

# MAKE THE VISIBLE INVISIBLE

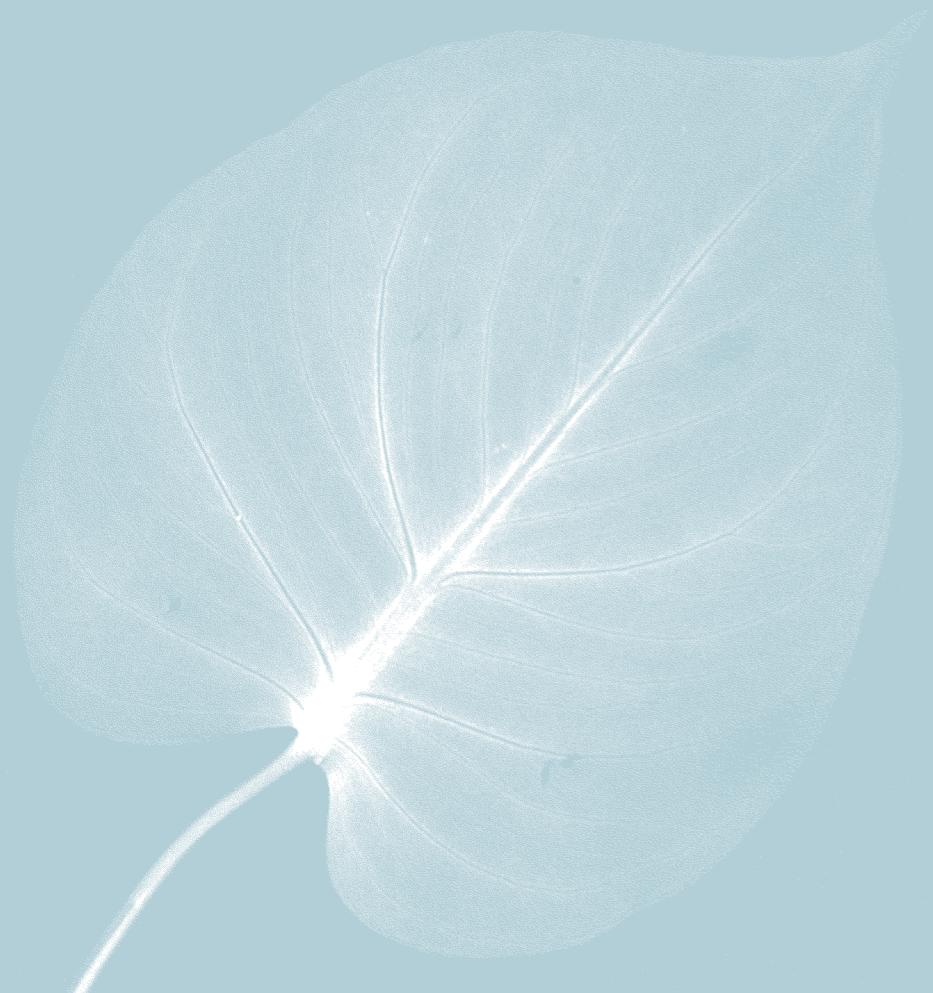
MAKE VISIBLE  
THE INVISIBLE

2018 CONSOLIDATED  
NON-FINANCIAL REPORT

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## MESSAGE TO THE STAKEHOLDERS

**1**  
*"Sustainability footprint" means a way of analyzing the management system for an organization's activity that can be used to determine its economic, environmental and social impacts based on specific indicators.*

**2**  
*Introduced at Elica PB India Private Ltd. as a procedure to accompany a dedicated policy.*

Dear Stakeholders,

Elica's history is one not of words but of deeds and actions in pursuit of sustainability. The challenge we face today is telling you – simply, clearly and compellingly – about all the effects and results achieved by the Group in socio-economic and environmental terms in the systems in which it operates and for the affected stakeholders.

For us at Elica, striving for excellence and constant improvement is a *mentality* that has guided us – and will continue to do so – in constantly increasing our awareness in managing and measuring our impact on sustainability.

We want to make sure you see something that is not immediately apparent or tangible, but that can certainly be measured and take form, ultimately determining our **sustainability footprint**<sup>1</sup>.

Some of our most visible results in 2018 that we would like to share with you included improved employee safety, as shown by the sharp decline in accidents, the extension of a new *anticorruption policy* to all **Group companies**<sup>2</sup>, alongside widespread circulation and comprehensive training; heightened *efforts* focusing on packaging eco-design, resulting in significantly lower indirect CO<sub>2</sub> emissions, and the adoption of a new privacy protection model for our clients, disseminated through the adoption of new technological solutions, dedicated *training* for all company departments and the adoption of rigorous new data management procedures.

However, we would also like to share with you the numerous seeds sown in 2018, involving the launch of many projects and activities in which we are already investing resources and systems and which will yield results in the future for the Group and for you, out of an awareness of the strength and importance of making common cause with our stakeholders.

**Chief Executive Officer**  
**Antonio Recinella**

## HOW TO INTERPRET THE ELICA GROUP'S NON-FINANCIAL REPORT

This consolidated non-financial report of the Elica Group (hereafter also the “Report”) for the year ended December 31, 2018, drawn up in accordance with Legislative Decree enacting Directive 2014/95/EC, discloses 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.

Like the previous report for the year ended in December 2017, this Report has been drafted according to the specific principles and methods set out by the most recent *standards* published in 2016 by the Global Reporting Initiative (hereinafter also “GRI” or the “GRI Standards”), a leading independent body which sets non-financial *reporting* models and *standards*.

The scope and quality of reporting is dictated by the materiality principle, an element identified by the reference legislation and central to the GRI standards: the matters dealt with in this Report are those which were considered relevant on the basis of a thorough materiality analysis described below.

For clarification or additional information regarding this document, you may contact the Quality & Environment System Assurance Department by sending an e-mail to the address [elicaehs@sicurezzapostale.it](mailto:elicaehs@sicurezzapostale.it) with “Non-financial report” in the subject line or by writing to:

Elica S.p.A.  
Via Ermanno Casoli 2,  
60044 Fabriano  
c.a. Quality & Environment System Assurance

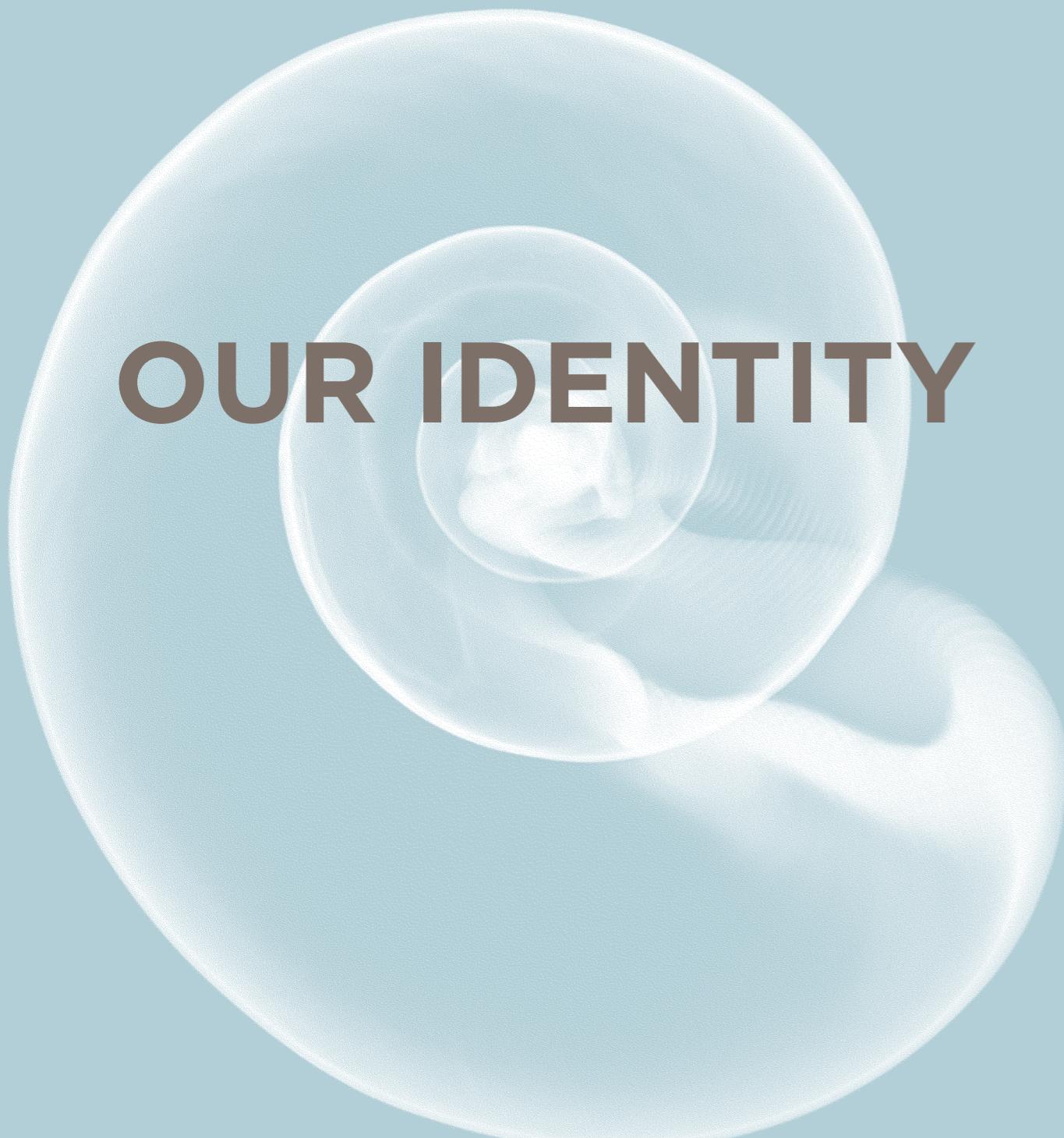
or by calling  
[+39 0732 610 1](tel:+3907326101)

## Reporting scope

<sup>3</sup>  
*Except for company Airforce Germany  
 Hochleistungs-Dunstabzugssysteme  
 GmbH.*

The qualitative and quantitative disclosure contained in the non-financial report refers to the *performance* of the Elica Group (hereafter also “the Group”) for the year ending December 31, 2018. The “Group” refers to the parent Elica S.p.A. (hereafter also “the Company”) and the subsidiaries consolidated on a line-by-line basis in the **consolidated financial statements**<sup>3</sup>: Elicamex S.a. de C.V. (“Elicamex”), Elica Group Polska Sp.z o.o (“Elica Group Polska”), Airforce S.p.A. (“Airforce”), Ariaflina Co. Ltd (“Ariaflina”), Leonardo Services S.a. de C.V. (“Leonardo”), Elica GmbH, Elica Inc, Elica PB India Private Ltd. (“Elica India”), Zhejiang Elica Putian Electric Co., Ltd (“Putian”), Elica Trading LLC (“Elica Trading”) and Elica France S.A.S. (“Elica France”). The German company Airforce Germany Hochleistungs-Dunstabzugssysteme GmbH, (“Airforce Germany”), 95% owned by Airforce S.p.A., is not within the scope of this Report, as its final liquidation report was produced on January 26, 2018. Accordingly, it was not operational during the reporting year and is set to be removed from the German Federal Bulletin by summer 2019.

Certain aspects and indicators may have a differing reporting scope than that stated above, where considered by *management* as non-significant for specific companies of the Group in view of the activities carried out. In this case, the text clearly indicates the reporting scope of the aspect/indicator.

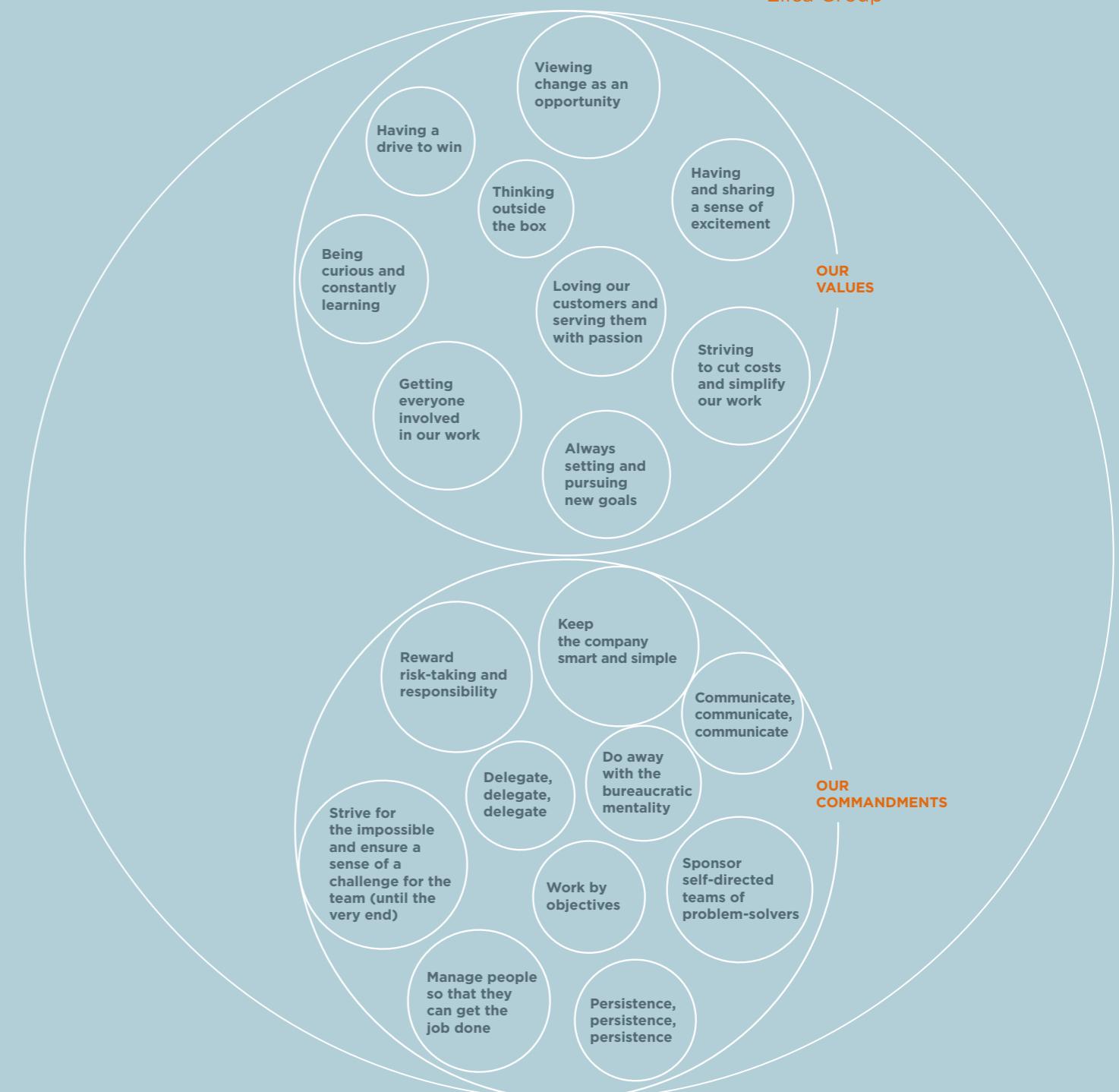


# OUR IDENTITY

OUR IDENTITY IS  
INVISIBLE  
A PRODUCT OF  
HOW WE THINK AND  
VISIBLE  
HOW WE OPERATE

**OUR VISION**

**ENSURING  
AIR QUALITY  
THROUGH DESIGN  
AND TECHNOLOGY.  
CREATING  
EXCEPTIONAL  
VALUE FOR HOME  
VENTILATION AND  
AIR PURIFICATION  
CONSUMERS AND  
PROFESSIONALS.**

**Our Values**



## ELICA GROUP PROFILE

Elica, which is chaired by Francesco Casoli and led by Chief Executive Officer Antonio Recinella, has operated in the range hood market since the 1970s. With over 3,800 employees and an annual output of over 20.9 million units, including both hoods and motors, the Group has a production platform of seven plants, based in Italy, Poland, Mexico, India and China.

The main segments in which the Elica Group operates are:

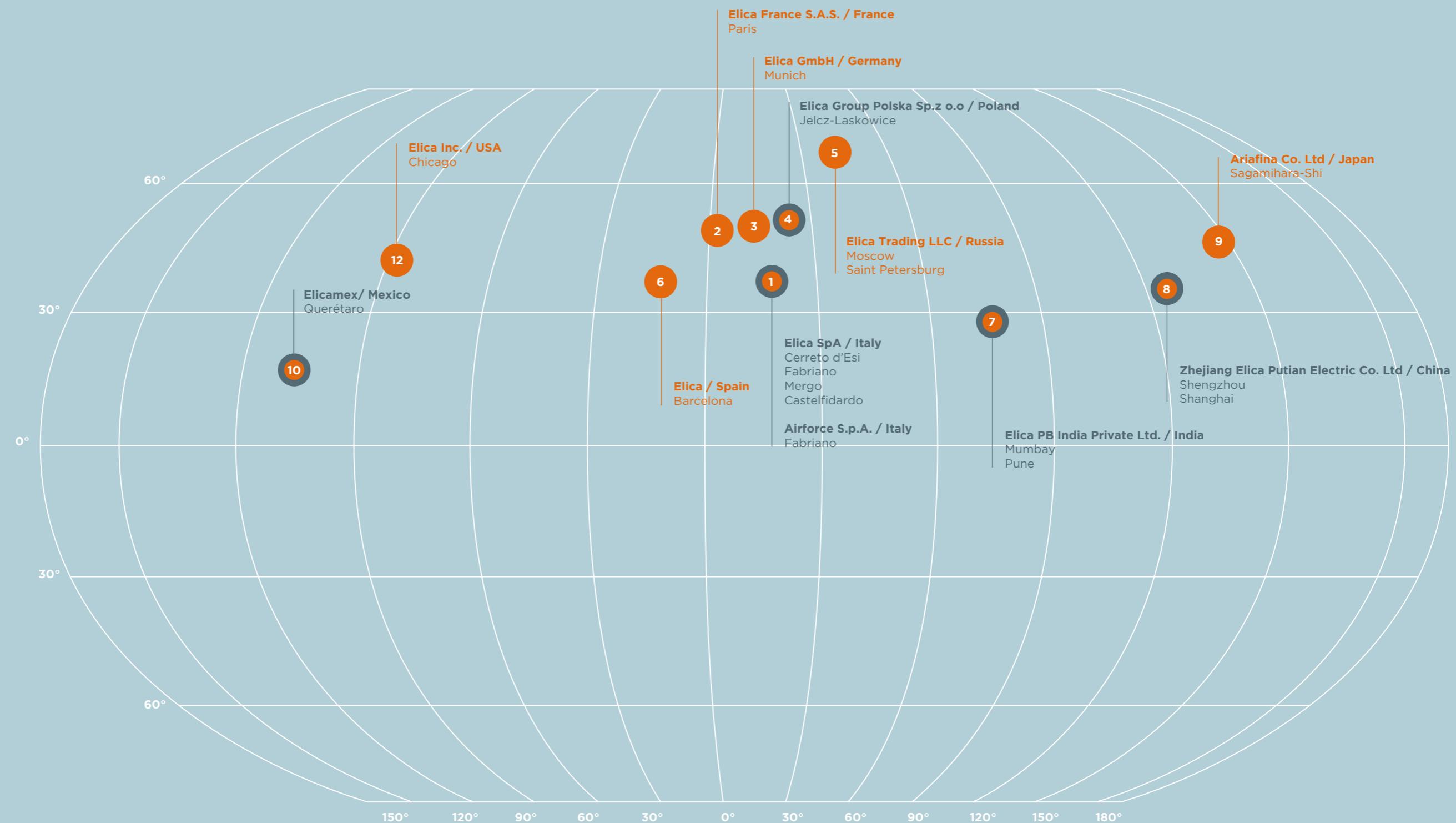
- 1 Cooking segment: it designs, produces and markets domestic-use cooker hoods - both own *brand* and for the leading international home appliance and kitchen manufacturers (Whirlpool, Electrolux, IKEA, Indesit, Bosch-Siemens, Haier, etc.), hobs and, for the Asian market, sterilisers;
- 2 Motors segment: it designs, produces and markets electric motors for home appliances, range hoods and boilers for domestic use under the FIME brand.

Listed on the Milan Stock Exchange since 2006 - STAR segment - Elica is now the global *leader* in terms of unit sales of domestic use kitchen hoods. FIME is a European *leader* in the design, manufacture and distribution of electric motors for heating boilers and home appliances.

With many years' experience in the sector, Elica has combined meticulous care in design, judicious choice of materials and cutting-edge technology guaranteeing maximum efficiency and reducing consumption, making Elica the prominent market figure it is today. The company has revolutionized the traditional image of the kitchen cooker hood: it is no longer seen as simple accessory but as a design object which improves quality of life.

● Direct Presence

● Production Network



## Elica globally

Over the years, the Elica Group has steadily increased its market share to become a truly global *player*. It *leads the range hood market* and is currently establishing *leadership* positions in the market for motors for heating boilers in both Western and Eastern Europe.

### Europe

In Europe, the Group operates in the Marche region of Italy, home to its *headquarters* (in Fabriano, in the province of Ancona, where Elica's history began), its production facilities, its central research and development laboratory and its subsidiary Airforce. It also has a presence in Poland, through Elica Group Polska, based in Jelcz Laskowice, at the Wroclaw industrial park, one of the most important in Eastern Europe. It serves the German market directly through Elica GmbH, the Spanish market through a dedicated organization ensuring effective coverage and the French market through its recently opened Elica France location in central Paris.

### The Americas

The Elica Group has a presence in Querétaro, Mexico, through Elica-mex, its production and distribution facility for Latin America and North America, with the commercial company Elica Inc. based in Chicago. The Mexican site is part of the strategic move by the Group in recent years to operate even closer to clients in this market and to take advantage of significant growth opportunities both through the **OEM<sup>4</sup>** business and through the launch and development of own *brands*.

<sup>4</sup> Original Equipment Manufacturer

### Asia

In Asia, the Elica Group has been present since 2002, the year of the *joint venture* with Fuji Industrial Co. Ltd., leader in Japan in the production of range hoods and a subsidiary of Elica since 2006. This *Joint Venture* led to the creation of Ariaflina, a leading *brand* in Japan for high-end range hoods. In 2005, Elica opened a *showroom* on Osaka's main shopping street.

In May 2010, the Elica Group entered the Indian market by setting up a *joint venture* with Mr. Pralhad Bhutada, launching therefore Elica PB India Ltd's operations, based in Pune, manufacturing and selling own brand and third-party *brand* products and leveraging also the branding and technical knowledge of the Elica Group. Entry into one of Asia's largest markets, featuring among the world's highest growth rates, has been a winning decision thanks to

CEO Pralhad Bhutada's stewardship and a distribution and *marketing* strategy which has delivered.

