



2016

SUSTAINABILITY REPORT



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Letter to Stakeholders

Dear Stakeholders,

In 2016, Sogefi made progress in quality and productivity. The results show the impact of the turnaround actions undertaken by Sogefi in the past 18 months to improve profitability and cash generation.

In particular, Sogefi reported revenues of € 1,574.1 million, up 5% compared to € 1,499.1 million in 2015 and up 9.8% at constant exchange rates driven by significant development in North America (+16.9%) and in Asia (+25.6%) while Europe reported an increase of 1.4%.

The Air & Cooling sector, which reported a 15.6% sales increase (+18.4% at constant exchange rates) contributed largely to the progress of the Group. While the revenue trends of the other two business units were affected by the evolution of exchange rates: Suspensions reported revenue growth of 0.9% (+6.2% at constant exchange rates) and Filtration a 1% increase (+6.7% at constant exchange rates).

Sogefi aims at positioning itself among the best in the sector in terms of client satisfaction, profitability, cash flow and sustainability and at developing its leadership in Europe, while fostering profitable growth in North America and Asia. Other objectives include the strengthening of existing and new plants competitiveness by deploying Sogefi Excellence System and to develop innovations and new products contributing to weight and CO₂ emissions reductions.

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

Sogefi has therefore embarked upon an important journey towards sustainability with the aim of monitoring and improving the impact – environmental, social and economic – that the various businesses have on the local territory and on the community.



CONTACTS

To request further information about the social responsibility policies of the Sogefi Group and the information contained in the Sustainability Report, you can write to the following address, dedicated to the social responsibility of the Group:

sustainability@sogefigroup.com

Being a leading global supplier in the automotive industry, Sogefi is committed to understanding and reflecting the ongoing changes and challenges in the regulation, with respect to environment and safety standards and to promoting and disseminating the sustainability principles throughout the supply chain.

Sustainability is becoming part of the strategy, culture and day-to-day operations of Sogefi. In 2016 a clear framework of operations was defined with the definition of specific policies for the respect of human rights, health & safety and the environment. Furthermore modifications of the Code of Ethics were introduced to better highlight some good practices already present in the Group but not explicitly addressed.

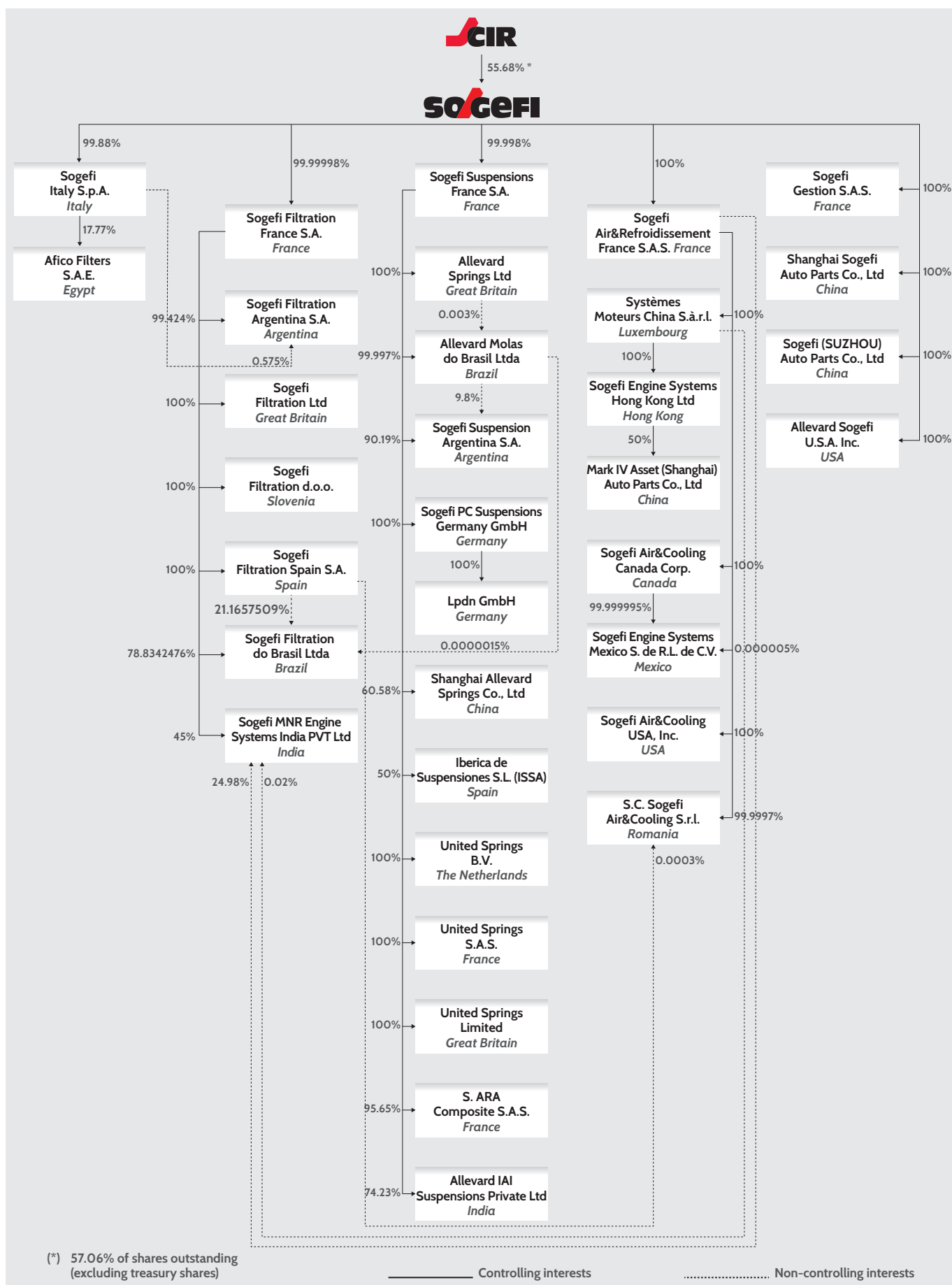
With this Sustainability Report, Sogefi intends to highlight the progresses made towards integrating sustainability in the corporate processes and to provide Stakeholders with comprehensive and transparent information about the Group's developments as per sustainability.

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

Chairman
Monica Mondardini

Chief Executive Officer
Laurent Hebenstreit

OVERVIEW OF THE GROUP COMPANIES AS CONSOLIDATED IN THE REPORT



Methodology

The 2016 Sustainability Report of Sogefi (hereinafter also referred to as 'Sogefi Group' or the 'Group') is the Report on sustainability performances for the Group and it aims at providing Stakeholders with comprehensive and transparent information about the Group's strategy and progress made towards integrating sustainability in the corporate process. The Sustainability report is meant to be published annually.

This Report was drafted in accordance with the 'G4 Sustainability Reporting Guidelines' issued in 2013 by the GRI - Global Reporting Initiative, in accordance with the 'Core' option, taking into consideration the information deemed relevant to Stakeholders and drawing from the principles set out in the Guidelines.

The GRI G4 Sustainability Reporting Guidelines require the Sustainability Report to contain information about aspects deemed material, i.e., which have significant impacts for the organisation from the economic, environmental and social perspective, and which substantially influence Stakeholders' assessments and decisions.

The matters discussed in the Sustainability Report, and the breadth and quality of the relevant reported contents, reflect therefore the results of the materiality analysis conducted during 2015.

The process of gathering the data and information needed to prepare this Report involved several functions of the companies of the Sogefi Group, and was set in accordance with the themes of balance, comparability, accuracy, timeliness, clarity and reliability laid out in the GRI Guidelines.

Unless otherwise specified, the data and information provided in this Report refer to the Sogefi Group companies consolidated line-by-line in the Annual Financial Report at 31 December 2016. Data referring to previous years are provided for comparative purposes only, to make it possible to assess trends in the Group's activities over time. In addition, any estimated quantitative information is referred to as such in the various chapters. Due to improved process in data collection and calculation, figures may differ from data presented in the 2015 Sustainability Report.

1 The Sogefi Group

2016 HIGHLIGHTS

1980

Year of foundation

3

Business Units

41

Production sites

18

Countries

€ 1.6 bn

Revenues

€ 1.5 bn

Net global economic value

6,801

Number of employees

11

Research Centers

216

Number of patents

€ 38.1 m

R&D expenses

-5.8%

Reduction of energy intensity

-7.5%

Reduction of GHG
emissions intensity

1.1 Group profile

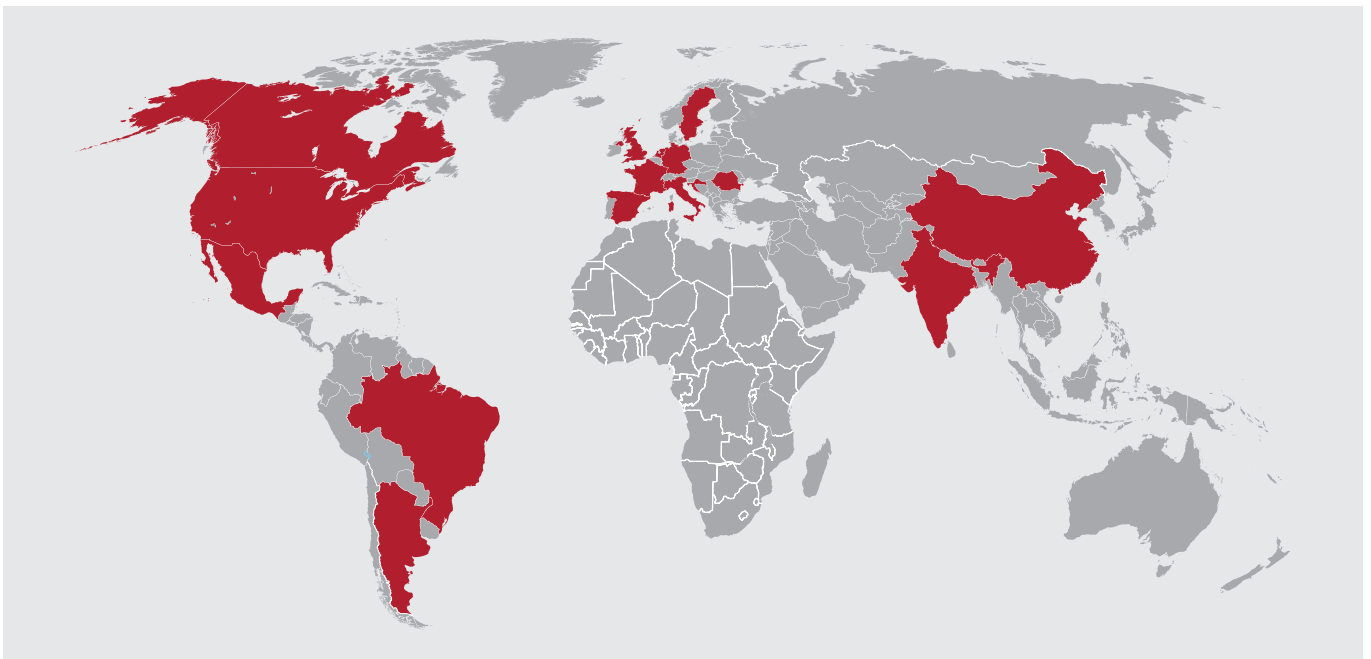
Sogefi Group, founded in Italy in 1980, is a multinational Group, global leader in automotive original equipment and aftermarket components. The company is in partnership with the world's major car and commercial vehicle manufacturers. Sogefi designs, develops and produces filtration systems and flexible suspension components, as well as air management and engine cooling systems.

The Holding Company, Sogefi S.p.A., has its registered offices in Via Ulisse Barbieri 2, Mantova and its corporate offices in Via Ciovassino 1/a, Milano and in Parc Ariane IV, Avenue du 8 May 1945, n.7 in Guyancourt (France).

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

The Holding Company, Sogefi S.p.A., is subject to the policy guidance and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

Sogefi is present in 3 continents and 18 countries, with 54 locations, of which 41 are production sites. It is a market leader in Europe and South America.



SOGEFI

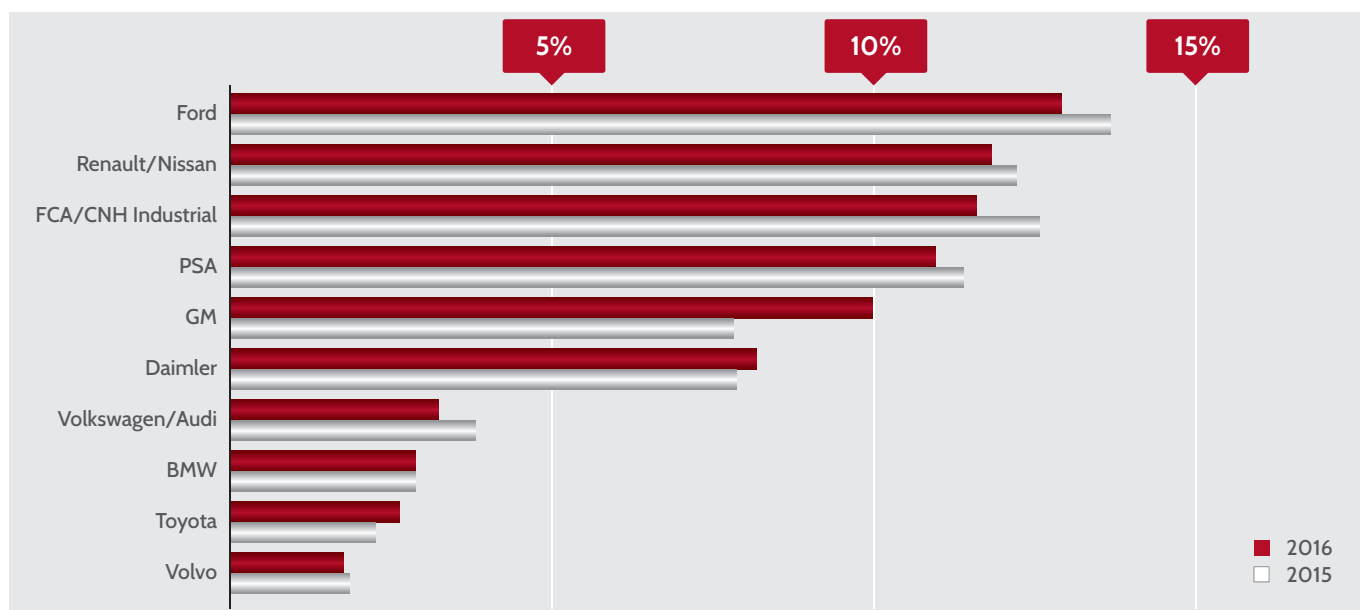
18 countries

54 locations

41 production sites

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

Sogefi's key customers are Ford, FCA, Renault/Nissan, PSA, Daimler and GM.

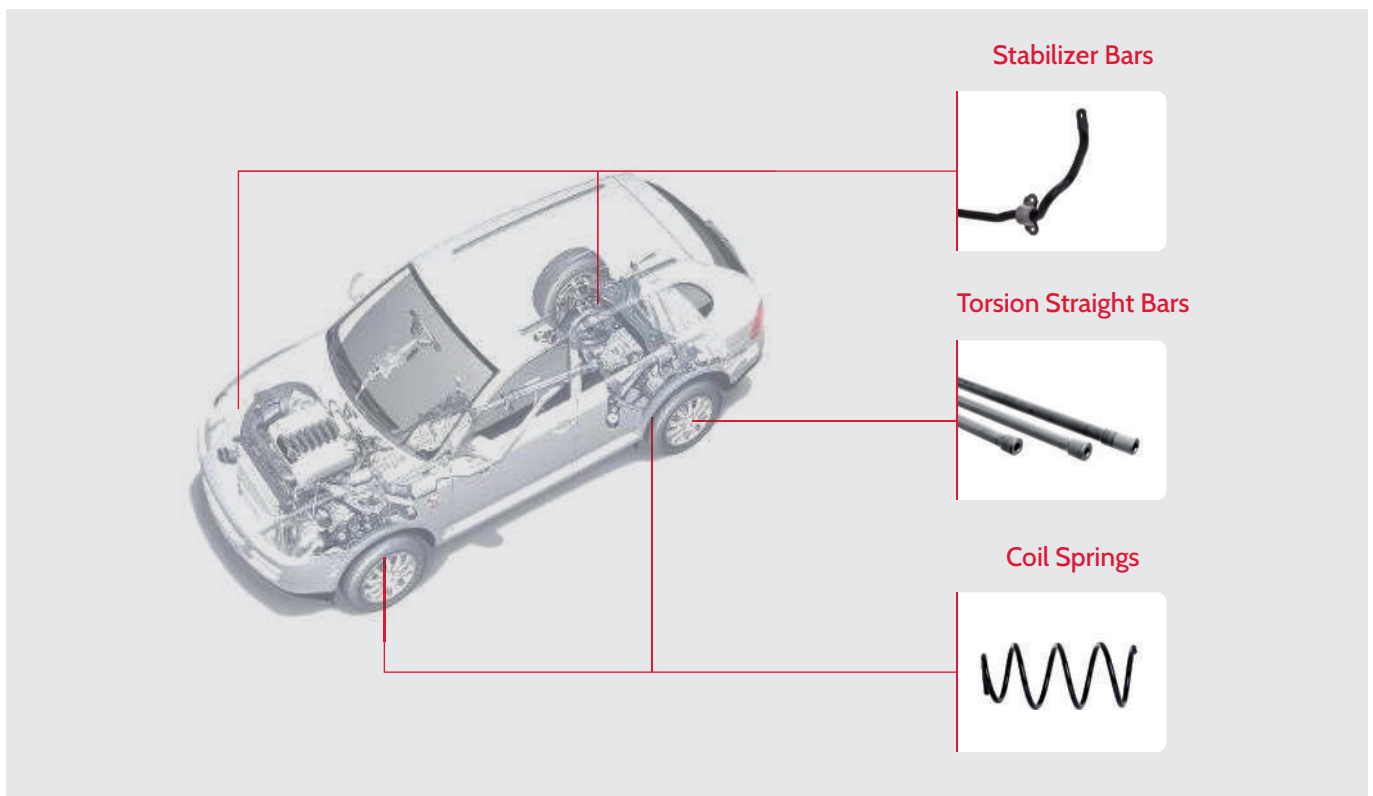
SOGEFI TOP 10 CLIENTS (% of total sales)

SOGEFI PRODUCTS

Suspensions

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

SUSPENSIONS – PASSENGER CARS PRODUCT PORTFOLIO

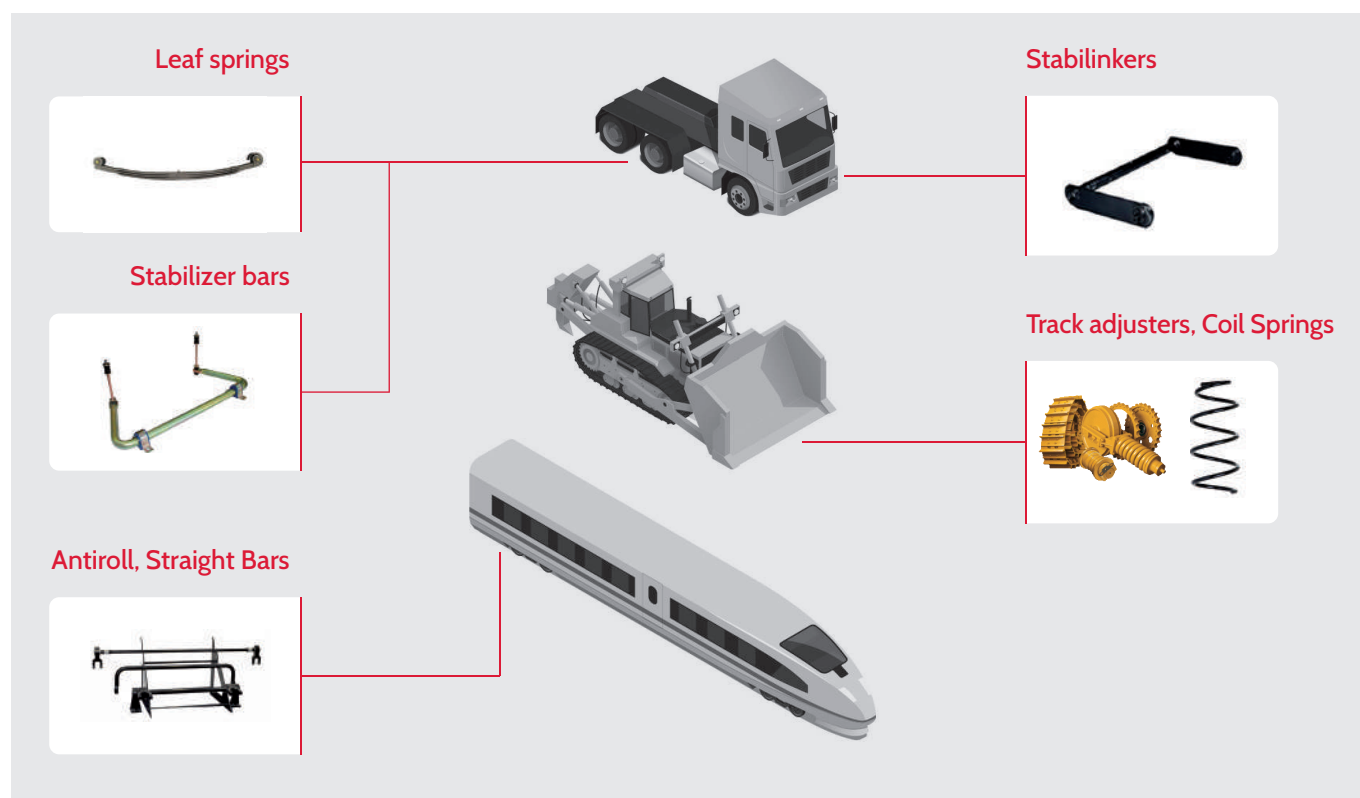


These products are designed for use on cars, light and heavy commercial vehicles, earth-moving equipment, armoured vehicles and rolling wagons. Sogefi customers range from automotive and industrial vehicle manufacturers of worldwide renown to major railway vehicle manufacturers.

Sogefi has made a significant contribution to the development and improvement in the performance of many suspension components. For instance, the use of tubes instead of solid bars in the manufacture of stabilizer bars has achieved considerable weight advantages (reducing fuel consumption as a major benefit for vehicle manufacturers).

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

SUSPENSIONS – HEAVY DUTY PRODUCT PORTFOLIO



COIL SPRINGS

The springs developed by Sogefi may be cold or hot formed according to the initial technical specifications. Springs are designed to optimise weight, cost, bulk, and vehicle comfort and handling through side load control delivering the reliability and lifespan demanded. The result is a range of helical springs of simple or complex shapes.

STABILIZER BARS

Sogefi supplies stabilizer bars to most car manufacturers to enhance vehicle comfort and stability. Sogefi develops and manufactures stabilizer bars using both hot and cold bending processes. Bars are designed to optimize weight and reduce bulk while increasing the lifetime of the bar. In accordance with the manufacturer's specifications, Sogefi supplies bare bars or bars fitted with bonded or traditional rubber bushings and connecting brackets, developed to optimize comfort and reduce noise.

LEAF SPRINGS

Sogefi is a leading manufacturer of parabolic and conventional leaf springs. The wide product range is suitable for all sorts of vehicles, from the lightest utility vehicles to the heaviest trucks, built for long-haul or off-road missions. After the rolling and forging operations, the spring leaves are quenched and tempered

to achieve the required mechanical properties. They are then shot-peened to increase the fatigue life. Magnetic particle inspection tests are carried out when required.

COMPOSITE COIL SPRINGS

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

The Composite Coil Springs are an environmentally friendly innovation: with 40% to 70% less weight, they contribute to a real reduction in fuel consumption compared to traditional steel coil springs. In addition, the production of Composite Coil Springs is three to five times less energy-intensive, at the same time ensuring a drastic reduction in the wastage and use of consumables. To know more about Coil Springs' environmental impact reduction, please consult paragraph 4.2 'Reducing product environmental impact.'

PRECISION SPRINGS

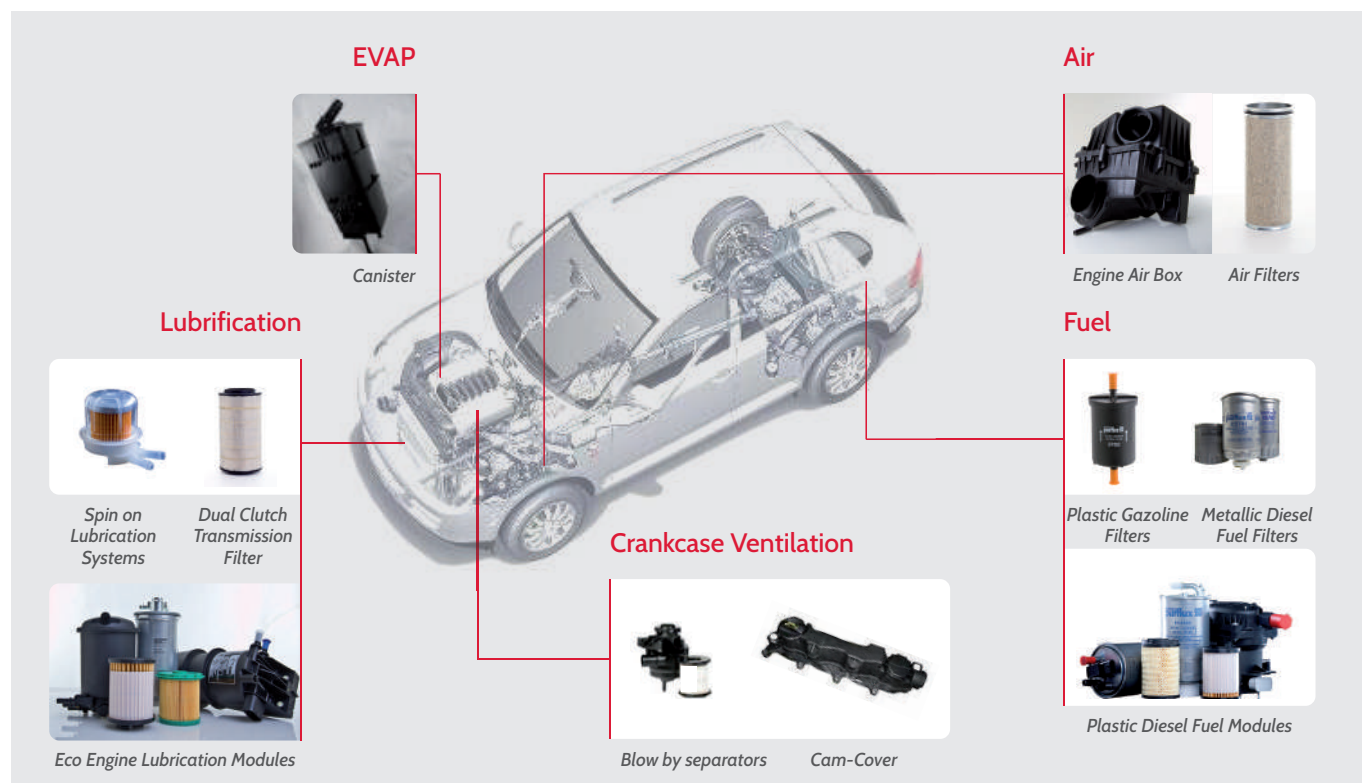
Sogefi is a European leader in the development and manufacture of a wide and diverse range of springs comprising wire forms, flat, extension, torsion and compression springs for applications in a large number of industries: automotive; motorsport; aerospace and defence; electro-mechanical; textile; nuclear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

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

Filtration

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

FILTRATION - PRODUCT PORTFOLIO



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

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

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

Original Equipment

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

OIL FILTRATION SYSTEMS

The latest engine developments, which aim to comply with ever more stringent

emission regulations and reduced fuel consumption, have drastically increased the need for a flexible and informative oil flow management, while the downsizing trend have constrained packaging and bulkiness.

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

PETROL FUEL FILTERS

As fuel efficiency requirements increase with CO₂ emission regulations, the use of direct injection in petrol engines is becoming more common, to support downsizing. This technology is much more sensitive to contamination than fuel supply systems like indirect injection or even carburettors might have been, and generates higher pressure on the fuel supply line.

Sogefi designs and produces petrol fuel filters with a high level of filtration efficiency, able to protect even the latest generations of petrol fuel supply systems. Both plastic and metal in-line filters are available, as well as in-tank rechargeable and in-tank life filters, depending on customer's needs. All of them can stand the fuel pressures generated by the latest generations of petrol fuel supply systems.

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

DIESEL FUEL FILTRATION SYSTEMS

Driven by emission regulations and CO₂ emission limitations, Diesel fuel injection pressures have never been so high. This makes the whole Fuel Injection System (FIS) even more sensitive to contaminants, but not only. Systems are today intended to be used globally, and therefore need to be compliant worldwide with each local constraint: cold temperatures, high level of water content, biofuel introduction, severe fuel contaminations, gaseous accumulation in the fuel line, overall quality of the fuel, etc. This is why Sogefi has developed solutions for all of these challenges, to provide efficient, robust and cost-effective Diesel Fuel Conditioning Systems.

AIR FILTRATION SYSTEM

In partnership with the Air & Cooling Business Unit, Sogefi Filtration develops, manufactures and delivers complete air filter elements that are specially embossed to maximise the filtration surface complying with the most stringent cleanliness requirements.

CAM COVERS AND OIL SEPARATORS

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

This oil is a major contaminant of the engine. It generates deposits on the turbocharger compressor, on the charge air cooler and on the intake valves, which seriously affects the durability and performance of these elements. Moreover, oil presence in the combustion chamber can provoke misfiring, especially for direct injection petrol engines. Finally, exhaust after treatment systems are very sensitive to poisoning, partly coming from the lubrication additives which can reduce the performance and durability of catalytic converters and particulate filters.

As OEMs are more and more focused on engine durability, efficient solutions to remove the oil from the blow-by gas have become essential. Sogefi designs and produces cam-covers and remote systems for all kinds of oil separation performance needs. Moreover, in addition to the separation function, Sogefi designs and produces parts for all the other functions needed for the plastic cam-cover: PCV valves, by-passes, anti-back flow valves; Oil drain back management.

Aftermarket

Sogefi Aftermarket serves all channels of the independent automotive replacement markets. Products supplied include a comprehensive range of oil, air, fuel and cabin filters to satisfy the servicing needs of a diverse replacement market encompassing passenger cars, trucks, agricultural vehicles, industrial on and off-road systems and equipment.

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

OIL

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

FILTERS
purflux

FRAM

**COOPERS
FIAAM** FILTERS

SOGEFI PRO

AIR

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

PETROL

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

DIESEL

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

CABIN

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

Air & Cooling

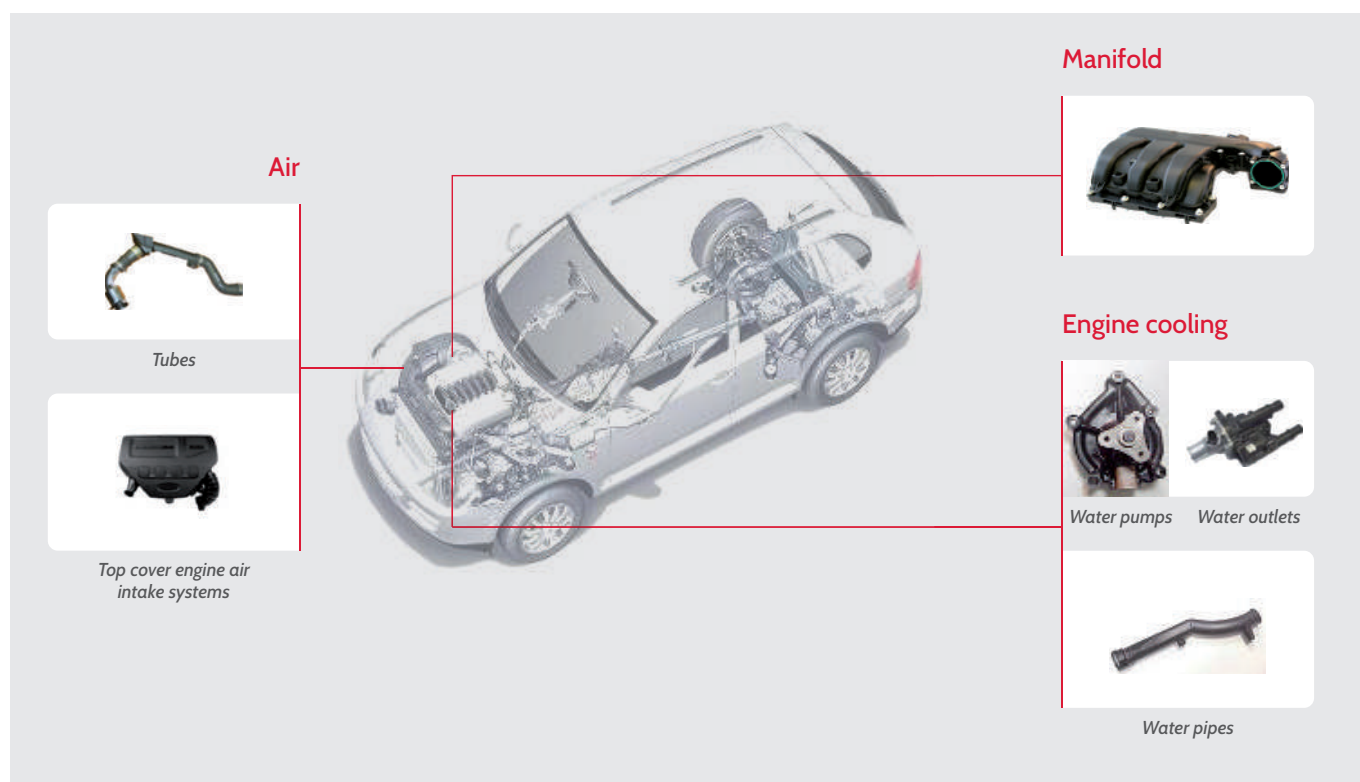
Sogefi Air & Cooling core business focuses on the engineering and manufacturing of high-tech plastic automotive components, in direct liaison with the engineering offices of car engine manufacturers. The know-how is applied to the supply of sub-systems and complete modules with high added value in the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

Sogefi's thermoplastic components offer a triple advantage over metal parts: price, weight and CO₂ emissions.

