



NON-FINANCIAL REPORT 2017



March 15, 2018

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Message from the Chief Executive Officer

Awareness of the social impact in every sense has been a key concern for Elica in conducting its business since the company's foundation. Close consideration of customers, workers and the local community is reflected in a multitude of initiatives which - although not initially structured on the basis of objectives and reporting procedures - have always had as an end goal the creation of social value and environmental protection, alongside the creation of economic value.

This first non-financial report therefore is only the formalisation, according to regulatory standards, of the ongoing attention and initiatives which Elica has always undertaken in terms of Corporate Social Responsibility. This initial and very important step towards the reporting of a differing kind of value created by the Group allows us to present ourselves in an increasingly transparent, clear and effective manner to all our stakeholders and our target of Socially Responsible Investors.

An awareness that we must constantly develop, but also that integrity and ethics can never be disregarded in generating business are the drivers which even today continue to push Elica towards further growth and maturity, as we introduce more structured policies and processes to more closely monitor our non-financial performances and set medium to long-term objectives in terms of social, ethical and environmental responsibility.

We strongly believe in the importance of our relationships with stakeholders, committing to build correctness and transparency into our relations with all those who work with us and for us. This allows us not only to strengthen reciprocal trust, but also to achieve shared objectives. We "invest" in our partners in order to build fundamental relationships of stability and durability. We take real steps to encourage engagement and the promotion and sharing of principles and objectives through ongoing dialogue.

Non-financial Sustainability has been a constant for Elica and this report is but a snapshot in time which, as the years pass, we hope will become increasingly clear and engaging.

Chief Executive Officer
Antonio Recinella

How to interpret the Elica Group's Non-Financial Report

The consolidated Non-Financial Report of the Elica Group (hereafter also the "Report"), drawn up in accordance with Legislative Decree 254/2016 enacting Directive 2014/95/EU, reports upon environmental, social, personnel, human rights and anti-corruption matters, helping the reader to understand Group activities, its performance and results and the related impacts.

Specific principles and methods set out by the most recent standards published in 2016 by the Global Reporting Initiatives (the "GRI Standards"), a leading independent body which defines non-financial reporting models, were used to prepare this Report.

The breath and quality of reporting is dictated by the materiality principle, an element identified by the benchmark regulation and central to the GRI standards: the matters dealt with in this report are those which, after close examination, were deemed material in reflecting the social and environmental impacts of Group operations, or in terms of influencing stakeholders decisions. To aid in the interpretation of the document in view of the materiality analysis carried out and the reporting standards employed, the following pages present a table which outlines, for each scope established by Legislative Decree 254/2016, the relative paragraphs and the GRI standards used for reporting.

Reporting scope

The qualitative and quantitative disclosure contained in the Non-Financial statement refers to the performance of the Elica Group (hereafter also "the Group") for the year ended December 31, 2017. The "Group" refers to the parent Elica S.p.A. and the subsidiaries fully consolidated in the consolidated financial statements¹: Elicamex S.a.d. C.V., Elica Group Polska Sp.z o.o, Airforce S.p.A., Ariaфина Co. Ltd, Leonardo Services S.a. de C.V., Elica GmbH, Elica Inc., Airforce GE, Elica PB India Private Ltd., Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC and Elica France S.A.S.. On August 28, 2017, Elica S.p.A. sold 100% of the German company Exklusiv Hauben Gutmann GmbH, which at December 31, 2017 was therefore not included in the consolidation scope or therefore in the present reporting scope. References to "Elica" and the "Group" in the report concern the Elica Group in its entirety, while the term "the company" refers exclusively to the parent Elica S.p.A.. Certain aspects and indicators may have a differing reporting scope than that stated above, where such are considered by management as non-significant for specific companies of the Group in consideration of the activities carried out. In this case, the text clearly indicates the reporting scope of the aspect/indicator.

Material aspects for Elica

In accordance with Legislative Decree 254/2016 and following the GRI Standards, a materiality (significance) analysis was carried out on the non-financial matters concerning the Elica Group, resulting in the identification of material aspects to be outlined in the Report. The analysis was broken down into three main phases involving Group management and personnel: preliminary identification, assessment and definition of the material aspects. Taking as a starting point the provisions of Legislative Decree 254/2016, potentially relevant aspects were identified on the basis of an analysis carried out by Elica, the characteristics of the sector and the approaches

¹ Except the company Exklusiv Hauben Gutmann GmbH.

adopted by similar domestic and international enterprises. Subsequently, the material aspects emerging from the analysis were discussed and assessed by Group management² at dedicated meetings to establish those more representative of the social and environmental impacts generated by Elica and to identify the GRI indicators for their reporting. On conclusion of the process, the material aspects directly related to the main Group non-financial risks and considered by Legislative Decree 254/16 were identified (as indicated in the table): product safety; personnel health and safety; the suitability of human resources; respect for human rights and equal opportunities; waste management; resource and material consumption; the fight against corruption; supplier management; governance; regulatory compliance and relations with the local community.

Reconciliation between the content of the Report, the scopes of the decree and the GRI standards

Scopes of Legislative Decree 254/16	Content required by Legislative Decree 254/16	Reference to the paragraph and relative documentaion	GRI 2016 documents reporting the content	Disclosure
Operating management model	Operating management model	<ul style="list-style-type: none"> Activities executed & main non-financial risks Corporate profile - Elica globally Corporate profile – Brands and Products Consolidated Financial Statements - Corporate Boards Governance Company - Supplier management 	102: General Disclosures	102-2 102-3 102-4 102-5 102-6 102-18 102-9
The Environment	Main Risks	<ul style="list-style-type: none"> Activities executed & main non-financial risks 	102: General Disclosures	102-15
	Policies	<ul style="list-style-type: none"> Environment - Energy consumption and emissions Environment - Material and water consumption Environment - Other environmental impacts Ethics Code - Article 10: The Environment 	103: Management Approach	103-2
	Use of energy	<ul style="list-style-type: none"> Environment - Energy consumption and emissions: Performance Indicators 	302: Energy	302-1 302-2
	Use of water and materials	<ul style="list-style-type: none"> Environment - Material and water consumption: Performance Indicators 	301: Materials 303: Water	301-1 303-1
	Greenhouse gas emissions & atmospheric polluting emissions	<ul style="list-style-type: none"> Environment - Energy consumption and emissions: Performance indicators 	305: Emissions	305-1 305-2 305-3 305-7
	Other environmental impacts	<ul style="list-style-type: none"> Environment - Other environmental impacts Environment - Other environmental impacts: Performance Indicators Sanctions 	306: Effluents and Waste 307: Environmental Compliance	306-2 306-3 307-1
	Suppliers assessed according to environmental factors	<ul style="list-style-type: none"> Company - Supplier management 	308: Supplier Environmental Assessment	308-1 308-2
Corruption	Main Risks	<ul style="list-style-type: none"> Activities executed & main non-financial risks 	102: General Disclosures	102-15
	Policies	<ul style="list-style-type: none"> Governance - Anti-corruption & conflict of interest policies Ethics Code - Article 3: Impartiality and conflicts of interest 	103: Management Approach	103-2

² Designated managers for each company function, involved in the collection of data regarding their specific scope and its consolidation.

	Fight against corruption	<ul style="list-style-type: none"> Governance - Anti-corruption & conflict of interest policies Governance - Anti-corruption & conflict of interest policies: Performance Indicators 	205: Anti-corruption	102-25 205-1 205-3
Human Rights	Main Risks	<ul style="list-style-type: none"> Activities executed & main non-financial risks 	102: General Disclosures	102-15
	Policies	<ul style="list-style-type: none"> Employees - Equal opportunities & respect for human rights Ethics Code - Article 4: Personnel management 	103: Management Approach 406: Non-discrimination	103-2 406-1
	Respect for human rights & measures adopted to prevent violations	<ul style="list-style-type: none"> Employees - Equal opportunities & respect for human rights Company - Supplier management 	407: Freedom of Association and Collective Bargaining 408: Child Labor 409: Forced or Compulsory Labor 412: Human Rights Assessment 414: Supplier Social Assessment	407-1 408-1 409-1 412-1 412-3 414-1 414-2
Diversity on management & control boards	Policies	<ul style="list-style-type: none"> Governance – Composition of Corporate Boards 	103: Management Approach	103-2
	Diversity on management & control boards	<ul style="list-style-type: none"> Governance – Composition of Corporate Boards Governance – Composition of Corporate Boards - Performance indicators Consolidated Financial Statements - Corporate Boards 	102: General Disclosures	102-22 102-24
Personnel	Main Risks	<ul style="list-style-type: none"> Activities executed & main non-financial risks 	102: General Disclosures	102-15
	Policies	<ul style="list-style-type: none"> Employees - Equal opportunities & respect for human rights Employees - Training Employees - Remuneration policies Employees - Health and Safety Employees - Industrial relations Ethics Code - Article 4: Personnel management Ethics Code - Article 9: Workplace safety 	103: Management Approach	103-2
	Personnel management, including gender equality	<ul style="list-style-type: none"> Employees - Personnel composition: Performance Indicators Employees - Remuneration policies Employees - Remuneration policies: Performance Indicators Employees - Equal opportunities & respect for human rights Employees - Training: Performance Indicators 	102: General Disclosure 401: Employment 404: Training and Education 405: Diversity and Equal Opportunity	102-8 102-36 102-38 202-1 401-1 404-1 405-1
	Dialogue with trade unions	<ul style="list-style-type: none"> Employees - Industrial relations 	102: General Disclosure	102-41
	Impact on health and safety	<ul style="list-style-type: none"> Employees - Health and safety: Performance Indicators 	403: Occupational Health and Safety	403-2
Company	Main Risks	<ul style="list-style-type: none"> Activities executed & main non-financial risks 	102: General Disclosures	102-15
	Policies	<ul style="list-style-type: none"> Company - Quality Company - Local communities Ethics Code - Article 23: Supplier relations and consultants 	103: Management Approach	103-2
	Social aspects	<ul style="list-style-type: none"> Company - Quality Company - Quality: Performance Indicators 	203. Indirect Economic Impacts 416: Customer Health and Safety 419: Socio economic compliance	203-1 416-1 416-2 419-1

ACTIVITIES EXECUTED & MAIN NON-FINANCIAL RISKS



The Elica Group has been present on the cooker hood market since the 1970's, reports revenues of approx. Euro 480 million, and is the global leader in terms of units sold with a market share of 14%. With the FIME brand, it is also a European leader in the design, manufacture and sale of motors for central heating boilers.