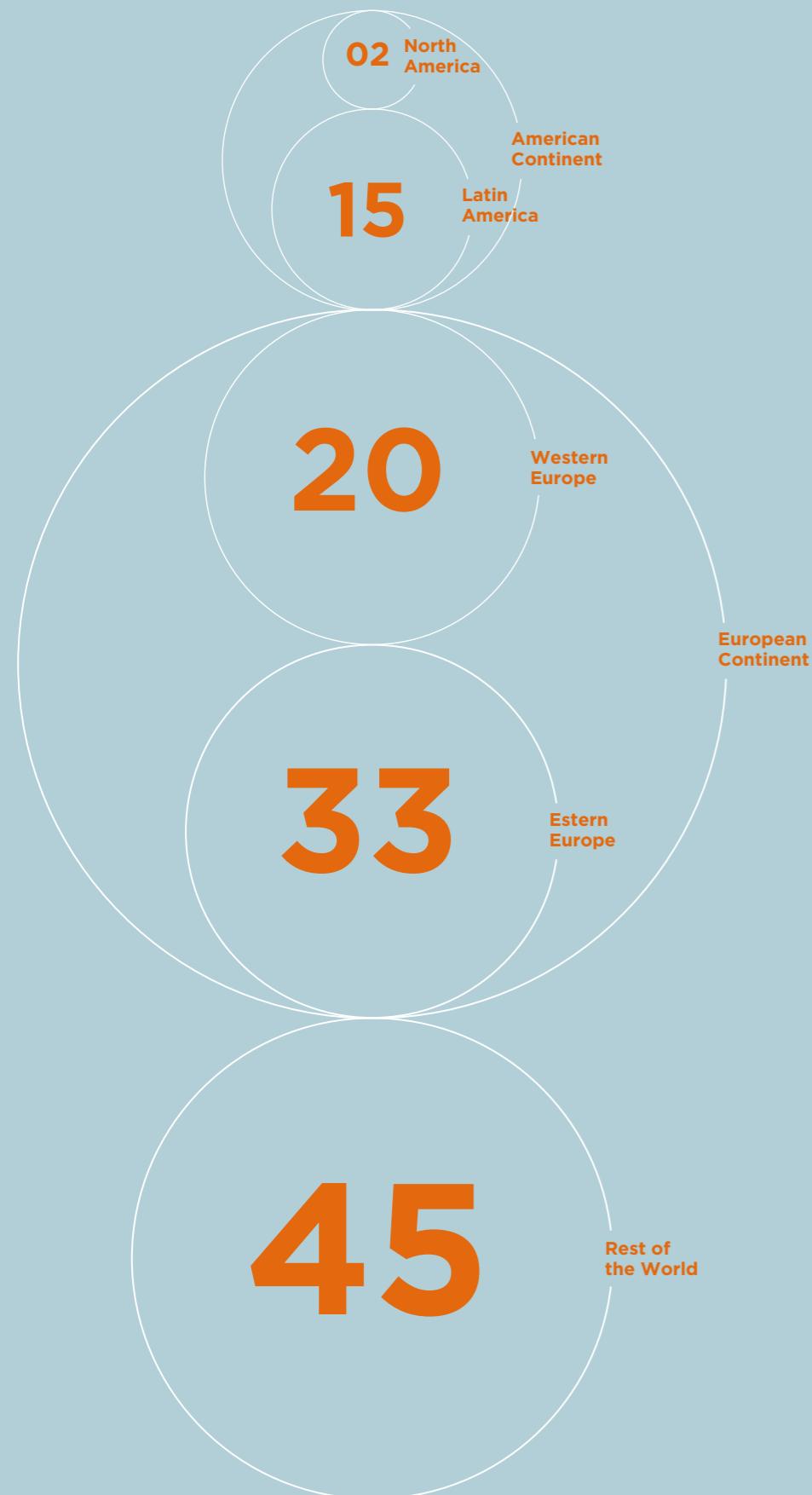
On September 10, 2018, Elica S.p.A. sold to Whirlpool of India Limited 33% of the share capital of the Indian subsidiary Elica PB India Private Ltd., together with the other Indian minority shareholders disposing of 16%. Alongside the *closing* of the agreement and the acquisition of the investment, Whirlpool of India Limited signed an exclusive distribution agreement for a number of its *cooking* segment products with Elica PB India Private Ltd to speed up the development of its *business* on the Indian market, leveraging on Elica PB India's distribution structure which, over the last 2 years, has built a comprehensive network of mono-brand stores and reports annual growth rates at over 30%.

In 2010, Elica entered the Chinese market, the world's largest range hood market, by acquiring a majority holding in the Chinese company Zhejiang Putian Electric Co. Ltd., which operates under the "Puti" brand, producing and marketing range hoods, gas hobs and kitchenware sterilisers. Putian possesses a high-quality production base with strong potential for development. The production site is located in Shengzhou, a major Chinese industrial district for the production of home appliances. In 2012, Elica sold Fuji Industrial Co. Ltd. a 3.24% interest in Zhejiang Putian Electric Co. Ltd. The deal, which is proof of the strategic role of the direct presence in this area, consolidated and reinforced cooperative relations with the Japanese *partner*.

### CIS (Commonwealth of Independent States)

In 2012, the Company decided to strengthen its direct presence in this market, in which it has operated through its brands since 1995, acquiring full control of the subsidiary Elica Trading LLC, which markets own brand products, such as those of Elica, Jet Air and Turboair. Thanks to its product warehouses, Elica Trading LLC, incorporated in 2011 and with head offices in St. Petersburg and Moscow, directly serves a dense, locally-based distribution network. Today the organisation can ensure improved efficiency and quality on this market in terms of both the product and service offered to its clients and consumers, thanks to a directly operated technical support network.

The Group operates in Europe, the Commonwealth of Independent States, Asia and America. In addition to the Italian *headquarters*, commercial offices are located in Spain, France, Germany, Russia, India and the



#### Geo-Clusters

In particular, the Eastern Europe cluster includes the geographical area that extends from the Balkans to the former Soviet Union, including Turkey and the former Soviet Republics. The "Rest of the World" cluster is composed of Africa, India, China, Australia, the Middle East and the Asian countries.

United States, and at year-end 2018 the Group had seven production facilities: in Italy (Fabriano/Mergo/Castelfidardo), Poland (Jelcz-Laskowice), India (Pune), China (Shengzhou) and Mexico (Parque Industrial de Queretaro).

The Group is present at the global level both directly (through its commercial offices) and indirectly (distribution contracts).

The Group's revenues are split between three main business lines:

- the manufacture and sale of third-party brand home appliances (accounting for approximately 43% of revenues)
- the manufacture and sale of own brand home appliances (accounting for approximately 44% of revenues)
- the manufacture and sale of electric motors, also for internal use (accounting for approximately 13% of revenues)

The countries served at the commercial level are divided into five main geo-clusters for a total of 115 nations:

Kitchen manufacturers	43%
Wholesalers	33%
Large and Mid-Size Retailers	11%
Architecture & Interior Design studios	7%
Others	5%



## Brands and products

### Range Hoods & Cooking

#### **Elica**

The Elica *brand* was created in 1970 with an ambitious goal: to bring healthy air to kitchens throughout the world. For over 40 years, Elica *brand* range hoods have satisfied millions of customers across the world with their design, reliability and innovation. New and original products are constantly being created to add to the wealth of products developed, the fruit of devoted and intense research focused on innovating not only the aesthetic of the models but the entire production process.

#### **Turboair**

Sold in Italy and in the markets of the Far East and the CIS (Commonwealth of Independent States), the Turboair brand offers mid-range products known for their quality, originality and care of materials.

#### **Ariafina**

The brand, created through a *joint venture* with Fuji Industrial Co. Ltd., produces hoods intended for the top end of the Japanese market, where it has succeeded in making a name for itself. Ariafina products harmoniously marry the best Japanese technology with unmistakable Italian design.

#### **Arietta**

This brand, distributed in North America, includes a highly competitive range of products which fully encapsulate the Company's values: reliability, functionality, aesthetics and quality, in keeping with Italian design culture.

#### **Jet Air**

This historical brand on the Russian market is particularly appreciated for the capacity of its products to deliver the values of Italian craftsmanship, translating into excellent technical features and high aesthetic quality.

#### **Puti**

Acquired as part of the Chinese *joint venture*, Puti is a leading brand in the sector in China, offering hobs and kitchen sterilisers in addition to range hoods. Puti range hoods cater to the medium and high end of the Chinese market, offering competitive products that are highly functional and technologically advanced, with a European-style attention to design.

#### **FIME**

FIME represents the Elica Group's Motors Division. Over the years, FIME has developed its presence in electric motors and ventilation systems for home appliances, domestic heating and commercial refrigeration.

FIME's biggest clients include major industrial groups in various sectors such as Vaillant, Bosch, Viessmann, BDR Thermea, Riello, Ariston Thermo, Immergas, BSH, Miele, Whirlpool, Electrolux and Indesit Company.

The Company has developed extensive know-how not just in electromechanical design of electric motors, but also in electronic and fluid-dynamic design, which today make it possible for it offer integrated air circulation systems.

In line with the Elica Group's industrial policy, FIME is also orientated towards production focused on the well-being of the individual and the environment. FIME brand ventilation systems comply with the regulatory requirements concerning sustainability and reduced consumption, in all sectors of application.

## Target-setting and the management model

The Group's strategic objectives, promoted by Elica's *top management* and approved by the Board of Directors, are formulated in a planning process involving all operating segments, markets, head offices and production facilities.

The Group's strategic plan (budget and three-year plan) is monitored by setting and verifying (monthly, quarterly and annually) *targets* for the dedicated commercial organizations (Markets, **OEM<sup>5</sup>** and Own Brand Channels and the Motors Division), the Operations area (Manufacturing, Logistics, World Class Manufacturing, Quality and Purchasing), Research and Development and the *staff* functions (Finance **EHS<sup>6</sup>**, Human Resources and IT).

<sup>5</sup>  
Original Equipment Manufacturer

<sup>6</sup>  
Environment Health & Safety

Group companies and number of employees  
(excluding temporary staff)

### Group employees by company

Elica S.p.A.  
Elicamex S.A. de C.V.  
Elica Group Polska Sp.z o.o.  
Airforce S.p.A.  
Ariafina Co. Ltd  
Leonardo Services S.A. de C.V.  
Elica GmbH  
Elica Inc.  
Elica PB India Private Ltd.  
Zhejiang Elica Putian Electric Co. Ltd  
Elica Trading LLC  
Elica France S.A.S.  
**Total**

Unit	No.	2018	2017
		1.158	1.172
	1	1	1
	620	681	
	108	108	
	0	0	
	894	713	
	14	9	
	6	4	
	371	310	
	168	254	
	32	33	
	11	8	
	<b>3.383</b>	<b>3.293</b>	

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

## ELICA's economic network

### WCM Association

In 2009 Elica joined the World Class Manufacturing (WCM) Association, an international *non-profit* organization bringing together companies from various sectors involved in the introduction and the development of a single unified process of change.

WCM is a structured, integrated production system encompassing overall factory organization and promoting its systematic, long-term improvement, through evaluation and reduction of all types of waste or loss, according to rigorous, *standard* methods extending to the entire organization based on a *teamwork* approach. Elica seeks to apply the WCM approach to its entire corporate value chain, engaging in a process of change aimed at creating a faster, less wasteful logistics and production process, with a close focus on the safety of both its workers and finished products.

A specific department, Environment, Health and Safety, has been established to ensure that all employees comply with the principles of environmental protection and workplace safety. The focus on the individual also extends to workplace safety and health. The goal is "safety first".

### Main activities carried out with Elica

Periodic verification of pre-determined activities and objectives.

### Confindustria

Confindustria is the main association representing manufacturing and service businesses in Italy.

Confindustria's voluntary members include over 150,000 small, medium and large companies with a total workforce of 5,439,370.

The association's *mission* is to support business's role in driving Italy's economic, social and civil growth. To achieve this aim, it designs common strategies, goals and initiatives, in a manner respectful of members' autonomy and sphere of influence, working together with exponents of the economy and finance, Italian, European and international institutions, government, labour, culture and research, science and technology, politics, information and civil society.

Confindustria adds value through its network extending from its Rome headquarters to its Delegation in Brussels (a key point of contact between the entire Italian business community and the European Union) and the 220-member organizations operating in various sectors throughout the territory.

Main activities carried out with Elica

Advisory activity: employment law.

**ASSONIME**

Assonime is an association that represents Italian joint-stock companies. Assonime, founded on November 22, 1910, pursues the mission, as set out in Art. 2 of its charter, of studying and solving problems that directly and indirectly affect the interests and development of the Italian economy. To this end, the association:

- strives for the improvement of industrial, commercial, administrative and tax legislation, with particular regard to company law, including in respect of production activity;
- strives for the cultural elevation of the economic environment and for a deeper understanding, in Italy and abroad, of the Italian legal system and economic situation, including through periodic publications and monographs;
- promotes the protection of the collective interests of its members;
- informs members of legislative and administrative developments and particularly significant international developments in industrial, commercial, administrative and tax matters;
- conducts and promotes – in some cases in coordination with other institutions – studies and publications on economics and the law and oversees the collection of data and information that may be of interest to members;
- provides members with clarification and instructions regarding industrial, commercial, administrative, tax and currency legislation.

Main activities carried out with Elica

Institutional relations and *networking* activity.

<sup>7</sup> *Italian Trade Agency. ICE is the Agency for the promotion abroad and international expansion of Italian businesses.*

**The Leonardo Committee**

The Leonardo Committee was formed in 1993 at the initiative of Confindustria, ICE<sup>7</sup> and a group of businessmen and men of culture, including Gianni Agnelli and Sergio Pininfarina, with the aim of promoting and establishing Italian quality throughout the world.

It is no coincidence that the name “Leonardo” evokes the magical intersection of art, science and technology: three forms of expression of human ingenuity that reflect Italy’s success at an international level.

The Committee brings together over 160 renowned businessmen, artists, scientists and men of culture wanting to join together in furtherance of Italy’s development and originality through high-profile cultural and economic events.

In its activity, the Leonardo Committee cooperates with all institutions responsible for promoting Italian companies abroad and their international expansion efforts. Its members also include top government officials such as the Prime Minister, Minister of Foreign Affairs, Minister of Economic Development and Minister for Cultural Heritage and Activities.

In 2017 the companies belonging to the Leonardo Committee had total revenue of over Euro 321 billion, over 53% of which were generated abroad. This bears out the international aspirations of Italian entrepreneurs and the role played by the Leonardo Committee in furtherance of Italy’s economic development since 1993.

Confindustria and the Italian Trade Commission facilitate the Committee’s activities by providing strategic, operational support to all initiatives, in Italy and abroad, aimed at making the most of what Italy has to offer, through synergies between manufacturing, art, culture and science.

**AIDAF**

AIDAF – the Italian Association of Family-Owned Companies – was founded in 1997 by Alberto Falck along with a group of like-minded business people. Its members now include over 180 family-owned companies, accounting for approximately 14% of Italy’s GDP and employing 600,000. The Italian Association of Family Businesses (AIDAF) is the only association specifically dedicated to matters of interest to small, medium and large family businesses, involving all members of business-owning families. The association is active in three main areas:

- Training and promotion of accountability among members of participating families, whether young or old, and regardless of whether they play an operational role in running the business,

introducing *family business* issues to the first line of professional managers.

- Institutional projects involving Italian and European politicians aimed at creating and maintaining a legislative and regulatory framework that favours family businesses, their development and continuity over time, from one generation to the next.
- The exchange of experiences through the organization of opportunities to meet and exchange ideas to facilitate networking between member business-owning families.

AIDAF is the Italian chapter of the Family Business Network, an international institution that unites 3,210 family businesses with more than 10,300 members in 58 countries worldwide, enabling a constant exchange of international experience and *best practices* to contribute to the training of new generations of business-owning families.

Since 2003 AIDAF has funded the “AIIdAF – EY Chair of Family Business Strategy” in memory of Alberto Falck at Bocconi University in Milan, headed by Prof. Guido Corbetta, Italy’s only centre of specific, high-quality education aimed at upholding the economic and social importance of family businesses.

In 2005 AIDAF, together with Bocconi University, the UniCredit Group and the Milan Chamber of Commerce, created the AUB Observatory, which monitors and analyses the economic *performances* of Italian family companies with revenues over Euro 20 million and publishes an annual *report*.

The association’s core programs include development of a series of institutional activities that enable constant dialogue, through qualified roundtables, with Italian governmental institutions and agencies on matters of interest to member firms, such as taxation and succession law, corporate and company law, governance, labour and welfare.

#### Networking Activity

##### *Interactive Workshops*

Meetings between entrepreneurs and *managers* of member firms to discuss business issues, with discussion presided over by a moderator, alongside two members or *managers* of member firms, with the aim of opening and expanding debate by involving the audience. Participation tools such as live audience voting and live *tweeting* in

<sup>8</sup>  
*Family Business Network*

response to specific questions are used in order to ensure that these sessions are effective and interactive.

##### *Open Heart Meetings*

Strictly private meetings devoted to members at which speakers take a sincere, transparent approach to delicate matters of first-person experience relating to the business/family dichotomy, but also issues such as living with a financial partner, strategies for successful acquisitions, mistakes to be avoided and much more.

The delicate nature of the issues discussed at these meetings, which are strictly closed-door, fosters a frank, constructive exchange of experience as food for thought and inspiration to take a level-headed, optimistic view of one’s personal situation.

##### *Ex-Ex: Exchange Experience*

Meetings with entrepreneurs, managers of internationally-oriented Italian companies or managers of multinationals, aimed at dialogue between Italy and other countries on specific matters of interest to members, which may involve **FBN<sup>8</sup>**, the international *network* or governmental agencies and institutions.

##### Main activities carried out with Elica

Institutional relations and *networking* activity.



<sup>9</sup>  
National Research Council

### ISTAO

The Adriano Olivetti Institute (ISTAO) is one of the longest-running management training schools in Italy. It was founded in 1967 by the Economist Giorgio Fuà with the support of the Adriano Olivetti Foundation, the Social Science Research Council and the **CNR**<sup>9</sup>.

The institute has always taken inspiration for the culturally and civically oriented training of its managerial students from the figure of Adriano Olivetti himself, who championed entrepreneurship as a moral and productive duty.

The institute's methodology is based on experimentation and experience within a corporate context, in the conviction that the best way to learn is face to face with the operational and professional world. The formula favours learning by producing over traditional note-taking lessons.

Main activities carried out with Elica

Elica is a supporting partner of the Adriano Olivetti Institute with the aim of co-designing training for its own *managers* and benefiting from an advance selection of Masters candidates from among recent graduates.

### ISTUD

The ISTUD (Institute of Management Studies) Foundation was the first independent *Business School* in Italy. Since 1970, it has been dedicated to *management* training and research, creating and organising inter-company and tailor-made training programmes for managers and professionals in all roles and sectors, and post-graduate courses for selected young talents from across Italy.

Main activities carried out with Elica

Elica works with ISTUD to select people trained with innovative methods, a focus on digital technology and close links with national and multinational managers and companies. The *partnership* also gives Elica *managers* access to the ISTUD Masters programmes, which are **constantly updated and oriented** at facing up to emerging challenges and change in the labour market, organizations, *business* and general society.

## The industry network of ELICA and the Group

**Elica S.p.a.** is a member of the CFI - the “Intelligent Factory” National Technology Cluster, an association of *stakeholders* (companies, universities, research centres and business associations) involved in the advanced *manufacturing* sector. The CFI is acknowledged for its role in driving the sustainable economic growth of communities throughout Italy, fostering innovation and specialization in national manufacturing systems.

Its main areas of activity are: automation, industrial efficiency and sustainability, innovation in production processes and the optimal use of human resources in production facilities.

Elica S.p.a. also participates in the “Marche Manufacturing Cluster - Industrial Innovation Centre” as a member of its management and control board.

It is also a member of APPLiA Italy and Europe - the Home Appliance Manufacturers Association. APPLiA contributes to enhancing the competitiveness and sustainable development of industry manufacturers and aims to ensure access to all the knowledge needed to design innovative, sustainable (i.e., energy-efficient) and high-performance products.

By adopting its Code of Conduct, members ensure their end customers and consumers that their product performance data (as stated in manufacturer’s catalogues and websites) has been scientifically measured according to a structured *testing* process in line with European regulations.

Elica S.p.a. is also a member of the “Range Hoods” *working group* as parent company in Italy and Technical Advisor in Europe.

In reference to its Motors Division, Elica S.p.a. is a member of EVIA – European Ventilation Industry Association, an association of manufacturers and *stakeholders* focusing on the residential and non-residential *indoor* ventilation industry.

EVIA promotes the application of highly energy-efficient ventilation systems with a strong focus on aspects of health and comfort, ensuring high indoor air quality and compliance with European regulations, while also promoting the *circular economy* and connectivity (Internet of Things application).

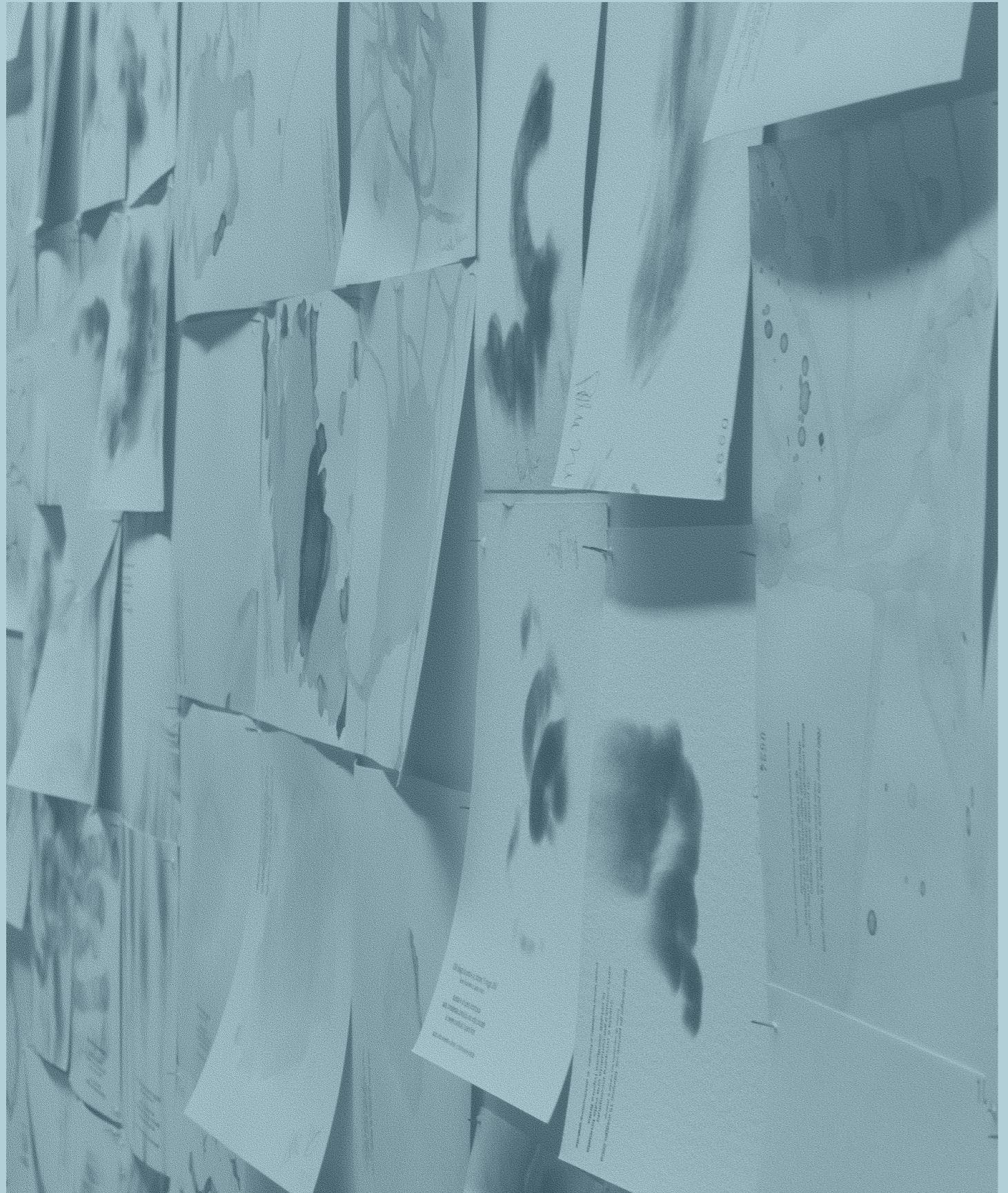
It is also a member of the following *working groups*: Residential, Non-Residential, Fans, Ventilation 2030 and Connectivity.

Elica is a member of ASSOTERMICA, the association within Confindustria that represents Italian manufacturers of heating system equipment and components.

The association’s main goals are promoting energy efficiency and protecting the environment in accordance with European directives.

**Elicamex** is a member of AERI (Asociación de Ejecutivos de Relaciones Industriales), whose mission is to update salary *surveys*, report on developments relating to labour laws, keep abreast of new *best practices* and form a regional network of local companies.

**Airforce** is a founder and supporter of the *non-profit* association “Made in Fabriano Academy” (based in Fabriano), whose mission is to promote manufacturing companies in Fabriano by supporting their visibility and value.



## OUTWARDS-FACING INITIATIVES

The main charitable-giving initiatives in which Elica participates are described below.

### **Ermanno Casoli Foundation**

The Ermanno Casoli Foundation, established in 2007 in memory of Elica's founder, promotes initiatives in which contemporary art becomes a means of spreading knowledge and methods capable of improving the working environment and triggering processes of innovation, with the goal of supporting relations between art and business.