INTAKE MANIFOLD SYSTEMS

The automotive market demands more efficient and cleaner engines. Sogefi intake modules fulfil more functions than just the distribution of an equal air quantity per cylinder, in each cycle. They can be equipped with additional dynamic air distribution devices to improve low and medium speed engine torque by runner length selection. A specific attention is given to emission control and

AIR & COOLING – PRODUCT PORTFOLIO



enhanced combustion efficiency with active swirl and tumble control system and/or an exhaust gas recirculation nozzle.

Engine downsizing has a direct consequence on design: Sogefi Air & Cooling provides solutions of high-tech plastic air intake modules with integrated water-cooled 'charge air cooler' for the latest generation of turbocharged engines and enhanced dynamic performance.

The installation space on vehicles is getting smaller and smaller and CO₂ emission regulations require mass reduction. Thanks to its technical expertise in air flow management, mechanical behaviour and module architecture combined with the control of the best injection moulding and welding processes, Sogefi designs and produces compact and light air intake modules. In addition, Sogefi has developed skills in mechatronics to support the development of the active systems.

CHARGED AIR DUCTING

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

Sogefi engineering teams design tailored solutions compliant with the most severe engine environment thanks to an adapted shape, quick-connecting parts, and integrated resonators.

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

AIR INDUCTION SYSTEM

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

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

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

THERMOSTAT HOUSINGS & DUCTS

Sogefi develops and produces solutions for engine temperature management for a wide application range – from small petrol engines to large diesel engines – thanks to a complete portfolio of products, from simple water outlet to smart mechatronic multiway valves, able to control the flow in the different branches of the water circuit from 0 to 100%. Based on its full cooling system knowledge, Sogefi designs and provides the right solution for engine temperature management in line with CO₂ emission reduction, fuel economy and price targets defined by the customer.

Glycol-resistant thermoplastic, as well as injection moulding, welding and assembly process skills associated with mechanical and CFD expertise are key points for Sogefi to build optimised designs for Housing and Water Pipes.

Finer engine thermal management is defined by the automotive manufacturers as one of the key levers to achieve the future European CO₂ emission targets. Among the latest cooling innovations, our technical teams have developed the new Sogefi Smart Multi-Way Coolant valve that contributes up to 2% to fuel saving versus a standard thermostat; this new patented technology entered production in 2013 on the new Euro6 engines.

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

COOLANT PUMP MODULES

Sogefi was among the first suppliers in the world to deliver a thermosetting plastic coolant pump on a high volume series application. This innovative product provides a CO₂ emission reduction thanks to its contribution to weight reduction. The Sogefi coolant pump range also includes a conventional aluminium body coolant pump, attractive for its robustness.

Sogefi introduced in the market a Smart flow controlled coolant pump: based on a standard mechanical pump, a piloted proportional valve is associated. This proportional valve controls the outlet flow of the coolant pump from 0 to 100% independently of the rotation speed of the pump. The main result is a quicker warm up of the coolant and by consequence of the lubrication oil. Depending on the engine and on the type of car, a CO₂ saving up to 2.5% was measured on cycles in normalized conditions. The second advantage is that the power consumption of the coolant pump in all conditions is minimized.

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

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

History of the Group

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

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

In March 2017, Sogefi announced its intention to build a new factory in Morocco to support growth of the Filtration Business Unit. The plant, which will be built in the free trade zone of Tangier, is the company's first industrial site in Africa. Recently Sogefi announced a project to start coil spring production for passenger cars in China at the end of 2018. The plant will be operational in Wujiang (Shanghai area), where the company currently manufactures stabilizer bars.

Sogefi announces the building of a new plant in Morocco in 2017 (first in Africa).

Sogefi launches Coil Spring production in China for passenger cars, to be operational from the end of 2018.

2016

6,801 employees
€ 1.6 billion revenues

Sogefi decides to expand its presence in North America with the construction of a new plant in Monterrey (Mexico).

2015

Sogefi publishes its first Sustainability Report.

2011

Sogefi celebrates its 30th anniversary.

Sogefi acquires **Mark IV Systèmes Moteurs Group**, to increase its range of production for engine systems and strengthen its position in North America.

2010

> 6,000 employees
€ 927 million revenues

Sogefi expands its presence in India by signing a joint venture agreement, for a 51% stake, with the **Imperial Auto** group to open a plant in Pune to produce suspension components for local vehicle manufacturers.

2008

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

2006

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

2001

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

2000

> 5,100 employees
€ 674 million revenues

1996

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

1990

> 4,400 employees
€ 295 million revenues

1986

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

1985

1,700 employees
€ 53 million revenues

1980

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

Associations

Sogefi recognises the strategic importance of associations and adheres to different trade associations in the different geographical areas the Group is exposed to.

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

Prices and Awards received in 2016

SOGEFI AWARDED WITH THE BRONZE QUALITY CERTIFICATION BY CATERPILLAR.

Sogefi Rejna in its Raffa Plant (Suspensions Heavy Duty Business Unit) was awarded in April with the Bronze Quality Certification renewal by Caterpillar for coil springs and complete recoil groups and in August Sogefi Filtration Business Unit (Tredegar Plant) was awarded with the Bronze Quality Certification by Perkins.

To become certified, a supplier must prove that they can enhance the quality of Cat's products and services by achieving the highest scores in Caterpillar's key core values: Quality, Velocity, and Cost, along with process control and Six Sigma methodologies.

SOGEFI AWARDED BY TOKIĆ AS "THE ANNUAL AWARD FOR BUSINESS CONTRIBUTION".

Sogefi Aftermarket was awarded with "The Annual Award for Business Contribution" at Tokić Company in Croatia. Tokić, together with its franchise partners, is the biggest selling chain of car parts in Croatia.

SOGEFI AWARDED BY TWO RUSSIAN MAGAZINE AS “AUTOCOMPONENT OF THE YEAR”.

In May, Sogefi participated in a comparative analysis on oil filters conducted by two Russian magazines: Autozapchasti and Zeny magazine (part of Automobilnoye vremya holding).

After many tests on the PH10044 filters, Sogefi was awarded with the diploma of “Autocomponent of the year”.

Sogefi has passed the NAMI (Leading Russian Automotive industry tests and design Institute) tests successfully. This award is significant for the recognition of Sogefi's expertise and strong presence in the Russian market.

PHILIPS LIGHTING AWARDED UNITED SPRINGS WITH A SUPPLIER AWARD.

In May, Philips Lighting has awarded United Springs with a Supplier Award, in recognition of achieving 100% delivery performance in 2015 for the Winterswijk factory (Netherlands).

This is the third time (after 2013 and 2015), that United Springs has been awarded for this great result.

1.2 Ethics and integrity

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

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

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

The key principles of this code are as follows:

- Fairness in developing and carrying out business practices
- Recognition of the importance of the individual
- The maintenance and the development of mutual trust with the company's Stakeholders
- Respect of the environment
- All employees of the Group and all those who cooperate with the Group companies should acknowledge and share the principles established in the code.

To better define its operating framework, Sogefi has defined **specific policies concerning the respect of human rights, the health and safety conditions at the workplace and the respect for the environment**. Such policies are visible on the Sogefi corporate website as well as on the intranet.

The Group has formally assumed the commitment to promote awareness of the Code of Ethics and of the related corporate procedures among all employees. In fact, a copy of the Code of Ethics is given to new hires.

Sogefi has established the Code of Ethics as a recognition of the importance of ethical behaviour and social responsibility in the pursuit of the Group's objectives. During 2016, Sogefi spread the Code of Ethics among all its managers and employees through its internal communication system. The Code has been translated into Chinese, Portuguese, Spanish, Slovenian, French, Romanian, English and German, in order to enable all employees to fully understand and comply with the corporate regulations and principles of the Group.

By January 2017, the Code of Ethics was distributed among 71% of the Group's plants and its distribution will continue during 2017.

**ALL MANAGERS AND EMPLOYEES RECEIVED THE CODE OF ETHICS
THROUGH A SPECIFIC MESSAGE FROM THE CEO,
THE MAJORITY OF THE PLANTS RECEIVED IT TRANSLATED
IN THEIR LANGUAGE AT EACH PLANT.**

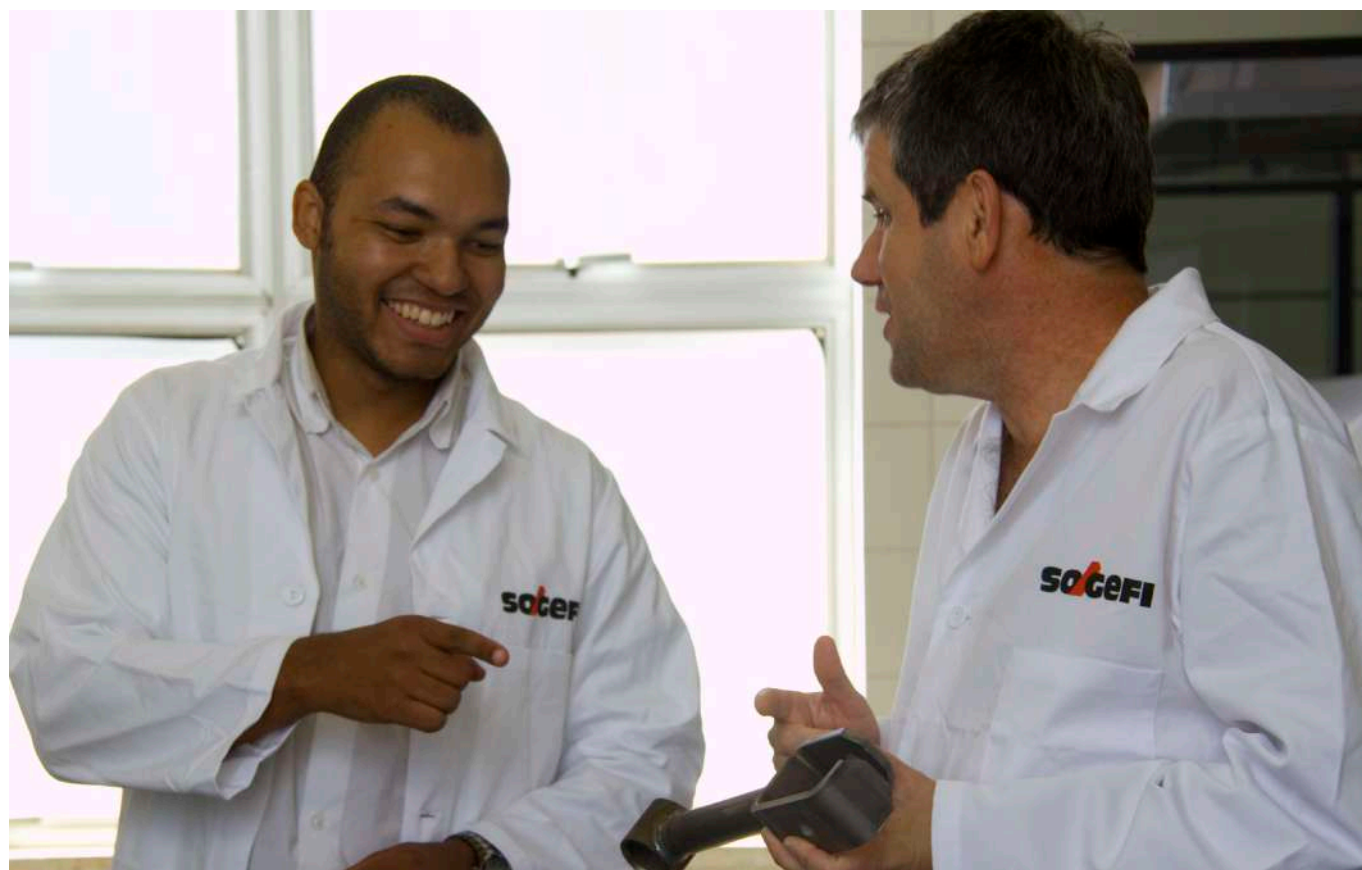
In order to encourage complete application of the Code, the holding company has identified a Supervisory Body that, in the context of its responsibilities under current legislation has set up an appropriate process to constantly monitor the respect of the Code of Ethics, to report any violation of the Code and to propose or apply suitable sanctions where necessary.

Whenever external Stakeholders, employees, or others Sogefi's partners believe that a violation of the principles contained in the Code of Ethics has occurred, they can report it, although not anonymously, to the Supervisory Body, which will take appropriate action while ensuring confidentiality for the identity of the person reporting the violation, except with regard to any legal requirements.

Moreover, in 2016, Sogefi devoted 7% of its training hours (about 9,400 hours) to introduce and describe the Code among all its employees, in order to support its adoption.



**IN 2016, MORE THAN 9,000 HOURS OF TRAINING
WERE DEVOTED TO THE CODE OF ETHICS.**



1.3 Governance and risk management

Corporate governance system

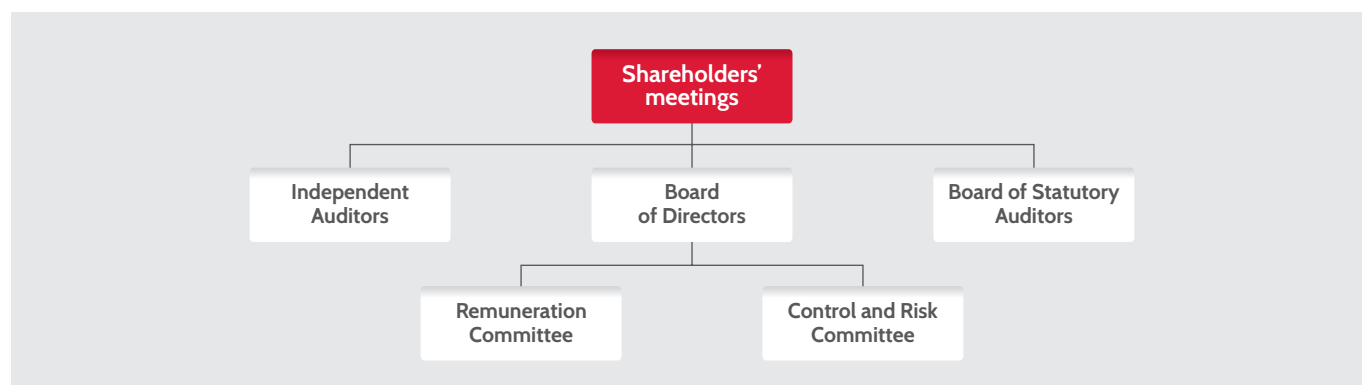
'Group companies create the conditions for the wide-spread and knowledgeable participation of shareholders in the decisions that relate to them, promote the equality and completeness of information, and safeguard their interests'

(from the Group Code of Ethics)

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

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

CORPORATE GOVERNANCE



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

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

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

The independent Directors therefore constitute a majority of the Board and their number and authoritativeness is sufficient to ensure that their judgment will have a significant weight in the Board's decision making, contributing to the formulation of balanced decisions, particularly in cases where there could be potential conflict of interest.

COMPOSITION OF THE BOARD OF DIRECTORS OF SOGEFI S.P.A. AT THE DATE OF PUBLICATION OF THIS REPORT				
BOARD OF DIRECTORS				
Name	Office	Executive	Non-Executive	Independent
Monica Mondardini	Chairman	●		
Laurent Hebenstreit	Managing Director	●		
Patrizia Canziani	Director		●	●
Rodolfo De Benedetti	Director		●	
Roberta Di Vieto	Director		●	●
Giovanni Germano	Director		●	●
Mauro Melis	Director		●	●
Raffaella Pallavicini	Director		●	
Paolo Riccardo Rocca	Director		●	●

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

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

Sogefi gives its Directors induction on the activities of the Group by involving the chief executives of the subsidiaries in Board of Directors meetings. Still on the subject of induction in relation to the regulatory environment, special briefing sessions have been organised for Directors and Statutory Auditors of the companies with the assistance of external consultants.

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

Risk Management

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

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

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

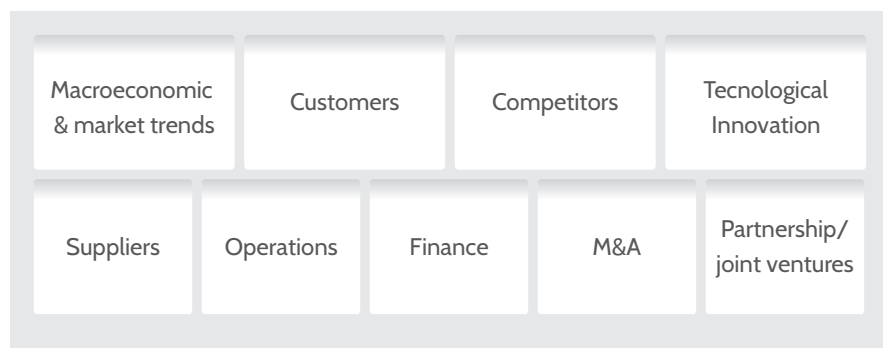
More in detail, the 'ERM Model', based on the framework established by The Committee of Sponsoring Organisations of the Treadway Commission (COSO), follows a top-down approach, whereby it is steered by Senior Management and by medium to long-term business objectives and strategies. ERM model, developed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

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

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

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

STRATEGIC BUSINESS RISKS



TRANSVERSAL - CROSS BUSINESS RISKS



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

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

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

Risks related to Sustainability

The Sogefi Group companies are exposed to a large number of risks, which are directly linked with business activities. In order to obtain an overall picture, the Risk Management Department collects the information from the individual organisational Business Units. Particularly, in the cluster 'Sustainability', Sogefi has identified the following main risks: Ethical/Deontological Issues, Public image & reputation, Health & Safety and Environment.

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

Ethical/Deontological Issues and Public image & reputation

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

Environment, Health & Safety

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

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

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

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

To further emphasise this commitment towards the protection of the environment, specifically, in 2016 the Holding Company Sogefi S.p.A. approved an Environmental Policy, which sets out the principles that all operations of subsidiaries should observe. Furthermore, Sogefi implements environmental management systems to better protect the environment and to reduce and control environmental risks and impacts (including the prevention of pollution).

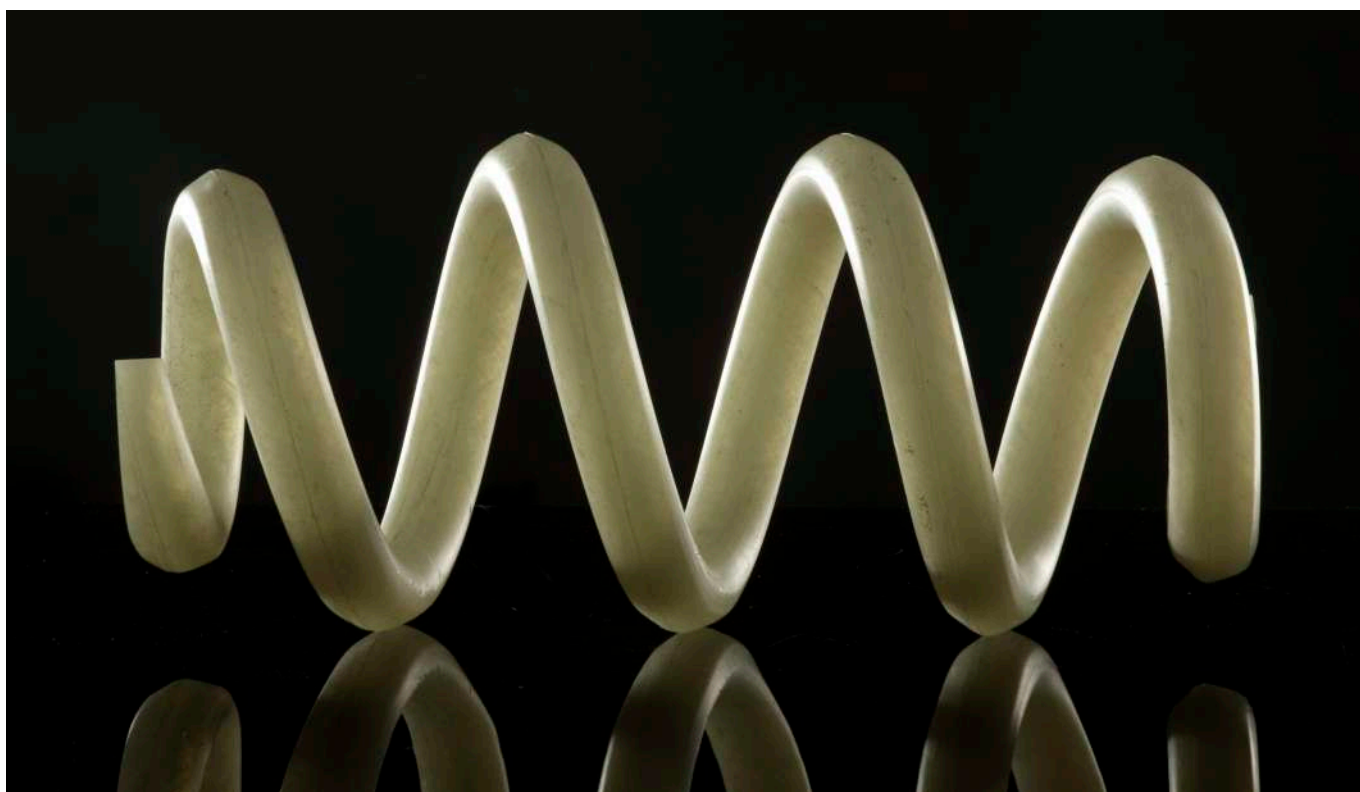
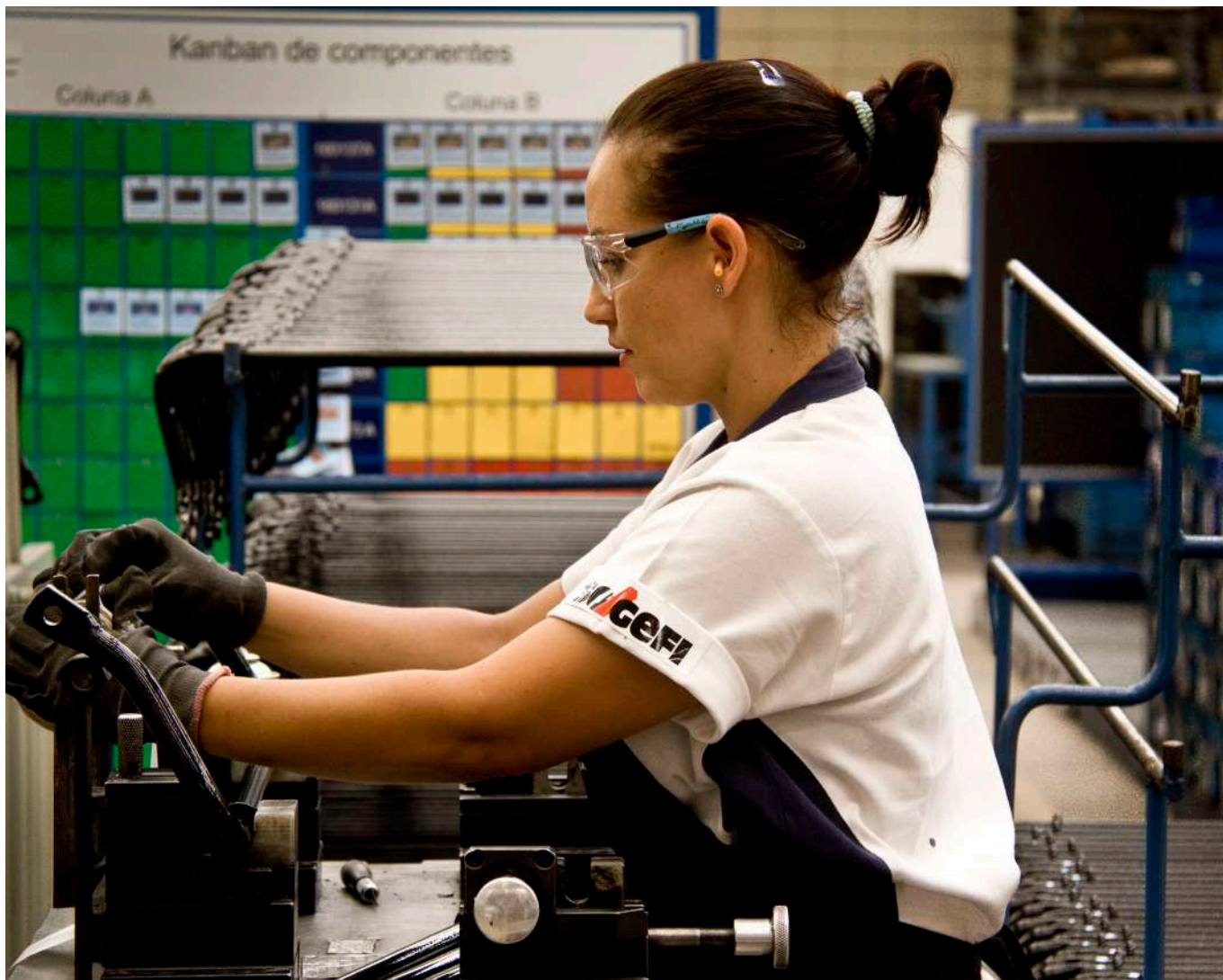
Other specific mitigations actions are:

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

NO SIGNIFICANT LABOUR, ENVIRONMENTAL AND HUMAN RIGHTS GRIEVANCES IN SOGEFI

Currently, no significant labour, environmental and human rights grievances arose in the Sogefi Group:

- No relevant financial implication due to climate change for the Sogefi Group has been recognised.
- No relevant situation within the Group at significant risk for the Human rights issues: 'Freedom of association and collective bargaining'; 'Child labour'; 'Forced or compulsory labour'; 'Discrimination'.
- No incidents of corruption within the Sogefi Group. Sogefi is actively committed to contrast these crimes/conducts that go against Company's principles set in the Code of Ethics.
- No significant anti-competitive behaviour, anti-trust and monopoly practices arose in the Sogefi Group.



1.4 Commitment towards sustainability

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

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

Therefore, sustainability is indeed about ensuring long-term financial success, but also comprehending and addressing the major needs of Stakeholders that are impacted by the Group's decisions and actions. This is even truer when applied to the automotive sector, as there is a continuous need to understand and reflect the ongoing changes and challenges in the regulations with respect to safety standards, the environment and to the wish of promoting the sustainability principles throughout the supply chain.

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

Group Stakeholders

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

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

Starting with the features of the automotive sector, the characteristics and the business activities of the Group, Sogefi carried out a detailed analysis of its Stakeholders, identifying their degree of influence/dependence and analysing the importance that they assign to the specific sustainability issues of their sector and the context in which they work. A map showing the 12 clusters of Stakeholders identified is provided below.

THE STAKEHOLDERS OF THE SOGEFI GROUP



Materiality Analysis

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

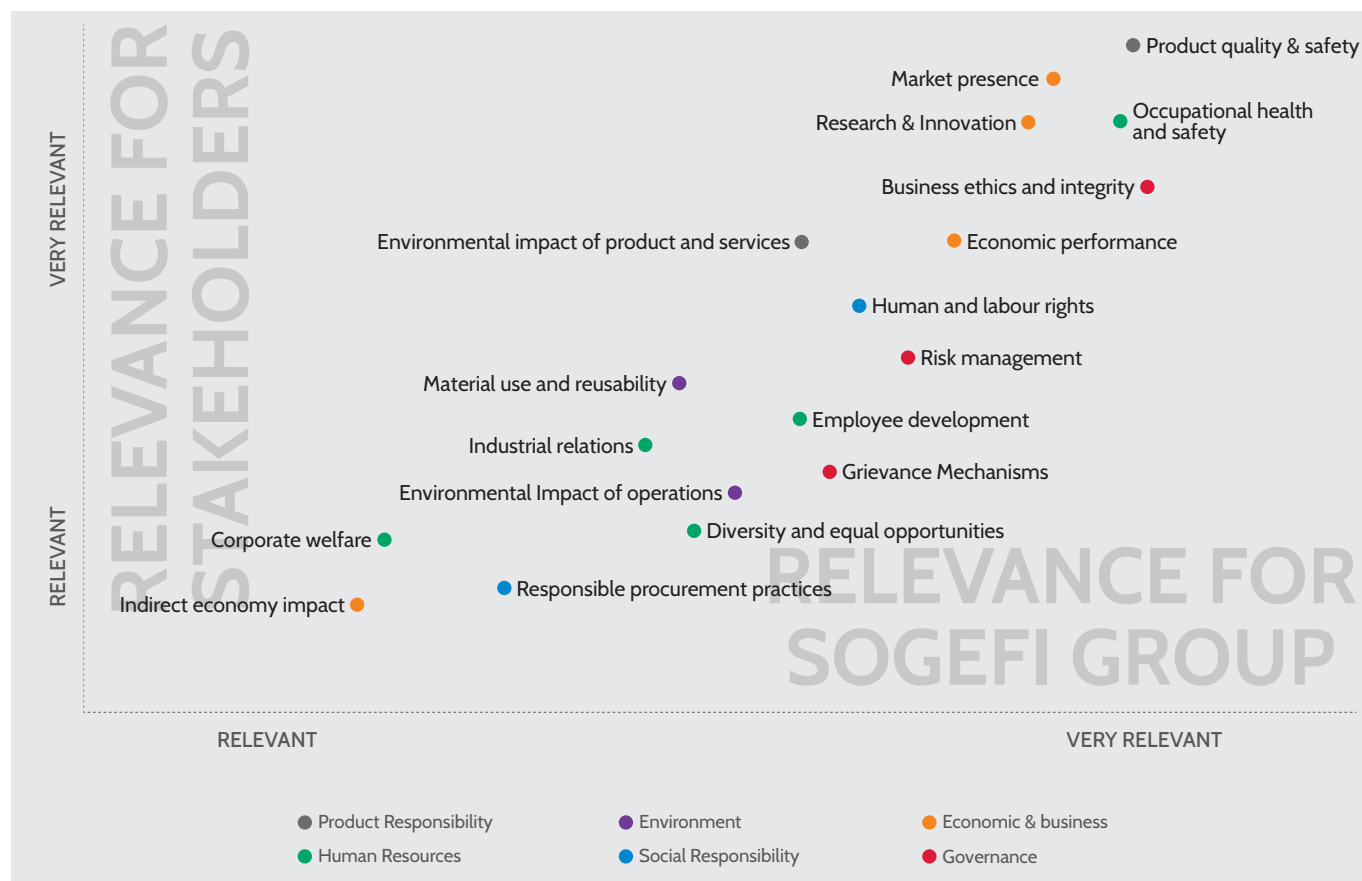
This analysis, carried out in compliance with the guidelines defined by the Global Reporting Initiative (GRI G4), allowed the Group to identify those aspects deemed material, i.e., which have significant impacts for the organisation from the economic, environmental and social perspective and – at the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

The mapping process was conducted asking several company representatives to complete a questionnaire and assign a score to a list of different topics, with the final aim of evaluating their relevance for both the Group and its Stakeholders. All participants made a significant contribution to identifying the main impacts that the Group's activities have on the various stages of the value chain.

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

Ultimately, a materiality matrix was created through the identification of 18 sustainability-related economic, environmental, social and governance topics, matching their relevance for Sogefi and Stakeholders.

MATERIALITY MATRIX



1.5 Local communities

As a Group with presence in several countries worldwide, Sogefi is committed to investing in the communities in which it has a direct impact. The main objective is that of promoting their social and economic development. For this reason, the Group supports local communities through different initiatives aimed at generating awareness among its employees to further strengthen the relationship between Sogefi and the community. Such initiatives can be divided into four major areas:

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

LOCAL COMMUNITIES INITIATIVES WORLDWIDE

EDUCATION AND SPORTS



UNITED KINGDOM

Sogefi UK took part of the STEM Project (Science, Technology, Engineering and Mathematics) through regular school visits where a senior member of the management team was actively involved in mentoring students. The objective was to better illustrate STEM principles and to generate interest in STEM subjects to drive students to pursue career in this direction.

Moreover, Sogefi Filtration in UK donated a stack of brand new filters to the Bradford College. This donation will support and improve the students' learning experience when servicing vehicles and will help them prepare for life in industry given that new filters will replicate what happens in the working reality.



ARGENTINA

Sogefi Argentina, instead, donated several computers to support local low-income educational institutions with the purpose of strengthening the learning process of the children. The company also donated sport equipment and gear to the main sport clubs of the community.