In the Cooking segment, the Elica Group designs, produces and markets not only domestic-use cooker hoods - both own brand and for the leading home appliance and kitchen manufacturers - but also hobs, ovens and, for the Asian market, sterilisers.

The parent Elica S.p.A. has been listed on the FTSE Italia STAR and FTSE Italia Small Cap indices of the Milan Stock Exchange since 2006.

The Group markets are located in Europe, the Commonwealth of Independent States (CIS), Asia and America. In addition to the Italian headquarters, commercial offices are located in Spain, France, Germany, Russia, Japan and the United States, and at year-end 2017 the Group had seven production facilities: in Italy (Fabriano/Mergo/Castelfidardo), Poland (Jelcz-Laskowice), India (Pune), China (Shengzhou) and Mexico (Parque Industrial de Queretaro). In 2017, a production facility in Germany was sold and the subsidiary Elica GmbH was established to oversee commercial operations in Germany.

Group companies and number of employees (excluding temporary staff)

Group employees by company and region		Unit	2016	2017
Elica SpA	Italy	No.	1,207	1,172
Elicamex S.a.d. C.V.	Mexico		1	1
Elica Group Polska Sp.z o.o	Poland		704	681
Airforce S.p.A.	Italy		104	108
Aria fina Co. Co. Ltd	Japan		2	0
Leonardo Services S.a. de C.V.	Mexico		658	713
Elica GmbH	Germany		0	9
Elica Inc.	United States		4	4
Airforce GE	Germany		0	0
Elica PB India Private Ltd.	India		234	310
Zhejiang Elica Putian Electric Co. Co. Ltd	China		268	254
Elica Trading LLC	Russia		31	33
Elica France S.A.S.	France		8	8
Total			3,221	3,293

In view of the activities carried out and the operating markets, the non-financial risks deemed material for Elica are principally those of consumer safety, personnel management, workplace health and safety, the environment, corruption, human rights and the supply chain. The individual chapters of the Report, in addition to outlining these risks - which are presented in general terms - describe the policies adopted and actions taken by the Group for their correct management.

Product safety

The main risks managed concern the possible malfunction of products sold, causing damage to the end consumer. Specifically, these risks (analysed by the Elica Propulsion Laboratory) may be of an electrical, mechanical or heat-related nature and concern fires, electromagnetic disturbance or interferences, or the presence of harmful chemical substances in products.

Personnel management

Manufacturing exposes workers to health and safety risks, consisting specifically of mechanical risks (materials falling from height, crushing, slips, knocks, compression, collisions, road accidents, burns and electrocution), chemical risks (the use of glues, cleaning products and inks for printing), manual load handling risks (bio-mechanical overloading of upper limbs and back) and other general risks (working mothers, workers at particular risk, work-related stress, fires and electrical risks).

Another significant risk is the unavailability of qualified staff at local level in some of the countries where the Group operates directly. Further risks may lie in the qualitative and quantitative inadequacy of human resources in relation to the operating model and the evolution of strategic business needs and the level of turnover of personnel with low seniority.

Human Rights

Certain regions in which Elica has production activities are exposed to potential risks of human rights violations, such as the use of child labour, forced labour and other general worker and human rights violations. The countries with the greatest potential risks include Mexico, India, China, Russia and Poland.

These risks are adequately monitored through specific company policies aimed at limiting potential impacts.

Environment

The environmental impact assessment indicated that Elica S.p.A. and its production activity subsidiaries (sites and offices) are exposed to specific environmental risks relating to the following aspects: the consumption of non-renewable resources (energy and raw materials), noise pollution created by production process, the transport of goods and people, atmospheric pollution, the recycling, handling and disposal of industrial waste and the consumption of water resources in processes and services. However, no significant risk of spillage or accidental emissions emerged.

Corruption

Elica operates in some countries with a corruption risk considered medium to high (Italy) or high (China and Mexico). This risk mainly pertains to corruption among individuals as the Group does not tend to operate with public companies.

Social and environmental risks related to the supply chain

The main identifiable risks regard the activities of direct material suppliers and are principally of an environmental nature. In particular, assessment activities identified soil and water pollution risks related to the improper disposal of water, sludges and liquids from machinery cooling and maintenance, as well as atmospheric pollution risks relating to the open-air storage of raw materials used in production, particularly steel, and lastly risks of fumes caused by the processing of plastic and ferrous materials.

GOVERNANCE



Governance System

Elica S.p.A.'s corporate governance system is based on the traditional administration and control model, thus featuring the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Appointments and Remuneration Committee and the Internal Control, Risk Management and Sustainability Committee are set up within the Board.

The Appointments and Remuneration Committee, comprising independent directors, proposes the independent directors, oversees the process for the succession of executive directors, ensuring compliance with the Self-Governance Code, and reports to the Shareholders' Meeting through the Corporate Governance and Ownership Structure Report and the Remuneration Report (to which reference should be made for further details).

The Internal Control, Risk Management and Sustainability Committee, comprised also of independent directors, supports the assessments and decisions of the Board of Directors with regards to the internal control and risk management system, in addition to the approval of the periodic financial reports; it also undertakes the proposal and advisory duties as per the Self-Governance Code of Borsa Italiana S.p.A., which Elica S.p.A. has adopted. Following consideration by the Board of Directors, the Committee also expresses its opinion on Related Party Transactions in accordance with the Related Party Transactions Policy adopted by Elica S.p.A..

Finally, in April 2017, the Internal Control, Risk Management and Sustainability Committee was also assigned proposal and advisory functions with regards to the Board of Directors as per Legislative Decree 254/2016, in application of the European non-financial reporting regulation, i.e. the processes, initiatives and activities designed to communicate the company's commitment

to sustainable development throughout the supply chain. By way of example but not limited to the following, the Committee:

- examines and evaluates: (i) sustainability policies aimed at ensuring the creation of value over time for the shareholders in general and for all other stakeholders over a medium-long term period in accordance with the principles of sustainable development; (ii) the guidelines, objectives and consequent processes of sustainability and sustainability reporting submitted annually to the Board of Directors;
- examines any sustainability initiatives submitted to the Board of Directors;
- expresses an opinion on other sustainability issues at the Board's request.

These provisions are in line with the latest version of the Self-Governance Code for listed companies.

For the specific functions allocated and the activities carried out in the year, reference should be made to the Corporate Governance and Ownership Structure Report published on the company's website.

Composition of the company bodies

Ensuring gender parity and diversity on the Management Board is a commitment fulfilled by the company, also in accordance with the Self-Governance Code of Borsa Italiana. The Board of Directors of Elica S.p.A., appointed by the Shareholders' Meeting, comprises eight directors, of which:

- three male independent directors;
- two female independent directors;
- two male executive directors (the Executive Chairman and the Chief Executive Officer)
- one male non-executive director.

The Committees within the Board of Directors each comprise four members, of which one female. For details on the process and the appointment and replacement criteria, on the executive director succession plan and on the experience and expertise of the directors and the Committee members, reference should be made to the Corporate Governance and Ownership Structure Report.

The Board of Statutory Auditors of Elica S.p.A. currently comprises three members, of which one female. For details on the appointment process and criteria, reference should be made to the Corporate Governance and Ownership Structure Report.

Performance Indicators

Board of Directors of Elica S.p.A.

Name	Age	Gender	Appointment	Executive	Independent	Any other positions at the Group
Francesco Casoli	56	M	Executive Chairman	YES	NO	Director of Ariafina
Gennaro Peralisi	79	M	Director	NO	NO	-
Enrico Vita	48	M	Director	NO	YES	-
Elio Cosimo Catania	71	M	Director	NO	YES	-
Davide Croff	70	M	Director	NO	YES	-
Katia Da Ros	50	F	Director	NO	YES	-
Antonio Recinella	49	M	C.E.O.	YES	NO	Director of subsidiaries
Cristina Scocchia	44	F	Director	NO	YES	-

Note: the data refer to December 2017

Age	Unit	2017			2016		
		Male	Female	Total	Male	Female	Total
Below 30 years of age	No.	-	-	-	-	-	-
Between 30 and 50 years of age		2	2	4	1	1	2
Over 50 years of age		4	-	4	5	1	6
Total		6	2	8	6	2	8

Appointments and Remuneration Committee and Internal Control, Risks and Sustainability Committee

Name	Age	Gender	Appointment	Executive	Independent	Any other positions at the Group
Enrico Vita	48	M	Director	NO	YES	-
Elio Cosimo Catania	71	M	Director	NO	YES	-
Davide Croff	70	M	Director	NO	YES	-
Cristina Scocchia	44	F	Director	NO	YES	-

Board of Statutory Auditors of Elica S.p.A.

Age	Unit	2017			2016		
		Male	Female	Total	Male	Female	Total
Below 30 years of age	No.	-	-	-	-	-	-
Between 30 and 50 years of age		-	1	1	-	1	1
Over 50 years of age		2	-	2	2	-	2
Total		2	1	3	2	1	3

Anti-corruption and conflict of interest control policies

In order to prevent any incidents which may constitute a risk in terms of corruption, Elica S.p.A. and, in 2017, the Italian subsidiary Airforce S.p.A., adopted an organisational model as per Legislative Decree 231/01 (the "231 Model"), including an Code of Ethics, which contains anti-corruption principles and controls. The existence of the Model and the Code of Ethics was brought to the attention of all employees of the two companies and specific training courses were provided by Elica S.p.A.. The general section of the Model and the Code of Ethics of Elica S.p.A. are published on the corporate website. Additional measures against the commission of corruption were set out under the internal procedures governing the flow of indirect purchases and the selection of suppliers, the drafting of processes which ensure the segregation of duties in issuing orders and in executing payments, in addition to alignment with the current regulations with regards to sub-suppliers, tenders, sub-contracts, DURC and DUVRI.

All Group companies are invited to adopt the Company's Code of Ethics. The Chinese, French, German, Polish and Mexican subsidiaries have adopted the parent's Code of Ethics, mitigating, among other risks, that of corruption. The Russian subsidiary approved adoption of the Group's Code of Ethics, after its adjustment to local regulations. The existence of Code of Ethics was brought to the attention of employees of the compliant subsidiaries.

Furthermore, Elica S.p.A. and a number of Group companies comply with the Codes of Ethics and Conduct of the Group's various international clients - leaders in their approach to ethics and business sustainability.

The Italian Group companies made available to employees an e-mail address to report any violations of the 231 Model to the Supervisory Board; reports may also be made with regards to corruption.