A pioneer in exploring the potential for dialogue between art and industry, the Foundation has made a name for itself in Italy as an avant-garde promoter of the use of contemporary art in company training, through increasingly structured, specialized activities capable of spurring interaction between these two worlds in furtherance of their respective goals.

The basis of the Foundation's activities is the conviction that contemporary art, in its role of provoking thought, contributes to breaking traditional paradigms of common thinking, allowing individuals who come into contact with it to enter a mental and emotional state of openness to unexpected possibilities.

This makes contemporary art particularly suited to creating open, innovative experiential environments. The Foundation promotes projects in which art and corporate organizations feed into one another, triggering original processes of innovation that stimulate creativity and reinforce teamwork.

The works of art in the Elica Corporate Collection are the product of interaction between employees and internationally renowned artists. This unique, specific collection of works has been featured in the volume *Global Corporate Collections* (2015), dedicated to the world's one hundred most beautiful corporate art collections.

At Elica the Foundation finds fertile ground for experimenting with the processes and outcomes of all its activities, so that they may then be applied in other settings.

**Iris Garden Learning Center**

Iris Garden is an Italian/English learning centre for children from three to six years of age. A place where various sensibilities, families, educators and Fabriano-area companies come together, Iris Garden is an initiative of high social value with a focus on the youngest members of society. The centre is the brainchild of Francesco Merloni, with support from Ariston Thermo and Elica, and is run by the social cooperative Mosaico.

The initiative is of considerable social value and offers a strategic vision focused on the youngest members of society. The centre, whose teaching staff include native speakers of both English and Italian, is a place where children can develop their cognitive abilities and hone the skills required to become bilingual in a setting offering full immersion in the English language. The initiative seeks to foster access by children aged three to six to an avant-garde educational institution with deep roots in the community, based on an internationally recognized pedagogical approach developed in Italy (the Reggio Children Approach) and bilingual teaching (in Italian and English), which together facilitate a positive process of growth and learning from an early age.

Elica believes that excellence should not be promoted by focusing on the business environment alone, but also by ensuring excellence in the local communities from which the company springs. Accordingly, the Group is committed to facilitating the development of tools and actions aimed at achieving wellbeing both in the workplace and in society as a whole.

## THE SUPPLY CHAIN

The Elica group's global logistics organization is responsible for managing the entire sequence of business processes, from order receipt to delivery of the product to the customer. It plays a central coordinating role aimed at ensuring that all affected processes are fully aligned with the Group's strategies and promote their standardization and ongoing improvement.

The central organization has departments dedicated to the two main *business* divisions, Cooking and Motors.

Its main areas of activity are:

- Customer Demand and Finished Product Inventory Management and Customer Support for own brand and third-party brand customers;
- Master Planning Schedules for production facilities and suppliers;
- Material Management and logistics supplier management in co-ordination with the Purchasing department for both production and introduction of new products;
- Shipping, Storage and Distribution;
- Processes and Ongoing Improvement of systems with a focus on *information technology* instruments and global management platforms (SAP, Air SIOP, Air Factory, etc.).

Management of finished product inventories and customer service is handled either by the *headquarters* or indirectly / functionally through the various local offices.

The coexistence of a B2B aspect (third-party brands) with a B2C aspect (own brand) is an important, distinctive characteristic of the Group that also entails the coexistence of two different management models: the first relating to the direct order by the customer of third-party brand products (make-to-order) and the second driven by models for forecasting demand for own brand products (make-to-stock).

In order to serve the B2C segment, our distribution organization is broken down by region (Italy, Germany, France, Russia and North America etc.), and there is therefore a dedicated *team* for each geographical area within the organization.

Products are distributed both directly by the first-tier warehouse located near the production facilities and by the second-/third-tier warehouses located in the various geographical areas.

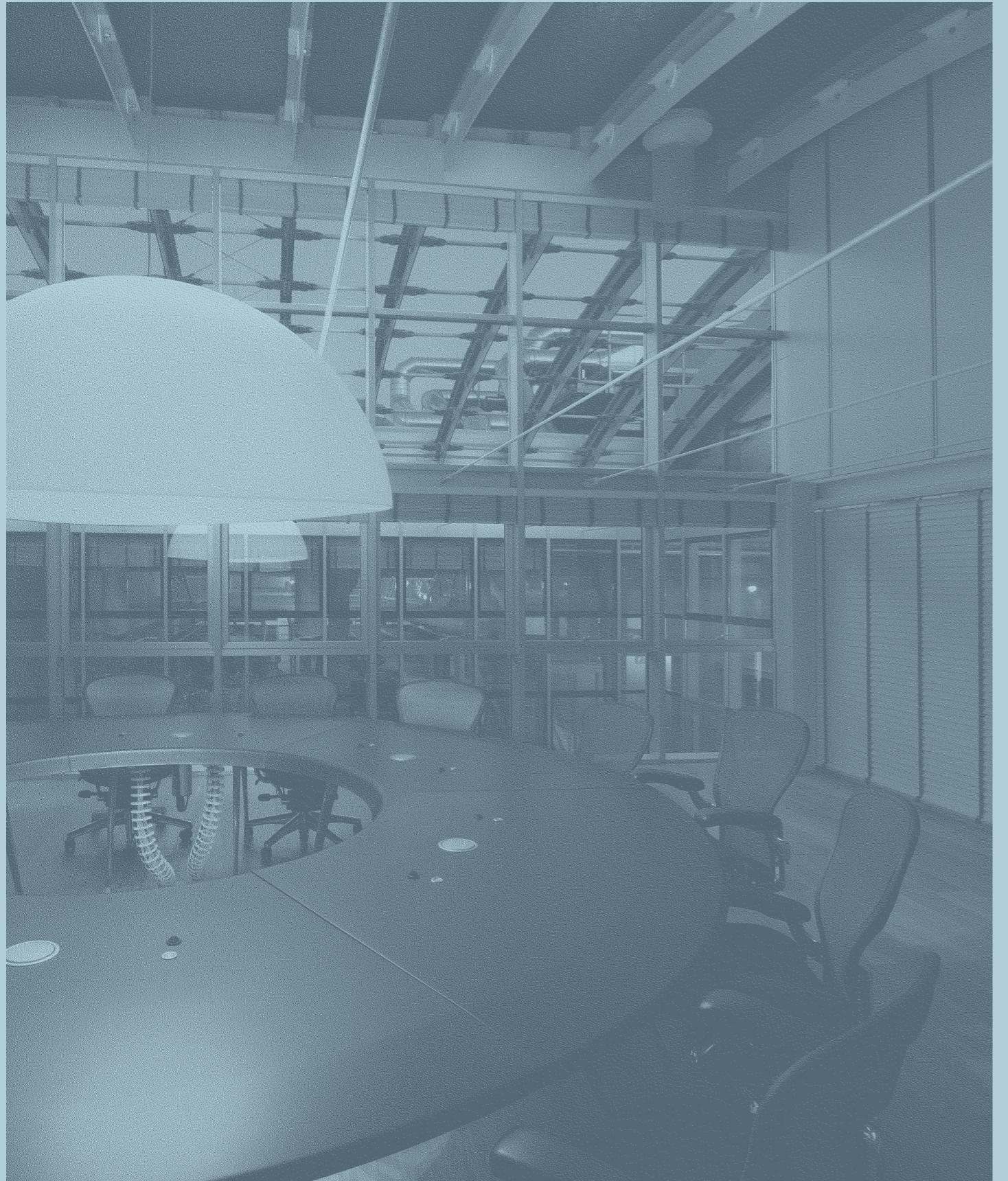
The extensive variety and complexity of the product line entails the management of approximately 630 different suppliers based throughout the world. Approximately 40% of current spending on the purchase of materials and components originates in low-cost countries (China, Poland, Mexico, etc.), whereas the remaining 60% originates with EMEA suppliers.

The Motors division produces approximately 30% of products for internal use, meaning they are used in hoods sold by the Group itself (*captive* production), and 70% for non-captive clients.

The production of motors for non-captive clients is broken down into three main segments:

- Ventilation (30% of units produced)
- Home appliances (35% of units produced)
- Heating (35% of units produced)

For this division, the organization distributes motors to clients throughout the world directly from the tier-one warehouse.



## THE GOVERNANCE SYSTEM

Elica S.p.A. is an Italian company limited by shares with a traditional *governance* model. Since November 2006, Elica S.p.A. has been listed on the STAR segment of the Italian Stock Exchange and adopts a *governance* model consistent with the principles of the Borsa Italiana S.p.A. Self-Governance Code (“the Self-Governance Code”), with which the Company complies.

The Casoli family exerts control over Elica S.p.A. indirectly through Fintrack S.p.A., the majority shareholder of FAN S.r.l., in turn majority shareholder of Elica S.p.A.. Francesco Casoli, who holds a majority of the share capital of Fintrack S.p.A., indirectly exercises legal control over the Company, pursuant to Article 93 of the Consolidated Finance Act.

Elica S.p.A. is not subject to management and co-ordination pursuant to Article 2497 et seq. of the Civil Code. The majority shareholder, FAN S.r.l., does not manage the Company; despite exercising voting rights at the shareholders' meeting, it is not responsible for the Company's financial, production or strategic planning. Rather, operational control of the Company is the responsibility of its Board of Directors. In addition, the Company's Board of Directors, despite being chaired by Francesco Casoli, in the role of Executive Chairman, has also appointed an independent *Chief Executive Officer* for ordinary operational management. The Company, therefore, carries out its operations through a totally autonomous and independent decision-making process; it has independent decision-making capacity with clients and suppliers and independently manages its treasury in accordance with the corporate scope.

The Board of Directors has the broadest powers of management of the Company, including the power to direct and assess the adequacy of its control system. The Board therefore defines the nature and level of risk compatible with the Company's strategic objectives, including in their assessments all risks that may be considered significant with regard to medium/long-term ethical and economic sustainability.

The Board of Directors is appointed by slate voting pursuant to the law and By-Laws. In particular, Article 16 of the By-Laws, to which reference is made, lays down the criteria for appointing and replacing Directors.

There are two committees internal to the Board: the Appointments and Remuneration Committee and the Control, Risks and Sustainability Committee.

The Appointments and Remuneration Committee, which currently consists of three independent directors, plays a propositional and investigative role involving: (i) formulating opinions for the Board of Directors regarding its size and composition; (ii) proposing candidates to the Board; and (iii) supervising the succession process for executive directors in *compliance* with the Self-Governance Code.

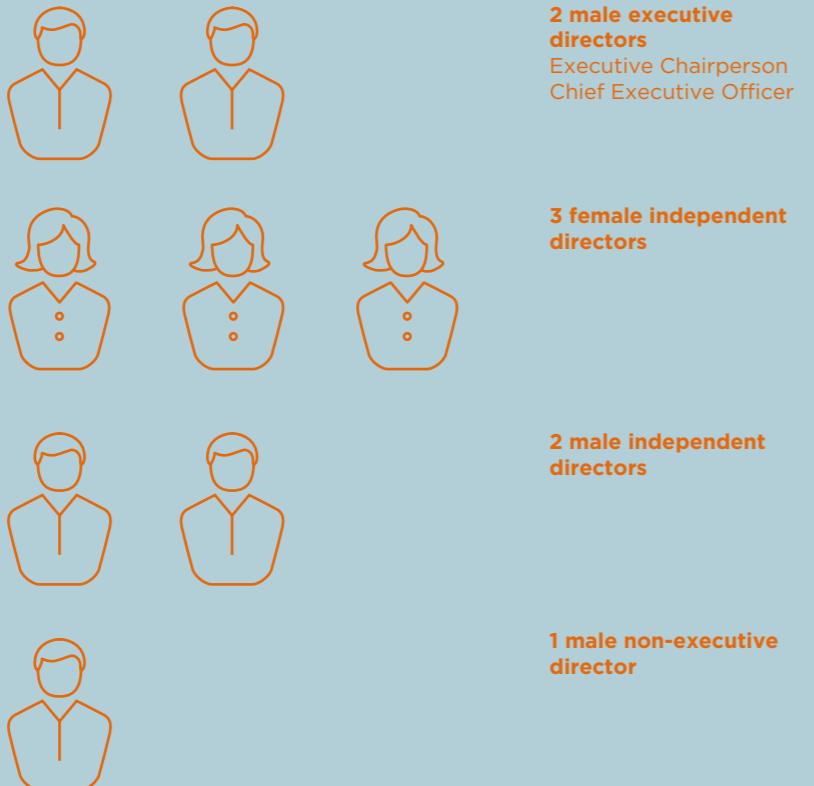
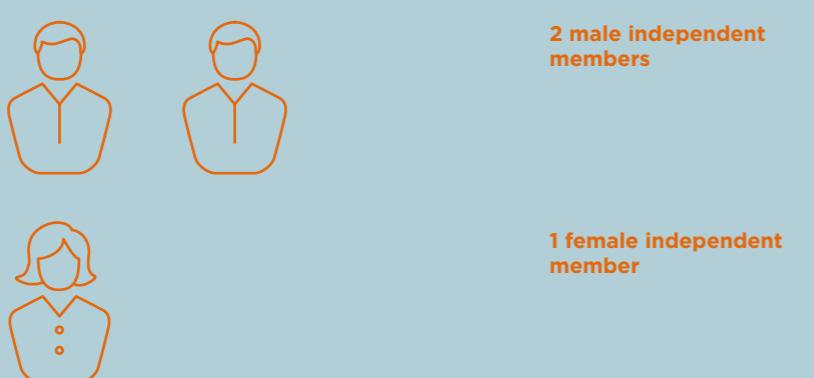
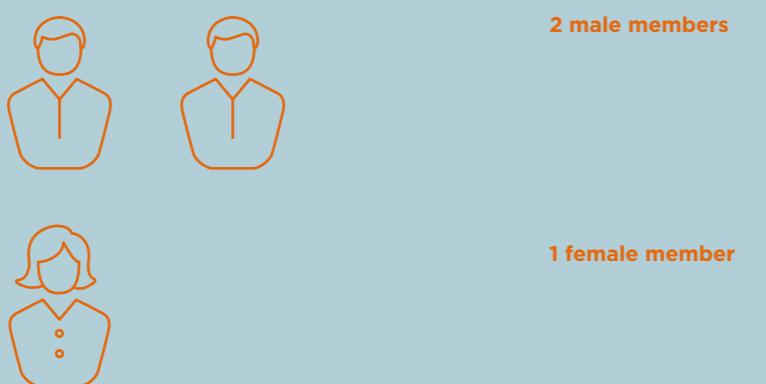
The Control, Risk and Sustainability Committee, also consisting of three independent directors, in turn performs a propositional and investigative function in accordance with the Self-Governance Code. It has a supporting role in the Board of Directors' assessments and decisions concerning the internal control and risk management system and in those relating to the approval of the periodic financial reports. 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. and available on the corporate *website*.

The Control, Risks and Sustainability Committee has also been assigned propositional and consultative functions with regard 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 required to communicate the company's commitment to sustainable development throughout the supply chain. For example, the Committee:

- examines and evaluates: (i) sustainability policies aimed at ensuring the creation of value over time for the collectivity of shareholders 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.

The control function is performed by the Board of Statutory Auditors, which is appointed by vote by list in accordance with the law and By-laws. In particular, Article 24 of the By-Laws, to which reference is made, lays down the criteria for appointing and replacing Statutory Auditors.

For further information regarding corporate *governance*, the appointments system and the activities performed by the Board of Directors and its Committees, see the following sections, the By-Laws and the Corporate Governance and Ownership Structure Report.

**Composition of the  
Elica S.p.A. Board  
of Directors****Control, Risks and  
Sustainability Committee****Composition of the  
Elica S.p.A. Board  
of Statutory Auditors****COMPOSITION OF  
THE CORPORATE  
BOARDS AND  
PERFORMANCE  
ASSESSMENT**

The Company's Board of Directors is composed of executive, non-executive and independent directors with adequate skills and professionalism. The current Board of Directors, appointed on April 27, 2018 and to remain in office until the approval of the annual accounts for the year ended December 31, 2020, is composed of eight members:

- 2 male independent directors;
- 3 female independent directors;
- 2 male executive directors (the Executive Chairman and the Chief Executive Officer);
- 1 male non-executive director.

It bears emphasizing that – also in light of its ownership structure – Elica primarily promotes the choice of independent candidates with the aim of ensuring more effective *stakeholder* protection.

The Board of Directors is composed of members with adequate experience in accounting, finance, risk management and sustainability to ensure an informed decision on the non-financial report pursuant to Legislative Decree No. 254/2016.

Within Elica, the control function is performed by a Board of Statutory Auditors of three statutory auditors and two alternate auditors, two of whom must be women, one in the role of statutory auditor and the other in the role of alternate auditor.

By proposal of its Appointments and Remuneration Committee, Elica has adopted a "Diversity Policy" setting out the diversity criteria generally adopted with regards to the composition of its corporate boards, including age, gender, training and professional background, one aim of which is to ensure that the candidates selected when nominating or replacing directors are as diverse as possible.

A voting slate for the nomination of corporate boards has been adopted to further protect the *stakeholders*. Shareholders who individually or collectively hold at least 2.5% of the share capital – or a differing minimum percentage provided for or allowed by current regulations – have the right to present slates. The slate which has obtained the second highest number of votes (the "Minority Slate"), provided that it is not connected in any way with slate that has obtained the highest number of votes (the "Majority Slate") yields: (i) for the Board of Directors, one director, i.e. the candidate at the top of the slate; and (ii) for the Board of Statutory Auditors, one statutory auditor and one alternate auditor, selected in the sequential order in which they are

listed in the sections of the slate. The Chairperson of the Board of Statutory Auditors shall be the first candidate on the Minority Slate.

For details on the diversity policy, the composition of the corporate boards, the relevant nomination processes and criteria and the powers assigned to the executive directors, reference should be made to the Corporate Governance and Ownership Structure Report and the By-Laws.

The Appointments and Remuneration Committee currently consists of Elio Cosimo Catania, in the role of Chairperson, Davide Croff and Barbara Poggiali, whereas the Control, Risks and Sustainability Committee currently consists of Davide Croff, in the role of Chairperson, Elio Cosimo Catania and Cristina Finocchi Mahne.

#### PERFORMANCE INDICATORS

##### Board of Directors of Elica S.p.A.

Name	Age	Gender	Appointment	Executive	Independent	Any other positions at the Group
Francesco Casoli	57	M	Executive Chairman	YES	NO	Director at Ariafina
Antonio Recinella	50	M	C.E.O.	YES	NO	Director at subsidiary companies
Gennaro Pieralisi	80	M	Director		NO	-
Elio Cosimo Catania	72	M	Director		YES	-
Davide Croff	71	M	Director		YES	-
Cristina Finocchi Mahne	53	F	Director		YES	-
Barbara Poggiali	55	F	Director		YES	-
Federica De Medici	46	F	Director		YES	-

##### Composition of the Board of Directors

Age	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
less than 30 years	No.	-	-	-	-	-	-
between 30 and 50 years		1	1	2	2	2	4
over 50 years		4	2	6	4	-	4
<b>Total</b>		<b>5</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>8</b>

##### Control, Risks and Sustainability Committee

Name	Age	Gender	Position	Executive	Independent	Any other positions within the Group
Elio Cosimo Catania	72	M	Director	NO	YES	-
Davide Croff	71	M	Director	NO	YES	-
Cristina Finocchi Mahne	53	F	Director	NO	YES	-

*Note: Le date prese a riferimento sono 31.12.2017 e 31.12.2018*

##### Composition of the Board of Statutory Auditors of Elica S.p.A.

Age	Unit	2018		Total	2017		Total
		Male	Female		Male	Female	
less than 30 years	No.	-	-	-	-	-	-
between 30 and 50 years		1	-	1	-	-	1
over 50 years		1	1	2	2	-	2
<b>Total</b>		<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>3</b>

*Note: The reference dates are 31.12.2017 and 31.12.2018*

Elica is aware that the proper functioning and appropriate composition of the boards responsible for the *governance* of its companies are regarded as increasingly crucial to the equilibrium and stability of the financial markets and, since they represent an element of certainty for *stakeholders*, play a central role in creating and protecting company value. Legislative developments, internal *governance* initiatives and international practices are emphasizing the need for an adequate corporate *governance* structure over time to protect *stakeholders*. The self-assessment performed by the Board of Directors and its internal committees, as also provided for in the Self-Governance Code, is a part of this process and serves as an opportunity to create value for the organization. In the light of the above, each year Elica carries out a self-assessment or *board evaluation* process involving a structured analysis of the functioning, size and composition of the Board of Directors and its committees that also takes account of elements such as professional qualifications, experience (managerial and otherwise) and the gender balance of its members, in addition to their seniority of service. The purpose of this process is to stimulate the directors to identify a series of levers for improving *governance* quality. In Italy, it is currently provided for in the Self-Governance Code for listed companies. In any event, it is indispensable for the Board of Directors to assess its own performance and identify possible areas of improvement, not only to increase the overall efficiency of its team, but also to facilitate the development of individuals as part of the creation of company value, by drawing on the professional skills and abilities they offer. In particular, in 2018 Elica's Board of Directors carried out its own annual self-assessment referring to 2017, with external support from GC Governance Consulting. For information on the *board evaluation* for the current Board, also performed by GC Governance Consulting and referring to 2018, along with the results of this process, please see the Corporate Governance and Ownership Structure Report.

Elica's Board takes due account of the outcome of the self-assessment in planning its *governance* policies and in preparing the report of the Board of Directors to the Shareholders' Meeting on its renewal, which indicated the profiles considered beneficial upon the Board.

## 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 efficacy 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 in addition part of a wider framework to attract, satisfy and maintain 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 utilized, 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, always based on the principles of the Self-Governance Code, is a key instrument to:

- attract, maintain and motivate a community of women and men of excellent professional standing
- recognize 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 developing the individual.

With regards to senior executives, 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*, and for many *professionals*, the variable component of remuneration is based on "*management by objectives*" and in all cases is also linked to the *Personal Behaviours Review policy* (PBR<sup>10</sup>).

Fixed remuneration is generally defined according to the nature of the position and a market *benchmark* for each role, weighted according to professional expertise and *seniority*, where applicable.

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*The Performance Behaviours Review (PBR) process is Elica Group's main People Development and assessment process.*

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

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

#### PERFORMANCE INDICATORS

Ratio between higher compensation and total median compensation

Ratio	Unit	2018	2017
	No.		
Italy		45,26	38,31
France		3,37	3,21
Germany		2,50	1,99
The Americas		32,74	17,51
Poland		9,40	8,41
Russia		16,99	11,77
China		34,91	63,05
India		107,36	46,00

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., Elica PB India Private Ltd.

#### DEFINITION OF THE GROUP'S STRATEGIES, OBJECTIVES AND VALUES: THE ACTIONS OF THE BOARD OF DIRECTORS

The Board of Directors plays a fundamental role in setting and pursuing the Company's strategic objectives. The By-Laws effectively grants it the widest powers for the management of the Company: it may carry out all acts and operations that it considers necessary to achieve the company object, except for those attributed by law to the Shareholders' Meeting or arising from specific authorizations required by the By-Laws.

Based on the powers conferred, the Board of Directors:

- examine and approve the strategic, industrial and financial plans of the Company and of the Group, periodically monitoring their implementation; establish the corporate governance of the Company and the structure of the Group;
- define the nature and level of risk compatible with the strategic objectives of the company, including in their assessments all risks considered significant with regard to the sustainability of the medium/long-term operations;
- evaluate the adequacy of the organizational, administration and accounting system of the Company and of its subsidiaries having strategic importance, which has been implemented by the executive directors with particular reference to the internal control and risk management system;
- evaluate the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;
- consider operations of the Company and its subsidiaries, when such operations have a significant strategic, economic, equity or financial importance for the Company or when the Executive Directors consider the involvement of the Board appropriate, although not relating to significant operations. The Board motions of Elica S.p.A. concerning subsidiary operations are justified also by the need to expressly authorise significant operations or certain decisions which need to be approved, according to regulations or the By-Laws, by the shareholders of such companies.

In addition, the Board undertakes all decisions not specifically attributed to the Executive Directors. The decisions, which due to their subject or amount are not within the remit of the executive directors, are those which, indirectly, the Board has considered of particular strategic, economic, equity or financial significance.