U.S.A.

In US, Sogefi contributed in the "Toyota Sponsored Event for Special Olympics", a fundraising event to support an organization that helps disabled people to compete in sports.



NETHERLANDS

As part of Sogefi's commitment to local community development, different initiatives were supported by the Hengelo plant in the Netherlands. Students from different schools were involved in technical industry trainings in order to assure future employees.



GERMANY

Sogefi Germany sponsored local sports clubs to promote social activities for young adults in the region, where several cultures live together. Moreover, the company sponsored the "Kontrakt" project which focused on helping students at school and supporting them in finding internships.



INDIA

Sogefi in India has adopted a local rural government school close to its plant in Bangalore which, due to poverty, had no facilities for its 4th and 5th grade students (from 6 to 10 years). For this reason, Sogefi took the initiative to promote education among children by constructing a classroom with water and required facilities in order to encourage primary education. During 2017, the initiative will be spread among all plants located in India.

HEALTH AND RESEARCH



UNITED KINGDOM

Sogefi UK invested in the development of the local community through supporting charities like the Macmillan Cancer Support, for which employees raised money to help the organization give medical, practical and emotional help to people affected by cancer.



U.S.A.

In US, Sogefi participated in the FedEx Sponsored Event "plane pull at the local airport", which benefitted The Ronald McDonald House - an organization helping families with critically ill children. The competition involved teams of donors to pull a Boeing 757 airplane weighing 127,000 pounds a distance of 12 feet in the fastest time. Sogefi team won, pulling the plane in in about 8 second with only 15 volunteers!

SOLIDARITY



U.S.A.

Every year at Christmas time, Sogefi USA participates in the Lighthouse of Oakland County 'Adopt-A-Family' program with the aim of supporting the local community. Within the scope of the program, Sogefi adopts a local family (with typically 3-4 children) and, based on their wish list, employees buy and donate items to the family for Christmas.

Sogefi in USA, supports the "Shop with a Cop", a program which involves the local police shopping for Christmas presents with poor children.



ARGENTINA

Sogefi in Argentina organizes every year a child's day to collect different gifts that are later distributed among the employees' children.

During 2016, Sogefi in Argentina, supported various activities as part of their commitment to the local community. In particular, employees donated food, clothes, stationary to a children's home and to a local church that gives shelter to people in need.



INDIA

Sogefi in India participated in the SMNR Floor Fund, which aims at collecting funds for distribution among the Chennai Cuddalore flood affected areas. To support this initiative, some of the employees visited the above-mentioned areas during the weekends in order to assist the victims.

ART AND CULTURE



BRAZIL

During 2016, Sogefi in Brazil supported and sponsored several projects and institutions in the art and culture domain. In particular:

- ICA project - an institution located in Mogi Mirim with the mission of educating children and teenagers through art.
- Lyra Mogimiriana - a local school that gives free music classes with the aim of "building citizens through musical education.
- Casa das Artes - an association with the objective to preserve and foster culture through music, theatre and art.

Sogefi in Brazil has agreed to collaborate with FATEC, an association that organizes a yearly fair to give voice to local companies and their activities.



2 Economic responsibility

2.1 Economic performance

Sogefi reported significant revenue growth in 2016 to € 1.6 billion (+5.0%). The revenue growth was driven by significant development in North America and in Asia. All Business Units and all geographical areas, with the exception of Latin America where the global market remained in recession contributed to growth.

In the words of Laurent Hebenstreit, Sogefi's Chief Executive Officer, *"in 2016, Sogefi made progress in quality and productivity. The results show the impact of the turnaround actions undertaken by Sogefi in the past 18 months to improve profitability and cash generation"*.

SOGEFI GROUP RESULTS HIGHLIGHTS 2016			
€m	2016	2015	Δ%
Revenues	1,574.1	1,499.1	5.0%
EBITDA	152.7	115.5	32.2%
Net result	9.3	1.1	
Net debt (end of period)	299	322.3	

EBITDA in 2016 grew by € 37.2 million to € 152.7 million, representing a +32.2% increase compared to €115.5 million in 2015. The increase benefited from revenue growth and from the improvement in profitability.

EBIT increased by 46.8% to € 74.5 million compared to € 50.7 million in 2015. The result before taxes and minority interests was a positive € 46.6 million (€ 17.9 million in 2015), benefiting also from non-recurring financial income of € 6 million.

The net result was a positive € 9.3 million compared to € 1.1 million in 2015. At December 31, 2016 shareholders' equity excluding minority interests amounted to € 172.9 million (€ 170.8 million at December 31, 2015).

Net financial debt stood at € 299 million at December 31, 2016, registering a €23.3 million improvement compared to € 322.3 million at 31 December 2015.

SALES BY GEOGRAPHICAL AREA						
€m	2016	2015	Reported change	Reference market*	Like for like change**	Weight based on 2016
Europe	957.2	943.8	1.4%	3.5%	2.2%	60.8%
North America	308.7	264.1	16.9%	2.0%	21.0%	19.6%
South America	162.2	174.5	-7.1%	-8.7%	15.8%	10.3%
Asia	139.6	111.1	25.6%	13.3%	30.0%	8.9%
Other	6.4	5.6	-	-0.6%	-	-
TOTAL	1,574.1	1,499.1	5.0%	4.8%	9.8%	100%

* Passenger cars and LCV production volumes.

** Constant Exchange rate.

Source: Sogefi and IHS estimates.

The revenue growth was driven by significant development in North America (+16.9%) and in Asia (+25.6%) while Europe reported an increase of 1.4%. Revenues in South America, however, declined by 7.1% (+15.8% at constant exchange rates), but grew by 13.9% in the fourth quarter thanks to the first signs of market recovery.

SALES BY BUSINESS UNIT					
€m	2016	2015	Reported change	Like for like change*	
Suspensions	562.8	558.0	0.9%	6.2%	
Filtration	535.1	529.7	1.0%	6.7%	
Air & Cooling	480.2	415.3	15.6%	18.4%	
Intercompany	-4.0	-3.9	-	-	
TOTAL	1,574.1	1,499.1	5.0%	9.8%	

* Constant Exchange rate

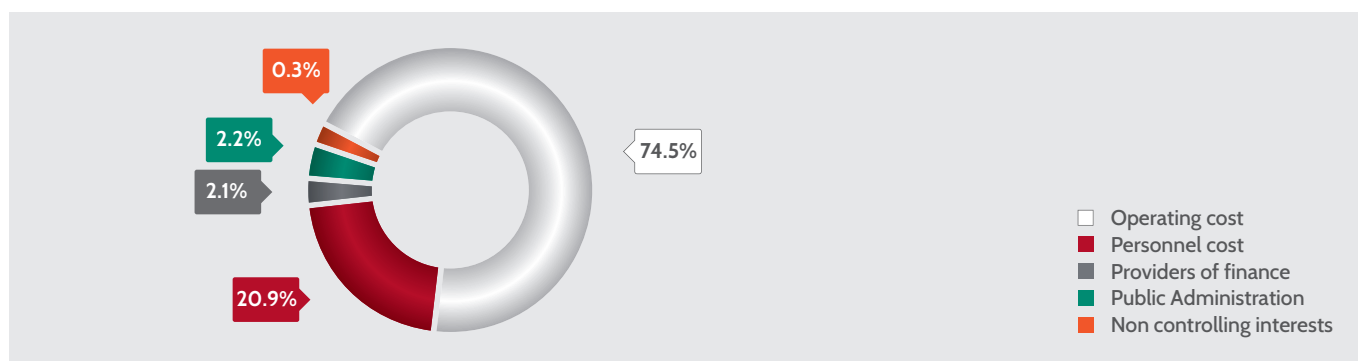
The Air & Cooling sector, which reported a 15.6% sales increase (+18.4% at constant exchange rates) contributed largely to the progress of the Group. The revenues of the other two business units were affected by the evolution of exchange rates: the Suspensions sector reported revenue growth of 0.9% (+6.2% at constant exchange rates) and Filtration reported a 1% increase (+6.7% at constant exchange rates).

2.2 Economic Value generated and distributed

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

STATEMENT OF ECONOMIC VALUE OF THE SOGEFI GROUP		
€m	2016	2015
Sales revenues	1,574.1	1,499.1
Other gains and losses	-23.5	-33.7
Economic Value generated (gross)	1,550.6	1,465.3
Depreciation and amortisation	68.8	64.4
Economic Value generated (net)	1,481.8	1,401.0
Operating costs	1,096.7	1,044.1
Personnel	307.0	306.1
Providers of finance	31.5	32.8
Non-controlling interest	4.7	3.9
Public Administration	32.6	12.9
Economic Value distributed to Stakeholders	1,472.5	1,399.8
Group net result	9.3	1.1
Economic Value retained by the Group	9.3	1.1

2016 - ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS (%)



The component **sales revenues** represents Sogefi's revenues from the sale of goods and services. As already stated, Sogefi experienced revenue growth in 2016 sustained by all Business Units and in particular by the development of Air & Cooling, and thanks to the positive performance of all regions except of South America.

Other gains and losses consist of other non-operating expenses, gain on disposal (for 2016, it relates to the sale of the S. Père site of subsidiary Sogefi Filtration France S.A.), net exchange losses (mainly attributable to Mexican subsidiaries and reflecting the depreciation of the Mexican Peso) and losses and gains from equity investments.

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

In 2016 gross Economic value amounted to € 1,550.6 million, showing a 5.8% increase compared to 2015.

This value, after the deduction of depreciation and amortisation, is the **net global Economic Value**. In 2016 it amounted to € 1,481.8 million.

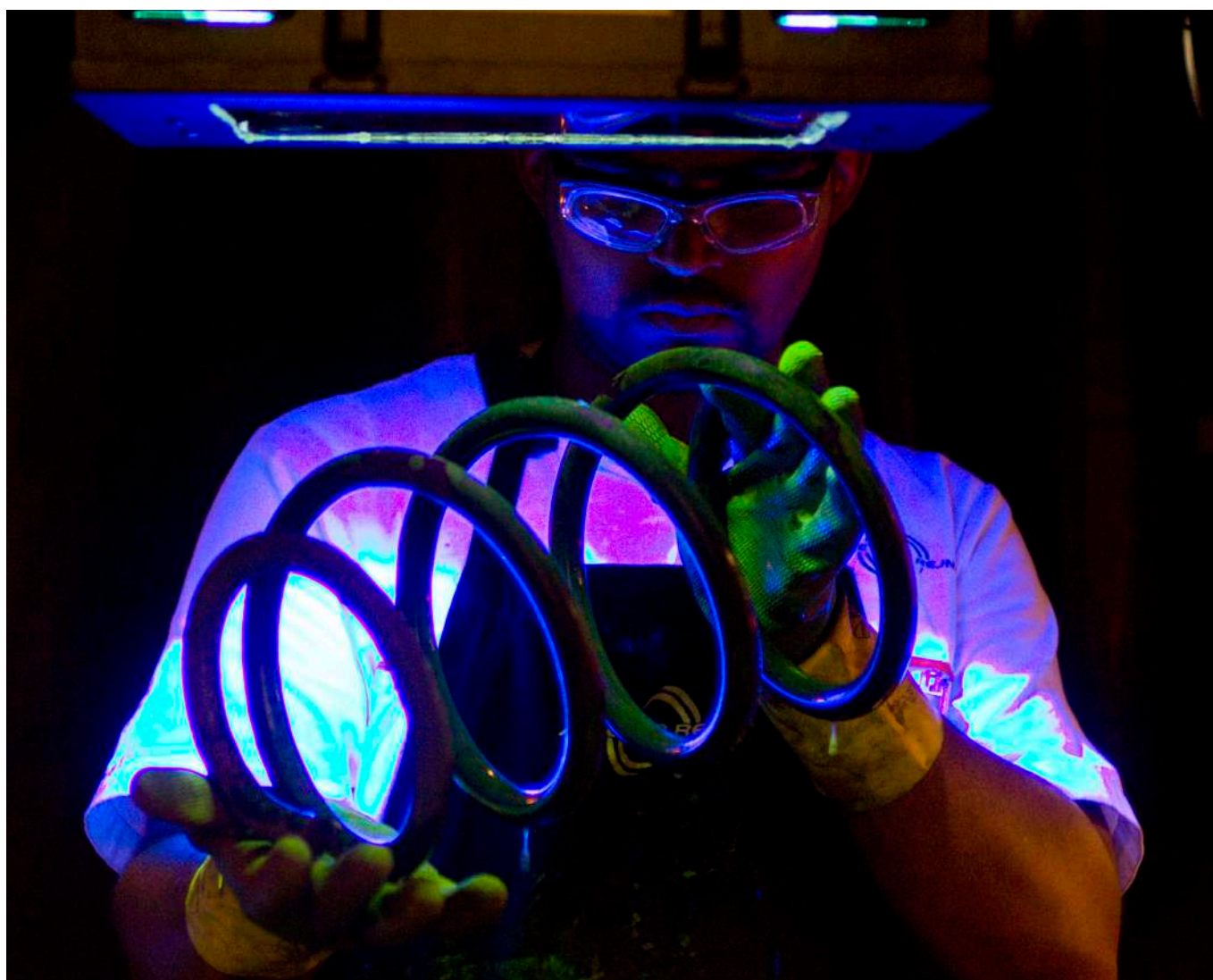
The Economic Value generated is broken down as follows:

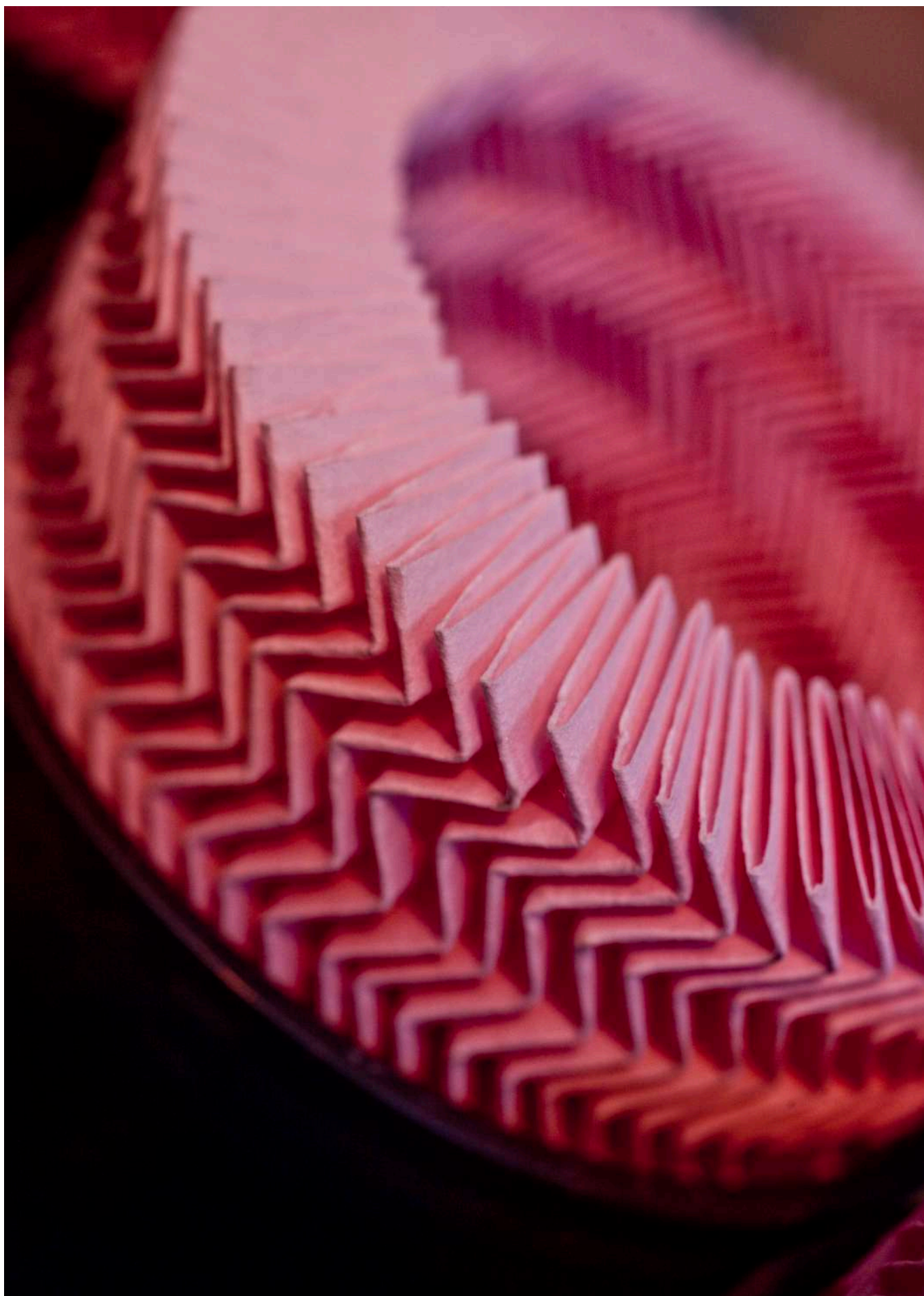
- **Operating costs** amount to € 1,096 million (+5.0% compared to 2015), which are made of manufacturing and R&D overheads, distribution and sales fixed expenses and administrative and general expenses, as well as the cost of goods sold. Operating costs represent 74.5% of the total Economic Value distributed by the Group.
- The Economic Value distributed to Group's **personnel** accounts for € 307.0 million (+0.3% compared to 2015). This figure comprises mainly personnel costs in terms of wages, salaries and contributions, pension costs (defined benefit plans and defined contribution plans). The figure also includes restructuring costs. 20.9% of the total Economic Value distributed by the Group is allocated to Personnel.
- The distribution of Economic Value to **providers of finance** mainly refers to interests paid in 2016 by the Group on bonds and interests on amounts

due to banks. This accounts for approximately € 31.5 million (-4.0% compared to 2015). Providers of finance are the beneficiaries of 2.1% of the total Economic Value distributed by the Group.

- Distribution of Economic Value generated to the **Public Administration**, mainly in the form of income taxes, accounted for € 32.6 million (+152.7% compared to 2015). The increase compared to 2015 came as an effect of the higher pre-tax result and non-recurring taxes of € 10.2 million. 2.2% of Group's Economic Value generated in 2016 is allocated to Public Administration.
- Economic Value was also distributed to non-controlling interests, accounting for € 4.7 million (+18.5% compared to 2015). This represents 0.3% of Group's Economic Value generated. No dividends were paid to the Holding Company shareholders during the year 2016..

In 2016, the Economic Value retained by the Group amounts to € 9.3 million – consisting of the Group Net Result.







3 Focus on quality and safety

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

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

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

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

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

Both policies can be accessed by all stakeholders through the Group website. Furthermore employees can also access the policies through the internal communication system.

In correlation with the Group's quality policy, all plants¹ are currently certified with the international standards ISO 9001 and ISO TS 16949, which define the quality management system requirements for the design and development, production and, when relevant, installation and service of automotive-related products.

¹ The calculation includes 40 production sites, excluding only the Saint-Soupplets plant due to the fact that it is mainly destined for the manufacturing of prototypes.

INTERNATIONAL MATERIAL DATA SYSTEM (IMDS)

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

The International Material Data System (IMDS) is an important part of this process. IMDS is a mandatory system used to report the chemical composition of Sogefi's products. The system is also completed by suppliers, and data is assembled into a report package that is made available to carmakers, allowing them to ensure the absence of prohibited materials and calculate the percentage of use per raw material in the finished vehicle. IMDS is a key element for all Sogefi products, and our engineers are in charge of compiling and reviewing all the information received from suppliers, ensuring that the information meets IMDS and Customer specific requirements. IMDS approval is necessary to pass the Production Part Approval Process put in place for start of production approval by.

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

Such data management platforms are used by Sogefi also to be compliant with local regulations of the countries where the product is developed and marketed, following the major requirements related to the European directive 2000/53/CE, REACH regulation 1907/2006/CE annex XIV, CLP regulation 1272/2008//CE, conflict minerals (CFSI) and customer specific requirements.

APPLICATION OF THE BACK TO BASICS PROGRAM

Quick Response Quality Control

(QRQC)

Introduction of a new mindset
at all company levels:

Increase detection and reactivity for
customer claims

Standardize
problem solving process

Best practices/lessons learned sharing

Increased involvement
of top management

Single method
from shopfloor to CEO

Increasing focus on quality

Improving product quality and the respect of customers' expectations has always been essential for the Group. The program named 'Back to basics' – launched in the fourth quarter of 2015 – was continued in 2016 in order to emphasize the attention towards product quality. The strategic pillars of this new program are based on verbatim customer perception and overall quality performance of the company, involving a specific escalation process as well as dedicated KPIs.

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

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

During 2016, Sogefi made a significant improvement on the management of warranty performance.

Sogefi Filtration Quality Portal

In 2016 the Filtration business unit set up a quality portal to allow Sogefi Filtration European OE Quality department to share its news and documentation system throughout Sogefi Group.

All Sogefi has access to a variety of features, including the main documents deployed by Sogefi Filtration Quality (Back to Basics QRQC, PDCA/FTA, main

procedures, instructions files, etc.) linked to the Supplier Quality Sharepoint; the latest news about Filtration Quality and much more. It also includes links to the main OE Customer Portals.

Products risk assessment

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

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

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

The tool used for risk analysis in product and process design is an industry standard tool called Failure Mode Effects Analysis (FMEA), through which risks and countermeasures are identified and managed. The analysis starts from the initial concept phase, follows the entire project management and product design cycles and is maintained up to date during mass production to serve as a knowledge base for future developments.

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

Non compliance management

In 2016, no systemic issues were detected during ISO/TS16949 and the ISO 14001 external audits. Only minor issues were identified, but with very limited impacts for interested parties.

Sogefi resolves non-conformities by analysing the root causes and undertaking corrective actions. In addition, an internal audit process is applied preventively. The non-conformity management process is supervised by the certification body, according to the certification rules (processing steps and response times) in order to address potential risks derived from such gaps, as a means to analyse

and treat root causes. The effectiveness of the actions is then evaluated one year later by the external audit body. In this way, the risk of recurrence is significantly reduced. In 2016, all non-compliance issues were reviewed and closed by the certification body.

Conflict minerals

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

During 2016, Sogefi Air & Cooling planned to add concepts related to conflict materials as part of the Supplier Quality Manual. In addition, the Group will require new suppliers to disclose whether their products contain conflict minerals such as the 3 Ts (tantalum, tin, tungsten) or gold. If that is the case, Suppliers will be required to provide the Conflict Minerals Reporting Template (CFSI), a reporting template developed by the Conflict-Free Sourcing Initiative to facilitate the transfer of information through the supply chain regarding mineral country of origin and smelters and refiners being utilized.

Moreover, some of the Air & Cooling plants count on single suppliers that provide specialized disclosure reports regarding conflict minerals.

Major customer quality claims

There are claims in progress by two customers relating to a defective component supplied starting from 2010 by the subsidiary Sogefi Air & Refroidissement France S.A.S. (formerly Systèmes Moteurs S.A.S.) before and after it was purchased from Dayco Europe S.r.l. during 2011.

In May 2016, the Company obtained an arbitration award in the international arbitration proceedings initiated against Dayco to recover the costs incurred by SM after the acquisition.

In short, the award confirmed that Sogefi has a general right to indemnification for the claims relating to products manufactured before Sogefi purchased SM, and ordered Dayco to pay Euro 9.4 million to Sogefi. This amount has been paid at the end of the year 2016.

If appropriate, the Company will claim such general right to indemnification against Dayco in connection with other amounts paid to customers for defective components produced before Sogefi purchased SM.

For more information on the claims, please refer to the 2016 Consolidated Financial Statements report.





4 Innovation and product responsibility

2016 HIGHLIGHTS

Investment priorities

Increase production capacity
Industrialise new products
Improve processes
Increase productivity

Key market challenges

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

€ 58.8 m

Investments
in tangible fixed assets

11

R&D Centres spread
in 5 countries

17

Number of R&D
projects marketed

216

Number of patents

Sogefi R&D Centres - highly specialised teams

Sogefi Research Centres are characterised by the presence of several professionals taking care of different steps of the innovation process:
technical marketing teams, innovation teams, patent teams, laboratory specialists, product engineering teams, testing and laboratory teams, designer specialists, prototyping teams and simulation teams.

4.1 Research and innovation

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



The automotive market is in constant evolution, which explains Sogefi's focus on analysing the market's needs in order to allocate expertise according to the sector's future needs. The development of new applications such as cleanliness of parts delivered, reduction of fuel consumption, reduction of CO₂ emissions, smaller engine size, electrification of cars, and the addition of more mechatronic components are at the core of the Group's strategy.

Furthermore, Sogefi is highly committed to the advancement of a global vehicle platform involving significant international collaboration in order to increase the capability for both product development and production.

The Group's Research and Development expenses amount to approximately 2.4% of annual revenues. The aim of Sogefi's R&D teams is to meet the expectations of global clients by finding improved technical, economic and environmental sustainable solutions through ongoing innovation.

Its research centres, located in Brazil, China, France, Germany, India and the US, have always been committed to studying and patenting solutions that reduce raw material consumption, waste production, noise, energy consumption and emissions, in order to improve comfort, driving safety and environmental protection.

R&D KPIs				
GROUP R&D KPIs	2014	2015	2016	CAGR 14-16
Number of patents	189	193	216	6.9%
Number of R&D projects going to the validation phase	17	22	35	43.5%
Number of R&D projects implemented and marketed	8	15	17	45.8%

KEY DRIVERS TO INNOVATION

- CO₂ and pollutants emissions reduction
- Weight reduction (replacement of metal with plastic)
- Reduction of fuel consumption
- Cost optimization
- Customer satisfaction
- Global manufacturing platforms and standardization
- Addition of mechatronic components for better engine control
- Reactivity
- Reliability, robustness of the product developed
- Integration of functionality in product design
- Product competitiveness
- Quality: noise suppression and corrosion protection

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

The Sogefi Group defined a specific innovation process as follows:

- First, a screening is accomplished to evaluate the potential of the new concepts in terms of both technical performance and competitiveness. This can be done also with the help of external laboratories or universities, leveraging on their specific technical skills.
- Subsequently, a development phase is carried out in order to develop the solutions that bring a major improvement. To optimise resources and energy, experts, designers and suppliers can be involved. A quick prototype concept is then launched in order to confirm calculations and to make first testing evaluations.
- Finally, a full prototype of the innovative components is manufactured in order to validate the global innovation and finally prove the robustness of the innovative solution.

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

This massive sum of data is then compiled and evaluated against the

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

Finally, the resulting ideas are developed by the innovation team with the objective of delivering a concept ready-to-use by the design office.

It is worth to mention that this process is also deeply linked with research and expertise processes, in which all development teams (Innovation, Technical Marketing, Industrial Property and Expertise & Research) are committed to provide more sustainable products that will reduce the amount of CO₂ and pollutants emissions.

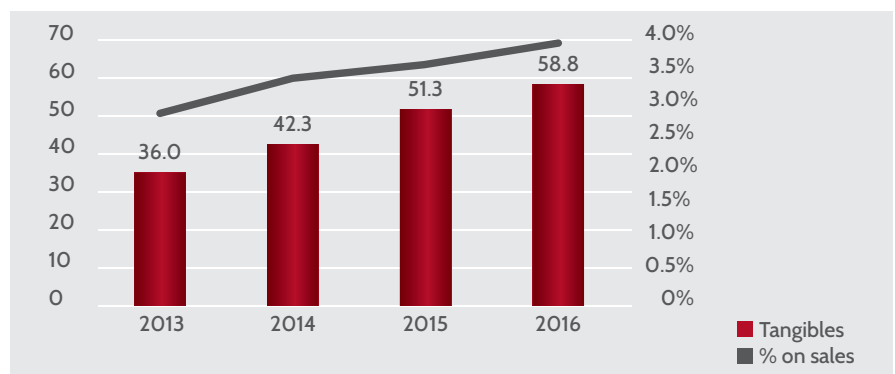
Ideas and innovations are not only reserved to a specific function of the company. That is why, **Sogefi Air & Cooling Business Unit** involved all its employees in finding new ideas to improve either products, processes, supply chain or organizational objectives. During 2016, brainstorming activities were held with cross-functional teams on a monthly basis in order to collect ideas based on specific criteria. Later on, the selected ideas were supported by a specific team in charge of developing a new reliable solution.

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

INVESTMENTS IN RESEARCH & INNOVATION

Investments in tangible fixed assets grew from € 51.3 million in 2015 to € 58.8 million in 2016 and were mainly aimed at enhancing production capacity, engineering new products, improving industrial processes and increasing productivity.

TANGIBLE INVESTMENT (€m)



Open Innovation approach to R&D

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

In 2016, the **Filtration Business Unit** started new collaborations with several companies and institutions. In particular:

- Cooperation to develop recycled products as well as co-design applications with SOLVAY Engineering Plastics
- Set-up partnership with research institutes like the CNRS for investigation on breakthrough filtration functions, or the CEA Tech to investigate new fields of business
- Establishing relationships with start-ups through the MOVEO network

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

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

Other collaborations of Suspensions include studies undertaken with the French rubber & plastics research & testing laboratory (LRCCP)* to enhance skills on elastomeric components and with ACG Industrie for epoxy paints.

* Laboratoire de Recherches et de Contrôle du Caoutchouc et des Plastiques.

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

- Exchanges are ongoing with the CEA Tech (Commissariat à l'Energie Atomique et aux Energies Alternatives) for our advanced research programs.
- Focused studies on specific subjects such as thermal exchange with the FEMTO research centre (Franche-Comté Electronique, Mécanique, Thermique et Optique).
- Water Charge Air Cooler partner involved in the MAGNI Air Intake Manifold innovation (WCAC integration in manifold).
- Development and testing of a new material formulation between Sogefi in the NAFTA region and BASF. The new material has the objective of transmitting pan applications with the potential to significantly reduce the cost of current material.

R&D fostering through specialized conferences

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

In 2016, Sogefi specialists participated as speakers in some of the most relevant conferences of the sector. In particular, Sogefi presented its new fuel filter made of recycled plastic at the *ITB Automotive Fuel System Shanghai PRC*, *SOLVAY Gorzow Plant Opening Ceremony* and *Lightweight Vehicle Munich*.

R&D experts in the **Filtration Business Unit** were invited to more than 10 conferences related to innovation to improve the understanding of the new trends of the sector. For example, Sogefi participated in the Filtration 2016 Conference & exhibition, to investigate into media manufacturing methods, trends and equipment suppliers.

For what concerns **Air & Cooling**, Sogefi attended several conferences regarding the use, re-use and recycling of plastic in the automotive industry to gain relevant inputs for its innovation process. An example of conferences attended is the Plastic Powertrain Parts 2016 Conference, which follows evolution of customer requirements and opportunities.

Lastly, the **Suspensions division**, regularly participates to the JEC conference ("Journées Européennes du Composites), the most well-known event in the world for composite materials and equipments. The participation to the conference enabled relevant exchanges with new potential suppliers and major OEMs, in order to focus on new possible innovation strategies.

4.2 Reducing product environmental impact

Sogefi believes that spreading awareness and respect for the environment amongst employees, customers and local communities is essential to its business. For this reason, the Group is committed to meeting the needs of its customers and to creating value for its Stakeholders, whilst reducing its environmental impact and complying with relevant regulations.

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

Minimising production processes impact

In order to foster the environmental protection in its approach to business, Sogefi has set up an Environmental Management System to protect the environment and to reduce and control environmental risks and impacts (including the prevention of pollution). In particular, currently 98%⁶ of Sogefi sites are certified with ISO 14001 standard, and Sogefi is committed to cover all the production sites with ISO 14001 2015 standard certification by the end of 2018.

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

Moreover, during project development phases, the Group looks carefully at the recyclability of products when end-of-life occurs. For example, the main activity of the Air and Cooling Business Unit is to transform thermoplastic raw material into automotive products and special attention is placed on avoiding the use of bi-material solutions, which does not ensure easy recycling. To avoid unnecessary waste and to reduce the environmental impact, raw plastic materials coming from scrap are blended into original raw materials when validation is successful and customer approved this process. If it is not so, scraps are sold to specialised companies, which recycle them; similarly, within the Suspensions Business Unit, scrapped process materials are sold to specialised companies to recycle them. For more information on materials used, please consult the paragraph 6.6 ‘Materials used and reusability’.

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

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

In some plants, water is processed before being sent back to nature. In others, water used in production processes is in closed loop allowing Sogefi to strictly monitor thermal exchanges between the internal cooling system and the external water used: any increase in water temperature is managed in accordance

⁶ The calculation includes 40 production sites, excluding only the Saint-Soupplets plant due to the fact that it is mainly destined for the manufacturing of prototypes.

with environmental authorities in order to avoid any impact on wildlife and flora. For more information on waste and water discharge, please consult paragraph 6.5 'Water discharge'.

Additionally, Sogefi worries about the location of its plants. For this reason, the Group is committed to minimize the transportation of products by strategically situating its plants. During 2016, the identification and qualification of local suppliers increased in order to reduce its environmental impact.

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

Reducing environmental impacts through products

CO₂ emissions regulations are getting increasingly stringent for most markets. Europe is heading towards the objective of producing 95g CO₂/km by 2020. This will deeply challenge the carmakers to achieve such a demanding target.

