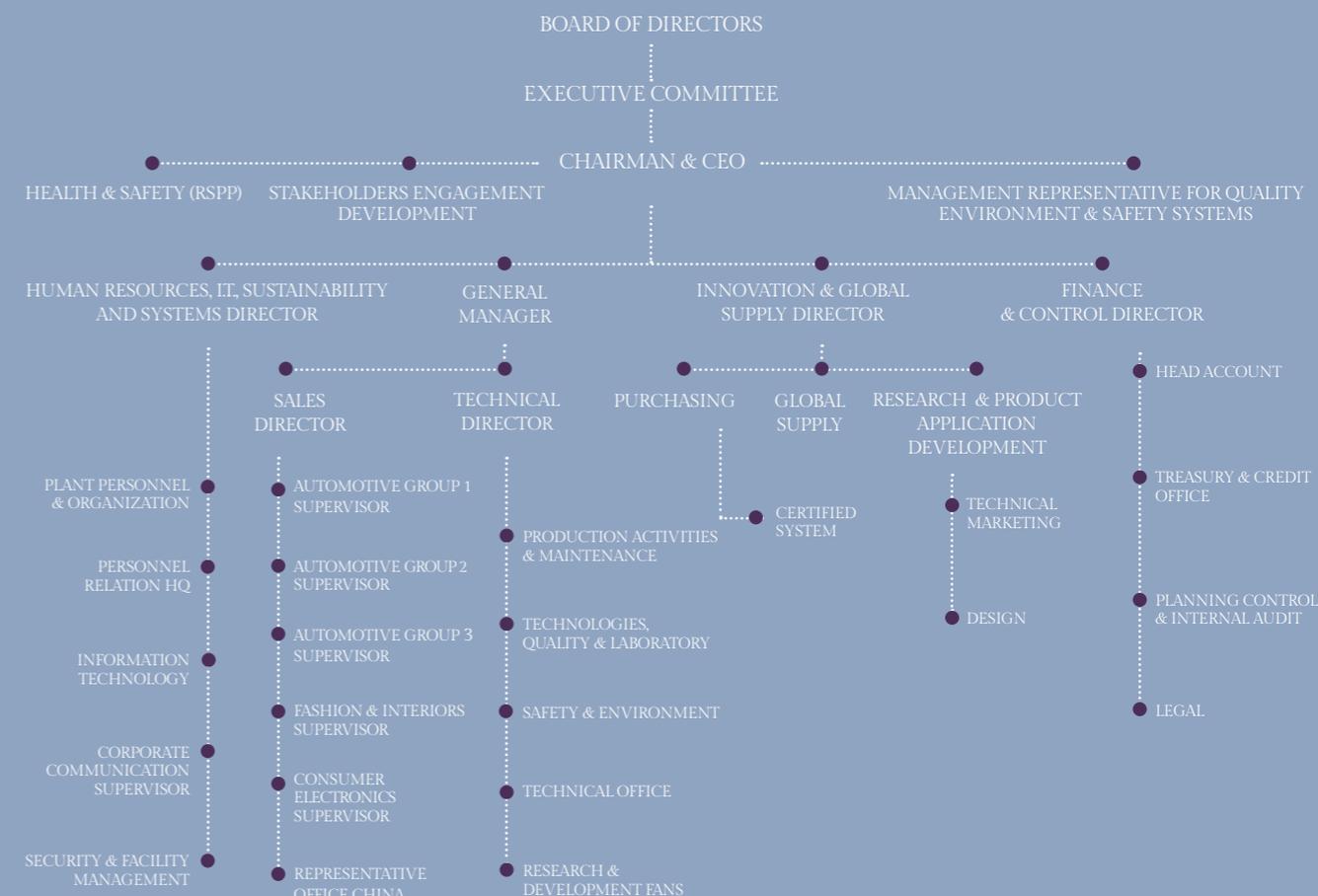
Alcantara S.p.A. has had a whistle-blowing procedure since Law 179 of 30 November 2017 came into effect, providing rules on protecting individuals who report misdemeanours or irregularities they become aware of through their work in a public or private role. This procedure governs the process of receipt, analysis, assessment and processing of reports of illegal behaviour by any individual, whether an employee or third party (entities with relations with Alcantara S.p.A., partners, clients, suppliers, consultants, outsourced staff and stakeholders in general), including those sent confidentially or anonymously.

1.6 Operational Structure

Alcantara S.p.A.'s organization is based on integrated management of Company processes and split into commercial divisions that manage the business through its various platforms.

The production process is very complicated because it is based on integrating textile processes – spinning, carding and needling – high-precision mechanical processes

and processes of dyeing, finishing and ennobling. It is important to commit to developing a flexible production system that can meet the needs of diverse markets.



INTER-FUNCTIONAL WORK GROUPS

To handle the growing complexity and global aspects of market demand, and the need to continuously update its products, Alcantara S.p.A. has developed a **horizontal organization system**, structured around collaboration between inter-functional teams. This is proving to be an increasingly distinctive feature of the Company. Alcantara S.p.A. has pursued a process of strengthening teamwork, updating its goals and dedicating a work team to each one.

The work groups are structured as follows:

- coordination and control committee: composed of the CEO and the Company's top management, its task is to direct the group and set its goals;
- team leader: coordinates the work team;
- team members: provide the skills and knowledge needed to reach the goals.

This team work has involved a majority of management and middle management, integrating with the functional structure

and hierarchy of Alcantara S.p.A. and creating significant advantages, including:

- greater focus on Company strategic objectives;
- increased involvement and motivation, above all in middle management;
- improved communication and alignment processes, sense of belonging and sharing;
- improved "quality of response" and actions taken.

1.7 Risk Management and Sustainability Strategy (2019-2022 Sustainability Plan)

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 2.2 regarding risk avoidance in the supply chain, Chapter 3.6 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.

2019-2022 SUSTAINABILITY PLAN

Alcantara S.p.A. decided to develop a Sustainability Plan in Fiscal Year 2017 to transform its commitments into practicable actions and quantitative objectives. In Fiscal Year 2019, the sustainability plan has been updated with the aim to renew and reconfirm the main sustainability goals of the Company. 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 4 areas of action:

- 

PLANET
 Environmental Sustainability
- 

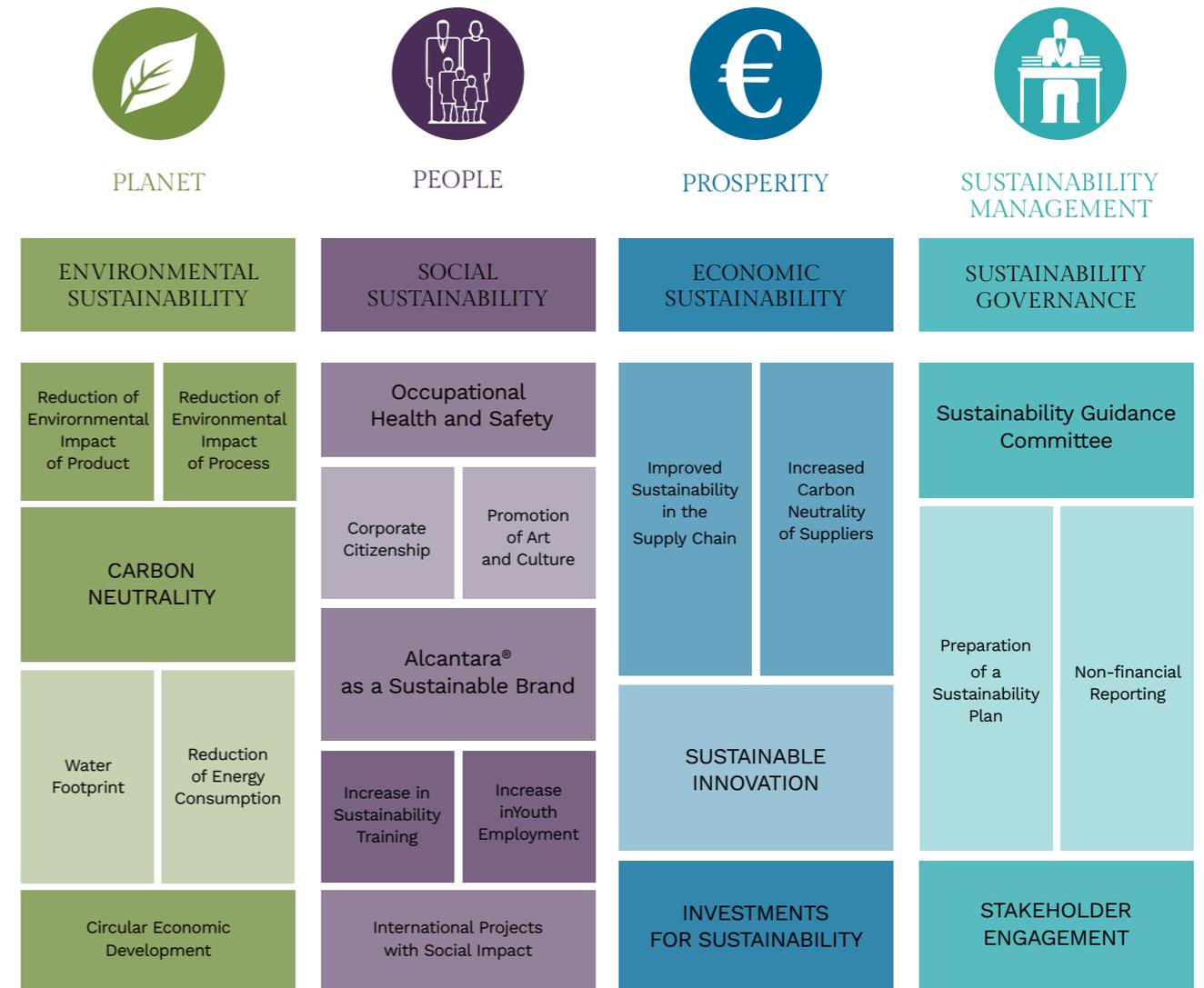
PEOPLE
 Social Sustainability
- 

PROSPERITY
 Economic Sustainability
- 

SUSTAINABILITY MANAGEMENT
 Sustainability Governance

In line with the most advanced international practices in sustainability, Alcantara S.p.A. has reconfirmed 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 lines of intervention. Most of these actions are described in this document, in the initial

part of each chapter according to the related SDGs, confirming the strong commitment of the Company to openly and transparently communicate its efforts.

1.8 Management Systems

Alcantara S.p.A. has an internal risk prevention system that allows for identifying, measuring, managing and monitoring key issues, in line with its strategy for sustainable business development that places importance on financial, social and environmental issues.

Related to mitigating the more typically financial risks, please refer to the Financial Statements for the year, in particular, management of:

- risks connected to the general business conditions;
- business risk: applying the wider economic context to that of the Company, the concentration of turnover (around 70%) on the top ten clients stands out;
- credit risks: the Company's financial counterparts are all major banks, so the associated risk is limited;
- exchange rate fluctuation risk.

Alcantara S.p.A.'s responsible management system is based on a range of certified management systems and relevant governance and control mechanisms, aimed at:

- creating value sustainably and sharing it with all stakeholders;
- interpreting customers' demands in line with the highest quality standards;
- reducing environmental impact to a minimum;
- developing and monitoring the supply chain;
- dialogue with stakeholders.

Alcantara S.p.A. has received and maintained the following international certifications:

SYSTEM CERTIFICATIONS			
Standard	Title	Body	Date of 1 st release
UNI EN ISO 9001:2015	Quality Management System	TÜV SÜD	September 1993
UNI EN ISO 14001:2015	Environmental Management System	TÜV SÜD	May 2000
IATF 16949:2016	Quality requirements for the automotive industry	TÜV SÜD	February 2004
SAB8000*	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

Certified management systems require both internal audits - conducted by qualified internal staff on all Company processes and departments - and regular maintenance or renewal audits conducted by credited bodies at least once a year. Management is periodically updated and engaged through the Management Review, a meeting held to assess the effectiveness of the Company Management System. Moreover, Alcantara S.p.A. has well-respected product certifications, also audited every year by credited Bodies.

PRODUCT CERTIFICATIONS	
Certification	Validity
Oeko-Tex Standard 100 (valid for single brands/families)	Received and maintained since 1995
Marine sector: IMO MED certification pursuant to EU directives 2002/75/EC and 96/98/EC (valid for single brands/families)	Received and maintained since 2000
Contract sector: certifications for construction products pursuant to EU Directive 89/106/EC (valid for single brands/families)	Received and maintained since 2011

After checking they are consistent with its own principles, Alcantara S.p.A. signs its main client companies' codes of ethics on sustainability issues. To give a strong indicator of its continued contribution to the UN's Sustainable Development Goals, during Fiscal Year 2019 Alcantara S.p.A. renewed its support for two important initiatives:

- the United Nations Global Compact (UNGC);
- Fondazione Global Compact Network Italia (GCNI).

Alcantara S.p.A. confirms its support of the United Nations Global Compact

In Fiscal Year 2019, Alcantara S.p.A. has reaffirmed its adherence as a Participant Member to the UN Global Compact, the world's largest corporate sustainability initiative. By supporting 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 UN 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). In November 2018, Alcantara S.p.A. has published its second Communication on Progress including description of actions or relevant policies related to human rights, labour, environment and anti-corruption.

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;

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;

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;

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 indications and expectations of its main stakeholders very important. In FY 2019, there were many initiatives of

dialogue, consultation and engagement, aimed at the Company's main stakeholders. A system of listening, communication and involvement that

allows for constant interaction between parties and evolving monitoring of all issues directly or indirectly linked to sustainability themes.

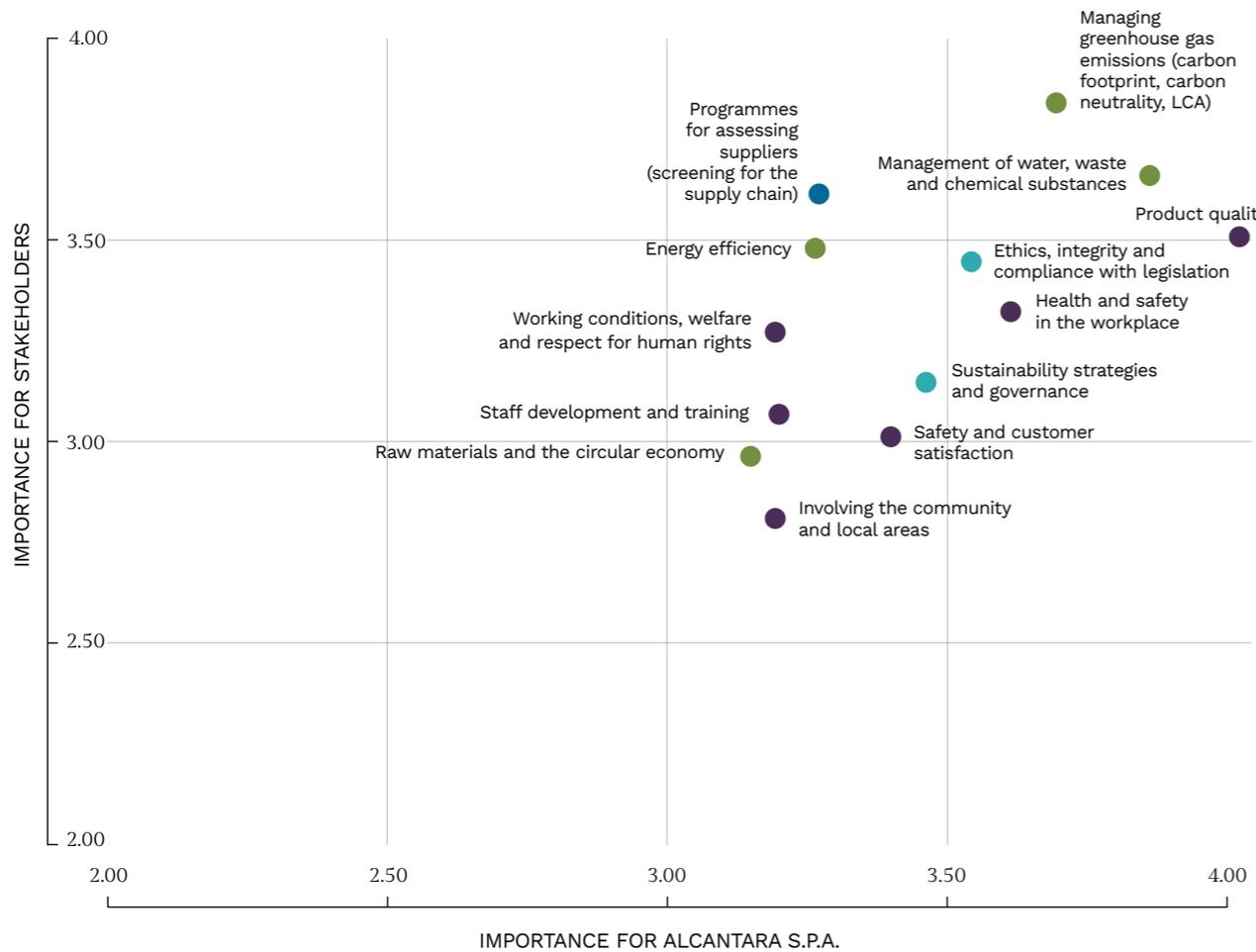
STAKEHOLDERS - KEY TOPICS	MAIN ENGAGEMENT ACTIVITIES
<p>Customers and consumers</p> <ul style="list-style-type: none"> • uniqueness of product and brand value; <ul style="list-style-type: none"> • design, customization and exclusivity; <ul style="list-style-type: none"> • innovation and research; • transparency and fair commerce; • satisfaction-listening-complaint handling; <ul style="list-style-type: none"> • before-and after-sales services; • proper communication and responsible advertising; <ul style="list-style-type: none"> • regulatory and information compliance-laws on products-protection of the end consumer; <ul style="list-style-type: none"> • packaging and recyclability; • corporate and product sustainability; <ul style="list-style-type: none"> • Carbon Neutrality (CO₂). 	<ul style="list-style-type: none"> • organization of meetings with main clients' top management to explain Alcantara S.p.A.'s commitment to sustainability in detail; • promotion and public awareness of sustainability. Of these, the most significant were: <ol style="list-style-type: none"> 1) 5th Symposium on Sustainability, organized in Venice in partnership with VIU, with support from the World Bank Group's Connect4Climate global partnership program, on the theme of "Climate HOW: How to Engage Society and Deploy Decarbonization"; 2) The partnership with the World Bank Group's Connect4Climate, along with philanthropist Paul G Allen's Vulcan Productions, to create X-Ray Fashion, a virtual-reality experience created using MANND and directed by the famous fashion photographer and filmmaker Francesco Carrozzini. This aims to explore the darker side of the fashion industry and its impact on climate change, through an immersive, multi-sensory installation; 3) Renewal of annual membership of the UN Global Compact as a 'participant' member, as well as to Global Compact Network Italia; • management of social media platforms, both international (Facebook, Instagram, Twitter, YouTube in English and Japanese) and Chinese (Weibo, Tudou, WeChat and Youku); • customer satisfaction and market analysis; • support for customer activities (for example when customers communicate or promote a green product/project); • customer care; • before- and after-sales service; • ad hoc visits to the Company and information points (for school pupils and journalists); • direct, active interaction by the research centre team with customers, through meetings and/or information activities to customise products; • direct contact at sector events and trade fairs; • production of information dedicated to sustainability new materials to communicate sustainability: <ul style="list-style-type: none"> - dedicated multi-language microsite, - multi-language video-graphics, - multi-lingual leaflet (the leaflet for the 2019 Sustainability Report will be in six languages: Italian, English, German, Japanese, Chinese and Korean); • direct emailing using select lists to communicate information and/or receive feedback and input.
<p>Suppliers</p> <ul style="list-style-type: none"> • continuity and quality of work; <ul style="list-style-type: none"> • reputation; • collaboration for research and development activities; • safety and sustainability as values. 	<ul style="list-style-type: none"> • predefined evaluation of certified systems and the process for assessing suppliers; • technical visits and regular meetings; • systematic responses (feedback) on quality; • collaboration to improve and innovate.

<p>Human resources</p> <ul style="list-style-type: none"> • professional growth and continuous education; <ul style="list-style-type: none"> • meritocracy and delegation; • job stability; • internal climate: collaboration and sharing goals and knowledge; <ul style="list-style-type: none"> • remuneration and benefits; • work-life balance; • workplace health and well-being. 	<ul style="list-style-type: none"> • internal information events (safety days, meetings, etc.); • meetings to share objectives; • work teams for strategic objectives; • regular house publication as internal information and engagement tool; • confidential channel and e-mail address for complaints; • constant monitoring of the climate and surveys every three to four years to understand demands on work-life balance or other issues; • team building; • meetings with representatives of trade unions; • meetings and relations with local communities at various levels; • meetings with institutional bodies.
<p>Shareholders</p> <ul style="list-style-type: none"> • business profitability and value; <ul style="list-style-type: none"> • reputational protection; • transparency; • fair management. 	<ul style="list-style-type: none"> • shareholders' meeting and representation on Board of Directors; • participation at events and internal international Group conferences; • involvement in formulation and revision of Code of Ethics and Compliance Programme; • regular revision of: J-SOX, ERM (Enterprise Risk Management), Security Trade Control, C-MOS (Control Monitoring Online System).
<p>Environment</p> <ul style="list-style-type: none"> • atmospheric emissions; <ul style="list-style-type: none"> • use of raw materials; • responsible production process; • conservation and enhancement of environmental assets and biodiversity; • investments in protecting the environment. 	<ul style="list-style-type: none"> • Integrated environmental authorisation (IEA); • research by environmental agencies; • participation in innovative projects with scientific agencies and proper communication; • collaboration in checks by responsible bodies; • participation in sector round tables; • support for and collaboration with clients promoting care for the environment.
<p>Community</p> <ul style="list-style-type: none"> • associated industries: investments and value creation in the local area; <ul style="list-style-type: none"> • care for the environment, quality of life and carbon neutrality; • respect for human rights; • transparency and completeness of communication with media and the community; • support for research and development, education, artistic, and cultural initiatives. 	<ul style="list-style-type: none"> • collaboration projects with university bodies and training colleges in Italy and abroad; • courses and scholarships for young designers and artists; • guided visits to the site for the Italian and international press, for artists and designers as well as clients; • projects with cultural and artistic institutions; • participation in conferences and organising events; • invitations to and meetings with local institutions; • ad hoc communication on carbon neutrality; • international workshops on sustainability; • relations with designers' communities and the art world; • participation in the Symposium on Sustainability with leaders in the automotive industry, academia, economics, literature, science and policy making; • renewal of annual membership of the Global Compact of the United Nations as a 'participant' member, as well as Global Compact Network Italy.
<p>Public institutions</p> <ul style="list-style-type: none"> • respect for the law; • administrative and financial regularity; • associated industries: investments and value creation in the local area; <ul style="list-style-type: none"> • reporting. 	<ul style="list-style-type: none"> • collaboration with inspections and controls by public administration; • participation in themed institutional round tables; • participation in institutional projects, competitions and research; • regular invitations to the main authorities and institutional representatives; • monitoring updates from the Organismo Italiano di Contabilità (Italian Accounting Board); • regular reporting to Istat, Bank of Italy, Mediobanca and the Region of Lombardy.

In order to act more effectively on new trends in the Italian and international market, during the year Alcantara S.p.A. **updated its materiality matrix** by:

- directly involving its employees through a questionnaire-based survey;
- carrying out an external industry benchmark analysis at the national and international level;
- carrying out an analysis of the sector and other external sources, to identify other potentially significant topics.

The analyses produced **a series of important themes** for the sector in which Alcantara S.p.A. operates: each of these was ranked on a quali-quantitative scale of 0 to 3, in terms of 'Relevance to Alcantara' and 'Relevance to stakeholders'. **This serves to identify the importance of each topic to stakeholders, and the level of action taken or to be taken by Alcantara S.p.A.** To identify the priority material topics, the value 2.5 was set as the materiality threshold.



- SUSTAINABILITY GOVERNANCE
- SOCIAL SUSTAINABILITY
- ENVIRONMENTAL SUSTAINABILITY
- ECONOMIC SUSTAINABILITY

- Sustainability strategies and governance
- Ethics, integrity and compliance with legislation
- Involving the community and local areas
- Safety and customer satisfaction
- Staff development and training
- Working conditions, welfare and respect for human rights
- Health and safety in the workplace
- Product quality
- Raw materials and the circular economy
- Energy efficiency
- Management of water, waste and chemical substances
- Managing greenhouse gas emissions (carbon footprint, carbon neutrality, LCA)
- Programmes for assessing suppliers (screening for the supply chain)

This year too, Alcantara S.p.A. has reconfirmed and continued its commitment on the most important topics for the Company and the sector it operates in. The Company has OHSAS 18001 certification and has always been committed to protecting its workers' rights and safety. It pursues its 'Zero accidents' goal every year and achieved it at its Milan headquarters. A very important focus for the Company is quality control on its own supply chain, which means it can promote better environmental performance and greater social responsibility among its suppliers. Respect for the environment remains very important to Alcantara S.p.A., which has maintained its Carbon Neutrality certification for 10 years, thanks to its numerous projects to reduce and offset emissions.

Material topics for Alcantara S.p.A. are correlated with GRI indicators below. The impact – external and internal – of the topics, related risks and policies at Alcantara S.p.A. are identified in order to hedge them. At the end of the table, you will find the section of the Sustainability Report describing how they are managed.