For further details, please see the Company's By-Laws and Corporate Governance and Shareholder Report.

## CONFFLICT OF INTEREST POLICIES

Elica S.p.A. complies with applicable laws and regulations aimed at preventing decisions taken by persons in conflict of interest. In accordance with the By-laws, the delegated bodies inform the Board of Directors and Board of Statutory Auditors of operations in which they have an interest, on their own behalf and on behalf of third parties. In addition, in accordance with the Self-Governance Code, the non-executive directors provide their specific expertise in the board meetings, contributing to the undertaking of informed decisions and providing particular attention to areas which may give rise to conflicts of interest.

Elica also ensures the independence of decisions through a Board in which five of the eight directors are independent. The contribution of the independent directors permits the Board to evaluate with sufficient independence in cases of potential conflicts of interest of the Company with the controlling shareholders.

Elica also has a group code of conduct according to which its personnel must avoid any situation or activity which may result in a conflict of interest with Elica or which may interfere with their capacity to take impartial decisions in the interest of the company.

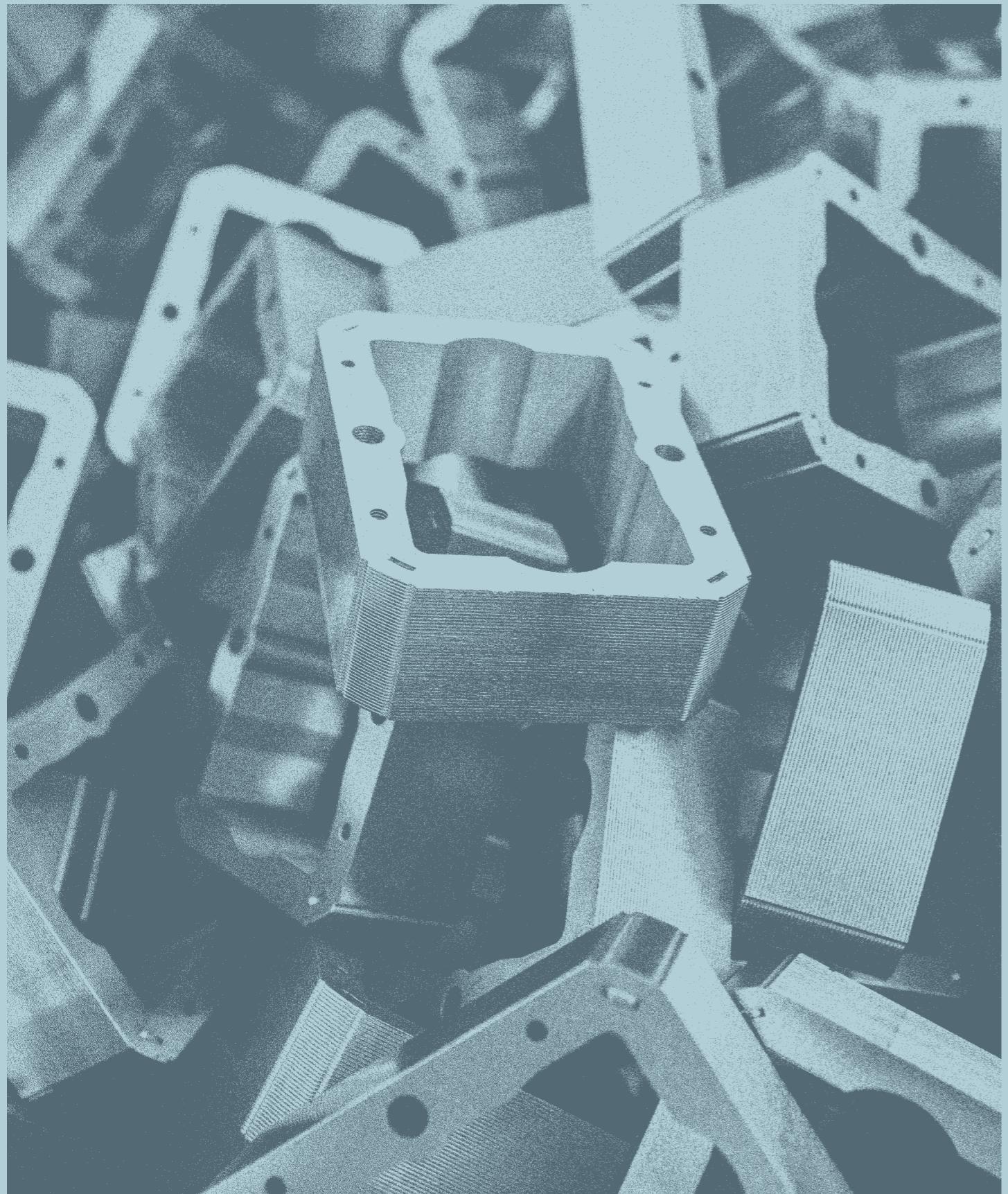
In addition, Elica has adopted a procedure for related party transactions, available from its *corporate* website, to which reference should be made. This procedure also provides that where a member of the Committee is a Related Party or related to the counterparty of the Transaction for which the Opinion is sought, this circumstance should be brought to the attention of the other members and the party should abstain, from this point, from accessing information concerning the transaction and from involvement in the issue of the Opinion. In this case, the Opinion should be signed by both the unrelated members.

Elica keeps and systematically updates a *database* of related parties. This *database* is circulated within the Group in order to identify and manage any related-party transactions in accordance with processes aimed at preventing decisions from being taken in conflict of interest.

There are no cases of *interlocking directorates*, as defined in Article 2.C.6. of the Self-Governance Code.

Transactions between Elica and related parties are *disclosed* in the Company's financial statements in accordance with the applicable accounting standards.

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



## EFFECTIVENESS OF THE RISK MANAGEMENT

Proper risk assessment and an effective risk prevention and monitoring system represent guarantees for *stakeholders*. Accordingly, while at Elica there is no specific *risk management* department, all *managers* are tasked with assessing and managing the possible risks to which their departments are exposed, effectively ensuring that monitoring is conducted at the overall company and Group level.

The activity performed by Internal Audit in support of the Board of Directors and the Control, Risks and Sustainability Committee, as well as of company *management*, is fundamental to completing the process of identifying, preventing, controlling and managing risks. The Internal Audit department, which does not report directly to any operational department, reports to the Board of Directors. In 2018 Internal Audit was outsourced to Protiviti S.r.l., a *leading* consultancy firm in analysing and designing *governance*, organization and control models.

Risk prevention and management is carried out in accordance with the *audit* plan approved by the Board of Directors, which systematically receives updates on the activity performed through the Control, Risks and Sustainability Committee.

The Board of Directors, aided by the Control, Risks and Sustainability Committee, Internal Audit, the competent company departments and the Supervisory Board, plays a fundamental, crucial role in designing and assessing the internal control system and the risk prevention and management policy.

For further information, reference should be made to the Corporate Governance and Ownership Structure Report.



# ELICA'S SUSTAINABILITY FOOTPRINT

MATERIALITY  
ANALYSIS IS THE KEY  
TO UNDERSTANDING  
THE SUSTAINABILITY  
FOOTPRINT OF  
ENTERPRISES



In order to provide a clear, complete account of the social and environmental value created by the Group and how its actions seek to monitor and manage its sustainability footprint as effectively as possible, it will firstly be necessary to clarify what is meant by “sustainability footprint”.

The “**sustainability footprint**” is a way of analysing the management system for an organization’s activity that can be used to determine its **economic, environmental and social impacts** based on specific indicators.

Properly measuring the nature of the effects and context for the organization’s activities is essential to an increasingly thorough analysis and increasingly informed management of such a strategic aspect of the Elica Group.

The centrality of the individual and of the social and environmental *habitat* in which the individual lives is thus key to the development of the strategies implemented by the Group, which as part of its continuing focus on excellence seeks to optimize and pursue sustainable growth to the fullest possible extent, in the view that such growth is strategic to the creation of long-term social and economic value.

## THE DIRECTION TRACED BY OUR FOOTPRINTS

Year-in year-out measurements and analyses of sustainability *performances* give us a greater awareness of the direction we are tracing with our sustainable footprints. The effective implementation of qualitative and quantitative management improvements and of socio-environmental impact and risk reductions demonstrates to the whole group and its *stakeholders* the direction we are taking, of which some examples are given below.

- The Group in 2018 drew up a detailed map of *stakeholder* roles. The mapping process involved contributions from the entire *top management* through a series of interviews assessing the risks and opportunities of constant interaction with *stakeholders* and it was attempted to identify the various channels for communication and dialogue so as to render them increasingly appropriate, also in the medium and long term as well as in the short term. Accordingly, the organization is in a position not only to plan actions and methods of handling the risks and opportunities identified, but also to monitor their effects in terms of the extent of their actual or potential impact on the Group's sustainability.
- During the 2018 reporting cycle, the Group introduced the Materiality Analysis method for issues to be reported: this method permits for the systematic and repeatable assessment of the external and internal relevance of ethical and environmental matters specifically concerning the Elica Group, in order to provide a full and clear representation of the economic, environmental and social material topics.
- The membership of the Board of Directors appointed on April 27, 2018 was enriched with the addition of persons possessing qualified and proven sustainability assessment and analysis experience. This allows the group's top management to dedicate greater expertise to the guidance and reporting of sustainability issues and impacts.

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For the specific type of audits, please see the note on the performance indicator *Processes and Group companies subject to corruption risk assessment*.

- The group's capacity and commitment to generating innovation has a significant medium to long-term strategic value, both in economic and social terms. Innovation is centrally managed by the parent company's dedicated Elica Technology Readiness Level division, comprising ten professional roles in the two-year reporting period. As a result, in 2018 alone, the number of implemented innovative projects almost doubled, rising from 7 in 2017 to as many as 13 in 2018. However, the value of work lies in the significant generated knowledge and great potential of innovation projects that are still under development, whose number also doubled. The rate of technical solutions generated and patented yearly also reflect the strong Group *performance*, increasing from 4.9% in 2017 to 7.0% in 2018.
- The maturation of a broader awareness of the impacts of the business activities led, in 2018, to an expansion in our sustainable footprint monitoring, including the carrying out of 142 social responsibility *audits* concerning suppliers in 2018, compared with none in 2017, taking the mapping to the group's suppliers to 17% of the total.
- Every year, significant focus is placed on the fight against corruption. In particular, following the targeted actions taken in this area in 2017, in 2018 an *anti-corruption policy* was drawn up and extended to all Group companies, while Elica PB India Ltd. introduced a corporate policy which clearly defines the control principles and *standards* which all companies should apply. This important step in structuring anti-corruption checks and controls, both at a global and local level, was sustained by a significant increase in the number of companies subject to *audit*<sup>11</sup> - rising from 18% in 2017 to 45% in 2018. The *policy* was widely distributed to personnel, with circulation rising to 67.5% in 2018, compared with 47.0% in the previous year. This was accompanied by extensive *policy* and procedure *training*, including an-

ti-corruption controls, extended to 28.5% of group employees, compared with 0.4% in 2017, more than tripling the number of dedicated training hours from 432 in 2017 to 1,532 in 2018.

- In 2018, continuous progress in eco-compatible packaging redesign led to various innovative solutions, whose application brought significant reductions in indirect CO<sub>2</sub> emissions, so much so that the Group received several awards from external organizations, such as the National Packaging Consortium, CONAI. In 2018 alone, this activity drove an annual reduction of over 106 tonnes of indirect CO<sub>2</sub> emissions, approximately equivalent to **the average annual<sup>12</sup>** direct emissions of 59 cars.
- Regarding waste production and disposal, it should be emphasized that the 15% reduction in non-hazardous waste registered in 2018 was driven by the introduction of projects encouraging the reuse of containers used for the transport of internal material to production sites, and between different sites, eliminating the need for the wrapping plastic used in 2017.
- One of the most significant results in reaching socio-economic objectives was the considerable improvement in all global health and safety indices concerning the people who form part of Elica Group. The close *management* and monitoring system of all activities, supported by the central **EHS function<sup>13</sup>**, allowed a considerable reduction in the safety indexes through various initiatives and instruments, such as the **Heinrich Pyramid<sup>14</sup>**. The Accident Frequency Index decreased by 39.4% compared to the same period of 2017; the Severity Index decreased by 69.2% compared to the same period of 2017; the number of accidents decreased by 39.1% compared to the same period of 2017.
  - The percentage of employees covered by collective bargaining agreements rose from 59% in 2017 to 67% in 2018, a clear sign of the group's ever greater commitment to harmonious operational and industrial relations.

<sup>12</sup>  
Sources: UNRAE for the estimation of the circulating fleet; SINANET for the estimation of average annual car emissions; Intermediachannel for the estimation of average annual mileage, with data taken, in particular, from March 2017.

<sup>13</sup>  
Environment Health & Safety

<sup>14</sup>  
See "Health & Safety" for further details.

<sup>15</sup>  
Regulation (EC) No. 679/2016

- In the light of the increasing use of the Internet of Things in the home appliance sector, as in other sectors, the increase in own brand sales and the significant penalties that may be imposed in the event of violations, in accordance with **applicable legislation<sup>15</sup>**, Elica S.p.A has implemented a *Privacy Protection* compliance project, extended to all subsidiaries based in the EU, and has appointed a Data Privacy Officer. All detailed activities (as far as applicable) are in progress also at the subsidiaries headquartered in the EU, with the supervision and coordination of the parent company and of the Data Privacy Officer of Elica, and where required of the other subsidiaries, with the support of local consultants.

## WHO ARE OUR STAKEHOLDERS?

The Group operates in a multinational setting and its products, services and local activities are capable of influencing various entities that in turn – through their roles, activities and expectations – may directly or indirectly influence the Group's performance and have a significant impact on the organization's decisions.

In order to ensure that its responses to its *stakeholders*' demands are increasingly tangible and adequate, in 2018 the Group drew up a detailed map of their roles. The mapping process was based on a multi-disciplinary approach involving contributions from the entire *top management* through a series of interviews during which the risks and opportunities of constant interaction with *stakeholders* were also assessed and it was attempted to identify and map out the various channels for communication and dialogue so as to encourage and render them increasingly appropriate, in the medium and long term as well as in the short term.

Accordingly, the organization is in a position not only to plan actions and methods of confronting the risks and opportunities identified, but also to monitor their effects through the many tools managed at the various levels of the organization in proportion to their actual or potential impact on the Group's sustainability. The main goal is to redouble the organization's efforts where there is found to be a need to improve or to continue with the positive approaches already implemented.

The following table provides an overview of the Group's main *stakeholders* and the precise criteria used to assess their importance:

Interested parties	Scope	Possible influence or impact on PERFORMANCE of organisation	Capacity to create RISKS & OPPORTUNITIES	Possible influence or impact on MARKET	Capacity to influence organisation through their DECISIONS & ACTIVITIES
Environment	External	x		x	
Shareholders	External		x		x
Board of Directors (BoD including Committees)	Internal	x	x		x
Chief Executive Officer (CEO)	Internal	x	x	x	x
Customers	External	x	x	x	x
Personnel	Internal	x	x		
Local communities	External				x
Suppliers	External	x	x	x	
Competitors	External	x	x	x	
Authorities/Outside control bodies	External		x		x
Internal Control Bodies	Internal				x
Media	External		x	x	
Sector Associations/Consumers	External		x	x	
Trade Unions	External	x	x		x
Top Management	Internal	x	x	x	x
Suppliers and capital	External	x	x		

## GIVING SHAPE TO SUSTAINABILITY AT ELICA

In choosing the subject-matter and impacts to be included in its report, in the calendar 2018 reporting cycle the Elica Group implemented the materiality analysis method of the issues to be discussed, in order to provide a full, clear representation of the economic, environmental and social impacts deemed to be material.

### Materiality is key to assessing a company's sustainability

Materiality is the threshold beyond which a topic becomes sufficiently important to be reported.

A materiality analysis is a process used to select and assess the relevant topics that, according to the Global Reporting Initiative (GRI) approach, starts with an analysis of the themes capable of influencing the decisions of the organization's *stakeholders* or the social and environmental impacts of the implementation of company strategies.

Through a dedicated workgroup at the *corporate* level, the organization has internally identified the tools, sources and criteria for assessing a very wide range of topics, which are measured according to various metrics.

All the topics on which to report were identified in a balanced matter through a combined assessment of:

- the external relevance of the topics;
- the internal relevance of the topics.

It bears emphasizing that **all information of a general nature<sup>16</sup>** regarding the Group – assumed to be highly relevant to *stakeholders* in the interest of a complete, clear picture of the overall organizational structure of the Elica Group, from which the topics subject to reporting arise organically – have been excluded from the periodic materiality analysis process.

<sup>16</sup>  
This expression refers to the GRI standards marked with number 102.

### Assessment of external relevance

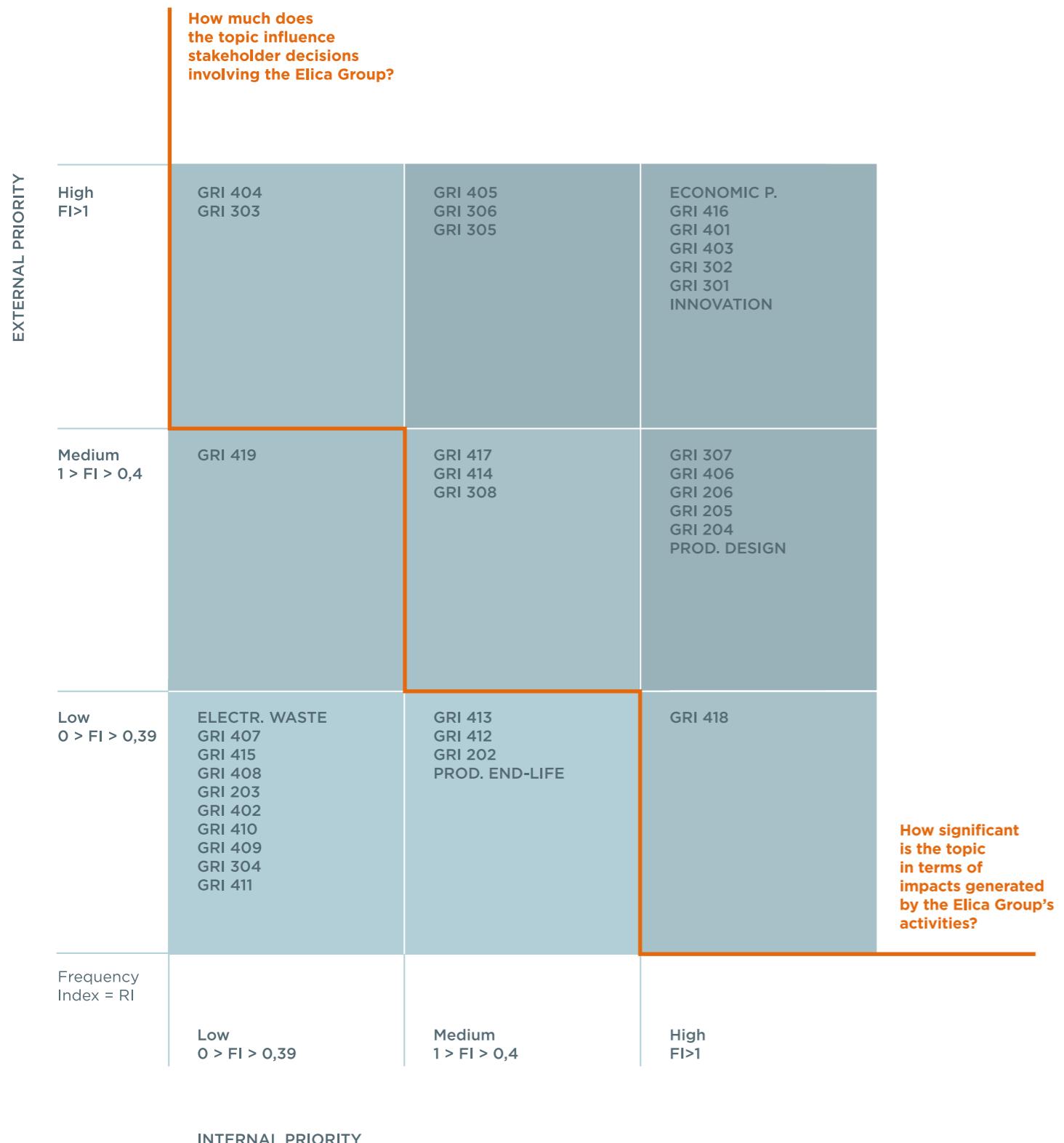
In order to identify the topics that may influence *stakeholders'* decisions regarding the Elica Group, the frequency of the indirect expressions of interest by the *stakeholders* in sustainability topics was measured using three main tools:

- 1 analysis of external *press releases*;
- 2 *benchmarking*, i.e. analysis of a *panel of peers* deemed representative, including key clients and *competitors*;
- 3 surveys of organizations responsible for sustainable reporting or *stakeholder monitoring* with a focus on the needs identified in the sector concerned.

### Assessment of internal relevance

A committee representing all company departments at the *corporate* level collectively assessed all relevant topics in the light of the impacts of the Group's activities and all topics identified through the external priority analysis, assigning them an internal relevance score. As many as 36 topics were considered, with each topic either linked to a reporting *standard*, where possible, or analysed to identify its core for reporting purposes, where no specific GRI Standard was applicable.

The result was the Elica Group's Materiality Matrix for the reporting year 2018, which was used to draw the specific boundaries of the reporting scope, consisting of all high-priority topics, whether internal or external, and all topics that were found to be at least medium priority in both types of analysis, as shown in the matrix reproduced below.



The following is a list of the topics found to be material in the materiality analysis process, together with the relevant GRI standard, where applicable, according to which they have been reported. An appropriate reporting scope was then set out for each topic, as specifically described for each indicator reported on below.

Material Topic	Number of the GRI Standard	Title of the GRI Standard
Supplier management	GRI 204	Procurement practices
Fight against corruption	GRI 205	Anti-corruption
Respect for the competitive system	GRI 206	Anti-competitive behaviour
Use of raw materials and of materials	GRI 301	Materials
Energy consumption	GRI 302	Energy
Water consumption	GRI 303	Water
Emissions into the atmosphere	GRI 305	Emissions
Waste	GRI 306	Effluents and waste
Compliance with environmental laws	GRI 307	Environmental compliance
Environmental checks on the supply chain	GRI 308	Supplier environmental assessment
Group employees	GRI 401	Employment
Workplace health and safety	GRI 403	Occupational Health & Safety
Training	GRI 404	Training and Education
Diversity and Equal Opportunities	GRI 405	Diversity and Equal opportunities
Fight against discrimination	GRI 406	Non-discrimination
Checks on application of ethics code by the supply chain	GRI 414	Supplier social assessment
Consumer Health and Safety	GRI 416	Customer Health&Safety
Correctness of the information provided to the consumer	GRI 417	Marketing and labelling
Consumer privacy protection	GRI 418	Customer privacy
<b>Economic and financial performance of the Group</b>	<b>CUSTOM *</b>	<b>Financial Highlights</b>
<b>Product design (eco-friendly)</b>	<b>CUSTOM *</b>	<b>Eco-design of packaging</b>
<b>Innovation</b>	<b>CUSTOM *</b>	<b>Capacity to generate innovation</b>

\* NB: "CUSTOM" means that the indicator has been created by the Group in order to represent a topic or material impact that was not found to be adequately represented in the GRI Standards.

## REPORTING CHANGES

All changes relating to the GRI Disclosures presented in the following table are the product of the application of the materiality analysis process carried out in 2018.