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

Also for Filtration and Air & Cooling, weight reduction is a key driver for innovation with the introduction and development of solutions that substitute the use of steel and other heavy materials with the lighter plastic.

Other solutions to reduce CO₂ emissions for powertrain include a better management of the engine warm-up phase, solutions towards an optimal thermal management and combustion efficiency increase.

In 2016, Sogefi proposed innovative solutions for Water Charged Air Cooler (WCAC) built on plastic air intake manifolds in order to improve engine efficiency and to have a quicker engine response time. The challenge was to develop at optimize cost a concept which permits the assembly of a WCAC fully encapsulated inside the manifold with the sufficient level of reliability. Sogefi innovation, **named MAGNI Air Intake Manifold** (MAGNI is the North God of the Power), has passed successfully all the endurance tests realized in our validation laboratory.

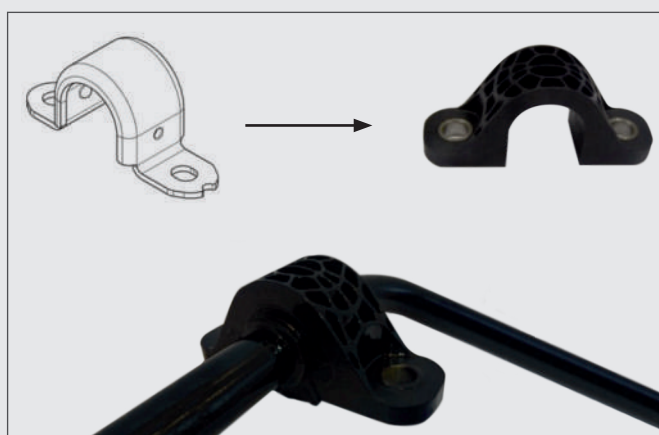
Furthermore, Sogefi continuously works on **reducing car noise** through innovative noise attenuation systems. For this reason, the Group has developed

a new brand of acoustic devices, the LPA Step2 (Low Packaging Attenuator Generation 2), which aims at ensuring optimal performances with no additional materials and no impact on the packaging. In addition, LPA Step2 complies with customer requirement on engine tests, saving significantly volume, mass and cost compared to resonators.

Below some examples of innovations within the Sogefi Group:

COMPOSITE BRACKETS (SUSPENSIONS)

In order to satisfy the new trends of the sector, the Suspensions Business Unit developed a new concept of composite brackets with the objective of reaching a higher level of weight saving for the stabilizer bars. This new product achieve a weight reduction of 40-60% compared to steel accessories.



COMPOSITE/REINFORCED FIBER GLASS COIL SPRING (SUSPENSIONS)

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

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

PROTECTION OF END COILS – “ACTIVE” PADS (SUSPENSIONS)

This new innovation currently being developed (timeline development: 2015-2017) preserves weight reduction potential, need to improve corrosion resistance between end coils and seats (avoid corrosion wear) by ensuring a permanent contact. Additionally, the target is to deliver the “active” pad assembled (clipped or glued) with the seat.

Advantages:

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

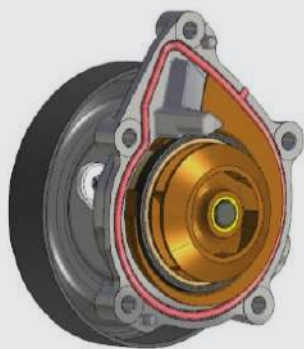
CUSCO WATER PUMP (A&C)

Looking for further powertrain efficiency improvements, as required to reach coming regulation levels, it requires also to have smart engine thermal management. The objective is to precisely control coolant flows and temperatures, on various engine operating points, in various conditions, for all coolant circuits. In this regard, SOGEFI has developed several new products to propose active thermal management solutions to all OEMs demand. The last innovation is the CUSCO water pump which allows flow control of the coolant fluid (from full flow to zero flow), with possibility to adjust flows in intermediate position.

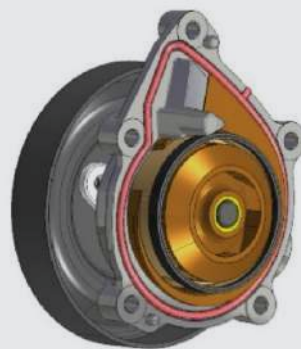
The control system is fully integrated on the pump body and allows to implement our CUSCO solution on existing pump architecture.

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

The response time is almost immediate (about 2 seconds), which solves the major drawback of wax valves used for flow control. In terms of reduction of environmental impact, the complete switch-off during cold start can save about 3% of CO₂ emissions.



CUSCO bell is back: flow inside the engine



CUSCO bell is front: zero flow

AIR INTAKE MANIFOLD MADE WITH POLYPROPYLENE (A&C)

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

Lower density of polypropylene material brings also a strong benefit in term of acoustic emission: noise improvement can be measured thanks to this new material.

Polypropylene has also a strong chemical stability compared to polyamide: moisture absorption is reduced, strong resistance to ethanol ...

This cost effective solution brings at the end **weight saving of 20%**: lighter vehicle means **less CO₂ emission**.



SMART COOLANT VALVE

According to a recent direct injection gasoline vehicle test, on a standard NEDC (New European Driving Cycle) test cycle (today in use for European applications), it appears that almost 9% of the total CO₂ emissions of the powertrain are just coming from the fact that the engine, during warm-up, does not operate at its optimal working temperature.

To solve this problem, the Sogefi Group is implementing a thermo-management solution that should allow the engine to work properly, resulting in benefits for fuel consumption and reduction of CO₂ emissions.

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

- For ICE quicker engine warm-up phase
- For electric/ hybrid vehicles, thermal control of the battery pack
- Can be used for more comfort in the vehicle cabin
- Adaptation of flow to the need on each cooling circuit linked to the valve
- If combined to the smart coolant pump, precise control of the coolant flow in the different circuit branches;
- Precise temperature management;
- Flexible control strategy using all parameters needed by the OEM;
- Limited Cost;
- Significant reduction of CO₂ emissions for ICE



SMART FLOW CONTROLLED COOLANT PUMP

Using the same test background described for the coolant valve Sogefi developed an alternative to optimize the working conditions during warm up. To solve this problem, the Sogefi Group is implementing a flow controlled solution that should allow the engine to work with the exact quantity of coolant, resulting in benefits for fuel consumption and reduction of CO₂ emissions.

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

- Optimized cold start performances;
- Optimal energy consumption;
- Precise engine temperature management;
- Flexible control strategy using all parameters needed by the OEM;
- Module advantage;
- Limited Cost, weight and packaging in comparison with electric or clutched pumps;
- Maximum reduction of CO₂ emissions.

FIRST PLASTIC DIESEL FUEL FILTER USING 100% RECYCLED POLYMER WHEN CIRCULAR ECONOMY MEETS THE AUTOMOTIVE INDUSTRY (FILTRATION)

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

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

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

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

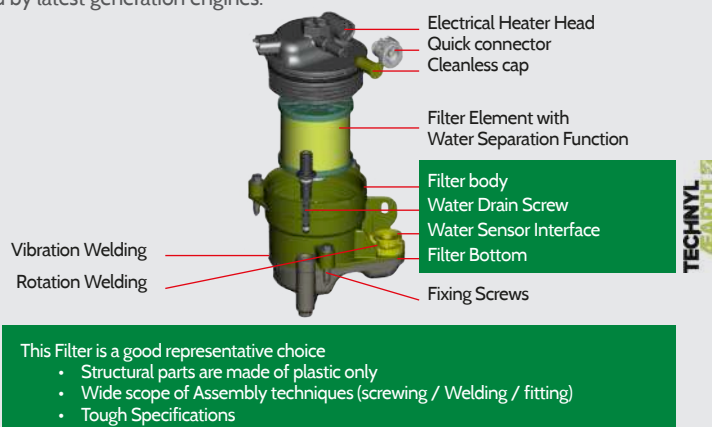
PSA Group has driven the choice of the tested parts (DV engine 1.6l Euro6b application), homologated the material grade and evaluated the whole validation process.

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

Using Solvay elements to evaluate LCA benefits, it has been observed that one year production of DV6 filter could save the equivalent of 483 tons of CO₂ representing a saving of 32% compared to traditional filter.



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



LIFE AUTO PROJECT (FILTRATION)

The LIFE AUTO Project is jointly run by SOLVAY and the Filtration Business Unit of Sogefi and is supported by the EU Directorate-General for the Environment's LIFE+ Program. It aims at exploring innovative solutions that reduce the negative environmental impact of diesel engines through alternatives for the fuel filter, additive tank, dosing pump and electric controller, and ensuring that new diesel car fleets remain below the EU CO₂ emissions 2020 target.

Innovative Solutions

The LIFE AUTO Project focuses on the development of a fuel filter with additive storage and dosing system to address the worldwide diesel market requirements – the Eolys®-simplified injection system (E-SIS®) – as a new dosing system that is fully integrated in the fuel filter perimeter. The E-SIS® concept is one of simplicity and flexibility, and as such it is designed to store the exact amount of fuel additive required to cover the typical fuel filter maintenance interval, and to deliver the quantity of fuel additive required to ensure the vehicle performance.

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

Fuelling The Future

Going forwards, the Solvay and Sogefi team is optimistic that their innovative, flexible and cost-effective E-SIS® concept could be the answer to pervasive problems with the robustness and reliability of particulate filters and high-pressure diesel injection systems. The hope is that the widespread implementation of E-SIS® in the diesel market will reduce CO₂ emissions, contributing to a cleaner environment not just within Europe, but around the world.



5 People in the Sogefi Group

2016 Highlights

6,801

Number of employees

24.1%

Share of female employees
on total workforce

85.6%

Employees covered
by collective bargaining

302.5 €m

Personnel costs

Injury rate

4.9

18.9

Yearly average training
hours per employee



5.1 Occupational health and safety

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

Particularly, in 2016, the Group Human Resources Direction has deployed a monthly reporting on work accidents, presented and commented every month at the Executive Committee. The message has been reinforced by the Group CEO to the Top Management during the annual convention held in September in Paris, when Safety awards have been given to the plants without any accident since the beginning of the year. These initiatives have contributed to raise the level of awareness on health and safety at all levels of the organization. This clearly contributed to a decreasing trend on lost time injuries on the last months of the year. Beside this, the Holding Company Sogefi S.p.A. approved an Occupational Health and Safety Policy, which sets out the principles that all Group operations should observe the Health & Safety management system. Special emphasis is placed on monitoring the risk of accidents, which is a pillar of the operating approach 'Kaizen Way' adopted at all production plants across the world.

Sogefi continued improving its health and safety practices during 2016 in order to strengthen the performance of the entire Group. Some of the most relevant improvements are related to maintaining safe and proper working standards and to achieve zero accidents in the year. Likewise, first aid trainings to employees were provided as a means to prevent any possible incidents both at work and at home.

HEALTH AND SAFETY INITIATIVES WORLDWIDE



UNITED KINGDOM

In Sogefi UK a Monthly Team Brief was determined to allow employees to report any situation that may adversely affect health and safety at work. The initiatives resulted highly effective and thus produced a reduction of accidents during the year. Moreover, Sogefi UK introduced the "duvet days" policy, which allows employees to take a maximum of three unpaid "duvet days" off work during a rolling 12 month period whenever they do not feel capable of performing at work.



ARGENTINA

Sogefi in Argentina held a security week with the aim of reinforcing issues related to hygiene and labour safety. Additionally, two simulations were performed during the year to prepare the workforce for potential emergencies, particularly considering the type of activities. Moreover, different brochures were delivered regarding the prevention of accidents on the way to/from work and about risks of using the cell phone at work and on the road.



SPAIN

Sogefi in Spain implemented first aid training sessions that involve cardiopulmonary resuscitation together with fire extinguishing practices. Moreover, safety at workplace is always the first point of analysis and discussion in every employees' meeting, which is supported by the Safety Committee representation.



MEXICO

Sogefi in Mexico developed a workshop called “What happens after an accident...” in order to increase awareness on safety conditions at work. The workshop consisted in various simulations of everyday activities in which participants had to follow instructions as a way to avoid getting injured, thus, generating a great impact on employees’ behaviour. At the end of the 4-hour activity, the entire group delivered a letter to the leadership team in which each participant signed his/her commitment. The workshop was directed to all employees in Sogefi Mexico, including trainees and external workers.



FRANCE

Sogefi in France prepared welcome trainings adapted to each new employee’s function. On the day of arrival, the Human Resources Department held a meeting during which every new employee received a “welcome booklet” with the aim of introducing topics such as road safety, safety at the workplace and fire risk, as a way to prepare them for their new job. At the end of the welcome meeting, every new entrant and a HR representative jointly signed the general safety instructions sheet. In addition, new entrants were trained by a tutor at their workstations in order to further increase their health and safety at work. Moreover, Sogefi in France put into practice security visits to permanent and temporary employees. These visits took place every second Thursday of the month and were handled by two managers who prepared a “visit card”. Such card included details about working and health conditions of every employee. Likewise, Sogefi in France implemented safety rounds of the plant with a supervisor, a representative of the Health and Safety Committee and the Health, Safety and Environment Coordinator in order to assure that all employees were working under good conditions.

The core of the initiative was to incentivize every employee to take care of himself/herself and his/her colleagues. As a result of the numerous initiatives and policies implemented, the plant of Chateauroux in France achieved a great result: it’s been more than 2 years without accidents.



NETHERLANDS

Industrial accidents are taken seriously by Sogefi in the Netherlands, where a “safety awareness week” was prepared in order to make employees more aware of their own safety. For this reason, some flyers, flags, and balloons were disposed in the main areas of the plant, with the aim of attracting employees’ attention.



GERMANY

For Sogefi in Germany, safety issues are part of the daily early morning production meeting, where injuries are discussed in order to undertake actions that will eliminate potential risks and hazards. The standard procedure consists in filling in a safety red alert form in case of an injury with the aim of reducing the probability of similar incidents in the future.



CHINA

Sogefi in China provided 776 hours about Health and Safety issues to all the employees, generating a decreasing work injury rate during 2016.



BRAZIL

Sogefi in Brazil defined its health and safety service inside the company. This service is named “SESMT” (Specialized Service on Work Safety and Health) and depends on the number of employees, type of manufacturing, risk level, and other factors. Therefore, the SESMT team is coordinated by the Human Resources department and supported by all the areas. The team is composed of two safety/environment technicians, one occupational doctor, one occupational nurse and one ergonomist.

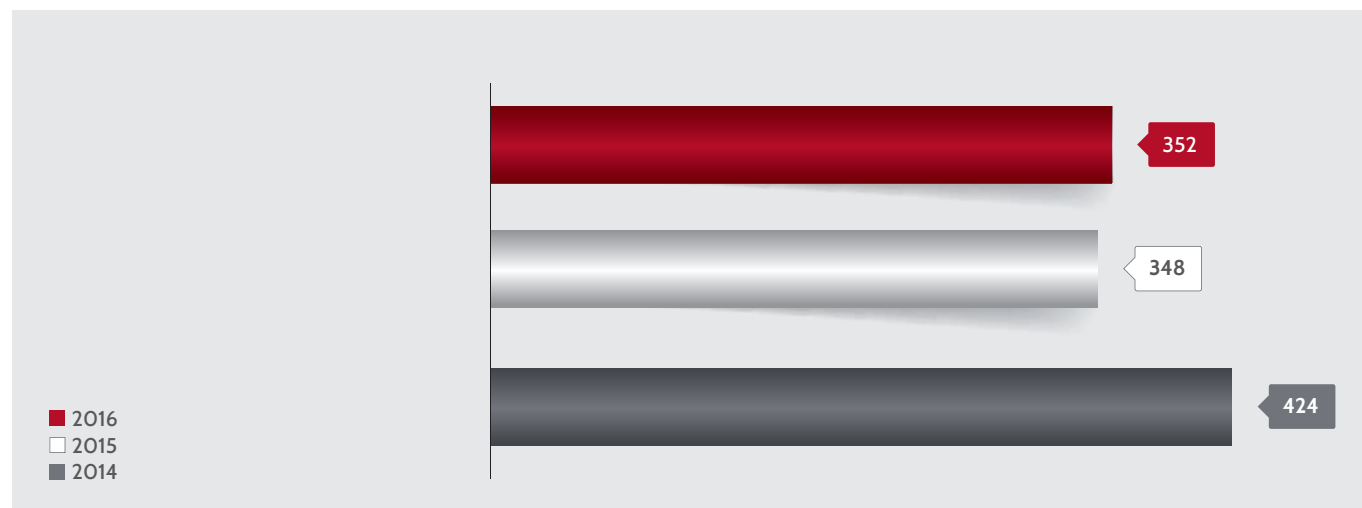


U.S.A.

During 2016, Sogefi USA involved its workers in the management of residual waste by implementing projects such as the W.I.S.E. (Waste Identified for Systematic Elimination) program. This employee suggestion program encourages everyone to think of simple, low-cost ways to eliminate unnecessary time, scrap, consumption of materials, movement, inventory, energy, or safety improvements. The original ideas were reviewed monthly and rewarded \$10, \$25, \$50, \$100, or more based on the benefits produced. The initiative was well received by employees who highly contributed in 2016 with 37 ideas.

In 2016, 352 injuries occurred in the workplace, of which 245 involving men and 107 involving women, with overall a slight increase compared to 2015 (+1.1%).

GROUP TOTAL NUMBER OF INJURIES



OCCUPATIONAL HEALTH AND SAFETY INDICATORS ⁷									
	2014			2015			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Injury rate	7.1	3.9	6.3	5.3	3.6	4.9	4.5	5.9	4.9
Lost day rate	152.1	75.4	132.6	146.4	56.7	123.6	67.8	57.5	65.1
Occupational disease rate ⁸	11.9	12.3	12.0	0.2	0.9	0.4	0.4	0.6	0.5
Absentee rate	4.5%	3.6%	4.2%	2.7%	1.9%	2.5%	3.6%	5.6%	4.1%

⁷ Injury rate, lost day rate and occupational disease rate are calculated on 99.8% of Sogefi 2014 workforce. For 2015, rates are calculated on 99.7% of Sogefi 2015 workforce. For 2016, rates are calculated on 99.9% of Sogefi 2016 workforce. Absentee rate is calculated on 97.8% of Sogefi workforce in 2014; 97.5% in 2015 and 93.6% in 2016.

Injury rate: The frequency of injuries relative to the total time worked by the total workforce in the reporting period, multiplied by 200,000 hours worked.

Lost day rate: It is expressed by comparing the total lost days to the total number of hours scheduled to be worked by the workforce in the reporting period, multiplied by 200,000 hours scheduled to be worked.

Occupational disease rate: The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period, multiplied by 200,000 hours worked.

Absentee rate: Refers to a measure of actual absentee days lost expressed as a percentage of total days scheduled to be worked by the workforce for the same period.

⁸ The occupational disease rate of 2015 differs from what published in the Sustainability Report 2015 due to data restatement

As shown in the table above, in 2016 injury rate remained stable, as a consequence of the decrease of injuries year on year. Lost day rate decrease compared to 2015. Occupational disease rate remained stable. Absentee rate of 2016 showed a slight increase.

With regard to the American standard OHSAS 18001 (Occupational Health and Safety Assessment), Suspensions worldwide, all Air & Cooling plants in NAFTA are currently certified with this international standard, which helps to manage, control and improve the occupational health and safety performance of the entire Group.

Health and Safety Committees

98% of Sogefi's plants are certified ISO 14001, each of them has established a Health and Safety Committee that assesses workers' behaviour concerning safety and makes audits on each business area. Committees are integrated in the Health and Safety management system and contribute to promote a positive health and safety culture, and can contribute to directly involve workers in the improvement of occupational health and safety measures in the workplace. In some plants, Trade Union representatives are entitled to follow health and safety issues.

For instance, Sogefi Brazil elects a Safety Committee (CIPA) every year with the objective of preventing actions that may affect the company's performance. The CIPA committee discussed the main problems raised by them or by their colleagues on a monthly basis. In addition, a Safety and Environment week is planned every year by the SESMT, CIPA, HR and Production teams in order to make employees aware of the risks related to the work environment.

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

5.2 Characteristics of personnel

In 2016, Sogefi had 6,801 employees worldwide, spread over 18 countries.

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

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

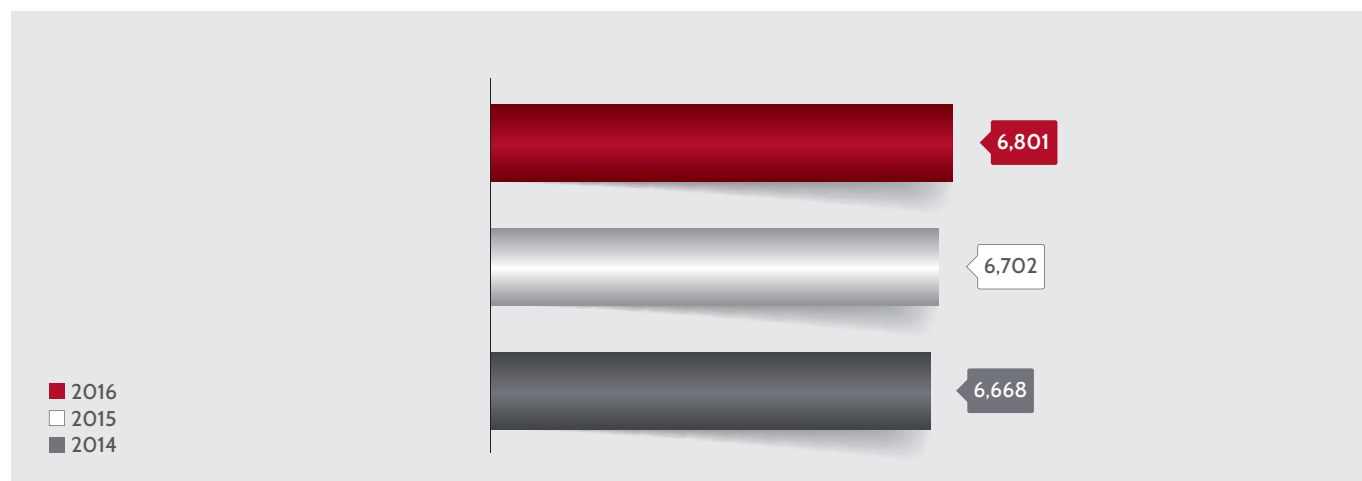
Sogefi Human Resources' approach can be summarised in the following pillars:

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

To further enhance its commitment towards the respect of human rights, in 2016 Sogefi approved a Human Rights Policy, which sets out the principles that all operations of subsidiaries should observe. The aim of the policy is to make respect for human rights an essential requirement in Sogefi's

operations, preventing and mitigating potential risks and consequences related to human rights. Furthermore, through this Policy, Sogefi is committed to promoting the respect of human rights throughout its whole value chain.

GROUP TOTAL NUMBER OF EMPLOYEES



As at December 31 2016, the Sogefi Group counted 6,801 employees (+1.5% compared to 2015). Men made up approximately 76% of the entire Group's population, while women accounted for about 24%.

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

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

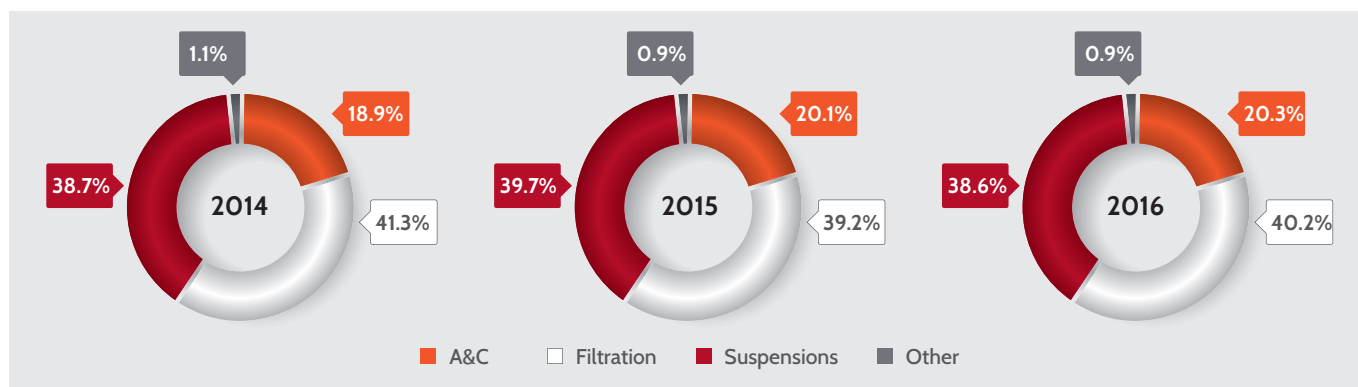
In 2016, Management accounted for 1.6%, Office staff made up 27.5% while Blue collar constituted the majority of employees with 70.9%.

TOTAL NUMBER OF EMPLOYEES BY PROFESSIONAL CATEGORY			
N.	2014	2015	2016
Management	97	98	106
Office staff	1,825	1,866	1,874
Blue collar	4,746	4,738	4,821
TOTAL	6,668	6,702	6,801

With regard to the distribution by Business Unit, 40.2% of Sogefi's population is employed in Filtration, 38.6% works for Suspensions, 20.3% oversees Air & Cooling systems, while the remaining 0.9% represents the holding company Sogefi S.p.A. and Sogefi Gestion S.A.S.

In 2016, the Group did not show any substantial variation compared to 2015 and 2014 in the overall distribution of employees at Business Unit level.

BREAKDOWN OF EMPLOYEES BY BUSINESS UNIT (%)

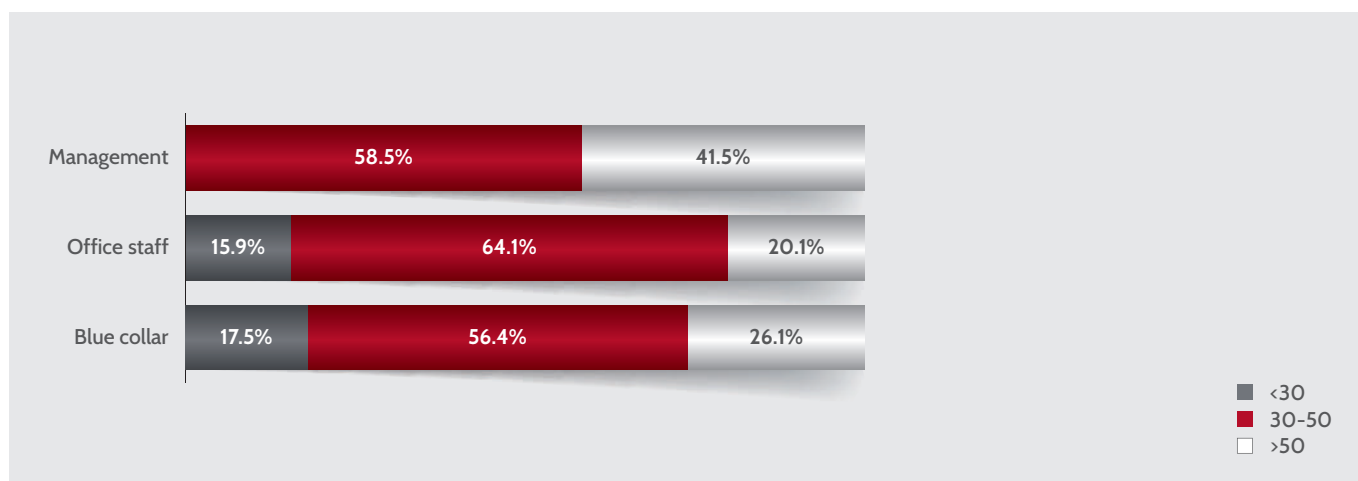


In 2016, the Group recorded an incoming employees' turnover rate of 14.6% and a termination turnover rate of 12.9%.⁹ For more detailed figures related to Group's new hires and terminations according to gender and age, please consult the Annex related to Human Resources.

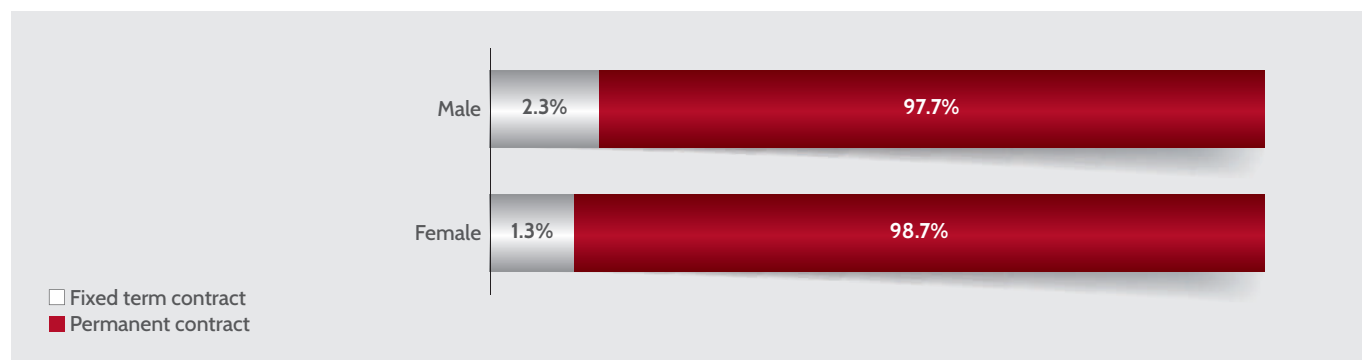
⁹ Figures on new hires and terminations by gender and age Group account for 99.8% of Sogefi 2014 population. Figures for 2015 account for 99.7% of Sogefi 2015 population. Figures for 2016 account for 99.9% of Sogefi 2016 population.

With regard to age distribution of the Group population, most employees are between 30 and 50 years old (58.5%). Sogefi features a reasonable percentage of employees that are below 30 of age: in the Blue collar category 17.5% of the employees are below 30 years old, while 15.9% in the Office staff category.

2016 – BREAKDOWN OF EMPLOYEES BY AGE GROUP AND BY EMPLOYMENT CATEGORY (%)



To promote stable employment, a high percentage of Group's employees have a permanent contract (97.9%). Besides considering it as a tool to foster motivation, the preference of entering into permanent contracts shows the commitment of the Group to establishing long-standing relationships with its employees focusing on long-term perspectives. In 2016, the number of employees with permanent contract increased from 6,141 to 6,659 (+8.4%).

2016 – EMPLOYEES BY TYPE OF EMPLOYMENT (fixed term vs. permanent) (%)

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

RATIO OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE			
	2014	2015	2016
Europe	1.1	1.1	1.2
North America	1.9	1.9	1.7
South America	1.3	1.3	1.2
Asia	1.1	1.2	1.2

EMPLOYEES' WELLBEING

One of the most important objectives of Sogefi Group is to ensure a work environment where employees can demonstrate their abilities, helping create value in the medium and long term. In order to meet this goal, it is essential for the Group to take care of its people, planning concrete activities to guarantee their welfare and a positive work climate.

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

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

5.3 Diversity and equal opportunities

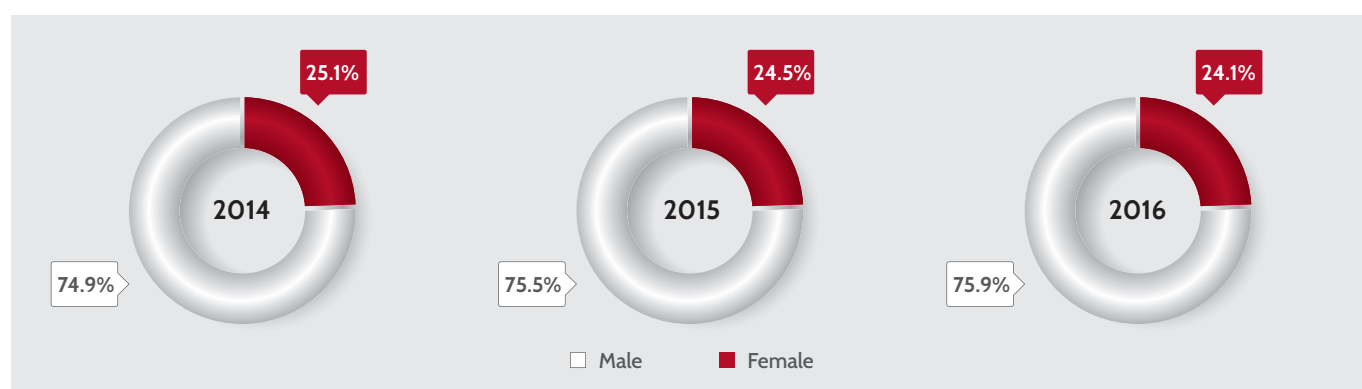
The Group promotes respect for the physical and cultural integrity of each individual in conformity with the UN's Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. Working conditions that respect the dignity of individuals are guaranteed, as is the safety of the working environment. Requests or threats designed to induce persons to violate the law or the Code of Ethics will not be tolerated, and neither will any conduct or behaviour that offends the moral and personal convictions and preferences of individuals.

CODE OF ETHICS

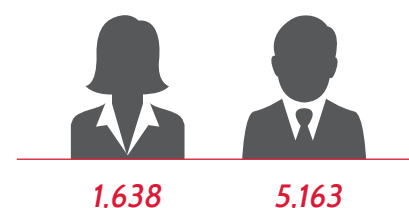
Sogefi has established the Code of Ethics as a recognition of the importance of ethical behavior and social responsibility in the pursuit of the Group's objectives. During 2016, Sogefi spread the Code of Ethics among all its managers and employees through its internal communication system. By January 2017, the Code of Ethics was distributed among 71% of the Group's plants and its distribution will continue during 2017. For more information about the Code, please refer to the chapter "The Sogefi Group".