AREA	MATERIAL TOPICS IDENTIFIED BY ALCANTARA	TOPIC-SPECIFIC GRI STANDARDS OF REFERENCE	RELATED RISKS	IMPACT INSIDE ALCANTARA	IMPACT OUTSIDE ALCANTARA	POLICIES	PARAGRAPH
SUSTAINABILITY GOVERNANCE	Ethics, Integrity and Legal Compliance	Anti-corruption (GRI 205) Anti-competitive Behaviour (GRI 206)	<ul style="list-style-type: none"> • Risk of unethical and/or illegal conduct by employees • Risk of corporate offences • Risk of non-compliance or violation of reference regulations or of applicable regulations • Risks of crimes linked to corruption • Risk to reputation 	The entire Company	External collaborators, partners, consultants, agents, attorneys	Code of Ethics 231 Organization and Management Model	1.5
	Sustainability Strategy and Governance	General Disclosures (GRI 102)		The entire Company			1.5; 1.7
SOCIAL SUSTAINABILITY	Welfare, Working Conditions and Human Rights	Human Rights (GRI 412) Diversity and Equal Opportunities (GRI 405) Non-Discrimination (GRI 406)	<ul style="list-style-type: none"> • Risk of an increase in turnover and loss of competent and key personnel • Risk of an increase in accidents • Risk of an increase in related work stress • Risk of incompetence and negligence 	The entire Company	Employees	<ul style="list-style-type: none"> • Health Safety and Environment Policy • Code of Ethics 	3
	Professional Development/ Training and Job Stability	Training and Education (GRI 404)		The entire Company	Collectivity Employees	<ul style="list-style-type: none"> • Health Safety and Environment Policy • Code of Ethics 	3
	Occupational Health and Safety	Occupational Health and Safety (GRI 403)		The entire Company	Employees	ESS Policy	3; 6.1
	Community and Territory Engagement	Indirect Economic Impacts (GRI 203) Procurement Practices (GRI 204) Local Communities (GRI 413)	The entire Company	Collectivity		5.1	
	Consumers Safeguard and Satisfaction	Customer Health and Safety (GRI 416) Marketing and Labeling (GRI 417) Customer Privacy (GRI 418)	<ul style="list-style-type: none"> • Possible late and/or inadequate response to customer feedback and satisfaction levels expected • Non-conformity of product information • Risk to reputation • Risk of loss of competitiveness 	The entire Company	Customers	<ul style="list-style-type: none"> • Code of Ethics • ISO9001 • Öeko-Tex Standard 100 Certification 	4
	Product's Quality	Customer Health and Safety (GRI 416)		The entire Company	Customers	<ul style="list-style-type: none"> • Code of Ethics • ISO9001 • Öeko-Tex Standard 100 Certification 	1.8; 4
ENVIRONMENTAL SUSTAINABILITY	Water&Waste Management and Chemical Resources	Water (GRI 303) Effluents and Waste (GRI 306)	<ul style="list-style-type: none"> • Non-compliance with environmental laws and regulations in force • Growth of costs linked to energy procurement • Amendments to regulations with sanction risks 	Production plant			6.5
	Energy Efficiency	Energy (GRI 302)		Production plant	Suppliers	Health Safety and Environment Policy ISO14001	6.4
	GHG Emissions	Emissions (GRI 305)		Production plant	Suppliers	Carbon Neutrality Certification	6.3
	Raw Materials and Circular Economy	Materials (GRI 301)		Production plant	Suppliers and customers		6.2
ECONOMIC SUSTAINABILITY	Suppliers' Qualification (Screening of the Supply Chain)	Supplier Environmental Assessment (GRI 308) Supplier Social Assessment (GRI 414)		The entire Company	Suppliers	231 Organization and Management Model	2.2

ECONOMIC SUSTAINABILITY

Highlights

- Over **€99 million of value** created and distributed, **5.1% more** than last year.
- Company turnover of over **€200 million**, **5% more** than in FY 2018.
- Almost **€108 million invested**, €4 million of it in an environmental improvement project.
- Investments plan for FY 2020: over €118 million.
- **Four new partner companies** involved in CSR assessment of Alcantara S.p.A.'s supply chain.

10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

Main Focus for Fiscal Year 2020

Related SDGs

- **SUSTAINABILITY IN THE SUPPLY CHAIN**
monitoring the risks linked to supply, assessing the extent to which improvement plans are carried out, sustainability training and practical incentives using ratings;

- **SA8000®**
asking suppliers to observe the principles of the SA8000® standard;

- **CARBON NEUTRALITY**
involving suppliers in carbon-neutral services;

- **ENVIRONMENTAL IMPACT**
investments for developing production capacity, in line with sustainability, including enlarging the cogeneration plant and assessing the feasibility of building a photovoltaic plant in Milan.



2.1 Economic Indicators and Added Value

In FY 2019, the growth trend observed in the last few years was confirmed, even though by smaller figures thanks to the Company's limited production capacity, which forced it to set itself a limited market share. Nonetheless, there were **significant levels of growth in jobs**, above all at the production site in Nera Montoro, with impressive effects on the local area.

MAIN ASSET FIGURES (€/000)	FY 2017	FY 2018	FY 2019
Short-term assets	85,313	146,600	110,971
Fixed assets	156,551	197,558	294,706
TOTAL ASSETS IN THE FINANCIAL STATEMENTS	241,864	344,158	405,677
Short-term liabilities	55,715	67,776	156,126
Medium/long-term liabilities	11,606	73,928	20,038
TOTAL LIABILITIES	67,321	141,704	176,164
Net worth	174,543	202,454	229,513
TOTAL LIABILITIES IN THE FINANCIAL STATEMENTS	241,864	344,158	405,677
Net financial position	(7,928)	(24,454)	(90,476)

The **huge investment plan** is aimed at increasing production capacity and changing the technology in the industrial process. It has brought significant changes to the capital structure. For example, there was a decrease in short-term assets, due essentially to the liquidity absorbed by the aforementioned plan, and a considerable simultaneous increase in fixed assets. Similarly, there were consequences on liabilities, the net increase in which, totalling €34,400,000, is essentially due to investments in suppliers, which went from €17,700,000 to €37,000,000, and debts to banks, which went from €86,000,000 to €96,300,000, with a resulting change in categorization of the share of liabilities, from medium/long-term to short-term.



ADDED VALUE

The two accounting reports and added value distribution follow the corporate social responsibility report study group's methodology in reclassifying the items in the income statement, to express in monetary amounts the links between Alcantara S.p.A. and the socio-economic system it works in. The determination of added value thus **shows Alcantara S.p.A.'s capacity to create wealth** with respect for cost-efficient management and **to the advantage of some of its main stakeholders:**

- **staff:** remuneration of employees;
- **public administration:** remuneration of public administration;
- **funders:** remuneration of borrowed capital;
- **shareholders:** remuneration of risk;
- **corporate system:** remuneration of the Company;
- **community:** donations and sponsoring.

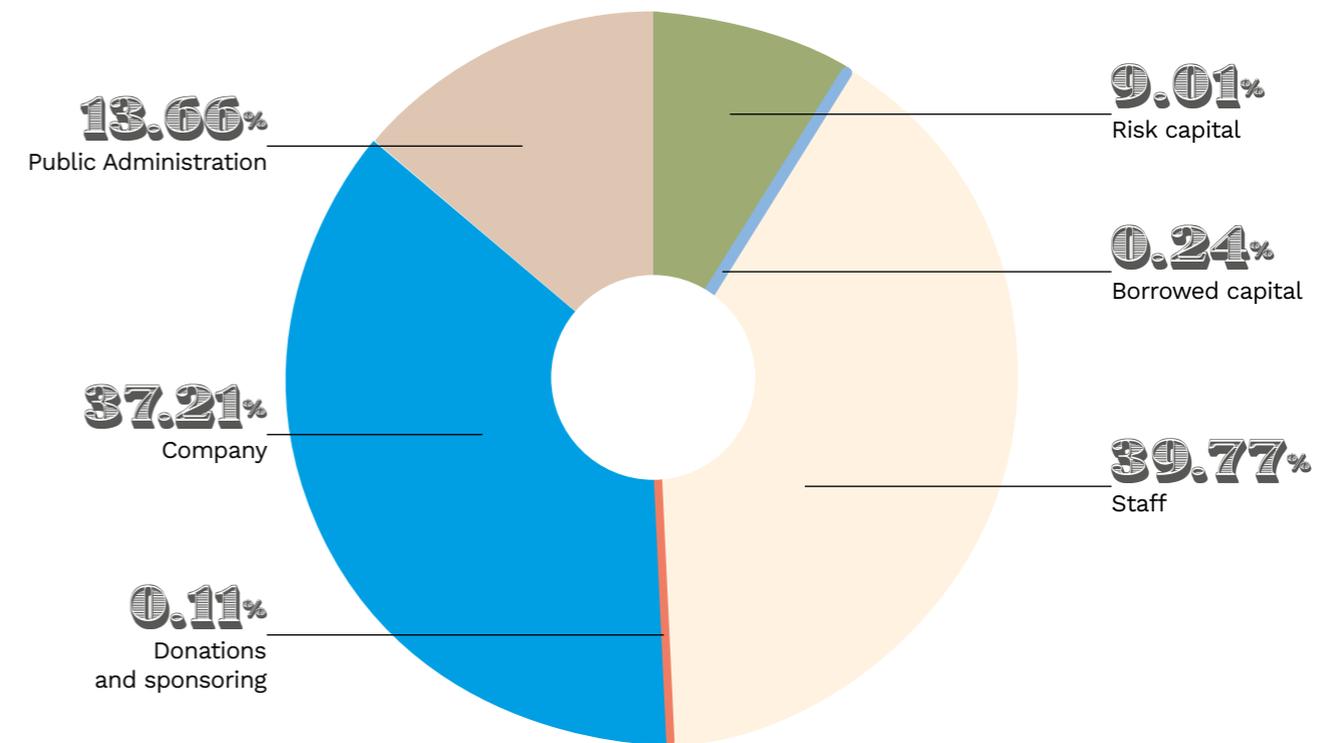
GLOBAL GROSS ADDED VALUE (€/000)	FY 2017	FY 2018	FY 2019	Δ% FY 2018/19
A) Production value	191,318	200,506	211,412	5.4%
B) Intermediate production costs	101,795	105,465	112,172	6.4%
GROSS ORDINARY ADDED VALUE	89,523	95,041	99,240	4.4%
C) Secondary and extraordinary components	335	(318)	270	-184.9%
GLOBAL GROSS ADDED VALUE	89,858	94,723	99,510	5%

GLOBAL GROSS CONSOLIDATED VALUE DISTRIBUTION (€/000)	FY 2017	FY 2018	FY 2019	Δ% FY 2018/19
A) STAFF REMUNERATION	35,102	36,639	39,578	8.0%
Employees	31,984	33,757	37,148	10.0%
- Salaries	21,943	23,251	25,490	9.6%
- Social security	6,959	7,286	8,407	15.4%
- Severance indemnity	1,542	1,766	1,778	0.7%
- Other costs	1,540	1,454	1,473	1.3%
External staff	3,118	2,882	2,430	-15.7%
B) REMUNERATION OF PUBLIC ADMINISTRATION	14,573	13,624	13,590	-0.2%
Direct and indirect taxes (net of loans and tax credits)	14,892	14,281	14,067	-1.5%
Loans received from public administration	(319)	(657)	(477)	-27.4%
C) REMUNERATION OF BORROWED CAPITAL	129	150	242	61.3%
Short-term capital expenses	15	31	16	-48.4%
Long-term capital expenses	114	119	226	89.9%
D) REMUNERATION OF RISK CAPITAL	7,290	8,802	8,964	1.8%
Share of fiscal year profit distributed	7,290	8,802	8,964	1.8%
E) COMPANY REMUNERATION	32,626	35,389	37,028	4.6%
Share of profits for reserves	21,869	26,399	26,898	1.9%
Amortizations	10,757	8,990	10,130	12.7%
F) COMMUNITY (DONATIONS AND SPONSORING)	138	119	108	-9.2%
GLOBAL GROSS ADDED VALUE	89,858	94,723	99,510	5.1%

ADDED VALUE DISTRIBUTED

The added value distributed increased by **5.1%** since FY 2018

DISTRIBUTION OF ADDED VALUE IN FY 2019



Added value distribution is included in the net profit of €35,862,000, a 2% increase on FY 2018.

Of the added value created in FY 2019, 37.2% was reinvested in the Company, essentially in keeping with last year, and consists of amortizations of important industrial investments and the share of profits not distributed.

The share of added value for employees and external staff increased by 8% in absolute terms and represents 39.8% of global added value.

The share distributed to public administration was €13,590,000 (13.7% of the total). This amount derives from €13,099,000 in direct taxation and €966,000 in indirect taxation, minus €477,000 in tax credits for research and development costs and the contribution from energy-consuming companies.

The return on risk capital, totalling €8,964,000 (9% of total added value), is the share allocated as a dividend of the profit for the period that represents 25% of the available profit.

The items concerning the €108,000 for community expenses are as follows:

	Sum paid (€/000) FY 2019
Environment	3
Culture	27
Art	10
Social	8
Subscriptions	59

ALCANTARA S.P.A.
AND TORAY INDUSTRIES:
TOGETHER
FOR THE LOCAL AREA

In May of the fiscal year just ended, the second and most important phase of a project began, with approval from Parent Company Toray Industries, Inc. This project will lead to Alcantara S.p.A. almost doubling in size, and to an overhauled production process that focusses on the environment and involves overall expenditure of around €278,300,000.

This is why the shareholders have continued and strengthened their policy, begun in 2013, of reinvesting a considerable share of assets in the Company.

This year they confirmed their decision that 75% of earnings would not be distributed, testifying to the high strategic importance they place on reinvesting part of Alcantara S.p.A.'s large economic and social returns in the local area and the environment.

The Investments
in FY 2019
amounted to almost

€108
MILLION

Of this sum, €785,000 was for intangible fixed assets and €6,686,000 was for capitalization of internal costs, namely staff costs for the maintenance departments and technical design and research office, and warehouse and utilities collection.

BREAKDOWN
OF INVESTMENTS



Investments are divided into six macro areas.

The difference between the planned and actual increases in investment is mainly due to cost rationalization for the new project to increase production capacity, requested by the Parent Company.

Investments in health, safety and the environment totalled €2,696,000, around 3% of total investments, and were nearly in line with planned spending. They break down as follows:

- health and safety €2,230,000
- environment €466,000

ACQUISITIONS IN THE FISCAL YEAR (€/000)	FY 2017	FY 2018	FY 2019 Actual	FY 2019 Planned
Rationalization and maintenance of plants and quality standards	17,163	12,700	12,266	14,366
Health, safety and environment ¹	6,804	5,901	2,696	3,026
Research and development	677	401	1,130	1,039
IT system, commercial facilities and other	1,013	798	1,321	807
New environmental improvement project	731	2,660	3,995	3,438
New project to increase production capacity	1,831	28,111	86,139	123,145
TOTAL	28,219	50,571	107,457	145,821

In FY 2019, investments in environmental protection were aimed specifically at:

- prevention of water pollution (€125,000)
- prevention of subsoil pollution (€341,000)

¹The item "Health, safety and the environment" only lists the management costs for health, safety and the environment. This is unlike in the Management Report on the Financial Statements, where these costs are incorporated in those for energy saving and development projects (listed here under the item "Rationalization and maintenance of plants and quality standards").

The investment plan for FY 2020 involves keeping up commitments to health, safety and the environment, in order to continuously raise standards, with particular attention to effects on the local area and worker safety.

The planned investments include:

- pursuing the project to increase production capacity, launched in 2018 and aimed at the continued and growing market demand. High investment costs are foreseen for this project, both for finishing Scale-up 1 and continuing Scale-up 2 (see table below).

INVESTMENT PLAN 01/04/2019-31/03/2020	AMOUNT (€/000)
Installation and maintenance of plants and quality standards	12,581
Health, safety and environment	2,603
Research and development	1,461
IT system, commercial facilities and other	569
New environmental improvement project	3,987
New project to increase production capacity	96,854
TOTAL	118,055

PLANNED
INVESTMENTS
FOR 2020



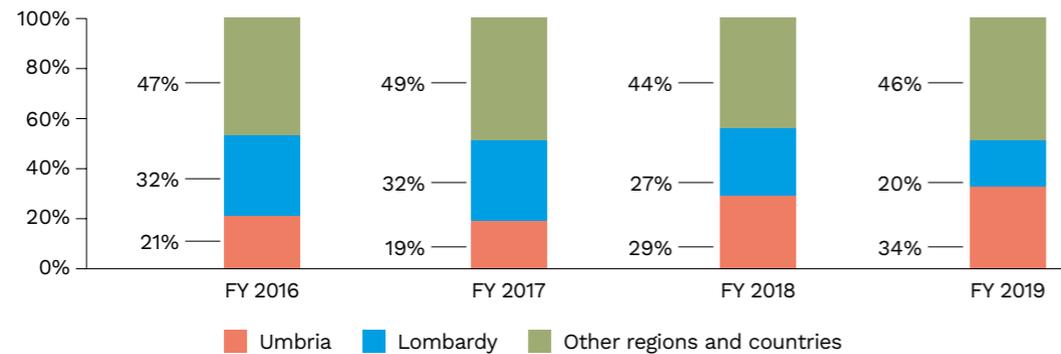
2.2 Suppliers and Partners

Alcantara S.p.A. supplies the materials, products and services necessary for manufacturing processes - which take place at its production facility in Nera Montoro - at its headquarters in Milan and for its distribution processes, according to the different categories of goods. More specifically, Alcantara S.p.A. imports certain special raw materials, semi-finished products, machinery and special equipment from Japan. In some cases, Toray Industries, Inc. itself is the producer.

LOCAL AREA

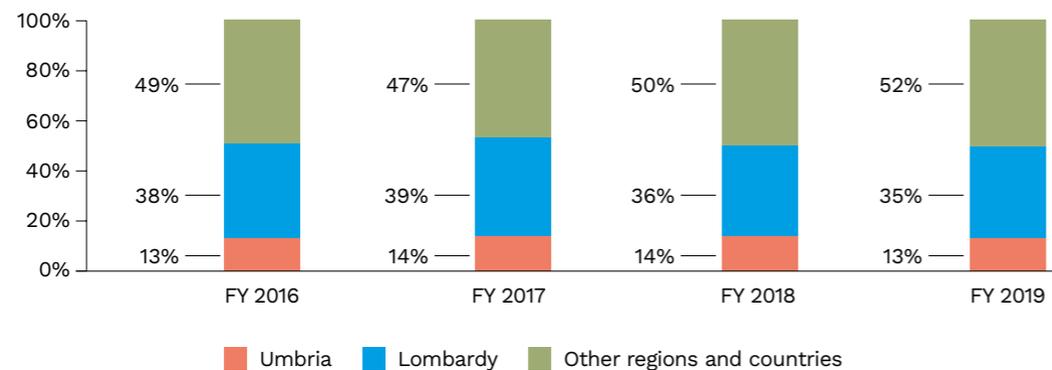
Over 74% of outsourced technical and maintenance services and contracts at the site in Nera Montoro are provided by **local companies, operating in Umbria and with registered offices in the region. Over 98% of outsourced production processes** are entrusted to specialist third-party companies **operating within Italy.**

PERCENTAGE OF COSTS BY PROVENANCE OF SUPPLIERS



In terms of using local suppliers, **Alcantara S.p.A. values their proximity to its sites**, provincial and regional. For the two Company sites in Milan and Nera Montoro, the number of local suppliers is 894, 48% of the total. Outside Europe, most of Alcantara S.p.A.'s suppliers are in Japan.

PERCENTAGE OF SUPPLIERS BY PROVENANCE



SUPPLIERS	FY 2016			FY 2017			FY 2018			FY 2019		
	Number	% of total	% of costs	Number	% of total	% of costs	Number	% of total	% of costs	Number	% of total	% of costs
Italy	1,470	84%	80%	1,475	85%	79%	1,608	85%	83%	1,606	87%	77%
Other countries	274	16%	20%	264	15%	21%	275	15%	17%	243	13%	23%
TOTAL	1,744	100%	100%	1,739	100%	100%	1,883	100%	100%	1,849	100%	100%

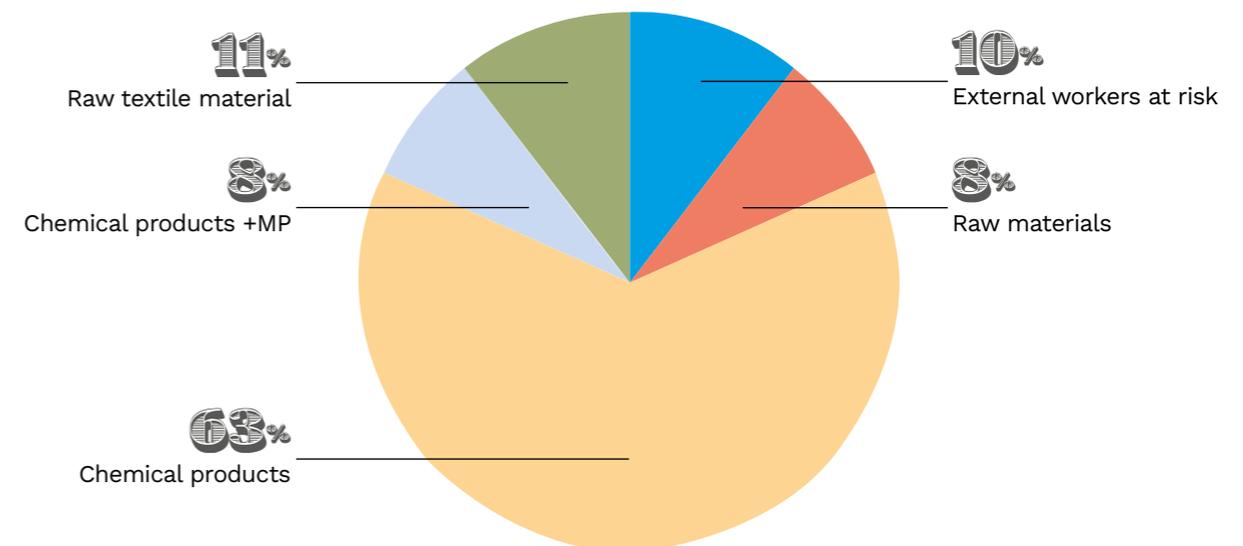
Alcantara S.p.A. only buys raw materials that comply with EU regulations (REACH²). It subjects every new material to rigorous assessment in terms of environmental impact and consumer safety before using it in the production process.

ENVIRONMENTAL RESPONSIBILITY

In order to assess and limit the presence of chemical substances in its production cycles, Alcantara S.p.A. asks its suppliers to:

1. Assess and confirm that all chemical products they supply comply with the MRSL ZDHC³, as well as the additional list of requirements, and commit to monitoring and maintaining them over time.
2. Meet the management requirements listed in the self-assessment questionnaire created for the purpose.

NUMBER AND CATEGORY OF SUPPLIERS



² EU regulation that came into force on 01/06/2007, adopted to better protect human and environmental health from chemical substances.
³ Manufactured Restricted Substances List Zero Discharge of Hazardous Chemicals programme.

SUPPLIER QUALIFICATION

Alcantara S.p.A. is committed to ensuring that its suppliers meet all its procedural requirements for inclusion on the Supplier List.

It also encourages improved environmental performance and social responsibility on the part of its suppliers, through and by:

- **audits**, carried out on site in order to assess Alcantara S.p.A.'s ability to satisfy the specific supply requests and observance of the requirements of the certified management systems (quality, safety, environment and social responsibility);
- **incentives to adopt programmes to improve energy consumption, reduce dangerous materials, reduce emissions, use recycled or recovered materials and manage waste as well as possible.** They will be adopted with verification through objective, documented findings and technical and organizational audits at the suppliers' headquarters;
- **updated information on suppliers**, based on various criteria, including the level of risk to sustainability posed by the supply, the geographic area the supplier operates in, information in the public domain, **compliance with the Code of Ethics** and/or programmes of corporate social responsibility, and conduct during supply;
- signing contracts for services with its suppliers that **hold them to complying with the SA8000® standard** and observing the **general section of the Organization Model** (pursuant to Legislative Decree 231/2001) and Alcantara S.p.A.'s **Code of Ethics** in carrying out their responsibilities;
- encouraging its own suppliers and subcontractors to **act transparently and ethically**, providing courses in responsible management with respect for the principles of care for the environment, human rights, working standards and fighting corruption.

Alcantara S.p.A. values suppliers that provide:

- production processes;
- contractual and logistical services (technical and maintenance business headquarters, warehouse management, and transport);
- general services (reclamation, decontamination and/or waste disposal);
- raw material.

In terms of sustainability, **124 suppliers are considered "priority"**, as the goods and services provided by them are mutually beneficial financially, and they support activities that can influence stakeholders' opinions. **Of these, 40 are defined as "super core"** suppliers, who operate constantly within Alcantara S.p.A.'s sites and/or as partners in the production/distribution process. Another **84** are defined as **"core"** suppliers, providing services that may not be constant within Alcantara S.p.A.'s sites and/or may become partners in the production process and/or are suppliers of significant raw materials.

In FY 2019, there was one new priority supplier, in the area of production processes, and one in the same area left. **The new supplier was placed in Alcantara S.p.A.'s assessment programme**, which involves **environmental, social, human rights and working requirements**, among others.

NEW APPROACH TO SUSTAINABILITY IN THE SUPPLY CHAIN: CSR SELF-ASSESSMENT AND OFFSETTING CO₂

In FY 2019 a project with four more partner suppliers was launched, involving corporate social responsibility (CSR) assessment throughout Alcantara S.p.A.'s supply chain.

This tool, in the form of self-assessment and on-site audits, involves filling in a series of assessment forms and allows Alcantara S.p.A.'s suppliers to establish a framework for the level of risk management and sustainability opportunities, identifying potential actions for improving their performance, creating value sustainably and reducing environmental impact to a minimum.

Through this initiative, suppliers can meet Alcantara S.p.A.'s demands in terms of sustainability and comply with its socially responsible business model. They can also give themselves better management and monitoring mechanisms by:

- identifying ethical, social and environmental risks and opportunities;
- understanding the level of management of these issues;
- identifying what still needs to be done in order to reach a level deemed satisfactory;
- assessing and measuring progress over time;
- involving external staff, including by encouraging internal discussion;
- discussion with other businesses and organizations.