### GRI Disclosures not reported in 2017 and reported in 2018

GRI Standards	GRI Disclosure	GRI Topic	Reported in	
			2017	2018
General Disclosures	102-7	Scale of the organization	NO	YES
General Disclosures	102-12	External initiatives	NO	YES
General Disclosures	102-13	Membership of associations	NO	YES
General Disclosures	102-16	Values, principles, standards, and norms of behaviour	NO	YES
General Disclosures	102-26	Role of highest governance body in setting purpose, values, and strategy	NO	YES
General Disclosures	102-28	Evaluating the highest governance body's performance	NO	YES
General Disclosures	102-30	Effectiveness of risk management processes	NO	YES
General Disclosures	102-32	Highest governance body's role in sustainability reporting	NO	YES
General Disclosures	102-35	Remuneration policies	NO	YES
General Disclosures	102-40	List of stakeholder groups	NO	YES
General Disclosures	102-42	Identifying and selecting stakeholders	NO	YES
General Disclosures	102-45	Entities included in the consolidated financial statements	NO	YES
General Disclosures	102-46	Defining report content and topic Boundaries	NO	YES
General Disclosures	102-49	Changes in reporting	NO	YES
General Disclosures	102-50	Reporting period	NO	YES
General Disclosures	102-51	Date of most recent report	NO	YES
General Disclosures	102-52	Reporting cycle	NO	YES
General Disclosures	102-53	Contact point for questions regarding the report	NO	YES
General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	NO	YES
General Disclosures	102-55	GRI content index	NO	YES
Procurement Practice	103-2	The management approach and its components	NO	YES
Procurement Practice	102-15	Key impacts, risks, and opportunities	NO	YES
Procurement Practice	204-1	Proportion of spending on local suppliers	NO	YES

### GRI Disclosures not reported in 2017 and reported in 2018

GRI Standards	GRI Disclosure	GRI Topic	Reported in	
			2017	2018
		Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures
		Anti-competitive Behaviour	103-2	The management approach and its components
		Anti-competitive Behaviour	102-15	Key impacts, risks, and opportunities
		Anti-competitive Behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
		Supplier Social Assessment	102-15	Key impacts, risks, and opportunities
		Marketing and Labelling	103-2	The management approach and its components
		Marketing and Labelling	102-15	Key impacts, risks, and opportunities
		Marketing and Labelling	417-1	Requirements for product and service information and labelling
		Customer Privacy	103-2	The management approach and its components
		Customer Privacy	102-15	Key impacts, risks, and opportunities
		Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
		INNOVATION	103-2	The management approach and its components
		INNOVATION	102-15	Key impacts, risks, and opportunities
		INNOVATION	Custom	Patents
		INNOVATION	Custom	Innovation flow effective implementation index
		Product Design	103-2	The management approach and its components
		Product Design	102-15	Key impacts, risks, and opportunities
		Product Design	Custom	Packaging Eco-design internal and external performance
		Economic/Financial Performance	103-2	The management approach and its components
		Economic/Financial Performance	102-15	Key impacts, risks, and opportunities
		Economic/Financial Performance	Custom	Financial Highlights

**GRI Disclosures reported in 2017 and not reported in 2018:**

GRI Standards	GRI Disclosure	GRI Topic	Reported in	
			2017	2018
Emissions	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	YES	NO
Effluents and Waste	306-3	Significant spills	YES	NO
Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	YES	NO
Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	YES	NO
Socioeconomic compliance	103-2	The management approach and its components	YES	NO
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	YES	NO
Market presence	103-2	The management approach and its components	YES	NO
Market presence	102-15	Key impacts, risks, and opportunities	YES	NO
Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	YES	NO
Indirect Economic Impacts	103-2	The management approach and its components	YES	NO
Indirect Economic Impacts	102-15	Key impacts, risks, and opportunities	YES	NO
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	YES	NO
Freedom of Association and Collective Bargaining	103-2	The management approach and its components	YES	NO
Freedom of Association and Collective Bargaining	102-15	Key impacts, risks, and opportunities	YES	NO
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	YES	NO
Child Labour	103-2	The management approach and its components	YES	NO
Child Labour	102-15	Key impacts, risks, and opportunities	YES	NO
Child Labour	408-1	Operations and suppliers at significant risk for incidents of child labour	YES	NO
Forced or Compulsory Labour	103-2	The management approach and its components	YES	NO
Forced or Compulsory Labour	102-15	Key impacts, risks, and opportunities	YES	NO
Forced or Compulsory Labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	YES	NO
Human Rights Assessment	103-2	The management approach and its components	YES	NO
Human Rights Assessment	102-15	Key impacts, risks, and opportunities	YES	NO
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	YES	NO
Human Rights Assessment	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	YES	NO

**GRI 102-8 102-38 401-1 405-1:** 2017 data modified due to company reporting, which included 'Spain', as a site of minor relevance, in the category of 'Italy'.

**GRI 302-1:** The "Natural Gas" figure was modified (from 2,455,713 m<sup>3</sup> to 2,492,109 m<sup>3</sup>) since the 2017 Elica Group Polska figure was found to contain an immaterial error (453,292 m<sup>3</sup> was reported instead of 489,688 m<sup>3</sup>);

**GRI 302-1:** On the basis of the foregoing, and as the result of the application of standardized conversion factors, the 2017 consolidated figure was modified from 97,458 J to 98,902 J due to the modification of the Elica Group Polska figure (17,989.54 J was reported instead of 19,433.97 J);

**GRI 305-1:** On the basis of the foregoing, and as the result of the application of standardized conversion factors, the 2017 consolidated figure was modified from 4981.11 tCO<sub>2</sub>Eq. to 5054.94 tCO<sub>2</sub>Eq. due to the modification of the Elica Group Polska figure (919 tCO<sub>2</sub>Eq. was reported instead of 993 tCO<sub>2</sub>Eq.), bringing the total amount to 5,114 tCO<sub>2</sub>Eq.;

**GRI 305-2:** the figure for 2017 was recalculated using the methodology for calculating emissions in 2018, with the use of specific emission factors for each geographical area to which the companies belong instead of a single conversion factor, as applied in the 2017 report.

**GRI 303-1:** the 2017 figure was modified from 30,816,366 L to 28,863,366 L due to an immaterial error identified relating to Elica Group Polska (8,327,000 L was reported instead of 6,374,000).



**GRI 401-1:** the data for 2017 was modified using a calculation method more in keeping with the most common interpretation of the relevant GRI Standard, using the total number of employees of the organization as a whole as the denominator in incoming and outgoing *turnover* rates. For detailed changes relating to geographical breakdowns, refer to the NFR for the year 2017. However, it is emphasized that the data used in the calculations are nonetheless coincident.

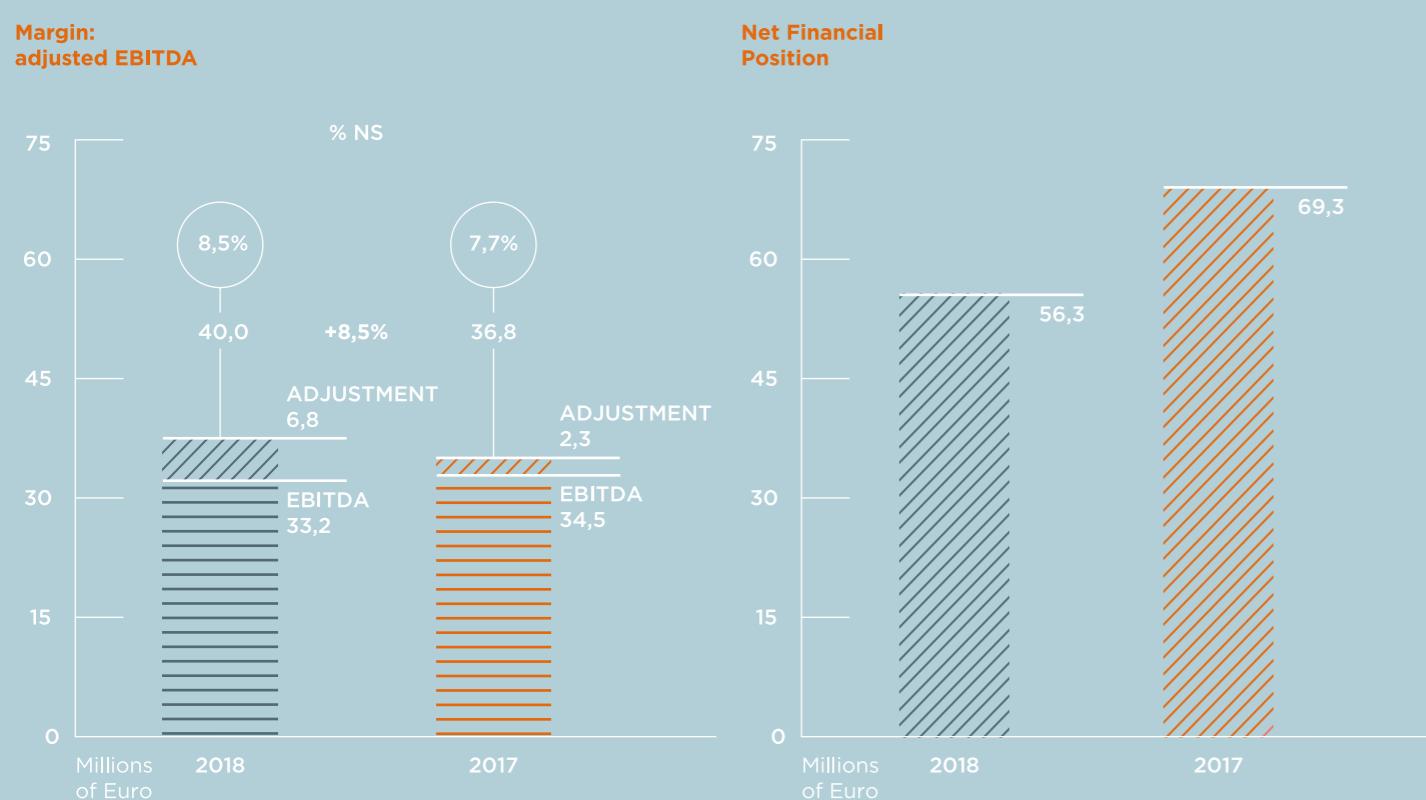
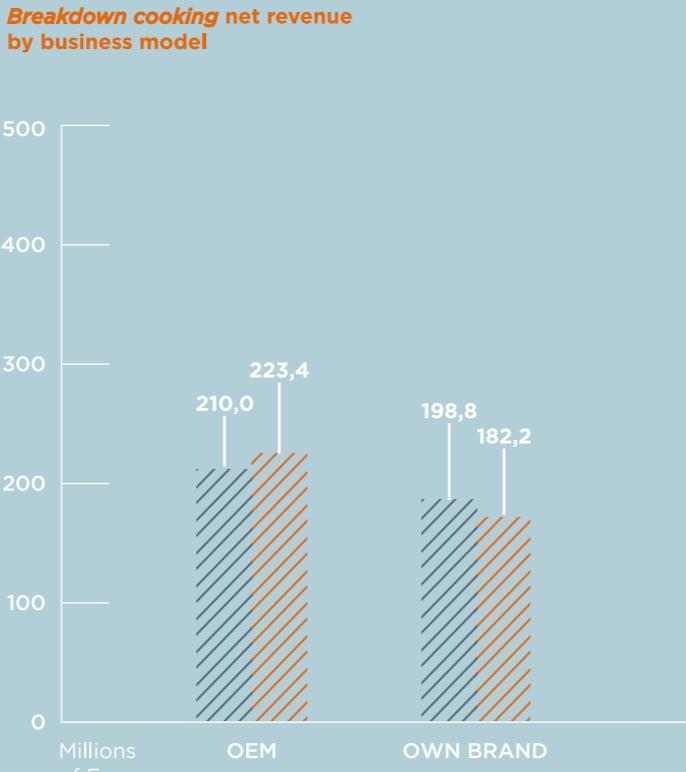
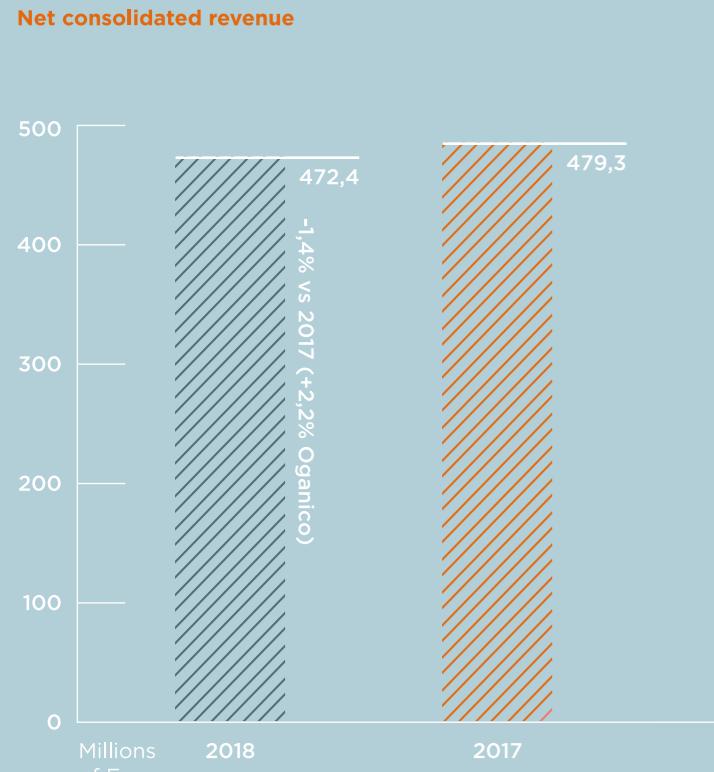
**GRI 403-2:** the data relating to days lost from injury in 2017 was modified from 850 to 540, due to the correction of a reporting error within the Italian perimeter. the 2017 data was recalculated using the methodology of 2018 and corrections to the number of worked hours relating to the companies Airforce, Elicamex, Elica Group Polska, Putian, and Elica India.

**GRI 416-2:** the assessment parameter for data reported in 2017 was modified from 0 to 4 cases, and extended to 2018. Submitted insurance claims were mapped regardless of whether any penalty was issued.



# THE SUSTAINABILITY FOOTPRINT IN THE ECONOMIC ARENA

SUCCESSFUL BUSINESS  
VISIBLE  
RELATIONSHIPS  
DEPEND ON THE RIGHT  
INVISIBLE  
PERSONNEL



## THE GROUP'S ECONOMIC "WEIGHT"

<sup>17</sup>  
Net of the contribution of the German  
subsidiary Exklusiv-Hauben Gutmann,  
sold on 28 August 2017.

The Elica Group is a global player and posted revenue of Euro 472 million in 2018, up (+2.2%) on 2017, net of the currency effect and the change in the *consolidation scope*<sup>17</sup>.

This growth is marked by an ever-increasing market share for own brand products, which drove sales growth throughout the year. The Elica brand alone accounted for as much as a 12% increase in net revenue on 2017. The greater impact of brand sales in the last two years has led not only to an increase in the overall margins of the group (up 8.5% in 2018 and 7.7% in 2017, in terms of normalized EBITDA), but to the continuing increase in the *brand value* managed directly by the organization, to the benefit of both the group and all of its *stakeholders*.

These results are centred on improvements in the product and channel *mix*, driving profitability and laying the foundations for the achievement of the *top management's* long-term objective of a healthy margin led by continuous revenue growth.

One of the clearest indicators of the strength of the strategic choices underpinning the results achieved is the group's financial robustness, which derives from its ability to simultaneously generate liquidity through improvements in its net financial position, while continually investing in product and process innovations, to the common benefit of local and international stakeholders. This is nourished by a virtuous circle tying enabling and emerging financial results with progress in ethical sustainability, with one serving as lever to the other.

## SUPPORTING CONSTANT INNOVATION

The technical innovation pursued by Elica for the entire Group's benefit is intended to create a constant stream of innovative solutions based on a strategy of the early adoption of technologies, with the aim of forming a pool of technologies from which to draw components, modules and techniques to be used to develop the competitive new products of tomorrow.

The main areas of inquiry of the development model implemented, known as the "ETRL" (Elica Technology Readiness Level), are general product *features* such as powering (performance and noise level), filtering (grease and odors), interactivity, lighting, cooking, sensoring, etc. The goal in each area is to create or improve new features capable of meeting consumers' needs in a manner compatible with each product's use and application.

Research and innovation are incorporated into the processes of the R&D area of the business management system **MOS<sup>18</sup>**; various types of monitoring tools are applied and all information is recorded. The **ETRL<sup>19</sup>** is divided into four phases of progress and oversight:

- **Orientation Phase:** potential technologies and product architectures are identified through the pre-selection and positioning of the available technologies in what are known as the *Innovation Roadmaps*;
- **Technology Feasability:** the appropriate technology is selected and the product *layout* is studied through preliminary *tests* in a laboratory environment;
- **Technology Validation:** a preliminary functional prototype is created with a detailed product architecture *layout*, primarily tested in a laboratory environment;
- **Prototype Validation:** a complete functional prototype is created, meaning that a detailed prototype designed is created and requirements are identified through *testing* in real conditions (as well as in the laboratory).

During their time in the system, all projects may be halted at any phase of development if *performance* is not consistent with objectives, the cost of the final product or of development is too high or it does not meet usability, safety and aesthetic requirements.

Progress through the various phases is monitored using the following tools:

- **Visual Management Innovation Monitoring Tool:** the organization has created a *visual management* environment (accessible solely to authorized personnel) in which each project is visually situated in its phase of the process, together with the basic development information and the preliminary results achieved.
- **Document management system:** through the use of CAD and PDMLink technical documents, used to store the three-dimensional models deriving from projects in their partial or definitive forms.
- **Laboratory test system:** (Elica Propulsion Laboratory), where all *tests* generated during the prototyping and *pre-testing* phases are stored.

<sup>18</sup>  
Management Operation System

<sup>19</sup>  
The Elica Technology Readiness Level

### PERFORMANCE INDICATORS

**Total number of innovation projects effectively implemented into the business and implementation index**

	Unit of measure	2018	2017
Innovation projects introduced in business	No.	13	7
Innovation projects developed		48	25
Number of persons employed		10	10
Percent effective innovation implementation index		27%	28%

**Level of creation of patents for technical or technological solutions invented by the organization**

	Unit of measure	2018	2017
New patent applications filed	No.	13	8
Number of overall active documents (granted and subject to evaluation)		185	165
Percent of existing patents generated during the reporting year		7,03%	4,85%

*Scope: Elica S.p.A. for the entire Group because the activity is performed for the benefit of all subsidiaries*

Against the numerous opportunities created by this innovation development model for the organization and its *stakeholders* is the risk that once highly innovative products and solutions have been investigated and developed, they might not immediately be identified by the market as necessary or functional and it may therefore be essential to create simple, yet concrete, *storytelling* that explains the technology and/or feature to the clients clearly and completely. This activity – carried out transversally across the organization by dedicated *teams* – has successfully turned this risk into a further opportunity to solicit *feedback* and increase awareness of Elica's *brand*.

## SUPPLIER MANAGEMENT

For the manufacturing of its products, Elica relies on suppliers of goods operating in a range of segments, principally for the procurement of metal, plastic and electronic components, glass and packaging, in addition to service suppliers. The majority of suppliers belong to multinational groups resident mainly in the EMEA area, Mexico and in China.

The total amount of purchases undertaken by the Elica Group in 2018 was Euro 331.5 million, of which 72.8% was represented by purchases from local suppliers.

The percent of spending attributable to local suppliers declined by 2.8% on 2017 due to *scouting* for new suppliers by Elica's *buyers* with the aim of increasingly favouring international procurement.

### PERFORMANCE INDICATORS

Suppliers	Unit of measure	2018	2017
Procurement budget spent with local suppliers	€	241.397.240	231.797.641
Total procurement budget	€	331.543.269	306.424.336
% spend on local suppliers	%	72,8	75,6

**20**  
Restriction of Hazardous Substances Directive

**21**  
Registration, Evaluation, Authorization and Restriction of Chemical

All the Elica Group's suppliers are *compliant* with the **RoHS II**<sup>20</sup> and **REACH**<sup>21</sup> regulations governing the presence of substances deemed hazardous to health in goods purchased.

The Elica Group has committed to providing the following declarations at the request of its main clients:

- 1** 1. a declaration regarding compliance with limits on the content and emissions of chemical substances, consisting of self-certification of the absence of hazardous substances, laboratory verification *tests* and *audits*;
- 2** 2. a declaration regarding compliance with limits on the chemical, physical and visual requirements applied to coverings (e.g., melamine veneer), organic treatments (e.g., UV paint) and non-organic treatments (e.g., nickel-plating). The documents required for the audit of the above are: self-certification that the material is free of hazardous substances; self-certification that process emissions are free of hazardous substances; and laboratory *tests* of mechanical surface resistance, moisture resistance and salt spray;
- 3** 3. a declaration regarding compliance with limits on the chemical requirements for the electronic components of home appliances, consisting of self-certification of the absence of hazardous substances, laboratory *tests* and *audits*.

In 2018 a dedicated portal was set up and launched for all suppliers to check *compliance* with RoHS II rules. In 2018, the average percentage of direct suppliers assessed according to environmental criteria was 51%, with no actual or potential negative environmental impacts emerging.

#### PERFORMANCE INDICATORS

Suppliers	Unit of measure	2018	2017
Suppliers assessed according to environmental criteria	No.	319	409
Total direct suppliers	No.	631	801
% suppliers assessed according to environmental criteria	%	<b>51</b>	<b>51</b>

Scope: All Elica Group companies.

Note: Direct suppliers are defined as those providing materials forming part of the bill of materials.

#### PERFORMANCE INDICATORS

Suppliers	Unit of measure	2018	2017
Suppliers assessed according to social criteria	No.	142	-
Total suppliers	No.	816	801
% suppliers assessed according to social criteria	%	<b>17</b>	-

Scope: All the Elica Group

Elica also performs additional activities for its main clients committed to ensuring sustainability with the aim of ensuring the relevant requirements in terms of sustainability. Indeed, for each bill of materials component, suppliers of products sold by the Elica Group are required to complete a special social and environmental assessment questionnaire, the **RFI**<sup>22</sup>, which contains information on the company, its facilities, the existence of quality certificate systems and other general information on business volumes. An additional "**RFQ**"<sup>23</sup> questionnaire regarding information on the economic conditions of the possible supply arrangements is then sent.

By requesting compliance with its Code of Conduct and 231 Model, the Elica Group demands of its main suppliers a firm commitment to respecting human rights. As the Elica Group mainly deals with multinational groups whose global scale does not permit social discrimination, in 2018 the number of suppliers assessed according to social criteria increased. Furthermore, the Group also carries out annual production process verification and qualification *audits*, which have never identified situations of risk.

## FIGHT AGAINST CORRUPTION

The risks of corruption are inherent in all businesses: by forming relationships with other privately or publicly owned companies, the Company and its subsidiaries are inevitably exposed to possible episodes of corruption, the scope of which varies according to the geopolitical context within which they operate. For this aspect, the Mexican subsidiary is undoubtedly the most exposed.

Accordingly, the topic of anti-corruption is one of the most deeply felt and explored in the various documents and *policies* that govern the functioning of Elica S.p.A. and of the entire Group.

By adopting and constantly updating their 231 Model (in accordance with Legislative Decree No. 231 of 8 June 2001), inclusive of an Ethics Code (the “Code”), Elica S.p.A. and Airforce S.p.A. – the Group’s Italian companies – have mapped and seek to prevent the occurrence of all anomalous situations that may entail a risk of commission of the Legislative Decree 231 predicate offences, including corruption. In effect, the 231 Model and the Code contain many principles aimed at identifying and preventing behaviour that could give rise to phenomena of corruption.

The Code lays down the principles and rules that are to inform all company activities; the principles of legality, honesty, propriety, integrity, privacy, transparency and mutual respect must be followed by all those who operate within the Elica Group and by those with whom they come into contact, in Italy and abroad, in accordance with the laws and regulations in force in each jurisdiction. General observance of the aforementioned principles represents a valid means of preventing corruption that applies in addition to the fulfilment of the fundamental duties of workers and compliance with applicable civil, criminal, administrative and contractual legislation and with the applicable *policies* and procedures.

The Code has been circulated throughout the Group. The subsidiaries have adopted it, in some cases after adapting it, to the extent necessary, to the local situation (Elica Trading). Elica personnel can find instructions for accessing the Code on company message boards. In any event, the Code is available from the Company’s *intranet* sites

and *websites*, to which reference should be made. Both Elica S.p.A. and Airforce S.p.A. have provided specific training on this subject. In Mexico and in Poland, training courses are provided to employees and *managers* with regards to corruption. Specific training in this area is also normally provided during the *induction* of new recruits.

Furthermore, both Elica S.p.A. and a number of Group companies comply with the codes of ethics and of conduct of various international Group clients, which are models to be followed in terms of ethical behaviour and business sustainability.