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

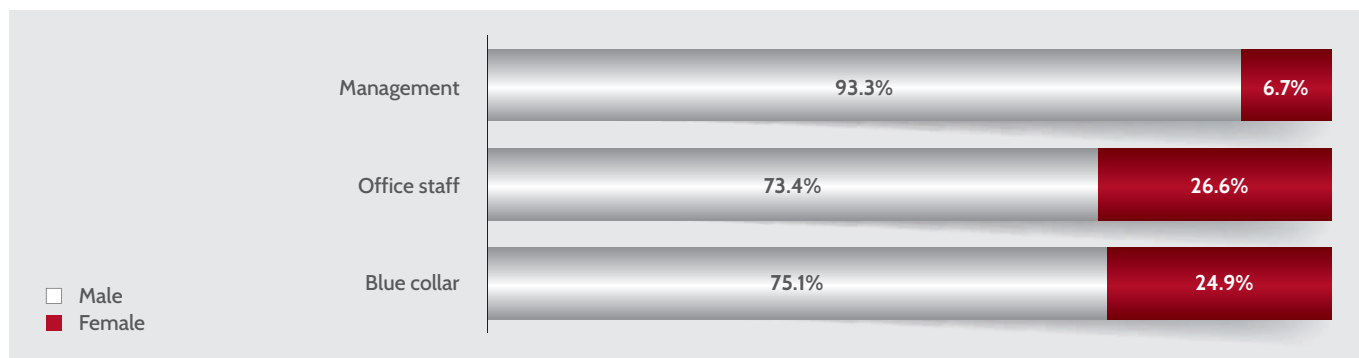
GROUP EMPLOYEES BY GENDER (%)



Women make up 24.1% of Sogefi's employees, with the highest percentage among Blue collar and Office staff. Indeed, breakdown of employees by gender reflects specific aspects and tasks that characterize the manufacturing sector and the automotive industry. Overall, the proportion of male and female employees remained stable throughout the years.

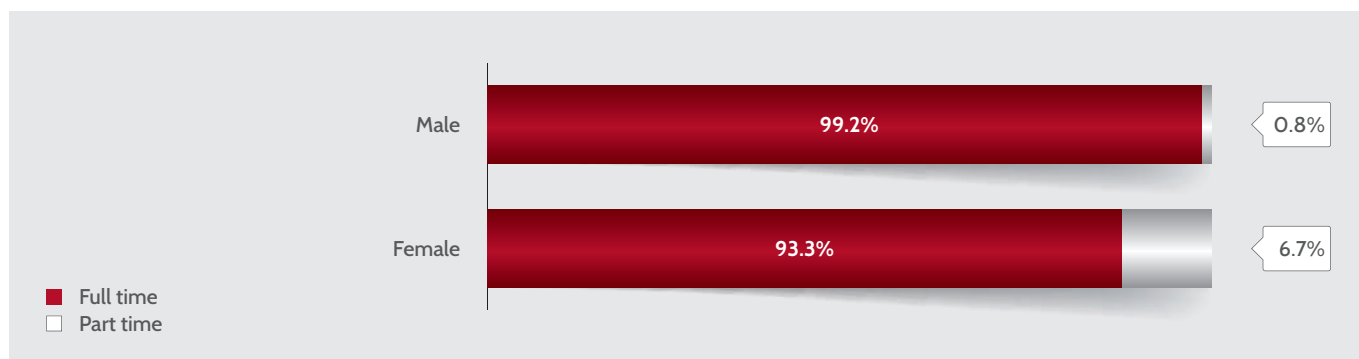


2016 - BREAKDOWN OF EMPLOYEES BY EMPLOYMENT CATEGORY BY GENDER (%)



Equal opportunities are offered to employees of both genders, while also promoting concrete initiatives to facilitate work-life balance. Female workers are the ones taking most advantage of flexible working hours, although part time is still limitedly adopted with 6.7% of the female employees having a part time against 0.8% of the male employees.

2016 - EMPLOYEES BY TYPE OF EMPLOYMENT (fixed term vs. permanent) (%)

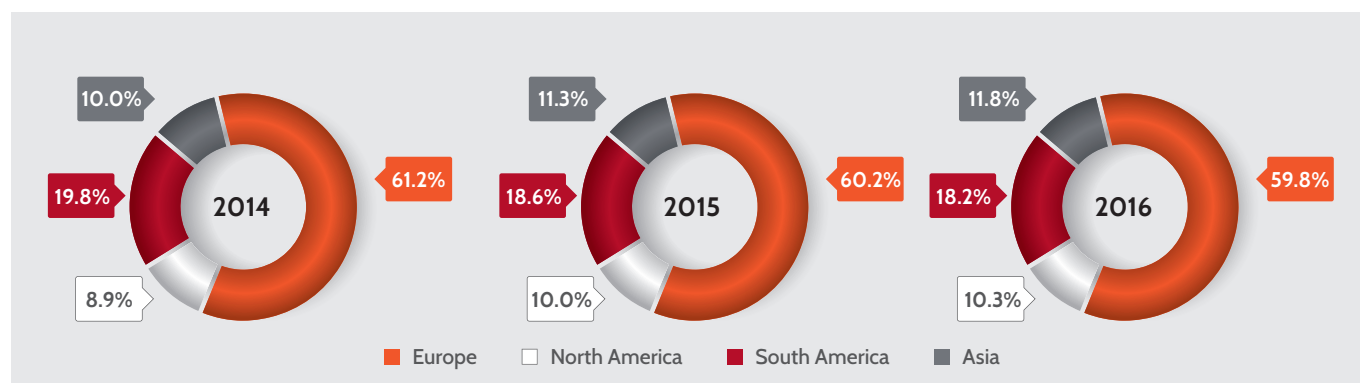


The integration of different cultures, experiences, habits and languages is a core value for Sogefi, an intrinsic approach that has enabled it to broaden and consolidate its presence worldwide.

In 2016, Sogefi invested in a new plant in Mexico serving all three Business Unit, allowing for the maximization of synergies in management and back office.

Regarding the distribution by geographical areas of the Sogefi workforce, most employees (59.8%) work in Europe; South America (Brazil and Argentina) hosts 18.2% of Sogefi's population; Asia (namely the manufacturing plants located in China and India) and North America record roughly the same percentage of Group's employees (11.8% and 10.3% respectively).

BREAKDOWN OF EMPLOYEES BY REGION (%)



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

Slight differences can be noticed between the average base salary and remuneration of women to men within the same employee category mainly in South America and Asia: areas of the world where gender pay gap still prevails, despite in recent years it is closing ¹⁰. Also for 2016, North America seems to be the region where there is the most balance between women and men average pay. Yet, overall improvements in 2016 were recorded for most employment categories for both base salary and remuneration. Please visit the Annex for detailed figures within the Group by region.

¹⁰ World Economic Forum, The Global Gender Gap Report (2016)

http://www3.weforum.org/docs/GGGR16/WEF_GGGR16_Full_Report.pdf

5.4 Building and strengthening skills ¹¹

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

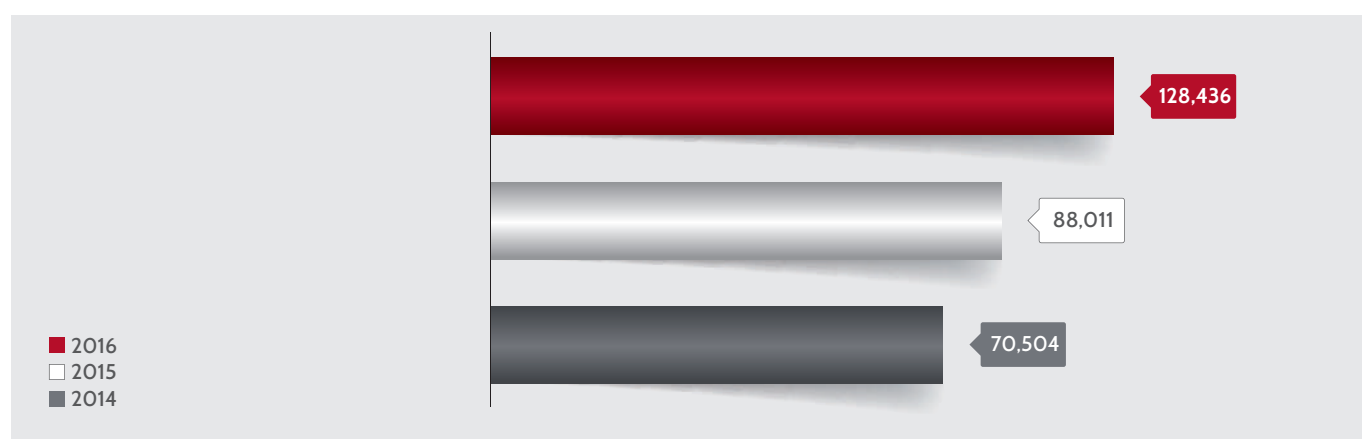
To build and strengthen skills, the Group organises training activities aimed at increasing employees' managerial and technical skills. In 2016, Sogefi provided nearly 130,000 hours of training (+45.9% compared to 2015) involving all employee categories, corresponding to 18.9 hours of yearly training per employee (+5.7 hours of training per employee, +33.8% increase since 2014). Throughout the entire Group, training activities concerned different aspects

¹¹ Figures on hours of training and average hours of training by gender and employment category account for 99.8% of Sogefi 2014 population. Figures for 2015 account for 99.7% of Sogefi 2015 population. Figures for 2016 account for 99.9% of Sogefi 2016 population.

*In 2016, the number of training hours grew significantly thanks to the hours devoted to **Health and Safety** and the **Code of Ethics**.*

of competence in order to provide a multi-disciplinary framework to all employees. Courses were organised to improve technical knowledge and skills (such as Manual Handling training and Forklift training), quality tools (such as Fire Safety and Chemical Spillage training), languages (such as English, French and German), IT, aspects of Health and Safety, and environmental issues. Other trainings were specifically oriented towards anti-corruption and human rights policies. Lastly, specific training activities are also directed towards Management and professionals.

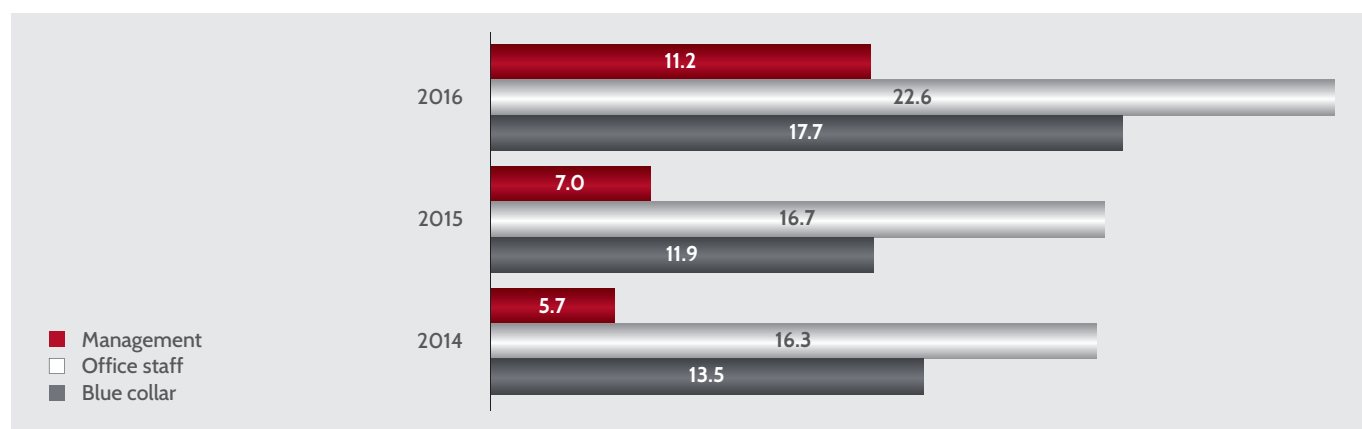
GROUP TOTAL HOURS OF TRAINING



AVERAGE HOURS OF TRAINING PER EMPLOYEE BY GENDER AND BY EMPLOYEE CATEGORY

	2014			2015			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management	5.4	11.1	5.7	6.5	14.0	7.0	11.6	7.8	11.2
Office staff	16.7	15.1	16.3	16.7	16.7	16.7	22.9	21.7	22.6
Blue collar	14.5	10.3	13.5	13.1	8.3	11.9	18.2	15.8	17.7
TOTAL	15.0	11.7	14.1	14.0	10.7	13.2	19.4	17.5	18.9

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY



Thanks to the hours devoted to Health and Safety and the dissemination of the Code of Ethics, Group average training hours saw an overall increase among all employees categories, especially Office staff (+5.9 hours per employee in 2016).

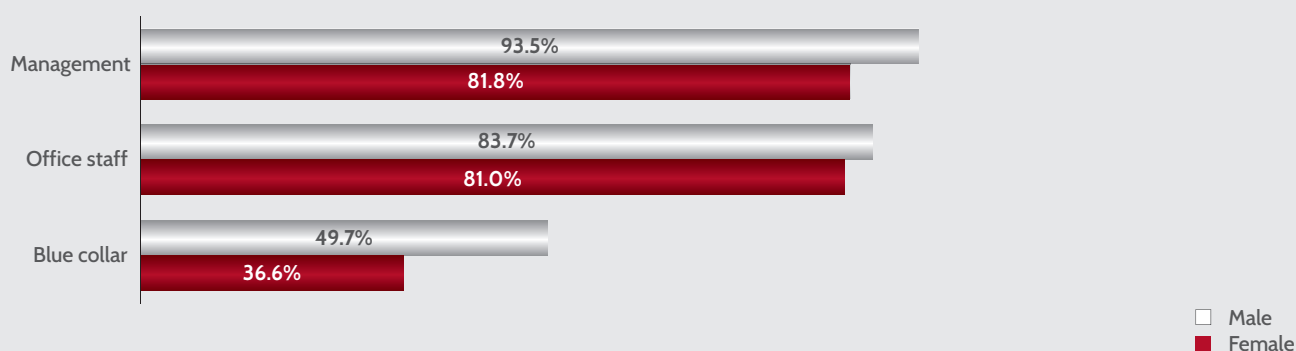
TRAINING ACTIVITIES – SOME EXAMPLES

Throughout the entire Group, training activities concerned different aspects of competence in order to provide a multi-disciplinary framework to all employees. That is the case of Sogefi in Mexico, where specific technical trainings were held in 2016. In particular, supervisors and team leaders were supported by experts from a private university to develop managerial competences and thus enhance production, maintenance and quality performance. Following the managerial trainings, supervisors and team leaders developed an action plan to further improve their performances. Moreover, Mexico signed an agreement with the Tecmilenio University, which includes discounts in the price for different programs available to employees and their families. Moreover, the agreement established an annual trainee program that hosted a student in the production area, study visits that welcomed 35 students at the Sogefi plant and free annual training for employees to attend various workshops as part of their development plan. Furthermore, in Germany Sogefi created external or in-house trainings, internal trainings, trainings on the jobs with topics covering all employee needs. In line with the nature of the company, the trainings focused on professional and work safety development.

Appraise employee performance against common targets can aid the personal development of individual employees and contribute to both skills management and the development of human capital. About 57% of employees receive regular annual performance and career development reviews (+16.8% compared to 2015)¹². 2016 saw an increase of employees under review: this is due to the fact that during the year some companies of the Group established a process of regular performance and career reviews. Such reviews can include an evaluation by the employee's direct supervisor or peer and may involve the personnel from each Human Resources department.

¹² Figures on employees receiving regular performance and career development review account for 99.8% of Sogefi 2014 population. Figures for 2015 account for 99.7% of Sogefi 2015 population. Figures for 2016 account for 99.9% of Sogefi 2016 population.

2016 - EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY GENDER AND BY EMPLOYEE CATEGORY (%)



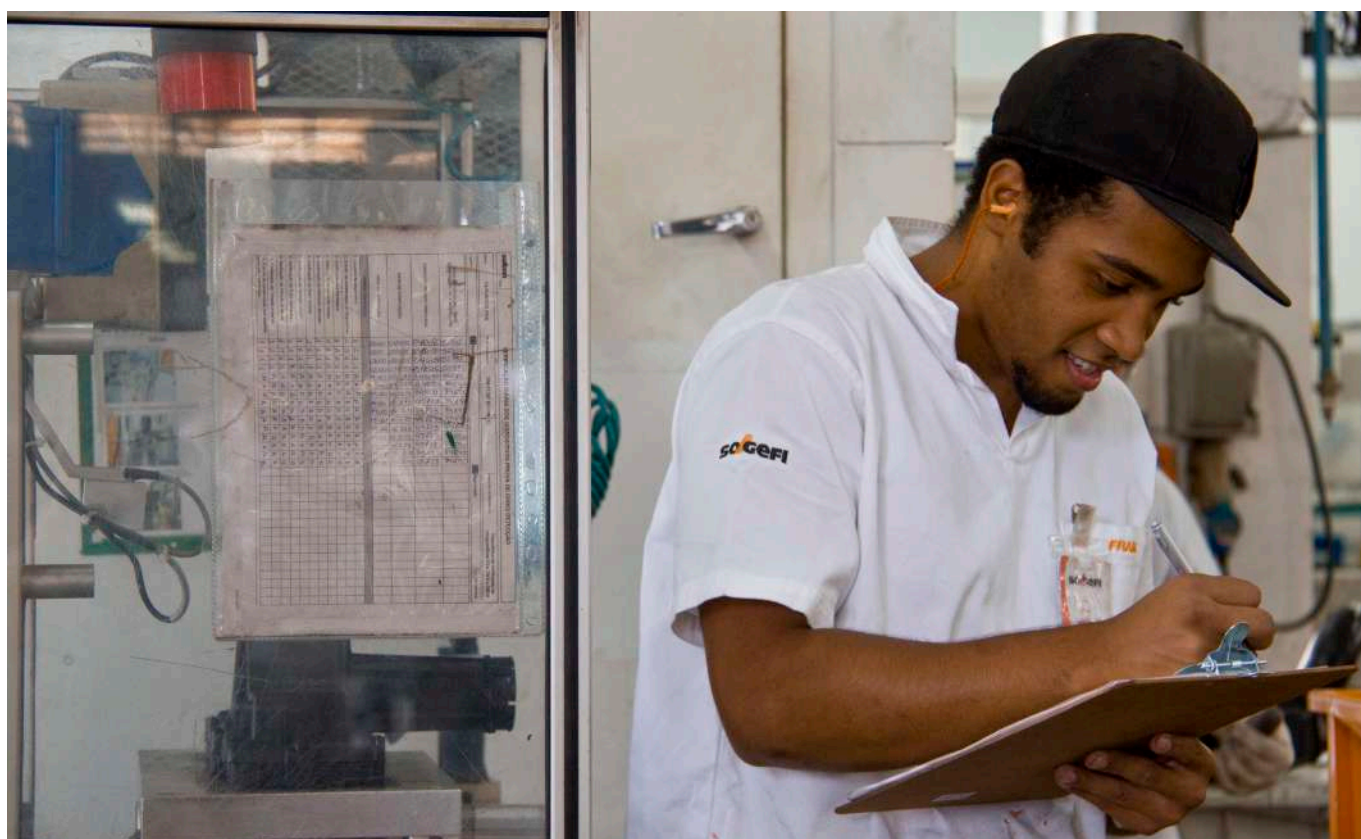
5.5 Industrial relations

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

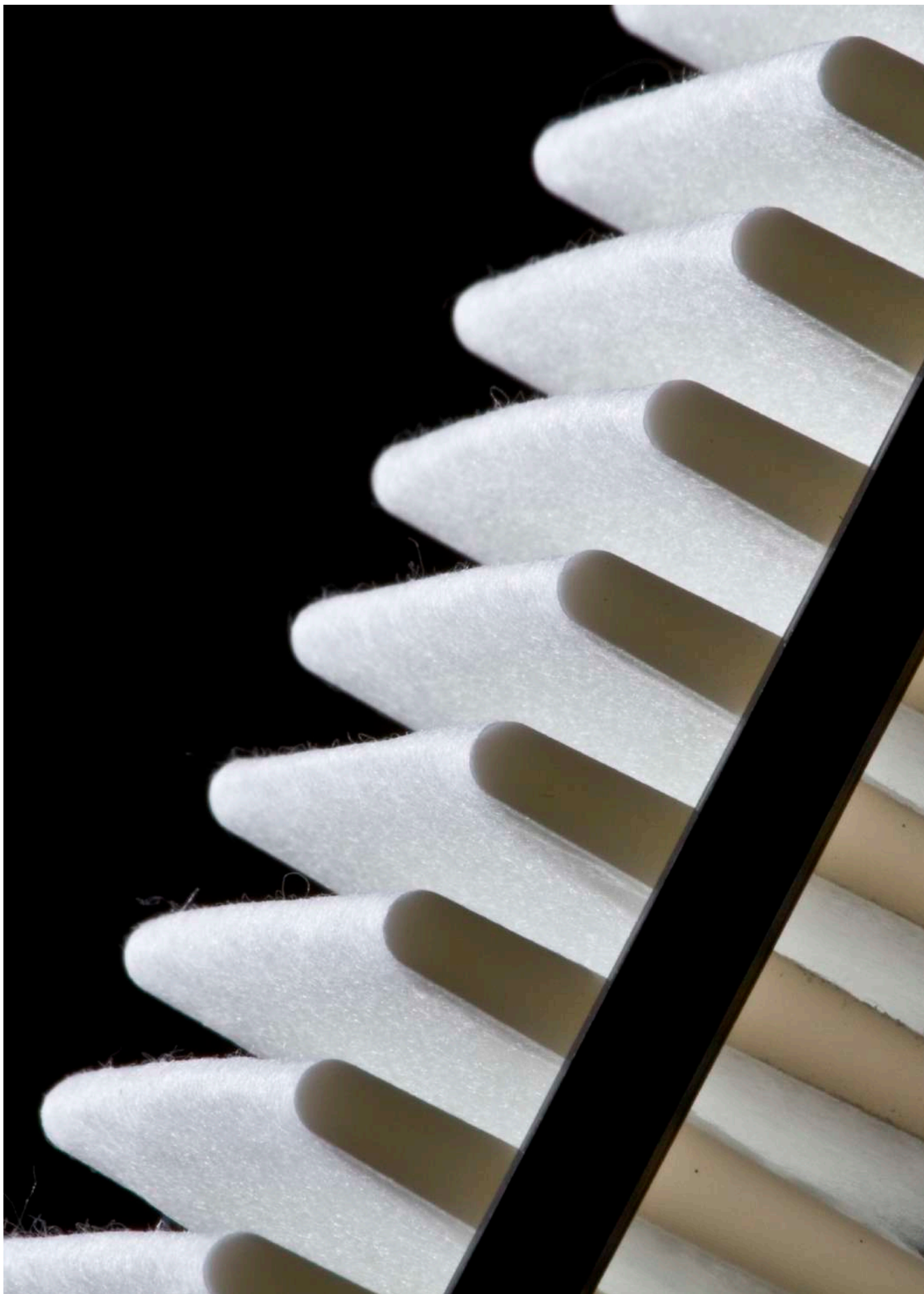
Overall, 85.6% of the Group's employees are covered by collective bargaining agreements. As the table below shows, the share of Group's employees covered by collective bargaining can vary substantially between geographical areas, mainly because of each country's Trade Union history and tradition. In fact, employees' representation at the international locations of Sogefi Group follows local national regulations. In China currently no collective bargaining agreement is in place, but employee representation is in the process of being established.

SHARE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS (%)				
	2014		2015	
				2016
Europe		78%	80%	97%
North America		55%	49%	47%
South America		49%	97%	95%
Asia		37%	47%	45%

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







6 Environmental impact of operations

2016 HIGHLIGHTS

-5.8%

Energy Intensity reduction

-7.5%

GHG emission
intensity reduction

98%

Group's production sites
certified ISO 14001

Plan to certify ISO 14001 2015
all production plants by 2018

82.3%

of waste is non-hazardous

67% *

Estimated scrap steel used by the
Suspension Business Unit

* Europe only

Responsible sourcing of raw materials using IMDS system



6.1 Respect for the environment

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

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

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

Furthermore, Sogefi implemented environmental management systems to better protect the environment and to reduce and control environmental risks and impacts (including the prevention of pollution). In particular, 98% of the Sogefi production sites are compliant with ISO 14001 standard (18 plants in the Suspensions Business Unit, 13 in the Filtration Business Unit and 8 in the Air & Cooling Business Unit), and Sogefi is committed to cover all the production sites with ISO 14001:2015 standard certification by the end of 2018.

98%

of Sogefi production sites are compliant with ISO 14001 standards.

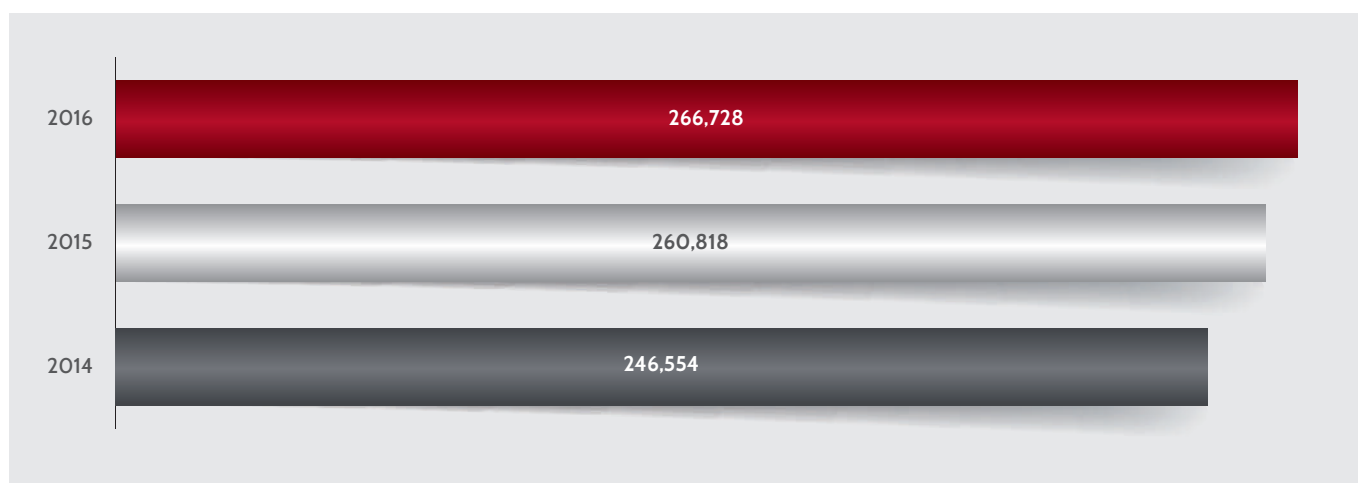
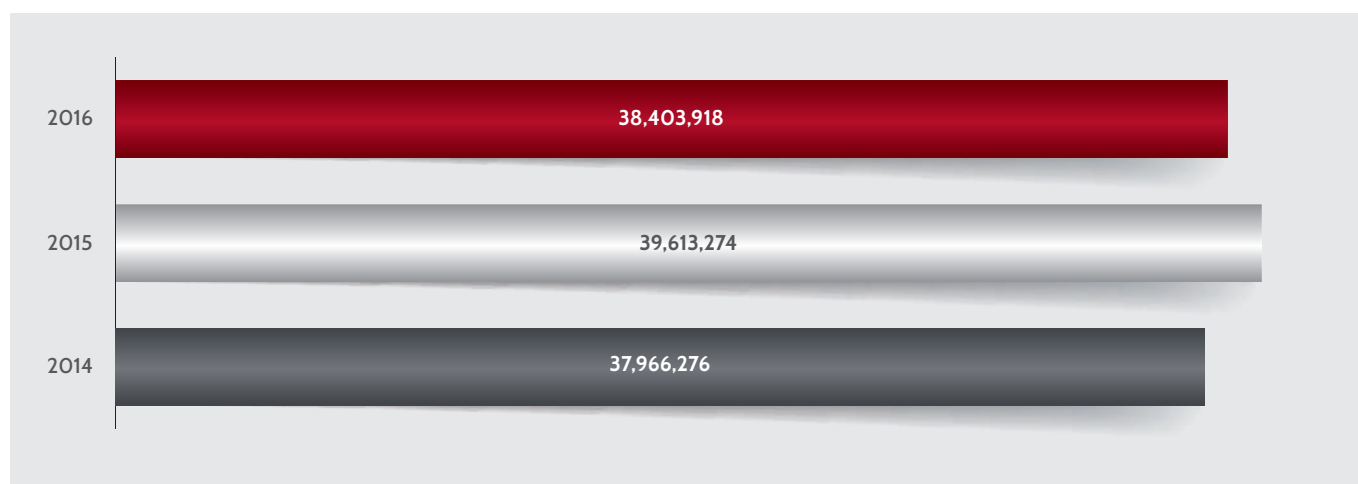
Energy consumption

Sogefi manufacturing plants use the following two types of energy:

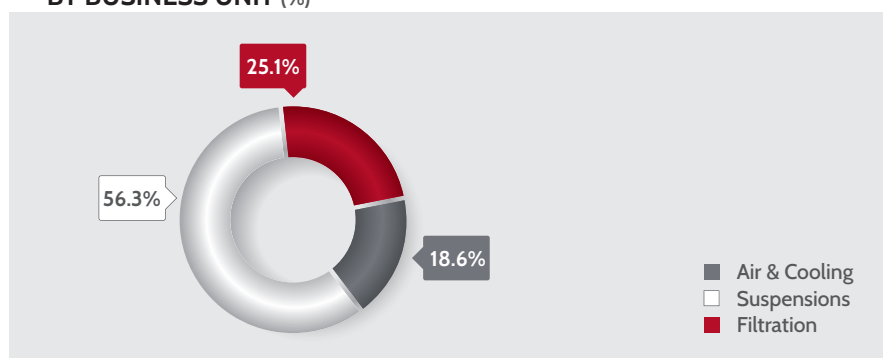
- Direct energy (natural gas, gasoline, LPG)
- Indirect energy (electricity)

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

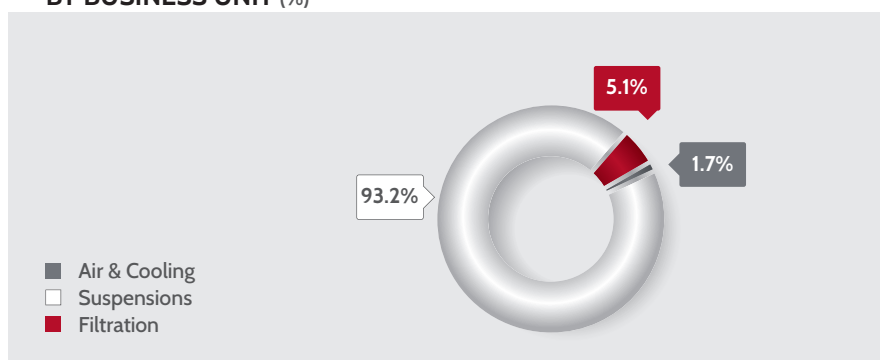
In 2016, the Sogefi Group registered a significant growth of production volumes compared to previous years thanks to the positive contribution of all Business Units and all geographical areas, with the exception of Latin America. In 2016 the Group consumed roughly 267,000 MWh of electricity (+2.3% compared to 2015) and around 38.4 million cubic meters of natural gas (-3.1% compared to 2015).

SOGEFI GROUP - ELECTRICITY CONSUMPTION (MWh)

SOGEFI GROUP - NATURAL GAS CONSUMPTION (m³)

ELECTRICITY AND NATURAL GAS CONSUMPTION BY BUSINESS UNIT

	Electricity [MWh]			Natural Gas [m³]		
	2014	2015	2016	2014	2015	2016
Air & Cooling	43,415	46,798	49,494	579,459	612,697	635,462
Suspensions	143,998	152,535	150,173	35,406,473	36,830,199	35,793,813
Filtration	59,142	61,485	67,062	1,980,343	2,170,378	1,974,643
GROUP	246,554	260,818	266,728	37,966,276	39,613,274	38,403,918

2016 - BREAKDOWN OF ELECTRICITY CONSUMPTION BY BUSINESS UNIT (%)


2016 - BREAKDOWN OF NATURAL GAS CONSUMPTION BY BUSINESS UNIT (%)



Among Business Units, in 2016 it is possible to identify the key role of Suspensions in terms of electricity consumption (accounting in 2016 for 56.3% of the Group's total) and natural gas consumption (accounting for 93.2% of the Group's total).

It should be noted the big effort made by Suspensions to reduce the consumption of electricity and natural gas with a -1.5% and -2.8% decline respectively notwithstanding an increase of the activity with revenues up by 6.2% at constant exchange rates. This is just one first step achieved thanks to the implementation of the energy reduction project implemented by the Business Unit (please refer to the paragraph "Sogefi's Energy Project" for more information).