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

SUPPLIER CSR ASSESSMENT

TYPE OF SUPPLY	2015	FY 2016	FY 2017	FY 2018	FY 2019	TOTAL AT 31/03/2019
Production processes and finishing	1	3	-	-	-	4
Contractual and logistical services	3	6	5	-	4	18
Waste services/disposal	-	1	2	-	-	3
Raw material/packaging	1	-	-	3	-	4
TOTAL AUDITS	5	10	7	3	4	29

In FY 2019, Alcantara S.p.A. continued **raising awareness throughout the supply chain of its environmental sustainability model**, increasing the number of supplier categories involved in calculating and offsetting CO₂ emissions by continuing to carry out **offsetting projects**. This increase was achieved with the help of a group selected from suppliers of raw material (canvas and fire-proof materials) and work services (fire-proofing), as well as the existent partners belonging to the courier category. **The amount of CO₂ offset by the aforementioned suppliers is 36,146 tons.**

SA8000®

When renewing contracts for suppliers of production process services, Alcantara S.p.A. was assured of the following **renewed commitments** from them through an addendum:

- delivering the services in compliance with the updated framework of Alcantara S.p.A.'s certified systems;
- receive visits for audits;
- complying with the ethical principles contained in the SA8000® standard;

and introduced express commitment by the suppliers to:

- evaluating and selecting its own suppliers on the basis of whether they meet the above principles.
- meeting Alcantara S.p.A.'s requests in terms of sustainability and complying with its socially responsible business model, observing the general section of the Organisation Model (pursuant to Legislative Decree 231/2001) and Alcantara S.p.A.'s Code of Ethics.

Since 2007, suppliers of goods and services have been working with Alcantara S.p.A. to meet the requirements of the SA8000® standard. The Company has devised a **programme of visits to “core” and “super-core” suppliers**, in which qualified experts and the person responsible for SA8000® assessed their commitment to **observing the standard** in terms of social responsibility, and identify potential risks in terms of freedom of association and bargaining, human rights, and forced or child labour. The findings were classified as “minor”. The suppliers were **asked to carry out corrective action and provide evidence** of doing so.

In the period in question, the assessors found no violations by the supplier of the applicable legislation on health and safety at work, care for the environment and public health, or the international standard SA8000®. Neither did they find any emergency situations from a social point of view (undeclared work, child labour, etc.) that would have merited suspension and/or termination of contract. It is unnecessary to introduce an ‘attention status’ for any supplier. Plans of corrective action were worked out with suppliers in relation to the areas identified as needing improvement. Following audits carried out in the last three fiscal years, **30 plans of action** were launched (nine in 2014, nine in 2016, five in tax year 2017 and seven in tax year 2019) for as many suppliers (82% of visits carried out resulted in an improvement plan), for a total of 115 findings and corresponding corrective actions.

To this end, in 2019, Alcantara S.p.A. re-examined the map of suppliers and updated its programme of **multi-annual audits until 2020**, which involves suppliers that are directly assessed to see that they comply with the criteria of sustainability, social responsibility and quality management. The key factors considered in creating the map include, as part of a risk analysis, the goods sector that the suppliers belong to, the geographical industrial area they operate in, potential information in the public domain, and conduct during the assessment and/or supply phase.



2.3 Institutions

Alcantara S.p.A. has formed transparent, collaborative relationships with institutions and public bodies. It has also involved universities in projects to develop the links between public and private research.

As for the transfer of value to the state and local organizations by payment of direct and indirect taxes and other contributions, the sum of **€14,065,000 for FY 2019** was almost in line with previous years, not only in its total amount but also in the specific items.

FINANCIAL RELATIONSHIPS WITH LOCAL ORGANIZATIONS AND THE STATE (€/000)*			
LOCAL ORGANIZATIONS	FY 2017	FY 2018	FY 2019
IRAP	1,944	2,238	2,253
Waste disposal tax	57	56	56
Tax and additional utility costs	101	34	44
ICI/IMU (municipal tax)	193	170	241
Advertising tax	9	9	9
Other charges	15	17	4
TOTAL	2,319	2,524	2,607
STATE	FY 2017	FY 2018	FY 2019
IRES	11,855	11,129	10,846
Customs charges	342	298	277
IMU (state tax)	174	174	178
VAT on donations	142	118	104
Registration tax and government concessions	15	7	6
Other charges	45	31	47
TOTAL	12,573	11,757	11,458
TOTAL PUBLIC ADMINISTRATION	14,892	14,281	14,065

*Deferred tax liabilities are also included and totalled €715,000 in FY 2019 (€3,000 in FY 2018), of which €588,000 was passive for IRES (€34,000 active in FY 2018) and €127,000 was passive for IRAP (€37,000 active in FY 2018).

In FY 2019, Alcantara S.p.A. continued to monitor opportunities for concessions - mainly at a national level - aimed at supporting companies that carry out projects in investment, research and protecting brands and patents. In consideration of the high volume of investments connected to the project to increase production capacity, as well as the related development work, Alcantara S.p.A. began the bureaucratic procedures to request contributions both for investment and development.

FUNDING AND CONTRIBUTIONS RECEIVED	FY 2017	FY 2018	FY 2019
Contributions from energy-consuming companies	(319)	(215)	(7)
Tax credit for investments	-	-	-
Tax credit for research and development	-	(442)	(470)
TOTAL	(319)	(657)	(477)

Further information on concessions or funding received in FY 2019 by Alcantara S.p.A. is available in the statutory financial statements. These financial benefits, which are categorized as selective benefits and therefore state help, are part of a help system and are therefore accessible to all companies that meet requirements based on predetermined general criteria.



LEGISLATIVE FRAMEWORK	CHARACTERISTICS
Patent Box (pursuant to art. 1, paragraphs 37-45, law no. 190 of 23 December 2014, the "stability law", amended by decree law no. 3 of 24 January 2015 and converted into law no. 33 of 24 March 2015)	Tax concession on income from intangible assets, like brands, patents, models and so on. On 17 June, the prior agreement presented by Alcantara S.p.A. was declared acceptable by the office of big contributors in the audit division of the Lombardy regional department of the Italian Revenue Agency. The Company and the Agency will finish analyzing and defining the concession in the next few months. On 21 February 2019, the Company and the Agency began analyzing the method of calculating and applying the benefit. The Agency requested minor clarifications, which were provided by Alcantara S.p.A. in March. The definitive version of the agreement is expected in summer 2019.
Super-amortizations (art. 1, paragraphs 91-94, law no. 208 of 28 December 2015, the "Stability Law")	Bonus for discipline in terms of amortizations, for which it is possible to carry out a super-amortization on investments in tangible capital assets. The concession was subject to an extension for calendar year 2018. The Company used this extension to carry out an analysis of the eligible investments, and identified an IRES tax benefit of around €574,000 that could be taken advantage of in the next 12 years. The financial year which just ended saw a benefit of around €165,000, 24% of €689,000 (the rate is halved in the first year).
INDUSTRY 4.0 Hyper-amortizations (art. 1, paragraphs 9-14, annexes A and B, law no. 232 of 11 December 2016)	Tax bonus for amortizations, for which it is possible to carry out a hyper-amortization of +150% on investments in tangible capital assets (40% on intangible assets) categorized by law and meeting the requirements of INDUSTRY 4.0. The provision aims to encourage investment in tangible assets that comply with Piano Nazionale Impresa 4.0 in terms of automation and interconnectedness. Following the inter-function work to implement newly acquired plants in respect for legal requirements, the first part of the project was completed positively. Six appraisals were done, for a total benefit of €5,116,000 distributed over 12 years. The fiscal year just ended saw a benefit of around €359,000 (the rate is halved in the first year).
Allowance for Corporate Equity (ACE) (art. 1, law no. 201 of 6 December 2011, "Monti budget" or "save Italy", and art. 7, law no. 50 of 24 April 2017)	An incentive in the form of a deduction from the business income of the notional yield of equity capital, aimed at making the treatment of equity and debt capital more balanced. This concession involves deducting part of the increase in equity capital (based on net worth at year's end 31 December 2010) from the IRES tax, by multiplying the capital by a coefficient regularly set by the government. The shareholders' policy of keeping a considerable share of profits within the Company (50% in 2012 and 75% in the last two financial years) allowed it to make significant savings in tax in the period in question, which totalled 24% of €1,305,000, or €313,000 less tax, in the financial year ending on 31 March 2019.
R&D tax credit (art. 3, law no. 145 of 23 December 2013 and later amendments)	Aimed at encouraging private spending in research and development, to make processes more innovative and ensure competitiveness in business. All costs relating to essential research, industrial research and experimental development are eligible, including costs for highly qualified and technical staff, research contracts with universities, research bodies, businesses, start-ups and innovative SMEs, amortization of laboratory tools and equipment, technical skills, and industrial property rights. The current fiscal year saw benefits of €470,000 (see the table in the paragraph "Funding from public administration") from higher revenues completely untaxed for either IRES or IRAP.

MEMBERSHIP IN TRADE ASSOCIATIONS LIST OF ASSOCIATIONS OF WHICH ALCANTARA S.P.A. IS A MEMBER AS OF 31 MARCH 2019

AIM	TEXCLUBTEC
AUSED (Association of Information Technology & System Users)	MITTELMODA
ASSOFIBRE	NATIONAL CHAMBER OF FASHION
ASSOLOMBARDA	JAPANESE CHAMBER OF COMMERCE
FEDERCHIMICA	JAPANESE SCHOOL
CONFINDUSTRIA UMBRIA	ITALY-JAPAN FOUNDATION
AICQ (Italian Association for Quality Culture)	UNITED NATIONS GLOBAL COMPACT
FAI (The National Trust for Italy)	GLOBAL COMPACT NETWORK ITALY FOUNDATION

⁴ Alcantara S.p.A. has never made contributions to any political causes and has no plans to do so in the future.



Through registration fees and its direct presence, Alcantara S.p.A. takes part in various associations and institutions in order to represent its business and benefit from their services.⁴



SOCIAL SUSTAINABILITY human resources

Highlights

- Staff increase of **10.6%** between FY 2018 and FY 2019 (from 602 employees to 666).
- **Over 40,000** hours of training for employees on quality, safety, the environment, IT and other important topics.
- **4 years of certifications** for the health and safety management system under **OHSAS 18001** (2015–2019).
- **Zero accidents** at the Milan headquarters since 2011.



10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

Fiscal Year 2020 Main Focus

NEW EMPLOYEES

- targeted and specific training;

ORGANIZATIONAL STRUCTURE

- greater flexibility to pursue the Company's strategic objectives;

TRAINING

- designing a training plan that meets the Company's specific needs;

STAKEHOLDER AND TRADE UNION REPRESENTATIVES

- sharing aimed at understanding and supporting Company strategies;

AWARENESS AND INVOLVEMENT

- sharing the health, safety and environment policy with employees and finding means to gather their innovative ideas on sustainability.

Related SDGs



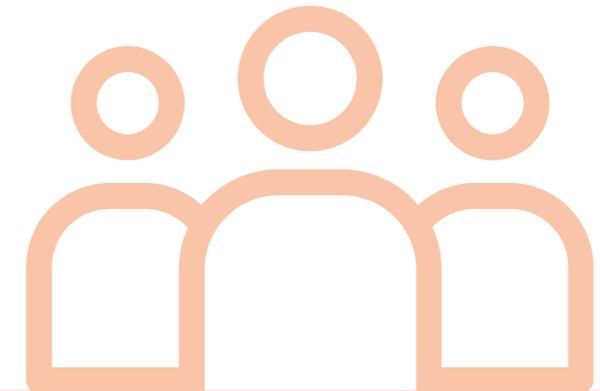
3.1 Management Policies and Composition

For Alcantara S.p.A. its people are the main resource for reaching its strategic aims and creating economic, social and environmental value. A fundamental part of the management approach is **spreading awareness at all levels**, which translates into respect for roles, relations between managers and co-workers, and interfunctional teams.

THE PILLARS

Alcantara S.p.A. pursues the growth and motivation of all its human resources through:

- communicating and sharing corporate, individual and team objectives;
- monitoring of and feedback about the results achieved;
- team work and knowledge of corporate processes;
- development of training plans that target occupational growth at all levels;
- implementation of remuneration policies that guarantee internal equality, market competitiveness and recognition of the results achieved.



IMPLEMENTATION TOOLS

Strategies are pursued through the definition of **annual operating plans**, the development of which is monitored by means of systematic corporate meetings.

As at 31 March 2019, Alcantara S.p.A. **employees** numbered **666**, 107 of whom work at its operational headquarters in Milan, and 559 at the factory and R&D Centre in Nera Montoro, Terni.

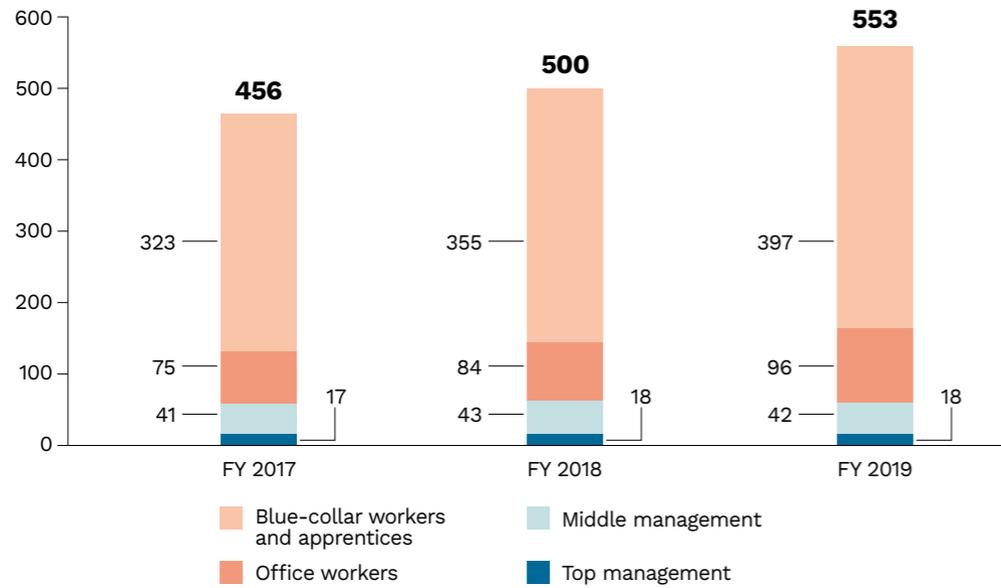
At 31 March 2019, the overall increase in the Company's human resources stood at **10.6%** compared to the previous year.

The average number of employees recorded during FY 2019 was 632, an increase of 44 compared to the average number the previous year.

There are 14 temporary employees, in order to guarantee the flexibility needed for the organizational structure.



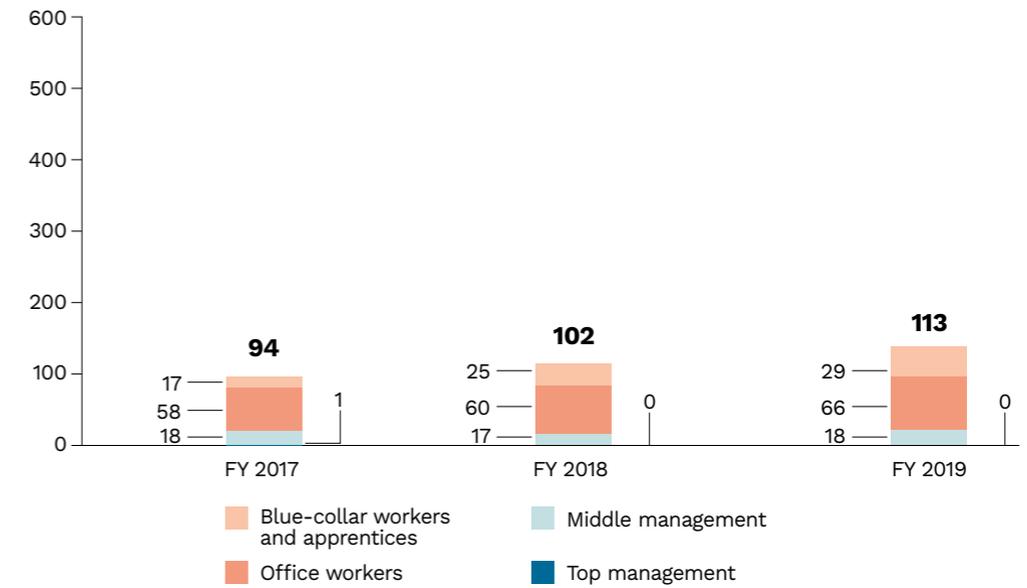
EMPLOYEES BY LEVEL: MEN



EMPLOYEES BY CONTRACT: MEN



EMPLOYEES BY LEVEL: WOMEN



EMPLOYEES BY CONTRACT: WOMEN



Alcantara S.p.A. has continued to respond to the emerging demand for flexibility by using, in certain select cases, contracts for fixed-term work, apprenticeships (which decreased compared with FY 2018), temporary contracts, internships and outsourcing (19 people compared with 36 the previous year).

The Company pursues its commitment to confirming and enacting fixed-term contracts, as shown by the increase of 46 compared to the previous year, for a total of **78.53% of staff hired with permanent contracts**. With regard to employees' origin, the majority reside in areas close to their place of work. Of the staff at the factory and R&D Centre in Nera

Montoro, 90.3% live in the surrounding province of Terni, while 68.5% of employees at the headquarters are resident in Milan. More specifically, 53% of Top Managers at the headquarters were resident in the province of Milan, while 100% of Top Managers at the factory in Nera Montoro were resident in the province of Terni.

EMPLOYEES DIVIDED BY AGE GROUP

YEARS OF AGE	FY 2017	FY 2018	FY 2019	BOARD OF DIRECTORS BY AGE GROUP (FY 2018)
<30	69	80	97	0
30-50	408	435	465	2
>50	73	87	104	5
TOTAL	550	602	666	7

The average age at the headquarters in Milan and the factory and R&D Centre in Nera Montoro showed a slight decrease compared to the previous year, at 41.06 at the headquarters (41.5 in FY 2018) and 39.6 at the factory (39.6 in FY 2018).

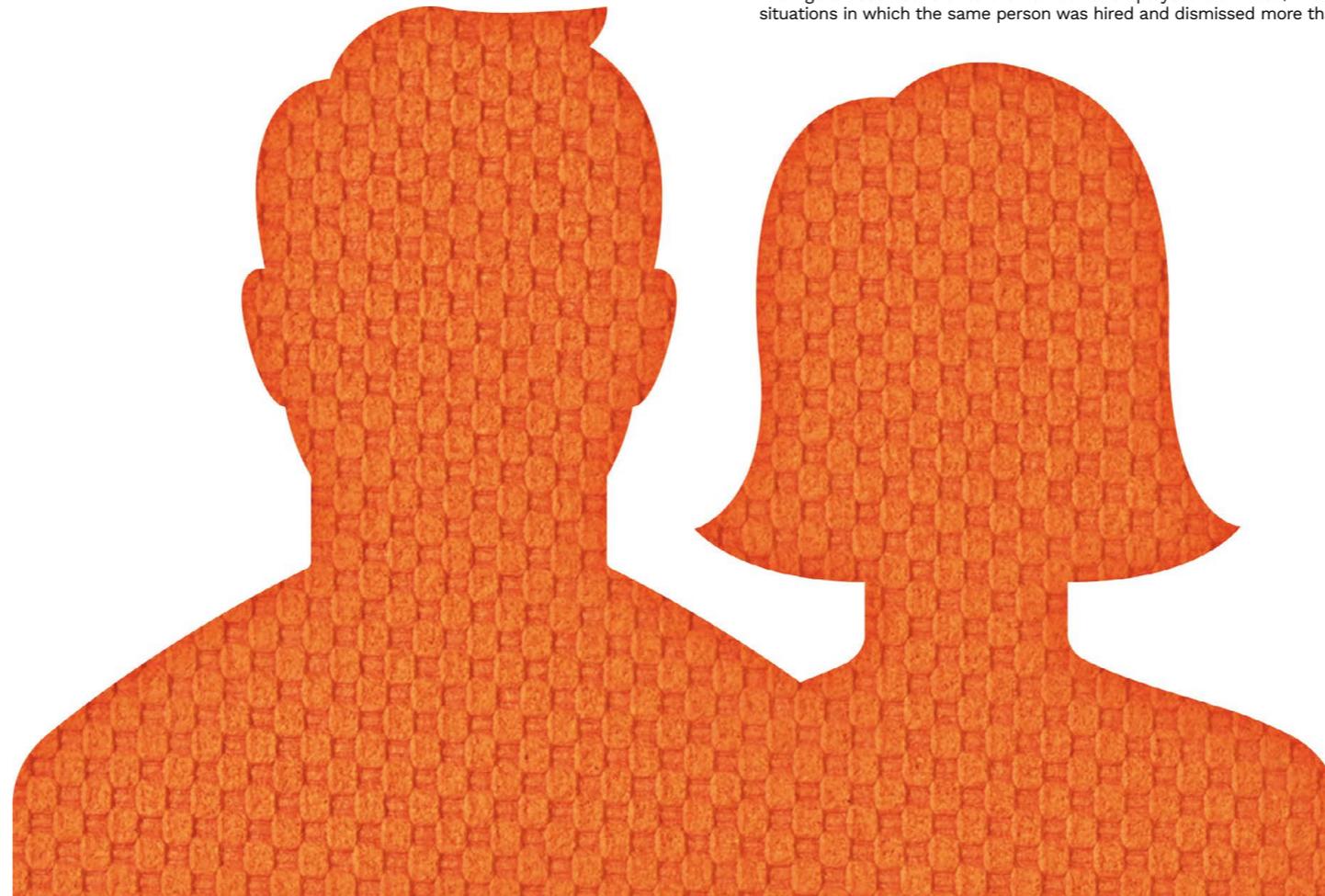
HIRINGS						
	FY 2017		FY 2018		FY 2019	
	Number	Rate	Number	Rate	Number	Rate
Men	38	8.3%	56	11.2%	72	13.02%
Women	20	21.3%	18	17.6%	19	16.81%
TOTAL	58	10.5%	74	12.3%	91	13.66%

TURNOVER ¹						
	FY 2017		FY 2018		FY 2019	
	Number	Rate	Number	Rate	Number	Rate
Men	18	3.9%	12	2.4%	19	3.44%
Women	6	6.4%	10	9.8%	8	7.08%
TOTAL	24	4.4%	22	3.7%	27	4.05%

FY 2019		HIRINGS		DISMISSALS	
Years of age	Number	Rate	Number	Rate	
< 30	49	50.52%	4	4.12%	
30-50	40	8.60%	20	4.30%	
> 50	2	1.92%	3	2.88%	

Dismissals last year were mainly due to voluntary redundancy and most took place in Nera Montoro.

¹ The figure does not refer to the number of employees dismissed/hired during the year but to employee movement, which also takes into account situations in which the same person was hired and dismissed more than once during the year, due to contract changes and/or contract renewals.



3.2 Incentives and Remuneration

Alcantara S.p.A. promotes the management and motivation of people through incentivization and development policies and tools. For this purpose, every year actions are planned and defined in addition to those due to organizational changes and/or contractual mechanisms, actions that are not “contractually required” but which aim to enhance the professionalism of the individual.

INCENTIVIZATION MEASURES

NUMBER OF PEOPLE INVOLVED IN INCENTIVE ACTIONS			
TYPE OF INCENTIVE	FY 2017	FY 2018	FY 2019
M.B.O. (Management by Objective) and non-recurring	84	91	126
Remuneration increase	27	39	47
Salary level	87	129	84
TOTAL	198	259	257

Non-recurring recognition is paid to employees whose contribution or results exceed objectives and are significant for the Company. In addition, also envisaged are increases in salary level due to development paths and growth rates.

VARIABLE REMUNERATION

The variable remuneration system is linked to the achievement of economic and performance objectives defined at both individual and team level. Top management and key people are part of an annual variable incentive plan for objectives, which takes into consideration the Company’s economic, social and environmental performance. Middle management who are not part of the Company’s variable incentive plan are assessed on the basis of their responsibilities in terms of management and co-worker relationships.

ASSESSMENT SYSTEM

The assessment system is simple and efficient. In FY 2019, over 96% of staff were subject to at least one performance assessment by their manager. This percentage also includes temporary staff. In more detail, all staff employed by and working at the factory and R&D Centre are systematically assessed whenever they change position and at least once a year.

COMPARISON OF AVERAGE GROSS ANNUAL INCOME (GAI): RATIO BY GENDER (as at 31/03/2019)

Investigating remuneration proportion between genders, the ratio between gross annual income (GAI) paid to women and income paid to men is equal to 0.67 in the case of top and middle management (with a difference of -32.88%), 0.98 for employees (with a difference of -2.30%), and 0.98 for blue-collar workers and apprentices (with a difference of -2.25%). Remuneration for new hires corresponds to the minimum specified in the national contract, without gender distinction. The ratio between the remuneration for the highest-paid employee and the average remuneration is 5.32. The ratio of increase for it is 0.5%.

3.3 Industrial Relationships

Alcantara S.p.A. believes that industrial relationships and a positive climate are essential for supporting the business process. With this in mind, the Company’s main objectives include the consolidation of a positive and constructive system of industrial relationships at all levels that are consistent with its strategic, organizational and cultural development and characterized by maximum transparency and participation.



All employees are covered by Italian Collective Labour Agreements (CCNL) with the chemical, chemical-pharmaceutical, chemical fibre industries, and the abrasives, lubricants and LPG sectors, which establish the rules and methods for handling trade union relationships at different levels of representation (Company, local and national).

Meetings with Representatives

Meetings with workforce representatives were organized for the advance communication of corporate decisions and for defining shared proposals. During FY 2019, the main subjects handled were:

- working hours: an agreement was reached for the definition of factory stoppage times;
- factory organization: defining new roles, strengthening existing flexibility and monitoring the relevant training courses;
- video surveillance: agreement reached that sets out the installation of a video surveillance system for the boundaries of the car park, to protect the Company’s assets and its staff’s belongings;
- training courses on the Company’s welfare platform, the new HR management software and cyber security.

Participation bonus

The participation bonus agreement was shared with trade union representatives. Paid out in May 2019, the bonus corresponds to 86.82% of the maximum agreed value, after the final balance of the economic and production results for FY 2019. The agreement provides for the possibility of using part of the bonus for the online welfare platform where, after registering, employees can choose from the various initiatives available.