The Polish company also made available the additional employee boxes and telephone numbers to make reports, also in the case of alleged corruption.

Furthermore, in order to strengthen anti-corruption controls, Elica S.p.A. in 2017 completed the updating of the 231 Model and of the Code of Ethics, including a number of new offenses under the regulation.

The corruption risk is monitored at the Group indirectly through the audits carried out by the Internal Audit function, the Supervisory Board and by certain clients.

In China, as part of the supplier selection process, the adequacy of the supplier license for execution of the works requested is verified; verification processes for procurement flows are also in place. In addition, in Mexico and in Poland, training courses are provided to employees and managers with regards to corruption.

The Indian subsidiary has adopted an internal policy to prevent the commission of corruption offenses.

In addition, regular local audits are carried out at the Elica Group companies, in addition to those by the Internal Audit function, to mitigate, among other issues, the risk of the commission of corruption offenses.

Elica S.p.A. has also adopted a procedure governing the receipt of donations, gifts or invitations from third parties, which has also been adopted by the Polish and Mexican subsidiaries.

Finally, with regards to possible conflicts of interest, Elica S.p.A. complies with applicable rules seeking to prevent decisions being taken by parties with a conflict of interest. Both the Code of Ethics and the company's By-Laws contain related provisions. The By-Laws, in particular, establish that management should abstain from taking decisions where there is a conflict of interest and that all transactions in which directors have an interest, on their own behalf or on behalf of third parties, are notified to the Board of Statutory Auditors at least quarterly. The executive bodies³ are also required to comply with the requirement to notify the Board of Directors at least quarterly. In addition, Elica has adopted a Related Party Transactions Policy, available on the corporate website, to which reference should be made.

Finally, the composition of the Board of Directors (63% independent directors) contributes to ensuring the independence of the decisions taken.

In general, to control and mitigate conflicts of interest at Group companies, the control function is separated from the operating function and the local relevant applicable rules are complied with.

Performance Indicators

Processes and Group companies subject to the assessment of corruption risk

Processes	Unit	2017	2016
Total number of processes assessed*	No.	2	1
Total number of processes**		11	10
Percentage of processes assessed	%	18%	10%
Group companies	Unit	2017	2016
Total number of Group companies assessed*	No.	2	1
Total number of Group companies		11	10
Percentage of Group companies assessed	%	18%	10%

Scope: Elica S.p.A., Zhejiang Elica Putian Electric Co. Ltd, Elica France S.A.S., Elicamex S.a.d. C.V., Leonardo Services S.a. de C.V., Elica Inc., Elica Trading LLC, Airforce S.p.A., Elica PB India Private Ltd., Elica Group Polska Sp.z o.o and Elica GmbH.

* The companies who have adopted the 231 Model are considered to have been assessed, while the companies which have anti-corruption, similar or equivalent policies are not considered to have been assessed.

**At least one process for each Group company was identified which directly or indirectly seeks to prevent the risk of corruption.

³ The Board of Directors may delegate, to the extent of Article 2381 of the Italian Civil Code, its duties to an Executive Committee or one or more Chief Executive Officers, establishing their powers and duties.

Incidences of corruption identified

	Unit	2017	2016
Total number of incidences of corruption identified	No.	0	0

Scope: Elica S.p.A., Zhejiang Elica Putian Electric Co. Ltd, Elica France S.A.S., Elicamex S.a.d. C.V, Leonardo Services S.a. de C.V., Elica Inc., Elica Trading LLC, Airforce S.p.A., Elica PB India Private Ltd. and Elica Group Polska Sp.z o.o

Number of contracts terminated or not-renewed due to corruption

	Unit	2017	2016
Total number of contracts terminated or not renewed	No.	0	1

Scope: Elica S.p.A., Zhejiang Elica Putian Electric Co. Ltd, Elica France S.A.S., Elicamex S.a.d. C.V, Leonardo Services S.a. de C.V., Elica Inc., Elica Trading LLC, Airforce S.p.A., Elica PB India Private Ltd., Elica Group Polska Sp.z o.o and Elica GmbH.

In Poland, in 2016 a contract with a business partner was not renewed due to suspected non-professional conduct.

Compliance

The governance structure adopted by the Elica Group has enabled, in 2016 and in 2017, the avoidance of significant penalties for the violation of economic and social rules and regulations, and for the violation of environmental rules and regulations.

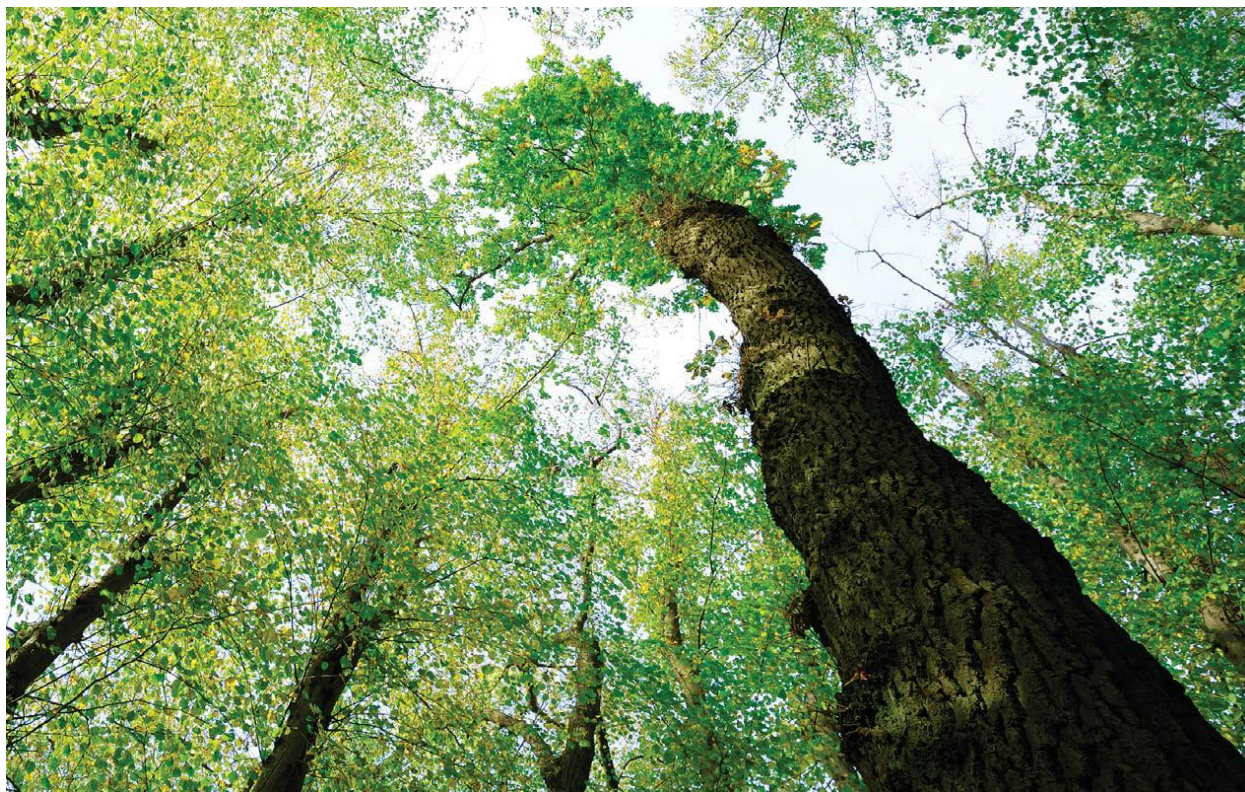
Performance Indicators

Non-compliance with regulations and voluntary codes concerning the impacts on health and safety of products and services

Non-compliance	Unit	2017	2016
Non-compliance with obligatory rules concluding with penalties or official complaints	No.	0	0
Non-compliance with voluntary codes		0	0
Total non-compliance		0	0

Scope: Elica Group

ENVIRONMENT



The main environmental impacts are generated by Elica's production activity. The following paragraphs therefore only refer to the countries in which the Group has production facilities.

All Group activities are compliant with local legislation, whilst simultaneously aligned to its operating procedures and instructions communicated to all members of staff. Specialist industry providers are contracted for system maintenance as well as safety and environment system management, ensuring the continuous monitoring of the most important aspects. To complement this monitoring function, the Internal Audit function regularly conducts internal audits, whilst independent audits are outsourced to external specialists, such as accreditation companies.

Electricity consumption and emissions

Elica S.p.A. and Elica Group Polska Sp.z o.o are ISO 14001:2004 management system certified. Elica PB India Private Ltd. and Elicamex S.a.d. C.V have ISO 14001:2015 management system accreditation. Elica S.p.A. and Elica Group Polska have already scheduled the transition to the reviewed ISO 14001:2015 standard for July 2018.

These systems are wholly synergetic with the improvement plans developed under the World Class Manufacturing⁴ programme introduced by Elica: a structured process for the long-term reduction of production inefficiencies. From this perspective, Elica's main goal in terms of energy consumption and emissions for 2016 and 2017 was to identify, analyse and eliminate energy losses, such as unnecessary energy use, over-consumption, etc., using the "Seven Types of Energy Losses" tool.

Among the Group's undertakings to reduce negative environmental impacts whilst continuously improving performance over the last two years were the introduction, in 2017, of a Group-wide standardised "scorecard", measuring environmental Key Performance Indicators on a monthly basis through common parameters. This tool provided the core Environment Health & Safety⁵ (EHS) function with an immediate bird eye's view of energy consumption across the facilities, allowing energy consumption issues to be tackled head on, thereby enabling them to define improvement processes to reduce not only energy consumption, but also to achieve reductions in the quantities of waste products.

Again in 2017, the core EHS function organised monthly staff meetings to monitor the improvement plans that had been implemented (Kaizen Environment Journal: planning and monitoring the progress of projects with the Deming method "Plan-Do-Check-Act").

Finally, Elica S.p.A monitors annual CO₂ emission savings due to the installation of three photovoltaic systems in 2012; the electricity produced by these systems delivers savings of almost 640 tonnes of CO₂-e per annum.

Another aspect of environmental protection is the efficient management of business trips. To achieve this, Elica S.p.A. and the French subsidiary implemented a business trip policy encouraging employees to use communication systems where these are viable alternatives to business trips, which, in addition to their obvious financial benefits, also resulted in a decline in energy consumption as well as in the indirect production of emissions.

This policy, introduced in 2017, resulted in significant CO₂ emission reductions from road and air business trips. The focus now is on a further reduction in emissions by promoting the increased use of these alternative tools across all the Group companies.