The Company’s organizational model reflects more than one broad corporate governance system, by which is meant a set of rules, processes and mechanisms relating to corporate governance, supervision of control processes and management of relations with internal and external stakeholders.

Specifically, on the topic of corruption, following the identification of the activities and areas at risk, processes and/or *policies* were implemented with the aim of preventing the commission of corruption offences, applicable of which is extended to the entire Group. Examples include, but are not limited to, the following: the use of *cash* was limited; supplier selection and indirect purchase flows are monitored, even where not subject to specific procedures; *policies* were introduced on the receipt of gifts, gratuities or invitations from third parties, *recruiting* and *rewarding* of employees and *transfer pricing*; particular attention is paid to sponsorships, which Elica S.p.A. generally does not provide. More specifically, an *anti-corruption policy* has been drawn up for all Group companies and implemented in the form of a company procedure within Elica PD India Ltd.

The *anti-corruption policy* expressly states that the purpose of the document is to set out the rules for preventing and combating corruption, with the ultimate goal of ensuring that all employees and associates are aware of the rules to be followed and the behaviour to be adopted to avoid involvement in cases of corruption.

Specific control *standards* are set with regard to the following categories of activities at risk of commission of acts of corruption:

- Relations with the Public Administration (in all possible configurations);
- gifts, gratuities and hosting and entertainment expenses;
- facilitating payments;
- relations with political and trade union organizations;
- award of consultancy, specialist and professional contracts;
- award of works and goods and services contracts;
- acquisition of investments in other companies and *joint ventures* (M&A);
- recruitment and hiring of Personnel;
- non-profit initiatives and sponsorships;
- accounting records.

For privacy purposes, all Group companies are required to abide by the following principles in the organization of personnel and the definition of company processes:

- *segregation of duties*: the person responsible for an operating activity is different from the person who controls the activity concerned (and/or from the person who authorizes it, where applicable), particularly in issuing orders and executing payments;
- formalization and definition of signing authority;
- impartiality and absence of conflicts of interest: those subject to the *policy* must act with professionalism, transparency and impartiality, in accordance with anti-corruption legislation, and must report all situations that may give rise to a conflict of interest;
- traceability: all activities performed and the relevant controls must be traced and verifiable after the fact;
- *know your partner*: all company departments responsible for a given process must:
  - > implement, within their purviews, methods of monitoring the reliability and reputation of those who come into contact with the Company;

- > include specific contractual clauses requiring third parties to comply with the principles laid down in the Code of Ethics, including the adoption of behaviour aimed at preventing corruption;
- > ensure that services rendered by third parties under contracts with the Company are genuine and determine that the consideration to be paid is fair.

Corruption is also prevented by including safeguards in *policies* governing company processes at risk.

Group companies are also subject to audits by control bodies other than the management bodies. This separation makes it possible to monitor flows as a further check on the commission of offences of corruption.

The work done within Elica by the Internal Audit department is of fundamental importance; by conducting frequent *audits*, it also indirectly monitors the risk of commission of offences of corruption. Local audit activities are also carried out by some of the subsidiaries, together with activities such as *training* and information.

In view of compliance with the 231 Model, as well as with company *policies* and procedures, Elica and Airforce have provided employees with an e-mail address to which to submit reports, thereby ensuring protection of *whistleblowers*.

Elica Group Polska and the American subsidiaries have also adopted *whistleblower* protection procedures and implemented tools for employees to report cases of suspected corruption.

In the light of the models, *policies* and procedures adopted, as described above, the Group did not identify any episodes of corruption of any amount in 2018.

**PERFORMANCE  
INDICATORS****Processes and Group companies subject to corruption risk assessment****Processes**

Total number of processes assessed\*  
Total number of processes \*\*  
Percentage of processes assessed

Unit	2018	2017
No.	5	2
No.	11	11
%	45%	18%

**Group companies**

Total number of Group companies assessed\*  
Total number of Group companies  
Percentage of Group companies assessed

Unit	2018	2017
No.	5	2
No.	11	11
%	45%	18%

*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 and/or who undertake audits - even qualitatively - on the matter, are considered as assessed, while the companies which have anti-corruption similar or equivalent policies are not considered as assessed.

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

**Communications and training on anti-corruption policies and procedures**

Employees to whom anti-corruption policies and procedures have been circulated

Unit	2018	2017
No.	2.282	1.549
%	67,5%	47,0%
No.	963	14
%	28,5%	0,4%
No.	1.532	432

**24**  
*Original Equipment Manufacturer*

*Scope: The entire Group*  
All activities other than and/or in addition to mere dissemination of the policy have been considered as training. In order to quantify the figure, when training hours could not be determined, one hour of training was considered for each employee. Since classification by category is not uniform it cannot be applied and has not been reported.

**Incidences of declared corruption**

Total number of incidences of declared

Unit	2018	2017
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., Elica Group Polska Sp.z o.o and Elica GmbH.*

**THE COMMITMENT  
TO PREVENT  
ANTI-COMPETITIVE  
BEHAVIOUR**

Elica is both a manufacturer of third-party brands (some of which are also home appliance manufacturers) and a distributor of its own brands. In some markets, its *market share*, combined with that of its *competitors*, could be considered relevant for the purposes of *anti-trust* legislation. The value of competition according to the principles of correctness, fairness and transparency in dealing with all operators on the market is outlined in the Group's Ethics Code.

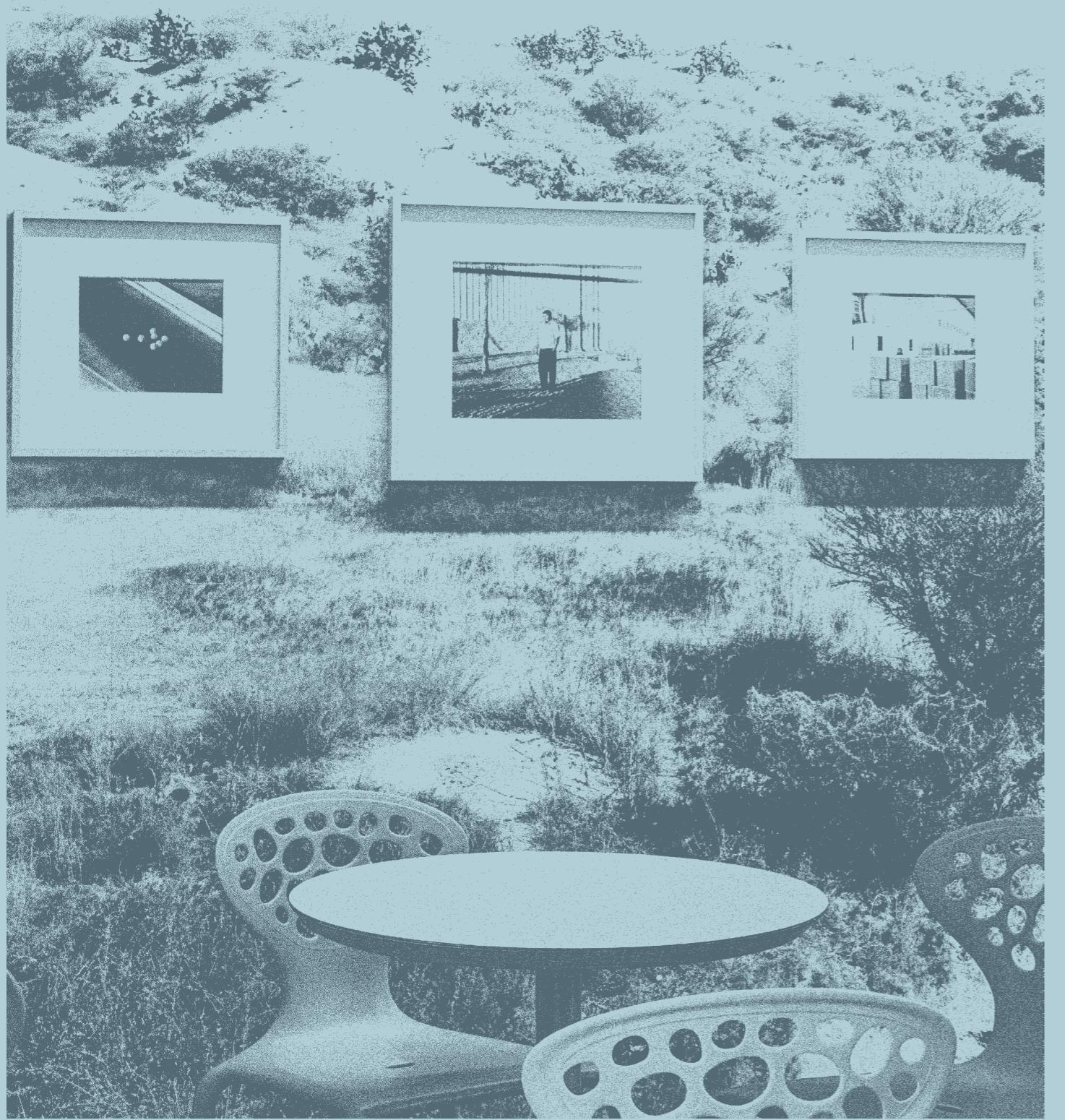
Although there is no specific *policy* on this subject, Elica S.p.A. takes account the risk of engaging in behaviour contrary to free competition when designing its company processes and drawing up its *policies*. For example, in relations with its most important **OEM<sup>24</sup>** clients, contractual documents governing the supply of products and related subjects are drawn up taking account of the need to prevent infractions and are verified from a legal standpoint; within the framework of the business associations of which the company is a member, technical matters or questions of collective interests are discussed while avoiding all mention of commercial matters (such as prices, production levels and commercial initiatives); in relations with clients and suppliers, agreements on resale prices are avoided; with the exception of relationships with its **OEM<sup>25</sup>** clients, Elica does not engage in any dealings of any kind with competitors; in the event of transactions that may present aspects of *anti-trust* liability, the competent authorities are involved in advance in order to seek the relevant opinions. The Group's commercial management, aided by its Legal Office, designs a commercial and distribution policy that takes account of the need to avoid conduct or reach agreements at risk. Based on the information available to the organization, there is no evidence of anti-competitive conduct or *anti-trust* violations.

**25**  
*See Note 24*



# THE SUSTAINABILITY FOOTPRINT IN THE ENVIRONMENTAL ARENA

THE SUM  
OF ENVIRONMENTAL  
IMPACTS GIVES  
SHAPE TO THE  
ECO-SUSTAINABLE  
FOOTPRINT



Our Group has long been committed to viewing the environment as an important – and indeed essential – resource to safeguard and preserve. The environment – and, more generally, the planet on which we live – are on loan to us from future generations, to whom we must leave it in better condition than that in which we inherited it from the generations that preceded us.

All the Group's corporate processes are designed, organized and carried out with the utmost respect for protection of the environment, with the aim of increasing the Group's ability to develop strategies to manage the resulting risks and opportunities, as part of a gradual process of reducing the footprint of its activities.

The most significant environmental impacts relate to the processes of transformation, distribution and use of the Group's products. Accordingly, the data and information presented refer to various reporting scopes depending on the indicator being analysed.

All the Group's activities are carried out in accordance with applicable laws and regulations and other requirements imposed by voluntarily adopted environmental rules.

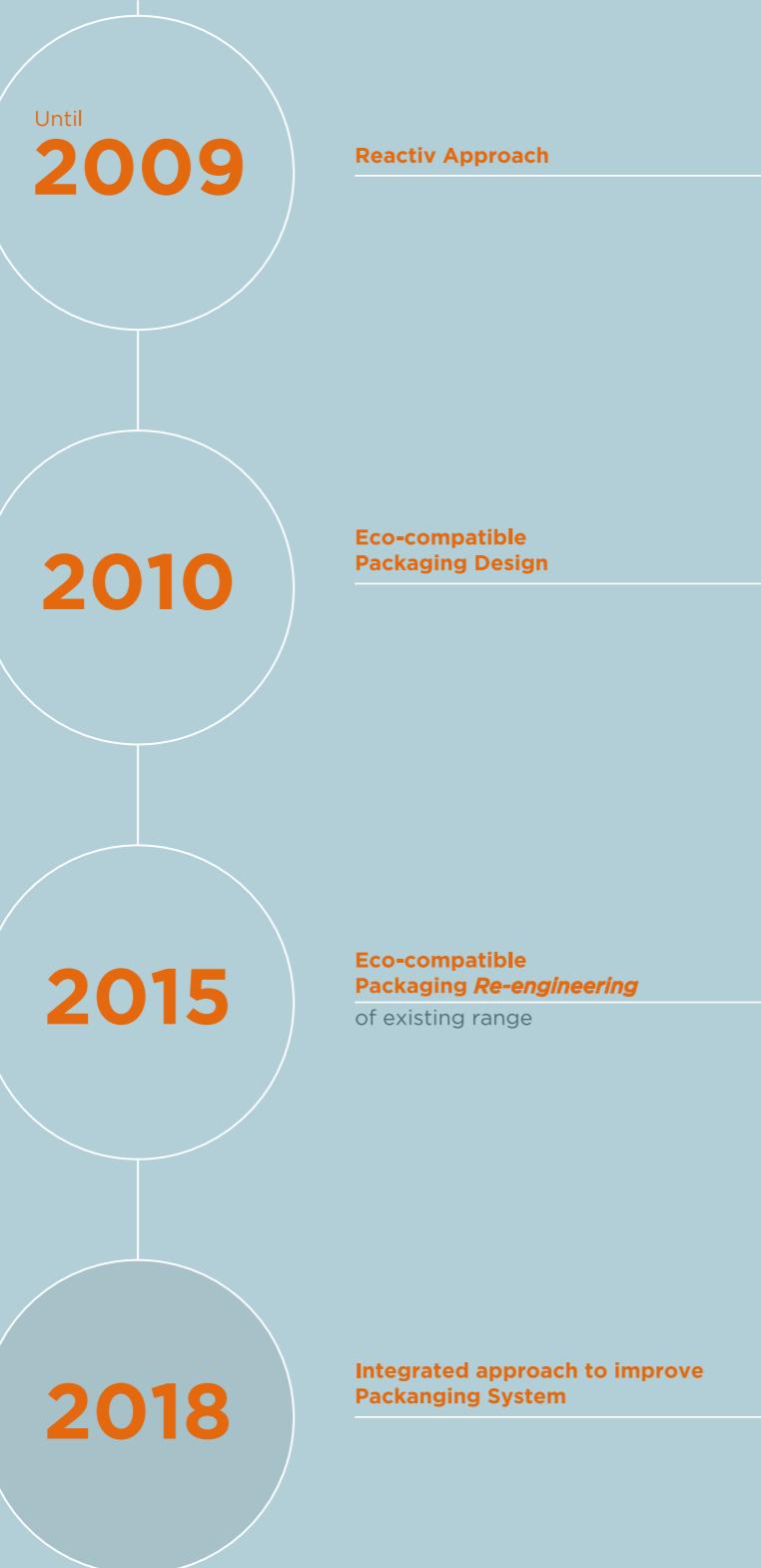
The Group also inherently pursues goals involving constantly increasing the sustainability of all activities relating to its *business* with the aim of not compromising the natural environment in which its production facilities are located and of ensuring an optimal relationship with local communities.

In view of these goals, in addition to ensuring that its certified Environmental Management System is constantly implemented, it circulates and facilitates the understanding by its *management* of the procedures and contents of the Code of Ethics drafted in accordance with Legislative Decree 231/2001 and the Group's *Policies* and *Procedures*.

The environmental management systems are wholly synergetic with the improvement plans developed under the World Class Manufacturing program adopted by the organization: a structured process to reduce long-term production inefficiencies, which in the case of environmental topics also translates into increasingly responsible use of the resources employed.

The Group is constantly committed to ensuring *compliance* with environmental rules at the local, national and international levels, with the aim of minimizing the risk of incurring penalties of an administrative and/or criminal nature for its directors and of avoiding damage to its reputation as a company.

**Le Milestone**  
Development of the  
Eco-compatible  
Design System  
for Elica Packaging



## ECO-COMPATIBLE DESIGN

There can be no doubt that design is a distinctive trait of the Elica Group and has always had a central role in its activities. It was therefore an almost natural step to apply an environmentally sustainable approach to this pervasive element of all our products – particularly those intended for end consumers.

One result of this increasing commitment by the organization is the development process for Elica's Packaging Eco-Design System, which has generated significant impacts in terms of reducing indirect CO<sub>2</sub> emissions.

Until 2009, Elica's product *packaging* design strategy was based on a reactive approach that in the event of feedback from clients triggered an analysis of the feasibility/advisability of redesigning existing packaging to better meet the needs indicated by the client.

Since 2010 the Packaging Design System has been modified to include a series of environmental *guidelines* for approaching more environmentally friendly design from a product and process standpoint by applying the seven Design for Environment criteria set out below.

### Criteria



### Raw material saving

#### Parameters

Containment of consumption of raw materials used in packaging and consequent reduction in weight for similar and equally performing products.

### Reutilisation

Involves the reuse of packaging on a number of occasions for identical use to that for which it has been conceived.

### Utilisation on recycling activities

Replacement of a portion or the totality of virgin raw materials with recycled material to reduce the use of natural resources.

### Optimisation of logistics

All innovative actions which improve warehousing movements, optimise pallet and transport vehicle loads and improve the relationship between first, second and third packaging.

### Facilitation of recycling activities

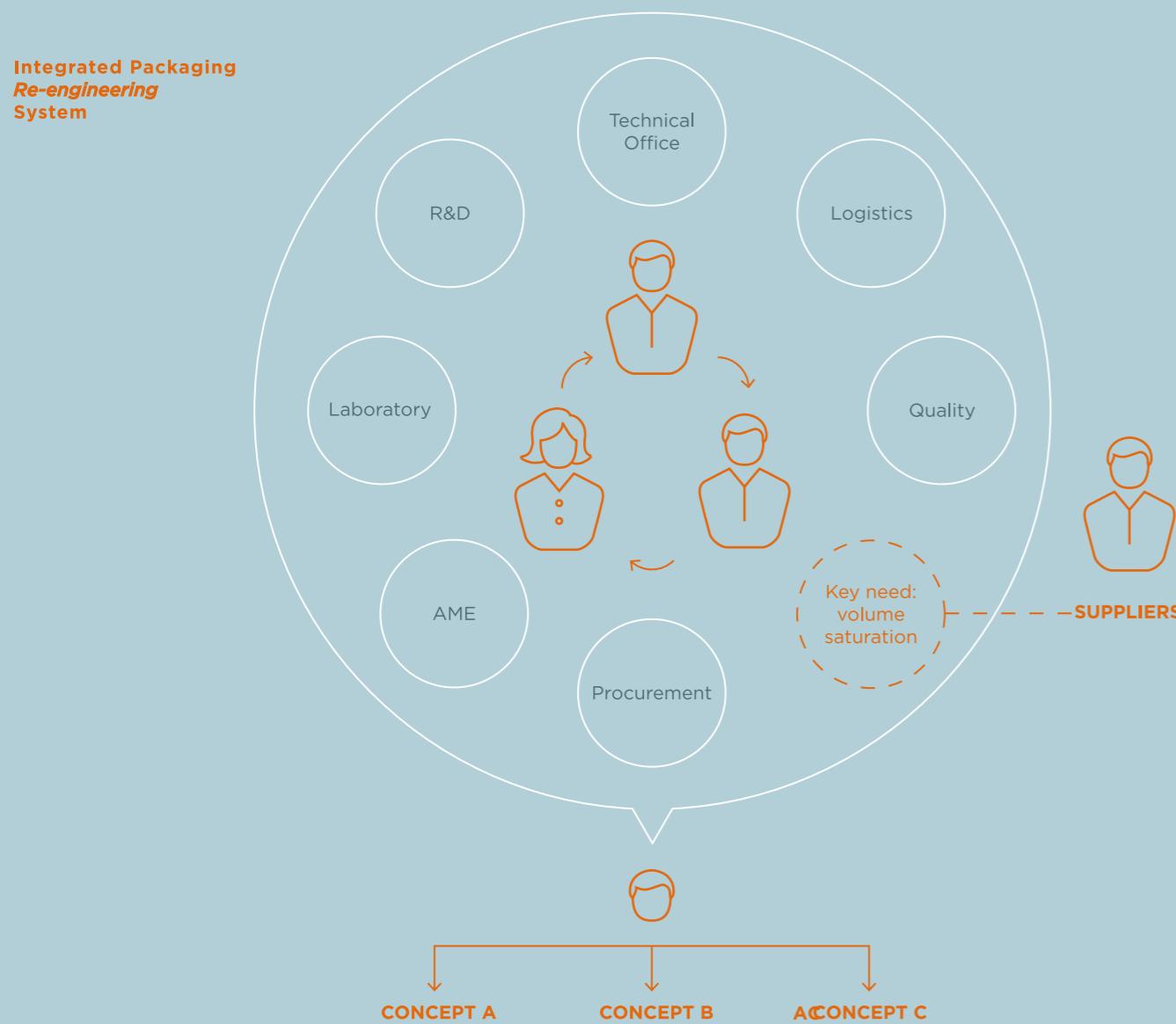
Tutte le innovazioni volte a semplificare le fasi di recupero e riciclo del packaging, come la realizzazione di imballaggi monomateriali.

### Facilitation of packaging system

All innovations to simplify the recovery and recycling phases of packaging, such as the creation of single material packaging.

### Energy savings/CO<sub>2</sub> reduction

Regarding the upstream and downstream phases of the production line, thanks to the use of new production processes, the use of recycled material, and the reduction of energy consumption along the production chain. This action is also facilitated by reducing the vehicles used to distribute the product from production point to sales point, the use of renewables and improved use of raw materials.



#### INTEGRATED PROCESS PHASES

PHASE 1 <b>DISCOVERING</b>	PHASE 2 <b>CONCEPT BRAINSTORMING</b>	PHASE 3 <b>PRELIMINARY EVALUATION</b>	PHASE 4 <b>CONCEPT VALIDATION</b>
Data collation, current status, costs, target	Develop ideas/concepts driven by process of innovation and assessment of concepts through Pugh matrix (Fabriano)	Prototyping and preliminary test of concepts selected and prepared by supplier	Resampling of the final concept and release test at Elica Lab (Fabriano)

The new strategic packaging design approach aimed at assessing the overall “process” impact is guiding Elica towards a redesign of the *packaging* for the existing range, starting with the most relevant SKUs in terms of volumes and expected improvement impacts.

In 2018, an additional pilot *packaging re-engineering* process was launched, based on an integrated systematic approach:

- carried out by an *interdepartmental team* involving seven departments;
- based on the *needs* of non-captive clients (**OEM<sup>26</sup>** or end clients) and captive clients (EHS, Production, Logistics, etc.);
- involving an analysis of possible project/supplier/impact scenarios (environmental and otherwise);
- basing and weighing the project’s impacts on a **PUGH<sup>27</sup>** Matrix;
- resulting in validation of the project and design of the implementation *action plan*, following *prototyping* and *testing* of the best integrated solutions.

<sup>26</sup>Original Equipment Manufacturer

<sup>27</sup>The Pugh matrix was developed by Professor Stuart Pugh to answer the question: “Which option will most improve the status quo?”, and includes a calculation baseline used to weigh comparative criteria.

**PERFORMANCE  
INDICATORS****Eco-Design projects on Packaging developed and concluded in the year**

	<b>Unit</b>	<b>2018</b>	<b>2017</b>
	No.		
Number of Eco-design <i>re-engineering</i> projects completed		2	1

**Total reduction in the equivalent annual emissions of CO<sub>2</sub>  
as a direct consequence of application in projects**

Vertical packaging  
Vacuum table packaging  
Shell packaging

<b>Unit</b>	<b>2018</b>	<b>2017</b>
t	106,120	0,840
t	86,240	-
t	19,880	-
t	-	0,840

**ELECTRICITY  
CONSUMPTION  
AND EMISSIONS**

All the Elica Group's production facilities associated with significant environmental risks relating to transformation and production activities – with the exception of the Airforce facility – have adopted Environmental Management Systems certified ISO 14001:2015 compliant.

The Group uses energy from both renewable and non-renewable sources in its activities.

The energy consumed by current activities is constantly monitored to assess efficiency, whereas the effects of new activities or modifications of existing assets are assessed in advance and specific containment measures are taken where significant impacts are brought to light.