3.4 Training and Career Development

Training is part of Alcantara S.p.A.'s strategic plans and is seen as an **essential tool** for the creation, development and consolidation of professional skills and knowledge, as well as an important tool for involving and motivating people.

TRAINING PLAN

Every year the human resources office collects each department's training requirements, with identification of the priority given to individual courses. These demands are part of the general training plan.

TRAINING OPPORTUNITIES

Employees of all levels are directly involved in training actions and plans when:

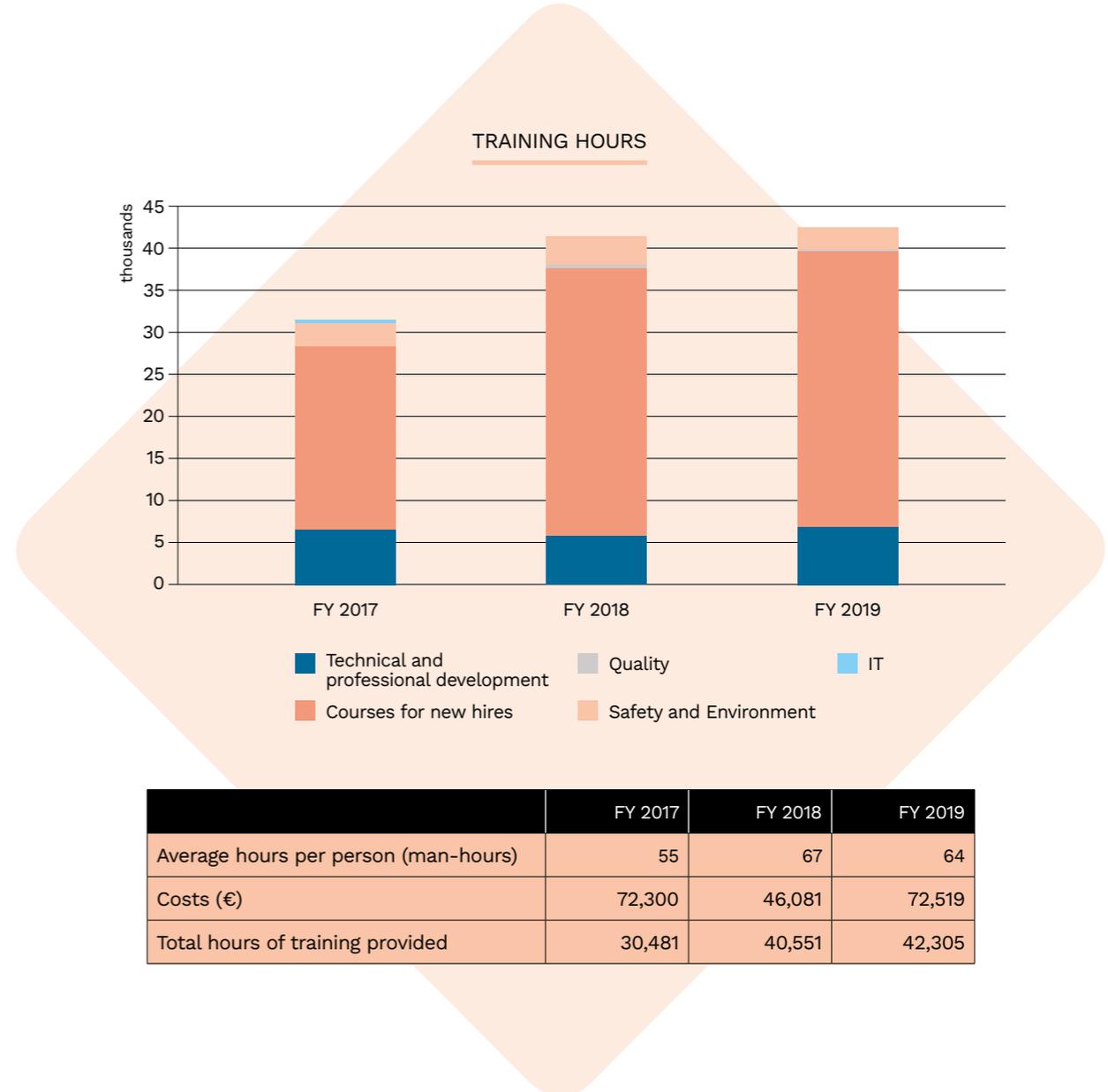
- they join the Company;
- they are transferred to other positions;
- there are organizational variations and/or technical/technological innovations that significantly change occupational content and occupational growth paths.

ASSESSMENT OF TRAINING QUALITY

The effectiveness of the training provided is assessed by learning tests (for external courses and Environmental Safety Services, ESS) at the end of the courses and by the person responsible who, as part of the annual assessment of his/her co-workers' performance, must also assess the effectiveness of the training received by the employee.

CATEGORY	GENDER	EMPLOYEE ASSESSED	% OF TOTAL
Blue-collar worker	Male	384	100
Blue-collar worker	Female	18	100
Office worker	Male	91	95
Office worker	Female	61	92
Middle Management	Male	42	100
Middle Management	Female	15	83
Apprentice	Male	6	46
Apprentice	Female	10	91
Top Management	Male	17	94
TOTAL		644	

It should be noted that certain employees have not been assessed in the course of the Fiscal Year because they had only just arrived at the Company or were absent for parental leave.



	FY 2017	FY 2018	FY 2019
Average hours per person (man-hours)	55	67	64
Costs (€)	72,300	46,081	72,519
Total hours of training provided	30,481	40,551	42,305

The total hours of training are in line with the previous Fiscal Years. In particular, the increase in technical and professional development training hours is due to the commitment by Alcantara S.p.A. to the growth of its human resources.



AVERAGE TRAINING HOURS IN FY 2019	NERA MONTORO		MILAN		TOTAL
	Men	Women	Men	Women	
Blue-collar workers	64.7	4.4	-	-	62
Apprentices	13.8	98.4	-	18.5	38.1
Office workers	81.6	121.6	26.2	16.8	68.5
Middle management	42.3	27.5	10.1	2.4	23.4
External*	21.4	12.7	25.5	-	20.3
Top management	54.3	-	18.2	-	24.2

* The external category includes temporary and outsourced employees.

FOCUS: TRAINING ACTIVITIES IN FY 2019

Corporate Certified Systems	<ul style="list-style-type: none"> - IATF 16949 standard for the automotive sector; - VdA 6.3 standard for the automotive sector; - GDPR EU 2016/679; - Cyber Security Awareness; - Chemical Management System; - Alcantara S.p.A. welfare platform.
Environmental Safety Services (ESS)	<ul style="list-style-type: none"> - Legally required ESS regarding: <ul style="list-style-type: none"> • new machinery; • employee transfers; • entrance of new employees; • the updated RLS, RSPP, ASPP, blue-collar workers and middle management. - Management of electrical hazards and electrical panels; - handling of emergencies; - updating and inclusion of new human resources in the emergency team; - updating REACH EC 1907/2006 and CLP EC 1272/2008. <p>At the Nera Montoro factory over 2,190 hours of training were dedicated to ESS. Although not specifically, these aspects were also handled during other types of training activities, for an additional 2,039 hours of training.</p>
Anti-corruption	In the course on the updated MOG 231-in which 60 employees were trained for a total of 120 hours-specific anti-corruption training was also provided. No members of the Board of Directors received specific anti-corruption training. However, the Company's anti-corruption policies and procedures were circulated to all seven members of the Board of Directors.
Other	<p>Specific training was held in Milan, including:</p> <ul style="list-style-type: none"> - for new employees and apprentices; - on supply chain management for executives; - GDPR EU 2016/679; - on VDA 6.3, a quality management standard for the automotive industry; - on the updated 81/08 for Senior Managers and ASPP and training for new hires; - updated team training on fire safety and first aid and training new team members. <p>At Nera Montoro, some training courses were dedicated to:</p> <ul style="list-style-type: none"> - using and maintaining new machinery and systems, with focus on technical, technological and safety aspects; - the inclusion of new employees (over 31,000 hours) and human resources involved in growth and occupational development paths (including operational flexibility); - training following the installation of new production lines.

3.5 Diversity and Respect for Human Rights

EQUAL OPPORTUNITIES

Alcantara S.p.A. is very mindful of equal opportunities. However, it operates in a production and industrial context that is traditionally characterized by the presence of significantly fewer women than men. The distribution of human resources based on gender saw an increase in female employees from 63 in 2013 to 113 in FY 2019.



In FY 2019, employees at the headquarters in Milan and the factory and R&D Centre in Nera Montoro who took parental leave totalled 81 (54 men and 27 women), a slight increase on 58 of the previous year. Leave of absence mainly consisted of mandatory and optional maternity leave, leave to take care of a disabled

person (L.104), and paternity leave (mandatory and optional). Unlike previous years, parental leave was also counted in compliance with variations in the relevant laws. At the end of the leave period all employees returned to work, with the exception of those who were still on maternity leave.

LEAVE OF ABSENCE

PROTECTED CATEGORIES

Alcantara S.p.A. complies with current laws also with regard to the inclusion and integration of human resources belonging to protected categories. In FY 2019 the number of people from protected categories represented 6.3% of employees.

In support of this approach at Alcantara S.p.A. it is possible to report to the Supervisory Body any conduct that conflicts with the Code of Ethics, or to indicate potential risks in this sense and, if necessary, with recourse to the workers' representative for the SA8000® system.

PROTECTED CATEGORIES	FY 2017	FY 2018	FY 2019
No. of employees from protected categories	44	44	42
% of protected categories out of total employees	8	7.3	6.3
No. of Board of Directors members from protected categories	-	-	-
% of protected categories out of total Board of Directors members	-	-	-

SOCIAL ACCOUNTABILITY PROJECT SA8000®

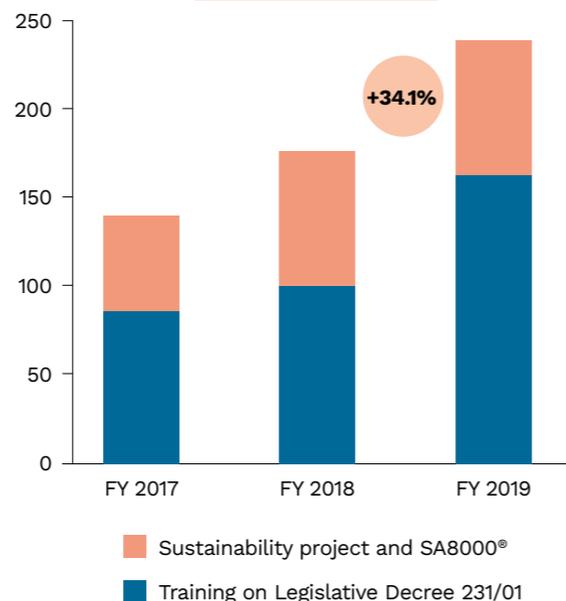
Certification in accordance with international standard SA8000® (Social Accountability 8000), which Alcantara S.p.A. has had since 2008 to maintain high standards of respect for human rights within the Company and the value chain, is another indication of responsible management.

All Alcantara S.p.A. employees are informed about and periodically updated on the spirit and principles of the standard by means of training and meetings. For all new employees there are dedicated training sessions at which they are given and/or discuss a booklet describing the contents and principles of SA8000®.

TRAINING HOURS



EMPLOYEES TRAINED



In support of its commitment to its staff, respect for human rights and sustainability themes, Alcantara S.p.A. offers special courses that led to an increase of 32.2% in training hours and 34.1% in target staff compared to the previous year, mainly due to training on the updated Legislative Decree 231/01, now known as MOG 231. This was also supported by the total absence of issues associated with discriminatory practices and actions and the verification of compliance with human rights standards and practices for all areas of operation (SA8000®).

3.6 Occupational Health and Safety

Alcantara S.p.A. is committed to and invests in improving the health and safety of its own employees and those of third parties, far exceeding legal requirements. The purpose is to achieve the “zero accidents” objective. This commitment has enabled the Company to obtain the certification of the health and safety management system in accordance with standard OHSAS 18001, which was renewed in June 2018 from October 2018 to 2021. The number of employees directly affected by the health and safety system is over 38% in Nera Montoro and 30% in Milan.

WORKERS AFFECTED BY THE HEALTH AND SAFETY PREVENTION SYSTEM	NERA MONTORO	MILAN
Total employees	559	107
Work permits	136	1
Staff responsible	136	25
On call	12	-
Protection and Prevention Service	3	2
Emergency team	99	7
Total positions held	380	35
Total staff involved	212 (38%)	32 (30%)

ACTIONS

Alcantara S.p.A. prevents risks through actions that are now consolidated in the area of the Health, Safety and Environment Policy, which contribute to keeping the “health and safety system” alive and dynamic and involve employees at all levels. The most significant actions during FY 2019 were:

- **Zero Accidents Project**, for reducing accidents to a **minimum**;
- **safety summit and international audit** by the Toray Group, with the direct participation of Toray Senior Managers: in FY 2019 these actions consisted of meetings and exchanges with Toray factories in the USA, the Czech Republic and Italy;

- **work groups**: the setting up of specific work groups by departments with the purpose of developing greater participation by the corporate community in correctly identifying, assessing and minimizing risks and the impact on health, safety and the environment;
- **emergency teams** with equipment not required by law (fire engine, ambulance, clinic with medical services available 24 hours a day);
- availability to **train employees of contractors** (e.g. Presidential Decree 177/11 “Work in confined spaces”, DUVRI, etc).

ACCIDENT MANAGEMENT

Accidents are handled in compliance with the procedure “Report and analysis of accidents, near accidents and injuries” (PSS A5.3°)², included in the OHSAS 18001 certified ESS management system.

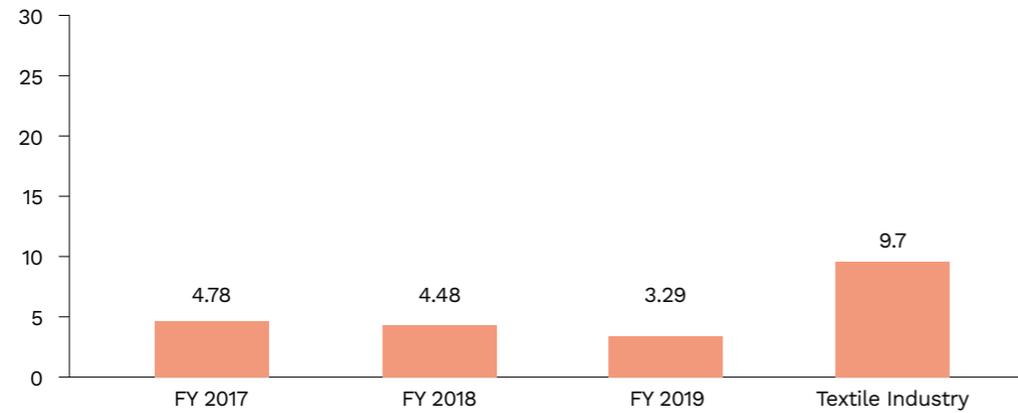
At the Nera Montoro factory during FY 2019, three accidents were recorded and entered in the Accidents Book. They involved three men. The rate of absenteeism in Nera Montoro, calculated as the ratio between absences from work (not including holidays) and total days worked, is **6.02%**. **At the headquarters in Milan, no accidents were recorded.**

² This procedure complies with Presidential Decree D.P.R. 1124 of 30 June 1965.

	NUMBER OF ACCIDENTS		HOURS WORKED		FREQUENCY INDEX		GRAVITY INDEX		OCCUPATIONAL ILLNESS RATE	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
FY 2019	-	3	95,244	815,360	-	3.679	-	0.168	-	-

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

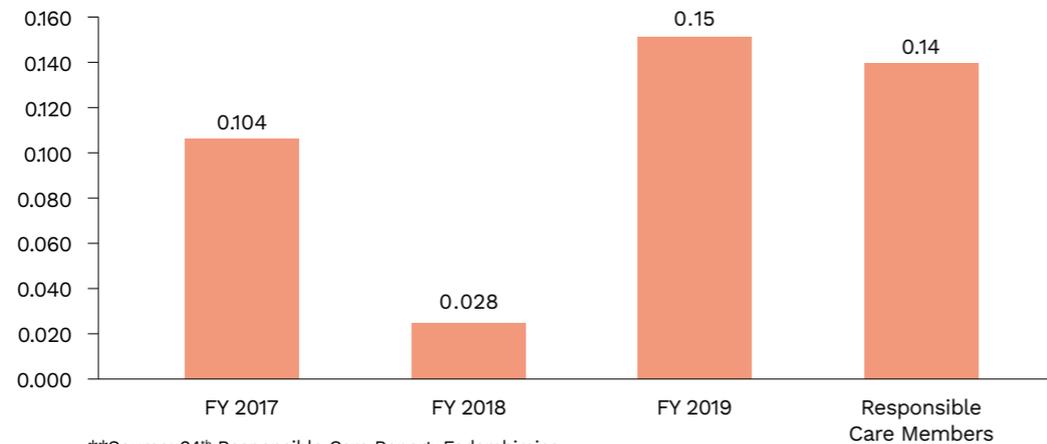
FREQUENCY INDEX*



*Source: 24th Responsible Care Report, Federchimica.
The total frequency index takes into consideration medication without losing the ability to work. The formulas used to calculate the accident indexes are unlike those used by GRI in that they refer to one million worked hours and not 200,000.

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

GRAVITY INDEX**



**Source: 24th Responsible Care Report, Federchimica.
The days lost due to accidents are calculated from the day on which the accident occurred and are understood to be calendar days. The formulas used to calculate the accident indexes are unlike those used by GRI in that they refer to one thousand worked hours and not 200,000.

	FY 2017	FY 2018	FY 2019
Number of accidents in the workplace (with absences)	4	4	3
Hours worked	837,627	893,953	910,604

The number of accidents recorded in FY 2019 was three. This was less than in FY 2018, and therefore resulted in a decrease in the frequency index. However, the gravity index increased. The frequency index is significantly below the sector average, while the severity index is slightly above (source: 23th Responsible Care Report, Federchimica). As far as concerns external collaborators (not Alcantara S.p.A. employees) no accidents were reported.

ZERO ACCIDENTS PROJECT

The aim of the Zero Accidents Project is to identify possible actions for improving safety management and, specifically, those that **tend towards the “zero accidents” objective** by exceeding the requirements laid down by current standards.

Begun in 2006, over ten years later the project has undergone considerable improvement from a technical-operational point of view, achieved also thanks to the following tools:

- **safety policy:** every year the Parent Company provides a slogan to be used to emphasize the subject of health and safety;
- **hyari-hatto** (accidents): the Parent Company sends to all companies in the Group the reports of accidents that occurred at companies all over the world. The purpose is to enable the assessment of any similar situations and the proposal of specific preventive and protection measures;

- **safety patrol** (office workers and middle management) and **safety shift leader** (shift operators): internal verifications and inspections weekly or by shift. Taking part in the safety patrol team since 2014 are the three operators who distinguished themselves the previous year by the number of safety proposals they presented;

- **safety day** (factory meeting open to all) and **safety dinner** (dinner with management): collective explanation of the main corporate events during the quarter and sharing corporate lines and projects with all factory employees;

- **safety proposal:** practical proposals for improving safety, health and the environment that all employees may suggest and for which they will be asked to find a suitable solution;

- **injuries and near accidents:** reporting by employees of risk situations that could cause an accident;

- **safety shift meeting:** meetings about safety for shift operators.

RESULTS OF ZERO ACCIDENTS PROJECT	ACCIDENTS	NEAR ACCIDENTS	SAFETY PROPOSALS
FY 2017	27	108	372
FY 2018	6	115	307
FY 2019	13	103	329



3.7 Internal Communication

Alcantara S.p.A. pays particular attention to listening to and talking with employees aimed at establishing a relationship of mutual collaboration, increasing the feeling of belonging and promoting the spread of corporate values and culture.

COMMUNICATION ACTIVITIES

- New intranet and notice boards, with continual updating and the insertion of communications for employees in the new employee management software;
- six-monthly publication of the house organ, printed copies of which are distributed to all employees at the head office and factory;
- participation of Alcantara S.p.A. employees in the annual European forum of the Toray Group;
- “Safety Day” and “Safety Dinner” for the Nera Montoro factory;
- events for official announcements and investments to double production capacity at the factory.

BENEFITS FOR EMPLOYEES

- Student grants for the children of employees;
- No Barriers Award for children of employees with special needs;
- Loyalty Award (for length of service at Alcantara S.p.A.);
- intercompany daycare centre;
- in-house canteen;
- occupational and non-occupational insurance;
- fund co-financed by Fida for reimbursement of medical expenses;
- recreational club activities;
- Company healthcare facilities;
- allowance for availability;
- improvement of common areas and work environments;
- sharing events;
- Company benefits.

FOCUS: BENEFITS FOR EMPLOYEES

Alcantara S.p.A. provides certain benefits for all its staff in addition to the collective agreement.

• **Scholarships for the children of employees:** in accordance with the guidelines of a notice for the purpose, during FY 2019, 21 student grants were awarded to children of employees at primary, middle and high school. They were presented by the Chairman during the 2018 Christmas lunch.

• **No Barriers Award:** the continuation of the No Barriers Award introduced in FY 2016 for children of employees with special needs. The awards were presented at the same time as the student grants.

• **Loyalty Award:** Alcantara S.p.A. offers an award for 25 years of service. It is given at the same time as the scholarships and No Barriers Award.

• **Intercompany nursery:** for the sixth year in a row, nursery services will be available in agreement with two other companies within the local area of the factory. The service is still available also for children whose parents are not Company employees but live in the area. The share charged to employees has not changed in all this time and is in line with the cost of public nurseries. The difference is always paid by the Company.

• **In-house canteen:** canteen with running costs paid entirely by the Company. Employees pay only a small percentage of the cost of a meal.

• **Occupational and non-occupational insurance:** in addition to the provisions of INAIL and extended also to non-occupational activities, Alcantara S.p.A. has underwritten integrated insurance for all employees involved.

• **Fida and Faschim:** by paying a symbolic minimum monthly fee, employees can participate in a fund, the major part of which is co-financed by Alcantara S.p.A., which reimburses medical services.

• **Recreational club:** an annual fee paid by Alcantara S.p.A. for the Company recreational club for the organization of cultural or sports activities for employees and their families.

• **Corporate healthcare service:** at the Nera Montoro factory the healthcare clinic is open 24 hours a day and is equipped with an ambulance and defibrillator.

• **On-call allowance:** paid to emergency service employees and maintenance employees.

• **Improvement of common areas and work environments:** ordinary and extraordinary maintenance of green areas, restyling of various offices and meeting rooms.

• **Alcantara S.p.A. welfare plan:** for the second year in a row, every employee has the right to choose whether to turn part or all of the participation bonus into benefit credits that can be used. They can do this on the Company web platform, to use goods and services in the field of health, sport, well-being, culture and entertainment, as well as for their families, which also brings them financial advantages.

SOCIAL SUSTAINABILITY customers

Highlights

- Total net turnover in FY 2019 of **€200,782,000.**
- Alcantara S.p.A.'s new **Water-Based Generation.**
- **4.7%** increase in net turnover.

10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

Fiscal Year 2020 Main Focus

Related SDGs

GROWTH

consolidation of the European market and commercial growth in America and Asia;

VISIBILITY

increased world visibility for the product and brand in terms of sustainability and conformity with national and international sustainability initiatives;

COMMUNICATION

presentation of results on sustainability and objectives for the next few years for main customers;

PRODUCT SAFETY

optimization of the management system and product safety system;

R&D CENTRE

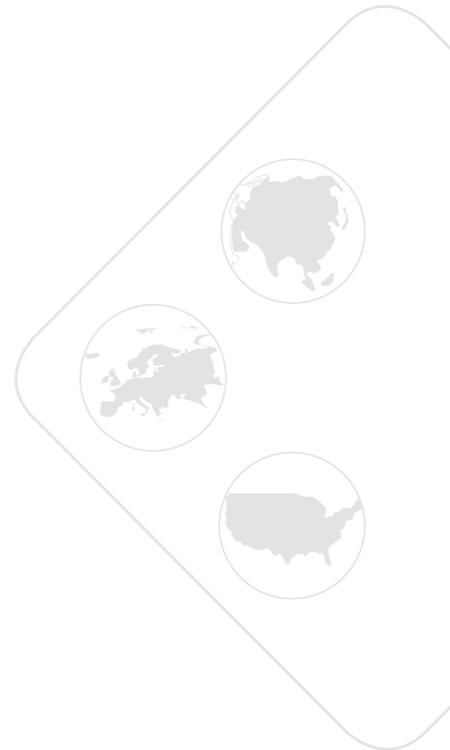
dedicated to development and improvement of products and processes.



4.1 Marketing Policy and Innovation

Alcantara S.p.A. is committed to an ambitious **programme of commercial growth**, focused on developing the Asian and American markets and consolidating the European one.

To handle business diversification and growing market globalization, the Company has continued to **strengthen the area of sales, consolidating skills and tools** to help commercial organization. Relations with customers in the portfolio, and prospects based on interfunctional Company teams, were pursued and strengthened. The mix of skills it provides to customers has given the Company a competitive advantage within the range of companies in the sector and allowed it to respond to market demand, but also to offer innovative solutions to customers in terms of technical functions and customized products, special processing for materials, attractive finishings and creative choices.



POINTS OF ENGAGEMENT

Alcantara S.p.A.'s commercial activity is guided by **Points of Engagement**, which represent its commitment and approach to business and are the essence of its positioning:

- **global brand:** developing the Alcantara® brand's reputation in the world and strengthening the global approach to the market;
- **sustainability:** in Company processes, relations with suppliers, relations with stakeholders, maximum transparency and constant monitoring;
- **made in Italy:** synthesis of Italian skills to create products using advanced technology and maintaining the creativity of traditional artisanship in work;
- **tailor-made approach:** the business's ability to offer its customers highly personalised solutions that combine style and technology;
- **art, design and creativity:** positioning the Alcantara® brand as a contemporary lifestyle one with strong connections to the world of art and design.