Finally, Elica's commitment to the environment also extends to the environmental impacts of its products during their lifecycle: in fact, even during the design phase many aspects such as energy efficiencies, as well as the environmental impact of the packaging itself, come under scrutiny. Thus, in 2018, the "Average Annual Consumption" of energy and "Average Transport volumes" – two new environmental indicators - will be monitored.

Performance Indicators

Fuel consumption in countries with production activities (offices and facilities)

Consumption of fuels from non-renewable sources	Unit	2017	2016
Natural gas	Cubic metres	2,455,713.00	2,235,842.00
Diesel	Litres	661.00	90,829.00

⁴ World Class Manufacturing Association is an international non-profit organisation bringing together companies from various sectors involved in the introduction and the development of the same unified change process of manufacturing models, for ongoing improvement.

⁵ A corporate function, comprising two employees, which sets out and disseminates the guidelines and principles concerning environmental and health and safety policies throughout the Group. The function oversees compliance with the standards, monitors the local activities through audits and requires improvement plans for the continuous improvement in the related performances.

Petrol		1,987.00	4,555.00
LPG		35,307.64	34,360.28
Natural gas		97,458.49	88,732.59
Diesel		25.32	3,592.28
Petrol	Joules	68.48	157.97
LPG		891.52	867.59
Total		98,443.80	93,349.44

Scope: Countries with production facilities.

Note: consumption has been calculated using data collected from suppliers, invoices and consumption monitoring software.

CO₂ emissions from fuel consumption in countries with production activities (offices and facilities)

Emissions from consumption of fuels from non-renewable sources	Unit	2017	2016
Natural gas		4,981,119.13	4,535,137.20
Diesel		1,726.28	89,736.17
Petrol	CO ₂ e kg	4,365.39	10,007.22
LPG		53,138.58	51,712.78
Total		5,040,349.38	4,686,593.37

Scope: Countries with production facilities.

Note: Emissions have been calculated using the emission conversion factors published in 2016 by the UK Department for Environment Food & Rural Affairs.

Energy consumption in countries with production activities (offices and facilities)

Energy consumption	Unit	2017	2016
Electricity		27,923,928.00	25,825,408.77
From non-renewable sources	kWh	26,626,460.00	24,202,055.00
From renewable sources		1,297,468.00	1,623,354.00
Total		27,923,928.00	25,825,409.00

Scope: Countries with production facilities.

Note: consumption has been calculated using data collected from suppliers, invoices and consumption monitoring software.

CO₂ emissions from energy consumption in countries with production activities (offices and facilities)

Emissions from non-renewable sources	Unit	2017	2016
Electricity	CO ₂ e kg	10,024,690	9,271,322
Total		10,024,690	9,271,322

Scope: Countries with production facilities.

Note: Emissions have been calculated using the emission conversion factors published in 2014 by Terna S.p.A..

Other atmospheric emissions in countries with production activities (offices and facilities)

Other emissions	Unit	2017	2016
Particles (PM)		778	1,569
Volatile organic compounds (VOC)		528	888
Nitrogen oxide (NOx)		179	1,245
Phosphate		641	16
Heavy metals		3	4
Tin	Kg	0	2
Copper		0	1
Zinc		0	0
Manganese		0	0
Sulphur oxides (SOx)		73	82
Total		2,202	3,809

Scope: Countries with production facilities.

Business trips and CO₂ emissions

Number of flights and km travelled	Unit	2016	2017
Flights	No.	1,995	1,428
Km travelled by plane	Km	4,907,265	3,599,000

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o., Leonardo Services S.a. de C.V., Zhejiang Elica Putian Electric Co. Ltd, Elica France S.A.S. Elica GmbH, Airforce S.p.A, Elica Trading LLC and Elica PB India Private Limited

Note: distances have been calculated on the basis of routes taken by employees estimated via the website http://www.worldatlas.com/travelaids/flight_distance.htm.

Fuel consumed during motor vehicle commutes	Unit	2016	2017
Diesel	Litres	218,166	266,843
Petrol		33,721	44,042
Total		251,887	310,885

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o., Leonardo Services S.a. de C.V., Zhejiang Elica Putian Electric Co. Ltd, Elica France S.A.S., Elica GmbH, Airforce S.p.A, Elica Trading LLC and Elica PB India Private Limited

Note: distances travelled have been calculated on the basis of the fuel expense sheets.

Emissions from vehicle and airline business journeys	Unit	2016	2017
Vehicles	CO ₂ e kg	709,033	728,472
Diesel		634,946	631,710
Petrol		74,087	96,761
Flights		900,046	654,244
Total		1,609,079	1,382,716

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o., Leonardo Services S.a. de C.V., Zhejiang Elica Putian Electric Co. Ltd, Elica France S.A.S., Elica GmbH, Airforce S.p.A, Elica Trading LLC and Elica PB India Private Limited

Note: Emissions have been calculated using the emission conversion factors published in 2016 by the UK Department for Environment Food & Rural Affairs.

Materials and water consumption

Elica's policies in production materials selection aim, first of all, to exclude all materials and substances that are harmful or hazardous to people and the environment. Such materials are clearly identified in Elica's Restricted Material List, which is drawn up in compliance with RoHS and REACH regulations. These policies were accompanied in 2016 by objectives for the optimization of raw material and component usage and for the reduction of waste, and in 2017 by the objective to assess the introduction of alternative packaging materials, such as bioplastics and sustainable resources.

Furthermore, in order to minimize its environmental footprint, Elica products are designed to incorporate recycled materials, particularly iron, steel, plastics, electrical and electronic components and packaging, into the production process. There was also significant focus on packaging, with Elica constantly seeking sustainable solutions in terms of both raw materials used and volumes, in order to reduce the waste generated by the products it markets and the trips required to transport goods.

Regarding water consumption, Elica does not use significant quantities of water in its production processes. Water resources are mostly used in the powder coating process, which is entirely automated in order to minimize water use and waste. Finally, from 2017 on, the water consumption performance indicator is assessed during monthly staff meetings of the Environment, Health & Safety function.

Performance Indicators

Purchase of goods for production

Material	Unit	2017	2016
Iron	Kg	35,062,037.00	32,985,038.00
Stainless steel		15,652,539.50	14,037,799.00
Copper		5,064,866.00	5,079,014.00
Plastics		3,810,733.00	3,472,236.61
Aluminium		2,243,389.00	1,815,593.00
Tin		5,687.00	5,689.00
Cardboard for packaging		4,977,610.69	4,233,343.23
Wood packaging materials		1,762,028.60	1,421,045.00
Plastics for packaging		611,765.75	453,151.00
Total		69,190,656.54	63,502,908.84

Scope: Countries with production facilities - German data not available

Water consumption

Water consumption	Unit	2017	2016
Waste water from other companies	Litres	0	261,000
Water from municipal and other public and private services		30,816,366	25,921,760
Total		30,816,366	26,182,760

Scope: Countries with production sites.

Note: consumption has been calculated based on invoices and public monitoring software.

Other environmental impacts

Waste production is a significant environmental concern managed by Elica through specific initiatives.

Controls documenting the type and quantity of waste generated by facility processes and activities, with classification and accounting through specific indicators in accordance with local legislation, allows the Group to constantly monitor volumes and to identify alternative solutions for reducing quantities that follow the 5 R's approach: Reject, Reduce, Reuse, Recycle, Recover. In Italy, in particular, new WinWaste software has been adopted for the integrated management of all waste disposal activities.

Additionally, new indicators were introduced in 2017 to monitor Elica's production process waste generated from raw material and component transport packaging materials, such as wood, cardboard, plastics and other mixed waste. Furthermore, a specific indicator was defined to monitor the amount of waste water generated by the powder coating process.

During 2017 and 2016, Elica did not record any cases of spillages or accidental emissions of harmful substances.

In 2017 and in 2016, no environmental penalties of any type were applied to the Group.

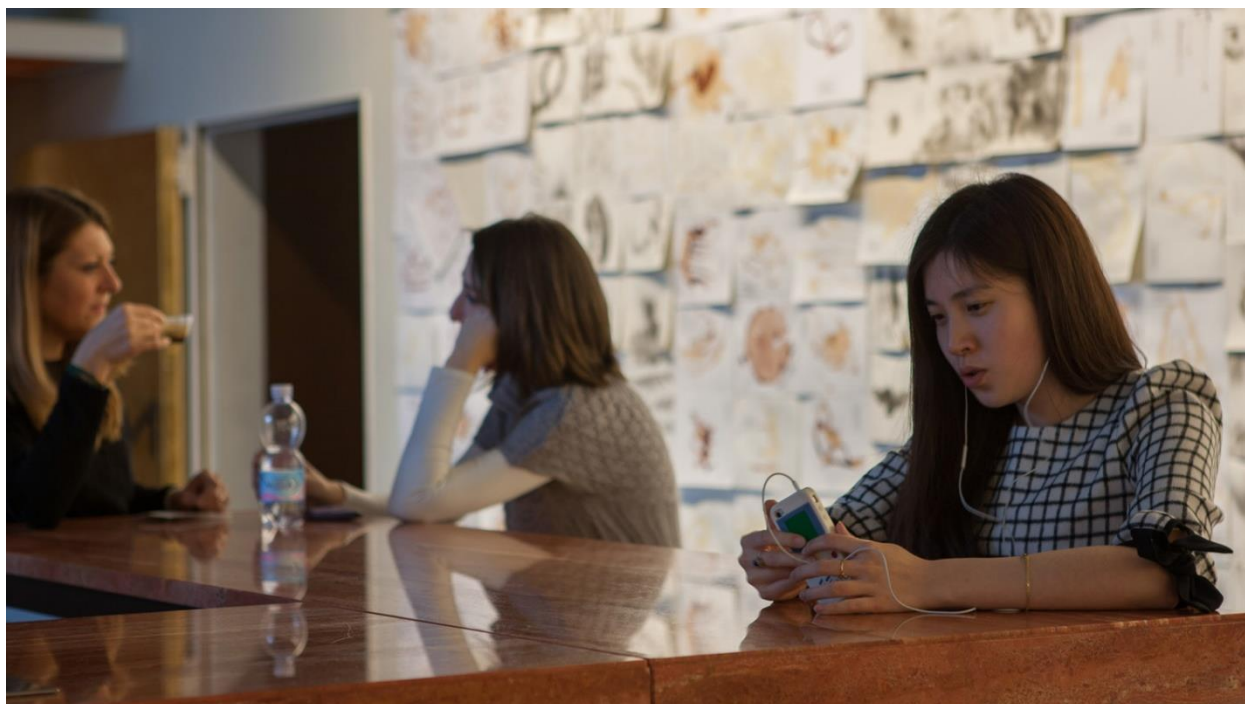
Performance Indicators

Waste produced

Hazardous waste produced by disposal method	Unit	2017	2016
Recycling	t	20	32
Recovery, including energy recovered		22	0
Landfill		23	80
Total		65	112
Non-hazardous waste produced by disposal method	Unit	2017	2016
Reuse	t	40.60	0
Recycling		15,730.79	14,521.51
Landfill		862.08	802.95
Total		16,633.47	15,324.46

Scope: Countries with production facilities.