From this perspective, thorough monitoring of the main indicators relating to the use of energy vectors makes it possible to measure the resulting levels of the indirect emissions generated.

Each year, improvement projects are designed and implemented. In 2018, some of the most significant were:

- replacement of lighting systems in various production facilities with more efficient systems (LEDs);
- installation on production lines of automated controls for optimal configuration of utilities such as light sources and other utilities;
- installation of inverter compressors (Castelfidardo facility);
- replacement of the valves and connectors of the compressed air distribution system with connections (SAFE) capable of eliminating transmission losses, thereby reducing the compressors' energy consumption (Castelfidardo facility);
- installation of inverter motors on plastic moulding presses (Mergo facility);
- support from industry consultants (ESCO<sup>28</sup>) for the *training* of personnel in energy issues;
- internal *audits* to verify operational and behavioural conditions.

<sup>28</sup>  
*Energy Saving Companies.*

The Italian production facilities in Castelfidardo and Cerreto d'Esi include three photovoltaic systems whose renewable electricity output (3,000 Gj in 2018, approximately 3% of the total energy used) contributed to reducing indirect CO<sub>2</sub> emissions by approximately 460 ton-equivalents.

The constant reduction of the environmental impact of the energy consumption of Elica's products – in particular those intended for the EU market – is a goal that Elica pursues both during the new product design phase and the *re-engineering* of existing products. By deploying the competencies and assets of its **EPL<sup>29</sup>** Laboratory, the organization can measure the impact of each finished product placed on the market and then study and implement all technical improvement solutions that may reduce its energy consumption. To monitor this activity, Elica and Elica Group Polska have adopted an indicator that measures the average consumption of products sold, which in 2018 was down by approximately 10% on 2017.

Another aspect of environmental protection is the efficient management of business trips.

Elica S.p.A. has therefore adopted a business trip *policy* which encourages employees to consider video and *teleconferencing* as an alternative to travel, thereby reducing consumption and indirect emissions and also delivering cost savings. In the second half of 2018, this *policy* was extended to all subsidiaries, with the exception of those in India and China. The focus now is on an overall reduction in indirect CO<sub>2</sub> emissions by promoting an increased and widespread use of alternative tools across all the Group companies.

<sup>29</sup>  
Elica Propulsion Laboratory

#### PERFORMANCE INDICATORS

##### Fuel consumption in countries with production activities (offices and sites)

Consumption of fuels from non-renewable sources	Unit	2018	2017
Natural gas	Mc	2.341.484	2.492.109
Diesel	Litres	1.029	661
Petrol	Litres	0	1.987
LPG	Litres	41.666	35.308
Natural gas	Joules	84.411	98.902
Diesel	Joules	37	25
Petrol	Joules	0	68
LPG	Joules	989	892
<b>Total</b>	<b>Joules</b>	<b>85.438</b>	<b>99.887</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India

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

##### CO<sub>2</sub> emissions from fuel consumption in countries with production activities (offices and sites)

Emissions from consumption of fuels from non-renewable sources	Unit	2018	2017
Natural gas	t CO <sub>2</sub> e	4.791,89	5.054,94
Diesel		2,77	1,73
Petrol		0,00	4,37
LPG		63,29	53,14
<b>Total</b>		<b>4.857,95</b>	<b>5.114,17</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India

Note: Emissions have been calculated using the emission conversion factors published in the "DEFRA conversion factors" and "Terna internal comparisons"

## Energy consumption in countries with production activities (offices and sites)

Energy consumption	Unit	2018	2017
<b>Electricity</b>	<b>kWh</b>	<b>26.098.111</b>	<b>27.923.928</b>
From non-renewable sources		25.231.250	26.626.460
From renewable sources		866.861	1.297.468
<b>Total</b>		<b>26.098.111</b>	<b>27.923.928</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India

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

CO<sub>2</sub> emissions from energy consumption in countries with production activities (offices and sites)

Emissions from non-renewable sources	Unit	2018	2017
Electricity	t CO <sub>2</sub> e	12.645,69	13.418,00
<b>Total</b>		<b>12.645,69</b>	<b>13.418,00</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India

Note: Emissions have been calculated using the emission conversion factors specific to each country in which Group companies are based, published in the "DEFRA conversion factors" and "Terna internal comparisons".

Consequently, the figure for 2017 has also been recalculated using the same conversion factors.

Business trips and atmospheric CO<sub>2</sub> emissions

Number of flights and km travelled	Unit	2018	2017
Flights	No.	1.739	1.428
Air km travelled	Km	5.187.054	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, 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](http://www.worldatlas.com/travelaids/flight_distance.htm).

Fuel consumed during motor vehicle commutes	Unit	2018	2017
Diesel	Litres	261.619	266.843
Petrol		44.078	44.042
<b>Total</b>		<b>305.697</b>	<b>310.885</b>

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 e Elica France S.A.S. Elica GmbH, Airforce S.p.A, Elica Trading LLC, 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	2018	2017
Car	t CO <sub>2</sub> e	793,25	728.472
Diesel		667,40	631.710
Petrol		115,85	96.761
Flights		1.302,70	654.244
<b>Total</b>		<b>2.095,96</b>	<b>1.382.716</b>

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 e Elica France S.A.S. Elica GmbH, Airforce S.p.A, Elica Trading LLC, 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 &amp; Rural Affairs English.

## CONSUMABLES

Elica Group 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 elaborated in compliance with the RoHS II and REACH regulations. In 2016 a specific SAP portal dedicated to all suppliers of materials directly used in finished products began to be developed. Within the portal, suppliers are required to complete a questionnaire, which is shared with **EPL<sup>30</sup>**, and to upload their declarations of *compliance* with RoHS II regulations. On the basis of the information received, each supplier is assigned a risk level, with which requests for further information or further *test reports* are associated.

The Group constantly pursues the primary objective of optimizing its raw material and component usage, reducing waste and using alternative packaging materials, such as bioplastics.

In order to further reduce its "environmental footprint", Elica is also committed to considering the environmental impacts of its products after they have been placed on the market. Accordingly, during the design phase, Elica devotes increasingly close attention to ever-greater use of recycled materials (particularly iron, steel, plastic and wood) and components or materials that may be reused at the end of their lives. In this area, in 2018 Elica invested in training aimed at introducing specific knowledge and methods in pursuit of the circular economy, which will be developed as soon as the coming year.

In packaging system design, considerable attention has also been devoted (for which reference should be made to the "Eco-compatible Design" paragraph of the Report) to the search for increasingly sustainable solutions. In fact, in 2018 Elica S.p.A. received important recognitions for its projects from outside bodies (e.g., the CONAI Prize).

**30**  
*Elica Propulsion Laboratory*

### PERFORMANCE INDICATORS

#### Purchase of goods for production

Material	Unit	2018	2017
Iron	t	31.019,64	35.061,98
Stainless steel		14.345,68	15.652,54
Copper		4.786,96	5.064,87
Plastics		3.570,08	3.810,73
Aluminium		2.241,51	2.243,39
Tin		4,94	5,69
Cardboard for packaging		13.348,42	4.977,61
Wood packaging materials		3.195,74	1.762,03
Plastics for packaging		683,96	611,80
<b>Total</b>		<b>73.196,93</b>	<b>69.190,63</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India

## WASTE AND WATER MANAGEMENT

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

The recording of site process and activity generated waste types and quantities, 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.

The personnel of the local **EHS functions<sup>31</sup>** based at the various production facilities are tasked with monitoring document deadlines and requirements relating to waste management. Particular attention has been devoted to identifying, disposing of and storing waste, as well as to all practices relating to the transport and disposal of hazardous and non-hazardous waste.

The projects pursued, based in part on the monitoring of indicators measuring waste generation *trends*, include efforts to encourage the reuse of containers used to handle materials within a single production facility or to move them between various facilities – efforts that have yielded considerable results in terms of the reduction of waste generated by packaging materials. Over 99% of the waste generated in 2018 is not hazardous.

<sup>31</sup>  
Environment Health & Safety

### PERFORMANCE INDICATORS

#### Hazardous waste

Hazardous waste produced by disposal method	Unit	2018	2017
Recycling	t	27	23
Recovery, including energy recovered		16	22
Landfill		25	23
<b>Total</b>		<b>68</b>	<b>68</b>

Non-hazardous waste produced by disposal method	Unit	2018	2017
Reuse	t	69	41
Recycling		13.404	15.731
Landfill		680	863
<b>Total</b>		<b>14.153</b>	<b>16.635</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India

#### Water consumption

Water consumption	Unit	2018	2017
Waste water from other companies	Litres	0	0
Water from municipal and other public and private services		28.209.930	28.863.366
<b>Total</b>		<b>28.209.930</b>	<b>28.863.366</b>

Scope: Elica, Elicamex, Elica Group Polska, Putian, Airforce, Elica India  
Note: consumption has been calculated from invoices and company monitoring software.

Regarding water consumption, it is of note that the Elica Group does not use significant quantities of water in its production processes. Water resources are used only for the powder coating process, the washing efficiency control parameters for which are managed automatically in order to minimize unnecessary water consumption. Although production processes do not require considerable water usage, monthly monitoring is applied to both water meters and indirect consumption relating to disposal of waste water-based solutions created in the powder coating processes, at sites where this is present.

The other main water use is human consumption (bathrooms and canteen). In view of increasingly efficient, attentive water usage, bathroom consumption is also subject to monthly monitoring.



# THE SUSTAINABILITY FOOTPRINT IN THE SOCIAL ARENA

THE INDIVIDUAL  
CARRIES THE  
CULTURAL  
VALUES  
OF THE ENTERPRISE

## SUPPORTING OUR ASSOCIATES

At December 31, 2018, **Elica Group personnel numbered 3,383<sup>32</sup>**, of which 39% women - with 74% involved in productive activities and 26% involved in support roles. Open-ended contracts at the end of the year numbered 2,803 and fixed-term contracts 580. During the year, 1,410 people were hired, with an outgoing personnel turnover rate of 38.7% (comparison of the number of departures against the total number of employees), against an incoming *turnover* rate of 41.7%.

The countries with the most critical *turnovers* are Poland and Mexico. Such *turnovers* are mainly determined by *blue-collar* dynamics, strongly influenced by extremely low unemployment rates, as well as high industrialization and economic growth in areas where the group's facilities are located.

In light of this situation, the organization implements numerous actions to reduce the impact of *turnover*.

These include:

- a dedicated *blue-collar* recruitment service;
- specific *welfare* systems (including health insurance, housing support, buses);
- constant *salary reviews*;
- specific corporate *retention* initiatives (e.g. Family Days).

<sup>32</sup>  
Excluding temporary workers.

### PERFORMANCE INDICATORS

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

Employees (headcount) by function and gender	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Employees engaged in production activities	No.	1.270	980	2.250	1.224	984	2.208
below 30 years of age		394	229	623	389	224	613
between 30 and 50 years of age		625	540	1.165	613	560	1.173
over 50 years of age		251	211	462	222	200	422
Employees engaged in support activities	No.	794	339	1.133	742	343	1.085
below 30 years of age		200	103	303	160	110	270
between 30 and 50 years of age		460	195	655	460	200	660
over 50 years of age		134	41	175	122	33	155
<b>Total</b>		<b>2.064</b>	<b>1.319</b>	<b>3.383</b>	<b>1.966</b>	<b>1.327</b>	<b>3.293</b>

Employees (headcount) by level and gender	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Executives	No.	34	2	36	33	2	35
below 30 years of age		0	0	0	0	0	0
between 30 and 50 years of age		24	1	25	24	1	25
over 50 years of age		10	1	11	9	1	10
Senior Managers	No.	134	22	156	129	21	150
below 30 years of age		4	2	6	7	1	8
between 30 and 50 years of age		103	16	119	98	17	115
over 50 years of age		27	4	31	24	3	27
White-collar	No.	652	326	978	616	330	946
below 30 years of age		197	110	307	186	114	300
between 30 and 50 years of age		356	183	539	344	191	535
over 50 years of age		99	33	132	86	25	111
Blue-collar	No.	1.244	969	2.213	1.188	974	2.162
below 30 years of age		393	220	613	364	221	585
between 30 and 50 years of age		603	535	1.138	594	550	1.144
over 50 years of age		248	214	462	230	203	433
<b>Total</b>		<b>2.064</b>	<b>1.319</b>	<b>3.383</b>	<b>1.966</b>	<b>1.327</b>	<b>3.293</b>

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 (headcount)	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Temporary employees	No.	350	230	580	354	400	754
Italy		15	4	19	11	9	20
France		1	3	4	1	1	2
Germany		0	1	1	0	0	-
Poland		103	122	225	142	301	443
Russia		0	0	-	0	0	0
The Americas		120	63	183	83	38	121
India		48	11	59	0	0	0
China		63	26	89	117	51	168
Japan		0	0	-	0	0	-
Permanent employees		1.714	1.089	2.803	1.612	927	2.539
Italy		773	474	1.247	787	473	1.260
France		5	2	7	5	1	6
Germany		8	5	13	9	0	9
Poland		125	270	395	83	155	238
Russia		10	22	32	12	21	33
The Americas		458	260	718	387	210	597
India		287	25	312	275	35	310
China		48	31	79	54	32	86
Japan		0	0	-	0	0	-
<b>Total</b>		<b>2.064</b>	<b>1.319</b>	<b>3.383</b>	<b>1.966</b>	<b>1.327</b>	<b>3.293</b>

*Source: Company payrolls*

Employees (headcount)	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Full-time employees	No.	2.062	1.280	3.342	1.961	1.295	3.256
Part-time employees		2	39	41	5	32	37
<b>Total</b>		<b>2.064</b>	<b>1.319</b>	<b>3.383</b>	<b>1.966</b>	<b>1.327</b>	<b>3.293</b>

*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	2018			2017		
		Male	Female	Total	Male	Female	Total
Italy	No.	29	7	36	28	11	39
below 30 years of age		9	4	13	7	3	10
between 30 and 50 years of age		19	3	22	19	8	27
over 50 years of age		1	0	1	2	0	2
France		1	7	8	1	1	2
below 30 years of age		0	0	0	0	0	0
between 30 and 50 years of age		1	7	8	1	0	1
over 50 years of age		0	0	-	0	1	1
Germany		1	6	7	8	-	8
below 30 years of age		-	1	1	-	-	-
between 30 and 50 years of age		1	4	5	5	-	5
over 50 years of age		-	1	1	3	-	8
Poland		109	90	199	118	123	241
below 30 years of age		51	33	84	56	49	105
between 30 and 50 years of age		48	45	93	50	61	111
over 50 years of age		10	12	22	12	13	25
Russia		1	2	3	0	4	4
below 30 years of age		1	2	3	0	3	3
between 30 and 50 years of age		0	0	0	0	1	1
over 50 years of age		0	0	-	0	0	-
The Americas		604	357	961	461	277	738
below 30 years of age		407	218	625	308	171	479
between 30 and 50 years of age		189	130	319	145	100	245
over 50 years of age		8	9	17	8	6	14
India		118	19	137	104	20	124
below 30 years of age		53	14	67	57	15	72
between 30 and 50 years of age		57	5	62	46	5	51
over 50 years of age		8	0	8	1	0	1
China		41	18	59	103	49	152
below 30 years of age		26	8	34	61	15	76
between 30 and 50 years of age		13	10	23	39	31	70
over 50 years of age		2	0	2	3	3	6
Japan		-	-	-	-	-	-
below 30 years of age		-	-	-	-	-	-
between 30 and 50 years of age		-	-	-	-	-	-
over 50 years of age		-	-	-	-	-	-
<b>Total</b>		<b>904</b>	<b>506</b>	<b>1.410</b>	<b>825</b>	<b>485</b>	<b>1.310</b>
<b>below 30 years of age</b>		<b>547</b>	<b>280</b>	<b>827</b>	<b>489</b>	<b>256</b>	<b>745</b>
<b>between 30 and 50 years of age</b>		<b>328</b>	<b>204</b>	<b>532</b>	<b>307</b>	<b>206</b>	<b>513</b>
<b>over 50 years of age</b>		<b>29</b>	<b>22</b>	<b>51</b>	<b>29</b>	<b>23</b>	<b>52</b>

**Number of employees leaving the Group  
(excluding temporary workers)**

	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Italy	No.	35	14	49	51	21	72
below 30 years of age		2	1	3	5	2	7
between 30 and 50 years of age		26	10	36	35	12	47
over 50 years of age		7	3	10	11	7	18
France		1	4	5	-	2	2
below 30 years of age		-	0	0	-	1	1
between 30 and 50 years of age		1	3	4	-	1	1
over 50 years of age		-	1	1	-	-	-
Germany		2	-	2	-	-	-
below 30 years of age		-	-	-	-	-	-
between 30 and 50 years of age		2	-	2	-	-	-
over 50 years of age		-	-	-	-	-	-
Poland		108	145	253	109	155	264
below 30 years of age		43	61	104	53	57	110
between 30 and 50 years of age		50	57	107	47	78	125
over 50 years of age		15	27	42	9	20	29
Russia		3	1	4	-	2	2
below 30 years of age		1	0	1	-	1	1
between 30 and 50 years of age		1	1	2	-	1	1
over 50 years of age		1	0	1	-	-	-
The Americas		496	284	780	449	232	681
below 30 years of age		326	178	504	299	150	449
between 30 and 50 years of age		167	100	267	145	78	223
over 50 years of age		3	6	9	5	4	9
India		58	17	75	37	11	48
below 30 years of age		27	11	38	19	7	26
between 30 and 50 years of age		29	5	34	18	4	22
over 50 years of age		2	1	3	-	-	-
China		97	44	141	116	50	166
below 30 years of age		38	9	47	67	15	82
between 30 and 50 years of age		54	34	88	44	32	76
over 50 years of age		5	1	6	5	3	8
Japan		-	-	-	-	-	-
below 30 years of age		-	-	-	-	-	-
between 30 and 50 years of age		-	-	-	-	-	-
over 50 years of age		-	-	-	-	-	-
<b>Total</b>		<b>800</b>	<b>509</b>	<b>1.309</b>	<b>762</b>	<b>473</b>	<b>1.235</b>
<b>below 30 years of age</b>		<b>437</b>	<b>260</b>	<b>697</b>	<b>443</b>	<b>233</b>	<b>676</b>
<b>between 30 and 50 years of age</b>		<b>330</b>	<b>210</b>	<b>540</b>	<b>289</b>	<b>206</b>	<b>495</b>
<b>over 50 years of age</b>		<b>33</b>	<b>39</b>	<b>72</b>	<b>30</b>	<b>34</b>	<b>64</b>

**Incoming turnover rate  
(excluding temporary staff)**

Incoming turnover rate	Unit	2018	2017				
	%	Male	Female	Total	Male	Female	Total
Italy	%	0,86%	0,21%	1,06%	0,91%	0,33%	1,25%
France		0,03%	0,21%	0,24%	0,03%	0,03%	0,06%
Germany		0,03%	0,18%	0,21%	0,24%	0,00%	0,24%
Poland		3,22%	2,66%	5,88%	3,58%	3,74%	7,32%
Russia		0,03%	0,06%	0,09%	0,00%	0,12%	0,12%
The Americas		17,85%	10,55%	28,41%	14,00%	8,41%	22,41%
India		3,49%	0,56%	4,05%	3,16%	0,61%	3,77%
China		1,21%	0,53%	1,74%	3,13%	1,49%	4,62%
Japan		0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
<b>Total</b>		<b>26,72%</b>	<b>14,96%</b>	<b>41,68%</b>	<b>25,05%</b>	<b>14,73%</b>	<b>39,78%</b>

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.

**Outgoing turnover rate  
(excluding temporary staff)**

Outgoing turnover rate	Unit	2018	2017				
	%	Male	Female	Total	Male	Female	Total
Italy	%	1,03%	0,41%	1,45%	1,55%	0,63%	2,18%
France		0,03%	0,12%	0,15%	0,00%	0,06%	0,06%
Germany		0,06%	0,00%	0,06%	0,00%	0,00%	0,00%
Poland		3,19%	4,29%	7,48%	3,31%	4,70%	8,01%
Russia		0,09%	0,03%	0,12%	0,00%	0,06%	0,06%
The Americas		14,66%	8,39%	23,06%	13,63%	7,04%	20,68%
India		1,71%	0,50%	2,22%	1,12%	0,33%	1,45%
China		2,87%	1,30%	4,17%	3,52%	1,51%	5,04%
Japan		0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
<b>Total</b>		<b>23,65%</b>	<b>15,05%</b>	<b>38,69%</b>	<b>23,14%</b>	<b>14,36%</b>	<b>37,50%</b>

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 and the fight against discrimination

The Group's Ethics Code - which must be complied with by all subsidiaries and their employees - sets out Elica'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.

Furthermore, joint collaborations with certain major clients (IKEA for example) require compliance with the principles of their codes of conduct, to which Elica is aligned as far as compatible with its own Ethics Code. Consistent with these codes and internal policies, Elica had no instances of discrimination throughout the whole of 2018.

In accordance with the 231 Model, the Supervisory Body has set up an e-mail address to report any cases of discrimination. Human Resources Management at Elica has always been compliant with employee diversity and equal opportunity guarantees, with a zero-tolerance policy on discrimination. Concrete testament to this commitment is the accolades and accreditations both the Parent Group and the individual subsidiary companies have achieved over the years (e.g. Top Employers Certification and the "Great Place to Work" Award).

This is furthermore copper-fastened in the hiring process anchored on objective assessments of candidates' skills regardless of personal attributes. In confirmation of this commitment, a specific internal *policy*, valid for the entire group, has been introduced to govern the *recruiting* process. These very same principles are likewise applied to personnel review processes.

An approach aimed at an objective assessment of a candidate's skills 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 Polish subsidiary implements initiatives to prevent potential discrimination scenarios, including the implementation of *anti-bullying* and anti-discrimination procedures, as well as specific initiatives aimed at further promoting the Group's Ethics Code, communicated to employees through *newsletters* and training programs targeting *Managers* and Supervisors. This also became mandatory for manpower agencies, as well as for other *outsourced* services.

The *auditing* of these suppliers' compliance with the Code furthermore demonstrates the Group's commitment to ensuring that its ethical principles are guaranteed even beyond the organization itself.

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

## Training

The Group's companies draft their own bespoke training plans for managerial and operation personnel based on their individual requirements and development goals, prioritizing their designated *business* goals.

An internal **EHS Department<sup>33</sup>** Team provide the support for mandatory health and safety training.

*Feedback* from participants through questionnaire reviews 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 teachers is underpinned by verifying qualifications and accreditations. The training programmes are furthermore based on mapped needs, in line with projected needs and levels of priority.

In continuity with the previous year, and with the support of the new *performance* assessment model for all *white-collar* employees (not including China and India), the training provided in 2018 focused on topics relating to improving management, *teamwork* and language skills and developing *soft skills*.

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).

For China, at the beginning of the year a plan structured over a series of training programmes was drawn up, where the participants were asked to assess the efficacy 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.

Finally, in Poland there is a training needs management procedure to track the activities carried out and the courses delivered. Their main purpose is to deliver an initial and solid training program to new resources, to fill in any training *gaps*, as well as planning any future and potentially emerging training courses for both new recruits and existing associates of Elica Group Polska.