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

- Automotive (82%) 
- Fashion and Accessories (9%) 
- Consumer Electronics (5%) 
- Interiors, Contract, Marine and Aviation (4%) 

PRODUCT TURNOVER (€/000)	FY 2017	FY 2018	FY 2019	Δ FY 2018-19
Finished product turnover	185,316	190,815	199,714	4.7%
Turnover of by-products and other materials	1,280	1,040	1,068	2.7%
TOTAL NET TURNOVER	186,596	191,855	200,782	4.7%

TURNOVER BY GEOGRAPHIC AREA (€/000)	FY 2017	%	FY 2018	%	FY 2019	%	Δ FY 2018-19	
Italy	15,600	8.3	13,101	6.8	10,925	5.4	(2,176)	(16.6%)
EU	96,814	51.9	108,532	56.6	118,078	58.8	9,546	8.8%
Non-EU	74,182	39.8	70,222	36.6	71,779	35.7	1,557	2.2%
TOTAL NET TURNOVER	186,596	100	191,855	100	200,782	100	8,927	4.7%



Foreign turnover continues to increase as a result of the globalization and spread of the Alcantara® brand as a symbol of made in Italy, which has also led Alcantara S.p.A. to operate in no fewer than 60 countries outside Italy.

FY 2019 saw a net increase in the EU market despite a decrease in the national market. Meanwhile, sales outside the EU were very stable (+2.2%). Compared to FY 2018, within the EU area there was an absolute increase of €9,546,000, 85% of it in the four main countries shown in the table. In this field, the German market leads with almost 70% of the EU total.

DESCRIPTION (€/000)	FY 2018	FY 2019	Δ FY 2018-19	
Germany	62,417	79,933	17,516	28%
France	7,853	10,249	2,396	31%
Portugal	4,345	5,528	1,183	27%
Spain	7,326	4,935	(2,392)	(33%)

Outside the EU, the Chinese market share is 47% (compared to 46% in the previous year), while the US market is 17%. Growth in certain countries in the Far East, namely South Korea, Taiwan and Hong Kong, had already begun in the previous period and was consolidated. In Mexico sales remained stable.

BRICS AREA SALES (€/000)				
Country	FY 2017	FY 2018	FY 2019	Δ FY 2018-19
Brazil	20	11	12	1
China	32,054	32,044	33,643	1,599
Russia	571	429	816	387
India	12	29	9	(20)
South Africa	528	402	2	(400)
TOTAL	33,185	32,916	34,483	1,567

AUTOMOTIVE

Pininfarina HK GT, Beijing Motor Show, Auto China 2018



The Automotive sector represents Alcantara S.p.A.'s main business. In its various relations with original equipment manufacturers (OEMs) over

the year, the Company strengthened the launch of new products and more informed use of Alcantara® as a premium material and source of profit.

MARKET CHARACTERISTICS

The global automotive industry is still in a stage of great change and evolution. Emerging markets are growing and market players are continuing to consolidate and globalize.

At the level of market sectors, sports and luxury have continued to grow in size and profitability. Products and solutions showing greater care for the environment and sustainability are also increasing. All automotive producers are offering increasingly light, low-consumption models, and offering green solutions, whether hybrid or totally electric.

ADVANTAGES OF ALCANTARA®

- **Elegance and sportiness**, which allow Alcantara® to be used in elegant cars, for example luxury saloons, and sports vehicles, like high-performance cars.
- **Lightweight**, which helps car makers reduce weight and therefore reach sustainability objectives.
- **Made in Italy**.
- **Versatility** and ability to offer **tailor-made, cutting-edge solutions**, which mean more personalized products and adaptation to the car model or version Alcantara® is used for.
- **The brand**, distinctive element, the exploitation of which is a common goal for Alcantara S.p.A. and the big automotive brands.

MANAGEMENT APPROACH

Alcantara S.p.A.'s success is based on the following elements:

- exceptional quality and versatility in materials;
- flexibility and adaptability to customers' demands;
- a brand that is synonymous with exceptional quality and beauty;
- an Italian character that is reflected in the taste and creativity of the product's design and the way we marry craftsmanship and technology to satisfy customers' requests;
- close collaboration with and support for designers;
- sustainability in materials and the Company in general.

Alcantara S.p.A. works with OEMs to make its end customers, that is to say car buyers, understand the extraordinary quality of Alcantara® interiors. In the previous year, too, Alcantara S.p.A. has continued to meet with its most important customers to get across its own approach to sustainability.

Further knowledge of the automotive sector in the near future will be increasingly focussed on involving and raising awareness throughout the supply chain on these themes. Many car makers only count companies with solid, certified sustainability programmes among their suppliers.

FASHION AND ACCESSORIES



Alcantara F/W 2019 Womewear Collection



MARKET CHARACTERISTICS

The Fashion division's customers are big European luxury fashion brands that use Alcantara® for accessories, clothing and footwear.

The main market is Europe, particularly France and Italy, where the main global luxury fashion houses are concentrated.

ADVANTAGES OF ALCANTARA®

- Infinite possibilities for **personalization**, the ability to cover any shape or surface, respect for the strictest standards in the sector, exclusive and custom solutions, and the ability to meet the technical and design requests of a range of customers.
- Ability to offer **exclusive solutions**, combining style and technology, to highlight the intrinsic qualities of the material.
- Sustainability: this is becoming an ever more important aspect for consumers, and fashion brands are increasingly adopting **sustainable practices**.

This approach makes Alcantara® unique and very valued by high-end global companies. Added to the above elements is the strength of the Alcantara® brand, known and valued by the biggest luxury brands because it brings added value to their finished products.

MANAGEMENT APPROACH

The approach to this market is largely through **direct contract** with the main fashion and accessory brands and is sometimes supported by a network of agents who guarantee constant presence in the area.

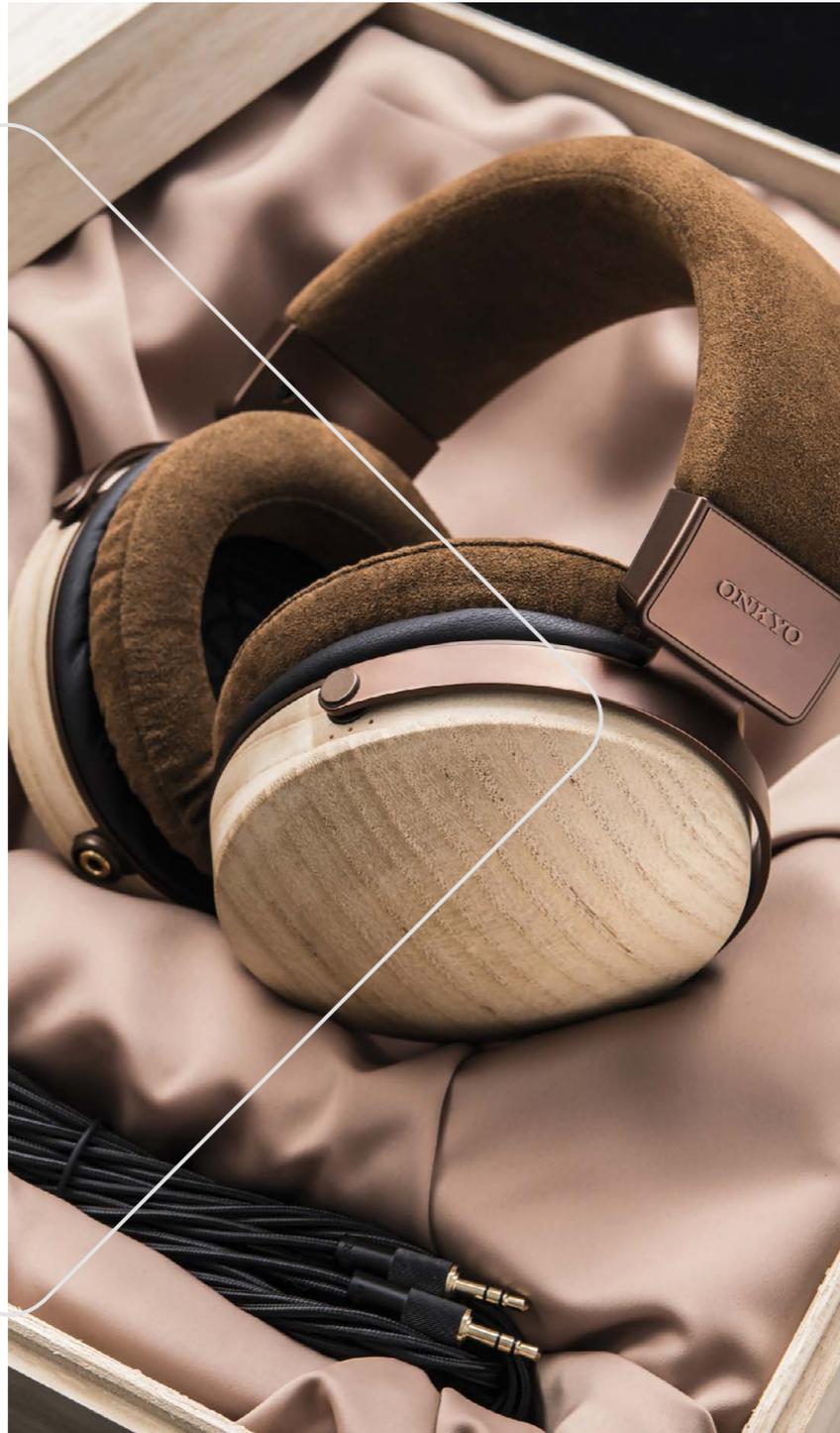
FOCUS: ALCANTARA® FINISHED PRODUCT COLLECTION

The Alcantara® finished product collection continues on its path of aesthetic research combined with technological innovation and respect for principles of environmental sustainability. It exploits the potential of materials and guarantees Alcantara S.p.A.'s place as a respected partner in the world of fashion and design. The Alcantara® Concept Store in Milan is the showcase for this project, where you can not only shop but have your finger on the pulse of innovation. The concept of the space is to host creativity, putting on display objects and ideas that look to the future.

CONSUMER ELECTRONICS

This division covers a little over 5%, more than in previous years. The Consumer Electronics division's customers are the main global original equipment manufacturers (OEMs) that operate in the sector of mobile, audio, video and photo devices and the main

producers of specific accessories in the sector. In FY 2019, collaborations began with important OEMs, leading to the launch of products sold to end consumers who used Alcantara® to bring value to their product. This brought great visibility to the brand.



SN-1 Stereo Headphones Onkyo



MARKET CHARACTERISTICS

The market is global and Alcantara S.p.A.'s products are generally accessories with a strong design aspect or functional components that bring a strong aesthetic impact to technology.

ADVANTAGES OF ALCANTARA®

The main advantages of Alcantara® are both functional and aesthetic. Currently, the modification to and diversification of the high-tech components' outer appearance is particularly recognisable. Thanks to its versatility, Alcantara® guarantees a high level of personalization for the customer and can be adapted to whatever production technique the customer uses. Investments made in strengthening the brand's global reputation, the 'made in Italy' factor and Alcantara S.p.A.'s strong focus on the theme of sustainability complete the range of advantages it enjoys in the market.

MANAGEMENT APPROACH

Direct contact:

- with all the main OEMs in the sector and producers of specific accessories (technical studios, purchases, marketing and style centre);
- with the supply systems, for developing the project and for support in using Alcantara® in their production processes.

SUSTAINABLE INNOVATION PRODUCTION IN FY 2019

In order to have an ever more effective approach in this expanding sector, this year **certain surface finishing techniques** were used to enrich the range, for the most discerning customers when it comes to the sound performance resulting from the product's aesthetic.

The new **water-based** generation of Alcantara S.p.A. is still being introduced. It shows the Company's firm commitment to environmental sustainability, which in its specific sector is beginning to have greater and greater importance. Together with prestigious European universities, we are developing the **new generation of Smart Alcantara®**, which will make using the product interactive.

INTERIORS, CONTRACT, MARINE AND AVIATION



Alcantara interiors



MARKET CHARACTERISTICS

Alcantara S.p.A.'s customers in the Interior, Contract, Marine and Aviation sectors are on one hand some of the most important producers and on the other, distributors operating in national markets with a great deal of potential. Alcantara S.p.A. operates in the Contract market (public spaces, hotels, shops, etc.) through contact with architecture and design studios as well as furniture producers specialising in the field. Clients in the marine sector are large shipyards and some of the most important leisure boat brands. To develop its Aviation market, Alcantara S.p.A. works with design studios, airlines, and producers of components and seats.

ADVANTAGES OF ALCANTARA®

- **Brand awareness** and aesthetic, sensory and functional qualities of the product.
- **The unique qualities of the tailor-made range** and the values associated with the brand, in particular 'made in Italy', represent strong points in non-EU countries.
- **The possibility of modifying the material's appearance** through special technology for varying surfaces, while maintaining its functional characteristics, allows for creating functional collections that enrich the basic offer and get designers interested in experimenting further.
- **Breathability, strength of colour and resistance** to marine and atmospheric elements are all strong points of Alcantara® in the Marine sector.
- **Lightweight and resistance** are among the most appreciated qualities in the Aviation sector. They allow operators to make big savings in terms of weight, consumption and time.
- **Sustainability** is becoming an ever more important aspect for consumers, and many producers are beginning to produce sustainable lines.

MANAGEMENT APPROACH

The market approach is both indirect and through distributors and agents. In terms of direct approach, visits to key customers can be done by interfunctional teams made up of account managers, designers, researchers and communications staff.

4.2 Product

For Alcantara S.p.A., 'made in Italy' means quality, health and safety, respect for human rights and the strictest environmental protection laws, cutting-edge technology, and

attention to style and design. To satisfy the growing demand for respect for ethics, society and the environment, Alcantara S.p.A. has introduced a voluntary course in

responsible management, which will allow it to offer a safe product that respects the balance between the economy, society and the environment.

- Alcantara® is a simple product to maintain. It is easy to remove stains from it, it can be washed at low temperatures and it is naturally resistant to scratching;
- Alcantara® is available in versions that contain up to 25% of recycled raw material in weight;
- The production process only uses raw materials authorized by the strictest EU regulations;
- Alcantara® conforms with its customers' supply specifications and has the certification needed in the markets it operates in;
- Alcantara® material can technically be recycled at the end of its life cycle, to produce panels for heat and sound insulation. This type of recycling is not currently widespread. The Company has therefore launched a research and development plan aimed at putting in place a new industrial process, one that will allow it to recover raw material from industrial waste and products at the end of their life cycle;
- since 2009, the Alcantara® product has been carbon neutral and has therefore had zero impact on global warming;
- since 2013, steam and electricity have been produced by the latest-generation cogeneration plant, which is eco-friendly and has high energy efficiency;
- in 2014, working research began on an alternative production process with less energy and environmental impact;
- in 2015, the first, industrial testing phase of the project launched in 2013 to further reduce environmental impact and energy consumption from the production process was completed. Research into raw materials from bio-based renewable sources also began;
- 2016 saw the market launch of the product created through the project begun in 2013 to further reduce environmental impact and energy consumption from the production process. The research phase for the product made with fibre from partly bio-based raw material was also completed.

PRODUCT SUSTAINABILITY AND SAFETY



Alcantara S.p.A. is careful to ensure the health and safety of its consumers and provides precise information on its products.

- The **Oeko-Tex label** guarantees end consumers that there is no risk to human health¹, including when the product comes into direct contact with human skin when used;
- Before new products are put on the market, in accordance with Company procedure, **they are assessed for specific risks** in relation to how the customer will use them and the country they will be sold in;
- When defining contracts or technical specifications for supply, Alcantara S.p.A. **provides its customers with all the information** on its products (contents, instructions for washing, treatment and upkeep, characteristics, etc.) and the necessary training for correct use of the material;
- When required by the customer or existing legislation in the country of sale, Alcantara S.p.A. carries out the **compatibility assessment** for products' characteristics, based on the strictest international protocols on product safety;
- As proof of its commitment to eliminating potentially harmful substances from its production processes, Alcantara S.p.A. set up a Chemical Management System (CMS) under the guidelines in the **Zero Discharge of Hazardous Chemicals (ZDHC) programme** and the 4Sustainability programme, committing its own supply chain to reducing potentially harmful chemical substances;
- Alcantara S.p.A. has applied **industrial dyeing technology** on an industrial scale, which allows it to reduce the use of colouring agents and the resulting impact on waste water. This improves the product's performance at the same time.

¹ In conformity with the Oeko-Tex Standard 100 international protocol.



Alcantara S.p.A. **invests between 3% and 5% of its turnover every year in research** and has a **research centre** that is the only one of its kind in Europe, dedicated to developing and improving the Company's products and processes. It contains the modern **Customer Innovation Centre**, which combines facilities, technology and expertise to modify the characteristics of the material and provide ad hoc applied solutions. It relies on an **internal capacity for prototyping and complex manufacturing**, which guarantees that customers' demands for designing and producing special series are met immediately.

This ensures a high level of personalization based on a combination of complex technologies.

Products are developed and customized using both contemporary **on-demand logistics** aimed at satisfying the specific demands of customers and markets, and **on-proposal logistics**, aimed at providing new solutions and stimulating customers' creativity, by developing ranges for various markets.

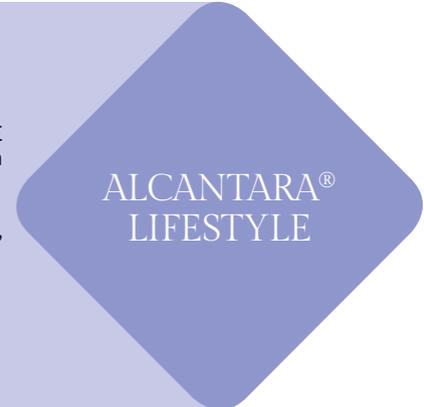
The development activities above are aimed at producing exclusive solutions that combine style, technology and function to give the customer the ability to personalize the product greatly.

4.3 Communication, Dialogue and Satisfaction

Alcantara S.p.A. puts its efforts into corporate events that aim to present the Company in its entirety and the brand in its many facets. Alcantara® is a GLOBAL LIFESTYLE BRAND with different application platforms (Automotive, Fashion, Interior, Contract, Consumer Electronics, Marine and Aviation), all belonging to a unique

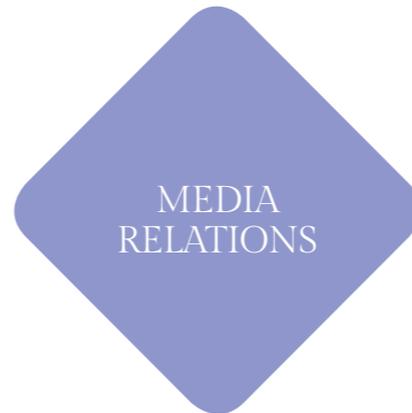
platform of luxury living. Alcantara® is the MATERIAL OF THE FUTURE because it incorporates certain mega-trends:

- intersection between technology, functionality and emotions;
- customization;
- sustainability.



Alcantara S.p.A. continued to place new products with low energy and environmental impact on the market, focussing on developing highly customized applied solutions that meet the demands of different customers and business sectors, and optimizing new production processes.

More consolidated production processes were also optimized, to make use of raw materials and energy resources even more efficient.



In FY 2019, Alcantara S.p.A. consolidated its work at its four press offices in Italy and eight¹ in the rest of the world (USA, France, Germany, China, Japan, UK, Russia and South Korea).

Through PR and media agencies, various targets were reached between 1 April 2018 and 31 March 2019, as shown by the following data:

- 140** press releases:
- 34 in Italy;
 - 10 in Japan²;
 - 13 in the United States;
 - 1 in the UK;
 - 2 in Germany;
 - 28 France;
 - 19 in China;
 - 19 in Russia;
 - 14 in South Korea.

5 press conferences organized (Milan, Nera Montoro, Beijing, Tokyo and Seoul) in collaboration with prestigious partners that have worked with the Company for years.

9 press visits, of which 1 was to the factory and R&D Centre in Nera Montoro and 8 were to Alcantara S.p.A. events around the world.

39,066 articles in all Group publications around the world, offline and online, which represent the entirety of the media coverage produced by communications.

¹ At the end of September 2018 Alcantara S.p.A. changed the Japanese press office, closing the collaboration with the old press office and signing the contract with the new one. In this calculation, the Japanese press office is counted only once.

² In FY 2019 Alcantara S.p.A. had two press offices, from April to September 2018 the old press office generated 5 press releases, starting from September 2018 the new press office also produced 5 press releases. Thus, the overall number of press releases, even issued by two different press offices, amounted to 10.

DIGITAL COMMUNICATION

Alcantara S.p.A. has also implemented and constantly kept up its calendar of publications on all its social media profiles: Facebook, Twitter, YouTube (international and Japanese channels) and Instagram; and in China: Weibo, Tudou, WeChat and the new Youku channel.

As at 31 March 2019, the social media profiles have the following audience:



TRADE FAIRS, EVENTS & EXHIBITIONS

In its daily commercial relations, Alcantara S.p.A. educates its customers and sales force on how to present the material, using specific tools like Alcantara® vocabulary, colour charts and technical specifications, and special leaflets, as it does with sustainability.

Taking part in events and trade fairs in the sector is one of Alcantara S.p.A.'s main means of indirect communication with its customers. Trade fairs in the sector are very important, both from a commercial point of view and in terms of communications. At all these events, not just products, but also the brand, its values and positioning get great visibility. Tools like stands, informative material and ad hoc publications are used to convey a clear, consistent image of the brand, with sustainability as an integral part. Below are the main trade fairs which Alcantara S.p.A. took part in:

TRADE FAIRS AND SHOWS IN FY 2019

AUTOMOTIVE



All the major international trade fairs in the sector, **from Beijing to Paris and Geneva, from Los Angeles to Detroit car shows.**

At all these events, the Company does not participate as an exhibitor, but sends its own sales, marketing and communication staff directly to press and trade days.

Milano Unica (Milan, July 2018 and February 2019).

Première Vision (Paris, September 2018 and February 2019) presenting its new A/W 2019 and S/S 2020 fashion collections.

FASHION



Aircraft Interiors (Hamburg, April 2018) the largest fair devoted to aviation interiors.

Paris Deco Off (Paris, January 2019) a series of events taking place during MaisonandObject, the world's largest trade fair devoted to the home décor sector.

Milan Design Week (Milan, April 2018) a series of events and exhibitions took place: the capsule collection interior INITIAL at Alcantara Concept Store, Vanity Fair Green House, Life in Vogue and 'Nine Journeys Through Time' at Milan Royal Palace.

INTERIOR, CONTRACT, MARINE AND AVIATION



BRAND AWARENESS PROJECTS

Important activities and initiatives were carried out in order to further consolidate brand awareness of Alcantara®, above all in China, Japan and South Korea.

CHINA	JAPAN	SOUTH KOREA
<p>April 2018: during the Beijing Motor Show Alcantara S.p.A. organized, through a partnership with the Car Design Night, a special event called 'Alcantara Drives Dreams' to underline once again its special relationship with the global automotive industry. It was an exclusive show to bring luxury lifestyle into reality, with the installations which took guests on a journey of the mind and spirit, where everyday elements push the boundaries of imagination.</p> <p>September 2018: on the occasion of the Shanghai race of the Lamborghini Super Trofeo, Automobili Lamborghini China and Alcantara S.p.A. presented the event "2018 Lamborghini Night-Purity of Emotion".</p> <p>The activities carried out by the press office in China generated 11,940 additional items, the equivalent of €6,893,010³.</p> 	<p>November 2018: Alcantara S.p.A. organized a corporate press conference in order to increase brand awareness and press reputation in the Japanese market.</p> <p>The activities carried out by the press office in Japan generated 2,501 additional items, the equivalent of €1,179,593³.</p> 	<p>November 2018: a corporate press conference of Alcantara S.p.A. was held at the Hotel Park Hyatt Seoul, aimed at enhancing brand awareness and strengthening media relations in South Korea.</p> <p>The activities carried out by the press office in South Korea generated 2,049 additional items, the equivalent of €2,633,434³.</p> 

³In FY 2019, we changed the clipping service so the results are incompatible and not comparable with the results of the previous years.

CUSTOMER DIALOGUE AND SATISFACTION

For Alcantara S.p.A., customer satisfaction is very important. This is why it has developed a **method for measuring** it by listening and analysing, mostly carried out by Area and Project Managers and product style development staff. There are two main activities in this field:

- **technical meetings** aimed at identifying the requirements for the product and its application, in order to develop tailor-made solutions;
- **style meetings** which start with presenting ideas and materials, then, on the basis of specific demands, develop custom solutions.

The dialogue leads to a process of continually improving procedures, interfaces and response times.

From the operative point of view, all stages of customer relations management are described in the **quality manual** written in accordance with the UNI EN ISO 9001:2015 and IATF 16949 standards.

Every year, Alcantara S.p.A. carries out a self-assessment called the **Customer Satisfaction Review**, in which Area and Project Managers express customer's views to the Company. The level of customer satisfaction is measured by three indicators:

- level of customer service for the final product (on-time shipment);
- level of complaints of poor quality from customers about the final product;
- qualitative analysis of customer dissatisfaction, known as Things Gone Wrong (TGW) analysis.



10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

SOCIAL SUSTAINABILITY community

Highlights

- **5th International Symposium on Sustainability,**
Venice, February 2019
“Climate How: How to Engage Society and Deploy Decarbonization”,
in partnership with VIU (Venice International University) and with the support of the World Bank Group’s Connect4Climate global partnership program.
- About **€108,000** dedicated to **charitable** and **community donations.**
- University research collaborations to evaluate circular economy processes.
- **36 scholarships** awarded in FY 2019.

Fiscal Year 2020 Main Focus

RESEARCH

- optimizing and placing on the market products made using our new process with low environmental impact. Exploring new, sustainable methods;

YOUNG PEOPLE

- increasing employment opportunities. Training on sustainability issues in partnership with Italian and international organizations. Strengthening relations with universities;

ART AND CULTURE

- organizing and sponsoring events;

CIRCULAR ECONOMY

- new collaborations for renewable sources and the circular economy;

SOCIAL IMPACT

- selecting international projects with a large social impact and spreading information about them.

Related SDGs



5.1 Management of Relations with the Community

Alcantara S.p.A. has always been aware of the need for responsible, ongoing relationships with the community. It spreads its concern for sustainable development of business and the local area, even collaborating with neighbouring communities.