EMPLOYEES



Breakdown of personnel

In 2017, Elica's personnel numbered 3,293⁶, of which 40% women - with 74% involved in productive activities and 26% involved in support roles. Full-time employees at the end of the year numbered 2,539 and fixed-term contracts 754. During the year, 1,311 people were hired, with an outgoing personnel turnover rate of 0.37 (number of outgoing employees/ number of fixed-term contracts + number of full-time employees).

Performance Indicators

Employees by gender, role and level (excluding temporary workers)

Employees (headcount) by function and gender	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Employees engaged in production activities	No.	1297	1052	2,349	1224	984	2208
<i>below 30 years of age</i>		339	219	558	389	224	613
<i>between 30 and 50 years of age</i>		706	615	1,321	613	560	1,173
<i>over 50 years of age</i>		252	218	470	222	200	422
Employees engaged in support activities		590	282	872	742	343	1,085
<i>below 30 years of age</i>		108	75	183	160	110	270
<i>between 30 and 50 years of age</i>		371	174	545	460	200	660
<i>over 50 years of age</i>		111	33	144	122	33	155
Total		1,887	1,334	3,221	1,966	1,327	3,293

⁶ Excluding temporary workers.

Employees (headcount) by level and gender	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Executives	No.	25	2	27	33	2	35
<i>below 30 years of age</i>		0	0	0	0	0	0
<i>between 30 and 50 years of age</i>		17	1	18	24	1	25
<i>over 50 years of age</i>		8	1	9	9	1	10
Managers		114	25	139	129	21	150
<i>below 30 years of age</i>		4	1	5	7	1	8
<i>between 30 and 50 years of age</i>		87	20	107	98	17	115
<i>over 50 years of age</i>		23	4	27	24	3	27
White-collar		550	290	840	616	330	946
<i>below 30 years of age</i>		133	86	219	186	114	300
<i>between 30 and 50 years of age</i>		332	177	509	344	191	535
<i>over 50 years of age</i>		85	27	112	86	25	111
Blue-collar		1,198	1,017	2,215	1,188	974	2,162
<i>below 30 years of age</i>		310	207	517	364	221	585
<i>between 30 and 50 years of age</i>		641	591	1,232	594	550	1,144
<i>over 50 years of age</i>		247	219	466	230	203	433
Total		1,887	1,334	3,221	1,966	1,327	3,293

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o, Leonardo Services S.a. de C.V., Elica Inc., Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Airforce S.p.A., Elica France S.A.S, Elica GmbH and Elica PB India Private Ltd

Employees by gender and contract type (excluding temporary workers)

Employees (head count)	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Fixed-term contracts	No.	519	525	1,044	354	400	754
<i>Italy</i>		16	9	25	11	9	20
<i>France</i>		0	1	1	1	1	2
<i>Germany</i>		0	0	-	0	0	-
<i>Poland</i>		141	333	474	142	301	443
<i>Russia</i>		0	0	-	0	0	0
<i>United States</i>		0	0	-	0	0	-
<i>Mexico</i>		180	96	276	83	38	121
<i>India</i>		0	0	0	0	0	0
<i>China</i>		182	86	268	117	51	168
<i>Japan</i>		0	0	-	0	0	-
<i>Spain</i>		0	0	-	0	0	-
Full-time employees		1368	809	2,177	1,612	927	2,539
<i>Italy</i>		803	479	1,282	785	469	1,254
<i>France</i>		5	2	7	5	1	6
<i>Germany</i>		0	0	-	9	0	9
<i>Poland</i>		79	151	230	83	155	238
<i>Russia</i>		12	19	31	12	21	33
<i>United States</i>		4	0	4	4	0	4
<i>Mexico</i>		257	126	383	383	210	593
<i>India</i>		208	26	234	275	35	310
<i>China</i>		0	0	0	54	32	86
<i>Japan</i>		0	2	2	0	0	-
<i>Spain</i>		0	4	4	2	4	6
Total		1,887	1,334	3,221	1,966	1,327	3,293

Source: Company payroll

Employees (head count)	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Full-time employees	No.	1,883	1,294	3,177	1,961	1,295	3,256
Part-time employees		4	40	44	5	32	37
Total		1,887	1,334	3,221	1,966	1,327	3,293

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o, Leonardo Services S.a. de C.V., Elica Inc., Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Airforce S.p.A., Elica PB India Private Ltd. and Elica France S.A.S.

New hires (excluding temporary workers)

New hires	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
<i>Italy</i>	No.	41	14	55	28	11	39
<i>below 30 years of age</i>		14	7	21	7	3	10
<i>between 30 and 50 years of age</i>		24	6	30	19	8	27
<i>over 50 years of age</i>		3	1	4	2	0	2
<i>France</i>		2	2	4	1	1	2
<i>below 30 years of age</i>		0	2	2	0	0	0
<i>between 30 and 50 years of age</i>		2	0	2	1	0	1
<i>over 50 years of age</i>		0	0	-	0	1	1
<i>Germany</i>		-	-	-	8	-	8
<i>below 30 years of age</i>		-	-	-	-	-	-
<i>between 30 and 50 years of age</i>		-	-	-	5	-	5
<i>over 50 years of age</i>		-	-	-	3	-	8
<i>Poland</i>		95	96	191	118	123	241
<i>below 30 years of age</i>		55	50	105	56	49	105
<i>between 30 and 50 years of age</i>		32	39	71	50	61	111
<i>over 50 years of age</i>		8	7	15	12	13	25
<i>Russia</i>		2	8	10	0	4	4
<i>below 30 years of age</i>		0	3	3	0	3	3
<i>between 30 and 50 years of age</i>		2	5	7	0	1	1
<i>over 50 years of age</i>		0	0	-	0	0	-
<i>United States</i>		2	-	2	1	1	2
<i>below 30 years of age</i>		0	0	-	0	0	0
<i>between 30 and 50 years of age</i>		2	0	2	1	1	2
<i>over 50 years of age</i>		0	0	-	0	0	-
<i>Mexico</i>		487	256	743	460	276	736
<i>below 30 years of age</i>		364	176	540	308	171	479
<i>between 30 and 50 years of age</i>		119	76	195	144	99	243
<i>over 50 years of age</i>		4	4	8	8	6	14
<i>India</i>		48	17	65	104	20	124
<i>below 30 years of age</i>		27	11	38	57	15	72
<i>between 30 and 50 years of age</i>		21	6	27	46	5	51
<i>over 50 years of age</i>		0	0	-	1	0	1
<i>China</i>		98	45	143	103	49	152
<i>below 30 years of age</i>		48	15	63	61	15	76
<i>between 30 and 50 years of age</i>		46	30	76	39	31	70
<i>over 50 years of age</i>		4	0	4	3	3	6
<i>Japan</i>		-	-	-	-	-	-
<i>below 30 years of age</i>		-	-	-	-	-	-
<i>between 30 and 50 years of age</i>		-	-	-	-	-	-
<i>over 50 years of age</i>		-	-	-	-	-	-
<i>Spain</i>		2	-	2	2	-	2
<i>below 30 years of age</i>		-	-	-	-	-	-
<i>between 30 and 50 years of age</i>		2	-	2	2	-	2
<i>over 50 years of age</i>		-	-	-	-	-	-
Total		775	440	1,215	825	485	1,310
<i>below 30 years of age</i>		508	264	772	489	256	745
<i>between 30 and 50 years of age</i>		248	164	412	307	206	513
<i>over 50 years of age</i>		19	12	31	29	23	52

Number of employees leaving the Group (excluding temporary workers)

New hires	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
<i>Italy</i>	No.	30	8	38	51	21	72
<i>below 30 years of age</i>		4	4	8	5	2	7
<i>between 30 and 50 years of age</i>		21	4	25	35	12	47
<i>over 50 years of age</i>		5	-	5	11	7	18
<i>France</i>		-	-	-	-	2	2
<i>below 30 years of age</i>		-	-	-	-	1	1
<i>between 30 and 50 years of age</i>		-	-	-	-	1	1
<i>over 50 years of age</i>		-	-	-	-	-	-
<i>Germany</i>		-	-	-	-	-	-
<i>below 30 years of age</i>		-	-	-	-	-	-
<i>between 30 and 50 years of age</i>		-	-	-	-	-	-
<i>over 50 years of age</i>		-	-	-	-	-	-
<i>Spain</i>		-	-	-	-	-	-
<i>China</i>		-	-	-	-	-	-
<i>Japan</i>		-	-	-	-	-	-

<i>Poland</i>	95	151	246	109	155	264
<i>below 30 years of age</i>	51	58	109	53	57	110
<i>between 30 and 50 years of age</i>	33	78	111	47	78	125
<i>over 50 years of age</i>	11	15	26	9	20	29
<i>Russia</i>	-	6	6	-	2	2
<i>below 30 years of age</i>	-	1	1	-	1	1
<i>between 30 and 50 years of age</i>	-	5	5	-	1	1
<i>over 50 years of age</i>	-	-	-	-	-	-
<i>United States</i>	1	-	1	2	-	2
<i>below 30 years of age</i>	-	-	-	-	-	-
<i>between 30 and 50 years of age</i>	1	-	1	2	-	2
<i>over 50 years of age</i>	-	-	-	-	-	-
<i>Mexico</i>	389	235	624	447	232	679
<i>below 30 years of age</i>	275	141	416	299	150	449
<i>between 30 and 50 years of age</i>	111	92	203	143	78	221
<i>over 50 years of age</i>	3	2	5	5	4	9
<i>India</i>	50	18	68	37	11	48
<i>below 30 years of age</i>	24	14	38	19	7	26
<i>between 30 and 50 years of age</i>	23	4	27	18	4	22
<i>over 50 years of age</i>	3	-	3	-	-	-
<i>China</i>	131	56	187	116	50	166
<i>below 30 years of age</i>	71	22	93	67	15	82
<i>between 30 and 50 years of age</i>	56	34	90	44	32	76
<i>over 50 years of age</i>	4	-	4	5	3	8
<i>Japan</i>	-	-	-	-	-	-
<i>below 30 years of age</i>	-	-	-	-	-	-
<i>between 30 and 50 years of age</i>	-	-	-	-	-	-
<i>over 50 years of age</i>	-	-	-	-	-	-
<i>Spain</i>	-	1	1	-	-	-
<i>below 30 years of age</i>	-	-	-	-	-	-
<i>between 30 and 50 years of age</i>	-	1	1	-	-	-
<i>over 50 years of age</i>	-	-	-	-	-	-
Total	696	475	1,171	762	473	1,235
<i>below 30 years of age</i>	425	240	665	443	233	676
<i>between 30 and 50 years of age</i>	245	218	463	289	206	495
<i>over 50 years of age</i>	26	17	43	30	34	64