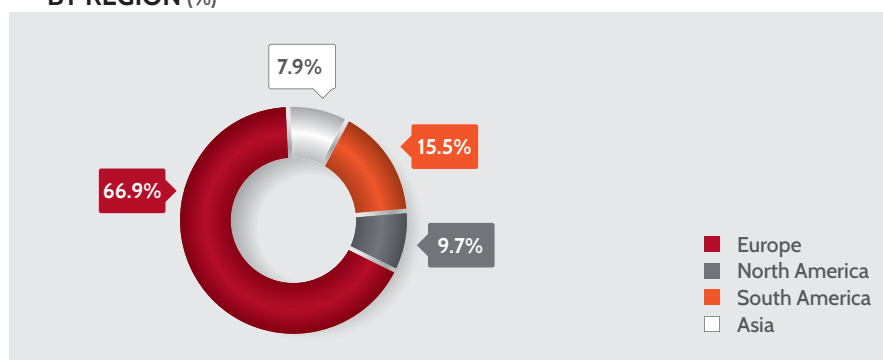
Also Filtration reduced the consumption of natural gas in 2016 by 9% despite the increase of activity with revenues up by 6.7% at constant exchange rates. The main driver of the reduction of natural gas consumption is the behavioural action plan put in place in the BU for the reduction of consumption, at the same time helped by milder weather temperatures in 2016.

Also the combined consumption of electricity of Filtration and Air & Cooling increased by 7.6%, less than the overall activity expansion (11.9% at constant exchange rates).

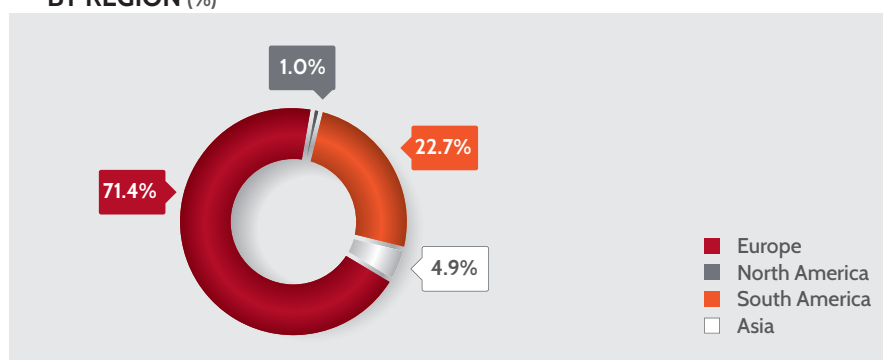
In line with the electricity consumption pattern of 2014 and 2015, Filtration accounts for 25.1% of Group's electricity consumption. Air & Cooling represents 18.6% of Group's electricity consumption.

ELECTRICITY AND NATURAL GAS CONSUMPTION BY REGION						
	Electricity [MWh]			Natural Gas [m³]		
	2014	2015	2016	2014	2015	2016
Europe	166,311	175,222	178,337	26,249,069	27,518,224	27,431,702
North America	19,486	22,282	25,900	302,138	361,210	370,343
South America	41,827	41,485	41,290	9,652,862	9,911,148	8,730,996
Asia	18,930	21,829	21,202	1,762,207	1,822,692	1,870,877
GROUP	246,554	260,818	266,728	37,966,276	39,613,274	38,403,918

2016 - BREAKDOWN OF ELECTRICITY CONSUMPTION BY REGION (%)



2016 - BREAKDOWN OF NATURAL GAS CONSUMPTION BY REGION (%)



The bulk of the electricity consumption is in Europe (66.9% of the Group total consumption), as the majority of Sogefi's manufacturing plants are located in European countries, followed by South America (15.5%), North America (9.7%) and Asia (7.9%).

In 2016, North America recorded an increase of 16.2% on electricity consumption levels compared to 2015 due to the important production volume expansion: the increase of electricity consumption paired with a revenue increase of 16.9%. The consumption pattern of the other Business Units remained stable.

With regard to the other Regions, Europe recorded a 1.8% increase of electricity consumption compared to 2015; South America recorded a decrease of 0.5%; Asia can be considered virtuous, as the region experienced a 25.6% of revenues increase, compared to an electricity consumption decline of 2.9%.

With regard to natural gas consumption, also in this case Europe is consuming the majority of natural gas (71.4%), followed by South America (22.7%), Asia (4.9%) and North America with residual volumes (1.0%).

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

LPG (Liquefied Petroleum Gas), petrol and diesel oil consumption by Sogefi Group is relatively modest compared to electricity and natural gas. In 2016, approximately 2 million cubic meters of LPG were consumed (about +10% compared to 2015) and slightly more than 240,000 litres of diesel oil with a reduction of about 18% compared to 2016. Some of the manufacturing plants achieved reduction objectives by decreasing the number of forklifts used or by acquiring electric ones.

Initiatives towards the reduction of environmental impact

During 2016, Sogefi worked for raising awareness as the first step towards reducing energy consumption and thus protecting the environment. That is why, employees were incentivized to turn off lights, air-conditioner, computers and equipment when not in use. The result was the increasing common sense of energy saving during working hours.

Results in energy efficiency demonstrate how Sogefi is gradually deploying sustainability practices throughout all its business activities. The box below describes a few examples of energy consumption reduction projects put in place in manufacturing plants spread all over the world.

ENVIRONMENTAL INITIATIVES WORLDWIDE



INDIA

Many plants around the world have started to replace conventional fluorescent lights with LED lamps. This will reduce energy consumption in the next years. For instance, Sogefi in India saved 998 kWh during 2016 by replacing conventional lights and is expecting to further increase the saving in 2017.



ROMANIA

Sogefi in Romania also replaced classic lighting lamps and registered an energy reduction of 7,516 kWh per month, which accounts for approximately 500 euro saved per month.



ARGENTINA

Another example that shows the Group's commitment for reducing the energy consumption is in Argentina, where clear polycarbonate roofing sheets were placed in order to take advantage of the sunlight.



ITALY

The Filtration Business Unit in Italy, in collaboration with ATLAS COPCO, launched a project that aims to replace a fixed flow compressor with one that permits to have a moderated air flow according to needs. The project will allow the plant to reduce the energy consumption by the end of 2017.



SLOVENIA

Sogefi in Slovenia implemented a plan to replace old equipment in production (ovens, injection machines, hot-melt devices, etc.) with new equipment that reduced the electricity consumption from 55.25 kWh/working hour to 43.19 kWh/working hour with respect to 2015.

Sogefi's Energy Project

Specific energy consumption reduction projects are being deployed, gradually, in all Sogefi's plants worldwide and in particular for the Suspensions Business Unit as it utilizes an asset-intensive manufacturing process based on plastic deformation of metal and surface treatment with a consequent high energy consumption. In fact, the Suspensions Business Unit has an Energy Intensity Index ¹³ close to 5% on average.

¹³ Costs of energy over company's turnover, on a global basis.

For this reason, in 2014, the Group launched the "Energy Project", a key strategic initiative within the Suspensions Business Unit that aims at increasing energy efficiency and therefore reducing the environmental impact of the company's manufacturing process, as well as the overall energy expenditure.

The specific targets of the Energy Project are:

- Cut of total cost of energy (-2.6 million euro between 2015-2019)
- Reduction of the Energy Intensity Index
- Increase and spread throughout the Group the awareness and know-how on Energy Efficiency
- Identification of KPIs and target setting for closing the gap between the different production sites
- Coordination and completion of the mandatory Energy Audits (European Directive 2012/27/UE) in all European plants by November 2016.

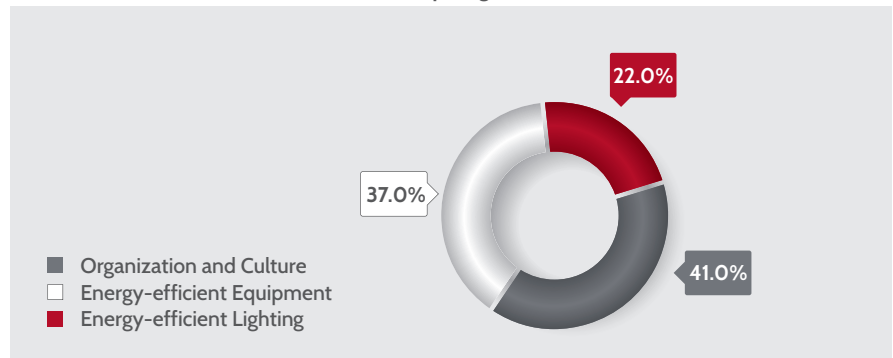
The Energy Project is managed at the Business Unit level and deployed locally through continuous assessments on site carried out by local teams and supported by central functions. The project is sponsored by the company's Top Management, which allocates capital investment in energy-saving actions proposed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

Defined areas of interest for improving energy efficiency include:

- Energy Monitoring System
- Loads Management during Non-Productive Time
- Industrial Lighting
- Electrical Network Quality
- Thermal Processes Efficiency
- Hook Burners Management

- Compressed Air
- Fluids Management
- Government Incentives for Energy Efficiency
- Invoice Optimization

ENERGY EFFICIENCY INITIATIVES WITH LARGEST IMPACT IN INDUSTRY (Source: Aberdeen Group, August 2014)



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

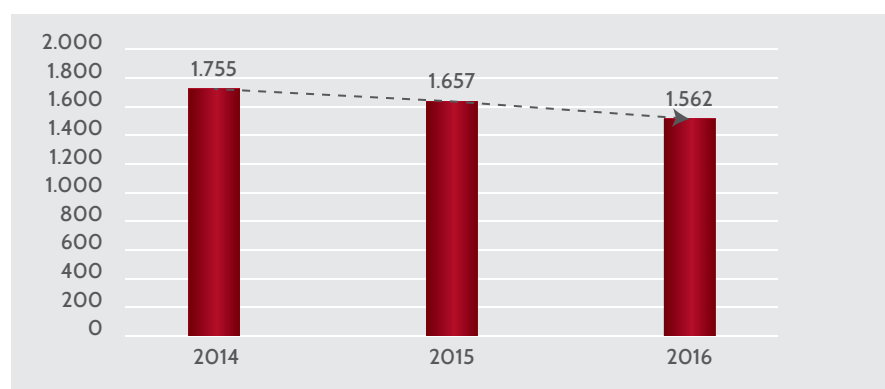
The main results of the Energy Project are:

- Mandatory Energy Audits (European Directive 2012/27/UE) completion in all European plants (Italy, France, Spain, Germany and UK)
- Energy assessments and energy-saving actions definition in most of the plants (Douai, Fronville, Settimo, Raffa, Clydach, Alsasua, Nules, Hagen, Witten, Cordoba, Mogi Mirim and Monterrey)
- Estimated savings from completed and ongoing energy-saving actions are around 4M ton CO₂ and €0.9 million, of which about 50% have been validated by direct measurement and/or standard procedures.

Energy intensity

Energy intensity is defined as the energy required per unit of activity, output, or any other organisation-specific metric. Intensity ratios are often referred to as normalised environmental impact data. The intensity ratio defines an organisation's energy consumption in the context of an organisation-specific metric. Intensity is calculated by dividing the absolute energy consumption (the numerator) by an organisation-specific metric (the denominator). In Sogefi's case, the denominator chosen to calculate energy intensity is sales revenues¹⁴. For the numerator, electricity and natural gas consumption are considered.

¹⁴ Sales revenues by Business Unit and by country of origin - intercompany eliminations are not considered.

SOGEFI GROUP - ENERGY INTENSITY (GJ/m€)

In 2016, the Group recorded an improvement of its energy intensity (GJ consumed per million euros sales revenues recorded) recording -5.8% of the energy used per unit of sales revenues.

In 2016, -5.8% energy consumption per €m of sales revenues.

ENERGY INTENSITY BY BUSINESS UNIT						
GJ/m€	2014	var. 14/15	2015	var. 15/16	2016	var. 14/16
Air & Cooling	478	-1.7%	470	-10.1%	423	-11.6%
Suspensions	3,750	-5.1%	3,559	-3.3%	3,442	-8.2%
Filtration	613	-6.9%	570	4.3%	595	-2.8%
GROUP	1,755	-5.6%	1,657	-5.8%	1,562	-11.0%

The amelioration of energy efficiency occurred throughout all Business Units, in particular in Air & Cooling, which experienced a 10.1% reduction of the energy consumed per million euros of sales revenues recorded. This is relevant considering that, at the same time, the Business Unit witnessed a significant increase of revenues in 2016 (+15.6%).

ENERGY INTENSITY BY REGION						
GJ/m€	2014	var. 14/15	2015	var. 15/16	2016	var. 14/16
Europe	1,803	-3.0%	1,749	-1.0%	1,731	-4.0%
North America	425	-8.3%	390	-5.0%	371	-12.9%
South America	2,736	4.2%	2,849	-0.3%	2,841	3.9%
Asia	1,950	-25.1%	1,460	-24.3%	1,106	-43.3%
GROUP	1,755	-5.6%	1,657	-5.8%	1,562	-11.0%

In 2016, energy efficiency improvements can also be noticed for all regions, with the exception of South America, where the market is currently undergoing a recessionary phase.

6.2 Greenhouse Gas (GHG) emissions

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

CARBON FOOTPRINT

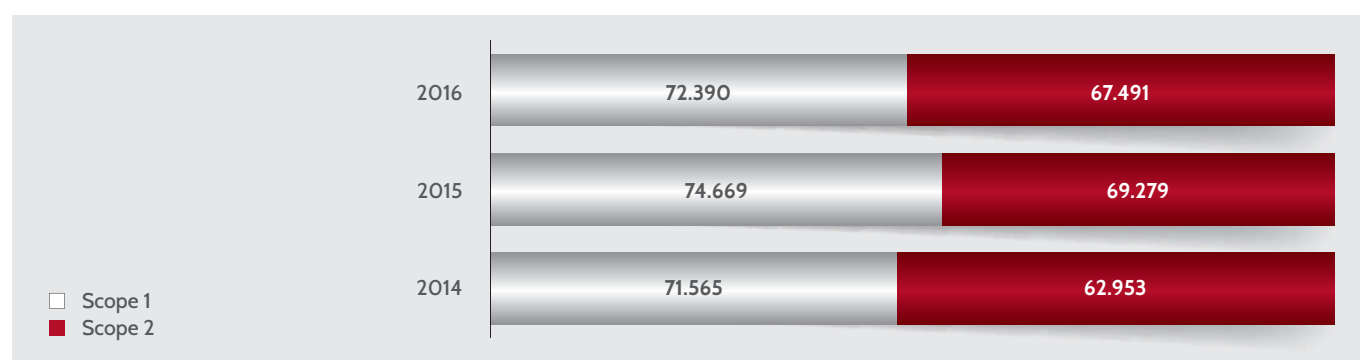
Represents the total set of greenhouse gas emissions caused by a system or activity, considering all relevant sources, expressed as carbon dioxide equivalent (CO₂e).

To raise awareness on the environmental impact of its operation, Sogefi quantifies the greenhouse gas emissions related to its business activities. Carbon Footprint assessment is gaining relevance within the Group, as Sogefi is committed to improving the manufacturing processes with focus on the reduction of GHG emissions that are causing climate change (with special attention to CO₂ emissions on products and, as well, on engines).

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

- **Direct (Scope 1) GHG emissions** come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organisation. Direct (Scope 1) GHG emissions include, but are not limited to, the CO₂ emissions from the fuel consumption.
- **Energy Indirect (Scope 2) GHG emissions** result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.
- **Other Indirect (Scope 3) emissions** not included in Scope 2 that occur outside of the organisation, including both upstream and downstream emissions. For 2016 Sogefi Group Sustainability Report, other indirect emissions were not calculated.

SOGEFI GROUP - GHG EMISSIONS (ton CO₂e)



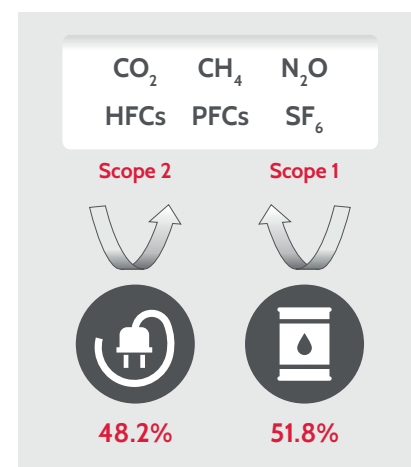
GROUP GHG EMISSIONS					
ton CO ₂ e	2014	var. 14/15	2015	var. 15/16	2016
SCOPE 1	71,565	4.3%	74,669	-3.1%	72,390
SCOPE 2	62,953	10.0%	69,279	-2.6%	67,491
TOTAL	134,517	7.0%	143,949	-2.8%	139,881

In 2016, Group GHG emissions accounted for 139,881 tons of CO₂e, showing a 2.8% decrease compared to 2015. Scope 1 emissions are 51.8% of total emissions, Scope 2 emissions account for 48.2%.

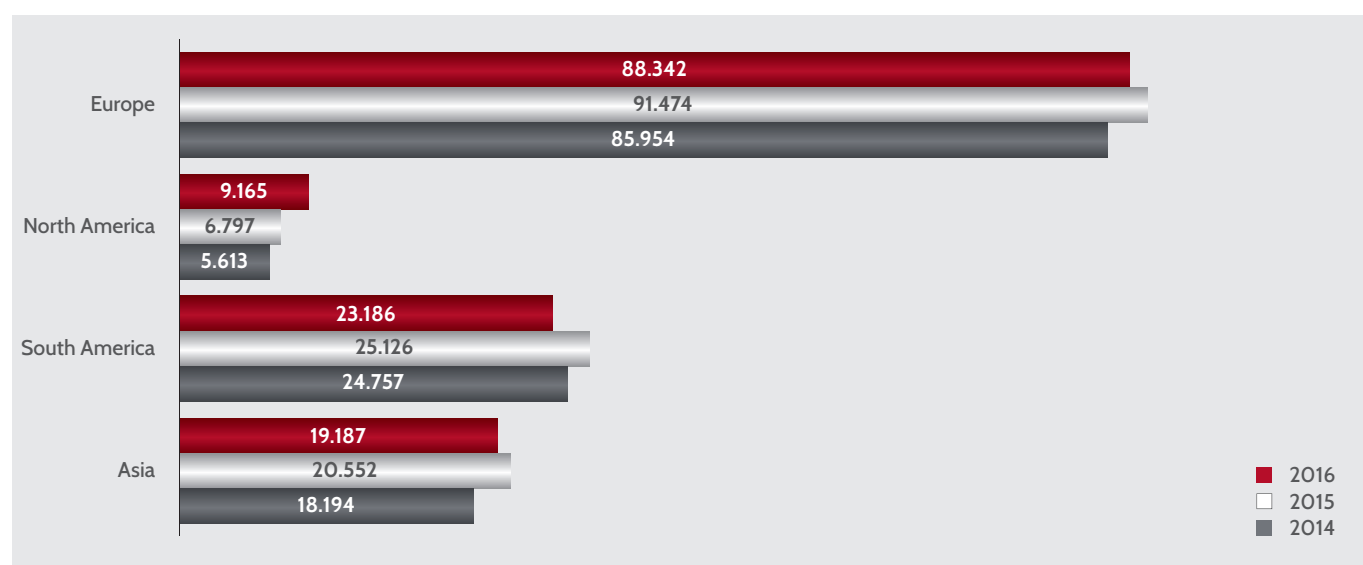
Emissions are calculated based on energy consumption (electricity and natural gas). For 2016, the source of emission factors for Electricity is the IEA Electricity emission factors (which considers country-specific emission factors). The source of emission factors for natural gas is the WRI Emission Factors from Cross Sector Tools (March 2017). Scope 1 is calculated considering only the natural gas consumption component. Scope 2 is calculated considering only the electricity consumption component.

Since Direct GHG emissions (Scope 1) are calculated considering the natural gas component, they slightly decreased (-3.1%) compared to 2015, in line with the natural gas consumption trend of the Group.

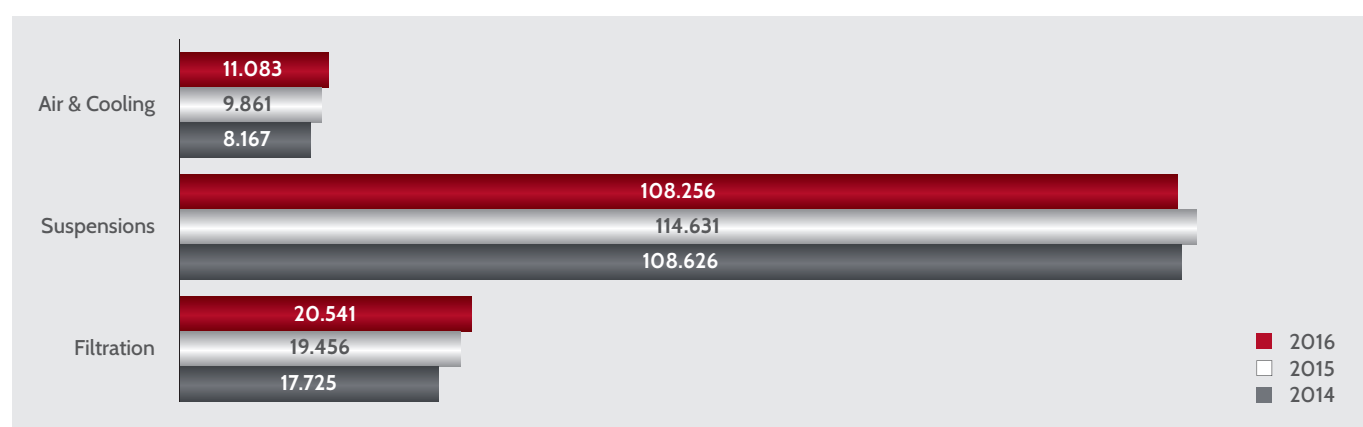
In 2016 Indirect GHG emissions (Scope 2) recorded a 2.6% decrease.



GHG EMISSIONS BY REGION 2014 - 2016 (ton CO₂e)



GHG EMISSIONS BY BUSINESS UNIT 2014 - 2016 (ton CO₂e)



As it appears from the charts above, in Europe lies the highest volume of CO₂e emitted in the atmosphere; Suspensions BU has a major role having energy intensive operations.

Carbon footprint reduction through more efficient devices

Ensuring availability and accessibility to communication services, as well as providing a flexible collaborative working environment, have become strategic elements for the entire Group. For this reason, during 2016, Sogefi implemented a “cloud strategy” migrating to strategic cloud data centres and removing 49 non-purchased servers and 30 exchange servers. This strategy has enabled the Group to ensure a higher level of operational security and confidentiality while also reducing the carbon footprint by about 350 tons of CO₂e.

Furthermore, Sogefi continued the replacement of office equipment such as laptops and desktops with more efficient and less energy-consuming devices. The replacement rate in 2016 accounted for about 25% of computers in service, which represented a reduction of 16.5 tons of CO₂ saved for laptops and 32.8 tons of CO₂ for desktops.

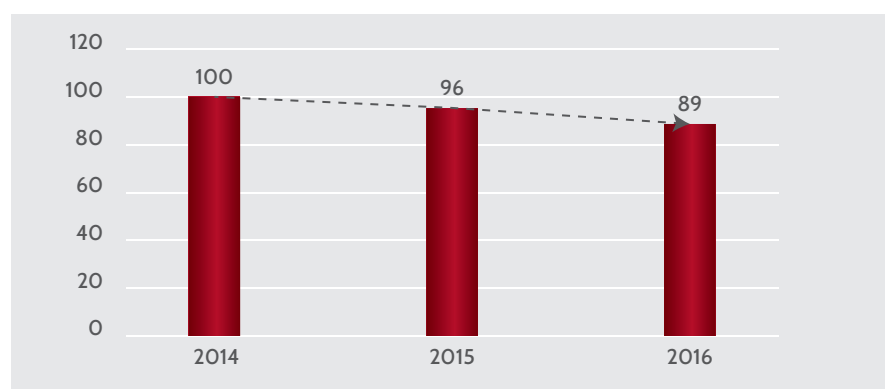
Sogefi's commitment for reducing its carbon footprint goes further. That is why, during 2016, the purchasing department launched a project aimed at lowering the effect of office printing.

This initiative established a printing policy that included rules such as the requirement to have a badge in order to print, a colour print limit and the reduction of paper consumption in administrative departments. The goal is to reduce paper consumption in administrative departments by 10% during 2017.

GHG emissions intensity

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

Sales revenues by Business Unit and by country of origin – intercompany eliminations are not considered.

SOGEFI GROUP - EMISSION INTENSITY (ton CO₂e/m€)

GHG EMISSIONS INTENSITY BY BUSINESS UNIT						
ton CO ₂ e/m€	2014	var. 14/15	2015	var. 15/16	2016	var. 14/16
Air & Cooling	22	10.4%	24	-4.2%	23	5.8%
Suspensions	214	-4.2%	205	-6.4%	192	-10.3%
Filtration	37	-3.1%	36	5.8%	38	2.6%
GROUP	100	-3.7%	96	-7.5%	89	-10.9%

In 2016 the Group recorded a reduction of emission intensity (-7.5%) compared to 2015. Results were driven mainly by the Filtration Business Unit, which recorded a nominal of 13.1 tons of CO₂e per one million of sales revenues on a year to year basis.

GHG EMISSIONS INTENSITY BY REGION						
ton CO ₂ e/m€	2014	var. 14/15	2015	var. 15/16	2016	var. 14/16
Europe	95	-1.7%	94	-4.8%	89	-6.5%
North America	29	-3.5%	28	12.2%	32	8.2%
South America	128	4.0%	134	0.8%	135	4.8%
Asia	259	-22.6%	201	-29.1%	142	-45.2%
GROUP	100	-3.7%	96	-7.5%	89	-10.9%

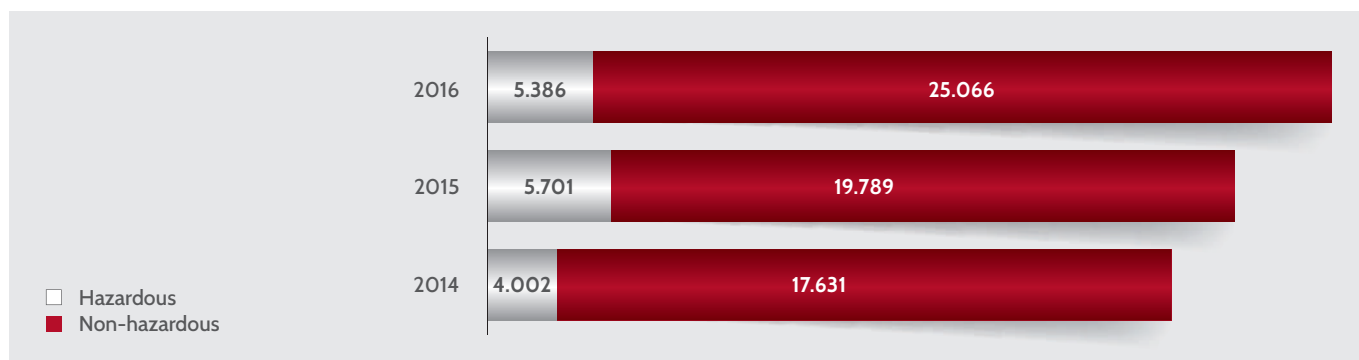
At a regional level, Asia stands out with a reduction of emission intensity of approximately 30% year on year (-58 tons of CO₂e per one million of sales revenues).

6.3 Waste management

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

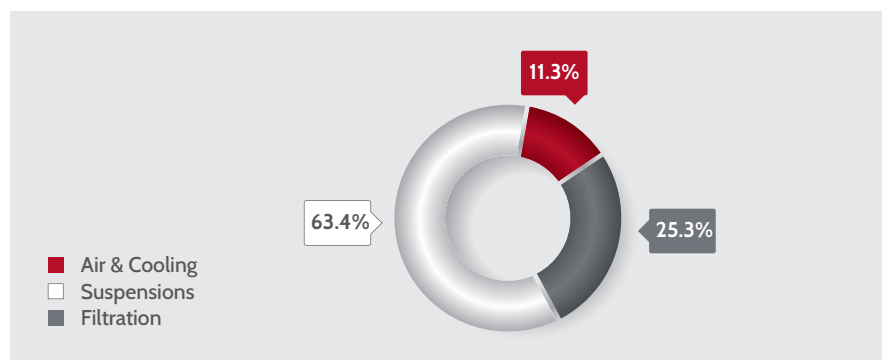
Each Sogefi's manufacturing plant worldwide keeps track of individual waste flows and categorizes waste as hazardous and non-hazardous according to country-specific regulations. In 2016, the Group generated and disposed more than 30,000 tons of waste (+19.5% compared to 2015). Most of the waste generated by the Group (82.3%) was classified as non-hazardous.

SOGEFI GROUP - WASTE BY TYPE (ton)

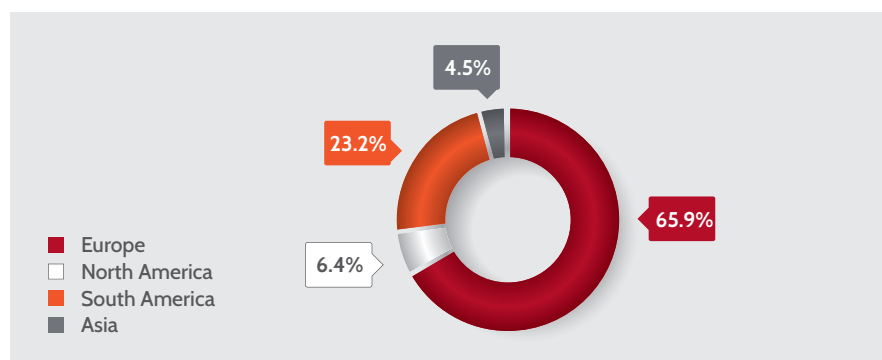


Overall, the increase of waste produced by Sogefi in 2016 is mainly due to the increase of production volumes.

2016 - WASTE DISPOSED BY BUSINESS UNIT (%)



2016 - WASTE DISPOSED BY REGION (%)



In line with production patterns, the Suspensions Business Unit records also in 2016 the highest volume of waste (63.4% on the overall Group consumption), both in terms of non-hazardous and hazardous (more than 19,000 tons).

In absolute terms, Europe is the region that accounts for most of the volume of waste produced with more than 20,000 tons, as the majority of the manufacturing plants are located in European countries.

In the Sogefi Group, each manufacturing plant is required to make efforts to find

sustainable solutions (recycling, recovery) to treat waste, in order to improve the proportion of waste recovered. In fact, the main disposal method for non-hazardous waste is recycling, confirming the commitment of the Group towards sustainability.

For the Air & Cooling Business Unit, 38.9% of waste is recycled, 19.8% is recovered (including energy recovery – in form of usable heat, electricity or fuel), 25.3% goes to landfill, 12.2% is reused. Residual amounts refer to incineration (2.3%) and other disposal methods (1.4%).

In Filtration, 66.0% of waste is recycled, 15.5% of waste is disposed through on-site storage, 9.1% is recovered and the rest is distributed among different residual methods (incineration, reuse and deep well injection).

Suspensions Business Unit recycles 39.5% of its waste and reuses 25.4% of it, while 15.6% goes to landfill. The remaining amount refers to other methods such as incineration and recovery.

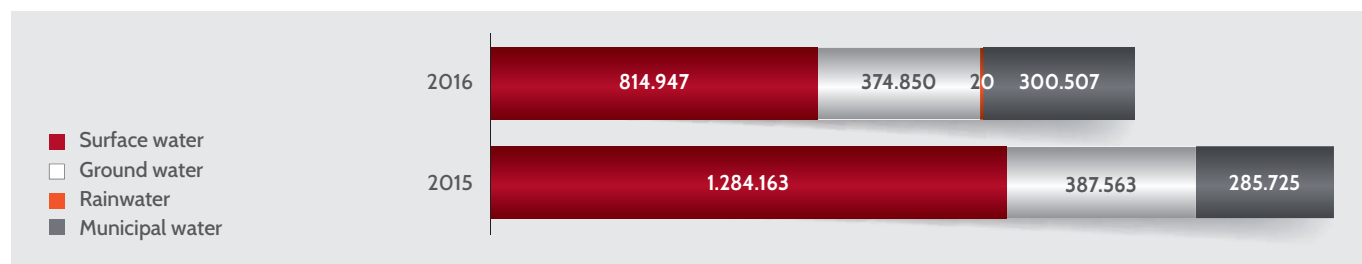
6.4 Water consumption

Clean water and sanitation are worldwide challenges that need to be addressed in order to guarantee access to safe and affordable drinking water for future generations. For this reason, Sogefi is committed to promptly reduce its water consumption and to effectively manage its water discharges.

Although Sogefi production processes are not water-intensive, the Group continuously works for the reduction of the overall water withdrawal. Some examples of the activities for the reduction of water consumption implemented during 2016 were:

- Environmental trainings to employees as a way to educate them on water conservation behaviours during both at work and at home
- Continuous monitoring to avoid over flow, leakage and damage of water tanks
- Reuse of water when feasible
- Replacement of all water taps for new ones to decrease water consumption

Group overall water withdrawal in 2016 was equal to 1,490,324 cubic meters, with a relevant decrease of 23.9% compared to 2015. In particular, the reduction in 2016 is also due to the fact that for some plants (e.g. Orbey in France) a more precise metering system based on volumetric counters was used to calculate

SOGEFI GROUP - WATER WITHDRAWAL (m³)

water consumption and discharge, instead of hours counters.