LOCAL COMMUNITY

Milan headquarters:

- local associations, trade associations, the press and media in general, and university institutions (e.g. Istituto Europeo di Design [IED] and Milan Polytechnic);
- the consumer world: design lovers who use the material to cover every-day objects;
- the professional world: designers, stylists and everyone who uses Alcantara® for their creations.

Nera Montoro factory and R&D Centre:

Alcantara S.p.A. talks with agencies and develops initiatives in order to support the local community.

VALUE GENERATED

Alcantara S.p.A. is an important point of reference in the areas where it works. It represents an important source of employment, income, training and professional skills, and generates major socio-economic benefits.

During
Fiscal Year 2019
Alcantara S.p.A. gave around

€108,000

to the community in the form of donations and contributions. The money was provided within the five main fields¹ Alcantara S.p.A. wants to contribute to.

¹For more details, please refer to Chapter 2, par. 21.

FOCUS: COMMUNITY INITIATIVES

• **Scholarships:** in FY 2019 Alcantara S.p.A. continued its commitment to education, providing 36 scholarships according to rules established by a competition for this purpose.

15 of these were for the most deserving students in the municipality of Narni and 21 were for children of Alcantara S.p.A. employees.

• **Training in schools:** in FY 2019, the site in Nera Montoro carried out activities with local schools, giving them practical training on safety, the environment, quality, products and production processes of Alcantara®, through a work experience project involving six pupils.

• **Collaborations with charitable associations:** as in previous years, in FY 2019 Alcantara S.p.A. continued collaborating with local non-profit organizations, donating free material for various kinds of initiatives.

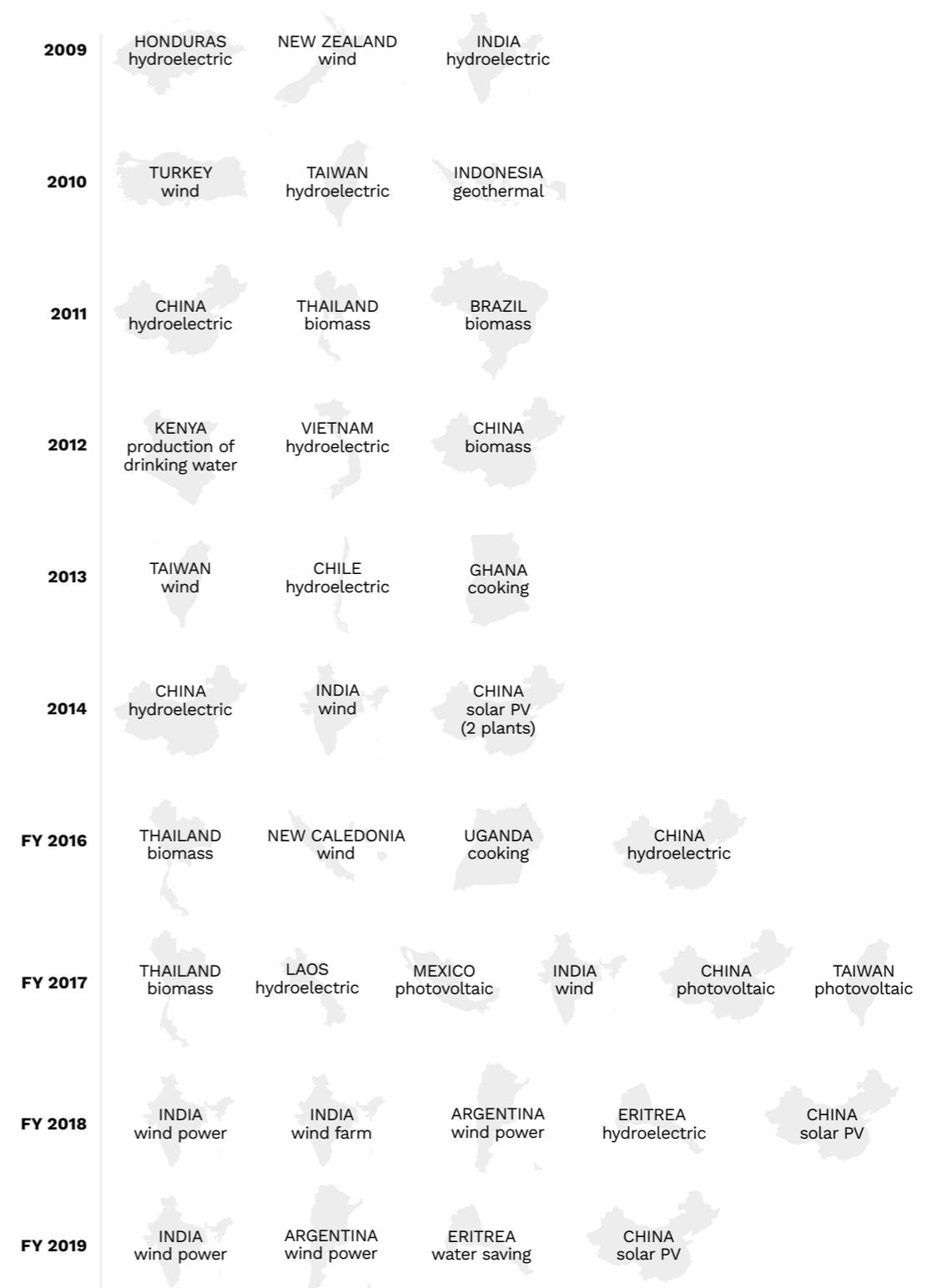
• **Collective events:** staff were engaged in various community events. At Easter, mass was held at the site in Nera Montoro with the bishop of the diocese of Terni-Narni-Amelia and heads of local companies. In collaboration with trade unions, Christmas dinner was put on for all employees and top management. Unions and other institutions also took part in the event to launch the new Fibra line, set out in the investment plan that was officially announced last year.

Alcantara S.p.A. also has an important role in the communities where its projects to offset CO₂ emissions are located.

These projects, coordinated by the UN and set up in some of the poorest and most disadvantaged and

underdeveloped areas of the world, are all aimed at producing energy from renewable sources, spreading a culture of awareness of sustainability and improving living conditions (in terms of health, work, education, etc.) for the communities involved.

In keeping with previous years, Alcantara S.p.A. funded four projects that, under the supervision of the UN, are helping improve conditions on the planet in economic, social and environmental terms.



ART, DESIGN AND CREATIVITY

In FY 2019, Alcantara S.p.A. intensified its work and initiatives in the field of art and design, extending its collaboration to new artists and designers and new art institutions and/or museums around the world.

In addition to the art and design exhibitions, Alcantara has been organizing also corporate and lifestyle events, all aimed at reinforcing its brand positioning as a global luxury lifestyle brand.

This is all also in order to promote creative experimentation with materials, increase awareness of the brand, shape the brand reputation and reach an increasingly international audience in this field.

These initiatives bring benefits in terms of use of the service and awareness of sustainable development.

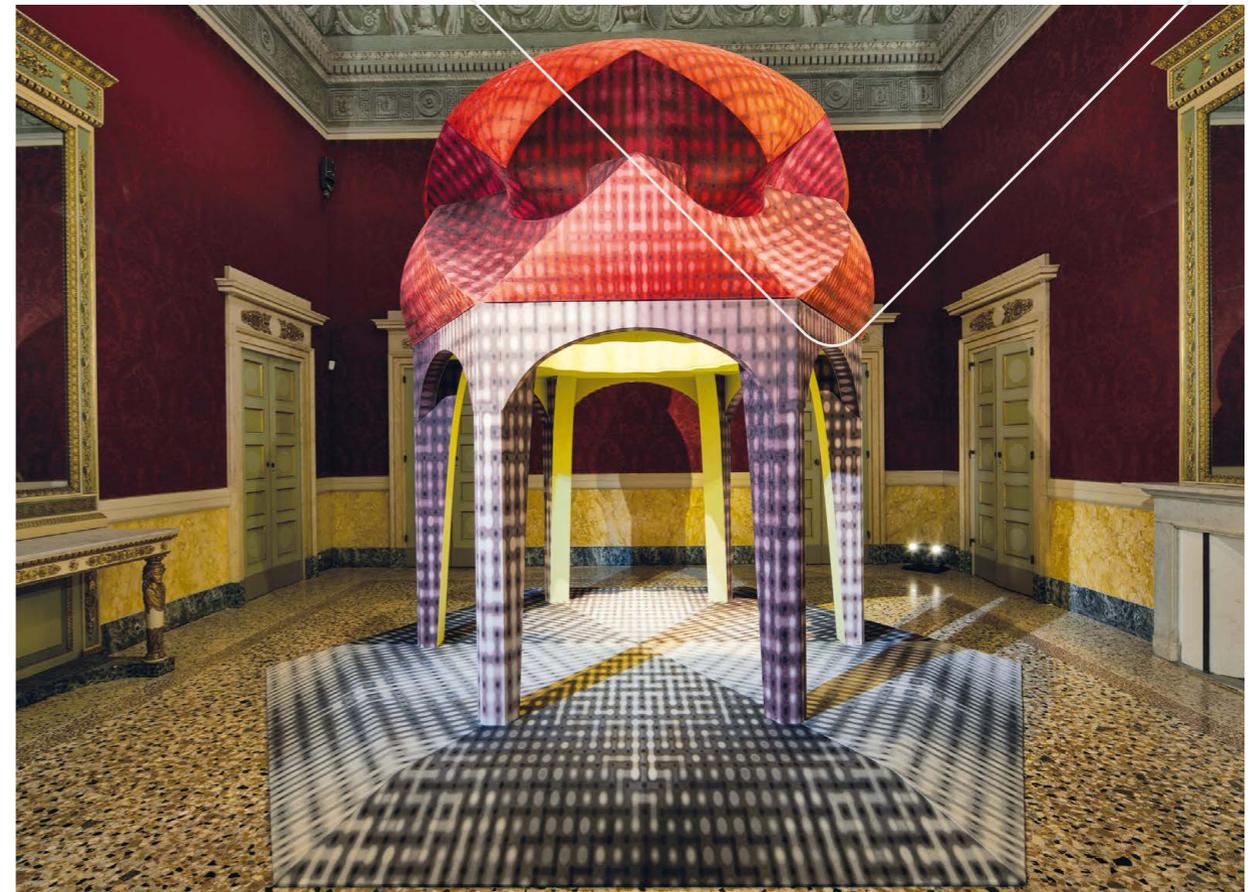
NINE JOURNEYS THROUGH TIME. ALCANTARA AND ART IN THE APARTMENT OF THE PRINCE

Milan, April 2018

“Nine Journeys Through Time. Alcantara and Art in the Apartment of the Prince” was an exhibition promoted and produced by the Municipality of Milan - Culture, Palazzo Reale (Royal Palace) and Alcantara, conceived especially for the rooms of the Apartment of the Prince, and was open to the public from 5 April to 13 May, curated by Davide Quadrio and Massimo Torrigiani.

With this new project, the Company confirmed its continuous research and development activities, opening up once again to both established and emerging artists from various fields of contemporary creativity, inviting them to get to grips with original, complex and unique works of art.

In “Nine Journeys Through Time”, offering an exceptional combination of talents, 10 artistic approaches are brought together through 9 projects (Esther Stocker and Iris van Herpen have come up with a joint project) in a range of media. From the transfiguration of painting to fashion, from digital design to music, they all drew inspiration from the specifics of a unique material: Alcantara®. The 10 artists were: Aajiao, Andrea Anastasio, Caterina Barbieri, Krijn de Koning, Li Shurui, Chiharu Shiota, Esther Stocker and Iris van Herpen, Zeitguised, Zimoun.



INITIAL, THE NEW INTERIOR CAPSULE COLLECTION

Milan, April 2018



Alcantara unveiled during the 2018 Design Week the Interior Capsule Collection INITIAL, a brand-new furnishing project. The collection, entirely made by Alcantara® electrowelded, available in different colours, consists of alphabet letters that chameleon-like turned into pieces of furniture that inspire and amaze: upside-down Ts and Ls that became columns with seats, O-shaped screens, Us that divided up spaces, pouffes in the shape of As, Cs and Is. INITIAL reflected all Alcantara's values and celebrated its inimitable soft-touch, versatility and sustainable soul. The INITIAL pieces have also been protagonist of the Vanity Fair Green House, a project in partnership with Vanity Fair: a green spot in Milan to take a regenerating break, during the Design Week, decorated with the elements of the collection.

ALCANTARA DRIVES DREAMS

Beijing, April 2018

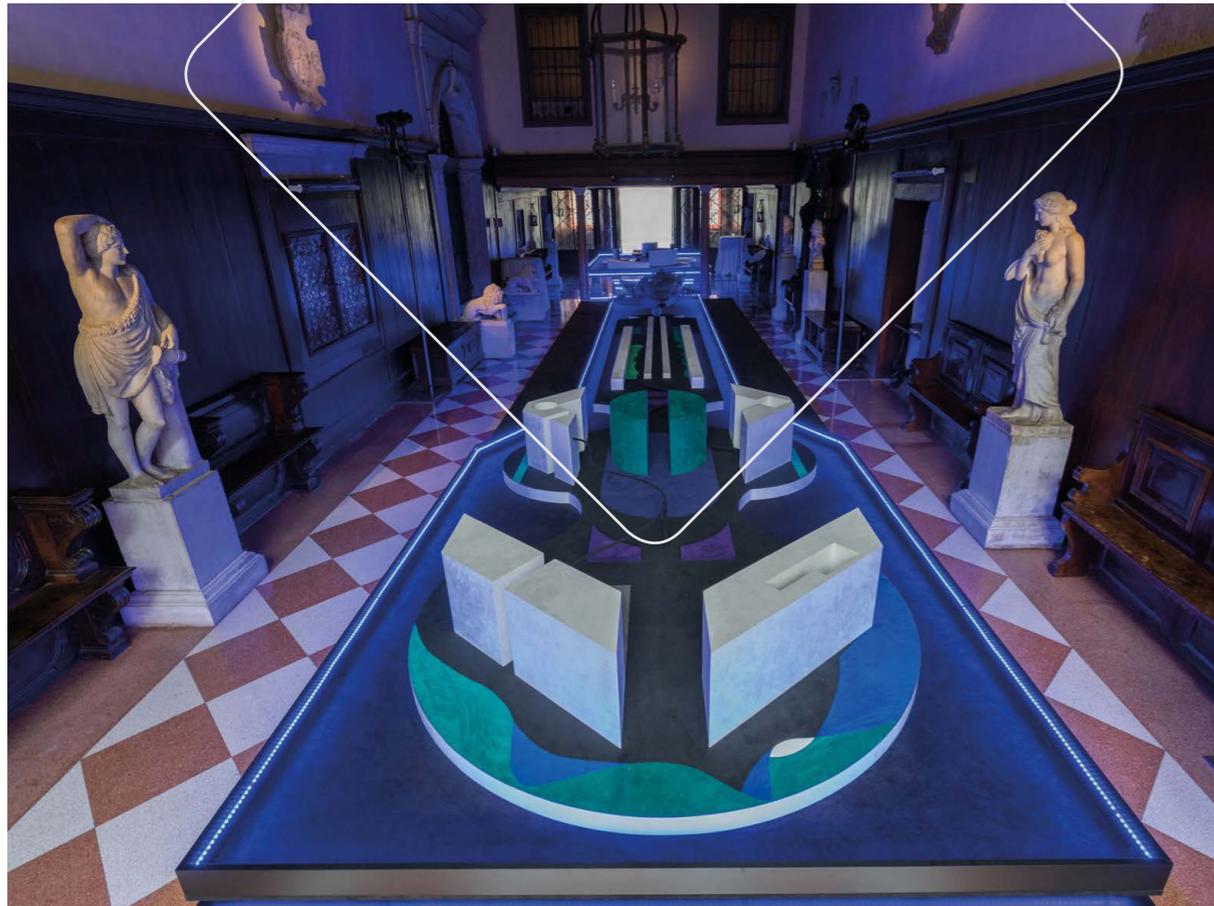
Alcantara, ambassador of Italian excellence worldwide, has chosen Beijing and the artistic surroundings of the Chao Hotel in the capital's chic Sanlitun area to host "Alcantara Drives Dreams", an exclusive show to bring luxury lifestyle into reality, curated by revered veteran artist and designer Rebecca Moses. "Alcantara Drives Dreams", a creative tribute to one of Alcantara's key assets and distinguishing features - versatility - was held during the Beijing Motor Show to underscore its special relationship with the global automotive industry. In "Alcantara Drives Dreams", the installations took guests on a journey of the mind and spirit, where everyday elements pushed the boundaries of imagination.



MULTIFORMS DECLINATIONS BETWEEN SPACE AND TIME

Venice, May 2018

“Multiforms, Declinations Between Space and Time” was an exhibition supported and organized by Alcantara for Palazzo Rocca Contarini Corfù in Venice as part of the 16th International Architecture Exhibition of La Biennale di Venezia, open from 24 May to 27 June. For this edition, the curator Davide Quadrio has selected 3 installations from the Company’s art collection, created by 3 extraordinary contemporary talents: Krijn de Koning (Work for Alcantara, Blue Chair), Nanda Vigo (Arch/arcology) and German design collective Zeitguised (Beyond the Nuclear Garden). The exhibition organized by Alcantara aimed to respond to the theme chosen by the Biennale, “Freespace”, presenting the selected works in a completely new setting, seeking to establish a connection with history and working towards an idea of an imagined future, as an infinite source of creative potential.



ALCANTARA SUPPORTS X-RAY FASHION

Venice, August 2018



Alcantara was honoured to be a partner (together with Connect4Climate-WorldBank and philanthropist Paul G. Allen's Vulcan Productions) of “X-Ray Fashion”, the virtual reality experience created by MANND and directed by the famous fashion photographer and filmmaker Francesco Carrozzini (Franca: Chaos and Creation). “X-Ray Fashion” was presented at the 75th Venice International Film Festival.

The fashion industry accounts for 20% of global waste and 10% of global CO₂ emissions. Fashion is often associated with human rights abuses including hazardous working conditions, long hours and more besides.

“X-Ray Fashion” explored the dark side of the industry and its impact on climate change with an immersive, multi-sensory installation.

“X-Ray Fashion” has promoted major initiatives and become an advocate for greater sustainability in the sector.

ALCANTARA F/W 2019 WOMENSWEAR COLLECTION FASHION WEEK

Milan, September 2018



The Company has created a wardrobe with a strong personality for the Alcantara woman, exploiting the material's high performance by applying it to the latest fashion trends. The F/W 2019 collection was made up of influences, of apparent contradictions that instead blend harmoniously together: high-tech and tailoring, street style and couture approaches. From the coat, the quintessential symbol of Italian elegance, to the skirt that played the central role of garment-accessory, for an intentionally eccentric style statement. Highly consistent juxtapositions: animal prints and certification of a fully "animal-friendly" production process, namely without the use of animal derivatives. In keeping with the new partnerships project with top names in Italian manufacturing, Alcantara has also collaborated with Sergio Rossi creating sandals, boots and pumps made out of Alcantara®.

2018 LAMBORGHINI NIGHT PURITY OF EMOTION

Shanghai, September 2018

On the occasion of the Lamborghini Super Trofeo - Shanghai race, Automobili Lamborghini China and Alcantara presented "2018 Lamborghini Night - Purity of Emotion" event. During the night, guests were able to enjoy an atmosphere that positively celebrates the Italian lifestyle values - exclusivity, luxury, technology, outstanding performance and fine artisanship - for which both brands are known the world over. A key role was played by the Alcantara lounge that feature sharp edges that echo the lines of the Lamborghinis in action on the racetrack - with the 100% Italian-made material adding a pleasing touch of contemporary luxury to sofas and armchairs dressed in a relaxing Ice Grey and Pearl Grey pouffes and cushions featuring a pattern that evokes a Lamborghini's interior. Furthermore, only for this special occasion, a preview of the S/S 2019 Alcantara fashion collection was introduced to the wide audience.



ESQUIRE TOWNHOUSE ALCANTARA & ALFA ROMEO

Dubai, November 2018

In November, Alcantara played a leading role, together with Alfa Romeo EMEA, at the annual event organized by the Esquire Middle East magazine, held at XXII CARAT VILLA - PALM JUMEIRAH, in Dubai, renamed the Esquire Townhouse for the occasion. The partners (including Moreschi, Bremont Watches and Hackett) each took a room of the villa, customizing it with a display of its product portfolio.

Alcantara shared a space with Alfa Romeo and set it up as an imaginary wardrobe, called "The Alcantara closet", with everyday items and more.

This contained the garments from the latest Alcantara S/S 2019 collection (garments, bags and shoes), some hi-tech co-marketing objects (Sennheiser headphones and the Microsoft Surface) as well as accessories from previous partnerships, all covered in Alcantara®.

All partners in the event were involved in a series of activities, such as talks and themed workshops, for 3 days.



JAPAN AND KOREA PRESS CONFERENCES

Tokyo-Seoul, November 2018



Alcantara S.p.A. organized two corporate press conferences in order to increase brand awareness and press reputation in the Japanese and Korean market. The press conferences were attended by the most important economic, automotive and lifestyle magazines.

On this occasion, the lifestyle world of Alcantara was presented with some iconic pieces, produced by the collaboration with leading international brands, and also some garments from the Alcantara Womenswear collection.

With this type of communication, Alcantara undertakes to strengthen its brand positioning as a contemporary lifestyle brand in the Asian market.

ALCANTARA DRESSES TURANDOT

Palermo, January 2019



Alcantara was honoured to feature the stage of Palermo's Teatro Massimo in Giacomo Puccini's prestigious opera La Turandot, directed by Fabio Cherstich and set in the third millennium. The project sprang from the desire to combine the traditional language of opera with the most up-to-date expressions of contemporary art. In this eccentric and non-conformist context, Alcantara® fully expressed itself, with its modern interpretation of the costumes. In fluorescent and contrasting colours, the garments were made by the masterful hands of the Teatro Massimo costume shop, with close attention to details and finishes. As a material of the future that combines technology and artisanship, Alcantara® is the perfect fil rouge between tradition and innovation.

IACI START-UP CEREMONY

Nera Montoro, January 2019



The Alcantara expansion plan and the doubling of production capacity (the IACI-Increase Alcantara Capacity Installed project) were announced at a press conference in March 2017 and in September 2017 with the "groundbreaking ceremony". Then, on 25 January the "IACI Start-up Ceremony" took place, during which the Company officially opened the new production plant, the result of the first part of the investment. This coincided with the official visit of Akihiro Nikkaku, President, Chief Executive Officer and Chief Operating Officer of Toray Industries, Inc. (Japan) who, together with Chairman and CEO, Andrea Boragno and attended by local institutions, cut the ribbon to mark the beginning of the ceremony.

ALCANTARA FOR LARUSMIANI AND AUTOMOBILI AMOS

Milan, February 2019

The capsule collection created jointly by LARUSMIANI and Automobili Amos, in partnership with Alcantara S.p.A., was presented at the LARUSMIANI Boutique in Via MonteNapoleone 7.

The collection, inspired by the Lancia Delta Futurista-which was on display inside the store for the occasion-aimed to create practical, functional garments that reflect the typical aesthetics and uses of gentlemen drivers. Alcantara® decorated some of the items in the collection (the jumpsuit inspired by car racing, the helmet case and the roll-up set of car tools, all handcrafted by expert craftsmen) and upholstered the interiors of the car created by Eugenio Amos. The LARUSMIANI creative team also chose it to cover the walls of the Boutique for the inauguration of its new concept.



ALCANTARA-MAXXI PROJECT STUDIO VISIT FORMAFANTASMA. NERVI IN THE MAKING

Rome, March 2019



The close alliance continued between MAXXI and Alcantara, forged in 2011, with a common and ongoing programme of research, experimentation and dialogue between creativity and innovation.

Having organized six group exhibitions involving over 30 designers and national and international studios, from last year the Alcantara-MAXXI Project with the Studio Visit format became monographic and personal.

For each edition, one internationally famous designer or studio was invited to create a space within the National Museum of 21st Century Arts that expressed their interpretation of the work of one of the artists in the Collection.

This year the international design studio Formafantasma was selected, which after consulting the archives of MAXXI Architettura, chose the work of Pier Luigi Nervi, presenting "Nervi in the making", curated by Domitilla Dardi, a design curator at MAXXI. The result was an installation that recreated a Chinese box-style environment- physical and mental at the same time- to express the importance of a material in the work of a designer.

5.2 Universities, Research and Sustainability



In collaboration with the University of Naples Federico II, Alcantara S.p.A. pursued its research plan for assessing processes for recycling and reusing industrial waste and used Alcantara® products, with a view to the circular economy.

A collaboration began with TITV (Textile Research Institute Thuringia-Vogtland), the institute of special textiles and flexible materials in Greiz, to functionalize the product by integrating technology from the electronics sector. This led to the creation of prototypes of smart products, presented to the main customers and at some trade fairs. Contact was also established with the University of Tokyo and other institutions in Italy and abroad, to develop the theme in future.

Collaboration continued with the “Poli.Design of the Polytechnic University of Milan”, in the form of classes on traditional textiles and the automotive industry for specialist master’s degrees in design.

The work with the University of Perugia involves it providing technical and analytical support for the new production process with low environmental impact.



CLIMATE HOW: HOW TO ENGAGE SOCIETY AND DEPLOY DECARBONIZATION

5th International Symposium
on Sustainability,
Venice - Italy,
February 7-8, 2019



Among the conclusions of the sessions, the following ones were underlined:

- policy makers, businesses, the finance sector and citizens should be all fully engaged;
- it is necessary to create a strict collaboration between policy makers and corporations and to do this effectively we need to think both globally and locally, to refresh the global vision with new general principles for what needs to be done;
- international institutions and cross sectoral initiatives need to be energized to address more ambitious issues. At the end of the Symposium, Mr. Andrea Boragno - Chairman and CEO

5.3 Stakeholder Engagement

On 7 and 8 February, on the Island of San Servolo in Venice, at the premises of Venice International University, Alcantara organized the 5th edition of the International Symposium on Sustainability, “Climate How: How to Engage Society and Deploy Decarbonization”, in partnership with VIU (Venice International University) and with the support of the World Bank Group’s Connect4Climate global partnership program.