**33**  
Environment Health & Safety

## PERFORMANCE INDICATORS

### Training hours and employees involved (excluding temporary workers)

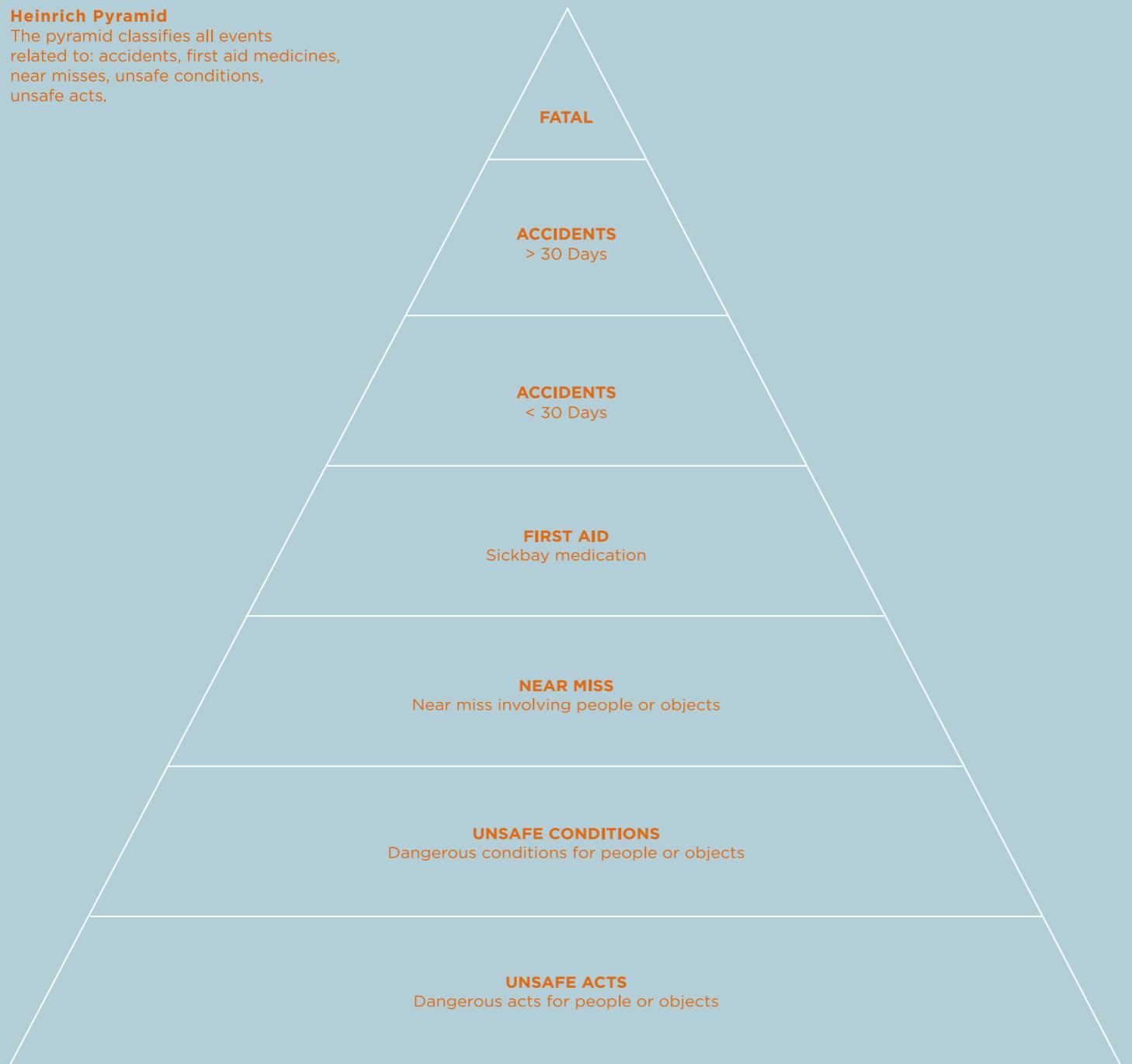
Training hours by gender and level	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Executives	Hours	288,0	110,0	398,0	721,0	63,0	784,0
Senior Managers		1.290,5	406,1	1.696,6	2.806,0	1.650,0	4.456,0
White-collar		9.593,0	6.509,0	16.102,0	7.680,5	4.458,0	12.138,8
Blue-collar		9.198,9	6.733,0	15.931,9	9.586,5	6.668,3	16.254,8
<b>Total</b>		<b>20.370,4</b>	<b>13.758,1</b>	<b>34.128,5</b>	<b>20.794,0</b>	<b>12.839,5</b>	<b>33.633,5</b>

Average training hours by gender and personnel category	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Average training hours provided to executives	Hours/No.	8,5	55,0	11,1	21,8	31,5	22,4
Average training hours provided to managers		9,6	18,5	10,9	21,8	78,6	29,7
Average training hours provided to white-collars		14,7	20,0	16,5	12,5	13,5	12,8
Average training hours provided to blue-collars		7,4	6,9	7,2	8,1	6,8	7,5

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. Elica PB India Private Ltd.

**Heinrich Pyramid**

The pyramid classifies all events related to: accidents, first aid medicines, near misses, unsafe conditions, unsafe acts.

**Health and safety**

The policies adopted by Elica to manage employee health and safety can be summarized in the cardinal principle that states “Health and safety in the workplace is everybody’s responsibility, manifest 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 stated in our Elica Quality, Environment and Safety Policy document.

To continue progress on the minimization of risk factors and therefore the likelihood of accidents and occupational illnesses, a range of preventative programs were introduced to make ongoing improvements in workplace health and safety conditions.

The main tool included in the **WCM<sup>34</sup>** system that is systematically adopted in this area is known as the Heinrich Pyramid, which classifies all events involving: accidents, use of first aid, near-accidents, unsafe conditions, and unsafe behaviour.

These events are identified on the basis of reports submitted by all personnel involved and analysed to determine their root causes and plan appropriate corrective and/or preventative measures for the local health and safety teams to implement.

**34**  
World Class Manufacturing

**35**  
The reference set consists solely of Elica S.p.A., Elica Group Polska and Elicamex.

**36**  
List of safety activities with progress monitoring according to the Deming Cycle of “PLAN – DO – CHECK – ACT”, with the assignment of timings and responsibilities.

The presence at the *corporate* level of an EHS department provides a **governance structure to overview and centrally<sup>35</sup> coordinate** health and safety aspects. It was therefore possible to conduct continuous monitoring of key *performance* indicators (gravity and frequency indices) across the scope covered through monthly EHS staff meetings and assess the progress of improvements projects undertaken through the use of tools such as the **Kaizen Safety Journal<sup>36</sup>**.

In 2018 tangible results were achieved through the considerable resources deployed and actions taken by the Group, as witnessed by the improvement in safety indicators:

- 39.4% reduction in the Frequency Index compared with the same period of 2017,
- 69.2% reduction in the Gravity Index compared with the same period of 2017,
- 39.1% reduction in the number of accidents compared with the same period of 2017.

One of the main goals for 2019 is to start the process of obtaining ISO 45001:2015 compliance certification for the workplace health and safety system. This project will be launched at the Italian offices and later expanded to the international sites.

## PERFORMANCE INDICATORS

## Accident indicators

<b>Employees</b>	<b>Unit</b>	<b>2018 Total</b>	<b>2017 Total</b>
<b>Accidents at work</b>	<b>nº</b>	<b>14</b>	<b>23</b>
Italy		8	4
Poland		2	11
Mexico		3	7
India		-	-
China		1	1
<b>Deaths at work</b>	<b>nº</b>	<b>-</b>	<b>-</b>
Italy		-	-
Poland		-	-
Mexico		-	-
India		-	-
China		-	-

Employees	Unit	2018 Total	2017 Total
<b>Occupational illness cases</b>	n°	-	-
Italy		-	-
Poland		-	-
Mexico		-	-
India		-	-
China		-	-
<b>Number of days of absence due to accidents</b>	n°	<b>167</b>	<b>540</b>
at work		167	540
on commute		-	-
<b>Total number of hours worked</b>	ore	<b>6.321.869</b>	<b>6.293.614</b>
Italy		1.860.878	2.207.506
Poland		1.672.977	1.360.536
Mexico		1.736.767	1.603.313
India		755.776	614.408
China		295.471	507.851
<b>Rate of work hours lost (GI) Gravity Index</b>	n°	<b>0,026</b>	<b>0,086</b>
<b>Rate of occupational illnesses (ODR)</b>		-	-
<b>Rate of accidents (FI) Frequency Index</b>		<b>2,21</b>	<b>3,654</b>

### Scope: Countries with production sites.

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

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

### Absenteeism Index (excluding temporary workers)

Absenteeism rate	Unit	2018			2017		
		Male	Female	Total	Male	Female	Total
Italy	% hours of absence/ workable hours	7,7%	10,6%	8,8%	5,1%	8,9%	6,5%
Poland		4,6%	4,6%	4,6%	4,2%	17,8%	13,3%
Mexico		3,2%	3,2%	3,2%	1,3%	1,7%	1,4%
India		3,9%	6,3%	4,1%	4,2%	4,0%	4,2%
China		3,6%	2,4%	3,2%	3,7%	2,3%	3,3%

### *Scope: Countries with production sites*

*Absenteeism index: total number of days lost in the period / total number of workable days*

## 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 between the Company and its employees in effect at Elica S.p.A. since 2008, in 2018 the Company and labour union representatives continued their constant monitoring of the union agreement signed in 2017 laying down the new work schedule model, aimed at discontinuing use of social support mechanisms and at introducing new company *welfare* mechanisms for personnel;
- in China the procedure to introduce union representation was launched in 2018 with the aim of collectively managing operating and industrial issues.

## PERFORMANCE INDICATORS

### Collective bargaining agreements

#### Employees covered by collective bargaining agreements

	Unit	2018	2017
Employees covered by collective bargaining agreements	No.	2.262	1.937
Total employees	No.	3.383	3.293
Percentage	%	67%	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., Elica France S.A.S

## SUPPORTING OUR CLIENTS AND QUALITY

All Group companies with production facilities (except Airforce) are equipped with ISO 9001:2015 certified management systems. In the case of finished products (hoods, ranges, fragrance dispensers and home air quality monitoring systems), Elica's policy is essentially to bring to market products that are fully compliant with all applicable local and international legislation.

Each year the Group certifies all new products brought to market and re-certifies all products that have seen changes in materials and/or components to ensure that they *comply* with health and safety *standards*.

## PERFORMANCE INDICATORS

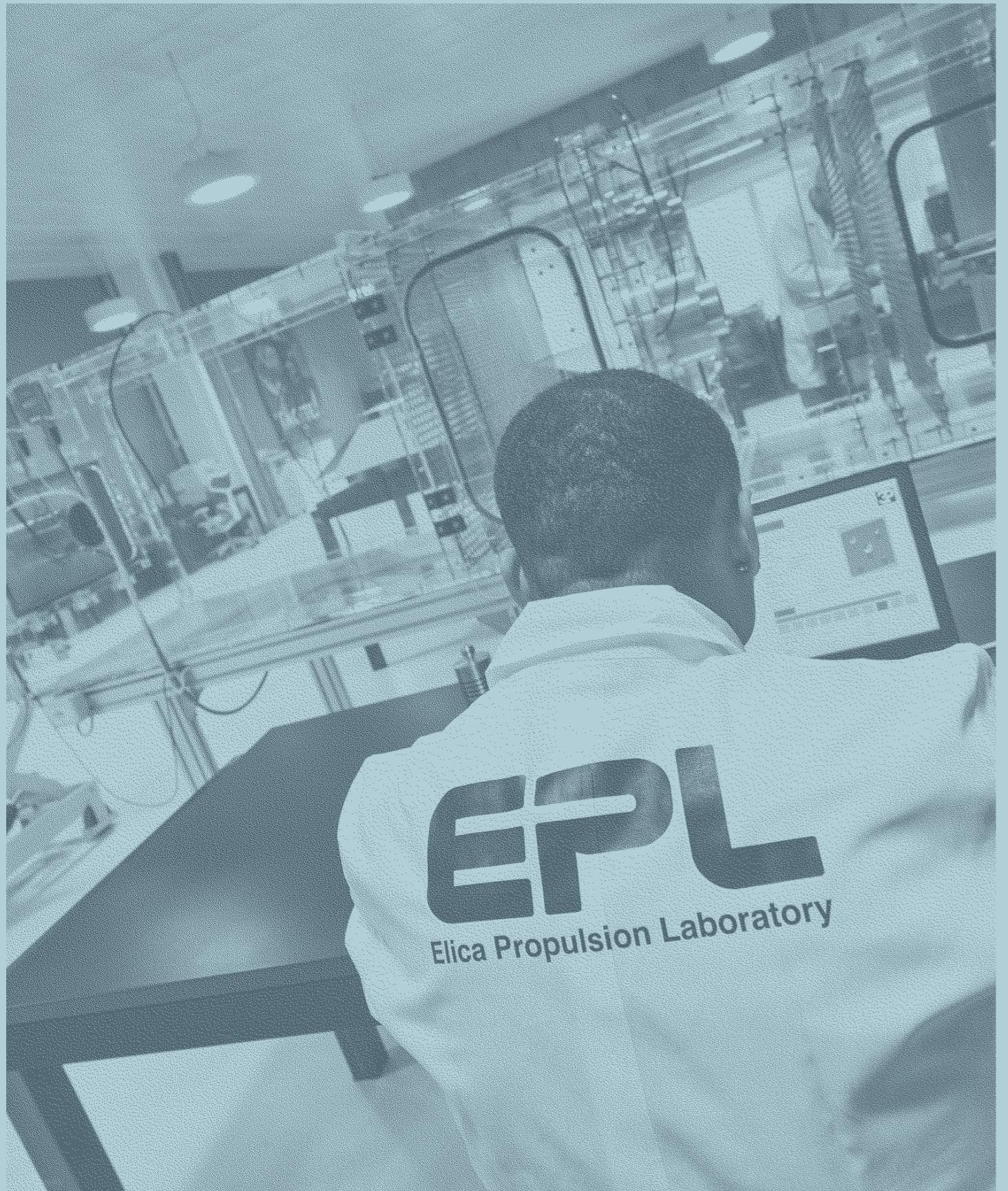
Percentage of categories of products and services for which health and safety impacts on consumers are assessed (e.g., product testing)

#### Products/Services

	Unit	2018	2017
Products analysed for risks relating to consumer health and safety	No.	3.321	-
Products in portfolio (number of SKUs)	No.	9.038	-
Products previously analysed for risks relating to health and safety (before the reporting year)	No.	5.717	-
Percent of products analysed for health and safety risk during the year	%	37%	N. A.*
Percent of products analysed for health and safety (total)	%	100%	100%

Scope: Elica S.p.A., Elicamex, Elica Group Polska Sp.z o.o, Airforce S.p.A., Zhejiang Elica Putian Electric Co. Ltd, Elica PB India Private Ltd., Ariafina Co. Ltd.

\* The figures for 2017 are not available because this indicator was not measured prior to reporting year 2018.



**37**  
UL is the certification body, or National Competent Body, for the USA. For further details, refer to the website [www.ul.com](http://www.ul.com) or [www.italy.ul.com](http://www.italy.ul.com).

**38**  
The Customer Testing Facilities (CTF) programme was established by the Institute of Electrical and Electronics Engineers to enable use of the manufacturer's in-house laboratory for testing and CB certification purposes (see note 39). CTF Stage 3 level is the highest level possible for a company laboratory, accepted by all states worldwide, and in accordance with European and IEC standards.

**39**  
CB is the certificate issued by UL as evidence of the safety of products in conformity with European IEC standards, valid in all non-European countries, except the USA and Canada.

**40**  
DEMKO is the certificate and marking issued by UL as evidence of the safety of products in conformity with European standards (EN).

**41**  
UL's Customer Test Data Program is the equivalent of CTF Stage 3, but for the markets of the USA and Canada, and therefore in accordance with UL standards.

**42**  
The cULus certificate is issued by UL as evidence of the safety of products in conformity with US standards (established by UL) extended to Canadian standards, for the markets of the USA and Canada.

**43**  
WMT is the Witness Manufacturer Testing Program of CQC (see note 44), the highest level of accreditation granted by CQC to laboratories not under their direct control, of which EPL is currently the only one located outside of China.

**44**  
CQC is the certification body, or National Competent Body, for China. For further information, please see [www.cqc.com.cn/www/english](http://www.cqc.com.cn/www/english).

**45**  
ilac-MRA Accredia accreditation, the Italian Accreditation Body is the only national organization authorized by the State to carry out accreditation activities. Accredia is the only national accreditation body authorized by the Italian government to certify that certification and inspection bodies, as well as testing, calibration and food safety laboratories, have the necessary expertise to adequately evaluate the conformity of products, processes and systems to reference standards. International agreements attest to the validity and credibility of accreditation as an effective tool in the qualification of Conformity Assessment Operators for European and global marketplaces, ensuring recognition of the equivalence of accreditation activities carried out under all signatory members within the accreditation system administered by IAF-ILAC internationally and by EA at the regional (European) level.

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

For more than ten years there has been extensive collaboration with **UL**<sup>37</sup>, a US organization that certifies products for safety and electromagnetic compatibility and a global *leader* in the *appliance* industry for the EU, US and Canadian markets.

Elica has constantly focused on product safety, certification and innovation, resulting in the creation of EPL, its globally certified internal testing laboratory for safety, electromagnetic compatibility, energy consumption, *performance*, noise levels and reliability of finished products, materials and components. It has been certified **CTF Stage 3**<sup>38</sup> by UL for the issuance of **CB**<sup>39</sup> and **DEMKO**<sup>40</sup>, **CTDP**<sup>41</sup> by UL for the issuance of **UL** and **cULus**<sup>42</sup> certificates, **WMT**<sup>43</sup> by **CQC**<sup>44</sup> for the issuance of the CCC mark and Chinese Energy Label (the only laboratory in the world outside of China) and finally **ilac-MRA Accredia**<sup>45</sup> for the certification of the safety, *performance*, electromagnetic and acoustic compatibility of finished products and components (globally recognized certification issued by the Italian government).

This policy also covers the finished products of the Chinese and Indian subsidiaries sold within the European Union.

Elica has begun to develop a new process of *testing* finished products that, by involving employees with roles external to production, aims to simulate *customer experience*. The objective of this process is to reveal eventual defects or malfunctioning prior to market release and reduce the rate of latent defects, above all in terms of safety, but also in terms of reliability of products over time.

### **The Mission Elica Propulsion Laboratory's**

- verifying the safety, reliability, energy efficiency, *performance* and electromagnetic compatibility of finished products and components;
- enabling access to global markets;
- supporting research and innovation.

Based on the *standard* procedures used to design its platforms and study product manufacturing feasibility, the Group also conducts analyses of residual product risks with the aid of EPL and CB (Certification Body). On the basis of the findings, the potential residual risks are:

- electrical;
- mechanical;
- thermal;
- chemical.

Some of them may be associated with possible risks of fire or electromagnetic disturbances.

As a result of the aforementioned monitoring and certification system, the number of episodes of non-conformity is modest in extent. If loss claims filed with insurers are taken as the basis for evaluation, in 2018 there were just two cases.

#### PERFORMANCE INDICATORS

##### Episodes of non-compliance relating to the impacts on health and safety of products and services

###### Non-Conformity

Episodes of non-compliance with regulations entailing a penalty

Episodes of non-compliance with voluntary codes

**Total**

Unit	2018	2017
No.		
	2	4
	N/A	N/A
	<b>2</b>	<b>4</b>

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

#### We protect clients by providing accurate information

#### Cooking Division

For finished products in the cooking area (range hoods and induction ranges) and for kitchen hoods, the Elica Group provides consumers with a set of information aimed at protecting their main rights (health, safety, quality of products and services and adequate information). This information is provided in the form of labels affixed directly to the product or packaging and documentation accompanying the product, enabling safe use of the products and services and providing information about the contents and, in particular, about the substances that could generate a social impact, how to dispose of the product and the related environmental and social impacts and the product's energy consumption (Energy Label, Product Sheet and Ecodesign).

The origins of product components are not disclosed to consumers but is available from the company as it is included in specific certifications (Appendix 1 to the CB test report on safety certification).

*Product managers* determine the documents and labels that are to accompany products. The company's Windchill PDMLink system is used to begin the process of designing the documentation and labelling.

In the cases of Elica SpA, Elica Group Polska Sp.z o.o, Elica GmbH, Elica Trading LLC and Elica France S.A.S., all documentation (e.g., installation, use and maintenance manuals) and labels affixed to products and packaging are prepared by the technical services and EPL (e.g.: Energy Label).

All products are validated by the **internationally accredited laboratory EPL<sup>46</sup>**. They are also certified by a third-party organization, even when marketed solely in the EU, where the EC self-certification would be sufficient. This procedure also applies to the finished products of the Chinese subsidiary sold within the European Union.

In the case of Elicamex S.a. de C.V, the accredited local internal laboratory validates and provides the documentation for the client, in concert with local certification, with support and coordination from EPL.

In the case of Zhejiang Elica Putian Electric Co. Ltd, products intended for the Chinese market and for the markets of South-East Asia are CCC certified by external laboratories.

In the case of Elica PB India Private Ltd. and Ariaflina Co. Ltd, product documentation and labels comply with local legislation.

**46**  
UNI EN ISO/IEC 17025 Certificate by  
Accredia ([www.accredia.it](http://www.accredia.it)), certified CTFst3  
and CTDP compliant by UL International  
and certified WMT compliant by CQC.

## Motors Division

Fime - Elica Motors Division operates according to a *business-to-business* model, meaning that the products it supplies are assembled by its clients into their products (such as boilers, water heaters, ovens, refrigerators and cooking hoods) to then in turn be brought to market for end consumers.

Accordingly, the division provides the information requested by the client on the agreed technical specifications and, where applicable, the contract signed. This information may be included in the product label or provided in separate technical documentation: designs, certificates of approval by third parties relating to product safety, preferred origin of the product, quality specifications, logistical specifications and/or specifications of another kind.

On the basis of the agreed specifications for each order, the *set* of direct or indirect information required for the project is entered into the Windchill PDMLink management system and the Product Development Procedure is applied to ensure that the information is verified and available.

The *Project Manager* is then responsible for initiating the preparation of the documents and labels of a technical nature that are to be provided with the product and for monitoring and coordinating project progress until each project is concluded.

## PERFORMANCE INDICATORS

### Product and service information and labelling requirements

Item	Description	Hoods	Motors
Requirements for company disclosure and product labelling and services policies	Origin of components Content, and in particular substances that could generate an environmental or social impact Safe use of products and services Product disposal methods and the related environmental and social impacts Other (specify); Energy label; Product Sheet and Ecodesign	no yes yes yes yes	yes yes yes yes no

Region	Failure Rate	Unit	2018	2017
Finished products *	Percentage of significant categories of products and services covered and assessed for compliance with the above procedures **	%	62%	63%
Electric motors	Percentage of significant categories of products and services covered and assessed for compliance with the above procedures	%	100%	100%

(\*) Scope of finished products: Elica brand hoods, range hoods and induction ranges. It is assumed that what applies to these product categories for the Elica brand may be extended to all Elica Group induction ranges, range hoods and cooking hoods marketed by: Elica Spa, Elica Group Polska Sp.z o.o, Elica Gmbh, Elica Trading LLC, and Elica France S.A.S. The analysis also applies to the finished products of the Chinese subsidiary sold in the European Union (both own brands and third-party brands). The "Fragrance diffuser" product type is not included in the indicator, because it is subject solely to safety and not to energy label and ecodesign.

(\*\*) The ratio of the net sales generated by the finished products analysed (see the field "(\*) Scope of finished products") and the Elica Group's net sales for the following categories of finished products: hoods, range hoods and induction ranges).



**We protect our clients'  
*privacy***

In the light of the Elica Group's *business* model, the risks associated with possible *privacy* violations affecting consumers are not currently considered high in principle, owing in part to the fact that almost all sales are to businesses and not directly to consumers. It may therefore be stated that Elica does not process personal or special data on a large scale. In addition, in the light of the increasing use of the Internet of Things (I.o.T.) in the home appliance sector, as in other sectors, the increase in own brand sales and the significant penalties that may be imposed in the event of violations, in accordance with applicable legislation, and in particular with the new EU Regulation 679/2016 (GDPR), Elica S.p.A has implemented a compliance project extending to all subsidiaries based in the EU and has appointed a Data Privacy Officer. As part of this Project, the Company, among other activities: (i) is completing the procedural framework designed to prevent risks of personal data breaches, to be extended to the other Group companies, within the limits of applicability under local legislation; (ii) has updated policy statements for data subjects; (iii) has appointed internal authorized persons and external data processors; (iv) has conducted training activity for employees; and (v) has drafted and kept the record of data processing activities. These activities, with the supervision and coordination of Elica's head office and Data Privacy Officer, are also in progress – to the extent applicable – at subsidiaries based in the EU, with support (in the case of Elica GmbH) of a dedicated Data Privacy Officer and, in the case of the other companies, of local consultants. In addition, in *privacy* matters all Group companies are required to operate in accordance with the principles of the Group Ethics Code and applicable local legislation.

Due in part to the actions taken and safeguards put into place, the Group did not identify any data breaches in either 2018 or 2017.

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