Outgoing turnover rate (excluding temporary staff)

Outgoing turnover rate	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
<i>Italy</i>	No.	3.7%	1.6%	2.9%	6.4%	4.4%	5.7%
<i>France</i>		0.0%	0.0%	0.0%	0.0%	100.0%	25.0%
<i>Germany</i>		-	-	-	0.0%	0.0%	0.0%
<i>Poland</i>		43.2%	31.2%	34.9%	48.4%	34.0%	38.8%
<i>Russia</i>		0.0%	31.6%	19.4%	0.0%	9.5%	6.1%
<i>United States</i>		25.0%	0.0%	25.0%	50.0%	0.0%	50.0%
<i>Mexico</i>		89.0%	105.9%	94.7%	95.9%	93.5%	95.1%
<i>India</i>		24.0%	69.2%	29.1%	13.5%	31.4%	15.5%
<i>China</i>		72.0%	65.1%	69.8%	67.8%	60.2%	65.4%
<i>Japan</i>		-	-	-	-	-	-
<i>Spain</i>		0.0%	25.0%	25.0%	0.0%	0.0%	0.0%
Total		36.9%	35.6%	36.4%	38.8%	35.6%	37.5%

Scope: Elica S.p.A., Elicamex S.a.d. C.V., Elica Group Polska Sp.z o.o., Leonardo Services S.a. de C.V., Elica Inc., Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Elica PB India Private Ltd. and Elica France S.A.S.

Incoming turnover rate (excluding temporary staff)

Incoming turnover rate	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
<i>Italy</i>	No.	5.0%	2.9%	4.2%	3.5%	2.3%	3.1%
<i>France</i>		40.0%	66.7%	50.0%	16.7%	50.0%	25.0%
<i>Germany</i>		-	-	-	88.9%	0.0%	88.9%
<i>Poland</i>		43.2%	19.8%	27.1%	52.4%	27.0%	35.4%
<i>Russia</i>		16.7%	42.1%	32.3%	0.0%	19.0%	12.1%
<i>United States</i>		50.0%	0.0%	50.0%	25.0%	0.0%	50.0%
<i>Mexico</i>		111.4%	115.3%	112.7%	98.7%	111.3%	103.1%
<i>India</i>		23.1%	65.4%	27.8%	37.8%	57.1%	40.0%

China		53.8%	52.3%	53.4%	60.2%	59.0%	59.8%
Japan		-	-	-	-	-	-
Spain		0.0%	50.0%	50.0%	100.0%	0.0%	33.3%
Total		41.1%	33.0%	37.7%	42.0%	36.5%	39.8%

Scope: Elica S.p.A., Elicamex S.a.d. C.V., Elica Group Polska Sp.z o.o., Leonardo Services S.a. de C.V., Elica Inc., Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Elica PB India Private Ltd. and Elica France S.A.S.

Equal opportunities & respect for human rights

The Code of Ethics sets out the Elica Group's commitment to human rights in its business activities, specifically relating to fundamental human rights issues such as the non-exploitation of minors, the non-use of forced labour, harassment in the workplace etc. All company employees, as well as any other party carrying out business in its name of or on its behalf, regardless of the scope of their work, are bound by this Code of Ethics for these and for other issues.

The Group has not put in place a formal process for the assessment of its subsidiaries with regards to the respect of human rights, considering the compliance of all subsidiaries with that established by the Code of Ethics in force to be sufficient.

Furthermore, joint collaborations with certain major clients (IKEA for example) require compliance with the principles of their codes of conduct, to which the Elica Group is aligned as they are compatible with its own Ethical Code. Consistent with these codes and internal policies, the Elica Group had no instances of discrimination throughout the whole of 2017.

To facilitate the communication of any potential episodes of discrimination, the Supervisory Body also set up an email address to report episodes of non-compliance with the 231 Model.

Human Resources Management at Elica has always been committed to employee diversity and equal opportunities, with a zero-tolerance policy towards discrimination. The accolades and accreditations both the parent and the individual subsidiaries have achieved over the years (e.g. Top Employers Certification and the "Great Place to Work" Award) are tangible proof of this commitment.

This is furthermore copper-fastened in the hiring process anchored on objective assessments of candidates' skills regardless of personal attributes. These very same principles are likewise applied to personnel review processes.

This strategy is particularly important in countries with potentially higher risks of discrimination.

Poland is a case in point, which features consistent migratory flows from non-European countries, combined with very low levels of unemployment. Against this background, the company launched specific initiatives to prevent potential discrimination scenarios, including the implementation of anti-mobbing and anti-discrimination procedures, as well as specific initiatives aimed at further promoting the Group's Code of Ethics, communicated to employees through newsletters and training programs targeting managers and supervisors. This also became mandatory for employment agencies, as well as for other outsourced service providers. The auditing of these suppliers' compliance with the Code furthermore demonstrates the Company's commitment to ensuring that its ethical principles are guaranteed even beyond the organisation itself.

Again in Poland, a structured system for personnel is in place to report any potential discriminatory episodes; since 2017, employment agencies and other outsourcing providers are also subject to these rules.

Other countries have also implemented specific anti-discrimination policies (e.g. a personal data protection policy in Russia; an anti-workplace harassment policy introduced in India).

The Group's companies also adhere to local employment regulations for vulnerable personnel categories.

Training

The Group companies draft their own bespoke training plans for managerial and operating personnel based on their individual requirements and development goals, prioritising their designated business goals.

An internal Environment, Health and Safety Team provides the support for mandatory health and safety training.

Feedback from participants through survey questionnaires of the programmes' contents, as well as of the training staff, completes the training process.

As the Group's focus is on training excellence, its choice of qualified training providers is underpinned by verifying qualifications and accreditations. The training programmes are furthermore based on a mapping of needs and levels of priority.

2017 was characterised by a significant increase in the number of training hours compared to 2016.

In 2017, apart from China and India, the introduction of a new assessment and performance review model for all white-collar workers resulted in a significant number of human resource development programmes being implemented. These specifically covered areas related to optimising the teams' management skills, as well as individual self-assessment competencies.

In Italy, the managerial/cross-departmental and language training programmes are managed directly by Human Resources. These programmes are partially or wholly financed by specific inter-professional funds (Fondimpresa and Fondirigenti).

At Airforce, the training programmes centred on compliance with the company's code of conduct and health and safety policies.

For China, a structured plan comprised of a series of training programmes is drawn up at the beginning of each year, where participants are asked to assess the effectiveness of the course as well as the quality of the teachers. For some specific managerial staff, pay-related targets were linked to the training programmes.

In Mexico, 2017 featured coaching activities to align the culture and leadership to the Group's needs, with a specific focus on middle management and production supervisory staff. In addition, the Mexican company also benefited from the hiring of a new Human Resource training specialist. Finally, Poland introduced a training needs management procedure to track the activities carried out and the courses delivered. Their main purpose is to deliver an initial, solid training programme to new resources, to fill in any training gaps, as well as planning any future and potentially emerging training courses.

Performance Indicators

Training hours and employees involved (excluding temporary workers)

Training hours by type	Unit	2016	2017
Technical/Managerial/Cross-departmental	Hours	3519	5548
Environment, Health and Safety		12008	13740
Languages		522	289
Other		415	907
Total		16464	20484

Training hours by gender and function	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Employees engaged in production activities	Hours	6147	3911	10058	9543	6508	16051
Employees engaged in support activities		8317	3919	12236	11252	6331	17583
Total		14464	7830	22294	20795	12839	33634

Number of employees involved by gender and function	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Employees engaged in production activities	No.	1192	835	2027	1523	1107	2,630
Employees engaged in support activities		680	333	1013	698	539	1237
Total		1872	1168	3040	2221	1646	3,867

Training hours by gender and level	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Executives	Hours	951	122	1073	721	63	784
Managers		1772	1050	2822	2806	1650	4456
White-collar		5018	2673	7691	7681	4458	12139
Blue-collar		6723	3986	10709	9587	6668	16255
Total		14464	7831	22295	20795	12839	33634

Number of employees involved by gender and level	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Executives	No.	24	3	27	34	3	37
Managers		97	27	124	72	28	100
White-collar		581	318	899	559	451	1010
Blue-collar		1171	820	1991	1556	1164	2720
Total		1873	1168	3041	2221	1646	3867

Average training hours by gender and personnel category	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Average training hours provided to employees	Hours/No.	8	7	7	9	8	9
Average training hours provided to employees engaged in production activities	Hours/No.	5	5	5	6	6	6
Average training hours provided to employees engaged in support activities	Hours/No.	12	12	12	16	12	14
Average training hours provided to executives	Hours/No.	40	41	40	21	21	21
Average training hours provided to managers	Hours/No.	18	38	23	39	59	45
Average training hours provided to white-collars	Hours/No.	9	8	9	14	10	12
Average training hours provided to blue-collars	Hours/No.	6	5	5	6	6	6

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o, Leonardo Services S.a. de C.V., Elica France S.A.S, Elica GmbH, Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Airforce S.p.A. and Elica PB India Private Ltd.,

Remuneration Policies

The remuneration of directors and, in particular, those holding executive office, is a key incentive and control mechanism to ensure the integrity and effectiveness of the corporate governance mechanisms. These remuneration policies target the achievement of the Group strategy and are an essential tool to align the interests of shareholders with those of management. The remuneration system is also part of a broader framework to attract, satisfy and retain the most suitable personnel to ensure the company's success.

Development of the individual and equal opportunities, which have always been at the heart of Elica's culture, are the "ethical" base on which the remuneration systems are built.