The two-day program involved about thirty world-class representatives of corporations, finance, international organizations, scientists, entrepreneurs, economists, communication experts and policy makers who debated on “how to” generate engagement in addressing actions at different levels of the society (policy makers, citizens, corporations and consumers) to mitigate climate change and to build a low-carbon future.

The first day of the Symposium was

devoted to host several speeches focused on sharing emerging trends, opportunities driven by technology, corporation’ cases, opinions of financial operators and policy makers.

During the second day, participants discussed within some “breakout sessions”, on how to create engagement within the Society at different levels-policy makers, corporations, finance, citizens addressing a conclusive “call for action”. To give the opportunity to a broader audience to participate to the works, the Symposium was spread out also on the web, carrying out the on-line streaming of the entire event on Facebook and YouTube, and using Twitter as an exchange platform of communication.

All the keynote speeches and the panels of discussions run during the Symposium are still available on the official Youtube page of Alcantara (@AlcantaraCompany).

of Alcantara S.p.A. concluded the intensive two-day workshop commenting: “We need and want to continue on the pathway of “how”, catalyzing many different cultural and professional backgrounds in pursuing tangible and measurable goals in the field of climate change mitigation and decarbonization. To make that things happen and to increase engagement on those issues we have-in particular- to give continuity to action, evaluating the option of creating a permanent organization devoted to promoting concrete actions in the field of sustainability and decarbonization”. The annual Symposium is one of the most important initiatives of

Alcantara S.p.A.’s stakeholder engagement activities.

This 5th edition followed previous ones organized by Alcantara and Venice International University: the 2016 edition “Sustainability and Corporate Value” was held in Tokyo, also with the collaboration with Nikkei, and Waseda University, while 2014, 2015 and 2018 editions-titled respectively “Sustainability and automotive value chain”, “The automotive ecosystem on the global road to sustainability. The Asian perspective” and “Coping with Change: Global Warming and Decarbonization”-took place in Venice.



10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

ENVIRONMENTAL SUSTAINABILITY

Highlights

- **10th Anniversary of Carbon Neutrality.**
- Plant reusing waste water launched.
- New project for cogeneration plant.
- Consolidation of FANS production to save energy and reduce CO₂ emissions.
- **36,819 tons of CO₂ offset emissions.**
- In the course of the year, the plant reusing waste water from the sewage plant was built.

Fiscal Year 2020 Main Focus

ENVIRONMENTAL IMPACT

- reducing the impact of the production process, including by removing solvents from the process;

REDUCING ENERGY CONSUMPTION

- through a trigeneration plant, the FANS (Future Alcantara Carbon Neutral and Sustainable) process and renewing the ISO 50001 certification;

WATER

- upgrading the Water Footprint to identify points of improvement for reducing water consumption and implementing a project for reusing waste water;

EMISSIONS

- maintaining carbon neutrality and reducing the carbon footprint by increasing energy efficiency.

Related SDGs



6.1 Environmental Policy and Management System

PILLARS OF ACTION

Alcantara S.p.A. has a safety and environment policy that details the principles that govern all its actions, its management approach and organizational responsibilities. The Company is actively committed to preventing and minimizing the impact of its processes and products on the environment, through a series of actions, including:

- improving environmental efficiency and minimizing the environmental impact it generates;
- constant training and information on the most important environmental issues;
- raising awareness and spreading information outside the Company.



Alcantara S.p.A.'s focus on environmental issues is also borne out by the impressive certifications it has received:

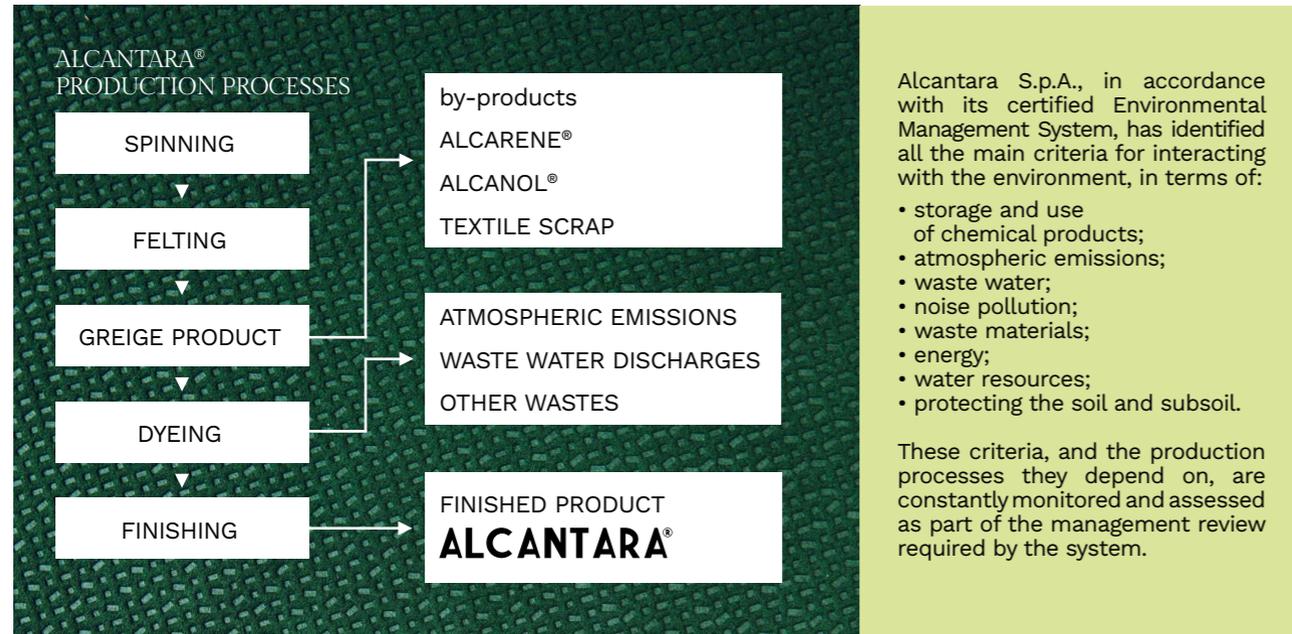
- since 2000, certification of the Environmental Management System (EMS), pursuant to the UNI EN ISO 14001 standard;
- Integrated Environmental Authorization (IEA), renewed in May 2013 and valid until May 2025;
- since 2008, certified carbon footprint report;
- since 2009, certified carbon neutrality status;
- since 2014, water footprint report;
- since 2017, ISO 50001 Energy Management Systems certification.

CERTIFICATIONS

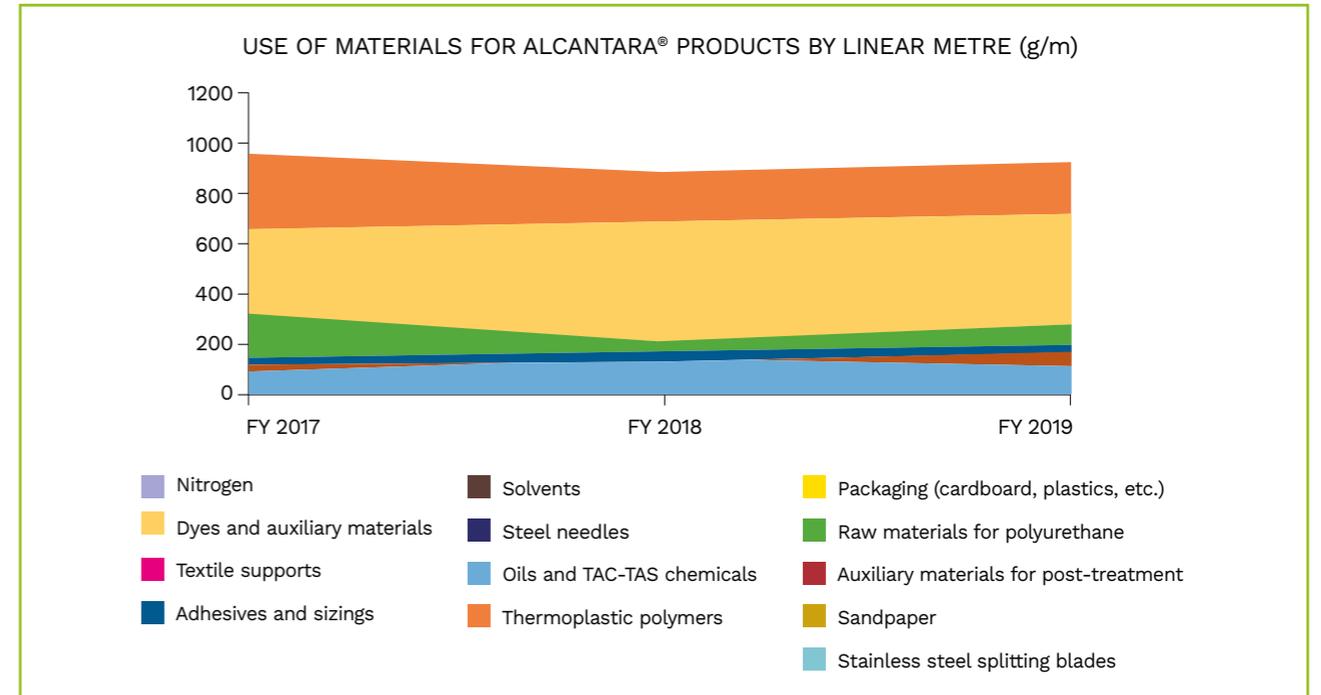
PRODUCTION PROCESS AND IMPACT

Alcantara S.p.A.'s production process begins with the two polymers the product is made from and goes through successive phases to reach the finished product. The material undergoes a range of

final treatments before being modified based on the use it is destined for. The process is described briefly in the diagram below, along with the main types of environmental impact.



CONSUMPTION



In the current year there has been a 10.4% increase in FANS production of Alcantara® compared with last year. Up until now, Alcantara S.p.A.'s FANS process has not covered polyurethane production, which leads to a reduction in raw materials. There is a parallel increase in consumption of chemicals for treating waste water, caused by a rise in the basic current from purging the SRD FANS line. FANS production has allowed Alcantara S.p.A. to save on energy and CO₂ emissions.

MONITORING PERIOD: SEPTEMBER 2017-AUGUST 2018		
Description	Unit	VALUE
Specific energy saving	TEP/Km ALC® FANS	1.38
Specific emissions avoided	t CO2e/Km ALC® FANS	0.87

USE OF MATERIALS FOR ALCANTARA® PRODUCTS BY LINEAR METRE	NON-RENEWABLE RESOURCES*	FY 2017	FY 2018	FY 2019
Nitrogen		560.40	599.98	671.32
Thermoplastic polymers	X	954.84	893.16	1,069.5
Dyes and auxiliary materials		654.94	694.96	712.77
Packaging (card, plastics, etc.)		174.42	201.22	208.03
Textile supports		136.22	142.76	140.79
Raw materials for polyurethane	X	320.11	215.11	277.16
Adhesives and sizings	X	155.08	175.26	204.11
Auxiliary materials for post-treatment		120.20	112.62	172.21
Solvents	X	30.85	39.68	34.74
Sandpaper		2.66	2.45	2.17
Steel needles		0.20	0.22	0.21
Stainless steel splitting blades		0.34	0.42	0.47
Oils and TAC/TAS chemicals		96.35	136	112.79

*X represents the resources that are not regenerated quickly, including minerals, metals, oil, gas, coal, etc.



6.2 Use of Raw Materials

Alcantara S.p.A.'s production process only uses raw materials authorized by the strictest EU regulations. All auxiliary raw materials, like for example some of the thermoplastic polymers and sizings used, are treated on site, recovered

and reused in the production cycle, or put to other industrial uses. The solvents used in production are also regenerated and reused several times in the production process.

Potential environmental and safety problems with all new products are assessed through an internal 'product safety' procedure that involves all Company functions. The result of the assessments is examined by management before being authorized to be put on the market.

Auxiliary materials for post-treatment rose slightly compared to last year, due to the increased need for them in the new production system. There is a rising consumption per metre in production of the new polyurethane, although the Company is continuing to buy more of it for production processes. The changes in the items 'Adhesives and sizings', 'Solvents', 'Blades' and 'Steel needles'

are due to increased storage of raw materials since the last Fiscal Year. Packaging increased due to investments in the IACI (Increased Alcantara S.p.A. Capacity Installed) project. The other items fluctuated normally.

The downstream production process uses waste polystyrene and polyvinyl alcohol, which cannot be reused in Alcantara® production due to the

high-quality standards required in the process. As a result, these materials are sold as by-products for industrial use, under the names:

- Alcarene®: thermoplastic polymer for printing;
- Alcanol®: vinyl adhesive.

This creates a circular economy, as it places on the market a material that does not consume new raw materials.

BY-PRODUCTS PLACED ON THE MARKET*	UNIT	FY 2017	FY 2018	FY 2019
ALCANOL®				
Amount produced and placed on the market	Kg	537,610	713,600	1,015,552
Percentage produced compared to raw material	%	77.2	84.95	99.16
ALCARENE®				
Amount produced and placed on the market	Kg	1,209,125	673,463	436,983
Percentage produced compared to raw material	%	84.3	46.93	28.06
ALK-FILL FI and ALK-FILL FE (textile scrap)				
Amount produced and placed on the market	Kg	31,180	-	74,978
ALK-FILL BUFF (buffing powder)				
Amount produced and placed on the market	Kg		1,853	2,000

* The percentages given in the table are based on the raw materials actually used in production.

The amount of Alcanol® produced and placed on the market as a by-product increased by about 16.7% against raw material acquired compared to last year. The amount of Alcarene® produced and placed on the market as a by-product, however, decreased by 40% against raw material acquired. The Company's portfolio includes a

variant of the product Alcantara® made with raw materials, 25% of which by weight comes from post-consumption recycling. It is used in the automotive sector and more specifically seats. The variant accounts for 0.065% of total metres of production, bringing the recycled percentage of all material produced to 0.02% in total.

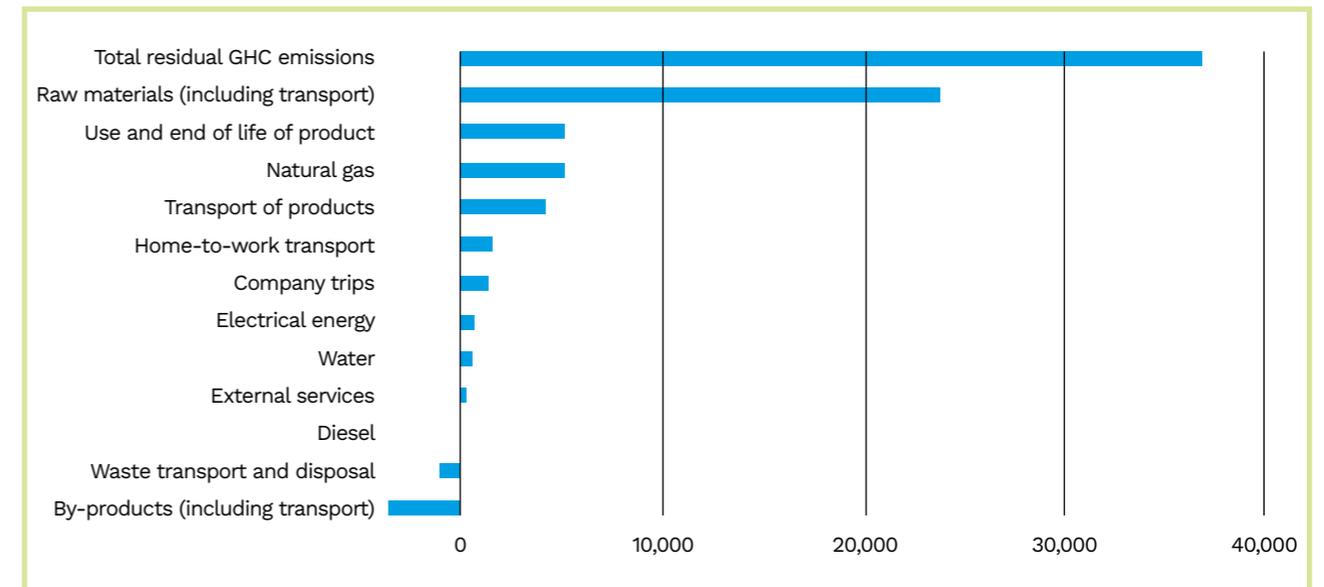
6.3 Carbon Neutrality

Alcantara S.p.A. is carbon neutral, meaning it completely offsets 100% of its residual CO₂ emissions - which cannot otherwise be eliminated - from the Company's activities and the product, from cradle, including its raw materials, to grave, including waste management. All operations are certified by TÜV SÜD.

Total CO₂ emissions offset equal 36,819 tons and consist of:

- corporate emissions not including emissions from the gas turbine plant, the impact of which was offset based on the EU ETS system, according to the PAS 2060 standard;
- scope 3 emissions from production (scope 1 and 2 emissions due to production are already included in the corporate category).

RESIDUAL GHG EMISSIONS FY 2019



Thanks to measuring its emissions in FY 2019 at an organizational and production level, Alcantara S.p.A. is able to offset its residual CO₂ emissions by funding 4 projects that, co-ordinated by the United Nations, help improve conditions on the planet in economic, social and environmental

terms. Offsetting, or neutralizing, is done for emissions that cannot otherwise be eliminated. It is done by acquiring credits (gold standard) in the voluntary market. It is an option that is regulated at an international level and demanded by the Kyoto Protocol. It is based on removing a share of

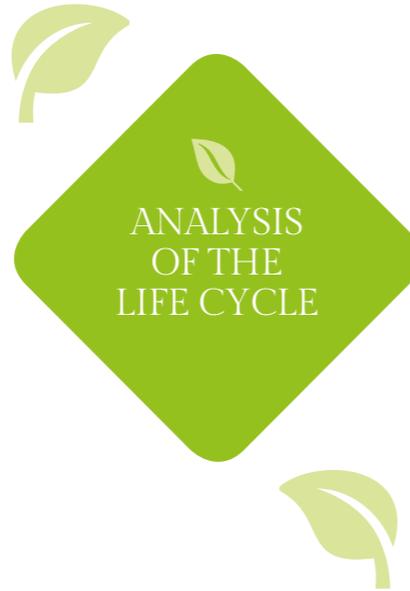
CO₂ emissions from the atmosphere equal to what is produced, thereby neutralising the effects. The projects for which Alcantara S.p.A. has acquired credits have allowed it to offset a total of 36,819 tons of CO₂ equivalent. The projects described below relate to plants that acquired the certifications.

PROJECT NAME	PROJECT TYPE	COUNTRY	SHARE	%
Wind Farm Generates Sustainable Energy	Wind	India	29,489	80
Rawson	Wind	Argentina	3,530	10
Boreholes	Water saving	Eritrea	1,500	4
Dongdongtan	Solar	China	2,300	6
TOTAL			36,819	100

In FY 2019, the annual analysis of the product life cycle “from cradle to grave” was carried out, as it first was in 2011, referring to the ISO 14064 standard and GHG protocol.

The analysis is aimed at offsetting residual carbon dioxide emissions (pursuant to the PAS 2060 standard) and is made up of two reports:

- one on so-called “corporate” greenhouse gas (GHG) emissions, in accordance with the UNI ISO 14064-1 standard and the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol. The operating confines include all direct emissions (Scope 1) and indirect emissions from generating the electricity and vapour purchased (Scope 2). Indirect emissions (Scope 3) that are not linked to production are also included, in particular those linked to employees commuting and being transported to and from their workplaces;



- one on “product” GHG emissions, in accordance with the UNI ISO 14064-1 standard and the Product Life Cycle Accounting and Reporting Standard of the Greenhouse Gas Protocol. The life cycle includes the services, materials and energy flows that become, make and accompany the product. Specifically:

- Scope 1 and Scope 2 emissions linked to activity at the production site in Nera Montoro, taking into account the new gas turbine plant at the site;
- direct and indirect production and transport of raw materials, outsourced processes on the finished product, transport of the finished product right to the client in the later phase of production;
- packaging, forming, industrial washing;
- end of life (landfill, incineration, recycling).

MEASURING EMISSIONS

For the High-Performance Cogeneration plant, the impact in terms of CO₂ emissions was considered and offset according to the ETS (Emissions Trading Scheme), the EU’s system for trading emission quotas. This aims to reduce greenhouse gas emissions in the industrial sectors with the largest impact on climate change.

Emissions related to the cogeneration plant fall within the EU ETS system and are therefore considered offset based on the PAS 2060 standard (61,558.274 tons of CO₂).

As for indirect emissions from electricity taken from the national grid, which fall under scope 2, the contribution, measured using Sima Pro software, is very low. All energy taken from the grid is produced at plants that use renewable energy. The renewability of electricity sources is certified by acquiring and cancelling guarantees of origin. The summarized figures for CO₂ emissions, certified by TÜV SÜD, expressed in tons of CO₂ equivalent, can also be added.

RESULTS FOR THE “CORPORATE” CATEGORY (TONS OF CO ₂)	FY 2017	FY 2018	FY 2019
Total Scope 1 - direct emissions	61,589	62,144	66,868
Total Scope 2 - indirect emissions from generating the electricity and thermal energy purchased	12,122 (1,398)*	9,641 (590)*	650
Total Scope 3 - indirect emissions	2,355	2,339	2,626

* Value recalculated following changes to the method for measuring scope 2 emissions, pursuant to the UNI ISO 14064-1 standard.

RESULTS FOR THE “PRODUCT” CATEGORY (TONS OF CO ₂)	FY 2017	FY 2018	FY 2019
Total Scope 1 - direct emissions	61,198	61,913	66,648
Total Scope 2 - indirect emissions from generating the electricity and thermal energy purchased, gross of GO offsetting	11,933 (1,395)*	9,481 (588)*	640
Total Scope 3 - indirect emissions	53,353	35,800	28,233
ETS Offset	67,998 (57,273)*	66,629 (57,578)*	61,558
Total tons of CO₂ to be offset/neutralized (= total corporate + Scope 3 product - ETS Offset)	61,421	43,296	36,819

*Value recalculated following changes to the method for measuring scope 2 emissions, pursuant to the UNI ISO 14064-1 standard.



Compared to FY 2018, emissions decreased thanks to:

- greater offsetting, of around 36,000 tons of CO₂, by suppliers of raw materials and transporters;
- accounting for zero emissions from electricity taken from the national

grid, produced in renewable power stations. In past years, this energy was accounted for and reduced by acquiring guarantees of origin that attest that the energy comes from green power stations.

	EMISSIONS	ETS OFFSET	GUARANTEE OF ORIGIN REDUCTION	OFFSETTING PROJECTS
FY 2019 tons of CO ₂	98,377	61,558	-	36,819
FY 2018 tons of CO ₂	109,925	57,578	9,051	43,296

As for Alcantara® production, CO₂ emissions totalled 95,522 tons of CO₂ (net of offsetting for raw materials and transport), a reduction of around 11% since FY 2018. As for the offsetting determined by the ETS system, emissions produced totalled 33,963 tons of CO₂, a decrease of around 17%. The table below lists other polluting

atmospheric emissions from sources authorized by AIA (chimneys of abatement plants, hoods, etc.), replacing the polluting SO₂ with dust, as the latter is more important given the launching of significant new emissions sources in the raw material department and current projects to reduce dust emissions.

OTHER ATMOSPHERIC EMISSIONS	UNIT	FY 2017	FY 2018	FY 2019
Nitrogen oxides (NO ₂)	Kg	1,242	11,484	6,016
Dust	Kg	1,251	3,866	405
Volatile organic compounds (VOCs) e.g. ODS - chlorofluorocarbons e.g. ODS - hydrochlorocarbons	Kg	5,305	4,862	8,472

CARBON DISCLOSURE PROJECT (CDP)

Alcantara is reporting its environmental and GHG emission performance through the Carbon Disclosure Project (CDP). CDP is a not-for-profit organization that runs the global disclosure system for investors, companies, cities, states and regions, to manage their environmental impacts. Disclosed Company's information is articulated as in the below table.

1	Corporate Governance
2	Risks and Opportunities to tackle
3	Business Strategy
4	Target and Performances
5	Emission Methodology, Data and Breakdown
6	Energy
7	Additional Metrics
8	Verification
9	Carbon Pricing
10	Engagement
11	Supply Chain

CDP yearly analyses the data reported by thousands of companies to map trends, model emissions data, pinpoint emerging best practice, evaluating performances. Alcantara data are accessible to requesting stakeholders, by previous authorization, at www.cdp.net.

6.4 Energy Demand and Saving

The reduction in energy demand at Alcantara S.p.A., despite an increase in production, is due to the Company's constant commitment to optimizing its production processes and plants. It was achieved through the following key steps:

- 1998 - 2002** total renovation of plants;
- 2000** partnership established with a local producer for exclusive supply of vapour from the cogeneration plant;
- since 2008** RECS certification for using only electricity from renewable sources;
- 2010** investments in further reducing energy consumption at the site;
- 2013** cogeneration plant finished;
- 2014** new screw compressor for waste-water treatment, malfunctioning condensate drains replaced, new booster systems for condensation with vapour power, fluorescent LED lamps replaced in the dyeing department, and reflow coefficient reduced in column 1 of the DMF distillation plant;
- 2015** ambient temperatures changed in the raw material and fibre departments, pursuant to Presidential Decree 74/2013, malfunctioning condensate drains replaced, and booster system for condensation in the DMF distillation department optimized;
- 2016** rephasing systems installed in the production departments, new air conditioning system installed in the raw material department, optimizing tertiary section of waste-water treatment plant;
- 2017** new 2,000 m³/hr cooling tower installed with more efficient, cutting-edge pumps; new high-efficiency refrigerator group installed to replace outdated machine; new AHU that recovers energy installed in the raw material department; operations launched to set up new, high-efficiency refrigerator group; equipment installed for accounting in order to achieve TEE certifications, determined by amount of energy generated by FANS lines saved (installation and monitoring of measuring systems); spread-out rephasing groups installed; work begun on trigeneration plant; work begun on implementing network for gathering energy data; investment proposal to recover heat from SR oven; investment proposal to recover heat from fumes from condensation recovery tanks;
- 2018** trigeneration plant installed; two new, high-efficiency chillers installed; new, high-efficiency air compressor installed; planned operation to implement a system for gathering energy data automatically and continuously; planned replacement of two AHUs in the raw material department with new high-efficiency machines; planned installation of a plant to recover heat from flash vapour from the condensation collection tank; investment proposal for project of recovering heat from fumes from Spooner oven; investment proposal for rationalizing flows of cooling water; project to install a new cogeneration plant (Alcantara 3); pursuing GSE accounting of energy saving from FANS process; project to replace use of refrigerated water with water from the tower at the FANS PVA distillation plants.