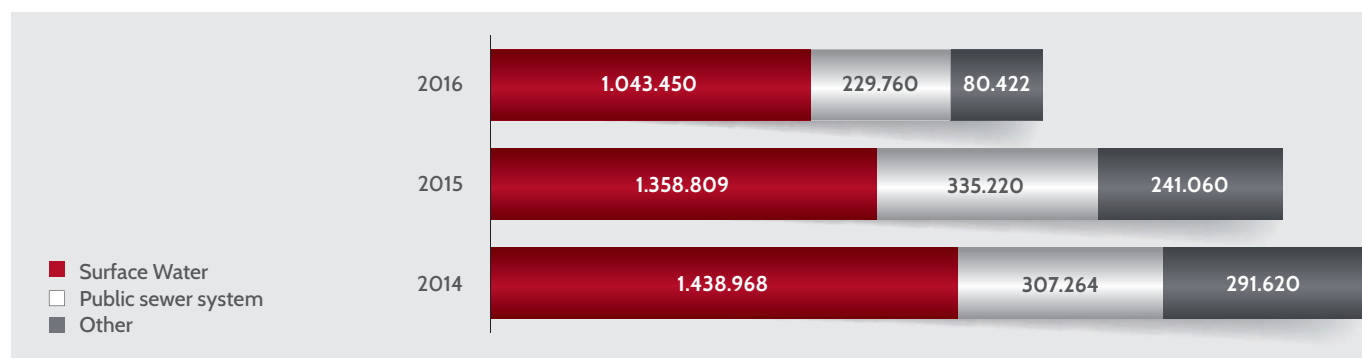
The sources from which water is drawn into the organization are by order or relevance: surface water (54.7%), ground water (25.2%), municipal water (20.2%) and residually rainwater.

Suspensions Business Unit withdraws roughly 50% of overall Group consumption, followed by Air & Cooling (41.1%) and Filtration, the latter accounting for only 8.6% of the Group water withdrawal.

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

6.5 Water discharge

For what concerns water discharge, Sogefi Group's activities do not generate highly pollutant effluents. However, when necessary and required by local regulations, manufacturing plants install systems to treat wastewater before discharging it into the natural environment or the public system. To minimise the impact on the environment and protect the quality of water, some Sogefi's manufacturing plants in France and Germany use oil separators to treat water

SOGEFI GROUP - WATER DISCHARGE (m³)

before discharge. Oil separators serve to protect the environment from pollution by oil: they remove oil from water by retaining it safely until it is removed. In certain plants (such as in France Marcillac), biological and physic-chemical treatment is also employed prior to final discharge.

In 2016, the total volume of water discharged by Sogefi's sites was more than 1,300,000 cubic meters, with a relevant overall reduction of 30.0% compared to 2015.

Water discharge methods vary according to local regulations and type of activities. Overall, water can be discharged into surface water, into the public sewer systems or into other destinations. In line with previous years' water consumption patterns, the two Business Units which account for the highest volume of water discharged are Suspensions and Air & Cooling, respectively accounting for 50.3% and 41.8% of Group's overall effluents.

All Business Units registered a decrease in 2016, compared to water discharged from the previous year. In particular, Air & Cooling witnessed a decrease of 45.7% compared to 2015, the highest among all Business Units.

As part of their environmental management system, Group's manufacturing plants are equipped to prevent accidental spills into the environment. In 2016, no significant spills occurred.

6.6 Material used and reusability

The Group uses a variety of materials for its industrial operations, including steel, plastic, paper and rubber. As Sogefi makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products, the Group is partially exposed to price risk. The risk is handled in the best way possible thanks to centralised purchasing in each Business Unit and a policy requiring (for each kind of raw material) various suppliers, operating in different parts of the world.

The Sogefi Group is pursuing two objectives for improvement in terms of material use and reusability:

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

To achieve these two objectives, Sogefi implemented the reuse of scrapped materials (such as steel and plastic) and the implementation of a regrind-usage

MONITORING THE USE OF HAZARDOUS SUBSTANCES IN THE AUTOMOTIVE SUPPLY CHAIN

The Group monitors the use of hazardous substances in its products. Following the coming into force of the ELV (End of Life Vehicle) EU Directive, all major car manufacturers have developed a joint project and implemented a system known as IMDS (International Material Data System), through which all suppliers of the automotive supply chain are requested to register material data of all components. The Group registers all materials used in the IMDS and its submissions help the automotive industry to prevent the use of hazardous and banned materials in components used.

The REACH European Regulation (Registration, Evaluation, Authorisation and restriction of Chemicals) aims at increasing knowledge on the properties of chemical substances manufactured or marketed in the EU, in order to contain the risks related to them and, when necessary, restrict or ban their use. REACH applies to all chemical substances. For REACH purposes and for eliminating hazardous substances in products, Sogefi lists the substances used in manufacturing its products and those required to operate its facilities to ensure the safety of its operations.

initiative that allows the reuse of plastics in more than one production cycle.

Bearing in mind the consequences of its business activities on the environment, these two objectives are systematically taken into account by the R&D teams located worldwide when prototyping new products (please refer to Chapter 4 'Innovation and product responsibility' for more information).

Since material consumption is directly related to Group's overall operating costs, Sogefi monitors material use in order to provide its contribution to the conservation of global resources and pursue the effort to reduce material intensity. Please consult the Annex for the volume of materials used by each Business Unit.

Suspensions

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

RAW MATERIAL USED BY SUSPENSION

The main raw material used by Suspensions is steel (in 2016, more than 200,000 tons). Steel can be made by two different processes using iron ore (together with coke) or scraps, and possibly the two might be mixed. In South America steel is produced from both iron ore and scraps, in China and India, steel is usually made from iron ore, while in Europe (a more mature market) it is mostly made from scraps. Scrap steel is made of recyclable materials left over from product manufacturing and consumption, and recycling of end of life steel made products.

Chemical products used by Suspensions mainly refer to two categories: rubber and painting. Rubber is composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon). Painting is made essentially from mineral sources: 55% epoxy resin (from petroleum), 45% carbon, and other mineral fillers. In 2016, almost 3,000 tons of chemical products were used.

SEMI-MANUFACTURED GOODS OR PARTS USED BY SUSPENSIONS

With regard to semi-finished components used by Suspensions, the most common are metallic parts (in 2016, more than 50 million pieces).

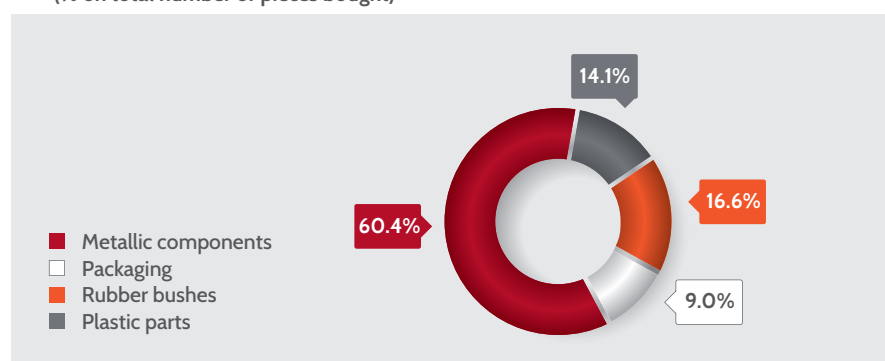
Rubber bushes are composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon). In 2016, more than 13.7 million pieces

of rubber bushes were used in the BU.

Plastic constitutes another relevant type of material within the semi-manufactured category, accounting for more than 11.7 million pieces used in 2016.

Packaging is mostly cardboard boxes and pallets (in 2016, more than 7.4 million pieces) as it is required for transportation, it facilitates storage, and it protects products. Please refer to Paragraph 6.7 'Impact of logistics and transportation' for more information on sustainable packaging.

2016 – SEMI-MANUFACTURED GOODS USED BY SUSPENSIONS (% on total number of pieces bought)



RECYCLED INPUT MATERIALS

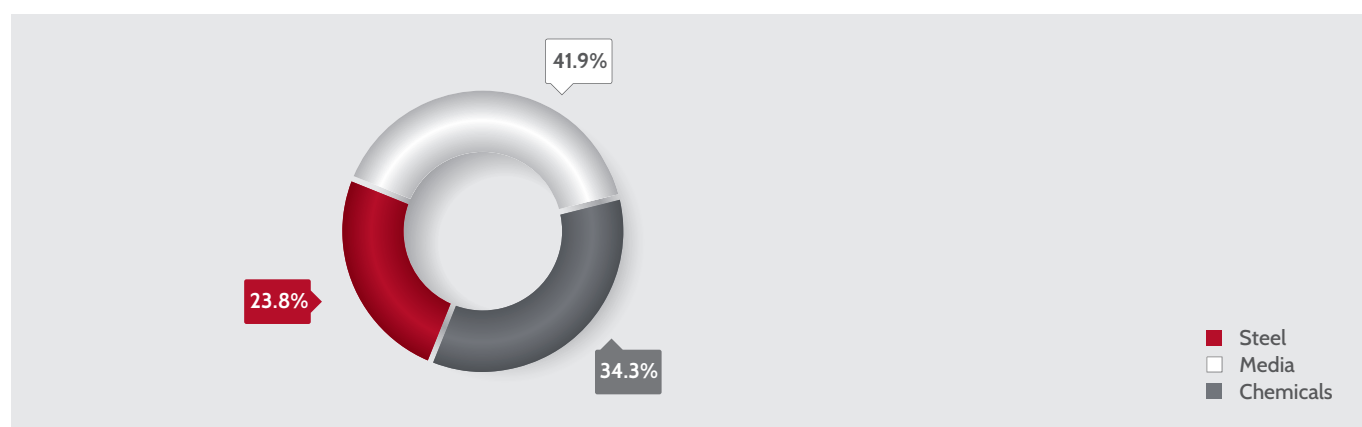
To reduce its environmental footprint, Sogefi puts particular emphasis on the use of recycled input materials: for 2016, it was estimated that in Europe around 67% of the steel used by the Business Unit comes from scrap. Lower percentages of scrapped steel can be found in Brazil and Argentina (20%).

Filtration

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

RAW MATERIAL USED BY FILTRATION BUSINESS UNIT

2016 – RAW MATERIALS USED BY FILTRATION *



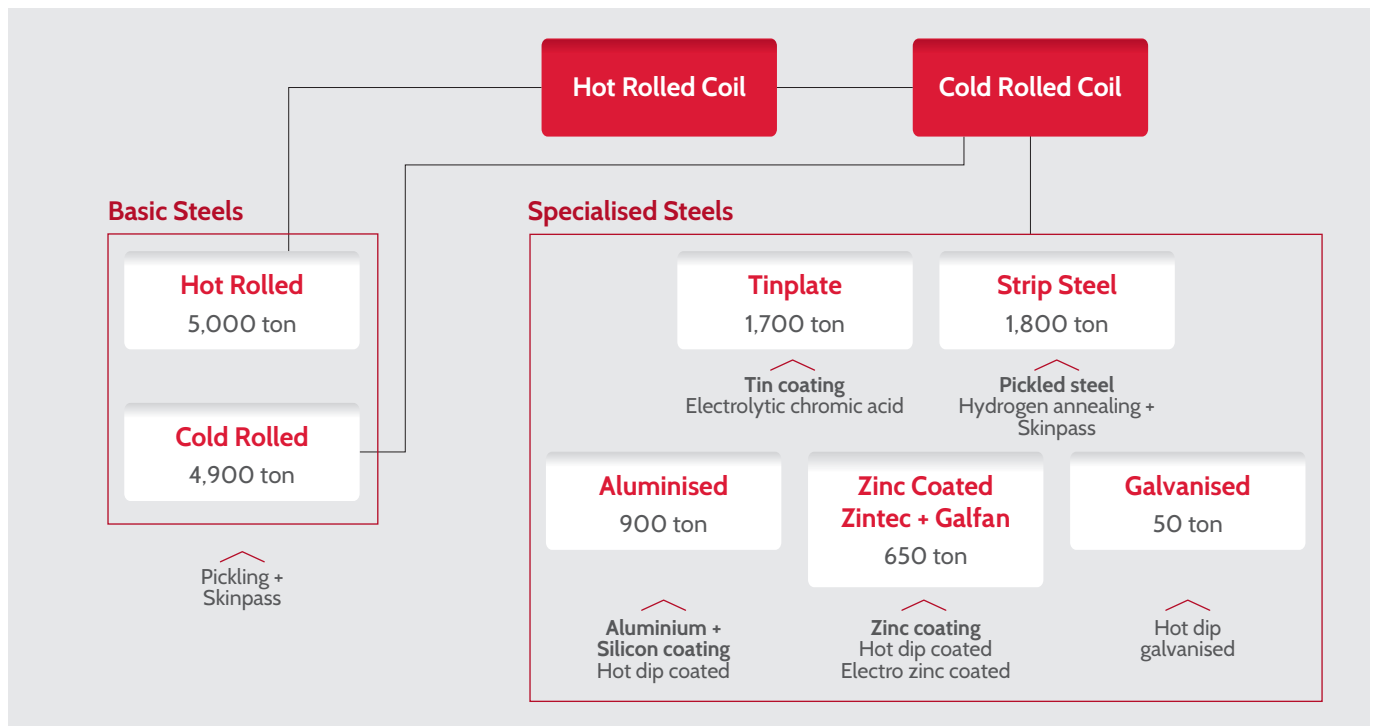
With more than 16,000 tons, steel is the most used raw material used by the Filtration Business Unit. The BU makes use of basic steel (hot rolled and cold rolled) mainly for spin-on, while specialised steel such as aluminised, galvanised

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

and zinc coated types are used mainly for petrol filters and other purposes. In 2016, it was estimated that around 20% of the steel used by Filtration for the production of different types of filters came from scrapped steel used for the manufacturing of coils, whilst around 15% of the steel expanded metal and blank sheet came from scrapped materials.

With regard to **chemicals**, in 2016 the Filtration Business Unit made use of more than 9,000 tons of chemicals such as RM, adhesive/glue, activate carbon and miscellaneous. As for the percentage of recycled input materials, it was estimate that 15% of RM chemicals came scrap.

The use of **media** changes accordingly to the level of the filtration specifications requested by customers for the various applications (oil/diesel filter, air filter or pre-filter). In 2016, the Business Unit utilized more than 6,000 tons of this raw material.



SEMI-MANUFACTURED GOODS OR PARTS USED BY FILTRATION

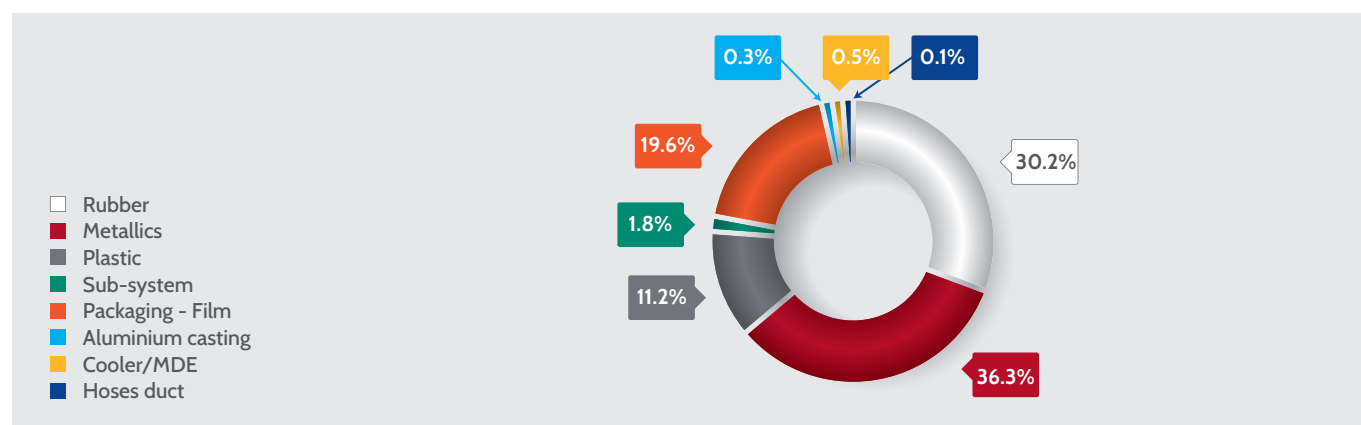
In 2016, the three most employed semi-manufactured materials by the Filtration Business Unit were metallic components, rubber and packaging film.

In **Argentina**, the Filtration Business Unit managed to achieve two important results in 2016:

- 100% plastic scrap recycle because of the two mills bought for recycling purposes
- 100% paperboard recycle

In India, the Business Unit focused on the reduction of cardboard used for packaging the products. In particular, Carbon Packs were substituted with recyclable and reusable trolleys and chep bins, therefore saving about 315,000 Kgs of cardboard per year.

2016 – SEMI-MANUFACTURED GOODS OR PARTS USED BY FILTRATION (% on total number of pieces bought)

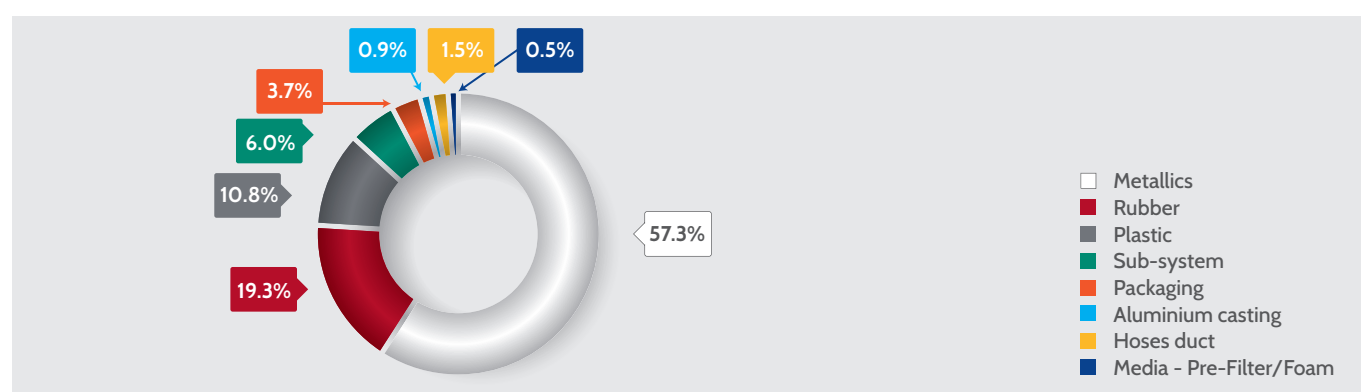


Air & Cooling

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

SEMI MANUFACTURED GOODS OR PARTS USED BY AIR & COOLING

2016 – SEMI-MANUFACTURED GOODS OR PARTS USED BY AIR & COOLING *



For Air & Cooling, semi-manufactured category is mostly comprised of metallic parts used for the production of Oil/Petrol filters, rubber and plastic parts. Plastic is needed for the injection of plastic granulate to mould plastic parts internally: this process is called 'plastic injection moulding'. In 2016, metallic, rubber and plastic parts accounted respectively more than 233.5 million pieces (+8% compared to 2015), roughly 78.5 million pieces (+7% compared to 2015) and more than 44 million pieces (-4% compared to 2015). These

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

three semi-manufactured goods comprise 87.4% of overall Air & Cooling semi-manufactured goods. Sub systems, packaging, aluminium castings, hoses duct and media/pre-filter foam represent the rest (12.6%).

Around 30% of the aluminium used came from scrapped parts and around 10% of metal components are made from scrapped steel.

RAW MATERIALS USED BY AIR & COOLING

In 2016, more than 20,000 tons of RM Chemicals were used (+6% compared to 2015). This volume increase is related with higher volume production. In 2015, it was estimated that around 20% of chemicals used by Air & Cooling came from recycled input materials.

ASSOCIATED PROCESS MATERIALS USED BY AIR & COOLING

In 2016, the Air & Cooling Business Unit used around 450 kg of packaging film material, in line with 2015, corresponding to 13,580 meters.

6.7 Impact of logistics and transportation

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

For this reason, the Group has undertaken efforts to reduce the impact of logistic processes by promoting its commitment throughout the entire supply chain. During 2016, Sogefi strengthened its corporate sustainability mind-set in order to optimize transportation flows and to adopt a more sustainable approach.

With regard to the type of freight transportation used, the most widely used method of transport by all Business Units is by road (97.2%), followed by sea (1.2%) and air (1.3%). Extensive use of cargo is mainly due to the fact that Sogefi's manufacturing footprint allows it to be located close to customers.

GROUP - TYPE OF FREIGHT TRANSPORTATION			
%	2014	2015	2016
Road	94.6%	93.6%	97.2%
Sea	4.0%	5.0%	1.2%
Air	1.4%	1.4%	1.3%
Rail	0.0%	0.0%	0.3%

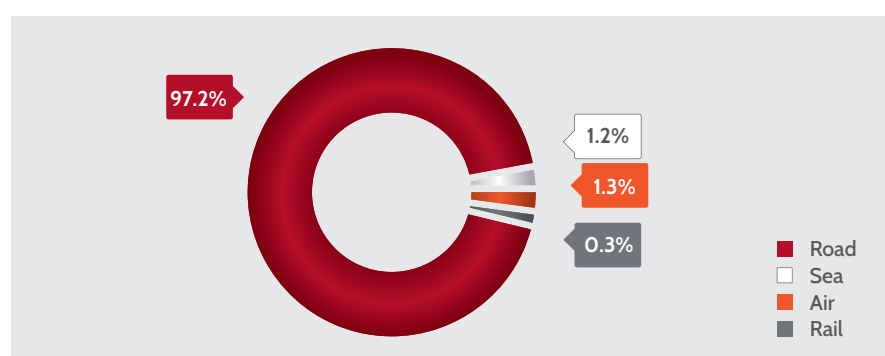
Sogefi makes constant efforts to:

- minimize exceptional transportation as much as possible;
- manage fully loaded trucks in order to optimise the capacity of the

transport means;

- consider the use of returnable containers when feasible;
- standardise cartons and pallets size to minimise potential waste and destock;
- use third parties' warehouse located near customers' plants to minimize the risk of shortage and prevent urgent deliveries (urgent truck shipping or air shipping);
- use of electric cars for transportation of heavy pallets around warehouses as a way to reduce CO₂ emissions.

GROUP – TYPE OF FREIGHT TRANSPORTATION IN 2016



REDUCTION OF ENVIRONMENTAL IMPACTS THROUGH LOGISTICS AND TRANSPORTATION

For reducing costs, Sogefi implemented a centralized purchasing organization for transportation and warehousing in its headquarters in Guyancourt, France. The centralized organization collects data about CO₂ volumes of inbound and outbound flows per manufacturing site every month.

During 2016, Sogefi committed to reduce the use of plastic bags on determined projects in order to save material and costs. Moreover, the Group started reusing wooden pallets (in standard size) from its suppliers and customers as well as involving one more international forwarder with a more competitive price. Likewise, Sogefi Filtration Business Unit implemented an automatic stretch wrapper, which eliminates manual effort and prevents potential accidents.

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

In addition, Sogefi is in continuous communication with its customers and suppliers to assure that trucks' capacity is maximized and to facilitate the restitution of returnable containers when feasible.

REDUCTION OF ENVIRONMENTAL IMPACTS THROUGH AN OPTIMIZED PACKAGING SYSTEM

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

Sogefi's new packaging is a part of the company's strategy of continuous innovation, which is applied to its products and their distribution. The latest technologies were included in the design of this particular solution. Each package bears a QR code to give the user immediate access to online fitting instructions, which are also included inside in printed format. In addition, key specifications such as serial number and barcode are clearly displayed on both sides; one of them will be a removable label.

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

The key goal of the project was to create an environmentally friendly product that would optimise logistical work for all parties involved. The innovative packaging for Sogefi cabin air filters is made entirely of transparent, 100% recyclable polypropylene plastic, 50 micron thick. The same material is used for the label that allows a quicker and more efficient recycling process. Unlike the usual cardboard box, the material hermetically seals the product, offering full protection from dust and humidity, which are two major risks to cabin air filters.

Despite its flexibility, the plastic wrapping serves as an excellent defence against physical damage, thanks to the resistance of the material in combination with the sealing process. Moreover, it can mould to the product, the package itself is smaller and lighter than a box.

CONNECT A MOBILE AND GLOBAL WORKFORCE

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

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

The framework allows Sogefi to use communication as a strategic asset by reducing the need of business trips and raising the quality of the conferences.

In 2016, Sogefi continued to improve its communication tools: the introduction of new video conference rooms has significantly increased employees' flexibility throughout the Group.

In 2016, video conference services were deployed in 14 countries and 6 new video conferencing systems were installed in France, Mexico, China and Brazil. In 2016, despite a relative decrease of number of calls, the average call time increased from 23 minutes to 55 minutes: employees are becoming more familiar with the technology and feel more confident to discuss relevant matters remotely.

In 2016, average call time increased from 23 minutes to 55 minutes (+139%).

Even for the preparation and definition of the Sustainability Report, several calls were organized to discuss topics related to sustainability and raise awareness within the different Business Units and operations around the world.

YEARLY USAGE 2016			
	2015	2016	Δ%
Calls	6.513	3.972	-39%
Minutes	151.065	217.891	44%
Minutes - average call time	23	55	139%
Estimated average number of participants per call	3	4	33%
Estimated number of attendees	19.539	14.564	-25%
MONTHLY USAGE 2016			
Calls per month	542	331	-39%
Attendees estimated	1.628	1.214	-25%
Minutes per month	12.588	18.158	44%

** The month of December was estimated*

France is the country with major usage of these services with an average of more than 2,000 calls in 2016 and this is linked to the fact the majority of employees are located in this country, followed by Canada (274 calls) and United Kingdom (227 calls). Sogefi is constantly promoting the use of the Unified Communication System.



7 Responsible procurement practices

Due to the size and geographical extent of the Group's activities, Sogefi plays a significant role with respect to economic, social and environmental aspects related to the communities and the countries in which it operates. The Group is therefore committed to working responsibly through a business model that identifies sustainability as a key element in every decision and across all its business practices.

In Sogefi, the purchasing procedures are based on a search for maximum competitive advantage, equal opportunities for all suppliers, loyalty and impartiality. The choice of suppliers and the determination of purchasing conditions are based on an objective evaluation of quality, price and ability to supply and guarantee services of the required level.

Currently, with regard to the existence of environmental criteria for supplier selection, environmental certification ISO 14001 is advised for suppliers who ask to be integrated in the Sogefi supplier panel.

7.1 Code of Business Conduct

Sogefi Group requests that all business partners receiving this Code of Business Conduct (CBC) submit their commitment, signed by a legal representative. By signing the Code of Business Conduct, the business partner declares its compliance to the principles suggested in this Code by Sogefi Group. Sogefi recommends the business partner to promote and disseminate the principles outlined in this Code throughout its supply chain.

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

The distribution of the Code of Business Conduct to suppliers began in 2016. As of 31 December 2016, 13% of the Group's active suppliers signed the Code of Conduct. It is important to underline that these suppliers represents 42%

of purchased monetary value. As of 31 March 2017, the percentage of suppliers who signed the Code of Business Conduct reached 21%, 59% of purchased monetary value.

7.2 Conflict minerals

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

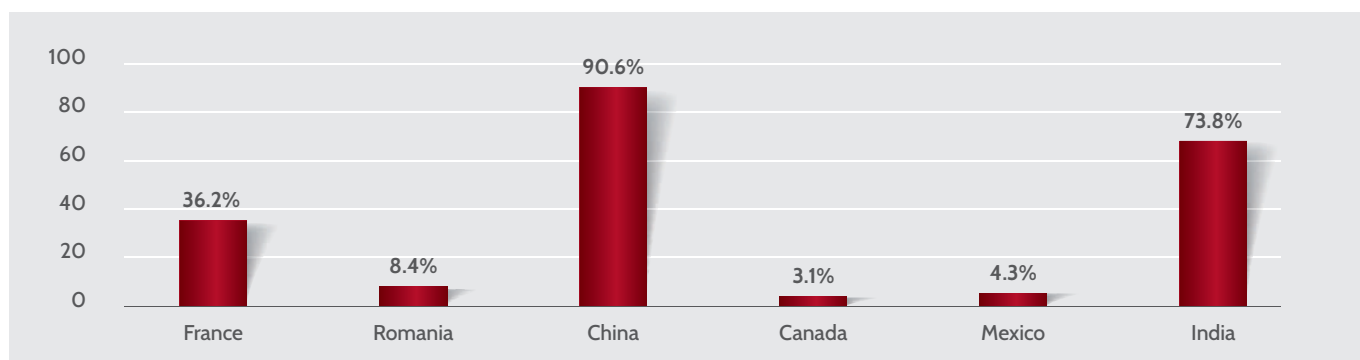
Moreover, Sogefi included the mineral conflict declaration as part of its Quality Requirement File (QRF) during the RFQ phase. This document has to be agreed and signed by the supplier as a way to assure its compliance. In case of customer request for conflict mineral declaration, the Business Unit transfers this request via the Purchasing Department to all suppliers using the product BOM. The group is going to target to manage conflict mineral declaration through a global process and a specific tool.

7.3 Attention towards local suppliers

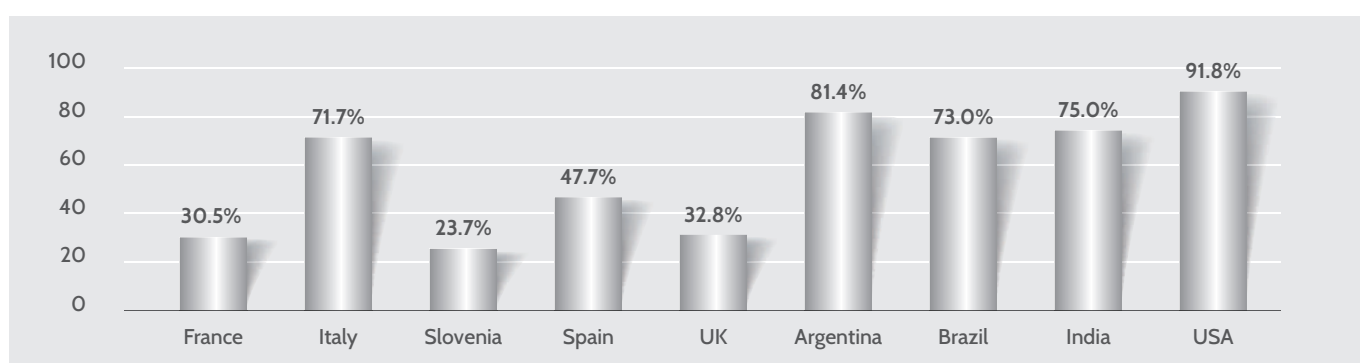
In order to strengthen the bond with the territory, Sogefi makes efforts to give priority to local suppliers, contributing to the local economic growth. The table below shows the percentage of the Group's procurement budget spent locally on suppliers, for significant locations of operations ¹⁵.

¹⁵ Local suppliers: suppliers of goods and/or services with headquarters in the same country as Sogefi's operations.

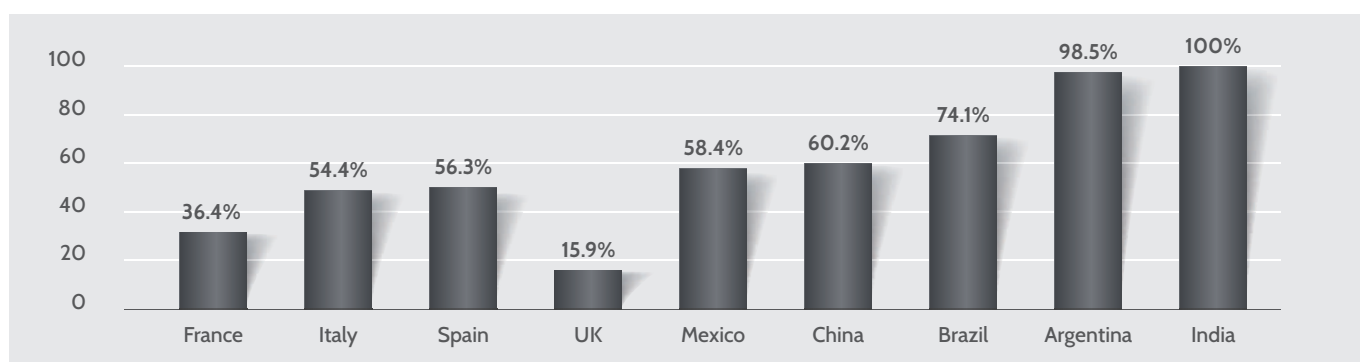
PERCENTAGE OF PRODUCTS AND SERVICES PURCHASED LOCALLY - AIR & COOLING



PERCENTAGE OF PRODUCTS AND SERVICES PURCHASED LOCALLY - FILTRATION



PERCENTAGE OF PRODUCTS AND SERVICES PURCHASED LOCALLY - SUSPENSIONS





Annex

1.1 Human resources ¹⁶

¹⁶ Human resources data consider the total number of Sogefi Group's employees as at 31 December 2014, 31 December 2015 and 31 December 2016, therefore including all subsidiaries. When data refer to a different perimeter, it is appropriately marked. For 2014 and 2016, totals may not add up due to intercompany rounding.