With regards to the instruments utilised, the "Annual Remuneration Policy" in the Group remuneration report - to which reference should be made - comprehensively outlines the Remuneration Policy and its implementation at the company with regards to the members of the management bodies and the senior executives.

Elica's remuneration system, increasingly aligned with the principles of the Self-Governance Code, is a key instrument to:

- Attract, retain and motivate a community of women and men of excellent professional standing
- recognise the responsibilities undertaken by its managers and award the achievement of results
- Align the actions of management with the interests of shareholders
- Promote the creation of value over the medium/long-term
- Ensure application of the principles of enhancing the individual.

With regards to key management personnel, this goal is achieved through linking a significant part of remuneration to the reaching of the pre-set performance objectives, established through "management by objectives" (MBO) and long-term incentive (LTI) plans.

For the other executives, in addition to many professionals, the variable component of remuneration is based on "management by objectives" and for all is also linked to the personal behaviours review policy (PBR) introduced in 2017.

With regards to fixed remuneration, this is generally defined on the basis of the content of the role and weighted according to professional expertise, seniority and prior remuneration.

In particular, with regards to the executive roles ("executive"):

- the Chinese subsidiary issues a "loyalty bonus" equivalent to one month's salary and a "performance bonus" equivalent to one and a half month's salary;
- the Mexican subsidiaries are required to comply with the guidelines set out by the American Chamber of Commerce.

In Italy, both for Elica S.p.A. and for Airforce, the national collective bargaining contract for the metalwork and plant installation industry is applied, or that for Industry Executives.

For further details on the policies and the criteria for calculating remuneration, reference should be made to the Group's Remuneration Report published on the Group's website.

Performance Indicators

Ratio between higher compensation and total median compensation

Ratio	Unit	2016	2017
Italy	No.	64.58	38.31
France		3.04	3.21
Germany		-	1.99
Mexico		31.86	17.51
Poland		9.29	8.41
Russia		10.77	11.77
Spain		2.72	3.16
China		63.58	63.05
India		42.00	46.00

Scope: Elica Group

Ratio between entry-level wage and local minimum salary, by gender

Ratio	Unit	2016		2017	
		Male	Female	Male	Female
Italy - Elica S.p.A.	No.	1.00	1.00	1.00	1.00
France		1.25	1.25	1.3	1.3
Germany		-	-	1.13	-
Poland		1.20	1.18	1.21	1.22
Russia		1.14	1.14	1.14	1.14
United States		-	-	-	-
Mexico		2.34	2.34	1.96	1.96
India		1.07	1.07	1.16	1.11
China		1.05	1.05	1.18	1.18
Japan		-	-	-	-
Italy - Airforce		1.00	1.00	1.00	1.00

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o, Leonardo Services S.a. de C.V., Elica France S.A.S, Elica GmbH, Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Airforce S.p.A. and Elica PB India Private Ltd.

Health & Safety

The policies adopted by Elica to manage employee health and safety can be summarised in the cardinal principle that states “Health and safety in the workplace is everybody’s responsibility, manifested not only in the safe and proper conduct in one’s own work, but also by constantly creating the ideal conditions for this to happen”. This principle is extensively stated in “PQ01 – Elica Quality and Environmental Policy” document.

To continue progress on the minimisation of risk factors and therefore the likelihood of accidents and occupational diseases, a range of preventative programmes were introduced to make improvements in the workplace.

One of the fundamental stages in this process, completed by Elica in 2009, was joining the World Class Manufacturing Association (WCM), an international non-profit organisation bringing together companies from various sectors involved in the introduction and the development of the same unified change process, of which safety is one of the pillars. The main tool of the WCM system is the Heinrich Pyramid which identifies all the company’s potential risk factors: accidents, first-aid events, near-misses, unsafe conditions, and unsafe behaviour. These events are analysed to identify their causes and to decide on the corrective and preventative actions that need to be implemented, which local Health & Safety teams are required to implement.

Elica’s progress in this arena led to the establishment in 2016, of a corporate Health & Safety Department: this organisational solution provides a governance structure to centrally monitor and coordinate health and safety for all the companies within the Group.

This decision in 2017 enabled the continuous monitoring of key performance indicators (Gravity Index and Frequency Index) across the whole scope of the business structure, through monthly EHS staff meetings assessing the progress of projects underway (Kaizen Safety Journal: planning and monitoring the progress of projects with the Deming method “Plan-Do-Check-Act”).

In 2017, a major monitoring campaign of the safety levels of the operating machinery at the Italy-Poland-Mexico divisions was carried out. Improvement plans have been drawn up to adopt safety measures such as fixed and removable guards and light curtains to prevent accidental access to moving parts. Centralised monitoring was set up by the Health & Safety Department for maintenance operations carried out by facilities and of the measures adopted to control the relative risk.

In 2017, the number of workplace accidents decreased 69% on the previous year.

For 2018, the aim is to launch procedures to achieve the workplace health and safety system certification ISO 45001-2015 in 2019.

This project will commence at the Italian companies and later be expanded to the overseas businesses.

Performance Indicators

Accident indicators

Employees	Unit	2017	2016
		Total	Total
Accidents	No.	23	107
<i>at work</i>		23	75
Italy		4	7
France		-	-
Germany		-	-
Poland		11	20
Russia		-	-
United States		-	-
Mexico		7	16
India		-	28
China		1	4
Japan		-	-
Other countries		-	-
Deaths	No.	-	-
<i>at work</i>		-	-
Italy		-	-
France		-	-
Germany		-	-
Poland		-	-
Russia		-	-
United States		-	-
Mexico		-	-
India		-	-
China		-	-
Japan		-	-
Other countries		-	-
Cases of occupational disease	No.	-	-
Italy		-	-
France		-	-
Germany		-	-
Poland		-	-
Russia		-	-
United States		-	-
Mexico		-	-
India		-	-
China		-	-
Japan		-	-
Other countries		-	-
Number of hours of absence due to accidents	hours	850	848
<i>at work</i>		850	848
<i>on commute</i>		-	-
Total number of hours worked	hours	5,631,281	4,804,731
Italy		1,220,634	1,216,454
France		-	-
Germany		-	-
Poland		1,789,391	1,525,808

Russia		-	-
United States		-	-
Mexico		1,594,963	1,487,445
India		615,308	323,456
China		410,985	251,568
Japan		-	-
Other countries		-	-
Rate of work hours lost	No.	0.151	0.176
Occupational diseases rate (ODR)		-	-
Incident rate (IR)		4.084	22.270

Scope: Countries with production facilities.

Data which may not be broken down by gender (only "Male" data utilised)

Rate of work hours lost: (days of absence due to workplace injury/hours worked)*1,000

Incident rate: ((number of workplace accidents + number of workplace deaths)/hours worked)*1,000,000

Absenteeism (excluding temporary workers)

Absenteeism by type and region	Unit	2016			2017		
		Male	Female	Total	Male	Female	Total
Italy		3.159	2.681	2.920	3.369	3.513	3.441
Health		2.574	1.420	1.997	2.454	2.199	2.326
Injury		0.126	0.012	0.069	0.142	0.107	0.124
Stress		-	-	-	-	-	-
Other		0.460	1.249	0.854	0.774	1.207	0.990
France		0.003	0.003	0.003	0.002	0.003	0.002
Health		0.003	0.003	0.003	0.002	0.003	0.002
Injury		-	-	-	-	-	-
Stress		-	-	-	-	-	-
Other		-	-	-	-	-	-
Germany		-	-	-	-	-	-
Health		-	-	-	-	-	-
Injury		-	-	-	-	-	-
Stress		-	-	-	-	-	-
Other		-	-	-	-	-	-
Poland		0.042	0.155	0.120	0.014	0.149	0.115
Health		0.034	0.060	0.052	0.012	0.055	0.050
Injury		0.004	0.002	0.003	0.001	0.001	0.001
Stress		-	-	-	-	-	-
Other		0.003	0.092	0.065	0.001	0.094	0.063
Russia		0.006	0.008	0.007	0.009	0.004	0.006
Health	% total hours worked	0.006	0.008	0.007	0.009	0.004	0.006
Injury		-	-	-	-	-	-
Stress		-	-	-	-	-	-
Other		-	-	-	-	-	-
United States		-	-	-	-	-	-
Health		-	-	-	-	-	-
Injury		-	-	-	-	-	-
Stress		-	-	-	-	-	-
Other		-	-	-	-	-	-
Mexico		0.009	0.028	0.016	0.008	0.041	0.019
Health		0.008	0.013	0.010	0.007	0.022	0.012
Injury		0.001	0.003	0.002	0.002	0.003	0.002
Stress		-	-	-	-	-	-
Other		-	0.012	0.004	-	0.017	0.006
India		0.043	0.0019	0.040	0.035	0.026	0.035
Health		0.043	0.0019	0.040	0.035	0.026	0.035
Injury		-	-	-	-	-	-
Stress		-	-	-	-	-	-
Other		-	-	-	-	-	-
China		0.006	0.020	0.010	0.009	0.023	0.013
Health		0.001	0.003	0.002	0.001	0.009	0.003
Injury		0.001	0.000	0.001	0.000	0.002	0.001
Stress		-	-	-	-	-	-
Other		0.004	0.016	0.008	0.008	0.011	0.009

Japan		-	-	-	-	-	-
Health		-	-	-	-	-	-
Injury		-	-	-	-	-	-
Stress		-	-	-	-	-	-
Other		-	-	-	-	-	-

Scope: Elica S.p.A., Elica Group Polska Sp.z o.o, Leonardo Services S.a. de C.V., Elica France S.A.S, Elica GmbH, Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Airforce S.p.A. and Elica PB India Private Ltd.,

Absenteeism index: (total number of days lost in the year / total number of days worked in the year)

Industrial relations

Industrial and trade union relations are coordinated centrally but managed locally and conducted according to applicable legislation and existing frameworks in the individual countries. The issues that may arise depend on specific challenges that emerge from time to time in the different countries. The main themes dealt with in collaboration with the trade unions include:

- in Italy, in implementation of the participatory procedure agreement among the trade unions in effect since 2008 at Elica S.p.A., negotiations for the renewal of the organization of factories in Italy were completed in 2017. The agreement defined a new working time model to supersede expiring social support measures. New corporate welfare bodies were also established;
- in China, the new version of the manual on procedures relating to leave, remuneration, health and safety, personnel assessment and development and training was introduced during 2017;
- in Mexico, various policies were adopted concerning issues relating to employment relations in the company, including the management of travel, overtime, holidays and rules concerning IT devices and internet use;
- in Poland, the collaboration agreement with the trade unions was renewed. For 2017, this introduces specific initiatives aimed at reducing staff turnover and absenteeism and the use of surveys in order to better understand the needs of employees and to improve work-life balance.