Following the closure of the external thermoelectric plant near the site, which supplied vapour, Alcantara S.p.A. signed a contract with the company ENGIE to design, build and manage a cogeneration plant to supply electricity and vapour, in use from 2013 on. This cogeneration plant is recognized by Gestore dei Servizi Energetici (GSE), as a high-efficiency cogeneration (HEC) plant with an efficient utility system. The plant provides a contractual maximum amount of 48 tons/h of vapour and up to around 50,000 MWh/y electricity. Following the increase in energy consumption generated by the increase in production, in order to continue to rely on electricity produced internally at the site - which is cheaper and has less environmental impact than buying from the national grid - it was decided to increase the capacity of the existing plant by installing a trigeneration plant. This has been running since late February 2019 and has the following specifications:

- endothermic cogeneration engine: 2.67 MWe;
- recovery boiler: 1,279 thermal kW;
- absorption refrigerator: 1,392 frozen kW.

The plant can produce 21,050 MWh of electricity per year, cogenerating without energy supply:

- 10,697 thermal MWh of vapour per year;
- 8,174 refrigerated MWh per year.

This plant will allow Alcantara S.p.A. to achieve around 900 TEE certifications per year over 3 years.

Currently, ENGIE is carrying out the authorization for the third cogeneration plant, a twin facility to the existing one that has been running since 2013.

In FY 2019, the cogeneration plant supplied 225,264 thermal MWh of vapour and 50,524,320 KWh of electricity (61% of the total electricity demand at the site in Nera Montoro).

The effects of the high-efficiency cogeneration plant are advantageous from the points of view of energy, environment and economy. As for separate production of electricity and thermal energy, the cogeneration plant reduced energy consumption by around 5,000 tons of oil equivalent per year.

The main factors that have led to financial saving, besides reducing consumption, are:

- high energy efficiency thanks to cutting-edge plants;
- cogeneration of around 13 tons/h through simple recovery (zero-cost vapour produced from hot fumes);
- benefits thanks to achieving white certificates;
- tax exemption for methane for CAR-certified plants;
- concession on the electricity bill thanks to the system being declared an efficient utility system, thanks to the whole electricity distribution grid, powered by gas turbine, being internal to the site.

		COGENERATION BENEFITS						TOTAL
		2013	2014	FY 2016	FY 2017	FY 2018	FY 2019	
Saving natural gas	MWh	51,034	61,148	58,166	56,661	66,329	71,018	364,356
	TEP	4,389	5,259	5,002	4,873	5,704	6,108	31,335

As shown in the data given in the table above, the advantages of this project are:

- a significant reduction in financial terms on the energy bill;
- energy independence and greater confidence in supply;
- not having to spend on building a plant, leaving money available for the core business.

The electricity consumed at the Milan headquarters is entirely produced from renewable energy sources and total 1.35 TJ of hydroelectric energy and 0.4065 TJ of solar energy. The site in Nera Montoro used 111.82 TJ of electricity from the national grid, produced at wind plants. The renewability of the energy consumed is certified by acquiring guarantees of origin.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION	TOTAL TJ FY 2018	TOTAL TJ FY 2019
MILAN		
Natural gas	1.9051	1.4059
For heating	1.9051	1.4059
Electrical energy	1.7280	1.7565
Purchased	1.7280	1.7565
NERA MONTORO		
Natural gas	74.8883	89.4411
For heating	0.52793	0.4881
Diesel	0.070931	0.2018
For production processes	0.070931	0.2018
Electrical energy	275.882	299.453
Purchased	275.882	299.453
Other	852.468	827.026
Vapour	852.468	827.026

ENERGY CONSUMPTION OUTSIDE THE ORGANIZATION	U.M.	FY 2019
Energy for transporting products and by-products	MJ	64,439,411
Energy for transporting raw materials	MJ	24,448,939
Energy for Company air travel	MJ	16,738,139
Energy for Company vehicle travel	MJ	3,366,078
Energy for employee travel between work and home	MJ	24,759,727
TOTAL	MJ	133,752,295

INTERNAL CONSUMPTION WITHIN THE ORGANIZATION - NERA MONTORO	MJ/m
Electricity	299,453,000
Thermal energy (vapour)	827,026,000
Methane	89,441,100
Diesel	201,800
TOTAL CONSUMPTION	1,216,121,900

INTERNAL CONSUMPTION WITHIN THE ORGANIZATION - MILAN HQ	MJ/m
Electricity	1,756,500
Thermal energy	1,405,925
Total consumption	3,162,425

CONSUMPTION EXTERNAL TO THE ORGANIZATION	MJ/m
Energy from transporting products and by-products	64,439,411
Energy from transporting raw materials	24,448,939
Energy for Company air travel	16,738,139
Energy for Company vehicle travel	3,366,078
Energy for employee travel between work and home	24,759,727
Total consumption external to the organisation	133,752,295



6.5 Water Management and Footprint

WATER USE

The main water supply source for industrial operations at the production site and R&D centre in Nera Montoro is the Nera river. Water is used for sanitary purposes, fire protection, irrigation, and industrial purposes in the various production plants, specifically dyeing the finished product. All waste water is sent to an

internal treatment plant. The other, minor supply sources are ground-water wells and the public aqueduct. Alcantara S.p.A. is deeply committed to reducing the drinkable water it collects from the public aqueduct, given rising water consumption by the local community and new production sites in the area.



In FY 2019, Alcantara S.p.A. also supplied ENGIE with the industrial water it needed to produce vapour, totalling 292,467 m³. The values in the table (both for collection and discharge) do not include water managed at the Cofely gas turbine plant.

CONSUMPTION

WATER COLLECTION BY SOURCE	UNIT	FY 2017	FY 2018	FY 2019
Artificial basin in Nera river	m ³	1,850,786	2,168,309	1,945,011
Direct abstraction from Nera river	m ³	57,880	28,805	42,695
Underground wells on site	m ³	121,400	115,362	98,156
Public aqueduct for Terni province	m ³	4,065	7,513	4,847
TOTAL COLLECTION	m³	2,034,131	2,319,989	2,090,709
Water discharged in Nera river	m³	1,842,931	2,047,822	1,958,615

TOTAL VOLUME OF WATER ABSTRACTED	FY 2017	FY 2018	FY 2019
Surface water, including water from marshes, rivers, lakes and the sea	1,908,666	2,503,125 ¹	1,987,706
Ground water	121,400	115,362	98,156
Rain water collected directly by the organization	-	-	-
Waste water from other organizations	-	-	-
Supply of public water or other infrastructure	4,065	7,513	4,847

¹Including 306,011 m³ supplied to ENGIE.

DISCHARGES

At the production site there is just one final point of discharge, authorized and monitored, downstream of the water treatment plant. Before it is discharged into the Nera river, the water passes through a discharge point at the ENGIE/Cofely gas turbine plant, authorized by the provincial council of Terni. The final discharge point for waste water in the Nera river is within the protected area of the lake

of San Liberato and is managed in accordance with legal requirements. Based on monitoring done by qualified external laboratories (in compliance with the AIA authorization) and sent to the competent authorities, it should be noted that the quality criteria for waste water are well below the limits set out in the existing legislation. Based on the analyses, the figures for pollutants are still below the limits set

out and represent an improvement on previous years. They are within the limits of extreme safety. The results of the tests for acute toxicity in waste water have always been compliant. The table below shows the average figures for the main pollutants with greatest environmental impact, compared with the legal limits.

QUALITY OF INDUSTRIAL WASTE WATER AVERAGE ANNUAL VALUES FOR THE MAIN POLLUTANTS												
Parameter	pH	Suspended solids	BOD5	COD	Chromium (VI)	Nitrites	Ammoniacal nitrogen	Total surfactants	Organic nitrogenous solvents	Chlorinated solvents	Escherichia Coli	Acute toxicity test
Unit	-	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	mg/l	UFC/100ml	
Legal limit for discharging in surface water	5.5-9.5	80	40	160	0.2	0.6	15	2	0.1	1	5,000	<= 50% Total
Average value from 2016 analysis	8.19	5	7.2	30.8	<0.01	<0.01	0.115	0.61	<0.01	<0.01	200	<5%
Average value from 2017 analysis	8.080	7	8.9	34.4	<0.01	0.41	<0.1	0.4	<0.01	<0.01	140	<5%
Average value from 2018-2019 analysis	8.4	8	4.1	<15	<0.03	0.4	<0.01	0.5	<0.1	<0.1	-	<50%

INITIATIVES

In constructed wetlands, plant systems are used to reduce or stop leachates in discharged mud travelling outside a site. The job of the plants is to consume the leachate directly on site, avoiding the costly transfers and waste produced by treating it. In designing and installing the constructed wetlands, Alcantara S.p.A. was helped by ARPA² Terni and the faculty of agriculture at the University of Tuscia, in collaboration with the Italian National Research Council's water research institute. Systems like this have been tried out in the US and Australia but are still a novelty in Europe. The constructed wetlands have improved the whole discharge area, as well as breaking the cycle that led to producing waste, and creating new

channels for the mud produced by the water treatment system. It has had the following specific results:

- covering the tanks of the old discharge area (around 7,000 m² restored) with over 2,500 new plants, irrigated by the industrial waste water, rich in nutrients;
- reducing the amount of pollutants processed in the water treatment plant and therefore reducing material produced by treatment, including mud, and improving the quality of waste water.

The constructed wetlands system is based on the natural process by which plants absorb water from the earth and transmit large amounts of it into the atmosphere, using solar energy.

²The acronym ARPA stands for Regional Agency for Environmental Protection.

WATER FOOTPRINT

2,500 selected shrubs



Leachate

The leachate, or mixture of liquids from the discharge, no longer flows into the water treatment system as in an ordinary factory but acts as fertilizer for a plantation of over 2,500 selected shrubs.

The leachate is then consumed through this special plant system's natural property of evapotranspiration. Fed solely by the waste water from the industrial process, the water treatment system then in return provides a sludge that can be reused in other industrial processes.

DISCHARGE LEACHATE

➤ PHYTO-TREATMENT ➤

REUSABLE SLUDGE

To calculate its water footprint, Alcantara S.p.A. used the life cycle assessment (LCA) method required by the ISO 14046 standard. The LCA method (see also paragraph) has been applied by Alcantara S.p.A. since 2011, to assess the potential environmental impact of the life cycle of its production process 'from cradle to grave', including all operations and production processes (water consumption, electricity and thermal energy, waste production, etc.), both upstream (raw materials, transport) and downstream (distribution, use, end of life). The specific method used for the water footprint is Available Water Remaining (AWARE) (Boulay

et al., 2016), which measures the available remaining water by area once the demands of people and the ecosystem are satisfied. It therefore assesses the potential for water deprivation, both for people and the environment, starting from the assumption that the less available water there is, the more likely it is that other consumers will be deprived of it. The biggest contribution to the water footprint comes from the phase of raw materials, water consumption directly at the production site and auxiliary materials. The table below shows the results of the AWARE water footprint assessment in FY 2018 and FY 2019.

	AWARE WATER FOOTPRINT (WF)					
	(m ³ eq)		(m ³ eq/Kg)		(m ³ eq/m ²)	
	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
Alcantara®, average (total)	71,663,480	66,235,034	25.5	24.5	9.3	8.5
Alcantara®, average (dyeing process only)*	39,863,591	35,479,526	14.2	13.1	5.2	4.5
Alcantara®, average (excluding the dyeing process)**	31,799,889	30,755,517	11.3	11.4	4.1	3.9

*For the AWARE water footprint of the dyeing process for Alcantara®, the following items were assessed: water consumption, totalling 75% of total consumption of soft water produced; 100% of raw materials related to dyeing; 75%-100% of chemicals used for water treatment; 50% of electricity consumption is for water treatment; electricity and thermal energy consumption in the dyeing department.

**The figure was calculated by subtracting the water-soluble fraction from the dyeing process from the overall water-soluble fraction.

6.6 Waste Management

Waste from production is mostly made up of residues (mud) from waste-water treatment plants. This mud is sent to authorized landfills and, in FY 2019, was sent to be reused in authorized cement works. Most of the waste produced is not dangerous.

The table below shows, by kind and by volume, the waste produced and disposed of at the site in Nera Montoro (waste produced at the headquarters in Milan occupies a very small share of the total). All waste is sent to locations within Italy.

WASTE FROM PRODUCTS AT PRODUCTION SITE

DISPOSAL METHOD	UNIT	FY 2019			
		DANGEROUS	NOT DANGEROUS	TOTAL	%TOTAL
Reuse	t	-	-	-	-
Recycling	t	-	-	-	-
Compost	t	-	-	-	-
Recovery, including energy recovery	t	804	11,412	12,216	75
Incineration	t	168	-	168	1
Deep underground injection	t	-	-	-	-
Landfill	t	-	580	580	4
On-site storage	t	-	-	-	-
Other	t	1,125	2,110	3,235	20
TOTAL	t	2,097	14,102	16,199	100

The increase in waste since last year is due to the following factors:

- an increase in production;
- greater fragmentation and diversification of production;
- operations linked to multi-annual tests and increase in storage of semi-finished products.

DESTINATION CODE	DESTINATION TYPE	NON-DANGEROUS (Kg)	DANGEROUS (Kg)	TOTAL (Kg)	
D1	Deposits on or in the earth (for example, discharge)	579,760	-	579,760	
D9	Physical and chemical treatment unspecified elsewhere in this attachment that produces compost or discarded mixtures, according to the procedures listed in points D1 to D12 (evaporation, drying, liming, etc.)	12,160	530,110	542,270	
D10	Incineration on land	-	168,440	168,440	
D13	Preliminary grouping before operations in points D1 to D12	254,080	83,080	337,160	
D15	Preliminary deposits before operations in points D1 to D14 (not including temporary deposits, before collection, in the place they are produced)	1,843,595	511,764	2,355,359	
TOTAL DISPOSED OF		Kg	2,689,595	1,293,394	3,982,989
		%	16.60	7.98	24.59
R3	Recycling/recovery of organic substances not used as solvents (including composting operations and other biological transformation)	18,200	-	18,200	
R5	Recycling/recovery of other non-organic substances	90,680	-	90,680	
R7	Recovery of products used to capture pollutants	443,380	-	443,380	
R12	Exchanging waste for operations like those in points R1 to R11	421,317	-	421,317	
R13	Keeping waste in reserve for the operations in points R1 to R12 (not including temporary deposits, before collection, in the place they are produced)	10,438,175	803,844	11,242,019	
TOTAL RECOVERED		Kg	11,411,752	803,844	12,215,596
		%	70.45	4.96	75.41
TOTAL WASTE		Kg	14,101,347	2,097,238	16,198,585
		%	87.05	12.95	100

GRI CONTENT INDEX



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GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
GRI 102: General Disclosures 2016 Organizational profile	102-1	Name of the organization	1	
	102-2	Activities, brands, products and services	1.4; 4.2	
	102-3	Location of headquarters	1.3	
	102-4	Location of operations	1.3; 4.1	
	102-5	Ownership and legal form	1.3	
	102-6	Markets served	1.4; 4.2	
	102-7	Scale of the organization	1.4; 2.1	
	102-8	Information on employees and other workers	3.1	
	102-9	Supply chain	2.2	
	102-10	Significant changes to the organization and its supply chain	Methodology	
	102-11	Precautionary Principle or approach		Before the introduction into the system of each new product, all applicable requirements are re-examined at dedicated interdepartmental meetings
	102-12	External initiatives	1.8	
	102-13	Membership of associations	2.1	
GRI 102: General Disclosures 2016 Strategy	102-14	Statement from senior decision-maker	The Chairman's Letter	
	102-15	Key impacts, risks and opportunities	1.7	
GRI 102: General Disclosures 2016 Ethics and integrity	102-16	Values, principles, standards and norms of behavior	1.1; 1.5	
	102-17	Mechanisms for advice and concerns about ethics	1.5	

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
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GRI 102: General Disclosures 2016 Governance				
	102-18	Governance structure	1.5	
	102-19	Delegating authority	1.5	
	102-20	Executive-level responsibility for economic, environmental and social topics	1.5	
	102-21	Consulting stakeholders on economic, environmental and social topics	1.5	
	102-22	Composition of the highest governance body and its committees	1.5	
	102-23	Chair of the highest governance body	1.5	
	102-24	Nominating and selecting the highest governance body	1.5	
	102-25	Conflicts of interest	1.5	
	102-26	Role of highest governance body in setting purpose, values and strategy	1.5	
	102-27	Collective knowledge of highest governance body	1.5	
	102-28	Evaluating the highest governance body's performance		The policies for the evaluation of the performance are decided by the shareholders' meeting with the ownership of Toray Group
	102-29	Identifying and managing economic, environmental and social impacts	1.5; 1.8	
	102-30	Effectiveness of risk management processes	1.5	
	102-31	Review of economic, environmental and social topics	1.8	
	102-32	Highest governance body's role in sustainability reporting	1.5	
	102-33	Communicating critical concerns	1.5	
	102-34	Nature and total number of critical concerns	1.5	
	102-35	Remuneration policies		This information is not publicly disclosed due to confidentiality concerns
	102-36	Process for determining remuneration		This information is not publicly disclosed due to confidentiality concerns
	102-37	Stakeholders' involvement in remuneration	3.3	
	102-38	Annual total compensation ratio		This information is not publicly disclosed due to confidentiality concerns
	102-39	Percentage increase in annual total compensation ratio		This information is not publicly disclosed due to confidentiality concerns

GRI 102: General Disclosures 2016 Stakeholder engagement				
	102-40	List of stakeholder groups	1.9	
	102-41	Collective bargaining agreements		The entire staff is covered by the national labour collective agreement
	102-42	Identifying and selecting stakeholders	1.9	
	102-43	Approach to stakeholder engagement	1.9	
	102-44	Key topics and concerns raised	1.9	

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
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GRI 102: General Disclosures 2016 Reporting practice				
	102-45	Entities included in the consolidated financial statements	Methodology	
	102-46	Defining report content and topic boundaries	1.9 Methodology	
	102-47	List of material topics	1.9	
	102-48	Restatements of information	Methodology	
	102-49	Changes in reporting	Methodology	
	102-50	Reporting period	Methodology	
	102-51	Date of most recent report	Methodology	
	102-52	Reporting cycle	Methodology	
	102-53	Contact point for questions regarding the report	Methodology	
	102-54	Claims of reporting in accordance with the GRI Standards	Methodology	
	102-55	GRI content index	GRI content index	
	102-56	External assurance	External audit report	

GRI 103: Management Approach 2016				
	103-1	Explanation of the material topic and its Boundary	1.9	
	103-2	The management approach and its components	1.9	
	103-3	Evaluation of the management approach	1.9	

GRI 201: Economic Performance 2016				
	201-1	Direct economic value generated and distributed	2.1	
	201-2	Financial implications and other risks and opportunities due to climate change	2.1; 6.4	
	201-3	Defined benefit plan obligations and other retirement plans		Obligations undertaken as laid down by law
	201-4	Financial assistance received from government	2.3	

GRI 202: Market Presence 2016				
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	3.2	
	202-2	Proportion of senior management hired from the local community	3.1	

GRI 203: Indirect Economic Impact 2016				
	203-1	Infrastructure investments and services supported	5.1	
	203-2	Significant indirect economic impacts	2.1	

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	2.2	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	1.5	
	205-2	Communication and training about anti-corruption policies and procedures	1.5	
	205-3	Confirmed incidents of corruption and actions taken		No incidents occurred
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices		None
GRI 301: Materials 2016	301-1	Materials used by weight or volume	6.2	
	301-2	Recycled input materials used	6.2	
	301-3	Reclaimed products and their packaging materials	6.2	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	6.4	
	302-2	Energy consumption outside the organization	6.4	
	302-3	Energy intensity	6.4	
	302-4	Reduction of energy consumption	6.4	
	302-5	Reductions in energy requirements of products and services	6.4	
GRI 303: Water 2016	303-1	Water withdrawal by source	6.5	
	303-2	Water sources significantly affected by withdrawal of water	6.5	
	303-3	Water recycled and reused		Alcantara S.p.A. commits to providing the missing information in the future
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas		A 20-hectare land portion owned by Alcantara S.p.A. is located inside the SIC area (Site of Community Interest). Although within the proprietary area, the lands are located out of the plant's perimeter
	304-2	Significant impacts of activities, products and services on biodiversity		No biodiversity studies have been conducted in this topic that is not material
	304-3	Habitats protected or restored		None
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	6.3	
	305-2	Energy indirect (Scope 2) GHG emissions	6.3	
	305-3	Other indirect (Scope 3) GHG emissions	6.3	
	305-4	GHG emissions intensity	6.3	This information is partially disclosed due to confidentiality concerns
	305-5	Reduction of GHG emissions	6.3	
	305-6	Emissions of ozone-depleting substances (ODS)	6.3	
	305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x) and other significant air emissions	6.3	
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	6.5	
	306-2	Waste by type and disposal method	6.6	
	306-3	Significant spills		Over the past few years there have been no leakages or cases of contamination of the environment
	306-4	Transport of hazardous waste	6.6	
	306-5	Water bodies affected by water discharges and/or runoff	6.5	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations		No fines or any sanctions
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	2.2	
	308-2	Negative environmental impacts in the supply chain and actions taken	2.2	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	3.1	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	3.7	
	401-3	Parental leave	3.5	
GRI 402: Labor-Management Relations 2016	402-1	Minimum notice periods regarding operational changes		None

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees		The OHSAS 18001 certification led to the creation of a safety management system. The responsible are those laid down by the Italian Legislation
	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	3.7	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	3.7	
	403-4	Health and safety topics covered in formal agreements with trade unions	3.7	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	3.4	
	404-2	Programs for upgrading employee skills and transition assistance programs	3.4	
	404-3	Percentage of employees receiving regular performance and career development reviews	3.4	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	3.1	
	405-2	Ratio of basic salary and remuneration of women to men	3.2	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		No incidents occurred
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	2.2	
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	2.2	
GRI 409: Forced and Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	2.2	
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures		None
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples		No violations occurred

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH	NOTES
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments		All operations have been assessed (SA8000®)
	412-2	Employee training on human rights policies or procedures	3.5	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	1.5	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments and development programs	1.9; 5.1	
	413-2	Operations with significant actual and potential negative impacts on local communities	5.1; 6.1	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	2.2	
	414-2	Negative social impacts in the supply chain and actions taken	2.2	
GRI 415: Public Policy 2016	415-1	Political contributions		Alcantara S.p.A. has never made contributions to politicians and political parties
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	4.2	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No incidents of non-compliance occurred
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	4.3	
	417-2	Incidents of non-compliance concerning product and service information and labeling		No incidents of non-compliance occurred
	417-3	Incidents of non-compliance concerning marketing communications		No incidents of non-compliance occurred
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		No complaints received
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area		No incidents of non-compliance occurred

Independent auditors' report on the Sustainability Report

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

We have been engaged to perform a limited assurance engagement on the Sustainability Report of Alcantara S.p.A. (the "Company") for the year ended on March 31st, 2019.

Directors' responsibility on the Sustainability Report

The Directors of Alcantara S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "GRI Sustainability Reporting Standards (GRI Standards)" issued in 2016 by the GRI - Global Reporting Initiative, as described in the paragraph "Methodology" of the Sustainability Report, and for such internal control as they consider necessary in order to enable the preparation of a Sustainability Report that is free from material misstatements, whether due to frauds or unintentional behaviors or events.

The Directors are also responsible for the definition of the objectives regarding the sustainability performance and the reporting of the achieved results, as well as for the identification of the stakeholders and the significant matters to report.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behaviour.

Our audit firm applies the International Standards on Quality Control 1 (ISQC Italia 1) and, consequently, maintains a quality control system that includes documented policies and procedures, regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the Sustainability Report with the requirements of the GRI Standards. We conducted our work in accordance with the principles included in the "International Standard on Assurance Engagements 3000 (Revised)- Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of procedures in order to obtain limited assurance that the Sustainability Report is free from material misstatement.

Therefore, the extent of work performed in our examination was lower than that required for a full examination in accordance with ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would have been identified during a reasonable assurance engagement.

The procedures performed on the Sustainability Report were based on our professional judgement and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Sustainability Report, document analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

- Analysis of the process relating to the definition of material aspects included in the Sustainability Report, with reference to the criteria applied to identify priorities for the different stakeholders' categories and to the internal validation of the process results;

- comparison of economic and financial data included in the paragraph "Economic indicators and Added Value" of the Sustainability Report with those included in the Financial Statements of the Company as of March 31st, 2019, on which another auditor issued the auditors' report (pursuant to articles 14 and 16 of the Legislative Decree no. 39 of January 27th, 2010), dated May 31st, 2019;
- analysis, mainly through interviews, of the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Company;
- analysis of processes that support the generation, collection and management of data and information to the department responsible for the preparation of the Sustainability Report. 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 transmission 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 stakeholder's 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;

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. for the period ended on March 31st, 2019 is not prepared, in all material respects, in accordance with the "GRI Sustainability Reporting Standards (GRI Standards)" issued in 2016 by the GRI - Global Reporting Initiative, as stated in the paragraph "Methodology" of the Sustainability Report.

Milan, July 31st, 2019

BDO Italia S.p.A.

Simone Del Bianco
Partner





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Alcantara S.p.A.
Via Mecenate 86
20138 Milan (Italy)
Telephone +39 02 580301
[alcantara.com](https://www.alcantara.com)
alcantarasustainability@alcantara.com



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