TOTAL WORKFORCE									
No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Employees	4,996	1,672	6,668	5,062	1,640	6,702	5,163	1,638	6,801
Supervised workers	502	246	748	641	279	920	541	390	930
TOTAL	5,498	1,918	7,416	5,703	1,919	7,622	5,704	2,027	7,731

BREAKDOWN OF EMPLOYEES BY EMPLOYEE CATEGORY BY GENDER									
No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Management	91	7	97	92	6	98	95	11	106
Office staff	1,340	485	1,825	1,393	473	1,866	1,386	488	1,874
Blue collar	3,565	1,181	4,746	3,577	1,161	4,738	3,682	1,139	4,821
TOTAL	4,996	1,672	6,668	5,062	1,640	6,702	5,163	1,638	6,801

BREAKDOWN OF EMPLOYEES BY GENDER BY REGION									
No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Europe	2,948	1,134	4,082	2,956	1,076	4,032	2,969	1,096	4,065
North America	431	164	595	456	211	667	521	178	699
South America	1,053	269	1,322	1,017	227	1,244	1,009	228	1,237
Asia	564	105	669	633	126	759	664	136	800
TOTAL	4,996	1,672	6,668	5,062	1,640	6,702	5,163	1,638	6,801

BREAKDOWN OF EMPLOYEES BY GENDER AND BY BUSINESS UNIT									
No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Air & Cooling	848	414	1,263	909	442	1,350	952	430	1,381
Suspensions	2,279	302	2,582	2,357	305	2,663	2,324	302	2,625
Filtration	1,819	932	2,751	1,756	873	2,629	1,851	884	2,735
Other ¹⁷	49	24	73	40	20	60	37	22	59
TOTAL	4,996	1,672	6,668	5,062	1,640	6,702	5,163	1,638	6,801

¹⁷ The category 'Other' refers to the Holding company Sogefi S.p.A. and Sogefi Purchasing S.A.S..

BREAKDOWN OF EMPLOYEES BY EMPLOYEE CATEGORY ACCORDING TO GENDER AND AGE GROUP									
2014									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0	0	48	4	42	3	91	7	97
Office staff	211	71	870	322	259	92	1,340	485	1,825
Blue collar	664	186	1,970	619	931	376	3,565	1,181	4,746
TOTAL	875	257	2,888	945	1,232	471	4,996	1,672	6,668

BREAKDOWN OF EMPLOYEES BY EMPLOYEE CATEGORY ACCORDING TO GENDER AND AGE GROUP									
2015									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0	0	42	4	50	2	92	6	98
Office staff	222	77	896	306	275	90	1,393	473	1,866
Blue collar	691	190	2,011	604	875	367	3,577	1,161	4,738
TOTAL	913	267	2,949	914	1,200	459	5,062	1,640	6,702

BREAKDOWN OF EMPLOYEES BY EMPLOYEE CATEGORY ACCORDING TO GENDER AND AGE GROUP									
2016									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Management	0	0	56	6	39	5	95	11	106
Office staff	217	81	885	315	284	92	1,386	488	1,874
Blue collar	679	166	2,103	616	900	357	3,682	1,139	4,821
TOTAL	896	247	3,044	937	1,223	454	5,163	1,638	6,801

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND AGE GROUP BY BUSINESS UNIT									
2014									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Air & Cooling	131	55	592	275	125	84	848	414	1,263
Suspensions	415	48	1,278	175	586	80	2,279	302	2,582
Filtration	322	149	987	479	510	304	1,819	932	2,751
Other	7	5	31	16	11	3	49	24	73
TOTAL	875	257	2,888	945	1,232	471	4,996	1,672	6,668

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND AGE GROUP BY BUSINESS UNIT									
2015									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Air & Cooling	152	61	620	286	137	95	909	442	1,350
Suspensions	423	57	1,346	172	589	76	2,357	305	2,663
Filtration	336	145	956	442	464	286	1,756	873	2,629
Other	3	4	27	14	10	2	40	20	60
TOTAL	913	267	2,949	914	1,200	459	5,062	1,640	6,702

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND AGE GROUP BY BUSINESS UNIT									
2016									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Air & Cooling	159	45	649	292	144	93	952	430	1,381
Suspensions	355	150	1,004	455	492	279	1,851	884	2,735
Filtration	379	51	1,370	174	575	77	2,324	302	2,625
Other	3	1	22	16	12	5	37	22	59
TOTAL	896	247	3,044	937	1,223	454	5,163	1,638	6,801

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND AGE GROUP BY REGION									
2014									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	267	83	1,719	648	962	403	2,948	1,134	4,082
North America	91	32	257	93	83	39	431	164	595
South America	250	78	638	164	165	27	1,053	269	1,322
Asia	267	64	274	40	22	2	564	105	669
TOTAL	875	257	2,888	945	1,232	471	4,996	1,672	6,668

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND AGE GROUP BY REGION									
2015									
No. of persons	< 30		30 - 50		> 50		TOTAL		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Europe	292	85	1,720	604	944	387	2,956	1,076	4,032
North America	101	56	256	106	99	49	456	211	667
South America	228	66	657	140	132	21	1,017	227	1,244
Asia	292	60	316	64	25	2	633	126	759
TOTAL	913	267	2,949	914	1,200	459	5,062	1,640	6,702

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND AGE GROUP BY REGION

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

EMPLOYEES BY TYPE OF EMPLOYMENT (FIXED TERM CONTRACT VS. PERMANENT CONTRACT)

No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Fixed term	366	82	448	448	113	561	121	21	142
Permanent	4,630	1,591	6,220	4,614	1,527	6,141	5,042	1,617	6,659
TOTAL	4,996	1,672	6,668	5,062	1,640	6,702	5,163	1,638	6,801

EMPLOYEES BY TYPE OF EMPLOYMENT (PART TIME VS. FULL TIME)

No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Full time	4,613	1,501	6,113	4,602	1,427	6,029	5,000	1,509	6,509
Part time	17	90	107	12	100	112	42	108	150
TOTAL	4,630	1,591	6,220	4,614	1,527	6,141	5,042	1,617	6,659

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

%	2014		2015		2016	
Male	78.7		78.4		85.2	
Female	73.4		71.2		86.8	
TOTAL	77.4		76.6		85.6	

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS BY REGION

No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Europe	80.3	72.0	78.0	82.2	75.6	80.4	97.1	97.6	97.2
North America	56.1	51.2	54.8	54.8	37.9	49.5	48.6	43.3	47.2
South America	100.0	100.0	100.0	98.0	93.0	97.1	95.5	94.7	95.4
Asia	48.1	55.9	49.3	46.1	50.8	46.9	45.0	43.5	44.8
TOTAL	78.7	73.4	77.4	78.4	71.2	76.6	85.2	86.8	85.6

NEW HIRES

No. of persons	2014					2015					2016				
	< 30	30 - 50	> 50	TOTAL	Turnover	< 30	30 - 50	> 50	TOTAL	Turnover	< 30	30 - 50	> 50	TOTAL	Turnover
Male	312	271	152	735	14.7%	364	311	38	713	14.1%	300	409	46	755	14.6%
Female	116	109	22	247	14.8%	129	98	19	246	15.0%	93	140	7	240	14.6%
TOTAL	428	380	174	982	14.7%	493	409	57	959	14.3%	393	549	53	995	14.6%

TERMINATIONS

No. of persons	2014					2015					2016				
	< 30	30 - 50	> 50	TOTAL	Turnover	< 30	30 - 50	> 50	TOTAL	Turnover	< 30	30 - 50	> 50	TOTAL	Turnover
Male	201	274	218	693	13.9%	190	305	153	648	12.8%	174	353	117	643	12.4%
Female	70	90	53	213	12.7%	85	121	73	279	17.0%	49	120	70	238	14.5%
TOTAL	271	364	271	906	13.6%	275	426	226	927	13.8%	223	472	186	881	12.9%

	AVERAGE BASIC SALARY OF WOMEN TO MEN BY EMPLOYEE CATEGORY, PER REGION ¹⁸			AVERAGE REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY, PER REGION		
No. of persons	2014	2015	2016	2014	2015	2016
Europe						
Management	0.76	0.79	0.89	0.67	0.74	0.79
Office staff	0.75	0.76	0.81	0.70	0.74	0.77
Blue collar	0.85	0.87	0.86	0.83	0.85	0.85
North America						
Management	Not significant	Not significant	Not significant	Not significant	Not significant	Not significant
Office staff	0.81	0.81	0.91	0.85	0.85	0.95
Blue collar	0.94	1.01	0.97	0.94	0.99	0.98
South America						
Management	Not significant	Not significant	Not significant	Not significant	Not significant	Not significant
Office staff	0.64	0.66	0.63	0.64	0.66	0.69
Blue collar	0.76	0.79	0.71	0.76	0.78	0.68
Asia						
Management	Not significant	Not significant	Not significant	Not significant	Not significant	Not significant
Office staff	0.61	0.78	0.78	0.62	0.79	0.77
Blue collar	0.91	0.89	0.89	0.90	0.92	0.89

¹⁸ Not significant, as not enough female employees in the specific employment category are present.

TOTAL HOURS OF TRAINING BY GENDER AND BY EMPLOYEE CATEGORY ¹⁹									
No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Management	474	72	546	586	84	670	1,081	86	1,167
Office staff	22,232	7,242	29,473	23,111	7,801	30,913	31,697	10,460	42,157
Blue collar	51,849	12,198	64,047	46,807	9,621	56,429	67,059	18,053	85,112
TOTAL	74,555	19,512	94,067	70,504	17,507	88,011	99,837	28,599	128,436

¹⁹ Figures on hours of training and average hours of training by gender and employment category account for 99.8% of Sogefi 2014 population. Figures for 2015 account for 99.7% of Sogefi 2015 population. Figures for 2016 account for 99.9% of Sogefi 2016 population.

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY EMPLOYEE CATEGORY BY GENDER									
No. of persons	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Management	5.4	11.1	5.7	6.5	14.0	7.0	11.6	7.8	11.2
Office staff	16.7	15.1	16.3	16.7	16.7	16.7	22.9	21.7	22.6
Blue collar	14.5	10.3	13.5	13.1	8.3	11.9	18.2	15.8	17.7
TOTAL	15.0	11.7	14.1	14.0	10.7	13.2	19.4	17.5	18.9

EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS ²⁰							
%	2014		2015		2016		
	Male	Female	Male	Female	Male	Female	
Management	40.6	15.4	41.1	16.7	93.5	81.8	
Office staff	47.5	46.1	54.4	50.3	83.7	81.0	
Blue collar	47.5	18.4	52.4	21.8	49.7	36.6	
TOTAL	43.7	30.5	54.6	32.0	59.6	50.0	

²⁰ Figures on employees receiving regular performance and career development review account for 99.8% of Sogefi 2014 population. Figures for 2015 account for 99.7% of Sogefi 2015 population. Figures for 2016 account for 99.9% of Sogefi 2016 population.

1.2 Occupational health and safety

OCCUPATIONAL HEALTH AND SAFETY INDICATORS ²¹									
	2014			2015			2016		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Injury rate	7.1	3.9	6.3	5.3	3.6	4.9	4.5	5.9	4.9
Lost day rate	152.1	75.4	132.6	146.4	56.7	123.6	67.8	57.5	65.1
Occupational disease rate	11.9	12.3	12.0	14.4	14.6	14.5	0.4	0.6	0.5
Absentee rate	4.5%	3.6%	4.2%	2.7%	1.9%	2.5%	3.6%	5.6%	4.1%

²¹ Injury rate, lost day rate and occupational disease rate are calculated on 99.8% of Sogefi 2014 workforce. For 2015, rates are calculated on 99.7% of Sogefi 2015 workforce. For 2016, rates are calculated on 99.9% of Sogefi 2016 workforce. Absentee rate is calculated on 97.8% of Sogefi workforce in 2014; 97.5% in 2015 and 93.6% in 2016.

1.3 Environment ²²

²² Environmental data (energy and GHG emissions, waste and water discharge) consider the total number of Sogefi Group's manufacturing plants. 2015 figures do not include plants that were closed during 2014 – namely Argentan (France), St Pere (France), Llantrisant (UK), Lieusaint (France), Shanghai SCH (China), while include the manufacturing plant of Atibaia (Brazil) opened during the reporting year. 2016 figures include the new manufacturing plant of Monterrey (Mexico). Figures do not include minor administrative offices that are not relevant for energy consumption.

For the conversion to GJ, consider
for electricity: 1 kWh = 0.0036 GJ;
for natural gas: 1 m³ = 0.03901 GJ.

Electricity

GROUP ELECTRICITY CONSUMPTION						
	2014		2015		2016	
	MWh	GJ	MWh	GJ	MWh	GJ
Group	246,554	887,588	260,818	938,938	266,728	960,214

ELECTRICITY CONSUMPTION BY BUSINESS UNIT						
	2014		2015		2016	
	MWh	GJ	MWh	GJ	MWh	GJ
Air & Cooling	43,415	156,291	46,798	168,473	49,494	178,177
Suspensions	143,998	518,387	152,535	549,120	150,173	540,617
Filtration	59,142	212,910	61,485	221,345	67,062	241,421
TOTAL	246,554	887,588	260,818	938,938	266,728	960,214

ELECTRICITY CONSUMPTION BY REGION						
	2014		2015		2016	
	MWh	GJ	MWh	GJ	MWh	GJ
Europe	166,311	598,715	175,222	630,794	178,337	642,007
North America	19,486	70,149	22,282	80,216	25,900	93,239
South America	41,827	150,576	41,485	149,344	41,290	148,643
Asia	18,930	68,149	21,829	78,584	21,202	76,326
TOTAL	246,554	887,588	260,818	938,938	266,728	960,214

Natural gas

GROUP NATURAL GAS CONSUMPTION						
	2014		2015		2016	
	m ³	GJ	m ³	GJ	m ³	GJ
Group	37,966,276	1,481,064	39,613,274	1,545,314	38,403,918	1,498,137

NATURAL GAS CONSUMPTION BY BUSINESS UNIT						
	2014		2015		2016	
	m ³	GJ	m ³	GJ	m ³	GJ
Air & Cooling	579,459	22,605	612,697	23,901	635,462	24,789
Suspensions	35,406,473	1,381,207	36,830,199	1,436,746	35,793,813	1,396,317
Filtration	1,980,343	77,253	2,170,378	84,666	1,974,643	77,031
TOTAL	37,966,276	1,481,064	39,613,274	1,545,314	38,403,918	1,498,137

NATURAL GAS CONSUMPTION BY REGION						
	2014		2015		2016	
	m ³	GJ	m ³	GJ	m ³	GJ
Europe	26,249,069	1,023,976	27,518,224	1,073,486	27,431,702	1,070,111
North America	302,138	11,786	361,210	14,091	370,343	14,447
South America	9,652,862	376,558	9,911,148	386,634	8,730,996	340,596
Asia	1,762,207	68,744	1,822,692	71,103	1,870,877	72,983
TOTAL	37,966,276	1,481,064	39,613,274	1,545,314	38,403,918	1,498,137

Waste

GROUP WASTE GENERATION									
ton	2014			2015			2016		
	Hazardous	Non-hazardous	TOTAL	Hazardous	Non-hazardous	TOTAL	Hazardous	Non-hazardous	TOTAL
Group	4,002	17,631	21,633	5,701	19,789	25,490	5,386	25,066	30,453

WASTE GENERATION BY BUSINESS UNIT									
ton	2014			2015			2016		
	Hazardous	Non-hazardous	TOTAL	Hazardous	Non-hazardous	TOTAL	Hazardous	Non-hazardous	TOTAL
Air & Cooling	47	2,204	2,251	76	3,188	3,264	104	3,348	3,452
Suspensions	2,403	8,638	11,042	3,940	9,538	13,478	3,942	15,360	19,302
Filtration	1,552	6,789	8,340	1,686	7,063	8,749	1,341	6,358	7,700
TOTAL	4,002	17,631	21,633	5,701	19,789	25,490	5,386	25,066	30,453

WASTE GENERATION BY REGION									
ton	2014			2015			2016		
	Hazardous	Non-hazardous	TOTAL	Hazardous	Non-hazardous	TOTAL	Hazardous	Non-hazardous	TOTAL
Europe	3,367	13,381	16,748	4,772	14,703	19,475	4,225	15,843	20,068
North America	2	1,090	1,091	5	1,587	1,592	25	1,925	1,950
South America	539	2,802	3,341	653	2,801	3,454	875	6,203	7,078
Asia	95	359	454	271	698	969	262	1,096	1,357
TOTAL	4,002	17,631	21,633	5,701	19,789	25,490	5,386	25,066	30,453

WASTE BY TYPE OF DISPOSAL			
ton	2016		
	Hazardous	Non-hazardous	TOTAL
Reuse	36	5,305	5,341
Recycling	497	13,236	13,733
Composting	0	139	139
Recovery, including energy recovery	436	1,431	1,866
Incineration (mass burn)	475	416	891
Deep well injection	281	43	324
Landfill	1,335	3,236	4,570
On-site storage	1,066	268	1,334
Other	1,261	993	2,254
TOTAL	5,386	25,066	30,453

Water discharge

GROUP WATER DISCHARGE			
m ³	2014	2015	2016
Group	2,037,852	1,935,089	1,353,632

WATER DISCHARGE BY BUSINESS UNIT												
m ³	2014				2015				2016			
	Surface water	Public sewer system	Other	TOTAL	Surface water	Public sewer system	Other	TOTAL	Surface water	Public sewer system	Other	TOTAL
Air & Cooling	1,201,485	11,804	0	1,213,289	1,027,330	13,671	540	1,041,541	545,435	18,938	1,468	565,842
Suspensions	151,585	248,422	291,620	691,627	229,033	273,981	240,520	743,534	473,897	194,920	12,056	680,872
Filtration	85,898	47,038	0	132,936	102,446	47,568	0	150,014	24,118	15,902	66,898	106,918
TOTAL	1,438,968	307,264	291,620	2,037,852	1,358,809	335,220	241,060	1,935,089	1,043,450	229,760	80,422	1,353,632

WATER DISCHARGE BY REGION												
m ³	2014				2015				2016			
	Surface water	Public sewer system	Other	TOTAL	Surface water	Public sewer system	Other	TOTAL	Surface water	Public sewer system	Other	TOTAL
Europe	1,426,694	220,464	291,620	1,938,778	1,343,295	235,295	241,060	1,819,650	1,021,918	174,059	71,762	1,267,738
North America	0	5,912	0	5,912	0	6,410	0	6,410	0	8,158	1,468	9,627
South America	0	66,617	0	66,617	0	74,400	0	74,400	18,558	13,800	2,200	34,558
Asia	12,274	14,271	0	26,545	15,514	19,115	0	34,629	2,974	33,743	4,992	41,709
TOTAL	1,438,968	307,264	291,620	2,037,852	1,358,809	335,220	241,060	1,935,089	1,043,450	229,760	80,422	1,353,632

Water withdrawal

GROUP WATER WITHDRAWAL			
m ³	2015	2016	
Group	1,957,452	1,490,324	

WATER WITHDRAWAL BY BUSINESS UNIT											
m ³	2015					2016					
	Surface water	Ground water	Rainwater	Municipal water	TOTAL	Surface water	Ground water	Rainwater	Municipal water	TOTAL	
Air & Cooling	1,035,720	2,507	0	44,408	1,082,635	550,389	3,883	0	57,687	611,959	
Suspensions	248,443	269,031	0	202,006	719,481	264,558	281,052	20	203,917	749,547	
Filtration	0	116,025	0	39,311	155,336	0	89,915	0	38,903	128,818	
TOTAL	1,284,163	387,563	0	285,725	1,957,452	814,947	374,850	20	300,507	1,490,324	

WATER WITHDRAWAL BY REGION											
m ³	2015					2016					
	Surface water	Ground water	Rainwater	Municipal water	TOTAL	Surface water	Ground water	Rainwater	Municipal water	TOTAL	
Europe	1,274,240	363,831	0	171,579	1,809,650	804,939	349,107	20	176,353	1,330,418	
North America	0	0	0	15,776	15,776	0	0	0	23,652	23,652	
South America	0	0	0	65,445	65,445	0	0	0	60,948	60,948	
Asia	9,923	23,732	0	32,926	66,581	10,008	25,743	0	39,554	75,305	
TOTAL	1,284,163	387,563	0	285,725	1,957,452	814,947	374,850	20	300,507	1,490,324	

Materials used

MATERIALS USED BY WEIGHT OR VOLUME – FILTRATION BUSINESS UNIT				
	Unit of measure	2014	2015	2016
RAW MATERIALS				
Steel - Coil	ton	15,045	17,325	16,236
Steel - Expanded Metal	ton	na	358	325
	m	148,704	na	na
Steel - Blank sheet	ton	na	95	85
	pc	327,391	na	na
Media - Oil/Diesel Filter	ton	9,710	3,129	2,882
Media - Foam	ton	na	291	305
	m	1,804	na	na
Media - Air Filter	ton	na	5,014	4,981
	m ²	1,796,327	na	Na
Media - Pre-Filter	ton	na	531	1,257
	pc	3,761,046	na	na
Chemicals - RM	ton	9,146	10,930	11,113
Chemicals - Adhesive/Glue	ton	na	2,249	1,949
	l	31,770	na	na
Chemicals - Activated carbon	ton	na	640	251
	m	170,200	na	na
Chemicals - Miscellaneous	ton	na	274	299
		38,681	na	na
SEMI MANUFACTURED GOODS OR PARTS				
Rubber	pc	194,489,982	242,597,233	243,617,759
Metallics	pc	173,288,423	291,920,596	313,958,051
Plastic	pc	55,134,872	90,198,237	113,499,894
Sub-systems	pc	13,469,013	14,676,998	23,361,709
Packaging – Film	pc	125,108,957	157,226,284	162,258,490
Aluminium casting	pc	2,676,559	3,656,893	4,062,911
Cooler - MDE	pc	na	2,506,263	2,854,860
Hoses duct	pc	329,000	1,139,807	982,649

MATERIALS USED BY WEIGHT OR VOLUME – SUSPENSIONS BUSINESS UNIT ²³				
	Unit of measure	2014	2015	2016
RAW MATERIALS				
Steel	ton	199,258	202,221	216,069
Chemical products	ton	1,029	1,286	2,999
SEMI MANUFACTURED GOODS OR PARTS				
Metallic components	pcs	na	na	50,184,858
	ton	7,917	7,771	na
Plastic parts	Pcs	na	na	11,706,587
	ton	1,666	2,602	na
Packaging	pcs	na	na	7,457,263
	ton	760	416	na
Rubber bushes	pcs	na	na	13,788,935
	ton	665	598	na

²³ Figures for 2014 and 2015 materials used in tons are estimates based on keur of purchased materials.

MATERIALS USED BY WEIGHT OR VOLUME – AIR & COOLING BUSINESS UNIT				
	Unit of measure	2014	2015	2016
RAW MATERIALS				
Chemicals - RM	ton	17,200	18,991	20,206
ASSOCIATED PROCESS MATERIALS				
Packaging - Film	m	107,452	201,212	13,580
	T	na	460	450
	m ²	0	5,790	20
SEMI MANUFACTURED GOODS OR PARTS				
Media - Pre-Filter/Foam	t	0	2	13
	pc	1,284,249	1,458,380	2,045,528
Rubber	pc	59,691,782	73,390,616	78,433,840
Metallics	pc	199,161,281	216,117,247	233,528,435
Chemicals - Glue/Oil	l	198	201	220
Plastic	pc	34,304,050	46,002,649	44,066,554
Sub-system	pc	18,182,518	21,588,546	24,392,955
Packaging	pc	10,441,446	12,779,963	14,896,000
Aluminium casting	pc	2,123,222	7,220,480	3,640,195
Hoses duct	pc	4,267,146	5,737,788	6,216,809

1.4 GHG Emissions ²⁴

²⁴ The source of emission factors for Electricity is the IEA Electricity emission factors. The source of emission factors for natural gas is the WRI Emission Factors from Cross Sector Tools (March 2017). Scope 1 is calculated considering only the natural gas consumption component. Scope 2 is calculated considering only the electricity consumption component.

GREENHOUSE GAS (GHG) EMISSIONS			
ton CO ₂ e	2014	2015	2016
Scope 1 – Direct GHG emissions	71,565	74,669	72,390
Scope 2 – Energy indirect GHG emissions	62,953	69,279	67,491
TOTAL	134,517	143,949	139,881

GREENHOUSE GAS (GHG) EMISSIONS BY BUSINESS UNIT			
ton CO ₂ e	2014	2015	2016
Air & Cooling	8,167	9,861	11,083
Suspensions	108,626	114,631	108,256
Filtration	17,725	19,456	20,541
TOTAL	134,517	143,949	139,881

GREENHOUSE GAS (GHG) EMISSIONS BY REGION			
ton CO ₂ e	2014	2015	2016
Europe	85,954	91,474	88,342
North America	5,613	6,797	9,165
South America	24,757	25,126	23,186
Asia	18,194	20,552	19,187
TOTAL	134,517	143,949	139,881

MATERIAL ASPECTS BOUNDARIES

MATERIAL ASPECT Categories	ASPECT BOUNDARY	
	Internal	External
ECONOMIC		
Economic performance	Sogefi	-
Market presence	Sogefi	-
Indirect economic impact	Sogefi	Communities in which Sogefi operates
Procurement practices	Sogefi	-
ENVIRONMENTAL		
Materials	Sogefi	-
Energy	Sogefi	-
Emissions	Sogefi	Environment
Effluents and waste	Sogefi	-
Product and services	Sogefi	-
Transport	Sogefi	-
Supplier environmental assessment	Sogefi	Suppliers
Environmental grievance mechanisms	Sogefi	-
SOCIAL - Labour practices and decent work		
Employment	Sogefi	Communities in which Sogefi operates
Labour/Management relations	Sogefi	-
Occupational health and safety	Sogefi	-
Training and education	Sogefi	-
Diversity and equal opportunity	Sogefi	Communities in which Sogefi operates
Equal remuneration for women and men	Sogefi	-
Labour practices grievance mechanisms	Sogefi	-
SOCIAL - Human rights		
Non-discrimination	Sogefi	-
Freedom of association and collective bargaining	Sogefi	Suppliers
Child labour	Sogefi	Suppliers
Forced or compulsory labour	Sogefi	Suppliers
Human rights grievance mechanisms	Sogefi	-
SOCIAL - Society		
Anti-corruption	Sogefi	-
Anti-competitive behaviour	Sogefi	-
Compliance	Sogefi	-
SOCIAL - Product responsibility		
Customer health and safety	Sogefi	-
Compliance	Sogefi	-

GRI Content Index

The 2016 Sogefi Group Sustainability Report was drafted according to the Global Reporting Initiative G4 Guidelines, in accordance with the Core option. The following table below specifies Sogefi's information according to the Group materiality analysis.

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G4 - EN5	Energy intensity	9; 83; 90-91;	
G4 - EN6	Reduction of energy consumption	88-90	
G4 - EN7	Reductions in energy requirements of products and services	56-65	
Water			
G4 - EN8	Total water withdrawal by source	97-98; 119	
Emissions			
G4 - DMA	Disclosures on management approach	91-92	
G4 - EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	91-94; 121	
G4 - EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	91-94; 121	
G4 - EN18	Greenhouse gas (GHG) emissions intensity	94-95	
G4 - EN19	Reduction of greenhouse gas (GHG) emissions	94	
Effluents and Waste			
G4 - DMA	Disclosures on management approach	95; 98	
G4 - EN22	Total water discharge by quality and destination	98-99; 119	
G4 - EN23	Total weight of waste by type and disposal method	95-97; 118	
G4 - EN24	Total number and volume of significant spills	99	
Products and Services			
G4 - DMA	Disclosures on management approach	56-65	
G4 - EN27	Extent of impact mitigation of environmental impacts of products and services	56-65	
Transport			
G4 - DMA	Disclosures on management approach	104-107	
G4 - EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	104-107	
Supplier Environmental Assessment			
G4 - DMA	Disclosures on management approach	109-111	
G4 - EN32	Percentage of new suppliers that were screened using environmental criteria	109-111	
Environmental Grievance Mechanisms			
G4 - DMA	Disclosures on management approach	31	
G4 - EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	31	In 2016, 9 grievances were and filed and addressed through formal grievance mechanisms, of which 6 were resolved. 2 grievances, opened prior 2016, were resolved.

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		Page	Reason for omission
CATEGORY: SOCIAL			
LABOR PRACTICES AND DECENT WORK			
Employment			
G4 - DMA	Disclosures on management approach	68	
G4 - LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	73; 115	
G4 - LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	74	
Labor/Management Relations			
G4 - DMA	Disclosures on management approach	80	
G4 - LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	80	
Occupational Health and Safety			
G4 - DMA	Disclosures on management approach	68	
G4 - LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated	117	
Training and Education			
G4 - DMA	Disclosures on management approach	77-78	
G4 - LA9	Average hours of training per year per employee by gender, and by employee category	78; 116	
G4 - LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	79; 116	
Diversity and Equal Opportunity			
G4 - DMA	Disclosures on management approach	75	
G4 - LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	67; 75-77; 113-114	
Equal Remuneration for Women and Men			
G4 - DMA	Disclosures on management approach	77	
G4 - LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	77; 116	
Labor Practices Grievance Mechanisms			
G4 - DMA	Disclosures on management approach	31	
G4 - LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	31	
HUMAN RIGHTS			
Non-discrimination			
G4 - DMA	Disclosures on management approach	23-25	
G4 - HR3	Total number of incidents of discrimination and corrective actions taken	31	
Freedom of Association and Collective Bargaining			
G4 - DMA	Disclosures on management approach	23-25	
G4 - HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	80	
Child Labor			
G4 - DMA	Disclosures on management approach	23-25	
G4 - HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	23-25	
Forced or Compulsory Labor			
G4 - DMA	Disclosures on management approach	23-25	
G4 - HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	23-25	
Supplier Human Rights Assessment			
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	47-48; 110	
Human Rights Grievance Mechanisms			
G4 - DMA	Disclosures on management approach	23-25	
G4 - HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	31	

SPECIFIC STANDARD DISCLOSURE			
GRI Indicator		Page	Reason for omission
SOCIETY			
Anti-corruption			
G4 - DMA	Disclosures on management approach	23-25	
G4 - SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	23-25	
G4 - SO4	Communication and training on anti-corruption policies and procedures	23-25	
G4 - SO5	Confirmed incidents of corruption and actions taken	31	
Anti-competitive Behavior			
G4 - DMA	Disclosures on management approach	23-25	
G4 - SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	31	
Compliance			
G4 - DMA	Disclosures on management approach	23-25	
G4 - SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		In 2016, no fines or sanctions for non-compliance with laws and regulations were registered.
PRODUCT RESPONSIBILITY			
Customer Health and Safety			
G4 - DMA	Disclosures on management approach	45	
G4 - PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	47	
G4 - PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	47-48	
Compliance			
G4 - DMA	Disclosures on management approach	45	
G4 - PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		In 2016, no fines for non-compliance with laws and regulations concerning the provision and use of products and services were registered.

MAKING THE CONNECTION BETWEEN GRI G4 AND THE UNGC PRINCIPLES

Categories	Principles	Description	GRI-G4 Indicators
Human rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR12
	Principle 2	Make sure that they are not complicit in human rights abuses	G4HR-11
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11; G4-HR4; G4-LA4
	Principle 4	The elimination of all forms of forced and compulsory labour	G4-HR6
	Principle 5	The effective abolition of child labour	G4-HR5
	Principle 6	The elimination of discrimination in respect of employment and occupation	G4-10; G4-EC5; G4-LA1; G4-LA9; G4-LA11; G4-LA12; G4-LA13; G4-HR3
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenge	G4-EN1; G4-EN3; G4-EN8; G4-EN15; G4-EN16; G4-EN27
	Principle 8	Undertake initiatives to promote greater environmental responsibility	G4-EN1; G4-EN2; G4-EN3; G4-EN5; G4-EN6; G4-EN7; G4-EN8; G4-EN15; G4-EN16; G4-EN18; G4-EN19; G4-EN22; G4-EN23; G4-EN24; G4-EN27; G4-EN30; G4-EN32; G4-EN34
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies	G4-EN6; G4-EN7; G4-EN19; G4-EN27
Anti-corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	G4-56; G4-SO3; G4-SO4; G4-SO5



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INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

**To the Board of Directors of
Sogefi S.p.A.**

We have carried out a limited assurance engagement on the Sustainability Report of the Sogefi Group (the "Group") as of December 31, 2016.

Directors' responsibility on the Sustainability Report

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

Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement.

The procedures performed on the Sustainability Report included inquiries, primarily with companies personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

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

- comparing the economic and financial information and data reported in the chapter "Economic Responsibility" of the Sustainability Report with those included in the Group Consolidated Financial Statements as of December 31, 2016, on which Deloitte & Touche S.p.A. issued the report pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January, 2010, dated March 29, 2017;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Group;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;

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- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
 - interviews and discussions with the management of the Sogefi S.p.A. and with the personnel of Sogefi Group to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the Chief Executive Officer of Sogefi S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Sogefi Group as of December 31, 2016 is not prepared, in all material respects, in accordance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by GRI - Global Reporting Initiative, as stated in the paragraph "Methodology" of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.

A handwritten signature in blue ink that reads "Franco Amelio".

Franco Amelio
Partner

Milan, Italy
June 9, 2017



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