Collective bargaining agreements

Employees covered by collective bargaining agreements	Unit	2016	2017
Employees covered by collective bargaining agreements	No.	1,899	1,937
Total employees		3,221	3,293
Percentage	%	59%	59%

Scope: Elica S.p.A., Elicamex S.a.d. C.V, Elica Group Polska Sp.z o.o, Leonardo Services S.a. de C.V., Elica Inc., Zhejiang Elica Putian Electric Co. Ltd, Elica Trading LLC, Elica PB India Private Ltd. and Elica France S.A.S.

THE COMPANY



Quality

All Group companies that have production facilities (Elica S.p.A., Elicamex S.a.d. C.V., Elica Group Polska Sp.z.o.o., Elica PB India Private Ltd. and Zhejiang Elica Putian Electric Co. Ltd.) implement ISO 9001:2008-certified management systems and process mapping activities are currently underway to complete the upgrade to the new 2015 standard by 2018, in compliance with the legislation.

Before reaching the market, finished products (hoods, hobs, fragrance diffusers and home air quality monitoring systems) are tested and approved by the Elica Propulsion Laboratory (EPL), which certifies quality parameters such as safety, electro-magnetic compatibility, performance, energy consumption, reliability, packaging and chemical risk. The laboratory is certified to UNI EN IEC ISO 17025 standard, which defines the technical qualifications of personnel and technical resources to ensure data and results are accurate and reliable. It is also accredited by ILAC-MRA Accredia, in relation to safety, electro-magnetic compatibility, performance and noise, and certified by Underwriters Laboratories INC for the issue to third parties of product certification for the US market (Client Test Data Program - CTD - Certification) and for other markets (Phase 3 CTF Certification).

All finished products manufactured by Elica are assessed for risks to users and are certified by Underwriters Laboratories INC, as required for products sold on the US and Canadian markets, or by Certification Body (CB) and Demko, the latter two voluntary certifications with an intensified

focus on product safety for the European Union and all other markets. This policy also covers the finished products of the Chinese subsidiary sold within the European Union.

During 2017, Elica began to develop a new process of testing finished products that, by involving employees with roles external to production, aims to simulate the customer experience. The objective of this process, to be implemented in 2018, is to reveal any defects or malfunction prior to market release.

Regarding the Fime Elica Motors division, all motors are designed to meet the standards required by customers and comply with all applicable regulations (European or other target markets). The validation of the designs is carried out by the Castelfidardo (AN) R&D laboratory, which, since 2016, has been certified by the Test Data Acceptance Program (TDAP) and the VDE Institute.

At all of the Group's production facilities, both finished products and motors are 100% tested in terms of safety and functionality with the use of suitable testing stations.

Elica's certifications and control procedures ensured that, during 2017 and regarding both finished products and motors, the Group did not receive penalties of any kind due to failure to comply with consumer health and safety regulations.

At a global level, any report from the market concerning a possible defect that may impact consumer safety is managed through the Quality Department, with a joint assessment carried out with the EPL technicians to verify if the reported defect is effectively related to a non-conformity of the product. If the defect is confirmed, the respective claim, refunds or communications with the customer who has reported the defect are managed by the Quality Department with the support of the Legal Department. This work flow is formalized in the Elica Quality Management System (Procedure P06).

In 2014, as a preventive measure, the Group established the Elica Product Safety Committee (EPSC) to manage any potential recall campaigns. This committee is convened by the Quality Department manager, in the role of team leader, if it becomes necessary to decide on a potential recall campaign and involves the entire top management (CEO and all direct reporting parties).

Performance Indicators

Quality indicators

Region	Failure Rate	Unit	2017	2016
Finished products	Service Call Rate*	%	1.6	1.6
Electric motors	PPM**	num	793	1,083

(*) SCR: (defective units under warranty in the year/units sold in the year)*100.

SCR scope: global data calculated considering data made available by the main B2B customers (corresponding to 80% of total net B2B sales) and from the five main B2C markets (corresponding to 65% of total net B2C sales).

(**) PPM: (defective units under warranty in the year/units sold in the year)*1,000,000.

PPM scope: global data for line and field returns calculated on captive and non-captive business.

Supplier management

For the manufacturing of its products, Elica relies on suppliers operating in the electronic, steel, chemical, mechanical and services sectors for the procurement of metal, plastic and electronic components, glass and packaging. Most of these are multinational groups based mainly in Europe, the Middle East and Africa, Mexico and China.

In order to guarantee product safety, Elica requests that its suppliers provide declarations in compliance with RoHS2 (Restriction of Hazardous Substances Directive) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations to verify the absence of harmful substances in the procured goods.

Furthermore, in 2017, Elica S.p.A. implemented a dedicated bill of materials portal for all suppliers, in order to check compliance with the ROHS2 standard. 266 suppliers out of 424 completed the assessment questionnaire available on the portal and input the ROH2 certification. In 2017, the average percentage of direct suppliers assessed according to environmental criteria was 51%, with no actual or potential negative environmental impacts emerging.

Suppliers	Unit	2017	2016
Suppliers assessed according to environmental criteria	No.	409	409
Total suppliers		801	778
% suppliers assessed according to environmental criteria	%	51%	53%

Regarding the assessment of suppliers, of particular note are the activities that Elica carries out in relation to supplies to the client IKEA, well-known for its commitment to the sustainability of its business. Indeed, for each bill of materials component, suppliers of products sold to the Swedish company are required to complete a special social and environmental assessment questionnaire (IOS MAT).

Another important project, starting in India in 2016, involved the most important suppliers and all new suppliers in 2017 in a special quality, environment, health and safety impact assessment. Such assessments are also extremely important in spreading the culture of sustainability at global level throughout all Elica subsidiaries.

In order to prevent the risk of utilising suppliers who do not respect human rights, the Elica Group relies on multinational groups, whose global scale does not permit the use of minor or forced labour.

By requiring its suppliers to comply with its Code of Conduct and 231 Model, the Elica Group demands of its main contracted suppliers a firm commitment to respecting human rights. Furthermore, Elica also carries out annual production process verification and qualification audits, which have identified no related situations of risk to date.

In 2017, 47 audits were performed at Elica S.p.A. supplier premises by the Group Supplier Quality Team, 34% more than in 2016.

Local communities

Elica seeks to play a significant role in the communities in which it operates and to this end continues to instigate local community support initiatives. Support has already been given in terms of monetary donations and food and basic necessities collected by the company and its employees, and new projects are being devised to provide further social support for those most in need.

Elica has coined the expression 'people design' to reflect its approach in relation to employees and their communities. This means that joining Elica implies the start to a path of professional growth through training, development and the free expression of ideas, in order to enhance the potential of individuals and create the conditions necessary for the success of the entire organization.

In Italy, through the Ermanno Casoli Foundation, Elica continues to promote initiatives that see contemporary art become an educational and methodological tool for improving work environments and stimulating innovation, with the aim of developing the relationship between the world of art and that of business. In particular, special programmes have been created for the educational development of children up to seven years old, called E-Straordinario for Kids, while the E-Straordinario program aims to stimulate Elica employees to take unconventional approaches to problem solving. Another initiative, involving the children of employees, is the 'WE ARE' English-language educational programme for teenagers up to 16 years old. This involves a two-week summer stay in a European Union country aimed at encouraging personal enrichment through contact with countries and cultures different from one's own. A further initiative for employees' young children is the 'Iris Garden' nursery, a bilingual Italian and English kindergarten. For the over 16 years age group, Elica S.p.A. promotes participation in the school/work alternation programme set out by the Italian Ministry of Education in 2017. Among collaborations with higher education institutions are partnerships with the ISTUD Foundation and the ESCP Europe Business School. For all Elica S.p.A. employees in Italy, there is also the company gym, AERO', which promotes the total well-being of employees, from the physical to mental and social aspects. The subsidiary Airforce supports several non-profit and sports associations through a programme of donations.

In Mexico, Elica's commitment to social responsibility is evident in initiatives focused on supporting education, people with disabilities, those without family support and children affected by cancer. Through the DARE initiative, support has been provided to various institutions, such as the Maria Goretti Children's Place, engaged in projects for girls with physical and mental disabilities, the Maria Kolbe Women's Place, which supports women affected by physical and mental disabilities, and the Montenegro Community Center, a youth centre combatting the involvement of young people in crime. The Mexican subsidiary is also committed to annually granting local school scholarships. Furthermore, in support of young children, the 'Día de Reyes' initiative has been organized to collect toys for disadvantaged children.

Several initiatives have also been implemented in Poland. In addition to the sponsorship of events, partnerships have been forged with local employment offices in order to organize 'Career Days' and job fairs, and with several universities, in order to offer various internship projects at the company. These collaborations have been extremely effective and have allowed the Polish company to cover 20% of open positions with previously unemployed staff. In India, support for local communities has been expressed through contributions to the celebration of annual religious festivals, such as the Ganesh Chaturthi and Navaratri festivals.



KPMG S.p.A.
Revisione e organizzazione contabile
Via 1° Maggio, 150/A
60131 ANCONA AN
Telefono +39 071 2901140
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

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

*To the board of directors of
ELICA S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 consolidated non-financial statement of ELICA S.p.A. (the "Company") and its subsidiaries (together, the "Group") prepared in accordance with article 4 of the decree and approved by the board of directors on 15 March 2018 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

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

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

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

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the Group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied;
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree;
3. Comparing the financial disclosures presented in the NFS with those included in the Group's consolidated financial statements;
4. Gaining an understanding of the following:
 - the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.



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

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

Specifically, we held interviews and discussions with the Company's management personnel and personnel of the main group companies, including Elicamex S.a. de C.V., Elica Group Polska Sp.z o.o, Airforce S.p.A., Elica PB India Private Ltd. and Zhejiang Elica Putian Electric Co. Ltd. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the work team that prepares the NFS.

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

- at Company and subsidiaries level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
 - b) we carried out analytical and selected procedures to check the correct aggregation of data in the quantitative information.
- we visited ELICA S.p.A. and Airforce S.p.A., which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 consolidated non-financial statement of the ELICA Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Other matters

The 2016 comparative figures presented in the NFS have not been reviewed.

Ancona, 26 March 2018

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit